

Security Code: 000001
069

Security Name: Ping An Bank

Notice No.: 2019-

Preference Share Stock Code: 140002 Preference Share Short Name: PAB PREF SHARES
01

Ping An Bank Co., Ltd.

2019 Third Quarterly Report

[English translation for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.]

22 October 2019

Section I. Important notes

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. (the “Bank”) guarantee the authenticity, accuracy and completeness of the contents of the Third Quarterly Report, in which there are no false representations, misleading statements or material omissions, and are severally and jointly liable for its contents.
2. The 30th meeting of the 10th session of the Board of the Bank deliberated the 2019 Third Quarterly Report. The meeting required the 13 directors to attend, and 10 directors attended the meeting. Directors Chen Xinying and Yao Jason Bo did not attend the meeting due to personal circumstances and entrusted Director Ye Sulan to represent them in voting, and Director Cai Fangfang did not attend the meeting due to personal circumstances and entrusted Director Guo Jianxing to represent her in voting. This report was approved unanimously at the meeting.
3. Xie Yonglin (the Bank’s Chairman), Hu Yuefei (the President), Xiang Youzhi (the Chief Financial Officer or the “CFO”) and Zhu Peiqing (the head of the Accounting Department) guarantee the authenticity, accuracy and completeness of the financial statements contained in the 2019 Third Quarterly Report.
4. Reminder on non-standard audit opinions
Applicable Not applicable

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

Section II. General information

1. Key Accounting Results and Financial Indicators

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

Yes No

The Bank started to adopt *Accounting Standard for Business Enterprises No. 21 - Lease* (Cai Kuai [2018] No.35) on 1 January 2019. According to the transitional provisions, the Bank recognised the cumulative effect of the first-day adoption of the standard as an adjustment to relevant line items in the financial statements. Comparatives were not adjusted. The main content of the accounting standard and the effect of significant changes in accounting policies as described above are disclosed under “II. Summary of significant accounting policies and accounting estimates 36. Effect of significant changes in accounting policies” in “Chapter XI Financial Report” of 2019 Interim Report of Ping An Bank Co., Ltd.

(In RMB million)

Item	30 September 2019	31 December 2018	Change at the end of the reporting period from the end of last year
Total assets	3,707,683	3,418,592	8.5%
Shareholders' equity	288,073	240,042	20.0%
Shareholders' equity attributable to ordinary shareholders	268,120	220,089	21.8%
Share capital	19,406	17,170	13.0%
Net asset per share attributable to ordinary shareholders (RMB/share)	13.82	12.82	7.8%

Item	Jul. - Sep. 2019	Increase/decrease as compared with the same period of last year	Jan. - Sept. 2019	Increase/decrease as compared with the same period of last year
Operating income	35,129	19.4%	102,958	18.8%
Net profit attributable to shareholders of the Company	8,218	16.0%	23,621	15.5%
Net profit attributable to shareholders of the Company after non-recurring gains/losses	8,211	16.9%	23,527	15.6%
Net cash flows from operating activities	N/A	N/A	84,480	Negative amount for the same period of last year
Net cash flow from operating activities per share (RMB/share)	N/A	N/A	4.35	Negative amount for the same period of last year
Basic/Diluted earnings per share (EPS) (RMB/share)	0.47	14.6%	1.32	15.8%
Basic/Diluted EPS after non-recurring gains/losses (RMB/share)	0.47	14.6%	1.32	16.8%
Average return on total assets (un-annualised)	0.23%	+0.02 percentage point	0.66%	+0.04 percentage point
Average return on total assets (annualised)	0.90%	+0.06 percentage point	0.88%	+0.05 percentage point
Weighted average return on net assets (un-annualised)	3.39 %	+0.04 percentage point	9.71%	+0.23 percentage point
Weighted average return on net assets (annualised)	12.85 %	-0.31 percentage point	12.64%	+0.04 percentage point
Weighted average return on net assets (net of non-recurring gains/losses) (un-annualised)	3.39 %	+0.07 percentage point	9.67 %	+0.24 percentage point
Weighted average return on net assets (net of non-recurring gains/losses) (annualised)	12.84 %	-0.21 percentage point	12.59%	+0.06 percentage point

Note: (1) Indicators of net assets margin and earnings per share are calculated according to regulations of *Rule 9 on Information Disclosure and Report for Companies Offering Their Securities to the Public - Calculation and Disclosure of Net Assets Margin and Earnings Per Share* (2010 revised) and *Accounting Standard for Business Enterprises No. 34 - Earnings per Share*. On 7 March 2016, the Bank made a non-public issuance of RMB20 billion non-cumulative preference shares, and in calculating its “EPS” and “weighted average return on net assets”, the numerators had excluded the dividends of RMB874 million already paid on the preference shares.

(2) The impact of the conversion of A-share convertible corporate bonds of RMB26,000 million was considered when calculating annualised “weighted average return on net assets”.

(In RMB million)

Item	30 September 2019	31 December 2018	31 December 2017	Change at the end of the reporting period from the end of last year
Deposit principals due to customers	2,291,172	2,128,557	2,000,420	7.6%
Including: Corporate deposits	1,731,604	1,666,966	1,659,421	3.9%
Personal deposits	559,568	461,591	340,999	21.2%
Total principal of loans and advances to customers	2,151,167	1,997,529	1,704,230	7.7%
Including: Corporate loans	877,852	843,516	855,195	4.1%
General corporate loans	776,896	801,814	840,439	(3.1%)
Discounted bills	100,956	41,702	14,756	142.1%
Personal loans	1,273,315	1,154,013	849,035	10.3%

Note: (1) Pursuant to the *Notice on the Statistical Standards for Adjusting the Deposits and Loans of the Financial Institutions* issued 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 included under "Total Deposits", whereas due from and placements with non-deposit financial institutions are included under "Total Loans". As per these requirements, as at 30 September 2019, total deposits and total loans amounted to RMB2,637.9 billion and RMB2,217.6 billion, respectively.

(2) Pursuant to the *Circular on Revising and Issuing 2018 Versions of Financial Statement Templates for Financial Enterprises* (Cai Kuai [2018] No. 36), interest accrued by the effective interest method is included in the book value of financial instruments, and interest not received or paid at the balance sheet date is presented under "Other assets" or "Other liabilities". Unless otherwise stated, "Loans and advances to customers", "Deposits due to customers" and their sub-items as presented in the Report are amounts excluding interest.

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 immediately prior to disclosure (in shares)	19,405,918,198
Fully diluted EPS calculated based on the latest share capital (RMB/share, accumulated from January to September 2019)	1.17

Has the share capital ever changed and influenced the amount of the owners' equity because of newly issued shares, additional issue, allotment, exercising of stock option, or repurchase, etc. from the end of the reporting period to the disclosure date of the Quarterly Report?

Yes No

Non-recurring items and amount

Applicable

Not

applicable

(In RMB million)

Item	Jan. - Sept. 2019
Net gains or losses on disposal of non-current assets	(25)
Gains/losses on contingency	(1)
Others	148
Income tax effect	(28)
Total	94

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

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

2. Regulatory Indicators and Financial Ratios

(Unit: %)

Item	Standard level of indicator	30 September 2019	31 December 2018	31 December 2017
Capital adequacy ratio	≥10.5	13.36	11.50	11.20
Tier 1 capital adequacy ratio	≥8.5	10.54	9.39	9.18
Core tier 1 capital adequacy ratio	≥7.5	9.75	8.54	8.28
Non-performing loan (NPL) ratio	≤5	1.68	1.75	1.70
Provision coverage ratio	≥150	186.18	155.24	151.08
Provision to loan ratio	≥2.5	3.13	2.71	2.57
Cost/income ratio (from the beginning of the year to the end of the period)	N/A	29.43	30.32	29.89
Deposit-loan spread (from the beginning of the year to the end of the period, annualised/un-annualised)	N/A	4.15/3.10	4.03	3.99
Net interest spread (NIS) (from the beginning of the year to the end of the period, annualised/un-annualised)	N/A	2.54/1.90	2.26	2.20
Net interest margin (NIM) (from the beginning of the year to the end of the period, annualised/un-annualised)	N/A	2.62/1.96	2.35	2.37

Note: Regulatory indicators are presented as per regulatory criteria.

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

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

(Unit: Share)

Total number of ordinary shareholders as at the end of the reporting period	299,958	Total number of preference shareholders with restored voting rights as at the end of the reporting period (if any)	-			
Shareholdings of the top 10 ordinary shareholders						
Name of shareholder	Nature of shareholder	Shareholding (%)	Total number of shares held	Number of shares subject to selling restrictions held	Pledged or frozen	
					Status of shares	Number of shares
Ping An Insurance (Group) Company of China, Ltd.-the Group -proprietary fund	Domestic legal entity	49.56	9,618,540,236	-	-	-
Hong Kong Securities Clearing Company Limited	Overseas legal entity	7.33	1,422,412,276	-	-	-
Ping An Life Insurance Company of China, Ltd. - proprietary fund	Domestic legal entity	6.11	1,186,100,488	-	-	-
Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance products	Domestic legal entity	2.27	440,478,714	-	-	-
China Securities Finance Corporation Limited	Domestic legal entity	2.21	429,232,688	-	-	-
Central Huijin Asset Management Ltd.	Domestic legal entity	1.11	216,213,000	-	-	-
China Electronics Shenzhen Company	Domestic legal entity	0.83	160,943,292	-	-	-
Henan Hongbao Corporate Management Co., Ltd.	Domestic legal entity	0.53	102,735,814	-	-	-
Bank of Communications - E Fund 50 Index Securities Investment Fund	Domestic legal entity	0.32	62,143,555	-	-	-
National Social Security Fund 104 Portfolio	Domestic legal entity	0.30	58,469,447	-	-	-
Shareholdings of the top 10 shareholders not subject to selling restrictions						
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	9,618,540,236	RMB ordinary shares	9,618,540,236			
Hong Kong Securities Clearing Company Limited	1,422,412,276	RMB ordinary shares	1,422,412,276			
Ping An Life Insurance Company of China, Ltd. - proprietary fund	1,186,100,488	RMB ordinary shares	1,186,100,488			
Ping An Life Insurance Company of China, Ltd. –traditional – ordinary insurance products	440,478,714	RMB ordinary shares	440,478,714			
China Securities Finance Corporation Limited	429,232,688	RMB ordinary shares	429,232,688			
Central Huijin Investment Company Limited	216,213,000	RMB ordinary shares	216,213,000			
China Electronics Shenzhen Company	160,943,292	RMB ordinary shares	160,943,292			
Henan Hongbao Corporate Management Co., Ltd.	102,735,814	RMB ordinary shares	102,735,814			
Bank of Communications - E Fund 50 Index Securities Investment Fund	62,143,555	RMB ordinary shares	62,143,555			
National Social Security Fund 104 Portfolio	58,469,447	RMB ordinary shares	58,469,447			
Explanation of the connected relationship or acting-in-concert relationship among the above shareholders	<p>1. Ping An Life Insurance Company of China, Ltd. is a controlled subsidiary of and acting in concert with Ping An Insurance (Group) Company of China, Ltd. “Ping An Insurance (Group) Company of China, Ltd. – the Group – proprietary fund”, “Ping An Life Insurance Company of China, Ltd. – proprietary fund” and “Ping An Life Insurance Company of China, Ltd. - traditional – ordinary insurance product” are related parties.</p> <p>2. The Bank is not aware of any related-party relationship or parties acting in concert among other shareholders.</p>					

Details of the top 10 ordinary shareholders who engage in securities margin trading business (if any)	Henan Hongbao Corporate Management Co., Ltd. holds 102,735,814 shares of the Bank, all of which are held through secured securities account in customer credit transaction of Huatai Securities Company Limited.
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Whether did the top 10 ordinary shareholders and the top 10 shareholders not subject to selling restrictions execute any agreed repurchases within the reporting period?

