



平安银行
PING AN BANK

Ping An Bank Co., Ltd.

2017 Third Quarterly Report

21 October 2017

Part I. Important Notes

- 1.1 The board of directors (hereinafter referred to as the “Board”), the supervisory committee, the directors, the supervisors and senior management of Ping An Bank Co., Ltd. (hereinafter referred to as the “Bank”), guarantee and assume several and joint responsibilities for the authenticity, accuracy and completeness of the contents of this report and there are no false representations, misleading statements, or material omissions.
- 1.2 The 11th meeting of the 10th session of the Board considered the 2017 Third Quarterly Report (hereinafter referred to as the “Report”). All the required 12 directors attended the meeting. The Report was unanimously approved at the meeting.
- 1.3 Xie Yonglin, the Chairman of the Board, Hu Yuefei, the President, and Han Xu, the Accounting Manager, guarantee the authenticity, accuracy and completeness of the financial statements in the Report.
- 1.4 Reminder on non-standard audit opinions
Applicable Not applicable

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

Part II. Corporate Profile

I. Key Accounting Results and Financial Indicators

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

Yes No

(In RMB million)

Item	30 September 2017	31 December 2016	Change at the end of the reporting period from the end of last year	
Total assets	3,137,481	2,953,434	6.23%	
Shareholders' equity	218,111	202,171	7.88%	
Shareholders' equity attributable to ordinary shareholders	198,158	182,218	8.75%	
Share capital	17,170	17,170	-	
Net asset per share attributable to ordinary shareholders (in RMB)	11.54	10.61	8.77%	
Item	Jul. – Sept. 2017	Increase/decrease as compared with the same period last year	Jan. – Sept. 2017	Increase/decrease as compared with the same period last year
Operating income	25,760	(5.29%)	79,833	(2.60%)
Net profit	6,599	2.68%	19,153	2.32%
Net profit less non-recurring gains/losses	6,618	3.20%	19,130	2.26%
Net cash flow from operating activities	N/A	N/A	(157,987)	Negative amount for the same period last year
Net cash flow from operating activities per share (in RMB)	N/A	N/A	(9.20)	Negative amount for the same period last year
Basic EPS/Diluted EPS (in RMB)	0.38	2.70%	1.06	(2.75%)
Basic EPS less non-recurring gains/losses (in RMB)	0.38	2.70%	1.06	(2.75%)
Average return on total assets (un-annualized)	0.21%	-0.02 percentage points	0.63%	-0.08 percentage points
Average return on total assets (annualized)	0.85%	-0.07 percentage points	0.84%	-0.10 percentage points
Weighted average return on net assets (un-annualized)	3.39%	-0.28 percentage points	9.60%	-1.42 percentage points
Weighted average return on net assets (annualized)	13.32%	-1.11 percentage points	12.77%	-1.68 percentage points
Weighted average return on net assets less non-recurring gains/losses (un-annualized)	3.40%	-0.27 percentage points	9.59%	-1.42 percentage points
Weighted average return on net assets less non-recurring gains/losses (annualized)	13.36%	-1.04 percentage points	12.75%	-1.69 percentage points

Note: (1) The Bank issued non-cumulative preference stocks with a par value of RMB20 billion through non-public offering on 7 March 2016, and in March 2017, the Bank declared and distributed annual stock dividends of RMB874 million (including tax) on its preference stocks for the period from 7 March 2016 to 6 March 2017. The Bank has deducted the above stock dividends from the numerators when calculating the EPS and weighted average net asset income rate for the period from January to September 2017.

(In RMB million)

Item	30 September 2017	31 December 2016	31 December 2015	Change at the end of the reporting period from the end of last year
Customer deposits	1,911,741	1,921,835	1,733,921	(0.53%)
Including: Corporate deposits	1,585,730	1,652,813	1,453,590	(4.06%)
Personal deposits	326,011	269,022	280,331	21.18%
Total loans and advances to customers	1,646,824	1,475,801	1,216,138	11.59%
Including: Corporate loans	899,686	934,857	774,996	(3.76%)
General corporate loans	880,970	920,011	761,331	(4.24%)
Discounted bills	18,716	14,846	13,665	26.07%
Personal loans	494,725	359,859	293,402	37.48%
Receivables from credit cards	252,413	181,085	147,740	39.39%
Impairment allowance for loans and advances	(43,802)	(39,932)	(29,266)	9.69%
Loans and advances, net	1,603,022	1,435,869	1,186,872	11.64%

Note: Pursuant to the *Notice of the People's Bank of China regarding Adjustments to the Statistical Bases for Deposits and Loans of Financial Institutions* (Yin Fa [2015] No.14), starting from 2015, the deposits placed in deposit-taking financial institutions by non-deposit-taking financial institutions are accounted under "total deposits", while loans made by deposit-taking financial institutions to non-deposit-taking financial institutions are accounted under "total loans". Accordingly, as at 30 September 2017, total deposits and total loans amounted to RMB2,375 billion and RMB1,681 billion, respectively.

Total share capital of the Bank as at the last trading day prior to the date of disclosure:

Total share capital of the Bank as at the last trading day prior to the date of disclosure (shares)	17,170,411,366
Fully diluted earnings per share based on the latest share capital figure (RMB/share, January - September)	1.06

Whether had there been changes in the share capital from the end of the last reporting period to the date of issue of the quarterly report as a result of new share issues, additional issues, right issues, exercise of share options and/or repurchase of shares, and whether the changes, if any, had affected the amount of owners' interests

Yes No

Non-recurring items and amounts

Applicable Not applicable

(In RMB million)

Item	Jan. – Sept. 2017
Gains/losses on disposal of non-current assets	89
Other non-operating income and expense	(59)
Impact of the above items on income tax	(7)
Total	23

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

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

II. Regulatory Indicators and Financial Ratios

(Unit: %)

Item	Standard values	30 September 2017	31 December 2016	31 December 2015
Capital adequacy ratio	≥10.5	11.28	11.53	10.94
Tier one capital adequacy ratio	≥8.5	9.23	9.34	9.03
Core tier one capital adequacy ratio	≥7.5	8.32	8.36	9.03
Non-performing loan (NPL) ratio	≤5	1.75	1.74	1.45
Provision coverage	≥150	152.11	155.37	165.86
Loan loss provision ratio	≥2.5	2.66	2.71	2.41
Cost/income ratio (excluding business tax, from the beginning of the year to the end of the period)	N/A	26.64	25.97	31.31
Deposit-loan spread (from the beginning of the year to the end of the period, annualized/un-annualized)	N/A	4.05/3.03	4.49	4.89
Net interest spread (NIS) (from the beginning of the year to the end of the period, annualized/un-annualized)	N/A	2.24/1.68	2.60	2.62
Net interest margin (NIM) (from the beginning of the year to the end of the period, annualized/un-annualized)	N/A	2.41/1.80	2.75	2.81

Note: Regulatory indicators are presented as per regulatory criteria. The Bank reclassified the net gains from precious metal leasing in 2016 from net non-interest income into net interest income and restated the comparative figures to the same bases.

