PING AN

Finance · Technology

Expertise Makes Life Simple

2020 Annual Report

Contents

Cautionary Statements Regarding Forward-Looking Statements
To the extent any statements made in this Report contain information that is not historical, these statements are essentially forward-looking. These forward-looking statements include but are not limited to projections, targets, estimates and business plans that the Company expects or anticipates may or may not occur in the future. Words such as "potential", "estimates", "expects", "anticipates", "objective", "intends", "plans", "believes", "will", "may", "should", variations of these words and similar expressions are intended to identify forward-looking statements.

These forward-looking statements are subject to known and unknown risks and uncertainties that may be general or specific. Readers should be cautioned that a variety of factors, many of which are beyond the Company's control, affect the performance, operations and results of the Company, and could cause actual results to differ materially from the expectations expressed in any of the Company's forward-looking statements. These factors include, but are not limited to, exchange rate fluctuations, market shares, competition, environmental risks, changes in legal, financial and regulatory frameworks, international economic and financial market conditions and other risks and factors beyond our control. These and other factors should be considered carefully and readers should not place undue reliance on the Company's forward-looking statements. In addition, the Company undertakes no obligation to publicly update or revise any forward-looking statement that is contained in this Report as a result of new information, future events or otherwise. Neither the Company nor any of its employees or affiliates is responsible for, or is making, any representations concerning the future performance of the Company.

Journey to a Boundless World

We journeyed through 2020
At Ping An of China
Leaving footprints on the sands of time
With prayers, expectations
And our sincerest hope

Hand in hand, shoulder to shoulder
We fight COVID-19 with finance, tech and charity
Volunteering services in Rural Communities Support
Working hard in a hard time
Keeping our hope in mind

We run all the way forward
Serving the real economy and people's livelihoods
Advancing Ping An Life's reform and digitization
Building smart cities and a healthcare ecosystem
Embracing the sky by launching Satellite "PingAn-1"

You and I, we are together
More than a million people at Ping An
Numerous families and households
Hand in hand in a new era
On a journey to a boundless world

Five-Year Summary

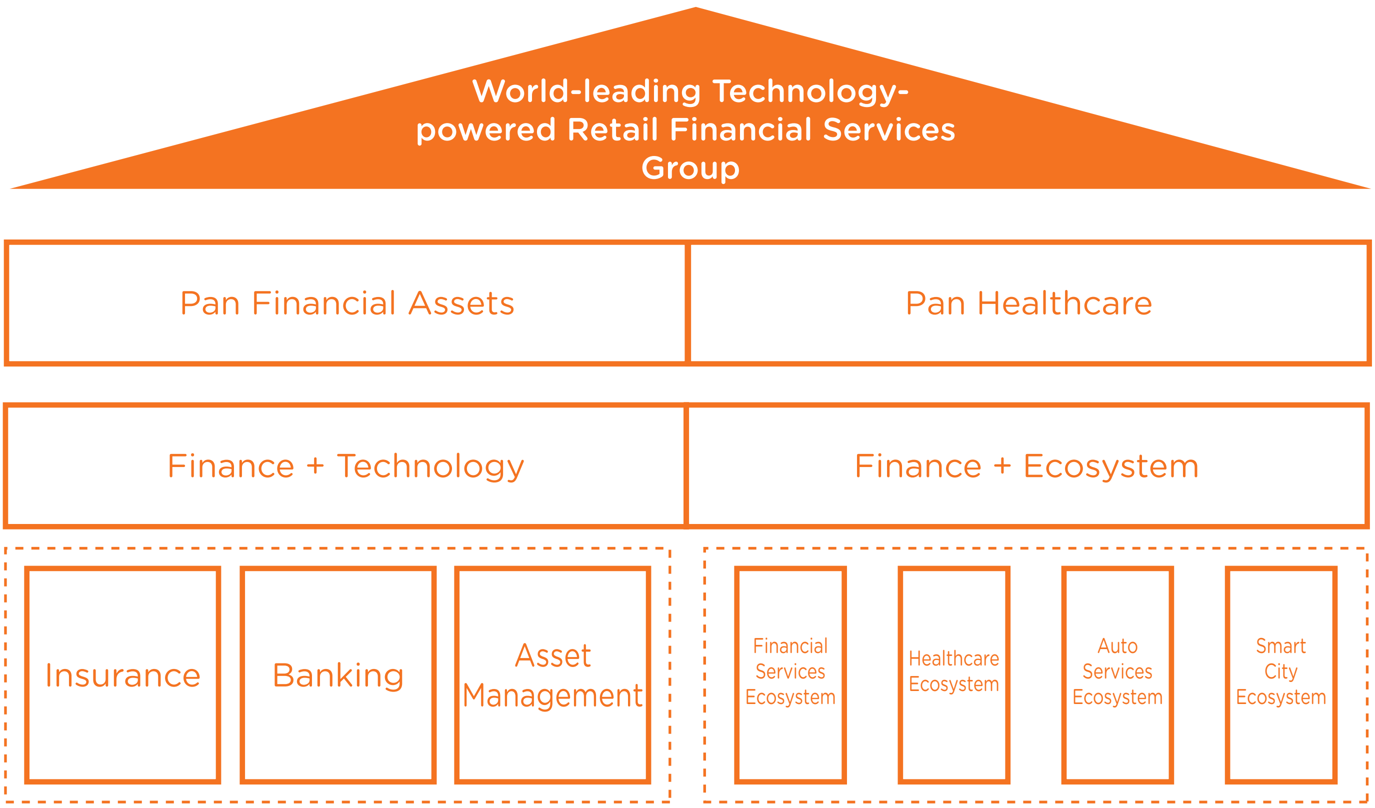
(in RMB million)	**2020/ December 31, 2020**	2019/ December 31, 2019	2018/ December 31, 2018	2017/ December 31, 2017	2016/ December 31, 2016
CUSTOMER DEVELOPMENT					
Number of internet users (in million)	**598.04**	515.50	443.59	429.51	346.30
Number of retail customers (in million)	**218.43**	200.48	180.22	156.90	131.07
Number of contracts per customer (contract)	**2.76**	2.64	2.54	2.38	2.21
Operating profit per customer (in RMB)	**563.00**	612.54	542.28	474.99	N/A
Proportion of retail customers holding multiple contracts with different subsidiaries (%)	**38.0**	36.8	34.3	29.6	24.0
Proportion of new customers sourced from Group's internet user base (%)	**36.0**	40.7	34.4	37.2	22.3
THE GROUP					
Operating profit attributable to shareholders of the parent company	**139,470**	132,955	112,573	94,708	68,252
Operating ROE (%)	**19.5**	21.7	21.9	22.0	19.0
Basic operating earnings per share (in RMB)	**7.89**	7.48	6.31	5.31	3.82
Dividend per share (in RMB)	**2.20**	2.05	1.72	1.50	0.75
Net profit attributable to shareholders of the parent company	**143,099**	149,407	107,404	89,088	62,394
Equity attributable to shareholders of the parent company	**762,560**	673,161	556,508	473,351	383,449
Group comprehensive solvency margin ratio (%)	**236.4**	229.8	216.4	214.9	210.0
Total assets	**9,527,870**	8,222,929	7,142,960	6,493,075	5,576,903
Total liabilities	**8,539,965**	7,370,559	6,459,317	5,905,158	5,090,442
LIFE AND HEALTH INSURANCE BUSINESS					
Operating return on embedded value (%)	**14.5**	25.0	30.8	35.5	27.0
Embedded value	**824,574**	757,490	613,223	496,381	360,312
New business value	**49,575**	75,945	72,294	67,357	50,805
Operating profit	**93,666**	88,950	71,345	52,824	40,518
Residual margin	**960,183**	918,416	786,633	616,319	454,705
Comprehensive solvency margin ratio of Ping An Life (%)	**241.8**	231.6	218.8	234.1	225.9
PROPERTY AND CASUALTY INSURANCE BUSINESS					
Net profit	**16,159**	22,808	12,274	13,372	12,700
Combined ratio (%)	**99.1**	96.4	96.0	96.2	95.9
Comprehensive solvency margin ratio (%)	**241.4**	259.2	223.8	217.5	267.3
BANKING BUSINESS					
Net profit	**28,928**	28,195	24,818	23,189	22,599
Net interest margin (%)	**2.53**	2.62	2.35	2.37	2.75
Cost-to-income ratio (%)	**29.11**	29.61	30.32	29.89	25.97
Non-performing loan ratio (%)	**1.18**	1.65	1.75	1.70	1.74
Provision coverage ratio for loans more than 60 days overdue (%)	**219.78**	190.34	141.24	N/A	N/A
Core tier 1 capital adequacy ratio (%)	**8.69**	9.11	8.54	8.28	8.36
ASSET MANAGEMENT BUSINESS					
Trust business net profit	**2,479**	2,598	3,012	3,957	2,322
Securities business net profit	**3,102**	2,376	1,680	2,123	2,215
TECHNOLOGY BUSINESS					
Operating profit	**8,221**	4,661	7,748	5,488	(3,575)

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.

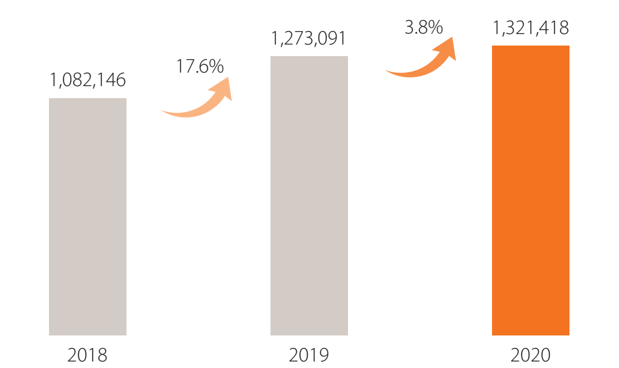
In 2020, Ping An furthered its transformation toward smart, data-driven operations with a focus on "Pan Financial Assets" and "Pan Healthcare." Ping An employs technologies to increase efficiency, improve customer acquisition, and enhance risk management of its financial businesses. While reducing operating costs, Ping An promotes innovation in fintech and healthtech, and applies innovative technologies to its ecosystems, namely financial services, healthcare, auto services, and smart city services. By doing so, Ping An empowers financial services with technologies, empowers ecosystems with technologies, and empowers financial services with ecosystems. Ping An continuously optimizes the integrated financial business model of "one customer, multiple products, and one-stop services," exploiting local advantages while adhering to global standards for corporate governance and operations management. Ping An provides financial products and services to 218 million retail customers and 598 million internet users. While remaining focused on retail business, Ping An extends its "1+N" philosophy to its corporate business to create synergies among Ping An's multiple corporate business units. Capitalizing on these synergies, Ping An seeks to increase the customer value and contribution of its corporate business.



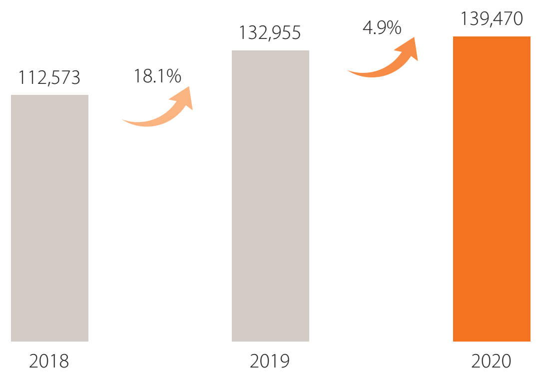
Business Performance at a Glance

Financial Results of the Group

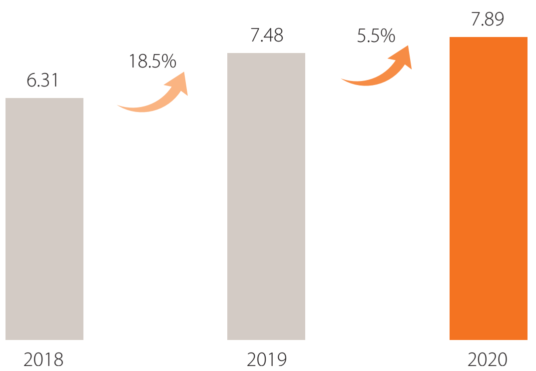
Total Revenue *(in RMB million)*



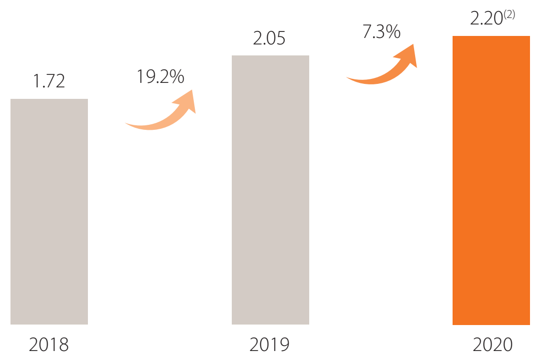
Operating Profit Attributable to Shareholders of the Parent Company *(in RMB million)*



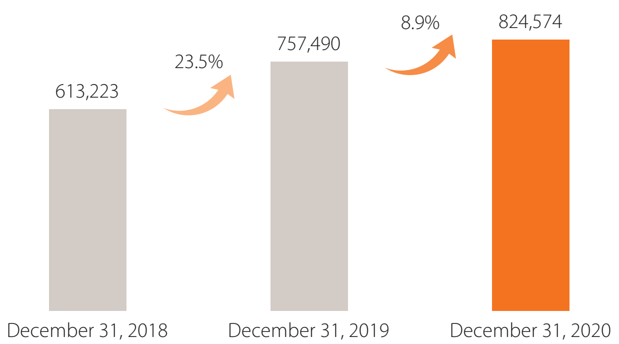
Basic Operating EPS *(in RMB)*



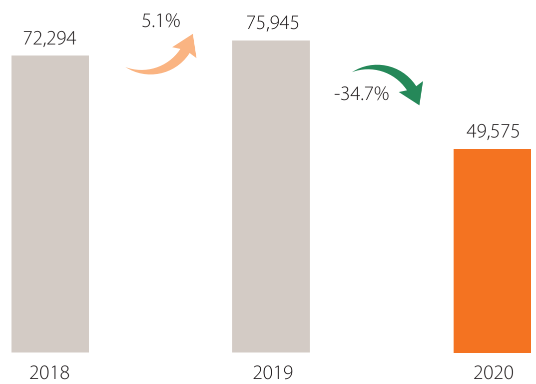
Dividend Per Share[(1)] *(in RMB)*



Embedded Value of Life and Health Insurance Business *(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 RMB1.40 per share pending approval at the 2020 Annual General Meeting.

Top Ten Highlights

1 **Profit grew steadily.** In 2020, the Group achieved a **19.5%** operating ROE with operating profit attributable to shareholders of the parent company rising by **4.9%** year on year to RMB**139,470** million.

2 **Cash dividends continued to increase.** Despite the short-term adverse impact on economic growth, Ping An continued to reward its shareholders. The annual cash dividend per share for 2020 grew by **7.3%** year on year to RMB**2.20**. The dividend payout ratio based on operating profit attributable to shareholders of the parent company (excluding share repurchases) stood at **28.7%**.

3 **Retail customer development yielded stronger results.** As of December 31, 2020, the Group's retail customers increased to over **218** million, up **9.0%** from the beginning of 2020. The Group acquired **37.02** million new customers, **36.0%** of whom were sourced from internet users within the Group's ecosystems. Contracts per customer rose by **4.5%** from the beginning of 2020 to **2.76**. The number of internet users grew **16.0%** from the beginning of 2020 to over **598** million.

4 **The corporate business cross-selling model achieved steady growth.** Ping An continued to extend its "1+N" integrated financial business model to the corporate business and took a segmented approach to customer development. Ping An provided national strategic customers and regional key customers with integrated "commercial banking + investment banking + investment" services while serving small and micro-business customers online. In 2020, the new financing scale achieved through corporate business cross-selling climbed **69.7%** year on year. The written premium of the corporate channel achieved through cross-selling grew by **84.8%** year on year.

5 **Insurance business grew steadily.** In quick response to COVID-19, Life & Health established an industry-leading online operations model, and increased operating profit after tax by **5.3%** year on year to RMB**93,666** million. Against the backdrop of an auto insurance pricing reform and a complex business environment, Ping An Property & Casualty grew premium income by **5.5%** year on year and maintained better-than-industry business quality, with a combined ratio of **99.1%**.

6 **Ping An Bank maintained stable business operations and strengthened provisions.** During the COVID-19 epidemic, Ping An Bank quickly resumed business by advancing online digital operations. In 2020, revenue grew by **11.3%** year on year to RMB**153,542** million. Net profit rose by **2.6%** year on year to RMB**28,928** million, indicating improved profitability. As of December 31, 2020, the non-performing loan ratio was **1.18%**, down **0.47** pps and **0.14** pps from the beginning of 2020 and September 30, 2020 respectively. The provision coverage ratio rose by **18.28** pps from the beginning of 2020 to **201.40%**.

7 **Ping An continued to develop its technological capabilities.** As of December 31, 2020, Ping An's technology patent applications increased by **10,029** from the beginning of 2020 to **31,412**. On global patent application lists, Ping An ranked first for fintech and digital healthcare, and third for AI and blockchain.

8 **Ping An's innovative businesses grew rapidly.** Lufax Holding went public on the New York Stock Exchange on October 30, 2020. Ping An Good Doctor's online medical services registered strong growth in 2020, with revenue up **82.4%** year on year. Autohome's revenue from the online marketplace and other business grew by **34.4%** year on year against the backdrop of a weak auto market. OneConnect's revenue grew rapidly by **42.3%** year on year to RMB**3,312** million in 2020.

9 **Ping An built China's ESG benchmarks and diligently fulfilled its social responsibilities.** Morgan Stanley Capital International (MSCI) upgraded Ping An's ESG rating to A in June 2020. Ping An rolled out its AI-ESG smart management platform to enable responsible investments. Ping An launched the "Xinhua CN-ESG Evaluation System" together with Xinhua News Agency's China Economic Information Service to set ESG evaluation standards with Chinese characteristics. As of December 31, 2020, Ping An's responsible investments exceeded RMB**1.03** trillion. Moreover, Ping An provided over RMB**29,834** million for targeted industrial poverty alleviation through Ping An Rural Communities Support.

10 **Ping An's brand value continued to increase.** In 2020, the Company ranked **21st** in the *Fortune* Global 500 list, **7th** in the *Forbes* Global 2000 list, and **38th** in the BrandZ™ Top 100 Most Valuable Global Brands list (**1st** among global insurance brands for the fifth consecutive year).

Chairman's Statement

At Ping An, we are always pursuing technology-powered reforms. In our comprehensive digital transformation, we are leveraging cutting-edge technologies to build Ping An's powerful "smart brain," an integrated smart operations platform allowing us to anticipate trends, make timely decisions, and take action ahead of others. The platform ensures timely and reasonable decision-making by providing key data in real time. Thanks to the platform, we are able to release our 2020 Annual Report before the Chinese New Year holiday for the first time.

The year 2020 was extraordinary as we were challenged by COVID-19. Under the Communist Party of China Central Committee's strong leadership, the Chinese people worked closely together to fight COVID-19. At Ping An, we went all out in three fields, namely financial services, technology, and community support, to prevent and contain COVID-19, as well as help resume work and production. **In addition, the year 2020 witnessed the endgame of China's battle against poverty.** We further advanced Ping An Rural Communities Support by capitalizing on our "finance + technology" capabilities and advantages. We focused on poverty-stricken areas in the Three Regions and Three Prefectures, and achieved all the objectives of Ping An Rural Communities Support for 2020. **In 2020, we remained true to our original aspiration of serving the national economy and people's livelihoods,** and actively responded to the state's call to improve the quality and efficiency of financial services for the real economy. As of December 31, 2020, we invested a cumulative total of over RMB5 trillion of financial resources, including insurance funds and bank credit, to support the real economy and China's "dual circulation" strategy. **In 2020, we furthered the ecosystem-based strategic transformation by promoting data-driven operations of the front office at an accelerated pace,** empowering Ping An Life, Ping An Property & Casualty, Ping An Bank and other key business units to enhance overall competitiveness. We conducted research and development in technologies, including blockchain, big data and AI, and continued to build a healthcare ecosystem to create a new engine for future value growth.

On January 27, 2020, Wuhan Test Center of Ping An Healthcare Diagnostics Center became one of the first institutions designated to conduct nucleic acid tests for COVID-19.

In this challenging year 2020, Ping An ranked 21st in the *Fortune* Global 500 list and 7th in the *Forbes* Global 2000 list. Ping An maintained its first place among global insurers by market cap, and ranked 1st among global insurance brands in the BrandZ™ Top 100 Most Valuable Global Brands list for the fifth consecutive year. **Ping An's business grew steadily.** The Group achieved a 19.5% operating ROE, with operating profit attributable to shareholders of the parent company rising by 4.9% year on year to RMB139,470 million. **Ping An attaches importance to shareholder returns.** Despite the short-term adverse impact on economic growth, Ping An continued to reward shareholders by paying a final cash dividend of RMB1.40 per share to shareholders. The annual cash dividend for 2020 grew by 7.3% year on year to RMB2.20 per share.

Digital transformation empowers business development. Ping An Life leveraged technologies to mitigate the impact of COVID-19 and established an industry-leading online operating model. Moreover, Ping An Life optimized product strategies, gathered customer resources, and maintained customer stickiness to accumulate momentum for market recovery. In 2020, Life & Health delivered an operating profit of RMB93,666 million, up 5.3% year on year. Ping An Property & Casualty further promoted its digital transformation, enhancing customer experience and improving operational efficiency. In 2020, Ping An Property & Casualty grew premium income by 5.5% year on year, with a combined ratio of 99.1%, indicating better-than-industry business quality.

Ping An Bank advanced online digital operations, maintained stable business development, and further strengthened provisions. In 2020, Ping An Bank's revenue grew by 11.3% year on year to RMB153,542 million. As of December 31, 2020, Ping An Bank's provision coverage ratio rose by 18.28 pps from the beginning of 2020 to 201.40%.

We leverage technologies to provide customer-centric financial services. As of December 31, 2020, Ping An's technology patent applications increased by 10,029 from the beginning of 2020 to 31,412. In global patent application lists, Ping An ranked first in terms of fintech and digital healthcare and third in terms of AI and blockchain. **For our mission to provide customers with high-quality services, Ping An continued the development of innovative technologies to improve customer experience.** Ping An Life pioneered "Smart Advance Payment Services" in the industry to relieve economic pressure on customers for medical treatment, making advance compensation payments of over RMB260 million in 2020. Ping An Property & Casualty launched the "One-click Claims Services," which have been used by over 2.34 million customers through the "Ping An Auto Owner" app. Ping An Bank launched the Smart Anti-fraud System (SAFE) for its retail business. The SAFE system has helped to avoid over RMB2.4 billion of losses from fraud attacks since its go-live. In 2020, OneConnect established partnerships in 20 overseas countries or regions, and was committed to developing new infrastructure for financial services. OneConnect's virtual bank officially opened for business in Hong Kong in the year. In addition, OneConnect teamed up with China Merchants Port Group to develop smart ports and facilitate trade across the Guangdong-Hong Kong-Macao Greater Bay Area.

Smart poverty alleviation: Ping An Property & Casualty's blockchain-based traceability platform helps improve the quality and production of agricultural produce.

Chairman's Statement

We pursue customer development through our ecosystems. We develop pan financial services, pan healthcare, and smart city ecosystems by leveraging our leading innovative technologies and extensive experience in financial services and healthcare. As of December 31, 2020, Ping An's smart city business had served 151 cities across China. In healthcare, Ping An Good Doctor's revenue of online healthcare services for 2020 grew strongly by 82.4% year on year. Benefiting from the "finance + ecosystem" transformation strategy, the Company acquires new and future users by expanding its ecosystems. **The Group's retail customer development yielded stronger results.** As of December 31, 2020, retail customers increased by 9.0% from the beginning of 2020 to over 218 million. In 2020, Ping An acquired 37.02 million new customers, of whom 36.0% were sourced from internet users of the Group's ecosystems. Contracts per customer rose by 4.5% from the beginning of 2020 to 2.76. **Corporate cross-selling business grew steadily.** Ping An continued to extend its "1+N" integrated financial business model to the corporate business and took a segmented approach to customer development, providing national strategic customers and regional key customers with integrated "commercial banking + investment banking + investment" services while serving small and micro-business customers online. In 2020, the new financing scale achieved through corporate business cross-selling climbed 69.7% year on year. The written premium of the corporate channel achieved through cross-selling grew by 84.8% year on year.

Ping An unveiled a comprehensive healthcare ecosystem strategy at an Investor Day on September 22, 2020.

Ping An launched CN-ESG to establish ESG evaluation standards with Chinese characteristics. In 2020, Ping An built the AI-ESG smart management platform to enable responsible investments, and launched the "Xinhua CN-ESG Evaluation System" together with China Economic Information Service to establish ESG evaluation standards with Chinese characteristics. As of December 31, 2020, Ping An's responsible investments exceeded RMB1.03 trillion. Ping An has promoted industries, healthcare, and education in rural areas via the Ping An Rural Communities Support program for three years. The program has been implemented in 21 provinces and autonomous regions across China, providing over RMB29,834 million in poverty alleviation funds, and benefiting an impoverished population of 730,000. Ping An helped build or upgrade 1,228 rural clinics, trained 11,843 village doctors, and provided over 110,000 people with free medical examinations. Ping An funded the upgrading of 1,054 rural schools and the training of 14,110 village teachers, benefiting about 300,000 students.

Thanks to effective epidemic containment and appropriate government policies, China was the world's only major economy with positive growth after the epidemic in 2020. Looking ahead, given the complicated and severe global economic conditions, economic recovery outside China is expected to be unstable and imbalanced. Epidemic-induced risks should not be ignored. However, we are confident that, with the rollout and distribution of COVID-19 vaccines, the expected global economic recovery will usher in a warm spring after the cold winter.

In 2021, Ping An will continue to seek steady growth, optimize our structure, and plan for the future, aiming to drive the steady development of the Group's businesses. **In business strategy, Ping An will build long-term and sustainable competitive advantages, and develop platforms for high-quality and healthy growth.** Ping An Life will fully implement its two-pronged "channel + product" strategy, and continue its reform, with respect to channels, products, management and culture, based on our top-level strategic design completed in 2020. The reform projects will bear fruit thanks to our professional management team, highly competent sales force, strong integrated financial product portfolio, and cutting-edge technologies. **In business operations and management, we will advance the digital transformation to empower our core financial businesses, and realize smart business management, data-driven operations, robust channel development, and personalized customer services.** In addition, we will seize strategic opportunities from technological innovations to build world-leading technological capabilities with high entry barriers, improve customer experience, and accelerate technological empowerment. By doing so, we will serve the country and people's livelihoods as well as empower our core financial businesses. **In strategic innovation, Ping An will actively prepare for the future. While financial services represent Ping An's main focus today, tomorrow healthcare will also be a key development in Ping An's future.** We will accelerate the development of a closed-loop healthcare ecosystem, involving medical regulators, patients, service providers, payers, and technologies, to support the "Healthy China" initiative.

We will remain true to our original aspirations and keep in mind our missions. The year 2021 marks the 100th anniversary of the Communist Party of China and the beginning of China's 14th Five-Year Plan. It is also a particularly important year in China's modernization drive after the successful building of a moderately prosperous society in all aspects. Strong and healthy financial services are the backbone of a modern economy and the core competitiveness of a nation. Ping An will remain committed to serving the real economy and the people's livelihoods, keeping its development aligned with the fate of the nation, the national rejuvenation, and the people's aspirations for a better life. In 2021, we will adhere to "Regulations + 1," further improve compliant operations, and strictly manage operating risks. We will continue promoting smart data-driven operations. While growing our core financial businesses, we will empower industries and smart city development, and advance the healthcare ecosystem strategy. By consolidating and developing the results of poverty alleviation, we will engage deeply in China's rural vitalization strategy. In 2021, we will work to better serve customers, reward shareholders, support society, and contribute to the Chinese nation's great rejuvenation.

Chairman

Shenzhen, PRC
February 3, 2021

Customer Development

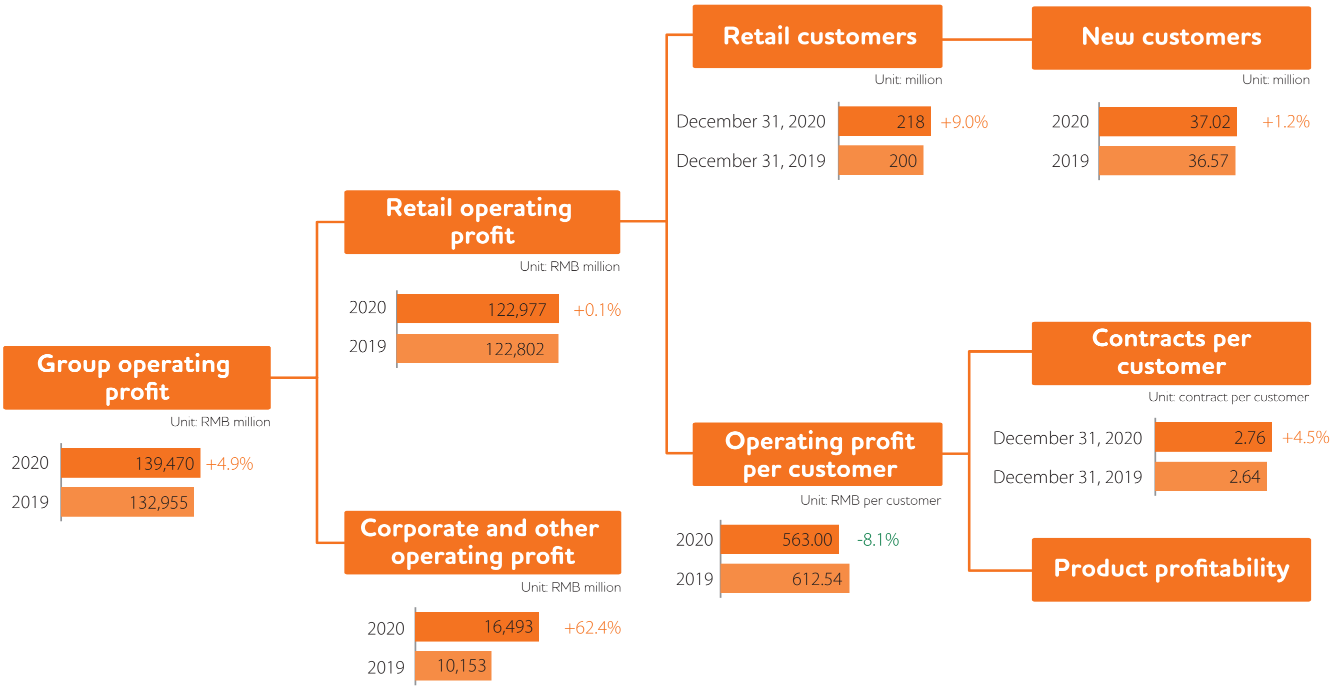
- In 2020, the Group's retail operating profit grew by 0.1% year on year to RMB122,977 million despite the impact of the COVID-19 epidemic, reversing the negative growth in the first half of 2020. Retail business accounted for 88.2% of the Group's operating profit attributable to shareholders of the parent company.
- Ping An Group had over 218 million retail customers(1) as of December 31, 2020, up 9.0% from the beginning of 2020. Of the 37.02 million new retail customers Ping An acquired in 2020, 36.0% were sourced from the Group's internet user base. Amid continuous expansion of the customer base, contracts per customer rose by 4.5% from the beginning of 2020 to 2.76. As the Group's retail cross-selling continued to deepen, retail customers holding multiple contracts with different subsidiaries accounted for 38.0% of total retail customers, up 1.2 pps from the beginning of 2020. The Group's internet users(2) increased by 16.0% from the beginning of 2020 to over 598 million. Five of Ping An's portfolio of apps have accumulated more than 100 million registered users each.
- In 2020, corporate business grew steadily under the philosophy of integrated finance, namely "one customer, multiple products and services." The written premium of the corporate channel achieved through cross-selling rose by 84.8% year on year and new financing scale achieved through corporate business cross-selling increased by 69.7% year on year. As of December 31, 2020, the outstanding balance of retail assets referred by corporate business was RMB1.21 trillion while the underlying assets invested by insurance funds sourced from corporate business amounted to RMB519,022 million, with an increment of RMB147,906 million in 2020.

CUSTOMER DEVELOPMENT STRATEGY

Under a customer-centric philosophy and the integrated finance strategy, Ping An has been dedicated to the development of both retail and corporate customers. In retail business, Ping An adheres to the philosophy of "one customer, multiple products, and one-stop services." Ping An is establishing integrated middle and back offices for retail customer development centering on financial master accounts and based on data, benefits, products and a unified marketing services platform. Leveraging its ecosystems, Ping An empowers financial services with technologies, empowers ecosystems with technologies, and empowers financial services with ecosystems. Ping An provides customers with diverse products and excellent services through innovative scenario-based blockbuster product packages and marketing solutions. Ping An's abilities to continuously expand the retail customer base, steadily increase contracts per customer, and maintain stable product profitability have become the internal drivers of Ping An's strong retail business growth. In corporate business, Ping An focuses on strategic customers and small and micro-business customers, conducts segmented customer development, and satisfies customer demands for integrated financial services under a "1+N" service model (one customer + N products). Moreover, Ping An uses technologies to improve customer experiences, reduce service costs, and support the real economy and financial inclusion under its integrated financial business model.

Notes: (1) Retail customers refer to retail customers holding valid financial products with the core financial companies of the Group.
(2) Internet users refer to unique registered users with accounts on internet services platforms (including webpage platforms and mobile apps) of the technology companies and core financial companies of the Group.

Core drivers of the Group's operating profit growth



Note: The above operating profits are the operating profits attributable to the shareholders of the parent company.

RETAIL CUSTOMER DEVELOPMENT

Retail operating profit

Affected by the COVID-19 epidemic, Ping An experienced difficulties in offline business development and rising risks in retail consumer finance in 2020. However, the negative impact on some business lines gradually receded in the second half of 2020. As a result, retail operating profit for 2020 grew by 0.1% year on year to RMB122,977 million after declining by 2.3% year on year in the first half of 2020.

Retail customers and internet users increased steadily

Ping An delivered excellent customer experience by promoting data empowerment and optimizing products and services. Regarding data empowerment, Ping An developed comprehensive customer profiling in a compliant manner with customer authorization on the basis of a large customer base and huge business ecosystems to precisely support products and services in 150 business scenarios. Regarding products, Ping An developed innovative integrated financial products focused on themes including health and children, with the sales of product packages for 2020 amounting to RMB388.0 billion. Regarding services, Ping An established financial master accounts, connected financial business scenarios, and optimized customer experience in scenarios such as payments and fund settlement. New AUM in financial master accounts for 2020 amounted to RMB138.5 billion. Ping An continued to drive its member companies to optimize service benefits and boost the value contributions of retail customers.

Customer Development

As of December 31, 2020, the Group had over 218 million retail customers, up 9.0% from the beginning of 2020. Of the 37.02 million new retail customers Ping An acquired in 2020, 36.0% were sourced from the Group's internet user base. Moreover, Ping An continued to promote the migration and conversion between retail customers and internet users by improving service experiences on its online platforms. As a result, the proportion of retail customers who were also internet users increased steadily.

Retail customer mix

(in million)	December 31, 2020	December 31, 2019	Change (%)
Life insurance(1)	**65.29**	63.00	3.6
Auto insurance(1)	**53.09**	50.23	5.7
Retail banking	**77.00**	69.25	11.2
Credit card	**61.87**	56.71	9.1
Securities, fund and trust	**55.84**	47.08	18.6
Others(2)	**64.89**	50.31	29.0
The Group	**218.43**	200.48	9.0

Notes: (1) Numbers of insurance company customers are based on holders of in-force policies rather than all policy beneficiaries.
(2) Others include other investments, lending and insurance products.
(3) Retail customers of separate business lines do not add up to the total due to the removal of duplicates.
(4) The number of customers as of December 31, 2020 is not equal to the sum of customers as of December 31, 2019 and new customers in the Reporting Period due to customer attrition.

Online retail customers

	December 31, 2020		December 31, 2019	
(in million)	Persons	% of customers	Persons	% of customers
Number of retail customers who were also internet users	**193.64**	**88.7**	173.74	86.7
Number of retail customers who were also app users	**189.08**	**86.6**	168.23	83.9

Ping An provides users with one-stop services, constantly improves online user experiences, and aligns services more closely with user needs. As of December 31, 2020, the Group had over 598 million internet users, up 16.0% from the beginning of 2020. App users increased to over 545 million, up 16.0% from the beginning of 2020. On average, each internet user used 2.11 online service features from Ping An. Moreover, yearly active users(1) reached nearly 321 million as user activity and stickiness increased due to efficient internet user development.

Internet users

(in million)	December 31, 2020	December 31, 2019	Change (%)
Number of internet users(2)	**598.04**	515.50	16.0
Technology companies	**421.73**	356.43	18.3
Core financial companies	**432.15**	369.72	16.9
Number of app users(2)	**545.35**	470.01	16.0
Technology companies	**303.88**	249.75	21.7
Core financial companies	**407.04**	345.42	17.8

Notes: (1) The number of yearly active users refers to the number of active users in the 12 months to the end of the Reporting Period.
(2) Internet users and app users of the Group include the users of technology companies and core financial companies, excluding duplicates.

Ping An continues to convert internet users into retail customers. As of December 31, 2020, retail customers who were also internet users increased by 11.5% from the beginning of 2020 to 194 million. Of the Group's over 598 million internet users, 404 million had not yet become its retail customers, indicating large potential for user conversion. The Group will continue to leverage traditional channels and scenario-based selling to acquire retail customers. Moreover, Ping An will strengthen cross-selling penetration to increase contracts per customer and steadily boost the value of retail customers.

Retail customer and internet user structure

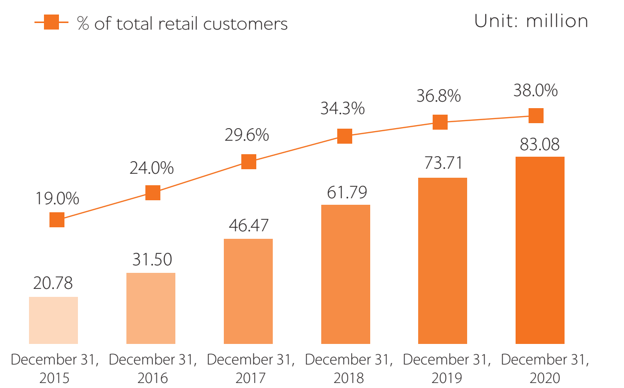
Notes: (1) Figures may not match the calculation due to rounding.
(2) At the end of 2019, we tightened the definition of retail customers by removing customers with complimentary insurance only. We restated the data for the comparable periods of 2017 and 2018.
(3) At the end of 2019, we tightened the definition of internet users by removing the unique users of suspended internet platforms from internet users. Moreover, we restated the data for the comparable periods of 2017 and 2018.

Retail cross-selling continued to deepen

As Ping An advanced its integrated financial business strategy, the "1+N" business model for retail customer development continued to diversify. In 2020, new insurance trusts exceeded RMB15.0 billion.

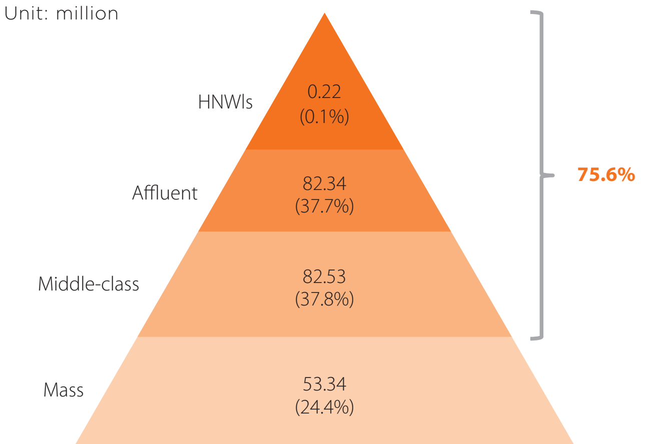
Benefiting from the diversifying integrated financial business model, retail cross-selling continued to deepen, the number of contracts per customer increased steadily, and customer value grew year by year. In 2020, nearly 37.74 million customer migrations occurred between the core financial companies of Ping An. As of December 31, 2020, 83.08 million or 38.0% of retail customers held multiple contracts with different subsidiaries, up 1.2 pps from the beginning of 2020 despite a continuously expanding customer base. Contracts per customer grew by 4.5% from the beginning of 2020 to 2.76.

Number of retail 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, 2020, the Group had over 165 million middle-class and higher-level retail customers, accounting for 75.6% of the total. On average, each high net worth individual (HNWI) held 14.03 contracts, far more than each affluent customer. The longer customers have been with Ping An, the more contracts they hold, and the more valuable they are. As of December 31, 2020, Ping An had over 110 million customers who had been with it for five or more years, with contracts per customer being 3.20, far higher than the average of 1.86 contracts held by customers who had been with Ping An for less than two years.

Retail customer wealth structure and proportion



MANAGEMENT DISCUSSION AND ANALYSIS

Customer Development

Retail customers and contracts per customer by segment

	As of December 31, 2020	
	Number of customers (in million)	Contracts per customer
HNWIs	0.22	14.03
Affluent	82.34	3.77
Middle-class	82.53	2.36
Mass	53.34	1.78
The Group	**218.43**	**2.76**

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

Retail customers and contracts per customer by years with Ping An

	As of December 31, 2020	
	Number of customers (in million)	Contracts per customer
5 or more years	110.04	3.20
2-5 years	70.43	2.56
Less than 2 years	37.96	1.86
The Group	**218.43**	**2.76**

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

Cross-selling between insurance businesses continued to deepen. In particular, Ping An Health's premium income from cross-selling by Ping An Life's agents rose 53.9% year on year in 2020.

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

	2020		2019	
	Channel contribution		Channel contribution	
(in RMB million)	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Ping An Property & Casualty	**45,947**	**16.1**	45,427	16.8
Short-term insurance business of Ping An Annuity	**9,055**	**43.1**	8,663	43.7
Ping An Health	**6,262**	**68.2**	4,070	66.2

Going forward, Ping An will remain customer-centric, strengthen technological capabilities, and use innovative products and better services to improve customer experiences. In this way, Ping An will boost both retail customer value and enterprise value.

CORPORATE CUSTOMER DEVELOPMENT

In corporate business, Ping An adheres to a customer-centric philosophy, focusing on nationwide strategic customers, regional large customers as well as small and micro-business customers. Ping An taps customer demand and grows customer value by conducting segmented customer development under a "1+N" service model (one customer + N products).

In serving nationwide strategic customers and regional large customers, Ping An targets customers in industries that contribute significantly to people's livelihoods and facilitate long-term economic development. Ping An provides strategic customers with comprehensive tailor-made solutions combining "commercial banking + investment banking + investment" and "financing + intelligence" to satisfy customers' financing and management needs. 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 acquire more customers through existing ones.

In serving small and micro-business customers, Ping An makes financing more accessible by reshaping supply chain finance and innovating credit enhancement with technologies including the Internet of Things (IoT) and blockchain. Moreover, Ping An makes financing more affordable by introducing superfast online review and streamlining credit approval processes. The financial needs of small and micro-business customers tend to be simple and standard. Ping An grows business scale and market share by providing standard products to large numbers of small and micro-business customers through technological empowerment. In 2020, Ping An built a group-wide customer development framework and a middle office management framework for corporate business to accelerate the online customer reach and approval of insurance product applications.

In business management, Ping An develops three models, namely a simple standard model, a sophisticated investment and financing model, and a trading collaboration model according to the nature of business to enable classified management. The simple standard model covers the scenarios and products with online customer reach channels and standard operating processes, mainly involving insurance and leasing businesses. The model leverages a uniform technology platform to connect customer traffic portals and product channels, improve customer acquisition and product mix efficiency, cut costs and increase efficiency of customer development. The sophisticated investment and financing model identifies business needs such as mixed ownership reform of central enterprises, mergers and acquisitions, refinancing, and corporate deleveraging. The model focuses on driving senior product experts from member companies of Ping An Group to provide customers with tailor-made solutions. The trading collaboration model pools the expertise of trading teams across the Group, unifies research strategies, performance evaluation and early warning, and promotes mutual empowerment among member companies to reduce risks and increase trading returns.

Significant results of customer development: strong growth in business scale and steady increases in value contributions

Under the corporate integrated financial business strategy, the development of corporate customers yielded good results. The corporate customer base continued to grow, customer services improved steadily, and the business scale increased significantly. In 2020, corporate premiums achieved through cross-selling(1) grew by 34.4% year on year to RMB17,001 million, in which the written premium of the corporate channel(2) rose by 84.8% year on year. The new financing scale achieved through corporate business cross-selling(3) increased by 69.7% year on year to RMB503,495 million. As a source of high-quality customers and assets, corporate business contributed to the steady growth of retail business, and sourced assets for the investment of insurance funds. As of December 31, 2020, the outstanding balance of retail assets referred by corporate business was RMB1.21 trillion, down 1.6% from the beginning of 2020; the underlying assets invested by insurance funds sourced from corporate business(4) amounted to RMB519,022 million, with an increment that expanded by 53.1% year on year in 2020 to RMB147,906 million.

Performance of corporate integrated finance

(in RMB million)	2020	2019	Change (%)
Corporate premiums achieved through cross-selling(1)	**17,001**	12,649	34.4
Including: Written premium of the corporate channel(2)	**4,938**	2,672	84.8
New financing scale achieved through corporate business cross-selling(3)	**503,495**	296,742	69.7

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 corporate premiums achieved through cross-selling less that achieved by Ping An Life.
(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 the allocation of the Group's insurance funds.

Performance of integrated finance realized through Ping An Bank

As the "engine" of the Group's corporate business, Ping An Bank has advantageous distribution channels. In 2020, the premiums and financing referred by Ping An Bank rose by 102.9% and 61.2% year on year respectively.

(in RMB million)	2020	2019	Change (%)
Premiums referred by Ping An Bank(1)	**2,701**	1,331	102.9
Financing referred by Ping An Bank(2)	**405,208**	251,376	61.2

Notes: (1) Premiums referred by Ping An Bank refer to the premiums 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 as well as small and micro-business customers. 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

- Ping An continued to invest heavily in research and development (R&D) to build leading technological capabilities and empower its ecosystems. As of December 31, 2020, Ping An's technology patent applications increased by 10,029 from the beginning of 2020 to 31,412. On global patent application lists, Ping An ranked first for fintech and digital healthcare, and third for AI and blockchain.
- Ping An made significant progress in its ecosystem development. Within its ecosystems, Ping An has an array of online and technology-powered offline businesses which complement each other to provide comprehensive scenarios, services and synergies for its over 598 million internet users as of December 31, 2020. For instance, the healthcare ecosystem generates huge synergies with Ping An's core financial businesses in customer acquisition and retention as well as product innovation.
- Ping An won multiple international honors in AI, digital healthcare and other fields. In AI, Ping An won international championships at SQuAD2.0 and GLUE. In digital healthcare, Ping An's AI doctor AskBob outperformed specialists of 3A hospitals by scoring 97.7 to 93.9 in a human-machine contest on the combined therapy for cardiovascular diseases at the Great Wall International Congress of Cardiology and the Asian Heart Society Conference 2020.

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

Ping An continues to execute the "finance + technology" and "finance + ecosystem" strategies. Ping An continues to invest heavily in R&D to build leading technological capabilities, which have been widely utilized to empower its main financial businesses and accelerate the development of its ecosystems. Ping An applies an array of technologies to diverse scenarios to increase efficiency, cut costs, enhance risk management, develop excellent products, strengthen customer acquisition, and boost revenues. Moreover, Ping An offers leading innovative products and services to external clients to develop and empower business ecosystems with advanced technologies.

Ping An continues to focus on developing core technologies and securing proprietary intellectual property rights. As of December 31, 2020, Ping An had a first-class technology team of over 110,000 technology employees, including over 3,700 scientists. Moreover, Ping An's eight research institutes and 57 laboratories partnered with top universities including Peking University, Tsinghua University, and Fudan University as well as leading research institutes to pursue technological breakthroughs. As of December 31, 2020, Ping An's technology patent applications increased by 10,029 from the beginning of the year to 31,412, which is more than most other international financial institutions'. Of these applications, nearly 95% were for inventions, and 7,513 were made under the Patent Cooperation Treaty (PCT) and abroad. In the latest *Global Fintech Intellectual Property White Paper*, Ping An ranked first with 3,978 patent applications. Ping An ranked first on a global digital healthcare patent application ranking list with 1,074 patent applications, and third on a global AI patent application ranking list with 9,255 patent applications. In the 2020 Global Blockchain Invention Patent Ranking List (Top 100), Ping An ranked third with 1,128 patent applications.

Note: The fintech patent application ranking is from *Fintech Intellectual Property Development in Shenzhen* released at Qianhai Intellectual Property Achievements Release Conference. The patent application rankings for digital healthcare and AI are from the *2018-2020 Global Top 100 List for Digital Healthcare Patents* and the *2018-2020 Global Top 100 List for Artificial Intelligence Patents* published by 01caijing.com and China Digital Technology Development Working Committee under China Association for Promoting International Economic & Technical Cooperation. The blockchain patent application ranking is from the *2020 Global Blockchain Invention Patent Ranking List (Top 100)* released by the incoPat Innovation Index Research Center.

Ping An won multiple international honors in AI, digital healthcare and other fields for technological breakthroughs in 2020. In the past three years, Ping An won a total of 60 international championships, 13 more than that at the beginning of 2020. In AI, Ping An was top-ranked at Stanford Question Answering Dataset (SQuAD2.0), a test of machine reading comprehension sponsored by Stanford University, for the third time. Ping An ranked first by the total score in 11 sub-tasks of the General Language Understanding Evaluation (GLUE) benchmark. Ping An topped the rankings in two sub-tasks at the Document Visual Question Answering (DocVQA) competition. Ping An ranked first in the knowledge graph contest organized by the International Conference on Data Mining (ICDM) under the International Institute of Electrical and Electronics Engineers (IEEE). In digital healthcare, Ping An's AI doctor AskBob outperformed specialists of 3A hospitals by scoring 97.7 to 93.9 in a human-machine contest on the combined therapy for cardiovascular diseases at the Great Wall International Congress of Cardiology and the Asian Heart Society Conference 2020. Ping An published a research paper on a nasopharyngeal carcinoma risk prediction model in *The Journal of the National Cancer Institute*, one of the world's top medical journals in oncology. In addition, Ping An published a research paper with General Hospital of Eastern Theater Command in *EBioMedicine*, a sub-journal of *The Lancet*, and a paper on endoscopic image quality in *Scientific Reports*, a sub-journal of *Nature*. Moreover, Ping An co-published a research paper on ICU sepsis prediction with the General Hospital of the People's Liberation Army and Cornell University in *Critical Care Medicine*, a top international journal of critical care medicine.

EMPOWERING MAIN FINANCIAL BUSINESSES WITH TECHNOLOGIES

From the perspective of transforming and upgrading Ping An's main businesses, technology benefits are reflected in higher business efficiency, stronger risk management, and higher sales. In 2020, AI-driven product sales[1] reached RMB410.5 billion, up 100% year on year. In indirect selling, product sales driven by AI via services grew 114% year on year to RMB274.1 billion, representing 61% of the total sales generated in service processes. In direct selling, product sales directly driven by AI amounted to RMB136.4 billion, up 76% year on year.

In efficiency improvement, Ping An leverages technologies to optimize business processes, boost operational efficiency, and improve customer experience. Ping An empowers human service representatives with AI. In 2020, the amount of services provided by AI service representatives[2] grew 41% year on year to 1.93 billion times, representing 82% of Ping An's total customer service workloads; AI service representatives contributed 47% of the total sales volume of all service representatives. As of December 31, 2020, Ping An's self-developed speech robots with an outbound call feature covered over 2,100 scenarios, about 200 scenarios more than at the beginning of 2020. These speech robots offer an array of services covering loans, credit cards, and insurance. Ping An Property & Casualty leverages technologies including AI robots to provide online, paperless, automatic smart insurance policy and claims services. In 2020, Ping An Property & Casualty processed 6.90 million online self-service family auto insurance claims, accounting for 83% of all family auto insurance claims.

Notes: (1) AI-driven product sales refer to total product sales generated by AI in service and direct selling processes.
(2) The amount of services provided by AI service representatives refers to the total number of times of inbound and outbound call services provided by speech robots and text robots for loan, credit card and insurance business lines.

Technology-Powered Business Transformation

In risk management, Ping An employs cutting-edge analytics engines to enhance the quality and efficiency of risk management. In 2020, AI collected RMB271.9 billion of loans per month on average, up 241% year on year, and collected nearly RMB200 billion of overdue loans, accounting for around 27% of total debts collected, up 5 pps year on year. The 30-day recovery rate of AI collection was 78%, outperforming the recovery rate of human service representatives. As of December 31, 2020, the per capita balance of loans under management increased by 20% from the beginning of 2020 to RMB64.80 million. Ping An dynamically monitored corporate credit risks with its smart alert technology, and gave 6,812 warnings in 2020 with an accuracy rate of over 93%, involving a total risk exposure of nearly RMB363.4 billion.

In sales improvement, Ping An accelerates the application of new technologies to business scenarios including life insurance and banking to improve productivity. Ping An Life uses the AI Customer Visit Assistant to provide online business development support including virtual reality-based customer visits, person-to-person drills, and real-time support. In 2020, the AI Customer Visit Assistant was used nearly 17 million times. In 2020, Ping An Life served customers over 220 million times, of which online services including policy administration, claim settlement, and consulting services accounted for nearly 99%. The AI-powered, video-based customer survey robot supports the real-time generation of virtual customer service staff, and completed over 3.80 million surveys on new contracts in 2020. In AI-enabled retail banking, Ping An Bank issued nearly 10.15 million credit cards in 2020, nearly 90% of which were automatically approved by AI. As of December 31, 2020, unmanned customer services accounted for 90.1% of Ping An Bank's customer service workloads, up 4.0 pps from the beginning of 2020.

DEVELOPMENT OF PING AN'S 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 various financial service scenarios. Ping An has built multiple financial innovation platforms including Lufax Holding, OneConnect and E-wallet to satisfy customers' comprehensive financial demands, linking assets to funds online through "open platforms + open marketplaces." As of December 31, 2020, the app users of Ping An's core financial companies increased by 61.62 million from the beginning of 2020 to 407 million.

In traditional financial services, Ping An leverages synergies among ecosystems to provide customers with smart, online-merge-offline, full-scenario, and one-stop services. **In retail business,** as of December 31, 2020, Ping An provided over 218 million retail customers with over 10,000 financial products. Ping An launched the Fortune Festival 2020 to satisfy customers' demands for diverse, one-stop financial services and improve customer service experience. Ping An achieved RMB1.38 trillion in transaction volume during the September 20 Financial Services Festival. The festival attracted over 21 million participants, 2.94 million of whom became Ping An's new retail customers. **In corporate business,** Ping An supports the real economy by providing corporate and financial institution customers with services including insurance, financing, and investment. In 2020, Ping An provided 18,573 corporate customers and key construction projects with disaster and loss prevention services. The insured sum of corporate property and casualty insurance was nearly RMB22.22 trillion. As of December 31, 2020, the balance of corporate loans granted by Ping An Bank to various corporate customers exceeded RMB1.06 trillion.

In fintech, Ping An combines its expertise in financial services with cutting-edge technologies to boost service efficiency and enable business management. **In services for financial institutions,** OneConnect facilitated over RMB100 billion of loans in 2020. As of December 31, 2020, OneConnect had served 642 banks and 106 insurance institutions, including 100% of major banks, 98% of city commercial banks, 47% of life insurers and 64% of property and casualty insurers in China, collectively reaching hundreds of millions of end-customers. **In services for retail customers and merchants,** E-wallet provided over 323 million retail users with financial and consumer services including wealth management, shopping, payment, and loyalty point management as of December 31, 2020. Moreover, E-wallet empowered 2.13 million business customers by providing solutions for payment and customer loyalty management. During the COVID-19 epidemic, E-wallet proactively contributed to the resumption of work and production by tapping the mobile payment scenarios of day-to-day consumption and offering services including an online donation platform, a rural aid program, at-home consumption, and corporate catering.

Healthcare Ecosystem

Ping An's comprehensive healthcare ecosystem encompasses twelve entities, which work hand in hand to serve the healthcare industry on all fronts including healthcare management authorities, patients, service providers, payers, and technologies. The ecosystem seeks horizontal integration and value maximization by grabbing user traffic from the user end, managing medical institutions from the payment end, and empowering service providers. Furthermore, the ecosystem pursues vertical collaboration and builds entry barriers by leveraging the core resources of hospitals, doctors and pharmacies through serving healthcare management authorities and empowering ecosystem members with technologies. Moreover, the healthcare ecosystem generates great synergies for the Group's main businesses. Nearly 61% of Ping An's over 218 million financial customers also used services from the healthcare ecosystem. Such customers held 3.2 financial contracts and RMB39,100 in AUM per capita respectively, both higher than those who did not use healthcare services from the healthcare ecosystem (2.1 financial contracts and RMB17,300 in AUM per capita respectively). In the past four years, about 15-20% of Ping An's new financial customers were sourced from the healthcare ecosystem each year. In 2020, about 15% of Ping An's new financial customers also used services from the healthcare ecosystem.

As to healthcare management authorities, Ping An's solutions empowered healthcare management authorities through integrated regulatory platforms, AI-based disease prediction, medical image recognition, chronic disease management, and the AskBob consultation/treatment assistant tool. As of December 31, 2020, Ping An had served 21,000 healthcare management authorities in 158 cities[1] across 30 provinces. AI-based medical services were used 390 million times by approximately 650,000 doctors in 2020, up 200% year on year.

As to patients, Ping An Good Doctor provides individual and corporate users with comprehensive, multi-layered one-stop healthcare services through its in-house full-time medical staff and self-developed AI-based medical system by combining online resources with offline resources. These services include 24/7 online consultation, health management, prescription, registration, second medical opinions, and 1-hour drug delivery. As of December 31, 2020, Ping An Good Doctor had an aggregate of 373 million registered users and had processed over one billion online consultations. In addition, Ping An empowered ecosystem partners with high-quality resources including AI and medical services, and developed over 1,100 corporate customers as of December 31, 2020. Furthermore, Ping An Good Doctor partnered with over 3,700 hospitals, including nearly 2,000 tier 3 hospitals and 151 thousand pharmacies.

Note: (1) The Company tightened the definition of cities covered by the healthcare ecosystem at the end of 2020 by excluding cities covered by Ping An Good Doctor's pharmacy cloud. The definition now covers only cities in which Ping An directly provides regulatory support, public health management and citizen health management services for local institutions including healthcare regulators and hospitals.

Technology-Powered Business Transformation

As to service providers, Ping An takes online and offline healthcare management authorities as portals to build a four-layer doctor system covering pharmaceuticals, medical equipment, and logistics. Through entities including Ping An Good Doctor, Ping An developed an online doctor network of top renowned doctors, specialists and general practitioners from across the country, including an in-house medical team of 2,247 members. Moreover, Ping An empowered medical institutions and doctors offline with AI models, and plans to build a benchmark for the healthcare reform pilot by jointly operating Ping An Longhua General Hospital. Moreover, Ping An will continue to build its global medical network, which already covers more than 1,000 partner hospitals.

