PING AN

Finance · Technology

Expertise Makes Life Simple

2019 Annual Report

Contents

中国平安 PING AN

Embracing the future with a true heart

Beyond the high faraway mountains,

Behind the tall factory buildings,

In the cradle of the real economy,

We are fighting against poverty.

Clean water, green hills, and orange clothes,

The color of Ping An, and the song of happiness,

Written in folks' insurance policies,

Chanted as smart city melodies.

Data-driven transformations usher in next thirty years,

Ping An spreads wings of technologies and ecosystems,

No matter how the world changes,

Ping An is with you always.

For 31 years, Ping An has remained true to its original aspiration and committed to implementing national strategies, safeguarding people's livelihoods, and promoting national rejuvenation. Ping An continued to pursue transformations under the "finance + technology" and "finance + ecosystem" strategies. Ping An further developed the five ecosystems, namely financial services, health care, auto services, real estate services, and smart city services. Through robust data-driven operations, Ping An anticipated trends, made timely decisions, and took action ahead of others.

The year 2020 is the last year of China's 13th Five-Year Plan, a decisive year for building China into a moderately prosperous society, and a critical year for poverty alleviation in China. In a complex and ever-evolving world, Ping An will adhere to its original aspiration, focus on value creation, and seek sustainable growth. Ping An will maintain sound asset management and prudent investment strategies. Ping An will transform financial businesses by promoting smart business management, data-driven operations, robust channel development, and personalized customer services. Ping An will exploit its financial strength and technological expertise to serve customers, reward shareholders, support society, and contribute to the country. "After crossing the green hills, we are still young." Ping An will continue making contributions to China's poverty alleviation by advancing public welfare programs including Ping An Rural Communities Support.

Ping An embraces the future with a true heart.

Five-Year Summary

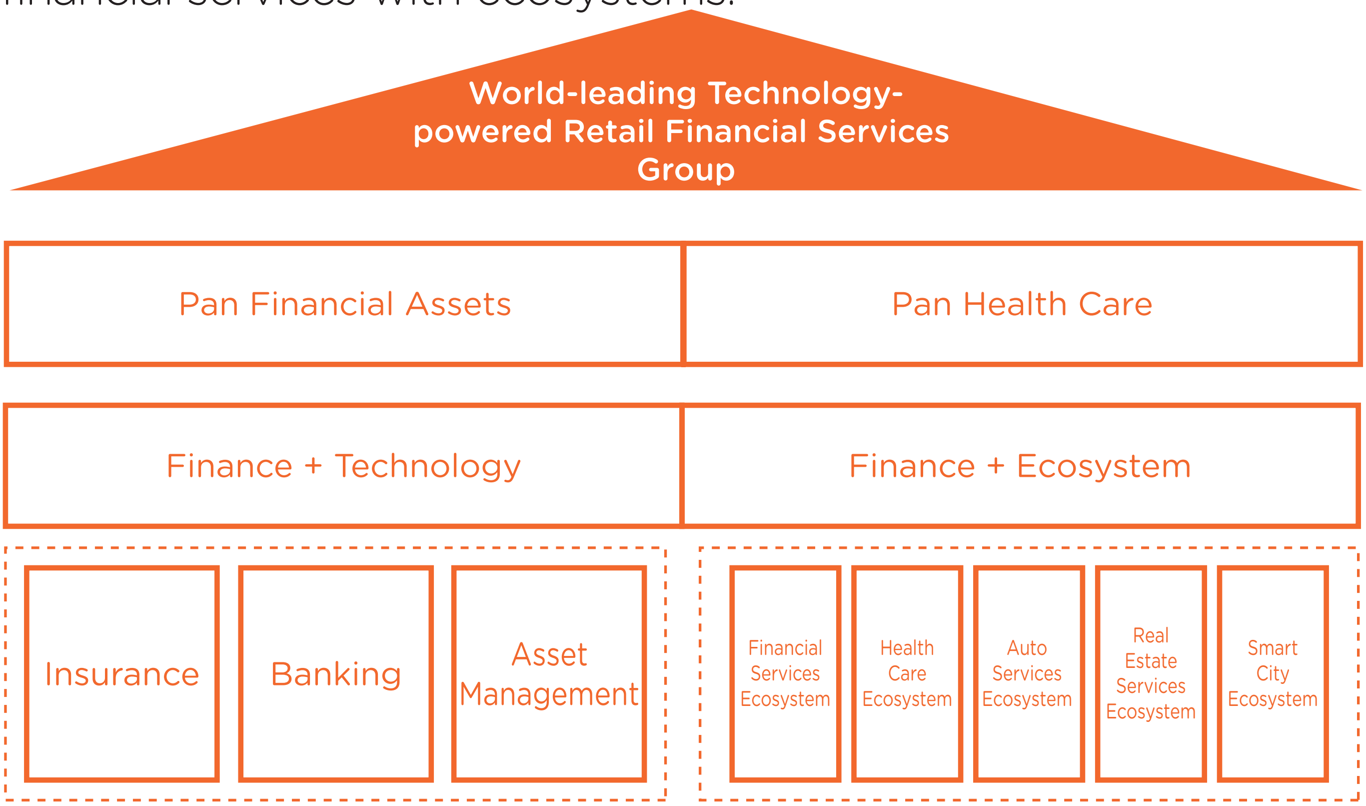
(in RMB million)	**2019/ December 31, 2019**	2018/ December 31, 2018	2017/ December 31, 2017	2016/ December 31, 2016	2015/ December 31, 2015
CUSTOMER DEVELOPMENT					
Number of internet users (in million)	**515.50**	443.59	429.51	346.30	241.57
Number of retail customers (in million)	**200.48**	180.22	156.90	131.07	109.10
Number of contracts per customer (contract)	**2.64**	2.54	2.38	2.21	2.03
Operating profit per customer (in RMB)	**612.54**	542.28	474.99	N/A	N/A
Proportion of customers holding multiple contracts with different subsidiaries (%)	**36.8**	34.3	29.6	24.0	19.0
Proportion of the Group's new customers from internet users within the Group's five ecosystems (%)	**40.7**	34.4	37.2	22.3	19.4
GROUP					
Operating profit attributable to shareholders of the parent company	**132,955**	112,573	94,708	68,252	N/A
Operating ROE (%)	**21.7**	21.9	22.0	19.0	N/A
Basic operating earnings per share (in RMB)	**7.48**	6.31	5.31	3.82	N/A
Dividend per share (in RMB)	**2.05**	1.72	1.50	0.75	0.53
Equity attributable to shareholders of the parent company	**673,161**	556,508	473,351	383,449	334,248
Embedded value	**1,200,533**	1,002,456	825,173	637,703	551,514
Net profit attributable to shareholders of the parent company	**149,407**	107,404	89,088	62,394	54,203
Group comprehensive solvency margin ratio (%)	**229.8**	216.4	214.9	210.0	204.9
Total Assets	**8,222,929**	7,142,960	6,493,075	5,576,903	4,765,159
Total liabilities	**7,370,559**	6,459,317	5,905,158	5,090,442	4,351,588
LIFE AND HEALTH INSURANCE BUSINESS					
Operating return on embedded value (%)	**25.0**	30.8	35.5	27.0	21.4
Embedded value	**757,490**	613,223	496,381	360,312	325,474
New business value	**75,945**	72,294	67,357	50,805	38,420
Operating profit	**88,950**	71,345	52,824	40,518	N/A
Residual margin	**918,416**	786,633	616,319	454,705	330,846
Comprehensive solvency margin ratio – Ping An Life (%)	**231.6**	218.8	234.1	225.9	219.7
PROPERTY AND CASUALTY INSURANCE BUSINESS					
Operating profit	**20,952**	12,274	13,372	12,700	N/A
Combined ratio (%)	**96.4**	96.0	96.2	95.9	95.6
Comprehensive solvency margin ratio (%)	**259.2**	223.8	217.5	267.3	269.5
BANKING BUSINESS					
Net profit	**28,195**	24,818	23,189	22,599	21,865
Net interest margin (%)	**2.62**	2.35	2.37	2.75	2.81
Cost-to-income ratio (%)	**29.61**	30.32	29.89	25.97	31.31
Non-performing loan ratio (%)	**1.65**	1.75	1.70	1.74	1.45
Provision coverage ratio for loans more than 90 days overdue (%)	**222.89**	159.45	105.67	98.51	N/A
Core tier 1 capital adequacy ratio (%)	**9.11**	8.54	8.28	8.36	9.03
ASSET MANAGEMENT BUSINESS					
Trust business net profit	**2,598**	3,012	3,957	2,322	2,888
Securities business net profit	**2,376**	1,680	2,123	2,215	2,478
TECHNOLOGY BUSINESS					
Operating profit	**4,661**	7,748	5,488	(3,575)	N/A

Note: Some indicators have been disclosed for less than five years. Certain figures have been reclassified or restated to conform to relevant periods' presentation.

Introduction

Ping An strives to become a world-leading technology-powered retail financial services group.

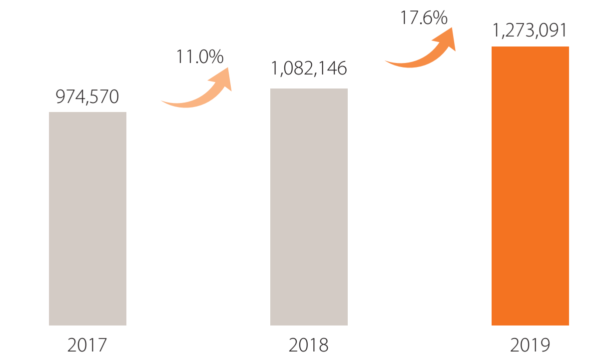
In 2019, Ping An clearly defined "finance + technology" as its core and main businesses. While ensuring steady growth in its main financial businesses, Ping An increases investments in technology and promotes the "finance + ecosystem" empowerment to transform and upgrade its main businesses. Ping An employs technologies to improve efficiency, enhance risk management, and cut operating costs of its financial businesses. Moreover, Ping An leverages innovative technologies to develop five ecosystems, namely financial services, health care, auto services, real estate services, and smart city services, and to optimize the customer acquisition as well as quality and efficiency of integrated financial services. Ping An adopts an integrated financial business model of "one customer, multiple products, and one-stop services." Ping An exploits local advantages while adhering to global corporate governance standards. Ping An provides financial products and services for 200 million retail customers and 516 million internet users by empowering financial services with technologies, empowering ecosystems with technologies, and empowering financial services with ecosystems.



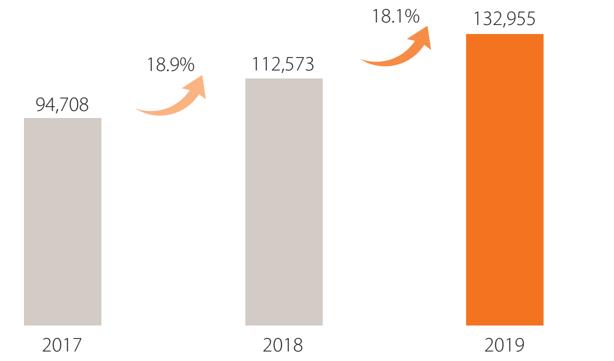
Business Performance at a Glance

Financial Results of the Group

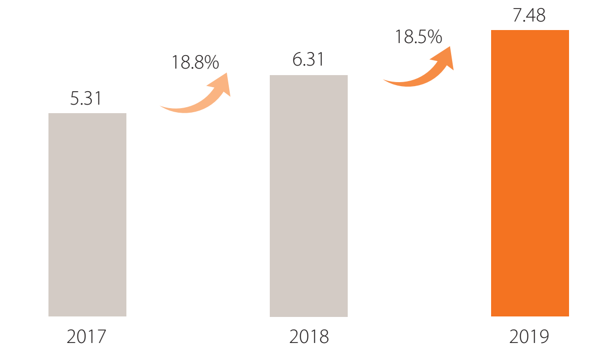
Total Revenue *(in RMB million)*



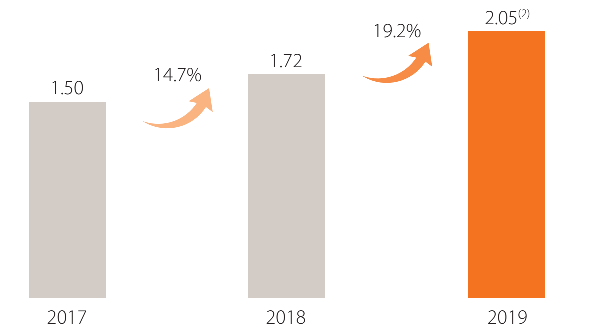
Operating Profit Attributable to Shareholders of the Parent Company *(in RMB million)*



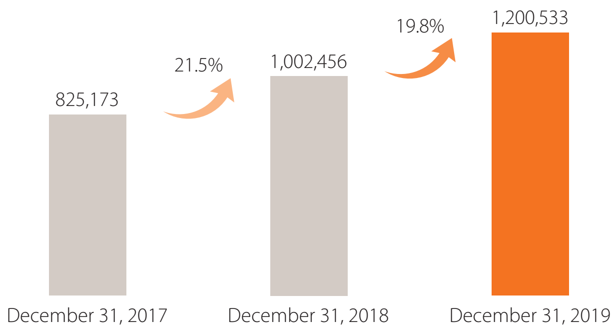
Basic Operating EPS *(in RMB)*



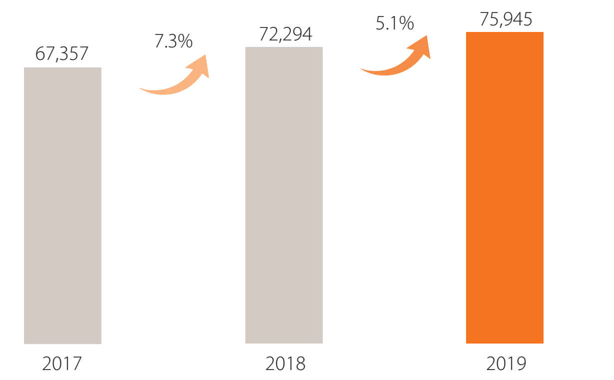
Dividend Per Share[(1)] *(in RMB)*



Embedded Value *(in RMB million)*



New Business Value *(in RMB million)*



(1) Dividend per share refers to the cash dividend, including the interim dividend and the final dividend.

(2) This includes a final dividend of RMB1.30 per share pending approval at the 2019 Annual General Meeting.

Top Ten Highlights

1 **Profit grew steadily.** In 2019, the Group's operating profit attributable to shareholders of the parent company rose by **18.1%** year on year to RMB**132,955** million. The operating ROE was **21.7%**. The net profit attributable to shareholders of the parent company gained **39.1%** year on year to RMB**149,407** million.

2 **Cash dividends continued to increase.** With strong operating profit growth, the annual dividend per share for 2019 grew by **19.2%** year on year to RMB**2.05**. The dividend payout ratio based on operating profit attributable to shareholders of the parent company (excluding share repurchases in cash) stood at **28.1%**. In addition, the Company repurchased RMB**5** billion worth of A shares for the first time.

3 **Customer development yielded good results.** Operating profit from retail business rose by **25.7%** year on year to RMB**122,802** million, driven by steady growth in retail customers (up **11.2%** from the beginning of 2019) and operating profit per customer (up **13.0%** year on year). Retail customers increased to **200** million. The Company acquired **36.57** million new customers, **40.7%** of whom were sourced from internet users within the Group's five ecosystems.

4 **The life and health insurance business maintained steady growth.** Operating profit after tax of the life and health insurance business rose by **24.7%** year on year to RMB**88,950** million. The Company accelerated its pivot toward high-value business, expanded the breadth of protection products, and upgraded its agent force using technology. Overall NBV margin and agent productivity continued to increase.

5 **The property and casualty insurance business maintained excellent business quality.** Operating profit after tax of Ping An Property & Casualty rose by **70.7%** year on year to RMB**20,952** million, with a better-than-industry combined ratio of **96.4%**. Ping An Property & Casualty is the industry leader for online claims services. It launched the "Ping An Motor Insurance Trust Claim" service for auto owners with safe driving behaviors. Through this service, Ping An Property & Casualty shortened the annual average turnaround time of a single claim to only **3** minutes.

6 **The banking business furthered the retail transformation and maintained stable and healthy business growth.** Net profit increased by **13.6%** year on year to RMB**28,195** million. Retail banking's revenue and net profit increased by **29.2%** and **13.8%** year on year respectively. Ping An Bank continued to de-risk. The non-performing loan ratio dropped by **0.10** pps from the beginning of 2019. The provision coverage ratio rose by **27.88** pps from the beginning of 2019.

7 **Ping An continued to develop technological strengths.** As of December 31, 2019, Ping An's technology patent applications increased by **9,112** from the beginning of 2019 to **21,383**. Ping An achieved global rankings of first in fintech and second in digital healthtech by published patent applications in 2019.

8 **OneConnect went public successfully.** OneConnect launched its initial public offering on the New York Stock Exchange on December 13, 2019. OneConnect was granted a virtual banking license by the Hong Kong Monetary Authority. Moreover, OneConnect's blockchain-enabled trade finance network won the "Best Application of Advanced Technology in a Product or Service Award" of the BAI Global Innovation Awards.

9 **Ping An furthered ESG-driven sustainable development.** As of December 31, 2019, Ping An's responsible investment, insured amount of sustainable insurance and green credit lines granted reached RMB**954,449** million, RMB**121.21** trillion and RMB**59,056** million respectively. The Company implemented Ping An Rural Communities Support in **21** provinces and autonomous regions across China. The Company provided RMB**15,745** million for poverty alleviation, built or upgraded **949** rural clinics and **1,054** rural schools, and trained **11,175** village doctors and **11,826** village teachers.

10 **Ping An's brand value increased steadily.** The Company ranked **29th** in the Fortune Global 500 list, **7th** in the Forbes Global 2000 list, **40th** in the BrandZ™ Top 100 Most Valuable Global Brands list, and again **No. 1** among global insurance brands.

Chairman's Statement

Speed is paramount. First-mover advantages are key to business competition. To secure first-mover advantages, we need to anticipate trends, make timely decisions, and take action ahead of others on the basis of fast, relevant and accurate data. In recent years, Ping An has made remarkable progress in technology-powered, data-driven operations, which has enabled us to bring forward the 2019 annual results release more than 20 days.

The year 2019 marks the 70th anniversary of the founding of the People's Republic of China and the beginning of Ping An's second 30 years. In 2019, China's economy continued to grow strongly despite global economic slowdowns and difficult China-U.S. trade talks. We advanced steadfastly together with the country, fully aware of the rises and falls, gains and losses, strategies and future prospects. Facing a new technological revolution, we pursued data-driven operations across the Group under the "finance + technology" and "finance + ecosystem" transformation strategies. Through unremitting efforts, we achieved stable growth in major financial metrics, including total assets, revenues, and operating profit, laying a solid foundation for a new beginning.

On July 1, 2019, Group Chairman and CEO Ma Mingzhe and employees sang *My Motherland and Me* to celebrate the 70th anniversary of the founding of the People's Republic of China.

In 2019, Ping An continued to rank first among global insurers by market cap, 29th in the Fortune Global 500, and seventh in the Forbes Global 2000. In the BrandZ™ Top 100 Most Valuable Global Brands list, Ping An ranked first among global insurance conglomerates for the fourth time in a row. Operating profit attributable to shareholders of the parent company increased by 18.1% year on year to RMB132,955 million. Net profit attributable to shareholders of the parent company rose by 39.1% year on year to RMB149,407 million. With fast-growing operating profit, we are increasing cash dividends. The cash dividend per share for 2019 rose by 19.2% year on year to RMB2.05. In addition, we implemented our first A share repurchase plan to maximize shareholder value and motivate employees. A total of 57,594,607 shares were repurchased, amounting to RMB5 billion. All the repurchased shares will be used for our employee stock ownership plans.

Some refer to Ping An's ecosystem-based transformation as an "elephant herd effect." As a constructor of the forest ecosystem, an elephant herd helps spread tree seeds, improves the mix of carbon storage, and balances plants' demands for sunlight. Ping An is actively exploring "technological empowerment, ecosystem-based growth, and ESG-driven development" to evolve from a participant into an ecosystem leader.

On August 29, 2019, Ping An became the only financial institution selected by the Ministry of Science and Technology to build the National Open Innovation Platform for Next Generation Artificial Intelligence for inclusive finance.

We empower the integrated financial business model with technologies. As of December 31, 2019, Ping An's technology patent applications increased by 9,112 from the beginning of the year to 21,383, more than most international financial institutions'. Ping An won multiple awards in a number of technology sectors, including AI and blockchain. Ping An empowers its life and health insurance business with its technologies. As of December 31, 2019, Ping An applied an AI interview robot to 100% of sales agent recruitment interviews. The agents' exclusive smart personal assistant "AskBob" has served agents 340 million times since its go-live. In 2019, operating profit of the life and health insurance business rose 24.7% year on year to RMB88,950 million. Ping An optimized the business portfolio, with the overall NBV margin up 3.6 pps year on year to 47.3%. Leveraging cutting-edge AI-powered image-based loss assessment and precise customer profiling technologies, Ping An Property & Casualty launched the "Ping An Motor Insurance Trust Claim" service for auto owners with safe driving behaviors to provide 45 million auto owners with a line of credit. Technologies enabled us to ensure excellent business quality. In 2019, Ping An Property & Casualty's operating profit grew by 70.7% year on year to RMB20,952 million while the combined ratio stood at 96.4%. We also share technologies with external entities. With world-leading blockchain technologies, OneConnect has provided products for all the major banks, 99% of the urban commercial banks, and 52% of the insurers in China. OneConnect launched its initial public offering on the New York Stock Exchange on December 13, 2019, as China's first technology-as-a-service cloud platform to go public in the U.S. Ping An empowers China's smart city initiative by building "1+N+1" platforms covering various sectors, including fiscal management, health care, environmental protection, transportation, and education. The platforms have gone live in 115 cities across China as well as countries and regions involved in the Belt and Road Initiative.

On December 13, 2019, OneConnect completed its initial public offering on the New York Stock Exchange, being the first U.S.-listed technology company incubated by Ping An.

We pursue customer development on the basis of ecosystems. We acquire new and prospective users by developing five ecosystems, namely financial services, health care, auto services, real estate services, and smart city services. In 2019, customer development yielded strong results. Retail operating profit increased by 25.7% year on year to RMB122,802 million, accounting for 92.4% of the Group's operating profit attributable to shareholders of the parent company. Retail customers grew by 11.2% from the beginning of 2019. In 2019, the Company acquired 36.57 million new customers, 40.7% of whom were sourced from internet users within the Group's five ecosystems. Ping An Bank furthered its retail transformation. Retail banking's revenue and net profit increased by 29.2% and 13.8% year on year, contributing to 58.0% and 69.1% of Ping An Bank's total revenue and net profit respectively. Ping An Bank maintained stable, healthy business growth and boosted net profit by 13.6% year on year to RMB28,195 million.

On December 9, 2019, Ping An launched a blockchain platform for electronic certificate application on the "i Shenzhen" government services app.

We seek ESG-driven sustainable development. Compliance with the globally applicable ESG (Environment, Social, Governance) criteria is highly instrumental in ensuring long-term sustainable development of a company. In 2019, Ping An joined the United Nations-supported Principles for Responsible Investment initiative, and was selected for Dow Jones Sustainability™ Emerging Markets Index for the first time. Ping An has integrated ESG criteria with business operations, and established a policy framework to drive responsible investment and sustainable insurance business growth. By seeking ESG-driven sustainable development, Ping An has paved a unique path with Chinese characteristics for implementing the ESG criteria. Meanwhile, the Company continued to explore an innovative poverty alleviation model by advancing the program of Ping An Rural Communities Support. Under this model, Ping An provides rural residents with training and education, brings new vigor to rural industries, promotes the "one village, one product" approach, and helps rural enterprises to expand production and sales. As of December 31, 2019, Ping An implemented Ping An Rural Communities Support in 21 provinces and autonomous regions across China. The Company provided RMB15,745 million for poverty alleviation, benefiting over 500,000 people in poor areas. Moreover, Ping An built or upgraded 949 rural clinics and 1,054 rural schools, and trained 11,175 village doctors and 11,826 village teachers.

Chairman's Statement

The year 2020 will witness the completion of China's 13th Five-Year Plan, a critical year for building China into a moderately prosperous society and alleviating poverty across China. In early 2020, however, the country was hit by an outbreak of Coronavirus Disease 2019 (COVID-19). Without delay, the Company joined the nationwide fight against the raging outbreak, protected people's livelihoods and fulfilled its corporate social responsibilities through various channels and by multiple means including donations, insurance protection, financial services and medical aid. How will Ping An plan for the future amid increasing uncertainties in the global economic environment, rising risks and challenges, and the spread of COVID-19?

We will continue to transform our business operations and management. In the era of digital economy, we must realize smart business management, data-driven operations, robust channel development, and personalized customer services. We firmly believe that in the next 30 years, China will remain the world's largest and fastest-growing life insurance market. Through structural adjustments and transformation, our insurance businesses will achieve sustainable, high-quality development. **In terms of business strategies, we will focus on value creation and seek sustainable growth.** We will upgrade the "1+N" product portfolio to provide more diverse and convenient one-stop integrated financial services. We will continue to develop long-term protection products and long-term savings hybrid products that are customer-centric, value-creating, and sales-boosting to enhance our ability to serve the real economy. In asset allocation, we will maintain robust asset-liability management and prudent investment strategies, supported by smart risk management and AI-enabled early warning. In this way, we can strike a balance between risks, liabilities, and investment to create value for shareholders. **We will increase investment in technological innovations and prepare for the future.** This fight against the COVID-19 outbreak highlights the importance of technology to the transformation of the country and industries. Technology is key to future success. At Ping An, smart office tools efficiently guaranteed internal operations. Online end-to-end services enabled 900,000 life insurance customers to renew their insurance policies during the Chinese New Year holiday. The "Ping An Auto Owner" app provided tens of millions of customers with comprehensive auto insurance services online. Ping An Bank's online operation capabilities are also at an industry-leading level. In addition, Ping An's online consultation and medical image reading services effectively alleviated the pressure on frontline medical staff. The year 2020 is critical for the Company to implement its "finance + technology" and "finance + ecosystem" transformation strategies. We will seize strategic opportunities for technological innovations, build basic technological capabilities, diversify and upgrade technology application scenarios, and rapidly replicate external empowerment. We will serve the country and people's livelihoods as well as empower our main financial businesses with world-leading fintech and healthtech capabilities.

We should boldly forge ahead rather than rest on our laurels. In 2020, we will remain committed to developing cutting-edge technologies and planning for the future. We will promote technological innovations and smart data-driven operations. To help the country win the fight against poverty, we will spare no effort to carry out targeted poverty alleviation measures, especially in poverty-stricken areas in Tibet, Xinjiang, Sichuan, Yunnan, Gansu, and Qinghai. We will remain true to our original aspirations of serving customers, rewarding shareholders, supporting society, and contributing to the country. We will leverage our strengths to overcome the various challenges brought by the COVID-19 outbreak, serve the real economy, fulfill our corporate social responsibilities, and contribute to the Chinese nation's great rejuvenation.

Chairman and Chief Executive Officer

Shenzhen, China
February 20, 2020

Customer Development

- The Group's operating profit from retail business rose 25.7% year on year to RMB122,802 million. Retail business accounted for 92.4% of the Group's operating profit attributable to shareholders of the parent company, up 5.6 pps year on year.
- The Group's retail customers[(1)] grew by 11.2% from the beginning of 2019. In 2019, the Company acquired 36.57 million new customers, 14.90 million of whom were sourced from internet users within the Group's five ecosystems. Operating profit per customer gained 13.0% year on year to about RMB613. As of December 31, 2019, contracts per customer rose by 3.9% from the beginning of 2019 to 2.64. The Group's internet users[(2)] increased by 16.2% from the beginning of 2019 to 516 million. In 2019, the number of yearly active users[(3)] grew steadily to 282 million. On average, each internet user used 1.91 online services. Cross-selling within Ping An Group continued to improve. Retail customers holding multiple contracts with different subsidiaries increased by 19.3% from the beginning of 2019 to 73.71 million. They accounted for 36.8% of total customers, up 2.5 pps from the beginning of 2019.
- Under the integrated financial business model, the Group's corporate business saw a significant increase in scale and a steady increase in value contribution. In 2019, the corporate premiums achieved through cross-selling reached RMB12,649 million, in which the written premium of the corporate channel rose by 115.5% year on year. The new financing scale achieved through corporate business cross-selling increased by 142.1% year on year to RMB296,742 million. As of December 31, 2019, the outstanding balance of retail assets referred by corporate business was RMB1.23 trillion; the underlying assets invested by insurance funds sourced from corporate business was RMB494,760 million, with an annual increment that expanded by 101.3% year on year in 2019 to RMB96,616 million.

CUSTOMER DEVELOPMENT STRATEGY

Under a customer-centric philosophy and the integrated finance strategy, Ping An has been dedicated to the development of retail customers and corporate customers. Ping An adheres to the philosophy of "one customer, multiple products, and one-stop services." Under the "finance + technology" and "finance + ecosystem" strategies, Ping An focuses on five ecosystems, namely financial services, health care, auto services, real estate services, and smart city services. Moreover, Ping An provides customers with diverse, excellent products and services by empowering financial services with technologies, empowering ecosystems with technologies, and empowering financial services with ecosystems. Retail business has become a strong growth driver as its operating profit grew steadily owing to increasing retail customers, contracts per customer, and product profitability. In corporate business, Ping An focuses on strategic customers and small and micro-business customers. Ping An satisfies customer demand for integrated financial services under a "1+N" customer development model (one customer + N products). Ping An uses technologies to improve customer experiences and reduce costs. Moreover, Ping An serves the real economy and offer inclusive finance services under the integrated financial services model.

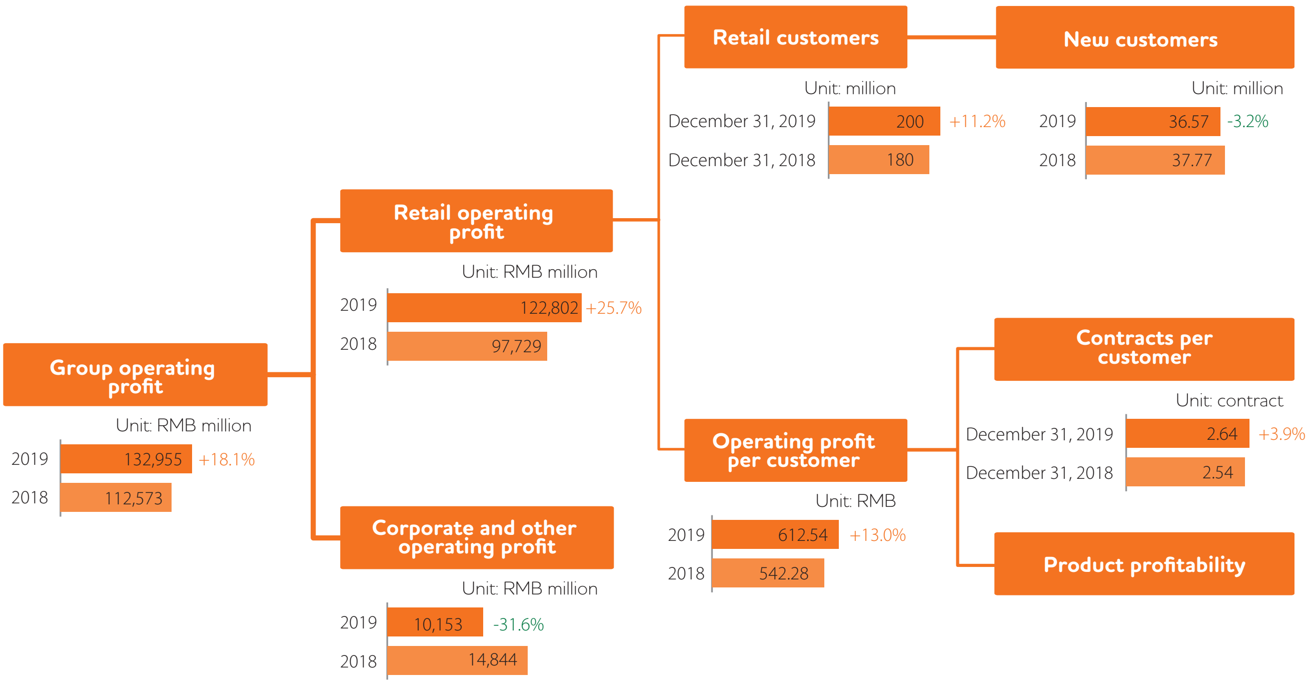
Notes: (1) Retail customers refer to retail customers holding valid financial products with core financial companies of the Group. At the end of 2019, we revised the definition of retail customers by removing customers with complimentary insurance only from retail customers to provide a more objective representation of the size of valuable customers. Moreover, we restated the data for comparable periods in 2017 and 2018 accordingly.

(2) Internet users refer to unique registered users with accounts on internet service 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, removing independent users of suspended internet platforms from internet users, and restating the data for comparable periods in 2017 and 2018.

(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.

Customer Development

Core drivers of the Group's operating profit growth



Note: Group operating profit is the operating profit attributable to shareholders of the parent company.

RETAIL CUSTOMER DEVELOPMENT

The group's retail customers and internet users increased steadily

Ping An continued to optimize its products, channels, and scenarios to deliver excellent customer experiences. As of December 31, 2019, the Group had 200 million retail customers, up 11.2% from the beginning of 2019. In 2019, the Company acquired 36.57 million new customers, 14.90 million or 40.7% of whom were sourced from internet users within the Group's five ecosystems. Ping An continued to promote migration and conversion between customers and users by improving service experiences across online platforms. The proportion of customers who were also internet users increased steadily.

Retail customer structure

(in million)	December 31, 2019	December 31, 2018	Change (%)
Life insurance(1)	**63.00**	59.09	6.6
Auto insurance(1)	**50.23**	46.46	8.1
Retail banking	**69.25**	60.13	15.2
Credit card	**56.71**	47.36	19.7
Securities, fund and trust	**47.08**	36.90	27.6
Others(2)	**50.31**	41.34	21.7
The Group	**200.48**	180.22	11.2

Notes: (1) The numbers of customers of insurance companies are based on holders of in-force policies.
(2) Others include other investment, lending and insurance products.
(3) The numbers of accumulated customers of separate business lines do not add up to the total due to elimination of duplicate customers.
(4) The number of customers as of December 31, 2019 is not equal to the sum of customers as of December 31, 2018 and new customers in the Reporting Period due to customer attrition.

Online retail customers

	December 31, 2019		December 31, 2018	
(in million)	Persons	% of customers	Persons	% of customers
Number of retail customers who were also internet users	**173.74**	**86.7**	148.37	82.3
Number of retail customers who were also app users	**168.23**	**83.9**	141.28	78.4

Ping An provides internet users with one-stop services, constantly improves online user experiences, and aligns services more closely with user needs. As of December 31, 2019, the Group had 516 million internet users, up 16.2% from the beginning of 2019. App users increased to 470 million, up 17.8% from the beginning of 2019. On average, each internet user used 1.91 online services from Ping An. Meanwhile, both user activity and stickiness increased, and yearly active users reached 282 million due to efficient internet user development.

Number of internet users

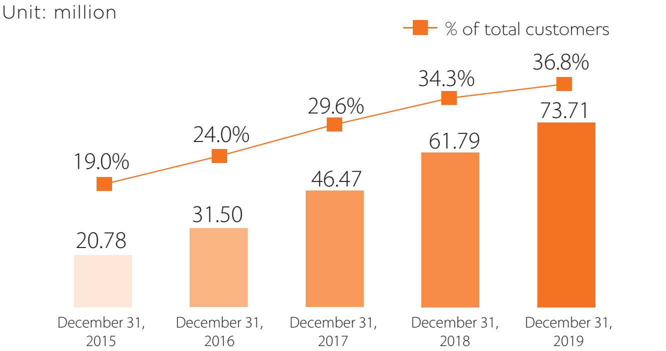
(in million)	December 31, 2019	December 31, 2018	Change (%)
Internet users	**515.50**	443.59	16.2
Technology companies	**356.43**	314.74	13.2
Core financial companies	**369.72**	298.52	23.9
App users	**470.01**	399.01	17.8
Technology companies	**249.75**	223.49	11.7
Core financial companies	**345.42**	275.08	25.6

Note: Internet users and app users of the Group include users of technology companies and core financial companies, excluding duplicates.

Steady increase in customer value

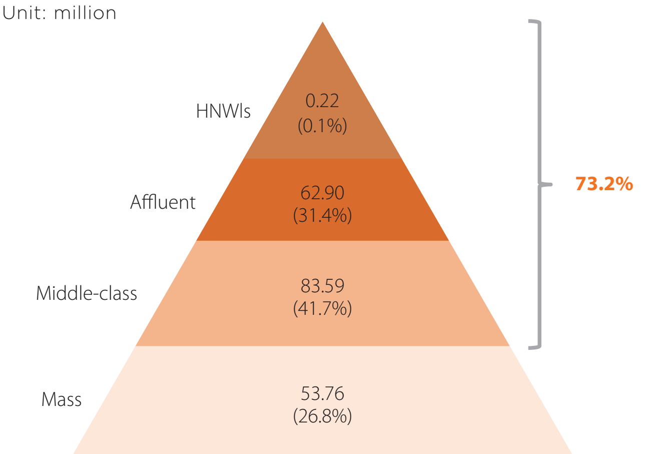
Ping An promotes cross-selling under an integrated financial business strategy. As a result, contracts per customer and customer value increase year by year. In 2019, 37.48 million customer migrations happened among core financial companies of Ping An. As of December 31, 2019, about 73.71 million retail customers held multiple contracts with different subsidiaries, accounting for 36.8% of total customers, up 2.5 pps from the beginning of 2019. Each customer held 2.64 contracts on average, 3.9% more than at the beginning of 2019. In 2019, the Group's operating profit per customer was about RMB612.54, up 13.0% year on year.

Number of customers holding multiple contracts with different subsidiaries



Ping An has gained better insights into customers from its long-term customer development: The wealthier customers are, the more contracts they hold and the more valuable they are. As of December 31, 2019, the Group had 147 million middle-class or higher-level customers, accounting for 73.2% of the total. On average, each high net worth individual (HNWI) held 11.93 contracts, far more than affluent customers.

Customer wealth structure and proportion



MANAGEMENT DISCUSSION AND ANALYSIS

Customer Development

Customers and contracts per customer by segment

	Number of customers (in million)	Contracts per customer
HNWIs	0.22	11.93
Affluent	62.90	3.88
Middle-class	83.59	2.28
Mass	53.76	1.69
The Group	**200.48**	**2.64**

Notes: (1) Mass customers are those with annual income below RMB100,000, middle-class customers RMB100,000-240,000, and affluent customers above RMB240,000. HNWIs have personal assets of RMB10 million or more.
(2) Figures may not match totals due to rounding.

Cross-selling between insurance businesses continued to grow strongly. In 2019, premium income of Ping An Property & Casualty, Ping An Annuity and Ping An Health from the agent channel of Ping An Life rose by 13.0% year on year to RMB58,160 million.

Premium income from cross-selling by Ping An Life's agents

	2019		2018	
	Channel contribution		Channel contribution	
(in RMB million)	Amount	Percentage (%)	Amount	Percentage (%)
Ping An Property & Casualty	**45,427**	**16.8**	41,436	16.7
Short-term insurance business of Ping An Annuity	**8,663**	**43.7**	7,921	45.9
Ping An Health	**4,070**	**66.2**	2,096	56.6

Going forward, Ping An will continue to focus on retail customers, strengthen technological capabilities, and use innovative products and better services to improve customer experiences. In this way, the Company will boost both retail customer value and corporate value.

CORPORATE BUSINESS

Tiered customer development under a "1+N" service model of the corporate business

In corporate business, Ping An focuses on strategic customers and small and micro-business customers under a customer-centric philosophy. Ping An taps customer demand and promotes customer value by conducting tiered customer development under a "1+N" service model (one customer + N products).

In respect of services for strategic customers, Ping An develops strategic customers in industries that contribute significantly to people's livelihoods as well as long-term development of the country. The Company provides strategic customers with comprehensive tailor-made solutions combining "investment banking + commercial banking + investment" and "financing + intelligence" to satisfy customer demands. Taking advantage of insurance fund investment in infrastructure, the Company provides offerings along industry chains and across ecosystems to increase customer stickiness and value as well as win more customers through existing ones.

In respect of services for small and micro-business customers, Ping An makes financing more accessible by reshaping supply chain finance and innovating new ways of credit enhancement with technologies including the Internet of Things (IoT) and blockchain. The Company makes financing more affordable by introducing superfast online review and streamlining credit approval processes. The Company scales up its financial business and seizes market share by acquiring small and micro-business customers in batches with standard products and technologies.

Customer development results: significant growth in business scale and a steady increase in value contribution

Under the corporate integrated financial business development strategy, corporate customer development yielded initial results. The customer base continued to grow, customer services improved steadily, and the business scale increased significantly. In 2019, the corporate premiums achieved through cross-selling(1) grew by 23.5% year on year to RMB12,649 million, in which the written premium of the corporate channel(2) rose by 115.5% year on year. The new financing scale achieved through corporate business cross-selling(3) increased by 142.1% year on year to RMB296,742 million. As an engine of the Group's corporate business, Ping An Bank has advantageous distribution channels. In 2019, the premium and financing referred by Ping An Bank rose by 326.6% and 140.4% year on year respectively. As a platform of high-quality customers and assets, the corporate business contributed to the steady growth in the retail business, and sourced assets for allocation of insurance funds. As of December 31, 2019, the outstanding balance of retail assets referred by corporate business to the retail business was RMB1.23 trillion, up by 10.2% from the beginning of 2019; the underlying assets invested by insurance funds sourced from corporate business(4) was RMB494,760 million, with an annual increment that expanded by 101.3% year on year in 2019 to RMB96,616 million.

Performance of corporate integrated finance

(in RMB million)	2019	2018	Change (%)
Corporate premiums achieved through cross-selling(1)	**12,649**	10,240	23.5
Including: Written premium of the corporate channel(2)	**2,672**	1,240	115.5
New financing scale achieved through corporate business cross-selling(3)	**296,742**	122,560	142.1

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.
(4) The underlying assets invested by insurance funds sourced from corporate business refer to the assets sourced by the Group's core financial companies, including Ping An Asset Management, Ping An Securities, and Ping An Trust, for allocation of the Group's insurance funds.

Performance of integrated finance realized through Ping An Bank

(in RMB million)	2019	2018	Change (%)
Premium referred by Ping An Bank(1)	**1,331**	312	326.6
Financing referred by Ping An Bank(2)	**251,376**	104,568	140.4

Notes: (1) Premium referred by Ping An Bank refers to the premium of Ping An's group insurance products distributed through Ping An Bank.
(2) Financing referred by Ping An Bank refers to the scale of financing projects referred by Ping An Bank for other member companies of the Group through cross-selling.

Going forward, Ping An's corporate customer development will remain focused on strategic customers and small and micro-businesses. By enhancing the "1 + N" service model, Ping An will improve customer services, strengthen risk management, maximize corporate customer value, and create greater value for customers.

Technology-Powered Business Transformation

- As of December 31, 2019, Ping An's technology patent applications increased by 9,112 from the beginning of 2019 to 21,383, more than most other international financial institutions'. Of these applications, nearly 96% were for invention patents and 4,845 were filed under the Patent Cooperation Treaty (PCT) and abroad. In 2019, Ping An achieved global rankings of first in fintech and second in digital healthtech by published patent applications.
- Ping An won international medical imaging championships in Automatic Cancer Detection and Classification in Whole-slide Lung Histopathology (ACDC), Endoscopic Artefact Detection (EAD), and Pathologic Myopia Challenge (PALM). In the Stanford Question Answering Dataset (SQuAD) 2.0 challenge, Ping An ranked first with a score of 90.9, defeating the human performance of 89.5. Ping An's AI interview system HR-X and OneConnect's blockchain-enabled trade finance network won the "Human Capital Innovation Award" and the "Best Application of Advanced Technology in a Product or Service Award" of the BAI Global Innovation Awards respectively.

THE GROUP'S "FINANCE + TECHNOLOGY" AND "FINANCE + ECOSYSTEM" STRATEGIES

Increasing technological R&D investments and sharing technologies with others

Ping An adheres to the "finance + technology" and "finance + ecosystem" strategies. Ping An invests heavily in R&D to build leading technological capabilities. Ping An's technologies have been widely applied in areas including financial services, health care, and smart city services. Ping An develops the technologies to support its five ecosystems, namely financial services, health care, auto services, real estate services, and smart city services. Ping An applies an array of technologies to diverse scenarios to increase efficiency, cut costs, enhance risk management, and offer excellent products and service experiences. Moreover, Ping An shares leading innovative products and services with others to develop and empower business ecosystems with advanced technologies.

Ping An attaches great importance to developing core technologies and securing proprietary intellectual property rights, and constantly increases technological R&D investments. As of December 31, 2019, Ping An had a technology team of nearly 110 thousand technology business employees, 35 thousand R&D employees, and 2.6 thousand scientists. Moreover, Ping An established eight research institutes and 57 laboratories, and partnered with top universities including Peking University, Tsinghua University and Fudan University and research institutes to pursue technological breakthroughs. As of December 31, 2019, Ping An's technology patent applications increased by 9,112 from the beginning of 2019 to 21,383, more than most other international financial institutions'. Of these applications, nearly 96% were for invention patents and 4,845 were filed under the Patent Cooperation Treaty (PCT) or abroad. In 2019, Ping An achieved global rankings of first in fintech and second in digital healthtech by published patent applications[1].

Note: (1) Rankings by published patent applications in fintech and digital healthtech areas are from the following lists jointly released by incoPat Innovation Index Research Center and IPRdaily: the 2019 global fintech invention patent list (Top 100) and the 2019 global digital healthtech invention patent list (Top 100) (data updated to December 2019).

Ping An won 47 international awards for technological breakthroughs, and published over 20 medical research papers in authoritative medical journals. In the AI area, Ping An ranked first with a score of 90.9 in the Stanford Question Answering Dataset (SQuAD) 2.0 challenge, defeating the human performance of 89.5. At the 2019 Conference on Machine Translation (WMT 2019), Ping An won a world championship in the English-Chinese translation challenge. **In the fintech area,** OneConnect's blockchain-enabled trade finance network won the "Best Application of Advanced Technology in a Product or Service Award" and the "Most Disruptive Innovation in Financial Services Award" of the BAI Global Innovation Awards respectively. **In the healthtech area,** Ping An won international medical imaging championships in Automatic Cancer Detection and Classification in Whole-slide Lung Histopathology (ACDC), Endoscopic Artefact Detection (EAD), and Pathologic Myopia Challenge (PALM) at the IEEE International Symposium on Biomedical Imaging (ISBI) meeting. The Company also claimed world firsts in six sub-tasks at the ISBI meeting. Ping An ranked first in a test of 2019 MEDIQA challenge sponsored by the International Association of Computational Linguistics (ACL) by defeating over 70 competitors. Ping An published over 20 medical research papers in authoritative medical journals, including a chronic kidney disease prediction model in the *Journal of the American Society of Nephrology* and a Chongqing-based self-adaptive influenza prediction model in a sub-publication of *The Lancet*.

EMPOWERING MAIN FINANCIAL BUSINESSES WITH TECHNOLOGIES

Ping An leverages technologies to upgrade end-to-end services of its core financial businesses

In respect of cost control, Ping An leverages cutting-edge technologies to optimize financial business processes, boost operational efficiency, and improve customer experiences. Ping An Property & Casualty leverages technologies including robots and optical character recognition (OCR) to pursue robotic process automation of tasks including quotation, data entry, policy issue, and endorsement. In the retail auto insurance business, over 90% of quotes are made automatically, and many deals are struck upon the first quote. As no manual data entry is involved in the retail auto insurance business, the turnaround time from quotation to policy issue is as short as 20 seconds. Ping An's self-developed speech robots provided services 850 million times in 2019 in 83% of financial sales scenarios and 81% of customer services scenarios across the Group, cutting the annual cost of call center agents by 11%.

In respect of risk management, Ping An employs technology-enabled analytics engines to enhance the quality and efficiency of risk management. AI-powered post-lending management includes reminders to 100% of customers who have not defaulted. Per capita loans under management grew by 32% from the beginning of 2019 to RMB54 million. Ping An dynamically monitored corporate credit risk with its smart alert technology, and gave over 3,000 warnings in 2019 with an accuracy rate of 92%, involving a total risk exposure of nearly RMB20 billion.

In respect of business efficiency improvement, Ping An developed AI-powered retail banking to enable all processes including sales, risk control, operations, and management. Of the 14.30 million credit cards issued by Ping An Bank in 2019, nearly 90% were automatically approved by AI. Over four million customers applied for credit cards through the big data-driven "One-Click Application" process. Non-manual services accounted for 86.1% of Ping An Bank's customer service workloads, up by 6 pps year on year.

Technology-Powered Business Transformation

DEVELOPMENT OF PING AN'S FIVE ECOSYSTEMS

Financial Services Ecosystem

Ping An's financial services ecosystem provides diverse financial services including insurance, banking and investment to facilitate seamless connection and closed-loop transactions in varied financial service scenarios. Ping An has built multiple financial innovation platforms including OneConnect and E-wallet to satisfy customers' comprehensive financial demands, linking assets to funds through "open platforms + open marketplaces." As of December 31, 2019, app users of Ping An's core financial companies increased by about 70.34 million from the beginning of 2019 to 345 million.

In traditional finance, Ping An exploits synergies between ecosystems to provide smart, online-merge-offline and one-stop services in comprehensive scenarios. **In retail business**, as of December 31, 2019, Ping An provided over 200 million retail customers with over 15 thousand diverse financial products. Ping An launched the Ping An September 20 Financial Services Festival to offer convenient scenario-based experiences. The festival attracted 236 million participants, 4.19 million of whom became Ping An's new valid customers. During the festival, Ping An achieved RMB2.16 trillion in transaction volume. **In corporate business**, Ping An supports the real economy by providing corporate and institutional customers with insurance, financing and investment services. As of December 31, 2019, Ping An provided 14,280 corporate customers and key projects with disaster and loss prevention services. The annual insured sum of corporate property and casualty insurance exceeded RMB19 trillion. Ping An Bank granted RMB965,984 million of loans to institutional customers.

In the fintech area, Ping An combines financial service experience with cutting-edge technologies to boost service efficiency and enable business management. **In services for financial institutions**, OneConnect develops an open platform to connect the demanders and suppliers of technologies and scenarios, providing financial service stakeholders with comprehensive, end-to-end business technology services. Ping An's blockchain technology has been applied in areas including financial services and smart city services. For example, the financing platform for small and medium-sized enterprises (SMEs) sponsored by Guangdong Financial Regulatory Bureau has been connected to 129 financial institutions. A total of 319 financial products have been launched on the platform, making it an important solution to the financing difficulties facing SMEs. **In services for retail customers and merchants**, E-wallet provides 257 million retail users with financial and consumption services including wealth management, shopping, daily life, payment, and loyalty point management. E-wallet also empowers the operations of 1.96 million merchants by providing comprehensive solutions to acquiring services, treasury management, and value-added financial services.

Health Care Ecosystem

Ping An has built a comprehensive health care ecosystem of "patients-providers-payers." Ping An serves online and offline retail customers through companies including Ping An Good Doctor, Ping An Life, Ping An Annuity, and Ping An Health. Ping An empowers medical regulators and service providers through the smart health care team in the smart city business and Ping An Good Doctor. Ping An empowers payers including Healthcare Security Administrations and commercial insurers through Ping An HealthKonnect's smart health care service platform.

As to patients, Ping An has built a health service system of "insurance protection + medical services and recuperation + health management." **In respect of insurance protection**, Ping An provides customers with health insurance covering varied illnesses and medical services. **In respect of medical services and recuperation**, the Health 360 program provides customers with comprehensive outpatient, inpatient, surgical and recuperation services. Ping An Good Doctor provides services including 24/7 online consultation, referral, registration, online drug purchase, and one-hour drug delivery. A total of over 670 million online consultations were provided. **In respect of health management**, Ping An transformed ex-post compensation mechanisms of traditional insurance into ex-ante health management by incentivizing customers to do physical exercise regularly. As of December 31, 2019, more than six million customers participated in the Ping An RUN program.

As to medical service providers, Ping An provides medical regulators and service providers with a smart integrated platform covering all the steps before, during, and after medical services. Ping An has implemented smart health care projects in over 100 cities, providing comprehensive services including integrated regulatory platforms, AI-based disease prediction, medical image recognition, and AskBob (Ping An's self-developed diagnosis and treatment assistant tool covering smart medical decision support, a health think tank, follow-ups and patient education). Ping An Good Doctor empowers ecosystem partners with high-quality resources including AI and medical services. Ping An Good Doctor has partnered with over three thousand hospitals, including more than 1.9 thousand 3A hospitals, as well as 94 thousand pharmacies. Ping An Good Doctor's offline health care network covers over 50 thousand medical and health service institutions including clinics and check-up providers.

As to payers, Ping An provides social health insurers, commercial health insurers, and medical service providers with an integrated smart empowerment solution of "systems + services + operations." As of December 31, 2019, Ping An HealthKonnect provided services for over 800 million people in over 200 cities. Ping An HealthKonnect won the bids for projects of the National Healthcare Security Administration as well as provincial/municipal platform construction projects in Shandong, Hebei, and Qingdao. Ping An HealthKonnect's Social Health Insurance Digital Risk System provides users with targeted, effective cost control services by identifying 40 typical fraud scenarios.

Auto Services Ecosystem

Ping An provides auto services through companies including Autohome, Ping An Property & Casualty, Ping An Bank, and Ping An Financial Leasing. Ping An serves auto owners and empowers automakers, dealers and auto repair shops through a comprehensive auto services ecosystem covering auto showcasing, purchase, and use.

As to retail customers, in December 2019, Autohome had a daily average of 36.83 million online mobile unique visitors, up 25.0% year on year. As of December 31, 2019, the "Ping An Auto Owner" app had over 90 million registered users, about 49 million of whom were auto insurance customers of Ping An Property & Casualty. Ping An Bank actively promoted its auto owner credit card which integrated the auto owners' benefits, transaction services and financial services to provide auto owners with high-quality, convenient one-stop service experiences.

As to businesses, Ping An had more than 27 thousand paying dealers, over 17 thousand of which bought Ping An's data products, and covered over 90 automakers, 36 of which bought Ping An's data products. Regarding smart finance platforms, Autohome facilitated nearly RMB24.0 billion worth of auto finance and insurance transactions, Ping An Bank's new auto loans reached RMB156,674 million, and Ping An Financial Leasing's auto lease business volume amounted to RMB26.9 billion in 2019.

Real Estate Services Ecosystem

Ping An develops the real estate services ecosystem through Ping An Urban-Tech. Ping An Urban-Tech helps local governments break down information silos and promotes data fusion through its smart integrated "planning, construction, and management" platform. As of December 31, 2019, Ping An Urban-Tech had business presence in 61 large and medium-sized cities across China as well as business relationships with 66 enterprises on the real estate industry chain.

As to government services, Ping An built the smart integrated "planning, construction, and management" platform to help local governments develop digital capabilities and smart management in residential housing construction. Ping An built a "smart housing and construction" system with the Housing and Construction Bureau of Shenzhen Municipality in June 2019 to develop the urban construction, management and services in a smart way. Moreover, Ping An's real estate service system project in Yushu, Qinghai Province was presented at the 5th China International Smart City Expo as a benchmark project. The system integrates inter-departmental processes, and realizes online application, appointment, and processing for housing transactions, tax payment, and real estate registration, enabling certificates to be issued as rapidly as within 15 minutes.

As to businesses, Ping An accelerated exploration of internal and external cooperation models, proactively planned for smart construction, and launched an integrated smart management platform. Ping An provides services including construction site management, equipment management, and real estate project management to enhance enterprises' digital and smart management capabilities.

Technology-Powered Business Transformation

Smart City Ecosystem

Ping An's smart city ecosystem is committed to promoting sustainable city development with technologies. It is Ping An's mission to fully extend the new-generation smart city services across China in government services, business development, and citizen services. As of December 31, 2019, Ping An's smart city ecosystem benefited 115 cities, 500 thousand enterprises, and 50 million citizens.

In respect of government services, Ping An helped local governments increase their efficiency in fiscal, performance, policy and environmental management through its integrated smart government service platform and self-developed AI, blockchain, cloud computing and other leading technologies. In fiscal management, Ping An's smart fiscal system is serving more than four thousand administrative entities, companies and public institutions, and enabling management of assets topping RMB6 trillion. In performance management, Ping An's smart governance service system has been deployed by over 20 cities and over 30 commissions, offices and bureaus throughout China. The system helps local governments analyze more than 400 themes and over 10 thousand metrics. In environmental management, Ping An's smart environmental management system helps the Shenzhen Municipal Government monitor and supervise all the monitored metrics of 50 thousand polluting enterprises in Shenzhen with a knowledge graph covering five major industries and 50 pollutants.

In respect of business development, Ping An has built an integrated smart business platform from three perspectives of planning, services and supervision to provide comprehensive services to 500 thousand enterprises and optimize the business environment. In industry planning, Ping An's smart macro-economic and industrial chain analytics cover more than 150 cities across China, 34 analysis themes, and over 4.5 thousand economic metrics. In enterprise services, Ping An has provided nearly 480 thousand enterprises with urban services. The Company's smart customs services facilitated more than 400 thousand customs declarations for RMB150 million worth of goods. The customs inspection period was shortened from 60 days to five days. The customs declaration cycle for enterprises was reduced from 200 minutes to five minutes. In enterprise supervision, Ping An's smart market supervision platform covers over 600 supervision scenarios and over eight thousand risk points. The accuracy rate of early warning is over 90% and the risk identification rate is as high as 85%.

In respect of people's livelihoods, Ping An's integrated smart citizen service platform improves daily life experiences of citizens in terms of health, culture and convenience. The platform provides 50 million citizens with over four thousand online services, and has over seven million monthly active users. In terms of citizen health, Ping An's smart health care services cover 14 thousand medical institutions. AskBob, Ping An's self-developed diagnosis and treatment assistant tool, was used 11 million times by 260 thousand doctors in 2019. In terms of urban culture, Ping An provided 77 thousand high-quality vocational education courses for 36 million users and more than 1.2 thousand administrative and business entities. Moreover, Ping An provided online education sessions for 51 million trainees. In terms of urban transportation, Ping An's smart transportation platform increases accident processing efficiency and reduces vehicle safety hazards by automatically handling over 100 thousand traffic violations per day.

Business Analysis
Performance Overview

- In 2019, Ping An Group achieved an operating profit attributable to shareholders of the parent company of RMB132,955 million, up 18.1% year on year. The operating ROE was 21.7%.
- In 2019, the net profit attributable to shareholders of the parent company rose 39.1% year on year to RMB149,407 million. The Group's ROE was 24.4%.
- In 2019, the Group's basic operating earnings per share rose 18.5% year on year to RMB7.48. The dividend per share rose 19.2% year on year to RMB2.05. The dividend payout ratio based on operating profit attributable to shareholders of the parent company (excluding share repurchases in cash) stood at 28.1%. In addition, the Company repurchased RMB5 billion worth of A shares for the first time.

CONSOLIDATED RESULTS

Ping An offers a wide range of financial products and services via various distribution channels under a uniform brand. Ping An engages in three core financial businesses of insurance, banking and asset management through companies including Ping An Life, Ping An Property & Casualty, Ping An Annuity, Ping An Health, Ping An Bank, Ping An Trust, Ping An Securities, Ping An Asset Management, and Ping An Financial Leasing. Ping An engages in the technology business through companies including Lufax Holding, OneConnect, Ping An Good Doctor, Ping An HealthKonnect, and Autohome.

(in RMB million)	2019	2018	Change (%)
Operating profit attributable to shareholders of the parent company	**132,955**	112,573	18.1
Basic operating earnings per share (in RMB)	**7.48**	6.31	18.5
Operating ROE (%)	**21.7**	21.9	-0.2 pps
Dividend per share (in RMB)	**2.05**	1.72	19.2
Net profit attributable to shareholders of the parent company	**149,407**	107,404	39.1
ROE (%)	**24.4**	20.9	3.5 pps

OPERATING PROFIT OF THE GROUP

Due to the long-term nature of the main part of the life and health insurance business, the measure of operating profit has been applied to more appropriately evaluate business performance. Operating profit after tax is based on net profit from financial statements, excluding items that are of short-term, volatile or one-off nature, including:

- Short-term investment variance, which is the variance between the actual investment return of the life and health insurance business and the EV ultimate investment return assumption, net of associated relevant 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;
- Impacts of one-off non-operating items are material items that management considered to be non-operating income and expenses, which in 2019 refer 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. The impact of one-off non-operating item in 2018 referred to the fair value revaluation gain or loss, as required by the accounting standards, of the convertible bonds issued by Lufax Holding to the Group as the consideration of Puhui transaction. The fair value of the convertible bonds significantly increased due to Lufax Holding's Series C financing.

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

The operating profit after tax which excludes fluctuations of the above non-operating items can provide a clearer and more objective representation of the Company's business performance and trend.

In 2019, the Group's operating profit attributable to shareholders of the parent company grew 18.1% year on year to RMB132,955 million. The basic operating earnings per share was RMB7.48, up 18.5% year on year. The life and health insurance business's operating profit attributable to shareholders of the parent company rose 25.2% year on year to RMB88,054 million.

	2019								
(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	**102,659**	**22,697**	**16,342**	**2,595**	**2,319**	**4,680**	**3,487**	**(5,372)**	**149,407**
Net profit attributable to non-controlling interests	1,078	111	11,853	3	57	761	1,174	(79)	14,958
Net profit (A)	**103,737**	**22,808**	**28,195**	**2,598**	**2,376**	**5,441**	**4,661**	**(5,451)**	**164,365**
Excluding:									
Short-term investment variance[(1)] (B)	19,354	-	-	-	-	-	-	-	19,354
Impact of discount rate change (C)	(13,164)	-	-	-	-	-	-	-	(13,164)
Impact of one-off material non-operating items (D)	8,597	1,856	-	-	-	-	-	-	10,453
Operating profit (E=A-B-C-D)	**88,950**	**20,952**	**28,195**	**2,598**	**2,376**	**5,441**	**4,661**	**(5,451)**	**147,722**
Operating profit attributable to shareholders of the parent company	**88,054**	**20,850**	**16,342**	**2,595**	**2,319**	**4,680**	**3,487**	**(5,372)**	**132,955**
Operating profit attributable to non-controlling interests	896	102	11,853	3	57	761	1,174	(79)	14,767

(in RMB million)	2018 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	57,914	12,215	14,394	3,008	1,599	8,264	14,006	(3,996)	107,404
Net profit attributable to non-controlling interests	843	59	10,424	4	81	753	978	(94)	13,048
Net profit (A)	58,757	12,274	24,818	3,012	1,680	9,017	14,984	(4,090)	120,452
Excluding:									
Short-term investment variance(1) (B)	(12,853)	–	–	–	–	–	–	–	(12,853)
Impact of discount rate change (C)	265	–	–	–	–	–	–	–	265
Impact of one-off material non-operating items (D)	–	–	–	–	–	–	7,236	–	7,236
Operating profit (E=A-B-C-D)	71,345	12,274	24,818	3,012	1,680	9,017	7,748	(4,090)	125,804
Operating profit attributable to shareholders of the parent company	70,320	12,215	14,394	3,008	1,599	8,264	6,770	(3,996)	112,573
Operating profit attributable to non-controlling interests	1,026	59	10,424	4	81	753	978	(94)	13,231

Notes: (1) Short-term investment variance is the variance between the actual investment return and the EV ultimate investment return assumption (5%), net of the associated impact on insurance and investment contract liability.
(2) The life and health insurance business represents results of Ping An Life, Ping An Annuity, and Ping An Health. The property and casualty insurance business represents results of Ping An Property & Casualty. The banking business represents results of Ping An Bank. The trust business represents results of Ping An Trust and Ping An New Capital. The securities business represents results of Ping An Securities. The other asset management business represents results of companies that engage in asset management business including Ping An Asset Management, Ping An Financial Leasing, and Ping An Overseas Holdings. The technology business represents results of companies that engage in technology business including Lufax Holding, OneConnect, Ping An Good Doctor, Ping An HealthKonnect, and Autohome. Eliminations include offsets against cross-shareholding among business lines.
(3) Figures may not match the calculation due to rounding.

EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY

(in RMB million)	**December 31, 2019**	December 31, 2018	Change (%)
Life and health insurance business	**246,069**	178,824	37.6
Property and casualty insurance business	**92,548**	77,014	20.2
Banking business	**169,814**	139,224	22.0
Asset management business	**96,218**	88,854	8.3
Including: Trust business	**20,581**	17,717	16.2
Securities business	**30,256**	27,976	8.1
Other asset management business	**45,381**	43,161	5.1
Technology business	**85,737**	79,541	7.8
Other businesses and elimination	**(17,225)**	(6,949)	147.9
The Group	**673,161**	556,508	21.0

OPERATING ROE

(%)	**2019**	2018	Change (pps)
Life and health insurance business	**40.5**	40.7	(0.2)
Property and casualty insurance business	**24.6**	16.7	7.9
Banking business	**11.3**	11.5	(0.2)
Asset management business	**10.2**	14.7	(4.5)
Including: Trust business	**14.2**	16.1	(1.9)
Securities business	**7.8**	5.9	1.9
Other asset management business	**10.5**	19.5	(9.0)
Technology business	**5.1**	10.8	(5.7)
Other businesses and elimination	**N/A**	N/A	N/A
The Group	**21.7**	21.9	(0.2)

Business Analysis
Life and Health Insurance Business

- In 2019, new business value (NBV) of the life and health insurance business rose 5.1% year on year to RMB75,945 million. Agent channel NBV rose 5.9% year on year, driven by a 16.4% year-on-year rise in average NBV per agent and partially offset by a 9.1% year-on-year decrease in the average number of agents per month. Overall NBV margin reached 47.3%, up 3.6 pps year on year on the back of a 7.8 pps year-on-year agent channel NBV margin increase to 64.9%.
- In 2019, operating profit after tax of the life and health insurance business rose 24.7% year on year to RMB88,950 million. The operating ROE was 40.5%.
- The Company strengthened technology applications in business development and data-driven operations. The Company applied an AI interview robot to sales agent recruitment interviews. As of December 31, 2019, 100% of agent recruitment interviews were AI-based, and Ping An Life conducted over six million AI-based interviews, reducing in-person interviews by over 680 thousand hours. The agents' exclusive smart personal assistant "AskBob" has served agents 340 million times since its go-live. AskBob provides agents with various sales enabling tools to help them improve sales conversion, contributing to the material rise in agent productivity.

BUSINESS OVERVIEW

The Company conducts its life and health insurance business through Ping An Life, Ping An Annuity, and Ping An Health.

The Company achieved balanced, steady growth of business and value across all channels through the customer-centric "product+" and "technology+" strategies on the basis of compliance and risk management. In 2019, NBV of the life and health insurance business grew by 5.1% year on year to RMB75,945 million. The NBV margin was up 3.6 pps year on year due to the Company's prioritization of high-value, high-protection products.

Key indicators of the life and health insurance business

(in RMB million)	2019/ December 31, 2019	2018/ December 31, 2018	Change (%)
NBV	**75,945**	72,294	5.1
NBV margin (%)	**47.3**	43.7	3.6 pps
First-year premium used to calculate NBV	**160,478**	165,446	(3.0)
Embedded value	**757,490**	613,223	23.5
Operating ROEV (%)	**25.0**	30.8	-5.8 pps
Operating profit after tax	**88,950**	71,345	24.7
Operating ROE (%)	**40.5**	40.7	-0.2 pps
Net profit	**103,737**	58,757	76.6

CHANNEL DEVELOPMENT

Ping An Life provides customers with life insurance products through its nationwide service network of 42 branches (including seven telemarketing centers) and over 3,300 business outlets.

In 2019, the Company conducted reform in its life insurance business as the Company accelerated the pivot of its business toward high-value protection products. To realize healthier and more stable long-term value growth, the Company improved business management, and upgraded its agent force with technology.

Life agent channel development. Under a high-quality talent development strategy, the Company pushed forward transformation using technologies, and underwent significant business reforms in 2019. A key focus of the reform was upgrading quality of agent force through tightening agent recruitment criteria through AI and other measures to enhance agent management, while continuing to implement stringent appraisal and dismissal standards. Meanwhile, the Company proactively applied technologies to agent recruitment, training, and customer development to empower agent team development. The Company also revised the basic law for agent management to attract high quality talent, and pursued high-quality development of agents via multiple approaches to improve agent productivity. In 2019, the monthly average sales agent headcount decreased by 9.1% year on year. That said, NBV per agent rose 16.4% year on year in 2019, resulting in agent channel NBV rising 5.9% year on year to RMB68,209 million in 2019. The agent channel NBV margin reached 64.9%, up 7.8 pps year on year. Meanwhile, new life insurance policies sold per agent per month increased by 13.1% year on year in 2019.

(in RMB million)	2019	2018	Change (%)
Agent productivity and income			
Agent channel NBV	**68,209**	64,401	5.9
Average number of agents per month (in million)	**1.20**	1.32	(9.1)
NBV per agent (RMB per agent per year)	**56,791**	48,789	16.4
Activity rate of agents(1) (%)	**60.9**	62.6	-1.7 pps
New individual life insurance policies per agent (policies per agent per month)	**1.38**	1.22	13.1
Agent income (RMB per agent per month)	**6,309**	6,294	0.2
Including: Income from Ping An Life's products (RMB per agent per month)	**5,512**	5,414	1.8

	December 31, 2019	December 31, 2018	Change (%)
Number of individual life insurance sales agents	**1,166,914**	1,417,383	(17.7)

Notes: (1) Activity rate of agents = annual total of monthly agents who issued policies/annual total of monthly agents on board.
(2) Figures may not match the calculation due to rounding.

Development of other channels. The Company proactively pursued diversified development of bancassurance, telemarketing, internet and other channels, and made them new growth drivers. In 2019, the total NBV of channels other than the agent channel reached RMB7,737 million, accounting for 10.2% of the overall NBV. The bancassurance channel transformed the regular premium business based on the value creation strategy, and achieved sustainable, healthy, stable growth in embedded value and business scale. The channel also continuously optimized its business portfolio, driving the NBV up 37.7% year on year, and the NBV margin up 1.7 pps year on year. The telemarketing channel maintained its dominant market share by continuing to transform its business models, upgrade from individual operations to platform operations, and improve operational efficiency and customer experience. The internet channel, relying on the scenario-based operations, satisfied diverse customer needs to fuel fast business growth.

PING AN LIFE'S PRODUCT STRATEGIES

Ping An Life answered the CBIRC's call for the industry to return to protection, built a multi-layered product portfolio under the "product +" strategy, and rolled out a broad suite of protection products and long-term savings hybrid products to underpin growth in high-value business. Regarding protection products, Ping An Life offered protection products with wider coverage tailored for different customer segments. Ping An Life upgraded existing flagship protection products, launched new critical illness insurance products, and developed new accident protection products to meet mass customers' needs for long-term accident insurance. By doing so, Ping An Life expanded its customer base and market share. For certain market segments, Ping An Life adopted an "exclusive products + services" model, launched products exclusively for certain groups of people such as the diabetics in line with their health cycles, and offered various health management services to satisfy comprehensive health risk management needs of different customer groups. Regarding long-term savings hybrid products, Ping An Life stepped up efforts to promote product development and insurance products with long premium payment periods to cater for customers' diverse needs. Ping An Life will further develop protection products, integrate products with health services, old-age care, childcare and other services through systematic planning and implementation of the "product +" strategy, expand the service scope, and satisfy customers' demands for protection and related services.

OPERATIONS OF INSURANCE PRODUCTS

Top five products of Ping An Life in terms of premium income in 2019 are presented below.

(in RMB million)	Distribution channel	Premium income	Surrender
Yingyue Rensheng Annuity (participating)	Sales agents, Bancassurance	36,655	292
Jinrui Rensheng Annuity	Sales agents, Bancassurance	20,962	110
Ping An Fu Whole Life Insurance	Sales agents, Bancassurance	15,732	574
Xiyue Rensheng Annuity for Children (participating)	Sales agents, Bancassurance	15,166	139
Xiyue Rensheng Annuity for Adults (participating)	Sales agents, Bancassurance	13,789	166

	2019	2018	Change (pps)
13-month persistency ratio (%)	**87.8**	91.4	(3.6)
25-month persistency ratio (%)	**87.1**	88.2	(1.1)

PING AN LIFE'S TECHNOLOGY APPLICATIONS

Ping An Life is pursuing comprehensive data-driven operations by implementing smart processes of marketing, customer services, operations, and so on.

Regarding data-driven marketing, Ping An Life has established processes for smart agent team management from recruitment, team building, and sales support. Regarding agent recruitment, 100% of interviews were AI-based. As of December 31, 2019, Ping An Life conducted over six million AI-based interviews, reducing the in-person interviews by over 680 thousand hours. Regarding team building, Ping An Life obtained insights into different agents' potential through precise big data-based profiling, developed personalized training plans and provided 24/7 online training for agents. The time for developing a high-potential agent into a top performer was reduced by 3.6 months compared with 2018. We check training course attendance and learning status via the AI-based image recognition technology to improve efficiency in distance learning management. Regarding sales support, AskBob, Ping An's self-developed smart search engine and AI-based decision-making tool, provides agents with various sales-enabling tools as agents' exclusive smart personal assistant. AskBob answers agents' questions, gives scenario-based drills, and provides sales guidance for agents in an efficient and convenient manner to help them improve sales conversion. AskBob served agents 340 million times as of December 31, 2019, and was accessed 920 thousand times per day on average in 2019. **Regarding data-driven customer services,** Ping An Life implemented smart processes of policy administration, underwriting, and so on. In respect of policy administration, Ping An Life provided smart customer services over 50 million times in 2019; 99% of such service tasks were completed online within as short as one minute. The "Jin Guan Jia" app, which has 220 million users, launched the AI-powered video customer survey function, allowing customers to receive online customer surveys, look up information, and ask questions at any time. The industry's first task-based multi-round dialog customer service robot was continuously upgraded, offering business processing, inquiry answering, and differentiated product recommendations. Ping An's online store called "Cloud Store" covers the whole country, and enables business processing through tri-party video conferences. In respect of underwriting, Ping An Life launched an underwriting risk model on its smart underwriting platform, with an accuracy rate of 90.8% in risk identification. In 2019, the platform served over 18 million policyholders, and approved 96% of policies through automatic underwriting. The underwriting turnaround time per case was shortened from 3.8 days of manual underwriting to ten minutes, optimizing customer experiences. **Regarding data-driven operations,** Ping An Life has built a platform that enables the three core functionalities of quick data check, problem identification, and exception detection. The system covers business indicators for performance, teams, productivity, products, customers, and services, helping Ping An Life anticipate trends, make timely decisions, and take action ahead of others.

ANALYSIS OF OPERATING PROFIT AND PROFIT SOURCES

Due to the long-term nature of the main part of the life and health insurance business, the Company introduced the measure of operating profit to more appropriately evaluate business performance. Operating profit after tax is based on net profit from financial statements, excluding items that are of short-term, volatile or one-off nature, including:

- Short-term investment variance, which is the variance between actual investment return of the life and health insurance business and the EV ultimate investment return assumption, net of associated relevant 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

- Impacts of one-off non-operating items are material items that management considered to be non-operating income and expenses, which in 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 "Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements in the Company's 2019 Annual Report for information about the discount rate.

The operating profit after tax which excludes fluctuations of the above non-operating items could provide a clearer and more objective representation of the Company's business performance and trend.

(in RMB million)	2019	2018	Change (%)
Release of residual margin (A)	**74,454**	62,287	19.5
Return on net worth[1] (B)	**11,738**	8,959	31.0
Spread income[2] (C)	**3,947**	5,048	(21.8)
Operating variance and others (D)	**10,406**	21,749	(52.2)
Operating profit before tax (E=A+B+C+D)	**100,545**	98,043	2.6
Income tax (F)	**(11,595)**	(26,698)	(56.6)
Operating profit after tax (G=E+F)	**88,950**	71,345	24.7
Short-term investment variance (H)	**19,354**	(12,853)	N/A
Impact of discount rate change (I)	**(13,164)**	265	N/A
Impact of one-off material non-operating items (J)	**8,597**	-	N/A
Net profit (K=G+H+I+J)	**103,737**	58,757	76.6

Notes: (1) Return on net worth is the investment return on shareholder equity based on the EV ultimate investment return assumption (5%).
(2) Spread income is the expected investment return from assets backing contract liability based on the EV ultimate investment return assumption (5%) exceeding the interest required on contract liability.
(3) Figures may not match the calculation due to rounding.

The spread income decreased by 21.8% year on year as we lowered spread charges on our participating and universal insurance products to maintain their long-term interest settlement competitiveness in response to volatile capital markets in 2018. The impact continued into 2019, weighing on the spread income in the short term.

Operating variance and others dropped 52.2% year on year, largely because of increased strategic investment in technologies and agent team building as well as short-term fluctuation of policy persistency causing a decrease in operating variance.

Income tax decreased by 56.6% year on year due to a lower effective tax rate attributable to 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.

As of December 31, 2019, residual margin of the life and health insurance business was RMB918,416 million, up by 16.8% from the beginning of 2019.

(in RMB million)	2019	2018	Change (%)
Opening residual margin	**786,633**	616,319	27.6
Contribution from new business	**155,684**	177,485	(12.3)
Expected interest growth	**33,811**	28,498	18.6
Release of residual margin	**(74,454)**	(62,287)	19.5
Lapse variances and others	**16,742**	26,617	(37.1)
Closing residual margin	**918,416**	786,633	16.8

Note: Figures may not match the calculation due to rounding.

Lapse variances and others declined by 37.1% year on year as the short-term volatility in the policy persistency ratio has certain impacts on growth of lapse variances and others. However, lapse variances and others continued to contribute positively due to better-than-assumed experience.

SOLVENCY MARGIN

As of December 31, 2019, the solvency margin ratios of Ping An Life, Ping An Annuity and Ping An Health met regulatory requirements. The solvency margin ratios of Ping An Life, Ping An Annuity and Ping An Health changed from the beginning of 2019 mainly due to net profit realization, dividend distribution, and business development.

	Ping An Life			Ping An Annuity			Ping An Health		
(in RMB million)	**December 31, 2019**	December 31, 2018	Change (%)	**December 31, 2019**	December 31, 2018	Change (%)	**December 31, 2019**	December 31, 2018	Change (%)
Core capital	**934,301**	741,727	26.0	**10,423**	8,677	20.1	**2,251**	1,690	33.2
Actual capital	**949,301**	764,727	24.1	**10,423**	8,677	20.1	**2,251**	1,690	33.2
Minimum capital	**409,874**	349,513	17.3	**4,219**	3,473	21.5	**1,064**	553	92.4
Core solvency margin ratio (%)	**227.9**	212.2	15.7 pps	**247.0**	249.8	-2.8 pps	**211.6**	305.5	-93.9 pps
Comprehensive solvency margin ratio (%)	**231.6**	218.8	12.8 pps	**247.0**	249.8	-2.8 pps	**211.6**	305.5	-93.9 pps

Notes: (1) Core solvency margin ratio = core capital/minimum capital; comprehensive solvency margin ratio = actual capital/minimum capital.
(2) The regulatory minimum requirements for the core solvency margin ratio and comprehensive solvency margin ratio are 50% and 100% respectively.
(3) For details of subsidiaries' solvency margin, please visit the Company's website (www.pingan.cn).
(4) Figures may not match calculation due to rounding.

OTHER MAJOR FINANCIAL AND REGULATORY INFORMATION

Income Statement of the Life and Health Insurance Business

(in RMB million)	2019	2018
Written premium	**611,637**	570,523
Less: Premium deposits of policies without significant insurance risk transfer	**(3,543)**	(5,654)
Less: Premium deposits separated out from universal life and investment-linked products	**(84,422)**	(93,169)
Premium income	**523,672**	471,700
Reinsurance premium income	**3,139**	659
Gross written premium	**526,811**	472,359
Net earned premium	**517,140**	465,583
Claims and policyholders' benefits	**(445,775)**	(323,494)
Commission expenses of insurance operations	**(80,034)**	(84,142)
Administrative expenses(1)	**(54,787)**	(50,202)
Total investment income(2)	**174,682**	79,384
Other net revenue and expenses(3)	**(2,428)**	(5,870)
Profit before tax	**108,798**	81,259
Income tax	**(5,061)**	(22,502)
Net profit	**103,737**	58,757

Notes: (1) Administrative expenses include the administrative expenses, taxes and surcharges on investment operations and impairment losses on receivables and others under the segmented income statement.

(2) Total investment income includes interest revenue from non-banking operations, investment income, share of profits and losses of associates and jointly controlled entities, impairment losses on investment assets, and interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions under the segmented income statement.

(3) Other net revenue and expenses include the reinsurance commission revenue, other revenues and other gains, foreign exchange gains and losses, investment expenses net of taxes and surcharges on investment operations, finance costs, and other expenses.

Written Premium

The written premium of the life and health insurance business is analyzed below by policyholder type and channel:

(in RMB million)	2019	2018
Retail business	**589,239**	548,555
New business	**153,968**	156,599
Agent channel	**124,631**	130,715
Including: regular premium	**114,685**	124,394
Bancassurance channel	**6,498**	5,500
Including: regular premium	**5,290**	4,252
Telemarketing, internet and others	**22,839**	20,384
Including: regular premium	**11,209**	12,322
Renewed business	**435,271**	391,956
Agent channel	**389,790**	353,343
Bancassurance channel	**11,870**	10,001
Telemarketing, internet and others	**33,611**	28,612
Group business	**22,398**	21,968
New business	**22,272**	21,907
Renewed business	**126**	61
Total	**611,637**	570,523

The written premium of the life and health insurance business is analyzed below by product type:

(in RMB million)	2019	2018
Participating insurance	**179,159**	207,856
Universal insurance	**102,020**	111,029
Traditional life insurance	**119,010**	100,449
Long-term health insurance	**107,015**	90,105
Accident & short-term health insurance	**47,600**	43,903
Annuity	**55,411**	15,679
Investment-linked insurance	**1,422**	1,502
Total	**611,637**	570,523

Business Analysis
Life and Health Insurance Business

The written premium of the life and health insurance business is analyzed below by region:

(in RMB million)	2019	2018
Guangdong	**108,696**	102,697
Shandong	**36,984**	34,825
Jiangsu	**34,679**	31,999
Henan	**32,952**	29,111
Beijing	**32,935**	29,988
Subtotal	**246,246**	228,620
Total	**611,637**	570,523

Claims and Policyholders' Benefits

(in RMB million)	2019	2018
Surrenders	**26,661**	21,539
Surrender rate[1] (%)	**1.4**	1.3
Claim expenses of insurance contracts	**86,086**	84,713
Claims paid	**20,381**	15,836
Annuities	**9,557**	22,725
Maturity and survival benefits	**25,983**	22,186
Death, injury and medical care benefits	**30,165**	23,966
Reinsurer's share of claim expenses of insurance contracts	**(4,623)**	(2,653)
Policyholder dividends	**19,329**	16,445
Net increase in insurance reserves	**286,687**	186,043
Interest credited to policyholder contract deposits	**31,635**	17,407
Total	**445,775**	323,494

Note: (1) Surrender rate = surrenders/(opening balance of life insurance reserve + opening balance of long-term health insurance reserve + long-term insurance premium income).

Claims paid grew by 28.7% year on year, primarily due to continued growth in the short-term health insurance business.

Annuity payments decreased by 57.9% year on year as the payments peaked in 2018 when some products matured.

Maturity and survival benefits increased by 17.1% year on year because some insurance products matured in 2019.

Death, injury and medical care benefits were 25.9% higher year on year, driven by the expansion of the traditional life insurance and long-term health insurance businesses.

Policyholder dividends increased by 17.5% year on year due to the increase in existing participating insurance policies.

Net increase in insurance reserves increased by 54.1% year on year, mostly due to the business growth, increase in undistributed surplus, and movement of the benchmarking yield curve for measuring reserves for insurance contracts.

Interest credited to policyholder contract deposits was up 81.7% year on year due to the increased business scale and higher investment income in 2019.

Commission Expenses of Insurance Operations

In 2019, the commission expense of the insurance business (mainly paid to the Company's sales agents) decreased by 4.9% year on year due to the improved business portfolio.

(in RMB million)	2019	2018
Health insurance	**31,330**	32,198
Accident insurance	**4,925**	7,205
Life insurance and others	**43,779**	44,739
Total	**80,034**	84,142

Administrative Expenses

(in RMB million)	2019	2018
Operating expenses	**53,867**	49,276
Tax and surcharges	**881**	883
Impairment losses on receivables and others	**39**	43
Total	**54,787**	50,202

Total Investment Income

In 2019, the total investment yield of the life and health insurance business grew by 3.4 pps year on year to 7.0%. The total investment income grew by 120.0% year on year, mainly due to higher investment returns driven by capital market recoveries. The net investment yield was 5.2%, the same as that in 2018.

(in RMB million)	2019	2018
Net investment income[(1)]	**130,702**	114,169
Realized gains[(2)]	**(722)**	1,482
Fair value gains and losses	**44,658**	(36,067)
Impairment losses on investment assets	**44**	(200)
Total investment income	**174,682**	79,384
Net investment yield[(3)] (%)	**5.2**	5.2
Total investment yield[(3)] (%)	**7.0**	3.6

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) Realized gains include realized capital gains from securities investments.

(3) Net exchange gains or losses on investment assets denominated in foreign currencies are excluded from computation of investment yields. Average investment assets used as the denominator are computed in line with principles of the Modified Dietz method.

Income Tax

In 2019, the income tax of the life and health insurance business decreased sharply year on year mainly due to the following: According to the *Circular on Pre-tax Deduction of Fee and Commission Expense for Insurers (No. 72, 2019)* (the "Circular") issued by the Ministry of Finance and the State Administration of Taxation on May 29, 2019, the maximum proportion of pre-tax deduction of fee and commission expense for insurers has been raised to 18% (inclusive) of the balance of premium income less surrenders for the current year, and the excess may be carried forward to the following year. Insurers shall compute and pay their income tax for 2018 in accordance with the Circular. Regarding our life and health insurance business, the impact of the Circular on the income tax for 2018 is RMB8,597 million, which has been factored into the income tax for 2019.

Business Analysis
Property and Casualty Insurance Business

- Ping An Property & Casualty's operating profit for 2019 grew by 70.7% year on year to RMB20,952 million, with an operating ROE of 24.6%. The combined ratio was 96.4%, indicating better-than-industry business quality.
- Ping An Property & Casualty employs new technologies to promote online customer development and improve the service system. As of December 31, 2019, the "Ping An Auto Owner" app had over 90 million registered users, about 49 million of whom were also auto insurance customers of Ping An Property & Casualty. In December 2019, the app had over 25 million monthly active users, topping the list of auto service apps in China.
- Ping An Property & Casualty is the industry leader for pioneering online claims services. We developed cutting-edge AI-powered image-based loss assessment and precise customer profiling technologies. Capitalizing on these technologies, we launched the "Ping An Motor Insurance Trust Claim" service for auto owners with safe driving behaviors. Through this pioneering service, we shortened the annual average turnaround time of a single claim to only 3 minutes, with no back-end manual operation involved.

BUSINESS OVERVIEW

The Company conducts its property and casualty insurance business mainly through Ping An Property & Casualty. The business scope of Ping An Property & Casualty covers all lawful property and casualty insurance businesses including auto insurance, corporate property and casualty insurance, engineering insurance, cargo insurance, liability insurance, guarantee insurance, credit insurance, home contents insurance, accident and health insurance, as well as international reinsurance business. Ping An Property & Casualty has been honored as the "No.1 Brand" in China's auto insurance and property and casualty insurance markets for nine consecutive years. Ping An Property & Casualty distributes insurance products mainly through a network of 43 branches and over 2,740 central sub-branches, sub-branches, sales service outlets, and business outlets across China. Main distribution channels include in-house sales representatives, insurance agents and brokers at all levels, telemarketing, online marketing, and cross-selling.

