

Ping An Bank Co., Ltd.

2018 First Quarterly Report

Section I. Important Notes

- 1.1 The board of directors (hereinafter referred to as the “Board”), the supervisory committee, the directors, the supervisors and senior management of the Bank guarantee the authenticity, accuracy and completeness of the contents of the 2018 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 16th meeting of the 10th session of the Board of the Bank deliberated the 2018 First Quarterly Report. The meeting required 14 directors to attend, and 12 directors attended the meeting. The directors Ip So Lan and Cai Fangfang did not attend the meeting for business affairs and they entrusted another two directors Yao Jason Bo and Tan Sin Yin to exercise their voting rights respectively. This 2018 First Quarterly Report was approved unanimously at the meeting.
- 1.3 Xie Yonglin (the Bank’s Chairman), Hu Yuefei (the President), and Xiang Youzhi (the CFO/the head of the Accounting Department) guarantee the authenticity, accuracy and completeness of the financial report contained in the 2018 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

(In RMB million)

Item	31 March 2018	31 December 2017	Change at the end of the reporting period from the end of last year
Total assets	3,338,572	3,248,474	2.8%
Shareholders' equity	223,391	222,054	0.6%
Shareholders' equity attributable to ordinary shareholders	203,438	202,101	0.7%
Share capital	17,170	17,170	-
Net asset per share attributable to ordinary shareholders (RMB/share)	11.85	11.77	0.7%
Item	Jan. - Mar. 2018	Jan. - Mar. 2017	Increase/decrease as compared with the same period of last year
Operating income	28,026	27,726	1.1%
Net profit attributable to shareholders of the Company	6,595	6,214	6.1%
Net profit attributable to shareholders of the Company after non-recurring gains/losses	6,555	6,212	5.5%
Net cash flows from operating activities	41,442	(115,008)	Negative amount for the same period of last year
Net cash flow from operating activities per share (RMB/share)	2.41	(6.70)	Negative amount for the same period of last year
Basic/diluted earnings per share (EPS) (RMB/share)	0.33	0.31	6.5%
Basic EPS after non-recurring gains/losses (RMB/share)	0.33	0.31	6.5%
Average return on total assets (un-annualized)	0.20%	0.21%	-0.01 percentage point
Average return on total assets (annualized)	0.80%	0.83%	-0.03 percentage point
Weighted average return on net assets (un-annualized)	2.79%	2.89%	-0.10 percentage point
Weighted average return on net assets (annualized)	11.87%	12.35%	-0.48 percentage point
Weighted average return on net assets (net of non-recurring gains/losses) (un-annualized)	2.77%	2.89%	-0.12 percentage point
Weighted average return on net assets (net of non-recurring gains/losses) (annualized)	11.80%	12.34%	-0.54 percentage point

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

(2) The Bank started to implement the provisions of *Accounting Standard for Business Enterprises No. 16 - Government Grants* in June 2017, and separately included "other income" in "operating income" on the income statement. The Bank complied with provisions related to presentation in *Accounting Standard for Business Enterprises No. 42 - Non-current Assets or Disposal Groups Held for Sale and Discontinued Operations* and *Circular on Amendment to Formats of Financial Statements of General Industry* in the 2017 Annual Report, and separately included "gains/losses on disposal of assets" in "operating income" on the income statement. The comparatives for "operating income" for Q1 2017 have been accordingly restated to RMB27,726 million from RMB27,712 million.

(In RMB million)

Item	31 March 2018	31 December 2017	31 December 2016	Change at the end of the reporting period from the end of last year
Deposits due to customers	2,034,494	2,000,420	1,921,835	1.7%
Including: Corporate deposits	1,647,965	1,659,421	1,652,813	(0.7%)
Personal deposits	386,529	340,999	269,022	13.4%
Total loans and advances to customers	1,772,528	1,704,230	1,475,801	4.0%
Including: Corporate loans	843,846	855,195	934,857	(1.3%)
General corporate loans	824,325	840,439	920,011	(1.9%)
Discounted bills	19,521	14,756	14,846	32.3%
Personal loans	580,442	545,407	359,859	6.4%
Credit card receivables	348,240	303,628	181,085	14.7%
Provision for impairment of loans and advances to customers	(51,428)	(43,810)	(39,932)	17.4%
Net loans and advances to customers	1,721,100	1,660,420	1,435,869	3.7%

Pursuant to the *Notice on the Statistical Standards for Adjusting the Deposits and Loans of the Financial Institutions by the People's Bank of China* (Yin Fa [2015] No. 14), starting from 2015, the deposits placed by non-deposit financial institutions at deposit financial institutions are accounted for as "Total Deposits", whereas the loans extended by deposit financial institutions to non-deposit financial institutions are accounted for as "Total Loans". Based on the aforementioned statistical standards, as at 31 March 2018, the total deposits and the total loans amounted to RMB2,528.4 billion and RMB1,809.5 billion, respectively.

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

Total share capital of the Company as at the trading day prior to disclosure (in shares)	17,170,411,366
Fully diluted EPS calculated based on the latest share capital (RMB/share, accumulated from January to March)	0.33

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. 2018
Gains or losses on disposal of non-current assets	54
Government grants recognized in profit or loss for the current period	14
Non-operating income and expenses	(17)
Impact of the above items on income tax	(11)
Total	40

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”).

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

II. Regulatory Indicators and Financial Ratios

(Unit: %)

Item	Standard level of indicator	31 March 2018	31 December 2017	31 December 2016
Capital adequacy ratio	≥10.5	11.40	11.20	11.53
Tier one capital adequacy ratio	≥8.5	9.08	9.18	9.34
Core tier one capital adequacy ratio	≥7.5	8.19	8.28	8.36
Non-performing loan (NPL) ratio	≤5	1.68	1.70	1.74
Provision coverage ratio	≥150	172.65	151.08	155.37
Provision to loan ratio	≥2.5	2.90	2.57	2.71
Cost/income ratio (excluding business tax, from the beginning of the year to the end of the period)	N/A	30.36	29.89	25.97
Deposit-loan spread (from the beginning of the year to the end of the period, annualized/un-annualized)	N/A	3.84/0.95	3.99	4.49
Net interest spread (NIS) (from the beginning of the year to the end of the period, annualized/un-annualized)	N/A	2.05/0.51	2.20	2.60
Net interest margin (NIM) (from the beginning of the year to the end of the period, annualized/un-annualized)	N/A	2.25/0.56	2.37	2.75

Note: Regulatory indicators are presented as per regulatory criteria.