Yes No

3.2 Total number of preference shareholders, and the shareholdings of the top 10 preference shareholders

Applicable Not applicable

(Unit: Share)

Total number of preference shareholders at the end of the reporting period	15					
Shareholdings of the top 10 preference shareholders						
Name of Shareholder	Nature of shareholder	Shareholding (%)	Total number of shares held	Number of unrestricted 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 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 Saving Bank – Postal Savings Bank of China Co., Ltd.	Domestic legal entity	2.98	5,950,000	-	-	-
Explanation of the connected relationship or acting-in-concert relationship 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 - individual dividend”, “Ping An Life Insurance Company of China, Ltd. - universal - individual universal” and “Ping An Property & Casualty Insurance Company of China, Ltd. - traditional - ordinary insurance products” are related parties.</p> <p>2. The Bank is not aware of any related-party relationship or parties acting in concert among other shareholders.</p>					

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

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

Section III. Significant Events

1. Major Accounting Results and Financial Indicators with Changes over 30% during the Reporting Period and the Reasons

√ Applicable □ Not applicable

(In RMB million)

Item	Amount for the current period	Amount of change	Rate of change	Analysis on reasons of change
Other debt investments	156,374	85,710	121.3%	Increase in scale of bond investments and interbank investments designated at fair value through other comprehensive income
Right-of-use assets	7,601	7,601	Nil at the end of last year	The line item is newly added in accordance with the standard on lease this year
Other assets	20,052	6,274	45.5%	Increase in settlements receivable
Financial liabilities held for trading	40,117	31,542	367.8%	Increase in financial liabilities held for trading caused by increase in scale of the short position of bond lending
Financial assets sold under repurchase agreements	53,147	45,159	565.3%	Increase in scale of bonds sold under repurchase agreements
Lease liabilities	7,399	7,399	Nil at the end of last year	The line item is newly added in accordance with the standard on lease this year
Provisions	1,699	839	97.6%	Loss provision for contingencies and financial guarantee contracts
Capital surplus	80,816	24,351	43.1%	Increase in share premium caused by conversion of the convertible corporate bonds issued by the Bank
Other comprehensive income	1,974	1,188	151.1%	Increase in fair value changes of other debt investments
Gains and losses on changes in fair value	(183)	(1,230)	(117.5%)	Transferring of current realised income from disposal of financial bonds held for trading, fund investments and other products from gains and losses on changes in fair value to investment income
Exchange gains or losses	1,098	1,138	Negative amount for the same period of last year	Increase in exchange gains or losses due to fluctuations in exchange rate
Other operating income	66	(78)	(54.2%)	Small base number of RMB144 million for the same period of last year
Gains or losses on disposal of assets	(25)	(103)	(132.1%)	Small base number of RMB78 million for the same period of last year
Other income	185	83	81.4%	Small base number of RMB102 million for the same period of last year
Impairment losses on other assets	417	362	658.2%	Increase in impairment losses on foreclosed assets; Small base number of RMB55 million for the same period of last year
Non-operating income	62	48	342.9%	Small base number of RMB14 million for the same period of last year
Non-operating expenses	99	37	59.7%	Small base number of RMB62 million for the same period of last year

2. Analysis and Explanation of the Progress, Impact and Solutions of Significant Events

√ Applicable □ Not applicable

On 25 January 2019, the Bank completed a public issuance of RMB26,000 million of convertible corporate bonds. On 30 January 2019, the Bank received the *Security Registration Certificate* issued by the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited (“CSDC”). With the approval from the Shenzhen Stock Exchange, the Bank’s public convertible corporate bonds were listed and traded on the Exchange since 18 February 2019.

“Ping Yin Convertible Bonds” entered the conversion period on 25 July 2019. During the period from 25 July 2019 to 20 August 2019, the closing price of the Bank’s shares was no less than 120% (inclusive) of the current conversion price for at least 15 trading days in 30 consecutive trading days to trigger the conditional redemption clause stipulated in the *Prospectus of Convertible Bonds*. In accordance with the *Proposal of Ping An Bank Co., Ltd. on Early Redemption of “Ping Yin Convertible Bonds”* approved on 20 August 2019 at the 27th meeting of the 10th session of the Board of the Bank, the Bank decided to exercise

the conditional right to redeem all “Ping Yin Convertible Bonds” outstanding after the close of the trading day immediately prior to the redemption date (19 September 2019). As at the close of the market on 18 September 2019, the “Ping Yin Convertible Bonds” eligible for conversion accounted for 99.9963% of the total amount issued, with the exception of only 9,589 shares. In accordance with the conditional redemption clause stipulated in the *Prospectus of Convertible Bonds*, all “Ping Yin Convertible Bonds” not converted were redeemed at their par value plus the current accrued interest. The number of redeemed shares was 9,589, and the redemption price was RMB100.13 per share (par value plus the current accrued interest (including tax) at 0.20%). “Ping Yin Convertible Bonds” (Bond code: 127010) were delisted from the Shenzhen Stock Exchange on 27 September 2019.

Description of significant events	Date of disclosure	Media for publication of the ad hoc disclosures
Announcements of the conversion, redemption, suspension of trading, and delisting of “Ping Yin Convertible Bonds”	From 22 July 2019 to 27 September 2019	<i>China Securities Journal, Securities Times, Shanghai Securities News, Securities Daily</i> and CNINFO (http://www.cninfo.com.cn)

The progress of share repurchase

Applicable Not applicable

The progress of reducing shares repurchased by centralised price bidding

Applicable Not applicable

3. Commitments that Have not yet been Fulfilled as at the End of the Reporting Period by Actual Controllers, Shareholders, Related Parties, Purchasers and the Company

Applicable Not applicable

There was no commitments that have not yet been fulfilled as at the end of the reporting period by actual controllers, shareholders, related parties, purchasers and the Company.

4. Forecast of Operational Performance of 2019

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

5. Securities Investments

At the end of the reporting period, the book value of financial bonds (including policy bank bonds, various ordinary financial bonds and subordinated financial bonds, excluding corporate bonds) held by the Bank was RMB239,944 million, and the top ten financial bonds by book value are detailed as follows:

(In RMB million)

Name of Bonds	Par value	Annual coupon rate (%)	Maturity date	Impairment provision
2018 Policy Bank Bonds	7,210	4.15	26 October 2025	-
2017 Policy Bank Bonds	6,900	4.24	24 August 2027	-
2018 Policy Bank Bonds	6,190	4.88	9 February 2028	-
2018 Policy Bank Bonds	4,760	4.00	12 November 2025	-
2019 Policy Bank Bonds	4,160	3.68	26 February 2026	-
2010 Policy Bank Bonds	3,860	2.09	25 February 2020	-
2015 Policy Bank Bonds	3,520	3.74	10 September 2025	-
2017 Policy Bank Bonds	3,220	4.44	9 November 2022	-
2019 Commercial Bank Bonds	3,050	3.50	27 March 2022	3.04
2011 Policy Bank Bonds	3,030	2.35	17 February 2021	-

6. Entrusted Funding and Entrusted Investments

Applicable Not applicable

During the reporting period, the Bank had no entrusted funding and entrusted investments items out of the scope of normal businesses.

7. 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	874,747	668,430	360
Interest rate derivatives	3,168,549	5,544,169	327
Precious metals derivatives	84,071	92,669	(6,047)
Total	4,127,367	6,305,268	(5,360)

Note: (1) 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 mainly 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.

(2) The Bank implemented its trading hedging strategy through a combination of products, such as spots, forwards, options and deferred trading of precious metals. During the reporting period, the hedging resulted in a net gain after offsetting realised income from precious metals against fair value losses on precious metals derivatives.

8. Particulars about Onsite Visits and Researches, Communications and Interviews during the Reporting Period

Date	Mode	Type of visiting party	Reference
5 July 2019	Onsite visit	Institution(s)	CNINFO (www.cninfo.com.cn) <i>Investor Relationship Activities of Ping An Bank Co., Ltd.</i>
12 - 16 August 2019	Domestic roadshow	Institution(s)	
4 September 2019	Investment bank meeting	Institution(s)	
9 - 18 September 2019	Overseas roadshow	Institution(s)	

9. Non-Compliant External Guarantees

Applicable Not applicable

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

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

Applicable Not applicable

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

11.Management Discussion and Analysis

11.1 General Situation

From January to September 2019, China's economy continued its overall momentum of stable and upward growth. The Bank closely aligned its operations with the major strategies of the Party and the nation, actively implemented the master plans as well as economic and financial policies, adhered to the strategic goal of building a "domestic best performer and global leader in intelligent retail banking", and stayed unwaveringly to the approach of "being technology-driven, pursuing breakthroughs in retail banking, and reinventing its corporate banking". Based on the achievements of the phased transformation, the Bank constructed a "3+2+1" overarching business strategy encompassing retail banking, corporate banking and inter-bank capital business, maintained a balanced development among its various business lines, and delivered its objectives for retail transformation across the Bank. Meanwhile, the Bank devoted full-scale efforts to promote its "AI Bank" system, and comprehensively strengthened its financial risk prevention and control. It further increased its support to private enterprises and small and micro businesses, continuously enhanced the capability of serving the real economy, and made solid contributions to drive financial poverty alleviation initiatives. All these efforts enabled the Bank to maintain stable business development, enhance its asset quality, and deliver remarkable strategic transformation benefits. From January to September, the Bank's overall operations were as follows:

11.1.1 Stable and sound development

From January to September 2019, the Bank recorded an operating income of RMB102,958 million, representing a year-on-year increase of 18.8%, which included net interest income of RMB66,269 million, representing a year-on-year increase of 21.5%; the net non-interest income was RMB36,689 million, with a year-on-year increase of 14.2%. The operating profit before impairment losses was RMB71,709 million, increasing by 19.0% year on year; the net profit was RMB23,621 million, increasing by 15.5% year on year; the net interest margin and the net interest spread from January to September 2019 were 2.54% and 2.62% respectively, both increasing by 33 basis points. The profitability remained stable.

