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中国平安保险(集团)股份有限公司
Ping An Insurance (Group) Company of China, Ltd.
(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2318)

OVERSEAS REGULATORY ANNOUNCEMENT

This announcement is made pursuant to Rules 13.09 and 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

“The Announcement of Ping An Insurance (Group) Company of China, Ltd. in relation to the Disclosure of 2020 First Quarterly Report of Ping An Bank”, which is published by Ping An Insurance (Group) Company of China, Ltd. on the website of the Shanghai Stock Exchange, is reproduced herein for your reference.

By order of the Board
Sheng Ruisheng
Joint Company Secretary

Shenzhen, PRC, April 20, 2020

As at the date of this announcement, the Executive Directors of the Company are Ma Mingzhe, Xie Yonglin, Tan Sin Yin, Yao Jason Bo and Cai Fangfang; the Non-executive Directors are Soopakij Chearavanont, Yang Xiaoping, Liu Chong and Wang Yongjian; the Independent Non-executive Directors are Ge Ming, Ouyang Hui, Ng Sing Yip, Chu Yiyun and Liu Hong.

**THE ANNOUNCEMENT OF
PING AN INSURANCE (GROUP) COMPANY OF CHINA, LTD.
IN RELATION TO
THE DISCLOSURE OF 2020 FIRST QUARTERLY REPORT OF
PING AN BANK**

The board of directors and all directors of Ping An Insurance (Group) Company of China, Ltd. (hereinafter referred to as the "Company") confirm that there are no false representations and misleading statements contained in, or material omissions from this announcement, and severally and jointly accept the responsibility for the truthfulness, accuracy and completeness of the contents of this announcement.

Ping An Bank Co., Ltd. (hereinafter referred to as "Ping An Bank"), a subsidiary of the Company, has published the "2020 First Quarterly Report of Ping An Bank" on the website of the Shenzhen Stock Exchange (www.szse.cn).

Please also refer to the "2020 First Quarterly Report of Ping An Bank" disclosed by the Company on the website of the Shanghai Stock Exchange (www.sse.com.cn) for the operating performance of Ping An Bank for the first quarter of 2020.

The Board of Directors
Ping An Insurance (Group) Company of China, Ltd.
April 20, 2020

PING AN BANK CO., LTD.

2020 First Quarterly Report

21 April 2020

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 the Ping An Bank Co., Ltd. (hereinafter referred to as the “Bank”) guarantee the authenticity, accuracy and completeness of the contents of the 2020 First 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 7th meeting of the 11th session of the Board of the Bank deliberated the 2020 First Quarterly Report. The meeting required 15 directors to attend, and 15 directors attended the meeting. This 2020 First Quarterly Report was approved unanimously at the meeting.
 3. Xie Yonglin (the Bank’s Chairman), Hu Yuefei (the President), Xiang Youzhi (the CFO) and Zhu Peiqing (the head of the Finance Department) guarantee the authenticity, accuracy and completeness of the financial report contained in the 2020 First Quarterly Report.
 4. Reminder on non-standard audit opinions
Applicable Not applicable
- These quarterly financial statements are unaudited.

Section II General Information

2.1 Key accounting data and financial indicators

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

Yes No

(In RMB million)

Item	31 March 2020	31 December 2019	Increase/decrease from the end of last year
Total assets	4,132,298	3,939,070	4.9%
Shareholders' equity	352,355	312,983	12.6%
Shareholders' equity attributable to ordinary shareholders	282,411	273,035	3.4%
Share capital	19,406	19,406	-
Net asset per share attributable to ordinary shareholders (RMB/share)	14.55	14.07	3.4%

Item	January to March 2020	January to March 2019	Increase/decrease from the same period last year
Operating income	37,926	32,476	16.8%
Net profit attributable to shareholders of the Bank	8,548	7,446	14.8%
Net profit attributable to shareholders of the Bank after non-recurring gains/losses	8,506	7,422	14.6%
Net cash flows from operating activities	17,989	53,184	(66.2%)
Net cash flow from operating activities per share (RMB/share)	0.93	3.10	(70.0%)
Basic earnings per share (EPS) (RMB/share)	0.40	0.38	5.3%
Diluted earnings per share (EPS) (RMB/share)	0.40	0.36	11.1%
Basic EPS after non-recurring gains/losses (RMB/share)	0.39	0.38	2.6%
Average return on total assets (un-annualised)	0.21%	0.21%	-
Average return on total assets (annualised)	0.85%	0.86%	-0.01 percentage point
Weighted average return on net assets (un-annualised)	2.77%	2.91%	-0.14 percentage point
Weighted average return on net assets (annualised)	11.50%	12.15%	-0.65 percentage point
Weighted average return on net assets (net of non-recurring gains/losses) (un-annualised)	2.76%	2.90%	-0.14 percentage point
Weighted average return on net assets (net of non-recurring gains/losses) (annualised)	11.44%	12.11%	-0.67 percentage point

Note: (1) The relevant indicators of return on net assets and EPS are calculated according to regulations of the *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 issued non-cumulative preference shares of RMB20 billion in a non-public way. In calculating the "EPS" and "weighted average return on net assets", numerators were net of the dividends on preference shares paid amounting to RMB874 million.

(2) In January 2019, the Bank issued A-share convertible corporate bonds of RMB26 billion which were converted in September 2019. The impact of dilution caused by conversion of convertible corporate bonds to ordinary shares was considered when calculating "diluted earnings per share" for the period from January to March 2019.

(In RMB million)

Item	31 March 2020	31 December 2019	31 December 2018	Increase/decrease from the end of last year
Deposit principals due to customers	2,566,857	2,436,935	2,128,557	5.3%
Including: Corporate deposits	1,925,743	1,853,262	1,666,966	3.9%
Personal deposits	641,114	583,673	461,591	9.8%
Total principals of loans and advances to customers	2,444,176	2,323,205	1,997,529	5.2%
Including: Corporate loans	1,075,978	965,984	843,516	11.4%
General corporate loans	950,540	871,081	801,814	9.1%
Discounted bills	125,438	94,903	41,702	32.2%
Personal loans	1,368,198	1,357,221	1,154,013	0.8%

Note: Pursuant to the *Notice on the Statistical Standards for Adjusting the Deposits and Loans of the Financial Institutions by the People's Bank of China* (Yin Fa [2015] No. 14), starting from 2015, the deposits placed by non-deposit financial institutions at deposit financial institutions are accounted for as "Total Deposits", whereas the loans extended by deposit financial institutions to non-deposit financial institutions are accounted for as "Total Loans". Based on the aforementioned statistical standards, as at 31 March 2020, the total deposits and the total loans amounted to RMB2,852.8 billion and RMB2,471.2 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), interests accrued by the effective interest method was included in the carrying amount of financial instruments, and interests not been received or paid at the balance sheet date should be presented in "Other assets" or "Other liabilities". Unless otherwise stated, "Loans and advances to customers", "Deposits due to customers" and the specific items mentioned in the Report are amounts excluding interest.

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

Total share capital of the Bank as at the trading day prior to disclosure (in shares)	19,405,918,198
Payment of dividends on preference shares (RMB Yuan)	874,000,000
Fully diluted EPS calculated based on the latest share capital (RMB/share, accumulated from January to March)	0.40

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

Yes No

Non-recurring items and amounts

√ Applicable □ Not applicable

(In RMB million)	
Item	January to March 2020
Net gains or losses on disposal of non-current assets	50
Others	4
Impact on income tax	(12)
Total	42

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

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

2.2 Regulatory indicators and financial ratios

(Unit: %)

Item	Standard level of indicator	31 March 2020	31 December 2019	31 December 2018
Capital adequacy ratio	≥10.5	14.27	13.22	11.50
Tier 1 capital adequacy ratio	≥8.5	11.65	10.54	9.39
Core tier 1 capital adequacy ratio	≥7.5	9.20	9.11	8.54
Non-performing loan ratio	≤5	1.65	1.65	1.75
Provision coverage ratio	≥150	200.35	183.12	155.24
Provision to loan ratio	≥2.5	3.31	3.01	2.71
Cost/income ratio (from the beginning of the year to the end of the period)	Not applicable	27.94	29.61	30.32
Deposit-loan spread (from the beginning of the year to the end of the period, annualised/un-annualised)	Not applicable	4.08/1.02	4.12	3.98
Net interest spread (NIS) (from the beginning of the year to the end of the period, annualised/un-annualised)	Not applicable	2.49/0.62	2.53	2.26
Net interest margin (NIM) (from the beginning of the year to the end of the period, annualised/un-annualised)	Not applicable	2.60/0.65	2.62	2.35

Note: Regulatory indicators are shown in accordance with the regulatory standards.

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

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

(Unit: Share)

Total number of ordinary shareholders as at the end of the reporting period			397,399	Total number of preference shareholders with restored voting rights as at the end of the reporting period (if any)		-
Shareholdings of the top ten ordinary shareholders						
Name of shareholder	Nature of shareholder	Shareholding (%)	Total number of shares held	Number of restricted shares held	Pledged or frozen	
					Status of shares	Number of shares
Ping An Insurance (Group) Company of China, Ltd.-the Group -proprietary fund	Domestic legal entity	49.56	9,618,540,236	-	-	-
Hong Kong Securities Clearing Company Limited	Overseas legal entity	8.60	1,669,875,196	-	-	-
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 Investment Shenzhen Company	Domestic legal entity	0.84	162,523,292	-	-	-
Henan Hongbao Corporate Management Co., Ltd.	Domestic legal entity	0.53	102,735,814	-	-	-
National Social Security Fund 117 Portfolio	Domestic legal entity	0.49	95,029,523	-	-	-
Bank of Communications - E Fund 50-Index Security Investment Fund	Domestic legal entity	0.31	60,643,555	-	-	-
Shareholdings of the top ten selling-unrestricted shareholders						
Name of shareholder	Number of selling-unrestricted shares	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	1,669,875,196	RMB ordinary shares	1,669,875,196			
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 Asset Management Ltd.	216,213,000	RMB ordinary shares	216,213,000			
China Electronics Investment Shenzhen Company	162,523,292	RMB ordinary shares	162,523,292			
Henan Hongbao Corporate Management Co., Ltd.	102,735,814	RMB ordinary shares	102,735,814			
National Social Security Fund 117 Portfolio	95,029,523	RMB ordinary	95,029,523			

		shares	
Bank of Communications - E Fund 50-Index Security Investment Fund	60,643,555	RMB ordinary shares	60,643,555
Explanation of the connected relationship or acting-in-concert relationship among the above shareholders	1. Ping An Life Insurance Company of China, Ltd. is a controlled subsidiary of and acting in concert with Ping An Insurance (Group) Company of China, Ltd. "Ping An Insurance (Group) Company of China, Ltd. – the Group – proprietary fund", "Ping An Life Insurance Company of China, Ltd. – proprietary fund" and "Ping An Life Insurance Company of China, Ltd. - traditional – ordinary insurance product" are related parties. 2. The Bank is not aware of any related-party relationship or parties acting in concert among other shareholders.		
Description of the top ten 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 the customer credit-backed securities trading account with Huatai Securities Company Limited.		

Whether any of the top ten ordinary shareholders and the top ten selling-unrestricted ordinary shareholders has executed any agreed repurchase during the reporting period

Yes No

2.3. Total number of preference shareholders, and the shareholdings of the top ten preference shareholders

Applicable Not applicable

(Unit: Share)

Total number of preference shareholders as at the end of the reporting period	15					
Shareholdings of the top ten preference shareholders						
Name of shareholder	Nature of shareholder	Shareholding (%)	Number of shares	Number of selling-restricted shares	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>
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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

3.1 Description of and reasons for changes in excess of 30% in the financial results and indicators

√ Applicable □ Not applicable

(In RMB million)

Item	Amount for the period	Amount of change	Rate of change	Analysis on reasons of change
Placements with and loans to banks and other financial institutions	48,701	(30,668)	(38.6%)	Decrease in placements with domestic banks and financial institutions
Derivative financial assets	40,439	21,939	118.6%	Changes in scale of interest rate derivative transactions and fair value
Investment properties	417	170	68.8%	Increase in the properties transferred from fixed assets for the purpose of leasing in the current period
Financial liabilities held for trading	69,794	40,103	135.1%	Increase in financial liabilities held for trading caused by increase in scale of the short position of bond lending and increase in payables for tradable gold lease
Derivative financial liabilities	44,585	23,181	108.3%	Changes in scale of interest rate derivative transactions and fair value
Financial assets sold under repurchase agreements	25,160	(14,939)	(37.3%)	Decrease in scale of bonds sold under repurchase agreements
Taxes payable	15,739	3,708	30.8%	Increase in corporate income tax payable
Other equity instruments	69,944	29,996	75.1%	Capital bonds with indefinite terms issued by the Bank were included in other equity instruments after deducting issuance costs
Other comprehensive income	4,016	1,702	73.6%	Increase in fair value of other debt investments
Investment income	3,802	1,231	47.9%	Increase in scale of bond investments and spread gains
Gains/losses on fair value changes	(949)	(307)	Negative amount for the same period of last year	Fair value fluctuations of derivative financial instruments
Exchange gains or losses	510	341	201.8%	Increase in exchange gains or losses due to fluctuations in exchange rate
Other operating income	25	8	47.1%	Small base period number of RMB17 million for the same period of last year
Gains or losses on disposal of assets	36	24	200.0%	Small base period number of RMB12 million for the same period of last year
Other income	44	29	193.3%	Small base period number of RMB15 million for the same period of last year
Taxes and surcharges	402	98	32.2%	Increase in additional tax base caused by increase in the value-added tax (VAT) accrued in the current period
Impairment losses on other assets	415	184	79.7%	Increase in impairment losses on foreclosed asset
Non-operating income	18	(11)	(37.9%)	Small base period number of RMB29 million for the same period of last year
Non-operating expenses	58	33	132.0%	Small base period number of RMB25 million for the same period of last year

3.2 Description of significant events and their progress, impact and solutions

Applicable Not applicable

1. The *Proposal on Establishing Subsidiaries for Asset Management* was approved on 6 June 2018 at the 18th meeting by the 10th Board of Directors of the Bank. On 31 December 2019, the Bank received the *Approval of the CBIRC on Establishment of Ping An Wealth Management Co., Ltd.* (Yin Bao Jian Fu [2019] No. 1197), and was approved to incorporate Ping An Wealth Management Co., Ltd. Once the preparatory work is completed, the Bank will apply to the China Banking and Insurance Regulatory Commission (“CBIRC”) for the opening of business in accordance with relevant regulations and procedures.

