

2012 Annual Report Summary of Ping An Bank Company Limited

I. Important Notes

1.1. The annual report summary is extracted from the full text of the annual report. Investors are advised to read carefully through the full text of the annual report published on designated websites of the China Securities Regulatory Commission, including the websites of Shenzhen Stock Exchange, for details.

1.2. Corporate Information

Stock Short Name	Ping An Bank	Stock Code	000001
Stock Exchange with which the Shares are Listed	Shenzhen Stock Exchange		
Contact Persons and Means of Contact	Secretary of the Board	Representative of Securities Affairs	
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II. Financial Highlights and Changes in Shareholders

2.1 Financial highlights

2.1.1. Operating results

(In RMB thousand)

Item	January-December 2012	January-December 2011	January-December 2010	Y-o-Y change (%)
Operating income	39,748,648	29,643,061	17,971,773	34.09%
Operating profit before asset impairment loss	20,672,268	15,281,275	9,288,064	35.28%
Asset impairment loss	3,130,607	2,148,574	1,488,116	45.71%
Operating profit	17,541,661	13,132,701	7,799,948	33.57%
Gross profit	17,550,921	13,257,489	7,948,414	32.38%

Net profit	13,510,780	10,390,491	6,246,537	30.03%
Net profit attributable to shareholders of the parent company	13,402,701	10,278,631	6,246,537	30.39%
Net profit attributable to shareholders of the parent company after non-recurring gains/losses	13,385,220	10,179,272	6,135,557	31.49%
Per share:				
Basic EPS (in RMB)	2.62	2.47	1.90	6.07%
Diluted EPS (in RMB)	2.62	2.47	1.90	6.07%
Basic EPS after non-recurring gains/losses (in RMB)	2.61	2.44	1.86	6.97%
Cash flow:				
Net cash flows from operating activities	185,838,459	(14,439,373)	22,045,723	1387.03%
Per share net cash flows from operating activities (in RMB)	36.27	(2.82)	6.33	1386.17%

Items and amount of non-recurring gains/losses for the last three years

(In RMB thousand)

Non-recurring gains/losses item	January-December 2012	January-December 2011	January-December 2010
Gains/losses on disposal of non-current assets (gains/losses on disposal of fixed assets, repossessed assets and long-term equity investment)	31,953	131,180	114,975
Gains/losses on contingency (projected liabilities)	(36,723)	(29,278)	(1,469)
Other non-operating income and expense	27,580	24,454	27,708
Income tax effect	(5,251)	(27,120)	(30,234)
Amounts attributable to minority interest	(78)	123	-
Total	17,481	99,359	110,980

2.1.2. Profitability indicators

(%)

Item	January-December 2012	January-December 2011	January-December 2010	Y-o-Y change
Return on total assets	0.83	0.82	0.86	+0.01 percentage points
Average return on total assets	0.94	1.04	0.95	-0.10 percentage points
Fully diluted net return on assets	15.81	14.02	18.82	+1.79 percentage points
Fully diluted net return on assets (net of non-recurring gains/losses)	15.78	13.89	18.48	+1.89 percentage points
Weighted average net return on	16.78	20.32	23.32	-3.54 percentage

assets				points
Weighted average net return on assets (net of non-recurring gains/losses)	16.76	20.12	22.91	-3.36percentage points
Cost/income ratio	39.41	39.99	40.95	-0.58percentage points
Credit costs	0.45	0.41	0.41	+0.04percentage points
Net interest spread (NIS)	2.19	2.39	2.41	-0.20percentage points
Net interest margin (NIM)	2.37	2.56	2.49	-0.19percentage points

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

The weighted average net return on assets decreased from the previous year due to significant increase in net assets after merger with the original Ping An Bank, resulted in dilution of net return on assets.

