

Stock Code: 000001 Stock Short Name: Ping An Bank Serial No.: 2019-024
Preference Share Stock Code: 140002 Preference Share Short Name: PAB PREF SHARES 01
Convertible Bond Code: 127010 Convertible Bond Short Name: PAB CONV
BOND

Ping An Bank Co., Ltd.

2019 First Quarterly Report

24 April 2019

Section I. Important Notes

- 1.1 The board of directors (hereinafter referred to as the “Board”), the supervisory committee, the directors, the supervisors and senior management of Ping An Bank Co., Ltd. (hereinafter referred to as the “Bank”) guarantee the authenticity, accuracy and completeness of the contents of the 2019 First Quarterly Report, in which there are no false representations, misleading statements or material omissions, and are severally and jointly liable for its contents.
- 1.2 The 24th meeting of the 10th session of the Board of the Bank deliberated the 2019 First Quarterly Report. The meeting required 14 directors to attend, and 14 directors attended the meeting. This 2019 First Quarterly Report was approved unanimously at the meeting.
- 1.3 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 statements contained in the 2019 First Quarterly Report.
- 1.4 Reminder on non-standard audit opinions
Applicable Not applicable

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

Section II. Corporate Profile

I. Key Accounting Results and Financial Indicators

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

Yes No

The Bank has implemented *Accounting Standard for Business Enterprises No. 21 - Lease* (Cai Kuai [2018] No.35) in 1 January 2019, and disclosures in the financial statements shall be made in accordance with the above accounting standard beginning from the 2019 First Quarterly Report. According to the transitional provisions, the Bank adjusted relevant line items in the financial statements based on the cumulative effect of the first implementation of the standard, and did not adjust the figures for the comparative periods. For details of relevant impacts, please refer to the *Announcement on Changes in Accounting Policies of Ping An Bank Co., Ltd.*

(In RMB million)

Item	31 March 2019	31 December 2018	Increase/decrease from the end of last year
Total assets	3,530,180	3,418,592	3.3%
Shareholders' equity	250,938	240,042	4.5%
Shareholders' equity attributable to ordinary shareholders	230,985	220,089	5.0%
Share capital	17,170	17,170	-
Net asset per share attributable to ordinary shareholders (RMB/share)	13.45	12.82	5.0%

Item	Jan. - Mar. 2019	Jan. - Mar. 2018	Increase/decrease from the same period last year
Operating income	32,476	28,026	15.9%
Net profit attributable to shareholders of the Bank	7,446	6,595	12.9%
Net profit attributable to shareholders of the Bank after non-recurring gains/losses	7,422	6,555	13.2%
Net cash flows from operating activities	53,184	41,442	28.3%
Net cash flow per share from operating activities (RMB/share)	3.10	2.41	28.6%
Basic earnings per share (RMB/share)	0.38	0.33	15.2%
Diluted earnings per share (RMB/Share)	0.36	0.33	9.1%
Basic EPS less non-recurring gains/losses (RMB/share)	0.38	0.33	15.2%
Average return on total assets (un-annualised)	0.21%	0.20%	0.01 percentage point
Average return on total assets (annualised)	0.86%	0.80%	0.06 percentage point
Weighted average return on net assets (un-annualised)	2.91%	2.79%	0.12 percentage point
Weighted average return on net assets (annualised)	12.15%	11.87%	0.28 percentage point
Weighted average return on net assets, net of non-recurring gains/losses (un-annualised)	2.90%	2.77%	0.13 percentage point
Weighted average return on net assets, net of non-recurring gains/losses	12.11%	11.80%	0.31 percentage point

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

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

(In RMB million)

Item	31 March 2019	31 December 2018	31 December 2017	Increase/decrease from the end of last year
Deposits due to customers	2,286,977	2,128,557	2,000,420	7.4%
Including: Corporate deposits	1,765,403	1,666,966	1,659,421	5.9%
Personal deposits	521,574	461,591	340,999	13.0%
Total loans and advances to customers	2,051,445	1,997,529	1,704,230	2.7%
Including: Corporate loans	860,913	843,516	855,195	2.1%
General corporate loans	798,940	801,814	840,439	(0.4%)
Discounted bills	61,973	41,702	14,756	48.6%
Personal loans	1,190,532	1,154,013	849,035	3.2%
General personal loans	698,225	680,718	545,407	2.6%
Credit card receivables	492,307	473,295	303,628	4.0%

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 to deposit-taking financial institutions are accounted for as “total deposits”, whereas the loans extended by deposit financial institutions to non-deposit financial institutions are accounted for as “total loans”. Based on the aforementioned statistical standards, as at 31 March 2019, the total deposits and the total loans amounted to RMB2,602.7 billion and RMB2,110.1 billion, respectively.

(2) Pursuant to the *Notice of Issuing the Amended Formats of Financial Statements of Financial Enterprises for 2018* (Cai Kuai [2018] No. 36), the interest calculated by the real interest method is included in the carrying amount of financial instruments, and the interest not received or paid at the balance sheet date should be presented in “other assets” or “other liabilities”. Unless otherwise stated, amounts of the “loans and advances to customers”, “deposits due to customers” and the specific items mentioned in the Report exclude interest.

Total share capital of the Bank as at the transaction date prior to disclosure

Total share capital of the Bank as at the transaction date prior to disclosure (in shares)	17,170,411,366
Fully diluted EPS based on the latest share capital (RMB/share, accumulated from January - March)	0.38

Has the share capital ever changed and influenced the amount of the owners’ equity because of newly issued shares, additional issue, allotment, exercising of stock option, or repurchasing, etc. from the

end of the reporting period to the disclosure date of the Quarterly Report?

Yes No

Non-recurring items and amounts

Applicable Not applicable

(In RMB million)

Item	Jan. - Mar. 2019
Gains or losses on disposal of non-current assets	12
Others	19
Impact on income tax	(7)
Total	24

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

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

II. Regulatory Indicators and Financial Ratios

(Unit: %)

Item	Standard level of indicator	31 March 2019	31 December 2018	31 December 2017
Capital adequacy ratio	≥10.5	11.50	11.50	11.20
Tier one capital adequacy ratio	≥8.5	9.59	9.39	9.18
Core tier one capital adequacy ratio	≥7.5	8.75	8.54	8.28
Non-performing loan (NPL) ratio	≤5	1.73	1.75	1.70
Provision coverage ratio	≥150	170.59	155.24	151.08
Provision to loan ratio	≥2.5	2.94	2.71	2.57
Cost/income ratio (from the beginning of the year to the end of the period)	Not applicable	29.62	30.32	29.89
Deposit-loan spread (from the beginning of the year to the end of the period, annualised/un-annualised)	Not applicable	4.09/1.01	4.03	3.99
Net interest spread (NIS) (from the beginning of the year to the end of the period, annualised/un-annualised)	Not applicable	2.44/0.60	2.26	2.20
Net interest margin (NIM) (from the beginning of the year to the end of the period, annualised/un-annualised)	Not applicable	2.53/0.62	2.35	2.37

Note: Regulatory indicators are presented as per regulatory criteria.

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

1. The total number of ordinary shareholders and preference shareholders with restored voting rights, and the shareholdings of the top 10 shareholders

(Unit: Share)

