

Summary of 2019 Annual Report of Ping An Bank Co., Ltd.

I. Important notes

1. This summary of annual report is extracted from the full text of 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 5th meeting of the 11th session of the Board of the Bank deliberated the 2019 Annual Report together with its summary. The meeting required 15 directors to attend, and 15 directors attended the meeting. This Annual Report was approved unanimously at the meeting.
4. The 2019 annual 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), Xiang Youzhi (the CFO) and Zhu Peiqing (the head of the Accounting Department) guarantee the authenticity, accuracy and completeness of the financial report contained in the 2019 Annual Report.
6. The Bank’s proposal for profit distribution of ordinary shares deliberated by the Board: cash dividend distribution of RMB2.18 per 10 shares (tax inclusive) to all shareholders based on the total share capital of the Bank of 19,405,918,198 shares as at 31 December 2019. 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

Time of distribution	Dividend yield	Amount of distribution (RMB) (tax inclusive)	Conformity with distribution requirements and procedures	Method of dividend payment	Accumulation of dividend	Participation of surplus profit
7 March 2019	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 to the Board	Representative of Securities Affairs	
Name	Zhou Qiang	Lv Xuguang	
Office Address	Board Office of Ping An Bank, Block B, Ping An Financial Centre, No. 5023, Yitian Road, Futian District, Shenzhen, Guangdong, the PRC	Board Office of Ping An Bank, Block B, Ping An Financial Centre, No. 5023, Yitian Road, Futian District, Shenzhen, Guangdong, the PRC	
Facsimile	(0755)82080386	(0755)82080386	
Telephone	(0755)82080387	(0755)82080387	
E-mail	PAB_db@pingan.com.cn	PAB_db@pingan.com.cn	

2. Main businesses or product introduction 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

At present, the top priorities of the financial industry are to enhance capabilities to serve the real economy, slash financing costs for the real economy, optimise financial resource allocation, and strengthen financial risk prevention and control. The commercial banks must implement guiding principles from the 19th CPC National Congress, the First, Second, Third, Fourth Plenary Sessions of the 19th CPC National Congress and the Central Economic Working Conference and embed them in their daily activities, follow the national strategy closely and fully return to their primary mission to serve the real economy. They should keep strengthening the support to private enterprises, small and micro enterprises, personal consumption and industry upgrading, so as to constantly meet the people's needs for a better life, as well as improve the overall banking capability and level to serve the real economy.

III. Key accounting data and financial indicators

1. Key accounting data and financial indicators

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

Yes No

The Bank started to implement the *Accounting Standard for Business Enterprises No. 21 - Lease* (Cai Kuai [2018] No.35) from 1 January 2019. Under the transitional provisions, the Bank recognised the cumulative effect of the first-day adoption of the standard as an adjustment to relevant line items in the financial statements. Comparatives are not adjusted. See “II. Summary of significant accounting policies and accounting estimates 36. Effect of significant changes in accounting policies” in “Section X Financial Report” of the *2019 Annual Report of Ping An Bank Co., Ltd.* for specific information.

(In RMB million)

Item	31 December 2019	31 December 2018	31 December 2017	Change at the end of the year from the end of last year
Total assets	3,939,070	3,418,592	3,248,474	15.2%
Shareholders' equity	312,983	240,042	222,054	30.4%
Shareholders' equity attributable to ordinary shareholders	273,035	220,089	202,101	24.1%
Share capital	19,406	17,170	17,170	13.0%
Net asset per share attributable to ordinary shareholders (RMB/share)	14.07	12.82	11.77	9.8%

Item	2019	2018	2017	Year-on-year change
Operating income	137,958	116,716	105,786	18.2%
Operating profit before impairment losses on credit and other assets	95,816	80,176	73,148	19.5%
Impairment losses on credit and other assets	59,527	47,871	42,925	24.3%
Operating profit	36,289	32,305	30,223	12.3%
Profit before tax	36,240	32,231	30,157	12.4%
Net profit attributable to shareholders of the Company	28,195	24,818	23,189	13.6%
Net profit attributable to shareholders of the Company after non-recurring gains/losses	28,086	24,700	23,162	13.7%
Net cash flows from operating activities	(40,025)	(57,323)	(118,780)	Negative in the previous year
Ratio per share (RMB/share):				
Basic earnings per share (EPS)	1.54	1.39	1.30	10.8%
Diluted earnings per share (EPS)	1.45	1.39	1.30	4.3%
Basic EPS after non-recurring gains/losses	1.53	1.39	1.30	10.1%
Diluted EPS after non-recurring gains/losses	1.44	1.39	1.30	3.6%
Net cash flows from operating activities per share	(2.06)	(3.34)	(6.92)	Negative in the previous year
Financial ratios (%):				
Return on total assets	0.72	0.73	0.71	-0.01 percentage point
Average return on total assets	0.77	0.74	0.75	+0.03 percentage point
Weighted average return on net assets	11.30	11.49	11.62	-0.19 percentage

				point
Weighted average return on net assets (net of non-recurring gains/losses)	11.25	11.44	11.61	-0.19 percentage point

Note: The relevant indicators of Return on net assets and EPS are calculated according to regulations of the *Rule 9 on Information Disclosure and Report for Companies Offering Their Securities to the Public - Calculation and Disclosure of Net Assets Margin and Earnings Per Share* (2010 revised) and *Accounting Standard for Business Enterprises No. 34 - Earnings per Share*. 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 amounting to RMB874 million.

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)	19,405,918,198
Fully diluted EPS calculated based on the latest share capital (RMB/share)	1.41

Whether there are corporate bonds

Yes No

Whether the Company suffered sustained losses in recent two years

Yes No

Differences in accounting data under domestic and overseas accounting standards

1. Differences in net profit and net assets in financial reports disclosed in accordance with international accounting standards and Chinese accounting standards

Applicable Not applicable

During the reporting period, there was no difference in net profit and net assets in financial reports disclosed in accordance with international accounting standards and Chinese accounting standards.

2. Differences in net profit and net assets in financial reports disclosed in accordance with overseas accounting standards and Chinese accounting standards

Applicable Not applicable

During the reporting period, there was no difference in net profit and net assets in financial reports disclosed in accordance with overseas accounting standards and Chinese accounting standards.

3. Reasons for differences in accounting data under domestic and overseas accounting standards

Applicable Not applicable

Quarterly financial indicators

(In RMB million)

Item	First Quarter of 2019	Second Quarter of 2019	Third Quarter of 2019	Fourth Quarter of 2019
Operating income	32,476	35,353	35,129	35,000
Net profit attributable to shareholders of the Company	7,446	7,957	8,218	4,574
Net profit attributable to shareholders of the Company after non-recurring gains/losses	7,422	7,894	8,211	4,559
Net cash flows from operating activities	53,184	(26,752)	58,048	(124,505)

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 2019	31 December 2018	31 December 2017	Change at the end of the year from the end of last year
1. Deposit principals due to customers	2,436,935	2,128,557	2,000,420	14.5%
Including: Corporate deposits	1,853,262	1,666,966	1,659,421	11.2%
Personal deposits	583,673	461,591	340,999	26.4%
2. Total principals of loans and advances to customers	2,323,205	1,997,529	1,704,230	16.3%
Including: Corporate loans	965,984	843,516	855,195	14.5%
General corporate loans	871,081	801,814	840,439	8.6%
Discounted bills	94,903	41,702	14,756	127.6%
Personal loans	1,357,221	1,154,013	849,035	17.6%

Note: (1) 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 2019, the total deposits and the total loans amounted to RMB2,802.8 billion and RMB2,380.4 billion, respectively.

(2) Pursuant to the *Circular on Revising and Issuing 2018 Versions of Financial Statement Templates for Financial Enterprises* (Cai Kuai [2018] No. 36), interests accrued by the effective interest method was included in the book value of financial instruments, and interests not been received or paid at the balance sheet date should be presented in "Other assets" or "Other liabilities". Unless otherwise stated, "Loans and advances to customers", "Deposits due to customers" and the specific items mentioned in the Report are amounts excluding interest.

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	2019	2018	2017	Year-on-year change
Net gains or losses on disposal of non-current assets	(30)	98	101	(130.6%)
Gains/losses on contingency	(3)	1	(1)	(400.0%)
Others	173	54	(65)	220.4%
Income tax effect	(31)	(35)	(8)	(11.4%)
Total	109	118	27	(7.6%)

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	2019	2018	2017	Year-on-year change
Cost/income ratio	29.61	30.32	29.89	-0.71 percentage point
Credit costs	2.54	2.35	2.55	+0.19 percentage point
Deposit-loan spread	4.12	3.98	3.99	+0.14 percentage point
NIS	2.53	2.26	2.20	+0.27 percentage point
NIM	2.62	2.35	2.37	+0.27 percentage point

Notes: Credit costs = credit provisions for the period/average loan balance (including discounted bills) for the period. In 2019, average loan balance (including discounted bills) of the Bank was RMB2,096,394 million (2018: RMB1,858,353 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 2019	31 December 2018	31 December 2017
Liquidity ratio (RMB and foreign currency)	≥25	62.54	60.86	52.23
Liquidity ratio (RMB)	≥25	61.46	59.23	52.57
Liquidity ratio (foreign currency)	≥25	91.18	96.40	55.41
Loan/deposit ratio including discounted bills (RMB and foreign currency)	Not applicable	93.72	92.38	83.58
Liquidity coverage ratio	≥100 (Note)	143.02	139.17	98.35
Capital adequacy ratio	≥10.5	13.22	11.50	11.20
Tier 1 capital adequacy ratio	≥8.5	10.54	9.39	9.18
Core tier 1 capital adequacy ratio	≥7.5	9.11	8.54	8.28
Ratio of loans to the single largest customer to net capital	≤10	3.80	5.13	5.20
Ratio of loans to top 10 customers to net capital	Not applicable	16.96	21.45	22.79
Ratio of accumulated foreign exchange exposure position to net capital	≤20	1.93	1.55	1.22
Pass loans flow rate	Not applicable	3.24	3.73	5.20
Special mentioned loans flow rate	Not applicable	31.44	37.91	30.41
Substandard loans flow rate	Not applicable	31.49	66.56	73.69
Doubtful loans flow rate	Not applicable	99.37	99.44	64.37
Non-performing loan ratio	≤5	1.65	1.75	1.70
Provision coverage ratio	≥150	183.12	155.24	151.08
Provision to loan ratio	≥2.5	3.01	2.71	2.57

Note: (1) Regulatory indicators are shown in accordance with the regulatory standards.

(2) 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.