2.1.3. Assets and liabilities

(In RMB thousand)

Item	December 31, 2012	December 31, 2011	December 31, 2010	Y-o-Y change (%)
I. Total assets	1,606,536,760	1,258,176,944	727,207,076	27.69%
Including: Financial assets and derivative financial assets at fair value through profit and loss for the current period	5,204,107	3,418,479	371,734	52.23%
Hold-to-maturity investments	103,124,183	107,683,080	61,379,837	(4.23%)
Loans and receivables	1,162,415,219	884,305,432	550,580,227	31.45%
Available-for-sale financial assets	89,895,874	78,383,526	31,534,183	14.69%
Goodwill	7,568,304	7,568,304	-	-
Others	238,329,073	176,818,123	83,341,095	34.79%
II. Total liabilities	1,521,737,985	1,182,796,360	694,009,541	28.66%
Including: Financial liabilities and derivative financial liabilities at fair value through profit or loss for the current period	2,674,573	732,418	311,805	265.17%
Placement from banks and other institutions	39,068,123	25,279,349	6,200,174	54.55%
Deposits	1,021,107,702	850,845,147	562,912,342	20.01%

Others	458,887,587	305,939,446	124,585,220	49.99%
III. Shareholders' equity	84,798,775	75,380,584	33,197,535	12.49%
Including: equity attributable to shareholders of the parent company	84,798,775	73,310,837	33,197,535	15.65%
Net assets per share attributable to shareholders of the parent company (in RMB)	16.55	14.31	9.53	15.65%
IV. Total deposits	1,021,107,702	850,845,147	562,912,342	20.01%
Including: Corporate deposits	839,948,928	698,564,967	477,741,629	20.24%
Retail deposits	181,158,774	152,280,180	85,170,713	18.96%
V. Total loans	720,780,048	620,641,817	407,391,135	16.13%
Including: Corporate loans	494,945,156	430,702,072	287,295,541	14.92%
General corporate loans	484,534,793	413,019,170	268,648,981	17.32%
Discounted bills	10,410,363	17,682,902	18,646,560	(41.13%)
Retail loans	176,110,339	165,226,483	113,750,877	6.59%
Receivables for credit cards	49,724,553	24,713,262	6,344,717	101.21%
Provision for impairment of loans	(12,517,658)	(10,566,481)	(6,425,060)	18.47%
Loans and advances, Net	708,262,390	610,075,336	400,966,075	16.09%

2.1.4. Supplementary financial indicators for the last three years as of the end of the reporting period

(%)

Financial indicator		Standard level of indicator	December 31, 2012		December 31, 2011		December 31, 2010	
			Year-end	Monthly average	Year-end	Monthly average	Year-end	Monthly average
Liquidity ratio	RMB	≥25	51.31	58.17	55.72	Not applicable	52.52	46.81
	Foreign currency	≥25	88.90	79.25	62.89	Not applicable	49.94	54.06
	RMB and foreign currency	≥25	51.99	58.20	55.43	Not applicable	52.35	46.58
Loan/deposit ratio (including discounted bills)	RMB and foreign currency	≤75	70.64	72.73	72.88	Not applicable	72.61	75.67
Loan/deposit ratio (excluding discounted bills)	RMB and foreign currency	Not applicable	69.61	69.81	70.75	Not applicable	69.23	70.53
Non-performing loan (NPL) rate		≤5	0.95	0.74	0.53	Not applicable	0.58	0.60

Capital adequacy ratio	≥8	11.37	11.43	11.51	Not applicable	10.19	9.83
Core capital adequacy ratio	≥4	8.59	8.53	8.46	Not applicable	7.10	6.69
Ratio of loans to the single largest client to net capital	≤10	2.95	3.33	3.71	Not applicable	5.29	5.99
Ratio of loans to top 10 clients to net capital	Not applicable	15.60	17.87	19.24	Not applicable	26.86	30.49
Ratio of accumulated foreign exchange exposure position to net capital	≤20	1.38	Not applicable	2.80	Not applicable	0.84	Not applicable
Pass loans flow rate	Not applicable	2.03	Not applicable	0.67	Not applicable	0.73	Not applicable
Special Mention loans flow rate	Not applicable	53.38	Not applicable	9.35	Not applicable	39.17	Not applicable
Substandard loans flow rate	Not applicable	43.28	Not applicable	39.40	Not applicable	23.15	Not applicable
Doubtful loans flow rate	Not applicable	78.22	Not applicable	13.01	Not applicable	9.23	Not applicable
Cost/income ratio (excluding business tax)	Not applicable	39.41	Not applicable	39.99	Not applicable	40.95	Not applicable
Provision coverage	Not applicable	182.32	Not applicable	320.66	Not applicable	271.50	Not applicable
Loan loss provision ratio	Not applicable	1.74	Not applicable	1.70	Not applicable	1.58	Not applicable

