



**Ping An Bank Co., Ltd.**

**2018 Interim Report**

# **Section I Important Notes, Contents and Interpretations**

## **Important Notes**

- I. The board of directors (hereinafter referred to as the “Board”), the supervisory committee, the directors, the supervisors and senior management of the Bank guarantee the authenticity, accuracy and completeness of the contents of the Interim Report, in which there are no false representations, misleading statements or material omissions, and are severally and jointly liable for its contents.
- II. The 19th meeting of the 10th session of the Board of the Bank deliberated the 2018 Interim Report together with its summary. The meeting required a quorum of 14 directors, and 14 directors attended the meeting. The Interim Report was approved unanimously at the meeting.
- III. The 2018 Interim Financial Report prepared by the Bank was unaudited, but reviewed by PricewaterhouseCoopers Zhong Tian LLP.
- IV. 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 Interim Report.
- V. The forward-looking statements such as plans for the future involved in the Report do not constitute a substantial commitment for investors. Investors and stakeholders shall be aware of risks therein and understand the differences among plans, forecasts and commitments.
- VI. The Bank advises investors to read the full text of this Interim Report with particular attention to the following risk factors: the Bank is faced with all kinds of risks during operation, mainly including credit risks, market risks, liquidity risks, operational risks, country risks, bank account interest rate risks, reputation risks, strategic risks, information technology risks and legal and compliance risks, and has taken various measures to effectively manage and control all kinds of the business risks. See Discussion and Analysis on Operation in Section V for details.
- VII. There was no proposal to distribute cash dividends, issue bonus shares or to convert public reserve to share capital for the first half of 2018.

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## Interpretations

Item	refer(s) to	Contents
Ping An Bank, the Bank and the Company	refer to	Shenzhen Development Bank Co., Ltd. (“Shenzhen Development Bank” or “Shenzhen Development”), which is a renamed Bank completing the integration by absorption and merger of the former Ping An Bank Co., Ltd. (“former Ping An Bank”) in 2012
Shenzhen Development Bank or Shenzhen Development	refers to	a national joint-stock commercial bank established on 22 December 1987, with its name changed to Ping An Bank after absorption and merger of the former Ping An Bank
Former Ping An Bank	refers to	a joint-stock commercial bank established in June 1995 and deregistered on 12 June 2012
China Ping An, Ping An Group and the Group	refer to	Ping An Insurance (Group) Company of China, Ltd.
PBoC	refers to	The People’s Bank of China
CSRC and Securities Regulatory Commission	refer to	China Securities Regulatory Commission
CBIRC and Banking and Insurance Regulatory Commission	refer to	China Banking and Insurance Regulatory Commission

## Section II Chairman's Statement

This is the first interim report of Ping An Bank since its thirtieth year, and we are proud to say that the transformation has achieved periodic results.

In the first half of 2018, operating income amounted to RMB57,241 million, a year-on-year increase of 5.9%, and net profit reached RMB13,372 million, a year-on-year increase of 6.5%. The steady increase in income and improved profitability reversed the relative stagnant growth of income and profit in recent quarters. Income and profit from retail banking respectively accounted for 51.2% and 67.9% of the Bank's total income and total profit, further consolidating the basis of retail banking to become the major income growth engine of the Bank. Major risk indicators showed better momentum. Loans overdue for more than 90 days decreased by 0.35 percentage points over the end of last year, provision coverage ratio increased by 24.73 percentage points over the end of last year, and capital adequacy ratio increased for two consecutive quarters.

Such data marked our strategic determination and resolution to develop retail banking.

In October 2016, we put forward the development target of "building China's most outstanding and the world's leading retail banking" and the strategy of "being technology-driven, pursuing breakthroughs in retail banking, and reinventing its corporate banking". As time went on, from the launch of banking services of Ping An Group to the subsequent two mergers and acquisitions, the Bank always stuck to the orientation of retail banking. Although there were twists and turns in the middle, the general direction had never changed. We had a natural advantage to develop retail banking because Ping An Group was committed to becoming a "technology-based personal financial life service group", casting synergistic effect on retail banking in various aspects.

In view of the history, we were unprecedentedly determined to embrace technology, develop retail banking and compress interbank assets. This process was difficult, but our achievements in pace and quality proved that perseverance brought returns and strengthened our confidence and determination to the transformation.

### **Comprehensive optimisation in business structure to achieve fundamental breakthroughs in retail transformation**

Finance is determined by economy, while the latter is determined by consumption. In the first half of 2018, the contribution rate of consumption to China's economic growth took up 78.5%. In the face of changes in economic and industrial structure, Ping An Bank focused on individual customers, micro and small businesses and key industrial customers and paid close attention to resource allocation and assessment incentives to drive the continuous optimisation in business structure and constant improvement in resource utilisation efficiency.

We continued to expand and optimise our retail banking. Specifically, we integrated Pocket APP and new retail outlets to provide integrated OMO (ONLINE MERGE OFFLINE) services. At present, the processing rate of on-line business exceeded 98%, and the number of off-line "new retail outlets" is expected to reach 100 at the end of the year. Based on the mutually promoted on-line and off-line service network, we hope to be a bank that "knows you better" and makes finance "more considerate".

We provided services around consumer scenarios, such as refuelling discounts and flight claims via credit cards, and cross-border financial support for growing cross-border service needs. These products and services had gradually become the business cards of Ping An Bank. In the future, we will also integrate into the Group's ecological cycles including automotive, housing, health care and smart city, and more comprehensively cover the life scenarios of customers through "finance + ecology", to provide one-stop closed-loop financial services. We hope to make it "more convenient" for customers and make life "better" by providing scenario-based characteristic products and services.

We continued to reinvent our corporate banking. We concentrated on key industries and strategic emerging industries, integrated the products and services delivered by our brother companies Ping An Securities and Ping An Leasing, and provided customers with comprehensive resolutions based on their needs. In addition, we leveraged the advantages of the Group's ecological cycles to help customers to integrate industrial resources and technological strength and to achieve the overall growth. In the meantime, we carefully selected industries and assets to provide more superior products regarding retail banking so that more customers can share the benefit arising from social development and industrial upgrading.

While doing well in operations and services, we had never relaxed risk management. The board of directors and management adhered to the principle of "asset quality first", and built solid risk defence lines from the aspects of management mechanism, risk control system and team ideology. We adopted an innovative and positive incentive mechanism and a reverse assessment system, weakened the income and profit assessment on some business units and strengthened the assessment on asset quality and collection and disposal. We connected artificial intelligence ("AI"), big data and risk control to establish a multi-dimensional, comprehensive and intelligent risk control model.

We firmly believe that the competitiveness of the banking industry in the future does not rest with scale, but with the ability to understand customers, the ability to innovate and the ability to control risks. In the first phase of retail transformation, we had transformed our traditional thinking and constantly polished the aforesaid abilities to store energy for the critical second phase.

### **Closely embracing science and technology, driving the change of model with the force of science and technology**

Innovation is the leading power for development, and science and technology are its important essences. Being technology-driven becomes one of our core strategies at the beginning of the transformation, which is not only a choice following the trend of the time, but also a result from our two first-mover advantages in science and technology. Firstly, 1% of the revenue of Ping An Group is invested in science and technology per year, like an incomparable gold ore, to organise an international team that has achieved world-leading research fruits in artificial intelligence, block chain, big data, etc. Secondly, we have already promoted innovation in a way the same as Internet companies to create an agile organisation, which encourages innovation and trial-error and nurtures a friendly atmosphere for innovation. Currently, the Bank's science and technology team consists of around 5,000 people, for which the proportion ranks the top compared with other banks and financial institutions.

We attached importance to technology empowerment business in thoughts, implemented the business in actions, and continued to promote the business to build a unique guarding shield for the Bank. We put technologies such as facial recognition, artificial intelligence into practice in new retail outlets to establish a "warm bank without waiting and closing", which significantly increased the productivity of branches. We continued to promote "AI+investment advisor" and "AI+customer service" to provide 7×24 intelligent services. Currently, the proportion of AI customer services reached nearly 80%; KYB (data loans of small and medium-size enterprises) created by us had provided on-line and intelligent financing services for over 10 thousand small and medium-size enterprises, which marked a positive trial to resolve the problem of difficulties and expensiveness in financing within the real economy. We upgraded trading and financing business with technologies such as block chain, Internet of Things to create SAS (Supply chain receivables service platform), complementing traditional businesses with science and technology.

Technology is no longer an abstract concept for Ping An Bank. We hope that we can embed technical capability into management, business, risk control, etc., not only to advocate productivity but also to cultivate new business models, making the "intelligent banking" brand of Ping An Bank insightful and solid.

### **Performing social responsibility and being a responsible social citizen**

This year, Ping An Group launched public benefit poverty alleviation activity “officers, doctors and teachers for rural areas”. The Bank established poverty alleviation finance office to implement “countryside officer project” to help industry development in poor areas based on their own advantages to enhance their economic vitality through “financial+industry poverty alleviation”. Recently, we had succeeded in models such as breeding loans, planting loans, photovoltaic loans, hydro power loans, etc. Moreover, we sent outstanding party members and officers to work as village-stationed officers to directly participate in poverty alleviation works by making efforts at the front line.

The performance of social responsibility is reflected everywhere around us. For example, one of our branches in Guangzhou assisted the police to arrest criminals of cyber-swindling; Shenzhen Branch helped a customer out of an economic swindle; Jinan Branch saved a hostage customer with wit, successfully intercepting a risk case. These were what our most ordinary employees had done that showed Ping An Bank’s sense of responsibility as a social citizen.

The trend of our times is overwhelming, which is independent of any person’s will. Forty years of reform and opening up has forged the China today; thirty years of endeavours and struggles has forged the Ping An Bank today. In the future, we will earnestly implement the overall strategic direction of transformation to forge a distinctive Ping An Bank.

Ping An Bank in the future will be a bank of science of technology. We will continue to increase investment of talent resource and funds to implant the gene of change and innovation into the traditional bank to drive business growth with “finance+technology”.

Ping An Bank in the future will also be a bank with distinct characteristics of retail banking. We will further explore the value of comprehensive finance and ecological circles to visualise the image of a “smart bank that understands you better” in the mind of every customer or every user with truly scientific and intelligent products and services.

Ping An Bank in the future will be a bank of better governance and higher value. We will further strengthen the leadership of the Party to shape ethics, improve management and promote development through party-building; we will continuously improve management mechanism, create new tools and methods, achieve prudent and balanced development in “quality, efficiency and scale”, and produce higher value for shareholders, the society and employees.

We are on the way to the most outstanding, world-leading smart retail bank.

## Section III Company Profile and Major Financial Indicators

### I. Company profile

#### (I) Company information

Stock Abbreviation	Ping An Bank	Stock Code	000001
Traded on	Shenzhen Stock Exchange		
Chinese name of the Company	平安银行股份有限公司		
Short Chinese name of the Company	平安银行		
Name of the Company	Ping An Bank Co., Ltd.		
Short Name of the Company	PAB		
Legal Representative of the Company	Xie Yonglin		

#### (II) Contact information

	Secretary of the Board	Representative of Securities Affairs
Name	Zhou Qiang	Lv Xuguang
Contact Address	Board Office of Ping An Bank 5047 East Shennan Road, Shenzhen, Guangdong, the PRC	Board Office of Ping An Bank 5047 East Shennan Road, Shenzhen, Guangdong, the PRC
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E-mail	pabdsh@pingan.com.cn	pabdsh@pingan.com.cn

#### (III) Other information

##### 1. Contact information of the Company

Whether the registered address, office address, postal code, website and E-mail of the Company are changed during the reporting period

☐ Applicable    ☒ Not applicable

The registered address, office address, postal code, website and E-mail of the Company are not changed during the reporting period. See 2017 Annual Report for details.

##### 2. Information disclosure and filing location

Whether information disclosure and filing location are changed during the reporting period

☐ Applicable    ☒ Not applicable

Newspapers designated by the Company for information disclosure, website assigned by CSRC to carry the Interim Report and filing location of the Interim Report are not changed during the reporting period. See 2017 Annual Report for details.

##### 3. Other relevant information

Whether other relevant information is changed during the reporting period?

☐ Applicable    ☒ Not applicable



## II. Major financial indicators

### (I) Major accounting data and financial indicators

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

☐ Yes ☒ No

The Bank started to adopt new accounting standards for financial instruments from 1 January 2018. Under the transitional provisions of new standards, the Bank is not required to restate comparatives and the adjustment of differences between original standards and first-day adoption of new standards is recorded into retained earnings at the beginning of the period or other comprehensive income. See “II. Summary of significant accounting policies and accounting estimates 37. Effect of significant changes in accounting policies” in “Section XI Financial Report” for relevant impact.

(In RMB million)

Item	30 June 2018	31 December 2017	31 December 2016	Change at the end of the reporting period from the end of last year
Total assets	3,367,399	3,248,474	2,953,434	3.7%
Shareholders' equity	228,141	222,054	202,171	2.7%
Shareholders' equity attributable to ordinary shareholders	208,188	202,101	182,218	3.1%
Share capital	17,170	17,170	17,170	-
Net asset per share attributable to ordinary shareholders (RMB/share)	12.13	11.77	10.61	3.1%

Item	Jan. - Jun. 2018	Jan. - Jun. 2017	Jan. - Dec. 2017	Change at the reporting period from the same reporting period of last year
Operating income	57,241	54,069	105,786	5.9%
Operating profit before impairment losses on credit and assets	39,700	40,180	73,148	(1.2%)
Impairment losses on credit and assets	22,298	23,716	42,925	(6.0%)
Operating profit	17,402	16,464	30,223	5.7%
Profit before tax	17,367	16,432	30,157	5.7%
Net profit attributable to shareholders of the Company	13,372	12,554	23,189	6.5%
Net profit attributable to shareholders of the Company after non-recurring gains/losses	13,326	12,512	23,162	6.5%
Net cash flows from operating activities	7,455	(128,180)	(118,780)	Negative amount for the same period of last year
<b>Ratio per share (RMB/share):</b>				
Basic/diluted earnings per share (EPS)	0.73	0.68	1.30	7.4%
Basic EPS after non-recurring gains/losses	0.73	0.68	1.30	7.4%
Net cash flows from operating activities per share	0.43	(7.47)	(6.92)	Negative amount for the same period of last year
<b>Financial ratios (%):</b>				
Return on total assets (un-annualised)	0.40	0.41	N/A	-0.01 percentage point
Return on total assets (annualised)	0.79	0.81	0.71	-0.02 percentage point
Average return on total assets (un-annualised)	0.40	0.42	N/A	-0.02 percentage point
Average return on total assets (annualised)	0.81	0.83	0.75	-0.02 percentage point
Weighted average return on net assets (un-annualised)	6.13	6.21	N/A	-0.08 percentage point
Weighted average return on net assets (annualised)	12.36	12.56	11.62	-0.20 percentage point
Weighted average return on net assets (net of non-recurring gains/losses) (un-annualised)	6.11	6.19	N/A	-0.08 percentage point
Weighted average return on net assets (net of non-recurring gains/losses) (annualised)	12.31	12.51	11.61	-0.20 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 dividends on preference shares paid.

(2) The Bank complied with provisions related to presentation in *Accounting Standard for Business Enterprises No. 42 - Non-current Assets or Disposal Groups Held for Sale and Discontinued Operations* and *Circular on Amendment to Formats of Financial Statements of General Industry* in the 2017 Annual Report, and separately included “gains or losses on disposal of assets” in “operating income” on the income statement. Comparatives of “operating income”, “operating profit before impairment losses on credit and assets” and “operating profit” for the first half of 2017 were respectively adjusted from RMB54,073 million to RMB54,069 million, RMB40,184 million to RMB40,180 million, RMB16,468 million to RMB16,464 million.

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

Total share capital of the Company as at the trading day prior to disclosure (in shares)	17,170,411,366
Fully diluted EPS calculated based on the latest share capital (RMB/share, accumulated from January to June 2018)	0.73

### Information of loans and deposits

(In RMB million)				
Item	30 June 2018	31 December 2017	31 December 2016	Change at the end of the reporting period from the end of last year
<b>Due to customers</b>	<b>2,079,278</b>	<b>2,000,420</b>	<b>1,921,835</b>	3.9%
Including: Corporate deposits	1,673,508	1,659,421	1,652,813	0.8%
Personal deposits	405,770	340,999	269,022	19.0%
<b>Total loans and advances to customers</b>	<b>1,848,693</b>	<b>1,704,230</b>	<b>1,475,801</b>	8.5%
Including: Corporate loans	849,767	855,195	934,857	(0.6%)
General corporate loans	820,173	840,439	920,011	(2.4%)
Discounted bills	29,594	14,756	14,846	100.6%
Personal loans	613,193	545,407	359,859	12.4%
Credit card receivables	385,733	303,628	181,085	27.0%
Loss provision for loans and advances to customers	(54,486)	(43,810)	(39,932)	24.4%
Net loans and advances to customers	1,794,207	1,660,420	1,435,869	8.1%

Note: Pursuant to the *Notice on Adjusting Statistical Standards of the Deposits and Loans of the Financial Institutions by the People's Bank of China* (Yin Fa [2015] No. 14), starting from 2015, the deposits placed by non-deposit financial institutions at deposit financial institutions are accounted for as “total deposits”, whereas the loans extended by deposit financial institutions to non-deposit financial institutions are accounted for as “total loans”. Based on the aforementioned statistical standards, as at 30 June 2018, the total deposits and the total loans amounted to RMB2,549.2 billion and RMB1,895.6 billion, respectively.

### Non-recurring gains/losses

During the reporting period, no items of non-recurring gains/losses as defined/stated pursuant to the *Explanatory Announcement on Information Disclosure by Companies Publicly Offering Securities No. 1 - Non-recurring Gains/Losses* were defined as recurring gains/losses.

(In RMB million)			
Item	Jan. - Jun. 2018	Jan. - Jun. 2017	Jan. - Dec. 2017
Gains or losses on disposal of non-current assets	80	87	101
Gains/losses on contingency	1	-	(1)
Others	(21)	(32)	(65)
Income tax effect	(14)	(13)	(8)
<b>Total</b>	<b>46</b>	<b>42</b>	<b>(27)</b>

Note: The non-recurring gains/losses shall refer to the meaning as defined in the *Explanatory Announcement on Information Disclosure by Companies Publicly Offering Securities No. 1 - Non-recurring Gains/Losses*.

## (II) Supplementary financial ratios

(Unit: %)

Item	Jan. - Jun. 2018	Jan. - Jun. 2017	Jan. - Dec. 2017	Change at the reporting period from the same reporting period of last year
Cost/income ratio	29.66	24.76	29.89	+4.90 percentage points
Credit costs (un-annualised)	1.18	1.47	N/A	-0.29 percentage point
Credit costs (annualised)	2.37	2.94	2.55	-0.57 percentage point
Deposit-loan spread (annualised)	3.81	4.13	3.99	-0.32 percentage point
Net interest spread (NIS) (annualised)	2.06	2.29	2.20	-0.23 percentage point
Net interest margin (NIM) (un-annualised)	1.12	1.22	N/A	-0.10 percentage point
Net interest margin (NIM) (annualised)	2.26	2.45	2.37	-0.19 percentage point

Notes: Credit costs = credit provisions for the period / average loan balance (including discounted bills) for the period. In the first half of 2018, average loan balance (including discounted bills) of the Bank was RMB1,778,740 million (in the first half of 2017: RMB1,555,091 million). Net interest spread = average yield of interest-earning assets – average cost rate of interest-bearing liabilities; Net interest margin = net interest income / average balance of interest-earning assets.

## (III) Supplementary regulatory indicators

(Unit: %)

Item	Standard level of indicator	30 June 2018	31 December 2017	31 December 2016
Liquidity ratio (RMB and foreign currency)	≥25	60.40	52.23	49.48
Liquidity ratio (RMB)	≥25	60.50	52.57	47.62
Liquidity ratio (foreign currency)	≥25	69.49	55.41	99.04
Loan/deposit ratio including discounted bills (RMB and foreign currency)	N/A	87.44	83.58	75.21
Liquidity coverage ratio	≥100 (at the end of the year)	123.60	98.35	95.76
Capital adequacy ratio	≥10.5	11.59	11.20	11.53
Tier one capital adequacy ratio	≥8.5	9.22	9.18	9.34
Core tier one capital adequacy ratio	≥7.5	8.34	8.28	8.36
Ratio of loans to the single largest customer to net capital	≤10	5.08	5.20	5.19
Ratio of loans to top 10 customers to net capital	N/A	20.13	22.79	25.78
Ratio of accumulated foreign exchange exposure position to net capital	≤20	1.45	1.22	4.11
Pass loans flow rate	N/A	2.39	5.20	7.14
Special mentioned loans flow rate	N/A	26.78	30.41	37.56
Substandard loans flow rate	N/A	76.85	73.69	43.83
Doubtful loans flow rate	N/A	99.76	64.37	71.14
Non-performing loan (NPL) ratio	≤5	1.68	1.70	1.74
Provision coverage ratio	≥150	175.81	151.08	155.37
Provision to loan ratio	≥2.5	2.95	2.57	2.71

Note: Regulatory indicators are shown in accordance with the regulatory standards. 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; during the transitional period, the liquidity coverage ratio shall be no less than 90%.

## Section IV Company Business Overview

### I. Main businesses of the Company during the reporting period

Ping An Bank is a national joint-stock commercial bank. As approved by relevant regulators, the Bank engages in the following commercial banking activities: (I) absorption of public deposits; (II) advances of short, medium and long-term loans; (III) domestic and overseas settlement; (IV) bill acceptance and discounting; (V) issuance of financial bonds; (VI) agent of issuing, cashing and underwriting government bonds; (VII) trading of government bonds and financial bonds; (VIII) interbank lending and borrowing; (IX) trade foreign exchange on its behalf and as an agent; (X) bank cards; (XI) provision of letter of credit service and guarantee; (XII) agency for collection and payment and insurance agency; (XIII) safe deposit box service; (XIV) foreign exchange settlement and sale; (XV) off-shore banking; (XVI) asset custody; (XVII) gold service; (XVIII) financial advisor and credit investigation, consultation and witness services; and (XIX) other businesses approved by relevant regulators.

### II. Development strategy of the Bank

Ping An Bank puts forward a strategic target of “building China’s most outstanding and the world’s leading intelligent retail banking” and develops a principle of “being technology-driven, pursuing breakthroughs in retail banking, and reinventing its corporate banking” to fully promote strategic transformation.

#### (I) Being technology-driven

The Bank utilises technology to fully reshape its banking system, lead business development and build a financial technology “moat”.

**1. Technology-driven.** Adhering to “one investment”, the Bank invests a certain proportion of income into technology research and development every year, and sticks to technological innovation relying on the Ping An Group Global Research Institute to ensure that it is always at the forefront of financial technology; enhances “5 technology applications”, and drives leading technologies such as artificial intelligence (“AI”), blockchain, big data, cloud computing and biometrics into full productivity; breaks through the “five types of scenarios” and achieves breakthroughs in the integration and application of key scenarios including supply chain finance, consumer payment, customer service, investment management and risk management.

**2. Model-driven.** The Bank develops a “SAT (social contact + mobile application + remote service)” business model, comprehensively integrates social contact, APP and remote service resources to improve internal management efficiency and external customer experience; constructs OMO (ONLINE MERGE OFFLINE), a comprehensive financial service model that has realised on-line and off-line integration, and establishes new retail intelligent outlets to fully improve customer service level; creates an AI service model and launches approaches like “AI + Customer Service”, “AI + Advisor” and “AI + Risk Control” to completely enhance customer service capability and risk management level.

**3. Platform-driven.** In respect of retail banking, the Bank establishes “a unified entrance”, integrates the original Pocket Bank, Credit Card and Direct Bank into a new Pocket Bank APP, which is upgraded from a simple basic transaction platform to an intelligent financial life service platform with one-account, one-entrance and various services. With regard to corporate banking, the Bank adheres to the principle of “building a set of platforms for each type of customers” to meet differentiated demands of different customers, such as Pocket Finance and SME data loan platform KYB (Know Your Business) for small

enterprises, SAS, a service platform for supply chain accounts receivable and Cross-border E-Commerce for medium-sized enterprises, Hang-E-Tong and Fund Cloud for financial peers, and Intelligent Court for government organisations. As for internal management, the Bank launches “an intelligent project”, fully promotes the “Intelligent Finance” project, and establishes an intelligent analysis system at the Bank level, so as to comprehensively improve management efficiency and decision-making efficiency.

**4. Talent-driven.** The Bank continues to introduce top global technology elites, establishes a leading talent team in financial technology, and seizes the initiative for attracting financial technology talents. The Bank introduces a large number of technical experts in key fields such as AI, blockchain, big data, cloud computing and biometrics from leading Internet technology companies to comprehensively consolidate the engineer team and build a core fortress of financial technology team. It fully promotes the technological transformation of traditional banking team, continues to deepen the integration of technology and finance, and accelerates the construction of “Finance + Technology” compound talent team.

## **(II) Pursuing breakthroughs in retail banking**

The Bank mobilises all of its resources and utilises technology wisdom to build leading intelligent retail banking.

**1. Breakthroughs in profit.** The Bank continues to drive the three leading forces of LUM (asset business), and maintains the business advantages of credit cards, New Generation Loan and auto finance business as well as the good quality of retail asset business. It seizes the three business focuses of AUM (management of assets from retail customers), connects private banking and investment banking to reconstruct the private banking service system, improves the marketing capability for product mix of bancassurance, asset and liability management to enhance the professional wealth management, and vigorously develops settlement services such as agency business and acquiring business to continuously increase the proportion of current retail liabilities. The Bank achieves three optimisations through profit, including optimisation in its asset structure by increasing the proportion of retail assets, optimisation in retail income structure by rising the contribution of AUM and optimisation in interest spread of retail business by continuously decreasing retail liability costs.

