

Ping An Bank Co., Ltd.

2016 Half-Year Report Summary

§1 Important Notes

1. The half-year report summary is derived from the full text of the half-year report of Ping An Bank Co., Ltd. (the "Bank"). For details, investors should carefully read the full text of the half-year report set out in the designated websites of China Securities Regulatory Commission (CSRC) including www.cninfo.com.cn or the website of Shenzhen Stock Exchange (www.szse.cn).

2. Corporate Profile

Stock Short Name	Ping An Bank	Stock Code	000001
Changed Stock Short Name (if any)	Not applicable		
Stock Exchange with which the Shares are Listed	Shenzhen Stock Exchange		
Contact Person and Means of Contact	Secretary to the Board of Directors	Representative of Securities Affairs	
Name	Zhou Qiang	Lv Xuguang	
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§2 Key Financial Data and Changes in Shareholders

1. Key Financial Data

Whether the company has adjusted or restated retrospectively the accounting data for previous years due to the change of accounting policies and corrections of accounting errors

Yes No

(1) Major accounting data and financial indicators

(In RMB million)

Item	January- June 2016	January- June 2015	January- December 2015	Change over the same period of last year
Operating income	54,769	46,575	96,163	17.59%
Operating profit before asset impairment loss	36,156	28,190	59,380	28.26%
Asset impairment loss	20,000	12,923	30,485	54.76%
Operating profit	16,156	15,267	28,895	5.82%
Gross profit	16,154	15,259	28,846	5.87%
Net profit	12,292	11,585	21,865	6.10%
Net profit net of non-recurring gains/losses	12,294	11,591	21,902	6.07%
Earnings per share:				
Basic EPS (in RMB)	0.72	0.70	1.30	2.86%
Diluted EPS (in RMB)	0.72	0.70	1.30	2.86%
Basic EPS after non-recurring gains/losses (in RMB)	0.72	0.70	1.30	2.86%
Cash flow:				
Net cash flows from operating activities	(33,198)	182,522	(1,826)	(118.19%)
Net cash flows from operating activities per share (in RMB)	(1.93)	10.63	(0.11)	(118.16%)
Item	June 30, 2016	December 31, 2015	December 31, 2014	Change from the end of the period over the end of previous year
Total assets	2,800,983	2,507,149	2,186,459	11.72%
Shareholders' equity	191,700	161,500	130,949	18.70%
Equity attributable to ordinary shareholders	171,747	161,500	130,949	6.34%
Net assets per share attributable to ordinary shareholders (RMB)	10.00	9.41	7.96	6.27%

Note: The profit distribution proposal of the Bank for 2015 was implemented during the first half of 2016. A cash dividend of RMB1.53 (tax inclusive) was paid to every shareholder for every 10 shares held based on the total share capital of the Bank as at December 31, 2015 comprised 14,308,676,139 shares by way of capital reserve to every shareholder on the basis of two shares for every 10 shares.

Pursuant to the *Standards for Content and Format of Information Disclosure Of Companies Issuing Securities Publicly No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share (Amended in 2010)*, the earnings per share for the respective comparative periods shall be recalculated based on the adjusted number of shares. The earnings per share, net cash flows from operating activities per share and net assets per share attributable to ordinary shareholders for the comparative periods stated in the table above were recalculated based on the adjusted number of shares.

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 (shares)	17,170,411,366
Fully diluted earnings per share based on the latest capital calculation (RMB/share)	0.72

Whether the share capital from the end of the reporting period to the date of issue of the half-year report has changed and affected the amount of owners' interests as a result of new issue of shares, additional issue of shares, placing of shares, exercise of share options and repurchase of shares

Yes No

Whether there are corporate bonds

Yes No

Non-recurring items and amount

Applicable Not applicable

(In RMB million)

Item	January-June 2016	January-June 2015	January-December 2015
Gains/losses on disposal of non-current assets	(8)	(2)	(24)
Losses on contingency (projected liabilities)	-	-	(1)
Other non-operating income and expense except the above items	6	(6)	(24)

Income tax effect	-	2	12
Total	(2)	(6)	(37)

Note: The calculation of 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*.

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.