At the end of September 2019, the Bank's total assets amounted to RMB3,707,683 million, up 8.5% over the end of last year; the balance of deposits due to customers was RMB2,291,172 million, up 7.6% over the end of last year. The total loans and advances to customers (including discounted bills) amounted to RMB2,151,167 million, representing an increase of 7.7% as compared with the end of last year, which included personal loans (including credit cards) accounting for 59.2%, representing an increase of 1.4 percentage point as compared with the end of last year.

11.1.2 Further advance of retail transformation

From January to September 2019, the Bank continuously promoted the principle of pursuing “breakthroughs in retail banking” and deepened the advantage of the comprehensive finance and constructed a “3+2+1” business strategy with AI as the internal drive, laid more stress on the “three major business modules” of basic retail, private banking wealth management and consumer finance, strengthened the “two core capabilities” of risk control and cost management and promoted continuous empowerment of platform with AI as the internal drive, so as to steadily push forward the transformation.

Meanwhile, the Bank’s retail business was customer-centric, and the customer experience optimisation was gathering pace. Through continuous optimisation of NPS (Net Promoter Score) monitoring and research system platform, and enhancement of customer NPS monitoring management, the Bank implemented NPS research on daily customer experience contact points in outlets, online banking, mobile banking and other channels, listened to customers’ voice, and enhanced customer experience, etc., so as to create smarter and more comfortable services for customers.

(1) Three major business modules

① Basic retail

As at the end of September 2019, the balance of assets under management (AUM) of retail customers of the Bank amounted to RMB1,872,178 million, representing an increase of 32.1% over the end of the previous year; the balance of personal deposits amounted to RMB559,568 million, up 21.2% over the end of the previous year; the number of retail customers reached 93,663,300, an increase of 11.6% over the end of the previous year; and the number of registered customers of Ping An Pocket Bank APP reached 81,234,100, an increase of 30.5% over the end of the previous year and the number of monthly active customers of Ping An Pocket Bank APP amounted to 29,865,000, up 15.4% over the end of the previous year.

From January to September 2019, the Bank continued to focus on attracting and managing customers of basic retail business. By adopting scenario-based and technological approaches, the Bank created multiple ways to attract customers with distinct Internet scenarios and adhered to use of technologies and big data to enhance customer analysis and business strategy development, so as to promote the efficiency and productivity in attracting and managing customers. With respect to deposit operation, the Bank promoted its natural derivatives through continuing to expand AUM and improved its customer deposit retention through opening and linking to credit cards or repayment accounts of other loan products. Meanwhile, the Bank continued to improve the agency and bank card acceptance business to increase its settled deposits, and expand the scale of demand deposits to optimise its growth structure of retail deposits.

② Private banking wealth management

At the end of September 2019, the Bank’s wealth customers reached 748,400, representing an increase of 26.5% over the end of the previous year; the Bank’s qualified customers of private banks (the standard for customers of private banks is that the daily average balance of any month in the recent three months exceeds RMB6 million) reached 40,900, representing an increase of 36.2% over the end of the previous year; the AUM of qualified customers of private banks amounted to RMB669,376 million, up 46.2% over the end of the previous year.

From January to September 2019, the Bank continued to strengthen and put into practice the business transformation strategy in private banks and wealth management. With respect to optimising product platform and right and interest system, the Bank fully integrated internal and external resources, continuously optimised product system and right and interest experience. With respect to internal management system, the Bank teamed a product management committee to diversify the introduction of quality assets and strengthened the internal risk teams to control asset risks in a strict manner. Meanwhile, the Bank made full use of AI technology and the advantage of Ping An Group’s comprehensive finance model to build a professional and intelligent investment consultant team and launch smart investment and smart investment research services. With respect to operation mechanism, the Bank applied the business patterns of “branches and sub-branches”, “direct sales” and “comprehensive finance” to reinforce its ability to manage private banking customers and improve asset allocation based on the all-around digitalised operations.

③ Consumer finance

At the end of September 2019, the balance of individual loans was RMB1,273,315 million, up 10.3% over the end of the previous year. Since the beginning of 2019, as the downward pressure of the macro economy still existed, the Bank took the initiative to optimise the loan business structure and customer group structure, properly raised the delivery threshold for credit cards and loans and pushed the tier up of the target customer group under the premise of ensuring stable asset quality, through online transformation and AI, we will promote loan business processes and service upgrades, improve customer experience, reach more customers, and ensure stable business growth.

As at the end of September 2019, the number of credit cards in circulation was 58,393,800, increasing by 13.3% compared with the end of last year; the balance of credit card loans was RMB518,993 million, up 9.7% over the end of last year. From January to September 2019, the total transaction through credit cards valued RMB2,454,275 million, up 27.5% year on year; the transaction volume of Credit Card Mall increased by 23.6% over the same time last year. Through continuous reliance on financial technology, the credit card business of the Bank deeply created the ultimate customer experience of “fast, easy and good”. In the third quarter of 2019, Ping An Credit Card and Costco joined hands to carry out exclusive strategic cooperation in an all-around way, and launched a “Ping An Credit Card + Membership Card” two-in-one Costco co-branded credit card, achieving seamless connection from front-end shopping to back-end financial services and providing “one-stop” intelligent comprehensive financial services for cardholders. At the same time, the Bank continued to enhance the scenario-based management capabilities of the Pocket Mall. In September, the Bank held a press conference for Ping An Bank Pocket Mall under the theme of “enjoying best services and gaining win-win fruits” and witnessed 20 domestic brands entering the Pocket Mall. Ping An Bank Pocket Mall continued to deepen its cooperation with high-performing brands to jointly create a new consumer finance ecosystem and provide consumers with products and services of higher quality and dignity. With high-quality customer service experience, during the reporting period, the Bank won the “Credit Card Brand with Best Smart Experience” award from the *21st Century Business Herald* and the first “Financial Security Golden Shield Team Award” from *Southern Metropolis Daily*.

From January to September 2019, “New Generation Loans” newly issued by the Bank totalled RMB81,919 million; at the end of September 2019, the balance of “New Generation Loans” reached RMB155,359 million, increasing by 1.0% over the end of last year. From the perspective of promoting healthy development of the market, serving customers and supporting the real economy, the Bank steadily boosted the development of retail loan business under controllable risks. On the one hand, the Bank further enriched customer finance service scenarios based on the reasonable consumer financing requirements from individual customers; on the other hand, it improved the ability of serving inclusive finance through diversified product strategy. Focusing on the capital demand characteristics of small and micro-business owners and individual business owners, the Bank made great efforts to simplify the application process, so as to improve the business processing timeliness and online customer experience, and kept increasing support for small and micro enterprise customers.

At the end of September 2019, the Bank’s property mortgage balance amounted to RMB191,217 million, representing an increase of 4.9% over the end of last year. The Bank strictly conformed to the regulations of national policies and regulatory requirements to support the need of resident families for purchasing their first set of self-occupied houses. It will continue to steadily carry out housing credit business under the premise of compliance with regulatory requirements.

From January to September 2019, the auto finance loans newly issued by the Bank totalled RMB107,868 million; at the end of September 2019, the balance of auto finance loans amounted to RMB168,274 million, a decrease of 2.2% compared with the end of last year. Under the overall slowdown of the auto consumption, the Bank continued to rely on technology empowerment, deepened the auto eco-management strategy through process optimisation and AI intelligence, and constantly improved customer experience and service efficiency.

In addition to the above products, the Bank also highlighted the development of other types of products, including property mortgage and revolving credit, and continued to optimise the loan business structure and customer base structure from the perspective of enhancing the comprehensive customer-serving operations and meeting the asset allocation of mid- to high-end customers. In the future, from the perspective of promoting healthy market development, serving customers and supporting the real economy, the Bank will offer more business loans and support to small and micro enterprises and help the real economy to grow from weak to robust, as well as continue to strengthen product innovation, enrich retail loan portfolios, and leverage big data and Internet technologies to empower business development, so as to improve operational efficiency and optimise customer experience in an all-around way.

(2) Two core capabilities

① Risk control

At the end of September 2019, the NPL ratio of the Bank's loans to individuals was 1.07%, the same as the last year. Since the end of 2017, the Bank has been making pre-emptive risk policy adjustments, focusing on the prevention of the multiple borrowing risks and taking measures, including limit control and prudent credit review and approval, for borrowers involving high multiple borrowing risk and high liabilities and from high-risk regions, to effectively control and reduce the proportion of high-risk borrowers and enable the quality of its new loans to remain stable and continue to improve. In terms of the construction of retail risk management system, the Bank focused on promoting the construction of a new generation of intelligent risk management system – “Risk 3.0” based on the full-scale AI and total value management, creating AI risk control robots before, during and after loans, and connecting the risk management system of products such as personal loans, auto financing and credit cards, so as to achieve the full-scale and unified AI-based customer management before, during and after risks.

② Cost management

From January to September 2019, the Bank optimised production through full cost control and refined management, improved efficiency by means of AI technology management empowerment and business empowerment, and increased investment in innovation to maintain sustained growth momentum and promote continuous drop in cost/income ratio.