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

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

(Unit: Share)

Total number of ordinary shareholders as at the end of the reporting period	331,474	Total number of preference shareholders with restored voting rights as at the end of the reporting period (if any)	-			
Shareholdings of the top 10 ordinary shareholders						
Name of shareholder	Capacity	Share holding (%)	Total number of shares held	Number of restricted shares held	Pledged or frozen	
					Status of shares	Number of shares
Ping An Insurance (Group) Company of China, Ltd. – the Group – proprietary fund	Domestic legal entity	49.56	8,510,493,066	252,247,983	-	-
Ping An Life Insurance Company of China, Ltd. – proprietary fund	Domestic legal entity	6.11	1,049,462,784	-	-	-
China Securities Finance Corporation Limited	Domestic legal entity	2.69	462,172,119	-	-	-
Ping An Life Insurance Company of China, Ltd. – traditional – ordinary insurance products	Domestic legal entity	2.27	389,735,963	-	-	-
Central Huijin Asset Management Ltd.	Domestic legal entity	1.26	216,213,000	-	-	-
CEIEC Shenzhen	Domestic legal entity	1.08	186,051,938	-	-	-
Hong Kong Securities Clearing Company Limited	Overseas legal entity	0.91	155,583,946	-	-	-
Shenzhen Zhengshun Capital Holdings Co., Ltd.	Domestic legal entity	0.62	106,686,426	-	Pledged	106,686,426
China Southern Asset Management	Domestic	0.37	63,731,160	-	-	-

- Agricultural Bank of China – China Southern CSI Financial Asset Management Plan	legal entity					
Lombarda China Fund Management Co., Ltd. – Agricultural Bank of China – Lombarda China CSI Financial Asset Management Plan	Domestic legal entity	0.37	63,731,160	-	-	-
Shareholdings of the top 10 unrestricted shareholders						
Name of shareholder	Number of unrestricted shares held	Type of shares				
		Type of shares	Number of shares			
Ping An Insurance (Group) Company of China, Ltd. – the Group – proprietary fund	8,258,245,083	RMB ordinary shares	8,258,245,083			
Ping An Life Insurance Company of China, Ltd. – proprietary fund	1,049,462,784	RMB ordinary shares	1,049,462,784			
China Securities Finance Corporation Limited	462,172,119	RMB ordinary shares	462,172,119			
Ping An Life Insurance Company of China, Ltd. –traditional – ordinary insurance products	389,735,963	RMB ordinary shares	389,735,963			
Central Huijin Asset Management Ltd.	216,213,000	RMB ordinary shares	216,213,000			
CEIEC Shenzhen	186,051,938	RMB ordinary shares	186,051,938			
Hong Kong Securities Clearing Company Limited	155,583,946	RMB ordinary shares	155,583,946			
Shenzhen Zhengshun Capital Holdings Co., Ltd.	106,686,426	RMB ordinary shares	106,686,426			
China Southern Asset Management - Agricultural Bank of China – China Southern CSI Financial Asset Management Plan	63,731,160	RMB ordinary shares	63,731,160			
Lombarda China Fund Management Co., Ltd. – Agricultural Bank of China – Lombarda China CSI Financial Asset Management Plan	63,731,160	RMB ordinary shares	63,731,160			
Description of related-party relationships or concerted actions among the above shareholders	<p>1. Ping An Life Insurance Company of China, Ltd. is a controlled subsidiary of and acting in concert with Ping An Insurance (Group) Company of China, Ltd. “Ping An Insurance (Group) Company of China, Ltd. – the Group – proprietary fund”, “Ping An Life Insurance Company of China, Ltd. – proprietary fund” and “Ping An Life Insurance Company of China, Ltd. – traditional – ordinary insurance product” are related parties.</p> <p>2. The Bank is not aware of any related-party relationship or parties acting in concert among other shareholders.</p>					
Description of the top 10 ordinary shareholders who engage in securities margin trading (if any)	N/A					

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

Yes No

2. Total number of preference shareholders, and the shareholdings of the top 10 preference shareholders
 Applicable Not applicable

(Unit: Share)

Total number of preference shareholders at the end of the reporting period	15					
Shareholdings of the top 10 preference shareholders						
Name of shareholder	Capacity	Share holding (%)	Total number of shares held	Number of restricted shares held	Pledged or frozen	
					Status of shares	Number of shares
Ping An Life Insurance Company of China, Ltd. – dividend – dividends for individual insurance	Domestic legal entity	29.00	58,000,000	-	-	-
Ping An Life Insurance Company of China, Ltd. – universal – individual universal insurance	Domestic legal entity	19.34	38,670,000	-	-	-
Ping An Property & Casualty Insurance Company of China, Ltd. – traditional – ordinary insurance products	Domestic legal entity	9.67	19,330,000	-	-	-
China Post & Capital Fund – Hua Xia Bank – Hua Xia Bank Co., Ltd.	Domestic legal entity	8.95	17,905,000	-	-	-
Bank of Communications Schroder Fund Management – Bank of Communications – Bank of Communications Co., Ltd.	Domestic legal entity	8.95	17,905,000	-	-	-
Bank of China Limited Shanghai Branch	Domestic legal entity	4.47	8,930,000	-	-	-
Postal Savings Bank of China Co., Ltd.	Domestic legal entity	2.98	5,950,000	-	-	-
China Resources SZITIC Trust Co. Ltd – investment No.1– trust funds	Domestic legal entity	2.98	5,950,000	-	-	-
Hwabao Trust Co., Ltd. – investment No.2 – trust funds	Domestic legal entity	2.98	5,950,000	-	-	-
China Merchants Wealth – PSBC – Postal Savings Bank of China Co., Ltd.	Domestic legal entity	2.98	5,950,000	-	-	-
Description of related-party relationships or concerted actions among the above shareholders	<p>1. Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China, Ltd. are controlled subsidiaries of and acting in concert with the Ping An Insurance (Group) Company of China, Ltd. “Ping An Life Insurance Company of China, Ltd. – dividend – dividends for individual insurance”, “Ping An Life Insurance Company of China, Ltd. – universal – individual universal insurance” and “Ping An Property & Casualty Insurance Company of China, Ltd. – traditional – ordinary insurance products” are related parties.</p> <p>2. The Bank is not aware of any related relationship or parties action in concert among other shareholders.</p>					

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

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

Part III. Significant Events

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

√ Applicable □ Not applicable

(In RMB million)