Total number of ordinary shareholders as at the end of the reporting period		354,508	Total number of preference shareholders with restored voting rights as at the end of the reporting period (if any)	-		
Shareholdings of the top 10 ordinary shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total number of shares held	Number of restricted shares held	Pledged or frozen	
					Status of shares	Number of shares
Ping An Insurance (Group) Company of China, Ltd.-the Group -proprietary fund	Domestic legal entity	49.56	8,510,493,066	-	-	-
Ping An Life Insurance Company of China, Ltd. - proprietary fund	Domestic legal entity	6.11	1,049,462,784	-	-	-
Hong Kong Securities Clearing Company Limited	Overseas legal entity	4.17	716,660,451	-	-	-
China Securities Finance Corporation Limited	Domestic legal entity	2.50	429,232,688	-	-	-
Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance products	Domestic legal entity	2.27	389,735,963	-	-	-
Central Huijin Asset Management Ltd.	Domestic legal entity	1.26	216,213,000	-	-	-
CEIEC Shenzhen	Domestic legal entity	0.83	142,402,769	-	-	-
Henan Hongbao (Group) Co., Ltd.	Domestic legal entity	0.59	100,453,307	-	-	-
CITIC Trust Co., Ltd. – CITIC Trust Ruijin Phase 43 Gaoyi Xiaofeng Investment Pooled Fund Trust Scheme	Domestic legal entity	0.39	66,346,066	-	-	-
Shanghai Gaoyi Asset Management Partnership (LP) – Gaoyi Xiaofeng No. 2 Zhixin Fund	Domestic legal entity	0.29	49,221,916	-	-	-
Shareholdings of the top 10 unrestricted shareholders						
Name of shareholder	Number of unrestricted shares held	Type of shares				
		Type of shares	Number of shares			
Ping An Insurance (Group) Company of China, Ltd.-the Group -proprietary fund	8,510,493,066	RMB ordinary shares	8,510,493,066			
Ping An Life Insurance Company of China, Ltd. -	1,049,462,784	RMB ordinary	1,049,462,784			

proprietary fund		shares	
Hong Kong Securities Clearing Company Limited	716,660,451	RMB ordinary shares	716,660,451
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
CEIEC Shenzhen	142,402,769	RMB ordinary shares	142,402,769
Henan Hongbao (Group) Co., Ltd.	100,453,307	RMB ordinary shares	100,453,307
CITIC Trust Co., Ltd. – CITIC Trust Ruijin Phase 43 Gaoyi Xiaofeng Investment Pooled Fund Trust Scheme	66,346,066	RMB ordinary shares	66,346,066
Shanghai Gaoyi Asset Management Partnership (LP) – Gaoyi Xiaofeng No. 2 Zhixin Fund	49,221,916	RMB ordinary shares	49,221,916
Description of related-party relationships or concerted actions 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 nor concerted action among other shareholders.</p>		
Description of the top 10 ordinary shareholders who engage in securities margin trading (if any)	N/A		

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

Yes No

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

Applicable Not applicable

(Unit: Share)

Total number of preference shareholders at the end of the reporting period	15					
Shareholdings of the top 10 preference shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total number of shares held	Number of restricted shares held	Pledged or frozen	
					Status of shares	Number of shares
Ping An Life Insurance Company of China, Ltd. - dividend - dividends for individual insurance	Domestic legal entity	29.00	58,000,000	-	-	-
Ping An Life Insurance Company of China, Ltd. - universal - individual universal insurance	Domestic legal entity	19.34	38,670,000	-	-	-

Ping An Property & Casualty Insurance Company of China, Ltd. - traditional - ordinary insurance products	Domestic legal entity	9.67	19,330,000	-	-	-
China Post & Capital Fund - Hua Xia Bank - Hua Xia Bank Co., Ltd.	Domestic legal entity	8.95	17,905,000	-	-	-
Bank of Communications Schroder Fund Management - Bank of Communications - Bank of Communications Co., Ltd.	Domestic legal entity	8.95	17,905,000	-	-	-
Bank of China Limited Shanghai Branch	Domestic legal entity	4.47	8,930,000	-	-	-
Postal Savings Bank of China Domestic Co., Ltd.	Domestic legal entity	2.98	5,950,000	-	-	-
China Resources SZITIC Trust Co. Ltd – investment No.1– trust funds	Domestic legal entity	2.98	5,950,000	-	-	-
Hwabao Trust Co., Ltd. – investment No.2 – trust funds	Domestic legal entity	2.98	5,950,000	-	-	-
China Merchants Wealth – Postal Saving Bank – Postal Savings Bank of China Co., Ltd.	Domestic legal entity	2.98	5,950,000	-	-	-
Description of related-party relationships or concerted actions among the above shareholders	<p>1. Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China, Ltd. are controlled subsidiaries of and acting in concert with Ping An Insurance (Group) Company of China, Ltd. “Ping An Life Insurance Company of China, Ltd. – dividend – dividends for individual insurance”, “Ping An Life Insurance Company of China, Ltd. – universal – individual universal insurance” and “Ping An Property & Casualty Insurance Company of China, Ltd. – traditional – ordinary insurance products” are related parties.</p> <p>2. The Bank is not aware of any related relationship nor concerted action among any of other shareholders.</p>					

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

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

3. The top 10 holders of the Bank's convertible corporate bonds

Name of holder	Number of shares held	Proportion (%)
Ping An Insurance (Group) Company of China, Ltd. - the Group -proprietary fund	128,865,886	49.56
Ping An Life Insurance Company of China, Ltd. - proprietary fund	15,890,965	6.11
Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance products	5,901,382	2.27
China Merchants Bank Co., Ltd. - AIFMC Heyi Hybrid Fund	5,469,333	2.10
National Social Security Fund - 414 Portfolio	3,473,563	1.34
CEIEC Shenzhen	2,156,263	0.83
Guangfa Securities Co., Ltd.	2,016,823	0.78
China National Petroleum Corporation Group Enterprise Annuity Scheme - Industrial and Commercial Bank of China Limited	1,783,837	0.69
Guoyuan Securities Co., Ltd.	1,590,000	0.61
China Galaxy Securities Co., Ltd.	1,583,595	0.61

Note: (1) Ping An Life Insurance Company of China, Ltd. is a controlled subsidiary of and acting in concert with Ping An Insurance (Group) Company of China, Ltd. "Ping An Insurance (Group) Company of China, Ltd. – the Group – proprietary fund", "Ping An Life Insurance Company of China, Ltd. – proprietary fund" and "Ping An Life Insurance Company of China, Ltd. - traditional – ordinary insurance product" are related parties.

(2) The Bank is not aware of any related relationship nor concerted action among any of other shareholders.

Section III. Significant Events

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

√ Applicable □ Not applicable

(In RMB million)

Item	Amount for the current period	Amount of change	Change rate	Reasons for the changes
Placements with banks and other financial institutions	100,231	27,297	37.4%	Increase in placements with overseas and domestic banks and other financial institutions
Other debt investments	111,039	40,375	57.1%	Classified as bond investments designated at fair value through other comprehensive income and increase in interbank investments
Right-of-use assets	7,239	7,239	Nil in the previous year	The line item is newly added in accordance with the new lease accounting standard for the current year
Other assets	23,284	9,506	69.0%	Increase in settlements receivable
Financial liabilities held for trading	15,721	7,146	83.3%	Increase in financial liabilities held for trading as a result of the short position of bonds
Financial assets sold under repurchase agreements	21,502	13,514	169.2%	Increase in scale of bonds sold under repurchase agreements
Provisions	1,271	411	47.8%	Loss provision for contingencies and financial guarantee contracts
Lease liabilities	7,700	7,700	Nil in the previous year	The line item is newly added in accordance with the lease accounting standard this year
Other comprehensive income	1,385	599	76.2%	Increase in fair value changes of other debt investments
Fee and commission expense	2,019	666	49.2%	Increase in commission expense arising from increase in credit card transaction volume
Investment income	2,571	2,155	518.0%	Income/expenses arising from “financial instruments designated at fair value through profit and loss” are recognised in investment income other than interest income/expense in accordance with the new accounting standards for financial instruments from the third quarter in 2018
Gains/losses on fair value changes	(642)	(1,015)	(272.1%)	Decrease in changes in fair value of financial assets held for trading
Exchange gains or losses	169	347	Negative amount for the same period of last year	Increase in exchange gains and losses due to exchange rate fluctuations

Other operating income	17	(59)	(77.6%)	Limited base of RMB76 million for the end of last year
Gains/losses on disposal of assets	12	(32)	(72.7%)	Limited base of RMB44 million for the end of last year
Impairment losses on other assets	231	224	3,200.0%	Increase in provision for impairment losses on foreclosed assets; limited base of RMB7 million for the end of last year
Non-operating income	29	24	480.0%	Limited base of RMB5 million for the end of last year

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

Applicable Not applicable

On 25 January 2019, the Bank made a public issuance of RMB26 billion convertible corporate bonds. On 30 January 2019, the Bank received the *Securities Registration Certificate* issued by the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited ("CSDC"). With approval from the Shenzhen Stock Exchange, the convertible corporate bonds issued by the Bank to the public are traded on the Shenzhen Stock Exchange starting from 18 February 2019.

On 7 March 2019 and 10 April 2019, the Bank redeemed in full its 10-year tier two capital bonds of RMB9 billion and RMB6 billion respectively.