As to payers, Ping An HealthKonnect empowers Healthcare Security Administrations through its Smart Social Health Insurance (SHI) Integrated Platform centering around a smart SHI system. Starting from SHI, Ping An HealthKonnect also provides integrated medical management solutions covering hospitals, doctors, pharmacies, and insured members. As of December 31, 2020, Ping An HealthKonnect had won more than 10 provincial-level platform construction project bids, ranking first by number of SHI service subsystem bids won. Moreover, Ping An HealthKonnect constantly empowers commercial insurers in terms of insurance product design, risk management, and marketing channels. As of December 31, 2020, Ping An had over 65 million life insurance customers. In 2020, the written premium of Ping An's health insurance business exceeded RMB140,000 million.

As to technologies, Ping An ranked first globally by the number of digital healthcare patent applications. In addition to establishing its own businesses and partnering with others, Ping An has invested in nearly 100 companies in the healthcare industry through Ping An Overseas Holdings and other platforms.

Auto Services Ecosystem

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

As to retail customers, Autohome had 42.11 million daily active users on mobile devices in December 2020. Ping An Property & Casualty's "Ping An Auto Owner" app had over 126 million registered users as of December 31, 2020, and over 30 million monthly active users in December 2020. Ping An Bank actively promotes its auto owner credit cards, which integrate auto owners' benefits, transaction services and financial services to provide auto owners with high-quality, one-stop service experiences.

As to businesses, over 19,000 auto dealers and 45 automakers bought Ping An's data products in 2020. Ping An Financial Leasing's auto lease business volume amounted to RMB45,535 million.

Smart City Ecosystem

Centering on government services, business development, and citizen services, Ping An offers comprehensive and integrated smart city solutions to fulfill its mission of serving the country, the real economy and the public. Ping An's smart city business leveraged technologies to empower city governance, support industries, and advance people's livelihoods. As of December 31, 2020, Ping An's smart city business served 151 cities, 1.6 million companies, and 104 million citizens.

In respect of government services, Ping An helps local governments enhance governance capabilities and modernize governance practices through its integrated smart government services platform and self-developed leading technologies including AI, blockchain, and cloud computing. In fiscal management, Ping An's smart fiscal system has served more than 10,000 administrative units, businesses and public institutions, enabling the management of over RMB20 trillion in assets. In performance management, Ping An's smart government system has been deployed in over 40 cities and over 60 commissions, offices and bureaus. The system has helped local governments analyze more than 400 themes and over 13,000 metrics. In environmental management, Ping An's smart environmental management system helped the Shenzhen Municipal Government monitor and supervise 100% of the monitored metrics of 89,000 polluting enterprises in Shenzhen with a knowledge graph covering eight major industries and 230 pollutants. Moreover, Ping An's waste classification and management systems have been implemented in Shanghai and Shenzhen. In human resources and social security, Ping An's training supervision platform helped the Shenzhen Municipal Government conduct online full-process monitoring of vocational skills training on 23 training platforms. The platform supervised the data-driven training for over 580,000 trainees, ensuring that the training subsidies were used appropriately and safely.

In respect of business development, Ping An has built an integrated smart business platform to provide comprehensive services to enterprises and optimize the business environment in terms of planning, services, supervision, and training. In industry planning, Ping An's smart macroeconomic and industry chain analytics cover more than 150 cities across China, 40 analysis themes, and over 5,000 economic metrics. In enterprise services, the smart business services platform built by Ping An benefited nearly 1.5 million companies throughout their lifecycles, providing them with RMB20 billion of industrial capital. Ping An built China's largest government policy library with over 1.6 million policies, and developed the profiles of over 40 million enterprises, based on which Ping An realized precise matching between favorable policies and enterprises with an accuracy rate of 90%. In enterprise supervision, Ping An's smart market supervision platform covers over 600 supervisory scenarios and over 8,000 risk points. The platform has an accuracy rate of over 92% in enterprise supervisory risk warning and an accuracy rate of 90% in enterprise risk identification. In enterprise training, Ping An's smart education services helped over 1,500 administrative and business entities to improve training, pursue digital transformation, and mitigate the impact of COVID-19 on production and operations by enabling 1.16 billion attendances at online meetings and business training sessions as well as over 90 million livestreamed training sessions.

In respect of people's livelihoods, Ping An's integrated smart citizen services platform improves daily life experiences of citizens with an aim to improve citizens' sense of happiness, gain and security. In urban cultural development, Ping An provided vocational education services for 53.86 million users through 200,000 high-quality course sessions in 2020. Ping An provided adult education services for 12 million users, with courses broadcast 36 million times. Ping An provided child education services for eight million users, with courses broadcast 29 million times. In services for citizens, as of December 31, 2020, the citizen services platform was accessed over two billion times by 31 million users in 21 cities. The platform supports the online processing of nearly 8,000 service items on mobile devices, 24/7 AI-enabled instant filing and approval of over 800 service items, and blockchain-enabled certification-free processing of nearly 9,000 service items.

Business Analysis
Performance Overview

- In 2020, the Company delivered an operating ROE of 19.5% with operating profit attributable to shareholders of the parent company rising 4.9% year on year to RMB139,470 million.
- In 2020, the Company's net profit attributable to shareholders of the parent company decreased by 4.2% year on year to RMB143,099 million, equating to an ROE of 20.0%.
- In 2020, the Group's basic operating earnings per share rose by 5.5% year on year to RMB7.89. The Company proposed a final cash dividend of RMB1.40 per share, implying an annual cash dividend of RMB2.20 per share for 2020, up 7.3% year on year. The dividend payout ratio based on operating profit attributable to shareholders of the parent company (excluding share repurchases) stood at 28.7%, up 0.6 pps year on year.

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 the financial business through subsidiaries 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 subsidiaries, associates and jointly controlled entities including Autohome, Lufax Holding, OneConnect, Ping An Good Doctor, and Ping An HealthKonnect.

(in RMB million)	**2020**	2019	Change (%)
Operating profit attributable to shareholders of the parent company	**139,470**	132,955	4.9
Basic operating earnings per share (in RMB)	**7.89**	7.48	5.5
Operating ROE (%)	**19.5**	21.7	-2.2 pps
Dividend per share (in RMB)	**2.20**	2.05	7.3
Net profit attributable to shareholders of the parent company	**143,099**	149,407	(4.2)
ROE (%)	**20.0**	24.4	-4.4 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 used 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 long-run investment return assumption, net of the associated 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
- The impact of one-off material non-operating items and others is the impact of material items that management considered to be non-operating incomes and expenses. In 2020, such impact comprised the revaluation gain on the convertible bonds issued by Lufax Holding to the Group, amounting to RMB1,282 million. In 2019, such impact comprised the one-off 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, amounting to RMB10,453 million.

Note: (1) Refer to the significant accounting policies in the notes of the Company's 2020 Annual Report for the information about the discount rate.

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

The COVID-19 outbreak in early 2020 interrupted production and consumption, dealing a huge blow to almost all industries. Amid epidemic-induced challenges including difficulties in offline operations, rising credit risks, volatile equity markets and falling average interest rates, the Company adopted measures including transformation toward online operations to mitigate the impact of COVID-19. The COVID-19 impact continued despite that the domestic economy continued steady recovery as China achieved strong results in the prevention and containment of COVID-19. Meanwhile, the ongoing global spread of COVID-19 further delayed the global economic recovery. As domestic consumption demand was still recovering, large-scale offline events were still restricted, and face-to-face meetings had not recovered to pre-epidemic levels, the Company's long-term protection business was adversely impacted. In addition, the Company's asset quality remained under pressure due to rising credit risks. In 2020, domestic and foreign stock markets were highly volatile and much weaker than in 2019, with mixed performances of different sectors. Moreover, fair value gains and losses had become more volatile since the Company adopted IFRS 9 on January 1, 2018. The Company mitigated the adverse impact of COVID-19 and laid a solid foundation for sustainable development by strengthening risk management, advancing Ping An Life's reform, and promoting online-merge-offline operations. In 2020, the Group's net profit attributable to shareholders of the parent company declined by 4.2% year on year to RMB143,099 million. Operating profit attributable to shareholders of the parent company rose by 4.9% year on year to RMB139,470 million. Basic operating earnings per share grew 5.5% year on year to RMB7.89. Affected by agents' difficulty in offline visits, slower new business growth, and volatile policy persistency ratios due to COVID-19, the life and health business's operating profit attributable to shareholders of the parent company grew 5.2% year on year to RMB92,672 million.

	2020								
(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	**95,018**	**16,083**	**16,766**	**2,476**	**2,959**	**5,737**	**7,936**	**(3,876)**	**143,099**
Net profit attributable to non-controlling interests	**1,054**	**76**	**12,162**	**3**	**143**	**974**	**1,567**	**281**	**16,260**
Net profit (A)	**96,072**	**16,159**	**28,928**	**2,479**	**3,102**	**6,711**	**9,503**	**(3,595)**	**159,359**
Excluding:									
Short-term investment variance[1](B)	**10,308**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,308**
Impact of discount rate change (C)	**(7,902)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,902)**
Impact of one-off material non-operating items and others (D)	**-**	**-**	**-**	**-**	**-**	**-**	**1,282**	**-**	**1,282**
Operating profit (E=A-B-C-D)	**93,666**	**16,159**	**28,928**	**2,479**	**3,102**	**6,711**	**8,221**	**(3,595)**	**155,670**
Operating profit attributable to shareholders of the parent company	**92,672**	**16,083**	**16,766**	**2,476**	**2,959**	**5,737**	**6,654**	**(3,876)**	**139,470**
Operating profit attributable to non-controlling interests	**994**	**76**	**12,162**	**3**	**143**	**974**	**1,567**	**281**	**16,200**

(in RMB million)	2019 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 and others (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

Notes: (1) Short-term investment variance is the variance between the actual investment return and the EV long-run investment return assumption (5%), net of the associated impact on insurance and investment contract liability.

(2) The life and health insurance business represents the results of three subsidiaries, namely Ping An Life, Ping An Annuity, and Ping An Health. The property and casualty insurance business represents the results of Ping An Property & Casualty. The banking business represents the results of Ping An Bank. The trust business represents the results of Ping An Trust and Ping An New Capital. The securities business represents the results of Ping An Securities. The other asset management business represents the results of subsidiaries that engage in asset management business including Ping An Asset Management, Ping An Financial Leasing, and Ping An Overseas Holdings. The technology business represents the results of subsidiaries, associates and jointly controlled entities that engage in technology business including Autohome, Lufax Holding, OneConnect, Ping An Good Doctor, and Ping An HealthKonnect. 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, 2020**	December 31, 2019	Change (%)
Life and health insurance business	**273,161**	246,069	11.0
Property and casualty insurance business	**102,991**	92,548	11.3
Banking business	**182,067**	169,814	7.2
Asset management business	**105,061**	96,218	9.2
Including: Trust business	**23,475**	20,581	14.1
Securities business	**32,346**	30,256	6.9
Other asset management business	**49,240**	45,381	8.5
Technology business	**104,523**	85,737	21.9
Other businesses and elimination	**(5,243)**	(17,225)	(69.6)
The Group	**762,560**	673,161	13.3

OPERATING ROE

(%)	**2020**	2019	Change (pps)
Life and health insurance business	**35.0**	40.5	(5.5)
Property and casualty insurance business	**16.4**	24.6	(8.2)
Banking business	**9.6**	11.3	(1.7)
Asset management business	**11.0**	10.2	0.8
Including: Trust business	**11.8**	14.2	(2.4)
Securities business	**9.5**	7.8	1.7
Other asset management business	**11.9**	10.5	1.4
Technology business	**7.8**	5.1	2.7
Other businesses and elimination	**N/A**	N/A	N/A
The Group	**19.5**	21.7	(2.2)

Business Analysis
Life and Health Insurance Business

- In 2020, Ping An's life and health insurance business ("Life & Health") delivered a 35.0% operating ROE with operating profit after tax rising 5.3% year on year to RMB93,666 million.
- In 2020, COVID-19 hindered Ping An's traditional offline operations and temporarily tempered consumer spending on long-term protection products amid uncertainties over macroeconomic growth and personal income. As a result, NBV of Life & Health dropped by 34.7% year on year to RMB49,575 million. The Company made an agile response by optimizing product strategies and promoting the sales of simple, marketable online products with lower NBV margins to accumulate customer resources and maintain customer stickiness.
- In 2020, Ping An Life completed the top-level design of its reform and implemented and promoted key projects. Going forward, Ping An Life will continue to advance and promote its reform to develop into a world-leading life insurer.

BUSINESS OVERVIEW

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

Based on enhanced compliance and risk management, the Company continues to further its customer-centric "channel + product" strategy to solidify its business foundation for long-term sustainable growth. The Company proactively responded to challenges posed by the COVID-19 epidemic by upgrading the online operating models. In 2020, the COVID-19 epidemic hindered Ping An's traditional offline operations. In addition, uncertainties over macroeconomic growth and personal incomes temporarily tempered consumer spending on long-term protection products. Furthermore, large-scale offline events were still restricted, and offline face-to-face meetings have not resumed to pre-epidemic levels, affecting Ping An's high-value long-term protection business. As a result, NBV of Life & Health dropped by 34.7% year on year to RMB49,575 million and the NBV margin was down 14.0 pps year on year. The Company remained focused on protection products, but adopted an epidemic-specific product strategy to boost the sales of simple, marketable online products with lower NBV margins to accumulate customer resources and maintain customer stickiness for post-epidemic customer conversion. In 2020, the premium income of Ping An's flagship million-cover product "e Sheng Bao" exceeded RMB11,000 million, up over 60% year on year. Despite short-term volatility in new business in 2020, profits attributable to core operations remained resilient. Operating profit after tax of Life & Health rose by 5.3% year on year to RMB93,666 million, with an operating ROE of 35.0%.

Key Indicators

(in RMB million)	2020/ December 31, 2020	2019/ December 31, 2019	Change (%)
NBV	**49,575**	75,945	(34.7)
NBV margin (%)	**33.3**	47.3	-14.0 pps
First-year premium used to calculate NBV	**148,915**	160,478	(7.2)
Embedded value	**824,574**	757,490	8.9
Operating ROEV (%)	**14.5**	25.0	-10.5 pps
Operating profit after tax	**93,666**	88,950	5.3
Operating ROE (%)	**35.0**	40.5	-5.5 pps
Net profit	**96,072**	103,737	(7.4)

Business Analysis
Life and Health Insurance Business

PING AN LIFE'S REFORM

Ping An Life's ongoing reform will gradually bear fruit. Ping An Life continues to advance the reform, upgrading its distribution channels, products and operations according to business development needs, and accelerating the reform projects via digital empowerment.

In respect of channel upgrade, Ping An Life drives the "stable-healthy-elite" transformation of sales force via business outlet-based key projects and the "product +" system. In the next 2-3 years, Ping An Life will build stable, healthy and excellent teams comprising over one million sales agents in a quality-oriented manner, aiming to gradually increase the proportion of high-productivity, high-performing and high-income agents. Meanwhile, Ping An Life adopts a digital technology-empowered new approach to developing "5-star outlets with strong performance, high quality and good behavior," saving 90% of the business outlet managers' time on administration, and improving the management of business outlets. Through an integrated smart activity management platform, Ping An Life builds a new activity-management model focused on "details" and "consistency" to increase the valid activity rate and the number of long-term insurance policies sold per capita. Moreover, Ping An Life established a database with millions of entries of data via AI-powered AskBob, providing services for over 800,000 users, with a per capita usage frequency of over six times per day. The database has become a smart training platform for agents' lifelong learning and continued education, helping them to strengthen overall capabilities.

In respect of product upgrade, Ping An Life adopted a customer-centric approach, further diversified the "product +" service system, and developed "health +, chronic disease +, and critical illness +" health management services. In the "health +" project, Ping An Life launched one of the industry's first approved medical insurance products with guaranteed renewal up to 20 years, which was combined with "e Sheng RUN" health services. In the "chronic disease +" project, Ping An Life launched online-merge-offline chronic disease management services provided by family doctors, fitness instructors and dietitians based on AI-enabled precise matching of customers. Moreover, Ping An Life launched convenient and cost-efficient offline services. In the "critical illness +" project, Ping An Life rolled out critical illness insurance products that cover 120 diseases and allow multiple claims for mild diseases. Ping An Life built a scenario-based, service-focused, frequently-used and customer-centric product portfolio to protect customers' rights and interests.

In respect of operations upgrade, Ping An Life utilized its technological capabilities to build a "headquarters brain" that anticipates trends, makes timely decisions, and takes action ahead of others by predicting, tracking and intervening in operations in an effective and timely manner, so as to enhance delicacy management. Ping An Life built a digital business outlet management platform. Through AskBob, the AI Customer Visit Assistant, Ping An Life provided sales agents with business development support, facilitating over 3.80 million online customer visits in 2020. Ping An Life successfully raised customer reach rates and pursued sales targets through marketing scenarios including content marketing, social marketing, event marketing, and service marketing. Moreover, Ping An Life used its smart insurance tool to provide customers with AI-enabled insurance demand analysis and insurance planning. In 2020, the smart insurance tool generated written premium of over RMB15.0 billion from customer conversion for Ping An Life.

Ping An Life's reform has involved the expertise and resources of the Group's three Co-CEOs and different business lines. The top-level design of the reform was completed in 2020. Some projects have been successfully piloted and promoted. In 2021, Ping An Life will further roll out the reform. At the new starting point for reform results to emerge, Ping An Life will blaze a new trail of technological empowerment to ensure sustainable, healthy development for the next decade.

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.

Life agent channel development. In 2020, COVID-19 hindered the traditional offline business development of Ping An Life's agents and tempered consumer spending on long-term regular-premium protection products, with an impact on high-value protection business. The productivity of agents decreased as team management, training and customer reach became more difficult. Agent channel NBV totaled RMB42,913 million in 2020, down 37.1% year on year. Due to restrictions on large-scale offline events and difficulties in selling products via face-to-face visits, the NBV margin of the agent channel declined by 10.1 pps year on year to 54.9%. During the peak of the epidemic, Ping An Life implemented special appraisal policies to stabilize the agent force, and launched a series of team care and support policies to protect the agents' rights, interests and compensation. In the second half of 2020, under a quality-focused agent development strategy, Ping An Life resumed the appraisal of agents to eliminate low-productivity ones. As of December 31, 2020, Ping An Life's sales agents decreased by 12.3% from the beginning of 2020. Moreover, Ping An Life maintained tight agent recruitment criteria, enhanced agent selection by adopting AI and other technologies and strengthened basic management of agents. Ping An Life applied technologies to agent recruitment, training and customer development to promote online operations and empower the agent force.

(in RMB million)	2020	2019	Change (%)
Agent productivity and income			
Agent channel NBV	**42,913**	68,209	(37.1)
Average number of agents per month (in million)	**1.05**	1.20	(12.5)
NBV per agent (RMB per agent per year)	**40,688**	56,791	(28.4)
Activity rate of agents[1] (%)	**49.3**	60.9	-11.6 pps
Agent income (RMB per agent per month)	**5,793**	6,309	(8.2)
Including: Income from Ping An Life's products (RMB per agent per month)	**4,629**	5,512	(16.0)

	December 31, 2020	December 31, 2019	Change (%)
Number of individual life insurance sales agents (person)	**1,023,836**	1,166,914	(12.3)

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 actively pursued channel diversification, developing the bancassurance, telemarketing, internet and other channels as its new growth drivers. In 2020, the total NBV of channels other than the agent channel reached RMB6,662 million, accounting for 13.4% of the overall NBV. The bancassurance channel strengthened technological empowerment under the value creation strategy and mitigated the impact of COVID-19 through product upgrade and technology, delivering a 35.1% year-on-year increase in NBV. The telemarketing channel, with the largest and growing market share, advanced the customer-centric business model transformation from pure telemarketing to a long-term customer development model. A platform for operating private domain traffic dominated by the Company was used for efficient, precise and controllable online user interaction and product recommendation to boost both efficiency and business value. The internet channel continued to boost customer conversion and facilitate steady business development by optimizing its platform and precisely acquiring customers.

PRODUCT STRATEGIES

In 2020, Ping An Life continued deepening transformation under the "product +" strategy. Ping An Life built a service ecosystem of "life insurance services +" products, namely "life insurance + health, medical, chronic disease, critical illness, and old-age care services." Leveraging insurance products, Ping An Life provides customers with comprehensive services covering the entire life cycle, exploring new growth drivers by creating synergies with the main insurance business. In the coming years, Ping An Life will focus on customer demands and take advantage of the Group's healthcare ecosystem to build a health management service portfolio meeting customer demands as well as a customer-centric insurance product portfolio.

While the COVID-19 epidemic hindered the traditional offline business development of Ping An Life's agents, it also strengthened people's health protection awareness, stimulated the demand for health insurance, and accelerated the process of online consumption. Ping An Life took various measures to lay a solid foundation for post-epidemic business recovery. With cutting-edge technologies, Ping An Life launched products with short tenors, simple liabilities and low premium rates to cover more customers. In particular, Ping An Life launched more short-term health insurance products that are easy to sell to acquire new customers, driving the rapid development of such business. Moreover, to cultivate customers' insurance awareness, boost customer activity and provide insurance services for more customers, Ping An Life developed a brand-new complimentary insurance system, providing different complimentary insurance products (including accident insurance and medical insurance) under different scenarios. After the COVID-19 epidemic, Ping An Life launched a new product combining critical illness insurance with savings, which was well received by agents and customers. In addition, Ping An Life developed a series of high-end products to address the insurance needs of high-end customers throughout their entire life cycles, including annuity products that satisfy customers' demand for wealth appreciation and high-quality old-age care, as well as high-end medical insurance, care insurance and whole life insurance for healthcare, old-age care and wealth inheritance. Moreover, Ping An Life launched "e Sheng Bao Long-term Medical Insurance" product with adjustable rates and "e Sheng RUN" health services. The product is designed to serve customers' diverse needs for health management, hospitalization expense reimbursement, and hospital visit services through "products +" services during the entire life cycle. In addition, the revised *Critical Illness Morbidity Experience Table of China's Personal Insurance Industry* excludes mild thyroid cancer, with implications for the critical illness morbidity rates of new products. Given differences between the old and the new critical illness morbidity experience tables in terms of the curve and morbidity rates, the prices of critical illness insurance products will be more reasonable. Seizing the opportunity created by the revised table, Ping An Life optimized its critical illness insurance product portfolio, and improved health management services to enhance product competitiveness and better meet customer needs.

Ping An Life witnessed a decline in the overall policy persistency ratio in recent years due to the reduced sales of short-term savings products in the past years which resulted in changes in the product portfolio. Moreover, due to the COVID-19 epidemic, some cash-strapped customers failed to renew their insurance policies, and offline face-to-face visits were affected. This led to a further decline in the overall persistency ratio. Going forward, Ping An Life will establish a services-based approach to collecting renewal premiums, use technology to provide ex ante services for customers facing difficulties in policy renewal and offer precise policy renewal services to enhance the efficiency of renewal premium collection.

Operations of Insurance Products

Top five products of Ping An Life in terms of premium income in 2020 are presented below.

(in RMB million)	Distribution channel	Premium income	Surrender
Jinrui Rensheng Annuity	Sales agents, Bancassurance	20,285	346
Caifu Jinrui Annuity 2020	Sales agents, Bancassurance	16,473	147
Jinrui Rensheng Annuity 2020	Sales agents, Bancassurance	15,331	118
Ping An Fu Whole Life Insurance	Sales agents, Bancassurance	14,653	938
Xiyue Rensheng Annuity for Children (participating)	Sales agents, Bancassurance	13,866	171

	2020	2019	Change (pps)
Ping An Life			
13-month persistency ratio (%)	**85.5**	87.8	(2.3)
25-month persistency ratio (%)	**80.9**	87.1	(6.2)

TECHNOLOGY-DRIVEN TRANSFORMATION

Ping An Life achieved strong results in marketing, services, risk management, and operations by building "Digital Life Insurance" and advancing full digitization.

- Regarding digital marketing, Ping An Life advanced new approaches to online insurance customer development and handled nearly 1.2 billion online interactions with users in 2020 on the "Jin Guan Jia" app which had 249 million users. Through the AI Customer Visit Assistant, Ping An Life provided sales agents with online business development support including virtual reality-based customer meetings, person-to-person drills, and real-time assistance. The AI Customer Visit Assistant was used nearly 17 million times and facilitated over 3.80 million online customer visits in 2020. Moreover, Ping An Life used its smart insurance tool to provide customers with comprehensive coverage review, demand analysis, and insurance planning. In 2020, the smart insurance tool generated written premium of over RMB15.0 billion from customer conversion for Ping An Life.

- Regarding digital services, Ping An Life served customers over 220 million times in 2020, of which policy administration, claim settlement, and service consultations handled through online channels accounted for nearly 99%. Online value-added services increased the proportion of customers who bought additional insurance by 9 pps. Ping An Life effectively ensured the provision of excellent online services during the COVID-19 epidemic. The AI-powered, video-based customer survey robot, which supports the real-time generation of virtual customer service staff, offered 24/7 online customer survey services, and completed customer surveys for over 3.80 million new insurance policies in 2020, with a one-time success rate of 98%, 27 pps higher than the traditional model, providing continuously improved customer survey experience. The AI outbound call robot served customers nearly 130 million times in 2020, providing comprehensive services including renewal premium payment reminders and policy reinstatement reminders.

- Regarding digital risk management, Ping An Life pioneered "Smart Advance Payment Services" in the industry. Different from the traditional settlement model that requires customers to file claims after being discharged from hospital, Ping An Life estimates claim payments on the basis of customer profiling and big data modeling. Ping An Life relieves the economic pressure on eligible customers by paying partial claim payments in advance when the customers are being treated. A total amount of over RMB260 million was paid to customers in advance under this model in 2020. Ping An Life deepened the application of the underwriting risk management model against critical illnesses, preventing potential losses of over RMB2 billion in 2020.

- Regarding digital operations, Ping An Life's data-driven operational platform offers an overview of business operations through features including multi-dimensional dashboards and operational cockpits, covering all the operational processes, and facilitating prediction, early warning, root cause analysis, problem diagnosis, tracking and intervention.

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 measure of operating profit has been used 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 long-run investment return assumption, net of the associated 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

- The impact of one-off material non-operating items and others is the impact of material items that management considered to be non-operating incomes and expenses, which in 2019 referred 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 the significant accounting policies in the notes of the Company's 2020 Annual Report for the 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Analysis
Life and Health Insurance Business

(in RMB million)	2020	2019	Change (%)
Release of residual margin (A)	**81,583**	74,454	9.6
Return on net worth[1] (B)	**13,170**	11,738	12.2
Spread income[2] (C)	**4,565**	3,947	15.7
Operating variances and others (D)	**4,607**	10,406	(55.7)
Operating profit before tax (E=A+B+C+D)	**103,926**	100,545	3.4
Income tax (F)	**(10,260)**	(11,595)	(11.5)
Operating profit after tax (G=E+F)	**93,666**	88,950	5.3
Short-term investment variance (H)	**10,308**	19,354	(46.7)
Impact of discount rate change (I)	**(7,902)**	(13,164)	(40.0)
Impact of one-off material non-operating items and others (J)	**-**	8,597	N/A
Net profit (K=G+H+I+J)	**96,072**	103,737	(7.4)

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

Operating variances and others dropped 55.7% year on year, largely due to factors including increased strategic investment in technology and team building as well as fluctuating policy persistency ratios.

As of December 31, 2020, residual margin of the life and health insurance business was RMB960,183 million, up 4.5% from the beginning of 2020.

(in RMB million)	2020	2019	Change (%)
Opening residual margin	**918,416**	786,633	16.8
Contribution from new business	**88,571**	155,684	(43.1)
Expected interest growth	**36,319**	33,811	7.4
Release of residual margin	**(81,583)**	(74,454)	9.6
Lapse variances and others	**(1,539)**	16,742	N/A
Closing residual margin	**960,183**	918,416	4.5

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

Lapse variances and others declined mainly because of fluctuations in policy persistency ratios.

SOLVENCY MARGIN

As of December 31, 2020, 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 2020 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, 2020	December 31, 2019	Change (%)	December 31, 2020	December 31, 2019	Change (%)	December 31, 2020	December 31, 2019	Change (%)
Core capital	**1,046,787**	934,301	12.0	**13,119**	10,423	25.9	**3,070**	2,251	36.4
Actual capital	**1,068,787**	949,301	12.6	**13,119**	10,423	25.9	**3,070**	2,251	36.4
Minimum capital	**442,031**	409,874	7.8	**5,535**	4,219	31.2	**1,467**	1,064	37.9
Core solvency margin ratio (%)	**236.8**	227.9	8.9 pps	**237.0**	247.0	-10.0 pps	**209.2**	211.6	-2.4 pps
Comprehensive solvency margin ratio (%)	**241.8**	231.6	10.2 pps	**237.0**	247.0	-10.0 pps	**209.2**	211.6	-2.4 pps

Notes: (1) Core solvency margin ratio = core capital / minimum capital. Comprehensive solvency margin ratio = actual capital / minimum capital.
(2) The minimum regulatory 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 the calculation due to rounding.

OTHER MAJOR FINANCIAL AND REGULATORY INFORMATION

Income Statement of the Life and Health Insurance Business

(in RMB million)	2020	2019
Written premium	**599,432**	611,637
Less: Premium deposits of policies without significant insurance risk transfer	**(3,144)**	(3,543)
Less: Premium deposits separated out from universal life and investment-linked products	**(84,801)**	(84,422)
Premium income	**511,487**	523,672
Reinsurance premium income	**3,026**	3,139
Gross written premium	**514,513**	526,811
Net earned premium	**504,326**	517,140
Claims and policyholders' benefits	**(461,753)**	(445,775)
Commission expenses of insurance operations	**(65,156)**	(80,034)
Administrative expenses[1]	**(49,419)**	(54,787)
Total investment income[2]	**182,530**	174,682
Other net revenue and expenses[3]	**(3,394)**	(2,428)
Profit before tax	**107,134**	108,798
Income tax	**(11,062)**	(5,061)
Net profit	**96,072**	103,737

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 under the segmented income statement.

Written Premium

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

(in RMB million)	2020	2019
Retail business	**573,607**	589,239
New business	**132,022**	153,968
Agent channel	**99,417**	124,631
Including: regular premium	**82,279**	114,685
Bancassurance channel	**9,197**	6,498
Including: regular premium	**7,949**	5,290
Telemarketing, internet and others	**23,408**	22,839
Including: regular premium	**8,004**	11,209
Renewed business	**441,585**	435,271
Agent channel	**392,816**	389,790
Bancassurance channel	**12,833**	11,870
Telemarketing, internet and others	**35,936**	33,611
Group business	**25,825**	22,398
New business	**25,676**	22,272
Renewed business	**149**	126
Total	**599,432**	611,637

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

(in RMB million)	2020	2019
Participating insurance	**129,096**	179,159
Universal insurance	**101,779**	102,020
Traditional life insurance	**117,318**	119,010
Long-term health insurance	**115,826**	107,015
Accident & short-term health insurance	**51,968**	47,600
Annuity	**82,211**	55,411
Investment-linked insurance	**1,234**	1,422
Total	**599,432**	611,637

Life and Health Insurance Business

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

(in RMB million)	2020	2019
Guangdong	**105,276**	108,696
Shandong	**36,343**	36,984
Beijing	**35,389**	32,935
Jiangsu	**33,945**	34,679
Henan	**31,823**	32,952
Subtotal	**242,776**	246,246
Total	**599,432**	611,637

Claims and Policyholders' Benefits

(in RMB million)	2020	2019
Surrenders	**36,914**	26,661
Surrender rate[1] (%)	**1.7**	1.4
Claim expenses of insurance contracts	**85,400**	86,086
Claims paid	**22,264**	20,381
Annuities	**6,940**	9,557
Maturity and survival benefits	**25,257**	25,983
Death, injury and medical care benefits	**30,939**	30,165
Reinsurer's share of claim expenses of insurance contracts	**(5,102)**	(4,623)
Policyholder dividends	**19,001**	19,329
Net increase in insurance reserves	**294,890**	286,687
Interest credited to policyholder contract deposits	**30,650**	31,635
Total	**461,753**	445,775

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

Surrenders grew by 38.5% year on year and the surrender rate increased mainly due to fluctuations in policy persistency ratios.

Annuity payments decreased by 27.4% year on year as the payments on some products peaked in 2019.

Commission Expenses of Insurance Operations

In 2020, the commission expense of the insurance business (mainly paid to the Company's sales agents) decreased by 18.6% year on year due to a change in business scale.

(in RMB million)	2020	2019
Health insurance	**28,792**	31,330
Accident insurance	**3,207**	4,925
Life insurance and others	**33,157**	43,779
Total	**65,156**	80,034

Administrative Expenses

In 2020, administrative expenses fell by 9.8% year on year, mainly due to epidemic-induced year-on-year declines in office expenses.

(in RMB million)	2020	2019
Operating expenses	**48,170**	53,867
Tax and surcharges	**1,050**	881
Impairment losses on receivables and others	**199**	39
Total	**49,419**	54,787

Total Investment Income

In 2020, Life & Health's investment yields were under pressure due to volatile stock markets and declining interest rates. The Company continued to optimize the interest rate matching of assets and liabilities. Moreover, the Company managed equity investment flexibly to seize opportunities from equity market volatility and boost investment returns. The net investment yield was 5.1%, and the total investment yield was 6.2%.

(in RMB million)	2020	2019
Net investment income[1]	**148,990**	130,702
Realized gains[2]	**40,583**	(722)
Fair value gains and losses	**(6,508)**	44,658
Impairment losses on investment assets	**(535)**	44
Total investment income	**182,530**	174,682
Net investment yield[3] (%)	**5.1**	5.2
Total investment yield[3] (%)	**6.2**	7.0

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) Average investment assets used as the denominator are computed in line with principles of the Modified Dietz method.

Income Tax

The income tax of the life and health insurance business increased year on year mainly due to the lower income tax for 2019. 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

- In 2020, Ping An Property & Casualty maintained stable growth and grew premium income by 5.5% year on year despite the COVID-19 epidemic. Ping An Property & Casualty maintained better-than-industry business quality, with its combined ratio rising by 2.7 pps year on year to 99.1%. The rise in the combined ratio was driven by a temporary increase in the combined ratio of guarantee insurance in the first half of 2020 and the rising costs of auto insurance amid intense competition against the backdrop of an auto insurance pricing reform.
- Ping An Property & Casualty continued to apply technologies to online customer development and improve the services system. As of December 31, 2020, the "Ping An Auto Owner" app, the largest automotive app in China, had over 126 million registered users, who had linked over 81 million vehicles with the app. In December 2020, the app had over 30 million monthly active users.
- Ping An Property & Casualty's leading online claims services have offered superior user experiences. Ping An Property & Casualty pioneered voice-based and instant messaging-based claim reporting for auto insurance. By introducing a precise claims settlement decision engine capable of precise customer profiling and image-based loss assessment, Ping An Property & Casualty offers differentiated claim settlement services. In 2020, 90% of insurance claims for family cars were settled via "One-click Claims Services."

BUSINESS OVERVIEW

The Company conducts its property and casualty insurance business mainly through Ping An Property & Casualty, which covers all lawful property and casualty insurance business lines including auto, corporate property and casualty, engineering, cargo, liability, guarantee, credit, home contents and accident & health, 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 ten consecutive years. Ping An Property & Casualty distributes insurance products mainly through a network of 43 branches and over 2,760 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 2020, Ping An Property & Casualty achieved steady development despite the COVID-19 epidemic. Ping An Property & Casualty's premium income grew by 5.5% year on year to RMB285,854 million, making it the second largest property and casualty insurance company in China by premium income. There was a short-term increase in guarantee insurance claims paid in the first half of 2020 due to the temporary impact of COVID-19. However, such impact had subsided in the second half of 2020. China has maintained strong economic resilience, growth momentum, and favorable policies. In addition, Ping An Property & Casualty has improved its risk management policies, customer management, and post-underwriting management. As a result, Ping An Property & Casualty's guarantee insurance combined ratio for the whole year improved after peaking in the first half. Moreover, due to rising costs amid intense competition against the backdrop of an auto insurance pricing reform, Ping An Property & Casualty's overall combined ratio for 2020 reached 99.1%, 1.0 pps higher than that for the first half of the year. Operating profit decreased by 22.9% year on year to RMB16,159 million.

Amid the COVID-19 epidemic, Ping An Property & Casualty provided approximately 500,000 small and micro-businesses across China with complimentary employee insurance services to facilitate their development. Each of the businesses got an insured amount of RMB1 million. Moreover, Ping An Property & Casualty helped ease the liquidity pressure on small and micro-businesses by offering a grace period for insurance renewal, postponing the collection of over RMB20 million in premiums for a total insured amount of over RMB20 billion. Ping An Property & Casualty also launched the "Ping An Qi Ye Bao" app and mini-program, which provide small and micro-businesses with efficient, convenient and comprehensive online insurance services and value-added services. As of December 31, 2020, Ping An Property & Casualty completed over 1.26 million insurance policy modifications online, and processed over 1.10 million non-auto insurance claims exceeding RMB2,000 million filed by small and micro-businesses. Claims were settled in a minimum of 12 seconds. In this way, Ping An Property & Casualty effectively empowered small and micro-businesses with digital technologies. Capitalizing on the Group's integrated financial business model, Ping An Property & Casualty worked with other member companies of the Group to provide small and micro-businesses with services combining risk protection and credit facilitation. In this way, Ping An Property & Casualty eased burdens on small and micro-businesses to help the real economy recover.

Key Indicators

(in RMB million)	2020	2019	Change (%)
Operating profit	**16,159**	20,952	(22.9)
Operating ROE (%)	**16.4**	24.6	-8.2 pps
Profit before tax	**19,629**	25,485	(23.0)
Net profit	**16,159**	22,808	(29.2)
Combined ratio (%)	**99.1**	96.4	2.7 pps
Including:			
Expense ratio(1) (%)	**38.6**	39.1	-0.5 pps
Loss ratio(2) (%)	**60.5**	57.3	3.2 pps
Premium income	**285,854**	270,930	5.5
Including:			
Auto insurance	**196,151**	194,315	0.9
Non-auto insurance	**72,648**	63,703	14.0
Accident and health insurance	**17,055**	12,912	32.1
Market share(3) (%)	**21.0**	20.8	0.2 pps
Including:			
Auto insurance (%)	**23.8**	23.7	0.1 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)	2020	2019	Change (%)
Premium income	**285,854**	270,930	5.5
Net earned premiums	**253,017**	231,403	9.3
Claim expenses	**(153,177)**	(132,615)	15.5
Commission expenses of insurance operations	**(40,704)**	(39,368)	3.4
Administrative expenses(1)	**(62,519)**	(57,567)	8.6
Reinsurance commission revenue	**5,473**	6,547	(16.4)
Underwriting profit	**2,090**	8,400	(75.1)
Combined ratio (%)	**99.1**	96.4	2.7 pps
Total investment income(2)	**18,370**	17,981	2.2
Average investment assets	**298,708**	273,819	9.1
Total investment yield (%)	**6.1**	6.6	-0.5 pps
Other net revenue and expenses	**(831)**	(896)	(7.3)
Profit before tax	**19,629**	25,485	(23.0)
Income tax	**(3,470)**	(2,677)	29.6
Net profit (A)	**16,159**	22,808	(29.2)
Impact of one-off material non-operating items and others(3) (B)	**-**	1,856	N/A
Operating profit (C=A-B)	**16,159**	20,952	(22.9)

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 an impact of one-off material non-operating items and others from the decrease in income tax for 2018 factored into the income tax for 2019 as a result of Ping An Property & Casualty's implementation of 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.

OPERATING DATA BY PRODUCT TYPE

Among all the insurance products offered by Ping An Property & Casualty in 2020, the top five sources of premium income were auto insurance, guarantee insurance, liability insurance, accidental injury insurance, and corporate property and casualty insurance which collectively accounted for 94.6% of Ping An Property & Casualty's total premium income for 2020.

Business Analysis
Property and Casualty Insurance Business

Auto Insurance
In 2020, new car sales declined due to the macroeconomic pressure and the COVID-19 epidemic. The premium income of Ping An Property & Casualty's auto insurance business still grew by 0.9% year on year despite that the auto insurance industry's premium per policy declined under the auto insurance pricing reform's principle of benefiting consumers. Ping An Property & Casualty's profitability continued to lead the industry although its combined ratio rose slightly year on year to 98.2% due to intensified competition in the auto insurance market brought by the auto insurance pricing reform.

During the COVID-19 epidemic, Ping An Property & Casualty strengthened online customer services and improved customer satisfaction and stickiness by providing safe, convenient auto insurance services including "One-click Policy Renewal" and "One-click Claims Services" through the "Ping An Auto Owner" app. Over 2.34 million customers used the "One-click Claims Services" through the "Ping An Auto Owner" app in 2020. After the auto insurance pricing reform, the auto insurance market is expected to be more disciplined under regulators' guidance, and auto insurance prices will be lower. In the future, Ping An Property & Casualty will continue to optimize its cost structure to improve profitability. Adhering to high-quality development and a customer-centric approach, Ping An Property & Casualty will further promote the application of technology in auto insurance operations. Ping An Property & Casualty will advance product and service innovation, and launch innovative auto insurance products including new energy vehicle insurance and usage-based insurance (UBI) to meet diverse customer needs and drive the stable, healthy development of auto insurance business.

Guarantee Insurance
Ping An Property & Casualty provides credit enhancement through financing guarantee insurance for 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. The overall risk profile was significantly better than the industry average. Domestic demand for financing guarantee insurance was strong, as it can help small and micro-businesses address financing difficulties and reduce their total financing cost. Affected by COVID-19, Ping An Property & Casualty's guarantee insurance business quality was under temporary pressure in the first half of 2020, but improved gradually in the second half thanks to targeted risk management measures. As a result, the combined ratio of guarantee insurance business for the full year declined by 14.6 pps compared with the first half to 111.0%, better than the industry average. Going forward, the pressure on the combined ratio will continue to ease as the impact of the COVID-19 epidemic recedes and the macro economy recovers. Moreover, in the medium and long term, COVID-19 will not have material impact on the development of Ping An Property & Casualty's guarantee insurance business given China's policies to maintain economic resilience and growth momentum as well as Ping An Property & Casualty's proactive risk management measures.

Liability Insurance
Premium income from the liability insurance business grew by 27.8% year on year in 2020. The combined ratio stood at 94.6%, indicating industry-leading profitability. Ping An Property & Casualty ramped up efforts in product innovation, providing protection for epidemic prevention and control as well as work and production resumption. Moreover, supported by technologies, Ping An Property & Casualty continued to optimize business processes, diversify online services, and improve the risk management framework. Ping An Property & Casualty gave full play to liability insurance in pluralistic social co-governance and high-quality economic development.

(in RMB million)	Insured amount	Premium income	Net earned premium	Claim expenses	Underwriting profit	Combined ratio	Reserve liabilities
Auto insurance	82,296,205	196,151	184,268	109,131	3,269	98.2%	151,212
Guarantee insurance	412,645	37,429	28,323	26,065	(3,125)	111.0%	64,710
Liability insurance	1,419,111,740	15,311	12,421	5,894	668	94.6%	13,777
Accidental injury insurance	1,046,112,746	14,312	13,547	3,759	1,519	88.8%	8,811
Corporate property and casualty insurance	22,216,321	7,118	4,109	2,199	397	90.3%	7,309

TECHNOLOGY-DRIVEN TRANSFORMATION

Regarding technological empowerment and innovation, Ping An Property & Casualty continued to execute the Group's comprehensive data-driven operations strategy. Ping An Property & Casualty improved user experiences and promoted business development by applying innovative technologies including AI in various scenarios and constantly upgrading technological capabilities.

- Regarding artificial intelligence, Ping An Property & Casualty's intelligent document recognition technology stayed ahead. The average accuracy rate of our optical character recognition (OCR) technology for key documents exceeded 95%, 82.1% of personal auto insurance policies were underwritten through self-service, and 90% of personal auto insurance policy modifications were completed through self-service. Ping An Property & Casualty continued to strengthen its robot assistants' interactive capabilities, with an accuracy rate of 95% in answering questions, helping the "Ping An Auto Owner" app and other five apps provide 24/7 online smart answers to questions over 100 million times in 2020.

- Regarding risk management, Ping An Property & Casualty enabled the sharing and reuse of risk management capabilities among business lines and processes via the "Smart Risk Management Platform," and reduced losses by a total of RMB520 million by applying the platform to over ten business scenarios including anti-fraud in claim settlement. Moreover, Ping An Property & Casualty enhanced the full-cycle risk management capability of agricultural insurance by leveraging technologies including satellite remote sensing, unmanned aerial vehicles, meteorological early warning and disaster monitoring to help prevent disasters, reduce losses, improve the ability to quickly determine losses in catastrophes, and protect farmers' interests.

- Regarding 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 the largest automotive tool app in China, the "Ping An Auto Owner" app had over 126 million registered users as of December 31, 2020, up 36.2% from the beginning of 2020. Over 81 million vehicles had been linked with the app, including over 24 million not insured by Ping An yet, indicating great growth potential from user conversion. In December 2020, the app had over 30 million monthly active users. Ping An Property & Casualty is the industry leader for online claims services, taking a customer-centric approach and leveraging big data and technologies to constantly offer excellent user experiences. Ping An Property & Casualty pioneered voice-based and instant messaging-based claim reporting for auto insurance, enabling customers to complete claim reporting through only four interactions. Ping An Property & Casualty constructed precise customer profiling through a decision engine to provide differentiated claims services and improve customer experiences. In addition, Ping An Property & Casualty developed smart claims robots for consultation, drop-out reminders, smart inquiries, and simple operations, making claims services more convenient. In 2020, 90% of insurance claims for family cars were settled via "One-click Claims Services."

- Regarding property & 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 2020, Ping An Property & Casualty provided 18,573 corporate customers and key engineering projects with disaster and loss prevention services. Ping An Property & Casualty carried out 11 disaster warning and loss prevention programs regarding severe natural disasters including typhoons and rainstorms, and sent out approximately 806,000 text message alerts in 2020. By developing a government-insurer risk management cloud platform, Ping An Property & Casualty helped local governments to improve production safety, environmental protection, and construction quality management in their jurisdictions.

Business Analysis
Property and Casualty Insurance Business

SOLVENCY MARGIN

As of December 31, 2020, Ping An Property & Casualty's core and comprehensive solvency margins were significantly above the regulatory requirements.

(in RMB million)	December 31, 2020	December 31, 2019	Change (%)
Core capital	**103,377**	92,897	11.3
Actual capital	**116,877**	111,397	4.9
Minimum capital	**48,418**	42,982	12.6
Core solvency margin ratio (%)	**213.5**	216.1	-2.6 pps
Comprehensive solvency margin ratio (%)	**241.4**	259.2	-17.8 pps

Notes: (1) Core solvency margin ratio = core capital / minimum capital. Comprehensive solvency margin ratio = actual capital / minimum capital.
(2) The minimum regulatory 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 the Company's property and casualty insurance business by channel:

(in RMB million)	2020 Amount	2020 Percentage (%)	2019 Amount	2019 Percentage (%)
Agencies	**70,555**	**24.7**	63,318	23.4
Car dealers	**70,423**	**24.6**	65,431	24.2
Cross-selling	**45,947**	**16.1**	45,427	16.8
Telemarketing and online channels	**41,390**	**14.5**	47,832	17.7
Direct selling	**32,862**	**11.5**	28,273	10.4
Others	**24,677**	**8.6**	20,649	7.5
Total	**285,854**	**100.0**	270,930	100.0

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

(in RMB million)	2020	2019
Guangdong	**45,091**	44,337
Jiangsu	**20,520**	18,849
Zhejiang	**18,148**	16,829
Shanghai	**15,980**	14,862
Shandong	**15,394**	14,365
Subtotal	**115,133**	109,242
Total	**285,854**	270,930

Reinsurance Arrangement

Ping An Property & Casualty adheres to a prudent approach to its reinsurance business 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 empowering reinsurance with technologies. Ping An Property & Casualty has partnered with nearly 100 reinsurers and reinsurance brokers worldwide, including China Property & Casualty Re, Swiss Re, SCOR, and Munich Re.

(in RMB million)	2020	2019
Ceded premium	**16,714**	15,928
Auto insurance	**7,315**	7,325
Non-auto insurance	**9,045**	8,586
Accident and health insurance	**354**	17
Inward reinsurance premium	**57**	66
Non-auto insurance	**57**	66

Claim Expenses

In 2020, claim expenses rose by 15.5% year on year mainly due to sustained insurance business growth and a short-term increase in guarantee insurance claims paid in the first half of 2020 as a result of the impact of COVID-19.

(in RMB million)	2020	2019
Auto insurance	**109,131**	101,063
Non-auto insurance	**38,847**	27,748
Accident and health insurance	**5,199**	3,804
Total	**153,177**	132,615

Commission Expenses of Insurance Operations

In 2020, commission expenses of insurance operations increased by 3.4% year on year, while the proportion of such expenses to premium income decreased by 0.3 pps year on year, mainly due to the increased insurance premium income and the decreased market premium per policy under the auto insurance pricing reform's principle of benefiting consumers.

(in RMB million)	2020	2019
Auto insurance	**27,545**	29,591
Non-auto insurance	**7,235**	5,754
Accident and health insurance	**5,924**	4,023
Total	**40,704**	39,368
Commission expenses as a percentage of premium income (%)	**14.2**	14.5

Administrative Expenses

In 2020, administrative expenses rose by 8.6% year on year, mainly driven by sustained insurance business growth.

(in RMB million)	2020	2019
Operating expenses	**59,483**	54,720
Tax and surcharges	**1,400**	1,405
Impairment losses on receivables and others	**1,636**	1,442
Total	**62,519**	57,567

Total Investment Income

In 2020, the property and casualty insurance business's investment yields were under pressure due to volatile stock markets and declining interest rates. The Company continued to optimize the interest rate matching of assets and liabilities. Moreover, the Company managed equity investment flexibly to seize opportunities from equity market volatility and boost investment returns. The net investment yield was 5.3%, and the total investment yield was 6.1%.

(in RMB million)	2020	2019
Net investment income[1]	**15,736**	14,748
Realized income[2]	**2,846**	121
Fair value gains and losses	**(425)**	3,008
Impairment losses on investment assets	**213**	104
Total investment income	**18,370**	17,981
Net investment yield[3] (%)	**5.3**	5.4
Total investment yield[3] (%)	**6.1**	6.6

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 income includes capital gains from securities investments.

(3) Average investment assets used as the denominator are computed in line with the principles of the Modified Dietz method.

Income Tax

The income tax of Ping An Property & Casualty increased year on year in 2020 mainly due to the low income tax in the same period of 2019 resulted from the implementation of 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 RMB1,856 million on the income tax for 2018 was deducted from the income tax for 2019.

Business Analysis
Investment Portfolio of Insurance Funds

- The Company's investment portfolio of insurance funds grew 16.6% from the beginning of 2020 to RMB3.74 trillion as of December 31, 2020 with 18.9% of the financial assets carried at fair value through profit or loss under IFRS 9. The Company has a pioneering data- and model-based system covering the entire process from asset allocation to quantitative management of assets and liabilities to increase the efficiency of insurance fund investment as well as ensure the safety and soundness of the investment portfolio.
- For the past ten years, the average total investment yield and the average comprehensive investment yield of the Company's investment portfolio of insurance funds were 5.3% and 5.5% respectively, both above the 5% long-term investment return assumption.
- The Company succeeded in further narrowing the asset-liability duration gap despite a market-wide shortage of long-duration assets. The Company further improved investment risk management by refining risk limits, increasing monitoring frequency, and enhancing risk warning and risk review to ensure overall investment risks are under control.

INVESTMENT PORTFOLIO OVERVIEW

The Company's investment portfolio of insurance funds is comprised of investable funds from Life & Health and Property & Casualty insurance businesses.

After significant slowdowns due to COVID-19, major economies slowly rebooted from the middle of the second quarter of 2020. However, COVID-19 broke out again in several countries in the second half of the year, posing risks to the outlook of global economic recovery. Given a sharp decline in China's economy in the first quarter, the central government implemented countercyclical macroeconomic policies and promoted the resumption of work and production. As a result, China has recovered gradually since the second quarter, becoming the world's only major economy with positive growth in 2020. Offshore capital markets once suffered drastic corrections amid the pandemic, but gradually regained ground with the help of more countercyclical macroeconomic policies adopted by governments around the world. Moreover, as China took the lead in containing the epidemic and adopted timely policies to stabilize markets expectations, domestic capital markets were less volatile than offshore markets in general. These policies include "ensuring stability in employment, financial markets, foreign trade, foreign investment, domestic investment, and expectations" and "ensuring job security, basic livelihoods, operations of market entities, food and energy security, stable industry and supply chains, and the normal functioning of primary-level governments." Shanghai Composite Index rose 13.9% in the year, but witnessed mixed sector performances. The Hang Seng Index declined 3.4% due to the volatile overseas markets. Domestic interest rates dropped first and then rose above early-2020 levels, but the average rates still fell significantly year on year amid overseas zero interest rates, domestic countercyclical monetary policies, and changes in economic fundamentals. Investment yields of the Company's investment portfolio of insurance funds were under pressure due to volatile stock markets and declining interest rates. However, the Company generated excess returns and ensured the safety and soundness of the investment portfolio of insurance funds through measures including robust strategic asset allocation, precise tactical operations, engagement of excellent external managers, innovative alternative investments, and proactive post-investment management.

ASSET-LIABILITY MANAGEMENT

The Company continued to improve asset-liability matching of insurance funds. The Company maintained robust asset-liability management. In response to challenges brought by falling interest rates, the Company continued to extend asset duration in order to mitigate re-investment risk. This was achieved through increased allocations 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 despite general shortage of long-duration assets in the market. As a result, asset-liability duration gap was further narrowed which in turn improves asset-liability matching. In addition, Ping An established flexible asset-liability management mechanisms, maintained reasonable guaranteed interest rates of liabilities, and optimized the interest rate matching of assets and liabilities. Moreover, Ping An managed equity investment flexibly to seize opportunities from epidemic-induced market volatility and boost investment returns. Bolstered by high-quality assets and flexible, robust equity investment, the Company does not need and has no plan to increase the risk appetite of its investment portfolio of insurance funds in the current low interest rate environment.

INVESTMENT RISK MANAGEMENT

The Company continued to strengthen its asset-liability risk management. The Company optimized asset-liability duration matching by making more investment in long-duration rate bonds. Attaching great importance to risk management in matching costs and returns, the Company established a risk appetite framework in which the matching of costs and returns was a key quantitative indicator, and conducted reviews on a regular basis. The Company conducted regular stress tests on the investment portfolio of insurance funds by embedding testing in the asset allocation process and conducting ex ante risk management. In the event of increased market volatility, the Company would carry out intensified and more frequent stress testing to ensure the soundness of the portfolio under exceptional market impacts.

The Company focused on developing rules and processes. To optimize end-to-end risk management, the Company standardized its business processes, improved its investment risk management framework, and enhanced admission strategies, credit rating, counterparty and issuer credit management, concentration management, risk and contingency management, and other key processes.

The Company applied technologies to the management of key post-investment matters. The Company established a risk warning platform to monitor six categories of risk signals including market fluctuations, negative public opinions and financial changes, covering over 300 risk labels. By using smart analytics models, the Company identified risks more rapidly, made timely decisions, and took action in advance. The Company upheld the principles of "well-defined responsibilities, timely follow-up, and sound management," and was hence able to "monitor risks closely, identify risks accurately, and avoid risks promptly." In this way, the Company integrated risk management with value creation.

The Company enhanced its risk monitoring system and risk management information system. By establishing a risk management database, the Company conducted systematic monitoring, identification, smart warning and management of asset-liability and portfolio risks in a timely manner.

Investment Portfolio of Insurance Funds

INVESTMENT PORTFOLIO (BY CATEGORY)

(in RMB million)	December 31, 2020 Carrying value	Percentage (%)	December 31, 2019 Carrying value	Percentage (%)
Cash and cash equivalents	**87,201**	**2.3**	95,680	3.0
Term deposits	**226,922**	**6.1**	210,925	6.6
Debt financial assets				
Bond investments	**1,877,465**	**50.2**	1,504,059	46.9
Bond funds	**49,806**	**1.3**	42,234	1.3
Preferred stocks	**118,751**	**3.2**	114,896	3.6
Perpetual bonds	**53,733**	**1.4**	17,838	0.6
Policy loans	**161,381**	**4.3**	139,326	4.3
Debt schemes	**161,047**	**4.3**	132,462	4.1
Wealth management products[1]	**251,638**	**6.7**	297,631	9.3
Equity financial assets				
Stocks	**315,103**	**8.4**	295,429	9.2
Equity funds	**67,021**	**1.8**	49,491	1.5
Wealth management products[1]	**39,298**	**1.1**	38,187	1.2
Unlisted equities	**82,406**	**2.2**	67,462	2.1
Long-term equity stakes	**156,004**	**4.2**	120,345	3.8
Investment properties	**63,238**	**1.7**	61,005	1.9
Other investments[2]	**29,567**	**0.8**	21,866	0.6
Total investments	**3,740,581**	**100.0**	3,208,836	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 derivative financial assets.

INVESTMENT PORTFOLIO (BY ACCOUNTING MEASUREMENT)

The Company has implemented IFRS 9 for financial instruments since January 1, 2018. As of December 31, 2020, our insurance fund portfolio's investment in financial assets carried at fair value through profit or loss accounted for 18.9% of the total assets.

(in RMB million)	December 31, 2020 Carrying value	Percentage (%)	December 31, 2019 Carrying value	Percentage (%)
Financial assets carried at fair value through profit or loss	**705,757**	**18.9**	586,777	18.3
Fixed income	**398,101**	**10.6**	336,594	10.5
Stocks	**117,099**	**3.1**	95,895	3.0
Equity funds	**67,021**	**1.8**	49,491	1.5
Other equity financial assets	**123,536**	**3.4**	104,797	3.3
Financial assets carried at fair value through other comprehensive income	**513,703**	**13.7**	509,167	15.9
Financial assets measured at amortized cost	**2,301,869**	**61.5**	1,931,531	60.2
Others[1]	**219,252**	**5.9**	181,361	5.6
Total investments	**3,740,581**	**100.0**	3,208,836	100.0

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

INVESTMENT INCOME

In 2020, yields on the Company's investment portfolio of insurance funds were under pressure due to volatile stock markets and falling market interest rates. The Company continued to optimize the asset-liability matching of insurance funds, and managed equity investments flexibly to profit from equity market fluctuations and boost investment returns. The net investment yield was 5.1% and the total investment yield was 6.2%.

(in RMB million)	2020	2019	Change (%)
Net investment income[1]	**163,462**	144,050	13.5
Realized gains[2]	**43,429**	(601)	N/A
Fair value gains and losses	**(6,933)**	47,666	N/A
Impairment losses on investment assets	**(322)**	148	N/A
Total investment income	**199,636**	191,263	4.4
Net investment yield[3] (%)	**5.1**	5.2	-0.1 pps
Total investment yield[3] (%)	**6.2**	6.9	-0.7 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) Average investment assets used as the denominator are computed in line with principles of the Modified Dietz method.

Average annual investment yields on the Company's investment portfolio of insurance funds for the past ten years were above the 5% long-term investment return assumption.

