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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 Interim Report Summary 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, August 27, 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 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 INTERIM REPORT SUMMARY 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 Interim Report of Ping An Bank" on the website of the Shenzhen Stock Exchange ([www.szse.cn](http://www.szse.cn)).

Please also refer to the "2020 Interim Report Summary of Ping An Bank" disclosed by the Company on the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) for the operating performance of Ping An Bank for the first half of 2020.

The Board of Directors  
Ping An Insurance (Group) Company of China, Ltd.  
August 27, 2020

# Summary of 2020 Interim Report of Ping An Bank Co., Ltd.

## I. Important notes

1. This summary of interim report is extracted from the full text of the interim report. Investors are advised to carefully read the complete interim report at the news media designated by China Securities Regulatory Commission to have a comprehensive understanding of the business performance, financial position and future development plan of the Company.
2. The Board of Directors (hereinafter referred to as the “Board”), the Supervisory Committee, the directors, the supervisors and senior management of the Bank guarantee the authenticity, accuracy and completeness of the contents of the Interim Report and it contains no false representations, misleading statements or material omissions, and are severally and jointly liable for its contents.
3. The 11th meeting of the 11th session of the Board of the Bank deliberated the 2020 Interim Report together with its summary. The meeting required the attendance of 15 directors, and 15 directors attended the meeting in person. The Interim Report was approved unanimously at the meeting.
4. The 2020 Interim Report prepared by the Bank was unaudited, but reviewed by PricewaterhouseCoopers Zhong Tian LLP.

Reminder on non-standard audit opinions

Applicable    Not applicable

5. Xie Yonglin (the Bank’s Chairman), Hu Yuefei (the President), Xiang Youzhi (the Vice President and the CFO) and Zhu Peiqing (the head of the Accounting Department) guarantee the authenticity, accuracy and completeness of the financial report included in the 2020 Interim Report.

6. Proposal of profit distribution of ordinary shares or proposal of provident reserve converting into share capital considered by the Board during the reporting period

Applicable    Not applicable

There was no proposal to distribute cash dividends, issue bonus shares or convert provident reserve into share capital in the first half of 2020.

Proposal of profit distribution of preference shares approved by the resolution of the Board during the reporting period

Applicable    Not applicable

Time of distribution	Dividend yield	Amount of distribution (RMB) (tax inclusive)	Conformity with distribution requirements and procedures	Method of dividend payment	Accumulation of dividend	Participation of surplus profit
9 March 2020	4.37%	874,000,000.00	Yes	Cash	No	No

## II. Company profile

Stock Abbreviation	Ping An Bank	Stock code	000001
Traded on	Shenzhen Stock Exchange		
Contact information	Secretary to the Board	Representative of Securities Affairs	
Name	Zhou Qiang	Lv Xuguang	
Address	Board Office of Ping An Bank, Block B, Ping An Financial Centre, No. 5023, Yitian Road, Futian District, Shenzhen, Guangdong, the PRC	Board Office of Ping An Bank, Block B, Ping An Financial Centre, No. 5023, Yitian Road, Futian District, Shenzhen, Guangdong, the PRC	
Facsimile	(0755)82080386	(0755)82080386	
Telephone	(0755)82080387	(0755)82080387	
E-mail	PAB_db@pingan.com.cn	PAB_db@pingan.com.cn	

## III. Accounting data and financial indicators

### 1. Key indicators

(In RMB million)

Item	Jan. - Jun. 2020	Jan. - Jun. 2019	Year-on-year change
Operating income	78,328	67,829	15.5%
Net profit attributable to shareholders of the Company	13,678	15,403	(11.2%)
Cost/income ratio	27.30%	29.46%	-2.16 percentage points
Average return on total assets (annualised)	0.67%	0.88%	-0.21 percentage point
Weighted average return on net assets (annualised)	9.33%	12.63%	-3.30 percentage points
Net interest margin (annualised)	2.59%	2.62%	-0.03 percentage point
Proportion of net non-interest income	35.78%	35.66%	+0.12 percentage point
	30 June 2020	31 December 2019	Change at the end of the reporting period from the end of last year
Deposit principals due to customers	2,486,121	2,436,935	2.0%
Total principal of loans and advances to customers	2,508,408	2,323,205	8.0%
Non-performing loan (NPL) ratio	1.65%	1.65%	-
Provision coverage ratio	214.93%	183.12%	+31.81 percentage points
Deviation ratio of loans overdue for more than 60 days	0.94	0.96	-0.02
Capital adequacy ratio	13.96%	13.22%	+0.74 percentage point

### 2. Key accounting data and financial indicators

Whether the Company needs to adjust or restate prior years' figures retrospectively

Yes       No

(In RMB million)

Item	30 June 2020	31 December 2019	31 December 2018	Change at the end of the reporting period from the end of last year
Total assets	4,178,622	3,939,070	3,418,592	6.1%
Shareholders' equity	351,397	312,983	240,042	12.3%
Shareholders' equity attributable to ordinary shareholders	281,453	273,035	220,089	3.1%
Share capital	19,406	19,406	17,170	-
Net asset per share attributable to ordinary shareholders (RMB/share)	14.50	14.07	12.82	3.1%
Item	Jan. - Jun. 2020	Jan. - Jun. 2019	Jan. - Dec. 2019	Year-on-year change
Operating income	78,328	67,829	137,958	15.5%
Operating profit before impairment losses on credit and other assets	56,150	47,241	95,816	18.9%
Impairment losses on credit and other assets	38,491	27,204	59,527	41.5%
Operating profit	17,659	20,037	36,289	(11.9%)
Profit before tax	17,587	20,003	36,240	(12.1%)
Net profit attributable to shareholders of the Company	13,678	15,403	28,195	(11.2%)
Net profit attributable to shareholders of the Company after non-recurring gains/losses	13,586	15,316	28,086	(11.3%)
Net cash flows from operating activities	(25,666)	26,432	(40,025)	(197.1%)
<b>Ratio per share (RMB/share):</b>				
Basic earnings per share (EPS)	0.66	0.85	1.54	(22.4%)
Diluted earnings per share (EPS)	0.66	0.78	1.45	(15.4%)
Basic EPS after non-recurring gains/losses	0.66	0.84	1.53	(21.4%)
Diluted EPS after non-recurring gains/losses	0.66	0.78	1.44	(15.4%)
Net cash flows from operating activities per share	(1.32)	1.54	(2.06)	(185.7%)
<b>Financial ratios (%):</b>				
Return on total assets (un-annualised)	0.33	0.43	N/A	-0.10 percentage point
Return on total assets (annualised)	0.65	0.86	0.72	-0.21 percentage point
Average return on total assets (un-annualised)	0.34	0.44	N/A	-0.10 percentage point
Average return on total assets (annualised)	0.67	0.88	0.77	-0.21 percentage point
Weighted average return on net assets (un-annualised)	4.59	6.32	N/A	-1.73 percentage points
Weighted average return on net assets (annualised)	9.33	12.63	11.30	-3.30 percentage points
Weighted average return on net assets (net of non-recurring gains/losses) (un-annualised)	4.56	6.28	N/A	-1.72 percentage points
Weighted average return on net assets (net of non-recurring gains/losses) (annualised)	9.27	12.56	11.25	-3.29 percentage points

Note: The return on net assets and EPS indicators of are calculated in accordance with 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*. In these calculations:

(1) The calculation of “EPS” and “weighted average return on net assets” has excluded from the numerators the amount of RMB874 million for dividends paid for the RMB20 billion non-cumulative preference shares issued

in private placement on 7 March 2016.

(2) The calculation of “diluted EPS” for the periods from January to June 2019 and January to December 2019 has considered the diluting effect of the RMB26 billion A-share convertible corporate bonds issued in January 2019 and fully converted to ordinary shares in September 2019.

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

Total share capital of the Company as at the trading day prior to disclosure (in shares)	19,405,918,198
Dividends paid for preference shares (RMB)	874,000,000
Fully diluted EPS calculated based on the latest share capital (RMB/share, January to June 2020)	0.66

#### **Information of loans and deposits**

(In RMB million)

Item	30 June 2020	31 December 2019	31 December 2018	Change at the end of the reporting period from the end of last year
<b>Deposit principals due to customers</b>	<b>2,486,121</b>	<b>2,436,935</b>	<b>2,128,557</b>	<b>2.0%</b>
Including: Corporate deposits	1,843,322	1,853,262	1,666,966	(0.5%)
Personal deposits	642,799	583,673	461,591	10.1%
<b>Total principal of loans and advances to customers</b>	<b>2,508,408</b>	<b>2,323,205</b>	<b>1,997,529</b>	<b>8.0%</b>
Including: Corporate loans	1,090,653	965,984	843,516	12.9%
General corporate loans	956,612	871,081	801,814	9.8%
Discounted bills	134,041	94,903	41,702	41.2%
Personal loans	1,417,755	1,357,221	1,154,013	4.5%

Note: (1) 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-taking financial institutions at deposit-taking financial institutions are accounted for as “Total Deposits”, whereas the loans extended by deposit-taking financial institutions to non-deposit-taking financial institutions are accounted for as “Total Loans”. Based on the aforementioned statistical standards, as at 30 June 2020, the total deposits and the total loans amounted to RMB2,826.1 billion and RMB2,572.1 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 are included in the carrying amount of financial instruments, and interests not received or paid as at the balance sheet date are presented in “Other assets” or “Other liabilities”. Unless otherwise stated, “Loans and advances to customers”, “Deposits due to customers” and their breakdowns shown in the Interim Report are all amounts net of interests.

### Non-recurring gains/losses

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

(In RMB million)

Item	Jan. - Jun. 2020	Jan. - Jun. 2019	Jan. - Dec. 2019
Net gains or losses on disposal of non-current assets	76	(17)	(30)
Gains/losses on contingencies	-	(1)	(3)
Others	43	131	173
Income tax effect	(27)	(26)	(31)
<b>Total</b>	<b>92</b>	<b>87</b>	<b>109</b>

Note: The non-recurring gains/losses are defined in accordance with the *Explanatory Announcement on Information Disclosure by Companies Publicly Offering Securities No. 1 – Non-recurring Gains/Losses*.

