

Security code: 000001

Security name: Ping An Bank

Notice No.: 2019-015

Code of preference shares: 140002

Short name of preference shares: PYY01

Code of convertible bonds: 127010

Short name of convertible bonds: PYZZ

## **Summary of 2018 Annual Report of Ping An Bank Co., Ltd.**

### **I. Important Notes**

1. This summary of annual report is extracted from the annual report. Investors are advised to carefully read the complete annual report at the news media designated by the CSRC to have a comprehensive understanding of the business performance, financial position and future development plan of Ping An Bank Co., Ltd. (Hereinafter “Ping An Bank” or “the Bank”).
2. The board of directors (hereinafter referred to as the “Board”), the supervisory committee, the directors, the supervisors and senior management of the Bank guarantee the authenticity, accuracy and completeness of the contents of the Annual Report, in which there are no false representations, misleading statements or material omissions, and are severally and jointly liable for its contents.
3. The 23rd meeting of the 10th session of the Board of the Bank deliberated the 2018 Annual Report together with its summary. The meeting required 14 directors to attend, and 13 directors attended the meeting. Director Ip So Lan did not attend the meeting for business affairs and entrusted Director Yao Jason Bo to exercise voting rights on behalf of her. This Annual Report was approved unanimously at the meeting.
4. The 2018 financial report prepared by the Bank was audited by PricewaterhouseCoopers Zhong Tian LLP (hereinafter referred to as “PwC”) according to the China standards on Auditing and PwC issued a standard unqualified auditors’ report.
5. Xie Yonglin (the Bank’s Chairman), Hu Yuefei (the President), and Xiang Youzhi (the CFO/the head of the Accounting Department) guarantee the authenticity, accuracy and completeness of the financial report contained in the 2018 Annual Report.
6. The Bank’s proposal for profit distribution of ordinary shares deliberated by the Board: cash dividend distribution of RMB1.45 per 10 shares (tax inclusive) to all shareholders based on the total share capital of the Bank of 17,170,411,366 shares as at 31 December 2018. There was no proposal to issue bonus shares or to convert public reserve to share capital.

Proposal of the reporting period for profit distribution of preference shares deliberated by the Board

Applicable Not applicable

Date of distribution	Dividend yield	Amount of distribution (RMB Yuan) (tax inclusive)	Conformity with distribution requirements and procedures	Method of dividend payment	Accumulation of dividend	Participation of surplus profit
7 March 2018	4.37%	874,000,000.00	Yes	Paid in cash once a year	No	No

## II. Company Profile

### 1. General information

Stock Abbreviation	Ping An Bank	Stock Code	000001
Traded on	Shenzhen Stock Exchange		
Contact information	Secretary of the Board	Representative of Securities Affairs	
Name	Zhou Qiang	Lv Xuguang	
Office Address	Board Office of Ping An Bank 5047 East Shennan Road, Shenzhen, Guangdong, the PRC	Board Office of Ping An Bank 5047 East Shennan Road, Shenzhen, Guangdong, the PRC	
Facsimile	(0755) 82080386	(0755) 82080386	
Telephone	(0755) 82080387	(0755) 82080387	
E-mail	pabdsh@pingan.com.cn	pabdsh@pingan.com.cn	

### 2. Main businesses or products during the reporting period

#### Main businesses of the Bank

Ping An Bank is a national joint-stock commercial bank. As approved by relevant regulators, the Bank engages in the following commercial banking activities: (I) absorption of public deposits; (II) advances of short, medium and long-term loans; (III) domestic and overseas settlement; (IV) bill acceptance and discounting; (V) issuance of financial bonds; (VI) agent of issuing, cashing and underwriting government bonds; (VII) trading of government bonds and financial bonds; (VIII) interbank lending and borrowing; (IX) trade foreign exchange on its behalf and as an agent; (X) bank cards; (XI) provision of letter of credit service and guarantee; (XII) agency for collection and payment and insurance agency; (XIII) safe deposit box service; (XIV) foreign exchange settlement and sale; (XV) off-shore banking; (XVI) asset custody; (XVII) gold service; (XVIII) financial advisor and credit investigation, consultation and witness services; and (XIX) other businesses approved by relevant regulators.

#### Development stage of the industry where the Bank operates

The top priorities of China's financial industry in the next few years are to prevent financial risks, serve the real economy and enhance the support to private enterprises and small and micro businesses. The banking industry

must implement guiding principles from the 19th CPC National Congress and embed them in their daily activities, fully return to their primary mission to serve the real economy and endeavor to maintain high-quality development, and make solid contributions to overcoming the three major challenges, i.e., prevention and mitigation of major risks, precise poverty alleviation, and pollution prevention and remediation. On the strength of exhaustive and robust researches and enlightened judgments on macro and industrial changes, the Bank adheres to the strategy to be technology-driven, pursue breakthroughs in retail banking, and reinvent its corporate banking, and endeavors to become a “domestic best performer and global leader in intelligent retail banking”.

### **III. Key Accounting Results and Financial Indicators**

#### **1. Key Accounting Results and Financial Indicators**

Whether the Company needs to adjust or restate retrospectively the accounting data for previous years

Yes     No

The Bank started to adopt new accounting standards for financial instruments from 1 January 2018. Under the transitional provisions of new standards, the Bank is not required to restate comparatives and the adjustment of differences between original standards and first-day adoption of new standards is recorded into retained earnings at the beginning of the period or other comprehensive income.

Pursuant to the *Circular on Amendment to Formats of Financial Statements of Financial Enterprises for 2018* (Cai Kuai (2018) No. 36) issued by the Ministry of Finance, the Bank shall prepare the financial statements in accordance with the revised formats of financial enterprises as of the accounting year beginning on 1 January 2018, and the Bank is not required to restate comparatives.

- (1) According to the Circular, the interest provided based on effective interest rate will be included in the carrying amount of the financial instrument and interest outstanding at the balance sheet date will be presented in “Other assets” or “Other liabilities”. Unless otherwise stated, “Loans and advances to customers”, “Due to customers” and the specific items mentioned in “VI. Discussion and Analysis of Operations” of the summary are amounts excluding interest.
- (2) The items of “Fair value through profit or loss financial assets”, “Financial investment measured at amortized cost”, “Fair value through profit or loss financial liabilities” are updated to “Financial assets held for trading”, “Investment on debts” and “Financial liabilities held for trading”. Debt instruments and equity instruments in “Fair value through other comprehensive income financial assets” are listed as “Other investment on debts” and “Other equity investment” respectively.

See “II. Summary of significant accounting policies and accounting estimates 36. Effect of significant changes in accounting policies” in “Section XIII Financial Report” in the *2018 Annual Report of Ping An Bank Co., Ltd.* for

specific information.

(In RMB million)

Item	31 December 2018	31 December 2017	31 December 2016	Year-on-year change
Total assets	3,418,592	3,248,474	2,953,434	5.2%
Shareholders' equity	240,042	222,054	202,171	8.1%
Shareholders' equity attributable to ordinary shareholders	220,089	202,101	182,218	8.9%
Share capital	17,170	17,170	17,170	-
Net asset per share attributable to ordinary shareholders (RMB/share)	12.82	11.77	10.61	8.9%

Item	2018	2017	2016	Year-on-year change
Operating income	116,716	105,786	107,715	10.3%
Operating profit before impairment losses on credit and assets	80,176	73,148	76,297	9.6%
Impairment losses on credit and assets	47,871	42,925	46,518	11.5%
Operating profit	32,305	30,223	29,779	6.9%
Profit before tax	32,231	30,157	29,935	6.9%
Net profit attributable to shareholders of the Company	24,818	23,189	22,599	7.0%
Net profit attributable to shareholders of the Company after non-recurring gains/losses	24,700	23,162	22,606	6.6%
Net cash flows from operating activities	(57,323)	(118,780)	10,989	Negative in the previous year
<b>Ratio per share (RMB/share):</b>				
Basic/diluted earnings per share (EPS)	1.39	1.30	1.32	6.9%
Basic EPS after non-recurring gains/losses	1.39	1.30	1.32	6.9%
Net cash flows from operating activities per share	(3.34)	(6.92)	0.64	Negative in the previous year
<b>Financial ratios (%):</b>				
Return on total assets	0.73	0.71	0.77	+0.02 percentage point
Average return on total assets	0.74	0.75	0.83	-0.01 percentage point
Weighted average return on net assets	11.49	11.62	13.18	-0.13 percentage point
Weighted average return on net assets (net of non-recurring gains/losses)	11.44	11.61	13.18	-0.17 percentage point

Note: On 7 March 2016, the Bank issued non-cumulative preference shares of RMB20 billion in a non-public way. In calculating the "EPS" and "weighted average return on net assets", numerators were net of the dividends on preference shares paid.

#### Total share capital of the Company as at the trading day prior to disclosure

Total share capital of the Company as at the trading day prior to disclosure (in shares)	17,170,411,366
Fully diluted EPS calculated based on the latest share capital (RMB/share)	1.39

Whether there are corporate bonds

Yes     No

See “Section XII Corporate Bonds” in the *2018 Annual Report of Ping An Bank Co., Ltd.* for details

Whether the Company suffered sustained losses in recent two years

Yes     No

### Quarterly financial indicators

(In RMB million)

Item	First Quarter of 2018	Second Quarter of 2018	Third Quarter of 2018	Fourth Quarter of 2018
Operating income	28,026	29,215	29,423	30,052
Net profit attributable to shareholders of the Company	6,595	6,777	7,084	4,362
Net profit attributable to shareholders of the Company after non-recurring gains/losses	6,555	6,771	7,021	4,353
Net cash flows from operating activities	41,442	(33,987)	(18,765)	(46,013)

Have the above financial indicators or their totals differed significantly from the relevant financial indicators in the quarterly report and half-year report disclosed by the Company?