Description of major events	Date of disclosure	Index of website disclosing temporary reports
The Bank made a public issuance of RMB26 billion A-share convertible corporate bonds	17 January 2019, 25 January 2019	<i>China Securities Journal, Securities Times, Shanghai Securities News, Securities Daily</i> and CNINFO (http://www.cninfo.com.cn)
The Bank exercised the right of redemption on tier-two capital bonds	9 March 2019, 12 April 2019	

The progress of stock repurchase

Applicable Not applicable

The progress of reducing repurchased stock by centralised price bidding

Applicable Not applicable

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

Applicable Not applicable

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

IV. Performance Forecast for Jan. - Jun. 2019

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

Applicable Not applicable

V. Securities Investments

At the end of the reporting period, the total book value of financial bonds (including policy bank bonds, various ordinary financial bonds and subordinated financial bonds, excluding corporate bonds) held by the Bank was RMB163,317 million, among which ten financial bonds with the highest book value are detailed as follows:

(In RMB million)

Name of Bond	Par value	Annual coupon rate (%)	Maturity date	Impairment provision
2017 Policy Bank Bonds	6,710	4.24	24 August 2027	-
2018 Policy Bank Bonds	3,990	4.69	23 March 2023	-
2010 Policy Bank Bonds	3,860	2.84	25 February 2020	-
2017 Policy Bank Bonds	3,650	4.44	9 November 2022	-
2019 Commercial Bank Bonds	3,050	3.50	27 March 2022	5.63
2011 Policy Bank Bonds	3,030	3.85	17 February 2021	-
2016 Commercial Bank Bonds	3,000	3.25	7 March 2021	2.34
2016 Commercial Bank Bonds	3,000	3.20	29 March 2021	2.34
2016 Policy Bank Bonds	2,780	2.96	18 February 2021	-
2015 Policy Bank Bonds	2,570	4.21	13 April 2025	-

VI. Entrusted funding and entrusted investments

Applicable Not applicable

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

VII. Derivative Investments

(In RMB million)

Type of contract	Contractual amount at the beginning of the year (Nominal)	Contractual amount at the end of the period (Nominal)	Changes in fair value during the reporting period
Foreign exchange derivatives	874,747	1,013,726	411
Interest rate derivatives	3,168,549	3,383,066	130
Precious metal derivatives	84,071	87,477	654
Total	4,127,367	4,484,269	1,195

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

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

Date	Mode	Type of visiting party	Reference
10 January 2019	Investment bank meeting	Institution(s)	CNINFO (www.cninfo.com.cn)
24 January 2019	Onsite visit	Institution(s)	<i>Record of Investor Relationship Activities of Ping An Bank Co., Ltd.</i>
25 March 2019	Onsite visit	Institution(s)	

IX. Non-Compliant External Guarantees

Applicable Not applicable

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

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

Applicable Not applicable

During the reporting period, the Bank was not under any circumstance where the controlling shareholders and other related parties appropriate the funds of the Bank for non-operating purposes.

XI. Management Discussion and Analysis

(I) Description of overall operations

The year 2019 witnesses the 70th anniversary of the founding of the People's Republic of China and is a crucial year for building a moderately well-off society in an all-around way. The whole year's core financial priorities include correctly mastering the nature of finance, deepening financial supply-side structural reform and balancing the relationship between stable growth and risk prevention, so as to enhance financial capabilities to better serve the real economy, effectively fight the critical battles against risks, including financial risks, and promote high-quality development of the financial sector. In the first quarter of 2019, a new drive for economic development was further developed, thanks to the stable macroeconomic operation in general, ongoing deepening of supply-side structural reform and steady progress of "Three Critical Battles".

While staying committed to maintaining its status as a "domestic best performer and global leader in intelligent retail banking", the Bank follows the national strategies closely and actively adapts to the economic and financial trends by adhering to the approach of "being technology-driven, pursuing breakthroughs in retail banking, and reinventing its corporate banking", strengthening technological innovation and scenario application and propelling the transformation of intelligent retail business in a concrete manner. It continues to deepen the transformation of corporate business from extensive growth to efficient development, strictly control all financial risks and solid enlarge its support for the real economy such as private enterprises and small medium enterprises (SMEs), enabling sound development of all businesses, continuous improvement of asset quality and further demonstration of the strategic transformation effect.

1. Steady and fast development of overall operations

In the first quarter of 2019, the Bank recorded revenues of RMB32,476 million, representing a year-on-year increase of 15.9%, including net interest income of RMB20,774 million, representing a year-on-year increase of 11.2% and net non-interest income of RMB11,702 million, representing a year-on-year increase of 25.3%. The operating profit before impairment losses was RMB22,552 million, up 17.1% year on year and the net profit was RMB7,446 million, representing a year-on-year increase of 12.9%. In the first quarter of 2019, the net interest margin reached 2.53%, increasing by 28 basis points year on year and by 3 basis points month on month while the net non-interest income accounted for 36.0%, with a year-on-year increase of 2.7 percentage points.

At the end of March 2019, the Bank's total assets amounted to RMB3,530,180 million, up 3.3% over the end of last year. The balance of deposits due to customers was RMB2,286,977 million, representing an increase of 7.4% over the end of last year. The total loans and advances to customers (including discounted bills) reached RMB2,051,445 million, representing an increase of 2.7% over the end of last year.

At the end of March 2019, the balance of principal-guaranteed wealth management products (WMPs) of the Bank was RMB94,183 million, up 13.9% over the end of last year. The balance of structural deposits reached RMB484,806 million, up 11.8% over the end of last year. The balance of non-principal-guaranteed WMPs was RMB558,461 million, up 3.8% over the end of last year.

2. Stable progress of retail banking transformation

In the first quarter of 2019, the Bank adhered to the strategy of “pursuing breakthroughs in retail banking”, continued to deepen its comprehensive financial advantages and attached great importance to the business segments of “basic retail banking, consumer finance and private banking”, to promote a stable progress of the transformation by improving the core competence in “risk and cost control”, fully playing the role of technologies and optimising business processes and service experience.

(1) Basic retail banking

At the end of March 2019, assets under management (AUM) of retail customers of the Bank amounted to RMB1,663,298 million, up 17.4% over the end of last year. The number of retail customers increased to 87,010 thousand, up 3.7% over the end of last year. The balance of personal deposits was RMB521,574 million, representing an increase of 13.0% over the end of last year. The number of registered customer of Ping An Pocket Bank APP was 67,650 thousand, up 8.7% over the end of last year while the monthly active users reached 26,030 thousand.

In the first quarter 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 the 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 the value of all scenarios and optimised the functional experience of Pocket Bank APP, to build an online banking ecosystem and transform users into customers. With respect to operation, the Bank established an 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 operation with big data and enhance customer management efficiency and capabilities.

(2) Private banking

At the end of March 2019, the number of the Bank's banking customers was 664.50 thousand, up 12.3% over the end of last year while that of qualified customers of private banks reached 35,000, representing an increase of 16.7% over the end of last year.

In the first quarter of 2019, with respect to private banks and wealth management, the Bank strengthened the implementation of its business transformation strategy and proactively promoted the implementation in terms of products, systems and mechanisms. With respect to the construction of the product platform and equity system, the Bank fully integrated internal and external resources to supply quality products and equity experience, and support the development of private banking business. Meanwhile, the Bank vigorously promoted the construction of the investment and consulting team and forged a professional and intelligent investment and consulting team with full use of the edges of AI technologies and the comprehensive financial mode of Ping An Group. With respect to the 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”, “direct sales” and “comprehensive finance” in a simultaneous way to reinforce its ability to manage private banking customers and improve asset allocation.

(3) Consumer finance

At the end of March 2019, the balance of personal loans was RMB1,190,532 million, representing an increase of 3.2% over the end of last year. Since the end of 2018, under the prerequisite of stable asset quality, the Bank, in view of the downward pressure on the macro-economy, proactively optimised the launch strategy for loan products by appropriately increasing the threshold for credit cards and loan placements, to elevate the access standard of target customers. Meanwhile, based on the market requirements, the Bank continued to optimise customer profile, product solutions, operation process and customer experience to cover more scenarios and meet customers' demands for consumption and

operational financing at different stages. At present, several initiatives are gradually strengthened and taken effect internally, it is expected that from the second half of the year, there will be positive changes in the growth of major volume indicators of personal loans and credit card business. While optimising the investment configuration, the Bank focused on supporting SMEs and promoting the development of the real economy.

