



平安银行
PING AN BANK

Ping An Bank Co., Ltd.

2018 Third Quarterly Report

24 October 2018

Section I. Important Notes

- 1.1 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 2018 Third Quarterly Report, in which there are no false representations, misleading statements or material omissions, and are severally and jointly liable for its contents.
- 1.2 The 20th meeting of the 10th session of the Board of the Bank deliberated the 2018 Third Quarterly Report. The meeting required 14 directors to attend, and 14 directors attended the meeting. This 2018 Third Quarterly Report was approved unanimously at the meeting.
- 1.3 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 Third Quarterly Report.
- 1.4 Reminder on non-standard audit opinions
Applicable Not applicable

This quarterly financial report has not been audited; PricewaterhouseCoopers Zhong Tian LLP conducted agreed-upon procedures on selected items and the preparation process of the financial statements of the Report.

Section II. Corporate Profile

I. Key Accounting Results and Financial Indicators

Whether the Bank needs to make retrospective adjustments to or restate prior-year accounting figures?

Yes No

(In RMB million)

Item	30 September 2018	31 December 2017	Change at the end of the reporting period from the end of last year
Total assets	3,352,056	3,248,474	3.2%
Shareholders' equity	235,231	222,054	5.9%
Shareholders' equity attributable to ordinary shareholders	215,278	202,101	6.5%
Share capital	17,170	17,170	-
Net asset per share attributable to ordinary shareholders (RMB/share)	12.54	11.77	6.5%

Item	Jul. - Sep. 2018	Increase/decrease as compared with the same period of last year	Jan. - Sep. 2018	Increase/decrease as compared with the same period of last year
Operating income	29,423	14.2%	86,664	8.6%
Net profit attributable to shareholders of the Company	7,084	7.3%	20,456	6.8%
Net profit attributable to shareholders of the Company after non-recurring gains/losses	7,021	6.1%	20,347	6.4%
Net cash flows from operating activities	N/A	N/A	(11,310)	Negative amount for the same period of last year
Net cash flow from operating activities per share (RMB/share)	N/A	N/A	(0.66)	Negative amount for the same period of last year
Basic/diluted earnings per share (EPS) (RMB/share)	0.41	7.9%	1.14	7.5%
Basic EPS after non-recurring gains/losses (RMB/share)	0.41	7.9%	1.13	6.6%
Average return on total assets (un-annualised)	0.21%	-	0.62%	-0.01 percentage point
Average return on total assets (annualised)	0.84%	-0.01 percentage point	0.83%	-0.01 percentage point
Weighted average return on net assets (un-annualised)	3.35%	-0.04 percentage point	9.48%	-0.12 percentage point
Weighted average return on net assets (annualised)	13.16%	-0.16 percentage point	12.60%	-0.17 percentage point
Weighted average return on net assets (net of non-recurring gains/losses) (un-annualised)	3.32%	-0.08 percentage point	9.43%	-0.16 percentage point

Weighted average return on net assets (net of non-recurring gains/losses) (annualised)	13.05%	-0.31 percentage point	12.53%	-0.22 percentage point
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Note: (1) 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 aforementioned dividends on preference shares paid.

(2) The Bank complied with provisions related to presentation in *Accounting Standard for Business Enterprises No. 42 - Non-current Assets or Disposal Groups Held for Sale and Discontinued Operations* and *Circular on Amendment to Formats of Financial Statements of General Industry* in the 2017 Annual Report, and separately included “gains/losses on disposal of assets” in “operating income” on the income statement. The comparatives for “operating income” have been restated. The comparatives for “operating income” from January to September 2017 have been accordingly restated to RMB79,832 million from RMB79,833 million, and the comparatives for “operating income” for Q3 2017 have been restated to RMB25,763 million from RMB25,760 million.

(In RMB million)

Item	30 September 2018	31 December 2017	31 December 2016	Change at the end of the reporting period from the end of last year
Deposits due to customers	2,134,641	2,000,420	1,921,835	6.7%
Including: Corporate deposits	1,713,897	1,659,421	1,652,813	3.3%
Personal deposits	420,744	340,999	269,022	23.4%
Total loans and advances to customers	1,922,047	1,704,230	1,475,801	12.8%
Including: Corporate loans	839,984	855,195	934,857	(1.8%)
General corporate loans	801,374	840,439	920,011	(4.6%)
Discounted bills	38,610	14,756	14,846	161.7%
Personal loans	1,082,063	849,035	540,944	27.4%
General personal loans	653,220	545,407	359,859	19.8%
Credit card receivables	428,843	303,628	181,085	41.2%
Provision for impairment of loans and advances to customers at amortised cost	(54,444)	(43,810)	(39,932)	24.3%
Net loans and advances to customers	1,867,603	1,660,420	1,435,869	12.5%

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 30 September 2018, the total deposits and the total loans amounted to RMB2,512.6 billion and RMB1,988.9 billion, respectively.

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, accumulated from January to September)	1.14

Has the share capital ever changed and influenced the amount of the owners' equity because of newly issued shares, additional issue, allotment, exercising of stock option, or repurchasing, etc. from the end of the reporting period to the disclosure date of the Quarterly Report?

Yes No

Non-recurring items and amounts

Applicable Not applicable

(In RMB million)

Item	Jan. - Sep. 2018
Gains or losses on disposal of non-current assets	88
Gains or losses on contingencies	1
Others	53
Impact on income tax	(33)
Total	109

Note: The non-recurring gains/losses are calculated as per the *Explanatory Announcement on Information Disclosure by Companies Offering Securities to the Public No. 1 – Non-recurring Gains/Losses* issued by China Securities Regulatory Commission (“CSRC”).

During the reporting period, the Bank had no recurring gain/losses items as defined or listed as non-recurring gains/losses as per the *Explanatory Announcement on Information Disclosure by Companies Offering Securities to the Public No. 1 – Non-recurring Gains/Losses*.

II. Regulatory Indicators and Financial Ratios

(Unit: %)

Item	Standard level of indicator	30 September 2018	31 December 2017	31 December 2016
Capital adequacy ratio	≥10.5	11.71	11.20	11.53
Tier one capital adequacy ratio	≥8.5	9.41	9.18	9.34
Core tier one capital adequacy ratio	≥7.5	8.53	8.28	8.36
Non-performing loan (NPL) ratio	≤5	1.68	1.70	1.74
Provision coverage ratio	≥150	169.14	151.08	155.37
Provision to loan ratio	≥2.5	2.84	2.57	2.71
Cost/income ratio (from the beginning of the year to the end of the period)	N/A	29.52	29.89	25.97
Deposit-loan spread (from the beginning	N/A	4.01/3.00	3.99	4.49

of the year to the end of the period, annualised/un-annualised)				
Net interest spread (NIS) (from the beginning of the year to the end of the period, annualised/un-annualised)	N/A	2.21/1.66	2.20	2.60
Net interest margin (NIM) (from the beginning of the year to the end of the period, annualised/un-annualised)	N/A	2.29/1.71	2.37	2.75

Note: Regulatory indicators are presented as per regulatory criteria.

