

Security Code: 000001

Security Name: Ping An Bank

Notice No.: 2021-006

Code of preference shares: 140002

Short name of preference shares: PYY01

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

### I. Important notes

1. This summary of annual report is extracted from the full text of the annual report. Investors are advised to carefully read the full annual report at the news media designated by the CSRC to have a comprehensive understanding of the business performance, financial position and future development plan of Ping An Bank Co., Ltd. (Hereinafter “Ping An Bank” or the “Bank”).
2. The Board of Directors (hereinafter referred to as the “Board”), the Supervisory Committee, the directors, the supervisors and senior management of the Bank guarantee the authenticity, accuracy and completeness of the contents of the 2020 Annual Report, in which there are no false representations, misleading statements or material omissions, and are severally and jointly take responsibilities for its contents.
3. The 16th meeting of the 11th session of the Board of the Bank deliberated the 2020 Annual Report together with its summary. The meeting required 15 directors to attend, and 15 directors attended the meeting. The Annual Report was approved unanimously at the meeting.
4. The 2020 annual financial reports prepared by the Bank was audited by PricewaterhouseCoopers Zhong Tian LLP (hereinafter referred to as “PwC”) according to the China Standards on Auditing and PwC issued a standard unqualified auditors’ report.
5. Xie Yonglin (the Bank’s Chairman), Hu Yuefei (the President), Xiang Youzhi (the Vice President and the CFO) and Zhu Peiqing (the head of the Finance Department) guarantee the authenticity, accuracy and completeness of the financial reports included in the 2020 Annual Report.
6. The Bank’s proposal for profit distribution of ordinary shares deliberated by the Board: cash dividend distribution of RMB1.8 per 10 shares (tax inclusive) to all shareholders based on the total share capital of the Bank of 19,405,918,198 shares as at 31 December 2020. There was no proposal to issue bonus shares or to convert public reserve to share capital.

Proposal of the reporting period for profit distribution of preference shares deliberated by the Board

√ Applicable    ☐ Not applicable

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

## II. Company profile

### 1. General information

Stock Abbreviation	Ping An Bank	Stock code	000001
Traded on	Shenzhen Stock Exchange		
Contact information	Secretary to the Board	Representative of Securities Affairs	
Name	Zhou Qiang	Lv Xuguang	
Office Address	Board Office of Ping An Bank, Block B, Ping An Financial Centre, No. 5023, Yitian Road, Futian District, Shenzhen, Guangdong, the PRC	Board Office of Ping An Bank, Block B, Ping An Financial Centre, No. 5023, Yitian Road, Futian District, Shenzhen, Guangdong, the PRC	
Facsimile	(0755)82080386	(0755)82080386	
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### 2. Main businesses or product introduction during the reporting period

#### Main businesses of the Bank

Ping An Bank is a national joint-stock commercial bank. As approved by relevant regulatory bodies, the Bank engages in the following commercial banking activities: (I) absorption of public deposits; (II) advances of short, medium and long-term loans; (III) domestic and overseas settlement; (IV) bill acceptance and discounting; (V) issuance of financial bonds; (VI) agent of issuing, cashing and underwriting government bonds; (VII) trading of government bonds and financial bonds; (VIII) interbank lending and borrowing; (IX) trade foreign exchange on its behalf and as an agent; (X) bank cards; (XI) provision of letter of credit service and guarantee; (XII) agency for collection and payment and insurance agency; (XIII) safe deposit box service; (XIV) foreign exchange settlement and sale; (XV) off-shore banking; (XVI) asset custody; (XVII) gold service; (XVIII) financial advisor and credit investigation, consultation and witness services; and (XIX) other businesses approved by relevant regulatory bodies.

#### The development stage of the banking industry

The successful convening of 19th CPC National Congress marked that the entry of the China's economy has entered into a new era of socialism. The Long-Range Objectives Through the Year 2035 and main goals of economic and social development during the 14th Five-Year Plan period have been further specifically clarified in the fifth plenary session of the 19th CPC Central Committee, making clear directions and showing the way forward for the development of the banking business sector at present and in a long run. The top development priorities of the financial industry are to continuously increase support and reduce financing costs for the real economy, effectively optimise financial resource allocation, and comprehensively strengthen financial risk prevention and control, as well as the inevitable duties of the financial industry in support China's economic development. Commercial banks must remain true to their original purpose and stay committed to keep their mission in mind, closely following the major strategic principles and policies of the Party and the nation, fully

returning to their true and primary mission to serve the real economy, vigorously supporting the development of private and small- and micro-sized enterprises, increasing assistance to manufacturing and technological enterprises and continuing to improve their financial service capability and quality, so as to make unremitting efforts to effectively support the “stability on the six fronts” and “security in the six areas”, to promote speedy economic recovery, as well as to build the dual circulation development pattern centred on the domestic economy and aimed at integrating the domestic and global economy.

### III. Key accounting data and financial indicators

#### 1. Key indicators

(In RMB million)

Item	2020	2019	Year-on-year change
Operating income	153,542	137,958	11.3%
Net profit attributable to shareholders of the Bank	28,928	28,195	2.6%
Cost/income ratio	29.11%	29.61%	-0.50 percentage point
Average return on total assets	0.69%	0.77%	-0.08 percentage point
Weighted average return on net assets	9.58%	11.30%	-1.72 percentage points
Net interest margin	2.53%	2.62%	-0.09 percentage point
Proportion of net non-interest income	35.10%	34.79%	+0.31 percentage point
	31 December 2020	31 December 2019	Change at the end of the year from the end of last year
Deposit principals due to customers	2,673,118	2,436,935	9.7%
Total principals of loans and advances to customers	2,666,297	2,323,205	14.8%
Non-performing loan (NPL) ratio	1.18%	1.65%	-0.47 percentage point
Provision coverage ratio	201.40%	183.12%	+18.28 percentage points
Deviation ratio of loans overdue for more than 60 days	0.92	0.96	-0.04
Capital adequacy ratio	13.29%	13.22%	+0.07 percentage point

#### 2. Key accounting data and financial indicators

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

☐ Yes     ☒ No

(In RMB million)

Item	31 December 2020	31 December 2019	31 December 2018	Change at the end of the year from the end of last year
Total assets	4,468,514	3,939,070	3,418,592	13.4%
Shareholders' equity	364,131	312,983	240,042	16.3%
Shareholders' equity attributable to ordinary shareholders of the Bank	294,187	273,035	220,089	7.7%
Share capital	19,406	19,406	17,170	-
Net asset per share attributable to ordinary shareholders of the Bank (RMB/share)	15.16	14.07	12.82	7.7%

Item	2020	2019	2018	Year-on-year change
Operating income	153,542	137,958	116,716	11.3%
Operating profit before impairment losses on credit and other assets	107,327	95,816	80,176	12.0%
Impairment losses on credit and other assets	70,418	59,527	47,871	18.3%
Operating profit	36,909	36,289	32,305	1.7%
Profit before tax	36,754	36,240	32,231	1.4%
Net profit attributable to shareholders of the Bank	28,928	28,195	24,818	2.6%
Net profit attributable to shareholders of the Bank after non-recurring gains/losses	28,840	28,086	24,700	2.7%
Net cash flows from operating activities	(16,161)	(40,025)	(57,323)	Negative amount for the previous year
<b>Ratio per share (RMB/share):</b>				
Basic earnings per share (EPS)	1.40	1.54	1.39	(9.1%)
Diluted earnings per share (EPS)	1.40	1.45	1.39	(3.4%)
Basic EPS after non-recurring gains/losses	1.40	1.53	1.39	(8.5%)
Diluted EPS after non-recurring gains/losses	1.40	1.44	1.39	(2.8%)
Net cash flows from operating activities per share	(0.83)	(2.06)	(3.34)	Negative amount for the previous year
<b>Financial ratios (%):</b>				
Return on total assets	0.65	0.72	0.73	-0.07 percentage point
Average return on total assets	0.69	0.77	0.74	-0.08 percentage point
Weighted average return on net assets	9.58	11.30	11.49	-1.72 percentage points
Weighted average return on net assets (net of non-recurring gains/losses)	9.55	11.25	11.44	-1.70 percentage points

Note: The return on net assets and EPS are calculated in accordance with the *Rule 9 on Information Disclosure and Report for Companies Offering Their Securities to the Public - Calculation and Disclosure of Net Assets Margin and Earnings Per Share* (2010 revised) and *Accounting Standard for Business Enterprises No. 34 - Earnings per Share*. In these calculations:

(1) The calculation of “EPS” and “weighted average return on net assets” has excluded from the numerators the amount of RMB874 million for dividends paid for the non-cumulative preference shares of RMB20 billion issued in private placement on 7 March 2016.

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

(3) The calculation of “EPS” and “weighted average return on net assets” has excluded from the numerators the amount of RMB820 million for interest paid for the first batch of RMB20 billion capital bonds with no maturity date (“perpetual bonds”) issued in December 2019.

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

Total share capital of the company as at the trading day prior to disclosure (in shares)	19,405,918,198
Dividends paid for preference shares (RMB)	874,000,000
Fully diluted EPS calculated based on the latest share capital (RMB/share)	1.40

Whether there are corporate bonds

☐Yes     ☒No

Whether the company suffered sustained losses in recent two years

☐Yes     ☒No

Differences in accounting data under domestic and overseas accounting standards

1. Differences in net profit and net assets between financial reports under the international accounting standards and the Chinese accounting standards

☐Applicable     ☒Not applicable

During the reporting period, there was no difference in net profit and net assets between financial reports under the international accounting standards and the Chinese accounting standards.

2. Differences in net profit and net assets between financial reports under the overseas accounting standards and the Chinese accounting standards

☐Applicable     ☒Not applicable

During the reporting period, there was no difference in net profit and net assets between financial reports under the overseas accounting standards and the Chinese accounting standards.

### 3. Reasons for differences in accounting data under domestic and overseas accounting standards

☐Applicable    ☒Not applicable

### Quarterly financial indicators

(In RMB million)

Item	First Quarter of 2020	Second Quarter of 2020	Third Quarter of 2020	Fourth Quarter of 2020
Operating income	37,926	40,402	38,236	36,978
Net profit attributable to shareholders of the Bank	8,548	5,130	8,720	6,530
Net profit attributable to shareholders of the Bank after non-recurring gains/losses	8,506	5,080	8,730	6,524
Net cash flows from operating activities	17,989	(43,655)	56,364	(46,859)

Have the above financial indicators or their totals differed significantly from the relevant financial indicators in the quarterly report and half-year report disclosed by the company?

☐Yes    ☒No

### Information of loans and deposits

(In RMB million)

Item	31 December 2020	31 December 2019	31 December 2018	Change at the end of the year from the end of last year
<b>Deposit principals due to customers</b>	<b>2,673,118</b>	<b>2,436,935</b>	<b>2,128,557</b>	<b>9.7%</b>
Including: Corporate deposits	1,988,449	1,853,262	1,666,966	7.3%
Personal deposits	684,669	583,673	461,591	17.3%
<b>Total principals of loans and advances to customers</b>	<b>2,666,297</b>	<b>2,323,205</b>	<b>1,997,529</b>	<b>14.8%</b>
Including: Corporate loans	1,061,357	965,984	843,516	9.9%
General corporate loans	948,724	871,081	801,814	8.9%
Discounted bills	112,633	94,903	41,702	18.7%
Personal loans	1,604,940	1,357,221	1,154,013	18.3%

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 this Annual Report are all amounts net of interests.

### Non-recurring gains/losses

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

(In RMB million)

Item	2020	2019	2018	Year-on-year change
Net gains or losses on disposal of non-current assets	92	(30)	98	Negative amount for the previous year
Gains/losses on contingencies	(6)	(3)	1	Negative amount for the previous year
Others	25	173	54	(85.5%)
Income tax effect	(23)	(31)	(35)	(25.8%)
Total	88	109	118	(19.3%)

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

### 3. Supplementary financial ratios

(Unit: %)

Item	2020	2019	2018	Year-on-year change
Cost/income ratio	29.11	29.61	30.32	-0.50 percentage point
Credit costs	1.73	2.54	2.35	-0.81 percentage point
Deposit-loan spread	3.84	4.12	3.98	-0.28 percentage point
Net interest spread	2.43	2.53	2.26	-0.10 percentage point
Net interest margin	2.53	2.62	2.35	-0.09 percentage point

Notes: Credit costs = impairment losses on loans for the period/average loan balance (including discounted bills) for the period. In 2020, average loan balance (including discounted bills) of the Group was RMB2,497,111 million (2019: RMB2,096,394 million). Net interest spread (NIS) = average yield of interest-earning assets – average cost rate of interest-bearing liabilities; and net interest margin (NIM) = net interest income/average balance of interest-earning assets.

### 4. Supplementary regulatory indicators

#### (1) Key regulatory indicators

(Unit: %)

Item	Standard level of indicator	31 December 2020	31 December 2019	31 December 2018
Liquidity ratio (RMB and foreign currency)	≥25	62.05	62.54	60.86
Liquidity ratio (RMB)	≥25	60.64	61.46	59.23
Liquidity ratio (foreign currency)	≥25	96.43	91.18	96.40

Liquidity coverage ratio	≥100	141.21	142.26	142.53
Capital adequacy ratio	≥10.5	13.29	13.22	11.50
Tier 1 capital adequacy ratio	≥8.5	10.91	10.54	9.39
Core tier 1 capital adequacy ratio	≥7.5	8.69	9.11	8.54
Ratio of loans to the single largest customer to net capital	≤10	1.96	3.80	5.13
Ratio of loans to top 10 customers to net capital	N/A	14.02	16.96	21.45
Ratio of accumulated foreign exchange exposure position to net capital	≤20	2.67	1.93	1.55
Pass loans flow rate	N/A	2.30	3.24	3.73
Special mentioned loans flow rate	N/A	30.17	31.44	37.91
Substandard loans flow rate	N/A	76.39	31.49	66.56
Doubtful loans flow rate	N/A	92.68	99.37	99.44
Non-performing loan ratio	≤5	1.18	1.65	1.75
Provision coverage ratio	≥120 (Note 2)	201.40	183.12	155.24
Provision to loan ratio	≥1.5 (Note 2)	2.37	3.01	2.71

Note: (1) Above-mentioned regulatory indicators are calculated in accordance with the regulatory requirements. Except for the capital adequacy ratio indicator, which represents the Group level position, all other indicators represents the Bank level positions as reported to the regulatory authorities.

(2) In accordance with the *Provisions of 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 regulatory policies of differentiated and dynamically adjusted provision.