In 2019, Ping An Property & Casualty's premium income grew by 9.5% year on year to RMB270,930 million. Ping An Property & Casualty is the second largest property and casualty insurance company in China by premium income. Through robust corporate management and risk screening, Ping An Property & Casualty maintained excellent business quality, with a better-than-industry combined ratio of 96.4%. Operating profit for 2019 rose 70.7% year on year to RMB20,952 million due to a year-on-year increase in total investment income driven by recovering capital markets and a year-on-year decrease in income tax attributable to declining commission rates.

Key indicators of the property and casualty insurance business

(in RMB million)	2019	2018	Change (%)
Operating profit	**20,952**	12,274	70.7
Operating ROE (%)	**24.6**	16.7	7.9 pps
Profit before tax	**25,485**	19,515	30.6
Net profit	**22,808**	12,274	85.8
Combined ratio (%)	**96.4**	96.0	0.4 pps
Including:			
Expense ratio[1] (%)	**39.1**	41.1	-2.0 pps
Loss ratio[2] (%)	**57.3**	54.9	2.4 pps
Premium income	**270,930**	247,444	9.5
Including:			
Auto insurance	**194,315**	181,768	6.9
Non-auto insurance	**63,703**	56,211	13.3
Accident and health insurance	**12,912**	9,465	36.4
Market share[3] (%)	**20.8**	21.0	-0.2 pps
Including:			
Auto insurance (%)	**23.7**	23.2	0.5 pps

Notes: (1) Expense ratio = (commission expenses of insurance business + administrative expenses – reinsurance commission revenue)/net earned premiums.
(2) Loss ratio = claim expenses/net earned premiums.
(3) The market share was calculated on the basis of the insurance industry data of the People's Republic of China (the "PRC") published by the CBIRC.

Analysis of Profit Sources

(in RMB million)	2019	2018	Change (%)
Premium income	**270,930**	247,444	9.5
Net earned premiums	**231,403**	211,918	9.2
Claim expenses	**(132,615)**	(116,305)	14.0
Commission expenses of insurance operations	**(39,368)**	(49,337)	(20.2)
Administrative expenses[1]	**(57,567)**	(44,760)	28.6
Reinsurance commission revenue	**6,547**	6,964	(6.0)
Underwriting profit	**8,400**	8,480	(0.9)
Combined ratio (%)	**96.4**	96.0	0.4 pps
Total investment income[2]	**17,981**	11,016	63.2
Average investment assets	**273,819**	249,576	9.7
Total investment yield (%)	**6.6**	4.4	2.2 pps
Other net revenue and expenses	**(896)**	19	N/A
Profit before tax	**25,485**	19,515	30.6
Income tax	**(2,677)**	(7,241)	(63.0)
Net profit (A)	**22,808**	12,274	85.8
Impact of one-off material non-operating items[3] (B)	**1,856**	–	N/A
Operating profit (C=A-B)	**20,952**	12,274	70.7

Notes : (1) Administrative expenses include administrative expenses and impairment losses on receivables and others under the segmented income statement.
(2) Total investment income includes interest revenue from non-banking operations, investment income, share of profits and losses of associates and jointly controlled entities, impairment losses on investment assets, and interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions under the segmented income statement.
(3) In 2019, we recognized a one-off material impact of the decrease in the income tax for 2018 factored into the income tax for 2019 as a result of Ping An Property & Casualty 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.

Business Analysis
Property and Casualty Insurance Business

OPERATING DATA BY PRODUCT TYPE

Among all the insurance products offered by Ping An Property & Casualty in 2019, the top five sources of premium income were auto insurance, guarantee insurance, liability insurance, accidental injury insurance, and corporate property and casualty insurance. Premium income of these five insurance segments accounted for 95.6% of Ping An Property & Casualty's total premium income for 2019.

Auto Insurance

Premium income from the auto insurance business grew by 6.9% year on year. Underwriting profit was RMB4,915 million. The combined ratio stood at 97.2%, indicating industry-leading profitability. In 2019, Ping An Property & Casualty aimed for high-quality development, remained focused on customer demands, and transformed its auto insurance business into data-driven operations through process reengineering and technological change.

Guarantee Insurance

Ping An Property & Casualty provides credit guarantee insurance to individuals and small and micro-business owners referred by other member companies of the Group only. Moreover, Ping An Property & Casualty shares advantages with other member companies of the Group through cross-checks and multi-dimensional risk reviews to contain business risks. Premium income from the guarantee insurance business for 2019 grew by 5.1% year on year. The growth slowed largely because Ping An Property & Casualty enhanced risk management and optimized its customer portfolio to focus on low-risk, low-premium customers amid changes in domestic economic and financial situations. The combined ratio rose 5.0 pps year on year to 93.6% as some in-force policies written in 2018 impacted the current claim expenses to some extent. Despite this, the guarantee insurance business maintained strong profitability, delivering RMB1,552 million in underwriting profit.

(in RMB million)	Insured amount	Premium income	Net earned premium	Claim expenses	Underwriting profit	Combined ratio	Reserve liabilities
Auto insurance	65,925,601	194,315	176,799	101,063	4,915	97.2%	143,112
Guarantee insurance	374,438	34,708	24,135	18,307	1,552	93.6%	55,359
Liability insurance	1,156,894,115	11,981	9,230	4,156	223	97.6%	10,806
Accidental injury insurance	624,006,362	11,750	10,831	2,842	1,705	84.3%	7,253
Corporate property & casualty insurance	19,128,756	6,356	3,187	1,618	524	83.6%	6,374

PING AN PROPERTY & CASUALTY'S TECHNOLOGY APPLICATIONS

Under the Group's "finance + technology" and "finance + ecosystem" strategies, Ping An Property & Casualty conducted data-driven business transformations and pursued technological innovations to improve customer experiences. Ping An Property & Casualty was honored as a role model for corporate digital transformations and smart services in China for 2019 by *Harvard Business Review*. Ping An Property & Casualty's optical character recognition (OCR) technology ranked No.1 in the Robust Reading Challenge on Scanned Receipts Optical Character Recognition and Information Extraction (SROIE) at the International Conference on Document Analysis and Recognition.

In auto insurance, Ping An Property & Casualty provided one-stop auto use services and diverse auto aftermarket services via the "Ping An Auto Owner" app. As of December 31, 2019, the "Ping An Auto Owner" app had over 90 million registered users, about 49 million of whom were also auto insurance customers of Ping An Property & Casualty. In December 2019, the app had over 25 million monthly active users, topping the list of auto service apps in China. Ping An Property & Casualty is the industry leader for online claims services. We developed cutting-edge AI-powered image-based loss assessment and precise customer profiling technologies. We provided nearly 90% of claimants with end-to-end online support for claim settlement and inquiry services. Almost 25% of claims can be handled through smart loss assessment; this is at an industry-leading level. Meanwhile, we launched the "Ping An Motor Insurance Trust Claim" service for auto owners with safe driving behaviors. Through this pioneering service, we shortened the annual average turnaround time of a single claim to 3 minutes, with no back-end manual operation involved. Moreover, under the philosophy of "sharing + openness," Ping An Property & Casualty embedded the AI-powered image-based loss assessment technology in the "Ping An Auto Owner" app to facilitate free self-assessment of external damage. We also recommend reliable repair shops to users. In this way, we have built a closed loop of auto owner services.

In property and casualty insurance, Ping An Property & Casualty initiated a Know Your Risk (KYR) enterprise risk management consultant project to offer diverse risk management services under an innovative "services + insurance" model. In 2019, Ping An Property & Casualty provided 14.28 thousand corporate customers and key engineering projects with disaster/loss prevention services. Ping An Property & Casualty conducted 87 emergency management training sessions, covering over 25 thousand trainees. Ping An Property & Casualty carried out 10 disaster warning and loss prevention programs regarding severe natural disasters including typhoons and rainstorms, and sent out 1.10 million text message alerts in 2019. By developing a government-insurer risk management cloud platform, Ping An Property & Casualty helps local governments improve their control over production safety, environmental protection, and construction quality management in their jurisdictions.

SOLVENCY MARGIN

As of December 31, 2019, Ping An Property & Casualty's solvency was adequate. The solvency margin ratios changed mainly due to the combined effect of net profit, capital supplement bond issuance, and business development.

(in RMB million)	**December 31, 2019**	December 31, 2018	Change (%)
Core capital	**92,897**	77,057	20.6
Actual capital	**111,397**	85,557	30.2
Minimum capital	**42,982**	38,236	12.4
Core solvency margin ratio (%)	**216.1**	201.5	14.6 pps
Comprehensive solvency margin ratio (%)	**259.2**	223.8	35.4 pps

Notes: (1) Core solvency margin ratio = core capital/minimum capital. Comprehensive solvency margin ratio = actual capital/minimum capital.

(2) The regulatory minimum requirements for the core solvency margin ratio and comprehensive solvency margin ratio in the above table are 50% and 100% respectively.

(3) For details of Ping An Property & Casualty's solvency margin, please refer to the Company's website (www.pingan.cn).

OTHER MAJOR FINANCIAL AND REGULATORY INFORMATION

Premium Income

Below is a breakdown of the premium income from our property and casualty insurance business by channel:

(in RMB million)	2019 Amount	2019 Percentage (%)	2018 Amount	2018 Percentage (%)
Car dealers	**65,431**	**24.2**	59,426	24.0
Agencies	**63,318**	**23.4**	57,217	23.1
Telemarketing and online channels	**47,832**	**17.7**	47,710	19.3
Cross-selling	**45,427**	**16.8**	41,436	16.7
Direct selling	**28,273**	**10.4**	24,176	9.8
Others	**20,649**	**7.5**	17,479	7.1
Total	**270,930**	**100.0**	247,444	100.0

Note: Regarding credit guarantee insurance provided to individuals and small and micro-business owners referred by other member companies of the Group, Ping An Property & Casualty reclassified the channels into the telemarketing and online channels according to the business feature of online application and automatic underwriting to reflect the nature of online insurance business. The data for 2018 was restated accordingly.

Below is a breakdown of the premium income from our property and casualty insurance business by region:

(in RMB million)	2019	2018
Guangdong	**44,337**	43,788
Jiangsu	**18,849**	17,125
Zhejiang	**16,829**	14,920
Shanghai	**14,862**	12,974
Shandong	**14,365**	13,127
Subtotal	**109,242**	101,934
Total	**270,930**	247,444

Reinsurance Arrangements

Ping An Property & Casualty adopts a prudent approach to its reinsurance policy to scale up underwriting, diversify operating risks, and ensure healthy business growth and stable operating results. Ping An Property & Casualty maintains close long-standing relationships with the world's major reinsurance brokers and reinsurers, actively sharing experience in business development and promoting technological empowerment of reinsurance. Our reinsurance business has received strong support in major reinsurance markets around the world, including Europe, the U.S., Bermuda, and Asia. We have partnered with nearly 100 reinsurers and reinsurance brokers worldwide, including China Property & Casualty Re, Swiss Re, Munich Re, and Hannover Re.

(in RMB million)	2019	2018
Ceded premium	**15,928**	14,881
Auto insurance	**7,325**	6,895
Non-auto insurance	**8,586**	7,895
Accident and health insurance	**17**	91
Inward reinsurance premium	**66**	82
Non-auto insurance	**66**	82

Claim Expenses

In 2019, claim expenses rose by 14.0% year on year mainly due to sustained insurance business growth.

(in RMB million)	2019	2018
Auto insurance	**101,063**	91,634
Non-auto insurance	**27,748**	21,523
Accident and health insurance	**3,804**	3,148
Total	**132,615**	116,305

Commission Expenses of Insurance Operations

In 2019, commission expenses of insurance operations decreased by 20.2% year on year, while their proportion in premium income declined by 5.4 pps year on year mainly due to the year-on-year premium income growth and adjusted expense structure.

(in RMB million)	2019	2018
Auto insurance	**29,591**	42,994
Non-auto insurance	**5,754**	3,834
Accident and health insurance	**4,023**	2,509
Total	**39,368**	49,337
Commission expenses as a percentage of premium income (%)	**14.5**	19.9

Administrative Expenses

In 2019, administrative expenses rose by 28.6% year on year, mainly driven by sustained insurance business growth and greater investment in technology.

(in RMB million)	2019	2018
Operating expenses	**54,720**	42,253
Tax and surcharges	**1,405**	1,284
Impairment losses on receivables and others	**1,442**	1,223
Total	**57,567**	44,760

Total Investment Income

In 2019, the total investment yield of the property and casualty insurance business was 6.6%, up 2.2 pps year on year. The total investment income grew by 63.2% year on year mainly due to greater volatility of fair value gains and losses driven by capital market recoveries. The net investment yield was 5.4%, the same as that in 2018.

(in RMB million)	2019	2018
Net investment income[1]	**14,748**	13,438
Realized income[2]	**121**	(1,203)
Fair value gains and losses	**3,008**	(1,032)
Impairment losses on investment assets	**104**	(187)
Total investment income	**17,981**	11,016
Net investment yield[3] (%)	**5.4**	5.4
Total investment yield[3] (%)	**6.6**	4.4

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) Realized income includes capital gains from securities investments.

(3) Net exchange gains or losses on investment assets denominated in foreign currencies are excluded from computation of investment yields. Average investment assets used as the denominator are computed in line with principles of the Modified Dietz method.

Income Tax

In 2019, the income tax of Ping An Property & Casualty decreased sharply year on year due to the following: 1) the income tax for 2018 was reduced by RMB1,856 million due to 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, with a one-off impact on the income tax for 2019; and 2) commission expenses decreased, causing the income tax payable to decline year on year.

Business Analysis
Investment Portfolio of Insurance Funds

- As of December 31, 2019, the Company's investment portfolio of insurance funds grew to RMB3.21 trillion by 14.8% from the beginning of 2019.
- In 2019, the net investment yield and total investment yield of the investment portfolio of insurance funds were 5.2% and 6.9% respectively.
- The Company further narrowed the duration gap between assets and liabilities despite the fact that long-duration assets were in short supply. The Company further improved investment risk management, refined risk limits, increased monitoring frequency, and enhanced early warning and risk review to ensure overall investment risks are controllable.

OVERVIEW OF INVESTMENT PORTFOLIO OF INSURANCE FUNDS

The Company's investment portfolio of insurance funds is comprised of investable funds from the life and health insurance business and the property and casualty insurance business.

In 2019, China's economy faced downward pressure while the world's major economies showed slackening growth. The Chinese government upheld a new development philosophy, unswervingly pursued high-quality development, furthered the supply-side structural reform, and carried out countercyclical adjustments through macro-economic policies. As a result, the quality of China's economic growth improved and major macro-economic indicators stayed within acceptable ranges. Although influenced by factors such as overseas market fluctuations and international economic and trade frictions, the Chinese government shored up market confidence through policies. China's stock market rose overall, while interest rates fluctuated at low levels.

The Company continued to improve asset-liability duration matching of insurance funds. The Company maintained robust asset-liability management. The Company maintained a stable risk appetite in a changing market environment through robust asset allocation, in-depth macro-economic researches, and tracking of thematic issues. The Company analyzed market rates and opportunistically increased allocation to tax-exempt bonds including central and local government bonds as well as long-duration low-risk bonds including financial bonds issued by policy banks. The Company further narrowed the duration gap between assets and liabilities to improve asset-liability matching, and actively responded to the challenge brought by a shortage of long-duration assets in markets. In addition, the Company dynamically adjusted proportions of equity assets in the portfolio and increased long-term equity stakes to reduce impacts of equity market volatility.

The Company constantly improved internal controls over investment risk management. Firstly, the Company continued to strengthen asset-liability risk management, and optimized the term structure of asset-liability duration matching by making more investment in long-duration rate bonds. The Company attached great importance to risk management in matching costs and returns, established a risk appetite framework in which the matching of costs and returns was a key quantitative indicator, and conducted necessary updates through quarterly reviews. Secondly, the Company focused on developing policies and processes. To optimize end-to-end risk management, the Company standardized the business processes, improved the investment risk management framework, and established and enhanced risk appetite strategies, credit ratings, list-based counterparty management, risk warnings, risk contingency management, and other key processes. Thirdly, by managing key post-investment matters, the Company identified risks, made decisions, and took action in advance. The Company provided investee companies with modern market-oriented business management philosophies and techniques. The Company upheld the principles of "well-defined responsibilities, timely follow-up, and sound management," with which the Company was able to "monitor risks closely, identify risks accurately, and avoid risks promptly." In this way, the Company integrated risk management with value creation. Fourthly, the Company enhanced the risk monitoring system and the risk management information system, and established a comprehensive risk management database, with which the Company conducted automatic risk identification, smart early warning, and smart risk management in real time.

INVESTMENT PORTFOLIO (BY CATEGORY)

(in RMB million)	December 31, 2019 Carrying value	December 31, 2019 Percentage (%)	December 31, 2018 Carrying value	December 31, 2018 Percentage (%)
Cash and cash equivalents	**95,680**	**3.0**	116,532	4.1
Term deposits	**210,925**	**6.6**	201,251	7.2
Debt financial assets				
Bond investments	**1,504,059**	**46.9**	1,270,765	45.4
Bond funds	**42,234**	**1.3**	43,541	1.6
Preferred stocks	**114,896**	**3.6**	79,881	2.9
Perpetual bonds	**17,838**	**0.6**	–	–
Policy loans	**139,326**	**4.3**	111,219	4.0
Debt schemes	**132,462**	**4.1**	156,501	5.6
Wealth management products[1]	**297,631**	**9.3**	285,663	10.2
Equity financial assets				
Stocks	**295,429**	**9.2**	231,801	8.3
Equity funds	**49,491**	**1.5**	44,276	1.6
Wealth management products[1]	**38,187**	**1.2**	32,183	1.2
Unlisted equities	**67,462**	**2.1**	49,757	1.8
Long-term equity stakes	**120,345**	**3.8**	93,225	3.3
Investment properties	**61,005**	**1.9**	53,356	1.9
Other investments[2]	**21,866**	**0.6**	24,669	0.9
Total investments	**3,208,836**	**100.0**	2,794,620	100.0

Notes: (1) Wealth management products include trust plans from trust companies, products from insurance asset management companies, and wealth management products from commercial banks.
(2) Other investments mainly include statutory deposits for insurance operations, three-month or longer-term financial assets purchased under reverse repurchase agreements, and financial derivatives.

INVESTMENT PORTFOLIO (BY ACCOUNTING MEASUREMENT)

(in RMB million)	December 31, 2019 Carrying value	December 31, 2019 Percentage (%)	December 31, 2018 Carrying value	December 31, 2018 Percentage (%)
Financial assets carried at fair value through profit or loss	**586,777**	**18.3**	515,114	18.5
Fixed income	**336,594**	**10.5**	310,886	11.2
Stocks	**95,895**	**3.0**	78,757	2.8
Equity funds	**49,491**	**1.5**	44,276	1.6
Other equity financial assets	**104,797**	**3.3**	81,195	2.9
Financial assets carried at fair value through other comprehensive income	**509,167**	**15.9**	411,074	14.7
Financial assets measured at amortized cost	**1,931,531**	**60.2**	1,721,808	61.6
Others[1]	**181,361**	**5.6**	146,624	5.2
Total investments	**3,208,836**	**100.0**	2,794,620	100.0

Note: (1) Others include long-term equity stakes, investment properties, and derivative financial assets.

Business Analysis
Investment Portfolio of Insurance Funds

INVESTMENT INCOME

In 2019, the Company's total investment yield from the investment portfolio of insurance funds grew to 6.9%, up 3.2 pps year on year. This was mainly due to the year-on-year increase in investment income driven by capital market recoveries. The Company's net investment yield was 5.2%, the same as that in the previous year.

(in RMB million)	2019	2018	Change (%)
Net investment income[1]	**144,050**	126,707	13.7
Realized gains[2]	**(601)**	280	N/A
Fair value gains and losses	**47,666**	(37,099)	N/A
Impairment losses on investment assets	**148**	(387)	N/A
Total investment income	**191,263**	89,501	113.7
Net investment yield[3] (%)	**5.2**	5.2	-
Total investment yield[3] (%)	**6.9**	3.7	3.2 pps

Notes: (1) Net investment income includes interest income 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) Realized gains include capital gains from securities investments.

(3) Net exchange gains or losses on investment assets denominated in foreign currencies are excluded from computation of the above yields. Average investment assets used as the denominator are computed in line with principles of the Modified Dietz method.

CORPORATE BONDS IN CAPITAL MARKETS

As of December 31, 2019, the Company held RMB127,511 million worth of corporate bonds, which accounted for 4.0% of the total investment assets, down 1.8 pps year on year. In terms of the credit level, the overall credit rating improved compared with the end of 2018. About 99% of the corporate bonds have AA and higher external ratings while about 89% have AAA ratings. Credit quality of the portfolio remained sound as these corporate bonds are secure and risks are under control. For risk management of corporate bonds, the Company carries out comprehensive risk management covering asset allocation, admission management, and dynamic monitoring. The Company has had an internal credit rating team in place since 2003, who conducted strict admission management for the investment of corporate bonds, and reviewed and adjusted ratings to ensure that credit ratings reasonably reflected credit profiles of bond issuers. Moreover, the Company established an early-warning system to monitor potential risks in corporate bonds, on the basis of a bond issuer list, and a rapid response mechanism that deals with negative news about bond issuers. The Company effectively identified and reported high-risk corporate bonds to enhance early warning and risk management.

DEBT SCHEMES AND DEBT WEALTH MANAGEMENT PRODUCTS

Debt schemes and debt wealth management products include debt investment schemes incepted by insurance asset management companies, debt trust plans incepted by trust companies, and fixed-income wealth management products incepted by commercial banks. As of December 31, 2019, our investment in debt schemes and debt wealth management products totaled RMB430,093 million, accounting for 13.4% of the total investment assets, down 2.4 pps from the beginning of 2019. The Company manages risks in debt schemes and debt wealth management products at three levels. The first level is asset allocation. The Company has developed a set of effective, robust asset allocation models. While keeping the overall risk within the risk appetite, the Company formulates a strategic asset allocation plan for each account, and sets upper and lower limits on proportions of asset allocation. In tactical asset allocation, the Company gives opinions on capital allocation to non-standard debt instruments according to the funding level in each account, the return and liquidity demands, and similar assets' relative attractiveness. The second level is asset selection. The selection of assets is subject to strict internal and external requirements as well as the approval by clients. When selecting assets, the Company prefers projects located in developed areas and industry leaders encouraged by China's industry policies. The third level is post-investment management. The Company's post-investment management team closely monitors the assets. The Company has established a multi-dimensional risk warning framework covering all investment areas, assets, and instruments to ensure that overall investment risks are thoroughly assessed and controllable.

Structure and yield distribution of debt schemes and debt wealth management products

Industry	Investment proportion (%)	Nominal yield (%)	Maturity (year)	Remaining maturity (year)
Infrastructure	**33.5**	**5.75**	**8.69**	**5.19**
Expressway	12.5	5.85	9.87	5.74
Electric power	2.9	5.34	7.93	3.91
Infrastructure and development zones	8.7	5.85	8.16	5.90
Others (water supply, environmental protection, railway...)	9.4	5.65	7.85	4.21
Non-banking financial services(2)	**36.3**	**5.74**	**5.46**	**2.71**
Real estate	**18.3**	**5.90**	**4.69**	**2.05**
Coal mining	**1.5**	**5.90**	**8.13**	**3.07**
Others	**10.4**	**5.48**	**6.56**	**5.11**
Total	**100.0**	**5.75**	**6.56**	**3.68**

Notes: (1) The debt schemes and debt wealth management products were classified by industry in line with Shenyin Wanguo's industry classification.
(2) Non-banking financial services refer to financial institutions other than banks, including insurers, asset management companies, and financial leasing companies.
(3) Some industries have been grouped into "others" as they account for small proportions.

There has been no default on the debt schemes and debt wealth management products held by Ping An, and overall risks are controllable. In terms of credit level, over 99% of the debt schemes and trust plans held by Ping An have AAA external ratings, and about 1% of them have AA+ external ratings. Aside from some high-credit entities which do not need credit enhancement for their financing, most of the assets the Company holds have guarantees or collateral. In terms of industry and geographic distribution, we avoid high-risk industries and regions. Our target assets are mainly in the non-banking financial services, real estate, and expressway industries in developed and coastal areas including Beijing, Shanghai, and Guangdong. In terms of investment timing and returns, Ping An seized time windows of large supplies of high-quality assets to boost overall portfolio yields.

EQUITY WEALTH MANAGEMENT PRODUCTS

As of December 31, 2019, our investment in equity wealth management products totaled RMB38,187 million, accounting for 1.2% of the total investment assets. The equity wealth management products held by Ping An are mainly products from insurance asset management companies. The underlying assets of these products are mainly tradable shares of domestic and foreign high-quality companies, indicating no significant liquidity risk. Private equity funds account for a tiny proportion; the exposure to them is limited, and their underlying assets are mainly equities in central and local governments' partnerships, with risks under control.

Business Analysis
Banking Business

- Ping An Bank maintained stable and healthy business growth. Revenues grew by 18.2% year on year to RMB137,958 million, and net profit increased by 13.6% year on year to RMB28,195 million.
- Ping An Bank furthered the retail transformation. Retail banking's revenues and net profit increased by 29.2% and 13.8% year on year, contributing to 58.0% and 69.1% of Ping An Bank's total revenue and net profit respectively. Retail banking accounted for 24.0% of deposits and 58.4% of loans, up 2.3 pps and 0.6 pps from the beginning of 2019 respectively.
- Ping An Bank continued to de-risk. The non-performing loan ratio dropped by 0.10 pps from the beginning of 2019 to 1.65%. The percentages of special mention loans, loans more than 60 days overdue and loans more than 90 days overdue dropped by 0.72 pps, 0.34 pps and 0.35 pps respectively from the beginning of 2019 to 2.01%, 1.58% and 1.35% respectively. The provision coverage ratios for non-performing loans, loans more than 60 days overdue and loans more than 90 days overdue rose by 27.88 pps, 49.10 pps and 63.44 pps from the beginning of 2019 respectively. The deviations of loans more than 60 days overdue and loans more than 90 days overdue were both below 1.
- In 2019, Ping An Bank completed the issuance and conversion of RMB26 billion worth of A share convertible corporate bonds. Ping An Bank also issued RMB30 billion worth of tier 2 capital bonds and RMB20 billion worth of undated capital bonds. As of December 31, 2019, the core tier 1 capital adequacy ratio and capital adequacy ratio rose 0.57 pps and 1.72 pps from the beginning of 2019 to 9.11% and 13.22% respectively.

BUSINESS OVERVIEW

In 2019, Ping An Bank continued its mission to build "China's most outstanding, world-leading smart retail bank" under the strategy of "technology-driven breakthroughs in retail banking and enhancement of corporate banking." Ping An Bank established the "3+2+1" strategies for retail, corporate, and interbank businesses to achieve balanced business development on the basis of previous transformation. Moreover, Ping An Bank continued to pursue data-driven operations and strengthen financial risk management. Ping An Bank enhanced its capability to serve the real economy by empowering non-state-owned enterprises and small and micro-businesses and conducting poverty alleviation via financial services.

KEY INDICATORS

Ping An Bank maintained stable and healthy business growth with both revenues and net profit increasing steadily in 2019. Revenues grew by 18.2% year on year to RMB137,958 million. Net profit increased by 13.6% year on year to RMB28,195 million.

(in RMB million)	2019	2018	Change (%)
Net profit	**28,195**	24,818	13.6
Cost-to-income ratio(1) (%)	**29.61**	30.32	-0.71 pps
Average return on total assets (%)	**0.77**	0.74	0.03 pps
Weighted average ROE (%)	**11.30**	11.49	-0.19 pps
Net interest margin(2) (%)	**2.62**	2.35	0.27 pps

Notes: (1) Cost-to-income ratio = general and administrative expenses/total revenues.
(2) Net interest margin = net interest revenue/average balance of interest-earning assets.

(in RMB million)	December 31, 2019	December 31, 2018	Change (%)
Deposits and loans[1]			
Total loans and advances	**2,323,205**	1,997,529	16.3
Including: Retail loans	**1,357,221**	1,154,013	17.6
Corporate loans	**965,984**	843,516	14.5
Deposits	**2,436,935**	2,128,557	14.5
Including: Retail deposits	**583,673**	461,591	26.4
Corporate deposits	**1,853,262**	1,666,966	11.2
Asset quality			
Non-performing loan ratio (%)	**1.65**	1.75	-0.10 pps
Provision coverage ratio (%)	**183.12**	155.24	27.88 pps
Deviation of loans more than 90 days overdue[2] (%)	**82**	97	-15 pps
Deviation of loans more than 60 days overdue[3] (%)	**96**	110	-14 pps
Capital adequacy ratio			
Core tier 1 capital adequacy ratio[4] (%)	**9.11**	8.54	0.57 pps

Notes: (1) Total loans and advances, deposits, and their components are exclusive of interest receivable and payable.
(2) Deviation of loans more than 90 days overdue = balance of loans more than 90 days overdue/balance of non-performing loans.
(3) Deviation of loans more than 60 days overdue = balance of loans more than 60 days overdue/balance of non-performing loans.
(4) The minimum regulatory requirement for the core tier 1 capital adequacy ratio is 7.5%.

Analysis of Profit Sources

(in RMB million)	2019	2018	Change (%)
Net interest revenue	**89,961**	74,745	20.4
Average balance of interest-earning assets	**3,433,756**	3,186,151	7.8
Net interest margin (%)	**2.62**	2.35	0.27 pps
Net non-interest revenue	**47,997**	41,971	14.4
Including:			
Net fee and commission revenue	**36,743**	31,297	17.4
Other net non-interest revenue	**11,254**	10,674	5.4
Revenue	**137,958**	116,716	18.2
General and administrative expenses	**(40,852)**	(35,391)	15.4
Cost-to-income ratio (%)	**29.61**	30.32	-0.71 pps
Loan impairment loss	**(53,288)**	(43,657)	22.1
Average balance of loans (including discounted bills)	**2,096,394**	1,858,353	12.8
Credit cost[1] (%)	**2.54**	2.35	0.19 pps
Other expenses	**(7,578)**	(5,437)	39.4
Profit before tax	**36,240**	32,231	12.4
Income tax	**(8,045)**	(7,413)	8.5
Net profit	**28,195**	24,818	13.6

Note: (1) Credit cost = loan impairment loss/average balance of loans (including discounted bills).

Business Analysis
Banking Business

Net Interest Margin

Ping An Bank's net interest margin for 2019 increased by 0.27 pps year on year to 2.62%, benefiting from higher asset yields and lower funding costs. As Ping An Bank further optimized its business portfolio, the yields on interest-earning assets rose as the scale and proportion of higher yield retail loans increased. Meanwhile, interest-bearing liabilities' cost dropped further due to increases in lower cost deposits and ample liquidity in the market in 2019.

Net Non-interest Revenue

Ping An Bank's net non-interest revenue totaled RMB47,997 million in 2019, up 14.4 % year on year, mainly due to higher bank card fee revenue. Apart from net fee and commission revenue, net non-interest revenue includes investment income, fair value gains and losses, foreign exchange gains and losses, other business revenue, asset disposal gains and losses, and other income.

OPERATING RESULTS

Retail Banking

In 2019, Ping An Bank furthered its retail transformation by continuing reforms under the philosophy of data-driven operations. Under the "3+2+1" strategy, Ping An Bank promoted three key businesses of "basic retail banking, private banking & wealth management (PBWM) and consumer finance," enhanced two core capabilities of "risk management and cost control," and developed "one ecosystem" to enhance integration. In 2019, retail banking accounted for RMB79,973 million or 58.0% of Ping An Bank's revenues, up 29.2% year on year, and RMB19,493 million or 69.1% of its net profit, up 13.8% year on year. As of December 31, 2019, Ping An Bank's retail assets under management (AUM) rose by 39.9% from the beginning of 2019 to RMB1,982,721 million. The balance of retail loans increased by 17.6% from the beginning of 2019 to RMB1,357,221 million. In 2019, Ping An Bank's net non-interest revenue from distribution of the Group's insurance products through retail channels grew by 13.2% year on year to RMB2,789 million. The integrated financial business model made increasing contributions to retail banking. Customers referred by the cross-selling channel have better asset quality than other customers.

(in RMB million)	2019	2018	Change (%)
Operating results of retail banking			
Revenue from retail banking	**79,973**	61,883	29.2
% of revenue from retail banking	**58.0**	53.0	5.0 pps
Net profit from retail banking	**19,493**	17,129	13.8
% of net profit from retail banking	**69.1**	69.0	0.1 pps

	2019	
	Cross-selling channel's contribution	Cross-selling channel's contribution percentage (%)
Cross-selling channel's contributions to retail banking		
Credit cards issued (in million)	**4.88**	**34.1**
Xin Yi Dai unsecured loans granted (in RMB million)	**68,682**	**61.3**
Auto loans granted (in RMB million)	**54,676**	**34.9**

	December 31, 2019	
(%)	Overall non-performing loan ratio	Cross-selling channel's non-performing loan ratio
Asset quality of retail banking		
Credit card receivables	**1.66**	**1.46**
Xin Yi Dai unsecured loans	**1.34**	**0.69**
Auto loans	**0.74**	**0.74**

Ping An Bank kept asset-quality risks under control. Ping An Bank pays close attention to risk management while developing its business. Risks in the consumer finance industry were on the rise in 2019 against a backdrop of the complicated, ever-changing global and domestic economic landscape, rising joint-debt risks, declining auto sales, and other external factors. To be prudent, Ping An Bank tightened the five-level classification standards. As of December 31, 2019, the retail non-performing loan ratio was 1.19%, up 0.12 pps from the beginning of 2019. According to the original five-level classification standards, the retail non-performing loan ratio decreased by 0.09 pps from the beginning of 2019, indicating that the overall non-performing loan level remained stable and controllable. The non-performing asset ratios of credit card receivables and Xin Yi Dai unsecured loans stood at 1.66% and 1.34%, both up by 0.34 pps from the beginning of 2019 as adjustments to the metric definitions pushed up the two metrics by 0.33 pps respectively. The non-performing loan ratio of Ping An Bank's auto finance business was 0.74%, up 0.20 pps from the beginning of 2019, as adjustments to the metric definition pushed up the metric by 0.14 pps. Since the end of 2017, Ping An Bank has adjusted its risk policies proactively to prevent joint-debt risks and effectively reduce the proportion of customers who face joint-debt risks, have high debt levels, or are in high-risk areas. Measures include imposing lower quotas and tightening facility granting. The overall risk of new customers remains at a historically low level. Given the macro-economic downturn pressure and Ping An Bank's priority on asset quality, Ping An Bank actively improved loan extension strategies for loan products. Ping An Bank raised the underwriting bars for credit cards and other loan products, developed high-quality home loan customers, and steered toward customers at the higher-quality spectrum.

	Loan granting period			
(%)	**2019**	2018	2017	2016
The percentage of loans more than 30 days overdue as at the end of the 6-month vintage period				
Credit card receivables	**0.35**	0.29	0.35	0.45
Xin Yi Dai unsecured loans	**0.13**	0.17	0.20	0.16
Auto loans	**0.23**	0.17	0.18	0.12

Notes: (1) Vintage analysis, also known as static pool analysis of default rates, is a method of evaluating the credit quality of account holders by monitoring credit assets in accounts opened in different periods and analyzing the vintages. The percentage of loans more than 30 days overdue as at the end of the 6-month vintage period = the balance of current-year new loans or credit card receivables more than 30 days overdue as at the end of the 6-month vintage period/the balance of current-year new loans or credit card receivables that have been on books for 6 months.

(2) The data for 2019 shows the vintage analysis results of loans granted from January to July 2019. Loans granted from August to December 2019 will be included in analysis when the vintages of these loans reach six months.

Retail deposits increased steadily. Ping An Bank continued to expand AUM to increase derivative deposits, and retained more customer deposits by boosting accounts bundled for repayment of credit cards or other loan products. In addition, Ping An Bank raised settlement deposits by developing payroll and acquiring services, which increased demand deposits and optimized the structure of retail deposits. As of December 31, 2019, the balance of retail deposits and retail current deposits increased 26.4% and 15.3% from the beginning of 2019 to RMB583,673 million and RMB199,949 million respectively.

The private wealth management business recorded rapid growth. In 2019, Ping An Bank proactively continued its business transformation under the private banking strategy. By empowering the front office with data-driven operation tools, Ping An Bank strengthened its private banking customer development and asset allocation to improve customer experiences. Leveraging AI and Ping An Group's integrated financial service model, Ping An Bank established a professional AI-powered investment advisory team, developed a "1+N" (1 private banker + N experts) online-merge-offline business model and an open product platform. This helps Ping An Bank maximize its service coverage and strengthen its expertise. By integrating internal and external resources, Ping An Bank diversified offerings, and upgraded the benefits and customer services to optimize customer experiences. Under a product management committee mechanism, Ping An Bank sourced diverse high-quality assets, and strengthened its risk management and compliance teams to strictly control asset risks. As of December 31, 2019, the number of wealth management customers reached 779.3 thousand, up 31.7% from the beginning of 2019. The number of qualified private banking customers (the criterion for a qualified private banking customer is over RMB6 million in daily average assets for any one of the recent three months) reached 43.8 thousand, up 45.7% from the beginning of 2019. The AUM of qualified private banking customers stood at RMB733,941 million, up 60.3% from the beginning of 2019.

Business Analysis
Banking Business

	December 31, 2019	December 31, 2018	Change (%)
Number of retail customers[(1)] (million)	**97.08**	83.90	15.7
Retail assets under management (AUM, in RMB million)	**1,982,721**	1,416,796	39.9
Retail loans (in RMB million)	**1,357,221**	1,154,013	17.6
Number of credit cards in circulation (in million)	**60.33**	51.52	17.1

Note: (1) Retail customers include debit cardholders and credit cardholders, with duplicates removed.

Enhancing Corporate Banking

As of December 31, 2019, the balance of corporate deposits rose 11.2% from the beginning of 2019 to RMB1,853,262 million. In 2019, corporate net non-interest revenue increased by 5.7% year on year to RMB5,363 million. Corporate net non-interest revenue as a percentage of the total operating revenue of corporate banking was up 1.14 pps year on year. Ping An Bank, as a "1+N" engine of the Group's corporate integrated finance business, takes a customer-centric approach to strengthen its business gradually. In 2019, Ping An implemented the "3+2+1" strategy for corporate banking, featuring three pillars of "industry-specific banking, transaction banking and integrated finance," two core customer segments of "strategic customers and small and micro-business customers," and one bottom line of "ensuring asset quality." In addition, Ping An Bank fully leverages technologies including AI, blockchain and the Internet of Things (IOT) to empower business innovation. In 2019, the transaction volume of Ping An Bank's internet payment and settlement service platform rose 64.5% year on year to RMB4.18 trillion. The "Ping An Pocket Finance" app, a one-stop integrated financial services platform for corporate customers, had 359.8 thousand registered users who contributed a transaction volume of RMB3.72 trillion as of December 31, 2019, up 338.3% year on year. Through the cloud-based supply chain accounts receivable service platform, Ping An Bank provided 450 core enterprises and their upstream suppliers with financial services. In 2019, transactions on the platform totaled RMB34,038 million. In 2019, Ping An's group insurance premiums referred by Ping An Bank rose 326.6% year on year to RMB1,331 million. New investment and financing projects implemented by Ping An Bank in cooperation with the Group's member companies totaled RMB261,116 million, up 137.5% year on year.

In addition to business development, Ping An Bank vigorously serves the real economy by supporting non-state-owned enterprises and small and micro-businesses. As of December 31, 2019, the proportion of credit lines granted to Ping An Bank's key industries including health care, environmental protection, and clean energy stood at 46.9%. Strategic customers' balance of loans rose 53.3% from the beginning of 2019, and their share in the corporate loan balance increased by 4.8 pps from the beginning of 2019. In 2019, Ping An Bank served 34,156 customers through "Know Your Business (KYB) for Small Enterprises" and granted RMB22,376 million in loans. In 2019, new non-state-owned corporate loan customers accounted for over 70% of new corporate loan customers.

Ping An Bank maintained a satisfying risk profile of new corporate customers, continued to adjust the structure of existing assets, stepped up efforts to recover non-performing assets, and gradually improved the quality of corporate assets. As of December 31, 2019, the non-performing loan ratio of corporate loans declined by 0.39 pps from the beginning of 2019 to 2.29%.

Upgrading Interbank Business

Under the customer-centric and data-driven philosophy, Ping An Bank formulated the "3+2+1" strategy for the interbank business, featuring three business directions of "new transactions, new interbank business, and new asset management business," two core capabilities of "sales and transactions," and "one system platform." In 2019, Ping An Bank's bond trading volume rose by 178.3% year on year to RMB3.51 trillion. The interest rate swap volume increased by 50.6% year on year to RMB3.13 trillion. Ping An Bank, by capitalizing on its industry-leading technological strength and transaction capabilities, became a market leader in multiple metrics of market making for bonds, interest rate swaps, and standard bond forwards, including the quotations, transactions, positions and comprehensive rankings. As of December 31, 2019, ET-Bank, Ping An Bank's integrated financial asset trading platform, had cooperated with nearly 2,200 customers. In 2019, the interbank institutional sales volume reached RMB503,880 million, up 123.7% year on year.

Technology-driven business yielded impressive results

Ping An Bank takes "technology-driven business" as the driving force for strategic transformation and data-driven operations. Ping An Bank's technology-empowered business has yielded impressive results as it increased investment in technologies, optimized development processes, and improved delivery efficiency. As of December 31, 2019, Ping An Bank's IT staff (including outsourced personnel) exceeded 7,500, up by over 34% from the beginning of 2019. IT capital expenditure and expenses grew by 35.8% year on year. Ping An Bank continued to empower business development and improve operation efficiency and productivity with fintech. In 2019, the per capita retail revenue rose 17.7% year on year.

Firstly, Ping An Bank furthered its agile transformation. In 2019, Ping An Bank launched the bankwide development and operations integration project (Starlink) and the Security Development Life Cycle (SDLC) project. The projects helped establish an end-to-end R&D process from requirement development to production, and accelerated IT deliveries, allowing Ping An Bank to address 30% more business development requirements than in 2018. Moreover, Ping An Bank further integrated technologies with businesses. Key projects including the smart risk management platform, the New Generation of Financial Market Business System, cloud-based acquiring services for corporate business, and smart custody business have been launched. With these projects, Ping An Bank's financial products and services became smarter and more efficient, stable and reliable.

Secondly, Ping An Bank further promoted data-driven operations. To implement data-driven operations in a real-time, refined, visualized and value-creating manner, Ping An Bank has implemented three programs—the data governance, data middle office, and AI platform. Regarding the data governance, Ping An Bank has developed over 900 basic data standards and nearly 2,000 indicator standards. Regarding the data middle office, Ping An Bank accelerated the development of the data indicator platform, data service platform, and five databases—customers, products, personnel, channels, and cases. Regarding the AI platform, all the 11 AI middle office projects have been put into production to facilitate modular, parameterized and closed-loop management. Ping An Bank empowers the front-end business with AI-powered robots designed for customer services, marketing, risk management, speech recognition, quality control, and smart recommendation. For example, the smart recommendation platform helps the "Ping An Pocket Bank" app and the homepage of the credit card business achieve precise marketing and advertising, significantly boosting the conversion rate compared with manual advertising.

Thirdly, Ping An Bank established leading technology infrastructure platforms. Ping An Bank underpins business growth by building and improving infrastructure platforms including the private cloud platform, Platform as a Service (PaaS), open platforms, blockchain-based integrated service platform, and enterprise-grade big data platforms. In 2019, Ping An Bank developed the distributed PaaS, and piloted it in more than 70 projects. PaaS greatly enhanced the security and controllability of Ping An Bank's IT systems, and cut costs of development, operations and maintenance. For example, the business peak processing capability of the new core credit card system based on the PaaS has increased by nearly 1,000% compared with the previous system while the cost was only one third of the previous one. The blockchain-based integrated service platform has been applied in areas including supply chain finance, bankruptcy and liquidation voting, cloud-based contract signing and certificate storage, and traceability, facilitating over 350,000 transactions in 2019.

Ping An Bank continued to make its outlets smarter and improved their geographic distribution. As of December 31, 2019, Ping An Bank had 91 branches (including the Hong Kong branch) and 1,058 business outlets. Moreover, Ping An Bank opened 298 new retail stores.

Business Analysis
Banking Business

Improving Asset Quality

Ping An Bank adjusted its business portfolio to tackle external risks, and granted more loans to retail segments with good asset quality. Ping An Bank continued to enhance its corporate business, and selectively granted new loans to key industries, key regions, and key customers. As of December 31, 2019, both the non-performing loan ratio and the percentage of special mention loans of Ping An Bank dropped by 0.10 pps and 0.72 pps from the beginning of 2019 respectively. The percentage of loans more than 60 days overdue declined by 0.34 pps from the beginning of 2019 to 1.58%. The percentage of loans more than 90 days overdue declined by 0.35 pps from the beginning of 2019 to 1.35%. The provision coverage ratios for non-performing loans, loans more than 60 days overdue and loans more than 90 days overdue rose by 27.88 pps, 49.10 pps and 63.44 pps from the beginning of 2019 to 183.12%, 190.34% and 222.89% respectively, indicating strengthened risk compensation. Ping An Bank's deviations of loans more than 60 days overdue and loans more than 90 days overdue were both below 1. Ping An Bank also strengthened recovery of non-performing assets (NPAs). In 2019, recovered NPAs reached RMB21,366 million, up 14.0% year on year; 91.4% of the recovered amount was collected in cash, while the rest was in kind.

(in RMB million)	December 31, 2019	December 31, 2018	Change (%)
Loan quality			
Pass	**2,238,307**	1,908,072	17.3
Special mention	**46,665**	54,552	(14.5)
Non-performing loans	**38,233**	34,905	9.5
Sub-standard	**18,891**	17,955	5.2
Doubtful	**6,272**	4,509	39.1
Loss	**13,070**	12,441	5.1
Total loans and advances	**2,323,205**	1,997,529	16.3
Non-performing loan ratio (%)	**1.65**	1.75	-0.10 pps
Deviation of loans more than 90 days overdue[1] (%)	**82**	97	-15 pps
Deviation of loans more than 60 days overdue[2] (%)	**96**	110	-14 pps
Balance of loans more than 90 days overdue	**31,411**	33,984	(7.6)
Percentage of loans more than 90 days overdue (%)	**1.35**	1.70	-0.35 pps
Percentage of loans more than 60 days overdue (%)	**1.58**	1.92	-0.34 pps
Percentage of special mention loans (%)	**2.01**	2.73	-0.72 pps
Impairment provision balance	**(70,013)**	(54,187)	29.2
Loan loss provision ratio (%)	**3.01**	2.71	0.30 pps
Provision coverage ratio (%)	**183.12**	155.24	27.88 pps
Provision coverage ratio for loans more than 90 days overdue (%)	**222.89**	159.45	63.44 pps
Provision coverage ratio for loans more than 60 days overdue (%)	**190.34**	141.24	49.10 pps

Notes: (1) Deviation of loans more than 90 days overdue = balance of loans more than 90 days overdue/balance of non-performing loans.
(2) Deviation of loans more than 60 days overdue = balance of loans more than 60 days overdue/balance of non-performing loans.

CAPITAL ADEQUACY RATIO

Ping An Bank furthered its reform in capital management, and pursued robust capital management. In addition to stable internal sources of capital including retained earnings, Ping An Bank issued RMB26 billion worth of A share convertible corporate bonds in January 2019. Ping An Bank completed conversion of these bonds to replenish core tier 1 capital in September 2019. Furthermore, Ping An Bank issued RMB30 billion worth of tier 2 capital bonds in the China Interbank Bond Market on April 25, 2019 to replenish tier 2 capital and improve capital adequacy. In addition, Ping An Bank issued the first tranche of undated capital bonds worth of RMB20 billion in the China Interbank Bond Market on December 26, 2019 as the Chinese government encourages banks to broaden their channels of replenishing capital and speed up the pilot on the issuance of innovative capital replenishing instruments. The funds raised are used to replenish other tier 1 capital, further broaden the capital replenishing channels, optimize the capital structure, and enhance Ping An Bank's risk mitigation.

(in RMB million)	**December 31, 2019**	December 31, 2018	Change (%)
Capital adequacy ratio			
Net core tier 1 capital	**253,646**	199,782	27.0
Net tier 1 capital	**293,594**	219,735	33.6
Net capital	**368,193**	269,115	36.8
Total risk weighted assets	**2,784,405**	2,340,236	19.0
Core tier 1 capital adequacy ratio (%)	**9.11**	8.54	0.57 pps
Tier 1 capital adequacy ratio (%)	**10.54**	9.39	1.15 pps
Capital adequacy ratio (%)	**13.22**	11.50	1.72 pps

Notes: (1) Capital requirements regarding credit risk, market risk and operational risk are measured by the weighted method, standard method, and basic indicator method respectively.

(2) 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.

Asset Management Business

- Ping An Securities is developing a smart securities service platform under the Group's integrated financial business strategy. Net profit for 2019 increased by 41.4% year on year.
- Apart from business growth in the leasing market of developed industries, Ping An Financial Leasing's net profit rose by 36.0% year on year as it has established leading innovative businesses in sectors including auto finance and microfinance.
- Ping An Asset Management maintained steady business growth. As of December 31, 2019, the investment assets under management (AUM) stood at RMB3.27 trillion, up 13.2% from the beginning of the year.

BUSINESS OVERVIEW

The Company conducts its asset management business through companies including Ping An Trust, Ping An Securities, Ping An Financial Leasing, and Ping An Asset Management. Net profit of the asset management business for 2019 was RMB10,415 million, down 24.0% year on year due to profit volatility and impairment of some investment assets in the other asset management business.

(in RMB million)	2019	2018	Change (%)
Net profit			
Trust business	**2,598**	3,012	(13.7)
Securities business	**2,376**	1,680	41.4
Other asset management business	**5,441**	9,017	(39.7)
Including:			
Ping An Financial Leasing	**4,476**	3,292	36.0
Ping An Asset Management	**2,865**	2,662	7.6
Total	**10,415**	13,709	(24.0)

TRUST BUSINESS

The Company provides trust services through Ping An Trust and its subsidiary Ping An New Capital.

In 2019, China's economy remained stable and the economic structure improved. Keeping up with the times, Ping An Trust switched its focus back to its core trust businesses, namely special asset investment, infrastructure investment, financial service trusts and private equity investment. Observing the tradition while pursuing innovation, Ping An Trust made steady progress in helping the real economy to achieve high-quality development. In special asset investment, Ping An Trust explored innovative models and channels to serve the real economy, built a large platform for special assets, integrated high-quality resources, helped the real economy mitigate risks, and provided relevant investment banking services for enterprises. In infrastructure investment, Ping An Trust followed national strategic directions and focused on urban infrastructure, transportation, energy and other fields, providing insurance funds and institutional investors with financial products featuring stable cash flows and reasonable returns to support China's infrastructure upgrades. In financial service trusts, Ping An Trust strengthened active management and focused on development of business customers, providing institutional investors with excellent trust services. In private equity investment, Ping An Trust helped enterprises to boost operational efficiency and value, and supported China's industrial structure upgrades by sharing profound investment and management expertise with emerging industries including energy saving and environmental protection, high-end manufacturing, and health care.

Ping An Trust continued to establish smart, digital benchmarks for technology applications in the industry. Ping An Trust employed technologies to develop a smart service platform covering the entire trust business chain. Ping An Trust also built an industry-leading smart, robust, comprehensive risk management system with cutting-edge technologies. As of December 31, 2019, Ping An Trust had RMB18,046 million in net capital. The ratio of net capital to total risk capital was 212.4% (regulatory requirement ≥ 100%), and the ratio of net capital to net assets was 77.4% (regulatory requirement ≥ 40%), both meeting regulatory requirements.

ANALYSIS OF PROFIT SOURCES

Net profit of the trust business for 2019 declined by 13.7% year on year because of a year-on-year decrease in investment income due to lower investment exits.

(in RMB million)	2019	2018	Change (%)
Fees and commission revenue	**3,722**	3,801	(2.1)
Monthly average assets held in trust	**491,630**	588,788	(16.5)
Fee rate of assets held in trust[1] (%)	**0.76**	0.65	0.11 pps
Fees and commission expenses	**(190)**	(116)	63.8
Net fees and commission revenue	**3,532**	3,685	(4.2)
Administrative expenses[2]	**(1,217)**	(1,039)	17.1
Total investment income[3]	**617**	1,104	(44.1)
Other net revenue and expenses	**437**	163	168.1
Profit before tax	**3,369**	3,913	(13.9)
Income tax	**(771)**	(901)	(14.4)
Net profit	**2,598**	3,012	(13.7)

Notes: (1) Fee rate of assets held in trust = fees and commission revenue/monthly average assets held in trust.
(2) Administrative expenses include administrative expenses, and impairment losses on receivables and others under the segmented income statement.
(3) Total investment income includes interest revenue from non-banking operations, investment income, share of profits and losses of associates and jointly controlled entities, impairment losses on investment assets, and interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions under the segmented income statement.

Assets Held in Trust

Ping An Trust adjusted and optimized its business portfolio in response to macro-environment changes and new asset management regulations. As of December 31, 2019, Ping An Trust had RMB442,608 million in assets held in trust, down 17.1% from the beginning of 2019.

(in RMB million)	December 31, 2019	December 31, 2018	Change (%)
Investment category	**83,001**	100,829	(17.7)
Capital market investment	**56,879**	46,767	21.6
Financial institutions' investment	**9,652**	11,644	(17.1)
Other investments[1]	**16,470**	42,418	(61.2)
Financing category[2]	**174,675**	185,870	(6.0)
Infrastructure industry financing	**20,569**	25,736	(20.1)
Real estate financing	**116,237**	92,930	25.1
Corporate loans	**30,585**	59,598	(48.7)
Pledge and other financing[3]	**7,284**	7,606	(4.2)
Administrative category[4]	**184,932**	247,425	(25.3)
Total	**442,608**	534,124	(17.1)

Notes: (1) Other investments refer to investments other than the above, including structured equity investment, industrial investment, and other investment businesses.
(2) In 2019, Ping An Trust optimized its product classification, reclassified the industries of the assets held in trust, and restated the data as of December 31, 2018.
(3) Pledge and other financing refers to financing other than the above, including financing by pledging or acquiring securities, financial assets, and other debts.
(4) An administrative trust refers to a trust scheme under which a trust company, acting as the trustee, assumes the administrative function to provide the trustor (beneficiary) with administrative and executive services for specified purposes.

Fees and Commission Revenue

Fees and commission revenue of the trust business for 2019 declined by 2.1% year on year mainly due to decreased assets in the investment category and increased fee rate in the financing category.

(in RMB million)	2019	2018	Change (%)
Fees and commission revenue	**3,722**	3,801	(2.1)
Investment category	**924**	1,406	(34.3)
Financing category	**2,384**	1,913	24.6
Administrative category	**414**	482	(14.1)
Fee rate of assets held in trust (%)	**0.76**	0.65	0.11 pps
Investment category (%)	**1.00**	1.14	-0.14 pps
Financing category (%)	**1.35**	1.10	0.25 pps
Administrative category (%)	**0.19**	0.17	0.02 pps

Business Analysis
Asset Management Business

SECURITIES BUSINESS

The Company provides securities brokerage, futures brokerage, investment banking, asset management, and financial advisory services through Ping An Securities and its subsidiaries including Ping An Futures, Ping An Caizhi, Ping An Securities (Hong Kong), and Ping An Pioneer Capital.

In 2019, domestic stock markets recovered as China furthered its capital market reform. As a result, performance of the securities industry improved significantly. Net profit of Ping An Securities for 2019 was RMB2,376 million, up 41.4% year on year due to the increased brokerage trading volume and the expanded bond and asset-backed securities (ABS) underwriting volumes. In brokerage business, Ping An Securities continued to optimize its customer portfolio by promoting balanced development of three customer segments, namely mass, wealthy, and institutional. Ping An Securities employed technologies to develop wealth management capabilities by building a comprehensive financial product line, a smart services platform, and a professional team of investment advisors. Market share by net revenue from securities brokerage business (exclusive of seat leasing) of Ping An Securities grew by 0.45 pps year on year to 2.96%, continuing an upward trend. In investment banking business, Ping An Securities focused on key areas and institutional customers, proactively developed strategic customers, and improved the full-cycle integrated financial service model covering all products. Ping An Securities continued to upgrade its sales and services systems. Ping An Securities remained among the top-tier securities firms by bonds and ABS underwritten, and increased equity projects in the pipeline. In trading business, Ping An Securities steadily improved investment performance by exploiting bond volatility with trading strategies through an all-around smart investment and management system. In asset management, Ping An Securities enhanced cross-market, cross-instrument "fixed income +" asset allocation capabilities, developed equity and quantitative businesses, strengthened active management capabilities, and diversified products.

Analysis of Profit Sources

(in RMB million)	2019	2018	Change (%)
Fees and commission revenue	**5,457**	4,014	35.9
Fees and commission expenses	**(1,183)**	(847)	39.7
Net fees and commission revenue	**4,274**	3,167	35.0
Total investment income[(1)]	**5,520**	4,654	18.6
Other revenue[(2)]	**4,510**	2,928	54.0
Revenue	**14,304**	10,749	33.1
Administrative expenses[(3)]	**(3,892)**	(3,497)	11.3
Cost-to-income ratio[(4)] (%)	**44.8**	52.7	-7.9 pps
Finance costs	**(1,813)**	(1,125)	61.2
Other expenses[(5)]	**(5,612)**	(4,113)	36.4
Profit before tax	**2,987**	2,014	48.3
Income tax	**(611)**	(334)	82.9
Net profit	**2,376**	1,680	41.4

Notes: (1) Total investment income includes interest revenue from non-banking operations, investment income, and share of profits and losses of associates and jointly controlled entities under the segmented income statement. Investment income excludes operating lease income from investment properties.
(2) Other revenue includes other revenues and other gains, foreign exchange gains or losses, and operating lease income from investment properties under the segmented income statement. Other revenue and other gains exclude non-operating gains.
(3) Administrative expenses include administrative expenses and impairment losses on receivables and others under the segmented income statement.
(4) Cost-to-income ratio = administrative expenses/ (revenue – other expenses).
(5) Other expenses include interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions, other expenses, impairment losses on investment assets, and non-operating gains under the segmented income statement.

Fees and Commission Revenue

Brokerage fees and commission revenue for 2019 rose by 52.7% year on year due to the increased trading volume. Underwriting fees and commission revenue grew by 32.1% year on year due to the expanded bond and ABS underwriting volumes. Asset management fees and commission revenue declined slightly year on year as the management fee rates decreased due to the market environment.

(in RMB million)	2019	2018	Change (%)
Fees and commission revenue			
Brokerage business	**3,544**	2,321	52.7
Underwriting business	**991**	750	32.1
Asset management business	**463**	527	(12.1)
Others	**459**	416	10.3
Total	**5,457**	4,014	35.9

OTHER ASSET MANAGEMENT BUSINESSES

The other asset management business represents results of companies including Ping An Financial Leasing, Ping An Asset Management, and Ping An Overseas Holdings.

Ping An Financial Leasing

Ping An Financial Leasing seeks expertise-based innovations and empowers business with cutting-edge technologies. Taking advantage of the Group's integrated financial business model, Ping An Financial Leasing is committed to providing customers with flexible, diverse financing products and comprehensive value-added services. Ping An Financial Leasing aims to become an expert leader in serving small and medium-sized enterprises (SMEs) and specialized markets in China with unique commercial vitality and scalability.

Ping An Financial Leasing gives full play to the industry's characteristics of "financing and leasing." Ping An Financial Leasing has developed multiple business lines and become the leader in developed sectors including engineering, construction, energy, metallurgy, education, culture, manufacturing, and processing. Moreover, Ping An Financial Leasing has emerged as a top-tier player in innovative sectors including auto finance and microfinance. Ping An Financial Leasing has become an industry leader and innovation pioneer by increasing the depth and width of the leasing business and extending business models.

In 2019, net profit of Ping An Financial Leasing increased by 36.0% year on year mainly due to stable, healthy development of developed businesses and breakthroughs in innovative ones. Meanwhile, the macro-economic environment and the tightened regulation of some industries continued to weigh on the real economy. As of December 31, 2019, Ping An Financial Leasing's non-performing asset ratio increased slightly from the beginning of 2019, but remained lower than most peers'. Going forward, Ping An Financial Leasing will continue to enhance asset management, and adjust management measures according to the risk profile in a timely manner. For new assets, Ping An Financial Leasing will raise qualification requirements and focus on high-end customers. For existing assets, Ping An Financial Leasing will strengthen risk management and establish rapid procedures covering assessment, negotiation and disposal to ensure risks are controllable.

Results of Operation

(in RMB million)	2019	2018	Change (%)
Revenue	**20,510**	16,427	24.9
Net profit	**4,476**	3,292	36.0

(in RMB million)	December 31, 2019	December 31, 2018	Change (%)
Total assets	**254,684**	234,657	8.5
Non-performing asset ratio (%)	**1.10**	0.89	0.21 pps

Ping An Asset Management

Ping An Asset Management is responsible for domestic investment management business of the Company. Entrusted with the insurance funds of the Company, Ping An Asset Management also provides investment products and third-party asset management services to other investors through various channels.

Despite macro-economic changes and capital market fluctuations, Ping An Asset Management upholds the philosophies of value investing and prudence. Ping An Asset Management continued to meet the investment management demands of insurance funds and create value for various customers by managing risks and seizing opportunities. In line with the Chinese government's major strategies and the objective of delivering high-quality economic growth, Ping An Asset Management became an industry leader by the scale of alternative investment and served the real economy more effectively. Amid new trends in the industry, Ping An Asset Management gave full play to its advantages in active management, and based its business on expertise and markets. The third-party asset management business maintained stable growth. Net profit of Ping An Asset Management for 2019 increased by 7.6% year on year mainly due to continued AUM growth. As one of China's largest asset managers, Ping An Asset Management is committed to building an industry-leading "asset management + ecosystem" investment platform. Ping An Asset Management will continue to improve its investment capability, risk management, and customer services with technologies. Remaining customer-centric and performance-oriented, Ping An Asset Management will leverage its expertise to create value for customers. Ping An Asset Management will pursue more technological innovations to become China's leading technology-powered asset manager.

Results of Operation

(in RMB million)	2019	2018	Change (%)
Net profit	**2,865**	2,662	7.6
Revenue from third-party asset management	**1,906**	1,754	8.7

(in RMB million)	December 31, 2019	December 31, 2018	Change (%)
Assets under management	**3,271,630**	2,889,616	13.2
Including: AUM of third-party asset management	**291,902**	268,718	8.6

Business Analysis
Technology Business

- Lufax Holding maintained its industry-leading market shares in businesses including wealth management and retail lending. The balance of loans grew steadily, and credit quality remained excellent. The ratio of loans more than 30 days overdue dropped 0.4 pps year on year to 1.9%, significantly lower than peers'.
- OneConnect, which successfully listed on the NYSE on December 13, 2019, is China's leading technology-as-a-service cloud platform for financial institutions. OneConnect provides financial institutions with comprehensive end-to-end solutions. As of December 31, 2019, OneConnect had served 621 banks and 96 insurance companies. OneConnect's revenues for 2019 rose by 64.7% year on year to RMB2,328 million.
- As of December 31, 2019, Ping An Good Doctor had over 315 million registered users. In December 2019, Ping An Good Doctor had 66.90 million monthly active users. Ping An Good Doctor is the largest online health care services platform in China. Ping An Good Doctor's revenues for 2019 rose by 51.7% year on year to RMB5,065 million, driven by rapid growth in online health care business. As operating efficiency improved, net loss for 2019 narrowed further by RMB166 million year on year to RMB747 million.
- Ping An HealthKonnect continued to make breakthroughs. Ping An HealthKonnect won the bids for the "macro-decision making big data application subsystem" and the "operation monitoring subsystem" of the National Healthcare Security Administration as well as provincial/municipal platform construction projects in Shandong, Hebei and Qingdao. Ping An HealthKonnect has provided social health insurance (SHI) management and member services for SHI fund managers in over 200 cities.
- Autohome maintained business growth despite a weak market environment. Revenues and net profit for 2019 increased by 16.4% and 10.7% year on year respectively.

BUSINESS OVERVIEW

The Company conducts its technology business via companies including Lufax Holding, OneConnect, Ping An Good Doctor, Ping An HealthKonnect, and Autohome. The Company continued to explore innovative fintech and healthtech business models to strengthen its main financial businesses, enable industry upgrades, and serve the real economy. The total revenue(1) of the technology business for 2019 increased by 27.1% year on year to RMB82,109 million. As of December 31, 2019, OneConnect, Ping An Good Doctor and Autohome went public, Lufax Holding and Ping An HealthKonnect completed external financing, and the total valuation(2) of our technology companies was about USD69.1 billion.

Notes: (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.

(2) The total valuation of technology companies is the sum of valuations of technology companies in our technology segment, without considering the shareholding proportions. The valuations of listed companies are computed based on their market caps as of closing on December 31, 2019, while the valuations of private companies are computed based on their most recent post-money valuations.

LUFAX HOLDING

Lufax Holding is a world-leading online wealth management and retail lending technology platform. In 2019, China's internet finance industry entered a cycle of strong regulation. Under the philosophy of empowering traditional financial services with technological innovations, Lufax Holding tackled challenges in main businesses including wealth management and retail lending to seize new opportunities and maintain growth.

In wealth management, Lufax Holding provides the middle class with diverse personalized products and services. Lufax Holding has provided 12.50 million active investor customers with more than seven thousand products and personalized financial services through partnerships with over 300 institutions. In 2019, Lufax Holding rapidly adjusted its product portfolio and sought cooperation with trust companies and banks to rebuild its product advantages. Lufax Holding employs AI and machine learning to match products with customers in real time based on Know Your Customer (KYC), Know Your Product (KYP) and Know Your Intention (KYI) in diverse scenarios. In this way, Lufax Holding recommends the right products to the right customers by the right means at the right time. Currently, more than half of the customer assets on Lufax Holding's platform are from customers with assets of over RMB500,000. Lufax Holding's smart service robots have covered over 8.8 million platform customers and facilitated a total investment of over RMB219.1 billion. As of December 31, 2019, Lufax Holding had 44.02 million registered users on its platform, up 9.1% from the beginning of the year. Customer assets under management dropped by 6.1% from the beginning of 2019 to RMB346,856 million due to the asset portfolio adjustment and restrictions on consumer finance products. The wealth management transaction volume fell by 29.8% year on year as we optimized the product portfolio by reducing the proportion of products with frequent transactions but unsatisfactory profitability.

In retail lending, as a leading offline-to-online (O2O) non-bank retail lending services provider in China, Lufax Holding integrates high-quality resources in the financial services ecosystem. With 15 years' lending experience in China, Lufax Holding provided 12.37 million micro-, small and medium-sized business owners and retail customers with O2O lending services from offline consultation to online application. Lufax Holding effectively enhanced risk management by adapting to the changing market environment. Lufax Holding employed AI to select high-quality borrowers, and developed and launched the first AI loan approval robot in China. Lufax Holding also carried out regular stress testing and risk monitoring by region and industry to prevent risks. In addition, Lufax Holding diversified the sources of institutional funds to flexibly respond to market and industry changes. In the sources of funding, after peer-to-peer (P2P) lending regulation tightened, Lufax Holding made adjustments proactively to continue meeting customers' financing demands with institutional funds. Lufax Holding has partnered with 44 institutional fund providers which have become the main sources of funding. Lufax Holding stopped adding new P2P assets from September. The funding cost declined compared with the beginning of 2019. As of December 31, 2019, Lufax Holding's balance of loans under management stood at RMB462,243 million, up 23.3% from the beginning of 2019. Lufax Holding's ratio of loans more than 30 days overdue(1) was 1.9%, significantly lower than that of its peers.

Note: (1) The ratio of loans more than 30 days overdue refers to the proportion of loans more than 30 days (inclusive) overdue to the balance of loans under management.

Number of Users

(in million)	December 31, 2019	December 31, 2018	Change (%)
Lufax's registered users	**44.02**	40.35	9.1
Active investor customers(1)	**12.50**	11.17	11.9
Accumulated borrowers	**12.37**	10.28	20.3

Note: (1) Active investor customers refer to customers who made an investment or had a positive account balance in the past 12 months.

Assets under Management

(in RMB million)	December 31, 2019	December 31, 2018	Change (%)
Customer assets	**346,856**	369,414	(6.1)
Including:			
Consumer finance(1)	**103,303**	186,916	(44.7)
Standard products(2)	**178,328**	175,089	1.8
Business cooperation(3)	**65,225**	7,409	780.3
Balance of loans under management	**462,243**	375,006	23.3

Notes: (1) Consumer finance customers' assets were greatly affected due to the regulatory requirements for decreases in the business scale, lenders and borrowers, and outlets.

(2) The standard products refer to products distributed by the wealth management business, including publicly offered funds, privately offered funds, and asset management products from insurance asset managers and securities firms.

(3) The business cooperation refers to balances of investments made by wealth management customers at partner financial institutions through Lufax Holding's technology-powered system. In 2019, the customer assets rapidly increased, aided by expanded cooperation with banks, trust companies and other institutions.

Transaction Volume

(in RMB million)	2019	2018	Change (%)
Wealth management	**1,036,085**	1,475,008	(29.8)
New loans	**494,471**	396,962	24.6

ONECONNECT

OneConnect (NYSE: OCFT) which successfully listed on the New York Stock Exchange ("NYSE") on December 13, 2019, is China's leading technology-as-a-service cloud platform for financial institutions. OneConnect provides comprehensive end-to-end solutions for various financial institutions including banks, insurers, and investment managers by integrating extensive financial service experience with market-leading technology. In this way, OneConnect's solutions enable customers' digital transformations, which help them increase revenue, manage risks, improve efficiency, enhance service quality and reduce costs.

In 2019, OneConnect grew its total revenue by 64.7% year on year to RMB2,328 million garnered through its unique transaction based revenue model. As of December 31, 2019, OneConnect had provided services for 621 banks and 96 insurance companies, which include all of China's major banks, 99% of its city commercial banks, and 52% of its insurance companies, collectively reaching hundreds of millions of end-customers. The customer base is expanding rapidly while the customer relationships are growing. The number of premium customers increased by 114.0% from the beginning of 2019 to 473, and the recurring volume-based revenue rose by 57.9% year on year. The credit risk assessments reached 1.55 billion in 2019.

In 2019, OneConnect's technological strength was recognized under the "technology + business" model. OneConnect passed the Capability Maturity Model Integration (CMMI) Level 5 certification, the highest level of global software certification. As of December 31, 2019, OneConnect had filed 3,710 patent applications, of which 765 were filed abroad. OneConnect was ranked 62nd on the 2019 IDC FinTech Rankings Top 100 list. OneConnect's leadership in blockchain development and application helped it get listed on the Asian Top 50 Blockchain Companies in the Asian Blockchain Technology and Application Forum, and win the Real Economy Empowerment Contribution Award in the Blockdata Awards 2019. OneConnect's blockchain-enabled trade finance network was awarded the "Best Application of Advanced Technology in a Product or Service" by BAI, marking the only blockchain case that received this award in China. OneConnect's AI technology won the first place in the Chinese Machine Reading Comprehension (CMRC) Contest in China National Conference on Computational Linguistics. OneConnect vigorously implemented the platform strategy to provide institutions with optimum products, services and solutions. OneConnect launched one-stop, systematic core solutions that cover financial institutions' core systems, mobile banking, retail risk management, and SME financing. OneConnect unveiled the Gamma O platform that provides open access to technologies, customers and scenarios, and connects the demanders, suppliers and regulators of technologies and scenarios. In addition, OneConnect continued to build its presence overseas. OneConnect's subsidiary in Hong Kong was granted a virtual banking license by the Hong Kong Monetary Authority, and is preparing for its business launch. The subsidiary aims to develop inclusive finance in Hong Kong. OneConnect has also established a Japanese joint venture with SBI Neo Financial Services to serve local financial institutions with digital transformation. In Southeast Asia, in addition to Singapore, branches had also been opened in Jakarta, Indonesia. As of December 31, 2019, OneConnect had provided direct services to or signed contractual agreements with 47 institutions in 14 countries or regions.

(in RMB million)	2019	2018	Change (%)
Revenue	**2,328**	1,413	64.7
Including: Recurring volume-based revenue	**1,721**	1,090	57.9
Recurring fixed revenue	**36**	27	31.2
Implementation revenue	**571**	296	92.9
Cost	**(1,561)**	(1,025)	52.3
Gross profit	**767**	389	97.3
Net profit	**(1,688)**	(1,190)	41.8

Note: Figures may not match the calculation due to rounding.

(in RMB billion)	2019	2018	Change (%)
Transaction volume facilitated[1]	**130.3**	50.0	160.6

Note: (1) The transaction volume facilitated refers to the scale of retail business and corporate business transactions processed on OneConnect's fintech platform which helps partners improve efficiency, increase revenues, and reduce risks.

	December 31, 2019	December 31, 2018	Change (%)
Premium customers[1]	**473**	221	114.0
Partner banks	**621**	597	4.0
Partner insurance companies	**96**	70	37.1
Products	**54**	41	31.7

Notes: (1) The number of premium customers is the number of institutional customers with annual operating revenue of RMB100,000 or more, excluding Ping An Group and its subsidiaries.

(2) In 2019, OneConnect optimized the definition of partners and restated the data for 2018 to provide a more objective representation.

Business Analysis
Technology Business

PING AN GOOD DOCTOR

Ping An Good Doctor (HKSE: 01833.HK) provides users with timely, high-quality online health care services through its in-house medical staff and AI-based consultation/treatment system. These services include 24/7 online consultation, health management, prescription, referral, registration, second medical opinions, and 1-hour drug delivery. As an integral part of the Company's health care ecosystem strategy, Ping An Good Doctor expands its user base externally while leveraging the Group's resources. As of December 31, 2019, Ping An Good Doctor had over 315 million registered users. In December 2019, Ping An Good Doctor had 66.90 million monthly active users. Ping An Good Doctor is the largest online health care services platform in China.

In August 2019, the National Healthcare Security Administration issued favorable policies(1) for the online health care industry. As a leader in the industry, Ping An Good Doctor hopes to develop China's online health care industry and empower local governments to boost efficiency by taking advantage of its extensive experience in online health care platform operations and powerful AI. In December 2019, Ping An Good Doctor reached a cooperation agreement with the Fuzhou Branch of Fujian Provincial Health Commission on developing and operating an online hospital service platform for Fuzhou. The platform consists of five modules, namely online consultation, prescription circulation, health management, data management, and back-office management. The platform will serve the local citizens as the only online platform for all public hospitals in Fuzhou. Ping An Good Doctor is actively negotiating with local governments across China for cooperation, hoping to replicate the Fuzhou model to other places across China.

Note: (1) In August 2019, the National Healthcare Security Administration issued the *Guidelines on Improving Pricing and Social Health Insurance Payment Policies for "Internet+" Health Care Services*. For the first time, internet-based consultation and treatment services are covered by the Social Health Insurance (SHI) under law, and the fair prices and payment polices apply to online-merge-offline health care services. This shows the country's determination to further promote "internet + health care," which is positive for online health care service providers.

For the ecosystem network, as of December 31, 2019, Ping An Good Doctor had 1,409 in-house full-time medical staff members. Ping An Good Doctor partners with over three thousand hospitals, more than 1.9 thousand of which are 3A hospitals. The number of partner pharmacies covering 375 cities across China increased significantly from the beginning of 2019 to 94 thousand. In addition, the health care service provider network covers over 150 medical cosmetic institutions, 430 clinics of traditional Chinese medicine, nearly 1.8 thousand dental clinics, over two thousand checkup centers, and over 48 thousand clinics.

For technologies, Ping An Good Doctor improved its AI-based consultation/treatment system on the basis of over 670 million entries of consultation data and the expertise of its in-house medical team. In 2019, the system was used by all the 22 departments of the in-house medical team. Annual average daily online medical consultations increased 36.3% year on year to 729 thousand. Service efficiency of the in-house full-time medical team improved significantly.

For products, after the "Health 360" membership service was launched in 2018, Ping An Good Doctor launched "Ping An Good Doctor VIP Membership," a strategic new product, in August 2019 on the basis of experience in existing membership products and the constantly improved ecosystem. The new product provides children, adults, the elderly and patients with chronic diseases with comprehensive, high-quality health care services. Through one-to-one exclusive private doctors (senior doctors from Ping An Good Doctor's in-house full-time medical team) and the expert panel comprising famous doctors from top 100 hospitals in China, Ping An Good Doctor provides users with comprehensive active health care services, including 24/7 online consultation, second medical opinions of famous doctors, arrangement of outpatient services of hospitals, health management, and chronic disease management. In 2019, revenue of Ping An Good Doctor's online health care business exceeded RMB400 million.

Leveraging diverse local resources, leading AI technology, and advanced online health care platform experience, Ping An Good Doctor has offered online health care services in Indonesia and Japan in cooperation with international partners.

	December 31, 2019	December 31, 2018	Change (%)
Registered users (in million)	**315.23**	265.19	18.9
Consultations (in million)	**673.76**	407.06	65.5

(in RMB million)	2019	2018	Change (%)
Revenue	**5,065**	3,338	51.7
Including: Revenue of online health care business	**858**	411	108.8
Cost	**(3,894)**	(2,426)	60.5
Gross profit	**1,171**	912	28.4
Net profit	**(747)**	(913)	(18.2)

PING AN HEALTHKONNECT

On the basis of SHI payers and in line with China's comprehensive health reforms, Ping An HealthKonnect leverages its experience in SHI, medical, health and disease management to offer a closed-loop solution for the health care ecosystem. Ping An HealthKonnect provides comprehensive smart solutions of "software + services" for the SHI, commercial health insurers, and medical service providers. Employing the natural language processing (NLP) technology, the deep learning word embedding technology, and unsupervised learning technology, Ping An HealthKonnect developed the SHI Digital Risk System (DRS) based on "rule-based review + big data-based risk management." Based on massive data and smart technologies, Ping An HealthKonnect provides users with targeted, efficient expense control services through the DRS that is now capable of identifying 40 typical SHI fraud scenarios.

Ping An HealthKonnect made remarkable progress in 2019. Ping An HealthKonnect won the bids for the macro-decision making big data application subsystem and the operation monitoring subsystem of the National Healthcare Security Administration as well as provincial/municipal platform construction projects in Shandong, Hebei and Qingdao. As of December 31, 2019, Ping An HealthKonnect's services covered over 200 cities in China, serving over 800 million insured members.

AUTOHOME

Autohome (NYSE: ATHM), a leading internet-based auto service platform in China, is committed to developing a smart auto ecosystem centering on data and technology. In the ecosystem, Autohome provides auto consumers with diverse products and services.

In 2019, Autohome maintained business growth with revenue totaling RMB8,421 million, up 16.4% year on year. Revenue from the online marketplace business was RMB1,491 million, which accounted for 17.7% of the total revenue, up 5.9 pps year on year. Autohome's net profit(1) was RMB3,409 million, up 10.7% year on year. Autohome has solidified its leading role among auto service apps in China through diverse channels and high-quality contents. In December 2019, the average daily unique visitors on mobile devices(2) of Autohome reached 36.83 million, up 25.0% year on year. In data-based business, Autohome is committed to empowering automakers and dealers in terms of research, marketing and conversion. In 2019, a total of over 17 thousand dealers purchased data-based products of Autohome. In auto dealing, Autohome created strategic synergies with partners. In auto finance, Autohome proactively facilitated financial transactions, which consist of lending, financial leasing and insurance services to consumers and dealers. In 2019, Autohome facilitated nearly RMB24.0 billion worth of auto finance and insurance transactions.

(in RMB million)	2019	2018	Change (%)
Revenue	**8,421**	7,233	16.4
Including: Revenue of online marketplace business	**1,491**	854	74.7
Net profit	**3,409**	3,078	10.7

Notes: (1) Net profit refers to non-GAAP adjusted net profit of Autohome.
(2) The average daily unique visitors on mobile devices for 2019 include those on mobile apps and applets. The data for 2018 has been restated accordingly.
(3) Figures may not match the calculation due to rounding.

Analysis of Embedded Value

- As of December 31, 2019, Group embedded value was RMB1,200,533 million, up by 19.8% from the beginning of 2019. The embedded value of the life and health insurance business ("L&H") rose 23.5% from the beginning of the 2019, accounting for 63.1% of Group embedded value. L&H achieved an operating ROEV of 25.0% in 2019.
- Life & Health one year's NBV rose 5.1% year on year to RMB75,945 million, benefiting from rising agent productivity and an NBV margin expansion of 3.6 pps.
- As of December 31, 2019, the residual margin of L&H was RMB918,416 million, up by 16.8% from the beginning of 2019.

INDEPENDENT ACTUARIES REVIEW OPINION REPORT ON THE ANALYSIS OF EMBEDDED VALUE AND OPERATING PROFIT DISCLOSURES

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

We have reviewed the Analysis of Embedded Value and Operating Profit of Ping An Insurance (Group) Company of China, Ltd. (the "Company") as of December 31, 2019. The EV and Operating Profit results include embedded value, new business value after cost of capital ("NBV"), valuation methodology and assumptions, first year premium of new business, profit margin of new business, interest margin, embedded value movement, sensitivity analysis, operating profit, source of earning and residual margin related data.

The Company prepared the embedded value and NBV results in accordance with the *Standards for Actuarial Practice: Valuation Standard for Embedded Value of Life Insurance* (the "Standards") which was promulgated by the China Association of Actuaries in November 2016. Our responsibility, as independent actuaries, is to perform certain review procedures set out in our letter of engagement and, based on these procedures, conclude whether the embedded value methodology and assumptions are consistent with the Standards and available market information.

We have reviewed the methodology and assumptions used in preparing the EV and Operating Profit results, including:

- Review the embedded value, NBV and interest margin of the Company as of December 31, 2019;
- Review the sensitivity analysis of the embedded value and NBV;
- Review the embedded value movement analysis, and
- Review the operating profit of the Company, source of earning and residual margin related data of L&H.

Our review procedures included, but were not limited to, considering whether the methodology and assumptions of the EV results are consistent with the Standards and available market information, considering whether the methodology of the operating profit results is consistent with the disclosed methodology in the 2019 annual report, validating actuarial models on the basis of sample testing, and inspecting related documentation. In forming our conclusion, we have relied on the audited and unaudited data and information provided by the Company.

The preparation of the EV results requires assumptions and projections about future economic and financial situations, many of which are outside the control of the Company. Therefore, actual experience may differ from these assumptions and projections.

OPINION:

- Based on our review procedures, we have concluded that the methodology and assumptions used in preparing the EV results are in compliance with the Standards and consistent with available market information;

- The EV and Operating Profit results, in all material aspects, are consistent with the methodology and assumptions stated in the Analysis of Embedded Value chapter in the 2019 annual report.

We also confirm that the EV and Operating Profit results disclosed in the Analysis of Embedded Value chapter in the 2019 annual report are consistent with the results we reviewed.

Jiang Hua Hua, Actuary

PricewaterhouseCoopers Consultants (Shenzhen) Limited

February 20, 2020

KEY DATA SUMMARY

(in RMB million)	**2019/ December 31, 2019**	2018/ December 31, 2018	Change (%)
EV of Group	**1,200,533**	1,002,456	19.8
Group operating profit after tax attributable to shareholders of the parent company	**132,955**	112,573	18.1
EV of L&H	**757,490**	613,223	23.5
Operating ROEV of L&H (%)	**25.0**	30.8	-5.8 pps
Value of one year's new business after cost of capital of L&H (NBV)	**75,945**	72,294	5.1
L&H operating profit after tax attributable to shareholders of the parent company	**88,054**	70,320	25.2
Residual margin of L&H	**918,416**	786,633	16.8
Ultimate investment return rate (%)	**5.0**	5.0	–
Risk discount rate (%)	**11.0**	11.0	–

Analysis of Embedded Value

ANALYSIS OF EMBEDDED VALUE

In order to provide investors with an additional tool to understand our economic value and business performance results, the Company has disclosed information regarding embedded value ("EV") in this section. The embedded value represents the shareholders' adjusted net asset value ("ANA") plus the value of the Company's in-force life and health insurance business ("L&H") adjusted for the cost of holding the required capital. The embedded value excludes the value of future new business.

In accordance with the related provisions of the *Rules for the Compilation of Information Disclosures by the Companies Offering Securities to the Public (No. 4) – Special Provisions on Information Disclosures by Insurance Companies*, the Company has engaged PricewaterhouseCoopers Consultants (Shenzhen) Limited to review the reasonableness of the methodology, the assumptions and the calculation results of the Company's analysis of embedded value as of December 31, 2019.

The calculation of the analysis of embedded value relies on a number of assumptions with respect to future experience. Future experience may vary from that assumed in the calculation, and these variations may be material. The market value of the Company is measured by the value of the Company's shares on any particular day. In valuing the Company's shares, investors take into account a variety of information available to them and their own investment criteria. Therefore, these calculated values should not be construed as a direct reflection of the actual market value.

The *Standards for Actuarial Practice: Valuation Standard for Embedded Value of Life Insurance* (the "Standards") issued by the China Association of Actuaries became effective in November 2016. The Company has disclosed the embedded value for 2019 in accordance with the Standards and China Risk Oriented Solvency System (C-ROSS).

Components of Economic Value

(in RMB million)	**December 31, 2019**	December 31, 2018
Adjusted net asset value (ANA)	**710,597**	602,155
Including: Adjusted net asset value of L&H	**267,553**	212,922
Value of in-force insurance business written prior to June 1999	**18,644**	17,051
Value of in-force insurance business written since June 1999	**510,230**	418,534
Cost of capital	**(38,938)**	(35,284)
EV of Group	**1,200,533**	1,002,456
Including: EV of L&H	**757,490**	613,223

(in RMB million)	**2019**	2018
Value of one year's new business	**90,191**	88,889
Cost of capital	**(14,246)**	(16,596)
Value of one year's new business after cost of capital	**75,945**	72,294

Note: Figures may not match the calculation due to rounding.

The adjusted net asset value of the life and health insurance business is based on the unaudited shareholders' net asset value of the relevant life and health insurance business of the Company as measured in compliance with the Standards. This unaudited shareholders' net asset value is calculated based on the audited shareholders' net asset value in accordance with CAS by adjusting the relevant differences including reserves. The adjusted net asset value of other business is based on the audited shareholders' net asset value of the relevant business of the Company in accordance with CAS. The relevant life and health insurance business includes business conducted through Ping An Life, Ping An Annuity and Ping An Health. The values placed on certain assets have been adjusted to the market value.

Key Assumptions

The assumptions used in the embedded value calculation in 2019 have been made on a "going concern" basis, assuming continuation of the economic and legal environment currently prevailing in China. The calculation is in line with the Standards and capital requirement under C-ROSS. Certain portfolio assumptions were based on the Company's own recent experience as well as considering the more general China market and other life insurance markets' experience. The principal bases and assumptions used in the calculation are described below:

1. **Risk discount rate**

   The discount rate for calculating the value of in-force and the value of new business of the life and health insurance business is assumed to be 11.0%.

2. **Investment return**

   For non-investment-linked insurance funds, the future investment return is assumed to be 4.75% in the first year and remains at 5.0% from the second year. For investment-linked funds, future investment returns have been assumed to be slightly higher than the above non-investment-linked fund investment returns assumption. These returns have been derived by consideration of the current capital market condition, the Company's current and expected future asset allocations and associated investment returns for a range of major asset classes.