III. Total Number of Shareholders and the Shareholdings of the Top 10 Shareholders as at the End of the Reporting Period

1. The total number of ordinary shareholders and 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	406,242	Total number of preference shareholders with restored voting rights as at the end of the reporting period (if any)	-			
Shareholdings of the top 10 ordinary shareholders						
Name of shareholder	Nature of shareholder	Shareholding (%)	Total number of shares held	Number of restricted 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	49.56	8,510,493,066	-	-	-
Ping An Life Insurance Company of China, Ltd. – proprietary fund	Domestic legal entity	6.11	1,049,462,784	-	-	-
China Securities Finance Corporation Limited	Domestic legal entity	2.50	429,232,688	-	-	-
Ping An Life Insurance Company of China, Ltd. -traditional - ordinary insurance products	Domestic legal entity	2.27	389,735,963	-	-	-
Hong Kong Securities Clearing Company Limited	Overseas legal entity	2.07	356,270,958	-	-	-
Central Huijin Asset Management Ltd.	Domestic legal entity	1.26	216,213,000	-	-	-
CEIEC Shenzhen	Domestic legal entity	1.08	186,051,938	-	-	-
Henan Hongbao (Group) Co., Ltd.	Domestic legal entity	0.58	99,441,107	-	-	-
Xinhua Life Insurance Co., Ltd.-dividend - dividend for individual -018L-FH002 Shen	Domestic legal entity	0.29	49,603,502	-	-	-
MANULIFE TEDA Fund Management Co., Ltd. - China Minsheng Bank - asset management plan No. 193 for MANULIFE TEDA value growth private placement	Domestic legal entity	0.24	40,590,918	-	-	-
Shareholdings of the top 10 unrestricted shareholders						
Name of shareholder	Number of unrestricted shares held	Type of shares				
		Type of shares	Number of shares			
Ping An Insurance (Group) Company of China, Ltd. – the Group – proprietary fund	8,510,493,066	RMB ordinary shares	8,510,493,066			
Ping An Life Insurance Company of China, Ltd. –	1,049,462,784	RMB ordinary shares	1,049,462,784			

proprietary fund			
China Securities Finance Corporation Limited	429,232,688	RMB ordinary shares	429,232,688
Ping An Life Insurance Company of China, Ltd. -traditional - ordinary insurance products	389,735,963	RMB ordinary shares	389,735,963
Hong Kong Securities Clearing Company Limited	356,270,958	RMB ordinary shares	356,270,958
Central Huijin Asset Management Ltd.	216,213,000	RMB ordinary shares	216,213,000
CEIEC Shenzhen	186,051,938	RMB ordinary shares	186,051,938
Henan Hongbao (Group) Co., Ltd.	99,441,107	RMB ordinary shares	99,441,107
Xinhua Life Insurance Co., Ltd.-dividend - dividend for individual -018L-FH002 Shen	49,603,502	RMB ordinary shares	49,603,502
MANULIFE TEDA Fund Management Co., Ltd. - China Minsheng Bank - asset management plan No. 193 for MANULIFE TEDA value growth private placement	40,590,918	RMB ordinary shares	40,590,918
Description of related-party relationships or concerted actions among the above shareholders	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. 2. The Bank is not aware of any related-party relationship or parties acting in concert among other shareholders.		
Description of the top 10 ordinary shareholders who engage in securities margin trading (if any)	N/A		

Whether the top 10 ordinary shareholders and the top 10 unrestricted ordinary shareholders executed any agreed repurchase transactions within the reporting period

Yes No

2. Total number of preference shareholders, and the shareholdings of the top 10 preference shareholders

Applicable Not applicable

(Unit: Share)

Total number of preference shareholders as at the end of the reporting period	15					
Shareholdings of the top 10 preference shareholders						
Name of shareholder	Nature of shareholder	Shareholding (%)	Total number of shares held	Number of restricted 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	-	-	-
Ping An Life Insurance Company of China, Ltd. – universal – individual universal insurance	Domestic legal entity	19.34	38,670,000	-	-	-
Ping An Property & Casualty Insurance Company of China, Ltd. – traditional – ordinary insurance products	Domestic legal entity	9.67	19,330,000	-	-	-
China Post & Capital Fund – Hua Xia Bank – Hua Xia Bank Co., Ltd.	Domestic legal entity	8.95	17,905,000	-	-	-
Bank of Communications Schroder Fund Management – Bank of Communications – Bank of Communications Co., Ltd.	Domestic legal entity	8.95	17,905,000	-	-	-
Bank of China Limited Shanghai Branch	Domestic legal entity	4.47	8,930,000	-	-	-
Postal Savings Bank of China Co., Ltd.	Domestic legal entity	2.98	5,950,000	-	-	-
China Resources SZITIC Trust Co. Ltd – Investment No.1– trust funds	Domestic legal entity	2.98	5,950,000	-	-	-

Hwabao Trust Co., Ltd. – investment No.2 – trust funds	Domestic legal entity	2.98	5,950,000	-	-	-
China Merchants Wealth – Postal Saving Bank – Postal Savings Bank of China Co., Ltd.	Domestic legal entity	2.98	5,950,000	-	-	-
Description of related-party relationships or concerted actions among the above shareholders	<p>1. Ping An Life Insurance Company of China, Ltd. and Ping An Property & 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 Life Insurance Company of China, Ltd. – dividend – dividends for individual insurance”, “Ping An Life Insurance Company of China, Ltd. – universal – individual universal insurance” and “Ping An Property & 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>					

Note: (1) The preference shares issued by the Bank are all unrestricted with no restricted period imposed.

(2) The Bank had no preference shareholders with restored voting rights.

Section III. Significant Events

I. Description of and Reasons for Changes in Excess of 30% in Financial Results and Indicators during the Reporting Period

√Applicable □Not applicable

(In RMB million)

Item	Amount for the current period	Amount of change	Change rate	Reasons for change
Deposits with banks and other financial institutions	88,096	29,081	49.3%	Increase in placements with overseas interbank
Financial assets designated at fair value and changes included into the profits and losses for the period	103,460	63,885	161.4%	Impact from the implementation of new accounting standards for financial instruments
Derivative financial assets	25,650	9,570	59.5%	Change in the trading scale and the fair value of interest rate derivative investments
Accounts Receivable	22,833	(30,053)	(56.8%)	Decrease in receivables under factoring
Financial investments designated at fair value and changes included into other comprehensive income	51,421	51,421	Nil in the previous 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
Financial investments at amortised cost	620,565	620,565	Nil in the previous year	Impact from the implementation of new accounting standards for financial instruments
Held-to-maturity investments	-	(358,360)	(100.0%)	Impact from the implementation of new accounting standards for financial instruments
Debt instruments classified as receivables	-	(372,323)	(100.0%)	Impact from the implementation of new accounting standards for financial instruments
Placements from banks and other financial institutions	17,832	(10,192)	(36.4%)	Decrease in placements from domestic interbank
Financial assets sold under repurchase agreements	2,000	(4,359)	(68.5%)	Decrease in scale of bonds sold under repurchase agreements
Taxes payable	7,595	(4,296)	(36.1%)	Decrease in corporate income tax payable
Other comprehensive income	337	865	Negative in the previous year	Change in the movement of fair value included into other comprehensive income, due to the implementation of new accounting standards for financial instruments
Fee and commission expense	5,218	1,733	49.7%	Increase in commission expense arising from increase in the number of credit cards issued and in the transaction volume
Investment income	7,099	6,455	1,002.3%	Impact from the implementation of new accounting standards for financial instruments
Gains/losses on fair value changes	1,047	1,013	2,979.4%	Increase in gains/losses from fair value changes of financial assets designated at fair value and changes included into the profits and losses for the period
Net gains from foreign exchange and foreign exchange products	(40)	(320)	(114.3%)	Decrease in net gains or losses from foreign exchange due to the fluctuation of exchange rate
Gains/losses on disposal of assets	78	79	Negative in the same period of last year	Base number of RMB -1 million for the same period of last year

Impairment losses on credit	33,567	33,567	Nil in the same period of last year	Impact from the implementation of new accounting standards for financial instruments
Impairment losses on assets	55	(32,765)	(99.8%)	Impact from the implementation of new accounting standards for financial instruments

II. Description of Significant Events and their Progress, Impact and Solutions

Applicable Not applicable

On 14 August 2017, the 2017 first extraordinary general meeting of the Bank deliberated and approved the *Proposal of Ping An Bank Co., Ltd. on the Solution of Public Issuance and Listing of A-share Convertible Corporate Bonds*, for the Bank's proposed public issuance of no more than RMB26 billion of A-share convertible corporate bonds (hereinafter referred to as "the Issuance").

On 26 March 2018, the Bank received the *Reply of CBRC on Issues Concerning the Public Issuance of A-share Convertible Corporate Bonds of Ping An Bank* (Yin Jian Fu [2018] No. 71). China Banking and Insurance Regulatory Commission ("CBIRC") agreed that the Bank can publicly issue A-share convertible corporate bonds of no more than RMB26 billion, which will be included in the core tier one capital of the Bank in accordance with relevant regulatory requirements after the conversion. The issuance is subject to the approval by CSRC before it is implemented, and the program ultimately approved by the aforementioned regulatory authority shall prevail.