Yes     No

### Information of loans and deposits

(In RMB million)

Item	31 December 2018	31 December 2017	31 December 2016	Year-on-year change
<b>I. Deposit principals due to customers</b>	<b>2,128,557</b>	<b>2,000,420</b>	<b>1,921,835</b>	<b>6.4%</b>
Including: Corporate deposits	1,666,966	1,659,421	1,652,813	0.5%
Personal deposits	461,591	340,999	269,022	35.4%
<b>II. Total principal of loans and advances to customers</b>	<b>1,997,529</b>	<b>1,704,230</b>	<b>1,475,801</b>	<b>17.2%</b>
Including: Corporate loans	843,516	855,195	934,857	(1.4%)
General corporate loans	801,814	840,439	920,011	(4.6%)
Discounted bills	41,702	14,756	14,846	182.6%
Personal loans	1,154,013	849,035	540,944	35.9%
General personal loans	680,718	545,407	359,859	24.8%
Credit card receivables	473,295	303,628	181,085	55.9%

Pursuant to the *Notice on the Statistical Standards for Adjusting the Deposits and Loans of the Financial Institutions* by the People's Bank of China (Yin Fa [2015] No. 14), starting from 2015, the deposits placed by non-deposit financial institutions at deposit financial institutions are accounted for as "Total Deposits", whereas the loans extended by deposit financial institutions to non-deposit financial institutions are accounted for as "Total Loans". Based on the aforementioned statistical standards, as at 31 December 2018, the total deposits and the total loans amounted to RMB2,505.1 billion and RMB2,037.6 billion, respectively.

### Non-recurring gains/losses

During the reporting period, no items of non-recurring gains/losses as defined/stated pursuant to the *Explanatory Announcement on Information Disclosure by Companies Publicly Offering Securities No. 1 – Non-recurring Gains/Losses* were defined as recurring gains/losses.

(In RMB million)

Item	2018	2017	2016	Year-on-year change
Net gains or losses on disposal of non-current assets	98	101	(178)	(3.0%)
Gains/losses on contingency	1	(1)	1	Negative in the previous year
Others	54	(65)	168	Negative in the previous year
Income tax effect	(35)	(8)	2	337.5%
Total	118	27	(7)	337.0%

Note: The non-recurring gains/losses shall refer to the meaning as defined in the *Explanatory Announcement on Information Disclosure by Companies Publicly Offering Securities No. 1 – Non-recurring Gains/Losses*.

## 2. Supplementary financial ratios

(Unit: %)

Item	2018	2017	2016	Year-on-year change
Cost/income ratio	30.32	29.89	25.97	+0.43 percentage point
Credit costs	2.35	2.55	3.37	-0.20 percentage point
Deposit-loan spread	4.03	3.99	4.49	+0.04 percentage point
NIS	2.26	2.20	2.60	+0.06 percentage point
NIM	2.35	2.37	2.75	-0.02 percentage point

Notes: Credit costs = credit provisions for the period / average loan balance (including discounted bills) for the period. In 2018, average loan balance (including discounted bills) of the Bank was RMB1,858,353 million (2017: RMB1,602,503 million). Net interest spread = average yield of interest-earning assets – average cost rate of interest-bearing liabilities; net interest margin = net interest income / average balance of interest-earning assets.

### 3. Supplementary regulatory indicators

(Unit: %)

Item	Standard level of indicator	31 December 2018	31 December 2017	31 December 2016
Liquidity ratio (RMB and foreign currency)	≥25	60.86	52.23	49.48
Liquidity ratio (RMB)	≥25	59.23	52.57	47.62
Liquidity ratio (foreign currency)	≥25	96.40	55.41	99.04
Loan/deposit ratio including discounted bills (RMB and foreign currency)	N/A	92.38	83.58	75.21
Liquidity coverage ratio	≥100 (at the end of the year)	139.17	98.35	95.76
Capital adequacy ratio	≥10.5	11.50	11.20	11.53
Tier 1 capital adequacy ratio	≥8.5	9.39	9.18	9.34
Core tier 1 capital adequacy ratio	≥7.5	8.54	8.28	8.36
Ratio of loans to the single largest customer to net capital	≤10	5.13	5.20	5.19
Ratio of loans to top 10 customers to net capital	N/A	21.45	22.79	25.78
Ratio of accumulated foreign exchange exposure position to net capital	≤20	1.55	1.22	4.11
Pass loans flow rate	N/A	3.73	5.20	7.14
Special mentioned loans flow rate	N/A	37.91	30.41	37.56
Substandard loans flow rate	N/A	66.56	73.69	43.83
Doubtful loans flow rate	N/A	99.44	64.37	71.14
Non-performing loan ratio	≤5	1.75	1.70	1.74
Provision coverage ratio	≥150	155.24	151.08	155.37
Provision to loan ratio	≥2.5	2.71	2.57	2.71

Note: Regulatory indicators are shown in accordance with the regulatory standards. Pursuant to the requirements of the *Administrative Measures for Liquidity Risks of Commercial Banks* issued by CBIRC, the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018; during the transitional period, the liquidity coverage ratio shall be no less than 90%.

## IV. Shares and Shareholders

### 1. Number of ordinary shareholders and of preference shareholders with restored voting rights, and the shareholdings of the top 10 shareholders

(Unit: Share)

Total number of ordinary shareholders as at the end of the reporting period	429,409	Total number of ordinary shareholders as at the end of the month before the disclosure date of the annual report	369,119	Total number of preference shareholders with recovered voting rights as at the end of the reporting period (if any)	-	Total number of preference shareholders with recovered voting rights as at the end of the reporting period and as at the end of the month before the disclosure date of the annual report (if any)	-	
<b>Shareholdings of the top 10 shareholders</b>								
Name of shareholder	Nature of shareholder	Number of shares held at the end of the reporting period	Shareholding (%)	Changes during the reporting period	Number of selling - restricted shares held	Number of selling - unrestricted shares held	Pledged or frozen	
							Status of shares	Number of shares
Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund	Domestic legal entity	8,510,493,066	49.56	0.00	-	8,510,493,066	-	-
Ping An Life Insurance Company of China, Ltd. - proprietary fund	Domestic legal entity	1,049,462,784	6.11	0.00	-	1,049,462,784	-	-
Hong Kong Securities Clearing Company Limited	Overseas legal entity	430,751,502	2.51	65,982,408	-	430,751,502	-	-
China Securities Finance Corporation Limited	Domestic legal entity	429,232,688	2.50	-60,942,683	-	429,232,688	-	-
Ping An Life Insurance Company of China, Ltd. -traditional - ordinary insurance products	Domestic legal entity	389,735,963	2.27	0.00	-	389,735,963	-	-
Central Huijin Investment Company Limited	Domestic legal entity	216,213,000	1.26	0.00	-	216,213,000	-	-
China Electronics Shenzhen Company	Domestic legal entity	142,402,769	0.83	-43,649,169	-	142,402,769	-	-
Henan Hongbao (Group) Co., Ltd.	Domestic legal entity	99,441,107	0.58	20,582,120	-	99,441,107	-	-
Xinhua Life Insurance Co., Ltd. - dividend - dividend for individual -018L-FH002 Shen	Domestic legal entity	49,603,502	0.29	-3,890,000	-	49,603,502	-	-
Bank of Communications - E Fund 50 Index Securities Investment Fund	Domestic legal entity	44,143,803	0.26	22,273,428	-	44,143,803	-	-
Details of strategic investors or general legal persons becoming top 10 shareholders for issuing new shares (if any)	None							
Explanation of the connected relationship or acting-in-concert relationship among the above shareholders	<p>1. Ping An Life Insurance Company of China, Ltd. is a controlled subsidiary of and acting in concert with Ping An Insurance (Group) Company of China, Ltd. “Ping An Insurance (Group) Company of China, Ltd. – the Group – proprietary fund”, “Ping An Life Insurance Company of China, Ltd. – proprietary fund” and “Ping An Life Insurance Company of China, Ltd. – traditional – ordinary insurance product” are related parties.</p> <p>2. The Bank is not aware of any related-party relationship or parties acting in concert among other shareholders.</p>							
Description of the shareholders who engage in securities margin trading business	None							



## 2. Number of preference shareholders and the shareholdings of the top 10 preference shareholders of the Company

√ Applicable   □ Not applicable

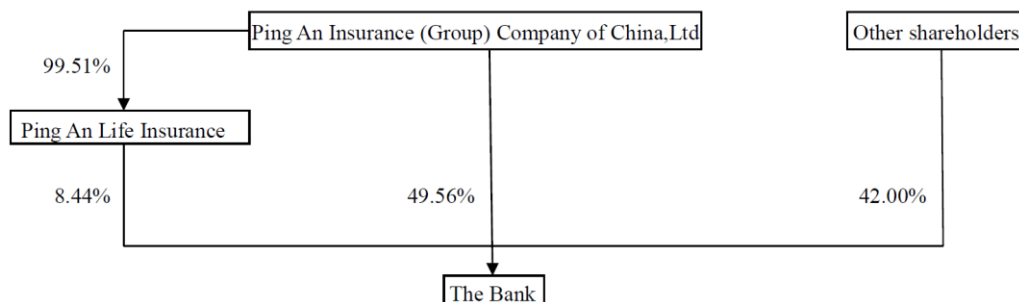
(Unit: Share)

Total number of preference shareholders at the end of the reporting period		15		Total number of preference shareholders at the end of the month before the release of the annual report			15	
Shareholding of shareholders with more than 5% preference shares or the top 10 preference shareholders								
Name of shareholder	Nature of shareholder	Shareholding (%)	Number of shares held at the end of the reporting period	Changes during the reporting period	Number of selling - restricted shares held	Number of selling - unrestricted shares held	Pledged or frozen	
							Status of shares	Number of shares
Ping An Life Insurance Company of China, Ltd. - dividend - dividends for individual insurance	Domestic legal entity	29.00	58,000,000	-	-	58,000,000	-	-
Ping An Life Insurance Company of China, Ltd. - universal - individual universal insurance	Domestic legal entity	19.34	38,670,000	-	-	38,670,000	-	-
Ping An Property & Casualty Insurance Company of China, Ltd. - traditional - ordinary insurance products	Domestic legal entity	9.67	19,330,000	-	-	19,330,000	-	-
China Post & Capital Fund - Hua Xia Bank - Hua Xia Bank Co., Ltd.	Domestic legal entity	8.95	17,905,000	-	-	17,905,000	-	-
Bank of Communications Schroder Asset Management - Bank of Communications - Bank of Communications Co., Ltd.	Domestic legal entity	8.95	17,905,000	-	-	17,905,000	-	-
Bank of China Limited Shanghai Branch	Domestic legal entity	4.47	8,930,000	-	-	8,930,000	-	-
Postal Savings Bank of China Domestic Co., Ltd.	Domestic legal entity	2.98	5,950,000	-	-	5,950,000	-	-
China Resources Sztic Trust Co., Ltd. - Investment No. 1 List - Capital Trust	Domestic legal entity	2.98	5,950,000	-	-	5,950,000	-	-
Hwabao Trust Co. Ltd. - Investment No. 2 Capital Trust	Domestic legal entity	2.98	5,950,000	-	-	5,950,000	-	-
Merchants Wealth - Postal Savings Bank -	Domestic	2.98	5,950,000	-	-	5,950,000	-	-