4. Data on operations of segments

(1) Profit and scale

(In RMB million)

Item		Retail banking business		Wholesale banking business		Others		Total	
		2019	2018	2019	2018	2019	2018	2019	2018
Operating income	Amount	79,973	61,883	51,955	47,120	6,030	7,713	137,958	116,716
	%	58.0	53.0	37.6	40.4	4.4	6.6	100.0	100.0
Operating expenses	Amount	27,888	23,020	14,254	13,269	-	251	42,142	36,540
	%	66.2	63.0	33.8	36.3	-	0.7	100.0	100.0
Impairment losses on credit and other assets	Amount	27,043	16,604	33,000	32,484	(516)	(1,217)	59,527	47,871
	%	45.4	34.7	55.5	67.9	(0.9)	(2.6)	100.0	100.0
Profit before tax	Amount	25,055	22,245	4,706	1,366	6,479	8,620	36,240	32,231
	%	69.1	69.0	13.0	4.2	17.9	26.8	100.0	100.0
Net profit	Amount	19,493	17,129	3,661	1,052	5,041	6,637	28,195	24,818
	%	69.1	69.0	13.0	4.2	17.9	26.8	100.0	100.0

Item	31 December 2019		31 December 2018		Change at the end of the year from the end of last year
	Amount	%	Amount	%	
Total assets	3,939,070	100.0	3,418,592	100.0	15.2%
Including: Retail banking business	1,294,376	32.9	1,098,626	32.1	17.8%
Wholesale banking business	1,713,281	43.5	1,492,753	43.7	14.8%
Others	931,413	23.6	827,213	24.2	12.6%

Note: The retail banking business segment covers the provision of financial products and services to individual customers, including personal loans, deposit business, bank card business, personal wealth management service and various individual intermediary businesses.

The wholesale banking business segment mainly comprises services to corporates, banks and other financial institutions and small enterprises (including individuals and legal entities), covering the provision of financial products and services to corporate customers, government organisations and banks and other financial institutions. These products and services include corporate loans, deposit business, trading financing, wealth management service for corporates and banks and other financial institutions, and various corporate intermediary businesses and inter-bank businesses.

Other business segments refer to the bond investment and some monetary market businesses carried out by the head office of the Bank for the need of liquidity management, as well as non-performing assets and equity investments under central management of the Bank and the assets, liabilities, income and expenses not directly attributable to a certain segment. Common costs for the period are allocated to retail banking business line and wholesale banking business line as required in respond to management changes.

(In RMB million)

Item	31 December 2019		31 December 2018		Change at the end of the year from the end of last year
	Amount	%	Amount	%	
Deposit principals due to customers	2,436,935	100.0	2,128,557	100.0	14.5%
Including: Corporate deposits	1,853,262	76.0	1,666,966	78.3	11.2%
Personal deposits	583,673	24.0	461,591	21.7	26.4%
Total principal of loans and advances to customers	2,323,205	100.0	1,997,529	100.0	16.3%
Including: Corporate loans (including discounted bills)	965,984	41.6	843,516	42.2	14.5%
Personal loans (including credit cards)	1,357,221	58.4	1,154,013	57.8	17.6%

Note: Items in the above table are classified by customer nature. The legal entity business for small enterprises is attributable to corporate deposit and corporate loan business, while the individual business for small enterprises is attributable to personal deposit and personal loan business, the same below.

(2) Quality and efficiency

Item	31 December 2019	31 December 2018	Change at the end of the year from the end of last year
Non-performing loan (NPL) ratio	1.65%	1.75%	-0.10 percentage point
Including: Corporate loans (including discounted bills)	2.29%	2.68%	-0.39 percentage point
Personal loans (including credit cards)	1.19%	1.07%	+0.12 percentage point

(In RMB million)

Item	Jan. - Dec. 2019			Jan. - Dec. 2018		
	Average daily balance	Interest income and expense	Average interest rate	Average daily balance	Interest income and expense	Average interest rate
Deposits due to customers	2,274,753	56,002	2.46%	2,052,267	49,638	2.42%
Including: Corporate deposits	1,762,693	42,574	2.42%	1,657,435	39,314	2.37%
Personal deposits	512,060	13,428	2.62%	394,832	10,324	2.61%
Loans and advances to customers (excluding discounted bills)	2,025,073	133,278	6.58%	1,864,672	119,354	6.40%
Including: Corporate loans (excluding discounted bills)	793,555	38,004	4.79%	859,967	40,428	4.70%
Personal loans (including credit cards)	1,231,518	95,274	7.74%	1,004,705	78,926	7.86%

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	322,864	Total number of ordinary shareholders as at the end of the month before the disclosure date of the annual report	340,920	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 month before the disclosure date of the annual report (if any)	-		
Shareholdings of the top 10 shareholders									
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	9,618,540,236	49.56	1,108,047,170	-	9,618,540,236	-	-	
Hong Kong Securities Clearing Company Limited	Overseas legal entity	1,504,411,167	7.75	1,073,659,665	-	1,504,411,167	-	-	
Ping An Life Insurance Company of China, Ltd. - proprietary fund	Domestic legal entity	1,186,100,488	6.11	136,637,704	-	1,186,100,488	-	-	
Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance products	Domestic legal entity	440,478,714	2.27	50,742,751	-	440,478,714	-	-	
China Securities Finance Corporation Limited	Domestic legal entity	429,232,688	2.21	0	-	429,232,688	-	-	
Central Huijin Investment Company Limited	Domestic legal entity	216,213,000	1.11	0	-	216,213,000	-	-	
China Electronics Shenzhen Company	Domestic legal entity	162,523,292	0.84	20,120,523	-	162,523,292	-	-	
Henan Hongbao Corporate Management Co., Ltd.	Domestic legal entity	102,735,814	0.53	102,735,814	-	102,735,814	-	-	
National Social Security Fund 117 Portfolio	Domestic legal entity	65,029,587	0.34	28,999,696	-	65,029,587	-	-	
Bank of Communications - E Fund 50-Index Security Investment Fund	Domestic legal entity	60,643,555	0.31	16,499,752	-	60,643,555	-	-	
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	Henan Hongbao Corporate Management Co., Ltd. holds 102,735,814 shares of the Bank, all of which are held through the customer credit-backed securities trading account with Huatai Securities Company Limited.								

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

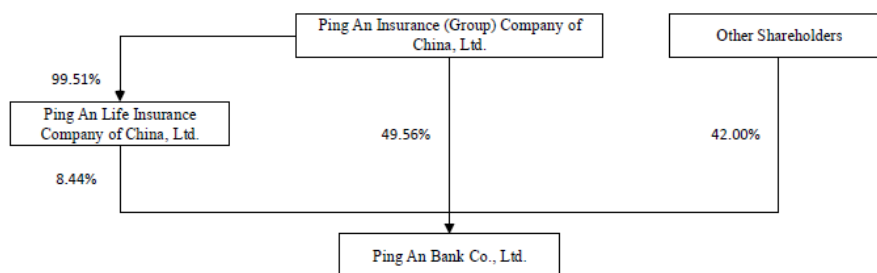
√ Applicable □ Not applicable

(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 Saving Bank – Postal Savings Bank of China Co., Ltd.	Domestic legal entity	2.98	5,950,000	-	-	5,950,000	-	-
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 & 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 & Casualty Insurance Company of China, Ltd. - traditional - ordinary insurance products” 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>							

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

Whether the Company has corporate bonds which are publicly issued and listed on the stock exchange, undue on the date of approval of the Financial Report or failing to be fully paid on due date.

Applicable Not applicable

VI. Discussion and Analysis of Operations

(I) Overall analysis of operations

In 2019, the Bank closely followed the strategies of the nation, actively implemented the major policies as well as economic and financial policies, adhered to the strategic goal of building a “domestic best performer and global leader in intelligent retail banking”, and persisted in the principle of “being technology-driven, pursuing breakthroughs in retail banking, and reinventing its corporate banking”. On the basis of achieving the results of the phased transformation, a “3 + 2 + 1” operational strategy for retail, corporate and capital interbank business is comprehensively established to achieve balanced business development. Meanwhile, the Bank continued to intensify support for private enterprises, small and micro enterprises, comprehensively promote data-based operations, strengthen financial risk prevention and control in all respects, vigorously promote financial poverty alleviation, and continuously improve its ability and level to serve the real economy.

In 2019, the Bank's overall operations have the following characteristics:

1. Stable and sound development

In 2019, the Bank recorded operating income of RMB137,958 million, representing a year-on-year increase of 18.2%, which included net interest income of RMB89,961 million, representing a year-on-year increase of 20.4%; the net non-interest income was RMB47,997 million, with a year-on-year increase of 14.4%. The operating profit before impairment losses was RMB95,816 million, increasing by 19.5% year on year; the net profit was RMB28,195 million, increasing by 13.6% year on year; the net interest spread and the net interest margin in 2019 were 2.53% and 2.62% respectively, both increasing by 27 basis points compared to those in 2018. The profitability remained stable.

At the end of 2019, the Bank’s total assets amounted to RMB3,939,070 million, up 15.2% over the end of last

year; the balance of deposits due to customers was RMB2,436,935 million, up 14.5% over the end of last year. The total loans and advances to customers (including discounted bills) amounted to RMB2,323,205 million, representing an increase of 16.3% as compared with the end of last year, which included personal loans (including credit cards) accounting for 58.4%, representing an increase of 0.6 percentage point as compared with the end of last year.

2. Preliminary results in technology-driven practice

The Bank regarded “being technology-driven” as its development strategy, and continued to advance science and technology into depth with preliminary results of technology-empowered business. **With respect to investment in technology**, in 2019, IT capital expenditure and other expenses increased by 35.8% year on year. The number of technology staff (including outsourcing staff) increased by over 34% over the end of last year. **With respect to R&D delivery**, a large number of key business projects have been put into production consecutively on schedule through the R&D model transformation, which has opened up the entire R&D process from demand to production and improved its rapid IT delivery capabilities, making the Bank’s financial product services more intelligent, efficient, stable and reliable. **With respect to data-driven operation**, the Bank focused on the implementation of three major scientific and technological project groups, which are data governance, data platform, and AI platform. **With respect to construction of platforms**, the Bank accelerated technological transformation and comprehensively improved basic supporting capabilities of technology for business development; it strengthened the construction of such basic technology platforms as bank’s privately-owned cloud platform, distributed PaaS platform, open platform, blockchain platform. Meanwhile, it continuously enhanced the level of automation of testing, production monitoring and application deployment via spread use of various tools. **With respect to innovation application**, the Bank relied on the core technologies and resources of Ping An Group in the fields of AI, cloud computing, blockchain, Internet of Things and other new technologies to enhance customer experience, improve risk control system, optimise operational efficiency and promote intelligent management.