	2011-2020
Average net investment yield (%)	5.3
Average total investment yield (%)	5.3
Average comprehensive investment yield (%)	5.5

CORPORATE BONDS

As of December 31, 2020, the Company held RMB110,019 million worth of corporate bonds, which accounted for 2.9% of its investment portfolio of insurance funds, down 1.1 pps from the beginning of 2020 and down 2.9 pps from the beginning of 2019. The overall credit rating was kept at a good level. About 100.0% of the corporate bonds had AA and higher external ratings and about 91.0% had AAA external ratings, similar to the proportions at the end of 2019. In terms of credit losses, the corporate bonds in the Company's investment portfolio of insurance funds were quite secure as their risks were under control. For risk management of corporate bonds, the Company ensured end-to-end assessment and management of investment risks through asset allocation, admission management, and dynamic review. Since 2003, the Company has maintained an internal credit rating team that has conducted strict internal credit rating-based admission management for the investment in corporate bonds and reviewed and adjusted ratings to ensure that credit ratings reasonably reflect credit profiles of bond issuers. Moreover, the Company carried out ex ante monitoring of potential risks in corporate bonds on the basis of a bond issuer list and a rapid response mechanism that deals with negative public opinions. The Company effectively identified and reported high-risk corporate bonds to enhance the efficiency of risk warning and management. In the second half of 2020, a series of defaults by local state-owned enterprises (SOEs) in China caused market concerns on credit bonds, impacting the credit bond market seriously. Through robust corporate bond management measures, Ping An effectively steered clear of bonds involved in the recent wave of defaults, and ensured the safety of corporate bonds in the Company's investment portfolio of insurance funds.

DEBT SCHEMES AND DEBT WEALTH MANAGEMENT PRODUCTS

As of December 31, 2020, there has been no default on debt schemes and debt wealth management products held by the Company since it started investing in this asset category. Debt schemes and debt wealth management products include debt investment schemes undertaken 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, 2020, our insurance fund portfolio's investment in debt schemes and debt wealth management products totaled RMB412,685 million, accounting for 11.0% of the total investment assets. 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 risks within the risk appetite, the Company formulates a strategic asset allocation plan for each account, and sets upper and lower limits on the proportions of asset allocation. In tactical asset allocation, the Company gives opinions on capital allocation to debt schemes and debt wealth management products according to the funding level in each account, the return and liquidity demands, and similar assets' relative attractiveness. The second level is asset selection. When selecting assets, the Company prefers projects located in developed areas and leaders of industries in line with China's industry policies. All debt schemes and debt wealth management product investments have to be approved by relevant investment committees. Rating standards applied by the Company's internal credit rating team to debt schemes are as stringent as those to corporate bonds. The third level is post-investment management. The company closely monitors the assets and has established a multi-dimensional risk warning framework covering all investment areas, assets and instruments to ensure the 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	**38.1**	**5.46**	**8.32**	**5.09**
Expressway	11.8	5.58	8.81	4.82
Electric power	6.0	4.89	8.74	6.43
Infrastructure and development zones	9.0	5.87	7.96	5.30
Others (water supply, environmental protection, railway...)	11.3	5.32	7.86	4.49
Non-banking financial services(2)	**26.9**	**5.69**	**5.79**	**2.48**
Real estate	**17.5**	**5.62**	**4.42**	**2.34**
Coal mining	**0.9**	**5.74**	**9.01**	**3.86**
Others	**16.6**	**5.10**	**6.87**	**5.48**
Total	**100.0**	**5.49**	**6.72**	**3.96**

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

Currently, the overall risks of debt schemes and debt wealth management products held by Ping An in its investment portfolio of insurance funds are controllable. In terms of credit ratings, over 99.0% of the debt schemes and trust plans held by Ping An had AAA external ratings, and the remaining 1.0% had 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, Ping An avoids high-risk industries and regions. Ping An's 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, 2020, equity wealth management products in the Company's investment portfolio of insurance funds totaled RMB39,298 million, accounting for 1.1% of the total investment assets. The majority of equity wealth management products held by Ping An are from insurance asset managers. The underlying assets of these products are mainly tradable shares of domestic and foreign high-quality companies in the secondary market, indicating no significant liquidity risk. Private equity funds account for a tiny proportion; their underlying assets are mainly equities in central and local governments' partnerships, with risks fully under control.

Business Analysis
Banking Business

- Ping An Bank maintained stable business growth. In 2020, revenue grew by 11.3% year on year to RMB153,542 million. Net profit for 2020 rose by 2.6% year on year to RMB28,928 million, indicating improved profitability.
- Ping An Bank kept its overall asset quality risk under control by proactively responding to external risks and optimizing its business portfolio. As of December 31, 2020, the non-performing loan ratio, the percentage of loans more than 60 days overdue, and the percentage of loans more than 90 days overdue fell 0.47 pps, 0.50 pps and 0.47 pps respectively from the beginning of 2020, and dropped 0.14 pps, 0.19 pps and 0.22 pps respectively from September 30, 2020. The provision coverage ratios for loans more than 60 days overdue and loans more than 90 days overdue rose 29.44 pps and 45.85 pps respectively from the beginning of 2020. The deviations of loans more than 60 days overdue and loans more than 90 days overdue were both below 1.
- Ping An Bank upgraded its retail business transformation and achieved rapid recovery after the COVID-19 epidemic. In 2020, retail banking revenue grew by 10.8% year on year. As of December 31, 2020, the number of registered users of the "Ping An Pocket Bank" app exceeded 100 million. Retail assets under management (AUM) rose by 32.4% from the beginning of 2020 to RMB2,624,762 million. Retail deposits balance increased by 17.3% from the beginning of 2020 to RMB684,669 million.

BUSINESS OVERVIEW

2020 was the first year for Ping An Bank to implement its new 3-year strategy. Ping An Bank continued its mission to build "China's most outstanding, world-leading smart retail bank" under the strategy of "technological empowerment, breakthroughs in retail banking, and enhancement of corporate banking." Positioned as "a digital bank, an ecosystem, and a platform," Ping An Bank continuously optimized its asset-liability structure, laying a solid foundation through transformation and upgrade for further development.

Responding to the unexpected COVID-19 outbreak and complex international situations in 2020, Ping An Bank took strategic measures to resume business quickly through online digital operations, ensuring undisrupted high-quality customer services. Ping An Bank continued to strengthen financial risk prevention and management, and actively fulfilled various social responsibilities. Ping An Bank followed the national policies of "ensuring stability in employment, financial markets, foreign trade, foreign investment, domestic investment, and expectations" and "ensuring job security, basic livelihoods, operations of market entities, food and energy security, stable industry and supply chains, and the normal functioning of primary-level governments." Ping An Bank made unremitting efforts to meet customers' diverse demands for financial services, support companies' rapid resumption of work and production, and contribute to the continuous transformation and upgrade of the real economy.

Ping An Bank continued to make its outlets smarter and improved their geographic distribution. As of December 31, 2020, Ping An Bank had 100 branches (including Hong Kong Branch) and 1,103 business outlets.

KEY INDICATORS

Ping An Bank maintained stable business growth in 2020 with revenue rising 11.3% year on year to RMB153,542 million. Operating profit before impairment losses on assets grew by 12.0% year on year to RMB107,327 million. Due to uncertainties brought by COVID-19, Ping An Bank proactively strengthened provisions for impairment losses on loans and advances as well as non-loan assets according to economic trends and predictions on domestic and international environments. Moreover, Ping An Bank enhanced the disposal and write-off of non-performing assets and raised the provision coverage ratio. Despite rising provision, net profit for 2020 rose by 2.6% year on year to RMB28,928 million, indicating improved profitability.

(in RMB million)	**2020**	2019	Change (%)
Operating results and profitability			
Revenue	**153,542**	137,958	11.3
Operating profit before impairment losses on assets	**107,327**	95,816	12.0
Net profit	**28,928**	28,195	2.6
Cost-to-income ratio(1) (%)	**29.11**	29.61	-0.50 pps
Average return on total assets (%)	**0.69**	0.77	-0.08 pps
Weighted average ROE (%)	**9.58**	11.30	-1.72 pps
Net interest margin(2) (%)	**2.53**	2.62	-0.09 pps

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

(in RMB million)	**December 31, 2020**	December 31, 2019	Change (%)
Deposits and loans(1)			
Total loans and advances	**2,666,297**	2,323,205	14.8
Including: Retail loans	**1,604,940**	1,357,221	18.3
Corporate loans	**1,061,357**	965,984	9.9
Deposits	**2,673,118**	2,436,935	9.7
Including: Retail deposits	**684,669**	583,673	17.3
Corporate deposits	**1,988,449**	1,853,262	7.3
Asset quality			
Non-performing loan ratio (%)	**1.18**	1.65	-0.47 pps
Provision coverage ratio (%)	**201.40**	183.12	18.28 pps
Deviation of loans more than 60 days overdue(2)	**0.92**	0.96	-4 pps
Capital adequacy ratio			
Core tier 1 capital adequacy ratio(3) (%)	**8.69**	9.11	-0.42 pps

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

Business Analysis
Banking Business

Analysis of Profit Sources

(in RMB million)	2020	2019	Change (%)
Net interest revenue	**99,650**	89,961	10.8
Average balance of interest-earning assets	**3,944,430**	3,433,756	14.9
Net interest margin (%)	**2.53**	2.62	-0.09 pps
Net non-interest revenue	**53,892**	47,997	12.3
Including:			
Net fee and commission revenue	**43,481**	36,743	18.3
Other net non-interest revenue[1]	**10,411**	11,254	(7.5)
Revenue	**153,542**	137,958	11.3
General and administrative expenses	**(44,690)**	(40,852)	9.4
Cost-to-income ratio (%)	**29.11**	29.61	-0.50 pps
Tax and surcharges	**(1,525)**	(1,290)	18.2
Operating profit before impairment losses on assets	**107,327**	95,816	12.0
Impairment losses on credit and other assets	**(70,418)**	(59,527)	18.3
Including:			
Loan impairment loss	**(43,148)**	(53,288)	(19.0)
Average balance of loans (including discounted bills)	**2,497,111**	2,096,394	19.1
Credit cost[2] (%)	**1.73**	2.54	-0.81 pps
Other expenses	**(155)**	(49)	216.3
Profit before tax	**36,754**	36,240	1.4
Income tax	**(7,826)**	(8,045)	(2.7)
Net profit	**28,928**	28,195	2.6

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

Ping An Bank's net interest margin for 2020 decreased by 0.09 pps year on year to 2.53% as the yields on interest-earning assets dropped slightly faster than the costs of interest-bearing liabilities. On the basis of the market interest rate movements and asset and liability management goals, Ping An Bank adjusted its business portfolio, which led to lower funding costs. In addition, Ping An Bank strengthened its services to the real economy and lowered financing cost for the real economy.

Ping An Bank's net non-interest revenue for 2020 totaled RMB53,892 million, up 12.3% year on year largely due to an increase in fee revenue from the retail distribution of funds and trust schemes, trade finance, corporate banking intermediary business, bond underwriting, and wealth management business.

RETAIL BUSINESS

In 2020, under the new 3-year transformation strategy and the "3+2+1" operational strategy, Ping An Bank promoted the three key businesses of "basic retail banking, private banking & wealth management, and consumer finance," enhanced the two core capabilities of "risk management and cost control," and developed the "one ecosystem." Positioned as "a digital bank, an ecosystem, and a platform," Ping An Bank implemented the new strategy of "data-driven operations, online operations, comprehensive services, and ecosystem-based development" to promote its retail business transformation and continuously build differentiation advantages.

Despite the impact of COVID-19, Ping An Bank resumed its businesses quickly and maintained steady growth in the retail business with its technology-powered online operational capabilities. In 2020, retail banking revenue grew by 10.8% year on year to RMB88,578 million, accounting for 57.7% of Ping An Bank's total revenue. Operating profit before impairment losses on assets of retail banking grew by 10.8% year on year to RMB57,724 million. As Ping An Bank increased retail provisions, net profit from retail banking dropped slightly year on year to RMB17,674 million, but still within a reasonable range. As of December 31, 2020, Ping An Bank's retail AUM rose by 32.4% from the beginning of 2020 to RMB2,624,762 million. Retail customers and registered users of the "Ping An Pocket Bank" app both exceeded 100 million. The integrated financial business model made steady contributions to retail banking. The cross-selling channel's non-performing loan ratio was generally lower than the overall level.

(in RMB million)	2020	2019	Change (%)
Retail banking operating results			
Revenue from retail banking	**88,578**	79,973	10.8
Operating profit before impairment losses on assets from retail banking	**57,724**	52,085	10.8
Net profit from retail banking	**17,674**	19,493	(9.3)

	2020	
	Cross-selling channel's contributions to retail banking	Cross-selling channel's contribution percentage (%)
Cross-selling channel's contributions to retail banking		
New credit cards issued (in million)	**3.25**	**32.0**
Xinyidai unsecured loans granted (in RMB million)	**65,083**	**61.8**
Auto loans granted (in RMB million)	**64,850**	**29.3**

	December 31, 2020	
(%)	Overall non-performing loan ratio	Cross-selling channel's non-performing loan ratio
Asset quality of retail banking		
Credit card receivables	**2.16**	**1.96**
Xinyidai unsecured loans	**1.13**	**0.81**
Auto loans(1)	**0.70**	**1.07**

Note: (1) In respect of auto loans, the Group's cross-selling channel had a non-performing loan ratio of 1.07%, higher than the overall non-performing loan ratio mainly because the cross-selling channel had a high proportion of auto mortgages. Moreover, the non-performing loan ratio of the cross-selling channel's auto mortgages was 0.08 pps lower than that of other customer segments' auto mortgages.

In basic retail banking, Ping An Bank continued to strengthen omni-channel customer acquisition and full-scenario business development. In terms of innovation in customer acquisition channels, Ping An Bank actively constructed an open bank and pursued ecosystem-based development. In 2020, the open bank acquired 4,056.3 thousand customers through the internet channel, accounting for 39.0% of the total retail customers acquired. In terms of innovation in business models, Ping An Bank actively implemented a new model of "AI + remote customer service representatives + offline teams." Ping An Bank developed unified middle-office capabilities and upgraded the segmented customer development model to improve customer experiences and operational efficiency. In addition, Ping An Bank focused on scenario-based operations of key customer segments and refined the customer development capabilities. In deposit business, Ping An Bank maintained steady growth, adjusted the portfolio, and reduced the cost of retail deposits. Ping An Bank continued to expand AUM to increase AUM-derived deposits, and raised the proportion of retained 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 to boost demand deposits and optimize its incremental deposit portfolio. As of December 31, 2020, the balances of retail deposits and retail demand deposits increased by 17.3% and 21.2% from the beginning of 2020 to RMB684,669 million and RMB242,269 million respectively. The average cost of retail deposits for 2020 was 2.42%, down 0.20 pps year on year.

Business Analysis
Banking Business

In private banking & wealth management business, as of December 31, 2020, Ping An Bank had 934,200 wealth management customers, up 19.9% from the beginning of 2020. The number of qualified private banking customers (the criterion for a qualified private banking customer is over RMB6 million in average daily assets for any one of the recent three months) was 57,300, up 30.8% from the beginning of 2020. The AUM of qualified private banking customers stood at RMB1,128,897 million, up 53.8% from the beginning of 2020. Ping An Bank continued to promote its private banking business, and enhanced its comprehensive, professional and technology-powered capabilities. In respect of comprehensive capabilities, Ping An Bank continued to improve an open platform covering all categories of products and actively promoted business innovation. Specifically, Ping An Bank signed its first family office service contract involving over RMB100 million in AUM, and created the first anti-epidemic charity trusts and the first property management trust. In respect of professional capabilities, Ping An Bank developed its investment research, investment advisory and family office teams, and enhanced the influence of experts on branch teams and online channels to provide more extensive and better services to private banking customers. In respect of technology-powered capacities, Ping An Bank launched an AI-based platform for distributing privately offered products, which is the first full self-service online platform for privately offered products on a 24/7 basis in China. Now the platform supports the distribution of over 96% of Ping An Bank's privately offered products, and is the first in the industry to facilitate 100% online operations of insurance trust business.

	December 31, 2020	December 31, 2019	Change (%)
Number of retail customers[(1)] (in million)	**107.15**	97.08	10.4
Including:			
Wealth management customers (in thousand)	**934.2**	779.3	19.9
Including:			
Qualified private banking customers (in thousand)	**57.3**	43.8	30.8
Retail AUM (in RMB million)	**2,624,762**	1,982,721	32.4
Number of credit cards in circulation (in million)	**64.25**	60.33	6.5

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

CORPORATE BUSINESS

In 2020, Ping An Bank's corporate banking business served as an engine of the Group's "1+N" corporate integrated financial business model. Remaining customer-centric, Ping An Bank continued its "3+2+1" corporate banking strategy to promote balanced development and retail transformation by focusing on new supply chains, bill integration, a uniform customer development platform, sophisticated investment and financing, and ecosystem-based cross-selling. The strategy featured the three pillars of "industry-specific banking, transaction banking, and integrated finance," the two core customer segments of "strategic customers and small and micro-business customers," and the one lifeline of "asset quality." Amid the COVID-19 epidemic, Ping An Bank achieved growth in the corporate banking business through accelerated data-driven operations by leveraging on the Group's competitive edge in "finance + technology." In 2020, corporate net non-interest revenue (excluding the interbank business) increased by 12.2% year on year to RMB11,245 million, and the proportion of corporate net non-interest revenue to corporate revenue grew 2.0 pps year on year, mainly attributable to revenues from cross-selling, off-shore financing, forfaiting, bank acceptance and e-commerce. In 2020, insurance premiums referred by Ping An Bank rose by 102.9% year on year to RMB2,701 million. Ping An Bank continued to optimize the asset-liability structure of corporate business. As of December 31, 2020, the balances of corporate loans and corporate deposits were RMB1,061,357 million and RMB1,988,449 million respectively, up 9.9% and 7.3% respectively from the beginning of the year. The balance of corporate demand deposits was RMB694,240 million, up 16.6% from the beginning of the year. The average cost of corporate deposits for 2020 was 2.17%, down 0.25 pps year on year.

Ping An Bank fully leveraged technologies including AI, blockchain and the IoT to drive corporate business innovation. On December 22, 2020, Ping An Bank co-launched the Chinese financial industry's first IoT satellite "PingAn-1" (Tianqi 8) with a leading commercial satellite company which has a standalone telecommunication channel. Satellite "PingAn-1" and the smart IoT platform "Nebula-IoT" are key parts of the "Nebula Plan," which explores and promotes the application scenarios of financial innovations in the supply chain and other fields. In 2020, the transaction volume of Ping An Bank's internet payment and settlement services platform rose by 129.2% year on year to RMB9.58 trillion. In late 2020, Ping An Bank upgraded the "Ping An

Pocket Finance" app into the "Ping An Digital Pocket" app, which was designed as a unified digital portal for the Group's micro-, small and medium-sized business customers. As of December 31, 2020, the platform had 1,040.2 thousand registered corporate users, up 189.1% from the beginning of the year; the users contributed a total transaction volume of RMB4.33 trillion in 2020, up 16.4% year on year. As of December 31, 2020, Ping An Bank provided 1,550 core enterprises and 11,602 suppliers with financial services through the "Ping An Good Chain," a cloud-based supply chain finance platform, with an annual transaction volume of RMB82,715 million, up 143.0% year on year. Moreover, new investment and financing projects implemented by Ping An Bank in partnership with other member companies of the Group grew 65.1% year on year to RMB431,215 million in 2020.

In addition to business development, Ping An Bank vigorously serves the real economy by supporting non-state-owned enterprises and small and micro-businesses while working closely with strategic customers in key industries. As of December 31, 2020, the proportion of credit lines granted to key industries including healthcare, auto ecosystem services, clean energy, livelihood-related industries, infrastructure, transportation, electronic and information technology, and environmental protection stood at 46.2%, basically the same as that at the beginning of 2020. The balance of loans to strategic customers rose by 40.5%, with its share in the corporate loan balance up 16.6 pps from the beginning of 2020. New loans to small and micro-businesses each with a credit line not more than RMB10 million ("inclusive small and micro-business loans") increased by 19.9% year on year to RMB286,630 million in 2020. As of December 31, 2020, the number of customers with such loans amounted to 654.3 thousand, and the balance of such loans reached RMB282,830 million, up 38.8% from the beginning of 2020, accounting for 10.6% of the balance of Ping An Bank's loans.

INTERBANK BUSINESS

Ping An Bank implemented the "3+2+1" strategy for the interbank business, featuring the three business directions of "new transactions, new interbank business, and new asset management business," the two core capabilities of "sales and transactions," and the "one smart interbank business system platform." Ping An Bank proactively fought COVID-19 to maintain normal operations and development. Ping An Bank continued to carry out the FICC (fixed income, currencies and commodities) market-making business by leveraging its market-leading smart quantitative trading system and electronic trading capability. Ping An Bank further expanded its market shares by trading volumes of major market-making instruments, leading the way in the market. In 2020, Ping An Bank achieved RMB4,303 million in net revenue from fixed-income trading in treasury business, up 33.9% year on year. As of December 31, 2020, Ping An Bank's integrated financial asset trading platform ET-Bank had cooperated with 2,282 customers. In 2020, the interbank institutional sales volume reached RMB805,812 million, up 59.9% year on year. Ping An Wealth Management Co., Ltd., a wealth management subsidiary wholly owned by Ping An Bank, officially opened for business on August 28, 2020. As of December 31, 2020, Ping An Bank had RMB463,528 million of NAV-type (net asset value-type) products in compliance with the new asset management regulations, up 80.2% from the beginning of 2020, accounting for 71.5% of the balance of non-principal guaranteed wealth management products, compared with 43.6% at the beginning of 2020.

TECHNOLOGY-DRIVEN TRANSFORMATION

Taking "technology-driven business" as the driving force for strategic transformation, Ping An Bank continued to increase investment in fintech and transform toward "a digital bank, an ecosystem, and a platform." As of December 31, 2020, Ping An Bank's IT staff (including outsourced staff) increased by more than 12.5% from the beginning of 2020 to over 8,500. In 2020, IT capital expenditure and expenses grew by 33.9% year on year.

- Ping An Bank empowered its business with technologies. In 2020, business development requirements increased by over 36% year on year as Ping An Bank furthered its agile transformation. A fleet of important business systems were put into operation. As a new core system for credit cards commenced operations, Ping An Bank became the first in the industry to successfully migrate a core business system from a mainframe-based centralized architecture to a PC server-based distributed architecture. The new system has the capability to support billions of users and transactions per day, with multiple technical indicators ranked first in the industry. In 2020, the restructuring and upgrading of Ping An Bank's ET-Bank system was completed, leading to a 214.0% year-on-year increase in user visits and a 70.7% year-on-year increase in online sales.

- Ping An Bank established leading infrastructure platforms. Ping An Bank remains committed to the transformation toward a distributed architecture by building cutting-edge infrastructure platforms and accelerating the deployment of Starlink, the distributed financial Platform as a Service (PaaS) and "Nebula-IoT." As of December 31, 2020, more than 97% of Ping An Bank's applications had been launched via Starlink, an integrated development and maintenance tool platform. The distributed financial PaaS had been used in more than 500 projects. With more than 330,000 devices connected to "Nebula-IoT," Ping An Bank helps micro-, small and medium-sized enterprises thrive under an innovative model combining industries and financing.

- Ping An Bank accelerated its digital operation transformation. Regarding the data middle office, as of December 31, 2020, Ping An Bank consolidated over 20 million entries of blacklist data and blocked a total of 180,000 transactions with the blacklist-based risk management service. Regarding AI platforms, Ping An Bank developed over 1,000 AI models in 2020, up over 300% year on year, covering 100% of smart marketing scenarios. Regarding data governance, by treating data as an asset, Ping An Bank thoroughly reviewed its data, and developed over 2,000 basic data standards and over 500 indicator data standards.

- Ping An Bank strengthened technological innovation and application. Capitalizing on the Group's core technologies, Ping An Bank accelerated the application of new technologies to banking scenarios. Regarding AI, as of December 31, 2020, Ping An Bank's credit card smart speech platform made 171 million outbound calls with a recognition accuracy rate of over 96%, facilitating about RMB18.9 billion in credit card installments. Regarding blockchain, Ping An Bank provided blockchain-based certificate storage, traceability, and anti-tampering services for over 9,000 devices in the device loan business under the bank-leasing cooperation. Moreover, Ping An Bank built a blockchain-enabled taxation alliance with local tax authorities to effectively reduce companies' tax compliance costs and trade finance risks.

- Ping An Bank built a strong brand in fintech. In 2020, Ping An Bank was honored as the "World's Best Digital Bank 2020" by the *Euromoney* magazine and received multiple authoritative awards at home and abroad for its technological achievements. Ping An Bank's smart risk management platform project won the "Gartner Innovation Award 2020 for Financial Services," making Ping An Bank the first in the Chinese banking sector to receive the award. The fully online smart loan platform, the "Ping An Good Chain," the distributed financial Platform as a Service (PaaS), and the smart risk management platform received the second prizes of "2019 Bank Technology Development Awards" from the People's Bank of China respectively. The Thoth security risk management platform received the "2020 Best Cyber Security and IT Risk Management Implementation" award from *The Asian Banker* magazine.

ASSET QUALITY

Ping An Bank went all out to support the prevention and control of the COVID-19 epidemic and the stability of financial markets. Ping An Bank offered differentiated emergency financial services to help epidemic-hit businesses and individuals overcome difficulties and support the development of micro-, small and medium-sized enterprises. Moreover, Ping An Bank adjusted and optimized its business portfolio. Ping An Bank strengthened provisions for impairment losses on credit and other assets and the disposal of non-performing assets, especially non-loan non-performing assets arising from the inclusion of wealth management products in Ping An Bank's balance sheet. Asset quality indicators continued to improve. In 2020, Ping An Bank's provisions for impairment losses on credit and other assets increased by RMB10,891 million year on year to RMB70,418 million, including RMB43,148 million for loan impairment losses and RMB27,270 million for non-loan asset losses (up RMB21,031 million year on year). Non-performing assets written off by Ping An Bank for 2020 increased by RMB42,487 million year on year to RMB90,936 million, including RMB59,360 million for non-performing loans and RMB31,576 million for non-loan non-performing assets arising from the inclusion of wealth management products in Ping An Bank's balance sheet (up RMB30,682 million year on year).

As of December 31, 2020, the non-performing loan ratio was 1.18%, down 0.47 pps from the beginning of 2020 and down 0.14 pps from September 30, 2020. The percentages of special mention loans, loans more than 60 days overdue and loans more than 90 days overdue were 1.11%, 1.08% and 0.88% respectively, down 0.90 pps, 0.50 pps and 0.47 pps respectively from the beginning of 2020 and by 0.48 pps, 0.19 pps and 0.22 pps respectively from September 30, 2020. The deviations of loans more than 60 days overdue and loans more than 90 days overdue were both below 1. Moreover, Ping An Bank further strengthened risk provisions. The provision coverage ratio for non-performing loans rose 18.28 pps from the beginning of 2020 to 201.40%, that for loans more than 60 days overdue rose 29.44 pps to 219.78%, and that for loans more than 90 days overdue rose 45.85 pps to 268.74%. As of December 31, 2020, the balance of Ping An Bank's inclusive small and micro-business loans increased by 38.8% from the beginning of 2020. The weighted average interest rate on such loans for 2020 was 1.56 pps lower than that for 2019. The non-performing loan ratio of such loans was kept within a reasonable range.

(in RMB million)	**December 31, 2020**	December 31, 2019	Change (%)
Loan quality			
Pass	**2,605,204**	2,238,307	16.4
Special mention	**29,703**	46,665	(36.3)
Non-performing loans	**31,390**	38,233	(17.9)
Sub-standard	**14,205**	18,891	(24.8)
Doubtful	**5,942**	6,272	(5.3)
Loss	**11,243**	13,070	(14.0)
Total loans and advances	**2,666,297**	2,323,205	14.8
Non-performing loan ratio (%)	**1.18**	1.65	-0.47 pps
Percentage of special mention loans (%)	**1.11**	2.01	-0.90 pps
Impairment provision balance	**(63,219)**	(70,013)	(9.7)
Provision coverage ratio (%)	**201.40**	183.12	18.28 pps
Provision to loan ratio (%)	**2.37**	3.01	-0.64 pps
Balance of loans more than 60 days overdue	**28,765**	36,782	(21.8)
Percentage of loans more than 60 days overdue (%)	**1.08**	1.58	-0.50 pps
Deviation of loans more than 60 days overdue(1)	**0.92**	0.96	-4 pps
Provision coverage ratio for loans more than 60 days overdue (%)	**219.78**	190.34	29.44 pps
Balance of loans more than 90 days overdue	**23,524**	31,411	(25.1)
Percentage of loans more than 90 days overdue (%)	**0.88**	1.35	-0.47 pps
Deviation of loans more than 90 days overdue(2)	**0.75**	0.82	-7 pps
Provision coverage ratio for loans more than 90 days overdue (%)	**268.74**	222.89	45.85 pps

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

(%)	December 31, 2020	December 31, 2019	Change
Non-performing loan ratios			
Retail loans	**1.13**	1.19	-0.06 pps
Corporate loans	**1.24**	2.29	-1.05 pps
Total loans and advances	**1.18**	1.65	-0.47 pps

Ping An Bank's retail asset quality experienced short-term fluctuations as new overdue retail loans increased due to COVID-19-induced unfavorable factors including the volatile external economic environment, shrinking consumer demand, and declining household income. To alleviate the impact of COVID-19, Ping An Bank improved customer thresholds and risk identification, implemented differentiated risk management strategies, improved the customer mix, and strengthened non-performing asset disposal with its industry-leading technologies and risk management models. Ping An Bank's retail non-performing loan ratio decreased by 0.19 pps from September 30, 2020 and 0.06 pps from the beginning of 2020 to 1.13% as of December 31, 2020. Since 2018, Ping An Bank has enhanced its ability to withstand risks by increasing the proportions of unsecured loans to high-quality white-collar customers as well as secured loans, optimizing the retail credit business portfolio, and moderately tightening its lending policy. In 2020, Ping An Bank adhered to its customer-centric approach despite COVID-19. For qualified small and micro-business owners and sole proprietorships, Ping An Bank postponed their repayments, reduced or exempted them from interest payments, or allowed them to roll over loans. By doing so, Ping An Bank minimized the impact of COVID-19 on retail customers. Moreover, Ping An Bank developed an emergency response plan in late January to monitor external developments, review internal risk management strategies, and mitigate epidemic-induced temporary risks. As a result, monthly new non-performing retail loans declined from August, and the non-performing loan ratios of the main products all reached an inflection point by the end of 2020, close to pre-epidemic levels. In addition, Ping An Bank strictly controlled the access of new customers, and strengthened the review of customers' ability and willingness to repay, keeping the quality of new customers at a historically high level.

	Loan granting period			
(%)	**2020**	2019	2018	2017
The percentage of loans more than 30 days overdue as at the end of the 6-month vintage period				
Credit card receivables	**0.22**	0.36	0.29	0.35
Xinyidai unsecured loans	**0.16**	0.15	0.17	0.20
Auto loans	**0.43**	0.28	0.17	0.18

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 of the 2020 vintage analysis only reflect the quality of loans issued from January to July in 2020. Loans granted from August to December 2020 will be included in analysis when the vintages of these loans reach six months.

(3) Regarding auto loans, the combination of an adjusted product portfolio and COVID-19 resulted in a decline in the quality of new customers. However, as Ping An Bank has tightened the access of new customers, the quality of new customers is expected to improve gradually.

In respect of corporate asset quality, Ping An Bank focused on key industries, regions and clients, selected the industries with weak cyclicality, stable growth and high asset quality, and exited from high-risk industries. As a result, corporate asset quality continued to improve. As of December 31, 2020, the non-performing loan ratio of corporate loans declined by 1.05 pps from the beginning of 2020 to 1.24%.

CAPITAL ADEQUACY

In 2020, Ping An Bank continued to refine its capital management under its new 3-year transformation strategy by optimizing its on- and off-balance-sheet asset portfolio and proactively reducing inefficient and ineffective capital utilization. In addition to stable internal sources of capital including retained earnings, Ping An Bank issued undated capital bonds in response to the state's call to diversify banks' sources of capital and pilot the issuance of innovative capital instruments. In February 2020, Ping An Bank issued RMB30 billion worth of undated capital bonds in the China Interbank Bond Market. The proceeds were used to replenish other tier 1 capital. In this way, Ping An Bank further diversified its sources of capital, optimized its capital structure, and enhanced its risk buffer.

(in RMB million)	December 31, 2020	December 31, 2019	Change (%)
Capital adequacy ratio			
Net core tier 1 capital	**273,791**	253,646	7.9
Net tier 1 capital	**343,735**	293,594	17.1
Net capital	**418,767**	368,193	13.7
Total risk weighted assets	**3,151,764**	2,784,405	13.2
Core tier 1 capital adequacy ratio (%)	**8.69**	9.11	-0.42 pps
Tier 1 capital adequacy ratio (%)	**10.91**	10.54	0.37 pps
Capital adequacy ratio (%)	**13.29**	13.22	0.07 pps

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

(2) Ping An Bank and its wholly-owned subsidiary Ping An Wealth Management Co., Ltd. are included in the computation of the above capital adequacy ratios in accordance with the *Administrative Measures for the Capital of Commercial Banks (Trial)* issued by the former China Banking Regulatory Commission on June 7, 2012. The 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.

Business Analysis
Asset Management Business

- Fees and commission revenue of the trust business for 2020 grew by 16.5% year on year mainly due to increases in performance fees and assets held in trust in the investment category.
- Ping An Securities steadily progressed to become a smart securities services platform under Ping An's integrated finance strategy. In 2020, its net profit increased by 30.6% year on year.
- Ping An Financial Leasing achieved healthy growth in developed businesses and breakthroughs in innovative businesses. As of December 31, 2020, its total assets exceeded RMB270 billion, with the non-performing asset ratio kept at a low level.
- Ping An Asset Management maintained steady business growth amid financial market turmoil. As of December 31, 2020, investment assets under management (AUM) grew by 11.0% from the beginning of the year to RMB3.63 trillion, including RMB385.8 billion in third-party AUM, up 32.2% from the beginning of 2020.

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. In 2020, despite the capital market turmoil brought by COVID-19, net profit of the asset management business increased by 18.0% year on year to RMB12,292 million.

(in RMB million)	2020	2019	Change (%)
Net profit			
Trust business	**2,479**	2,598	(4.6)
Securities business	**3,102**	2,376	30.6
Other asset management business	**6,711**	5,441	23.3
Total	**12,292**	10,415	18.0

TRUST BUSINESS

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

Ping An Trust followed regulatory guidelines, ramped up transformation efforts, and focused on its core trust businesses. Ping An Trust continued to focus on its four core businesses, namely special asset investment, infrastructure investment, financial service trusts and private equity investment, to help the real economy achieve high-quality development.

- In special asset investment, guided by the "Special Asset+" strategy, Ping An Trust created a diversified investment platform for special assets to bail out brick-and-mortar enterprises and help the economy achieve high-quality development.
- In infrastructure investment, Ping An Trust followed national strategies and focused on new infrastructure, 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 fully leveraged its role as a trustee and enhanced its differentiated edge in providing services and professional investment capabilities by exploring opportunities in funds, assets and capital.

- 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 high-quality companies in emerging industries including energy saving, environmental protection, high-end manufacturing, and healthcare.

Ping An Trust developed smart, mobile, ecosystem-based operations, and strengthened risk management. Ping An Trust ensured stable and efficient business operations during the COVID-19 epidemic by leveraging smart applications including the online matching of funds and assets, remote due diligence on projects, mobile approval, and automatic product inception, product report generation and regulatory reporting. Moreover, Ping An Trust continued to strengthen risk management. On the one hand, it continued to optimize the overall risk management framework, determine overall risk appetite, set risk management scopes, and enhance the risk management culture. On the other hand, Ping An Trust developed its risk management information system to enhance delicacy management and realize smart one-stop risk management.

As of December 31, 2020, Ping An Trust's assets under active management reached RMB260,820 million, accounting for 66.7% of the total assets held in trust, up 8.5 pps from the beginning of 2020. In 2020, the fees and commission revenue of the trust business amounted to RMB4,335 million, up 16.5% year on year. As of December 31, 2020, Ping An Trust had RMB19,184 million in net capital. The ratio of net capital to total risk capital was 228.3% and the ratio of net capital to net assets was 72.8%, both meeting regulatory requirements (100% and 40% respectively).

Analysis of Profit Sources

Net profit of the trust business for 2020 dropped by 4.6% year on year because of a year-on-year decrease in the investment income under a more prudent investment strategy amid rising industry risks and the volatile capital market.

(in RMB million)	2020	2019	Change (%)
Fees and commission revenue	**4,335**	3,722	16.5
Monthly average assets held in trust	**424,695**	491,630	(13.6)
Fee rate of assets held in trust[(1)] (%)	**1.02**	0.76	0.26 pps
Fees and commission expenses	**(451)**	(190)	137.4
Net fees and commission revenue	**3,884**	3,532	10.0
Administrative expenses[(2)]	**(1,597)**	(1,217)	31.2
Total investment income[(3)]	**399**	617	(35.3)
Other net revenue and expenses	**530**	437	21.3
Profit before tax	**3,216**	3,369	(4.5)
Income tax	**(737)**	(771)	(4.4)
Net profit	**2,479**	2,598	(4.6)

Notes: (1) Fee rate of assets held in trust = fees and commission revenue / average monthly 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.

Business Analysis
Asset Management Business

Assets Held in Trust

In response to macro environment changes and new asset management regulations, Ping An Trust enhanced active management, and adjusted and optimized its business portfolio. As of December 31, 2020, Ping An Trust had RMB391,052 million in assets held in trust, down 11.6% from the beginning of 2020. Ping An Trust's assets under active management[1] reached RMB260,820 million, accounting for 66.7% of the total assets held in trust, up 8.5 pps from the beginning of 2020.

(in RMB million)	December 31, 2020	December 31, 2019	Change (%)
Investment category	**117,911**	83,001	42.1
Capital market investment	**97,202**	56,879	70.9
Financial institutions' investment	**4,093**	9,652	(57.6)
Other investments[2]	**16,616**	16,470	0.9
Financing category	**142,909**	174,675	(18.2)
Infrastructure industry financing	**12,354**	20,569	(39.9)
Real estate financing	**91,188**	116,237	(21.5)
Corporate financing	**34,333**	30,585	12.3
Pledge and other financing[3]	**5,034**	7,284	(30.9)
Administrative category[4]	**130,232**	184,932	(29.6)
Total	**391,052**	442,608	(11.6)

Notes: (1) Assets under active management comprise assets held in trust within the investment and financing categories.
(2) Other investments refer to investments other than the above, including structured equity investment, industrial investment, and other investment businesses.
(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 2020 increased by 16.5% year on year mainly due to the increased performance fees in the investment category.

(in RMB million)	2020	2019	Change (%)
Fees and commission revenue	**4,335**	3,722	16.5
Investment category	**1,919**	924	107.7
Financing category	**2,180**	2,384	(8.6)
Administrative category	**236**	414	(43.0)
Fee rate of assets held in trust (%)	**1.02**	0.76	0.26 pps
Investment category (%)	**2.17**	1.00	1.17 pps
Financing category (%)	**1.23**	1.35	-0.12 pps
Administrative category (%)	**0.15**	0.19	-0.04 pps

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.

Ping An Securities achieved strong growth by leveraging integrated financial services and technological strengths. In 2020, the securities industry delivered strong business results, benefiting from increased market activities triggered by intensified regulatory reform of expanding the registration-based IPO system and macroeconomic policies against COVID-19. Focusing on "integrated financial services, professionalism, and technological empowerment," Ping An Securities integrated online and offline business systems, improved services and efficiency, and leveraged technologies to mitigate the adverse effects of the epidemic. Net profit for 2020 grew by 30.6% year on year to RMB3,102 million.

- In brokerage business, Ping An Securities provides internal and external customers with smart, comprehensive integrated financial services by leveraging its online capabilities. In 2020, average daily customers sourced online soared by 64.8% year on year. Ping An Securities stepped up its efforts in customer development and offered smart services that are principle-based, professional and customer-centric through a "buy-side investment advisory" wealth management service framework and the "Ping An Securities" app. In 2020, the market share of Ping An Securities in terms of the brokerage equity and fund trading volume (excluding seat leasing)(1) continued to expand steadily by 0.39 pps year on year to 3.59%.

- In investment banking business, Ping An Securities served the real economy by leveraging the Group's advantages in integrated finance. In debt financing business, Ping An Securities satisfies corporate customers' financing needs by underwriting securities efficiently on a smart bond platform. In 2020, Ping An Securities ranked 5th and 2nd in the industry by scales of bonds and asset-backed securities underwritten respectively. In equity business, Ping An Securities focused on high-quality customers and improved integrated financial services. Initial public offerings (IPOs) and refinancing projects completed and submitted to the Chinese Securities Regulatory Commission all increased significantly.

- In trading business, Ping An Securities focused on proprietary bond trading. Amid high volatility in bond markets, Ping An Securities outperformed market benchmarks in terms of the rate of return by executing neutral strategies with derivatives and flexibly conducting swing trading.

- In asset management business, Ping An Securities proactively pursued a transformation toward active asset management and continued to optimize its product portfolio.

Note: (1) The computation of the market share excludes the Northbound Stock Connect market.

Analysis of Profit Sources

(in RMB million)	2020	2019	Change (%)
Fees and commission revenue	**8,175**	5,457	49.8
Fees and commission expenses	**(2,017)**	(1,183)	70.5
Net fees and commission revenue	**6,158**	4,274	44.1
Total investment income(1)	**6,104**	5,520	10.6
Other revenue(2)	**4,203**	4,510	(6.8)
Revenue	**16,465**	14,304	15.1
Administrative expenses(3)	**(4,887)**	(3,892)	25.6
Cost-to-income ratio(4) (%)	**45.0**	44.8	0.2 pps
Finance costs	**(2,095)**	(1,813)	15.6
Other expenses(5)	**(5,599)**	(5,612)	(0.2)
Profit before tax	**3,884**	2,987	30.0
Income tax	**(782)**	(611)	28.0
Net profit	**3,102**	2,376	30.6

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

Fees and commission revenue of the securities business for 2020 rose by 49.8% year on year, benefiting from a 64.4% year-on-year increase in brokerage fees and commission revenue due to the increased turnover of brokerage business.

(in RMB million)	2020	2019	Change (%)
Fees and commission revenue			
Brokerage business	**5,828**	3,544	64.4
Underwriting business	**1,255**	991	26.6
Asset management business	**478**	463	3.2
Others	**614**	459	33.8
Total	**8,175**	5,457	49.8

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER ASSET MANAGEMENT BUSINESS

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

Ping An Financial Leasing

In line with Ping An Group's strategies, Ping An Financial Leasing is committed to providing customers with a full range of financing products and 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 business strengths and scalability. As an industry leader, Ping An Financial Leasing has completed its transformation toward technology-powered leasing after a shift from industry-based leasing to innovative leasing, pioneering new directions for the financial leasing industry.

Ping An Financial Leasing maintained healthy growth in developed businesses and sought expansion in innovative ones. As of December 31, 2020, Ping An Financial Leasing had over RMB270 billion in total assets. Ping An Financial Leasing continued to empower all businesses with technology while maintaining leadership in sectors including engineering, construction, education, culture, energy, metallurgy, manufacturing, processing, and public transportation. Ping An Financial Leasing has become a leading player in innovative leasing by realizing technology-driven business model breakthroughs and rapid expansion in its innovative business lines, represented by micro-leasing and auto leasing. Going forward, Ping An Financial Leasing will continue to strengthen its main business and take advantage of "finance + technology" to explore new sectors and businesses, making contributions to the real economy.

Ping An Financial Leasing strengthened risk management amid macroeconomic headwinds. As of December 31, 2020, Ping An Financial Leasing's non-performing asset ratio was kept at a low level despite a slight increase from the beginning of 2020. Ping An Financial Leasing made sufficient provisions and maintained its strong ability to withstand risks. Moreover, Ping An Financial Leasing strengthened risk management by tightening qualification requirements for new customers, dynamically adjusting the differentiated asset management strategies for existing customers, enabling ex ante risk management with technology, diversifying the means of asset disposal and recovery, and strengthening asset monitoring and risk management. As a result, business risks were generally under control.

Ping An Financial Leasing fought COVID-19 and contributed to the safe resumption of work and production. COVID-19 had a significant impact on traditional business lines that rely on offline operations. To ensure normal business activities, Ping An Financial Leasing quickly developed online smart systems including "Customers Online," "Employees Online" and "Resources Online." In addition, Ping An Financial Leasing fulfilled its corporate social responsibilities by taking a series of measures to help SMEs tide over difficulties amid the pandemic. Ping An Financial Leasing issued the industry's first pandemic bond with proceeds going into pandemic-affected industries to help them recover. Moreover, Ping An Financial Leasing donated masks to five hospitals in four provinces when masks were in short supply, body temperature measurement equipment to two tourism groups in Sichuan and Hubei, and "nucleic acid + antibody" testing packages to all the employees of Hubei Hongshan Hotel to support epidemic prevention.

Results of Operation

(in RMB million)	**2020**	2019	Change (%)
Revenue	**19,958**	20,510	(2.7)
Net profit	**3,802**	4,476	(15.1)

(in RMB million)	**December 31, 2020**	December 31, 2019	Change (%)
Total assets	**277,961**	254,684	9.1
Non-performing asset ratio (%)	**1.24**	1.10	0.14 pps

Ping An Asset Management

Ping An Asset Management is responsible for the 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.

Ping An Asset Management responded to the COVID-19 epidemic and seized market opportunities. In 2020, despite unprecedented macroeconomic challenges and volatile capital markets due to COVID-19, Ping An Asset Management upheld 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 customers by managing risks and seizing opportunities. In 2020, the net profit of Ping An Asset Management increased by 10.0% year on year, mainly due to steady AUM growth and strong investment performance.

Ping An Asset Management achieved stable growth in the third-party asset management business and stayed ahead of peers by alternative investment scale. In third-party asset management business, Ping An Asset Management leveraged its advantages in active management to tap into new trends in the industry. Through professional market-oriented operations, Ping An Asset Management maintained stable growth in both size and revenue. In line with China's major strategies and the objective of delivering high-quality economic growth, Ping An Asset Management became an industry leader by alternative investment scale, capable of serving the real economy more effectively.

Ping An Asset Management promoted technological empowerment to accelerate the reform of the traditional investment management model. As one of China's largest asset managers, Ping An Asset Management fully implemented the Group's "finance + technology" strategy and enabled the entire asset management business process with technology. An innovative investment management model of "Human-Machine Integration" has been built. By inputting investment research experience into the platform, Ping An Asset Management is able to anticipate trends, make timely decisions on strategies, and take action in trading ahead of others.

Results of Operation

(in RMB million)	**2020**	2019	Change (%)
Net profit	**3,152**	2,865	10.0
Revenue from third-party asset management	**2,130**	1,906	11.8

(in RMB million)	**December 31, 2020**	December 31, 2019	Change (%)
Assets under management	**3,629,958**	3,271,630	11.0
Including: AUM of third-party asset management	**385,795**	291,902	32.2

Business Analysis
Technology Business

- Lufax Holding (NYSE: LU), which went public on the New York Stock Exchange on October 30, 2020, is one of China's leading technology-powered personal financial services platforms. As of December 31, 2020, Lufax Holding achieved a 17.9% increase in the balance of retail credit facilitated from the beginning of 2020. The ratio of loans more than 30 days overdue was 2.0%, down sharply from June 30, 2020. The online wealth management business grew steadily, with client assets up 23.0% from the beginning of 2020.
- OneConnect (NYSE: OCFT) is China's leading technology-as-a-service platform for financial institutions. OneConnect maintained robust growth despite COVID-19. Revenue for 2020 rose by 42.3% year on year to RMB3,312 million. OneConnect had 594 premium customers in 2020, an increase from 473 in 2019.
- Ping An Good Doctor (HKSE: 01833.HK) is China's leading online healthcare services platform. COVID-19 boosted the demand for online medical services, leading to the promulgation of favorable government policies. Seizing opportunities in the online healthcare industry, Ping An Good Doctor initiated in mid-2020 a comprehensive strategic upgrade to build an online healthcare services platform with the largest scale, the most advanced models, and the highest entry barriers in China. Revenue for 2020 amounted to RMB6,866 million, driven by a strong year-on-year increase of 82.4% in the revenue from its online medical services.
- Autohome (NYSE: ATHM) is China's leading online auto services platform. Autohome's revenue and net profit for 2020 increased by 2.8% and 6.2% respectively year on year against the backdrop of a 6% year-on-year decline in domestic passenger vehicle sales. Revenue of the online marketplace and other business grew by 34.4% year on year, driven by automakers' and auto dealers' increased demand for online marketing services.
- Ping An HealthKonnect strives to be a smart technology company that fully empowers the healthcare ecosystem. In 2020, Ping An HealthKonnect won bids to construct ten provincial-level social health insurance (SHI) platforms.

BUSINESS OVERVIEW

The Company conducts its technology business via subsidiaries, associates and jointly controlled entities including Lufax Holding, OneConnect, Ping An Good Doctor, Autohome, and Ping An HealthKonnect. The Company continues to explore innovative fintech and digital healthcare business models to strengthen its main financial businesses, facilitate industry upgrades, and serve the real economy. The total revenue of the technology business(1) for 2020 increased by 10.1% year on year to RMB90,375 million. As of December 31, 2020, four technology companies had gone public, with a total market cap of USD68.4 billion(2).

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 market cap of listed technology companies is the sum of the market caps of the four listed technology companies, namely Lufax Holding, OneConnect, Ping An Good Doctor, and Autohome, without considering the shareholding proportions.

LUFAX HOLDING

Lufax Holding (NYSE: LU) is one of China's leading technology-powered personal financial services platforms. Lufax Holding is committed to addressing the large unmet demand for lending among small and micro-business owners as well as salaried workers in China, and providing tailor-made wealth management solutions to China's fast growing middle class and affluent population. In 2020, Lufax Holding tackled challenges amid COVID-19 and tightening financial regulation, seized opportunities brought by new regulations, and furthered its strategic transformation. Lufax Holding maintained steady business growth, boosting its revenue by 8.8% year on year to RMB52,046 million. Lufax Holding's net profit for 2020 decreased by 7.8% year on year to RMB12,276 million, mainly due to C-round restructuring costs. Net profit excluding the impact of C-round restructuring costs grew by 2.1% year on year to RMB13,602 million. On October 30, 2020, Lufax Holding went public on the New York Stock Exchange.

Lufax Holding integrates high-quality resources in the financial services ecosystem as a leading technology-powered retail credit facilitation platform in China. With 16 years of operating experience in retail credit facilitation, Lufax Holding has facilitated loans for 14.48 million small and micro-business owners and retail customers with its offline-to-online (O2O) loan facilitation services from offline consultation to online application. In addition, Lufax Holding has enabled 63 institutional funding partners(1) to identify borrowers' risks with its increased application of AI in areas including borrower acquisition, customer risk identification, and loan management. Capitalizing on its O2O service model, Lufax Holding increased the balance of retail credit facilitated by 17.9% from the beginning of 2020 to RMB545,145 million although the credit business of the financial industry was impacted by COVID-19 to different degrees and Lufax Holding tightened approval standards. Lufax Holding closely monitored asset quality and risks in various regions and sectors, and adjusted lending policies for regions and sectors hardest hit by COVID-19. Moreover, Lufax Holding proactively applied AI to post-lending services and repayment reminders, effectively mitigating the impact of COVID-19 on asset quality. As of December 31, 2020, the ratio of loans more than 30 days overdue(2) in the loan portfolio facilitated by Lufax Holding was 2.0%, down significantly from the end of the second quarter.

Notes: (1) The 63 institutional funding partners comprise 51 banks, 6 trust companies, and 6 insurers.
(2) 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 retail credit facilitated.

In wealth management, Lufax Holding provides the middle class and affluent population with diverse, personalized products and services. Lufax Holding provided 14.88 million active investors with over 9,500 products and personalized financial services through partnerships with over 430 institutions on assets under its unique hub-and-spoke business model. In 2020, 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. By doing so, Lufax Holding recommends the right products to the right customers in the right way at the right time. As of December 31, 2020, 76% of the client assets on Lufax Holding's wealth management platform were from clients with assets of over RMB300,000. As of December 31, 2020, Lufax Holding had 46.16 million registered users on its wealth management platform, up 4.9% from the beginning of 2020. Client assets increased by 23.0% from the beginning of 2020 to RMB426,571 million. The wealth management transaction volume fell by 6.4% year on year in 2020 as Lufax Holding optimized its product portfolio by reducing the proportion of products with frequent transactions but unsatisfactory profitability.

Financial Data

(in RMB million)	2020	2019	Change (%)
Revenue	**52,046**	47,834	8.8
Including:			
Technology platform-based income(1)	**41,222**	41,929	(1.7)
Net interest income(2)	**7,750**	3,909	98.3
Guarantee income(3)	**602**	465	29.5
Expense	**(34,136)**	(28,400)	20.2
Net profit	**12,276**	13,317	(7.8)

Notes: (1) Technology platform-based income comprises retail credit facilitation service fees and wealth management transaction and service fees.
(2) Net interest income primarily comprises net interest income from microloans, consumer finance, and consolidated trusts.
(3) Guarantee income primarily comprises the fees Lufax Holding charges its borrowers for the credit enhancement services provided by Lufax Holding on loan products.

Business Analysis
Technology Business

Number of Users

(in million)	December 31, 2020	December 31, 2019	Change (%)
Registered users on wealth management platform	**46.16**	44.02	4.9
Active investors[1]	**14.88**	12.50	19.0
Accumulated borrowers	**14.48**	12.37	17.1

Note: (1) Active investors 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, 2020	December 31, 2019	Change (%)
Balance of retail credit facilitated	**545,145**	462,243	17.9
Client assets	**426,571**	346,856	23.0
Including:			
Current products[1]	**407,220**	243,553	67.2
Legacy products[2]	**19,351**	103,303	(81.3)

Notes: (1) Current products refer to products that continued to be distributed by the wealth management business, including asset management plans, bank products, mutual funds, privately offered funds, trust, insurance and other investment products.

(2) Legacy products refer to products that ceased to be distributed by the wealth management business but still have outstanding balances, mainly comprising peer-to-peer products.

Transaction Volume

(in RMB million)	2020	2019	Change (%)
Wealth management	**970,275**	1,036,085	(6.4)
New loans[1]	**564,963**	493,723	14.4

Note: (1) In order to objectively reflect the correlation between the new loans and the balance of retail credit facilitated, Lufax Holding optimized the definition of new loans at the end of 2020, excluding the new loans generated by Lufax Holding's customer referral to partners but not counted in the balance of retail credit facilitated. In addition, Lufax Holding restated the new loans for the same period in 2019 accordingly.

ONECONNECT

OneConnect (NYSE: OCFT) is China's leading technology-as-a-service platform for financial institutions. OneConnect provides comprehensive end-to-end solutions for financial institutions including banks, insurers, and investment managers by integrating extensive financial services experience with leading technology. OneConnect's solutions enable customers' digital transformations, helping them increase revenues, manage risks, raise efficiency, improve services, and reduce costs. OneConnect went public on the New York Stock Exchange on December 13, 2019.

In 2020, OneConnect's revenue grew rapidly by 42.3% year on year to RMB3,312 million, and its profitability continued to improve. Revenue from operational support services grew strongly by 82.1% year on year in 2020 thanks to growing demand for solutions including smart customer services. As of December 31, 2020, OneConnect had served a total of 642 banks, including 18 major banks and 132 city commercial banks, accounting for 100% and 98% of major banks and city commercial banks respectively in China. Moreover, OneConnect had served a total of 106 insurance institutions, including 42 life insurers and 54 property and casualty insurers, accounting for 47% and 64% of domestic life insurers and property and casualty insurers respectively. As the customer base expanded rapidly, customer relationships continued to grow, and business quality continued to improve. OneConnect had 594 premium customers in 2020, an increase from 473 in 2019. OneConnect's gross profit margin rose by 4.6 pps year on year in 2020, driven by the improved product portfolio and increased product value. In addition, as OneConnect continued to strengthen cost management, its net loss margin declined by 29.8 pps year on year to 42.7%, and its loss narrowed by RMB273 million year on year.

OneConnect upholds the "technology + business" empowerment model, with its technological strengths widely recognized. As of December 31, 2020, OneConnect had made 4,836 technology patent applications, of which 1,077 were made abroad. In 2020, OneConnect's Gamma Lab won the "Digital Team of the Year" award and the "Best Digital Financial Inclusion Project" award from *The Asset* magazine, and has won a total of 14 awards. OneConnect vigorously sought to increase the depth of its product offerings and launched a cloud-based services platform, expanding its reach to the infrastructure level, vertically covering Infrastructure as a Service (IaaS), Platform as a Service (PaaS), and Software as a Service (SaaS). OneConnect takes an all-round approach in serving financial institutions, providing them with comprehensive solutions that cover core systems and end-to-end business applications, supporting them on the journey of digitization.

In 2020, OneConnect made great headway in the implementation of domestic projects. In January, OneConnect helped launch a blockchain-based financing platform for SMEs in Guangdong Province. In March, OneConnect teamed up with China Merchants Port Group to jointly build smart ports and facilitate trade across the Guangdong-Hong Kong-Macao Greater Bay Area. In April, OneConnect joined forces with Digital Guangxi Group to build the first ASEAN-facing cross-border digital financial services platform. In addition, OneConnect signed strategic cooperation agreements with the Science and Technology Supervision Bureau of the CSRC, the Insurance Asset Management Association of China, and Bank of Shanghai to develop new infrastructure for financial services.

Moreover, OneConnect continued to build its presence abroad. Ping An OneConnect Bank (Hong Kong) Limited officially opened for business in Hong Kong. OneConnect joined hands with Infocomm Media Development Authority of Singapore (IMDA) to launch the "oneSME" platform, a Singapore-based cross-border digital trading platform aiming to provide comprehensive digital services for small businesses in China and Singapore. OneConnect provided CIMB Bank Philippines with a full suite of digital solutions centering on a next-generation cloud-native core system. OneConnect signed a digital laboratory project cooperation agreement with the Abu Dhabi Global Market (ADGM) to create an integrated digital financial and business services ecosystem. In addition, OneConnect continued to penetrate the Southeast Asian market by establishing branches in Philippines and Malaysia. As of December 31, 2020, OneConnect had provided services to or signed collaboration agreements with over 100 institutions in 20 overseas countries or regions.

Facing the impacts and challenges brought by COVID-19 in 2020, OneConnect continued to serve customers with its leading technologies and diverse businesses, showing strong resilience. OneConnect responded quickly to the growing demand of the financial industry by helping financial institutions to upgrade their abilities to fight the epidemic, ensuring efficient and smooth business operations, and strengthening the online operational capabilities of front-, middle- and back-offices. Going forward, the pandemic will further increase the financial industry's demand for cloud-based solutions and online applications, and drive the long-term development of the industry. OneConnect will advance its research on industry developments and customer needs, and upgrade products to lead the industry's development and meet customers' growing business demands.

(in RMB million)	2020	2019	Change (%)
Revenue	**3,312**	2,328	42.3
Including: Implementation revenue	**852**	571	49.2
Business origination services	**606**	771	(21.4)
Risk management services	**363**	327	10.8
Operational support services	**1,061**	583	82.1
Cloud services platform	**314**	–	N/A
Others	**116**	76	53.1
Cost of revenue	**(2,069)**	(1,561)	32.5
Gross profit	**1,243**	767	62.1
Gross profit margin (%)	**37.5**	32.9	4.6 pps
Net profit	**(1,414)**	(1,688)	(16.2)

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

	2020	2019	Change (%)
Transaction volume of retail loans (in RMB billion)	**70.0**	91.2	(23.2)
Transaction volume of SME loans (in RMB billion)	**41.9**	39.1	7.1
Claims processed via Smart Quick Claim (in million)	**5.86**	5.03	16.3
Premium customers(1)	**594**	473	25.6

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) Figures may not match the calculation due to rounding.