## (2) Capital adequacy ratio

(In RMB million)

Item	31 December 2020		31 December 2019	
	The Group	The Bank	The Group	The Bank
<b>Net core tier 1 capital</b>	273,791	268,100	253,646	253,646
<b>Other tier 1 capital</b>	69,944	69,944	39,948	39,948
<b>Net tier 1 capital</b>	343,735	338,044	293,594	293,594
<b>Tier 2 capital</b>	75,032	75,032	74,599	74,599
<b>Net capital</b>	418,767	413,076	368,193	368,193
<b>Total risk-weighted assets</b>	3,151,764	3,150,828	2,784,405	2,784,405
Credit risk-weighted assets	2,808,573	2,807,985	2,508,004	2,508,004
On-balance-sheet risk-weighted assets	2,444,338	2,443,750	2,223,516	2,223,516
Off-balance-sheet risk-weighted assets	348,043	348,043	275,106	275,106
Risk-weighted assets of counterparty credit risk exposure	16,192	16,192	9,382	9,382
Market risk-weighted assets	88,891	88,779	51,320	51,320
Operational risk-weighted assets	254,300	254,064	225,081	225,081
<b>Core tier 1 capital adequacy ratio</b>	8.69%	8.51%	9.11%	9.11%
<b>Tier 1 capital adequacy ratio</b>	10.91%	10.73%	10.54%	10.54%



<b>Capital adequacy ratio</b>	13.29%	13.11%	13.22%	13.22%
<b>Balance of mitigated risk exposures of credit risk asset portfolio:</b>				
Balance of mitigated risk exposures of on-balance sheet credit risk asset portfolio	3,904,261	3,902,170	3,528,250	3,528,250
Risk exposures of off-balance-sheet assets after conversion	780,298	780,298	611,856	611,856
Counterparty credit risk exposures	6,102,592	6,102,592	3,807,400	3,807,400

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

### (3) Leverage ratio

(In RMB million)

Item	31 December 2020	30 September 2020	30 June 2020	31 March 2020
<b>Leverage ratio</b>	<b>6.48%</b>	<b>6.59%</b>	<b>6.57%</b>	<b>6.85%</b>
Net tier 1 capital	343,735	335,602	328,049	332,400
Balance of on-and off-balance sheet assets after adjustment	5,301,708	5,096,164	4,993,293	4,852,047

Note: The above data represents the Group level performance. At the end of the reporting period, the decrease in leverage ratio of the Group from the end of September 2020 was mainly due to an increase in the adjusted balance of on- and off-balance sheet assets. For more details on leverage ratio, please refer to the Bank's website (<http://bank.pingan.com>).

### (4) Liquidity coverage ratio

(In RMB million)

Item	31 December 2020	30 September 2020	31 December 2019
<b>Liquidity coverage ratio</b>	<b>127.68%</b>	<b>127.71%</b>	<b>143.02%</b>
Qualified current assets	512,772	483,418	497,673
Net cash outflow	401,618	378,536	347,984

Note: The above data represents the Group level performance. 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.

### (5) Net stable funding ratio

(In RMB million)

Item	31 December 2020	30 September 2020	31 December 2019
<b>Net stable funding ratio</b>	<b>105.50%</b>	<b>104.53%</b>	<b>109.03%</b>
Available stable funding	2,592,754	2,435,748	2,249,567
Stable funding required	2,457,675	2,330,093	2,063,215

Note: The above data are under the standards of the Group. The Group discloses the information on net stable funding ratio according

to the Measures for the Disclosure of Information on Net Stable Funding Ratio by Commercial Banks issued by CBIRC.

## 5. Data on operations of segments

### (1) Profit and scale

(In RMB million)

Item		Retail banking business		Wholesale banking business		Others		Total	
		2020	2019	2020	2019	2020	2019	2020	2019
Operating income	Amount	88,578	79,973	55,843	51,955	9,121	6,030	153,542	137,958
	%	57.7	58.0	36.4	37.6	5.9	4.4	100.0	100.0
Operating expenses	Amount	30,854	27,888	15,361	14,254	-	-	46,215	42,142
	%	66.8	66.2	33.2	33.8	-	-	100.0	100.0
Impairment losses on credit and other assets	Amount	35,213	27,043	35,280	33,000	(75)	(516)	70,418	59,527
	%	50.0	45.4	50.1	55.5	(0.1)	(0.9)	100.0	100.0
Profit before tax	Amount	22,452	25,055	5,178	4,706	9,124	6,479	36,754	36,240
	%	61.1	69.1	14.1	13.0	24.8	17.9	100.0	100.0
Net profit	Amount	17,674	19,493	4,075	3,661	7,179	5,041	28,928	28,195
	%	61.1	69.1	14.1	13.0	24.8	17.9	100.0	100.0

Item	31 December 2020		31 December 2019		Change at the end of the year from the end of last year
	Amount	%	Amount	%	
<b>Total assets</b>	<b>4,468,514</b>	<b>100.0</b>	<b>3,939,070</b>	<b>100.0</b>	<b>13.4%</b>
Including: Retail banking business	1,544,067	34.6	1,294,376	32.9	19.3%
Wholesale banking business	1,872,302	41.9	1,713,281	43.5	9.3%
Others	1,052,145	23.5	931,413	23.6	13.0%

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

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

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

(In RMB million)

Item	31 December 2020		31 December 2019		Change at the end of the year from the end of last year
	Amount	%	Amount	%	
<b>Deposit principals due to customers</b>	<b>2,673,118</b>	<b>100.0</b>	<b>2,436,935</b>	<b>100.0</b>	<b>9.7%</b>
Including: Corporate deposits	1,988,449	74.4	1,853,262	76.0	7.3%
Personal deposits	684,669	25.6	583,673	24.0	17.3%
<b>Total principal of loans and advances to customers</b>	<b>2,666,297</b>	<b>100.0</b>	<b>2,323,205</b>	<b>100.0</b>	<b>14.8%</b>
Including: Corporate loans (including discounted bills)	1,061,357	39.8	965,984	41.6	9.9%

Personal loans (including credit cards)	1,604,940	60.2	1,357,221	58.4	18.3%
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Note: Items in the above table are classified based on the nature of the customers, where corporate services to small enterprises is attributable to corporate deposits and corporate loans business, while individual services to small enterprises is attributable to personal deposits and personal loans, and the same approach applies below.

## (2) Asset quality

Item	31 December 2020	31 December 2019	Change at the end of the year from the end of last year
<b>Non-performing loan (NPL) ratio</b>	<b>1.18%</b>	<b>1.65%</b>	<b>-0.47 percentage point</b>
Including: Corporate loans (including discounted bills)	1.24%	2.29%	-1.05 percentage points
Personal loans (including credit cards)	1.13%	1.19%	-0.06 percentage point

## 6. Change of core technical team or key technicians during the reporting period (exclusive of directors, supervisors and the senior management)

☐Applicable ☒Not applicable

## 7. Significant changes in major assets

Significant changes in major assets

Major Assets	Explanations on Significant Changes
Equity assets	There were no significant changes during the reporting period
Property and equipment	There were no significant changes during the reporting period
Intangible assets	There were no significant changes during the reporting period
Construction in progress	There were no significant changes during the reporting period

Status of major overseas assets

☐Applicable ☒Not applicable

## IV. Shares and Shareholders

### 1. Number of ordinary shareholders and of preference shareholders with restored voting rights, and the shareholdings of the top 10 shareholders

(Unit: Share)

Total number of ordinary shareholders as at the end of the reporting period		Total number of ordinary shareholders as at the end of the month before the disclosure date of the annual report		Total number of preference shareholders with restored voting rights as at the end of the reporting period (if any)		Total number of preference shareholders with recovered voting rights as at the end of the reporting period and as at the end of the month before the disclosure date of the annual report (if any)	
308,724		290,750		-		-	
<b>Shareholdings of the top 10 shareholders</b>							

Name of shareholder	Nature of shareholder	Number of shares held at the end of the reporting period	Shareholding (%)	Changes during the reporting period	Number of restricted shares held	Number of unrestricted shares held	Pledged or frozen	
							Status of shares	Number of shares
Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund	Domestic legal entity	9,618,540,236	49.56	0	-	9,618,540,236	-	-
Hong Kong Securities Clearing Company Limited	Overseas legal entity	1,904,300,486	9.81	399,889,319	-	1,904,300,486	-	-
Ping An Life Insurance Company of China, Ltd. - proprietary fund	Domestic legal entity	1,186,100,488	6.11	0	-	1,186,100,488	-	-
Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance products	Domestic legal entity	440,478,714	2.27	0	-	440,478,714	-	-
China Securities Finance Corporation Limited	Domestic legal entity	429,232,688	2.21	0	-	429,232,688	-	-
Central Huijin Investment Company Limited	Domestic legal entity	216,213,000	1.11	0	-	216,213,000	-	-
China Electronics Shenzhen Company	Domestic legal entity	62,523,366	0.32	(99,999,926)	-	62,523,366	-	-
National Social Security Fund 117 Portfolio	Domestic legal entity	58,000,060	0.30	(7,029,527)	-	58,000,060	-	-
Henan Hongbao Corporate Management Co., Ltd.	Domestic legal entity	56,616,939	0.29	(46,118,875)	-	56,616,939	-	-
Aberdeen Standard Investments (Asia) Limited - Aberdeen Standard - China A-share Fund	Overseas legal entity	51,403,531	0.26	7,489,849	-	51,403,531	-	-
Details of strategic investors or general legal persons becoming top 10 shareholders for issuing new shares (if any)	None							
Explanation of the related party relationship or acting-in-concert relationship among the above shareholders	<p>1. Ping An Life Insurance Company of China, Ltd. is a majority-owned subsidiary of and acts in concert with Ping An Insurance (Group) Company of China, Ltd. "Ping An Insurance (Group) Company of China, Ltd. – the Group – proprietary fund", "Ping An Life Insurance Company of China, Ltd. – proprietary fund" and "Ping An Life Insurance Company of China, Ltd. – traditional – ordinary insurance product" are related.</p> <p>2. The Bank is not aware of any related-party relationship or parties acting in concert among other shareholders.</p>							
Description of the shareholders who engage in securities margin trading business	Henan Hongbao Corporate Management Co., Ltd. holds 56,616,939 shares of the Bank. all of which are held through the customer credit-backed securities trading account with Huatai Securities Company Limited.							

## 2. Number of preference shareholders and the shareholdings of the top 10 preference shareholders of the company

√ Applicable   □ Not applicable

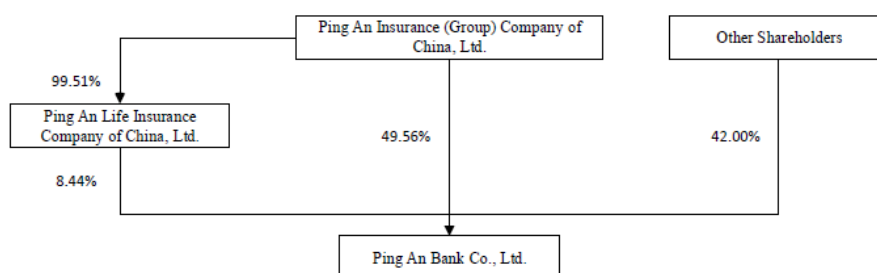
(Unit: Share)

Total number of preference shareholders at the end of the reporting period		15		Total number of preference shareholders at the end of the month before the release of the annual report		15		
Shareholding of shareholders with more than 5% preference shares or the top 10 preference shareholders								
Name of shareholder	Nature of shareholder	Shareholding (%)	Number of shares held at the end of the reporting period	Changes during the reporting period	Number of selling – restricted shares held	Number of selling - unrestricted shares held	Pledged or frozen	
							Status of shares	Number of shares
Ping An Life Insurance Company of China, Ltd. - dividend - dividends for individual insurance	Domestic legal entity	29.00	58,000,000	-	-	58,000,000	-	

Ping An Life Insurance Company of China, Ltd. - universal - individual universal insurance	Domestic legal entity	19.34	38,670,000	-	-	38,670,000	-	-
Ping An Property & Casualty Insurance Company of China, Ltd. - traditional - ordinary insurance products	Domestic legal entity	9.67	19,330,000	-	-	19,330,000	-	-
China Post & Capital Fund - Hua Xia Bank - Hua Xia Bank Co., Ltd.	Domestic legal entity	8.95	17,905,000	-	-	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	-	-	17,905,000	-	-
Bank of China Limited Shanghai Branch	Domestic legal entity	4.47	8,930,000	-	-	8,930,000	-	-
Postal Savings Bank of China Domestic Co., Ltd.	Domestic legal entity	2.98	5,950,000	-	-	5,950,000	-	-
China Resources Sztic Trust Co. Ltd – Investment No. 1 List – Capital Trust	Domestic legal entity	2.98	5,950,000	-	-	5,950,000	-	-
Hwabao Trust Co., Ltd. – Investment No. 2 – Capital Trust	Domestic legal entity	2.98	5,950,000	-	-	5,950,000	-	-
Merchants Wealth – Postal Saving Bank – Postal Savings Bank of China Co., Ltd.	Domestic legal entity	2.98	5,950,000	-	-	5,950,000	-	-
Description of different requirements on other terms of preference shares held other than dividend distribution and residual property distribution	Not applicable							
Description of the related relationship or concerted action among top 10 preference shareholders and between top 10 preference shareholders and top 10 ordinary shareholders	<p>1. Ping An Life Insurance Company of China, Ltd. and Ping An Property &amp; Casualty Insurance Company of China, Ltd. are controlled subsidiaries of and acting in concert with the Ping An Insurance (Group) Company of China, Ltd. “Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund”, “Ping An Life Insurance Company of China, Ltd. - proprietary fund”, “Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance product”, “Ping An Life Insurance Company of China, Ltd. - dividend - individual dividend”, “Ping An Life Insurance Company of China, Ltd. - universal - individual universal” and “Ping An Property &amp; Casualty Insurance Company of China, Ltd. - traditional - ordinary insurance products” are related parties.</p> <p>2. The Bank is not aware of any related-party relationship or parties acting in concert among other shareholders.</p>							

### 3. The ownership and control relationships between the company and its actual controllers

There is no actual controller for the Bank. During the reporting period, there was no change in the controlling shareholders of the Bank. A diagram showing the relationship between the Bank and its controlling shareholder is as follows:



## **V. Corporate Bonds**

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

☐Applicable    ☒Not applicable

## **VI. Discussion and Analysis of Operations**

### **(I) Overall analysis of operations**

2020 was the first year of the Bank implementing its new three-year strategy, with its strategic goal of building a “domestic best performer and world-leading intelligent retail bank”, the Bank adheres to the strategic principles of “being technology-driven, pursuing breakthroughs in retail banking, and reinventing its corporate banking” and the operational strategies of “3 + 2 + 1” to build and deepen retail, corporate and treasury and interbank business, as well as to promote balanced development of business, strive to achieve its branding goals as “a digital bank, an ecosystem, and a platform”, as part of its overall efforts to persistently optimise the assets and liabilities structure, constantly consolidate the foundation for transformation and upgrade, and effectively promote the banking businesses to a higher level.