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

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

(Unit: Share)

Total number of ordinary shareholders as at the end of the reporting period	421,677	Total number of preference shareholders with restored voting rights as at the end of the reporting period (if any)	-			
Shareholdings of the top 10 ordinary shareholders						
Name of shareholder	Nature of shareholder	Shareholding (%)	Total number of shares held	Number of restricted shares held	Pledged or frozen	
					Status of shares	Number of shares
Ping An Insurance (Group) Company of China, Ltd. – the Group – proprietary fund	Domestic legal entity	49.56	8,510,493,066	252,247,983	-	-
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	2.33	400,837,357	-	-	-
Ping An Life Insurance Company of China, Ltd. -traditional - ordinary insurance products	Domestic legal entity	2.27	389,735,963	-	-	-
China Securities Finance Corporation Limited	Domestic legal entity	2.13	365,827,148	-	-	-
Central Huijin Asset Management Ltd.	Domestic legal entity	1.26	216,213,000	-	-	-
CEIEC Shenzhen	Domestic legal entity	1.08	186,051,938	-	-	-
Henan Hongbao (Group) Co., Ltd.	Domestic legal entity	0.53	91,543,295	-	-	-
Xinhua Life Insurance Co., Ltd.-dividend - dividend for individual -018L-FH002 Shen	Domestic legal entity	0.29	49,603,502	-	-	-
MANULIFE TEDA Fund Management Co., Ltd. - China Minsheng Bank - asset management plan No. 193 for MANULIFE TEDA value growth private placement	Domestic legal entity	0.24	40,708,918	-	-	-
Shareholdings of the top 10 unrestricted shareholders						
Name of shareholder	Number of unrestricted shares held	Type of shares				
		Type of shares	Number of shares			
Ping An Insurance (Group) Company of China, Ltd. - the Group – proprietary fund	8,258,245,083	RMB ordinary shares	8,258,245,083			
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	400,837,357	RMB ordinary shares	400,837,357			
Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance products	389,735,963	RMB ordinary shares	389,735,963			
China Securities Finance Corporation Limited	365,827,148	RMB ordinary shares	365,827,148			
Central Huijin Investment Company Limited Ltd.	216,213,000	RMB ordinary shares	216,213,000			
China Electronics Shenzhen Company	186,051,938	RMB ordinary shares	186,051,938			
Henan Hongbao (Group) Co., Ltd.	91,543,295	RMB ordinary shares	91,543,295			
Xinhua Life Insurance Co., Ltd. - dividend - dividend for individual -018L-FH002 Shen	49,603,502	RMB ordinary shares	49,603,502			
MANULIFE TEDA Fund Management Co., Ltd. - China Minsheng Bank - asset management plan No. 193 for MANULIFE TEDA value growth private placement	40,708,918	RMB ordinary shares	40,708,918			
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 or parties acting in concert among other shareholders.</p>					

Description of the top 10 ordinary shareholders who engage in securities margin trading (if any)	N/A
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Whether the top 10 ordinary shareholders and the top 10 unrestricted ordinary shareholders executed any agreed repurchase transactions within the reporting period

Yes No

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

Applicable Not applicable

(Unit: Share)

Total number of preference shareholders as at the end of the reporting period	15					
Shareholdings of the top 10 preference shareholders						
Name of shareholder	Nature of shareholder	Shareholding (%)	Total number of shares held	Number of restricted shares held	Pledged or frozen	
					Status of shares	Number of shares
Ping An Life Insurance Company of China, Ltd. – dividend – dividends for individual insurance	Domestic legal entity	29.00	58,000,000	-	-	-
Ping An Life Insurance Company of China, Ltd. – universal – individual universal insurance	Domestic legal entity	19.34	38,670,000	-	-	-
Ping An Property & Casualty Insurance Company of China, Ltd. – traditional – ordinary insurance products	Domestic legal entity	9.67	19,330,000	-	-	-
China Post & Capital Fund – Hua Xia Bank – Hua Xia Bank Co., Ltd.	Domestic legal entity	8.95	17,905,000	-	-	-
Bank of Communications Schroder Fund Management – Bank of Communications – Bank of Communications Co., Ltd.	Domestic legal entity	8.95	17,905,000	-	-	-
Bank of China Limited Shanghai Branch	Domestic legal entity	4.47	8,930,000	-	-	-
Postal Savings Bank of China Co., Ltd.	Domestic legal entity	2.98	5,950,000	-	-	-
China Resources SZITIC Trust Co. Ltd – Investment No.1– trust funds	Domestic legal entity	2.98	5,950,000	-	-	-
Hwabao Trust Co., Ltd. – investment No.2 – trust funds	Domestic legal entity	2.98	5,950,000	-	-	-
China Merchants Wealth – Postal Saving Bank – Postal Savings Bank of China Co., Ltd.	Domestic legal entity	2.98	5,950,000	-	-	-
Description of related-party relationships or concerted actions among the above shareholders	<p>1. Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China, Ltd. are controlled subsidiaries of and acting in concert with the Ping An Insurance (Group) Company of China, Ltd. “Ping An Life Insurance Company of China, Ltd. – dividend – dividends for individual insurance”, “Ping An Life Insurance Company of China, Ltd. – universal – individual universal insurance” and “Ping An Property & Casualty Insurance Company of China, Ltd. – traditional – ordinary insurance products” are related parties.</p> <p>2. The Bank is not aware of any related relationship nor concerted action among any of other shareholders.</p>					

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

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

Section III. Significant Events

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

√Applicable □Not applicable

(In RMB million)

Item	Amount for the current period	Amount of change	Change rate	Reasons for change
Deposits with banks and other financial institutions	77,644	18,629	31.6%	Increase in placements with domestic financial institutions
Financial assets designated at fair value and changes included into the profits and losses for the period	76,845	37,270	94.2%	Impact from the implementation of new accounting standards for financial instruments
Financial assets held under resale agreements	92,297	50,363	120.1%	Increase in scale of bonds held under resale agreements
Available-for-sale financial assets	-	(36,744)	(100.0%)	Impact from the implementation of new accounting standards for financial instruments
Held-to-maturity investments	-	(358,360)	(100.0%)	Impact from the implementation of new accounting standards for financial instruments
Debt instruments classified as receivables	-	(372,323)	(100.0%)	Impact from the implementation of new accounting standards for financial instruments
Financial assets designated at fair value and changes included into other comprehensive income	30,987	30,987	Nil in the previous year	Impact from the implementation of new accounting standards for financial instruments
Financial assets at amortized cost	698,626	698,626	Nil in the previous year	Impact from the implementation of new accounting standards for financial instruments
Other assets	23,800	6,441	37.1%	Increase in settlement receivables
Placements from banks and other financial institutions	17,479	(10,545)	(37.6%)	Decrease in placements from domestic financial institutions
Other comprehensive income	25	553	Negative in the previous year	Impact from the implementation of new accounting standards for financial instruments
Interest expense	22,257	6,081	37.6%	Increase in interest expense from deposits due to customers and borrowings from central bank
Fee and commission expense	1,353	378	38.8%	Increase in commission expense arising from increase in the number of credit cards issued and in the transaction volume
Investment income	416	(195)	(31.9%)	Decrease in gains on transfer price spread of bills and investment income from precious metal
Gains/losses on fair value changes	373	398	Negative in the previous year	Increase in gains/losses from fair value changes of financial assets designated at fair value and changes included into the profits and losses for the period
Net gains from foreign exchange and foreign exchange products	(178)	(223)	(495.6%)	Small base number of RMB45 million for the same period of last year
Gains/losses on disposal of assets	44	42	2,100.0%	Small base number of RMB2 million for the same period of last year
Non-operating income	5	4	400.0%	Small base number of RMB1 million for the same period of last year
Non-operating expenses	22	9	69.2%	Small base number of RMB13 million for the same period of last year