At the end of March 2019, the number of current credit cards issued by the Bank reached 53,520 thousand, up 3.9% over the end of last year. The balance of credit card loans was RMB492,307 million, up 4.0% over the end of last year. In the first quarter of 2019, the total credit card transaction amount was RMB801,030 million, representing a year-on-year increase of 43.2%. The transaction volume of the credit card mall increased by 24.7%. At the end of March 2019, the number of customers in the Credit Card APP has exceeded 37,000 thousand. Through uninterrupted reliance on internet platforms, the Bank created the ultimate customer experience of “fast, easy and good” and strengthened the integration of online and offline channels: for online channels, the Bank improved the service platform of credit card mall and refined its operation to improve user value; for offline channels, it built a targeted marketing service platform, so as to launch targeted marketing campaigns for different customers, to create differentiated marketing strategies focusing on different customer preferences and to enhance consumer experience in different card scenarios.

At the end of March 2019, the balance of “New Generation Loans” of the Bank was RMB155,190 million, representing an increase of 0.9% over the end of last year. The Bank utilised technologies in the whole process of the “New Generation Loans” and strived to create a “SAT+T” online application process pattern. Through direct connection of embedded data, robot process automation (RPA), micro-expressions and other AI technologies, the Bank achieved online intelligent “identification + review”, which not only rendered favourable mobile-finance-related interactive experience to customers by simplifying application materials and saving their application time to a large extent, but enabled the Bank to proactively utilise Internet technologies to reinforce the construction of anti-risk and anti-fraud capabilities in the entire credit process.

At the end of March 2019, the Bank’s property mortgage balance amounted to RMB186,137 million, representing an increase of 2.1% 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 compliance requirements.

At the end of March 2019, the balance of the Bank's auto finance loans amounted to RMB169,921 million, representing a decrease of 1.2% over the end of last year. Under the background of an overall slowdown in the auto consumption market, the Bank continued to deepen the eco-operation strategy through product innovation, process optimisation, AI intelligence and other initiatives, and to dig the potential of auto consumption financial market upon the enhancement of customer experience.

(4) Risk control

At the end of March 2019, the NPL ratio of the Bank’s personal loans was 1.10%, up 0.03 percentage point from the end of last year. Affected by external factors such as macroeconomic downturn, rising risk of common debts and sluggish auto consumption, risks in the consumer finance industry have increased while the NPL ratio of the Bank's retail products has ascended slightly, but the overall risk performance remained relatively low. Specifically, the NPL ratio of credit cards was 1.34%, up 0.02 percentage point from the end of last year while that of the “New Generation Loans” was 1.14%, up 0.14 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 common debt risk, which effectively controls and reduces the proportion of high-risk customers. As the asset quality of newly issued businesses is better, it is expected that the optimisation effect of such control measures will be gradually revealed in the second half of 2019, the NPL ratio of major loans in retail business will show a steady and better trend.

(5) Cost control and utilisation of the technological platform

In the first quarter of 2019, the Bank increased investment in technologies. For the online business, it conducted a further upgrade to embed the online Pocket Bank APP and the Pocket Banker APP; for offline business, the Bank promoted new retail outlets under “light, community-based, intelligent, diversified” concept. As at the end of March 2019, there are 177 new outlets in the country. Meanwhile, it integrated and built an intelligent OMO (Online Merge Offline, realizing online and offline integration) service system to bring better financial life experience for customers through an intelligent switch between online and offline featured with integration, scenarisation and personalization.

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 build an all-around AI Bank. At present, achievements such as AI customer service, AI marketing and AI risk control have been completed. Specifically, at the end of March 2019, the AI customer service reached 82.2%, representing an increase of 2.2 percentage points over the end of last year. The AI marketing has been widely applied in various business scenarios, and the sales effect has been improved by up to 3 times compared with that achieved by those conventional means. Such technology has been fully utilised by front-line teams, providing them with professional capabilities to better serve customers whenever and wherever possible. With respect to the AI risk control, a unified risk control platform has been structured, realising the unified management and control of credit risks and fraud risks, and further improving the automated review capability for retail credit products. In the first quarter of 2019, anti-fraud and anti-blocking of “AI+ risk control” amounted to RMB141 million.

(6) Comprehensive finance

In the first quarter of 2019, the number of new migration customers on the cross-selling channels (excluding credit cards) had a net increase of 743.9 thousand, accounting for 34.2% of the net increase in overall new retail customers (excluding credit cards), of which, the number of wealth customers had a net increase of 27,600, accounting for 37.9% of the net increase in overall new wealth customers, and the balance of assets under management of retail customers (AUM) had a net increase by RMB84,131 million, accounting for 34.1% of the overall asset balance of the net increase in new customers. “New Generation Loans” granted by cross-selling channels amounted to RMB15,236 million, accounting for 55.03% of overall issuance of “New Generation Loans” through cross-selling channels; auto finance loans amounted to RMB12,100 million, accounting for 37.0% of overall issuance of auto finance loans. The number of credit cards issued by cross-selling channels was 1.12 million, accounting for 33.7% of the total number of newly granted cards. The total net non-interest income from group insurance sold by all retail channels on a commission basis was RMB873 million, representing a year-on-year increase of 40.6%.

3. Intensified efforts in corporate business

In 2019, based on the strategic requirements of reinventing its corporate banking, the Bank continued to build an intelligent selective bank through technologies, and strived to achieve breakthroughs in the industry, customer, technology, and synergy. Specifically, the Bank focused on the industry and promoted integrated marketing under a model that is industry specific and scenario-based and it also focuses on customers, by selecting customers in the targeted industry, to provide them with an intelligent and systematic management platform. The Bank focuses on technologies, integrates intelligence and technologies into its businesses and adopts technological achievements such as blockchain and IoT to realise business upgrade. It also focuses on synergy and utilises the Group’s comprehensive finance advantages to drive the Group’s banking business.

In the first quarter of 2019, due to the effect of reinventing selective corporate business, the balance of corporate deposits as at the end of March was RMB1,765,403 million, representing an increase of 5.9% over the end of last year. The increase of deposits was on account of the establishment of the financial platform for payment and settlement, as well as for supply chain, which stabilised the basic

customers in the corporate business.

(1) Selected corporate business operation

① Internet payment settlement

For Internet payment settlement, the Bank focused on the strategic industries related to the national economy and the people's livelihood, and emerging Internet industries, deeply studied the needs of the segmented industry platforms, and strived to win leading Internet customers. At the same time, the Bank further forged the ability of Internet payment settlement in the "front desk, middle and back offices" to provide customers with a more efficient service experience. In the front desk, the operation of client software was mobilised; in the middle office, with intelligent business processing, integrated technology test, project implementation and launching were streamlined to improve processing efficiency; in the back office, blockchain, big data, anti-fraud and other financial technologies were adopted, to effectively prevent payment and settlement risks, and protect fund and transaction security for customers. In the first quarter of 2019, the Bank launched 86 Internet payment settlement platforms with over 150 million transactions and a transaction volume of more than RMB530 billion.

② Smart supply chain financial services

The Bank continued to upgrade supply chain financial services, adopted AI, blockchain, cloud computing, big data and other technologies to empower its service ability, launched a supply chain accounts receivable service platform, focused on the core enterprises in the industry chain and their upstream customers, and provided online comprehensive financial services such as transfer, financing, management, and settlement of accounts receivable to build up a financing ecosystem for SMEs with multiple parties.

In the first quarter of 2019, the volume of transactions via the Bank's supply chain accounts receivable service platform amounted to RMB7.8 billion, and 137 core enterprises and their upstream suppliers received financial services with the minimum amount of single financing transaction of only RMB52,000. The service platform effectively solved the problem of difficult and expensive financing for SMEs and supported the development of the real economy.

③ Cross-border finance

The Bank continued to promote online cross-border financial business, implemented various online projects including off and on-shore online banking integration projects, iteration and upgrading of offshore pocket finance and offshore online banking financing, and customer base upgrading for direct connection platform between banks and enterprises, diversified the variety of products that support online operation, so as to enhance customer experience. At the same time, the Bank focused on the customer base of cross-border Internet trading platform, continuously enriched the cross-border E-commerce finance platform service scenarios, and built a cross-border e-commerce platform financial service ecosystem. In the first quarter of 2019, the volume of transactions via the Bank's cross-border e-commerce finance platform had approximated RMB150 billion, a year-on-year increase of 7.2%.