3. Further advance of retail transformation

In 2019, with comprehensive finance and scientific innovation as the starting points, the Bank conformed to the strategy of “pursuing breakthroughs in retail banking”, practising the data-driven operation principle, and thoroughly implementing the retail “3 + 2 + 1” business strategy. In this way, its transformation work was steadily advanced.

In 2019, the operating income of retail business reached RMB79,973 million, with a year-on-year increase of 29.2%, accounting for 58.0% of the Bank’s total operating income; the net profit of retail business reached RMB19,493 million, with a year-on-year increase of 13.8%, accounting for 69.1% of the Bank’s total net profit.

At the end of 2019, the balance of assets under management (AUM) of retail customers of the Bank amounted to

RMB1,982,721 million, representing an increase of 39.9% over the end of the previous year. The balance of personal deposits amounted to RMB583,673 million, up 26.4% over the end of the previous year, among which the balance of personal demand deposits was RMB199,949 million, up 15.3% over the end of the previous year.

At the end of 2019, the balance of personal loans amounted to RMB1,357,221 million, up 17.6% over the end of the previous year; in 2019, the total transaction volume of credit cards amounted to RMB3,336,577 million, rising by 22.5% year on year.

At the end of 2019, the number of retail customers reached 97,077,300, an increase of 15.7% over the end of the previous year, among which, wealth customers reached 779,300, among which, qualified customers of private banks reached 43,800, representing an increase of 31.7% and 45.7% over the end of the previous year.

At the end of 2019, the number of registered customers and monthly active users (MAU) of Ping An Pocket Bank APP was 89,469,500 and 32,923,400 respectively, up 43.7% and 23.5% over the end of last year.¹

4. Reinvent and reinforce corporate business

In 2019, the Bank's corporate business adhered to customer-centric, strengthened the corporate ecosystem, refined the relationship with customers, and the Bank's corporate deposits realised a steady growth. The income structure was effectively improved, and the comprehensive finance realised a leap-forward growth.

The balance of the corporate deposits reached RMB1,853,262 million, rising by 11.2% compared with the end of the previous year. Continuous optimisation of deposit structure was strengthened through payment settlement and cash management products, including demand deposits of RMB595,317 million, rising by 11.6% compared with the end of the previous year.

In 2019, the net corporate non-interest income continued to increase, amounting to RMB5,363 million, representing a year-on-year increase of 5.7%; the proportion of net corporate non-interest income in the corporate operating income increased by 1.14 percentage points year on year.

In 2019, the premium of the Ping An group insurance sold by the Bank reached RMB1,331 million, representing a year-on-year increase of 326.6%; the new investment and cooperation projects between the Bank and professional companies within the Group amounted to RMB261,116 million, representing a year-on-year increase of 137.5%.

While developing its business, the Bank fully supported the development of the real economy and continued to increase its support for private, small and micro enterprises. At the end of 2019, the Bank's credit facilities to key industries of medical health, green and environmental protection and clean energy accounted for 46.9%.

In 2019, the Bank gradually shifted from controlling risks to business risks, with significant improvements in asset

¹ Since this annual report, the statistical standard of MAU of the Pocket Bank APP has been changed from the number of customers login APP to the number of customers open APP, and the data of the same period last year have been adjusted accordingly.

quality. At the end of 2019, corporate NPL ratio was 2.29%, with a decrease of 0.39 percentage point from the end of prior year.

5. Upgrading revolution of interbank capital business

The Bank's interbank capital business focused on new transactions, new interbank and new asset management to enhance sales and transaction capabilities and build an intelligent platform for capital system that empowers businesses. In 2019, the Bank's net income was RMB3,906 million, representing a year-on-year increase of 151.8%; the volume of bond transaction of the Bank was RMB3.51 trillion, representing a year-on-year increase of 178.3%. The volume of interest rate swap was RMB3.13 trillion, representing a year-on-year increase of 50.6%. With industry-leading capabilities of system technologies and trading, the Bank ranked the forefront of the market in market-making of bond, interest rate swap and standard bond forward in terms of quotations, transactions, positions and comprehensive rankings. According to the 2019 interbank local currency market evaluation results issued by the foreign exchange trading centre, the Bank won a number of transaction categories such as "Core Dealer", "Excellent Bond Market Dealer", "Excellent Derivatives Dealer", and "Automated Trading Innovation Award". Meanwhile, the Bank comprehensively builds a characteristic interbank sales system around four major areas, which are products, platforms, value-added services, and teams. At the end of 2019, the Bank's "Hang-E-Tong" has cooperated with almost 2,200 customers. In 2019, the sales volume of banks numbered RMB503,880 million, representing a year-on-year increase of 123.7%.

6. Continuous improvement of asset quality

The Bank proactively responded to external risks, adjusted business structure, and continuously improved asset quality indicators. Firstly, "being technology-driven", the Bank leveraged the Group's scientific and technological assets, along with cutting-edge technologies such as big data, blockchain, AI, etc., to create an intelligent risk control platform and enhance the level of intelligent risk management. Secondly, the Bank conformed to the strategy of "pursuing breakthroughs in retail banking", emphatically invested new resources in retail business with better asset quality and strengthened access standard and management requirement for retail customers to ensure better retail asset quality. Finally, the bank kept "reinventing its corporate banking", and new businesses were concentrated on 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, continuous improvement in the asset quality had been achieved and the risk compensation capability of the Bank was continuously enhanced.

At the end of 2019, the Bank continuously improved main asset quality indicators in an all-around way. The balance and the proportion of overdue loans, loans overdue for more than 60 days and loans overdue for more than 90 days of the Bank both declined and the deviation ratios of loans overdue for more than 60 days and loans overdue for more than 90 days were both below 1. The balance of overdue loans amounted to RMB48,550 million, with a decrease of RMB930 million, accounting for 2.09% of total loans, decreasing by 0.39 percentage point over the end of last year; the balance of loans overdue for more than 60 days reached RMB36,782 million, with a decrease of RMB1,582 million, accounting for 1.58% of total loans, decreasing by 0.34 percentage point over the end of last year; the balance of loans overdue for more than 90 days reached RMB31,411 million, with a decrease of RMB2,573 million, accounting for 1.35% of total loans, decreasing by 0.35 percentage point over the end of last year. The balance of special mentioned loans was RMB46,665 million, a decrease of RMB7,887 million over the end of last year, accounting for 2.01%, decreasing by 0.72 percentage point over the end of last year. The NPL ratio was 1.65%, decreasing by 0.10 percentage point over the end of last year. The NPL deviation rate of loans overdue for more than 60 days was 96%, down 14 percentage points from the end of last year. The NPL deviation rate of loans overdue for more than 90 days was 82%, down 15 percentage points from the end of last year.

In 2019, the provision for impairment losses on credit and assets amounted to RMB59,527 million, with a year-on-year increase of 24.3%, including RMB53,288 million of provision for credit impairment losses on loans and advances to customers; at the end of 2019, the balance of loan impairment provision reached RMB70,013 million, with an increase of 29.2% over the end of last year; the provision to loan ratio was 3.01%, up 0.30 percentage point over the end of last year; the provision coverage ratio was 183.12%, up 27.88 percentage points over the end of last year; the provision coverage ratio of loans overdue for more than 60 days was 190.34%, up 49.10 percentage points over the end of last year; the provision coverage ratio of loans overdue for more than 90 days was 222.89%, up 63.44 percentage points over the end of last year. The risk compensation capability of the Bank was further enhanced.

In 2019, the Bank recovered a total of RMB21,366 million of non-performing assets, increasing by 14.0% year on year, including credit assets of RMB19,945 million (loan principal); recovered principals of loans included written-off loans of RMB11,110 million and unwritten-off NPL of RMB8,835 million; 91.4% of recovered amount for non-performing assets was recovered in cash and the rest was recovered in repayment by collaterals.

7. Improvement of serving real economy and targeted poverty alleviation

The Bank actively supported national strategies of supply-side structural reforms and finance serving real economy, insisted on the concept of technological innovation, and continuously improved its capability and level to provide services regarding the comprehensiveness, effectiveness and sustainability of serving the real economy. At the end of 2019, the Bank's total on-balance sheet and off-balance sheet credit facilities amounted to

RMB3,348.9 billion, representing an increase of 18.0% over the end of last year.

The Bank refined regional policy and industry policy to formulate regional featured policies and service solutions, keeping a foothold in characteristics of regional development. Thus it underpinned the construction of economic belts such as "Guangdong-Hong Kong-Macao Greater Bay Area", "Belt and Road", "Yangtze River Delta Integration Area", strengthened regional industry transformation and upgrading, and promoted high-quality development of regional economy. Driven by industry researches, the Bank built a specialised and three-dimensional system for industry researches, strictly controlled the credit granting for "high pollution, high energy consumption and overcapacity" industries, and supported the development and upgrading of major industries.

The Bank actively fulfilled requirements of the state, enhanced financial services for private enterprises, and upheld the high-quality development of small and micro enterprises. First, in terms of technology application, the Bank relied on cutting-edge technologies such as AI, biological recognition, big data, blockchain and cloud computing to create exquisite businesses including "supply chain receivables cloud service platform", "small business digital finance products" and "Xinyidai(unsecured personal loans)", so as to effectively solve the problem of difficulty and high cost in financing for private enterprises and SMEs to support their development. Secondly, in terms of system implementation, the Bank adopted the strategy of "Differentiated relief + Precise services" to provide tailored financial services for enterprises and support private enterprises in normal operation but with temporary liquidity difficulties through Ping An Group's relief fund and the group cooperation model; the Bank also holistically energised the development of SMEs via differentiated credit pricing policy and risk tolerance, with the assistance of innovation in technology, products and channels. Thirdly, in terms of implementation and policy effects, in 2019, private enterprise customers of newly issued loans accounted for above 70% of total customers of newly issued corporate loans; at the end of 2019, regarding the Bank's loans to small and micro enterprises, the credit of RMB10 million or less granted to single customers was up 24.9% over the beginning of this year, higher than the average growth rate of all loans in the Bank; the number of customers with loan balances was 22,900 more than that at the end of the previous year and loan interest rate for these small and micro enterprises declined by 2 percentage points over the end of last year with the NPL ratio within reasonable range.

The Bank continued to promote targeted poverty alleviation and formed a closed loop of poverty alleviation consisting of "wisdom supporting training, improvement of industrial productivity, one product for one village and empowerment by production and sales" through "Finance + Industry" poverty alleviation. In 2019, the Bank newly issued poverty alleviation fund of RMB8,096 million, helping 16,083 registered impoverished people directly and benefiting over 190,000 registered impoverished people. At the end of 2019, 126 kinds of agricultural

products from 28 poverty-stricken counties in 17 provinces were on sale in the online agricultural mall for poverty alleviation, helping impoverished people to reach a total revenue of RMB49,054,000 in 2019.