### 3. Supplementary financial ratios

(Unit: %)

Item	Jan. - Jun. 2020	Jan. - Jun. 2019	Jan. - Dec. 2019	Year-on-year change
Cost/income ratio	27.30	29.46	29.61	-2.16 percentage points
Credit costs (un-annualised)	1.33	1.16	N/A	+0.17 percentage point
Credit costs (annualised)	2.67	2.31	2.54	+0.36 percentage point
Deposit-loan spread (annualised)	3.97	4.18	4.12	-0.21 percentage point
Net interest spread (annualised)	2.48	2.54	2.53	-0.06 percentage point
Net interest margin (un-annualised)	1.29	1.30	N/A	-0.01 percentage point
Net interest margin (annualised)	2.59	2.62	2.62	-0.03 percentage point

Note: Credit costs = credit provisions for the period / average loan balance (including discounted bills) for the period.

In the first half of 2020, average loan balance (including discounted bills) of the Bank was RMB2,429,534 million. Net interest spread (NIS) = average yield of interest-earning assets – average cost rate of interest-bearing liabilities; and net interest margin (NIM) = net interest income/average balance of interest-earning assets.

### 4. Supplementary regulatory indicators

#### (1) Key regulatory indicators

(Unit: %)

Item	Standard level of indicator	30 June 2020	31 December 2019	31 December 2018
Liquidity ratio (RMB and foreign currency)	$\geq 25$	67.74	62.54	60.86
Liquidity ratio (RMB)	$\geq 25$	65.43	61.46	59.23
Liquidity ratio (foreign currency)	$\geq 25$	114.42	91.18	96.40
Liquidity matching ratio	$\geq 100$	135.75	142.26	142.53
Ratio of loans to the single largest customer to net capital	$\leq 10$	2.10	3.80	5.13
Ratio of loans to top 10 customers to net capital	N/A	14.68	16.96	21.45
Ratio of accumulated foreign exchange exposure position to net capital	$\leq 20$	2.46	1.93	1.55
Pass loans migration ratio	N/A	2.04	3.24	3.73
Special mention loans migration ratio	N/A	22.94	31.44	37.91
Substandard loans migration ratio	N/A	54.03	31.49	66.56

Doubtful loans migration ratio	N/A	44.28	99.37	99.44
Non-performing loan ratio	≤5	1.65	1.65	1.75
Provision coverage ratio	≥120~150	214.93	183.12	155.24
Provision to loan ratio	≥1.5~2.5	3.54	3.01	2.71

Note: Regulatory indicators are shown in accordance with the regulatory criteria. The liquidity matching ratio, previously an indicator for monitoring purposes, has been included as part of the regulatory compliance requirements since 1 January 2020. Liquidity matching ratio = Source of weighted funds/Use of weighted funds.

## (2) Capital adequacy ratio

(In RMB million)

Item	30 June 2020	31 December 2019	31 December 2018
<b>Net core tier 1 capital</b>	258,105	253,646	199,782
<b>Other tier 1 capital</b>	69,944	39,948	19,953
<b>Net tier 1 capital</b>	328,049	293,594	219,735
<b>Tier 2 capital</b>	75,433	74,599	49,380
<b>Net capital</b>	403,482	368,193	269,115
<b>Total risk-weighted assets</b>	2,890,477	2,784,405	2,340,236
Credit risk-weighted assets	2,595,378	2,508,004	2,090,152
On-balance-sheet risk-weighted assets	2,284,844	2,223,516	1,892,934
Off-balance-sheet risk-weighted assets	293,596	275,106	194,921
Risk-weighted assets of counterparty credit risk exposure	16,938	9,382	2,297
Market risk-weighted assets	70,018	51,320	43,264
Operational risk-weighted assets	225,081	225,081	206,820
<b>Core tier 1 capital adequacy ratio</b>	8.93%	9.11%	8.54%
<b>Tier 1 capital adequacy ratio</b>	11.35%	10.54%	9.39%
<b>Capital adequacy ratio</b>	13.96%	13.22%	11.50%
<b>Balance of mitigated risk exposures of credit risk asset portfolio:</b>			
Balance of mitigated risk exposures of on-balance-sheet credit risk assets	3,702,675	3,528,250	3,051,056
Risk exposures of off-balance-sheet assets after conversion	775,119	611,856	401,108
Counterparty credit risk exposures	5,017,208	3,807,400	3,684,396

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

## (3) Leverage ratio

(In RMB million)

Item	30 June 2020	31 March 2020	31 December 2019	30 September 2019
<b>Leverage ratio</b>	<b>6.57%</b>	<b>6.85%</b>	<b>6.44%</b>	<b>6.31%</b>
Net tier 1 capital	328,049	332,400	293,594	268,117
Balance of on-and off-balance sheet assets after adjustment	4,993,293	4,852,047	4,557,021	4,247,731

Note: At the end of the reporting period, the decrease in leverage ratio from the end of March 2020 was mainly due to an increase in the adjusted balance of on- and off-balance sheet assets and a decrease in net capital following the



dividend distribution. For more details on leverage ratio, please refer to the Bank's website (<http://bank.pingan.com>).

#### (4) Liquidity coverage ratio

(In RMB million)

Item	30 June 2020	31 March 2020	31 December 2019
<b>Liquidity coverage ratio</b>	<b>136.45%</b>	<b>151.80%</b>	<b>143.02%</b>
Qualified current assets	546,157	588,498	497,673
Net cash outflow	400,260	387,672	347,984

Note: The Bank discloses the information on liquidity coverage ratio according to the *Measures for the Disclosure of Information on Liquidity Coverage Ratio by Commercial Banks* issued by China Banking and Insurance Regulatory Commission (CBIRC).

#### (5) Net stable funding ratio

(In RMB million)

Item	30 June 2020	31 March 2020	31 December 2019
<b>Net stable funding ratio</b>	<b>108.14%</b>	<b>106.75%</b>	<b>109.03%</b>
Available stable funding	2,414,904	2,346,012	2,249,567
Stable funding required	2,233,089	2,197,669	2,063,215

Note: The Bank discloses the information on net stable funding ratio according to the *Measures for the Disclosure of Information on Net Stable Funding Ratio by Commercial Banks* issued by CBIRC.

### 5. Data on operations of segments

#### (1) Profit and scale

(In RMB million)

Item		Retail banking business		Wholesale banking business		Others		Total	
		Jan. - Jun. 2020	Jan. - Jun. 2019	Jan. - Jun. 2020	Jan. - Jun. 2019	Jan. - Jun. 2020	Jan. - Jun. 2019	Jan. - Jun. 2020	Jan. - Jun. 2019
Operating income	Amount	43,353	38,596	30,333	26,479	4,642	2,754	78,328	67,829
	%	55.3	56.9	38.7	39.0	6.0	4.1	100.0	100.0
Operating expenses	Amount	13,700	13,304	8,478	7,284	-	-	22,178	20,588
	%	61.8	64.6	38.2	35.4	-	-	100.0	100.0
Impairment losses on credit and other assets	Amount	20,033	11,252	18,569	16,449	(111)	(497)	38,491	27,204
	%	52.0	41.4	48.2	60.4	(0.2)	(1.8)	100.0	100.0
Profit before tax	Amount	9,618	14,039	3,289	2,746	4,680	3,218	17,587	20,003
	%	54.7	70.2	18.7	13.7	26.6	16.1	100.0	100.0
Net profit	Amount	7,480	10,810	2,558	2,115	3,640	2,478	13,678	15,403
	%	54.7	70.2	18.7	13.7	26.6	16.1	100.0	100.0

(In RMB million)

Item	30 June 2020		31 December 2019		Change at the end of the reporting period from the end of last year
	Amount	%	Amount	%	
<b>Total assets</b>	<b>4,178,622</b>	<b>100.0</b>	<b>3,939,070</b>	<b>100.0</b>	<b>6.1%</b>
Including: Retail banking business	1,344,749	32.2	1,294,376	32.9	3.9%
Wholesale banking business	1,923,101	46.0	1,713,281	43.5	12.2%
Others	910,772	21.8	931,413	23.6	(2.2%)

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

The wholesale banking business segment comprises corporate business, treasury and interbank business and small enterprise business (including individual business owners and legal entities), and covers the provision of financial products and services to corporate customers, government organisations and banks and other financial institutions. The offerings include corporate loans, deposits, trade financing, wealth management for corporate clients and banks and other financial institutions, and various corporate intermediary businesses and treasury and interbank businesses.

Other business segments refer to bond investments and some monetary market activities carried out by the head office of the Bank to meet its liquidity management needs, as well as the centrally managed non-performing assets, equity investments, and assets, liabilities and income not directly attributable to any business segment.

(In RMB million)

Item	30 June 2020		31 December 2019		Change at the end of the reporting period from the end of last year
	Amount	%	Amount	%	
<b>Deposit principals due to customers</b>	<b>2,486,121</b>	<b>100.0</b>	<b>2,436,935</b>	<b>100.0</b>	<b>2.0%</b>
Including: Corporate deposits	1,843,322	74.1	1,853,262	76.0	(0.5%)
Personal deposits	642,799	25.9	583,673	24.0	10.1%
<b>Total principal of loans and advances to customers</b>	<b>2,508,408</b>	<b>100.0</b>	<b>2,323,205</b>	<b>100.0</b>	<b>8.0%</b>
Including: Corporate loans (including discounted bills)	1,090,653	43.5	965,984	41.6	12.9%
Personal loans (including credit cards)	1,417,755	56.5	1,357,221	58.4	4.5%

Note: The above table is presented based on the nature of the customers, where services to small enterprises in the capacity as corporate entities are included in corporate deposits and corporate loans, while services to small enterprises in the capacity as individual customers are included in personal deposits and personal loans, and the same approach applies below.