In terms of operating costs, via comprehensive refined management and process transformation, the Bank further shortened the operation process and management chain, and reduced retail operation costs, for example, SMS expenses dropped by 11.0%, the cost per piece of centralised operation decreased by 11.5%, etc., both aiming at facilitating gradual decrease of the overall operating costs. In terms of fixed costs, during the transformation to standard, intelligent and light-weight outlets, the Bank optimised the layout of branch outlets; from January to September 2019, the rental cut covered an area of 23,300 square meters, and the comprehensive benefits of outlets continued to improve. In terms of capacity efficiency, retail manpower capacity was further improved based on business development and management empowered by AI strategy, and per capita revenue increased by 17.6% year on year. While the retail business kept fast growth, the cost/income ratio of the retail business continued optimisation in recent two years.

The Bank's Retail Department intends to enhance the driving force for optimisation of cost/income ratio by continuously increasing technology and innovation investment. From January to September 2019, for the goal of keeping business growth and saving cost, the retail sector had invested more than RMB1,199 million in technology and innovation, and utilised the power of technology to constantly upgrade traditional services, innovate business model and enhance service experience.

(3) Empowerment of one major platform

In 2019, the Bank implemented full-scale AI in its retail banking, by providing standard, systematic and intelligent capabilities required by the retail business in terms of operation, service and management through technologies, to customers, employees and third-party partners, so as to become an AI Bank. The key of AI strategy at the current stage lays in improving the capacity of AI central platform. From the perspective of resource intensification and capacity sharing, relevant capacity building has been gradually completed based on the principle of modularisation, parametrisation and closed-loop. AI central platform covers key business capabilities such as marketing, service and management, as well as cutting-edge technological achievements such as OCR (Optical Character Recognition) and face recognition. By integrating reusable and shareable general capabilities, it can achieve agile support for and rapid launch of front-end business scenarios. At present, it has covered over 100 business scenarios and is still undergoing agile iterations.

Open banking is regarded by the Bank as an important direction in deepening the financial technology. Centring around the three objectives of “open capacity”, “open flows” and “open operation”, the Bank's open banking is realising the vision of “making banking services ubiquitous” step by step. At this stage, the Bank mainly focuses on “open capacity” and creates an open banking platform. Currently, it has cooperated with many Internet giants.

In addition, from January to September 2019, the Bank increased its investment in technologies. For online

business, it conducted a further upgrade by embedding the online Pocket Bank APP and the Pocket Banker APP; while for offline business, the Bank promoted new retail outlets under the “light, community-based, intelligent and diversified” concept. At the end of September 2019, there are 245 new outlets in the country. Meanwhile, it integrated and built an intelligent OMO (Online Merge Offline, realising online and offline integration) service system to bring better financial life experience for customers through an intelligent switch between online and offline business featured with integration, contextualisation and personalisation.

(4) Continuous enhancement of contribution in comprehensive finance

The Bank develops comprehensive financial business through the model of MGM (Member Get Member) with agents as key customers of the Bank. From January to September 2019, the number of new customers represented a net increase of 1,905,100 through the MGM model (excluding credit cards), accounting for 29.3% of the overall new retail customers, of which, the number of wealth customers represented a net increase of 62,100, accounting for 39.6% of the overall new wealth customers, and the balance of assets under management of retail customers (AUM) represented a net increase by RMB172 billion, accounting for 37.8% of the overall asset balance of the new retail customers. “New Generation Loans” granted through the MGM model amounted to RMB47,714 million, accounting for 58.2% of the overall issuance of “New Generation Loans”; auto finance loans amounted to RMB39,497 million, accounting for 36.6% of the overall issuance of auto finance loans. The number of credit cards issued through the MGM model was 3,697,300, accounting for 34.1% of the total number of newly issued cards. The total net non-interest income from group insurance sold by all retail channels of the Bank on a commission basis was RMB2,318 million, representing a year-on-year increase of 24.5%.

11.1.3 Specialised and strong corporate business

From January to September 2019, adhering to the customer-centred operation concept, the Bank continued to build intelligent selective corporate banking through technologies. The Bank practised the “3+2+1” corporate business strategy, centring around the three business pillars of industry banking, transaction banking and comprehensive finance, focusing on the two core customer groups of strategic customers and small and micro enterprises customers, and held fast to the lifeline of asset quality. Making full use of the Group’s “financial + technology” comprehensive service capabilities, the Bank gave play to the advantages of its banking channels and the Group’s comprehensive finance, and became the engine of the Group’s comprehensive finance.

(1) Three major business pillars

① Industry banking

As the special business we focus on, the industry banking is positioned as the “business leader of industry customers, pioneer team for major customer development and responsible body for 1+N solutions”. As one of the three pillars of the new corporate business strategy, the industry banking drew on experience of advanced investment banks at home and abroad to integrate the Investment Bank with the Industry Division, striving to create a large investment banking system with distinctive industry banking characteristics: (1) In order to better serve customers, the Bank got in-depth understanding about customer needs and pain points, and completed the transformation from product-oriented thinking to customer-oriented thinking; (2) The Bank deeply integrated the underwriting, issuance and product innovation ability of the Investment Bank with the industrial research and customer segmentation service ability of the Industry Division, integrated internal and external resources of the Group, and customised comprehensive financial solutions with unique advantages for customers (3) To improve efficiency, the Bank set up an agile action team to flatten the operation process and realise the efficient linkage of “Commercial banking + Investment banking + Investment”, and gained trust and recognition from customers by professionalism, uniqueness and efficiency.

At present, in response to the needs of the industrial leading customers, the Bank has created more than 30 benchmarking models with unique advantages. In the future, the Bank will continue to polish and innovate, deeply bind with the industrial leading customers, and offer more value to customers through services. Under the new operation model of industry banking, the investment banking business will also usher in a new development period. At the end of September 2019, the Bank’s credit facilities to key industries accounted for 48% of total volume; from January to September 2019, the bonds underwriting of the investment banking amounted to RMB192,236 million, including financial bonds of RMB51,406 million and non-financial bonds of RMB140,830 million. According to the data released by www.chinawealth.com.cn, the underwriting scale of the Bank’s wealth management direct sales was RMB49.9 billion, accounting for 55.8% of the market share and ranking first in the underwriting market.

② Transaction banking

Internet payment and settlement

Actively responding to the national strategic policies, the Bank promoted the payment and settlement service model of “aggregate collection + e-commerce Jianzheng Bao + smart payment”, and strove to build the best platform financial service bank in the industry. On the one hand, the Bank developed new payment technologies and applied cutting-edge technologies comprehensively to fields including products, innovation, marketing, business operation and risk control; on the other hand, it integrated superior products, overlay them with comprehensive finance service and provided platform customers with comprehensive, customised and intelligent financial solutions by relying on scenario-based solutions and agile implementation capabilities.

At the end of September 2019, the Bank launched 935 Internet payment and settlement service platforms; from January to September 2019, the number of transactions exceeded 1.36 billion, an increase of 166.5% year on year, and the amount of transactions reached RMB2,748,826 million, a year-on-year increase of 44.2%.

Intelligent supply chain finance

The Bank upgraded the supply chain receivables cloud service platform, launched the brand of “Ping An Good Chain”, optimised the complete business process of registration, approval and charge-off through technological means such as cloud computing, block chain and artificial intelligence, and greatly improved

the user experience. Meanwhile, focusing on key industries such as infrastructure, electronics and medicine, the Bank offered packages of comprehensive finance and management services to upstream and downstream enterprises in the supply chain, so as to achieve mass customer acquisition.

From January to September 2019, the transaction volume of the Bank's supply chain receivables cloud service platform accumulated to RMB23,999 million, with the Bank's financial services provided for 361 core enterprises and their upstream suppliers in an accumulated way, effectively resolving the financing difficulty of small and medium enterprises and supporting the development of the real economy.

Cross-border finance

Keeping up with customer's demands for cross-border financial services, the Bank gave full play to the advantages of the cross-border financial account system, and dug deeper into the five major product systems including "Cross-border Investment and Financing", "Cross-border Inter-bank Finance", "Cross-border Fund Management", "Cross-border Trade Finance" and "Cross-border e-Finance" to help the Chinese-funded enterprises to conduct international operations.

The Bank launched wire transfer pool financing for offshore export letter of credit acceptance and offshore global wage service to meet the needs of offshore customers. Meanwhile, it also upgraded offshore financing services on mobile side of Pocket Finance, intelligence anti-money laundering services for cross-border business, etc., and continuously improved business processing efficiency, risk management capabilities and customer experience. From January to September 2019, the online transaction volume of the Cross-border e-Finance accumulated to RMB686,032 million, representing a year-on-year increase of 32.4%.

③ Comprehensive finance

Being the engine of corporate comprehensive finance in the Group, the Bank had been focusing on addressing customers' pain points and centring on strategic customers and small and micro enterprise customers to create a full-scale comprehensive financial solution for its enterprise customers.

By taking full advantage of the Group's comprehensive service capability of "Finance + Technology", exerting advantages of banking channels and comprehensive financial advantages of the Group and reinforcing the Bank's group customer management, the Bank achieved a leap-forward growth in the size of premium, investment and financing. On one hand, the Bank prepared differentiated operating strategy to provide customised insurance and banking products for customers; on the other hand, it cooperated with investment and finance subsidiaries of Ping An in securities, trust, leasing, asset management, real estate, pension investment to meet the diversified financing needs of customers by means of "commercial banking + investment banking + investment". From January to September 2019, premium of the Ping An group insurance sold by the Bank reached RMB953 million, representing an increase of 328.6% over the same period last year; the new investment and cooperation projects between the Bank and professional companies within the Group amounted to RMB147,479 million, representing an increase of 153.4% over the same period last year.

(2) Two major customer groups

① Strategic customers

The Bank followed the principle of strategic alignment, market identification, great potential and risk under control, centring on strategic customers, leveraging the business resources and technological advantages of the Group, focusing on addressing customers' pain points. Supported by industry banking, transaction banking and comprehensive finance, assisted by the entire ecosystem and industry chain layout of the Group covering real estate, medical and automotive industries, and with a systematic, industrial, professional and collective approach, the Bank realised a customer-oriented differentiated pricing mechanism of "one policy for one account" and offered one-stop professional comprehensive financial solutions to strategic customers. In terms of professionalization, the Bank provided in-depth and customised services in different scenarios for strategic customers in their daily operation; in terms of industrialisation, the Bank provided real-time insight into the development of the industry of strategic customers and made overall arrangement of the upstream and downstream industrial chain of strategic customers; in terms of systematisation, with scientific and technological advantages, the Bank built a leading intelligent management system for strategic customers and escorts their operation; in terms of collectivisation, the Bank realised the integration of the resources of Ping An Group, and provided professional comprehensive financial solutions for the strategic customers. At the end of September 2019, loans to strategic customers increased by 17.4% over the end of the previous year.