(2) Profitability indicators

(Unit: %)

Item	January-June 2016	January-June 2015	January-December 2015	Change over the same period of last year
Return on total assets (unannualised)	0.44	0.45	0.87	-0.01 percentage point
Return on total assets (annualised)	0.88	0.90	0.87	-0.02 percentage point
Average return on total assets (unannualised)	0.46	0.49	0.93	-0.03 percentage point
Average return on total assets (annualised)	0.93	0.97	0.93	-0.04 percentage point
Weighted average return on net assets (unannualised)	7.35	8.41	14.94	-1.06 percentage point
Weighted average return on net assets (annualised)	14.25	15.76	14.94	-1.51 percentage point
Weighted average return on net assets (net of non-recurring gains/losses) (unannualised)	7.35	8.42	14.96	-1.07 percentage point
Weighted average return on net assets (net of non-recurring gains/losses) (annualised)	14.25	15.77	14.96	-1.52 percentage point
Cost/income ratio (business tax exclusive)	28.80	32.22	31.31	-3.42 percentage point
Credit costs (annualised)	3.11	2.25	2.56	+0.86 percentage point
Deposit-loan spread	4.71	4.89	4.89	-0.18 percentage point
Net interest spread (NIS)	2.67	2.57	2.63	+0.10 percentage point
Net interest margin (NIM)	2.79	2.71	2.77	+0.08 percentage point

Notes: Credit costs = credit provisions for the period / average loan balance (including discounts) for the period; Net interest spread = average yield of interest-earning assets – average cost rate of interest-bearing liabilities; Net interest margin = net interest income / average balance of interest-earning assets.

(3) Deposit taking, disbursement of loans and advances

(In RMB million)

Item	June 30, 2016	December 31, 2015	December 31, 2014	Change from the end of the period over the end of previous year
I. Deposit taking	1,898,348	1,733,921	1,533,183	9.48%
Including: Corporate deposits	1,619,383	1,453,590	1,280,430	11.41%
Retail deposits	278,965	280,331	252,753	(0.49%)
II. Total disbursement of loans and advances	1,358,021	1,216,138	1,024,734	11.67%
Including: Corporate loans	901,288	774,996	639,739	16.30%
General corporate loans	861,382	761,331	627,326	13.14%
Discounted bills	39,906	13,665	12,413	192.03%
Retail loans	293,718	293,402	282,096	0.11%
Receivables for credit cards	163,015	147,740	102,899	10.34%
Provision for impairment of disbursement of loans and advances	(34,086)	(29,266)	(21,097)	16.47%
Disbursement of loans and advances, net	1,323,935	1,186,872	1,003,637	11.55%

Pursuant to the *Notice on the Statistical Standards for Adjusting the Deposits and Loans of the Financial Institutions by the People's Bank of China* (Yin Fa (2015) No.14), starting from 2015, the deposits placed by non-deposit financial institutions at financial institutions are accounted for as “Total Deposits”, whereas the loans extended by deposit financial institutions to non-deposit financial institutions are accounted for as “Total Loans”. Based on the aforementioned statistical standards of the Central Bank, as at June 30, 2016, the total deposits and the total loans amounted to RMB2,345.8 billion and RMB1,403.6 billion respectively.

(4) Supplementary indicators

(Unit: %)

Item		Standard indicator	June 30, 2016	December 31, 2015	December 31, 2014
Liquidity ratio	RMB	≥ 25	53.80	52.14	52.51
	Foreign currency	≥ 25	81.01	103.30	82.49
	RMB and foreign currency	≥ 25	54.36	54.29	53.21
Loan/deposit ratio (including discounted bills) (RMB and foreign currency)		Not applicable	70.01	69.01	65.39
Liquidity coverage		≥ 80	120.49	140.82	80.25
In accordance with <i>Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)</i>	Capital adequacy ratio	≥ 10.5	11.82	10.94	10.86
	Tier one capital adequacy ratio	≥ 8.5	9.55	9.03	8.64
	Core tier one capital adequacy ratio	≥ 7.5	8.49	9.03	8.64
Ratio of loans to the single largest client to net capital		≤ 10	4.05	3.46	2.93
Ratio of loans to top 10 clients to net capital		Not applicable	24.15	20.16	19.77
Ratio of accumulated foreign exchange exposure position to net capital		≤ 20	0.14	1.71	0.52
Pass loans flow rate		Not applicable	3.48	6.92	4.74
Special mention loans flow rate		Not applicable	17.70	29.13	20.16
Substandard loans flow rate		Not applicable	29.66	49.42	55.68
Doubtful loans flow rate		Not applicable	70.93	85.27	98.29
Cost/income ratio (excluding business tax)		Not applicable	28.80	31.31	36.33
Non-performing loan (NPL) rate		≤ 5	1.56	1.45	1.02