2.2. Shareholding of Top 10 shareholders

(Unit: Shares)

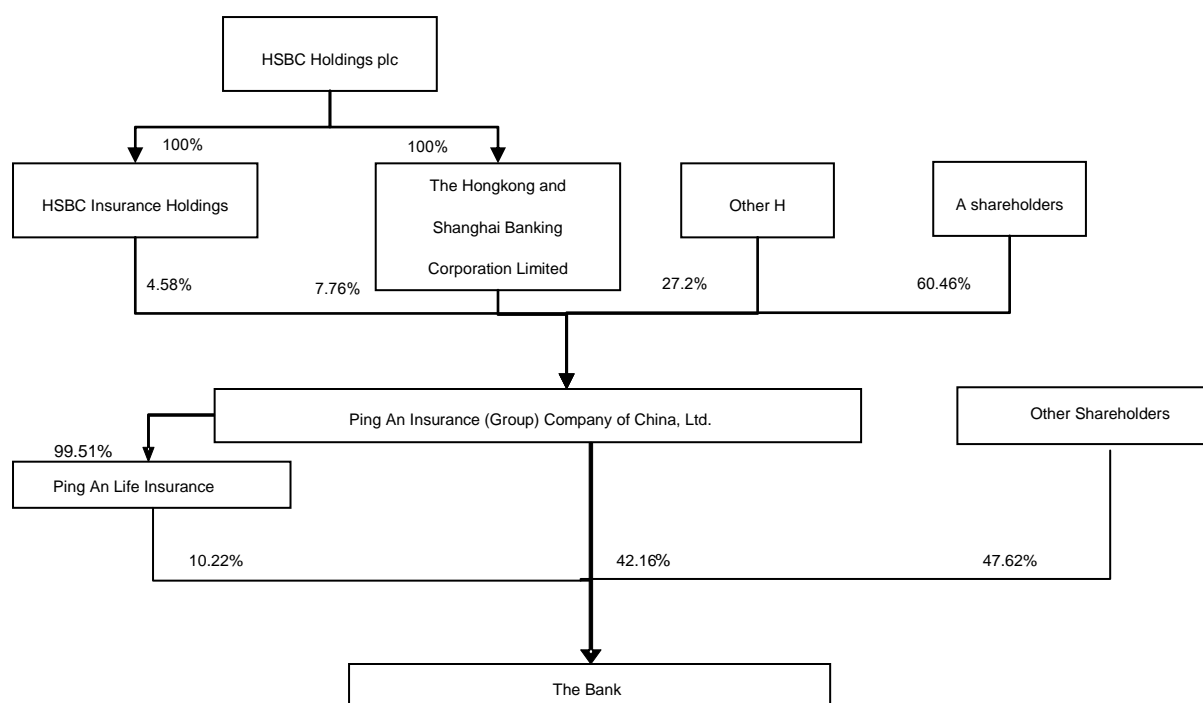
Total number of shareholders at the end of reporting period	263,477		Total number of shareholders by the end of the fifth trading day prior to the publication of the annual report			233,517	
Shareholding of top 10 shareholders							
Name of shareholder	Capacity	Share holding (%)	Total number of shares held	Changes during the reporting period	Number of restricted shares held	Number of unrestricted shares held	Number of Shares pledged or frozen
Ping An Insurance (Group) Company of China, Ltd.—the Group – proprietary fund	Domestic legal entity	42.16	2,159,807,516	0	1,638,336,654	521,470,862	0
Ping An Life Insurance Company of China, Ltd.-proprietary fund	Domestic legal entity	7.41	379,580,000	0	379,580,000	0	0
Ping An Life Insurance Company of China, Ltd. - tradition - ordinary insurance products	Domestic legal entity	2.75	140,963,528	0	0	140,963,528	0
China Electronics Shenzhen	Domestic	1.81	92,867,385	5,485,083	0	92,867,385	0