8. Base consolidation and capital enhancement

The Bank continuously advocated refined capital management and established a centralised and customer-focused capital allocation mechanism with maximizing Economic Value Added (EVA) and Risk Adjusted Return on Capital (RAROC) as the core, while eliminating boundaries between on-balance sheet and off-balance sheet products as the goal. Such mechanism effectively improved capital efficiency of all business lines and branches, further elevating capital returns of the Bank.

On the basis of raising capital through retained earnings, the Bank actively expanded exogenous capital replenishment channels and continued to promote the issuance of capital instruments. The Bank completed the issuance of RMB26 billion of A-share convertible corporate bonds in January 2019, which replenished the core tier 1 capital of the Bank effectively after the conversion in September 2019; and issued tier 2 capital bonds of RMB30 billion in the inter-bank market on 25 April 2019. In addition, in December 2019, the Bank issued a total of RMB20 billion of initial capital bonds without fixed terms (“Perpetual bonds”) in the inter-bank market and raised funds after deducting issuance expenses were all included in other tier 1 capital. The above capital replenishment effectively improved level and quality of capital and laid solid foundation for future support of the real economy and development of the Bank’s businesses.

At the end of 2019, the Bank's core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio were 9.11%, 10.54% and 13.22% respectively, all satisfying the regulatory requirements, and up 0.57 percentage point, 1.15 percentage points and 1.72 percentage points respectively over the end of last year.

9. Rational layout of branch outlets

The Bank continued to implement the intelligent construction of outlets and rationally arranged the layout. At the end of 2019, the Bank had 91 branches (including Hong Kong branch) and a total of 1,058 outlets. Meanwhile, the Bank continuously copied and promoted new off-line retail outlets under "light, community-based, intelligent, diversified" concept. At the end of 2019, 298 new retail outlets were opened nationwide.

(II) Discussion and analysis of the main businesses

Retail business

In 2019, the Bank resolutely deepened its reform and transformation, actively implemented the data-based operation principle, thoroughly implemented the retail “3 + 2 + 1” operation strategy, comprehensively developed the three operation sectors of “basic retail, private banking wealth management and consumer finance”, improved the two core capabilities of “risk control and cost control”, and built the “One ecosystem” to drive integration. In

this way, its transformation work was steadily advanced.

At the same time, the Bank continued to optimise customer experience. The Bank established the “Customer Voice Feedback Mechanism”, at the core of which lays the Net Promoter Score (NPS) monitoring and survey system platform. Daily NPS survey had been conducted through outlets, online banking, mobile banking and other customer experience channels to get customers’ voice and care customers’ needs. Based on the survey results, the Bank was able to take measures to address the pain points of customer experience and provide customers with high-quality and considerate services.

1. Three business segments

(1) Basic retail

At the end 2019, the balance of assets under management (AUM) of retail customers of the Bank amounted to RMB1,982,721 million, representing an increase of 39.9% over the end of the previous year; the balance of personal deposits amounted to RMB583,673 million, representing an increase of 26.4% over the end of the previous year; the number of retail customers reached 97,077,300, representing an increase of 15.7% over the end of the previous year; the number of registered customers of Ping An Pocket Bank APP reached 89,469,500, representing an increase of 43.7% over the end of the previous year; and the number of monthly active users (MAU) of Ping An Pocket Bank APP was 32,923,400, representing an increase of 23.5% over the end of the previous year.

In 2019, the Bank continued to focus on acquiring and managing customers of basic retail business. By adopting scenario-based and technological approaches, the Bank created multiple ways to attract customers with distinct Internet scenarios and adhered to use of technologies and big data to enhance business strategy development, so as to promote the efficiency and productivity in acquiring and managing customers.

With respect to enhancing customer acquisition capabilities, first, relying on the Group's ecosystem, the Bank developed comprehensive finance and promoted customer acquisition through multiple channels. Second, the Bank innovated the internet access to customers, and created low-cost and efficient model to acquire batch online customers through open banking. The Bank also perfected the online ecosystem by continuously optimising the functional experience of Pocket Bank APP, and centred on the core scenarios to proceed traffic operation that turns users into customers. With respect to strengthening customer operations, first, the Bank upheld the management philosophy of “relying on data instead of experience” and drove the automation and intelligence of front-end, middle-end, and back-end management and decision-making through AI, BI (Business Intelligence) and other technical means, so as to form an agile and efficient management model. Second, the Bank promoted targeted customer management for all scenarios, and boosted integrated and funnel-type operations on the basis of

traditional financial scenarios and new life scenarios. The Bank also provided customers with appropriate services and products as well as improved customer satisfaction and product penetration by segmenting customers through big data, precisely accessing to different customer groups through multiple online scenarios, offering online services to customers through remote server, and getting isochronous and real-time contact with offline customers through OMO strategy. Third, the Bank empowered its teams with technology. Taking advantages of tools such as AI and OMO customer operation platform, the Bank empowered the teams of its branches, sub-branches and sales business, helped the teams accurately manage customers in real time, improve operating efficiency and optimise costs.

In 2019, the number of corporate customers from the Bank's agency and batch business (the batch business refers to the business that attract other high-quality retail customers in batches mainly by connected corporate banking and retail banking) was 32,738, representing a year-on-year increase of 22.0%; the amount of effective customers was 2,797,600, representing a year-on-year increase of 5.7%. At the end of 2019, the AUM balance brought from customers of agency and batch business amounted to RMB269,218 million, up 33.2% over the end of the previous year; the balance of deposits from customers of agency business amounted to RMB88,645 million, increasing by 27.5% over the end of the previous year. Since 2017, the Bank comprehensively optimised the agency and batch business by focussing on processes, rights and interests, and systems, built an online management platform to assist in acquiring customers. The Bank also paid attention to customer management, added a special area for "Ping An Salary" customers and such functions as exclusive welfare activities in the Pocket Bank APP to help improving payroll customers' AUM.

At the end of 2019, the Bank's customers of bank card merchant acquiring business increased to 560,600, up by 47.8% over the end of the previous year. The Bank's bank card acceptance business has accelerated its expansion since 2018, entering a synchronisation phase of development and ecological construction. While maintaining rapid growth, the Bank has made a great breakthrough in the batch customer acquisition model by creating industrial ecology and working with partners to serve the customers of bank card acceptance business. In the second half of 2019, while intensively engaged in managing customers of bank card acceptance business, the Bank focused on expanding the range of these customers and promoted in-depth operations for the customers in the bank card acceptance business, especially the small and micro merchant customers.

(2) Private banking wealth management

At the end of 2019, the Bank's wealth customers reached 779,300, representing an increase of 31.7% over the end of the previous year; the Bank's qualified customers of private banking (the standard for customers of private banking is that the daily average balance of any month in the recent three months exceeds RMB6 million) reached 43,800, representing an increase of 45.7% over the end of the previous year, among which, the AUM of qualified

customers of private banks amounted to RMB733,941 million, representing an increase of 60.3% over the end of the previous year.

In 2019, the Bank continued to strengthen its business transformation in the areas of private banking and wealth management, and proactively propelled strategy implementation from the perspectives of operating mechanism, product platforms and equity systems, and internal management. In terms of operating mechanism, based on the concept of offering tiered services to customers, the Bank comprehensively applied the data management tools, accurately empowered the frontline teams, kept enhancing the ability of private banking customer service and asset allocation ability, and improved customer experience. By vigorously promoting the building of investment research teams, investment consulting teams and family office teams, the Bank made full use of AI technology and the Group's comprehensive finance, created a professional and intelligent investment advisory team, established the online & offline "1+N" operating model with one private banker (PB) and N expertise teams as well as an open product platform, optimising the radius and professionalism of the private banking customer service. The Bank has fully upgraded the family offices of private banks. Its services cover asset planning, investment management, risk planning, top-level legal framework design, charity, etc., helping high-net-worth clients to achieve wealth preservation and appreciation, risk management and prevention; the premium trust business has taken the lead in the market since it has been launched one year ago, and is the first in the industry to achieve full-process online operations. In terms of product platform and equity system optimisation, the Bank fully integrated internal and external resources, enriched product portfolios and upgraded rewards programs and customer service framework to optimise customer experience. In terms of internal management, the Bank diversified the introduction of high-quality assets and met private customers' demands for asset allocation by promoting the product management committee mechanism, and improved the embedded risk control compliance team to strictly control asset risk.

(3) Consumer finance

At the end of 2019, the balance of individual loans was RMB1,357,221 million, up 17.6% over the end of the previous year. As the downward pressure of the domestic macro economy still existed, the Bank took the initiative to properly raise the underwriting standard for credit cards and "Xinyidai" and steered towards customer at higher quality spectrum, and actively strengthened the linkage between consumer finance business and private banking wealth business under the premise of ensuring stable asset quality. To meet the financing needs of middle-end and high-end customers, the Bank comprehensively promoted product innovation and upgrading, and optimised the loan business structure and customer group structure. At the end of 2019, the proportion of personal property mortgage loans and licensed mortgage loans to personal loans increased from 26.9% at the beginning of the year to 30.3%; meanwhile, through online transformation and AI transformation, the Bank upgraded loan business

processes and services, improved customer experience, served more customers and ensured stable and healthy business growth.

Credit card: As at the end of 2019, the number of credit cards in circulation was 60,329,100, increasing by 17.1% compared with the end of last year; the balance of credit card loans was RMB540,434 million, up 14.2% over the end of last year. In 2019, the total transaction through credit cards valued RMB3,336,577 million, up 22.5% year on year; the transaction volume of Credit Card Mall increased by 23.1% over the same time last year. Relying on the advantages of financial technology, the Bank continued to create the ultimate customer experience of "fast, easy and good". The main measures included:

First, the Bank continued to enrich product portfolio and deepen crossover integration. In 2019, the Bank reshaped the strategic alliance of credit cards, focused on the industries including life and entertainment, business travel, auto and auto ecological system, and mall & supermarket. It sought for cooperative enterprises of high strategic value in these industries, conducted in-depth cooperation with top enterprises such as Costco and "Eleme" to match the online and offline flows and integrate diverse scenarios, and provided customers with a wide range of products and services. The Bank continued to deepen the customer segmentation management. For youngsters, the Bank enriched the "Youni Credit Card" family by adding card themes of female, "WeMatch Band" and QQ wallet to fully meet the young customers' personalised card demand; for car owners, the Bank actively promoted the car owner credit card that integrated owner's rights, transaction services and financial services, so as to provide the car owners with high-quality and convenient one-stop life service experience. In the meantime, aiming at high-end customers, the Bank not only issued JCB platinum card, but also upgraded elite platinum card to create customised high-quality service.