④ Pocket Finance

The Bank actively integrated products and services into Pocket Finance, mobilised offshore, international and cash management businesses, and actively introduced the Group's comprehensive financial products, making breakthroughs in the cooperation with Ping An Securities, Ping An Leasing and Ping An Medical Insurance in the scene. At the end of March 2019, the number of registered customers reached 278,000; in the first quarter of 2019, the number of transactions reached 853,000, over 7 times more than the same period in the previous year, and the transaction amount reached RMB641.9 billion, over 10 times more than the same period in the previous year.

⑤ Small enterprise digital finance

The Bank penetrated into business scenarios of small enterprises with the small enterprise digital finance and accurately depicted portraits for small enterprises with quantitative models and data

analysis to help them get out of problems like information asymmetry and difficulties in risk control. In 2019, on the basis of promoting and optimising standardised products, the Bank actively explored industries such as automobiles, housing, medical care, big retail, and big food and further developed comprehensive financial service solutions for industry end customers to solve the problems of difficult and expensive financing. At the end of March 2019, the number of the Bank's customers of small enterprise digital finance amounted to 17,355, up 23.1% over the end of the previous year; in the first quarter of 2019, the accumulated amount of loans issued via small enterprise digital finance amounted to RMB4.2 billion.

⑥ Interbank business and business for investment banks

The Bank firmly promoted the transformation of institutional sales, constructed a financial service ecological circle with technology, and forged a hub for financial institutions. In the first quarter of 2019, the Bank continued to enrich its product types, expand its sales scale, and maintain customers in an in-depth manner to establish a sales network covering all types of financial institutions across the country. Furthermore, the Bank optimised product sales structure, increased the sales proportions of bonds, non-standard assets and asset management products, vigorously developed trading market-making business and agent business, and enhanced the proportion of transaction contribution. At the end of March 2019, the cumulative number of cooperative customers of Hang-E-Tong reached 2,115; in the first quarter of 2019, the volume of sales to banks and other financial institutions amounted to RMB130 billion, 3 times more the same period in the prior year, and the proportions of sales of bonds and non-standard assets were further improved; the transaction volume of interest rate swap market-making business amounted to RMB573 billion, a year-on-year increase of 57.3%; the transaction volume of agent derivative business amounted to USD3.67 billion, a year-on-year increase of 58.0%. The Bank actively promoted the transformation to a real investment bank and the construction of light-weight financing capabilities, and boosted areas such as bonds underwriting and wealth management direct financing tools to meet customers' needs for financing. In the first quarter of 2019, the underwriting scale of wealth management direct financing products registered and issued by the China Banking and Insurance Regulatory Commission ("CBIRC") was RMB19.7 billion, ranking top in the market.

⑦ Government finance

In line with the new trend of national reform and development and relied on Ping An Group's "finance + technology", the Bank transformed from a traditional financial service provider to a partner that helped the progress of reform in the government financial business, enhanced the comprehensive capabilities for customer service with technology empowerment, and continued to innovate with the focus on three major industries: finance, housing and justice.

At the end of March 2019, the Bank had launch 21 new platforms for government finance, and all platforms with regard to government finance accumulated to 464. In the fiscal ecosystem, the Bank cooperated with Chongqing Financial Assets Exchange under Ping An Group to introduce blockchain and AI to complement business decision-making, research and develop corporate fund subsidy products, and help the government in penetrating funds supervision. In the housing ecosystem, the Bank made breakthroughs in both the housing provident fund business and the supervision over commercial housing transaction funds. In the judicial ecosystem, the Bank centred on making breakthroughs in bankruptcy liquidation by developing a bankruptcy case management system that covered the entire process, to relieve the pressure from case management for the bankruptcy manager with blockchain, facial recognition, OCR and other technologies. Meanwhile, the Bank cooperated with the Group's smart justice business line to launch multi-level coordinated marketing; in the first quarter of 2019, customers newly gained accumulated to 300.

(2) Being the engine of corporate comprehensive finance in the Group by continuously promoting comprehensive finance

The Bank made full use of the Group's comprehensive financial resources and platforms to strengthen its banking channels, actively designed a contextualised, online, embedded and intelligent

comprehensive service plan for customer groups in different scenarios, and strove to promote breakthroughs in insurance and investment financing. The Bank achieved in-depth optimisation of system process and upgrading of management ability with technologies. In the first quarter of 2019, the premium income arising from sales of corporate insurance amounted to RMB202 million and the volume of new bank-investment cooperation projects amounted to RMB42,409 million.

(3) Smart operation of special assets

In 2019, based on the advantages bought by the Group's "financial + technology", the Bank made every effort to build an intelligence management platform for special assets, which made reference to the design of the cutting edge Internet enterprise "AI brain" in the industry, took big data as the driving force, and focused on the construction of three major capabilities: intelligent collection, smart management and ecological operation, promoting the transformation of special assets collection into an intelligent mode. Therefore, the performance of non-performing assets collection was greatly improved. In the first quarter of 2019, the Bank recovered non-performing assets with a total of RMB9,522 million, up 26.8% year on year, including credit assets of RMB8,888 million (loan principal); recovered principals of loans included written-off loans of RMB5,534 million and unwritten-off NPL of RMB3,354 million; 83.7% of the recovered amount for non-performing assets was recovered in cash and the rest was recovered in repayment by objects.

4. Preliminary results in technology empowerment

Being "technology-driven" in the transformation and upgrading, the Bank established a dual-mode R&D system incorporating excellence and agility, further improved the data governance system, and accelerated the transformation from the technical architecture to the distributed architecture. Focusing on product innovation, customer experience and risk management, the Bank actively explored the research and innovation and practical application of state-of-the-art technologies. New technologies, such as AI, big data, blockchain, which were embedded in various business scenarios, had promoted the transformation and upgrading of the Bank's products, services and platforms.

In the first quarter of 2019, the retail business line of the Bank fully started the construction of AI middle office. By building system platforms such as knowledge base platform, biometric identification platform and business middle office, the front-end business scenarios were empowered. Currently, exploration or practice had been taken in over 40 business scenarios, including credit card, investment advisor, customer service, mobile counter and remote operation. The corporate business line continued to improve the construction of products and case libraries, built up a platform of 360° portrait of corporate customers by comprehensively exploiting AI smart technologies such as visual, voice, text and image recognition, and continuously enhanced capabilities such as precise marketing, automatic approval and intelligent risk control; the deep learning technology enabled the Bank to identify dozens of bills, including checks, bills of exchange and promissory notes, in a rapid and accurate manner, and to record and process bill-related information in a centralised, automatic and convenient manner. In light of the tight bond between technology and business, an all-around AI Bank system is rapidly taking shape.

5. Continuous improvement of asset quality

The Bank actively responded to external risks, adjusted its business structure and issued more loans to retail business with better asset quality. The Bank continued to promote selected corporate business, with its new loans focusing on key industries, key customers and key products. At the same time, the Bank also continued to improve the structure of stock assets and intensified the collection and disposal of non-performing assets; thus, the asset quality was improving.

At the end of March 2019, the proportion of overdue loans, the proportion of loans past due over 90 days, the special mention ratio and the NPL ratio decreased from the end of the previous year, and the deviation was less than 1. The overdue loans of the Bank accounted for 2.45% of total loans, down 0.03 percentage point over the end of prior year; loans past due over 90 days accounted for 1.66%, down 0.04 percentage point over the end of prior year; special mention loans accounted for 2.58% of

total loans, down 0.15 percentage point over the end of prior year; NPL ratio was 1.73%, decreased by 0.02 percentage point over the end of prior year. NPL deviation rate was 96%, down 1 percentage point from the end of last year.

In the first quarter of 2019, the provision for impairment losses on credit and assets amounted to RMB12,885 million, a year-on-year increase of 20.7%, including provision for credit impairment losses of RMB11,221 million for loans and advances to customers; at the end of March 2019, the balance of provision for impairment of loans reached RMB60,408 million, an increase of 11.5% over the end of last year; the provision to loan ratio was 2.94%, up 0.23 percentage point over the end of last year; the provision coverage ratio was 170.59%, up 15.35 percentage points over the end of last year; the provision coverage ratio of loans overdue for more than 90 days was 177.71%, up 18.26 percentage points over the end of last year. The risk resistance capability of the Bank was further enhanced.

6. Supporting and serving the real economy

The Bank gave full play to the enabling role of science and technology, and took measures to serve the real economy in an all-around way, and comprehensively promoted the construction of precise poverty alleviation.