Company	legal entity						
Collateral securities client trading account of Orient Securities Company Limited	Domestic legal entity	1.31	67,014,829	67,014,829	0	67,014,829	0
Bank of China – Efund SI100 ETF	Domestic legal entity	0.80	41,134,509	159,762	0	41,134,509	0
National Social Security Fund – 110 Portfolio	Domestic legal entity	0.76	39,000,397	2,158,887	0	39,000,397	0
ICBC – China Southern Component Selective Equity Securities Investment Fund	Domestic legal entity	0.57	29,205,132	415,265	0	29,205,132	0
ICBC – Rongtong SI 100 Index Securities Investment Fund	Domestic legal entity	0.57	29,127,189	836,244	0	29,127,189	0
Collateral securities client trading account of Citic Securities Co., Ltd	Domestic legal entity	0.57	29,096,413	29,096,413	0	29,096,413	0
Description of the related relationship and 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 or concerted action between any of other shareholders.</p>						

2.3. Disclosure of the ownership and controlling relationship between the Company and de facto controller

☐ Applicable ☒ Not applicable

Ping An Bank (the "Bank") does not have de facto controller. The relationship between the Bank and the controlling shareholders is set out below:



III. Management Discussion and Analysis

1. Analysis of business performance in 2012

1.1. Overview

In 2012, amid the complicated and ever-changing international economic situation, the economic growth in China has been dampened and stabilized. With “maintain growth” becoming the government’s top priority under national macroeconomic control, a sound monetary policy was continued. In the face of the decrease in benchmark interest rate, market-driven interest rate and financial disintermediation, interest spreads charged by banks narrowed and the pressure on increasing deposit grew. Meanwhile, under the influence of the new capital management method, various risk regulatory indicators and requirements in China become more stringent, raising higher the requirement for the banking industry to enhance risk management.

Under the complicated and ever-changing external economic situation, the Bank formulated clear and sustainable development strategies through steady implementation of strategic development and stepped up efforts in areas such as trade finance, micro and small enterprise finance, retail business and credit card business to further enhance our competitive advantages; leveraging on the Bank’s advantages of integrated financial service to conduct cross selling and develop synergies in adherence to the development principle of “external+organic growth”; targeting to be the “Best Bank” strategic objective, further integrating resources, optimizing organizational structure and operating system to enhance management efficiency; and strengthening assets and liabilities management capabilities, portfolio management and cost control, improvement of quality of operating services as well as optimizing risk management system, thus achieving a relatively satisfactory operating results.

1.1.1 Steady growth in scale with healthy development of strategic business

As at the end of the reporting period, total assets of the Bank amounted to RMB1,606.537 billion, representing a growth of 27.69% as compared with the beginning of the year; total loans (including discounted bills) amounted to RMB720.780 billion, representing an increase of 16.13% from the beginning of the year; total deposits amounted to RMB1,021.108 billion, representing a growth of 20.01% from the beginning of the year.

In our business structure, we saw a healthy growth in strategic businesses including trade finance business, micro and small enterprise finance, retail business and credit card business. We have introduced the innovative supply chain financial services 2.0, which focuses on interactivity, synergies and transparency, demonstrating the ongoing upgrade of our online supply chain financial services. As at the end of the reporting period, balance of trade financing facilities was RMB287.282 billion, up 23.11% from the

beginning of the year; the micro and small enterprise finance balance was RMB55.834 billion, up 16.25% from the beginning of the year while credit card circulation reached 11.00 million.

1.1.2. Stable profitability with further improvement in income structure

In 2012, the Bank recorded an operating income of RMB39.750 billion, representing a year-on-year increase of 34.09%. Net profit attributable to the parent company amounted to RMB13.403 billion, representing a year-on-year increase of 30.39%. Profitability remained stable.

Among the operating income, net non-interest income amounted to RMB6.714 billion, representing a year-on-year increase of 54.21%. Net non-interest income as a percentage of operating income rose to 16.89% from 14.68% of the previous year. Income structure had been further improved.

1.1.3. Overall risk is under control despite of increasing NPL ratio

As at the end of the reporting period, the NPL ratio was 0.95%, increased by 0.42 percentage points from the beginning of the year, mainly attributable to the impact brought by external factors such as the economic slowdown in China. As some of the small and medium private enterprises in the Yangtze River Delta region experienced operating difficulties which hampered their debt servicing ability, the Bank's asset quality was under greater pressure. However, since most of the new NPLs have collaterals and pledges and were concentrated in Hangzhou, Ningbo, Wenzhou in Jiangsu and Zhejiang regions, while the quality of our branches' credit assets in other regions (Southern region, Western region, Northern region) remained stable, overall risk was still under control.