Second, the Bank actively expanded the APP services and improved customer experience in an all-round way. The Bank made every effort to upgrade the level of financial services, enhanced targeted marketing capabilities, and used personalised labels to precisely promote marketing activities. The establishment of "Happy Share" platform rewarded the Bank with a new social and scenario-based customer acquisition and marketing model. The Bank continued to improve the scenario-based operating ability of Pocket Mall, optimised the shopping procedures featuring "high frequency, excellence and sharing", and cooperated with excellent brands to create scenario-based online consuming ecology. At present, there are 40 excellent brands on the shelves of the Pocket Mall, effectively helping to attract more new customers and making existing customers more active. By introducing the "one-touch application for a card" service, the Bank has built unobstructed service processes from card application to card use, so as to help customers "get what they expect". With excellent service experience, the Bank was awarded the "2019 User Experience InnoAward" by CFV (China Financial Value Ranking), the "Awards for Credit Cards with Best Smart Experience in 2019" by 21st Century Business Herald, and the "Smart Innovation Credit Card of the

Year” by Jiemian.com during the reporting period.

“Xinyidai”: In 2019, “Xinyidai” newly issued by the Bank totalled RMB112,033 million and the balance at the end of 2019 reached RMB157,364 million, rising by 2.4% over the end of the previous year. Always being customer-centred, the Bank further enriched customer finance service scenarios and improved consumption loan products based on the reasonable consumer financing requirements from individual customers by seizing the opportunity of national consumption upgrade; it also improved its ability of serving inclusive finance and continued to attract high-quality customers with an increasing number of well-matched customer plans through diversified product strategy.

The Bank actively explored financial services associated with the “Xinyidai” 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. For the capital demand of small and micro business owners, the Bank effectively streamlined application process. Meanwhile, it also implemented risk-differentiated pricing to support loans for small and micro enterprises. The Bank actively expanded Internet channels and traffic portals, strengthened the connection with payment data, transaction data and scenario platforms, enriched loan scenarios, extended customer coverage and, achieved online and offline interaction, benefiting more customers with the banking service. At the same time, 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 to set up a new business process. By means of centralised, automated strategy, and intelligent online operation processing, direct connection of data, intelligent review, remote video, and electronic signature, the Bank optimised business process, enabling customer to enjoy a high-quality experience of applying at all times and places, fast approval and loan disbursement upon agreement at any outlet across the Bank. After the new process was launched, the average length of time from application to loan disbursement was shortened from 4 hours to 1 hour.

Personal property mortgage loans and collateral mortgage loans: In 2019, the Bank’s personal property mortgage loans and licensed mortgage loans accumulated to RMB193,045 million; at the end of 2019, the balance of personal property mortgage loans and licensed mortgage loans reached RMB411,066 million, increasing by 32.3% over the end of last year; among them, the property mortgage balance amounted to RMB199,371 million, representing an increase of 9.3% 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 self-occupied houses and that of small and micro customers to develop. Meanwhile, the Bank strengthened product innovation and resource inclination to property mortgage business in accordance with regulatory requirements, trying best to attract high-quality property mortgage

customers. It optimised the structure of customer base and business on the one hand, and continuously improved the comprehensive operational capabilities for better serving the customers on the other hand. The Bank has actively expanded Internet channels and platforms to attract customers and develop property mortgage business, and through online and offline cooperation, it further extended customer coverage. Meanwhile, the Bank made full use of Internet technology to enhance product competitiveness, continuously improved the online and intelligent degree of business processes, and improved the business processing timeliness and customer experience.

Auto finance loans: In 2019, the Bank's new auto finance loans amounted to RMB156,674 million; at the end of 2019, the balance of Bank's auto finance loans was RMB179,224 million, an increase of 4.2% over the end of the previous year. Under the overall slowdown of the auto consumption, the Bank continued to rely on technology empowerment, deepened the auto eco-management strategy by measures of product innovation, process optimisation, AI intelligence, and constantly improved customer experience and service efficiency.

The Bank actively propelled the transformation, promoted the development of second-hand car business, focused on the traditional second-hand car business and continued to increase the number of cooperative second-hand car merchants, with the number of active cooperative merchants exceeding 3,400 throughout the year; with regard to the business model innovation of second-hand cars, the Bank took the lead to cooperate with second-hand car market offline and auction platform online in the pilot areas. Through uninterrupted reliance on technology empowerment, the Bank launched “Che-E-Tong” APP to realise online financial service and solved the problems of car and client sources for car dealers to build an auto ecological system. At the end of 2019, there were over 8,000 registered car dealers. Meanwhile, the Bank focused on the management of existing customers to constantly improve new customer experience, and released a loan extending product plan with all procedures operated online to further tap the potential of the auto consumer financial market.

2. Two core capabilities

(1) Risk control

The Bank gives high priority to risk management and control in the course of business development. In 2019, affected by external factors such as the complexity and volatility of international and domestic economic and financial situation, rising multiple debt risks and sluggish auto consumption, overall risks in the consumer finance industry have increased. In compliance with a more prudent risk control principle, the Bank implemented a more rigid standard for five-tier classification. At the end of December 2019, the NPL ratio of the Bank's personal loans was 1.19%, up 0.12 percentage point from the end of last year. Had the former standard been applied, the NPL ratio would drop by 0.09 percentage point. The overall NPL ratio was steady and controllable. Specifically, the NPL ratio of credit cards was 1.66%, up 0.34 percentage point from the end of last year, among which standard

adjustment contributed to an increase of 0.33 percentage point; the NPL ratio of the “Xinyidai” was 1.34%, up 0.34 percentage point from the end of last year, among which standard adjustment contributed to an increase of 0.33 percentage point; the NPL ratio of auto financial transactions was 0.74%, up 0.2 percentage point from the end of last year, among which standard adjustment contributed to an increase of 0.14 percentage point.

Since the end of 2017, the Bank has been, from a forward-looking perspective, proactively adjusting risk policy, focusing on the prevention of the multiple debt risks and taking measures like amount limit control and prudent credit facilities for customers in areas of common debt, high liabilities and high risk, which effectively controls and reduces the proportion of high-risk customers. Thus, the overall risk of new customers remains historically low.

The proportion of the balance of loans past due over 30 days at the ageing of 6 months:

The period of loan origination	Credit card receivables	“Xinyidai”	Auto finance loans
2016	0.45%	0.16%	0.12%
2017	0.35%	0.20%	0.18%
2018	0.29%	0.17%	0.17%
2019	0.35%	0.13%	0.23%

Note: (1) “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 balances of the loan over 30 days due at the ageing of 6 months = the balance of new loans or credit cards over 30 days at the end of the 6th month / the amount of new loans issued or the overdraft balance of new credit cards in the same year as the ageing of 6 months.

(2) 2019 statistics represents the ageing analysis of loans granted from January 2019 to July 2019. The ageing of loans granted from August to December is less than six months, so the loans will be included in the analysis after their ageing exceeds 6 months.

(2) Cost control

In 2019, the Bank improved operational efficiency and productivity of staff by means of refined cost control and AI strategy empowerment, and continued to increase investment in technology and innovation to maintain sustained growth momentum and drove continuous cost/income ratio optimisation.

In terms of operating costs, the Bank further cut down expenses on operating and administrative management via comprehensive refined management and process transformation, as well as streamlining the operation process and management chain, and reduced retail operating costs, for example, the cost per piece of centralised operation decreased by 13.3%, the electronic bills accounted for 99.0% of all the credit card bills, etc., both aiming at facilitating gradual decrease of the overall operation costs. In terms of fixed costs, during the transformation to standard, intelligent and light-weight outlets, the Bank reduced the cost of single outlets. The rental cut covered an

area of 29,400 square meters, and the comprehensive benefits of outlets continued to improve throughout the year; the above measures have reduced operating and fixed costs by RMB447 million. And in terms of capacity efficiency, capacities of retail per capita and per outlet were further improved based on empowerment of AI strategy to business and management, with operating income of retail per capita and per outlet increasing by 17.7% and 30.5% year on year respectively. While the retail business kept fast growth in the transformation, the cost/income ratio of the retail business continues optimisation.

The Bank's retail department intends to enhance the driving force for optimisation of cost/income ratio by continuously increase technology and innovation investment. For the goal of prospering traditional businesses with the support of the power of technology, on one hand, projects such as AI sales assist and AI customer acquisition robot were established at the front-end to help front-line teams to expand business, developing customer and improving customer service experience; on the other hand, the Bank improved the capacity of AI central platform. Taking more intelligent and efficient AI projects as management starting points, the Bank improved the management efficiency as well as consolidating the data management capabilities.

3. One ecosystem

In 2019, based on an agile mechanism, the Bank's retail used AI Bank as the internal drive to build an open banking ecosystem, achieving the connection, empowerment and integration of customers, employees and partners, and promoting the comprehensive innovation of business models.

Centring around the three objectives of “open capacity”, “open flows” and “open operation”, the Bank is actively advancing the construction of open bank, promoting its vision of “banking services anywhere”, and providing customers with a full range of financial services covering all sides of life. At this stage, the Bank mainly focuses on “open capacity”.

“AI Bank” construction serves as the basis and internal drive for the construction of the Bank’s open banking ecosystem. In 2019, the Bank launched full-scale AI application in its retail banking and focused on improving the capacity of AI central platform. From the perspective of resource intensification and capacity sharing, in line with the principle of modularisation, parametrisation and closed-loop, the Bank achieved agile support for and rapid launch of front-end business scenarios by integrating reusable and shareable general capabilities. At present, the underlying AI technology is basically complete, and the results of AI customer service, AI marketing, AI risk control, and AI management have strengthened the capability of AI central platform, thus, the technology is basically ready for comprehensive promotion.

In terms of AI customer service, the Bank has established a 7×24-hour “AI Customer Service” system. At the end of 2019, the unmanned AI customer service ratio was 86.1%, representing an increase of 6 percentage points from the end of the previous year. Relying on the leading intelligent voice technology, the intelligent voice business

centre platform has been created, helping to realise digital transformation, upgrading and comprehensive empowerment. At present, it has connected more than 20 business scenarios, made over 1.5 million outbound calls, won the "Qianhai Outstanding Financial Innovation Case in 2019", and was successfully included into 2019 Fintech Application Pilot Project by the six ministries and commissions.