3. **Taxation**

   A 25% average income tax rate has been assumed. The percentage of investment returns that can be exempted from income tax has been assumed to be 12% in the next year and to be increased by 2% annually up to 16%.

4. **Mortality**

   The experience mortality rates have been based on the China Life (2010-2013) tables and the Company's most recent experience studies. They are tailored to be product specific and future mortality improvement has been taken into consideration for annuity products.

5. **Other incident rates**

   Morbidity rate and accident rate assumptions have been based on the industry table or the Company's own pricing table. The trend of long-term morbidity deterioration has been taken into consideration. The loss ratios have been assumed to be within the range of 15% to 100% for short-term accident and health insurance business.

6. **Discontinuance**

   Policy discontinuance rates have been based on the Company's recent experience studies. The discontinuance rates are pricing interest rate and product type specific.

7. **Expense**

   Expense assumptions have been based on the Company's most recent expenses investigation. Expense assumptions mainly consist of acquisition expense and maintenance expenses assumptions. The unit maintenance expense was assumed to increase by 2% per annum.

8. **Policyholder dividend**

   Policyholder dividends have been based on 75% of the interest and mortality surplus for individual participating business. For group participating business, dividends have been based on 80% of interest surplus only.

Analysis of Embedded Value

New Business Value

The new business volumes measured by first year premium (FYP) and its new business value by segment are:

(in RMB million)	FYP used to calculate New Business Value 2019	2018	Change (%)	New Business Value 2019	2018	Change (%)
Retail business	**126,352**	133,417	(5.3)	**75,486**	71,874	5.0
Agency	**105,043**	112,712	(6.8)	**68,209**	64,401	5.9
Long-term protection	**47,662**	51,701	(7.8)	**49,998**	48,975	2.1
Protection & Saving hybrid (long-PPP)	**11,845**	9,365	26.5	**6,661**	5,192	28.3
Protection & Saving hybrid (short-PPP)	**39,125**	44,717	(12.5)	**8,640**	7,577	14.0
Short-term	**6,411**	6,929	(7.5)	**2,909**	2,657	9.5
Tele, internet and others	**15,477**	16,091	(3.8)	**6,087**	6,608	(7.9)
Bancassurance	**5,832**	4,613	26.4	**1,191**	865	37.7
Group business	**34,126**	32,030	6.5	**459**	420	9.3
Total	**160,478**	165,446	(3.0)	**75,945**	72,294	5.1

Notes: (1) Figures may not match the calculation due to rounding.
(2) "PPP" stands for Premium Payment Period.
(3) Long-term protection covers whole-life, term life, critical illness and long term accident insurance. Protection & Saving (long-PPP) covers endowment and annuity insurance with a PPP of ten years or longer. Protection & Saving (short-PPP) covers endowment and annuity insurance with a PPP shorter than ten years.
(4) Tele, internet and others include telemarketing, internet marketing and Ping An Health's retail business.
(5) The differences between FYP used to calculate value of new business and FYP disclosed in Management Discussion and Analysis (MD&A) are explained in the appendix.

The NBV margin by segment:

	By FYP (%) 2019	2018	By ANP (%) 2019	2018
Retail business	**59.7**	53.9	**62.4**	54.7
Agency	**64.9**	57.1	**68.4**	58.5
Long-term protection	**104.9**	94.7	**104.9**	94.6
Protection & Saving hybrid (long-PPP)	**56.2**	55.4	**55.8**	55.2
Protection & Saving hybrid (short-PPP)	**22.1**	16.9	**25.6**	18.0
Short-term	**45.4**	38.3	**45.4**	38.5
Tele, internet and others	**39.3**	41.1	**37.1**	40.5
Bancassurance	**20.4**	18.7	**21.8**	19.5
Group business	**1.3**	1.3	**1.8**	1.8
Total	**47.3**	43.7	**51.6**	46.7

Note: ANP (Annualized new premium) is calculated as the sum of 100 per cent of annualized first year premiums and 10 per cent of single premiums.

The investment spread and non-investment spread (including mortality, expense and other spreads) as percentages of value of one year's new business after cost of capital are shown below:

	Investment spread as % of NBV	Non-investment spread as % of NBV
Life and Health Insurance Business	**35.1**	**64.9**
Including: Long-term protection	24.9	75.1

Note: Investment spread of traditional and participating products is defined as the contribution of investment return exceeding minimum guaranteed return for customers and attributable to the Company, while non-investment spread of universal and unit-linked products is defined as the present value of investment spread and management charges.

Embedded Value Movement

The table below shows how the Company's embedded value changed from the opening balance of RMB1,002,456 million as of December 31, 2018 to the closing balance of RMB1,200,533 million as of December 31, 2019.

(in RMB million)		2019	Note
Opening EV of L&H	[1]	**613,223**	
Expected return on opening EV	[2]	57,757	
Including: Unwinding of in-force value		49,868	In-force and NBV unwind at the 11% risk discount rate
ANA return		7,889	
NBV post-risk diversification benefits	[3]	90,048	
Including: NBV pre-risk diversified		75,945	Reported NBV based on a cost of capital calculated at policy level
Diversification effects within new business		7,080	Diversification within new business lowers cost of capital
Diversification effects with in-force		7,023	Diversification between new business and in-force lowers cost of capital
Operating assumptions and model changes	[4]	1,898	
Operating variances and others	[5]	3,672	Favorable operating experience mainly from variance in mortality spread gain
EV operating profit of L&H	[6]=[2+...+5]	**153,375**	
Economic assumptions changes	[7]	–	
Market value adjustment	[8]	271	Change in market value adjustment of free surplus during the Reporting Period
Investment return variance	[9]	32,142	Higher than assumed investment return
Non-operating one-off item	[10]	8,540	Impact of the income tax reduction of 2018 from L&H attributable to the parent company
EV profit of L&H	[11]=[6+...+10]	**194,328**	
Shareholder dividends		(48,536)	Dividends upstreamed from Ping An Life to the Company
Employee stock ownership plan		(1,525)	L&H's Long-term Service Plan and Key Employee Share Purchase Plan, as well as the offset effect for the amortization during the Reporting Period
Closing EV of L&H		**757,490**	

Analysis of Embedded Value

(in RMB million)	2019	Note
Opening ANA of other business	**389,233**	
Operating profit of other business	44,901	
Non-operating profit of other business	1,847	Tax reduction from Ping An P&C attributable to the parent company
Market value adjustment and other variances	(27)	
Closing ANA of other business before capital changes	**435,954**	
Dividends received	48,536	Dividends received from Ping An Life
Dividends paid	(33,775)	Dividends paid by the Company to shareholders
Employee stock ownership plan	(2,670)	Long-term Service Plan and Key Employee Share Purchase Plan, as well as the offset effect for the amortization during the Reporting Period
Shares repurchase	(5,001)	Repurchase of A Shares of Ping An Group
Closing ANA of other business	**443,043**	
Closing EV	**1,200,533**	
Closing EV per share (in RMB)	**65.67**	

Note: Figures may not match the calculation due to rounding.

EV operating profit of L&H in 2019 was RMB153,375 million, mainly comprised of NBV and expected return on opening EV.

(in RMB million)		2019	2018
EV operating profit of L&H	[6]	**153,375**	153,109
Operating ROEV of L&H (%)	[12]=[6]/[1]	**25.0**	30.8

Note: Figures may not match the calculation due to rounding.

Sensitivity Analysis

The Company has investigated the effect, on the embedded value of Group, embedded value of the life and health insurance business and the value of one year's new business, of certain independently varying assumptions regarding future experience. Specifically, the following changes in assumptions have been considered:

- Investment return and risk discount rate
- Assumptions and model used in 2018
- A 10% increase in mortality, morbidity and accident rates
- A 10% increase in policy discontinuance rates
- A 10% increase in maintenance expenses
- A 5% increase in the policyholders' dividend payout ratio
- A 10% decrease in fair value of equity assets

Sensitivity of EV of Group to investment return and risk discount rate

(in RMB million)	Risk discount rate 10.5%	11.0%	11.5%
Investment return increased by 50 bps per annum	1,278,887	1,257,695	1,238,099
Base case	1,218,749	1,200,533	1,183,668
Investment return decreased by 50 bps per annum	1,158,453	1,143,217	1,129,087

Sensitivity of EV of L&H to investment return and risk discount rate

(in RMB million)	Risk discount rate 10.5%	11.0%	11.5%
Investment return increased by 50 bps per annum	835,844	814,652	795,055
Base case	775,706	757,490	740,625
Investment return decreased by 50 bps per annum	715,409	700,174	686,044

Sensitivity of NBV to investment return and risk discount rate

(in RMB million)	Risk discount rate 10.5%	11.0%	11.5%
Investment return increased by 50 bps per annum	87,749	83,762	80,036
Base case	79,516	75,945	72,601
Investment return decreased by 50 bps per annum	71,271	68,115	65,154

Sensitivity to other assumptions

(in RMB million)	EV of Group	EV of L&H	NBV
Base case	1,200,533	757,490	75,945
Assumptions and model used in 2018	1,195,290	752,246	73,402
10% increase in mortality, morbidity and accident rates	1,177,517	734,473	69,865
10% increase in policy discontinuance rates	1,190,909	747,866	73,149
10% increase in maintenance expenses	1,197,198	754,155	75,338
5% increase in the policyholders' dividend payout ratio	1,191,073	748,030	75,787
10% decrease in fair value of equity asset	1,177,777	741,033	N/A

Analysis of Embedded Value

ANALYSIS OF OPERATING PROFIT

This section contains the Group Operating Profit and Source of Earning and Residual Margin Analysis of L&H. The Company has engaged PricewaterhouseCoopers Consultants (Shenzhen) Limited to review the reasonableness of the methodology and the calculation results of the Analysis of Operating Profit as of December 31, 2019.

Operating profit of the Group

Due to the long-term nature of the majority insurance business of life and health, the measure of operating profit has been applied to more appropriately evaluate business performance. Operating profit after tax is based on net profit from financial statements, excluding items that are of short-term, volatile or one-off nature, including:

- Short-term investment variance, which is the variance between actual investment return of L&H and the EV ultimate investment return assumption, net of associated relevant impact on insurance and investment contract liability. The life and health insurance business operating profit is based on a 5% investment return assumption after excluding the short-term investment variance;

- Impact of discount rate[1] change is the effect on insurance contract liability of L&H due to changes in discount rate;

- Impact of one-off non-operating items are significant items that management considered to be non-operating income and expenses, which in 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. The impact of one-off non-operating item in 2018 referred to the fair value revaluation gain, as required by the accounting standards, of the convertible bonds issued by Lufax Holding to the Group as the consideration of the Puhui transaction. The fair value of the convertible bonds significantly increased due to Lufax Holding's Series C financing.

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

The operating profit after tax which excludes fluctuations of above non-operating related items can provide a clearer and more objective representation of the Company's business performance and trend.

The Group operating profit after tax attributable to shareholders of the parent company in 2019 was RMB132,955 million, which was up by 18.1% year on year. The L&H operating profit after tax attributable to shareholders of the parent company was RMB88,054 million, which was up by 25.2% year on year.

Operating profit after tax attributable to shareholders of the parent company

(in RMB million)	2019	2018	Change (%)
Life and health insurance business	**88,054**	70,320	25.2
Property and casualty insurance business	**20,850**	12,215	70.7
Banking business	**16,342**	14,394	13.5
Asset management business	**9,594**	12,871	(25.5)
Including: Trust business	**2,595**	3,008	(13.7)
Securities business	**2,319**	1,599	45.0
Other asset management business	**4,680**	8,264	(43.4)
Technology business	**3,487**	6,770	(48.5)
Other businesses and elimination	**(5,372)**	(3,996)	34.4
The Group	**132,955**	112,573	18.1

Note: Figures may not match the calculation due to rounding.

(in RMB million)		Group 2019	Group 2018	L&H business 2019	L&H business 2018
Net profit	[1]	**164,365**	120,452	**103,737**	58,757
Excluding:					
Short-term investment variance of L&H(1)	[2]	**19,354**	(12,853)	**19,354**	(12,853)
Impact of discount rate change of L&H(1)	[3]	**(13,164)**	265	**(13,164)**	265
Impact of one-off material non-operating items	[4]	**10,453**	7,236	**8,597**	–
Operating profit after tax	[5]=[1-2-3-4]	**147,722**	125,804	**88,950**	71,345
Attributable to:					
– **Owners of the parent**		**132,955**	112,573	**88,054**	70,320
– Non-controlling interests		**14,767**	13,231	**896**	1,026

Notes: (1) The short-term investment variance and impact of discount rate change of L&H set out above are net of tax.
(2) Figures may not match the calculation due to rounding.

Source of Earning and Residual Margin Analysis of L&H

The breakdown by source of earning of L&H operating profit has been shown as below.

(in RMB million)		2019	2018	Note
Release of residual margin	[1]	**74,454**	62,287	
Return on net worth(1)	[2]	**11,738**	8,959	
Spread income(2)	[3]	**3,947**	5,048	We proactively lowered spread charges to maintain product competitiveness in response to volatile capital markets in 2018. The impact continued into 2019
Operating variances and other	[4]	**10,406**	21,749	Strategically increased investment in technology and agents team building, and short-term fluctuation of the persistency ratio
L&H operating profit before tax	[5]=[1+2+3+4]	**100,545**	98,043	
Income tax	[6]	**(11,595)**	(26,698)	Reduction in effective tax rate caused by the implementation of the "Circular"
L&H operating profit after tax	[7]=[5]+[6]	**88,950**	71,345	

Notes: (1) Return on net worth is the investment return on shareholder equity based on the EV ultimate investment return assumption (5%).
(2) Spread income is the expected investment return from assets backing contract liability based on the EV ultimate investment return assumption (5%) exceeding the interest required on contract liability.
(3) Figures may not match the calculation due to rounding.

Analysis of Embedded Value

Residual margin is the present value of future profits with release pattern locked in at the time of policy issuance, resulting in stable release and immunity to capital market volatility. As of December 31, 2019, residual margin of life and health insurance business was RMB918,416 million, which rose by 16.8% from the beginning of 2019 mainly due to the contribution from new business. The movement of L&H residual margin has been presented below:

(in RMB million)		2019	2018	Note
Opening residual margin	[1]	**786,633**	616,319	
Contribution from new business	[2]	**155,684**	177,485	
Expected interest growth	[3]	**33,811**	28,498	
Release of residual margin	[4]	**(74,454)**	(62,287)	
Lapse variance and others	[5]	**16,742**	26,617	Short-term volatility in policy persistency resulted in lower lapse variance and others, which remained positive benefiting from better-than-assumed persistency
Closing residual margin	[6]=[1+...+5]	**918,416**	786,633	

Note: Figures may not match the calculation due to rounding.

Appendix

The differences between FYP used to calculate value of new business and FYP disclosed in MD&A are explained below.

For the 12 months ended Dec 31, 2019 (in RMB million)	FYP used to calculate value of new business	FYP disclosed in MD&A	Difference	Reasons
Retail business	**126,352**	**153,968**	(27,616)	Guaranteed renewal and other short term products' renewal premiums are included in FYP disclosed in MD&A but not included in FYP used to calculate value of new business
Group business	**34,126**	**22,272**	11,855	In compliance with current accounting standards, group investment contracts are not included in FYP disclosed in MD&A, but included in FYP used to calculate value of new business due to their contribution to value of new business
Total	**160,478**	**176,240**	(15,761)	

Note: Figures may not match the calculation due to rounding.

Liquidity and Capital Resources

- The Company manages its liquidity and capital resources from the perspective of the Group as a whole.
- As of December 31, 2019, the solvency of the Group was adequate. The comprehensive solvency margin ratio rose by 13.4 pps from the beginning of 2019 to 229.8%, higher than the regulatory requirement (100%).

OVERVIEW

Liquidity refers to the availability of cash assets or cash supply to meet the financial requirements of the Company whenever such cash assets or cash supply are needed. The aim of the Group's liquidity management is to meet the liquidity requirements of its operating, investing and financing activities while maximizing shareholders' returns by optimizing its financial resource allocation and capital structure.

The Company manages its liquidity and capital resources from the perspective of the Group as a whole. The Budget Management Committee, Risk Management Executive Committee, and Investment Management Committee under the Group Executive Committee are overseeing these essentials at the group level. As the Group's liquidity management execution unit, the Treasury Department is responsible for the Group's treasury management functions including cash settlement management, cash flow management, funding management, and capital management.

Liquidity management of the Group comprises capital management and cash flow management. The Group has put in place a comprehensive capital management and decision-making mechanism. As part of this process, the Group's subsidiaries put forward their capital requirements based on their own business development needs. The parent company then submits its recommendations on the overall capital plan for the Group, based on the overall situation of the subsidiaries' business development. The Group Executive Committee then determines a final capital plan based on the strategic plan of the Group before allocating capital accordingly.

All operating, investing and financing activities of the Group should meet the requirements of liquidity management. The parent company and its insurance subsidiaries implement separate management based on their operating cash inflows and outflows. Allocation and deployment of funds are centralized through the pooling of cash inflows and outflows. The parent company and its insurance subsidiaries are therefore able to monitor cash flow status in a timely manner.

(in RMB million)	**December 31, 2019**	December 31, 2018	Change (%)
Total assets	**8,222,929**	7,142,960	15.1
Total liabilities	**7,370,559**	6,459,317	14.1
Total liabilities to total assets ratio (%)	**89.6**	90.4	-0.8 pps

Note: Total liabilities to total assets ratio = total liabilities/total assets.

CAPITAL STRUCTURE

The Group's long-term capital stability stems from the profits continuously generated by its various businesses. Furthermore, in accordance with the capital plan, the Group ensures capital adequacy by issuing capital market instruments including equity securities, capital supplement bonds, hybrid capital debt instruments, tier 2 capital bonds, convertible bonds, and undated capital bonds to raise capital. Adjustments are made to surplus capital through dividend distribution or by other means. As of December 31, 2019, the Group's equity attributable to shareholders of the parent company was RMB673,161 million, up 21.0% from the beginning of 2019. The parent company's capital mainly comprises contributions from shareholders as well as proceeds from issuance of A and H shares.

Liquidity and Capital Resources

The following table shows the balances of capital bonds issued by the Group and main subsidiaries as of December 31, 2019:

Issuer	Type	Par value (in RMB million)	Coupon rate	Issuance year	Maturity
Ping An Life	Capital supplement bonds	5,000	First 5 years: 3.90% Next 5 years: 4.90% (If not redeemed)	2015	10 years
Ping An Life	Capital supplement bonds	10,000	First 5 years: 3.82% Next 5 years: 4.82% (If not redeemed)	2016	10 years
Ping An Property & Casualty	Capital supplement bonds	5,000	First 5 years: 4.79% Next 5 years: 5.79% (If not redeemed)	2015	10 years
Ping An Property & Casualty	Capital supplement bonds	3,500	First 5 years: 5.10% Next 5 years: 6.10% (If not redeemed)	2017	10 years
Ping An Property & Casualty	Capital supplement bonds	10,000	First 5 years: 4.64% Next 5 years: 5.64% (If not redeemed)	2019	10 years
Ping An Bank	Hybrid capital debt instrument	3,650	Fixed rate of 7.50%	2011	15 years
Ping An Bank	Tier 2 capital bonds	10,000	Fixed rate of 3.85%	2016	10 years
Ping An Bank	Tier 2 capital bonds	30,000	Fixed rate of 4.55%	2019	10 years
Ping An Bank	Undated capital bonds	20,000	First 5 years: 4.10% Adjusted every 5 years	2019	Undated

FREE CASH OF THE PARENT COMPANY

The free cash of the parent company includes bonds, equity securities, bank deposits and cash equivalents that the parent company holds. They are mainly invested in subsidiaries or used in daily operations or for dividend distribution. As of December 31, 2019, the parent company's free cash amounted to RMB45,068 million, up RMB3,058 million compared with the beginning of the year.

(in RMB million)	2019	2018	Change (%)
Opening balance of free cash	**42,010**	38,332	9.6
Dividend from subsidiaries	**52,695**	48,566	8.5
Dividend out to shareholders	**(33,775)**	(33,270)	1.5
Share repurchase	**(5,001)**	–	N/A
Investments in subsidiaries[(1)]	**(14,164)**	(8,584)	65.0
Others[(2)]	**3,303**	(3,034)	N/A
Closing balance of free cash	**45,068**	42,010	7.3

Notes: (1) The Company's investments in subsidiaries in 2019 mainly include the capital injections into Ping An Financial Leasing and Ping An Health, and the subscription for convertible bonds issued by Ping An Bank.

(2) Others mainly include short-term borrowings.

The major cash outflows were the dividend of RMB33,775 million to A and H shareholders, repurchase of RMB5,001 million worth of the Company's A shares, and investments of RMB14,164 million into subsidiaries. The major cash inflow was the dividend of RMB52,695 million from subsidiaries as detailed below:

(in RMB million)	2019
Ping An Life	**40,535**
Ping An Property & Casualty	**8,459**
Ping An Bank	**1,234**
Ping An Asset Management	**2,467**
Total	**52,695**

DIVIDEND DISTRIBUTION

According to Article 217 of the *Articles of Association*, the Company shall attach importance to reasonable investment returns for investors in terms of profit distribution. The profit distribution policy of the Company shall maintain its continuity and stability. The accumulated profit to be distributed in cash for any three consecutive years shall not be less than 30% of the yearly average distributable profit realized in the three years, provided that the annual distributable profit of the Company (namely profit after tax of the Company after covering the losses and making contributions to the revenue reserve) is positive in value and such distributions are in compliance with the prevailing laws and regulations and the requirements of regulatory authorities for solvency margin ratios. In determining the specific cash dividend payout ratio, the Company shall consider its profit, cash flow, solvency, operation and business development requirements. The Board of Directors of the Company shall be responsible for formulating and implementing a distribution plan in accordance with the *Articles of Association*. The Board of Directors will ensure the continuity and stability of the profit distribution policy so that the Group can seize opportunities for growth in the future while maintaining financial flexibility. Given the sustained operating profit growth and confidence in the Group's prospect, the Board of Directors proposed to pay a final dividend of RMB1.30 per share in cash for 2019. As the Group already paid an interim cash dividend of RMB0.75 per share, the total cash dividend for 2019 is RMB2.05 per share, up 19.2% year on year.

According to the *Shanghai Stock Exchange's Implementation Rules for Share Repurchases by Listed Companies*, A shares of the Company in the repurchased securities account will not be entitled to the dividend distribution. As of December 31, 2019, a total of 57,594,607 A shares of the Company were repurchased by the Company by means of centralized bidding transactions via the system of the SSE. The total amount of funds paid was RMB5,001 million. At the release of the 2019 annual report, it is difficult to predict the total number of shares that will be entitled to the final dividend distribution on the record date of A shareholders. Therefore, we cannot determine the total amount of the final dividend payment. The total amount of the final dividend payment for 2019 is estimated at RMB23,689 million based on the total share capital of 18,280,241,410 shares less A shares of the Company in the repurchased securities account as of December 31, 2019.

	Cash dividend per share (in RMB)	Growth of cash dividend per share (%)	Cash dividend amount (in RMB million)	Cash dividend payout ratio based on operating profit attributable to shareholders of the parent company (%)	Share repurchase amount (in RMB million)	Cash dividend payout ratio based on net profit attributable to shareholders of the parent company (inclusive of share repurchases, %)
2019	2.05	19.2	37,356	28.1	5,001	28.4(3)
2018	1.72	14.7	31,442	27.9	–	29.3
2017	1.50	100.0	27,420	29.0	–	30.8

Notes: (1) Cash dividend per share includes the interim dividend and final dividend for the year.

(2) Except for the 2019 final dividend pending approval at the 2019 Annual General Meeting, the profit distribution for other years was completed during the relevant years.

(3) According to the *Shanghai Stock Exchange's Implementation Rules for Share Repurchases by Listed Companies*, the amount of share repurchases executed in a year should be regarded as cash dividends and be factored into the computation of the cash dividend payout ratio for the year. After the RMB5,001 million share repurchases in cash are factored into the computation, the cash dividend payout ratio based on net profit attributable to shareholders of the parent company is 28.4%.

Liquidity and Capital Resources

CAPITAL ALLOCATION

In terms of capital allocation, the Company facilitates strategic development and improves capital efficiency through prudent investment and ongoing optimization of returns and the asset and liability structure. The Company follows three core principles for capital allocation: 1) to ensure that capital adequacy ratios of regulated member companies satisfy minimum regulatory requirements; 2) to develop mature businesses that deliver stable returns, and constantly boost performance to create value for Ping An; and 3) to ensure the capital input required for innovative business incubation, and seek new profit drivers to realize sustainable growth.

GROUP SOLVENCY MARGIN

The insurance group solvency margin represents the consolidated solvency margin calculated as if all the members of the insurance group were a single reporting entity. The group solvency margin ratios are important regulatory measures for assessing an insurance group's capital adequacy.

The following table shows solvency data of the Group under the China Risk Oriented Solvency System (C-ROSS):

(in RMB million)	**December 31, 2019**	December 31, 2018	Change (%)
Core capital	**1,574,150**	1,258,768	25.1
Actual capital	**1,607,650**	1,290,268	24.6
Minimum capital	**699,522**	596,238	17.3
Core solvency margin ratio (%)	**225.0**	211.1	13.9 pps
Comprehensive solvency margin ratio (%)	**229.8**	216.4	13.4 pps

Notes: (1) Core solvency margin ratio = core capital/minimum capital; comprehensive solvency margin ratio = actual capital/minimum capital.
(2) The regulatory minimum requirements for the core solvency margin ratio and comprehensive solvency margin ratio are 50% and 100% respectively.

Stable solvency margin ratios ensure that the Company meets capital requirements specified by external institutions including regulators and rating agencies, and support the Company in developing business and creating value for shareholders.

Stress test results about impacts of declines in interest rates and equity assets on solvency margin ratios of Ping An Group, Ping An Life, and Ping An Property & Casualty as of December 31, 2019 are disclosed below:

	Comprehensive solvency margin ratio		
	Ping An Group	Ping An Life	Ping An Property & Casualty
Base case	229.8%	231.6%	259.2%
50 bps decline in interest rate	222.2%	217.6%	259.8%
30% decrease in fair value of equity assets	220.2%	219.5%	254.4%

LIQUIDITY RISK MANAGEMENT

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 including 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). 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 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 intra-group contagion of the liquidity risk.

CASH FLOW ANALYSIS

(in RMB million)	2019	2018	Change (%)
Net cash flows from operating activities	**249,445**	206,260	20.9
Net cash flows from investing activities	**(380,157)**	(240,426)	58.1
Net cash flows from financing activities	**125,077**	31,264	300.1

Net cash flows from operating activities increased year on year mainly due to year-on-year increases in cash inflows from Ping An Life's insurance business growth.

Net cash outflows from investing activities increased year on year mainly due to year-on-year increases in cash outflows from Ping An Bank's investing activities.

Net cash inflows from financing activities increased year on year mainly due to year-on-year decreases in cash outflows from Ping An Bank's debt repayment.

CASH AND CASH EQUIVALENTS

(in RMB million)	December 31, 2019	December 31, 2018	Change (%)
Cash	**208,953**	219,959	(5.0)
Bonds of original maturities within 3 months	**5,269**	2,534	107.9
Financial assets purchased under reverse repurchase agreements of original maturities within 3 months	**89,244**	85,531	4.3
Total	**303,466**	308,024	(1.5)

The Company believes that the liquid assets currently held, together with net cash generated from future operations and the short-term borrowings available, will be sufficient to meet the foreseeable liquidity requirements of the Group.

Risk Management

We strive to become a "world-leading technology-powered retail financial services group." To achieve this goal, we continuously optimize the risk management system and develop a risk management platform. By identifying, evaluating and mitigating risks, we achieve a balance between risks and returns which ultimately contributes to the sustainable growth of the Group.

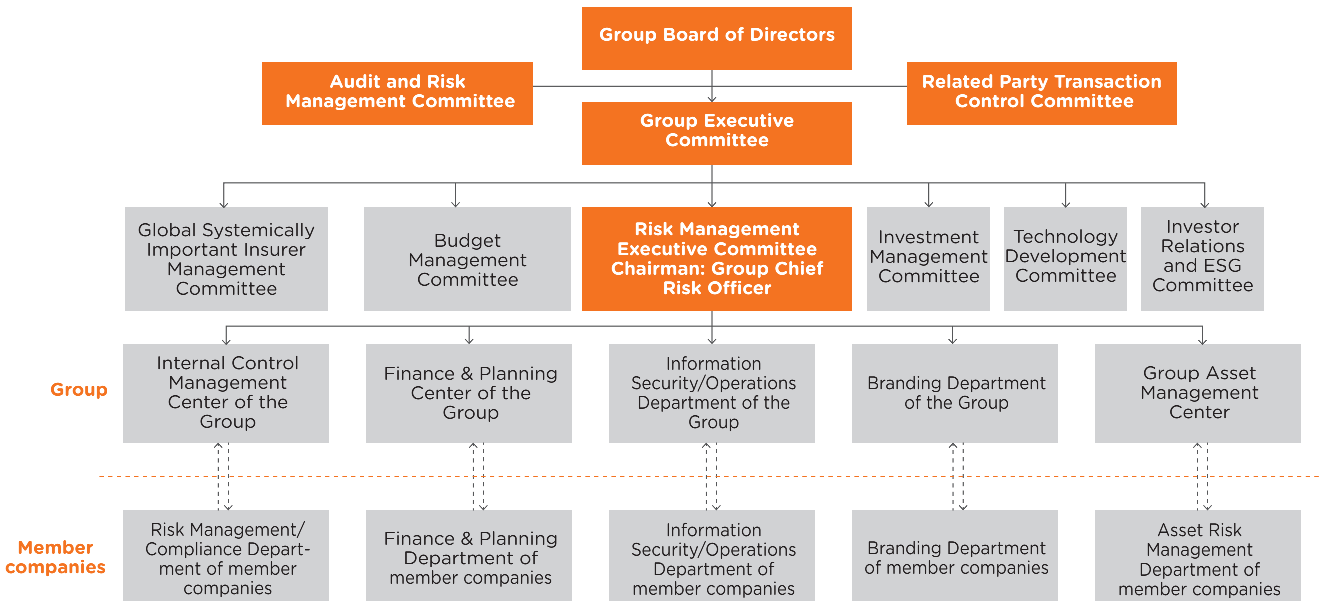
RISK MANAGEMENT OBJECTIVES

For over 30 years since its establishment, Ping An has regarded risk management as an integral part of its operations and business activities. We take steady steps to build an enterprise risk management system aligned with the Group's strategies and the nature of our business. We continuously optimize the risk management framework, standardize risk management procedures, and adopt qualitative and quantitative risk management methodologies to identify, evaluate, and mitigate risks. Keeping risks under control, we promote sustainable business growth and build Ping An into a "world-leading technology-powered retail financial services group."

Amid evolving regulations in the changing domestic and global economic environments, Ping An has diversified its offerings under the "finance + technology" and "finance + ecosystem" strategies. Based on robust compliance management and internal control, the Group builds an effective enterprise risk management framework in line with international standards through risk quantification tools and risk performance appraisals, centering on capital management and being risk appetite-oriented. By improving risk management and technology, and dynamically managing both individual and cumulative risks, the Company aims to achieve a balance between risk management and business development.

RISK MANAGEMENT ORGANIZATIONAL STRUCTURE

The Group proactively complies with the *Company Law of the People's Republic of China* and relevant laws, regulations and regulatory requirements, as well as the *Articles of Association* and relevant corporate risk governance requirements. We have in place a comprehensive risk governance framework which holds the Group Board of Directors ultimately accountable, and which is directly upheld by the management. Supported closely by various committees and relevant departments, the framework covers risk management across all of the Group's members and business lines.



The Board of Directors is the highest decision-making authority for the Company's risk management and takes responsibility for the effectiveness of the enterprise risk management function. The Audit and Risk Management Committee under the Board of Directors is responsible for having a thorough understanding of the Company's major risk exposures and management situations, monitoring effectiveness of the risk management framework, deliberating the following matters and making recommendations to the Board of Directors:

- Overall objectives of risk management, risk appetites and tolerance, and risk management policies and procedures;
- The organizational structure and responsibilities of risk management;
- Risk assessments for major decisions and solutions to significant risks; and
- Annual risk assessment reports.

According to relevant regulations of the CBIRC, the Company set up the Related Party Transaction Control Committee under the Board of Directors in 2019. The Related Party Transaction Control Committee coordinates related party transactions management of the Company, ensures the compliance and fairness of the Company's related party transactions, and prevents risks from related party transactions. The Committee performs its duties as follows:

- To determine the overall management targets, basic policies, and management systems for related party transactions;
- To review material related party transactions, including but not limited to providing opinions on related party transactions and matters considered by the Company's Board of Directors according to the regulatory requirements, and submitting them to the Company's Board of Directors for review and approval and giving written opinions on the compliance, fairness, and necessity of material related party transactions, and whether the interests of the Company and insurance consumers would be affected;
- To review annual reports related to related party transactions;
- To regularly review the related party list under the *Measures for the Administration of Related-party Transactions of Insurance Companies;* and
- Other duties that shall be undertaken according to regulations and other tasks stipulated by the *Charter of the Related Party Transaction Control Committee of the Board* and authorized by the Board of Directors.

The Group Executive Committee leads all aspects of the Group's risk management, comprising eight committees including the Risk Management Executive Committee (RMEC), the Investment Management Committee, the Budget Management Committee, the Investor Relations and ESG Committee, the Global Systemically Important Insurer Management Committee, and the Technology Development Committee. The RMEC as a specialized committee reports to the Group Executive Committee and holds the supreme leadership in the Group's risk management. The RMEC makes major decisions on risk management and is fully responsible for the Group's risk management results. Main duties of the RMEC include deliberating on the overall risk management goal, risk appetites, risk limits, basic policies and principles of risk management, giving instructions on developing risk management frameworks, monitoring the Company's risk exposures and available capital, deliberating on risk management related reports and financial management initiatives, supervising implementation of the risk management system in each member company or business line, and promoting a culture of enterprise risk management across the Group.

The Group's Chief Risk Officer acts as the RMEC's Chairman. Members of the RMEC are the executives in charge of different risk categories and the heads of various risk management departments, each of whom has clearly-defined responsibilities for managing the asset quality risk, liquidity risk, information security risk, operational compliance risk, brand reputation risk, and so on.

Risk Management

In 2019, the Group continued to optimize the enterprise risk management framework based on the latest regulatory requirements and internal management needs. By improving the risk management structure of the Group and member companies as well as strengthening risk management mechanisms, we optimized the centralized management and control platform to enhance the overall risk management capabilities of the Group. In 2019, the Group further improved its risk appetite system and the enterprise risk management policies, developed the enterprise risk management platform, optimized the risk indicator system, and enhanced the risk monitoring, early warning and reporting mechanisms. The Group also applied artificial intelligence to risk management to ensure that all risks are effectively identified and managed on a timely basis. The Group continued to conduct risk reviews of business development and optimized the capital utilization to keep a balance between business development and risk management.

The Group implemented domestic and international regulatory requirements related to systemic risk management with high standards to establish a sound systemic risk monitoring and control system, monitored the systemic risks of core businesses from multiple aspects and developed an effective early warning identification system and risk mitigation measures. According to the comprehensive review and assessment, Ping An has effectively kept risks under control with its specialized enterprise risk management framework, and the Group's systemic impact on financial markets is limited. Meanwhile, in order to effectively supplement the daily emergency response mechanism, the Group continues to improve the crisis governance framework, identify potential systemic risk crisis scenarios from multiple dimensions and constantly optimize disposal and recovery schemes to improve the timeliness and effectiveness of the crisis response of the Group and boost the prudent development of the Group.

To meet regulatory requirements and support the Company's strategy and business development in a healthy and effective manner, the Group implemented a set of top-down and performance-linked evaluation metrics. The evaluation criteria for personnel, entities and procedures were developed on the principle of "accountability at every level with evaluation at each stage." The Group aims to closely link risk compliance with performance appraisal, and raise the awareness of risk management.

RISK MANAGEMENT CULTURE

As the risk governance system becomes more sophisticated, a risk culture has permeated the Group's ranks, from the Board of Directors to senior management and from specialized committees to employees. This culture has facilitated an effective and efficient approach that is both top-down and bottom-up, which lays a solid foundation for the effective integration of risk management into the Group's daily operations. This in turn helps to protect shareholder equity, improves capital efficiency, supports management decisions, and ultimately creates value for the Group.

RISK APPETITE SYSTEM

A risk appetite system is central to Ping An's overall strategy and enterprise risk management. Considering the Group's overall strategy and members' development needs, the Group has built a risk appetite system that matches its business strategies, and combined risk appetites with management decisions and business development to promote healthy growth of the Group and its members.

The Group's risk appetite system has five core dimensions: capital adequacy, liquidity adequacy, sustainable and stable models of profit growth, a good reputation, and compliance. The Group has used these dimensions to guide its members in specifying their unique risk appetite dimensions according to their business features and demands. We have broken down risk appetites and tolerance into risk limits under different categories, and applied the risk limits to routine risk monitoring and early warning, so as to support business decision-making and strike a balance between risk management and business development.

RISK MANAGEMENT METHODOLOGY

The Group continues to strengthen its enterprise risk management system, improve its organizational structure, formulate risk management policy and guidelines, standardize risk management procedures, and fulfill risk management responsibilities. The Group adopts qualitative and quantitative risk management approaches to identify, evaluate and mitigate risks, so as to effectively prevent systemic risks associated with integrated finance, and enhance the overall risk management capabilities under an integrated model of various businesses.

- The Group has established an optimal risk governance framework and risk management reporting mechanism, and included risk indicators in the performance appraisal system which integrates risk management culture into its corporate culture. In this way, we have laid the foundation for healthy, sustainable and stable development of the Group's business;
- The Group has improved the risk appetite framework in line with its business development strategy. The Group also formulates risk management guidelines and standardizes risk management requirements for members;
- The Group has improved the risk management system on risk concentration and strengthened its ability to manage concentrated risks, ranging from policy formulation to risk limit management, system building and risk reporting, so as to improve the Group's overall capabilities of risk management for its integrated financial service business;
- The Group utilizes tools and methods such as the risk dashboard, scenario analysis, stress tests and risk limits to continuously develop and optimize quantitative techniques and models of risk management, analyze risk exposures and evaluate their quantitative and qualitative impacts on the risk bottom lines. Such measures enable us to plan ahead and take necessary precautions in a timely manner to prevent and mitigate risks;
- The Group has improved its risk warning mechanism, providing timely and effective alerts on industry developments, regulatory information or risk events, and effectively guarding against potential risks. The Group has also enhanced its risk emergency management mechanism;
- The Group has carried out studies and practice of asset-liability risk management, and consolidated risk monitoring. Artificial intelligence has been effectively applied to the entire risk management cycle to enhance risk management capabilities and support the Company's "finance + technology" and "finance + ecosystem" strategies; and
- The Group conducts holistic management of member companies' risks, carries out comprehensive assessment of risk management capabilities, and constantly improves risk monitoring indicators and measurement methods. Member companies are encouraged to employ technologies such as artificial intelligence to build smart risk management capabilities. By improving the risk management platforms of the Group, we constantly enhance the efficiency of risk management.

RISK ANALYSIS

The Group has categorized all risks to ensure they are well defined and managed. Below are major risks and their definitions:

1. General Risks	2. Group-level Risks
1.1 Insurance Risk	2.1 Risk Contagion
1.2 Market Risk	2.2 Organizational Structure Non-transparency Risk
1.3 Credit Risk	2.3 Concentration Risk
1.4 Operational Risk	2.4 Non-insurance Risk
1.5 Strategic Risk	
1.6 Reputation Risk	

Risk Management

1. General Risks

The Group attaches importance to effective management of subsidiaries' general risks. Following the requirements of internal management and external regulation, the Group has strengthened active management of the insurance risk, market risk, credit risk, operational risk, strategic risk, and reputation risk.

1.1 Insurance Risk

Insurance risk refers to the risk of adverse deviation of the actual mortality rate, morbidity rate, loss ratio, expense ratio, and surrender rate from expectations, which may cause losses to the Group.

The Group assesses and monitors insurance risks involved in insurance business through sensitivity analysis, stress testing, and so on. We mainly evaluate the impacts of actuarial assumptions, including the discount rate, investment yield, mortality rate, morbidity rate, surrender rate, and expense ratio, on our insurance liability reserve, solvency, and profit in different scenarios.

Sensitivity analysis of long-term life insurance contracts' insurance liability reserve

December 31, 2019 (in RMB million)	Change in assumptions	Impact on insurance liability reserve (after reinsurance) increase/(decrease)
Discount rate/ investment yield[1]	+10 bps	(7,960)
Discount rate/ investment yield[1]	-10 bps	8,183
Mortality, morbidity, and accident rates[2]	+10%	53,776
Surrender rate	+10%	18,366
Policy maintenance expense ratio	+5%	3,478

Notes: (1) For long-term life and health insurance contracts where future insurance benefits are not affected by the investment yield of the underlying asset portfolio, with consideration of the Cai Kuai [2017] No.637 issued by the former CIRC and other related regulatory requirements, the corresponding sensitivity results are prepared based on the benchmark yield curve for the measurement of insurance contract reserves increased or decreased by 10 basis points.

(2) Change in mortality, morbidity, and accident rates refers to a 10% increase in the morbidity rate, mortality rate, accident rate, and other rates for life insurance policies (and a 10% increase before the payment period and a 10% decrease after the payment period in the mortality rate for annuity policies).

Sensitivity analysis of property and casualty insurance and short-term life insurance contracts' outstanding claims reserves

December 31, 2019 (in RMB million)	Change in average claim costs	Impact on net claim reserves increase/(decrease)
Property and casualty insurance	+5%	4,048
Short-term life insurance	+5%	403

The mechanisms and procedures adopted by the Group to manage insurance risks are as follows:

- Develop insurance risk management policies and a scientific and consistent insurance risk management framework within the Group;
- Develop a set of key insurance risk indicators, monitor them on a regular basis, analyze abnormal changes, and take management measures;
- Establish model management policies, standardize actuarial models of the Group, and strictly control model risks;
- Implement effective product development policies to develop products with proper insurance coverage and fair pricing, and control product pricing risks;
- Implement prudent underwriting policies, establish guidelines for policy contracting and underwriting, and effectively prevent and reduce adverse selection risks;
- Maintain strict claim investigation and settlement procedures, identify and prevent questionable or fraudulent claims;
- Maintain effective product management procedures, analyze the experience and trends with the latest and the most accurate and reliable data, and well manage the product portfolio to control insurance risks;
- Evaluate unearned premium reserves and outstanding claims reserves using effective reserve assessment procedures and methods, and assess the reserve adequacy on a regular basis; and
- Maintain effective reinsurance management procedures, properly set self-retained risk limits, and use reinsurance as an effective risk transfer tool to transfer the excess risks to reinsurers with a high level of security to control insurance risks.

1.2 Market Risk

Market risks refer to the risks that cause unexpected losses to the Group due to unfavorable changes in interest rates, equity prices, foreign exchange rates, and real estate prices.

The Group has continuously strengthened its market risk management approach, and strengthened the abilities to identify, evaluate, measure, analyze and report on market risks from multiple dimensions. The Group further strengthened its investment risk management IT platform to reinforce the foundation of risk management and improve risk management efficiency. The Group improved the risk management reporting mechanism, and consolidated risk monitoring and management. Stress testing was optimized to realize its decisional role in adherence to the bottom line of risk control. The risk limit framework was improved to monitor risks across the Group, subsidiaries, and business lines. The Group also enhanced the risk early warning mechanism, which led to more targeted, forward-looking and thorough risk management.

The mechanisms and procedures adopted by the Group to manage market risks are as follows:

- Market risks are managed in a top-down manner by the RMEC, the Group's Investment Management Committee, and the risk management committees of member companies;
- Investment and asset risk management guidelines are developed to manage market risks in a forward-looking manner while ensuring safety, comprehensiveness and effectiveness, and matching assets and liabilities;
- A multi-layered risk limit framework is maintained on the basis of risk bottom lines and asset-liability management strategies to keep market risks under control. When setting risk limits, the Group takes account of the risk management strategies and the impacts on financial strength;
- Methods including value at risk (VaR), sensitivity analysis, and stress tests are applied based on the characteristics of investment and market risk management, for scientific and effective assessment and management of market risks; and
- The risk monitoring and reporting mechanism is standardized. Risk reports are issued regularly to provide suggestions on risk management and ensure market risks are within the Group's tolerance.

The main market risks to which the Group is exposed are interest rate risk, equity risk, foreign exchange risk, and real estate price risk.

Market Risk – Interest Rate Risk

Fixed maturity investments held by the Group are exposed to the interest rate risk. These investments are substantially represented by bond investments booked at fair value on the balance sheet. The Group uses various methods including sensitivity analysis and stress tests to evaluate the interest rate risk faced by such investments.

The sensitivity of interest risk is assessed by assuming a 50 basis-point parallel shift of the government bond yield curve, the impacts of which are illustrated in the table below:

December 31, 2019 (in RMB million)	Change in interest rate	Decrease in profit	Decrease in equity
Bond investments classified as financial assets carried at fair value through profit or loss and carried at fair value through other comprehensive income	+50 bps	3,386	12,568

The impacts of interest rate re-pricing and duration mismatch of assets and liabilities on yields are assessed through gap analysis. The Group analyzes the re-pricing characteristics of assets and liabilities on a regular basis, and carries out scenario analysis of the interest rate risk through the asset liability management system. On the basis of the existing gaps, the Group adjusts the re-pricing frequency and sets limits on the maturity of corporate deposits to reduce duration mismatch in re-pricing. Meanwhile, the Assets and Liabilities Management Committee holds regular meetings to make timely and appropriate adjustments to the asset-liability structure and manage the interest rate risk in response to macro-economic trends and the PBC's policies on interest rates.

Market Risk – Equity Risk

Listed equity investments held by the Group are exposed to market price risks. These investments are primarily listed equity securities and securities investment funds.

The Group adopts the 10-day market price value-at-risk ("VaR") technique to estimate its risk exposure. The market price VaR measures a maximum loss in the value of an equity portfolio due to normal market fluctuation within a given confidence level (99%) and a specified timeframe (10 days).

As of December 31, 2019, the VaR for listed equity securities and securities investment funds is as follows:

December 31, 2019 (in RMB million)	Impact on equity
Listed equity securities and securities investment funds classified as financial assets carried at fair value through profit or loss and carried at fair value through other comprehensive income	24,866

Market Risk – Foreign Exchange Risk

Foreign currency-denominated assets held by the Group are exposed to foreign exchange risks. These assets include monetary assets such as deposits and bonds held in foreign currencies and non-monetary assets measured at fair value such as stocks and funds held in foreign currencies. The Group's foreign currency-denominated liabilities are also exposed to risks as a result of fluctuations in exchange rates. These liabilities include monetary liabilities such as borrowings, customers' deposits and claim reserves denominated in foreign currencies, as well as non-monetary liabilities measured at fair value.

The sensitivity to foreign exchange risk is calculated by assuming a simultaneous and uniform depreciation of 5% against the Renminbi of all foreign currency denominated monetary assets and liabilities, as well as non-monetary assets and liabilities measured at fair value as illustrated in the table below:

December 31, 2019 (in RMB million)	Decrease in equity
Net exposure to fluctuations in exchange rates assuming a simultaneous and uniform depreciation of 5% of all foreign currency denominated monetary assets and liabilities and non-monetary assets and liabilities measured at fair value against the Renminbi	3,162

If the above currencies appreciate by the same proportion, the appreciation will have an inverse effect of the same amount on equity in the table.

Market Risk – Real Estate Price Risk

The Group is exposed to real estate price risk associated with its holding of investment properties. The Group tracks its exposure to property investment, monitors the movement of real estate prices in relevant regions, analyzes the impact of macro policies and regional economic development on real estate prices, has engaged independent valuers for the fair value assessment, and conducts stress tests on a regular basis.

As of December 31, 2019, the fair value of the Group's holding of buildings under investment properties stood at RMB71,117 million.

1.3 Credit Risk

Credit risk is the risk of unexpected losses resulting from the default of any debtors or counterparties or from adverse changes in their credit profiles. The Group is exposed to credit risk primarily associated with its deposit arrangements with other commercial banks, loans and advances, bond investments, reinsurance arrangements with reinsurance companies, policy loans, margin trading and off-balance-sheet activities.

The Group manages credit risk through various measures, including:

- Establishing a credit risk management mechanism with risk rating as its core methodology;
- Developing standardized policies, rules and procedures for credit risk management;
- Setting credit risk limits in multiple dimensions for investments and credit portfolios;
- Monitoring credit risk through a risk management IT system; and
- Monitoring public opinion, giving early warnings as appropriate, and enhancing post-investment management.

The Group is in strict compliance with the credit risk management guidelines issued by regulators. Under the guidance of the Board of Directors and the senior management, the Group carries out consolidated analysis, monitoring and management of the credit risk exposures of lending and investment businesses at the group level. On this basis, the Group establishes and refines credit risk limits for different members and business lines to manage high risk exposures and risk concentration after consolidating the Group's financial statements. The Group also provides forward-looking insights into and analysis of potential credit risks and their impacts on the Group.

The Group carries out targeted measures to control specific credit risks and concentration risks in light of different characteristics and risk profiles of businesses such as insurance, banking and investment. For credit risk associated with the banking business, the Group continuously improved the whole process management of credit risks and effectively enhanced the management of bank credit risks in line with changes in the financial and economic situation and macro-control policies as well as the requirements of regulatory authorities. The Group implemented the strategy of "breakthroughs in retail banking and enhancement of corporate banking" to continuously optimize the asset portfolio. The Group strengthened the early warning management to establish and continuously improve the automatic early warning system based on big data, strictly implemented post-lending management policies, and regularly reviewed problematic customers and overall asset quality. Risk mitigations were strengthened in key areas to prevent the accumulation of credit risk from large exposures. The disposal of non-performing assets was enhanced by leveraging the Group's strengths. For credit risk associated with the investment business, the Group assesses the credit of potential investment instruments in line with internal risk rating policies and procedures, strictly reviews the quality of counterparties through counterparty name lists and credit line management, chooses counterparties that have relatively high credit standing, and adopts a multi-dimensional approach for setting risk limits on investment portfolios to manage credit risks. Moreover, the Group proactively conducts public opinion early warning and enhances post-investment management to achieve "rapid, accurate and rigid" credit risk management, namely, rapid response, accurate risk prediction, and rigid risk control. For reinsurance credit risk associated with insurance business, namely, credit risk which occurs when a reinsurance company is unable to fulfill its obligations, the Group evaluates the credit of the reinsurers before entering into a reinsurance contract, and cooperates with selected reinsurance companies that have higher credit for mitigating credit risks.

December 31, 2019	As percentage of carrying value
Low-risk financial assets measured at amortized cost held by the Group	94.9%

1.4 Operational Risk

Operational risk refers to the risk of losses resulting from inadequate or flawed internal procedures, employees, information technology systems, and external events.

The Group strictly follows applicable regulations and its operational risk management strategies. The Group uses the existing compliance management and internal control framework as the basis to integrate domestic and foreign regulators' advanced standards, methods, and tools for operational risk management. The Group optimizes the structure and policies for operational risk management, and strengthens collaboration and cooperation between departments. The Group has established daily monitoring and reporting mechanisms to provide regular reports to the management on the overall operational risk situation. Moreover, the Group develops rules and standards for operational risk management and strengthens system development to constantly improve the effectiveness of operational risk management.

The Group manages operational risks primarily through the following mechanisms and measures:

- Establishing a robust and comprehensive management approach covering the whole Group to identify, evaluate, monitor, control/mitigate, and report operational risks;
- Constantly optimizing the operational risk policies, frameworks, workflows, systems, and tools to enhance overall operational risk management;
- Stepping up the use of operational risk management tools among member companies, such as the Risk and Control Self-Assessment (RCSA), Key Risk Indicator (KRI), and Loss Data Collection (LDC);
- Pushing forward the operational risk capital measurement according to regulatory requirements and management requirements; and
- Promoting a culture of operational risk management through targeted training.

1.5 Strategic Risk

Strategic risks refer to the risks of mismatch of strategies between the market environment and the Company's capabilities due to ineffective processes of drafting or implementing strategies or changes in the business environment.

With a sound strategic risk management framework and procedures, the Group studies macro-economic conditions, impacts of the regulatory landscape, and market movements to conduct thorough evaluation and research of the Group's general strategies and development plans. The Group coordinates its general strategies and development plans to ensure not only consistency between the strategic goals of members and the strategic plans of the Group, but also synergies between strategic goals of members. The Group formulates medium- and long-term strategic plans and annual business plans on a regular basis, specifies strategic priorities for the Group and its members, and promotes the implementation of strategic plans and annual plans. Furthermore, the Group oversees and evaluates members' implementation of strategic plans to ensure effective execution of the Group's general strategic plans.

1.6 Reputation Risk

Reputation risk is the risk of the Company's brand or reputation being damaged and other relevant losses caused by negative comments from stakeholders on the Company due to the Company's business management or an external event.

The Group constantly improves its reputation risk management system in accordance with relevant laws and regulations and regulatory requirements. By building and improving the pre-warning, disposal and review mechanism for reputation risks before, during and after a reputation risk event, the Group monitors the potential risks, gives warnings in time, and follows up on the reputation risks. The Group minimizes the possibilities of reputation risk events and the impacts on the Company through effective reputation risk management.

2. Group-level Risks

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

2.1 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 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, 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 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, system independence, account independence, accounting independence, and system authority independence, as detailed below:

- The Group and its members have independent finance functions, and have financial positions aligned with their own business scale, management model, and risk profiles, in line with the principle of separating incompatible roles. Qualified financial personnel who meet relevant employment standards are in place. Senior finance managers are appointed and engaged separately, and may not take concurrent offices. 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.
- The Group has established and improved a series of financial management systems. The members of the Group may develop their financial management systems compliant with their own industry regulations and business plans with reference to the Group's financial management systems.
- The Group and its members perform independent financial accounting. Each member is audited by an external auditor, with an independent financial audit report issued.
- The Group and its members implement strict management segregation over the data of the financial and fund information system, including the storage, access, modification and use of the data. Besides, the allocation of access permissions to users follows rigorous examination and approval systems, and is managed according to the principle of mutual exclusion of posts and minimization of rights to prevent unauthorized activities.

- The funds of the Group and its members are managed separately. The fund transactions between the Group and its members shall comply with the regulatory requirements. Unauthorized fund borrowing and transfer between the Group and its members are forbidden. Strict segregation is ensured among the insurance funds, non-insurance funds, self-owned funds and clients' funds. Independent management and operation are implemented 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 finance accounts, transactions and reconciliation have been established and improved to prevent fund risks.

- Cross-guarantee behaviors among the members are strictly supervised, reasonable cross-guarantee risk limits for the members are set, and the monitoring and early warning mechanism has been established to preclude the accumulation and transmission of risks among the members.

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 management and security of its own products and businesses on the internet, the Group has set up and effectively implemented the mechanism 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 awareness of information security and building a culture where everyone is responsible for information security. The Group is committed to building a secure and innovative financial services ecosystem.

Fourthly, 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 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. 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 related party transactions in strict accordance with laws and regulations as well as the requirements of regulators on related party transactions. In accordance with regulations, the Group has set up a Related Party Transaction Control Committee under the Board of Directors for coordinating Group-wide related party transaction management, with a Related Party Transaction Management Office under the Related Party Transaction Control Committee. 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 continues to increase transparency by disclosing and reporting related party transactions in strict accordance with 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 and Ping An Financial Services provide the Group's member companies 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 financial and fund sharing 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 substantial 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 shareholder meeting for consideration and approval before the transaction agreements can 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 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 Ping An subsidiaries 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 conducted strictly in accordance with market practice. All businesses are reviewed independently by each subsidiary's risk control function in line 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 asset management and information disclosure, and strictly implemented them to ensure centralized management and consistency of branding.

2.2 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 controlling party. 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 such as 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 the organizational structure, due to clear shareholding structures and transparent governance structure of the Group.

2.3 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 business counterparty management, investment management, insurance business management, and non-insurance business management.

In order to manage the concentration risk from the perspective of business counterparties, the Group has specified a set of single risk limits for major 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 major 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 effectively, 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 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.

2.4 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 that engage in insurance, banking, investment and technology 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.

SOLVENCY MANAGEMENT

Solvency refers to the Group's ability to settle its liabilities. An insurance group's solvency is the consolidated solvency calculated by taking the insurance group's member companies as a single reporting entity. An insurance group's solvency margin ratio is a key regulatory indicator for evaluating an insurance group's capital adequacy. The key objective of solvency management is to meet statutory capital requirements and maintain a healthy capital ratio to support business growth and maximize shareholder value. A stable solvency margin ratio can ensure that the Company meets capital requirements specified by external institutions such as regulators and rating agencies, and support the Company's business development and shareholder value creation.

Since the former CIRC began to implement the China Risk Oriented Solvency System (hereinafter referred as "C-ROSS") four years ago, China's insurance industry has realized a smooth, substantive transition toward comprehensive risk management. C-ROSS has significantly helped to modernize insurance regulation, strengthen the industry's risk management, promote the industry's transformation and upgrade, and increase the global influence of China's insurance market. C-ROSS consists of three pillars, which are quantitative regulatory requirements, qualitative regulatory requirements, and market disciplinary mechanisms. C-ROSS enables insurers to strike a balance between risk prevention and value growth by embedding the philosophy of risk management in all dimensions of business development.

Qualitative regulatory requirements, as the second pillar of C-ROSS, are mainly based on the CBIRC's Solvency Aligned Risk Management Requirements and Assessment (hereinafter referred as "SARMRA"). The SARMRA results are linked with an insurer's minimum capital for risk control, so as to adjust the minimum capital requirement based on the first pillar. According to the circular of the CBIRC on SARMRA of insurers for 2018, Ping An's insurance subsidiaries were not measured in the SARMRA assessment for 2018 based on spot checks, while the CBIRC has not promulgate the circular of the CBIRC on SARMRA of insurers for 2019, the SARMRA results thus remain unchanged. Ping An Life scored 85.58 for 2017, allowing its minimum capital requirement under C-ROSS to decrease by RMB11,764 million as of December 31, 2019. Ping An Property & Casualty scored 84.10 for 2017, allowing its minimum capital requirement under C-ROSS to decrease by RMB900 million as of December 31, 2019.

The Group manages its solvency through the following mechanisms and processes:

- The impacts on solvency must be evaluated when we develop key initiatives including strategies, business plans, investment decisions, and dividend distribution plans;
- The solvency target is a key indicator for the Company's risk management, and an emergency reporting and response mechanism is in place for significant changes in the solvency level to ensure the solvency is maintained at an appropriate level;
- The solvency indicator has been included as a KPI in performance appraisal at the Company level to be implemented in a top-down manner;
- We adopt a prudent asset and liability management policy, constantly enhance asset quality and business operations, strengthen capital management, and focus on capital requirements arising from rapid business growth;
- We conduct solvency assessments and dynamic solvency tests on a regular basis, and closely monitor changes in solvency; and
- We conduct sensitivity and scenario stress testing to generate warnings about potential changes in solvency.

As of December 31, 2019, the Group's solvency margin ratios met the applicable regulatory requirements. Below are the details:

(in RMB million)	**December 31, 2019**	December 31, 2018	Change (%)
Core capital	**1,574,150**	1,258,768	25.1
Actual capital	**1,607,650**	1,290,268	24.6
Minimum capital	**699,522**	596,238	17.3
Core solvency margin ratio (%)	**225.0**	211.1	13.9 pps
Comprehensive solvency margin ratio (%)	**229.8**	216.4	13.4 pps

Notes: (1) Core solvency margin ratio = core capital/minimum capital; comprehensive solvency margin ratio = actual capital/minimum capital.
(2) The regulatory minimum requirements for the core solvency margin ratio and comprehensive solvency margin ratio are 50% and 100% respectively.

We have estimated the impacts of declines in interest rates and equity value on the solvency margin ratios of Ping An Group, Ping An Life, and Ping An Property & Casualty as of December 31, 2019. Below are the results:

	Comprehensive solvency margin ratio		
	Ping An Group	**Ping An Life**	**Ping An Property & Casualty**
Base case	229.8%	231.6%	259.2%
A decline of 50 bps in interest rates	222.2%	217.6%	259.8%
A decrease of 30% in fair value of equity assets	220.2%	219.5%	254.4%

In November 2019, the IAIS issued the *Holistic Framework for Systemic Risk in the Insurance Sector* to supersede the relevant regulatory requirements of G-SIIs and suspend the recognition of G-SIIs. The IAIS will decide whether to permanently revoke G-SIIs based on the implementation results of the new framework by the end of 2022. International Capital Rules are temporarily not applicable to Ping An under the new framework. In the past few years, with the encouragement and support of the CBIRC, Ping An has proactively participated in the IAIS to develop international rules, reported the actual situation of the insurance industry in China to the IAIS, and incorporated Chinese characteristics into the rules. Positive progress has been made with Ping An's participation. Ping An will continue to closely follow the evolution of relevant G-SII regulations and fully evaluate its potential impact on Ping An.

Sustainability

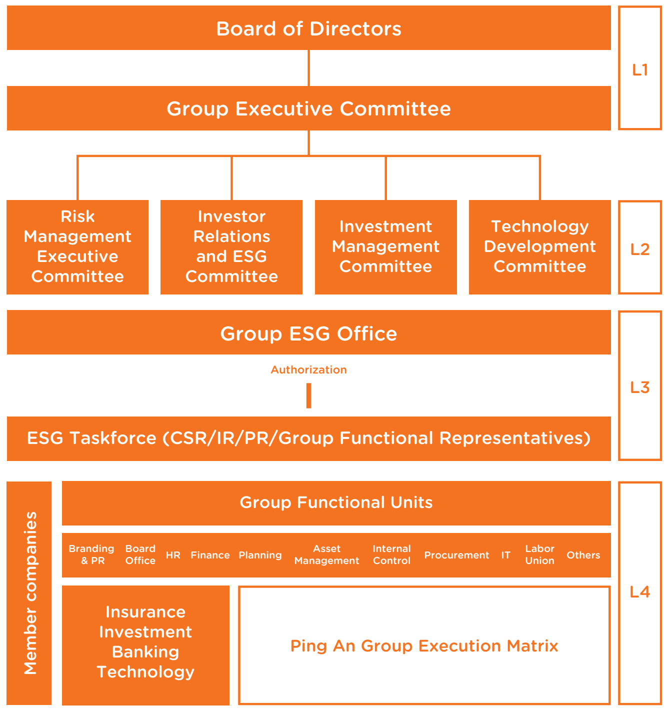
Ping An promotes the integration of environmental, social and governance (ESG) criteria with its corporate strategies and business management. While continuously improving its sustainable development capabilities, Ping An actively helps the industry and society to become more resource-friendly and society-friendly, and strives to create greater shared value for all stakeholders.

PHILOSOPHY AND MANAGEMENT OF SUSTAINABLE DEVELOPMENT

Ping An has developed a sound ESG governance structure with the Group Board of Directors overseeing all ESG issues and the Investor Relations and ESG Committee under the Group Executive Committee in charge of implementation. Ping An continuously promotes in-depth integration of ESG with all aspects of corporate development, and ensures stable development with effective governance, achieving win-win situations in the economy, society, and environment.

In respect of the environment, Ping An employs leading technologies to empower environmental protection and governance to develop an environment-friendly business ecosystem. In respect of society, Ping An adheres to the philosophy of responsible investment, and uses financial means to support the growth of the Company and promote economic development, to achieve long-term, healthy and sustainable development of the Company and society. Meanwhile, Ping An remains focused on its five ecosystems to fulfill corporate responsibilities in areas including health care, education, smart city services, and poverty alleviation, and realize people's dreams of a better life. In respect of governance, Ping An continues to improve corporate governance and risk management to ensure steady development of the Company's performance.

Ping An has established a sound, clear and transparent ESG governance structure. The Board of Directors (L1) has oversight of all ESG issues. The Investor Relations and ESG Committee, along with other committees (L2), is responsible for identifying ESG risks, formulating plans and policies, setting objectives, and appraising performance. The Group ESG Office and other functional centers of the Group (L3) act as the taskforce responsible for coordination of ESG issues within and outside the Group. The matrix consisting of the Group's functional units and member companies (L4) is responsible for ESG execution. The Company's overall work plan is governed by clear management objectives, clear responsibilities and appraisal mechanisms, and continuous improvements in the management of ESG issues and risks. Regular reporting to directors and senior executives on ESG risk management, objectives, plans, implementation and progress ensures the effectiveness of ESG management.



ESG Governance Structure

In 2019, Ping An achieved remarkable results in ESG. Ping An became a signatory of the United Nations-supported Principles for Responsible Investment (PRI), the first asset owner in China to join it, signifying a milestone for the development of responsible investment in China. Ping An was selected for 2019 Dow Jones Sustainability™ Emerging Markets Index for the first time. Ping An is the first insurance company from the Chinese mainland to be selected for the Dow Jones Sustainability™ Emerging Markets Index, and also the only Chinese financial company in the index for 2019. Ping An is also the second largest constituent in the HSCEI ESG Index. Hang Seng's sustainability assessment of Ping An is A+, which ranks top among the A+H listed companies. In addition, Ping An received a "B" rating from the Carbon Disclosure Project, ranking third among all companies and first among financial companies in China. Ping An's MSCI ESG rating result is BBB, which is nationally leading and internationally exceeding average.

PING AN'S SDGs MAP

Ping An benchmarks and integrates the key areas of the Company's business development with the United Nations Sustainable Development Goals (SDGs), and actively promotes the realization of the global sustainable development goals to seek both commercial and social values.

1 NO POVERTY — To contribute to the eradication of poverty with inclusive insurance and banking services for people in poverty and other targeted poverty alleviation efforts.

2 ZERO HUNGER — To support the development of sustainable agriculture with products and services such as agricultural insurance, inclusive loans, and smart agricultural platforms.

3 GOOD HEALTH AND WELL-BEING — To leverage Ping An's expertise in insurance and technology and promote the well-being of people with continuous innovation in fields including health care, medical services, and social health insurance management.

4 QUALITY EDUCATION — To provide continuous support for charitable education programs, link high-quality urban education resources to remote villages, and bridge the gap between urban and rural areas to create a fair education environment.

5 GENDER EQUALITY — To support women empowerment with in-depth cooperation with NGOs including the China Women Development Foundation, help rural women in remote areas, protect the rights of female employees, and forbid gender discrimination in workplace.

6 CLEAN WATER AND SANITATION — To support investment in public drinking water facilities, and build drinking water and sanitation facilities.

7 AFFORDABLE AND CLEAN ENERGY — To support the development of clean energy and upgrade the energy structure by providing responsible investment products and new energy insurance products.

8 DECENT WORK AND ECONOMIC GROWTH — To support employees' career development with continuous improvement of the professional training system and the remuneration system, and support agent retention and growth.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE — To contribute to the development of the real economy by playing an active role in the "Belt and Road" Initiative and the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, supporting micro-, small and medium-sized enterprises, promoting industrial upgrade and transformation, and supporting infrastructure construction.

10 REDUCED INEQUALITIES — To help deal with the imbalance in resources through in-depth practices in the fields of inclusive finance, technology application, targeted poverty alleviation, social welfare and so on.

11 SUSTAINABLE CITIES AND COMMUNITIES — To support the sustainable development of cities and communities by leveraging Ping An's expertise of "finance + technology" in the fields of financial services, health care, auto services, real estate services, and smart city services.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION — To help other companies and clients in different industries control risks with Ping An's risk management expertise in operations, products and services; integrate ESG requirements into supplier management, and encourage suppliers to fulfill their social responsibilities.

13 CLIMATE ACTION — To actively manage carbon emissions related to the operations, provide climate insurance products to help society deal with climate related risks' impacts, and promote low-carbon development with green investment.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS — To set business code of conduct and anti-corruption as the foundation for healthy growth, and ensure transparency and compliance with continuously improved policies as well as employee training.

17 PARTNERSHIPS FOR THE GOALS — To actively engage in external cooperation in economic, social and environmental fields with an open mind and continuously create shared value for all stakeholders.

Sustainability

1 AN UPRIGHT AND TRANSPARENT LISTED COMPANY

Ping An continuously enhances its fulfillment of responsibilities, actively carries out risk prevention and management in corporate governance, business ethics, product management, information security management, supply chain responsibility and other aspects, so as to lay a solid foundation for the long-term healthy development of the Company, and strive to build an upright and transparent listed company.

1.1 Governance Structure

Ping An Group has standardized its board operations and management of the directors' work by drawing on the board management experience of local and international companies to deliver a higher level of transparency and credibility. The Board of Directors Nomination Committee formulated and followed the *Rules for Diversification of the Board of Directors* to ensure a balanced mix of skills, experience and diversification to enable more effective board operations and improved corporate governance.

There are independent non-executive directors within the Company's Board of Directors. The Company imposes strict requirements on the qualifications of its independent non-executive directors, whose appointment and removal are subject to approval at shareholders' meetings. Independent non-executive directors make up at least one-third of the board members and are expected to perform their duties in good faith, independently, and diligently. They shall effectively safeguard the legitimate rights and interests of the Company, minority shareholders, and consumers, and shall not be subject to the influence of the Company's major shareholders, de facto controlling parties, management or other companies or individuals who have significant stakes in the Company. The directors are regularly evaluated by the Supervisory Committee on how well they perform their duties and obligations and are informed of the evaluation results and managed accordingly.

As of the date of this Report, the Company's Board of Directors had 13 directors, including four Executive Directors, four Non-executive Directors, and five Independent Non-executive Directors. Among them, one is a female director. Directors with overseas work experience account for about 40% of all directors. Directors possess a high level of professionalism in the fields of finance, accounting, actuarial science, law, and artificial intelligence as well as rich hands-on experience from working both at home and abroad. They are part of a standardized, efficient, professional, and international board of directors and commit themselves to maximizing the value of the Company.

In addition to economic metrics, Ping An has also included internal control effectiveness indicators as an important part of its senior executive remuneration and performance appraisal system in line with the *Guidelines for Remuneration Management Rules of Insurance Companies (Trial)* issued by the CBIRC. This is to ensure that every senior executive is responsible for compliance and sustainable development of Ping An. Third-party consultancies are invited on a regular basis to examine and adjust the remunerations of senior executives based on the market level, business performance and regulatory requirements. Adjustments are strictly subject to the applicable regulatory requirements and deferred compensation rules. The deferred compensation percentages of directors, senior executives, and key-position holders may not be less than the specified percentages. In the event of a major risk event, deferred bonuses may be adjusted.

1.2 Business Ethics

Ping An has formulated the *Business Code of Conduct of Ping An Group*, specifying its commitments on tax policies, anti-monopoly, anti-money laundering, anti-terrorist financing and sanctions compliance, equality and rights, and whistle-blowing management. Ping An also continuously standardizes the management of these issues. Please refer to the *Business Code of Conduct of Ping An Group* in the Sustainability section on the Company's website for details.

Ping An is committed to building a sound anti-corruption system. It developed a corruption prevention and control system to respond to cases and high-risk events more quickly. It mobilized resources from various channels to prevent and identify suspicious finance-related cases more efficiently. It intensified self-inspections of key areas and major risks to proactively prevent major systemic financial risks. Using big data analytics and models, Ping An identified and detected risks effectively, and improved its risk prevention and supervision.

Ping An embeds "diversity and anti-discrimination" throughout its business operations. The Company complies with the requirements in the eight core sections under the *International Labor Conventions* and the relevant agreements approved by countries where it operates. Ping An has released anti-discrimination rules to eliminate unfair treatment to ensure that the employees are not discriminated due to gender, location, or age.

Ping An has formulated the *Whistle-blowing Management Procedure* and set up a whistle-blowing email address and hotline to offer employees formal channels to voice their concerns. In 2019, the Company amended rules including the *Detailed Guiding Rules for Whistle-blowing Investigation (2019)* and the *Management Procedure for Incentives for Whistle-blowers*. The Company's whistle-blowing departments handle whistle-blowing in a legal, objective, just, and timely manner and safeguard the whistle-blowers' rights to fairness and justice. At the same time, Ping An carried out a group-wide discipline enhancement initiative with six key components, namely mobilization and deployment, learning and education, issue analysis, rectifications, inspections, and summarizing and feedback, to ensure a culture of probity and integrity in the financial sector. As of December 31, 2019, Ping An organized 2,046 integrity promotion activities which covered 100% of its employees.

1.3 Product Responsibility

Ping An attaches great importance to product responsibility. During the life cycle of the products and services, the Company adheres to the principles of compliance, fairness, inclusiveness, and environmental protection. Ping An undertakes that all its products and services are in compliance with the applicable laws and regulations. The Company will not provide products and services involving individual right violations, freedom of speech violations, and political repression, nor involving high emissions, high pollution, ecological destruction, and animal right violations. The Company does not engage in monopolies, unfair competition, pyramid sales, or terrorism. Ping An has established a policy framework governing all products and services, including *the Product Development and Design Standards*, the *Product Sales Management Measures*, and the *Red, Yellow, and Blue Card Punishment Procedure*. The Company manages all products and services throughout their entire life cycles, from product design, product development to sales and after-sales services, to avoid potential violation of laws and regulations.

1.4 Sustainable Supply Chain

The Company has formulated the *Sustainable Supply Chain Policy of Ping An Group* and integrated ESG requirements into supply chain management, covering main workflows including supplier selection, cooperation approval, process management, tracking and feedback. Ping An focuses on suppliers' ESG performance on environmental protection and employee rights. The Company has also included ESG requirements into existing supplier contracts, including contract articles on anti-bribery, information security and privacy protection, labor rights protection, low-carbon and green technology adoption and development, and employee development. Please refer to the *Sustainable Supply Chain Policy of Ping An Group* in the Sustainability section on the Company's website for details.

In 2019, Ping An held the first supplier conference on the theme of "Smart Procurement and Win-win Ecosystem." Representatives of 100 suppliers of different categories attended the conference and had in-depth discussions on how to promote smart procurement management, improve procurement efficiency and risk management, and integrate information flow, capital flow, and logistics. The event included an ESG training session to encourage suppliers to improve their comprehensive performance in terms of employee rights and other environmental and social issues.

1.5 Information Security and AI Governance

Ping An has established an information security operating system featuring early warnings of, secure response to and secure disposal of security threats. The Company has also established emergency response communication channels with its member companies to ensure 24/7 preparedness to deal with identified and reported information security risks. Ping An regularly reviews the soundness and implementation of its information security system to ensure its effectiveness and stability. Ping An has passed the ISO 27001 information security management system certification for many consecutive years.

In 2019, Ping An initiated the personal information protection program "Taishan Plan" among member companies to ensure information security and compliance along the entire information flow of "collection, storage, management, and use." The Plan focused on the identification and rectification of risks in customer and user authorization management, personal information collection of apps, and data security.

Regarding AI, Ping An is committed to applying AI in line with the five ethical principles of "human-oriented, human autonomous, secure and controllable, fair and just, and open and transparent" and keeping AI application under ethical review. Internally, Ping An is developing a robust management system and ethical review standards. Externally, Ping An proactively participates in global AI governance to strengthen exchanges with other players and track development and release of industry standards. For further details, please refer to the *AI Governance Statement and Policies of Ping An Group* in the Sustainability section on the Company's website.

2 A CARING CORPORATE CITIZEN

Ping An actively fulfills the responsibility as a corporate citizen, and continuously lowers the environmental impacts in its operations by setting environmental protection targets, advocating paperless operations, and constructing green buildings. Through the implementation of public welfare projects and volunteer services, Ping An deeply involves in the development of harmonious communities to achieve the goal of a caring corporate citizen.

2.1 Green Operations

Ping An strictly abides by the relevant laws and regulations including the *Environmental Protection Law of the People's Republic of China*, and has incorporated environmental protection in its business development plans. The Company strives to minimize its negative impact on the environment by adopting electronic business processes, conducting energy conservation transformation, promoting eco-friendly habits, and building smart offices. In 2019, Ping An's carbon emissions reached 797,251 tCO_2e, and its carbon emissions reduction potential (through electronic operations) reached 64,497 tCO_2e, achieving ahead of schedule the five-year plan that aims to be completed by the end of 2021.

Ping An continued to build green buildings and actively pursue domestic and international authoritative green building certifications. In 2019, Jinan Ping An Finance Center obtained the China Green Building Label (3-star) and received LEED Gold pre-certification from the US Green Building Council (USGBC). Tianjin Ping An TEDA Finance Center obtained the China Green Building Label (2-star).

In 2019, Ping An set the following environmental targets:

- Carbon emission intensity: Taking 2018 as the base year, to reduce carbon emission intensity by 5%, 10% and 20% by 2020, 2025 and 2030 respectively.
- Paper use intensity: Taking 2016 as the base year, to reduce paper use intensity by 50%, 60% and 80% over the next three, five and ten years respectively.
- Carbon emissions reduction potential: Taking 2016 as the base year, to increase carbon emissions reduction by 60% and 80% over the next three and five years respectively, and ultimately routinize electronic operations.
- Green building: Ping An pledges that all new buildings of Ping An Group will reach China's Green Building Label (2-star) or equivalent LEED certification. Ping An will complete the green building transformation of its headquarters and obtain green building certification by 2020.

2.2 Community Impact

2.2.1 Ping An Rural Communities Support

Ping An continued to implement the Ping An Rural Communities Support, which is intended for boosting industries, health care, and education in rural areas at all levels. With its Village Officer Program, Village Doctor Program, and Village Teacher Program, the initiative aims to not only alleviate poverty but also promote sustainable development of rural areas, and help rural areas to gradually realize the new leap from poverty alleviation to rural rejuvenation.

For the Village Officer Program, Ping An further improved the closed-loop poverty alleviation industrial chain model and came up with customized solutions to help promote industrial development in poverty-stricken areas. For the Village Doctor Program, Ping An focused its efforts on upgrading health services including village clinics, village doctor training, auxiliary diagnosis and treatment, and health examinations. For the Village Teacher Program, Ping An improved the internal and external conditions of rural education through a number of actions including rural school upgrade, principal and teacher training, and volunteer teaching. Ping An used the "San Cun Hui" online smart teaching platform to promote the sharing and exchange of urban and rural education resources. Ping An has implemented the Youth Science and Technology Literacy Promotion program to improve the creativity and innovation ability of rural students.

As of December 31, 2019, Ping An had implemented the program of Ping An Rural Communities Support in 21 provinces and autonomous regions across China. Ping An had provided RMB15,745 million for poverty alleviation, built or upgraded 949 rural clinics and 1,054 rural schools, and trained 11,175 village doctors and 11,826 village teachers.

2.2.2 Volunteer Services

The Ping An Volunteers Association, established in 2018, has 24 branches nationwide, and covers over 20 member companies of the Group. As of December 31, 2019, the "San Cun Hui" public welfare app had 1,957.1 thousand registered users, 478.9 thousand of whom were employees and agents of Ping An. The app has launched 114,596 public welfare initiatives, attracting a total of 9,268.5 thousand participants.

In 2019, the Ping An Volunteers Association also launched its "Belt and Road" Volunteer Service Project to export its leading medical testing technology and capabilities and share its expertise in promoting industry and education for poverty alleviation overseas. In July 2019, the first "Belt and Road" volunteer service program was launched in five provinces of Cambodia, including Siem Reap and Kampong Thom, to provide local people with screening for cardiovascular disease and children's congenital heart disease.

The implementation of Ping An Rural Communities Support and other public welfare programs have not only enhanced Ping An's influence and brand image, but also boosted Ping An's businesses including agriculture loans, water and electricity loans, and agricultural insurance. In addition, Ping An Rural Communities Support has laid the foundation for Ping An's "impact investment" model and become a benchmark for China's industry-based poverty alleviation.

2.2.3 Fighting against the Coronavirus Disease 2019 (COVID-19)

The COVID-19 outbreak pulled at the heartstrings of every person in early 2020. Immediately after the outbreak, all business lines of Ping An paid close attention to the development and trend, mobilized resources, and took action in areas including charitable donations, insurance protection, fast-track claims, medical services, and financial services to help people fight against the epidemic. As of the date of this Report, Ping An had donated RMB61.5 million for fighting the epidemic, and provided complimentary masks, protective suits, protective goggles and other supplies for residents and frontline medical personnel across China. Ping An also provided complimentary insurance for eight million disease control and medical workers and 15 thousand volunteers, and offered smart health services including online consultation, online medical image reading, and dynamic epidemic monitoring.

3 A TRUSTED INSURANCE COMPANY

Ping An is committed to embedding ESG criteria into the insurance business and making continuous improvement of the *Policies for Sustainable Insurance System of Ping An Group*, to integrate sustainability into the design of the insurance products and develop into a trustworthy insurance company.

Sustainability

3.1 Risk Management of Insurance Products

Ping An has formulated a rational and consistent insurance risk management system within the Group with mechanisms and processes in place to manage insurance risks and control the ESG risk exposure of its insurance products. All insurance subsidiaries have established ESG insurance risk management procedures and processes, and implemented ESG risk management measures covering product development, underwriting, claims, product management, reserve evaluation, and reinsurance management.

3.2 Sustainable Insurance Product Portfolio

Ping An takes full account of climate, social, and demographic factors in the development, design, and underwriting of insurance products, and assesses ESG-related risks to ensure effective pricing of risks. Ping An actively implements the Principles for Sustainable Insurance of UNEP FI (United Nations Environment Programme Finance Initiative) through its four insurance subsidiaries and incorporates environmental, social and governance factors related to insurance business into decision-making regarding insurance products, aligning social benefits with economic ones with products that effectively address customers' pain points and mitigate environmental and social risks.

As of December 31, 2019, Ping An and its insurance subsidiaries launched a total of 11 categories of 1,053 sustainable insurance products. Among them, there are environment and ecosystem related products, including environmental liability insurance, catastrophe insurance, and wildlife protection insurance; society and livelihood related insurance products, including insurance for large engineering projects and equipment, construction engineering insurance, workplace safety insurance, food safety insurance, data security insurance, and medical malpractice insurance; products that address the demographic and health trends in China, including health insurance, serious illness insurance, and critical illness insurance; and inclusive insurance products for small- and micro-businesses, farmers, and other groups with special needs.

The performance of the Company's sustainable insurance product portfolio in 2019 was as follows:

(in RMB million)	Environmental insurance[(1)]	Social insurance[(2)]	Inclusive insurance[(3)]
Premium income	181	119,114	53,811
Insured amount	13,586	117,117,173	4,079,308

Notes: (1) Environmental insurance includes environmental liability insurance, climate insurance, catastrophe insurance, and so on.
(2) Social insurance includes liability insurance (including workplace safety insurance and food safety insurance), serious illness insurance, health insurance, critical illness insurance, and so on.
(3) Inclusive insurance includes agriculture insurance, insurance for rural areas, insurance for farmers, disability insurance, minor insurance, small and micro-business operations insurance, and so on.

4 A RESPONSIBLE INVESTOR

Ping An promotes positive environmental and social values with every investment decision. Ping An continuously improves its sustainable development model and actively promotes the responsible investment system and practices as a responsible investor.

4.1 Responsible Investment Framework

Ping An actively practices the principles for responsible investment. In August 2019, the Company became the first company in China to sign the United Nations Principles for Responsible Investment (UNPRI) as an asset owner, marking a milestone for responsible investment of the finance and insurance sectors in China.

The Company continued to improve the *Responsible Investment Policy of Ping An Group* (the "Policy"), and kept responsible investment on its core sustainability agenda. Strictly in accordance with international ESG investment standards and with reference to domestic regulatory guidelines, the Policy covers the four aspects of organizational structure and policies, responsible investment strategies, product applications, and communication and exchange. The Company updates the Policy regularly according to the latest industry development.

4.2 Responsible Investment Risk Integration

Climate change is accelerating the transformation toward the low-carbon economy and has triggered changes in laws and policies as well as progress in science and technology. This transformation means both opportunities and risks for long-term investment. Ping An fully understands the impact of transformation risks on its own long-term investment. In 2019, the Company selected Ping An Life as a pilot to assess the investment-side transformation risks. Ping An will gradually expand the scope of assessment based on the methodology used for the pilot assessment.

In addition, Ping An continuously reduces the proportion of investment in coal mining and related industries. In 2019, Ping An officially announced the *Statement on Coal-Related Industries of Ping An Group*, covering models including responsible investment and low-carbon investment. The Company is committed to helping limit global warming to two degrees by adjusting its investment portfolio to reduce relevant risks.

4.3 Responsible Investment Products

In accordance with the *Responsible Investment Policy of Ping An Group*, the Company uses seven responsible investment strategies including ESG integration, sustainability-themed investment, and impact investment to evaluates ESG-related risks and opportunities of investee companies and their industries, make responsible investment decisions, and adjust investment portfolios. As of December 31, 2019, the Company's responsible investments were as follows:

	December 31, 2019				
(In RMB million)	Equities	Bonds	Financial products	Mutual funds	Lease receivables
Green investment[2]	16,844	16,583	13,294	263	4,261
Social and inclusive investment[3]	16,429	359,566	381,211	624	145,374

Notes: (1) Responsible investments refer to green and social and inclusive financial products. The investment data covers all financial products of the Group as a fund provider and product issuer.

(2) Green investment includes projects recommended by the *Guidelines of the National Development and Reform Commission (NDRC) for Green Bonds* and the *Guidelines of the Asset Management Association of China (AMAC) for Green Investment.*

(3) Social and inclusive investment includes infrastructure, small and micro-business support, old-age care and health care, education and culture, poverty alleviation for agriculture, farmers and rural areas, shanty area reconstruction and so on.

Regarding green credit, Ping An Bank integrates green credit requirements into its regular businesses. Ping An Bank has formulated green credit policies and updated the policies annually, clearly specified its green credit business priorities such as supporting the technological innovation, technological transformation, technical services and product promotion of green credit industry customers, and strictly implemented a catalog of industries with excess capacity for tight credit control. Lufax Holding provides loan support to energy-saving construction projects, information transmission and information technology services, energy and power and other green industries. Lufax Holding provides professional loan services for small and micro-businesses, sole proprietorships, and self-employed persons to vigorously support poverty alleviation.

In 2019, the green credit and inclusive credit statistics of Ping An Bank and Lufax Holding were as follows:

		2019			December 31, 2019
(In RMB million)	Category	Total line of credit granted in the year	Annual loan amount	Loan contracts signed in the year	Loan balance
Ping An Bank	Green credit[1]	59,056	5,605	90	24,273
	Inclusive credit[2]	N/A	499,803	893,538	436,678
Lufax Holding	Inclusive credit[2]	N/A	493,723	2,946,744	462,243

Notes: (1) According to the Guidelines of the *National Development and Reform Commission (NDRC) for Green Bonds*, green credit refers to loans for green buildings, technical innovation of energy conservation and emissions reduction, green urbanization, clean and efficient use of energy, new energy development and utilization, recycling economy development, water resources saving and unconventional water resources development and utilization, pollution control, ecological forestry, energy conservation, environmental protection, low carbon industry, ecological civilization pilot and demonstration experiments, low carbon pilot and demonstration projects, and so on.

(2) Inclusive credit refers to loans provided to the old-age care and health care industries, education and cultural industries, or used for housing renovation in line with the state housing policy, infrastructure construction, poverty alleviation for agriculture, farmers and rural areas, and individual inclusive loan services, or granted to small and micro-businesses and sole proprietorships.

4.4 Advocating Responsible Investment

Ping An continuously communicates and exchanges with domestic and overseas institutions, industry initiatives and outstanding peers in the field of responsible investment and green finance. Ping An organizes roadshows on ESG themes, and actively promotes responsible investment concepts and best practices to promote the development of responsible investment and green finance in China. Meanwhile, Ping An encourages investee companies and policyholders to take measures to manage the impact of climate change on their businesses and strengthen climate-related information disclosure. In 2019, Ping An joined the Climate Action 100+ initiative as the first asset owner in China, and engaged in active communication and dialogue with companies with high carbon emissions.