## (2) Asset quality

Item	30 June 2020	31 December 2019	Change at the end of the reporting period from the end of last year
<b>Non-performing loan (NPL) ratio</b>	<b>1.65%</b>	<b>1.65%</b>	<b>-</b>
Including: Corporate loans (including discounted bills)	1.76%	2.29%	-0.53 percentage point
Personal loans (including credit cards)	1.56%	1.19%	+0.37 percentage point

## IV. Number of shareholders and shareholding conditions

### 1. Number of ordinary shareholders and preference shareholders with recovered 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	431,036	Total Number of preference shareholders with restored voting rights as at the end of the reporting period	-					
<b>Shareholdings of the top 10 shareholders</b>								
Name of shareholder	Nature of shareholder	Number of shares held at the end of the reporting period Shareholding	Shareholding (%)	Changes during the reporting period	Number of restricted shares held	Number of unrestricted shares held	Pledged or frozen	
							Status of shares	Number of shares
Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund	Domestic legal entity	9,618,540,236	49.56	-	-	9,618,540,236	-	-
Hong Kong Securities Clearing Company Limited	Overseas legal entity	1,594,024,744	8.21	89,613,577	-	1,594,024,744	-	-
Ping An Life Insurance Company of China, Ltd. - proprietary fund	Domestic legal entity	1,186,100,488	6.11	-	-	1,186,100,488	-	-
Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance products	Domestic legal entity	440,478,714	2.27	-	-	440,478,714	-	-
China Securities Finance Corporation Limited	Domestic legal entity	429,232,688	2.21	-	-	429,232,688	-	-
Central Huijin Investment Limited	Domestic legal entity	216,213,000	1.11	-	-	216,213,000	-	-
China Electronics Shenzhen Company	Domestic legal entity	162,523,292	0.84	-	-	162,523,292	-	-
Henan Hongbao Corporate Management Co., Ltd.	Domestic legal entity	102,735,814	0.53	-	-	102,735,814	-	-
National Social Security Fund 117 Portfolio	Domestic legal entity	95,029,523	0.49	29,999,936	-	95,029,523	-	-
Bank of Communications - E Fund 50-Index Security Investment Fund	Domestic legal entity	53,643,567	0.28	-6,999,988	-	53,643,567	-	-
Details of strategic investors or general legal persons becoming top 10 shareholders for issuing new shares (if any)	None							
Explanation of the related party relationship or acting-in-concert relationship among the above shareholders	<p>1. Ping An Life Insurance Company of China, Ltd. is a majority-owned subsidiary of and acts 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.</p> <p>2. The Bank is not aware of any related-party relationship or parties acting in concert among other shareholders.</p>							
<b>Shareholdings of the top 10 shareholders not subject to restrictions</b>								

Name of shareholder	Number of unrestricted shares held	Type of shares	
		Type of shares	Number of shares
Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund	9,618,540,236	RMB ordinary shares	9,618,540,236
Hong Kong Securities Clearing Company Limited	1,594,024,744	RMB ordinary shares	1,594,024,744
Ping An Life Insurance Company of China, Ltd. - proprietary fund	1,186,100,488	RMB ordinary shares	1,186,100,488
Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance products	440,478,714	RMB ordinary shares	440,478,714
China Securities Finance Corporation Limited	429,232,688	RMB ordinary shares	429,232,688
Central Huijin Investment Company Limited	216,213,000	RMB ordinary shares	216,213,000
China Electronics Shenzhen Company	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 shares	95,029,523
Bank of Communications - E Fund 50-Index Security Investment Fund	53,643,567	RMB ordinary shares	53,643,567
Description of the related party relationship or acting-in-concert arrangement among the top 10 shareholders of unrestricted shares, and between the top 10 shareholders of unrestricted shares and the top 10 shareholders	<p>1. Ping An Life Insurance Company of China, Ltd. is a controlled subsidiary of and acting in concert with Ping An Insurance (Group) Company of China, Ltd. "Ping An Insurance (Group) Company of China, Ltd. – the Group – proprietary fund", "Ping An Life Insurance Company of China, Ltd. – proprietary fund" and "Ping An Life Insurance Company of China, Ltd. - traditional – ordinary insurance product" are related parties.</p> <p>2. The Bank is not aware of any related-party relationship or parties acting in concert among other shareholders.</p>		
Description of the shareholders who engage in securities margin trading business	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.		

## 2. Particulars of controlling shareholder or changes in the actual controller

The Bank has no actual controlling party, and there had been no changes to the controlling shareholders of the Bank during the reporting period.

## 3. Total number of preference shareholders and the shareholdings of the top 10 preference shareholders of the Company

(Unit: Share)

Total Number of preference shareholders at the end of the reporting period		15				
Shareholding of shareholders with more than 5% of the preference shares or the top 10 preference shareholders						
Name of shareholder	Nature of shareholder	Shareholding (%)	Number of shares held as at the end of the reporting period	Changes during the reporting period	Pledged or frozen	
					Status of shares	Number of shares
Ping An Life Insurance Company of China, Ltd. - dividend - 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 Single Capital Trust	Domestic legal entity	2.98	5,950,000	-	-	-
Hwabao Trust Co., Ltd. – Investment No. 2 –	Domestic	2.98	5,950,000	-	-	-

Capital Trust	legal entity					
Merchants Wealth – Postal Saving Bank – Postal Savings Bank of China Co., Ltd.	Domestic legal entity	2.98	5,950,000	-	-	-
Description of difference in the terms of preference shares held other than dividend distribution and residual property distribution		Not applicable				
Description of the related relationship or acting-in-concert agreement among top 10 preference shareholders and between top 10 preference shareholders and top 10 ordinary shareholders	<p>1. Ping An Life Insurance Company of China, Ltd. and Ping An Property &amp; Casualty Insurance Company of China, Ltd. are controlled subsidiaries of and acting in concert with the Ping An Insurance (Group) Company of China, Ltd. “Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund”, “Ping An Life Insurance Company of China, Ltd. - proprietary fund”, “Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance product”, “Ping An Life Insurance Company of China, Ltd. - dividend - individual dividend”, “Ping An Life Insurance Company of China, Ltd. - universal - individual universal” and “Ping An Property &amp; Casualty Insurance Company of China, Ltd. - traditional - ordinary insurance products” are related parties.</p> <p>2. The Bank is not aware of any related-party relationship or parties acting in concert among other shareholders.</p>					

## V. Corporate bonds

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

Yes       No

## VI. Discussion and Analysis of Operations

### (I) Overall analysis of operations

The Bank continues to move forward towards its strategic goal of building a “domestic best performer and global leader in intelligent retail banking” by upholding the strategic principles of “being technology-driven, pursuing breakthroughs in retail banking, and reinventing its corporate banking”. In 2020, the first year in implementing the Bank’s new three-year strategy, the Bank focuses on balanced business development in line with its “3 + 2 + 1” business strategies for the retail, corporate and treasury and interbank business, and the Bank also strives to achieve its branding goals as a “digital bank, ecological bank and platform-based bank”, as part of its overall efforts to optimise the assets and liabilities structure, consolidate the foundation for transformation and upgrade, and pave the way for development at a higher level.

In the face of the unexpected pandemic of 2019 Novel Coronavirus Pneumonia (“COVID-19”) during the first half of 2020, the Bank combined the “fighting against COVID-19” and efforts to “maintaining productivity”, and successfully recovered its business activities and maintained stable operations by actively implementing various strategic measures, including the comprehensive promotion of its digital and online operations. Meanwhile, the Bank continued to strengthen its financial risk control and prevention, proactively fulfilled its social responsibilities, including all-out support for the “stability on the six fronts” (the six fronts refer to employment, the financial sector, foreign trade, foreign investment, domestic investment, and expectations) and “security in the six areas” (the six areas refer to job security, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments), and made solid contributions to efficiently meeting the client’s needs for diversified financial services and facilitating the resumption of work and production of enterprises through well-designed and effective solutions, including increased assistance to private enterprises and small and micro enterprises, and continued upgrade of services for manufacturing and technological enterprises. In the first half of the year, the Bank’s overall operations were as follows:

**Stable growth of operating income.** In the first half of 2020, the Bank recorded operating income of RMB78,328 million, representing a year-on-year increase of 15.5%; the operating profit before impairment losses was RMB56,150 million, up by 18.9% from the same period last year. Considering the uncertainties arising from COVID-19 as well as the economic trends and the domestic and overseas environments, the Bank increased its provisioning to boost its risk mitigation capability, and the increased write-off and higher provision coverage ratio led to a year-on-year decrease of 11.2% in net profit to RMB13,678 million.

**Continuous optimisation of liability costs.** In the first half of 2020, the Bank’s NIM decreased by 3 basis points to 2.59% from the same period last year; the average cost was down by 27 basis point to 2.42%, as compared with

the same period last year, and the average cost of deposit-taking was 2.35%, down by 14 basis points compared with the same period last year.

**Rapid growth of non-interest income.** In the first half of 2020, the Bank recorded net non-interest income of RMB28,023 million, representing an increase of 15.8% compared with that of the same period last year, mainly due to the increase in the commission income from agency sale of funds and trust plans to personal clients as well as return on bond investments. The net non-interest income accounted for 35.78% of total net income, up by 0.12 percentage point from the same period last year.

**Steady growth in the scale of assets and liabilities.** As at the end of June 2020, the Bank's total assets amounted to RMB4,178,622 million, up 6.1% over the end of last year, including the total loans and advances to customers of RMB2,508,408 million, up by 8.0% as compared with the end of last year. The total liabilities were RMB3,827,225 million, an increase of 5.5% over the end of the previous year, including total deposits due to customers of RMB2,486,121 million, up 2.0% over the end of the previous year.

**Enhanced risk compensation capability.** At the end of June 2020, the NPL ratio was 1.65%, the same as the end of last year. Special mention loans, loans overdue for more than 60 days and loans overdue for more than 90 days accounted for 1.86%, 1.55% and 1.33% respectively, down by 0.15, 0.03 and 0.02 percentage point from the end of last year. The deviation ratios of loans overdue for more than 60 days and 90 days were both below 1. The provision coverage ratios of non-performing loans, loans overdue for more than 60 days and loans overdue for more than 90 days were 214.93%, 228.44% and 267.01% and up by 31.81, 38.10 and 44.12 percentage points respectively from the end of last year.

**Stronger capital base.** In the first half of 2020, the Bank completed the issuance of RMB 30 billion perpetual capital bonds. At the end of June 2020, the capital adequacy ratio increased to 13.96%, up by 0.74 percentage point from the end of the previous year.

## **(II) Discussion and analysis of the main businesses**

### **Transformation and upgrading of retail business**

In first half of 2020, the Bank continued to implement its “3 + 2 + 1” retail strategy, and made all-out efforts to develop the three business segments of “basic retail, private banking and wealth management, and consumer finance”, improve its two core capabilities of “risk control and cost control”, and build its “one ecosystem” to drive integration. Meanwhile, with the rebranding of the Bank as a “digital bank, ecological bank and platform bank”, it launched four new strategies geared to “digitalized operations, online operations, comprehensive services and ecologically-driven development” (the DOCE strategies) to promote the transformation and upgrade of its retail business. In addition, the Bank continued to optimise the asset and liability structure of the retail business. In terms of the liability business, it increased efforts to expand low-cost deposits and reduce the overall costs of its liabilities; and in terms of asset business, it increased the origination of low-risk credit loans, including personal

residential mortgage loans and title deed-secured loans and unsecured loans for high-quality customers, as it continued to optimise the structure of its customer base.

Under the current external situation where COVID-19 has been effectively contained in China but involves considerable uncertainties overseas, the Bank's retail business has demonstrated strong resilience in its ongoing development. Thanks to its strong online capabilities built over the years through continued investments in technologies and AI applications and the swift implementation of the DOCE strategies, the Bank has been effective in meeting the financial needs of its customers at large during COVID-19 outbreak, and has been able to rapidly resume its various businesses, maintain a steady growth and manage its overall operational risks when the situation eases.