**2. Breakthroughs in organisation.** Keeping up with leading Internet companies, the Bank creates agile organisation that is flexible, fast-paced, and efficient in communication, and greatly improves product development efficiency and speed to market, enormously promotes employee enthusiasm and creativity, and customer convenience and satisfaction. It establishes a vertical management and control system for retail business across the “head office-branches-sub-branches-front line” to strengthen the “central” control and coordination capability of the head office, improve resource allocation efficiency and effectively prevent operational risk and management risk.

**3. Breakthroughs in channel.** The Bank upgrades comprehensive SAT model, vigorously expands the channel of Ping An Life Insurance Agent on the premise of compliance, and promotes the rapid growth in the number of retail customers. It strengthens the connection between corporate banking and retail banking, and builds a private family inheritance office to comprehensively improve its service ability for customers with high net value and ultra-high net value. It upgrades traditional banking channels, continues to improve service level and raises the retention rate and wallet share of existing customers. It reinforces the cooperation with external platforms, attracts customers via B2B2C model and rapidly enhances the basic customer scale.

**4. Breakthroughs in service.** The Bank integrates the Group’s comprehensive financial product lines in an all-round manner, and enhances the comprehensive financial marketing and service capability of the

banking team to create “comprehensive” services. In addition, it quickly cuts into customer spending scenarios, and deeply integrates into the Group's “five major ecological cycles” including finance, health care, real estate, automotive and urban services to create “scenario” services. Meanwhile, it constructs OMO, a comprehensive financial service model that has realised on-line and off-line integration, and builds an “AI+” intelligent service system to create “intelligent” services. Moreover, it strengthens big data applications, establishes accurate positioning for customers, and precisely identifies customer needs to create “personalised” services.

### **(III) Reinventing its corporate banking**

With the attitude of excellence and meticulousness, the Bank builds exquisite corporate banking with distinctive characteristics, optimum profit and high quality under the concept of “industrialisation, specialisation and investment banking, and a combination of light assets and light capital”.

**1. Careful selection of industries.** The Bank chooses industries with specific focus and adheres to the principle of “there are things that must be done and things that must not be done”. It keeps up with national strategy and focuses on the ten industries with large volume, weak cycle and sound growth, including health care, real estate, electronic information, transportation, warehousing and logistics, environmental protection, clear energy, infrastructure, culture and education and people's livelihood industries. It leverages the Group's comprehensive financial platform to integrate into the Group's five ecological cycles including finance, health care, real estate, automotive and urban services, and attaches great importance to government organisations to fully expand the liability sources of “pure deposits”.

**2. Carefully cultivating the customer base.** The Bank focuses on three important customer bases, adopts differentiated customer base strategies, and establishes a “pyramid” customer base system. It endeavours to be the “co-operator” of large customers, provides them with strategic products and makes a major effort to improve liabilities and comprehensive income. Additionally, the Bank is aimed at being the “big housekeeper” of medium-sized customers, meeting all needs of customers by providing comprehensive financial services, so as to become their “hosting bank”. Meanwhile, it strives to be the “helper” of small and micro customers, provide them with on-line, data-based and standardised support and dissolve their “difficulty in financing”.

**3. Carefully tailored product offerings.** Under the service framework of comprehensive finance, the Bank gives priority to building “investment banking” and “transaction banking” product systems. With respect to “investment banking”, the Bank takes a multi-pronged approach, including establishing a “Commercial Banking + Investment Banking +Investment” product system, and making comprehensive use of products such as bond underwriting, asset securitisation, structured financing and syndicated loans, to meet customers' comprehensive financial needs. For “transaction banking”, the Bank integrates resources, launches “Product + Platform + Service” business model, continues to optimise SAS platform tailored for supply chain, KYB and Pocket Finance for small and medium-sized enterprises (“SMEs”), and Cross-border E-Commerce for offshore and international customers to support the transformation and upgrading of real economy.

**4. Precise and effective risk controls.** The Bank adjusts the structure, actively participates in management and strictly safeguards the “lifeline” of asset quality. It optimises structure, carefully selects industries, carefully cultivates customer base, promotes the adjustment and upgrading of asset structure, and mitigates overall asset business risks. In addition, the Bank optimises mechanism, continues to promote the management mechanism for special asset business unit, and strengthens the recovery and dissolving of existing problematic assets. Moreover, it optimises approaches and utilises advanced technologies such as big data and AI to enhance big data management and application, comprehensively

build “AI + Risk Control” system and improve risk management efficiency and level.

### **III. Core competitiveness**

**Clearly oriented development strategy.** Facing complicated and ever-changing economic and financial situation at home and abroad, the Bank has a clear idea of its unique advantages and resources, and sticks to the principle of “there are things that must be done and things that must not be done”. It chooses the strategic path of retail transformation, puts forward a strategic target of “building China’s most outstanding and the world’s leading intelligent retail banking”, and develops a principle of “being technology-driven, pursuing breakthroughs in retail banking, and reinventing its corporate banking”. Guided by the clear strategy, the Bank takes a multi-pronged approach from the aspects of business orientation, model innovation, organisational reform, risk prevention and control, talent introduction and training, steadily promotes the implementation of the strategy and achieves good results.

**Advantageous comprehensive finance.** The comprehensive finance is the characteristic advantage of the Bank. Based on the huge individual customer base, strong brand influence, extensive distribution network and full financial licence of its holding parent company Ping An Group, the Bank establishes an integrated on-line and off-line comprehensive financial product system and service platform, forms a competitive comprehensive financial cooperation mechanism and internal management and organisation model, opening up a new path for the transformation of retail and corporate businesses.

**Inherent innovation culture.** Rooted in Shenzhen, the reform frontier of China, the Bank has “innovation” gene. It endeavours to be a market leader through innovation. In respect of top-level design, the Bank sets up an “Innovation Committee” across the Bank for retail and corporate banking, arranges cross-line and cross-functional resources, and proactively encourages and promotes innovation. With regard to the implementation of innovation, it advances the ideas of “agile organisation” and “innovation garage” to facilitate iteration, keep up with market hotspots and give a quick response to customer demands.

**Strong and powerful execution capability.** Strong and powerful execution is a prominent feature of the Bank's corporate culture, and effective performance management is an important guarantee for the Bank's execution. The Bank establishes a fair and transparent performance assessment system, effectively promotes the value-oriented performance assessment, and closely connects assessment target setting, work tracking and the whole assessment process. It adheres to the concept that “different people have different features”, forms a panoramic view of talents, and strengthens the use of performance assessment results. It creates an excellent execution culture based on performance management to ensure the advancement and implementation of retail strategic transformation.

**Market-leading financial technology.** The Bank drives strategic transformation by technology, and applies technical methods to transform the status quo of the team, innovate business model, upgrade traditional business and promote intelligent management. The Bank accelerates the integration of application scenarios and cutting-edge technologies such as big data, blockchain, artificial intelligence (AI), cloud computing and biometrics to realise “technology-driven”, continuously optimises and upgrades service models and platforms including Pocket Bank, Pocket Finance, SAS, KYB, Cross-border E-commerce and “AI+” to realise “model and platform-driven”, and motivated by “finance + technology”, cultivates a team of about 4,800 compound financial technology talents and attracts a large number of compound high-end technical talents from Silicon Valley and domestic and foreign leading Internet companies to realise “technology talents-driven”.

**Intelligent and convenient retail banking.** The Bank utilises technology to promote retail banking transformation, and provides more convenient, intelligent and comprehensive financial services. It

establishes new off-line retail outlets under “light, community-based, intelligent, diversified” concept, continuously and iteratively optimises the on-line Pocket Bank APP, and uses intelligent OMO service system integrating on-line APP and off-line outlets to achieve seamless connection between Pocket Bank APP and new retail outlets. As a result, multiple on-line and off-line service scenarios are integrated. In addition, it launches “AI + Customer”, “AI + Advisor” and “AI + Risk Control” service marketing and management system to provide integrated, seamless and convenient services for customers.

**Intensive corporate banking.** The Bank adheres to the philosophy of “industrial specialisation and a combination of light assets and light capital” to optimise the resource allocation to the maximum extent and take the road of exquisite corporate banking. The Bank focuses on the top 10 industries and 5 major ecological cycles related to national economy and people’s livelihood through “careful selection of industries”, “carefully cultivating the customer base”, “carefully tailored product offerings” and “precise and effective risk controls” and does well in “customer management” to provide all-round investment banking and trading banking products. It creates a “Product + Platform + Service” model, and constantly optimises the SAS platform for the upstream of supply chain, KYB and Pocket Finance APP for trading financing and small and medium-sized enterprises (“SMEs”) and Cross-border E-Commerce tailored for offshore and international customers, so as to provide intensive services to customers and support the upgrading and transformation of real economy.

#### IV. Operations of segments

##### (I) Profit and scale

(In RMB million)

Item		Retail banking business		Wholesale banking business		Others		Total	
		Jan. - Jun. 2018	Jan. - Jun. 2017	Jan. - Jun. 2018	Jan. - Jun. 2017	Jan. - Jun. 2018	Jan. - Jun. 2017	Jan. - Jun. 2018	Jan. - Jun. 2017
Operating income	Amount	29,316	21,769	24,398	29,758	3,527	2,542	57,241	54,069
	%	51.2	40.3	42.6	55.0	6.2	4.7	100.0	100.0
Operating expenses	Amount	11,431	7,584	5,976	6,084	134	221	17,541	13,889
	%	65.1	54.6	34.1	43.8	0.8	1.6	100.0	100.0
Impairment losses on credit and assets	Amount	6,091	3,588	17,328	20,050	(1,121)	78	22,298	23,716
	%	27.3	15.1	77.7	84.6	(5.0)	0.3	100.0	100.0
Profit before tax	Amount	11,791	10,597	1,094	3,627	4,482	2,208	17,367	16,432
	%	67.9	64.5	6.3	22.1	25.8	13.4	100.0	100.0
Net profit	Amount	9,079	8,096	842	2,771	3,451	1,687	13,372	12,554
	%	67.9	64.5	6.3	22.1	25.8	13.4	100.0	100.0

(In RMB million)

Item	30 June 2018		31 December 2017		Change at the end of the reporting period from the end of last year
	Amount	%	Amount	%	
<b>Total assets</b>	<b>3,367,399</b>	<b>100.0</b>	<b>3,248,474</b>	<b>100.0</b>	<b>3.7%</b>
Including: Retail banking business	942,289	28.0	791,578	24.4	19.0%
Wholesale banking business	1,562,511	46.4	1,680,901	51.7	(7.0%)
Others	862,599	25.6	775,995	23.9	11.2%

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



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

Other business segments refer to the bond investment and some monetary market businesses carried out by the head office of the Bank for the need of liquidity management, as well as non-performing assets and equity investments under central management of the Bank and the assets, liabilities, income and expenses not directly attributable to a certain segment.

(In RMB million)

Item	30 June 2018		31 December 2017		Change at the end of the reporting period from the end of last year
	Amount	%	Amount	%	
<b>Due to customers</b>	<b>2,079,278</b>	<b>100.0</b>	<b>2,000,420</b>	<b>100.0</b>	<b>3.9%</b>
Including: Corporate deposits	1,673,508	80.5	1,659,421	83.0	0.8%
Personal deposits	405,770	19.5	340,999	17.0	19.0%
<b>Total loans and advances to customers</b>	<b>1,848,693</b>	<b>100.0</b>	<b>1,704,230</b>	<b>100.0</b>	<b>8.5%</b>
Including: Corporate loans (including discounted bills)	849,767	46.0	855,195	50.2	(0.6%)
Personal loans (including credit cards)	998,926	54.0	849,035	49.8	17.7%

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

## (II) Quality and efficiency

Item	30 June 2018	31 December 2017	Change at the end of the reporting period from the end of last year
<b>Non-performing loan (NPL) ratio</b>	<b>1.68%</b>	<b>1.70%</b>	<b>-0.02 percentage point</b>
Including: Corporate loans (including discounted bills)	2.42%	2.22%	+0.20 percentage point
Personal loans (including credit cards)	1.05%	1.18%	-0.13 percentage point

(In RMB million)

Item	Jan. - Jun. 2018			Jan. - Jun. 2017		
	Average daily balance	Interest income and expense	Average interest rate	Average daily balance	Interest income and expense	Average interest rate
<b>Due to customers</b>	<b>2,013,989</b>	<b>23,509</b>	<b>2.35%</b>	<b>1,895,988</b>	<b>17,542</b>	<b>1.87%</b>
Including: Corporate deposits	1,640,732	18,714	2.30%	1,606,197	14,729	1.85%
Personal deposits	373,257	4,795	2.59%	289,791	2,813	1.96%
<b>Loans and advances to customers (excluding discounted bills)</b>	<b>1,755,538</b>	<b>53,629</b>	<b>6.16%</b>	<b>1,539,572</b>	<b>45,806</b>	<b>6.00%</b>
Including: Corporate loans (excluding discounted bills)	824,633	19,425	4.75%	943,484	21,247	4.54%
Personal loans (including credit cards)	930,905	34,204	7.41%	596,088	24,559	8.31%

## V. Significant changes in major assets

### (I) Significant changes in major assets

Major Assets	Explanations on Significant Changes
Equity assets	There were no significant changes during the reporting period
Property and equipment	There were no significant changes during the reporting period
Intangible assets	There were no significant changes during the reporting period
Construction in progress	There were no significant changes during the reporting period

### (II) Status of major overseas assets

☐ Applicable     ☒ Not applicable

## Section V Discussion and Analysis of Operations

### I. Overview

In the first half of 2018, facing the vibrant applications of the financial technology, further development of financial reform and complicated political, economic and financial situation at home and abroad, the Bank responded actively to the development strategy proposed by the Party and the state, paid close attention to the macro-economic and industrial development trend, and adapted to the domestic and international new economic and financial situations. In addition, it continued to adhere to the principle of “being technology-driven, pursuing breakthroughs in retail banking, and reinventing its corporate banking” based on its own advantages and characteristics, further enhanced technology application and innovation and attracted high-tech talents from international market to use technology to propel its business development. On the one hand, it continued to advance the transformation of intelligent retail banking; on the other hand, it expanded the transformation of corporate banking to promote its transformation from inorganic growth driven by scale to organic growth driven by value and quality. At the same time of driving its business development, the Bank made solid efforts to prevent and mitigate all types of risks and build a more solid foundation for its future development. The Bank’s overall operations in the first half of the year are summarised below:

#### (I) Robust business development

In the first half of 2018, the Bank recorded operating income of RMB57,241 million, representing a year-on-year increase of 5.9%, of which the net non-interest income amounted to RMB19,805 million, representing a year-on-year increase of 18.5%, mainly due to the increase in fee from credit card business. The net non-interest income accounted for 34.6% of the operating income, a year-on-year increase of 3.7 percentage points. The operating profit before provisions was RMB39,700 million, a decrease by 1.2% year on year, and the net profit was RMB13,372 million, an increase by 6.5% year on year. The profitability maintained stable.

At the end of June 2018, the Bank’s total assets amounted to RMB3,367,399 million, up 3.7% over the end of last year; the balance of deposits due to customers was RMB2,079,278 million, up 3.9% over the end of last year. The total loans and advances to customers (including discounted bills) amounted to RMB1,848,693 million, representing an increase of 8.5% as compared with the end of last year, of which personal loans (including credit cards) accounted for 54.0%, an increase of 4.2 percentage points over the end of last year.

#### (II) Strong process in retail transformation

At the end of June 2018, assets under management (AUM) of retail customers of the Bank amounted to RMB1,217,380 million, up 12.0% over the end of the previous year; the number of retail customers reached 77,053.7 thousand, up 10.2% over the end of the previous year, among which private wealth customers and qualified private banking customers were 525.9 thousand and 25.8 thousand respectively, representing an increase of 15.2% and 9.6% over the end of the previous year. At the end of June 2018, the current credit card accounts reached 45,769.6 thousand, an increase of 19.4% over the end of the previous year. The balance of retail deposits was RMB405,770 million, an increase of 19.0% over the end of the previous year, and the balance of retail loans was RMB998,926 million, an increase of 17.7% over the end of the previous year, accounting for 54.0% of total loans; the total transaction volume of credit cards amounted to RMB1,207,227 million, rising by 89.9% year on year. The market share of its

interbank credit card POS transactions continued to increase, with a total of 20,350 thousand monthly active users of Ping An Pocket Bank APP, rising by 37.3% over the end of last year. In the first half of 2018, the operating income of retail business reached RMB29,316 million, a year-on-year increase of 34.7%, accounting for 51.2% of the Bank's total operating income; the net profit of retail business reached RMB9,079 million, a year-on-year increase of 12.1%, accounting for 67.9% of the Bank's total net profit.

### **(III) Intensified efforts in reinventing corporate banking**

In the first half of 2018, the Bank continued its efforts to fine-tune its corporate banking structure, as its deposits maintained stable and improving growth and its asset structure continued to improve as planned. In the first half of 2018, new credit loans mainly focused on the Bank's ten priority industries, including medical and health care; the balance of loans to high-risk industries, including steel, thermal power generation and coal, decreased as compared with that at the beginning of the year, as the Bank optimized its portfolios with well-planned entries and exits. In the first half of 2018, the Bank's new credit customers were mainly those from industries with low default rates, such as leasing and business services; customers from industries with high default rates, including wholesale and retail, and manufacturing, were reduced in an orderly manner as the Bank further enhanced its customer structure. In order to feasibly improve the return on capital of the bank, in the first half of 2018, the Bank declined the business of high consumption while low return. At the end of June 2018, the balance of corporate risk-weighted assets were declined from 32 billion to 819 billion, and interbank risk-weighted assets were declined from 58.2 billion to 315.6 billion. In the circumstance of continuously adjusting asset structure, the scale of deposits remained stable though facing the pressure of the Bank's transformation. Till the end of the first half of 2018, the deposits maintained stable and improved growth.

### **(IV) Encouraging results from technology-driven efforts**

The Bank regarded "being technology-driven" as its primary development strategy and continued to increase investment in technology. In the first half of 2018, the Bank's investment in technology saw a significant increase with a year-on-year growth of 165% in IT capital expenditure, and its technology team continued to expand. It attracted high-tech talents to optimise the team structure and improve its overall capability to use technology to drive innovation and development. At the end of June 2018, the headcount the Bank's technology team reached 4,800 (including outsourced talents), representing a year-on-year increase of over 25%. Additionally, the Bank took the initiative to implement agile transformation to achieve deep integration between technology and business, and effectively enhance the quality of deliverables and customer experience. Meanwhile, it created a flexible, secure and open technology platform to support the rapid business growth and transformation to the Internet. The Bank continued to promote technological innovation, took advantage of its core technologies and resources in the fields of AI, blockchain, cloud computing, etc., and applied new technologies to empower its business development, so as to continuously enhance customer experience, enrich financial products, innovate business models, improve risk control system, optimise operational efficiency and promote intelligent management. The Bank's "technology-driven" strategic transformation has delivered promising benefits.

### **(V) Good momentum in asset quality**

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

ecosystem customers, and maintain good risk performance of new customers. Meanwhile, it continued to adjust the structure of existing assets and strengthened the recovery and disposal of problematic assets. As a result, the asset quality maintained a good momentum.

At the end of June 2018, the balance and the proportion of overdue loans and loans overdue for more than 90 days of the Bank both declined over the end of last year, and the non-performing ratio and special mention rate also decreased over the end of last year. The balance of overdue loans amounted to RMB56,841 million, a decrease of RMB1,903 million, accounting for 3.07% of total loans, down 0.37 percentage point over the end of last year; the balance of loans overdue for more than 90 days reached RMB38,518 million, a decrease of RMB2,942 million, accounting for 2.08% of total loans, down 0.35 percentage point over the end of last year. The NPL ratio was 1.68%, decreasing by 0.02 percentage point from the end of last year, and the special mention rate was 3.41%, decreasing by 0.29 percentage point from the end of last year.

In the first half of 2018, the provisions for credit losses and asset impairments amounted to RMB22,298 million, a year-on-year decrease of 6.0%, including RMB21,044 million of provisions for credit losses on loans and advances to customers; at the end of June 2018, the balance of loan loss provisions reached RMB54,486 million, an increase of 24.2% over the end of last year; the provision to loan ratio was 2.95%, up 0.38 percentage point over the end of last year; the provision coverage ratio was 175.81%, up 24.73 percentage points over the end of last year; the provision coverage ratio of loans overdue for more than 90 days was 141.46%, up 35.79 percentage points over the end of last year. In the first half of 2018, total non-performing assets recovered by the Bank amounted to RMB12,325 million, a year-on-year increase of 180.1%, including credit assets (loan principals) of RMB11,503 million; for the recovered loan principals, loans written off and non-performing loans not written off were RMB6,559 million and RMB4,944 million respectively; 96.8% non-performing assets were recovered in cash, and the rest were paid in kind.

#### **(VI) Rational layout of outlets**

The Bank continued to implement the intelligent construction of outlets and set the layout of the outlets rationally. As at the end of June 2018, it had a total of 73 branches and a total of 1,073 business entities. In the first half of 2018, the Bank had opened or redecorated 46 new retail outlets, with the total expected to reach 100 at the end of the year.

## II. Analysis of principal business

### (I) Overview

Whether it is the same as the disclosure in the discussion and analysis of operations

√ Yes   □ No

See “I. Overview” in this section.

### (II) Significant changes in the composition or source of profit during the reporting period of the Company

□ Applicable   √ Not applicable

There is no significant change in the composition or source of profit during the reporting period of the Company.

### (III) Analysis of income statement items

#### 1. Composition of and changes in operating income

(In RMB million)

Item	Jan. - Jun. 2018		Jan. - Jun. 2017		Change at the reporting period from the same reporting period of last year
	Amount	%	Amount	%	
<b>Net interest income</b>	<b>37,436</b>	<b>65.4%</b>	<b>37,361</b>	<b>69.1%</b>	<b>0.2%</b>
Interest income from balances with central banks	2,051	2.5%	2,085	2.9%	(1.6%)
Interest income from transaction between financial enterprises	5,908	7.2%	4,663	6.5%	26.7%
Including: Interest income from deposits with banks and other financial institutions	2,870	3.5%	3,462	4.8%	(17.1%)
Interest income from placements with and loans to banks and other financial institutions	814	1.0%	718	1.0%	13.4%
Interest income from loans and advances to customers	53,757	65.6%	45,912	64.1%	17.1%
Interest income from financial investments	17,634	21.5%	17,144	23.9%	2.9%
Other interest income	2,658	3.2%	1,844	2.6%	44.1%
<b>Sub-total of interest income</b>	<b>82,008</b>	<b>100.0%</b>	<b>71,648</b>	<b>100.0%</b>	<b>14.5%</b>
Interest expense on borrowings from central bank	2,185	4.9%	774	2.3%	182.3%
Interest expense for transaction between financial enterprises	10,704	24.0%	9,515	27.8%	12.5%
Interest expense on deposits due to customers	23,509	52.7%	17,542	51.2%	34.0%
Interest expense on debt securities issued	8,174	18.4%	6,456	18.8%	26.6%
<b>Sub-total of interest expense</b>	<b>44,572</b>	<b>100.0%</b>	<b>34,287</b>	<b>100.0%</b>	<b>30.0%</b>
<b>Net fee and commission income</b>	<b>17,939</b>	<b>31.3%</b>	<b>15,748</b>	<b>29.1%</b>	<b>13.9%</b>
<b>Other net non-interest income</b>	<b>1,866</b>	<b>3.3%</b>	<b>960</b>	<b>1.8%</b>	<b>94.4%</b>
<b>Total operating income</b>	<b>57,241</b>	<b>100.0%</b>	<b>54,069</b>	<b>100.0%</b>	<b>5.9%</b>

Note: See “IV. Operating segment information” in “Section XI. Financial Report” for details about operating income and expense as per region.

## 2. Net interest income

In the first half of 2018, the Bank realised net interest income of RMB37,436 million, basically flat over the same period of last year, accounting for 65.4% of operating income.

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

(In RMB million)

Item	Jan. - Jun. 2018			Jan. - Jun. 2017		
	Average daily balance	Interest income/expense	Average yield/cost rate	Average daily balance	Interest income/expense	Average yield/cost rate
<b>Assets</b>						
Loans and advances to customers (excluding discounted bills)	1,755,538	53,629	6.16%	1,539,572	45,806	6.00%
Bond investment	517,973	9,431	3.67%	392,391	6,659	3.42%
Balances with central banks	267,489	2,051	1.55%	280,760	2,085	1.50%
Bills discounting and interbank business	662,877	14,239	4.33%	769,081	15,254	4.00%
Others	138,159	2,658	3.88%	88,552	1,844	4.20%
Total interest-earning assets	3,342,036	82,008	4.95%	3,070,356	71,648	4.71%
<b>Liabilities</b>						
Due to customers	2,013,989	23,509	2.35%	1,895,988	17,542	1.87%
Bonds issued	348,591	8,174	4.73%	327,220	6,456	3.98%
Including: Interbank deposits	303,474	6,995	4.65%	297,104	5,589	3.79%
Interbank business and others	743,131	12,889	3.50%	633,840	10,289	3.27%
Total interest-bearing liabilities	3,105,711	44,572	2.89%	2,857,048	34,287	2.42%
<b>Net interest income</b>		<b>37,436</b>			<b>37,361</b>	
<b>Deposit-loan spread</b>			<b>3.81%</b>			<b>4.13%</b>
<b>NIS</b>			<b>2.06%</b>			<b>2.29%</b>
<b>NIM</b>			<b>2.26%</b>			<b>2.45%</b>

The Bank continued to optimise business structure to increase the scale and proportion of personal loans, resulting in a slight rise in yield rate of interest-earning assets over the same period of last year. In the first half of 2018, due to the high market interest rate, the average cost rate of interest-bearing liabilities increased year on year, higher than the increase in the yield rate of interest-earning assets, and the deposit-loan spread, NIS and NIM decreased correspondingly.