First of all, the Bank refined regional policy and industry policy to proactively follow national strategy. Focusing on key industries, the Bank underpinned the construction of economic belts such as “Guangdong-Hong Kong-Macao Greater Bay Area”, “Belt and Road”, the “Yangtze River Delta Integration Area”, to support the local economic growth. At the end of March 2019, the proportion of credit line granted to customers in key industries accounted for 48%.

Secondly, the Bank actively fulfilled requirements of the state, enhanced financial services for private enterprises, and upheld the development of small and micro enterprises. For **science and technology application**, the Bank employed cutting edge technologies, such as AI, biometrics, big data, blockchain, cloud computing, created selected businesses, such as “supply chain accounts receivable service platform”, “small enterprise digital finance” and “New Generation Loans”, and solved the problem of difficult and expensive financing for private, small and micro enterprises to support their development. For **mechanism and implementation**, on the one hand, the Bank adopted the “differentiated bailout + targeted service” strategy to provide tailored financial services for enterprises and support private enterprises in normal operation but with temporary liquidity difficulties through Ping An Bailout Fund and the corporate finance cooperative mode; on the other hand, the Bank holistically energise the development of small and micro enterprises via differentiated pricing policy and risk tolerance, with the assistance of innovation in technology, products and channels. With respect to the **implementation and results of the policies**, in the first quarter of 2019, the newly issued loans to private enterprise customers accounted for above 70% of all the loans to corporate customers; at the end of March 2019, the loans to small and micro enterprises, with credit line no more than RMB10 million for each customer, increased by 3.5% over the end of the previous year, higher than the average growth rate of such loans across the Bank. The number of accounts with loan balances increased by 8,639 over the end of the previous year. The interest rate of such loans to small and micro enterprises decreased by 0.66 percentage point from the end of prior year, with the NPL ratio in a reasonable range.

Thirdly, the Bank established the “finance + technology + production and sales” loop through continuous promotion of targeted poverty alleviation and “finance + industry” poverty alleviation. In the first quarter of 2019, the Bank newly issued poverty alleviation fund of RMB4,385 million (including industry poverty alleviation loans of RMB1,295 million, government bonds for poverty alleviation of RMB3,090 million), covering and benefiting over 430,000 listed impoverished people and helping 2,800 listed impoverished people directly.

7. Base consolidation and capital enhancement

The Bank constantly advocated refined capital management, fully implemented economic capital

management, established a comprehensive performance assessment 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 March 2019, the Bank's core tier one capital adequacy ratio, tier one capital adequacy ratio and capital adequacy ratio were 8.75%, 9.59% and 11.50%, all satisfying the regulatory requirements. Wherein, the core tier one capital adequacy ratio and the tier one capital adequacy ratio increased 0.21 and 0.20 percentage point over the end of last year, respectively. And since the tier two capital bonds of RMB9 billion were fully redeemed on 7 March 2019, the capital adequacy ratio was at par with that at the end of last year.

On the basis of retaining supplementary capital through profit, the Bank actively expanded the channels for introducing external capital and continued to promote the issuance of capital instruments. The Bank completed the issuance of A-share convertible corporate bonds of RMB26 billion on 25 January 2019, which will effectively replenish the core tier one capital of the Bank after the conversion. At the same time, the Bank was actively promoting the issuance of qualified tier two capital bonds of RMB30 billion. The funds raised will be used to supplement the Bank's tier two capital in accordance with applicable laws, further enhancing the Bank's level of capital adequacy.

8. Rational layout of outlets

The Bank continued to construct intelligent outlets and set the layout of the outlets rationally. As at the end of March 2019, the Bank had a total of 81 branches and a total of 1,053 business entities; it had opened 177 retail outlets across China.

(II) Asset Quality**1. Five-tier classification of loans and advances to customers**

(In RMB million)

Item	31 March 2019		31 December 2018		Change from the end of period over the end of last year
	Balance	Proportion	Balance	Proportion	
Pass loans	1,963,035	95.69%	1,908,072	95.52%	2.9%
Special mentioned loans	52,998	2.58%	54,552	2.73%	(2.8%)
Non-performing loans	35,412	1.73%	34,905	1.75%	1.5%
Including: Subprime	13,530	0.66%	17,955	0.90%	(24.6%)
Doubtful	6,459	0.32%	4,509	0.23%	43.2%
Loss	15,423	0.75%	12,441	0.62%	24.0%
Total principals of loans and advances to customers	2,051,445	100.00%	1,997,529	100.00%	2.7%
Impairment provision for loans and advances to customers	(60,408)		(54,187)		11.5%
Including: Impairment provision for loans and advances to customers carried at amortised cost	(60,086)		(54,033)		11.2%
Impairment provision for loans and advances to customers designated at fair value and changes included into other comprehensive income	(322)		(154)		109.1%
Non-performing loan (NPL) ratio	1.73%		1.75%		-0.02 percentage point
Provision coverage ratio	170.59%		155.24%		+15.35 percentage points
Provision coverage ratio of loans overdue for more than 90 days	177.71%		159.45%		+18.26 percentage points
Provision to loan ratio	2.94%		2.71%		+0.23 percentage point

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

(In RMB million)

Item	31 March 2019		31 December 2018		Change in NPL ratio
	Balance	NPL ratio	Balance	NPL ratio	
Corporate Loans	860,913	2.59%	843,516	2.68%	-0.09 percentage point
Including: General corporate loans	798,940	2.79%	801,814	2.82%	-0.03 percentage point
Discounted bills	61,973	-	41,702	-	-
Personal loans	1,190,532	1.10%	1,154,013	1.07%	+0.03 percentage point
Including: Housing mortgage loans	186,137	0.14%	182,363	0.09%	+0.05 percentage point
New Generation Loans	155,190	1.14%	153,745	1.00%	+0.14 percentage point
Auto loans	169,921	0.62%	172,029	0.54%	+0.08 percentage point
Credit card receivables	492,307	1.34%	473,295	1.32%	+0.02 percentage point
Others (Note)	186,977	1.86%	172,581	1.97%	-0.11 percentage point
Total principals of loans and advances to customers	2,051,445	1.73%	1,997,529	1.75%	-0.02 percentage point

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

The NPL ratio of corporate loans decreased as compared to the end of the last year. On the one hand, the Bank continued to strengthen the disposal of problematic credit and strictly controlled the increase and degrading of pass assets; on the other hand, the Bank intensified the construction of asset quality control system and improve the mechanism of guarantee to further consolidate the foundation for asset quality management. Meanwhile, the Bank adhered to the entry risk standard for new customers and perfected asset structure from the source to improve asset quality.

Affected by external factors such as macroeconomic downturn, rising risk of mutual debt, and decline in automobile consumption, the risk of the whole consumer finance industry had increased and the Bank's NPL ratio of personal loans had also increased slightly from the end of last year, but the overall risk performance remained at a relatively low level. The main measures taken are as follows:

(1) In terms of property mortgage, the Bank constantly adjusted and optimised customer structure, granted more loans to high-quality customers and improved the quality of loans issued, so as to maintain the NPL ratio at a relatively low level.

(2) The Bank actively adjusted the issuance pace of "New Generation Loans". On the one hand, it further optimised the customer structure, elevated the proportion of high-quality customers to whom the loans were newly granted, and conducted differentiated risk management for customers of different risk levels. On the other hand, it continued to increase the investment in collection and recovery, promoted the effectiveness of collection and recovery through multiple ways, and limited the overall risk to a certain extent. At the same time, the Bank fully used Internet technologies to

enhance product competitiveness, as well as cutting-edge technologies including face recognition, micro-expression technology and intelligent voice to realise centralised, automatic, online and intelligent business operation, improve customer experience and service efficiency, and continuously strengthen risk control.

(3) Due to the product structure adjustment carried out in the Bank's auto finance business since 2018, the proportion of high-yield products was further increased. Although the NPL ratio had increased slightly, it was still within the controllable range. At the same time, through the in-depth application of vehicle identification technology and VIN code recognition technology, the Bank realised the precise recognition of vehicle types. The construction of an automated backstage valuation system helped to finish the whole process of identifying the person, recognising the car and knowing the price in one second, so as to effectively reduce labour costs, improve business efficiency and avoid credit and fraud risks. In terms of collection management, the Bank continued to promote the optimisation and upgrading of collection system, improved the overall operation efficiency, effectively integrated scientific and technological means, and repaired the information of the customers losing contact to ensure the overall asset quality remained stable and the overall risk was limited to a certain extent.