In the first half of 2020, the growth of the retail business has been affected by COVID-19, and the operating income from retail of RMB43,353 million, up by 12.3% year-on-year, accounted for 55.3% of the total operating income, slight down compared with that of the same period last year. At the same time, the Bank increased its provisioning for retail assets, and the net profit of retail business of RMB7,480 million, slightly down to 54.7% of the total net profit, remained in the reasonable range of movements.

## **1. “Three” business segments**

### **(1) Basic retail**

The Bank continued to focus on customers of basic retail business. By strengthening customer acquisition through multiple channels and expanding business presence in all scenarios, the Bank consistently pursued the technology- and big data-driven business strategy to promote the efficiency in customer acquisition and engagement as well as overall productivity.

At the end of June 2020, the balance of assets under management (AUM) of retail customers of the Bank amounted to RMB2,321,615 million, representing an increase of 17.1% over the end of the previous year; the balance of personal deposits amounted to RMB642,799 million, representing an increase of 10.1% over the end of the previous year; both of the number of retail customers and registered customers of Ping An Pocket Bank APP exceed 100 million, of which, the number of retail customers accumulated to 101,676,200, representing an increase of 4.7% over the end of the previous year and the number of registered customers of Ping An Pocket Bank APP accumulated to 102,786,800, representing an increase of 14.9% over the end of the previous year; and the number of monthly active users (MAU) of Ping An Pocket Bank APP was almost 31,919,900, representing an decrease of 3.0% over the end of the previous year. Mainly affected by COVID-19, the customer demands in scenarios relating to travels and local life services showed a decrease. As the Bank actively added its “Banking at Home” solutions to its online service repertoire and increased offerings relating to people’s daily needs on Ping An Pocket Bank APP, the MAU count gradually bounced back in the second quarter. Meanwhile, the Bank enhanced H5 (HTML5 and other front-end interfaces) and the functions of various applets, and experienced an



obvious increase in the users activity.

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 financial 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 centre to cater to the daily needs of the customers. During COVID-19, the Bank designed its “Banking at Home” zone to provide online financial products and easily accessible services to customers. In March 2020, the Bank upgraded “Banking at Home” to “World View”, adding health management service and cross-border service available for global customers and increasing functions like overseas COVID-19 in real time and domestic and international travel guide. At the end of June 2020, the total views of this service page exceeded 16 million.

With respect to deposits, the Bank increased the deposits from assets under management by continuously expanding its AUM portfolio, and improved the percentages of customer deposits retained by binding credit cards or other repayment accounts. At the same time, the Bank continued to expand its batch processing businesses, including agency issues and card acquiring services, to drive the growth of settlement deposits, expand the demand deposit base, and optimise the growth structure of personal deposits. At the end of June 2020, the balances of personal deposits and personal demand deposits amounted to RMB642,799 million and RMB226,323 million respectively, up 10.1% and 13.2% over the end of the previous year respectively. In the first half of 2020, the average cost rate of personal deposits decreased by 17 basis points to 2.51% compared with the average level of last year. At the end of June 2020, the AUM balance brought from customers of agency and batch business amounted to RMB307,921 million, up 14.4% over the end of the previous year; the balance of deposits from customers of agency business amounted to RMB96,314 million, increasing by 8.7% over the end of the previous year. In the first half of the year, the Bank concentrated on promoting the “Ping An Salary” service platform, which was an exclusive service platform for the agency customers that integrate the resources of Ping An Group’s subsidiaries. It can provide diversified services in HR management, online training, mall benefits and good doctor health, and enhance the comprehensive competitiveness of agency products.

With respect to the sales of key products, the Bank actively seized the opportunities arising from the capital market reforms, 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 technological applications. The funds’ sales volume increased significantly. The first half of 2020 witnessed excellent performance of the preference funds. The “Ping An Preference” stocks and hybrid funds produced an average yield of 21.3%, representing an excess return of 23% against the Shanghai (Securities) Composite Index; the agency sales of non-monetary public funds amounted to RMB73,994 million, representing a year-on-year increase

of 184.0%.

With respect to the customer services, the Bank strived to build an integrated customer service experience system through multiple channels. By creating a “1 + N” on-premise and mobile customer service model (1 comprehensive customer service team plus N expert teams), it upgraded and bridged end-to-end customer services across service channels and continuously promoted high-tech standardized and comprehensive one-stop online consulting services. In June 2020, the Bank’s customer services obtained a Net Promoter Score (NPS)<sup>1</sup> of over 80%, while the physical outlets reported a NPS of over 90%.

## **(2) Private banking and wealth management**

At the end of June 2020, the cumulative total of the Bank’s wealth management customers increased to 882,700, an increase of 13.3% over the end of the previous year. The Bank’s qualified customers of private banking<sup>2</sup> grew to 51,100, an increase of 16.7% over the end of the previous year. The AUM of qualified private banking customers amounted to RMB923,055 million, an increase of 25.8% over the end of the previous year. In the first half of 2020, the Bank comprehensively enhanced the three major capabilities of comprehensive finance, professionalisation and technicalisation in the sectors of private bank and wealth management.

With respect to comprehensive finance enhancement, the Bank, centring on meeting the diversified demands of private banking customers, endeavoured to strengthen the construction of an open-ended product platform for all products and constantly improved its product system, so as to satisfy the need of private banking customers for asset allocation at home and abroad. Actively pushing forward business innovation, the Bank signed the first contract for family office service of RMB100 million in the current year, launched offshore family trust service for high net-worth customers and implemented the first contract for customised premium trusts and the first batch of anti-epidemic special charitable trusts. Moreover, aiming at high net-worth customers, as well as directors and supervisors of listed 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 the enhancement of professional capabilities, 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 use of asset allocation tools, so as to realise the expansion of the services for private banking customers and improvement of the service experience. By adopting the advisory-based approach, and upgrading the wealth management system in an all-round way, the Bank was also able to automatically generate customer account statements in 3 seconds and an investment planning proposal in 60 seconds to provide

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<sup>1</sup> NPS = (Number of Promoters - Number of Detractors) / Total Number of the Sample Population × 100%. It is an index that measures the probability that a customer will recommend a certain company or service to others. Depending on different survey channels, the index may be divided into NPS for customer services and NPS for physical outlets.

<sup>2</sup> The criterion for a customer to be a qualified private banking customer is a daily average balance of assets of over RMB6 million in any one of the past three months .

customers with a comprehensive and personalised asset allocation solution. Being customer-centred, the Bank further upgraded the customer rights and interests system, launched “Listening to the Wealth”, “Ping An Think Tank”, “Ping An View” 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 the enhancement of technical capabilities, the Bank was the first in the industry to launch an AI-enabled fast-track private offering platform to provide high net-worth customers with an AI-enabled new experience of convenient and efficient wealth management services. The adoption of the first AI webcasting solution for private offerings in the industry, replacing human hosts with AI hosts, reduced the waiting time of customers from 10 minutes to 0. In the first half of the year, the replacement rate<sup>3</sup> of AI webcasting reached as high as nearly 80.0%.

### **(3) Consumer finance**

At the end of June 2020, the balance of personal loans was RMB1,417,755 million, up 4.5% over the end of the previous year. To restore the business level before COVID-19 as soon as possible, the Bank kept on reinforcing the online operation capabilities of credit cards and loan products, strengthened the linkage between consumer finance business and private banking wealth business and optimised the pricing of business loans to support the financing demands of small and micro enterprises; meanwhile, it also increased the grant of personal residential mortgage loans and title deed-secured loans with lower risk and innovative products. In the second quarter, the capacity of personal loans granting remarkably bounced back compared to the first quarter, and the overall personal loans showed a sound growth. At the end of June 2020, the proportion of personal residential mortgage loans and title deed-secured loans to personal loans increased from 30.3% at the end of the previous year to 32.2%, with continuous optimisation of business structure and customer group structure.

#### **Credit cards**

At the end of June 2020, the number of credit cards in circulation accumulated to 61,480,100, up by 1.9% from the end of last year; the balance of credit card loans was RMB512,504 million, down 5.2% from the end of last year. Due to COVID-19, there was a fall in consumption using credit cards. The Bank responded quickly to expand the online scenarios and provide users with full-cycle and comprehensive online services to cover the daily needs of the people, including the applications and use of credit cards, online shopping, and payment of utility fee, among others. Since March 2020, the average daily spending of credit card transactions has returned to the level before COVID-19. In the first half of the year, the total volume of transactions using credit cards was RMB1,607,313 million, reaching 99.3% of the level in the same period of last year, and the transaction volume of

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<sup>3</sup>The replacement rate of AI webcasting refers to the number of orders for private equity fund products that have been completed using AI webcasting as a percentage of the number of all orders completed online.

the Credit Card Mall increased by 18.1% over the same time last year.

In the first half of 2020, drawing on its fintech advantages, the Bank continued to create the ultimate customer experience of “fast, easy and good” services, including the following major measures:

First, the Bank continued to diversify its product offerings and deepen crossover integration. The Bank stepped up efforts in strengthening strategic alliance with partners from different industries, such as Qunar, GOME, Tuhu.com, Ctrip and KFC, to pool quality resources form within and outside the Group and create synergies. For car owners, the Bank launched the “Ping An Good Owner” credit card jointly with Ping An Property & Casualty and upgraded the offering of “12 percent off for gasoline prices” to create a one-stop auto service ecosystem for car owners. Since the launch of the product, the Bank has issued nearly 500,000 cards. In addition, the Bank issued the “Ping An Enjoy” platinum credit card and credit cards featuring “cartoon pets” themes to meet the individualized needs of young people.

Second, the Bank improved its online capabilities to improve card use experience in an all-around way. The Bank continuously improved its one-stop comprehensive financial service APP platform, further operated social customer-acquiring mode of content marketing and improved its customer retention and value transformation through compiling content of high quality to encourage users to forward and share. In the first half of 2020, total page views amounted to 260 million and the pages have been shared approximately 200 million times. At the same time, it stepped up efforts in online consumption and transaction structure optimisation, and implemented online transaction distribution in an all-round way; increased branding promotion activities were designed to match consumer demands, including “RMB8 + daily 12 percent discount”, “RMB188 red packet” and “Best Discounts For You”. The Bank’s Pocket Mall continued to improve and advertise the online life zone and attract high-quality brands. In the first half of 2020, Pocket Mall established strategic cooperation with more than 100 well-known brands. It carried out “Big Brands are coming” activities and launched nearly 40 live broadcasts jointly with these well-known brands to create a new model of livestream e-commerce.