Provision coverage	Not applicable	160.82	165.86	200.90
Loans loss provision ratio	Not applicable	2.51	2.41	2.06

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

Pursuant to the requirements of the *Administrative Measures for Liquidity Risks of Commercial Banks (for Trial Implementation)*, the liquidity coverage of commercial banks shall reach 100% by the end of 2018; during the transitional period, the liquidity coverage shall reach 60% by the end of 2014, 70% by the end of 2015, 80% by the end of 2016 and 90% by the end of 2017, respectively.

2. Shareholdings of top 10 ordinary shareholders

(Unit: Share)

Total number of ordinary shareholders as at the end of the reporting period	340,528			Total number of preference shareholders with recovered voting rights as at the end of the reporting period	-			
Shareholdings of top 10 shareholders								
Name of shareholder	Capacity	Shareholdings (%)	Total number of shares held	Changes during the reporting period	Number of restricted shares held	Number of unrestricted shares held	Pledged or frozen	
							Type of shares	Number of shares
Ping An Insurance (Group) Company of China, Ltd. – the Group – proprietary fund	Domestic legal entity	49.56	8,510,493,066	1,418,415,511	2,539,057,247	5,971,435,819	-	-
Ping An Life Insurance Company of China, Ltd. – proprietary fund	Domestic legal entity	6.11	1,049,462,784	174,910,464	0	1,049,462,784	-	-
China Securities Finance Corporation Limited	Domestic legal entity	2.79	479,370,768	51,538,009	0	479,370,768	-	-
Ping An Life Insurance Company of China, Ltd. – traditional – ordinary insurance products	Domestic legal entity	2.27	389,735,963	64,955,994	0	389,735,963	-	-
Central Huijin Investment Company Limited	Domestic legal entity	1.26	216,213,000	36,035,500	0	216,213,000	-	-
China Electronics	Domestic	1.13	194,351,938	29,891,990	0	194,351,938	-	-

ShenZhen Company	legal entity							
Ge Weidong	Domestic natural person	0.75	128,275,200	-58,385,800	0	128,275,200	Pledged	126,835,200
Donghai Ruijing Asset Management—SPD Bank —Donghai Ruijing —SPD Bank —Ruijing No. 18 Special Asset Management Plan	Domestic legal entity	0.52	89,314,735	89,314,735	0	89,314,735	-	-
China Nature Fund—Minsheng Bank—China Nature Pingan No. 1 Asset Management Plan	Domestic legal entity	0.50	86,709,722	86,709,722	0	86,709,722	-	-
ICBC Credit Suisse Fund —Agricultural Bank of China—ICBC Credit Suisse & CSFC Asset Management Plan	Domestic legal entity	0.37	63,731,160	15,177,460	0	63,731,160	-	-
Description of the related relationship or concerted action of the above shareholders	<p>1. Ping An Life Insurance Company of China, Ltd. is a controlled subsidiary 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” and “Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance product” are related parties.</p> <p>2. The Bank is not aware of any related relationship nor concerted action among any of other shareholders.</p>							
Description of the shareholders who engage in securities margin trading business	Nil							

3. Shareholdings of top 10 preference shareholders

Applicable Not applicable

Total number of preference shareholders as at the end of the reporting period	15					
Shareholding of shareholders with more than 5% preference shares or top 10 preference shareholders						
Name of shareholder	Capacity	Shareholdings (%)	Total number of shares held	Changes during the reporting	Pledged or frozen	
					Type of shares	Number of shares