Item	30 September 2017	Change at the end of period from the end of last year	Change rate at the end of period from the end of last year	Reasons for change
Financial assets purchased under agreements to resell	19,136	10,260	115.59%	Increase in bonds purchased under agreements to resell
Accounts receivable	25,308	19,740	354.53%	Increase in factoring receivables without recourse
Available-for-sale financial assets	35,113	33,934	2,878.20%	A small base, increase in investment in available-for-sale securities
Other assets	14,930	3,831	34.52%	Increase in liquidation transition fund receivable
Borrowings from the Central Bank	115,607	96,470	504.10%	A small base, increase in borrowings from the Central Bank over a small base
Financial liabilities at fair value through profit or loss	10,591	(11,322)	(51.67%)	Decrease in payables for tradable gold lease
Provisions	60	(30)	(33.33%)	A small base, with a RMB90 million balance at the end of last year
Other liabilities	24,118	15,096	167.32%	Increase in liquidation transition fund payable
Other comprehensive income	(435)	374	Negative amount at the end of last year	Increase in change in the fair value of available-for-sale financial assets
Item	Jan. – Sept. 2017	Increase/decrease as compared with the same period last year	Increase/decrease rate as compared with the same period last year	Reasons for change
Fee and commission expense	3,485	1,169	50.47%	Increase in commission expense arising from increase in the number of credit cards issued and in the transaction volume
Investment income	644	(1,822)	(73.88%)	Decrease in profit/loss on price difference in the negotiation of bills
Gains or losses on changes in fair value	34	(76)	(69.09%)	A small base, with a RMB110 million balance at the end of last year
Exchange gains and losses	280	(288)	(50.70%)	Decrease in exchange gains and losses due to exchange rate fluctuation
Revenue from other operations	130	43	49.43%	A small base, with a RMB87 million balance at the end of last year
Other income	102	102	Nil for the same period last year	Recognized as income from government subsidy in this year in accordance with the standard
Taxes and surcharges	745	(2,355)	(75.97%)	Adoption of BT to VAT policy as from 1 May last year

Non-operating income	28	(24)	(46.15%)	A small base, with a RMB52 million balance at the end of last year
Non-operating expenses	89	52	140.54%	A small base, with a RMB37 million balance at the end of last year

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

Applicable Not applicable

On 14 August 2017, the 2017 first extraordinary general meeting of the Bank deliberated and approved the *Proposal of Ping An Bank Co., Ltd. on the Solution of Public Issuance and Listing of A-share Convertible Corporate Bonds*, for the Bank's proposed public issuance of no more than RMB26 billion of A-share convertible corporate bonds (hereinafter referred to as "the Issuance"). The Issuance requires approval from China Banking Regulatory Commission, China Securities Regulatory Commission and other relevant authorities, and shall proceed as approved by these authorities.

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

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

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

Applicable Not applicable

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

IV. 2017 Performance Forecast

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

Applicable Not applicable

V. Securities Investments

At the end of the reporting period, the book value of financial bonds (including policy bank notes, ordinary financial bonds and subordinated financial bonds, excluding corporate bonds) held by the Bank was RMB101.7 billion, and the top 10 financial bonds in terms of nominal value are as follows:

(In RMB million)

Name of Bond	Nominal Value	Nominal annual interest rate (%)	Maturity date	Impairment provision
2010 policy bank notes	3,860	2.09	2020/2/25	-
2015 policy bank notes	3,280	3.85	2018/1/8	-
2011 policy bank notes	3,030	2.35	2021/2/17	-
2016 commercial bank notes	3,000	3.20	2021/3/29	-
2016 commercial bank notes	3,000	3.25	2021/3/7	-
2016 policy bank notes	2,640	2.96	2021/2/18	-
2017 commercial bank notes	2,500	4.30	2020/9/5	-
2009 policy bank notes	2,420	2.53	2019/5/19	-
2011 policy bank notes	2,250	4.25	2018/3/24	-
2011 policy bank notes	1,770	2.16	2018/1/14	-

VI. Derivative Investments

(In RMB million)

Type of contract	Contractual amount at the beginning of the period (Nominal)	Contractual amount at the end of the period (Nominal)	Changes in fair value during the reporting period
Foreign exchange derivative instruments	796,308	1,015,013	1,758
Interest rate derivative instruments	833,882	1,311,998	(57)
Precious metal derivative instruments	188,090	139,301	(2,677)
Total	1,818,280	2,466,312	(976)

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

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

Date	Mode	Type of visiting party	Reference
2017/07/11	Onsite visit	Institution(s)	CNINFO (www.cninfo.com.cn) <i>Record of Investor Relationship Activities of Ping An Bank Co., Ltd.</i>
2017/08/11	Onsite visit	Institution(s)	
2017/08/15	Onsite visit	Institution(s)	
2017/09/14	Investment bank meeting	Institution(s)	

VIII. Non-Compliance External Guarantees

Applicable Not applicable

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

Applicable Not applicable

X. Performance of Social Responsibility in Targeted Poverty Alleviation Programs

Applicable Not applicable

XI. Management Discussion and Analysis

(I) Description of overall operations

From January to September 2017, the domestic economy maintained stable growth, with the "Belt and Road Initiative" progressing solidly, the supply-side structural reform delivering increasingly greater benefits, and new driving forces continuously emerging to advance economic development. In response to the needs and requirements for development in a new period, the Bank promoted the overall strategy for retail transformation. Based on the strategy of "Technology driven; Breakthroughs in retail banking; Thoughtful service in corporate banking", the Bank drove the retail banking to become more Internet-based and more smart, and its corporate banking to become more industry-specific, specialised, investment-banking-oriented, and lighter in capital and assets. Besides, the Bank prioritized the seamless integration of FinTech into bank operations and management in adherence to principles of compliance and risk prevention and control. The strategic transformation has delivered remarkable results as all business lines continue to grow robustly. Highlights of the operations are as follows:

1. Stable development on the whole

From January to September 2017, the Bank realized an operation revenue of RMB79.833 billion, down by 2.60% year on year (operation revenue before value-added tax reform increased by 0.85% year on year), in which, net commission income was RMB23.161 billion, up by 5.54% year on year. The operation profits before the provision were RMB57.820 billion, up by 2.96% year on year; the net profit was RMB19.153 billion, up by 2.32% year on year, while the profitability remained stable. The operation income ratio was 26.64%, down by 1.06 percentage points year on year.

As at the end of September 2017, total assets of the Bank were RMB3,137.481 billion, up by 6.23% as compared with the end of last year. The Bank had a deposit balance of RMB1,911.741 billion, basically the same as the end of last year. As the Bank adapted to the market changes and actively engaged in promoting high-quality projects and programs, the loans and advances (including discounted bills) increased 11.59% to RMB1,646.824 billion, as compared with that at the end of last year, of which retail loans (credit cards included) increased by 8 percentage points to 45% as compared with that at the end of last year. The year-end balance of principal-guaranteed wealth management products (WMPs) across the Bank was RMB327.795 billion, up 78.23% compared with the end of last year; the year-end balance of non-principal-guaranteed WMPs was RMB564.274 billion, down 24.00% compared with the end of last year.

2. Significant process in retail banking transformation

Bringing its comprehensive financial capability into full play, the Bank further promoted the transformation of intelligent retail banking and provided customers with differentiated and exquisite banking experience while maintaining rapid business growth.