PING AN GOOD DOCTOR

Ping An Good Doctor (HKSE: 01833.HK), as China's leading online healthcare services platform, is committed to bridging communication between doctors and patients. Ping An Good Doctor provides users with timely, high-quality online medical services (including 24/7 online consultation, prescription, registration, second medical opinions, and 1-hour drug delivery) and health management services (including maternal and child care, mental health, and chronic disease management) through its in-house medical team and self-developed AI-based medical system. Moreover, Ping An Good Doctor provides users with a wide range of one-stop healthcare services through constantly improving nationwide and worldwide networks of third-party renowned doctors as well as offline healthcare networks of hospitals, clinics, checkup centers, and pharmacies.

The COVID-19 outbreak in early 2020 boosted the demand for online medical services, leading to the promulgation of supportive government policies for the online healthcare industry. Seizing the huge industry opportunities, Ping An Good Doctor initiated in mid-2020 a comprehensive strategic upgrade to expand business scale and strengthen its advantages. Ping An Good Doctor aims to build an online healthcare services platform with the largest scale, the most advanced models, and the highest entry barriers in China. This strategic upgrade was conducted on three fronts, namely channels, services, and capabilities. In respect of channels, Ping An Good Doctor extended its channels from retail users and insurance services to corporate services and internet hospitals. As of December 31, 2020, Ping An Good Doctor had accumulated over 1,100 corporate customers and signed internet hospital cooperation agreements with over 120 offline hospitals, including 50 that had launched their online hospital platforms. In respect of services, Ping An Good Doctor continued to improve its medical services and extend its business to health services. For medical services, Ping An Good Doctor teamed general practitioners up with specialists to deepen and diversify medical services. For health services, Ping An Good Doctor aims to build a full-lifecycle health management system to cover healthy and sub-healthy users with family doctors at the core. As of December 31, 2020, Ping An Good Doctor had created over 400 health-related courses and partnered with over 2,000 offline health management merchants. To upgrade its service capabilities, Ping An Good Doctor expanded its in-house medical team, partnered with external medical experts, and worked closely with offline medical service institutions (including pharmacies, checkup centers, and hospitals) to enhance users' online-merge-offline one-stop healthcare service experience.

As of December 31, 2020, Ping An Good Doctor had a total of 373 million registered users. In 2020, average daily consultations increased by 23.9% year on year to 903 thousand times per day. In December 2020, monthly active users grew by 8.5% year on year to 72.62 million. In 2020, Ping An Good Doctor's revenue rose by 35.5% year on year to RMB6,866 million, driven by a strong year-on-year increase of 82.4% in the revenue from online medical services, which accounted for 22.8% of the total revenue, up 5.9 pps year on year. Gross profit from online medical services accounted for 47.1% of the total gross profit, up 14.8 pps year on year.

In respect of ecosystem networks, as of December 31, 2020, Ping An Good Doctor expanded its in-house medical team by 838 members from the beginning of 2020 to 2,247 members, and increased external contracted doctors by 15,735 from the beginning of 2020 to 21,116, providing users with diverse online healthcare services. In the offline ecosystem network, Ping An Good Doctor increased partner hospitals by nearly 400 from the beginning of 2020 to over 3,700, including nearly 2,000 tier 3 hospitals, and boosted partner pharmacies by over 57,000 from the beginning of 2020 to 151 thousand. Moreover, Ping An Good Doctor has maintained a comprehensive service network comprising over 56,000 healthcare service providers, including over 160 medical cosmetic institutions, 430 traditional Chinese medicine clinics, nearly 1,800 dental clinics, nearly 2,300 checkup centers, over 2,000 offline health management merchants and over 50,000 clinics.

In respect of products, Ping An Good Doctor boosted revenue from membership products on the basis of its experience from existing membership products and its ever-improving ecosystem. In 2020, revenue from the membership products of Ping An Good Doctor's online medical services amounted to RMB925 million, up 124.5% year on year. Going forward, Ping An Good Doctor will further improve services to expand sales by penetrating the customer base.

In respect of technologies, Ping An Good Doctor continued to improve its AI-based medical system by leveraging over 1,000 million entries of consultation data and the expertise of its in-house medical team. In April 2020, Ping An Good Doctor's AI-based medical system received the highest level of certification by WONCA, the world's largest family physician organization, symbolizing the alignment of China's AI health technology with international standards and that Ping An Good Doctor's AI-based medical system reached the world's highest level of AI health technology.

In respect of international expansion, Ping An Good Doctor has set up joint ventures to offer online medical services in Indonesia and Japan in cooperation with international partners, leveraging abundant local resources, cutting-edge AI, and advanced online healthcare platform experience. During the COVID-19 epidemic in 2020, Ping An Good Doctor's joint venture in Indonesia became an officially recommended online anti-epidemic consultation platform that signed agreements with the Indonesian Ministry of Health, the Indonesian Doctors Association and other government agencies, with its stringent medical management rules and high-quality healthcare services. Ping An Good Doctor has launched an online healthcare services platform in Japan, providing services including online consultation, drug dispensing and delivery. The platform has served dozens of Japanese companies and government agencies.

	December 31, 2020	December 31, 2019	Change (%)
Registered users (in million)	**372.82**	315.23	18.3
Consultations (in million)	**1,004.25**	673.76	49.0

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

(in RMB million)	2020	2019	Change (%)
Revenue	**6,866**	5,065	35.5
Including:			
Online medical services	**1,565**	858	82.4
Consumer healthcare	**1,383**	1,112	24.3
Health mall	**3,714**	2,902	28.0
Health management and wellness interaction	**204**	193	5.7
Cost	**(5,002)**	(3,894)	28.4
Gross profit	**1,864**	1,171	59.2
Net profit	**(949)**	(747)	27.0

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

Business Analysis
Technology Business

AUTOHOME

Autohome (NYSE: ATHM), as China's leading online auto services platform, 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 across the entire auto lifecycle.

In 2020, Autohome's business grew steadily and its revenue increased by 2.8% year on year to RMB8,659 million despite a 6% year-on-year decline in domestic passenger vehicle sales as COVID-19 posed daunting challenges to the auto industry, impacting the operations of automakers and auto dealers. Along with the gradual recovery of the domestic passenger vehicle market, Autohome's traditional business showed an improving trend. Moreover, Autohome's revenue from the online marketplace and other business grew by 34.4% year on year to RMB2,005 million in 2020, with data products generating a revenue growth of 70.0% year on year, due to automakers' and auto dealers' increased demand for online marketing services driven by changing marketing approaches and digitization. Autohome's net profit(1) rose by 6.2% year on year to RMB3,621 million.

Autohome strengthened its leading role among auto service apps in China through diverse channels and high-quality contents. In December 2020, Autohome's average daily active users on mobile devices(2) reached 42.11 million. In data business, Autohome is committed to empowering automakers and auto dealers in R&D, marketing, conversion, and aftersales by building a comprehensive SaaS platform that covers the entire auto lifecycle. In 2020, over 19,000 auto dealers purchased data products from Autohome. In auto trading, Autohome acquired TTP Car Inc., a leading used car auction platform in China, and created strategic synergies with partners. In auto finance, Autohome proactively facilitated financial transactions including lending, financial leasing, and insurance services for consumers and dealers.

(in RMB million)	2020	2019	Change (%)
Revenue	**8,659**	8,421	2.8
Including:			
Media services	**3,455**	3,654	(5.4)
Leads generation services	**3,199**	3,276	(2.3)
Online marketplace and other business	**2,005**	1,491	34.4
Cost	**(961)**	(960)	0.1
Gross profit	**7,697**	7,460	3.2
Net profit	**3,621**	3,409	6.2

Notes: (1) Net profit refers to the non-GAAP adjusted net profit of Autohome.
(2) Average daily active users on mobile devices include those on mobile webpages, apps and mini-programs.
(3) Figures may not match the calculation due to rounding.

PING AN HEALTHKONNECT

Ping An HealthKonnect strives to be a smart technology company that fully empowers the healthcare ecosystem with its focus on social health insurance (SHI). Through the provision of software and services, Ping An HealthKonnect promotes the co-development of SHI, healthcare and medicine to lower medical costs, improve service experiences and strengthen insurance coverage. Ping An HealthKonnect empowers Healthcare Security Administrations by developing the Smart SHI Integrated Platform centering around a smart SHI system. Starting from SHI, Ping An HealthKonnect provides integrated medical management solutions covering hospitals, doctors, pharmacies, and insured members. Moreover, Ping An HealthKonnect empowers commercial insurers in terms of insurance product design, risk management, and marketing channels.

Ping An HealthKonnect made breakthroughs in constructing provincial-level SHI platforms as it won ten bids in Qinghai, Guizhou, Hainan, Guangdong, Xinjiang, Shaanxi, Guangxi, Shanxi, Gansu and Chongqing in 2020. As of December 31, 2020, Ping An HealthKonnect had won more than ten provincial-level platform construction project bids. A specialized SHI data middle office built by Ping An HealthKonnect helps the National Healthcare Security Administration with its macro-decision-making and operation monitoring, facilitating the digital transformation of the SHI business management. Capitalizing on natural language processing, word embeddings in deep learning, and unsupervised learning, Ping An HealthKonnect developed an "SHI Digital Risk System" driven by both rule-based approval and big data-driven risk management. The system can capture nearly 50 typical insurance fraud scenarios, and provides users with precise, efficient cost control services based on its big data and powerful AI.

Amid COVID-19, Ping An HealthKonnect and Ping An Healthcare Diagnostics Center went all out to prevent and control the epidemic, giving full play to their value and advantages as third-party healthcare providers to support the resumption of work and production. During the epidemic, Ping An HealthKonnect and Ping An Healthcare Diagnostics Center dispatched to Wuhan a 5G-powered vehicle equipped with a mobile 64-slice CT scanner, screening over 13,000 persons and alleviating the local shortage of CT equipment. Moreover, Ping An HealthKonnect and Ping An Healthcare Diagnostics Center performed nucleic acid tests on over 1.18 million samples for COVID-19 in 2020. Ping An HealthKonnect assisted the National Health Commission Capacity Building and Continuing Education Center in providing training on epidemic prevention and control, and helped municipal SHI bureaus to provide services via mobile devices. Ping An HealthKonnect and Ping An Healthcare Diagnostics Center co-establish regional healthtech platforms with leading hospitals in counties and districts within regional medical unions under various operational models, facilitating the implementation of tiered diagnosis and treatment mechanisms. By leveraging the internet, Internet of Things (IoT) and mobile public health vehicles, Ping An HealthKonnect and Ping An Healthcare Diagnostics Center provide community-level health services for people in remote areas to improve community-level public healthcare.

Analysis of Embedded Value

- As of December 31, 2020, our life and health insurance business (L&H) embedded value ("EV") rose 8.9% from the beginning of 2020 to RMB824,574 million.
- In 2020, COVID-19 hindered Ping An's traditional offline operations and temporarily tempered consumer spending on long-term protection products amid uncertainties over macroeconomic growth and personal income. As a result, NBV dropped by 34.7% year on year to RMB49,575 million.

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, 2020. 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, sources of earnings 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, 2020;
- 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 earnings 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 2020 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 2020 annual report.

We also confirm that the EV and Operating Profit results disclosed in the Analysis of Embedded Value chapter in the 2020 annual report are consistent with the results we reviewed.

This report has been prepared for and only for the Board of Directors of the Company in accordance with our letter of engagement and for no other purpose. We do not accept or assume responsibility for any other purpose or to any other person whom this report is shown or in whose hands it may come save where expressly agreed by our prior consent in writing.

Jiang Hua Hua, Actuary

PricewaterhouseCoopers Consultants (Shenzhen) Limited

February 3, 2021

KEY INDICATORS

(in RMB million)	**2020/ December 31, 2020**	2019/ December 31, 2019	Change (%)
L&H EV	**824,574**	757,490	8.9
L&H operating ROEV (%)	**14.5**	25.0	-10.5 pps
Value of one year's new business value after cost of capital (NBV)	**49,575**	75,945	(34.7)
Long run investment return assumption (%)	**5.0**	5.0	–
Risk discount rate (%)	**11.0**	11.0	–

Analysis of Embedded Value

ANALYSIS OF EMBEDDED VALUE

The Company has disclosed information regarding EV in this section in order to provide investors with an additional tool to understand our economic value and business performance results. 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 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, 2020.

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 2020 in accordance with the Standards and China Risk Oriented Solvency System (C-ROSS).

Components of Economic Value

(in RMB million)	**December 31, 2020**	December 31, 2019
L&H adjusted net asset value (ANA)	**298,289**	267,553
Value of in-force insurance business before cost of capital	**572,278**	528,875
Cost of capital	**(45,994)**	(38,938)
L&H EV	**824,574**	757,490
Other business ANA	**503,538**	443,043
Group EV	**1,328,112**	1,200,533

(in RMB million)	**2020**	2019
Value of one year's new business	**59,837**	90,191
Cost of capital	**(10,262)**	(14,246)
Value of one year's new business after cost of capital	**49,575**	75,945

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 2020 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 are 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 20%.

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 2020	2019	Change (%)	New Business Value 2020	2019	Change (%)
Retail business	**102,808**	126,352	(18.6)	**48,756**	75,486	(35.4)
Agency	**78,230**	105,043	(25.5)	**42,913**	68,209	(37.1)
Long-term protection	**26,815**	47,662	(43.7)	**25,756**	49,998	(48.5)
Protection & Saving hybrid (long-PPP)	**12,941**	11,845	9.3	**7,195**	6,661	8.0
Protection & Saving hybrid (short-PPP)	**32,860**	39,125	(16.0)	**6,187**	8,640	(28.4)
Short-term	**5,614**	6,411	(12.4)	**3,775**	2,909	29.7
Tele, internet and others	**15,477**	15,477	–	**4,234**	6,087	(30.4)
Bancassurance	**9,100**	5,832	56.0	**1,609**	1,191	35.1
Group business	**46,108**	34,126	35.1	**820**	459	78.5
Total	**148,915**	160,478	(7.2)	**49,575**	75,945	(34.7)

Notes: (1) Figures may not match the calculation due to rounding.
(2) "PPP" stands for Premium Payment Period.
(3) Long-term protection products cover whole-life, term life, critical illness and long-term accident insurance. Protection & Saving products (long-PPP) cover endowment and annuity products with PPP of 10 years and above. Protection & Saving products (short-PPP) cover endowment and annuity products with PPP below 10 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 (%) 2020	2019	By ANP (%) 2020	2019
Retail business	**47.4**	59.7	**54.0**	62.4
Agency	**54.9**	64.9	**64.5**	68.4
Long-term protection	**96.0**	104.9	**96.2**	104.9
Protection & Saving hybrid (long-PPP)	**55.6**	56.2	**55.5**	55.8
Protection & Saving hybrid (short-PPP)	**18.8**	22.1	**29.3**	25.6
Short-term	**67.2**	45.4	**67.5**	45.4
Tele, internet and others	**27.4**	39.3	**28.3**	37.1
Bancassurance	**17.7**	20.4	**19.7**	21.8
Group business	**1.8**	1.3	**2.9**	1.8
Total	**33.3**	47.3	**41.9**	51.6

Note: ANP (Annualized new premium) is calculated as the sum of 100 percent of annualized first year premiums and 10 percent 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	**40.7**	**59.3**
Including: Long-term protection	28.5	71.5

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 RMB1,200,533 million as of December 31, 2019 to the closing balance of RMB1,328,112 million as of December 31, 2020.

(in RMB million)		2020	Note
L&H Opening EV	[1]	**757,490**	
Expected return on opening EV	[2]	66,121	
Including: Unwinding of in-force value		56,208	In-force and NBV unwind at the 11% risk discount rate
ANA return		9,913	
NBV post-risk diversification benefits	[3]	57,571	
Including: NBV pre-risk diversified		49,575	Reported NBV based on a cost of capital calculated at policy level
Diversification effects within new business		4,769	Diversification within new business lowers cost of capital
Diversification effects with in-force		3,226	Diversification between new business and in-force lowers cost of capital
Operating assumptions and model changes	[4]	(2,990)	
Operating variances and others	[5]	(11,125)	Adverse variances due to increased strategic investment in technology and team building as well as fluctuations in policy persistency ratios
L&H EV operating profit	[6]=[2+...+5]	**109,577**	
Economic assumptions changes	[7]	15,677	
Market value adjustment	[8]	(1,692)	Change in market value adjustment of free surplus during the Reporting Period
Investment return variance	[9]	(5,683)	Lower than assumed investment return
Non-operating one-off item and others	[10]	–	
L&H EV profit	[11]=[6+...+10]	**117,879**	
Shareholder dividends		(49,511)	Dividends upstreamed from Ping An Life to the Company
Employee stock ownership plan		(1,433)	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
Capital injection		150	Capital injection from the Company to Ping An Health
L&H Closing EV		**824,574**	
Other business opening ANA		**443,043**	
Operating profit of other business		46,799	
Non-operating profit of other business		1,282	Value revaluation gain of the convertible bonds issued by Lufax Holding to the Group
Market value adjustment and other variance		4,568	
Other business closing ANA before capital changes		**495,692**	

Analysis of Embedded Value

(in RMB million)	2020	Note
Dividends received	49,511	Dividends received from Ping An Life
Dividends paid	(38,241)	Dividends paid by the Company to shareholders
Employee stock ownership plan	(2,281)	Long-term Service Plan and Key Employee Share Purchase Plan, as well as the offset effect for the amortization during the Reporting Period
Capital injection	(150)	Capital injection from the Company to Ping An Health
Shares repurchase	(994)	Repurchase of A Shares of Ping An Group
Other business closing ANA	**503,538**	
Group EV	**1,328,112**	
Group EV per share (in RMB)	**72.65**	

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

EV operating profit of L&H in 2020 was RMB109,577 million, mainly comprised of the NBV and expected return on opening EV.

(in RMB million)		2020	2019
L&H EV operating profit	[6]	**109,577**	153,375
L&H operating ROEV (%)	[12]=[6]/[1]	**14.5**	25.0

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 2019
- 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 the fair value of equity assets

Sensitivity to investment return and risk discount rate changes

(in RMB million)	Group EV	L&H EV	NBV
Base case	1,328,112	824,574	49,575
Investment return and risk discount rate increased by 50 bps per annum	1,381,825	878,287	53,376
Investment return and risk discount rate decreased by 50 bps per annum	1,269,028	765,490	45,314

Sensitivity to other assumptions

(in RMB million)	Group EV	L&H EV	NBV
Base case	1,328,112	824,574	49,575
Assumptions and model used in 2019	1,316,002	812,464	51,241
10% increase in mortality, morbidity and accident rates	1,303,787	800,249	44,607
10% increase in policy discontinuance rates	1,319,998	816,460	47,819
10% increase in maintenance expenses	1,324,597	821,059	49,100
5% increase in the policyholders' dividend payout ratio	1,318,641	815,103	49,465
10% decrease in the fair value of equity assets	1,308,331	809,790	N/A

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 for 2020.

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 used 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 long-run investment return assumption, net of the associated 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
- The impact of one-off material non-operating items and others is the impact of material items that management considered to be non-operating incomes and expenses, which in 2020 refers to the revaluation gain on the convertible bonds issued by Lufax Holding to the Group, and in 2019 referred 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 the significant accounting policies in the notes of the Company's 2020 Annual Report for the information about the discount rate.

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of Embedded Value

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.

The Group's operating profit after tax attributable to shareholders of the parent company in 2020 was RMB139,470 million, up 4.9% year on year. L&H operating profit after tax attributable to shareholders of the parent company was RMB92,672 million, up 5.2% year on year. Ping An Property & Casualty's operating profit after tax attributable to shareholders of the parent company was RMB16,083 million. The 22.9% year-on-year decline was driven by a temporary increase in the combined ratio of guarantee insurance in the first half of 2020 and the rising costs of auto insurance amid intense competition against the backdrop of an auto insurance pricing reform.

Operating profit after tax attributable to shareholders of the parent company

(in RMB million)	2020	2019	Change (%)
Life and health insurance business	**92,672**	88,054	5.2
Property and casualty insurance business	**16,083**	20,850	(22.9)
Banking business	**16,766**	16,342	2.6
Asset management business	**11,172**	9,594	16.4
Including: Trust business	**2,476**	2,595	(4.6)
Securities business	**2,959**	2,319	27.6
Other asset management business	**5,737**	4,680	22.6
Technology business	**6,654**	3,487	90.8
Other businesses and elimination	**(3,876)**	(5,372)	(27.8)
The Group	**139,470**	132,955	4.9

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

		The Group		L&H business	
(in RMB million)		2020	2019	2020	2019
Net profit	[1]	**159,359**	164,365	**96,072**	103,737
Excluding:					
Short-term investment variance of L&H(1)	[2]	**10,308**	19,354	**10,308**	19,354
Impact of discount rate change of L&H(1)	[3]	**(7,902)**	(13,164)	**(7,902)**	(13,164)
Impact of one-off material non-operating items and others	[4]	**1,282**	10,453	**-**	8,597
Operating profit after tax	[5]=[1-2-3-4]	**155,670**	147,722	**93,666**	88,950
Attributable to:					
- Owners of the parent		**139,470**	132,955	**92,672**	88,054
- Non-controlling interests		**16,200**	14,767	**994**	896

Notes: (1) The short-term investment variance and impact of discount rate change 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 earnings of L&H operating profit has been shown as below:

(in RMB million)		2020	2019	Note
Release of residual margin	[1]	**81,583**	74,454	
Return on net worth(1)	[2]	**13,170**	11,738	
Spread income(2)	[3]	**4,565**	3,947	
Operating variances and others	[4]	**4,607**	10,406	Decrease in operating variances due to increased strategic investment in technology and team building as well as fluctuations in policy persistency ratios
L&H operating profit before tax	[5]=[1+2+3+4]	**103,926**	100,545	
Income tax	[6]	**(10,260)**	(11,595)	
L&H operating profit after tax	[7]=[5]+[6]	**93,666**	88,950	

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

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, 2020, the residual margin of life and health insurance business was RMB960,183 million, which rose by 4.5% from the beginning of 2020 mainly due to the contribution from new business. The movement of L&H residual margin has been presented below:

(in RMB million)		2020	2019	Note
Opening residual margin	[1]	**918,416**	786,633	
Contribution from new business	[2]	**88,571**	155,684	
Expected interest growth	[3]	**36,319**	33,811	
Release of residual margin	[4]	**(81,583)**	(74,454)	
Lapse variances and others	[5]	**(1,539)**	16,742	Volatility in policy persistency resulted in adverse lapse variances and others
Closing residual margin	[6]=[1+...+5]	**960,183**	918,416	

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

Analysis of Embedded Value

Appendix

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

For the twelve months ended December 31, 2020 (in RMB million)	FYP used to calculate value of new business	FYP disclosed in MD&A	Difference	Reasons
Retail business	**102,808**	**132,022**	(29,214)	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	**46,108**	**25,676**	20,432	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	**148,915**	**157,698**	(8,783)	

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

Liquidity and Capital Resources

- As of December 31, 2020, the Group's comprehensive solvency margin ratio rose by 6.6 pps from the beginning of the year to 236.4%, which was higher than the 100% regulatory requirement.
- As of December 31, 2020, free cash of the parent company was RMB42,705 million, 5.2% less than that a year ago but still at a healthy level.
- Ping An continues to increase cash dividends, and plans to pay a final dividend of RMB1.40 per share in cash for 2020. The full-year cash dividend will be RMB2.20 per share, up 7.3% year on year. The cash dividend payout ratio based on operating profit attributable to shareholders of the parent company (excluding share repurchases) is 28.7%. Ping An has grown its full-year cash dividend amount at a 32.8% CAGR over the past five years.

OVERVIEW

Liquidity refers to the capability of obtaining funds at reasonable costs to meet payment obligations when they become due, facilitate daily operations, and support business development. The aim of the Group's liquidity management is to maximize shareholders' returns by strictly enforcing liquidity risk limits, improving the efficiency of fund utilization, reducing funding costs, and optimizing the allocation of financial resources as well as the capital structure on the premise of security.

The Company manages its liquidity and capital resources at the Group level. The Budget Management Committee, the Risk Management Executive Committee, and the Investment Management Committee under the Group's Executive Committee oversee 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 Board of Directors of the Group 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 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 subsidiaries are therefore able to monitor cash flows on a day-to-day basis.

(in RMB million)	December 31, 2020	December 31, 2019	Change (%)
Total assets	**9,527,870**	8,222,929	15.9
Total liabilities	**8,539,965**	7,370,559	15.9
Total liabilities to total assets ratio (%)	**89.6**	89.6	–

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 its 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, 2020, the Group's equity attributable to shareholders of the parent company was RMB762,560 million, up 13.3% from the beginning of 2020. 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, 2020:

Issuer	Type	Par value (in RMB million)	Coupon rate	Issuance year	Maturity
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 Life	Capital supplement bonds	20,000	First 5 years: 3.58% Next 5 years: 4.58% (If not redeemed)	2020	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
Ping An Bank	Undated capital bonds	30,000	First 5 years: 3.85% Adjusted every 5 years	2020	Undated

FREE CASH OF THE PARENT COMPANY

Free cash of the parent company includes bonds, equity securities, bank deposits and cash equivalents that the parent company holds. Free cash of the parent company is mainly invested in subsidiaries or used in daily operations or for dividend distribution. As of December 31, 2020, free cash of the parent company amounted to RMB42,705 million, down RMB2,363 million compared with the beginning of 2020.

(in RMB million)	2020	2019	Change (%)
Opening balance of free cash	**45,068**	42,010	7.3
Dividend from subsidiaries	**41,449**	52,695	(21.3)
Dividend paid out to shareholders	**(38,241)**	(33,775)	13.2
Share repurchase	**(994)**	(5,001)	(80.1)
Investments in subsidiaries(1)	**–**	(14,164)	N/A
Others(2)	**(4,577)**	3,303	N/A
Closing balance of free cash	**42,705**	45,068	(5.2)

Notes: (1) The Company's investments in subsidiaries in 2019 mainly comprised the capital injections into Ping An Financial Leasing and Ping An Health as well as the subscription for convertible bonds issued by Ping An Bank.
(2) Others mainly include short-term borrowings.

The major free cash outflows were the dividends of RMB38,241 million to A and H shareholders as well as the repurchase of RMB994 million worth of the Company's A shares.

The major free cash inflows were the dividends of RMB41,449 million from subsidiaries as detailed below:

(in RMB million)	2020
Ping An Life	**32,459**
Ping An Property & Casualty	**4,180**
Ping An Bank	**2,097**
Ping An Asset Management	**2,467**
Ping An Securities	**246**
Total	**41,449**

DIVIDEND DISTRIBUTION

According to Article 216 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 average yearly distributable profit realized in the three years, provided that the annual distributable profit of the Company (namely the profit after tax of the Company after covering 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 profitability, cash flows, solvency position, operation and business development needs. The Board of Directors of the Company is 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 RMB1.40 per share (tax inclusive) in cash for 2020. As the Group already paid an interim cash dividend of RMB0.80 per share (tax inclusive), the total cash dividend for 2020 is RMB2.20 per share (tax inclusive), up 7.3% year on year.

Dividend payouts of the parent company are decided according to the increase in the Group's operating profit attributable to shareholders of the parent company. The Company's cash dividends and cash dividend payout ratios computed on the basis of operating profit attributable to shareholders of the parent company for the past five years are shown in the table below. Ping An has grown its full-year cash dividend amount at a 32.8% CAGR over the past five years.

	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, %)
2020	2.20	7.3	40,063	28.7	994	28.7
2019	2.05	19.2	37,340	28.1	5,001	28.3
2018	1.72	14.7	31,442	27.9	–	29.3
2017	1.50	100.0	27,420	29.0	–	30.8
2016	0.75	41.5	13,710	20.1	–	22.0

Notes: (1) Cash dividend per share includes the interim dividend and final dividend for the year. Pursuant to the *Detailed Rules for Implementation of Share Repurchase by Listed Companies* promulgated by the SSE, the Company's A shares in the Company's repurchased securities account are not entitled to dividend distribution.

(2) Except for the 2020 final dividend pending approval at the 2020 Annual General Meeting, profit distributions for other years were completed in relevant years.

Liquidity and Capital Resources

CAPITAL ALLOCATION

In terms of capital allocation, the Company facilitates strategic development and improves capital efficiency through prudent investment as well as ongoing optimization of returns and the asset and liability structure. The Company follows three core principles for capital allocation: 1) to ensure that the capital adequacy of regulated member companies satisfies 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 an 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 the solvency data of the Group under C-ROSS:

(in RMB million)	**December 31, 2020**	December 31, 2019	Change (%)
Core capital	**1,779,640**	1,574,150	13.1
Actual capital	**1,815,140**	1,607,650	12.9
Minimum capital	**767,804**	699,522	9.8
Core solvency margin ratio (%)	**231.8**	225.0	6.8 pps
Comprehensive solvency margin ratio (%)	**236.4**	229.8	6.6 pps

Notes: (1) Core solvency margin ratio = core capital / minimum capital. Comprehensive solvency margin ratio = actual capital / minimum capital.
(2) The minimum regulatory 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 showing the 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, 2020 are disclosed below:

	Comprehensive solvency margin ratio		
	Ping An Group	Ping An Life	Ping An Property & Casualty
Base case	236.4%	241.8%	241.4%
50 bps decline in interest rate	229.0%	227.5%	242.2%
30% decrease in fair value of equity assets	227.2%	227.3%	236.3%

In September 2017, the former China Insurance Regulatory Commission released the *Development Plan for the China Risk Oriented Solvency System (C-ROSS) Phase II Project*, planning to upgrade C-ROSS in about three years to align it with China's market reality and risk prevention requirements. Since the commencement of C-ROSS Phase II, Ping An has led and engaged in multiple researches of C-ROSS Phase II, and actively participated in the industry's joint tests to fully prepare for implementation. C-ROSS Phase II adheres to a risk-oriented approach, consolidates the capital quality of insurers, guides insurers to focus on protection and optimize asset and liability management, and adjusts risk factors to promptly reflect risk changes in the insurance industry. In response to the rule changes, we expect that the Group's comprehensive solvency margin ratio will remain stable, the core solvency margin ratio will decrease to a certain extent, and the solvency margin ratios of the Group and its insurance subsidiaries will still be significantly higher than the regulatory requirements. Under C-ROSS Phase II, we expect the solvency risk measurement will be more rational and effective, which will have a positive impact on the Group's overall solvency margin assessment and management.

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.

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

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

Liquidity and Capital Resources

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

CASH FLOW ANALYSIS

(in RMB million)	**2020**	2019	Change (%)
Net cash flows from operating activities	**312,075**	249,445	25.1
Net cash flows from investing activities	**(447,138)**	(380,157)	17.6
Net cash flows from financing activities	**260,641**	125,077	108.4

Net cash inflows from operating activities increased year on year mainly due to a year-on-year increase in cash inflows driven by an increase in deposits taken by Ping An Bank.

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

Net cash inflows from financing activities increased year on year mainly due to the year-on-year increases in cash inflows driven by the increases in Ping An Life's sales of assets under agreements to repurchase.

CASH AND CASH EQUIVALENTS

(in RMB million)	**December 31, 2020**	December 31, 2019	Change (%)
Cash	**307,812**	208,953	47.3
Bonds of original maturities within 3 months	**1,573**	5,269	(70.1)
Financial assets purchased under reverse repurchase agreements of original maturities within 3 months	**115,363**	89,244	29.3
Total	**424,748**	303,466	40.0

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.

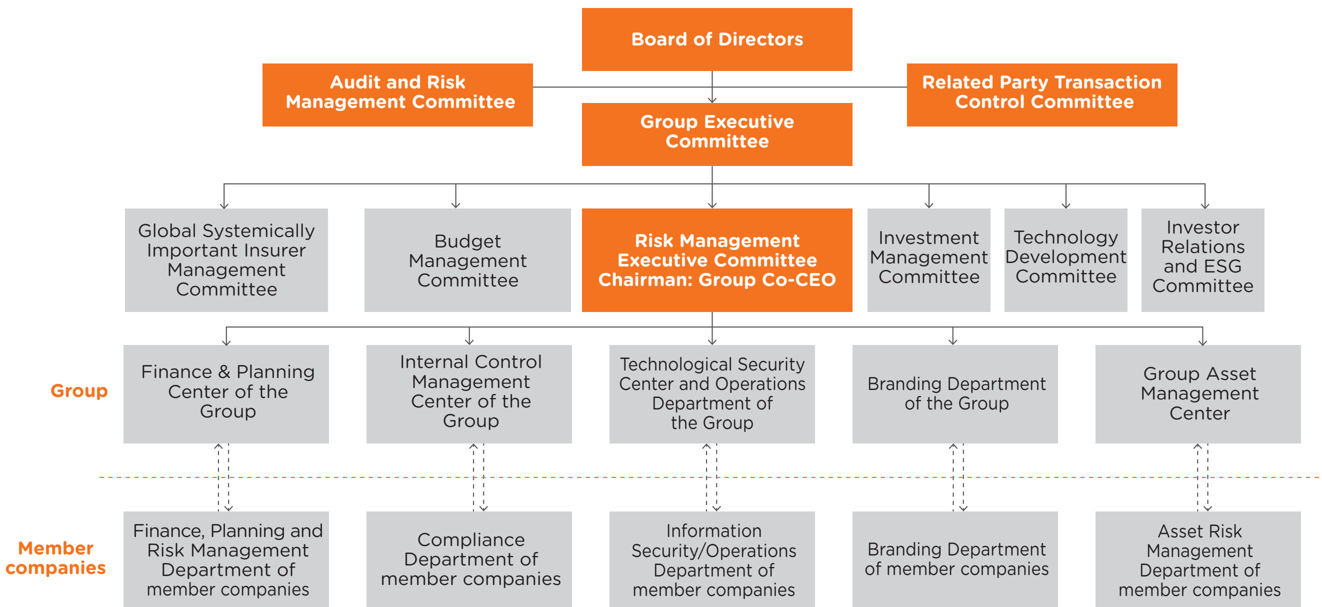
RISK MANAGEMENT OBJECTIVES

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. The Company aims to achieve a balance between risk management and business development by improving risk management and technology as well as dynamically managing both individual and cumulative risks.

RISK MANAGEMENT ORGANIZATIONAL STRUCTURE

The Group proactively complies with the *Company Law of the People's Republic of China* and applicable laws, regulations and regulatory requirements, as well as the *Articles of Association* and applicable corporate risk governance requirements. We have in place a comprehensive risk governance framework which holds the 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.



Risk Management

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.

The Company has set up the Related Party Transaction Control Committee under the Board of Directors. 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 targets, basic policies, and procedures for the management of 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 on 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 of Directors* and authorized by the Board of Directors.

The Group Executive Committee leads all the aspects of the Group's risk management, comprising 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.

One of the Group's Co-CEOs 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.

In 2020, 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 its 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. Moreover, 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 improve the systemic risk monitoring and control techniques, monitored the systemic risks of core business categories on multiple dimensions and developed an effective early warning identification system and risk mitigation measures. According to the comprehensive review and assessment, Ping An's systemic impact on financial markets is limited. Moreover, 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 sustainable, healthy strategic and business development, the Group implemented a set of top-down and performance-linked risk appraisal metrics. Under a principle of "accountability and appraisal at each level," appraisers, appraisees, and appraisal procedures have been specified for each level 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 continued to improve the 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

RISK MANAGEMENT METHODOLOGY

The Group continues to strengthen its enterprise risk management system, improve its organizational structure, formulate risk management policies 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 and 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 practices 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	
1.7 Liquidity Risk	

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 the active management of insurance risk, market risk, credit risk, operational risk, strategic risk, reputation risk, and liquidity risk.

1.1 Insurance Risk

Insurance risk refers to the risk of adverse deviation of the actual mortality rate, morbidity rate, loss ratio, expense, 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, on our insurance liability reserve, solvency, and profit in different scenarios.

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

December 31, 2020 (in RMB million)	Change in assumptions	Impact on insurance liability reserve (after reinsurance) increase/(decrease)
Discount rate/ investment yield(1)	+10 bps	(10,854)
Discount rate/ investment yield(1)	-10 bps	11,140
Mortality, morbidity, and accident rates(2)	+10%	63,580
Surrender rate	+10%	17,431
Policy maintenance expense ratio	+5%	4,130

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, 2020 (in RMB million)	Change in average claim costs	Impact on insurance liability reserve increase/(decrease)
Property and casualty insurance	+5%	4,432
Short-term life insurance	+5%	573

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, accurate and reliable data, and carefully 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 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 improved its market risk management framework, and enhanced the abilities to identify, evaluate, measure, analyze and report on market risks. The Group further strengthened its investment risk management IT platform to raise the efficiency of market risk management. The Group improved the risk management reporting mechanism, and consolidated risk monitoring and management. The Group optimized stress testing to realize its decisional role in adherence to the bottom line of risk management. The Group improved its risk limit framework to monitor risks across the Group, member companies, and business lines. The Group enhanced the risk warning mechanism to ensure 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 optimized continuously. 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, 2020 (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	4,377	14,384

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. Moreover, 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 macroeconomic 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, 2020, the VaR for listed equity securities and securities investment funds is as follows:

December 31, 2020 (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	42,168

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 including 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.

Based on the Company's risk appetite, risk profiles of the asset classes, and stress test results, the Group formulates its allocation strategies for assets including foreign currency assets. Through measures including limits management and hedging, the Group keeps foreign exchange risk under control by continuing to optimize the aggregate foreign currency assets and liabilities as well as the structures, enhance overseas asset management, and regularly analyze the sensitivity to foreign exchange risk.

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, 2020 (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	4,792

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, 2020, the fair value of the Group's holding of buildings under investment properties stood at RMB79,678 million.

1.3 Credit Risk

Credit risk refers to the risk of unexpected losses incurred by the default of any debtors or counterparties 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, bond investments, reinsurance arrangement with reinsurers, policy loans, and margin financing.

Risk Management

The Group manages credit risk through various measures, including:

- Continuing to improve the 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
- Optimizing the risk warning and handling mechanism, 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 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. 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 optimized the risk warning and coping mechanism, screening public opinion for alert signals. Possible losses from risk events are minimized through early risk detection, response and disposal.

December 31, 2020	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 direct or indirect 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 annual business plans to ensure not only consistency between the strategic goals of member companies and the strategic plans of the Group, but also synergies between strategic goals of member companies. Furthermore, the Group oversees and evaluates member companies' implementation of strategic plans and annual plans to ensure effective implementation of the Group's general strategic plans. In 2020, the Group effectively implemented relevant plans in accordance with the strategic risk management rules.

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 applicable 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 potential risks, gives warnings in time, and follows up on the reputation risks. The Group minimizes the incidence of reputation risk events and the impacts on the Company through effective reputation risk management.

1.7 Liquidity Risk

For details of the Company's liquidity risk management, please refer to the section headed "Liquidity and Capital Resources."

2. Group-level Risks

The Group proactively strengthens risk management of its member companies, implements applicable regulatory requirements, and constantly enhances management of group-level risks including risk contagion, 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 centralizing branding, communications and information disclosure. 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, procedure independence, account independence, accounting independence, fund operation 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 applicable regulations of the corresponding regulators and go through the procedures as required by the regulators.

- The Group has established and improved a series of financial management procedures. The members of the Group may develop their financial management procedures in line with their own industry regulations and business plans with reference to the Group's financial management procedures.

- 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 in the financial and treasury information systems, including the storage, access, modification and use of the data. Moreover, the allocation of access permissions to users follows rigorous examination and approval procedures, and is managed according to the principles 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 between insurance funds and non-insurance funds as well as between proprietary funds and client funds. Independent management and operations 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.

- The Group strictly restricts the cross-guarantee and other credit enhancement behaviors among the members through the well-established procedures. Reasonable cross-guarantee risk limits for the members have been 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 the information security of its customers, the security of its products, and the online security of its businesses, the Group has set up and effectively implemented the mechanism for comprehensive security monitoring. In strict accordance with applicable laws, regulations and standards including the *Personal Information Security Regulations*, the Group constructed a personal data authorization management system and implemented the principles of information access control and separation of duties. Moreover, the Group carried out corresponding protection measures for information of different sensitivity levels based on the information classification standards, protecting the confidentiality, integrity, and availability of customer information. The Group implements strict management segregation over the data of its subsidiaries. The allocation of access permissions to users follows rigorous examination and approval procedures, under the principles of mutual exclusion of posts and minimization of rights, with unauthorized activities being prohibited. In addition, the automated platform identifies and desensitizes the sensitive information displayed in the system to reduce the risk of sensitive information leakage. 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. Furthermore, 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 organizational structures. Rules were set to clarify limitation to employee behaviors, standardize the double-jobbing of senior management and employees and strengthen the avoidance of relatives. In addition, systems were built to manage conflict of interests, ensuring that each employee does not perform incompatible roles with potential conflict of interests at the same time. Moreover, 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. The Group's Related Party Transaction Control Committee and Related Party Transaction Management Office operate effectively. The Group has constantly optimized the management structures and mechanisms, strengthened the implementation of rules, improved the management 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 regulatory rules. The Group has further improved system-based related party transaction management to empower routine management. Furthermore, the Group has developed a culture of strong compliance awareness for related party transactions through training and education. The Group's related party transaction management systems and mechanisms have been strengthened and operated effectively.

Risk Management

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 shared financial and treasury services, comprehensive HR 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 scope, the service terms, the charging methods, the reconciliation methods, the settlement frequencies, rights and obligations, and liability for breach of agreements. Transactions that meet the criteria for being recognized as material related party transactions shall be submitted to the Related Party Transaction Management Office for consideration and approval, and then to the Related Party Transaction Control Committee, the Board of Directors or the shareholder meeting for consideration and approval before the transaction agreements can be signed, and the transactions are reported and disclosed according to applicable regulatory requirements. Moreover, the Group has also improved the outsourcing follow-up management, strengthened risk monitoring, and reviewed services and duty performance on a regular basis. The Group has established a communication and 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 constant service improvement.

The Group has enhanced the management of integrated financial services. The Group's retail integrated financial service business mainly involves distribution of insurance products by concurrent agents. Such agents distribute products in an orderly manner under concurrent agency agreements in accordance with laws and regulations. If customers have demands for products beyond agents' offerings, customers may visit platforms of other 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 in strict accordance with market practices. 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. The Group has established a complete 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 international corporate governance norms and 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, complete governance structure and transparent management 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 risk limits for counterparties after taking into account risk characteristics of the industry, risk profiles 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, and established unified and combined concentration limit management for customers of the same group. Moreover, by adopting advanced technology, the Group has been improving the breadth and depth of the concentration risk management, increasing its monitoring frequency effectively, and warning against counterparties with higher concentration risks promptly.

To manage the concentration risk in investment assets, the Group has followed the principle of reasonably controlling the concentration risk 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 businesses 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 businesses, 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.

Risk Management

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") five 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. As the CBIRC did not promulgate any circular on SARMRA of insurers for 2019 or 2020, the SARMRA results for 2017 still apply. Ping An Life scored 85.58 for 2017, allowing its minimum capital requirement under C-ROSS to decrease by RMB12,687 million as of December 31, 2020. Ping An Property & Casualty scored 84.10 for 2017, allowing its minimum capital requirement under C-ROSS to decrease by RMB1,013 million as of December 31, 2020.

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, 2020, the Group's solvency margin ratios met the applicable regulatory requirements. Below are the details:

(in RMB million)	December 31, 2020	December 31, 2019	Change (%)
Core Capital	**1,779,640**	1,574,150	13.1
Actual Capital	**1,815,140**	1,607,650	12.9
Minimum Capital	**767,804**	699,522	9.8
Core solvency margin ratio (%)	**231.8**	225.0	6.8 pps
Comprehensive solvency margin ratio (%)	**236.4**	229.8	6.6 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, 2020. Below are the results:

	Comprehensive solvency margin ratio		
	Ping An Group	Ping An Life	Ping An Property & Casualty
Base case	236.4%	241.8%	241.4%
A decline of 50 bps in interest rates	229.0%	227.5%	242.2%
A decrease of 30% in fair value of equity assets	227.2%	227.3%	236.3%

In September 2017, the former China Insurance Regulatory Commission released the *Development Plan for the China Risk Oriented Solvency System (C-ROSS) Phase II Project*, planning to upgrade C-ROSS in about three years to align it with China's market reality and risk prevention requirements. Since the commencement of C-ROSS Phase II, Ping An has led and engaged in multiple researches of C-ROSS Phase II, and actively participated in the industry's joint tests to fully prepare for implementation. C-ROSS Phase II adheres to a risk-oriented approach, consolidates the capital quality of insurers, guides insurers to focus on protection and optimize asset and liability management, and adjusts risk factors to promptly reflect risk changes in the insurance industry. In response to the rule changes, we expect that the Group's comprehensive solvency margin ratio will remain stable, the core solvency margin ratio will decrease to a certain extent, and the solvency margin ratios of the Group and its insurance subsidiaries will still be significantly higher than the regulatory requirements. Under C-ROSS Phase II, we expect the solvency risk measurement to be more rational and effective, which will have a positive impact on the Group's overall solvency margin assessment and management.

In November 2019, the International Association of Insurance Supervisors (IAIS) issued the *Holistic Framework for Systemic Risk in the Insurance Sector* and suspended the recognition of G-SIIs in the transition period. The international capital standards are temporarily not applicable to Ping An under the new framework. After the release of the framework, the IAIS has been soliciting opinions on and gradually implementing relevant international rules. With the encouragement and support of the CBIRC, Ping An has been proactively participating in the development of international rules by reporting the characteristics of and practices in the Chinese financial markets to the IAIS. Positive progress has been made with Ping An's participation. Ping An will continue to closely follow the evolution of international regulations and fully evaluate its potential impact on Ping An.

Sustainability

- For the past three years, Ping An has been committed to poverty alleviation by implementing the Ping An Rural Communities Support program in 21 provinces or autonomous regions across China and providing over RMB29,834 million in industrial poverty alleviation funds. The program has benefited an impoverished population of 730,000. Ping An helped build or upgrade 1,228 rural clinics, and trained 11,843 village doctors. Ping An also funded the upgrading of 1,054 rural schools and trained 14,110 village teachers, benefiting about 300,000 students.
- In 2020, Ping An donated supplies and cash exceeding RMB180 million to combat COVID-19.
- Ping An and China Economic Information Service jointly launched the “Xinhua CN-ESG Evaluation System” to form a localized ESG system with Chinese characteristics while in line with international practice, which serves as a smart tool and data support for the integration and application of corporate ESG management and portfolio ESG management.
- As of December 31, 2020, Ping An’s responsible investment exceeded RMB1.03 trillion. The balances of inclusive loans and green loans were RMB871,461 million and RMB35,897 million respectively.

PHILOSOPHY AND MANAGEMENT OF SUSTAINABLE DEVELOPMENT

Sustainable Development Philosophy

Driven by the sustainability strategy, Ping An integrates the core philosophies and standards of ESG into corporate management, and builds a scientific, professional sustainability management framework based on its business practices. Ping An influences society through financial services and technologies, and creates value with expertise for its shareholders, customers, employees, communities, environments, and partners. Ping An seeks to boost both business values and social values, and realize people’s dreams for a better life.

In respect of the environment, Ping An employs leading technologies to enable environmental protection and governance to facilitate an environment-friendly business ecosystem. In respect of society, Ping An adheres to the philosophy of responsible investment, takes serving the real economy as the starting point and foothold of its business development, empowers small and medium-sized enterprises, promotes social and economic development with integrated financial services, and pursues long-term healthy, sustainable development of itself and society. In respect of governance, Ping An continues to improve corporate governance and risk management to ensure steady development.

Amid the COVID-19 epidemic, Ping An gave full play to insurance protection and contributed to the fight against COVID-19 by quickly providing insurance services, claims services, financial services, medical support, and charitable donations. In 2020, as China was in the final push to eradicate poverty, Ping An increased its efforts in poverty alleviation, focusing on poverty-stricken areas in the Three Regions and Three Prefectures. Through Ping An Rural Communities Support, the Company alleviated poverty by promoting industries, healthcare, and education in rural areas. The Company will engage deeply in the national strategy of rural vitalization while consolidating its poverty alleviation achievements to continuously contribute to social development.

Sustainable Development Management

ESG Management Structure

Having integrated sustainability into its development strategy, Ping An builds and practices a scientific, professional corporate sustainability management framework and a clear, transparent ESG governance structure based on its business practice. The Board of Directors of the Group oversees all ESG issues. The Investor Relations and ESG Committee under the Group Executive Committee is responsible for daily ESG work.

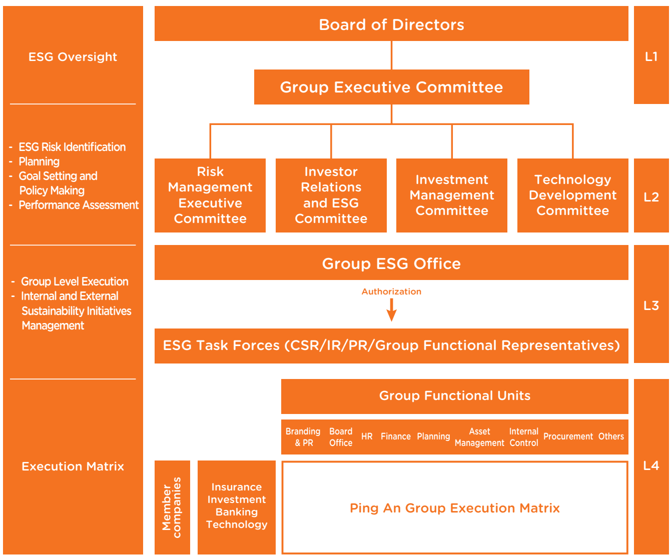
Level 1 (L1): The Board of Directors oversees all ESG issues.

Level 2 (L2): The Investor Relations and ESG Committee, along with other committees, is responsible for identifying ESG risks, setting objectives, formulating plans and policies, and appraising performance.

Level 3 (L3): The Group ESG Office and other functional centers of the Group act as task forces to coordinate sustainability initiatives within and outside the Group.

Level 4 (L4): The matrix consisting of the Group's functional units and member companies is responsible for ESG execution.

Ping An's overall ESG work plan is aimed at continuously improving the management of ESG issues and risks by developing clear management objectives, responsibilities and appraisal mechanisms. 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

Comprehensive Risk Management for ESG

As a financial conglomerate, Ping An has taken the lead in the practice of ESG risk integration, integrating core theories and standards of ESG into the Group's "2-5-1" risk management system at the deepest level to supplement the original risk management system with ESG risks and strengthen control, in a bid to further improve risk governance capabilities and realize long-term sustainable development.

Sustainable Development Recognition

Ping An's achievements in sustainability have been widely recognized by the international community. As of December 31, 2020, Ping An had been selected into the FTSE4Good Index Series, received an A in the rating of the Hang Seng Corporate Sustainability Index, and been included in the Hang Seng China Enterprises Index ESG Index and the Hang Seng ESG50 Index. In addition, Ping An had been rated A in the ESG rating of MSCI, which indicates a leading position in China and an advanced level globally. Ping An had been rated B+ in the ESG rating of Refinitiv and A- in the Carbon Disclosure Project (CDP), which is the highest rating obtained by a Chinese mainland-based financial company.

Sustainability

PING AN'S SDGs MAP

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

Ping An actively responds to the national call for poverty alleviation and provides inclusive financial services to the poor through its insurance and banking businesses. On the basis of consolidating poverty alleviation achievements, Ping An closely follows the national strategy of rural vitalization to contribute to the high-quality economic and social development, increase the per capita income of residents, and drive the demand for wealth management.

Improving agricultural productivity is an important means to eliminate hunger. Ping An attaches great importance to agricultural investment. Through products and services including agricultural insurance, inclusive agricultural loans, and smart agricultural platforms, Ping An contributes to sustainable agricultural development. Ping An has carried out a series of poverty alleviation programs, and leveraged senior management endorsements and live commerce to seek new ways to support agriculture and reduce poverty.

Ping An focuses on "pan healthcare" and continuously innovated in areas including health protection, medical services, social health insurance management, and smart anti-epidemic services. Ping An pays great attention to the health conditions of people at all ages, and integrates health-related demands into the design of insurance products to prevent population health risks.

Quality education is the basis for people to improve their quality of life and pursue better jobs and lives. Ping An provides continuous support for charitable education programs, focusing on the Juvenile Science and Technology Literacy Enhancement Program. By donating textbooks and test kits, helping build laboratories, training headmasters and teachers, and providing scenario-based Master Classes, Ping An has linked high-quality urban education resources to remote villages to promote poverty alleviation through science and education.

The active participation of women is indispensable to sustainable economic and social development. Ping An fully respects and protects women's rights and interests. By cooperating closely with organizations including China Women's Development Foundation, Ping An has initiated a public welfare program "Mother's Needlework" to help rural women in ethnic areas increase income through flexible employment, namely recycling and upcycling old clothes and passing on intangible cultural heritage. Ping An has integrated anti-discrimination into its business processes and developed a code of conduct to eliminate gender discrimination in the workplace and boost the morale of female employees.

Improving environmental sanitation and water supply is essential to people's health. Ping An implements a water-saving plan within the Group, invests in public drinking water facilities, and helps rural areas improve the conditions of drinking water and sanitary facilities. These measures reduce operating costs while protecting water resources.

Fossil fuel depletion and environmental pollution have been universal concerns. Ping An supports clean energy development and energy structure upgrades through responsible investments, new energy credit, thematic funds, and insurance products. Ping An encourages the transition from fossil fuels to efficient, energy-saving and environment-friendly energies.

8 DECENT WORK AND ECONOMIC GROWTH

Ping An regards employees as important assets of the Company and offers abundant room and resources for employees' career development. Ping An respects employees' rights and interests, constantly improves their compensation and benefits, and maintains a safe and pleasant working environment. Moreover, Ping An attaches great importance to the growth and development of sales agents, keeps optimizing training practices and courses, and is committed to building highly competent teams of employees and agents.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Infrastructure and the real economy are important engines for economic and social development. By participating in the state's major infrastructure construction projects, Ping An promotes the mobility of talent and various factors of production, raises returns on assets of the companies in which Ping An have invested, and supports the Belt and Road Initiative, the development of Guangdong-Hong Kong-Macao Greater Bay Area, and micro-, small and medium-sized enterprises.

10 REDUCED INEQUALITIES

Regional inequality seriously constrains economic and social development and affects social stability. Ping An has in-depth practices in areas including inclusive finance, technology applications, targeted poverty alleviation, and social welfare. Ping An created smart financial services platforms including AI-BANK, and offers financial services in rural villages and other remote areas. Ping An uses technology to fix the uneven distribution of resources, and develops new business scenarios while facilitating regional development.

11 SUSTAINABLE CITIES AND COMMUNITIES

Rapid urbanization brings about many challenges while creating social prosperity. Adhering to the philosophy of "expertise creates value," Ping An supports the sustainable development of cities and communities by leveraging its financial and technological advantages in financial services, healthcare, auto services, smart city, and other areas.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Ping An helps companies and clients prevent risks by giving full play to its risk management expertise in operations, products and services. With a supplier ESG code of conduct in place, Ping An and relevant parties jointly maintain a low-carbon operating environment by saving energies and reducing emissions to generate environmental economies of scale and improve overall ESG performance.

13 CLIMATE ACTION

Climate change is one of the greatest matters of worldwide concern. Ping An actively manages carbon emissions in its operations, provides environmental insurance products to help society mitigate the impact of climate change, and promotes low-carbon development through green investments. As required by relevant climate agreements, Ping An strives to contribute to the goal of limiting global warming to two degrees Celsius.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

A robust business code of conduct will significantly reduce operational risks facing an enterprise. Ping An regards business ethics and anti-corruption as the foundation for its healthy development. Ping An ensures transparent and compliant operations and reduces compliance and operational risks by improving policies and educating employees.

17 PARTNERSHIPS FOR THE GOALS

Ping An actively engages in external cooperation in economic, social and environmental fields with an open mind, and continuously creates shared value for all stakeholders. Ping An is a signatory to the United Nations Principles for Responsible Investment (UNPRI) and the United Nations Principles for Sustainable Insurance (UNPSI), with significant international prestige and influence.

Sustainability

KEY INITIATIVES FOR SUSTAINABLE DEVELOPMENT

Ping An Group has set up nine key initiatives for sustainable development as the focus of ESG and taken action across the Company to improve its ESG performance.

Community Impact

Ping An Rural Communities Support

In response to the country's appeal, Ping An initiated Rural Communities Support comprising the Village Officer Program, the Village Doctor Program, and the Village Teacher Program to address three root causes of poverty in key poverty-stricken areas, namely industries, healthcare, and education. Ping An fully supports the national poverty eradication strategy through its unique poverty alleviation model of Rural Communities Support, assistance for "pre-production, production, and post-production," and three insurance products designed for industrial poverty alleviation. For the past three years, Ping An has implemented Ping An Rural Communities Support in 21 provinces or autonomous regions across China and provided over RMB29,834 million in industrial poverty alleviation funds, benefiting an impoverished population of 730,000. Ping An has increased the per capita income of 150,200 registered poor residents. Ping An helped build or upgrade 1,228 rural clinics, trained 11,843 village doctors, and provided over 110,000 people with free medical examinations. Ping An also funded the upgrading of 1,054 rural schools and trained 14,110 village teachers, benefiting about 300,000 students.

In terms of industrial poverty alleviation, Ping An has developed three insurance products, namely Poverty Alleviation Insurance, Traceability Insurance, and Poverty Returning Prevention Insurance, for the three stages of "pre-production, production, and post-production." Meanwhile, Ping An provides rural residents with training and education, promotes the growth of industries, and empowers the production and sales of rural enterprises to effectively reduce poverty. In addition, Ping An explores sustainable consumption-driven mechanisms by implementing key poverty alleviation projects in key poor areas. Ping An leverages its advantages in financial services to carry out industrial poverty alleviation measures as well as build its own poverty alleviation models in Baise, Ulanchap, and other poverty-stricken areas in the Three Regions and Three Prefectures.

Ping An makes the best of its healthcare ecosystem in an effort to improve healthcare, including donation of medical supplies to poverty-stricken areas, upgrading of clinics in impoverished regions, and training of village doctors. During the Health Protection Action, Ping An carried out public welfare activities in poor rural areas, including free medical examinations and screening services for internal diseases and tumors. In the past three years, Ping An provided over 110,000 impoverished people with mobile testing services on a total of 726 tours.

To support education, Ping An rolled out public welfare programs including the Juvenile Science and Technology Literacy Enhancement Program, the Not Reading Alone-Juvenile Literary Attainment Enhancement Program, and the Internet Poverty Alleviation Program. Ping An offers "online + offline" science and technology and literature courses, and literacy enhancement lectures to teenagers nationwide, enabling students in remote villages to access high-quality education resources in cities and bridging the gap between urban and rural education.

Fighting COVID-19

After the outbreak of COVID-19, Ping An attached great importance to the combat against the epidemic and earnestly performed its duties in insurance business. Ping An gave full play to its advantages in protection services, technologies and healthcare, mobilized multiple resources, and contributed to the fight against COVID-19 by providing insurance protection, charitable donations, quick claims settlement, medical services, financial services and technologies.

- In respect of charitable donations, Ping An donated supplies and cash exceeding RMB180 million to combat COVID-19 in 2020. Ping An also provided complimentary insurance benefits with a total sum insured of over RMB13.6 trillion to frontline medical workers and small and micro-businesses nationwide, facilitating the resumption of work and production.

- In respect of fast-track claim settlement, Ping An settled a total of 663 insurance claims in 2020 for confirmed cases of COVID-19, with a total claim payment of RMB31.2543 million.