(In RMB million)

Item	Apr. - Jun. 2018			Jan. - Mar. 2018		
	Average daily balance	Interest income/expense	Average yield/cost rate	Average daily balance	Interest income/expense	Average yield/cost rate
<b>Assets</b>						
Loans and advances to customers (excluding discounted bills)	1,778,378	27,366	6.17%	1,732,444	26,263	6.15%
Bond investment	514,226	4,641	3.62%	521,762	4,790	3.72%
Balances with central banks	268,366	1,025	1.53%	266,602	1,026	1.56%
Bills discounting and interbank business	631,761	6,788	4.31%	694,339	7,451	4.35%
Others	129,377	1,244	3.86%	147,039	1,414	3.90%
Total interest-earning assets	3,322,108	41,064	4.96%	3,362,186	40,944	4.94%
<b>Liabilities</b>						
Due to customers	2,010,523	11,997	2.39%	2,017,494	11,512	2.31%
Bonds issued	353,045	4,127	4.69%	344,088	4,047	4.77%
Including: Interbank deposits	307,927	3,534	4.60%	298,972	3,461	4.69%
Interbank business and others	723,777	6,191	3.43%	762,700	6,698	3.56%
Total interest-bearing liabilities	3,087,345	22,315	2.90%	3,124,282	22,257	2.89%
<b>Net interest income</b>		<b>18,749</b>			<b>18,687</b>	
<b>Deposit-loan spread</b>			<b>3.78%</b>			<b>3.84%</b>
<b>NIS</b>			<b>2.06%</b>			<b>2.05%</b>
<b>NIM</b>			<b>2.27%</b>			<b>2.25%</b>

The Bank continued to optimise business structure to increase the scale and proportion of personal loans. In the second quarter of 2018, NIM increased by about 2 basis points quarter on quarter.

## (2) Average daily balance and yield of loans and advances to customers

(In RMB million)

Item	Jan. - Jun. 2018			Jan. - Jun. 2017		
	Average daily balance	Interest income	Average yield	Average daily balance	Interest income	Average yield
Corporate loans (excluding discounted bills)	824,633	19,425	4.75%	943,484	21,247	4.54%
Personal loans(including credit cards)	930,905	34,204	7.41%	596,088	24,559	8.31%
<b>Loans and advances to customers (excluding discounted bills)</b>	<b>1,755,538</b>	<b>53,629</b>	<b>6.16%</b>	<b>1,539,572</b>	<b>45,806</b>	<b>6.00%</b>

Item	Apr. - Jun. 2018			Jan. - Mar. 2018		
	Average daily balance	Interest income	Average yield	Average daily balance	Interest income	Average yield
Corporate loans (excluding discounted bills)	812,044	9,701	4.79%	837,362	9,724	4.71%
Personal loans(including credit cards)	966,334	17,665	7.33%	895,082	16,539	7.49%
<b>Loans and advances to customers (excluding discounted bills)</b>	<b>1,778,378</b>	<b>27,366</b>	<b>6.17%</b>	<b>1,732,444</b>	<b>26,263</b>	<b>6.15%</b>



### (3) Average daily balance and cost rate of deposits due to customers

(In RMB million)

Item	Jan. - Jun. 2018			Jan. - Jun. 2017		
	Average daily balance	Interest expense	Average cost rate	Average daily balance	Interest expense	Average cost rate
Corporate deposits	1,640,732	18,714	2.30%	1,606,197	14,729	1.85%
Demand deposits	489,431	1,483	0.61%	519,494	1,597	0.62%
Time deposits	907,825	14,325	3.18%	826,740	11,191	2.73%
Including: Treasury deposits and agreement deposits	101,973	2,344	4.64%	96,966	2,164	4.50%
Pledged deposits held as collateral	243,476	2,906	2.41%	259,963	1,941	1.51%
Personal deposits	373,257	4,795	2.59%	289,791	2,813	1.96%
Demand deposits	140,528	210	0.30%	129,317	202	0.31%
Time deposits	207,432	3,996	3.88%	131,531	1,939	2.97%
Pledged deposits held as collateral	25,297	589	4.70%	28,943	672	4.68%
<b>Due to customers</b>	<b>2,013,989</b>	<b>23,509</b>	<b>2.35%</b>	<b>1,895,988</b>	<b>17,542</b>	<b>1.87%</b>

Item	Apr. - Jun. 2018			Jan. - Mar. 2018		
	Average daily balance	Interest expense	Average cost rate	Average daily balance	Interest expense	Average cost rate
Corporate deposits	1,622,280	9,452	2.34%	1,659,390	9,262	2.26%
Demand deposits	487,217	762	0.63%	491,670	721	0.59%
Time deposits	900,731	7,191	3.20%	914,998	7,134	3.16%
Including: Treasury deposits and agreement deposits	100,757	1,135	4.52%	103,203	1,209	4.75%
Pledged deposits held as collateral	234,332	1,499	2.57%	252,722	1,407	2.26%
Personal deposits	388,243	2,545	2.63%	358,104	2,250	2.55%
Demand deposits	143,275	107	0.30%	137,750	103	0.30%
Time deposits	219,934	2,145	3.91%	194,791	1,851	3.85%
Pledged deposits held as collateral	25,034	293	4.69%	25,563	296	4.70%
<b>Due to customers</b>	<b>2,010,523</b>	<b>11,997</b>	<b>2.39%</b>	<b>2,017,494</b>	<b>11,512</b>	<b>2.31%</b>

### 3. Net non-interest income

#### (1) Net fee and commission income

In the first half of 2018, the net fee and commission income of the Bank was RMB17,939 million, representing an increase of 13.9% year on year, mainly due to the increase in fee income from bank cards. The details were as follows:

(In RMB million)			
Item	Jan. - Jun. 2018	Jan. - Jun. 2017	Change at the reporting period from the same reporting period of last year
Settlement fee income	1,306	1,274	2.5%
Wealth management products related fee income	559	2,242	(75.1%)
Agency business fee income	2,066	1,660	24.5%
Bank card fee income	13,766	7,642	80.1%
Advisory and consulting fee income	984	1,752	(43.8%)
Asset custody fee income	1,531	1,857	(17.6%)
Account management fee income	71	82	(13.4%)
Others	778	1,360	(42.8%)
<b>Sub-total of fee income</b>	<b>21,061</b>	<b>17,869</b>	<b>17.9%</b>
Agency business fee expenses	451	165	173.3%
Bank card fee expenses	2,465	1,791	37.6%
Others	206	165	24.8%
<b>Sub-total of fee expenses</b>	<b>3,122</b>	<b>2,121</b>	<b>47.2%</b>
<b>Net fee and commission income</b>	<b>17,939</b>	<b>15,748</b>	<b>13.9%</b>

#### (2) Other net non-interest income

Other net non-interest income include investment income, gains or losses on changes in fair value, exchange gains or losses, other operating income, gains/losses on disposal of assets and other income. In the first half of 2018, other net non-interest income of the Bank was RMB1,866 million, representing an increase of 94.4% year on year, primarily due to the increase in investment income and gains on changes in fair value of bonds and other financial assets.

### 4. Business and administrative expenses

In the first half of 2018, the Bank continued to increase investment in strategic transformation. The operating expenses of the Bank was RMB16,980 million, an increase of 26.8% year on year and the cost/income ratio was 29.66%, up 4.90 percentage points year on year. Included in the operating expenses were staff expense of RMB8,505 million with a year-on-year increase of 38.6%, general and administrative expenses of RMB6,092 million with a year-on-year increase of 23.4%, and depreciation, amortisation and rental expenses of RMB2,383 million with a year-on-year increase of 3.0%.

## 5. Provision for impairment losses on credit and assets

(In RMB million)

Item	Jan. - Jun. 2018	Jan. - Jun. 2017	Change at the reporting period from the same reporting period of last year
Deposits with banks and other financial institutions	(120)	-	Nil for the same period of last year
Placements with and loans to banks and other financial institutions	1	-	Nil for the same period of last year
Financial assets held under resale agreements	15	-	Nil for the same period of last year
Loans and advances to customers	21,044	22,856	(7.9%)
Financial investments designated at fair value and changes included into other comprehensive income	13	-	Nil for the same period of last year
Financial investments carried at amortised cost (Note)	1,118	-	Nil for the same period of last year
Held-to-maturity investments	-	10	(100.0%)
Debt instruments classified as receivables	-	700	(100.0%)
Foreclosed assets	62	15	313.3%
Others	165	135	22.2%
<b>Total</b>	<b>22,298</b>	<b>23,716</b>	<b>(6.0%)</b>

Note: Credit impairment provision was mainly made for financial investments carried at amortised cost, including asset management plan/right to yields of asset management plan, and trust plan/right to yields of trust plan.

## 6. Income tax expense

(In RMB million)

Item	Jan. - Jun. 2018	Jan. - Jun. 2017	Change at the reporting period from the same reporting period of last year
Profit before tax	17,367	16,432	5.7%
Income tax expense	3,995	3,878	3.0%
Effective income tax rate	23.00%	23.60%	-0.60 percentage point

#### (IV) Analysis of balance sheet items

##### 1. Asset composition and changes

(In RMB million)

Item	30 June 2018		31 December 2017		Change at the end of the reporting period from the end of last year
	Amount	%	Amount	%	
Total loans and advances to customers	1,848,693	54.9%	1,704,230	52.5%	8.5%
Loss provision for loans and advances to customers	(54,486)	(1.6%)	(43,810)	(1.4%)	24.4%
Net loans and advances to customers	1,794,207	53.3%	1,660,420	51.1%	8.1%
Financial assets classified as investments (Note)	801,133	23.8%	823,082	25.3%	(2.7%)
Cash and balances with central banks	307,400	9.1%	310,212	9.6%	(0.9%)
Precious metals	69,194	2.1%	87,501	2.7%	(20.9%)
Deposits with banks and other financial institutions	99,752	3.0%	130,208	4.0%	(23.4%)
Placements with and loans to banks and other financial institutions and financial assets held under resale agreements	155,701	4.6%	100,949	3.1%	54.2%
Accounts receivable	55,379	1.6%	52,886	1.6%	4.7%
Interest receivables	18,421	0.5%	20,354	0.6%	(9.5%)
Property and equipment	8,530	0.3%	8,036	0.4%	6.1%
Intangible assets	4,494	0.1%	4,701	0.1%	(4.4%)
Goodwill	7,568	0.2%	7,568	0.2%	-
Investment properties	200	0.0%	209	0.0%	(4.3%)
Deferred income tax assets	27,009	0.8%	24,989	0.8%	8.1%
Other assets	18,411	0.6%	17,359	0.5%	6.1%
<b>Total assets</b>	<b>3,367,399</b>	<b>100.0%</b>	<b>3,248,474</b>	<b>100.0%</b>	<b>3.7%</b>

Note: “Financial assets classified as investments” include the “financial assets designated at fair value and changes included into the profits and losses for the period, financial investments designated at fair value and changes included into other comprehensive income, financial investments carried at amortised cost, derivative financial assets, available-for-sale financial assets, held-to-maturity investments, and debt instruments classified as receivables” under the item of the balance sheet. See “(4) financial assets classified as investments” in this section for details.

##### (1) Loans and advances to customers

At the end of June 2018, the Bank’s total loans and advances to customers amounted to RMB1,848,693 million, an increase of 8.5% over the end of previous year. See “III Analysis on asset quality of loans” in this section for details about the Bank’s loans and advances to customers.

##### (2) Assets and liabilities measured at fair value

See “VII. Risk disclosure 4. Fair value of financial instruments” and “X. Other significant items - Assets and liabilities measured at fair value” in the “Section XI Financial Report” for the Bank’s fair value measurement and items measured at fair value at the end of June 2018.

##### (3) Restrictions on major asset rights by the end of the reporting period

□ Applicable     √ Not applicable

**(4) Financial assets classified as investments****Investment portfolio and overall situation**

√ Applicable    □ Not applicable

(In RMB million)

Item	30 June 2018		31 December 2017	
	Amount	%	Amount	%
Financial assets designated at fair value and changes included into the profits and losses for the period	104,893	13.1%	39,575	4.8%
Derivative financial assets	21,574	2.7%	16,080	2.0%
Available-for-sale financial assets	-	-	36,744	4.5%
Held-to-maturity investments	-	-	358,360	43.5%
Debt instruments classified as receivables	-	-	372,323	45.2%
Financial investments designated at fair value and changes included into other comprehensive income	49,023	6.1%	-	-
Financial investments carried at amortised cost	625,643	78.1%	-	-
<b>Total financial assets classified as investments</b>	<b>801,133</b>	<b>100.0%</b>	<b>823,082</b>	<b>100.0%</b>

**Significant equity investment acquired in the reporting period**

□ Applicable    √ Not applicable

**Significant non-equity investment ongoing in the reporting period**

□ Applicable    √ Not applicable

## Financial bonds held

At the end of June 2018, the book value of financial bonds (policy bank bonds, various general financial bonds, subordinated financial bonds, excluding enterprise bonds) held by the Bank was RMB126.7 billion, among which ten financial bonds with the highest book value are detailed as follows:

(In RMB million)

Name of bonds	Par value	Annual coupon rate (%)	Maturity date	Impairment provision
2017 Policy Bank Bonds	7,870	3.88	19 April 2020	-
2018 Policy Bank Bonds	7,530	4.88	9 February 2028	-
2010 Policy Bank Bonds	3,860	2.09	25 February 2020	-
2017 Policy Bank Bonds	3,400	4.24	24 August 2027	-
2016 Policy Bank Bonds	3,270	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	1
2016 Commercial Bank Bonds	3,000	3.20	29 March 2018	1
2016 Policy Bank Bonds	2,990	2.65	20 October 2019	-
2017 Commercial Bank Bonds	2,500	4.30	5 September 2020	1

## Derivative investment

Risk analysis and control measures for derivative positions in the reporting period (including but not limited to market risk, liquidity risk, operational risk, legal risk, etc.)	The Bank carried out capital transactions and investment covering derivatives within the overall limit framework of risk preference and market risk established by the Board of Directors. The Bank built a targeted system for risk management and internal control to effectively identify, measure, monitor, report and control the risks associated with derivative investment.
For changes in market price or fair value of products during the reporting period of invested derivatives, analysis of the fair value of derivatives shall disclose the specific measures used and related hypotheses and parameter setting.	In the reporting period, changes in the fair value of the derivatives invested by the Bank were within reasonable and controllable range. The Bank adopted valuation methods generally recognised by market players and verified to be reliable by the previous actual market transaction price, and market observable parameters to determine the fair value of the derivatives.
Description of whether the specific principles of the accounting policies and accounting for the Company's derivatives during the reporting period changed significantly compared with those in the previous reporting period	The Bank developed the accounting policies and accounting measures for derivatives according to the <i>Accounting Standards for Business Enterprises</i> and relevant policies in the reporting period did not change significantly.
Special opinions of independent directors on the derivative investment and risk control of the Company	The Bank's derivative trading is a commercial bank business approved by regulatory authorities. The Bank has set up a special risk management organisation and established a targeted risk management system to effectively manage the risk of derivative investment business.

## Positions of derivative investment

(In RMB million)

Contract type	Beginning contract amount (Nominal amount)	Ending contract amount (Nominal amount)	Changes in fair value during the reporting period
Foreign exchange derivatives	1,006,715	961,457	2,044
Interest rate derivatives	1,719,253	2,158,027	(207)
Precious metals derivatives	112,451	107,553	1,819
Others	11,115	698,488	(63)
<b>Total</b>	<b>2,849,534</b>	<b>3,925,525</b>	<b>3,593</b>

Note; The Bank carried out capital transactions and investment covering derivatives within the overall limit framework of risk preference and market risk established by the Board of Directors. The nominal amount of derivative financial instruments only demonstrated the trading volume, but did not reflect the actual risk exposure. The Bank adopted hedging strategy to the foreign exchange and interest rate derivative business, so there was little actual risk exposure of foreign exchange rate and interest rate.

### Analysis on main holding companies and joint stock companies

□ Applicable    √ Not applicable

There was no information of significant holding and joint stock companies that should be disclosed in the reporting period of the Company.

### Shares held in other listed companies

(In RMB million)

Security code	Security abbreviation	Initial investment amount	Shareholding proportion in the company as at the end of the period	Ending book value	Investment gains/losses in the reporting period	Changes in owners' equity in the reporting period	Accounting items	Source of shares
400061	NJTC	314	2.72%	589	-	-	Financial assets designated at fair value and changes included into the profits and losses for the period	Debt-to-equity
600725	YWGF	158	0.85%	25	(8)	-		Debt-to-equity
400053	Jiamusijindi Paper Co., Ltd.	11	1.76%	11	-	-	Financial investments designated at fair value and changes included into other comprehensive income	Debt-to-equity
-	Visa Inc.	-	0.01%	8	-	1		Historical investment
<b>Total</b>		<b>483</b>		<b>633</b>	<b>(8)</b>	<b>1</b>		

### Shares held in unlisted financial companies and Pre-IPOs

(In RMB million)

Invested entities	Investment amount	Changes in fair value	Net value at the end of reporting period
China UnionPay Co., Ltd.	74	-	74
Shares of SWIFT member	1	-	1
Clearing Center for City Commercial Banks	1	-	1
China Zheshang Bank Co., Ltd.(Note)	59	(25)	34
<b>Total</b>	<b>135</b>	<b>(25)</b>	<b>110</b>

Note: In 2014, the Bank acquired 10 million shares of domestic equity in China Zheshang Bank Co., Ltd in a way of paying in kind.

**(5) Interest receivables and bad-debt provision in the reporting period**

(In RMB million)

Interest receivables	Amount
Beginning balance	20,354
Increase in the period	83,951
Amount recovered in the period	(85,884)
<b>Ending balance</b>	<b>18,421</b>
Bad-debt provision at the end of the period	-

At the end of June 2018, the interest receivables of the Bank decreased by RMB1,933 million or 9.5% over the end of last year, mainly due to the decrease in interest receivable from deposits with banks and other financial institutions. For interest receivables related to interest-earning assets, such as loans, when they were not recovered 90 days after they were due, the Bank wrote down the interest income during the current period and accounted them off balance sheet, without withdrawing bad-debt provision.

**(6) Goodwill**

The Bank obtained goodwill when acquiring the former Ping An Bank in July 2011. The goodwill balance was RMB7,568 million as at the end of June 2018.

(In RMB million)

Item	Balance	Impairment provision
Goodwill	7,568	-

**(7) Other assets - foreclosed assets**

(In RMB million)

Item	Balance
Lands and buildings	4,504
Others	38
<b>Sub-total</b>	<b>4,542</b>
Impairment provision for foreclosed assets	(270)
<b>Net amount of foreclosed assets</b>	<b>4,272</b>



## 2. Liability structure and changes

(In RMB million)

Item	30 June 2018		31 December 2017		Change at the end of the reporting period from the end of last year
	Amount	%	Amount	%	
Due to customers	2,079,278	66.2%	2,000,420	66.1%	3.9%
Borrowings from central bank	142,891	4.6%	130,652	4.3%	9.4%
Deposits from banks and other financial institutions	434,558	13.8%	430,904	14.2%	0.8%
Placements from banks and other financial institutions	20,835	0.7%	28,024	0.9%	(25.7%)
Financial liabilities designated at fair value through profit or loss	8,614	0.3%	9,047	0.3%	(4.8%)
Derivative financial liabilities	19,161	0.6%	17,712	0.6%	8.2%
Financial assets sold under repurchase agreements	12,148	0.4%	6,359	0.2%	91.0%
Salaries and welfare payable	9,571	0.3%	10,713	0.4%	(10.7%)
Taxes payable	5,019	0.2%	11,891	0.4%	(57.8%)
Interest payable	29,001	0.9%	26,063	0.9%	11.3%
Debt securities issued	361,539	11.5%	342,492	11.3%	5.6%
Others (Note)	16,643	0.5%	12,143	0.4%	37.1%
<b>Total liabilities</b>	<b>3,139,258</b>	<b>100.0%</b>	<b>3,026,420</b>	<b>100.0%</b>	<b>3.7%</b>

Note: "Others" include items such as "provisions and other liabilities" in the statement.

### Distribution of deposits due to customers as per customer type

(In RMB million)

Item	30 June 2018	31 December 2017	Change at the end of the reporting period from the end of last year
Corporate deposits	1,673,508	1,659,421	0.8%
Personal deposits	405,770	340,999	19.0%
<b>Total deposits due to customers</b>	<b>2,079,278</b>	<b>2,000,420</b>	<b>3.9%</b>

### Distribution of deposits due to customers as per regions

(In RMB million)

	30 June 2018		31 December 2017		Change at the end of the reporting period from the end of last year
	Amount	%	Amount	%	
Eastern District	469,423	22.6%	457,446	22.9%	2.6%
Southern District	632,710	30.4%	609,522	30.5%	3.8%
Western District	150,995	7.3%	155,786	7.8%	(3.1%)
Northern District	334,845	16.1%	375,764	18.7%	(10.9%)
Head office	491,305	23.6%	401,902	20.1%	22.2%
<b>Total deposits due to customers</b>	<b>2,079,278</b>	<b>100.0%</b>	<b>2,000,420</b>	<b>100.0%</b>	<b>3.9%</b>

### 3. Shareholders' equity

(In RMB million)

Item	Balance at the beginning of the year	Changes due to the initial implement of new accounting standards for financial instruments	Increase in the period	Decrease in the period	Balance at the end of the period
Share capital	17,170	-	-	-	17,170
Other equity instruments	19,953	-	-	-	19,953
Including: Preference shares	19,953	-	-	-	19,953
Capital reserve	56,465	-	-	-	56,465
Other comprehensive income	(528)	402	457	-	331
Surplus reserve	10,781	-	-	-	10,781
General reserve	38,552	-	-	-	38,552
Retained earnings	79,661	(4,935)	13,372	(3,209)	84,889
Including: Dividend of ordinary shares proposed for distribution	2,335	-	-	(2,335)	-
<b>Total</b>	<b>222,054</b>	<b>(4,533)</b>	<b>13,829</b>	<b>(3,209)</b>	<b>228,141</b>

**(V) Major financial data and indicators with changes over 30% during the reporting period and the reasons**

(In RMB million)

Item	Amount for the period	Amount of change	Rate of change	Analysis on reasons of change
Placements with and loans to banks and other financial institutions	81,997	22,982	38.9%	Increase in placements with domestic financial institutions
Financial assets designated at fair value and changes included into the profits and losses for the period	104,893	65,318	165.0%	Effect of adopting new accounting standards for financial instruments
Derivative financial assets	21,574	5,494	34.2%	Changes in fair value of foreign exchange and interest rate derivative transactions
Financial assets held under resale agreements	73,704	31,770	75.8%	Increase in scale of bonds held under resale agreements
Available-for-sale financial assets	-	(36,744)	(100.0%)	Effect of adopting new accounting standards for financial instruments
Held-to-maturity investments	-	(358,360)	(100.0%)	Effect of adopting new accounting standards for financial instruments
Debt instruments classified as receivables	-	(372,323)	(100.0%)	Effect of adopting new accounting standards for financial instruments
Financial investments designated at fair value and changes included into other comprehensive income	49,023	49,023	Nil for last year	Effect of adopting new accounting standards for financial instruments
Financial investments carried at amortised cost	625,643	625,643	Nil for last year	Effect of adopting new accounting standards for financial instruments
Financial assets sold under repurchase agreements	12,148	5,789	91.0%	Increase in scale of bonds sold under repurchase agreements
Taxes payable	5,019	(6,872)	(57.8%)	Decrease in corporate income tax payable after corporate income tax filing for 2017
Other liabilities	16,619	4,501	37.1%	Increase in dividends payable and amounts payable for custody
Other comprehensive income	331	859	Negative in the previous year	Change in the fair value included into other comprehensive income influenced by adopting new accounting standards for financial instruments
Interest expense	44,572	10,285	30.0%	Increase in interest expense on deposits due to customers and borrowings from central bank
Fee and commission expenses	3,122	1,001	47.2%	Increase in credit card fee expenses and agency business fee expenses
Investment income	1,187	448	60.6%	Increase in gains on bond investment and transfer price spread of bills
Gains or losses on changes in fair value	545	528	3,105.9%	Increase in gains or losses on changes in fair value of financial assets designated at fair value and changes included into the profits and losses for the period
Exchange gains or losses	(60)	(112)	(215.4%)	Decrease in exchange gains or losses due to fluctuations in exchange rate
Gains or losses on disposal of assets	70	74	Negative in the previous year	Increase in gains on disposal of foreclosed assets
Non-operating income	6	(6)	(50.0%)	Small base number of RMB12 million for the same period of last year

## **(VI) Other related matters**

### **1. Cash flows**

In the first half of 2018, the Bank's net cash flows generated from operating activities amounted to RMB7,455 million, representing a year-on-year increase of RMB135,635 million, primarily due to the year-on-year increase in cash inflow of deposits due to customers and interbank business; net cash flows generating from investing activities amounted to RMB66,507 million, a year-on-year increase of RMB125,062 million, due to the year-on-year decrease in net cash outflow of investing activities; net cash flows generated from financing activities amounted to RMB9,403 million, representing a year-on-year decrease of RMB69,572 million, primarily due to the decrease in cash received from issuance of bonds.

