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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 Third Quarterly Report of Ping An Bank”, which is published by Ping An Insurance (Group) Company of China, Ltd. on the website of the Shanghai Stock Exchange, is reproduced herein for your reference.

By order of the Board
Sheng Ruisheng
Joint Company Secretary

Shenzhen, PRC, October 21, 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 THIRD QUARTERLY REPORT OF
PING AN BANK**

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

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

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

The Board of Directors
Ping An Insurance (Group) Company of China, Ltd.
October 21, 2020

PING AN BANK CO., LTD.

2020 Third Quarterly Report

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

22 October 2020

Section I Important Notes

1. The Board of Directors (hereinafter referred to as the “Board”), the supervisory committee, the directors, the supervisors and senior management of the Bank guarantee the authenticity, accuracy and completeness of the contents of this Report, in which there are no false representations, misleading statements or material omissions, and are severally and jointly liable for its contents.
2. The 13th meeting of the 11th session of the Board of the Bank deliberated the 2020 Third Quarterly Report (the “Quarterly Report”). The meeting required 15 directors to attend, and 15 directors attended the meeting. The Quarterly Report was approved unanimously at the meeting.
3. 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 Third Quarterly Report.
4. Reminder on non-standard audit opinions
Applicable Not applicable
This quarterly consolidated and company financial statements were not audited.
5. “The Group” in this Report refers to Ping An Bank Co., Ltd. and its wholly-owned subsidiary Ping An Wealth Management Co., Ltd.; “Ping An Bank” and “the Bank” refer to Ping An Bank Co., Ltd.; “Ping An Wealth Management” refers to Ping An Wealth Management Co., Ltd.; and “Ping An Group” refers to Ping An Insurance (Group) Company Of China, Ltd.

Section II General Information

The Bank's wholly-owned subsidiary Ping An Wealth Management officially opened for business on 28 August 2020. Starting from the current period, the Bank prepares the consolidated and company financial statements simultaneously in accordance with *Accounting Standards for Business Enterprises*. Unless otherwise stated, data and indicators shown in the Quarterly Report are reported on the Group's basis, covering both Ping An Bank and its wholly-owned subsidiary Ping An Wealth Management.

2.1 Key accounting data and financial indicators of the Group

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

Yes No

(In RMB million)

Item	30 September 2020	31 December 2019	Change at the end of the reporting period from the end of last year
Total assets	4,346,921	3,939,070	10.4%
Shareholders' equity	358,771	312,983	14.6%
Shareholders' equity attributable to ordinary shareholders of the Bank	288,827	273,035	5.8%
Share capital	19,406	19,406	-
Net asset per share attributable to ordinary shareholders of the Bank (RMB/share)	14.88	14.07	5.8%

Item	Jul. - Sep. 2020	Year-on-year change	Jan. - Sept. 2020	Year-on-year change
Operating income	38,236	8.8%	116,564	13.2%
Net profit attributable to shareholders of the Bank	8,720	6.1%	22,398	(5.2%)
Net profit attributable to shareholders of the Bank after non-recurring gains/losses	8,730	6.3%	22,316	(5.1%)
Net cash flows from operating activities	N/A	N/A	30,698	(63.7%)
Net cash flows from operating activities per share (RMB/share)	N/A	N/A	1.58	(63.7%)
Basic/Diluted earnings per share (EPS) (RMB/share)	0.45	(4.3%)	1.11	(15.9%)
Basic/Diluted EPS after non-recurring gains/losses (RMB/share)	0.45	(4.3%)	1.10	(16.7%)
Average return on total assets (un-annualised)	0.20%	-0.03 percentage point	0.54%	-0.12 percentage point
Average return on total assets (annualised)	0.82%	-0.08 percentage point	0.72%	-0.16 percentage point
Weighted average return on net assets (un-annualised)	3.05%	-0.34 percentage point	7.63%	-2.08 percentage points
Weighted average return on net assets (annualised)	11.67%	-1.18 percentage points	10.17%	-2.47 percentage points
Weighted average return on net assets (net of non-recurring gains/losses) (un-annualised)	3.05%	-0.34 percentage point	7.61%	-2.06 percentage points
Weighted average return on net assets (net of non-recurring gains/losses) (annualised)	11.68%	-1.16 percentage points	10.13%	-2.46 percentage points

Note: The return on net assets and EPS indicators 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*. 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.

(In RMB million)

Item	30 September 2020	31 December 2019	31 December 2018	Change at the end of the reporting period from the end of last year
Deposits due to customers	2,549,845	2,436,935	2,128,557	4.6%
Including: Corporate deposits	1,894,825	1,853,262	1,666,966	2.2%
Personal deposits	655,020	583,673	461,591	12.2%
Total loans and advances to customers	2,585,004	2,323,205	1,997,529	11.3%
Including: Corporate loans	1,085,743	965,984	843,516	12.4%
General corporate loans	947,384	871,081	801,814	8.8%
Discounted bills	138,359	94,903	41,702	45.8%
Personal loans	1,499,261	1,357,221	1,154,013	10.5%

Note: Pursuant to the *Circular on Revising and Issuing 2018 Versions of Financial Statement Templates for Financial Enterprises* (Cai Kuai [2018] No. 36), interests accrued using 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 Quarterly Report are all amounts net of interests.

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

Total share capital of the Bank as at the trading day prior to disclosure (in shares)	19,405,918,198
Dividends paid for preference shares (RMB)	874,000,000
Fully diluted EPS calculated based on the latest share capital (RMB/share, cumulative for the period from January to September)	1.11

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

Yes No

Non-recurring items and amounts

Applicable Not applicable

(In RMB million)

Item	Jan. - Sept. 2020
Net gains or losses on disposal of non-current assets	72
Gains/losses on contingencies	(1)
Others	35
Income tax effect	(24)
Total	82

Note: The non-recurring gains/losses are calculated in accordance with the definitions in the *Explanatory Announcement on Information Disclosure by Companies Offering Securities to the Public No. 1 – Non-recurring Gains/Losses* issued by China Securities Regulatory Commission (“CSRC”). During the reporting period, the recurring gains/losses included no non-recurring gains/losses as defined/stated pursuant to the *Explanatory Announcement on Information Disclosure by Companies Offering Securities to the Public No. 1 – Non-recurring Gains/Losses*.

2.2 Regulatory indicators and financial ratios

(Unit: %)

Item	Benchmark	30 September 2020	31 December 2019	31 December 2018
Capital adequacy ratio	≥10.5	13.86	13.22	11.50
Tier 1 capital adequacy ratio	≥8.5	11.29	10.54	9.39
Core tier 1 capital adequacy ratio	≥7.5	8.94	9.11	8.54
Non-performing loan (NPL) ratio	≤5	1.32	1.65	1.75

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Provision coverage ratio	≥120 (Note 2)	218.29	183.12	155.24
Provision to loan ratio	≥1.5 (Note 2)	2.87	3.01	2.71
Cost/income ratio (from the beginning of the year to the end of the period)	N/A	27.53	29.61	30.32
Deposit-loan spread (from the beginning of the year to the end of the period, annualised/un-annualised)	N/A	3.89/2.92	4.12	3.98
Net interest spread (from the beginning of the year to the end of the period, annualised/un-annualised)	N/A	2.45/1.83	2.53	2.26
Net interest margin (from the beginning of the year to the end of the period, annualised/un-annualised)	N/A	2.56/1.92	2.62	2.35

Note 1: Regulatory indicators above are calculated on the Group's basis in accordance with regulatory requirements.

Note 2: In accordance with the provisions of the *Circular on Adjusting the Regulatory Requirements for Loss Provisions for Loans of Commercial Banks* (Yin Jian Fa [2018] No. 7), various joint-stock banks have implemented policies for provisioning on a differentiated and dynamically adjusted basis.

2.3. Management discussion and analysis

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”. 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. In 2020, the first year in implementing the Bank's new three-year strategy, the Bank has been making dedicated efforts in laying the groundwork for a tech-driven future and facilitating the development of tech-empowered financial capabilities, as well as striving to achieve its branding goals as a “digital bank, ecological bank and platform-based bank”, while optimising its assets and liabilities structure and consolidating the foundation for transformation and upgrade to deliver not only a flying start, but also drive the sustained strong progress of its strategic transformation.

In the face of the unexpected Novel Coronavirus pandemic (“COVID-19”) and the complicated and grave international situation in 2020, the Chinese government has successively issued a series of policies from January to September to prevent and control the epidemic and facilitate economic and social development. Under the resolute leadership of the CPC Central Committee and the State Council, all people in the nation have been united in the fight against the epidemic, and through collective and arduous efforts of the Chinese people, China has effectively overcome the adverse effects of the epidemic, achieved steady recovery of its economy, and strengthened the potentials for its future development.

By adopting a two-prong approach in combining the “fight against COVID-19” and efforts to “drive strategic transformation” in line with the strategic decisions and arrangements of the CPC Central Committee and the State Council, the Bank continued to strengthen its financial risk control and prevention and comprehensively promote its digital and online operations, and achieved rapid business recovery and maintained overall stability of its operations. At the same time, the Bank made its due contributions to promote the nation's economic recovery, including all-out support for promoting the “stability on the six fronts” (namely employment, the financial sector, foreign trade, foreign investment, domestic investment, and expectations) and “security in the six areas” (namely 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), increased assistance to private enterprises and small and micro enterprises, and continued to facilitate the capability and service upgrades of manufacturing and technology enterprises.

2.3.1 Stable and solid operations

Stable growth of operating income. From January to September 2020, the Group recorded operating income of RMB116,564 million, representing a year-on-year increase of 13.2%; the operating profit before impairment losses was RMB83,313 million, up by 16.2% 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 Group increased its provisioning and strengthened the write-off and disposal of non-performing assets, and the increased provision coverage ratio resulted in a year-on-year decrease of 5.2% in net profit to RMB22,398 million. However, the decrease has improved from the first half of the year.

Continuous optimisation of liability costs. From January to September 2020, the Group's NIM decreased by 6 basis points to 2.56% from the same period last year; the average cost was down by 33 basis points to 2.34%, as compared with the same period last year, and the average cost of deposits due to customers was 2.27%, down by 21 basis points compared with the same period last year.

Solid growth of non-interest income. From January to September 2020, the Group recorded net non-interest income of RMB41,410 million, representing an increase of 12.9% compared with that of the same period last year, mainly due to the increase in commission income from agency sales of funds and trust plans to personal clients, as well as commission income from traditional corporate business.

Steady growth in the scale of assets and liabilities. As at the end of September 2020, the Group's total assets amounted to RMB4,346,921 million, up 10.4% over the end of last year, including total loans and advances to customers of RMB2,585,004 million, up by 11.3% as compared with the end of last year. Total liabilities were RMB3,988,150 million, an increase of 10.0% over the end of the previous year, including total deposits due to customers of RMB2,549,845 million, up 4.6% over the end of the previous year.

Stronger capital base. From January to September 2020, the Group completed the issuance of RMB30 billion perpetual capital bonds, which effectively supplemented its other tier 1 capital. At the end of September 2020, the capital adequacy ratio of the Group increased to 13.86%, up by 0.64 percentage point from the end of the previous year.

Well-planned outlet building. The Bank continued to build its intelligent outlets and improve the distribution of its outlets. At the end of September 2020, the Bank had 99 branches (including Hong Kong Branch) and a total of 1,078 business outlets.

2.3.2 Risks to asset quality well under control

From January to September 2020, COVID-19 had a huge impact in slowing down the domestic economic growth, and exerted considerable pressures on enterprises and individuals in their repayment capabilities, creating new challenges to the Bank's asset quality management and control. In addition to providing full support to the epidemic control and prevention efforts and maintaining the stability of the financial market, the Bank offered differentiated emergency financial service solutions to help the distressed enterprises and individuals weather the difficult time. At the same time, it kept on adjusting and optimising its business structure to effectively support the development of small, medium and micro enterprises and private enterprises, and increased the write-off, recovery and disposal of non-performing assets. As a result, the overall risk position has been well managed to maintain good asset quality.

At the end of September 2020, the overdue loans of the Group accounted for 1.77% of total loans, down by 0.51 percentage point and 0.32 percentage point over the end of June and the end of previous year, respectively; loans overdue for more than 60 days accounted for 1.27%, down by 0.28 percentage point and 0.31 percentage point over the end of June and the end of previous year; loans overdue for more than 90 days accounted for 1.10%, down by 0.23 percentage point and 0.25 percentage point over the end of June and the end of previous year; the NPL ratio was 1.32%, down by 0.33 percentage point over the end of June and the end of previous year; special mention loans accounted for 1.59%, down by 0.27 percentage point and 0.42 percentage point over the end of June and the end of previous year; and the deviation ratio of loans overdue for more than 60 days and 90 days was below 1.