- In providing medical technology services to medical institutions across China, companies including Ping An Good Doctor, Ping An Life, and Ping An HealthKonnect launched smart medical services including online consultation handled by AskBob, online smart computed tomography image reading and epidemic dynamics updates by cooperating with the governments of 62 provinces, cities, and regions across China. During the epidemic, these services were accessed 1.72 billion times.

- Ping An adopted six financial relief measures for small and medium-sized enterprises to support national economic recovery and development. First, Ping An strengthened credit support and offered loan interest rate discounts. Second, in granting credit lines, Ping An prioritized key enterprises' epidemic prevention purposes. Third, Ping An established fast tracks for cross-border businesses to support overseas procurement funds. Fourth, Ping An waived or reduced online banking fees, including charges of money transfers and the payroll business. Fifth, Ping An fast tracked account opening related to epidemic prevention. Sixth, Ping An improved customer service efficiency and honored its time limit commitments.

- Ping An leveraged its technologies to support the government in the combat against COVID-19. The "Nationwide COVID-19 Real Time Dashboard" launched by Ping An went live on over 100 official new media platforms in 21 provinces and 31 cities across China, including Chongqing and Hubei, keeping the public updated on COVID-19 developments. Ping An's epidemic prediction system built with AI and big data provided relevant national departments and ministries and health commissions of 15 provinces with smart epidemic development prediction.

Volunteer Services

The Ping An Volunteers Association, since its establishment in 2018, has set up 26 branches nationwide, covering over 20 member companies of the Group. As of December 31, 2020, the "San Cun Hui" public welfare app had 2.655 million registered users, 539,000 of whom were employees and sales agents of Ping An. The app has launched 3,506 public welfare initiatives, attracting a total of 3,263,000 participants.

Business Code of Conduct

Ping An has formulated the *Business Code of Conduct of Ping An Group* and other relevant policies, specified its commitments to the Company's business ethics and employees' business behaviors, and continued to standardize its management.

Corporate Business Ethics

In accordance with applicable laws and regulations, the Company formulated procedures including the *Articles of Association*, the *Whistle-blowing Management Procedure*, and the *Procurement Management Procedure* which apply to all of its member companies, suppliers and partners, and pledges the following:

- In respect of tax policies, the Company complies with all applicable laws and regulations with respect to its operations, proactively cooperates with governments in implementing tax policies, duly performs tax duties, discloses tax information as required by law, and prevents tax dodging and evasion.

- In respect of anti-monopoly and fair trade, the Company observes anti-monopoly laws and regulations, strictly scrutinizes all merger and acquisition transactions, and meets all disclosure requirements.

- In respect of anti-money laundering, anti-terrorist financing, and sanctions compliance, the Company identifies, monitors, and prevents financial crimes according to applicable laws and regulations as well as the Company's *Anti-money Laundering Management Policy* and the *Guidelines on Anti-money Laundering List-based Monitoring and Sanctions Compliance*. The Company performs anti-money laundering and anti-terrorist financing duties, and has a robust anti-money laundering framework in place. The Company has incorporated the anti-money laundering framework into its enterprise risk management framework to effectively contain and strictly manage money laundering and sanctions compliance risks.

- In respect of fairness and protection of employees' rights and interests, the Company protects legitimate interests of all employees in internal management and business dealings. The Company also calls on partners to protect their employees' legitimate interests, oppose gender, regional and age discrimination, and not to use child labor or forced labor. The Company has in place relevant procedures including the *Procurement Supplier Management Procedure* to ensure that suppliers' commitments to employee rights and welfare are met.

- In respect of petitioning and reporting management, the Company has formulated the *Whistle-blowing Management Procedure* and provides employees with official channels to explain the problems that they discover by establishing a mailbox and a phone number for anti-corruption petitioning and reporting. The Company's petitioning unit deals with letters and calls in a lawful, objective, fair, and timely manner, coordinates the joint investigation and handling of relevant units based on the specific content of the letter or call, safeguards the fairness and justice that the petitioner shall enjoy, and resolutely protects the confidentiality and security of the informant and the information reported, to promote the efficient and proper proceeding of petitions.

- In respect of intellectual property protection, the Company protects its own intellectual property rights in practical business operations, strictly prohibits its employees from being involved in activities that violate intellectual property right laws, and requires them not to infringe others' intellectual property rights.

Employee Code of Conduct

The Company pays great attention to combating fraud, corruption and commercial bribery, and supervising other business conduct. Ping An has developed systematic internal management rules and procedures covering full-time and part-time employees, including the *Employee Interest Conflict Management Policy*, the *Anti-fraud Procedure* and the *Anti-money Laundering Management Procedure*. Systematic training is conducted for employees on a half-yearly basis. Ping An formulates its employee code of conduct covering the following aspects:

- In respect of information management and social media management, employees are required to strictly follow the requirements of customer information security management to actively protect customer information from being leaked. Official accounts and employee accounts may not disclose confidential business information or illegal information on social media.

- In respect of conflicts of interests, transfer of interests, and management of undisclosed information, employees are required to understand and comply with the Company's rules and regulations on conflicts of interest. The Company prevents and punishes improper business dealings and transfer of interests in line with the principles of "risk coverage, self-declaration, conflict avoidance, and zero tolerance." Employees are responsible for maintaining the confidentiality of insider information and may not divulge it.

- In respect of anti-bribery, corruption and fraud, employees and partners may not engage in any illegal or improper activities in exchange for personal benefits or damage the Company's legitimate economic interests and reputation. Once a fraudulent action is confirmed, the relevant employees will be subject to the *Red, Yellow, and Blue Card Penalty System* and the *Standard for Handling of Employees' Rule Violations* for penalties and punishments.

Responsible Investment

Adhering to the United Nations Principles for Responsible Investment (UNPRI) and relevant guidelines issued by Chinese regulators, Ping An is the first company in China to sign the UNPRI, the Climate Action 100+ and the Green Investment Principles for the Belt and Road as an asset owner. Ping An is also a member of the Green Finance Committee of the China Society for Finance and Banking. Ping An promotes the development of responsible investment in various aspects including the organizational structure and policies, and development and application of investment risk management tools and financial products. For the second year running, Ping An was awarded the "ESG Investor of the Year for Insurers, China" by *The Asset* in its "Triple A Sustainable Investing Awards for Institutional Investor, ETF and Asset Servicing Providers," in recognition of its leading performance in responsible investment.

Organizational Structure and Policies

Under the supervision of the Group IR and ESG Committee, in 2020, the Group ESG Office, the Group's functional departments, and four member companies jointly established an expert panel to work on the Group's responsible investment, advance the application and implementation of the Group's responsible investment policies, and integrate ESG elements into investment and business decisions. Moreover, Ping An has amended the *Responsible Investment Policy of Ping An Group* to clarify the scope of application of responsible investment and elaborate the methods for applying the responsible investment strategies.

The five principles of Ping An's responsible investment are ESG Integration, Active Ownership, Thematic Investing, Prudence, and Information Transparency.

- ESG Integration: Ping An integrates ESG factors into investment decision-making, actively develops the CN-ESG Smart Rating System, and forms evaluation standards for listed companies, bond issuers, and ESG due diligence as well as the basis for investments.
- Active Ownership: Through conducting ESG communication and post-investment management, Ping An gives full play to the positive influence of shareholders, urges investee companies to improve ESG performance, and puts forward feasible suggestions to support the healthy development of investee companies.
- Thematic Investing: Ping An implements the development concept of inclusive finance and green finance, and promotes thematic investing strategies such as environmental protection, environmental restoration and clean energy. Ping An is committed to poverty alleviation, financial inclusion and those thematic investing strategies that can generate extra social benefits.
- Prudence: Ping An promises not to invest in controversial industries including gambling and pornography, adopts conditional exclusion strategies for high-pollution and high-energy consumption projects, and prudently invests in thermal power and coal industries.
- Information Transparency: Qualitative and quantitative information about responsible investment is disclosed in interim reports and annual sustainability reports.

CN-ESG Smart Rating System

As both a "responsible asset owner" and a "technology product provider," Ping An has created a systematic, intelligent, and practical CN-ESG Smart Rating System with Chinese characteristics. Ping An summarized China's compliant ESG-related disclosure requirements and included the core issues of ESG rating systems of other countries so that the CN-ESG system features both local and international visions in terms of information, standards, and indicators regarding ESG disclosure to meet diverse needs. Ping An's CN-ESG Smart Rating System not only helps companies understand and improve their ESG performance and disclosure, but also serves as a reference for investors' decision-making by exploring new value of companies.

Sustainability

AI-ESG Smart Management Platform

Based on the CN-ESG Smart Rating System, Ping An built an AI-ESG Smart Management Platform with an AI-enabled middle office to provide customized smart products and services for different objects and realize the functions of comprehensive ESG performance management and risk management for responsible investment. The platform offers tools for ESG performance management to listed companies, informs investment institutions of the ESG performance of investment targets, and provides comprehensive ESG functional support for rating agencies, governments, associations, and NGOs. Ping An has developed a system with more than 400 indicators, covering all A-share listed companies and 41 sub-industries.

Responsible Investment Practice

Adhering to the responsible investment principles, Ping An has made full use of AI-ESG tools to integrate ESG risks into the Group's investment risk management system and established the Group's responsible investment product framework, which includes equities, bonds, financial products, mutual funds, and lease receivables.

Ping An has been innovating on and leveraging green financial tools to facilitate the development of green finance. In March 2020, Ping An became the world's first insurance group to sign the Green Investment Principles for the Belt and Road Initiative. The Group makes full use of green financial tools to provide insurance protection and investment and financing support for major overseas infrastructure projects. Ping An's total investment and financing for the Belt and Road projects have exceeded RMB340 billion. In addition, Ping An has set up a black list and a gray list for the investment industry under the guidance of the United Nations Principles for Responsible Investment and fully considers ESG risks in investment decision-making, to provide support and guidance for strategy formulation and investment applications of different investment businesses across the Group. In May 2020, Ping An Trust applied the ESG integration method to the SOE mixed ownership reform project of Shenzhen Shentou Environmental Technology Co., Ltd. ("Shentou Environmental") to ensure that responsible investment principles were implemented in mergers and acquisitions. At the post-investment stage, Ping An continued to assist Shentou Environmental in enhancing integrated ESG value. In September 2020, Ping An of China Asset Management (Hong Kong) Company Limited launched the first UCITS (Undertakings for Collective Investments in Transferable Securities) Umbrella Fund in Hong Kong, which included a green bond fund investing in green bonds in China and emerging markets that met international standards. Ping An Fund strengthened its investment practices in relation to clean energy transformation by launching China Securities New Energy Vehicle ETF.

Besides green finance, Ping An has also been active in exploration and innovation in social impact finance. In August 2020, the assembled funds trust project of Shenzhen Charity Mutual Fund, China's first of its kind, was successfully launched. Ping An Trust participated in the design and was entrusted with the management of the project. The project empowers the real economy with "finance + charity," and provides financial support for listed technology companies in Shenzhen. As of December 31, 2020, three products had been issued, with total proceeds of over RMB307 million. This trust scheme marks a new assembled trust model co-initiated by Ping An Trust and Shenzhen Commonweal Fund Federation, and will promote the compliant charity asset appreciation and better support charity development.

As of December 31, 2020, Ping An's responsible investments were as follows:

(in RMB million)	Equities	Bonds	Financial products	Mutual funds	Lease receivables
Thematic Investments					
Including:					
Green investments	28,982	16,032	38,015	15,987	4,260
Social and inclusive investments	30,032	463,773	380,476	335	55,916

Notes: (1) Responsible investment data covers all financial products of the Group as a fund provider and product issuer.

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

(3) Social and inclusive investments include infrastructure, small and micro-business support, old-age care and healthcare, education and culture, poverty alleviation for agriculture, farmers and rural areas, and shanty area reconstruction.

As a financial conglomerate, Ping An uses credit to promote low-carbon, eco-friendly industries, and offers credit services to small and micro-business owners, sole proprietorships, and self-employed people. By providing financial services to those who need them, Ping An supports sustainable economic development. As of December 31, 2020, Ping An had granted green credit lines of RMB94,867 million, with the balance of green loans being RMB35,897 million. The balance of inclusive loans was RMB871,461 million.

Sustainable Insurance

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.

Risk Management of Insurance Products

Ping An continues to research and monitor global climate change risks (including global warming and extreme weather disasters) and social change risks (including demographic change, population aging and a high incidence of diseases), to ensure reasonable ESG risk pricing for insurance products, and manage and prevent risks in enrollment. Moreover, Ping An has formulated a rational and consistent insurance risk management system 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 and implemented ESG insurance risk management measures and processes covering product development, underwriting, claims, product management, reserve evaluation, and reinsurance management, and have taken specific ESG risk management measures.

Sustainable Insurance Product Portfolio

Ping An is the first company in the Chinese mainland to sign the *Principles for Sustainable Insurance (PSI)* established by the United Nations Environment Programme Finance Initiative.

Ping An fulfills its environmental and social responsibilities through a well-developed sustainable insurance product portfolio. As of December 31, 2020, Ping An Property & Casualty has launched 572 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 products including engineering insurance, food safety insurance, medical malpractice insurance and inclusive insurance targeting small and micro-businesses, farmers, and other groups with special needs. Moreover, Ping An continues to watch health trends in China and changes in insurance market demand brought about by enhanced insurance awareness, and promote the development of protection-oriented products, offering 725 sustainable products, namely medical insurance, critical illness insurance and old-age insurance, through Ping An Life, Ping An Annuity and Ping An Health.

In 2020, the performance of the Company's sustainable insurance product portfolio was as follows:

(in RMB million)	Environmental Insurance(1)	Social Insurance(2)	Inclusive Finance(3)
Premium income	121	173,821	47,377
Insured amount	120,199	381,219,430	11,215,527

Notes: (1) Environmental insurance includes environmental liability insurance and catastrophe insurance.
(2) Social insurance includes liability insurance (including workplace safety insurance and food safety insurance), medical insurance, and critical illness insurance.
(3) Inclusive insurance includes agriculture insurance, insurance for rural areas, insurance for farmers, insurance for vulnerable groups, and small and micro-business operations insurance.

Sustainability

Information Security and AI Governance

The rapid development of science and technology highlights the increased importance of private data protection and technology ethics review. Information security has always been a key pillar of Ping An's operations. Since 2019, Ping An has maintained an AI Ethics Management Committee at the Group level to oversee the development and application of AI in a comprehensive and reasonable manner.

Information Security and Privacy Protection

Ping An abides by the information security requirements under laws, regulations, and industry norms and codes. To ensure the confidentiality, integrity and availability of information, Ping An constantly improves its information security management system. Ping An has formulated rules for information security management including the *Procedure for Information Security Management of Ping An Group*. In addition, Ping An established a data security governance model centering on customer data protection to ensure data security before, during and after transactions. Ping An regularly conducted internal and external audits of its information security management and data privacy protection. Moreover, Ping An has passed the ISO 27001 information security management system certification for consecutive years, ensuring the effective and stable operations of the information security system.

Privacy protection is the top priority in Ping An's information security management system, and also the bottom line of Ping An's management. Ping An has developed the *Privacy Protection Statement of Ping An Group*, the *Procedure for Data Management* and the *Procedure for External Data Cooperation Management* to ensure that personal data is captured, transmitted, stored and used in a compliant, safe manner. The member companies of the Group formulated and implemented their own detailed implementation rules, and took a series of measures to prevent data leakage. Moreover, Ping An undertakes to protect customer information and privacy rights of customers and employees in business activities.

AI Governance

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.

Ping An has clear ethical goals for data, algorithms and applications, and constantly improves its AI governance framework. Internally, Ping An has established the AI Ethics Management Committee, forming a comprehensive AI governance system at the Group level. The AI Ethics Management Committee is responsible for steering the macro direction of Ping An's AI ethics policy, and ensuring fairness and justice for products under development. While providing services and products, the AI Ethics Management Committee will oversee information security and privacy protection, and better resolve AI ethical issues during practical projects. Externally, Ping An proactively engaged in global AI governance and strengthened exchanges with other players and academia. For instance, Ping An took part in standard making for the *AI Risk Management Evaluation Model Standard* under China Electronics Standardization Institute, and the *AI Ethics Standard* under China AI Standardization Working Group, contributing to the standardization of AI governance.

Product Responsibility

As an integrated financial services group, Ping An offers a wide range of products and services covering insurance, banking, investment and technology. The Company adheres to the principles of compliance, fairness, inclusiveness, and environmental protection throughout the life cycles of products and services. The Company undertakes that all its products and services are offered in accordance with the principles of compliance, fairness and environmental protection. The Company will not provide products and services involving violation of individual rights, violation of the freedom of speech, and political repression, nor involving high emissions, high pollution, ecological destruction, and animal rights violations. The Company will not engage in monopoly, unfair competition, pyramid sales, or terrorism. Moreover, the Company will make every effort to prevent violation of laws, regulations, and codes of ethics.

Ping An's product management is divided into three phases, namely product design, product development and launch preparation, and sales and after-sales services. Ping An has established a policy regime governing all products and services, including the *Consumer Rights Protection Management Measures of Ping An Group*, the *Product Sales Management Measures*, the *Product Development and Design Standards*, and the *Red, Yellow, and Blue Card Penalty System*. In this way, the Company manages all products and services throughout their entire life cycles to avoid potential violation of laws and regulations.

To protect consumer rights and strengthen product management, Ping An set up the Consumer Rights Protection Committee under the Board of Directors in February 2020.

Sustainable Supply Chain

Ping An has established the *Sustainable Supply Chain Policy of Ping An Group*, integrating ESG requirements into supply chain management that covers supplier selection, cooperation approval, process management, tracking and feedback. Ping An attaches great importance to suppliers' ESG performance in environmental protection and employee rights protection. The Company has also included ESG requirements into existing supplier contracts, setting out articles on anti-bribery, information security and privacy protection, labor rights protection, low-carbon and green technological transformation and development, and employee development.

Ping An also provides partners with training programs on product quality, work skills, compliance management, and employee rights protection to improve suppliers' sustainability performance. In 2020, Ping An provided training for 16 suppliers on ESG management requirements and ESG risk practices. The Company will continue to encourage suppliers and partners to seek environmental, social and corporate benefits and achieve joint sustainable development.

Employee Rights and Care

Employee Rights

Ping An complies with the core sections of the *International Labor Conventions* and the relevant agreements approved by the countries where Ping An has presence. The Company formulated the *Employee Rights and Welfare Policy of Ping An Group* and other documents, undertaking to protect the legitimate rights and interests of employees. In addition, the Company released anti-discrimination rules to eliminate unfair treatment. The Company ensures equal pay for equal work, and prohibits all forms of discrimination in recruitment, on-boarding, training, promotion and rewards. The Company is against any use of child labor and forced labor. Moreover, the Company does not interfere with the right of employees to participate in or form any legitimate association.

Ping An always upholds fair, just and transparent salary and performance management, and constantly reviews the competitiveness of employee salaries. Ping An 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. To retain key employees and establish long-term incentive and restraint mechanisms, Ping An implemented the Key Employee Share Purchase Plan and the Long-term Service Plan. Ping An has established sound, diverse channels for feedback, complaints and whistle-blowing, and formulated the *Whistle-blowing Management Procedure* to guarantee employees' freedom of expression and protect their legitimate rights and interests.

Employee Development

Ping An has been continuously diversifying and optimizing its talent standards and systems. Each year, Ping An organizes talent reviews of key positions. In addition to multiple dimensions including 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.

Sustainability

All employees, including in-house staff, field staff and interns, have the right to participate in various forms of training. The Company arranges high-quality offline and online training activities according to the needs of employees. Ping An School of Financial Management vigorously develops a high-quality curriculum and online 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.

Employee Benefits

To accomplish the mission of "making a career plan for a prosperous and contented life," Ping An provides employees with benefits including commercial insurance, high-end health insurance, and health check-up packages for family members. Ping An ensures that employees can realize their value in a highly satisfactory environment. In addition, Ping An provides a health management platform where employees can directly conduct online consultations and hospital registration. Ping An provides regular health check-ups for employees and arranges for professional doctors to interpret health check-up reports. In addition, 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 has developed HR-X, a smart human resources mobile app to provide employees with a series of convenient services, including mobile attendance, one-click request for leave, company ID card application, social security processing, and personal file management.

Ping An respects and cares for female employees, and provides nursing rooms and corresponding facilities in the office.

Green Operations

Ping An strictly abides by the relevant laws and regulations including the *Environmental Protection Law of the PRC*, and has formulated the *Low-carbon Business and Operation Policy of Ping An Group*. Ping An has incorporated environmental protection in its business development plans and strives to minimize the negative impact of business operations on the environment by conducting energy conservation transformation, building smart offices, and adopting electronic business processes. Ping An has 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 buildings: Ping An pledges that all new buildings of Ping An Group will reach China's Green Building Label (2-star) or equivalent Leadership in Energy and Environmental Design (LEED) certification. In 2020, the Group's new building "Ping An Lize Financial Center" in Beijing was completed with LEED Gold certification.

In 2020, Ping An's carbon emissions reached 530,299 tCO_2e, and its carbon emissions reduction potential (through electronic operations) reached 53,092 tCO_2e.

Prospects of Future Development

MAJOR INDUSTRY TRENDS, MARKET LANDSCAPE, AND RISKS

In 2020, the COVID-19 epidemic exerted a serious impact on China's economy and society. Nevertheless, domestic market expectations improved thanks to China's continued epidemic prevention and control as well as economic and social development. China was the world's only major economy with positive growth in 2020 and achieved all its poverty alleviation targets as scheduled. However, global economic conditions remain complicated and severe as the global spread of COVID-19 has caused a second wave of the pandemic in European and American countries. Moreover, China still faces challenges to its full recovery due to the fragile economic recovery foundation.

In the short run, as the impact of COVID-19 continues, consumer demands for long-term, regular-premium protection insurance products, though having recovered to some extent, will still be weaker than before the epidemic, and large-scale offline events will still be restricted. Moreover, as credit risk increases, the asset quality will remain under pressure. However, in the long run, profound changes in the domestic and foreign economic environments will present new opportunities. People's insurance awareness will grow after the epidemic, and their demands for insurance and other financial services will become stronger. In addition, driven by policies and technological advancement, the healthcare industry will develop rapidly, presenting upstream and downstream growth opportunities. Moreover, the epidemic has accelerated the development of online consumption habits, indicating new growth drivers of online business.

- For the insurance business, the state's "Healthy China" initiative has raised people's awareness of health and elderly care, presenting long-term opportunities to the insurance industry. Life insurers will enjoy more development opportunities as healthcare reforms continue, new policies on people's livelihoods, welfare and security are implemented, and people's insurance awareness is stimulated by COVID-19. For property and casualty insurers, new development opportunities will arise from gradual commercialization of governments' risk management functions, consumers' rising insurance awareness, and technology applications in the insurance industry.

- For the banking business, the domestic and international economic and financial market conditions will remain complex and fluid, and supply-side financial reforms will continue. New technological trends, business models and ecosystems will constantly emerge, and the advancement in new development directions will present new opportunities and challenges to the banking industry. The Company will unswervingly strengthen financial risk prevention, gain insights into macroeconomic development, market changes and customer demand, and employ cutting-edge technologies to pursue innovative business models and diversify financial services.

- For the asset management business, under a new regulatory framework, new policies for insurance asset management and wealth management will be enacted. Financial institutions' compliance awareness and investors' risk awareness will grow significantly. Ping An will actively respond to national policies and maintain robust risk management. Empowered by financial technologies, Ping An will enhance the operational and decision-making efficiency of its investment business to establish an industry benchmark. Ping An will promote industry transformation and upgrading to support the real economy and major national strategies.

- For the technology business, a new generation of information technologies including cloud computing, big data, blockchain and AI will create new growth opportunities by driving the transformation and upgrading of traditional sectors, enabling the smart development of industries, and spawning emerging industries and new growth drivers. The Company will continue to improve operational efficiency and customer services by increasing investment in technological R&D and empowering its core businesses with new technologies.

Prospects of Future Development

In response to the government's call, Ping An will fulfill its mission to "serve the country, society, and public" by supporting the real economy, managing financial risks, and contributing to social and economic 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 2020, the Company fought COVID-19 by various means to fulfill its insurance mission and corporate social responsibilities, leveraging the protection function of insurance products, technology advantages and expertise in healthcare. The Company employed technologies to minimize the impact of COVID-19 on its operations and delivered on its main operational objectives for 2020. By advocating innovation in fintech and healthtech and enhancing the integrated financial business model of "one customer, multiple products, and one-stop services," the Company empowered financial services with technologies, empowered ecosystems with technologies, and empowered financial services with ecosystems. The Company enhanced retail customer development, boosted the value of retail businesses, and improved the operational management of corporate business to build a benchmark for integrated financial services. The Company maintained stable profitability as well as healthy, sustainable growth of its insurance, banking, asset management and technology businesses.

In 2021, the Company will continue to pursue smart, data-driven transformation, 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.

- Our insurance business will continue to seize market opportunities and conduct reforms to boost results. Aiming for growth in both business value and agent income under a quality-oriented approach, Life & Health will advance reforms, continue the pilot reform projects, strengthen technological empowerment and data-driven operations, pursue sustainable high-quality business development, and realize the reform goals. Ping An Property & Casualty will continue its technology-powered transformation to promote business development, improve customer services, and build differentiated advantages.

- Our banking business will continue to follow national strategies, adapt to domestic and international economic and financial market conditions, and further upgrade business strategies. With clearer roadmaps and moves, Ping An Bank will proactively support the real economy, and improve the overall efficiency and capability of risk management. In addition, Ping An Bank will continue its technology-driven reform and proactively further its strategic transformation.

- Our asset management business will consolidate its market-leading position, strengthen active management capabilities, and serve the real economy. We will continue to enhance our reputation and premium brand while adhering to the risk management bottom line. Moreover, we will strive to improve customers' investment returns and post-investment service experience through technological empowerment. In insurance asset management, we will continue to prioritize risk prevention, optimize asset-liability matching, improve investment management, and strengthen risk management.

- Our technology business will continue to implement the "finance + technology" and "finance + ecosystem" strategies. We will invest heavily to foster innovations in fintech and healthtech, and employ cutting-edge technologies to support our core financial businesses. By doing so, we will provide customers with high-quality products and excellent service experiences, and empower various industries with advanced technologies. Given synergies between healthcare and our core financial businesses, the Group's member companies will continue to work hand in hand to build a more comprehensive healthcare ecosystem to serve the healthcare industry on all fronts.

In response to the ever-changing economic landscape and market conditions, the Company will seize opportunities in technological innovations by gaining insights into macroeconomic dynamics. In addition, under an integrated financial business model of "one customer, multiple products, and one-stop services," the Company will empower financial services with technologies, empower ecosystems with technologies, and empower financial services with ecosystems. In this way, Ping An will strengthen business, pursue innovation, create greater value for customers and shareholders, and make more contributions to social development.

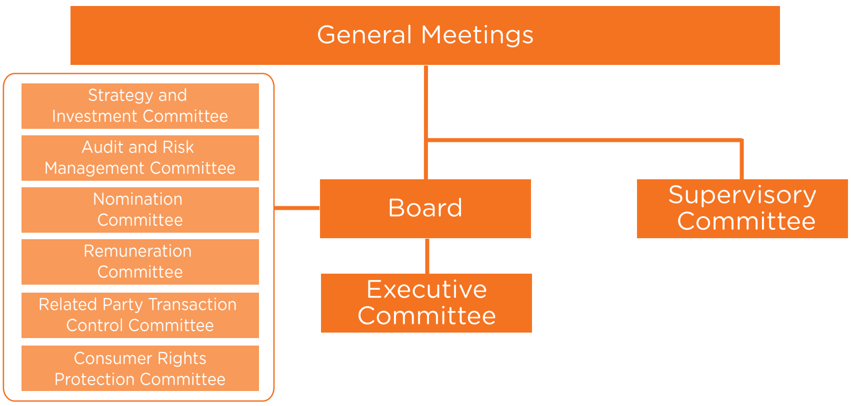
Corporate Governance Report

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, 2020 (the "Reporting Period").

CORPORATE GOVERNANCE STRUCTURE

During the Reporting Period, the Company implemented corporate governance measures to address practical concerns 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 obligations conferred by the *Articles of Association*, respectively.

The Corporate Governance Structure of Ping An



GENERAL MEETINGS AND SHAREHOLDERS

General Meetings

During the Reporting Period, the Company convened one general meeting. The notice, convocation and procedures for convening and voting at the general meeting were in accordance with the requirements of the *Company Law of the PRC* and the *Articles of Association*. The general meeting 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 meeting is as follows:

General meetings	Date of the meeting	Date of publication of resolutions	Designated media for A-share information disclosure
2019 Annual General Meeting	April 9, 2020	April 10, 2020	*China Securities Journal, Shanghai Securities News, Securities Times* and *Securities Daily*

The resolutions of the above general meeting 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 an interim proposal in writing 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 promoting the understanding between the Company and its investors, enhancing corporate governance and realizing the fair corporate value of the Company.

The Company's 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 through various means and channels, including but not limited to roadshows, videos, conference calls and 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 hotlines. Moreover, the Company is committed to strengthening the collection of capital market analysis reports and shareholders' information, and paying special attention to addressing investors' concerns and advice in order to further enhance the operations, management and corporate governance of the Company. We constantly improve internal workflows and policies to provide investors with efficient, convenient services.

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 corporation responsible for its own profits and losses, runs independent and complete business and is capable of independent business operations. 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

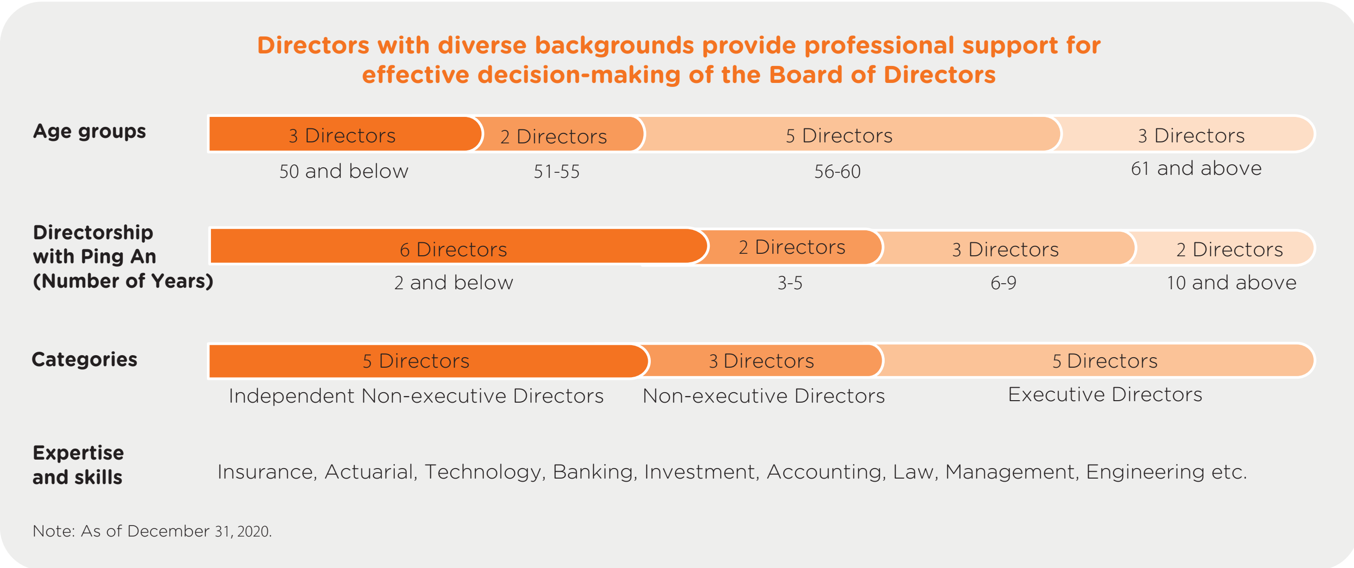
The Board is responsible for the management of the Company and accountable to the shareholders for their entrusted assets and resources. The Board represents and owes a duty to act in the interests of the shareholders as a whole. The Board recognizes its responsibility to prepare the Company's financial 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, asset 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

As of December 31, 2020, the Board consisted of 13 members, namely five Executive Directors, three 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 the 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 the date of the 2020 Annual General Meeting.

Corporate Governance Report

Attendance Record of Directors

During the Reporting Period, the Directors endeavored to attend 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[7]/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	Consumer Rights Protection Committee[6]
Executive Directors									
Ma Mingzhe (Chairman)[1]	March 21, 1988	1/1	10/10	2/2	-	4/4	-	-	-
Xie Yonglin[2]	April 3, 2020	1/1	7/7	-	-	-	-	-	0/0
Tan Sin Yin[2]	April 3, 2020	1/1	7/7	-	-	-	-	-	0/0
Yao Jason Bo	June 9, 2009	1/1	10/10	-	-	-	-	5/5	-
Cai Fangfang	July 2, 2014	1/1	10/10	-	-	-	-	-	-
Lee Yuansiong (Resigned)[3]	June 17, 2013	-	0/1	-	-	-	-	-	-
Ren Huichuan (Resigned)[4]	July 17, 2012	-	2/2	-	-	-	-	2/2	-
Non-executive Directors									
Soopakij Chearavanont	June 17, 2013	1/1	9/10	-	-	-	3/4	-	-
Yang Xiaoping	June 17, 2013	1/1	9/10	1/2	6/6	-	-	-	-
Wang Yongjian	July 13, 2018	1/1	9/10	2/2	-	-	-	-	-
Liu Chong (Resigned)[5]	January 8, 2016	1/1	4/4	-	-	-	-	-	-
Independent Non-executive Directors									
Ge Ming	June 30, 2015	1/1	10/10	2/2	6/6	-	4/4	5/5	0/0
Ouyang Hui	August 6, 2017	1/1	9/10	-	6/6	4/4	4/4	5/5	0/0
Ng Sing Yip	July 17, 2019	1/1	10/10	-	6/6	4/4	4/4	5/5	0/0
Chu Yiyun	July 17, 2019	1/1	10/10	-	6/6	4/4	4/4	-	-
Liu Hong	July 17, 2019	1/1	10/10	2/2	-	4/4	-	-	-

Notes: (1) Mr. Ma Mingzhe ceased to be a member of the Nomination Committee on December 31, 2020.
(2) Mr. Xie Yonglin and Ms. Tan Sin Yin have served as Executive Directors of the Company since April 3, 2020, and were appointed as members of the Consumer Rights Protection Committee on the same date.
(3) Mr. Lee Yuansiong ceased to be an Executive Director of the Company on February 1, 2020.
(4) Mr. Ren Huichuan ceased to be an Executive Director of the Company on March 16, 2020, and ceased to be a member of the Related Party Transaction Control Committee on the same date.
(5) Mr. Liu Chong ceased to be a Non-executive Director of the Company on June 15, 2020.
(6) The Board established the Consumer Rights Protection Committee on February 20, 2020. Mr. Ge Ming, Mr. Ouyang Hui and Mr. Ng Sing Yip were appointed as members of the Consumer Rights Protection Committee on the same date. No meeting was held this year because there were no imminent material issues which specifically required the deliberation of the Consumer Rights Protection Committee.
(7) Some Directors failed to attend certain meetings due to business scheduling conflicts.

Continuous professional development of the Directors

All the 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 the Directors to facilitate the performance of their responsibilities and obligations under the listing rules and relevant statutory requirements.

During the Reporting Period, all the 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 2020, all the Directors of the Company attended professional training with topics covering corporate governance, regulations, and the Company's businesses, and training courses organized by the Insurance Association of China regarding in-depth interpretation of Sino-U.S. relationship and case studies regarding global risk analysis. In addition, Mr. Ng Sing Yip attended the 2020 follow-up training courses organized by SSE for independent directors of listed companies. Mr. Ma Mingzhe and Mr. Xie Yonglin attended the 2020 series training courses organized by China Association for Public Companies for chairmen and presidents of listed companies.

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 learned 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 2019, 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 agreeing on the matters including adjustments of the assets management model and the vesting requirements of the long-term service plan, profit distribution, changes in accounting estimates, remuneration of the Company's senior management, appointment and remuneration of the external auditors, recommendation of Director candidates, appointment of the Company's senior management, extension of the term of the Key Employee Share Purchase Plan and major related party transactions, 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. Particular attention was paid to the legitimate rights and 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 six specialized committees, namely the Strategy and Investment Committee, the Audit and Risk Management Committee, the Nomination Committee, the Remuneration Committee, the Related Party Transaction Control Committee and the Consumer Rights Protection 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 the Directors of any significant progress or changes in process.

In 2020, the Strategy and Investment Committee held two meetings, which were 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 2020 Work Plan of the Company, the Company's 2019 Annual Plan Implementation Evaluation Report, the Proposal on Issuing the Debt Financing Instruments, 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 examines the effectiveness of the Company's internal controls through 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, 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 2020, the Audit and Risk Management Committee held six 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, 2019, the first quarterly financial statements for the three months ended March 31, 2020, the interim financial results for the six months ended June 30, 2020 and the third quarterly financial statements for the nine months ended September 30, 2020. Furthermore, the Audit and Risk Management Committee convened a meeting to review the unaudited financial report for the year 2020 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, 2020 at the first meeting in 2021 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 resolution of the Company's 2019 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 2020. PricewaterhouseCoopers has been engaged as the Company's auditor for eight 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	90
Audit services for internal controls	8
Other assurance services	7
Non-assurance services	17
Total	122

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 for 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

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 2020, to further improve the Company's governance structure and the Board's decision-making ability, the Nomination Committee recommended two Director candidates with extensive managerial experience to the Board.

In 2020, the Nomination Committee held four 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 Director and senior management candidates to the Board, approved the resignation of Mr. Ma Mingzhe as the Chief Executive Officer of the Company and reviewed the Annual Review Report of the Structure of the Board for 2019. 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 2020, the Remuneration Committee held four 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 proposals including the Proposal on Reviewing the Adjustments of the Asset Management Model of the Long-term Service Plan, the Proposal on Reviewing the Remuneration of the Company's Senior Management, the *Proposal on Reviewing the Company's 2019 Corporate Governance Report – Incentive and Restraint Mechanism*, the *Proposal on Further Clarification on the Vesting Requirements of the Long-term Service Plan*, and the *Proposal on Reviewing the Extension of the Term of the Key Employee Share Purchase Plan*. In addition, the Committee also reviewed reports including the Report on the Participation in the 2020 Key Employee Share Purchase Plan and Long-term Service Plan, the Report on the Settlement of Bonus for the Group's Senior Management for 2019, the Performance Report of the Remuneration Committee of the Board for 2019, and the Report on the Settlement of Long-term Incentives of 2017 to the Company's Senior Management and so on. 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 2020, the Related Party Transaction Control Committee held five 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 proposals including the Proposals on the Material Related Party Transaction of Capital Injections into Ping An Technology, the *Report on the Company's Related Party Transactions and Implementation of the Procedure for the Management of Related Party Transactions in 2019*, the Framework Agreements on Material Related Party Transactions for Non-Financial Subsidiaries, *Proposal on the Amendment to the Rules of Procedure for the Related Party Transaction Management Office*, etc. 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

Executive Director
Yao Jason Bo

Consumer Rights Protection Committee

The primary duties of the Consumer Rights Protection Committee are to establish and improve the consumer rights protection system, to ensure the effective protection of consumers' legal rights, and to ensure the related policies and regulations are in line with corporate governance, corporate culture building and operational strategy.

The Board established the Consumer Rights Protection Committee and approved the *Charter of the Consumer Rights Protection Committee of the Board* on February 20, 2020. Since the establishment of the Consumer Rights Protection Committee at the beginning of 2020, the consumer protection management rules and policies have been developed and the committee has guided subsidiaries to carry out consumer protection work actively and effectively.

Members

Independent Non-Executive Directors
Ng Sing Yip (Chairman),
Ge Ming,
Ouyang Hui

Executive Directors
Xie Yonglin,
Tan Sin Yin

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 including material development strategies, compliance risk management, capital allocation, and 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 and other Committees.

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 2019 first Extraordinary General Meeting. The amendments have been approved by the relevant regulatory authorities and became effective during the Reporting Period. The revised *Articles of Association* incorporating the amendments was published on the website of HKEX on March 30, 2020 and the website of SSE on March 31, 2020.

A proposal was made to amend the *Articles of Association* at the Company's 2019 Annual General Meeting. The amendments have been approved by the relevant regulatory authorities and became effective during the Reporting Period. The valid *Articles of Association* after the amendments was published on the website of HKEX on July 21, 2020 and the website of SSE on July 22, 2020.

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, 2020 to December 31, 2020 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 the 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), the President, the 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 for 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*.

As the current decision-making and operational mechanisms of the Company are well-developed, the talent echelon is mature, and the current operational model is proven effective after many years of practice, Mr. Ma Mingzhe, the chairman of the Company, proposed that he will no longer hold the position of the Chief Executive Officer. After prudent consideration, the Board agreed with the resignation of Mr. Ma Mingzhe as the Chief Executive Officer of the Company with effect from July 1, 2020, and the Company no longer deviated from Code Provision A.2.1 of the *Corporate Governance Code* from the same date.

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 as set out in the *Model Code*. Specific enquiries have been made to all the 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, 2020 to December 31, 2020.

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 "Regulations + 1," and constantly enhances its risk management 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 the sustainable growth of the Group.

Regarding the management framework and rules 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 its business and risk management needs. The Board is responsible for the 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 the 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's Executive Committee (the management) sets risk management targets, basic policies and rules, monitors risk exposures and available capital, and supervises the 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 2020, 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 Company continued to enhance compliance and internal control management, focusing on laws and regulations, business processes, responsibility control and system management. The Company continued to develop procedures and frameworks, implement the whole-process procedure management requirements, and upgrade the procedure management framework. By strengthening procedure management, the Company laid a solid foundation for its internal controls, ensuring that all its internal control measures are in accordance with laws and rules. With technologies and tools, the Company put together the interpretation of laws, regulations and policies, penalty alerts, risk monitoring models and the handling of compliance incidents, and established a closed-loop management framework that enables dynamic monitoring, early warning, and management of compliance risks as well as strategy optimization. By doing so, the Company can better predict risk trends and support business decision-making. The Company continued to promote targeted compliance and internal control reviews, and strengthened risk inspections in key areas. The Company urged departments concerned to rectify issues and mitigate risks identified, draw inferences from each instance, and manage risks at earlier stages. The Company continued to improve information security management by optimizing procedures, upgrading technologies, promoting inter-departmental collaboration 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 the operations of insurance funds and internal controls, developed the internal control framework for insurance funds, enhanced investment management capabilities and evaluation, and improved internal controls over the operations of insurance funds. In addition, the Company trained its employees on compliance and internal controls, upheld a top-down corporate culture requiring the management to lead by example, and strengthened the management of employees' legal education, business training, and work ethics. The Company continued to upgrade appraisal indicators for compliance and internal controls, and promoted day-to-day operational mechanisms under which "everyone is involved in internal controls, everyone is responsible for compliance, and internal controls have been integrated into businesses and processes."

Regarding anti-money laundering management, under the guidance and support of regulators, the Company has established a robust, well-structured anti-money laundering management framework with well-defined responsibilities through ongoing exploration and development. The Company formulated scientific and clear anti-money laundering strategies, continued to improve procedures and internal control mechanisms, and integrated smart technologies with risk management. In 2020, the Company continued to follow the international standards for anti-money laundering as well as the comprehensive risk management philosophy, and to seek smart and digital anti-money laundering risk assessment. The Company developed tools including the anti-money laundering news push notification, the regulatory penalty case analysis, and the key risk indicator monitoring, enabling the smart perception of internal and external money laundering risks. The Company further upgraded the money laundering risk assessment system, enabling smarter risk assessment. The Company improved the quality and efficiency of risk monitoring in all scenarios and processes, and ensured targeted crackdowns on financial crimes by upgrading the anti-money laundering monitoring platform, developing three models, namely, smart analysis, smart investigation and smart decision-making robots, and optimizing the smart investigation and analysis tools. Capitalizing on the results of smart risk perception, assessment and monitoring, the Company took targeted measures to strengthen risk management regarding high-risk customers and businesses. Measures taken by the Company also included systematic process optimization, comprehensive data governance, digital supervision and inspection, step-by-step talent development, comprehensive training, and see-through performance appraisal. In this way, the Company promptly mitigated and prevented money-laundering risks, and ensured compliance with laws and regulations in operations.

Regarding the management framework for internal audit and supervision, the Company has 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 had established the Group's 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's Audit and Risk Management Committee. The Company has established a three-tier internal audit structure comprising the Group Audit and Supervision Department and the Audit and Supervision Project Center, audit and supervision departments of member companies, and regional audit and supervision functions. Audit and supervision departments are independent of business operation 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, and 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 auditees' business activities, business decision-making and execution.

In 2020, 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, related party transaction management, legal and compliance management, risk management, operations management, financial management, asset management, document and seal management, inquiries, complaints and customer surveys, information system management, information and communication, and internal supervision. The Company paid close attention to the following high-risk areas: corporate governance, sales management, fund operations and management, actuarial management, investment and financing management, anti-money laundering, related party transaction management, risk management, operations management, financial management, and information system management. In 2020, 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 of Ping An for 2020* 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 to issue the *Internal Control Audit Report* on Ping An for 2020, which also focused on the effectiveness of internal controls over matters other than financial reporting.

For details of the Company's internal controls, please refer to the *Internal Control Assessment Report of Ping An for 2020* and the *Internal Control Audit Report on Ping An for 2020* 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 and facilitate sustainable and healthy business development 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 its 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 manages 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 2020, the Audit and Risk Management Committee held six 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, 2020, covering all material financial, operational and compliance controls, and has considered the Group's risk management and internal control systems to be effective and adequate.

By order of the Board

Ma Mingzhe
Chairman

Shenzhen, PRC
February 3, 2021

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, 2020 (the "Reporting Period").

	January 1, 2020		Changes during the Reporting Period					December 31, 2020	
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

Unit: Shareholder	December 31, 2020	January 31, 2021
Total number of shareholders	700,502 (including 696,120 domestic shareholders)	938,606 (including 934,265 domestic shareholders)

CORPORATE GOVERNANCE

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	35.51	6,491,359,838 (5)	+378,753,438	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(4)	Others	4.37	798,480,284	-20,698,094	A Share	-	-
China Securities Finance Corporation Limited	Others	2.99	547,459,336	-	A Share	-	-
Business Fortune Holdings Limited	Overseas legal person	2.95	539,730,026	-57,455,015	H Share	-	366,812,665 pledged shares
Central Huijin Asset Management Ltd.	State-owned legal person	2.65	483,801,600	-	A Share	-	-
New Orient Ventures Limited	Overseas legal person	2.16	394,383,842	-320,280,155	H 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) 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.

(5) Business Fortune Holdings Limited and New Orient Ventures 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.

Explanation of the connected relationship or acting-in-concert relationship among the above shareholders:

Business Fortune Holdings Limited and New Orient Ventures 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.

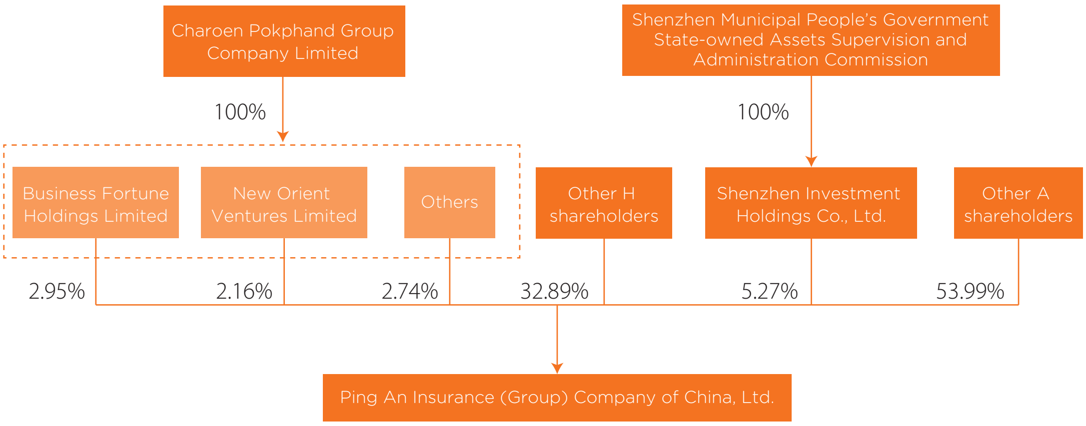
Particulars of controlling shareholder and de facto controlling party

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, 2020, CP Group Ltd. indirectly held 1,435,411,513 H shares of the Company in total, representing 7.85% 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:



Charoen Pokphand Group Co., 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, e-commerce and digital technology, property development, automotive and industrial products, pharmaceuticals and finance and investment.

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, operations 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. Chan Tak Yin
Ms. Cai Fangfang
Mr. Yao Jason Bo
Mr. Xie Yonglin
Mr. Ma Mingzhe
Ms. Tan Sin Yin
Mr. Chen Kexiang
Mr. Huang Baoxin
Ms. Ip So Lan

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 (Executive Director)
Aged 65

Director since March 1988

Work experience

Since the establishment of the Company, Mr. Ma had been fully involved in the operations and management of the Company until June 2020 when he ceased to act as the CEO. He now plays a core leadership role, in charge of decision-making on the Company's strategies, human resources, culture and major issues. Mr. Ma successively served as the President, a Director, and the Chairman and CEO 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. Xie Yonglin
Executive Director, President and Co-CEO
Aged 52

Joined the Company in 1994
Director since April 2020

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 served as the Special Assistant to the Chairman, the President and the CEO, and the 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's degree in Science from Nanjing University
Ph.D. in Corporate Management from Nanjing University

Ms. Tan Sin Yin

Executive Director, Co-CEO, Executive Vice President, and Chief Operating Officer

Aged 43

Joined the Company in 2013

Director since April 2020

Other positions held within the Group

Ms. Tan is the Chairman of Ping An Technology, and 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 is 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 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 degree in Electrical Engineering and Computer Science from MIT

Mr. Yao Jason Bo

Executive Director, Co-CEO, Executive Vice President, Chief Financial Officer, Chief Actuary

Aged 50

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 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 at Deloitte Touche Tohmatsu as a consulting actuary and a senior manager.

Educational background and qualifications

MBA degree from New York University

Fellow of the Society of Actuaries (FSA)

Directors, Supervisors, Senior Management and Employees

Ms. Cai Fangfang
Executive Director,
Vice President, Chief Human Resources Officer
Aged 47

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

Mr. Soopakij Chearavanont
Non-executive Director
Aged 56

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's degree in Science from the College of Business and Public Administration of New York University

Mr. Yang Xiaoping
Non-executive Director
Aged 56

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 Vice Chairman of the board of directors of China Minsheng Investment Group, a Non-executive Director of CITIC Limited, Honma Golf Limited and Chery Holding Co., Ltd. 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. Mr. Yang was a Non-executive Director of Tianjin Binhai Teda Logistics (Group) Corporation Limited.

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. Wang Yongjian
Non-executive Director
Aged 56

Director since July 2018

Other major offices

Mr. Wang is the Chairman and the Secretary of Party Committee of Shenzhen Investment Holdings Co., Ltd. Mr. Wang is also the president of the Council of Research Institute of Tsinghua University.

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), an Executive Director, General Manager and Legal Representative of Shenzhen Investment Holding Capital Co., Ltd. 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 69

Director since June 2015

Other major offices

Mr. Ge is an Independent Non-executive Director of 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 Listed Companies Mergers and Acquisitions Expert Consultation Committee of CSRC, as well as an Independent Non-executive Director of Shunfeng International Clean Energy Limited, Shanghai Zhenhua Heavy Industries Co., Ltd., Asia Investment Finance Group Limited and Chong Sing Holdings FinTech 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 58

Director since August 2017

Other major offices

Mr. Ouyang is an Associate Dean and the Dean's Distinguished Chair Professor in finance at Cheung Kong Graduate School of Business. Mr. Ouyang is also an Independent Non-executive Director of Aegon-Industrial Fund Management Co., Ltd., Peak Reinsurance Limited and Duiba Group 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, Senior Vice President and Managing Director of Lehman Brothers and Independent Non-executive Director of Hytera Communications Corporation Limited.

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 70

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 of Asian Institute of International Financial Law of 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 in Hong Kong 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 56

Director since July 2019

Other major offices

Mr. Chu's former name was Chu Yiyun (儲韓昀). 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, a member of the "Accounting Master Project of the Ministry of Finance" and a member of the First Accounting Standards Advisory Committee of the Ministry of Finance. Mr. Chu is 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 Supervisor of Ping An Bank, and 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 Management (Accounting) from Shanghai University of Finance and Economics

Mr. Liu Hong

Independent Non-executive Director

Aged 53

Director since July 2019

Other major offices

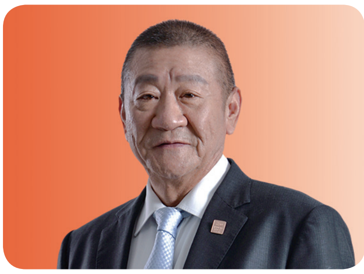
Mr. Liu is currently a Professor and Doctoral Supervisor of Peking University as well as the Vice President of Chinese Association for Artificial Intelligence. Mr. Liu is also an Independent Non-executive Director of Shenzhen JingQuanHua Electronics Co., Ltd., a member of the leading expert group of "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 Talents 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. Sun Jianyi
Chairman of Supervisory Committee (Employee Representative Supervisor)
Aged 67

Joined the Company in 1990
Supervisor since August 2020

Other major offices

Mr. Sun is a Non-executive Director of China Insurance Security Fund Co., Ltd.

Past offices

Since joining the Company in July 1990, Mr. Sun has been the General Manager of the Management Department, Vice President, Executive Vice President, Vice Chief Executive Officer and Vice Chairman of the Company, and the Chairman of the board of directors of Ping An Bank.

Prior to joining the Company, Mr. Sun was the Head of the Wuhan Branch of the People's Bank of China, the Deputy General Manager of the Wuhan Branch of the People's Insurance Company of China and the General Manager of Wuhan Securities Company.

Mr. Sun was also a Non-executive Director of China Vanke Co., Ltd. and an Independent Non-Executive Director of Haichang Ocean Park Holdings Ltd.

Educational background and qualifications

Diploma in Finance from Zhongnan University of Economics and Law (previously Zhongnan University of Economics)

Mr. Gu Liji
Independent Supervisor
Aged 72

Supervisor since June 2009

Other major offices

Mr. Gu is 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, a Non-executive Director of Xiangtan Electric Manufacturing Group Co., Ltd., an Independent Non-executive Director of Bosera Asset Management Co., Ltd., 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's degree in Engineering 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 78

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 was 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 41

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 41

Joined the Company in 2002
Supervisor since August 2017

Other Positions held within the Group
Mr. Wang is the Administrative Director and the Director of General Office of the Group as well as the Chairman of Ping An Financial Leasing.

Past offices
Mr. Wang served as the Deputy General Manager of the Group's Head Office in Shanghai and the Deputy Director of the Group's 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)

Directors, Supervisors, Senior Management and Employees

Senior Management

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

Mr. Chen Kexiang
Senior Vice President
Aged 63

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)

Mr. Huang Baoxin
Senior Vice President
Aged 56

Joined the Company in 2015
Term of office: April 2020-present

Other positions held within the Group

Mr. Huang is the General Manager of the Beijing Head Office of the Group.

Past offices

Prior to joining the Company, Mr. Huang served as the Deputy Division Director of the Industrial Transportation Department of the Ministry of Finance of the PRC, the Deputy Director General of the Second Secretary Bureau of the General Office of the State Council of the PRC, the Deputy Director General and then Director General of the Supervisory Bureau of the General Office of the State Council of the PRC, and the deputy head of the discipline inspection team of the Publicity Department of the Central Committee of the CPC accredited by the Central Commission for Discipline Inspection of the CPC.

Educational background and qualifications

Bachelor's degree in Finance from Zhongnan University of Economics and Law (previously known as Zhongnan University of Economics)
Master's degree in Political Economics from Renmin University of China
Doctorate degree in Public Finance from the Chinese Academy of Fiscal Sciences (previously known as Research Institute for Fiscal Science, Ministry of Finance of the PRC)

Ms. Ip So Lan
Senior Vice President,
Compliance Officer
Aged 64

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

Other positions held within the Group

Ms. Ip is a Director of Ping An Bank.

Past offices

Ms. Ip was the Assistant to the President of Ping An Life from February 2004 to March 2006, the Assistant to the President of the Company from March 2006 to January 2011, the Chief Internal Auditor of the Company from March 2006 to January 2021, and the Person-in-charge of Auditing of the Company from March 2008 to January 2021.

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. Sheng Ruisheng
Secretary of the Board of Directors, Joint Company Secretary
Aged 51

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 degree from Nanjing University
MBA degree from the Chinese University of Hong Kong

Directors, Supervisors, Senior Management and Employees

Mr. Hu Jianfeng
Person-in-charge of Auditing
Aged 44

Joined the Company in 2000
Term of office: January 2021-present

Other positions held within the Group

Mr. Hu serves as the General Manager of the Group's Audit and Supervision Department. He is also a Supervisor 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. Hu serves as a Supervisor of Ping An Consumer Finance Co., Ltd.

Past offices

From April 2007 to March 2017, Mr. Hu successively served as the Assistant to General Manager of the Shanghai Division of the Company's Audit and Supervision Department, the Deputy General Manager and then the General Manager of the Shanghai Division of the Audit and Supervision Project Center of Ping An Processing & Technology (Shenzhen) Co., Ltd., and the Deputy General Manager of the Company's Audit and Supervision Department.

Educational background and qualifications

Bachelor's degree in International Finance from Fudan University
Certified Anti-Money Laundering Specialist (CAMS)
Certified Internal Auditor (CIA)
Certified Financial Risk Manager (CFRM)

Key Personnel

Mr. Chan Tak Yin
Chief Investment Officer
Aged 60

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 successively 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) Company Limited. From December 2008 to May 2017, Mr. Chan acted as a Non-executive Director of Yunnan Baiyao Group Co., Ltd.

Prior to joining the Company, Mr. Chan worked successively 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.

Educational background and qualifications

Bachelor of Arts from the University of Hong Kong

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	Since January 2017
Yang Xiaoping	CP Group	Senior Vice Chairman	Since January 2017
Wang Yongjian	Shenzhen Investment Holdings Co., Ltd.	Chairman and Secretary of Party Committee	Since July 2017

APPOINTMENT OR REMOVAL OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Gender	Age	Period of appointment
Sun Jianyi(1)	Newly-appointed Employee Representative Supervisor (Chairman of Supervisory Committee)	Male	67	Since August 2020
Xie Yonglin(2)	Newly-appointed Executive Director	Male	52	Since April 2020
Tan Sin Yin(2)	Newly-appointed Executive Director	Female	43	Since April 2020
Huang Baoxin(3)	Newly-appointed Senior Management	Male	56	Since April 2020
Hu Jianfeng(4)	Newly-appointed Senior Management	Male	44	Since January 2021
Lee Yuansiong(5)	Resigned Executive Director	Male	55	June 2013-January 2020
	Resigned Senior Management			January 2011-January 2020
Ren Huichuan(6)	Resigned Executive Director	Male	51	July 2012-March 2020
Liu Chong(7)	Retired Non-executive Director	Male	60	January 2016-June 2020
Pan Zhongwu(1)	Resigned Employee Representative Supervisor	Male	51	July 2012-August 2020

Notes: (1) Mr. Sun Jianyi took office as Employee Representative Supervisor of the Company to replace Mr. Pan Zhongwu on August 28, 2020, and took office as Chairman of the Supervisory Committee of the Company on the same date.
(2) Mr. Xie Yonglin and Ms. Tan Sin Yin took office as Executive Directors of the Company on April 3, 2020.
(3) Mr. Huang Baoxin took office as Vice President of the Company on April 22, 2020.
(4) Mr. Hu Jianfeng succeeded Ms. Ip So Lan as Person-in-charge of Auditing of the Company on January 27, 2021. Ms. Ip So Lan still serves as Senior Vice President and Compliance Officer of the Company.
(5) Mr. Lee Yuansiong ceased to serve as Executive Director, Co-CEO and Executive Vice President of the Company on February 1, 2020.
(6) Mr. Ren Huichuan ceased to serve as Executive Director and Vice Chairman of the Company on March 16, 2020.
(7) Mr. Liu Chong ceased to serve as Non-executive Director of the Company on June 15, 2020.

CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

1. Mr. Chu Yiyun, an Independent Non-executive Director of the Company, ceased to be an Independent Supervisor of Ping An Bank in September 2020.

2. Mr. Gu Liji, an Independent Supervisor of the Company, ceased to be an Independent Non-executive Director of Bosera Asset Management Co., Ltd. in December 2020.

3. Mr. Wang Zhiliang, an Employee Representative Supervisor of the Company, took office as the Chairman of Ping An Financial Leasing in September 2020.

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

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.

Directors, Supervisors, Senior Management and Employees

SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Change in the Number of Shares Held in the Company

As of December 31, 2020, 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 the 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 (shares)	Reason for the change	Nature of interest	Percentage of total issued H/A shares (%)	Percentage of total issued shares (%)
Ma Mingzhe	Beneficial owner	A	1,364,608	1,584,026	+219,418	Key Employee Share Purchase Plan	Long position	0.01462	0.00867
Sun Jianyi	Beneficial owner	A	4,555,060	4,774,873	+219,813	Key Employee Share Purchase Plan	Long position	0.04408	0.02612
Xie Yonglin	Beneficial owner	A	159,518	303,508	+143,990	Key Employee Share Purchase Plan	Long position	0.00280	0.00166
Tan Sin Yin	Beneficial owner	A	164,835	301,528	+136,693	Key Employee Share Purchase Plan	Long position	0.00278	0.00165
Yao Jason Bo	Beneficial owner	A	321,378	465,432	+144,054	Key Employee Share Purchase Plan	Long position	0.00430	0.00255
	Beneficial owner	H	24,000	24,000	–	–	Long position	0.00032	0.00013
Chen Kexiang	Beneficial owner	A	272,538	401,967	+129,429	Purchase, Key Employee Share Purchase Plan	Long position	0.00371	0.00220
Cai Fangfang	Beneficial owner	A	145,101	228,629	+83,528	Key Employee Share Purchase Plan	Long position	0.00211	0.00125
Huang Baoxin	Beneficial owner	A	54,700	63,512	+8,812	Purchase, Key Employee Share Purchase Plan	Long position	0.00059	0.00035
Ip So Lan	Beneficial owner	A	268,191	412,245	+144,054	Key Employee Share Purchase Plan	Long position	0.00381	0.00226
Sheng Ruisheng	Beneficial owner	A	162,774	249,098	+86,324	Key Employee Share Purchase Plan	Long position	0.00230	0.00136
Wang Zhiliang	Beneficial owner	A	37,446	45,073	+7,627	Key Employee Share Purchase Plan	Long position	0.00042	0.00025
Lee Yuansiong	Beneficial owner	A	282,120	282,120	–	–	Long position	0.00260	0.00154
Ren Huichuan	Beneficial owner	A	841,205	800,000	-41,205	Sold, Key Employee Share Purchase Plan	Long position	0.00739	0.00438
Pan Zhongwu	Beneficial owner	A	21,012	25,488	+4,476	Key Employee Share Purchase Plan	Long position	0.00024	0.00014

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.

Save as disclosed above, as of December 31, 2020, the interests and short positions of the Directors, Supervisors 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, Supervisors 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 (shares)	Interests held at the end of the period (shares)	Change (shares)	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	502,266	+249,504	Others(1)	Long position	0.00464	0.00275
Sun Jianyi	Others(1)	A	126,381	126,381	–	–	Long position	0.00117	0.00069
Xie Yonglin	Others(1)	A	189,571	376,699	+187,128	Others(1)	Long position	0.00348	0.00206
Tan Sin Yin	Others(1)	A	189,571	376,699	+187,128	Others(1)	Long position	0.00348	0.00206
Yao Jason Bo	Interest of his spouse	H	64,000	64,000	–	–	Long position	0.00086	0.00035
	Others(1)	A	126,381	251,133	+124,752	Others(1)	Long position	0.00232	0.00137
Cai Fangfang	Others(1)	A	126,381	251,133	+124,752	Others(1)	Long position	0.00232	0.00137
Wang Zhiliang	Others(1)	A	12,638	31,350	+18,712	Others(1)	Long position	0.00029	0.00017

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.*

Change in the Number of Shares Held in Associated Corporations of the Company

As of December 31, 2020, 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. Moreover, 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.

Directors, Supervisors, Senior Management and Employees

REMUNERATIONS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND KEY PERSONNEL

Name	Total after-tax remunerations received from the Company during the Reporting Period (in RMB thousand)	Individual income tax payable on total remunerations received from the Company during the Reporting Period (in RMB thousand)	Whether received any remuneration from related parties of the Company during the Reporting Period
Ma Mingzhe	4,827.0	3,532.2	No
Sun Jianyi	1,431.4	983.0	No
Xie Yonglin	5,816.6	4,166.6	No
Tan Sin Yin	10,783.3	8,251.1	No
Yao Jason Bo	9,131.7	6,901.1	No
Chen Kexiang	3,003.7	2,024.5	No
Cai Fangfang	4,784.0	3,315.5	No
Huang Baoxin	2,874.3	2,050.0	No
Chan Tak Yin	8,085.1	6,084.4	No
Ip So Lan	7,451.1	5,551.1	No
Sheng Ruisheng	3,127.0	1,977.2	No
Wang Zhiliang	1,788.7	889.1	No
Soopakij Chearavanont	508.9	91.1	Yes
Yang Xiaoping	516.5	93.5	Yes
Wang Yongjian	487.6	122.4	Yes
Ge Ming	495.2	124.8	Yes
Ouyang Hui	524.1	95.9	Yes
Ng Sing Yip	508.9	91.1	Yes
Chu Yiyun	495.2	124.8	Yes
Liu Hong	487.6	122.4	Yes
Gu Liji	510.4	129.6	Yes
Huang Baokui	502.8	127.2	No
Zhang Wangjin	524.1	95.9	Yes
Lee Yuansiong	386.8	282.6	Yes
Ren Huichuan	516.7	220.6	No
Liu Chong	228.6	56.4	Yes
Pan Zhongwu	820.3	222.9	No

Notes: (1) The remunerations of Directors, Supervisors, senior management and key personnel are calculated on their respective periods in office during the Reporting Period.

(2) Parts of the remunerations of the Company's senior management and key personnel will be deferred and paid over a period of 3 years in accordance with the *Guidelines for Insurance Companies' Remuneration Management* issued by the CBIRC. The deferred, unpaid parts are included in the total remunerations received by the Company's senior management and key personnel from the Company during the Reporting Period.

(3) The aggregate remunerations of the Company's full-time Directors, Supervisors, senior management and key personnel are being recognized in accordance with applicable rules, and more information will be disclosed after recognition.

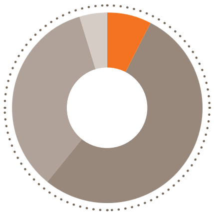
NUMBER OF EMPLOYEES BY PROFESSION AND EDUCATIONAL BACKGROUND

As of December 31, 2020, the Company had 362,035 employees, of whom 200,580 were in the insurance business, 38,097 were in the banking business, 11,972 were in the asset management business, and 111,386 were in the technology business. Of all the employees, 27,350 held a doctorate or master's degree, 193,051 held a bachelor's degree, 125,201 attained college education, and 16,433 had other educational backgrounds.

By profession

- Insurance personnel 55.4%
- Banking personnel 10.5%
- Asset management personnel 3.3%
- Technology personnel 30.8%

By education



- Doctorate or master's degree 7.6%
- Bachelor's degree 53.3%
- College education 34.6%
- Others 4.5%

STAFF TRAINING PROGRAMS

Committed to providing the best training, Ping An School of Financial Management (the "School") continued to support talent development by devoting high-quality resources to the training framework and faculty. Working closely with the Group's member companies, the School unlocks value from knowledge and supports business development through training.

Under the "finance + technology" and "finance + ecosystem" strategies, the School advanced online learning by sourcing "high-quality + systematic" contents, developing new training models and optimizing learning platforms. As of December 31, 2020, the School offered 52,000 internal and external high-quality online courses. In 2020, over 44,426,000 trainees attended online training sessions for nearly 11,605,000 hours, with monthly activity rates up to 95.54%. To meet the learning needs of employees, the School initiated the online "Group-wide Professional Course Sharing Program." In 2020, the School released over 2,400 courses in cooperation with the Group's member companies under a "co-development + sharing" model. Covering 27 functions in seven job categories, the courses had a utilization rate of 85%, helping continuously update and upgrade our professional course framework.

Amid the COVID-19 epidemic, the School agilely launched various training solutions and an online live streaming classroom, tailored the study and empowerment plans for new recruits, newly promoted employees, and high-potential employees at all levels, and satisfied staff's growth needs both online and offline. Moreover, the School launched live broadcasts titled "Seeking Truth," "Forging" and "Super Trainer" to empower senior and higher-level managers, mid-level and junior employees, and in-house part-time lecturers respectively. In 2020, the School offered a total of 71 sessions of the live streaming classroom, in which nearly 52,000 trainees studied for nearly 102,000 hours. The School customized online and offline learning resource packages and empowerment solutions for nearly 60,000 new recruits, newly promoted employees, and high-potential employees at all levels to address the learning needs of different roles at different stages. As of December 31, 2020, the School provided tailor-made face-to-face training for employees at various levels, and expanded face-to-face courses to over 1,200 options under six themes, with 972 in-house part-time lecturers. In 2020, an aggregate of nearly 30,000 trainees attended a total of 1,004 face-to-face training sessions across the country, including 45.5% of the Group's senior and higher-level managers.

Report of the Board of Directors and Significant Events

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 2020.

MAJOR CUSTOMERS

In 2020, revenue from the Group's five largest customers accounted for less than 1% of the total revenue for the year.

IMPLEMENTATION OF CASH DIVIDEND POLICY AND PROFIT DISTRIBUTION PLANS DURING THE REPORTING PERIOD

Cash Dividend Policy

According to Article 216 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 the 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 operational 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, the adjustment 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 2019 profit distribution plan of the Company was deliberated and approved at the 2019 annual general meeting, pursuant to which the Company paid in cash the 2019 final dividend of RMB1.30 per share (tax inclusive), totaling RMB23,673,304,989.10 (tax inclusive) based on 18,210,234,607 shares, the actual number of shares entitled to the dividend distribution (exclusive of A shares of the Company in the repurchased securities account).

The 2020 interim profit distribution plan of the Company was deliberated and approved at the 16th meeting of the 11th Board of Directors held on August 27, 2020, pursuant to which the Company paid in cash the 2020 interim dividend of RMB0.80 per share (tax inclusive), totaling RMB14,568,187,685.60 (tax inclusive) based on 18,210,234,607 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, which fully protected the 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 2020 are set out in the section headed "FINANCIAL STATEMENTS."

As stated in the 2020 audited financial statements of the Group prepared under CAS and IFRS respectively, the net profit attributable to shareholders of the parent company was RMB143,099 million and the net profit of the parent company was RMB58,680 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 RMB120,592 million.

The Company distributed the 2020 interim dividend of RMB0.80 per share (tax inclusive), which amounted to RMB14,568,187,685.60 (tax inclusive). The Board of Directors proposes to distribute the 2020 final dividend of RMB1.40 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 after trading hours on the record date of A shareholders for the final dividend will not be entitled to the final dividend distribution. The total amount of the final dividend payment for 2020 is RMB25,494,328,449.80 (tax inclusive) based on the total share capital of 18,280,241,410 shares less the 70,006,803 A shares of the Company in the repurchased securities account as of December 31, 2020. The actual total amount of final dividend payment is subject to the total number of shares that will be entitled to the dividend distribution on the record date of A shareholders. 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 2021. 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 2020 annual general meeting. The profit distribution plan is in line with the *Articles of Association* and the relevant deliberation procedures and fully protects the legitimate interests of the minority shareholders of the Company. All the Independent Non-executive 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, 2020, the Company's distributable reserves totaled RMB120,592 million. The Company has proposed to distribute the 2020 final dividend of RMB1.40 per share (tax inclusive) in cash. After deduction of the 2020 final dividend, the remaining distributable reserves will be carried forward to 2021. Moreover, the Company's capital reserve and surplus reserve amounted to RMB140,901 million, which can be distributed in a future capital issue.

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, 2020, HKD3,981,742,342.12 had not been used; the difference between the unutilized proceeds and the balance of the specific fund-raising account (about HKD4,423,506,111.66) came mainly as a result of interest earned on the proceeds. Details of the use of the proceeds during 2020 are as follows:

Total proceeds raised from the issue	Balance of unutilized proceeds as at January 1, 2020	Intended use of the proceeds as previously disclosed	Proceeds used during the Reporting Period	Balance of unutilized proceeds as at December 31, 2020	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.

SHARE CAPITAL

The change in the share capital of the Company in 2020 and the share capital structure of the Company as of December 31, 2020 are set out in the section headed "Changes in the Share Capital and Shareholders' Profile."

PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property and equipment and investment properties of the Group during 2020 are set out in Notes 33 and 32 to the 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

The 2018 annual general meeting, the 2019 first A shareholders' class meeting and the 2019 first H shareholders' class meeting held by the Company on April 29, 2019 deliberated and approved the *Resolution regarding the A Share Repurchase Plan by Means of Centralized Bidding Transactions*. As of April 28, 2020, the Company had completed the repurchase and cumulatively repurchased 70,006,803 A shares of the Company by means of centralized bidding transactions via the trading system of the SSE, representing 0.38296% of the total share capital of the Company. Total funds paid amounted to RMB5,993,765,118.20 (excluding transaction expenses)/RMB5,994,784,083.55 (including transaction expenses). The lowest transaction price was RMB79.27 per share, the highest transaction price was RMB91.43 per share, and the average repurchase price was RMB85.62 per share. 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 2020 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)
March 2020	12,412,196	80.49	79.27	993,764,947.11

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, 2020 to December 31, 2020.

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 3, 2021, at all times during the year ended December 31, 2020, 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.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND REMUNERATIONS

The Company entered into service contracts with all the Directors and Supervisors in office. As of December 31, 2020, no Directors or Supervisors had a service contract with the Company or any of its subsidiaries 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, 2020 are set out in Note 57 to the financial statements.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

In 2020, 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 2020, 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.

Report of the Board of Directors and Significant Events

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 financial statements.

AUDITORS

According to the resolution made at the 2019 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 2020.

The service term of the current auditors will reach eight years after the audit for 2020. With reference to the *Measures for the Administration of Selection and Engagement of Accounting Firms by State-owned Financial Enterprises* issued by the Ministry of Finance of the PRC, a financial enterprise shall engage the same accounting firm for no more than eight consecutive years. To this end, the 18th meeting of the 11th Board of Directors of the Company held on October 27, 2020 deliberated and approved the *Proposal to Engage Auditors of the Company for 2021* and agreed to engage Ernst & Young Hua Ming LLP and Ernst & Young as auditors of the Company's financial statements under CAS and IFRS respectively for 2021. The proposal is yet to be submitted to the 2020 Annual General Meeting of the Company for deliberation.

GENERAL ANALYSIS OF EXTERNAL INVESTMENT

The Company 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 Company's 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 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 Acquisitions and Sales of Subsidiaries, Associates or Jointly Controlled Entities

During the Reporting Period, there were no major acquisitions and sales of relevant subsidiaries, associates or jointly controlled entities of the Company that were 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 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 financial statements.

RELATED PARTY TRANSACTIONS

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 day-to-day 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*.

Related Party Transaction of Co-investing with Shenzhen Investment Holdings Co., Ltd.

China Merchants Shekou Industrial Zone Holdings Co., Ltd. ("China Merchants Shekou") purchased from Shenzhen Investment Holdings Co., Ltd. its 24% equity interest in Shenzhen Nanyou (Holdings) Ltd., by methods of issuing shares, convertible bonds and cash payment while raising matching funds with a non-public issuance. Ping An Life entrusted Ping An Asset Management with its funds to subscribe for the shares of China Merchants Shekou under the non-public issuance. Upon completion of the related party transaction, both Ping An Life and Shenzhen Investment Holdings Co., Ltd. shall become shareholders of China Merchants Shekou. Due to changes in the capital market environment, after friendly negotiations between Ping An Asset Management and China Merchants Shekou, both parties have agreed to terminate the above related party transaction. For more details, please refer to the announcements published by the Company on *Shanghai Securities News, China Securities Journal, Securities Times, Securities Daily* and the website of SSE on June 1, June 8, July 13 and September 14, 2020 respectively.

The above related party transaction does not constitute a connected transaction of the Company as defined under the *HKEX Listing Rules*.

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 of the Company has been officially implemented since 2015. For the Key Employee Share Purchase Plan of the Company, the participants are key employees of the Company and its subsidiaries including the directors, employee representative supervisors, and senior management. The sources of funding are legitimate incomes and performance bonuses of the employees.

As at the end of the Reporting Period, six phases of the Key Employee Share Purchase Plan were implemented. Among them, all shares under the two phases for 2015 and 2016 were unlocked and vested, and the four phases for 2017-2020 were implemented as follows:

Regarding the Key Employee Share Purchase Plan for 2017, there were 1,157 participants. A total of 16,419,990 A shares of the Company were purchased for a total amount of RMB603,498,822.25 (expenses inclusive), accounting for approximately 0.090% of the total share capital of the Company at that time. During the Reporting Period, the lock-up period in respect of one third of the shares under the Key Employee Share Purchase Plan for this phase expired and all such shares were vested in batches to 1,002 employees. As to the remaining 47 employees who did not qualify for the vesting, 234,957 shares were forfeited. Shares under the Key Employee Share Purchase Plan for this phase were unlocked.

Regarding the Key Employee Share Purchase Plan for 2018, there were 1,296 participants. A total of 9,666,900 A shares of the Company were purchased for a total amount of RMB592,698,901.19 (expenses inclusive), accounting for approximately 0.053% of the total share capital of the Company at that time. During the Reporting Period, the lock-up period in respect of one third of the shares under the Key Employee Share Purchase Plan for this phase expired and all such shares were vested in batches to 1,176 employees. As to the remaining 55 employees who did not qualify for the vesting, 330,834 shares were forfeited.

Regarding the Key Employee Share Purchase Plan for 2019, there were 1,267 participants. A total of 8,078,395 A shares of the Company were purchased for a total amount of RMB588,197,823.00 (expenses inclusive), accounting for approximately 0.044% of the total share capital of the Company at that time. During the Reporting Period, the lock-up period in respect of one third of the shares under the Key Employee Share Purchase Plan for this phase expired and all such shares were vested in batches to 1,207 employees. As to the remaining 60 employees who did not qualify for the vesting, 403,697 shares were forfeited.

Regarding the Key Employee Share Purchase Plan for 2020, there were 1,522 participants. A total of 7,955,730 A shares of the Company were purchased for a total amount of RMB638,032,305.75 (expenses inclusive), accounting for approximately 0.044% of the total share capital of the Company at that time. During the Reporting Period, there was no change in equity under the Key Employee Share Purchase Plan for 2020.

During the Reporting Period, as deliberated at the 13th meeting of the 11th Board of Directors held on April 23, 2020, the Key Employee Share Purchase Plan of the Company was extended by six years to February 4, 2027. For details, please refer to the *Announcement Regarding Extension of the Terms of Key Employee Share Purchase Plan* published by the Company on the websites of The Stock Exchange of Hong Kong Limited ("HKEX") and the Shanghai Stock Exchange ("SSE") on April 23, 2020 and April 24, 2020 respectively. The manager of the Key Employee Share Purchase Plan of the Company was not changed.

As at the end of the Reporting Period, the key employees held 20,199,099 A shares of the Company in total through the Key Employee Share Purchase Plan, accounting for 0.110% of the total share capital of the Company.

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 Company has implemented the Long-term Service Plan since 2019. For the Long-term Service Plan of the Company, the participants are employees of the Company and its subsidiaries including the directors, employee representative supervisors, and senior management. The source of funding is the payroll payable.

As at the end of the Reporting Period, two phases of the Long-term Service Plan were implemented:

Regarding the Long-term Service Plan for 2019, there were 31,026 participants. A total of 54,294,720 A shares of the Company were purchased for a total amount of RMB4,296,112,202.60 (expenses inclusive), accounting for approximately 0.297% of the total share capital of the Company at that time. During the Reporting Period, 20 employees qualified and applied for vesting upon retirement, and their shares were vested in accordance with applicable rules. Meanwhile, 3,309 employees did not qualify for vesting and 6,780,094 shares were forfeited because the employees failed to meet the conditions specified in the Long-term Service Plan and applicable agreed rules due to reasons including their resignation or failure to meet performance targets.

Regarding the Long-term Service Plan for 2020, there were 32,022 participants. A total of 49,759,305 A shares of the Company were purchased for a total amount of RMB3,988,648,517.41 (expenses inclusive), accounting for approximately 0.272% of the total share capital of the Company at that time. During the Reporting Period, two employees qualified and applied for vesting upon retirement, and their shares were vested in accordance with applicable rules. Meanwhile, 3,036 employees did not qualify for vesting and 4,900,577 shares were forfeited because the employees failed to meet the conditions specified in the Long-term Service Plan and applicable agreed rules due to reasons including their resignation or failure to meet performance targets.

During the Reporting Period, the manager of the Long-term Service Plan was changed from China Merchants Securities Asset Management Co., Ltd. to the Company itself.

As at the end of the Reporting Period, the Long-term Service Plan held a total of 104,041,879 A shares of the Company, accounting for approximately 0.569% of the total share capital of the Company.

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 strengthening long-term incentive and restraint mechanisms to facilitate the 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 the 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 4.08% of the total issued and outstanding Autohome Shares as at December 31, 2020. 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, 2020, 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, 2020**	**Granted during the Reporting Period**	**Lapsed during the Reporting Period**	**Exercised during the Reporting Period**	**Balance as at December 31, 2020**
Employees	Not exceeding 10 years from the date of grant	22.19~86.94	654,965	130,548	30,929	276,022	478,562

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 deregistered, and not exceeding 68 months.

As of December 31, 2020, 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, 2020	Granted during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period	Balance as at December 31, 2020
Employees	Not exceeding 68 months from the date of grant	35.07	3,400,000	–	1,195,000	–	2,205,000

CORPORATE GOVERNANCE

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	11,346
Total guarantee balance in favor of its subsidiaries as at the end of the Reporting Period	54,790

	Total guarantee of the Company (including the guarantee in favor of its subsidiaries)
Total guarantee	54,790
Total guarantee as a percentage of the Company's net assets (%)	7.2
Including: Direct or indirect guarantee for the companies with a total liabilities to total assets ratio over 70% (as of December 31, 2020)	53,895
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 RMB33,415 million less the guarantee repayment of RMB22,069 million.

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 2020. 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 RMB33,415 million. As of December 31, 2020, the total guarantee balance of the Company and its subsidiaries was RMB54,790 million, representing 7.2% of the Company's net assets. The sum did not exceed 50% of the net assets as stated in the financial statements of the latest fiscal year of the Company;

3. During the Reporting Period, 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. During the Reporting Period, 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."

INCOME TAX AND TAX CONCESSIONS

Enterprise Income Tax of Overseas Non-Resident Enterprises

Pursuant to the tax laws and regulations of the Chinese mainland, 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 of Overseas Individual Shareholders

Pursuant to the applicable tax laws and regulations of the Chinese mainland, 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.

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 Chinese mainland.

Income Tax of H Shareholders via the Hong Kong Stock Connect Program

For the 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 the 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 the 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 the 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 of 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 *2020 Sustainability Report*.

CHARITABLE AND OTHER DONATIONS

Charitable donations made by the Group during 2020 totaled RMB366 million.

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.

INTEGRITY CONDITIONS OF THE COMPANY

During the Reporting Period, the Company had no failure to abide by any effective judicial ruling.

RELATIONSHIPS WITH CUSTOMERS

The Group aims to provide high-quality financial services to its customers. Adhering to the "customer-centric" business philosophy, the Group embeds the protection of consumer rights into its corporate governance, corporate culture and development strategy.

In accordance with the applicable rules of China Banking and Insurance Regulatory Commission, the Group has set up the Consumer Rights Protection Committee under the Board of Directors to oversee the protection of consumer rights. The Committee determines the responsibilities of consumer rights protection, develops a consumer rights protection framework, strengthens the implementation and oversight of decisions made on consumer rights protection, ensures the effective execution of policies and the achievement of goals of consumer rights protection, and constantly enhances consumer rights protection capabilities.

In 2020, there was no material and significant dispute between the Group and its customers.

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.

MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Company had no material litigations or arbitrations that were required to be disclosed.

PENALTIES AND RECTIFICATION

During the Reporting Period, neither the Company nor the Directors, the Supervisors, or the 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.

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, 2020, 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, 2020, 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, 2020, 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:

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)	1,485,855,226	Long position	19.95	8.12
		Interest of controlled corporations	(1)	50,443,713	Short position	0.67	0.27
UBS Group AG	H	Interest of controlled corporations	(2)	1,139,267,688	Long position	15.29	6.23
		Interest of controlled corporations	(2)	979,721,515	Short position	13.15	5.35
JPMorgan Chase & Co.	H	Interest of controlled corporations	(3)	535,683,284	Long position	7.19	2.93
		Investment manager		278,378,953	Long position	3.73	1.52
		Person having a security interest in shares		2,957,658	Long position	0.03	0.01
		Trustee		83,180	Long position	0.00	0.00
		Approved lending agent	(3)	270,050,310	Lending pool	3.62	1.47
		Total:	(3)	1,087,153,385		14.59	5.94
		Interest of controlled corporations	(3)	268,569,952	Short position	3.60	1.46
Citigroup Inc.	H	Person having a security interest in shares		41,800	Long position	0.00	0.00
		Interest of controlled corporations	(4)	72,095,969	Long position	0.96	0.39
		Approved lending agent	(4)	443,503,884	Lending pool	5.95	2.42
		Total:	(4)	515,641,653		6.92	2.82
		Interest of controlled corporations	(4)	47,246,779	Short position	0.63	0.25
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 November 9, 2020, CP Group Ltd. was deemed to be interested in a total of 1,485,855,226 H shares (long position) and 50,443,713 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 50,443,713 H shares (short position) held through unlisted derivatives which are physically settled.

(2) According to the disclosure form filed by UBS Group AG on December 30, 2020, UBS Group AG was deemed to be interested in a total of 1,139,267,688 H shares (long position) and 979,721,515 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 868,805,560 H shares (long position) and 661,440,570 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	38,468,139 37,008,505
Listed derivatives - Cash settled	Long position Short position	87,500 976,600
Unlisted derivatives - Physically settled	Long position Short position	627,332,757 426,444,700
Unlisted derivatives - Cash settled	Long position Short position	202,917,164 197,010,765

(3) According to the disclosure form filed by JPMorgan Chase & Co. on December 31, 2020, JPMorgan Chase & Co. was deemed to be interested in a total of 535,683,284 H shares (long position) and 268,569,952 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 270,050,310 H shares (long position). Moreover, 519,797,834 H shares (long position) and 144,886,679 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	26,180,500 62,396,000
Listed derivatives - Cash settled	Long position Short position	3,391,500 9,157,800
Unlisted derivatives - Physically settled	Long position Short position	443,157,070 13,851,088
Unlisted derivatives - Cash settled	Long position Short position	46,738,937 29,322,017
Listed derivatives - Convertible instruments	Long position Short position	329,827 30,159,774

(4) According to the disclosure form filed by Citigroup Inc. on December 1, 2020, Citigroup Inc. was deemed to be interested in a total of 72,095,969 H shares (long position) and 47,246,779 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 (99.83% indirectly owned).
The entire interests and short positions of Citigroup Inc. in the Company included a lending pool of 443,503,884 H shares (long position). In addition, 54,283,028 H shares (long position) and 35,522,554 H shares (short position) were held through derivatives as follows:

Derivatives	Nature of interest	Number of H shares
Listed derivatives - Convertible instruments	Long position Short position	154,074 154,074
Listed derivatives - Physically settled	Long position Short position	26,400,500 14,006,000
Unlisted derivatives - Physically settled	Long position Short position	24,087,955 18,871,031
Unlisted derivatives - Cash settled	Long position Short position	3,640,499 2,491,449

(5) 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, 2020.

Save as disclosed above, to the best knowledge of the Directors and Supervisors, as of December 31, 2020, no person (other than the Directors, Supervisors and chief executives of the Company) had any interest or short position 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.

By order of the Board of Directors

Ma Mingzhe
Chairman

Shenzhen, PRC
February 3, 2021

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 *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 to 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 Meetings
Employee Representative Supervisors			
Sun Jianyi (Chairman)[(1)]	August 28, 2020	0/0	1/1
Wang Zhiliang	August 6, 2017	1/1	6/6
Pan Zhongwu (resigned)[(1)]	July 17, 2012	1/1	5/5
Independent Supervisors			
Gu Liji	June 3, 2009	1/1	6/6
Huang Baokui	June 28, 2016	1/1	6/6
Shareholder Representative Supervisor			
Zhang Wangjin	June 17, 2013	1/1	6/6

Note: (1) Details regarding appointment and resignation of the Supervisors of the Company during the Reporting Period are set out in the section headed "Directors, Supervisors, Senior Management and Employees" of this Annual Report.

INSPECTIONS AND REVIEWS AT BRANCHES OF SUBSIDIARIES

In September 2020, certain members of the Supervisory Committee conducted on-site inspections and reviews at branches of subsidiaries including Ping An Life, Ping An Property & Casualty, Ping An Bank and Ping An Securities in Sichuan. Opinions collected from 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 Operations

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 complete, 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 2020. The financial statements truly, objectively and accurately reflect the financial status and operating results of the Company.

Use of Proceeds

Detailed information about the use of proceeds is set out in the section headed "Report of the Board of Directors and Significant Events" of this Report.

Related Party Transactions

The Supervisory Committee considered the related party transactions of the Company to be fair and reasonable during the Reporting Period, and did not find any harm against the interests of the shareholders and the Company.

Internal Control System

During the Reporting Period, the Supervisory Committee reviewed the *Assessment and Evaluation Report on Internal Control of the Company* and the *Work Report on the Internal Control of the Company*, and was of the opinion that the Company had set up a complete, 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

All Supervisors evaluated the composition of the Board of Directors, Directors' meeting attendance records, participation in training sessions, and provision of opinions and concluded unanimously that in 2020, all the Directors of the Company performed their duties and responsibilities as stipulated under relevant laws, regulations and the *Articles of Association* in a sincere, loyal, diligent and conscientious manner, 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.

SUMMARY AND OUTLOOK

In accordance with the *Rules for Appraisal of Supervisors' Performance of Duties*, the Supervisory Committee organized and conducted the appraisal of Supervisors' performance of duties for 2020. After comprehensive evaluation, in 2020 all the Supervisors of the Company performed their duties and responsibilities as stipulated under relevant laws, regulations and the *Articles of Association* in a sincere, loyal, diligent and conscientious manner, obtaining "competent" in their performance evaluation.

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 *Company Law of the People's Republic of China*, the *Articles of Association*, and the listing rules. The Supervisory Committee will adhere to the principle 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

Sun Jianyi
Chairman of the Supervisory Committee

Shenzhen, PRC
February 3, 2021

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 179 to 326, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- 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 2020, 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 2020, 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.

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 2020, 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 RMB63,219 million and RMB15,900 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 and 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 assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity and susceptibility to management bias or fraud of key ECL model parameters and assumptions. We challenged the overall reasonableness of key management's judgements involved. – 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. – 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 2020, the Group's significant life insurance contract liabilities (long-term life insurance policyholders' reserves) 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 and were subject to high degree of estimation uncertainty. 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 and were subjective. The inherent risk in relation to the valuation of policyholders' reserves and claim reserves is considered significant. Therefore, we identified valuation of long-term life insurance policyholders' reserves and claim reserves as a key audit matter.	We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity and susceptibility to management bias or fraud. 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 including testing controls in place to determine the assumptions adopted over the calculation of insurance contract liabilities. – We challenged 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
	– 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.

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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- 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, actions taken to eliminate threats or safeguards applied.

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, 3 February 2021

Consolidated Income Statement

For the year ended 31 December 2020

(in RMB million)	Notes	2020	2019
Gross written premiums	6	**797,880**	795,064
Less: Premiums ceded to reinsurers		**(23,077)**	(21,370)
Net written premiums	6	**774,803**	773,694
Change in unearned premium reserves		**(17,204)**	(24,915)
Net earned premiums		**757,599**	748,779
Reinsurance commission revenue		**6,356**	7,572
Interest revenue from banking operations	7	**186,775**	176,621
Interest revenue from non-banking operations	8	**118,814**	99,991
Fees and commission revenue from non-insurance operations	9	**63,978**	54,800
Investment income	10	**106,232**	101,747
Share of profits of associates and jointly controlled entities		**16,845**	23,224
Other revenues and other gains	11	**64,819**	60,357
Total revenue		**1,321,418**	1,273,091
Gross claims and policyholders' benefits	12	**(627,612)**	(589,683)
Less: Reinsurers' share and policyholders' benefits	12	**12,861**	11,370
Claims and policyholders' benefits		**(614,751)**	(578,313)
Commission expenses on insurance operations		**(102,021)**	(114,766)
Interest expenses on banking operations	7	**(86,371)**	(86,434)
Fees and commission expenses on non-insurance operations	9	**(12,216)**	(10,570)
Net impairment losses on financial assets	13	**(77,042)**	(65,270)
Net impairment losses on other assets		**(2,416)**	(1,996)
Foreign exchange gains		**2,219**	779
General and administrative expenses		**(181,166)**	(177,164)
Interest expenses on non-banking operations		**(26,436)**	(20,098)
Other expenses		**(33,454)**	(34,520)
Total expenses		**(1,133,654)**	(1,088,352)
Profit before tax	14	**187,764**	184,739
Income tax	15	**(28,405)**	(20,374)
Profit for the year		**159,359**	164,365
Attributable to:			
– Owners of the parent		**143,099**	149,407
– Non-controlling interests		**16,260**	14,958
		159,359	164,365
Earnings per share attributable to ordinary equity holders of the parent:		RMB	RMB
– Basic	17	**8.10**	8.41
– Diluted	17	**8.04**	8.38

FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

(in RMB million)	Note	2020	2019
Profit for the year		**159,359**	164,365
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		**(3,415)**	2,044
Credit risks provision of debt instruments at fair value through other comprehensive income		**225**	1,132
Shadow accounting adjustments		**501**	(571)
Reserve from cash flow hedging instruments		**164**	–
Exchange differences on translation of foreign operations		**(2,414)**	469
Share of other comprehensive income of associates and jointly controlled entities		**(45)**	204
Others		**171**	–
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		**(45,729)**	7,269
Shadow accounting adjustments		**27,592**	(3,021)
Share of other comprehensive income of associates and jointly controlled entities		**1,700**	1,706
Other comprehensive income for the year, net of tax		**(21,250)**	9,232
Total comprehensive income for the year		**138,109**	173,597
Attributable to:			
– Owners of the parent		**122,811**	157,926
– Non-controlling interests		**15,298**	15,671
		138,109	173,597

Consolidated Statement of Financial Position

As at 31 December 2020

(in RMB million)	Notes	31 December 2020	31 December 2019
Assets			
Cash and amounts due from banks and other financial institutions	18	**587,391**	508,706
Balances with the Central Bank	19	**280,177**	246,771
Financial assets purchased under reverse repurchase agreements	20	**122,765**	96,457
Premium receivables	21	**94,003**	82,416
Accounts receivable		**26,176**	28,579
Derivative financial assets	22	**37,661**	18,957
Reinsurers' share of insurance liabilities	23	**20,219**	17,703
Policy loans		**161,381**	139,326
Finance lease receivable	24	**202,050**	183,957
Loans and advances to customers	25	**2,599,510**	2,240,396
Financial assets at fair value through profit or loss	26	**1,231,331**	961,073
Financial assets at amortized cost	27	**2,624,848**	2,281,225
Debt financial assets at fair value through other comprehensive income	28	**511,386**	458,165
Equity financial assets at fair value through other comprehensive income	29	**277,401**	282,185
Investments in associates and jointly controlled entities	30	**267,819**	204,135
Statutory deposits for insurance operations	31	**12,561**	12,501
Investment properties	32	**43,385**	39,848
Property and equipment	33	**46,286**	46,971
Intangible assets	34	**64,290**	63,333
Right-of-use assets	35	**16,172**	16,553
Deferred tax assets	49	**61,901**	50,301
Other assets	36	**186,098**	197,240
Policyholder account assets in respect of insurance contracts	37	**48,796**	41,763
Policyholder account assets in respect of investment contracts	37	**4,263**	4,368
Total assets		**9,527,870**	8,222,929
Equity and liabilities			
Equity			
Share capital	38	**18,280**	18,280
Reserves	39	**228,271**	225,911
Treasury shares	42	**(5,995)**	(5,001)
Retained profits	39	**522,004**	433,971
Equity attributable to owners of the parent		**762,560**	673,161
Non-controlling interests	39	**225,345**	179,209
Total equity		**987,905**	852,370

Consolidated Statement of Financial Position
As at 31 December 2020

(in RMB million)	Notes	**31 December 2020**	31 December 2019
Liabilities			
Due to banks and other financial institutions	43	**960,175**	824,025
Financial liabilities at fair value through profit or loss		**37,217**	39,458
Derivative financial liabilities	22	**48,579**	24,527
Assets sold under agreements to repurchase	44	**276,602**	176,523
Accounts payable		**5,148**	4,821
Income tax payable		**17,283**	12,445
Insurance payables		**139,528**	126,255
Policyholder dividend payable		**63,806**	59,082
Customer deposits and payables to brokerage customers	45	**2,693,833**	2,431,713
Bonds payable	46	**901,285**	699,631
Insurance contract liabilities	47	**2,972,460**	2,612,184
Investment contract liabilities for policyholders	48	**67,581**	57,489
Lease liabilities	35	**15,620**	15,986
Deferred tax liabilities	49	**19,267**	22,282
Other liabilities	50	**321,581**	264,138
Total liabilities		**8,539,965**	7,370,559
Total equity and liabilities		**9,527,870**	8,222,929

The financial statements on pages 179 to 326 were approved and authorized for issue by the Board of Directors on 3 February 2021 and were signed on its behalf.

MA Mingzhe	**XIE Yonglin**	**YAO Jason Bo**
Director	*Director*	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

(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 2020											
		Reserves										
As at 1 January	**18,280**	**111,598**	**13,896**	**(4,809)**	**19,122**	**12,164**	**71,964**	**1,976**	**(5,001)**	**433,971**	**179,209**	**852,370**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**143,099**	**16,260**	**159,359**
Other comprehensive income for the year	**-**	**-**	**(47,819)**	**27,956**	**1,913**	**-**	**-**	**(2,338)**	**-**	**-**	**(962)**	**(21,250)**
Total comprehensive income for the year	**-**	**-**	**(47,819)**	**27,956**	**1,913**	**-**	**-**	**(2,338)**	**-**	**143,099**	**15,298**	**138,109**
Dividends declared (Note 16)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(38,241)**	**-**	**(38,241)**
Appropriations to general reserves	**-**	**-**	**-**	**-**	**-**	**-**	**16,825**	**-**	**-**	**(16,825)**	**-**	**-**
Dividend paid to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,867)**	**(4,867)**
Equity transactions with non- controlling interests	**-**	**-**	**-**	**-**	**(284)**	**-**	**-**	**-**	**-**	**-**	**2,157**	**1,873**
Contributions from non-controlling interests	**-**	**-**	**-**	**-**	**(17)**	**-**	**-**	**-**	**-**	**-**	**763**	**746**
Key Employee Share Purchase Plan(Note 40)	**-**	**-**	**-**	**-**	**(16)**	**-**	**-**	**-**	**-**	**-**	**-**	**(16)**
Long-term Service Plan (Note 41)	**-**	**-**	**-**	**-**	**(3,698)**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,698)**
Acquisition of shares(Note 42)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(994)**	**-**	**-**	**(994)**
Other equity instruments issued/redeemed by subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**31,456**	**31,456**
Others	**-**	**-**	**-**	**-**	**9,838**	**-**	**-**	**-**	**-**	**-**	**1,329**	**11,167**
As at 31 December	**18,280**	**111,598**	**(33,923)**	**23,147**	**26,858**	**12,164**	**88,789**	**(362)**	**(5,995)**	**522,004**	**225,345**	**987,905**

(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 1 January	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 shares(Note 42)	-	-	-	-	-	-	-	-	(5,001)	-	-	(5,001)
Other equity instruments issued/redeemed by subsidiaries	-	-	-	-	-	-	-	-	-	-	36,542	36,542
Others	-	-	-	-	1,238	-	-	-	-	-	396	1,634
As at 31 December	18,280	111,598	13,896	(4,809)	19,122	12,164	71,964	1,976	(5,001)	433,971	179,209	852,370

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

(in RMB million)	Notes	2020	2019
Net cash flows from operating activities	56	**312,075**	249,445
Cash flows from investing activities			
Purchases of investment properties, property and equipment, and intangible assets		**(9,995)**	(12,210)
Proceeds from disposal of investment properties, property and equipment, and intangible assets, net		**390**	2,506
Proceeds from disposal of investments		**2,039,192**	1,537,886
Purchases of investments		**(2,680,660)**	(2,066,993)
Acquisition of subsidiaries, net		**(978)**	(396)
Disposal of subsidiaries, net		**1,776**	2,916
Interest received		**167,123**	131,388
Dividends received		**54,815**	48,864
Rentals received		**3,146**	3,383
Increase in policy loans, net		**(21,947)**	(27,501)
Net cash flows used in investing activities		**(447,138)**	(380,157)
Cash flows from financing activities			
Capital injected into subsidiaries by non-controlling interests		**37,223**	28,945
Proceeds from bonds issued		**993,850**	677,834
Increase/(Decrease) in assets sold under agreements to repurchase of insurance operations, net		**99,242**	(37,778)
Proceeds from borrowings		**183,876**	210,907
Repayment of borrowings		**(954,298)**	(664,271)
Interest paid		**(41,937)**	(33,994)
Dividends paid		**(43,074)**	(35,932)
Increase in insurance placements from banks and other financial institutions, net		**300**	–
Payment of acquisition of shares		**(994)**	(5,001)
Payment of share purchased for Long-term Service Plan		**(3,989)**	(4,296)
Repayment of lease liabilities		**(7,806)**	(7,311)
Payment of redemption for other equity instruments by subsidiaries		**(5,000)**	–
Others		**3,248**	(4,026)
Net cash flows from financing activities		**260,641**	125,077
Net increase/(decrease) in cash and cash equivalents		**125,578**	(5,635)
Net foreign exchange differences		**(4,296)**	1,077
Cash and cash equivalents at beginning of the year		**303,466**	308,024
Cash and cash equivalents at end of the year	55	**424,748**	303,466

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 estimates

Significant judgment is required in determining the economic assumptions, e.g. discount rates/investment return, and non-economic assumptions, e.g. 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 2020 (mainly due to change of the benchmarking yield curve for the measurement of insurance contract liabilities and adjustments of non-economic assumptions based on the latest experience and trends), 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 RMB19,141 million as at 31 December 2020 and the profit before tax for the year ended 31 December 2020 was decreased by RMB19,141 million (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).

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. In June 2020, IASB published the final revised version of IFRS 17, stating that IFRS 17 is effective for financial years beginning on or after 1 January 2023. The Group has been 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 2020 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 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 ratably 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 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 amounts advanced under these agreements are recognized and presented as 'financial assets purchased 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 the 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. Insurance guarantee fund levy is charged to expenses as incurred.

The consideration received and premium income used in the calculation of the insurance guarantee fund is the amount agreed in the insurance policies.

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 fulfills 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 fulfill 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.

A reasonable estimate of expected future net cash flows is determined based on information currently available as at the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(30) INSURANCE CONTRACT LIABILITIES (CONTINUED)

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 unfavorable 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(33) INVESTMENT-LINKED BUSINESS (CONTINUED)

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 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, 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 estimates the number of total shares expected to vest taking into consideration of service and non-market performance conditions. Based on number of shares expected to vest, related cost or expense is recognized over the vesting period according to fair value of the shares granted on granted date.

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 long-term life insurance policyholders' reserves and unearned premium 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 Cai Kuai [2017] No.637 issued by CIRC 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 2020 ranged from 3.01%-4.60% (31 December 2019: 3.29%- 4.60%).

  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 2020 ranged from 4.75%-5.00% (31 December 2019: 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 macroeconomic, 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 2020 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	99.54%	-	99.54%	21,000,000,000
Ping An Bank Co., Ltd. (ii) ('Ping An Bank')	Shenzhen, Corporation	Banking, Shenzhen	49.56%	8.40%	58.00%	19,405,918,198
Ping An Trust Co., Ltd.	Shenzhen, Corporation	Investment and trust, Shenzhen	99.88%	-	99.88%	13,000,000,000
Ping An Securities Co., Ltd. ('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 (iii)	Shanghai, Corporation	Health insurance, Shanghai	73.45%	1.55%	75.01%	2,016,577,790
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	Financial leasing, Shanghai	69.44%	30.56%	100.00%	14,500,000,000
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 Innovation Capital Investment Co., Ltd.	Shenzhen, Corporation	Investment holding, Shenzhen	-	99.88%	100.00%	4,000,000,000

4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2020 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 Trendwin Capital Management Co., Ltd.	Shanghai, Corporation	Investment consulting, Shanghai	-	99.75%	100.00%	100,000,000
Ping An Real Estate Co., Ltd. ('Ping An Real Estate')	Shenzhen, Corporation	Property management and investment management, Shenzhen	-	99.60%	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
eLink Commerce Company Limited	Hong Kong, Corporation	E-commerce trade, Hong Kong	-	99.89%	100.00%	HKD25,124,600
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. (iii) ('Ping An Commercial Property Investment')	Shenzhen, Corporation	Property leasing and property management, Shenzhen	-	99.50%	99.99%	1,567,000,000
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

4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2020 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)
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
Pingan Haofang (Shanghai) E-commerce Co., Ltd. (iii)	Shanghai, Corporation	Property agency, Shanghai	-	86.37%	100.00%	1,930,000,000
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%	6,688,870,000
Ping An Insurance Sales Services Co., Ltd.	Shenzhen, Corporation	Sales agency of insurance, Shenzhen	-	75.10%	75.10%	515,000,000
Ping An Chuang Zhan Insurance Sales & Service Co., Ltd	Guangzhou, Corporation	Insurance agent, Shenzhen	-	99.54%	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 Ping An Investment')	Tongxiang, Corporation	Investment management, Tongxiang	-	99.60%	100.00%	500,000,000

4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2020 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 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
Ping An of China Securities (Hong Kong) Company Limited (iii)	Hong Kong, Corporation	Securities investment and brokerage, Hong Kong	-	96.55%	100.00%	HKD663,514,734
Ping An of China Futures (Hong Kong) Company Limited	Hong Kong, Corporation	Futures brokerage, Hong Kong	-	96.55%	100.00%	HKD20,000,000
Ping An of China Capital (Hong Kong) Company Limited	Hong Kong, Corporation	Investment management, Hong Kong	-	96.55%	100.00%	HKD20,000,000
China PA Securities (Hong Kong) Company Limited (iii)	Hong Kong, Corporation	Securities investment and brokerage, Hong Kong	-	96.55%	100.00%	HKD440,000,000
Shanghai Lufax Fund Sales Co.,Ltd	Shanghai, Corporation	Fund sales, Shanghai	-	100.00%	100.00%	20,000,000
Ful Insurance Broker Co.,Ltd.	Shanghai, Corporation	Insurance brokerage service, Shanghai	-	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 and management, Hangzhou	-	99.51%	100.00%	1,430,000,000

4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2020 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)
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.	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
Shanghai Jahwa (Group) Company Ltd. ('Shanghai Jahwa')	Shanghai, Corporation	Production and sale of consumer chemicals, Shanghai	-	99.51%	100.00%	5,268,261,234
Shanghai Jahwa United Co., Ltd. (iii)	Shanghai, Corporation	Industry, Shanghai	-	51.42%	51.68%	677,969,461
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	-	99.52%	100.00%	USD143,954,940
Shanghai Pingan Automobile E-commerce Co., Ltd.	Shanghai, Corporation	E-commerce, Shanghai	-	94.74%	94.74%	63,330,000

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4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2020 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 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.	Shanghai, Corporation	Investment management, Shanghai	-	99.05%	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. (iii)	Shenzhen, Corporation	Credit Information services, Shenzhen	-	100.00%	100.00%	345,075,000
Pingan Real Estate Capital Limited (iii)	Hong Kong, Corporation	Investment platform, Hong Kong	-	99.60%	100.00%	2,536,129,600
Shenzhen Qianhai Inclusive Crowdfunding & Trading Co., Ltd.	Shenzhen, Corporation	Private equity financing, Shenzhen	-	100.00%	100.00%	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
Ping An International Financial Leasing (Shenzhen) Co., Ltd.	Shenzhen, Corporation	Financial leasing, Shenzhen	-	100.00%	100.00%	1,800,000,000
An Ke Technology Company Limited (iii)	Hong Kong, Corporation	Investment management and investment consulting, Hong Kong	-	100.00%	100.00%	USD582,996,000
Ping An Pay Technology Service Co., Ltd. ('Ping An Pay Technology')	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

4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2020 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)
Tongxiang Anhao Investment Management Co., Ltd.	Tongxiang, Corporation	Investment management, Tongxiang	-	99.70%	100.00%	300,000,000
Ping An Infrastructure Investment Fund Management Co., Ltd	Shenzhen, Corporation	Investment management, Shenzhen	-	97.99%	99.00%	1,000,000,000
Ping An Fortune Management Co., Ltd.	Shanghai, Corporation	Consulting services, Shanghai	-	100.00%	100.00%	100,000,000
Shenzhen Dingshuntong Investment Co., Ltd ('Dingshuntong Investment')	Shenzhen, Corporation	Investment consulting, Shenzhen	-	100.00%	100.00%	100,000,000
Shenzhen Ping An Evergreen Investment Development Holding Co., Ltd. ('Evergreen Investment Development')	Shenzhen, Corporation	Investment consulting, Shenzhen	-	100.00%	100.00%	1,500,100,000
Ping An International Financial Leasing (Tianjin) Co., Ltd.	Tianjin, Corporation	Financial leasing, 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
China PA Asset Management (Hong Kong) Company Limited	Hong Kong, Corporation	Asset management, Hong Kong	-	96.55%	100.00%	HKD10,000,000
Shanghai Tianhe Insurance Brokerage Co., Ltd.	Shanghai, Corporation	Insurance broker, Shanghai	-	49.02%	100.00%	50,000,000
Helios P.A. Company Limited	Hong Kong, Corporation	Project investment, Hong Kong	-	99.51%	100.00%	USD677,161,910
Value Success International Limited	British Virgin Islands, Corporation	Project investment, British Virgin Islands	-	100.00%	100.00%	USD50,000
Ping An Urban-Tech (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	-	99.80%	100.00%	100,000,000

4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2020 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)
Shenzhen Anchuang Investment Management Co., Ltd.	Shenzhen, Corporation	Investment management, Shenzhen	-	99.70%	100.00%	100,000,000
Lianxin (Shenzhen) Investment Management Co., Ltd. (iii) ('Lianxin Investment')	Shenzhen, Corporation	Investment management, Shenzhen	-	99.70%	100.00%	2,600,000,000
Autohome Inc. (iii)	Cayman Islands, Corporation	Automotive internet platform, Beijing	-	49.02%	49.02%	USD1,201,623
Mayborn Group Limited	United Kingdom, Corporation	Infant products, United Kingdom	-	51.42%	51.68%	GBP1,154,873
Jiaxing PingAn Cornerstone I Equity Investment Management Co., Ltd.	Jiaxing, Corporation	Investment management, Jiaxing	-	99.51%	100.00%	1,000,000
Shenzhen Qianhai JinXuan Investment Co., Ltd.	Shenzhen, Corporation	Investment management and investment consulting, Shenzhen	-	99.90%	100.00%	2,270,000,000
Ping An Wealth Management Co., Ltd. (iv)	Shenzhen, Corporation	Asset management, Shenzhen	-	57.96%	100.00%	5,000,000,000
TTP Car. Inc. (iv)	Cayman Islands, Corporation	Second-hand car platform, Shanghai	-	23.96%	51.00%	USD15,097

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 2020, Ping An Bank's profit attributable to its non-controlling interest was RMB12,162 million (2019: RMB11,853 million), the dividend paid to its non-controlling interest was RMB2,964 million (2019: RMB1,414 million). As at 31 December 2020, Ping An Bank's equity attributable to its non-controlling interest was RMB182,064 million (2019: RMB143,169 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 2020.

(iv) The subsidiaries were incorporated into the scope of consolidation in 2020.