### **2. Structured entities controlled by the Company**

At the end of June 2018, the Bank's balance of guaranteed financial products reached 93,191 million with a decrease of 27.9% over the end of last year, and structured deposits amounted to RMB403,657 million with an increase of 85.5% more than the end of last year. Non-guaranteed financial products amounted to RMB484,189 million, with a decrease of 3.4% over the end of last year. See "III. Notes to key items in the financial statements - Note 54. Structured entities" in "Section XI Financial Report" for specific information about the Bank's structured entities.

### **3. Balance of off-balance sheet items which may have significant influences on business performance at the end of the reporting period**

See "V. Commitments and contingent liabilities" in "Section XI Financial Report" for the Bank's items, such as "credit commitments, lease commitments, capital commitments".

### **4. Sales of significant assets and equities**

#### **(1) Sales of significant assets**

☐ Applicable     ☒ Not applicable

The Bank sold no significant assets during the reporting period.

#### **(2) Sales of significant equities**

☐ Applicable     ☒ Not applicable

### **5. Forecast of operational performance from January to September 2018**

Warnings on any potential loss in accumulated net profit from the beginning of the year to the end of the next reporting period or any material change as compared with that in the same period of last year and the reasons

☐ Applicable     ☒ Not applicable

### III. Analysis on asset quality of loans

#### (I) Five-tier classification of loans

(In RMB million)

Item	30 June 2018		31 December 2017		Change in balance
	Balance	%	Balance	%	
Normal loans	1,754,682	94.91%	1,612,249	94.60%	8.8%
Special mentioned loans	63,019	3.41%	62,984	3.70%	0.1%
Non-performing loans	30,992	1.68%	28,997	1.70%	6.9%
Including: Subprime	9,370	0.51%	12,510	0.73%	(25.1%)
Doubtful	6,225	0.34%	3,343	0.20%	86.2%
Loss	15,397	0.83%	13,144	0.77%	17.1%
<b>Total loans and advances to customers</b>	<b>1,848,693</b>	<b>100.00%</b>	<b>1,704,230</b>	<b>100.00%</b>	<b>8.5%</b>
Loss provision for loans and advances to customers	(54,486)		(43,810)		24.4%
NPL ratio	1.68%		1.70%		-0.02 percentage point
Provision coverage ratio	175.81%		151.08%		+24.73 percentage points
Provision coverage ratio for loans overdue for more than 90 days	141.46%		105.67%		+35.79 percentage points
Provision to loan ratio	2.95%		2.57%		+0.38 percentage point

In the first half of 2018, affected by current economic and financial situation and operation and management capability of certain credit customers and other internal and external factors, some enterprises were facing problems such as difficulties in management and declining financing capability, which led to overdue loans and interest and an increase in non-performing loans and special mentioned loans. The Bank proactively took multiple steps to manage the existing loans and strictly control incremental loans to curb the decline in asset quality and maintain the asset quality relatively steady.

## (II) Asset quality as per products

(In RMB million)

Item	30 June 2018			31 December 2017			Increase/decrease in non-performing ratio
	Balance	%	Non-performing ratio	Balance	%	Non-performing ratio	
<b>Corporate loans</b>	<b>849,767</b>	<b>46.0%</b>	<b>2.42%</b>	<b>855,195</b>	<b>50.2%</b>	<b>2.22%</b>	<b>+0.20 percentage point</b>
General corporate loans	820,173	44.4%	2.50%	840,439	49.3%	2.25%	+0.25 percentage point
Discounted bills	29,594	1.6%	-	14,756	0.9%	-	-
<b>Personal loans</b>	<b>613,193</b>	<b>33.1%</b>	<b>0.96%</b>	<b>545,407</b>	<b>32.0%</b>	<b>1.18%</b>	<b>-0.22 percentage point</b>
Property mortgages	171,722	9.3%	0.09%	152,865	9.0%	0.08%	+0.01 percentage point
Business loans	143,109	7.7%	2.97%	118,622	7.0%	4.18%	-1.21 percentage points
Car loans	141,363	7.7%	0.44%	130,517	7.7%	0.54%	-0.10 percentage point
Others (Note)	156,999	8.4%	0.54%	143,403	8.3%	0.47%	+0.07 percentage point
<b>Credit card receivables</b>	<b>385,733</b>	<b>20.9%</b>	<b>1.19%</b>	<b>303,628</b>	<b>17.8%</b>	<b>1.18%</b>	<b>+0.01 percentage point</b>
<b>Total loans and advances to customers</b>	<b>1,848,693</b>	<b>100.0%</b>	<b>1.68%</b>	<b>1,704,230</b>	<b>100.0%</b>	<b>1.70%</b>	<b>-0.02 percentage point</b>

Note: "Others" include consumer loans of New Generation Loan, licenced 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. Non-performing ratio of personal loans slightly declined as compared with the beginning of the year:

(1) The Bank further adjusted the customer structure of property mortgages, strengthened efforts for high-quality customers and effectively improved the quality of new loans. As a result, the non-performing ratio of mortgage loans maintained at a low level.

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

(3) The Bank introduced big data analysis into auto finance loan business, continuously improved access threshold standard, and improved 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 carried out various tasks in an efficient manner, including free-collection strategy for outsourcing call collection services and research and development of AI collection robot. Meanwhile, the auto-collection team continuously strengthened the publicity and promotion of compliance, formalised the collection processes and launched on-line collection APP.

What's more, it transformed its lawsuit model to filing lawsuits for collection, and took multiple measures for collection and recovery to ensure the overall asset quality within a controllable range.

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 optimised through the scientific tools such as big data and the application scoring model, which could effectively improve the structure and quality of the new customers and optimise 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 had effectively improved the collecting ability by optimising the differentiated collection strategy and improving the collection management ability for non-performing assets to maintain the risk level of credit card portfolios within the controllable range (below income).

### (III) Asset quality as per industries

(In RMB million)

Item	30 June 2018			31 December 2017			Increase/decrease in non-performing ratio
	Balance	%	Non-performing ratio	Balance	%	Non-performing ratio	
Agriculture, husbandry and fisheries	6,763	0.4%	3.80%	9,291	0.6%	2.96%	+0.84 percentage point
Extraction (heavy industry)	50,313	2.7%	2.60%	58,048	3.4%	3.78%	-1.18 percentage points
Manufacturing (light industry)	144,302	7.8%	6.50%	141,976	8.3%	3.81%	+2.69 percentage points
Energy	23,921	1.3%	0.16%	25,261	1.5%	1.17%	-1.01 percentage points
Transportation, storage and communication	46,138	2.5%	0.17%	47,794	2.8%	0.06%	+0.11 percentage point
Commerce	99,005	5.4%	6.54%	116,394	6.8%	5.68%	+0.86 percentage point
Real estate	156,527	8.5%	1.03%	152,919	9.0%	0.77%	+0.26 percentage point
Social service, technology, culture and sanitary industries	155,743	8.4%	0.33%	134,339	7.9%	0.03%	+0.30 percentage point
Construction	44,319	2.4%	1.92%	48,107	2.8%	2.33%	-0.41 percentage point
Discounted bills	29,594	1.6%	-	14,756	0.9%	-	-
Personal loans (including credit cards)	998,926	54.0%	1.05%	849,035	49.8%	1.18%	-0.13 percentage point
Others	93,142	5.0%	-	106,310	6.2%	1.68%	-1.68 percentage points
<b>Total loans and advances to customers</b>	<b>1,848,693</b>	<b>100.0%</b>	<b>1.68%</b>	<b>1,704,230</b>	<b>100.0%</b>	<b>1.70%</b>	<b>-0.02 percentage point</b>

At the end of June 2018, the Bank's non-performing loans were mainly concentrated in commerce and manufacturing, accounting for 51% of the total non-performing loans.

#### (IV) Asset quality as per regions

(In RMB million)

Item	30 June 2018			31 December 2017			Increase/decrease in non-performing ratio
	Balance	%	Non-performing ratio	Balance	%	Non-performing ratio	
Eastern District	573,084	31.0%	1.46%	539,248	31.6%	1.39%	+0.07 percentage point
Southern District	335,617	18.2%	1.46%	323,692	19.0%	1.29%	+0.17 percentage point
Western District	186,614	10.1%	2.85%	185,825	10.9%	2.80%	+0.05 percentage point
Northern District	288,976	15.6%	2.67%	279,698	16.4%	1.94%	+0.73 percentage point
Head office	464,402	25.1%	1.00%	375,767	22.1%	1.79%	-0.79 percentage point
<b>Total loans and advances to customers</b>	<b>1,848,693</b>	<b>100.0%</b>	<b>1.68%</b>	<b>1,704,230</b>	<b>100.0%</b>	<b>1.70%</b>	<b>-0.02 percentage point</b>

#### (V) Restructured and overdue loans

(In RMB million)

Item	30 June 2018		31 December 2017		Change in balance
	Balance	% of total loans	Balance	% of total loans	
Restructured loans	24,256	1.31%	26,672	1.57%	(9.1%)
Loans with principal and interest overdue for less than 90 days	18,323	0.99%	17,284	1.01%	6.0%
Loans with principal or interest overdue for more than 90 days	38,518	2.08%	41,460	2.43%	(7.1%)

1. In June 2018, the Bank's balance of restructured loans was RMB24,256 million, a decrease of 9.1% over the end of last year. The Bank strengthened the recovery, restructuring and dissolving of problematic credit borrowers and gradually adjusted and optimised business structure to mitigate and dissolve credit risks ultimately.

2. In June 2018, the Bank's balance of loans overdue for no more than 90 days (including loans with paid principal and interest overdue for no more than 90 days) amounted to RMB18,323 million, an increase of 6.0% as compared with that at the end of the previous year; the balance of loans overdue for more than 90 days (including loans with paid principal and interest overdue for more than 90 days) amounted to RMB38,518 million, a decrease of 7.1% as compared with that at the end of the previous year. Most of the Bank's new overdue loans had collaterals or pledges. The Bank took multiple actions and developed recovery and restructuring conversion plans by types. It had actively communicated with each related party to manage and dissolve risks together. Currently, overall risks were controllable.



**(VI) Movements in loan impairment provision**

The Bank started to adopt new accounting standards for financial instruments from 1 January 2018, under which financial instruments are classified into Stage 1, 2 and 3 based on their risk condition and expected credit loss rate model is set to accurately measure expected credit losses and reasonably make credit impairment provision.

(In RMB million)

Item	Amount
Balance at the beginning of the year	43,180
Changes due to the initial implement of new accounting standards for financial instruments	3,953
Add: Provision/reversal	21,044
Less: Write-off	(20,093)
Add: Recovery of written-off loans	6,559
Less: Amounts released upon disposal of assets	(496)
Less: Decrease of loans due to rise in discount value	(340)
Add: Other movements	49
Balance at the end of the period	54,486

Non-performing loans fully provided will be written off to the extent that they conform to the write-off conditions and complete relevant write-off procedures; written-off loans will be managed in accordance with the principle of “filing after witting-off and continuous recovery” where the operating unit is responsible for the ongoing dissolve and disposal of written-off loans. For recovery of written-off loans, litigation fees due from borrower advanced from the Bank will be withheld first. For the remaining amount, principal amount of the loans was deducted before the debit interest was deducted. The principals of loans would be used to increase the loan loss provision of the Bank, and the recovered interest and expenses would be used to increase interest income in the current period and bad-debt provision.

**(VII) Loan balance of top ten loan customers and its proportion to total loans**

At the end of June 2018, the Bank’s loan balance of the top ten loan customers amounted to RMB52,752 million, accounting for 2.85% of the ending loan balance, including the Bank’s loan balance of the top five loan customers of RMB34,574 million, accounting for 1.87% of the ending loan balance. Among the Bank’s top five loan customers, the loan balance of related parties in which China Ping An and its holding subsidiaries had equity amounted to RMB18,537 million, accounting for 1.00% of the ending loan balance. The rest loan customers of the Bank’s top five loan customers had no association relationship with the Bank.

### **(VIII) Loans on the governmental financing platform**

At the end of June 2018, the Bank's loan balance of governmental financing platform (including loans rectified to general corporate loans and loans still managed by platform) was RMB36,547 million, a decrease of RMB3,108 million or 7.8% as compared with that at the end of the previous year, accounting for 1.98% of the balance of all loans, down 0.35 percentage point over the end of the previous year.

Among that, from the view of classification, the Bank's balance of the loans which were rectified to general corporate loans was RMB31,426 million, accounting for 1.70% of the total loan balance. The balance of the loans still managed by platform was RMB5,121 million, accounting for 0.28% of the total loan balance. The quality of loans on the Bank's platform was good and there were no non-performing loans currently.

### **(IX) Distribution of loans by type of collateral**

See "III. Notes to key items in the financial statements 9.3 Loans and advances to customers--Summarised by type of collateral held or other credit enhancements" in "Section XI Financial Report" for information of "distribution of loans by type of collateral".

### **(X) Green credit**

Following the principles of *Guidance on Green Credit* formulated by CBIRC and adhering to the concept of sustainable development, the Bank implemented green credit policies each year and green credit development strategy in the whole bank to enhance support in this regard and take the lead in green financial products creation by integrating green low-carbon concept into the entire process of financial services. The Bank has developed the *Green Credit Guidelines of Ping An Bank* and implemented green credit classification management. According to the common practice of international leading banks' implementation of the "Equator Principles", the Bank has effectively allocated credit resources, enhanced support to the low-carbon economy, circular economy, energy-saving and emission reduction and other green economy, restricted involvement the industries that did not meet the national policies for environmental protection and industries.

The Bank formulated *Risk Policy Guidance of Ping An Bank in 2018* and implemented quota management on credit granted to "Non-green Industries" and backward production capacity to reasonably control the scale of credit, and continued to strictly control credit granted to "Non-green Industries", resulting in a gradual decline in proportion. It took a strict control over risks from high pollution and high energy consumption business. The Bank strictly prevented risks from industries with excess capacity, helped to reduce excess capacity, supported the expansion of effective demand and "going out" of enterprises, promoted mergers and acquisitions, enhanced exit guarantee to achieve "digestion, transfer, integration and elimination" and optimised credit structure. The Bank strictly abided by the national industry policy compliance bottom line and implemented strict credit list management policy. For projects eliminated by the *Guiding Catalog for Adjustment in the Structure of Industries*, environmentally illegal projects and other projects not compliant with national policy of energy-saving and emission reduction and backward production projects expressly required to be eliminated by the State, the Bank shall not provide any form of new credit and has to take appropriate measures to ensure the safe recovery of credit granted. It will take a strict list management of high pollution and high energy consumption industries, and gradually reduce and adjust the credit balance granted to "Non-green Industries" and "excess capacity" to steadily enhance the granting of green credit.

In line with the requirements of the “13th Five-Year Plan”, the CBIRC’s *Green Credit Guidelines* and the Bank’s key strategy, the Bank had focused on the green credit business boundary, including energy saving and environmental protection manufacturing and service industries, clean energy industry, new energy automobile industry and green building industry and put forward the target customers and credit program guidelines. Additionally, it established an energy finance business unit to promote the new energy field customer strategy and the overall product design based on franchise innovation, to provide professional comprehensive finance services to the customers; increased support for advanced manufacturing industry in line with industry upgrading and emerging industries with clear growth prospects, and actively supported the energy-saving and emission reduction technology innovation, technological transformation, technical services and product promotion, so as to promote orderly progress of green credit.

The Bank continued to enhance compliance inspection and post-credit management of environmental risk customers, and included the green credit implementation into the scope of internal control compliance inspection and internal audit. At the same time, it paid close attention to the effect of national policies on customers’ operating condition and strengthened related dynamic analysis, monitoring and adjustment. The Bank continued to improve the special statistics system for green credit, further clarified the green credit statistics of the Bank, carried out dynamic monitoring and regular special statistics on the Bank’s support for energy-saving and emission reduction and elimination of credit to backward production capacity, and included the verification of environmental information into the credit flow management.

The Bank regularly organised self-assessment of green credit implementation, and carried out self-assessment of green credit from the aspects of green credit organisation management, policy system and capacity building, process management, internal control management, information disclosure, supervision and inspection to accelerate the establishment of green credit assessment accountability system and reward and punishment mechanism and carry out stimulus and restraint measures. Besides, it combined with off-site supervision and on-site inspection to conduct comprehensive assessment of the effectiveness of green credit. In accordance with relevant laws and regulations, it regarded the assessment results as important basis of credit rating, business access and personnel performance evaluation to ensure the ongoing and effective rollout of green credit.

The Bank improved the communication and disclosure mechanism of green credit (environmental) information, organised and studied the outstanding green credit cases of the Bank, strengthened the propaganda work on green credit value orientation, and ensured ongoing and effective rollout of green credit.

#### **IV. Effect and analysis of changes in operational environment**

In the first half of 2018, the macro-economy of China continued to maintain a steady growth. In the economic sector, the supply-side structural reform steadily advanced, with strong economic growth resilience, accelerating economic momentum and improving economic benefits. The profit of industrial enterprises above designated size, the added value of high-tech manufacturing, the production index of service industry and other indicators continued to show good growth momentum. Good progress was made in adjustment and optimisation of economic structure. The reduction of taxes and fees was intensified, and the driving force of domestic demand continued to rise, resulting in significantly declined dependence on foreign trade and improved ability to cope with external impact. In the financial sector, the sound and neutral monetary policy achieved good results, structural de-leverage steadily advanced and financial risk prevention and control began to take effect. As a result, the ability to serve real

economy was further enhanced. It was noted that withdrawal of quantitative easing policy and gradually raised interest rates by the United States as well as the trade friction between China and the United States brought turbulence and uncertainty to the global economy. The domestic financial risk prevention and control could objectively reduce economic growth and China's economic and financial development still faced a relatively complicated situation.

In the first half of 2018, progress was made in China's financial reform, financial supervision was continuously strengthened, and the banking industry's operating environment was clean and cleared. Accordingly, the financial industry fully returned to its primary mission to serve the real economy. New rules for asset management were officially released to accurately correct the financial chaos, the financial channel business was completely blocked, and "breaking the rigid payment" was headed in an orderly manner, and the commercial banks' wealth management business and investment banking business were facing a comprehensive transformation. The protection of consumer rights and interests was reinforced, and the rectification of market chaos such as Internet finance, illegal fund-raising and financial fraud was further enhanced. Financial activities such as P2P, cash loans, and Internet payments were further regulated. Regulatory inspections and penalties became more stringent and stricter, the cost for non-compliance of financial institutions further increased, and the business management behaviour of commercial banks was further regulated, laying a solid foundation for their long-term development.

## **V. Key issues of concern in operations**

### **1. NIM**

In the first half of 2018, NIM of the Bank was 2.26%, a year-on-year decrease of 19 basis points. The cost rate of the Bank's interest-bearing liabilities was growing faster than the yield rate of interest-earning assets, primarily due to comprehensive balance of funds and high market interest rate. Accordingly, the Bank took the initiative to optimise asset structure, especially adhered to the retail transformation development strategy, increased the granting of retail loans, and improved the overall asset yield; strengthened research and judgement on market interest rate trend, adopted dynamic asset/liability portfolio management strategy and enhanced the sensitivity of asset pricing; proactively boosted growth in core deposits and continuously improved deposit structure by using internal and external pricing management tools. From the perspective of quarterly trend, the Bank's NIM in the second quarter was 2.27%, increasing by about 2 basis points over the first quarter and gradually became stable with growth momentum.

In the future, with the continuous improvement of retail customer management, the effect of retail LUM to drive retail AUM and credit card to drive debit card will gradually present. In addition, the Bank promoted the agency business to attract new customers in bulk, deeply dig agency customer value, spur the growth of low-cost settlement deposits and improve the retail deposit structure. Meanwhile, it enhanced comprehensive income pricing management of corporate customers, strengthened the marketing guidance role of active liabilities, promoted the absorption of low-cost deposits such as government deposits, deposits from administrative institutions, and platform deposits from the network finance business units, and reduced the cost of comprehensive liabilities of customers. For assets, the Bank conformed to the strategy of "pursuing breakthroughs in retail banking and reinventing its corporate banking", continued to optimise asset structure, reasonably raised the proportion of high-yield assets and increased the granting of retail loans in the context of keeping risks under control, to improve the comprehensive income of assets. It was expected that with transformation effect gradually showing, the asset/liability structure would be optimised, the upward trend in liability costs would also ease, the

yield of assets would maintain steady with slight growth, and the future NIM management pressure would be relieved.

## **2. Cost/income ratio**

In the first half of 2018, the cost/income ratio of the Bank was 29.66%, down 0.23 percentage point from last year and up 4.9 percentage points from the same period of last year. The year-on-year increase could be attributed to three factors. First, a relatively low base of comparison. The recognition of expenses in the first half of 2017 was relatively deferred. Second, increase in strategic investment. Since the second half of 2017, with progressed transformation, the Bank gradually increased strategic investment and strategic technology investment in retail platform, resulting in a rise in expenses. Third, increase in labour costs. The Bank strengthened the introduction of retail Internet talents, and the labour costs and technology investment for introduction of new talents were reflected this year.

In the future, the Bank will continue to proactively enhance cost control, promote meticulous finance management, and continue to increase strategic investment in accordance with the Bank's strategy. As the Bank is still in transformation stage of retail strategy currently, more investments are required in personnel, equipment and technology. With the gradually shown results in retail transformation, future cost/income ratio will remain comparable in the industry.

## **3. Deposit business**

At the end of June 2018, the Bank's deposits due to customers amounted to RMB2,079,278 million, representing an increase of RMB78,858 million or 3.9% over the end of last year. Overall growth of deposits maintained steady.

The balance of personal deposits reached RMB405,770 million, rising by 19.0%. The increase in personal deposits was mainly arising from operational deposits, settlement deposits and liability management. For operational deposits, some were naturally derived from AUM. The Bank launched good on-line and off-line services and products to attract customers to place more AUM at the Bank, and boosted the appreciation of customer assets by providing customers with diversified product configuration strategies based on the configuration strategy of AUM, so as to attract more deposits. In addition, LUM drove AUM, mainly through double-opening and linking of credit cards or repayment accounts of other loan products to increase the average daily deposit contribution of customers' repayment accounts. For settlement deposits, the Bank boosted the strategic development of agency business to raise deposit retention. As a result, at the end of June 2018, the balance of the deposits related to agency business reached 49,236 million, increased by 12.5% over the end of last year. Moreover, the Bank enriched the transaction scenarios and layout of acquiring business; strengthened the basic payment and settlement services, improved the function of acquiring products, optimised acquiring service, raised the merchants' trading volume, and increased the merchant settlement fund deposits; played a positive role in comprehensive management of acquiring merchants, enhanced the contribution of merchant deposits in an all-round way through wealth management, financing services, etc. At the end of June 2018, the number of merchants in acquiring business increased by 63.3% compared with the end of the previous year. For liability management, the Bank strengthened its advantageous liability management products such as large deposit certificates, structured deposits and intelligent Ritanli. In the future, the Bank will continue to provide a diversified product system, increase the proportion of demand retail deposits, and maintain a steady growth in retail deposits.

The balance of corporate deposits amounted to RMB1,673,508 million, rising by 0.8%. The Bank changed its traditional development model of attracting deposits via loans in corporate banking, and endeavoured to attract more deposits in other ways to achieve continuous growth in corporate deposits and

decline in corporate loans. In respect of government finance, the Bank proactively carried out marketing activities to attract deposits from government, including three main categories such as finance, housing and social security, won the local government to open various settlement accounts at the Bank by the way of bidding, including accounts for taxation, non-tax agency, court deposit, real estate transaction margin, land auction deposit, utility fee, etc. With regard to transaction banking, the Bank utilised technical methods to strengthen the connection of platforms including E-commerce, asset exchange and industrial supply chain services to attract fund collection deposits from platform customers. In the case of real investment banking, the Bank was committed to becoming the “host bank” of customers. It provided comprehensive financial services via “Commercial Banking + Investment Banking + Investment” model, focused on strengthening cooperation with Ping An Securities and Ping An Leasing, achieved collaborative complementarity in contracting, undertaking and underwriting, placed investment banking project funds at Ping An Bank, became the host bank of core industrial customers, and increased corporate deposits. Regarding liability management, the Bank enhanced service and price advantages, accelerated the marketing of liability management products such as ladder wealth, large deposit certificates and structured deposits to ensure the steady growth of corporate deposits. In the future, the Bank will continue to work on government finance, transaction banking, real investment banking and liability management to strive for increase in corporate deposits.

#### **4. Asset quality**

Since taking office, new management had proactively taken various measures to manage asset quality. First, it strictly controlled the incremental business, set strict access standards for corporate banking, focused on supporting advantageous industries, important customers and products, to control asset quality from the source. Second, it managed existing businesses, including multi-layer supervision mechanism for asset quality, credit tracking management mechanism for large-amount loans, enhancement of early risk earning and regular inspection mechanism. Third, it strengthened the recovery and disposal of problematic assets, and established the special asset management business unit to adopt centralised, vertical and specialised management on non-performing assets of the Bank. Fourth, it increased the amount written off and that for provision. During the period from 2016 to the first half of 2018, the accumulated assets written off reached RMB89.2 billion, including RMB 20.1 billion written off in the first half of 2018; the accumulated provision for impairment losses on credit and assets amounted to RMB111.7 billion, including RMB22.3 billion newly provided in the first half of 2018.

At the end of June 2018, the Bank’s quality indicators for major assets continued to be improved. The balance of overdue loans accounted for 3.07% of total loans, respectively decreasing by 0.37 percentage point and 0.94 percentage point compared with the end of 2017 and the end of 2016, of which the balance of loans overdue for more than 90 days accounted for 2.08% of total loans, respectively decreasing by 0.35 percentage point and 0.67 percentage point compared with the end of 2017 and the end of 2016. The NPL ratio was 1.68%, respectively down 0.02 percentage point and 0.06 percentage point over the end of 2017 and the end of 2016. The provision coverage ratio of the Bank was 175.81%, respectively up 24.73 percentage points and 20.44 percentage points over the end of 2017 and the end of 2016. The provision to loan ratio was 2.95%, respectively increasing by 0.38 percentage point and 0.24 percentage point compared with the end of 2017 and the end of 2016. The risk resistance capability of the Bank was further enhanced.

