

Security Code: 000001

Security name: Ping An Bank

Notice No.: 2019-037

Code of preference shares: 140002

Short name of preference shares: PYY01

Code of convertible bonds: 127010

Short name of convertible bonds: PYZZ

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

I. Important notes

1. This summary of interim report is extracted from the full text of the interim report. Investors are advised to carefully read the complete interim 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 Interim Report, in which there are no false representations, misleading statements or material omissions, and are severally and jointly liable for its contents.
3. The 26th meeting of the 10th session of the Board of the Bank deliberated the 2019 Interim Report together with its summary. The meeting required 13 directors to attend, and 13 directors attended the meeting. This Interim Report was approved unanimously at the meeting.
4. The 2019 Interim Financial Report prepared by the Bank was unaudited, but it has been reviewed by PricewaterhouseCoopers Zhong Tian LLP.
Notification of non-standard audit opinions
Applicable Not applicable
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 Interim Report.
6. Preliminary plans of profit distribution or conversion of public reserve into share capital deliberated by the Board during the reporting period:
Applicable Not applicable

There was no proposal to distribute cash dividends, issue bonus shares or to convert public reserve to share capital for the first half of 2019.

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

Applicable Not applicable

Date of distribution	Dividend yield	Amount of distribution (RMB Yuan) (tax inclusive)	Conformity with distribution requirements and procedures	Dividend payment method	Accumulation of dividend	Participation of surplus profit
7 March 2019	4.37%	874,000,000.00	Yes	Cash	No	No

II. General information

Stock Abbreviation	Ping An Bank	Stock code	000001
Traded on	Shenzhen Stock Exchange		
Contact information	Secretary of the Board	Representative of Securities Affairs	
Name	Zhou Qiang	Lv Xuguang	
Office Address	Board Office of Ping An Bank 5047 East Shennan Road, Shenzhen, Guangdong, the PRC	Board Office of Ping An Bank 5047 East Shennan Road, Shenzhen, Guangdong, the PRC	
Facsimile	(0755)82080386	(0755)82080386	
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III. Key Accounting Results and Financial Indicators

1. Key Accounting Results and Financial Indicators

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

Yes No

The Bank started to adopt *Accounting Standard for Business Enterprises No. 21 - Lease* (Cai Kuai [2018] No.35) from 1 January 2019. According to 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 were not adjusted. See “II. Summary of significant accounting policies and accounting estimates 36. Effect of significant changes in accounting policies” in “Chapter XI Financial Report” of *2019 Interim Report of Ping An Bank Co., Ltd.* for specific information.

(In RMB million)

Item	30 June 2019	31 December 2018	31 December 2017	Change at the end of the reporting period from the end of last year
Total assets	3,590,766	3,418,592	3,248,474	5.0%
Shareholders' equity	256,603	240,042	222,054	6.9%
Shareholders' equity attributable to ordinary shareholders	236,650	220,089	202,101	7.5%
Share capital	17,170	17,170	17,170	-
Net asset per share attributable to ordinary shareholders (RMB/share)	13.78	12.82	11.77	7.5%

Item	Jan. - Jun. 2019	Jan. - Jun. 2018	Jan. - Dec. 2018	Change at the reporting period from the same reporting period of last year
Operating income	67,829	57,241	116,716	18.5%
Operating profit before impairment losses on credit and assets	47,241	39,700	80,176	19.0%
Impairment losses on credit and assets	27,204	22,298	47,871	22.0%
Operating profit	20,037	17,402	32,305	15.1%
Profit before tax	20,003	17,367	32,231	15.2%
Net profit attributable to shareholders of the Company	15,403	13,372	24,818	15.2%

Net profit attributable to shareholders of the Company after non-recurring gains/losses	15,316	13,326	24,700	14.9%
Net cash flows from operating activities	26,432	7,455	(57,323)	254.6%
Ratio per share (RMB/share):				
Basic earnings per share (EPS)	0.85	0.73	1.39	16.4%
Diluted earnings per share (EPS)	0.78	0.73	1.39	6.8%
Basic EPS after non-recurring gains/losses	0.84	0.73	1.39	15.1%
Diluted EPS after non-recurring gains/losses	0.78	0.73	1.39	6.8%
Net cash flows from operating activities per share	1.54	0.43	(3.34)	258.1%
Financial ratios (%)				
Return on total assets (un-annualised)	0.43	0.40	N/A	+0.03 percentage point
Return on total assets (annualised)	0.86	0.79	0.73	+0.07 percentage point
Average return on total assets (un-annualised)	0.44	0.40	N/A	+0.04 percentage point
Average return on total assets (annualised)	0.88	0.81	0.74	+0.07 percentage point
Weighted average return on net assets (un-annualised)	6.32	6.13	N/A	+0.19 percentage point
Weighted average return on net assets (annualised)	12.63	12.36	11.49	+0.27 percentage point
Weighted average return on net assets (net of non-recurring gains/losses) (un-annualised)	6.28	6.11	N/A	+0.17 percentage point
Weighted average return on net assets (net of non-recurring gains/losses) (annualised)	12.56	12.31	11.44	+0.25 percentage point

Note: According to regulations of *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*:

(1) On 7 March 2016, the Bank issued non-cumulative preference shares of RMB20 billion in a non-public way. In calculating the “EPS” and “weighted average return on net assets”, numerators were net of the dividends on preference shares paid amounting to RMB874 million.

(2) The Bank issued A-share convertible corporate bonds of RMB26 billion on 25 January 2019, and the impact of dilution caused by the conversion from all convertible corporate bonds to ordinary shares was considered when calculating “Diluted earnings per share”.

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

Total share capital of the Company as at the trading day prior to disclosure (in shares)	17,171,070,728
Fully diluted EPS calculated based on the latest share capital (RMB/share, accumulated from January to June 2019)	0.85

Information of loans and deposits

(In RMB million)

Item	30 June 2019	31 December 2018	31 December 2017	Change at the end of the reporting period from the end of last year
Deposit principals due to customers	2,343,179	2,128,557	2,000,420	10.1%
Including: Corporate deposits	1,802,400	1,666,966	1,659,421	8.1%
Personal deposits	540,779	461,591	340,999	17.2%
Total principal of loans and advances to customers	2,081,896	1,997,529	1,704,230	4.2%
Including: Corporate loans	856,988	843,516	855,195	1.6%
General corporate loans	794,715	801,814	840,439	(0.9%)
Discounted bills	62,273	41,702	14,756	49.3%
Personal loans	1,224,908	1,154,013	849,035	6.1%
General personal loans	713,950	680,718	545,407	4.9%
Credit card receivables	510,958	473,295	303,628	8.0%

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 30 June 2019, the total deposits and the total loans amounted to RMB2,605.2 billion and RMB2,138 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	Jan. - Jun. 2019	Jan. - Jun. 2018	Jan. - Dec. 2018
Net gains or losses on disposal of non-current assets	(17)	80	98
Gains/losses on contingency	(1)	1	1
Others	131	(21)	54
Income tax effect	(26)	(14)	(35)
Total	87	46	118

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	Jan. - Jun. 2019	Jan. - Jun. 2018	Jan. - Dec. 2018	Change at the reporting period from the same reporting period of last year
Cost/income ratio	29.46	29.66	30.32	-0.20 percentage point
Credit costs (un-annualised)	1.16	1.18	N/A	-0.02 percentage point
Credit costs (annualised)	2.31	2.37	2.35	-0.06 percentage point
Deposit-loan spread (annualised)	4.18	3.64	4.03	+0.54 percentage point
Net interest spread (NIS) (annualised)	2.54	2.06	2.26	+0.48 percentage point
Net interest margin (NIM) (un-annualised)	1.30	1.12	N/A	+0.18 percentage point
Net interest margin (NIM) (annualised)	2.62	2.26	2.35	+0.36 percentage point