In addition, Ping An actively addressed the risks and opportunities of climate change in the insurance and investment sectors, and responded to the G20 Financial Stability Board's call and joined the Task Force on Climate-related Financial Disclosure (TCFD). The Company has already issued its first TCFD report.

5 AN ATTRACTIVE EMPLOYER

Ping An is committed to providing employees with broad career development opportunities and diverse development resources, respecting employees' rights and interests, constantly improving employee compensation and welfare security, and creating a secure and pleasant work environment for employees. In the meantime, Ping An attaches great importance to the growth and development of agents, continues to improve the training model and courses, and acts as the agents' most sincere partner.

5.1 Training and Development

Talent is instrumental for the Company to achieve its strategic goals and ensure rapid growth in the long run. Ping An has been continuously diversifying and optimizing its talent standards and systems over the years. Each year, Ping An organizes talent reviews of key positions of the Group and its subsidiaries. In addition to multiple dimensions such as performance, skill sets, and development potential, the Company also conducts talent assessment on 24 dimensions including capabilities, behavior, and personality, and has a Senior Talent Evaluator Team in place to ensure fair and efficient talent selection. Based on the review results, the Company provides high-potential personnel with customized training resources, and adopts measures such as salary reduction, demotion, and replacement for low-performance personnel in accordance with the performance management rules.

In addition, the Ping An School of Financial Management has developed a selected curriculum for core management staff. The School also vigorously develops online learning to achieve "AI + smart" learning with accurate course recommendations, including recommendations based on performance, smart recommendations, and recommendations from supervisors, using technology to disseminate knowledge and identify employees' potential and development needs.

5.2 Respecting and Protecting Employee Rights

Ping An respects and protects the legitimate rights and interests of employees, and has formulated the *Employee Rights and Welfare Policy of Ping An Group*. The Company strictly abides by national and local laws and regulations, ensures equal pay for equal work, and prohibits all forms of discrimination in recruitment, hiring, training, promotion and rewards. The Company is against the use of child labor and forced labor.

Ping An constantly reviews the competitiveness of employee salaries, and conducts rational performance-based salary management on the principle of fair and equitable distribution according to work to motivate employees to improve skills and grow with the Company. Ping An pays various social insurance and housing provident funds for each employee in accordance with national and local laws and regulations. In addition, the Company has formulated its corporate annuity system with coverage growing steadily, and provides employees with a series of dedicated internal products and services, including commercial insurance, high-end medical and health insurance, and family medical checkup packages. In addition, Ping An has formulated the Key Employee Share Purchase Plan and the Long-term Service Plan to encourage key employees to pursue long-term development in the Company. In 2019, Ping An Group's employee remunerations amounted to RMB59,144 million. As of December 31, 2019, the Long-term Service Plan covered 31,026 employees, or 8.34% of the total employees.

In 2019, Ping An conducted a group-wide employee satisfaction survey. The overall score was 4.33 (on a 5-point scale). The survey found that Ping An's employees were particularly satisfied with the team atmosphere, code of conduct and policies, fair employment and anti-discrimination.

5.3 Care for Employees

Ping An is committed to creating a healthy and pleasant work and living environment for employees. The Company organizes various events and activities, including health activities, ball games, photography activities, and charitable events, to promote employees' work and life balance. The Ping An Employee Assistance Program (EAP) offers comprehensive services including stress management, occupational mental health, psychological intervention, and healthy living to assist employees in dealing with personal difficulties and staying positive in workplace and personal lives.

Ping An continues to optimize its personnel service platform to provide employees with more services and convenience. On the personnel service app, Ping An's employees have access to various personnel services including company ID card application, social security processing, personal file management, and personal information updates.

5.4 Supporting Agent Development

In order to help agents increase income and retain agents, Ping An has created high-quality training courses and increasingly uses technologies to help agents improve their service skills and expertise. As of December 31, 2019, Ping An had about 1,166.9 thousand agents in total. In 2019, the Company invested RMB1,452 million in training for agents, and the annual training time per agent reached 130 hours.

Ping An provides customized online training for agents. In 2019, the monthly average online learning volume reached 35.70 million person-times. Regarding sales assistance, AskBob, Ping An's smart assistant for sales agents, answers their inquiries with an accuracy rate of 95%. AskBob's task inquiry and smart processing functionalities cover 90% of frequent requirements of agents. AskBob can also facilitate agents' sales scenario-based drills.

Prospects of Future Development

DEVELOPMENT STRATEGY AND BUSINESS PLAN

Ping An is committed to becoming a world-leading technology-powered retail financial services group. Under the philosophy of steady, sustainable development, no major change has been made to its development strategy and long-term operational objectives compared with those announced last year.

In 2019, the Company was committed to delivering on its operational objectives. Under the "finance + technology" and "finance + ecosystem" strategies, the Company promoted technology-powered business transformation reforms to empower financial services with technologies, empower ecosystems with technologies, and empower financial services with ecosystems. The Company enhanced retail customer development and boosted the value of retail businesses, and maintained healthy, sustainable growth of insurance, banking, asset management and technology businesses. The Company's profitability continued to increase. The Company delivered on all its operational objectives for 2019.

In early 2020, the Company fought against the COVID-19 by various means and through multiple channels to fulfill its corporate social responsibilities without delay. The Company employed technologies to minimize the impact of the COVID-19 outbreak on its operations. In 2020, the Company will remain committed to sustainable development and carry out the plans formulated by the Board of Directors. The Company will remain focused on the main businesses of "finance + technology," boost innovation, sustain growth, and take steady steps to become a world-leading technology-powered retail financial services group.

- Being customer-centric, the Company will pursue technological innovations to develop retail financial products and improve customer services. The Company will continue to satisfy customers' diverse financial demands and optimize customer service experiences. Moreover, the Company will boost the value of retail customers by promoting cross-selling and customer migrations. The Company's corporate businesses will serve the real economy and promote financial inclusion under a "1+N" service model (one customer + N products) while proactively leveraging technologies to enhance customer experiences and cut service costs.

- The insurance business will continue to seize market opportunities and advance reforms and upgrades to boost results. Ping An Life and Ping An Health will strengthen technological empowerment and data-driven operations, and pursue sustainable high-quality business development based on quality, aiming for growth in business value and agent income. Ping An Property & Casualty will continue its technology-powered transformation to achieve steady business development, provide better services for customers, and build differentiated advantages.

- The banking business will adapt to the evolving environment, follow national strategies, and give full play to its own strengths. Capitalizing on its milestone achievements during the transformation, Ping An Bank will strive to build "China's most excellent and world-leading smart retail bank" and continue to pursue "technology-driven breakthroughs in retail banking and enhancement of corporate banking." Ping An Bank will further the comprehensive "3+2+1" strategy for retail banking, corporate banking and interbank finance businesses, promote balanced development and retail transformation, and achieve leaps and bounds in its operational management.

- The asset management business will remain customer-centric, and committed to building an industry-leading investment management platform and meeting customers' diverse demands for wealth management. Being results-oriented, the Company will strive to improve customers' investment returns through technological empowerment. The Company will accelerate product innovations and enhance its capability of serving the real economy. In investments with insurance funds, the Company will continue to prioritize risk prevention, optimize asset-liability matching, improve investment management, and strengthen risk management.

- The technology business will continue to implement the "finance + technology" and "finance + ecosystem" strategies. The Company will invest heavily in technological R&D and employ cutting-edge technologies to support its core financial businesses and five ecosystems, namely financial services, health care, auto services, real estate services, and smart city services. By doing so, the Company will provide customers with high-quality products and excellent service experiences, and empower various industries with advanced technologies.

In an ever-changing environment, the Company will seize opportunities by gaining insights into macro-economic dynamics and technological trends, strengthen businesses, and pursue innovations to create value for customers, shareholders and society.

MAJOR INDUSTRY TRENDS AND THE MARKET LANDSCAPE

In 2019, as international economic and trade frictions escalated, the world's major economies slowed down due to weakened momentum. China's economy shifted from high-speed growth to high-quality development. Growth remained within a reasonable range owing to supply-side reforms and structural upgrades, providing a favorable market environment for our industry.

- For insurance business, the "Health China" strategy has raised people's awareness of health and old-age care, posing long-term opportunities for the insurance industry. Life insurers will enjoy more opportunities as health care reforms continue and new policies on people's livelihood, welfare and security are implemented. In addition, huge opportunities for property and casualty insurers will arise from emerging insurance demands and advanced technology applications in the insurance industry.

- For banking business, as financial supply-side reforms continue, banks will research industry trends and tap customer demands to improve their capability of serving the real economy. Ping An Bank will continue to strengthen risk management and strictly conform to regulatory requirements. Ping An Bank will closely follow technological development, integrate financial services with technologies, pursue innovations, and explore new models to support small and micro-businesses, financial inclusion, and targeted poverty alleviation.

- For asset management business, the asset management industry has made progress in transformation as China implemented a series of policies including the new regulations for asset management and the interim measures for products from insurance asset managers. Financial institutions have become more mindful of compliance, and investors have become more aware of risks. The Company will continue to strengthen its investment capability, adhere to risk limits, and improve its risk management system in accordance with government policies. The Company will build a leading asset management platform in China to serve the real economy, enable industry upgrades, and facilitate economic transformations.

- For technology business, new technologies including blockchain, AI and cloud computing are enabling upgrades, transformations and business model innovations in industries including financial services, health care, automobiles, real estate, and urban construction. The Company will continue to improve operational efficiency and customer services by increasing investment in technological R&D and empowering core businesses with new technologies.

In response to the government's call, Ping An will fulfill its mission to "serve the country, society, and public" by serving the real economy, managing financial risks, and contributing to China's development. Under the "finance + technology" and "finance + ecosystem" strategies, the Company will empower financial services with technologies, empower ecosystems with technologies, and empower financial services with ecosystems. The Company will create greater value for customers and shareholders under an integrated financial business model of "one customer, multiple products, and one-stop services."

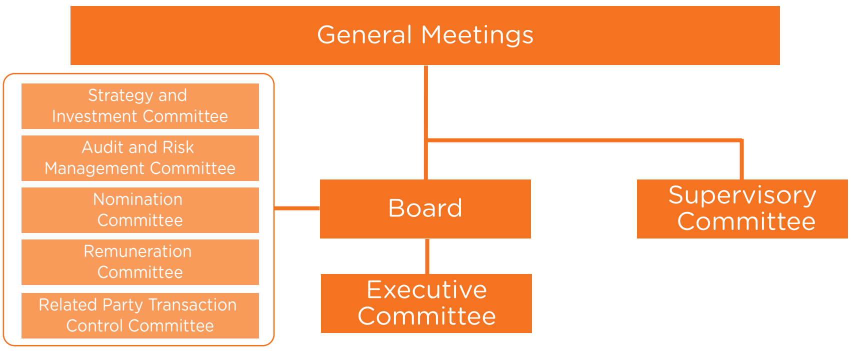
Corporate Governance Report

Ping An continues to adopt global best practices in corporate governance, and has established and kept improving its corporate governance structure which is built on both local advantages and international standards. The board of directors of the Company (the "Board" or "Board of Directors") hereby reports to the shareholders on the corporate governance of the Company for the year ended December 31, 2019 (the "Reporting Period").

CORPORATE GOVERNANCE STRUCTURE

During the Reporting Period, the Company implemented corporate governance measures in line with realities and in strict accordance with the applicable laws, including the *Company Law of the People's Republic of China* and the *Securities Law of the People's Republic of China*, the applicable regulations, and the principles set out in the *Corporate Governance Code*. The general meetings of shareholders ("General Meetings"), the Board of Directors, the supervisory committee ("Supervisory Committee") and the executive committee ("Executive Committee") of the Company exercised their rights and performed their responsibilities conferred by the *Articles of Association*, respectively.

Corporate Governance Structure of Ping An



GENERAL MEETINGS AND SHAREHOLDERS

General Meetings

During the Reporting Period, the Company convened four general meetings. The notice, convocation and procedures for convening and voting at the general meetings have complied with the requirements of the *Company Law of the PRC* and the *Articles of Association*. The general meetings established and expanded effective channels for communication between the Company and the shareholders, and through listening to their opinions and advice, shareholders' information rights, participation rights and voting rights on significant events of the Company were assured. Detailed information of the general meetings is as follows:

General meetings	Date of the meeting	Date of publication of resolutions	Designated media for A-share information disclosure
2018 Annual General Meeting	April 29, 2019	April 30, 2019	*China Securities Journal, Shanghai Securities News, Securities Times* and *Securities Daily*
2019 First A Shareholders' Class Meeting	April 29, 2019	April 30, 2019	
2019 First H Shareholders' Class Meeting	April 29, 2019	April 30, 2019	
2019 First Extraordinary General Meeting	December 10, 2019	December 11, 2019	

The resolutions of the above general meetings have also been published on the websites of SSE (www.sse.com.cn) and HKEX (www.hkexnews.hk).

Shareholders' Rights

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at the general meetings on each material issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions put forward at the general meetings are voted by poll and the poll results are posted on the websites of HKEX, SSE and the Company after the relevant general meetings.

Extraordinary general meetings may be convened on written request of shareholder(s) individually or collectively holding 10% or more of the Company's issued and outstanding voting shares pursuant to Article 72(3) of the *Articles of Association*. Such request shall state clearly the matters to be considered and approved at the general meetings and shall be signed by the requester(s) and submitted to the Board in writing. Shareholders should follow the requirements and procedures as set out in the *Articles of Association* for convening an extraordinary general meeting.

In addition, shareholder(s) individually or collectively holding 3% or more of the Company's issued and outstanding voting shares may submit a written interim proposal to the convener 10 days before the date of the general meeting pursuant to Article 75 of the *Articles of Association*.

Shareholders may put forward any enquiries as set out in Article 58(5) of the *Articles of Association* in accordance with applicable laws and regulations, and send their enquiries or requests in exercise of such rights as mentioned above to the Company's IR Team or via email to IR@pingan.com.cn. Shareholders who put forward such enquiries shall provide the Company with written identification documents pursuant to Article 59 of the *Articles of Association*. The Company shall provide the information after verifying the shareholder's identity.

Information Disclosure and Investor Relations

During the Reporting Period, the Company disclosed all material information in a truthful, accurate, complete, timely and impartial manner in accordance with the applicable laws and regulations and the *Articles of Association*, making sure that information was disseminated to every shareholder equally, and there was no breach of information disclosure regulations.

The Company adheres to the principles of compliance, objectiveness, consistency, timeliness, interactivity and fairness in providing services proactively, passionately and efficiently to institutional and individual investors in China and abroad, aiming at improving the understanding between the Company and its investors, enhancing corporate governance and realizing the fair corporate value of the Company.

The Company website (www.pingan.cn) serves as a platform for communication with investors on the Company's updates including but not limited to business development and operations, financial information and corporate governance practices. Investors are also welcomed to write directly to the Company's IR team or via email to IR@pingan.com.cn for further inquiries, which will be appropriately dealt with by the Company.

The Company proactively communicates with the market by various means, including but not limited to roadshows, videos and conference calls, corporate days, to improve communication effectiveness and facilitate value recognition. All these efforts have helped to deepen the capital market's understanding of the Company. Besides maintaining good communication with institutional investors, the Company has also established diverse channels to communicate with minority investors to provide better investor services and protect their interests, including but not limited to corporate websites, e-mail and conference calls. Moreover, the Company is committed to strengthening the collection of capital market analysis reports and shareholders' information, and pays special attention to addressing investors' concerns and advice in order to further enhance the operation, management and corporate governance of the Company. To provide investors with better services more efficiently, substantial efforts have been made to improve the internal workflow and policy formulation.

Independence of the Company from the Controlling Shareholders on Business, Staff, Assets, Organization and Finance

The shareholding structure of the Company is scattered and there is no controlling shareholder or de facto controlling party. As an integrated financial services group, the Company maintains full independence in terms of business, staff, assets, organization and finance under the supervision of the CBIRC. The Company is an independent legal person responsible for its own profits and losses, runs independent and complete business and is capable of independent business operation. During the Reporting Period, no controlling shareholders or other related parties misappropriated the Company's funds, as confirmed by PricewaterhouseCoopers Zhong Tian LLP in its specific report in this respect. The Company did not provide any controlling shareholder or de facto controlling party with any undisclosed information.

BOARD AND DIRECTORS

Corporate Governance Functions of the Board

The Board is responsible for the management of the Company and accountable to the shareholders for their entrusted assets and resources. They represent and owe a duty to act in the interests of the shareholders as a whole. The Board recognizes its responsibility to prepare the Company's financial statements. The principal responsibilities of the Board and the types of decisions that can be made by the Board include:

- formulating the Group's overall direction, objectives and strategies, business plans and investment proposals as well as monitoring and supervising the management's performance;
- formulating the Company's annual budgets, financial statements and monitoring the Company's performance;
- formulating the Company's profit distribution and loss recovery proposals;
- formulating plans for mergers or disposals and deciding on major investments, assets mortgage and other forms of guarantee (in accordance with the mandate at the general meetings);
- formulating proposals for the increase or decrease in the Company's registered capital, the issuance of corporate bonds or other securities and listing plans;
- appointing or dismissing the senior management of the Company, and determining their remuneration and award and punishment; and
- performing the corporate governance function, monitoring, evaluating and ensuring the effectiveness of the Company's internal control systems and compliance with relevant laws and regulations.

On the other hand, responsibilities, functions and types of decisions delegated to the management include:

- implementation of the Company's overall direction, objectives and strategies, business plans and investment proposals as determined by the Board from time to time; and
- the day-to-day management of the Company's business.

Board Diversity

Directors with diversified backgrounds provide professional support for effective decision-making of the Board of Directors

Age Group	3 Directors 50 and below	6 Directors 51-55	2 Directors 56-60	3 Directors 61 and above
Directorship with Ping An (Number of Years)	5 Directors 2 and below	3 Directors 3-5	4 Directors 6-9	2 Directors 10 and above
Categories	5 Directors Independent Non-executive Directors	4 Directors Non-executive Directors	5 Directors Executive Directors	
Expertise and skills	Insurance, Actuarial, Technology, Banking, Investment, Accounting, Law, Management, Engineering ...			

Note: As of December 31, 2019.

Directors

As of December 31, 2019, the Board consisted of 14 members, namely five Executive Directors, four Non-executive Directors and five Independent Non-executive Directors. As at the date of this Report, the Board consisted of 13 members, namely four Executive Directors, four Non-executive Directors and five Independent Non-executive Directors, and the profile of each Director is set out in the section headed "Directors, Supervisors, Senior Management and Employees" of this Report. The number of Directors and composition of the Board are in compliance with all the applicable legal and regulatory requirements, and provisions of the *Articles of Association*. As provided in the *Articles of Association*, Directors shall be elected at the general meeting with a term of three years, and are eligible for re-election upon expiry of such term. However, Independent Non-executive Directors shall not hold office for more than six consecutive years. The term of office of the 11th Board is from May 2018 to 2021.

Corporate Governance Report

Attendance Record of Directors

During the Reporting Period, the Directors endeavored to participate in the general meetings and the meetings of the Board and specialized committees under the Board in person, as well as to make right decisions based on their in-depth knowledge of the relevant circumstances. All the Directors have strictly fulfilled their duties and are committed to protecting the interests of the Company and its shareholders as a whole. The attendance records of each Director at the meetings are as follows:

		Meetings attended in person(9)/Meetings required to attend						
Members	Date of Appointment as Directors	General Meetings	Board	Strategy and Investment Committee	Audit and Risk Management Committee	Nomination Committee	Remuneration Committee	Related Party Transaction Control Committee(8)
Executive Directors								
MA Mingzhe (Chairman)	March 21, 1988	4/4	5/5	1/1	–	2/2	–	–
REN Huichuan(1)	July 17, 2012	3/4	5/5	–	–	2/2	–	2/2
YAO Jason Bo	June 9, 2009	4/4	5/5	–	–	–	–	2/2
CAI Fangfang	July 2, 2014	4/4	5/5	–	–	–	–	–
LEE Yuansiong (Resigned)(2)	June 17, 2013	3/4	5/5	–	–	–	–	–
SUN Jianyi (Resigned)(3)	March 29, 1995	3/3	4/4	–	–	–	–	–
Non-executive Directors								
Soopakij CHEARAVANONT	June 17, 2013	3/4	4/5	–	–	–	2/2	–
YANG Xiaoping	June 17, 2013	4/4	4/5	1/1	3/4	–	–	–
LIU Chong	January 8, 2016	4/4	5/5	–	–	–	–	–
WANG Yongjian	July 13, 2018	1/4	4/5	0/1	–	–	–	–
Independent Non-executive Directors								
GE Ming	June 30, 2015	4/4	5/5	1/1	4/4	–	2/2	2/2
OUYANG Hui	August 6, 2017	1/4	4/5	–	3/4	2/2	2/2	2/2
NG Sing Yip(4)	July 17, 2019	1/1	3/3	–	2/2	1/1	1/1	2/2
CHU Yiyun(5)	July 17, 2019	1/1	3/3	–	2/2	0/0	1/1	–
LIU Hong(6)	July 17, 2019	1/1	3/3	0/0	–	1/1	–	–
YIP Dicky Peter (Retired)(7)	June 17, 2013	3/3	2/2	1/1	2/2	–	1/1	–
WONG Oscar Sai Hung (Retired)(7)	June 17, 2013	3/3	2/2	1/1	–	1/1	–	–
SUN Dongdong (Retired)(7)	June 17, 2013	3/3	2/2	–	2/2	1/1	1/1	–

Notes: (1) Mr. Ren Huichuan ceased to be a member of the Nomination Committee on October 24, 2019.
(2) Mr. Lee Yuansiong ceased to be a Director of the Company on February 1, 2020.
(3) Mr. Sun Jianyi ceased to be a Director of the Company on October 24, 2019.
(4) Mr. Ng Sing Yip has served as a Director of the Company since July 17, 2019, and was appointed as the chairman of the Nomination Committee, a member of the Audit and Risk Management Committee and a member of the Remuneration Committee on July 26, 2019.
(5) Mr. Chu Yiyun has served as a Director of the Company since July 17, 2019, and was appointed as a member of the Audit and Risk Management Committee, a member of the Remuneration Committee on July 26, 2019, and was appointed as a member of the Nomination Committee on October 24, 2019.
(6) Mr. Liu Hong has served as a Director of the Company since July 17, 2019, and was appointed as a member of the Strategy and Investment Committee and a member of the Nomination Committee on July 26, 2019.
(7) Mr. Yip Dicky Peter, Mr. Wong Oscar Sai Hung and Mr. Sun Dongdong ceased to be Directors of the Company on July 17, 2019, and ceased to serve the related Committees of the Board on the same date.
(8) The Board established the Related Party Transaction Control Committee on October 24, 2019, and appointed Mr. Ren Huichuan, Mr. Yao Jason Bo, Mr. Ge Ming, Mr. Ouyang Hui and Mr. Ng Sing Yip as members of the Related Party Transaction Control Committee.
(9) Some Directors failed to attend certain meetings due to business scheduling conflicts.

Continuous professional development of the Directors

All Directors of the Company have received a comprehensive Service Manual for the Performance of Duties upon their first appointment, so as to ensure their understanding of the business and operations of the Company and their responsibilities and obligations under the listing rules and relevant regulatory requirements. The Service Manual for the Performance of Duties is updated regularly.

The Company also continually provides information including updates on statutory and regulatory requirements and the business and market changes to all Directors to facilitate the performance of their responsibilities and obligations under the listing rules and relevant statutory requirements.

During the Reporting Period, all Directors of the Company actively participated in continuous professional development by attending external training or seminars and in-house training or reading materials on various topics, to develop and refresh their knowledge and skills, which ensure that their contribution to the Board remains informed and relevant. The Directors have provided records of training to the Company.

In 2019, all Directors of the Company attended professional training with topics covering corporate governance, regulations, the Company's businesses, and training organized by the Insurance Association of China regarding in-depth interpretation of accounting standards IFRS 9 and insurance technology innovation practice cases. In addition, Mr. Ma Mingzhe and Mr. Liu Chong attended the 2019 training courses organized by Shenzhen Securities Regulatory Bureau for Chairman and Directors of Listed Companies in Shenzhen, respectively.

Performance of Duties by Independent Non-Executive Directors

The 11th Board includes five Independent Non-executive Directors, reaching one-third of the total number of the members of the Board, which complies with the relevant regulatory requirements of the Company's listing jurisdictions. All the Independent Non-executive Directors of the Company are professionals with extensive experience in their respective fields, including finance, accounting, law and technology, and thus crucial to the Company's sustainable development. All Independent Non-executive Directors meet the specific independence requirements as set out in the relevant regulatory requirements of the Company's listing jurisdictions, and have presented to the Company their annual confirmations on independence. Therefore, the Company continues to believe that they are independent. The Independent Non-executive Directors owe fiduciary duties to the Company and its shareholders, and are especially responsible for protecting the interests of minority shareholders. They play a significant check-and-balance role in the decision-making of the Board and a key part in the corporate governance of the Company.

The Independent Non-executive Directors of the Company conscientiously performed their duties and responsibilities conferred by the *Articles of Association*, promptly learnt the key operational information of the Company, paid close attention to the Company's development and actively attended the meetings of the Board during the Reporting Period. After a prudent review of the external guarantees of the Company in 2018, the Independent Non-executive Directors of the Company believed that the Company had exerted stringent control over risks associated with external guarantees and that the external guarantees were compliant with the relevant laws and regulations and the *Articles of Association*. The Independent Non-executive Directors of the Company have conscientiously reviewed and provided independent opinions on the matters regarding profit distribution, changes in accounting estimates, repurchase of the Company's shares, recommendation of Director candidates, appointment of the Company's senior management, and arrangements of participation in the long-term service plan of the Company's senior management, which were deliberated by the Board during the Reporting Period.

Attendance of Independent Non-executive Directors at the Board meetings and the general meetings

Details of the attendance of Independent Non-executive Directors at the Board meetings and the general meetings during the Reporting Period are set out in the part headed "Attendance Record of Directors" of this section.

Objections of Independent Non-executive Directors on relevant matters of the Company

During the Reporting Period, the Independent Non-executive Directors of the Company did not have any objection to the resolutions at the Board meetings and other matters that were not submitted to the Company's Board meetings.

Adoption of Independent Non-executive Directors' suggestions on the Company

During the Reporting Period, the Independent Non-executive Directors put forward constructive advice and suggestions in respect of the shareholders and the Company as a whole, including but not limited to corporate governance, reform and development, business operations, risk management and internal controls; particularly, attention was paid to the legitimate interests of the minority shareholders in the decision-making process. All of their opinions and suggestions were adopted by the Company.

SPECIALIZED COMMITTEES UNDER THE BOARD

The Board has established five specialized committees, namely the Strategy and Investment Committee, the Audit and Risk Management Committee, the Nomination Committee, the Remuneration Committee and the Related Party Transaction Control Committee. Details of the roles, functions and the composition of each of these specialized committees are set out below.

Strategy and Investment Committee

The primary duties of the Strategy and Investment Committee are to conduct research and provide suggestions to the Board for their consideration in relation to major investments, property transactions, financing, major capital operations, asset management projects, production and operation projects and so on, and also to promptly monitor and track the implementation of investment projects approved by the general meetings or the Board, and promptly notify all Directors of any significant progress or changes in process.

In 2019, the Strategy and Investment Committee held one meeting which was convened in accordance with the *Articles of Association* and the *Charter of the Strategy and Investment Committee of the Board*. The Committee deliberated and approved the 2019 Work Plan of the Company, the Company's 2018 Annual Plan Implementation Evaluation Report, the Proposal on Issuing the Debt Financing Instruments, Development Plan of the Company for the Years 2019 to 2021, Share Repurchase Plan of the Company and Grant of General Mandate for the Repurchase of the Shares of the Company, and the Proposal on the Suggestion to the General Meeting concerning Grant of General Mandate to the Board to Issue Additional H Shares. The attendance records of each member of the Strategy and Investment Committee are set out in the part headed "Attendance Record of Directors" of this section.

Members

Executive Director
MA Mingzhe (Chairman)

Independent Non-Executive Directors
GE Ming,
LIU Hong

Non-Executive Directors
YANG Xiaoping,
WANG Yongjian

Audit and Risk Management Committee

The primary duties of the Audit and Risk Management Committee are to review and supervise the Company's financial reporting process and conduct risk management. The Audit and Risk Management Committee is also responsible for reviewing any matters relating to the appointment or removal, and remuneration of external auditors. In addition, the Audit and Risk Management Committee also examines the effectiveness of the Company's internal controls, which involve regular reviews of the internal controls over various corporate structures and business processes, while taking into account respective potential risks and levels of urgency to ensure the effectiveness of the Company's business operations and the realization of its corporate objectives and strategies. Such examinations and reviews cover finance, operations, regulatory compliance and risk management. The Audit and Risk Management Committee also reviews the Company's internal audit plans and submits relevant reports and recommendations to the Board on a regular basis.

Members

Independent Non-Executive Directors
GE Ming (Chairman),
OUYANG Hui,
NG Sing Yip,
CHU Yiyun

Non-Executive Director
YANG Xiaoping

In 2019, the Audit and Risk Management Committee held four meetings, which were all convened in accordance with the *Articles of Association* and the *Charter of the Audit and Risk Management Committee of the Board*. In particular, the Audit and Risk Management Committee reviewed the Company's annual financial statements for the year ended December 31, 2018, the first quarterly financial statements for the three months ended March 31, 2019, the interim financial results for the six months ended June 30, 2019 and the third quarterly financial statements for the nine months ended September 30, 2019. Furthermore, the Audit and Risk Management Committee convened a meeting to review the unaudited financial report for the year 2019 and agreed to deliver it to the auditor for auditing. The Audit and Risk Management Committee also reviewed the audited financial report for the year ended December 31, 2019 at the second meeting in 2020 and was satisfied with the basis of preparation of the financial report, including the appropriateness of the assumptions and accounting policies and standards adopted, and made recommendations to the Board for their consideration. The attendance records of each member of the Audit and Risk Management Committee are set out in the part headed "Attendance Record of Directors" of this section.

Further, in order to help the Committee members better evaluate the Company's financial reporting systems and internal control procedures, the Committee met with the Company's external auditors separately twice during the year.

The Audit and Risk Management Committee also reviewed and was satisfied with the performance, independence and objectiveness of the Company's auditors.

According to the resolutions of the Company's 2018 Annual General Meeting, the Company reappointed PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers (hereinafter refer to as "PricewaterhouseCoopers") as the auditors of the Company's financial statements under CAS and IFRS respectively for the year 2019. PricewaterhouseCoopers has been engaged as the Company's auditor for seven consecutive years. During the Reporting Period, the remuneration to be paid to PricewaterhouseCoopers is set out as follows:

(in RMB million)	Fees payable
Audit services for financial statements – audits, reviews and agreed-upon procedures	89
Audit services for internal controls	8
Other assurance services	8
Non-assurance services	16
Total	121

Nomination Committee

The primary duties of the Nomination Committee are to review, advise and make recommendations to the Board regarding candidates to fill vacancies on the Board and senior management.

The nomination of Directors is considered with reference to an individual's business acumen and undertakings, academic and professional achievements and qualifications, experience and independence, having regard to the Company's business activities, assets and management portfolios. The Nomination Committee is delegated with the task of fully considering the Company's needs for Directors and senior management, reviewing the criteria and procedures for selecting Directors and senior management. After considering and identifying appropriate candidates, the Nomination Committee then makes recommendations to the Board and implements any decisions and recommendations of the Board in relation to appointments. The aim and principal objective of the Nomination Committee are to ensure that there remains a dedicated, professional and accountable Board to serve the Company and its shareholders.

Members

Independent Non-Executive Directors
NG Sing Yip (Chairman),
OUYANG Hui,
CHU Yiyun,
LIU Hong

Executive Director
MA Mingzhe

The Nomination Committee also developed and followed the *Board Diversity Policy* to ensure a balance of Board members in terms of skills, experience and diversified perspectives, and thus to elevate the efficiency of the Board and maintain a high level of corporate governance. A summary of the Company's Nomination Committee diversity policy is as follows: All appointments under the Board are based on meritocracy with due regard for the benefits of a diverse Board. Selection of candidates is based on a range of diversity aspects, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contributions that the selected candidates will bring to the Board. In 2019, to further improve the Company's governance structure, achieve a clearer division of labor and include young and vibrant individuals in the Company's Directors team, the Nomination Committee recommended Mr. Xie Yonglin and Ms. Tan Sin Yin to the Board as Executive Director candidates.

In 2019, the Nomination Committee held two meetings, which were convened in accordance with the *Articles of Association* and the *Charter of the Nomination Committee of the Board*. The Committee deliberated and recommended the Director candidates, the Vice Chairman of the 11th Board and the Senior Management to the Board, and reviewed the Annual Review Report of the Structure of the Board for 2018. The attendance records of each member of the Nomination Committee are set out in the part headed "Attendance Record of Directors" of this section.

Remuneration Committee

The primary duties of the Remuneration Committee are to determine, with delegated responsibility by the Board, the specific remuneration packages of the Company's Executive Directors and senior management, including benefits in kind, pension rights and compensation payments. The Remuneration Committee also advises the Board in relation to establishing a formal and transparent procedure for developing remuneration policies in respect of the above individuals, and considers and approves remunerations based on performance and market conditions with reference to the corporate goals and objectives set forth by the Board. In particular, the Remuneration Committee is delegated with the specific task of ensuring that no Directors or any of their associates are involved in deciding their own remuneration. Where the remuneration of a member of the Remuneration Committee is to be determined, that member's remuneration should be determined by other members of the Committee.

Members

Independent Non-Executive Directors
OUYANG Hui (Chairman),
GE Ming,
NG Sing Yip,
CHU Yiyun

Non-Executive Director
Soopakij CHEARAVANONT

In 2019, the Remuneration Committee held two meetings, which were all convened in accordance with the *Articles of Association* and the *Charter of the Remuneration Committee of the Board*. The Committee deliberated and approved the *Proposal on Reviewing the Remuneration of the Company's Senior Management*, the *Proposal on Reviewing the Company's 2018 Corporate Governance Report – Incentive and Restraint Mechanism*, the *Proposal on the Implementation of the Long-term Service Plan*, the *Proposal on the Arrangement of Participation in the Long-term Service Plan of the Company's Senior Management* and so on. In addition, the Committee also reviewed reports including the Report on the Participation in the 2019 Key Employee Share Purchase Scheme by the Company's Senior Management, the Report on the Settlement of Bonus for the Group's Senior Management for 2018, the Performance Report of the Remuneration Committee of the Board for 2018, and the Report on the Settlement of Long-term Incentives of 2016 to the Company's Senior Management. The attendance records of each member of the Remuneration Committee are set out in the part headed "Attendance Record of Directors" of this section.

Related Party Transaction Control Committee

The primary duties of the Related Party Transaction Control Committee are to coordinate the management of related party transactions of the Company, to determine the overall objectives, basic policies and systems in respect of the management of related party transactions, to review material related party transactions, to ensure compliance and fairness of the Company's related party transactions, as well as to guard against risks arising from such transactions.

In 2019, the Related Party Transaction Control Committee held two meetings, which were convened in accordance with the *Articles of Association* and the *Charter of the Related Party Transaction Control Committee of the Board*. The Committee deliberated and approved the Proposals on Establishing the Related Party Transaction Control Office under the *Related Party Transaction Control Committee, Management Rules of Related Party Transactions (2019 Version)* and other proposals. The attendance records of each member of the Related Party Transaction Control Committee are set out in the part headed "Attendance Record of Directors" of this section.

Members

Independent Non-Executive Directors
NG Sing Yip (Chairman),
GE Ming,
OUYANG Hui

Non-Executive Directors
REN Huichuan,
YAO Jason Bo

SUPERVISORY COMMITTEE AND SUPERVISORS

The composition of the Supervisory Committee and the profile of each Supervisor are set out in the section headed "Directors, Supervisors, Senior Management and Employees" of this Report. The details of the duty performance of the Supervisory Committee are set out in the section headed "Report of the Supervisory Committee."

THE EXECUTIVE COMMITTEE

The Company has established an Executive Committee, which is the highest execution authority under the Board. The primary duty of the Executive Committee is to review the Company's internal business reports, the Company's policies in relation to investment and profit distribution and the Company's management policies, development plans and resource allocation plans. The Executive Committee is also responsible for making management decisions in relation to matters such as material development strategies, compliance risk management, capital allocation, synergy and brand management. In addition, the Executive Committee is responsible for reviewing the business plans of the subsidiaries of the Company and evaluating the subsidiaries' financial performance. The Company has also established several management committees under the Executive Committee, including the Risk Management Executive Committee, the Investment Management Committee, the Investor Relations and ESG Committee and the Technology Development Committee.

OTHER MATTERS REGARDING CORPORATE GOVERNANCE IN THE REPORTING PERIOD

Amendments Made to the *Articles of Association*

A proposal was made to amend the *Articles of Association* at the Company's 2018 Second Extraordinary General Meeting. The amendments have been approved by the relevant regulators and became effective during the Reporting Period. The valid *Articles of Association* after the amendments was published on the website of HKEX on March 28, 2019 and the website of SSE on March 29, 2019.

A proposal was made to amend the *Articles of Association* at the Company's 2019 First Extraordinary General Meeting. The details of the proposed amendments are listed in the circular and the meeting material dated November 15, 2019 which were published on the websites of HKEX and SSE, respectively. As of December 31, 2019, the proposed amendments did not come into effect and were still subject to the approval by relevant regulators.

Our Compliance with the *Corporate Governance Code*

The Board is responsible for performing the corporate governance duties set out in the terms of reference in the Code Provision D.3.1 of the *Corporate Governance Code*.

During the Reporting Period, the Board held meetings to review the Company's compliance with the *Corporate Governance Code* and the contents disclosed in the Corporate Governance Report.

None of the Directors is aware of any information that would reasonably indicate that the Company did not meet the applicable Code Provisions set out in the *Corporate Governance Code* for any part of the period from January 1, 2019 to December 31, 2019 save as disclosed below.

Chairman of the Board and the Chief Executive Officer of the Company

Code Provision A.2.1 of the *Corporate Governance Code* provides that the roles of the Chairman and Chief Executive Officer shall be separate and may not be performed by the same individual. However, after considering the principles under Code Provision A.2.1 of the *Corporate Governance Code* and examining the Company's management structure, the Board is of the view that:

1. Since the Company brought in international strategic investors (namely, The Goldman Sachs Group, Inc. and Morgan Stanley) in 1994, the Company has built up a Board structure in line with international standards. The Board is diversified and is composed of Directors with international exposure and professional expertise. The Board has also established a structured and stringent operation system and a set of meeting procedures. The Chairman, as a convener and chairperson of the Board meetings, does not have any special powers different from those of other directors in the decision-making process.

2. In the day-to-day operations of the Company, the Company has put in place a robust management system and structure, and has established various positions and committees including the Co-Chief Executive Officers (Co-CEOs), President, Executive Committee and management committees. Decisions on all major matters are subject to comprehensive and stringent deliberation and decision-making procedures in order to ensure that the Chief Executive Officer can perform his duties properly and effectively.

3. Since the establishment of the Company, the business and operating results have maintained continuous and fast growth, and the management model has been widely recognized. All along, the Chairman of the Board has assumed the role of the Chief Executive Officer of the Company. Under the leadership of Chairman of the Board and Chief Executive Officer of the Company, Co-Chief Executive Officers practice unified leadership of the retail integrated financial business, the corporate integrated financial business and the technology business of the Company respectively, and allocate responsibilities professionally. This model has proven to be reliable, efficient and successful. Therefore, continuing this model will benefit the Company's future development.

4. There is clear division of responsibilities of the Board and the management as set out in the *Articles of Association*.

In light of the above, the Board is of the opinion that the Company's management structure is able to provide the Company with effective management and, at the same time, protect the shareholders' rights to the greatest extent. Accordingly, the Company does not intend to separate the roles of the Chairman of the Board and the Chief Executive Officer at the moment.

Compliance with the *Model Code*

In August 2007, the Company adopted a code of conduct regarding securities transactions by Directors and Supervisors of the Company ("Code of Conduct"), which was amended in October 2018, on terms no less exacting than the required standard set out in the *Model Code*. Specific enquiries have been made to all Directors and Supervisors of the Company, who have confirmed that they complied with the required standards set out in the *Model Code* and the Code of Conduct for the period from January 1, 2019 to December 31, 2019.

Corporate Governance Report

ESTABLISHMENT AND PERFECTION OF THE INTERNAL CONTROL SYSTEM

The Company has been committed to establishing internal controls in line with international standards and regulatory requirements, and improving internal controls in response to changes in risks and environments. With its local advantages, the Company implements corporate governance in line with international standards, upholds the compliance philosophy of "Laws + 1," and constantly enhances its risk control to ensure that the Group and its member companies abide by laws and regulations in their business activities, to keep single and accumulated residual risks at levels acceptable to the Company, and to promote sustainable growth of the Group.

Regarding the management framework for internal controls, the Company has a robust and well-staffed internal control management system in place with well-defined roles and responsibilities in line with applicable laws and regulations as well as business and risk control requirements. The Board is responsible for establishment, improvement, and implementation of internal controls. The Audit and Risk Management Committee under the Board monitors and assesses the implementation of internal controls, coordinates audits of internal controls, and oversees other relevant work. The Supervisory Committee supervises the establishment and implementation of internal controls. The Risk Management Executive Committee under the Group Executive Committee (the management) sets risk management targets, basic policies and rules, monitors risk exposures and available capital, and supervises risk management systems of subsidiaries and business units. The Company has established robust internal control policies and procedures, and specified the internal control targets, responsibilities and procedures to provide guidelines for business activities and operations.

Regarding internal control operations and assessment, in 2019, the Company continued to act in accordance with the *Basic Norms for Internal Controls of Enterprises* and relevant guidelines, meet regulatory requirements, and improve its governance structure, firewall management, related party transaction management, anti-money laundering management, operational risk management and other management procedures. The Group and its members improved risk management through data analytics, technologies and management methodologies. The Company explored intelligent and ecosystem-based internal control management, and developed application models and scenarios. The Company has developed or introduced data analysis models through technologies, monitored risks, and built an industry-leading digital internal control management system. By adhering to the risk management philosophy of anticipating trends, making timely decisions, and taking action ahead of others, the Company continued to promote targeted internal control compliance reviews. The Company urged departments concerned to rectify issues and mitigate risks identified, draw inferences from one instance, manage risks at earlier stages, and utilize data to enhance their automated risk alerting and analysis capabilities. Besides, the Company continued to improve information security management by optimizing procedures, upgrading technologies, and conducting inspections. In line with the *Guidelines for Internal Controls over Operations of Insurance Funds* and its supplementary implementation guidelines, the Company reviewed risks in operations of insurance funds and internal controls, developed an internal control framework for insurance funds, and improved its internal control of insurance funds. In addition, the Company trained its employees on internal control assessment methodology, processes, practices and platforms, implemented the compliance and internal control appraisal, and promoted the day-to-day operation in which "everyone is involved in internal controls, everyone is responsible for compliance, and internal controls have been integrated into businesses and processes."

With regard to anti-money laundering and sanctions compliance management, the Company further optimized anti-money laundering and sanctions compliance management strategies in accordance with the external environment and internal risk control management needs in 2019. The Company closely observed relevant laws and regulations pertaining to anti-money laundering and sanctions compliance, updated and improved various management systems and control processes, strengthened risk identification and assessment, continued to optimize the risk assessment mechanism, reviewed the effectiveness of internal control measures in light of assessment conclusions, continuously optimized customer identification and large suspicious transaction reporting, improved name list-based anti-money laundering monitoring, and enhanced risk management of high-risk business and other control procedures. Also, other measures included optimizing and upgrading anti-money laundering information systems, strengthening data governance, establishing and improving data quality control mechanisms, fostering the culture of anti-money laundering and sanctions compliance, and strengthening training and expert talent training. In addition, the Company self-developed intelligent tools and engines and developed an intelligent anti-money laundering work platform to empower anti-money laundering and sanctions compliance management. The platform has been used in such control processes as customer identification, name list-based monitoring of individuals/entities, suspicious transaction monitoring and research, risk assessment, intelligent management, and the fight against financial crimes. As a result, effectiveness of anti-money laundering and sanctions compliance management was improved.

Regarding the management framework for internal audit and supervision, the Company established an independent, vertical internal audit and supervision framework, and conducted centralized management within the scope allowed by regulatory rules. In accordance with applicable laws and regulations concerning the corporate governance structure and internal rules including the *Articles of Association*, the Company established the Group Audit and Risk Management Committee, comprising 50% or more of the independent non-executive directors, which is responsible for reviewing financial reports and internal audit and control procedures of the Company. Under the Chief Internal Auditor (CIA) accountability mechanism, the CIA is responsible for managing all audit matters across the Group, and reports to the Group Audit and Risk Management Committee. The Company has established a three-tier internal audit structure comprising the Group Audit and Supervision Dept. and the Audit and Supervision Project Center, audit and supervision departments of subsidiaries, and regional audit and supervision functions. Audit and supervision departments are independent of business operations and management departments. Audit and supervision departments report to the Board of Directors through the Audit and Risk Management Committee, and are appraised and supervised by the Audit and Risk Management Committee. To ensure objectivity and fairness, auditing and supervisory activities are independent of business operations and management, audit and supervision departments are not directly involved in or responsible for the design and implementation of risk management and internal control frameworks as well as the auditees' business activities, operations decision making and execution.

In 2019, the Company's internal control assessments covered the following: corporate governance, organizational structures, development strategies, human resources, corporate culture, social responsibilities, sales management, fund operations and management, actuarial management, investment and financing management, anti-money laundering, risk management, operations management, financial management, asset management, document and chop management, inquiries, complaints and outbound calls to customers, information system management, information and communication, and internal supervision. The Company paid close attention to the following high-risk areas: sales management, fund operations and management, actuarial management, investment and financing management, anti-money laundering, risk management, operations management, financial management, and information system management. In 2019, the Company maintained the effectiveness of internal controls over financial reporting in all major aspects in accordance with the *Basic Norms for Internal Controls of Enterprises* and relevant rules. The Internal Control Assessment Report for 2019 has been approved by the Board of Directors. The Company has engaged PricewaterhouseCoopers Zhong Tian LLP to audit the effectiveness of internal controls over financial reporting, and also pay attention to the effectiveness of internal controls over matters other than financial reporting. PricewaterhouseCoopers Zhong Tian LLP has issued the *Internal Control Audit Report*.

For details of the Company's internal controls, please refer to the *Internal Control Assessment Report of Ping An for 2019* and the *Internal Control Audit Report on Ping An for 2019* released on the same date as this Report on the website of SSE (www.sse.com.cn).

RISK MANAGEMENT

The Company has always taken risk management as a core part of its day-to-day activities and operations. The Company takes steady steps to build a comprehensive risk management system that is aligned with the strategies and operations of the Company. The Company keeps optimizing its risk management framework and standardizing its risk management procedures, while adopting both qualitative and quantitative risk management methodologies to identify, evaluate and mitigate risks to facilitate sustainable and healthy development of the businesses of the Company.

For details of the Company's risk management, please refer to the section headed "Risk Management" in this Report.

The Board acknowledges its responsibility for overseeing the Group's risk management and internal control systems and reviewing their effectiveness at least annually through the Audit and Risk Management Committee. The Audit and Risk Management Committee assists the Board in fulfilling its oversight and corporate governance functions in the Group's financial, operational, compliance and risk management and internal controls, as well as the role in monitoring and governing finance and internal audits.

Appropriate policies and controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, that relevant laws, regulations and rules are adhered to and complied with, that reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and that key risks that may impact on the Group's performance are appropriately identified and managed. The internal controls systems can only provide reasonable but not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Company regulates the handling and dissemination of inside information as set out in various inside information disclosure procedures to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficient and consistent.

As disclosed above, in 2019, the Audit and Risk Management Committee held four meetings, in which the Group's risk management and internal control systems were reviewed. Through the Audit and Risk Management Committee, the Board has conducted an annual review of the effectiveness of the Group's risk management and internal control systems for the year ended December 31, 2019, covering all material financial, operational and compliance controls, and it has considered the Group's risk management and internal control systems to be effective and adequate.

By order of the Board

Ma Mingzhe
Chairman and Chief Executive Officer

Shenzhen, PRC
February 20, 2020

Changes in the Share Capital and Shareholders' Profile

CHANGES IN SHARE CAPITAL

Statement of changes in share capital

There was no change in the total number of shares and shareholding structure of the Company during the 12 months ended December 31, 2019 (the "Reporting Period").

	January 1, 2019		Changes during the Reporting Period					December 31, 2019	
Unit: Shares	Number of shares	Percentage (%)	Issue of new shares	Bonus issue	Transfer from reserve	Others	Sub-total	Number of shares	Percentage (%)
I. Selling-restricted shares	-	-	-	-	-	-	-	-	-
II. Selling-unrestricted circulating shares									
1. RMB ordinary shares	10,832,664,498	59.26	-	-	-	-	-	10,832,664,498	59.26
2. Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	7,447,576,912	40.74	-	-	-	-	-	7,447,576,912	40.74
4. Others	-	-	-	-	-	-	-	-	-
Subtotal	18,280,241,410	100.00	-	-	-	-	-	18,280,241,410	100.00
III. Total number of shares	18,280,241,410	100.00	-	-	-	-	-	18,280,241,410	100.00

Security issuance and listing

Security issuance of the Company

There was no issuance of securities during the Reporting Period.

Staff shares

As at the end of the Reporting Period, the Company had no staff shares.

SHAREHOLDERS' INFORMATION

Number of shareholders and their shareholdings

Number of shareholders

	December 31, 2019	January 31, 2020
Total number of shareholders	623,741 (including 619,189 domestic shareholders)	647,903 (including 643,350 domestic shareholders)

Changes in the Share Capital and Shareholders' Profile

Shareholdings of top ten shareholders as at the end of the Reporting Period

Name of shareholder	Nature of shareholder[(1)]	Shareholding percentage (%)	Total number of shares held[(2)]	Changes during the Reporting Period	Type of shares	Number of selling-restricted shares held	Number of pledged or frozen shares
Hong Kong Securities Clearing Company Nominees Limited[(3)]	Overseas legal person	33.44	6,112,606,400 [(4)]	+120,938,370	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	4.48	819,178,378	+108,637,121	A Share	-	-
New Orient Ventures Limited	Overseas legal person	3.91	714,663,997	-	H Share	-	714,663,997 pledged shares
Business Fortune Holdings Limited	Overseas legal person	3.27	597,185,041	-120,121,555	H Share	-	439,816,697 pledged shares
China Securities Finance Corporation Limited	Others	2.99	547,459,336	-	A 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 on 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) New Orient Ventures Limited and Business Fortune Holdings Limited are indirect wholly-owned subsidiaries of 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 of 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:

New Orient Ventures Limited and Business Fortune Holdings 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.

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

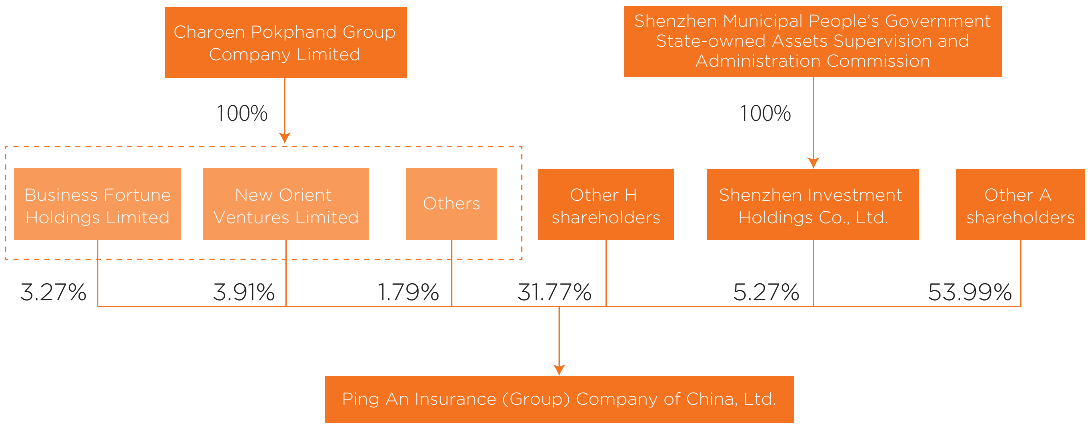
Particulars of controlling shareholder and de facto controlling party

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

Information on shareholders holding more than 5% of equity interest of the Company

As of December 31, 2019, CP Group Ltd. indirectly held 1,640,020,898 H shares of the Company in total, representing 8.97% of the total share capital of the Company; Shenzhen Investment Holdings Co., Ltd. held 962,719,102 A Shares of the Company, representing 5.27% of the total share capital of the Company.

The following chart shows the relationship between the Company and the ultimate controlling party of shareholders holding more than 5% of equity interest of the Company:



CP Group Ltd., the flagship company of CP Group, was established on September 23, 1976 in Thailand with Mr. Dhanin Chearavanont as its Senior Chairman. CP Group operates across many industries ranging from industrial to service sectors, which are categorized into 8 business lines covering 13 business groups including agro-industrial and food, retail and distribution, media and telecommunications, information and communications technology, property development, automotive and industrial products, pharmaceuticals and finance.

Shenzhen Investment Holdings Co., Ltd. is a wholly state-owned limited liability company founded on October 13, 2004, with Wang Yongjian as its legal representative. The business scope of Shenzhen Investment Holdings Co., Ltd. is as follows: investments in and mergers and acquisitions of financial and quasi-financial equities in sectors including banking, securities, insurance, fund management, and guarantee; real estate developments and operations with lawfully obtained land use permissions; investments and services in strategic emerging industries; investment, operation and management of state-owned equities in enterprises in which it has either the whole ownership, controlling stakes or non-controlling stakes through restructuring and mergers, capital operations, asset disposal and so on; other operations as authorized by the Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission (if any of the above operations requires government approval, such approval shall be obtained before the operation starts).

Directors, Supervisors, Senior Management and Employees

From left to right:

Mr. LU Min
Ms. CAI Fangfang
Ms. IP So Lan
Mr. REN Huichuan
Mr. XIE Yonglin
Mr. MA Mingzhe
Ms. TAN Sin Yin
Mr. YAO Jason Bo
Mr. CHEN Kexiang
Mr. HUANG Baoxin

CORPORATE GOVERNANCE

Directors, Supervisors, Senior Management and Employees

MAJOR WORK EXPERIENCE AND CONCURRENT POSITIONS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND KEY PERSONNEL

Directors

Mr. MA Mingzhe
Founder of the Company
Chairman and CEO (Executive Director)
Aged 64

Director since March 1988

Work experience
Since the establishment of the Company, Mr. Ma has successively served as the President, Director, and concurrently as the Chairman and CEO of the Company, and has been fully involved in the operations and management of the Company.

Prior to founding the Company, Mr. Ma was the Deputy Manager of China Merchants Shekou Industrial Zone Social Insurance Company.

Educational background and qualifications
Doctorate degree in Money and Banking from Zhongnan University of Economics and Law (previously known as Zhongnan University of Economics)

Mr. REN Huichuan
Vice Chairman (Executive Director)
Aged 50

Joined the Company in 1992
Director since July 2012

Other positions held within the Group
Mr. Ren is a Director of a number of controlled subsidiaries of the Company including Ping An Property & Casualty, Ping An Life and Ping An Asset Management.

Other major offices
Mr. Ren is a member of the Council of Shenzhen Finance Institute.

Past offices
Mr. Ren served as the President of the Company from March 2011 to December 2019, a Senior Vice President of the Company from June 2010 to March 2011, the Chief Insurance Business Officer of the Company from June 2010 to December 2010. Mr. Ren served as the Chairman of Ping An Trust from April 2016 to June 2019, the Chairman and Chief Executive Officer of Shenzhen Wanlitong Internet & Information Technology Co., Ltd. from February 2015 to December 2015, the Chairman and Chief Executive Officer of Ping An Property & Casualty from April 2007 to May 2011. Before that, Mr. Ren was the Assistant to the President and Financial Director of the Company, the Assistant Director of the Development and Reform Center, Vice President of Ping An Property & Casualty and the Assistant Manager of the property & casualty insurance business of the Company.

Educational background and qualifications
MBA degree from Peking University

Mr. YAO Jason Bo

Executive Director, Executive Vice President, Chief Financial Officer, Chief Actuary
Aged 49

Joined the Company in 2001
Director since June 2009

Other positions held within the Group

Mr. Yao is a Director of a number of controlled subsidiaries of the Company including Ping An Bank, Ping An Life, Ping An Property & Casualty and Ping An Asset Management.

Other major offices

Mr. Yao serves as a Non-executive Director of Lufax Holding and Ping An Good Doctor.

Past offices

Mr. Yao served as the Senior Vice President of the Company from June 2009 to January 2016. Prior to that, Mr. Yao successively held positions of the Deputy General Manager of the Product Center, the Deputy Chief Actuary, the General Manager of the Planning Department, the Deputy Financial Officer and Financial Director of the Company.

Prior to joining the Company, Mr. Yao served in Deloitte Touche Tohmatsu as a consulting actuary and Senior Manager.

Educational background and qualifications

MBA degree from New York University
Fellow of the Society of Actuaries (FSA)

Ms. CAI Fangfang

Executive Director, Senior Vice President, Chief Human Resources Officer
Aged 46

Joined the Company in 2007
Director since July 2014

Other positions held within the Group

Ms. Cai is a Director of a number of controlled subsidiaries of the Company including Ping An Bank, Ping An Life, Ping An Property & Casualty and Ping An Asset Management.

Other major offices

Ms. Cai serves as a Non-executive Director of Ping An Good Doctor and the Executive Vice President of Ping An School of Financial Management.

Past offices

Ms. Cai successively held the positions of Vice General Manager and General Manager of the Remuneration Planning and Management Department of the Human Resources Center of the Company from October 2009 to February 2012, served as the Vice Chief Financial Officer and General Manager of the Planning Department of the Company from February 2012 to September 2013, and served as the Vice Chief Human Resources Officer of the Company from September 2013 to March 2015.

Prior to joining the Company, Ms. Cai served as the Consulting Director of Watson Wyatt Consultancy (Shanghai) Ltd. and the Audit Director on the financial industry of British Standards Institution Management Systems Certification Co., Ltd.

Educational background and qualifications

Master's degree in Accounting from The University of New South Wales

Directors, Supervisors, Senior Management and Employees

Mr. Soopakij CHEARAVANONT
Non-executive Director
Aged 55

Director since June 2013

Other major offices

Mr. Chearavanont is the Chairman of CP Group, an Executive Director and the Chairman of C.P. Lotus Corporation, a Non-executive Director and the Chairman of Chia Tai Enterprises International Limited, an Executive Director and the Chairman of C.P. Pokphand Co., Ltd. and the Chairman of CT Bright Holdings Limited. Mr. Chearavanont is also the Chairman of CP ALL Public Company Limited and Charoen Pokphand Foods Public Company Limited (both listed in Thailand).

Past offices

Mr. Chearavanont served as a Director of True Corporation Public Company Limited (listed in Thailand).

Educational background and qualifications

Bachelor of Science Degree from the College of Business and Public Administration of New York University

Mr. YANG Xiaoping
Non-executive Director
Aged 55

Director since June 2013

Other major offices

Mr. Yang is the Senior Vice Chairman of CP Group, the Vice Chairman and CEO of CPG Overseas, an Executive Director and the Vice Chairman of C.P. Lotus Corporation, the CEO of CT Bright Holdings Limited, the Co-Chairman of the board of directors of China Minsheng Investment Group, a Non-executive Director of CITIC Limited, Tianjin Binhai Teda Logistics (Group) Corporation Limited and Honma Golf Limited. Mr. Yang is an Associate Dean of the China Institute for Rural Studies of Tsinghua University, an Associate Dean of the Institute of Global Development of Tsinghua University, the President of Beijing Association of Enterprises with Foreign Investment and an Adviser on Foreign Investment to the Beijing Municipal Government.

Past offices

Mr. Yang was a member of the Twelfth National Committee of the Chinese People's Political Consultative Conference, and served as the Manager for China Division and the Chief Representative of Beijing Office of Nichiyo Co., Ltd.

Educational background and qualifications

Bachelor's degree from Nanchang University (previously known as Jiangxi Polytechnic College)
Experience of studying in Japan
Certificate for completing a doctoral program in Tsinghua University

Mr. LIU Chong

Non-executive Director

Aged 59

Director since January 2016

Other major offices

Mr. Liu is the Vice President of Shum Yip Group Limited and Shum Yip Holdings Company Limited, the Vice President and Executive Director of Shenzhen Investment Limited.

Past offices

Mr. Liu successively served as a Deputy General Manager and Financial Controller of Shenzhen SDG Company Limited, a Director and Financial Controller of Shenzhen Petrochemical Group Co., Ltd., a Director and Financial Controller of Shenzhen Health Mineral Water Co., Ltd., a Director of Shenzhen Tellus (Group) Company Limited from June 2009 to June 2010, and an Independent Non-executive Director of Shenzhen Shenxin Taifeng Group Co., Ltd. from May 2009 to February 2014.

Educational background and qualifications

Bachelor's degree in Accounting from Jiangxi University of Finance and Economics

Senior Accountant qualification

Mr. WANG Yongjian

Non-executive Director

Aged 55

Director since July 2018

Other major offices

Mr. Wang is the Chairman and the Secretary of Party Committee of Shenzhen Investment Holdings Co., Ltd., an Executive Director, the President and Legal Representative of Shenzhen Investment Holding Capital Co., Ltd. Mr. Wang is the President of the Council of Research Institute of Tsinghua University in Shenzhen Training Center.

Past offices

Mr. Wang served as the Vice Chairman of Shenzhen Nanyou (Holdings) Co., Ltd., the Vice Chairman of Shenzhen Samsung Vision Co., Ltd., a Director of Shenzhen Textile (Holdings) Co., Ltd., the Chairman of Shenzhen TopoScend Capital Co., Ltd., an Executive Director of Shenzhen Angel FOF Management Co., Ltd., a Director of Guosen Securities Co., Ltd., a Director of Guotai Junan Securities Co., Ltd., a Representative of Managing Partner of Shenzhen Investment Holdings Shenzhen Bay Equity Investment Fund Partnership (Limited Partnership) and other positions.

Educational background and qualifications

Master's degree in System Engineering from the Management College of Shanghai Jiao Tong University

Directors, Supervisors, Senior Management and Employees

Mr. GE Ming
Independent Non-executive Director
Aged 68

Director since June 2015

Other major offices

Mr. Ge is an Independent Non-executive Director of Chong Sing Holdings FinTech Group Limited, Focus Media Information Technology Co., Ltd. and AsiaInfo Technologies Limited, as well as a Supervisor of the Bank of Shanghai Co., Ltd. and Bank of Suzhou Co., Ltd.

Past offices

Mr. Ge served as the Chairman of Ernst & Young Hua Ming, a Partner and the Chief Accountant of Ernst & Young Hua Ming LLP, an Executive Director of the Chinese Institute of Certified Public Accountants, a member of the Certified Public Accountants Testing Committee of the Ministry of Finance, a Deputy Director of the Industry Development Committee of the Beijing Institute of Certified Public Accountants, a member of the third session of the CSRC Expert Advisory Committee for Mergers, Acquisitions and Restructurings of Listed Companies, as well as an Independent Non-executive Director of Shunfeng International Clean Energy Limited, Shanghai Zhenhua Heavy Industries Co., Ltd. and Asia Investment Finance Group Limited.

Educational background and qualifications

Master's degree in Western Accounting from Chinese Academy of Fiscal Sciences (previously known as the Research Institute for Fiscal Science, Ministry of Finance)
Certified Public Accountant qualification of China
Senior Accountant qualification

Mr. OUYANG Hui
Independent Non-executive Director
Aged 57

Director since August 2017

Other major offices

Mr. Ouyang is an Associate Dean and the Dean's Distinguished Chair Professor of finance at Cheung Kong Graduate School of Business. Mr. Ouyang is also an Independent Non-executive Director of AEGON-INDUSTRIAL Fund Management Co., Ltd., Hytera Communications Corporation Limited and Peak Reinsurance Limited.

Past offices

Mr. Ouyang served as an Associate Professor of Finance at Duke University, Managing Director of UBS AG, Managing Director of Nomura Securities, and Senior Vice President and Managing Director of Lehman Brothers.

Educational background and qualifications

Ph.D. in Finance from the University of California, Berkeley
Ph.D. in Chemical Physics from Tulane University

Mr. NG Sing Yip
Independent Non-executive Director
Aged 69

Director since July 2019

Other major offices

Mr. Ng currently serves as the Vice Chairman of the Legal Committee of the Hong Kong General Chamber of Commerce, a member of the Professional Advisory Board, Asian Institute of International Financial Law, University of Hong Kong, the Chairman of the Board of Supervisors of HSBC Bank Vietnam Limited, an Independent Non-executive Director of HSBC Bank Australia Limited, and a Non-executive Director of Hang Seng Bank Limited.

Past offices

Mr. Ng served as a Crown Counsel in the Attorney General's Chambers before going into private practice. Mr. Ng joined HSBC in June 1987 as an Assistant Group Legal Consultant, and was later appointed as a Deputy Head of the Legal and Compliance Department, and the Head of Legal and Compliance in Asia Pacific, and served as a Non-executive Director of HSBC Bank (China) Limited.

Educational background and qualifications

Bachelor's degree and Master's degree in Laws (L.L.B. and L.L.M.) from the University of London
Bachelor's degree in Laws (L.L.B.) from Peking University
Solicitor to the supreme courts of England, Hong Kong and Victoria, Australia

Mr. CHU Yiyun
Independent Non-executive Director
Aged 55

Director since July 2019

Other major offices

Mr. Chu's former name was Chu Yiyun. He is a Professor and Doctoral Supervisor of the School of Accountancy of Shanghai University of Finance and Economics, a full-time researcher of the Accounting and Finance Research Institute of Shanghai University of Finance and Economics, a Key Research Institute of Humanities and Social Sciences of the Ministry of Education, the Executive Secretary-General of the Accounting Education Branch of the Accounting Society of China, a Director of the Eighth Council of the Accounting Society of China and a member of the First Accounting Standards Advisory Committee of the Ministry of Finance. Mr. Chu is also an Independent Supervisor of Ping An Bank, an Independent Non-executive Director of Tellhow Sci-Tech Co., Ltd., Universal Scientific Industrial (Shanghai) Co., Ltd. and Bank of Jiaxing Co., Ltd.

Past offices

Mr. Chu served as an Independent Non-executive Director of Ping An Bank, Shanghai Jinfeng Wine Co., Ltd., China Jushi Co., Ltd. and Shanghai Tongji Science & Technology Industrial Co., Ltd.

Educational background and qualifications

Ph.D. in Accounting from Shanghai University of Finance and Economics

Mr. LIU Hong
Independent Non-executive Director
Aged 52

Director since July 2019

Other major offices

Mr. Liu is currently a Professor and Doctoral Supervisor of Peking University as well as the Vice President of the Chinese Association for Artificial Intelligence. Mr. Liu is also an Independent Non-executive Director of Shenzhen JingQuanHua Electronics Co., Ltd., a member of the leading expert group of "Intelligent Robots" in the National "13th Five-Year Plan" Key Research and Development Plan and one of the first group of experts under the "National High-level Talent Special Support Plan."

Educational background and qualifications

Ph.D. in Mechanical Electronics and Automation from Harbin Institute of Technology
Completed postdoctoral research in Peking University

Directors, Supervisors, Senior Management and Employees

Supervisors

Mr. GU Liji
Chairman of Supervisory Committee (Independent Supervisor)
Aged 71

Supervisor since June 2009

Other major offices

Mr. Gu is a Non-executive Director of Xiangtan Electric Manufacturing Group Co., Ltd. and an Independent Non-executive Director of Bosera Asset Management Co., Ltd. Mr. Gu is also an expert on applied electronics of Shenzhen Expert Association.

Past offices

Mr. Gu was a Distinguished Professor of the Graduate School at Shenzhen, Tsinghua University, an Independent Non-executive Director of Shenzhen Changhong Technology Co., Ltd. and Maxphotonics Co., Ltd., a Director of ERGO China Life Insurance Co., Ltd., and was an Executive Director of China Merchants Technology Holdings Co., Ltd. and China Merchants Technology Investment Co., Ltd. (Shenzhen). Before retirement in October 2008, Mr. Gu served as the Managing Director of China International Marine Containers Co., Ltd., the Chairman and President of China Merchants Shekou Port Service Co., Ltd., the Vice Chairman of the Company, a Director of China Merchants Bank and China Merchants Group Ltd., the Managing Director of China Merchants Shekou Industrial Zone Co., Ltd., Hoi Tung Marine Machinery Suppliers Limited (Hong Kong) and China Merchants Technology Group, and the Chairman of China Merchants Technology Holdings Co., Ltd.

Educational background and qualifications

Bachelor of Engineering degree from Tsinghua University
Master of Engineering degree from the Management Science Department of University of Science and Technology of China
Advanced Management Program AMP (151) certificate from Harvard Business School

Mr. HUANG Baokui
Independent Supervisor
Aged 77

Supervisor since June 2016

Past offices

Mr. Huang was the Deputy Party Committee Secretary and Disciplinary Committee Secretary of China Merchants Shekou Industrial Zone Co., Ltd. Mr. Huang also served as the Deputy General Manager of Shenzhen Huada Electronic Co., Ltd. and held the position of supervisor in various companies including China Merchants Shekou Industrial Zone Co., Ltd., Shenzhen Shekou Anda Industry Co., Ltd., Shenzhen Shekou Telecom Co., Ltd., China Merchants Petrochemical Co., Ltd. (Shenzhen) and China Merchants Logistics Co., Ltd.

Educational background and qualifications

Bachelor's degree in Physics from Jilin University
Senior political practitioner

Ms. ZHANG Wangjin
Shareholder Representative Supervisor
Aged 40

Supervisor since June 2013

Other major offices
Ms. Zhang is the Managing Director of CPG Overseas Company Limited (Hong Kong).

Past offices
Before joining CPG Overseas Company Limited (Hong Kong), Ms. Zhang worked in the Audit Department of PricewaterhouseCoopers LLP and the M&A and Restructuring Department of Deloitte & Touche Financial Advisory Services Limited.

Educational background and qualifications
Bachelor's degree in Economics from University of International Business and Economics
EMBA degree from Guanghua School of Management of Peking University
Member of CPA Australia

Mr. WANG Zhiliang
Employee Representative Supervisor
Aged 40

Joined the Company in 2002
Supervisor since August 2017

Other Positions held within the Group
Mr. Wang is the Administrative Director of the Group.

Past offices
Mr. Wang served as the Deputy General Manager of the Group Head Office in Shanghai, the Deputy Director and then the Director of the Group General Office, and served in the Administration Department of Tianjin Branch of Ping An Life.

Educational background and qualifications
Bachelor's degree in Economic Information Management from Tianjin University of Finance and Economics (previously known as Tianjin Institute of Finance and Economics)

Mr. PAN Zhongwu
Employee Representative Supervisor
Aged 50

Joined the Company in 1995
Supervisor since July 2012

Other Positions held within the Group
Mr. Pan is the General Manager of the Administrative Operation Center of Ping An Financial Services.

Past offices
Mr. Pan served as the Deputy Director of the Group General Office, and served in the Comprehensive Management Department of Ping An Property & Casualty.

Educational background and qualifications
Master's degree in Finance and Insurance from Wuhan University

Directors, Supervisors, Senior Management and Employees

Senior Management

For the work experience and concurrent positions of Mr. Ma Mingzhe, Mr. Yao Jason Bo and Ms. Cai Fangfang, please refer to "Directors" in this section.

Mr. XIE Yonglin
President and Co-CEO
Aged 51

Joined the Company in 1994
Term of office: December 2019-present

Other positions held within the Group

Mr. Xie is the Chairman of Ping An Bank and a Director of Ping An Financial Leasing.

Past offices

Mr. Xie was the Deputy Director of the Company's Strategic Development & Reform Center from June 2005 to March 2006. He held positions of Operations Director, Human Resources Director, and Vice President of Ping An Bank from March 2006 to November 2013, and Special Assistant to the Chairman, President and CEO, and Chairman of Ping An Securities from November 2013 to November 2016 consecutively. He was a Senior Vice President of the Company from September 2016 to December 2019. Previously, Mr. Xie served as the Deputy General Manager of Ping An Property & Casualty's sub-branches, the Deputy General Manager and then the General Manager of Ping An Life's branches, and the General Manager of Ping An Life's Marketing Department.

Educational background and qualifications

Master of Science degree from Nanjing University
Ph.D. in Corporate Management from Nanjing University

Ms. TAN Sin Yin
Co-CEO, Executive Vice President, and Chief Operating Officer
Aged 42

Joined the Company in 2013
Term of office: June 2015-present

Other positions held within the Group

Ms. Tan is the Chairman of Ping An Technology. She is also a Director of a number of controlled subsidiaries of the Company including Ping An Bank, Ping An Property & Casualty, Ping An Life, and Ping An Asset Management.

Other major offices

Ms. Tan serves as a Non-executive Director of Lufax Holding, OneConnect, Ping An Good Doctor and HealthKonnect Medical and Health Technology Management Company Limited.

Past offices

Ms. Tan was the Chief Information Officer of the Company from January 2013 to November 2019, a Senior Vice President of the Company from June 2015 to December 2015, and the Deputy CEO of the Company from October 2017 to November 2018.

Prior to joining the Company, Ms. Tan was a Global Partner of McKinsey & Company.

Educational background and qualifications

Bachelor's degrees in Electrical Engineering and Economics from the Massachusetts Institute of Technology (MIT)
Master's degrees in Electrical Engineering and Computer Science from MIT

Ms. IP So Lan
Senior Vice President, Chief Internal Auditor, Compliance Officer, and Person-in-charge of Auditing
Aged 63

Joined the Company in 2004
Term of office: January 2011-present

Other positions held within the Group
Ms. Ip is a Director of a number of controlled subsidiaries of the Company including Ping An Bank.

Other major offices
Ms. Ip is a Non-executive Director of Lufax Holding.

Past offices
Ms. Ip was the Assistant to the President of Ping An Life from February 2004 to March 2006, and the Assistant to the President of the Company from March 2006 to January 2011.

Prior to joining the Company, Ms. Ip worked with AIA, Prudential Hong Kong and so on.

Educational background and qualifications
Bachelor's degree in Computing from the Polytechnic of Central London

Mr. CHEN Kexiang
Senior Vice President
Aged 62

Joined the Company in 1992
Term of office: January 2007-present

Past offices
Mr. Chen served as the General Secretary of the Company's Board of Directors from June 2002 to May 2006, and the Director of the General Office of the Company from June 2002 to April 2007. From February 2003 to January 2007, Mr. Chen served as the Assistant to the President of the Company. Previously, Mr. Chen served as the Assistant Director of the General office of the Parent Company, the President of Ping An Building Management Company, the Deputy Director and then the Director of the General Office of the Company, and a Senior Vice President and then the President of Ping An Trust.

Educational background and qualifications
Master's degree in Finance from Zhongnan University of Economics and Law (previously known as Zhongnan University of Economics)

Directors, Supervisors, Senior Management and Employees

Mr. SHENG Ruisheng
Secretary of the Board of Directors,
Joint Company Secretary
Aged 50

Joined the Company in 1997
Term of office: April 2017-present

Other positions held within the Group

Mr. Sheng serves as the Brand Director and spokesperson of the Company.

Past offices

From August 2002 to January 2014, Mr. Sheng served as the Assistant to the General Manager, Deputy General Manager, and General Manager of the Company's Branding Department.

Educational background and qualifications

Bachelor of Arts from Nanjing University
MBA degree from the Chinese University of Hong Kong

KEY PERSONNEL

Mr. CHAN Tak Yin
Chief Investment Officer
Aged 59

Joined the Company in 2005

Other positions held within the Group

Mr. Chan serves as a Director of Ping An Life, Ping An Asset Management and Ping An Overseas Holdings.

Past offices

Mr. Chan served as the Deputy Chief Investment Officer of the Company, the Chairman and CEO of Ping An Asset Management, and the Chairman of Ping An of China Asset Management (Hong Kong) respectively. From December 2008 to May 2017, Mr. Chan acted as a Non-executive Director of Yunnan Baiyao Group Co., Ltd.

Previously, he worked as a Fund Manager, Investment Director, Chief Investment Director, and Managing Director at BNP Paribas Asset Management SAS, Barclays Investment Management Limited, SHK Fund Management Limited, and Standard Chartered Investment Management respectively.

Educational background and qualifications

Bachelor of Arts from the University of Hong Kong

Mr. LU Min
Chief Insurance Business Officer,
Chief Information Officer
Aged 59

Joined the Company in 1997

Other positions held within the Group

Mr. Lu serves as the Chairman and CEO of Autohome.

Past offices

Mr. Lu successively served as the Deputy General Manager of Ping An Life, the General Manager of the Bancassurance Division of Ping An Life, the Chairman and CEO of Ping An Health, and the Director of the Strategic Development Center of the Group.

Educational background and qualifications

MBA degree from the University of Dundee, Scotland, UK

POSITIONS HELD IN CORPORATE SHAREHOLDERS BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Name of corporate shareholder	Position	Period of engagement
Soopakij CHEARAVANONT	CP Group	Chairman	January 2017 – Present
YANG Xiaoping	CP Group	Senior Vice Chairman	January 2017 – Present
LIU Chong	Shum Yip Group Limited	Vice President	April 2010 – Present
WANG Yongjian	Shenzhen Investment Holdings Co., Ltd.	Chairman and Secretary of Party Committee	July 2017 – Present

APPOINTMENT OR REMOVAL OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Gender	Age	Period of appointment
NG Sing Yip(1)	Newly-appointed Independent Non-executive Director	Male	69	Since July 2019
CHU Yiyun(1)	Newly-appointed Independent Non-executive Director	Male	55	Since July 2019
LIU Hong(1)	Newly-appointed Independent Non-executive Director	Male	52	Since July 2019
YIP Dicky Peter(1)	Retired Independent Non-executive Director	Male	73	June 2013-July 2019
WONG Oscar Sai Hung(1)	Retired Independent Non-executive Director	Male	64	June 2013-July 2019
SUN Dongdong(1)	Retired Independent Non-executive Director	Male	60	June 2013-July 2019
SUN Jianyi(2)	Retired Executive Director	Male	66	March 1995-October 2019
	Retired Senior Management			December 1992-October 2019
REN Huichuan(3)	Retired Senior Management	Male	50	June 2010-December 2019
CAI Fangfang(4)	Newly-appointed Senior Management	Female	46	Since December 2019
CAO Shifan(5)	Retired Senior Management	Male	64	April 2007-January 2019
LEE Yuansiong(6)	Retired Executive Director	Male	54	June 2013-January 2020
	Retired Senior Management			January 2011-January 2020

Notes: (1) As the 6-year term of office of Mr. Yip Dicky Peter, Mr. Wong Oscar Sai Hung and Mr. Sun Dongdong as Independent Non-executive Directors of the Company expired, the 2018 Second Extraordinary General Meeting was held by the Company on December 14, 2018 to deliberate and approve the resolutions regarding the appointments of Mr. Ng Sing Yip, Mr. Chu Yiyun and Mr. Liu Hong as Independent Non-executive Directors of the Company. The qualifications of Mr. Ng Sing Yip, Mr. Chu Yiyun and Mr. Liu Hong as Directors of the Company were approved by the CBIRC on July 17, 2019, on which day their appointments as Independent Non-executive Directors of the Company to replace Mr. Yip Dicky Peter, Mr. Wong Oscar Sai Hung and Mr. Sun Dongdong became effective.

(2) Due to the Company's work arrangements, Mr. Sun Jianyi officially resigned as Executive Director, Senior Vice Chairman and Senior Vice President of the Company with effect from October 24, 2019.

(3) Mr. Xie Yonglin took office as President of the Company in replacing Mr. Ren Huichuan on December 24, 2019.

(4) Ms. Cai Fangfang took office as Senior Vice President of the Company on December 24, 2019.

(5) Mr. Cao Shifan ceased to serve as Senior Vice President of the Company on January 29, 2019.

(6) Mr. Lee Yuansiong ceased to serve as Executive Director and Executive Vice President of the Company on February 1, 2020.

Directors, Supervisors, Senior Management and Employees

CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

1. Mr. Yao Jason Bo, an Executive Director of the Company, ceased to be a director of OneConnect in August 2019.

2. Mr. Wang Zhiliang, an Employee Representative Supervisor of the Company, was redesignated as the Administrative Director of the Group (previously the Director of the Group General Office) in November 2019.

3. Mr. Pan Zhongwu, an Employee Representative Supervisor of the Company, ceased to be Deputy Director of the Group General Office in August 2019, and has served as the general manager of the Administrative Operations Center of Ping An Financial Services since August 2019.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the *HKEX Listing Rules*.

PENALTIES IMPOSED ON THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT BY SECURITIES REGULATORY AUTHORITIES IN THE LAST THREE YEARS

Mr. Wong Oscar Sai Hung, an Independent Non-executive Director of the Company who vacated office during the Reporting Period, was censured by the HKEX in July 2019 in relation to his breach of the *Rules Governing the Listing of Securities on the GEM of the HKEX* and the Declaration and Undertaking given by him to the HKEX, in discharging his duties as a director and a compliance officer at the relevant time, for failing to use his best endeavors to procure China Regenerative Medicine International Limited (formerly known as China Bio-Med Regeneration Technology Limited) to comply with the *Rules Governing the Listing of Securities on the GEM of the HKEX* in relation to its granting of loans.

Save as disclosed above, the current Directors, Supervisors and senior management of the Company and those who vacated office during the Reporting Period were not subject to any punishment by securities regulatory authorities over the past three years.

SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Change in the Number of Shares Held in the Company

As of December 31, 2019, the interests of the current Directors, Supervisors and Senior Management of the Company and those who vacated office during the Reporting Period in the shares of the Company which shall be disclosed pursuant to the *Standard No. 2 Concerning the Contents and Formats of Information Disclosed by Listed Companies – The Contents and Formats of Annual Report* issued by CSRC, were as follows:

Name	Capacity	H/A shares	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Change	Reason for the change	Nature of interest	Percentage of total issued H/A shares (%)	Percentage of total issued shares (%)
MA Mingzhe	Beneficial owner	A	1,120,555	1,364,608	+244,053	Key Employee Share Purchase Plan	Long position	0.01260	0.00746
SUN Jianyi	Beneficial owner	A	4,273,639	4,555,060	+281,421	Key Employee Share Purchase Plan	Long position	0.04205	0.02492
XIE Yonglin	Beneficial owner	A	62,680	159,518	+96,838	Key Employee Share Purchase Plan	Long position	0.00147	0.00087
TAN Sin Yin	Beneficial owner	A	62,680	164,835	+102,155	Key Employee Share Purchase Plan	Long position	0.00152	0.00090
REN Huichuan	Beneficial owner	A	597,961	841,205	+243,244	Key Employee Share Purchase Plan	Long position	0.00777	0.00460
YAO Jason Bo	Beneficial owner	A	175,655	321,378	+145,723	Key Employee Share Purchase Plan	Long position	0.00297	0.00176
	Beneficial owner	H	24,000	24,000	–	–	Long position	0.00032	0.00013
IP So Lan	Beneficial owner	A	134,959	268,191	+133,232	Key Employee Share Purchase Plan	Long position	0.00248	0.00147
CHEN Kexiang	Beneficial owner	A	176,164	272,538	+96,374	Key Employee Share Purchase Plan	Long position	0.00252	0.00149
CAI Fangfang	Beneficial owner	A	75,866	145,101	+69,235	Key Employee Share Purchase Plan	Long position	0.00134	0.00079
SHENG Ruisheng	Beneficial owner	A	85,823	162,774	+76,951	Key Employee Share Purchase Plan	Long position	0.00150	0.00089
WANG Zhiliang	Beneficial owner	A	27,505	37,446	+9,941	Key Employee Share Purchase Plan	Long position	0.00035	0.00020
PAN Zhongwu	Beneficial owner	A	15,220	21,012	+5,792	Key Employee Share Purchase Plan	Long position	0.00019	0.00011
CAO Shifan	Beneficial owner	A	136,836	239,613	+102,777	Key Employee Share Purchase Plan	Long position	0.00221	0.00131
LEE Yuansiong	Beneficial owner	A	141,915	282,120	+140,205	Key Employee Share Purchase Plan	Long position	0.00260	0.00154

Note: During the Reporting Period, there were no share options held by or restricted shares granted to the current Directors, Supervisors and Senior Management of the Company and those who vacated office during the Reporting Period.

Directors, Supervisors, Senior Management and Employees

Save as disclosed above, as of December 31, 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company which shall have been notified to the Company and the HKEX pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors or chief executives of the Company are taken as or deemed to have under such provisions of the SFO, or which are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise required to be notified by the Directors and chief executives to the Company and the HKEX pursuant to the *Model Code*, were as follows:

Name	Capacity	H/A shares	Interests held at the beginning of the period	Interests held at the end of the period	Change	Reason for the change	Nature of interest	Percentage of total issued H/A shares (%)	Percentage of total issued shares (%)
MA Mingzhe	Interest of his spouse	H	20,000	20,000	–	–	Long position	0.00027	0.00011
	Others[(1)]	A	–	252,762	+252,762	Others[(1)]	Long position	0.00233	0.00138
REN Huichuan	Others[(1)]	A	–	126,381	+126,381	Others[(1)]	Long position	0.00117	0.00069
YAO Jason Bo	Interest of his spouse	H	64,000	64,000	–	–	Long position	0.00086	0.00035
	Others[(1)]	A	–	126,381	+126,381	Others[(1)]	Long position	0.00117	0.00069
CAI Fangfang	Others[(1)]	A	–	126,381	+126,381	Others[(1)]	Long position	0.00117	0.00069
LEE Yuansiong	Others[(1)]	A	–	189,571	+189,571	Others[(1)]	Long position	0.00175	0.00104

Note: (1) Conditional interests that can be vested in future under the Long-term Service Plan, subject to terms and conditions in the Long-term Service Plan of Ping An Insurance (Group) Company of China, Ltd. approved at the 2018 Second Extraordinary General Meeting.

Change in the Number of Shares Held in Associated Corporations of the Company

As of December 31, 2019, none of the Directors and chief executives held or was deemed to hold any interests or short positions in the shares, underlying shares or debentures of the Company's associated corporations (as defined in the SFO), which shall have been notified to the Company and the HKEX pursuant to Divisions 7 and 8 of Part XV of the SFO, or which are recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified by the Directors and chief executives to the Company and the HKEX pursuant to the *Model Code*.

THE ASSESSMENT & EVALUATION AND REMUNERATION SYSTEMS OF THE COMPANY

The purpose of the Company's remuneration policy is to attract, retain and motivate talented people so as to help achieve the operating objectives of the Company. The principle of the remuneration policy is to characterize a clear orientation, reflect differences, motivate performances, respond to the market and optimize costs. The remuneration package for the Company's employees is based on the following aspects: the salary shall be determined according to its post value so as to keep in line with the market conditions; and the bonus shall be determined in light of performance so that contributions could be reflected. In addition to remuneration and bonuses, employees also enjoy certain welfare treatment. Meanwhile, the structure of remuneration packages of each subsidiary or business unit may not be the same since they vary in the operating features, development stage and remuneration level in the market.

The purpose and principle of the Company's remuneration policy are relatively long-standing and stable, while the specific remuneration strategy and structure may be adjusted and optimized according to changes in the market, stages of the Company's business development and so on to help achieve the Company's operating objectives.

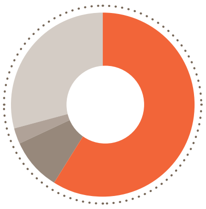
The Executive Directors' and senior management's remunerations are determined according to the Company's remuneration policy and their administrative positions within the Company. The Non-executive Directors' emoluments are determined as per the standards approved at the Company's General Meeting of Shareholders.