(1) Rapid growth in scale and profits

As at the end of September 2017, assets under management (AUM) of retail customers of the Bank reached RMB1,021.503 billion, up by 28.07% as compared with the end of last year. The number of retail customers (debit cardholders and credit cardholders included) increased to 65.7426 million, up by 25.48% as compared with the end of last year, in which private wealth management customers and qualified private banking customers reached 431,600 and 21,900 respectively, up by 25.52% and 29.43% respectively as compared with the end of last year. The number of credit cards in circulation was 33.89 million, up by 32.33% as compared with the end of last year. Balance of retail deposits totalled RMB326.011 billion, up by 21.18% as compared with the end of last year; balance of retail loans (credit card loans included) reached RMB747.138 billion, up by 38.12% year on year. The total transactions through credit cards were RMB1,046.770 billion, up by 27.5% year on year. The number of active users of the Ping An Pabank App was 12,450,000 on a monthly basis, the best among joint-stock banks. From January to September 2017, the operating income of the retail business totalled RMB33.599 billion, up by 38.03% year on year and accounting for 42% of the total operating income of the Bank. The net profit of the retail business reached RMB12.506 billion, up by 94.15% year on year and accounting for 65% of the total net profit of the Bank.

(2) Continued improvement in asset quality

From January to September 2017, the retail business of the Bank maintained a stable and downward non-performing loan (NPL) ratio (excluding credit cards), as the NPL ratio was down 0.37 percentage points to 1.20% for retail loans as compared with the end of last year, while the NPL ratio of retail loans (excluding credit cards and personal business loans) was down by 0.25 percentage points to 0.35% as compared with the end of last year. The NPL ratio for credit cards was 1.18%, down by 0.25 percentage

points as compared with the end of last year. The quality of credit card assets remained stable, as latest NPL ratio in September 2017 represented the best performance in the past three years. For the principal retail loan products (Xin Yi Dai and auto loans), the migration ratio of non-overdue loans to loans overdue for over 30 days continued to decrease, as the risk warning indicator demonstrated an improvement trend.

(3) Constant breakthroughs in all businesses

The credit card business of the Bank experienced rapid and stable growth. As at the end of September 2017, the number of new credit cards issued by the Bank reached 9,909,700, up by 54.81% year on year and 57.38% quarter on quarter. The Bank continued to improve its risk management system for the whole credit card process by deploying a special scoring system for on-line credit card applications and developing its big data application strategy model. In addition, the Bank built its intelligent risk control system based on state-of-art technologies, including facial recognition, equipment “fingerprint recognition”, and blockchain fraud prevention.

From January to September 2017, newly issued Xin Yi Dai loans of the Bank totalled RMB82.557 billion, with a period-end balance of RMB113.747 billion and a NPL ratio of 0.69%. In response to the varied preferences and needs of different customers, the Bank applied big data, Internet+ and other technologies to push forward the upgrade of its consumer finance model as well as product innovation, so as to their financing needs in different stages. In this way, the Bank was able to expand its consumer finance business to more white-collar employees and small and micro businesses, and provide banking services to broader customer segments. Moreover, the Bank actively took advantage of online channels for its consumer finance business and built its one-stop platform for self-service consumer loans through Internet-based channels, including online banking, mobile banking, WeChat, and web portals, in its efforts to make the most use of Internet technologies to develop more competitive products, improve the intelligence and automation in application processing for consumer financial services, provide better customer experience, pursue sustaining operation and drive the consumption upgrade.

From January to September 2017, newly issued auto finance loans of the Bank amounted to RMB79.533 billion, up by 38.8% year on year, and the balance of auto loans across the Bank totalled RMB116.295 billion, up 22.08% compared with the end of last year, as the Bank maintained its leading position in the auto loan market. Through product innovation, credit process optimization, application of the scientific risk quantification model as well as adopting the big data strategy, the Bank increased the rate of automatic credit approval to 60% in its auto finance business system, including an automatic approval rate of 33% for second-hand cars, which effectively enhanced customer experience and consolidated its leading position in the industry.

From January to September 2017, the Bank optimized its customer scenarios, embraced life insurance, continued product innovation, implemented the point-based sales performance assessment system, and enhanced the research and development of AI. At the end of August 2017, AUM of the Bank exceeded one trillion and the Bank was a market leader in terms of retail deposit growth.

(4) Technology driven and service innovation

On 29 August 2017, the first retail-only outlet of the Bank, "Liuhua Branch, Guangzhou", was officially open for business. The outlet endeavours to be fully involved in the life and activities of the communities and build a service system focusing on "Intelligence+O2O+Customer Experience" to provide customers with home-like experience. Besides, it creates multiple daily life scenarios for customer interactions and strives to build itself as a “know-you-better” one-stop comprehensive financial O2O service platform offering "light banking, community integration, smart banking and diversity".

Besides, the Bank continued to develop Ping An Pabank App into a one-stop comprehensive financial mobile service platform. In August 2017, the Bank rolled out Pabank 4.0. With biological recognition and AI advisory embedded, the App is capable of providing customers with customized product portfolio solution based on transaction records and risk appetites, and it could analyze customer needs by means of big data analysis, and then offer customers with differentiated products and services through push notifications and presentation.

(5) Comprehensive finance to promote transformation

Comprehensive finance, including comprehensive retail business development and innovation and sales of credit cards and insurance products through Group channels, continued to improve in its performance. From January to September 2017, the number of customer migrating via comprehensive development channels increased by 3,044,000, including 29,900 for private banking and wealth management customers and an increase in asset balance of RMB74.668 billion, representing growth of 42.93%, 34.09% and 33.35% respectively. 32.52% of the Xin Yi Dai loans totalling RMB26.851 billion were made through the comprehensive channels. The number of credit cards newly issued via the group channel was 4.33 million,

representing growth of 44%. In Q3 2017, the number of credit cards newly issued via the group channel was 2.58 million, representing growth rose up to 54%. Cumulative net non-interest income from insurance products sold through the retail channels was RMB1.379 billion, up by 105.82% year on year.

3. Greater specialisation in corporate banking

The Bank elaborated its business philosophy of "transforming to be more industry-specific, specialised, investment-banking-oriented, and lighter in capital and assets", and formulated the "1234 implementation strategy" to further clarify its future development direction and profit-making approach for its corporate banking operations. The "1234 implementation strategy" refers to 1: the one lifeline (asset quality); 2: the two development concepts (industry-specific and lighter on capital and assets); 3: the three fundamental guarantee cornerstones (the systems, performance assessment and the people); and 4: the four implementation routes (pure deposits, real investment bank, lead bank and KYB (SME data loan)). Through the 1234 strategy, the Bank will drive the transformation of its large corporate businesses from focus on interest margins to a banking model that focus on comprehensive customer services and end-to-end efficiency enhancement.

From January to September 2017, the Bank continuously pushed forward the transformation of its corporate banking business to achieve sustainable business development.