Third, the Bank increased the investments in and applications of technologies to continuously facilitate the upgrades of its business and service systems. The Bank continued to promote the applications of AI technologies in customer services, improved AI intelligent voice technology and embedded intelligent voice in different service scenarios, including 12 million monthly intelligent voice calls, equivalent to the workload of about 3,000 service agents; it created a closed loop system for online multimedia services, continuously optimised online interaction methods, such as graphics, audio and multimedia, and stepped up efforts in improving smart and targeted online customer services on APPs; it upgraded the intelligent pre-approval platform, established models for customer credit, quotas, and integrated credit limits based on cutting-edge algorithms to effectively convert the Group's high-quality customers into banking customers.

## **“Xinyidai”**

In the first half of 2020, new “Xinyidai” loans of the Bank amounted RMB46,217 million, and the balance at the end of June 2020 was RMB147,983 million, down by 6.0% over the end of the previous year. Affected by COVID-19, the market demand further declined, and the growth of “Xinyidai” continued to level off. By adhering to prudent and sound risk policies, the Bank vigorously promoted the upgrade and transformation of its online business process to accelerate the pace of direct data connection and further enhance the timeliness of “Xinyidai”, so as to improve customer experience and explore new business growth points. Focusing on customer needs, the Bank further enriched customer finance service scenarios and improved the “Xinyidai” product categories by seizing the opportunities of state’s consumption expansion policies and the steady economic recovery after the containment of COVID-19; it also continued to expand its high-quality customer base and improved its ability of delivering inclusive finance.

## **Personal residential mortgage loans and title deed-secured loans**

In the first half of 2020, the Bank provided a total of RMB107,006 million new personal residential mortgage loans and title deed-secured loans, a year-on-year increase of 35.2%; at the end of June 2020, the balance of personal residential mortgage loans and title deed-secured loans amounted to RMB456,709 million, up by 11.1% from the end of last year; among them, the property mortgage loan balance amounted to RMB220,497 million, representing an increase of 10.6% over 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 COVID-19, 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 half of 2020, the Bank’s new auto finance loans amounted to RMB96,196 million, with a year-on-year increase of 40.6%; at the end of June 2020, the balance of auto finance loans was RMB203,642 million, an increase of 13.6% from the end of the previous year. The Bank earnestly implemented its BOCE strategies and the auto ecosystem strategy, and constantly improved customer experience and service efficiency. First, the Bank drove production capacity improvement through digitisation, integration of car owner datamarts, data-empowered service teams and management, promoted precision investments and the optimisation of return on investments; second, it speeded up product innovation and upgrade to propel the recreation of the light and intelligent online business processes, and continuously upgraded the “Che-E-Tong” platform and improved the online service

system for car dealers to make it a one-stop comprehensive service platform that could satisfy the management and financial needs of dealers in the acquisition, resale and storage of second-hand vehicles; third, it thoroughly explored business scenarios such as car purchase and car use to integrate comprehensive retail services and promote customer acquisitions and operations across all business scenarios and product lines through the Pocket Bank APP and the official accounts on WeChat, etc. These efforts effectively promoted the business development including AUM and credit cards, and enhanced customer comprehensive value contributions.

## **2. “Two” core capabilities**

### **(1) Risk control**

At the end of June 2020, the NPL ratio of the Bank's personal loans was 1.56%, up 0.37 percentage point from the end of last year. Specifically, the NPL ratio of credit card receivables was 2.35%, up 0.69 percentage point from the end of last year while that of “Xinyidai” was 1.84%, up 0.50 percentage point from the end of last year and the NPL ratio of auto finance loans was 1.40%, up 0.66 percentage point from the end of last year. The Bank drew on its industry-leading technological capabilities and risk control models to improve customers’ qualifications and the identification of high-risk customers, and implemented differentiated risk management strategies. However, due to the adverse impact of COVID-19, 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.

From the onset of COVID-19, the Bank remained steadfast in maintaining client-centred 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, 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 people who were not able to meet their regular repayment obligations, including medical staff, police, military personnel and government personnel involved in fighting the disease and disaster relief and those who were hospitalized, the Bank offered, as appropriate in their specific circumstances, deferred repayment options, exemption or reduction of interests as well as credit worthiness protection, as part of the Bank’s overall efforts to minimize the impact of the epidemic on its retail customers.

Although the Bank's personal loans experienced an increase in delinquencies after COVID-19 broke out in early 2020, the collection department quickly resumed their work since March and added collection personnel in a timely manner according to its workloads. In doing so, the growth of overdue loans from March was lower than that in February but still slightly higher than the level before COVID-19. 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. The Bank expects that the employment and consumption of residents will gradually recover with the improvement in the macro economy, and the monthly growth of non-performing loans will show a downward trend and the risk level of retail assets will gradually return to normal from the second half of the year. In addition, the Bank has effectively enhanced its risk mitigation capability thanks to the increase in the proportions of secured loans and unsecured loans to high-quality white-collar customers and moderate tightening of access policy as part of the committed efforts to improve its retail loan structure since 2018.

Due to COVID-19, the overdue rate of new customers experienced a year-on-year increase, but the increase was anticipated and manageable, and expected to gradually improve in due course. The proportion of the loans past due for over 30 days when they were at the age of 6 months is shown in the table below:

Year of origination	Credit card receivables	“Xinyidai”	Auto finance loans
2016	0.45%	0.16%	0.12%
2017	0.35%	0.20%	0.18%
2018	0.29%	0.17%	0.17%
2019	0.36%	0.15%	0.28%

Note: (1) “Ageing analysis”, also known as vintage analysis or vintage pool analysis of accumulated default rates is a method to assess the asset quality of borrowers who take loans at different times by tracking and compare their credit assets based on their ages. The proportion of loans past due for over 30 days when the loans are aged 6 months = the balance of loans past due over 30 days among new loans and newly issued credit cards at the end of the month when they are aged 6 months / the amount of new loans issued during the current year when they are aged 6 months or the overdraft balance of credit cards newly issued during the current year when they are aged 6 months.

(2) Data of the 2019 ageing analysis in the 2019 annual report only represents the quality of loans originated from January to July in 2019; as at the end of June 2020, all loans granted/credit cards issued in 2019 had aged 6 months, which means that data of the 2019 ageing analysis disclosed in the 2020 Interim Report reflects the quality of all loans originated in 2019.

## **(2) Cost control**

In the first half of 2020, the Bank took active actions to upgrade retail cost management to become “digitally driven”. Through an all-round and in-depth analysis on the cost structure and combination with its comprehensively AI-empowered business vision, the Bank formulated differentiated investment strategies to cultivate innovative products and improve the business structure while continuously excavating the space of cost reduction and efficiency improvement.

In terms of mature businesses, the Bank made an in-depth analysis on its cost structure combined with the new business model, and promoted each business segment to focus on increasing productivity and reducing costs to improve the cost/benefit ratio. The measures taken in the first half of the year mainly included: continuously optimising outlets operation and cutting down expenses on administrative and operating management, closing and removing low-productivity self-service equipment and reducing the operation time via refined management and process transformation; urging each business segment to increase the proportion of complete online business procedures and devoting to saving the cost of external customer acquisition or manual operation.

In terms of growing and potential businesses, the Bank continuously supported product innovation or investments in the pilot-runs of business models through internal innovation funds to cultivate the momentum for sustainable development and boost the efficiency of comprehensive management on customers.

In the first half of 2020, the productivity and efficiency of the Bank's wealth management business were significantly improved. The Bank's AUM operating income per retail outlet increased by 45.1% to RMB7,207,400 from the same period of last year. The cost/income ratio of the retail business declined by 3.3 percentage points compared with that in 2019.

### **3. “One” ecosystem**

Actively accelerating the construction of open retail banking, the Bank mainly concentrated on its “open capacity” objectives at the present stage to build its open banking platform and promote its ecosystem development. The Bank's open retail banking platform 1.0 was put into operation at the end of March. 116 products, 573 APIs (application programming interfaces) and H5 interfaces had been launched through the platform, covering account management, wealth management, payment, security deposits, loans and other services and products. Meanwhile, the Bank built an applet for open retail banking based on “open flows”, introduced third-party services in a standardized, self-help and scenario-based way, and deeply integrated financial service and users' life scenarios to form a new ecosystem of complementary advantages and win-win development. Currently, 27 functions and 64 APIs have become available, covering membership service, payment, marketing and basic APP functions.

In terms of AI Bank construction, the Bank continued to boost full-scale AI applications in its retail banking business, and strengthened the capacity of AI central platform to upgrade the whole bank's business model and deliver consistent user experience via multiple channels, and improved the management efficiency while consolidating the digital operation capability. As at the end of June 2020, the Bank had built an optimised mid-office operation and AI-enabled mid-office management platform, enabling the roll-out of 203 front-office scenarios and 159 mid-office functions, with many functions made available for external users.

In regard to AI customer services, an online agile customer service team was established. During COVID-19, EHOME (remote office from home) was quickly launched to help ensure the continuity and stability of customer



services through efficient remote, mobile and online service capabilities. At the end of June 2020, the unmanned AI customer service ratio was 88.5%, representing an increase of 2.4 percentage points from the end of the previous year.

In regard to AI marketing, the Bank continuously upgraded AI account managers and optimised human-machine cooperative service model based on its intelligent application platforms, taking the initiative to contact, serve and manage customers via AI-enabled outbound calls and online AI services. More than 112 scenarios have been rolled out. In the first half of 2020, the monthly average number of customers served by AI account managers increased by 365.1% over that of 2019 and the monthly transaction volume of AUM products was up 71.1% from 2019.

In regard to AI risk control, the Bank used technologies to drive comprehensive business innovation, upgraded AI risk control robots before, during and after loan origination to cover the full life circle of loans, thoroughly embedded in the risk management activities across credit cards, “Xinyidai”, auto finance loans and other products, so as to empower business upgrade and create a new model for risk control of retail business. In the first half of 2020, nearly 90% of the 4,175.3 thousand new credit cards issued were automatically screened by AI; SAFE, the uniform AI-empowered anti-fraud system for the retail business, was able to prevent RMB371 million assets from fraud attacks, up by 9.8% compared with the same period of last year.