2. On 25 February 2020, with approvals from the CBIRC and the People’s Bank of China, the Bank completed the issuance of capital bonds without fixed terms (the second tranche) (hereinafter referred to as “20 Ping An Bank Perpetual Bonds 01”) on the National Interbank Bond Market. The Bonds amounted to RMB30 billion at a coupon rate of 3.85% for the first 5 years, which shall be adjusted every 5 years. The Bank has the option to redeem these bonds in the 5th year and every interest payment date thereafter on certain conditions. The funds raised by such bonds will be added to other tier 1 capital of the Bank according to applicable laws and the approval of the regulators.

Description of major events	Date of disclosure	Index of website disclosing temporary reports
Relevant announcements on approval of the incorporation of subsidiaries for asset management and Ping An Wealth Management Co., Ltd.	7 June 2018, 2 January 2020	<i>China Securities Journal, Securities Times, Shanghai Securities News, Securities Daily</i> and CNINFO (http://www.cninfo.com.cn)
Announcement on the completion of the issuance of capital bonds without fixed terms (the second tranche)	26 February 2020	

Progress for share repurchase

Applicable Not applicable

Progress for reducing repurchased shares by means of centralised bidding

Applicable Not applicable

3.3 Commitments that have not yet been fulfilled as at the end of the reporting period by parties including actual controllers, shareholders, related parties, purchasers and the Bank

Applicable Not applicable

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

3.4 Forecast of operational performance from January to June 2020

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

3.5 Securities investments

At the end of the reporting period, the carrying amount of financial bonds (policy bank bonds, various general financial bonds, subordinated financial bonds, excluding corporate bonds) held by the Bank was RMB258.284 billion, among which ten financial bonds with the highest book value are detailed as follows:

(In RMB million)

Name of Bonds	Par value	Annual coupon rate (%)	Maturity date	Impairment provision
2019 Policy Bank Bonds	10,396	3.30	1 February 2024	-
2019 Policy Bank Bonds	10,300	3.28	11 February 2024	-
2016 Policy Bank Bonds	7,850	3.18	5 April 2026	-
2018 Policy Bank Bonds	6,720	4.88	9 February 2028	-
2019 Policy Bank Bonds	6,710	3.42	2 July 2024	-
2015 Policy Bank Bonds	5,290	3.74	10 September 2025	-
2018 Policy Bank Bonds	5,150	4.15	26 October 2025	-
2017 Policy Bank Bonds	4,860	4.24	24 August 2027	-
2018 Policy Bank Bonds	4,676	3.76	14 August 2023	-
2019 Policy Bank Bonds	4,470	3.24	14 August 2024	-

3.6 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 Bank's ordinary course of businesses.

3.7 Derivative investment

(In RMB million)

Contract type	Contractual amount at the beginning of the year (Nominal amount)	Contractual amount at the end of the period (Nominal amount)	Fair value changes during the reporting period
Foreign exchange derivatives	496,223	742,033	(550)
Interest rate derivatives	4,768,243	5,910,240	(616)
Precious metal derivatives	89,851	133,648	(289)
Total	5,354,317	6,785,921	(1,455)

Note: (1) The Bank carried out capital transactions and investments covering derivatives within the overall limit framework of risk preference and market risk established by the Board. 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 trading hedging strategy by using various product portfolios, such as spot precious metals, forward contracts, options and extendable option. During the reporting period, the Bank recorded positive returns after hedging the fair value losses of precious metal derivatives via the realised income of precious metals.

3.8 Particulars about reception of researches, communications and interviews during the reporting period

Date	Mode	Type of visiting party	Reference
09 January 2020	Investment bank meeting	Institution(s)	CNINFO http://www.cninfo.com.cn <i>Record Chart of Investor Relationship Activities of Ping An Bank Co., Ltd.</i>
14 February 2020	Results release press	Institution(s)	
17 February 2020 - 21 February 2020	Domestic roadshow by call	Institution(s)	
28 February 2020	Communication by call	Institution(s)	
13 March 2020	Communication by call	Institution(s)	
19 March 2020	Communication by call	Institution(s)	

3.9 Non-compliant external guarantees

Applicable Not applicable

During the reporting period, the Bank had no non-compliant external guarantees.

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

3.11 Management discussion and analysis

3.11.1 General situation

In the first quarter of 2020, the unexpected novel coronavirus disease (COVID-19) epidemic posed a huge threat to the lives and health of the people, presenting a great challenge to global public health. Various countries have taken measures to actively step up the control and prevention of the epidemic, increase the use of macro policies to soften the blows, and make every effort to reduce the impact on the economy.

Under the resolute leadership of the CPC Central Committee and the State Council, all people in the nation have been united in the fight against the epidemic. Through arduous efforts, the routines of production and life are returning fast, as the disease control and prevention across the country have been improving, and timely measures have been adopted to prevent and control the increased threat of imported cases. At the same time, the government has also made timely adjustments to the monetary and fiscal policies to ensure market liquidity, and increased support to the resumption of work, robust development of the industrial chains as well as employment, as part of the effort to facilitate the economy to return to normal.

In addition to actively implementing the strategic decisions and arrangements of the CPC Central Committee and the State Council, the Bank focuses on combining the “fight against the epidemic” and “maintaining productivity”. While comprehensively strengthening the control and prevention of the epidemic, the Bank pushes forward overall work resumption to ensure uninterrupted financial services, and fully meet the financial service demands of our customers. Furthermore, the Bank also vigorously supports small and medium-sized enterprises to overcome difficulties so that they can effectively perform their significant duties of serving the real economy.

The year 2020 marks the start of the Bank’s new three-year strategy. Always adhering to the strategic goal of building a “domestic best performer and global leader in intelligent retail banking”, the Bank continues to uphold the strategic principle of “being technology-driven, pursuing breakthroughs in retail banking, and reinventing its corporate banking”, and on this basis, the Bank comprehensively upgrades its new three-year strategy to promote development to a new level. Firstly, the Bank will persist to the direction of retail transformation, the two core advantages of “comprehensive finance” and “technology empowerment”, and the idea of balanced and coordinated development; then, it will strive to turn itself into a “digital bank, ecological bank and platform-based bank”: to be a digital bank, it is to be earlier in capturing information, decision-making and taking actions at the decision-making level; to improve effectiveness, efficiency and productivity at the operation level, and to reduce cost, risk and human resources at the management level; to be an ecological bank, it is to

build a “moat”, give full play to its advantages, and get feedback; and to be a platform-based bank, it is to implement platform link, bulk customer acquisition and scenario-based operation; finally, it will build “3+2+1” business strategy respectively for the retail business, the corporate business and interbank capital business in an all-round way. In the first quarter of 2020, the Bank made active efforts to effectively meet the various financial service demands of the customers, accurately support the rapid work resumption, and fully support the sustainable development of the real economy through actively pushing on the implementation of various strategic measures, comprehensively promoting digital and online operations, continuing to strengthen financial risk control and prevention, and proactively fulfilling its social responsibilities.

(I) Coordinated development

In the first quarter of 2020, the Bank actively pushed forward the implementation of various strategic measures, focused on “fighting against the epidemic” along with “maintaining productivity”, and fully launched its digital and online operations to achieve fast business recovery. As a result, the Bank’s profitability remained stable as compared with the same period of last year, with operating income of RMB37,926 million, up by 16.8%; an operating profit before impairment losses of RMB26,926 million, up by 19.4%; and a net profit of RMB8,548 million, up by 14.8%.

In the first quarter of 2020, on one hand, with the capital replenishment in the second half of 2019, the Bank continued to grant more loans to the real economy, and the average daily balance of loans and advances to customers (excluding discounted bills) amounted to RMB2,261,743 million, representing an increase of 15.0% as compared with the same period of last year; on the other hand, NIM increased by 7 basis points to 2.60% as compared with the same period of last year. Therefore, the Bank recorded net interest income of RMB24,770 million, representing an increase of 19.2% compared with the same period of last year. However, due to the decline of the Loan Prime Rate (LPR) at the beginning of the year, the easing of monetary market funds and other factors, the Bank’s yield of interest-earning assets decreased at a slight higher rate than the cost rate of interest-bearing liabilities, and NIM in the first quarter of 2020 decreased by 2 basis points as compare to that in the fourth quarter of 2019.

In the first quarter of 2020, the Bank recorded the net non-interest income of RMB13,156 million, with an increase by RMB1,454 million or 12.4% as compared with the same period of last year. The monetary policy remained easing in the first quarter of 2020, and the Bank seized market trading opportunities and appropriately increased bond positions, resulting in an increase in investment income of RMB1,231 million or 47.9% as compared with the same period of last year.

In the first quarter of 2020, the Bank’s cost/income ratio was 27.94%, down by 1.68 percentage points as compared with the same period of last year, which was mainly due to production efficiency improvement and slow-down in delivery of expenses during the COVID-19 outbreak.

At the end of March 2020, the Bank’s total assets amounted to RMB4,132,298 million, up by 4.9% over the end of last year; the balance of deposits due to customers was RMB2,566,857 million, up by 5.3% over the end of last year. The total loans and advances to customers (including discounted bills) amounted to RMB2,444,176 million, representing an increase of 5.2% as compared with the end of last year.

(II) Upgrading of retail business

In first quarter of 2020, the Bank thoroughly implemented the retail “3 + 2 + 1” operation strategy, comprehensively developed the three operation sectors of “basic retail, private banking wealth management and consumer finance”, improved the two core capabilities of “risk control and cost control”, and built the “one ecosystem” to drive integration; meanwhile, with the new positioning of “digital bank, ecological bank and platform bank”, it launched the four new strategies of “digital operation, online operation, comprehensive services and ecological development” to drive the transformation and upgrading of retail business. In addition, the Bank continued to optimise the asset and liability structure of the retail business. In terms of the liability business, the Bank actively put efforts in expanding lower cost settlement funds; and in terms of asset business, it increased the grant of personal residential mortgage loans, title deed-secured loans and unsecured loans for high-quality customers of lower risk in response to financing needs of private banking wealth customers to optimise the customer structure.

China’s economic development has been affected by the COVID-19 epidemic. Due to the outbreak, the Bank had experienced short-term fluctuations in the growth of its retail business. However, thanks to the strong

capability of its online operations developed through continued investments in and applications of AI and other technologies in recent years, the Bank has delivered a strong performance in effectively meeting the financial demand of the customers during the COVID-19 outbreak, with key retail business indicators improving against the trend and the overall operational risks adequately managed.

1. Three business segments

(1) Basic retail

At the end of March 2020, the balance of assets under management (AUM) of retail customers of the Bank amounted to RMB2,136,931 million, representing an increase of 7.8% over the end of the previous year; the balance of personal deposits amounted to RMB641,114 million, an increase of 9.8% over the end of the previous year; the number of retail customers increased by 1.6% from the previous year to 98,640,500; the number of registered customers of Ping An Pocket Bank APP increased by 7.5% from the previous year to 96,219,000; and the number of monthly active users (MAU) of Ping An Pocket Bank APP was 31,151,500, a decrease of 5.4% over the end of the previous year. In January and February, the decline in the MAU count was caused by the decrease in the customer demands in scenarios relating to travels and local life services during the Spring Festival and the COVID-19 outbreak, and as the Bank has actively added its “Banking at Home” solutions to its online service repertoire and increased offerings relating to people’s daily needs, the MAU count bounced back in March.