In terms of business platform strategy, we continued to expand the influence of our four main platforms, namely, "Orangebank.com, cross-border E-financing platform, Factoring Cloud, ET-BANK", to provide exquisite products and services to our customers. At the end of September 2017, "Orangebank.com" had provided services to 992 e-commerce platforms, 176 more than that at the end of last year, as the industry standards for digitized supply chain financial system of the Bank are being constantly rolled out, giving the Bank a leading edge in the area. From January to September 2017, the Bank's transactions through the "cross-border E-financing platform" amounted to RMB363.778 billion, up by 20.95% year on year. The "Factoring Cloud platform" was updated and expanded continuously, and the total number of users increased by 1,351 to 5,717 as compared with the end of last year. It was awarded the "Third Prize for Financial Innovation in Shenzhen" in 2016 for its innovative efforts and practical applications in asset receivable operations. As a comprehensive financing asset transaction platform, the "ET-BANK platform" continued to expand its customer base. The cooperative partners increased more than 400 to over 1,800 customers as compared with the end of last year, as the platform delivered remarkable channel synergies.

In terms of lighter capital and assets, the Bank strived to develop businesses with to lower risk weights, occupying low or no capital, and fully utilized the Group's financial resources and platforms to enhance channel cooperation and expand sources of revenue from operations light on capital and assets. From January to September 2017, although the scale of bond issuing in the market experienced a dramatic drop, the Bank's bond underwriting business witnessed a steady increase. At the end of September, the amount of bond underwriting amounted to RMB71.030 billion, in which, 80% was issued for the AAA customers and 95% to customers with an AA+ or above rating. The market share increased to 2.4% from 1.9% at the end of last year. Despite fierce competition and decreasing fee rates, the Bank's net income from custody business reached RMB2.550 billion, maintaining the same level as compared with the same period of last year. At the end of September 2017, net value of custody business amounted to RMB6.17 trillion, up by 13% as compared to the end of last year. The Bank maintained a leading position among joint-stock banks in terms of the volumes of proprietary and agency precious metal trading. From January to September of 2017, 1.26 million new accounts were opened for gold transactions and the number of existing customers were 4.76 million, as the Bank maintained a leading position among joint-stock banks in terms of the volume of sales of physical gold.

(1) Precise control of scale

The Bank actively restructured its business structure and asset structure, and kept the scale of its corporate banking assets at a reasonable level to improve capital usage. At the end of September of 2017, corporate banking assets were optimised in structure; corporate loan (including discounted bills) balance was RMB899.686 billion, accounting for 55% of total loans and down by 8 percentage points as compared with the end of last year; the weighted risk assets of corporate loans decreased by RMB42.9 billion as compared with the end of last year.

(2) Precise development and cultivation of customers

The Bank focused on large-scale, moderately cyclical industries with strong growth potentials, such as medical health, cultural tourism and electronic information, and strengthened forward-looking industry researches, planning for industry development, optimization of industrial customer structure, maximization of the potential of quality customers, and the control of industrial financial risks.

In industry financing, the Bank actively applied the "C+SIE+R" industry financing model (Core

customers+Supply chain/ Industrial chain/Ecological circle customers+Retail customers). Acting as a lead bank, the Bank put together quality resources and provided them to quality customers with high potentials, in an effort to develop and drive upstream and downstream customers in supply chains, as well as customers in industrial chains and ecological circles, enabling the Bank to develop 958 mainstream customers from January to September 2017. The Bank adopted differentiated marketing strategies. For large and medium-sized customers, the Bank used lists and implemented a strategy combining "financing+intellectual solution, capital+investment, and the lead bank" to establish itself as the customers' choice of lead bank for both "commercial bank+investment bank". For small-sized customers, the Bank focused on delivering swift and large number of financial services through its light-weight platforms, so as to control risks and deliver value.

(3) Strict control over asset quality

The Bank built a comprehensive risk management system to standardize the procedures before, during and after loan issuance, and implemented the strategy of "customized policies for each and every bank and customer". The Bank strictly controlled the quality of newly developed businesses, and prioritized its credit resources and risk assets to lead banks and KYB borrowers with more controllable risks. In terms of existing assets, the Bank strengthened follow-up monitoring and disengagement of high-risk and low-profitability borrowers, applied innovative tailored management solutions, and increased efforts in asset recovery. The Special Asset Management Department of the Bank has delivered good performance since its establishment at the end of 2016, and the amount it had recovered from January to September 2017 was 2.1 time that of the same period in the last year thanks to precise management, cost-effective operations and specialized efforts; of the amount recovered, 89% was in cash, with the rest in foreclosed assets. It has adopted innovative NPL recovery solutions, including platform-based recovery, batch recovery, and those drawing on the strength of Internet and big data technology, and made significant contributions in ensuring the profitability of the Bank by mitigating asset quality risks.

(4) Greater efficiency

The Bank is committed to improving staff capacity and customer experience through platform empowerment, training promotion and team restructuring, etc.

On 20 September 2017, the first KYB SME data loan was issued by the Bank. Currently, it takes only 26 seconds to complete the process from application of a loan to the calculation of the credit line; the borrower can draw down the loan in 2 minutes after face-to-face review and approval, so that it has become a reality to disburse a loan in the same day the application is made. At present, the KYB SME data loans are being rolled out to the whole market.

4. Enhanced and orderly risk control

Since the foundation of the Special Asset Management Department at the end of 2016, the Special Asset Management Department of the Bank has improved its capability in terms of systematic treatment and specialised operation has started to come into force. The Bank actively responded to external risks and continued to optimise its credit structure, strictly controlled incremental business risks, prevented and alleviated various risks in existing loans, enhanced the efforts in the recovery of, so as to maintain relative stability of its asset quality.

From January to September of 2017, the Bank recognised a provision of RMB32.820 billion for its asset impairment losses, up by 3.81% year on year, including a provision for loan impairment losses of RMB31.588 billion; the impairment allowance for loans at the end of September 2017 was RMB43.802 billion, up by 9.69% as compared with the end of last year; the provision-to-loans ratio was 2.66%, down by 0.05 percentage points as compared with the end of last year; the provision coverage ratio was 152.11%, down by 3.26 percentage points; the NPL ratio was 1.75%, down slightly by 0.01 percentage points as compared with the end of June 2017 and up slightly by 0.01 percentage point as compared with the end of last year. From January to September of 2017, a total of RMB7.428 billion of non-performing assets had been recovered, up by 95% year on year, in which, credit assets (principals of loans) amounted to RMB6.933 billion; among the principals recovered, RMB2.726 billion had been written off and RMB4.207 billion had not been written off; over 80% of recovered non-performing assets were recovered in cash, with the rest in foreclosed assets.

5. Robust network building

The Bank continued to improve the smart banking capability of its network outlets and improve the overall distribution of its network presence. From January to September of 2017, the Bank newly established 8 branches, including 4 in the third quarter (namely, Jinzhong, Nanchang, Yichang and Jining). By the end of September 2017, the Bank had 68 branches and a total of 1,080 business locations.