② Small and micro enterprises customers

Adhering to the concept of “Finance + Technology”, the Bank provided batch scenario-based services and on-line services to small and micro enterprises customers in the upstream and downstream of the industry chain by leveraging the Group's ecological resources to empower strategic customers. Through business models such as Pocket Finance and small enterprise digital finance, the Bank improved the overall operation capacity of private enterprises and small and micro enterprises customers, and kept enhancing the support for them.

In 2019, Pocket Finance focused on the three themes of “openness, integration and intelligence” to build a one-stop intelligent service platform. The Bank introduced enterprise services such as Ping An Cheguanjia, and provided customers with booking service of car purchase on mobile side. The Bank further enriched the product systems on mobile side, rolled out large-amount certificates of deposit, offshore documents, import letter of credit acceptance and other products, and handled the whole process by mobile. The Bank kept optimizing high-frequency features and services to continuously enhance the customer experience. At the end of September 2019, registered customers of Pocket Finance accumulated to 331,100 while transactions from January to September 2019 accumulated to 3,901,900, representing a year-on-year increase of 511.9%, and the transaction amount was RMB2,425,358 million, representing a year-on-year increase of 588.7%.

The Bank’s small enterprise digital finance reproduces the real business situation of enterprises via the means of “data + model”. With standardized products and through the Internet of Things, Big Data and other scientific means, the Bank achieved on-line, automated, rapid batch lending; with customised products, the Bank carried out in-depth cooperation with customers of the scenarios and industrial chain and effectively solved the problems of difficult and expensive financing of small and medium-sized enterprises (SMEs). At the end of September 2019, the Bank's small enterprise digital financial service customers numbered 26,974, up 84.3% over the end of the previous year. From January to September 2019, the Bank, in an accumulated way, issued loans of RMB15.31 billion through small enterprise digital finance.

(3) One lifeline

Asset quality is the first lifeline for corporate business. The Bank changed its risk management concept from managing and controlling risk to operating risk, strengthened the coordination of risks and business, and handled risk management in advance. It covered risks with returns, managed risks via programs and avoid risks through management. The Bank adopted the "big data + artificial intelligence" technology to establish an intelligent risk control platform to further strengthen the risk warning capability. It built risk maps, clarified key industries, regions, and customers, optimized business structure of inventory, so as to effectively guide business direction and rational layout of corporate resources.

The Bank also continued to improve the structure of stock assets, specified management and control goals and intensified the collection and disposal of stock assets, therefore, the asset quality had been steadily improved. At the end of September 2019, the non-performing loan ratio of corporate loans decreased by 0.11 percentage points over the end of the previous year.

11.1.4 Upgrading revolution of inter-bank capital business

From January to September 2019, always being customer-centred and technology-driven, the Bank constructed a “3+2+1” business strategy for inter-bank capital business and focused on the three major business directions of new transactions, new inter-bank and new asset management to enhance sales and transaction capabilities and build an intelligent system to drive various businesses.

(1) Three major business directions

① New transactions

In 2019, the Bank introduced the world's top talent to deliver FICC (Fixed Income, Currencies & Commodities) services, built an industry-leading transaction business segment, and organised transaction teams with international vision and local advantages, and achieved the overall layout of FICC services. In order to support transactions with technologies, the Bank built a leading intelligent quantitative transaction management system in the market with a forward-looking vision, which improves the Bank's data processing capability, pricing capability, transaction executive capability and real-time risk control capability. During the reporting period, taking the establishment of an efficient and agile integrated FICC service operation system as a goal, the Bank set up unified quantitative analysis support system, resource allocation mechanism, transaction system and middle platform and back platform support system, enabling the Bank to take a leap in electronic transaction. The net income of transaction increased significantly compared with the same period of last year, and the trading scale and market ranking of various trade categories surged to be among the highest of the market. From January to September 2019, the Bank's net income was RMB3,104 million, a year-on-year increase of 174.7%; the volume of bond transaction of the Bank was RMB2.47 trillion, representing a year-on-year increase of 273.3%. The volume of interest rate swap was RMB2.37 trillion, representing a year-on-year increase of 313.8%. The volume of gold transaction was RMB1.15 trillion, representing a year-on-year increase of 76.9%. According to the data released by the foreign exchange transaction centre, market-making of X-bond, of the interest rate swap, and of the standard bond forward market-making maintained leadership position of the market in the third quarter of 2019.

② New inter-bank

The Bank' Interbank business achieved the transformation and upgrading of institutional sales from driven by assets and liabilities to by sales. The Bank deepened its customer management, fulfilled the operational concept of “centring on customers”, improved the customer portrait system of banks and other financial institutions, fully explored customer needs so as to build a financial service ecosystem and enhance service quality to banks. The Bank has comprehensively enhanced its services to banks in terms of products, platforms, value-added services and teams. First, the Bank enriched product portfolios and achieved full coverage of sales products in mainstream markets; second, the Bank realised the matching of assets and capital by means of integrating on-line and off-line products. The Bank initiated reconstruction of “Hang-E-Tong” platform and was committed to building a one-stop open transaction platform for financial institutions, covering the whole process of user scenarios. The Bank adopted AI technology to empower business management and upgrade on-line sales transactions and service; third, the Bank strengthened the R&D of products and gave professional advices to customers; fourth, the Bank organised professionalised sales teams to build inter-bank marketing team and talent cultivation through the scientific talent review. The Bank used technology to empower sales team for business development and marketing management. At the end of September 2019, the Bank's “Hang-E-Tong” has cooperated with 2,166 customers. From January to September 2019, the sales volume of banks numbered RMB359,511 million, representing a year-on-year increase of 134.1%.

③ New asset management

From January to September 2019, the Bank actively responded to the challenges and opportunities brought about by the new regulatory policy, and promoted the sound transformation and development of wealth management services from the aspects of platforms, products, research and investment, and technology. First, the Bank promoted the preparation of wealth management subsidiaries, and built an intelligent wealth management transaction platform, intelligent research and investment platform, and intelligent risk control platform with technologies, creating an open wealth management platform covering all categories; second, the Bank vigorously promoted the transformation of the net worth of wealth management products,

innovatively launched core product lines of the “growth” series, stepped up the pace of issuing new products, and improved the product system; third, the Bank strengthened the capacity of research and investment, built an research and investment system with a large-scaled asset allocation as the core, and connected the six major fields of macroeconomics, monetary market, bond market, trading strategy, equity market, foreign exchange and commodity market; fourth, the Bank continued to propel the technology empowerment and fully used scientific and technological power to realise market risk monitoring, credit risk management and post-investment management capability improvement. It also reduced operational risks via labelling, process, and on-line operation and independently researched and launched a new generation of valuation accounting system, unified financial bookkeeping system and portfolio management system to achieve integrated management of share registration, product management, investment transactions and valuation and clearing.

At the end of September 2019, the balance of principal-guaranteed wealth management products (WMPs) of the Bank was RMB75,113 million, down 9.1% over the end of last year. The balance of structural deposits reached RMB509,561 million, up 17.5% over the end of last year. The balance of non-principal-guaranteed WMPs was RMB592,578 million, up 10.2% over the end of last year. Among them, the size of net worth products issued by the Bank in compliance with the new net asset value management requirements, reached RMB179,848 million, an increase of 76.2% from the end of the previous year, and the proportion increased from 19.0% to 30.4%.

(2) Two capabilities

The Bank promoted sales capability and transaction capability in the three major business directions of new transactions, new inter-bank and new asset management, taking a series of measures to construct the core competitiveness of the Bank's inter-bank business. First, the Bank enhanced its sales capability, upgraded sales mode and integrated sales into the ecosystem. The customer portrait system supported customers analysis, created the whole chain connecting funds, products, assets and services, and was upgraded to be “product experts” + “service experts” to provide customers with one-stop integrated financial service such as scenario-based product design, asset recommendation and sales channels; second, based on the existing leading transaction capability, the Bank expanded and enriched the application scenarios of transaction capability. By building an intelligent transaction platform, the Bank came into dynamic integration with inter-banks, asset management and retail businesses to serve all the inter-bank, corporate and retail customers of the Bank.

(3) One system

By leveraging the intelligent quantitative transaction management system, the Bank achieved precise pricing, intelligent execution and real-time risk control, while empowering three business directions. With the integrated design of front platform, middle platform and back platform, stable and efficient operation efficiency, multi-asset management and control capability, and massive data processing capacity, the Bank's new generation financial market business system, rolled out in July 2019, greatly improved the stability and efficiency of the Bank's financial market infrastructure, realised the process automation and management specialization of the financial market business, effectively strengthened the existing competitive advantages of the Bank in business areas such as bonds, foreign exchange and precious metals, and allowed the Bank to continue to enhance the core competitiveness of financial market business.

11.1.5 Technology enabling all-around digitised operation

The Bank took “technology-driven” as the driving force for strategic transformation and digitised operation. **With respect to the construction of business system**, the Bank continued to increase investment in technology, optimized development processes and improved delivery efficiency. From January to September 2019, the cumulative number of demand accepted increased by more than 38% year on year and the cumulative number of version put into use increased by more than 140% year on year. A batch of key programs including the credit card new core system, the unified retail collection and recovery platform, the intelligent risk control platform, the new generation financial market core and the cloud corporate card acceptance came into or was about to be into full operation successively, effectively supporting business development. **With respect to the construction of basic platforms**, the Bank continued to improve its privately-owned cloud platform, distributed PaaS cloud platform, open platform, blockchain integrated service platform, and enterprise-level big data platform to continuously enhance the basic capabilities of the technology-empowered businesses. At the end of September 2019, the Bank had migrated more than 750 applications to the privately-owned cloud platform, and more than 50 programs adopted the development framework of the distributed PaaS cloud platform; the blockchain comprehensive service platform had been put into use and applied to business areas such as bankruptcy liquidation voting, cloud signing certificate, and poverty alleviation. From January to September 2019, the business transaction volume exceeded 200,000.