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

Applicable Not applicable

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

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

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

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

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

Applicable Not applicable

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

IV. Jan. - Jun. 2018 Performance Forecast

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

Applicable Not applicable

V. Securities Investments

At the end of the reporting period, the book value of financial bonds (including policy bank bonds, various ordinary financial bonds and subordinated financial bonds, excluding corporate bonds) held by the Bank was RMB116,662 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	7,240	3.88	19 April 2020	-
2010 Policy Bank Bonds	3,860	2.09	25 February 2020	-
2016 Policy Bank Bonds	3,230	2.96	18 February 2021	-
2011 Policy Bank Bonds	3,030	2.35	17 February 2021	-
2016 Commercial Bank Bonds	3,000	3.25	7 March 2021	-
2016 Commercial Bank Bonds	3,000	3.20	29 March 2018	-
2017 Commercial Bank Bonds	2,500	4.30	5 September 2020	-
2016 Policy Bank Bonds	2,470	2.65	20 October 2019	-
2009 Policy Bank Bonds	2,420	2.53	19 May 2019	-
2017 Policy Bank Bonds	2,010	4.04	10 April 2027	-

VI. Derivative Investments

(In RMB million)

Type of contract	Contractual amount at the beginning of the year (Nominal)	Contractual amount at the end of the period (Nominal)	Changes in fair value during the reporting period
Foreign exchange derivatives	1,006,715	943,070	644
Interest rate derivatives	1,719,253	1,872,219	(18)
Precious metal derivatives	112,451	107,930	385
Others	11,115	5,431	7
Total	2,849,534	2,928,650	1,018

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

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

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

VIII. Non-Compliant External Guarantees

Applicable Not applicable

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

Applicable Not applicable

X. Management Discussion and Analysis

(I) Description of overall operations

The year 2018 is the 40th anniversary of China's reform and opening up, the first year for the Bank to implement the guiding principles from the 19th CPC National Congress in their daily activities, and a crucial year for ensuring the successful building of a moderately well-off society and furthering the 13th Five-Year Plan. In March 2018, the successful convening of the NPC & CPPCC marked a huge progress in CPC and State Council's institutional reforms, laying a solid foundation for safeguarding the long-term development of the country. The financial supervision reform had been further deepened, providing an important guide for the banking industry to comprehensively prevent and control financial risks and deliver high-quality services in support of the real economy. In Q1 2018, China's overall economy has been trending up steadily as the "Belt and Road" initiatives continue to make solid advances and the supply-side structural reform continues to deepen, and China has further boosted its capability for powering its economic development.

In compliance with the national strategy and economic and financial trends and under the guidance of transformation strategy to "be technology-driven, pursue breakthroughs in retail banking, and reinvent its corporate banking", the Bank continues to strengthen its efforts in scientific and technological innovation and technology applications, to promote the transformation of intelligent retail banking and the transformation of corporate banking business from scale-driven inorganic growth to value- and quality-driven organic growth. In addition, the Bank continues to make solid efforts to prevent and mitigate all types of financial risks, actively explore opportunities and solutions, and heighten its overall capability to serve the real economy. Accordingly, various business lines have maintained solid growth, asset quality remained stable, and the strategic transformation has become more fruitful in delivering concrete results.

1. Robust business development

In Q1 2018, the Bank recorded an operating income of RMB28,026 million, representing a year-on-year increase of 1.1%, including net non-interest income of RMB9,339 million, a year-on-year increase of 5.4%, mainly due to the increase in fee and commission income from credit card business. The net non-interest income accounted for 33.3%, up 1.4 percentage points year on year. The Bank's profitability remained stable, with an operating profit before the provision of RMB19,255 million, down 6.9% year on year, and a net profit of RMB6,595 million, up 6.1% year on year.

As at the end of March 2018, the Bank's total assets amounted to RMB3,338,572 million, up 2.8% over the end of last year. The balance of deposits due to customers was RMB2,034,494 million, an increase of 1.7% over the end of last year. The total loans and advances to customers (including discounted bills) reached RMB1,772,528 million, representing an increase of 4.0% as compared with the end of last year, of which personal loans (including credit cards) increased by 2.6 percentage points to 52.4% over the end of last year. As at the end of March 2018, the balance of principal-guaranteed wealth management products (WMPs) (including structural deposits) across the Bank was RMB439,426 million, up 26.7% compared with the end of last year; the balance of non-principal-guaranteed WMPs was RMB493,095 million, down 1.6% compared with the end of last year.

2. Greater progress in retail banking transformation

The Bank adhered to the principle to "be technology-driven" to promote the rapid integration of its online and offline operations and innovation in retail banking and the Internet-based activities. Meanwhile, the Bank continued to deepen its comprehensive financial advantages to achieve sustained, stable and rapid business growth.

(1) Rapid growth in scale and performance

As at the end of March 2018, assets under management (AUM) of retail customers of the Bank amounted to RMB1,186,386 million, up 9.2% over the end of last year; the number of retail customers (including the users of its debit cards and credit cards) increased 73,625.7 thousand, up 5.3% over the end of last year, including private wealth customers and qualified private banking customers of 495.5 thousand and 25 thousand respectively, representing a growth of 8.5% and 6.4% over the end of last year respectively; the current credit card accounts reached 42,260 thousand, an increase of 10.2% over the end of last year. The balance of retail deposits was RMB386,529 million, an increase of 13.4% over the end of last year, and the balance of retail loans (including credit cards) was RMB928,682 million, an increase of 9.4% over the end of last year; the transaction volume of credit cards amounted to RMB559,445 million, rising by 85.2% year on year. The number of monthly active users of Ping An Pocket Bank APP was 16,048 thousand, one of the largest among joint-stock banks.

(2) Stable asset quality at historically good level

As at the end of March 2018, the non-performing ratio of the Bank's retail business remained stable with a slight decline. The non-performing ratio of retail loans (excluding credit cards) was 1.01%, down 0.17 percentage point from the end of last year, and with credit cards and personal operating loans excluded, the non-performing ratio was 0.30%, down 0.05 percentage point from the end of last year. Non-performing ratio of credit cards was 1.14%, down 0.04 percentage point from the end of last year, as the asset quality remained stable. The proportion of major retail loan products (New Generation Loans and auto loans) that had migrated from not being overdue to being overdue for over 30 days remained at a historically low level. Since the second half of 2017, in response to changes in internal and external environment, the Bank adopted proactive and flexible risk control strategies for different customer groups, to improve profits and maintain a stable and manageable risk profile. In terms of enhancing risk management capabilities, the Bank launched the AI+ risk control project to achieve control over total credit line for credit products, overall automatic auditing, and accurate decision-making within seconds by establishing a unified risk information platform. In the meantime, anti-fraud for debit cards and credit cards was managed in a unified manner to build an anti-fraud defense line for large-size retail enterprises.

(3) Stable and rapid growth of core businesses

The credit card business experienced rapid and stable growth. In Q1 2018, the number of new credit cards issued by the Bank reached 4.762 million, up 139.6% year-on-year. At the end of March 2018, the balance of credit card loans was RMB348,240 million, an increase of 14.7% from the beginning of the year. The Bank enriched its credit card product system, deepened cross-border integration, and provided customers with diversified, multi-scenario, convenient and efficient card use requirements. In cooperation with Shanda Games in February 2018, the Bank launched Ping An Final Fantasy XIV series exclusive co-branded credit cards, as it continued to enrich Ping An UNI Card offerings to provide more personalized options for young customer groups; in March 2018, the Bank joined hands with Manchester United Football Club to launch Ping An Manchester United Red Devil Platinum Credit Cards and created a brand-new cross-border financial service experience for fans. In the same month, in cooperation with Tencent Video, the Bank launched Ping An Tencent Video VIP Co-brand Credit Card to provide member users with a credit card combining both a financial service function and Tencent video member preferential rights. At the same time, relying on the integrated and upgraded new Pocket APP, the Bank continuously improved its one-stop integrated financial service platform, offering a one-click credit card that instantly connects basic financial services with real-life scenarios, and continued to create the ultimate customer experience that is "fast, easy and great".