On 20 June 2018, the Bank reviewed and approved the *Proposal on Extension of Validity Term of the Shareholders' Meeting's Resolution on Public Issuance of A-share Convertible Corporate Bonds and the Authorisation Term* at the annual general meeting of 2017.

For details, please refer to announcements released by the Bank in *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, *Securities Daily* and on CNINFO (www.cninfo.com.cn) on 15 August 2017, 27 March 2018 and 21 June 2018.

Description of significant events	Date of disclosure	Index of website disclosing temporary reports
The Bank proposed to make a public issuance of no more than RMB26 billion of A-share convertible corporate bonds	15 August 2017, 27 March 2018, 21 June 2018	China Securities Journal, Securities Times, Shanghai Securities News, Securities Daily and CNINFO (www.cninfo.com.cn)

III. Commitments not Delivered by the Specified Dates during the Reporting Period by Parties, including the De Facto Controller, Shareholders, Related Parties, Acquirers, and the Bank

Applicable Not applicable

There was no commitment not delivered by the specified dates during the reporting period by the de facto controller, shareholders, related parties, acquirers or the Bank.

IV. 2018 Performance Forecast

Warnings and the causes of potential loss in accumulated net profit from the beginning of the year to the end of the next reporting period or significant potential movement as compared with the same period of last year

Applicable Not applicable

V. Securities Investments

At the end of the reporting period, the book value of financial bonds (including policy bank bonds, various

ordinary financial bonds and subordinated financial bonds, excluding corporate bonds) held by the Bank was RMB135,800 million, among which ten financial bonds with the highest book value are detailed as follows:

(In RMB million)

Name of bond	Par value	Annual coupon rate (%)	Maturity date	Impairment provision
2017 Policy Bank Bonds	8,370	3.88	19 April 2020	-
2016 Policy Bank Bonds	4,070	2.96	18 February 2021	-
2010 Policy Bank Bonds	3,860	2.09	25 February 2020	-
2011 Policy Bank Bonds	3,030	2.35	17 February 2021	-
2016 Commercial Bank Bonds	3,000	3.20	29 March 2021	1
2016 Commercial Bank Bonds	3,000	3.25	7 March 2021	1
2016 Policy Bank Bonds	2,990	2.65	20 October 2019	-
2018 Policy Bank Bonds	2,930	4.69	23 March 2023	-
2018 Policy Bank Bonds	2,880	4.04	6 July 2028	-
2017 Policy Bank Bonds	2,880	4.44	9 November 2022	-

VI. Entrusted funding and entrusted investments

Applicable Not applicable

During the reporting period, the Bank had no entrust finance items out of the scope of normal businesses.

VII. Derivative Investments

(In RMB million)

Type of contract	Contractual amount at the beginning of the year (Nominal)	Contractual amount at the end of the period (Nominal)	Changes in fair value during the reporting period
Foreign exchange derivatives	1,006,715	789,627	2,772
Interest rate derivatives	1,719,253	2,352,244	(235)
Precious metal derivatives	112,451	123,643	3,024
Others	11,115	773,472	11
Total	2,849,534	4,038,986	5,572

Note: The Bank conducts treasury transactions and makes investments, including those involving derivative products, in accordance with the risk appetite and within the overall market risk limits set out by the Board. The nominal amounts of derivative financial instruments only reflect the transaction volume, but not their actual risk exposures. The Bank mainly adopts hedging strategies for its foreign exchange and interest rate derivatives, and, as such, the actual foreign exchange and interest rate exposures are small.

VIII. Investigative visits, Communications and Interviews within the Reporting Period

Date	Mode	Type of visiting party	Reference
10 July 2018	Onsite visit	Institution(s)	CNINFO (www.cninfo.com.cn) <i>Record of Investor Relationship Activities of Ping An Bank Co., Ltd.</i>
30 August 2018	Onsite visit	Institution(s)	
4 September 2018	Investment bank meeting	Institution(s)	

IX. Non-Compliant External Guarantees

Applicable Not applicable

During the reporting period, the Bank had no violation of external guarantees.

X. Occupation of Funds of the Listed Company for Non-operating Purposes by Controlling Shareholders and Their Related Parties

Applicable Not applicable

During the reporting period, the Bank had no situation that the controlling shareholders and other related parties occupy the funds of the Bank for non-operating purposes.

XI. Management Discussion and Analysis

(I) Description of overall operations

From January to September 2018, the macro economy and finance maintained a stable development trend, supply-side structural reform continued to deepen, and the resilience of micro economic subjects was further strengthened. The Bank actively responded to the national strategies and paid close attention to the macro economy and industry development trend to follow the international and domestic economic and financial situations. It remained committed to risk prevention and de-leverage policies, strengthened the service for the real economy, and insisted on advancing the transformation guideline of “being technology-driven, pursuing breakthroughs in retail banking, and reinventing its corporate banking”.

With regard to “being technology-driven”, the Bank stuck to the general guideline of “technology-driven, model-driven, platform-driven and talent-driven”, and utilised technology to fully reshape its banking system, lead business development and build a financial technology “moat”; in terms of “pursuing breakthroughs in retail banking”, the Bank persisted in the overall direction of “breakthroughs in profit, breakthroughs in organisation, breakthroughs in channel and breakthroughs in service”, and utilised technology wisdom to build leading intelligent retail banking; and for “reinventing its corporate banking”, the Bank insisted the overarching policy of “careful selection of industries, carefully cultivating the customer base, carefully tailored product offerings and precise and effective risk controls”. With the attitude of excellence and meticulousness, the Bank built an “exquisite corporate banking” with distinctive characteristics, optimum profit and high quality. The operations of the Bank from January to September were characterised as follows:

1. Robust business development

From January to September 2018, the Bank recorded an operating income of RMB86,664 million, representing a year-on-year increase of 8.6%, including net interest income of RMB54,529 million, a year-on-year decrease of 1.7% due to the new accounting standards for financial instruments, which requires that the income/expense from financial assets designated at fair value and changes included into the profits and losses for the period should be included into investment income instead of interest income/expense, and net non-interest income of RMB32,135 million, up 32.0% year on year. The operating profit before provision was RMB60,236 million, up 4.2% year on year, and the net profit was RMB20,456

million, a year-on-year increase of 6.8%. From January to September 2018, the net interest margin reached 2.29%, 3 basis points higher than that from January to June. The net non-interest income accounted for 37.1%, up 2.5% comparing to that from January to June, demonstrating the Bank's stable profitability.

At the end of September 2018, the Bank's total assets amounted to RMB3,352,056 million, up 3.2% over the end of last year. The balance of deposits due to customers was RMB2,134,641 million, an increase of 6.7% over the end of last year. The total loans and advances to customers (including discounted bills) reached RMB1,922,047 million, representing an increase of 12.8% as compared with the end of last year, of which personal loans increased by 6.5 percentage points to 56.3% over the end of last year.

At the end of September 2018, the balance of principal-guaranteed wealth management products (WMPs) of the Bank was RMB96,876 million, down 25.1% compared with the end of last year. The balance of structural deposits reached RMB426,853 million, up 96.2% over the end of last year. The balance of non-principal-guaranteed WMPs was RMB542,764 million, up 8.3% compared with the end of last year.

2. Greater progress in retail banking transformation

From January to September 2018, the bank adhered to the strategy of "pursuing breakthroughs in retail banking", continued to deepen its comprehensive financial advantages and gave full play of scientific empowerment to build "China's most outstanding and the world's leading retail banking" by focusing on customers, optimising business process and service experience.

At the end of September 2018, assets under management (AUM) of retail customers of the Bank amounted to RMB1,313,095 million, up 20.8% over the end of last year. The number of retail customers increased to 80,253.4 thousand, up 14.8% over the end of last year, including private wealth customers and qualified private banking customers of 550.4 thousand and 26.3 thousand respectively, representing a growth of 20.6% and 11.9% over the end of last year respectively. The balance of personal deposits was RMB420,744 million, an increase of 23.4% over the end of last year, and the balance of personal loans was RMB1,082,063 million, an increase of 27.4% over the end of last year. The number of monthly active users of Ping An Pocket Bank APP was 21,801.9 thousand, an increase of 47.1% over the end of last year. From January to September 2018, the operating income of retail business reached RMB44,378 million, a year-on-year increase of 32.1%, accounting for 51.2% of the Bank's total operating income; the net profit of retail business reached RMB13,909 million, a year-on-year increase of 11.2%, accounting for 68.0% of the Bank's total net profit.