In terms of the construction of intelligent operation in the first half of 2020, the Bank strived to build Smart Operation 3.0 with the ability to offer satisfying service experience, high efficiency and excellent cost-benefit results. By upgrading “Liuhua Branch Model 3.0”, the Bank promoted the business model of running both online and offline outlets, realised closed-loop OMO operation of outlets, and built different types of sample outlets and promoted them throughout the whole bank considering service scenarios and characteristics of customer groups; it was committed to providing customers with consistent OMO service experience via multiple channels by building a comprehensive customer service team and user experience management system; it created a salon platform and health care ecosystem to provide customers with more abundant socialised services and build outlets into community influence centres. Outstanding achievements have been made since the transformation of outlets, and the productivity of outlets has doubled.

#### **4. Contribution in comprehensive finance**

The Bank adopted a MGM model (Member-Get-a-Member) in developing its comprehensive financial business. In the first half of 2020, in response to the effect of COVID-19, the Bank vigorously advanced the innovation and upgrading of the online MGM operation model; the volume of SAT (social media + mobile applications + remote services/tele-services) sharing and forwarding increased by 651.5%; at the same time, the Bank actively organized customer salon promotions and adopted proven effective programs, and it had held a total of over 80,000 online

customer salons, with almost 1,301,000 participants. The overall business productivity achieved a fast recovery. Using the MGM model, the Bank attracted a net total of 932,700 new customers (excluding credit card users) in the first half of 2020, accounting for 20.1% of the overall new retail customers (excluding credit card users). Of which, the net increase of wealth customers was 44.40 thousand, accounting for 42.9% of all new wealth customers, and the net increase in the balance of assets under management (AUM) of retail customers was RMB130,641 million, accounting for 38.5% of the AUM balance of the all new retail customers; “Xinyidai” granted through the MGM model amounted to RMB29,719 million, accounting for 64.3% of all “Xinyidai” loans issued; auto finance loans granted through the MGM model amounted to RMB31,855 million, accounting for 33.1% of all auto finance loans issued; and the number of credit cards issued through the MGM model was almost 1,287.10 thousand, accounting for 30.8% of all newly issued cards.

In terms of asset quality of customers, the NPL ratio of customers acquired through the MGM model was lower than the overall level and the asset quality was superior to that of other customer groups. At the end of June 2020, the NPL ratio of the customer group of “Xinyidai” acquired through the MGM model was 1.10%, which was 0.74 percentage point lower than the overall NPL ratio of “Xinyidai”. The NPL ratio of the customer group of credit cards acquired through the MGM model was 2.13%, which was 0.22 percentage point lower than the overall NPL ratio of credit cards. The NPL ratio of the customer group of auto finance loans acquired through the MGM model was 1.89%, and due to relatively high proportion of automobile mortgage business under the MGM model, the NPL ratio of automobile mortgage business under the MGM model was 0.95 percentage point lower than that of the customer group of the similar business from other channels.

### **Specialised and strong corporate business**

In the first half of 2020, adhering to the customer-centric principles, the Bank established a business model of “AUM + LUM + operation platform” for corporate business and conducted specialised and strong corporate business. For corporate business, the Bank practised the “3+2+1” corporate business strategy, centring around the three business pillars of “industry banking, transaction banking and comprehensive finance”, focusing on the two core customer groups of “strategic customers and small and micro enterprises customers”, and held the lifeline of asset quality. In addition, assisted by technologies such as AI, block chain, and IoT in an extensive and comprehensive way, it fully supported the balanced development of the whole bank's business and the implementation of the retail transformation strategy.

In the first half of 2020, the asset and liability structure of the Bank's corporate business continued to improve. The balance of daily average corporate deposits amounted to RMB1,919,248 million, up 9.8% from the same period last year; the average cost rate of corporate deposits decreased by 14 basis points to 2.29% compared with

the average level of the same period last year. Meanwhile the income composition effectively improved. The net non-interest income of the Bank's corporate business (excluding treasury and interbank business) amounted to RMB6,632 million, representing an increase of 27.8% compared with the same period of last year, and the proportion of the net non-interest income of corporate business in the operating income of the Bank's corporate business increased by 6.1 percentage points compared with the same period of last year, mainly attributable to the combined contributions from comprehensive finance, forfeiting, bills discounting, bank acceptance and e-commerce.

## **1. “Three” business pillars**

### **(1) Industry banking**

With a vision to become “the pioneer of ecological banking, the vanguard of strategic customer operation and the forerunner of complex investment and financing”, the Bank's industry banking is committed to creating maximal value for and from its strategic customers.

Through industry banking, the Bank spares no effort in serving the real economy and promoting the investment of assets in key industries. At the end of June 2020, the proportion of the credit balance to customers from key industries, such as transportation infrastructure, real estates, medical and health care, electronics manufacturing and new energy, was 46.9%. The Bank's industry banking and investment banking were deeply integrated, and by focusing on customer demands and key industries and integrating internal and external resources, tailored comprehensive financial solutions for customers. In the first half of 2020, the Bank's bonds underwriting amounted to RMB207,646 million, with a year-on-year increase of 87.4%, and its market share maintained sustained growth; mergers and acquisitions amounted to RMB27,860 million, with a year-on-year increase of 124.1%. Meanwhile, during COVID-19, the Bank provided targeted anti-epidemic financial services in bond underwriting, wealth management direct financing and debt financing to customers to facilitate the control and prevention efforts in the fighting of the disease.

In the field of government finance, drawing on its “Finance + Technology” advantages, the Bank continued to promote the “Smart City” platform innovations by focusing on the financial, housing and judicial ecosystems and enhancing the comprehensive service capabilities, and provided comprehensive solutions for customers. In the first half of 2020, the Bank launched 82 new governmental financial platforms, bringing the total of such platforms amounting to 652. In addition, the Bank closely focused on major priority areas in the state policies, actively participated in the construction of major national projects, and formed a taskforce for each of the six initiatives, namely, "infrastructure, real estate, mixed ownership reform of central enterprises, deleveraging, listed company services, and mergers and acquisitions", giving full play to the product strategy advantage of "Commercial banking + Investment banking + Investments” to solve the diversified and complicated investment

and financing needs of corporate customers.

## **(2) Transaction banking**

### **Customer management platform**

The Bank is building a fully upgraded version of the Pocket Finance APP - "Digital Pocket". Starting with customers and scenarios, this new platform will realise data transmission and connection between scenarios through digital certification, digital scores and "1+N" account system, interconnect different customer rights and interests via digital scores to form an ecological operation centred on digital pocket accounts and provide one-stop integrated services for small, medium and micro enterprises and enterprise employees with a lightweight user system. At the end of June 2020, the number of registered enterprise customers of the Pocket Finance APP accumulated to 466,700, increasing by 29.7% compared with the end of last year while transactions in the first half of 2020 accumulated to 3,491,900, representing a year-on-year increase of 60.2%, and the accumulated transaction amount was RMB2.89 trillion, representing a year-on-year increase of 105.0%.

Based on the platform customers' needs for various scenarios, the Bank aimed to build a super API for outbound services, which will integrate treasury management, bills, new supply chain finance and other services into the entire production and operation process of an enterprise, and interconnect all components of the enterprise's digitized industrial chain, and create synergies from the integration "technology + ecology + channels" to support the development of the enterprises. At present, the Bank has successively delivered a number of standardized open API services in cash management, payment and settlement, and cross-border finance. At the end of June 2020, the Bank's open banking connected with 1,300 customers through APIs, SDK (Software Development Kit), H5, applets and other methods, collecting average daily customer deposits of RMB49 billion in the first half of the year, and connected with 7,428 enterprises through bank-enterprise direct connection, with average daily deposits of RMB327,754 million in the first half of the year.

### **Internet payment and settlement**

Focusing on the corporate business transformation strategy, the Bank actively expanded the Internet platform customers under the industrial Internet, consumer Internet and various segment business scenarios, and comprehensively upgraded "payment and settlement financial services through the platform mainly providing collection, management and payment" to "integrated services for Internet Platform + Business (corporate users)/Clients (individual users) on the platform", innovated the financial model of the platform supply chain through continuous in-depth exploration of scenario-based payment and settlement needs, and equipped platform merchants with digital certification and scores based on platform transaction data, so as to achieve the interconnection of the rights and interests of merchants and create a closed-loop ecology for the Bank's Internet service platform. In the first half of 2020, the Bank launched 2,119 million transactions relating to Internet

payment and settlement business to serve the enterprises on the platforms, representing an increase of 202.7% compared with the same period of last year; the amount of transactions accumulated to RMB3.30 trillion, representing a year-on-year increase of 88.6%.

### **New supply chain finance**

To reshape the Bank as a leading brand in supply chain finance, the Bank looked deep into the industrial chain, explored the financial needs of ecological customer group scenarios, and built new supply chain finance via online, model and automation services to effectively help with the difficulty and high cost in financing for SMEs. Meanwhile, the Bank upgraded the supply chain receivables cloud service platform - “Ping An Good Chain”, and optimised the complete business process of registration, approval and charge-off through technological means such as cloud computing, block chain and artificial intelligence, greatly improving the user experience. Through the connection with high quality platform scenarios, the Bank optimised the connection capability of the platform, created super API and achieved intelligent and digital operation of supply chain business. As at the end of June 2020, the Bank provided financial services for 525 core enterprises and their upstream suppliers in an accumulated way through the supply chain receivables cloud service platform, with the transaction volume accumulating to RMB23,941 million in the first half of the year, representing an increase of 38.9% on a year-on-year basis.

### **Cross-border finance**

Centring on the customer’s demands for global credit facilities and global asset and wealth management across currencies and scenarios, the Bank fully leveraged its advantages in five major cross-border financial service sectors, including onshore, offshore, free trade zone, NRAs (non-resident accounts), and overseas branches, 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”, and focused on the investment, financing and refinancing needs of Chinese-funded enterprises in their overseas operations, cross-border mergers and acquisitions, and privatisation, to provide enterprises with one-stop services of "investment banking and commercial banking integrating overseas and domestic branches, domestic and foreign currencies". At the same time, the Bank actively promoted digital and intelligent online operations, constantly improved the service capabilities of Global Transaction Banking (GTB), and supported enterprises' global layout and development with professional and effective cross-border financial services.

In the first half of 2020, the Bank actively responded to the state’s supportive policies, quickly built a fast-track channel to facilitate foreign exchange businesses in response to 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 funds overseas, so as to reduce financing costs for the real economy, and meet the financing needs

of enterprises during the fight against epidemic and the resumption of work and production. At the end of June 2020, the Bank's corporate deposits denominated in foreign currencies amounted to an equivalent of RMB233,913 million, up by 12.5% from the end of last year; corporate loans denominated in foreign currencies amounted to an equivalent of RMB180,396 million, up by 12.1% from the end of last year.