In Q1 2018, New Generation Loans newly issued by the Bank amounted RMB28.456 billion with a quarter-end balance of RMB138.007 billion and an NPL ratio to 0.60%. In order to support inclusive finance, ease the financing difficulties of small and micro enterprises, better serve the development of the real economy, and effectively promote financial resources in real economy instead of fictitious economy, New Generation Loans actively supported small and micro business owners, individual industrial and commercial customers, and other customers. It solved the long-term financing difficulties of this type of customer group in the business process, increased support for small and micro enterprises, and promoted the healthy and sustainable development of individual loan business. At the same time, drawing on Internet and big data technologies, it actively expanded its Internet channels and traffic portals, focused on increasing the entrance of scenarios, expanded the coverage of customers, enhanced customer retention, achieved online and offline interaction, and continuously improved the accuracy of customer acquisition, so that its banking services could benefit more customer groups. The Bank continued to build its one-stop business and consumer loan platform through Internet channels such as online banking, mobile banking, WeChat, and portals, made full use of Internet technology to enhance product competitiveness, achieve centralized, automated and intelligent business application processing, continuously optimized business processes and improved customer experience and service efficiency.

In Q1 2018, the Bank's auto finance loans amounted to RMB36.474 billion, an increase of 67.0% year-on-year; at the end of March 2018, the Bank's auto loan balance was RMB138.868 billion, an increase of 6.4% from the end of the previous year, and it continued to maintain its leading position in market share. By means of innovation in products, optimization of the credit process and application of the scientific risk qualification model as well as the big data strategy, the Bank enabled more than 67% of credit reviews and approvals to be automatically completed through its auto finance business system, including over 50% of the credit reviews and approvals for second-hand car business, thus rendering better customer experience and establishing a leading edge in the industry. The Bank continued to strengthen its channel innovation and service innovation, and provided customers with more efficient, and convenient business application

methods through online channels, such as mobile phone Pocket Bank, WeChat, and websites, to effectively improve customer experience and satisfaction.

Leveraging cross-selling of retail business, according to which credit cards were issued to groups and insurance was sold by the Bank, the performance of the Bank's comprehensive finance business kept growing. In Q1 2018, the number of new migration customers on the cross-selling channels was 1,110.5 thousand, accounting for 47.8% of the new retail customers(excluding credit cards), of which, the number of customers with wealth assets and above (private financial customers) increased by 14 thousand, accounting for 35.9% of the overall new private financial customers, and the balance of assets under management (AUM) of retail customers increased by RMB34,564 million, accounting for 34.7% of the overall assets balance of the new customers; New Generation Loan granted by cross-selling channels amounted to RMB11,181 million, with the proportion of overall issuance of New Generation Loan through cross-selling channels accounting for 39.3%; auto finance loans amounted to RMB6,796 million, with the proportion of overall issuance of auto finance loans accounting for 18.6%. Credit cards issued through cross-selling channels accounted for 38.6% 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 RMB621 million, a year-on-year increase of 67.5%.

In Q1 2018, the Bank proactively expanded customer acquisition through its group resource platform. On the one hand, we continued to work hand in hand with Ping An Life Insurance to build a club platform targeting life insurance elites and channel access to high-net-worth customers. The scale of club assets continued to grow steadily after breaking through the 100 billion mark; on the other hand, we explored new business models, and worked together to create a closed-loop operating system for "Private Diamond Customer Group Technology + Finance + Health" with Ping An Securities and Ping An Doctor. At the same time, the Bank optimized the rights and benefits to its private diamond customers, pioneered the concept of "health account" services to cover the entire customer group, created a "finance + health" service system, and used an intelligent service platform to promote customer value enhancement.

(4) Closer integration between technology and business

Since the official opening of Guangzhou Lihua Branch on 29 August 2017, the Bank's first pure retail new store, 21 new stores had been opened in succession and 11 stores were under preparation as at the end of March 2018. While the infrastructure of the outlets continued to improve, the customer operating and self-service platforms at the outlets were also rapidly upgraded. The two-week iterative process and the real-time data system were basically completed. OMO (ONLINE MERGE OFFLINE) is an online and offline tool that integrates online communication through Pocket Bank to enable customers to communicate online with financial managers who manage their accounts in real time. Financial managers conduct customer service in real time and directly provide online consulting services, or engage customers offline to offer more extensive services. The implementation of the end-to-end operation management scenario for branches took place rapidly in a closed loop and the AI application tool was gradually expanded and optimized. The launch of the AI view of the customer enables the financial managers to further understand their customers, integrate customer labels, use models to calculate customers' value and risk level, and maximize customer development opportunities, and increase customer touchpoints.

In Q1 2018, being responsible for the sales promotion of professional product lines at the outlets through the online and offline linkage method, the Bank continued to optimize the long-range investment consulting platform, realized the expansion of the portfolio product line, and optimized the combination of bank financing and public funds. It had become the first intelligent investment consulting bank to put bank financing products into the recommended portfolios; at the same time, one-click optimization configuration was enabled, and customers could complete asset allocation in one click according to wealth diagnosis results.

The Bank strived to develop Ping An Pocket Bank APP into a one-stop comprehensive financial mobile service platform. At the end of March 2018, the APP accumulated 46.727 million subscribers and APP monthly live subscribers reached 16.048 million. Ping An Pocket Bank continued to adopt the agile development model, continuously optimized it by means of rapid version iterations, and continuously enriched product functions. In Q1 2018, the Bank launched wealth diagnosis function to develop a comprehensive understanding of a customer's risk tolerance and current asset mix and structure and guide the customer to optimize his asset mix and structure, including advice on products that match his risk profile and access to top products within the customer's acceptable risk limits, to help the customer more easily achieve wealth appreciation; and completed Smart RITIANLI Product upgrade, and immediately gained interest once purchasing T+0. It also supported various scenarios including transfer, repayment, online payment, daily-life payment, POS consumption, ATM withdrawals and purchase of wealth

management products to provide customers with more perfect services. The Bank started the cross-bank scanning code withdrawal function to support scanning code withdrawals at other ATMs, and provided more convenient service support for customers' offline withdrawals. The Bank integrated credit card malls and merchants service to Pocket Bank for one-stop search to provide users with a more convenient search experience. It upgraded transfer function to support other banks' card transfer to other bank accounts, broke banks' inherent transfer restrictions, and truly met users' all-dimensional transfer requirements.

3. Greater specialization in corporate banking

In Q1 2018, in the face of external situation of strong supervision and deleveraging, and the continuous in-depth strategic transformation in the industry, the Bank continued to drive the transformation course of becoming more industry-specific, specialized, investment-banking-oriented, and lighter in capital and assets, establishing a new normal for reinventing corporate banking.

The business was transformed into a light-weight model. The scale of assets and liabilities remained stable, and the structural adjustment was emphatically promoted. Liability business was transferred from credit extension to active liabilities and "Platform + Product + Service" settlement. Asset operations accelerated the revitalization of existing assets and the distribution of incremental assets. Asset rotation was speeded up by means of assets being derecognized, to explore a new momentum for the growth in the number of customers and that in liabilities. The team was turning to be more industry-specific and specialized. By means of secondary reconstruction, the corporate banking team had established a professional franchise team and was dedicated to building a professional and standardized elite force, to focus on reinventing and deepening businesses in key industries. Sales model transformation from individual combat operations to group operations: actively embrace the Group's comprehensive finance, comprehensively promote the transformation of the marketing model, make full use of the Group's channels, rely on on-line channels to sell standardized products that are simple, focused, and best-selling, and rely on off-line account managers and product managers to build agile teams to collaboratively market complex products.