At the end of September 2018, the non-performing ratio of the Bank's retail business remained stable with a slight decline. The non-performing ratio of personal loans was 1.05%, down 0.13 percentage point from the end of last year, and the non-performing ratio of retail loans (excluding credit cards and personal operating loans) was 0.42%, up 0.07 percentage point from the end of last year; non-performing ratio of New Generation Loans was 1.03%, up 0.38 percentage point from the end of last year; non-performing

ratio of credit cards was 1.22%, up 0.04 percentage point. The proportion of major retail loan products (New Generation Loans and auto loans) that had migrated from "not overdue" to "overdue for over 30 days" remained at a historically low level, as the asset quality of credit cards remained stable and the quality of new customers was continuously improved.

(1) Stable growth in core business

At the end of September 2018, the number of current credit cards issued by the Bank reached 48,526.4 thousand, up 26.6% from the end of last year. The current accounts amounted to 43,019.5 thousand, an increase of 25.8% over the end of the previous year; for the period from January to September 2018, the number of new credit cards issued by the Banked totalled 13,092,3 thousand, a year-on-year increase of 32.1%. The total credit card transaction amount was RMB1,925,610 million, a year-on-year increase of 84.0%. The balance of credit card loans was RMB428,843 million, an increase of 41.2% from the end of last year. Furthermore, the number of credit card customers of new Pocket Bank APP amounted to over 30 million.

Through uninterrupted reliance on Internet platforms, the Bank broadened its credit card product system and deepened cross-border integration to create the "fast, easy and good" ultimate customer experience. The Bank issued the co-branded cards in its cooperation with Autohome (Ushare version) and Tonghuashun (UnionPay Gold), providing financial services through diversified channels for high net worth individuals. In its efforts to upgrade personalised services, the Bank provided refreshing "customised" services so that customers may customise benefits and privileges of cards based on their preferences and demands.

In the meantime, relying on the new Pocket Bank APP, the Bank continuously improved its one-stop integrated financial service platform and enriched the one-click link of credit card-based financial services and life scenarios. The transaction volume of Credit Card Pocket Mall from January to September increased by 174.6% over the same time last year as the Bank restructured the service platform for credit card mall.

From January to September 2018, the New Generation Loans newly issued by the Bank totalled RMB86,486 million, up 4.8% over the same time last year; at the end of September 2018, the balance of the New Generation Loans amounted to RMB152,268 million, a growth of 17.3% compared with the end of the previous year. At the end of September 2018, around 30% of the New Generation Loans was issued as working capital loans to support small and micro enterprises. Drawing on the technological advantages of the Internet and big data, the Bank actively expanded its Internet channels and traffic portals, focused on increasing the entrance of scenarios, expanded the coverage of customers, enhanced the customer stickiness, achieved online and offline linkages, and continuously improved the accuracy of customer acquisition, so that banking services could benefit more customer groups. The Bank built a one-stop business and consumer loan platform through Internet channels such as online banking, mobile banking, WeChat, and portals, made full use of Internet technology to enhance product competitiveness, achieve centralised,

automated and intelligent business application processing, continuously optimised business processes and improved customer experience and service efficiency.

At the end of September 2018, the Bank's property mortgage balance amounted to RMB177,950 million, representing an increase of 16.4% 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 compliance and regulatory requirements, enhance housing credit management, optimise credit structure, further serve customers and support the real economy.

From January to September 2018, the Bank's new auto finance business loan amounted to RMB109,692 million, an increase of 37.9% on an year-on-year basis; at the end of June 2018, the Bank's car loan balance was RMB143,174 million an increase of 9.7% from the end of the previous year, and its market share continued to lead the industry. By means of innovation in products, optimisation of the credit process and application of the scientific risk qualification model as well as the big data strategy, the Bank improved the automatic credit approval done by its auto finance business system and rendered better customer experience and gained leading strengths in the industry.

(2) Increase in technological investments to navigate business development

The Bank increased investment in technology, integrated and established a retail-exclusive IT team of over 2,700 people, embraced cutting-edge technologies such as AI, biometrics, big data, blockchain and cloud computing, 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, opened new off-line retail outlets under “light, community-based, intelligent, diversified” concept, and integrated and built an intelligent OMO (ONLINE MERGE OFFLINE, realising on-line and off-line integration) service system. The intelligent OMO service system seamlessly connected the customers' Pocket Bank APP with new retail outlets through the Pocket Banker APP used by the Bank's staff, and integrated various on-line and off-line service scenarios, providing customers with all-round ultimate experience.

The intelligent OMO service system had optimised business process and service experience since it was launched. It gained customers' recognition and achieved satisfactory results. At the end of September 2018, the number of customers of the Bank's Pocket Bank APP reached 56,488.5 thousand, up 35.4% over the end of last year, and the number of monthly active customers amounted to 21,801.9 thousand, up 47.1% over the end of last year. The Bank had opened or redecorated 74 new retail outlets and the number is expected to reach 100 at the end of the year.

In terms of strengthening risk control, the Bank deployed about 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. The integrated risk control platform had preliminarily achieved the integrated management of credit risk and fraud risk. As such, the system capacity for automatic approval of retail credit loan products was further improved. With regard to customer-related process, the Bank strived to facilitate personalised scenario verification. It applied AI and other high-tech means to make it possible for customers to experience convenient and efficient “one touch payment” through the “induction-free identity verification” system.

(3) Remarkable results in comprehensive finance

At the end of September 2018, the number of new migration customers on the cross-selling channels (excluding credit cards) was 2,421.2 thousand, accounting for 32.4% of the overall new retail customers (excluding credit cards), of which, the number of wealth management customers had a net increase of 38.3 thousand, accounting for 40.8% of the overall new wealth management customers, and the AUM balance of assets under management of retail customers had a net increase of RMB92,509 million, accounting for 40.9% of the overall asset balance of the new customers. New Generation Loans granted by cross-selling channels amounted to RMB36,407 million, accounting for 42.1% of overall issuance of New Generation Loans through cross-selling channels; auto finance loans amounted to RMB19,132 million, accounting for 17.4% of overall issuance of auto finance loans. Credit cards granted by cross-selling channels accounted for 37.0% of the total number of newly granted cards. The total net non-interest income from group insurance sold via all retail channels on a commission basis was RMB1,862 million, a year-on-year increase of 35.0%.

(4) Key projects gradually paying off

In 2018, the Bank's two key projects, “focus on payroll agency” and “layout of acquiring business”, gradually paid off. At the end of September 2018, the number of the companies effectively using the Bank’s payroll agency services had a net increase of 8,120, growing over 2 times from last year’s incremental platform in the corresponding period. At the end of September 2018, the balance of payroll services’ AUM amounted to RMB167,857 million with an increase of 29.8%, while corresponding deposits reached 58,855 million, increasing by 22.5% compared with the beginning of the year. The number of the Bank’s customers of bank card acceptance business increased by 174% over the end of previous year. The Bank established a functionally complete bank card acceptance platform and a product system, launched all-mode acceptance service.

3. Intensified efforts in corporate business

Along with the steady progress of each corporate business, the Bank constantly created selective brand for corporate business from an industrialised perspective in a targeted manner, unswervingly guarded the lifeline of asset quality and adhered to the core objective of “selective bank for corporates”. For industry operation, the Bank further refined its business scope based on the selected industries in line with the “investment-oriented and comprehensive” development strategy, with deepened industry research and strict

discipline of commitment and non-involvement. The Bank led its own way by pre-planning and operating smartly. Meanwhile, the Bank strengthened the coordination between the internal and external part, enhanced the ability for “investment-oriented” products, and created a front-end marketing pattern of in-depth entry, network development and comprehensive operation by making the most of the comprehensive finance advantages of the Group. For the implementation of “a combination of light assets and light capital”, the Bank loyally centred on customers in handling corporate business and actively refined its four selective abilities. The first is the professional ability to integrate different banking units, which is an “output” ability through platform, business and service. The second is the “embedding” ability to embed banking products or functions deeply into external scenarios/process. The third is the “introduction” ability to introduce external products and service function to enhance internal service. The fourth is the “match-making” ability to achieve win-win in the ecological circle by making use of banks’ professional ability in finance and abundant accumulation in customers.