## **Bills**

The Bank implemented integrated management for bills, reshaped the business processes, improved the online capabilities, mode-based services and automation as part of its comprehensive upgrade of services, and launched more than ten innovative solutions, aiming to turn its bills business into "credit cards for corporate clients". By focusing on its "finance + technology" advantages, the Bank continuously optimised customer experience and consolidated the basic customer group of bills business to serve the real economy. During COVID-19, the Bank provided low-cost financing online to a large number of business enterprises to help them fight against COVID-19 and promote the resumption of work and production. In the first half of 2020, the Bank provided bill financing services for 6,664 business enterprises in total, and the bank acceptance notes discounting accumulated to RMB229,892 million, over 90% of which were completed online; the bills acceptance accumulated to RMB394,340 million.

### **(3) Comprehensive finance**

As an engine of the Group's comprehensive finance, the Bank aims to create ecological comprehensive expansion, explore the value of the Bank's corporate business channels, and become an ecological joint between the Group's internal and external resources. Cooperating with various professional companies within the Group, the Bank conducts upgrade in technology and builds platforms to promote the two-way linkage of AUM (assets under management of corporate customers) and LUM (liabilities under management of corporate customers), continuously strengthen the service capability of its comprehensive finance and assist in a rapid breakthrough of its business.

On the one hand, the Bank continues to expand its channels, explores the value of the Bank's corporate business channels, and makes use of the Group's advantages in licenses and technology resources to provide corporate customers with one-stop comprehensive financial solutions in an all-round manner; relying on the high-quality products and services from various specialised companies within the Group, it strives to achieve a leap-forward growth in the scale of premiums and investment and financing; depending on the Group's platforms and technological power, the Bank tries to realise a rapid growth in customers. On the other hand, the Bank increases its comprehensive income, deepens the management of comprehensive finance customers through its competitive products and operational services, deeply integrates innovative comprehensive finance products and its products and services, and carries out an industrialised, scenario-based and agile online transformation on assets, liabilities,

account system products and other comprehensive services, to promote sustainable and high-quality growth of corporate business.

In the first half of 2020, the premiums from banking insurance amounted to RMB1,896 million, with a year-on-year increase of 271.0%; the new investment and cooperation projects jointly implemented by the Bank and specialised companies within the Group amounted to RMB234,969 million, with a year-on-year increase of 153.8%; the annual average daily deposit of new group customers from deepening comprehensive financial services cooperation amounted to RMB126,756 million, up 112.5% over last year, among which the daily average demand deposits accounted for 60.9%; as at the end of June, the balance of deposits of new group customers from deepening comprehensive financial services cooperation amounted to RMB166,615 million, up 82.1% over the end of last year, among which the balance of demand deposits accounted for 65.8%.

## **2. “Two” core customer groups**

### **(1) Focusing on strategic customers**

The Bank leverages the product strategy of “Commercial bank + Investment bank + Investment”, draws the “customer graph, relationship graph and business graph”, so as to determine the comprehensive finance service plan of “one policy for one account” for the sake of strategic customers. With investment bank as a breakthrough, it provides all-round service for the strategic customers and their core subsidiaries and upstream and downstream customers through new supply chain finance and treasury management service, to achieve the improvement of AUM and LUM, as well as strengthen the ecosystem. At the end of June 2020, the balance of loans to strategic customers increased by 22.2% compared to the end of the previous year, and its share in corporate loans of the Bank increased 3.6 percentage points from the end of the previous year.

Focusing on the in-depth operation of strategic customers and putting strategic customers at the core, the Bank fully excavated the core subsidiaries, supply chain customers and overseas entities, drove customer development of "N" ecosystems by providing service to "1" strategic customer, helped the development of "N" products by developing "1" product, dug deeper into strategic customers and their ecosystems, and enlarged AUM and LUM of corporate customers, to achieve a comprehensive improvement in the number of customer group and customer value. As at the end of June, the balance of loans to strategic customers and their ecosystem increased by 32.2% compared to 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 small and micro enterprise customers around the upstream and downstream of the industrial chain; it enhanced the overall operation capabilities of private enterprises and small and micro enterprise customers

through business models of Digital Pocket and small enterprise digital finance, and continued to intensify support for private enterprises and small, medium 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 scenario data providers such as taxation, customs, government service platform, 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. During COVID-19, the Bank focused on new business opportunities and accelerated the digital operation. As customers gradually resumed work and production, the overall corporate business was steadily rising. The Bank quickly launched the "Small Business Digital Finance Work Resumption Loan Product Package", and realised 7 × 24 hours online management with the help of powerful big data credit reporting capability and risk control model.

The Bank also strictly followed regulatory deferring repayment policies and 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. The Bank offered special credit lines and favourable interest rate policies to local small and micro enterprises in Hubei, Jiangsu and Zhejiang, among areas most severely hit by COVID-19.

In the first half of 2020, the Bank's loans to small and micro enterprises with a credit facility of RMB10 million or less ("all-inclusive loans to small and micro enterprises") amounted to RMB114,874 million; at the end of June 2020, the number of accounts with all-inclusive loans to small and micro enterprises amounted to almost 682,500, and the balance of loans amounted to RMB237,111 million, with an increase of 7.73% from the end of the previous year, accounting for 9.5% of the balance of the Bank's loans.

### **3. "One" lifeline**

Asset quality is always the first lifeline to the corporate business. The Bank adhered to the prudent risk preference, continuously consolidated the collaboration between risks and businesses, strengthened the recovery and disposal of problematic assets, and ensured that the asset quality of corporate business could be controlled overall under the impact of COVID-19. At the end of June 2020, corporate NPL ratio was 1.76%, with a decrease of 0.53 percentage point from the end of prior year.



## **Steady and sound development of interbank capital business**

The Bank's interbank capital business took "promoting new growth and creating a new brand" as its development direction for the next three years, comprehensively promoted "3+2+1" business strategy, focused on three major business directions of "new transactions, new interbank and new asset management", and strengthened two core capabilities of "sales and transaction". Always being technology-driven, it built "one intelligent platform for capital system" so as to empower businesses. The Bank also actively responded to the challenges of the epidemic, stabilised its operations and maintained its development. In the first half of 2020, with market-leading electronic trading capabilities, the Bank continued to actively launch FICC (fixed income, currencies and commodities) market-making transaction business. At the same time, it continued to drive the establishment of the sales ecosystem for interbank institutions and the preparation of Ping An Wealth Management Co., Ltd. in a steady manner.

### **1. "Three" major business directions**

#### **(1) New transactions**

In the first half of 2020, the global market experienced unprecedented dramatic changes due to COVID-19, with nearly one third of the global bond market yield falling to 0% or even negative. In the period, PBOC unleashed liquidity into the market through reduction of interest rate and required reserve ratio. The bond yield in the market went upward as new bonds were issued to the market, and downward as market liquidity was further loosened. The market experienced great fluctuations. In face of the complex market environment and dramatic market changes, the Bank continued to improve the FICC business construction from multiple aspects and achieved a series of work results with the goal of "becoming the industry's top financial trading expert" set for its financial market business. First, the Bank enriched product types, optimised customer experience, strengthened research analysis, upgraded transaction technology and implemented real-time monitoring of risks in the context of the surge in market transactions and fluctuation so as to ensure stable and sound business operation. Second, the Bank provided enterprises with better quality FICC hedge trading services to become the main transaction service provider for enterprises to hedge risks in financial market, helping enterprises to mitigate interest rate and exchange rate risks and helping companies resume work. The Bank built a professional product development and service team to provide customers with hedging instruments covering interest rate and exchange rate category and overall structured solution so as to help companies actively respond to market fluctuation with leading transaction capabilities.

In the first half of 2020, the financial market business maintained a healthy growth and achieved a net transaction income of RMB4,634 million. The Bank continued to actively launch FICC (fixed income, currencies and commodities) market-making transaction business, among which the market shares of the volume of interest rate

swap, gold transaction and bond transaction reached 12.7%, 5.6% and 1.3% respectively; the Bank kept its leading role in the ranking of market-making of derivatives in the first half of 2020 published by China Foreign Exchange Trade System. The agency trading volume of interest rate swaps and foreign exchange derivatives was RMB58,841 million, representing a year-on-year increase of 20.4%.

## **(2) New interbank**

In terms of interbank business, the Bank aimed at “becoming the industry’s leading financial sales service provider”, created a mutually beneficial ecosystem with all stakeholders, and built sales new brand of interbank institutions. The Bank thoroughly implemented the “customer-centric” business philosophy by providing comprehensive solutions to customers with product/service portfolios and promoting the further development of customer group operations. First, the Bank comprehensively optimised the functions of “Hang-E-Tong” platform and achieved fast online transactions, batch orders and intelligent order splitting with efficient and quick operation. Second, the Bank built a scenario-based, ecological and online financial institution transaction platform, taking advantage of the Group’s comprehensive finance and technology empowerment, introduced the intelligent evaluation system of bonds and funds, and created an intuitive and quantifiable product evaluation model. At the same time, the Bank continued to make iterative upgrades of the profiles of interbank customers (financial institution customers) to be able to offer personalised products and provide investment and research resources to clients inside and outside of the Group. Third, the Bank created an institutional sales force, forged the strongest sales capabilities, and built a standardised marketing management system. Fourth, in terms of trusteeship business, the Bank adhered to the concept of “handling trusteeship among banks, dealing with the Group’s trusteeship, taking trusteeship as a service” and maintained the stable development of trusteeship business with the help of technology empowerment and service innovation.

At the end of June 2020, the Bank’s “Hang-E-Tong” had provided services for 2,258 customers. In the first half of 2020, the sales volume of interbank institutions numbered RMB400,989 million, representing a year-on-year increase of 72.5%.

## **(3) New asset management**

The Bank received the approval from CBIRC on the opening for business of Ping An Wealth Management Co., Ltd. (hereinafter “Ping An Wealth Management”) on 19 August 2020. While promoting the preparatory work of Ping An Wealth Management, the Bank has maintained the stable and sound development of asset management business, and achieved a series of work results in the first half of the year. First, it actively participated in epidemic control and prevention, 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. Second, the Bank obtained obvious

achievements in the transformation of wealth management products (WMPs), further enriched the product system, introduced hybrid products, and steadily and orderly promoted the pressure reduction of stock principal-guaranteed WMPs and old products. During the reporting period, the Bank outperformed its peers in terms of the scale of net-value-based products in compliance with requirements in new asset management regulations to the total wealth management product scale. The first hybrid "180-day intelligent value product" was released at the end of April 2020. Third, the Bank steadily promoted the construction of a comprehensive risk management system, set up risk preference, governance structure, risk policy, institutional system, management process and business system of wealth management business, and effectively enhanced the overall risk management capability of wealth management business to help maintain the stable and sound development of the business. Fourth, the Bank gradually improved scientific and technological system, took full advantage of the Group's scientific and technological coordination capabilities and independent research and development capabilities, launched new registration system, product management system in support of online operation process and the transformation of wealth management business, and built a big data platform to empower digital operations.