In order to effectively improve the return on capital, in Q1 2018, the Bank cut down on the high-consumption low-return businesses and customers. At the end of March 2018, the balance of corporate loans decreased to RMB843.8 billion by RMB 11.4 billion over the end of last year, the balance of corporate off-balance-sheet business (including bank acceptance notes, letter of credit and letter of guarantee) decreased to RMB333.1 billion by RMB22.3 billion over the end of last year, the balance of corporate risk-weighted assets decreased to RMB821.3 billion by RMB29.7 billion over the end of last year, and the balance of interbank risk-weighted assets decreased to RMB347.4 billion by RMB26.4 billion over the end of last year.

(1) Focus on business development through dedicated efforts and specialization

Carefully cultivating the target markets

In Q1 2018, the Bank focused on the top ten industries in terms of scale, weak cycles, and growth potentials (including health care, real estate, electronic information, transportation, warehousing and logistics, environmental protection, clean energy, infrastructure, culture and education and people's livelihood) and government customers, and actively employed "Commercial bank + Investment bank + Investment" industrial financial model to support the development of real economy and used "Platform+Product+Service" model to provide supporting services for government finance. Meanwhile, five major industry divisions (electronics information, health care, transportation, real estate and energy) and government finance division (in preparation) were responsible for undertaking customer marketing and service functions.

At the end of March 2018, the total deposit balance of those industry divisions amounted to RMB157,994 million, the balance of assets under management amounted to RMB451,312 million, operating income reached RMB1,833 million, and deposit balance of government customers totalled RMB285,445 million, up 9.1% from the beginning of the year.

Perfecting the "light-asset and light-capital" model

Focusing on the "more industry-specific, specialized, investment-banking-oriented, and lighter in capital and assets" strategic objectives, in 2018, the Bank will put efforts into converting the traditional business model of on-balance sheet and off-balance sheet credit grants into an investment bank model of "contracting, undertaking, and underwriting". Concentrated on the "Commercial bank + Investment bank" model, the Bank will accomplish four core projects: 1) joint hands with Ping An Securities, to deepen the bank-security strategic cooperation; 2) develop the "Investment Bank + Private Bank" model, to enhance the ability of customized investment bank services; 3) focus on investment bank business of the "top ten industries + government customers"; 4) expand social capital and develop matchmaking trading.

In Q1 2018, the four major businesses of real investment bank, bonds underwriting, matchmaking trading,

equity investment, and strategic cooperation between bank and security, were all in place and began to enter the growth track. The Bank's total amount of bond underwriting reached RMB50,730 million, maintaining a good momentum, and its market share increased from 2.65% at the end of the previous year to 4.37%. The net value of custody business was RMB6.22 trillion, an increase of 1.5% from the end of the previous year. The self-operated and agency trading volume of precious metal business was in the front rank of joint-stock banks. In Q1 2018, the newly opened Ping An Gold accounts reached 550,000.

Improving precision and effectiveness in risk management and control

The Bank carried on to strengthen the comprehensive risk management system, strictly implemented risk policies for new credit extensions, and carried out special recovery for existing non-performing assets, so as to increase efficiency and reduce pressure for corporate business.

The Bank's Special Asset Management Division actively implemented the concept of operation and "light assets and light capital", innovated the recovery and disposal model for non-performing assets, and established a three-tiered linkage of team, region and headquarters. Meanwhile, the Bank leveraged big data and mobile applications to build a special asset management system (AMS). Through the system, the closed management for the process of disposal of special corporate banking assets was realized, and the pace of intelligent recovery was accelerated. In Q1 2018, the division recovered non-performing assets of RMB 6,605 million, an increase of 295.0% on a year-on-year basis.

(2) Building an intelligent platform through technological innovations

In terms of platform strategy, the Bank continued to promote optimization, upgrade and smart transformation of business platforms with the help of science and technology, and further improved product and service capabilities to enhance customer experience.

1. Baoliyun platform was upgraded to SAS platform. Through the innovation of service models, risk control methods and the application of financial technology, the Bank continued to optimize the functions of the platform and created a one-stop assets receivable service system including settlement, financing, asset management, matchmaking trading and risk control. At the end of March 2018, the platform had factoring agents and upstream and downstream buyers and sellers totalling 6,916, and the cumulative business volume reached RMB19,663 million.

2. The construction and marketing promotion of cross-border E2.0 platform were accelerated. The Bank continuously enriched service scenarios, expanded service extensions, built an "Internet + foreign trade" ecosystem driven by platform services, to provide an one-stop cross-border integrated financial services for customers, and by virtue of platform finance model, drove cross-border business with "light assets and light capital" transition and rapid growth. In Q1 2018, the accumulative on-line transaction scale of the platform reached RMB138,930 million, up 42.3% year-on-year.

3. The Bank actively promoted the construction of service platform for small and medium-size enterprises (SMEs). The platform focused on "1 App + 1 account + 1 set of service system", to achieve centralized operation. With the help of data mining, artificial intelligence, and risk control models, the Bank completed the development of its Know Your Business (KYB) model, to provide SMEs with on-line, batch and intelligent payment settlement, wealth management, value-added services and financing services.

4. The Bank continuously boosted the impact of Orange E Net and Hang-E-Tong. In Q1 2018, "Orange E-Net" had provided services for 986 e-commerce platforms in the industry, an increase of 29 from the end of the previous year, and continuously exported the Bank's industry standards for financial systems of digital supply chain. The first mover advantages had been further consolidated. The customer coverage of "Hang-E-Tong", a comprehensive financial asset trading platform, continued to expand. The platform cumulatively had 1,996 customers, an increase of 67 over the end of the previous year, with a clear agglomeration effect among peers.

(3) Comprehensive finance

Actively leveraging the Group's comprehensive finance platform and new sales model of group comprehensive finance, the Bank addressed the four major matters including marketing skill, revenue, collaboration and information, provided rich financial products and services for customers in a more efficient way and enhanced customer stickiness as well. In Q1 2018, 50 new investment projects recommended by the Bank for the Group's internal investments were launched, for which RMB40 billion was invested. Products under custody of the Bank provided by subsidiaries within the Group amounted to RMB2.23 trillion, accounting for 35.9% of the overall custody scale.

4. Stable asset quality with improvements

The Bank proactively coped with external risks and adjusted its business structure by increasing loans granted to retail business with better asset quality and pursuing continuous excellence in corporate business. Meanwhile, the Bank implemented strict control of incremental business risk, and conducted comprehensive investigation of existing loans to solve problems in an orderly way.

In Q1 2018, the bank's provision for asset impairment losses was RMB10,671 million, a year-on-year decrease of 14.2%, of which the provision for impairment losses on loans was RMB10,226 million; at the end of March 2018, the balance of provision for loan impairment was RMB51,428 million, up 17.4% from the end of the previous year; the provision-to-loan ratio was 2.90%, an increase of 0.33 percentage point

over the end of the previous year; the provision coverage ratio was 172.65%, an increase of 21.57 percentage points over the end of the previous year; the non-performing loan ratio was 1.68%, a decrease of 0.02 percentage point, slightly lower over the end of the previous year. In Q1 2018, the Bank recovered non-performing assets amounting to RMB7,512 million, a year-on-year increase of 213.8%, of which credit assets (loan principal) were RMB7,013 million; of the recovered loan principals, loans of RMB4,082 million had been written off, and non-performing loans of RMB2,931 million had not been written off; more than 94.7% of the recovered amount of non-performing assets was recovered in cash and the rest was recovered in kind.