In the first half of 2018, the Bank’s risk management indicators had gradually become stable with slight improvement; in the second half of 2018, the Bank will further take strict control over the incremental business risk, prevent and mitigate a variety of possible risks arising from existing loans, and strengthen

the digestion and disposal of non-performing loans through recovery, write-off, packaging and other methods, to ensure the sustained sound quality of ending assets.

## **5. Capital management and planning**

In order to deepen the retail banking transformation strategy, the Bank continued to advance capital management reform. On the one hand, the Bank promoted meticulous capital management, carried out active dynamic capital allocation, optimised asset business structure under the strategy of “light assets and light capital”, and implemented various capital conservation and capital release measures to continuously improve the return on capital of the Bank. On the other hand, the Bank enhanced the constraint of economic capital management on the risk-weighted assets of the Bank, incorporated economic capital management into performance assessment, guided all levels of institutions to cultivate a sense of capital constraint, to ensure that the concepts of capital cost and capital management were integrated into all aspects of business management.

In addition, in order to further meet the increasingly stringent regulatory requirements and actively respond to the increasingly fierce market competition environment, the Bank will actively improve the internal and external capital replenishment mechanism, optimise risk-weighted asset management, strive to improve its overall capital strength, enhance its capital adequacy, gradually boost the capital buffers during the planning period, and steadily raise the capital adequacy level.

At the end of June 2018, the core tier one capital adequacy ratio, tier one capital adequacy ratio and capital adequacy ratio were 8.34%, 9.22% and 11.59% respectively, all satisfying the regulatory requirements, and up 0.06 percentage point, 0.04 percentage point and 0.39 percentage point respectively over the end of last year.

On the basis of internal capital replenishment such as stable profit retention, the Bank actively promoted the work of external capital replenishment and continuously consolidated the capital strength of the Bank. According to the Bank's capital planning objectives, the Bank planned to construct a capital replenishment portfolio through the issuance of RMB26 billion convertible corporate bonds of A shares and RMB30 billion qualified tier two capital bonds, of which the issuance of RMB26 billion convertible corporate bonds of A shares had been approved by CBIRC and is submitted to CSRC for approval. See “XIX. Other significant events” in “Section VI Significant Items” for details. Upon completion of the above-mentioned capital replenishment plan, the capital structure of the Bank can be further optimised to improve the capital adequacy level of the Bank.

## **VI. Discussion and analysis of the main businesses**

### **(I) Breakthroughs in retail banking**

In the first half of 2018, the Bank took the new advantage of comprehensive finance and scientific and technological innovation, focused on customers, optimised business process and service experience, gave full play to the advantageous business capability, and established matching strategy and safeguard mechanism to deepen the transformation of retail banking business.

At the end of June 2018, the balance of assets under management (AUM) of retail customers of the Bank amounted to RMB1,217,380 million, representing an increase of 12.0% over the end of the previous year, and the number of retail customers reached 77,053.7 thousand, an increase of 10.2% over the end of the previous year, among which private wealth customers and qualified customers of private banks reached 525.9 thousand and 25.8 thousand respectively, representing an increase of 15.2% and 9.6% over the end of the previous year; the current credit card accounts reached 45,769.6 thousand, an increase of 19.4% over the end of the previous year; the balance of retail deposits was RMB405,770 million, an increase of 19.0% over the end of the previous year and the balance of retail loans was RMB998,926 million, an

increase of 17.7% over the end of the previous year; the transaction volume of credit cards amounted to RMB1,207,227 million, rising by 89.9% year on year.

At the end of June 2018, the non-performing ratio of the Bank's retail business maintained stable with a slight decline. Non-performing ratio of retail loans was 1.05%, down 0.13 percentage point from the end of last year, among which non-performing ratio of retail loans (excluding credit cards and personal business loans) was 0.35%, the same as that at the end of last year, and non-performing ratio of credit cards was 1.19%, basically the same as that at the end of last year. The asset quality of credit cards remained stable. At the same time, the proportion of major loan products of retail (New Generation Loan, car loans) from not overdue to overdue for over 30 days maintained at a historically low level and the trend of early warning indicators was steady.

### **1. Stable and rapid growth in core business**

In the first half of 2018, the number of new credit cards issued by the Bank reached 9,179.8 thousand, up by 81.2% year-on-year. At the end of June 2018, the balance of credit card loans was RMB385,733 million, an increase of 27.0% from the end of last year. The Bank enriched its credit card product system, deepened cross-border integration, and satisfied customers with diversified, multi-scene, and 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 card, continued to enrich Ping An UNI Card family members, to provide more personalised 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 Card 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 traffic customers with both a credit card financial service function and Tencent video member preferential rights. At the same time, relying on the integrated and upgraded new Pocket Bank APP, the Bank continuously improved its one-stop integrated financial service platform, enriched the one-click link of credit card-based financial services and life scenarios, and continued to create the ultimate customer experience of "fast, easy and good".

In the first half of 2018, the New Generation Loans newly issued by the Bank totalled RMB56,365 million; at the end of June 2018, the balance of the New Generation Loans amounted to RMB144,769 million and the non-performing ratio was 0.77%. 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 drive the shift of financial resources from the financial economy to the real economy, the New Generation Loans focused on supporting small and micro enterprises and individual businesses, among others, as part of the Bank's ongoing efforts to address their financing difficulties in the medium- and long-term, increase overall funding availability to these small and micro enterprises, and facilitate the robust and sustainable development of its lending to individual businesses, including approximately 30% as working capital loans. At the same time, drawing on the technological advantages of the Internet and big data, it actively expanded its Internet channels and traffic portals, focused on increasing the entrance of scenarios, expanded the coverage of customers, enhanced the customer stickiness, achieved on-line and off-line linkages, and continuously improved the accuracy of customer acquisition, so that banking services could benefit more customer groups. The Bank built a one-stop business and consumer loan platform through Internet channels such as online banking, mobile banking, WeChat, and portals, made full use of Internet technology to enhance product competitiveness, achieve centralised, automated and intelligent business application processing, continuously optimised business processes and improved customer experience and service efficiency.



In the first half of 2018, the Bank's new auto finance business loan amounted to RMB71,612 million, an increase of 52.7% year-on-year; at the end of June 2018, the Bank's car loan balance was RMB141,363 million, an increase of 8.3% from the end of the previous year, and its market share continued to lead the industry. By means of innovation in products, optimisation of the credit process and application of the scientific risk qualification model as well as the big data strategy, the Bank got 67% of credit approval automatically done by its auto finance business system, increasing by 2 percentage points over the end of last year and 59% of credit approval over second-hand cars automatically done by the system, up 4 percentage points from the end of last year, thus rendering better customer experience and gaining leading strengths in the industry. The Bank continued to strengthen 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.

At the end of June 2018, the Bank's property mortgage balance amounted to RMB171,722 million, representing an increase of 12.3% over the end of last year. The Bank strictly conformed to the regulations of national policies and regulatory requirements to support the need of resident families for purchasing their first set of self-occupied houses. It will continue to steadily carry out housing credit business under compliance and regulatory requirements, enhance housing credit management, optimise credit structure, further serve customers and support the real economy.

## **2. Technology-drive business development**

The Bank increased investment in technology, integrated and established a retail-exclusive IT team of over 2,500 people, embraced cutting-edge technologies such as AI, biometrics, big data, blockchain and cloud computing, upgraded the on-line Pocket Bank APP embedded with various financial technologies and services and launched a Pocket Banker APP supporting mobile process and interactive communication for the staff in the Bank, opened new off-line retail outlets under "light, community-based, intelligent, diversified" concept, and integrated and built an intelligent OMO (ONLINE MERGE OFFLINE, realising on-line and off-line integration) service system.

The intelligent OMO service system seamlessly connected the customers' Pocket Bank APP with new retail outlets through the Pocket Banker APP used by the Bank's staff, and integrated various on-line and off-line service scenarios. The on-line tool made it convenient for off-line outlets and teams, while off-line outlets and teams introduced customers and businesses to the on-line tool, providing customers with integrated and seamless experience.

The intelligent OMO service system had optimised business process and service experience since it was launched. It gained customers' recognition and achieved satisfactory results. At the end of June 2018, the number of users of the Bank's Pocket Bank APP reached 51,450 thousand, up 23.3% over the end of last year, and the number of monthly active customers amounted to 20,350 thousand, up 37.3% over the end of last year. The Pocket Banker APP realised 100% front-line staff coverage, and supported more than 90% of non-cash operations, comprehensively improving team efficiency and service scope. The Bank had opened or redecorated 46 new retail outlets and the number is expected to reach 100 at the end of the year.

In addition, the Bank fully leveraged the Group's scientific and technological strength, developed and launched a wealth of financial technology applications. With respect to scenario operation, the Bank, on the one hand, connected with external scenarios to build B2B2C model, and linked to scenarios and traffic of third-party platforms via technical methods such as APP interface and H5 plug-in, to provide customers with more convenient products and services; on the other hand, the Bank explored its own

scenarios for intensifying operation of Credit Card Pocket Mall, guiding customer flow and attracting customers through on-line APP, social media and remote customer service and off-line branches and brand promotion. In the first half of 2018, the transaction volume of Credit Card Pocket Mall increased by 182.8% year on year.

For service marketing, the Bank made full use of AI technology. It carried out machine learning of customer service Q&A data accumulated for many years, cooperated with Ping An Technology to build the AnBot (a self-owned intellectual property) for customer service, and established a 7×24-hour “AI Customer Service” system based on the comprehensively collected user data and omni-channel tool deployment. Additionally, the Bank launched “AI + Advisor” series - wealth diagnosis and Ping An intelligent investment function, which could provide customers with personalised product investment portfolio plan based on their transaction records and risk preference.

In terms of strengthening risk control, the Bank deployed about 40 sets of big data risk models at each customer-related process to monitor and assess risks in an all-round way, and launched the “AI + Risk Control” project, which could achieve total credit line management and control for credit products, overall automatic approval and second-level precise decision. Meanwhile, it managed anti-fraud of debit and credit cards on a unified basis, built an anti-fraud defence line at large retail enterprise level, supported the daily tens of millions of financial transactions, thereby changing the current status that the improvement of overall operation capacity of traditional anti-fraud platform relied on the increase of work force. Unified anti-fraud model already has the ability to provide review service for various credit products.

### **3. Continuously enhancing contribution in comprehensive finance**

In the first half of 2018, the Bank continued to dig deeply into the Group’s high-quality personal customer resources. It not only conducted migration and transformation through the products, services and customer recommendation, but also created a specific B2B2C model to integrate the Bank’s account capacity with scenario and traffic of the Group’s on-line platforms (such as Ping An Good Doctor, Autohome) through plug-in, interface and other technical means. These two measures complemented each other so that the customers of the Bank can enjoy its advantageous products and services in a more natural and convenient manner.

In the first half of 2018, the number of new migration customers on the cross-selling channels (excluding credit cards) was 1,940,900, accounting for 39.3% of the overall new retail customers (excluding credit cards), of which, the number of private financial customers had a net increase by 27,400, accounting for 39.5% of the overall new private financial customers, and the AUM balance of assets under management of retail customers had a net increase by RMB55,803 million, accounting for 42.7% of the overall asset balance of the new customers. New Generation Loans granted by cross-selling channels amounted to RMB23,241 million, accounting for 41.2% of overall issuance of New Generation Loans through cross-selling channels; auto finance loans amounted to RMB12,231 million, accounting for 17.1% of overall issuance of auto finance loans. Credit cards granted by cross-selling channels accounted for 38.2% 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 RMB1,291 million, a year-on-year increase of 33.0%.

### **4. Initial breakthrough in key projects**

In the first half of 2018, the number of the companies effectively using the Bank’s payroll agency services had a net increase of 2,491, growing over ten times from last year’s incremental platform in the corresponding period. The balance of payroll services’ AUM amounted to RMB135,618 million with an increase of 33.7%, while corresponding deposits reached 49,236 million, increasing by 12.5% on a

year-on-year basis. The Bank created the “Benefits Manager” 2.0 brand to continuously provide innovative products and benefits for enterprise owners, finance, human resources personnel and enterprise employees through an agile and efficient cross-department coordination mechanism. The Bank also used scientific measures, such as facial recognition, on-line application for cards, etc., to remarkably increase the effectiveness for opening accounts and first payment of salaries. The Bank promoted the effectiveness for salary payment by improving the payment process and achieving direct connection between banks and enterprises and combination of one-click payment and real-time charging across banks. Meanwhile, the Bank proactively explored cross-sector cooperation with human resource platform to provide enterprises with a one-stop solution for human resource management system and salaries and welfare for industrialised and batch marketing.

At the end of June 2018, the number of the Bank’s customers of bank card acceptance business increased by 63.3% over the end of previous year. The Bank established a functionally complete bank card acceptance platform and a product system, launched all-mode acceptance service, and initially built up its differentiated competitiveness, including the first batch of “Union pay integration code” and “one-time code token” that supports “three codes in one”, on-line submission service via Shouyinbao App/H5/applets, and specialised mobile payment acceptance products and applet services to lay a solid foundation for rapid development of business.

#### **5. Deepened Promotion of Organisational Transformation to Agility**

In the first half of 2018, as the first commercial bank that fully promoted agile transformation in retail business, the Bank continued to implement agile practices, and appointed professional chief technology officer and chief product officer in each business unit, who were directly involved in business decision-making, strived to recruit over a hundred of professional talents in Internet technology, products and marketing, and accelerated the realisation of Internet thinking and technology-driving in each line of service to encourage employees to perform daily work and operation management on an on-line and mobile basis by means of various tools in an all-around way, establish a vertical mechanism for management and control coordination across the “head office - branches - sub-branches - front line”, rapidly increase the operating efficiency of the organisation, and continuously strengthen the mechanism and ability for sustainable development of retail business.

Along with talents recruitment, in order to assist the implementation of transformation, the Bank focused on mutual understanding and merging between new technology talents and traditional finance talents to cultivate a group of inclusive professional talents with compound knowledge by exposing technology talents to fundamental financial knowledge and financial ecology and finance talents to fundamental science and technology language and International thinking. Meanwhile, in light of the formally start-up of the first new smart retail outlet, Guangzhou Liuhua Branch, the Bank further strengthened standardised management by starting the “Follow the Liuhua Branch model, Reform the Branch” project in the first half of 2018, which built up a mature standardised system in management and support for branch operation, promptly iterated and upgraded supports for platforms and tools, and fully improved the managing capability and professional skills of management and business teams.

In the first half of 2018, the Bank continued to promote the “innovative garage” mechanism for incubating large retail innovative products, services and models to integrate optimal resources for speedy development, experimentation and iteration. The Bank also constructed retail business forum to achieve communication, sharing and cooperation across lines of services, departments and levels so as to provide an open environment of communication and cooperation for the transformation toward an intelligent retail banking.

## **(II) Reinventing corporate banking**

Along with the steady progress of each corporate business, the Bank constantly created selective brand for corporate business from an industrialised perspective in a targeted manner, unswervingly guarding the lifeline of asset quality and persisting to the core objective of “selective bank for corporates”. For industry operation, the Bank further refined its business scope based on the selected industries in line with the “investment-oriented and comprehensive” development strategy, with deepened industry research and strict discipline of commitment and non-involvement. The Bank led its own way by pre-planning and operating smartly. Meanwhile, the Bank strengthened the coordination between the internal and external part, enhanced the ability for “investment-oriented” products, and created a front-end marketing pattern of in-depth entry, network development and comprehensive operation with the advantages in licenses of the Group. For the implementation of “a combination of light assets and light capital”, the Bank loyally centred on customers in handling corporate business and actively refined its four selective abilities. The first is the professional ability to integrate different banking units, which is an “output” ability through platform, business and service. The second is the “embedding” ability to embed banking products or functions deeply into external scenarios/process. The third is the “introduction” ability to introduce external products and service function to enhance internal service. The fourth is the “match-making” ability to achieve win-win in the ecological circle with banks’ professional ability in finance and abundant accumulation in customers. In the first half year of 2018, the scale of bond underwriting reached 81,500 million with an increase of 86% on a year-on-year basis.

For specific strategy, the Bank actively integrated corporate business into the Group’s top five ecological circle to explore the development path for ecology, focused on industrialised operation, and kept intensive exploitation in “10+1” key industries. At the same time, leading by science and technology, a brand new “platform+product+service” mobile product system “Pocket Finance” was established based on latest science and technology measures on a light and selective basis; At the end of June 2018, “Pocket Finance” had 210,000 registered customers with the trading amount exceeding RMB100 billion. While promoting business, the Bank constructed “AI+risk control” comprehensive risk management system to actively implement intelligent risk management and control.

### **1. Selected industry sectors “10+1”**

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

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

### **2. Establishment of “platform+product+service” mobile product system**

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

(1) Corporate customer entry and operation platform: Pocket Finance

The Bank launched a corporate-class mobile Internet comprehensive financial service platform - Pocket Finance App to seek smart, complete and rapid corporate customer service experience. As a unified entry for corporate customers to access the Bank's products and services, Pocket Finance carries a financial service system that covers the entire financial operation cycle from corporate account opening to investment and financing, forming a close-end mobile one-stop, scenarised and customised service ecology via rapidly-iterated technical support and resource coordination. At the end of 2017, Pocket Finance App was officially launched; In February 2018, comprehensive financial products were launched in succession; In April 2018, innovative products such as KYB were put into production; In June 2018, the new version of Pocket Finance was completed and part of the functions were fully upgraded. In the first half of 2018, Pocket Finance had 210,000 registered customers with the trading amount exceeding RMB100 billion.

(2) Internet finance: SME data loans KYB

The Bank launched SME data loan KYB (Know Your Business) to establish a convenient, effective and data-driven intelligent financing service with smart risk control for corporate customers. KYB integrated corporate financial service data resource to construct a data credit financing service system that serves small and medium enterprises through the application of modelling and AI. KYB introduced high-quality customers in industry ecological circles, continuously intensified flow gains and expanded business scale with intelligent risk control and operation of industry scenarios and customer groups. At the beginning of 2018, KYB business in health care and medication chain industries was successfully implemented; In May 2018, the amount of loans lent on an individual day exceeded RMB100 million; In the first half of 2018, KYB had provided smart financing service for 8,623 small and medium-size enterprises.

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

The Bank built up the supply chain accounts receivable service platform (SAS) based on A (AI, artificial intelligence), B(Block chain), C (Cloud computing) technologies to empower the upgrade of supply chain financial service model, provide on-line assets receivable transaction and circulation service for the upstream suppliers of core industry chain, promote the "dual-light" transformation of supply chain financial business, and support the financing through accounts receivable of small, medium, and micro-size enterprises. At the end of 2017, the filing of SAS platform business with regulatory authority and its first financing transaction were completed; in the first half of 2018, the amount of transactions through SAS platform exceeded RMB1 billion. Over a hundred of users had received support from the platform service.

In the future, based on the three main lines of "asset-driven, transaction leading, technology innovative", SAS platform will further break through key links of assets and funds, forge alliance with third-party

institutions, create a smart financing ecological circle of accounts receivable to construct an ecological environment in which enterprises from upstream and downstream of the supply chain can build mutual trust, benefit each other and develop together.

#### (4) Cross-border finance: Cross-border E-commerce, selected off-shore banking

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

With respect to international business, the Bank relied on the leading Cross-border E-commerce finance service platform, providing all-around on-line service for customers' needs in different stages of cross-border economic activities. In 2018, the Bank launched mobile APP for Cross-border E-commerce finance platform and full upgraded global payment innovation (gpi) service, which significantly increased the convenience of cross-border business on-line service for SMEs and further lowered the cost of cross-border transfers; at the same time, the Bank optimised cross-border e-commerce receipts and payments service and global cash management service provided by platform customers for the convenience of enterprises' cross-border e-commerce activities and cross-border fund management. In the first half of 2018, the scale of transactions taken place on the Bank's Cross-border E-commerce finance platform had exceeded RMB360 billion, a year-on-year increase of 50.7%.

With respect to offshore business, the Bank is one of the four Chinese-funded banks that own off-shore banking business license. In recent years, the Bank's off-shore business was tightly combined with development pace of Chinese enterprises' internationalisation in operation, financing and investment to support the "going out" of Chinese enterprises by providing following offshore financial services; meanwhile, the Bank provided cross-border financing service for domestic industries to support the development of real economy based on the full-coverage macro prudent management policies for cross-border financing. In the first half of 2018, focusing on cross-border operation need of enterprises, the Bank's off-shore business continued to optimise the top four product systems of off-shore investment and financing, off-shore trading finance, off-shore inter-bank finance, and off-shore cross-border finance and promote the development of off-shore "dual-light" business, achieved stable growth in off-shore business, and maintained a leading position among Chinese-funded off-shore banks in main operation indicators.

### **3. Precise control of risk and intelligent protection**

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

(1) Precisely leading business development. The Bank intensified industry research, promoted risk policy system preposition, focused on key industry, key customers and key products, guided a reasonable allocation of corporate resources in a scientific manner, and led business to development on a healthy and orderly basis.

(2) Smart early warning for risks from stock assets. The Bank used "big data+artificial intelligence" technology to build up smart risk control platform and automatically identify and scan stock normal assets risk information on an around-the-clock, all-dimensional, visual and effective basis. The system could automatically collect, rapidly capture, smartly screen and precisely push risk warning signals, actively start a full-process close-end management including risk information investigation, early warning initiating, early warning tracking, early warning release, and perform refined, all-around and zero-blind spot monitor on risk assets to achieve early finding and early resolve of risks.

(3) Smart operation of special assets. The Bank built up Ping An special asset management system (AMS) to achieve totally closed management over the disposal process of corporate special assets via the system to accelerate smart clearing and recovery. In the first half of 2018, the special asset management department recovered non-performing assets of RMB10,308 million, an increase of 243.7% on a year-on-year basis.

### **(III) Being science and technology-driven**

#### **1. Expanding science and technology teams**

The Bank strived to attract science and technology talents, including recruitment of a large number of compound high-end technology talents from the Silicon Valley as well as overseas and domestic leading Internet enterprises to continuously optimise and improve science and technology talent teams and advocate the leading ability in science innovation. At the end of the reporting period, the number of Bank's technology staff reached 4,800 (including outsourcing talents), representing a year-on-year increase of over 25%.

#### **2. Implementing agile transformation**

The Bank was the first among domestic banks that “embed/dispatch” science and technology teams into lines of business to promote agile development and operation model to achieve a deep combination of technology and business. In the reporting period, the Bank continued to promote agile transformation for organisation. Subsequent to line of retail, the Bank applied science and technology dispatching model in corporate business line. Implementation of agile development in business sectors such as credit cards, auto finance, big data, Pocket Finance APP significantly improved the speed of product iteration, delivery quality and customer experience.

#### **3. Creating a leading technology platform**

The Bank was committed to create a flexible, secure and open technology platform to support the rapid business growth, transformation to the Internet, and product service innovation. As of the reporting period, the Bank established a complete science and technology disaster recovery system and big data platform technology system, accomplished the cloud deployment of the whole development, test environment and part of the production environment (IaaS), completed the planning and model selection of distributed PaaS platform, fully promoted a technical platform that based on micro-service in retail science and technology, and completely implemented the secure development quality management process (S-SDLC). In the first half of 2018, the Bank's Tenglong core system won the “2018 IDC Asia-Pacific Core Innovation Leader Prize”, the “Pocket Bank Security Project” won the 2018 Asian Bankers' “Best Mobile Phone Security Project”, and the “Indexing Assessment System of Data Centre Based on Big Data and Best Practice” won the 2017 Financial Science and Technology Outstanding Contribution Award issued by *Financial Computerisation Magazine*.

#### **4. Deepening scientific innovation**

The Bank set up innovative garage, established innovation committee, promoted professional technology sequence to stimulate the innovation energy in science and technology with a good mechanism and fully facilitate the application of cutting-edge science and technology in the operation and management of banks. The Bank rapidly pushed forward the combination of cutting-edge technology and financial application scenarios based on the core technology and resources of Ping An Group in sectors such as artificial intelligence, block chain, cloud computing, big data, information security, etc.

With respect to big data and artificial intelligence, the Bank had constructed an intelligent analysis platform with over 1,000 labels to support targeted marketing and customer maintenance; completed the real-time detection engine based on knowledge graph technology and platform construction based on

position service (LBS) to support anti-fraud analysis and risk detection; applied intelligent search and customer service to improve customer experience; introduced robot process automation (RPA) technology to significantly raise operating efficiency. The Bank applied AI+ risk management to personal and small and medium-size enterprise loans to achieve comprehensive O2O risk management and reduced credit losses by way of intelligent risk control platform; It also assisted small and medium-size enterprises to obtain loans by utilising the big data from Know Your Business (KYB) to serve thousands of small and medium-size enterprises.

With respect to bio-identification technology and image recognition technology, the Bank improved customer experience by enhancing customer identification security with facial and vocal recognition technology. In respect of block chain, the Bank continued to explore in-depth application and innovation in supply chain finance, created the SAS platform, and ensured the traceability of assets to prevent falsification.

## **VII. Risk management**

### **(I) Credit risk**

Credit risk refers to the risk that borrowers or counter parties of the Bank cannot fulfil obligations according to the agreement reached in advance.