			at the end of the reporting period	period		
Ping An Life Insurance Company of China, Ltd.—dividend—individual dividend	Domestic legal entity	29.00	58,000,000	-	-	-
Ping An Life Insurance Company of China, Ltd.—universal—individual universal	Domestic legal entity	19.34	38,670,000	-	-	-
Ping An Property & Casualty Insurance Company of China, Ltd.—traditional—ordinary insurance products	Domestic legal entity	9.67	19,330,000	-	-	-
China Post & Capital Fund—Hua Xia Bank—Hua Xia Bank Co., Ltd.	Domestic legal entity	8.95	17,905,000	-	-	-
Bank of Communications Schroder Asset Management—Bank of Communications—Bank of Communications Co., Ltd.	Domestic legal entity	8.95	17,905,000	-	-	-
Bank of China Limited Shanghai Branch	Domestic legal entity	4.47	8,930,000	-	-	-
Postal Savings Bank of China Co., Ltd.	Domestic legal entity	2.98	5,950,000	-	-	-
China Resources Sztic Trust Co., Ltd.—Investment No.1 List—Capital Trust	Domestic legal entity	2.98	5,950,000	-	-	-
Huabao Trust Co. Ltd.—Investment No.2 Capital Trust	Domestic legal entity	2.98	5,950,000	-	-	-
Merchants Wealth—Postal Savings Bank—Postal Savings Bank of China Co., Ltd.	Domestic legal entity	2.98	5,950,000	-	-	-
Description of the related relationship	1. Ping An Life Insurance Company of China, Ltd. and Ping An					

<p>or concerted action among top 10 preference shareholders and between top 10 preference shareholders and top 10 ordinary shareholders</p>	<p>Property & Casualty Insurance Company of China, Ltd. are controlled subsidiaries of and acting in concert with the Ping An Insurance (Group) Company of China, Ltd. “Ping An 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 & Casualty Insurance Company of China, Ltd. –traditional – ordinary insurance products” are related parties.</p> <p>2. The Bank is not aware of any related relationship nor concerted action among any of other shareholders.</p>
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4. Change in the controlling shareholder or de facto controller of the Bank during the reporting period

Applicable Not applicable

During the reporting period, there was no change in the controlling shareholder of the Bank, being Ping An Insurance (Group) Company of China, Ltd.

There is no de facto controller for the Bank.

§3 Management Discussion and Analysis

1. Description of overall operations

The first half of 2016 witnessed stable economic indicators and a steady progress in the supply-side reform featuring structural reform, resulting in macroeconomic stability against multiple pressures. Adverse and negative factors including increasing pressure on asset allocation, narrowing of interest spread and competition from new financial intermediary will persist for some time amid macroeconomic structural adjustment, posing challenges to the banking industry.

Addressing complex economic and operational situations, the Bank adhered to its operation strategies, carried forward its strategic transformation, and pushed forward the implementation of the second transformation with a focus on “quality improvement and efficiency enhancement” by upholding its operational features of “professionalism, intensity, integrated finance and internet finance” while accelerating the transformation of branches and the reform of business divisions, so as to build up the Bank’s strengths of “boutique finance”, “smart finance” and “ecological finance” underpinned by tightened risk

management and control. While rapid development in the past three years resulted in higher base numbers, the Bank continued to maintain steady growth in various lines of business in the first half of the year.

(1) Coordinated development of scale

As at June 30, 2016, the total assets of the Bank amounted to RMB2,800,983 million, representing an increase of 11.72% as compared with that at the beginning of the year. Attributable to the Bank's adaptation to the market changes, the marketing of high-quality customers and projects and the increase in loans, the disbursement of loans and advances (including discounted bills) amounted to RMB1,358,021 million, representing an increase of 11.67% as compared with that at the beginning of the year. The balance of customers' deposits amounted to RMB1,898,348 million, representing an increase of 9.48% as compared with that at the beginning of the year. To offset the impact of several rounds of interest rate cut in 2015, the Bank adhered to the principle of coordinated development of assets and liabilities by adopting a liabilities management model to allocate liabilities, resulting in an increase in the proportion of demand deposits and a decrease in liabilities cost. The average cost of interest-bearing liabilities was 2.23% during the first half of the year, representing a decrease of 0.93 percentage point, as compared with that in the same period of last year, while the net interest spread and net interest margin increased by 0.10 and 0.08 percentage point respectively as compared with that in the same period of last year.

Riding on the rapid development of the new forms of business, the Bank increased its investment in the establishment of Internet platforms to further expand and strengthen businesses of asset custody and discretionary wealth management. As at June 30, 2016, assets under custody amounted to RMB4.75 trillion, representing an increase of 28.73% as compared with that at the beginning of the year. The on and off-balance-sheet wealth management scale amounted to RMB958,952 million, representing an increase of 29.27% as compared with that at the beginning of the year. In particular, the off-balance-sheet wealth management scale amounted to RMB731,290 million, up by 45.70% from that at the beginning of the year.