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 2020, the Group consolidated the following principal structured entities:

Name	Attributable equity interest	Paid-in capital (RMB)	Principal activities
Ping An Asset Xinxiang No.28 Assets Management	99.51%	27,848,384,867	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 Trust Scheme	59.71%	10,000,000,000	Investment in debt schemes
Shanghai Trust Huarong Aggregated Fund Trust Scheme	99.52%	9,500,000,000	Investment in debt schemes
Ping An Asset Xinxiang No.19 Assets Management	99.51%	7,449,913,531	Investment in wealth management products
Ping An Asset Xinxiang No.5 Assets Management	99.52%	5,111,000,000	Investment in wealth management products
Ping An Asset Xinxiang No.20 Assets Management	99.51%	6,508,823,782	Investment in wealth management products
Ping An Asset Xinxiang No.18 Assets Management	99.51%	6,730,552,460	Investment in wealth management products
Ping An Asset Xinxiang No.10 Assets Management	99.51%	7,139,468,987	Investment in wealth management products
Ping An Asset Xinxiang No.14 Assets Management	99.51%	4,551,171,317	Investment in wealth management products
Ping An Asset Xinxiang No.11 Assets Management	99.51%	2,781,690,208	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 2020 and 2019, 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 2020 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	514,513	285,911	-	-	-	-	-	(2,544)	797,880
Less: Premiums ceded to reinsurers	(9,167)	(16,714)	-	-	-	-	-	2,804	(23,077)
Change in unearned premium reserves	(1,020)	(16,180)	-	-	-	-	-	(4)	(17,204)
Net earned premiums	504,326	253,017	-	-	-	-	-	256	757,599
Reinsurance commission revenue	2,239	5,473	-	-	-	-	-	(1,356)	6,356
Interest revenue from banking operations	-	-	187,187	-	-	-	-	(412)	186,775
Fees and commission revenue from non-insurance operations	-	-	53,296	4,335	8,175	1,576	-	(3,404)	63,978
Including:Inter-segment fees and commission revenue from non-insurance operations	-	-	2,648	615	119	99	-	(3,481)	-
Interest revenue from non-banking operations	93,779	7,369	-	256	4,717	15,285	291	(2,883)	118,814
Including:Inter-segment interest revenue from non-banking operations	206	70	-	23	300	495	81	(1,175)	-
Investment income	83,061	9,203	9,350	189	1,405	3,993	1,821	(2,790)	106,232
Including:Inter-segment investment income	2,389	135	-	-	48	70	21	(2,663)	-
Including:operating lease income from investment properties	4,413	169	43	-	3	140	10	(1,632)	3,146
Share of profits and losses of associates and jointly controlled entities	9,472	1,881	-	48	(15)	2,685	5,192	(2,418)	16,845
Other revenues and other gains	24,946	944	376	722	4,208	33,284	25,176	(24,837)	64,819
Including: Inter-segment other revenues	12,335	78	7	-	-	2,471	8,328	(23,219)	-
Including: Non-operating gains	172	82	77	-	-	31	15	2	379
Total revenue	717,823	277,887	250,209	5,550	18,490	56,823	32,480	(37,844)	1,321,418

5. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2020 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	(461,753)	(153,177)	-	-	-	-	-	179	(614,751)
Commission expenses on insurance operations	(65,156)	(40,704)	-	-	-	-	-	3,839	(102,021)
Interest expenses of banking operations	-	-	(87,537)	-	-	-	-	1,166	(86,371)
Fees and commission expenses on non-insurance operations	-	-	(9,815)	(451)	(2,017)	(174)	-	241	(12,216)
Net impairment losses on financial assets and other assets	(734)	(1,423)	(70,418)	(155)	(779)	(5,519)	(218)	(212)	(79,458)
Including: Loan impairment losses, net	-	-	(43,148)	-	-	-	-	-	(43,148)
Including: Impairment losses on investment assets	(535)	213	(26,578)	(33)	(785)	(3,224)	(35)	(213)	(31,190)
Including: Impairment losses on receivables and others	(199)	(1,636)	(692)	(122)	6	(2,295)	(183)	1	(5,120)
Foreign exchange gains/(losses)	1,123	(7)	762	(3)	(8)	384	(22)	(10)	2,219
Investment expenses	(3,458)	(329)	-	-	-	-	-	3,616	(171)
Including: Taxes and surcharges on investment operations	(163)	(8)	-	-	-	-	-	-	(171)
Administrative expenses	(49,057)	(60,883)	(46,215)	(1,475)	(4,893)	(11,860)	(15,795)	9,183	(180,995)
Including: Taxes and surcharges on insurance operations	(887)	(1,400)	-	-	-	-	-	-	(2,287)
Interest expenses on non-banking operations	(6,020)	(1,292)	-	(247)	(2,846)	(18,231)	(683)	2,883	(26,436)
Including: Financial costs	(2,773)	(996)	-	(186)	(2,095)	(18,216)	(683)	2,954	(21,995)
Including: Interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions	(3,247)	(296)	-	(61)	(751)	(15)	-	(71)	(4,441)
Other expenses	(25,634)	(443)	(232)	(3)	(4,063)	(10,309)	(5,808)	13,038	(33,454)
Total expenses	(610,689)	(258,258)	(213,455)	(2,334)	(14,606)	(45,709)	(22,526)	33,923	(1,133,654)
Profit before tax	107,134	19,629	36,754	3,216	3,884	11,114	9,954	(3,921)	187,764
Income tax	(11,062)	(3,470)	(7,826)	(737)	(782)	(4,403)	(451)	326	(28,405)
Profit for the year	96,072	16,159	28,928	2,479	3,102	6,711	9,503	(3,595)	159,359
– Attribute to owners of the parent	95,018	16,083	16,766	2,476	2,959	5,737	7,936	(3,876)	143,099

5. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2020 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	224,480	58,935	180,975	7,490	73,701	51,582	18,858	(28,630)	587,391
Balances with Central Bank and statutory deposits for insurance operations	8,267	4,281	280,177	-	-	-	5	8	292,738
Accounts receivable	1,714	-	-	-	-	22,339	3,524	(1,401)	26,176
Finance lease receivable	-	-	-	-	-	202,050	-	-	202,050
Loans and advances to customers	-	-	2,610,841	-	-	-	-	(11,331)	2,599,510
Financial assets at fair value through profit or loss	587,173	118,599	311,270	14,951	36,191	118,735	30,084	14,328	1,231,331
Financial assets at amortized cost	1,724,256	101,109	633,619	5,930	213	202,132	1,012	(43,423)	2,624,848
Financial assets at fair value through other comprehensive income	520,581	29,365	198,722	14	73,170	9,679	49	(42,793)	788,787
Investments in associates and jointly controlled entities	142,206	13,799	-	1,126	91	64,659	71,932	(25,994)	267,819
Others	363,884	126,753	252,910	2,709	15,917	123,505	28,354	(6,812)	907,220
Segment assets	3,572,561	452,841	4,468,514	32,220	199,283	794,681	153,818	(146,048)	9,527,870
Due to banks and other financial institutions	36,290	5,195	635,171	-	304	325,030	7,378	(49,193)	960,175
Assets sold under agreements to repurchase	187,846	13,807	35,286	-	34,295	5,159	-	209	276,602
Accounts payable	2,169	20	-	-	-	3,401	1,012	(1,454)	5,148
Insurance payables	114,001	28,566	-	-	-	-	-	(3,039)	139,528
Customer deposits and payables to brokerage customers	-	-	2,695,935	-	59,472	-	-	(61,574)	2,693,833
Bonds payable	34,137	13,927	611,865	-	51,776	179,456	-	10,124	901,285
Insurance contract liabilities	2,710,089	262,918	-	-	-	-	-	(547)	2,972,460
Investment contract liabilities for policyholders	67,562	19	-	-	-	-	-	-	67,581
Policyholder dividend payable	63,806	-	-	-	-	-	-	-	63,806
Others	75,137	24,918	126,126	8,717	19,630	210,816	28,617	(34,414)	459,547
Segment liabilities	3,291,037	349,370	4,104,383	8,717	165,477	723,862	37,007	(139,888)	8,539,965
Segment equity	281,524	103,471	364,131	23,503	33,806	70,819	116,811	(6,160)	987,905
- Attribute to owners of the parent	273,161	102,991	182,067	23,475	32,346	49,240	104,523	(5,243)	762,560
Other segment information:									
Capital expenditures	7,095	2,124	5,888	8	374	1,720	2,306	(1,197)	18,318
Depreciation and amortization	6,670	1,647	5,662	46	399	714	2,550	(7,866)	9,822
Total other non-cash expenses charged to consolidated results	734	1,423	70,418	155	779	5,519	218	212	79,458

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, net	-	-	(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 gains/(losses)	(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

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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	6,612	1,399	5,968	67	467	2,502	3,911	313	21,239
Depreciation and amortization	7,235	2,039	5,352	47	402	611	2,101	(214)	17,573
Total other non-cash expenses charged to consolidated results	(5)	1,338	59,527	230	452	5,659	166	(101)	67,266

6. GROSS AND NET WRITTEN PREMIUMS

(in RMB million)	2020	2019
Gross written premiums and premium deposits	**885,826**	883,029
Less: Premium deposits of policies without significant insurance risk transfer	**(3,145)**	(3,543)
Premium deposits separated out from universal life and investment-linked products	**(84,801)**	(84,422)
Gross written premiums	**797,880**	795,064

(in RMB million)	2020	2019
Long term life business gross written premiums	**468,782**	486,742
Short term life business gross written premiums	**42,745**	36,931
Property and casualty business gross written premiums	**286,353**	271,391
Gross written premiums	**797,880**	795,064

(in RMB million)	2020	2019
Gross written premiums		
Life insurance		
Individual business	**488,094**	503,828
Group business	**23,433**	19,845
	511,527	523,673
Property and casualty insurance		
Automobile insurance	**196,335**	194,487
Non-automobile insurance	**72,928**	63,986
Accident and health insurance	**17,090**	12,918
	286,353	271,391
Gross written premiums	**797,880**	795,064

(in RMB million)	2020	2019
Net of reinsurance premiums ceded		
Life insurance		
Individual business	**482,454**	498,915
Group business	**22,892**	19,468
	505,346	518,383
Property and casualty insurance		
Automobile insurance	**188,969**	187,118
Non-automobile insurance	**63,785**	55,295
Accident and health insurance	**16,703**	12,898
	269,457	255,311
Net written premiums	**774,803**	773,694

7. NET INTEREST INCOME FROM BANKING OPERATIONS

(in RMB million)	2020	2019
Interest revenue from banking operations		
Due from the Central Bank	**3,379**	3,345
Due from financial institutions	**7,850**	9,681
Loans and advances to customers	**144,010**	132,690
Financial investments	**31,536**	30,905
Subtotal	**186,775**	176,621
Interest expenses on banking operations		
Due to the Central Bank	**3,745**	4,290
Due to financial institutions	**10,437**	12,605
Customer deposits	**56,170**	54,858
Bonds payable	**15,909**	14,477
Others	**110**	204
Subtotal	**86,371**	86,434
Net interest income from banking operations	**100,404**	90,187

8. INTEREST REVENUE FROM NON-BANKING OPERATIONS

(in RMB million)	2020	2019
Financial assets at amortized cost	**107,201**	89,924
Debt financial assets at fair value through other comprehensive income	**11,613**	10,067
	118,814	99,991

9. NET FEES AND COMMISSION INCOME FROM NON-INSURANCE OPERATIONS

(in RMB million)	2020	2019
Fees and commission revenue from non-insurance operations		
Brokerage commission	**5,828**	3,544
Underwriting commission	**1,146**	991
Trust service fees	**3,474**	3,095
Fees and commission from the banking business	**50,648**	44,225
Others	**2,882**	2,945
Subtotal	**63,978**	54,800
Fees and commission expenses on non-insurance operations		
Brokerage commission	**1,924**	1,129
Fees and commission on the banking business	**9,815**	9,160
Others	**477**	281
Subtotal	**12,216**	10,570
Net fees and commission income from non-insurance operations	**51,762**	44,230

10. INVESTMENT INCOME

(in RMB million)	2020	2019
Net investment income	**64,020**	52,013
Realized gains from disposal	**46,982**	5,643
Unrealized (losses)/gains	**(4,770)**	44,091
Total investment income	**106,232**	101,747

(1) NET INVESTMENT INCOME

(in RMB million)	2020	2019
Financial assets at fair value through profit or loss	**49,180**	35,822
Equity financial assets at fair value through other comprehensive income	**11,694**	12,808
Operating lease income from investment properties	**3,146**	3,383
	64,020	52,013

(2) REALIZED GAINS FROM DISPOSAL

(in RMB million)	2020	2019
Financial assets at fair value through profit or loss	**42,400**	2,243
Debt financial assets at fair value through other comprehensive income	**2,045**	172
Financial assets at amortized cost	**131**	45
Derivative financial instruments	**(222)**	939
Gain on disposals of loans and advances at fair value through other comprehensive income	**1,414**	1,182
Income from precious metal transactions	**(209)**	701
Investment in subsidiaries, associates and jointly controlled entities	**1,423**	361
	46,982	5,643

(3) UNREALIZED(LOSSES)/GAINS

(in RMB million)	2020	2019
Financial assets at fair value through profit or loss		
– Bonds	**(1,009)**	340
– Funds	**1,108**	14,597
– Stocks	**(10,742)**	20,989
– Wealth management investments and other investments	**5,666**	8,201
Derivative financial instruments	**46**	(45)
Financial liabilities at fair value through profit or loss	**161**	9
	(4,770)	44,091

11. OTHER REVENUES AND OTHER GAINS

(in RMB million)	2020	2019
Sales revenue	**24,443**	25,351
Management fee from investment-linked products and from investment contracts	**4,199**	3,388
Expressway toll fee	**704**	1,087
Annuity management fee	**683**	413
Consulting and management fee income	**6,969**	4,340
Finance lease income	**16,876**	16,990
Others	**10,945**	8,788
	64,819	60,357

12. CLAIMS AND POLICYHOLDERS' BENEFITS

	2020		
(in RMB million)	Gross	Reinsurers' share	Net
Claims and claim adjustment expenses	**216,734**	**(12,237)**	**204,497**
Surrenders	**36,914**	**–**	**36,914**
Annuities	**6,940**	**–**	**6,940**
Maturities and survival benefits	**25,257**	**–**	**25,257**
Policyholder dividends	**19,001**	**–**	**19,001**
Increase in long-term life insurance policyholders' reserves	**292,116**	**(624)**	**291,492**
Interest credited to policyholder contract deposits	**30,650**	**–**	**30,650**
	627,612	**(12,861)**	**614,751**

	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

12. CLAIMS AND POLICYHOLDERS' BENEFITS (CONTINUED)

(in RMB million)	2020 Gross	2020 Reinsurers' share	2020 Net
Long term life insurance contract benefits	**440,644**	**(2,454)**	**438,190**
Short term life insurance claims	**26,219**	**(3,015)**	**23,204**
Property and casualty insurance claims	**160,749**	**(7,392)**	**153,357**
	627,612	**(12,861)**	**614,751**

(in RMB million)	2019 Gross	2019 Reinsurers' share	2019 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

13. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

(in RMB million)	2020	2019
Accounts receivable	**417**	202
Loans and advances to customers	**43,148**	53,288
Debt financial assets at fair value through other comprehensive income	**792**	1,322
Financial assets at amortized cost	**31,121**	5,113
Finance lease receivable	**1,811**	1,548
Loan commitments	**(820)**	933
Due from banks and other financial institutions	**(183)**	502
Placements with banks and other financial institutions	**54**	64
Others	**702**	2,298
	77,042	65,270

14. PROFIT BEFORE TAX

(1) PROFIT BEFORE TAX IS ARRIVED AT AFTER CHARGING THE FOLLOWING ITEMS:

(in RMB million)	2020	2019
Employee costs (Note 14. (2))	**75,164**	75,106
Interest expenses on policyholder contract deposits and investment contract reserves	**30,650**	31,635
Depreciation of investment properties	**1,341**	1,457
Depreciation of property and equipment	**6,537**	5,855
Amortization of intangible assets	**2,470**	2,844
Depreciation of right-of-use assets	**7,234**	7,744
Net impairment losses on financial investments	**77,042**	65,270
Impairment loss on other assets	**2,416**	1,996
Cost of sales	**11,202**	11,938
Auditors' remuneration – annual audit, half-year review and quarterly agreed-upon procedures	**98**	97

(2) EMPLOYEE COSTS

(in RMB million)	2020	2019
Wages, salaries and bonuses	**61,379**	59,144
Retirement benefits, social security contributions and welfare benefits	**11,376**	14,040
Others	**2,409**	1,922
	75,164	75,106

15. INCOME TAX

(in RMB million)	2020	2019
Current income tax		
– Charge for the year	**36,923**	30,875
– Adjustments in respect of current income tax of previous years	**1,638**	(9,836)
Deferred income tax	**(10,156)**	(665)
	28,405	20,374

Certain subsidiaries enjoy tax preferential treatments. 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 2020 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% (2019: 25%) is as follows:

(in RMB million)	2020	2019
Profit before tax	**187,764**	184,739
Tax at the applicable tax rate of 25% (2019: 25%)	**46,941**	46,185
Expenses not deductible for tax	**2,603**	2,573
Income not subject to tax	**(24,253)**	(19,692)
Adjustments in respect of current income tax of previous years	**1,638**	(9,836)
Others	**1,476**	1,144
Income tax per consolidated statement of income	**28,405**	20,374

Taxes for taxable income attained from outside of PRC are measured at the tax rates under local and PRC law, regulations and conventions. The income tax credited by the Group is verified by official tax bureau.

16. DIVIDENDS

(in RMB million)	2020	2019
2019 final dividend declared in 2020 - RMB1.30 (2018 final dividend declared in 2019 – RMB1.10) per ordinary share (i)	**23,673**	20,108
2020 interim dividend – RMB0.80 (2019 interim dividend – RMB0.75) per ordinary share (ii)	**14,568**	13,667

(i) 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 cash dividend in the amount of RMB1.30 (tax inclusive) per share. The total amount of the cash dividend for 2019 was RMB23,673 million (tax inclusive).

On 9 April 2020, the above profit appropriation plan was approved by the shareholders of the Company at the annual general meeting.

(ii) On 27 August 2020, the Board of Directors of the Company approved the Resolution of the Profit Appropriation Plan for Interim Dividend of 2020, and declared an interim cash dividend of RMB0.80 (tax inclusive) per share. The total amount of the cash dividend was RMB14,568 million (tax inclusive).

(iii) On 3 February 2021, the Board of Directors of the Company approved the Resolution of the Profit Appropriation Plan for 2020, agreeing to declare a final cash dividend of RMB1.40 (tax inclusive) per share for 2020. 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 after trading hours on the record date of A shareholders for the final dividend will not be entitled to the final dividend distribution. The total amount of the final dividend payment for 2020 is RMB25,494,328,449.80 (tax inclusive) based on the total share capital of 18,280,241,410 shares less the 70,006,803 A shares of the Company in the repurchased securities account as at 31 December, 2020. The actual total amount of final dividend payment is subject to the total number of shares that will be entitled to the dividend distribution on the record date of A shareholders, which was not recognized as a liability as at 31 December, 2020.

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.

	2020	2019
Profit attributable to owners of the parent (in RMB million)	**143,099**	149,407
Weighted average number of ordinary shares in issue (million shares)	**17,675**	17,769
Basic earnings per share (in RMB)	**8.10**	8.41

Weighted average number of ordinary shares in issue (million shares)	2020	2019
Issued ordinary shares as at 1 January	**18,280**	18,280
Weighted average number of shares held by the Key Employee Share Purchase Plan	**(23)**	(29)
Weighted average number of shares held by the Long-term Service Plan	**(97)**	(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 share	**(68)**	(30)
Weighted average number of ordinary shares in issue	**17,675**	17,769

(i) As at 31 December 2020, 417 million (31 December 2019: 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.

	2020	2019
Earnings (in RMB million)		
Profit attributable to owners of the parent	**143,099**	149,407
Weighted average number of ordinary shares (million shares)		
Weighted average number of ordinary shares in issue	**17,675**	17,769
Adjustments for:		
– Assumed vesting of Key Employee Share Purchase Plan	**23**	29
– Assumed vesting of Long-term Service Plan	**97**	35
Weighted average number of ordinary shares for diluted earnings per share	**17,795**	17,833
Diluted earnings per share (in RMB)	**8.04**	8.38

18. CASH AND AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

(in RMB million)	31 December 2020	31 December 2019
Cash on hand	**3,814**	5,461
Term deposits	**332,812**	220,070
Due from banks and other financial institutions	**179,769**	203,606
Placements with banks and other financial institutions	**70,996**	79,569
	587,391	508,706

Details of placements with banks and other financial institutions are as follows:

(in RMB million)	31 December 2020	31 December 2019
Measured at amortized cost:		
Placements with banks	**52,788**	59,287
Placements with other financial institutions	**5,055**	13,909
Gross	**57,843**	73,196
Less: Provision for impairment losses	**(70)**	(180)
Net	**57,773**	73,016
Measured at fair value through other comprehensive income:		
Placements with other financial institutions	**13,223**	6,553
Total	**70,996**	79,569

As at 31 December 2020, the provision for impairment losses of placements with banks and other financial institutions measured at fair value through other comprehensive income is RMB228 million (31 December 2019: RMB72 million).

As at 31 December 2020, cash and amounts due from banks and other financial institutions of RMB 9,654 million (31 December 2019: RMB7,198 million) were restricted from use.

As at 31 December 2020, cash and amounts due from overseas banks and other financial institutions amounted to RMB57,169 million (31 December 2019: RMB21,382 million).

19. BALANCES WITH THE CENTRAL BANK

(in RMB million)	31 December 2020	31 December 2019
Statutory reserve deposits with the Central Bank for banking operations	**217,320**	212,545
– Statutory reserve deposits with the Central Bank for banking operations-RMB	**210,297**	206,659
– Statutory reserve deposits with the Central Bank for banking operations-Foreign Currencies	**7,023**	5,886
Surplus reserve deposits with the Central Bank	**61,996**	31,223
Fiscal deposits with the Central Bank	**861**	3,003
	280,177	246,771

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 2020, the mandatory deposits are calculated at 9.0% (31 December 2019: 9.5%) of customer deposits denominated in RMB and 5.0% (31 December 2019: 5.0%) 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 2020	31 December 2019
Bonds	**116,885**	89,445
Bills	**-**	40
Stocks and others	**6,137**	7,144
Subtotal	**123,022**	96,629
Less: Provision for impairment losses	**(257)**	(172)
Total	**122,765**	96,457

21. PREMIUM RECEIVABLES

(in RMB million)	31 December 2020	31 December 2019
Premium receivables	**98,366**	85,907
Less: Provision for doubtful receivables	**(4,363)**	(3,491)
Premium receivables, net	**94,003**	82,416
Life insurance	**18,826**	18,521
Property and casualty insurance	**75,177**	63,895
Premium receivables, net	**94,003**	82,416

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 2020	31 December 2019
Within 3 months	**91,007**	80,009
Over 3 months but within 1 year	**3,356**	2,668
Over 1 year	**4,003**	3,230
	98,366	85,907

22. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2020			
	Assets		Liabilities	
(in RMB million)	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swaps	**4,435,630**	**18,363**	**3,284,141**	**17,887**
Currency forwards and swaps	**682,713**	**16,246**	**622,991**	**17,154**
Gold derivative instruments	**39,500**	**1,761**	**60,243**	**7,032**
Stock index options	**302**	**1**	**–**	**–**
Stock index swaps	**2,455**	**137**	**–**	**–**
Others	**3,695**	**1,153**	**10,514**	**6,506**
	5,164,295	**37,661**	**3,977,889**	**48,579**

	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

23. REINSURERS' SHARE OF INSURANCE LIABILITIES

(in RMB million)	31 December 2020	31 December 2019
Reinsurers' share of unearned premium reserves	**8,408**	7,250
Reinsurers' share of claim reserves	**9,863**	9,129
Reinsurers' share of long-term life insurance policyholders' reserves	**1,948**	1,324
	20,219	17,703

24. FINANCE LEASE RECEIVABLE

(in RMB million)	31 December 2020	31 December 2019
Finance lease receivables, net of unearned finance income	**207,053**	187,575
Less: Provision for impairment losses	**(5,003)**	(3,618)
	202,050	183,957

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 2020	31 December 2019
Measured at amortized cost:		
Corporate customers		
Loans	**847,939**	790,547
Individual customers		
New generation loans	**146,293**	157,364
Credit cards	**529,251**	540,434
Mortgage loans and licensed mortgage loans	**528,384**	411,066
Vehicle loans	**246,416**	179,224
Others	**154,596**	69,133
Gross	**2,452,879**	2,147,768
Add: Interest receivable	**7,365**	5,703
Less: Provision for impairment losses	**(62,821)**	(69,560)
Net	**2,397,423**	2,083,911
Measured at fair value through other comprehensive income:		
Corporate customers		
Loans	**89,454**	61,582
Discounted bills	**112,633**	94,903
Subtotal	**202,087**	156,485
Carrying amount	**2,599,510**	2,240,396

As at 31 December 2020, the provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income was RMB398 million (31 December 2019: RMB453 million), refer to Note 25.(6).

As at 31 December 2020, discounted bills with a carrying amount of RMB7,302 million (31 December 2019: RMB5,498 million) were pledged for amounts due to the Central Bank.

25. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(2) ANALYSED BY INDUSTRY

(in RMB million)	31 December 2020	31 December 2019
Loans and advances to customers		
Agriculture, husbandry and fishery	**3,087**	5,550
Mining	**24,448**	34,857
Manufacturing	**145,939**	118,524
Energy	**20,856**	20,036
Transportation and communication	**51,644**	45,277
Wholesaling and retailing	**74,257**	102,067
Real estate	**271,963**	228,663
Social service, technology, culture and sanitary industries	**166,000**	168,134
Construction	**42,568**	40,739
Individual customers	**1,604,940**	1,357,221
Others	**249,264**	183,185
Gross	**2,654,966**	2,304,253
Add: Interest receivable	**7,365**	5,703
Less: Provision for impairment losses	**(62,821)**	(69,560)
Carrying amount	**2,599,510**	2,240,396

(3) ANALYSED BY TYPE OF COLLATERAL HELD OR OTHER CREDIT ENHANCEMENTS

(in RMB million)	31 December 2020	31 December 2019
Unsecured	**1,089,759**	945,835
Guaranteed	**196,585**	192,876
Secured by collateral		
Secured by mortgages	**983,796**	792,250
Secured by monetary assets	**272,193**	278,389
Subtotal	**2,542,333**	2,209,350
Discounted bills	**112,633**	94,903
Gross	**2,654,966**	2,304,253
Add: Interest receivable	**7,365**	5,703
Less: Provision for impairment losses	**(62,821)**	(69,560)
Carrying amount	**2,599,510**	2,240,396

(4) AGING ANALYSIS OF PAST DUE LOANS BY PASS DUE DAYS

	31 December 2020				
(in RMB million)	Within 3 months	3 months to 1 year	1 to 3 years	More than 3 years	Total
Unsecured	**10,143**	**10,638**	**1,376**	**38**	**22,195**
Guaranteed	**671**	**1,335**	**1,020**	**185**	**3,211**
Secured by collateral					
Secured by mortgages	**6,080**	**4,251**	**778**	**141**	**11,250**
Pledged loan	**2,617**	**1,839**	**1,890**	**50**	**6,396**
	19,511	**18,063**	**5,064**	**414**	**43,052**

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25. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(4) AGING ANALYSIS OF PAST DUE LOANS BY PASS DUE DAYS (CONTINUED)

	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

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 2020		31 December 2019	
(in RMB million)	**Amount**	**%**	Amount	%
Eastern China	**516,724**	**19.46%**	447,287	19.42%
Southern China	**560,237**	**21.10%**	434,909	18.87%
Western China	**244,223**	**9.20%**	213,195	9.25%
Northern China	**403,723**	**15.21%**	338,676	14.70%
Head office	**922,455**	**34.74%**	869,489	37.73%
Overseas	**7,604**	**0.29%**	697	0.03%
Gross	**2,654,966**	**100.00%**	2,304,253	100.00%
Add: Interest receivable	**7,365**		5,703	
Less: Loan allowance	**(62,821)**		(69,560)	
Carrying amount	**2,599,510**		2,240,396	

(6) LOAN IMPAIRMENT PROVISION

(in RMB million)	**2020**	2019
Measured at amortized cost:		
As at 1 January 2020/1 January 2019	**69,560**	54,033
Charge for the year	**43,203**	52,989
Write-off and transfer during the year	**(62,598)**	(47,681)
Recovery of loans written off previously	**13,099**	11,110
Unwinding of discount of impairment provisions recognized as interest income	**(260)**	(481)
Others	**(183)**	(410)
As at 31 December	**62,821**	69,560
Measured at fair value through other comprehensive income		
As at 1 January 2020/1 January 2019	**453**	154
(Reverses)/Charge for the year	**(55)**	299
As at 31 December	**398**	453
As at 31 December 2020/31 December 2019	**63,219**	70,013

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(in RMB million)	31 December 2020	31 December 2019
Bonds		
Government bonds	**139,209**	60,741
Finance bonds	**122,563**	106,056
Corporate bonds	**66,112**	59,494
Funds	**252,719**	214,065
Stocks	**131,991**	115,602
Preferred shares	**33,922**	26,133
Unlisted equity investments	**99,779**	83,617
Debt schemes	**44,658**	13,755
Wealth management investments	**239,483**	224,653
Other investments	**100,895**	56,957
Subtotal	**1,231,331**	961,073
Listed	**216,984**	202,802
Unlisted	**1,014,347**	758,271
	1,231,331	961,073

27. FINANCIAL ASSETS AT AMORTIZED COST

(in RMB million)	31 December 2020	31 December 2019
Bonds		
Government bonds	**1,608,135**	1,234,172
Finance bonds	**374,262**	450,904
Corporate bonds	**92,680**	109,005
Debt schemes	**119,002**	120,494
Wealth management investments	**287,441**	268,387
Other investments	**159,228**	114,982
Gross	**2,640,748**	2,297,944
Less: Provision for impairment losses	**(15,900)**	(16,719)
Net	**2,624,848**	2,281,225
Listed	**306,603**	129,359
Unlisted	**2,318,245**	2,151,866
	2,624,848	2,281,225

28. DEBT FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(in RMB million)	31 December 2020	31 December 2019
Bonds		
Government bonds	**236,286**	140,318
Finance bonds	**97,747**	132,160
Corporate bonds	**64,337**	58,247
Margin accounts receivable	**45,054**	24,447
Wealth management investments	**67,962**	102,993
Total	**511,386**	458,165
Listed	**66,887**	49,350
Unlisted	**444,499**	408,815
	511,386	458,165

As at 31 December 2020, the total provision for impairment losses recognized in debt financial assets at fair value through other comprehensive income is RMB2,533 million (31 December 2019: RMB2,334 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 2020	31 December 2019
Stocks	**198,025**	199,556
Preferred shares	**77,452**	80,547
Unlisted equity investments	**1,924**	2,082
Total	**277,401**	282,185
Listed	**275,477**	280,103
Unlisted	**1,924**	2,082
	277,401	282,185

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 ASSOCIATE AND JOINTLY CONTROLLED ENTITIES

The Group's investments in the principal associates and jointly controlled entities as at 31 December 2020 are as follows:

	2020							
(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 (%)[1]
Associates								
Veolia Water (Kunming) Investment Co., Ltd. ('Veolia Kunming')	304	-	(24)	280	(35)	-	13	23.88%
Veolia Water (Yellow River) Investment Co., Ltd. ('Veolia Yellow River')	203	-	(24)	179	(379)	-	-	48.76%
Veolia Water (Liuzhou) Investment Co., Ltd. ('Veolia Liuzhou')	136	-	7	143	(22)	-	57	44.78%
Shanxi Taichang Expressway Co., Ltd. ('Shanxi Taichang')	850	-	11	861	-	-	93	29.85%
Beijing-Shanghai High-Speed Railway Equity Investment Scheme ('Beijing-Shanghai Railway')	8,006	-	2,836	10,842	-	-	96	39.19%
Massive Idea Investments Limited	1,018	-	64	1,082	-	-	-	36.65%
Guangzhou Jinglun Property Development Co., Ltd.	952	-	(291)	661	-	-	412	39.92%
Shenzhen Jinzheng Science & Technology Co., Ltd.	790	-	14	804	(662)	-	1	5.00%
Xuhui Holdings Co., Ltd.	3,827	-	410	4,237	-	-	192	9.02%
Lufax Holding Ltd.('Lufax Holding')	28,226	-	15,084	43,310	-	-	-	38.57%
Ping An Healthcare and Technology Co., Ltd. ('Ping An Good Doctor')	18,384	49	1,048	19,481	-	-	-	38.43%
HealthKonnect Medical and Health Technology Management Company Limited ('Ping An HealthKonnect')	4,222	-	(1,189)	3,033	-	-	-	29.55%
OneConnect Financial Technology Co., Ltd.('OneConnect')	3,196	-	40	3,236	-	-	-	34.33%
Shenzhen China Merchants-Ping An Asset Management Co., Ltd.	1,274	-	178	1,452	-	-	7	38.81%
ZhongAn Online P&C Insurance Co., Ltd. ('ZhongAn Online')	1,597	-	12	1,609	-	-	-	10.21%
Beijing Beiqi Penglong Automobile Service Co., Ltd.	1,551	-	174	1,725	-	-	-	39.18%
China Yangtze Power Co., Ltd.	14,494	-	775	15,269	-	-	673	4.34%
China Traditional Chinese Medicine Holdings Co., Ltd.	2,406	-	177	2,583	-	-	26	11.94%
China Fortune Land Development Co., Ltd.	19,627	-	(296)	19,331	-	-	1,135	25.02%
China Jinmao Holding Group Co., Ltd.	7,650	-	230	7,880	-	-	366	13.96%
Scientia Technologies Limited ('Scientia')	132	-	(100)	32	-	-	-	26.65%
Ping An Consumer Finance Co., Ltd. ('Ping An Consumer Finance')	-	1,500	(69)	1,431	-	-	-	30.00%
Vivid Synergy Limited	-	9,488	-	9,488	-	-	-	29.85%
Shanghai Yibin Property Co., Ltd.	-	13,278	-	13,278	-	-	-	41.80%
Others	35,643	10,048	(2,409)	43,282	(139)	(25)	4,695	
Subtotal	154,488	34,363	16,658	205,509	(1,237)	(25)	7,766	
Jointly controlled entities								
Yunnan KunYu Highway Development Co., Ltd. ('Kunyu Highway')	793	-	48	841	-	-	-	49.94%
Nanjing Mingwan Property Development Co., Ltd.	2,163	-	23	2,186	-	-	-	48.90%
Beijing ZhaoTai Property Development Co., Ltd.	1,493	-	201	1,694	-	-	63	24.95%
Wuhan DAJT Property Development Co., Ltd.	868	-	(381)	487	-	-	353	49.80%
Xi'an Languang Meidu Enterprise Management Service Limited	1,198	-	(1,198)	-	-	-	289	-
Others	43,132	15,484	(1,514)	57,102	-	-	1,516	
Subtotal	49,647	15,484	(2,821)	62,310	-	-	2,221	
Investments in associates and jointly controlled entities	204,135	49,847	13,837	267,819	(1,237)	(25)	9,987	

30. INVESTMENTS IN ASSOCIATE AND JOINTLY CONTROLLED ENTITIES (CONTINUED)

The Group's investments in the principal associates and jointly controlled entities as at 31 December 2019 are as follows:

	2019							
(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	291	-	13	304	(37)	-	-	23.88%
Veolia Yellow River	209	-	(6)	203	(403)	-	-	48.76%
Veolia Liuzhou	124	-	12	136	(23)	-	-	44.78%
Shanxi Taichang	821	-	29	850	-	-	-	29.85%
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	20,876	-	7,350	28,226	-	-	-	40.61%
Ping An Good Doctor	17,870	724	(210)	18,384	-	-	-	41.27%
Ping An HealthKonnect	4,599	-	(377)	4,222	-	-	-	38.54%
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	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	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								
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 Limited	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	

30. INVESTMENTS IN ASSOCIATE AND JOINTLY CONTROLLED ENTITIES (CONTINUED)

The financial information summary of the Group's principal associates and jointly controlled entities as at year end of 2020 are as follows:

(in RMB million)	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	**18,563**	**2,707**	**6,866**	**(949)**
OneConnect	China	Cayman	Technology-as-a-service cloud platform for financial institutions	Yes	**10,885**	**5,600**	**3,312**	**(1,414)**
Lufax Holding	China	Cayman	Financial technology	Yes	**248,890**	**165,739**	**52,046**	**12,276**

The financial information summary of the Group's principal associates and jointly controlled entities as at year end of 2019 are as follows:

(in RMB million)	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)
Lufax Holding	China	Cayman	Financial technology	Yes	149,534	101,388	47,834	13,317

The Group has no significant contingent liabilities relating to the associates and jointly controlled entities listed above.

Note i: The proportion of ordinary shares, as shown in the above table, is the multiplication of the proportion of shares held in each holding layer.

31. STATUTORY DEPOSITS FOR INSURANCE OPERATIONS

(in RMB million)	31 December 2020	31 December 2019
Ping An Life	**6,760**	6,760
Ping An Property & Casualty	**4,200**	4,200
Ping An Annuity	**972**	972
Ping An Health	**414**	375
Others	**19**	19
Subtotal	**12,365**	12,326
Less: Provision for impairment losses	**(8)**	(5)
Add: Interest receivable	**204**	180
Total	**12,561**	12,501

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, insurance sales agency companies and insurance brokerage companies.

32. INVESTMENT PROPERTIES

(in RMB million)	2020	2019
Cost		
As at 1 January	**48,324**	44,925
Acquisition of subsidiaries	**5,267**	2,512
Additions	**1,587**	2,714
Transfer from construction in progress	**–**	–
Transfer to property and equipment, net	**(128)**	(346)
Disposals of subsidiaries	**(83)**	(1,390)
Disposals	**(1,228)**	(91)
As at 31 December	**53,739**	48,324
Accumulated depreciation		
As at 1 January	**8,474**	6,682
Acquisition of subsidiaries	**541**	478
Charge for the year	**1,341**	1,457
Transfer from/(to) property and equipment, net	**20**	(20)
Disposals of subsidiaries	**(13)**	(122)
Disposals	**(13)**	(1)
As at 31 December	**10,350**	8,474
Impairment losses		
As at 1 January	**2**	1
Transfer from property and equipment, net	**2**	1
As at 31 December	**4**	2
Net book value		
As at 31 December	**43,385**	39,848
As at 1 January	**39,848**	38,242
Fair value as at 31 December	**79,678**	71,117

The fair values of the investment properties as at 31 December 2020 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 tear 2020 amounted to RMB3,146 million (31 December 2019: RMB3,383 million), which is included in net investment income.

As at 31 December 2020, investment properties with a carrying amount of RMB12,223 million (31 December 2019: RMB8,027 million) were pledged as collateral for long term borrowings with a carrying amount of RMB7,440 million (31 December 2019: RMB4,488 million).

The Group was still in the process of applying for title certificates for certain investment properties with a carrying amount of RMB307 million as at 31 December 2020(31 December 2019: RMB376 million).

33. PROPERTY AND EQUIPMENT

(in RMB million)	Leasehold improvements	Buildings	Equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
	2020					
Cost						
As at 1 January 2020	10,849	37,985	20,930	2,493	2,240	74,497
Acquisitions of subsidiaries	-	-	79	3	-	82
Additions	535	276	4,054	157	1,896	6,918
Transfer from/(to) construction in progress	898	28	235	-	(1,161)	-
Transfer from/(to) investment properties, net	-	(85)	-	-	213	128
Disposals of subsidiaries	(5)	(251)	(3)	(3)	-	(262)
Disposals	(624)	(227)	(2,039)	(839)	(70)	(3,799)
As at 31 December 2020	11,653	37,726	23,256	1,811	3,118	77,564
Accumulated depreciation						
As at 1 January 2020	6,528	9,737	9,810	1,337	-	27,412
Acquisitions of subsidiaries	-	-	68	2	-	70
Charge for the year	1,057	1,260	3,537	200	-	6,054
Transfer to investment properties, net	-	(20)	-	-	-	(20)
Disposals of subsidiaries	(4)	(25)	(2)	(2)	-	(33)
Disposals	(365)	(140)	(1,460)	(358)	-	(2,323)
As at 31 December 2020	7,216	10,812	11,953	1,179	-	31,160
Impairment losses						
As at 1 January 2020	-	85	-	29	-	114
Charge for the year	-	-	-	9	-	9
Transfer to investment properties, net	-	(2)	-	-	-	(2)
Disposals	-	-	-	(3)	-	(3)
As at 31 December 2020	-	83	-	35	-	118
Net book value						
As at 31 December 2020	4,437	26,831	11,303	597	3,118	46,286
As at 1 January 2020	4,321	28,163	11,120	1,127	2,240	46,971

33. PROPERTY AND EQUIPMENT (CONTINUED)

	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

The Group was still in the process of applying for title certificates for its buildings with a carrying amount of RMB129 million as at 31 December 2020 (31 December 2019: RMB364 million).

34. INTANGIBLE ASSETS

	2020						
(in RMB million)	Goodwill (i)	Expressway operating rights	Prepaid land premiums	Core deposits	Trademarks	Software and others	Total
Cost							
As at 1 January 2020	20,942	3,538	18,830	15,082	9,916	11,680	79,988
Acquisitions of subsidiaries	-	-	824	-	105	397	1,326
Additions	2,171	-	437	-	-	1,025	3,633
Disposals of subsidiaries	-	-	(594)	-	-	(2)	(596)
Disposals/decrease	(55)	-	(161)	-	(13)	(400)	(629)
As at 31 December 2020	23,058	3,538	19,336	15,082	10,008	12,700	83,722
Accumulated amortization							
As at 1 January 2020	-	1,182	1,393	6,378	584	7,103	16,640
Acquisitions of subsidiaries	-	-	20	-	-	-	20
Charge for the year	-	189	216	754	98	1,554	2,811
Disposals of subsidiaries	-	-	(1)	-	-	(2)	(3)
Disposals	-	-	-	-	(2)	(61)	(63)
As at 31 December 2020	-	1,371	1,628	7,132	680	8,594	19,405
Impairment losses							
As at 1 January 2020	15	-	-	-	-	-	15
Additions	12	-	-	-	-	-	12
As at 31 December 2020	27	-	-	-	-	-	27
Net book value							
As at 31 December 2020	23,031	2,167	17,708	7,950	9,328	4,106	64,290
As at 1 January 2020	20,927	2,356	17,437	8,704	9,332	4,577	63,333

34. INTANGIBLE ASSETS (CONTINUED)

	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/decrease	–	–	(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

As at 31 December 2020, expressway operating rights with a carrying amount of RMB2,168 million (31 December 2019: RMB2,356 million) were pledged as collateral for long term borrowings amounting to RMB525 million (31 December 2019: RMB681 million).

As at 31 December 2020, prepaid land premiums with a carrying amount of RMB2,159 million (31 December 2019: RMB5,666 million) were pledged as collateral for long term borrowings amounting to RMB1,509 million (31 December 2019: RMB3,184 million).

The Group was still in the process of applying for its prepaid land premiums with a carrying amount of RMB33 million as at 31 December 2020 (31 December 2019: RMB82 million).

34. INTANGIBLE ASSETS (CONTINUED)

(I) GOODWILL

(in RMB million)	As at 1 January 2020	2020 Increase	Decrease	As at 31 December 2020
Ping An Bank	**8,761**	**–**	**–**	**8,761**
Shanghai Jahwa	**2,502**	**–**	**–**	**2,502**
Mayborn Group Limited	**1,885**	**–**	**(47)**	**1,838**
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**
TTP Car Inc.	**–**	**2,171**	**–**	**2,171**
Other	**687**	**–**	**(8)**	**679**
Total	**20,942**	**2,171**	**(55)**	**23,058**
Less: Impairment losses	**(15)**	**(12)**	**–**	**(27)**
Net book value	**20,927**	**2,159**	**(55)**	**23,031**

(in RMB million)	As at 1 January 2019	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

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 11% to 17% (2019:7% to 17%) and growth rates, where applicable, range from 2% to 41% (2019:2% to 27%).

35. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	2020		
(in RMB million)	Buildings	Others	Total
Cost			
As at 1 January	**23,517**	**25**	**23,542**
Additions	**8,403**	**2**	**8,405**
Disposals	**(6,106)**	**(1)**	**(6,107)**
As at 31 December	**25,814**	**26**	**25,840**
Accumulated depreciation and amortization			
As at 1 January	**6,969**	**20**	**6,989**
Additions	**7,359**	**6**	**7,365**
Disposals	**(4,685)**	**(1)**	**(4,686)**
As at 31 December	**9,643**	**25**	**9,668**
Impairment provision			
As at 1 January	**–**	**–**	**–**
As at 31 December	**–**	**–**	**–**
Net book value			
As at 31 December	**16,171**	**1**	**16,172**
As at 1 January	**16,548**	**5**	**16,553**

	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

35. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

The amount 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)	2020	2019
Interest expense on lease liabilities	**641**	749
Expense relating to leases of low-value assets and short-term leases applied the simplified approach	**724**	560
Total cash outflow for lease	**8,491**	7,876

36. OTHER ASSETS

(in RMB million)	31 December 2020	31 December 2019
Other receivables	**118,454**	108,914
Due from reinsurers	**11,860**	11,514
Foreclosed assets	**3,700**	4,906
Prepayments	**3,950**	3,240
Precious metals held for trading	**31,691**	51,976
Dividends receivable	**2,616**	260
Amounts in the processing clearance and settlement	**7,666**	4,713
Others	**12,591**	17,221
Gross	**192,528**	202,744
Less: Impairment provisions	**(6,430)**	(5,504)
Including:		
Other receivables	**(4,175)**	(3,050)
Due from reinsurers	**(20)**	(19)
Foreclosed assets	**(1,271)**	(926)
Precious metals held for trading	**(351)**	(785)
Others	**(613)**	(724)
Net	**186,098**	197,240

37. POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF INSURANCE/ INVESTMENT CONTRACTS

(1) POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF INSURANCE CONTRACTS

(in RMB million)	31 December 2020	31 December 2019
Cash and amounts due from banks and other financial institutions	**7,927**	7,018
Financial assets at fair value through profit or loss		
Bonds	**1,414**	1,904
Funds	**34,658**	28,819
Stocks	**4,248**	3,143
Other investments	**514**	501
Financial assets purchased under reverse repurchase agreements	**–**	316
Other assets	**35**	62
	48,796	41,763

37. POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF INSURANCE/ INVESTMENT CONTRACTS (CONTINUED)

(2) POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF INVESTMENT CONTRACTS

(in RMB million)	31 December 2020	31 December 2019
Cash and amounts due from banks and other financial institutions	**938**	1,087
Financial assets at fair value through profit or loss		
Bonds	**1,458**	1,393
Funds	**1,376**	1,235
Other investments	**423**	538
Financial assets purchased under reverse repurchase agreements	**24**	–
Other assets	**44**	115
	4,263	4,368

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 2020	10,832	7,448	18,280
31 December 2020	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 2020	**(1,517)**	**1,248**	**(269)**
Purchased (i)	**(638)**	**–**	**(638)**
Share-based compensation expenses (ii)	**–**	**565**	**565**
Exercised	**503**	**(503)**	**–**
Expired	**57**	**–**	**57**
As at 31 December 2020	**(1,595)**	**1,310**	**(285)**

(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)

(i) During the period from 24 February 2020 to 27 February 2020, 7,955,730 ordinary A shares were purchased from the market. The average price of shares purchased was RMB80.17 per share. The total purchasing cost was RMB638 million (transaction expenses included).

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).

(ii) The share-based compensation expense of the Key Employee Share Purchase Plan and the total value of employee services were RMB565 million during 2020 (2019: RMB579 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)	Cost of shares held for Long-term Service Plan	Value of employee services	Total
As at 1 January 2020	**(4,296)**	**81**	**(4,215)**
Purchased (i)	**(3,989)**	**-**	**(3,989)**
Share-based compensation expenses (ii)	**-**	**291**	**291**
Exercised	**1**	**(1)**	**-**
As at 31 December 2020	**(8,284)**	**371**	**(7,913)**

(in RMB million)	Cost of shares held for Long-term Service Plan	Value of employee services	Total
As at 1 January 2019	–	–	–
Purchased (i)	(4,296)	–	(4,296)
Share-based compensation expenses (ii)	–	81	81
Exercised	–	–	–
As at 31 December 2019	(4,296)	81	(4,215)

(i) From 24 February 2020 to 28 February 2020, 49,759,305 ordinary A shares were purchased from the market. The average price of shares purchased was RMB80.15 per share. The total purchasing cost was RMB3,989 million (transaction expenses included).

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 RMB291 million during 2020 (2019: RMB81 million).

42. TREASURY SHARES

(in RMB million)	31 December 2020	31 December 2019
Treasury shares	**5,995**	5,001

As at 31 December 2020, 70,006,803 A shares had been purchased from the Shanghai Stock Exchange by centralized bidding. The total repurchasing cost was RMB5,995 million (transaction expenses included). The monthly breakdown of A share repurchase made by the Company during 2020 is as follows:

Month	Repurchased shares (share)	Highest purchased price (RMB)	Lowest purchasing price (RMB)	Repurchasing cost (in RMB million, transaction expenses excluded)
March 2020	12,412,196	80.49	79.27	994

43. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

(in RMB million)	31 December 2020	31 December 2019
Deposits from other banks and financial institutions	**495,011**	381,322
Due to the Central Bank	**124,587**	113,331
Short term borrowings	**134,753**	112,285
Long term borrowings	**205,824**	217,087
	960,175	824,025

44. ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

(in RMB million)	31 December 2020	31 December 2019
Bonds	**276,602**	176,523

As at 31 December 2020, bonds with a carrying amount of RMB157,581 million (31 December 2019: RMB109,180 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 transactions.

As at 31 December 2020, the carrying amount of bonds deposited in the collateral pool was RMB285,107 million (31 December 2019: RMB124,602 million). The collaterals are restricted from trading during the period of the repurchase transactions. 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 exchange traded bonds and/or bonds transferred under new pledged repurchase transactions with fair value converted at a standard rate pursuant to stock exchange's regulation no less than the balance of related repurchase transactions into a collateral pool.

45. CUSTOMER DEPOSITS AND PAYABLES TO BROKERAGE CUSTOMERS

(in RMB million)	31 December 2020	31 December 2019
Customer deposits		
Current and savings accounts		
– Corporate customers	**646,018**	537,959
– Individual customers	**242,289**	199,966
Term deposits		
– Corporate customers	**1,031,387**	1,040,542
– Individual customers	**418,869**	367,771
Guarantee deposits	**235,710**	185,259
Term deposits from the Central Bank	**12,579**	16,716
Fiscal deposits	**35,423**	29,422
Remittance payables and outward remittance	**12,086**	15,433
	2,634,361	2,393,068
Payables to brokerage customers		
– Individual customers	**49,959**	35,360
– Corporate customers	**9,513**	3,285
Subtotal	**59,472**	38,645
Total	**2,693,833**	2,431,713

As at 31 December 2020, bonds classified as financial assets carried at amortized costs with a carrying amount of RMB14,263 million (31 December 2019: a carrying amount of RMB18,503 million) were pledged as collaterals for term deposit with the Central Bank.

46. BONDS PAYABLE

The information of the Group's mainly bonds payable is as follows:

Issuer	Type	Guarantee	Maturity	Early redemption/ Selling back option	Par value (in RMB million)	Issued year	Interest type	Coupon rate (per annum)	**31 December 2020**	31 December 2019
Ping An Financial Leasing	Corporate bonds	None	5 years	End of the third year	3,600	2019	Fixed	3.84%-4.30%	**3,661**	3,660
Ping An Financial Leasing	Corporate bonds	None	4 years	End of the second year	2,500	2020	Fixed	3.65%-3.85%	**2,542**	-
Ping An Financial Leasing	Corporate bonds	None	5 years	End of the third year	2,750	2020	Fixed	3.88%-4.02%	**2,796**	-
Ping An Financial Leasing	Private corporate bonds	None	5 years	End of the third year	2,710	2018	Fixed	6.00%-6.20%	**2,756**	2,755
Ping An Financial Leasing	Private corporate bonds	None	3 years	End of the second year	600	2019	Fixed	4.60%	**610**	610
Ping An Financial Leasing	Private corporate bonds	None	4 years	End of the second year	2,700	2019	Fixed	4.53%-4.75%	**2,745**	2,745
Ping An Financial Leasing	Private corporate bonds	None	5 years	End of the third year	2,500	2019	Fixed	4.98%-5.00%	**2,542**	2,542
Ping An Bank	Hybrid capital debt instrument	None	15 years	End of the tenth year	3,650	2011	Fixed	7.50%	**3,835**	3,835
Ping An Bank	Tier-2 Capital bonds	None	10 years	End of the fifth year	10,000	2016	Fixed	3.85%	**10,280**	10,279
Ping An Bank	Financial bonds	None	3 years	None	15,000	2017	Fixed	4.20%	**-**	15,282
Ping An Bank	Financial bonds	None	3 years	None	35,000	2018	Fixed	3.79%	**35,042**	35,037
Ping An Bank	Tier-2 Capital bonds	None	10 years	End of the fifth year	30,000	2019	Fixed	4.55%	**30,910**	30,907
Ping An Bank	Financial bonds	None	3 years	None	30,000	2020	Fixed	2.30%	**30,416**	-
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
Ping An Life	Capital supplement bonds	None	10 years	End of the fifth year	10,000	2016	Fixed	First 5 years: 3.82% Next 5 years: 4.82% (if not redeemed)	**10,258**	10,423
Ping An Life	Offshore USD bonds	None	5 years	None	3,280	2016	Fixed	2.88%	**3,312**	3,535
Ping An Life	Capital supplement bonds	None	10 years	End of the fifth year	20,000	2020	Fixed	First 5 years: 3.58% Next 5 years: 4.58% (if not redeemed)	**20,567**	-
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
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)	**3,543**	3,525
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)	**10,384**	10,336
Ping An Securities	Private corporate bonds	None	3 years	None	1,300	2017	Fixed	4.65%	**-**	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

46. BONDS PAYABLE (CONTINUED)

Issuer	Type	Guarantee	Maturity	Early redemption/ Selling back option	Par value (in RMB million)	Issued year	Interest type	Coupon rate (per annum)	31 December 2020	31 December 2019
Ping An Securities	Private corporate bonds	None	2 years	None	2,840	2018	Fixed	5.60%	**-**	2,964
Ping An Securities	Private corporate bonds	None	3 years	None	1,000	2018	Fixed	5.30%	**1,033**	1,033
Ping An Securities	Corporate bonds	None	5 years	End of the third year	3,000	2018	Fixed	4.10%	**3,017**	3,017
Ping An Securities	Corporate bonds	None	5 years	End of the third year	2,000	2019	Fixed	3.70%	**2,061**	2,061
Ping An Securities	Private Corporate bonds	None	3 years	None	3,500	2019	Fixed	4.05%	**3,612**	3,612
Ping An Securities	Corporate bonds	None	5 years	End of the third year	2,700	2019	Fixed	3.75%	**2,774**	2,773
Ping An Securities	Private corporate bonds	None	3 years	None	2,000	2019	Fixed	4.20%	**2,058**	2,058
Ping An Securities	Corporate bonds	None	5 years	End of the third year	2,300	2019	Fixed	3.73%	**2,350**	2,349
Ping An Securities	Corporate bonds	None	5 years	End of the third year	1,500	2020	Fixed	3.40%	**1,547**	-
Ping An Securities	Private corporate bonds	None	1 year	None	1,000	2020	Fixed	2.86%	**1,024**	-
Ping An Securities	Private corporate bonds	None	3 years	None	3,000	2020	Fixed	3.19%	**3,077**	-
Ping An Securities	Corporate bonds	None	3 years	None	4,000	2020	Fixed	3.58%	**4,060**	-
Ping An Securities	Corporate bonds	None	457 days	None	3,000	2020	Fixed	3.10%	**3,037**	-
Ping An Securities	Corporate bonds	None	2 years	End of the first year	2,000	2020	Fixed	2.95%	**2,020**	-
Ping An Securities	Corporate bonds	None	487 days	None	1,000	2020	Fixed	3.07%	**1,010**	-
Ping An Securities	Corporate bonds	None	3 years	None	2,550	2020	Fixed	3.70%	**2,564**	-
Ping An Securities	Corporate bonds	None	547 days	None	2,450	2020	Fixed	3.44%	**2,451**	-
Ping An Real Estate	Corporate bonds	None	5 years	End of the third year	500	2017	Fixed	5.27%	**-**	503
Ping An Real Estate	Corporate bonds	None	5 years	End of the third year	710	2019	Fixed	3.70%	**719**	718
Ping An Real Estate	Corporate bonds	None	7 years	End of the fifth year	750	2019	Fixed	4.40%	**763**	762
Ping An Real Estate	Corporate bonds	None	7 years	End of the fifth year	940	2019	Fixed	4.30%	**954**	952
Ping An Real Estate	Corporate bonds	None	5 years	End of the third year	1,500	2018	Fixed	5.00%	**1,555**	1,552
Ping An Real Estate	Corporate bonds	None	5 years	End of the third year	2,000	2017	Fixed	4.88%	**14**	2,026
Ping An Real Estate	Corporate bonds	None	7 years	End of the fifth year	4,000	2016	Fixed	3.28%	**4,052**	4,049
Ping An Financial Technology	Private corporate bonds	None	5 years	End of the third year	3,000	2019	Fixed	4.30%	**3,017**	3,016
Ping An Financial Technology	Private corporate bonds	None	5 years	End of the third year	2,000	2020	Fixed	3.40%	**2,045**	-
Ping An Financial Technology	Private corporate bonds	None	5 years	End of the third year	3,000	2020	Fixed	3.80%	**3,061**	-
Ping An Financial Technology	Private corporate bonds	None	3 years	End of the second year	2,000	2020	Fixed	4.19%	**2,013**	-
Shenzhen Ping An Real Estate Investment Co., Ltd.	Convertible bonds	None	1 year	Yes	369	2019	Fixed	7.90%	**-**	385

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46. BONDS PAYABLE (CONTINUED)

Issuer	Type	Guarantee	Maturity	Early redemption/ Selling back option	Par value (in RMB million)	Issued year	Interest type	Coupon rate (per annum)	**31 December 2020**	31 December 2019
Shenzhen Ping An Real Estate Investment Co., Ltd.	Private corporate bonds	None	1 year	End of the sixth month	270	2019	Fixed	10.00%	**-**	296
Shenzhen Ping An Real Estate Investment Co., Ltd.	Private corporate bonds	None	1 year	End of the sixth month	300	2019	Fixed	10.00%	**-**	328
Shenzhen Ping An Real Estate Investment Co., Ltd.	Private corporate bonds	None	1 year	End of the sixth month	119	2019	Fixed	10.00%	**-**	130
Shenzhen Ping An Real Estate Investment Co., Ltd.	Convertible bonds	None	1 year	Yes	448	2019	Fixed	7.80%	**-**	464
Shenzhen Ping An Real Estate Investment Co., Ltd.	Convertible bonds	None	1 year	Yes	355	2019	Fixed	7.80%	**-**	367
Shenzhen Ping An Real Estate Investment Co., Ltd.	Convertible bonds	None	1 year	Yes	383	2019	Fixed	7.80%	**-**	396
Shenzhen Ping An Real Estate Investment Co., Ltd.	Convertible bonds	None	2 years	Yes	381	2019	Fixed	6.49%	**391**	393
Shenzhen Ping An Real Estate Investment Co., Ltd.	Convertible bonds	None	1 year	Yes	311	2020	Fixed	6.59%	**326**	-
Shenzhen Ping An Real Estate Investment Co., Ltd.	Convertible bonds	None	1 year	Yes	385	2020	Fixed	6.55%	**403**	-
Dingshuntong Investment	Private corporate bonds	None	1 year	Yes	373	2019	Fixed	7.70%	**-**	384
Dingshuntong Investment	Private corporate bonds	None	1 year	Yes	390	2019	Fixed	7.70%	**-**	401
Dingshuntong Investment	Private corporate bonds	None	1 year	Yes	371	2019	Fixed	7.80%	**-**	379
Dingshuntong Investment	Private corporate bonds	None	1 year	Yes	379	2019	Fixed	7.55%	**-**	381
Dingshuntong Investment	Private corporate bonds	None	1 year	Yes	372	2020	Fixed	6.50%	**381**	-
Dingshuntong Investment	Private corporate bonds	None	1 year	Yes	263	2020	Fixed	6.54%	**269**	-
Evergreen Investment Development	Private corporate bonds	None	2 years	Yes	3,000	2020	Fixed	4.30%	**3,027**	-
Evergreen Investment Development	Private corporate bonds	None	2 years	Yes	3,000	2020	Fixed	4.50%	**3,007**	-
Lianxin Investment	Corporate bonds	None	5 years	End of the third year	2,000	2020	Fixed	5.40%	**2,005**	-

46. BONDS PAYABLE (CONTINUED)

As at 31 December 2020, the original term of interbank certificates of deposit issued by Ping An Bank, but unmatured was from 1 month to 1 year, and the annual interest rate was from 0.63% to 3.35% (31 December 2019: the original term was from 1 month to 1 year, and the annual interest rate was from 2.60% to 3.25%). The carrying amount was RMB501,383 million (31 December 2019: RMB418,422 million).

As at 31 December 2020, the original term of short-term financial bonds issued by Ping An Securities, but unmatured was from 90 days to 91 days, and the annual interest rate was from 2.98% to 3.23% (31 December 2019: None). The carrying amount was RMB9,040 million (31 December 2019: None).

As at 31 December 2020, the original term of short-term financial bonds issued by Ping An Financial Leasing, but unmatured was from 105 days to 1 year, and the annual interest was from 2.05% to 3.47% (31 December 2019: the original term was from 131 days to 1 year, and the annual interest rate was from 2.30% to 3.55%). The carrying amount was RMB9,253 million (December 31, 2019: RMB12,607 million).

As at 31 December 2020, the original term of short-term financial bonds issued by Ping An Real Estate, but unmatured was 6 months, and the annual interest rate was 2.90% (31 December 2019: the original term was from 7 months to 9 months, and the annual interest rate was from 3.09% to 3.30%). The carrying amount was RMB1,712 million (31 December 2019: RMB3,020 million).

As at 31 December 2020, the original term of income certificates issued by Ping An Securities, but unmatured was from 14 days to 365 days, and the annual interest rate was from 2.85% to 11.00% (31 December 2019: original term was from 396 days to 517 days, and the annual interest rate was from 3.80% to 4.05%). The carrying amount was RMB5,040 million (31 December 2019: RMB4,037 million).

47. INSURANCE CONTRACT LIABILITIES

(in RMB million)	**31 December 2020**	31 December 2019
Long-term life insurance policyholders' reserves	**1,931,023**	1,665,080
Policyholder contract deposits	**705,657**	648,514
Policyholder account liabilities in respect of insurance contracts	**48,796**	41,763
Unearned premium reserves	**177,041**	158,680
Claim reserves	**109,943**	98,147
Total	**2,972,460**	2,612,184

	31 December 2020		
(in RMB million)	**Insurance contract liabilities**	**Reinsurers' share**	**Net**
Long-term life insurance contracts	**2,685,476**	**(1,947)**	**2,683,529**
Short-term life insurance contracts	**23,168**	**(1,988)**	**21,180**
Property and casualty insurance contracts	**263,816**	**(16,284)**	**247,532**
	2,972,460	**(20,219)**	**2,952,241**

	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

47. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(in RMB million)	31 December 2020	31 December 2019
Current portion*		
Long-term life	(91,220)	(124,080)
Short-term life	22,058	17,416
Property and casualty	148,159	132,925
Non-current portion		
Long-term life	2,776,696	2,479,437
Short-term life	1,110	737
Property and casualty	115,657	105,749
Total	2,972,460	2,612,184

* Estimated net cash flows within 12 months from the end of the reporting period.