Since the start of 2020, in the face of complicated and severe international situation, arduous tasks for stability of domestic development and reform, especially the severe impact of the COVID-19 pandemic (the “COVID-19 pandemic”), the Chinese government has maintained strategic determination, decisively issued a series of policies to prevent and control the COVID-19 pandemic and develop its economy and society with accurate judgement on the situation, and careful planning and deployment. Under the resolute leadership of the CPC Central Committee and the State Council, all people in the nation have been united and made great efforts to effectively overcome the adverse impact from the COVID-19 pandemic. China's economy has recovered steadily, becoming the only major economy achieve positive economic growth worldwide. Major breakthroughs are made in reform and opening up, and people's livelihood is effectively guaranteed.

Over the past year, the Bank acting upon the strategic decisions and planning of the CPC Central Committee and the State Council, “fight against the pandemic” on the one hand and “maintaining productivity” on the other, actively promote the implementation of various strategic measures, vigorously support to the development of private enterprises, small and micro enterprises, and strengthen its support to manufacturing and technological enterprises, as well as comprehensively promoted digital and online operations, resumed businesses within a short period and effectively ensured continuous provision of premium services to customers. Meanwhile, the Bank attached great importance to risk management, comprehensively strengthen its financial risk control and prevention under the impact of the COVID-19 pandemic, proactively fulfilled its social responsibilities, including fully support the landing of national policy of “stability on the six fronts” and “security in the six areas”, as well

as making unremitting efforts to practically meet various financial service demands of customers, promote rapid work resumption, support continuous transformation and upgrading of real economy, as well as foster to build the dual circulation development pattern centred on the domestic economy and aimed at integrating the domestic and global economy. Operations in 2020 have the following characteristics:

**Stable growth of operating income.** In 2020, the Group recorded operating income of RMB153,542 million, representing a year-on-year increase of 11.3%; the operating profit before impairment losses was RMB107,327 million, representing a year-on-year increase of 12.0%. Considering the uncertainties arising from the COVID-19 pandemic as well as the economy trends and the domestic and overseas economic environments, the Group increased the allotted amount of impairment losses on loans and advances for customers and non-credit assets, and increased the write-off and disposal of non-performing assets, which gradually improved the profitability that to realise a net profit of RMB28,928 million, representing a year-on-year increase of 2.6%.

**Continuous optimisation of liability costs.** In 2020, the Group's NIM decreased by 9 basis points to 2.53% as compared with 2019; the average cost of liability was down by 32 basis points to 2.32% as compared with 2019, among which the average cost of deposit-taking was 2.23%, decreasing 23 basis points as compared with 2019 by restructuring of assets and liabilities structure and enhancement of control over deposits so that demand deposits were effectively increased.

**Stable growth of non-interest income.** In 2020, the Group recorded a net non-interest income of RMB53,892 million, representing a year-on-year increase of 12.3%, mainly due to the increase in the non-interest income derived from personal agency funds and trust plans, coupled with that of trading financing, corporate agency business, bonds underwriting and wealth management; the net non-interest income accounted for 35.10%, with a year-on-year increase of 0.31 percentage point.

**Steady growth in the scale of assets and liabilities.** As at the end of 2020, the Group's total assets amounted to RMB4,468,514 million, up 13.4% over the end of last year, including the total loans and advances to customers of RMB2,666,297 million, up by 14.8% as compared with the end of last year. The total liabilities amounted to RMB4,104,383 million, representing an increase of 13.2% as compared with the end of last year, including the balance of deposit principals due to customers of RMB2,673,118 million, up 9.7% over the end of the previous year.

**Comprehensive improvement on risk indicators.** At the end of 2020, the NPL ratio was 1.18%, down 0.47 percentage point as compared with the end of last year, and 0.14 percentage point as compared with the end of September. Special mention loans, loans overdue for more than 60 days and loans overdue for more than 90 days accounted for 1.11%, 1.08% and 0.88% respectively, down by 0.90, 0.50 and 0.47 percentage point as compared with the end of last year, and 0.48, 0.19 and 0.22 percentage point as compared with the end of September. The deviation ratios of loans overdue for more than 60 days and 90 days were both below 1. The provision coverage

ratios of non-performing loans, loans overdue for more than 60 days and loans overdue for more than 90 days were 201.40%, 219.78% and 268.74% and up by 18.28, 29.44 and 45.85 percentage points respectively as compared with the end of last year.

**Stronger capital base.** In February 2020, the Bank completed the issuance of RMB30 billion perpetual capital bonds, which effectively supplemented other tier 1 capital. At the end of 2020, the Group's core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio were 8.69%, 10.91% and 13.29% respectively, all satisfying the regulatory requirements.

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

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

2020 was the starting year of the new three-year period for the retail business transformation and development, the Bank continued to implement its “3 + 2 + 1” retail strategy, and made full 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”. Meanwhile, with the new branding goal of the Bank as “a digital bank, an ecosystem, and a platform”, the Bank has launched four new strategies of “digitalised operations, online operations, comprehensive services and ecologically-driven development” (the DOCE strategies) to promote the transformation and upgrade of its retail business and continuously establish differentiated completeness.

In light of the COVID-19 pandemic, the Bank's retail business has demonstrated strong resilience in its ongoing development. Thanks to its strong technology capabilities which have been built over the years through continued investments in technologies and the speedy implementation of the DOCE strategies, the Bank has effectively met the financial needs of a large number of customers during the COVID-19 pandemic, and has been able to rapidly resume its various businesses, maintain a steady growth and manage its overall operational risks when the situation eases.

**Operational efficiency remained stable and production efficiency continuously improved.** In 2020, the operating income from retail reached RMB88,578 million, representing a year-on-year increase of 10.8% , accounting for 57.7% of the total operating income of the Bank; and the operating profit before impairment losses reached RMB57,724 million, increasing by 10.8% year-on-year. At the same time, the Bank increased its allotted amount for retail assets, and the net profit for retail business amounted to RMB17,674 million, slightly down 8.0 percentage points to 61.1% accounting for the total net profit, remained in the reasonable range. In 2020, the Bank took active actions to upgrade retail cost management to become “digitally driven” and fuel cost reduction and efficiency improvement. While the Bank continued to intensify investment in strategies, the cost/income ratio of



the retail business declined by 0.06 percentage point compared with that in 2019.

**Successive breakthroughs in private banking with the AUM scale topping the one trillion mark.** In 2020, the Bank kept on enhancing the construction of professional teams for investment research, investment advisory and family office, and upgrading the “1 + N” online and offline business model, with further enhancement on the operation capabilities of high net worth customers. Private banking qualified customers reached 57,300, maintaining at a relatively high level, increasing by 30.8% as compared with the end of last year. The AUM scale of private banking customers topped the one trillion mark to RMB1,128,897 million, representing an increase of 53.8% as compared with the end of the previous year. Driven by the private banking business, the overall AUM balance of the Bank maintained a rapid growth, amounted to RMB2,624,762 million, up 32.4% compared with the end of 2019.

**Better performance in both the quantity and quality of deposit business, with further improvement of the average cost.** The Bank actively implemented the new three-year strategies in respect of asset and liability, continued to optimise the asset and liability structure of the retail business and made efforts to expand low-cost deposits in order to reduce the costs of liabilities. In 2020, retail deposits achieved high-quality growth despite the steady decrease in interest rates. The average daily balances of personal deposits amounted to RMB619,425 million, representing a year-on-year increase of 21.0%, and the average cost of personal deposits was 2.42%, decreasing by 20 basis points as compared with the average level of last year.

**Fast resumption of lending with the quality of assets remaining strong.** The Bank continued to reinforce its leading roles in the credit card, “Xinyidai” and auto financing businesses, increasing the release of title deed secured loans with lower risk and unsecured loans for high-quality customers to optimise the business structure and customer structure. Due to the covid-19 pandemic at the beginning of the year, there was a fall in lending business, but it had continuously recovered with a sound growth since the second quarter. The auto financing grew rapidly against the trend. At the end of 2020, the balance of auto finance loans increased 37.5% as compared with the end of the previous year, which the Bank has maintained a leading position in the industry. As at the end of 2020, the balance of personal loans amounted to RMB1,604,940 million, up 18.3% as compared with the end of the last year. Asset quality remained sound even during the COVID-19 pandemic. As at the end of 2020, the NPL ratio of personal loans was 1.13%, representing a decrease of 0.06 percentage point and 0.19 percentage point as compared with the end of the previous year and the end of September respectively. Since August, new monthly NPLs had showed a downward trend, and the NPL ratios of main products hit the inflection point, approaching the pre-pandemic level.

**Accelerated deployment of key strategic projects and continued strengthening of the ability to drive business growth through comprehensive finance and technology.** For business model innovation, in 2020, the

Bank continued to strengthen the open banking strategy through enhanced collaboration with internet scenario partners to promote “joint efforts to operate, to construct ecology and to assist entities”. In 2020, open banking acquired 4,056.3 thousand customers from the Internet, accounting for 39.0% of the total customers acquired by the retail business; meanwhile, the Bank continued to deepen its innovation and upgrading of the Member-Get-a-Member (MGM) online operation model. The cumulative volume for the current year of sharing and forwarding by VIP customers through the SAT system a year on year increase of 320.9% and the volume of AUM transactions attributable to SAT sharing accounted for 45.3% of the total MGM business. For technology innovation, the new core system of Credit Card A+ was successfully switched and put into operation, becoming the first successful case in the industry that the core business system was seamlessly transferred to the distributed PC server architecture in the uninterrupted services situation.

**Looking to the future, the retail strategy will be fully upgraded, and the transformation and development will enter a new level.** The current period is critical for identifying and pursuing development opportunities in the new three-year retail business strategy, the Bank will continue to thoroughly implement its positioning as a “a digital bank, an ecosystem and a platform” and the established DOCE strategies. Moreover, it will push forward innovation and breakthroughs in credit card, private bank, banking and insurance businesses, as well as continuously upgrade its retail loan businesses such as auto financing and “Xinyidai” through operation upgrading, so to inject new momentum for the second take-off of the retail business. For operation upgrading, by focusing on the operation of eight key customer groups, the Bank promotes in-depth cooperative interaction between product services, channels and teams and comprehensive online operations to strengthen advantages of comprehensive finance; by implementing the operation model of “AI + T + Offline”, the Bank also improves customer experience and management efficiency in an all-round way which will enhance the Bank’s leading position in respect of technology. Besides, by deepening the construction of open banking, the Bank accelerates its planning in respect of the ecological layout for large retails and strengthens the advantages of scenario-based customer operation. For mid-office function integration, the Bank further upgrades the data middle platform and risk middle platform to effectively respond to frontline operations, and maximise the operating efficiency. For organisation innovation, with the concept of comprehensive digitisation and online operation, the Bank keeps upgrading the organisational structure and operation model to maintain the agility and advancement of the organisation, so as to consolidate the organisation and talent foundation for its new three-year transformation and development.

### Key indicators of the retail business (Selected)

(In RMB million)

Dimensions	Item	2020	2019	Movements in the current year
Scale	Assets under management (AUM) of retail customers	2,624,762	1,982,721	32.4%
	Personal deposits	684,669	583,673	17.3%
	Personal loans	1,604,940	1,357,221	18.3%
Profit or loss	Operating income from retail business	88,578	79,973	10.8%
	Proportion of operating income from retail business	57.7%	58.0%	-0.3 percentage point
	Net profit from retail business	17,674	19,493	(9.3%)
	Proportion of net profit from retail business	61.1%	69.1%	-8.0 percentage points
	Operating profit of retail business before impairment losses	57,724	52,085	10.8%
Asset quality	NPL ratio of personal loans	1.13%	1.19%	-0.06 percentage point

## 1. “Three” business segments

### (1) Basic retail

At the end of 2020, the balance of assets under management (AUM) of retail customers of the Bank amounted to RMB2,624,762 million, representing an increase of 32.4% as compared with the end of last year; the number of retail customers was 107,149,300, representing an increase of 10.4% as compared with the end of last year; the number of registered users of Ping An Pocket Bank APP was 113,175,300, representing an increase of 26.5% as compared with the end of last year.

### Key indicators of basic retail (Selected)

(In RMB million)

Dimensions	Item	2020	2019	Movements in the current year
Customers/ Users	Number of Retail Customers (in 10,000 accounts)	10,715	9,708	10.4%
	Registered users of Pocket Bank APP (in 10,000 accounts)	11,318	8,947	26.5%
	Monthly active users of Pocket Bank APP (in 10,000 accounts)	4,033	3,489	15.6%
Deposits	Personal demand deposits	242,269	199,949	21.2%
	Average daily balances of personal deposits	619,425	512,060	21.0%
	Average daily balances of personal demand deposits	207,279	169,289	22.4%
	Average cost rate of personal deposits	2.42%	2.62%	-0.20 percentage point
Agency	AUM balance brought from customers of agency and batch business	386,449	269,218	43.5%
	Deposit balance brought from customers of agency and batch business	108,230	88,645	22.1%
Funds	Agency sales of non-monetary public funds	149,406	58,417	155.8%

The Bank's basic retail business continued to focus on its customers, strengthened customer acquisition through multiple channels and expanded all-round scenario-based operation, consistently pursued the technology empowerment and big data-driven business strategy, promoted the efficiency in customer acquisition and customer operation as well as the overall productivity while continuing to upgrade the customer service system and striving to create best customer experience.

**For innovation of customer acquisition channel, the Bank actively promoted the establishment of open banking and continued to strengthen customer acquisition through multiple channels.** By continuously strengthening cooperation with external scenario providers and under the premise of strictly complying to administrative regulations in particular the standards on protecting users' data and privacy, the Bank promoted ecological development and achieve "joint efforts to operate, to construct ecology and to assist entities". In November 2020, the Bank launched Ping An Digital Account (MAX Card), which provided personalised, online, and seamless financial solutions for users and cooperative enterprises by deepening financial service and integrating them with various production and life scenarios. On the one hand, "Digital Account" helps partners to achieve more thorough and more accurate flow and conversion; on the other hand, it can satisfy a series of financial service demands from the users, including investment and wealth management, inclusive credit, credit payment, and balance financial payment. In 2020, the open bank acquired 4,056.3 thousand customers through the internet channel, accounting for 39.0% of the total customers acquired by the retail business.