Considering the significant uncertainties associated with the impact of COVID-19 on the national economy and the Bank's asset quality in 2020 through January to September, the Bank took the initiative to increase impairment loss provisioning and asset disposal, covering not only loans and advances to customers, but also non-credit assets.

From January to September 2020, the provision for impairment losses on credit and other assets amounted to RMB54,390 million, up by 32.7% on a year-on-year basis, including RMB37,400 million of provision for credit impairment losses on loans and advances to customers. At the end of September 2020, the balance of provision for impairment of loans reached RMB74,313 million, with an increase of 6.1% over the end of last year; the provision coverage ratio was 218.29%, up 3.36 percentage points and 35.17 percentage points over the end of June and the end of previous year, respectively; the provision coverage ratio of loans overdue for more than 60 days was 226.29%, down 2.15 percentage points over the end of June, and up 35.95 percentage points over the end of last year; the provision coverage ratio of loans overdue for more than 90 days was 260.81%, down 6.20

percentage points over the end of June and up 37.92 percentage points over the end of last year. The risk compensation capability of the Group continued to remain robust.

For the nine months from January to September 2020, the cumulative write-off of loans amounted to RMB40,402 million; the Bank recovered a total of RMB17,282 million non-performing assets, including credit assets of RMB16,159 million (in loan principals); recovered principals included RMB9,141 million for loans already written off and RMB7,018 million for non-performing loans yet to be written off; 97.1% of this amount was recovered in cash, with the rest in collateral and other forms.

Facing the current complex situation both at home and abroad, as well as uncertainties arising from COVID-19, the Bank will redouble its management and control efforts, further intensify the disposal of and provisioning for non-performing assets, and further improve its risk compensation capability to minimise the impact of the pandemic.

2.3.3 Transformation and upgrade of retail business

From January to September 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 “digitalised 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; for its asset business, it optimised the pricing of business loans to support the financing demands of small and micro enterprises, and increased the origination of low-risk credit loans, including title deed-secured loans and unsecured loans for high-quality customers, as it continued to optimise the business structure and customer base structure.

Despite the impact of COVID-19, 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 the swift implementation of the DOCE strategies, the Bank has been effective in meeting the financial needs of its customers at large during the 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.

1. “Three” business segments

(1) Basic retail

The Bank continued to focus on its basic retail customers. By strengthening customer acquisition through multiple channels and expanding business presence in all scenarios, the Bank consistently pursued the technology-empowered and big data-driven business strategy to promote customer acquisition, engagement as well as overall productivity. Firstly, the Bank actively promoted the integration of basic retail, increased the penetration ratio of debit cards and credit cards for the basic customer base, broadened its reach into the customer base of its partnering merchants through credit cards to provide the comprehensive service experience combining great value for money and wealth appreciation. Secondly, the Bank focused on the operation of key customer groups and further refined its customer engagement and development, including the launch of co-branded debit cards in partnership with Bilibili to young customers, for example, offering rich card use options and trendy contents designed fuse with the social needs and to the increasing appreciation of the young people. Thirdly, the Bank actively explored the integration of AI (artificial intelligence), remote webcasting and offline team empowerment, and upgraded the tiered customer management model, as it continued to improve customer experience and operational efficiency. At the end of September 2020, the balance of assets under management (AUM) of retail customers of the Bank amounted to RMB2,488,171 million, representing an increase of 25.5% over the end of the previous year; the number of retail customers accumulated to 103,643,400, representing an increase of 6.8% over the end of the previous year and the number of registered customers of Ping An Pocket Bank APP accumulated to 107,967,600, representing an increase of 20.7% over the end of the previous year; and the number of monthly active users (MAU) was almost 32,471,500. In the third quarter, the Bank focused on increasing offerings relating to people's daily needs on Ping An Pocket Bank APP, introduced supermarket chain merchants, and launched pocket supermarket channel. At the same time, the Bank actively cooperated with top Internet companies to introduce external high-frequency life scenario service. At the end of

September 2020, the number of monthly active users (MAU) of living scenario of Ping An Pocket Bank APP exceeded 11.1 million, up by 38.1% over the end of the previous year.

With respect to deposits, the Bank continued to expand its AUM portfolio to increase deposits from assets under management, and improve the retained customer deposits by binding credit cards or other repayment accounts. At the same time, the Bank continued to grow its batch processing businesses, including agency issues and card acquiring services, to expand the demand deposit base, drive down the cost of deposits and the deposit structure gained constant optimisation. At the end of September 2020, the balances of personal deposits and personal demand deposits amounted to RMB655,020 million and RMB217,123 million respectively, up 12.2% and 8.6% over the end of the previous year respectively. From January to September 2020, the daily average personal deposits and personal demand deposits were RMB613,124 million and RMB204,037 million, up 21.9% and 22.5% from the same period last year respectively, while the average cost of personal deposits decreased by 21 basis points to 2.44% compared with the average level of the same period last year.

With respect to the sales of key products, the Bank actively seized the opportunities arising from the capital market reforms, directed keen attention to the building of its sales capability for fund products, and delivered notable growth in the sales of fund products by focusing on promoting the brand of its “Ping An Preference” funds and strengthening online operations and technological solutions. From January to September 2020, the agency sales of non-monetary public funds amounted to RMB129,393 million, representing a year-on-year increase of 197.9%.

With respect to customer services, the Bank strived to build a one-stop customer service experience system. By creating a “1 + N” (1 comprehensive customer service team plus N expert teams) on-premise and mobile customer service model, it upgraded and bridged end-to-end customer services across service channels and continuously applied high-tech solutions to promote standardized and comprehensive one-stop online consulting services. In September 2020, the Bank’s customer services obtained a Net Promoter Score¹ (NPS) of over 80%, while the physical outlets reported an NPS of over 90%.

(2) Private banking and wealth management

At the end of September 2020, the Bank’s wealth management customers accumulated to 922,500, representing an increase of 18.4% over the end of last year; the Bank’s qualified private banking customers² increased to 55,300, up 26.3% over the end of last year, driving the size of their AUM to RMB1,049,494 million, up 43.0% over the end of last year.

From January to September 2020, the Bank comprehensively enhanced its level of competence in private banking and wealth management in the three major areas, namely business integration, professionalism and technological applications.

With respect to business integration, the Bank developed multiple channels to contact private banking customers to improve the engagement of high-quality customers in the whole life cycle of products before, during and after the sales. Centring on meeting the diversified demands of private banking customers, the Bank continued to strengthen the construction of an open-ended product platform for all products and constantly improved its product system, so as to satisfy the needs of private banking customers for asset allocation at home and abroad. Efforts in driving business innovations led to the first RMB100 million+ contract for family office service in the current year, launching of offshore family trust services for high net-worth customers, the first contract for customised premium trusts and the first batch of special anti-epidemic charitable trusts. Moreover, aiming at high net-worth customers, as well as directors and supervisors of listed companies, the Bank employed the family office model to conduct pilot operations for customized one-stop comprehensive services.

With respect to professionalism, the Bank kept on building its professional teams specialising in investment research and analyses, investment advisory and family office services, set up an asset allocation steering committee, focused on the use of asset allocation tools, so as to expand its services for private banking customers and improve their service experience. By adopting an advisory-based approach, and upgrading the wealth

¹ NPS = (Number of Promoters - Number of Detractors) / Total Number of the Sample Population X 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.

² The criterion for a qualified private banking customer requires a daily average balance of assets of over RMB6 million in any one of the past three months.

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 customers with a comprehensive and personalised asset allocation solution. Being customer-centred, the Bank further upgraded the customer rights and interests system, launched “The Voice of Wealth”, “Ping An Think Tank”, “Ping An Views” and other private banking programs in the Pocket Bank APP, so as to provide customers with professional, convenient and high-quality investment information services, and strengthen its private banking brand and value proposition by gathering the opinions of internal and external experts.

With respect to technological applications, 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 a new AI-enabled intelligent and efficient wealth management service experience. 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. From January to September 2020, the replacement rate³ of AI webcasting reached as high as nearly 80.0%. Meanwhile, the launch of intelligent business development platform transformed the traditional “product sales” to “investment advisory services”, enabling business teams to more efficiently engage and serve their customers.

(3) Consumer finance

At the end of September 2020, the Bank’s balance of personal loans was RMB1,499,261 million, up 10.5% over the end of last year. The Bank kept on reinforcing the online presence and functionalities 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. On the whole, the personal loan business delivered solid growth while the business structure and customer base structure continued to improve.

Credit cards

At the end of September 2020, the number of the Bank’s credit cards in circulation increased to 63,067,100, up 4.5% from the end of last year; the balance of credit card loans was RMB528,084 million, up 3.0% from the end of June and returning to 97.7% of that at the end of last year; from January to September 2020, the volume of transactions using credit cards amounted to RMB2,521,219 million with a year-on-year increase of 2.7%, including a third-quarter increase of 10.1% over the second quarter; the transaction volume of Credit Card Mall gained a year-on-year increase of 12.8%.

From January to September 2020, drawing on its fintech advantages, the Bank continued to create the ultimate “fast, easy and good” service experience. Attaching equal importance to the acquisition of new customers and the management of existing customers, the Bank also deepened scenario-based customer acquisitions, precision marketing, intelligent services to improve refined business practices by taking full advantage of its technological capabilities. Major measures include:

Firstly, the Bank continued to diversify its product offerings and drive the ecological development around key customers. Furthermore, the Bank forged broad strategic alliances with partners and deepened crossover integration with enterprises in various sub-sectors. For car owners, the Bank offered trump services such as “12 percent discount on gasoline prices”, “car washing at RMB8.8”, and “designated driver services for free” to strengthen its car owner card brand. Furthermore, abundant car-related scenarios were designed and more than one million cards were issued. For business travellers, the Bank joined force with American Express to issue the co-branded “American Express Red Card” and “American Express Safari Card”, to effectively improve the card owners’ the international business travel experience.

Secondly, the Bank improved its online capabilities to improve digitized customer acquisition and operation in an all-around way. The Bank kept improving its big data-based precision marketing capability. In addition, the consumption scenarios were continuously expanded to drive the transaction scale and structural optimisation. The launch of the marketing campaign in July of “Looking for Dilraba in the whole city for a share of RMB800 million gifts” has attracted more than 4.4 million Ping An card users, and enabled the Bank to share the marketing success with more than 100,000 merchants in this cross-industry innovative marketing undertaking. In

³ 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 meantime, the Bank continuously deepened the comprehensive customer management, and the use of the big data technology enabled the Bank to accurately promote various kinds of banking products and services to its credit card users, delivering better customer service experience and comprehensive value.

Thirdly, the Bank doubled investments and efforts in technological innovations to continuously drive its business development and services. Four kinds of high-end rights, including “worry-free card use, exclusive services, privilege upgrade, and priority treatment”, and more than 50 differentiated services were offered to high-end customers, as part of the Bank’s efforts to build a high-end service credit card brand distinguished by its high quality, high value and high reputation. Meanwhile, 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 20 million monthly intelligent voice calls, equivalent to the workload of about 5,100 service agents.

“Xinyidai”

From January to September 2020, new “Xinyidai” loans of the Bank amounted to RMB71,779 million and kept increasing steadily, including a third-quarter total of RMB25,562 million, up 8.5% compared to last quarter, and an ending balance of RMB142,441 million at the end of September 2020. In line with the relevant principles of the new regulations on Internet loans, the Bank developed and launched “Xinyidai Kuaidai”, a fully online product. The Bank comprehensively optimised and improved the target areas, target customer groups, business processes and loan terms and amounts, and focusing on small amounts and short terms, further improved the timeliness of “Xinyidai” to deliver better customer experience and improve the quality of the customer base. Focusing on customer needs, the Bank further enriched consumer finance service scenarios and improved the “Xinyidai” product categories by taking advantage of the favourable policies of the new regulations. It also continued to expand its high-quality customer base and increase lending support to the real economy, especially small and micro enterprises who were inclusive financing targets.

Personal residential mortgage loans and title deed-secured loans

From January to September 2020, the Bank provided a total of RMB184,436 million new personal residential mortgage loans and title deed-secured loans, with a year-on-year increase of 37.7%; at the end of September 2020, the balance of personal residential mortgage loans and title deed-secured loans amounted to RMB490,814 million, up by 19.4% from the end of last year; among them, the property mortgage loan balance amounted to RMB231,869 million, representing an increase of 16.3% over the end of last year. Through active implementation of the regulatory requirements on serving real economy and excellent practice of policy guidance on supporting the financing needs of small and micro enterprises, the Bank, provided high-quality customers possessing high-quality real estates with differentiated loan services for further reducing customer financing costs. Due to continuous optimisation of business processes and improvement of the online and intelligent level of business processes by taking full advantage of the Internet technology, the offline business steps were further simplified, handling timeliness and customer experience was improved while the operation cost was optimised.