In terms of AI marketing, the Bank has been committed to providing customers with intelligent wealth management services, and has launched smart investment and smart investment research services to help customers choose more suitable investment solutions. In terms of credit card business, the Bank strives to meet customer demands based on consumption scenarios and draws on big data and technology to establish unobstructed service processes from card application to card use. In 2019, over 4 million customers got their credit cards through the "one-click to obtain a card" process.

In terms of risk management, the Bank has accomplished an all-round grade and optimisation based on the "AI + Risk Control" project in 2018, by promoting the construction of a new generation of intelligent risk management system – "Risk 3.0" based on the full-scale AI and total value management, creating AI risk control robots before, during and after loans granting, and connecting the risk management system of products such as loans to individuals, auto financing and credit cards, so as to achieve the full-scale AI and real-time customer risk management before, during and after risks. In 2019, the Bank newly issued 14.3 million credit cards, nearly 90% of which were automatically approved by AI; the cumulative amount from fraud attack prevention by unified retailing anti-fraud platforms increased by 58.7% year on year.

Agile organisation is the basis for the Bank to promote the open banking ecosystem. In 2019, the retail industry further carried out the transformation of agile organisation. In light of agile projects, pilots of agile organisation and the establishment of a systematic talent training system, the Bank is building an agile team that comprises IT and business personnel and making continuous improvement in delivery efficiency and customer service satisfaction.

In 2019, for online business, the Bank conducted a further upgrade functional modules and user experience of the online Pocket Bank APP and the Pocket Banker APP; while for offline business, the Bank promoted new retail outlets under the "light, community-based, intelligent and diversified" concept. At the end of 2019, there are 298 new outlets in the country. Meanwhile, it integrated and built a new one-stop financial retail model featuring more intelligent and OMO (Online Merge Offline, realising online and offline integration) service system to bring better financial life experience for customers through an intelligent switch between online and offline business featured with integration, contextualisation and personalisation.

4. Continuous enhancement of contribution in comprehensive finance

The Bank develops comprehensive financial business through the model of MGM (Member Get Member). In

2019, the number of new customers represented a net increase of 2,489,100 through the MGM model (excluding credit cards), accounting for 27.8% of the overall new retail customers, of which, the number of wealth customers represented a net increase of 77,100, accounting for 41.1% of the overall new wealth customers, and the balance of assets under management of retail customers (AUM) represented a net increase by RMB218,368 million, accounting for 38.6% of the overall asset balance of the new retail customers. “Xinyidai” granted through the MGM model amounted to RMB68,682 million, accounting for 61.3% of the overall issuance of “Xinyidai”; auto finance loans amounted to RMB54,676 million, accounting for 34.9% of the overall issuance of auto finance loans; the number of credit cards issued through the MGM model was 4,876,500, accounting for 34.1% of the total number of newly issued cards.

In terms of asset quality of customers, the asset quality of customers obtained through the MGM model is in generally superior to that of other customer groups. At the end of 2019, the NPL ratio of the customer group of “Xinyidai” obtained through the MGM model was 0.69%, which was 0.65 percentage point lower than the overall NPL ratio. The NPL ratio of the customer group of credit cards obtained through the MGM model was 1.46%, which was 0.20 percentage point lower than the overall NPL ratio. For the customer group of auto finance obtained through the MGM model, the NPL ratio was 0.74%, which was almost at par with the overall NPL ratio and maintained at a relatively low level.

In 2019, the total net non-interest income from group insurance sold by all retail channels of the Bank on a commission basis was RMB2,789 million, representing a year-on-year increase of 13.2%.

Corporate business

Always being customer-centred and technology-driven, the Bank practised the “3+2+1” corporate business strategy, centring around the three business pillars of industry banking, transaction banking and comprehensive finance, focusing on the two core customer groups of strategic customers and small and micro enterprises customers, and held fast to the lifeline of asset quality in 2019. The Bank strove to create an industrial banking system with distinctive characteristics of investment banking, integrated the Group’s business resources and edges of technology services, continued to strengthen its ability to provide comprehensive financial services, and created an “engine” for the Group’s comprehensive financial services. In addition, assisted by technologies such as AI, block chain, Internet of Things and big data in an extensive and comprehensive way, the Bank formed an intelligent superior corporate banking business system.

1. Three business pillars

(1) Industry banking

The Bank’s industry division and investment banking department are deeply integrated, and is positioned as the

“business leader of industry customers, pioneer team for major customer development and responsible body for integrated solutions”, striving to create an industrial banking system with distinctive characteristics of investment banking.

In order to better serve customers, the Bank got in-depth understanding about customer needs, deeply integrated the underwriting, issuance and product innovation ability of investment banking with the industrial research and customer segmentation service ability of the industry division, integrated internal and external resources of the Group, and customised comprehensive financial solutions with unique advantages for customers; to improve efficiency, the Bank set up an agile action team to flatten the operation process and realise the efficient linkage of “commercial bank + investment bank + investment”, and gained trust and recognition from customers by professionalism, uniqueness and efficiency. At the end of 2019, the Bank's credit facilities to key industries accounted for 46.9% of total volume; the Bank has created more than 30 benchmarking models with unique advantages. In the future, the Bank will deeply bind with the industrial leading customers, and continuously enhance customer value through service.

In the field of government finance, based on the Group's advantages of “Finance + Technology”, the Bank was transformed from a traditional financial service provider to a partner of reform promoter, and continued to propel the innovation of the “Smart City” platform by enhancing the comprehensive service capabilities and focusing on the major ecosystems of finance, housing and justice. At the end of 2019, the Bank had 127 new governmental financial platforms, with a total of 570.

Meanwhile, under the new operation model of industry banking, the investment banking business will also usher in a new development period. In 2019, the bonds underwriting of the investment banking amounted to RMB247,306 million, including financial bonds of RMB64,316 million and non-financial bonds of RMB182,990 million. According to the data released by www.chinawealth.com.cn, the underwriting scale of the Bank's wealth management direct sales was RMB64,625 million, accounting for 51% of the market share. The scale of syndicated loans led or jointly led by the Bank exceeded RMB80 billion with rapid growth in scale and revenue. The newly added scale came top among national joint-stock commercial banks.

(2) Transaction banking

Internet payment and settlement

Based on the transformation strategy, the Bank strengthened the in-depth operational capabilities of enterprise customers on the platform. Focused on platform customers of industrial Internet and consumer Internet, the Bank integrated its superior product capabilities, and provided platform customers and their B-end and C-end customers with integrated Internet payment settlement service solutions that better meet their needs. In 2019, the Bank launched over 2.15 billion transactions relating to Internet payment and settlement business to serve the

enterprises on the platforms, an increase of 216.2% year on year; the amount of transactions reached RMB4.18 trillion, representing a year-on-year increase of 64.5%.

Intelligent supply chain finance

The Bank upgraded the supply chain receivables cloud service platform, launched the brand of Ping An Good Chain, optimised the complete business process of registration, approval and charge-off through technological means such as cloud computing, block chain and artificial intelligence, and greatly improved the user experience. Meanwhile, focusing on key industries such as infrastructure, electronics and medicine, the Bank offered packages of comprehensive finance and management services to upstream and downstream enterprises in the supply chain, so as to achieve mass customer acquisition.

At the end of 2019, the transaction volume of the Bank's supply chain receivables cloud service platform accumulated to RMB34,038 million, with the Bank's financial services provided for 450 core enterprises and their upstream suppliers in an accumulated way, effectively resolving the financing difficulty of small and medium enterprises and supporting the development of the real economy.

Cross-border finance

The Bank's cross-border finance focused on the financial service needs for the internationalisation of Chinese-funded enterprise operation, investment and financing. Featured by offshore finance, it integrated five cross-border financial service systems including onshore, offshore, free trade zone, NRA (non-resident account), and overseas branches, gave full play to the linkage advantages at home and abroad, domestic and foreign currency, as well as offshore and onshore. Moreover, the Bank dug deeper into the five major product systems including "Cross-border Investment and Financing", "Cross-border Fund Management", "Cross-border Trade Finance", "Cross-border Inter-bank Finance", and "Cross-border e-Finance" to help the Chinese-funded enterprises to support the blossom of real economy. Meanwhile, the Bank relied on the core technologies of Ping An Group and strove to build and continued to improve the "Cross-border e-Finance" platform. Through a series of leading online services such as offshore business multi-centre system, online banking, Pocket Finance, Trading One, Cross-border Host-to-Host, Cross-border Smart Collection, offshore global wages distribution agency service, the Bank provided customers with an intelligent online cross-border financial service that integrates settlement and exchange, trade financing, information inquiry and business flow management in the whole process to constantly improve business efficiency and customer experience.

At the end of 2019, the scale of offshore business asset of the Bank reached USD22,910 million, the offshore deposit balance was USD20,225 million, and the offshore loan balance was USD13,082 million. During the reporting period, the scales of offshore business asset, deposits, loans and profitability ranked first among Chinese-funded off-shore banks.

Open banking

After continuous exploration, in 2019, the Bank launched open banking platform and applied open API technology to create a shared platform cooperation model in order to settle the demands of fast access, automatic upgrade, standard output, and efficient services, and committed to making high-quality financial services more embedded in diverse scenarios. The platform made banking services more focused, more agile, more intelligent and more open by taking customer needs as the guide, scenario services as the carrier, integrating ecology and building platform as the goal, and API / SDK as tools. Moreover, it gradually combined traditional access methods such as Host-to-Host and B2Bi (Business to Business Integration) to provide customers with the best open banking experience.

At the end of 2019, the Bank's open banking accessed 1,072 customers through API, SDK, H5 and other methods, and the average daily deposits of customers reached RMB39,575 million; the Bank's Host-to-Host accessed 2,965 group enterprises, and the average daily deposits were RMB284,379 million, which had formed a good reputation in the market and brought huge benefits to the Bank.

(3) Comprehensive finance

As a "1+N" engine for the Group's comprehensive financial services, the Bank continuously strengthened its comprehensive financial service capabilities through the "1+N" model of "1 customer and N products services", and operated collaboratively with various professional companies in the Group, committing to being the "Founder" of comprehensive financial solutions for customers.

The Bank gave full play to the advantages of its banking channels and the Group's comprehensive finance, attached special importance on the two core customer groups of strategic customers and small and micro enterprises customers and focused on building two comprehensive financial services modes. Under the first mode, the diversified financing needs of customers were met based on in-depth understanding of the characteristics of investment and financing of strategic customers, by cooperating with securities, trusts, leasing, asset management, real estate, pension investment and other investment and financing subsidiaries of Ping An Group as the main partners and through the "Commercial bank + Investment bank + Investment" programme, while using insurance and technology products and services to continuously improve the customer experience. Under another mode, which focused on platform customers and small and micro enterprise customers, customers' payment settlement and financing needs were met through transaction banking and inclusive financial product services, and differentiated and personalised insurance products were provided according to customer scenarios to meet corporate needs. In addition, a scenario-based banking and insurance service mode was developed to empower platform customers, small and micro enterprise customers.