Postal Savings Bank of China Co., Ltd.	legal entity						
Description of different requirements on other terms of preference shares held other than dividend distribution and residual property distribution		Not applicable					
Description of the related relationship or concerted action among top 10 preference shareholders and between top 10 preference shareholders and top 10 ordinary shareholders		<p>1. Ping An Life Insurance Company of China, Ltd. and Ping An Property &amp; Casualty Insurance Company of China, Ltd. are controlled subsidiaries of and acting in concert with the Ping An Insurance (Group) Company of China, Ltd. “Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund”, “Ping An Life Insurance Company of China, Ltd. - proprietary fund”, “Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance product”, “Ping An Life Insurance Company of China, Ltd. - dividend - individual dividend”, “Ping An Life Insurance Company of China, Ltd. - universal - individual universal” and “Ping An Property &amp; Casualty Insurance Company of China, Ltd. - traditional - ordinary insurance products” are related parties.</p> <p>2. The Bank is not aware of any related relationship nor concerted action among any of other shareholders.</p>					

### 3. The ownership and control relationships between the Company and its actual controllers

There is no actual controller for the Bank. During the reporting period, there was no change in the controlling shareholders of the Bank. A diagram showing the relationship between the Bank and its controlling shareholder is as follows:



## V. Corporate Bonds

With the approval of the *China's Banking Regulatory Commission on the Approval for Matters Relating to the Public Issuance of A-share Convertible Corporate Bonds by Ping An Bank Co., Ltd.* (Yin Jian Fu [2018] No. 71) and the *Approval for the Public Issuance of A-share Convertible Corporate Bonds by Ping An Bank Co., Ltd.* (Zheng Jian Xu Ke [2018] No. 2165) issued by China's Banking Regulatory Commission on 25 January 2019, the Bank issued convertible corporate bonds of RMB26 billion to the public. The convertible corporate bonds issued by the Bank to the public have a face value of RMB100 per share, with a coupon rate of 0.2% for the first year, 0.8% for the second year, 1.5% for the third year, 2.3% for the fourth year, 3.2% for the fifth year and 4.0% for the sixth year. After deduction of issuance expenses, the net amount of funds raised totals RMB25,915 million, which is to be used to replenish core tier 1 capital. On 30 January 2019, the Bank received the Security Registration Certificate issued by Registration and Depository Department in Shenzhen Branch of China Securities Depository

and Clearing Corporation Limited ("CSDC"). With the approval of the Shenzhen Stock Exchange, the convertible corporate bonds issued by the Bank to the public were listed and traded at the Exchange on 18 February 2019.

Mode of issue	Date of issue	Issue price (RMB/share)	Nominal interest rate	Issuing number (share)	Listing date	Listing number (share)	Starting and ending dates of conversion
Public issuance	21 January 2019	100	0.2% for the first year, 0.8% for the second year, 1.5% for the third year, 2.3% for the fourth year, 3.2% for the fifth year and 4.0% for the sixth year	260,000,000	18 February 2019	260,000,000	From 25 July 2019 to 21 January 2025

## VI. Discussion and Analysis of Operations

### (I) Operations in the reporting period

In 2018, the Bank responded positively to the national strategies and continued to intensify the principle of “being technology-driven, pursuing breakthroughs in retail banking, and reinventing its corporate banking” to conform to the macro-economic and financial situation. It further strengthened the support to private enterprises and small and micro businesses, further enhanced the capability of serving real economy and prevented and controlled financial risks in a comprehensive manner.

With regard to being technology-driven, the Bank attached great importance to technology innovation and application, adhered to technology leadership, model leadership, platform leadership and talent leadership, utilized technology to fully reshape its banking system, lead business development and build a financial technology “moat”. With regard to pursuing breakthroughs in retail banking, the Bank applied technological intelligence to its businesses and fully advanced the transformation of intelligent retail banking with breakthroughs in business, model, channels and organization, and strove to make retail banking more excellent. With regard to reinventing its corporate banking, the Bank interpreted excellence and meticulousness into “careful selection of industries”, “careful cultivation of the customer base”, “carefully-tailored product offerings” and “precise and effective risk controls”, and strove to build exquisite corporate banking with distinctive characteristics, optimum profit and high quality.

In competing for the “2018 Gold Medal List for Chinese Financial Institutions·Golden Dragon Prize” sponsored by Financial Times, the Bank was awarded the “Best Listed Bank of the Year”. At the China AI Financial Pathfinder Summit and the awarding ceremony of “2nd China Financial Technology Pioneer List” hosted by Securities Times, the Bank won the prize of “2018 China AI Financial Pioneer List (comprehensive award)” with its deep integration of financial technology and strategic business. In addition, the Bank carried off “the Best Progressive Retail Bank in Asia Pacific, Middle East and Africa”, “China's Best Progressive Retail Bank”, and “the Best Auto Finance Product of the Year” awarded by Asian Banker, thanks to its outstanding achievements in

the retail sector in the past year. In 2018, the Bank also won awards such as “Pioneer of Targeted Poverty Alleviation”, “the Excellent Joint-stock Commercial Bank Brand”, “the Excellent Mobile Bank App”, “the Most Characteristic Credit Card” successively. In 2018, the Bank's operations have the following characteristics:

### **1. Robust business development**

In 2018, the Bank recorded operating income of RMB116,716 million, representing a year-on-year increase of 10.3%, which included net interest income of RMB74,745 million, representing a year-on-year increase of 1.0%, mainly due to the recognition of income/expenses arising from “Fair value through profit or loss financial assets” in the investment income in accordance with the new accounting standards for financial instruments (the net interest income increased by 9.7% on a year-on-year basis upon recovery); and the net non-interest income was RMB41,971 million, representing a year-on-year increase of 32.1%. The operating profit before the provision was RMB80,176 million, increasing by 9.6% year on year; the net profit was RMB24,818 million, increasing by 7.0% year on year; the net interest margin and the net interest spread from January to December 2018 were 2.35% and 2.26% respectively, and the net interest margin and the net interest spread for the fourth quarter were 2.50% and 2.41% respectively, increasing steadily month on month; and the net non-interest income accounted for 36.0%, with a year-on-year increase of 6.0 percentage points. The profitability remained stable.

At the end of 2018, the Bank's total assets amounted to RMB3,418,592 million, up 5.2% over the end of last year; the balance of deposits due to customers was RMB2,128,557 million, up 6.4% over the end of last year. The total loans and advances to customers (including discounted bills) amounted to RMB1,997,529 million, representing an increase of 17.2% as compared with the end of last year.

### **2. Further advance of retail transformation**

At the end of 2018, the balance of assets under management (AUM) of retail customers of the Bank amounted to RMB1,416,796 million, representing an increase of 30.4% over the end of the previous year, and the number of retail customers reached 83,900,000, an increase of 20.0% over the end of the previous year, among which wealth customers and qualified customers of private banks reached 591,600 and 30,000 respectively, representing an increase of 29.6% and 27.7% over the end of the previous year. The current credit card accounts reached 51,520,000, an increase of 34.4% over the end of the previous year. The balance of personal deposits amounted to RMB461,591 million, up 35.4% over the end of the previous year, while the balance of personal loans amounted to RMB1,154,013 million, up 35.9% over the end of the previous year, which accounted for 57.8%, an increase of 8.0 percentage points; the transaction volume of credit cards amounted to RMB2,724,807 million, rising by 76.1% year on year in 2018. The number of monthly active customers of Ping An Pocket Bank APP reached 25,880,000, increasing by 74.6% over the end of the previous year. The Bank initiated the program of “Follow the Liuhua Branch Model” and successfully upgraded the standard operation model of 136 branches after the opening of Guangzhou Liuhua Branch in 2017, which was its first intelligent retail store. In 2018, the operating income of retail business reached RMB61,883 million, with a year-on-year increase of 32.5%, accounting for 53.0% of the

Bank's total operating income; the net profit of retail business reached RMB17,129 million, with a year-on-year increase of 9.2%, accounting for 69.0% of the Bank's total net profit.

### **3. Reinvention-focused corporate business**

In 2018, the Bank's corporate business focused on superior business, superior channel and quality projects and built up bigger and stronger ecosystems based on an ecological operation idea. In the process of building a superior bank, the Bank substantially used cloud technology, blockchain, IoT, big data and other technical methods in corporate business to empower the management, drive business innovation, and form an intelligent superior corporate banking business system. At the end of 2018, the number of registered customers of Pocket Finance reached 280,000, and the annual transaction amount exceeded RMB830 billion; in 2018, the cumulative transaction volume of SAS, a service platform for supply chain accounts receivable, exceeded RMB10 billion. Financial service support has been provided for 111 core enterprises and their upstream small, micro and medium-sized enterprises. At the end of 2018, there were 14,103 customers of "SME data loan platform KYB", and KYB loans totaled RMB10.7 billion.

In addition, the Bank positively develops exquisite investment banking and inter-bank business. Firstly, it fully implements the light-weight financing strategy. The cumulative issuance scale of inter-bank bond underwriting business in 2018 was RMB161.9 billion, with a year-on-year increase of 54.0%. Secondly, it rebuilt the position of its banking peers. Through the connection of assets management, transactions and sales, the channel value of inter-bank institutions was increased. At the end of 2018, the cumulative number of cooperative customers of Hang-E-Tong reached 2,079, with an increase of 150 over the end of the previous year.