Notes: Credit costs = credit provisions for the period / average loan balance (including discounted bills) for the period. In the first half of 2019, average loan balance (including discounted bills) of the Bank was RMB2,042,092 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	30 June 2019	31 December 2018	31 December 2017
Liquidity ratio (RMB and foreign currency)	≥25	61.27	60.86	52.23
Liquidity ratio (RMB)	≥25	59.99	59.23	52.57
Liquidity ratio (foreign currency)	≥25	90.23	96.40	55.41
Loan/deposit ratio including discounted bills (RMB and foreign currency)	N/A	87.00	92.38	83.58
Liquidity coverage ratio	≥100 (Note)	109.29	139.17	98.35
Capital adequacy ratio	≥10.5	12.62	11.50	11.20
Tier 1 capital adequacy ratio	≥8.5	9.71	9.39	9.18
Core tier 1 capital adequacy ratio	≥7.5	8.89	8.54	8.28
Ratio of loans to the single largest customer to net capital	≤10	4.49	5.13	5.20
Ratio of loans to top 10 customers to net capital	N/A	17.40	21.45	22.79
Ratio of accumulated foreign exchange exposure position to net capital	≤20	1.58	1.55	1.22
Pass loans flow rate	N/A	1.63	3.73	5.20
Special mentioned loans flow rate	N/A	24.15	37.91	30.41
Substandard loans flow rate	N/A	42.78	66.56	73.69
Doubtful loans flow rate	N/A	99.28	99.44	64.37
Non-performing loan (NPL) ratio	≤5	1.68	1.75	1.70
Provision coverage ratio	≥150	182.53	155.24	151.08
Provision to loan ratio	≥2.5	3.06	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.

IV. Number of shareholders and shareholding conditions

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	321,929			Total number of preference shareholders with restored voting rights as at the end of the reporting period	-			
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 shares subject to selling restrictions held	Number of floating shares not subject to selling restrictions held	Pledged or frozen	
							Status of shares	Number of shares
Ping An Insurance (Group) Company of China, Ltd.-the Group -proprietary fund	Domestic legal entity	8,510,493,066	49.56	-	-	8,510,493,066	-	-
Ping An Life Insurance Company of China, Ltd. - proprietary fund	Domestic legal entity	1,049,462,784	6.11	-	-	1,049,462,784	-	-
Hong Kong Securities Clearing Company Limited	Overseas legal entity	711,221,204	4.14	280,469,702	-	711,221,204	-	-
China Securities Finance Corporation Limited	Domestic legal entity	429,232,688	2.50	-	-	429,232,688	-	-
Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance products	Domestic legal entity	389,735,963	2.27	-	-	389,735,963	-	-
Central Huijin Asset Management Ltd.	Domestic legal entity	216,213,000	1.26	-	-	216,213,000	-	-
China Electronics Shenzhen Company	Domestic legal entity	142,402,769	0.83	-	-	142,402,769	-	-
Henan Hongbao Corporate Management Co., Ltd.	Domestic legal entity	97,714,907	0.57	97,714,907	-	97,714,907	Pledged	69,400,000
CITIC Trust Co., Ltd. – CITIC Trust Ruijin Phase 43 Gaoyi Xiaofeng Investment Pooled Fund Trust Scheme	Domestic legal entity	56,413,748	0.33	56,413,748	-	56,413,748	-	-
National Social Security Fund 104 Portfolio	Domestic legal entity	55,169,384	0.32	55,169,384	-	55,169,384	-	-
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>							

Shareholdings of the top 10 shareholders not subject to selling restrictions			
Name of shareholder	Number of floating shares not subject to selling restrictions held	Type of shares	Number of shares
Ping An Insurance (Group) Company of China, Ltd.-the Group -proprietary fund	8,510,493,066	RMB ordinary shares	8,510,493,066
Ping An Life Insurance Company of China, Ltd. - proprietary fund	1,049,462,784	RMB ordinary shares	1,049,462,784
Hong Kong Securities Clearing Company Limited	711,221,204	RMB ordinary shares	711,221,204
China Securities Finance Corporation Limited	429,232,688	RMB ordinary shares	429,232,688
Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance products	389,735,963	RMB ordinary shares	389,735,963
Central Huijin Asset Management Ltd.	216,213,000	RMB ordinary shares	216,213,000
China Electronics Shenzhen Company	142,402,769	RMB ordinary shares	142,402,769
Henan Hongbao Corporate Management Co., Ltd.	97,714,907	RMB ordinary shares	97,714,907
CITIC Trust Co., Ltd. – CITIC Trust Ruijin Phase 43 Gaoyi Xiaofeng Investment Pooled Fund Trust Scheme	56,413,748	RMB ordinary shares	56,413,748
National Social Security Fund 104 Portfolio	55,169,384	RMB ordinary shares	55,169,384
Explanation of the connected relationship or acting-in-concert relationship among the top 10 shareholders not subject to selling restrictions, and between the top 10 shareholders not subject to selling restrictions and the top 10 shareholders	<p>1. Ping An Life Insurance Company of China, Ltd. is a controlled subsidiary of and acting in concert with Ping An Insurance (Group) Company of China, Ltd. “Ping An Insurance (Group) Company of China, Ltd. – the Group – proprietary fund”, “Ping An Life Insurance Company of China, Ltd. – proprietary fund” and “Ping An Life Insurance Company of China, Ltd. - traditional – ordinary insurance product” are related parties.</p> <p>2. The Bank is not aware of any related-party relationship or parties acting in concert among other shareholders.</p>		
Description of the shareholders who engage in securities margin trading business	None		

2. Particulars of controlling shareholder or changes in the actual controller

There is no actual controller for the Bank. During the reporting period, there was no change in the controlling shareholders of the Bank.

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

(Unit: Share)

Total number of preference shareholders at the end of the reporting period		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	Pledged or frozen	
					Status of shares	Number of shares
Ping An Life Insurance Company of China, Ltd. - dividend - dividends for individual insurance	Domestic legal entity	29.00	58,000,000	-	-	-
Ping An Life Insurance Company of China, Ltd. - universal - individual universal insurance	Domestic legal entity	19.34	38,670,000	-	-	-
Ping An Property & Casualty Insurance Company of China, Ltd. - traditional - ordinary insurance products	Domestic legal entity	9.67	19,330,000	-	-	-
China Post & Capital Fund - Hua Xia Bank - Hua Xia Bank Co., Ltd.	Domestic legal entity	8.95	17,905,000	-	-	-
Bank of Communications Schroder Asset Management - Bank of Communications - Bank of Communications Co., Ltd.	Domestic legal entity	8.95	17,905,000	-	-	-
Bank of China Limited Shanghai Branch	Domestic legal	4.47	8,930,000	-	-	-

	entity					
Postal Savings Bank of China Domestic Co., Ltd.	Domestic legal entity	2.98	5,950,000	-	-	-
China Resources Sztic Trust Co., Ltd. - Investment No. 1 List - Capital Trust	Domestic legal entity	2.98	5,950,000	-	-	-
Hwabao Trust Co. Ltd. - Investment No. 2 Capital Trust	Domestic legal entity	2.98	5,950,000	-	-	-
Merchants Wealth – Postal Saving Bank – Postal Savings Bank of China Co., Ltd.	Domestic legal entity	2.98	5,950,000	-	-	-
Description of the shareholders who engage in securities margin trading business	None					
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>					

V. Corporate Bonds

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

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

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

As of the trading day before the disclosure date of this report, Pingyin Convertible Bonds with accumulated face value of RMB7,670,500 have been converted into the Company's A-share common stock. The accumulated numbers of shares converted amounted to 659,362.