The Company's evaluation mechanism covers economic performance metrics as well as risk management and compliance metrics. The Company sets clear annual accountability objectives for management in accordance with business plans as well as risk management and compliance requirements. In light of the achievement of such objectives, the Company conducts strict accountability appraisals and comprehensive evaluations of management twice a year. Accountability results are closely linked to long-term and short-term rewards and appointment and removal of management. Comprehensive evaluations are factored into career development of management.

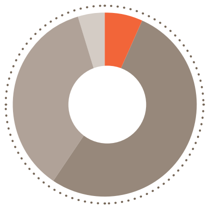
NUMBER OF EMPLOYEES BY PROFESSION AND EDUCATIONAL BACKGROUND

As of December 31, 2019, the Company had 372,194 employees, of which 219,238 were in the insurance business, 34,253 were in the banking business, 11,277 were in the asset management business, and 107,426 were in the technology business. Of all the employees, 25,262 held a doctorate or master's degree, 196,081 held a bachelor's degree, 133,362 attained college education, and 17,489 had other educational backgrounds.

By profession



By education



STAFF TRAINING PROGRAMS

Committed to providing the best training, Ping An School of Financial Management (the "School") unlocks value from knowledge. The School has invested sufficient resources to build a leading learning platform with a top-tier training system and elite staff. Working with the Group's member companies, the School supports corporate strategies and business development.

In 2019, under the "finance + technology" and "finance + ecosystem" strategies, the School promoted staff training and facilitated smart learning. The School expanded its massive pool of excellent courses, optimized the smart course recommendation model, and iterated the learning promotion mechanism to meet the training needs of the Company, managers, and employees. As of December 31, 2019, the School had offered 50 thousand high-quality courses. In 2019, over 36,562 thousand trainees attended online training sessions for over 3,815 thousand hours, with a monthly activity rate of up to 96.8%.

We established a systematic personnel training system to support the long-term sustainable development of the Company. Our face-to-face courses have expanded to over 700 options with more than one thousand in-house part-time trainers to meet different learning needs. A total of 48.4 thousand trainees attended 1,563 regular face-to-face training sessions across the country, with an attendance rate of 69.34% for senior managers and above. The Company developed a dedicated training curriculum for senior managers and above to strengthen their strategic thinking and management capabilities. We launched a special training project to promote the transformation and strategic implementation of data-driven operations, with 224 employees attending the first training session. Moreover, we developed an online tailor-made proficiency training program for newly promoted mid-level managers, which comprises different stages based on key growth cycles and helps mid-level managers adapt to their positions. We launched a fundamental office skill training program for general staff to develop basic skills and improve organizational efficiency, which was accessed over 1 million times.

Report of the Board of Directors

PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries (the "Group") comprise the provision of a wide range of financial products and services with a focus on the businesses of insurance, banking, asset management, and technology. There were no significant changes in the nature of the Group's principal activities during 2019.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for the past five years is set out in the section headed "Five-Year Summary."

MAJOR CUSTOMERS

In 2019, revenue from the Group's five largest customers accounted for less than 1% of the total revenue for the year.

RELATIONSHIPS WITH CUSTOMERS

The Group believes that it is important to maintain good relationships with its customers to attain its long-term goal of becoming "a world-leading technology-powered retail financial services group." To achieve this goal and maintain the leading position in terms of brand value, the Group is committed to delivering high-quality financial services to its customers. During 2019, there was no material and significant dispute between the Group and its customers.

IMPLEMENTATION OF CASH DIVIDEND POLICY AND PROFIT DISTRIBUTION PLANS DURING THE REPORTING PERIOD

Cash Dividend Policy

According to Article 217 of the *Articles of Association*, the Company shall attach importance to the reasonable investment returns for investors in its profit distribution. The profit distribution policy shall maintain its continuity and stability. The accumulated profit to be distributed in cash for the recent three years shall not be less than 30% of the average annual distributable profit realized in the recent three years, provided that the annual distributable profit of the Company (namely profit after tax of the Company after covering the losses and making contributions to the surplus reserve) is positive in value and such distribution is in compliance with the prevailing laws and regulations and the requirements of regulatory authorities for solvency margin ratios. In determining a specific cash dividend payout ratio, the Company shall consider its profit, cash flow, solvency, and operation and business development requirements. The Board of Directors is responsible for formulating and implementing a distribution plan in accordance with the provisions of the *Articles of Association*.

In preparing a profit distribution plan, the Board of Directors shall listen to views and advice from shareholders (in particular the minority shareholders), independent directors, and independent supervisors in various ways. Independent directors of the Company shall express their independent opinions on the profit distribution plan. When a specific cash dividend distribution plan is put forward for consideration at a general meeting, a variety of channels shall be provided for communication and opinion exchange with shareholders, in particular the minority shareholders, whose opinions and demands shall be fully heard, and prompt responses shall be given to any issues the minority shareholders are concerned about.

Where an adjustment to our profit distribution policy is required due to the applicable laws and regulations and new rules promulgated by the CSRC regarding profit distribution policies of listed companies or significant changes in the external business environment and/or operating situations of the Company, it shall be done for the purpose of safeguarding the shareholders' interests and in strict compliance with the decision-making procedures. To this end, the Board of Directors shall draft an adjustment plan based on the operating situations of the Company and the relevant regulations of the CSRC, and then submit the adjustment plan to the general meeting for deliberation. Implementation of the adjustment plan is conditional upon approval by shareholders (including their proxies) holding at least two thirds of voting rights present at the general meeting.

Implementation of Profit Distribution Plans

The 2018 profit distribution plan of the Company was deliberated and approved at the 2018 Annual General Meeting, pursuant to which the Company paid in cash the 2018 final dividend of RMB1.10 (tax inclusive) per share, based on its total share capital of 18,280,241,410 shares.

The 2019 interim profit distribution plan of the Company was deliberated and approved at the 8th meeting of the 11th Board of Directors held on August 15, 2019, pursuant to which the Company paid in cash the 2019 interim dividend of RMB0.75 (tax inclusive) per share, based on 18,222,646,803 shares, the actual number of shares entitled to the dividend distribution (exclusive of A shares of the Company in the repurchased securities account).

The decision-making procedure and mechanism of the above profit distribution plans were complete, and the dividend payout standards and ratios were clear. The above profit distribution plans were in line with the *Articles of Association*, and the relevant deliberation procedures fully protected legitimate interests of the minority shareholders. All the Independent Non-executive Directors of the Company have expressed independent opinions of their agreement on the above profit distribution plans. The above profit distribution plans have been implemented.

ANNUAL RESULTS AND PROFIT DISTRIBUTION

The Group's business results for 2019 are set out in the section headed "FINANCIAL STATEMENTS".

As stated in the 2019 audited financial statements of the Group prepared under CAS and IFRS respectively, the net profit attributable to shareholders of the parent company was RMB149,407 million and the net profit of the parent company was RMB61,678 million. Pursuant to the *Articles of Association* and other relevant requirements, the Company shall make an appropriation to the statutory surplus reserve based on 10% of the net profit of the parent company as shown in the financial statements under CAS before determining the profit available for distribution to shareholders. Appropriation to the statutory surplus reserve may cease to apply if the balance of the statutory surplus reserve has reached 50% or more of the registered capital of the Company. After making the above profit distribution and taking into account the retained profit carried forward from the previous year, in accordance with the *Articles of Association* and other applicable requirements, the profit available for distribution to shareholders of the Company based on undistributed profit in financial statements of the parent company under CAS or IFRS (whichever is lower) was RMB100,153 million.

The Company distributed the 2019 interim dividend of RMB0.75 (tax inclusive) per share, which amounted to RMB13,666,985,102.25. The Board of Directors proposes to distribute the 2019 final dividend of RMB1.30 per share (tax inclusive) in cash to the shareholders of the Company. Pursuant to the *Detailed Rules for Implementation of Share Repurchase by Listed Companies* promulgated by the SSE and the applicable regulations, the Company's A shares in the Company's repurchased securities account (if any) after trading hours on the record date of A shareholders for the final dividend will not be entitled to the final dividend distribution. At present, it is difficult to predict the total number of shares that will be entitled to the final dividend distribution on the record date of A shareholders (the "Actual Number of Shares Entitled to the Dividend Distribution"). Therefore, we cannot determine the actual total amount of the final dividend payment now. The total amount of the final dividend payment for 2019 is estimated at RMB23,689,440,843.90 (tax inclusive) based on the total share capital of 18,280,241,410 shares less the 57,594,607 A shares of the Company in the repurchased securities account as of December 31, 2019. The actual total amount of final dividend payment is subject to the Actual Number of Shares Entitled to the Dividend Distribution. The final dividend payment will have no material impact on the Group's solvency margin ratios. After the final dividend payment, the Group's solvency margin ratios will still meet the relevant regulatory requirements. The remaining undistributed profit of the Company will be carried forward to 2020. The undistributed profit of the Company is mainly for the purpose of its organic capital accumulation to maintain reasonable solvency margin ratios as well as funding for subsidiaries so that they can maintain reasonable solvency margin ratios or capital adequacy ratios.

The above plan will be implemented upon deliberation and approval at the 2019 Annual General Meeting. The profit distribution plan is in line with the *Articles of Association* and relevant deliberation procedures and fully protects legitimate interests of the minority shareholders of the Company. All the Independent Directors of the Company have expressed independent opinions of their agreement on the profit distribution plan.

For dividend payouts of the Company over the past three years, please refer to the section headed "Liquidity and Capital Resources."

DISTRIBUTABLE RESERVES

As of December 31, 2019, the Company's distributable reserves totaled RMB100,153 million. The Company has proposed to distribute the 2019 final dividend of RMB1.30 per share (tax inclusive) in cash. After deduction of the 2019 final dividend, the remaining distributable reserves were carried forward to 2020. Besides, the Company's capital reserve and surplus reserve amounted to RMB140,901 million, which can be distributed in a future capital issue.

MANAGEMENT DISCUSSION AND ANALYSIS

For management discussion and analysis, please refer to the section headed "Management Discussion and Analysis."

USE OF PROCEEDS

An aggregate of 594,056,000 new H Shares were successfully allotted and issued by the Company under the general mandate on December 8, 2014 and the gross proceeds raised from the placing were HKD36,831,472,000. As of December 31, 2019, HKD3,981,742,342.12 had not been used; the difference between the unutilized proceeds and the balance of the specific fund-raising account (HKD4,082,069,569.86) came mainly as a result of interest earned on the proceeds. Details of use of proceeds during 2019 are as follows:

Total proceeds raised from the issue	Balance of unutilized proceeds as at January 1, 2019	Intended use of the proceeds as previously disclosed	Proceeds used during the Reporting Period	Balance of unutilized proceeds as at December 31, 2019	Utilization plan for the unutilized proceeds
HKD36,831,472,000	HKD3,981,742,342.12	To develop the Company's main businesses and replenish its equity and working capital	-	HKD3,981,742,342.12	No concrete utilization plan currently. To be utilized in line with business development.

PARTICULARS ON INVESTMENT DURING THE REPORTING PERIOD

The funds not raised from the placing mainly come from the Company's core insurance business. The Company has been strictly following the relevant requirements of the CBIRC on the management of insurance funds. All the investments of insurance funds were made in the normal course of day-to-day operations.

EQUITY INVESTMENT DURING THE REPORTING PERIOD

For equity investments, please refer to the section headed "Significant Events."

SHARE CAPITAL

The change in share capital of the Company in 2019 and the share capital structure of the Company as of December 31, 2019 are set out in the section headed "Changes in the Share Capital and Shareholders' Profile."

RESERVES

Details of movements in the reserves of the Company and the Group during 2019 are set out in the section headed "Consolidated Statement of Changes in Equity."

CHARITABLE AND OTHER DONATIONS

Charitable donations made by the Group during 2019 totaled RMB302 million.

PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in property and equipment and investment properties of the Group during 2019 are set out in Notes 33 and 32 to the consolidated financial statements respectively.

PRE-EMPTIVE RIGHTS

There are no provisions regarding pre-emptive rights under the *Company Law of the People's Republic of China* or the *Articles of Association*, which would oblige the Company to issue new shares to its existing shareholders in proportion to their existing shareholdings.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

In view of the Company's confidence in its sustainable development, and to safeguard the interests of investors, further establish and improve the long-term incentive mechanism and pursue a long-term and sustainable value for shareholders, taking into account the Company's operating conditions, financial position, and future profitability and development prospects, the Company had purchased a total of 57,594,607 A shares of the Company by means of centralized bidding transaction via the system of the SSE in 2019, representing 0.31506% of the total share capital of the Company. The total amount of funds paid was RMB5,000,000,171.09 (exclusive of transaction costs)/RMB5,000,850,193.53 (inclusive of transaction costs). The repurchased A Shares of the Company will be reserved exclusively for the employee stock ownership plans of the Company, including but not limited to the Long-term Service Plan which has been deliberated and approved at the Company's general meeting. The monthly breakdown of A Share repurchase made by the Company during 2019 is as follows:

Month	Shares repurchased	Highest transaction price per share (RMB)	Lowest transaction price per share (RMB)	Total amount of funds paid (RMB, exclusive of transaction cost)
June 2019	40,022,907	88.09	79.85	3,420,205,332.63
July 2019	17,571,700	91.43	87.79	1,579,794,838.46

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from January 1, 2019 to December 31, 2019.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND REMUNERATIONS

According to the resolutions of the 25th meeting of the 7th Board of Directors and the 2nd meeting of the 7th Supervisory Committee of the Company, the Company entered into service contracts with all Directors of the 11th Board of Directors in July 2018 and August 2019, and with all Supervisors of the 9th Supervisory Committee in July 2018. Terms, duties, remuneration packages, confidentiality duties of Directors and Supervisors and commencement and termination of contracts were specified in the service contracts. As of December 31, 2019, no Directors or Supervisors had a service contract with the Company which was not determinable by the Company within one year without payment of compensation other than statutory compensation.

Details of remunerations for the Directors and Supervisors for the year ended December 31, 2019 are set out in Note 57 to the consolidated financial statements.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

In 2019, no Director or Supervisor of the Company or entity connected with the Directors or Supervisors had a material interest, directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

In 2019, no right to acquire benefits by means of acquisition of shares or debentures of the Company was granted to or exercised by any Directors, Supervisors or their respective spouse or minor children, and neither the Company nor any of its subsidiaries was a party to any arrangement which enables the Directors or Supervisors to acquire any such rights in any other legal entity.

DIRECTORS' AND SUPERVISORS' INTERESTS IN A COMPETING BUSINESS

As far as the Directors are aware, none of the Directors or Supervisors of the Company has any competing interest in a business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

PERMITTED INDEMNITY PROVISION

The Company has arranged appropriate insurance cover for Directors' and senior management's liabilities in respect of possible legal actions against its Directors and senior management arising out of corporate activities, which was in force during the Reporting Period and up to the date of this Annual Report.

POST BALANCE SHEET EVENTS

Details of the post balance sheet events are set out in Note 63 to the consolidated financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

During the Reporting Period, the Group maintained compliance with relevant laws and regulations that have significant impacts on operations of the Group.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE CONTAINED IN APPENDIX 14 TO THE HKEX LISTING RULES

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable Code Provisions set out in the *Corporate Governance Code* for any part of the period from January 1, 2019 to December 31, 2019, except that Mr. Ma Mingzhe has occupied both the positions of the Chairman and Chief Executive Officer of the Company. Further details of the Company's arrangements and considered reasons for the Company's intention not to separate the roles of the Chairman of the Board of Directors and the Chief Executive Officer of the Company are set out in the section headed "Corporate Governance Report."

AUDITORS

According to the resolution made at the 2018 Annual General Meeting of the Company, the Company continued to engage PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as auditors of the Company's financial statements under CAS and IFRS respectively, and engaged PricewaterhouseCoopers Zhong Tian LLP as the auditor of the Company's internal controls in 2019.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this Annual Report, being February 20, 2020, at all times during the year ended December 31, 2019, not less than 20% of the issued share capital of the Company (being the minimum public float applicable to the shares of the Company) was held in public hands.

By order of the Board of Directors

Ma Mingzhe
Chairman and Chief Executive Officer

Shenzhen, PRC
February 20, 2020

Report of the Supervisory Committee

During the Reporting Period, all the members of the Supervisory Committee duly carried out their supervisory duties in a stringent manner and adhered to the principles of fairness and honesty to effectively protect the rights and interests of the shareholders, the Company and its employees in accordance with the relevant provisions of the *Company Law of the People's Republic of China* and the *Articles of Association*.

ATTENDANCE RECORD OF SUPERVISORS

During the Reporting Period, the Supervisors endeavored to participate in the general meetings and the meetings of the Supervisory Committee in person, as well as to attend the meetings of the Board of Directors as non-voting participants. There was no objection over any of the matters put forward for consideration at the meetings. The attendance records of each Supervisor at the meetings are as follows:

Members	Date of Appointment as Supervisors	Meetings attended in person/ Meetings required to attend: General Meetings	Supervisory Committee Meeting
Independent Supervisors			
GU Liji (Chairman)	June 3, 2009	4/4	4/4
HUANG Baokui	June 28, 2016	4/4	4/4
Shareholder Representative Supervisor			
ZHANG Wangjin	June 17, 2013	4/4	4/4
Employee Representative Supervisors			
WANG Zhiliang	August 6, 2017	4/4	4/4
PAN Zhongwu	July 17, 2012	4/4	4/4

INSPECTIONS AND REVIEWS AT BRANCHES OF SUBSIDIARIES

In September 2019, certain members of the Supervisory Committee conducted on-site inspections and reviews at branches of subsidiaries including Ping An Bank, Ping An Life, Ping An Property & Casualty, Ping An Annuity and Ping An Securities in Guizhou. Opinions collected from the ordinary employees were consolidated and an investigation report was submitted to the management of the Company. The management paid close attention to relevant issues, tackled each of them, and submitted a feedback report to all the Directors and Supervisors.

INDEPENDENT OPINIONS ON RELEVANT ISSUES FROM THE SUPERVISORY COMMITTEE

Lawful Operation

During the Reporting Period, the Company operated and managed its businesses in accordance with the laws and regulations, and its operational results were objective and true. There was substantial development and improvement in the depth and breadth of internal control management, and the internal control system was reasonable and effective. The Company's operational decision-making processes were legitimate. The Directors and other senior management were cautious, conscientious and diligent in the business operations and management processes, and they were not found to have breached any laws, regulations, or the *Articles of Association* or harmed the interests of the shareholders.

Authenticity of the Financial Statements

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers have issued the standard unqualified auditor's reports in accordance with the PRC and international auditing standards, respectively, on the Company's financial statements for 2019. The financial statements truly, objectively and accurately reflect the financial status and operating results of the Company.

Use of Proceeds

Detailed information of use of proceeds is set out in the section headed "Report of the Board of Directors" of this Report.

Report of the Supervisory Committee

Related Party Transactions

The Supervisory Committee considered the related party transactions of the Company to be fair and reasonable in the Reporting Period, and did not find any harm against the interests of the shareholders and the Company.

Internal Control System

In 2019, the Supervisory Committee reviewed the *Assessment and Evaluation Report on Internal Control of the Company for 2018* and the *Work Report on the Internal Control of the Company for the First Half of 2019*, and was of the opinion that the Company had set up a relatively reasonable and effective internal control system.

Implementation of the Resolutions Approved by the General Meetings

Members of the Supervisory Committee attended the meetings of the Board of Directors and the general meetings as non-voting participants, and did not have any objection to the reports and proposals submitted to the general meetings by the Board of Directors. The Supervisory Committee monitored the implementation of the resolutions approved by the general meetings, and was of the opinion that the Board of Directors could duly implement the resolutions approved by the general meetings.

Implementation of the Cash Dividend Policy

The Supervisory Committee acknowledges that the Board of Directors strictly carried out the cash dividend policy and the plans for shareholder returns, performed relevant decision-making procedures for cash dividends in strict compliance, and disclosed the cash dividend policy and its implementation truly, accurately and completely.

Appraisal of Directors' Performance of Duties

The Company held the 4th meeting of the 9th Supervisory Committee on March 12, 2019, at which all Supervisors deliberated and approved the *Proposal to Deliberate Performance Report of the Directors for 2018*, and appraised the composition of the Board of Directors, Directors' attendance records at meetings, participation in training sessions, and provision of opinions. Supervisors present at the meeting concluded unanimously that in 2018 all Directors of the Company, in a sincere, loyal, diligent and conscientious manner, performed their duties and responsibilities as stipulated under relevant laws, regulations and the *Articles of Association*, proactively attended meetings of the Board of Directors and specialized committees and expressed their opinions. Specialized committees of the Board of Directors fully performed their duties and provided professional opinions and advice for the Board of Directors' decision-making processes.

In the coming year, the Supervisory Committee will further expand its approach to work, and will continue to carry out its duties in accordance with the relevant provisions of the *Company Law of the People's Republic of China*, the *Articles of Association*, and the listing rules. The Supervisory Committee will adhere to the principles of honesty, maximize its supervisory efforts with the aim of protecting the interests of the Company and its shareholders, and perform supervisory duties honestly and diligently to achieve the best results in all respects.

By order of the Supervisory Committee

GU Liji
Chairman of the Supervisory Committee

Shenzhen, PRC
February 20, 2020

Significant Events

GENERAL ANALYSIS OF EXTERNAL INVESTMENT

Ping An is an integrated financial services group, and investment is one of its core businesses. The investment of insurance funds represents a majority of the equity investment of the Company. The investment of insurance funds is subject to applicable laws and regulations. For details of the asset allocation of the investment portfolio of insurance funds, please refer to relevant section headed “Business Analysis.”

Material Equity Investment

During the Reporting Period, there was no material equity investment that was required to be disclosed.

Material Non-Equity Investment

During the Reporting Period, there was no material non-equity investment that was required to be disclosed.

FINANCIAL INSTRUMENTS RECORDED AT FAIR VALUE

Details of financial instruments recorded at fair value of the Company are set out in Note 53 to the consolidated financial statements.

SALE OF MAJOR ASSETS AND EQUITIES

During the Reporting Period, there was no sale of major assets and equities that was required to be disclosed.

MAJOR SUBSIDIARIES AND ASSOCIATES OF THE COMPANY

Details of major subsidiaries and associates of the Company are set out in Note 4.(1) and Note 30 to the consolidated financial statements respectively.

STRUCTURED ENTITIES CONTROLLED BY THE COMPANY

Details of Structured Entities controlled by the Company are set out in Note 4.(2) to the consolidated financial statements.

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 (the "Plan") of the Company has been officially implemented.

As at the end of the Reporting Period, five phases of the Plan had been implemented.

Implementation of the key employee share purchase plan in 2015

All shares under the Plan for 2015 had been unlocked and vested as of the end of 2018. For employees who did not qualify for the vesting, shares were forfeited in accordance with the Plan.

Implementation of the key employee share purchase plan in 2016

The participants were 773 key employees of the Company and its subsidiaries including the directors, employee representative supervisors, and senior management. The sources of funding were salaries and performance bonuses of the employees.

From March 17, 2016 to March 21, 2016, 14,803,850 A shares of the Company in total were purchased in the secondary market for a total amount of RMB481,733,046.11 (expenses inclusive) and an average price of RMB32.53 per share, accounting for approximately 0.081% of the total share capital of the Company at that time. These shares were subject to a lock-up period from March 23, 2016 to March 22, 2017. For details of the share purchase, please refer to the *Announcement regarding the Completion of Share Purchase under the 2016 Key Employee Share Purchase Plan* published by the Company on the websites of the HKEX and the SSE on March 22, 2016 and March 23, 2016 respectively.

During the Reporting Period, the lock-up period in respect of one third of the shares under the Plan for this phase expired and all such shares were vested in batches to 640 employees. As to the remaining 40 employees who did not qualify for the vesting, 202,022 shares were forfeited. Shares under the Plan for this phase were unlocked.

Implementation of the key employee share purchase plan in 2017

The participants were 1,157 key employees of the Company and its subsidiaries including the directors, employee representative supervisors, and senior management. The sources of funding were legitimate income and performance bonuses of the employees.

From March 23, 2017 to March 27, 2017, 16,419,990 A shares of the Company in total were purchased in the secondary market for a total amount of RMB603,498,822.25 (expenses inclusive) and an average price of RMB36.74 per share, accounting for approximately 0.090% of the total share capital of the Company at that time. These shares were subject to a lock-up period from March 29, 2017 to March 28, 2018. For details of the share purchase, please refer to the *Announcement regarding the Completion of Share Purchase under the 2017 Key Employee Share Purchase Plan* published by the Company on the websites of the HKEX and the SSE on March 28, 2017 and March 29, 2017 respectively.

During the Reporting Period, the lock-up period in respect of one third of the shares under the Plan for this phase expired and all such shares were vested in batches to 1,049 employees. As to the remaining 55 employees who did not qualify for the vesting, 280,906 shares were forfeited.

Implementation of the key employee share purchase plan in 2018

The participants were 1,296 key employees of the Company and its subsidiaries including the directors, employee representative supervisors, and senior management. The sources of funding were legitimate income and performance bonuses of the employees.

As of April 27, 2018, 9,666,900 A shares of the Company in total were purchased in the secondary market for a total amount of RMB592,698,901.19 (expenses inclusive) and an average price of RMB61.29 per share, accounting for approximately 0.053% of the total share capital of the Company at that time. These shares were subject to a lock-up period from May 2, 2018 to May 1, 2019. For details of the share purchase, please refer to the *Announcement regarding the Completion of Share Purchase under the 2018 Key Employee Share Purchase Plan* published by the Company on the websites of the HKEX and the SSE on May 1, 2018 and May 2, 2018 respectively.

During the Reporting Period, the lock-up period in respect of one third of the shares under the Plan for this phase expired and all such shares were vested in batches to 1,231 employees. As to the remaining 65 employees who did not qualify for the vesting, 299,511 shares were forfeited.

Implementation of the key employee share purchase plan in 2019

The participants were 1,267 key employees of the Company and its subsidiaries including the directors, employee representative supervisors, and senior management. The sources of funding were legitimate income and performance bonuses of the employees.

From March 25, 2019 to March 27, 2019, 8,078,395 A shares of the Company in total were purchased in the secondary market for a total amount of RMB588,197,823.00 (expenses inclusive) and an average price of RMB72.79 per share, accounting for approximately 0.044% of the total share capital of the Company at that time. These shares are subject to a lock-up period from March 29, 2019 to March 28, 2020. For details of the share purchase, please refer to the *Announcement regarding the Completion of Share Purchase under the 2019 Key Employee Share Purchase Plan* published by the Company on the websites of HKEX and SSE on March 28, 2019 and March 29, 2019 respectively. During the Reporting Period, there was no change in equity due to the disposition of the rights of the holders of the Plan.

The manager of the Plan was not changed during the Reporting Period.

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 Long-term Service Plan of the Company has been officially implemented.

As at the end of the Reporting Period, the first phase of the Long-term Service Plan had been implemented.

Implementation of the long-term service plan in 2019

The participants were 31,026 outstanding employees of the Company and its subsidiaries including the directors, employee representative supervisors, and senior management. The source of funding was the payroll payable.

From May 7, 2019 to May 14, 2019, 54,294,720 A shares of the Company in total were purchased in the secondary market for a total amount of RMB4,296,112,202.60 (expenses inclusive) and an average price of RMB79.10 per share, accounting for approximately 0.297% of the total share capital of the Company at that time. For details of the share purchase, please refer to the *Announcement regarding the Completion of Share Purchase under the 2019 Long-term Service Plan* published by the Company on the websites of HKEX and SSE on May 15, 2019 and May 16, 2019 respectively.

During the Reporting Period, 1,593 employees did not qualify for the vesting under the Long-term Service Plan and 2,709,198 shares were forfeited.

The manager of the Long-term Service Plan is China Merchants Securities Asset Management Co., Ltd., and was not changed during the Reporting Period.

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 improving the long-term incentive and restraint mechanisms to facilitate long-term sustainable, healthy development of the Company.

IMPLEMENTATION OF SHARE INCENTIVE SCHEME OF THE COMPANY AND ITS EFFECTS

During the Reporting Period, the Company did not implement any share incentive scheme based on the Company's shares.

AMENDED AND RESTATED 2016 SHARE INCENTIVE PLAN OF AUTOHOME ("AUTOHOME 2016 SHARE INCENTIVE PLAN")

The general meeting held by the Company on June 16, 2017 deliberated and approved the Autohome 2016 Share Incentive Plan with respect to the grant of options ("Autohome Options") to the directors, consultants, and employees of Autohome to purchase Class A ordinary shares of Autohome ("Autohome Shares"), restricted shares or restricted stock units and share appreciation rights.

The purpose of the Autohome 2016 Share Incentive Plan is intended to provide the relevant participants with an incentive for outstanding performance to generate superior returns to Autohome's shareholders. The Autohome 2016 Share Incentive Plan is also intended to provide flexibility to Autohome in its ability to motivate, attract, and retain its directors, employees, and consultants upon whose judgment, interest, and special effort the successful conduct of Autohome's operation is largely dependent.

Pursuant to the terms of the Autohome 2016 Share Incentive Plan, Autohome's board of directors or its compensation committee authorized by the board of directors ("Autohome Committee") may grant Autohome incentive awards to eligible participants, including the employees, consultants and all directors of Autohome, based on their past, present and expected commitment and contribution to Autohome and/or the related entities, as the Autohome Committee may determine.

The total number of Autohome Shares which may be issued upon exercise of all Autohome Options to be granted under the Autohome 2016 Share Incentive Plan and any other share option schemes of Autohome must not in aggregate exceed 10% of the issued and outstanding Autohome Shares as of June 16, 2017, on which the shareholders of the Company approved the Autohome 2016 Share Incentive Plan, unless further shareholders' approval from the shareholders of Autohome and the Company have been obtained. According to the Autohome 2016 Share Incentive Plan, the maximum aggregate number of Autohome Shares issuable pursuant to all awards under this plan is 4,890,000, representing approximately 4.11% of the total issued and outstanding Autohome Shares as at the date of this Report. Unless approved by the shareholders of Autohome and the Company in the manner set out in the Autohome 2016 Share Incentive Plan, the total number of Autohome Shares issued and to be issued upon the exercise of the Autohome Options granted and to be granted to any participant (including both exercised and outstanding Autohome Options) in any 12-month period up to and including the date of grant shall not exceed 1% of the issued and outstanding Autohome Shares as at the date of grant.

The exercise price per Autohome Share subject to an Autohome Option shall be determined by the Autohome Committee and set forth in the award agreement which may be a fixed or variable price related to the fair market value of the Autohome Shares, to the extent not prohibited by the applicable laws. Autohome, as a company listed on the New York Stock Exchange, files its annual financial results with the U.S. Securities and Exchange Commission under the relevant regulatory rules of the U.S. Considering the consistency of information disclosure, the Company would not herein disclose the value of the Autohome Options granted to the participants during the Reporting Period and the relevant accounting policies.

The Autohome Committee has the discretion to fix any minimum period(s) for which an Autohome Option or any part thereof has to be held before the exercise of the subscription rights attaching thereto. The Autohome 2016 Share Incentive Plan will expire on the tenth anniversary of the effective date, being March 21, 2027.

As of December 31, 2019, the Autohome Options granted pursuant to the Autohome 2016 Share Incentive Plan are as follows:

			Number of Options				
Type of grantees	Exercise period	Exercise price (per Autohome Share, US$)	Balance as at January 1, 2019	Granted during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period	Balance as at December 31, 2019
Employees	Not exceeding 10 years from the date of grant	22.19~85.31	893,282	14,976	125,000	128,293	654,965

CORPORATE GOVERNANCE

SHARE INCENTIVE SCHEME OF SHANGHAI JAHWA OF 2018 ("SHANGHAI JAHWA SHARE INCENTIVE SCHEME")

The general meeting held by the Company on May 23, 2018 deliberated and approved the Shanghai Jahwa Share Incentive Scheme, involving the grant of options ("Shanghai Jahwa Options") to, or for the benefit of, specified participants to subscribe for ordinary shares of Shanghai Jahwa ("Shanghai Jahwa Shares").

The purpose of Shanghai Jahwa Share Incentive Scheme is to further improve Shanghai Jahwa's corporate governance structure, promote the establishment and improvement of its incentive and restraint mechanism, encourage the initiative and commitment of its directors, senior management and key employees, so as to effectively align the shareholders' interests, Shanghai Jahwa's interests, and operators' individual interests, and make all parties stay focused on and strive for the long-term sustainable development of Shanghai Jahwa.

Pursuant to the terms of the Shanghai Jahwa Share Incentive Scheme, the incentive participants of the Shanghai Jahwa Share Incentive Scheme comprise the following persons, and shall exclude independent directors and supervisors, as well as shareholders individually or in aggregate holding 5% or more of the shares of Shanghai Jahwa or the de facto controlling parties and their spouses, parents or children: directors and senior management of Shanghai Jahwa, and the core management personnel and core technical personnel who have direct influence on the overall results and sustainable development of Shanghai Jahwa. Such personnel refer to those who report directly to the Chief Executive Officer and those who are independently responsible for different units and businesses of Shanghai Jahwa, including branding, research and development, supply chain, financing, human resources and strategic investment.

The total number of Shanghai Jahwa Shares which may be issued upon exercise of all Shanghai Jahwa Options to be granted under the Shanghai Jahwa Share Incentive Scheme and any other share option schemes of Shanghai Jahwa must not in aggregate exceed 10% of the issued and outstanding Shanghai Jahwa Shares as of May 23, 2018, on which the shareholders of the Company approved the Shanghai Jahwa Share Incentive Scheme. According to the Shanghai Jahwa Share Incentive Scheme, the maximum number of Shanghai Jahwa Shares to be issued is 4,250,000, representing approximately 0.63% of the total issued shares of Shanghai Jahwa as at the date of this Report. Unless otherwise approved by a special resolution at the general meeting of Shanghai Jahwa, the cumulative total number of Shanghai Jahwa Shares to be granted to any of the incentive participant under the fully effective Shanghai Jahwa Share Incentive Scheme shall not exceed 1% of the total share capital of Shanghai Jahwa.

The exercise price per Shanghai Jahwa Share of a Shanghai Jahwa Option shall be determined by the board of directors of Shanghai Jahwa. For details of the value of Shanghai Jahwa Options and related accounting policies, please refer to the announcement published by Shanghai Jahwa on the website of SSE dated July 25, 2018.

The board of directors of Shanghai Jahwa has the discretion to fix any minimum period(s) for which a Shanghai Jahwa Option or any part thereof has to be held before the exercise of the subscription rights attaching thereto. The Shanghai Jahwa Share Incentive Scheme is valid from the date of grant of Shanghai Jahwa Options and expires on the date of all Shanghai Jahwa Options granted to participants being exercised or cancelled, and not exceeding 68 months.

As of December 31, 2019, the details and movements of the Shanghai Jahwa Share Incentive Scheme in relation to the Shanghai Jahwa Options are as follows:

			Number of Options				
Type of grantees	Exercise period	Exercise price (per Shanghai Jahwa Share, RMB)	Balance as at January 1, 2019	Granted during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period	Balance as at December 31, 2019
Employees	Not exceeding 68 months from the date of grant	35.32	3,400,000	–	–	–	3,400,000

DAY-TO-DAY RELATED PARTY TRANSACTIONS

The 2nd meeting of the 11th Board of Directors was convened on August 21, 2018 by the Company, during which the *Resolution regarding Continuing Day-to-day Related Party Transactions between Ping An Group and Related Parties* was deliberated and approved. Pursuant to the Resolution, the Group was authorized to enter into related party transactions at fair market price with Ping An Good Doctor, OneConnect, Ping An HealthKonnect, Lufax Holding and the related parties under their control (the "Related Parties"), respectively, during its ordinary course of business. The annual aggregate amount of related party transactions entered into between the Group and the Related Parties shall not exceed 5% of the latest audited net assets of the Group for the year. A transaction that falls within the scope of the authorization is not required to comply with any additional approval or disclosure requirements. For details, please refer to *Continuing Day-to-day Related Party Transactions Announcement* published by the Company on *Shanghai Securities News, China Securities Journal, Securities Times, Securities Daily* and the website of SSE on August 22, 2018.

The above day-to-day related party transactions do not constitute connected transactions of the Company as defined under the *HKEX Listing Rules*.

MATERIAL CONTRACTS AND THEIR PERFORMANCE

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	(696)
Total guarantee balance in favor of its subsidiaries as at the end of the Reporting Period	43,444
	Total guarantee of the Company (including the guarantee in favor of its subsidiaries)
Total guarantee	43,444
Total guarantee as a percentage of the Company's net assets (%)	6.5
Including: Direct or indirect guarantee for the companies with a total liabilities to total assets ratio over 70% (as of December 31, 2019)	42,850
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 (the 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 RMB30,760 million less the guarantee repayment of RMB31,456 million.

Significant Events

INDEPENDENT OPINIONS OF INDEPENDENT NON-EXECUTIVE DIRECTORS ON EXTERNAL GUARANTEE OF THE COMPANY

According to the relevant requirements of the *Notice Concerning the Regulation on the Flow of Funds Between Listed Companies and Their Related Parties and the Provision of Guarantees by Listed Companies to External Parties* as well as the *Notice Regarding the Regulation on the Provision of External Guarantee by Listed Companies* set out by the CSRC, the Independent Non-executive Directors of the Company conducted a prudent review of the Company's external guarantees in 2019. Their specific statements and independent opinions are set out as follows:

1. During the Reporting Period, the Company did not provide any guarantee to its controlling shareholder and other related parties in which the Company holds less than 50% shares, or any non-legal entities or individuals;

2. During the Reporting Period, the total guarantee withdrawal provided by the Company and its subsidiaries amounted to RMB30,760 million. As of December 31, 2019, the total guarantee balance of the Company and its subsidiaries was RMB43,444 million, representing 6.5% of the Company's net assets. The sum did not exceed 50% of the net assets as stated in the consolidated financial statements of the latest fiscal year of the Company;

3. The Company has strictly observed the approval procedures and internal control policies regarding external guarantee as set out in the *Articles of Association*, and there was no irregular external guarantee;

4. The Company has fulfilled its obligation to disclose information on external guarantee and honestly provided chartered accountants with all the details about the Company's external guarantee, in strict compliance with the relevant requirements under the *SSE Listing Rules* and the *Articles of Association*.

ENTRUSTMENT, UNDERWRITING, LEASE, ENTRUSTED ASSET MANAGEMENT, ENTRUSTED LENDING AND OTHER MATERIAL CONTRACTS

No matter relating to entrustment, underwriting, lease or other material contracts of the Company was required to be disclosed during the Reporting Period.

During the Reporting Period, the Company did not engage in any entrusted asset management or entrusted lending outside its ordinary business scope. For details of the Company's entrusted asset management and entrusted lending, refer to the "Notes to Consolidated Financial Statements."

SEIZURE, DISTRAINMENT OR FREEZE OF MAJOR ASSETS

During the Reporting Period, the Company had no event of seizure, distrainment or freeze of major assets that was required to be disclosed.

MATERIAL LITIGATIONS AND ARBITRATIONS

During the Reporting Period, the Company had no material litigations or arbitrations that were required to be disclosed.

CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES, OR CORRECTIONS OF MATERIAL ACCOUNTING MISTAKES

Details of changes in accounting policies and accounting estimates of the Company during the Reporting Period are set out in Note 2.(2) to the consolidated financial statements.

During the Reporting Period, there was no material accounting mistake made by the Company.

APPOINTMENT OF AUDITOR

Information on the Company's auditors and the remuneration paid to the auditors is set out in the sections titled "Report of the Board of Directors" and "Corporate Governance Report."

APPOINTMENT OF INTERNAL CONTROL AUDITOR

Information on the Company's internal control auditors and the remuneration paid to such auditors is set out in the sections titled "Report of the Board of Directors" and "Corporate Governance Report."

PENALTIES AND RECTIFICATION

Save as disclosed in the section headed "Directors, Supervisors, Senior Management and Employees", neither the Company nor the Directors, Supervisors, or senior management of the Company were investigated by competent authorities, subjected to coercive measures by judicial authorities or disciplinary authorities, transferred to judicial authorities or held accountable for criminal liabilities, investigated or punished, barred from the market or disqualified by the CSRC, subjected to major administrative penalties by environmental protection, work safety, tax or other administrative authorities, or denounced by any stock exchanges publicly during the Reporting Period.

INTEGRITY CONDITIONS OF THE COMPANY

During the Reporting Period, the Company had no failure to abide by any effective judicial ruling.

INCOME TAX WITHHOLDING

Enterprise Income Tax Withholding of Overseas Non-Resident Enterprises

Pursuant to the tax laws and regulations of the People's Republic of China, the Company is required to withhold 10% enterprise income tax when it distributes dividend to non-resident enterprise holders of H shares as listed on the Company's register of members on the record date, including Hong Kong Securities Clearing Company Nominees Limited.

If any resident enterprise (as defined in the *Enterprise Income Tax Law of the People's Republic of China*) listed on the Company's register of members of H shares on the record date which is duly incorporated in the Chinese mainland or under the laws of an overseas country (or region) but with a Chinese mainland-based de facto management body does not want the Company to withhold the said enterprise income tax, it shall submit to Computershare Hong Kong Investor Services Limited a legal opinion, at or before 4:30 p.m. one business day before closure of register of the H Shareholders for the dividend, issued by a lawyer qualified to practice law in the Chinese mainland and inscribed with the seal of the applicable law firm, that verifies its resident enterprise status. The legal opinion shall be submitted by the Company to the applicable tax authorities for approval, and then excess portions of the tax amounts withheld can be refunded.

Individual Income Tax Withholding of Overseas Individual Shareholders

Pursuant to the applicable tax laws and regulations of the People's Republic of China, the individual resident shareholders outside the Chinese mainland shall pay individual income tax upon their receipt of the distributed dividends in respect of the shares issued by domestic non-foreign investment enterprises in Hong Kong, which shall be withheld by the Company on behalf of such individual shareholders at the tax rate of 10% in general. However, if the tax laws and regulations and relevant tax agreements state otherwise, the Company will withhold and pay the individual income tax based on the amount of the dividend at the relevant tax rate and in accordance with the procedures as stipulated.

Those individual resident shareholders outside the Chinese mainland may enjoy preferential treatments (if any) in accordance with the provisions of applicable tax agreements signed between the countries or regions where they belong by virtue of residential identification and the People's Republic of China as well as the tax arrangements made between the Chinese mainland and Hong Kong (Macau). Qualified shareholders are required to submit to Computershare Hong Kong Investor Services Limited a written authorization and relevant evidencing documents, at or before 4:30 p.m. one business day before closure of register of the H Shareholders for the dividend, which shall be submitted by the Company to the applicable tax authorities for approval, and then excess portions of the tax amounts withheld can be refunded.

Significant Events

The Company will withhold the enterprise income tax as well as the individual income tax for shareholders as required by law on the basis of the Company's register of members of H shares on the record date. The Company assumes no liability and will not deal with any dispute over income tax withholding triggered by failure to submit proof materials within the stipulated time frame, and holders of H shares of the Company shall either personally or appoint a representative to attend to the procedures in accordance with the applicable tax laws and regulations of the People's Republic of China.

Income Tax Withholding for H Shareholders via the Hong Kong Stock Connect Program

For Chinese mainland investors (including enterprises and individuals) investing in the Company's H Shares via the Hong Kong Stock Connect Program, China Securities Depository and Clearing Corporation Limited, as the nominee holding H Shares for investors via the Hong Kong Stock Connect Program, will receive the dividend distributed by the Company and distribute such dividend to the relevant investors through its depositary and clearing system. The dividend to be distributed to the investors via the Hong Kong Stock Connect Program will be paid in Renminbi. Pursuant to the applicable tax laws and regulations of the People's Republic of China:

- For Chinese mainland individual investors who invest in the H Shares of the Company via the Hong Kong Stock Connect Program, the Company will withhold individual income tax at the rate of 20% in the distribution of the dividend. Individual investors may, by producing valid tax payment proofs, apply to the competent tax authority of China Securities Depository and Clearing Corporation Limited for tax refund relating to the withholding tax already paid abroad.

- For Chinese mainland securities investment funds that invest in the H Shares of the Company via the Hong Kong Stock Connect Program, the Company will withhold individual income tax in the distribution of the dividend pursuant to the above provisions.

- For Chinese mainland enterprise investors that invest in the H Shares of the Company via the Hong Kong Stock Connect Program, the Company will not withhold income tax in the distribution of the dividend, and such investors shall declare and pay the tax on their own.

Income Tax Withholding for A Shareholders via the Shanghai Stock Connect Program

For Hong Kong investors (including enterprises and individuals) investing in the Company's A Shares via the Shanghai Stock Connect Program, pursuant to the applicable tax laws and regulations of the People's Republic of China, the dividend will be paid in Renminbi by the Company through the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to Hong Kong Securities Clearing Company Limited, and the Company will withhold income tax at the rate of 10%.

For investors via the Shanghai Stock Connect Program who are tax residents of other countries or regions (excluding Hong Kong) which have entered into a tax treaty with the Chinese mainland stipulating a dividend tax rate of less than 10%, those enterprises or individuals may, or may entrust a withholding agent to, apply to the competent tax authorities of the Company for the entitlement of the rate under such tax treaty. Upon approval by the tax authorities, the paid amount in excess of the tax payable based on the tax rate under such tax treaty will be refunded.

All investors are requested to read this part carefully. Shareholders are recommended to consult their tax advisors for tax effects regarding their holding and disposing of the shares of the Company, involving the Chinese mainland, Hong Kong and other countries and regions.

ENVIRONMENTAL PROTECTION

The Company is not a key pollutant discharging unit announced by the environmental protection department. For more information on environmental protection, please refer to the Company's 2019 Sustainability Report.

FULFILLMENTS OF UNDERTAKINGS

Undertakings in Respect of the Major Asset Restructuring with Shenzhen Development Bank

(1) The Company undertakes that, after the completion of the major asset restructuring with Shenzhen Development Bank, and during the period when the Company remains as the controlling shareholder of Shenzhen Development Bank, and in respect of the businesses or commercial opportunities similar to those of Shenzhen Development Bank that the Company and the enterprises under its control intend to carry out or have substantially obtained whereby the assets and businesses arising from such businesses or commercial opportunities may possibly form potential competition with those of Shenzhen Development Bank, the Company and the enterprises under its control shall not engage in the businesses identical or similar to those carried out by Shenzhen Development Bank, so as to avoid direct or indirect competition with the operations of Shenzhen Development Bank.

(2) The Company undertakes that, after the completion of the major asset restructuring with Shenzhen Development Bank, and in respect of the transactions between the Company and the enterprises under its control and Shenzhen Development Bank which constitute related party transactions of Shenzhen Development Bank, the Company and the enterprises under its control shall enter into such transactions with Shenzhen Development Bank by following the principle of "openness, fairness and justness" at fair and reasonable market prices, and shall go through the decision-making process according to the requirements of the relevant laws and regulations and regulatory documents, and shall perform their obligations of information disclosure as required by law. The Company undertakes that the Company and the enterprises under its control shall not procure any illegal interests or make Shenzhen Development Bank undertake any illicit obligations through the transactions with Shenzhen Development Bank.

(3) The Company undertakes that, after the completion of the major asset restructuring and during the period when the Company remains as the controlling shareholder of Shenzhen Development Bank, the Company shall maintain its independence from Shenzhen Development Bank and ensure that Shenzhen Development Bank is independent from the Company and the enterprises under its control in respect of personnel, assets, finance, organization and business.

As of December 31, 2019, the above undertakings were still being performed and there was no breach of the above undertakings.

Undertaking in Respect of the Issuance of Ping An Convertible Bonds

During the period of issuing Ping An Convertible Bonds by the Company, in terms of certain subsidiaries engaging in construction of properties for self-use purpose and retirement communities, the Company undertakes that, it complies and will strictly comply with regulations in relation to the insurance funds used in real estate investment and the principle that the insurance funds should only be applied for specific property development purpose without the motive of property speculation or sale in an inappropriate form. It will not develop or sell commercial housing by means of investment in retirement communities or real estate for self-use purpose.

As of December 31, 2019, the above undertaking was still being performed and there was no breach of the above undertaking.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As far as is known to any Directors or Supervisors of the Company, as of December 31, 2019, the following persons (other than the Directors, Supervisors and chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company, which shall be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept under section 336 of the SFO:

Interests and Short Positions of Substantial Shareholders Who Are Entitled to Exercise or Control the Exercise of 10% or More of the Voting Power at Any General Meetings of Shareholders of the Company

Name of substantial shareholder	H/A Shares	Capacity	Notes	Number of H/A Shares	Nature of interest	Percentage of total number of H/A shares in issue (%)	Percentage of total shares in issue (%)
CP Group Ltd	H	Interest of controlled corporations	(1)	1,760,466,331	Long position	23.63	9.63
		Party to s317 agreement	(1)	88,708,000	Long position	1.19	0.48
		Total:	(1), (2)	1,849,174,331		24.82	10.11
		Interest of controlled corporations	(1)	117,702,031	Short position	1.58	0.64
Dhanin Chearavanont	H	Party to s317 agreement	(2)	1,760,466,331	Long position	23.63	9.63
		Interest of controlled corporations	(2)	88,708,000	Long position	1.19	0.48
		Total:	(1), (2)	1,849,174,331		24.82	10.11
		Party to s317 agreement	(2)	117,702,031	Short position	1.58	0.64
King Ace International Limited	H	Party to s317 agreement	(2)	1,760,466,331	Long position	23.63	9.63
		Interest of controlled corporations	(2)	88,708,000	Long position	1.19	0.48
		Total:	(1), (2)	1,849,174,331		24.82	10.11
		Party to s317 agreement	(2)	117,702,031	Short position	1.58	0.64
UBS Group AG	H	Person having a security interest in shares		20,931,408	Long position	0.28	0.11
		Interest of controlled corporations	(3)	1,670,623,427	Long position	22.43	9.13
		Total:	(3)	1,691,554,835		22.71	9.25
		Interest of controlled corporations	(3)	1,596,006,376	Short position	21.42	8.73

Interests and Short Positions of Other Substantial Shareholders

Name of substantial shareholder	H/A Shares	Capacity	Notes	Number of H/A Shares	Nature of interest	Percentage of total number of H/A shares in issue (%)	Percentage of total shares in issue (%)
JPMorgan Chase & Co.	H	Interest of controlled corporations	(4)	588,741,650	Long position	7.90	3.22
		Investment manager		258,164,270	Long position	3.46	1.41
		Person having a security interest in shares		450,256	Long position	0.00	0.00
		Trustee		122,682	Long position	0.00	0.00
		Approved lending agent	(4)	189,693,271	Lending pool	2.54	1.03
		Total:	(4)	1,037,172,129		13.92	5.67
		Interest of controlled corporations	(4)	358,724,765	Short position	4.81	1.96
Citigroup Inc.	H	Person having a security interest in shares		417,981	Long position	0.00	0.00
		Interest of controlled corporations	(5)	73,068,780	Long position	0.98	0.39
		Approved lending agent	(5)	457,400,216	Lending Pool	6.14	2.50
		Total:	(5)	530,886,977		7.12	2.90
		Interest of controlled corporations	(5)	57,803,325	Short position	0.77	0.31
Shenzhen Investment Holdings Co., Ltd.	A	Beneficial owner		962,719,102	Long position	8.89	5.27

Notes:

(1) According to the disclosure form filed by CP Group Ltd. on October 30, 2019, CP Group Ltd. was deemed to be interested in a total of 1,760,466,331 H shares (long position) and 117,702,031 H shares (short position) in the Company by virtue of its control over several wholly owned corporations.
The entire interests and short positions of CP Group Ltd. in the Company included 117,702,031 H shares (short position) held through unlisted derivatives which are physically settled. In addition, Charoen Pokphand Group Company Limited was also deemed to be interested in 88,708,000 H shares (long position) by virtue of section 317 of the SFO.

(2) Boom Dragon Limited and Long Growth Global Limited held 88,000,000 H shares (long position) and 708,000 H shares (long position) in the Company, respectively; the two companies were wholly owned by King Ace International Limited, which was in turn wholly owned by Dhanin Chearavanont. In addition, King Ace International Limited and Dhanin Chearavanont were also deemed to be interested in 1,760,466,331 H shares (long position) and 117,702,031 H shares (short position) by virtue of section 317 of the SFO.

(3) According to the disclosure form filed by UBS Group AG on January 3, 2020, UBS Group AG was deemed to be interested in a total of 1,670,623,427 H shares (long position) and 1,596,006,376 H shares (short position) in the Company by virtue of its control over several wholly owned corporations, as well as a non-wholly owned corporation, UBS Hana Asset Management Company Ltd. (51% directly owned). The entire interests and short positions of UBS Group AG in the Company included 1,511,025,452 H shares (long position) and 1,018,700,887 H shares (short position) were held through derivatives as follows:

Derivatives	Nature of interest	Number of H shares
Listed derivatives – Physically settled	Long position	33,549,951
	Short position	31,013,590
Listed derivatives – Cash settled	Long position	1,755,850
	Short position	4,264,550
Unlisted derivatives – Physically settled	Long position	1,116,935,544
	Short position	683,994,675
Unlisted derivatives – Cash settled	Long position	358,784,107
	Short position	299,428,072

(4) According to the disclosure form filed by JPMorgan Chase & Co. on January 3, 2020, JPMorgan Chase & Co. was deemed to be interested in a total of 588,741,650 H shares (long position) and 358,724,765 H shares (short position) in the Company by virtue of its control over several wholly owned corporations, as well as non-wholly owned corporations including JPMorgan Asset Management (Asia Pacific) Limited (99.99% indirectly owned) and China International Fund Management Co., Ltd (49% indirectly owned).
The entire interests and short positions of JPMorgan Chase & Co. in the Company included a lending pool of 189,693,271 H shares (long position). Besides, 567,788,907 H shares (long position) and 232,816,029 H shares (short position) were held through derivatives as follows:

Derivatives	Nature of interest	Number of H shares
Listed derivatives – Physically settled	Long position	63,675,500
	Short position	79,671,500
Listed derivatives – Cash settled	Long position	1,959,950
	Short position	21,534,150
Unlisted derivatives – Physically settled	Long position	484,150,589
	Short position	43,940,045
Unlisted derivatives – Cash settled	Long position	14,806,162
	Short position	28,341,166
Listed derivatives – Convertible instruments	Long position	3,196,706
	Short position	59,329,168

(5) According to the disclosure form filed by Citigroup Inc. on September 2, 2019, Citigroup Inc. was deemed to be interested in a total of 73,068,780 H shares (long position) and 57,803,325 H shares (short position) in the Company by virtue of its control over several wholly owned corporations, as well as a non-wholly owned corporation, Citigroup Global Markets Holdings Bahamas Limited (90% indirectly owned).
The entire interests and short positions of Citigroup Inc. in the Company included a lending pool of 457,400,216 H shares (long position). In addition, 51,378,246 H shares (long position) and 57,238,825 H shares (short position) were held through derivatives as follows:

Derivatives	Nature of interest	Number of H shares
Listed derivatives – Physically settled	Long position Short position	20,479,374 29,649,500
Listed derivatives – Cash settled	Long position Short position	0 81,500
Unlisted derivatives – Physically settled	Long position Short position	20,282,327 25,840,640
Unlisted derivatives – Cash settled	Long position Short position	10,463,230 1,513,870
Listed derivatives – Convertible instruments	Long position Short position	153,315 153,315

(6) Figures for the percentage of H shares held have been rounded down to the nearest second decimal place, so they may not add up to the totals due to rounding. The percentage figures are based on the number of shares of the Company as of December 31, 2019.

Save as disclosed above, to the best knowledge of the Directors and Supervisors, as of December 31, 2019, no person (other than the Directors, Supervisors and chief executives of the Company) had any interest or short position in the shares and underlying shares of the Company which shall be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept under Section 336 of the SFO.

OTHER SIGNIFICANT EVENTS

No further significant events of the Company were required to be disclosed during the Reporting Period.

Independent Auditor's Report

To the Shareholders of
Ping An Insurance (Group) Company of China, Ltd.
(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of Ping An Insurance (Group) Company of China, Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 162 to 314, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Classification of financial assets at amortized cost
- Impairment assessment of loans and advances to customers and financial assets at amortized cost
- Valuation of long-term life insurance policyholders' reserves and claim reserves

Key Audit Matter	How our audit addressed the Key Audit Matter
Classification of financial assets at amortized cost Refer to note 2(12) and note 27 to the consolidated financial statements. As at 31 December 2019, the Group's "financial assets at amortized cost" as presented on the consolidated balance sheet represented 28% of total assets. We identified the classification of these financial instruments under IFRS 9 as a key audit matter as it is complex and requires considerable management judgment in: 1) Interpreting contract terms for SPPI testing purpose; 2) Determining business models for debt portfolios under the Group's diverse business activities.	We reviewed the Group's accounting policies in relation to the classification of these financial assets, and performed the following procedures to assess the appropriateness of the classification: – We understood and evaluated the Group's methodologies and processes of the solely payment of principal and interest ('SPPI') testing and business model assessment. – We tested the design effectiveness and operating effectiveness of key controls over SPPI testing. – We evaluated the design of SPPI testing logic and re-performed SPPI testing on a sampling basis by examining the contracts of these financial instruments. – We evaluated appropriateness of business model assessment for these financial instruments held by various business lines, and tested the supporting evidence on a sampling basis. Based on the work performed, management's judgements and methodologies adopted in classification of "financial assets at amortized cost" are considered acceptable.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of loans and advances to customers and financial assets at amortized cost Refer to note 2(12), 25 and 27 to the consolidated financial statements. As at 31 December 2019, the Group's "loans and advances to customers" and "financial assets at amortized cost" as presented on consolidated balance sheet represented 55 % of total assets and the amounts of expected credit loss ('ECL') provision for "loans and advances to customers" and "financial assets at amortized cost" were RMB70,013 million and RMB16,719 million respectively. We identified impairment assessment under IFRS 9 as a key audit matter, as it is complex and significant management judgment was involved in: 1) Selecting appropriate ECL models 2) Staging determination 3) Application of model assumptions 4) Formulating forward-looking adjustment	The procedures we performed included: – We tested the design and operating effectiveness of the Group's ECL controls, including the controls over model selection, internal credit rating and staging determination, forecasts of contractual cash flows, etc. – We tested management's key controls over formulation of forward-looking adjustment, including selection of macro-economic indicators and determination of weightings to various scenario. With the assistance of our credit modelling specialists, we performed the following procedures: – We evaluated whether the ECL models built appropriately cover the Group's "loans and advances to customers" and "financial assets at amortized cost". – We evaluated the reasonableness of staging determination against the Group's historical credit loss experience and industry practice. – We evaluated ECL model methodologies and the detailed application of key ECL model parameters and assumptions, which includes possibility of default, loss given default, exposure at default, discount rate, etc., and assessed the reasonableness of key management's judgements involved. – We evaluated the overall reasonableness of macro-economic scenario-settings and weightings against industry benchmarks. – We tested the ECL model measurement to check whether it is consistent with the ECL model methodologies on a sampling basis. – We also tested the accuracy of ECL data inputs during the period on a sampling basis, by reviewing the counterparties' credit information such as credit exposure, credit risk ratings, loss rates, overdue status, collateral information, and other relevant information. Based on the work performed, the inputs, assumptions and methodologies adopted in ECL provisioning by the Group for "loans and advances to customers" and "financial assets at amortized cost" are considered acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of long-term life insurance policyholders' reserves and claim reserves Refer to note 2(30), 3(4), 47 and 52(1) to the consolidated financial statements As at 31 December 2019, the Group's significant life insurance contract liabilities (long-term life insurance policyholders' reserve) and non-life insurance contract liabilities (claim reserves) represented 24% of the total liabilities. Significant judgements were involved in assessing the ultimate total settlement values of insurance contract liabilities. Economic assumptions, such as investment returns and associated discount rates, and operating assumptions such as mortality, persistency (including consideration of policyholder behaviour) and loss ratio are the key assumptions used to estimate these insurance contract liabilities. Therefore, we identified valuation of long-term life insurance policyholders' reserves and claim reserves as a key audit matter.	We involved our actuarial experts and performed following procedures in this area: – We tested the Group's internal controls over the valuation assessment process of the insurance contract liabilities. – We evaluated assumptions used in the actuarial models for the valuation of life insurance contract liabilities; specifically we assessed economic and operating assumptions by reference to relevant company's specific and industry historical data, and for future development by reference to market trends and market volatility, where applicable. – For non-life insurance contract liabilities, we set up actuarial assumptions such as claims development and loss ratio, considering both the Group's historical data and applicable industry experiences. – For the life insurance contract liabilities, we built independent models to perform testing for newly modelled products and tested the appropriateness of changes made to the actuarial models during the year. – For the non-life insurance contract liabilities, we performed independent modelling on selected classes of business. We compared our results to the management record and evaluated significant variances, including consideration of retrospective analysis. – We tested the accuracy and completeness of policy's data input into the actuarial models. – We tested the mathematical accuracy of the calculation. – We performed analysis of the movements in life insurance contract liabilities during the year, including consideration of whether the movements were in line with the assumptions adopted by the Group, our understanding of developments in the business, and our experience derived from market practice. Based on the work performed, the key valuation assumptions and methodologies adopted by management for long-term life insurance policyholders' reserves are considered acceptable, and we found the measurement results of management in the valuation of claim reserves to be supportable by the evidence we gathered.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT AND RISK MANAGEMENT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit and Risk Management Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Risk Management Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Risk Management Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Risk Management Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeung Sheung Yuen.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 February 2020

Consolidated Income Statement

For the year ended 31 December 2019

(in RMB million)	Notes	2019	2018
Gross written premiums	6	**795,064**	719,556
Less: Premiums ceded to reinsurers		**(21,370)**	(19,417)
Net written premiums	6	**773,694**	700,139
Change in unearned premium reserves		**(24,915)**	(22,436)
Net earned premiums		**748,779**	677,703
Reinsurance commission revenue		**7,572**	7,966
Interest revenue from banking operations	7	**176,621**	161,714
Interest revenue from non-banking operations	8	**99,991**	88,546
Fees and commission revenue from non-insurance operations	9	**54,800**	46,277
Investment income	10	**101,747**	31,974
Share of profits and losses of associates and jointly controlled entities		**23,224**	18,074
Other revenues and other gains	11	**60,357**	49,892
Total revenue		**1,273,091**	1,082,146
Gross claims and policyholders' benefits	12	**(589,683)**	(449,704)
Less: Reinsurers' share and policyholders' benefits	12	**11,370**	10,108
Claims and policyholders' benefits		**(578,313)**	(439,596)
Commission expenses on insurance operations		**(114,766)**	(130,394)
Interest expenses on banking operations	7	**(86,434)**	(86,931)
Fees and commission expenses on non-insurance operations	9	**(10,570)**	(9,086)
Net impairment losses on financial assets	13	**(65,270)**	(52,105)
Net impairment losses on other assets		**(1,996)**	(1,709)
Foreign exchange gains/(losses)		**779**	(946)
General and administrative expenses		**(177,164)**	(151,581)
Interest expenses on non-banking operations		**(20,098)**	(18,227)
Other expenses		**(34,520)**	(28,420)
Total expenses		**(1,088,352)**	(918,995)
Profit before tax	14	**184,739**	163,151
Income tax	15	**(20,374)**	(42,699)
Profit for the year		**164,365**	120,452
Attributable to:			
– Owners of the parent		**149,407**	107,404
– Non-controlling interests		**14,958**	13,048
		164,365	120,452
Earnings per share attributable to ordinary equity holders of the parent:		RMB	RMB
– Basic	17	**8.41**	6.02
– Diluted	17	**8.38**	6.01

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

(in RMB million)	Note	2019	2018
Profit for the year		**164,365**	120,452
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		**2,044**	8,448
Credit risks provision of debt instruments at fair value through other comprehensive income		**1,132**	575
Shadow accounting adjustments		**(571)**	(4,197)
Exchange differences on translation of foreign operations		**469**	1,139
Share of other comprehensive income of associates and jointly controlled entities		**204**	390
Items that will not be reclassified to profit or loss:			
Changes in the fair value of equity instruments at fair value through other comprehensive income		**7,269**	(12,175)
Shadow accounting adjustments		**(3,021)**	7,957
Share of other comprehensive income of associates and jointly controlled entities		**1,706**	–
Other comprehensive income for the year, net of tax		**9,232**	2,137
Total comprehensive income for the year		**173,597**	122,589
Attributable to:			
– Owners of the parent		**157,926**	108,987
– Non-controlling interests		**15,671**	13,602
		173,597	122,589

Consolidated Statement of Financial Position

As at 31 December 2019

(in RMB million)	Notes	31 December 2019	31 December 2018
Assets			
Cash and amounts due from banks and other financial institutions	18	**508,706**	457,524
Balances with the Central Bank	19	**246,771**	273,513
Financial assets purchased under reverse repurchase agreements	20	**96,457**	92,951
Premium receivables	21	**82,416**	67,150
Accounts receivable		**28,579**	22,011
Derivative financial assets	22	**18,957**	21,911
Reinsurers' share of insurance liabilities	23	**17,703**	16,671
Policy loans		**139,326**	111,219
Finance lease receivable	24	**183,957**	165,214
Loans and advances to customers	25	**2,240,396**	1,929,842
Financial assets at fair value through profit or loss	26	**961,073**	824,939
Financial assets at amortized cost	27	**2,281,225**	2,075,151
Debt financial assets at fair value through other comprehensive income	28	**458,165**	310,901
Equity financial assets at fair value through other comprehensive income	29	**282,185**	222,639
Investments in associates and jointly controlled entities	30	**204,135**	154,895
Statutory deposits for insurance operations	31	**12,501**	12,446
Investment properties	32	**39,848**	38,242
Property and equipment	33	**46,971**	49,323
Intangible assets	34	**63,333**	58,450
Right-of-use assets	35	**16,553**	–
Deferred tax assets	49	**50,301**	45,187
Other assets	36	**197,240**	156,473
Policyholder account assets in respect of insurance contracts	37	**41,763**	32,344
Policyholder account assets in respect of investment contracts	37	**4,368**	3,964
Total assets		**8,222,929**	7,142,960
Equity and liabilities			
Equity			
Share capital	38	**18,280**	18,280
Reserves	39	**225,911**	203,719
Treasury shares	42	**(5,001)**	–
Retained profits	39	**433,971**	334,509
Equity attributable to owners of the parent		**673,161**	556,508
Non-controlling interests	39	**179,209**	127,135
Total equity		**852,370**	683,643

(in RMB million)	Notes	31 December 2019	31 December 2018
Liabilities			
Due to banks and other financial institutions	43	**824,025**	803,154
Financial liabilities at fair value through profit or loss		**39,458**	16,975
Derivative financial liabilities	22	**24,527**	22,247
Assets sold under agreements to repurchase	44	**176,523**	189,028
Accounts payable		**4,821**	4,713
Income tax payable		**12,445**	31,416
Insurance payables		**126,255**	120,688
Policyholder dividend payable		**59,082**	52,591
Customer deposits and payables to brokerage customers	45	**2,431,713**	2,114,344
Bonds payable	46	**699,631**	556,875
Insurance contract liabilities	47	**2,612,184**	2,211,887
Investment contract liabilities for policyholders	48	**57,489**	52,747
Lease liabilities	35	**15,986**	–
Deferred tax liabilities	49	**22,282**	18,476
Other liabilities	50	**264,138**	264,176
Total liabilities		**7,370,559**	6,459,317
Total equity and liabilities		**8,222,929**	7,142,960

The financial statements on pages 162 to 314 were approved and authorized for issue by the Board of Directors on 20 February 2020 and were signed on its behalf.

MA Mingzhe	**REN Huichuan**	**YAO Jason Bo**
Director	*Director*	*Director*

FINANCIAL STATEMENTS

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

(in RMB million)	Share capital	Share premium	Financial assets at FVOCI reserves	Shadow accounting adjustments	Others	Surplus reserve funds	General reserves	Exchange differences on translation of foreign operations	Treasury shares	Retained profits	Non-controlling interests	Total equity
	For the year ended 31 December 2019											
		Reserves										
As at 31 December 2018	**18,280**	**111,598**	**4,173**	**(1,235)**	**19,718**	**12,164**	**55,794**	**1,507**	**-**	**334,509**	**127,135**	**683,643**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**149,407**	**14,958**	**164,365**
Other comprehensive income for the year	**-**	**-**	**9,723**	**(3,574)**	**1,901**	**-**	**-**	**469**	**-**	**-**	**713**	**9,232**
Total comprehensive income for the year	**-**	**-**	**9,723**	**(3,574)**	**1,901**	**-**	**-**	**469**	**-**	**149,407**	**15,671**	**173,597**
Dividends declared (Note 16)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(33,775)**	**-**	**(33,775)**
Appropriations to general reserves	**-**	**-**	**-**	**-**	**-**	**-**	**16,170**	**-**	**-**	**(16,170)**	**-**	**-**
Dividend paid to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,623)**	**(2,623)**
Equity transactions with non- controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(26)**	**(26)**
Contributions from non-controlling interests	**-**	**-**	**-**	**-**	**460**	**-**	**-**	**-**	**-**	**-**	**2,114**	**2,574**
Key Employee Share Purchase Plan (Note 40)	**-**	**-**	**-**	**-**	**20**	**-**	**-**	**-**	**-**	**-**	**-**	**20**
Long-term Service Plan (Note 41)	**-**	**-**	**-**	**-**	**(4,215)**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,215)**
Acquisition of treasury shares (Note 42)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,001)**	**-**	**-**	**(5,001)**
Other equity instruments issued by subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**36,542**	**36,542**
Others	**-**	**-**	**-**	**-**	**1,238**	**-**	**-**	**-**	**-**	**-**	**396**	**1,634**
As at 31 December 2019	**18,280**	**111,598**	**13,896**	**(4,809)**	**19,122**	**12,164**	**71,964**	**1,976**	**(5,001)**	**433,971**	**179,209**	**852,370**

(in RMB million)	Share capital	Share premium	Financial assets at FVOCI reserves	Shadow accounting adjustments	Others	Surplus reserve funds	General reserves	Exchange differences on translation of foreign operations	Retained profits	Non-controlling interests	Total equity
	For the year ended 31 December 2018										
		Reserves									
As at 31 December 2017	18,280	111,598	46,089	(6,416)	9,114	12,164	44,964	368	237,190	114,566	587,917
Change in accounting policy	-	-	(36,513)	1,439	-	-	-	-	32,300	(2,021)	(4,795)
As at 1 January 2018	18,280	111,598	9,576	(4,977)	9,114	12,164	44,964	368	269,490	112,545	583,122
Profit for the year	-	-	-	-	-	-	-	-	107,404	13,048	120,452
Other comprehensive income for the year	-	-	(3,688)	3,742	390	-	-	1,139	-	554	2,137
Total comprehensive income for the year	-	-	(3,688)	3,742	390	-	-	1,139	107,404	13,602	122,589
Dividends declared (Note 16)	-	-	-	-	-	-	-	-	(33,270)	-	(33,270)
Appropriations to general reserves	-	-	-	-	-	-	10,830	-	(10,830)	-	-
Transfer from other comprehensive income to retained profits	-	-	(1,715)	-	-	-	-	-	1,715	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(2,177)	(2,177)
Equity transactions with non- controlling interests	-	-	-	-	(18)	-	-	-	-	(125)	(143)
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	224	224
Key Employee Share Purchase Plan (Note 40)	-	-	-	-	5	-	-	-	-	-	5
Other equity instruments issued by subsidiaries	-	-	-	-	-	-	-	-	-	2,996	2,996
Others	-	-	-	-	10,227	-	-	-	-	70	10,297
As at 31 December 2018	18,280	111,598	4,173	(1,235)	19,718	12,164	55,794	1,507	334,509	127,135	683,643

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

(in RMB million)	Notes	2019	2018
Net cash flows from operating activities	56	**249,445**	206,260
Cash flows from investing activities			
Purchases of investment properties, property and equipment, and intangible assets		**(12,210)**	(10,663)
Proceeds from disposal of investment properties, property and equipment, and intangible assets, net		**2,506**	3,573
Proceeds from disposal of investments		**1,537,886**	1,349,977
Purchases of investments		**(2,066,841)**	(1,711,291)
Acquisition of non-controlling interests in subsidiaries, net		**(152)**	(42)
Acquisition of subsidiaries, net		**(396)**	(142)
Disposal of subsidiaries, net		**2,916**	1,206
Interest received		**131,388**	102,604
Dividends received		**48,864**	46,890
Rentals received		**3,383**	3,743
Increase in policy loans, net		**(27,501)**	(26,281)
Net cash flows used in investing activities		**(380,157)**	(240,426)
Cash flows from financing activities			
Capital injected into subsidiaries by non-controlling interests		**28,945**	3,220
Proceeds from bonds issued		**677,834**	860,782
(Decrease)/Increase in assets sold under agreements to repurchase of insurance operations, net		**(37,778)**	47,382
Proceeds from borrowings		**210,907**	166,538
Repayment of borrowings		**(664,271)**	(986,646)
Interest paid		**(33,994)**	(25,308)
Dividends paid		**(35,932)**	(35,693)
Payment of acquisition of treasury shares		**(5,001)**	–
Payment of share purchased for Long-term Service Plan		**(4,296)**	–
Repayment of lease liabilities		**(7,311)**	–
Others		**(4,026)**	989
Net cash flows from financing activities		**125,077**	31,264
Net decrease in cash and cash equivalents		**(5,635)**	(2,902)
Net foreign exchange differences		**1,077**	2,262
Cash and cash equivalents at beginning of the year		**308,024**	308,664
Cash and cash equivalents at end of the year	55	**303,466**	308,024

FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Ping An Insurance (Group) Company of China, Ltd. (the 'Company') was registered in Shenzhen, the People's Republic of China (the 'PRC') on 21 March 1988. The business scope of the Company includes investing in financial and insurance enterprises, as well as supervising and managing various domestic and overseas businesses of subsidiaries, and controlled funds. The Company and its subsidiaries are collectively referred to as the Group. The Group mainly provides integrated financial products and services and is engaged in life insurance, property and casualty insurance, trust, securities, banking and other businesses.

The registered office address of the Company is 47th, 48th, 109th, 110th, 111th and 112th Floors, Ping An Finance Centre, No. 5033 Yitian Road, Futian District, Shenzhen, Guangdong Province, China.

These consolidated financial statements are presented in millions of Renminbi ('RMB') unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with IFRS which comprise standards and interpretations approved by the IASB and IFRS Interpretations Committee applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities (including derivative instruments) measured at fair value and insurance contract liabilities, which have been measured primarily based on actuarial methods.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

To the extent that a topic is not covered explicitly by IFRS, the IFRS framework permits reference to another comprehensive body of accounting principles, and therefore the Group has chosen to refer to the accounting practices currently adopted by insurance companies reporting under Accounting Standards for Business Enterprises.

(2) CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Changes in accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2018, except for the adoption of the new International Financial Reporting Standards 16 Leases ("IFRS 16 Leases").

The Group has adopted IFRS 16 Leases from 1 January 2019 and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The new accounting policies are set out in note 2(39).

On adoption of IFRS 16 Leases, the Group recognized RMB18,500 million of right-of-use assets and RMB17,667 million of lease liabilities as at 1 January 2019. These lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

The difference between the remaining lease payments of the material operating lease as at 31 December 2018 discounted using the lessee's incremental borrowing rate at the date of initial application and lease liabilities recognized as at 1 January 2019 is not material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) CHANGES IN ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

Changes in accounting policies (continued)

In applying IFRS 16 Leases for the first time, the Group has used the following practical expedients permitted by the standard:

- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application,
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease, and
- reliance on previous assessments on whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.

For short-term leases and leases of low-value assets which are low-value when new, the Group chose not to recognize them as right-of-use assets and lease liabilities. The relevant payments are recognized on a straight-line basis as an expense in profit or loss during the lease period. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture and IT-equipment.

Changes in accounting estimates

Significant judgment is required in determining the actuarial assumptions, e.g. discount rates/investment return, mortality, morbidity, lapse rates, policy dividend, and expenses, used in the valuation of insurance contract liabilities for the long-term life insurance contracts. Such assumptions should be determined based on current information available at the end of the reporting period. The Group has changed the above assumptions based on current information available as at 31 December 2019 (mainly due to change of the benchmarking yield curve for the measurement of insurance contract liabilities and adjustments of the comprehensive premium), and updated the estimate of future cash flows, with the result of changes in the long-term life insurance contract liabilities being recognised in profit or loss. Consequently the long-term life insurance policyholders' reserves were increased by RMB20,774 million as at 31 December 2019 and the profit before tax for the year ended 31 December 2019 was decreased by RMB20,774 million (long-term life insurance policyholders' reserves were decreased by RMB3,002 million as at 31 December 2018 and the profit before tax for the year period ended 31 December 2018 was increased by RMB3,002 million).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(3) ISSUED BUT NOT YET EFFECTIVE STANDARDS, AMENDMENTS AND INTERPRETATIONS

The Group has not applied the following new standards, which have been issued but are not yet effective.

IFRS 17, 'Insurance Contracts', was published on 18 May 2017. IFRS 17 established principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin representing the unearned profit of the contract. The new standard is currently mandatorily effective for financial years commencing on or after 1 January 2021, however in June 2019, IASB proposed to defer IFRS 17 for annual reporting period beginning on or after 1 January 2022. The Group is in the process of assessing the impact of IFRS 17.

Except for IFRS 17, there are no amendments to IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

(4) BUSINESS COMBINATIONS AND GOODWILL

Business combinations that are not under common control are accounted for using the acquisition method. The cost of an acquisition is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or a liability that is a financial instrument and within the scope of IFRS 9 is measured at fair value with changes in fair value either recognized in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(4) BUSINESS COMBINATIONS AND GOODWILL (CONTINUED)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

(5) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019 and for the year then ended.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends, are eliminated on consolidation in full, unless the transaction provides evidence of an impairment of the transferred asset.

Total comprehensive income within a subsidiary is still attributed to the non-controlling interest even if it results in a deficit balance. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Group's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(6) SUBSIDIARIES

A subsidiary is an entity (including structured entities) over which the Group has control. The Group controls an entity when the Group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

(7) STRUCTURED ENTITIES

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual or related arrangements.

The Group determines whether it is an agent or a principal in relation to those structured entities in which the Group acts as an asset manager on management's judgement. If an asset manager is agent, it acts primarily on behalf of others and so does not control the structured entity. It may be principal if it acts primarily for itself, and therefore controls the structured entity.

The Group has determined that all of its trust products, debt investment plans, equity investment plans and asset funding plans, which are not controlled by the Group, are unconsolidated structured entities. Trust products, equity investment plans and asset funding plans are managed by affiliated or unaffiliated trust companies or asset managers and invest the funds raised in loans or equities of other companies. Debt investment plans are managed by affiliated or unaffiliated asset managers and its major investment objectives are infrastructure funding projects. Trust products, debt investment plans, equity investment plans and asset funding plans finance their operations by issuing beneficiary certificates which entitle the holders to agreed stake according to contractual terms in the respective trust products', debt investment plans', equity investment plans' and asset funding plans' income.

The Group holds beneficiary certificates in its trust products, debt investment plans, equity investment plans and asset funding plans.

(8) ASSOCIATES

An associate is an entity, not being a subsidiary or a jointly controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated financial statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealized losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(8) ASSOCIATES (CONTINUED)

The financial statements of the associates are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investments in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognizes any remaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment, as well as the gain on disposal of the associates, are recognized in profit or loss.

The results of associates are included in the Group's income statement to the extent of dividends received and receivable. The Group's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

(9) JOINTLY CONTROLLED ENTITIES

The Group has assessed the nature of its jointly controlled entities and determined them to be joint ventures. The Group has rights to the net assets of these jointly controlled entities. The Group's investments in its jointly controlled entities are accounted for using the equity method of accounting, less any impairment losses. Refer to Note 2. (8) for details of the equity method of accounting.

(10) FOREIGN CURRENCIES

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss on change arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in profit or loss and other comprehensive income, respectively).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(10) FOREIGN CURRENCIES (CONTINUED)

The functional currency of most of overseas subsidiaries is the Hong Kong dollar. At the end of the reporting period, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of income are translated into RMB at the average exchange rate for the year. The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange differences on translation of foreign operations reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates for their functional and currencies ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rate for the year.

(11) CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, demand deposits, current accounts with the Central Bank and short term highly liquid investments including assets purchased under reverse repurchase agreements and others which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

(12) FINANCIAL ASSETS

Recognition

The Group shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, it becomes a party to the contractual provisions of the instrument.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Classification and Measurement

The Group classifies its financial assets in the following measurement categories, which depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows:

- those to be measured at amortized cost ("AC");
- those to be measured at fair value through other comprehensive income ("FVOCI"); or
- those to be measured at fair value through profit or loss ("FVPL").

The Group determines the classification of debt investments according to its business model and the contractual cash flow characteristics of the financial assets. The debt investments shall be classified as FVPL if the cash flows characteristics cannot pass the test on solely payments of principal and interest on the principal amount ("SPPI"). Otherwise, the classification of debt investments will depend on the business model provided the fair value option is not elected. Investments in equity instruments are classified as FVPL in general, except those designated as at FVOCI.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(12) FINANCIAL ASSETS (CONTINUED)

Classification and Measurement (continued)

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds, etc. Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at FVPL are measured at amortized cost. Interest income from these financial assets is included in the interest revenue using the effective interest rate method. Any gain or loss arising from derecognition or impairment is recognized directly in profit or loss. Such assets held by the group mainly include cash and amounts due from banks and other financial institution, balances with the central bank, accounts receivable, finance lease receivable, financial assets at AC, loans and advances to customers measured at AC, etc.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in the interest revenue using the effective interest rate method. Such assets held by the group mainly include debt financial assets at FVOCI and loans and advances to customers measured at FVOCI, etc.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. The gains or losses arisen from fair value changes on the debt investments measured at FVPL are recognized in profit or loss. The Group also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends, representing a return on such investments, continue to be recognized in profit or loss when the Group's right to receive payments is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(12) FINANCIAL ASSETS (CONTINUED)

Impairment

Expected credit loss refers to the weighted average amount of credit loss of financial instruments based on the probability of default. Credit loss refers to the difference between all contractual cash flows that are due to the entity in accordance with the contract and all the cash flows that the entity expects to receive, discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI, and with the exposure arising from loan commitments and financial guarantee contracts that are not accounted for as 'insurance contracts'. A number of significant judgements are required in measuring the ECL, such as:

i) Choosing appropriate models and assumptions for the measurement of ECL including exposure at default (EAD), probability of default (PD), loss given default (LGD), etc.;

ii) Determining criteria for significant increase in credit risk;

iii) Establishing the number and relative weightings of forward-looking scenarios for the associated ECL.

For the financial instruments subject to ECL measurement, the Group assesses the significant increase in credit risk since initial recognition or whether an instrument is considered to be credit impaired, outlines a 'three-stage' model expected credit loss models are established and staging definition are set for each of these financial assets class. Incorporating forward-looking information, expected credit losses for financial assets are recognized into the different stages and measured the impairment provisions respectively.

Stage 1: A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group. The impairment provisions is measured at an amount equal to the 12-month expected credit losses for the financial assets which are not considered to have significantly increased in credit risk since initial recognition.

Stage 2: If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The impairment provisions is measured based on expected credit losses on a lifetime basis.

Stage 3: If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. The impairment provisions is measured based on expected credit losses on lifetime basis.

For the financial assets at Stage 1 and Stage 2, the interest income is calculated based on its gross carrying amount (i.e. amortized cost) before adjusting for impairment provision using the effective interest method. For the financial assets at Stage 3, the interest income is calculated based on the carrying amount of the asset, net of the impairment provision, using the effective interest method. Financial assets that are originated or purchased credit impaired are financial assets that are impaired at the time of initial recognition, and the impairment provision for these assets is the expected credit loss for the entire lifetime since initial recognition as purchased or originated credit-impaired financial assets.

The Group recognizes or reverses the impairment provision through profit or loss. For debt instruments measured at FVOCI, impairment gains or losses are included in the net impairment losses on financial instruments and correspondingly reduce the accumulated changes in fair value included in the OCI reserves of equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(12) FINANCIAL ASSETS (CONTINUED)

Impairment (continued)

For account receivables, the Group refers to historical experience of credit loss, combines with current situation and forward-looking information, formulate the lifetime expected credit loss of the financial assets.

For loan commitments, the loss allowance is recognized as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognized as a provision.

Derecognition

Financial assets are derecognized when:

(a) the contractual rights to receive the cash flows from the financial assets have expired;

(b) they have been transferred and the Group transfers substantially all the risks and rewards of ownership;

(c) they have been transferred and the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

When the equity financial assets measured at FVOCI is derecognised, the cumulative gain or loss previously recognized in OCI is reclassified from equity to retained profits. When the other financial assets is derecognised, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss.

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

(13) FINANCIAL LIABILITIES

At initial recognition, the Group classifies a financial liability at fair value through profit or loss or other financial liabilities. The Group measures a financial liability at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial liability. Transaction costs of financial liabilities carried at FVPL are expensed in profit or loss.

When a financial liability (or part of it) is extinguished, the Group derecognises the financial liability (or part of it). The difference between the carrying amount of the derecognised liability and the consideration is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(13) FINANCIAL LIABILITIES (CONTINUED)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and other financial liabilities designated as such at initial recognition. Financial liabilities held for trading are the financial liabilities that:

(a) are incurred principally for the purpose of repurchasing it in the near term;

(b) on initial recognition are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

(c) are derivatives (except for a derivative that is a designated and effective hedging instrument or a financial guarantee contract).

The above financial liabilities are subsequently measured at fair value. All the realized and unrealized gains/(losses) are recognized in profit or loss.

The Group may, at initial recognition, designate a financial liability as at fair value through profit or loss when one of the following criteria is met:

(a) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or

(b) a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel;

(c) a contract contains one or more embedded derivatives, with the host being not an asset within the scope of IFRS 9, and the embedded derivative(s) do(es) significantly modify the cash flows;

Once designated as financial liabilities at fair value through profit or loss at initial recognition, the financial liabilities shall not be reclassified to other financial liabilities in subsequent periods. Financial liabilities designated at FVPL are subsequently measured at fair value. Any changes in fair value are recognized in profit or loss, except for changes in fair value arising from changes in the Group's own credit risk which are recognized in the OCI. Changes in fair value due to changes in the Group's own credit risk are not subsequently reclassified to profit or loss upon derecognition of the liabilities.

Other financial liabilities

The Group measures other financial liabilities subsequently at amortized cost, using the effective interest method. Other financial liabilities of the Group mainly include customer deposits and payables to brokerage customers, short term borrowings, long term borrowings and bonds payable, etc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(13) FINANCIAL LIABILITIES (CONTINUED)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss, which incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. The Group initially measures such contracts at fair value. The fair value at inception is likely to equal the premium received. This amount is recognized rateably over the period of the contract in fees and commission income. Subsequently, the liabilities arising from the financial guarantee contracts are measured at the higher of premium received on the initial recognition less income recognised in accordance with the principles of IFRS 15, and the amount of impairment provision calculated as described in note 2(12) – impairment.

Apart from the above financial guarantee contracts issued by the Group's banking operations which are accounted for under IFRS 9, the Group has also regarded certain financial guarantee contracts as insurance contracts and has elected to apply IFRS 4 to such financial guarantee contracts.

(14) DERIVATIVE FINANCIAL INSTRUMENTS

The Group's derivative financial instruments mainly include interest rate swaps, forward currency contracts and swap transaction, credit swap and stock index futures, etc. Such derivative financial instruments are initially recognized at fair value on the date of which the related derivative contracts are entered into and are subsequently measured at fair value. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

The gains or losses arisen from fair value changes of derivatives are recognized in profit or loss.

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host-with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

If a hybrid contract contains a host that is not an asset within the scope of IFRS 9, an embedded derivative shall be separated from the host and accounted for as a derivative if, and only if:

(a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host;

(b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

(c) the hybrid contract is not measured at fair value with changes in fair value recognized in profit or loss (i.e. a derivative that is embedded in the hybrid contract at fair value through profit or loss is not separated).