### **4. Preliminary results in technology-driven practice**

The Bank regarded "being technology-driven" as its primary development strategy. With respect to investment in technology, the Bank's investment in technology saw a significant increase in 2018. IT capital expenditure amounted to RMB2,575 million, increasing by 82% year on year. At the end of 2018, the number of technology staff increased by over 44% from the end of the previous year. With respect to technology governance, the Bank developed a three-year (2019-2021) IT development plan, defining the key points and strategy of IT work in the next three years. Additionally, the Bank took the initiative to implement agile transformation and changed the role of information technology from traditional support to business development drive. With respect to technological innovation, the Bank relied on the core technologies and resources of Ping An Group in the fields of AI, blockchain, cloud computing, etc., and applied new technologies to its business, so as to continuously enhance customer experience, enrich financial products, innovate business models, improve risk control system, optimize operational efficiency and promote intelligent management. The Bank's "being technology-driven" strategic transformation has shown preliminary results.

### **5. Substantial improvement in asset quality**

The Bank proactively responded to external risks, adjusted business structure, and continuously improved asset quality indicators. Firstly, the Bank conformed to the strategy of "pursuing breakthroughs in retail banking",

emphatically invested new resources in retail loans with better asset quality and strengthened access standard and management requirement for retail customers to ensure higher retail asset quality; secondly, corporate banking continued to be reinvented, and new businesses were concentrated in industries with sound growth, which were in compliant with national strategic development direction. The Bank gathered its superior resources and invested them into high-quality and high-potential customers, drove upstream and downstream supply chain, industrial chain or ecosystem customers, and continued to maintain the good risk performance of new customers. Meanwhile, it continued to adjust the structure of existing assets and strengthened the recovery and disposal of problematic assets. As a result, substantial improvement in the asset quality had been achieved.

At the end of 2018, the balance and the proportion of overdue loans and loans overdue for more than 90 days of the Bank both declined. The balance of overdue loans amounted to RMB49,480 million, with a decrease of RMB9,264 million, accounting for 2.48% of total loans, decreasing by 0.96 percentage point over the end of last year; the balance of loans overdue for more than 90 days reached RMB33,984 million, with a decrease of RMB7,476 million, accounting for 1.70% of total loans, decreasing by 0.73 percentage point over the end of last year. The balance of special mentioned loans was RMB54,552 million, a decrease of RMB8,432 million over the end of last year; special mention rate was 2.73%, decreasing by 0.97 percentage point over the end of last year. NPL deviation rate was 97%, down 46 percentage points from the end of last year. The NPL ratio was 1.75%, slightly increased by 0.05 percentage point over the end of last year, and basically remained stable.

In 2018, the provision for impairment losses on credit and asset amounted to RMB47,871 million, with a year-on-year increase of 11.5%, including RMB43,657 million of provision for credit impairment losses on loans and advances to customers; at the end of 2018, the balance of loan impairment provision reached RMB54,187 million, with an increase of 23.7% over the end of last year; the provision to loan ratio was 2.71%, up 0.14 percentage point over the end of last year; the provision coverage ratio was 155.24%, up 4.16 percentage points over the end of last year; the provision coverage ratio of loans overdue for more than 90 days was 159.45%, up 53.78 percentage points over the end of last year. The risk resistance capability of the Bank was further enhanced.

In 2018, the Bank recovered a total of RMB18,744 million of non-performing assets, up 96.7% year on year, including credit assets of RMB17,520 million (loan principal); recovered principals of loans included written-off loans of RMB9,356 million and unwritten-off NPL of RMB8,164 million; 96.8% of recovered amount for non-performing assets was recovered in cash and the rest was recovered in repayment by objects.

## **6. Support to serving real economy**

The Bank actively implemented the central government's strategic arrangement on the application of technology innovation and serving real economy, utilized technology to drive strategic transformation, and made full use of up-to-date technologies such as artificial intelligence, biometrics, big data, blockchain and cloud computing, and enhanced the capability of serving real economy. At the end of December 2018, the Bank's total on-balance sheet and off-balance-sheet credit facilities amounted to RMB2,838.7 billion, an increase of RMB653.1 billion or 29.9% over the end of last year, and the details are as follows:

Firstly, the Bank kept up with the national strategic deployment, focused on key industries, and promoted the

optimization and upgrading of the national industrial structure through model innovation and the product portfolio of “Commercial banking + Investment banking + Investment”. At the end of 2018, credit facilities to key industries accounted for 48%, up 7 percentage points over the end of the previous year.

Secondly, in response to the call of the state, the Bank adopted the strategy of “Differentiated bailout + Precise services” and practically supported the development of private enterprises and small, micro and medium-sized enterprises through Ping An Group’s bailout fund and the group cooperation model to solve the problem of difficulty and high cost in financing, and realize the target of “two growths and two controls” (两增两控) for small and micro-sized enterprises loans. In 2018, new issuance of loans to private enterprises accounted for 60.2% of public loans. At the end of 2018, the Bank’s loans to private enterprises accounted for 59.3% of the balance of public loans; regarding the Bank’s loans to small and micro-sized enterprises, the credit of RMB10 million or less granted to single customers was up 61% over the end of last year, higher than the average growth rate of all loans in the Bank, the number of customers with loan balances was 214,000 more than the same period of last year and loan interest rate declined by 1.43 percentage points over the first quarter with the NPL ratio within reasonable range.

Thirdly, the Bank launched the "Village Officer Project" by developing a variety of financial poverty alleviation products such as breeding loans, planting loans and hydro power loans, building an online agricultural mall for poverty alleviation, and establishing a closed loop of poverty alleviation consisting of "Finance + Technology + Production and sales" through "Finance+ Industry” poverty alleviation. In 2018, the Bank invested RMB4,458 million in Guangxi, Yunnan, Guizhou, Jiangxi, Sichuan and other places successively for poverty alleviation, which directly helped over 1,917 registered poor people, covered and benefited more than 330,000 impoverished people with the card established for archives.

Fourthly, by utilizing technologies, the Bank developed six exquisite businesses including intelligent supply chain finance, government finance, digital finance for small enterprises, Internet payment settlement, Pocket Finance and offshore interbank finance, promoted comprehensive intelligence in areas such as management, marketing, risk control, wealth management, payment, operation and financing to improve the efficiency of serving real economy.

Fifthly, the Bank promoted the construction of financial service, health care, automobile service, real estate service, smart city and other ecosystems by leveraging the Group’s advantages of technology and integrated financial services, contributed to consumption upgrades, and supported and served the real economy by improving the demand side. At the same time, the Bank built star products such as “New Generation Loan”, “Licensed mortgage loans” and “Auto financial loan” to serve private merchants and small and micro business owners, deal with the financing difficulties in the operation of such customers, and facilitate the allocation of more financial resources to real economy.

## **7. Base consolidation and capital enhancement**

The Bank advocated refined capital management, fully implemented economic capital management, built comprehensive performance assessment system with Economic Value Added (EVA) and Risk Adjusted Return on

Capital (RAROC) as the core, and enhanced the capital level by shifting its focus to low-risk businesses, increasing the amount written off in tax, intensifying the disposal of debt-offsetting assets, and reducing the occupancy of invalid capital. At the end of 2018, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio were 8.54%, 9.39% and 11.50% respectively, all satisfying the regulatory requirements, and up 0.26 percentage point, 0.21 percentage point and 0.30 percentage point respectively over the end of last year.

The Bank completed the issuance of A-share convertible corporate bonds of RMB26 billion on 25 January 2019, of which the equity of RMB3.7 billion was directly included in the core tier 1 capital and the rest would be used to supplement the core tier 1 capital of the Bank bit by bit after the conversion to improve the capital adequacy.

## **(II) Discussion and analysis of the main businesses**

### **1. Breakthroughs in retail banking**

In 2018, the Bank continuously promoted the intelligence level and enhanced the customer service experience, consolidated fundamental business, expanded application scenarios, improved product management ability, properly controlled risks and steadily maintained asset quality with technology-enabled online and offline channels based on the principle of “being technology-driven”. The transformation of retail banking was fruitful and continuously going deep.

At the end of 2018, the balance of assets under management (AUM) of retail customers of the Bank amounted to RMB1,416,796 million, representing an increase of 30.4% over the end of the previous year, and the number of retail customers reached 83,900,000, an increase of 20.0% over the end of the previous year, among which wealth customers and qualified customers of private banks reached 591,600 and 30,000 respectively, representing an increase of 29.6% and 27.7% over the end of the previous year. The current credit card accounts reached 51,520,000, an increase of 34.4% over the end of the previous year. The balance of personal deposits amounted to RMB461,591 million, up 35.4% over the end of the previous year, while the balance of personal loans amounted to RMB1,154,013 million, up 35.9% over the end of the previous year, which accounted for 57.8%, an increase of 8.0 percentage points; the transaction volume of credit cards amounted to RMB2,724,807 million, rising by 76.1% year on year in 2018. At the end of 2018, the number of registered customers of Ping An Pocket Bank APP reached 62,250,000 and the number of monthly active customers of Ping An Pocket Bank APP in December 2018 amounted to 25,880,000, increasing by 74.6% over the end of the previous year.