VI. Discussion and Analysis of Operations

(I) Overview of operations in the reporting period

In the first half of 2019, facing a complex and volatile economic and financial situation, the Bank followed the major strategies of the Party and the nation, adhered to the strategic goal of building a “domestic best performer and global leader in intelligent retail banking”, continued to intensify the principle of “being technology-driven, pursuing breakthroughs in retail banking, and reinventing its corporate banking”, and constructed a “3+2+1” business strategy for retail business and corporate business respectively, promoted the construction of the AI Bank system, and strengthened financial risk prevention and control in all respects. It further strengthened the support to private enterprises and small and micro businesses, continuously enhanced the capability of serving real economy, and advanced financial poverty alleviation with good efforts. Therefore, the business development was stable, the asset quality continued to improve, and the strategic transformation yielded remarkable benefits.

The Bank highly integrated party construction with its operation, and upheld the principle of “correcting conducts, controlling risks and promoting development through party construction” to lay a solid ideological foundation and organisational foundation for development. **In terms of structure**, the core leadership of the Party was established: Secretary of the CPC Committee served as the Chairman, deputy secretaries of the CPC Committee served as the President, the Chairman of Supervisory Committee and the Secretary of Committee for Discipline Inspection. **In terms of mechanism**, the Bank ensured the core leadership of the Party in decision-making, management and supervision, the “Three Importance and One Greatness” were reported to the CPC Committee

for discussion and approval, and the relevant corporate governance procedures were also implemented to continuously improve the democratic supervision, mass supervision and risk supervision under the unified leadership of the Party. **In terms of action**, the Bank continued to promote party style and clean-government education activities, to launch the inspection supervision with combination of the “Party committee, Committee for Discipline Inspection and Supervisory Commission”, and to carry out a series of party construction activities including visits to Jinggangshan, Xibaipo and Yan’an, aiming at correcting conducts, controlling risks and promoting development through party construction.

In the first half of the year, the Bank’s overall operations were as follows:

1. Stable and sound development

In the first half of 2019, the Bank recorded operating income of RMB67,829 million, representing a year-on-year increase of 18.5%, which included net interest income of RMB43,639 million, representing a year-on-year increase of 16.6%; the net non-interest income was RMB24,190 million, with a year-on-year increase of 22.1%. The operating profit before impairment losses was RMB47,241 million, increasing by 19.0% year on year; the net profit was RMB15,403 million, increasing by 15.2% year on year; the net interest margin and the net interest spread from January to June 2019 were 2.54% and 2.62% respectively, increasing by 48 basis points and 36 basis points respectively; and the net non-interest income accounted for 35.7%, with a year-on-year increase of 1.1 percentage points. The profitability remained stable.

At the end of June 2019, the Bank’s total assets amounted to RMB3,590,766 million, up 5.0% over the end of last year; the balance of deposits due to customers was RMB2,343,179 million, up 10.1% over the end of last year. The total loans and advances to customers (including discounted bills) amounted to RMB2,081,896 million, representing an increase of 4.2% as compared with the end of last year, which included personal loans (including credit cards) accounting for 58.8%, representing an increase of 1.0 percentage point as compared with the end of last year.

2. Continuous advance of retail transformation

During the retail transformation in 2019, the Bank continued to strengthen innovation and seek breakthroughs to construct a “3+2+1” retail business strategy. The Bank concentrated on three major business modules: Basic retail, private banking and wealth management, and consumer finance, improved two core competencies of risk control and cost management and promoted continuous empowerment of platform with AI as the internal drive.

In the first half of 2019, the operating income of retail business reached RMB38,596 million, with a year-on-year increase of 31.7%, accounting for 56.9% of the Bank’s total operating income; the net profit of retail business reached RMB10,810 million, with a year-on-year increase of 19.1%, accounting for 70.2% of the Bank’s total net profit.

At the end of June 2019, the balance of assets under management (AUM) of retail customers of the Bank amounted to RMB1,755,045 million, representing an increase of 23.9% over the end of the previous year. The balance of personal deposits amounted to RMB540,779 million, up 17.2% over the end of the previous year.

At the end of June 2019, the balance of personal loans amounted to RMB1,224,908 million, up 6.1% over the end of the previous year. In the first half of 2019, the total transaction volume of credit cards amounted to RMB1,618,718 million, rising by 34.1% year on year.

At the end of June 2019, the number of retail customers reached 90,194,200, an increase of 7.5% over the end of the previous year, among which wealth customers and qualified customers of private banks reached 719,700 and 38,400 respectively, representing an increase of 21.6% and 27.9% over the end of the previous year.

At the end of June 2019, the number of registered customers and monthly active customers of Ping An Pocket Bank APP was 74,319,300 and 28,351,300 respectively, up 19.4% and 9.5% over the end of last year. The Bank continued to follow and promote new “light, community-based, intelligent, diversified” retail outlets, and 211 new outlets were opened nationwide.

3. Reinvent and reinforce corporate business

In the first half of 2019, the Bank's corporate business adhered to customer-centric, strengthened the corporate ecosystem, and the Bank's corporate deposits realised a steady growth. At the end of June 2019, the balance of corporate deposits reached RMB1,802,400 million, rising by 8.1% compared with the end of the previous year, including demand deposits of RMB587,899 million, rising by 10.2% compared with the end of the previous year. Continuous optimisation of deposit structure was strengthened through payment settlement and banking product transaction.

In the first half of 2019, the Bank realised the continuous growth of the accumulated non-interest income. Among them, the fastest-growing segment was cross-border financial service, increased by 15 times as compared with last year; agency fee income from insurance business increased by 7 times as compared with last year; and domestic certificate issuing and forfeiting fee income increased by 12 times as compared with last year.

4. Preliminary results in technology-driven practice

The Bank regarded “being technology-driven” as its primary development strategy. **With respect to investment in technology**, on the basis of high growth last year, the Bank's investment in technology saw a continuously significant increase in the first half of 2019. IT capital expenditure and other expenses increased by 36.9% year on year. **With respect to technology governance**, the Bank promoted the R&D model transformation and deepened the agile transformation. Additionally, the Bank changed the role of information technology from traditional support to business development drive. **With respect to technology empowerment**, the Bank not only concentrated on construction of the basic platforms such as AI central platform, bank's privately-owned cloud

platform, data central platform, distributed PaaS cloud platform, project visualisation platform, etc., but also implemented the new core system for credit cards, new core business system for financial market, intelligent custody, intelligent risk control, intelligent finance and other key business projects. Furthermore, the Bank actively deployed open banks and exported financial service capabilities to expand customer-acquiring channels.

With respect to technological innovation, the Bank relied on the core technologies and resources of Ping An Group, applied new technologies such as AI, cloud computing, blockchain, IoT, etc. to enhance customer experience, enrich financial products, innovate business models, improve risk control system, optimise operational efficiency and promote intelligent management.

5. Substantial improvement in 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, corporate banking continued to be reinvented, 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, substantial improvement in the asset quality had been achieved.

At the end of June 2019, the balance and the proportion of overdue loans and loans overdue for more than 90 days of the Bank both declined compared to the end of last year, with the deviation below 1. As at 30 June 2019, the balance of overdue loans amounted to RMB48,763 million, with a decrease of RMB717 million, accounting for 2.34% of total loans, decreasing by 0.14 percentage point over the end of last year; the balance of loans overdue for more than 90 days reached RMB32,797 million, with a decrease of RMB1,187 million, accounting for 1.58% of total loans, decreasing by 0.12 percentage point over the end of last year. The balance of special-mentioned loans was RMB51,576 million, a decrease of RMB2,976 million over the end of last year; the special-mentioned loans accounted for 2.48%, decreasing by 0.25 percentage point over the end of last year. NPL deviation rate was 94%, decreasing by 3 percentage points over the end of last year. The NPL ratio was 1.68%, slightly decreasing by 0.07 percentage point over the end of last year.