The Bank has established a centralised, vertical and independent overall risk management framework and a risk management model with “dispatch-based risk management and matrix report through two channels”. The risk management committee of the head office is in charge of overall plan on risk management at all levels. The professional departments of the head office including the risk management department, company credit approval department and retail risk management department are responsible for the Bank’s credit risk management. Based on the transformation guideline of “being technology-driven, pursuing breakthroughs in retail banking, and reinventing its corporate banking”, the Bank stuck to the principle of risk management of “coordination between risk and development, balance between risk and profits, adaptation between risk and capital”, continued to improve the full-process management of credit risk, and effectively enhanced the level of credit risk management.

1. Further optimising the Bank’s asset structure. Planned in accordance with the Bank’s risk preference and asset portfolio allocation, credit resources were mainly invested in high-quality retail assets to maintain good asset quality along with a steady growth in the scale of retail loans. As of the end of June 2018, the Bank’s retail loans accounted for 54.0% of total loans, an increase of 4.2 percentage points over the prior year-end. The non-performing ratio of retail loans was 1.05%, down 0.13 percentage point from the end of last year. For corporate assets, the Bank focused on key industry, integrated superior resources to invest in high-quality and high-potential customers, and promoted customers in upstream and downstream supply chain, industry chain or ecological circles. In the first half of 2018, the credit granted to new customers in high-quality industries accounted for 60% of total credit granted, which continuously advocated the optimisation of credit risk asset portfolio structure.

2. Improvement of centralised risk management. The Bank continued to optimise the authorisation management system, enhanced the differentiated management of the authorisation for operation unites and centralised post-supervision management by the head office, and moderately improved the centralised management of the Bank’s approval; The Bank also steadily implemented centralised management mechanism by the head office of fund outflows, intensified the centralised and unified management and control over the confirmation of granting conditions when loans were lent out, and effectively improved the risk control level in fund outflow link.



3. Enhancement of asset quality management and control mechanism. Early warning management was strengthened, various risk information inside and outside the Bank was summarised, and an automatic pre-warning system based on big data was established and continuously improved to ensure early identification and early resolution of risks. The Bank strictly implemented post-credit requirements by implementing common-in-charge mechanism in branches, which assigned the chief leader of the branch to make an overall plan and the leader in charge of risk management to carry out the plan. Major non-performing assets and the overall quality of assets in the charge of the branch; The head office guided, supervised and promoted the branches to effectively implement post-credit management through crucial links such as daily monitoring and early warning management, guidance and supervision on handling early warning customers with large amount loans, management and control over key institutions, and management of group customer with large amount loans.

4. Intensifying the disposal of non-performing assets. The Bank exploited its advantage in professional disposal of non-performing assets by setting up special asset management department, established refined clearing and recovery management with plan in advance, control during the process and review subsequent to the process through pre-judgement of clearing and recovery, guidance and supervision during process of the project and review of operation results, and intensified the overall disposal of non-performing assets to effectively increase the speed for the disposal of stock non-performing assets. In the first half of 2018, the Bank recovered non-performing assets of RMB12,325 million in total, a year-on-year increase of 180.1%; including RMB10,308 million recovered by special asset management department, representing 83.6% of the total non-performing assets recovered.

During the reporting period, the Bank's overall credit risk asset quality was effectively managed and controlled and key indicators for asset quality was continuously improved by the above crucial measures. As at the end of June 2018, the overdue loans of the Bank accounted for 3.07% of total loans, down by 0.11 percentage points and 0.37 percentage points over the end of Q1 and the end of prior year, respectively; loans past due over 90 days accounted for 2.08%, down by 0.16 percentage points and 0.35 percentage points over the end of Q1 and the end of prior year; special mentioned loans accounted for 3.41% of total loans, down by 0.09 percentage points and 0.29 percentage points over the end of Q1 and the end of prior year; non-performing loans ratio was 1.68%, the same as that at the end of Q1 and decreased by 0.02 percentage points over the end of prior year.

## **(II) Market risk**

Market risk refers to the risk of losses arising from unfavourable changes in market prices (including interest rates, exchange rates, stock prices, commodity prices, etc.). The market risk of the Bank mainly arises from trading accounts and bank accounts. Main market risk represents interest rate risk and exchange rate risk. The Bank uses indicators such as market risk value indicators, pressure test, interest rate sensitivity, foreign exchange exposure, etc. to measure and monitor major trading accounts interest rate risk and the Bank's exchange rate risk.

The Bank has established an effective market risk governance structure and division of management responsibilities. The Board is the ultimate decision-making body of market risk management and assumes the ultimate responsibility of market risk management. The senior management and its committees are responsible for approving the major issues of market risk management to the extent of the scope of authority and regularly listening to the report on the implementation of market risk management. The risk management department leads the management and specific implementation of the Bank's market risk, and is independent of the front desk business department. The Bank has set up a market risk management system covering the basic system of market risk, general management measures and

operational processes, covering the whole process of market risk identification, measurement, monitoring report and control. The Bank regularly examines various systems and management measures for assessing market risks and continuously perfects, improves and optimises the process according to the business and development status. The Bank has established a relatively complete market risk management process, from the beforehand business authorisation management and account division, to the risk identification, measurement monitoring and control in the process, and to the afterwards back-testing and stress test, fully covering the entire process of risk management.

During the reporting period, in order to address the increasing challenges in market risk management, the Bank took the following measures: First of all, the Bank optimised market risk management limit system. Further optimisation on the basis of re-organisation of businesses ensured that risks remain controllable; Secondly, the Bank enhanced market risk process management, comprehensively reviewed before, during and after the risk process of trading business, and intensified risk measures against key risk points to establish effective risk monitoring plan and provide risk control and risk response ability; Thirdly, the Bank enhanced market risk system construction, with control beforehand, monitoring during the process, and assessment, analysis, and reporting after the process as the objective for risk management, which had already partially realised; At last, the Bank built up a market risk management policy system framework in line with the nature, scale, complexity, and risk characteristics of the Bank's business, fully reviewed the market risk system, and further optimised market risk system framework to support market risk management in an all-around way.

In the future, in addition to further improvement of the policy system and process, the Bank will optimise the market risk measurement model, upgrade the market risk management system, and strengthen daily risk monitoring, to effectively manage the market risk and control the market risk within the bearable range.

### **(III) Liquidity risk**

Liquidity risk refers to the risk that a commercial bank cannot obtain sufficient funds at a reasonable cost for timely repayment of debts, performance of other payment obligations and satisfaction of other financial needs for normal business. The Bank adheres to a cautious liquidity risk management principle and a prudent management strategy, timely establishes a reasonable and effective liquidity risk management mechanism to identify, measure, monitor and control liquidity risk, and ensures sufficient fund to handle the growth in assets and the payment for due debts, whether the Bank is in normal condition or under pressure.

1. The Board of the Bank assumes the ultimate responsibility of liquidity risk management. The Asset and Liability Management Committee is the top management body of liquidity risk management. The Asset and Liability Management Department is responsible for the daily liquidity risk management of the Bank under the guidance of the Asset and Liability Management Committee. The Supervisory Committee regularly supervises and evaluates the performance of the Board and senior management in liquidity risk management. The Audit and Supervision Department performs internal audit over liquidity risk management.

2. The Bank attaches great importance to liquidity risk management, continuously optimises the liquidity risk management framework and management strategies, and has established a sound liquidity risk management system. The Bank monitors and optimises the asset and liability structure in time, enhances the management over active liability, promotes steady growth in core liability, strengthens liquidity risk index limit management, and manages the mismatched liquidity risk reasonably; moreover, it regularly conducts liquidity risk pressure test, assesses future liquidity demand on a prudent basis, maintains

sufficient high-quality liquidity assets, and continuously optimises the liquidity emergency management system to effectively guard against emergency liquidity risk; It also strengthens the analysis of macroeconomic situation and market liquidity and improves the forward-looking and initiative liquidity emergency management, to cope with market liquidity risk in time. As at the end of the reporting period, each of the Bank's businesses grew at a stable pace, with abundant high-quality liquidity asset reserve, safe and prudent liquidity condition, and liquidity risk regulatory indicators meeting the requirements of CBIRC. As at the end of the reporting period, the liquidity ratio of the Bank was 60.40%. Liquidity coverage ratio (LCR) was 123.60%.

3. The Bank conducts full identification, accurate measurement, continuous monitoring and effective control of liquidity risk and applies a number of measures for continuous monitoring of the Bank's liquidity risk, including cash flow measurement and analysis, liquidity risk limit management, fund source management and high-quality liquidity assets management.

4. The liquidity risk indices of the Bank are divided into management indices and monitoring indices. The Bank sets the liquidity risk index limit based on liquidity risk preference, liquidity risk management strategy, asset and liability structure, financing ability and other factors.

5. The liquidity risk stress test is an important tool for analysis and assessment for quantitative management of liquidity risk and provides basis for decision making on the Bank's formulation and revision of liquidity risk preference, liquidity risk management strategy and liquidity risk limits. Based on the regulatory requirements, the Bank conducts liquidity risk stress tests on a regular basis based on the asset and liability structure, product type and data status of the Bank and reports to the Asset and Liability Management Committee, senior management and the Board level by level.

In May 2018, CBIRC issued *Administrative Measures for Liquidity Risks of Commercial Banks*, which came into effect on 1 July 2018. The bank had performed gap analysis item by item in accordance with the *Measures* to ensure that the governance infrastructure, management strategy, measurement and monitoring, information system meet the regulatory requirements. Subsequently, the Bank will continued optimisation and improvement of liquidity risk management based on the *Measures*.

#### **(IV) Operational risk**

Operational risk refers to the risk of losses caused by imperfect or problematic internal procedures, employee and information technology systems as well as external events.

During the reporting period, centring on the overall risk management strategy and sticking to the principle of "risk-based" and the concept of "change, innovation, and development", the Bank proactively promoted the implementation and improvement of the Bank's operational risk management system, continuously optimises and upgrades the operational risk management structure, regime and system to promote the formation of a standardised, normalised and scientific operational risk management mechanism. The Bank continued to lay solid foundation for operational risk management, strengthen the identification, assessment, monitoring, report and control of operational risks, conducted operational risk monitoring and report in a normalised way, and actively prevented and resolved all kinds of operational risks, to achieve effective control of operational risk losses rate and support the healthy development of business. In addition, it strengthened the guidance, support and evaluation of operational risk management by organisations at all levels and attaches great importance to the enhancement of operational risk management capacity of organisations at all levels.

1. The Bank deepened and enhances the depth of application, breadth of coverage and implementation effects of three operational risk management tools, i.e. "operational risk and control self-assessment

(RCSA), key risk indicators (KRI) and losses data collection (LDC)” to enhance the effectiveness and “risk sensitivity” of the professional tools for operational risk management.

2. Relying on scientific and technological means, the big data analysis method was introduced for continuous innovation and integration of internal control and operational risk monitoring tools. The Bank also optimised and improved the risk heat map rating mechanism and strengthened the Department Control Function Checklist (DCFC), to further enhance the risk control capabilities of business sectors and grass-roots management personnel.

3. The Bank increased the integration, optimisation and promotion efforts of operational risk management system to effectively enhance the operational usability, functional integrity and operational reliability of system and constantly enhance the efficiency and informatisation level of the Bank’s operational risk management.

4. The Bank strengthened business continuity management, further regulated the walk-through planning, implementation, post-assessment, summary and reporting works of business continuity, and continued to improve the overall level of business continuity management.

During the reporting period, the operational risk identification, assessment, monitoring, early warning and rectification capacity were steadily improved.

#### **(V) Country risk**

Country risk refers to the risk that the borrower or debtor of a foreign country or region has no capacity or refuses to repay the debts to banking financial institutions, or the banking financial institution in the country or region suffers from business losses or other losses, due to the economic, political, social changes and events of the country or region.

The Bank has prepared the *Measures for Management of Country Risk of Ping An Bank* in accordance with the regulatory requirements to clearly stipulate the country risk management responsibilities, management means and work procedures, and established a standardised country risk management system. The Bank divides country risks into five classes: low country risk, relatively low country risk, medium country risk, relatively high country risk, and high country risk, based on risk severity, and manages risks by their classes accordingly. The Bank regularly checks and grants country risk limit based on internal rating and the situation of economic development in countries or regions. Operational activities that expose the Bank to overseas entity country risk are managed on a unified basis under the country risk limit. The Bank continues to monitor changes in country risk regularly to adjust country risk limit dynamically. During the reporting period, the Bank’s country risk exposure limit was strictly abide by. The exposure of country risk is relatively small, the country risk class is relatively low, and sufficient country risk reserve has been provided for in accordance with regulations. The overall country risk is controllable.

#### **(VI) Bank account interest rate risk**

Bank account interest rate risk refers to the risk of losses of the overall income and economic value of bank accounts as a result of adverse changes in interest rate level, maturity structure and other elements. Based on the latest requirements of Basel New Capital Accord on the bank account interest rate risk, the Bank continues to improve risk government structure and interest risk limit management system, optimises the interest rate risk management related systems, and improves the refinement of interest rate risk management to ensure that the Bank can effectively identify, measure, monitor and control interest rate risk arising from various business.

Following the principle of being reasonable and prudent, the Bank effectively measures bank account interest rate risk by means of re-pricing gap analysis, duration analysis, scenario simulation and pressure

test, etc. Based on the above measurements, the Bank continues to improve bank account interest rate risk limit indicator system, regularly monitors changes in limit, and reports to the Asset and Liability Management Committee, to strictly control relevant indicators of interest rate risk and conduct prudent risk management, adjust asset and liability structure in a timely and actively manner, and optimise interest rate risk exposure.

In recent years, fluctuation in market interest rate risk was increasing. The Bank continuously paid attention to changes in external interest rate environment, enhanced macro analysis and research and judgement on interest rate trend, implemented active interest rate risk management strategy, allocated asset and liability structure in a reasonable way, and constantly guided the improvement of business portfolio re-pricing term to maintain a comparably low overall bank account interest rate risk.

In May 2018, CBIRC issued *Guidelines on Bank Book Interest Rate Risk Management for Commercial Banks (Revised)*, effective on 1 January 2019. The Bank has studied the revised contents item by item and analysed the gaps to meet the regulatory requirements in the structure, measurement, and system of interest rate risk governance, ensure the implementation of interest rate risk standard measurement framework, and optimise interest rate risk management based on the *Guidelines* subsequently.

### **(VII) Reputation risk**

Reputation risk management is an important component of corporate governance and comprehensive risk management system and covers the Bank's business management, business activities, employee behaviour and other fields.

In the first half of 2018, the Bank's reputation risk management concentrated on four links of "investigation and early warning, comprehensive monitoring, strengthened response, examination and feedback". Major works included the following six parts: I. The Bank further improved relevant systems, including updating mechanisms such as *Measures for Management of Reputation Risk of Ping An Bank*, *Management Measures for Response to Sensitive and Negative Incidents Revealed by the Press of Ping An Bank*, etc., regulating process, and intensifying reputation risk management and examination. Currently, reputation risk is one of the important indicators of the Bank's risk assessment and has been included in the Bank's KPI assessment. II. The Bank further standardised the daily operation and management and strengthened the reputation risk management in advance. III. The Bank carried out pre-investigation of reputation risk, and conducted targeted rectification and formulated effective preventive and response measures for the potential risks identified in investigation. IV. The Bank continued to optimise the public opinion monitoring mechanism and strengthen monitoring frequency especially for Weibo, WeChat and other new media platforms, and expanded the scope of monitoring to enhance initiative in reputation risk management. V. The Bank continuously intensified the crisis response system and comprehensively used a variety of means to enhance the efficiency of sensitive public opinion efficiency and effects. VI. The head office set up a special petition reception room and revised the petition related system such as the *Management Measures for Petition of Ping An Bank*, to further strengthen the petition reception, petition emergency treatment, petition results feedback and so on.

### **(VIII) Strategic risk**

Upon the call of serving real economy and the people's well-being, the Bank proactively responded to nation strategy, specified the strategic direction of retail transformation, and announced the development guidelines of "being technology-driven, pursuing breakthroughs in retail banking, and reinventing its corporate banking". "Being technology-driven" supported accelerated innovation in every financial service with a more advanced technical platform; "pursuing breakthrough in retain banking" promoted

the rapid spreading of inclusive finance to meet people's increasingly rich demand for finance; "reinventing its corporate banking" continuously served key industries that were fundamental to national economy and people's livelihood and strategic emerging industries to support the development of real economy. Meanwhile, the Bank continued to enrich and deepen strategic contents based on specific stage of development to ensure that the Bank's development stayed on the right track.

Moreover, unswervingly adhering to the core leadership of the Party, the Bank rearranged the structure, specified the mechanism, unified the thinking, and improved the decision-making process to fully take the Party's advantage in politics, thoughts, and organisation and secure the core leadership of the Party in operation, management, supervision, etc. The Bank promoted development through the construction of the Party to unify the thoughts and actions of the Bank, enhance cohesion within the Bank, and seek development.

At present, the Bank's strategy is in line with the national strategy, the macroeconomic situation and changes in customer demands and the Bank's strategic execution is improving and strategic risk is generally controllable.

### **(IX) Information technology risk**

In the first half of 2018, the Bank proactively implemented development strategy in information technology, focusing on the transformation of Big Retail and the development of innovative corporate products, to provide scientific support for the business flow and rapid development in aspects of products innovation, system structure, data operation, etc. In addition, the Bank attached great importance to information science and technology quality and security to support system operation.

1. The Bank continued to improve the organisational structure and mechanism of information technology risk management and enhanced the three lines of defence against information technology risk composed of Information Technology Department, Risk Management Department and Audit and Supervision Department. As the first line of defence, the Information Technology Department intensified self-examination and rectification; Risk Management Department conducted information technology risk assessment as the second line of defence; Audit and Supervision Department performed independent audit on information technology risk as the third line of defence. The second and third lines of defence complemented personnel capacity, increased resource allocation, and promoted the implementation of information technology risk management, to strengthen the control of information technology risk before, in the process of and after relevant events.

2. The Bank improved service capability and productivity. In the first half of 2018, the Bank strived to optimise science and technology governance structure, enhanced science and technology organisation management, improved system process, strengthened technology risk and security management and control ability, upgraded the fundamental operation ability of science and technology, launched technical innovation to accelerate technology transformation, optimised system structure, cultivated staff professional quality and service awareness, increasing investigation and research of branches, enhanced problem tracking mechanism to make a great deal of achievements in information science.

3. The Bank continued to adapt to new demand. On the basis of new development requirements for the first half of 2018, the Bank continued to improve the IT structure, data management and system for information safety management, and increased resource investment therein.

During the reporting period, the Bank's information system was in good working conditions and the risk was low in general.

### **(X) Other risks**

Other risks exposed to the Bank include legal risk, compliance risk and so on.

1. In terms of legal risk management, the Bank continued to enhance legal risk control. The Bank improved the management mechanism and system of legal documents, revised the management measures of legal documents, and promoted the standardisation of legal documents; further improvement was made in terms of legal format text and legal review and management system, prompt revision and improvement had been made to the Bank's texts of various formats; the daily legal review and consulting were carried out in an orderly manner to provide prompt, professional and efficient legal support for the Bank's new product research and development, new business development, major projects, etc.; for key businesses, legal research and legal risk warning and prompting were conducted to strengthen legal training and support healthy development of business; the Bank proactively and properly handled litigation and non-litigation risk events to guard against legal litigation risk and reputation risk.

During the reporting period, the legal risk management of the Bank focused on three levels, beforehand risk prevention, in-process risk control and post-risk mitigation, and an institutionalised, standardised and systematic management mechanism had been established for the main fields of legal risk management, to continuously enhance the effectiveness of the Bank's legal risk management for businesses.

2. In respect of compliance risk management:

(1) The Bank attached great importance to compliance management, internal control management and case prevention and control. The Board is ultimately responsible for compliance risk, and the Audit Committee operated under it is responsible for implementation of compliance policy with authorisation. The Bank specified the compliance responsibilities of the Board, the Supervisory Committee, senior management, head office departments, branches, business divisions and employees to improve the compliance and internal control and case prevention management structure that consisted of internal compliance control of the head office, branches and business divisions, as well as case defence committee, head of the Bank who was in charge of compliance, responsible person of compliance department, internal compliance control director of outlets, etc. It also enhanced the coordination of the three lines of defence within the compliance management system, identified, monitored and assessed the problems encountered in conducting business or in internal and external checks, strengthened supervision interaction to improve the level of internal compliance management. Meanwhile, self-assessment and inspection were organised to rectify market chaos in banking sector. The Bank promoted operation with compliance and ensured the solid fulfilment for transformation requirements that required defence and neutralisation of financial risks, return to the nature and main operation of financial institutions and achievement of high-quality development through strengthening problem rectification and accountability against regulate violation. The Bank launched case prevention compliance supervision and guidance for branches and business departments with a high-pressure attitude towards the case prevention works of front line staff and grass-root facilities, to advocate implement the case prevention compliance requirements of the regulatory authorities and the head office, and included the situation of case prevention compliance work into the performance assessment of each facility and its responsible person to assure the case prevention compliance responsibility level by level. The Bank advocated development strategy on a solid base along with the changes in supervision guidance to better serve the real economy.

(2) The Bank continued to strengthen the professionalism of legal compliance review and management to advance the quality and effectiveness of the support to business. In the first half of the year, the Bank actively advocated measures such as review process optimisation, review authorisation mechanism improvement, etc. Meanwhile, the key regulatory policies were interpreted and analysed by various methods and transmitted promptly to identify compliance risk and promote operating agencies to improve their resistance against compliance risk and boost the healthy development of business.

(3) The Bank strengthened its system management to further improve the compliance risk management system. Additionally, the Bank organised the preparation of annual system plan, performed systematic examination over key business sectors, enhanced system management quality, and further consolidated the management base for business development throughout the Bank and internal control.

(4) The Bank actively engaged in the construction of compliance culture and strengthened the compliance awareness of the Bank's staff to create a favourable culture of compliance, and provided professional training on legal compliance for the heads of legal compliance departments and key business personnel of branches and business divisions. Staff of business department, compliance staff and new recruits accepted training in the forms of on-site training, “Zhiniao” course, etc., to strengthen the concept that “everyone is responsible for compliance”.

(5) Based on the principle of “comprehensive risk management” and “unified leadership, separate responsibility, coordinated cooperation”, the Bank earnestly fulfilled anti-money laundering obligation. Based on the requirements of relevant regulatory and needs of internal control management, the Bank enhanced the system construction for anti-money laundering mechanism, improved monitoring and analysis, strengthened reporting of large-amount or suspicious transaction, optimised and reformed anti-money laundering and black-list system and launched self-inspection mechanism for anti-money laundering among branches to practically defend the Bank from money-laundering risk, terrorism financing risk and international sanction risk. The Bank also positively cooperated with anti-money laundering Financial Action Task Force in the 4th round of mutual assessment and actively explored the application of AI+ anti-money laundering in the Bank’s anti-money laundering works in crucial fields such as off-shore and Internet finance.



## VIII. Capital adequacy ratio, leverage ratio and liquidity coverage ratio

### (I) Capital adequacy ratio

(In RMB million)

Item	30 June 2018	31 December 2017	31 December 2016
<b>Net Core Tier 1 Capital</b>	188,491	184,340	170,088
<b>Other Tier 1 Capital</b>	19,953	19,953	19,953
<b>Net Tier 1 Capital</b>	208,444	204,293	190,041
<b>Tier 2 Capital</b>	53,610	44,934	44,346
<b>Net Capital</b>	262,054	249,227	234,387
<b>Total risk-weighted assets</b>	2,261,112	2,226,112	2,033,715
Credit risk-weighted assets	2,035,470	2,000,758	1,828,931
On-balance-sheet risk-weighted assets	1,854,768	1,820,051	1,607,471
Off-balance-sheet risk-weighted assets	177,469	176,352	217,364
Risk-weighted assets of counterparty credit risk exposure	3,233	4,355	4,096
Market risk-weighted assets	31,933	31,645	30,984
Operational risk-weighted assets	193,709	193,709	173,800
<b>Core tier one capital adequacy ratio</b>	8.34%	8.28%	8.36%
<b>Tier one capital adequacy ratio</b>	9.22%	9.18%	9.34%
<b>Capital adequacy ratio</b>	11.59%	11.20%	11.53%
<b>Balance of mitigated risk exposures of credit risk asset portfolio:</b>			
Balance of mitigated risk exposures of on-balance sheet credit risk asset portfolio	2,930,764	2,858,326	2,529,904
Balance of off-balance sheet assets after conversion	340,487	348,412	496,557
Counterparty credit risk exposures	3,272,588	2,812,303	1,661,453

Note: the Bank adopted the weighted approach, standardised approach and basic indicator approach to measure capital requirements for its credit risk, market risk and operational risk, respectively; during the reporting period, there were no material changes in the measurement approaches, risk measurement systems and corresponding capital requirements for credit risk, market risk and operational risk. For more details of capital management, please refer to the Bank's website (bank.pingan.com).

### (II) Leverage ratio

(In RMB million)

Item	30 June 2018	31 March 2018	31 December 2017	30 September 2017
<b>Leverage ratio</b>	<b>5.63%</b>	<b>5.56%</b>	<b>5.69%</b>	<b>5.75%</b>
Net Tier 1 Capital	208,444	203,233	204,293	202,716
Balance of on-and off-balance sheet assets after adjustment	3,704,345	3,655,792	3,592,511	3,526,424

Note: It was mainly due to the increase of net core tier 1 capital. The leverage ratio at the end of the reporting period decreased as compared to that at the end of March 2018. For more details of leverage ratio, please refer to the Bank's website (bank.pingan.com).