For specific strategy, the Bank actively integrated corporate business into the Group’s top five ecological circle to explore the development path for ecology, focused on industrialised operation, and kept intensive exploitation in “10+1” key industries. At the same time, a public mobile terminal management platform “Pocket Finance” was established, realising the mobile, intelligent and integrated management of the Bank’s customers through “platform+product+service”; while promoting business, the Bank constructed “AI+risk control” comprehensive risk management system to actively implement intelligent risk management and control.

(1) Selected industry sectors “10+1”

Focusing on the industries with large volume, weak cycle and sound growth, the Bank’s corporate business selected top ten industries, including health care, real estate, electronic information, transportation, warehousing and logistics, environmental protection, clear energy, infrastructure, culture and education and people’s livelihood industries, and integrated with the Group’s five ecological circles like constructing automobile, real estate, medical and health service, intelligent city and financial institutions”, covering 163 industry segments in 1,380 subclasses of national industries. The Bank will continuously select and adjust targeted industries in accordance with state policies.

Meanwhile, the Bank focused on financial authority customers such as central and local administrative institutions, mainly engaged itself in businesses such as finance, social security, land, real estate, justice, etc., and fully promoted the development of government finance. Taking the in-depth exploitation in non-tax collection business in government sector as an example, the Bank successfully created a multi-channel on-line toll platform based on “e-litigation” product that provided payment and notes management services to courts, embedded financial products into stages such as case registration, approval, enforcement, and achieved “smart court”.

(2) Establishment of “platform+product+service” mobile product system

The Bank’s corporate business product inherited the leading practice and experience accumulation in supply finance and Internet finance to continuously upgrade business model and product ability. With respect to business model, with “platform+product+service” as the core idea of corporate customers business and Pocket Finance as the carrier, the Bank connected customers, products and operation services through united portal, brand, APP, interface, and support. In the aspect of product ability, the Bank upgraded big data ability to establish an anti-fraud and automatic approval system and targeted corporate business product marketing system by integrating internal and external data source; embraced block chain technology to combine characteristics such as smart contract, zero knowledge authentication with supply chain finance; and strengthened application of artificial intelligence to improve customer experience and customer transformation in operation, customer service and product shelf.

Corporate customer entry and operation platform: Pocket Finance

The Bank launched a corporate-class mobile internet comprehensive financial service platform - Pocket Finance App to seek smart, complete and rapid corporate customer service experience. At the end of September 2018, Pocket Finance had 235,000 registered customers with the trading amount exceeding RMB300,000 million.

Internet finance: SME data loans KYB

The Bank launched SME data loan KYB (Know Your Business) to establish a convenient, effective and data-driven intelligent financing service with smart risk control for corporate customers. At the beginning of 2018, KYB business in health care and medication chain industries was successfully implemented; In May 2018, the amount of loans lent on an individual day exceeded RMB100 million; at the end of September 2018, the accumulated loans issued amounted to RMB6,677 million; from 2017 to 30 September 2018, KYB had provided smart financing service for 10,910 small and medium-sized enterprises.

Trading Finance: Supply chain accounts receivable service platform (SAS)

The Bank built up the supply chain accounts receivable service platform (SAS) based on A (AI, artificial intelligence), B(Block chain), C (Cloud computing) technologies. As of the third quarter of 2018, the amount of transactions through SAS platform exceeded RMB3,000 million, core enterprises on the platform totalling 70, and 36 funding parties were introduced. Over a hundred of users had received support from the platform service.

Cross-border finance: Cross-border E-commerce, selected off-shore banking

The Bank focused on enterprises’ needs for cross-border finance, made the most of its off-shore and on-shore overall advantages and coordination ability of domestic currency and foreign currency, and continuously improve the competitiveness of cross-border finance. With respect to international business,

the Bank relied on the leading Cross-border E-commerce finance service platform, providing all-around on-line service for customers' needs in different stages of cross-border economic activities. From January to September 2018, the scale of transactions taken place on the Bank's Cross-border E-commerce finance platform had exceeded RMB518,000 million, an increase of 42.4% year on year. Focusing on cross-border operation need of enterprises, the Bank's off-shore business continued to optimise the top four product systems of off-shore investment and financing, off-shore trading finance, off-shore inter-bank finance, and off-shore cross-border finance and promote the development of off-shore "dual-light" business, achieved stable growth in off-shore business, and maintained a leading position among Chinese-funded off-shore banks in main operation indicators.

(3) Promoted the transformation of real investment banking and rebuilt bank positioning

The Bank actively promoted the transformation of real investment banking and construction of light financing capability, drove the business sectors such as bond underwriting and matchmaking trading, committed to the most extensive requirements of customers for investment and financing, so as to build the market leading providers for complex investment and financing services. From January to September 2018, the total amount of bond underwriting reached RMB127,900 million, up 80% year on year.

The Bank actively responded to the changes of regulation policies and market environment, prepared in advance, enhanced the coordination with the Group's professional subsidiaries, integrated and connected channels for asset management, trades and sales, and upgraded the channel value of institutional clients in the same business. The bank was built as link of financial institutions. From January to September, a total of 362 products sold on agency, by underwriting and promotion were introduced and released. The Bank realised a sales amount on agency basis of RMB148,500 million; 2,061 customers in Hang -E-Tong accumulatively, an increase of 132 over the end of the previous year; and a volume of USD13,000 million for trading of derivatives on behalf of customers, an increase of over 30% year on year, and serving over 300 corporate customers. With trade volume for precious metals held by Ping An Group reached RMB700,000 million accumulatively, the Bank became one of the first batch team members to provide quotations for silver forward curve contract of Shanghai Gold Exchange and pilot team member to provide quotations for gold option volatility curve contract of Shanghai Gold Exchange.

(4) Precise control of risk and intelligent protection

Based on comprehensive risk management, the Bank focused on shortcomings and disadvantages, precisely implemented policies to improve the result of risk management and control for the entire bank. The quality of assets remained stable with a positive trend.

Precisely leading business development. The Bank intensified industry research, promoted preposition for risk policy system, facility review and legal compliance review, focused on key industry, key customers and key products, guided a reasonable allocation of corporate resources in a scientific manner, and led business

to development on a healthy and orderly basis.

Smart early warning for risks from stock assets. The Bank used “big data+AI” technology to build up smart risk control platform and automatically identify and scan stock normal assets risk information on an around-the-clock, all-dimensional, visual and effective basis.

Smart operation of special assets. The Bank built up Ping An special asset management system (AMS) to achieve totally closed management over the disposal process of corporate special assets via the system to accelerate smart clearing and recovery. In September of 2018, the special asset management department recovered non-performing assets of RMB13,104 million, an increase of 151.9% year on year.

4. Developing the concept of financial technology in an innovative manner, and improving the ability to serve the real economy on a continuous basis

By proactively implementing the central government's decisions and deployment on expanding domestic demand and promoting the development of the real economy, Ping An Bank increased the support for the real economy through various channels, and facilitated the development of upstream and downstream supply chains, industrial chains or ecosystem customers, with remarkable results regarding serving the real economy. As at the end of September 2018, the Bank's total credit facility on-and off-balance sheet was RMB2,628,500 million, an increase of RMB442,900 million or an increase of 20.3% over the beginning of the year, and an increase of RMB526,000 million or an increase of 25.0% over the same period of last year. Among them:

(1) Corporate banking: **First, regarding the industry**, the Bank adhered to the principle of “there are things that must be done and things that must not be done”; in terms of new credit investment, the Bank focused on the key industries by closely following the national strategy; in terms of the existing credit structure, the Bank reduced the excess capacity credit, resolutely withdrew from the businesses with "zombie enterprise", selectively supported effective demands and supplied industry enterprises focusing on upgrades. **Second, regarding the regional side**, the Bank actively responded to the national call, proactively docked the "four major sectors", vigorously supported the "three major strategies", and continued to promote “targeted poverty alleviation” (countryside officer project had been launched). **Third, regarding the products**, the Bank, with science and technology as a weapon, created boutique businesses such as SAS, KYB, e-government affairs, offshore finance, Internet payment and settlement and pocket finance, and effectively improved the efficiency of serving real economy; adhered to the bottom line of compliance management, and provided off-balance sheet financing services for enterprises through bond underwriting, bond investment and wealth management direct financing, thus enriching the Bank’s financing portfolio. At the same time, in the first three quarters of this year, the Bank leveraged the comprehensive financial advantages of Ping An Group to vigorously expand cooperation **with the Group's professional companies in the field of investment and financing**, and to provide a wide range of

investment and financing products and services to bank customers in a multi-channel, all-round and more efficient manner.