From January to September 2019, focusing on the transformation to all-around digitised operation, the Bank vigorously promoted the construction of data middle platform, AI platforms, data governance and other programs. **With respect to data middle platform**, the Bank launched the construction of unified data indicator platform, data service platform, and the “five major bases”, i.e., customers, products, personnel, channels and cases. **With respect to AI platforms**, at the end of September 2019, 11 AI middle platforms had been completed and put into use. They provided support and empowerment for front platform applications and business teams, and improved the efficiency of productivity. For example, the effect of personalized precision marketing advertising delivered by intelligent recommendation platform on Pocket Bank APP and Credit Card homepage turned out to be over 50% better than that of manual work. With respect to data governance, the Bank further improved data governance system. At the end of September 2019, 636 basic data standards and 1,442 indicator standards had been completed to lay a solid foundation for real-time, refined, visual and valuable data operation.

11.1.6 Continuous improvement of asset quality

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

At the end of September 2019, the overdue loans of the Bank accounted for 2.34% of total loans, the same as the end of the first half of 2019 and down by 0.14 percentage point over the end of last year; loans past due over 90 days accounted for 1.46%, down by 0.12 percentage point and 0.24 percentage point over the first half of 2019 and the end of last year respectively; special mention ratio accounted for 2.39% of total loans, down by 0.09 percentage point and 0.34 percentage point over the first half of 2019 and the end of last year respectively; NPL ratio was 1.68%, flat with the end of the first half of 2019 and down by 0.07 percentage point over the end of last year respectively. NPL deviation rate was 87%, down 7 percentage points and 10 percentage points from the end of the first half of 2019 and the end of last year.

For the nine months from January to September 2019, the provision for impairment losses on credit and other assets amounted to RMB40,996 million, a year-on-year increase of 21.9%, including provision for credit impairment losses of RMB36,577 million for loans and advances to customers; at the end of September 2019, the balance of provision for impairment of loans reached RMB67,262 million, an increase of 24.1% over the end of last year; the provision to loan ratio was 3.13%, up 0.07 percentage point and 0.42 percentage point over the first half of 2019 and the end of last year; provision coverage ratio was 186.18%, up 3.65 percentage points and 30.94 percentage points over the first half of 2019 and the end of last year; the provision coverage ratio of loans overdue for more than 90 days was 213.83%, up 19.46 percentage points and 54.38 percentage points over the first half of 2019 and the end of last year. The risk compensation capability of the Bank was further enhanced.

For the nine months from January to September 2019, the Bank recovered a total of RMB17,274 million of non-performing assets, increasing by 8.1% year on year, including credit assets of RMB16,121 million (loan principal); recovered principals of loans included written-off loans of RMB9,518 million and unwritten-off NPL of RMB6,603 million; 90.1% of recovered amount for non-performing assets was recovered in cash and the rest was recovered in repayment by objects.

11.1.7 Support to serving the real economy

The Bank actively supported national strategies of supply-side structural reforms and finance serving the real economy, insisted on the concept of technological innovation, and continuously improved its capability and level to provide services regarding the comprehensiveness, effectiveness and sustainability of serving the real economy. At the end of September 2019, the Bank's total on-balance sheet and off-balance sheet credit facilities amounted to RMB3,223.4 billion, an increase of 13.6% over the end of last year.

The Bank refined regional policy and industry policy to formulate regional featured policies and service solutions, keeping a foothold in characteristics of regional development. Thus it underpinned the construction of economic belts such as "Guangdong-Hong Kong-Macao Greater Bay Area", "Belt and Road", the "Yangtze River Delta Integration Area", strengthened regional industry transformation and upgrading, and promoted high-quality development of regional economy. Driven by industry researches, the Bank built a specialised and three-dimensional system for industry researches, strictly controlled the credit granting for "high pollution, high energy consumption and overcapacity" industries, and supported the development and upgrading of major industries.

The Bank actively fulfilled requirements of the state, enhanced financial services for private enterprises, and upheld the high-quality development of small and micro enterprises. For science and technology application, the Bank employed cutting edge technologies, such as AI, biometrics, big data, block-chain, cloud computing, created selected businesses, such as "supply chain accounts receivable service platform", "small enterprise digital finance" and "New Generation Loans", and solved the problem of difficult and expensive financing for private, small and micro enterprises to support their development.

For mechanism and implementation, firstly, the Bank adopted the "differentiated bailout + targeted service" strategy to provide tailored financial services for enterprises and support private enterprises in normal operation but with temporary liquidity difficulties through Ping An Bailout Fund and the corporate finance cooperative mode; secondly, the Bank holistically energise the development of small and micro enterprises via differentiated pricing policy and risk tolerance, with the assistance of innovation in technology, products and channels. **With respect to the implementation and results of the policies**, for the nine months from January to September 2019, the newly issued loans to private enterprise customers accounted for above 70% of all the loans to corporate customers; at the end of September 2019, the loans to small and micro enterprises, with credit line no more than RMB10 million for each customer, increased by 14.44% over the beginning of the current year, higher than the average growth rate of all loans across the Bank. The number of accounts with loan balances increased by 19,000 over the beginning of the current year. The interest rate of such loans to small and micro enterprises decreased by 1.67 percentage points from the end of prior year, with the NPL ratio in a reasonable range.

The Bank established the "finance + technology + production and sales" loop through continuous promotion of targeted poverty alleviation and "finance + industry" poverty alleviation. For the nine months from January to September 2019, the Bank newly issued poverty alleviation fund of RMB6,396 million (including industry poverty alleviation loans of RMB2,730 million, government bonds for poverty alleviation of RMB3,606 million and corporate bonds for poverty alleviation of RMB60 million), helping 5,607 listed impoverished people directly and benefiting over 110,000 listed impoverished people. At the end of September 2019, 107 kinds of agricultural products from 20 poverty-stricken counties in 13 provinces were on sale on the online agricultural mall for poverty alleviation, helping impoverished people to increase revenue of RMB9,762,100.

11.1.8 Base consolidation and capital enhancement

The Bank continuously advocated refined capital management and established a centralised and customer-focused capital allocation mechanism with economic value added (EVA) and risk adjusted return on capital (RAROC) as the core, while eliminating boundaries between on-balance sheet and off-balance sheet products as the goal. Such mechanism effectively improved capital efficiency of all business lines and branches, further elevating capital returns of the Bank.

On the basis of raising capital through retained earnings, the Bank actively expanded exogenous capital replenishment channels and continued to promote the issuance of capital instruments. The Bank completed the issuance of RMB26 billion of A-share convertible corporate bonds in January 2019. "Ping Yin Convertible Bonds" converted to shares in September 2019 replenishing the core tier 1 capital of the Bank effectively; and issued tier 2 capital bonds of RMB30 billion in the inter-bank market on 25 April 2019, above capital replenishment effectively promoted level and quality of capital and laid solid foundation for future development of the Bank.

At the end of September 2019, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio were 9.75%, 10.54% and 13.36%, respectively, all satisfying the regulatory requirements, and up 1.21 percentage points, 1.15 percentage points and 1.86 percentage points respectively over the end of last year.

11.1.9 Rational layout of branch outlets

The Bank continued to implement the intelligent construction of outlets and rationally arranged the layout. At the end of September 2019, the Bank had 87 branches (HK branch included) and a total of 1,049 outlets. Meanwhile, the Bank continuously promoted new off-line retail outlets under "light, community-based, intelligent, diversified" concept. At the end of September 2019, 245 new retail outlets were opened nationwide.

11.2 Asset quality

11.2.1 Five-category classification of loans and advances to customers

(In RMB million)

Item	30 September 2019		31 December 2018		Change from the end of period over the end of last year
	Balance	Proportion	Balance	Proportion	
Pass loans	2,063,654	95.93%	1,908,072	95.52%	8.2%
Special mentioned loans	51,386	2.39%	54,552	2.73%	(5.8%)
Non-performing loans	36,127	1.68%	34,905	1.75%	3.5%
Including: Subprime	14,039	0.65%	17,955	0.90%	(21.8%)
Doubtful	8,784	0.41%	4,509	0.23%	94.8%
Loss	13,304	0.62%	12,441	0.62%	6.9%
Total principals of loans and advances to customers	2,151,167	100.00%	1,997,529	100.00%	7.7%
Impairment provision for loans and advances to customers	(67,262)		(54,187)		24.1%
Including: Impairment provision for loans and advances to customers carried at amortised cost	(66,815)		(54,033)		23.7%
Impairment provision for loans and advances to customers designated at fair value and changes included other comprehensive income	(447)		(154)		190.3%
Non-performing loan (NPL) ratio	1.68%		1.75%		-0.07 percentage point
Provision coverage ratio	186.18%		155.24%		+30.94 percentage points
Provision coverage ratio of loans overdue for more than 90 days	213.83%		159.45%		+54.38 percentage points
Provision to loan ratio	3.13%		2.71%		+0.42 percentage point

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

(In RMB million)

Item	30 September 2019		31 December 2018		Change in NPL ratio
	Balance	NPL ratio	Balance	NPL ratio	
Corporate loans	877,852	2.57%	843,516	2.68%	-0.11 percentage point
Including: General corporate loans	776,896	2.90%	801,814	2.82%	+0.08 percentage point
Discounted bills	100,956	-	41,702	-	-
Personal loans	1,273,315	1.07%	1,154,013	1.07%	-
Including: Housing mortgage loans	191,217	0.18%	182,363	0.09%	+0.09 percentage point
New Generation Loans	155,359	1.12%	153,745	1.00%	+0.12 percentage point
Auto loans	168,274	0.73%	172,029	0.54%	+0.19 percentage point
Credit card receivables	518,993	1.35%	473,295	1.32%	+0.03 percentage point
Others (Note)	239,472	1.37%	172,581	1.97%	-0.60 percentage point
Total principals of loans and advances to customers	2,151,167	1.68%	1,997,529	1.75%	-0.07 percentage point

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

The NPL ratio of corporate loans decreased 0.11 percentage point as compared to the end of the last year and the asset quality was gradually improving. The Bank continued to reinvent its corporate banking and optimise its credit structure, and it also enhanced the asset quality management and control mechanism and intensified the efforts to recover and dispose of stock non-performing assets in order to further strengthen asset quality. The specific measures taken are as follows:

- ① **Strict control on incremental business.** The Bank established stringent entry standard to control asset quality from its source, providing support for key industries, key regions and key customers.
- ② **Proper management on existing business.** The Bank followed post-loan requirements by enhancing the pre-control on recovery of loans' principal and interest, improving early warning management and decreasing or terminating business with enterprises holding risk assets in advance; the Bank invested more in risk investigation of key areas to identify potential non-performing assets promptly, intervene in advance and accelerate the risk response process.
- ③ **Enhancement on recovery and disposal of stock non-performing assets.** The Special Asset Management Department fully exploits its centralised and professional advantage of asset liquidation and recovery to strengthen assessment and supervision process and improve the effectiveness of recovery and disposal work.