In the first half of 2019, the provision for impairment losses on credit and asset amounted to RMB27,204 million, with a year-on-year increase of 22.0%, including RMB23,597 million of provision for credit impairment losses on loans and advances to customers; at the end of June 2019, the balance of provision for impairment on loans reached RMB63,748 million, with an increase of 17.6% over the end of last year; the provision to loan ratio was 3.06%, increasing by 0.35 percentage point over the end of last year; the provision coverage ratio was 182.53%, increasing by 27.29 percentage points over the end of last year; the provision coverage ratio of loans overdue for more than 90 days was 194.37%, increasing by 34.92 percentage points over the end of last year. The risk compensation capability of the Bank was further enhanced.

In the first half of 2019, the Bank recovered a total of RMB13,752 million of non-performing assets, increasing by 11.6% year on year, including credit assets of RMB12,815 million (loan principal); recovered principals of loans included written-off loans of RMB7,565 million and unwritten-off NPL of RMB5,250 million; 88% of recovered amount for non-performing assets was recovered in cash and the rest was recovered in repayment by objects.

6. Support to serving real economy

Based on the market-demand orientation and the concept of technological innovation, the Bank made full use of leading-edge technologies such as AI, biometrics, big data, blockchain and cloud computing, actively developed personalised, differentiated and customised financial products, and supported private enterprises and small and micro enterprises in an innovative way to serve the development of the real economy comprehensively through continuously improving financial supply, smoothening supply channels, optimising financial structure, promoting allocation efficiency and reducing financing costs. At the end of June 2019, the Bank's total on-balance sheet and off-balance sheet credit facilities amounted to RMB2,939.9 billion, an increase of 3.6% over the end of last year.

Promote industrial upgrading. The Bank insisted on the industry development, continuously deepened the reform of industry banks, strengthened research on sub-sectors, and focused on the development of key industries. At the same time, the Bank kept up with the national development strategy, actively participated in supporting supply-side structural reforms, and promoted the upgrading of the national industrial structure. At the end of June 2019, the Bank's credit facilities to key industries accounted for 48% of total volume.

Serve private enterprises and small and micro enterprises. Firstly, **in terms of technology application**, the Bank relied on cutting-edge technologies such as blockchain, cloud services, and IoT to create a living industry ecology, and innovate a supply chain receivables cloud service platform and small business digital finance products, so as to effectively solve the problem of difficulty and high cost in financing for private enterprises and SMEs. Secondly, **in terms of system implementation**, in response to the call of the state, the Bank adopted the strategy of "Differentiated bailout + Precise services" and practically supported the development of private enterprises and small, micro and medium-sized enterprises through Ping An Group's bailout fund and the group

cooperation model, and realised the target of “two growths and two controls” for small and micro enterprise loans. Thirdly, **in terms of implementation and policy effects**, in the first half of 2019, the loans newly issued to private enterprises accounted for 76.3% of incremental loans to corporates; at the end of June 2019, the balance of loans to private enterprises accounted for 73.2% of the balance of loans to corporates; regarding the Bank's loans to small and micro enterprises, the credit of RMB10 million or less granted to single customers was up 7.1% 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 15,000 more than that at the beginning of this year and loan interest rate for these small and micro enterprises declined by 1.27 percentage points over the end of last year with the NPL ratio within reasonable range.

Be committed to targeted poverty alleviation. In 2018, the Bank launched the “Village Official Project”, pushing for breakthroughs in the fields of hydro power loans, planting loans, breeding loans and poverty alleviation loans, etc. Successful practices of poverty alleviation model provinces were replicated and promoted in Yunnan, Guangxi, Shanxi and Guizhou. At the same time, the Bank built an online agricultural mall for poverty alleviation, and established a closed loop of poverty alleviation consisting of “Finance + Technology + Production and sales” through “Finance + Industry” poverty alleviation. In the first half of 2019, the Bank offered industrial poverty alleviation funds of RMB5,320 million to the “Village Official Project”, which directly helped over 4,930 registered poor households and benefited over 100,000 impoverished people with the card established for archives. In addition, in the first half of 2019, 106 kinds of agricultural products from 20 poverty-stricken counties in 13 provinces were on sale in the online agricultural mall for poverty alleviation, helping poverty-stricken people to gain a total revenue of RMB5,392,800.

Strengthen technology empowerment to promote AI Bank. Relying on the technological strength and comprehensive financial capabilities of Ping An Group, and leveraging the integrated finance, technological finance and innovative finance, the Bank developed six exquisite businesses including intelligent supply chain finance, government finance, small enterprises digital finance, Internet payment settlement, pocket finance and offshore interbank finance, promoted comprehensive intelligence in areas such as management, marketing, risk control, wealth management, payment, operation and financing to improve the efficiency of serving real economy.

Contribute to steady consumption growth. The Bank combined financial services with consumer scenarios to promoted the construction for ecosystems of automobiles, housing, medical care, health, smart city and financial peers by leveraging the Group's technology and integrated financial services, contributed to consumption upgrades, and supported and served the real economy by improving the demand side. At the same time, the Bank built star products such as “New Generation Loan”, “Licensed mortgage loans” and “Auto financial loan” to serve private merchants and small and micro business owners, deal with the financing difficulties in the operation of

such customers, and facilitate the allocation of more financial resources to real economy.

7. Base consolidation and capital enhancement

The Bank continuously advocated refined capital management, fully implemented economic capital management and built a comprehensive performance evaluation mechanism with economic value added (EVA) and risk adjusted return on capital (RAROC) as the core, and enhanced the capital level by shifting its focus to low-risk businesses, increasing the amount written off in tax, intensifying the disposal of debt-offsetting assets, and reducing the occupancy of invalid capital. At the end of June 2019, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio were 8.89%, 9.71% and 12.62% respectively, all satisfying the regulatory requirements, and up 0.35 percentage point, 0.32 percentage point and 1.12 percentage points respectively over the end of last year.

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 on 25 January 2019, which replenished the core tier 1 capital of the Bank effectively; and issued tier 2 capital bonds of RMB30 billion in the inter-bank market on 25 April 2019, further improving the Bank's capital adequacy ratio and enhance its capability for risk prevention.

8. Rational layout of branch outlets

The Bank continued to implement the intelligent construction of outlets and rationally arranged the layout. At the end of June 2019, the Bank had 84 branches and a total of 1,053 outlets; 211 new retail outlets were opened nationwide.

(II) Discussion and analysis of the main businesses

1. Retail business

In the first half of 2019, the Bank continuously promoted the principle of pursuing breakthroughs in retail banking and deepened the advantage of the comprehensive financial service and constructed a "3+2+1" business strategy with AI as the internal drive, optimised business process and customer service and steadily carried out the transformation work.

(1) Three major segments

① Basic retail

At the end June 2019, the balance of assets under management (AUM) of retail customers of the Bank amounted to RMB1,755,045 million, representing an increase of 23.9% over the end of the previous year. In the first half of

2019, the increase in assets under management (AUM) of retail customers was 2.6 times of that of the same period last year, among which the increase in the second quarter in 2019 was 3 times of that of the same period last year.

The number of retail customers reached 90,194,200, an increase of 7.5% over the end of the previous year; the balance of personal deposits amounted to RMB540,779 million, up 17.2% over the end of the previous year, among which the balance of personal demand deposits was RMB185,767 million, up 7.2% over the end of the previous year. The number of registered customers of Ping An Pocket Bank APP reached 74,319,300, an increase of 19.4% over the end of the previous year and the number of monthly active customers of Ping An Pocket Bank APP amounted to 28,351,300, up 9.5% over the end of the previous year.

In the first half of 2019, the Bank continued to focus on attracting 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 customer analysis and business strategy development, so as to promote the efficiency and productivity in attracting and managing customers.