**For operation model innovation, the Bank actively promoted the implementation of the new model and continued to strengthen all-round scenario-based operations.** Relying on leading technology advantages, the Bank actively promoted the new model of "AI + T + Offline" by strengthening human-machine cooperation, built unified mid-office capabilities, upgraded the tiered customer management model, improved customer experience and management efficiency. Also, the Bank focused on the scenario-based operation of the eight key customer groups and enhanced refined management of customers. The eight key customer groups that the Bank focuses on include "directors and supervisors", "ultra-high net worth customers", "small enterprise owners", "wealth management gold-collar workers", "sagacious regular customers", "senior citizens", "the young hipsters", "car owners". For managing the elderly customer groups, the Bank precisely satisfied the demands of elderly customer groups by continuously perfecting preferential rights, exclusive products and targeted services, and launched the promotion of "Shenzhen Intelligent Pension Yinian Card" which had received extensive compliments with the accumulated cards issued reaching over 610,000 as at the end of 2020. For managing the young customer groups, the Bank launched the Bilibili co-branded debit card jointly with "Bilibili", and continuously enriched application scenarios, created fashion trends and constantly improved the recognition of young customer groups through actively integrating into the youth social scenario. For constructing the intelligent customer management platform, the Bank focused on the development of the Ping An Pocket Bank APP's "Finance + Life" online platform. On the

one hand, it continued to promote function iteration, offered personalised and customised experience for the customer groups including “senior citizens”, “the young hipsters” and “small enterprise owners” and achieved the personalised tired management throughout the Pocket Bank APP; On the other hand, the Bank actively promoted omni-channel and full-traffic online ecological operation. In addition to the development of its own channel ecology, it cooperated with external channels such as applets of WeChat to jointly build an ecology and introduce external high-frequency life scenarios for continuous enhancement of users’ activeness and stickiness. As a result, the statistical standards for the number of monthly active users of APP had been adjusted accordingly to include the number of active users of external cooperation applets. At the end of 2020, the number of monthly active users (MAU) of Ping An Pocket Bank APP reached 40,331,400, representing an increase of 15.6% as compared with the end of last year based on the same standards, among which, the number of monthly active users of the life scenarios was over 21,819,700, representing an increase of 79.1% as compared with the end of last year, accounting for 54.1% of the total active users.

**For customer services innovation, the Bank strived to build its integrated customer service experience system and continued to optimise the end-to-end services.** By creating a “1 + N” on-premise and mobile customer service model (1 comprehensive customer service team plus N expert teams), the Bank continuously promoted high-tech standardised and comprehensive one-stop online consulting services. In response to the impact of the COVID-19 pandemic, in the first half of 2020, the Bank had comprehensively upgraded online operation capacity and launched the new "Financial Channel" and "Life Channel" in the Ping An Pocket Bank APP. The Bank speedily launched the “Banking at Home” zone to provide online financial products and easily accessible services to customers for prompt response to customer needs and promote the resumption of work and production. In December 2020, the Bank’s customer services obtained a Net Promoter Score (NPS)<sup>1</sup> of over 82%, while the physical outlets reported an NPS of over 90%. With the advantage of best user experience achieved through fintech, the Bank was named the "World's Best Digital Bank for the Year of 2020" by *Euromoney*.

**Leveraging the deep exploration and innovation in the aspects of customer acquisition channels, operation models and customer services, the Bank constantly consolidated the retail customer base, expanded the business scale and improved the performance of key businesses, which are mainly reflected in the following aspects:**

**For deposit business operations,** the Bank continued to promote “stable growth, structure adjustment and cost reduction” of retail deposits. Firstly, the Bank strengthened the management of key customer groups, expanded the source channels of deposits, integrated deposit business into contact with customers through a comprehensive

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

analysis of customers' journeys and intensified the efforts in managing the customer groups including the middle and old-aged, children and overseas students, to effectively consolidate the customer base. Secondly, the Bank strengthened scenario-based operation and increased the balance of demand deposits, increased the deposits from assets under management by continuously expanding its AUM portfolio, improved the percentages of customer deposits retained by binding credit cards or other repayment accounts, and continued to expand its batch processing businesses, including agency issues and card acquiring services, to drive the growth of settlement deposits. Thirdly, the Bank reduced the scale of structured deposits, and accepted such funds orderly through strengthening the operation of time deposits and other measures. At the end of 2020, the balances of personal deposits and personal demand deposits amounted to RMB684,669 million and RMB242,269 million respectively, up 17.3% and 21.2% as compared with the end of the previous year respectively. In 2020, the average daily balances of personal deposits and personal demand deposits amounted to RMB619,425 million and RMB207,279 million respectively, representing a year-on-year increase of 21.0% and 22.4% respectively. In 2020, the average cost rate of personal deposits decreased by 20 basis points to 2.42% as compared with the average level of last year.

**For agency business development,** the Bank concentrated on promoting the "Ping An Salary" service platform, which provided basic services such as "wages distribution agency" and non-financial services such as attendance management, professional training, travel management, benefits purchase and enterprise remote clinic, and continuously iterated and optimised its functions. At the end of 2020, the AUM balance brought from customers of agency and batch business amounted to RMB386,449 million, up 43.5% as compared with the end of the previous year; the balance of deposits from customers of agency and batch business amounted to RMB108,230 million, increasing by 22.1% as compared with the end of the previous year.

**For the sales of key products,** the Bank actively seized the opportunities arising from the capital market reforms, attached great importance to the construction of the sales capability of fund products, focusing on building the "Ping An Preference" brand of mutual funds, strengthening online operations and technological applications. The funds' sales volume increased significantly. The 2020 witnessed excellent performance of Ping An preference funds. The "Ping An Preference" stocks and hybrid funds produced an average yield of 52.5%, representing an excess return of 38.7% against the Shanghai (Securities) Composite Index; the agency sales of non-monetary public funds amounted to RMB149,406 million, representing a year-on-year increase of 155.8%.

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

At the end of 2020, the cumulative total number of the Bank's wealth management customers increased to 934.2 thousand, representing an increase of 19.9% as compared with the end of the previous year. The Bank's qualified

customers<sup>2</sup> of private banking grew to 57.3 thousand, representing an increase of 30.8% as compared with the end of the previous year. The AUM of qualified private banking customers amounted to RMB1,128,897 million, representing an increase of 53.8% as compared with the end of the previous year.

**Key indicators of private banking and wealth management (Selected)**

(In RMB million)

Item	2020	2019	Movements in the current year
Number of Wealth Management Customers (in 10,000)	93.42	77.93	19.9%
Number of Qualified Private Banking Customers (in 10,000)	5.73	4.38	30.8%
AUM Balance of Qualified Private Banking Customers	1,128,897	733,941	53.8%

In 2020, the Bank comprehensively enhanced its capabilities of delivering comprehensive, professional and technology-driven services in the private banking and wealth management sector, focused on meeting the diversified demands of private banking customers. The Bank continued to build and improve the product system and differentiated rights and interests system, focused on the operation of ultra-high net worth customers, continuously enhanced the brand influence of private banking, and strived to build a "private bank smartest in China and front-running in the world".

**With respect to comprehensive finance enhancement,** the Bank developed multiple channels to contact private banking customers to improve the management of high-quality customers in the whole life cycle of products before, during and after sales by relying on the advantage of Ping An Group's comprehensive finance. Firstly, the Bank continued to strengthen the construction of an open-ended product platform for all products, actively pushing forward business innovation, signed the Bank's first contract of over RMB100 million for family office service, implemented the first batch of anti-epidemic special charitable trusts and the first contract of property operation trusts; the Bank fully upgraded the insurance trust business and made breakthroughs in the aspects of comprehensiveness guarantee, term personalisation and flexibility and customer cost reduction; secondly, the Bank further developed a variety of investment and financing services for private bank customers, to satisfy the wealth management demands of private bank customers; thirdly, aiming at high net-worth customers, as well as directors and supervisors of listed companies, the Bank conducted pilot operations under the family office model and provided one-stop comprehensive services under the family office model based on the customer demands.

**With respect to the enhancement of professional capabilities,** firstly, the Bank set up a product strategy

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

allocation committee, focused on the operation of asset allocation tools, realised the output of professional capabilities through “professional investment research + specialised investment advisory”. Secondly, based on technology empowerment, the Bank continued to strengthen the construction of professional teams for investment research, investment advisory and family office, improved the influence of the expert team at head office on the branch teams and online channels to realise the expansion of the services for private banking customers and improvement of the service experience, and built a front-line team with over 3,000 staff for professional private banking and wealth management. Thirdly, the Bank continuously upgraded intelligent investment advisory service and provided customers with comprehensive and personalised asset allocation suggestions centring on requirements of customers in full life circle through wealth diagnosis and portfolio recommendation.

**With respect to the enhancement of technical capabilities,** the Bank continuously upgraded product sales platform, intelligent operation platform and team business development platform. In terms of upgrading product sales platform, the Bank launched an AI-enabled fast track private offering platform, achieving 7 × 24 hours online autonomous transaction of privately offered products in China for the first time and supporting the subscription of over 96% of the Bank’s privately offered products; the Bank launched an AI-enabled banking insurance system, with 80% of insurances underwritten through online customer acquisition; it was the first to achieve 100% online operation of insurance trust business within the industry, reducing the establishment time from 30 to 2 working days. In terms of upgrading team business development platform, it rolled out a team business development platform to upgrade traditional “product sales model” to “investment advisory service model”, and to help effective expansion of business team and serve customers.

**Relying on its comprehensive, professional and technology-based capabilities, the Bank focused on developing its ultra-high net worth customer base and delivering a new presence as a top private bank.** In terms of product strategy, the Bank integrated “private bank plus investment bank” and “domestic plus overseas businesses” by expanding its offerings on its own or in cooperation with other subsidiaries within Ping An Group. In terms of the service system, the Bank set up a top-tier private banking account system covering the discretionary investment, family office, insurance trust, corporate governance service, etc. In terms of private equity, the Bank provided ultra-high net worth customers with tailor-made services 24/7 to create a full range of private and customised services extended to customers' family businesses, family members and individuals. In terms of circle marketing, the Bank launched the “Hope Meeting” exclusive service brand for entrepreneurs and created an ultra-high net worth customer business ecosystem by coordinating cooperation between entrepreneurs, family offices, public and private banks and other means.

**The Bank's brand influence of private bank has increased significantly through the continuous promotion of capacity building and innovation.** In 2020, the Bank and Forbes China jointly issued the *2020 China Family*



*Office White Paper* and released a promotional video for family office service. Based on high net worth customers' demand for philanthropic investment, the Bank set up the “Ping An Leshan” platform. Via this platform, the Bank innovatively launched a sustainable and replicable “digital agriculture” poverty alleviation model and created a public welfare system with unique industry characteristics. Thanks to its constantly improving comprehensive strength, Private Bank of Ping An Bank was increasingly recognised by the market and was awarded “2020 Excellent Private Bank” in the Golden Shell Award of 2020 China Asset Management Annual Conference and “Best Private Bank” by *Global Finance*.

### (3) Consumer finance

At the end of 2020, the balance of personal loans was RMB1,604,940 million, up 18.3% as compared with the end of the previous year. The Bank kept on reinforcing the digital operation and online operation capabilities of credit cards and loan products, strengthened the linkage between consumer finance business and private banking and wealth management business and increased the grant of title deed secured loans with lower risk. Moreover, the Bank established and developed a credit product system on the basis of tiered and grouped customer management and differentiated pricing to increase the market share of unsecured loans for high-quality customers and achieve a sound growth of the overall personal loans. At the end of 2020, the proportion of personal residential mortgage loans and title deed-secured loans to personal loans increased from 30.3% at the beginning of the year to 32.9%, with continuous optimisation of business structure and customer group structure.

#### Key indicators of consumer finance (Selected)

(In RMB million)

Dimensions	Item	2020	2019	Movements in the year
Credit cards	Credit card receivables	529,251	540,434	(2.1%)
	Number of credit cards in circulation (in 10,000)	6,425	6,033	6.5%
	Total volume of transactions using credit cards	3,454,021	3,336,577	3.5%
Xinyidai	Balance of “Xinyidai”	146,293	157,364	(7.0%)
Personal residential mortgage loans and title deed-secured loans	Amount of newly issued personal residential mortgage loans and title deed-secured loans	261,698	193,045	35.6%
	Balance of personal residential mortgage loans and title deed-secured loans	528,384	411,066	28.5%
	Including: Balance of housing mortgage loans	239,467	199,371	20.1%
Auto finance loans	Amount of new issued auto finance loans	221,098	156,674	41.1%
	Balance of auto finance loans	246,416	179,224	37.5%

## Credit cards

At the end of 2020, the number of credit cards in circulation accumulated to 64,245.1 thousand, up by 6.5% as compared with the end of last year; the balance of credit card loans was RMB529,251 million, returning to 98% as at the end of last year. Due to the impact of the COVID-19 pandemic at the beginning of the year, there was a fall in credit cards consumption. The Bank responded quickly to expand the online scenarios and provide users with full-cycle and comprehensive online services. Since March 2020, the average daily spending of credit card transactions has returned to the level before the COVID-19 pandemic. In 2020, the total volume of transactions using credit cards was RMB3,454,021 million, a year-on-year increase of 3.5%.

In 2020, the Bank comprehensively upgraded development strategy for its credit card business. Drawing on its fintech advantages to speed up refined management, scenario-based management and intelligent services, it achieved positive phased results. Such results mainly include:

**First, the Bank performed refined management on key customer groups and continued to provide customers with diversified products and services.** In 2020, the Bank launched the “Good Owners Credit Card” for car owners, and continuously upgraded and optimised its products and services. It created trump cards such as “12 percent off for gasoline prices”, “RMB8.8 for washing a car”, “free designated driving service” to make a one-stop auto ecological financial service with full life cycle for car owners. There were almost 2 million cards being issued in 2020. The Bank issued the “Ping An Enjoy Platinum Credit Card” and “Ping An Credit Cards Featuring Cartoon Pets Themes” to bring the individualised card experience for young people. For business travellers, it issued the “Yaohong Card” and “Safari Card” of Ping An Bank American Express as well as Ctrip, Qunar, and Spring Airlines themed co-branded cards, and continuously optimised special services including aviation delay insurance to create high-quality products and services for mid-range and high-end business travellers. Meanwhile, the Bank continued to deepen crossover cooperation, promoted strategic alliance mode and combined high-quality resources of partners such as GOME, Tuhu.com, KFC and JD.com. It carried out in-depth cooperation and jointly built ecosystem with such partners to provide customers with diversified products and services.