(II) Asset quality

1. Five-category classification of loans and advances

(In RMB million)

Item	30 September 2017		31 December 2016		Change from the end of period over the end of last year
	Balance	Proportion	Balance	Proportion	
Pass loans	1,554,016	94.36%	1,389,396	94.15%	11.85%
Special mention loans	64,012	3.89%	60,703	4.11%	5.45%
Non-performing loans	28,796	1.75%	25,702	1.74%	12.04%
Incl.: Substandard	16,671	1.01%	13,833	0.94%	20.52%
Doubtful	3,357	0.21%	4,494	0.30%	(25.30%)
Loss	8,768	0.53%	7,375	0.50%	18.89%
Total loans and advances	1,646,824	100.00%	1,475,801	100.00%	11.59%
Impairment provisions for loans and advances	(43,802)		(39,932)		9.69%
NPL ratio	1.75%		1.74%		+0.01 percentage points
Provision coverage ratio	152.11%		155.37%		-3.26 percentage points
Provision coverage ratio of loans overdue for more than 90 days	101.89%		98.51%		+3.38 percentage points
Provision/loan ratio	2.66%		2.71%		-0.05 percentage points

2. Structure and quality of loans and advances by products

(In RMB million)

Item	30 September 2017		31 December 2016		Increase/decrease in NPL ratio
	Balance	NPL ratio	Balance	NPL ratio	
Corporate Loans	899,686	2.21%	934,857	1.87%	+0.34 percentage points
Incl.: General corporate loans	880,970	2.26%	920,011	1.90%	+0.36 percentage points
Discounted bills	18,716	-	14,846	-	-
Personal Loans	494,725	1.20%	359,859	1.57%	-0.37 percentage points
Incl.: Housing mortgage loans	135,818	0.08%	85,229	0.13%	-0.05 percentage points
Business loans	106,011	4.32%	97,534	4.17%	+0.15 percentage points
Auto loans	116,295	0.55%	95,264	0.89%	-0.34 percentage points
Others (Note)	136,601	0.46%	81,832	0.75%	-0.29 percentage points
Accounts receivable from credit cards	252,413	1.18%	181,085	1.43%	-0.25 percentage points
Total loans and advances	1,646,824	1.75%	1,475,801	1.74%	+0.01 percentage points

Note: Other retail loans include “Xin Yi Dai” loans, certificate pledged consumer loans, small balance consumer loans and other guaranteed or pledged consumer loans.

The non-performing corporate loans increased mainly due to unfavourable macro-economic conditions, where certain small- and medium-sized enterprises and low-end manufacturing businesses experience various problems, including poor performance, lower profits and financing difficulties, which caused funding strains, funding chain crises, and inability on the part of these borrowers to repay their loans.

Non-performing personal loans slightly decreased as compared with the end of last year, thanks to: (1) The Bank further adjusted the structure of housing mortgage loan customers and enhanced its efforts in quality customers, effectively improved quality of loans issued and maintained a low level of NPLs. (2) The Bank continued to improve its existing business structure, withdrew from relatively high-risk credit loans, or adopted credit enhancements to transform them into low-risk loans; in the meantime, the Bank enhanced its issuance of loans with strong guarantees, such as housing mortgage loans, strictly controlled risks in new businesses, thus ensuring that the risks are properly managed. (3) Auto loans structure was improved and the proportion of low-risk loans was increased. The risk acceptance policy was further optimized, and the scientific risk measurement instruments and external big data were fully used to enhance our capability to identify risks and control overall risks. At the same time, the Bank constantly enhanced the building of its NPL recovery team, actively took various useful recovery measures to strengthen our work in recovering NPLs. The overall asset quality of personal loans was stable and controllable as a whole.

The Bank followed the risk management philosophy regarding the comprehensive flow of credit card business, and fully used quantified instruments to effectively control risks. On the one hand, the Bank stuck to the risk management philosophy while constantly optimizing the risk management strategy across the credit card process through big data and adoption of the evaluation model and other scientific tools and building a more effective structure to attract quality customers. Besides, the balance structure for existing customers was effectively improved, so as to ensure sustainable development. On the other hand, it optimized its strategy and management capability in NPL collection and improved its NPL recovery. The Bank expects that the credit portfolio and risks level can be maintained stable and under control, and the revenue can cover its risks.

3. Overdue loans

(In RMB million)

Item	30 September 2017		30 June 2017		31 December 2016	
	Balance	% of total loans	Balance	% of total loans	Balance	% of total loans
Loans with principal and interest overdue for less than 90 days	17,381	1.06%	23,922	1.50%	18,572	1.26%
Loans with principal and interest overdue for more than 90 days	42,991	2.61%	43,209	2.71%	40,536	2.75%

As at the end of September of 2017, the Bank's loans that were overdue for less than 90 days (loans with principal not overdue but interest overdue for less than 90 days inclusive) amounted to RMB17.381 billion, down by 6.41% as compared with the end of last year and by 27.34% as compared with the end of June 2017; the balance of loans that were overdue for more than 90 days (loans with principal not overdue but interest overdue for over 90 days inclusive) was RMB42.991 billion, up by 6.06% as compared with the end of last year and down by 0.50% as compared with the end of June 2017. The balance and proportion of loans overdue for more than 90 days both decreased as compared with the end of June 2017.

(III) Interest income and expense

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

(In RMB million)

Item	Jan. – Sept. 2017			Jan. – Sept. 2016		
	Average daily balance	Interest income/expense	Average yield/cost rate	Average daily balance	Interest income/expense	Average yield/cost rate
Assets						
Disbursement of loans and advances (excluding discounted bills)	1,561,446	69,781	5.98%	1,281,968	62,617	6.52%
Bond investments	410,208	10,673	3.48%	343,811	8,618	3.35%
Due from the Central Bank	277,573	3,133	1.51%	282,046	3,139	1.49%
Bills discounting and interbank business	738,185	22,416	4.06%	753,916	21,004	3.72%
Others	91,458	2,872	4.20%	80,366	2,625	4.36%
Total interest-earning assets	3,078,870	108,875	4.73%	2,742,107	98,003	4.77%
Liabilities						
Deposits taking	1,890,411	27,221	1.93%	1,854,597	27,184	1.96%
Securities issued	334,004	10,394	4.16%	283,552	7,093	3.34%
Incl.: Interbank deposits	300,261	8,963	3.99%	257,123	5,889	3.06%
Interbank business and others	638,630	15,778	3.30%	403,963	6,934	2.29%
Total interest-bearing liabilities	2,863,045	53,393	2.49%	2,542,112	41,211	2.17%
Net interest income		55,482			56,792	
Deposit-loan spread			4.05%			4.56%
Net interest spread (NIS)			2.24%			2.60%
Net interest margin (NIM)			2.41%			2.77%

Due to price-tax separation under the VAT Reform that came into effect on 1 May 2016, the yield of loans from January to September 2017 decreased drastically year on year; at the same time, due to increase in the interest rates in the interbank markets, the ratio of the average cost for the interest-bearing liabilities from January to September 2017 increased year on year, and the deposit-loan spread, the net interest spread and the net interest margin decreased accordingly.