5. Robust network building

The Bank continued to improve the smart banking capability of its network outlets and improve the overall distribution of its network presence. By the end of March 2018, the Bank had 70 branches and a total of 1,066 business locations.

(II) Asset Quality

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

(In RMB million)

Item	31 March 2018		31 December 2017		Change from the end of period over the end of last year
	Balance	Proportion	Balance	Proportion	
Pass loans	1,680,692	94.82%	1,612,249	94.60%	4.2%
Special mentioned loans	62,048	3.50%	62,984	3.70%	(1.5%)
Non-performing loans	29,788	1.68%	28,997	1.70%	2.7%
Including: Subprime	14,688	0.83%	12,510	0.73%	17.4%
Doubtful	3,092	0.17%	3,343	0.20%	(7.5%)
Loss	12,008	0.68%	13,144	0.77%	(8.6%)
Total Loans and advances to customers	1,772,528	100.00%	1,704,230	100.00%	(4.0%)
Impairment provision for loans and advances to customers	(51,428)		(43,810)		17.4%
Non-performing loan ratio	1.68%		1.70%		-0.02 percentage points
Provision coverage ratio	172.65%		151.08%		+21.57 percentage points
Provision coverage ratio of loans overdue for more than 90 days	129.75%		105.67%		+24.08 percentage points
Provision to loan ratio	2.90%		2.57%		+0.33 percentage points

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

(In RMB million)

Item	31 March 2018		31 December 2017		Changes in NPL ratio
	Balance	NPL ratio	Balance	NPL ratio	
Corporate Loans	843,846	2.36%	855,195	2.22%	+0.14 percentage points
Including: General corporate loans	824,325	2.42%	840,439	2.25%	+0.17 percentage points
Discounted bills	19,521	-	14,756	-	-
Personal loans	580,442	1.01%	545,407	1.18%	-0.17 percentage points
Including: Housing mortgage loans	163,581	0.08%	152,865	0.08%	-
Operating loans	128,303	3.52%	118,622	4.18%	-0.66 percentage points
Auto loans	138,868	0.43%	130,517	0.54%	-0.11 percentage points
Others (Note)	149,690	0.43%	143,403	0.47%	-0.04 percentage points
Credit card receivables	348,240	1.14%	303,628	1.18%	-0.04 percentage points
Total loans and advances to customers	1,772,528	1.68%	1,704,230	1.70%	-0.02 percentage points

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

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

(2) The Bank strengthened the construction of collection and recovery team, actively adopted a variety of resolutions for loan collection and recovery, and continued to increase the disposal of non-performing assets. As a result, the overall asset quality of personal loans remained stable and controllable, and the non-performing ratio of personal loans slightly declined as compared with that at the beginning of the year: The Bank further adjusted the customer structure of housing mortgage loans, strengthened efforts for high-quality customers and effectively improved the quality of new loans. As a result, the non-performing ratio of mortgage loans maintained at a low level.

The Bank actively adjusted the stock business structure of operating loans by withdrawing the credit loans or transforming them by means of credit enhancement. While ensuring risk control of stock business, the Bank improved availability of real estate mortgage business and strictly controlled new business risk to ensure the asset quality of operating loans within the controllable range.

The Bank introduced big data analysis into auto finance loan business, continuously improved access threshold standard, and increased the automated approval rate. At the same time, advanced technologies such as micro-expression and voiceprint were introduced to further strengthen the ability of risk control. For collection and recovery, the Bank enhanced the network of the collection management team by refined work division. Meanwhile, the Bank implemented APP on-line work for all the collection work to enormously improve the productivity of management and recovery, and to maintain stable quality of overall assets while ensuring compliance with regulations.

(3) The Bank had implemented whole-process risk management concept for credit card business, made full use of quantitative tools and effectively managed and controlled risks. On the one hand, the risk management strategy was fully optimized through the scientific tools such as big data and the application scoring model, which could effectively improve the structure and quality of the new costumers and optimize the stock structure to ensure the sustainable development of the asset portfolios. On the other hand, while reducing the new non-performing loans, the Bank has effectively improved the collecting ability by optimizing the collection strategy and improving the collection management ability for non-performing assets.

3. Overdue loans

(In RMB million)

Item	31 March 2018		31 December 2017	
	Balance	Proportion to total loans	Balance	Proportion to total loans
Loans with principal and interest overdue for less than 90 days	16,682	0.94%	17,284	1.01%
Loans with principal and interest overdue for more than 90 days	39,637	2.24%	41,460	2.43%

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 RMB16.682 billion, down 3.5% 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 RMB39.637 billion, down 4.4% as compared with the end of last year. The balance and proportion of loans overdue for more than 90 days both decreased as compared with the end of last year.

(III) Interest Income and Expense

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

(In RMB million)

Item	Jan. - Mar. 2018			Jan. - Mar. 2017		
	Average daily balance	Interest income/expense	Average yield/cost rate	Average daily balance	Interest income/expense	Average yield/cost rate
Assets						
Loans and advances to customers (excluding discounted bills)	1,732,444	26,263	6.15%	1,501,895	22,450	6.06%
Bond investments	521,762	4,790	3.72%	384,743	3,227	3.40%
Balances with central banks	266,602	1,026	1.56%	278,466	1,028	1.50%
Bills discounting and interbank business	694,339	7,451	4.35%	783,296	7,488	3.88%
Others	147,039	1,414	3.90%	81,322	852	4.25%
Total interest-earning assets	3,362,186	40,944	4.94%	3,029,722	35,045	4.69%
Liabilities						
Due to customers	2,017,494	11,512	2.31%	1,890,834	8,427	1.81%
Bonds issued	344,088	4,047	4.77%	347,720	3,243	3.78%
Including: Interbank deposits	298,972	3,461	4.69%	317,605	2,812	3.59%
Interbank business and others	762,700	6,698	3.56%	584,962	4,506	3.12%
Total interest-bearing liabilities	3,124,282	22,257	2.89%	2,823,516	16,176	2.32%
Net interest income		18,687			18,869	
Deposit-loan spread			3.84%			4.25%
Net interest spread (NIS)			2.05%			2.37%
Net interest margin (NIM)			2.25%			2.53%

The Bank continued to optimize its business structure. The amount and proportion of personal loans increased, which resulted in a slight increase in the yield rate of interest-earning assets over the same period of last year; at the same time, due to increase in interbank market interest rates in Q1 2018, the average cost rate of interest-bearing liabilities increased year on year by a greater extent than the yield rate of interest-earning assets, and the deposit-loan spread, NIS and NIM decreased correspondingly.