### (III) Liquidity coverage ratio

(In RMB million)		
Item	30 June 2018	31 December 2017
<b>Liquidity coverage ratio</b>	<b>123.60%</b>	<b>98.35%</b>
Qualified current assets	316,070	317,833
Net cash outflow	255,718	323,154

## IX. Prospects of the Bank for the second half of 2018

### (I) Prospects of the situation for the second half of 2018:

In the second half of 2018, the macro economy of China will stay steady with a positive trend, with a prospect that the economic growth will slow down. The grand market of domestic demand will continuously form a vast room for adjustment to support economic growth, which will maintain strong toughness and gradually step into a high-quality development stage. The structural reform of supply side will go deeper and the structural adjustment of real enterprises will be intensified to obtain greater achievements in quality, productivity and motivation transformation; The rhythm and strength of financial supervision will be determined more accurately. Structural deleveraging will be steadily pushed forward; Monetary policy will stay prudent and neutral, the liquidity of financial market will maintain properly abundant, the two-pillar regulation and control framework with monetary policy and macro prudent policy will be further improved, financial reforms in interest and exchange rate will progress deeper, the pace of opening up in economic and financial sectors will be accelerated, and the adjustment in financial structure will show more positive changes. However, under an uncertain external circumstance, weighing risk control against growth maintaining will be more and more challenging.

Looking forward at the second half of 2018, we can see new changes in the competition situation in banking industry:

**I. Regulations strengthened and banks returning to the origin of serving the real economy.** Real economy is the foundation of finance. Serving the real economy is the reason why finance exists. Last year, a series of stringent regulatory policies pointed out the direction for banks. With policies such as the new regulations on asset management and liquidity, equity interest management, entrusted loans, etc. being implemented and off-balance sheet business reversing to on-balance sheet business, the quality of assets will be more transparent and authentic. The operation and development policy would be made with rationality again. In the future, the development and innovation of banks can only be based on real economy, focus on national strategic industries and consumption upgrade of residents to promote the high-quality development of economy and the improvement of personal life, and thus can banks obtain the ultimate driving force for their own development.

**II. Scientific empowerment and the reshaping of bank competitive advantages with advanced science and technology.** Advanced science and technology are producing greater and greater influence in the development of banking industry. Big data, artificial intelligence, cloud technology and block chain are fully nurturing banks with new energy from the surface to the core, which will change banks' development pattern, enhance the management and operation ability of banks, and promote banks to overcome barricades during reform and rapidly foster core competitiveness in intelligent wealth management, convenient payment and settlement, effective loans and financing, etc. Traditional banks must forge a more agile organisation structure, establish a more flexible science and technology system, and recruit cross-sector talents in finance and technology. Only by doing these can they catch the new round of science and technology tide and reshape the banks' competitive advantages.

**III. The rise of ecology and a new growth point generating in ecological circle.** Along with the development of technology, more enterprises are integrating into a more comprehensive alliance, forming ecological circles of different industries that promote the rise of giant enterprises. Future competition will transform into competition between ecological circles instead of between enterprises. Banks are born with advantages in funds, account system and customer resources, therefore, they are able to integrate participants in every field of the industry ecological circles. By integrating themselves into or constructing

ecological circles, banks are able to lower customer acquisition cost, enrich product and service scenarios, increase customer viscosity, and seek more opportunities for business development.

**IV. Consolidating defence line and constructing the development foundation of banks under risk operations.** The more normative a market is, the more necessary for banks to return to the nature of operating risks. Banks can only construct a foundation for stable development by strictly adhering to compliance bottom-line and being good at managing and controlling risks. Banks must strictly abide by regulatory requests, cultivate the risk compliance awareness of the whole staff, enhance internal control management in mechanism, system, process, etc., pay attention to liabilities to practically guard against liquidity risks, and improve the ability of risk management by technical measures. Only by taking several measures simultaneously and strengthening risk management can banks guard themselves against internal and external risks to maintain healthy and sustainable development.

## **(II) Main works for the second half of 2018**

In the second half of 2018, the Bank will continue to implement the requirements of the 19th CPC National Congress, closely united around the Central Committee of CPC with Comrade Xi Jinping as its core, adhere to the leadership of the Party and the principle of “being technology-driven, pursuing breakthroughs in retail banking, and reinventing its corporate banking”, promote in-depth retail strategy transformation, and strive to build up a new benchmark of intelligent retail bank.

**I. Seizing the opportunities and serving real economy.** The Bank will pursue reform based on the situation and develop in line with the situation, stick to retail transformation path, enhance the scope and depth of financial service via technical measures to meet the ever-growing financial demand of the people, solve financing problems for small and medium-size enterprises with intelligent on-line financing platform to implement inclusive finance; The Bank will seize the opportunities, such as the development of emerging industries, upgrade of traditional industries and coordination of regional development, to actively advocate industry banks’ reform and upgrade, make the most of the professional advantages and comprehensive finance advantages to support the development of real economy; The Bank will also proactively promote trading bank reform based on customers’ needs for products and services, connect trade finance, Internet finance, international business, offshore business, and establish a united system for product development, marketing service and operation management.

**II. Being innovation-driven and science and technology-leading in development.** The Bank will proactively implement the “finance+technology” dual-wheel driving strategy by empowering science and technology innovation through introduction and cultivation of technology talents. The Bank will establish a regular agile innovation mechanism, create an incubation platform for innovation, and focus on the combination of new technologies, such as artificial intelligence, block chain, big data, cloud computing, etc., and upgrade of traditional business, innovative business model and improvement of management efficiency, to provide customers with intelligent financial services that are more convenient, superior and secure.

**III. Embracing changes and seeking ecological energy.** The Bank will embrace, blend in and construct an ecological circle with an open mind, draw a map of ecological strategy, and search for an entry point in key sectors such as financial service, health care, auto service, real estate service and intelligent city to export account system, resource integration ability and risk control ability, expand business source, and look for new points for business growth.

**IV. Securing the bottom-line and strengthening risk control.** The Bank will pay close attention to changes in external economic environment, strictly abide by regulatory requirements, and comprehensively intensify the management of credit risk, liquidity risk, market risk, operational risk, compliance risk and reputation risk. The Bank will take technical measures to complement risk defence and control in every aspect, continuously improve credit structure, strictly control increment risk, guard against and resolve stock risk, and hold the bottom-line of zero systematic risk.

## Section VI Significant Events

### I. Relevant conditions of annual Shareholders' General Meeting and Extraordinary General Meeting during the reporting period

#### 1. Conditions of Shareholders' General Meeting during the reporting period

Session and type of meeting	Investor participation rate	Holding date	Disclosure date	Disclosure indexes
The First Extraordinary General Meeting of 2018	60.3491%	1 March 2018	2 March 2018	<i>Resolution Announcement of 2018 First Extraordinary General Meeting of Ping An Bank Co., Ltd.</i> , relevant announcements were published on the <i>China Securities Journal</i> , <i>Securities Times</i> , <i>Shanghai Securities News</i> , <i>Securities Daily</i> and CNINF (www.cninfo.com.cn)
2017 Annual General Meeting	60.5716%	20 June 2018	21 June 2018	<i>Resolution Announcement of 2017 General Meeting of Ping An Bank Co., Ltd.</i> , relevant announcements were published on the <i>China Securities Journal</i> , <i>Securities Times</i> , <i>Shanghai Securities News</i> , <i>Securities Daily</i> and CNINF (www.cninfo.com.cn)

#### 2. Preferred shareholders with resumed voting rights request to convene an extraordinary general meeting

☐ Applicable      ☒ Not applicable

### II. Pre-plan of profit distribution or capital reserve converted into share capital

☐ Applicable      ☒ Not applicable

The Company planned not to distribute cash dividends or bonus shares, nor to increase the share capital by converting the capital reserve.

### III. Commitments that have been fulfilled during the reporting period and have not yet been fulfilled as at the end of the reporting period by the actual controllers, shareholders, related parties, purchasers, the company and other related parties

☒ Applicable      ☐ Not applicable

Commitment causes	Commitment type	Commitment party	Contents of commitment	Time of commitment	Duration of commitment	Performance
Commitment made during the asset reorganisation	Commitment on competition in the same business, related party transaction and independence	Ping An Insurance (Group) Company of China, Ltd.	<p>Ping An intends to subscribe 1,638,336,654 shares issued by the Bank in a non-public manner (this major asset reorganisation) with 90.75% of its original shares of Ping An Bank and the cash of RMB2,690,052,300:</p> <p>1. After the completion of this major asset reorganisation, during the period of Ping An as a controlling shareholder of Shenzhen Development Bank, if Ping An and other enterprises controlled by Ping An intend to engage in or substantially get the same business or commercial opportunities as those of Shenzhen Development Bank in the future, because the assets and business formed by such business or commercial opportunities may constitute a potential competition in the same business with Shenzhen Development Bank, Ping An and other enterprises controlled by Ping An will not engage in the same or similar business as that of Shenzhen Development Bank, to avoid a direct or indirect competition with the business operation of Shenzhen Development Bank.</p> <p>2. After the completion of this major asset reorganisation, for matters that occur between Ping An and other enterprises controlled by Ping An and Shenzhen Development Bank and constitute a related party transaction of Shenzhen Development Bank, by following the principle of openness, fairness and impartiality of market transactions, Ping An and other enterprises controlled by Ping An will perform transactions with Shenzhen Development Bank at a fair and reasonable market price, and fulfil the decision-making processes in accordance with the provisions of relevant laws, regulations and normative documents and fulfil the obligation of information disclosure according to the law. Ping An guarantees that Ping An and other enterprises controlled by Ping An will not obtain any improper benefits or make Shenzhen Development Bank undertake any unfair obligation through the transactions with Shenzhen Development Bank.</p> <p>3. After the completion of this major asset reorganisation, during the period of Ping An as a controlling shareholder of Shenzhen Development Bank, Ping An will maintain the independence of Shenzhen Development Bank and ensure that the personnel, assets, finance, organisation and business of Shenzhen Development Bank are independent of those of Ping An and other enterprises controlled by Ping An.</p>	29 July 2011	Long-term	Performance in progress

Commitment made during the first public issue or refinancing	Commitment on trading restriction of shares	Ping An Insurance (Group) Company of China, Ltd.	Ping An makes a commitment that the subscribed 210,206,652 new shares issued by the Bank in a non-public manner shall not be transferred within 36 months from the date of listing of new shares (21 May 2015). Such shares shall not be sold and transferred between the non-affiliated enterprises and shall also not be transferred and disposed between the affiliated enterprises during the restricted share trade period. Any other arrangements for the disposal of the restricted shares shall not be made.	21 May 2015	Within three years	Performance completed. The relevant restricted shares were listed for circulation on 21 May 2018.
Other commitments made for medium and small shareholders of the Company	Other commitments	The Bank	The Company has not made a performance commitment for the preference share issue. The Company will take effective measures to improve the use efficiency of funds raised to further enhance the profitability of the Company, thereby minimizing the impact of the preference share issue on the return to ordinary shareholders and fully protecting the legitimate rights and interests of shareholders of the Company, especially the minority shareholders.	14 March 2016	Long-term	Performance in progress
If the commitments are performed timely	Yes					
Specific reasons of failing to complete the performance and next plan (if any)	Not applicable					

#### IV. Appointment and Termination of Accounting Firm

Whether the 2018 Interim Financial Report prepared was audited

☐ Yes      ☒ No

The 2018 Interim Financial Report prepared by the Bank was unaudited, but reviewed by PricewaterhouseCoopers Zhong Tian LLP.

The employment of the accounting firm was not changed during the reporting period.

#### V. Description of the Board of Directors and the Supervisory Committee on the "non-standard audit report" of the accounting firm during the reporting period

☐ Applicable      ☒ Not applicable

#### VI. Description of the Board of Directors on the "non-standard audit report" during the prior reporting period

☐ Applicable      ☒ Not applicable

#### VII. Relevant matters of bankruptcy reorganisation for the Bank.

☐ Applicable      ☒ Not applicable

During the reporting period, there were no relevant matters of bankruptcy reorganisation for the Bank.

## **VIII Major litigation and arbitration matters**

In first half of 2018, there were no litigation and arbitration matters that had significant impact on the operation for the Bank. At the end of June 2018, there were 266 pending litigations in which the Bank acted as the prosecuted party, involving an amount of RMB1,245 million.

## **IX. Punishment and rectification**

The Bank and its directors, supervisors, senior managements, shareholders that hold over 5% of the equity interests and actual controllers were not investigated by the competent authorities, subject to coercive measures by the judiciary authorities or discipline inspection departments, transferred to the judiciary authorities or investigated for criminal responsibility, investigated or punished by the China Securities Regulatory Commission, banned from entering the securities market, identified as inappropriate candidates, punished by other administrative departments and publicly condemned by the stock exchanges during the reporting period.

## **X. Integrity conditions of the company and its controlling shareholders**

During the reporting period, there was no case where the effective judgement of the court was not fulfilled and a large amount of debt was due and unpaid for the Company and its controlling shareholders.

## **XI. During the reporting period, there were no equity incentive plan, employee stock ownership plan or incentive measures for other employees and their implementation for the Bank.**

## **XII. Matters on major related party transactions**

1. See “VIII. Related Party Relationships and Transactions” in “Section XI Financial Report” for details of “transactions between the Bank and Ping An and its related parties”, “transactions between the Bank and its major shareholders and their related parties”, “main transactions between the Bank and key management personnel” and “main transactions between the Bank and the units of key management personnel and associates”.

2. Implementation of *Announcement on Continuous Daily Related Party Transactions of Ping An Bank Co., Ltd. with Ping An Group*

On 29 June 2017, the Bank reviewed and approved the *Proposal on Continuous Daily Related Party Transactions of Ping An Bank Co., Ltd. with Ping An Group at the 2016 Annual Shareholders’ General Meeting*.

(1) At the end of the reporting period, the amount of credit related party transactions of Ping An and its subsidiaries approved by the Bank was RMB53,383 million and the credit balance was RMB34,776 million.

(2) At the end of the reporting period, the trade finance under the credit risk amounted to RMB221 million and the guarantee under the integrated finance business amounted to RMB18,000 million, and the platform financing under performance guaranty insurance amounted to RMB651 million.

(3) At the end of the reporting period, the amount of related party transactions for transfer of assets or assets income rights between the Bank and Ping An amounted to RMB0, and the corresponding service and management fees amounted to RMB1 million.

(4) At the end of the reporting period, the borrowing interest expenses from the inter-bank financing and the issue of negotiable interbank certificates of deposits transactions with Ping An Group amounted to RMB1,081 million, and the lending interest income was RMB0.

(5) At the end of the reporting period, the amount of connected transactions in relation to the acquisition of corporate credit-based assets or right of return on assets held by Ping An Group in proprietary funds by the Bank in inter-bank borrowing and proprietary funds (including investment principal, interest income, etc.) reached RMB490 million, and the amount of connected transactions in relation to the Bank's transfer of its corporate credit-based assets or right of return on assets held in inter-bank borrowing and proprietary funds to be held by Ping An Group in proprietary funds (including investment principal, service fees income, etc.) amounted to RMB0. The amount of connected transactions (including management fees expense, investment consulting fees expense, etc.) in relation to the acquisition of or investment in the active investment management products of Ping An Group (including asset management plan, trust plan, insurance debts plan, etc.) by the Bank in inter-bank borrowing and proprietary funds was RMB54 million, and the amount of connected transactions in relation to the Bank's transfer of its active investment management products of Ping An Group (including asset management plan, trust plan, insurance debts plan, etc.) held in inter-bank borrowing and proprietary funds to be held by Ping An Group in proprietary funds (including investment principal, service fees income, etc.) was RMB0.

(6) At the end of the reporting period, the amount of connected transactions (including but not limited to interest income / expense, service fee income / expense, management fee income / expense, consultancy fee income / expense) in relation to the investment in the wealth management products of Ping An Group (including products under the capital market, debt, equity, financial derivatives and other categories ) by the Bank in wealth funds was RMB1 million; the amount of connected transactions (including but not limited to interest income / expense, service fee income / expense, management fee income / expense, consultancy fee income / expense) in relation to the inter-bank asset and liability business between the Bank and Ping An Group (including inter-bank deposits, inter-bank lending, inter-bank borrowing, bond trading, bills business, etc.) was RMB35 million.

(7) At the end of the reporting period, the amount of connected transactions (including but not limited to interest income / expense, service fee income / expense, management fee income / expense, consultancy fee income / expense) arising from the financial derivatives business (including but not limited to various types of forward, swap, futures, options and precious metals business) with Ping An Group was RMB64 million.

(8) At the end of the reporting period, the amount of connected transactions (including but not limited to interest income / expense, service fee income / expense, management fee income / expense, consultancy fee income / expense) arising from the entrusted investment business with Ping An Group was RMB469 million.

(9) At the end of the reporting period, the agency services fees for insurance products of Ping An Group, other banks' products (including asset management plan, trust plan, etc.) and agency marketing was RMB807 million.

(10) At the end of the reporting period, the outsourcing services and intermediary service fees for business outsourcing, IT outsourcing and intermediary services with Ping An Group were RMB1,001 million.

The actual amount of each of the aforesaid business did not exceed the maximum estimated limit of the continuing connected transaction set out in the *Resolution of Ping An Bank Co., Ltd. on the Continuing Connected Transactions with Ping An Group* approved by the Annual General Meeting of 2016.

3. Disclosure of major connected transactions in the interim report which is available for inspection in related website

☐ Applicable      ☒ Not applicable



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

**XIV. Special instructions and independent opinions of independent directors on the funds occupation and external guarantee of the related parties of the Bank**

The Bank had no situation that the controlling shareholders and other related parties occupy the funds of the Bank during the reporting period or during the previous period but continued into the reporting period.

The guarantee business is one of the Bank's conventional banking businesses approved by the relevant regulatory authorities. The Bank attaches great importance to the risk management of the business and strictly implements the relevant operation procedures and approval procedures, so that the risks of external guarantee business are effectively controlled. During the reporting period, the Bank had no other significant guarantee businesses that need to be disclosed except for the financial guarantee businesses within the scope of business approved by the relevant regulatory authorities.

**XV. Material contracts and their performance**

1. Major entrustment, underwriting, lease: there was no major entrustment, underwriting, lease during the reporting period.

2. Material guarantee: apart from the guarantee business within its operating scope approved by the CBRC, the Bank had no other material guarantee.

3. Other material contracts and their performance: the Bank had no material contract dispute during the reporting period.

**XVI. Social responsibility report**

**1. Significant environment-protect condition**

The Bank does not belong to the key pollutant discharging units announced by the environment protection departments.

**2. Performance of social responsibility for targeted poverty alleviation**

☐ Applicable      ☒ Not applicable

**XVII. Usage of raised funds**

☐ Applicable      ☒ Not applicable

### XVIII. Particulars about reception of researches, visits and interviews

During the reporting period, the Bank conducted a number of communications about the Bank's operations and financial position and other matters with the institutions through the results announcements, the analyst meeting and the acceptance of investor research, and individual investors could make enquiry by phone. The communications involved topics on the Bank's operations and development strategy, periodic reports and interim announcements and their explanations. In accordance with the requirements of the *Guidelines on Fair Information Disclosure of Shenzhen Stock Exchange Listed Companies*, the Bank and the parties subject to the information disclosure obligation has strictly followed the principle of fair information disclosure with no violation. The Bank's primary receptions of investors during the reporting period are as follows:

Date	Mode	Target	Index of basic information for research
4 January 2018	Investment bank meeting	Institutions	CNINFO (www.cninfo.com.cn) <i>Record Chart of Investor Relationship Activities of Ping An Bank Co., Ltd.</i>
25 January 2018	Onsite survey	Institutions	
1 February 2018	Onsite survey	Institutions	
26 April 2018	Onsite survey	Institutions	
9 May 2018	Investment bank meeting	Institutions	
14 June 2018	Onsite survey	Institutions	
1 January 2018 - 30 June 2018	Communication by call, written inquiry	Individual	

### XIX. Other significant events

On 14 August 2017, the 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*. The Bank intends to make a 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 *China's Banking Regulatory Commission on the Approval for Matters Relating to the Public Issuance of A-share Convertible Corporate Bonds by Ping An Bank Co., Ltd.* (Yin Jian Fu [2018] No. 71). China's Banking and Insurance Regulatory Commission permitted the Bank to publicly issue A-share convertible corporate bonds with the cap of RMB26 billion, which should be included in tier 1 core capital in accordance with relevant regulatory requirements after the conversion. The issuance is to be approved by China Banking Regulatory Commission, China Securities Regulatory Commission and other relevant institutions before implementation. The solution finally approved by such institutions shall prevail.

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

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

Description of major events	Disclosure date	Index of website disclosing temporary reports
The Bank intends to make a public issuance of no more than RMB26 billion of A-share convertible corporate bonds	15 August 2017, 27 March 2018, 21 June 2018	Announcements in <i>China Securities Journal</i> , <i>Securities Times</i> , <i>Shanghai Securities News</i> , <i>Securities Daily</i> and CNINFO (www.cninfo.com.cn).

### XX. Significant events of subsidiaries of the Company

☐ Applicable      ☒ Not applicable

## Section VII Changes in Shares and Shareholders

### I. Changes in shares

#### 1. Statement of changes in shares

(Unit: Share)

Class of shares	Before change		Change (+, -)					After change	
	Number of shares	Percentage (%)	Issue of new shares	Bonus issue	Transfer from reserve	Others	Sub-total	Number of shares	Percentage (%)
I. Selling-restricted shares	252,427,994	1.47	-	-	-	-252,263,401	-252,263,401	164,593	Around 0
1. Shareholding of the state	-	-	-	-	-	-	-	-	-
2. Shareholding of state-owned legal entity	-	-	-	-	-	-	-	-	-
3. Shareholding of other domestic investors	252,427,994	1.47	-	-	-	-252,263,401	-252,263,401	164,593	Around 0
Of which: Shareholding of domestic legal entity	252,404,128	1.47	-	-	-	-252,247,983	-252,247,983	156,145	Around 0
Shareholding of domestic natural person	23,866	Around 0	-	-	-	-15,418	-15,418	8,448	Around 0
4. Shareholding of foreign investors	-	-	-	-	-	-	-	-	-
Of which: Shareholding of foreign corporation	-	-	-	-	-	-	-	-	-
Shareholding of foreign natural person	-	-	-	-	-	-	-	-	-
II. Selling-unrestricted shares	16,917,983,372	98.53	-	-	-	252,263,401	252,263,401	17,170,246,773	Around 100
1. RMB-denominated ordinary shares	16,917,983,372	98.53	-	-	-	252,263,401	252,263,401	17,170,246,773	Around 100
2. Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-
III. Total	17,170,411,366	100	-	-	-	-	-	17,170,411,366	100

Reason for the change in shares

☒ Applicable      ☐ Not applicable

1. During the reporting period, 252,247,983 selling-restricted shares were unlocked and became tradable, leading to the Bank's selling-restricted shares decrease and selling-unrestricted shares increase accordingly.
2. During the reporting period, due to the change in selling-restricted shares of senior management, 15,418 shares of restricted shares held by domestic natural persons were deducted from the Bank, leading to the Bank's selling-restricted shares decrease and selling-unrestricted shares increase accordingly.

Approval for the change in shares

☐ Applicable      ☒ Not applicable

Transfer registration related to shares change

☐ Applicable      ☒ Not applicable

Effect of shares change on the financial indicators such as basic and diluted earnings per share and net assets per share attributable to ordinary shareholders of the Company in the latest fiscal year and period

☐ Applicable      ☒ Not applicable

Other disclosure deemed necessary by the Company or required by the securities authorities

☐ Applicable      ☒ Not applicable

## 2. Statement of changes in selling-restricted shares

(Unit: Share)

Name of shareholder	Number of restricted shares at the beginning of the period	Number of shares released from sales restrictions in the current period	Number of increased restricted shares in the current period	Number of restricted shares at the end of the period	Reason for sales restriction	Unlock date
Ping An Insurance (Group) Company of China, Ltd.-the Group -proprietary fund	252,247,983	252,247,983	-	-	Non-public offering of ordinary shares	Unlocked at 21 May 2018
Shenzhen Tefa Communications Development Corporation	113,089	-	-	113,089	Restricted Shares from share reform	-
Shenzhen Travel Association	30,504	-	-	30,504	Restricted Shares from share reform	-
Shenzhen Futian District Agriculture Development Service Company Yunnan Agricultural Machine Agency	12,552	-	-	12,552	Restricted Shares from share reform	-
Total	252,404,128	252,247,983	-	156,145	-	-

Note: 1. The lock-up period of the selling-restricted shares held by Shenzhen Tefa Communications Development Corporation, Shenzhen Travel Association and Shenzhen Futian District Agriculture Development Service Company Yunnan Agricultural Machine Agency expired on 20 June 2008, but the relevant shareholders has no yet delegated the Company to apply for unlocking.

2. The above figures do not include 8,448 locked shares held by directors and senior management in virtue of their capacity as senior management.