(2) Retail: With customer-needs oriented, the Bank effectively supported customers' reasonable consumption financing needs, boosted consumption upgrades, performed social responsibilities and highlighted the effectiveness of supporting the real economy from the demand side by leveraging the opportunities of national consumption upgrades and through the measures of product upgrades, experience optimisation and comprehensive risk control. At the same time, the Bank's products such as "New Generation Loans", "zhaiyitong" and "Car Loans" facilitated the small and micro enterprises and individual businesses to address their financing difficulties in the medium- and long-term, thus effectively promoting the shift of financial resources "from the financial economy to the real economy" and better serving the development of the real economy.

5. Enhancement in asset quality

The Bank proactively responded to external risks, adjusted business structure, and granted loans to high-quality retail businesses. It continued reinventing and refining its corporate banking, with focus of new businesses in high-growth potential industries and those well aligned with the national development strategies. The Bank gathered its competitive resources to invest in high-quality and high-potential customers, facilitated the development of upstream and downstream supply chains, industrial chains or ecosystem customers, and maintained 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, the asset quality maintained a good momentum.

At the end of September 2018, the balance and the proportion of overdue loans and loans overdue for more than 90 days of the Bank both declined over the end of last year, and the non-performing ratio and special mention rate also decreased over the end of last year. The balance of overdue loans amounted to RMB55,562 million, a decrease of RMB3,182 million, accounting for 2.89% of total loans, down 0.55 percentage point over the end of last year; the balance of loans overdue for more than 90 days reached RMB38,473 million, a decrease of RMB2,987 million, accounting for 2.00% of total loans, and down 0.43 percentage point over the end of last year. The NPL ratio was 1.68%, decreasing by 0.02 percentage point from the end of last year, and the special mention rate was 3.07%, decreasing by 0.63 percentage point from the end of last year; deviation degree for NPL was 119%, decreasing by 0.24 percentage point from the end of last year

At the end of September 2018, the provisions for credit losses and asset impairments amounted to RMB33,622 million, a year-on-year decrease of 2.4%, including RMB31,221 million of provisions for credit losses on loans and advances to customers; at the end of September 2018, the balance of loan loss provisions reached RMB54,539 million, an increase of 24.5% over the end of last year; the provision to

loan ratio was 2.84%, up 0.27 percentage point over the end of last year; the provision coverage ratio was 169.14%, up 18.06 percentage points over the end of last year; the provision coverage ratio of loans overdue for more than 90 days was 141.76%, up 36.09 percentage points over the end of last year. For the nine months from January to September 2018, the total non-performing assets recovered by the Bank amounted to RMB15,981 million, a year-on-year increase of 115.1%, including credit assets (loan principals) of RMB14,906 million; for the recovered loan principals, loans written off and non-performing loans not written off were RMB8,657 million and RMB6,249 million respectively; 97.0% non-performing assets were recovered in cash, and the rest were paid in kind.

6. Rational layout of outlets

The Bank continued to implement the intelligent construction of outlets and set the layout of the outlets rationally. As at the end of September 2018, it had a total of 77 branches and a total of 1,056 business entities; the Bank had opened or redecorated 74 new retail outlets, with the total expected to reach 100 at the end of the year.

(II) Asset Quality

1. Five-tier classification of loans and advances to customers

(In RMB million)

Item	30 September 2018		31 December 2017		Change from the end of period over the end of last year
	Balance	Proportion	Balance	Proportion	
Pass loans	1,830,738	95.25%	1,612,249	94.60%	13.6%
Special mentioned loans	59,064	3.07%	62,984	3.70%	(6.2%)
Non-performing loans	32,245	1.68%	28,997	1.70%	11.2%
Including: Subprime	16,455	0.86%	12,510	0.73%	31.5%
Doubtful	4,540	0.24%	3,343	0.20%	35.8%
Loss	11,250	0.58%	13,144	0.77%	(14.4%)
Total Loans and advances to customers	1,922,047	100.00%	1,704,230	100.00%	12.8%
Impairment provision for loans and advances to customers	(54,539)		(43,810)		24.5%
Including: Impairment provision for loans and advances carried at amortised cost	(54,444)		(43,810)		24.3%
Impairment provision for loans and advances designated at fair value and changes included into other comprehensive income	(95)		-		Nil in the previous year end
Non-performing loan ratio	1.68%		1.70%		-0.02 percentage point
Provision coverage ratio	169.14%		151.08%		+18.06 percentage points
Provision coverage ratio of loans overdue for more than 90 days	141.76%		105.67%		+36.09 percentage points
Provision to loan ratio	2.84%		2.57%		+0.27 percentage point

2. Structural distribution and quality of loans and advances to customers by product types

(In RMB million)

Item	30 September 2018		31 December 2017		Changes in NPL ratio
	Balance	NPL ratio	Balance	NPL ratio	
Corporate Loans	839,984	2.49%	855,195	2.22%	+0.27 percentage point
Including: General corporate loans	801,374	2.61%	840,439	2.25%	+0.36 percentage point
Discounted bills	38,610	-	14,756	-	-
Personal loans	1,082,063	1.05%	849,035	1.18%	-0.13 percentage point
Including: Housing mortgage loans	177,950	0.10%	152,865	0.08%	+0.02 percentage point
Operating loans	164,055	2.43%	118,622	4.18%	-1.75 percentage points
Auto loans	143,174	0.55%	130,517	0.54%	+0.01 percentage point
Credit card receivables	428,843	1.22%	303,628	1.18%	+0.04 percentage point
Others (Note)	168,041	0.67%	143,403	0.47%	+0.20 percentage point
Total loans and advances to customers	1,922,047	1.68%	1,704,230	1.70%	-0.02 percentage point

Note: "Others" included consumer loans of New Generation Loans, licensed mortgage loans, small consumer loans and other guaranteed or pledged consumer loans.

The increase in non-performing ratio of corporate loans was mainly affected by the external financial and economic trends. Some of the Bank's customers including private small and medium-sized enterprises and low-end manufacturing enterprises were facing problems such as difficulties in management and declining financing capability, which led to distressed and broken fund chains, inability to repay loans and so on.

The non-performing ratio of personal loans slightly declined as compared with that at the end of the previous year:

(1) The Bank further adjusted the customer structure of housing mortgage, strengthened efforts for high-quality customers and effectively improved the quality of new loans. As a result, the non-performing ratio of mortgage loans maintained at a low level. (2) The Bank actively adjusted the stock business structure of business loans by withdrawing the credit loans or transforming them by means of credit enhancement. While ensuring risk control of stock business, the Bank improved availability of real estate mortgage business and strictly controlled new business risk to ensure the asset quality of business loans within the controllable range. (3) For auto loan, the Bank is the first one to automatically evaluate the used car in the industry through the use of big data to automate the approval of used car business; apply automated learning technology to optimise and improve the anti-fraud system. In terms of collection, the Bank introduces AI robot collection and high-quality customer exemption strategy to improve customer satisfaction; comprehensively promotes the online compliance operations of various collection processes. Through the various scientific and technological innovations, the risk control ensures that the overall asset quality is controllable, and the quality and efficiency are increased. (4) For other loans, the Bank further adjusted and optimised the customer structure, increased the supply in high quality customer base, while increased the investment in collection and recovery of resources, optimised the collection and recovery strategy, and accelerated the process of disposal of NPL. The overall asset non-performing rate was relatively low, and the overall risk was controllable.