(4) The credit card business of the Bank implemented the risk management philosophy throughout the entire process and fully used quantified instruments to effectively control risks. On the one hand, through the big data platform, advanced quantitative analysis technology and scientific tools such as risk control model and intelligent identification (“AI”), the Bank fully optimised the risk management strategy, effectively improved the structure and quality of new customers, and optimised balance structure for existing customers so that the sustainable development can be guaranteed. On the other hand, with the support of the technology-oriented concept, the Bank introduced the AI intelligent collection, which was in constant upgrading and promotion, to reduce the migration rate of overdue assets; it optimised the scoring model to promote the differentiated collection strategy; and it carefully sort out the bad assets and increased investments in the collection of resources to ensure the risk level is under control.

3. Overdue loans

(In RMB million)

Item	31 March 2019		31 December 2018	
	Balance	Proportion to total loans	Balance	Proportion to total loans
Loans with principal and interest overdue for less than 90 days	16,282	0.79%	15,496	0.78%
Loans with principal and interest overdue for more than 90 days	33,993	1.66%	33,984	1.70%

At the end of March 2019, the Bank's loans that were overdue for less than 90 days (loans with principal not overdue but interest overdue for less than 90 days inclusive) amounted to RMB16,282 million, accounting for 0.79% of the total loans and up 0.01 percentage point as compared with the end of last year; the balance of loans that were overdue for more than 90 days (loans with principal not overdue but interest overdue for over 90 days inclusive) was RMB33,993 million, accounting for 1.66% of the total loans and down 0.04 percentage point as compared with the end of last year. The Bank had actively adopted various measures to develop recovery and restructuring conversion plans by types, enhance the recovery and disposal of problematic assets to improve the risk management and resolution.

(III) Interest Income and Expense

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

(In RMB million)

Item	Jan. - Mar. 2019			Jan. - Mar. 2018		
	Average daily balance	Interest income/expense	Average yield/cost rate	Average daily balance	Interest income/expense	Average yield/cost rate
Assets						
Loans and advances to customers (excluding discounted bills)	1,967,432	32,045	6.61%	1,879,483	27,677	5.97%
Bond investments	596,632	4,816	3.27%	521,762	4,790	3.72%
Balances with central banks	220,552	824	1.52%	266,602	1,026	1.56%
Bills discounting and interbank business	548,320	4,976	3.68%	694,339	7,451	4.35%
Total interest-earning assets	3,332,936	42,661	5.19%	3,362,186	40,944	4.94%
Liabilities						
Due to customers	2,190,470	13,600	2.52%	2,017,494	11,512	2.31%
Debt securities issued	400,271	3,803	3.85%	344,088	4,047	4.77%
Including: Interbank deposits	307,556	2,735	3.61%	298,972	3,461	4.69%
Interbank business and others	642,101	4,484	2.83%	762,700	6,698	3.56%
Total interest-bearing liabilities	3,232,842	21,887	2.75%	3,124,282	22,257	2.89%
Net interest income		20,774			18,687	
Deposit-loan spread			4.09%			3.66%
Net interest spread (NIS)			2.44%			2.05%
Net interest margin (NIM)			2.53%			2.25%

The Bank continued to optimise its business structure. The amount and proportion of personal loans increased, which resulted in a slight increase in the yield rate of interest-earning assets and a further decrease in the cost rate of interest-bearing liabilities. In the first quarter of 2019, the NIS and NIM was 2.44% and 2.53% respectively, up 39 basis points and 28 basis points compared with the same period last year, and both up 3 basis points compared with the fourth quarter of last year.

(In RMB million)

Item	Jan. - Mar. 2019			Oct. to Dec. 2018		
	Average daily balance	Interest income/expense	Average yield/cost rate	Average daily balance	Interest income/expense	Average yield/cost rate
Assets						
Loans and advances to customers (excluding discounted bills)	1,967,432	32,045	6.61%	1,928,340	31,734	6.53%
Bond investments	596,632	4,816	3.27%	543,328	4,517	3.30%
Balances with central banks	220,552	824	1.52%	246,809	950	1.53%
Bills discounting and interbank business	548,320	4,976	3.68%	485,719	4,026	3.29%
Total interest-earning assets	3,332,936	42,661	5.19%	3,204,196	41,227	5.10%
Liabilities						
Due to customers	2,190,470	13,600	2.52%	2,085,555	12,765	2.43%
Debt securities issued	400,271	3,803	3.85%	341,493	3,318	3.85%
Including: Interbank deposits	307,556	2,735	3.61%	291,053	2,671	3.64%
Interbank business and others	642,101	4,484	2.83%	670,183	4,928	2.92%
Total interest-bearing liabilities	3,232,842	21,887	2.75%	3,097,231	21,011	2.69%
Net interest income		20,774			20,216	
Deposit-loan spread			4.09%			4.10%
Net interest spread (NIS)			2.44%			2.41%
Net interest margin (NIM)			2.53%			2.50%

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

(In RMB million)

Item	Jan. - Mar. 2019			Jan. - Mar. 2018		
	Average daily balance	Interest income	Average yield rate	Average daily balance	Interest income	Average yield rate
Corporate loans (excluding discounted bills)	796,781	10,245	5.21%	984,401	11,138	4.59%
Personal loans (including credit cards)	1,170,651	21,800	7.55%	895,082	16,539	7.49%
Loans and advances to customers (excluding discounted bills)	1,967,432	32,045	6.61%	1,879,483	27,677	5.97%

Item	Jan. - Mar. 2019			Oct. to Dec. 2018		
	Average daily balance	Interest income	Average yield rate	Average daily balance	Interest income	Average yield rate
Corporate loans (excluding discounted bills)	796,781	10,245	5.21%	814,313	9,709	4.73%
Personal loans (including credit cards)	1,170,651	21,800	7.55%	1,114,027	22,025	7.84%

Loans and advances to customers (excluding discounted bills)	1,967,432	32,045	6.61%	1,928,340	31,734	6.53%
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3. Average daily balance and cost rate of deposits due to customers

(In RMB million)

Item	Jan. - Mar. 2019			Jan. - Mar. 2018		
	Average daily balance	Interest expense	Average cost rate	Average daily balance	Interest expense	Average cost rate
Corporate deposits	1,708,521	10,430	2.48%	1,659,390	9,262	2.26%
Including: Demand deposits	501,005	774	0.63%	491,670	721	0.59%
Time deposit	989,634	8,339	3.42%	914,998	7,134	3.16%
Including: Treasury deposits and agreement deposits	105,906	1,204	4.61%	103,203	1,209	4.75%
Margin deposits	217,882	1,317	2.45%	252,722	1,407	2.26%
Personal deposits	481,949	3,170	2.67%	358,104	2,250	2.55%
Including: Demand deposits	158,906	117	0.30%	137,750	103	0.30%
Time deposit	298,927	2,772	3.76%	194,791	1,851	3.85%
Margin deposits	24,116	281	4.73%	25,563	296	4.70%
Due to customers	2,190,470	13,600	2.52%	2,017,494	11,512	2.31%

Item	Jan. - Mar. 2019			Oct. - Dec. 2018		
	Average daily balance	Interest expense	Average cost rate	Average daily balance	Interest expense	Average cost rate
Corporate deposits	1,708,521	10,430	2.48%	1,660,230	9,966	2.38%
Including: Demand deposits	501,005	774	0.63%	492,137	759	0.61%
Time deposit	989,634	8,339	3.42%	956,324	7,798	3.24%
Including: Treasury deposits and agreement deposits	105,906	1,204	4.61%	108,243	1,217	4.46%
Margin deposits	217,882	1,317	2.45%	211,769	1,409	2.64%
Personal deposits	481,949	3,170	2.67%	425,325	2,799	2.61%
Including: Demand deposits	158,906	117	0.30%	152,553	115	0.30%
Time deposit	298,927	2,772	3.76%	248,074	2,390	3.82%
Margin deposits	24,116	281	4.73%	24,698	294	4.72%
Due to customers	2,190,470	13,600	2.52%	2,085,555	12,765	2.43%

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

(I) Capital adequacy ratio

(In RMB million)

Item	31 March 2019	31 December 2018
Net core tier one capital	209,462	199,782
Other tier one capital	19,953	19,953
Net tier one capital	229,415	219,735
Tier two capital	45,820	49,380
Net capital	275,235	269,115
Total risk-weighted assets	2,393,377	2,340,236
Credit risk-weighted assets	2,150,812	2,090,152
On-balance-sheet risk-weighted assets	1,938,038	1,892,934
Off-balance-sheet risk-weighted assets	206,348	194,921
Risk-weighted assets of counterparty credit risk exposure	6,426	2,297
Market risk-weighted assets	35,745	43,264
Operational risk-weighted assets	206,820	206,820
Core tier one capital adequacy ratio	8.75%	8.54%
Tier one capital adequacy ratio	9.59%	9.39%
Capital adequacy ratio	11.50%	11.50%

(II) Leverage ratio

(In RMB million)

Item	31 March 2019	31 December 2018	30 September 2018	30 June 2018
Leverage ratio	5.80%	5.75%	5.76%	5.63%
Net tier one capital	229,415	219,735	214,375	208,444
Balance of on-and off-balance sheet assets after adjustment	3,953,768	3,818,886	3,722,035	3,704,345

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

(III) Liquidity coverage ratio

(In RMB million)

Item	31 March 2019	31 December 2018
Liquidity coverage ratio	133.64%	139.17%
Qualified current assets	424,111	406,359
Net cash outflow	317,350	291,995

Note: 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.