(2) Stable generation of profit

In the first half of 2016, the Bank recorded an operating income of RMB54,769 million,

representing an increase of 17.59% as compared with that in the same period of last year. Benefiting from the speedy development of bank card, wealth management, and agency (including gold leasing) businesses, the Bank recorded a net non-interest income of RMB18,573 million in the first half of the year, representing an increase of 20.16% as compared with that in the same period of last year.. Percentage of net non-interest income was 33.91%, up by 0.72 percentage point as compared with that in the same period of last year. Operating profit before provision grew by 28.26% as compared with that in the same period of last year to RMB36,156 million. Due to the increase in asset impairment losses, net profit grew by 6.10% as compared with that in the same period of last year to RMB12,292 million.

Due to the separation of price and tax under the policy of replacing business tax with value-added tax (“VAT Reform”) coming into effect on May 1, 2016, the Bank recorded a decrease in operating income as compared with that calculated under the original basis; the operating income restated to remove the effect of VAT Reform amounted to RMB56,096 million, representing an increase of 20.44% as compared with that in the same period of last year.

Attributable to the enhancement of input/output efficiency resulting from its refined cost control, the Bank recorded a cost/income ratio of 28.80% in the first half of 2016, down by 3.42 percentage points as compared with that in the same period of last year and down by 2.51 percentage points as compared with that in 2015, outperforming most of its peers.

(3) Manifestation of advantages of professionalism

The Bank’s advantages of professionalism began to manifest along with the development of investment banking, asset management, offshore business and retail business as well as the construction of platforms for IoT finance and Internet finance.

Leveraging the opportunities arising from the structural transformation and upgrade of China’s real economy, the Bank vigorously promoted the development of sector funds, thus driving the growth of liabilities business and net non-interest income. Attributable to the surge in custodian business in the first half of the year, fee income from custodian business grew by 31.67% as compared with that in the same period of last year to RMB2 billion. With a focus on the major projects including financing for privatisation and delisting of overseas-listed Chinese enterprises, loans for overseas merge and acquisition, financing for

overseas project, and the subscription of offshore corporate bonds, the offshore business maintained its leading position among peers in terms of major indices. AUM of the retail division amounted to RMB720 billion, representing an increase of 8.52% compared with that at the beginning of the year; the number of retail customers reached 35,434,400, representing an increase of 11.57% compared with that at the beginning of the year; 4,508,600 new credit cards were issued, representing an increase of 66.06% as compared with that in the same period of last year; the accumulated number of accounts was 20,291,900, representing an increase of 15.78% compared with that at the beginning of the year; the total transaction amount increased by 47.78% as compared with that in the same period of last year to RMB529,054 million; the balance of credit card loans amounted to RMB163,015 million, representing an increase of 10.34% compared with that at the beginning of the year.

Cash financing module, phase one of the Bank's IoT finance system, has been put into operation, marking the inception of IoT finance. The "Orange-e-Platform" had 2.28 million registered users by the end of the period, representing an increase of 40% compared with that at the beginning of the year. "Hang-E-Tong" integrated interbank financial services platform has become the industry's leading financial asset trading platform in terms of transaction volume, recording a transaction amount of more than RMB2 trillion and an increase of 600 merchant partners to 1,111 compared with that at the beginning of the year. The customer count of "Orange Bank" reached 7,735,200, representing an increase of 52.74% compared with that at the beginning of the year.

(4) Manageable asset quality level

Affected by the external environment, some enterprises experienced difficulties in operations, resulting in increasing downturn pressure on the asset quality of the banking industry. As at June 30, 2016, the Bank had a non-performing loan ratio of 1.56% and a loan loss provision coverage ratio of 160.82%, representing an increase of 0.11 percentage point and a decrease of 5.04 percentage points respectively compared with those at the beginning of the year. The Bank has adopted a series of measures to scale down risk assets in areas including the overcapacity industries, increase allocations in low-risk assets such as high-quality corporate loans and credit card receivables, and tighten the control on existing and incremental businesses. The Bank recovered bad debts of RMB2,643 million during the first half of the year, as a result of its efforts to dissolve and dispose of non-performing

assets, and recorded a loan loss provision ratio of 2.51%, up by 0.10 percentage point compared with that at the beginning of the year, due to the increase in provisions and write-offs.