Item	Jan. - Mar. 2018			Oct. - Dec. 2017		
	Average daily balance	Interest income/expense	Average yield/cost rate	Average daily balance	Interest income/expense	Average yield/cost rate
Assets						
Loans and advances to customers (excluding discounted bills)	1,732,444	26,263	6.15%	1,661,154	24,994	5.97%
Bond investments	521,762	4,790	3.72%	492,488	4,596	3.70%
Balances with central banks	266,602	1,026	1.56%	281,838	1,099	1.55%
Bills discounting and interbank business	694,339	7,451	4.35%	691,183	7,320	4.20%
Others	147,039	1,414	3.90%	115,536	1,184	4.07%
Total interest-earning assets	3,362,186	40,944	4.94%	3,242,199	39,193	4.80%
Liabilities						
Due to customers	2,017,494	11,512	2.31%	1,967,557	10,654	2.15%
Bonds issued	344,088	4,047	4.77%	340,439	3,964	4.62%
Including: Interbank deposits	298,972	3,461	4.69%	295,492	3,365	4.52%
Interbank business and others	762,700	6,698	3.56%	697,470	6,048	3.44%
Total interest-bearing liabilities	3,124,282	22,257	2.89%	3,005,466	20,666	2.73%
Net interest income		18,687			18,527	
Deposit-loan spread			3.84%			3.82%
Net interest spread (NIS)			2.05%			2.07%
Net interest margin (NIM)			2.25%			2.27%

The Bank continued to optimize its business structure. The amount and proportion of personal loans increased, which resulted in a slight increase in the yield rate of interest-earning assets over last quarter; at the same time, due to increase in interbank market interest rates in Q1 2018, the average cost rate of interest-bearing liabilities increased quarter on quarter with the deposit-loan spread increasing and NIS and NIM decreasing slightly.

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

(In RMB million)

Item	Jan. - Mar. 2018			Jan. - Mar. 2017		
	Average daily balance	Interest income	Average yield	Average daily balance	Interest income	Average yield
Corporate loans (excluding discounted bills)	837,362	9,724	4.71%	932,724	10,539	4.58%
Personal loans (including credit cards)	895,082	16,539	7.49%	569,171	11,911	8.49%
Loans and advances to customers (excluding discounted bills)	1,732,444	26,263	6.15%	1,501,895	22,450	6.06%

Item	Jan. - Mar. 2018			Oct. - Dec. 2017		
	Average daily balance	Interest income	Average yield	Average daily balance	Interest income	Average yield
Corporate loans (excluding discounted bills)	837,362	9,724	4.71%	865,806	9,876	4.53%
Personal loans (including credit cards)	895,082	16,539	7.49%	795,348	15,118	7.54%
Loans and advances to customers (excluding discounted bills)	1,732,444	26,263	6.15%	1,661,154	24,994	5.97%

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

(In RMB million)

Item	Jan. - Mar. 2018			Jan. - Mar. 2017		
	Average daily balance	Interest costs	Average cost rate	Average daily balance	Interest costs	Average cost rate
Corporate deposits	1,406,668	7,855	2.26%	1,337,162	6,181	1.87%
Including: Demand deposits	491,670	721	0.59%	525,095	793	0.61%
Time deposits	914,998	7,134	3.16%	812,067	5,388	2.69%
Including: Treasury deposits and agreement deposits	103,203	1,209	4.75%	96,058	1,074	4.53%
Margin deposits	278,285	1,703	2.48%	307,143	1,327	1.75%
Personal deposits	332,541	1,954	2.38%	246,529	919	1.51%
Including: Demand deposits	137,750	103	0.30%	125,774	98	0.32%
Time deposits	194,791	1,851	3.85%	120,755	821	2.76%
Due to customers	2,017,494	11,512	2.31%	1,890,834	8,427	1.81%

Item	Jan. - Mar. 2018			Oct. - Dec. 2017		
	Average daily balance	Interest costs	Average cost rate	Average daily balance	Interest costs	Average cost rate
Corporate deposits	1,406,668	7,855	2.26%	1,426,384	7,761	2.16%
Including: Demand deposits	491,670	721	0.59%	518,239	789	0.60%
Time deposits	914,998	7,134	3.16%	908,145	6,972	3.05%
Including: Treasury deposits and agreement deposits	103,203	1,209	4.75%	113,260	1,337	4.68%
Margin deposits	278,285	1,703	2.48%	249,703	1,405	2.23%
Personal deposits	332,541	1,954	2.38%	291,470	1,488	2.03%
Including: Demand deposits	137,750	103	0.30%	137,361	106	0.31%
Time deposits	194,791	1,851	3.85%	154,109	1,382	3.56%
Due to customers	2,017,494	11,512	2.31%	1,967,557	10,654	2.15%

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

(I) Capital Adequacy Ratio

(In RMB million)

Item	31 March 2018	31 December 2017
Net core tier one capital	183,280	184,340
Other tier one capital	19,953	19,953
Net tier one capital	203,233	204,293
Tier two capital	51,756	44,934
Net capital	254,989	249,227
Total risk-weighted assets	2,237,330	2,226,112
Credit risk-weighted assets	2,015,493	2,000,758
On-balance-sheet risk-weighted assets	1,838,412	1,820,051
Off-balance-sheet risk-weighted assets	172,215	176,352
Risk-weighted assets of counterparty credit risk exposure	4,866	4,355
Market risk-weighted assets	28,128	31,645
Operational risk-weighted assets	193,709	193,709
Core tier one capital adequacy ratio	8.19%	8.28%
Tier one capital adequacy ratio	9.08%	9.18%
Capital adequacy ratio	11.40%	11.20%

(II) Leverage Ratio

(In RMB million)

Item	31 March 2018	31 December 2017	30 September 2017	30 June 2017
Leverage ratio	5.56%	5.69%	5.75%	5.62%
Net tier one capital	203,233	204,293	202,716	196,648
Balance of on- and off-balance sheet assets after adjustment	3,655,792	3,592,511	3,526,424	3,501,389

Note: It was mainly due to the increase in the balance of on- and off-balance sheet assets after adjustment. The leverage ratio at the end of the reporting period decreased as compared to that at last year-end.

(III) Liquidity Coverage Ratio

(In RMB million)

Item	31 March 2018	31 December 2017
Liquidity coverage ratio	108.89%	98.35%
Qualified current assets	264,548	317,833
Net cash outflow	242,956	323,154

Note: Pursuant to the requirements of the *Administrative Measures for Liquidity Risks of Commercial Banks (for Trial Implementation)*, the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018; during the transitional period, the liquidity coverage ratio shall reach 90% by the end of 2017.

Section IV. Financial Statements

I. Financial Statements

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

The Bank adopted four revised accounting standards "Accounting Standard for Business Enterprises No. 22 - Recognition and measurement of financial instruments", "Accounting Standard for Business Enterprises No. 23 - Transfer of financial assets", "Accounting Standard for Business Enterprises No. 24 - Hedge Accounting", and "Accounting Standard for Business Enterprises No. 37 - Presentation of financial instruments" (hereafter referred as the "new accounting standards for financial instruments" or the "new standards") issued by MOF on 1 January 2018. The Bank disclosed the primary content of the new accounting standards for financial instruments and the effect of changes in accounting policies in Note IX to the financial statements "EVENTS AFTER THE BALANCE SHEET DATE - Implementation implications of the new accounting standards for financial instruments" in 2017 Annual Report. The Bank does not need to restate comparative periods according to the transition requirements of new accounting standards for financial instruments. The difference/adjustments between new accounting standards for financial instruments and the original accounting standard will be transferred to retained profits at the beginning of the period or other comprehensive income. The Bank has disclosed the balance sheet after the initial implementation of new standards dated 1 January 2018 in the accompanying financial statements of the quarterly report.