As at the end of 2018, the NPL ratio of the Bank’s retail business maintained stable with a slight decline, and the NPL ratio of personal loans was 1.07%, down 0.11 percentage point from the end of last year. The risk from the whole consumer finance sector was rising due to the external impact from the downturn of macro-economy and the burst of multiple debt risks. The NPL ratios of credit cards and “New Generation Loan” were rising as well, among which, the NPL ratio of credit cards was 1.32%, up 0.14 percentage point over the end of the previous year; and the NPL ratio of “New Generation Loan” was 1.00%, up 0.35 percentage point over the end of the previous year; furthermore, the risk level of the Bank's auto finance continued to remain stable. The NPL ratio was 0.54%



at the end of 2018, a decrease of 0.05 percentage point from the end of the previous year. Since the end of 2017, the Bank had adjusted risk policy on a forward-looking basis, focused on the prevention of multiple debt risks, and effectively curbed and reduced the proportion of high-risk customers; therefore, the asset quality of newly issued products remained stable and was improving. According to the results of ageing analysis, 6 months after the issuance, the customers' accounts that were past due over 30 days and above accounted for 0.29% of the new credit card accounts opened in 2018, a decrease of 0.06 percentage point from 2017; the newly-issued "New Generation Loan" loans that were past due over 30 days and above accounted for 0.18% of the loans issued, a decrease of 0.02 percentage point from 2017; the newly-issued auto finance loans that were past due over 30 days and above accounted for 0.16% of the loans issued, a decrease of 0.02 percentage point from 2017. More historical figures are set out in the following chart.

The proportion of the balance of loans past due over 30 days at the ageing of 6 months	Credit card receivables	"New Generation Loan"	Auto finance loans
2015	0.48%	0.27%	0.12%
2016	0.45%	0.16%	0.12%
2017	0.35%	0.20%	0.18%
2018	0.29%	0.18%	0.16%

Note: "Ageing analysis", also known as vintage analysis or analysis on accumulated default rate via static sample pool, is to track the credit assets of accounts opened in different periods, and simultaneously compare them based on the length of the ageing to learn about the asset quality of owners who opened accounts in different periods. The proportion of the balance of loans past due over 30 days at the ageing of 6 months = the balance of new loans or credit cards pass due over 30 days at the end of the 6th month / the amount of new loans issued or the overdraft balance of the new credit cards in the same year as the aging of 6 months.

### **(1) Continued stable and rapid growth in core business**

In 2018, centering on customer needs in credit cards, consumer finance, auto finance and other asset businesses, the Bank managed to satisfy customers' consumer financing demands in each stage during the life cycle through model upgrades and product innovations under the premise of compliance operation to control risks, maintain steady growth and effectively facilitate the transformation of retail business.

In 2018, the credit card business of the Bank grew on a constant and stable basis. The number of new credit cards issued by the Bank reached 17,370,000, up 15.1% year on year. At the end of 2018, the balance of credit card loans amounted to RMB473,295 million, up 55.9% over the end of the previous year. The number of users of credit card APP exceeded 34 million, with a year-on-year increase of 231.2% in the annual transaction volume in credit card mall. In 2018, the Bank expanded the credit card product series and boosted the marketing capability of brand by jointly issuing co-branded cards with the Manchester United Football Club, Tencent Video, Autohome and RoyalFlush, which comprehensively considered the interest of both parties; the Bank created a brand new card-interest separated platform to meet customers' needs for personalization, customization and differentiation; it

vigorously deployed Internet channels to win customers and strengthened integration of online and offline channels to effectively improve its efficiency in the aspect of winning customer; centering on a service positioning of “high frequency, honor and sharing”, it reconstructed the credit card mall service platform to enhance users’ sense of value by creating specific zones for different customer groups; it also continuously developed intelligent technology and promoted the construction of intelligent technology matrix that incorporated intelligent customer service, intelligent robot, one-button service, etc., to bring the ultimate “fast, easy and good” experience to users with the power of technology.

In 2018, “New Generation Loan” newly issued by the Bank totaled RMB112,287 million and the balance at the end of 2018 reached RMB153,745 million with a NPL ratio of 1.00%. The Bank actively explored financial services associated with the “New Generation Loan” for mass customers, strove to satisfy the financing needs of small and micro business owners and individual industrial and commercial customers, and supported the development of the real economy. In 2018, the Bank launched the “New Generation Loan” corporate tax plan specifically for the capital demand of small and micro business owners, which effectively streamlined application process by connecting to third-party data and accessing data via online channel. Meanwhile, the Bank also implemented risk-differentiated pricing to support loans for small and micro enterprises. At the same time, based on the Internet and big data, the Bank actively expanded Internet channels and traffic portals, strengthened the connection of payment data, transaction data and scenario platforms, enriched loan scenarios, extended customer coverage, achieved online and offline cooperation, and continuously improved the accuracy for winning customers to benefit more customers with the banking service. In addition, the Bank made full use of Internet technology to enhance product competitiveness, launched and applied cutting-edge technologies such as facial recognition, micro-expression technology and intelligent voice successively, and improved customer experience and service efficiency by accelerating the integration of external third-party data platforms to achieve centralized, automated, and intelligent online business application processing.

In 2018, the Bank's new auto finance loan amounted to RMB147,668 million, an increase of 24.7% year on year. The number of new customers amounted to 920,000, up 29% year on year; at the end of 2018, the Bank's auto finance loan balance was RMB172,029 million, an increase of 22.1% from the end of the previous year, and its market share continued to maintain a leading position in the industry. By means of optimization and streamlining of the process and risk control in combination of big data model, the Bank got 75% of credit approval automatically done by its auto finance business system, increasing by 10 percentage points over the end of last year, and 57.8% of credit approval for second-hand cars automatically done by the system, up 2.8 percentage points from the end of last year. In consequence, the Bank further improved the customer experience and gained leading strengths in the industry. The Bank continued to strengthen channel innovation and service innovation, promoted the customer experience through the full use of financial technology, and quickly realized the retail transformation strategy with strong comprehensive financial channel capabilities to achieve rapid growth in the aspects of retail customer number and business model under the circumstance of increasingly fierce market competition.

At the end of 2018, the Bank's property mortgage balance amounted to RMB182,363 million, representing an increase of 19.3% over the end of last year. The Bank strictly conformed to the regulations of national policies and regulatory requirements to support the need of resident families for purchasing their first set of self-occupied houses. It will continue to steadily carry out housing credit business under the premise of compliance with regulatory requirements, enhance housing credit management, optimize credit structure, further serve customers and support the real economy.

In 2018, the Bank focused on attracting and managing customers of basic retail business. By creating a scene-based and personalized business tool, the Bank approached customers in on-line and off-line closed-loops, adhered to technology empowerment, big data-driven customer analysis and business strategy development, to promote the efficiency and productivity in attracting and managing customers. With respect to attracting customers, the Bank relied on the Group's ecosystem to deeply explore high-quality customer resources and connected on-line platforms across the Bank, such as the official account, mobile terminals and applets, to build an on-line banking ecosystem and transform users into customers. With respect to operation, through the big data-driven customer integration operation across product lines, the Bank continuously upgraded its business strategy by means of combined product design, differentiated pricing, and individualized customer interests to enhance customer management capabilities.

In 2018, the Bank proactively promoted the private banking strategy. The Bank recruited capable personnel for the private banking team, significantly enhanced the product supply and management capabilities, improved the product marketing and asset allocation capabilities, and laid a solid foundation for the rapid improvement of the scale of customer assets under management. At the same time, the Bank fully leveraged the strength of science and technology in private banking business to empower professional investment advisory and remote support capabilities, providing customers with the best asset allocation portfolio plans in the most convenient way at the most appropriate time and via the best channel; for products, the Bank fully integrated resources from Ping An Group and resources within and outside the Bank in private banking business to constantly provide quality products for wealth management and create an open product platform.

## **(2) Technology-driven retail business development**

The Bank adhered to the development strategy of "Being technology-driven". In 2018, it increased investment in technology, integrated and established a retail-exclusive IT team of over 3,200 people under the drive of cutting-edge technologies such as artificial intelligence, biometrics, big data, blockchain, cloud computing, etc. For online business, the Bank upgraded the on-line Pocket Bank APP embedded with various financial technologies and services and launched a Pocket Banker APP supporting mobile process and interactive communication for the staff in the Bank; for offline business, the Bank opened new offline retail outlets under "light, community-based, intelligent, diversified" concept, and integrated and built an intelligent OMO (Online Merge Offline, realizing online and offline integration) service system to bring better financial life experience for customers through an intelligent bank featured with integration, scenarization and personalization.

In 2018, the Bank focused on both the standardized operation and intelligent platform of new outlets under the

background of the formally opening-up of Guangzhou Liuhua Branch in 2017, which was its first intelligent retail store, commenced the program of “Follow the Liuhua Branch model” and successfully upgraded the standard operation model of 136 branches. The Bank built up a mature standardized system in operation and management for branch operation, promptly iterated and upgraded supports for platforms, tools and processes, and fully improved the management capability and professional skills of managerial staff and business teams.

In addition, the Bank fully leveraged the Group’s scientific and technological strength, developed and launched a wealth of advanced financial technology applications. With respect to scenario operation, the Bank, on the one hand, connected with external scenarios to build B2B2C model, and linked to scenarios and traffic of third-party platforms via technical methods such as APP interface and H5 plug-in, to provide customers with more convenient products and services; on the other hand, the Bank explored its own scenarios, created new channels, both on-line and off-line, and deepen the refined operation that targeted different user bases to attract customers effectively and enhance users’ sense of value.

The Bank made full use of AI technology in 2018. It carried out machine learning of customer service Q&A data accumulated for many years, cooperated with Ping An Technology to build the AnBot (a self-owned intellectual property) for customer service, and established a 7×24-hour “AI Customer Service” system based on the comprehensively collected user data and omni-channel tool deployment. Additionally, the Bank launched “AI + Advisor” series - wealth diagnosis and Ping An intelligent investment function, which could provide customers with personalized product investment portfolio plan based on their transaction records and risk preference. In terms of strengthening risk control, the Bank deployed about over 40 sets of big data risk models at each customer-related process to monitor and assess risks in an all-round way, and launched the “AI + Risk Control” project. A unified intelligent credit line management and control system and an automatic approval flow for retail customers were established after one year construction, which were applied to product lines such as personal loan, auto finance and credit card. Meanwhile, the Bank managed anti-fraud of debit and credit cards on a unified basis, built an anti-fraud defense line at large retail enterprise level, supported the daily tens of millions of financial transactions; thereby changing the current status that the improvement of overall operation capacity of traditional anti-fraud platform relied on the increase of work force. The Bank already has the ability to provide review service for various credit products.