With respect to the expansion of functions of the Ping An Pocket Bank APP, the Bank continued to focus on the development of the “Finance + Life” online platform. By integrating its own business scenarios and those of the Group’s, the Bank has launched the new “Financial Channel” and applied big data technologies to provide customers with products and services tailored to their unique and diversified needs; and launched the “Life Channel” to incorporate frequently used life scenarios in a one-stop center to cater to the daily needs of the customers. During the COVID-19 outbreak, the Bank designed its “Banking at Home” zone in its Pocket Bank APP to provide online financial products and easily accessible services to customers. At the end of March 2020, the “Banking at Home” zone recorded a daily average of more than 2 million page views, a daily average of 600 thousand unique visitors, and a customer acquisition recovery ratio¹ of 143.2% for the Internet.

With respect to deposit operation, the Bank placed more AUM in natural derivatives, and drove the growth of low cost liabilities through scenario-based businesses such as the bank card acceptance, agency, as well as facilitating the binding to credit card or repayment accounts of other loan products, so as to optimise the structure of retail deposit growth. In the first quarter of 2020, the average cost rate of personal deposits decreased by 4 basis points to 2.58% compared with the average level of last year. The Bank concentrated on promoting the “Ping An Salary” service platform, which is an exclusive service platform for the agency customers that integrate the resources of the Group’s subsidiaries and provides diversified services in HR management, online training, mall benefits, and good doctor health, further enhancing the comprehensive competitiveness of agency products.

With respect to the sales of key products, the Bank attached great importance to the construction of the sales capability of fund products, focusing on building the “Ping An Preference” brand of mutual funds, strengthening online operations and technology empowerment. The fund sales volume increased significantly, and the sales volume of agency funds² in the first quarter of 2020 was RMB115,271 million, an increase of 53.3% year on year.

With respect to the customer service, the Bank strived to create a “1 + N” (1 comprehensive customer service team plus N expert teams) online and offline business service model. The intelligent product platform and expert platform enabled the Bank to empower online and offline service personnel, for the purpose of providing customers with one-stop and comprehensive consulting services. At the same time, during the COVID-19 outbreak, in order to ensure the continuity and stability of customer service, the Bank carried out remote, online and mobile deployments via AI customer service, online counters, and intelligent consulting and complaints. At the end of March 2020, the unmanned AI customer service ratio was 89.0%, representing an increase of 2.9% from the end of the previous year.

¹ The Internet customer acquisition recovery ratio represents the ratio of the average daily new customers acquired in March 2020 divided by the average daily customers acquired from 1 January to 23 January 2020 (a period before the Spring Festival when productivity remained stable).

² The sales volume of agency funds does not include the sales volume of monetary funds.

(2) Private banking wealth management

At the end of March 2020, the Bank's wealth customers reached 819,800, representing an increase of 5.2% over the end of the previous year; the Bank's qualified customers of private banking³ reached 47,100, representing an increase of 7.7% over the end of the previous year, among which, the AUM of qualified customers of private banks amounted to RMB805,850 million, representing an increase of 9.8% over the end of the previous year.

In the first quarter of 2020, the Bank comprehensively enhanced the three major capabilities of comprehensive finance, professionalisation and technology platform in the sectors of private bank and wealth management, so as to strengthen the brand building of private bank.

With respect to comprehensive finance enhancement, the Bank strived to strengthen the construction of an open-ended product platform for all products and constantly improved its product system. The Bank also actively implemented the first batch of anti-epidemic special charitable trusts, and signed the first contract for customised premium trusts in the first quarter to achieve business innovation. Moreover, aiming at high net-worth customers, as well as directors and supervisors of listing companies, the Bank conducted pilot operations based on the customer demands to provide one-stop comprehensive services under the family office model.

With respect to professionalisation enhancement, the Bank kept on promoting the construction of professional teams for investment research, investment advisory and family office, set up an asset allocation navigation committee, focused on the operation of asset allocation tools, so as to realise the expansion of the services for private banking customers and improvement of the service experience; with innovatively introducing the consultative working method, and upgrading the wealth management system in an all-round way, the Bank also realised the automatic generation of customer account reports in 3 seconds and investment planning proposals in 60 seconds, providing customers with a comprehensive and personalised asset allocation plan; being customer-centred, the Bank further upgraded the customer rights and interests system, launched "Listening to the Wealth", "Ping An Think Tank" and other columns of private bank in Pocket Bank APP, so as to provide customers with professional, convenient and high-quality investment information services, and strengthen the brand of private bank and value proposition by gathering the opinions of internal and external experts.

With respect to technology platform enhancement, the Bank's businesses, such as privately offered investments, premium trusts, family trusts, etc., have all been able to be handled online. Besides, the Bank was the first in the industry to launch an AI privately offered direct platform to provide high net-worth customers with a new experience of intelligent and efficient wealth management services. The first AI intelligent video in the industry, which replaced manual video with intelligent one, reduced the waiting time of customers from 10 minutes to nil. In the first quarter, the average replacement rate of AI video⁴ approached about 80%.

(3) Consumer finance

At the end of March 2020, the balance of individual loans was RMB1,368,198 million, up by 0.8% over the end of the previous year. To cope with the impact of COVID-19 outbreak, the Bank stepped up efforts to promote the online launch of credit cards and loan products, and continued to strengthen the linkage between consumer finance business and private banking wealth business under the premise of meeting the financing demand of middle-end and high-end customers; meanwhile, it also increased the grant of personal residential mortgage loans and title deed-secured loans with lower risk. At the end of March 2020, the proportion of personal residential mortgage loans and title deed-secured loans to personal loans increased from 30.3% at the beginning of the year to 31.5%, with continuous optimisation of business structure and customer group structure.

Credit card: At the end of March 2020, the number of credit cards in circulation was 60,481,000, up by 0.3% from the end of last year; the balance of credit card loans was RMB515,863 million, down by 4.5% from the end of last year. In the first quarter of 2020, the total volume of transactions using credit cards was RMB777,164 million, down by 3.0% as compared with the same period of last year. Due to COVID-19, representing a fall in the credit card transactions. The Bank responded quickly to expand online scenarios and provide users with full-cycle and comprehensive online services to cover the daily needs of the people, including the applications

³ The standard for customers of private banking is that the daily average balance of any month in the recent three months exceeds RMB6 million.

⁴ The replacement rate of AI video represents the proportion of transaction orders in which AI video is applied to all private equity transaction orders completed online.

and use of credit cards, online shopping, and utility fee payments, among others. Since March 2020, the average daily spending of credit card transactions has returned to the level before the COVID-19 outbreak. In the first quarter, the transaction volume of the Credit Card Mall increased by 13.4% over the same time last year.

In the first quarter of 2020, relying on the advantages of financial technology, the Bank continued to create the ultimate customer experience of “fast, easy and good” to highlight its brand advantages.

First, the Bank continued to deepen ecological development and promote cross-border cooperation. Focusing on the car owners, the Bank launched the “Ping An Good Car Owner” credit card, jointly with Ping An Property & Casualty, to create a one-stop, full life cycle car ecological financial service circle for car owners. In addition, the Bank issued the “Ping An Enjoy” platinum credit card for the young customers to bring them a personalised experience in card demand. And at the same time, based on its in-depth cooperation with many market leading brands, the Bank also enriched products and service scenarios, and expanded customer acquisition channels of traffic and scenario categories.

Second, the Bank improved its online capabilities to fully meet customers’ card demand. The Bank continued to improve and promote the online special living area in Pocket Mall to fully safeguard customers’ high-frequency online consumption demand during the COVID-19 outbreak. Meanwhile, the Bank took the lead in the industry to innovate the score system, implement mobile payment distribution in an all-round way, and launched 5 times score overweight rights for nearly 30 online leading merchants, to make online users more active with deeply suitable customer mobile payment scenarios.

Third, the Bank increased the investment in and applications of technologies to facilitate the upgrades of its products and service system. During the COVID-19 outbreak, the continued efforts in upgrading its AI voice service capability enabled the Bank to quickly recover its credit card business. At the same time, the Bank continued to optimise and upgrade its AI-enabled pre-approval platform, develop its 360-degree, multi-dimensional profiles of credit card users, and efficiently convert the Group’s high-quality customers into banking customers.

“Xinyidai”: In the first quarter of 2020, “Xinyidai” newly issued by the Bank totalled RMB22,660 million and the balance at the end of March 2020 reached RMB153,750 million, decreasing by 2.3% over the end of the previous year. During the COVID-19 outbreak, the Bank vigorously promoted the online transformation of business processes, resulting in the fast recovery of the production capacity. In March 2020, the average daily grant amount of “Xinyidai” almost reached the average daily grant level of last year. Always being customer-centred, the Bank further enriched customer finance service scenarios and improved “Xinyidai” product categories by seizing the opportunity of national consumption upgrade; it also continued to attract high-quality customers and improved its ability of serving inclusive finance.

Personal residential mortgage loans and title deed-secured loans: In the first quarter of 2020, the Bank provided a cumulative total of RMB43,732 million personal residential mortgage loans and title deed-secured loans, a year-on-year increase of 17.7%; at the end of March 2020, the balance of personal residential mortgage loans and title deed-secured loans amounted to RMB430,859 million, up by 4.8% from the end of last year, of which the balance of personal property mortgage loans was RMB207,459 million, increasing by 4.1% from the end of last year. As part of its efforts to actively implement the regulatory requirements of stepping up financial support for epidemic control and prevention, the Bank further reduced the offline operations and improved the banking efficiency and experience by optimising its business procedures and improving its technology-enabled online service capabilities. Meanwhile, the Bank increased product innovations and resource reallocation for housing loans, continuously improved its comprehensive customer service capabilities, and stepped up efforts to meet the financing needs of residential mortgage loan customers during the COVID-19 outbreak, and provided solid financial support for small and micro enterprise customers to help them quickly resume production and business development.

Auto finance loans: In the first quarter of 2020, the Bank’s new auto finance loans amounted to RMB37,979 million, with a year-on-year increase of 16.2%; at the end of March 2020, the balance of auto finance loans was RMB183,521 million, an increase of 2.4% from the end of the previous year. During the COVID-19 outbreak, the auto consumption market was negative impacted, and in response, the Bank increased efforts to promote online auto lending, accelerate product innovation and upgrade, and create interactions and synergies among different platforms. First, it accelerated iterative product innovations and upgrades, improved the Online Merge Offline (OMO) capabilities of the integrated resources and channels of the Group’s customers, furthered

business process reengineering, and enhanced online customer acquisition and the Bank's role as a major driving force in the online auto purchase scenarios; second, it upgraded the "Che-E-Tong" platform, improved the online service system for car dealers, and reshaped the closed loop of collection, resales and financing of second-hand vehicles; third, as part of its efforts to be a "smart" service provider for car owners, it promoted AI-enabled online channelling of car owners and employed big data analytic models to help improve customer conversions.

2. Two core capabilities

(1) Risk control

Due to the adverse impact of COVID-19 outbreak, including the fluctuations in the external economic environment, shrinking of consumer demands and decrease in household income, there was a short-term decline in the ability and willingness of retail customers to repay loans. As at the end of March 2020, the NPL ratio of the Bank's personal loans was 1.52%, up by 0.33 percentage point from the end of last year.

From the onset of the COVID-19 outbreak, the Bank remained steadfast in maintaining client-centered operations, giving top priority to supporting the epidemic control and prevention, and safeguarding the stability of the financial market, adopted appropriate preferential credit policies to customers who had their income sources temporarily cut off due to COVID-19 outbreak, and offered flexible arrangements for repayment of personal loans, including residential mortgage loans and credit card bills. At the same time, it actively developed fast-track financial service channels. For medical staff, police, military personnel and government personnel participating in disaster relief and customers who were became infected and unable to make regular repayments, the Bank offered, as appropriate in their specific circumstances, deferred repayment options and exemption or reduction of interests without affecting their credit records, as part of the Bank's overall efforts to reduce the impact of the epidemic on its retail customers.

Although the Bank experienced a slight increase in new overdue personal loans in the first quarter of 2020, the collection department quickly resumed their work since March, and at the end of March, were working at the same level as before the outbreak or even at a higher intensity than before. In March, there were less loans that became overdue than in February, but it was still slightly higher than the pre-epidemic level. Drawing on its previous experience in dealing with a crisis, the Bank's internationally-minded retail risk management team developed an emergency response plan in late January, and pushed forward the work in an orderly manner to gradually eliminate the temporary risk accumulation caused by the epidemic; at the same time, strong measures were taken to further strengthen the monitoring of external trends and the review of internal risk strategies. Although the COVID-19 outbreak has had a short-term impact on the quality of the Bank's retail assets, the risk of retail assets is expected to step back to normal with the improvement of macroeconomic prosperity, especially in view of the uncertainties associated with the epidemic development worldwide. In addition, the Bank gradually increased the proportions of secured loans and unsecured loans to high-quality white-collar customers, improved the retail credit business structure and moderately tightened access policy as part of the committed efforts to withstand future risk since 2018.