PING AN BANK CO., LTD.
BALANCE SHEET
AS AT 31 March 2018

(In RMB million)

ASSETS	31 March 2018	1 January 2018	31 December 2017
Cash and balances with central banks	281,949	310,212	310,212
Deposits with banks and other financial institutions	106,100	129,831	130,208
Precious metals	74,793	87,501	87,501
Placements with and loans to banks and other financial institutions	77,644	58,954	59,015
Financial assets designated at fair value and changes included into the profits and losses for the period	76,845	78,425	39,575
Derivative financial assets	19,395	16,080	16,080
Financial assets held under resale agreements	92,297	41,933	41,934
Accounts receivable	68,319	52,886	52,886
Interest receivable	19,663	20,352	20,354
Loans and advances to customers	1,721,100	1,656,521	1,660,420
Available-for-sale financial assets	-	-	36,744
Held-to-maturity investments	-	-	358,360
Debt instruments classified as receivables	-	-	372,323
Financial assets designated at fair value and changes included into other comprehensive income	30,987	54,963	-
Financial assets measured at amortized costs	698,626	671,911	-
Investment properties	203	209	209
Property and equipment	7,873	8,036	8,036
Intangible assets	4,590	4,701	4,701
Goodwill	7,568	7,568	7,568
Deferred income tax assets	26,820	26,499	24,989
Other assets	23,800	17,359	17,359
TOTAL ASSETS	3,338,572	3,243,941	3,248,474
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Borrowings from central bank	144,915	130,652	130,652
Deposits from banks and other financial institutions	456,352	430,904	430,904
Placements from banks and other financial institutions	17,479	28,024	28,024
Financial liabilities designated at fair value through profit or loss	11,413	9,047	9,047
Derivative financial liabilities	22,424	17,712	17,712
Financial assets sold under repurchase agreements	4,699	6,359	6,359
Due to customers	2,034,494	2,000,420	2,000,420
Salaries and welfare payable	8,461	10,713	10,713
Taxes payable	13,764	11,891	11,891
Interest payable	29,389	26,063	26,063
Bonds payable	357,968	342,492	342,492
Provisions	25	25	25
Other liabilities	13,798	12,118	12,118
Total liabilities	3,115,181	3,026,420	3,026,420
Shareholders' equity			
Share capital	17,170	17,170	17,170
Other equity instruments	19,953	19,953	19,953
Including: Preference shares	19,953	19,953	19,953
Capital reserve	56,465	56,465	56,465
Other comprehensive income	25	(126)	(528)
Surplus reserve	10,781	10,781	10,781
General reserve	38,552	38,552	38,552
Retained earnings	80,445	74,726	79,661
Total shareholders' equity	223,391	217,521	222,054
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3,338,572	3,243,941	3,248,474

Xie Yonglin

Legal
representative

Hu Yuefei

President

Xiang Youzhi

CFO/Head of
accounting
department

PING AN BANK CO., LTD.
INCOME STATEMENT
JANUARY TO MARCH 2018

(In RMB million)

Item	Jan. - Mar. 2018	Jan. - Mar. 2017
I. Operating income	28,026	27,726
Net interest income	18,687	18,869
Interest income	40,944	35,045
Interest expenses	22,257	16,176
Net fee and commission income	8,594	8,150
Fee and commission income	9,947	9,125
Fee and commission expenses	1,353	975
Investment income	416	611
Gains or losses on changes in fair value	373	(25)
Exchange gains or losses	(178)	45
Other operating income	76	62
Gains or losses on disposal of assets	44	2
Other income	14	12
II. Operating costs	8,771	7,050
Taxes and surcharges	261	246
Business and administrative expenses	8,510	6,804
III. Operating profit before impairment losses on assets	19,255	20,676
Impairment losses on assets	10,671	12,434
IV. Operating profit	8,584	8,242
Add: Non-operating income	5	1
Less: Non-operating expenses	22	13
V. Profit before tax	8,567	8,230
Less: Income tax expenses	1,972	2,016
VI. Net profit	6,595	6,214
Net profit from continued operations	6,595	6,214
Net profit from discontinued operations	-	-
VII. Other comprehensive income, net of tax	151	228
To be reclassified into profit or loss in subsequent periods	151	228
1. Gains or losses on changes in fair value of financial assets designated at fair value and changes included into other comprehensive income	151	-
2. Changes in fair value of available-for-sale financial assets	-	228
VIII. Total comprehensive income	6,746	6,442
IX. Earnings per share		
Basic earnings per share (RMB Yuan)	0.33	0.31
Diluted earnings per share (RMB Yuan)	0.33	0.31

Xie Yonglin

Legal
representative

Hu Yuefei

President

Xiang Youzhi

CFO/ Head
of accounting
department

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

(In RMB million)

Item	Jan. – Mar. 2018	Jan. - Mar. 2017
I. Cash flows from operating activities		
Net decrease in balances with central banks and deposits with banks and other financial institutions	44,135	-
Net increase of borrowings from the central bank	14,245	5,922
Net increase in deposits due to customers and deposits from banks and other financial institutions	59,227	-
Net increase in placements from banks and other financial institutions	-	6,928
Net decrease in accounts receivable	-	341
Net increase in repurchase agreements	-	1,884
Cash receipts from interest and fee and commission income	44,500	35,597
Cash receipts relating to other operating activities	20,940	13,667
Sub-total of cash inflows	183,047	64,339
Net increase in balances with central banks and deposits with banks and other financial institutions	-	24,313
Net increase in placements with banks and other financial institutions	3,398	17,176
Net decrease in placements from banks and other financial institutions	10,546	-
Net increase in accounts receivable	15,605	-
Net increase in loans and advances to customers	78,639	82,251
Net decrease in deposits due to customers and deposits from banks and other financial institutions	-	1,862
Net decrease in repurchase agreements	1,662	6,614
Cash payments for interest and fee and commission expenses	15,658	13,578
Cash paid to and on behalf of employees	6,649	5,435
Cash payments for taxes and surcharges	2,578	2,747
Cash payments relating to other operating activities	6,870	25,371
Sub-total of cash outflows	141,605	179,347
Net cash flows from operating activities	41,442	(115,008)
II. Cash flows from investing activities		
Cash receipts from investments upon disposal/maturity	113,266	281,512
Cash receipts from investment income	7,281	8,120
Cash receipts from disposal of long-term assets such as property and equipment and investment properties	-	-
Sub-total of cash inflows	120,547	289,632
Cash payments for investments	117,298	336,716
Cash paid to acquire property and equipment, intangible assets and other long-term assets	27	125
Sub-total of cash outflows	117,325	336,841
Net cash flows from investing activities	3,222	(47,209)
III. Cash flows from financing activities		
Cash receipts from bonds issued	199,253	305,833
Sub-total of cash inflows	199,253	305,833
Cash payments for principal of bonds	187,200	255,000
Cash payments for bond interest	677	643
Cash payments for dividend distribution	874	874
Sub-total of cash outflows	188,751	256,517
Net cash flows from financing activities	10,502	49,316
IV. Effect of foreign exchange rate changes on cash and cash equivalents	(1,302)	(431)
V. Net increase/(decrease) in cash and cash equivalents	53,864	(113,332)
Add: Cash and cash equivalents at beginning of the year	137,023	233,414
VI. Cash and cash equivalents at end of the year	190,887	120,082

Xie Yonglin

Legal
representative

Hu Yuefei

President

Xiang Youzhi

CFO/ Head of
accounting
department

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.

20 April 2018