1.1.4. Capital adequacy ratio meeting regulatory standards

The Bank's capital adequacy ratio and core capital adequacy ratio was 11.37% and 8.59% respectively as at the end of the reporting period, which met regulatory standards.

1.1.5. Accelerating growth of institutions with increasing number of outlets

The institutional growth of the Bank achieved significant progress during 2012. As of the end of 2012, the Bank had 450 outlets in total, up by 55 from the beginning of the year.

1.1.6. Remarkable progress for integration of the two banks with successful completion of merger by absorption, renaming as well as license and logo replacement.

2. Principal businesses review

2.1. Corporate banking business

As at the end of the reporting period, the corporate deposit balance of the Bank increased by 20.24%

from the beginning of the year, and the corporate loan balance increased by 14.92% from the beginning of the year; the trade finance credit balance amounted to RMB 287.282 billion, representing an increase of 23.11% as compared with the beginning of the year.

Trade finance business maintained its sound and steady development

The Bank embarked on the adjustment of customers and business structure of the trade finance business amidst complicated economic environment. Firstly, the Bank actively explored emerging sectors with strong anti-cyclical capability, identified new business growth points and diversified business concentration; secondly, the Bank actively stepped out from certain fields and customers with relatively higher risk. As of the end of the reporting period, the number of customers of trade finance business was 9,376. At the end of the year, the trade finance credit balance amounted to RMB 287.282 billion, representing a growth of RMB 53.926 billion or 23.11% as compared with the beginning of the year; NPL ratio was 0.34%, which was still kept at a relatively low level.

Development of the trade finance business in 2012 is as follows:

(In RMB million)

Item	December 31, 2012	%	December 31, 2011	%	Y-o-Y change at the end year (%)
Total trade finance balance	287,282	100.00%	233,356	100.0%	23.11%
Regions: Eastern region	68,543	23.9%	56,438	24.2%	21.45%
Southern region	111,240	38.7%	89,561	38.4%	24.21%
Western region	29,197	10.2%	20,914	9.0%	39.61%
Northern region	78,302	27.2%	66,443	28.4%	17.85%
Domestic/International: Domestic	247,141	86.0%	202,463	86.8%	22.07%
International (including offshore)	40,141	14.0%	30,893	13.2%	29.94%
Export	6,145	2.2%	2,013	0.8%	205.27%
Import	33,996	11.8%	28,880	12.4%	17.71%

Continuous upgrading of online supply chain financial services

The Bank innovatively launched the supply chain financial service 2.0 which focuses on interactivity, synergies and transparency. The service advocates the interaction and synergistic operation between core enterprises in the supply chain and their upstream and downstream enterprises, banks, logistics and warehouse enterprises based on internet service platforms. Leveraging on information visibility and through the synergistic operation of various parties on the platform, seven types of products such as prepayment online financing, inventory online financing and core enterprises synergy were provided to

enterprises on the supply chain, which could satisfy the financing service needs of the whole supply chain and effectively enhance the turnover efficiency and competitiveness of the supply chain.

Rapid development of cash management and electronic settlement products

The Bank placed priority on our customers and was oriented by the market during the research and development of our cash management business. Through the establishment of phase 2 of the system platform, dozens of functions were newly added or optimized, which have enriched the cash management products and capabilities of the Bank, and provided professional cash management solutions of enterprise groups for thousands of our customers. Meanwhile, through optimizing the settlement service platform, the Bank has improved our business handling capabilities of the electronic channel, and the replacement rate for the number of transactions done via electronic channel reached nearly 60%.

With the rapid development of the e-government business, various products such as “Bank-Court Connection” (银法通) and “Express Examination Connection” were gradually launched in different functions and departments such as courts, customs, finance as well as examination and quarantine, which had created new business growth points.

International business and offshore business grew steadily

As of the end of the reporting period, international trade finance balance of the Bank amounted to RMB 40.141 billion, representing an increase of 29.94% from the beginning of the year; international and offshore settlement volume for the year recorded a growth of 20.90% as compared to the corresponding period of last year, amongst which, international settlement increased by 35.30% from the corresponding period of last year; the accumulated cross-border Renminbi business increased by 102.00% as compared to the corresponding period of last year.