The Bank had implemented whole-process risk management concept for credit card business, made full use of quantitative tools and effectively managed and controlled risks. On the one hand, the risk management strategy was fully optimised through the scientific tolls such as big data and the application scoring model, which could effectively improve the structure and quality of the new costumers and optimise the stock

structure to ensure the sustainable development of the asset portfolios. On the other hand, it also implemented the technology-oriented concept, and applied AI intelligent collection and scoring model to reduce the overdue asset roll rate. At the same time, it sorted out the non-performing asset management model, introduced high quality outsourcing resources, improved the recovery of non-performing assets, and maintained a stable risk level in an externally harsh environment. .

3. Overdue loans

(In RMB million)

Item	30 September 2018		31 December 2017	
	Balance	Proportion to total loans	Balance	Proportion to total loans
Loans with principal and interest overdue for less than 90 days	17,089	0.89%	17,284	1.01%
Loans with principal and interest overdue for more than 90 days	38,473	2.00%	41,460	2.43%

In September 2018, the Bank's loans that were overdue for less than 90 days (loans with principal not overdue but interest overdue for less than 90 days inclusive) amounted to RMB17.089 billion, down 1.1% as compared with the end of last year; the balance of loans that were overdue for more than 90 days (loans with principal not overdue but interest overdue for over 90 days inclusive) was RMB38.473 billion, down 7.2% as compared with the end of last year. Most of the Bank's new overdue loans had collaterals or pledges. The Bank took multiple actions and developed recovery and restructuring conversion plans by types. It had actively communicated with each related party to manage and dissolve risks together. Currently, overall risks were controllable.

(III) Interest Income and Expense

1. Average daily balance and average yield/cost rate of major asset and liability items

(In RMB million)

Item	Jan. - Sep. 2018			Jan. - Sep. 2017		
	Average daily balance	Interest income/expense	Average yield/cost rate	Average daily balance	Interest income/expense	Average yield/cost rate
Assets						
Loans and advances to customers (excluding discounted bills)	1,784,605	85,856	6.43%	1,561,446	69,781	5.98%
Bond investments	485,019	12,653	3.49%	410,208	10,673	3.48%
Balances with central banks	264,150	3,052	1.54%	277,573	3,133	1.51%
Bills discounting and interbank business	587,685	18,336	4.17%	738,185	22,416	4.06%
Others	58,611	1,764	4.02%	91,458	2,872	4.20%
Total interest-earning assets	3,180,070	121,661	5.11%	3,078,870	108,875	4.73%
Liabilities						
Due to customers	2,041,049	36,873	2.42%	1,890,411	27,221	1.93%
Bonds issued	356,478	12,202	4.58%	334,004	10,394	4.16%
Including: Interbank deposits	311,362	10,424	4.48%	300,261	8,963	3.99%
Interbank business and others	699,208	18,057	3.45%	638,630	15,778	3.30%
Total interest-bearing liabilities	3,096,735	67,132	2.90%	2,863,045	53,393	2.49%
Net interest income		54,529			55,482	

Deposit-loan spread			4.01%			4.05%
Net interest spread (NIS)			2.21%			2.24%
Net interest margin (NIM)			2.29%			2.41%

The Bank continued to optimise its business structure. The amount and proportion of personal loans increased, which resulted in a slight increase in the yield rate of interest-earning assets over the same period of last year; at the same time, impacted by market interest rates and deposit structure, the average cost rate of interest-bearing liabilities increased year on year by a greater extent than the yield rate of interest-earning assets, and the deposit-loan spread, NIS and NIM decreased correspondingly compared with the same period last year. However, the Bank continuously optimised the business structure and reversed the downward trend since Q2 this year, resulting in a steady increase of interest margin level quarter on quarter.

2. Average daily balance and average yield of loans and advances to customers

(In RMB million)

Item	Jan. - Sep. 2018			Jan. - Sep. 2017		
	Average daily balance	Interest income	Average yield	Average daily balance	Interest income	Average yield
Corporate loans (excluding discounted bills)	816,741	28,955	4.74%	934,006	31,621	4.53%
Personal loans (including credit cards)	967,864	56,901	7.86%	627,440	38,160	8.13%
Loans and advances to customers (excluding discounted bills)	1,784,605	85,856	6.43%	1,561,446	69,781	5.98%

3. Average daily balance and cost rate of deposits due to customers

(In RMB million)

Item	Jan. - Sep. 2018			Jan. - Sep. 2017		
	Average daily balance	Interest costs	Average cost rate	Average daily balance	Interest costs	Average cost rate
Corporate deposits	1,656,493	29,348	2.37%	1,598,326	22,815	1.91%
Including: Demand deposits	488,003	2,312	0.63%	508,229	2,357	0.62%
Time deposits	932,877	22,711	3.25%	844,107	17,519	2.77%
Including: Treasury deposits and agreement deposits	108,001	3,708	4.59%	98,081	3,318	4.52%
Margin deposits	235,613	4,325	2.45%	245,990	2,939	1.60%
Personal deposits	384,556	7,525	2.62%	292,085	4,406	2.02%
Including: Demand deposits	142,896	322	0.30%	130,712	307	0.31%
Time deposits	216,486	6,319	3.90%	132,538	3,090	3.12%
Margin deposits	25,174	884	4.69%	28,835	1,009	4.68%
Due to customers	2,041,049	36,873	2.42%	1,890,411	27,221	1.93%

XI. Capital Adequacy Ratio, Leverage Ratio and Liquidity Coverage Ratio

(I) Capital Adequacy Ratio

(In RMB million)

Item	30 September 2018	31 December 2017
Net core tier one capital	194,422	184,340
Other tier one capital	19,953	19,953
Net tier one capital	214,375	204,293
Tier two capital	52,409	44,934
Net capital	266,784	249,227
Total risk-weighted assets	2,278,715	2,226,112
Credit risk-weighted assets	2,049,586	2,000,758
On-balance-sheet risk-weighted assets	1,861,083	1,820,051
Off-balance-sheet risk-weighted assets	185,633	176,352
Risk-weighted assets of counterparty credit risk exposure	2,870	4,355
Market risk-weighted assets	35,420	31,645
Operational risk-weighted assets	193,709	193,709
Core tier one capital adequacy ratio	8.53%	8.28%
Tier one capital adequacy ratio	9.41%	9.18%
Capital adequacy ratio	11.71%	11.20%

(II) Leverage Ratio

(In RMB million)

Item	30 September 2018	30 June 2018	31 March 2018	31 December 2017
Leverage ratio	5.76%	5.63%	5.56%	5.69%
Net tier one capital	214,375	208,444	203,233	204,293
Balance of on- and off-balance sheet assets after adjustment	3,722,035	3,704,345	3,655,792	3,592,511

Note: The leverage ratio at the end of the reporting period increased as compared to that at the end of June 2018, mainly due to the increase of net core tier one capital.

(III) Liquidity Coverage Ratio

(In RMB million)

Item	30 September 2018	31 December 2017
Liquidity coverage ratio	109.84%	98.35%
Qualified current assets	353,089	317,833
Net cash outflow	321,471	323,154

Note: Pursuant to the requirements of the *Administrative Measures for Liquidity Risks of Commercial Banks* of 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 not be lower than 90%.

Section IV. Financial Statements

I. Financial Statements

- (I) Balance Sheet (not audited)
- (II) Income Statement (not audited)
- (III) Cash Flow Statement (not audited)

The Bank adopted four revised accounting standards "Accounting Standard for Business Enterprises No. 22 - Recognition and measurement of financial instruments", "Accounting Standard for Business Enterprises No. 23 - Transfer of financial assets", "Accounting Standard for Business Enterprises No. 24 - Hedge Accounting", and "Accounting Standard for Business Enterprises No. 37 - Presentation of financial instruments" (hereafter referred as the "new accounting standards for financial instruments" or the "new standards") issued by MOF on 1 January 2018. The Bank does not need to restate comparative periods according to the transition requirements of new accounting standards for financial instruments. The difference/adjustments between new accounting standards for financial instruments and the original accounting standard will be transferred to retained earnings at the beginning of the period or other comprehensive income. The Bank disclosed the primary content of the new accounting standards for financial instruments and the effect of changes in accounting policies in "II. Summary of significant accounting policies and accounting estimates 37. Effect of significant changes in accounting policies" in "Section XI Financial Report" in 2018 Interim Report.