(2) Cost control

In the first quarter of 2020, the Bank took an active action to propel retail cost management to advance to be "driven by digitisation", and strived to achieve the cost control goals of "great optimisation of mature businesses, precise delivery of growing businesses, and early deployment of potential businesses". In terms of mature businesses, the Bank actively promoted each business segment to focus on increasing productivity and to reduce costs, made an in-depth analysis on its overall cost structure, and formulated plans for cost optimisation and productivity improvement; in terms of growing and potential businesses, the Bank continued to strengthen its resources inclination and supported investments in key projects, such as AI innovation, customers' rights and interests, and open banking, through special strategic investment and innovation funds, to cultivate the momentum for sustainable development. The productivity and efficiency of retail business were significantly improved. In the first quarter of 2020, the Bank's AUM operating income of retail per capita was RMB431,900, increasing by 27% year on year, and the AUM operating income of retail per outlet was RMB3,209,200, increasing by 30.4% year on year.

3. One ecosystem

In the first quarter of 2020, based on an agile mechanism, the Bank's retail used AI Bank as the internal drive to continuously build an open retail banking ecosystem, achieving the connection, empowerment and integration of

customers, employees and partners, and promoting the comprehensive innovation of business models.

In terms of the construction of open retail banking, the Bank mainly concentrated on the objective of “open capacity” at the present stage to build an open banking platform and help ecological development. The Bank's open retail banking platform 1.0 was put into operation at the end of March. Since the project was launched, 17 API products and 114 API interfaces had been placed on the platform, covering capacities of accounts, wealth management, payment, guarantees and other products. Meanwhile, the Bank cooperated with many Internet giants.

In terms of AI Bank construction, the Bank continued to boost full-scale AI application in its retail business and prosper traditional businesses with the power of technology. On the one hand, the Bank continued to strengthen front-end capacities of AI customer acquisition and AI marketing to assist front-line teams to expand business, develop customers and improve customer service experience; on the other hand, it strengthened the capacity construction of central platform and improved the management efficiency while consolidating the digital operation capability. In the first quarter of 2020, the Bank continued to promote the capacity upgrading of AI central platform and the agile and large-scale development of AI central platform, energise front-end business scenarios and support the implementation of AI Bank strategy. At the end of March 2020, projects on the AI central platform supported the launch of 177 front-end business scenarios. During the COVID-19 outbreak, the Bank's AI Bank effectively supported the rapid construction and improvement of digital operation and online operation capabilities. Taking the AI customer manager project for example, the Bank continuously optimised human-machine cooperative service model based on its intelligent application platforms, and launched scenarios of “Banking at Home” and obtaining free sickness insurance. In the first quarter of 2020, the monthly average number of served customers increased by 109.2% over that of 2019 and the monthly transaction amount of AUM products was up by 95.0% from that of 2019.

In terms of the intelligent OMO service system, in the first quarter of 2020, the Bank comprehensively promoted the construction of Smart Operation 3.0, and created an operating system with good experience, high efficiency and excellent product delivery by building a large central operation platform and a digital operation platform and pushing forward the layout of online outlets. At the same time, it comprehensively upgraded the new outlets and actively built a community influence centre. Considering service scenarios and characteristics of customer groups in outlet design, it built different types of sample outlets and promoted them throughout the whole bank. In the construction of social ecology, it created a salon platform and a “smart and favourable” ecosystem to provide customers with more abundant socialised services and enhance the influence of stores in the community. At the end of March 2020, there are 323 new outlets in the country.

4. Comprehensive finance contribution

The Bank develops comprehensive financial business through the model of MGM (Member Get Member). In the first quarter of 2020, in response to the effect of the COVID-19 outbreak, the Bank vigorously advanced the innovation and upgrading of the online MGM operation model; the SAT (social + mobile application + remote service) sharing and forwarding increased by 164.8% over that of the fourth quarter of 2019; at the same time, the Bank actively carried out customer salons and excavated typical cases of promotion, and it had held a total of 43,000 online customer salons, with 790,000 participants. The overall business productivity achieved a fast recovery. In the first quarter of 2020, the number of new customers attracted through the MGM model (excluding credit cards) represented a net increase of 384,700, accounting for 21.4% of the overall new retail customers, of which, the number of wealth customers represented a net increase of 17,900, accounting for 44.1% of the overall new wealth customers, and the balance of assets under management of retail customers (AUM) represented a net increase by RMB68,487 million, accounting for 44.4% of the overall asset balance of the new retail customers. “Xinyidai” granted through the MGM model amounted to RMB14,461 million, accounting for 63.8% of the overall issuance of “Xinyidai”; auto finance loans amounted to RMB13,854 million, accounting for 36.5% of the overall issuance of auto finance loans. Credit cards issued via MGM model reached 426,500 pieces, accounting for 28.5% of the newly issued cards.

(III) Specialised and strong corporate business

For corporate business, the Bank practised the “3+2+1” strategy, centring on the three business pillars of “industry banking, transaction banking and comprehensive finance”, consolidating the two core customer groups of “strategic customers and small and micro enterprise customers”, and held fast to “the lifeline” of asset quality. From the perspective of customer needs, the Bank came up with a corporate business management idea of “AUM + LUM + operation platform”, focusing on key industries, areas and customers, to realise the efficient

linkage of AUM (assets under management of corporate customers) and LUM (corporate assets management business). The Bank increased customers' wallet share and built a uniform customer acquisition platform and operation portal to consolidate customer base, and made the platform an engine of comprehensive financial services for groups.

In the first quarter of 2020, affected by the COVID-19 outbreak, the offline corporate business could not be fully launched, which hindered the growth of some industries and businesses. The Bank made full use of the advantages of "Finance + Technology" to accelerate and promote digital and online operation. The Bank attached great importance to both the epidemic control and prevention and business development. The corporate loans were steadily increasing, the deposit structure was continuously optimised, and the income structure was constantly improved. Asset quality was generally controllable.

At the end of March 2020, the balance of the corporate deposits reached RMB1,925,743 million, rising by 3.9% compared with the end of the previous year. With continuous efforts contributed in the optimisation of corporate deposits structure, the average cost rate of corporate deposits decreased by 5 basis points to 2.37%, compared with the average level of last year.

The Bank fully supported the development of the real economy and continued to increase asset investment in key industries and strategic customers. At the end of March 2020, the balance of corporate loans was RMB1,075,978 million, increasing by 11.4% as compared to the end of the previous year, among which, the balance of customer credit to key industries, including infrastructure and transportation, medical health, green and environmental protection and livelihood service, accounted for 47.4%, an increase of 0.5 percentage point over the end of the previous year, and the balance of loans to strategic customers increased by 12.5% as compared to the end of the previous year, and its share in corporate loans of the Bank increased by 1 percentage point from the end of the previous year.

In the first quarter of 2020, the net non-interest income from corporate business continued to increase, amounting to RMB3,571 million, a year-on-year increase of 31.1%.

1. Three business pillars

(1) Industry banking

The Bank's industry division and investment banking department are deeply integrated, and are positioned as the "business leader of industry customers, pioneer team for major customer development and responsible body for integrated solutions", striving to create an industrial banking system with distinctive characteristics of investment banking. In order to better serve customers, the Bank got in-depth understanding about customer needs, deeply integrated the underwriting, issuance and product innovation ability of investment banking with the industrial research and customer segmentation service ability of the industry division, integrated internal and external resources, and customised comprehensive financial solutions with unique advantages for customers; to improve efficiency, the Bank set up an agile action team to flatten the operation process and realise the efficient linkage of "commercial bank + investment bank + investment", and gained trust and recognition from customers by professional, unique and efficient service capabilities. In the future, the Bank will deeply bind with the industrial leading customers, and continuously enhance customer value through service.

In the field of government finance, relying on the advantages of "Finance + Technology", the Bank was transformed from a traditional financial service provider to a partner of reform promoter, and continued to propel the innovation of the "Smart City" platform by enhancing the comprehensive service capabilities and focusing on the major ecosystems of finance, housing and justice. In the first quarter of 2020, the Bank had 31 new governmental financial platforms, with a total of 601.

During the COVID-19 outbreak, the Bank took advantage of the government's efforts in promoting IT-enabled services, adopted technologies to create and upgrade its business scenarios to meet the demands of government agencies to serve the people, and assisted the National Healthcare Security Administration to promote the electronic certificates for medical insurance and mobile payment; it provided online support for the fiscal, justice and customs agencies and safeguarded 59,100 transfers, all within a few seconds, of the disease control and prevention funds from the state treasury; it assisted the mobile working of court administrators and others, and supported nearly 60 online creditor meetings; it facilitated the online contact-free customs clearance of disease control and protection supplies for enterprises, and completed online payments of over RMB751 million in fees on a 7x24 basis.

Under the new banking model, the investment banking business continued to grow. Although there has been a lowering in the activities of all market participants, a decline in the customers' financing needs and willingness to make drawdowns as well as a significant fall in the demands for debt financing due to COVID-19 outbreaks, the Bank, in light of the development of the epidemic, communicated with customers in a timely manner regarding their needs, and provided solid financial services to the customers in bond underwriting, wealth management direct financing and debt financing to help them minimize the impact of the disease.

In the first quarter of 2020, the bonds underwriting of the investment banking amounted to RMB104,455 million with a year-on-year increase of 45.0%, including financial bonds of RMB25,670 million and non-financial bonds of RMB78,785 million; the scale of syndicated loans led or jointly led by the Bank reached RMB14.9 billion, increasing by 463.0% year on year.

(2) Transaction banking

Internet payment and settlement

The Bank focused on three themes of “opening-up, integration, and intelligence” to build “Pocket Finance”, a one-stop comprehensive service platform for medium, small and micro enterprise customers. It was committed to building the platform into a uniform customer acquisition platform and operation portal. Meanwhile, the Bank strengthened the in-depth operational capabilities of enterprise customers on the platform, focused on customers on the industrial Internet and consumer Internet platforms, integrated its superior product capabilities, and built a special version for customer groups to enable Pocket Finance provide platform customers and their B-end and C-end customers with integrated Internet payment and settlement service solutions that better meet their needs, which formed a differentiated service advantage.

At the end of March 2020, registered enterprise customers of Pocket Finance accumulated to 379,300, while the number of transactions in the first quarter reached 1,643,900, representing a year-on-year increase of 92.8%, and the transaction amount was RMB1.45 trillion, representing a year-on-year increase of 126.4%. In the first quarter of 2020, affected by the COVID-19 outbreak, the transactions relating to Internet payment and settlement business slightly decreased; the business was growing steadily as customers return to work and resume production and the Bank launched 0.83 billion transactions relating to Internet payment and settlement business to serve the enterprises on the platforms, an increase of 217.7% year on year; the amount of transactions reached RMB1.26 trillion, a year-on-year increase of 50.5%.

Intelligent supply chain finance

By relying on the advantage of the Group's comprehensive finance, empowering finance with technology, building industrial ecology of financial service, adhering to be customer-centric principle and deeply researching industry scenarios services, the Bank upgraded the supply chain receivables cloud service platform and built the brand of “Ping An Good Chain”; it 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 small and micro enterprises in the supply chain, so as to achieve mass customer acquisition.

In the first quarter of 2020, the transaction volume of the Bank's supply chain receivables cloud service platform accumulated to RMB6,352 million. At the end of March 2020, the Bank had provided financial services for 506 core enterprises and their upstream suppliers in total, supporting the development of the real economy.

Cross-border finance

In keeping with the customer's demands for cross-border financial services, the Bank combined and fully leveraged its advantages in five cross-border financial service sectors, including onshore, offshore, free trade zone, NRAs (non-resident accounts), and overseas branches, and further developed its five major product series, namely, “Cross-border Investment and Financing”, “Cross-border Fund Management”, “Cross-border Trade Finance”, “Cross-border Inter-bank Finance”, and “Cross-border e-Finance”, to provide safeguards to customers in their international operations.

In the first quarter of 2020, the Bank actively responded to the state's supportive policies, quickly built a

fast-track channel to facilitate foreign exchange businesses in relation to the outbreak of COVID-19, gave full play to the online service advantages of “Cross-border e-Finance”, vigorously supported the cross-border financing needs of domestic enterprises with offshore funds, so as to reduce financing costs for the real economy, and meet the financing needs of enterprises during the fight against epidemic.

At the end of March 2020, the asset size of its offshore businesses amounted to USD24,896 million, up by 8.7% over the end of last year; the offshore deposit balance was USD23,828 million, up by 17.8% over the end of last year; and the offshore loan balance was USD15,831 million, up by 21.0% over the end of last year.