(1) LONG-TERM LIFE INSURANCE CONTRACTS

(in RMB million)	31 December 2020	31 December 2019
Long-term life insurance policyholders' reserves	1,931,023	1,665,080
Policyholder contract deposits	705,657	648,514
Policyholder account liabilities in respect of insurance contracts	48,796	41,763
	2,685,476	2,355,357

The long-term life insurance policyholders' reserves are analysed as follows:

(in RMB million)	2020	2019
As at 1 January	1,665,080	1,376,017
Increase during the year	406,692	461,514
Decrease during the year		
– Claims and benefits paid	(91,685)	(134,499)
– Surrender	(49,361)	(41,227)
– Others	297	3,275
As at 31 December	1,931,023	1,665,080

The policyholder contract deposits are analysed as follows:

(in RMB million)	2020	2019
As at 1 January	648,514	574,132
Policyholder principal increased	96,523	95,288
Accretion of investment income	20,561	33,463
Liabilities released for benefits paid	(46,091)	(40,403)
Policy administration fees and risk premiums deducted	(13,850)	(13,966)
As at 31 December	705,657	648,514

47. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(2) SHORT-TERM LIFE INSURANCE CONTRACTS

(in RMB million)	31 December 2020	31 December 2019
Unearned premium reserves	**10,479**	9,419
Claim reserves	**12,689**	8,734
	23,168	18,153

The unearned premium reserves of short term life insurance are analysed as follows:

	2020			2019		
(in RMB million)	**Gross**	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
As at 1 January	**9,419**	**(706)**	**8,713**	7,992	(525)	7,467
Increase	**40,623**	**(8,822)**	**31,801**	34,908	(6,065)	28,843
Decrease	**(39,563)**	**8,781**	**(30,782)**	(33,481)	5,884	(27,597)
As at 31 December	**10,479**	**(747)**	**9,732**	9,419	(706)	8,713

The claim reserves of short term life insurance are analysed as follows:

	2020			2019		
(in RMB million)	**Gross**	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
As at 1 January	**8,734**	**(680)**	**8,054**	7,115	(402)	6,713
Increase	**25,540**	**(5,574)**	**19,966**	20,450	(4,864)	15,586
Decrease	**(21,585)**	**5,015**	**(16,570)**	(18,831)	4,586	(14,245)
As at 31 December	**12,689**	**(1,239)**	**11,450**	8,734	(680)	8,054

(3) PROPERTY AND CASUALTY INSURANCE CONTRACTS

(in RMB million)	31 December 2020	31 December 2019
Unearned premium reserves	**166,562**	149,261
Claim reserves	**97,254**	89,413
	263,816	238,674

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:

	2020			2019		
(in RMB million)	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
As at 1 January	**149,261**	**(6,544)**	**142,717**	124,846	(5,800)	119,046
Increase	**239,819**	**(11,667)**	**228,152**	219,943	(10,200)	209,743
Decrease	**(222,518)**	**10,550**	**(211,968)**	(195,528)	9,456	(186,072)
As at 31 December	**166,562**	**(7,661)**	**158,901**	149,261	(6,544)	142,717

The claim reserves of property and casualty insurance are analysed as follows:

	2020			2019		
(in RMB million)	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
As at 1 January	**89,413**	**(8,449)**	**80,964**	89,441	(8,710)	80,731
Increase	**160,776**	**(7,409)**	**153,367**	140,003	(7,136)	132,867
Decrease	**(152,935)**	**7,234**	**(145,701)**	(140,031)	7,397	(132,634)
As at 31 December	**97,254**	**(8,624)**	**88,630**	89,413	(8,449)	80,964

48. INVESTMENT CONTRACT LIABILITIES FOR POLICYHOLDERS

(in RMB million)	31 December 2020	31 December 2019
Policyholder account liabilities in respect of investment contracts	**4,263**	4,368
Investment contract reserves	**63,318**	53,121
	67,581	57,489

The investment contract liabilities are analysed as follows:

(in RMB million)	2020	2019
As at 1 January	**57,489**	52,747
Policyholder principal increased	**18,999**	9,823
Accretion of investment income	**2,646**	3,005
Liabilities released for benefits paid	**(11,196)**	(8,201)
Policy administration fees and risk premiums deducted	**(62)**	(60)
Others	**(295)**	175
As at 31 December	**67,581**	57,489

As at 31 December 2019 and 2020, all reinsurance contracts of the Group transferred significant insurance risk.

49. DEFERRED TAX ASSETS AND LIABILITIES

(in RMB million)	31 December 2020	31 December 2019
Deferred tax assets	**61,901**	50,301
Deferred tax liabilities	**(19,267)**	(22,282)
Net	**42,634**	28,019

The deferred tax assets are analysed as follows:

	2020					
(in RMB million)	As at 31 December 2019	Charged to profit or loss	Charged to equity	Other changes	As at 31 December 2020	Temporary difference as at 31 December
Fair value adjustments on financial assets and liabilities carried at fair value through profit or loss	**255**	**(92)**	**-**	**-**	**163**	**(652)**
Fair value adjustments on financial assets at fair value through other comprehensive income	**580**	**-**	**11,671**	**-**	**12,251**	**(49,004)**
Insurance contract liabilities	**14,052**	**4,119**	**(9,426)**	**-**	**8,745**	**(34,980)**
Impairment provisions	**37,506**	**4,389**	**(75)**	**(12)**	**41,808**	**(167,232)**
Others	**6,598**	**760**	**6**	**(192)**	**7,172**	**(28,688)**
	58,991	**9,176**	**2,176**	**(204)**	**70,139**	**(280,556)**

	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	7,082	5,770	1,200	–	14,052	(56,208)
Impairment provisions	32,419	5,471	(377)	(7)	37,506	(150,024)
Others	6,119	595	–	(116)	6,598	(26,392)
	46,740	11,644	734	(127)	58,991	(235,964)

49. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

The deferred tax liabilities are analysed as follows:

	2020					
(in RMB million)	As at 31 December 2019	Charged to profit or loss	Charged to equity	Other changes	As at 31 December 2020	Temporary difference as at 31 December
Fair value adjustments on financial assets and liabilities carried at fair value through profit or loss	**(14,627)**	**1,551**	**-**	**82**	**(12,994)**	**51,976**
Fair value adjustments on financial instruments at fair value through other comprehensive income	**(5,519)**	**(8)**	**4,780**	**(16)**	**(763)**	**3,052**
Intangible assets-core deposits	**(2,176)**	**189**	**-**	**-**	**(1,987)**	**7,948**
Intangible assets evaluation premium from acquisition of Autohome Inc.	**(2,003)**	**37**	**-**	**-**	**(1,966)**	**7,864**
Assets evaluation premium from disposal of subsidiaries	**(3,615)**	**-**	**-**	**-**	**(3,615)**	**14,460**
Others	**(3,032)**	**(789)**	**(2,436)**	**77**	**(6,180)**	**24,720**
	(30,972)	**980**	**2,344**	**143**	**(27,505)**	**110,020**

	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	(2,365)	189	-	-	(2,176)	8,704
Intangible assets evaluation premium from acquisition of Autohome Inc.	(2,042)	39	-	-	(2,003)	8,012
Assets evaluation premium from disposal of subsidiaries	(3,615)	-	-	-	(3,615)	14,460
Others	(2,596)	(472)	(35)	71	(3,032)	12,128
	(20,029)	(10,979)	(11)	47	(30,972)	123,888

49. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

As at 31 December 2020, unrecognized tax losses of the Group were RMB23,468 million (31 December 2019: RMB18,169 million).

The following table shows unrecognized tax losses based on its expected expiry date:

(in RMB million)	31 December 2020	31 December 2019
2020	–	1,268
2021	**1,525**	1,819
2022	**2,161**	2,350
2023	**4,253**	4,461
2024	**6,535**	8,271
2025	**8,994**	–
	23,468	18,169

50. OTHER LIABILITIES

(in RMB million)	31 December 2020	31 December 2019
Other payables	**172,694**	119,716
Payables to non-controlling interests of consolidated structured entities	**31,862**	24,615
Salaries and welfare payable	**43,495**	39,717
Other tax payable	**8,777**	8,396
Contingency provision	**1,002**	2,103
Insurance guarantee fund	**1,008**	1,077
Provision payables	**8,702**	8,769
Accruals	**10,523**	9,594
Deferred income	**1,778**	1,920
Contract liabilities	**4,456**	7,045
Others	**37,284**	41,186
	321,581	264,138

51. FIDUCIARY ACTIVITIES

(in RMB million)	31 December 2020	31 December 2019
Assets under trust schemes	**375,014**	439,253
Assets under annuity investments and annuity schemes	**627,150**	507,588
Assets under asset management schemes	**1,169,897**	970,877
Entrusted loans of banking operations	**191,133**	214,517
Entrusted investments of banking operations	**648,185**	590,499
	3,011,379	2,722,734

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.

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.

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

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, 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.

	31 December 2020				
		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**	**(10,852)**	**(10,854)**	**10,854**	**10,854**
Discount rate/investment return	**-10bps**	**11,139**	**11,140**	**(11,140)**	**(11,140)**
Mortality, morbidity, accident rates and etc.	**+10%**	**63,623**	**63,580**	**(63,580)**	**(63,580)**
Policy lapse rates	**+10%**	**17,429**	**17,431**	**(17,431)**	**(17,431)**
Maintenance expense rates	**+5%**	**4,130**	**4,130**	**(4,130)**	**(4,130)**

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 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)

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)	2016	2017	2018	2019	**2020**	Total
Estimated cumulative claims paid:						
As at the end of current year	94,445	112,013	134,483	150,592	**166,997**	
One year later	95,508	109,867	129,907	146,275	**-**	
Two years later	89,642	103,639	124,672	–	**-**	
Three years later	86,329	99,514	–	–	**-**	
Four years later	84,317	–	–	–	**-**	
Estimated cumulative claims	84,317	99,514	124,672	146,275	**166,997**	621,775
Cumulative claims paid	(82,871)	(91,656)	(114,967)	(128,447)	**(112,129)**	(530,070)
Subtotal						91,705
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin						5,549
Outstanding claim reserves						97,254

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)	2016	2017	2018	2019	**2020**	Total
Estimated cumulative claims paid:						
As at the end of current year	85,558	104,195	125,966	141,982	**158,308**	
One year later	86,439	101,879	121,579	138,059	**-**	
Two years later	81,264	96,274	116,721	–	**-**	
Three years later	78,207	92,359	–	–	**-**	
Four years later	76,308	–	–	–	**-**	
Estimated cumulative claims	76,308	92,359	116,721	138,059	**158,308**	581,755
Cumulative claims paid	(75,103)	(85,147)	(108,466)	(122,467)	**(107,877)**	(499,060)
Subtotal						82,695
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin						5,935
Outstanding claim reserves						88,630

FINANCIAL STATEMENTS

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)	2016	2017	2018	2019	**2020**	Total
Estimated cumulative claims paid:						
As at the end of current year	11,458	13,341	16,879	21,107	**26,858**	
One year later	10,875	12,779	15,917	21,157	**–**	
Two years later	10,657	12,685	15,986	–	**–**	
Three years later	10,657	12,691	–	–	**–**	
Four years later	10,592	–	–	–	**–**	
Estimated cumulative claims	10,592	12,691	15,986	21,157	**26,858**	87,284
Cumulative claims paid	(10,584)	(12,634)	(15,731)	(19,794)	**(16,728)**	(75,471)
Subtotal						11,813
Prior year adjustments, unallocated loss adjustment expenses and risk margin						876
Outstanding claim reserves						12,689

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)	2016	2017	2018	2019	**2020**	Total
Estimated cumulative claims paid:						
As at the end of current year	11,033	12,779	15,809	19,146	**24,258**	
One year later	10,544	12,191	14,760	18,997	**–**	
Two years later	10,313	12,175	14,849	–	**–**	
Three years later	10,314	12,182	–	–	**–**	
Four years later	10,248	–	–	–	**–**	
Estimated cumulative claims	10,248	12,182	14,849	18,997	**24,258**	80,534
Cumulative claims paid	(10,240)	(12,125)	(14,594)	(17,769)	**(14,969)**	(69,697)
Subtotal						10,837
Prior year adjustments, unallocated loss adjustment expenses and risk margin						613
Outstanding claim reserves						11,450

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 2020				
(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%**	**4,863**	**4,432**	**(4,432)**	**(4,432)**
Short term life insurance	**+5%**	**634**	**573**	**(573)**	**(573)**

	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)

(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 2020		31 December 2019	
(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%	**774**	**2,523**	(663)	1,127
HKD	+5%	**1,147**	**1,446**	1,261	1,472
Other currencies	+5%	**497**	**823**	61	563
		2,418	**4,792**	659	3,162
USD	-5%	**(774)**	**(2,523)**	663	(1,127)
HKD	-5%	**(1,147)**	**(1,446)**	(1,261)	(1,472)
Other currencies	-5%	**(497)**	**(823)**	(61)	(563)
		(2,418)	**(4,792)**	(659)	(3,162)

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 2020				
(in RMB million)	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	RMB equivalent total
Assets					
Cash and amounts due from banks and other financial institutions	475,075	95,030	10,154	7,132	587,391
Balances with the Central Bank and statutory deposits for insurance operations	284,392	7,915	429	2	292,738
Financial assets purchased under reverse repurchase agreements	122,765	-	-	-	122,765
Premium receivables	92,379	1,555	69	-	94,003
Accounts receivable	26,089	2	-	85	26,176
Reinsurers' share of insurance liabilities	18,552	1,191	476	-	20,219
Policy loans	161,381	-	-	-	161,381
Finance lease receivable	202,050	-	-	-	202,050
Loans and advances to customers	2,436,120	123,800	13,868	25,722	2,599,510
Financial assets at fair value through profit or loss	1,082,923	107,936	20,969	19,503	1,231,331
Financial assets at amortized cost	2,584,592	36,657	2,312	1,287	2,624,848
Debt financial assets at fair value through other comprehensive income	491,483	19,482	421	-	511,386
Equity financial assets at fair value through other comprehensive income	271,017	754	5,630	-	277,401
Other assets	132,644	3,697	723	82	137,146
	8,381,462	398,019	55,051	53,813	8,888,345
Liabilities					
Due to banks and other financial institutions	843,981	89,835	2,943	23,416	960,175
Financial liabilities at fair value through profit or loss	36,216	1,001	-	-	37,217
Assets sold under agreements to repurchase	271,796	4,806	-	-	276,602
Accounts payable	5,147	1	-	-	5,148
Insurance payables	138,640	804	81	3	139,528
Policyholder dividend payable	63,781	23	-	2	63,806
Customer deposits and payables to brokerage customers	2,470,778	204,665	12,216	6,174	2,693,833
Bonds payable	871,407	23,840	3,245	2,793	901,285
Insurance contract liabilities	2,968,782	2,689	972	17	2,972,460
Investment contract liabilities for policyholders	67,574	6	-	1	67,581
Other liabilities	173,270	10,099	980	7	184,356
	7,911,372	337,769	20,437	32,413	8,301,991
Net position of foreign currency		60,250	34,614	21,400	116,264
Notional amount of foreign exchange derivative financial instruments		(9,784)	(5,700)	(4,933)	(20,417)
		50,466	28,914	16,467	95,847
Off-balance sheet credit commitments	523,580	24,285	25	5,669	553,559

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(a) Foreign currency risk (continued)

(in RMB million)	31 December 2019 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)

(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 2020	31 December 2019
Listed stocks and security investment funds	**42,168**	24,866

The Group expects that current listed stocks and equity investments funds will not lose more than RMB42,168 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).

		31 December 2020		31 December 2019	
(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
Bonds carried at fair value through profit or loss and through other comprehensive income	-50 basis points	**4,377**	**14,384**	3,386	12,568
Bonds carried at fair value through profit or loss and through other comprehensive income	+50 basis points	**(4,377)**	**(14,384)**	(3,386)	(12,568)

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.

(in RMB million)	Change in interest rate	31 December 2020 Increase/ (decrease) in profit before tax	31 December 2020 Increase/ (decrease) in equity before tax	31 December 2019 Increase/ (decrease) in profit before tax	31 December 2019 Increase/ (decrease) in equity before tax
Floating interest rate bonds	+50 basis points	**44**	**44**	77	77
Floating rate term deposits	+50 basis points	**-**	**-**	8	8
Loans and advances to customers	+50 basis points	**7,017**	**7,017**	6,463	6,463
Floating interest rate bonds	-50 basis points	**(44)**	**(44)**	(77)	(77)
Floating rate term deposits	-50 basis points	**-**	**-**	(8)	(8)
Loans and advances to customers	-50 basis points	**(7,017)**	**(7,017)**	(6,463)	(6,463)

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 2020	31 December 2019
Fixed interest rate		
Less than 3 months (including 3 months)	**93,516**	11,953
3 months to 1 year (including 1 year)	**34,586**	35,012
1-2 years (including 2 years)	**51,287**	38,185
2-3 years (including 3 years)	**83,281**	48,380
3-4 years (including 4 years)	**59,016**	20,411
4-5 years (including 5 years)	**4,641**	58,597
More than 5 years	**1,369**	154
Floating interest rate	**-**	1,500
	327,696	214,192

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):

	31 December 2020			
(in RMB million)	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)	**83,599**	**32,438**	**41,467**	**157,504**
3 months to 1 year (including 1 year)	**245,798**	**84,501**	**92,181**	**422,480**
1-2 years (including 2 years)	**258,605**	**71,321**	**105,275**	**435,201**
2-3 years (including 3 years)	**155,166**	**67,178**	**44,865**	**267,209**
3-4 years (including 4 years)	**117,113**	**33,871**	**38,216**	**189,200**
4-5 years (including 5 years)	**137,718**	**42,565**	**40,450**	**220,733**
More than 5 years	**1,514,351**	**169,222**	**116,623**	**1,800,196**
Floating interest rate	**80,648**	**3,871**	**30,016**	**114,535**
	2,592,998	**504,967**	**509,093**	**3,607,058**

	31 December 2019			
(in RMB million)	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

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 fulfill 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 financial guarantee contracts and loan commitments, 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.

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, wealth management investments, etc. 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 chose 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 2020 and 31 December 2019.

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(a) Credit risk management (continued)

Credit risk of insurance business (continued)

In 2020, the Coronavirus Disease 2019 ("COVID-19") had certain impacts on businesses in some provinces/cities and industries as well as the whole economy. As a result, the quality of the Group's credit assets and investment assets was affected to some extent. The Group proactively responded to the challenging environment, continuously enhanced prudential management, and promoted technological empowerment. In respect of bank credit business, the Group provided extension and relief programs for epidemic-hit existing customers in accordance with government regulations. Moreover, the Group improved its credit risk monitoring and alert management mechanisms to strengthen credit risk monitoring. The Group proactively responded to changes in the credit environment, analyzed credit risk profiles and developments on a regular basis, and took forward-looking risk management measures. The Group established an enhancement mechanism for problematic credit, aiming to accelerate the handling of problematic credit and prevent the formation of non-performing loans. In respect of investment business, the Group closely watched the impact of COVID-19, improved the risk management framework, strengthened the monitoring and review of industry-specific and regional risks, conducted a forward-looking research on the medium- and long-term implications of COVID-19, analyzed the Group's credit risk and its implications, adjusted and optimized the capital structure, conducted stress tests, and enhanced the risk management capability. Moreover, the Group upgraded the end-to-end digital platform, enhanced the development and application of leading technologies including artificial intelligence and big data, developed next-generation credit rating models, strengthened early warning, continuously improved the smart alert system, and continued to enhanced the medium- and long-term risk management framework through technological empowerment.

(b) Expected credit loss

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.

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (continued)

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 factors 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 financial instruments has SICR after initial recognition, the Group considers the 30 days past due as one of criteria of SICR, in accordance with the standard.

The Group provided extended and rescue programs for existing customers affected by the COVID-19 in accordance with government regulations. For customers who applied for loan extensions and rescue programs, the Group carefully evaluated their repayment ability and provided deferred interest repayment or adjustment of repayment plans to the customers who meet the standards, while at the same time assessed whether such customers' credit risk has increased significantly.

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.

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (continued)

Forward-looking information and management overlay

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 macroeconomic variables associated with credit risk and expected credit losses for each portfolio. The Group has developed macroeconomic 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 macroeconomic 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.

During the reporting period, the Group adjusted the predicted values of forward-looking economic indicators by statistical analysis and also considered the range of possible outcomes represented by each scenario, to determine the final macroeconomic scenarios and weights for measuring the relevant expected credit loss. 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.

In 2020, the key macroeconomic assumptions used by the Group to estimate expected credit losses in different macroeconomic scenarios are listed below:

- GDP – quarter on quarter percentage change: the average predictive value in the base scenario in year 2021 is about 8.45, and is 0.88 percentage upper in the upside scenario while 1.12 percentage lower in the downside scenario. The average predictive value in the base scenario in year 2022 is about 5.68, and is 0.58 percentage upper in the upside scenario while 0.65 percentage lower in the downside scenario.

- CPI – year on year percentage change: the predictive value in the base scenario in year 2021 is about 1.70, and is 0.50 percentage upper in the upside scenario while 0.55 percentage lower in the downside scenario. The predictive value in the base scenario in year 2022 is about 2.13, and is 0.70 percentage upper in the upside scenario while 0.65 percentage lower in the downside scenario.

- PMI: the predictive value in the base scenario in year 2021 is about 50.27, and is 0.78 percentage upper in the upside scenario while 0.75 percentage lower in the downside scenario. The predictive value in the base scenario in year 2022 is about 50.15, and is 0.83 percentage upper in the upside scenario while 0.73 percentage lower in the downside scenario.

In 2020, the Group considered the impact of COVID-19 when evaluating the forward-looking information used in the expected credit loss measurement model. In order to further enhance the ability to offset risks, the Group adjusted the overlay for loans advanced to extension and relief programs for epidemic-hit existing customers by increasing the ECL impairment provision. The amount of overlay had no material impact to the balance of impairment provision.

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (continued)

Sensitivity analysis

Expected credit losses are sensitive to the parameters used in the model, the macroeconomic 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 significant increase in credit risk and the measurement of expected credit losses.

The Group has the highest weight of the base scenario, and the weight of the base scenario is slightly higher than the sum of the weight of other 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 on 31 December, 2020 would be reduced by RMB741 million (31 December, 2019: RMB918 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 RMB1,327 million (31 December, 2019: RMB1,554 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 2020	31 December 2019
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	**82,666**	91,867
ECL impairment provision and other liabilities related to ECL recognized in the consolidated balance sheet	**93,173**	100,017
Difference-amount	**(10,507)**	(8,150)
Difference-percentage	**-11%**	-8%

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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 2020**	31 December 2019
Loans and advances to customers	**15,627**	19,707

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 2020			
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	**587,391**	**-**	**-**	**587,391**
Balances with the Central Bank and statutory deposits for insurance operations	**292,738**	**-**	**-**	**292,738**
Financial assets purchased under reverse repurchase agreements	**122,478**	**-**	**287**	**122,765**
Accounts receivable	**25,902**	**246**	**28**	**26,176**
Finance lease receivable	**196,267**	**4,894**	**889**	**202,050**
Loans and advances to customers	**2,558,863**	**29,369**	**11,278**	**2,599,510**
Financial assets at amortized cost	**2,596,172**	**11,772**	**16,904**	**2,624,848**
Debt financial assets at fair value through other comprehensive income	**508,948**	**2,121**	**317**	**511,386**
Other assets	**123,508**	**115**	**278**	**123,901**
Subtotal	**7,012,267**	**48,517**	**29,981**	**7,090,765**
Off-balance sheet	**1,277,993**	**2,123**	**615**	**1,280,731**
Total	**8,290,260**	**50,640**	**30,596**	**8,371,496**

	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

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 2020, the fair value of collateral of credit-impaired loans and advances to customers is RMB21,160 million(31 December 2019: 20,066 million). The fair value of collateral of credit-impaired financial assets at amortized cost is RMB8,108 million(31 December 2019: 10,291 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)		2020						
				Stages transfers				
Gross carrying amount	Stage	1 January 2020	Net increase/ (decrease) (Note)	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 2020
Loans and advances to customers	Stage 1	2,213,463	450,047	(72,212)	(1,115)	-	-	2,590,183
	Stage 2	49,365	(30,425)	72,212	-	(53,919)	-	37,233
	Stage 3	47,128	(7,887)	-	1,115	53,919	(59,360)	34,915
	Subtotal	2,309,956	411,735	-	-	-	(59,360)	2,662,331
Financial assets at amortized cost	Stage 1	2,263,114	356,948	(18,483)	(379)	-	-	2,601,200
	Stage 2	2,433	(365)	18,483	-	(7,243)	-	13,308
	Stage 3	32,397	17,694	-	379	7,243	(31,473)	26,240
	Subtotal	2,297,944	374,277	-	-	-	(31,473)	2,640,748
Debt financial assets at fair value through other comprehensive income	Stage 1	457,068	54,996	(3,116)	-	-	-	508,948
	Stage 2	248	(798)	3,116	-	(445)	-	2,121
	Stage 3	849	(527)	-	-	445	(450)	317
	Subtotal	458,165	53,671	-	-	-	(450)	511,386

Note: Changes in current year due to purchase, purchased credit-impaired or derecognition except write-offs.

(in RMB million)		2020							
					Stages transfers				
Impairment provision	Stage	1 January 2020	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 2020
Loans and advances to customers	Stage 1	30,408	10,194	(5,855)	(3,428)	399	-	-	31,718
	Stage 2	7,889	(2,029)	14,001	3,428	-	(15,425)	-	7,864
	Stage 3	31,716	(6,255)	42,510	-	(399)	15,425	(59,360)	23,637
	Subtotal	70,013	1,910	50,656	-	-	-	(59,360)	63,219
Financial assets at amortized cost	Stage 1	3,809	3,717	(389)	(1,989)	(120)	-	-	5,028
	Stage 2	308	(156)	1,121	1,989	-	(1,726)	-	1,536
	Stage 3	12,602	18,715	7,646	-	120	1,726	(31,473)	9,336
	Subtotal	16,719	22,276	8,378	-	-	-	(31,473)	15,900
Debt financial assets at fair value through other comprehensive income	Stage 1	1,045	178	(2)	(66)	-	-	-	1,155
	Stage 2	42	(23)	228	66	-	(68)	-	245
	Stage 3	1,247	(412)	681	-	-	68	(450)	1,134
	Subtotal	2,334	(257)	907	-	-	-	(450)	2,534

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 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)		2019						
				Stages transfers				
Gross carrying amount	Stage	1 January 2019	Net increase/ (decrease) (Note)	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: Changes in current year 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 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:

(in RMB million)	31 December 2020 Stage 1 12-month ECL	 Stage 2 Lifetime ECL	 Stage 3 Lifetime ECL	 Total
Credit grade				
Low risk	**1,484,219**	**368**	**–**	**1,484,587**
Medium risk	**1,098,640**	**10,093**	**–**	**1,108,733**
High risk	**7,324**	**26,772**	**–**	**34,096**
Default	**–**	**–**	**34,915**	**34,915**
Gross carrying amount	**2,590,183**	**37,233**	**34,915**	**2,662,331**
Loss allowance	**(31,320)**	**(7,864)**	**(23,637)**	**(62,821)**
Carrying amount	**2,558,863**	**29,369**	**11,278**	**2,599,510**

(in RMB million)	31 December 2019 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

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (continued)

Financial assets at amortized cost:

	31 December 2020			
(in RMB million)	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Low risk	**2,490,124**	**1,151**	**–**	**2,491,275**
Medium risk	**107,006**	**54**	**–**	**107,060**
High risk	**4,070**	**12,103**	**–**	**16,173**
Default	**–**	**–**	**26,240**	**26,240**
Gross carrying amount	**2,601,200**	**13,308**	**26,240**	**2,640,748**
Impairment provision	**(5,028)**	**(1,536)**	**(9,336)**	**(15,900)**
Carrying amount	**2,596,172**	**11,772**	**16,904**	**2,624,848**

	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

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 resources 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 2020						
(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	-	204,816	98,272	85,256	215,099	1,376	604,819
Balances with the Central Bank and statutory deposits for insurance operations	217,239	62,938	126	1,566	12,118	-	293,987
Financial assets purchased under reverse repurchase agreements	-	345	118,446	4,643	-	-	123,434
Premium receivables	-	7,969	19,586	5,661	60,589	198	94,003
Accounts receivable	-	267	8,177	11,184	8,473	-	28,101
Policy Loans	-	3,026	137,192	21,163	-	-	161,381
Finance lease receivable	-	1,749	25,476	73,538	124,896	1,902	227,561
Loans and advances to customers	-	12,811	723,593	762,808	870,030	688,633	3,057,875
Financial assets at fair value through profit or loss	644,276	8,610	49,535	171,670	287,242	144,329	1,305,662
Financial assets at amortized cost	-	29,657	103,579	356,148	1,019,279	2,688,280	4,196,943
Debt financial assets at fair value through other comprehensive income	-	68	38,428	100,011	256,213	215,113	609,833
Equity financial assets at fair value through other comprehensive income	277,402	-	-	-	-	-	277,402
Other assets	-	25,048	46,841	66,621	6,575	570	145,655
	1,138,917	357,304	1,369,251	1,660,269	2,860,514	3,740,401	11,126,656
Due to banks and other financial institutions	-	274,512	252,966	315,253	130,819	10,152	983,702
Financial liabilities at fair value through profit or loss	836	1,219	33,417	299	1,745	-	37,516
Assets sold under agreements to repurchase	-	-	276,718	3	-	-	276,721
Accounts payable	-	481	1,288	3,906	140	-	5,815
Insurance payables	-	75,695	9,587	4,485	1,319	-	91,086
Policyholder dividend payable	-	63,806	-	-	-	-	63,806
Customer deposits and payables to brokerage customers	-	1,010,863	746,543	431,200	544,294	27,023	2,759,923
Bonds payable	-	-	258,013	428,833	205,040	52,327	944,213
Insurance contract liability	-	-	1,086	42,382	30,581	7,209,264	7,283,313
Insurance and investment contract liabilities for policyholders	-	-	2,309	4,262	30,244	43,356	80,171
Lease liabilities	-	258	1,814	5,127	10,568	1,359	19,126
Other liabilities	-	56,958	52,911	78,435	140,076	3,587	331,967
	836	1,483,792	1,636,652	1,314,185	1,094,826	7,347,068	12,877,359
Derivative cash flows							
Derivative financial instruments settled on a net basis	(47)	-	806	616	(913)	(2)	460
Derivative financial instruments settled on a gross basis							
- Cash inflow	-	14,811	704,165	626,930	48,922	3	1,394,831
- Cash outflow	-	(20,378)	(705,992)	(631,860)	(51,088)	(9)	(1,409,327)
	-	(5,567)	(1,827)	(4,930)	(2,166)	(6)	(14,496)

52. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK (CONTINUED)

	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)

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 2020						
Credit commitments	**67,430**	**155,831**	**311,071**	**448,760**	**298,478**	**1,281,570**
31 December 2019						
Credit commitments	71,177	118,838	285,703	237,882	215,100	928,700

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 the maturity and interest rates of assets and liabilities. Under the current constraints of the shortage of long-term interest rate bond market, however, the Group does not have sufficient long-duration assets for investment to match the duration of insurance and investment contract liabilities. As permitted by law regulations and market conditions, the Group actively invest in preferred stocks and other broad-term duration assets, and continuously improves the allocation of long-duration assets, considering the requirements for asset-liability duration matching and revenue-cost matching.

(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 staff education and training.

(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 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 2020, 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 2020		
	The Group	Ping An Life	Ping An Property & Casualty
Core capital	**1,779,640**	**1,046,787**	**103,377**
Actual capital	**1,815,140**	**1,068,787**	**116,877**
Minimum capital	**767,804**	**442,031**	**48,418**
Core solvency margin ratio	**231.8%**	**236.8%**	**213.5%**
Comprehensive solvency margin ratio	**236.4%**	**241.8%**	**241.4%**

	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%

The Group's solvency ratio is calculated based on the relevant regulations promulgated by the former 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 former 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 2020	31 December 2019
Core Tier 1 capital adequacy ratio	**8.69%**	9.11%
Tier 1 capital adequacy ratio	**10.91%**	10.54%
Capital adequacy ratio	**13.29%**	13.22%

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 Group's maximum exposure to the unconsolidated structured entities representing 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:

	Unconsolidated structured entities			
31 December 2020 (in RMB million)	**Size**	**Carrying amount**	**The Group's maximum exposure**	**Interest held by the Group**
Securitization	**72,393**	**4,947**	**4,947**	Investment income and service fee
Assets management products managed by affiliated entities	**1,740,506**	**195,595**	**195,595**	Investment income and service fee
Assets management products managed by third parties	**Note 1**	**346,509**	**346,509**	Investment income
Wealth management products managed by affiliated entities	**648,185**	**3,509**	**3,509**	Investment income and service fee
Wealth management products managed by third parties	**Note 1**	**9,664**	**9,664**	Investment income

	Unconsolidated structured entities			
31 December 2019 (in RMB million)	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

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 FVPL, FVOCI and AC, and beneficial right under trust schemes under assets purchased under reverse repurchase agreements.

The unconsolidated structured entities held by the Group included the trust plans consolidated by Lufax Holding.

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:

	Carrying values		Fair values	
(in RMB million)	**31 December 2020**	31 December 2019	**31 December 2020**	31 December 2019
Financial assets				
Cash and amounts due from banks and other financial institutions	**587,391**	508,706	**587,391**	508,706
Balances with the Central Bank and statutory deposits for insurance operations	**292,738**	259,272	**292,738**	259,272
Financial assets purchased under reverse repurchase agreements	**122,765**	96,457	**122,765**	96,457
Accounts receivable	**26,176**	28,579	**26,176**	28,579
Derivative financial assets	**37,661**	18,957	**37,661**	18,957
Finance lease receivable	**202,050**	183,957	**202,050**	183,957
Loans and advances to customers	**2,599,510**	2,240,396	**2,599,510**	2,240,396
Financial assets at fair value through profit or loss	**1,231,331**	961,073	**1,231,331**	961,073
Financial assets at amortized cost	**2,624,848**	2,281,225	**2,680,106**	2,355,335
Debt financial assets at fair value through other comprehensive income	**511,386**	458,165	**511,386**	458,165
Equity financial assets at fair value through other comprehensive income	**277,401**	282,185	**277,401**	282,185
Others assets	**123,901**	107,237	**123,901**	107,237
Financial liabilities				
Due to banks and other financial institutions	**960,175**	824,025	**960,175**	824,025
Financial liabilities at fair value through profit or loss	**37,217**	39,458	**37,217**	39,458
Derivative financial liabilities	**48,579**	24,527	**48,579**	24,527
Assets sold under agreements to repurchase	**276,602**	176,523	**276,602**	176,523
Accounts payable	**5,148**	4,821	**5,148**	4,821
Customer deposits and payables to brokerage customers	**2,693,833**	2,431,713	**2,693,833**	2,431,713
Bonds payable	**901,285**	699,631	**899,911**	699,720
Others liabilities	**214,987**	157,431	**214,987**	157,431

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 loan prime 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.

53. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY

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. This valuation method maximizes the use of observable market data and minimizes the use of company's own parameters;

Level 3: inputs 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.

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, analyze 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.

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 2020			
(in RMB million)	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Financial assets at fair value through profit or loss				
Bonds	10,247	317,382	255	327,884
Funds	122,414	126,285	4,020	252,719
Stocks	127,926	4,065	-	131,991
Wealth management investments and other investments	997	323,103	194,637	518,737
	261,584	770,835	198,912	1,231,331
Derivative financial assets				
Interest rate swaps	-	18,363	-	18,363
Currency forwards and swaps	-	16,246	-	16,246
Others	-	3,052	-	3,052
	-	37,661	-	37,661
Debt financial assets at fair value through other comprehensive income				
Bonds	19,477	378,798	95	398,370
Wealth management investments and other investments	-	65,459	47,557	113,016
	19,477	444,257	47,652	511,386
Equity financial assets at fair value through other comprehensive income				
Stocks	198,024	1	-	198,025
Preferred shares	-	77,452	-	77,452
Unlisted equity investments	-	-	1,924	1,924
	198,024	77,453	1,924	277,401
Placements with banks and other financial institutions measured at fair value through other comprehensive income	-	13,223	-	13,223
Loans and advances to customers measured at fair value through other comprehensive income	-	-	202,088	202,088
Total financial assets	479,085	1,343,429	450,576	2,273,090
Financial liabilities				
Derivative financial liabilities				
Interest rate swaps	-	17,887	-	17,887
Currency forwards and swaps	-	17,154	-	17,154
Others	-	13,538	-	13,538
	-	48,579	-	48,579
Financial liabilities at fair value through profit or loss	7,178	29,471	568	37,217
Total financial liabilities	7,178	78,050	568	85,796

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 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 not recorded at fair value but for which fair value is disclosed by level of the fair value hierarchy:

	31 December 2020			
(in RMB million)	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Financial assets				
Financial assets at amortized cost	**134,710**	**2,385,775**	**159,621**	**2,680,106**
Total	**134,710**	**2,385,775**	**159,621**	**2,680,106**
Financial liabilities				
Bonds payable	**23,324**	**874,817**	**1,770**	**899,911**
Total	**23,324**	**874,817**	**1,770**	**899,911**

	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

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:

	Financial assets at fair value through profit or loss	
(in RMB million)	**2020**	2019
As at 1 January	**146,540**	104,487
Additions	**256,778**	130,609
Disposals	**(190,034)**	(90,329)
Transfers into Level 3	**255**	889
Transfers from Level 3	**(21,910)**	(12)
Total gains/losses		
Gains through profit or loss	**7,283**	896
As at 31 December	**198,912**	146,540

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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)	**2020**	2019
As at 1 January	**25,223**	16,751
Purchase	**26,727**	8,671
Disposals	**(25,688)**	(11,895)
Issue	**539,094**	289,156
Settlement	**(519,209)**	(278,691)
Transfers into Level 3	**106**	–
Total gains/losses		
Gains through profit or loss	**1,399**	1,231
As at 31 December	**47,652**	25,223

	Equity financial assets at fair value through other comprehensive income	
(in RMB million)	**2020**	2019
As at 1 January	**2,082**	1,722
Additions	**449**	362
Disposals	**–**	(2)
Total gains/losses		
Losses through other comprehensive income	**(607)**	–
As at 31 December	**1,924**	2,082

	Loans and advances to customers at fair value through other comprehensive income	
(in RMB million)	**2020**	2019
As at 1 January	**156,485**	61,687
Additions	**3,671,120**	2,801,250
Disposals	**(3,632,495)**	(2,711,488)
Total gains/losses		
Gains through profit or loss	**6,978**	5,036
As at 31 December	**202,088**	156,485

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:

	2020		
(in RMB million)	**Realized gains**	**Unrealized gains**	**Total**
Financial assets at fair value through profit or loss	**1,787**	**5,496**	**7,283**
Debt financial assets at fair value through other comprehensive income	**1,399**	**-**	**1,399**
Loans and advances to customers at fair value through other comprehensive income	**6,978**	**-**	**6,978**
	10,164	**5,496**	**15,660**

	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

Transfers

For the year ended 31 December 2020 and the year ended 31 December 2019, 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 because of 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 counterparties 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 2020		31 December 2019	
(in RMB million)	**Carrying amount assets**	**Carrying amount associated liabilities**	Carrying amount assets	Carrying amount associated liabilities
Repurchase transactions	**2,237**	**2,132**	1,311	1,221
Assets securitization	**2,390**	**2,390**	4,943	4,943

55. CASH AND CASH EQUIVALENTS

(in RMB million)	**31 December 2020**	31 December 2019
Cash		
Cash and amounts due from banks and other financial institutions		
Cash on hand	**3,814**	5,461
Term deposits	**32,647**	3,260
Due from banks and other financial institutions	**165,988**	122,432
Placements with banks and other financial institutions	**43,390**	46,589
Balances with the Central Bank	**61,973**	31,211
Subtotal	**307,812**	208,953
Cash equivalents		
Bonds	**1,573**	5,269
Financial assets purchased under reverse repurchase agreements	**115,363**	89,244
Subtotal	**116,936**	94,513
Total	**424,748**	303,466

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)	2020	2019
Profit before tax	**187,764**	184,739
Adjustments for:		
Depreciation of investment properties	**1,341**	1,457
Depreciation of property and equipment	**6,054**	5,355
Amortization of intangible assets	**2,811**	2,984
Depreciation of right-of-use assets	**7,365**	7,797
Amortization of long-term deferred expenses	**740**	818
Gains on disposal of investment properties, property and equipment, intangible assets and other long-term assets	**(7)**	(105)
Investment income and interest revenue from non-banking operations	**(254,526)**	(189,213)
Fair value losses/(gains) on investments at fair value through profit or loss	**4,770**	(44,091)
Interest expenses on non-banking operations	**26,436**	20,098
Foreign exchange gains	**(2,219)**	(779)
Net impairment loss of financial assets	**79,458**	67,266
Operating profit before working capital changes	**59,987**	56,326
Changes in operating assets and liabilities:		
Changes in balances with central bank and statutory deposits	**(2,644)**	15,878
Changes in amounts due from banks and other financial institutions	**30,555**	(12,062)
Changes in premium receivables	**(11,587)**	(16,114)
Changes in account receivable	**2,405**	(6,666)
Changes in inventories	**2,251**	(1,027)
Changes in reinsurers' share of insurance liabilities	**(2,516)**	(1,032)
Changes in loans and advances to customers	**(413,452)**	(374,919)
Changes in assets purchased under agreements to resell of banking and securities business	**1,136**	342
Changes in other assets	**(83,382)**	(60,146)
Changes in due to banks and other financial institutions	**129,636**	(64,435)
Changes in customer deposits and payables to brokerage customers	**240,766**	298,663
Changes in insurance payables	**13,273**	5,567
Changes in insurance contract liabilities	**296,100**	312,868
Changes in investment contract liabilities for policyholders	**67,339**	78,720
Changes in policyholder dividend payable	**4,724**	6,491
Changes in assets sold under agreements to repurchase of banking and securities business	**11,198**	23,322
Changes in other liabilities	**(372)**	27,679
Cash generated from operations	**345,417**	289,455
Less: Current income tax fee	**(38,561)**	(21,039)
Changes in income tax payable	**5,219**	(18,971)
Net cash flows from operating activities	**312,075**	249,445

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 2020	**83,471**	**142,530**	**695,066**	**921,067**
Cash flows	**16,722**	**(8,396)**	**215,102**	**223,428**
Foreign exchange adjustments	**(711)**	**(1,227)**	**(918)**	**(2,856)**
Other non-cash movements	**-**	**-**	**(14,260)**	**(14,260)**
Balance as at 31 December 2020	**99,482**	**132,907**	**894,990**	**1,127,379**

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)	2020	2019
Salaries and other short term employee benefits after tax	**71**	78
Individual income tax	**48**	52

The estimated amount of total compensation has been provided in the Group's 2020 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)	2020	2019
Salaries and other short term employee benefits after tax	**25**	36
Individual income tax	**18**	26

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.

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 2020:

	2020									
(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	Individual income tax
Directors										
Ma Mingzhe (iii)	-	2,850	1,968	2	7	-	-	-	4,827	3,532
Xie Yonglin (iv)	-	4,110	1,594	25	29	59	-	-	5,817	4,167
Tan Sin Yin (v)	-	5,708	5,041	-	10	24	-	-	10,783	8,251
Yao Jason Bo	-	5,158	3,941	-	8	25	-	-	9,132	6,901
Cai Fangfang (vi)	-	3,019	1,665	25	28	47	-	-	4,784	3,316
Lee Yuansiong (vii)	-	384	-	-	-	3	-	-	387	283
Ren Huichuan (viii)	-	497	-	5	5	10	-	-	517	221
Yang Xiaoping	517	-	-	-	-	-	-	-	517	93
Soopakij Chearavanont	509	-	-	-	-	-	-	-	509	91
Liu Chong (ix)	229	-	-	-	-	-	-	-	229	56
Wang Yongjian	488	-	-	-	-	-	-	-	488	122
Ng Sing Yip (x)	509	-	-	-	-	-	-	-	509	91
Ouyang Hui	524	-	-	-	-	-	-	-	524	96
Ge Ming	495	-	-	-	-	-	-	-	495	125
Chu Yiyun (xi)	495	-	-	-	-	-	-	-	495	125
Liu Hong (xii)	488	-	-	-	-	-	-	-	488	122
Subtotal	4,254	21,726	14,209	57	87	168	-	-	40,501	27,592
Supervisors										
Sun Jianyi (xiii)	-	759	668	1	3	-	-	-	1,431	983
Wang Zhiliang	-	946	565	214	34	30	-	-	1,789	889
Pan Zhongwu (xiii)	-	478	278	16	15	33	-	-	820	223
Zhang Wangjin	524	-	-	-	-	-	-	-	524	96
Gu Liji	510	-	-	-	-	-	-	-	510	130
Huang Baokui	503	-	-	-	-	-	-	-	503	127
Subtotal	1,537	2,183	1,511	231	52	63	-	-	5,577	2,448
Total	5,791	23,909	15,720	288	139	231	-	-	46,078	30,040

57. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(3) DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

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	Individual income tax
Directors										
Ma Mingzhe (iii)	–	2,833	2,221	2	45	–	–	–	5,101	3,756
Sun Jianyi (xiii)	–	1,656	1,573	2	42	–	–	–	3,273	2,447
Ren Huichuan (viii)	–	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 (vii)	–	4,628	4,415	–	42	32	–	–	9,117	6,957
Cai Fangfang (vi)	–	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 (ix)	518	–	–	–	–	–	–	–	518	132
Ge Ming	538	–	–	–	–	–	–	–	538	122
Ouyang Hui	542	–	–	–	–	–	–	–	542	108
Ng Sing Yip (x)	253	–	–	–	–	–	–	–	253	51
Chu Yiyun (xi)	240	–	–	–	–	–	–	–	240	64
Liu Hong (xii)	240	–	–	–	–	–	–	–	240	64
Yip Dicky Peter (xiv)	315	–	–	–	–	–	–	–	315	65
Wong Oscar Sai Hung (xv)	315	–	–	–	–	–	–	–	315	65
Sun Dongdong (xvi)	315	–	–	–	–	–	–	–	315	65
Subtotal	4,852	16,639	15,205	50	297	180	–	–	37,223	24,733
Supervisors										
Pan Zhongwu (xiii)	–	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)

(i) Other non-monetary benefits include share purchase scheme and Long-Term Service Plan, in 2015, the Company has adopted an employee share purchase scheme for the key employees of the Company and its subsidiaries. In 2020, the vesting condition of the shares granted during the year 2017, 2018 and 2019 for attribution part of year 2020 was fulfilled. In 2020, the shares of PAN Zhongwu were allocated to personal accounts at respective employee's request on 7 April and 6 May, and the closing price was RMB69.97 per share and RMB73.81 per share respectively. As at 6 May 2020, the shares of MA Mingzhe, XIE Yonglin, TAN Sin Yin, YAO Jason Bo, CAI Fangfang, REN Huichuan, SUN Jianyi and WANG Zhiliang were allocated to personal accounts at respective employee's request and the closing price was RMB73.81 per share and the vested shares net of tax are summarised as follows:

Name	Shares
MA Mingzhe	219,418
XIE Yonglin	143,990
TAN Sin Yin	136,693
YAO Jason Bo	144,054
CAI Fangfang	83,528
REN Huichuan	220,520
SUN Jianyi	219,813
WANG Zhiliang	7,627
PAN Zhongwu	4,476

In 2018, the Company adopted the Long-Term Service Plan for the key employees of the Company and its subsidiaries. By the end of the reporting period, it has been implemented twice, and shares of Director or Supervisor has 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 Founder, Chairman (Executive Director) of the Company.

(iv) XIE Yonglin was appointed as Executive Director of the Company on 3 April 2020.

(v) The long-term benefits attributed to year 2017 for TAN Sin Yin were paid in 2020 as the required payment conditions had been fulfilled. The amount after tax paid to TAN Sin Yin were RMB825 thousand respectively and was disclosed in the Announcement regarding the Resolutions of the Board of Directors of the Company dated 27 August 2020.

TAN Sin Yin was appointed as Executive Director of the Company on 3 April 2020.

(vi) The long-term benefits attributed to year 2017 for CAI Fangfang were paid in 2020 as the required payment conditions had been fulfilled. The amount after tax paid to CAI Fangfang were RMB550 thousand respectively and was disclosed in the Announcement regarding the Resolutions of the Board of Directors of the Company dated 27 August 2020.

(vii) The long-term benefits attributed to year 2017 for LEE Yuansiong were paid in 2020 as the required payment conditions had been fulfilled. The amount after tax paid to LEE Yuansiong were RMB605 thousand respectively and was disclosed in the Announcement regarding the Resolutions of the Board of Directors of the Company dated 27 August 2020.

LEE Yuansiong resigned as Executive Director, Co-CEO and the Executive Vice President of the Company on 1 February. 2020.

(viii) REN Huichuan resigned as Executive Director and Vice Chairman of the Company on 16 March 2020.

(ix) LIU Chong resigned as Non-Executive Director of the Company on 15 June 2020.

(x) NG Sing Yip was appointed as Independent Non-executive Director of the Company on 17 July 2019.

(xi) CHU Yiyun was appointed as Independent Non-executive Director of the Company on 17 July 2019.

(xii) LIU Hong was appointed as Independent Non-executive Director of the Company on 17 July 2019.

(xiii) PAN Zhongwu resigned as Employee Representative Supervisor on 28 August 2020,took over by SUN Jianyi and SUN Jianyi was appointed as the Chairman of Supervisory Committee of the Company on the same day.

(xiv) YIP Dicky Peter resigned as Independent Non-executive Director of the Company on 17 July 2019.

(xv) WONG Oscar Sai Hung resigned as Independent Non-executive Director of the Company on 17 July 2019.

(xvi) SUN Dongdong resigned as Independent Non-executive Director of the Company on 17 July 2019.

58. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group were not included in the key management members (2019: 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)	2020	2019
Salaries and other short term employee benefits after tax	**110**	127

The number of non-key management personnel whose emoluments after tax fell within the following bands is as follows:

	2020	2019
RMB5,000,001 – RMB10,000,000	**–**	–
RMB10,000,001 – RMB15,000,000	**2**	1
RMB15,000,001 – RMB20,000,000	**–**	1
RMB20,000,001 – RMB25,000,000	**–**	–
RMB25,000,001 – RMB30,000,000	**1**	1
RMB30,000,001 – RMB35,000,000	**2**	–
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 44.08% (2019: 42.5%) for 2020.

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')	Parent of shareholders
Shenzhen Investment Holdings Co., Ltd. ('SIHC')	Shareholder

As at 31 December 2020, CP Group indirectly held 7.85% 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)	2020	2019
CP Group		
Premiums income from	**42**	13
Claims expenses to	**10**	4
Rental revenue from	**25**	27
Goods sold from	**10**	32
Interest revenue from	**2**	–
SIHC		
Premiums income from	**3**	3
Interest expenses to	**66**	1
Claims expenses to	**1**	–
Lufax Holding		
Interest expenses to	**378**	269
Other revenues from	**3,627**	2,737
Other expenses to	**1,828**	1,024
Ping An Good Doctor		
Interest expenses to	**159**	95
Other revenues from	**515**	285
Other expenses to	**2,302**	2,258
Ping An HealthKonnect		
Interest revenue from	**–**	5
Interest expenses to	**24**	20
Other revenues from	**399**	202
Other expenses to	**345**	421
OneConnect		
Interest revenue from	**32**	77
Interest expenses to	**28**	78
Other revenues from	**1,558**	784
Other expenses to	**1,587**	1,050

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 2020	31 December 2019
CP Group		
Customer deposits and payables to brokerage customers	**–**	1
SIHC		
Customer deposits and payables to brokerage customers	**1,271**	147
Lufax Holding		
Customer deposits and payables to brokerage customers	**14,354**	14,601
Derivative financial assets	**548**	–
Accounts payable and other payables	**9,216**	9,688
Accounts receivable and other receivables	**1,374**	2,522
Ping An Good Doctor		
Customer deposits and payables to brokerage customers	**7,299**	3,887
Accounts payable and other payables	**3,903**	2,124
Accounts receivable and other receivables	**48**	35
Ping An HealthKonnect		
Customer deposits and payables to brokerage customers	**420**	533
Accounts payable and other payables	**1,796**	362
Accounts receivable and other receivables	**7,097**	6,495
OneConnect		
Customer deposits and payables to brokerage customers	**2,002**	2,937
Loans and advances to customers	**705**	1,200
Derivative financial assets	**166**	3
Accounts payable and other payables	**844**	1,653
Accounts receivable and other receivables	**487**	175

In addition to transactions and balances stated above, the Group transferred 100% shareholding of Gem Alliance Limited to Lufax Holding, which issued convertible bonds amounting to USD1,953.8 million to the Group as the consideration in 2016, and pay interest to the Group every six months at an annual rate of 0.7375%. As at 31 December 2020, the Group still held these convertible bonds.

In April 2020, the Company and the subsidiaries of Lufax Holding jointly invested in the Ping An Consumer Finance. The capital contribution of the Company is RMB1,500 million, which represents 30% of the total share of Ping An Consumer Finance.

60. COMMITMENTS

(1) CAPITAL COMMITMENTS

The Group had the following capital commitments relating to property development projects and investments:

(in RMB million)	31 December 2020	31 December 2019
Contracted, but not provided for	**7,445**	2,820
Authorized, but not contracted for	**4,496**	3,730
	11,941	6,550

60. COMMITMENTS (CONTINUED)

(2) CREDIT COMMITMENTS

(in RMB million)	31 December 2020	31 December 2019
Bank acceptances	**408,958**	363,574
Guarantees issued	**82,616**	69,006
Letters of credit issued	**61,644**	62,643
Others	**341**	811
Subtotal	**553,559**	496,034
Unused limit of credit cards and loan commitments	**689,305**	433,267
Total	**1,242,864**	929,301
Credit risk weighted amounts of credit commitments	**348,043**	275,106

Credit commitments disclosed in the table above do not include the financial guarantees accounted for as insurance contracts by the Group.

(3) INVESTMENT COMMITMENTS

The Group's investment commitments to jointly controlled entities are as follows:

	31 December 2020	31 December 2019
Contracted but not provided for	**66,759**	62,396

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.

(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.

61. EMPLOYEE BENEFITS (CONTINUED)

(4) KEY EMPLOYEE SHARE PURCHASE PLAN

The Group 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 3 February 2021, the Board of Directors of the Company approved the Resolution of the Profit Distribution Plan for 2020, and declared a final cash dividend of 2020 in the amount of RMB1.40 per share as disclosed in Note 16.

Except for the item listed above, the Group does not have significant events after the reporting period need to disclose.

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 2020	31 December 2019
Assets		
Cash and amounts due from banks and other financial institutions	**28,159**	17,302
Financial assets purchased under reverse repurchase agreements	**70**	6,710
Financial assets at fair value through profit or loss	**9,638**	16,306
Debt financial assets at fair value through other comprehensive income	**6,525**	5,520
Investments in subsidiaries and associates	**219,175**	217,297
Investment properties	**603**	848
Property and equipment	**44**	9
Intangible assets	**1,010**	–
Right-of-use assets	**179**	27
Other assets	**25,955**	10,794
Total assets	**291,358**	274,813
Equity and liabilities		
Equity		
Share capital	**18,280**	18,280
Reserves	**144,303**	144,166
Treasury shares	**(5,995)**	(5,001)
Retained profits	**120,592**	100,153
Total equity	**277,180**	257,598
Liabilities		
Due to banks and other financial institutions	**12,725**	15,920
Assets sold under agreements to repurchase	**210**	–
Income tax payable	**25**	27
Lease liabilities	**183**	27
Other liabilities	**1,035**	1,241
Total liabilities	**14,178**	17,215
Total equity and liabilities	**291,358**	274,813

The balance sheet of the Company was approved by the Board of Directors on 3 February 2021 and was signed on its behalf.

MA Mingzhe	**XIE Yonglin**	**YAO Jason Bo**
Director	*Director*	*Director*

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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 1 January	**128,737**	**172**	**2,698**	**12,164**	**395**	**100,153**	**244,319**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**58,680**	**58,680**
Other comprehensive income	**–**	**9**	**18**	**–**	**–**	**–**	**27**
Dividend declared	**–**	**–**	**–**	**–**	**–**	**(38,241)**	**(38,241)**
Employee Share Purchase Plan	**–**	**–**	**108**	**–**	**–**	**–**	**108**
Others	**–**	**–**	**2**	**–**	**–**	**–**	**2**
As at 31 December	**128,737**	**181**	**2,826**	**12,164**	**395**	**120,592**	**264,895**

(in RMB million)	Share premium	Financial assets at FVOCI reserves	Others	Surplus reserve fund	General reserve	Retained profits	Total
As at 1 January	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)
Employee Share Purchase Plan	–	–	355	–	–	–	355
Others	–	–	–	–	–	–	–
As at 31 December	128,737	172	2,698	12,164	395	100,153	244,319

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 its 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.
2020	Fighting COVID-19	Ping An fought the global pandemic promptly by providing insurance protection, healthtech, and charitable donations.

Honors and Awards

In 2020, 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. 21 on the *Fortune* Global 500 list, and No. 2 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*
  Most Respected Enterprise in Asia
  Best IR Program
  Best ESG
  Best CEO – Ma Mingzhe
  Best CFO – Yao Jason Bo

- *Asiamoney*
  Most Outstanding Company in China – Insurance Sector
  Best Overall Outstanding Company in China

- The Chamber of Hong Kong Listed Companies and the Centre for Corporate Governance and Financial Policy, Hong Kong Baptist University
  Hong Kong Corporate Governance Excellence Award

CORPORATE SOCIAL RESPONSIBILITY

- State Council Leading Group Office of Poverty Alleviation and Development
  2020 National Award for Contribution to Poverty Alleviation – Ma Mingzhe

- Insurance Association of China
  Excellently-organized Poverty Alleviation Cases in China's Insurance Industry

- *The Asset*
  ESG Investor of the Year for Insurers

- *The Economic Observer*
  The Most Respected Enterprise in China for 19 consecutive years

- *Southern Weekly*
  Exemplary Enterprise of the Year, Anti-epidemic Pioneer Enterprise Award

BRAND

- Millward Brown & WPP
  Ranked No. 38 on the BrandZ™ Top 100 Most Valuable Global Brands list, again No. 1 among global insurance 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 2020 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, Shenzhen Development Bank	Shenzhen Development Bank Co., Ltd., an associate of the Company since May 2010, became a subsidiary of the Company in July 2011. It was renamed "Ping An Bank Co., Ltd." on July 27, 2012.
Ping An Trust	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 Company Limited, a subsidiary of Ping An Securities
Ping An Securities (Hong Kong)	Ping An of China Securities (Hong Kong) Company Limited, 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 Ltd, an associate of the Company
Lufax	Shanghai Lujiazui International Financial Asset Exchange Co., Ltd., a subsidiary of Lufax Holding
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	HealthKonnect Medical and Health Technology Management Company Limited, 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
CP Group Ltd.	Charoen Pokphand Group Company Limited, 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	The 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

Yao Jason Bo
Sheng Ruisheng

SECRETARY OF THE BOARD OF DIRECTORS

Sheng Ruisheng

JOINT COMPANY SECRETARIES

Sheng Ruisheng
Kan Ka Ho Danny

REPRESENTATIVE OF SECURITIES AFFAIRS

Shen Xiaoxiao

TELEPHONE

+86 400 8866 338

FAX

+86 755 8243 1029

E-MAIL

IR@pingan.com.cn
PR@pingan.com.cn

REGISTERED ADDRESS

47th, 48th, 109th, 110th, 111th, 112th Floors
Ping An Finance Center
No. 5033 Yitian Road
Futian District
Shenzhen

PLACE OF BUSINESS

47th, 48th, 108th, 109th, 110th, 111th, 112th Floors
Ping An Finance Center
No. 5033 Yitian Road
Futian District
Shenzhen

POSTAL CODE

518033

COMPANY WEBSITE

www.pingan.cn

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

PricewaterhouseCoopers Consultants (Shenzhen) Limited

AUDITORS AND PLACES OF BUSINESS

Domestic Auditor

PricewaterhouseCoopers Zhong Tian LLP
11/F, PricewaterhouseCoopers Center
2 Link Square, 202 Hu Bin Road
Huangpu District, Shanghai, PRC

Names of Certified Public Accountants

YEUNG SHEUNG YUEN
CHEN AN QIANG

International Auditor

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

LEGAL ADVISOR

DLA Piper Hong Kong
25th Floor, Three Exchange Square
8 Connaught Place
Central, Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

AMERICAN DEPOSITARY SHARES REGISTRAR

The Bank of New York Mellon

Well-being is every family's permanent wish.

At the heart of the picture is a reflection of traditional buildings against modern ones, under drifting Chinese sky lanterns that represent every family's permanent wish for well-being. The soft and warm overall tone conveys a sense of peace and protection.

♲ This report is printed on environmental friendly paper manufactured from elemental chlorine-free pulp and acid free.