Auto finance loans

From January to September 2020, the Bank’s new auto finance loans amounted to RMB158,312 million, with a year-on-year increase of 46.8%; at the end of September 2020, the balance of auto finance loans was RMB224,896 million, with an increase of 25.5% from the end of last year. The Bank deeply implemented its BOCE strategies and the auto ecosystem strategy, and constantly improved customer experience and service efficiency. Firstly, the Bank boosted production capacity through digitisation, including integration of car owner datamarts, data empowered service teams and management, precision investments and the optimisation of return on investments; secondly, 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; thirdly, 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 September 2020, the NPL ratio of the Bank's personal loans was 1.32%, up 0.13 percentage point from the end of last year while down 0.24 percentage point from the end of June. 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. The Bank remained steadfast in maintaining customer-centred operations. Actively responding to the national call, it offered small and micro enterprise owners and individual business owners with caring services such as deferred repayment options, exemption or reduction of interests and loan renewal without principal repayment to minimise the impact of the epidemic on its retail customers in all aspects. In the meantime, the Bank launched a brand new intelligent pricing strategy through accurate customer profiling and risk data analysis, which could provide more beneficial loan pricing to high-quality customers and small and micro enterprise customers so that the real economy could enjoy better services and the financing costs of small and micro enterprise owners could be reduced.

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 overdue rate of new retail loans gained gradual decrease and approximately approached the pre-epidemic level by the third quarter. 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. Since August, the monthly new non-performing retail loans had shown a downward trend, and the NPL ratio of main products had reached the inflection points. The Bank expects that the employment and consumption of residents will gradually recover with the improvement in the macro economy, 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.

(2) Cost control

From January to September 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 resource allocation 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 focused on increasing productivity and reducing costs to improve the cost/benefit ratio. The measures mainly included: sticking to optimisation of network layout and creating light and intelligent outlets to increase average profitability per outlet; 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.

From January to September 2020, the productivity and efficiency of the Bank's wealth management business were significantly improved. The Bank's AUM operating income per retail outlet accumulated to RMB11,108.5 thousand, increasing by 44.0% year on year. The cost/income ratio of the retail business declined by 2.15 percentage points as compared with that in the same period of 2019.

3. "One" ecosystem

Actively accelerating the construction of open retail banking, the Bank mainly concentrated on the objective of "open capacity" 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 2020. As at the end of September, 264 products, 913 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. Collaborative scenarios covered daily life and entertainment, tourism and travelling, government administration and livelihood, health and medical care, etc. Meanwhile, the Bank built an applet for open retail banking based on "open flows", introduced third-party services in a standardised, 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. At the end of September 2020, 39 functions and 226 APIs have become available, covering membership service, payment, marketing and basic APP functions. From January to September 2020, open banking acquired 2,174,800 customers from the Internet, accounting for 30.1% of total acquisition accumulated through retail.

In terms of AI Bank construction, the Bank continued to boost full-scale AI applications in its retail banking business, and strengthened the physical infrastructure and top-level construction of AI central platform to make continuous enhancement of the Bank's intelligent level and carry forward the creation of a customer management loop of "AI+Remote+Offline". At the end of September 2020, the Bank structured a mature front-, mid- and back-office platform match mechanism and a potential mid-office platform capacity incubation mechanism, which set up 11 major mid-office platforms releasing 195 mid-office functions and energised 245 online front-office scenarios to continuously upgrade and improve digitalised and online operation capability. For AI marketing, with continuously upgraded AI account manager and optimised man-machine cooperative service mode, overall online customer management capacity was continuously enhanced. From January to September 2020, the monthly average number of customers served by AI account managers was 5.5 times higher than that of 2019; in regard to AI customer services, the Bank continuously upgraded 7*24 hours "AI + Customer services" system. At the end of September 2020, the unmanned AI customer service ratio was 89.5%, representing an increase of 3.4% from the end of last year.

In terms of the construction of intelligent operation, the Bank strived to build Smart Operation 3.0 with the ability to offer satisfying service experience, high efficiency and excellent cost benefit results. On one hand, the Group launched new retail outlet 2.0, creating various kinds of sample outlets according to service scenarios and customer characteristics. On the other hand, by upgrading the management mode of "Liuhua Branch Model 3.0", the Bank created a business model of running both online and offline outlets, "1+N" comprehensive service mode and ecological development mode. In August 2020, the Bank's online outlet, "Cloud Store", was officially launched, and the OMO (Online Merge Offline) closed loop business model of outlets gained continuous upgrading.

4. Contribution in comprehensive finance

From January to September 2020, the Group vigorously advanced the innovation and upgrading of the online MGM operation model (Member Get Member) and continuously optimised SAT (social media + mobile applications + remote services/tele-services), a closed operational intelligent tool, to boost SAT motivation and effectiveness of VIP customers; the cumulative volume of sharing and forwarding from January to September increased by 497.8% year on year and AUM transaction amount accumulated from SAT sharing covered 44.6% of that from total MGM; the Group explored the flow management model in private domain, accurately mapped potential customers with the help of big data model, and improved MGM performance of VIP customers in various scenarios. At the same time, the Bank actively organised customer salon promotions and adopted proven effective programs, and it had held a total of over 110,000 online customer salons, with almost 1.77 million participants from January to September. Overall business productivity was quickly resumed. From January to September 2020, the number of new customers attracted through the MGM model (excluding credit card users) represented an almost net increase of 1,839,900, accounting for 34.5% of the overall new retail customers (excluding credit card users), of which, the number of wealth management customers represented a net increase of almost 64,000, accounting for 44.7% of the overall new wealth management customers, and the balance of assets under management of retail customers (AUM) represented a net increase by RMB193,608 million, accounting for 38.3% of the overall asset balance of the new retail customers. "Xinyidai" granted through the MGM model amounted to RMB45,286 million, accounting for 63.1% of the overall issuance of "Xinyidai"; auto finance loans granted through the MGM model amounted to RMB49,698 million, accounting for 31.4% of the overall issuance of auto finance loans; the number of credit cards issued through the MGM model was almost

2,469,600, accounting for 33.3% of the total number of newly issued cards.

At the same time, the Bank relies on the Ping An Group's personal integrated financial platform to export products, channels, accounts and other capabilities to empower Ping An Group's personal business development while promoting the bank's own business growth. Firstly, through collaboration with Ping An Group's subsidiaries, we will open up product capabilities and provide customers with comprehensive solutions; the insurance fund trust business quickly formed a market brand. From January to September 2020, the new scale was nearly 10 billion, which was 6.3 times that of the same period last year. Secondly, it actively integrates into the Ping An Group's ecosystem and continuously enriches the construction of scenarios. Taking the car ecology as an example, as of the end of September 2020, the number of good car owner cards has exceeded one million. Thirdly, the Bank leveraged its advantages in account management and payment and settlement services to provide account services to the other subsidiaries of Ping An Group.

2.3.4 Specialised and strong corporate business

From January to September 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.

The asset and liability structure of the Bank's corporate business continued to improve. At the end of September 2020, the balance of corporate loans amounted to RMB1,085,743 million up 12.4% from the end of last year; the balance of corporate deposits and corporate demand deposits respectively amounted to RMB1,894,825 million and RMB618,456 million, up 2.2% and 3.9% from the end of last year. From January to September 2020, the daily average corporate deposit and corporate demand deposit was respectively RMB1,895,397 million and RMB570,875 million, up 8.3% and 5.8% from the same period last year, while the average cost rate for the period from January to September decreased by 22 basis points to 2.22% compared with the average level of the same period last year. Meanwhile, the income composition of corporate business effectively improved. The net non-interest income of the Bank's corporate business (excluding treasury and interbank business) amounted to RMB9,153 million, representing an increase of 16.7% 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 3.6 percentage points compared with the same period of last year, mainly attributable to the combined contributions from comprehensive finance, offshore finance, forfeiting, 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 continuously promoting the investment of assets in key industries. At the end of September 2020, the proportion of the credit balance to customers from industries related to medical and health care, auto ecosystem, clean energy, people's livelihood, infrastructure and transportation, electronic information, green and environmental protection, etc. was 47.0%, with an increase of 0.1 percentage point from that of the end of last year. 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. From January to September 2020, the Bank launched 116 new governmental financial platforms, bringing the total of such platforms amounting to 686 at the end of September 2020.

The industry banking and investment banking were deeply integrated, and by focusing on key industries and continuously integrating internal and external resources, the Bank tailored comprehensive financial solutions for

customers and built its complex investment and financing brand. From January to September 2020, the Bank's bonds underwriting amounted to RMB346,389 million, with a year-on-year increase of 80.2%, and its market share maintained sustained growth; mergers and acquisitions amounted to RMB34,668 million, with a year-on-year increase of 168.2%. During the outbreak of COVID-19, the Bank was committed to satisfying customers' anti-epidemic financing needs through bond underwriting, wealth management direct financing and debt financing, helping enterprises to navigate through the difficult time.

(2) Transaction banking

Customer management platform

At the end of September 2020, "Ping An Digital Pocket APP", a fully upgraded version of "Pocket Finance APP" was officially launched. Starting with customers and scenarios, this 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 September 2020, the number of registered enterprise customers of the Digital Pocket APP accumulated to 600.9 thousand, increasing by 67.0% compared with the end of last year while transactions from January to September accumulated to 5,333.8 thousand, representing a year-on-year increase of 36.7%, and the accumulated transaction amount was RMB3.81 trillion, representing a year-on-year increase of 57.1%. 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 digitised 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 standardised Open API services in cash management, payment and settlement, and cross-border finance. At the end of September 2020, the Bank's open platform (including bank-enterprise direct connection) served 10,741 customers, up by 31.0% from the end of last year, with an accumulated transaction volume of 2,784 million, up by 21.4% from the same period of last year.

Internet payment and settlement

Focusing on the corporate business transformation strategy, the Bank provided "integrated services for Internet Platform + Business (corporate users)/Clients (individual users) on the platform" for the Internet platform customers under the industrial Internet, consumer Internet and various segment business scenarios. By innovating the financial model of the platform supply chain through continuous in-depth exploration of scenario-based payment and settlement needs, and equipping platform merchants with digital certification and scores based on platform transaction data, the Bank aimed at achieving the interconnection of merchant services and the integration of the rights and interests system, and creating a closed-loop ecology for its Internet service platform. From January to September 2020, the Bank completed a cumulative total of 3,599 million transactions in delivering its Internet payment and settlement business to serve the enterprises on the platforms, representing an increase of 164.6% compared with the same period of last year; the amount of transactions accumulated to RMB6.21 trillion, representing a year-on-year increase of 125.8%.

New supply chain finance

To reshape its leading brand in supply chain finance, the Bank penetrated deep into the industrial chain end-to-end scenarios, 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 Group 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 September 2020, the Bank provided financial services for 597 core enterprises and their upstream suppliers in an accumulated way through the "Ping An Good Chain" platform, with the transaction volume accumulating to RMB35,095 million for January to September, representing an increase of 46.2% 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.

From January to September 2020, closely following the financing needs of the real economy and centring on addressing customers' needs for diversified cross-border financial services, the Bank continuously made innovation on its business model and smart services to fully support the development of the real economy by organising a cross-border bank consortium to help Chinese-funded enterprises with financing needs of overseas projects, cooperating with foreign trade comprehensive service platform companies to provide export letter of credit service for SMEs, providing low-cost cross-border financing for domestic entities directly, etc. At the end of September 2020, the Bank's corporate deposits denominated in foreign currencies amounted to an equivalent of RMB260,130 million, up 25.1% from the end of last year; corporate loans denominated in foreign currencies amounted to an equivalent of RMB179,235 million, up 11.4% 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 period from January to February 2020, the Bank provided low-cost financing online for 706 business enterprises, and invested RMB76,740 million for bills discounting, so as to help them fight against COVID-19 and promote the resumption of work and production. At the end of September 2020, the Bank provided bill financing services for 7,401 business enterprises in total. For the period from January to September, the bank acceptance notes discounting accumulated to RMB299,230 million, up 52.7% from the same period of previous year, over 90% of which were completed online, and the bills acceptance accumulated to RMB553,395 million, up 18.8% from the same period of previous year. The Bank continued to intensify support for low-cost financing of manufacturing enterprises, fuelling their high-quality development. At the end of September 2020, the balance of the bank acceptance notes discounting for manufacturing was RMB17,142 million, up 362.2% from the end of previous year,

(3) Comprehensive finance

As an engine of the Ping An 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 Ping An Group's internal and external resources. Cooperating with various professional companies within the Ping An 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, and makes use of Ping An 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 Ping An Group, it strives to achieve a leap-forward growth in the scale of investment and financing and premiums; depending on the Group's "finance + technology" advantages, the Bank tries to attract high-quality customers from comprehensive finance channel and realise an effective 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 Ping An Group's

innovative comprehensive finance products and its products and services, and carries out an scenario-based and agile online transformation on assets, liabilities, account system and other comprehensive services, to promote sustainable and high-quality growth of corporate business.