Open banking

The Bank applied the open API technology to promote cooperation through a shared platform, and launched an open banking platform designed with the customer needs as the guide, scenario-based services as the vehicle, ecological integration and platform building as the goals, and API / SDK as tools, to make banking services more focused, more agile, more intelligent and more open by taking. Moreover, it gradually combined traditional access methods, such as bank-enterprise direct connection and Business to Business Integration (B2Bi), to provide customers with the best open banking experience.

The Bank’s open banking has received wide recognition in the market, as it connected with 1,231 customers through API, SDK, H5 and other methods, collecting average daily customer deposits of RMB23,481 million, and connected with 6,857 enterprises through bank-enterprise direct connection, with average daily deposits of RMB314,176 million, at the end of March 2020.

(3) Comprehensive finance

As a “1+N” engine for the Group’s comprehensive financial services, the Bank operated collaboratively with various professional companies within the Group under the model of “1 customer and N products and services”, to continuously strengthen its comprehensive financial service capabilities through the two-way cooperation of AUM and LUM, committing to being the “Founder” of comprehensive financial solutions for customers.

The Bank gave full play to its advantages in banking channels and the Group’s comprehensive financial service capabilities, focused on the core needs of its strategic customers and small and micro enterprise customers, and endeavoured to build three comprehensive financial business models. First, in light of the characteristics of investment and financing of strategic customers, the Bank joins force mainly with the investment and financing arms of Ping An Group to deliver “Commercial banking + Investment banking + Investments” comprehensive service solutions to meet the diversified financing needs of these strategic customers, while using insurance and technology products and services to continuously improve customer experience. Second, focusing on platform customers and small and micro enterprises, the Bank provides differentiated and personalised insurance products to meet their mandatory needs, and offers insurance coverage for work resumption and online free diagnostics services during the epidemic to help enterprises pull through the difficulty time. Third, leveraging with competitive banking products and operation-related services to comprehensively upgrade its engagement with the group customers, the Bank has become the central settlement bank for the Group’s major investment and financing customers as well as insurance customers, and draws on comprehensive financing to drive AUM growth and structural optimisation.

In February 2020, the agency sales of Ping An’s group insurance products, new investment and financing projects jointly implemented by the Bank and specialized companies within the Group, and the increase in group customer deposits through deepened cooperation in comprehensive financial services had all been greatly affected due to the outbreak of COVID-19. The Bank actively focused on business opportunities and formulated strategies during the COVID-19 outbreak. In the first quarter of 2020, the premiums from agency sales of Ping An’s group insurance products amounted RMB1,087 million, a year-on-year increase of 438.0%; the new investment and cooperation projects jointed implemented by the Bank and specialized companies within the Group amounted to RMB82,982 million, a year-on-year increase of 95.7%.

In the first quarter of 2020, the average daily deposit balance of new group customers from deepening comprehensive financial services cooperation reached RMB102,121 million, up by 71.2% compared with the average daily balance of last year, among which the daily average demand deposits accounted for 55.5%; at the end of March 2020, the balance of deposits of new group customers from deepening comprehensive financial services cooperation reached RMB111,806 million, up by 22.2% over the end of last year, among which the balance of demand deposits accounted for 62.2%.

2. Two core customer groups

(1) Focusing on strategic customers

Focusing on strategic customer group and taking “trading banking, industry banking and comprehensive finance” as the core driving factors, the Bank strived to be the main bank of strategic customers, providing comprehensive financial service of “Commercial bank + Investment bank + Investment” for customers.

With regard to trading banking, the Bank embedded the business into strategic customer management ecosystem through “supply chain/treasury management platform” to serve strategic customers and the small and micro enterprise customers in the upstream and downstream of the industry chain; in terms of industry banking, the Bank gave full play to the advantages of industry banking and created a distinctive strategic customer operation model, focusing on meeting the needs of mixed ownership reform of central enterprises and state-owned enterprises as well as leverage reduction; in terms of comprehensive finance, the Bank invested the group platform resources into the strategic customers and their ecosystem to comprehensively improve customer dependency.

Some strategic customers had experienced a decrease in operation demand due to the COVID-19 outbreak. The Bank increased its support for epidemic prevention enterprises timely and appropriately, provided appropriate preferential policies on business pricing, service timeliness, loan resources. Meanwhile, the Bank seized the business opportunities during the COVID-19 outbreak, developed competitive solutions for customers to help them out.

At the end of March 2020, the balance of loans to strategic customers increased by 12.5% as compared to the end of the previous year, and its share in corporate loans of the Bank increased by 1 percentage point from the end of the previous year.

(2) Reinforcing small and micro enterprise customers

Upholding the concept of “Finance + Technology”, the Bank deepened digital operation, enhanced the leading role of data and attached importance to technology empowerment, providing scenario-based and online services in batches for upstream and downstream small and micro enterprise customers in the supply chain; it enhanced the overall operation capabilities of private enterprises and small and micro enterprise customers through business models such as Pocket Finance and small enterprise digital finance, and continued to intensify support for private enterprises and small and micro enterprise customers.

The Bank’s small enterprise digital finance revealed the real operation status of enterprises via “data+models”; realised online, automated and real-time batch loan granting with standardised products, by applying technologies such as IoT and big data; further reached scenarios and industrial chain customers with customised products, cooperated with data service providers for taxation, customs, government service platform and other scenarios, built risk control model and provided small and micro enterprises with financing services in batches, so as to efficiently solve the problems of difficulty and high cost in financing for SMEs. Meanwhile, the Bank further strengthened cooperation with government guarantee platforms, promoted “Shubaodai” and other credit enhancement products, understood customer operations by means of providing non-credit services and operation management tool services, cultivated high-quality customers and provided them with superior financing services.

In February 2020, the amount of small enterprise digital finance decreased compared with that in January due to the outbreak of COVID-19. The Bank increased the applications of technologies, and quickly launched the “Small Business Digital Finance Work Resumption Loan Product Package”, accelerated the promotion of remote contract signing, and realised 7 × 24 hours online management with the help of powerful big data credit reporting capability and risk control model. At the same time, the Bank responded to regulatory calls by deferring repayment, provided “deferred repayment” services for small and micro customers affected by the epidemic. Also, the Bank exempted or reduced the late charges, made adjustment to ensure credit records were not affected due to the deferred payments, enhanced support to work resumption, and made solid contributions to safeguarding the stable operation of the real economy.

In March 2020, businesses began to recover gradually. The average daily loan amount of small enterprise digital finance increased by 1.7 times in March compared with that in February. In the first quarter of 2020, the loan of small enterprise digital finance issued by the Bank was RMB5,815 million in total, representing a year-on-year

increase of 37.9%; at the end of March 2020, the Bank's small enterprise digital financial service customers numbered 38,737, up 13.4% over the end of the previous year.

3. One lifeline

Asset quality is always the first lifeline to the corporate business. With respect to the concept of risk management, the Bank continuously strengthened connection between risks and businesses, employed "big data+artificial intelligence" technology to establish an intelligent risk control platform for comprehensive risk management before, during and after loans granting, so as to strengthen early risk warning ability. The Bank adhered to the prudent risk preference, constructed risk map, focused on key industries, key regions and key customers, and optimised business structure, so as to effectively provide guidance on business direction and reasonable allocation of corporate resources.

At the same time, the Bank also continued to improve the structure of stock assets, clarified the management and control objectives, and strengthened the liquidation capacity. The asset quality was steadily improving, and the impact of the epidemic situation could be controlled overall. At the end of March 2020, corporate NPL ratio was 1.81%, a decrease of 0.48 percentage point from the end of prior year.

(IV) Promoting new growth and creating a new brand by developing interbank capital business

The Bank's interbank capital business took "promoting new growth and creating a new brand" as its development vision for the next three years, comprehensively promoted the "3+2+1" business strategy for the interbank capital business which centred on the "three major business directions" of new transactions, new interbank and new asset management, strengthened the "two core capabilities" of transaction and sales, built "one intelligent platform for capital system that empowered all businesses. In the first quarter of 2020, the Bank proactively responded to the challenge of the outbreak of COVID-19, strived to stabilise and ensure the development of economy. On the one hand, relying on technology platform and via remote and online mode, the Bank implemented a number of operational upgrading measures to stimulate transactions and boost sales growth; on the other hand, the Bank leveraged the trading capabilities of the international expert team and seized market opportunities to maintain rapid growth in income through flexible resource allocation.

1. Three major business directions

(1) New transactions

In terms of financial market business, the Bank aimed at "becoming the industry's top financial trading expert", continued to consolidate and expand the advantages of electronic transaction mode for reforming and upgrading the transactions. First, the Bank empowered transactions with technology, developed market-leading intelligent transaction system group to conduct multi-variety, cross-market digitalised transactions including bonds, interest rate derivatives, foreign exchange and gold. Quantitative analysis tools independently developed by the Bank were fully applied in transactions. With more precise pricing technology, more agile trade executing capabilities and more efficient real-time risk control capabilities, these tools won a leading position in terms of transaction frequency, execution time and scale; the trading technologies and trading methods of the financial market team had also been applied to other management departments and business units of the Bank to help improve the bank account liquidity, revitalise the balance sheet and increase the profit contribution to the Bank. Second, the Bank strengthened product innovation, provided customers with diversified hedging solutions, actively developed structured products in line with customer risk preference and income requirements, and fully supported the issuance of structured deposits. In the first quarter of 2020, the Bank's profitability of financial market business had been greatly improved. The Bank's net income was RMB3,077 million, a year-on-year increase of 209.5%; the volume of bond transaction of the Bank was RMB1.46 trillion, representing a year-on-year increase of 161.0%. The volume of interest rate swap was RMB1.16 trillion, representing a year-on-year increase of 97.6%. The volume of self-run precious metal transaction was RMB834.2 billion, representing a year-on-year increase of 76.9%. The volume of commissioned precious metal transaction was RMB527 billion, representing a year-on-year increase of 41.4%.

(2) New interbank

In terms of interbank business, the Bank aimed at "becoming the industry's leading financial sales service provider", continuously deepened the construction of Hang-E-Tong to attract customers and build a mutually beneficial ecosystem with all stakeholders. Offline customer marketing was blocked due to the COVID-19

outbreak. Adhering to the customer-centric principle, the Bank realised the transformation from simple product sales to provision of comprehensive online services. First, “Hang-E-Tong” was vigorously promoted and “Together with You” series online roadshow services were also accelerated at the right time to attract customers to make the offline to online migration. Second, the Bank aggregated the investment and research resources of the Group’s subsidiaries to improve the “Hang-E-Tong” information advisory system, providing customers with professional investment advices, and maximising the investment needs of institutional customers during the outbreak of COVID-19. Third, in response to the call of the state and under the guidance of China Foreign Exchange Trade System and the market interest rate pricing self-discipline mechanism, special interbank certificates of deposits for epidemic control and prevention were successfully issued on 20 February 2020 in the national interbank market. The face value of the deposit certificates totalled RMB1.8 billion, with a term of 3 months and a coupon rate of 2.2%. The funds raised shall be used specifically to meet the demands of loan issuance and working capital in relation to the epidemic control and prevention of the Bank, to provide strong supports for the operations of enterprises critical in the control and prevention of the epidemic, to help them expand production capacity, and assist enterprises to overcome the epidemic. Fourth, the Bank coordinated and arranged the custody business reasonably. By means of around-the-clock remote support, fee reductions and profit concessions, the Bank achieved zero error and zero complaint in its customer services during the epidemic, and received wide recognition from its customers. At the end of March 2020, the Bank’s “Hang-E-Tong” had provided services for 2,220 customers. In the first quarter of 2020, the sales volume of banks numbered RMB212,446 million, representing a year-on-year increase of 63.4%.

(3) New asset management

The Bank received the approval from CBIRC on the establishment of Ping An Wealth Management Co., Ltd. (hereinafter “Ping An Wealth Management”) on 31 December 2019. The Bank is advancing the preparatory work of Ping An Wealth Management and has made substantial progress in its corporate governance, personnel structure, office operations, finance and tax management, institutional processes, risk management, and technology operations and construction. Ping An Wealth Management will officially open to business once upon receiving the regulatory approval. During the COVID-19 outbreak, the Bank guaranteed normal operation of all wealth management services in an orderly manner and achieved a series of solid results: first, the Bank strengthened the use of funds, actively provided green channels for the financing of epidemic prevention enterprises, positively participated in the special bond investment for epidemic control and prevention, managed wealth management funds to flow to epidemic prevention enterprises and supported epidemic control and prevention with investment. Second, the Bank steadily advanced the transformation of wealth management products (WMPs) and continuously optimised the product structure, enhanced the issuance of net-value-based products (hereinafter referred to as “new products”) in compliance with requirements in new asset management regulations, steadily and orderly promoted the pressure reduction of existing principal-guaranteed WMPs and old products. During the reporting period, the scale of new products exceeded the scale of old products for the first time. Third, the Bank continued to improve its risk management capabilities and made continuously efforts to improve and perfect its risk management system of wealth management services. Fourth, the Bank further reinforced the science and technology construction and empowered the transformation of wealth management services. At the end of March 2020, the Bank’s balance of principal-guaranteed WMPs amounted to RMB61,333 million, a decrease of 8.8% over the end of last year, the balance of structured deposits was RMB615,561 million, up by 21.2% compared with the end of last year, and the balance of non-principal-guaranteed WMPs was RMB617,356 million, increasing by 4.5% compared with the end of last year, among which, net-value-based products in compliance with requirements in new asset management regulations amounted to RMB325,077 million, an increase of 26.4% over the end of previous year and its proportion in non-principal-guaranteed WMPs increased from 43.6% to 52.7%.