**Second, the Bank actively promoted scenario-based management by relying on online platforms to meet the needs of customers in card and consumption demand in an all-round way.** Firstly, the Bank continued to promote scenario-based management of Pocket Mall and continuously enriched online consumption scenarios. In the current year, the Bank built and optimised channels such as “Pocket Supermarket”, “Big Brands are coming” and “24-installment Interest-Free Zone”. During the year, it carried out more than 1,000 activities with different themes and held over 100 live broadcasts. Secondly, it actively promoted integrated marketing. In the second half of the year, a series of marketing activities named “88 every day for the whole city” had been launched. More than

11.9 million users participated in the campaign, and over 100 thousand merchants shared the marketing achievements. Thirdly, it took the lead in innovating the points system in the industry, comprehensively implemented points system for mobile payments, and launched 5 times points plus rights for nearly 20 top online merchants to promote users' online activeness.

**Third, the Bank strengthened intelligent services by relying on its own core technologies and continued to promote customer experience and management efficiency.** Firstly, the Bank independently developed and completed the innovation of the new core system for credit cards. At the end of October 2020, the new core system of Credit Card A+ was successfully switched and put into operation, becoming the first successful case in the industry that the core business system of financial institutions was seamlessly transferred to the distributed PC server architecture in the case of uninterrupted services. More secure and efficient, the new system supported one billion-level transaction users and daily transaction volume, as well as agile development, flexible innovation and stable operation and significantly reduced business operational risks and operating costs. Secondly, the Bank continuously upgraded AI intelligent voice technology through building an intelligent voice middle platform. Currently, it has embedded intelligent voice in 97 business scenarios with 171 million annual calls. Thirdly, the Bank created "Lingxi" intelligent service system to provide users with intelligent, comprehensive and accurate service recommendations, changing "passive service" into "active service". "Lingxi" improved customer service experience and satisfaction and obtained good economic and social benefits, which was selected as "Excellent Case of Social Responsibility of Shenzhen Banking Industry" in 2020. By relying on creating the ultimate customer experience of "fast, easy and good" services, the Credit Card Centre of the Bank was awarded the "Outstanding Customer Service Contribution Award" by China UnionPay and the "Best Customer Experience Award in China" in China Best Outstanding Customer Contact Centre of the Year Awards, 2020

#### **"Xinyidai"**

In 2020, new "Xinyidai" loans of the Bank amounted to RMB105,284 million, of which RMB33,505 million was issued in the fourth quarter, up 31.1% from the third quarter. The issuance of each quarter of this year showed a steady upward trend. The balance at the end of 2020 was RMB146,293 million, down by 7.0% as compared with the end of the previous year. The balance of the fourth quarter reversed the downward trend in an all-round way, an increase of RMB3,852 million from the balance at the end of the third quarter. By adhering to prudent and sound risk policies, the Bank vigorously promoted the upgrade and transformation of its online business process to accelerate the pace of direct data connection, developed and launched "Xinyidai Kuaidai", a product with the whole operation online, and further enhanced the timeliness of "Xinyidai", so as to improve customer experience. As of the end of 2020, the proportion of online loan of "Xinyidai" business had exceeded 70%. Meanwhile, the Bank further improved the intelligent risk pricing strategy and optimised the risk management. It actively

explored cooperation with external scenario platform, continued to expand management and consumption scenario embedding, strengthened the management of existing high-quality customer groups, and explored new business growth points. Focusing on customer needs, the Bank will further enrich management and costumer finance service scenarios and improve the “Xinyidai” product categories by seizing the opportunities of state’s consumption expansion policies and the steady economic recovery after the containment of COVID-19 pandemic; the Bank will also continue to expand its high-quality customer base and improve its ability to serve the real economy and small and micro enterprise owners.

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

In 2020, the Bank provided a total of RMB261,698 million new personal residential mortgage loans and title deed-secured loans, representing a year-on-year increase of 35.6%; at the end of 2020, the balance of personal residential mortgage loans and title deed secured loans amounted to RMB528,384 million, up by 28.5% as compared with the end of last year; among which, the property mortgage loan balance amounted to RMB239,467 million, representing an increase of 20.1% as compared with the end of last year. Through active implementation of the requirements on serving real economy and vigorous implementation of policy guidance on supporting the financing needs of small and micro enterprises, the Bank launched “Home Equity Loans” (Kuaidai) and provided high-quality customers possessing high-quality real estates with differentiated loan services for further reduce of customer financing costs. Due to continuous optimisation of business processes, the offline business steps were further simplified, and the fastest online process of housing loans can reach T + 0 which resulted improvement of business processing time and customer experience.

In addition, the Bank actively developed the “White-collar Loans”, unsecured loans for high-quality white-collar customers. On the one hand, the Bank continued to make full advantages of the comprehensive finance to meet the credit needs of high-quality customers of Ping An Group with the ultimate customer experience through the optimisation of online product processes; on the other hand, the Bank took “White-collar Loans” as an attractive product to obtain high-quality customers, expand salaried customers of excellent enterprises and achieve bulk customer acquisition. In 2020, “White-collar Loans” achieved rapid growth, and the balance doubled compared with that at the beginning of the year.

### **Auto finance loans**

In 2020, the Bank’s new auto finance loans amounted to RMB221,098 million, representing a year-on-year increase of 41.1%; at the end of 2020, the balance of auto finance loans was RMB246,416 million, representing an increase of 37.5% as compared with the end of the previous year. The Bank earnestly implemented its DOCE strategies and the auto ecosystem strategy in auto finance business, strengthened the construction of intelligent management platform of auto finance, improved its product system and enhanced technology empowerment, so as

to improve customer experience and service efficiency, maintain a higher growth on business and further consolidate business advantages.

**First, the Bank focused on building an auto ecological system by relying on its fintech advantages.** The Bank continued to strengthen the construction of the ecological platform for second-hand car business, 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. Meanwhile, the Bank centred on the scenarios of customers' buying, using, protecting and changing cars and constantly enriched online operation platforms such as "Life Channel for Car Owners” of Pocket Bank APP and the official accounts on WeChat to create a one-stop auto ecological service circle for car owners. At the end of 2020, the number of monthly active users of auto finance customer group (MAU) was almost 2,391 thousand, up 36.1% as compared with the end of last year.

**Second, the Bank constantly improved product system for auto loans and the service capacity of auto financial products through product innovation and upgrade and process optimisation.** In the field of new car finance with increasingly fierce competition, the Auto Consumer Finance Centre actively expanded cooperation with manufacturers of new energy vehicles while consolidating in-depth cooperation with OEMs. Having established a headquarters-to-headquarters cooperation relationship with major new energy brands, the Bank gathered pace in the layout of auto finance in the new energy field around customer acquisition mode, cooperation mode and customer service. In 2020, the Bank issued new energy vehicle loans amounting to RMB6,500 million, serving 27,000 customers. In second-hand car finance, the Bank sped up the layout, continued to lead the development of the industry, and strived to create a low-cost, light-operational business model through technology empowerment. In 2020, the Bank's new second-hand car loans amounted to RMB35,548 million, representing a year-on-year increase of 96.6%, playing a leading role in the industry. In the field of commercial vehicle finance, the Bank continuously expanded its business vertically and horizontally, timely seized the opportunity of the rise in commercial vehicle sales during COVID-19, and achieved a breakthrough in the volume of commercial vehicle loan issuance, representing a year-on-year increase of 213.1%.

**Third, the Bank performed online operation for its auto finance business via comprehensive technology empowerment to provide customers with convenient and efficient service experience.** The Bank continued to increase the penetration rate of independent operations in various business links by strengthening the construction of basic capabilities related to independent services on the whole line. The full-process operation time of the three main products of new car loans, second-hand car loans and car owner loans were reduced by 16%, 29%, and 52% respectively compared with the end of the last year. Meanwhile, by relying on platforms such as the Pocket Bank APP and the official accounts on WeChat, the Bank continued to improve the online operation capacity and widely

applied AI tool empowered teams. It contacted customers through the SAT online marketing model, and drove customer management based on big data, to provide customers with diversified financial and product services and effectively promote the coordinated growth of AUM and credit cards businesses.

## **2. "Two" core capabilities**

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

At the end of 2020, the NPL ratio of the Bank's personal loans was 1.13%, down 0.06 percentage point as compared with the end of last year while down 0.19 percentage point from the end of September. Specifically, the NPL ratio of credit card receivables was 2.16%, up 0.50 percentage point from the end of last year while that of "Xinyidai" was 1.13%, down 0.21 percentage point from the end of last year and the NPL ratio of auto finance loans was 0.70%, down 0.04 percentage point from the end of last year. Due to the adverse impact of COVID-19 pandemic, including the fluctuations in the external economic environment, shrinking of consumer demands and decrease in household income, the quality of retail assets suffered short-term volatility, and personal loans overdue increased at the beginning of the year. In order to alleviate the impact of COVID-19 pandemic, the Bank used its industry-leading technological capabilities and risk control models to optimise the threshold for customer entry and the identification of high risk customers, implemented differentiated risk management strategies, continued to optimise the customer structure, and intensified the disposal of non-performing assets.

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. Bearing the brunt of COVID-19, the Bank, on the one hand, has remained steadfast in maintaining client-centred operations and actively responded to the call of the State by providing deferred repayment options, exemption or reduction of interest expenses, loan renewal without principal repayment and other caring services to small and micro enterprise ("SME") owners and individual business owners meeting certain requirements, to minimise the impact of the COVID-19 pandemic on the Bank's retail customers in all aspects. Meanwhile, the Bank introduced a brand new pricing strategy based on precise customer portraits and risk data analysis to serve the real economy in a better way and reduce the financing costs of SME owners by providing loans with lower interests to high-quality customers and SMEs. On the other hand, the Bank's internationally-minded retail risk management team, drawing on its historical experience in dealing with crisis, developed an emergency response plan in late January, and implemented relevant work in an orderly manner, in a bid to gradually dissolve the temporary risks accumulated during the COVID-19 pandemic; and took strong measures to further strengthen the monitoring of external trends and the review of internal risk strategies. Since August, new monthly NPLs have showed a downward trend, and the NPL ratios of main products hit the inflection point, approaching the pre-epidemic level.

In the face of the COVID-19 pandemic and changes in the external environment, the Bank has taken strict controls on the access of new customers and strengthened measures on the review of the ability and willingness of customers to repay loans, through which the quality of new customers was kept on a relatively good level. Due to the joint impact of product structure adjustments and epidemic dynamics, the quality of new customers of auto finance loans declined to a certain extent. However, gradual improvements in customer quality will be seen subsequently as the Bank has tightened its pre-loan review policy.

The proportion of the loans past due for over 30 days when they were at the age of 6 months is stated in the table below:

Year of origination	Credit card receivables	“Xinyidai”	Auto finance loans
2017	0.35%	0.20%	0.18%
2018	0.29%	0.17%	0.17%
2019	0.36%	0.15%	0.28%
2020	0.22%	0.16%	0.43%

Note: (1) “Ageing analysis”, also known as vintage analysis or an analysis of the accumulated default rates of a static pool of loans, is a method to track the credit assets by grouping them into different origination periods and compare them by their age groups to assess the asset quality of borrowers in each age group. The proportion of loans past due for over 30 days when the loans are aged 6 months = (the balance of loans originated or credit cards issued in the current year that are past due for more than 30 days by the end of the month when the loans or credit cards are aged 6 months) / (the amount of loans originated in the current year and aged 6 months or the overdraft balance of credit cards issued in the current year and aged 6 months).

(2) The 2020 figures represent the ageing analysis of loans issued from January 2020 to July in 2020. Loans issued from August to December have an age of less than 6 months and will be included for analysis when they are aged at or over 6 months.

## (2) Cost control

In 2020, the Bank actively promoted management of retail cost to become “digitally driven”. On the one hand, the Bank established a digital cost-driven system for in-depth analysis of the cost structure and continuous exploration of effective measures for cost reduction and efficiency improvement; on the other hand, it formulated differentiated resource allocation plans by combining with its DOCE strategies to guide great optimisation of mature businesses, precise delivery of growing businesses, and early deployment of potential businesses.

As for the mature businesses, the Bank focused on increasing productivity and reducing costs to improve the cost/benefit ratio. As for the outlets construction, the Bank consciously optimised outlet layout and created light and intelligent outlets to increase average profitability per outlet. In 2020, the Bank continuously optimised outlets operation and cut down administrative and operating management expenses, closed down and removed low-productivity self-service equipment and reduced the operation time via refined management and process

transformation. In the aspect of upgrading business model, it continuously urged each business segment to increase the proportion of complete online business procedures and devoted to saving the cost of external customer acquisition and manual operation.

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

In 2020, the productivity and efficiency of the Bank's wealth management business were significantly improved. The Bank's AUM operating income per retail outlet increased by 41.5% to RMB14,654.4 thousand as compared with the same period of last year. Under the backdrop of continuously intensified investment in strategies, the cost/income ratio of the retail business declined by 0.06 percentage point as compared with that in 2019.

### **3. "One" ecosystem**

In addition, the Bank continued to drive the open retail banking layout, basic capacity building and deep integration of financial services and internet scenarios to promote open capacity and open flows, the realisation of scenario-based management and the development of ecological industry. As for capacity of open development, the Bank's open retail banking platform 1.0 was put into operation at the end of March 2020, introducing 402 products, 1,309 APIs (application programming interfaces) and H5 by the end of 2020, covering account management, wealth management, payment, security deposits, loans, and credit cards. Meanwhile, the Bank has built an applet for open retail banking, introduced third-party services in a standardised, self-help and scenario-based model. The applet platform 1.0 was launched in June 2020, and 48 functions and 254 APIs became available at the end of 2020, covering membership service, payment, marketing and basic APP functions. The Bank's cooperation scenarios span business and consumption, travelling and transportation, life services, education and medical care, etc., deeply integrating financial services with users' life scenarios to form a new ecological industry of complementary advantages and win-win development.

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 mid-platform to make continuous enhancement of the Bank's intelligent level and carry forward the creation of a customer management loop of "AI + T + Offline". At the end of 2020, the Bank structured a mature front- and mid-office platform matching mechanism and a mid-office platform capacity incubation mechanism, which set up 17 major mid-office platforms releasing 195 mid-office functions and launched 448 online front-office scenarios to continuously upgrade and improve digitalised and online operation capability.