From January to September 2020, the new investment and cooperation projects jointly implemented by the Bank and specialised companies within Ping An Group amounted to RMB359,325 million, with a year-on-year increase of 143.6%; the premiums from banking insurance amounted to RMB2,433 million, with a year-on-year increase of 155.3%; the annual average daily deposit of new group customers from deepening comprehensive financial services cooperation amounted to RMB140,497 million, up 135.6% over last year, among which the daily average demand deposits accounted for 60.2%; as at the end of September 2020, the balance of deposits of new group customers from deepening comprehensive financial services cooperation amounted to RMB159,172 million, up 74.0% over the end of last year, among which the balance of demand deposits accounted for 55.0%.

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 September 2020, the balance of loans to strategic customers increased by 27.0% compared to the end of the previous year, and its share in corporate loans of the Bank increased 5.7 percentage points from the end of the previous year.

Focusing on the in-depth operation of strategic customers, the Bank drove customer development of “N” ecosystems by providing service to “1” strategic customer, helped the development of “N” products by developing “1” product, achieving a comprehensive improvement in the number of customer group and customer value. At the end of September 2020, the balance of loans to strategic customers and their ecosystem increased by 40.6% 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 Group 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. From January to September 2020, the weighted average interest rate per annum of the Bank's newly issued loans to small and micro enterprises with a credit facility of RMB10 million or less ("all-inclusive loans to small and micro enterprises") declined by 1.19 percentage points over last year.

For January to September 2020, the Bank's all-inclusive loans to small and micro enterprises amounted to RMB192,596 million, up 14.0% from the same period of last year; at the end of September 2020, the balance of all-inclusive loans to small and micro enterprises amounted to RMB247,727 million, with an increase of 12.6% from the end of the previous year, accounting for 9.6% of the loans balance.

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 September 2020, corporate NPL ratio was 1.31%, with a decrease of 0.98 percentage point from the end of prior year.

2.3.5 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". Comprehensively promoting digital and online operations, 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. From January to September 2020, as a core market maker of bond and interest rate derivative business in the interbank market, the Bank resolutely fulfilled its role as market maker to continue to actively launch FICC (fixed income, currencies and commodities) market-making transaction business, effectively securing its first place in the market of market-making business. At the same time, the Bank continued to improve services for interbank customers, created a mutually beneficial ecosystem for the industry and promoted the business of Ping An Wealth Management.

1. "Three" major business directions

(1) New transactions

From January to September 2020, the world saw economy recovery gradually after being severely struck by COVID-19, with margin of aggregate demand repaired. As domestic economy made further strides, the monetary policy of PBOC gradually returned to normalization and strengthened regulation on financial interest arbitrage. Banks were facing increasing structural pressure of liabilities, which was deteriorated by supply pressure of interest bonds for the past three quarters. The overall bond yield showed an upward trend, with the short-term yield increasing more greatly than the long-term yield. Through in-depth research and analysis of domestic and foreign macroeconomic situation and policies, the Bank sought out trading opportunities with relative value amidst uncertainties and fluctuations, adjusted position size and structure at appropriate time, strictly controlled exposures and flexibly applied multi-strategy tools to hedge against and ease market fluctuations. From January to September 2020, the Bank achieved a net transaction income of RMB4,317 million, representing a year-on-year increase of 39.1%. Meanwhile, the Bank actively promoted the in-depth application of fintech in investment trading, and by high-performance transaction systems, empowered the Bank to carry out highly frequent and large-size FICC (fixed income, foreign currencies and bulk commodities) market-making transaction business. The market shares of the volume of interest rate swap, gold transaction and bond transaction reached 11.9%, 6.4% and 1.2% respectively; the Bank kept its leading role in the ranking of market-making of derivatives in the third quarter of 2020 published by China Foreign Exchange Trade System.

As for agency transaction business, the Bank established the brand of "Ping An Hedge" and assisted enterprise customers in coping with market fluctuations with its leading transaction capabilities in order to mitigate the market risk and financing cost, and built professional teams for product development and services to customise hedging transaction plans for customers; the Bank actively improved the online transaction platform to significantly increase the transaction efficiency and optimise customer experience. From January to September

2020, the Bank's agency trading volume of interest rate swaps and foreign exchange derivatives was RMB87,888 million, representing a year-on-year increase of 22.3%.

(2) New interbank

With the goal of “becoming the industry’s leading financial sales service provider”, the Bank’s interbank business builds a mutually beneficial ecosystem with all stakeholders and creates a new brand of interbank institution sales; it also implements the “customer-centric” business philosophy in-depth by providing customers with comprehensive solutions based on “product + service” portfolios, so as to boost the deeper and wider development of its customer operation. Firstly, the Bank comprehensively promoted the digital transformation of interbank business. The “Hang-E-Tong” platform was completely reconstructed and upgraded in August 2020. The new version is developed based on the Bank’s independent technology development framework and takes customers’ needs and use habits into consideration, with comprehensively optimised page interaction and improved functions and service. The platform is featured in fast online transactions, efficient and quick operation, visualised product evaluation, investment and research system empowerment, etc. to fully achieve fast online trading for financial institutions. Secondly, the Bank took advantages of comprehensive finance service. With services embedded in customer operation scenarios, it followed customers’ fund flows to discover their needs and focused on improving precision marketing capability and the ability to apply comprehensive solutions. Thirdly, the Bank created an invincible sales force and implemented comprehensive customer management; optimised the sales structure, strengthened regional market exploration and risk identification, improved operation and management efficiency, so as to realise customer professional management and integrated services; Fourthly, with the help of technology empowerment, the Bank’s trusteeship business launched a brand new smart trusteeship system, which greatly improved computation efficiency. The system supports full-online operation abnormality monitoring and product management, and delivers services rapidly to customers by technologies, effectively improving customer experience. At the end of September 2020, the Bank’s “Hang-E-Tong” had provided services for 2,274 customers. During the period from January to September 2020, the sales volume of interbank institutions numbered RMB554,619 million, representing a year-on-year increase of 54.3%.

(3) New asset management

Ping An Wealth Management was officially opened for business on 28 August 2020. Since its opening, Ping An Wealth Management has pursued a market-oriented, specialised and segmented business strategy. While rolling out more net-value-based products that meet requirements of new asset management regulations (“new products”) to expand new product lines, it is also steadily and orderly promoting the pressure reduction of stock principal-guaranteed WMPs and old products. Meanwhile, it continued to deepen the application of fintech to wealth management to optimise product management and risk control processes, and stepped up the effort to build up a big data platform so as to empower operations and improve digital operation capabilities.

As at the end of September 2020, the balance of non-principal-guaranteed wealth management products (WMPs) was RMB631,353 million, increasing by 6.9% 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 RMB377,949 million, representing an increase of 46.9% over the end of the previous year and its proportion to non-principal-guaranteed WMPs increased from 43.6% to 59.9%; the balance of principal-guaranteed WMPs amounted to RMB21,766 million, representing a decrease of 67.6% over the end of last year.

2. “Two” core capabilities

Enabled by sales and transaction capabilities, the Bank provides professional service solutions for itself and customers within Ping An Group’s ecosystem. Firstly, with “Hang-E-Tong” as the platform support, it 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 Ping An Group’s advantages of comprehensive financial business in pursuit of deeper and wider sales penetration among interbank institutions. Secondly, 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 the Bank’s retail, corporate and interbank businesses, and conversion into offerings, further intensifying outbound empowerment of transaction capabilities, and gradually extending the service to Ping An Wealth Management and customers within Ping An Group’s ecosystem.

3. “One” smart treasury system platform

Directed by “digitisation, online operation and intelligent service”, the Bank’s smart treasury system platform is designed to be fintech infrastructure for the future. Relying on the platform, the Bank continued to promote technologically innovated applications such as artificial intelligence, big data and blockchain, and built a programmatic trading system based on algorithmic strategies and high-performance systems to enable accurate pricing, efficient execution, and agile risk control; meanwhile, embracing the philosophy of opening, empowerment and integration, the Bank linked the smart treasury system platform with “Trading One” for customers, retail Pocket Bank APP, corporate Digital Pocket APP and interbank “Hang-E-Tong” in an effort to build an cross-line and cross-customer-group value chain. In doing so, the Bank can serve customers and expand market share.

2.3.6 Fintech and digital transformation

From January to September 2020, concentrating on “digital bank, ecological bank and platform-based bank”, the Bank continued to roll out in applications development and construction of infrastructure and platforms to accelerate digital transformation.

In terms of application development, the Bank was relentless in the pursuit of agility and flexibility. From January to September 2020, the technology team accepted 30% more business development demands than last year in the same period. Major projects aimed at supporting business development were on the right track. For retail business, the project of credit card next generation core system fared well, which was already put into several rounds of production-parallel walk-through in the third quarter. The roll-out of the system would be of great significance to support the rapid development of the Bank’s credit card business, and accelerate the transformation of technical architecture; for corporate business, the smart product middle platform was continuously iterated, greatly reducing the time of new product launch via solidifying and sharing functional components; thanks to resources integration by Digital Pocket APP, small, medium and micro enterprises and their employees could get to related products and services of Ping An Group through their unified user system; for interbank businesses, the new system of “Hang-E-Tong” was under stable operation, providing efficient and convenient one-stop service platform for interbank businesses; for risk management, the Bank continuously promoted the construction of the intelligent risk control platform and built “central processing units for risk control” to realise new functions, such as provision for tailored services for different customers and audio guide, which made prevention and control measures more precise; for data governance, the data index platform “Pandora” was launched, which supported more than 11,000 indexes and 12,000 tags, effectively supporting self-service business analysis and continuously driving value from data assets.

In terms of the construction of infrastructure and platforms, the Bank focused on building fintech infrastructure with cloud computing, big data, blockchain, and the Internet of Things as its cores, and continued to promote technology platforms such as development-operation-maintenance integration platform. As at the end of September 2020, the Bank’s operation and maintenance automation rate and automated testing coverage reached 93.3% and 61.8% respectively. The development-operation-maintenance integration platform (Starlink) passed the first assessment of systems and tools under the Capability Maturity Model of DevOps released by China Academy of Information and Communications Technology, indicating that the Group’s DevOps system and tool reached the leading level in China.

In addition, the Bank’s “Thoth Security Risk Dynamic Management Platform” was awarded as “Best Cyber Security and IT Risk Management Implementation in 2020” by The Asian Banker, an international authoritative financial magazine; six major projects won “Science and Technology Development Award in 2019” by the People’s Bank of China, among which Ping An Bank’s “Ping An Good Chain” platform, smart risk control platform, distributed finance PaaS platform and online smart loan platform won the second prize.

2.3.7 Actively fulfilling social responsibilities

1. Multiple measures to help the fight against the disease

From January to September 2020, in the face of the unexpected COVID-19, the Bank, acting upon the strategic decisions and arrangements of the CPC Central Committee and the State Council, fully fulfilled its social responsibilities and fought the coronavirus. Firstly, conduct a series of public welfare activities through multiple channels. From January to September 2020, the Bank donated RMB30 million to Hubei Charity Federation and its employees actively donated over RMB10 million to support the epidemic control and prevention. In addition,

policies were specially made to give relief to affected customers such as medical staff engaged in the anti-epidemic action, customers infected with COVID-19 and customers in Hubei province who were unable to make repayments as a result of the control and prevention measures. Those customers were allowed to make repayments later or pay less interest without leaving any bad credit records. Secondly, actively explore the new modes of “fighting the epidemic + poverty alleviation”. The Bank purchased products from targeted poverty alleviation areas and donated them to front-line medical staff, which not only provided caring support to front-line medical staff, but also accelerated the resumption of production and operation resumption in poverty-stricken areas. Thirdly, prevent disruption of corporate and personal financial services. It made use of “AI customer service”, “Pocket APP” and “online financing services platform”, allowing customers to settle investment and financing transactions online at home, and resolutely fulfilled its role as core dealer and market maker to fully secure the liquidity of financial market.