2. Two core capabilities

The Bank improved capabilities of transaction and sales in regards to three business directions, i.e. new transactions, new interbank and new asset management, taking integrated measures to build up the core competence of its interbank capital business. First, relying on industry-leading transaction capabilities, the Bank actively explored the development of a “ecological bank” to expand and enrich the application scenarios of such capabilities for their integration with interbank, asset management and retail businesses, and conversion into offerings; this was further intensifying outbound empowerment of transaction capabilities, comprehensively serving other banks, companies and retail customers in the industry and gradually extending the service to customers within the Group’s ecosystem. Second, with “Hang-E-Tong” as the platform support, the Bank adhered to the development concept of “platform-based bank”; by integrating product design, asset recommendation and sales services, it constructed a customer service loop; and leveraging the Group’s

advantages of comprehensive financial businesses, it was seeking for deeper and wider sales penetration among institutional customers.

3. One smart capital system platform

The Bank continuously optimised “smart capital system clusters” to form core system clusters with front, middle and back-end of the financial market integrated and vigorously promote the “digitised bank” transformation. First is to establish the unified platform for strategy R&D and trading to include trading principles of traders into a strategy library with Ping An intellectual property rights through quantitative methods; second is, through smart trading system, channel up front, middle and back-end to achieve full-process online operation and automation for precise pricing, secure and effective implementation and timely risk control of transactions, and predefining trading strategies and automatically capturing trading opportunities that are difficult to seize manually through programmed algorithm; third is to connect smart trading system with “Trading One” customer service system and linking it with retail “Pocket Bank”, corporate “Pocket Finance” and interbank “Hang-E-Tong” systems to lay a solid foundation for constructing a one-stop “transaction management and service platform”.

(V) Technology-empowered digital and online operations

In the first quarter of 2020, faced with the epidemic, the Bank relied on the Group’s strong technological advantages and cutting-edge technological platforms built in recent years to open up online channels, expand smart services and provide customers with “contactless and online” financial services. Meanwhile, the Bank continuously adopted technologies to enhance its digital operations and online operations, and to promote the transformation to become a “digitised bank, ecological bank and platform-based bank”.

1. Anti-epidemic action with technology empowerment

For external services, the Bank launched online smart financial services to prevent disruption of its customer services. Pocket Bank APP provides fast-track online services through “Banking at Home” service platform and contactless services by innovative means like smart customer service, smart-adviser, online clinic, etc. Pocket Finance APP launched “Ping An Salary” integrated service platform to provide all financial and employee management services for SMEs.

For internal operation, the Bank effectively guaranteed normal operation of all businesses with various mobile APPs, telecommuting systems and teleworking system. Customer managers delivered services and carried out marketing activities by mobile APPs like “Pocket Banker” and “Win+”. Over 30,000 employees worked from home through cloud desktop and mobile office APP (Happy Ping An). Technology lines remotely conducted development processes, collaboration, management and monitoring on operation and maintenance with the assistance of various remote tools, managing to release 420 versions during the peak of COVID-19 outbreak.

2. Business system building

With respect to business-oriented delivery, in the first quarter of 2020, accumulated requests addressed by technology lines increased by over 20% and the accumulated number of versions put in operation increased by over 32%. The Bank continued to promote the implementation of several major projects, including new core system for credit cards, “Hang-E-Tong” ecosystem, smart finance, “Ping An Good Chain” and wealth management sub-system, among which, “Ping An Good Chain” (a new supply chain financial platform based on micro services structure) went live successfully where it provides comprehensive financial services for supply chain receivables by deploying financial technologies like AI, blockchain, and cloud computing.

3. Platform capabilities building

The Bank kept promoting capabilities and application of basic platforms like private cloud platform, distributed PaaS platform, open banking platform and blockchain, in order to improve basic technology supporting capabilities. At the end of March 2020, the proportion of applications on the private cloud reached over 40%; more than 110 projects were based on development framework of distributed PaaS platform; open banking platform had over 40 products with over 450 API interfaces available; Starlink, an integrated operation and maintenance program, and AI Cloud, a machine learning platform, had been released, iterated and put on pilot. The Bank achieved an operation and maintenance automation level of 80% by deploying tools and platforms, with the automated testing coverage reaching 56%.

4. Digital operation

The Bank continuously advanced three basic projects, i.e. data governance, data middle platform, and AI platform, as supports for online and smart operation of middle- and back-end businesses, such as smart finance, smart risk control, smart operation and smart marketing, relying on data instead of experience to comprehensively improve operational decision-making capabilities. During the first quarter of 2020, the Bank continuously optimised data quality assessment mechanism, upgrading and promotion of data asset management platform and data standards like core value, initiated special data governance on major projects like smart risk control and improved data governance capabilities.

(VI) Controllable asset quality risk

The Bank proactively responded to external risks and optimised business structure. In terms of corporate banking, it continued to optimise corporate business structure with its focus on key industries, key regions and key customers, entering industries with weak cycle, stable growth and superior asset quality while terminating businesses with high-risk ones. As for retail banking, the Bank utilised industry-leading technologies and risk control models to improve the identification of customer qualification and risks, and it increased the grant of personal residential mortgage loans, title deed-secured loans and unsecured loans for high-quality customers of lower risk in response to financing needs of private banking wealth customers to optimise the customer structure under differentiated risk management strategies.

At the end of March 2020, the proportion of loans overdue for more than 60 days, loans overdue for more than 90 days and special-mentioned loans of the Bank all declined compared with that at the end of last year, the NPL ratio was at par with that at the end of last year, and the deviation ratio of loans overdue for more than 60 days and loans overdue for more than 90 days were both below 1. The balance of loans overdue for more than 60 days amounted to RMB36,923 million, with a year-on-year increase of RMB141 million, accounting for 1.51% of total loans, decreasing by 0.07 percentage point over the end of last year; the balance of loans overdue for more than 90 days reached RMB31,355 million, with a year-on-year decrease of RMB56 million, accounting for 1.28% of total loans, decreasing by 0.07 percentage point over the end of last year. The balance of special-mentioned loans was RMB47,167 million, a year-on-year increase of RMB502 million over the end of last year; accounting for 1.93% of total loans, decreasing by 0.08 percentage point over the end of last year. The NPL ratio was 1.65%, at par with that at the end of last year. The deviation ratio of loans overdue for more than 60 days was 92%, decreasing by 4 percentage points over the end of last year. The deviation ratio of loans overdue for more than 90 days was 78%, down by 4 percentage points from the end of last year.

In the first quarter of 2020, the provision for impairment losses on credit and assets amounted to RMB15,928 million, with a year-on-year increase of 23.6%, including RMB14,698 million of provision for credit impairment losses on loans and advances to customers; at the end of March 2020, the balance of loan impairment provision reached RMB80,823 million, with an increase of 15.4% over the end of last year; the provision to loan ratio was 3.31%, up 0.30 percentage point over the end of last year; the provision coverage ratio was 200.35%, up by 17.23 percentage points over the end of last year; the provision coverage ratio of loans overdue for more than 60 days was 218.90%, up by 28.56 percentage points over the end of last year; the provision coverage ratio of loans overdue for more than 90 days was 257.77%, up by 34.88 percentage points over the end of last year. The risk compensation capability of the Bank was further enhanced.

In the first quarter of 2020, the Bank recovered a total of RMB9,315 million of non-performing assets, including credit assets of RMB8,843 million (loan principal); recovered principals of loans included written-off loans of RMB5,324 million and unwritten-off NPL of RMB3,519 million; 96.2% of recovered amount for non-performing assets was recovered in cash and the rest was recovered in kind.

(VII) Shouldering social responsibilities and devotedly fighting against the coronavirus

In the face of the unexpected COVID-19 outbreak during the first quarter of 2020, the Bank, acting upon the strategic decisions and arrangements of the CPC Central Committee and the State Council, has discharged its social responsibilities by conducting a series of public welfare activities through multiple channels. For instance, the Bank provided urgently needed support to front-line medical staff, continuously enhanced targeted poverty alleviation, and explored new modes of “fighting the epidemic + poverty alleviation”, to fight the coronavirus. Meanwhile, with the help of the Group’s comprehensive finance advantages, the Bank remained steadfast to the concept of technological innovation and considered the comprehensiveness, effectiveness and sustainability of serving the real economy to further support private, small and micro enterprises, and help severely afflicted customers and enterprises critical in fighting the disease to overcome the difficulty time, resume operations and production, and achieve sustainable development.

1. Multiple measures to help the fight against the disease

RMB30 million donated to help fight the epidemic. In the first quarter of 2020, in support of the local anti-epidemic effort, the Bank made a donation of RMB30 million to Hubei Charity Federation. In addition, policies were specially made to give relief to affected customers such as medical staff engaged in the anti-epidemic action, customers infected with the COVID-19 and specific customers who were unable to make repayments as a result of the control and prevention measures. Those customers were allowed to make repayments later or pay less interest without leaving any bad credit records.

Exploring the new modes of “fighting the epidemic + poverty alleviation”. Employees of the Bank actively donated over RMB10 million, and the Bank opened up a “special channel for anti-epidemic supplies”, covering the whole process of fund raising, procurement, logistics and coordination with hospitals. Firstly connected to the channel were 17 hospitals or medical institutions at the frontlines in Hubei, which received donations of urgently needed medical protection supplies like protective suits and isolation gowns. Meanwhile, the Bank adopted innovative donation methods. For instance it purchased over RMB1 million’s worth of produces from targeted poverty alleviation areas and donated them to front-line medical staff, which not only provided caring support to frontline medical staff, but also accelerated work and operation resumption in poverty-stricken areas.

Preventing disruption of corporate and personal financial services. First, the Bank launched "Banking at Home" for uninterrupted personal and corporate financial services by making use of “AI customer service”, “Pocket APP” and “online financing services platform”, allowing customers to settle investment and financing transactions online at home; second, the Bank lowered financing costs in epidemic-stricken areas and for anti-epidemic industries to tide financially afflicted companies over; it also opened up priority channels to satisfy financing needs of anti-epidemic enterprises; third, the Bank developed differentiated emergency solutions for financial services and offered reasonable grace periods for repayment for affected customers who were unable to make repayments on principals or interests, so as to overcome the difficulties together with customers; fourth, the Bank resolutely fulfilled its role as core dealer and market maker to fully secure the liquidity of financial market.

2. Serving real economy

Focusing on key industries, key regions and key customers and continuously optimising the credit structure. By formulating regional policies and service solutions based on the characteristics of regional development, the Bank underpinned the development of economic belts such as “Guangdong-Hong Kong-Macao Greater Bay Area”, “Belt and Road”, “Yangtze River Delta Integration Area”, accelerated 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. At the end of March 2020, the proportion of customers’ credit balance in key industries increased by 0.5 percentage point over the end of last year; the Bank’s total on-balance sheet and off-balance sheet credit facilities amounted to RMB3,247.2 billion.

Actively fulfilling requirements of the state, enhanced financial services for private enterprises, and upholding the high-quality development of small and micro enterprises. Firstly, in terms of technology application, the Bank relied on cutting-edge technologies such as AI, biological recognition, big data, blockchain and cloud computing in premium services, including “supply chain receivables cloud service platform”, “small business digital finance” and “Xinyidai”, so as to effectively help with the difficulty and high cost in financing

for private enterprises and SMEs to support their development. Second, in terms of policy implementation, the Bank adopted the strategy of “Differentiated bailout + Targeted services” to provide tailored financial services for enterprises and support private enterprises in normal operation but with temporary liquidity difficulties through Ping An Group’s bailout fund and the group fund collaboration model; the Bank also holistically energised the development of SMEs via differentiated credit pricing policy and risk tolerance, with the assistance of innovation in technology, products and channels. Thirdly, in terms of implementation and policy effects, in the first quarter of 2020, private enterprise customers of newly issued loans accounted for above 70% of total customers of newly issued corporate loans; at the end of March 2020, regarding the Bank’s loans to small and micro enterprises, the credit of RMB10 million or less granted to single customers was up by 3.31% over the end of last year, and weighted average interest rate of new loans in the first quarter for these small and micro enterprises declined by 0.47 percentage point over the last year with the NPL ratio within reasonable range.