For the above assets, the Group may bifurcate the embedded derivative and measured it at fair value through profit or loss, or designate the entire hybrid instrument to be measured at fair value through profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(15) FAIR VALUE OF FINANCIAL INSTRUMENTS

For financial instruments where there is active market, the fair value is determined by quoted prices in active markets. For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques should be appropriate in the circumstances for which sufficient data is available, and the inputs should be consistent with the objective of estimating the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions, and maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Such techniques include using recent prices in arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate for similar instruments. Certain financial instruments, including derivative financial instruments, are valued using pricing models that consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

Determining whether to classify financial instruments into level 3 of the fair value hierarchy is generally based on the significance of the unobservable factors involved in valuation methodologies.

(16) OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

(17) ASSETS PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS AND ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Assets sold under repurchase agreements continue to be recognized but a liability is recognised and presented as 'assets sold under agreements to repurchase' for the proceeds from selling such assets. The Group may be required to provide additional collateral based on the fair value of the underlying assets and such non-cash collateral assets continue to be recognized on the balance sheet. The difference between the selling price and repurchasing price is recognized as interest expense over the term of the agreement using the effective interest method.

The Group enters into purchases of assets under reverse repurchase agreements. The Group may not take physical possession of assets purchased under such agreements. In the event of default by the counterparty to repurchase the assets, the Group has the right to the underlying assets. The difference between the purchasing price and reselling price is recognized as interest income over the term of the agreement using the effective interest method.

Sale of assets under repurchase agreements and purchase of assets under reverse repurchase agreements conducted in the bank and securities businesses are included in the operating activities of consolidated statement of cash flows and sale of assets under repurchase agreements and purchase of assets under reverse repurchase agreements conducted in the insurance business are included in the financing and investing activities of consolidated statement of cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(18) FINANCE LEASE RECEIVABLE AND UNEARNED FINANCE INCOME

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. At the commencement of the lease term, the Group recognizes the minimum lease payments receivable by the Group, the initial direct costs and the unguaranteed residual value in the finance lease receivable. The difference between (a) the aggregate of the minimum lease payments and the unguaranteed residual value and (b) the aggregate of their present values is recognized as unearned finance lease income. Finance lease receivable net of unearned finance lease income which represents the Group's net investment in the finance lease is presented as finance lease receivable in the consolidated statement of financial position. Unearned finance lease income is allocated over the lease term based on a pattern reflecting a constant periodic return on the Group's net investment in the finance lease, and is recognized as 'other revenues and other gains'.

The impairment provision measurement and derecognition of finance lease receivable are complied with basic accounting policy of the financial assets (Note 2.(12)).The Group incorporates forward looking information in estimating the expected credit loss for finance lease receivable. The Group derecognises finance lease receivables when the rights to receive cash flows from the finance lease have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Refer to note 13 and note 24 for details.

(19) PRECIOUS METALS

The Group's precious metals represent gold and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net recoverable amount. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in income statement.

(20) INVESTMENT PROPERTIES

Investment properties are interests in land and buildings that are held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost, which is the fair value of the consideration given to acquire them, including transaction costs. Subsequently, all investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is computed on a straight-line basis, after taking into account the estimated residual value (1% to 10% of original cost), over the estimated useful lives. The estimated useful lives of investment properties vary from 20 to 40 years.

The useful life and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the individual investment properties.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Transfers to, or from, investment properties are made when, and only when, there is evidence of a change in use or the investment property is sold.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(21) PROPERTY AND EQUIPMENT

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the income statement in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalized as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal assumptions used for this purpose are as follows:

	Estimated residual values	Estimated useful lives
Leasehold improvements	–	Over the shorter of economic useful lives and terms of the leases
Buildings	1% – 10%	20 – 40 years
Equipment, furniture and fixtures	0% – 10%	3 – 15 years
Motor vehicles	1% – 10%	5 – 10 years

The useful lives and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the items of property and equipment.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

(22) CONSTRUCTION IN PROGRESS

Construction in progress mainly represents costs incurred in the construction of building premises, as well as the cost of equipment pending installation, less any impairment losses.

No provision for depreciation is made on construction in progress until such time the relevant assets are completed and ready for use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(23) INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized on the straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(a) Core deposits

Core deposits are accounts that a financial institution expects to maintain for an extended period of time due to ongoing business relationships. The intangible asset value associated with core deposits reflects the present value of additional cash flow resulted from the use of the deposits at a lower cost alternative source of funding in the future periods.

(b) Expressway operating rights

Expenditures on acquiring the expressway operating rights are capitalized as intangible assets and subsequently amortized on the straight-line basis over the contract terms.

(c) Prepaid land premiums

Prepaid land premiums are prepayments for land under PRC law for fixed periods. Prepaid land premiums are initially stated at cost and subsequently amortized on the straight-line basis over the lease terms. All lands related to the Group's prepaid land premiums are located in Mainland China.

(d) Trademarks

Trademarks are initially stated at cost and subsequently amortized on the straight-line basis over the estimated useful lives.

The estimated useful lives of intangible assets are set as below:

	Estimated useful lives
Expressway operating rights	20 – 30 years
Prepaid land premiums	30 – 50 years, indefinite
Core deposits	20 years
Trademarks	10 – 40 years, indefinite
Software and others (including patents and know-how, customer relationships and contract rights, etc.)	2 – 28 years

FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(24) FORECLOSED ASSETS

Foreclosed assets are initially recognized at fair value. The difference between the initial fair value and the sum of the related loan principal, interest receivable and impairment provision is taken into the income statement. At the end of the reporting period, the foreclosed assets are measured at the lower of their carrying value and net recoverable amount. When the carrying value of the foreclosed assets is higher than the net recoverable amount, a provision for the decline in value of foreclosed assets is recognized in the income statement in 'General and administrative expenses'.

(25) INVENTORIES

The Group's inventories comprise raw materials, product in progress, finished goods, other supplemental materials, etc. and lands purchased for property development by real estate subsidiaries. Inventory is initially measured at cost which includes purchasing cost, processing cost and other costs which made the inventory to the present place and condition.

The actual cost of inventory is priced based on moving weighted average method.

At the end of the reporting period, inventory is measured at the lower of its cost and net realizable value. If the net realizable value is lower than cost, inventory impairment provisions are allotted.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and related taxes. Estimates of net recoverable amount are based on the most reliable evidence available at the time the estimates are made, also taking into consideration the purpose for which the inventory is held and the influence of events after the end of the reporting period.

Inventory impairment provisions should be accrued when the cost of individual inventory item is higher than its net realizable value.

After allotting inventory impairment provisions, if the influencing factors of previous inventory impairment provisions have disappeared, and hence the net realizable value of the inventories are higher than their book values, the previous written down amount should be recovered and the reversed amount which is within the amount of original allotted inventory impairment provisions should be included in current profit and loss.

(26) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is an indication that a non-financial asset other than deferred tax assets may be impaired. If any such indication exists, or when annual impairment testing for a non-financial asset is required, the Group makes an estimate of the asset's recoverable amount. A non-financial asset's recoverable amount is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where the carrying amount of a non-financial asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to disposal, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(26) IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)

For non-financial assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Group makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the income statement.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. The recoverable amount is the higher of its fair value less costs to disposal and its value-in-use, determined on an individual asset (or cash-generating unit) basis, unless the individual asset (or cash-generating unit) does not generate cash flows that are largely independent from those of other assets or groups of assets (or groups of cash-generating units). Impairment losses recognized in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

Intangible assets with indefinite useful lives are tested for impairment annually at each year end either individually or at the cash-generating unit level, as appropriate.

(27) INSURANCE GUARANTEE FUND

According to the 'Administrative Regulations on the Insurance Guarantee Fund' (CIRC [2008] No.2), the Group calculates the insurance guarantee fund as follows:

- 0.8% of the premium income for non-investment type property insurance, 0.08% of the consideration received for investment type property insurance with guaranteed return, and 0.05% of the consideration received for investment type property insurance without guaranteed return;
- 0.15% of the consideration received for life insurance with guaranteed return, and 0.05% of the consideration received for life insurance without guaranteed return;
- 0.8% of the premium income for short term health insurance, and 0.15% of the premium income for long term health insurance; and
- 0.8% of the premium income for non-investment type accident insurance; 0.08% of the consideration received for investment type accident insurance with guaranteed return, and 0.05% of the consideration received for investment type accident insurance without guaranteed return.

No additional provision is required when the accumulated insurance guarantee fund balances of Ping An Life Insurance Company of China, Ltd. ('Ping An Life'), Ping An Annuity Insurance Company of China, Ltd. ('Ping An Annuity') and Ping An Health Insurance Company of China, Ltd. ('Ping An Health') reach 1% of their respective total assets. For Ping An Property & Casualty Insurance Company of China, Ltd. ('Ping An Property & Casualty'), no additional provision is required when the accumulated balance reaches 6% of its total assets.

The consideration received and premium income used in the calculation of the insurance guarantee fund is the amount agreed in the insurance policies. Insurance guarantee fund levy is charged to expenses as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(28) INSURANCE CONTRACTS

Insurance contracts are those contracts under which the Group has accepted insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance contracts are classified as direct insurance contracts and reinsurance contracts. The significance of insurance risk as determined by the Group is mainly dependent on the magnitude of its potential effect.

Some insurance contracts contain both an insurance component and a deposit component. The Group chooses to unbundle those components, if the insurance component and the deposit component are distinct and separately measurable. The unbundled insurance component is accounted for according to IFRS 4 and the unbundled deposit component is accounted for according to relevant accounting policies. If the insurance component and the deposit component are not distinct and separately measurable, the whole contract is accounted for as an insurance contract.

(29) SIGNIFICANT INSURANCE RISK TESTING

For other insurance contracts issued by the Group, tests are performed to determine if the contracts contain significant insurance risk, and contracts of similar nature are grouped together for this purpose. When performing the significant insurance risk test, the Group makes judgments in sequence as to whether the contract transfers insurance risk, whether the contract has commercial substance, and whether the transferred insurance risk is significant.

(30) INSURANCE CONTRACT LIABILITIES

The insurance contract liabilities of the Group include long-term life insurance policyholders' reserves, unearned premium reserves and claim reserves.

When measuring insurance contract liabilities, the Group classifies insurance contracts whose insurance risks are of similar nature as a measurement unit. Property and casualty and short-term life insurance policies are grouped into certain measurement units by lines of business. For long-term life insurance policies, the Group mainly considers the characteristics of the policies, including product type, gender, age, and durations of policies, when determining the measurement units.

Insurance contract liabilities are measured based on a reasonable estimate of amount of payments when the Group fulfils the relevant obligations under the insurance contracts, which represents the difference between expected future cash outflows and inflows under such contracts, i.e., the expected future net cash outflows.

► Expected future cash outflows represent reasonable cash outflows which are necessary for the Group to fulfil the obligations under the insurance contracts (including benefits attributable to the policyholders), and mainly include:

  – Guaranteed benefits under the insurance contracts, including claims, mortality benefits, disability benefits, morbidity benefits, survival benefits and maturity benefits;

  – Non-guaranteed benefits under the insurance contracts arising from constructive obligations, including policyholder dividends, etc.;

  – Reasonable expenses necessary for policy administration and claims handling, including policy maintenance expenses, claim expenses, etc.

► Expected future cash inflows represent cash inflows arising from assuming liabilities under the insurance contracts, including premium income and other charges.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(30) INSURANCE CONTRACT LIABILITIES (CONTINUED)

A reasonable estimate of expected future net cash flows is determined based on information currently available as at the end of the reporting period.

Margins are considered and separately measured in determining insurance contract liabilities. Margins are released in the income statement over the insurance coverage period using systematic and reasonable methods. Margins include risk margin and residual margin.

- Risk margin represents provision for the uncertainty and the degree of impact associated with the future net cash flows. The Group determines risk margins of the long-term life insurance policyholders' reserves using the scenario comparison method. The unfavourable scenarios are determined according to the uncertainty and impact of expected net cash outflows.

- At inception of an insurance contract, any 'day-one' gain is not recognized in the income statement, but included in the insurance contract liabilities as a residual margin. The residual margin is calculated net of certain acquisition costs, mainly consisting of commission expenses on insurance operations. At inception of an insurance contract, any 'day-one' loss is recognized in the income statement. Any residual margin is subsequently measured based on the assumptions of the years when the policies become effective, and will not be adjusted for future change in assumptions. For non-life insurance contracts, the Group amortizes the residual margin which is embedded in the unearned premium reserves on a time basis during the whole insurance coverage period and records it in profit or loss. For life insurance contracts, the Group amortizes the residual margin on the basis of the sums insured or the number of policies during the whole insurance coverage period.

When measuring insurance contract liabilities, the time value of money is considered. The related future cash flows are discounted when the impact of time value of money is significant. For short duration contracts whose duration is within one year, the cash flows are not discounted. The discount rates used in the measurement of time value of money is determined with reference to information currently available as at the end of the reporting period and is not locked.

When measuring insurance contract liabilities, the expected period of future net cash outflows is the entire insurance period. For insurance policies with a guaranteed renewal option, the expected period is extended to the date when the option to renew policy ceases if the probability that the policyholders may execute the option is high and the Group does not have the right to reprice the premium.

Unearned premium reserves

The unearned premium reserves are provided for unexpired insurance obligations of property and casualty and short-term life insurance contracts.

Unearned premium reserves are measured using the unearned premium approach. At inception of the insurance contracts, unearned premium reserves are measured based on written premiums, with deductions made for commissions, insurance guarantee fund, regulatory charges and other incremental costs. Subsequent to initial recognition, unearned premium reserves are measured on a 1/365 basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(30) INSURANCE CONTRACT LIABILITIES (CONTINUED)

Claim reserves

Claim reserves are insurance contract liabilities provided for insurance claims of the property and casualty and short-term life insurance contracts. Claim reserves include incurred and reported reserves, incurred but not reported ('IBNR') reserves and claim expense reserves.

Incurred and reported reserves are measured at amounts not higher than the sum insured of the insurance contracts, using the case-by-case estimate method and average claim per case method, based on a reasonable estimate of ultimate claim amounts as well as margins.

IBNR are measured according to the nature and distribution of insurance risks, claims development, experience data, etc., using the chain ladder method, the Bornhuetter-Ferguson method, the loss ratio method and the average claim per case method, based on a reasonable estimate of ultimate claim amounts as well as margins.

Claim expense reserves are measured based on a reasonable estimate of ultimate necessary claim expenses in the future by using the case-by-case estimate method and ratio allocation method as well as margins.

Long-term life insurance policyholders' reserves

Long-term life insurance policyholders' reserves are insurance contract liabilities provided for long-term life and health insurance contracts.

The Group determines risk margins of the long-term life insurance policyholders' reserves using the scenario comparison method. The unfavourable scenarios are determined according to the uncertainty and impact of expected net cash outflows.

The key assumptions used in the measurement of long-term life insurance policyholders' reserves include insurance accident occurrence rates, lapse and surrender rates, expense assumptions, policy dividend assumptions, discount rate, etc. In deriving these assumptions, the Group uses information currently available as at the end of the reporting period. Changes in assumptions are recognized immediately in the income statement.

Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed on the unearned premium reserves, claim reserves and long-term life insurance policyholders' reserves. If the insurance contract liabilities re-calculated with the insurance actuarial methods exceeds their carrying amounts on date of the liability adequacy test, an additional provision is made for the respective insurance contract liabilities based on the difference and charged in the income statement. Otherwise, no adjustment is made for the respective insurance contract liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(31) DPF IN LONG-TERM LIFE INSURANCE CONTRACTS AND INVESTMENT CONTRACTS

Some of the Group's long-term life insurance contracts and investment contracts contain a discretionary participating feature, which is a contractual right to receive additional benefits as a supplement to guaranteed benefits. These contracts are collectively called participating contracts. Under the current PRC insurance regulations, the Group is obligated to pay to the policyholders of participating contracts at least 70% of the distributable surplus in each period, which includes net investment spread arising from the assets supporting these contracts and mortality gains or losses on the pool of contracts to which the participating contract belongs. The amounts to be collectively allocated to the policyholders are referred to as the eligible surplus. The amount and timing of the subsequent distribution of the eligible surplus to individual policyholders of participating contracts is subject to future declarations by the Group. As long as the eligible surplus has not been declared and paid, it is included in the long-term life insurance policyholders' reserves and investment contract reserves. To the extent that there is a subsequent change in the expected future eligible surplus due to realized and unrealized gains, which may be paid to policyholders of participating insurance contracts in the future under the policy terms, such a change in surplus is included in long-term life insurance policyholders' reserves and investment contract reserves.

A shadow accounting adjustment is applied to recognize the change in surplus in other comprehensive income to the extent that such change is derived from unrealized gains or losses on supporting assets recognized directly in other comprehensive income.

(32) INVESTMENT CONTRACTS

Insurance policies that are not considered insurance contracts under IFRS 4 are classified as investment contracts. These policies do not contain significant insurance risk.

- Premium receipts are recognized not as premium income, but rather as liabilities, presented as investment contract liabilities. For those non-life investment type policies without guaranteed benefits, the related contract liabilities are measured at fair value and the related transaction costs are recognized in the income statement. For other investment contracts, the related liabilities are initially measured at fair value and subsequently measured at amortized cost. Commissions, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the initial amount of the liabilities.

- Charges including policy administration fees are recognized as other income during the period of service provided.

(33) INVESTMENT-LINKED BUSINESS

The individual investment-linked contracts of the Group contain significant insurance risks and are classified as insurance contracts. These policies also contain both insurance components and deposit components. The deposit components are unbundled from these hybrid insurance contracts. The rest of the contracts are accounted for as insurance contracts. The Group investment-linked contracts of the Group that do not contain significant insurance risks are classified as investment contracts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(33) INVESTMENT-LINKED BUSINESS (CONTINUED)

The assets and liabilities related to investment-linked contracts which are regarded as insurance contracts are presented as policyholder account assets and liabilities in respect of insurance contracts. The assets and liabilities related to investment-linked contracts which are regarded as investment contracts are presented as policyholder account assets and liabilities in respect of investment contracts. The assets and liabilities of each investment-linked fund are segregated from each other and from the rest of the Group's invested assets for record keeping purposes. As the investment risks of investment-linked contracts were fully borne by policyholders, the assets and liabilities related to investment-linked contracts were not included in the analysis of risk management in Note 52.

The Group investment-linked contracts and the deposit component unbundled from the above individual investment-linked insurance contracts are accounted for as follows:

► Premium receipts are recognized not as premium income, but rather as liabilities, presented in policyholder account liabilities. These liabilities are initially measured and subsequently carried at fair value. Commissions, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the income statement.

► Charges including account management fees and surrender charges are calculated at a fixed amount or certain percentage of policy account liabilities. Account management fees are recognized as other income during the period of service provided and surrender charges are recognized as other income as incurred.

► Assets of investment-linked contracts are initially measured and subsequently carried at fair value, presented as policyholder account assets.

(34) UNIVERSAL LIFE BUSINESS

The universal life contracts of the Group contain significant insurance risks are classified as insurance contracts. These policies also contain both insurance components and deposit components. The deposit components are separated from these hybrid insurance contracts. The rest of the contracts are accounted for as insurance contracts as described in Note 2. (30).

The deposit components separated from the above universal life insurance contracts are accounted for as follows:

► Premium receipts are recognized not as premium income, but rather as liabilities, presented in policyholder contract deposits. These liabilities are initially measured at fair value and subsequently measured using a discounted cash flow model. Commissions, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the initial amount of the liabilities.

► Fair value changes on financial assets at FVOCI related to the universal life insurance portfolio are recognized in other comprehensive income. Changes in the insurance liabilities for the universal life insurance portfolio is also recognized in other comprehensive income to the extent that such change is derived from fair value changes on financial assets at FVOCI related to the universal life insurance portfolio attributable to policyholders.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(35) PROVISIONS

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the effect of discounting is material, the amount recognized is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation.

Except for contingent considerations deriving from or contingent liabilities assumed in business combinations and the provision recognized for the loss allowance of off-balance sheet credit exposure, contingent liabilities are recognized as provisions if the following conditions are met:

- An entity has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period with the consideration of risks, uncertainties and the present value. Provisions shall be reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

The Group incorporates forward looking information in estimating the expected credit loss for loan commitments and financial guarantee contracts. Refer to note 13 and note 50 for details.

(36) REVENUE RECOGNITION

The Group's main revenue is recognized on the following bases:

(a) Gross premium

Premium income and reinsurance premium income is recognized when the insurance contracts are issued, related insurance risk is undertaken by the Group, it is probable that related economic benefits will flow to the Group and related income can be reliably measured.

Premiums from long-term life insurance contracts with instalment or single payments are recognized as revenue when due. Premiums from property and casualty and short-term life insurance contracts are recognized as revenue based on the amount of total premium stated in the contracts.

Reinsurance premiums are recognized as revenue in accordance with the terms stated in the reinsurance contracts. Accounting policies for reinsurance contracts are described in Note 2. (37).

(b) Income from investment contracts

Revenues from investment contracts issued by the Group are fees charged for policy administration, investment management, surrenders or other contract services. The fees may be for fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholders' balance. The fees are recognized when, or as, the control of services is transferred to customers unless the related services still need to be provided in the future periods, in which fees should be recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Initiation and other front-end fees are charged for certain investment contracts recorded at amortized cost and are recognized through an adjustment to the effective yield.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(36) REVENUE RECOGNITION (CONTINUED)

(c) Interest income

Interest income for interest bearing financial instruments, is recognized in the income statement using the effective interest rate method. When a financial asset is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(d) Fees and commission income of non-insurance operations

The fees and commission income of non-insurance operations from a diverse range of services it provides to its customers are recognized when the control of services is transferred to customers. Fee income can be divided into the following main categories:

Fee income earned from services that are provided over a certain period of time

Fees earned from the provision of services over a period of time are accrued over that period. These fees include investment fund administration fees, custodian fees, fiduciary fees, credit related fees, asset management fees, portfolio and other management fees, advisory fees, etc. However, loan commitment fees for loans that are likely to be drawn down are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on the completion of the underlying transaction and the control of services is transferred to customers. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. These fees may include underwriting fees, corporate finance fees, and brokerage fees. Loan syndication fees are recognized in the income statement when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same effective interest rate as for the other participants.

(e) Dividend income

Dividend income is recognized when the right to receive dividend payment is established.

(f) Expressway toll fee income

Expressway toll fee income is recognized upon the completion of the performance obligation of services.

(g) Sale of goods

Revenue from the sale of goods is recognized when control of the goods has transferred. Control of goods or services refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the goods or services.

The amount of revenue from the sale of goods shall be measured by the transaction price, which is allocated to each performance obligation. The transaction price is the amount of consideration to be entitled in exchange for transferring promised goods to a customer. The Group considers the terms of the contract and its customary business practices to determine the transaction price. When determining the transaction price, the Group considers the effects of variable consideration, the existence of a significant financing component in the contract, non-cash consideration and consideration payable to a customer.

The part with unconditional rights is recognized as a receivable by the Group, while the rest is recognized as contracts assets. And the impairment provisions of receivables and contracts assets are recognized based on ECL. If the consideration received or receivable from the contract exceeds the performance completed, the excess part would be recognized as contracts liabilities. The Group presents the net amount by the offsetting between contracts assets and contracts liabilities under one contact.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(37) REINSURANCE

The Group undertakes inward and outward reinsurance in the normal course of operations. All of the reinsurance business of the Group has significant insurance risk transfer.

Outward reinsurance business

Outward reinsurance arrangements do not relieve the Group from its obligations to policyholders. When recognizing premium income from insurance contracts, the Group determines the amount of premium ceded and reinsurers' share of expenses and recognize them through profit or loss according to reinsurance contracts. As for profit commission, the Group recognizes it as a reinsurance expense through profit or loss according to the reinsurance contracts when it is feasible to determine the amount of profit commission to be received from the reinsurers. When calculating unearned premium reserves, claim reserves and long-term life insurance policyholders' reserves of insurance contracts, the Group estimates the reinsurance related cash flows according to the reinsurance contracts, considers the risk margin when determining the amount of insurance contract reserves to be recovered from reinsurers, and recognizes reinsurers' share of insurance contract liabilities. When insurance contract liabilities are reduced for actual payment of claims and claim expenses, reinsurers' share of insurance contract liabilities are reduced accordingly. In the meantime, the Group determines the amount of claim expenses to be recovered from the reinsurers according to the reinsurance contracts and recognizes the amount through profit or loss. When there is an early termination of an insurance contract, the Group determines the adjustment amount of premium ceded and reinsurers' share of expenses according to the reinsurance contracts and recognizes the amount through profit or loss, and the balance of reinsurers' share of insurance contract liabilities is reversed accordingly.

As a cedent, the Group presents in the statement of financial position the assets arising from reinsurance contracts and the liabilities arising from insurance contracts separately instead of offsetting the assets and liabilities. The Group also presents in the income statement the income derived from reinsurance contracts and the expenses incurred for insurance contracts separately instead of offsetting the income and expenses.

Inward reinsurance business

During the period of recognizing reinsurance premium income, the Group determines reinsurance expenses according to the reinsurance contracts and recognizes the expenses through profit or loss. As for profit commission, the Group recognizes it as a reinsurance expense through profit or loss according to the reinsurance contracts when it is feasible to determine the amount of profit commission to be paid to the reinsurers.

Upon receipt of the statement of the reinsurance business, the Group adjusts the reinsurance premium income and reinsurance expenses, and then recognizes the adjusted amounts through profit or loss according to the ceding company statements.

(38) POLICYHOLDER DIVIDENDS

Policyholder dividends represent dividends payable by the Group to policyholders in accordance with the terms of direct insurance contracts. The dividends are calculated and provided based on the dividend allocation method and the results of actuarial valuation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(39) LEASES

Leases refer to a contract in which the lessor transfers the right to use the assets to the lessee for a certain period of time to obtain the consideration. Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases.

As lessor of operating leases

Where the Group is the lessor, assets leased by the Group under operating leases are included in investment properties and rentals receivable under such operating leases are credited to the income statement on the straight-line basis over the lease terms. Contingent lease payments are recognized in profit or loss when incurred.

As lessee of operating leases

The Group mainly leases buildings as right-of-use assets. Leases are recognised as a right-of-use asset at the date at which the lease begins, except for the lease used practical expedients. Lease liabilities are initial measured at the present value of the lease payments that have not been paid. Lease payments include fixed payments, variable lease payment based on an index or a rate, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and payments of penalties for terminating the lease, etc. The variable lease payments determined on a certain percentage of sales are not included in the lease payments and are recognized in profit or loss when incurred.

Right-of-use assets are initial measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and deduct any lease incentives receivable. The right-of-use asset is depreciated over the asset's useful life on a straight-line basis if the Group can reasonably determine the ownership of the assets at the end of the lease term; The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis if the ownership of the assets is uncertain at the end of the lease term. When the recoverable amount is lower than the carrying amount of the right-of-use asset, the Group reduces its carrying amount to the recoverable amount.

(40) EMPLOYEE BENEFITS

(a) Pension obligations

The employees of the Group are mainly covered by various defined contribution pension plans. The Group makes and accrues contributions on a monthly basis to the pension plans, which are mainly sponsored by the related government authorities that are responsible for the pension liability to retired employees. Under such plans, the Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred. Certain employees are also provided with group life insurance but the amounts involved are insignificant.

(b) Housing benefits

The employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(c) Medical benefits

The Group makes monthly contributions for medical benefits to the local authorities in accordance with the relevant local regulations for the employees. The Group's liability in respect of employee medical benefits is limited to the contributions payable in each period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(41) SHARE-BASED PAYMENT

Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan (Key Employee Share Purchase Plan and Long-term Service Plan), under which the Group receives services from employees as consideration for equity instruments.

The total amount to be expensed is determined by reference to the fair value of the shares granted, which includes the impact of market performance conditions (for example, an entity's share price) but excludes the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period) and includes the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time). The Group also estimates the number of total shares expected to vest taking into consideration of service and non-market performance conditions. Total expense based on fair value of the shares granted and number of shares expected to vest is recognized over the vesting period.

At the end of each reporting period, the Group revises its estimates of the number of options and awarded shares that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The Company settles with the awardees under the share purchase scheme upon vesting.

(42) SHARES HELD BY CONSOLIDATED STRUCTURED ENTITIES

The Group's subsidiaries consolidated certain asset management schemes that were managed by third parties. These asset management schemes invested in the insurance index shares which included the Company's shares. As such the Group indirectly hold the Company's shares. The employee share purchase scheme consolidated by the Group also hold the Company's shares. The consideration paid by the consolidated structured entities in purchasing the Company's shares from the market, including any directly attributable incremental cost, is debited to 'Share premium' under 'Reserves'. No gain or loss shall be recognized in profit or loss on the sale of those shares, the consideration received is credited to 'Share premium' under 'Reserves'.

(43) TAX

Income tax comprises current and deferred tax. Income tax is recognized in the income statement, or in other comprehensive income or in equity if it relates to items that are recognized in the same or a different period directly in other comprehensive income or in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(43) TAX (CONTINUED)

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Conversely, previously unrecognized deferred tax assets are reassessed by the end of each reporting period and are recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(44) DIVIDENDS

When the final dividends proposed by the directors have been approved by the shareholders and declared, they are recognized as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(45) RELATED PARTIES

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Group or of a parent of the Group;

Or

(b) the party is an entity where any of the following conditions applies:

   (i) the entity and the Group are members of the same Group;

   (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

   (iii) the entity and the Group are joint ventures of the same third party;

   (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

   (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

   (vi) the entity is controlled or jointly controlled by a person identified in (a); and

   (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(46) SEGMENT REPORTING

For management purposes, the Group is organized into operating segments based on the internal organization structure, management requirements and internal reporting. The reportable segments are determined and disclosed based on operating segments and the presentation is consistent with the information reported to the Board of Directors.

Operating segments refer to the Group's component that satisfies the following conditions:

(a) The component produces income and expenses in its daily operation;

(b) The management of the Company regularly assesses the operating results of its business units for the purpose of making decisions about resources allocations and performance assessment;

(c) The Group is able to obtain the accounting information such as the financial position, operating results and cash flows of the component.

Two or more operating segments can be merged as one if they have similar characteristics and satisfy certain conditions.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and judgments that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities in these financial statements. Estimates and judgments are continually assessed based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies, management has made the following judgments and accounting estimation, which have the significant effect on the amounts recognized in the financial statements.

(1) FAIR VALUE OF FINANCIAL INSTRUMENTS DETERMINED USING VALUATION TECHNIQUES

Fair value, in the absence of an active market, is estimated by using valuation techniques, applying currently applicable and sufficiently available data, and the valuation techniques supported by other information, mainly include market approach and income approach, reference to the recent arm's length transactions, current market value of another instrument which is substantially the same, and by using the discounted cash flow analysis and option pricing models.

When using valuation techniques to determine the fair value of financial instruments, the Group would choose the input value in consistent with market participants, considering the transactions of related assets and liabilities. All related observable market parameters are considered in priority, including interest rate, foreign exchange rate, commodity prices and share prices or index. When related observable parameters are unavailable or inaccessible, the Group uses unobservable parameters and makes estimates for credit risk, market volatility and liquidity adjustments.

Using different valuation techniques and parameter assumptions may lead to significant difference of fair value estimation.

(2) CLASSIFICATION OF FINANCIAL ASSETS

The judgments in determining the classification of financial assets include the analysis of business models and the contractual cash flows characteristics.

An entity's business model refers to how an entity manages its financial assets in order to generate cash flows. That is, the entity's business model determines whether cash flows are arising from collecting contractual cash flows, selling financial assets or both. The business model of managing financial assets is not determined by a single factor or activity. Instead, the entity should consider all relevant evidence available when making the assessment. Relevant evidence mainly includes, but not limited to, how the cash flow of the group of assets is collected, how the performance of the group of assets is reported to key management personnel, and how the risk of group of assets is being assessed and managed.

The contractual cash flows characteristics of financial assets refer to the cash flow attributes of the financial assets reflecting the economic characteristics of the relevant financial assets (i.e. whether the contractual cash flows generated by the relevant financial assets on a specified date solely represents the payments of principal and interest). The principal amount refers to the fair value of the financial asset at initial recognition. The principal amount may change throughout the lifetime of the financial assets due to prepayment or other reasons. The interest includes the time value of money, the credit risk associated with the outstanding principal amount for a specific period, other basic lending credit risks, and the consideration of costs and profits.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(3) MEASUREMENT OF THE EXPECTED CREDIT LOSSES

The measurement of the expected credit losses for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 52.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

► Determining criteria for significant increase in credit risk;

► Choosing appropriate models and assumptions for the measurement of ECL;

► Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and

► Establishing groups of similar financial assets for the purposes of measuring ECL.

(4) MEASUREMENT UNIT AND VALUATION OF INSURANCE CONTRACT LIABILITIES

The Group makes significant judgments on whether a group of insurance contracts' insurance risks are of the same nature. Different measurement units would affect the measurement of insurance contract liabilities.

At the end of the reporting period, when measuring the insurance contract liabilities, the Group needs to make a reasonable estimate of amounts of the payments which the Group is required to make in fulfilling the obligations under the insurance contracts, based on information currently available at the end of the reporting period.

At the end of the reporting period, the Group shall make an estimate of the assumptions used in the measurement of insurance contract liabilities. Such assumptions shall be determined based on information currently available at the end of the reporting period. To determine these assumptions, the Group selects proper risk margins according to both uncertainties and degree of impact of expected future cash outflows. Refer to Note 2. (2) for the changes in accounting policies and estimates.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(4) MEASUREMENT UNIT AND VALUATION OF INSURANCE CONTRACT LIABILITIES (CONTINUED)

The main assumptions used in the measurement of insurance contracts liabilities (other than policyholder contract deposits and policyholder account liabilities in respect of insurance contracts) reserves are as follows:

- For long-term life insurance contracts where the future insurance benefits are not affected by investment return of the underlying asset portfolio, with consideration of the CIRC Cai Kuai [2017] No.637 and other relevant regulations, the discount rate assumption is based on the benchmarking yield curve for the measurement of insurance contract liabilities published by China Central Depository and Clearing Co., Ltd, with consideration of the impact of the tax and liquidity premium. The current discount rate assumption for the measurement as at 31 December 2019 ranged from 3.29%- 4.60% (31 December 2018: 3.28%- 4.75%).

  For long term non-life insurance contracts where the future insurance benefits are not affected by investment return of the underlying asset portfolio, as the risk margin has no material impact on the reserve measurement, the discount rate assumption used is the benchmarking yield curve for the measurement of insurance contract liabilities published by China Central Depository and Clearing Co., Ltd.

  For long-term life insurance contracts where the future insurance benefits are affected by investment return of the underlying asset portfolio, the discount rates are determined based on expected future investment returns of the asset portfolio backing those liabilities. The future investment returns assumption for the measurement as at 31 December 2019 ranged from 4.75%- 5.00% (31 December 2018: 4.75%- 5.00%).

  For short term insurance contracts liabilities whose duration is within one year, the future cash flows are not discounted.

  The discount rate and investment return assumptions are affected by the future macro-economy, capital market, investment channels of insurance funds, investment strategy, etc., and therefore subject to uncertainty.

- The Group uses reasonable estimates, based on market and actual experience and expected future development trends, in deriving assumptions of mortality rates, morbidity rates, disability rates, etc.

  The assumption of mortality rates is based on the Group's prior experience data on mortality rates, estimates of current and future expectations, the industrial benchmark, the understanding of the China insurance market as well as the risk margin. The assumption of mortality rates is presented as a percentage of 'China Life Insurance Mortality Table (2000-2003)', which is the industry standard for life insurance in China.

  The assumption of morbidity rates is determined based on the industrial benchmark, the Group's assumptions used in product pricing, experience data of morbidity rates, and estimates of current and future expectation as well as the risk margin.

  The assumptions of mortality and morbidity rates are affected by factors such as changes in lifestyles of national citizens, social development, and improvement of medical treatment, and hence subject to uncertainty.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(4) MEASUREMENT UNIT AND VALUATION OF INSURANCE CONTRACT LIABILITIES (CONTINUED)

- The Group uses reasonable estimates, based on actual experience and future development trends, in deriving lapse rate assumptions.

  The assumptions of lapse rates are determined by reference to different pricing interest rates, product categories and sales channels.

- The Group uses reasonable estimates, based on an expense study and future development trends, in deriving expense assumptions. If the future expense level becomes sensitive to inflation, the Group will consider the inflation factor as well in determining expense assumptions.

  The expense assumptions include assumptions of acquisition costs and maintenance costs. The assumption of maintenance costs also has a risk margin.

- The Group uses reasonable estimates, based on expected investment returns of participating insurance accounts, participating dividend policy, policyholders' reasonable expectations, etc. in deriving policy dividend assumptions.

  The assumption of participating insurance accounts is affected by the above factors, and hence bears uncertainty. The future assumption of life and participating insurance with a risk margin is based on a dividend rate of 85%.

- In the measurement of unearned premium reserves for the property and casualty insurance and short-term life insurance business, the Group applies the cost of capital approach and considers the insurance industry guideline ranged from 3% to 6% to determine risk margins.

The major assumptions needed in measuring claim reserves include the claim development factor and expected claim ratio, which can be used to forecast trends of future claims so as to estimate the ultimate claim expenses. The claim development factors and expected claim ratio of each measurement unit are based on the Group's historical claim development experience and claims paid, with consideration of adjustments to company policies like underwriting policies, level of premium rates, claim management and the changing trends of external environment such as macro-economic, regulations, and legislation. In the measurement of claim reserves, the Group applies the cost of capital approach and considers insurance industry guideline ranged from 2.5% to 5.5% to determine risk margins.

(5) CLASSIFICATION AND UNBUNDLING/SEPARATION OF INSURANCE CONTRACTS AND SIGNIFICANT INSURANCE RISK TESTS

The Group makes significant judgments on whether a written policy undertake both insurance risks and other risks, whether contains both an insurance component and a deposit component and whether the insurance component and deposit component are distinct and separately measurable. Such judgment affects the unbundling/separation of insurance contracts.

The Group makes significant judgments on whether the contract transfers insurance risk, whether transfer of insurance risk has commercial substance, and whether the transferred insurance risk is significant when performing significant insurance risk tests. Such judgment affects the classification of insurance contracts.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(5) CLASSIFICATION AND UNBUNDLING/SEPARATION OF INSURANCE CONTRACTS AND SIGNIFICANT INSURANCE RISK TESTS (CONTINUED)

When determining whether the policies transfer a significant insurance risk, the Group makes the following judgments for different policies:

- If the insurance risk ratio of a non-annuity policy is equal or greater than 5% at one or more points in time during the policy coverage period, the Group classifies it as an insurance contract. The insurance risk ratio of a direct insurance policy is the percentage of the benefits to be paid when the insured event occurs divided by the amounts to be paid when the insured event does not occur minus 100%;

- Annuity policies where the longevity risk is transferred are classified as insurance contracts;

- If a property and casualty insurance or a short-term life insurance policy obviously meets the criteria for significant insurance risk transfer, the Group directly classifies it as an insurance contract.

When determining whether a reinsurance policy transfers significant insurance risks, judgment is made on a comprehensive understanding of the commercial substance of the reinsurance policy and other relevant contracts and agreements. If the reinsurance risk ratio of the reinsurance policy is greater than 1%, the Group classifies it as a reinsurance contract. The reinsurance risk ratio of a reinsurance policy is derived from the present value of probability-weighted average net losses where the reinsurer incurs a net loss divided by expected premium income of the reinsurer. If a reinsurance policy obviously transfers a significant insurance risk, the Group directly classifies it as a reinsurance contract without calculating the reinsurance risk ratio.

When performing significant insurance risk testing, the Group would group all policies of the same product with similar risk characteristics into the same portfolio. The Group would then select sufficient and representative policy samples from each policy portfolio to perform individual testing.

The unbundling/separation and classification of insurance contracts would affect the Group's revenue recognition, liability measurement and financial statement presentation.

(6) DETERMINATION OF CONTROL OVER THE STRUCTURED ENTITIES

To determine whether the Group controls the structured entities of which the Group acts as an asset manager, management applies judgment based on all relevant fact and circumstance to determine whether the Group is acting as the principal or agent for the structured entities. If the Group is acting as the principal, it has control over the structured entities. In assessing whether the Group is acting as the principal, the Group considers factors such as scope of the asset manager's decision-making authority, rights held by other parties, remuneration to which it is entitled, and exposure to variable returns results from its additional involvement with structured entities. The Group will perform reassessment once the fact and circumstance changes leading to changes in above factors.

For further disclosure in respect of the maximum risk exposure of unconsolidated structured entities of the Group, see Note 52. (8).

4. SCOPE OF CONSOLIDATION

(1) Particulars of the Company's principal subsidiaries as at 31 December 2019 are set out below:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares indirectly held by the Company (%)	Proportion of votes (%) (i)	Registered/ authorized capital (RMB unless otherwise stated)
Ping An Life	Shenzhen, Corporation	Life insurance, Shenzhen	99.51%	-	99.51%	33,800,000,000
Ping An Property & Casualty	Shenzhen, Corporation	Property and casualty insurance, Shenzhen	99.51%	-	99.51%	21,000,000,000
Ping An Bank Co., Ltd. (ii)(iii) ('Ping An Bank')	Shenzhen, Corporation	Banking, Shenzhen	49.56%	8.40%	58.00%	19,405,918,198
China Ping An Trust Co., Ltd.	Shenzhen, Corporation	Investment and trust, Shenzhen	99.88%	-	99.88%	13,000,000,000
Ping An Securities Company Limited. ('Ping An Securities')	Shenzhen, Corporation	Securities investment and brokerage, Shenzhen	40.96%	55.59%	96.62%	13,800,000,000
Ping An Annuity	Shanghai, Corporation	Annuity insurance, Shanghai	86.11%	13.82%	100.00%	4,860,000,000
Ping An Asset Management Co., Ltd.	Shanghai, Corporation	Asset management, Shanghai	98.67%	1.33%	100.00%	1,500,000,000
Ping An Health	Shanghai, Corporation	Health insurance, Shanghai	73.37%	1.63%	75.01%	1,816,577,790
China Ping An Insurance Overseas (Holdings) Limited ('Ping An Overseas Holdings')	Hong Kong, Corporation	Investment holding, Hong Kong	100.00%	-	100.00%	HKD7,085,000,000
China Ping An Insurance (Hong Kong) Company Limited	Hong Kong, Corporation	Property and casualty insurance, Hong Kong	-	100.00%	100.00%	HKD490,000,000
Ping An International Financial Leasing Co., Ltd. (iii) ('Ping An Financial Leasing')	Shanghai, Corporation	Finance lease business, Shanghai	69.44%	30.56%	100.00%	13,896,819,176
Ping An of China Asset Management (Hong Kong) Company Limited	Hong Kong, Corporation	Asset management, Hong Kong	-	100.00%	100.00%	HKD345,000,000
Shenzhen Ping An New Capital Investment Co., Ltd.	Shenzhen, Corporation	Investment holding, Shenzhen	-	99.88%	100.00%	4,000,000,000
Ping An Trendwin Capital Management Co., Ltd.	Shanghai, Corporation	Investment consulting, Shanghai	-	99.75%	100.00%	100,000,000

4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2019 are set out below (continued):

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares indirectly held by the Company (%)	Proportion of votes (%) (i)	Registered/ authorized capital (RMB unless otherwise stated)
Ping An Real Estate Co., Ltd. ('Ping An Real Estate')	Shenzhen, Corporation	Property management and investment management, Shenzhen	-	99.59%	100.00%	20,000,000,000
Ping An Technology (Shenzhen) Co., Ltd. ('Ping An Technology')	Shenzhen, Corporation	IT services, Shenzhen	68.38%	31.62%	100.00%	2,924,763,800
Shenzhen Ping An Financial Services Co., Ltd.	Shenzhen, Corporation	IT and business process outsourcing services, Shenzhen	-	100.00%	100.00%	598,583,070
Ping An E-wallet Electronic Commerce Company Limited ('Ping An E-wallet')	Shenzhen, Corporation	Internet service, Shenzhen	-	77.14%	78.63%	1,000,000,000
Shenzhen Wanlitong Network Information Technology Co., Ltd.	Shenzhen, Corporation	Custom loyalty service, Shenzhen	-	77.14%	100.00%	200,000,000
Shenzhen Ping An Commercial Property Investment Co., Ltd. ('Ping An Commercial Property Investment')	Shenzhen, Corporation	Property leasing and property management, Shenzhen	-	99.50%	99.99%	1,367,000,000
Ping An Futures Co., Ltd.	Shenzhen, Corporation	Futures brokerage, Shenzhen	-	96.74%	100.00%	420,000,000
Shenzhen Ping An Real Estate Investment Co., Ltd.	Shenzhen, Corporation	Real estate investment, Shenzhen	-	100.00%	100.00%	1,310,000,000
Shanghai Pingpu Investment Co., Ltd.	Shanghai, Corporation	Investment management, Shanghai	-	99.51%	100.00%	9,130,500,000
Ansheng Investment Company Limited	British Virgin Islands, Corporation	Project investment, British Virgin Islands	-	99.51%	100.00%	USD50,000
Shenzhen Ping An Financial Technology Consulting Co., Ltd. ('Ping An Financial Technology')	Shenzhen, Corporation	Corporation management advisory services, Shenzhen	100.00%	-	100.00%	30,406,000,000
Ping An Tradition International Money Broking Company Ltd.	Shenzhen, Corporation	Currency brokerage, Shenzhen	-	66.92%	67.00%	50,000,000

4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2019 are set out below (continued):

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares indirectly held by the Company (%)	Proportion of votes (%) (i)	Registered/ authorized capital (RMB unless otherwise stated)
Pingan Haofang (Shanghai) E-commerce Co., Ltd.	Shanghai, Corporation	Property agency, Shanghai	-	80.00%	80.00%	680,000,000
Ping An Wealthtone Investment Management Co., Ltd.	Shenzhen, Corporation	Asset management, Shenzhen	-	68.11%	100.00%	800,000,000
Ping An Fund Management Company Limited	Shenzhen, Corporation	Fund raising and distribution, Shenzhen	-	68.11%	68.19%	1,300,000,000
Shenzhen Ping An Financial Center Development Company Ltd. (iii)	Shenzhen, Corporation	Property leasing and property management, Shenzhen	-	99.51%	100.00%	5,748,870,000
Ping An Insurance Sales Services Co., Ltd. (iii)	Shenzhen, Corporation	Sales agency of insurance, Shenzhen	-	100.00%	100.00%	515,000,000
Ping An Chuang Zhan Insurance Sales & Service Co., Ltd.	Guangzhou, Corporation	Insurance sales, Shenzhen	-	99.51%	100.00%	50,000,000
Reach Success International Company Limited	British Virgin Islands, Corporation	Project investment, British Virgin Islands	-	99.51%	100.00%	USD50,000
Jade Reach Investment Company Limited	British Virgin Islands, Corporation	Project investment, British Virgin Islands	-	99.51%	100.00%	USD50,000
Shenyang Shengping Investment Management Co., Ltd.	Shenyang, Corporation	Property management and investment management, Shenyang	-	99.51%	100.00%	419,000,000
Tongxiang Ping An Investment Co., Ltd.	Tongxiang Corporation	Investment management, Tongxiang	-	99.59%	100.00%	500,000,000
Ping An Commercial Factoring Co., Ltd.	Shanghai, Corporation	Commercial factoring, Shanghai	-	100.00%	100.00%	700,000,000
Shanxi Changjin Expressway Co., Ltd.	Taiyuan, Corporation	Expressway operation, Taiyuan	-	59.71%	60.00%	750,000,000
Shanxi Jinjiao Expressway Co., Ltd.	Taiyuan, Corporation	Expressway operation, Taiyuan	-	59.71%	60.00%	504,000,000
Ping An Caizhi Investment Management Company Limited	Shenzhen, Corporation	Equity investment, Shenzhen	-	96.55%	100.00%	600,000,000

4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2019 are set out below (continued):

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares indirectly held by the Company (%)	Proportion of votes (%) (i)	Registered/ authorized capital (RMB unless otherwise stated)
Ping An of China Securities (Hong Kong) Company Limited	Hong Kong, Corporation	Securities investment and brokerage, Hong Kong	-	96.55%	100.00%	HKD324,681,000
Ping An Futures(HK) of China Co., Ltd.	Hong Kong, Corporation	Futures brokerage, Hong Kong	-	96.55%	100.00%	HKD20,000,000
Ping An Capital of China(HK) Co., Ltd..	Hong Kong, Corporation	Investment management, Hong Kong	-	96.55%	100.00%	HKD20,000,000
Pingzheng Securities(HK) Co., Ltd.	Hong Kong, Corporation	Securities investment and brokerage, Hong Kong	-	96.55%	100.00%	HKD10,000,000
Shanghai Lufax Fund Sales Co.,Ltd	Shanghai, Corporation	Fund sales, Shanghai	-	100.00%	100.00%	20,000,000
Fuer Insurance Broker Co.,Ltd.(iv)	Qingdao, Corporation	Insurance brokerage service, Qingdao	-	100.00%	100.00%	50,000,000
Beijing Shuangronghui Investment Co., Ltd.	Beijing, Corporation	Property leasing, Beijing	-	99.51%	100.00%	256,323,143
Chengdu Ping An Property Investment Company Co., Ltd.	Chengdu, Corporation	Real estate investment, Chengdu	-	99.51%	100.00%	840,000,000
Hangzhou Pingjiang Investment Co., Ltd.	Hangzhou, Corporation	Real estate development, Hangzhou	-	99.51%	100.00%	1,430,000,000
Beijing Jingxinlize Investment Co., Ltd.	Beijing, Corporation	Investment management, Beijing	-	99.51%	100.00%	1,160,000,000
Anbon Allied Investment Company Limited	Hong Kong, Corporation	Real estate investment, United Kingdom	-	99.51%	100.00%	GBP90,000,160
Talent Bronze Limited	Hong Kong, Corporation	Real estate investment, United Kingdom	-	99.51%	100.00%	GBP133,000,000
Ping An Pioneer Capital Co., Ltd.	Shenzhen, Corporation	Asset management, Shenzhen	-	96.55%	100.00%	1,000,000,000
Shenzhen Pingke Information Consulting Co., Ltd. (iii)	Shenzhen, Corporation	Management consulting, Shenzhen	-	100.00%	100.00%	3,345,429,012
Beijing Jingping Shangdi Investment Co., Ltd.	Beijing, Corporation	Property leasing, Beijing	-	99.51%	100.00%	45,000,000
Guangzhou Xinping Property Investment Co., Ltd.	Guangzhou, Corporation	Property leasing, Guangzhou	-	99.51%	100.00%	50,000,000

4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2019 are set out below (continued):

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares indirectly held by the Company (%)	Proportion of votes (%) (i)	Registered/ authorized capital (RMB unless otherwise stated)
Shanghai Jahwa (Group) Company Ltd. ('Shanghai Jahwa')	Shanghai, Corporation	Production and sale of consumer chemicals, Shanghai	-	99.51%	100.00%	5,268,261,000
Shanghai Jahwa United Co., Ltd. (iii)	Shanghai, Corporation	Industry, Shanghai	-	51.80%	52.13%	671,248,461
Falcon Vision Global Limited	British Virgin Islands, Corporation	Investment management, British Virgin Islands	-	99.51%	100.00%	USD50,000
Shanghai Zean Investment Management Company Limited	Shanghai, Corporation	Asset management, Shanghai	-	99.51%	100.00%	4,810,000,000
PA Dragon LLC	USA, Corporation	Logistics and real estate, USA	-	99.51%	100.00%	USD143,954,940
Shanghai Pingan Automobile E-commerce Co., Ltd.	Shanghai, Corporation	E-commerce, Shanghai	-	94.74%	94.74%	63,330,000
Shanghai Gezhouba Yangming Property Co., Ltd.	Shanghai, Corporation	Real estate development and management, Shanghai	-	99.51%	100.00%	20,000,000
Shanghai Jinyao Investment Management Co., Ltd.(iii)	Shanghai, Corporation	Investment management, Shanghai	-	99.02%	100.00%	1,290,000,000
Shanghai PingXin Asset Management Co., Ltd.	Shanghai, Corporation	Asset management, Shanghai	-	100.00%	100.00%	1,010,000,000
Shenzhen Qianhai Credit Service Centre Co., Ltd.	Shenzhen, Corporation	Credit Information services, Shenzhen	-	100.00%	100.00%	50,000,000
Pingan Real Estate Capital Limited	Hong Kong, Corporation	Financing platform, Hong Kong	-	99.59%	100.00%	1,268,929,600
Shenzhen Qianhai Inclusive Crowdfunding & Trading Co., Ltd.	Shenzhen, Corporation	Private equity financing, Shenzhen	-	94.12%	80.00%	100,000,000
Zhuhai Hengqin Ping An Money Micro Loan Co.,Ltd.	Zhuhai, Corporation	Micro loan, Zhuhai	-	100.00%	100.00%	300,000,000
Guangzhou Ping An Good Loan Microfinance Co., Ltd.	Guangzhou, Corporation	Micro loan, Guangzhou	-	100.00%	100.00%	600,000,000

4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2019 are set out below (continued):

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares indirectly held by the Company (%)	Proportion of votes (%) (i)	Registered/ authorized capital (RMB unless otherwise stated)
Ping An International Commercial Factoring(Tianjin) Co.,Ltd	Tianjin, Corporation	Commercial factoring, Tianjin	-	100.00%	100.00%	200,000,000
Ping An International Financial Leasing(Shenzhen) Co., Ltd.	Shenzhen, Corporation	Leasing business, Shenzhen	-	100.00%	100.00%	1,800,000,000
An Ke Technology Company Limited	Hong Kong, Corporation	Investment management and consulting, Hong Kong	-	100.00%	100.00%	USD332,996,000
Ping An Pay Technology Service Co., Ltd.	Shenzhen, Corporation	Internet service, Shenzhen	-	77.14%	100.00%	680,000,000
Ping An Pay Electronic Payment Co., Ltd.	Shanghai, Corporation	Internet service, Shanghai	-	77.14%	100.00%	489,580,000
Tongxiang Anhao Investment Management Co., Ltd.(iii)	Tongxiang, Corporation	Investment management, Tongxiang	-	99.69%	100.00%	300,000,000
Ping An Basic Industry Investment Fund Management Co.,Ltd.(iv)	Shenzhen, Corporation	Investment management, Shenzhen	-	97.98%	99.00%	1,000,000,000
Ping An Wealth Management Co., Ltd.	Shanghai, Corporation	Consulting services, Shanghai	-	100.00%	100.00%	100,000,000
Ping An International Financial Leasing (Tianjin) Co., Ltd.	Tianjin, Corporation	Leasing business, Tianjin	-	100.00%	100.00%	10,400,000,000
Shenzhen Anpu Development Co., Ltd.	Shenzhen, Corporation	Logistics and warehousing, Shenzhen	-	79.61%	80.00%	5,625,000,000
Pingzheng Asset Management(HK) Co., Ltd.	Hong Kong, Corporation	Asset management, Hong Kong	-	96.55%	100.00%	HKD10,000,000
Shanghai Tianhe Insurance Broker Co., Ltd.	Shanghai, Corporation	Insurance broker, Shanghai	-	51.99%	100.00%	50,000,000
Helios P.A. Company Limited	Hong Kong, Corporation	Project investment, Hong Kong	-	99.51%	100.00%	USD677,161,909
Value Success International Limited ('Value Success International')	British Virgin Islands, Corporation	Project investment, British Virgin Islands	-	100.00%	100.00%	USD50,000

4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2019 are set out below (continued):

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares indirectly held by the Company (%)	Proportion of votes (%) (i)	Registered/ authorized capital (RMB unless otherwise stated)
Ping An Urban Construction Technology(Shenzhen) Co.,Ltd.	Shenzhen, Corporation	IT service, Shenzhen	-	79.21%	100.00%	50,000,000
Shenzhen Ping An Chuangke Investment Management Co., Ltd.	Shenzhen, Corporation	Investment management, Shenzhen	-	99.79%	100.00%	100,000,000
Shenzhen Anchuang Investment Management Co., Ltd.	Shenzhen, Corporation	Investment management, Shenzhen	-	99.69%	100.00%	100,000,000
Lianxin (Shenzhen) Investment Management Co., Ltd.	Shenzhen, Corporation	Investment management, Shenzhen	-	99.69%	100.00%	100,000,000
Autohome Inc.	Cayman Islands, Corporation	Automotive internet platform, Beijing	-	51.99%	51.99%	USD1,191,623
Mayborn Group Limited	United Kingdom, Corporation	Infant products, United Kingdom	-	51.80%	52.13%	GBP1,154,873
Jiaxing Yihao Ping An Jishi Equity Investment Management Co., Ltd.(iv)	Jiaxing, Corporation	Investment management, Jiaxing	-	99.51%	100.00%	1,000,000

Notes:

(i) The proportion of ordinary shares, as shown in the above table, is the sum product of direct holding by the Company and indirect holding by a multiplication of the proportion of shares held in each holding layer. The proportion of votes is the sum product of the proportion of votes held directly by the Company and indirectly via subsidiaries controlled by the Company.

(ii) For the year ended 31 December 2019, Ping An Bank's profit attributable to its non-controlling interest was RMB11,853 million (2018: RMB10,424 million), the dividend paid to its non-controlling interest was RMB1,414 million (2018: RMB1,348 million). As at 31 December 2019, Ping An Bank's equity attributable to its non-controlling interest was RMB143,169 million (2018:RMB100,818 million). Ping An Bank's summarized financial information is disclosed in 'Segment reporting' under the 'Banking' segment.

(iii) The registered capitals of these subsidiaries were changed in 2019.

(iv) These subsidiaries were included in the scope of consolidation in 2019.

The Company and its subsidiaries are subject to the Company Law as well as various listing requirements, where applicable. Capital or asset transactions between the Company and its subsidiaries might be subject to regulatory requirements. Certain of the Company's subsidiaries are subject to regulatory capital requirements. As such, there are restrictions on the Group's ability to access or use the assets of these subsidiaries to settle the liabilities of the Group. Please refer to Note 52. (7) for detailed disclosure on the relevant regulatory capital requirements.

4. SCOPE OF CONSOLIDATION (CONTINUED)

(2) As at 31 December 2019, the Group consolidated the following principal structured entities:

Name	Proportion of shares held	Paid-in capital (RMB)	Principal activities
Ping An Asset Xinxiang No.28 Assets Management	99.51%	24,424,687,763	Investment in wealth management products
Huabao East Aggregated Fund Trust Scheme	98.86%	12,000,000,000	Investment in debt schemes
Shanghai Trust Changcheng Aggregated Fund Management Scheme	59.71%	10,000,000,000	Investment in debt schemes
Shanghai Trust Huarong Aggregated Fund Management Scheme	99.51%	9,500,000,000	Investment in debt schemes
Ping An Asset Xinxiang No.19 Assets Management	99.51%	8,346,094,867	Investment in wealth management products
Ping An Asset Xinxiang No.5 Assets Management	99.50%	8,911,000,000	Investment in wealth management products
Ping An Asset Xinxiang No.20 Assets Management	99.51%	7,124,812,784	Investment in wealth management products
Ping An Asset Xinxiang No.18 Assets Management	99.51%	7,270,233,312	Investment in wealth management products
Ping An Asset Xinxiang No.10 Assets Management	99.51%	7,296,884,848	Investment in wealth management products
Ping An Asset Xinxiang No.14 Assets Management	99.51%	5,001,000,000	Investment in wealth management products
Ping An Asset Xinxiang No.11 Assets Management	99.51%	3,050,198,071	Investment in wealth management products

5. SEGMENT REPORTING

The segment businesses are separately presented as the insurance segment, the banking segment, the trust segment, the securities segment, the other asset management segment, the technology business segment and the other businesses, based on the products and service offerings. The insurance segment is divided into the life insurance and health insurance and the property and casualty insurance segment in line with the nature of products, risk and asset portfolios. The types of products and services from which reportable segments derive revenue are listed below:

- The life and health insurance segment offers a comprehensive range of life insurance products to individual and corporate customers, including term, whole-life, endowment, annuity, investment-linked, universal life and health care and medical insurance, reflecting performance summary of life insurance, annuity insurance and health insurance subsidiaries;

- The property and casualty insurance segment offers a wide variety of insurance products to individual and corporate customers, including auto insurance, non-auto insurance and accident and health insurance, reflecting performance of property and casualty insurance subsidiary;

- The banking segment undertakes loan and intermediary business with corporate customers and retail business customers as well as wealth management and credit card services with individual customers, reflecting performance of banking subsidiary;

- The trust segment provides trust products services and undertake investing activities;

- The securities segment undertakes brokerage, trading, investment banking and asset management services;

- The other asset management segment provides investment management services, finance lease business and other asset management services, reflecting performance summary of asset management and finance lease and the other asset management subsidiaries;

- The technology business segment provides various financial and daily-life services through internet platforms such as financial transaction information service platform, health care service platform, reflecting performance summary of the technology business subsidiaries, associates and jointly controlled entities.

Except for the above business segments, the other segments did not have a material impact on the Group's operating outcome, and as such are not separately presented.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions with regard to resources allocation and performance assessment. Segment performance is assessed based on indicators such as net profit.

Transfer prices between operating segments are based on the amount stated in the contracts agreed with the both sides.

More than 95% of the Group's revenue is derived from its operations in Mainland China. More than 95% of the Group's non-current assets are located in Mainland China.

During 2019 and 2018, revenue from the Group's top five customers accounted for less than 1% of the total revenue for the year.

5. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2019 and for the year then ended is as follows:

(in RMB million)	Life and health insurance	Property and casualty insurance	Banking	Trust	Securities	Other asset management	Technology business	Other businesses and elimination	Total
Gross written premiums	526,811	270,996	-	-	-	-	-	(2,743)	795,064
Less: Premiums ceded to reinsurers	(8,428)	(15,928)	-	-	-	-	-	2,986	(21,370)
Change in unearned premium reserves	(1,243)	(23,665)	-	-	-	-	-	(7)	(24,915)
Net earned premiums	517,140	231,403	-	-	-	-	-	236	748,779
Reinsurance commission revenue	2,096	6,547	-	-	-	-	-	(1,071)	7,572
Interest revenue from banking operations	-	-	177,549	-	-	-	-	(928)	176,621
Fees and commission revenue from non-insurance operations	-	-	45,903	3,722	5,457	2,118	-	(2,400)	54,800
Including: Inter-segment fees and commission revenue from non-insurance operations	-	-	1,903	338	(18)	97	-	(2,320)	-
Interest revenue from non-banking operations	80,831	7,770	-	273	3,852	9,338	209	(2,282)	99,991
Including: Inter-segment interest revenue from non- banking operations	216	71	-	21	65	517	44	(934)	-
Investment income	83,715	8,133	9,792	408	1,672	1,741	(420)	(3,294)	101,747
Including: Inter-segment investment income	8,218	2,604	-	1	28	194	35	(11,080)	-
Including: Operating lease income from investment properties	4,498	201	33	-	3	255	-	(1,607)	3,383
Share of profits and losses of associates and jointly controlled entities	11,168	2,327	-	28	(1)	6,191	5,754	(2,243)	23,224
Other revenues and other gains	24,653	1,048	365	524	4,510	29,893	26,501	(27,137)	60,357
Including: Inter-segment other revenues	11,865	26	63	1	6	1,782	11,366	(25,109)	-
Including: Non-operating gains	227	30	99	2	3	23	4	39	427
Total revenue	719,603	257,228	233,609	4,955	15,490	49,281	32,044	(39,119)	1,273,091

5. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2019 and for the year then ended is as follows (continued):

(in RMB million)	Life and health insurance	Property and casualty insurance	Banking	Trust	Securities	Other asset management	Technology business	Other businesses and elimination	Total
Claims and policyholders' benefits	(445,775)	(132,615)	-	-	-	-	-	77	(578,313)
Commission expenses on insurance operations	(80,034)	(39,368)	-	-	-	-	-	4,636	(114,766)
Interest expenses of banking operations	-	-	(87,588)	-	-	-	-	1,154	(86,434)
Fees and commission expenses on non-insurance operations	-	-	(9,160)	(190)	(1,183)	(97)	-	60	(10,570)
Net impairment losses on financial assets and other assets	5	(1,338)	(59,527)	(230)	(452)	(5,659)	(166)	101	(67,266)
Including: Loan impairment losses	-	-	(53,288)	-	-	-	-	-	(53,288)
Including: Impairment losses on investment assets	44	104	(4,615)	(30)	(433)	(3,264)	(1)	100	(8,095)
Including: Impairment losses on receivables and others	(39)	(1,442)	(1,624)	(200)	(19)	(2,395)	(165)	1	(5,883)
Foreign exchange (losses)/gains	(195)	(97)	1,196	1	-	(130)	7	(3)	779
Investment expenses	(2,427)	(254)	-	-	-	-	-	2,576	(105)
Including: Taxes and surcharges on investment operations	(97)	(8)	-	-	-	-	-	-	(105)
Administrative expenses	(54,651)	(56,125)	(42,142)	(1,017)	(3,873)	(10,908)	(17,585)	9,242	(177,059)
Including: Taxes and surcharges on insurance operations	(784)	(1,405)	-	-	-	-	-	-	(2,189)
Interest expenses on non-banking operations	(3,478)	(1,591)	-	(145)	(2,655)	(13,872)	(469)	2,112	(20,098)
Including: Financial costs	(2,402)	(1,238)	-	(83)	(1,813)	(13,846)	(469)	2,130	(17,721)
Including: Interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions	(1,076)	(353)	-	(62)	(842)	(26)	-	(18)	(2,377)
Other expenses	(24,250)	(355)	(148)	(5)	(4,340)	(10,393)	(8,909)	13,880	(34,520)
Total expenses	(610,805)	(231,743)	(197,369)	(1,586)	(12,503)	(41,059)	(27,122)	33,835	(1,088,352)
Profit before tax	108,798	25,485	36,240	3,369	2,987	8,222	4,922	(5,284)	184,739
Income tax	(5,061)	(2,677)	(8,045)	(771)	(611)	(2,781)	(261)	(167)	(20,374)
Profit for the year	103,737	22,808	28,195	2,598	2,376	5,441	4,661	(5,451)	164,365
- Attribute to owners of the parent	102,659	22,697	16,342	2,595	2,319	4,680	3,487	(5,372)	149,407

5. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2019 and for the year then ended is as follows (continued):

(in RMB million)	Life and health insurance	Property and casualty insurance	Banking	Trust	Securities	Other asset management	Technology business	Other businesses and elimination	Total
Cash and amounts due from banks and other financial institutions	204,651	54,186	170,511	5,946	47,752	42,954	14,649	(31,943)	508,706
Balances with Central Bank and statutory deposits for insurance operations	8,216	4,272	246,771	-	-	-	5	8	259,272
Accounts receivable	2,104	-	-	-	-	21,432	5,115	(72)	28,579
Finance lease receivable	-	-	-	-	-	183,957	-	-	183,957
Loans and advances to customers	-	-	2,259,349	-	-	-	-	(18,953)	2,240,396
Financial assets at fair value through profit or loss	481,134	105,681	206,682	14,525	25,423	71,023	33,718	22,887	961,073
Financial assets at amortized cost	1,410,816	93,242	656,290	849	393	153,677	279	(34,321)	2,281,225
Financial assets at fair value through other comprehensive income	510,629	34,147	184,108	13	47,490	9,026	49	(45,112)	740,350
Investments in associates and jointly controlled entities	108,280	12,065	-	3,053	105	44,243	53,483	(17,094)	204,135
Others	336,582	111,842	215,359	2,749	17,801	110,967	24,919	(4,983)	815,236
Segment assets	**3,062,412**	**415,435**	**3,939,070**	**27,135**	**138,964**	**637,279**	**132,217**	**(129,583)**	**8,222,929**
Due to banks and other financial institutions	34,513	5,637	508,092	-	445	305,153	10,736	(40,551)	824,025
Assets sold under agreements to repurchase	99,943	9,209	40,099	-	22,643	4,629	-	-	176,523
Accounts payable	2,858	-	-	-	-	677	1,448	(162)	4,821
Insurance payables	101,144	29,554	-	-	-	-	-	(4,443)	126,255
Customer deposits and payables to brokerage customers	-	-	2,459,768	-	38,675	-	-	(66,730)	2,431,713
Bonds payable	19,049	19,058	513,762	-	26,506	113,211	-	8,045	699,631
Insurance contract liabilities	2,374,319	237,803	-	-	-	-	-	62	2,612,184
Investment contract liabilities for policyholders	57,470	19	-	-	-	-	-	-	57,489
Policyholder dividend payable	59,082	-	-	-	-	-	-	-	59,082
Others	59,940	21,155	104,366	6,529	19,054	151,027	24,989	(8,224)	378,836
Segment liabilities	**2,808,318**	**322,435**	**3,626,087**	**6,529**	**107,323**	**574,697**	**37,173**	**(112,003)**	**7,370,559**
Segment equity	**254,094**	**93,000**	**312,983**	**20,606**	**31,641**	**62,582**	**95,044**	**(17,580)**	**852,370**
– Attribute to owners of the parent	246,069	92,548	169,814	20,581	30,256	45,381	85,737	(17,225)	673,161
Other segment information:									
Capital expenditures	3,941	659	3,587	67	178	2,291	3,313	710	14,746
Depreciation and amortization	3,338	616	3,093	7	243	383	1,503	613	9,796
Total other non-cash expenses charged to consolidated results	(5)	1,338	59,527	230	452	5,659	166	(101)	67,266

5. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2018 and for the year then ended is as follows:

(in RMB million)	Life and health insurance	Property and casualty insurance	Banking	Trust	Securities	Other asset management	Technology business	Other businesses and elimination	Total
Gross written premiums	472,359	247,526	–	–	–	–	–	(329)	719,556
Less: Premiums ceded to reinsurers	(5,081)	(14,881)	–	–	–	–	–	545	(19,417)
Change in unearned premium reserves	(1,695)	(20,727)	–	–	–	–	–	(14)	(22,436)
Net earned premiums	465,583	211,918	–	–	–	–	–	202	677,703
Reinsurance commission revenue	1,173	6,964	–	–	–	–	–	(171)	7,966
Interest revenue from banking operations	–	–	162,888	–	–	–	–	(1,174)	161,714
Fees and commission revenue from non-insurance operations	–	–	39,362	3,801	4,014	1,254	52	(2,206)	46,277
Including: Inter-segment fees and commission revenue from non-insurance operations	–	–	1,882	478	27	18	–	(2,405)	–
Interest revenue from non-banking operations	71,190	7,493	–	247	2,983	8,642	8	(2,017)	88,546
Including: Inter-segment interest revenue from non- banking operations	395	72	–	39	119	1,238	22	(1,885)	–
Investment income	3,417	2,980	10,109	841	1,674	6,033	8,157	(1,237)	31,974
Including: Inter-segment investment income	1,124	46	3	2	3	515	50	(1,743)	–
Including: Operating lease income from investment properties	4,117	212	31	–	3	247	–	(867)	3,743
Share of profits and losses of associates and jointly controlled entities	6,230	1,177	–	97	–	6,381	6,697	(2,508)	18,074
Other revenues and other gains	25,030	1,415	384	203	2,926	25,038	20,025	(25,129)	49,892
Including: Inter-segment other revenues	11,488	22	105	3	21	1,292	8,169	(21,100)	–
Including: Non-operating gains	197	103	28	5	3	10	29	10	385
Total revenue	572,623	231,947	212,743	5,189	11,597	47,348	34,939	(34,240)	1,082,146

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5. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2018 and for the year then ended is as follows (continued):

(in RMB million)	Life and health insurance	Property and casualty insurance	Banking	Trust	Securities	Other asset management	Technology business	Other businesses and elimination	Total
Claims and policyholders' benefits	(323,494)	(116,305)	–	–	–	–	–	203	(439,596)
Commission expenses on insurance operations	(84,142)	(49,337)	–	–	–	–	–	3,085	(130,394)
Interest expenses of banking operations	–	–	(88,143)	–	–	–	–	1,212	(86,931)
Fees and commission expenses on non-insurance operations	–	–	(8,065)	(116)	(847)	(489)	–	431	(9,086)
Net impairment losses on financial assets and other assets	(243)	(1,410)	(47,871)	(1)	(217)	(3,970)	(4)	(98)	(53,814)
Including: Loan impairment losses	–	–	(43,657)	–	–	–	–	–	(43,657)
Including: Impairment losses on investment assets	(200)	(187)	(3,582)	–	(198)	(1,978)	–	(23)	(6,168)
Including: Impairment losses on receivables and others	(43)	(1,223)	(632)	(1)	(19)	(1,992)	(4)	(75)	(3,989)
Foreign exchange (losses)/gains	(851)	(45)	209	2	2	(16)	–	(247)	(946)
Investment expenses	(2,090)	(256)	–	–	–	–	–	2,211	(135)
Including: Taxes and surcharges on investment operations	(125)	(10)	–	–	–	–	–	–	(135)
Administrative expenses	(50,034)	(43,537)	(36,540)	(1,038)	(3,478)	(9,246)	(13,685)	6,112	(151,446)
Including: Taxes and surcharges on insurance operations	(758)	(1,284)	–	–	–	–	–	–	(2,042)
Interest expenses on non-banking operations	(3,939)	(1,124)	–	(114)	(2,219)	(12,113)	(63)	1,345	(18,227)
Including: Financial costs	(2,686)	(677)	–	(33)	(1,125)	(12,105)	(63)	1,348	(15,341)
Including: Interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions	(1,253)	(447)	–	(81)	(1,094)	(8)	–	(3)	(2,886)
Other expenses	(26,571)	(418)	(102)	(9)	(2,824)	(9,097)	(5,576)	16,177	(28,420)
Total expenses	(491,364)	(212,432)	(180,512)	(1,276)	(9,583)	(34,931)	(19,328)	30,431	(918,995)
Profit before tax	81,259	19,515	32,231	3,913	2,014	12,417	15,611	(3,809)	163,151
Income tax	(22,502)	(7,241)	(7,413)	(901)	(334)	(3,400)	(627)	(281)	(42,699)
Profit for the year	58,757	12,274	24,818	3,012	1,680	9,017	14,984	(4,090)	120,452
– Attribute to owners of the parent	57,914	12,215	14,394	3,008	1,599	8,264	14,006	(3,996)	107,404

5. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2018 and for the year then ended is as follows (continued):

(in RMB million)	Life and health insurance	Property and casualty insurance	Banking	Trust	Securities	Other asset management	Technology business	Other businesses and elimination	Total
Cash and amounts due from banks and other financial institutions	176,442	53,935	163,047	5,779	31,150	39,224	17,817	(29,870)	457,524
Balances with Central Bank and statutory deposits for insurance operations	8,153	4,286	273,513	–	–	–	–	7	285,959
Accounts receivable	1,791	–	–	–	–	16,264	3,882	74	22,011
Finance lease receivable	–	–	–	–	–	165,214	–	–	165,214
Loans and advances to customers	–	–	1,949,757	–	–	–	–	(19,915)	1,929,842
Financial assets at fair value through profit or loss	443,974	71,187	148,768	13,361	30,648	66,285	38,291	12,425	824,939
Financial assets at amortized cost	1,237,974	94,687	629,366	–	639	126,014	733	(14,262)	2,075,151
Financial assets at fair value through other comprehensive income	392,223	42,227	72,183	13	44,926	11,040	49	(29,121)	533,540
Investments in associates and jointly controlled entities	83,761	9,464	–	1,203	59	34,816	39,429	(13,837)	154,895
Others	287,739	96,838	181,958	3,587	14,880	71,508	23,586	13,789	693,885
Segment assets	2,632,057	372,624	3,418,592	23,943	122,302	530,365	123,787	(80,710)	7,142,960
Due to banks and other financial institutions	33,952	5,552	567,100	–	341	210,710	4,182	(18,683)	803,154
Assets sold under agreements to repurchase	126,387	13,885	7,988	–	32,445	8,323	–	–	189,028
Accounts payable	3,066	–	–	–	–	729	1,080	(162)	4,713
Insurance payables	92,891	29,241	–	–	–	–	–	(1,444)	120,688
Customer deposits and payables to brokerage customers	–	–	2,149,142	–	25,453	–	–	(60,251)	2,114,344
Bonds payable	32,519	8,680	381,884	–	15,221	111,191	–	7,380	556,875
Insurance contract liabilities	1,997,775	213,597	–	–	–	–	–	515	2,211,887
Investment contract liabilities for policyholders	52,728	19	–	–	–	–	–	–	52,747
Policyholder dividend payable	52,591	–	–	–	–	–	–	–	52,591
Others	54,903	24,261	72,436	6,205	19,441	146,061	31,231	(1,248)	353,290
Segment liabilities	2,446,812	295,235	3,178,550	6,205	92,901	477,014	36,493	(73,893)	6,459,317
Segment equity	185,245	77,389	240,042	17,738	29,401	53,351	87,294	(6,817)	683,643
– Attribute to owners of the parent	178,824	77,014	139,224	17,717	27,976	43,161	79,541	(6,949)	556,508
Other segment information:									
Capital expenditures	1,383	1,936	4,232	9	276	3,960	2,538	215	14,549
Depreciation and amortization	3,774	617	2,466	56	209	615	1,484	621	9,842
Total other non-cash expenses charged to consolidated results	243	1,410	47,871	1	217	3,970	4	98	53,814

6. GROSS AND NET WRITTEN PREMIUMS

(in RMB million)	2019	2018
Gross written premiums and premium deposits	**883,029**	818,379
Less: Premium deposits of policies without significant insurance risk transfer	**(3,543)**	(5,654)
Premium deposits separated out from universal life and investment-linked products	**(84,422)**	(93,169)
Gross written premiums	**795,064**	719,556

(in RMB million)	2019	2018
Long-term life business gross written premiums	**486,742**	440,422
Short-term life business gross written premiums	**36,931**	31,278
Property and casualty business gross written premiums	**271,391**	247,856
Gross written premiums	**795,064**	719,556

(in RMB million)	2019	2018
Gross written premiums		
Life insurance		
Individual business	**503,828**	454,351
Group business	**19,845**	17,349
	523,673	471,700
Property and casualty insurance		
Auto insurance	**194,487**	181,923
Non-auto insurance	**63,986**	56,462
Accident and health insurance	**12,918**	9,471
	271,391	247,856
Gross written premiums	**795,064**	719,556

(in RMB million)	2019	2018
Net of reinsurance premiums ceded		
Life insurance		
Individual business	**498,915**	450,219
Group business	**19,468**	17,059
	518,383	467,278
Property and casualty insurance		
Auto insurance	**187,118**	174,988
Non-auto insurance	**55,295**	48,495
Accident and health insurance	**12,898**	9,378
	255,311	232,861
Net written premiums	**773,694**	700,139

7. NET INTEREST INCOME FROM BANKING OPERATIONS

(in RMB million)	2019	2018
Interest revenue from banking operations		
Due from the Central Bank	**3,345**	4,002
Due from financial institutions	**9,681**	10,932
Loans and advances to customers	**132,690**	116,351
Financial investments	**30,905**	28,355
Others	**–**	2,074
Subtotal	**176,621**	161,714
Interest expenses on banking operations		
Due to the Central Bank	**4,290**	4,293
Due to financial institutions	**12,605**	18,398
Customer deposits	**54,858**	48,718
Bonds payable	**14,477**	15,522
Others	**204**	–
Subtotal	**86,434**	86,931
Net interest income from banking operations	**90,187**	74,783

8. INTEREST REVENUE FROM NON-BANKING OPERATIONS

(in RMB million)	2019	2018
Financial assets at amortized cost	**89,924**	80,418
Debt financial assets at fair value through other comprehensive income	**10,067**	8,128
	99,991	88,546

9. NET FEES AND COMMISSION INCOME FROM NON-INSURANCE OPERATIONS

(in RMB million)	2019	2018
Fees and commission revenue from non-insurance operations		
Brokerage commission	**3,544**	2,320
Underwriting commission	**991**	724
Trust service fees	**3,095**	3,125
Fees and commission from the banking business	**44,225**	37,764
Others	**2,945**	2,344
Subtotal	**54,800**	46,277
Fees and commission expenses on non-insurance operations		
Brokerage commission	**1,129**	709
Fees and commission on the banking business	**9,160**	8,049
Others	**281**	328
Subtotal	**10,570**	9,086
Net fees and commission income from non-insurance operations	**44,230**	37,191

10. INVESTMENT INCOME

(in RMB million)	2019	2018
Net investment income	**52,013**	52,643
Realized gains from disposal	**5,643**	7,615
Unrealized gains/(losses)	**44,091**	(28,284)
Total investment income	**101,747**	31,974

(1) NET INVESTMENT INCOME

(in RMB million)	2019	2018
Financial assets at fair value through profit or loss	**35,822**	38,609
Equity financial assets at fair value through other comprehensive income	**12,808**	10,291
Operating lease income from investment properties	**3,383**	3,743
	52,013	52,643

(2) REALIZED GAINS FROM DISPOSAL

(in RMB million)	2019	2018
Financial assets at fair value through profit or loss	**2,243**	3,068
Debt financial assets at fair value through other comprehensive income	**172**	(199)
Financial assets at amortized cost	**45**	56
Derivative financial instruments	**939**	958
Gain on disposals of loans and advances at fair value through other comprehensive income	**1,182**	835
Income from precious metal transactions	**701**	573
Investment in subsidiaries, associates and jointly controlled entities	**361**	2,324
	5,643	7,615

(3) UNREALIZED GAINS/(LOSSES)

(in RMB million)	2019	2018
Financial assets at fair value through profit or loss		
– Bonds	**340**	1,677
– Funds	**14,597**	(12,150)
– Stocks	**20,989**	(28,688)
– Wealth management investments and other investments	**8,201**	11,213
Derivative financial instruments	**(45)**	(199)
Financial liabilities at fair value through profit or loss	**9**	(137)
	44,091	(28,284)

11. OTHER REVENUES AND OTHER GAINS

(in RMB million)	2019	2018
Sales revenue	**23,022**	18,268
Management fee from investment-linked products and from investment contracts	**3,388**	2,835
Expressway toll fee	**1,087**	1,195
Annuity management fee	**413**	679
Consulting and management fee income	**6,551**	5,078
Finance lease income	**16,990**	12,749
Income from guarantees	**–**	416
Income from customer loyalty service	**167**	121
Others	**8,739**	8,551
	60,357	49,892

12. CLAIMS AND POLICYHOLDERS' BENEFITS

	2019		
(in RMB million)	Gross	Reinsurers' share	Net
Claims and claim adjustment expenses	**191,081**	**(11,280)**	**179,801**
Surrenders	**26,661**	**–**	**26,661**
Annuities	**9,557**	**–**	**9,557**
Maturities and survival benefits	**25,983**	**–**	**25,983**
Policyholder dividends	**19,329**	**–**	**19,329**
Increase in long-term life insurance policyholders' reserves	**285,437**	**(90)**	**285,347**
Interest credited to policyholder contract deposits	**31,635**	**–**	**31,635**
	589,683	**(11,370)**	**578,313**

	2018		
(in RMB million)	Gross	Reinsurers' share	Net
Claims and claim adjustment expenses	164,351	(9,743)	154,608
Surrenders	21,539	–	21,539
Annuities	22,725	–	22,725
Maturities and survival benefits	22,186	–	22,186
Policyholder dividends	16,445	–	16,445
Increase in long-term life insurance policyholders' reserves	185,051	(365)	184,686
Interest credited to policyholder contract deposits	17,407	–	17,407
	449,704	(10,108)	439,596

12. CLAIMS AND POLICYHOLDERS' BENEFITS (CONTINUED)

	2019		
(in RMB million)	**Gross**	**Reinsurers' share**	**Net**
Long-term life insurance contract benefits	**427,668**	**(1,912)**	**425,756**
Short-term life insurance claims	**21,997**	**(2,313)**	**19,684**
Property and casualty insurance claims	**140,018**	**(7,145)**	**132,873**
	589,683	**(11,370)**	**578,313**

	2018		
(in RMB million)	Gross	Reinsurers' share	Net
Long-term life insurance contract benefits	309,571	(2,064)	307,507
Short-term life insurance claims	16,633	(979)	15,654
Property and casualty insurance claims	123,500	(7,065)	116,435
	449,704	(10,108)	439,596

13. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

(in RMB million)	**2019**	2018
Accounts receivable	**202**	145
Loans and advances to customers	**53,288**	43,657
Debt financial assets at fair value through other comprehensive income	**1,322**	676
Financial assets at amortized cost	**5,113**	5,244
Finance lease receivable	**1,548**	1,047
Loan commitments	**933**	218
Due from banks and other financial institutions	**502**	(94)
Placements with banks and other financial institutions	**64**	85
Others	**2,298**	1,127
	65,270	52,105

14. PROFIT BEFORE TAX

(1) PROFIT BEFORE TAX IS ARRIVED AT AFTER CHARGING THE FOLLOWING ITEMS:

(in RMB million)	2019	2018
Employee costs (Note 14. (2))	**75,106**	65,904
Interest expenses on policyholder contract deposits	**31,635**	17,407
Depreciation of investment properties	**1,457**	1,231
Depreciation of property and equipment	**5,855**	5,053
Amortization of intangible assets	**2,844**	2,898
Depreciation of right-of-use assets	**7,744**	–
Net impairment losses on financial investments	**65,270**	52,105
Impairment loss on other assets	**1,996**	1,709
Cost of sales	**11,289**	6,310
Auditors' remuneration – annual audit, half-year review and quarterly agreed-upon procedures	**97**	85

(2) EMPLOYEE COSTS

(in RMB million)	2019	2018
Wages, salaries and bonuses	**59,144**	49,902
Retirement benefits, social security contributions and welfare benefits	**14,040**	14,148
Others	**1,922**	1,854
	75,106	65,904

15. INCOME TAX

(in RMB million)	2019	2018
Current income tax		
– Charge for the year	**30,875**	51,135
– Adjustments in respect of current income tax of previous years	**(9,836)**	(336)
Deferred income tax	**(665)**	(8,100)
	20,374	42,699

Certain subsidiaries enjoy tax preferential treatments and these subsidiaries are not material to the Group. Except for those subsidiaries enjoying tax preferential treatments, the applicable corporate income tax rate of the Group for 2019 was 25%.

According to the Circular on Pre-tax Deduction of Fee and Commission Expense for Insurers (No. 72, 2019) (the "Circular") issued by the Ministry of Finance and the State Administration of Taxation on May 29, 2019, the maximum proportion of pre-tax deduction of fee and commission expense for insurers has been raised to 18% (inclusive) of the balance of premium income less surrenders for the current year, and the excess may be carried forward to the following year. Insurers shall compute and pay their income tax for 2018 in accordance with the Circular. The impact of the Circular on income tax of the Group for 2018 is RMB10,453 million, which has been factored into the income tax for 2019.

15. INCOME TAX (CONTINUED)

Reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate of 25% (2018: 25%) is as follows:

(in RMB million)	2019	2018
Profit before tax	**184,739**	163,151
Tax at the applicable tax rate of 25% (2018: 25%)	**46,185**	40,788
Expenses not deductible for tax	**2,573**	17,869
Income not subject to tax	**(19,692)**	(16,514)
Adjustments in respect of current income tax of previous years	**(9,836)**	(336)
Others	**1,144**	892
Income tax per consolidated income statement	**20,374**	42,699

Taxes for taxable income derived from jurisdictions outside of PRC are measured at the tax rates under local and PRC law, regulations and conventions. The income tax provided by the Group is further assessed by official tax bureau.