In regard to AI marketing, the Bank continuously strengthened technology empowerment and optimised human-machine cooperative service model based on its intelligent application platforms, taking the initiative to



contact, serve and manage customers via AI-enabled outbound calls and online AI services. More than 300 scenarios have been rolled out. In 2020, the monthly average number of customers served by AI account managers increased by 693.1% over that of 2019 and the monthly transaction volume of AUM products was up 355.2% from that of 2019. Marketing tools such as AI business cards and OMO continued to be upgraded, effectively empowering the team. The volume of online sharing by wealth management managers increased significantly, and the per capita wealth management sales capacity increased by 22.3% year on year.

In regard to AI customer services, the Bank continued to upgrade the 7×24 hour “AI + Customer Service” system, and successively launched loan reminders, work order processing progress reminders, and multimedia scenarios covering pictures and videos. At the end of 2020, the unmanned AI customer service ratio of the Bank was 90.1%, representing an increase of 4.0 percentage points as compared with the end of the prior year.

In regard to AI risk control, the Bank continued to strengthen the construction of the intelligent risk middle platform and used technologies to drive comprehensive business innovation. It upgraded AI risk control robots before, during and after loan origination to cover the full life circle of loans, thoroughly embedded in the risk management activities across loan products, so as to empower business upgrade and create a new model for risk control of retail business. In 2020, nearly 90% of the 10,149.7 thousand new credit cards issued were automatically screened by AI; SAFE, the uniform AI-empowered anti-fraud system for the retail business, is the industry’s leading customer-level anti-fraud management system. Since its full operation in 2018, it prevented RMB2,400 million of assets from fraud attacks, was successfully nominated as the “Excellent Case of Cutting-edge Enterprises in Technological Innovation in 2020” by People.cn and the “Best Cyber Security Product” by the *Asian Banker* in 2020.

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 the one hand, the Bank launched new retail outlet 2.0, focusing scenarios and customer groups to build ecological content system and create a new retail banking experience. 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 first 2.0 retail store, Chongqing Jiefangbei Sub-branch, was officially opened, and its original lifestyle brand "Chengle" showed to the market and simultaneously launched in the Pocket Mall.

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

In 2020, the Bank not only has preferably developed its business but also has enhanced the growth of its businesses by the support of Group’s comprehensive financial service platform through product development, channel, account management and other functions. First, the Bank's capacity of product development was

enhanced through its cooperation with subsidiaries of Ping An Group, which enabled the Bank to provide comprehensive solutions to customers. In addition, the Bank built a market brand in the insurance trust business in a short period and ranked first in the market in terms of scale and growth rate, with a growth of over RMB15 billion in 2020, 6.7 times that of 2019. Second, the Bank actively integrated itself with the ecological development of Ping An Group and continuously enriched the scenarios of services. As for the ecological development of the auto industry, the Bank had issued nearly 2 million “Ping An Good Owner” credit cards in 2020. Third, the Bank actively gave full play to its advantages in account management, payment and settlement services, provided other subsidiaries of Ping An Group with account management capacities to help customers realise asset appreciation and increase in value at the Bank.

Meanwhile, the Bank continued to deepen the innovation and upgrading of the MGM online operation model. First, the Bank 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 for the current year was 174 million, increased by 320.9% year on year and AUM transaction amount accumulated from SAT sharing covered 45.3% of that from total MGM. Second, the Bank 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. Third, the Bank actively organised customer salon promotions and adopted proven effective programs, and it had held a total of over 130 thousand online customer salons, with almost 2 million participants for the current year. Overall business productivity was quickly resumed. In 2020, the number of new customers attracted through the MGM model (excluding credit cards) represented a net increase of almost 3,013.4 thousand, accounting for 38.7% of the overall new retail customers (excluding credit cards customers), of which, the number of wealth customers represented a net increase of almost 74,900, accounting for 48.4% of the overall new wealth customers, and the balance of assets under management of retail customers (AUM) represented a net increase by RMB246,836 million, accounting for 38.4% of the overall asset balance of the new retail customers. “Xinyidai” granted through the MGM model amounted to RMB65,083 million, accounting for 61.8% of the overall issuance of “Xinyidai”; auto finance loans granted through the MGM model amounted to RMB64,850 million, accounting for 29.3% of the overall issuance of auto finance loans; the number of credit cards issued through the MGM model was almost 3,252,600, accounting for 32.0% of the total number of newly issued cards.

### Key indicators of comprehensive finance of MGM model (Selected)

(In RMB million)

Item	2020		2019		Change in proportion of total
	Contribution in comprehensive finance	Proportion in comprehensive finance	Contribution in comprehensive finance	Proportion in comprehensive finance	
Net increase in number of new customers (excluding credit cards) (in 10,000)	301.34	38.7%	248.91	27.8%	+10.9 percentage points
Net increase in number of wealth customers (in 10,000)	7.49	48.4%	7.71	41.1%	+7.3 percentage points
Net increase in AUM	246,836	38.4%	218,368	38.6%	-0.2 percentage point
Amount of new issued “Xinyidai”	65,083	61.8%	68,682	61.3%	+0.5 percentage point
Amount of new issued auto finance loans	64,850	29.3%	54,676	34.9%	-5.6 percentage points
Amount of credit cards issued (ten thousand)	325.26	32.0%	487.65	34.1%	-2.1 percentage points

In terms of asset quality of customers, the NPL ratio of customers acquired through the MGM model was lower than the overall level. At the end of 2020, the NPL ratio of the customer group of “Xinyidai” acquired through the MGM model was 0.81%, which was 0.32 percentage point lower than the overall NPL ratio of “Xinyidai”. The NPL ratio of the customer group of credit cards acquired through the MGM model was 1.96%, which was 0.20 percentage point lower than the overall NPL ratio of credit cards. The NPL ratio of the customer group of auto finance loans acquired through the MGM model was 1.07%, which is higher than the overall NPL rate of auto finance loans. This is mainly due to relatively high proportion of automobile mortgage business under the MGM model, but the NPL ratio of automobile mortgage business under the MGM model was 0.08 percentage point lower than that of the customer group of the similar business from other channels.

### Asset quality of the customer group acquired through the MGM

Item	31 December 2020	
	Overall NPL ratio	NPL ratio of the customer group acquired through the MGM model
Credit card receivables	2.16%	1.96%
“Xinyidai”	1.13%	0.81%
Auto finance loans	0.70%	1.07%

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

In 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”, held the lifeline of asset quality, put efforts in enhancing its five trump cards in new supply chain finance, bill integration, customer management platform, complex investment and financing and ecological comprehensive expansion. 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 corporate business continued to improve.** At the end of 2020, the balance of corporate loans was RMB1,061,357 million, representing an increase of 9.9% as compared with the end of last year; the balance of corporate deposits was RMB1,988,449 million, representing an increase of 7.3% as compared with the end of last year, of which the balance of corporate demand deposits was RMB694,240 million, representing an increase of 16.6% as compared with the end of last year. In 2020, the daily average balance of corporate deposits amounted to RMB1,898,373 million, up 7.7% from 2019, among which the daily average balance of corporate demand deposits was RMB586,383 million, up 8.9% from 2019. In 2020, the average cost rate of corporate deposits decreased by 25 basis points to 2.17% compared with the average level of the same period last year.

**The income composition of corporate business effectively improved.** In 2020, the net non-interest income of the Bank's corporate business (excluding interbank capital business) amounted to RMB11,245 million, representing an increase of 12.2% as 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 2.0 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.

**Five trump cards in corporate business yield initial fruits.** New supply chain finance: At the end of 2020, 13,152 customers went online on the platform of “Ping An Good Chain”. The platform's trading volume during the year reached RMB82,715 million and the financing volume exceeded RMB31,933 million. Bill integration: The bank acceptance notes discounting accumulated to RMB449,159 million, a year-on-year increase of 61.6%. Customer management platform: At the end of 2020, the number of registered corporate customers of the Digital Pocket APP accumulated to 1,040,200, increasing by 189.1% as compared with the end of last year. Complex investment and financing: At the end of 2020, the Bank's complex investment and financing scale reached

RMB1,086,939 million, exceeding RMB1 trillion for the first time, with an increase of 38.0% as compared with the end of the previous year, among which, the investment bank financing scale was RMB681,732 million, an increase of 27.1% over the end of last year; in 2020, the investment and financing scale of other subsidiaries of Ping An Group pushed by the Bank reached RMB405,208 million, representing a year-on-year increase of 61.2%. Ecological comprehensive expansion: All indicators of comprehensive expansion business show a leap-forward growth. The premiums from banking insurance amounted to RMB2,701 million, a year-on-year increase of 102.9%; the new investment and cooperation projects jointly implemented by the Bank and professional companies within the Group amounted to RMB431,215 million, representing a year-on-year increase of 65.1%.

## **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 supporting the development of the real economy and continuously promoting the investment of assets in key industries. At the end of 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 46.2%, roughly maintaining the same level as the end of previous year. In the field of government finance, the Bank focused on the financial, housing and judicature to enhance the comprehensive service capabilities by relying on the advantages of “Finance + Technology” and continued to promote the “Smart City” platform innovation to provide comprehensive solutions for customers. In 2020, the Bank launched 145 new governmental financial platforms, bringing the total number of such platforms amounting to 715 by the end of the year.

The Bank's industry banking and investment banking were fully integrated, focusing on key industries, major projects and customer demands and relying on the platform advantages of Ping An Group to tailor comprehensive financial solutions for customers and build its corporate complex investment and financing brand. In 2020, the Bank's investment bank financing scale amounted to RMB681,732 million, with a year-on-year increase of 27.1%, of which bonds underwriting amounted to RMB413,497 million, with a year-on-year increase of 67.2%, and its market share maintained sustained growth; mergers and acquisitions amounted to RMB48,414 million, with a year-on-year increase of 218.2%. 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.

The Bank's industry banking and transaction banking were fully cooperated, focusing on the needs from upstream

and downstream customer group of key industry customers and "Scenario + Platform" customer groups and relying on its fintech advantages to tailor supply chain financial solutions for customers and a variety of scenario-based and platform-based financial solutions. At the end of 2020, industry banking provided supply chain finance services to 2,979 customers in key industries, representing an increase of 78.8% as compared with the end of previous year.

## **(2) Transaction banking**

### **Customer management platform**

At the end of 2020, "Ping An Digital Pocket APP", a fully upgraded version of "Pocket Finance APP" was officially launched, aiming to become a unified digital business portal for small, medium and micro customers of the Ping An Group. 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 accounts and provide one-stop comprehensive services for small, medium and micro enterprises and enterprise employees with a lightweight user system. At the end of 2020, the number of registered enterprise customers of the Digital Pocket APP accumulated to 1,040.2 thousand, increasing by 189.1% as compared with the end of last year, while the number of transactions for the year accumulated to 6,915.7 thousand, representing a year-on-year increase of 15.5%, and the accumulated transaction amount for the year was RMB4.33 trillion, representing a year-on-year increase of 16.4%.

Through building a new digital treasury management platform in accordance with industry leading standards, the Bank has achieved integrated functions such as cutting-edge architecture, open output, and customer intelligent and personalised configuration. In terms of cutting-edge architecture, the newly developed digital treasury management platform adopts a micro-service architecture, and with flexible and expandable features, supports multiple deployment methods such as public cloud and private cloud. Only a browser is enough for customers, no installing needed. It also supports cloud upgrading and real-time update function. In terms of open output, all functions of the digital treasury management platform support interface output to third-party systems to meet customer requirements on function integration, system integration, data synchronisation, etc. In terms of customer intelligent and personalised configuration, through flexible configurations of functional permissions, data permissions, and approval procedures, the digital treasury management platform helped companies to standardise the treasury management process and improve the level of capital management.

After going online for only 3 months, the Bank's digital treasury management platform has served nearly a hundred customers, offering services including account management, budget management, collection and payment management, capital management, capital early warning, statement statistics, etc., to meet large or

medium size enterprises' and financial companies' demands on cash management, asset and liability management, tax management, supply chain management, etc.

Based on the platform customers' needs for various scenarios, the Bank aimed to build an API for outbound services, which will integrate cash 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 services provided by the Bank under the Open API standard interface have covered corporate and individual businesses and Ping An Group's advantage products, forming the full-coverage external output model of B2B2C. Through partnership with the developers of the SaaS (software as a service) platform, the Bank created an industrial ecosystem and formed an ecological cooperation mode of "1 + N" bulk customer acquisition and operation. At the end of 2020, the Bank's open platform served 11,900 customers, an increase of 45.1% over the end of the year. The total number of transactions for the year amounted to 4,329 million, representing a year-on-year increase of 33.3%.

#### **Payment and settlement**

Based 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. In 2020, the Bank launched 5,655 million transactions relating to Internet payment and settlement business to serve the enterprises on the platforms, representing a year-on-year increase of 163.0%; the total amount of transactions accumulated to RMB9.58 trillion, representing a year-on-year increase of 129.2%.

#### **Supply chain finance**

Industrial Internet development and domestic circulation strategy created great business opportunities for promoting supply chain finance, and ever-changing new technologies fuelled the boom in the new business mode of supply chain finance. The Bank looked deep into the industrial chain, constantly innovated scenarios of the business model and connected ecological scenarios of supply chain, thus achieving online, mode-based and automated operation. To meet further diversified, personalised and online needs of corporate supply chain finance, the Bank also, with supply chain finance as the link, fully integrated transaction banking products and services, continuously enhanced the overall "supply chain+" capability and provided customers with industry-specific and

customised solutions. The Bank established an integrated business model of “supply chain + inclusive finance” to acquire “1”, “N” and “n” customers (respectively, the core enterprise, subsidiaries of the core enterprise, and suppliers/distributors of the core enterprise), enabling the Bank to break free from its over reliance on core enterprises, achieve high alignment between its business lines and risk management lines highly, establish new supply chain models, fully implement the regulatory requirements for supporting small and micro enterprises and real economy, and to effectively help resolve the lack of financing and high costs financing facing SMEs.

Meanwhile, by applying the Internet, cloud computing, blockchain, AI and other technologies, the supply chain finance platform “Ping An Good Chain” was further upgraded and optimised. Targeting at core enterprises and their upstream small, micro and medium-sized enterprises, the platform provided online supply chain finance services, including recognition and transfer of accounts receivable, financing, settlement and risk management, and achieved intelligent and digital operation of supply chain business. At the end of 2020, 13,152 customers went online on the platform, including 1,550 core enterprises and 11,602 suppliers. In 2020, the platform’s trading volume during the year reached RMB82,715 million with a year-on-year increase of 143.0% and the financing volume was RMB31,933 million with a year-on-year increase of 234.6%. Since the launch of the platform, the Bank has achieved steady growth in business scale by strictly managing customer access, controlling business and compliance risks and ensuring security of the system. Directly connected with the CSDC, the platform provided supply chain finance services to many small, micro and medium-sized enterprises by using optical character recognition (OCR) and natural language processing (NLP) technologies based on real trade backgrounds.