Affected by external factors such as uncertainty of international and domestic economy, rising risk of mutual debt, and decline in automobile consumption, the Bank's NPL ratio of retail loans had increased slightly, but the overall risk performance remained manageable with the Bank's NPL ratio of personal loans maintaining the same level as the end of last year. The main measures taken are as follows:

- 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 while executing diversified risk management and control measures based on the city level of the area in which the collateral belongs. As a result, the NPL ratio of mortgage loans was maintained at a low level.
- ② Regarding the "**New Generation Loans**", the Bank checked at all levels under cross-validation rule in terms of pre-loan sales, on-site negotiation and contract conclusion, loan approval, and post-loan management; and dynamically adjusted risk policies with the advanced scoring card technology and multi-dimensional risk monitoring system. For emerging common debt customers of high risk, the Bank comprehensively upgraded the means of prevention and control and intensified efforts in investigation while continuously enhancing and detailing multi-dimensional collection and recovery with more resources invested in, so as to stabilise the asset quality at a reasonable level.
- ③ In **auto financing business**, the Bank effectively improved the structure and quality of the new customers and optimised the stock structure with the establishment of AI intelligent preliminary audit platform and the use of diversified external data. It implemented whole-process risk management concept for risk control were enhanced by technological and innovative means and intelligent quantitative tools to

effectively ensure sustainable development of the asset portfolios. For collection, the Bank thoroughly implemented national laws and regulations and related documents requirements, carrying out operations compliantly with judicial litigation as the main means of collection, while continuously improving operation efficiency via technical methods to maintain the overall asset quality within a stable and controllable range.

④ **The credit card business** of the Bank implemented the risk management philosophy throughout the entire process and fully used quantified instruments to effectively control risks. On the one hand, the structure and quality of the new customers and the stock structure were effectively improved through big data platform and advanced quantitative analysis techniques, combined with risk control model and the introduction of AI technology and big data model. And the ability to identify customer qualification and risks was continuously enhanced while external common debt risks were strictly controlled to ensure the asset quality and develop healthy and positive business. On the other hand, the Bank further intensified efforts in collection and recovery and improved recovery efficiency. Differentiated collection was further advanced as AI intelligent collection reduced the roll rate and was continuously and extensively applied; the management model of non-performing assets was optimised with more resources invested in collection and recovery, and the quick mode of litigation was in exploration to ensure the overall NPL remain steady and controllable.

⑤ The Bank's NPL ratio of **other personal loans** (including certificate pledged loans, petty consumer loans and other guaranteed or pledged loans) slightly decreased over the beginning of the current year. On the one hand, the Bank intensified efforts in adjusting customer structure, improved proportion of high-quality customers and continued to upgrade and optimise risk control strategies. On the other hand, the Bank continuously enhanced collection and recovery with more resources invested in and with multiple detailed measures taken, so as to stabilise the asset quality at a reasonable level and maintain overall risk controllable.

11.2.3 Overdue loans

(In RMB million)

Item	30 September 2019		31 December 2018	
	Balance	Proportion to total loans	Balance	Proportion to total loans
Loans with principal and interest overdue for less than 90 days	18,939	0.88%	15,496	0.78%
Loans with principal and interest overdue for more than 90 days	31,456	1.46%	33,984	1.70%

At the end of September 2019, the Bank's loans that were overdue for less than 90 days (loans with principal not overdue but interest overdue for less than 90 days inclusive) amounted to RMB18,939 million, accounting for 0.88% of the total loans and up 0.10 percentage point as compared with the end of last year; the balance of loans that were overdue for more than 90 days (loans with principal not overdue but interest overdue for over 90 days inclusive) was RMB31,456 million, accounting for 1.46% of the total loans and down 0.24 percentage point as compared with the end of last year. The Bank took multiple actions and developed recovery and disposal plans by types. It had actively communicated with each related party to manage and dissolve risks together. Currently, overall risks were controllable.

11.3 Interest Income and Expense

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

(In RMB million)

Item	Jan. - Sept. 2019			Jan. - Sept. 2018		
	Average daily balance	Interest income/expense	Average yield/cost rate	Average daily balance	Interest income/expense	Average yield/cost rate
ASSETS						
Loans and advances to customers (excluding discounted bills)	1,994,598	98,919	6.63%	1,843,216	87,620	6.36%
Bond investments	625,044	15,631	3.34%	485,019	12,653	3.49%
Balances with central banks	222,662	2,512	1.51%	264,150	3,052	1.54%
Bills discounting and interbank business	539,278	14,751	3.66%	587,685	18,336	4.17%
Total interest-earning assets	3,381,582	131,813	5.21%	3,180,070	121,661	5.11%
Liabilities						
Due to customers	2,252,472	41,828	2.48%	2,041,049	36,873	2.42%
Debt securities issued	400,249	10,961	3.66%	356,478	12,202	4.58%
Including: Interbank deposits	296,056	7,514	3.39%	311,362	10,424	4.48%
Interbank business and others	631,166	12,755	2.70%	699,208	18,057	3.45%
Total interest-bearing liabilities	3,283,887	65,544	2.67%	3,096,735	67,132	2.90%
Net interest income		66,269			54,529	
Deposit-loan spread			4.15%			3.94%
Net interest spread (NIS)			2.54%			2.21%
Net interest margin (NIM)			2.62%			2.29%

(In RMB million)

Item	Jul. - Sept. 2019			Apr. to Jun. 2019		
	Average daily balance	Interest income/expense	Average yield/cost rate	Average daily balance	Interest income/expense	Average yield/cost rate
ASSETS						
Loans and advances to customers (excluding discounted bills)	2,017,555	33,292	6.55%	1,998,255	33,582	6.74%
Bond investments	646,164	5,632	3.46%	631,791	5,183	3.29%
Balances with central banks	225,121	852	1.50%	222,263	836	1.51%
Bills discounting and interbank business	538,920	4,926	3.63%	530,698	4,849	3.66%
Total interest-earning assets	3,427,760	44,702	5.17%	3,383,007	44,450	5.27%
Liabilities						
Due to customers	2,271,575	14,184	2.48%	2,294,479	14,044	2.46%
Debt securities issued	402,150	3,522	3.47%	398,306	3,636	3.66%
Including: Interbank deposits	290,811	2,312	3.15%	289,985	2,467	3.41%
Interbank business and others	662,648	4,366	2.61%	588,523	3,905	2.66%
Total interest-bearing liabilities	3,336,373	22,072	2.62%	3,281,308	21,585	2.64%
Net interest income		22,630			22,865	
Deposit-loan spread			4.07%			4.28%
Net interest spread (NIS)			2.55%			2.63%
Net interest margin (NIM)			2.62%			2.71%

The Bank continued to optimise its business structure. The amount and proportion of personal loans with high average yield rate increased and the interest income from credit card installment business increased, which resulted in a slight increase in the yield rate of interest-earning assets; an increase in the amount of deposits with low average cost rate and the overall easing of market funds during Jan. - Sept. 2019, leading to a further decline in the cost rate of interest-bearing liabilities; during Jan. - Sept. 2019, the NIS and NIM both increased 33 basis points compared with the same period last year.

11.3.2 Average daily balance and average yield of loans and advances to customers

(In RMB million)

Item	Jan. - Sept. 2019			Jan. - Sept. 2018		
	Average daily balance	Interest income	Average yield rate	Average daily balance	Interest income	Average yield rate
Corporate loans (excluding discounted bills)	787,982	29,117	4.94%	875,352	30,719	4.69%
Personal loans (including credit cards)	1,206,616	69,802	7.73%	967,864	56,901	7.86%
Loans and advances to customers (excluding discounted bills)	1,994,598	98,919	6.63%	1,843,216	87,620	6.36%

Item	Jul. - Sept. 2019			Apr. to Jun. 2019		
	Average daily balance	Interest income	Average yield rate	Average daily balance	Interest income	Average yield rate
Corporate loans (excluding discounted bills)	773,199	9,094	4.67%	794,225	9,778	4.94%
Personal loans (including credit cards)	1,244,356	24,198	7.72%	1,204,030	23,804	7.93%
Loans and advances to customers (excluding discounted bills)	2,017,555	33,292	6.55%	1,998,255	33,582	6.74%

11.3.3 Average daily balance and cost rate of deposits due to customers

(In RMB million)

Item	Jan. - Sept. 2019			Jan. - Sept. 2018		
	Average daily balance	Interest expenses	Average cost rate	Average daily balance	Interest expenses	Average cost rate
Corporate deposits	1,749,698	31,880	2.44%	1,656,493	29,348	2.37%
Including: Demand deposits	539,493	2,464	0.61%	529,914	2,437	0.61%
Time deposits	977,980	25,072	3.43%	871,230	22,215	3.41%
Including: Treasury deposits and agreement deposits	111,209	3,645	4.38%	108,001	3,708	4.59%
Margin deposits	232,225	4,344	2.50%	255,349	4,696	2.46%
Personal deposits	502,774	9,948	2.65%	384,556	7,525	2.62%
Including: Demand deposits	166,540	375	0.30%	146,972	331	0.30%
Time deposits	311,591	8,713	3.74%	212,409	6,310	3.97%
Margin deposits	24,643	860	4.67%	25,175	884	4.69%
Due to customers	2,252,472	41,828	2.48%	2,041,049	36,873	2.42%

Item	Jul. - Sept. 2019			Apr. to Jun. 2019		
	Average daily balance	Interest expenses	Average cost rate	Average daily balance	Interest expenses	Average cost rate
Corporate deposits	1,751,663	10,806	2.45%	1,788,435	10,644	2.39%
Demand deposits	539,239	829	0.61%	544,927	818	0.60%
Time deposits	977,382	8,496	3.45%	1,017,521	8,408	3.31%
Including: Treasury deposits and agreement deposits	112,254	1,182	4.18%	115,398	1,259	4.38%
Margin deposits	235,042	1,481	2.50%	225,987	1,418	2.52%
Personal deposits	519,912	3,378	2.58%	506,044	3,400	2.69%
Demand deposits	173,270	132	0.30%	163,684	123	0.30%
Time deposits	320,722	2,948	3.65%	318,488	2,996	3.77%
Margin deposits	25,920	298	4.56%	23,872	281	4.72%
Due to customers	2,271,575	14,184	2.48%	2,294,479	14,044	2.46%