(5) Consolidation of the foundation for development

The Bank carried out capital replenishment by way of non-public issuance of RMB20 billion preference shares in March and issuance of RMB10 billion tier-2 capital bonds in April, replenishing additional tier-1 capital and tier-2 capital respectively so as to ensure further business growth.

The Bank continued to enhance its branch network. As at June 30, 2016, the Bank had 58 branches and 1,037 outlets, among which 4 new branches in Hefei, Huzhou, Taizhou and Mianyang were set up in the first half of 2016.

2. Analysis of income statement items

(1) Composition of and changes in operating income

(In RMB million)

Item	January-June 2016		January-June 2015		Change over the same period of last year
	Amount	%	Amount	%	
Net interest income	36,196	66.09%	31,118	66.81%	16.32%
Interest income from placement at central bank	2,069	3.25%	2,067	3.14%	0.10%
Interest income from transactions with financial institutions	4,693	7.38%	6,311	9.58%	(25.64%)
Including: Interest income from inter-bank borrowing	2,686	4.23%	1,785	2.71%	50.48%
Interest income from inter-bank lending	671	1.06%	296	0.45%	126.69%
Interest income from loans and advances	42,044	66.14%	42,127	63.96%	(0.20%)
Interest income from investments	14,631	23.02%	15,136	22.98%	(3.34%)
Other interest income	131	0.21%	223	0.34%	(41.26%)
Subtotal of interest income	63,568	100.00%	65,864	100.00%	(3.49%)

Interest expense on borrowings from Central Bank	456	1.67%	128	0.37%	256.25%
Interest expense from transactions with financial institutions	4,126	15.07%	10,599	30.50%	(61.07%)
Deposit interest expense	18,440	67.37%	21,940	63.14%	(15.95%)
Bond interest expense	4,350	15.89%	2,079	5.99%	109.24%
Subtotal of interest expense	27,372	100.00%	34,746	100.00%	(21.22%)
Net fee and commission income	16,448	30.03%	13,722	29.46%	19.87%
Other net operating income	2,125	3.88%	1,735	3.73%	22.48%
Total operating income	54,769	100.00%	46,575	100.00%	17.59%

(2) Net interest income

In the first half of 2016, the Bank recognised net interest income of RMB36,196 million, representing an increase of 16.32% as compared with that in the same period of last year and accounting for 66.09% of operating income.

Average daily balance and average yield or average cost of major asset and liability items

(In RMB million)

Item	January-June 2016			January-June 2015		
	Daily average balance	Interest income/expense	Average yield/cost rate	Daily average balance	Interest income/expense	Average yield/cost rate
Assets						
Disbursement of loans and advances (excluding discounted bills)	1,248,513	41,870	6.74%	1,103,669	41,869	7.65%
Bond investment	340,022	5,674	3.36%	268,592	5,273	3.96%
Due from Central Bank	281,121	2,069	1.48%	285,480	2,067	1.46%
Bills discounting and inter-bank business	732,444	13,824	3.80%	654,459	16,432	5.06%
Others	5,774	131	4.56%	7,091	223	6.34%
Total interest-earning assets	2,607,874	63,568	4.90%	2,319,291	65,864	5.73%
Liabilities						
Deposit taking	1,830,772	18,440	2.03%	1,600,781	21,940	2.76%
Bonds issued	253,666	4,350	3.45%	82,390	2,079	5.09%

Including: Interbank deposits	229,100	3,586	3.15%	62,275	1,404	4.55%
Inter-bank business	380,472	4,582	2.42%	531,429	10,727	4.07%
Total of interest-bearing liabilities	2,464,910	27,372	2.23%	2,214,600	34,746	3.16%
Net interest income		36,196			31,118	
Deposit-loan spread			4.71%			4.89%
Net interest spread (NIS)			2.67%			2.57%
Net interest margin (NIM)			2.79%			2.71%

Impacted by the policy to replace the business tax with a value-added tax from May 1, 2016, coupled with the Central Bank's various interest rate cuts, the average rate of the Bank's various interest-bearing assets and interest-bearing liabilities decreased as compared with that in the same period of last year. However, benefiting from the continuous optimization of the assets and liabilities structure, the proportion of structured debt with lower interest rate to the liability scale increased and the average interest rate of inter-bank liabilities also decreased substantially. The cost of interest-bearing liabilities recorded a considerable drop and the net interest spread and the net interest margin respectively increased 0.10 and 0.08 percentage point as compared with those in the same period of last year.