## **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 customers”. By focusing on our “finance + technology” advantages, the Bank continuously optimised customer experience and consolidated the basic customer group of bills business to serve the real economy. In 2020, the Bank provided bill financing services for 8,770 enterprises in total, and the bank acceptance notes discounting accumulated to RMB449,159 million, a year-on-year increase of 61.6% and over 90% of which were completed online; the bills acceptance accumulated to RMB791,721 million, a year-on-year increase of 18.0%. During the steady development of business, the Bank continued to intensify support for low-cost financing of manufacturing enterprises, fuelling their high-quality development. At the end of 2020, the balance of the bank acceptance notes discounting for manufacturing was 8.6 times from the end of previous year.

## **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 our five major product series, namely, “Cross-border Investment and Financing, Cross-border Fund Management, Cross-border Trade Finance, Cross-border Inter-bank Finance, and Cross-border e-Finance”, and focused on the investment, financing and refinancing needs of Chinese-funded enterprises in their overseas operations, cross-border mergers and acquisitions, and privatisation, to provide enterprises with one-stop services of “investment banking and commercial banking integrating overseas and domestic branches, domestic and foreign currencies”. At the same time, the Bank actively promoted digital and intelligent online operations, constantly improved the service capabilities of Global Transaction Banking (GTB), and supported enterprises' global layout and development with professional and effective cross-border financial services.

In 2020, closely following the financing needs of the real economy, actively responding to calls of “resumption of work and production” and “the stability on the six fronts and security in the six areas”, quickly building a fast-track channel to facilitate foreign exchange businesses in response to the COVID-19 pandemic and focused on addressing customers' needs for diversified cross-border financial services, the Bank continuously made innovation in respect of 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 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, and meeting the cross-border financing and financing services needs of enterprises during the fight against epidemic and the resumption of work and production, etc. At the end of 2020, the Bank's corporate deposits denominated in foreign currencies amounted to an equivalent of RMB222,105 million, up 6.8% from the end of last year; corporate loans denominated in foreign currencies amounted to an equivalent of RMB175,566 million, up 9.1% as compared with the end of last year.

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

As an engine of Ping An Group's comprehensive finance “1 + N” business, the Bank aims to create ecological comprehensive expansion, explore the value of the Bank's corporate business channels, and become an ecological joint between the Group's internal and external resources. Cooperating with various professional companies within Ping An Group and external channels, the Bank used technologies to promote the two-way linkage of AUM (assets under management of corporate customers) and LUM (liabilities under management of corporate customers), continuously strengthened the service capability of our comprehensive finance to facilitate a rapid breakthrough in their business.

The Bank explored its advantages in corporate business channels and enhanced service capability of

comprehensive finance scenarios. Products and services of professional companies within Ping An Group and external channels were combined with banking businesses in terms of process and product design. The Bank also took integrated measures to serve corporate customers and focuses on increasing scale of premiums, investment and financing and cooperation deposits. Further, the Bank used technology platform and AI assistant to enable customer operation, won customers with ecological scenarios supported by products, functions and rights, and facilitated high-quality growth in banking customers.

In 2020, the premiums from banking insurance amounted to RMB2,701 million, representing a year-on-year increase of 102.9%; the new investment and cooperative projects jointly implemented by the Bank and professional companies within the Group amounted to RMB431,215 million, representing a year-on-year increase of 65.1%; the annual average daily deposit of new corporate customers from deepening comprehensive financial services cooperation amounted to RMB144,067 million, up 141.7% as compared to last year, among which the daily average demand deposits accounted for 50.9%; as the end of 2020, the balance of deposits of new corporate customers from deepening comprehensive financial services cooperation amounted to RMB148,796 million, up 62.7% as compared with the end of last year, among which the balance of demand deposits accounted for 56.5%.

## **2. “Two” core customer groups**

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

The Bank leveraged the product strategy of “Commercial bank + Investment bank + Investment”, drew 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, the Bank provided 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 2020, the balance of loans to strategic customers increased by 40.5% compared to the end of the previous year, and its share in corporate loans of the Bank increased 16.6 percentage points from the end of the previous year.

Focusing on the in-depth operation of strategic customers and putting strategic customers as the core, the Bank fully explored the core subsidiaries, supply chain customers and overseas entities, drove customer development of “N” ecosystems by providing service to “1” strategic customer, helped the development of “N” products by developing “1” product, dug deeper into strategic customers and their ecosystems, to achieve a comprehensive improvement in the number of customer group and customer value. As the end of 2020, the balance of loans to strategic customers and their ecosystems increased by 57.7% 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 the COVID-19 pandemic, the Bank 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 affected by COVID-19 pandemic.

In 2020, for the Bank's loans to small and micro enterprises with a credit facility of RMB10 million or less ("all-inclusive loans to small and micro enterprises"), the weighted average interest rate per annum of newly issued loans declined by 1.56 percentage points as compared to last year.

In 2020, the Bank's all-inclusive loans to small and micro enterprises amounted to RMB286,630 million, with a year-on-year increase of 19.9%; at the end of 2020, the number of accounts with all-inclusive loans to small and micro enterprises amounted to almost 654,300, and the balance of loans amounted to RMB282,830 million, with an increase of 38.8% from the end of the previous year, accounting for 10.6% of the balance of loans.

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

Asset quality is always the first lifeline to the corporate business. The Bank adhered to the prudent risk preference, continuously consolidated the collaboration between risks and businesses, strengthened the recovery and disposal of problematic assets, and ensured that the asset quality of corporate business could be controlled overall under the impact of COVID-19 pandemic. At the end of 2020, corporate NPL ratio was 1.24%, a decrease of 1.05 percentage points from the end of prior year.

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

The Bank's interbank capital business adopted "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, the Bank built "one intelligent platform for capital system" so as to empower businesses. The Bank also actively responded to the challenges of the epidemic, stabilised our operations and maintained our development. In 2020, as a core market maker of bond and interest rate derivative business in the interbank market, the Bank resolutely fulfilled our role as market maker to continue to actively launch FICC (fixed income, currencies and commodities) market-making transaction business, continuously providing liquidity to the market and effectively securing our 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 steady operation of Ping An Wealth Management.

**The Bank promoted the integration of technologies and financial market businesses, and steadily improved its trading capabilities.** In 2020, the Bank achieved a net transaction income of RMB4,303 million for fixed income business under the business line of capital, representing a year-on-year increase of 33.9%, with a market-leading ROE in investment trading for the two consecutive years. The market shares of the volume of interest rate swap, gold transaction and bond transaction reached 11.9%, 9.4% and 1.4%; the Bank maintained a leading role as a market maker in derivatives in the fourth quarter of 2020 in the ranking published by China Foreign Exchange Trade System.

**The Bank thoroughly implemented the "customer-centric" business philosophy, with notable results in interbank sales.** The Bank's "Hang-E-Tong" system was reconstructed and upgraded in terms of platform interaction, function services and system architecture, offering efficient and convenient one-stop service to interbank institutional customers. In 2020, the sales volume of interbank institutions amounted to RMB805,812 million, representing a year-on-year increase of 59.9%.

**The Bank fully pushed the independent operations of Ping An Wealth Management and achieved stable**

**growth in wealth management product sales.** At the end of 2020, the balance of non-principal-guaranteed wealth management products (WMPs) was RMB648,185 million, increasing by 9.8% as compared with the end of last year; among which, net-value-based products in compliance with requirements in new asset management regulations amounted to RMB463,528 million, representing an increase of 80.2% as compared with the end of the previous year and its proportion to non-principal-guaranteed WMPs increased from 43.6% at the end of the previous year to 71.5%.

## **1. “Three” major business directions**

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

In 2020, after the global economy suffered the enormous impact of the COVID-19 pandemic, the Chinese government rapidly controlled the COVID-19 pandemic, and China began its comprehensive recovery in economic activities; the special policies adopted by PBOC during the COVID-19 pandemic resulted graduate return to normality. The bond market experienced massive fluctuations during the year, with bond yields going downwards before upwards again. In response to the complex market environment and macro-economy market movements, the Bank conducted in-depth research and analysis on domestic and foreign macroeconomic situation and policies, adjusted the duration, position structure and scale of asset portfolio, and actively seized trading opportunities based on relative value strategy by applying multiple hedging instruments in a flexible manner. The Bank actively promoted the in-depth application of fintech in financial market business, and through its self-developed and market-leading intelligent quantitative trading system, implemented real-time monitoring of risks in the context of the surge in market volatility so as to ensure stable and sound business operation; continuously provided liquidity to the market with our industry-leading electronic transaction capabilities. In 2020, the Bank achieved a net transaction income of RMB4,303 million for fixed income business under the business line of capital, representing a year-on-year increase of 33.9%; the market shares of the volume of interest rate swap, gold transaction and bond transaction reached 11.9%, 9.4% and 1.4% respectively. According to the 2020 Interbank Domestic Currency Market Assessment published by National Interbank Funding Centre, the Bank won 12 institutional awards, including “Core Dealer”, “Excellent Dealer in the Bond Market”, “Excellent Dealer in the Derivative Market”, “Excellent Dealer in the Money Market”, “Excellent Issuer of Interbank Certificates” and “Award for Innovation in Automated Trading”. The Bank kept the leading role in the ranking of market-making of derivatives in the fourth quarter of 2020 published by China Foreign Exchange Trade System.

In terms of customer business, the Bank integrated four trading advantages of “international professional team, leading trading system, real-time risk control capability and outstanding pricing capability” in the financial market business, and launched the brand of “Ping An Risk Avoidance” to continuously support the real economy and reduce market risk and financing costs, and established professional teams for product development and services

to customise risk avoidance service solutions of exchange rate and interest rate transactions for corporate customers, in order to assist them in responding agilely to market fluctuations and reducing liabilities cost, actively facilitate online transaction for fast-track processing, and improve customer experience. Meanwhile, with leading trading capabilities and professional product development capabilities, the Bank promoted the structured deposit products return to the original purpose and provided more financial market product services for corporate and individual customers. In 2020, the Bank's agency trading volume of interest rate swaps and foreign exchange derivatives was RMB103,769 million, representing a year-on-year increase of 12.4%.

## **(2) New interbank**

By in-depth implementation of the “customer-centric” business philosophy, the Bank's interbank business built a mutually beneficial ecosystem with all stakeholders and created a new brand of interbank institution sales. The Bank also provided customers with comprehensive solutions based on “product + service” portfolios, so as to boost the deeper and wider development of our customer operation. First, 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 was developed based on the Bank's independent technology development framework and took customers' needs and use habits into consideration, with comprehensively optimised page interaction and improved functions and service. The platform was 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. Second, the Bank took advantages of comprehensive finance service. With services embedded in customer operation scenarios, the Bank followed customers' fund flows to discover their needs and focused on improving precision marketing capability and the ability to apply comprehensive solutions. Third, 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 professional customer management and integrated services; Fourth, the Bank's trusteeship business thoroughly explored customer needs and intensified investment in key products areas. Empowered by technologies, the Bank perfected functions of the intelligent trusteeship system, fully strengthened capabilities of professional services and system support, and further improved customer experience and our market competitiveness, with scale growth of trust custody and insurance funds custody maintained at the top among markets.

At the end of 2020, the Bank's “Hang-E-Tong” provided services to 2,282 customers. In 2020, the sales volume of interbank institutions numbered RMB805,812 million, representing a year-on-year increase of 59.9%.

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

Ping An Wealth Management, a wholly-owned subsidiary of the Bank, was officially opened for business on 28

August 2020. The registered capital of Ping An Wealth Management is RMB5 billion, and its principal business activities include issuance of public wealth management products and private wealth management products, financial advising and consulting service and other asset management related businesses. At the end of December 2020, Ping An Wealth Management recorded a total assets of RMB5,430 million and net assets of RMB5,171 million, and derived a net profit of RMB165 million.

Since its opening, Ping An Wealth Management has made every effort to promote the transformation and development of financial management business in the aspects of platform, products, sales, investment and research, science and technology, etc., and achieved a series of positive results.

First, the Bank comprehensively promoted Ping An Wealth Management in its independent operation, and provided assistance in business linkage, marketing collaboration and team building in order to promote strategic synergy.

Second, the Bank proactively responded to opportunities and challenges of market transformation by offering more net-value-based products (“new products”) that is in compliance with the requirements of new asset management regulations, such as fixed-income+, hybrid and structured products, and implementing FOF/MOM product strategies to form a relatively complete product system. A total of 161 new products were offered this year and the sales of wealth management products reached RMB4.4 trillion. The Bank resolutely adhered to regulatory requirements on transformation, steadily and orderly promoted the reduction of stock principal-guaranteed WMPs and old products, with old products reduced by 44.6% during the year, outperforming other national joint-stock commercial banks.

Third, the Bank improved customer acquiring capabilities, and through multi-value scenarios and low investment threshold, achieved rapid growth in customers of wealth management business of the Group, increasing from 1.23 million to 1.68 million since the beginning of 2020 with a growth rate of 36.6%.

Fourth, investment research capabilities building showed certain initial results, and the Bank primarily established an investment research system centring on large-scale assets allocation. “Ping An Wealth - 98 Days Growth No.2 (Net-value based) RMB Wealth Management Product” won the “Golden Bull Award for Bank Wealth Management Product of 2020” from *China Securities Journal*. And Ping An Wealth Management also won the “Asset Management Excellence Award of 2020” from *Shanghai Securities News*.

Lastly, the Bank continued to promote technology empowerment, and solidified the foundation of operation by launching several business systems which realised online operation of product processes, automated transactions connection, isolation of risks, online valuation and support for new products transaction; the Bank orderly promoted the construction of basic data and big data platform, providing effective support for operational management and regulatory reporting. The Bank also initiated the data governance mechanism to strengthen the

data-enabled operational decision-making, risk management and investment research analysis.

At the end of 2020, the balance of non-principal-guaranteed wealth management products (WMPs) was RMB648,185 million, increasing by 9.8% as compared with the end of last year; among which, net-value-based products in compliance with requirements in new asset management regulations amounted to RMB463,528 million, representing an increase of 80.2% as compared with the end of the previous year and its proportion to non-principal-guaranteed WMPs increased from 43.6% at the end of the previous year to 71.5%.