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

12.1 Capital adequacy ratio

(In RMB million)

Item	30 September 2019	31 December 2018
Net core tier one capital	248,164	199,782
Other tier one capital	19,953	19,953
Net tier one capital	268,117	219,735
Tier two capital	71,916	49,380
Net capital	340,033	269,115
Total risk-weighted assets	2,544,826	2,340,236
Credit risk-weighted assets	2,290,786	2,090,152
On-balance-sheet risk-weighted assets	2,038,375	1,892,934
Off-balance-sheet risk-weighted assets	245,529	194,921
Risk-weighted assets of counterparty credit risk exposure	6,882	2,297
Market risk-weighted assets	47,220	43,264
Operational risk-weighted assets	206,820	206,820
Core tier one capital adequacy ratio	9.75%	8.54%
Tier one capital adequacy ratio	10.54%	9.39%
Capital adequacy ratio	13.36%	11.50%

12.2 Leverage ratio

(In RMB million)

Item	30 September 2019	30 June 2019	31 March 2019	31 December 2018
Leverage ratio	6.31%	5.81%	5.80%	5.75%
Net tier one capital	268,117	234,742	229,415	219,735
Balance of on-and off-balance sheet assets after adjustment	4,247,731	4,040,702	3,953,768	3,818,886

Note: The leverage ratio at the end of the reporting period increased as compared to that at the end of June 2019, mainly due to the increase of net core tier one capital.

12.3 Liquidity coverage ratio

(In RMB million)

Item	30 September 2019	31 December 2018
Liquidity coverage ratio	128.61%	139.17%
Qualified current assets	465,287	406,359
Net cash outflow	361,774	291,995

Note: The Bank disclosed the information of liquidity coverage ratio according to the *Measures for the Disclosure of Information on Liquidity Coverage Ratio by Commercial Banks* issued by CBIRC.

Section IV. Financial Statements

1. Financial Statements

- (1) Balance Sheet (unaudited)
- (2) Income Statement (unaudited)
- (3) Cash Flow Statement (unaudited)

PING AN BANK CO., LTD.
BALANCE SHEET
AS AT 30 SEPTEMBER 2019

(In RMB million)

ASSETS	30 September 2019	31 December 2018
Cash and balances with central banks	239,471	278,528
Deposits with banks and other financial institutions	107,528	85,098
Precious metals	49,796	56,835
Placements with and loans to banks and other financial institutions	85,584	72,934
Derivative financial assets	23,713	21,460
Financial assets held under resale agreements	28,198	36,985
Loans and advances to customers	2,089,829	1,949,757
Financial investments:		
Financial assets held for trading	179,084	148,768
Debt investments	662,716	629,366
Other debt investments	156,374	70,664
Investments in other equity instruments	1,817	1,519
Investment properties	211	194
Fixed assets	10,587	10,899
Right-of-use assets	7,601	-
Intangible assets	4,573	4,771
Goodwill	7,568	7,568
Deferred tax assets	32,981	29,468
Other assets	20,052	13,778
TOTAL ASSETS	3,707,683	3,418,592
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Borrowings from central banks	115,960	149,756
Deposits from banks and other financial institutions	432,556	392,738
Placements from banks and other financial institutions	25,650	24,606
Financial liabilities held for trading	40,117	8,575
Derivative financial liabilities	28,070	21,605
Financial assets sold under repurchase agreements	53,147	7,988
Due to customers	2,313,764	2,149,142
Employee benefits payable	14,127	12,238
Taxes payable	11,265	9,366
Debt securities issued	360,449	381,884
Lease liabilities	7,399	-
Provisions	1,699	860
Other liabilities	15,407	19,792
Total liabilities	3,419,610	3,178,550
Shareholders' equity		
Share capital	19,406	17,170
Other equity instruments	19,953	19,953
Including: Preference shares	19,953	19,953
Capital reserve	80,816	56,465
Other comprehensive income	1,974	786
Surplus reserve	10,781	10,781
General risk reserve	39,850	39,850
Undistributed profits	115,293	95,037
Total shareholders' equity	288,073	240,042
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3,707,683	3,418,592

Legal representative _____	President _____	CFO _____	Head of Accounting Department _____
Xie Yonglin	Hu Yuefei	Xiang Youzhi	Zhu Peiqing

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

(In RMB million)

Item	Jul. - Sep. 2019	Jul. - Sep. 2018	Jan. - Sept. 2019	Jan. - Sept. 2018
I. Operating income	35,129	29,423	102,958	86,664
Net interest income	22,630	17,093	66,269	54,529
Interest income	44,702	39,653	131,813	121,661
Interest expenses	22,072	22,560	65,544	67,132
Net fee and commission income	9,440	5,766	27,831	23,705
Fee and commission income	11,979	7,862	34,534	28,923
Fee and commission expenses	2,539	2,096	6,703	5,218
Investment income	2,779	5,912	7,717	7,099
Including: Gains/(Losses) on derecognition of financial assets designated at amortised cost	44	1	74	(143)
Gains or losses on changes in fair value	(327)	502	(183)	1,047
Exchange gains or losses	568	20	1,098	(40)
Other operating income	27	35	66	144
Gains or losses on disposal of assets	(8)	8	(25)	78
Other income	20	87	185	102
II. Operating costs	10,661	8,887	31,249	26,428
Taxes and surcharges	345	286	952	847
Business and administrative expenses	10,316	8,601	30,297	25,581
III. Operating profit before impairment losses on assets	24,468	20,536	71,709	60,236
Impairment losses on credit	13,769	11,331	40,579	33,567
Impairment losses on other assets	23	(7)	417	55
IV. Operating profit	10,676	9,212	30,713	26,614
Add: Non-operating income	23	8	62	14
Less: Non-operating expenses	26	21	99	62
V. Profit before tax	10,673	9,199	30,676	26,566
Less: Income tax expenses	2,455	2,115	7,055	6,110
VI. Net profit	8,218	7,084	23,621	20,456
Net profit from continued operations	8,218	7,084	23,621	20,456
Net profit from discontinued operations	-	-	-	-
VII. Other comprehensive income, net of tax	392	6	1,189	463
(I) Not to be reclassified into profit or loss in subsequent periods	-	-	(5)	1
Changes in fair value of investments in other equity instruments	-	-	(5)	1
(II) To be reclassified into profit or loss in subsequent periods	392	6	1,194	462
1. Changes in fair value of financial assets designated at fair value through other comprehensive income	284	(87)	411	374
2. Provision for credit losses on financial assets designated at fair value through other comprehensive income	108	93	783	88
VIII. Total comprehensive income	8,610	7,090	24,810	20,919
IX. Earnings per share				
(I) Basic earnings per share (Yuan/share)	0.47	0.41	1.32	1.14
(II) Diluted earnings per share (Yuan/share)	0.47	0.41	1.32	1.14

Legal representative	President	CFO	Head of Accounting Department
Xie Yonglin	Hu Yuefei	Xiang Youzhi	Zhu Peiqing

PING AN BANK CO., LTD.
CASH FLOW STATEMENT
JANUARY TO SEPTEMBER 2019

(In RMB million)

Item	Jan. - Sept. 2019	Jan. - Sept. 2018
I. Cash flows from operating activities		
Net decrease in balances with central banks and deposits with banks and other financial institutions	16,531	60,882
Net increase in borrowings from central banks	-	18,960
Net increase in deposits due to customers and deposits from banks and other financial institutions	203,792	104,730
Net decrease in placements with banks and other financial institutions	-	12,272
Net decrease in placements from banks and other financial institutions	827	-
Net decrease in accounts receivable	-	30,053
Net increase in financial assets sold under repurchase agreements	45,212	-
Net decrease in financial assets held under resale agreements	135	56
Cash receipts from interest and fee and commission income	148,245	133,740
Cash receipts relating to other operating activities	48,915	20,539
Sub-total of cash inflows	463,657	381,232
Net decrease in borrowings from central banks	33,154	-
Net increase in loans and advances to customers	188,571	250,340
Net increase in placements with banks and other financial institutions	6,090	-
Net decrease in placements from banks and other financial institutions	-	10,192
Net increase in financial assets held for trading	35,902	-
Net decrease in financial assets sold under repurchase agreements	-	4,155
Cash payments for interest and fee and commission expenses	60,463	56,760
Cash paid to and on behalf of employees	14,522	12,931
Cash payments for taxes and surcharges	18,312	20,011
Cash payments relating to other operating activities	22,163	38,153
Sub-total of cash outflows	379,177	392,542
Net cash flows from/(used in) operating activities	84,480	(11,310)
II. Cash flows from investing activities		
Cash receipts from investments upon disposal/maturity	332,361	348,914
Cash receipts from investment income	22,673	21,081
Cash receipts from disposal of fixed assets and other long-term assets	87	108
Sub-total of cash inflows	355,121	370,103
Cash paid to acquire investments	432,052	294,626
Cash payments for fixed assets, intangible assets and other long-term assets	1,878	1,518
Sub-total of cash outflows	433,930	296,144
Net cash flows (used in)/ from investing activities	(78,809)	73,959
III. Cash flows from financing activities		
Cash receipts from bonds issued	300,671	581,179
Sub-total of cash inflows	300,671	581,179
Cash payments for principal of bonds	303,984	612,540
Cash payments for bond interest	2,497	2,511
Cash payments for dividend distribution and profit appropriation	3,364	3,209
Cash payments for lease liabilities	1,353	-
Sub-total of cash outflows	311,198	618,260
Net cash flows (used in) financing activities	(10,527)	(37,081)
IV. Effect of foreign exchange rate changes on cash and cash equivalents	1,811	2,018
V. Net (decrease)/increase in cash and cash equivalents	(3,045)	27,586
Add: Cash and cash equivalents at beginning of the year	161,801	137,024
VI. Cash and cash equivalents at end of the period	158,756	164,610

Legal representative

Xie Yonglin

President

Hu Yuefei

CFO

Xiang Youzhi

Head of Accounting Department

Zhu Peiqing

2. Audit 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.
22 October 2019