2. Serving the real economy

Actively fulfilling requirements of the state, the Bank fully supported the prevention and control of the epidemic and enterprises affected by COVID-19 in overcoming difficulties, strengthened financial services for private enterprises, and supported the high-quality development of small, medium and micro enterprises. Firstly, for enterprises affected by COVID-19, the Bank, in accordance with regulatory requirements, offered differentiated emergency solutions for financial services, such as deferred repayment, setting reasonable grace periods for repayment, establishing related green credit mechanism and credit rights protection, to fully support enterprises to weather the storm of COVID-19. Secondly, in terms of technology application, it relied on cutting-edge technologies such as AI, biological recognition, big data, blockchain and cloud computing in premium services, including “Ping An Good Chain”, “small business digital finance” and “Xinyidai”, so as to effectively support the development of private enterprises and small, medium and micro enterprises and help small enterprises address their financing difficulties, including lack of access to financial resources and high financing costs. Thirdly, in terms of policy implementation, it adopted the strategy of “Differentiated bailout + Targeted services” to provide tailored financial services for enterprises and support private enterprises in normal operation but with temporary liquidity difficulties through Ping An Group’s bailout fund and the group fund collaboration model. Fourthly, it also holistically energised the development of small and micro enterprises via differentiated credit pricing policy and risk tolerance, with the assistance of innovation in technology, products and channels.

From January to September 2020, newly issued loans for private enterprise customers accounted for above 70% of newly issued corporate loans for all customers; at the end of September 2020, the balance of loans to private enterprises increased by 10.0% over the end of last year, accounting for 72.3% of the balance of corporate loans; from January to September 2020, the balance of inclusive loans granted to small and micro enterprises were 12.6% up compared with the end of last year, and the weighted average interest rate per annum of newly issued loans for small and micro enterprises declined by 1.19 percentage points over last year with the NPL ratio within a reasonable range. At the end of September 2020, the proportion of customers’ credit balance in key industries was 47.0%; the Bank’s total on-balance sheet and off-balance sheet credit facilities amounted to RMB3,872.1 billion, with an increase of 15.6% over the end of last year.

3. Continuing to promote targeted poverty alleviation

Through the industrial poverty alleviation project, the Bank continued to create the closed loop of poverty alleviation. From January to September 2020, the Bank invested RMB10,890 million of funds for poverty alleviation, benefiting almost 260,000 impoverished people. A total of RMB23,444 million has been invested hitherto for poverty alleviation, benefiting almost 780,000 impoverished people.

In the third quarter of 2020, focusing on the “three regions and three districts”, areas of extreme poverty such as Liangshan Prefecture in Sichuan Province, the Bank cultivated leaders for achieving prosperity by starting a business, organised cultural and creative poverty alleviation projects, and cooperated with the All-China Federation of Trade Unions on employment poverty alleviation; at the same time, through selecting the Chinese herbal medicine industry in Liangshan Prefecture and including it in the “Ping An Industrial Poverty Alleviation and Rural Revitalisation Fund”, the Bank fully integrated various resources to explore rural revitalisation service models. Besides, the Bank attached importance to the empowerment of financial flows to poverty-stricken areas. It stroke a rural tourism project named “Great Cares out of Charity”, and invited retail customers to participate in tourism poverty alleviation activities, so as to convey love and practice public welfare; it also selected the industry achievements of leaders for achieving prosperity by starting a business, such as “Yinqiu tea in Guizhou Leishan” and “Cuilan tea in Anhui Yuexi”, for Ping An poverty alleviation meaning “good things always come in pairs”, to assist in making a characteristic industry brand in poverty-stricken areas. In terms of serving the real

economy, the Bank provided substantial interest cuts and concessions on loans granted for industrial poverty alleviation, and joined hands with enterprises to carry out industrial assistance activities in Gansu, Hunan, as well as other areas of extreme poverty in “three regions and three districts”.

4. Protecting consumer rights and interests

The Bank attached great importance to the protection of consumer rights and interests, continued to improve relevant rules and procedures for safeguarding the consumer rights and interests, deepened the use of high-tech solutions, and actively organized various programs and activities to promote the financial knowledge and awareness of its consumers. At the same time, the Bank further enhanced its customer complaint management, and adopted various measures, including reprioritisation of workflows, tiered authority delegation, real-time early warning and multi-dimensional grievance resolution, to improve the protection of consumer rights and interests, optimise customer experience as well as reduce customer complaints by addressing the root causes. For the period from January to September 2020, the number of customer complaints received by the Bank decreased by 30.8% on a year-on-year basis;

2.4 Interest income and expenses

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

(In RMB million)

Item	Jan. - Sep. 2020			Jan. - Sep. 2019		
	Average daily balance	Interest income/ expenses	Average yield/ cost rate	Average daily balance	Interest income/ expenses	Average yield/ cost rate
Assets						
Loans and advances to customers (excluding discounted bills)	2,333,579	107,940	6.16%	1,994,598	98,919	6.63%
Bond investment	768,133	17,296	3.00%	625,044	15,631	3.34%
Balances with the Central Bank	224,189	2,529	1.50%	222,662	2,512	1.51%
Bills discounting and interbank business	590,802	13,016	2.93%	539,278	14,751	3.66%
Total interest-earning assets	3,916,703	140,781	4.79%	3,381,582	131,813	5.21%
Liabilities						
Deposits due to customers	2,508,521	42,814	2.27%	2,252,472	41,828	2.48%
Debt securities issued	521,214	11,573	2.96%	400,249	10,961	3.66%
Including: Interbank certificates of deposits	417,518	8,473	2.70%	296,056	7,514	3.39%
Interbank business and others	701,521	11,240	2.13%	631,166	12,755	2.70%
Total interest-bearing liabilities	3,731,256	65,627	2.34%	3,283,887	65,544	2.67%
Net interest income		75,154			66,269	
Deposit-loan spread			3.89%			4.15%
NIS			2.45%			2.54%
NIM			2.56%			2.62%

(In RMB million)

Item	Jul. - Sep. 2020			Apr. - Jun. 2020		
	Average daily balance	Interest income/ expenses	Average yield/ cost rate	Average daily balance	Interest income/ expenses	Average yield/ cost rate
Assets						
Loans and advances to customers (excluding discounted bills)	2,380,982	35,133	5.85%	2,357,491	36,264	6.17%
Bond investment	765,462	5,654	2.93%	788,455	5,828	2.96%
Balances with the Central Bank	220,628	829	1.49%	229,415	852	1.49%
Bills discounting and interbank business	606,701	4,179	2.73%	570,755	4,165	2.93%
Total interest-earning assets	3,973,773	45,795	4.57%	3,946,116	47,109	4.79%
Liabilities						
Deposits due to customers	2,478,386	13,296	2.13%	2,540,162	14,442	2.28%
Debt securities issued	558,399	3,850	2.74%	497,951	3,668	2.95%
Including: Interbank certificates of deposits	446,515	2,799	2.49%	392,460	2,611	2.67%
Interbank business and others	749,864	3,800	2.01%	703,634	3,464	1.97%
Total interest-bearing liabilities	3,786,649	20,946	2.19%	3,741,747	21,574	2.31%
Net interest income		24,849			25,535	
Deposit-loan spread			3.72%			3.89%
NIS			2.38%			2.48%
NIM			2.48%			2.59%

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

(In RMB million)

Item	Jan. - Sep. 2020			Jan. - Sep. 2019		
	Average daily balance	Interest income	Average yield	Average daily balance	Interest income	Average yield
Corporate loans (excluding discounted bills)	935,991	30,526	4.34%	787,982	29,117	4.94%
Personal loans (including credit cards)	1,397,588	77,414	7.38%	1,206,616	69,802	7.73%
Loans and advances to customers (excluding discounted bills)	2,333,579	107,940	6.16%	1,994,598	98,919	6.63%

Item	Jul. - Sep. 2020			Apr. - Jun. 2020		
	Average daily balance	Interest income	Average yield	Average daily balance	Interest income	Average yield
Corporate loans (excluding discounted bills)	943,586	10,104	4.25%	954,178	10,149	4.27%
Personal loans (including credit cards)	1,437,396	25,029	6.91%	1,403,313	26,115	7.46%
Loans and advances to customers (excluding discounted bills)	2,380,982	35,133	5.85%	2,357,491	36,264	6.17%

For the period from January to September 2020, the average yield of corporate loans was 4.34%, a decrease of 60 basis points compared with the same period last year, mainly due to the decrease in the yields of corporate loans as a result of stable and ample supply of funds in the market, continued decrease of interest rates, and the Group's continued increase in providing loans to the real economy as part of the commitment to reduce the

financing costs of the real economy; the average yield of personal loans was 7.38%, a decrease of 35 basis points from the same period last year, mainly due to the Group's increase in the grant of title deed-secured loans with lower risk and unsecured loans for high-quality customers to optimise the customer structure as well as offset the impact of COVID-19 on consumer market.

2.4.3 Average daily balance and average cost rate of deposits due to customers

(In RMB million)

Item	Jan. - Sep. 2020			Jan. - Sep. 2019		
	Average daily balance	Interest expenses	Average cost rate	Average daily balance	Interest expenses	Average cost rate
Corporate deposits	1,895,397	31,594	2.22%	1,749,698	31,880	2.44%
Including: Demand deposits	570,875	2,733	0.64%	539,493	2,464	0.61%
Time deposits	937,522	21,674	3.08%	977,980	25,072	3.43%
Including: Treasury deposits and agreement deposits	76,446	2,126	3.70%	111,209	3,645	4.38%
Margin deposits	387,000	7,187	2.47%	232,225	4,344	2.50%
Personal deposits	613,124	11,220	2.44%	502,774	9,948	2.65%
Including: Demand deposits	204,037	454	0.30%	166,540	375	0.30%
Time deposits	384,683	10,135	3.51%	311,591	8,713	3.74%
Margin deposits	24,404	631	3.44%	24,643	860	4.67%
Deposits due to customers	2,508,521	42,814	2.27%	2,252,472	41,828	2.48%

Item	Jul. - Sep. 2020			Apr. - Jun. 2020		
	Average daily balance	Interest expenses	Average cost rate	Average daily balance	Interest expenses	Average cost rate
Corporate deposits	1,848,214	9,639	2.07%	1,923,722	10,676	2.23%
Including: Demand deposits	592,224	950	0.64%	575,900	923	0.64%
Time deposits	871,494	6,411	2.92%	914,612	6,973	3.06%
Including: Treasury deposits and agreement deposits	70,881	634	3.55%	69,677	661	3.81%
Margin deposits	384,496	2,278	2.35%	433,210	2,780	2.57%
Personal deposits	630,172	3,657	2.30%	616,440	3,766	2.45%
Including: Demand deposits	216,893	163	0.30%	204,895	151	0.30%
Time deposits	383,332	3,238	3.35%	387,425	3,409	3.53%
Margin deposits	29,947	256	3.39%	24,120	206	3.43%
Deposits due to customers	2,478,386	13,296	2.13%	2,540,162	14,442	2.28%

The Group effectively reduced deposit costs via optimising the assessment system, strengthening pricing management, proactively reducing high-cost deposits, relying on the advantages of “finance + technology” to expand low-cost deposits.

For the period from January to September 2020, the average cost rate of the Group's deposits was 2.27%, decreasing by 21 basis points compared with that of the same period last year, while the average cost rates of various deposits reduced effectively. The average cost rate of corporate deposits and corporate time deposits were 2.22% and 3.08% respectively, decreasing by 22 and 35 basis points respectively compared with those of the same period last year; among which, the average cost rate of treasury deposits and agreement deposits was 3.70%, decreasing by 68 basis points compared with that of the same period last year; the daily average corporate demand deposit was RMB570,875 million, up 5.8% from the same period last year. The average cost rates of personal deposits and personal time deposits were 2.44% and 3.51% respectively, decreasing by 21 and 23 basis points compared with those of the same period last year; the daily average personal demand deposit was RMB204,037 million, up 22.5% from the same period last year.