With respect to attracting customers, the Bank relied on the Group's ecosystem to deeply explore value of all scenarios and optimise the functional experience of Pocket Bank APP, to build an on-line banking ecosystem and transform users into customers. **With respect to operation**, the Bank established a targeted intelligent operation platform, developed a “customer base-channel” system to promote intelligent products targeting at customer lifecycle and prepared the KYC (Know Your Customer) system in combination with internal and external resources to achieve customer groups operation with big data and enhance customer management efficiency and capabilities.

In the first half of 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 26,165, a year-on-year increase of 42.9%; the amount of effective customers was 2,654,900, a year-on-year increase of 18.8%. At the end of June 2019, the AUM balance brought from customers of agency and batch business amounted to RMB252,580 million, up 25.0% over the end of the previous year; the balance of deposits from customers of agency business amounted to RMB81,537 million, increasing by 17.3% over the end of the previous year. Since 2017, the Bank comprehensively optimised the agency and batch business by focusing on the process, rights and interests, and system, built an online management platform and provided assistance for the expansion of agency and batch business by means of data support, business opportunities and early warning; the Bank paid attention to enhance customer management to add a special area for wage card customers in Pocket Bank APP and such functions as “tailored services for

different customers”, an information push for customers to get their rights and interests, recommendation of activities and gifts exclusively for credit customers, to help improve customers’ AUM; it continued a customised research on scenarios of agency and batch business to attract customers.

At the end of June 2019, the Bank’s customers of bank card acceptance business increased to 438,400, up by 15.4% over the end of the previous year. The Bank’s bank card acceptance business maintained a fast growth, entered a synchronisation phase of development and ecological construction and made breakthroughs in batch customer attraction since its start in 2018; meanwhile, the Bank took the lead to introduce big data and AI to fully improve and expand productivity while strengthening the business risk control ability.

② Private banking wealth management

At the end of June 2019, the Bank’s wealth customers reached 719,700, representing an increase of 21.6% over the end of the previous year; the Bank’s qualified customers of private banks (the standard for customers of private banks is that the daily average balance of any month in the recent three months exceeds RMB6 million) reached 38,400, representing an increase of 27.9% over the end of the previous year; the AUM of qualified customers of private banks amounted to RMB612,245 million, a net increase of RMB154,490 million over the end of the previous year.

In the first half of 2019, the Bank strengthened and put into practice the business transformation strategy in private banks and wealth management and proactively propelled implementation of the strategy in product, system and mechanism. **With respect to building product platform and right and interest system,** the Bank fully integrated internal and external resources, continuously provided high-quality products and right and interest experience, and supported business development. At the same time, the Bank vigorously promoted the team construction of investment consultants, made full use of AI technology and the advantage of Ping An Group’s comprehensive finance model to build a professional and intelligent investment consultant team. **With respect to internal management system,** the Bank teamed a product management committee to diversify the introduction of quality assets and strengthened the internal risk teams to control asset risks in a strict manner. **With respect to mechanism construction,** the Bank applied the business patterns of “branches and sub-branches”, “private banking” and “comprehensive finance” in a simultaneous way to reinforce its ability to manage private banking customers and improve asset allocation based on the methodology of tiered customer management.

③ Consumer finance

At the end of June 2019, the balance of individual loans was RMB1,224,908 million, up 6.1% over the end of the previous year. Since the end of 2018, as the downward pressure of the macro economy still existed, the Bank took the initiative to optimise the delivery strategy of loan products, properly raised the delivery threshold for credit cards and loans and pushed the tier up of the target customer group under the premise of ensuring stable asset quality. Meanwhile, based on the market requirements, the Bank continued to optimise customer profile and

solutions, to cover more scenarios and meet customers' demands for consumption and operational financing at different stages. While optimising the investment configuration, the Bank focused on supporting SMEs and promoting the development of real economy.

Credit card: As at the end of June 2019, the number of credit cards in circulation was 55,793,000, increasing by 8.3% compared with the end of last year; the balance of credit card loans was RMB510,958 million, up 8.0% over the end of last year. In the first half of 2019, the total transaction through credit cards valued RMB1,618,718 million, up 34.1% year on year; the transaction volume of Credit Card Mall increased by 23.5% over the same time last year.

Through continuous reliance on financial technology and operation of mobile internet, the Bank deeply created the ultimate customer experience of “fast, easy and good”.

First, the Bank broadened its product system to promote continuous deepening of its tiered customer management. The Bank issued “Ping An Blessing Card” for insurance customers, which included accident insurance of large amount and 3 optional insurance right and interest packages for customers to choose, so as to fully satisfy customer's differentiated insurance requirements; it also enriched “Youni Credit Card” family by adding card faces of QQ wallet, Hello Kitty, female card and “WeMatch Band” to meet young customers' needs for credit cards; for high-end customers, it issued JCB platinum card to meet their needs for overseas payment.

Second, the Bank optimised the functions of Pocket Bank APP to realise on-line and off-line integration. The Bank upgraded Pocket Mall, further integrated merchant resources and made use of SAT to advertise popular goods to increase users' scale and activeness; meanwhile, it positively conducted a study on scenario based consumption ecology, carried out clearly-defined and personalised marketing activities based on labels, such as user portrait and geographical location, delivered better customer experience and obtained the title of “Outstanding Bank of Payment Technology in 2018”.

Third, the Bank upgraded customer service to continuously improve customer satisfaction. The Bank continued to promote the application of intelligent technology in customer service, improved the function of self-helped indicating voice response, embedded intelligent voice robots in different service scenarios, and launched the technology service of “one-touch application for a card to enjoy immediate preferential treatment” to bridge the whole process from the application for bank cards to consumption, which greatly improved customers' experience in card using and constantly increased customer satisfaction. The “one-touch application for a card” attracted customers and conducted marketing activities through scenarisation via high quality business circle and the online Pocket Bank APP, so that the time for card issuance reduces from 2 days to as little as 2 minutes and customers can enjoy real-time card issuance, instant payment and prompt preferential entitlement and can “get what they expect”.

“New Generation Loan”: In the first half of 2019, “New Generation Loan” newly issued by the Bank totalled

RMB52,573 million and the balance at the end of June 2019 reached RMB153,361 million, declining by 0.2% 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 “New Generation Loan” for mass customers, strove to satisfy the financing needs of small and micro business owners and individual industrial and commercial customers, and supported the development of the real economy. For the capital demand of small and micro business owners, the Bank effectively streamlined application process by connecting to third-party data and accessing data via online channels. Meanwhile, it also implemented risk-differentiated pricing to support loans for small and micro enterprises. Based on the Internet and big data, 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, optimised business process and improved customer experience and service efficiency by means of online, centralised, automated, and intelligent online operation processing, direct connection of data and intelligent review.

Property mortgage: At the end of June 2019, the Bank’s property mortgage balance amounted to RMB187,998 million, representing an increase of 3.1% over the end of last year. The Bank strictly conformed to the regulations of national policies and regulatory requirements to support the need of resident families for purchasing their first set of self-occupied houses. It will continue to steadily carry out housing credit business under the premise of compliance with regulatory requirements, enhance housing credit management.

Auto finance loan: In the first half of 2019, the Bank's new auto finance loan amounted to RMB68,400 million. At the end of June 2019, the Bank's auto finance loan balance was RMB165,802 million, a decrease of 3.6% from 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 and 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 cooperative merchants increasing by 828 compared with the same period last 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 June 2019, there were over 3,200 registered car dealers. Meanwhile, **the Bank focused on the management of existing customers to constantly improve customer experience and service efficiency** and released a loan extending product plan with all procedures operated online to further explore the auto consumer financial market.