## II. The issuance and listing of securities

☐ Applicable      ☒ Not applicable

### III. Number of shareholders and shareholding conditions

(Unit: Share)

Total number of ordinary shareholders as at the end of the reporting period	435,978			Total number of preference shareholders with recovered voting rights as at the end of the reporting period			-	
Shareholdings of top ten shareholders								
Name of shareholder	Nature of shareholder	Number of shares held	Shareholding (%)	Changes during the reporting period	Number of selling - restricted shares held	Number of selling - unrestricted shares held	Pledged or frozen	
							Status of shares	Number of shares
Ping An Insurance (Group) Company of China, Ltd.-the Group -proprietary fund	Domestic legal entity	8,510,493,066	49.56	-	-	8,510,493,066	-	-
Ping An Life Insurance Company of China, Ltd. - proprietary fund	Domestic legal entity	1,049,462,784	6.11	-	-	1,049,462,784	-	-
China Securities Finance Corporation Limited	Domestic legal entity	425,247,429	2.48	-64,927,942	-	425,247,429	-	-
Ping An Life Insurance Company of China, Ltd. –traditional – ordinary insurance products	Domestic legal entity	389,735,963	2.27	-	-	389,735,963	-	-
Hong Kong Securities Clearing Company Limited	Overseas legal entity	343,893,739	2.00	-20,875,355	-	343,893,739	-	-
Central Huijin Investment Company Limited	Domestic legal entity	216,213,000	1.26	-	-	216,213,000	-	-
China Electronics Shenzhen Company	Domestic legal entity	186,051,938	1.08	-	-	186,051,938	-	-
Henan Hongbao (Group) Co., Ltd.	Domestic legal entity	99,441,107	0.58	20,582,120	-	99,441,107	-	-
Xinhua Life Insurance Co., Ltd. — dividend - dividend for individual -018L-FH002 Shen	Domestic legal entity	49,603,502	0.29	-3,890,000	-	49,603,502	-	-
Manulife Teda Fund - CMBC - Manulife Teda Fund Value Growth Targeted Placement No. 193 Asset Management Plan	Domestic legal entity	40,708,918	0.24	-	-	40,708,918	-	-
Details of strategic investors or general legal persons becoming top 10 shareholders for issuing new shares (if any)	None							

Explanation of the connected relationship or acting-in-concert relationship among the above shareholders	1. Ping An Life Insurance Company of China, Ltd. is a controlled subsidiary of and acting in concert with the Ping An Insurance (Group) Company of China, Ltd. “Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund”, “Ping An Life Insurance Company of China, Ltd. - proprietary fund” 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 or concerted action among any of other shareholders.		
Shareholdings of the top 10 unrestricted shareholders			
Name of shareholder	Number of selling - unrestricted shares held	Class of shares	
		Class of shares	Number of shares
Ping An Insurance (Group) Company of China, Ltd.-the Group -proprietary fund	8,510,493,066	RMB ordinary shares	8,510,493,066
Ping An Life Insurance Company of China, Ltd. - proprietary fund	1,049,462,784	RMB ordinary shares	1,049,462,784
China Securities Finance Corporation Limited	425,247,429	RMB ordinary shares	425,247,429
Ping An Life Insurance Company of China, Ltd. – traditional – ordinary insurance products	389,735,963	RMB ordinary shares	389,735,963
Hong Kong Securities Clearing Company Limited	343,893,739	RMB ordinary shares	343,893,739
Central Huijin Investment Company Limited	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.	99,441,107	RMB ordinary shares	99,441,107
Xinhua Life Insurance Co., Ltd. —dividend - dividend for individual -018L-FH002 Shen	49,603,502	RMB ordinary shares	49,603,502
Manulife Teda Fund - CMBC - Manulife Teda Fund Value Growth Targeted Placement No. 193 Asset Management Plan	40,708,918	RMB ordinary shares	40,708,918

Explanation of the connected relationship or acting-in-concert relationship among the top ten of selling-unrestricted shareholders and between top ten of selling-unrestricted shareholders and top ten shareholders	<p>1. Ping An Life Insurance Company of China, Ltd. is a controlled subsidiary of and acting in concert with the Ping An Insurance (Group) Company of China, Ltd. “Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund”, “Ping An Life Insurance Company of China, Ltd. - proprietary fund” 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 relationship or concerted action among any of other shareholders.</p>
Description of the shareholders who engage in securities margin trading business	None

Any of the top ten shareholders or top ten of selling-unrestricted shareholders has conducted agreed repurchase during the reporting period.

☐ Yes      ☒ No



#### IV. Major shareholders

1. The Bank has no actual controlling person. There is no change in controlling shareholders of the Bank in the reporting period.

##### 2. Information of controlling shareholders

Ping An Insurance (Group) Company of China, Ltd. At the end of the reporting period, Ping An Group and its controlling subsidiary Ping An Life Insurance Company of China, Ltd., as the controlling shareholders of the Bank, held 58% of the equity interests of the Bank in total, of which Ping An Group held 49.56% of the equity interests of the Bank. Ping An Life Insurance Company of China, Ltd. held 8.44% of equity interests of the Bank. Ping An Group dispatched directors to the Bank. Ping An Group was founded on 31 March 1988. Its registered address is 15F, 16F, 17F, 18F Office, Xinghe Development Centre, 3rd Fuhua Road, Futian District, Shenzhen. The registered capital is RMB18,280,241,410. The legal representative is Ma Mingzhe. The scope of business includes: investment in insurance enterprises; supervision and management of various domestic and international businesses of investment holding enterprises; conduct of insurance funds investment business; conduct of domestic and international insurance business with the approval; conduct of other businesses approved by the CBIRC and the relevant state departments. With a relatively loose shareholding structure, Ping An Group has neither controlling shareholder, nor any actual controlling person or ultimate beneficiary. There is no equity interests of the Bank pledged by Ping An Group and its controlling subsidiary Ping An Life Insurance Company of China, Ltd.

##### 3. Other major shareholders prescribed by the *Interim Measures for Equity Interests Management of Commercial Banks* issued by CBIRC

(1) China Electronics Shenzhen Company. At the end of the reporting period, China Electronics Shenzhen Company held 1.08% of the equity interest of the Bank and dispatched directors to the Bank. China Electronics Shenzhen Company was founded on 19 May 1982. The registered address is No. 2072, 2070, Shennan Middle Road, Futian District, Shenzhen. The registered capital is RMB350million. The legal representative is Song Jian. The scope of business includes: ordinary operations, including import and export of proprietary and outsourced goods and technology (Operating upon the document Wai Jing Mao Zheng Shen Han Zi [97] No. 1980), economic cooperation business with foreign enterprises (Operating upon the document Wai Jing Mao He Han [2001] No. 500), sales of textiles, groceries, industry production materials (excluding gold, silver, auto mobile and hazardous chemical), petroleum products (excluding refined oil), hardware, AC electrical materials, chemical products (excluding hazardous chemical), construction materials, art crafts (excluding gold accessories); domestic sales of goods under import and export operation of the Company; labour service, information consulting, packaging service, property management, sales and rental service of self-owned properties; domestic freight forwarders; international freight forwarders; wholesale and retail of auto mobile, auto parts, and engineering equipment. China Electronics Corporation Information Service Co., Ltd. is the controlling shareholder of China Electronics Shenzhen Company. China Electronics Corporation is the actual controlling party and ultimate beneficiary. China Electronics Shenzhen Company does not pledge any equity interest of the Bank.

(2) Shenzhen Yingzhongtai Investment Co., Ltd. At the end of the reporting period, Shenzhen Yingzhongtai Investment Co., Ltd. held 10,200 shares of the equity interest of the Bank and dispatched supervisor to the Bank. Shenzhen Yingzhongtai Investment Co., Ltd. was founded on 29 December 2001. The registered address is Room 102 (Office), B46 Longxiang Villa, Longxiang North Road, Fuyong Street, Bao'an District, Shenzhen. The legal representative is Che Guobao. The registered capital is RMB10 million. The scope of business includes: investment and establishment of industries (specific projects are subject to additional approval); domestic commerce, goods supply and marketing (excluding monopolised goods and voice control products). Mr. Che Guobao is the controlling shareholder and the actual controlling person of Shenzhen Yingzhongtai Investment Co., Ltd. Mr. Che Guobao and Mr. Che Guoquan are the ultimate beneficiaries of Shenzhen Yingzhongtai Investment Co., Ltd. Shenzhen Yingzhongtai Investment Co., Ltd. does not pledge any equity interest of the Bank.

## Section VIII Preference Shares

### I. Issuance and listing of preference shares in the reporting period

Mode of issue	Date of issue	Issue price (RMB/share)	Dividend yield ratio	Issuing number (share)	Listing date	Trading number approved for listing (share)	Termination date of listing	Query index of use progress of funds raised	Query index of changes of funds raised
Non-public issuance	7 March 2016	100	4.37%	200,000,000	25 March 2016	200,000,000	-	See the <u>Special Report on the Deposit and Actual Use of Fund Raised of Ping An Bank Co., Ltd. in 2016</u> published by the Bank on the CNINFO ( <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> ) on 17 March 2017 for details.	-

### II. Number and shareholdings of preference shareholders of the Company

(Unit: Share)

Total number of preference shareholders at the end of the reporting period		15				
Shareholding of shareholders with more than 5% preference shares or top 10 preference shareholders						
Name of shareholder	Nature of shareholder	Shareholding (%)	Number of shares held at the end of the reporting period	Changes during the reporting period	Pledged or frozen	
					Status of shares	Number of shares
Ping An Life Insurance Company of China, Ltd. - dividend - individual dividend	Domestic legal entity	29.00	58,000,000	-	-	-
Ping An Life Insurance Company of China, Ltd. - universal - individual universal	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 -	Domestic legal entity	8.95	17,905,000	-	-	-

Hua Xia Bank Co., Ltd.						
Bank of Communications Schroder Asset Management - Bank of Communications - Bank of Communications Co., Ltd.	Domestic legal entity	8.95	17,905,000	-	-	-
Bank of China Limited Shanghai Branch	Domestic legal entity	4.47	8,930,000	-	-	-
Postal Savings Bank of China Domestic Co., Ltd.	Domestic legal entity	2.98	5,950,000	-	-	-
China Resources Sztic Trust Co., Ltd. - Investment No. 1 List - Capital Trust	Domestic legal entity	2.98	5,950,000	-	-	-
Hwabao Trust Co. Ltd. - Investment No. 2 Capital Trust	Domestic legal entity	2.98	5,950,000	-	-	-
Merchants Wealth - Postal Savings Bank - Postal Savings Bank of China Co., Ltd.	Domestic legal entity	2.98	5,950,000	-	-	-
Description of different requirements on other terms of preference shares held other than dividend distribution and residual property distribution	Not applicable					
Description of the related relationship or concerted action among top 10 preference shareholders and between top 10 preference shareholders and top 10 ordinary shareholders	<p>1. Ping An Life Insurance Company of China, Ltd. and Ping An Property &amp; Casualty Insurance Company of China, Ltd. are controlled subsidiaries of and acting in concert with the Ping An Insurance (Group) Company of China, Ltd. “Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund”, “Ping An Life Insurance Company of China, Ltd. - proprietary fund”, “Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance product”, “Ping An Life Insurance Company of China, Ltd. - dividend - individual dividend”, “Ping An Life Insurance Company of China, Ltd. - universal - individual universal” and “Ping An Property &amp; 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 or concerted action among any of other shareholders.</p>					

### III. Profit distribution for preference shares of the Company

☒ Applicable      ☐ Not applicable

On 29 January 2018, the 14th meeting of the 10th Board of Directors of the Bank reviewed and approved the *Initiative on the Distribution Plan of Dividends on Preference Shares*. On 1 March 2018, the Bank issued *Implementation Announcement on the Distribution of Dividends on Preference Shares*. The Bank distributed RMB4.37 (inclusive of tax) per preference share as dividends based on the amount of issued preference shares (hereafter referred “Ping Yin You 01”, code 140002) of 200 million (with a face value of RMB100 per share), and calculated with a nominal dividend rate of 4.37%. The total amount of the dividends distributed was RMB874 million (inclusive of tax). The calculation period for the dividends on preference shares was from 7 March 2017 to 6 March 2018. The registration date was 6 March 2018. The ex-dividend date was 7 March 2018. The dividend date was 7 March 2018. Ping Yin You 01 dividend distribution plan of the Bank was completely implemented in the reporting period.

Description of major events	Disclosure date	Index of website disclosing temporary reports
<i>Implementation Announcement on the Distribution of Dividends on Preference Shares</i>	1 March 2018	Announcements in <i>China Securities Journal</i> , <i>Securities Times</i> , <i>Shanghai Securities News</i> , <i>Securities Daily</i> and CNINFO ( <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> ).

### IV. Repurchase or conversion of preference shares

☐ Applicable      ☒ Not applicable

There was no repurchase or conversion of preference shares during the reporting period.

### V. Recovery of voting rights of preference shares during the reporting period

☐ Applicable      ☒ Not applicable

There was no recovery of voting rights of preference shares during the reporting period.

### VI. Accounting policies and reasons adopted for preference shares

☒ Applicable      ☐ Not applicable

See “14. Equity instrument in II. Major accounting policies and accounting estimates” in “Section XI Financial Report” for “Accounting policies and reasons adopted for preference shares”.

## Section IX Information about Directors, Supervisors and Senior Management

### I. Changes in shareholding by the directors, supervisors and senior management

(Unit: Share)

Name	Title	Service status	Shareholding at the beginning of the period (share)	Shareholding increased in the period (share)	Shareholding decreased in the period (share)	Shareholding at the end of the period (share)	Selling - restricted shares granted at the beginning of the period (share)	Selling - restricted shares granted for the current period (share)	Selling - restricted shares granted at the end of the period (share)
Xie Yonglin	Chairman	In-service	-	-	-	-	-	-	-
Hu Yuefei	Director and president of the Bank	In-service	4,104	-	-	4,104	-	-	-
Tan Sin Yin	Director	In-service	-	-	-	-	-	-	-
Yao Jason Bo	Director	In-service	-	-	-	-	-	-	-
Ip So Lan	Director	In-service	-	-	-	-	-	-	-
Cai Fangfang	Director	In-service	-	-	-	-	-	-	-
Guo Jian	Director	In-service	-	-	-	-	-	-	-
Guo Shibang	Director	In-service	-	-	-	-	-	-	-
Yao Guiping	Director	In-service	-	-	-	-	-	-	-
Wang Chunhan	Independent director	In-service	-	-	-	-	-	-	-
Wang Songqi	Independent director	In-service	-	-	-	-	-	-	-
Han Xiaojing	Independent director	In-service	-	-	-	-	-	-	-
Guo Tianyong	Independent director	In-service	-	-	-	-	-	-	-
Yang Rusheng	Independent director	In-service	-	-	-	-	-	-	-
Qiu Wei	Chairman of the supervisory committee, employee supervisor	In-service	-	-	-	-	-	-	-
Che Guobao	Supervisor of shareholder	In-service	-	-	-	-	-	-	-
Zhou Jianguo	External supervisor	In-service	-	-	-	-	-	-	-

Luo Xiangdong	External supervisor	In-service	-	-	-	-	-	-	-
Chu Yiyun	External supervisor	In-service	-	-	-	-	-	-	-
Gan Yu	Employee supervisor	In-service	-	-	-	-	-	-	-
Wang Qun	Employee supervisor	In-service	-	-	-	-	-	-	-
Wu Peng	Vice president of the Bank	In-service	2,394	-	-	2,394	-	-	-
Xiang Youzhi	CFO	In-service	-	6000	-	6,000	-	-	-
Zhou Qiang	Secretary to the Board	In-service	-	-	-	-	-	-	-
He Zhijiang	Vice president of the Bank	Left post	-	-	-	-	-	-	-
Total			6,498	6000	-	12,498	-	-	-

## II. Changes in the directors, supervisors and senior management members

Name	Title	Type	Date	Reason
Xiang Youzhi	CFO	Appointed	29 January 2018	Appointed
He Zhijiang	Vice president of the Bank	Left post	4 April 2018	Left post

## III. Information about organisations and employees

### 1. Establishment of organisations

At the end of the reporting period, the Bank had 73 branches and 1,073 outlets in total. Information about the Bank's organisations (including branches and outlets) is as follows:

Organisation name	Address	Number of outlets	Asset scale (In RMB million)	Number of employees
Shenzhen Branch	No. 1099, Shennan Middle Road, Futian District, Shenzhen	148	517,053	3,424
Shanghai Branch	No. 1333, Lujiazui Ring Road, Pudong New Area, Shanghai	71	276,501	1,829
Beijing Branch	No. 158, Fuxingmennei Street, Xicheng District, Beijing	65	232,961	1,814
Shanghai Pilot Free Trade Zone Branch	No. 799, Yanggao South Road, Pudong New Area, Shanghai	1	132,882	141
Guangzhou Branch	Zhukong Commercial Building, No. 1 Huaqiang Road, Zhujiang New Town, Tianhe District, Guangzhou	58	114,154	1,550

Nanjing Branch	No. 128, Shanxi Road, Gulou District, Nanjing	44	67,380	719
Hangzhou Branch	No. 36, Qingchun Road, Xiacheng District, Hangzhou	36	58,288	1,118
Wuhan Branch	No. 54, Zhongbei Road, Wuchang District, Wuhan	51	55,420	627
Changsha Branch	No. 456, Wuyi Avenue, Furong District, Changsha	8	47,768	320
Chengdu Branch	No.99, Second Tianfu Street ,Hi-tech Zone, Chengdu	36	40,602	662
Xiamen Branch	No. 82, Lianqian Subdistrict, Zhanhong Road, Siming District, Xiamen	21	40,289	373
Shenzhen Qianhai Branch	Building 28A, Qianhai Enterprise Dream Park, No. 63, Qianwan First Road, Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Shenzhen	1	40,099	38
Xi'an Branch	No. 240, Dongxin Street, Xincheng District, Xi'an	12	38,489	358
Qingdao Branch	No. 28, Miaoling Road, Laoshan District, Qingdao	25	36,604	539
Tianjin Branch	No. 349, Nanjing Road, Nankai District, Tianjin	33	36,498	746
Ningbo Branch	No. 138, Jiangdong North Road, Jiangdong District, Ningbo	15	34,226	511
Chongqing Branch	No. 778, Jingwei Avenue, Yuzhong District, Chongqing	29	33,970	580
Shijiazhuang Branch	No. 78, Xinhua Road, Xinhua District, Shijiazhuang	11	33,505	299
Kunming Branch	No. 448, Qingnian Road, Panlong District, Kunming	36	33,460	507
Hefei Branch	No. 999, Dongliu Road West, Shushan District, Hefei	2	30,920	203
Dalian Branch	No. 21, Ganglong Road, Zhongshan District, Dalian	25	29,965	626
Fuzhou Branch	No. 109, Wusi Road, Gulou District, Fuzhou	42	26,898	518
Jinan Branch	No. 13777, Jingshi Road, Lixia District, Jinan	18	26,685	475
Zhengzhou Branch	No. 25, Business Outer Ring Road, Zhengdong New District, Zhengzhou	19	25,532	429
Foshan Branch	District Five, Foshan News Centre, Yuhe Road, Foshan New City, Foshan	32	23,082	633
Taiyuan Branch	No. 6, Bingzhou North Road, Yingze District, Taiyuan	3	18,478	207
Haikou Branch	No. 22, Jinlong Road, Longhua District, Haikou	19	17,870	364
Wenzhou Branch	No. 1707, Wenzhou Avenue, Ou Hai District, Wenzhou	19	17,473	345
Tianjin Pilot Free Trade	Building 1, Ronghe Plaza, No. 168, Xisi Road,	1	16,817	97

Zone Branch	Tianjin Pilot Free Trade Zone (Tianjin Airport Economic Area)			
Wuxi Branch	No. 670, Zhongshan Road, Wuxi	10	15,719	194
Nanchang Branch	Ruituoronghe Building, No. 88, Shangdu Road, Honggutan New District, Nanchang	1	14,839	139
Suzhou Branch	No. 89, Suxiu Road, Suzhou Industrial Park, Suzhou	9	14,642	198
Huizhou Branch	No. 8, Maidi East Road, Huicheng District, Huizhou	13	14,552	217
Dongguan Branch	Block A, Fortune Plaza, Hongfu Road, Nancheng District, Dongguan	12	14,404	347
Zhuhai Branch	No. 288, Hongshan Road, Xiangzhou District, Zhuhai	10	13,664	288
Quanzhou Branch	Lianjie International Center Building, No. 109, Binghai Street, Fengze District, Quanzhou	17	10,976	295
Nantong Branch	No. 38, Yuelong Road, Chongchuan District, Nantong	1	10,088	79
Yiwu Branch	No. 223, Binwang Road, Yiwu	9	9,893	159
Shenyang Branch	A1, 163, Nanjing North Street, Heping District, Shenyang	6	7,870	252
Zhongshan Branch	No. 1, Xingzheng Road, East District, Zhongshan	14	6,534	223
Yantai Branch	No. 96, Huanshan Road, Zhifu District, Yantai	3	5,952	73
Changzhou Branch	No. 288, Feilong East Road, Changzhou	11	5,592	152
Guiyang Branch	Jincheng Street, Guanshanhu District, Guiyang, Guizhou	1	5,118	131
Taizhou Branch	No. 181, Baiyunshan South Road, Taizhou Economic Development Zone, Taizhou	9	4,252	110
Dongying Branch	No. 55, Fuqian Street, Dongying District, Dongying	1	4,211	42
Xuzhou Branch	No. 2, Xi'an North Road, Xuzhou, Jiangsu	1	3,823	49
Xiangyang Branch	No. 10, Chunyuan West Road, XiangyangGuiyang Branch	1	3,748	32
Weifang Branch	No. 343, Dongfeng East Street, Kuiwen District, Weifang	1	3,694	48
Guangdong Pilot Free Trade Zone Nansha Branch	No. 106, Fengze East Road, Nansha District, Guangzhou	1	3,560	19
Branch in Xiamen Area of Fujian Pilot Free Trade Zone	No. 99, Xiangyu Road, Huli District, Xiamen	1	3,442	15
Taizhou Branch	No. 39, Qingnian South Road, Hailing District, Taizhou	1	3,222	50
Tangshan Branch	No. 31, Xinhua West Street, Lubei District, Tangshan	1	2,890	60



	Tangshan, Hebei			
Shaoxing Branch	No. 711-713, Jiefang Avenue, Shaoxing	2	2,820	53
Zhangzhou Branch	Liyuan Plaza, Eastern Section of Nanchang Road, Xiangcheng District, Zhangzhou	6	2,550	51
Linyi Branch	No. 10, Jinqieshan Road, Lanshan District, Linyi	4	2,342	66
Rizhao Branch	No. 89, Taian Road, Rizhao	1	2,255	31
Yichang Branch	Zhongxing Plaza, No. 179, Yiling Avenue, Wujiagang District, Yichang	1	2,070	33
Luoyang Branch	No. 55, Binhe South Road, Luolong District, Luoyang	1	1,876	43
Huzhou Branch	No. 72, Lianjiaxiang Road, Building 1, Shangzuo, Tianyuanyicheng, Huzhou	1	1,611	33
Leshan Branch	No. 358, Southern Section of Chunhua Road, Shizhong District, Leshan	2	1,222	31
Jingzhou Branch	Beijing Road, Fengtai Mansion, Beijing Road, Shashi District, Jingzhou	2	1,193	39
Mianyang Branch	No. 116, Northern Section of Huoju West Street, Hi-tech Zone, Mianyang	1	1,075	26
Hengqin Branch in Guangdong Pilot Free Trade Zone	Building 7, Hengqin Financial Industry Service Base, Shizimen Central Business District, Hengqin New Area, Zhuhai	1	943	16
Yancheng Branch	Fenghuang Culture Plaza, No. 611, Century Avenue, Yancheng	1	870	39
Honghe Branch	No. 6, Daqiao Street, Gejiu	1	650	22
Zibo Branch	Zhongrun Comprehensive Building, No. 1, Zhongrun Avenue, High-tech District, Zibo	1	458	33
Branch in Fuzhou Area of Fujian Free Trade Zone	No. 68-1, Jiangbin East Avenue, Mawei Town, Mawei District, Fuzhou	1	373	4
Jining Branch	Huiji Center, the Cross of Guanghe Road and Gongqingtuan Road, Jining	1	272	25
Langfang Branch	F4 Floor, Aimingdongdao New Word Center Office, Guangyang District, Langfang	1	229	39
Jinzhong Branch	East Region No. 1, Yujing City Garden Phase II, No. 233, Xinjian North Road, Yuci District, Jinzhong	1	83	24
Nanyang Branch	Wanda International, Junction of Zhongzhou Road and Yongan Road, Wolong District, Nanyang	1	52	22
Weihai Branch	Northern Qingdao Road, Weihai, Shandong	1	-	27
Deyang Branch	New Era Plaza, No. 308, First Section of Western Changjiang Road, Deyang	1	-	22
Treasury Operation Center	No. 1333, Lujiazui Ring Road, Pudong New Area, Shanghai	1	90,704	43

Credit Card Center (sub-centre inclusive)	No. 1, Liyumen Street, Qianwan First Road, Qianhai Shenzhen-Hongkong Modern Service Industry Cooperation Zone, Shenzhen	24	374,592	2,123
SME Finance BU	No. 5047, Shennan East Road, Luohu District, Shenzhen	1	Reflected in each branch	
<b>Total</b>		<b>1,073</b>	<b>2,774,794</b>	<b>26,069</b>

Note: The number of organisations was counted according to the licenses.

## 2. Information about employees

As of the end of June 2018, the total number of in-service employees of the Bank was 32,744 (including 1,091 dispatched employees). The number of retired ex-employees who shall be paid pensions was 89. Among regular employees are 21,443 business personnel, 7,327 financial and operating personnel, 2,072 management and operation personnel and 811 administrative support and other personnel. And 83.05% of them have bachelor degrees or higher degree. 98.81% of them have college degrees or higher degree.

## **Section X Corporate Bonds**

Whether the company has corporate bonds which are publicly issued and listed on the stock exchange, undue on the date of approval of the financial report or failing to be fully paid on due date

☐ Yes      ☒ No

## **Section XI Financial Report**

## **Section XII Documents Available for Inspection Catalogue**

1. The accounting statements sealed and signed by Chairman, President, CFO/the person in charge of accounting institution.
2. The original copy of audit report sealed by the accounting firm and sealed and signed by certified public accountants;
3. Originals of the Company's documents and announcements which have been publicly disclosed in China Securities Journal, Securities Times, Shanghai Securities News, Securities Daily during the reporting period.

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

16 August 2018