In 2019, the scale of the premiums of Ping An's group insurance products sold by the Bank as a commission agent

reached RMB1,331 million, representing a year-on-year increase of 326.8%. The scale of the newly-increased investment and financing projects between the Bank and professional companies within the Group was RMB261,116 million, representing a year-on-year increase of 137.5%.

2. Two core customer groups

(1) Focusing on strategic customers

By systematic, industrial, professional and collective approaches, the Bank focused on strategic customers to formulate “one policy for one account” for the sake of customers’ needs, providing comprehensive financial service of “Commercial bank + Investment bank + Investment” for customers.

By the systematic approach, the Bank has established a strategic customers marketing management system, built a smart economic analysis and smart business development platform for strategic customers, and helped the front-line business development operation; by the industrial approach, the Bank has taken the industry division as the lead, focusing on key industries and customers, creating a distinctive strategic customers benchmark; by the professional approach, the Bank has established an agile team of “channel pioneer + product support + risk management in advance” to form customised solutions; by the collective approach, the Bank has invested the group platform resources into the strategic customers and their ecosystem, and provided customers with comprehensive financial solutions. Strategic customers have gradually become the mainstream of the bank's corporate business. At the end of 2019, the balance of loans to strategic customers increased by 53.3% as compared to the end of the previous year, and its share in corporate loans of the Bank increased by 4.8 percentage points from the end of the previous year.

(2) Promotion of small and micro enterprises customers

The Bank strengthened the integration of resources and channels of the Group, enhanced the overall operation capabilities of private enterprises and small and micro enterprises, and innovated business models such as intelligent supply chain, Pocket Finance and small enterprise digital finance, so as to continuously enhance the support for private enterprises.

In 2019, Pocket Finance focused on three themes of “opening-up, integration, and intelligence” to build a one-stop operation service platform. The Bank introduced new enterprise services together with third-party partners, to provide small and micro enterprises customers with scenario-based services such as travelling, enterprise consumption and enterprise vehicle service, and it launched online counters for such customers to get access to banking services anytime and anywhere. The Bank provided integrated services between public and private accounts and single operator mode focusing on operational characteristics of small and micro enterprises, so as to fully exploit its comprehensive finance advantages to deliver insurance products and guarantee services tailored for small and micro loan customers and provide convenience for operation and transaction. At the end of 2019,

registered enterprise customers of Pocket Finance accumulated to 359,800 while transactions in the year accumulated to 5.9873 million, representing a year-on-year increase of 374.6%, and the transaction amount was RMB3.72 trillion, representing a year-on-year increase of 338.3%.

The Bank's small enterprise digital finance revealed the real operation status of enterprises via "data+models"; realised online, automated and real-time batch loan granting with standardised products, by applying technologies such as Internet of Things and big data; further reached scenarios and industrial chain customers with customised products, so as to efficiently solve the problems of difficulty and high cost in financing for SMEs. At the end 2019, the Bank's small enterprise digital financial service customers numbered 34,156, up 142.2% over the end of the previous year. In 2019, the Bank, in an accumulated way, issued loans of RMB22,376 million through small enterprise digital finance.

3. One lifeline

In 2019, the Bank shifted its focus from controlling risks to business risks, strengthened connection between risks and businesses and prepended risk management, covering risks with returns, managing risks through schemes and circumventing risks by management. The Bank employed "big data+artificial intelligence" technology to establish an intelligent risk control platform, so as to effectively provide guidance on business direction and reasonable allocation of corporate resources. The Bank continued to maintain good risk performance of new customers. Meanwhile, it also continued to adjust the structure of existing assets and strengthened the recovery and disposal of problematic assets, which gradually improved the corporate asset quality. At the end of 2019, corporate NPL ratio was 2.29%, a decrease of 0.39 percentage point from the end of prior year.

Interbank capital business

In 2019, adhering to the customer-centric and technology-driven principles, the Bank constructed a "3+2+1" business strategy for interbank capital business which centred on the three major business directions of "new transactions, new interbank and new asset management", strengthened the two core capabilities of "sales and transaction", and created the "one system platform" to empower businesses.

1. Three major business directions

(1) New transactions

In 2019, the Bank recruited global top talents for FICC (fixed income, currencies and commodities) trade, built industry-leading transaction business segments and organised transaction teams with international perspective and local advantages, thus realised comprehensive layout of FICC business. Empowering transactions with technology, the Bank developed market-leading intelligent quantitative transaction system with a forward-looking vision, and

thus improved its capabilities of data processing, pricing, trade executing and real-time risk control in conducting business. During the reporting period, with the goal of establishing an efficient and flexible FICC business integrated operation system, the Bank established quantitative analysis supporting system, resource allocation mechanism, transaction system and middle-end and back-end supporting system all in a unified manner. As a result, the Bank made tremendous progress in digitalised transaction, with net income increasing greatly on a year-on-year basis, also, trading varieties and scales and market ranking taking the lead in the market. In 2019, the Bank's net income was RMB3,906 million, representing a year-on-year increase of 151.8%; the volume of bond transaction of the Bank was RMB3.51 trillion, representing a year-on-year increase of 178.3%. The volume of interest rate swap was RMB3.13 trillion, representing a year-on-year increase of 50.6%. The volume of self-operated precious metal transaction was RMB1,741.6 billion, representing a year-on-year increase of 112.4%. The volume of commissioned precious metal transaction was RMB821 billion, representing a year-on-year increase of 57.9%. With industry-leading system technology strength and trading capability, the Bank ranked the forefront of the market in terms of the quoted volume, trading volume, position, comprehensive ranking and other indicators in the market making of bonds, interest rate swaps and standard bond forwards. According to the 2019 interbank local currency market evaluation results issued by the foreign exchange trading centre, the Bank won a number of transaction categories such as "Core Dealer", "Excellent Bond Market Dealer", "Excellent Derivatives Dealer", and "Automated Trading Innovation Award".

(2) New interbank

In 2019, the Bank accelerated the transformation of interbank institutional sales with effectiveness preliminarily shown in operation reform. The Bank practised the customer-centric business philosophy by intensifying construction of financial ecosystem, exploring customers' needs and exploiting its comprehensive finance advantages to provide institutional customers with a package of products/business solutions and enhance the breadth and depth of services provided to interbank customers; the Bank upgraded the customer portrait system of interbank institutions by improving construction of customer basic data and highlighting scenarios application function.

The Bank centred on aspects of products, platforms, value-added services and teams to comprehensively build a characteristic and ecological interbank institutional sales system. First is enriching product portfolios to achieve full coverage of product categories in main institutions. Second is combining online platforms with offline channels to connect assets and funds efficiently; promoting reconstruction of "Hang-E-Tong" platform, establishing one-stop open transaction platform for financial institutions, covering the whole process of user scenarios and empowering business management with AI to realise the upgrade of online sales transaction and service. Third is strengthening product researches, providing customers with professional investment advice and

initiating establishment of development optimism and intelligent investment consultant functions to improve investment value of institutional customers. Fourth is organising a specialised sales team, with scientific training programs and talent cultivation system to improve specialisation, market insight and risk prevention and control capabilities of the team. Functions like technology-empowered sales and mobile integrated terminal realised whole-process tracking management of business expansion and high-quality standardised promotion.

At the end of 2019, the Bank's "Hang-E-Tong" platform has cooperated with 2,200 customers. In 2019, the volume of interbank sales was RMB503,880 million, representing a year-on-year increase of 123.7%.

(3) New asset management

In 2019, the Bank actively coped with challenges and opportunities brought by new regulation policies and promoted sound transformation and development of wealth management business in terms of platforms, products, investment researches and technologies. First is steadily advancing the preparatory work of a wealth management subsidiary. The Bank strived to construct smart wealth management transaction platform, smart investment research platform and smart risk control platform and establish open-ended wealth management platform for all products through technologies. The Bank received the approval by CBIRC on establishment of Ping An Wealth Management Co., Ltd. (hereinafter "Ping An Wealth Management") on 31 December 2019, and the Bank is advancing the preparatory work of Ping An Wealth Management which will be officially operated once approved. Second is vigorously promoting the transformation of wealth management products to taking net value as basis, innovatively launching core product lines "growth" series, accelerating the new products issuance and perfecting products system. Third is improving the capacity of investment research, establishing an investment research system focusing on major assets allocation and linking fields of macroeconomics, monetary market, bonds market, trading strategy, equity market and foreign exchange and commodities market. Fourth is continuously promoting technology empowerment, improving market risk monitoring, credit risk management and post-investment management capabilities by fully exploiting technologies, reducing operational risk by labelling, process and online operation, independently developing and launching a new generation of valuation measurement system, unified wealth management bookkeeping system, investment portfolio management system and risk management and performance evaluation system, and achieving integrated management consisting of portion registration, product management, investment transaction and valuation and liquidation.

At the end of 2019, the Bank's balance of principal-guaranteed wealth management products (WMPs) amounted to RMB67,217 million, representing a decrease of 18.7% over the end of last year, the balance of structured deposits was RMB507,711 million, up 17.1% compared with the end of last year, and the balance of non-principal-guaranteed WMPs was RMB590,499 million, increasing by 9.8% compared with the end of last year, among which, net-value-based products in compliance with requirements in new asset management

regulations amounted to RMB257,206 million, representing an increase of 152.2% over the end of previous year and its proportion in non-principal-guaranteed WMPs increased from 19.0% to 43.6%.

2. Two core capabilities

The Bank improved two capabilities of sales and transaction in regarding three business directions of new transactions, new interbank and new asset management to form integrated measures and build up core competence of the Bank's interbank capital business. First is strengthening sales capabilities, upgrading sales mode and integrating sales into ecosystem to improve channel contribution. Customer portrait system supports in-depth analysis on customer groups, focuses on strategic customers and cornerstone customers, forms a chain integrating funds, products, assets, and services, and thus becomes a “product expert” and “customer expert” to provide customers with one-stop integrated financial services such as scenario-based product design, asset recommendation and sales channels; second is relying on the industry-leading transaction capabilities, to expand and enrich the application scenarios of transaction capabilities. By constructing an intelligent transaction platform, the Bank integrates with interbank, asset management and retail businesses to serve the interbank, companies and retail customers in the industry.