16. DIVIDENDS

(in RMB million)	2019	2018
2018 final dividend declared in 2019- RMB1.10(2017 final dividend declared in 2018- RMB1.00) per ordinary share (i)	**20,108**	18,280
30th Anniversary Special Dividend declared in 2018-RMB0.20 per ordinary share	**-**	3,656
2019 interim dividend – RMB0.75(2018 interim dividend – RMB0. 62) per ordinary share (ii)	**13,667**	11,334

(i) On 12 March 2019, the Board of Directors of the Company approved the Resolution of the Profit Appropriation Plan for 2018, agreeing to declare a cash dividend of RMB1.10 (tax inclusive) per share based on the total shares of 18,280,241,410 for 2018. The total amount of the cash dividend for 2018 was RMB20,108 million.

On 29 April 2019, the above profit appropriation plans in (i) were approved by the shareholders of the Company at the annual general meeting.

(ii) On 15 August 2019, the Board of Directors of the Company approved the Resolution of the Profit Appropriation Plan for Interim Dividend of 2019, and declared an interim cash dividend of RMB0.75 (tax inclusive) per share. The total amount of the cash dividend was RMB13,667 million.

(iii) On 20 February 2020, the Board of Directors of the Company approved the Resolution of the Profit Appropriation Plan for 2019, agreeing to declare a final cash dividend of RMB1.30(tax inclusive) per share for 2019. Pursuant to the Detailed Rules for Implementation of Share Repurchase by Listed Companies promulgated by the Shanghai Stock Exchange and the applicable regulations, the Company's A shares in the Company's repurchased securities account (if any) after trading hours on the record date of A shareholders for the dividend will not be entitled to the dividend distribution. At present, it is difficult to predict the total number of shares that will be entitled to the dividend distribution on the record date of A shareholders. Therefore, we cannot determine the actual total amount of the dividend payment now. The total amount of the dividend payment for 2019 is estimated at RMB23,689,440,843.90 (tax inclusive) based on the total share capital of 18,280,241,410 shares less the 57,594,607 A shares of the Company in the repurchased securities account as at 31 December, 2019. The actual total amount of final dividend payment is subject to the actual number of shares entitled to the dividend distribution. The amount was not recognized as a liability as at 31 December, 2019.

17. EARNINGS PER SHARE

(1) BASIC

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Group.

	2019	2018
Profit attributable to owners of the parent (in RMB million)	**149,407**	107,404
Weighted average number of ordinary shares in issue (million shares)	**17,769**	17,834
Basic earnings per share (in RMB)	**8.41**	6.02

Weighted average number of ordinary shares in issue (million shares)	2019	2018
Issued ordinary shares as at 1 January	**18,280**	18,280
Weighted average number of shares held by the Key Employee Share Purchase Plan	**(29)**	(29)
Weighted average number of shares held by the Long-term Service Plan	**(35)**	–
Weighted average number of shares held by the consolidated assets management scheme (i)	**(417)**	(417)
Weighted average number of shares held by the treasury shares	**(30)**	–
Weighted average number of ordinary shares in issue	**17,769**	17,834

(i) As at 31 December 2019, 417 million (31 December 2018: 417 million) shares were held by the consolidated assets management scheme.

(2) DILUTED

Diluted earnings per share was computed by dividing the adjusted profit attributable to the equity holders of the Company based on assuming conversion of all dilutive potential shares for the year by the adjusted weighted average number of ordinary shares in issue. The shares granted by the Company under the Key Employee Share Purchase Plan (Note 40) and Long-term Service Plan (Note 41) have a potential dilutive effect on the earnings per share.

	2019	2018
Earnings (in RMB million)		
Profit attributable to owners of the parent	**149,407**	107,404
Weighted average number of ordinary shares (million shares)		
Weighted average number of ordinary shares in issue	**17,769**	17,834
Adjustments for:		
– Assumed vesting of Key Employee Share Purchase Plan	**29**	29
– Assumed vesting of Long-term Service Plan	**35**	–
Weighted average number of ordinary shares for diluted earnings per share	**17,833**	17,863
Diluted earnings per share (in RMB)	**8.38**	6.01

18. CASH AND AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

(in RMB million)	31 December 2019	31 December 2018
Cash on hand	**5,461**	5,019
Term deposits	**220,070**	178,833
Due from banks and other financial institutions	**203,606**	199,238
Placements with banks and other financial institutions	**79,569**	74,434
	508,706	457,524

Details of placements with banks and other financial institutions are as follows:

(in RMB million)	31 December 2019	31 December 2018
Measured at amortized most:		
Placements with banks	**59,287**	68,611
Placements with other financial institutions	**13,909**	2,239
Gross	**73,196**	70,850
Less: Provision for impairment losses	**(180)**	(172)
Net	**73,016**	70,678
Measured at fair value through other comprehensive income:		
Placements with other financial institutions	**6,553**	3,756
Total	**79,569**	74,434

As at 31 December 2019, the provision for impairment losses of placements with banks and other financial institutions measured at fair value through other comprehensive income is RMB72 million (31 December 2018: RMB16 million).

As at 31 December 2019, cash and amounts due from banks and other financial institutions of RMB7,198 million (31 December 2018: RMB5,446 million) were restricted from use.

As at 31 December 2019, cash and amounts due from overseas banks and other financial institutions amounted to RMB21,382 million (31 December 2018: RMB16,187 million).

19. BALANCES WITH THE CENTRAL BANK

(in RMB million)	31 December 2019	31 December 2018
Statutory reserve deposits with the Central Bank for banking operations	**212,545**	229,525
– Statutory reserve deposits with the Central Bank for banking operations-RMB	**206,659**	223,067
– Statutory reserve deposits with the Central Bank for banking operations-Foreign Currencies	**5,886**	6,458
Surplus reserve deposits with the Central Bank	**31,223**	41,917
Fiscal deposits with the Central Bank	**3,003**	2,071
	246,771	273,513

19. BALANCES WITH THE CENTRAL BANK (CONTINUED)

In accordance with relevant regulations, subsidiaries of the Group engaged in bank operations are required to place mandatory reserve deposits with the People's Bank of China (the 'PBC') for customer deposits in both local currency and foreign currencies. As at 31 December 2019, the mandatory deposits are calculated at 9.5% (31 December 2018: 12%) of customer deposits denominated in RMB and 5%(31 December 2018: 5%) of customer deposits denominated in foreign currencies. Mandatory reserve deposits are not available for use by the Group in its day to day operations.

20. FINANCIAL ASSETS PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS

Classified by collateral:

(in RMB million)	31 December 2019	31 December 2018
Bonds	**89,445**	84,574
Bills	**40**	959
Stocks and others	**7,144**	7,614
Subtotal	**96,629**	93,147
Less: Provision for impairment losses	**(172)**	(196)
Total	**96,457**	92,951

21. PREMIUM RECEIVABLES

(in RMB million)	31 December 2019	31 December 2018
Premium receivables	**85,907**	69,793
Less: Provision for doubtful receivables	**(3,491)**	(2,643)
Premium receivables, net	**82,416**	67,150
Life insurance	**18,521**	16,415
Property and casualty insurance	**63,895**	50,735
Premium receivables, net	**82,416**	67,150

The credit terms of premium receivables granted are generally from one to six months, and non-interest bearing.

An aging analysis of premium receivables is as follows:

(in RMB million)	31 December 2019	31 December 2018
Within 3 months	**80,009**	65,159
Over 3 months but within 1 year	**2,668**	2,300
Over 1 year	**3,230**	2,334
	85,907	69,793

22. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2019			
	Assets		Liabilities	
(in RMB million)	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swaps	**2,521,008**	**10,065**	**3,367,080**	**10,160**
Currency forwards and swaps	**299,867**	**4,578**	**216,884**	**3,312**
Gold derivative instruments	**26,969**	**4,065**	**62,882**	**8,146**
Stock index options	**328**	**4**	**1,292**	**10**
Stock index swaps	**1,372**	**77**	**–**	**–**
Others	**362**	**168**	**5,407**	**2,899**
	2,849,906	**18,957**	**3,653,545**	**24,527**

	31 December 2018			
	Assets		Liabilities	
(in RMB million)	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swaps	1,564,617	12,013	2,729,192	12,147
Currency forwards and swaps	459,542	7,622	438,417	6,898
Gold derivative instruments	28,051	2,273	56,020	2,670
Stock index options	–	–	5,398	16
Others	3	3	676	516
	2,052,213	21,911	3,229,703	22,247

23. REINSURERS' SHARE OF INSURANCE LIABILITIES

(in RMB million)	31 December 2019	31 December 2018
Reinsurers' share of unearned premium reserves	**7,250**	6,325
Reinsurers' share of claim reserves	**9,129**	9,112
Reinsurers' share of long-term life insurance policyholders' reserves	**1,324**	1,234
	17,703	16,671

24. FINANCE LEASE RECEIVABLE

(in RMB million)	31 December 2019	31 December 2018
Finance lease receivables, net of unearned finance income	**187,575**	167,783
Less: Provision for impairment losses	**(3,618)**	(2,569)
	183,957	165,214

The Group's long-term receivables are financial leases receivable to offset the net unrealized financial gains.

25. LOANS AND ADVANCES TO CUSTOMERS

(1) ANALYSED BY CORPORATE AND INDIVIDUAL

(in RMB million)	31 December 2019	31 December 2018
Measured at amortized cost:		
Corporate customers		
Loans	**790,547**	761,938
Individual customers		
New generation loans	**157,364**	153,745
Credit cards	**540,434**	473,295
Mortgage loans and licensed mortgage loans	**411,066**	310,793
Vehicle loans	**179,224**	172,029
Others	**69,133**	44,151
Gross	**2,147,768**	1,915,951
Add: Interest receivable	**5,703**	6,237
Less: Provision for impairment losses	**(69,560)**	(54,033)
Net	**2,083,911**	1,868,155
Measured at fair value through other comprehensive income:		
Corporate customers		
Loans	**61,582**	19,985
Discounted bills	**94,903**	41,702
Subtotal	**156,485**	61,687
Carrying amount	**2,240,396**	1,929,842

As at 31 December 2019, the provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income was RMB453 million (31 December 2018:RMB154 million), refer to Note 25.(6).

As at 31 December 2019, discounted bills with a carrying amount of RMB5,498 million (31 December 2018: RMB4,178 million) were pledged for amounts due to the Central Bank.

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25. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(2) ANALYSED BY INDUSTRY

(in RMB million)	31 December 2019	31 December 2018
Corporate customers		
Agriculture, husbandry and fishery	**4,619**	5,837
Extraction (heavy industry)	**31,891**	41,140
Manufacturing (light industry)	**114,789**	119,845
Energy	**19,484**	21,745
Transportation and communication	**43,768**	39,131
Commercial	**94,407**	101,039
Real estate	**228,663**	176,016
Social service, technology, culture and sanitary industries	**153,816**	142,266
Construction	**40,031**	45,403
Others	**120,661**	89,501
Subtotal of loans	**852,129**	781,923
Discounted bills	**94,903**	41,702
Subtotal of corporate customers	**947,032**	823,625
Individual customers	**1,357,221**	1,154,013
Gross	**2,304,253**	1,977,638
Add: Interest receivable	**5,703**	6,237
Less: Provision for impairment losses	**(69,560)**	(54,033)
Carrying amount	**2,240,396**	1,929,842

(3) ANALYSED BY TYPE OF COLLATERAL HELD OR OTHER CREDIT ENHANCEMENTS

(in RMB million)	31 December 2019	31 December 2018
Unsecured	**945,835**	775,467
Guaranteed	**192,876**	200,873
Secured by collateral		
Secured by mortgages	**792,250**	671,915
Secured by monetary assets	**278,389**	287,681
Subtotal	**2,209,350**	1,935,936
Discounted bills	**94,903**	41,702
Gross	**2,304,253**	1,977,638
Add: Interest receivable	**5,703**	6,237
Less: Provision for impairment losses	**(69,560)**	(54,033)
Carrying amount	**2,240,396**	1,929,842

25. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(4) AGING ANALYSIS OF PAST DUE LOANS BY PASS DUE DAYS

	31 December 2019				
(in RMB million)	Within 3 months	3 months to 1 year	1 to 3 years	More than 3 years	Total
Unsecured	**11,105**	**9,165**	**958**	**37**	**21,265**
Guaranteed	**2,338**	**1,266**	**3,257**	**278**	**7,139**
Secured by collateral					
Secured by mortgages	**4,319**	**5,694**	**4,366**	**131**	**14,510**
Pledged loan	**2,898**	**3,415**	**2,694**	**128**	**9,135**
	20,660	**19,540**	**11,275**	**574**	**52,049**

	31 December 2018				
(in RMB million)	Within 3 months	3 months to 1 year	1 to 3 years	More than 3 years	Total
Unsecured	9,817	7,140	1,275	1,119	19,351
Guaranteed	1,490	4,610	2,924	266	9,290
Secured by collateral					
Secured by mortgages	4,060	7,123	3,703	160	15,046
Pledged loan	2,605	4,441	1,071	139	8,256
	17,972	23,314	8,973	1,684	51,943

Past due loans refer to the loans with either principal or interest being past due by one day or more.

(5) ANALYSED BY REGION

	31 December 2019		31 December 2018	
(in RMB million)	Amount	%	Amount	%
Eastern China	**447,287**	**19.42%**	588,065	29.74%
Southern China	**434,909**	**18.87%**	330,086	16.69%
Western China	**213,195**	**9.25%**	184,593	9.33%
Northern China	**338,676**	**14.70%**	298,178	15.08%
Head office	**869,489**	**37.73%**	576,716	29.16%
Overseas	**697**	**0.03%**	–	0.00%
Gross	**2,304,253**	**100.00%**	1,977,638	100.00%
Add: Interest receivable	**5,703**		6,237	
Less: Loan allowance	**(69,560)**		(54,033)	
Carrying amount	**2,240,396**		1,929,842	

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25. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(6) LOAN IMPAIRMENT PROVISION

(in RMB million)	2019	2018
Measured at amortized cost:		
As at 31 December 2018/31 December 2017	**54,033**	44,322
Change in accounting policy	**–**	3,387
As at 1 January 2019/1 January 2018	**54,033**	47,709
Charge for the year	**52,989**	43,557
Write-off and transfer during the year	**(47,681)**	(46,409)
Recovery of loans written off previously	**11,110**	9,356
Unwinding of discount of impairment provisions recognized as interest income	**(481)**	(675)
Others	**(410)**	495
As at 31 December	**69,560**	54,033
Measured at fair value through other comprehensive income		
As at 31 December 2018/31 December 2017	**154**	–
Change in accounting policy	**–**	54
As at 1 January 2019/1 January 2018	**154**	54
Charge for the year	**299**	100
As at 31 December	**453**	154
As at 31 December 2019/31 December 2018	**70,013**	54,187

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(in RMB million)	31 December 2019	31 December 2018
Bonds		
Government bonds	**60,741**	40,833
Finance bonds	**106,056**	82,333
Corporate bonds	**59,494**	46,201
Funds	**214,065**	197,351
Stocks	**115,602**	89,640
Preferred shares	**26,133**	1,177
Unlisted equity investments	**83,617**	67,049
Debt schemes	**13,755**	15,432
Wealth management investments	**224,653**	224,743
Other investments	**56,957**	60,180
Subtotal	**961,073**	824,939
Listed	**202,802**	146,082
Unlisted	**758,271**	678,857
	961,073	824,939

27. FINANCIAL ASSETS AT AMORTIZED COST

(in RMB million)	31 December 2019	31 December 2018
Bonds		
Government bonds	**1,234,172**	894,996
Finance bonds	**450,904**	497,233
Corporate bonds	**109,005**	131,326
Debt schemes	**120,494**	151,873
Wealth management investments	**268,387**	308,181
Other investments	**114,982**	104,847
Gross	**2,297,944**	2,088,456
Less: Provision for impairment losses	**(16,719)**	(13,305)
Net	**2,281,225**	2,075,151
Listed	**129,359**	130,878
Unlisted	**2,151,866**	1,944,273
	2,281,225	2,075,151

28. DEBT FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(in RMB million)	31 December 2019	31 December 2018
Bonds		
Government bonds	**140,318**	123,491
Finance bonds	**132,160**	69,598
Corporate bonds	**58,247**	61,914
Margin accounts receivables	**24,447**	16,751
Wealth management investments	**102,993**	39,147
Total	**458,165**	310,901
Listed	**49,350**	49,815
Unlisted	**408,815**	261,086
	458,165	310,901

As at 31 December 2019, the total provision of impairment losses recognized for debt financial assets at fair value through other comprehensive income is RMB2,334 million(31 December 2018: RMB1,180 million).

29. EQUITY FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity financial assets at fair value through other comprehensive income comprise the following individual investments:

(in RMB million)	31 December 2019	31 December 2018
Stocks	**199,556**	154,235
Preferred shares	**80,547**	66,682
Unlisted equity investments	**2,082**	1,722
Total	**282,185**	222,639
Listed	**280,103**	220,917
Unlisted	**2,082**	1,722
	282,185	222,639

For the equity investments which are not held for trading but for long term investments, the Group has irrevocably elected them at initial recognition to recognize in this category.

There is no material disposal of equity financial assets at fair value through other comprehensive income in the current year.

The dividends income of equity financial assets at fair value through other comprehensive income recognized during the year are disclosed in Note 10.

30. INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

The Group's investments in the principal associates and jointly controlled entities as at 31 December 2019 are as follows:

(in RMB million)	2019							
	As at 1 January	Additional investment	Increase/ (Decrease) in current year	As at 31 December	Provision balance as at 31 December	Change of provision in current Year	Cash dividends in current Year	Proportion of ordinary shares held by the Group (%)[(i)]
Associates								
Veolia Water (Kunming) Investment Co., Ltd. ('Veolia Kunming')	291	-	13	304	(37)	-	-	23.88%
Veolia Water (Yellow River) Investment Co., Ltd. ('Veolia Yellow River')	209	-	(6)	203	(403)	-	-	48.76%
Veolia Water (Liuzhou) Investment Co., Ltd. ('Veolia Liuzhou')	124	-	12	136	(23)	-	-	44.78%
Shanxi Taichang Expressway Co., Ltd. ('Shanxi Taichang')	821	-	29	850	-	-	-	29.85%
Beijing-Shanghai High-Speed Railway Equity Investment Scheme ('Beijing-Shanghai Railway')	6,300	-	1,706	8,006	-	-	651	39.19%
Massive Idea Investments Limited	894	-	124	1,018	-	-	-	36.65%
Guangzhou Jinglun Property Development Co., Ltd.	499	-	453	952	-	-	-	39.92%
Shenzhen Jinzheng Science & Technology Co., Ltd.	911	-	(121)	790	(662)	-	-	5.00%
Xuhui Holdings Co., Ltd.	3,310	-	517	3,827	-	-	218	9.39%
Lufax Holding Ltd.('Lufax')	20,876	-	7,350	28,226	-	-	-	40.61%
Ping An Healthcare and Technology Co., Ltd. ('Ping An Good Doctor')	17,870	724	(210)	18,384	-	-	-	41.27%
Ping An Medical and Healthcare Management Co., Ltd. ('Ping An HealthKonnect')	4,599	-	(377)	4,222	-	-	-	38.54%
OneConnect Financial Technology Co., Ltd. ('OneConnect')	3,107	70	19	3,196	-	-	-	36.61%
Shenzhen China Merchants-Ping An Asset Management Co., Ltd.	1,173	-	101	1,274	-	-	46	38.81%
Jiangsu Dezhan Investment Co., Ltd.	2,115	-	(2,115)	-	-	-	-	-
Zhongan Online Property & Casualty Co., Ltd. ('Zhongan Online')	1,585	-	12	1,597	-	-	-	10.21%
Beijing Beiqi Penglong Automobile Service Co., Ltd.	1,529	-	22	1,551	-	-	157	39.18%
China Yangtze Power Co., Ltd.	14,231	-	263	14,494	-	-	673	4.48%
China Traditional Chinese Medicine Holdings Co., Ltd.	2,255	-	151	2,406	-	-	61	11.94%
China Fortune Land Development Co., Ltd.	14,477	4,204	946	19,627	-	-	908	25.00%
Scientia Technologies Limited ('Scientia') (i)	63	90	(21)	132	-	-	-	30.00%
China Tianying Inc.	-	1,108	54	1,162	-	-	-	7.66%
China Jinmao Holding Group Co., Ltd.	-	7,593	57	7,650	-	-	193	15.11%
Others	26,170	6,996	1,315	34,481	(115)	(17)	1,632	
Subtotal	123,409	20,785	10,294	154,488	(1,240)	(17)	4,539	
Jointly controlled entities								
Yunnan KunYu Highway Development Co., Ltd. ('Kunyu Highway')	744	-	49	793	-	-	13	49.94%
Nanjing Mingwan Property Development Co., Ltd.	2,125	-	38	2,163	-	-	-	48.85%
Beijing ZhaoTai Property Development Co., Ltd.	1,295	-	198	1,493	-	-	-	24.92%
Wuhan DAJT Property Development Co., Ltd.	571	-	297	868	-	-	-	49.79%
Xi'an Languang Meidu Enterprise Management Service Ltd.	993	-	205	1,198	-	-	-	48.90%
Others	25,758	14,754	2,620	43,132	-	-	3,810	
Subtotal	31,486	14,754	3,407	49,647	-	-	3,823	
Investments in associates and jointly controlled entities	154,895	35,539	13,701	204,135	(1,240)	(17)	8,362	

(i) Scientia holds 99.9% shares of Ping An International Smart City Technology Co., Ltd.

30. INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (CONTINUED)

The Group's investments in the principal associates and jointly controlled entities as at 31 December 2018 are as follows:

	2018							
(in RMB million)	As at 1 January	Additional investment	Increase/ (Decrease) in current year	As at 31 December	Provision balance as at 31 December	Change of provision in current Year	Cash dividends in current Year	Proportion of ordinary shares held by the Group (%)(i)
Associates								
Veolia Kunming	261	-	30	291	(36)	-	-	23.88%
Veolia Yellow River	213	-	(4)	209	(395)	-	-	48.76%
Veolia Liuzhou	112	-	12	124	(23)	-	-	44.78%
Shanxi Taichang	759	-	62	821	-	-	-	29.85%
Beijing-Shanghai Railway	6,300	-	-	6,300	-	-	305	39.19%
Lufax	11,996	-	8,880	20,876	-	-	-	41.14%
Foshan Huatai Property Development Co., Ltd.	1,046	-	(1,046)	-	-	-	414	-
Massive Idea Investments Limited	840	-	54	894	-	-	-	36.65%
Guangzhou Jinglun Property Development Co., Ltd.	510	-	(11)	499	-	-	-	39.92%
Shenzhen Jinzheng Science & Technology Co., Ltd.	1,664	-	(753)	911	(766)	(766)	-	6.00%
Xuhui Holdings Co., Ltd.	2,889	-	421	3,310	-	-	156	9.56%
Ping An Good Doctor	15,710	-	2,160	17,870	-	-	-	39.27%
Ping An HealthKonnect	181	-	4,418	4,599	-	-	-	38.54%
OneConnect	689	-	2,418	3,107	-	-	-	39.87%
Shenzhen China Merchants-Ping An Asset Management Co., Ltd.	1,190	-	(17)	1,173	-	-	-	38.81%
Jiangsu Dezhan Investment Co., Ltd.	2,001	-	114	2,115	-	-	-	23.65%
Zhongan Online	1,755	-	(170)	1,585	-	-	-	10.21%
Beijing Beiqi Penglong Automobile Service Co., Ltd.	1,415	-	114	1,529	-	-	102	39.18%
China Yangtze Power Co., Ltd.	-	13,973	258	14,231	-	-	673	4.47%
China Traditional Chinese Medicine Holdings Co., Ltd.	-	2,175	80	2,255	-	-	57	11.94%
China Fortune Land Development Co., Ltd.	-	13,868	609	14,477	-	-	-	19.73%
Others	14,293	9,472	2,468	26,233	(98)	-	882	
Subtotal	63,824	39,488	20,097	123,409	(1,318)	(766)	2,589	
Jointly controlled entities								
Kunyu Highway	1,147	-	(403)	744	-	-	509	49.94%
Nanjing Mingwan Property Development Co., Ltd.	2,174	-	(49)	2,125	-	-	-	48.85%
Beijing ZhaoTai Property Development Co., Ltd.	1,299	-	(4)	1,295	-	-	-	24.92%
Wuhan DAJT Property Development Co., Ltd.	837	-	(266)	571	-	-	351	49.79%
Xi'an Languang Meidu Enterprise Management Service Ltd.	992	-	1	993	-	-	-	48.90%
Others	15,934	5,069	4,755	25,758	(6)	(6)	874	
Subtotal	22,383	5,069	4,034	31,486	(6)	(6)	1,734	
Investments in associates and jointly controlled entities	86,207	44,557	24,131	154,895	(1,324)	(772)	4,323	

30. INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (CONTINUED)

The financial information summary of the Group's principal associates and jointly controlled entities as at year end of 2019 is as follows:

Name of the invested entity	Place of business	Place of incorporation	Principal activities	Significant to the Group's operation	Total assets as at 31 December	Total liabilities as at 31 December	Total revenue in current year	Net profit/ (loss) in current year
Associates								
Ping An Good Doctor	China	Cayman	Online health care	Yes	**12,379**	**2,710**	**5,065**	**(747)**
OneConnect	China	Cayman	Technology-as-a-service cloud platform for financial institutions	Yes	**9,927**	**5,407**	**2,328**	**(1,688)**

The financial information summary of the Group's principal associates and jointly controlled entities as at year end of 2018 is as follows:

Name of the invested entity	Place of business	Place of incorporation	Principal activities	Significant to the Group's operation	Total assets as at 31 December	Total liabilities as at 31 December	Total revenue in current year	Net profit/ (loss) in current year
Associates								
Ping An Good Doctor	China	Cayman	Online health care	Yes	12,374	2,106	3,338	(913)
OneConnect	China	Cayman	Technology-as-a-service cloud platform for financial institutions	Yes	9,383	5,552	1,413	(1,190)

The Group has no significant contingent liabilities relating to the associates listed above.

(i) The proportion of ordinary shares, as shown in the above table, is the sum of the direct shareholding ratio and the indirect shareholding ratio obtained by multiplying the shareholding ratio of each layer.

31. STATUTORY DEPOSITS FOR INSURANCE OPERATIONS

(in RMB million)	31 December 2019	31 December 2018
Ping An Life	**6,758**	6,758
Ping An Property & Casualty	**4,198**	4,198
Ping An Annuity	**972**	972
Ping An Health	**370**	310
Others	**12**	8
Subtotal	**12,310**	12,246
Add: Interest receivable	**191**	200
Total	**12,501**	12,446

Statutory deposits for insurance operations are placed with PRC national commercial banks in accordance with the relevant regulations issued by China Bank and Insurance Regulatory Commission (the 'CBIRC') based on 20% of the registered capital for the insurance company subsidiaries and 5% of the registered capital for insurance sales agency subsidiaries within the Group, respectively. Statutory deposit for insurance operations can only be utilized to settle liabilities during liquidation of insurance companies.

32. INVESTMENT PROPERTIES

(in RMB million)	2019	2018
Cost		
As at 1 January	**44,925**	45,834
Acquisition of subsidiaries	**2,512**	–
Additions	**2,714**	1,188
Transfer from construction in progress	**-**	–
Transfer to property and equipment, net	**(346)**	(2,097)
Disposals of subsidiaries	**(1,390)**	–
Disposals	**(91)**	–
As at 31 December	**48,324**	44,925
Accumulated depreciation		
As at 1 January	**6,682**	5,725
Acquisition of subsidiaries	**478**	–
Charge for the year	**1,457**	1,231
Transfer to property and equipment, net	**(20)**	(274)
Disposals of subsidiaries	**(122)**	–
Disposals	**(1)**	–
As at 31 December	**8,474**	6,682
Impairment losses		
As at 1 January	**1**	1
Transfer from property and equipment, net	**1**	–
As at 31 December	**2**	1
Net book value		
As at 31 December	**39,848**	38,242
As at 1 January	**38,242**	40,108
Fair value as at 31 December	**71,117**	67,240

The fair values of the investment properties as at 31 December 2019 were estimated by the Group, based on valuation performed by independent valuers. It falls under level 3 in the fair value hierarchy.

The rental income arising from investment properties for the year 2019 amounted to RMB3,383 million(31 December 2018: RMB3,743 million), which is included in net investment income.

As at 31 December 2019, investment properties with a carrying amount of RMB8,027 million (31 December 2018: RMB9,338 million) were pledged as collateral for long term borrowings with a carrying amount of RMB4,488 million (31 December 2018: RMB5,133 million).

The Group was still in the process of applying for title certificates for certain investment properties with a carrying amount of RMB620 million as at 31 December 2019 (31 December 2018: RMB737 million).

33. PROPERTY AND EQUIPMENT

	2019					
(in RMB million)	Leasehold improvements	Buildings	Equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost						
As at 1 January 2019	9,673	37,366	17,219	7,894	1,253	73,405
Acquisitions of subsidiaries	-	39	54	1	-	94
Additions	615	211	5,194	891	2,491	9,402
Transfer from/(to) construction in progress	924	89	140	-	(1,154)	(1)
Transfer from investment properties, net	-	346	-	-	-	346
Disposals of subsidiaries	(89)	-	(34)	(4,220)	-	(4,343)
Disposals	(274)	(66)	(1,643)	(2,073)	(350)	(4,406)
As at 31 December 2019	10,849	37,985	20,930	2,493	2,240	74,497
Accumulated depreciation						
As at 1 January 2019	5,721	8,513	8,275	1,466	-	23,975
Acquisitions of subsidiaries	-	4	5	-	-	9
Charge for the year	912	1,283	2,789	371	-	5,355
Transfer from investment properties, net	-	20	-	-	-	20
Disposals of subsidiaries	(4)	-	(1)	(342)	-	(347)
Disposals	(101)	(83)	(1,258)	(158)	-	(1,600)
As at 31 December 2019	6,528	9,737	9,810	1,337	-	27,412
Impairment losses						
As at 1 January 2019	-	86	-	21	-	107
Charge for the year	-	-	-	8	-	8
Transfer to investment properties, net	-	(1)	-	-	-	(1)
As at 31 December 2019	-	85	-	29	-	114
Net book value						
As at 31 December 2019	4,321	28,163	11,120	1,127	2,240	46,971
As at 1 January 2019	3,952	28,767	8,944	6,407	1,253	49,323

33. PROPERTY AND EQUIPMENT (CONTINUED)

(in RMB million)	Leasehold improvements	Buildings	Equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
	2018					
Cost						
As at 1 January 2018	8,775	32,401	13,553	9,431	3,176	67,336
Additions	689	279	4,507	1,810	1,884	9,169
Transfer from/(to) construction in progress	518	2,896	302	5	(3,721)	–
Transfer from investment properties, net	–	2,097	–	–	–	2,097
Disposals of subsidiaries	–	(8)	(6)	–	–	(14)
Disposals	(309)	(299)	(1,137)	(3,352)	(86)	(5,183)
As at 31 December 2018	9,673	37,366	17,219	7,894	1,253	73,405
Accumulated depreciation						
As at 1 January 2018	4,745	7,197	6,955	1,265	–	20,162
Charge for the year	1,024	1,237	2,231	561	–	5,053
Transfer from investment properties, net	–	274	–	–	–	274
Disposals of subsidiaries	–	(4)	(2)	–	–	(6)
Disposals	(48)	(191)	(909)	(360)	–	(1,508)
As at 31 December 2018	5,721	8,513	8,275	1,466	–	23,975
Impairment losses						
As at 1 January 2018	–	86	15	6	–	107
Charge for the year	–	–	–	19	–	19
Disposals	–	–	(15)	(4)	–	(19)
As at 31 December 2018	–	86	–	21	–	107
Net book value						
As at 31 December 2018	3,952	28,767	8,944	6,407	1,253	49,323
As at 1 January 2018	4,030	25,118	6,583	8,160	3,176	47,067

The Group was still in the process of applying for title certificates for its buildings with a carrying amount of RMB450 million as at 31 December 2019 (31 December 2018: RMB295 million).

34. INTANGIBLE ASSETS

	2019						
(in RMB million)	Goodwill (i)	Expressway operating rights	Prepaid land premiums	Core deposits	Trademarks	Software and others	Total
Cost							
As at 1 January 2019	**20,520**	**3,538**	**12,468**	**15,082**	**9,910**	**11,035**	**72,553**
Acquisitions of subsidiaries	**-**	**-**	**5,546**	**-**	**-**	**22**	**5,568**
Additions	**422**	**-**	**1,109**	**-**	**6**	**1,514**	**3,051**
Disposals of subsidiaries	**-**	**-**	**(252)**	**-**	**-**	**(6)**	**(258)**
Disposals	**-**	**-**	**(41)**	**-**	**-**	**(885)**	**(926)**
As at 31 December 2019	**20,942**	**3,538**	**18,830**	**15,082**	**9,916**	**11,680**	**79,988**
Accumulated amortization							
As at 1 January 2019	**-**	**993**	**1,142**	**5,624**	**503**	**5,841**	**14,103**
Acquisitions of subsidiaries	**-**	**-**	**-**	**-**	**-**	**2**	**2**
Charge for the year	**-**	**189**	**271**	**754**	**81**	**1,689**	**2,984**
Disposals of subsidiaries	**-**	**-**	**(18)**	**-**	**-**	**(1)**	**(19)**
Disposals	**-**	**-**	**(2)**	**-**	**-**	**(428)**	**(430)**
As at 31 December 2019	**-**	**1,182**	**1,393**	**6,378**	**584**	**7,103**	**16,640**
Impairment losses							
As at 1 January 2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Additions	**15**	**-**	**-**	**-**	**-**	**-**	**15**
As at 31 December 2019	**15**	**-**	**-**	**-**	**-**	**-**	**15**
Net book value							
As at 31 December 2019	**20,927**	**2,356**	**17,437**	**8,704**	**9,332**	**4,577**	**63,333**
As at 1 January 2019	**20,520**	**2,545**	**11,326**	**9,458**	**9,407**	**5,194**	**58,450**

34. INTANGIBLE ASSETS (CONTINUED)

	2018						
(in RMB million)	Goodwill (i)	Expressway operating rights	Prepaid land premiums	Core deposits	Trademarks	Software and others	Total
Cost							
As at 1 January 2018	20,507	8,360	10,669	15,082	9,714	9,544	73,876
Acquisitions of subsidiaries	–	–	–	–	–	20	20
Additions	15	1	1,833	–	445	1,746	4,040
Disposals of subsidiaries	–	(4,823)	–	–	(249)	–	(5,072)
Disposals	(2)	–	(34)	–	–	(275)	(311)
As at 31 December 2018	20,520	3,538	12,468	15,082	9,910	11,035	72,553
Accumulated amortization							
As at 1 January 2018	–	2,163	918	4,901	674	4,239	12,895
Charge for the year	–	235	233	723	78	1,629	2,898
Disposals of subsidiaries	–	(1,405)	–	–	(249)	–	(1,654)
Disposals	–	–	(9)	–	–	(27)	(36)
As at 31 December 2018	–	993	1,142	5,624	503	5,841	14,103
Net book value							
As at 31 December 2018	20,520	2,545	11,326	9,458	9,407	5,194	58,450
As at 1 January 2018	20,507	6,197	9,751	10,181	9,040	5,305	60,981

As at 31 December 2019, expressway operating rights with a carrying amount of RMB2,356 million (31 December 2018: RMB2,545 million) were pledged as collateral for long term borrowings amounting to RMB681 million (31 December 2018: RMB836 million).

As at 31 December 2019, prepaid land premiums with a carrying amount of RMB5,666 million (31 December 2018: RMB3,757 million) were pledged as collateral for long term borrowings amounting to RMB3,184 million (31 December 2018: RMB2,420 million).

The Group was still in the process of applying for the title certificates of its prepaid land premiums with a carrying amount of RMB169 million as at 31 December 2019 (31 December 2018: RMB82 million).

34. INTANGIBLE ASSETS (CONTINUED)

(I) GOODWILL

	2019			
(in RMB million)	**As at 1 January 2019**	**Increase**	**Decrease**	**As at 31 December 2019**
Ping An Bank	**8,761**	**–**	**–**	**8,761**
Shanghai Jahwa	**2,502**	**–**	**–**	**2,502**
Mayborn Group Limited	**1,829**	**56**	**–**	**1,885**
Ping An Securities	**328**	**–**	**–**	**328**
Ping An Commercial Property Investment	**66**	**–**	**–**	**66**
Beijing Shuangronghui Investment Co., Ltd.	**134**	**–**	**–**	**134**
Shanghai Gezhouba Yangming Property Co., Ltd.	**241**	**–**	**–**	**241**
Ping An E-wallet	**1,073**	**–**	**–**	**1,073**
Autohome Inc.	**5,265**	**–**	**–**	**5,265**
Other	**321**	**366**	**–**	**687**
Total	**20,520**	**422**	**–**	**20,942**
Less: Impairment losses	**–**	**(15)**	**–**	**(15)**
Net book value	**20,520**	**407**	**–**	**20,927**

	2018			
(in RMB million)	As at 1 January 2018	Increase	Decrease	As at 31 December 2018
Ping An Bank	8,761	–	–	8,761
Shanghai Jahwa	2,502	–	–	2,502
Mayborn Group Limited	1,831	–	(2)	1,829
Ping An Securities	328	–	–	328
Ping An Commercial Property Investment	66	–	–	66
Beijing Shuangronghui Investment Co., Ltd.	134	–	–	134
Shanghai Gezhouba Yangming Property Co., Ltd.	241	–	–	241
Ping An E-wallet	1,073	–	–	1,073
Autohome Inc.	5,265	–	–	5,265
Other	306	15	–	321
Total	20,507	15	(2)	20,520
Less: Impairment losses	–	–	–	–
Net book value	20,507	15	(2)	20,520

When assessing the impairment of goodwill, the main valuation technique used to determine the recoverable amount of the groups of assets (or groups of cash-generating units) are Fair Value Less Cost to Sale and The Present Value of Future Cash Flow.

Fair value is based on the fair value of stocks issued in the public market. The present value of future cash flow is based on business plans approved by management covering a three to five year period and a risk adjusted discount rate. Cash flows beyond that period have been extrapolated using a steady growth rate and terminal value. Discount rates used by the Group range from 7% to 17% (2018:7% to 18%) and growth rates, where applicable, range from 2% to 27% (2018:1% to 40%).

35. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	2019		
(in RMB million)	Buildings	Others	Total
Cost			
As at 1 January	**18,475**	**25**	**18,500**
Additions	**6,493**	**3**	**6,496**
Disposals	**(1,451)**	**(3)**	**(1,454)**
As at 31 December	**23,517**	**25**	**23,542**
Accumulated depreciation and amortization			
As at 1 January	**-**	**-**	**-**
Additions	**7,777**	**20**	**7,797**
Disposals	**(808)**	**-**	**(808)**
As at 31 December	**6,969**	**20**	**6,989**
Impairment provision			
As at 1 January	**-**	**-**	**-**
As at 31 December	**-**	**-**	**-**
Net book value			
As at 31 December	**16,548**	**5**	**16,553**
As at 1 January	**18,475**	**25**	**18,500**

The amounts recognized in the Consolidated Income Statement and the Consolidated Statement of Cash Flows for the year relating to the lease contracts are as follows:

(in RMB million)	2019
Interest expense on lease liabilities	**825**
Expense relating to leases of low-value assets and short-term leases applied the simplified approach	**560**
Total cash outflow for lease	**7,876**

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36. OTHER ASSETS

(in RMB million)	31 December 2019	31 December 2018
Other receivables	**108,914**	67,666
Due from reinsurers	**11,514**	8,695
Foreclosed assets	**4,906**	4,634
Prepayments	**3,240**	3,209
Precious metals held for trading	**51,976**	56,835
Dividends receivable	**260**	494
Inventories	**6,169**	5,082
Amounts in the processing clearance and settlement	**4,713**	1,886
Others	**11,052**	10,099
Gross	**202,744**	158,600
Less: Impairment provisions	**(5,504)**	(2,127)
Including:		
Other receivables	**(3,050)**	(1,855)
Due from reinsurers	**(19)**	(12)
Foreclosed assets	**(926)**	(256)
Inventories	**(64)**	(4)
Precious metals held for trading	**(785)**	–
Others	**(660)**	–
Net	**197,240**	156,473

37. POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF INSURANCE/ INVESTMENT CONTRACTS

(1) POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF INSURANCE CONTRACTS

(in RMB million)	31 December 2019	31 December 2018
Cash and amounts due from banks and other financial institutions	**7,018**	5,070
Financial assets at fair value through profit or loss		
Bonds	**1,904**	2,821
Funds	**28,819**	20,990
Stocks	**3,143**	1,481
Other investments	**501**	333
Financial assets purchased under reverse repurchase agreements	**316**	730
Other assets	**62**	919
	41,763	32,344

(2) POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF INVESTMENT CONTRACTS

(in RMB million)	31 December 2019	31 December 2018
Cash and amounts due from banks and other financial institutions	**1,087**	395
Financial assets at fair value through profit or loss		
Bonds	**1,393**	1,666
Funds	**1,235**	776
Other investments	**538**	952
Other assets	**115**	175
	4,368	3,964

38. SHARE CAPITAL

(million shares)	Domestic listed A shares, par value RMB1.00 per share	Overseas listed H shares, par value RMB1.00 per share	Total
1 January 2019	10,832	7,448	18,280
31 December 2019	10,832	7,448	18,280

39. RESERVES, RETAINED PROFITS AND NON-CONTROLLING INTERESTS

In accordance with the relevant regulations, general reserves should be set aside to cover catastrophic or other losses as incurred by companies operating in the insurance, banking, trust, securities, futures and fund businesses. The Group's respective entities engaged in such businesses would need to make appropriations for such reserves based on their respective year-end profit or risk assets, the companies operating in the insurance should make appropriations for general reserves based on 10% of net profit, the company operating in banking should make appropriations based on 1.5% of risk assets, the company operating in securities should make appropriations based on 10% of net profit, the companies operating in trust should make appropriations based on 5% of trust claim reserves, the companies operating in futures should make appropriation based on 10% of net profit, and the companies operating in fund should make appropriation based on 10% of fund management fees as determined in accordance with PRC Accounting Standards, and based on the applicable PRC financial regulations, in their annual financial statements. Such reserves are not available for dividend distribution or transfer to share capital.

In accordance with the relevant regulations, the net profit after tax of the Company for profit distribution is deemed to be the lower of (i) the retained profits determined in accordance with PRC Accounting Standards and (ii) the retained profits determined in accordance with IFRSs.

40. KEY EMPLOYEE SHARE PURCHASE PLAN

The Company has adopted an Key Employee Share Purchase Plan for the key employees (including executive directors and senior management) of the Company and its subsidiaries. Shares shall be vested and awarded to the key employees approved for participation in the plan, subject to the achievement of certain performance targets.

Movement of reserves relating to the Key Employee Share Purchase Plan is as follows:

(in RMB million)	Cost of shares held for share purchase plan	Value of employee services	Total
As at 1 January 2019	**(1,291)**	**1,002**	**(289)**
Purchased (i)	**(588)**	**-**	**(588)**
Share-based compensation expenses (ii)	**-**	**579**	**579**
Exercised	**333**	**(333)**	**-**
Expired	**29**	**-**	**29**
As at 31 December 2019	**(1,517)**	**1,248**	**(269)**
As at 1 January 2018	(1,008)	714	(294)
Purchased (i)	(593)	–	(593)
Share-based compensation expenses (ii)	–	565	565
Exercised	277	(277)	–
Expired	33	–	33
As at 31 December 2018	(1,291)	1,002	(289)

(i) During the period from 25 March 2019 to 27 March 2019, 8,078,395 ordinary A shares were purchased from the market. The average price of shares purchased was RMB72.79 per share. The total purchasing cost was RMB588 million (transaction expenses included).

On 27 April 2018, 9,666,900 ordinary A shares were purchased from the market. The average price of shares purchased was RMB61.29 per share. The total purchasing cost was RMB593 million (transaction expenses included).

(ii) The share-based compensation expense and the total value of employee services of the Key Employee Share Purchase Plan were RMB579 million during the year ended 31 December 2019 (year ended 31 December 2018: RMB565 million).

41. LONG-TERM SERVICE PLAN

The Company has adopted a Long-term Service Plan for the employees of the Company and its subsidiaries. Shares shall be vested and awarded to the employees participated in the Long-term Service Plan, subject to the confirmation of their applications made when they retire from the Company.

Movement of reserves relating to the Long-term Service Plan is as follows:

(in RMB million)	Shares held for Long-term Service Plan	Value of employee services	Total
As at 1 January	**-**	**-**	**-**
Purchased (i)	**(4,296)**	**-**	**(4,296)**
Share-based compensation expenses (ii)	**-**	**81**	**81**
Exercised	**-**	**-**	**-**
Expired	**-**	**-**	**-**
As at 31 December	**(4,296)**	**81**	**(4,215)**

(i) From 7 May 2019 to 14 May 2019, 54,294,720 ordinary A shares were purchased from the market. The average price of shares purchased was RMB79.10 per share. The total purchasing cost was RMB4,296 million (transaction expenses included).

(ii) The share-based compensation expense and the total value of employee services of the Long-term Service Plan were RMB81 million during the year ended 31 December 2019.

42. TREASURY SHARES

(in RMB million)	31 December 2019	31 December 2018
Treasury shares	**5,001**	–

As at 31 December 2019, 57,594,607 A shares had been purchased from the Shanghai Stock Exchange by centralized bidding. The total repurchasing cost was RMB5,001 million (transaction expenses included) and the balance of treasury shares increased by RMB5,001 million. The monthly breakdown of A Share repurchase made by the Company during 2019 is as follows:

Month	Repurchased shares (share)	Highest purchased price (RMB)	Lowest purchasing price (RMB)	Repurchasing cost (in RMB million, transaction expenses excluded)
June 2019	40,022,907	88.09	79.85	3,420
July 2019	17,571,700	91.43	87.79	1,580

43. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

(in RMB million)	31 December 2019	31 December 2018
Deposits from other banks and financial institutions	**381,322**	411,702
Due to the Central Bank	**113,331**	149,756
Short term borrowings	**112,285**	93,627
Long term borrowings	**217,087**	148,069
	824,025	803,154

44. ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

(in RMB million)	31 December 2019	31 December 2018
Bonds	**176,523**	189,028

As at 31 December 2019, bonds with a carrying amount of RMB109,180 million (31 December 2018: RMB95,739 million) were pledged as collaterals for financial assets sold under agreements to repurchase resulted from repurchase transactions entered into by the Group in the inter-bank market. The collaterals are restricted from trading during the period of the repurchase transaction.

As at 31 December 2019, the carrying amount of bonds deposited in the collateral pool was RMB124,602 million (31 December 2018: RMB112,164 million). The collaterals are restricted from trading during the period of the repurchase transaction. The Group can withdraw the exchange-traded bonds from the collateral pool in short time provided that the value of the bonds is no less than the balance of related repurchase transactions.

For bonds repurchase transactions through stock exchange, the Group is required to deposit certain bonds and/or bonds transferred under new pledged repurchase transaction with fair value converted at a standard rate pursuant to stock exchange's regulation no less than the balance of related repurchase transaction into a collateral pool.

45. CUSTOMER DEPOSITS AND PAYABLES TO BROKERAGE CUSTOMERS

(in RMB million)	**31 December 2019**	31 December 2018
Customer deposits		
Current and savings accounts		
– Corporate customers	**537,959**	491,267
– Individual customers	**199,966**	173,372
Term deposits		
– Corporate customers	**1,040,542**	901,739
– Individual customers	**367,771**	267,697
Guarantee deposits	**185,259**	175,098
Term deposits with the Central Bank	**16,716**	17,903
Fiscal deposits	**29,422**	38,481
Remittance payables and outward remittance	**15,433**	23,472
	2,393,068	2,089,029
Payables to brokerage customers		
– Individual customers	**35,360**	20,288
– Corporate customers	**3,285**	5,027
Subtotal	**38,645**	25,315
Total	**2,431,713**	2,114,344

As at 31 December 2019, bonds classified as financial assets carried at amortized costs with a carrying amount of RMB18,503 million (31 December 2018: a carrying amount of RMB20,660 million) were pledged as collaterals for term deposit with the Central Bank.

46. BONDS PAYABLE

The information of the Group's major bonds payable is as follows:

Issuer	Type	Guarantee	Maturity	Early redemption option	Par value (in RMB million)	Issued year	Interest type	Coupon rate (per annum)	31 December 2019	31 December 2018
Ping An Financial Leasing	Private placement notes	None	5 years	End of the third year	5,000	2017	Fixed	5.30%-5.56%	**5,083**	5,100
Ping An Financial Leasing	Medium term notes	None	3 years	End of the third year	2,100	2017	Fixed	5.50%	**2,135**	2,189
Ping An Bank	Hybrid capital debt instrument	None	15 years	End of the tenth year	1,500	2009	Fixed	First 10 years: 5.70% Next 5 years: 8.70% (If not redeemed)	**-**	1,533
Ping An Bank	Hybrid capital debt instrument	None	15 years	End of the tenth year	3,650	2011	Fixed	7.50%	**3,835**	3,808
Ping An Bank	Tier-2 Capital bonds	None	10 years	End of the fifth year	15,000	2014	Fixed	6.50%-6.80%	**-**	15,647
Ping An Bank	Interbank deposits	None	1-3 years	None	3,950	2016	Floating	2.95%-3.30%	**-**	2,946
Ping An Bank	Tier-2 Capital bonds	None	10 years	End of the fifth year	10,000	2016	Fixed	3.85%	**10,279**	10,431
Ping An Bank	Interbank deposits	None	Less than 1 year	None	302,670	2018	Fixed	2.90%-4.80%	**-**	297,201
Ping An Bank	Financial bonds	None	3 years	None	15,000	2017	Fixed	4.20%	**15,282**	15,083
Ping An Bank	Financial bonds	None	3 years	None	35,000	2018	Fixed	3.79%	**35,037**	35,234
Ping An Bank	Tier-2 Capital bonds	None	10 years	End of the sixth year	30,000	2019	Fixed	4.55%	**30,907**	-
Ping An Bank	Interbank deposits	None	Less than 1 year	None	423,070	2019	Fixed	2.60%-3.25%	**418,422**	-
Ping An Life	Subordinated bonds	None	10 years	End of the fifth year	8,000	2014	Fixed	First 5 years: 5.90% Next 5 years: 7.90% (If not redeemed)	**-**	8,749
Ping An Life	Capital supplement bonds	None	10 years	End of the fifth year	5,000	2015	Fixed	First 5 years: 3.90% Next 5 years: 4.90% (If not redeemed)	**5,091**	5,064

46. BONDS PAYABLE (CONTINUED)

Issuer	Type	Guarantee	Maturity	Early redemption option	Par value (in RMB million)	Issued year	Interest type	Coupon rate (per annum)	**31 December 2019**	31 December 2018
Ping An Life	Capital supplement bonds	None	10 years	End of the fifth year	10,000	2016	Fixed Fixed	First 5 years: 3.82%, Next 5 years: 4.82% (If not redeemed)	**10,423**	10,370
Ping An Life	Offshore USD bonds	None	5 years	None	3,280	2016	Fixed	2.88%	**3,535**	3,471
Ping An Life	Offshore USD bonds	None	3 years	None	4,592	2016	Fixed	2.38%	**-**	4,865
Ping An Property & Casualty	Capital supplement bonds	None	10 years	End of the fifth year	5,000	2015	Fixed	First 5 years: 4.79% Next 5 years: 5.79% (If not redeemed)	**5,197**	5,172
Ping An Property & Casualty	Capital supplement bonds	None	10 years	End of the fifth year	3,500	2017	Fixed	First 5 years: 5.10% Next 5 years: 6.10% (If not redeemed)	**3,525**	3,507
Ping An Property & Casualty	Capital supplement bonds	None	10 years	End of the fifth year	10,000	2019	Fixed	First 5 years: 4.64% Next 5 years: 5.64% (If not redeemed)	**10,336**	-
Value Success International	Offshore RMB bonds	Yes	5 years	None	750	2014	Fixed	4.95%	**-**	765
Value Success International	Offshore SGD bonds	Yes	5.5 years	None	1,779	2014	Fixed	4.13%	**-**	1,883
Value Success International	Offshore HKD bonds	Yes	5 years	None	1,272	2016	Fixed	3.00%	**1,383**	1,349
Value Success International	Offshore USD bonds	Yes	5 years	None	2,003	2016	Fixed	3.20%	**2,110**	2,074
Value Success International	Offshore USD bonds	Yes	1 year	None	547	2018	Fixed	3.35%	**-**	607
Value Success International	Offshore HKD bonds	Yes	1 year	None	2,196	2018	Fixed	2.50%-2.65%	**-**	2,407
Li Guan International Co.,Ltd.	Offshore USD bonds	Yes	5 years	None	3,440	2018	Fixed	4.38%	**3,505**	3,442

46. BONDS PAYABLE (CONTINUED)

Issuer	Type	Guarantee	Maturity	Early redemption option	Par value (in RMB million)	Issued year	Interest type	Coupon rate (per annum)	**31 December 2019**	31 December 2018
Li Guan International Co.,Ltd.	Offshore USD bonds	Yes	5-10 years	None	4,140	2019	Fixed	3.63%-4.25%	**4,174**	-
Li Guan International Co.,Ltd.	Offshore HKD bonds	Yes	1 year	None	3,002	2019	Fixed	2.65%	**3,198**	-
Li Guan International Co.,Ltd.	Offshore USD bonds	Yes	1 year	None	1,395	2019	Fixed	2.50%	**1,396**	-
Ping An Securities	Private corporate bonds	None	3 years	End of the second year	1,500	2016	Fixed	3.50%	**-**	1,541
Ping An Securities	Private corporate bonds	None	3 years	None	1,300	2017	Fixed	4.65%	**1,352**	1,352
Ping An Securities	Private corporate bonds	None	3 years	End of the second and third year	1,200	2017	Fixed	4.99%	**1,252**	1,251
Ping An Securities	Private corporate bonds	None	3 years	End of the second year	1,000	2017	Fixed	5.48%	**-**	1,006
Ping An Securities	Private corporate bonds	None	2 years	End of the second year	3,000	2017	Fixed	4.88%	**-**	3,058
Ping An Securities	Private corporate bonds	None	2-3 years	None	3,840	2018	Fixed	5.30%-5.60%	**3,997**	3,997
Ping An Securities	Corporate bonds	None	5 years	End of the third year	3,000	2018	Fixed	4.10%	**3,017**	3,016
Ping An Securities	Corporate bonds	None	5 years	End of the third year	7,000	2019	Fixed	3.70%-3.75%	**7,183**	-
Ping An Securities	Private corporate bonds	None	396 days-5 years	None	9,450	2019	Fixed	3.80%-4.20%	**9,705**	-
Shenzhen Ping An Real Estate Investment Co., Ltd.	Corporate bonds	None	1 year	End of the sixth month	2,852	2018	Fixed	8.70%-9.00%	**-**	2,991

46. BONDS PAYABLE (CONTINUED)

Issuer	Type	Guarantee	Maturity	Early redemption option	Par value (in RMB million)	Issued year	Interest type	Coupon rate (per annum)	**31 December 2019**	31 December 2018
Shenzhen Ping An Real Estate Investment Co., Ltd.	Private corporate bonds	None	1 year	End of the sixth month	688	2019	Fixed	10.00%	**754**	-
Shenzhen Ping An Real Estate Investment Co., Ltd.	Convertible bonds	None	1 year	Yes	1,936	2019	Fixed	7.70%-7.90%	**2,005**	-
Shenzhen Dingshuntong Investment Co. Ltd	Corporate bonds	None	1 year	End of the sixth month	2,382	2018	Fixed	8.85%	**-**	2,446
Shenzhen Dingshuntong Investment Co. Ltd	Corporate bonds	None	1 year	Yes	1,513	2019	Fixed	7.55%-7.80%	**1,545**	-
Ping An Real Estate	Corporate bonds	None	7 years	End of the fifth year	4,000	2016	Fixed	3.28%	**4,049**	4,091
Ping An Real Estate	Corporate bonds	None	5 years	End of the third year	2,500	2017	Fixed	4.88%-5.27%	**2,529**	2,588
Ping An Real Estate	Corporate bonds	None	3 years	End of the third year	1,500	2018	Fixed	5.00%	**1,552**	1,532
Fuxiang Investment Management Limited	Offshore USD bonds	Yes	3 years	None	2,079	2016	Fixed	3.63%	**-**	2,065
Fuxiang Investment Management Limited	Offshore USD bonds	Yes	1 year	None	1,654	2018	Fixed	5.10%	**-**	1,746
Fuxiang Investment Management Limited	Medium term notes	Yes	5 years	End of the third year	1,254	2017	Fixed	3.80%	**1,377**	1,355
Fuqing Investment Management Co.,Ltd.	Offshore USD bonds	Yes	3 years	None	2,750	2019	Fixed	4.46%	**2,786**	-

47. INSURANCE CONTRACT LIABILITIES

(in RMB million)	31 December 2019	31 December 2018
Long-term life insurance policyholders' reserves	**1,665,080**	1,376,017
Policyholder contract deposits	**648,514**	574,132
Policyholder account liabilities in respect of insurance contracts	**41,763**	32,344
Unearned premium reserves	**158,680**	132,838
Claim reserves	**98,147**	96,556
Total	**2,612,184**	2,211,887

	31 December 2019		
(in RMB million)	**Insurance contract liabilities**	**Reinsurers' share**	**Net**
Long-term life insurance contracts	**2,355,357**	**(1,323)**	**2,354,034**
Short-term life insurance contracts	**18,153**	**(1,388)**	**16,765**
Property and casualty insurance contracts	**238,674**	**(14,992)**	**223,682**
	2,612,184	**(17,703)**	**2,594,481**

	31 December 2018		
(in RMB million)	Insurance contract liabilities	Reinsurers' share	Net
Long-term life insurance contracts	1,982,493	(1,234)	1,981,259
Short-term life insurance contracts	15,107	(926)	14,181
Property and casualty insurance contracts	214,287	(14,511)	199,776
	2,211,887	(16,671)	2,195,216

(in RMB million)	31 December 2019	31 December 2018
Current portion*		
Long-term life	**(124,080)**	(90,517)
Short-term life	**17,416**	14,241
Property and casualty	**132,925**	116,645
Non-current portion		
Long-term life	**2,479,437**	2,073,010
Short-term life	**737**	866
Property and casualty	**105,749**	97,642
Total	**2,612,184**	2,211,887

* Estimated net cash flows within 12 months from the end of the reporting period.

47. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(1) LONG-TERM LIFE INSURANCE CONTRACTS

(in RMB million)	31 December 2019	31 December 2018
Long-term life insurance policyholders' reserves	**1,665,080**	1,376,017
Policyholder contract deposits	**648,514**	574,132
Policyholder account liabilities in respect of insurance contracts	**41,763**	32,344
	2,355,357	1,982,493

The long-term life insurance policyholders' reserves are analysed as follows:

(in RMB million)	2019	2018
As at 31 December 2018/2017	**1,376,017**	1,190,925
Change in accounting policy	**–**	(376)
As at 1 January 2019/2018	**1,376,017**	1,190,549
Increase during the year	**461,514**	342,700
Decrease during the year		
– Claims and benefits paid	**(134,499)**	(125,478)
– Surrender	**(41,227)**	(35,295)
– Others	**3,275**	3,541
As at 31 December 2019/2018	**1,665,080**	1,376,017

The policyholder contract deposits are analysed as follows:

(in RMB million)	2019	2018
As at 31 December 2018/2017	**574,132**	502,646
Change in accounting policy	**–**	(365)
As at 1 January 2019/2018	**574,132**	502,281
Policyholder principal increased	**95,288**	102,318
Accretion of investment income	**33,463**	17,530
Liabilities released for benefits paid	**(40,403)**	(34,183)
Policy administration fees and risk premiums deducted	**(13,966)**	(13,814)
As at 31 December 2019/2018	**648,514**	574,132

47. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(2) SHORT-TERM LIFE INSURANCE CONTRACTS

(in RMB million)	31 December 2019	31 December 2018
Unearned premium reserves	**9,419**	7,992
Claim reserves	**8,734**	7,115
	18,153	15,107

The unearned premium reserves of short-term life insurance are analysed as follows:

	2019			2018		
(in RMB million)	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
As at 1 January	**7,992**	**(525)**	**7,467**	6,137	(365)	5,772
Increase	**34,908**	**(6,065)**	**28,843**	30,618	(5,080)	25,538
Decrease	**(33,481)**	**5,884**	**(27,597)**	(28,763)	4,920	(23,843)
As at 31 December	**9,419**	**(706)**	**8,713**	7,992	(525)	7,467

The claim reserves of short-term life insurance are analysed as follows:

	2019			2018		
(in RMB million)	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
As at 1 January	**7,115**	**(402)**	**6,713**	5,586	(231)	5,355
Increase	**20,450**	**(4,864)**	**15,586**	16,633	(2,750)	13,883
Decrease	**(18,831)**	**4,586**	**(14,245)**	(15,104)	2,579	(12,525)
As at 31 December	**8,734**	**(680)**	**8,054**	7,115	(402)	6,713

(3) PROPERTY AND CASUALTY INSURANCE CONTRACTS

(in RMB million)	31 December 2019	31 December 2018
Unearned premium reserves	**149,261**	124,846
Claim reserves	**89,413**	89,441
	238,674	214,287

47. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(3) PROPERTY AND CASUALTY INSURANCE CONTRACTS (CONTINUED)

The unearned premium reserves of property and casualty insurance are analysed as follows:

	2019			2018		
(in RMB million)	**Gross**	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
As at 1 January	**124,846**	**(5,800)**	**119,046**	103,869	(5,564)	98,305
Increase	**219,943**	**(10,200)**	**209,743**	188,495	(9,645)	178,850
Decrease	**(195,528)**	**9,456**	**(186,072)**	(167,518)	9,409	(158,109)
As at 31 December	**149,261**	**(6,544)**	**142,717**	124,846	(5,800)	119,046

The claim reserves of property and casualty insurance are analysed as follows:

	2019			2018		
(in RMB million)	**Gross**	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
As at 1 January	**89,441**	**(8,710)**	**80,731**	85,031	(8,604)	76,427
Increase	**140,003**	**(7,136)**	**132,867**	123,530	(7,086)	116,444
Decrease	**(140,031)**	**7,397**	**(132,634)**	(119,120)	6,980	(112,140)
As at 31 December	**89,413**	**(8,449)**	**80,964**	89,441	(8,710)	80,731

48. INVESTMENT CONTRACT LIABILITIES FOR POLICYHOLDERS

(in RMB million)	**31 December 2019**	31 December 2018
Policyholder account liabilities in respect of investment contracts	**4,368**	3,964
Investment contract reserves	**53,121**	48,783
	57,489	52,747

The investment contract liabilities are analysed as follows:

(in RMB million)	**2019**	2018
As at 1 January	**52,747**	50,295
Policyholder principal increased	**9,823**	10,108
Accretion of investment income	**3,005**	1,047
Liabilities released for benefits paid	**(8,201)**	(8,949)
Policy administration fees and risk premiums deducted	**(60)**	(59)
Others	**175**	305
As at 31 December	**57,489**	52,747

As at 31 December 2018 and 2019, all reinsurance contracts of the Group transferred significant insurance risk.

49. DEFERRED TAX ASSETS AND LIABILITIES

(in RMB million)	31 December 2019	31 December 2018
Deferred tax assets	**50,301**	45,187
Deferred tax liabilities	**(22,282)**	(18,476)
Net	**28,019**	26,711

The deferred tax assets are analysed as follows:

	2019					
(in RMB million)	**As at 31 December 2018**	**Charged to profit or loss**	**Charged to equity**	**Other changes**	**As at 31 December 2019**	**Temporary difference as at 31 December**
Fair value adjustments on financial assets and liabilities carried at fair value through profit or loss	**451**	**(192)**	**-**	**(4)**	**255**	**(1,020)**
Fair value adjustments on financial assets at fair value through other comprehensive income	**669**	**-**	**(89)**	**-**	**580**	**(2,320)**
Insurance contract liabilities	**8,033**	**5,770**	**1,200**	**-**	**15,003**	**(60,012)**
Impairment provisions	**30,988**	**5,471**	**(377)**	**(7)**	**36,075**	**(144,300)**
Others	**7,410**	**595**	**-**	**(116)**	**7,889**	**(31,556)**
	47,551	**11,644**	**734**	**(127)**	**59,802**	**(239,208)**

	2018							
(in RMB million)	As at 31 December 2017	Change in accounting policy	As at 1 January 2018	Charged to profit or loss	Charged to equity	Other changes	As at 31 December 2018	Temporary difference as at 31 December
Fair value adjustments on financial assets and liabilities carried at fair value through profit or loss	1,015	21	1,036	(567)	-	(18)	451	(1,804)
Fair value adjustments on available-for-sale investments	660	(660)	-	-	-	-	-	-
Fair value adjustments on financial assets at fair value through other comprehensive income	-	860	860	-	(191)	-	669	(2,676)
Insurance contract liabilities	11,653	(184)	11,469	(2,169)	(1,267)	-	8,033	(32,132)
Impairment provisions	26,203	310	26,513	4,667	(192)	-	30,988	(123,952)
Others	8,501	-	8,501	(795)	-	(296)	7,410	(29,640)
	48,032	347	48,379	1,136	(1,650)	(314)	47,551	(190,204)

49. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

The deferred tax liabilities are analysed as follows:

	2019					
(in RMB million)	As at 31 December 2018	Charged to profit or loss	Charged to equity	Other changes	As at 31 December 2019	Temporary difference as at 31 December
Fair value adjustments on financial assets and liabilities carried at fair value through profit or loss	**(3,868)**	**(10,735)**	**-**	**(24)**	**(14,627)**	**58,508**
Fair value adjustments on financial instruments at fair value through other comprehensive income	**(5,543)**	**-**	**24**	**-**	**(5,519)**	**22,076**
Intangible assets-core deposits	**(2,353)**	**72**	**-**	**-**	**(2,281)**	**9,124**
Intangible assets valuation premium from acquisition of Autohome Inc.	**(2,042)**	**39**	**-**	**-**	**(2,003)**	**8,012**
Assets evaluation premium of the remaining interest from disposal of subsidiaries	**(3,615)**	**-**	**-**	**-**	**(3,615)**	**14,460**
Others	**(3,419)**	**(355)**	**(35)**	**71**	**(3,738)**	**14,952**
	(20,840)	**(10,979)**	**(11)**	**47**	**(31,783)**	**127,132**

	2018							
(in RMB million)	As at 31 December 2017	Change in accounting policy	As at 1 January 2018	Charged to profit or loss	Charged to equity	Other changes	As at 31 December 2018	Temporary difference as at 31 December
Fair value adjustments on financial assets and liabilities carried at fair value through profit or loss	(855)	(9,751)	(10,606)	6,738	-	-	(3,868)	15,472
Fair value adjustments on available-for-sale investments	(20,997)	20,997	-	-	-	-	-	-
Fair value adjustments on financial instruments at fair value through other comprehensive income	-	(9,865)	(9,865)	-	4,322	-	(5,543)	22,172
Intangible assets-core deposits	(2,542)	-	(2,542)	189	-	-	(2,353)	9,412
Intangible assets valuation premium from acquisition of Autohome Inc.	(2,072)	-	(2,072)	30	-	-	(2,042)	8,168
Assets evaluation premium of the remaining interest from disposal of subsidiaries	(3,615)	-	(3,615)	-	-	-	(3,615)	14,460
Others	(3,701)	-	(3,701)	7	-	275	(3,419)	13,676
	(33,782)	1,381	(32,401)	6,964	4,322	275	(20,840)	83,360

49. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

As at 31 December 2019, unrecognized tax losses of the Group were RMB18,169 million (31 December 2018: RMB13,269 million).

The following table shows unrecognized tax losses based on its expected expiry date:

(in RMB million)	**31 December 2019**	31 December 2018
2019	**–**	305
2020	**1,268**	1,518
2021	**1,819**	3,180
2022	**2,350**	2,953
2023	**4,461**	5,313
2024	**8,271**	–
	18,169	13,269

50. OTHER LIABILITIES

(in RMB million)	**31 December 2019**	31 December 2018
Other payables	**142,886**	134,656
Payable to holders of trust schemes and banking wealth management products	**1,445**	5,593
Salaries and welfare payable	**39,717**	35,999
Other tax payable	**8,396**	8,579
Contingency provision	**2,103**	1,175
Insurance guarantee fund	**1,077**	959
Provision payables	**8,769**	19,039
Accruals	**9,594**	6,990
Deferred income	**1,920**	1,941
Contract liabilities	**7,045**	5,697
Others	**41,186**	43,548
	264,138	264,176

51. FIDUCIARY ACTIVITIES

(in RMB million)	31 December 2019	31 December 2018
Assets under trust schemes	**439,253**	534,124
Assets under annuity investments and annuity schemes	**507,588**	442,990
Assets under asset management schemes	**970,877**	915,566
Entrusted loans of banking operations	**214,517**	254,211
Entrusted investments of banking operations	**590,499**	537,781
	2,722,734	2,684,672

The above table shows main fiduciary activities of the Group. Where the Group acts in a fiduciary capacity such as nominee, trustee or agent, assets held for fiduciary activities together with related undertakings on return such assets to customers, are recorded off-balance sheet, as risks and gains of such assets are assumed by customers. All of above are off-balance sheet items.

52. RISK AND CAPITAL MANAGEMENT

(1) INSURANCE RISK

Insurance risk refers to the risk that actual indemnity might exceed expected indemnity due to the frequency and severity of insurance accidents, as well as the possibility that insurance surrender rates are being underestimated. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This could occur due to any of the following factors:

- Occurrence risk – the possibility that the number of insured events will differ from those expected.
- Severity risk – the possibility that the cost of the events will differ from those expected.
- Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategies and guidelines.

The insurance business of the Group mainly comprises long-term life insurance contracts, property and casualty and short-term life insurance contracts. For contracts where death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyles and natural disasters, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continuing improvement in medical science and social conditions that would increase longevity. For property and casualty insurance contracts, claims are often affected by natural disasters, calamities, terrorist attacks, etc.

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

These risks currently do not vary significantly in relation to the location of the risk insured by the Group whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

There would be no significant mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed and guaranteed benefits and fixed future premiums. However, for contracts with discretionary participation features, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured party.

Insurance risk is also affected by the policyholders' rights to terminate the contract, pay reduced premiums, refuse to pay premiums or exercise annuity conversion option, etc. Thus, the resultant insurance risk is subject to policyholders' behaviour and decisions.

Concentration of insurance risks

The Group runs its insurance business primarily within the PRC. Hence the geographical insurance risk is concentrated primarily within the PRC.

The Group's concentration of insurance risk is reflected by its major lines of business as analysed by insurance contract liabilities in Note 47.

Assumptions and sensitivities

(a) Long-term life insurance contracts

Assumptions

Significant judgment is required in determining insurance contract reserves and in choosing discount rates/ investment return, mortality, morbidity, lapse rates, policy dividend, and expenses assumptions relating to long-term life insurance contracts.

Sensitivities

The Group has measured the impact on long-term life insurance contract liabilities using sensitivity analysis, of varying independently certain assumptions under reasonable and possible circumstances. The following changes in assumptions have been considered:

- discount rate/investment return assumption increased by 10 basis points;
- discount rate/investment return assumption decreased by 10 basis points;
- a 10% increase in mortality, morbidity, accident rates and etc. (a 10% increase in mortality rates of annuity policies before the payment period, a 10% decrease in the payment period);
- a 10% increase in policy lapse rates; and
- a 5% increase in maintenance expense rates.

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

Assumptions and sensitivities (continued)

(a) Long-term life insurance contracts (continued)

Sensitivities (continued)

		31 December 2019			
		Impact on gross long-term life insurance policyholders' reserves	Impact on net long-term life insurance policyholders' reserves	Impact on profit before tax	Impact on equity before tax
(in RMB million)	**Change in assumptions**	**Increase/(decrease)**	**Increase/(decrease)**	**Increase/(decrease)**	**Increase/(decrease)**
Discount rate/investment return	**+10bps**	**(7,960)**	**(7,960)**	**7,960**	**7,960**
Discount rate/investment return	**-10bps**	**8,183**	**8,183**	**(8,183)**	**(8,183)**
Mortality, morbidity, accident rates and etc.	**+10%**	**53,820**	**53,776**	**(53,776)**	**(53,776)**
Policy lapse rates	**+10%**	**18,362**	**18,366**	**(18,366)**	**(18,366)**
Maintenance expense rates	**+5%**	**3,478**	**3,478**	**(3,478)**	**(3,478)**

Note: For long-term life and health insurance contracts where the future insurance benefits are not affected by investment return of the underlying asset portfolio, the amounts above represent the results of sensitivity analysis calculated by the discount rates when the benchmarking yield curve for the measurement of insurance contract liabilities increases or decreases 10bps, with consideration of the Cai Kuai [2017] No.637 issued by CIRC and other relevant regulations.

		31 December 2018			
		Impact on gross long-term life insurance policyholders' reserves	Impact on net long-term life insurance policyholders' reserves	Impact on profit before tax	Impact on equity before tax
(in RMB million)	Change in assumptions	Increase/(decrease)	Increase/(decrease)	Increase/(decrease)	Increase/(decrease)
Discount rate/investment return	+10bps	(6,446)	(6,446)	6,446	6,446
Discount rate/investment return	-10bps	6,622	6,622	(6,622)	(6,622)
Mortality, morbidity, accident rates and etc.	+10%	44,436	44,436	(44,436)	(44,436)
Policy lapse rates	+10%	13,870	13,870	(13,870)	(13,870)
Maintenance expense rates	+5%	3,066	3,066	(3,066)	(3,066)

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

Assumptions and sensitivities (continued)

(b) Property and casualty and short-term life insurance contracts

Assumptions

The principal assumption underlying the estimates includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers for each accident year which are determined based on the Group's past claim experiences. Judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include delays in settlement, etc.

Sensitivities

The property and casualty and short-term life insurance claim reserves are sensitive to the above key assumptions. The sensitivity of certain variables including legislative change, uncertainty in the estimation process, etc., is not possible to quantify. Furthermore, because of delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim reserves are not known with certainty at the end of the reporting period.

Reproduced below is an exhibit that shows the development of gross claim reserves of property and casualty insurance by the accident year:

(in RMB million)	2015	2016	2017	2018	**2019**	Total
Estimated cumulative claims paid:						
As at the end of current year	83,767	94,445	112,013	134,483	**150,592**	
One year later	81,490	95,508	109,867	129,907	**-**	
Two years later	80,012	89,642	103,639	–	**-**	
Three years later	75,772	86,329	–	–	**-**	
Four years later	74,290	–	–	–	**-**	
Estimated cumulative claims	74,290	86,329	103,639	129,907	**150,592**	544,757
Cumulative claims paid	(72,990)	(82,757)	(90,321)	(109,891)	**(104,570)**	(460,529)
Subtotal						84,228
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin						5,185
Outstanding claim reserves						89,413

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

Assumptions and sensitivities (continued)

(b) Property and casualty and short-term life insurance contracts (continued)

Sensitivities (continued)

Reproduced below is an exhibit that shows the development of net claim reserves of property and casualty insurance by the accident year:

(in RMB million)	2015	2016	2017	2018	**2019**	Total
Estimated cumulative claims paid:						
As at the end of current year	72,724	85,558	104,195	125,966	**141,982**	
One year later	70,855	86,439	101,879	121,579	**–**	
Two years later	69,493	81,264	96,274	–	**–**	
Three years later	65,717	78,207	–	–	**–**	
Four years later	64,422	–	–	–	**–**	
Estimated cumulative claims	64,422	78,207	96,274	121,579	**141,982**	502,464
Cumulative claims paid	(63,317)	(75,109)	(84,299)	(104,090)	**(100,344)**	(427,159)
Subtotal						75,305
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin						5,659
Outstanding claim reserves						80,964

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

Assumptions and sensitivities (continued)

(b) Property and casualty and short-term life insurance contracts (continued)

Sensitivities (continued)

Reproduced below is an exhibit that shows the development of gross claim reserves of short-term life insurance by the accident year:

(in RMB million)	2015	2016	2017	2018	**2019**	Total
Estimated cumulative claims paid:						
As at the end of current year	8,415	11,458	13,341	16,879	**16,707**	
One year later	7,904	10,875	12,779	15,917	**-**	
Two years later	7,900	10,657	12,685	–	**-**	
Three years later	7,875	10,657	–	–	**-**	
Four years later	7,875	–	–	–	**-**	
Estimated cumulative claims	7,875	10,657	12,685	15,917	**16,707**	63,841
Cumulative claims paid	(7,838)	(10,571)	(12,592)	(15,453)	**(11,174)**	(57,628)
Subtotal						6,213
Prior year adjustments, unallocated loss adjustment expenses and risk margin						2,521
Outstanding claim reserves						8,734

Reproduced below is an exhibit that shows the development of net claim reserves of short-term life insurance by the accident year:

(in RMB million)	2015	2016	2017	2018	**2019**	Total
Estimated cumulative claims paid:						
As at the end of current year	8,175	11,033	12,779	15,809	**14,738**	
One year later	7,673	10,544	12,191	14,760	**-**	
Two years later	7,663	10,675	12,175	–	**-**	
Three years later	7,644	10,314	–	–	**-**	
Four years later	7,645	–	–	–	**-**	
Estimated cumulative claims	7,645	10,314	12,175	14,760	**14,738**	59,632
Cumulative claims paid	(7,608)	(10,227)	(12,083)	(14,369)	**(9,793)**	(54,080)
Subtotal						5,552
Prior year adjustments, unallocated loss adjustment expenses and risk margin						2,502
Outstanding claim reserves						8,054

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

Assumptions and sensitivities (continued)

(b) Property and casualty and short-term life insurance contracts (continued)

Sensitivities (continued)

To illustrate the sensitivities of ultimate claims costs, for example, a respective percentage change in the average claim costs alone results in a similar percentage change in claim reserves:

	31 December 2019				
(in RMB million)	Change in assumptions	Impact on gross claim reserves Increase	Impact on net claim reserves Increase	Impact on profit before tax decrease	Impact on equity before tax decrease
Average claim costs					
Property and casualty insurance	**+5%**	**4,471**	**4,048**	**(4,048)**	**(4,048)**
Short-term life insurance	**+5%**	**437**	**403**	**(403)**	**(403)**

	31 December 2018				
(in RMB million)	Change in assumptions	Impact on gross claim reserves Increase	Impact on net claim reserves Increase	Impact on profit before tax decrease	Impact on equity before tax decrease
Average claim costs					
Property and casualty insurance	+5%	4,472	4,037	(4,037)	(4,037)
Short-term life insurance	+5%	356	336	(336)	(336)

(c) Reinsurance

The Group limits its exposure to losses from insurance operations mainly through participation in reinsurance arrangements. The majority of the business ceded is placed on the quota share basis and the surplus basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurers' share of insurance liabilities and due from reinsurers.

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK

Market risk is the risk of changes in fair value of financial instruments and future cash flows from fluctuation of market prices, which includes three types of risks from volatility of foreign exchange rates (foreign currency risk), market interest rates (interest rate risk) and market prices (price risk).

(a) Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect its financial position and results of operations. The foreign currency risk facing the Group mainly comes from movements in the USD/RMB and HKD/RMB exchange rates. The Group set limitation to its position of foreign currency, monitor the size of foreign currency position, and limit the foreign currency position within the threshold set by utilizing hedging strategy.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the pre-tax impact on profit and equity (due to changes in fair value of foreign currency denominated non-monetary assets and liabilities measured at fair value, as well as monetary assets and liabilities). The correlation of variables will have a significant effect on determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

		31 December 2019		31 December 2018	
(in RMB million)	Change in variables	**Increase/(decrease) in profit before tax**	**Increase/(decrease) in equity before tax**	Increase/(decrease) in profit before tax	Increase/(decrease) in equity before tax
USD	+5%	**(663)**	**1,127**	(103)	1,253
HKD	+5%	**1,261**	**1,472**	839	1,058
Other currencies	+5%	**61**	**563**	21	445
		659	**3,162**	757	2,756
USD	-5%	**663**	**(1,127)**	103	(1,253)
HKD	-5%	**(1,261)**	**(1,472)**	(839)	(1,058)
Other currencies	-5%	**(61)**	**(563)**	(21)	(445)
		(659)	**(3,162)**	(757)	(2,756)

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(a) Foreign currency risk (continued)

The main monetary assets and liabilities of the Group (excluding balances of investment-linked contracts) and non-monetary assets and liabilities measured at fair value are analysed as follows by currency:

	31 December 2019				
(in RMB millions)	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	RMB equivalent total
Assets					
Cash and amounts due from banks and other financial institutions	424,214	71,880	6,998	5,614	508,706
Balances with the Central Bank and statutory deposits for insurance operations	249,951	8,688	633	-	259,272
Financial assets purchased under reverse repurchase agreements	96,457	-	-	-	96,457
Premium receivables	80,837	1,519	60	-	82,416
Accounts receivable	28,494	-	-	85	28,579
Reinsurers' share of insurance liabilities	15,932	1,300	471	-	17,703
Policy loans	139,326	-	-	-	139,326
Finance lease receivable	183,957	-	-	-	183,957
Loans and advances to customers	2,097,229	115,935	5,809	21,423	2,240,396
Financial assets at fair value through profit or loss	824,022	98,966	25,092	12,993	961,073
Financial assets at amortized cost	2,246,886	29,685	2,199	2,455	2,281,225
Debt financial assets at fair value through other comprehensive income	445,221	12,827	12	105	458,165
Equity financial assets at fair value through other comprehensive income	272,103	2,234	7,848	-	282,185
Other assets	114,036	4,310	354	32	118,732
	7,218,665	347,344	49,476	42,707	7,658,192
Liabilities					
Due to banks and other financial institutions	721,464	84,531	1,075	16,955	824,025
Financial liabilities at fair value through profit or loss	39,458	-	-	-	39,458
Assets sold under agreements to repurchase	172,430	4,093	-	-	176,523
Accounts payable	4,820	1	-	-	4,821
Insurance payables	125,431	782	38	4	126,255
Policyholder dividend payable	59,056	24	-	2	59,082
Customer deposits and payables to brokerage customers	2,213,399	200,607	12,216	5,491	2,431,713
Bonds payable	676,168	17,505	5,958	-	699,631
Insurance contract liabilities	2,608,453	2,781	934	16	2,612,184
Investment contract liabilities for policyholders	57,482	7	-	-	57,489
Other liabilities	148,814	3,933	1,934	428	155,109
	6,826,975	314,264	22,155	22,896	7,186,290
Net position of foreign currency		33,080	27,321	19,811	80,212
Notional amount of foreign exchange derivative financial instruments		(10,548)	2,118	(8,555)	(16,985)
		22,532	29,439	11,256	63,227
Off-balance sheet credit commitments	464,399	26,649	27	4,358	495,433

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(a) Foreign currency risk (continued)

(in RMB millions)	31 December 2018 RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	RMB equivalent total
Assets					
Cash and amounts due from banks and other financial institutions	367,140	80,142	5,516	4,726	457,524
Balances with the Central Bank and statutory deposits for insurance operations	277,838	7,588	533	–	285,959
Financial assets purchased under reverse repurchase agreements	92,951	–	–	–	92,951
Premium receivables	66,011	1,088	51	–	67,150
Accounts receivable	21,935	–	–	76	22,011
Reinsurers' share of insurance liabilities	15,145	1,104	422	–	16,671
Policy loans	111,219	–	–	–	111,219
Finance lease receivable	165,214	–	–	–	165,214
Loans and advances to customers	1,799,339	103,086	8,459	18,958	1,929,842
Financial assets at fair value through profit or loss	702,919	91,480	18,976	11,564	824,939
Financial assets at amortized cost	2,046,742	25,447	2,091	871	2,075,151
Debt financial assets at fair value through other comprehensive income	298,713	11,864	7	317	310,901
Equity financial assets at fair value through other comprehensive income	215,145	–	7,494	–	222,639
Other assets	74,265	4,715	266	53	79,299
	6,254,576	326,514	43,815	36,565	6,661,470
Liabilities					
Due to banks and other financial institutions	707,221	80,572	3,600	11,761	803,154
Financial liabilities at fair value through profit or loss	16,975	–	–	–	16,975
Assets sold under agreements to repurchase	181,235	7,793	–	–	189,028
Accounts payable	4,712	1	–	–	4,713
Insurance payables	120,161	497	27	3	120,688
Policyholder dividend payable	52,568	21	–	2	52,591
Customer deposits and payables to brokerage customers	1,897,967	204,325	8,299	3,753	2,114,344
Bonds payable	533,567	18,239	5,069	–	556,875
Insurance contract liabilities	2,208,831	2,217	823	16	2,211,887
Investment contract liabilities for policyholders	52,740	6	–	1	52,747
Other liabilities	137,693	2,578	350	5	140,626
	5,913,670	316,249	18,168	15,541	6,263,628
Net position of foreign currency		10,265	25,647	21,024	56,936
Notional amount of foreign exchange derivative financial instruments		14,788	(4,485)	(12,129)	(1,826)
		25,053	21,162	8,895	55,110
Off-balance sheet credit commitments	343,719	49,219	319	4,475	397,732

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52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(b) Price risk

The Group's price risk exposure relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), which mainly include listed equity securities and security investment funds classified as financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

The above investments are exposed to price risk because of changes in market prices, where changes are caused by factors specific to the individual financial instruments or their issuers, or factors affecting all similar financial instruments traded in the market.

The Group managed price risks by diversification of investments, setting limits for investments in different securities, etc.

The Group uses a 10-day market price value-at-risk ('VaR') technique to estimate its risk exposure for listed equity securities and equity investments funds. The Group adopts 10-day as the holding period on the assumption that not all the investments can be sold in one day. Moreover, the VaR calculation is made based on normal market conditions and a 99% confidence interval.

The use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the normal distribution assumption. The VaR may also be under or over estimated due to the assumption placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence interval.

In practice, the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions.

The analysis below is the estimated impact for listed stocks and security investment funds with 10-day reasonable market fluctuation in using the VaR module in the normal market.

(in RMB million)	**31 December 2019**	31 December 2018
Listed stocks and security investment funds	**24,866**	15,799

The Group expects that current listed stocks and equity investments funds will not lose more than RMB24,866 million due to market price movements in a 10-trading-day holding period on 99% of occasions.

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(c) Interest rate risk

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed rate instruments expose the Group to fair value interest risk.

The Group's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. Interest on floating rate instruments is repriced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instruments and is fixed until maturity.

The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on the Group's profit (fair value change on bonds carried at fair value through profit or loss) and equity (fair value change on bonds carried at fair value through profit or loss and bonds carried at fair value through other comprehensive income).

(in RMB million)	Change in interest rate	**31 December 2019** Increase/ (decrease) in profit before tax	**31 December 2019** Increase/ (decrease) in equity before tax	31 December 2018 Increase/ (decrease) in profit before tax	31 December 2018 Increase/ (decrease) in equity before tax
Bonds carried at fair value through profit or loss and through other comprehensive income	-50 basis points	**3,386**	**12,568**	1,739	8,356
Bonds carried at fair value through profit or loss and through other comprehensive income	+50 basis points	**(3,386)**	**(12,568)**	(1,739)	(8,356)

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(c) Interest rate risk (continued)

The following sensitivity analysis is based on the assumption that the floating rate bonds, floating rate term deposits and loans and advances have a static structure of interest rate risk. The analysis only measured interest rate changes within one year, reflecting the impact on interest income and interest expenses from the re-pricing of financial assets and liabilities within a year with the following assumptions: firstly, the interest rate of the floating rate bonds, floating rate term deposits/loans and advances is re-priced after the end of the reporting period; secondly, the yield curve moved in parallel with the changes in the interest rate; and thirdly, there are no other changes in the portfolio of financial assets and liabilities. Regarding the above assumptions, the pre-tax impact on the Group's profit and equity as a result of actual increases or decreases in interest rates may differ from that of the following sensitivity analysis.