In 2018, the Bank continued to implement agile practices, strove to recruit over a hundred of professional talents in Internet technology, products and marketing, and accelerated the realization of Internet thinking and technology-driving in each line of service, to achieve mutual integration and transformation of traditional finance talents and the newly-introduced Internet talents. The Bank holistically promoted on-line and mobile daily work and operation management, established a vertical mechanism for management and control coordination across the “head office - branches - sub-branches - front line”, rapidly increased the operating efficiency of the organization and continuously strengthened the mechanism and ability for sustainable development of retail business.

### **(3) Continuously enhancing contribution in comprehensive finance**

In 2018, the Bank continued to dig deeply into the Group's high-quality personal customer resources, created a specific B2B2C model to integrate the Bank's account capacity and the Group's on-line platforms (such as Ping An Good Doctor, Autohome) through plug-in, interface and other technical means, which enabled the customers to access to high quality products and services of the Bank in a more convenient manner.

In 2018, the number of new migration customers on the cross-selling channels (excluding credit cards) was 2,958,700, accounting for 29.8% of the overall new retail customers (excluding credit cards), of which, the number of private financial customers had a net increase of 54,200, accounting for 40.1% of the overall new private financial customers, and the balance of assets under management of retail customers (AUM) had a net increase by RMB140,359 million, accounting for 42.5% of the overall asset balance of the new customers; the total net non-interest income from group insurance sold by all retail channels on a commission basis was RMB2,463 million, a year-on-year increase of 32.6%. "New Generation Loans" granted by cross-selling channels amounted to RMB48,708 million, accounting for 43.4% of overall issuance of New Generation Loans through cross-selling channels; licensed mortgage loans amounted to RMB42,968 million, accounting for 45.5% of overall issuance of licensed mortgage loans; auto finance loans amounted to RMB34,167 million, accounting for 23.1% of overall issuance of auto finance loans; credit cards issued by cross-selling channels accounted for 39.0% of the total number of newly granted cards. The asset quality of the customers recommended through cross-selling channels was better than those from other channels, as the NPL ratio of "New Generation Loans" from cross-selling channels was 0.45%, 0.55 percentage point lower than the overall NPL ratio; the NPL ratio of licensed mortgage loans from cross-selling channels was 0.05%, 0.09 percentage point lower than the overall NPL ratio; the NPL ratio of auto finance loans from cross-selling channels was 0.41%, 0.13 percentage point lower than the overall NPL ratio; the NPL ratio of credit cards from cross-selling channels was 1.10%, 0.22 percentage point lower than the overall NPL ratio.

### **(4) Breakthrough in key projects**

In 2018, the Bank created the "Benefits Manager" 2.0 brand through sticking to the agile and efficient cross-department coordination mechanism and deeply understanding corporates and customers' needs to continuously upgrade products and interests; enhanced customer experience and efficiency by the embedded smart applet, on-line salary card application, and off-line verification; and promoted the effectiveness for salary payment by improving the payment process and achieving direct connection between banks and enterprises and combination of one-click payment and real-time charging across banks; in addition, the Bank also actively researched a new model of connected corporate banking and retail banking to attract new customers in bulk for agency business. At the end of 2018, there were 26,829 agency corporate customers, with a year-on-year increase of 50.5%; the effective customers increased by 630,000 on a net basis, a year-on-year increase of 32.9%; at the end of 2018, the AUM balance of agency customers amounted to RMB202,135 million, up 41.8% over the end of the previous year; the balance of agency customer deposits amounted to RMB69,511 million, increasing by 34.2% over the end of the previous year.

In 2018, the Bank established a functionally complete bank card acceptance platform and a product system, launched a comprehensive solution based on industry features and regulatory requirements targeting traditional circulation, professional market, Internet new retail industry status, vertical e-commerce, platform e-commerce, etc., and initially built up differentiated competitiveness. For business expansion, the Bank created an entirely new channel cooperation system to work with partners from all industries to seek a win-win situation; for management, the Bank fully understood customers' background and specific business models, and improved the efficiency of verification; for products, the Bank issued one-time QR code based on transaction orders to enhance customer experience; and for technology, the Bank provided on-line and off-line channels to attract customers for special customers via big data and AI. In one word, the Bank took multiple measures to lay a solid foundation for the rapid future development of card acceptance business in an all-round way. At the end of 2018, the Bank's customers of bank card acceptance business increased by 377.6% over the end of the previous year.

## **2. Reinventing its corporate banking**

In 2018, the Bank's corporate business focused on superior business, superior channel and quality projects and built up bigger and stronger ecosystems based on an ecological operation idea. In the process of building a superior bank, the Bank substantially used cloud technology, blockchain, IoT, big data and other technical methods in corporate business to empower the management, drive business innovation and form an intelligent superior corporate banking business system. Meanwhile, in the process of developing corporate business, the Bank relied on the Group's comprehensive financial advantages, integrated financial and technology service functions and continuously enriched the service scenarios for corporate customers to upgraded products and customer experience. In the future, in the corporate business sector, the Bank will actively export platforms and products to other financial institutions, attract customers in agency mode, implement "light assets and light capital" strategy, and accelerate the strategic process.

### **(1) Establishment of quality corporate business**

#### **Intelligent supply chain finance**

The Bank upgraded its supply chain financial services to build a new development model of "technology + service + scenario". Based on specific transaction scenarios, it provided diversified and embedded intelligent supply chain financial services centering on the industry chain. Intelligent supply chain finance reflects the upgrading of service targets, service models, service methods and operational concepts. Firstly, the Bank expanded the scope of service targets from the core enterprises to small and micro businesses – the long tail of the whole industrial chain; secondly, for upgrading of the service model, the Bank integrated the transactional banking product system to provide integrated financial solution incorporating financing, settlement, and financial and asset management; thirdly, for upgrading of service methods, the Bank promoted the intelligent and digital transformation of supply chain finance by technology empowerment such as blockchain, big data, artificial intelligence, etc. Fourthly, for upgrading of operational concept, the Bank joined hands with partners in sectors such as science and technology, scenarios and channels to build a favorable supply chain financial services ecosystem based on the operational

concepts that encouraged open-up and sharing.

For the core enterprises in the industrial chain and their upstream customers, the Bank launched the “Supply Chain Receivables Service” (SAS platform) platform in 2018 to provide integrated financial services such as transfer, financing, management and settlement of online accounts receivable. The SAS platform applied the four core technologies of “Ping An blockchain” in full, established a multilateral mutual trust mechanism, managed the underlying assets on an in-depth basis, and applied “AI + big data” to implement intelligent verification and continuous monitoring over the authenticity of the transaction background. At the end of 2018, the accumulated transaction volume of SAS platform exceeded RMB10 billion. It had provided financial service support to 111 core enterprises and their upstream small, medium and micro enterprises, which effectively solved the problems of difficulty and high cost in financing to support the healthy development of the real economy.

### **Government finance**

With respect to government finance, Ping An Bank was driven by the concept of “Smart City Financial Engine” and cooperated with various professional companies in the “Smart City” ecological circle of Ping An Group to create a differentiated capability of government finance in the three types of ecological circles, finance, housing and justice, and enhance the effectiveness of administrative services of the government.

The Bank had created two open “clouds” in e-governance. “Housing Cloud” is a smart and open platform for housing ecology, which focuses on “land, building, housing, home and people” and aims at solving key issues such as capital supervision for housing administrative authorities. “Fiscal Cloud” creates a unified fiscal service interface by leveraging innovative technologies such as blockchain, AI, and big data, and solves capital and information management problems for fiscal clients in various stages such as budget preparation and review, implementation and accounting. At present, the Bank deeply cooperates with Ping An Urban-Tech and Chongqing Financial Asset Exchange to provide customers with innovative financial services by thoroughly analyzing customer business flow and capital flow based on the focuses of customers with advantages of financial + technology services. In 2018, 106 new e-governance platform projects were launched, with the accumulated total number of 462.

### **Small enterprise digital finance (KYB)**

Based on probability theory, the Bank's small enterprise digital finance (KYB) reveals and judges the credit information of small and medium-sized enterprises via quantitative models. It also relies on digital financial operation platform to use modern technological methods such as mobile Internet, big data, AI, cloud computing, and IoT to provide integrated financial services for small and medium-sized enterprises.

On the one hand, KYB realizes online real-time application, automatic approval in system and real-time monitoring after loan granting by applying big data technology to attract customers before lending, applying AI technology to automatic approval and refinement loan granting, and applying IoT technology to accurate monitoring of post-lending risks to effectively solve the financing problems of small and medium-sized

enterprises, especially private small and medium-sized enterprises, under the premise of ensuring the Bank's own risk control and profitability requirements. On the other hand, closely bonded with the “Five ecological circles” and “Top ten industries” of Ping An Bank, KYB attracts customers horizontally in batches with standard products as the media, explores scenarios with customized products in depth, implements comprehensive financial marketing through the “integrated” industry service plan, deeply embeds customer base business scenarios, broadens and deepens financial services, and takes the leading bank position step by step to promote the comprehensive income for banks. At the end of 2018, KYB customers amounted to 14,103 and the accumulated volume of loans issued amounted to RMB10.7 billion.

### **Internet payment and settlement**

Internet payment and settlement is an effective way for the Bank to expand the base of basic corporate customers, obtain low-cost liabilities, increase the income from non-interest intermediate businesses and reflect the strength of comprehensive financial services. Through diversified payment instruments and settlement methods such as electronic accounts, code-scanning payment, and non-perceptible payment, the Bank improved transaction efficiency and reduced transaction costs.

In the process of promoting the “payment + accounts + scenario” strategy, the first matter of the Bank was to carefully select industries. The Bank focused on strategic industries and Internet emerging industries related to national economy and people's well-being; at the same time, with the advantage of the Group, it integrated into the Group's ecological cycles including automotive, housing, health care and smart city, to provide one-stop, closed-loop financial services with more comprehensive coverage of customer life scenarios through the “finance + ecology”. The second was to carefully cultivate the customer base. The Bank combined segmented scenarios with industry needs and provided customized financial services such as payment settlement, identity authentication and transaction witness for Internet leading customers. The third was to carefully tailor product offerings. With the account system and capital management capabilities as the core, the Bank integrated front-end collection and back-end payment and superimposed diversified products and services such as capital appreciation, data financing, integrated finance and enterprise services to form an integrated transaction banking service capability. At the end of the reporting period, the Bank launched 300 new Internet payment settlement platforms in 2018, a year-on-year increase of 70%.