PING AN BANK CO., LTD.
BALANCE SHEET
AS AT 30 SEPTEMBER 2018

(In RMB million)

ASSETS	30 September 2018	31 December 2017
Cash and balances with central banks	287,648	310,212
Deposits with banks and other financial institutions	95,314	130,208
Precious metals	72,022	87,501
Placements with and loans to banks and other financial institutions	88,096	59,015
Financial assets designated at fair value and changes included into the profits and losses for the period	103,460	39,575
Derivative financial assets	25,650	16,080
Financial assets held under resale agreements	32,764	41,934
Accounts receivable	22,833	52,886
Interest receivable	18,312	20,354
Loans and advances to customers	1,867,603	1,660,420
Financial investments designated at fair value and changes included into other comprehensive income	51,421	-
Available-for-sale financial assets	-	36,744
Financial assets measured at amortised costs	620,565	-
Held-to-maturity investments	-	358,360
Debt instruments classified as receivables	-	372,323
Investment properties	194	209
Property and equipment	9,374	8,036
Intangible assets	4,722	4,701
Goodwill	7,568	7,568
Deferred income tax assets	28,879	24,989
Other assets	15,631	17,359
TOTAL ASSETS	3,352,056	3,248,474
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Borrowings from central bank	149,874	130,652
Deposits from banks and other financial institutions	402,295	430,904
Placements from banks and other financial institutions	17,832	28,024
Financial liabilities designated at fair value through profit or loss	9,599	9,047
Derivative financial liabilities	20,729	17,712
Financial assets sold under repurchase agreements	2,000	6,359
Due to customers	2,134,641	2,000,420
Salaries and welfare payable	10,547	10,713
Taxes payable	7,595	11,891
Interest payable	27,666	26,063
Bonds payable	321,452	342,492
Provisions	24	25
Other liabilities	12,571	12,118
Total liabilities	3,116,825	3,026,420
Shareholders' equity		
Share capital	17,170	17,170
Other equity instruments	19,953	19,953
Including: Preference shares	19,953	19,953
Capital reserve	56,465	56,465
Other comprehensive income	337	(528)
Surplus reserve	10,781	10,781
General reserve	38,552	38,552
Retained earnings	91,973	79,661
Total shareholders' equity	235,231	222,054
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3,352,056	3,248,474

Legal representative	_____ Xie Yonglin	President _____ Hu Yuefei	CFO/Head of accounting department _____ Xiang Youzhi
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PING AN BANK CO., LTD.
INCOME STATEMENT
JANUARY TO SEPTEMBER 2018

(In RMB million)

Item	Jul.-Sep. 2018	Jul.-Sep. 2017	Jan.-Sep. 2018	Jan.-Sep. 2017
I. Operating income	29,423	25,763	86,664	79,832
Net interest income	17,093	18,121	54,529	55,482
Interest income	39,653	37,227	121,661	108,875
Interest expenses	22,560	19,106	67,132	53,393
Net fee and commission income	5,766	7,413	23,705	23,161
Fee and commission income	7,862	8,777	28,923	26,646
Fee and commission expenses	2,096	1,364	5,218	3,485
Investment income	5,912	(95)	7,099	644
Gains or losses on changes in fair value	502	17	1,047	34
Exchange gains or losses	20	228	(40)	280
Other operating income	35	35	144	130
Gains or losses on disposal of assets	8	3	78	(1)
Other income	87	41	102	102
II. Operating costs	8,887	8,124	26,428	22,013
Taxes and surcharges	286	242	847	745
Business and administrative expenses	8,601	7,882	25,581	21,268
III. Operating profit before impairment losses on assets	20,536	17,639	60,236	57,819
Impairment losses on credit	11,331	-	33,567	-
Impairment losses on assets	(7)	9,104	55	32,820
IV. Operating profit	9,212	8,535	26,614	24,999
Add: Non-operating income	8	6	14	18
Less: Non-operating expenses	21	34	62	78
V. Profit before tax	9,199	8,507	26,566	24,939
Less: Income tax expenses	2,115	1,908	6,110	5,786
VI. Net profit	7,084	6,599	20,456	19,153
Net profit from continued operations	7,084	6,599	20,456	19,153
Net profit from discontinued operations	-	-	-	-
VII. Other comprehensive income, net of tax	6	58	463	374
To be reclassified into profit or loss in subsequent periods	6	58	462	374
1. Changes in fair value of debt instruments designated at fair value and changes included into other comprehensive income	(87)	-	374	-
2. Provision for impairment of debt instruments designated at fair value and changes included into other comprehensive income	93	-	88	-
3. Changes in fair value of available-for-sale financial assets	-	58	-	374
Not to be reclassified into profit or loss in subsequent periods	-	-	1	-
Changes in fair value of equity investments designated at fair value and changes included into other comprehensive income	-	-	1	-
VIII. Total comprehensive income	7,090	6,657	20,919	19,527
IX. Earnings per share				
Basic earnings per share (RMB Yuan)	0.41	0.38	1.14	1.06
Diluted earnings per share (RMB Yuan)	0.41	0.38	1.14	1.06

Legal _____ President _____ CFO/Head of accounting _____
Xie Yonglin Hu Yuefei Xiang Youzhi

PING AN BANK CO., LTD.
CASH FLOW STATEMENT
JANUARY TO SEPTEMBER 2018

Item	Jan. - Sep. 2018	Jan. - Sep. 2017
(In RMB million)		
I. Cash flows from operating activities		
Net decrease in balances with central banks and deposits with banks and other financial institutions	60,882	-
Net increase of borrowings from the central bank	18,960	96,421
Net increase in deposits due to customers and deposits from banks and other financial institutions	104,730	3,641
Net decrease in placements with banks and other financial institutions	12,272	-
Net decrease in accounts receivable	30,053	-
Net decrease in amount under resale agreements	56	1,914
Net increase in amount under repurchase agreements	-	697
Cash receipts from interest and fee and commission income	133,740	113,328
Cash receipts relating to other operating activities	20,539	22,845
Sub-total of cash inflows	381,232	238,846
Net increase in balances with central banks and deposits with banks and other financial institutions	-	53,754
Net increase in placements with banks and other financial institutions	-	21,900
Net decrease in placements from banks and other financial institutions	10,192	7,829
Net increase in accounts receivable	-	19,740
Net increase in loans and advances to customers	250,340	202,265
Net decrease in amount under repurchase agreements	4,155	-
Cash payments for interest and fee and commission expenses	56,760	44,250
Cash paid to and on behalf of employees	12,931	11,310
Cash payments for taxes and surcharges	20,011	19,966
Cash payments relating to other operating activities	38,153	15,819
Sub-total of cash outflows	392,542	396,833
Net cash flows from operating activities	(11,310)	(157,987)
II. Cash flows from investing activities		
Cash receipts from investments upon disposal/maturity	348,914	403,935
Cash receipts from investment income	21,081	24,149
Cash receipts from disposal of long-term assets such as property and equipment and investment properties	108	4
Sub-total of cash inflows	370,103	428,088
Cash payments for investments	294,626	445,698
Cash paid to acquire property and equipment, intangible assets and other long-term assets	1,518	857
Sub-total of cash outflows	296,144	446,555
Net cash flows from investing activities	73,959	(18,467)
III. Cash flows from financing activities		
Cash receipts from bonds issued	581,179	721,719
Sub-total of cash inflows	581,179	721,719
Cash payments for principal of bonds	612,540	644,980
Cash payments for bond interest	2,511	1,884
Cash payments for dividend distribution	3,209	3,587
Sub-total of cash outflows	618,260	650,451
Net cash flows from financing activities	(37,081)	71,268
IV. Effect of foreign exchange rate changes on cash and cash equivalents	2,018	(2,285)
V. Net increase/(decrease) in cash and cash equivalents	27,586	(107,471)
Add: Cash and cash equivalents at beginning of the year	137,024	233,414
VI. Cash and cash equivalents at end of the year	164,610	125,943

Legal representative	_____ Xie Yonglin	President	_____ Hu Yuefei	CFO/Head of accounting department	_____ Xiang Youzhi
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II. Audit Report

Has the third quarterly report been audited

Yes No

The third quarterly report has not been audited.

Board of Directors of Ping An Bank Co., Ltd.

24 October 2018