2.5 Asset quality

2.5.1 Five-tier classification of loans and advances to customers

(In RMB million)

Item	30 September 2020		31 December 2019		Increase/decrease from the end of last year
	Balance	%	Balance	%	
Pass loans	2,509,899	97.09%	2,238,307	96.34%	12.1%
Special mention loans	41,061	1.59%	46,665	2.01%	(12.0%)
Non-performing loans	34,044	1.32%	38,233	1.65%	(11.0%)
Including: Substandard	15,117	0.59%	18,891	0.81%	(20.0%)
Doubtful	9,050	0.35%	6,272	0.27%	44.3%
Loss	9,877	0.38%	13,070	0.57%	(24.4%)
Total principal of loans and advances to customers	2,585,004	100.00%	2,323,205	100.00%	11.3%
Impairment provision for loans and advances to customers	(74,313)		(70,013)		6.1%
Including: Impairment provision for loans and advances to customers measured at amortised cost	(73,485)		(69,560)		5.6%
Impairment provision for loans and advances to customers designated at fair value and changes included into other comprehensive income	(828)		(453)		82.8%
NPL ratio	1.32%		1.65%		-0.33 percentage point
Deviation ratio of loans overdue for more than 90 days (Note 1)	0.84		0.82		+0.02
Deviation ratio of loans overdue for more than 60 days (Note 2)	0.96		0.96		-
Provision coverage ratio	218.29%		183.12%		+35.17 percentage points
Provision coverage ratio for loans overdue for more than 90 days	260.81%		222.89%		+37.92 percentage points
Provision coverage ratio for loans overdue for more than 60 days	226.29%		190.34%		+35.95 percentage points
Provision to loan ratio	2.87%		3.01%		-0.14 percentage point

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

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

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

(In RMB million)

Item	30 September 2020		31 December 2019		Increase/decrease in non-performing ratio
	Balance	NPL ratio	Balance	NPL ratio	
Corporate loans	1,085,743	1.31%	965,984	2.29%	-0.98 percentage point
Including: General corporate loans	947,384	1.51%	871,081	2.54%	-1.03 percentage points
Discounted bills	138,359	-	94,903	-	-
Personal loans	1,499,261	1.32%	1,357,221	1.19%	+0.13 percentage point
Including: Personal residential mortgage loans and title deed-secured loans	490,814	0.36%	411,066	0.30%	+0.06 percentage point
Xinyidai	142,441	1.43%	157,364	1.34%	+0.09 percentage point
Auto finance loans	224,896	0.72%	179,224	0.74%	-0.02 percentage point
Credit card receivables	528,084	2.25%	540,434	1.66%	+0.59 percentage point
Others (Note)	113,026	2.18%	69,133	3.55%	-1.37 percentage points
Total principal of loans and advances to customers	2,585,004	1.32%	2,323,205	1.65%	-0.33 percentage point

Note: "Others" include personal business loans, small consumer loans and other guaranteed or secured loans.

1. Corporate NPL ratio decreased by 0.98 percentage point as compared to the end of the last year, maintaining a continuously downward trend. The Bank kept refining the corporate business, continuously optimised the corporate credit structure, enhanced the asset quality management and control mechanism, intensified the efforts to recover and dispose of non-performing assets, and empowered technology to risk management in order to further strengthen corporate asset quality. The details are as follows:

(1) The Bank continued to improve the risk entry standards and policies for industries, regions, products and customers, and optimised the structure of corporate credit business to control corporate asset quality from the source.

(2) The Bank kept on reinforcing the establishment of quality management system for corporate assets, established the post-loan management action system, performed continuously risk screening and implemented targeted risk control measures to achieve early detection, anticipation and control.

(3) The Bank also accelerated risk mitigation and disposal on problematic loans, made customised suitable plans for each problematic loan and assigned specific person to manage the loans, and fully exploited its special asset management department's centralised and professional advantage for asset recovery to ensure the effectiveness of risk treatment.

(4) The Bank promoted the construction of corporate business smart risk control functions, which is continuously iterated in corporate business smart risk management and control scenarios such as smart approval, smart billing, and smart early warning, and empowered risk management through technology applications.

2. Due to the effect of COVID-19, the asset quality of personal loans fluctuated, the NPL ratio of the Bank's personal loans increased by 0.13 percentage point over the end of last year with the overall NPL remaining steady and controllable, and the details are as follows:

(1) The Bank further adjusted the customer structure of residential mortgage loans and title deed-secured loans, granted more to high-quality customers and effectively improved the quality of new loans while executing diversified risk management and control measures based on the city level of the area in which the collateral belongs; for customers who had their income sources temporarily cut off due to COVID-19, the Bank provided emergency financial services such as deferred repayment options, credit rights protection, green channel

response mechanism, etc. in accordance with regulatory requirements to reduce the impact of the epidemic on its retail customers.

(2) Regarding the “Xinyidai”, the Bank checked at all levels with consideration to their inherent relationship in terms of sales, on-site negotiation and contract conclusion, loan approval and post-loan management, and dynamically adjusted risk policies with the advanced scoring card technology and multi-dimensional risk monitoring system. The Bank proactively controlled common debt customers, comprehensively upgraded the means of investigation, prevention and control while enhancing and detailing multi-dimensional collection and recovery with more resources invested in, and utilised multiple bail-out strategies to defuse risks during the peak of COVID-19, so as to stabilise the asset quality at a reasonable level.

(3) In auto financing business, the Bank implemented whole-process risk management concept. Based on the internal and external data and quantitative analysis techniques, as well as the quantification model, the Bank also increasingly introduced AI technology and big data models to further improve the quality of customers acquired, so as to effectively ensure sustainable development of the asset portfolios. For collection, the Bank continued to implement national laws and regulations and related regulatory requirements, carrying out operations compliantly via judicial litigation as the main means of collection, while continuously intensifying efforts in collection and recovery and improving operation efficiency. Through technology empowerment, the Bank provided customers with an online bail-out solution, offered deferred repayment to certain customers based on the specific circumstances, effectively reduced the impact of the epidemic and maintained the overall asset quality stable and sound.

(4) Due to COVID-19, the Bank’s NPL ratio of credit cards increased slightly, which had stabilised since the third quarter. The Bank continued to implement whole-process risk management concept for credit card business, and made full use of quantitative tools to effectively manage and control risks. On the one hand, the Bank actively introduced external data and used big data technology to further improve the risk identification capacity of risk models, and make more accurate judgements on customer qualifications, so that, the quality of customers acquired were guaranteed, and the quality of credit card portfolios was continuously optimised. On the other hand, actively responding to the national call, the Bank provided bail-out solutions, such as extended repayment, personalised repayment, etc., for customers affected by the epidemic, while further upgrading the application of technology and big data in differentiated collection strategies to enrich the management means for non-performing loans and enhance the control and management of non-performing loans via assessment, incentive, resource integration, etc.

(5) Other types of personal loans of the Bank mainly included operating loans issued to small enterprise customers and personal small consumer loans, with the NPL ratio decreasing compared with that at the end of the previous year. In order to support the operation of inclusive business, the Bank actively developed the small business digital finance products and applied big data to build and continuously iterate the credit models of small enterprises, which had effectively improved risk control access and post-loan early risk warning ability. As a result, while the new business developed rapidly, good asset quality was also maintained. At the same time, with regard to the stock business of small enterprises, the Bank continuously took advantage of professional collection in special assets management business unit and intensified the efforts in collection and recovery to dissolve stock risk assets through multiple channels in an active way.

2.5.3 Overdue loans

(In RMB million)

Item	30 September 2020		31 December 2019	
	Balance	% of total loans	Balance	% of total loans
Loans with principal and interest overdue for no more than 90 days	17,135	0.67%	17,139	0.74%
Loans with principal and interest overdue for more than 90 days	28,493	1.10%	31,411	1.35%

At the end of September 2020, the Bank’s balance of loans overdue for no more than 90 days (including loans with principal paid and interest overdue for no more than 90 days) amounted to RMB17,135 million, accounting for 0.67% of total principal of loans and advances to customers, with a decrease of 0.07 percentage point over the end of last year; the balance of loans overdue for more than 90 days (including loans with principal paid and interest overdue for more than 90 days) amounted to RMB28,493 million, accounting for 1.10% of total principal of loans and advances to customers, with a decrease of 0.25 percentage point over the end of last year; the balance of loans overdue for more than 60 days (including loans with principal paid and interest overdue for

more than 60 days) amounted to RMB32,840 million, accounting for 1.27% of total principal of loans and advances to customers, with a decrease of 0.31 percentage point over the end of last year. The Bank took multiple targeted actions and developed recovery and restructuring conversion plans by types according to different customers for overdue loans. The Bank actively communicated with each related party to manage and dissolve risks together. Currently, overall risks were controllable.

2.6 Capital adequacy ratio, leverage ratio and liquidity coverage ratio

2.6.1 Capital adequacy ratio

(In RMB million)

Item	30 September 2020		31 December 2019	
	The Group	The Bank	The Group	The Bank
Net core tier 1 capital	265,658	260,154	253,646	253,646
Other tier 1 capital	69,944	69,944	39,948	39,948
Net tier 1 capital	335,602	330,098	293,594	293,594
Tier 2 capital	76,242	76,242	74,599	74,599
Net capital	411,844	406,340	368,193	368,193
Total risk-weighted assets	2,971,284	2,966,284	2,784,405	2,784,405
Credit risk-weighted assets	2,681,306	2,676,306	2,508,004	2,508,004
On-balance-sheet risk-weighted assets	2,371,271	2,366,271	2,223,516	2,223,516
Off-balance-sheet risk-weighted assets	297,660	297,660	275,106	275,106
Risk-weighted assets of counterparty credit risk exposure	12,375	12,375	9,382	9,382
Market risk-weighted assets	64,896	64,896	51,320	51,320
Operational risk-weighted assets	225,082	225,082	225,081	225,081
Core tier 1 capital adequacy ratio	8.94%	8.77%	9.11%	9.11%
Tier 1 capital adequacy ratio	11.29%	11.13%	10.54%	10.54%
Capital adequacy ratio	13.86%	13.70%	13.22%	13.22%

2.6.2 Leverage ratio

(In RMB million)

Item	30 September 2020	30 June 2020	31 March 2020	31 December 2019
Leverage ratio	6.59%	6.57%	6.85%	6.44%
Net tier 1 capital	335,602	328,049	332,400	293,594
Balance of on- and off-balance sheet assets after adjustment	5,096,164	4,993,293	4,852,047	4,557,021

Note: The above data are the standards of the Group. At the end of the reporting period, the increase in leverage ratio of the Group from the end of June 2020 was mainly due to the increase in net tier 1 capital.

2.6.3 Liquidity coverage ratio

(In RMB million)

Item	30 September 2020	31 December 2019
Liquidity coverage ratio	127.71%	143.02%
Qualified current assets	483,418	497,673
Net cash outflow	378,536	347,984

Note: The above data are the standards of the Group. The Group discloses information on liquidity coverage ratio according to the *Measures for the Disclosure of Information on Liquidity Coverage Ratio by Commercial Banks* issued by CBIRC.

Section III Significant Matters

3.1 Major financial results and indicators with a change of over 30% during the reporting period and the reasons

√ Applicable □ Not applicable

(In RMB million)

Item	Amount at period end	Change in amount	Change as a percentage	Analysis on reasons of change
Derivative financial assets	30,820	12,320	66.6%	Changes in the scale and fair value of interest rate derivative transactions
Financial assets held for trading	282,951	76,269	36.9%	Increase in scale of investments in bonds and funds held for trading
Investment properties	580	333	134.8%	Increase in the properties converted from fixed assets for leasing purposes in the current period
Other assets	23,371	5,430	30.3%	Increase in receivable liquidation proceeds
Placements from banks and other financial institutions	55,400	29,329	112.5%	Increase in placements from domestic and overseas banks and financial institutions
Financial liabilities held for trading	53,440	23,749	80.0%	Increase in financial liabilities held for trading due to increase in the scale of the short sales through bond borrowing and lending facilities
Derivative financial liabilities	35,286	13,882	64.9%	Changes in the scale and fair value of interest rate derivative transactions
Financial assets sold under repurchase agreements	94,676	54,577	136.1%	Increase in the scale of bonds sold under repurchase agreements
Provisions	1,011	(723)	(41.7%)	Reversal for expected credit losses of financial guarantee contracts
Other liabilities	24,058	6,371	36.0%	Increase in payable liquidation proceeds
Other equity instrument	69,944	29,996	75.1%	Inclusion net of cost of perpetual capital bonds issued by the Bank in other equity instruments
Other comprehensive income	812	(1,502)	(64.9%)	Decrease in fair value changes in other debt investments
Gains and losses on changes in fair value	(49)	134		The amount was negative for the same period last year Changes in fair value of financial assets held for trading
Exchange gains or losses	683	(415)	(37.8%)	Changes in exchange gains or losses impacted by exchange rate fluctuations
Gains or losses on disposal of assets	41	66		The amount was negative for the same period last year Small base amount of minus RMB25 million for the same period of last year
Credit impairment losses	53,741	13,162	32.4%	Increase in provisioning to boost the risk compensation capability
Other asset impairment losses	649	232	55.6%	Increase in accrual for impairment losses on foreclosed assets
Non-operating expenses	150	51	51.5%	Small base amount of RMB99 million for the same period of last year