### **Pocket finance**

Pocket Finance APP is an integrated one-stop mobile financial service platform launched by Ping An Bank for B-end customers, which adopts “platform + product + service” as its core business model, provides enterprises with more efficient and secure corporate financial services at lower cost through unified portal, brand, platform, interface and underlying supports, and connects to a wide range of heavyweight scenario partners on business management. Corporate customers can enjoy basic financial services such as payment settlement, payroll, account management, etc., as well as comprehensive financial services such as financing, wealth management, insurance, mobile office, financial management, etc. The Bank had provided customers with mobile-based enterprise lifetime



integrated services.

As one of the benchmark products in the Bank's practice of finance + technology in corporate banking, Pocket Finance employs a wide range of mature technology innovation applications to embed latest financial technology achievements in Internet finance applications, such as biometrics, OCR (image recognition capabilities), cloud signing and big data in customers' high-frequency business scenarios, to create ultimate user experience for corporate customers and improve business processing efficiency. For example, by introducing a number of patent technologies in biometrics from Ping An Technology, Pocket Finance APP can be instantly logged in without inputting complex user names and passwords; with mobile phone certificate technology, corporate customers can enjoy ultimate non-perceptible payment like individual customers on the APP, which allows finance staff and managers of enterprises to easily complete large amount transfers without compromising security. The biggest beneficiaries of these services are private enterprises and small and medium-sized enterprises that crave for professional treasury services but are unable to afford expensive administrative costs. According to statistics, at the end of 2018, the number of registered customers of Pocket Finance reached 280,000, the cumulative number of transactions reached 1.5 million, and the transaction amount exceeded RMB830 billion.

### **Offshore interbank finance**

As more high quality Chinese-funded enterprises join in the “going global” trend, the offshore cross-border finance of Chinese-funded banks grows fast with business scenarios expanded. The Bank gave full play to its advantages of offshore banking licenses and market-leading position, promoted offshore interbank financial products timely, and provided offshore financial products and services (including offshore interbank payroll, offshore cross-border finance, overseas loans under domestic guarantees and offshore trading finance) for other Chinese-funded banks. At the same time, the Bank also actively cooperated with domestic and foreign non-banking financial institutions engaged in security, insurance and financial leasing sectors for overseas fund management, investment and financing. In 2018, the offshore interbank financial investment and the ending financial balance of the Bank both exceeded USD10 billion. The bank cooperated with nearly 200 branches of over 50 Chinese-funded banks and more than 20 non-banking financial institutions in offshore financing to satisfy the service demands of Chinese-funded banks and non-banking financial institutions, realize the Bank's “dual-light transformation” development in offshore financing and maintain a leading position among Chinese-funded off-shore banks in main operation indicators.

### **(2) Breakthroughs and innovations in comprehensive finance**

The Bank kept seeking two-way breakthroughs in products and channels. On the one hand, the Bank strengthened the banking channels, used the Group's various products to increase customer stickiness and to contribute value, and achieved scale-based revenue breakthroughs in the way of “product portfolio + scene integration”. On the other hand, the Bank leveraged the advantages of the Group, built a banking business portal in the “finance + technology” scenario, closely followed the “finance+ ecology” strategy in innovating the cooperation model of comprehensive finance, and fully mobilized the sales force of the Group's comprehensive financial channels to

effectively enhance the main businesses of the Bank. At the end of 2018, the number of comprehensive finance customers 34,200, up 17.1% over the end of the previous year. The volume of new bank-investment bank cooperation projects reached RMB234,730 million, up 125.9% over the end of the previous year.

### **(3) Selected investment bank and interbank business**

Aiming at becoming a connector of financial institutions, the Bank actively strengthened collaboration with the Group's professional subsidiaries in developing selected investments bank and interbank business, integrating customer resources, product resources and service resources, bridging contracting, undertaking and underwriting businesses, and building an ecosystem of financial services.

First, the Bank fully implemented the light financing strategy and actively served the real economy. It positively responded to the nation's call for poverty alleviation and initiated poverty alleviation fund and bond businesses. At the same time, the Bank constantly optimized the structure of investment banking products, enriched their categories, and explored ways to promote the development of light financing. It vigorously engaged in bond underwriting, created an ecosystem for mergers, acquisitions and bank consortium, and kept expanding the scale of financing arrangements to meet the diversified financing needs of customers and develop a leading brand in the market of investment banks. In 2018, the Bank issued bonds of RMB161.9 billion in its interbank bond underwriting business, a year-on-year increase of 54.0% over the previous year.

Second, the Bank repositioned itself in the industry, bridged asset management, trade and sales, and enhanced the value of customer channels of banks and other financial institutions. The Bank had made great effort to push forward the sales transformation and build professional institutional sales teams specialized in product sales and asset promotion, aiming at achieving accelerated growth in institutional sales; it promoted the iterative upgrading of "Hang-E-Tong" platform by adding the "financial product agency platform" service function, and matching product supply with investment demands in the asset management market; it enhanced its businesses in the financial market, perfectly grasped market opportunities, elevated the trading strategy developing to a higher level, and made breakthroughs in new trading varieties such as bilateral deposits, over-the-counter bonds, and NDF optional forward transactions of USD and KRW; it comprehensively reshaped the business system with science and technology, initiated the establishment of customer portrait system of banks and other financial institutions, and improved the level of refined and intelligent customer management to provide better services for customers. At the end of 2018, the total number of customers received service from the "Hang-E-Tong" platform reached 2,079, an increase of 150 over the end of previous year. Interbank sales, underwriting and promotion products amounting to 574 were newly introduced and available for sale, achieving a sales volume of RMB225.2 billion; the trading volume of interest rate swap totaled RMB2,076.55 billion, an increase of 24.9% over the previous year; the trading volume of derivative agent businesses reached USD13.5 billion, an increase of 25.0% over the previous year; 110 enterprises and financial institutions became the Bank's new customers. The trading volume of self-operated precious metals was RMB820 billion, an increase of 24.3% over the previous year; the trading volume of agent precious metals was RMB520 billion, an increase of 254.0% over the previous year.

### **3. Scientific and technology-driven**

#### **(1) Increasing investment in science and technology**

The Bank strived to attract science and technology talents, including recruiting a large number of compound high-end technology talents from the Silicon Valley as well as overseas and domestic leading Internet enterprises to continuously optimize and improve science and technology talent teams and advocate the leading ability in science innovation. At the end of 2018, the technical staff of the Bank reached 6,000 (including outsourcing talents), representing a year-on-year increase of over 44%.

#### **(2) Developing a new three-year IT plan**

In order to implement the Bank's strategy of “being technology-driven, pursuing breakthroughs in retail banking, and reinventing its corporate banking” and support an agile transformation in the Technology, the Bank completed a Three Year (2019-2021) IT Development Plan in September 2018. After analyzing the status quo and future development requirements, and comprehensively considering the best practices of the industry and characteristics of the Bank, the Bank determined the overall goal of “the overall technological capabilities of the Bank being among the first echelon of the joint-stock banks and some capabilities being on top in the next three years”, and clarifying the specific action plans, work focuses and corresponding implementing strategies for the next three years. The plan serves as the overall guidance for all the information and technology works in the next three years.

#### **(3) Implementing agile transformation**

In order to rapidly respond to business needs and strategically shift the information technology from its traditional role of supporter and guarantee to its new role of business driver, the Bank established a lean and agile dual-mode R&D system to promote agile transformation, strengthen the deep integration of technology and business, and develop and improve dual-mode R&D management methods, lean R&D implementation rules, and agile R&D implementation rules. In 2018, the technical staff dispatch model was implemented in the corporate business line after its implementation in the retail line. The agile development model was piloted in projects such as Pocket Finance APP, “FB Remote Counter” and “Smart Management” to greatly hasten product iteration, improve delivery quality and enhance customer experience. In 2018, the deliveries associated with business need development of the Bank increased 100% on a year-on-year basis.

#### **(4) Improving the level of refined management**

In order to further improve the level of refined management over science and technology, in 2018, the Bank established the PMO system for IT line, followed up all the key projects and work matters, proactively identified problems and assisted in management duties, enhanced collaboration and information sharing among IT teams, and improved organizing and executing ability. It also introduced the function point evaluation method to perfect the development measurement mechanisms, promoted the use of various automated tools to enhance automation in the development process, and further improved the refined level of development management.

#### **(5) Creating leading technology platforms**

The Bank was committed to creating a flexible, secure and open technology system to support the rapid business

growth, Internet transformation and product and service innovation. At the end of the reporting period, the Bank established a complete science and technology disaster recovery system and big data platform technology system, accomplished the cloud deployment of the whole development and test environment and part of the production environment (IaaS), started the construction of basic PaaS platform featuring open platform technology, billion-byte processing ability, comprehensive support for agile development, flexible expansion, secure operation and maintenance, better support for business continuity, and technical automation and controllability. At present, the planning and model selection works related to the distributed PaaS platform have been completed and ready for pilot projects. In the current year, the Tenglong core system won the “2018 IDC Asia-Pacific Core Innovation Leader Prize”, making the Bank the only core system winner of this prize in the Asia-Pacific region. The “Pocket Bank Security Project” won the 2018 Asian Bankers’ “Best Mobile Phone Security Project”, and the “Indexing Assessment System of Data Centre Based on Big Data and Best Practice” won the 2017 Financial Science and Technology Outstanding Contribution Award of the *Financial Computerization Magazine*.

#### **(6) Deepening scientific innovation**

The Bank set up innovation garage, established innovation committee, promoted professional technology sequence to stimulate science and technology innovation by means of good mechanism, and fully facilitated the application of cutting-edge science and technology in the operation and management of the Bank. The Bank rapidly pushed forward the combination of cutting-edge technology and financial application scenarios based on the core technology and resources of Ping An Group in sectors such as artificial intelligence, blockchain, cloud computing, big data, information security, etc.