		31 December 2019		31 December 2018	
(in RMB million)	Change in interest rate	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity before tax**	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity before tax
Floating interest rate bonds	+50 basis points	**77**	**77**	109	109
Floating rate term deposits	+50 basis points	**8**	**8**	18	18
Loans and advances to customers	+50 basis points	**6,463**	**6,463**	5,930	5,930
Floating interest rate bonds	-50 basis points	**(77)**	**(77)**	(109)	(109)
Floating rate term deposits	-50 basis points	**(8)**	**(8)**	(18)	(18)
Loans and advances to customers	-50 basis points	**(6,463)**	**(6,463)**	(5,930)	(5,930)

The following table sets out the Group's term deposits (excluding balances of investment-linked contracts) exposed to interest rate risk by maturity or repricing date (whichever is the earlier):

(in RMB million)	**31 December 2019**	31 December 2018
Fixed interest rate		
Less than 3 months (including 3 months)	**11,953**	14,739
3 months to 1 year (including 1 year)	**35,012**	21,346
1-2 years (including 2 years)	**38,185**	34,745
2-3 years (including 3 years)	**48,380**	36,226
3-4 years (including 4 years)	**20,411**	25,074
4-5 years (including 5 years)	**58,597**	19,393
More than 5 years	**154**	19,116
Floating interest rate	**1,500**	3,499
	214,192	174,138

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(c) Interest rate risk (continued)

The following table sets out the Group's bonds, debt schemes and banking wealth management products (excluding balances of investment-linked contracts) by maturity or repricing date (whichever is the earlier):

(in RMB million)	31 December 2019 Financial assets at amortized cost	Debt financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Fixed interest rate				
Less than 3 months (including 3 months)	**87,285**	**21,564**	**41,260**	**150,109**
3 months to 1 year (including 1 year)	**215,340**	**84,545**	**88,447**	**388,332**
1-2 years (including 2 years)	**186,935**	**33,888**	**37,543**	**258,366**
2-3 years (including 3 years)	**219,298**	**61,203**	**40,580**	**321,081**
3-4 years (including 4 years)	**123,765**	**39,561**	**21,928**	**185,254**
4-5 years (including 5 years)	**113,690**	**28,802**	**48,616**	**191,108**
More than 5 years	**1,210,003**	**179,940**	**102,678**	**1,492,621**
Floating interest rate	**95,041**	**1,945**	**45,969**	**142,955**
	2,251,357	**451,448**	**427,021**	**3,129,826**

(in RMB million)	31 December 2018 Financial assets at amortized cost	Debt financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Fixed interest rate				
Less than 3 months (including 3 months)	62,195	12,849	37,158	112,202
3 months to 1 year (including 1 year)	206,170	38,186	86,309	330,665
1-2 years (including 2 years)	193,139	17,424	50,202	260,765
2-3 years (including 3 years)	181,139	36,457	39,282	256,878
3-4 years (including 4 years)	165,306	30,194	28,484	223,984
4-5 years (including 5 years)	148,573	34,358	17,621	200,552
More than 5 years	969,830	137,179	80,714	1,187,723
Floating interest rate	115,665	25	57,488	173,178
	2,042,017	306,672	397,258	2,745,947

Interest rates on floating rate term deposits and floating rate bonds are repriced at intervals of less than one year. Interest rates on fixed rate term deposits and fixed rate bonds are fixed before maturity.

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK

Credit risks refer to the risk of losses incurred by the inabilities of debtors or counterparties to fulfil their contractual obligations or by the adverse changes in their credit conditions. The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, loans and advances to customers, financial assets at amortized cost and debt financial assets at fair value through other comprehensive income, reinsurance arrangement with reinsurers, policy loans, margin financing and with the exposure arising from loan commitments and financial guarantee contracts, etc. The Group uses a variety of controls to identify, measure, monitor and report credit risk

(a) Credit risk management

Credit risk of banking business

The banking business of the Group has formulated a set of credit management processes and internal control mechanisms, so as to carry out the whole process management of credit business. Credit management procedures for its corporate and retail loans comprise of credit origination, credit review, credit approval, disbursement, post credit monitoring and collection. In addition, the banking business of the Group has formulated procedure manuals for credit management, which clarifies the duties of each part in the credit management processes, effectively monitoring credit risk and enhancing credit compliance.

The banking business of the Group further enhances credit risk monitoring and early warning management mechanism to monitor the credit risks, respond to the changes in credit environment proactively, analyse the credit risk situations and trends regularly, take measures prospectively to control risk. The Group has established enhancement mechanism for problematic credit, aiming to accelerate the progress of handling problematic credit and preventing non-performing loans.

Credit risks arising from financial guarantees and loan commitments are similar to those of loans and advances. Therefore, financial guarantees and loan commitments are also subject to the same application, post crediting monitoring and collateral requirements as loan and advances business.

Credit risk of investment business

As to debt investment, the Group rates these investments by internal credit rating policies, selects counterparties with high credit quality and sets strict entry criteria.

The Group's debt investment mainly includes domestic government bonds, Central Bank bills, financial institution bonds, corporate bonds and debt investment schemes. The Group manages the credit risk for these investments mainly through controlling the investment scales, selecting counterparties within the financial institutions with appropriate credit quality prudently, balancing the credit risks and rate of return of investment and considering the internal and external credit rating information comprehensively.

Credit risk of insurance business

The Group evaluated the credit rating of the reinsurance companies before signing the reinsurance contracts, and choose the reinsurance companies with higher credit quality to reduce the credit risk.

The limit of policy loans are based on the cash values of valid insurance policies, with appropriate discounts, and the validity periods of policy loans are within the validity periods of insurance policies. The credit risk associated with policy loans did not have material impact on the Group's consolidated financial statements as at 31 December 2019 and 31 December 2018.

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(a) Credit risk management (continued)

Credit quality of amounts due from banks and other financial institutions

The following table sets forth aggregated amounts due from banks and other financial institutions placed with the PBC and the major commercial banks in the PRC held by the Group. The following analysis excludes balances of investment-linked contracts.

(in RMB million)	31 December 2019
PBC	**251,021**
The top 5 commercial banks	
Industrial Bank Co.,Ltd.	**46,356**
Bank of Communications Co.,Ltd.	**34,478**
Industrial and Commercial Bank of China Limited	**30,512**
Bank of China Limited	**30,490**
China Construction Bank Corporation	**26,665**
Other major banks and financial institutions	
China CITIC Bank Corporation Limited	**26,268**
China Zheshang Bank Co., Ltd.	**23,911**
Bank of Shanghai Co.,Ltd.	**23,040**
Agricultural Bank of China Co.,Ltd.	**22,905**
China Minsheng Banking Corp. Ltd.	**22,693**
Others	**229,639**
	767,978

(in RMB million)	31 December 2018
PBC	281,252
The top 5 commercial banks	
Bank of China Limited	31,461
Industrial Bank Co.,Ltd.	31,402
China CITIC Bank Corporation Limited	26,793
Industrial and Commercial Bank of China Limited	24,001
Bank of Communications Co.,Ltd.	19,973
Other major banks and financial institutions	
Bank of Shanghai Co.,Ltd.	17,729
China Construction Bank Corporation	17,044
China Minsheng Banking Corp. Ltd.	17,041
Hengfeng Bank Co.,Ltd.	15,997
Agricultural Bank of China Co.,Ltd.	15,931
Others	244,859
	743,483

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss

From 1 January 2018, the Group formulates the credit losses of financial assets at amortized cost, debt financial assets at FVOCI, finance lease receivable and other financial assets, as well as, loan commitment and financial guarantee contracts using expected credit loss models according to IFRS 9 requirements.

Parameters of ECL model

The parameters and assumptions involved in ECL model are described below.

The Group considers the credit risk characteristics of different financial instruments when determining if there is significant increase in credit risk. For financial instruments with or without significant increase in credit risk, 12-month or lifetime expected credit losses are provided respectively. The expected credit loss is the result of discounting the product of EAD, PD and LGD.

i) Exposure at Default (EAD): EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

ii) Probability of Default (PD): The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

iii) Loss given Default (LGD): LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the Lifetime. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grading band. This is supported by historical analysis.

Judgement of significant increase in credit risk ('SICR')

Under IFRS 9, when considering the impairment stages for financial assets, the Group evaluates the credit risk at initial recognition and also whether there is any significant increase in credit risk for each reporting period. The Group considers various reasonable supporting information to judge if there is significant increase in credit risk, including the forward-looking information, when determining the ECL staging for financial assets. Major factor being considered include regulatory and operating environment, internal and external credit ratings, solvency, and operational capabilities. The Group could base on individual financial instruments or portfolios of financial instruments with similar credit risk characteristics to determine ECL staging by comparing the credit risks of the financial instruments at the reporting date with initial recognition.

The Group set quantitative and qualitative criteria to judge whether the credit risk has SICR after initial recognition. The judgement criteria mainly includes the PD changes of the debtors, changes of credit risk categories and other indicators of SICR, etc. In the judgement of whether the credit risk has SICR after initial recognition, the Group considers the 30 days past due as one of criteria of SICR, in accordance with the standard.

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (continued)

The definition of credit-impaired assets

Under IFRS 9, in order to determine whether credit impairment occurs, the defined standards adopted by the Group are consistent with the internal credit risk management objectives for relevant financial assets, while considering quantitative and qualitative indicators. When the Group assesses whether the debtor has credit impairment, the following factors are mainly considered:

- The debtor has overdue more than 90 days after the contract payment date;
- Internal credit rating is default grade;
- The lender gives the debtor concessions for economic or contractual reasons due to the debtor's financial difficulties, where such concessions are normally reluctant to be made by the lender;
- The debtor has significant financial difficulties;
- The debtor is likely to go bankrupt or other financial restructuring;
- The active market for financial assets disappears

The credit impairment of financial assets may be caused by the joint effects of multiple events, and may not be caused by separately identifiable events.

Forward-looking information

The determinations of 12 months and the lifetime EAD, PD and LGD also incorporates forward-looking information. The Group has performed historical data analysis and identified the key macro-economic variables associated with credit risk and expected credit losses for each portfolio. The Group has developed macro-economic forward looking adjustment model by establishing a pool of macro-economic indicators, preparing data, filtering model factors and adjusting forward-looking elements, and the indicators include gross domestic product (GDP) year on year percentage change, customer price index (CPI) year on year percentage change, purchasing manager's index (PMI) and other macro-economic variables. Through regression analysis, the relationship among these economic indicators in history with EAD, PD and LGD is determined, and the EAD, PD, LGD are then determined through forecasting economic indicator. The forecasting methods and critical assumptions applied have no material change during the year ended 31 December 2019.

In 2019, the Group collected 10-year time series data of macro-economic parameters from the China Macroeconomic Database published by Wind Info Technology Co., Ltd., and analysed the inter-period relationship between economic parameters, and simulated randomization through the Monte Carlo method to formulate prediction function. Combined with the expert judgement, the Group established the values used for different scenarios. In addition to the base economic scenario, the Group also considers other possible scenarios and relative weightings. The scenario is set, by analysing of each major product structure, to ensure non-linearity is considered. The Group regularly reassess the number of scenarios and their attributes. In 2019, the Group combined statistical analysis results to determine the weights of different scenarios, and also considered the range of possible outcomes represented by each scenario, to determine the final macro-economic assumptions and weights for measuring the relevant expected credit loss.

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (continued)

Forward-looking information (continued)

The impact of these economic indicators on PD and LGD varies to different businesses. The Group comprehensively considers internal and external data, expert forecasts and statistical analysis to determine the relationship between these economic indicators with PD and LGD. The Group evaluates and forecasts these economic indicators at least annually, provides the best estimates for the future, and regularly evaluates the results.

Similar to other economic forecasts, the estimates of economic indicators have high inherent uncertainties, actual results may have significant difference with estimates. The Group considered the estimates above represented the optimal estimation of possible outcomes.

Sensitivity analysis

Expected credit losses are sensitive to the parameters used in the model, the macro-economic variables of the forward-looking forecast, the weight probabilities in the three scenarios, and other factors considered in the application of expert judgement. Changes in these input parameters, assumptions, models, and judgments will have an impact on the measurement of expected credit losses.

The Group has the highest weight of the base scenario, and the weight of the base scenario approximates to the sum of weights of non-base scenarios. The banking business of the Group assumed that if the weight of the upside scenario increased by 10% and the weight of the base scenario reduced by 10%, the Group's ECL impairment provision as of 31 December, 2019 would be reduced by RMB918 million(31 December 2018: RMB571 million); if the weight of the downside scenario increased by 10% and the weight of the base scenarios reduced by 10%, the Group's ECL impairment provision would be increased by RMB1,554 million(31 December 2018: RMB814 million);.

The following table shows the changes of ECL impairment provision and other liabilities related to ECL assuming the financial assets and loan commitment in stage 2 reclassified to stage 1 due to significant change in credit risk.

(in RMB million)	**31 December 2019**	31 December 2018
The total amount of ECL impairment provision and liability provision under assumption of reclassification of financial assets and loan commitment from stage 2 to stage 1	**91,867**	67,177
ECL impairment provision and other liabilities related to ECL recognized in the consolidated balance sheet	**100,017**	75,168
Difference-amount	**(8,150)**	(7,991)
Difference-percentage	**-8%**	-11%

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (continued)

Credit exposure

Without considering the impact of collateral and other credit enhancements, for on-balance sheet assets, the maximum exposures are based on net carrying amounts as reported in the consolidated financial statements. The Group also assumes credit risk due to credit commitments and financial guarantee contracts. The details are disclosed in Note 60. (2).

Please refer to Note 25. (2) and (5) for an analysis of concentration of loans and advances by industry and geographical region.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Policies are established regarding to the selection of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- for policy loans, collaterals are cash value of policies;
- for reverse repurchase transactions, collaterals are quoted securities;
- for commercial loans, collaterals are real estate properties, inventories, equity investments and trade receivables, etc.;
- for retail lending loans to individuals, collaterals are residential properties mortgages.

Management monitors the market value of the collateral, and requires additional collateral when needed according to contracts, when assessing the adequacy of impairment.

It is the Group's policy to dispose collateral orderly. The proceeds are used to repay all or part of the outstanding balance. Generally, the Group would not use the collateralised assets for business purpose.

The gross carrying amount of loans and advances that would otherwise be past due or impaired and whose terms have been renegotiated is as follows:

(in RMB million)	31 December 2019	31 December 2018
Loans and advances to customers	**19,707**	23,039

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (continued)

The following table presents the credit risk exposure of the financial assets under the scope of expected credit loss. Without considering guarantee or any other credit enhancement measures, for on-balance sheet assets, the maximum credit risk exposure is presented as the net carrying amount of the financial assets:

	31 December 2019			
Net carrying amount (in RMB million)	**Stage 1**	**Stage 2**	**Stage 3**	**Maximum credit risk exposure**
Cash and amounts due from banks and other financial institutions	**508,706**	**–**	**–**	**508,706**
Balances with the Central Bank and statutory deposits for insurance operations	**259,272**	**–**	**–**	**259,272**
Financial assets purchased under reverse repurchase agreements	**95,947**	**305**	**205**	**96,457**
Accounts receivable	**28,222**	**324**	**33**	**28,579**
Finance lease receivable	**179,785**	**3,605**	**567**	**183,957**
Loans and advances to customers	**2,183,509**	**41,474**	**15,413**	**2,240,396**
Financial assets at amortized cost	**2,259,305**	**2,125**	**19,795**	**2,281,225**
Debt financial assets at fair value through other comprehensive income	**457,068**	**248**	**849**	**458,165**
Other assets	**111,697**	**–**	**253**	**111,950**
Subtotal	**6,083,511**	**48,081**	**37,115**	**6,168,707**
Off-balance sheet	**921,502**	**4,805**	**665**	**926,972**
Total	**7,005,013**	**52,886**	**37,780**	**7,095,679**

	31 December 2018			
Net carrying amount (in RMB million)	Stage 1	Stage 2	Stage 3	Maximum credit risk exposure
Cash and amounts due from banks and other financial institutions	457,524	–	–	457,524
Balances with the Central Bank and statutory deposits for insurance operations	285,959	–	–	285,959
Financial assets purchased under reverse repurchase agreements	92,543	94	314	92,951
Accounts receivable	21,193	620	198	22,011
Finance lease receivable	161,723	3,080	411	165,214
Loans and advances to customers	1,862,894	37,254	29,694	1,929,842
Financial assets at amortized cost	2,059,024	5,524	10,603	2,075,151
Debt financial assets at fair value through other comprehensive income	310,017	43	841	310,901
Other assets	77,541	–	–	77,541
Subtotal	5,328,418	46,615	42,061	5,417,094
Off-balance sheet	581,835	4,900	828	587,563
Total	5,910,253	51,515	42,889	6,004,657

The Group closely monitors collateral of credit-impaired financial assets.

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (continued)

As at 31 December 2019, the fair value of collateral of credit-impaired loans and advances to customers is RMB20,066 million(31 December 2018: 38,007 million). The fair value of collateral of credit-impaired financial assets at amortized cost is RMB10,291 million(31 December 2018: 13,935 million).

The following tables explain the changes in the gross carrying amount and impairment provision of the main financial assets between the beginning and the end of the annual period due to these factors:

(in RMB million)		2019						
				Stages transfers				
Gross carrying amount	Stage	1 January 2019	Net increase/ (decrease) (Note 1)	Transfer between Stage 1 and Stage 2	Transfer between Stage 1 and Stage 3	Transfer between Stage 2 and Stage 3	Write-offs	31 December 2019
Loans and advances to customers	Stage 1	1,880,008	417,727	(84,351)	79	-	-	2,213,463
	Stage 2	45,185	(38,679)	84,351	-	(41,492)	-	49,365
	Stage 3	58,682	(5,412)	-	(79)	41,492	(47,555)	47,128
	Subtotal	1,983,875	373,636	-	-	-	(47,555)	2,309,956
Financial assets at amortized cost	Stage 1	2,063,577	220,770	(18,366)	(2,867)	-	-	2,263,114
	Stage 2	5,871	(7,596)	18,366	-	(14,208)	-	2,433
	Stage 3	19,008	(2,682)	-	2,867	14,208	(1,004)	32,397
	Subtotal	2,088,456	210,492	-	-	-	(1,004)	2,297,944
Debt financial assets at fair value through other comprehensive income	Stage 1	310,017	148,142	(740)	(351)	-	-	457,068
	Stage 2	43	(35)	740	-	(500)	-	248
	Stage 3	841	(690)	-	351	500	(153)	849
	Subtotal	310,901	147,417	-	-	-	(153)	458,165

Note 1: Changes in current year is mainly due to purchase, purchased credit-impaired or derecognition except write-offs.

(in RMB million)		2019							
					Stages transfers				
Impairment provision	Stage	1 January 2019	Net increase/ (decrease) (Note 1)	Charge/ (recover) for the year (Note 2)	Transfer between Stage 1 and Stage 2	Transfer between Stage 1 and Stage 3	Transfer between Stage 2 and Stage 3	Write-offs	31 December 2019
Loans and advances to customers	Stage 1	17,266	12,723	3,803	(3,765)	381	-	-	30,408
	Stage 2	7,931	(3,202)	12,881	3,765	-	(13,486)	-	7,889
	Stage 3	28,990	(1,304)	38,480	-	(381)	13,486	(47,555)	31,716
	Subtotal	54,187	8,217	55,164	-	-	-	(47,555)	70,013
Financial assets at amortized cost	Stage 1	4,553	1,949	(824)	(879)	(990)	-	-	3,809
	Stage 2	347	(230)	679	879	-	(1,367)	-	308
	Stage 3	8,405	(400)	3,244	-	990	1,367	(1,004)	12,602
	Subtotal	13,305	1,319	3,099	-	-	-	(1,004)	16,719
Debt financial assets at fair value through other comprehensive income	Stage 1	655	844	(43)	(83)	(328)	-	-	1,045
	Stage 2	1	(2)	40	83	-	(80)	-	42
	Stage 3	524	(117)	585	-	328	80	(153)	1,247
	Subtotal	1,180	725	582	-	-	-	(153)	2,334

Note 1: Changes in current year is mainly due to purchase, purchased credit-impaired or derecognition except write-offs.

Note 2: Changes in PDs, EADs, and LGDs in the current year, arising from regular refreshing of inputs to models.

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (continued)

The following tables explain the changes in the gross carrying amount and impairment provision of the main financial assets between the beginning and the end of the annual period due to these factors (continued):

(in RMB million)

Gross carrying amount	Stage	1 January 2018	Net increase/ (decrease) (Note 1)	Stages transfers: Transfer between Stage 1 and Stage 2	Stages transfers: Transfer between Stage 1 and Stage 3	Stages transfers: Transfer between Stage 2 and Stage 3	Write-offs	31 December 2018
Loans and advances to customers	Stage 1	1,563,237	383,823	(65,775)	(1,277)	–	–	1,880,008
	Stage 2	44,635	(20,413)	65,775	–	(44,812)	–	45,185
	Stage 3	71,579	(13,182)	–	1,277	44,812	(45,804)	58,682
	Subtotal	1,679,451	350,228	–	–	–	(45,804)	1,983,875
Financial assets at amortized cost	Stage 1	1,927,666	139,002	(3,091)	–	–	–	2,063,577
	Stage 2	13,419	(3,733)	3,091	–	(6,906)	–	5,871
	Stage 3	15,311	(3,209)	–	–	6,906	–	19,008
	Subtotal	1,956,396	132,060	–	–	–	–	2,088,456
Debt financial assets at fair value through other comprehensive income	Stage 1	220,085	90,816	(556)	(328)	–	–	310,017
	Stage 2	–	–	556	–	(513)	–	43
	Stage 3	–	–	–	328	513	–	841
	Subtotal	220,085	90,816	–	–	–	–	310,901

Note 1: Changes in current year due to purchase, purchased credit-impaired or derecognition except write-offs.

(in RMB million)

Impairment provision	Stage	1 January 2018	Net increase/ (decrease) (Note 1)	Charge/ (recover) for the year (Note 2)	Stages transfers: Transfer between Stage 1 and Stage 2	Stages transfers: Transfer between Stage 1 and Stage 3	Stages transfers: Transfer between Stage 2 and Stage 3	Write-offs	31 December 2018
Loans and advances to customers	Stage 1	11,941	9,592	957	(5,175)	(49)	–	–	17,266
	Stage 2	3,447	(889)	9,600	5,175	–	(9,402)	–	7,931
	Stage 3	32,375	(5,263)	38,231	–	49	9,402	(45,804)	28,990
	Subtotal	47,763	3,440	48,788	–	–	–	(45,804)	54,187
Financial assets at amortized cost	Stage 1	2,722	3,759	(482)	(1,446)	–	–	–	4,553
	Stage 2	702	(80)	24	1,446	–	(1,745)	–	347
	Stage 3	4,998	(454)	2,116	–	–	1,745	–	8,405
	Subtotal	8,422	3,225	1,658	–	–	–	–	13,305
Debt financial assets at fair value through other comprehensive income	Stage 1	530	158	24	(43)	(14)	–	–	655
	Stage 2	–	–	–	43	–	(42)	–	1
	Stage 3	–	–	468	–	14	42	–	524
	Subtotal	530	158	492	–	–	–	–	1,180

Note 1: Changes in current year due to purchase, purchased credit-impaired or derecognition except write-offs.

Note 2: Changes in PDs, EADs, and LGDs in the current year, arising from regular refreshing of inputs to models.

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (continued)

The Group internally grades the financial instruments based on the credit quality and risk characteristics. The credit rating of the financial instruments could further be classified as "low risk", "medium risk", "high risk" and "default" according to the internal rating scale. "Low risk" means that the asset quality is good, there is sufficient evidence to show that the asset is not expected to have default, or there is no reason to suspect that the asset had incurred default. "Medium risk" means that the asset quality is acceptable or there are factors revealing potential negative impact on the asset quality, but there is no sufficient reason to suspect that the asset had incurred default. "High risk" means that there is factors revealing significant adverse impact on the asset quality, but there is no event indicating incurred default. The criteria of "default" are consistent with those of "credit-impaired".

The following table contains an analysis of the credit risk grading of loans and advances to customers and financial assets at amortized cost. The carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

Loans and advances to customers:

	31 December 2019			
(in RMB million)	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Low risk	**1,177,575**	**670**	**-**	**1,178,245**
Medium risk	**1,029,144**	**18,079**	**-**	**1,047,223**
High risk	**6,744**	**30,616**	**-**	**37,360**
Default	**-**	**-**	**47,128**	**47,128**
Gross carrying amount	**2,213,463**	**49,365**	**47,128**	**2,309,956**
Loss allowance	**(29,955)**	**(7,889)**	**(31,716)**	**(69,560)**
Carrying amount	**2,183,508**	**41,476**	**15,412**	**2,240,396**

	31 December 2018			
(in RMB million)	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Low risk	1,016,991	148	–	1,017,139
Medium risk	849,814	12,203	–	862,017
High risk	13,203	32,834	–	46,037
Default	–	–	58,682	58,682
Gross carrying amount	1,880,008	45,185	58,682	1,983,875
Loss allowance	(17,114)	(7,931)	(28,988)	(54,033)
Carrying amount	1,862,894	37,254	29,694	1,929,842

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52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (continued)

Financial assets at amortized cost:

	31 December 2019			
(in RMB million)	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Low risk	**2,164,267**	**–**	**–**	**2,164,267**
Medium risk	**94,858**	**1,515**	**–**	**96,373**
High risk	**3,989**	**918**	**–**	**4,907**
Default	**–**	**–**	**32,397**	**32,397**
Gross carrying amount	**2,263,114**	**2,433**	**32,397**	**2,297,944**
Impairment provision	**(3,809)**	**(308)**	**(12,602)**	**(16,719)**
Carrying amount	**2,259,305**	**2,125**	**19,795**	**2,281,225**

	31 December 2018			
(in RMB million)	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Low risk	1,908,915	1,098	–	1,910,013
Medium risk	145,506	2,926	–	148,432
High risk	9,156	1,847	–	11,003
Default	–	–	19,008	19,008
Gross carrying amount	2,063,577	5,871	19,008	2,088,456
Impairment provision	(4,553)	(347)	(8,405)	(13,305)
Carrying amount	2,059,024	5,524	10,603	2,075,151

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK

Liquidity risk is the risk of not having access to sufficient funds or being unable to realize an asset in a timely manner at a reasonable price to meet the Group's obligations as they become due.

The Group is exposed to liquidity risk on insurance policies that permit surrender, withdrawal or other forms of early termination. The Group seeks to manage its liquidity risk by matching to the extent possible the duration of its investment assets with the duration of its insurance policies and to ensure that the Group is able to meet its payment obligations and fund its lending and investment operations on a timely basis.

The banking business of the Group is exposed to potential liquidity risk. The Group utilizes multiple regulatory methods, establish comprehensive liquidity risk management framework, effectively recognize, measure, monitor and control liquidity risk, maintain sufficient liquidity level to satisfy various funds requirement and to face adverse market status. In case of monitoring liquidity risks effectively, the Group pays attentions to the funds sources and diversified utilization, keep relatively high liquidity assets consistently. The Group monitors the sourcing and usage of funds, deposit to loan ratio, and quick ratio on a daily basis. Moreover, when adopting various benchmarks for management of liquidity risk, the Group compares the expected results against the ones derived from stress tests, critically assesses the potential impact to the future liquidity risk, and formulates remedial actions according to specific situations. The Group seeks to mitigate the liquidity risk of the banking business by optimizing the assets and liabilities structure, and maintaining stable deposits, etc.

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK (CONTINUED)

The table below summarizes the remaining contractual maturity profile of the financial assets, financial liabilities and insurance contract liabilities of the Group (excluding balances of investment-linked contracts) based on undiscounted contractual cash flows/expected cash flows.

	31 December 2019						
(in RMB million)	Undated	Repayable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Cash and amounts due from banks and other financial institutions	-	142,771	90,277	118,836	193,701	1,996	547,581
Balances with the Central Bank and statutory deposits for insurance operations	212,462	34,309	531	574	11,981	1,305	261,162
Financial assets purchased under reverse repurchase agreements	-	488	91,631	4,641	451	-	97,211
Premium receivables	-	24,650	24,130	14,895	18,721	20	82,416
Accounts receivable	-	221	6,803	8,505	13,928	-	29,457
Policy Loans	-	2,424	109,549	27,905	-	-	139,878
Finance lease receivable	-	1,349	22,015	60,708	123,291	3,759	211,122
Loans and advances to customers	-	15,714	658,927	700,976	702,072	539,397	2,617,086
Financial assets at fair value through profit or loss	514,672	15,687	50,772	108,414	207,814	126,128	1,023,487
Financial assets at amortized cost	-	17,899	110,558	307,979	956,241	2,102,544	3,495,221
Debt financial assets at fair value through other comprehensive income	-	706	26,652	99,302	206,953	224,960	558,573
Equity financial assets at fair value through other comprehensive income	282,185	-	-	-	-	-	282,185
Other assets	-	34,008	35,385	57,911	5,781	56	133,141
	1,009,319	290,226	1,227,230	1,510,646	2,440,934	3,000,165	9,478,520
Due to banks and other financial institutions	-	182,693	228,155	316,124	120,137	10,764	857,873
Financial liabilities at fair value through profit or loss	886	1,375	37,046	180	-	-	39,487
Assets sold under agreements to repurchase	-	-	176,337	252	-	-	176,589
Accounts payable	-	181	1,424	3,084	232	-	4,921
Insurance payables	-	70,443	9,229	8,931	1,142	-	89,745
Policyholder dividend payable	-	59,082	-	-	-	-	59,082
Customer deposits and payables to brokerage customers	-	839,298	613,366	500,910	532,738	9,319	2,495,631
Bonds payable	-	-	229,094	270,986	198,507	40,533	739,120
Insurance contract liability	-	-	18,590	(14,098)	(31,960)	6,718,190	6,690,722
Insurance and Investment contract liabilities for policyholders	-	-	1,788	5,194	20,898	31,995	59,875
Lease liabilities	-	452	1,871	5,041	11,565	629	19,558
Other liabilities	-	38,844	36,719	112,142	46,357	1,752	235,814
	886	1,192,368	1,353,619	1,208,746	899,616	6,813,182	11,468,417
Derivative cash flows							
Derivative financial instruments settled on a net basis	-	-	1,159	602	(1,271)	7	497
Derivative financial instruments settled on a gross basis							
- Cash inflow	-	20,354	241,604	267,473	36,491	-	565,922
- Cash outflow	-	(25,204)	(242,242)	(268,643)	(36,287)	-	(572,376)
	-	(4,850)	(638)	(1,170)	204	-	(6,454)

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK (CONTINUED)

	31 December 2018						
(in RMB million)	Undated	Repayable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Cash and amounts due from banks and other financial institutions	–	138,242	99,348	89,601	135,813	19,299	482,303
Balances with the Central Bank and statutory deposits for insurance operations	248,567	24,947	836	5,462	7,405	–	287,217
Financial assets purchased under reverse repurchase agreements	–	1,820	85,867	5,505	410	–	93,602
Premium receivables	–	22,440	20,887	13,447	10,344	32	67,150
Accounts receivable	–	2,689	6,557	6,808	6,551	–	22,605
Policy Loans	–	1,834	54,547	55,285	–	–	111,666
Finance lease receivable	–	–	15,116	39,773	105,906	6,989	167,784
Loans and advances to customers	–	29,496	579,429	617,167	589,400	424,717	2,240,209
Financial assets at fair value through profit or loss	399,239	44,627	38,986	100,809	189,809	116,252	889,722
Financial assets at amortized cost	–	11,170	83,377	334,406	939,296	1,682,740	3,050,989
Debt financial assets at fair value through other comprehensive income	–	480	15,258	48,256	151,191	178,945	394,130
Equity financial assets at fair value through other comprehensive income	222,639	–	–	–	–	–	222,639
Other assets	–	53,405	18,144	16,849	14,191	847	103,436
	870,445	331,150	1,018,352	1,333,368	2,150,316	2,429,821	8,133,452
Due to banks and other financial institutions	–	143,922	231,511	341,198	101,944	7,608	826,183
Financial liabilities at fair value through profit or loss	–	7	17,193	1,580	861	–	19,641
Assets sold under agreements to repurchase	–	–	189,108	–	–	–	189,108
Accounts payable	–	810	–	3,903	–	–	4,713
Insurance payables	–	65,829	4,015	3,044	573	–	73,461
Policyholder dividend payable	–	52,591	–	–	–	–	52,591
Customer deposits and payables to brokerage customers	–	792,706	491,195	533,807	341,253	2,208	2,161,169
Bonds payable	–	–	66,809	323,186	160,876	35,714	586,585
Insurance contract liability	–	–	(2,197)	343	(33,974)	5,988,623	5,952,795
Insurance and Investment contract liabilities for policyholders	–	–	1,604	5,671	17,789	31,018	56,082
Other liabilities	–	109,669	34,653	34,084	28,188	3,221	209,815
	–	1,165,534	1,033,891	1,246,816	617,510	6,068,392	10,132,143
Derivative cash flows							
Derivative financial instruments settled on a net basis	15	–	257	897	(449)	(35)	685
Derivative financial instruments settled on a gross basis							
– Cash inflow	–	32,581	488,019	388,765	11,330	–	920,695
– Cash outflow	–	(34,161)	(487,530)	(388,821)	(11,214)	–	(921,726)
	–	(1,580)	489	(56)	116	–	(1,031)

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52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK (CONTINUED)

The table below summarizes the remaining contractual maturity profile of the credit commitments of the Group:

(in RMB million)	Less than 1 months	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2019						
Credit commitments	**71,177**	**118,838**	**285,703**	**237,882**	**215,100**	**928,700**
31 December 2018						
Credit commitments	59,113	95,850	215,584	96,713	121,003	588,263

Management expects the credit commitments will not be entirely used during the commitment period.

The assets and liabilities related to investment-linked contracts which are regarded as insurance contracts are presented as policyholder account assets and liabilities in respect of insurance contracts. The assets and liabilities related to investment-linked contracts which are regarded as investment contracts are presented as policyholder account assets and liabilities in respect of investment contracts. The assets and liabilities of each investment-linked fund are segregated from each other and from the rest of the Group's invested assets for record keeping purposes. As the investment risks of investment-linked contracts were fully borne by policyholders, the assets and liabilities related to investment-linked contracts were not included in the analysis of risk management. Investment-linked contracts are repayable on demand. The Group manages liquidity risk related to the investment-linked contracts by investing mainly in assets with high liquidity, as disclosed in Note 37.

(5) MISMATCHING RISK OF ASSETS AND LIABILITIES

The objective of the Group's asset and liability management is to match assets with liabilities on the basis of both the duration and interest rate. In the current regulatory and market environment, however, the Group is unable to invest in sufficient assets with long enough duration to match that of its life insurance and investment contract liabilities. When the current regulatory and market environment permits, however, the Group will lengthen the duration of its assets for matching the new liabilities of lower guaranteed return rates, while narrowing the gap of existing liabilities of higher guaranteed rate.

(6) OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failure of proper internal controls on business processes, employees and systems or from uncontrollable external events. Operational risk in this context includes legal risk, but does not include strategic risk and reputational risk. The Group is exposed to many types of operational risks in the conduct of its business. The Group manages operational risk by establishing and continuously improving risk management framework, formalizing policies and standards, using management tools and reporting mechanism, strengthening communication and enhancing training to staff members.

(7) CAPITAL MANAGEMENT

The Group's capital requirements are primarily dependent on the scale and products of insurance business, and the type of business that it undertakes, as well as the industry and geographic location in which it operates. The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and to maintain healthy capital ratios in order to support its business and to maximize shareholders' value.

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(7) CAPITAL MANAGEMENT (CONTINUED)

The Group manages its capital requirements by assessing shortfalls, if any, between the reported and the required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid, return capital to ordinary shareholders or issue capital securities.

The Group has formally implemented China Risk Oriented Solvency System issued by the former China Insurance Regulatory Commission ('the former CIRC') since 1 January 2016 by reference to the Notice on the Formal Implementation of China Risk Oriented Solvency System by CIRC. The Group adjusted the objective, policy and process of capital management. As at 31 December 2019, the Group was compliant with the relevant regulatory capital requirements.

The table below summarizes the minimum regulatory capital for the Group and its major insurance subsidiaries and the regulatory capital held against each of them.

	31 December 2019		
	The Group	**Ping An Life**	**Ping An Property & Casualty**
Core capital	**1,574,150**	**934,301**	**92,897**
Actual capital	**1,607,650**	**949,301**	**111,397**
Minimum capital	**699,522**	**409,874**	**42,982**
Core Solvency margin ratio	**225.0%**	**227.9%**	**216.1%**
Comprehensive solvency margin ratio	**229.8%**	**231.6%**	**259.2%**

	31 December 2018		
	The Group	Ping An Life	Ping An Property & Casualty
Core capital	1,258,768	741,727	77,057
Actual capital	1,290,268	764,727	85,557
Minimum capital	596,238	349,513	38,236
Core Solvency margin ratio	211.1%	212.2%	201.5%
Comprehensive solvency margin ratio	216.4%	218.8%	223.8%

The Group's solvency ratio is calculated based on the relevant regulations promulgated by the CIRC, which is an indicator of the overall solvency position of a financial conglomerate.

The banking business measures the capital adequacy ratio in accordance with the 'Capital Rules for Commercial Banks (Provisional)' issued by the CBRC in June 2012. According to the requirements, Risk weighted assets for credit risk is measured by Weighted Approach, Risk weighted assets for market risk is measured by Standardised Approach, and risk weighted assets for operation risk is measured by the Basic Indicator Approach.

The banking operation's core Tier 1 capital adequacy ratio, Tier 1 capital adequacy ratio and capital adequacy ratio are shown below:

	31 December 2019	31 December 2018
Core Tier 1 capital adequacy ratio	**9.11%**	8.54%
Tier 1 capital adequacy ratio	**10.54%**	9.39%
Capital adequacy ratio	**13.22%**	11.50%

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(8) THE GROUP'S MAXIMUM EXPOSURE TO STRUCTURED ENTITIES

The Group uses structured entities in the normal course of business for a number of purposes, for example, structured transactions for customers, to provide finance to public and private sector infrastructure projects, and to generate fees from managing assets on behalf of third-party investors. These structured entities are financed through the issue of beneficiary notes or trust units to investors. Refer to Note 3. (6) for the Group's consolidation consideration related to structured entities.

The following table also shows the size, the Group's funding and the maximum exposure to the unconsolidated structured entities which represents the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities. The maximum exposure is contingent in nature and approximates the sum of direct investments made by the Group.

The size of unconsolidated structured entities and the Group's funding and maximum exposure are shown below:

31 December 2019 (in RMB million)	Unconsolidated structured entities Size	Carrying amount	The Group's maximum exposure	Interest held by the Group
Securitization	**85,903**	**1,886**	**1,886**	Investment income and service fee
Assets management products managed by affiliated entities	**1,646,319**	**236,189**	**236,189**	Investment income and service fee
Assets management products managed by third parties	**Note 1**	**350,211**	**350,211**	Investment income
Wealth management products managed by affiliated entities	**590,499**	**5,899**	**5,899**	Investment income and service fee
Wealth management products managed by third parties	**Note 1**	**14,971**	**14,971**	Investment income

31 December 2018 (in RMB million)	Unconsolidated structured entities Size	Carrying amount	The Group's maximum exposure	Interest held by the Group
Securitization	89,581	5,183	5,183	Investment income and service fee
Assets management products managed by affiliated entities	1,686,384	236,694	236,694	Investment income and service fee
Assets management products managed by third parties	Note 1	443,679	443,679	Investment income
Wealth management products managed by affiliated entities	537,781	6,156	6,156	Investment income and service fee
Wealth management products managed by third parties	Note 1	14,837	14,837	Investment income

Note 1: These assets management products and wealth management products are sponsored by third party financial institutions and the information related to size of these structured entities were not publicly available.

The Group's interest in unconsolidated structured entities are recorded as wealth management investments under financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortized cost, and beneficial right under trust schemes under assets purchased under reverse repurchase agreements.

53. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's financial instruments mainly consist of cash and amounts due from banks and other financial institutions, term deposits, bonds, funds, stocks, loans, borrowings, deposits from other banks and financial institutions, customer deposits and payables to brokerage customers, etc.

(1) CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table sets out the carrying values and fair values of the Group's major financial instruments by classification:

(in RMB million)	Carrying values		Fair values	
	31 December 2019	31 December 2018	**31 December 2019**	31 December 2018
Financial assets				
Cash and amounts due from banks and other financial institutions	**508,706**	457,524	**508,706**	457,524
Balances with the Central Bank and statutory deposits for insurance operations	**259,272**	285,959	**259,272**	285,959
Financial assets purchased under reverse repurchase agreements	**96,457**	92,951	**96,457**	92,951
Accounts receivable	**28,579**	22,011	**28,579**	22,011
Derivative financial assets	**18,957**	21,911	**18,957**	21,911
Finance lease receivable	**183,957**	165,214	**183,957**	165,214
Loans and advances to customers	**2,240,396**	1,929,842	**2,240,396**	1,929,842
Financial assets at fair value through profit or loss	**961,073**	824,939	**961,073**	824,939
Financial assets at amortized cost	**2,281,225**	2,075,151	**2,355,335**	2,097,405
Debt financial assets at fair value through other comprehensive income	**458,165**	310,901	**458,165**	310,901
Equity financial assets at fair value through other comprehensive income	**282,185**	222,639	**282,185**	222,639
Others assets	**107,237**	70,616	**107,237**	70,616

(in RMB million)	Carrying values		Fair values	
	31 December 2019	31 December 2018	**31 December 2019**	31 December 2018
Financial liabilities				
Due to banks and other financial institutions	**824,025**	803,154	**824,025**	803,154
Financial liabilities at fair value through profit or loss	**39,458**	16,975	**39,458**	16,975
Derivative financial liabilities	**24,527**	22,247	**24,527**	22,247
Assets sold under agreements to repurchase	**176,523**	189,028	**176,523**	189,028
Accounts payable	**4,821**	4,713	**4,821**	4,713
Customer deposits and payables to brokerage customers	**2,431,713**	2,114,344	**2,431,713**	2,114,344
Bonds payable	**699,631**	556,875	**699,720**	555,701
Others liabilities	**157,431**	188,163	**157,431**	188,163

The assets and liabilities of the investment-linked business are not included in the above financial assets and liabilities.

53. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(1) CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not recorded at fair value in the financial statements, i.e., financial assets at amortized costs and loans and receivables.

Financial assets and liabilities for which fair value approximates to carrying value

For financial assets and financial liabilities that have a short term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair values. This assumption is also applied to term deposits, and savings accounts without a specific maturity. For other variable rate instruments, adjustment are also made to reflect the subsequent changes in the market rate after initial recognition.

Floating rate loans and advances to customers of the Group are repriced each year, and the interest rates are adjusted according to the statutory interest rate announced by the PBC. Thus, the carrying amounts approximate to their fair values.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortized cost is estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for financial products with similar credit risk and maturity. For quoted debts issued, the fair values are determined based on quoted market prices. For those debts issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads.

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY

The methods used to determine fair value of financial assets and liabilities and the breakdown of fair value hierarchy are disclosed in the 2018 annual report of the Group. The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The main quoted market price used for financial assets held by the Group is the current closing price. Financial instruments included in Level 1 comprise primarily equity investments, fund investments and bond investments traded on stock exchanges and open-ended mutual funds;

Level 2: either directly (such as price) or indirectly (such as calculated based on price) other than quoted prices included within Level 1 that are observable for the asset or liability;

Level 3: inputs of assets or liabilities which are based on parameters other than observable market data (unobservable inputs).

The level of fair value measurement is determined by the lowest level input that is significant to the entire measurement. As such, the significance of a particular input should be considered from an overall perspective in the fair value measurement.

53. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

Valuation methods for Level 2 and Level 3 financial instruments

For Level 2 financial instruments, valuations are generally using observable market inputs, or recent quoted market prices. The valuation providers typically gather, analyse and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities are classified as Level 2 when they are valued at recent quoted price from Chinese interbank market or from public valuation service providers. The fair value of debt investments denominated in RMB is determined based upon the valuation results by the China Central Depository & Clearing Co., Ltd. All significant inputs are observable in the market.

For Level 3 financial instruments, the consideration of being classified as Level 3 is mainly based on the significance of the unobservable factors to the overall fair value measurement.

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53. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	31 December 2019			
(in RMB million)	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Financial assets at fair value through profit or loss				
Bonds	15,484	210,748	59	226,291
Funds	130,725	78,965	4,375	214,065
Stocks	111,289	4,313	–	115,602
Wealth management investments and other investments	–	263,009	142,106	405,115
	257,498	557,035	146,540	961,073
Derivative financial assets				
Interest rate swaps	–	10,065	–	10,065
Currency forwards and swaps	–	4,578	–	4,578
Others	–	4,314	–	4,314
	–	18,957	–	18,957
Debt financial assets at fair value through other comprehensive income				
Bonds	18,179	312,546	–	330,725
Wealth management investments and other investments	–	102,217	25,223	127,440
	18,179	414,763	25,223	458,165
Equity financial assets at fair value through other comprehensive income				
Stocks	199,553	3	–	199,556
Preferred shares	–	80,547	–	80,547
Unlisted equity investments	–	–	2,082	2,082
	199,553	80,550	2,082	282,185
Placements with banks and other financial institutions measured at fair value through other comprehensive income	–	6,553	–	6,553
Loans and advances to customers measured at fair value through other comprehensive income	–	–	156,485	156,485
Total financial assets	475,230	1,077,858	330,330	1,883,418
Financial liabilities				
Derivative financial liabilities				
Interest rate swaps	–	10,160	–	10,160
Currency forwards and swaps	–	3,312	–	3,312
Others	–	11,055	–	11,055
	–	24,527	–	24,527
Financial liabilities at fair value through profit or loss	5,966	32,606	886	39,458
Total financial liabilities	5,966	57,133	886	63,985

53. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy (continued):

	31 December 2018			
(in RMB million)	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Financial assets at fair value through profit or loss				
Bonds	18,343	151,024	–	169,367
Funds	131,861	59,259	6,231	197,351
Stocks	79,294	10,346	–	89,640
Wealth management investments and other investments	4	270,321	98,256	368,581
	229,502	490,950	104,487	824,939
Derivative financial assets				
Interest rate swaps	–	12,013	–	12,013
Currency forwards and swaps	–	7,622	–	7,622
Others	–	2,276	–	2,276
	–	21,911	–	21,911
Debt financial assets at fair value through other comprehensive income				
Bonds	35,381	223,933	–	259,314
Wealth management investments and other investments	–	34,836	16,751	51,587
	35,381	258,769	16,751	310,901
Equity financial assets at fair value through other comprehensive income				
Stocks	154,235	–	–	154,235
Preferred shares	–	66,682	–	66,682
Unlisted equity investments	–	–	1,722	1,722
	154,235	66,682	1,722	222,639
Placements with banks and other financial institutions measured at fair value through other comprehensive income	–	3,756	–	3,756
Loans and advances to customers measured at fair value through other comprehensive income	–	–	61,687	61,687
Total financial assets	419,118	842,068	184,647	1,445,833
Financial liabilities				
Derivative financial liabilities				
Interest rate swaps	–	12,147	–	12,147
Currency forwards and swaps	–	6,898	–	6,898
Others	–	3,202	–	3,202
	–	22,247	–	22,247
Financial liabilities at fair value through profit or loss	8,477	7,532	966	16,975
Total financial liabilities	8,477	29,779	966	39,222

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53. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

The following table shows an analysis of financial instruments not recorded at fair value but for which fair value is disclosed by level of the fair value hierarchy:

	31 December 2019			
(in RMB million)	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Financial assets at amortized cost	**64,725**	**2,189,392**	**101,218**	**2,355,335**
Total	**64,725**	**2,189,392**	**101,218**	**2,355,335**
Financial liabilities				
Bonds payable	**17,651**	**677,765**	**4,304**	**699,720**
Total	**17,651**	**677,765**	**4,304**	**699,720**

	31 December 2018			
(in RMB million)	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Financial assets at amortized cost	50,736	1,963,798	82,871	2,097,405
Total	50,736	1,963,798	82,871	2,097,405
Financial liabilities				
Bonds payable	66,202	489,499	–	555,701
Total	66,202	489,499	–	555,701

Financial assets and liabilities for which fair value approximates carry value are not included in the above disclosure.

Reconciliation of movements in Level 3 financial instruments measured at fair value is as follows:

	Carried at fair value through profit or loss	
(in RMB million)	2019	2018
At 31 December 2018/2017	**104,487**	8,118
Change in accounting policy	**–**	81,853
At 1 January 2019/2018	**104,487**	89,971
Additions	**130,609**	116,708
Disposals	**(90,329)**	(112,161)
Transfers into Level 3	**889**	40
Transfers from Level 3	**(12)**	–
Total gains/losses		
Gains through profit or loss	**896**	9,929
At 31 December 2019/2018	**146,540**	104,487

53. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

Reconciliation of movements in Level 3 financial instruments measured at fair value is as follows (continued):

	Debt financial assets at fair value through other comprehensive income	
(in RMB million)	**2019**	2018
At 1 January	**16,751**	11,226
Purchase	**8,671**	–
Disposals	**(11,895)**	(1,000)
Issue	**289,156**	153,923
Settlement	**(278,691)**	(148,319)
Total gains/losses		
Gains through profit or loss	**1,231**	921
At 31 December	**25,223**	16,751

	Equity financial assets at fair value through other comprehensive income	
(in RMB million)	**2019**	2018
At 1 January	**1,722**	1,025
Additions	**362**	697
Disposals	**(2)**	–
At 31 December	**2,082**	1,722

	Loans and advances to customers at fair value through other comprehensive income	
(in RMB million)	**2019**	2018
At 1 January	**61,687**	24,428
Additions	**2,801,250**	3,414,352
Disposals	**(2,711,488)**	(3,376,952)
Total gains/losses		
Gains/ (losses) through profit or loss	**5,036**	(141)
At 31 December	**156,485**	61,687

53. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

The gains or losses of level 3 financial instruments included in the income statement for the year are presented as follows:

	2019		
(in RMB million)	Realized gains	Unrealized gains	Total
Financial assets at fair value through profit or loss	**150**	**746**	**896**
Debt financial assets at fair value through other comprehensive income	**1,231**	**–**	**1,231**
Loans and advances to customers at fair value through other comprehensive income	**5,036**	**–**	**5,036**
	6,417	**746**	**7,163**

	2018		
(in RMB million)	Realized gains	Unrealized gains	Total
Financial assets at fair value through profit or loss	326	9,603	9,929
Debt financial assets at fair value through other comprehensive income	921	–	921
Loans and advances to customers at fair value through other comprehensive income	(141)	–	(141)
	1,106	9,603	10,709

Transfers

For the year ended 31 December 2019 and the ended 31 December 2018, there were no significant transfers between Level 1 and Level 2 fair value measurements.

The transfers into or out of Level 3 fair value measurements were resulted from the changes of inputs in fair value measurements.

54. TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognized financial assets to third parties or to structured entities. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred financial assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these financial assets, the Group continued to recognize the transferred financial assets.

Transferred financial assets that do not qualify for derecognition include securitized loans and debt securities held by counterparties as collateral under repurchase agreement.

The Group's subsidiaries, Ping An Bank, Ping An Securities and Ping An Financial Leasing, entered into loan securitization transactions. The Group has determined that it retains substantially all the risks and rewards of certain securitized loans and therefore has not derecognized them.

54. TRANSFERRED FINANCIAL ASSETS (CONTINUED)

Other transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements. The counterparties are allowed to sell or repledge those securities sold under repurchase agreements in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require the counter parties to provide additional or return collateral. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them.

The following table analyses the carrying amount of the above mentioned financial assets transferred to third parties that did not qualify for derecognition and their associated financial liabilities:

	31 December 2019		31 December 2018	
(in RMB million)	**Carrying amount assets**	**Carrying amount associated liabilities**	Carrying amount assets	Carrying amount associated liabilities
Repurchase transactions	**1,311**	**1,221**	1,836	1,751
Assets securitization	**4,943**	**4,943**	2,961	2,961

55. CASH AND CASH EQUIVALENTS

(in RMB million)	**31 December 2019**	31 December 2018
Cash		
Cash and amounts due from banks and other financial institutions		
Cash on hand	**5,461**	5,019
Term deposits	**3,260**	6,800
Due from banks and other financial institutions	**122,432**	112,574
Placements with banks and other financial institutions	**46,589**	53,667
Balances with the Central Bank	**31,211**	41,899
Subtotal	**208,953**	219,959
Cash equivalents		
Bonds	**5,269**	2,534
Financial assets purchased under reverse repurchase agreements	**89,244**	85,531
Subtotal	**94,513**	88,065
Total	**303,466**	308,024

56. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(1) RECONCILIATION OF PROFIT BEFORE TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES:

(in RMB million)	2019	2018
Profit before tax	**184,739**	163,151
Adjustments for:		
Depreciation	**6,812**	6,284
Amortization of intangible assets	**2,984**	2,898
Depreciation of right-of-use assets	**7,797**	–
(Gains)/losses on disposal of investment properties, property and equipment, intangible assets and other long-term assets	**(105)**	38
Investment income and interest revenue from non-banking operations	**(156,644)**	(195,233)
Fair value (gains)/losses on investments at fair value through profit or loss, net	**(44,091)**	28,284
Interest expenses on non-banking operations	**20,098**	18,227
Foreign exchange (gains)/losses	**(779)**	946
Net impairment loss of financial assets	**67,266**	53,814
Operating profit before working capital changes	**88,077**	78,409
Changes in operating assets and liabilities:		
Decrease in balances with central bank and statutory deposits	**15,878**	41,589
(Increase)/Decrease in amounts due from banks and other financial institutions	**(12,062)**	57,442
Increase in premium receivables	**(16,114)**	(21,456)
(Increase)/decrease in account receivable	**(6,666)**	49,779
Increase in inventories	**(1,027)**	(255)
Increase in reinsurers' share of insurance liabilities	**(1,032)**	(651)
Increase in loans and advances to customers	**(374,919)**	(289,873)
Decrease/(Increase) in assets purchased under agreements to resell of banking and securities business	**342**	(1,221)
(Increase)/decrease in other assets	**(91,897)**	3,594
Decrease in due to banks and other financial institutions	**(64,435)**	(26,107)
Increase in customer deposits and payables to brokerage customers	**298,663**	138,240
Increase in insurance payables	**5,567**	6,580
Increase in insurance contract liabilities	**312,868**	213,435
Increase in investment contract liabilities for policyholders	**78,720**	74,448
Increase in policyholder dividend payable	**6,491**	6,969
Increase/(decrease) in assets sold under agreements to repurchase of banking and securities business	**23,322**	(7,940)
Increase/(decrease) in other liabilities	**27,679**	(68,564)
Cash generated from operations	**289,455**	254,418
Income tax paid	**(40,010)**	(48,158)
Net cash flows from operating activities	**249,445**	206,260

56. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(2) NET DEBT RECONCILIATION:

This section sets out an analysis of net debt and movements in net debt of current year.

(in RMB million)	Short term borrowings	Long term borrowings	Bonds payable	Total
Balance as at 1 January 2019	**52,616**	**82,331**	**551,761**	**686,708**
Cash flows	**30,638**	**59,962**	**133,870**	**224,470**
Foreign exchange adjustments	**217**	**237**	**195**	**649**
Other non-cash movements	**-**	**-**	**9,240**	**9,240**
Balance as at 31 December 2019	**83,471**	**142,530**	**695,066**	**921,067**

57. COMPENSATION OF KEY MANAGEMENT PERSONNEL

(1) KEY MANAGEMENT PERSONNEL COMPRISE THE COMPANY'S DIRECTORS, SUPERVISORS, AND SENIOR OFFICERS AS DEFINED IN THE COMPANY'S ARTICLES OF ASSOCIATION

The summary of compensation of key management personnel for the year is as follows:

(in RMB million)	2019	2018
Salaries and other short term employee benefits after tax	**78**	76
Individual income tax	**52**	49

The estimated amount of total compensation has been provided in the Group's 2019 financial statements. The total compensation for certain key management personnel has not yet been finalized in accordance with relevant policies. The remaining compensation will be disclosed in a separate announcement when approved.

Part of compensation of key management personnel is subject to deferred payment requirement for a period of 3 years in accordance with the 'Guidance of insurance company's compensation management' issued by the former CIRC. Unpaid balances subject to deferred payment requirement were included in the total compensation payable to the key management personnel.

(2) COMPENSATION OF KEY MANAGEMENT PERSONNEL OTHER THAN DIRECTORS AND SUPERVISORS IS AS FOLLOWS:

(in RMB million)	2019	2018
Salaries and other short term employee benefits after tax	**36**	34
Individual income tax	**26**	24

The long-term benefits attributed to year 2016 for key management personnel other than directors and supervisors were paid in 2019 as the required payment conditions had been fulfilled. The amount paid after tax was RMB825.0 thousand and was disclosed in the Announcement regarding the Resolutions of the Board of Directors of the Company dated 15 August 2019.

The long-term benefits attributed to year 2015 for key management personnel other than directors and supervisors were paid in 2018 as the required payment conditions had been fulfilled. The amount paid after tax was RMB483.7 thousand and was disclosed in the Announcement regarding the Resolutions of the Board of Directors of the Company dated 21 August 2018.

57. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(3) DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The remuneration of every director and supervisor is set out below:

For the year ended 31 December 2019:

	2019									
(in RMB thousand)	Fees	Salaries	Discretionary bonuses (ii)	Housing allowance	Other employee benefits	Employer's contribution to a retirement benefit scheme	Remunerations received or receivable in respect of accepting office as director	Emoluments received or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total payment after tax	Individual income tax
Directors										
MA Mingzhe (iii)	-	2,833	2,221	2	45	-	-	-	5,101	3,756
SUN Jianyi (iv)	-	1,656	1,573	2	42	-	-	-	3,273	2,447
REN Huichuan	-	2,156	1,940	24	63	62	-	-	4,245	2,904
YAO Jason Bo	-	3,216	3,116	-	42	32	-	-	6,406	4,668
LEE Yuansiong (v)	-	4,628	4,415	-	42	32	-	-	9,117	6,957
CAI Fangfang	-	2,150	1,940	22	63	54	-	-	4,229	2,910
Soopakij CHEARAVANONT	535	-	-	-	-	-	-	-	535	106
YANG Xiaoping	538	-	-	-	-	-	-	-	538	122
WANG Yongjian	503	-	-	-	-	-	-	-	503	127
LIU Chong	518	-	-	-	-	-	-	-	518	132
GE Ming	538	-	-	-	-	-	-	-	538	122
OUYANG Hui	542	-	-	-	-	-	-	-	542	108
NG Sing Yip (vi)	253	-	-	-	-	-	-	-	253	51
CHU Yiyun (vii)	240	-	-	-	-	-	-	-	240	64
LIU Hong (viii)	240	-	-	-	-	-	-	-	240	64
YIP Dicky Peter (ix)	315	-	-	-	-	-	-	-	315	65
WONG Oscar Sai Hung (x)	315	-	-	-	-	-	-	-	315	65
SUN Dongdong (xi)	315	-	-	-	-	-	-	-	315	65
Subtotal	4,852	16,639	15,205	50	297	180	-	-	37,223	24,733
Supervisors										
PAN Zhongwu	-	706	428	22	25	64	-	-	1,245	343
WANG Zhiliang	-	906	565	302	42	75	-	-	1,890	929
GU Liji	526	-	-	-	-	-	-	-	526	134
ZHANG Wangjin	538	-	-	-	-	-	-	-	538	122
HUANG Baokui	526	-	-	-	-	-	-	-	526	134
Subtotal	1,590	1,612	993	324	67	139	-	-	4,725	1,662
Total	6,442	18,251	16,198	374	364	319	-	-	41,948	26,395

57. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(3) DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

For the year ended 31 December 2018:

	2018									
(in RMB thousand)	Fees	Salaries	Discretionary bonuses (ii)	Housing allowance	Other employee benefits	Employer's contribution to a retirement benefit scheme	Remunerations received or receivable in respect of accepting office as director	Emoluments received or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total payment after tax	Individual income tax
Directors										
MA Mingzhe (iii)	–	2,923	2,221	2	44	–	–	–	5,190	3,667
SUN Jianyi (iv)	–	2,186	1,940	2	44	–	–	–	4,172	2,875
LEE Yuansiong (v)	–	4,319	4,003	–	42	37	–	–	8,401	6,178
REN Huichuan	–	2,208	1,940	28	64	69	–	–	4,309	2,852
YAO Jason Bo	–	3,335	3,040	–	42	37	–	–	6,454	4,625
CAI Fangfang	–	2,207	1,940	26	64	59	–	–	4,296	2,853
LIN Lijun (xii)	–	186	62	3	5	9	–	–	265	72
Soopakij CHEARAVANONT	518	–	–	–	–	–	–	–	518	132
YANG Xiaoping	510	–	–	–	–	–	–	–	510	130
LIU Chong	518	–	–	–	–	–	–	–	518	132
WANG Yongjian	236	–	–	–	–	–	–	–	236	63
XIONG Peijin (xiii)	205	–	–	–	–	–	–	–	205	52
YIP Dicky Peter (ix)	518	–	–	–	–	–	–	–	518	132
WONG Oscar Sai Hung (x)	526	–	–	–	–	–	–	–	526	134
SUN Dongdong (xi)	526	–	–	–	–	–	–	–	526	134
GE Ming	526	–	–	–	–	–	–	–	526	134
OUYANG Hui	526	–	–	–	–	–	–	–	526	134
Stephen Thomas MELDRUM (xiv)	214	–	–	–	–	–	–	–	214	42
Subtotal	4,823	17,364	15,146	61	305	211	–	–	37,910	24,341
Supervisors										
PAN Zhongwu	–	643	376	27	26	68	–	–	1,140	322
WANG Zhiliang	–	942	565	17	35	78	–	–	1,637	775
GU Liji	518	–	–	–	–	–	–	–	518	132
ZHANG Wangjin	510	–	–	–	–	–	–	–	510	130
HUANG Baokui	510	–	–	–	–	–	–	–	510	130
Subtotal	1,538	1,585	941	44	61	146	–	–	4,315	1,489
Total	6,361	18,949	16,087	105	366	357	–	–	42,225	25,830

57. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(3) DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

(i) Other non-monetary benefits include share purchase scheme, and Long-Term Service Plan. In 2015, the Company adopted an employee share purchase scheme for the key employees of the Company and its subsidiaries. In 2019, the vesting condition of the shares granted during the year 2016 and 2017 for attribution part of year 2019 was fulfilled. As at 6 May 2019, the shares of MA Mingzhe, SUN Jianyi, REN Huichuan, YAO Jason Bo, CAI Fangfang, LEE Yuansiong, WANG Zhiliang and PAN Zhongwu were allocated to personal accounts at respective employee's request and the closing price was RMB81.20 per share and the vested shares net of tax are summarised as follows:

Name	Shares
MA Mingzhe	244,053
SUN Jianyi	281,421
REN Huichuan	243,244
YAO Jason Bo	145,723
CAI Fangfang	69,235
LEE Yuansiong	140,205
WANG Zhiliang	9,941
PAN Zhongwu	5,792

In 2018, the Company adopted the Long-Term Service Plan for the key employees of the Company and its subsidiaries. Shares granted in 2019 have not been vested during the years.

(ii) Discretionary bonuses are determined on the achievement of targeted profit of the Company, the personal performance and approved by the compensation committee of the board of directors.

(iii) MA Mingzhe is the Chief Executive Officer of the Company.

(iv) SUN Jianyi resigned as Executive Director of the Company on 24 Oct 2019.

(v) The long-term benefits attributed to year 2016 for LEE Yuansiong were paid in 2019 as the required payment conditions had been fulfilled. The amount after tax paid to LEE Yuansiong were RMB605.0 thousand and was disclosed in the Announcement regarding the Resolutions of the Board of Directors of the Company dated 15 August 2019 .LEE Yuansiong resigned as Executive Director of the Company on 1 Feb 2020.

(vi) NG Sing Yip was appointed as Independent Non-executive Director of the Company on 17 July 2019.

(vii) CHU Yiyun was appointed as Independent Non-executive Director of the Company on 17 July 2019.

(viii) LIU Hong was appointed as Independent Non-executive Director of the Company on 17 July 2019.

(ix) YIP Dicky Peter resigned as Independent Non-executive Director of the Company on 17 July 2019.

(x) WONG Oscar Sai Hung resigned as Independent Non-executive Director of the Company on 17 July 2019.

(xi) SUN Dongdong resigned as Independent Non-executive Director of the Company on 17 July 2019.

(xii) LIN Lijun resigned as Independent Non-executive Director of the Company on 23 May 2018.

(xiii) XIONG Peijin resigned as Non-executive Director of the Company on 23 May 2018.

(xiv) Stephen Thomas MELDRUM resigned as Independent Non-executive Director of the Company on 23 May 2018.

58. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group were not included in the key management members (2018: not included in the key management members) whose emoluments were reflected in the analysis presented in Note 57.

Details of emoluments of the remaining highest paid individuals are as follows:

(in RMB million)	2019	2018
Salaries and other short term employee benefits after tax	**127**	90

The number of non-key management personnel whose emoluments after tax fell within the following bands is as follows:

	2019	2018
RMB5,000,001 – RMB10,000,000	**–**	1
RMB10,000,001 – RMB15,000,000	**1**	1
RMB15,000,001 – RMB20,000,000	**1**	–
RMB20,000,001 – RMB25,000,000	**–**	2
RMB25,000,001 – RMB30,000,000	**1**	1
RMB30,000,001 – RMB35,000,000	**–**	–
RMB35,000,001 – RMB40,000,000	**2**	–

Under PRC tax regulations, individual income tax is calculated at progressive rates with a cap of 45%. The effective income tax rates of the five highest paid individuals in Mainland China of the Group were 42.5%(2018: 41.67%-42.97%) for 2019 and the average effective tax rate was 42.5% (2018: 41.90%).

59. SIGNIFICANT RELATED PARTY TRANSACTIONS

(1) SHAREHOLDERS HOLDING MORE THAN 5% OF THE COMPANY'S SHARE ARE AS SET OUT BELOW:

Name of related parties	Relationship with the Company
Charoen Pokphand Group Co., Ltd. ('CP Group Ltd.')	Parent of shareholders
Shenzhen Investment Holdings Co. Ltd.	Shareholder

As at 31 December 2019, CP Group Ltd. indirectly held 8.97% equity interests in the Company and is the largest shareholder of the Company.

59. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(2) THE SUMMARY OF SIGNIFICANT MAJOR RELATED PARTY TRANSACTIONS IS AS FOLLOWS:

(in RMB million)	2019	2018
CP Group Ltd.		
Premiums income from	**13**	24
Claims expenses to	**4**	1
Rental revenue from	**27**	25
Goods sold from	**32**	39
Lufax		
Interest revenue from	**–**	48
Interest expenses to	**269**	211
Other revenues from	**2,737**	2,467
Other expenses to	**1,024**	746
Ping An Good Doctor		
Interest expenses to	**95**	106
Other revenues from	**285**	133
Other expenses to	**2,258**	1,285
Ping An HealthKonnect		
Interest revenue from	**5**	–
Interest expenses to	**20**	49
Other revenues from	**202**	81
Other expenses to	**421**	490
OneConnect		
Interest revenue from	**77**	128
Interest expenses to	**78**	117
Other revenues from	**784**	728
Other expenses to	**1,050**	750

59. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(3) THE SUMMARY OF BALANCES OF THE GROUP WITH MAJOR RELATED PARTIES IS AS FOLLOWS:

(in RMB million)	31 December 2019	31 December 2018
CP Group Ltd.		
Customer deposits and payables to brokerage customers	**1**	1
Lufax		
Customer deposits and payables to brokerage customers	**14,601**	17,501
Loans and advances to customers	**–**	19
Accounts payable and other payables	**9,688**	4,104
Accounts receivable and other receivables	**2,522**	6,539
Ping An Good Doctor		
Customer deposits and payables to brokerage customers	**3,887**	3,468
Accounts payable and other payables	**2,124**	441
Accounts receivable and other receivables	**35**	42
Ping An HealthKonnect		
Customer deposits and payables to brokerage customers	**533**	452
Accounts payable and other payables	**362**	317
Accounts receivable and other receivables	**6,495**	9
OneConnect		
Customer deposits and payables to brokerage customers	**2,937**	4,499
Loans and advances to customers	**1,200**	3,047
Accounts payable and other payables	**1,653**	2,632
Accounts receivable and other receivables	**175**	337

In addition to transactions and balances stated above, the Group transferred 100% shareholding of Gem Alliance Limited to Lufax, which issued convertible bonds amounting to USD1,953.8 million to the Group as the consideration in 2016. As at 31 December 2019, the Group still held these convertible bonds.

60. COMMITMENTS

(1) CAPITAL COMMITMENTS

The Group had the following capital commitments relating to investments and property development projects:

(in RMB million)	31 December 2019	31 December 2018
Contracted, but not provided for	**2,820**	3,304
Authorized, but not contracted for	**3,730**	3,593
	6,550	6,897

60. COMMITMENTS (CONTINUED)

(2) OPERATING LEASE COMMITMENTS

Future minimum lease payments under non-cancellable operating leases are as follows:

(in RMB million)	31 December 2018
Within 1 year	6,124
1 to 5 years	12,278
More than 5 years	1,037
	19,439

(3) CREDIT COMMITMENTS

(in RMB million)	31 December 2019	31 December 2018
Bank acceptances	**363,574**	251,154
Guarantees issued	**69,006**	62,821
Letters of credit issued	**62,643**	83,757
Others	**811**	–
Subtotal	**496,034**	397,732
Unused limit of credit cards and loan commitments	**433,267**	190,531
Total	**929,301**	588,263
Credit risk weighted amounts of credit commitments	**275,106**	194,921

Credit commitments disclosed in the table above do not include the financial guarantees accounted for as insurance contracts by the Group.

(4) INVESTMENT COMMITMENTS

The Group's investment commitments to jointly controlled entities are as follows:

	31 December 2019	31 December 2018
Contracted, but not provided for	**62,396**	34,429

61. EMPLOYEE BENEFITS

(1) PENSION

The employees of the Group are mainly covered by various defined contribution pension plans. The Group makes and accrues contributions on a monthly basis to the pension plans, which are mainly sponsored by relevant government authorities that are responsible for the pension liability to retired employees. Under such plans, the Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred. Certain employees are also provided with Group life insurance but the amounts involved are insignificant.

(2) HOUSING BENEFITS

The employees of the Group are entitled to participate in and make contributions to various government sponsored funds for housing purposes. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

61. EMPLOYEE BENEFITS (CONTINUED)

(3) MEDICAL BENEFITS

The Group makes monthly contributions for medical benefits to the local authorities in accordance with relevant local regulations for the employees. The Group's liability in respect of employee medical benefits is limited to the contributions payable in each period.

(4) KEY EMPLOYEE SHARE PURCHASE PLAN

The Company has adopted a Key Employee Share Purchase Plan for the key employees of the Company and its subsidiaries. Refer to Note 40 for more details.

(5) LONG-TERM SERVICE PLAN

The Company has adopted a Long-term Service Plan for the employees of the Company and its subsidiaries. Refer to Note 41 for more details.

62. CONTINGENT LIABILITIES

Owing to the nature of the insurance, bank and other financial services business, the Group is involved in contingencies and legal proceedings in the ordinary course of business, including, but not limited to, being the plaintiff or the defendant in litigations and arbitrations. Legal proceedings mostly involve claims on the Group's insurance policies and other claims. Provision has been made for probable losses to the Group, including those claims where management can reasonably estimate the outcome of the lawsuits taking into account any applicable legal advice.

No provision has been made for pending assessments, lawsuits or possible violations of contracts when the outcome cannot be reasonably estimated or management believes the probability is low or remote. For pending lawsuits, management also believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group or any of its subsidiaries.

63. EVENTS AFTER THE REPORTING PERIOD

(1) DESCRIPTION OF PROFIT DISTRIBUTION

On 20 February 2020, the Board of Directors of the Company approved the Resolution of the Profit Distribution Plan for 2019, and declared a final cash dividend of 2019 in the amount of RMB1.30 per share as disclosed in Note 16.

(2) THE ASSESSMENT OF THE IMPACT OF THE CORONAVIRUS DISEASE 2019

Since the outbreak of Coronavirus Disease 2019 ("COVID-19") in January 2020, the prevention and control of the COVID-19 has been going on throughout the country. The Group will earnestly implement the requirements of the Notice on Further Strengthening Financial Support for Prevention and Control of COVID-19, which was issued by the PBC, the Ministry of Finance, the CBIRC, China Securities Regulatory Commission and State Administration of Foreign Exchange, and strengthen financial support for the epidemic prevention and control.

The COVID-19 has certain impacts on the business operation and overall economy in some areas or industries, including in Hubei Province. This may affect the quality or the yields of the credit assets and investment assets of the Group in a degree, and the degree of the impact depends on the situation of the epidemic preventive measures, the duration of the epidemic and the implementation of regulatory policies.

The Group will keep continuous attention on the situation of the COVID-19, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of the report, the assessment is still in progress.

64. COMPARATIVE FIGURES

Certain comparative figures have been reclassified or restated to conform to the current year's presentation.

65. BALANCE SHEET AND RESERVE MOVEMENT OF THE HOLDING COMPANY

(1) BALANCE SHEET OF THE HOLDING COMPANY:

(in RMB million)	31 December 2019	31 December 2018
Assets		
Cash and amounts due from banks and other financial institutions	**17,302**	9,536
Financial assets purchased under reverse repurchase agreements	**6,710**	9,396
Financial assets at fair value through profit or loss	**16,306**	14,351
Financial assets at amortized cost	**–**	2,143
Debt financial assets at fair value through other comprehensive income	**5,520**	7,088
Investments in subsidiaries and associates	**217,297**	199,543
Investment properties	**848**	–
Property and equipment	**9**	75
Right-of-use assets	**27**	–
Other assets	**10,794**	2,436
Total assets	**274,813**	244,568
Equity and liabilities		
Equity		
Share capital	**18,280**	18,280
Reserves	**144,166**	143,821
Treasury shares	**(5,001)**	–
Retained profits	**100,153**	72,250
Total equity	**257,598**	234,351
Liabilities		
Due to banks and other financial institutions	**15,920**	9,119
Income tax payable	**27**	25
Lease liabilities	**27**	–
Other liabilities	**1,241**	1,073
Total liabilities	**17,215**	10,217
Total equity and liabilities	**274,813**	244,568

The balance sheet of the Company was approved by the Board of Directors on 20 February 2020 and was signed on its behalf.

MA Mingzhe	**REN Huichuan**	**YAO Jason Bo**
Director	*Director*	*Director*

65. BALANCE SHEET AND RESERVE MOVEMENT OF THE HOLDING COMPANY (CONTINUED)

(2) RESERVE MOVEMENT OF THE HOLDING COMPANY:

(in RMB million)	Share premium	Financial assets at FVOCI reserves	Others	Surplus reserve fund	General reserve	Retained profits	Total
As at 31 December 2018	**128,737**	**178**	**2,347**	**12,164**	**395**	**72,250**	**216,071**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**61,678**	**61,678**
Other comprehensive income	**-**	**(6)**	**(4)**	**-**	**-**	**-**	**(10)**
Dividend declared	**-**	**-**	**-**	**-**	**-**	**(33,775)**	**(33,775)**
Key Employee Share Purchase Plan	**-**	**-**	**274**	**-**	**-**	**-**	**274**
Long-term Service Plan	**-**	**-**	**81**	**-**	**-**	**-**	**81**
Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**
As at 31 December 2019	**128,737**	**172**	**2,698**	**12,164**	**395**	**100,153**	**244,319**

(in RMB million)	Share premium	Financial assets at FVOCI reserves	Others	Surplus reserve fund	General reserve	Retained profits	Total
As at 31 December 2017	128,737	76	2,251	12,164	395	59,072	202,695
Change in accounting policy	–	(48)	–	–	–	46	(2)
As at 1 January 2018	128,737	28	2,251	12,164	395	59,118	202,693
Profit for the year	–	–	–	–	–	46,402	46,402
Other comprehensive income	–	150	–	–	–	–	150
Dividend declared	–	–	–	–	–	(33,270)	(33,270)
Key Employee Share Purchase Plan	–	–	442	–	–	–	442
Others	–	–	(346)	–	–	–	(346)
As at 31 December 2018	128,737	178	2,347	12,164	395	72,250	216,071

65. BALANCE SHEET AND RESERVE MOVEMENT OF THE HOLDING COMPANY (CONTINUED)

(2) RESERVE MOVEMENT OF THE HOLDING COMPANY (CONTINUED):

According to the Company's articles of association, the Company shall set aside 10% of its net profit determined in its statutory financial statements, prepared in accordance with PRC Accounting Standards, to a statutory surplus reserve fund. The Company can cease such profit appropriation to this fund if its balance reaches 50% of the Company's registered share capital. The Company may also make appropriations from its net profit to the discretionary surplus reserve fund provided the appropriation is approved by a resolution of the shareholders. These reserves cannot be used for purposes other than those for which they are created. Profits are used to offset prior year losses before allocations to such reserves.

Subject to resolutions passed in shareholders' meetings, the statutory surplus reserve fund, discretionary surplus reserve fund and capital reserve can be transferred to share capital. The balance of the statutory surplus reserve fund after transfers to share capital shall not be less than 25% of the registered capital.

In accordance with the relevant regulations, general reserves should be set aside to cover catastrophic or other losses as incurred by companies operating in the insurance, banking, trust, securities, futures and fund businesses. The Group's respective entities engaged in such businesses would need to make appropriations for such reserves based on their respective year-end profit or risk assets, as determined in accordance with PRC Accounting Standards, and based on the applicable PRC financial regulations, in their annual financial statements. Such reserves are not available for profit distribution or transfer to capital.

In accordance with the relevant regulations, the net profit after tax of the Company for profit distribution is deemed to be the lower of (i) the retained profits determined in accordance with PRC Accounting Standards and (ii) the retained profits determined in accordance with IFRSs.

Ping An Milestones

1988	Founding of the company	Ping An Insurance Company was established as the first joint-stock insurance company in China.
1992	Expanding nationwide	The Company was renamed Ping An Insurance Company of China, becoming a national insurance company.
1994	Foreign investors	Ping An brought on board Morgan Stanley and Goldman Sachs as its shareholders, becoming the first financial institution in China to have foreign investors.
1995	Founding of Ping An Securities	Ping An made a breakthrough in non-insurance financial business by establishing Ping An Securities Co., Ltd.
1996	Founding of Ping An Trust & Investment	Ping An acquired ICBC Pearl River Delta Financial Trust Joint Company, which was then renamed Ping An Trust & Investment Company.
2002	Stake acquired by HSBC	HSBC Group took a stake in Ping An, becoming its single largest shareholder.
2003	Founding of the Group	Ping An Insurance (Group) Company of China, Ltd. was established, becoming a pilot company for integrated operations in China's financial industry.
2004	H-share listing	Ping An Group enhanced its capital strength by going public in Hong Kong, which was the largest IPO in Hong Kong that year.
2007	A-share listing	Ping An Group was listed on the Shanghai Stock Exchange, which was the world's largest IPO of an insurance company by then.
2011	Acquiring SDB	Ping An became the controlling shareholder of Shenzhen Development Bank, which later merged with the original Ping An Bank, was renamed Ping An Bank, and built banking business presence across the country.
2012	Lufax	Lufax was established as Ping An began to build its technology business.
2016	Record high premium	Ping An Life's written premium exceeded RMB300 billion, and new business premium exceeded RMB100 billion.
2017	Market cap exceeded RMB 1 trillion	Ping An hit a record high with a market cap of over RMB1 trillion, ranking first among insurance groups and becoming one of the top 10 financial services groups across the world. Ping An's brand value ranked first in the global insurance industry in several international ratings.
2018	Ping An Rural Communities Support	In response to the government's call for poverty alleviation, Ping An launched the Ping An Rural Communities Support (covering village officers, doctors and teachers) in nine provinces or autonomous regions across China at the 30th anniversary.
2019	OneConnect's listing	OneConnect completed its initial public offering on the New York Stock Exchange, being the first U.S.-listed technology company incubated by Ping An.

Honors and Awards

In 2019, Ping An maintained its leading brand value, received wide recognition and praise, and won various honors and awards from domestic and foreign rating agencies and media in respect of comprehensive strength, corporate governance, and corporate social responsibility.

CORPORATE STRENGTH

- Fortune
  Ranked No. 29 on the Fortune Global 500 list, and No. 4 among global financial services companies

- Fortune China
  Ranked No. 4 on the Fortune China 500 list, again No. 1 among Chinese insurers, and again No. 1 among Chinese non-state-owned companies

- Forbes
  Ranked No. 7 on the Forbes Global 2000 list, again No. 1 among global insurance conglomerates, and again No. 1 among Chinese insurers

CORPORATE GOVERNANCE

- Institutional Investor (US)
  Most Respected Enterprise in Asia
  Best IR Team
  Best CEO – MA Mingzhe
  Best CFO – YAO Jason Bo

- Hong Kong Institute of Directors
  2019 Director of the Year

- Asiamoney
  Asia's Outstanding Company (Insurance Sector) listed in the Chinese mainland and Hong Kong

CORPORATE SOCIAL RESPONSIBILITY

- The CSR Research Center of Chinese Academy of Social Sciences
  Top 50 Cases of Targeted Poverty Alleviation by Chinese Enterprises

- World Economic and Environmental Conference
  The International Carbon-Value Award 2019 – The Carbon-value Innovative Award

- Sina Finance
  The Annual Sustainable Development Award, the Best Corporate Governance Responsibility Award, and the Best Insurance Company Award for Responsible Investment

- The Economic Observer
  The Most Respected Enterprise in China for 18 consecutive years

- Southern Weekly
  Exemplary Enterprise of the Year

BRAND

- Millward Brown & WPP
  Ranked No. 40 on the BrandZ™ Top 100 Most Valuable Global Brands list, again No. 1 among global insurance brands, and No. 3 among global financial brands
  Ranked No. 7 on the BrandZ™ Top 100 Most Valuable Chinese Brands list, again No. 1 among Chinese insurance brands, and No. 2 among Chinese financial brands

- Brand Finance
  Ranked No. 1 on the Brand Finance Insurance 100 2019 list

- Interbrand
  Ranked No. 4 on the Best China Brands 2019 list

Glossary

In this Report, unless the context otherwise indicates, the following expressions shall have the following meanings:

Ping An, Company, the Company, Group, the Group, Ping An Group	Ping An Insurance (Group) Company of China, Ltd.
Ping An Life	Ping An Life Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Health	Ping An Health Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Annuity	Ping An Annuity Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Property & Casualty	Ping An Property & Casualty Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Bank	Ping An Bank Co., Ltd., a subsidiary of the Company
SDB, Original SDB, Shenzhen Development Bank	Original Shenzhen Development Bank Co., Ltd., an associate of the Company since May 2010, became a subsidiary of the Company in July 2011. On July 27, 2012, its name was changed to "Ping An Bank Co., Ltd."
Ping An Trust	China Ping An Trust Co., Ltd., a subsidiary of the Company
Ping An New Capital	Shenzhen Ping An New Capital Investment Co., Ltd., a subsidiary of Ping An Trust
Ping An Securities	Ping An Securities Co., Ltd., a subsidiary of Ping An Trust
Ping An Futures	Ping An Futures Co., Ltd., a subsidiary of Ping An Securities
Ping An Caizhi	Ping An Caizhi Investment Management Co., Ltd., a subsidiary of Ping An Securities
Ping An Securities (Hong Kong)	Ping An of China Securities (Hong Kong) Co., Ltd., a subsidiary of Ping An Securities
Ping An Pioneer Capital	Ping An Pioneer Capital Co., Ltd., a subsidiary of Ping An Securities
Ping An Financial Leasing	Ping An International Financial Leasing Co., Ltd., a subsidiary of the Company
Ping An Asset Management	Ping An Asset Management Co., Ltd., a subsidiary of the Company

Glossary

Ping An Overseas Holdings	China Ping An Insurance Overseas (Holdings) Limited, a subsidiary of the Company
Ping An Financial Technology	Shenzhen Ping An Financial Technology Consulting Co., Ltd., a subsidiary of the Company
Ping An Technology	Ping An Technology (Shenzhen) Co., Ltd., a subsidiary of the Company
Ping An Financial Services	Shenzhen Ping An Financial Services Co., Ltd., a subsidiary of Ping An Financial Technology
Lufax Holding	Lufax Holding Co., Ltd., an associate of the Company
Lufax	Shanghai Lujiazui International Financial Asset Exchange Co., Ltd., a subsidiary of Lufax Holding
Puhui Business	The collective name of companies under Lufax Holding engaging in businesses including financing guarantee, commercial factoring, and small lending
E-wallet	Ping An E-wallet Electronic Commerce Co., Ltd., a subsidiary of Ping An Financial Technology
Ping An Good Doctor	Ping An Healthcare and Technology Company Limited, an associate of the Company
OneConnect	OneConnect Financial Technology Co., Ltd., an associate of the Company
Ping An HealthKonnect	Ping An Medical and Healthcare Management Co., Ltd., an associate of the Company
Autohome	Autohome Inc., a subsidiary of Ping An Financial Technology
Shanghai Jahwa	Shanghai Jahwa United Co., Ltd., a subsidiary of Ping An Life
Ping An Urban-Tech	Ping An Urban Construction Technology (Shenzhen) Co., Ltd., a subsidiary of Ping An Financial Technology
CP Group Ltd.	Charoen Pokphand Group Co., Ltd., the flagship company of CP Group
RMB	Chinese Renminbi unless otherwise specified
CAS	The *Accounting Standards for Business Enterprises* and the other relevant regulations issued by the Ministry of Finance of the People's Republic of China
IFRS	*International Financial Reporting Standards* issued by the International Accounting Standards Board

Written Premium	All premiums received from the polices underwritten by the Company, which are prior to the significant insurance risk testing and separating of hybrid risk contracts
Corporate Governance Code	The Corporate Governance Code as contained in Appendix 14 to the HKEX Listing Rules
SFO	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Model Code	The Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the HKEX Listing Rules
Articles of Association	The Articles of Association of Ping An Insurance (Group) Company of China, Ltd.
HKEX	The Stock Exchange of Hong Kong Limited
HKEX Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
SSE	Shanghai Stock Exchange
SSE Listing Rules	The Rules Governing the Listing of Stocks on Shanghai Stock Exchange
PBC	The People's Bank of China
Ministry of Finance	Ministry of Finance of the People's Republic of China
CBIRC	China Banking and Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission

Corporate Information

REGISTERED NAMES

Full name of the Company (Chinese/English)
中國平安保險（集團）股份有限公司
Ping An Insurance (Group) Company of China, Ltd.

Short name of the Company (Chinese/English)
中國平安
Ping An of China

LEGAL REPRESENTATIVE

MA Mingzhe

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	中國平安	601318
H share	Ping An of China	2318

AUTHORIZED REPRESENTATIVES

REN Huichuan
SHENG Ruisheng

SECRETARY OF THE BOARD OF DIRECTORS

SHENG Ruisheng

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COMPANY WEBSITE

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DESIGNATED MEDIA FOR A-SHARE INFORMATION DISCLOSURE

China Securities Journal
Shanghai Securities News
Securities Times and Securities Daily

WEBSITES FOR PUBLICATION OF REGULAR REPORTS

www.sse.com.cn
www.hkexnews.hk

LOCATION OF REGULAR REPORTS AVAILABLE FOR INSPECTION

Board Office of the Company

CONSULTING ACTUARIES

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AMERICAN DEPOSITARY SHARES REGISTRAR

The Bank of New York Mellon

We combine images of the Ping An Rural Communities Support with China's landscape to show our ongoing efforts to build a beautiful China by promoting rural industries, education and healthcare.

This report is printed on environmental friendly paper manufactured from elemental chlorine-free pulp and acid free.