(3) Net fee and commission income

In the first half of 2016, the Bank's net fee and commission income was RMB16,448 million, representing an increase of 19.87% as compared with that in the same period of last year, mainly due to a continued increase in fee income from businesses including bank card, wealth management, asset trusteeship and agency (including gold lease). Details of which were as follows:

(In RMB million)			
Item	January-June 2016	January-June 2015	Change over the same period of last year
Settlement fee income	1,162	1,045	11.20%
Wealth management business fee income	2,424	1,584	53.03%
Agency and trusteeship business fee income	3,182	2,409	32.09%
Bank card business fee	5,652	4,030	40.25%

income			
Consulting and advisory fee income	2,059	3,676	(43.99%)
Asset trusteeship fee income	2,000	1,519	31.67%
Account management fee income	90	78	15.38%
Others	1,531	620	146.94%
Subtotal of fee income	18,100	14,961	20.98%
Agency business fee outlay	261	137	90.51%
Bank card business fee outlay	1,249	992	25.91%
Others	142	110	29.09%
Subtotal of fee outlay	1,652	1,239	33.33%
Net fee and commission income	16,448	13,722	19.87%

(4) Other net operating income

Other net operating income includes investment gains, gains/losses in fair value changes, foreign exchange gains/losses and other business income. In the first half of 2016, other net operating income of the Bank was RMB2,125 million, representing an increase of 22.48% as compared with that in the same period of last year, primarily due to the increase in foreign exchange gains/losses as a result of exchange rate fluctuations.

(5) Operating and administrative expense

In the first half of 2016, operating expense of the Bank grew by 5.12% as compared with that in the same period of last year to RMB15,774 million, whereas cost to income ratio (excluding business tax) was 28.80%, down by 3.42 percentage points as compared with that in the same period of last year. The increase in operating expense was primarily due to outlet expansion, business scale growth and continued investment in management. In 2015, the Bank opened 11 new branches (including 1 as a sub-branch upgrade), 2 proprietary agencies and 237 new sub-branches. During the first half of 2016, the Bank opened 40 new business institutions (comprising 4 branches and 36 sub-branches). The expansion of institutions led to a rigid increase in operating expense. Included in operating expense were staff expense of RMB7,935 million with a decrease of 5.19%, normal business management expense of RMB5,681 million with an increase of 22.22%, and depreciation, amortisation and rental expenses of RMB2,158 million with an increase of

8.55%, respectively, as compared with that in the same period of last year.

(6) Asset impairment loss

(In RMB million)

Item	January-June 2016	January-June 2015	Change over the same period of last year
Due from banks	46	8	475.00%
Placements with banks and other financial institutions	(3)	-	-
Assets purchased under reverse repurchase agreements	-	(1)	100.00%
Disbursement of loans and advances	19,714	12,624	56.16%
Available-for-sale financial assets	16	-	-
Held-to-maturity investments	-	1	(100.00%)
Investment in receivables	140	265	(47.17%)
Foreclosed assets	28	25	12.00%
Other	59	1	5800.00%
Total	20,000	12,923	54.76%

(7) Income tax expenses

(In RMB million)

Item	January-June 2016	January-June 2015	Change over the same period of last year
Profit before tax	16,154	15,259	5.87%
Income tax expenses	3,862	3,674	5.12%
Effective income tax rate	23.91%	24.08%	-0.17 percentage point

(8) Cash flows

In the first half of 2016, the Bank adjusted its interbank liability structure and increased the capital inflow from interbank deposits from financing activities, resulting in an decrease in cash inflows from due from banks from operating activities. Net cash flows generated from operating activities amounted to RMB-33,198 million, representing a decrease of 118.19%; net cash flows generated from financing activities amounted to

RMB107,455 million, representing an increase of 49.89%. Net cash flows generating from investing activities amounted to RMB-123,901 million, representing a decrease of 148.23%, primarily due to an increase in cash outflow for debt investment payment.