3. One platform

The Bank achieved precise pricing, intelligent execution, and real-time risk control and empowered three business directions through smart capital system. The new generation financial market business system was launched in Mid July 2019. With its integrated front, middle and back-end overall design, stable and efficient operation efficiency, multiple asset management capabilities and massive data processing abilities, the system helped the Bank significantly improved the stability and efficiency of infrastructure in financial market business, achieved process automation and specialised management of financial market business, reinforced competitiveness in bonds, foreign exchange and precious metals fields and created continuously leading core competitiveness in financial market business.

Technology-driven

The Bank adopted the strategic principle of “being technology-driven” as the driving force for strategic transformation and data-driven operation, continued to increase investment in finance technology, optimised the development processes, improved delivery efficiency and empowered data-driven operation. At the end of 2019, technical personnel of the Bank (including outsourced talents) numbered over 7,500, an increase over 34% compared to the end of last year. In 2019, IT capital expenditures and costs experienced a year-on-year increase of 35.8%, of which RMB1,091 million was invested in innovative research and application.

1. Continuously deepening agile transformation

In 2019, the Bank implemented the Starlink (development-operation-maintenance integration) and SDLC (safe development life cycle) projects, connected the whole process of research and development from demand to production and improved its rapid IT delivery capabilities. In 2019, response to business development demands of the Bank increased by more than 30% year on year. Meanwhile, the Bank upgraded and improved a number of major business systems, and consecutively put projects into production on schedule like intelligent risk control platform, new core system for financial market, corporate cloud bank card acceptance and intelligent trusteeship, so as to provide financial products and services in a more intelligent, efficient, stable and reliable manner. In 2019, the Bank made new breakthroughs in supporting work of overseas business and constructed the core business system and data centre for Hong Kong Branch and put them into operation, providing safe, stable and efficient environment for operation and maintenance of overseas business.

2. Comprehensively promoting data-driven operation

To make data-based operation real-time, refined, visualised and value-based, the Bank implemented three major scientific and technological project groups, which are data governance, data middle platform, and AI platform. For data governance, the Bank continuously promoted the implementation of data governance system and long-term control mechanism. The Bank formulated over 900 basic data standards and nearly 2,000 indicator standards in 2019. For data middle platform, the Bank accelerated the construction of data indicator platform, data service platform and “five databases” of customers, products, staff, channels and cases. For AI platform, the Bank has put 11 AI middle platforms projects into operation, realising closed-loop management based on modules and parameters, and empowered front-end business through robots projects of AI customer service, AI risk control, AI marketing, AI voice, AI quality inspection and intelligent recommendation platform. For instance, the Bank precisely ran marketing advertising on the homepage of “Pocket Bank” and credit card APPs via an intelligent recommendation platform, and the conversion effect was over 50% higher than manual advertising delivery.

3. Establishing leading basic technology platforms

The Bank accelerated technological transformation and comprehensively improved basic supporting capabilities of technology for business development. First is establishing and improving basic technology platforms such as private cloud platform, PaaS platform, open platform and enterprise-level big data platform. In 2019, the Bank strengthened the promotion and construction of private cloud platform and the proportion of applications on the cloud reached 35%. Construction work of distributed PaaS platform was completed and the platform won the “2019 Outstanding Contribution Award for Financial Science and Technology Innovation” of the Financial Computerisation Magazine. The platform was piloted in over 70 projects, and it effectively enhanced the security

and controllability of the Bank's systems and reduced development and operation and maintenance costs. For instance, the new core business system for credit cards was researched and developed based on the PaaS platform and its maximal business processing capabilities were approximately 10 times greater than those of the original system with just 1/3 costs of the latter. Second is continuously promoting the construction of refined tools for production, operation and maintenance monitoring and improving the automation level of basic resources and application allocation. In 2019, the Bank achieved an operation and maintenance automation level of 80% by transformation of tools and platforms, with the number of versions released increasing by 150% year on year and automated testing coverage reaching 55%.

4. Deepening innovation and application of financial technologies

Relying on the core technology and resources of Ping An Group, the Bank accelerated the integration of emerging technologies with banking scenarios, so as to improve its capabilities of customer marketing, operation management and risk control. For AI Bank, retail banking business extensively applied technologies like Natural Language Processing (NLP), Optical Character Recognition (OCR) and biological recognition, realising 7x24-hour closed-loop operation to attract customers. For example, the Bank developed an “AI Quick-build Station” to help users build various customised marketing pages using H5 technology. In 2019, the “AI Quick-build Station” launched more than 5,000 activities with more than 400 million viewers, facilitating more than 7 million financial transaction orders; the scenario coverage rate of credit card intelligent voice business reached 90%, which was equivalent to saving 1,200 employees. For big data, the Bank established intelligent risk control platform by using big data and AI technologies and applied it to intelligent decision-making, intelligent control, intelligent loan granting, intelligent warning and intelligent management and other fields. As for retail customer promotion business, the Bank exploited data labelling capabilities to provide tailored services for different customers and launched promotion activities rapidly, so as to reduce labour costs such as operation and development costs to 1/3 of the original, and time to 1/5 of the original. For block chain, the Bank established unified block chain integrated service platform and applied it to business fields like supply chain finance, bankruptcy liquidation voting, cloud signing certificate and traceability with the number of transactions in 2019 exceeded 350,000. For open banks, the Bank comprehensively transformed and upgraded the open banking technology platform. As of the end of 2019, it had released a total of 351 application programming interface (API) services of 24 categories, attracting customers and outputting capabilities effectively. For Internet of Things, the Bank built an IoT middle platform to implement online operations and intelligent control of vehicles and logistics, so as to reduce monitoring costs.

In addition, the number of patent applications for intellectual property in technology lines exceeded 150 items in 2019, with 5 projects successfully selected as 2019 Fintech Application Pilot Project by the six national ministries

and commissions; meanwhile, the Bank held innovation activities such as the Technology Innovation Competition, the Geek Competition and Technology Opening Day, to encourage all-involvement innovation and promote the spirit of workmanship.

(III) Whether there is significant change in the main business during the reporting period

Yes No

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

Applicable Not applicable

(In RMB million)

Item	2019		2018		Year-on-year change
	Amount	%	Amount	%	
Net interest income	89,961	65.2%	74,745	64.0%	20.4%
Interest income from balances with central banks	3,345	1.9%	4,002	2.5%	(16.4%)
Interest income from transactions with financial institutions	9,681	5.5%	10,933	6.7%	(11.5%)
Including: Interest income from deposits with banks and other financial institutions	2,962	1.7%	4,893	3.0%	(39.5%)
Interest income from placements with banks and other financial institutions	2,132	1.2%	1,759	1.1%	21.2%
Interest income from loans and advances to customers	133,610	75.2%	119,590	73.4%	11.7%
Interest income from financial investments	30,913	17.4%	28,363	17.4%	9.0%
Subtotal of interest income	177,549	100.0%	162,888	100.0%	9.0%
Interest expense on borrowings from central banks	4,290	4.9%	4,299	4.9%	(0.2%)
Interest expense for transactions with financial enterprises	12,615	14.4%	18,686	21.2%	(32.5%)
Interest expense on deposits due to customers	56,002	63.9%	49,638	56.3%	12.8%
Interest expense on debt securities issued	14,477	16.6%	15,520	17.6%	(6.7%)
Other interest expenses	204	0.2%	-	-	Nil for last year
Subtotal of interest expenses	87,588	100.0%	88,143	100.0%	(0.6%)
Net fee and commission income	36,743	26.6%	31,297	26.8%	17.4%
Other net non-interest income	11,254	8.2%	10,674	9.2%	5.4%
Total operating income	137,958	100.0%	116,716	100.0%	18.2%

(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%

(In RMB million)

Item	Amount for the period	Amount of change	Rate of change	Analysis on reasons of change
Financial assets held under resale agreements	62,216	25,231	68.2%	Increase in scale of bonds held under resale agreements
Financial assets held for trading	206,682	57,914	38.9%	Increase in scale of bond investments held for trading
Other investment on debts	182,264	111,600	157.9%	Increase in scale of bond investments and interbank investments designated at fair value and changes included into other comprehensive income
Right-of-use assets	7,517	7,517	Nil at the end of last year	The line item is newly added in accordance with the standard on lease this year
Other assets	17,941	4,163	30.2%	Increase in settlements receivable and fees receivable
Financial liabilities held for trading	29,691	21,116	246.3%	Increase in financial liabilities held for trading caused by increase in scale of the short position of bond lending
Financial assets sold under repurchase agreements	40,099	32,111	402.0%	Increase in scale of bonds sold under repurchase agreements
Debt securities issued	513,762	131,878	34.5%	Increase in scale of interbank certificates of deposits and tier 2 capital bonds issued by the Bank
Lease liabilities	7,600	7,600	Nil at the end of last year	The line item is newly added in accordance with the standard on lease this year
Provisions	1,734	874	101.6%	Impairment provision for contingency and financial guarantee contracts
Other equity instruments	39,948	19,995	100.2%	Capital bonds with indefinite terms issued by the Bank were included in other equity instruments after deducting issuance costs.
Capital surplus	80,816	24,351	43.1%	Increase in share premium caused by conversion of the convertible corporate bonds issued by the

				Bank
Other comprehensive income	2,314	1,528	194.4%	Increase in changes in fair value of other debt investments
Gains/losses on fair value changes	49	(843)	(94.5%)	Transfer of current realised income of financial bonds held for trading, fund investments and other products from gains/losses on fair value changes to investment income
Exchange gains or losses	1,196	987	472.2%	Increase in exchange gains or losses as a result of exchange rate fluctuation
Other operating income	110	(60)	(35.3%)	Small base period number of RMB170 million for the same period of last year
Gains on disposal of assets	(30)	(118)	(134.1%)	Small base period number of RMB88 million for the same period of last year
Other income	219	90	69.8%	Small base period number of RMB129 million for the same period of last year
Impairment losses on other assets	1,056	999	1,752.6%	Increase in impairment losses on foreclosed assets; Small base number of RMB57 million for the same period of last year
Non-operating income	99	71	253.6%	Small base period number of RMB28 million for the same period of last year
Non-operating costs	148	46	45.1%	Small base period number of RMB102 million for the same period of last year

(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 implement *Accounting Standard for Business Enterprises No. 21 - Lease* (Cai Kuai [2018] No.35) from 1 January 2019. Under the transitional provisions, the Bank recognised the cumulative effect of the first-day adoption of the standard as an adjustment to relevant line items in the financial statements. Comparatives are not adjusted. See “II. Summary of significant accounting policies and accounting estimates 36. Effect of significant changes in accounting policies” in “Section X Financial Report” of the *2019 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.

14 February 2020