(2) Two core capabilities

① Risk control

Affected by external factors such as uncertainty of international and domestic economic and financial situation, rising of multiple debt risks and sluggish auto consumption, risks in the consumer finance industry have increased, leading to an increase in the non-performing ratio of the Bank's retail products. As at the end of June 2019, the NPL ratio of the Bank's loans to individuals was 1.09%, up 0.02 percentage point from the end of last year. But the overall risk performance remained relatively low. Specifically, the NPL ratio of credit cards was 1.37%, up 0.05 percentage point from the end of last year while that of the "New Generation Loan" was 1.13%, up 0.13 percentage point from the end of last year and the NPL ratio of auto financial transactions was 0.62%, up 0.08 percentage point from the end of last year.

Since the end of 2017, the Bank has been adjusting risk policy in advance, 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. As the asset quality of newly issued businesses is stable and favourable, it is expected that the optimisation effect of such control measures will be gradually revealed in the second half of 2019. According to the results of ageing analysis, 6 months after the issuance, the customers' accounts that were past due over 30 days accounted for 0.29% of the new credit card accounts opened in 2018, a decrease of 0.06 percentage point from 2017; the newly-issued "New Generation Loan" loans that were past due over 30 days accounted for 0.17% of the loans issued, a decrease of 0.03 percentage point from 2017; the newly-issued auto finance loans that were past due over 30 days accounted for 0.17% of the loans issued, a decrease of 0.01 percentage point from 2017. More historical figures are set out in the following chart.

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

The period of loan origination	Accounts receivables for credit cards	"New Generation Loan"	Auto finance loans
2015	0.48%	0.27%	0.12%
2016	0.45%	0.16%	0.12%
2017	0.35%	0.20%	0.18%
2018	0.29%	0.17%	0.17%

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 loan balances 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) Data of ageing analysis for 2018 in the 2018 annual report only represents the quality of loans delivered from January to July in 2018; as at the end of June 2019, the ageing of issued loans/credit cards was 6 months, that is, data of ageing analysis for 2018 disclosed in the 2019 interim report reflects the quality of loans delivered in the whole year of 2018.

② Cost management

In the first half of 2019, the Bank optimised production through full cost control and refined management, improved productivity and efficiency by means of AI strategy empowerment management and business, and increased investment in innovation to maintain sustained growth momentum and drive continuous cost/income ratio optimisation.

In terms of operating costs, the Bank further cut down expenses on working affairs and administrative management via comprehensive refined management and process transformation, as well as shortening the operation process and management chain, and reduced retail operation costs, for example, SMS expenses dropped by 10%, the cost per piece of centralised operation decreased by 7%, etc., both aiming at facilitating gradual decrease of the overall operating costs; **in terms of fixed costs**, during the transformation to standard, intelligent and light-weight outlets, the Bank reduced the cost of single outlets. In the first half of the year, the rental cut covered an area of 18,000 square meters, and the comprehensive benefits of outlets continued to improve; the above measures have reduced operating and fixed costs by RMB210 million. And **in terms of capacity efficiency**, retail manpower capacity was further improved based on empowerment of AI strategy to business and management, and per capita revenue increased by 14% year on year. While the retail business keeps fast growth in the transformation, the cost/income ratio of the retail business continues optimisation in recent two years.

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 keeping business growth and saving cost, the retail sector has invested more than RMB1 billion in technology and innovation, and utilized the power of technology to constantly upgrade traditional services, innovate business model and enhance service experience in the first half of 2019.

(3) One major platform

In 2019, the Bank implemented full-scale AI in its retail banking, by providing standard, systematic and intelligent capabilities required by the retail business in terms of operation, service, and management through technologies, to customers, employees, and third-party partners, so as to become an all-round AI Bank. At present, the

underlying technologies of AI have been basically completed. Achievements in AI customer service, AI marketing and AI risk control have been transferred into central platform capability and are integrated to be applied for pilot in multiple front-end business scenarios. The efficiency is significantly improved than that of original online and offline, leading a base for comprehensive promotion. Meanwhile, from the perspective of resource intensification and capacity sharing, the Bank actively promoted the construction of AI middle platform with multiple capacity layers based on the principle of modularisation, parameterisation and closed-loop. As a result, the major middle platform systems of business, technology and knowledge base have been established, and their application in the AI front-end scenarios has been adequately empowered.

In terms of customer service, the Bank has established a 7×24-hour “AI Customer Service” system, and developed centralised service desk driven by customer service robots to provide rapid response and consulting services for front office, thereby improving operating efficiency. At the end of June 2019, the non-artificial AI customer service ratio was 82.9%, representing an increase of 3.1 percentage points from the end of the previous year.

In terms of customer operation, the Bank has embedded AI intelligent marketing recommendation into the Pocket Bank APP. In some scenarios, the click-to-buy conversion rate has increased by more than 100%. Meanwhile, it has linked the marketing recommendation with AI customer service and applied the recommendation in AI robot service scenarios. Once the online service interaction has been completed, based on the customer 360 degree panorama, the marketing recommendation will deliver products, equities or services that satisfy customer demands in real time by analysing multi-dimensional data such as customer portrait, transaction history and online actions. AI intelligent investment adviser provides customers with customised investment advisory services, assists customers to manage assets effectively and produces customer report and develops investment plan based on customer demands.

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 loan 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 unified customer management before, during and after risks. By June 2019, the retail unified anti-fraud platform has accumulated RMB338 million of anti-blocking fraud attacks.

In the first half of 2019, the Bank increased its investment in technologies. For online business, it conducted a further upgrade by embedding 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 June 2019, there are 211 new outlets in the country. Meanwhile, it integrated and built an intelligent 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) Continuously enhancing contribution in comprehensive finance

The Bank develops comprehensive financial business through the model of MGM (Member Get Member) with the agent. In the first half of 2019, the number of new customers represented a net increase of 1,327,800 through the MGM model (excluding credit cards), accounting for 30.8% of the overall new retail customers, of which, the number of wealth customers represented a net increase of 49,000, accounting for 38.3% of the overall new wealth customers, and the balance of assets under management of retail customers (AUM) represented a net increase by RMB125,760 million, accounting for 37.2% of the overall asset balance of the new retail customers. “New Generation Loan” granted through the MGM model amounted to RMB29,210 million, accounting for 55.6% of the overall issuance of “New Generation Loan”; auto financing loans amounted to RMB25,103 million, accounting for 36.7% of the overall issuance of auto financing loans. The number of credit cards issued through the MGM model was 2,224,800, accounting for 32.3% of the total number of newly issued cards.

The asset quality of customers obtained through the MGM model is superior to that of other customer groups. The NPL ratio of the customer group of “New Generation Loan” obtained through the MGM model was 0.53%, which was 0.60 percentage point lower than the overall NPL ratio. The NPL ratio of the customer group of auto finance obtained through the MGM model was 0.54%, which was 0.08 percentage point lower than the overall NPL ratio. The NPL ratio of the customer group of credit cards obtained through the MGM model was 1.16%, which was 0.21 percentage point lower than the overall NPL ratio.

The total net non-interest income from group insurance sold by all retail channels of the Bank on a commission basis was RMB1,735 million, representing a year-on-year increase of 34.4%.

2. Corporate Business

In the first half of 2019, centring on customers, the Bank, from reinvention to both reinvention and profession, mainly promoted its pillar businesses of industry banking, transaction banking and comprehensive finance, and created a professional comprehensive financial service system by means of focusing on strategic customers and small and micro enterprises customers, integrating the Group’s business resources and edges of technology services, and connecting channels, products and markets, so as to enhance its comprehensive capabilities to serve customers. In addition, assisted by technologies such as AI, block chain, IoT and big data in an extensive and comprehensive way, the Bank drove its business innovation with such technologies.