3. Continuously promotion on targeted poverty alleviation

Acting upon the call for poverty alleviation by CPC Central Committee, the Bank steadily promoted the “Village Official” programme and formed a closed loop of poverty alleviation consisting of “wisdom supporting training, improvement of industrial productivity, one product for one village and empowerment by production and sales” through a “Finance + Industry” poverty alleviation strategy, so as to win the fight against poverty. Since 2018, the “Village Official” programme of the Bank totally issued industrial poverty alleviation fund of RMB19,304 million in Yunnan, Guangxi, Guizhou, Sichuan, Shannxi, Hainan, Chongqing, Hunan and Ningxia, helping more than 20,200 registered impoverished people directly and benefiting 730,000 registered impoverished people. In the first quarter of 2020, the “Village Official” programme of the Bank newly issued industrial poverty alleviation fund of RMB6,750 million, helping additional 2,280 registered impoverished people directly and benefiting additional 210,000 registered impoverished people. At the end of March 2020, 128 kinds of produce from 29 poverty-stricken counties in 18 provinces were put on sale in the online agricultural mall for poverty alleviation, helping impoverished people to earn a total sales revenue of about RMB2,619,200 in the first quarter of 2020.

(VIII) Base consolidation and capital enhancement

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. In 2019, the Bank gained approval for issuance of capital bonds without fixed terms (“perpetual bonds”) of RMB50 billion and issued RMB20 billion of such bonds for the first phase. In February 2020, it issued the remaining RMB30 billion of such bonds in the inter-bank market and the raised funds after deducting issuance expenses were all included in other tier 1 capital. The aforementioned issuances further enriched and optimised the Bank’s capital structure and enhance its competitiveness and anti-risk capacity, and therefore provide better support for the real economy and secure sustained growth.

The issuance of the above capital instruments would deeply improve the Bank’s capital replenishment mechanism, which is “dominated by internal capital accumulation and supported by external financing”, and shift the Bank’s focus to the balance between capital adequacy and capital returns, on the condition that its capital adequacy ratio allowed for certain safety margin and buffer range. Guided by the “light capital and light assets” strategy, the Bank will continuously advocate refined capital management and establish 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 would effectively improve capital efficiency of all business lines and branches, further elevating capital returns of the Bank.

At the end of March 2020, the Bank’s core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio were 9.20%, 11.65% and 14.27% respectively, all satisfying the regulatory requirements, and up by 0.09 percentage point, 1.11 percentage points and 1.05 percentage point respectively over the end of last year.

(IX) Rational layout of outlets

The Bank continued to build intelligent outlets and rationally arranged the layout. At the end of March 2020, the Bank had 92 branches (including Hong Kong branch) and a total of 1,066 outlets. Meanwhile, the Bank continuously promoted new off-line retail outlets under “light, community-based, intelligent, diversified” concept. At the end of March 2020, 323 new retail outlets were opened nationwide.

3.11.2 Asset quality

3.11.2.1 Five-tier classification of loans and advances to customers

(In RMB million)

Item	31 March 2020		31 December 2019		Change at the end of the reporting period from the end of last year
	Balance	%	Balance	%	
Normal loans	2,356,668	96.42%	2,238,307	96.34%	5.3%
Special mentioned loans	47,167	1.93%	46,665	2.01%	1.1%
Non-performing loans	40,341	1.65%	38,233	1.65%	5.5%
Including: Substandard	22,214	0.91%	18,891	0.81%	17.6%
Doubtful	7,262	0.30%	6,272	0.27%	15.8%
Loss	10,865	0.44%	13,070	0.57%	(16.9%)
Total principal of loans and advances to customers	2,444,176	100.00%	2,323,205	100.00%	5.2%
Impairment provision of loans and advances to customers	(80,823)		(70,013)		15.4%
Including: Impairment provision of loans and advances to customers measured at amortised cost	(79,933)		(69,560)		14.9%
Impairment provision for loans and advances to customers designated at fair value and changes included into other comprehensive income	(890)		(453)		96.5%
NPL ratio	1.65%		1.65%		-
Deviation ratio of loans overdue for more than 90 days (Note 1)	78%		82%		-4 percentage points
Deviation ratio of loans overdue for more than 60 days (Note 2)	92%		96%		-4 percentage points
Provision coverage ratio	200.35%		183.12%		+17.23 percentage points
Provision coverage ratio for loans overdue for more than 90 days	257.77%		222.89%		+34.88 percentage points
Provision coverage ratio for loans overdue for more than 60 days	218.90%		190.34%		+28.56 percentage points
Provision to loan ratio	3.31%		3.01%		+0.30 percentage point

Note: (1) Deviation ratio of loans overdue for more than 90 days = Balance of loans overdue for more than 90 days/Balance of non-performing loans

(2) Deviation ratio of loans overdue for more than 60 days = Balance of loans overdue for more than 60 days/Balance of non-performing loans

3.11.2.2 Structural distribution and quality of loans and advances to customers as per products

(In RMB million)

Item	31 March 2020		31 December 2019		Increase/decrease in non-performing ratio
	Balance	NPL ratio	Balance	NPL ratio	
Corporate loans	1,075,978	1.81%	965,984	2.29%	-0.48 percentage point
Including: General corporate loans	950,540	2.05%	871,081	2.54%	-0.49 percentage point
Discounted bills	125,438	-	94,903	-	-
Personal loans	1,368,198	1.52%	1,357,221	1.19%	+0.33 percentage point
Including: Mortgage loans and title deed-secured loans	430,859	0.40%	411,066	0.30%	+0.10 percentage point
Xinyidai	153,750	1.63%	157,364	1.34%	+0.29 percentage point
Auto financial loans	183,521	1.07%	179,224	0.74%	+0.33 percentage point
Credit card receivables	515,863	2.32%	540,434	1.66%	+0.66 percentage point
Others (Note)	84,205	3.17%	69,133	3.55%	-0.38 percentage point
Total principal of loans and advances to customers	2,444,176	1.65%	2,323,205	1.65%	-

Note: "Others" included personal operating loans, small consumer loans and other guaranteed or pledged loans.

1. Corporate NPL ratio decreased by 0.48 percentage point as compared to the end of the last year and was on the decline. The Bank keeps refining the corporate business, further optimises the credit structure, enhances the asset quality management and control mechanism and intensifies the efforts to recover and dispose of stock non-performing assets in order to further strengthen asset quality.

(1) The Bank continuously improved the entry standard for industries, regions, products and customers and strictly controlled the threshold for entry in terms of areas, industries and customers with higher risk to control asset quality from its source.

(2) The Bank further reinforced the establishment of quality management system for assets and implemented the post-loan management actions, screening out risks and mapping out corresponding risk control measures to achieve early study, anticipation and implementation.

(3) The Bank also accelerated risk mitigation on problematic loans, fully exploited its special asset management department's centralised and professional advantage for asset liquidation and recovery, and customised suitable plans for each problematic loan and assigned specific person to manage the loans, to ensure the mitigation is performed in an effective manner.

2. Affected by negative factors, such as the variable external economic environment caused by COVID-19, dwindling consumption demand and falling resident income, repayment ability and intention of retail customers showed a short-term decline. At the end of March 2020, the NPL ratio of the Bank's personal loans was 1.52%, increasing 0.33 percentage point from the end of last year. The details are as follows:

(1) The Bank further adjusted the customer group structure of residential mortgages and granted more to high-quality customers. For mortgage loans, the Bank actively promoted the grant of mortgage loans for residents to purchase first homes and buy a second home if their first homes are inadequate. For collateral loans, the Bank executed diversified risk management and control measures based on customers' risk level and the city level of the area where the collateral belongs, to effectively improve quality of the newly issued mortgage loans and title deed-secured loans and maintain the NPL ratio at a low level. Though, due to the temporary effects of the epidemic, the NPL ratio of residential mortgages slightly increased during the first quarter, the risk of such business would remain at a low level in the long run.

(2) Regarding the "Xinyidai", the Bank strictly followed the requirements of the examination before, during and

after granting loans. It 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 scorecard technique and multi-dimensional risk monitoring system. For customers of high risk, the Bank adjusted policies based on changes in macro-economic environment in a timely manner and comprehensively upgraded the means of investigation, control and prevention. After the COVID-19 outbreak, the Bank promptly formulated “Xinyidai” extended repayment solutions, providing appropriate preferential credit policies to customers who temporarily lost their income due to COVID-19, and made flexible adjustments on their repayment arrangements. As the work resumption rate of the collection department continued to increase, new overdue loans of “Xinyidai” decreased in March and future NPL ratio would remain at a controllable level.

(3) For auto finance loans affected by COVID-19, repayment ability of certain customers showed a decline, with NPL ratio slightly increasing while remaining at a low level in the banking industry. By providing diversified bailout solutions, such as loans extension and interest reduction, the Bank actively alleviated the repayment burden of customers affected by the epidemic, effectively mitigating the impact of the outbreak on asset quality. Besides, guided by the digital operation principle, the Bank enhanced multi-dimensional screening process for new customers to optimise customer acquisition, thus keeping overall asset quality under control. With respect to collection, the Bank, based on the changing trend of asset quality, adjusted the collection process in a timely manner, optimised operation mode and accelerated the improvement of online operation level with technologies, in order to minimise the adverse effects brought by the COVID-19.

(4) Under the influence of massive work stoppage due to the epidemic, resident income decreased and consumption demand dwindled, resulting in an increase of NPL ratio of credit cards in the first quarter, the NPL ratio increased to 2.32%, keeping at a low level in the industry. The Bank would keep implementing whole-process risk management concept for credit card business, making full use of quantitative tools to effectively manage and control risks. On the one hand, it actively introduced external data and applied big data technology to further improve identification capacity of risk models, make more precise judgement of customer qualification, so as to secure customer quality and optimise quality of credit card portfolio. On the other hand, it adopted differentiated collection strategies during the epidemic in response to national calls to extend repayment for affected customers. Meanwhile, the Bank actively initiated online operation on retail collection platform and outsourced superior resources to control non-performing assets through greater investment in resources and multiple collection methods.

(5) The Bank's NPL ratio of other personal loans, which were mainly business loans for small enterprise customers and personal small consumer loans, slightly decreased over the beginning of the current year. To support the development of inclusive finance, the Bank actively developed digital financial products for small enterprises, and built and continued to iterate the credit models of small enterprises by applying big data, effectively improving the capabilities of risk control admission and post-loan risk warning. The new business kept good asset quality while maintaining a rapid growth. At the same time, for the existing businesses for small enterprises, the Bank continued to exploit its special asset management department's professional advantage of recovery, intensify efforts in collection and recovery and actively mitigate risk of existing assets by taking multiple measures.

3.11.3 Interest income and expense

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

(In RMB million)

Item	January to March 2020			January to March 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)	2,261,743	36,543	6.50%	1,967,432	32,045	6.61%
Bond investment	750,511	5,814	3.12%	596,632	4,816	3.27%
Balances with the Central bank	222,563	848	1.53%	220,552	824	1.52%
Bills discounting and interbank business	594,775	4,672	3.16%	548,320	4,976	3.68%
Total interest-earning assets	3,829,592	47,877	5.03%	3,332,936	42,661	5.19%
Liabilities						
Deposits due to customers	2,507,346	15,076	2.42%	2,190,470	13,600	2.52%
Debt securities issued	506,883	4,055	3.22%	400,271	3,803	3.85%
Including: Interbank certificates of deposits	413,260	3,063	2.98%	307,556	2,735	3.61%
Interbank business and others	650,534	3,976	2.46%	642,101	4,484	2.83%
Total interest-bearing liabilities	3,664,763	23,107	2.54%	3,232,842	21,887	2.75%
Net interest income		24,770			20,774	
Deposit-loan spread			4.08%			4.09%
NIS			2.49%			2.44%
NIM			2.60%			2.53%

(In RMB million)

Item	January to March 2020			October to December 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)	2,261,743	36,543	6.50%	2,115,504	34,359	6.44%
Bond investment	750,511	5,814	3.12%	695,037	5,784	3.30%
Balances with the Central bank	222,563	848	1.53%	220,420	833	1.50%
Bills discounting and interbank business	594,775	4,672	3.16%	557,616	4,760	3.39%
Total interest-earning assets	3,829,592	47,877	5.03%	3,588,577	45,736	5.06%
Liabilities						
Deposits due to customers	2,507,346	15,076	2.42%	2,340,869	14,174	2.40%
Debt securities issued	506,883	4,055	3.22%	419,173	3,516	3.33%
Including: Interbank certificates of deposits	413,260	3,063	2.98%	325,550	2,509	3.06%
Interbank business and others	650,534	3,976	2.46%	668,738	4,354	2.58%
Total interest-bearing liabilities	3,664,763	23,107	2.54%	3,428,780	22,044	2.55%
Net interest income		24,770			23,692	
Deposit-loan spread			4.08%			4.04%
NIS			2.49%			2.51%
NIM			2.60%			2.62%

In the first quarter of 2020, due to the decline of the Loan Prime Rate (LPR) and the easing of monetary market funds, the Bank's yield of interest-earning assets decreased at a higher rate than the cost rate of interest-bearing liabilities with NIM decreased by 2 basis points on a quarter-on-quarter basis.