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

3.2.1 Total 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	351,374		Total number of preference shareholders with restored voting rights as at the end of the reporting period (if any)	-		
Shareholdings of the top 10 ordinary shareholders						
Name of shareholder	Nature of shareholder	Shareholding (%)	Number of shares held at the end of the reporting period	Number of restricted shares held	Pledged or frozen	
					Status of shares	Number of shares
Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund	Domestic legal entity	49.56	9,618,540,236	-	-	-
Hong Kong Securities Clearing Company Limited	Overseas legal entity	9.00	1,746,773,426	-	-	-
Ping An Life Insurance Company of China, Ltd. - proprietary fund	Domestic legal entity	6.11	1,186,100,488	-	-	-
Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance products	Domestic legal entity	2.27	440,478,714	-	-	-
China Securities Finance Corporation Limited	Domestic legal entity	2.21	429,232,688	-	-	-
Central Huijin Investment Company Limited	Domestic legal entity	1.11	216,213,000	-	-	-
China Electronics Shenzhen Company	Domestic legal entity	0.84	162,523,292	-	-	-
Henan Hongbao Corporate Management Co., Ltd.	Domestic legal entity	0.53	102,735,814	-	-	-
National Social Security Fund 117 Portfolio	Domestic legal entity	0.35	68,000,008	-	-	-
China Construction Bank Corporation - Hua An Juyou Select Mixed Fund	Domestic legal entity	0.34	66,602,789	-	-	-
Shareholdings of the top 10 shareholders not subject to restrictions						
Name of shareholder	Number of unrestricted shares held	Type of shares				
		Type of shares	Number of shares			
Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund	9,618,540,236	RMB ordinary shares	9,618,540,236			
Hong Kong Securities Clearing Company Limited	1,746,773,426	RMB ordinary shares	1,746,773,426			
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	68,000,008	RMB ordinary shares	68,000,008			
China Construction Bank Corporation - Hua An Juyou Select Mixed Fund	66,602,789	RMB ordinary shares	66,602,789			
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>					
Description of the top 10 ordinary shareholders who engage in securities margin trading business (if any)	Henan Hongbao Corporate Management Co., Ltd. holds 102,735,814 shares of the Bank all through the customer credit-backed securities trading account with Huatai Securities Company Limited.					

Repurchase transactions by top 10 ordinary shareholders or top 10 ordinary shareholders of unrestricted shares during the reporting period

Yes No

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

√ Applicable □ Not applicable

(Unit: Share)

Total number of preference shareholders at the end of the reporting period		15				
Shareholdings of the top 10 preference shareholders						
Name of shareholder	Nature of shareholder	Shareholding (%)	Number of shares held	Number of restricted shares held	Pledged or frozen	
					Status of shares	Number of shares
Ping An Life Insurance Company of China, Ltd. - dividend - dividends for individual insurance	Domestic legal entity	29.00	58,000,000	-	-	-
Ping An Life Insurance Company of China, Ltd. - universal - individual universal insurance	Domestic legal entity	19.34	38,670,000	-	-	-
Ping An Property & Casualty Insurance Company of China, Ltd. - traditional - ordinary insurance products	Domestic legal entity	9.67	19,330,000	-	-	-
China Post & Capital Fund - Hua Xia Bank - Hua Xia Bank Co., Ltd.	Domestic legal entity	8.95	17,905,000	-	-	-
Bank of Communications Schroder 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 – Capital Trust	Domestic legal entity	2.98	5,950,000	-	-	-
Merchants Wealth – Postal Saving Bank – Postal Savings Bank of China Co., Ltd.	Domestic legal entity	2.98	5,950,000	-	-	-
Explanation of the related party relationship or acting-in-concert relationship among the above shareholders	1. Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China, Ltd. are majority-owned subsidiaries of and act in concert with the Ping An Insurance (Group) Company of China, Ltd. “Ping An Life Insurance Company of China, Ltd. - dividend - individual dividend”, “Ping An Life Insurance Company of China, Ltd. - universal - individual universal” and “Ping An Property & Casualty Insurance Company of China, Ltd. - traditional - ordinary insurance products” are related. 2. The Bank is not aware of any related-party relationship or parties acting in concert among other shareholders.					

Note: (1) The preference shares issued by the Bank are all unrestricted with no restricted period imposed.
(2) The Bank had no preference shareholders with restored voting rights.

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

√ Applicable □ Not applicable

The *Proposal on Establishing Subsidiaries for Asset Management* was approved on 6 June 2018 at the 18th meeting by the 10th Board of Directors of the Bank. On 30 December 2019, the Bank was approved by the CBIRC to incorporate Ping An Wealth Management Co., Ltd. Once the preparatory work is completed, the Bank will apply to the CBIRC for the opening for business in accordance with relevant regulations and procedures. On 18 August 2020, Ping An Wealth Management Co., Ltd. was approved by the CBIRC for operation. Its registered capital is RMB5,000 million, the registration address is Shenzhen, and it is mainly engaged in the businesses related to asset management such as the issuance of public financing products, the issuance of private financing products, financial advisory and consulting.

Regarding the establishment of the above-mentioned subsidiary of the Bank, please refer to the announcement dated 7 June 2018, 2 January 2020 and 20 August 2020 published on *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, *Securities Daily* and on the website of CNINFO (<http://www.cninfo.com.cn>) for further information.

Description of major events	Date of disclosure	Index of website disclosing temporary reports
Establishment of Ping An Wealth Management Co., Ltd. by the Bank	7 June 2018, 2 January 2020 and 20 August 2020	<i>China Securities Journal</i> , <i>Securities Times</i> , <i>Shanghai Securities News</i> , <i>Securities Daily</i> and CNINFO (http://www.cninfo.com.cn)

Progress for share repurchase
Applicable Not applicable

Progress for reducing repurchased shares by means of centralised bidding
Applicable Not applicable

3.4 Unfulfilled commitments as at the end of the reporting period by the Bank's actual controllers, shareholders, related parties, purchasers and the Bank

Applicable Not applicable

There were no commitments that had not been fulfilled when due as at the end of the reporting period by the Bank's actual controllers, shareholders, related parties, purchasers and the Bank.

3.5 Financial investments

3.5.1 Securities investments

At the end of the reporting period, the book value of financial bonds (including policy bank bonds, various general financial bonds, subordinated financial bonds, but excluding enterprise bonds) held by the Group was RMB227,848 million, and the top ten financial bonds with the highest book value are as follows:

(In RMB million)

Name of bonds	Par value	Annual coupon rate (%)	Maturity date	Impairment provision
2018 Policy Bank Bonds	4,120	4.88	09/02/2028	-
2019 Policy Bank Bonds	3,310	3.42	02/07/2024	-
2019 Policy Bank Bonds	3,037	3.30	01/02/2024	-
2020 Policy Bank Bonds	3,030	2.25	12/03/2022	-
2011 Policy Bank Bonds	3,030	2.35	17/02/2021	-
2020 Commercial Bank Financial Bonds	3,000	2.82	19/02/2021	5.58
2020 Commercial Bank Financial Bonds	3,000	3.00	10/03/2021	-
2019 Commercial Bank Financial Bonds	3,000	3.50	27/03/2022	23.00
2016 Commercial Bank Financial Bonds	3,000	3.25	07/03/2021	10.55
2016 Commercial Bank Financial Bonds	3,000	3.20	29/03/2021	13.19

3.5.2 Derivative investments

(In RMB million)

Contract type	Beginning contract amount (Nominal amount)	Ending contract amount (Nominal amount)	Changes in fair value during the reporting period
Foreign exchange derivatives	496,223	676,041	(564)
Interest rate derivatives	4,768,243	6,276,077	754
Precious metals derivatives	89,851	78,498	(216)
Total	5,354,317	7,030,616	(26)

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

3.6 Progress for projects invested with raised funds

Applicable Not applicable

3.7 Forecast of operational performance in 2020

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

Applicable Not applicable

3.8 Material contracts for daily operation

Applicable Not applicable

3.9 Entrusted funding and entrusted investments

Applicable Not applicable

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

3.10 Non-compliant external guarantees

Applicable Not applicable

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

3.11 Occupation of funds of the listed company for non-operating purposes by controlling shareholders and their related parties

Applicable Not applicable

During the reporting period, the Bank had no situation where the controlling shareholders and other related parties occupy the funds of the Bank.

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

Date	Mode	Type of visiting party	Reference
07/07/2020	Investment bank meeting	Institution(s)	CNINFO (http://www.cninfo.com.cn) Record Chart of Investor Relationship Activities of Ping An Bank Co., Ltd.
25/07/2020	Teleconference	Institution(s)	
01/09/2020	Results release press	Institution(s)	
02/09/2020-03/09/2020	Domestic roadshow by call	Institution(s)	
22/09/2020	Teleconference	Institution(s)	
29/09/2020	Onsite visit	Institution(s)	

IV Financial Statements

4.1 Financial statements

1. Consolidated and company balance sheets (unaudited)
2. Consolidated and company income statements (unaudited)
3. Consolidated and company cash flow statements (unaudited)

PING AN BANK CO., LTD.
CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2020

	(In RMB million)						
ASSETS	30 September 2020	31 December 2019					
Cash and balances with the Central Bank	298,880	252,230					
Deposits with banks and other financial institutions	85,691	85,684					
Precious metals	36,611	51,191					
Placements with and loans to banks and other financial institutions	98,137	79,369					
Derivative financial assets	30,820	18,500					
Financial assets held under resale agreements	63,338	62,216					
Loans and advances to customers	2,518,314	2,259,349					
Financial investments:							
Financial assets held for trading	282,951	206,682					
Investment on debts	608,155	656,290					
Other investment on debts	230,970	182,264					
Other equity investment	2,058	1,844					
Investment properties	580	247					
Property and equipment	10,280	11,092					
Right-of-use assets	7,479	7,517					
Intangible assets	3,903	4,361					
Goodwill	7,568	7,568					
Deferred income tax assets	37,815	34,725					
Other assets	23,371	17,941					
TOTAL ASSETS	4,346,921	3,939,070					
LIABILITIES AND SHAREHOLDERS' EQUITY							
Liabilities							
Borrowings from the Central Bank	122,074	113,331					
Deposits from banks and other financial institutions	423,992	368,691					
Placements from banks and other financial institutions	55,400	26,071					
Financial liabilities held for trading	53,440	29,691					
Derivative financial liabilities	35,286	21,404					
Financial assets sold under repurchase agreements	94,676	40,099					
Due to customers	2,573,072	2,459,768					
Employee benefits payable	15,897	14,218					
Taxes payable	10,262	12,031					
Debt securities issued	571,203	513,762					
Lease liabilities	7,779	7,600					
Provisions	1,011	1,734					
Other liabilities	24,058	17,687					
Total liabilities	3,988,150	3,626,087					
Shareholders' equity							
Share capital	19,406	19,406					
Other equity instrument	69,944	39,948					
Including: Preference shares	19,953	19,953					
Perpetual bonds	49,991	19,995					
Capital reserve	80,816	80,816					
Other comprehensive income	812	2,314					
Surplus reserve	10,781	10,781					
General reserve	46,348	46,348					
Retained earnings	130,664	113,370					
Total shareholders' equity	358,771	312,983					
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4,346,921	3,939,070					
Legal representative	Xie Yonglin	President	Hu Yuefei	Vice President and CFO	Xiang Youzhi	Head of financial department	Zhu Peiqing

PING AN BANK CO., LTD.
BALANCE SHEET
AS AT 30 SEPTEMBER 2020

(In RMB million)