## **2. “Two” core capabilities**

Enabled by sales and transaction capabilities, the Bank provided professional service solutions for customers of our own and within Ping An Group’s ecosystem. First, with “Hang-E-Tong” as the platform entrance, the Bank adhered to the development concept of “platform-based bank” by integrating product design, asset recommendation and sales services. The Bank has 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. Second, the Bank actively explored the development of an “ecosystem” to constantly optimise investment efficiency, expand customer group of investment categories and improve risk management system for their integration with the Bank’s retail, corporate and interbank businesses. The Bank deepened its transaction capabilities through innovation of new structured deposit products and development of risk avoidance products, 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” intelligent treasury system platform**

Directed by “digitisation, online operation and intelligent service”, the Bank’s intelligent treasury system platform was designed to be fintech infrastructure for the future. Relying on the platform, the Bank continued to promote technologically innovated applications such as AI, 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 intelligent treasury system platform with “Trading One” for risk avoidance business, 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 better served customers and expanded market share.

## **Technology-empowered digital transformation**

The Bank adopted the strategic principle of “being technology-driven” as the driving force for strategic transformation, continued to increase investment in finance technology, optimised the development processes,



improved delivery efficiency, enhanced our digital operations and online operations, and promoted the transformation to become “a digital bank, an ecosystem, and a platform”. At the end of 2020, technical personnel of the Bank (including outsourced talents) numbered over 8,500, representing an increase of over 12.5% as compared to the end of last year. In 2020, IT capital expenditures and costs experienced a year-on-year increase of 33.9%.

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

The Bank continued to deepen the integration of business and technology, and continuously improved delivery quality and speed of business development demands. In 2020, based on retail banking and corporate agile transformation, the Bank fully promoted the agile mode among development teams of funds, risk, payment operation, etc. The technology team accepted 36% more business development demands than last year and a number of major business systems went live successfully one after another. For retail business, the new core system of credit card was successfully switched and put into operation, becoming the first successful case in the industry that the core business system was transferred from the centralised mainframe to the distributed PC server architecture; the system cultivated three core business capabilities of “transaction-level accounts”, “all-around credit limit management” and “multi-tenant operation”, which supported billion-level transaction users and daily transaction volume, with multiple technology indicators ranking first in the world. For corporate business, the intelligent application middle platform went online, further promoting digitalisation in customer management, product management, marketing management, team’s management and case database. The time of new scenarios development and launch was reduced by nearly 40%, saving nearly 25% of labour costs. For interbank businesses, the “Hang-E-Tong” system was reconstructed and upgraded in terms of platform interaction, function services and system structure, offering efficient and convenient one-stop service to interbank institutional customers; in 2020, platform visits increased by 214.0% compared to that of last year, online sales exceeded RMB300 billion with a year-on-year increase of 70.7%. For risk management, the intelligent risk control platform was continuously iterated and upgraded. The Bank fully applied the new system, and developed and launched an intelligent risk control APP on the mobile terminal. In addition, the Bank finished the construction of independent computer rooms and the development and deployment of IT system of the subsidiary Ping An Wealth Management to provide reliable technical support for our business operations.

## **2. Establishing leading basic platforms**

The Bank accelerated technological transformation, built leading infrastructures and platforms, constantly improved technical products and solutions. First, the Bank continuously drove transformation to distributed structure. At the end of 2020, the self-developed distributed finance PaaS platform had been widely applied to over 500 projects, covering several banking key business systems including the new core system for credit cards

and cloud card acceptance, among which the Bank owned 100% intellectual property rights of the new core system for credit cards. Compared with the original system, the new core system was expected to save IT costs of at least RMB1,450 million in the next five years, marking a new milestone for independent core system innovation in the finance industry. Second, the Bank facilitated the deployment of Starlink, an integrated tool platform of development, operation and maintenance. At the end of 2020, over 97% of the Bank's applications were introduced through the Starlink platform, continuously increasing the efficiency of R&D and delivery; the platform also passed the first assessment under the DevOps Capability and Maturity Model rolled out by China Academy of Information and Communications Technology, which indicated that the Bank's DevOps system and tools, security and risk management reached a leading level in China. Third, the Bank continued to upgrade open platforms to enhance capabilities of open banking. In 2020, the Bank launched over 2,500 application programming interface (API) services. As at the end of 2020, the daily interface calls exceeded 30 million, achieving more precise data conversion. Fourth, the Bank accelerated the application of "Nebula-IoT Platform". On 22 December 2020, Ping An Bank launched the first IoT satellite "PingAn-1" (Tianqi-8) in the domestic financial industry in collaboration with a leading commercial satellite company that has independent communication channels. "PingAn-1" satellite and "Nebula-IoT Platform" are substantial for the "Nebula-IoT Operation". At the end of 2020, on the "Nebula-IoT Platform", the Bank has rolled out scenarios like smart manufacturing, smart vehicle connection, smart energy, smart agriculture, smart logistics and smart urban development, and connected with more than 330,000 IoT devices, dedicating to exploring and promoting finance innovative application scenarios in the supply chain and other fields, so as to combine industries and the financial sector to drive the development of small, medium and micro enterprises. Last, the Bank achieved a level of 93.6% in automated operations and maintenance through continuous automation and AI-empowered transformation, with a coverage of 68.2% in automated testing.

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

First, the Bank improved digital operation capabilities. For data middle platform, at the end of 2020, the Bank completed the integration of over 20 million blacklist data and included over 300 business scenarios in the blacklist risk control services, with a cumulative of nearly 180,000 transactions intercepted. For AI platform, the Bank intensified our efforts in the development and application of the one-stop AI middle platform, integrating core capabilities of AI algorithm training platform, visual machine learning platform, AI cloud service platform and customer insight platform. Over 1,000 new AI models were added throughout the year, a year-on-year increase of 300%, the coverage of intelligent marketing scenarios reached 100%, and the AUM capacity conversion efficiency was improved by 30.8% on average. For data governance, centring at data arsenisation, the Bank fully processed our data and formulated over 2,000 basic data standards and over 500 indicator data standards. At the end of 2020, 96% core data assets were traceable and available, a significant increase from the

beginning of the year.

Second, the Bank improved online operation capabilities. The Bank accelerated omni-channel layout and enhanced the online service capabilities by taking advantage of technology empowerment. For external services, the Bank continuously optimised and upgraded online service platforms for individuals, corporates, small and micro enterprises and financial peers including Pocket Bank APP, Pocket Finance APP, small business digital finance, and “Hang-E-Tong”. For internal operation, the Bank widely applied online operation tools, such as various mobile APPs, telecommuting systems, teleworking systems and video conference. After the breakout of COVID-19, customers were able to obtain online comprehensive finance service at home through “Banking at Home” and “World View” service portals of Pocket Bank. Customer managers and operation analysts delivered services and carried out marketing and analytic activities by mobile APPs like “Pocket Banker” and “Winner”, as well as the intelligent management platform. At the end of 2020, users of “Winner” and the intelligent management platform reached 8,000, and monthly active users accounted for 90%. Over 30,000 employees worked from home through cloud desktop, Happy Ping An APP and so on.

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

Relying on the core technology and resources of Ping An Group, the Bank accelerated the integration of emerging banking scenarios with new technologies such as AI bank and block chain. For AI bank, the Bank continuously improved intelligent voice technology and expanded application scenarios. At the end of 2020, annual outbound calls of the intelligent voice platform for credit cards reached 171 million, and the recognition accuracy rate exceeded 96%. The amount of deals closed by credit card instalment was approximately RMB18.9 billion, with the AUM sales of nearly RMB48.9 billion. “Little PAI”, the intelligent Q&A robot developed by Robotic Process Automation (RPA) technology, went online for operation. Multiple channels including Digital Pocket APP, corporate online banking and “Winner” APP were covered by its smart customer service and knowledge library, with a problem-solving rate of 95% and an accuracy rate of 87%. The use of OCR technology in document identification improved the review efficiency and the recognition success rate was over 98%. For blockchain, the Bank provided blockchain data signing certificates, traceability, and tamper-proof services for over 9,000 devices of the equipment leasing and financing business, and also cooperated with Local Taxation Bureau to build industrial tax alliance chain to effectively reduce tax handling costs and mitigate trade financing risks for companies. In addition, the Bank’s blockchain BaaS platform had passed the testing of third-party testing agencies and became one of the first platforms certified by PBOC’s relevant standards of financial distributed ledger.

#### **5. Creating a fintech brand**

In terms of building excellent technology brand, the Bank was named “2020 Global Best Digital Bank” by *Euromoney*, an international authoritative financial media. The Bank also won authoritative awards at home and

abroad for multiple technology achievements, greatly improving our recognition and brand influence in terms of technology. Among them, the intelligent risk control platform project has won the “2020 Gartner Financial Services Innovation Award”, marking us the first bank among domestic banks to win this award; online smart loan platform, Ping An Good Chain, distributed finance PaaS platform and intelligent risk control platform have won the “Second Prize of 2019 Banking Technology Development Award by PBOC”, achieving a record high in terms of the number of second prizes; Thoth Security Risk Dynamic Management Platform has won the “2020 Best Cyber Security and IT Risk Management Project” in the Asian Pacific region from *Asian Banker*. Further, the Bank has established a digital currency research group, and actively fostered a sound culture of innovation and explored the application of new technologies by holding innovation competitions, technology salons, intellectual property trainings and other activities.

**(III) Whether there is significant change in the main business during the reporting period**

☐ Yes     ☒ No

**(IV) Product accounting for over 10% of income or profit from main business**

☒ Applicable   ☐ Not applicable

(In RMB million)

Item	2020		2019		Year-on-year change
	Amount	%	Amount	%	
<b>Net interest income</b>	<b>99,650</b>	<b>64.9%</b>	<b>89,961</b>	<b>65.2%</b>	<b>10.8%</b>
Interest income from balances with the Central bank	3,379	1.8%	3,345	1.9%	1.0%
Interest income from transactions with financial institutions	7,850	4.2%	9,681	5.5%	(18.9%)
Including: Interest income from deposits with banks and other financial institutions	1,824	1.0%	2,962	1.7%	(38.4%)
Interest income from placements with banks and other financial institutions	941	0.5%	2,132	1.2%	(55.9%)
Interest income from loans and advances to customers	144,415	77.2%	133,610	75.2%	8.1%
Interest income from financial investments	31,543	16.8%	30,913	17.4%	2.0%
<b>Subtotal of interest income</b>	<b>187,187</b>	<b>100.0%</b>	<b>177,549</b>	<b>100.0%</b>	<b>5.4%</b>
Interest expenses on borrowings from the Central bank	3,745	4.3%	4,290	4.9%	(12.7%)
Interest expenses for transactions with financial enterprises	11,495	13.1%	12,615	14.4%	(8.9%)

Interest expense on deposits due to customers	56,170	64.2%	56,002	63.9%	0.3%
Interest expenses on debt securities issued	15,909	18.2%	14,477	16.6%	9.9%
Other interest expenses	218	0.2%	204	0.2%	6.9%
<b>Subtotal of interest expenses</b>	<b>87,537</b>	<b>100.0%</b>	<b>87,588</b>	<b>100.0%</b>	<b>(0.1%)</b>
<b>Net fee and commission income</b>	<b>43,481</b>	<b>28.3%</b>	<b>36,743</b>	<b>26.6%</b>	<b>18.3%</b>
<b>Other net non-interest income</b>	<b>10,411</b>	<b>6.8%</b>	<b>11,254</b>	<b>8.2%</b>	<b>(7.5%)</b>
<b>Total operating income</b>	<b>153,542</b>	<b>100.0%</b>	<b>137,958</b>	<b>100.0%</b>	<b>11.3%</b>

**(V) Whether there is any significant seasonal or cyclical operating concerns?**

☐ Yes     ☒ No

**(VI) Explanatory notes on significant changes in operating income, operating cost, net total profit attributable to ordinary shareholders of the company during the reporting period as compared to the last reporting period**

☒ Applicable   ☐ Not applicable

**Analysis of comparative items with a change of over 30%**

(In RMB million)

Item	Amount for the period	Amount of change	Rate of change	Analysis on reasons of change
Precious metals	31,340	(19,851)	(38.8%)	Decrease in receivables of tradable gold lease
Derivative financial assets	36,607	18,107	97.9%	Changes in the scale and fair value of foreign exchange and interest rate derivative transactions
Financial assets held under resale agreements	95,314	33,098	53.2%	Increase in the scale of bonds held under resale agreements
Financial assets held for trading	311,270	104,588	50.6%	Increase in the scale of investments in bonds and funds held for trading
Investment properties	573	326	132.0%	Increase in the properties converted from fixed assets for leasing purposes in the current period
Placements from banks and other financial institutions	41,034	14,963	57.4%	Increase in placements from domestic and overseas banks and financial institutions
Derivative financial liabilities	41,485	20,081	93.8%	Changes in the scale and fair value of foreign exchange and interest rate derivative transactions
Provisions	958	(776)	(44.8%)	Reversal of expected credit losses of financial guarantee contracts
Deferred income tax liabilities	2	2	Nil at the end of last year	Small base amount, nil at the end of last year
Other equity instrument	69,944	29,996	75.1%	Inclusion net of cost of perpetual capital bonds issued by the Bank in other equity instrument
Other comprehensive income	462	(1,852)	(80.0%)	Decrease in fair value of other debt investments

Gains and losses on changes in fair value	(614)	(663)	(1,353.1%)	Decrease in changes in fair value of financial assets held for trading
Net gains from foreign exchange and foreign exchange products	762	(434)	(36.3%)	Changes in net gains from foreign exchange and foreign exchange products due to fluctuations in exchange rate
Gains or losses on disposal of assets	57	87	Negative amount for last year	Small base amount of RMB-30 million for last year
Non-operating expenses	232	84	56.8%	Increase in non-profit donation expenses

## **(VII) Suspension in trading or delisting**

☐Applicable    ☒ Not applicable

## **VII. Matters relating to Financial Statements**

### **1. Changes in accounting policies, accounting estimates and accounting methods as compared to the financial reports of last year**

☐Applicable    ☒ Not applicable

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

☐Applicable    ☒ Not applicable

There is no retrospective restatement to correct major accounting errors during the reporting period.

### **3. Reason for changes in scope of the consolidated financial statements as compared to the financial report for last year**

☒ Applicable    ☐ Not applicable

On 28 August 2020, Ping An Wealth Management, a wholly-owned subsidiary of the Bank, officially started its business operations. The Bank prepared the consolidated and corporate financial statements in accordance with the *Accounting Standards for Business Enterprises*.

The Board of Ping An Bank Co., Ltd.

2 February 2021