(1) Industry banking

An all-round upgrade for the industry division has been accomplished. After the upgrade, the industry division was defined as a customer centre for industry banking, focusing on key industries. Assisted by the entire ecosystem and industry chain layout of the Group covering real estate, medical and automotive industries and based on in-depth industry research, the Bank refined its professional competence, built an innovative development model of ecosystem and concluded "1 + N" comprehensive financial solutions with professionalism. At the end of June 2019, the Bank's customer credit in key industries accounted for 48%.

In the field of medical health, in combination with the Group's medical insurance technologies and capabilities, including expense control of medical insurance, direct compensation of commercial health insurance, as well as chronic disease management, online diagnosis and remote detection of Ping An Good Doctor, the industry division launched special models such as "Medical Service E-Enterprise Management", and "Pharmaceutical Circulation E-Enterprise Profit" and deepened the massive health industry, so as to provide all-round service of "Finance + Technology + Industry" for customers.

In the field of automotive ecosystem, the Bank formed a synergy between the Company and retailers by integrating the internal and external resources of the Group and exerting its industry research expertise, and aspired to become a pioneer in intelligent comprehensive financial services and a leader in automotive eco-scenario applications by creating the most complete data warehouse for the automotive industry through technology support, focusing on travelling platforms featuring the vehicle manufacturing, usage and maintenance to provide one-stop solutions for the demands of travelling platforms.

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 through technology support and focusing on the major ecosystems of finance, housing and justice. In the first half of 2019, the Bank launched 77 new governmental financial platforms, with a total of 520.

(2) Transaction banking

① Intelligent supply chain finance

Adhering to the concept of FinTech, the Bank regained its advantages in supply chain financial services by upgrading the services, refining its core business and create quality business of "Supply Chain (Supply Chain Receivables Cloud Service Platform)" with the new model of "Technology + Service + Scenario". Upholding an open and shared operation philosophy, the Bank provided embedded intelligent supply chain financial services for long-tail small and micro customers in the upstream and downstream of the industry chain, supported by technologies such as block chain, big data and artificial intelligence, so as to build a favourable ecosystem of the supply chain financial services.

In the first half of 2019, the transaction volume of the Bank's supply chain receivables cloud service platform

accumulated to RMB17,234 million, with the Bank's financial services provided for 220 core enterprises and their upstream suppliers in an accumulated way. The minimum amount of single financing was RMB52,000 only based on suppliers' practical operations, effectively resolving the problem of small and medium suppliers finding it tough and expensive to access financing and supporting the development of the real economy.

② Internet payment and settlement

Focusing on the "Internet + Industry" enterprise customers, the Bank strived to build a cutting-edge and open service platform for Internet payment and settlement. Centring on payment and settlement demands of enterprise customers in diversified collection channels, transaction fund management and smart payment, the Bank proactively promoted the strategy of "Payment + Account + Scenario", integrated front-end collection and back-end payment with account system and fund management capabilities as the core, and superimposed diversified products and services such as fund appreciation, data financing, comprehensive finance and enterprise services, so as to deliver highly adapted scenario payment and settlement solutions to customers.

At the end of June 2019, the Bank launched 928 Internet payment and settlement service platforms, with over 700 million transactions in the first half of 2019, representing a year-on-year increase of 106.7%, and the transaction amount numbered RMB1.75 trillion, representing a year-on-year increase of 37.8%.

③ Cross-border offshore finance

Closely centring on Chinese-funded enterprises' cross-border financial demands of "Going Global" and fully exerting the onshore and offshore and domestic and overseas advantages in local and foreign currencies, the Bank integrated and launched five major product systems including "Cross-border Inter-bank Finance", "Cross-border Investment and Financing", "Cross-border Fund Management", "Cross-border Trade Finance" and "Cross-border e-Finance" to provide professional and efficient butler cross-border financial services for Chinese-funded enterprises and strive to build a leading cross-border financial brand in the industry.

Meanwhile, the Bank promoted online and intelligent cross-border financial business and in the first half of the year, it implemented online projects such as onshore and offshore E-bank integration, offshore e-interbank and single window of China's international trade, enriching online service scenarios to improve business processing efficiency and customer service experience. In addition, the Bank refined the output and anti-money laundering compliance capabilities of the standard Open API, so as to build a cross-border e-commerce ecosystem by serving cross-border Internet transaction platform, users and upstream and downstream supply chain. In the first half of 2019, the online transaction volume of the Cross-border e-Finance accumulated to RMB391,882 million, representing a year-on-year increase of 8.9%.

(3) Comprehensive finance

The Bank integrated the Group's business, products and channel resources, as well as the Group's edges in technology services with its products and services, to create a full-scale comprehensive financial solution for its

enterprise customers and forge a unique competitiveness. By strengthening business linkage among regional subsidiaries, exerting advantages of banking channels, and reinforcing customer management, the Bank prepared differentiated operating strategy for different customers and scenarios to achieve a leap-forward growth in premium, investment and financing, and consolidated business foundation through technology support. In the first half of 2019, premium of the Ping An group insurance sold by the Bank reached RMB511 million, representing 3.3 times higher than that of the same period last year; the new investment and cooperation projects between the Bank and professional companies within the Group amounted to RMB92,567 million.

(4) Focusing on strategic customers

The Bank actively served the real economy and private enterprises, provided one-stop comprehensive service solutions for strategic customers on a systematic, industrial, professional and collective basis, so as to reinforce cooperation in an overall manner. In terms of systematisation, the Bank optimised its organisational structure of lines, reinforced the support of middle platform of the industry division, and energised front-line teams. In terms of industrialisation, the Bank kept up with the national strategy, continued to focus on the “Top Ten Industries” featured with large volume, weak cycle and good growth. The Bank cultivated customers in the targeted industry. In terms of professionalization, the Bank established an agile team composed of industrial experts, product experts and risk experts, explored the industrial leading customers, and provided customised comprehensive financial solutions based on technologies. In terms of collectivisation, the Bank leveraged the advantage of the Group's comprehensive finance to absorb strategic customers, carried out in-depth development along the upstream and downstream of customers, and integrated products and service systems.

(5) 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 enhance the support for private enterprises.

In 2019, Pocket Finance focused on the core values of “service channel, platform management, and intelligent operation” to build a one-stop intelligent service platform. In terms of creating an open ecosystem, Pocket Finance introduced new enterprise services such as “Kingdee Zhihuiji” and “SF Express Monthly Settlement” to provide mobile invoicing and express billing services for customers. In terms of product integration, Pocket Finance launched fixed-current link account, electronic bills, 7×24 bank-securities transfer services and mobile services in the whole process of smart collections, so as to further enrich the mobile product system. In terms of technology support, Pocket Finance achieved speech input in the whole process of amount transfer, introduced face recognition, online verification and OCR, provided integrated services between public and private accounts focusing on operational characteristics of small and medium-sized enterprises, so as to provide convenience in

their settlement. At the end of June 2019, registered customers of Pocket Finance accumulated to 301,000 while transactions in the first half of 2019 accumulated to 2.18 million, representing a year-on-year increase of more than 7 times, and the transaction amount was RMB1,413,668 million, representing a year-on-year increase of more than 10 times.

The Bank's small enterprise digital finance revealed and judged the credit information of micro, small and medium enterprises via quantitative models, realised online real-time application, automatic system approval and real-time monitoring after loan granting with technologies such as mobile internet, big data, artificial intelligence, cloud computing and IoT, provided comprehensive financial services for enterprises to efficiently solve the financing problems of small and medium enterprises, especially the private ones. In addition, small enterprise digital finance obtained customers horizontally in batches with standard products while explored potentials with customised products vertically, so as to become a leader of the industry step by step and to enhance the Bank's comprehensive income. At the end of June 2019, the Bank's small enterprise digital financial service customers numbered 21,638, up 53.4% over the end of the previous year. In the first half of 2019, the Bank, in an accumulated way, issued loans of RMB9,037 million through small enterprise digital finance.