Item	Jul. – Sept. 2017			Apr. – Jun. 2017		
	Average daily balance	Interest income/expense	Average yield/cost rate	Average daily balance	Interest income/expense	Average yield/cost rate
Assets						
Disbursement of loans and advances (excluding discounted bills)	1,604,481	23,975	5.93%	1,576,835	23,356	5.94%
Bond investments	445,261	4,014	3.58%	399,955	3,432	3.44%
Due from the central bank	271,303	1,048	1.53%	283,029	1,057	1.50%
Bills discounting and interbank business	677,400	7,162	4.19%	755,022	7,766	4.13%
Others	97,175	1,028	4.20%	95,702	992	4.16%
Total interest-earning assets	3,095,620	37,227	4.77%	3,110,543	36,603	4.72%
Liabilities						
Deposits taking	1,879,439	9,679	2.04%	1,901,085	9,115	1.92%
Bonds issued	347,351	3,938	4.50%	306,945	3,213	4.20%
Incl.: Interbank deposits	306,472	3,374	4.37%	276,828	2,777	4.02%
Interbank business and others	648,054	5,489	3.36%	682,182	5,783	3.40%
Total interest-bearing liabilities	2,874,844	19,106	2.64%	2,890,212	18,111	2.51%
Net interest income		18,121			18,492	
Deposit-loan spread			3.89%			4.02%
Net interest spread (NIS)			2.13%			2.21%
Net interest margin (NIM)			2.32%			2.38%

The Bank continuously optimized its business structure. Driven by the increase in the amount and proportion of personal loans, a slight increase was seen in earnings per share of interest-earning assets over the last quarter; however, affected by market conditions, the ratio of the average cost for the interest-bearing liabilities increased year on year, causing the deposit-loan spread, the net interest spread and the net interest margin to decrease year on year.

2. Average daily balance and average yield rate of loans and advances

(In RMB million)

Item	Jan. – Sept. 2017			Jan. – Sept. 2016		
	Average daily balance	Interest income	Average yield	Average daily balance	Interest income	Average yield
Corporate loans (excluding discounted bills)	934,006	31,621	4.53%	823,272	31,019	5.03%
Personal loans	627,440	38,160	8.13%	458,696	31,598	9.20%
Disbursement of loans and advances (excluding discounted bills)	1,561,446	69,781	5.98%	1,281,968	62,617	6.52%

Item	Jul. – Sept. 2017			Apr. – Jun. 2017		
	Average daily balance	Interest income	Average yield	Average daily balance	Interest income	Average yield
Corporate loans (excluding discounted bills)	915,359	10,374	4.50%	954,126	10,708	4.50%
Personal loans	689,122	13,601	7.83%	622,709	12,648	8.15%
Disbursement of loans and advances (excluding	1,604,481	23,975	5.93%	1,576,835	23,356	5.94%

discounted bills)						
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3. Average daily balance and cost rate of customer deposits

(In RMB million)

Item	Jan. – Sept. 2017			Jan. – Sept. 2016		
	Average daily balance	Interest expenses	Average cost rate	Average daily balance	Interest expenses	Average cost rate
Corporate deposits	1,352,336	19,876	1.97%	1,266,626	19,363	2.04%
Incl.: Demand deposits	508,229	2,357	0.62%	456,381	1,845	0.54%
Time deposits	844,107	17,519	2.77%	810,245	17,518	2.89%
Incl.: Treasury and negotiated deposits	98,081	3,318	4.52%	139,973	4,644	4.43%
Margin deposits	274,825	3,948	1.92%	335,513	4,695	1.87%
Personal deposits	263,250	3,397	1.73%	252,458	3,126	1.65%
Incl.: Demand deposits	130,712	307	0.31%	122,003	300	0.33%
Time deposits	132,538	3,090	3.12%	130,455	2,826	2.89%
Deposits taking	1,890,411	27,221	1.93%	1,854,597	27,184	1.96%

Item	Jul. – Sept. 2017			Apr. – Jun. 2017		
	Average daily balance	Interest expenses	Average cost rate	Average daily balance	Interest expenses	Average cost rate
Corporate deposits	1,364,341	7,088	2.06%	1,355,206	6,607	1.96%
Incl.: Demand deposits	486,066	760	0.62%	513,955	804	0.63%
Time deposits	878,275	6,328	2.86%	841,251	5,803	2.77%
Incl.: Treasury and negotiated deposits	100,275	1,154	4.57%	97,864	1,090	4.47%
Margin deposits	247,122	1,335	2.14%	270,869	1,286	1.90%
Personal deposits	267,976	1,256	1.86%	275,010	1,222	1.78%
Incl.: Demand deposits	133,457	105	0.31%	132,821	104	0.31%
Time deposits	134,519	1,151	3.39%	142,189	1,118	3.15%
Deposits taking	1,879,439	9,679	2.04%	1,901,085	9,115	1.92%

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

(I) Capital adequacy ratio

(In RMB million)

Item	30 September 2017	31 December 2016
Net core tier one capital	182,763	170,088
Other tier one capital	19,953	19,953
Net tier one capital	202,716	190,041
Tier two capital	45,122	44,346
Net capital	247,838	234,387
Total risk-weighted assets	2,197,329	2,033,715
Credit risk-weighted assets	1,992,521	1,828,931
On-balance-sheet risk-weighted assets	1,804,243	1,607,471
Off-balance-sheet risk-weighted assets	185,165	217,364
Risk-weighted assets of counterparty credit risk exposure	3,113	4,096
Market risk-weighted assets	31,008	30,984
Operational risk-weighted assets	173,800	173,800
Core tier one capital adequacy ratio	8.32%	8.36%
Tier one capital adequacy ratio	9.23%	9.34%
Capital adequacy ratio	11.28%	11.53%

(II) Leverage ratio

(In RMB million)

Item	30 September 2017	30 June 2017	31 March 2017	31 December 2016
Leverage ratio	5.75%	5.62%	5.58%	5.49%
Net tier one capital	202,716	196,648	194,051	190,041
On/off-balance-sheet assets balance after adjustment	3,526,424	3,501,389	3,476,192	3,458,490

Note: The leverage ratio increased at the end of reporting period as compared with that in the end of June 2017 due to the increase in net core tier one capital.

(III) Liquidity coverage ratio

(In RMB million)

Item	30 September 2017	31 December 2016
Liquidity coverage ratio	90.02%	95.76%
Qualified assets with high liquidity	271,454	383,670
Cash outflow, net	301,546	400,670

Note: Pursuant to the requirements of the *Administrative Measures on Liquidity Risks of Commercial Banks (Trial)*, the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018; during the transitional period, the liquidity coverage shall reach 80% by the end of 2016 and 90% by the end of 2017, respectively.