3.11.3.2 Average daily balance and yield of loans and advances to customers

(In RMB million)

Item	January to March 2020			January to March 2019		
	Average daily balance	Interest income	Average yield	Average daily balance	Interest income	Average yield
Corporate loans (excluding discounted bills)	910,126	10,273	4.54%	796,781	10,245	5.21%
Personal loans (including credit cards)	1,351,617	26,270	7.82%	1,170,651	21,800	7.55%
Loans and advances to customers (excluding discounted bills)	2,261,743	36,543	6.50%	1,967,432	32,045	6.61%

Item	January to March 2020			October to December 2019		
	Average daily balance	Interest income	Average yield	Average daily balance	Interest income	Average yield
Corporate loans (excluding discounted bills)	910,126	10,273	4.54%	810,092	8,887	4.35%
Personal loans (including credit cards)	1,351,617	26,270	7.82%	1,305,412	25,472	7.74%
Loans and advances to customers (excluding discounted bills)	2,261,743	36,543	6.50%	2,115,504	34,359	6.44%

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

(In RMB million)

Item	January to March 2020			January to March 2019		
	Average daily balance	Interest expense	Average cost rate	Average daily balance	Interest expense	Average cost rate
Corporate deposits	1,914,774	11,279	2.37%	1,708,521	10,430	2.48%
Including: Demand deposits	544,266	860	0.64%	534,258	817	0.62%
Time deposits	1,027,186	8,290	3.25%	938,611	8,168	3.53%
Including: Treasury deposits and agreement deposits	88,841	831	3.76%	105,906	1,204	4.61%
Margin deposits	343,322	2,129	2.49%	235,652	1,445	2.49%
Personal deposits	592,572	3,797	2.58%	481,949	3,170	2.67%
Including: Demand deposits	190,181	140	0.30%	162,549	120	0.30%
Time deposits	383,307	3,488	3.66%	295,283	2,769	3.80%
Margin deposits	19,084	169	3.56%	24,117	281	4.73%
Deposits due to customers	2,507,346	15,076	2.42%	2,190,470	13,600	2.52%

Item	January to March 2020			October to December 2019		
	Average daily balance	Interest expense	Average cost rate	Average daily balance	Interest expense	Average cost rate
Corporate deposits	1,914,774	11,279	2.37%	1,801,254	10,694	2.36%
Including: Demand deposits	544,266	860	0.64%	534,633	919	0.68%
Time deposits	1,027,186	8,290	3.25%	984,518	8,059	3.25%
Including: Treasury deposits and agreement deposits	88,841	831	3.76%	93,134	911	3.88%
Margin deposits	343,322	2,129	2.49%	282,103	1,716	2.41%
Personal deposits	592,572	3,797	2.58%	539,615	3,480	2.56%
Including: Demand deposits	190,181	140	0.30%	177,446	137	0.31%
Time deposits	383,307	3,488	3.66%	339,026	3,102	3.63%
Margin deposits	19,084	169	3.56%	23,143	241	4.13%
Deposits due to customers	2,507,346	15,076	2.42%	2,340,869	14,174	2.40%

3.12 Capital adequacy ratio, leverage ratio and liquidity coverage ratio

3.12.1 Capital adequacy ratio

(In RMB million)

Item	31 March 2020	31 December 2019
Net core tier 1 capital	262,456	253,646
Other tier 1 capital	69,944	39,948
Net tier 1 capital	332,400	293,594
Tier 2 capital	74,632	74,599
Net capital	407,032	368,193
Total risk-weighted assets	2,852,847	2,784,405
Credit risk-weighted assets	2,545,401	2,508,004
On-balance-sheet risk-weighted assets	2,256,200	2,223,516
Off-balance-sheet risk-weighted assets	276,249	275,106
Risk-weighted assets of counterparty credit risk exposure	12,952	9,382
Market risk-weighted assets	82,365	51,320
Operational risk-weighted assets	225,081	225,081
Core tier 1 capital adequacy ratio	9.20%	9.11%
Tier 1 capital adequacy ratio	11.65%	10.54%
Capital adequacy ratio	14.27%	13.22%

3.12.2 Leverage ratio

(In RMB million)

Item	31 March 2020	31 December 2019	30 September 2019	30 June 2019
Leverage ratio	6.85%	6.44%	6.31%	5.81%
Net tier 1 capital	332,400	293,594	268,117	234,742
Balance of on-and off-balance sheet assets after adjustment	4,852,047	4,557,021	4,247,731	4,040,702

Note: At the end of the reporting period, the increase in leverage ratio over the end of December 2019 was mainly due to an increase in other tier 1 capital.

3.12.3 Liquidity coverage ratio

(In RMB million)

Item	31 March 2020	31 December 2019
Liquidity coverage ratio	151.80%	143.02%
Qualified current assets	588,498	497,673
Net cash outflow	387,672	347,984

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

4.1 Financial statements

1. Balance sheet (unaudited)
2. Income statement (unaudited)
3. Cash flow statement (unaudited)

PING AN BANK CO., LTD.
BALANCE SHEET
AS AT 31 MARCH 2020

(In RMB million)

ASSETS	31 March 2020	31 December 2019
Cash and balances with the Central bank	283,706	252,230
Deposits with banks and other financial institutions	79,303	85,684
Precious metals	47,719	51,191
Placements with and loans to banks and other financial institutions	48,701	79,369
Derivative financial assets	40,439	18,500
Financial assets held under resale agreements	54,472	62,216
Loans and advances to customers	2,370,567	2,259,349
Financial investments:		
Financial assets held for trading	263,007	206,682
Investment on debts	626,944	656,290
Other investment on debts	228,499	182,264
Other equity investment	2,181	1,844
Investment properties	417	247
Property and equipment	10,608	11,092
Right-of-use assets	7,235	7,517
Intangible assets	4,132	4,361
Goodwill	7,568	7,568
Deferred income tax assets	34,879	34,725
Other assets	21,921	17,941
TOTAL ASSETS	4,132,298	3,939,070
LIABILITIES AND OWNERS' EQUITY		
Liabilities		
Borrowings from the Central bank	122,650	113,331
Deposits from banks and other financial institutions	378,033	368,691
Placements from banks and other financial institutions	23,046	26,071
Financial liabilities held for trading	69,794	29,691
Derivative financial liabilities	44,585	21,404
Financial assets sold under repurchase agreements	25,160	40,099
Due to customers	2,590,095	2,459,768
Employee benefits payable	12,512	14,218
Taxes payable	15,739	12,031
Debt securities issued	471,761	513,762
Lease liabilities	7,510	7,600
Provisions	1,715	1,734
Other liabilities	17,343	17,687
Total liabilities	3,779,943	3,626,087
Shareholders' equity		
Share capital	19,406	19,406
Other equity instrument	69,944	39,948
Including: Preference shares	19,953	19,953
Perpetual bonds	49,991	19,995
Capital reserve	80,816	80,816
Other comprehensive income	4,016	2,314
Surplus reserve	10,781	10,781
General reserve	46,348	46,348
Retained earnings	121,044	113,370
Total shareholders' equity	352,355	312,983
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4,132,298	3,939,070

Legal representative

Xie Yonglin

President

Hu Yuefei

CFO

Xiang Youzhi

Head of finance department:

Zhu Peiqing

PING AN BANK CO., LTD.
INCOME STATEMENT
FOR THE PERIOD FROM JANUARY TO MARCH 2020

(In RMB million)

Item	January to March 2020	January to March 2019
I. Operating income	37,926	32,476
Net interest income	24,770	20,774
Interest income	47,877	42,661
Interest expenses	23,107	21,887
Net fee and commission income	9,688	9,560
Fee and commission income	11,581	11,579
Fee and commission expenses	1,893	2,019
Investment income	3,802	2,571
Including: Gains from derecognition of financial assets measured at amortised cost	259	3
Gains and losses on changes in fair value	(949)	(642)
Exchange losses	510	169
Revenue from other operations	25	17
Gains or losses on disposal of assets	36	12
Other income	44	15
II. Operating expenses	11,000	9,924
Taxes and surcharges	402	304
Business and administrative expenses	10,598	9,620
III. Operating profit before impairment losses on assets	26,926	22,552
Impairment losses on credit	15,513	12,654
Impairment losses on other assets	415	231
IV. Operating profit	10,998	9,667
Add: Non-operating income	18	29
Less: Non-operating expenses	58	25
V. Profit before tax	10,958	9,671
Less: Income tax expenses	2,410	2,225
VI. Net profit	8,548	7,446
Net profit from continuing operations	8,548	7,446
Net profit from discontinued operations	-	-
VII. Other comprehensive income, net of tax	1,702	599
(I) Not to be reclassified into profit or loss in subsequent periods	(2)	(6)
Changes in fair value of other equity investments	(2)	(6)
(II) To be reclassified into profit or loss in subsequent periods	1,704	605
1. Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income	1,432	291
2. Provision for credit losses on financial assets designated at fair value and changes included into other comprehensive income	355	314
3. Cash flow hedging reserve	(82)	-
4. Exchange differences on translation of foreign currency financial statements	(1)	-
VIII. Total comprehensive income	10,250	8,045
IX. Earnings per share		
(I) Basic earnings per share (Yuan/share)	0.40	0.38
(II) Diluted earnings per share (Yuan/share)	0.40	0.36

Legal representative

Xie Yonglin

President

Hu Yuefei

CFO

Xiang Youzhi

Head of finance department:

Zhu Peiqing

PING AN BANK CO., LTD.
CASH FLOW STATEMENT
FOR THE PERIOD FROM JANUARY TO MARCH 2020

(In RMB million)

Item	January to March 2020	January to March 2019
I. Cash flows from operating activities		
Net decrease in amounts due from the Central bank and deposits with banks and other financial institutions	6,221	50,811
Net increase in borrowings from the Central bank	9,131	-
Net increase in customer deposits and deposits from banks and other financial institutions	138,870	69,010
Net decrease in placements with and loans to banks and other financial institutions	10,585	2,613
Net increase in financial assets sold under repurchase agreements	-	13,515
Net decrease in financial assets held under resale agreements	56	48
Cash received from interest and fee and commission income	50,778	50,004
Cash received relating to other operating activities	49,302	1,790
Sub-total of cash inflows	264,943	187,791
Net decrease in borrowings from the Central bank	-	7,715
Net increase in loans and advances to customers	129,873	65,841
Net decrease in placements from banks and other financial institutions	2,899	2,959
Net increase in financial assets held for trading	61,996	22,611
Net decrease in financial assets sold under repurchase agreements	14,821	-
Cash payments for interest and fee and commission expenses	19,922	17,111
Cash paid to and on behalf of employees	7,415	7,595
Cash payments for taxes and surcharges	2,214	5,347
Cash paid relating to other operating activities	7,814	5,428
Sub-total of cash outflows	246,954	134,607
Net cash flows from operating activities	17,989	53,184
II. Cash flows from investing activities		
Cash received from investments upon disposal/maturity	176,130	105,313
Cash received from returns on investments	9,177	7,500
Cash received from disposal of property and equipment and other long-term assets	404	238
Sub-total of cash inflows	185,711	113,051
Cash payments for investments	187,540	144,432
Cash paid to acquire property and equipment, intangible assets and other long-term assets	551	409
Sub-total of cash outflows	188,091	144,841
Net cash flows used in investing activities	(2,380)	(31,790)
III. Cash flows from financing activities		
Cash received from debt securities issued	196,571	78,154
Sub-total of cash inflows	196,571	78,154
Cash payments for principal of debt securities	212,630	57,720
Cash payments for interest of debt securities	-	637
Cash payments for dividend and profit appropriation	874	874
Cash payments for lease liabilities	506	-
Sub-total of cash outflows	214,010	59,231
Net cash flows (used in)/from financing activities	(17,439)	18,923
IV. Effect of foreign exchange rate changes on cash and cash equivalents	612	(1,155)
V. Net (decrease)/increase in cash and cash equivalents	(1,218)	39,162
Add: Cash and cash equivalents at the beginning of the year	179,058	161,801
VI. Cash and cash equivalents at the end of the period	177,840	200,963

Legal representative

Xie Yonglin

President

Hu Yuefei

CFO

Xiang Youzhi

Head of finance department:

Zhu Peiqing

4.2 Auditor's Report

Whether the First Quarterly Reports have been audited.

Yes No

These quarterly reports are unaudited.

Board of Directors of Ping An Bank Co., Ltd.
21 April 2020