(6) Holding fast to asset quality

The new businesses of the Bank were concentrated in industries with sound growth which were in compliance with the national strategic development direction. The Bank gathered its superior resources and invested them into high-quality and high-potential customers, drove upstream and downstream enterprises, supply chains, industrial chains or ecosystem customers, and 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. At the end of June 2019, the non-performing loan ratio of corporate loans decreased by 0.17 percentage points over the end of the previous year.

(7) Upgrading revolution of capital transaction and continuous transformation of inter-bank capital business

The Bank's interbank capital business focused on new transactions, new inter-bank and new asset management to enhance sales and transaction capabilities and build an intelligent quantitative transaction management system. The Bank vigorously developed the transaction market-making and the agent business, so as to increase the proportion of transaction contributions. In the first half of 2019, the Bank introduced the global cutting-edge fixed-income electronic transaction technology, integrated transaction experience, concept and culture from markets of developed countries, and promoted the electronic transformation and upgrade of the Bank's financial market business. In May 2019, the Bank became one of the first five market-makers to conduct market-making in local currency and X-Bond transaction interface through the centre. In the first half of 2019, the Bank's net income was RMB1,602 million, a year-on-year increase of 130.7%; the volume of bond transaction of the Bank

was RMB1,389,554 million, representing a year-on-year increase of 207.9%. The volume of interest rate swap was RMB1,451,026 million, representing a year-on-year increase of 380.5%. The volume of gold transaction was RMB482,273 million, representing a year-on-year increase of 15.3%. According to the data released by the foreign exchange transaction centre, market-making of the standard bond forward market-making and the interest rate swap ranked the first place, and that of X-bond also ranked the forefront of the market in the second quarter of 2019.

The Bank firmly promoted the transformation of institutional sales, and built a financial service ecosystem with technologies, so as to create a connector for financial institutions. In the first half of 2019, the Bank continuously expanded its market product varieties and sales scale, reinforced customer management, and established a sales network covering all types of financial institutions across the country. On this basis, the Bank further optimised market product structure and improved the proportion of sales of bonds, non-standard assets and asset management products. At the end of June 2019, the Bank's "Hang-E-Tong" has cooperated with 2,134 customers. In the first half of 2019, the sales volume of banks numbered RMB232,448 million, representing a year-on-year increase of 177.3%, and the proportion of sales of bonds and non-standard assets has been further improved. The Bank actively promoted the transformation of real investment banking and the construction of light financing capabilities, and focused on areas such as bond underwriting and wealth management direct financing tools to meet customer's financing demands. In the first half of 2019, the underwriting scale of wealth management direct financing products issued through the Banking Regulatory Commission reached RMB36.37 billion, representing a year-on-year increase of 751.8%, with the market issuance ranked the forefront of the list.

3. Scientific and technology-driven

In the first half of 2019, the Bank continued to increase investment in technology, focused on forging system platform capabilities, and strengthened core technology research and innovation, so as to support business growth with technology, which achieved preliminary results in technology-driven practice.

(1) Creating leading technology platforms

First is building an AI middle platform. In the first half of the year, sticking to the aim of building a cutting-edge AI Bank in the industry, the Bank applied biometric identification technologies such as face recognition, speech recognition, emotion recognition and micro-expression, and intelligent technologies such as text interpretation and image recognition to front-end business operations to mid- and back-end operations management from point to face. During the period, the Bank executed multiple AI middle platform projects, and put robots into production such as marketing robots, intelligent advertising robots, AI training robots and customer service robots, enhancing the Bank's intelligent capabilities in customer marketing, operation management and risk control effectively.

Second is building a distributed PaaS platform. Structured by the Bank, the platform adopted cutting-edge distributed architecture and open source technology. The basic version has been released in the first half of the year, and has been applied in more than 30 systems or projects. The launch and application of the platform has demonstrated positive significance for improving the IT technology capabilities of the Bank, saving development and operation costs, enhancing delivery efficiency, and supporting future sustainable development of the Bank. The new core system for credit cards based on the PaaS platform is expected to save cost effectively in following software and hardware procurement and maintenance .

Third is building and promoting the private cloud platform of the Bank. Compared to the traditional infrastructure of bank, cloud computing is characterised by lower cost, elastic expansion, great flexibility, high efficiency and fast delivery. Through constant promotion of the cloud deployment of infrastructure, the delivery cycle of resources development has dropped from two weeks to three days in the first half of the year, 25% of the original, and the resource delivery volume has increased by 11.2 times from 250 units per week to 2,800 units per week, by which the cost was reduced and the delivery efficiency was significantly enhanced.

(2) Reinforcing digital operating capability

The Bank created a unified data middle platform to integrate and share data resources of the Bank, so as to maximise the value of the data. The platform provides advanced data services such as knowledge mapping, machine learning, multidimensional analysis, Data API, and AI Q&A Robot (Ask Bob) to support a series of digital transformation projects such as comprehensive product pricing, intelligent business integration, intelligent credit approval, intelligent comprehensive financial promotion and risk quantification. For example, by utilization of big data and machine learning, the Bank created stereoscopic retail customer portraits and pinpointed customers, so as to provide differentiated products and services. The first phase of the enterprise customer 360 portrait project has been put into production in the first half of the year. The project supports application scenarios such as potential customer mining, accurate marketing and risk warning, so as to realise integrated operation of service, business and risk.

(3) Deepening agile transformation

The Bank deepened the agile transformation and strengthened the integration of technology with business to improve the fast delivery capability of IT. In the first half of the year, the Bank implemented the DevOps and SDLC projects, standardised the development process specifications, and connected the whole process of research and development from demand to production. In addition, the Bank established a project visualisation platform to conduct real-time monitoring of its key technology projects and improve the level of refined management. In the first half of 2019, the per capita productivity, delivery efficiency and delivery quality relating to technology have been significantly improved. Business development demands of the Bank has increased by more than 30% year on year, and bugs in production has decreased by 39%.

(4) Deepening scientific innovation

Relying on the core technology and resources of Ping An Group, the Bank accelerated the integration of FinTech with banking scenario applications. Sticking to the aim of becoming the leader of China's open banks and of presenting the best practice in the industry, the Bank combined Open API with external scenario platforms to attract customers effectively and expand the banking service ecosystem. Meanwhile, the Bank improved its capabilities of customer marketing, operation management and risk control with technologies such as artificial intelligence and big data. In the field of risk control and management, the Bank integrated the most powerful AI capabilities to create a risk control middle platform and apply various AI tools before and during loans as well as collections in retail banking, so as to achieve efficient, safe and intelligent allocation of funds and greatly improve the risk control efficiency and the safety level. In terms of automotive supply chain financial business, the Bank applied AI technologies such as intelligent customer service and intelligent input assistant to optimise the loan application process and enhance customer experience, effectively resolving customer's pain points of complicated process and time-consuming waiting in the course of loans. The Bank built an IoT middle platform to implement online operations and intelligent control of vehicles and logistics, so as to reduce monitoring costs. The Bank continued to enrich block chain application scenarios and provided block chain solutions for supply chain finance, e-government, and poverty alleviation. In the first half of the year, the number of patent applications for intellectual property in technology lines exceeded 140 items. Meanwhile, the Bank held activities such as the Technology Innovation Competition and the Geek Competition, to encourage innovation and promote the spirit of workmanship.

VII. Matters relating to Financial Statements

Relevant matters involved with the financial report

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

Applicable Not applicable

The Bank started to adopt 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 initially applying the standard as an adjustment to relevant line items in the financial statements. Comparatives were not adjusted. See “II. Summary of significant accounting policies and accounting estimates 36. Effect of significant changes in accounting policies” in “Chapter XI Financial Report” in *2019 Interim 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.

8 August 2019