Part IV. Financial Statements

I. Financial Statements

- (I) Balance Sheet (unaudited)
- (II) Income Statement (unaudited)
- (III) Cash Flow Statement (unaudited)

Ping An Bank Co., Ltd.
Balance Sheet
30 September 2017

(In RMB million)

ASSETS	30 September,2017	December 31,2016
Cash on hand and due from the Central Bank	279,706	311,258
Placements of deposits with other banks	167,090	166,882
Precious metals	89,534	93,787
Funds loaned to banks and other financial institutions	79,892	97,450
Financial assets at fair value through profit or loss	41,327	57,179
Derivative financial assets	6,275	8,730
Financial assets held under resale agreements	19,136	8,876
Accounts receivable	25,308	5,568
Interest receivable	18,724	15,770
Loans and advances	1,603,022	1,435,869
Available-for-sale financial assets	35,113	1,179
Held-to-maturity investments	329,181	286,802
Investment receivables	385,680	414,278
Investment properties	212	221
Fixed assets	7,883	8,316
Intangible assets	4580	4,771
Goodwill	7,568	7,568
Deferred income tax assets	22,320	17,831
Other assets	14,930	11,099
Total assets	3,137,481	2,953,434
LIABILITIES AND SHAREHOLDERS' EQUITY		
Due to the Central Bank	115,607	19,137
Deposits from banks and other financial institutions	407,088	392,351
Funds from banks and other financial institutions	44,756	52,586
Financial liabilities at fair value through profit or loss	10,591	21,913
Derivative financial liabilities	6,732	8,349
Financial assets sold under repurchase agreements	19,646	18,941
Doposits taking	1,911,741	1,921,835
Salaries and welfare payable	8,574	9,289
Taxes payable	9,685	12,754
Interest payable	22,466	21,532
Bonds payable	338,306	263,464
Predicted liability	60	90
Other liabilities	24,118	9,022
Total liabilities	2,919,370	2,751,263
SHAREHOLDERS' EQUITY:		
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	(435)	(809)
Surplus reserve	10,781	10,781
General reserve	34,468	34,468
Retain earnings	79,709	64,143
Total shareholders' equity	218,111	202,171
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3,137,481	2,953,434

Xie Yonglin

Chairman

Legal Representative

Hu Yuefei

President

Head of Accounting Department

Han Xu

Accounting Manager

Ping An Bank Co., Ltd.
Income statement
January – September 2017

(In RMB million)

Item	Jul - Sept 2017	Jul - Sept 2016	Jan - Sept 2017	Jan - Sept 2016
I. Operating income	25,760	27,199	79,833	81,968
Net interest income	18,121	19,197	55,482	56,792
Interest income	37,227	32,919	108,875	98,003
Interest expense	19,106	13,722	53,393	41,211
Net fee and commission income	7,413	6,896	23,161	21,945
Fee and commission income	8,777	7,678	26,646	24,261
Fee and commission expense	1,364	782	3,485	2,316
Investment income	(95)	858	644	2,466
Gains or losses on fair value changes	17	(50)	34	110
Exchange gains or losses	228	285	280	568
Other operating income	35	13	130	87
Other gains	41	-	102	-
II. Operating costs	8,124	7,195	22,013	25,808
Tax and surcharges	242	261	745	3,100
General and administrative expenses	7,882	6,934	21,268	22,708
III. Operating profit before impairment losses on assets	17,636	20,004	57,820	56,160
Impairment losses on assets	9,104	11,615	32,820	31,615
IV. Operating profit	8,532	8,389	25,000	24,545
Add: Non-operating income	13	23	28	52
Less: Non-operating expenses	38	6	89	37
V. Total Profits	8,507	8,406	24,939	24,560
Less: Income tax expense	1,908	1,979	5,786	5,841
VI. Net profit	6,599	6,427	19,153	18,719
VII. Other Comprehensive Income, net of tax	58	101	374	245
Other comprehensive income to be reclassified subsequently to profit or loss	58	101	374	245
1. Share of other comprehensive income of the investee accounted for using the equity method	-	-	-	(4)
2. Gains/losses on changes in the fair value of available-for-sale financial assets	58	101	374	249
VIII. Total comprehensive income	6,657	6,528	19,527	18,964
IX. Earnings per share				
(I) Basic earnings per share	0.38	0.37	1.06	1.09
(II) Diluted earnings per share	0.38	0.37	1.06	1.09

Xie Yonglin
Chairman
Legal Representative

Hu Yuefei
President
Head of Accounting Department

Han Xu
Accounting Manager

Ping An Bank Co., Ltd.
Cash Flow statement
January –September 2017

(In RMB million)

Item	Jan – Sept 2017	Jan – Sept 2016
I. CASH FLOWS FROM OPERATING ACTIVITIES:		
Net increase of amounts from the Central Bank	96,421	7,553
Net increase in customer deposit and deposits from banks and other financial institutions	3,641	113,563
Net increase in placements from banks and other financial institutions	-	785
Net increase in financial assets sold under repurchase agreements	697	-
Net decrease in accounts receivable	-	920
Net decrease in financial assets held under resale agreements	1,914	27,800
Cash received from interest, fee and commission income	113,328	99,405
Cash received relating to other operating activities	22,845	7,946
Subtotal of cash inflows from operating activities	238,846	257,972
Net increase in placements with and loans to banks and other financial institutions	53,754	59,220
Net increase in placements with banks and other financial institutions	21,900	14,475
Net decrease in placements from banks and other financial institutions	7,829	-
Net increase in accounts receivables	19,740	-
Net decrease in accounts payables	-	44
Net increase in loans and advances	202,265	239,188
Net decrease in financial assets sold under repurchase agreements	-	11,001
Cash payments for interest, fee and commission expenses	44,250	37,291
Cash paid to and on behalf of employees	11,310	11,060
Cash payments for taxes and surcharges	19,966	11,059
Cash payments relating to other operating activities	15,819	27,576
Subtotal of cash outflows from operating activities	396,833	410,914
Net cash flows from operating activities	(157,987)	(152,942)
II. CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash received from investment upon disposal/maturity	403,935	1,626,197
Cash received from investment income	24,149	21,757
Cash received from disposal of fixed assets, investment properties and other long-term assets	4	-
Subtotal of cash inflows from investing activities	428,088	1,647,954
Cash payments for investments	445,698	1,744,210
Cash payments for fixed assets, intangible assets and other long-term assets	857	906
Subtotal of cash outflows from investing activities	446,555	1,745,116
Net cash flows from investing activities	(18,467)	(97,162)
III. CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash received from other equity instruments issued	-	20,000
Cash received from bonds issued	721,719	609,764
Subtotal of cash inflows from financing activities	721,719	629,764
Cash repayments of principal of bonds	644,980	503,190
Cash payments for bond interest	1,884	1,369
Cash payments for transaction cost of other equity instruments issued	-	48
Cash payments for dividend and profit appropriation	3,587	2,189
Subtotal of cash outflows from financing activities	650,451	506,796
Net cash flows from financing activities	71,268	122,968
IV. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	(2,285)	1,546
V. NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(107,471)	(125,590)
Add: Balance of cash and cash equivalents at beginning of the period	233,414	261,341
IV. BALANCE OF CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
	125,943	135,751

Xie Yonglin

Chairman

Legal Representative

Hu Yuefei

President

Head of Accounting Department

Han Xu

Accounting Manager

II. Auditor's Report

Has the third quarterly report been audited

Yes No

The third quarterly report has not been audited.

Board of Directors of Ping An Bank Co., Ltd.
21 October 2017

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