Section IV. Financial Statements

I. Financial Statements

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

PING AN BANK CO., LTD.
BALANCE SHEET
AS AT 31 MARCH 2019

	(In RMB million)	
ASSETS	31 March 2019	31 December 2018
Cash and balances with central banks	246,856	278,528
Deposits with banks and other financial institutions	69,911	85,098
Precious metals	54,173	56,835
Placements with and loans to banks and other financial institutions	100,231	72,934
Derivative financial assets	19,850	21,460
Financial assets held under resale agreements	44,335	36,985
Loans and advances to customers	1,997,321	1,949,757
Financial investments:		
Financial assets held for trading	163,945	148,768
Debt investments	636,607	629,366
Other debt investments	111,039	70,664
Investments in other equity instruments	1,565	1,519
Investment properties	198	194
Fixed assets	10,623	10,899
Intangible assets	4,575	4,771
Goodwill	7,568	7,568
Deferred tax assets	30,860	29,468
Right-of-use assets	7,239	-
Other assets	23,284	13,778
TOTAL ASSETS	3,530,180	3,418,592
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Borrowings from central bank	142,394	149,756
Deposits from banks and other financial institutions	304,501	392,738
Placements from banks and other financial institutions	21,669	24,606
Financial liabilities held for trading	15,721	8,575
Derivative financial liabilities	18,408	21,605
Financial assets sold under repurchase agreements	21,502	7,988
Due to customers	2,308,782	2,149,142
Employee benefits payable	9,848	12,238
Taxes payable	11,053	9,366
Debt securities issued	401,758	381,884
Provisions	1,271	860
Lease liabilities	7,700	-
Other liabilities	14,635	19,792
Total liabilities	3,279,242	3,178,550
Shareholders' equity		
Share capital	17,170	17,170
Other equity instruments	23,678	19,953
Including: Preference shares	19,953	19,953
Capital reserve	56,465	56,465
Other comprehensive income	1,385	786
Surplus reserve	10,781	10,781
General risk reserve	39,850	39,850
Undistributed profits	101,609	95,037
Total shareholders' equity	250,938	240,042
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3,530,180	3,418,592

Legal representative	President	CFO	Head of accounting department
Xie Yonglin	Hu Yuefei	Xiang Youzhi	Zhu Peiqing

PING AN BANK CO., LTD.
INCOME STATEMENT
JANUARY TO MARCH 2019

(In RMB million)

Item	Jan. - Mar. 2019	Jan. - Mar. 2018
I. Operating income	32,476	28,026
Net interest income	20,774	18,687
Interest income	42,661	40,944
Interest expenses	21,887	22,257
Net fee and commission income	9,560	8,594
Fee and commission income	11,579	9,947
Fee and commission expenses	2,019	1,353
Investment income	2,571	416
Including: Gains on derecognition of financial assets designated at amortised cost	3	6
Gains or losses on changes in fair value	(642)	373
Exchange gains or losses	169	(178)
Other operating income	17	76
Gains or losses on disposal of assets	12	44
Other income	15	14
II. Operating costs	9,924	8,771
Taxes and surcharges	304	261
Business and administrative expenses	9,620	8,510
III. Operating profit before impairment losses on assets	22,552	19,255
Impairment losses on credit	12,654	10,664
Impairment losses on other assets	231	7
IV. Operating profit	9,667	8,584
Add: Non-operating income	29	5
Less: Non-operating expenses	25	22
V. Profit before tax	9,671	8,567
Less: Income tax expenses	2,225	1,972
VI. Net profit	7,446	6,595
Net profit from continued operations	7,446	6,595
Net profit from discontinued operations	-	-
VII. Other comprehensive income, net of tax	599	151
(I) Not to be reclassified into profit or loss in subsequent periods	(6)	-
Changes in fair value of investments in other equity instruments	(6)	-
(II) To be reclassified into profit or loss in subsequent periods	605	151
1. Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income	291	137
2. Provision for credit losses on financial assets at fair value and changes included into other comprehensive income	314	14
VIII. Total comprehensive income	8,045	6,746
IX. Earnings per share		
(I) Basic earnings per share (Yuan/share)	0.38	0.33
(II) Diluted earnings per share (Yuan/share)	0.36	0.33

Legal representative	President	CFO	Head of accounting department
Xie Yonglin	Hu Yuefei	Xiang Youzhi	Zhu Peiqing

PING AN BANK CO., LTD.

**CASH FLOW STATEMENT
JANUARY TO MARCH 2019**

Item	(In RMB million)	
	Jan. - Mar. 2019	Jan. - Mar. 2018
I. Cash flows from operating activities		
Net decrease in balances with central banks and deposits with banks and other financial institutions	50,811	44,135
Net increase in borrowings from the central bank	-	14,245
Net increase in deposits due to customers and deposits from banks and other financial institutions	69,010	59,227
Net decrease in placements with banks and other financial institutions	2,613	-
Net decrease in amount under resale agreements	48	-
Net increase in amount under repurchase agreements	13,515	-
Cash receipts from interest and fee and commission income	50,004	44,500
Cash receipts relating to other operating activities	1,790	20,940
Sub-total of cash inflows	187,791	183,047
Net decrease in borrowings from the central bank	7,715	-
Net increase in loans and advances to customers	65,841	78,639
Net increase in placements with banks and other financial institutions	-	3,398
Net decrease in placements from banks and other financial institutions	2,959	10,546
Net increase in financial assets held for trading	22,611	-
Net decrease in amount under repurchase agreements	-	1,662
Net increase in accounts receivable	-	15,605
Cash payments for interest and fee and commission expenses	17,111	15,658
Cash paid to and on behalf of employees	7,595	6,649
Cash payments for taxes and surcharges	5,347	2,578
Cash payments relating to other operating activities	5,428	6,870
Sub-total of cash outflows	134,607	141,605
Net cash flows from operating activities	53,184	41,442
II. Cash flows from investing activities		
Cash receipts from investments upon disposal/maturity	105,313	113,266
Cash receipts from investment income	7,500	7,281
Cash receipts from disposal of fixed assets and other long-term assets	238	-
Sub-total of cash inflows	113,051	120,547
Cash paid to acquire investments	144,432	117,298
Cash payments for fixed assets, intangible assets and other long-term assets	409	27
Sub-total of cash outflows	144,841	117,325
Net cash flows from investing activities	(31,790)	3,222
III. Cash flows from financing activities		
Cash receipts from bonds issued	78,154	199,253
Sub-total of cash inflows	78,154	199,253
Cash payments for principal of bonds	57,720	187,200
Cash payments for bond interest	637	677
Cash payments for dividend distribution and profit appropriation	874	874
Sub-total of cash outflows	59,231	188,751
Net cash flows from financing activities	18,923	10,502
IV. Effect of foreign exchange rate changes on cash and cash equivalents	(1,155)	(1,302)
V. Net increase/(decrease) in cash and cash equivalents	39,162	53,864
Add: Cash and cash equivalents at beginning of the year	161,801	137,023
VI. Cash and cash equivalents at end of the period	200,963	190,887

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

Has the first quarterly report been audited?

Yes No

The first quarterly report has not been audited.

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

24 April 2019

This report was originally drafted in Chinese and the English translation of the report is for reference only. In case of any inconsistencies between the Chinese and the English version, the Chinese version shall prevail.