The Bank speeded up the development of non-principal guaranteed wealth management business. As at the end of June 2020, the balance of non-principal-guaranteed wealth management products (WMPs) was RMB665,280 million, increasing by 12.7% compared with the end of last year; the product structure was further improved, among which, net-value-based products in compliance with requirements in new asset management regulations amounted to RMB403,022 million, representing an increase of 56.7% over the end of previous year and its proportion to non-principal-guaranteed WMPs increased from 43.6% to 60.6%. The pressure-drop speed of principal-guaranteed WMPs accelerated synchronously. At the end of June 2020, the balance of principal-guaranteed WMPs amounted to RMB40,816 million, representing a decrease of 39.3% over the end of last year.

## **2. “Two” core capabilities**

The Bank improved capabilities of sales and transaction in regard 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, the Bank actively explored the development of a “ecological bank” to constantly optimise investment efficiency and expand customer group of investment categories and agent business of such capabilities for their integration with interbank, asset management and retail businesses, and conversion into offerings, 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 with “Tong-E-Jia” and deepened the application of customer and product portraits, and at the same time leveraged the Group’s advantages of comprehensive financial business in pursuit of deeper and wider sales penetration among institutional customers.

### **3. “One” intelligent treasury system platform**

The Bank continuously optimised the construction of smart treasury system platform to form “smart treasury system clusters” and vigorously promote the “digitised bank” transformation. First, the Bank conducted programmed transaction in reliance on smart trading system to make accurate pricing, efficient execution, and agile risk control more advantageous. Second, with more comprehensive functions of smart trading system, it supported more transaction types and markets and provided more efficient transaction processing capacity. Third, the Bank connected smart trading system with “Trading One” customer service system and linked it with retail Pocket Bank APP, corporate Pocket Finance APP and interbank “Hang-E-Tong” systems to provide one-stop online transaction service of derivatives covering interest rate category and exchange rate category to customers.

### **Outstanding results in being technology-driven**

The Bank adopted the strategic principle of “being technology-driven” as the driving force for strategic transformation, continued to increase investment in finance technology, optimised the development processes, improved delivery efficiency, enhanced its digital operations and online operations, and promoted the transformation to become a “digitised bank, ecological bank and platform-based bank”. At the end of June 2020, technical personnel of the Bank (including outsourced talents) numbered over 8,000, representing an increase of over 13% compared to the end of last year. In the first half of 2020, IT capital expenditures and costs experienced a year-on-year increase of 24.8%.

#### **1. Technology-empowered business development**

The Bank continued to deepen the integration of business and technology, and continuously improved delivery quality and speed. In the first half of 2020, it continuously promoted agile transformation. The number of business development demands of the Bank through technology increased by more than 30% year on year. It also accelerated the application and promotion of Starlink (development-operation-maintenance integration). More than 75% of the Bank's applications had achieved automated deployment capabilities through the Starlink platform with continuous improvement in R&D and delivery efficiency. It continuously strengthened the construction, application and promotion of S-SDLC (safe software development life cycle), and improved management and control capacities of Internet application security.

The Bank implemented and promoted several major projects as planned, including new core system for credit

cards, Ping An Good Chain, “Hang-E-Tong” system, intelligent risk control, intelligent finance, and a number of major business systems went live successfully one after another. Among them, Ping An Good Chain further improved the system functions such as intelligent risk control and intelligent charge-off in reliance on such new technologies as natural language processing (NLP), optical character recognition (OCR) and block chain. Intelligent risk control platform constantly upgraded six smart scenarios of intelligent approval, intelligent warning, intelligent loan issuance, intelligent control, intelligent monitoring and intelligent management to comprehensively improve the level of intelligent risk control. The foresight of intelligent early warning has been continuously improved, which of 90-day and 180-day early warning has increased to 91% and 86% respectively. Intelligent loan issuance had covered more than 60% of standardised loans to corporate customers. 80% of routine investigation reports could be non-manually generated through intelligent approval that AI empowers, and approval timeliness has been greatly improved. It created new intelligent trusteeship system by using AI technology and distributed structure. Ever since the rollout of the system in the first half of the year, there have been comprehensive improvements in operating speed, account security, automated operation, electronic contract and no dead-end monitoring. Intelligent finance effectively empowered decision making and sales management and built the intelligent operation platform and “Winner” into a smart marketing assistant for customer managers and an operational command system for management respectively through developing scenarios, improving efficiency and optimising the business process. In the first half of 2020, 430 scenarios and indicator cards were newly added, and the number of users exceeded 8,600, with monthly active customers amounting to 92%. In the first half of the year, the Bank had finished the construction of independent computer rooms and the development and deployment of IT system of the subsidiary Ping An Wealth Management to provide reliable technical support for subsequent business operations. Hong Kong Branch continuously optimised major business system and gave strong support to the development of overseas business.

## **2. Establishing leading technological platforms**

The Bank accelerated technological transformation, built leading infrastructures and platforms, constantly improved technical products and optimised solutions. First, it continuously drove transformation to cloud computing and distributed structure. At the end of June 2020, the Bank’s proportion of applications on the cloud reached over 40%. The micro service development framework has been applied to over 200 projects on the distributed finance PaaS platform, effectively supporting the development of key business system such as new core system for credit cards, Ping An Good Chain, enhancing the expandability, flexibility and security stability of the Bank’s system and reducing development-operation-maintenance costs. Second, the Bank upgraded open banking technology platform. At the end of June 2020, it had released a total of 1,051 application programming interface (API) services of 142 categories. Third, the Bank built an IoT middle platform “Nebula-IoT” to proactively promote the applications in Internet of Vehicles (IoV), Industrial Internet, warehousing and logistics,

AI-enabled manufacturing, and New Retail, among other scenarios. At the end of June 2020, the platform had been connected to the industrial equipment hand-loop data of SMEs to help them with credit checking and credit enhancement. Fourth, the Bank achieved operation and maintenance automation level of 92.85% by deploying tools and platforms, with the automated testing coverage reaching 62.76%.

### **3. Accelerating digital transformation**

First, the Bank improved digital operation capabilities. For data middle platform, it accelerated the construction of data service platform and strengthened five basic databases of products, customers, knowledge, staff and cases. In the first half of 2020, it established more than 1,000 operating analysis indicators, optimised more than 7,000 labels, and strengthened data service capability in the fields of customer portrait, provision for tailored services for different customers and customer operating analysis. For AI platform, it has established a one-stop machine learning platform to realise the automation of the whole process from modelling to publishing with more than 600 online model services. For data governance, the Bank strengthened the data governance capability of its full life cycle through building a data management platform and unifying data index standards. In the first half of 2020, the Bank formulated over 600 basic data standards and nearly 500 indicator standards.

Second, the Bank improved online operation capabilities. After the breakout of COVID-19, the Bank accelerated online transformation and omni-channel layout by taking advantage of technology empowerment. For external services, the Pocket Bank APP created an online comprehensive service platform for “Banking at Home” and “World View” to provide online financial products and easily accessible services to customers, built Internet marketing channel such as audio, short video and live-broadcasting platform, and conducted contactless services through smart customer service, robo-advice, online clinic, etc. Pocket Finance APP launched “Ping An Salary” integrated service platform to provide all financial and employee management services for SMEs. “AI Quick-build Station”, an intelligent online operation platform, helped users to quickly build personalised marketing pages through H5 technology. In the first half of 2020, it launched more than 3,000 activities with more than 640 million views, facilitating more than 7 million financial transaction orders. For internal operation, the Bank effectively guaranteed normal operation of all businesses with various mobile APPs, telecommuting systems and teleworking systems. Customer managers delivered services and carried out marketing activities by mobile APPs like “Pocket Banker” and “Winner”. Over 30,000 employees worked from home through cloud desktop, mobile office APP (Happy Ping An) and so on.

### **4. Deepening innovation and application of financial technologies**

Relying on the core technology and resources of Ping An Group, the Bank accelerated the integration of banking scenarios and new technologies such as AI, big data and block chain so as to improve its capabilities of customer marketing, operation management and risk control. For AI Bank, technologies like Natural Language Processing

(NLP), Optical Character Recognition (OCR) and biological recognition has been extensively applied to retail banking to support business development. Credit card intelligent voice platform supported nearly 12 million monthly callings, equivalent to the workload of about 3,000 manual service agents. The Bank also created smart product middle platform with the features of smart, modular and unified data for its corporate banking. The cycle of new product development and launch was reduced by nearly 50%, saving 25% of labour costs on the average. For big data, it upgraded the customer journey platform to improve precision marketing service capabilities. After the platform was launched, the conversion rate of purchasing financial products such as “Growing Everyday C” was increased by 60%; the credit models of small enterprises achieved full-process automated approval, reducing the average period of loan granting from 7.8 days to 2.2 days. For block chain, the number of transactions in businesses where block chain has been applied, such as supply chain finance, bankruptcy liquidation voting, cloud signing certificate and traceability, exceeded 490,000. The Bank also cooperated with Local Taxation Bureau to build industrial tax alliance chain to support one-stop online tax handling by reducing tax handling costs and mitigating trade financing risks for companies.

In addition, the Bank set up a digital currency research group to study the technical principles and application scenarios of digital currency, and to foster a culture of scientific and technological innovation and encourage all staff to innovate by holding innovation competitions, technology salons, intellectual property training and other activities. According to the "Global Bank Invention Patent Ranking 2019" jointly released by IPRdaily and incoPat, two media companies focusing on the intellectual property industry, the Bank ranked 8th in the number of invention patent applications among global banks.

## **VII. Matters relating to the financial report**

### **1. Reason for changes in accounting policies, accounting estimates and accounting methods as compared with those in the financial report for the prior accounting period**

Applicable    Not applicable

### **2. Reason for retrospective restatement to correct significant accounting errors during the reporting period**

Applicable    Not applicable

There was no retrospective restatement to correct significant accounting errors during the reporting period.

### **3. Reason for changes in the scope of consolidated financial statements as compared with that of the financial report for the prior accounting period**

Applicable    Not applicable

There were no changes in the scope of consolidated financial statements during the reporting period.

The Board of Ping An Bank Co., Ltd.

28 August 2020