ASSETS	30 September 2020	31 December 2019	
Cash and balances with the Central Bank	298,880	252,230	
Deposits with banks and other financial institutions	85,691	85,684	
Precious metals	36,611	51,191	
Placements with and loans to banks and other financial institutions	98,137	79,369	
Derivative financial assets	30,820	18,500	
Financial assets held under resale agreements	60,838	62,216	
Loans and advances to customers	2,518,314	2,259,349	
Financial investments:			
Financial assets held for trading	282,951	206,682	
Investment on debts	608,155	656,290	
Other investment on debts	230,970	182,264	
Other equity investment	2,058	1,844	
Long-term equity investments	5,000	-	
Investment properties	580	247	
Property and equipment	10,280	11,092	
Right-of-use assets	7,479	7,517	
Intangible assets	3,903	4,361	
Goodwill	7,568	7,568	
Deferred income tax assets	37,815	34,725	
Other assets	23,371	17,941	
TOTAL ASSETS	4,349,421	3,939,070	
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Borrowings from the Central Bank	122,074	113,331	
Deposits from banks and other financial institutions	426,492	368,691	
Placements from banks and other financial institutions	55,400	26,071	
Financial liabilities held for trading	53,440	29,691	
Derivative financial liabilities	35,286	21,404	
Financial assets sold under repurchase agreements	94,676	40,099	
Due to customers	2,573,076	2,459,768	
Employee benefits payable	15,897	14,218	
Taxes payable	10,262	12,031	
Debt securities issued	571,203	513,762	
Lease liabilities	7,779	7,600	
Provisions	1,011	1,734	
Other liabilities	24,058	17,687	
Total liabilities	3,990,654	3,626,087	
Shareholders' equity			
Share capital	19,406	19,406	
Other equity instruments	69,944	39,948	
Including: Preference shares	19,953	19,953	
Perpetual bonds	49,991	19,995	
Capital reserve	80,816	80,816	
Other comprehensive income	812	2,314	
Surplus reserve	10,781	10,781	
General reserve	46,348	46,348	
Retained earnings	130,660	113,370	
Total shareholders' equity	358,767	312,983	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4,349,421	3,939,070	
Legal representative	President	Vice President and CFO	Head of financial department
Xie Yonglin	Hu Yuefei	Xiang Youzhi	Zhu Peiqing

PING AN BANK CO., LTD.
CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD FROM JAN. TO SEP. 2020

(In RMB million)

Item	Jul. - Sep. 2020	Jul. - Sep. 2019	Jan. - Sep. 2020	Jan. - Sep. 2019
I. Operating income	38,236	35,129	116,564	102,958
Net interest income	24,849	22,630	75,154	66,269
Interest income	45,795	44,702	140,781	131,813
Interest expenses	20,946	22,072	65,627	65,544
Net fee and commission income	12,517	9,440	32,239	27,831
Fee and commission income	15,488	11,979	39,843	34,534
Fee and commission expenses	2,971	2,539	7,604	6,703
Investment income	278	2,779	8,303	7,717
Including: Gains from derecognition of financial assets measured at amortised cost	32	44	602	74
Gains or losses on changes in fair value	444	(327)	(49)	(183)
Exchange gains or losses	135	568	683	1,098
Other operating income	18	27	62	66
Gains or losses on disposal of assets	(21)	(8)	41	(25)
Other income	16	20	131	185
II Operating expenses	11,073	10,661	33,251	31,249
Taxes and surcharges	358	345	1,156	952
Business and administrative expenses	10,715	10,316	32,095	30,297
III Operating profit before impairment losses on assets	27,163	24,468	83,313	71,709
Impairment losses on credit	15,887	13,769	53,741	40,579
Impairment losses on other assets	12	23	649	417
IV. Operating profit	11,264	10,676	28,923	30,713
Add: Non-operating income	25	23	53	62
Less: Non-operating expenses	50	26	150	99
V Profit before tax	11,239	10,673	28,826	30,676
Less: Income tax expenses	2,519	2,455	6,428	7,055
VI Net profit	8,720	8,218	22,398	23,621
Net profit from continued operations	8,720	8,218	22,398	23,621
Net profit from discontinued operations	-	-	-	-
VII Other comprehensive income, net of tax	(1,346)	392	(1,502)	1,189
(I) Not to be reclassified into profit or loss in subsequent periods	(106)	-	(107)	(5)
Changes in fair value of other equity investments	(106)	-	(107)	(5)
(II) To be reclassified into profit or loss in subsequent periods	(1,240)	392	(1,395)	1,194
1. Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income	(1,084)	284	(2,207)	411
2. Provision for credit losses on financial assets designated at fair value and changes included into other comprehensive income	(351)	108	546	783
3. Cash flow hedging reserve	191	-	263	-
4. Exchange differences on translation of foreign currency financial statements	4	-	3	-
VIII Total comprehensive income	7,374	8,610	20,896	24,810
IX Earnings per share				
(I) Basic earnings per share (Yuan/share)	0.45	0.47	1.11	1.32
(II) Diluted earnings per share (Yuan/share)	0.45	0.47	1.11	1.32

Legal representative	President	Vice President and CFO	Head of financial department
Xie Yonglin	Hu Yuefei	Xiang Youzhi	Zhu Peiqing

PING AN BANK CO., LTD.
INCOME STATEMENT
FOR THE PERIOD FROM JAN. TO SEP. 2020

(In RMB million)

Item	Jul. - Sep. 2020	Jul. - Sep. 2019	Jan. - Sep. 2020	Jan. - Sep. 2019
I Operating income	38,231	35,129	116,559	102,958
Net interest income	24,844	22,630	75,149	66,269
Interest income	45,795	44,702	140,781	131,813
Interest expenses	20,951	22,072	65,632	65,544
Net fee and commission income	12,517	9,440	32,239	27,831
Fee and commission income	15,488	11,979	39,843	34,534
Fee and commission expenses	2,971	2,539	7,604	6,703
Investment income	278	2,779	8,303	7,717
Including: Gains from derecognition of financial assets measured at amortised cost	32	44	602	74
Gains or losses on changes in fair value	444	(327)	(49)	(183)
Exchange gains or losses	135	568	683	1,098
Other operating income	18	27	62	66
Gains or losses on disposal of assets	(21)	(8)	41	(25)
Other income	16	20	131	185
II Operating expenses	11,073	10,661	33,251	31,249
Taxes and surcharges	358	345	1,156	952
Business and administrative expenses	10,715	10,316	32,095	30,297
III Operating profit before impairment losses on assets	27,158	24,468	83,308	71,709
Impairment losses on credit	15,887	13,769	53,741	40,579
Impairment losses on other assets	12	23	649	417
IV Operating profit	11,259	10,676	28,918	30,713
Add: Non-operating income	25	23	53	62
Less: Non-operating expenses	50	26	150	99
V Profit before tax	11,234	10,673	28,821	30,676
Less: Income tax expenses	2,518	2,455	6,427	7,055
VI Net profit	8,716	8,218	22,394	23,621
Net profit from continued operations	8,716	8,218	22,394	23,621
Net profit from discontinued operations	-	-	-	-
VII Other comprehensive income, net of tax	(1,346)	392	(1,502)	1,189
(I) Not to be reclassified into profit or loss in subsequent periods	(106)	-	(107)	(5)
Changes in fair value of other equity investments	(106)	-	(107)	(5)
(II) To be reclassified into profit or loss in subsequent periods	(1,240)	392	(1,395)	1,194
1. Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income	(1,084)	284	(2,207)	411
2. Provision for credit losses on financial assets designated at fair value and changes included into other comprehensive income	(351)	108	546	783
3. Cash flow hedging reserve	191	-	263	-
4. Exchange differences on translation of foreign currency financial statements	4	-	3	-
VIII Total comprehensive income	7,370	8,610	20,892	24,810

Legal representative	President	Vice President and CFO	Head of financial department
Xie Yonglin	Hu Yuefei	Xiang Youzhi	Zhu Peiqing

PING AN BANK CO., LTD.
2020 THIRD QUARTERLY REPORT

PING AN BANK CO., LTD.
COSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD FROM JAN. TO SEP. 2020

Item	(In RMB million)	
	Jan. - Sep. 2020	Jan. - Sep. 2019
I Cash flows from operating activities:		
Net decrease in amounts due from the Central Bank and deposits with banks and other financial institutions	27,937	16,531
Net decrease in placements with and loans to banks and other financial institutions	4,414	-
Net increase in borrowings from the Central bank	8,850	-
Net increase in customer deposits and deposits from banks and other financial institutions	167,697	203,792
Net increase in placements from banks and other financial institutions	29,450	827
Net increase in financial assets sold under repurchase agreements	54,788	45,212
Net decrease in financial assets held under resale agreements	56	135
Cash received from interest and fee and commission income	163,285	148,245
Cash received relating to other operating activities	56,190	48,915
Sub-total of cash inflows	512,667	463,657
Net decrease in borrowings from the Central bank	-	33,154
Net increase in loans and advances to customers	303,639	188,571
Net increase in placements with banks and other financial institutions	-	6,090
Net increase in financial assets held for trading	64,530	35,902
Cash payments for interest and fee and commission expenses	60,963	60,463
Cash paid to and on behalf of employees	14,058	14,522
Cash payments for taxes and surcharges	20,380	18,312
Cash paid relating to other operating activities	18,399	22,163
Sub-total of cash outflows	481,969	379,177
Net cash flows from operating activities	30,698	84,480
II Cash flows from investing activities:		
Cash received from investments upon disposal/maturity	534,695	332,361
Cash received from returns on investments	28,947	22,673
Cash received from disposal of property and equipment and other long-term assets	254	87
Sub-total of cash inflows	563,896	355,121
Cash payments for investments	546,126	432,052
Cash paid to acquire property and equipment, intangible assets and other long-term assets	1,695	1,878
Sub-total of cash outflows	547,821	433,930
Net cash flows from/(used in) investing activities	16,075	(78,809)
III Cash flows from financing activities:		
Cash received from debt securities and other equity instruments issued	589,968	300,671
Sub-total of cash inflows	589,968	300,671
Cash payments for principal of debt securities	511,450	303,984
Cash payments for interest of debt securities	2,654	2,497
Cash payments for dividend and profit appropriation	5,104	3,364
Cash payments for lease liabilities	2,116	1,353
Sub-total of cash outflows	521,324	311,198
Net cash flows from/(used in) financing activities	68,644	(10,527)
IV Effect of foreign exchange rate changes on cash and cash equivalents	(1,404)	1,811
V Net increase/(decrease) in cash and cash equivalents	114,013	(3,045)
Add: Cash and cash equivalents at the beginning of the year	179,058	161,801
VI. Cash and cash equivalents at the end of the period	293,071	158,756

Legal representative

Xie Yonglin

President

Hu Yuefei

Vice President and CFO

Xiang Youzhi

Head of financial department

Zhu Peiqing

PING AN BANK CO., LTD.
2020 THIRD QUARTERLY REPORT

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

Item	(In RMB million)	
	Jan. - Sep. 2020	Jan. - Sep. 2019
I Cash flows from operating activities:		
Net decrease in amounts due from the Central Bank and deposits with banks and other financial institutions	27,937	16,531
Net decrease in placements with and loans to banks and other financial institutions	4,414	-
Net increase in borrowings from the Central bank	8,850	-
Net increase in customer deposits and deposits from banks and other financial institutions	170,201	203,792
Net increase in placements from banks and other financial institutions	29,450	827
Net increase in financial assets sold under repurchase agreements	54,788	45,212
Net decrease in financial assets held under resale agreements	56	135
Cash received from interest and fee and commission income	163,285	148,245
Cash received relating to other operating activities	56,190	48,915
Sub-total of cash inflows	515,171	463,657
Net decrease in borrowings from the Central bank	-	33,154
Net increase in loans and advances to customers	303,639	188,571
Net increase in placements with banks and other financial institutions	-	6,090
Net increase in financial assets held for trading	64,530	35,902
Cash payments for interest and fee and commission expenses	60,968	60,463
Cash paid to and on behalf of employees	14,058	14,522
Cash payments for taxes and surcharges	20,379	18,312
Cash paid relating to other operating activities	18,399	22,163
Sub-total of cash outflows	481,973	379,177
Net cash flows from operating activities	33,198	84,480
II Cash flows from investing activities:		
Cash received from investments upon disposal/maturity	534,695	332,361
Cash received from returns on investments	28,947	22,673
Cash received from disposal of property and equipment and other long-term assets	254	87
Sub-total of cash inflows	563,896	355,121
Cash payments for investments	551,126	432,052
Cash paid to acquire property and equipment, intangible assets and other long-term assets	1,695	1,878
Sub-total of cash outflows	552,821	433,930
Net cash flows from/(used in) investing activities	11,075	(78,809)
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IV Effect of foreign exchange rate changes on cash and cash equivalents	(1,404)	1,811
V Net increase/(decrease) in cash and cash equivalents	111,513	(3,045)
Add: Cash and cash equivalents at the beginning of the year	179,058	161,801
VI Cash and cash equivalents at the end of the period	290,571	158,756

Legal representative

Xie Yonglin

President

Hu Yuefei

Vice President and CFO

Xiang Youzhi

Head of financial department

Zhu Peiqing

4.2 Auditor's Report

Whether the Third Quarterly Reports have been audited.

Yes No

These third quarterly consolidated and company reports have not been audited.

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

22 October 2020