Under the help of mobile internet, biometric identification, big data, cloud computing and artificial intelligence, the Bank created brand-new business processes and risk control models in three dimensions: first, the Bank performed remote identification by checking customers’ identities online through face recognition, voiceprint recognition, public security network verification, UnionPay authentication and other means; second, based on the credit data from PBOC, the bank cooperated with UnionPay, provident fund centers, industrial and commercial bureaus, tax bureaus, mobile operators and third-party platforms, used the artificial intelligence technology to comprehensively analyze the data and portray customer images in 360 degrees, and cultivated credit evaluation ability, anti-fraud ability and risk warning ability based on multi-dimensional real-time data; third, the Bank combined mobile applications with centralized remote operations to greatly improve business operation efficiency and effectively control risks. For example, the SME data loan platform KYB (Know Your Business) was developed by the Bank using this innovative technology against the background of response to China’s call of “supporting inclusive finance, removing financing barriers and lowering financing costs for SMEs”. At the end of 2018, KYB issued by the Bank amounted to over RMB10 billion. A single loan was approved within 60 seconds, and granted within 10 seconds. This product won the “2018 China Financial Technology Innovation List - Excellent Case Award for Banking Science and Technology Innovation”. In terms of blockchain, the Bank kept exploring in-depth application and innovation in supply chain finance and other areas. For example, the application of blockchain technology in the Supply Chain Accounts Receivable Service platform (SAS platform)

made the assets traceable and unable to be tampered with. Meanwhile, the use of robotic process automation (RPA) technology helped to achieve business automation processing, greatly improving the efficiency and quality of the traditional manual operation process of the Bank. This technology, applied to multiple business scenarios such as open account verification and open account PBOC data entry, increased the business efficiency by over 60% comparing to that of manual processing.

**(III) Whether there is significant change in the main businesses during the reporting period?**

Yes     No

**(IV) Product accounting for over 10% of income or profit from main businesses**

Applicable     Not applicable

(In RMB million)

Item	2018		2017		Year-on-year change
	Amount	%	Amount	%	
<b>Net interest income</b>	<b>74,745</b>	<b>64.0%</b>	<b>74,009</b>	<b>70.0%</b>	<b>1.0%</b>
Interest income from balances with central banks	4,002	2.5%	4,232	2.9%	(5.4%)
Interest income from transactions with financial institutions	10,933	6.7%	10,726	7.2%	1.9%
Including: Interest income from deposits with banks and other financial institutions	4,893	3.0%	7,476	5.1%	(34.6%)
Interest income from placements with banks and other financial institutions	1,759	1.1%	1,585	1.1%	11.0%
Interest income from loans and advances to customers	118,184	72.6%	94,976	64.1%	24.4%
Interest income from financial investments	28,363	17.4%	34,078	23.0%	(16.8%)
Other interest income	1,406	0.8%	4,056	2.8%	(65.3%)
<b>Subtotal of interest income</b>	<b>162,888</b>	<b>100.0%</b>	<b>148,068</b>	<b>100.0%</b>	<b>10.0%</b>
Interest expense on borrowings from central bank	4,299	4.9%	2,671	3.6%	61.0%
Interest expense for transaction between financial enterprises	18,686	21.2%	19,155	25.9%	(2.4%)
Interest expense on deposits due to customers	49,638	56.3%	37,875	51.1%	31.1%

Interest expense on debt securities issued	15,520	17.6%	14,358	19.4%	8.1%
<b>Subtotal of interest expense</b>	<b>88,143</b>	<b>100.0%</b>	<b>74,059</b>	<b>100.0%</b>	<b>19.0%</b>
<b>Net fee and commission income</b>	<b>31,297</b>	<b>26.8%</b>	<b>30,674</b>	<b>29.0%</b>	<b>2.0%</b>
<b>Other net non-interest income</b>	<b>10,674</b>	<b>9.2%</b>	<b>1,103</b>	<b>1.0%</b>	<b>867.7%</b>
<b>Total operating income</b>	<b>116,716</b>	<b>100.0%</b>	<b>105,786</b>	<b>100.0%</b>	<b>10.3%</b>

**(V) Whether there is any significant seasonal or cyclical operating concerns?**

Yes     No

**(VI) Explanatory notes on significant changes in operating income, operating cost, net total profit attributable to ordinary shareholders of the Company during the reporting period as compared to the last reporting period**

Applicable     Not applicable

**Analysis of comparative items with a change of over 30%**

Item	Amount for the period	Amount of change	Rate of change	Analysis on reasons of change
Deposits with banks and other financial institutions	85,098	(45,110)	(34.6%)	Decrease in deposits with domestic banks and other financial institutions
Precious metals	56,835	(30,666)	(35.0%)	Decrease in trade receivables from gold lease
Derivative financial assets	21,460	5,380	33.5%	Interest rate derivative transaction scale and changes in fair value
Accounts receivable	-	(52,886)	(100.0%)	In accordance with the calculation standard issued by regulatory authorities, factoring receivable without recourse shall be included in "Loans and advances to customers" this year
Interest receivables	-	(20,354)	(100.0%)	The item was canceled for the year according to the revised formats of financial statements required for financial enterprises as issued by the Ministry of Finance. The interest provided based on the effective interest rate was included in the carrying amount of the financial instrument and interest outstanding at the balance sheet date was presented in "other assets"
Financial assets held for trading	148,768	109,193	275.9%	Impact from the implementation of new accounting standards for financial instruments
Investment on debts	629,366	629,366	Nil at the end of last year	Impact from the implementation of new accounting standards for financial instruments
Other investment on debts	70,664	70,664	Nil at the end	Impact from the implementation of new

			of last year	accounting standards for financial instruments
Other equity investment	1,519	1,519	Nil at the end of last year	Impact from the implementation of new accounting standards for financial instruments
Available-for-sale financial assets	-	(36,744)	(100.0%)	Impact from the implementation of new accounting standards for financial instruments
Held to maturity investment	-	(358,360)	(100.0%)	Impact from the implementation of new accounting standards for financial instruments
Investment in receivables	-	(372,323)	(100.0%)	Impact from the implementation of new accounting standards for financial instruments
Fixed assets	10,899	2,863	35.6%	Increase in net value of buildings, office equipment and electronic equipment
Interest payable	-	(26,063)	(100.0%)	The item is canceled for the year according to the revised formats of financial statements required for financial enterprises as issued by the Ministry of Finance, interest provided based on the effective interest rate was included in the carrying amount of the financial instrument and interest outstanding at the balance sheet date was presented in “other liabilities”
Provisions	860	835	3,340.0%	Due to the implementation of new accounting standards for financial instruments, provision for losses on financial guarantee contract and other items are presented in “provisions” for the year
Other liabilities	19,792	7,674	63.3%	Increase in transitional settlement funds and custody payable
Other comprehensive income	786	1,314	Negative at the end of the previous year	Changes in fair value included in other comprehensive income due to the implementation of new accounting standards for financial instruments
Fee and commission expense	8,065	3,014	59.7%	Increase in commission expense arising from increase in the number of credit cards issued and in the transaction volume
Investment income	9,186	8,554	1,353.5%	Impact from the implementation of new accounting standards for financial instruments
Gains/losses on fair value changes	892	953	Negative in the previous year	Increase in gains/losses from fair value changes of Financial assets held for trading
Gains on disposal of assets	88	78	780.0%	Increase in proceeds from the disposal of foreclosed assets (small in previous year)
Impairment losses on credit	47,814	47,814	Nil in the	Impact from the implementation of new

			previous year	accounting standards for financial instruments
Impairment losses on other assets	57	57	Nil in the previous year	Impact from the implementation of new accounting standards for financial instruments
Impairment losses on assets	-	(42,925)	(100.0%)	Impact from the implementation of new accounting standards for financial instruments

**(VII) Suspension in trading or delisting**

Applicable Not applicable

**VII. Matters relating to Financial Statements**

**1. Reason for changes in accounting policies, accounting estimates and accounting methods as compared to the financial report for last year**

Applicable Not applicable

The Bank started to adopt new accounting standards for financial instruments from 1 January 2018. Under the transitional provisions of new standards, the Bank is not required to restate comparatives and the adjustment of differences between original standards and first-day adoption of new standards is recorded into retained earnings at the beginning of the period or other comprehensive income.

Pursuant to the *Circular on Amendment to Formats of Financial Statements of Financial Enterprises for 2018* (Cai Kuai (2018) No. 36) issued by the Ministry of Finance, the Bank shall prepare the financial statements in accordance with the revised formats of financial enterprises as of the accounting year that beginning on 1 January 2018, and the Bank is not required to restate comparatives.

- (1) According to the *Circular*, the interest provided based on effective interest rate will be included in the carrying amount of the financial instrument and interest outstanding at the balance sheet date will be presented in “Other assets” or “Other liabilities”. Unless otherwise stated, “Loans and advances to customers”, “Due to customers” and the specific items mentioned in “VI. Discussion and Analysis of Operations” of the summary are amounts excluding interest.
- (2) The items of “Fair value through profit or loss financial assets”, “Financial investment measured at amortized cost”, “Fair value through profit or loss financial liabilities” are updated to “Financial assets held for trading”, “Investment on debts” and “Financial liabilities held for trading”. Debt instruments and equity instruments in “Fair value through other comprehensive income financial assets” are listed as “Other investment on debts” and “Other equity investment” respectively.

See “II. Summary of significant accounting policies and accounting estimates 36. Effect of significant changes in accounting policies” in “Section XIII Financial Report” in the *2018 Annual Report of Ping An Bank Co., Ltd.* for



specific information.

**2. Reason for retrospective restatement to correct major accounting errors during the reporting period**

Applicable Not applicable

There is no retrospective restatement to correct major accounting errors during the reporting period.

**3. Reason for changes in scope of the consolidated financial statements as compared to the financial report for last year**

Applicable Not applicable

There is no change in scope of the consolidated financial statements during the reporting period.

The Board of Ping An Bank Co., Ltd.

7 March 2019