3. Analysis of balance sheet items

(1) Asset composition and changes

(In RMB million)

Item	June 30, 2016		December 31, 2015		Change from the end of the period over the end of previous year %
	Balance	%	Balance	Balance	
Total disbursement of loans and advances	1,358,021	48.48%	1,216,138	48.51%	11.67%
Provision for impairment of disbursement of loans and advances	(34,086)	(1.22%)	(29,266)	(1.17%)	16.47%
Disbursement of loans and advances, net	1,323,935	47.26%	1,186,872	47.34%	11.55%
Financial assets held for trading (Note)	765,463	27.33%	603,468	24.07%	26.84%
Cash and due from Central Bank	278,178	9.93%	291,715	11.64%	(4.64%)
Precious metal	92,173	3.29%	63,744	2.54%	44.60%
Due from banks	158,130	5.65%	109,046	4.35%	45.01%
Placements with banks and other financial institutions and assets purchased under resale agreements	119,232	4.26%	193,927	7.73%	(38.52%)
Account receivables	6,122	0.22%	6,624	0.26%	(7.58%)
Interest receivables	14,116	0.50%	13,540	0.54%	4.25%
Fixed assets	5,310	0.19%	4,788	0.19%	10.90%
Intangible assets	4,741	0.17%	4,961	0.20%	(4.43%)
Goodwill	7,568	0.27%	7,568	0.30%	-
Properties for investment purposes	228	0.01%	212	0.01%	7.55%
Deferred income tax assets	11,732	0.42%	8,728	0.35%	34.42%
Other assets	14,055	0.50%	11,956	0.48%	17.56%
Total assets	2,800,983	100.00%	2,507,149	100.00%	11.72%

Note: “Financial assets held for trading” included the “Financial assets carried at fair value through profit or loss, derivative financial assets, available-for-sale financial assets, held-to-maturity investments, investment in receivables and long-term equity investments” under the item of the balance sheet.

(2) Liability structure and changes

(In RMB million)

Item	June 30, 2016		December 31, 2015		Change from the end of the period over the end of previous year
	Balance	%	Balance	%	
Deposit taking	1,898,348	72.75%	1,733,921	73.92%	9.48%
Due to central bank	41,107	1.58%	3,051	0.13%	1,247.33%
Due to other banks and financial institutions	258,828	9.92%	311,106	13.26%	(16.80%)
Borrowings from other banks and financial institutions	9,693	0.37%	12,143	0.52%	(20.18%)
Financial liabilities carried at fair value through profit or loss	22,739	0.87%	8,506	0.36%	167.33%
Derivative financial liabilities	19,549	0.75%	4,037	0.17%	384.25%
Financial assets under repurchase agreements	300	0.01%	11,000	0.47%	(97.27%)
Employee compensation payables	9,901	0.38%	10,351	0.44%	(4.35%)
Tax payables	6,491	0.25%	6,571	0.28%	(1.22%)
Interest payables	20,715	0.79%	23,253	0.99%	(10.91%)
Bond payables	307,603	11.79%	212,963	9.08%	44.44%
Others (Note)	14,009	0.54%	8,747	0.38%	60.16%
Total liabilities	2,609,283	100.00%	2,345,649	100.00%	11.24%

Note: Other liabilities included items such as “Accounts Payables, Provision and Other Liabilities” in the statement.

(3) Changes in shareholders' equity

(In RMB million)

Item	Balance at the beginning of the year	Increase in the period	Decrease in the period	Balance at the end of the period
Share capital	14,309	2,861	-	17,170
Other equity instrument	-	19,953	-	19,953
Including: Preference share	-	19,953	-	19,953

Capital reserve	59,326	-	(2,861)	56,465
Other comprehensive income	(1,117)	144	-	(973)
Surplus reserve	8,521	-	-	8,521
General risk provision	27,528	-	-	27,528
Undistributed profit	52,933	12,292	(2,189)	63,036
Including: Dividend proposed for distribution	2,189	-	(2,189)	-
Total shareholders' equity	161,500	35,250	(5,050)	191,700

§4 Matters relating to Financial Statements

1. Description of the changes in accounting policies, accounting estimates and accounting methods as compared with those in the financial statements for the previous year

Applicable Not applicable

2. Description of the corrections of significant accounting errors that require retrospective restatement during the reporting period

Applicable Not applicable

3. Description of the changes in the scope of consolidated statements as compared with those in the financial statements for the previous year

Applicable Not applicable

4. Description of the board of directors and supervisory committee on the “standard unqualified audit report” issued by the auditor during the reporting period

Applicable Not applicable

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

August 12, 2016

This Half-Year Report Summary was originally drafted in Chinese and the English translation of the report is for your reference only. In case of any inconsistencies between the Chinese version and the English version, the Chinese version shall prevail.