Integrated cross-selling business developed steadily

In 2012, the average corporate cross-selling deposits of the Bank amounted to RMB 13.0 billion on daily average basis, and the loan amounted to RMB 3.64 billion on daily average basis.

2.2. Retail banking business

As of the end of the reporting period, the Bank’s retail deposit balance increased by 18.96% from the beginning of the year, and retail loan has grown slightly. In 2012, the net income from retail fee-based business recorded a growth of 29.40% from the corresponding period of last year under the same standards.

In 2012, the Bank focused on customers, products and channels for the steady implementation of its platform establishment and key business development. In the course of integration, specific measures in respect of pricing, rights, product, channels and system were steadily launched, and no significant impact was incurred on customers and teams in all key areas. The Bank established the basic format of our wealth management team in the network and enriched the number of staff in the network, increasing from 1 to 2

person(s) per outlet last year to 4.77 per outlet this year. The Bank also established and gained access to the large retail customers rights system in respect of debit cards and credit cards, highlighting three main business lines, namely health, protection and driving, to provide customers with special experience with Ping An characteristics. Initial success has been achieved in terms of the acceleration of the channels and pilot points for remote services and the upgrading of customers. The Bank accelerated the development of key business like credit cards or auto financing, and increased our market share and profitability via measures such as integration of credit card systems and teams as well as broadening the co-operation channels with car dealers.

Great development on payroll business with success on gaining batch customers and achieving substantial results on operation

The Bank formulated customized rights and services rules for our payroll customers, and lowered the barrier for getting gold cards. Hence, customers with potential could hold gold cards and enjoy the rights of their corresponding grades. The Bank provided customized wealth management products for our payroll customers and batch customers. Upon the design and formulation of the usage procedures and rules for mobile service tools such as VPN, the Bank optimized the initializing procedures for cards and other functions, and provided on-site services to corporate employees at the enterprise side, which did not only showcase our brand image on providing quality services to enterprises and their employees, but also increased the asset value of payroll customers. As of the end of the reporting period, the Bank had a total of 13,243 payroll enterprises for 1.32 million people, and the payroll amount of the year amounted to over RMB 60.0 billion. The monthly retained deposits for payroll increased from RMB 19.3 billion in the beginning of the year to RMB 29.3 billion at the end of the reporting period, representing an increase of 51.81%; new annual retained deposit balance amounted to RMB 8.26 billion per day.

Expanded growth channels of liabilities and increase in saving deposits

The Bank leveraged on the integrated financial platform of Ping An Group to continuously strengthen the sales mode of our cross-selling channel, and gained customers and increased saving deposits via cross-selling among channels such as micro and small enterprise finance channels, auto loan channels, personal loan channels and credit cards. The Bank developed rich varieties of wealth management products and portfolios with market pricing competitiveness to enhance the sales of wealth management products, drive the growth of saving deposits and increase the scale of retail deposits. Through expanding the application channels of payment, settlement, agency services for payment and collection as well as third-party custody services, the frequency of using fundamental products was increased and hence the growth in retail deposits was fuelled.

Dual growth in sales and income for fee-based business such as wealth management and agency, and significant growth in the scale of integrated assets of customers

On the premises of effective risk control, the Bank continued to realize the steady growth in business scale and income while actively fostering the integration of wealth management products, structure, procedures and system. Annual wealth management sales scale amounted to RMB 1,001.243 billion, and income of RMB 390 million was realized for fee-based business. In respect of regular wealth management products, product innovation was enhanced and more efforts were put on product issuance with extended width and depth of products to realize the significant growth in product sales and fee-based business income; in respect of trust and agency business, on the foundation of keeping risk under control, the Bank explored new partners to continuously enhance the introduction of quality projects and serve customers with high net worth for the swift growth of sales and income; in respect of fund agency business, focus was put on the promotion of sales of bond funds and monetary funds, and the sales and fee-based business income for the year were basically the same with that of last year.

Established the Ping An Wealth and Rights system

In 2012, upholding the “customer-oriented” operation concept, the Bank introduced the new Ping An Wealth and Customer Rights system themed “Health and Care, High Protection, Driving Around”. By integrating the rights of customers holding both debit cards and credit cards, the Bank strived to create a quality and integrated financial service platform for our customers. Meanwhile, Ping An Wealth and Rights also served as a driver for marketing and customer services, which facilitated the rapid development of the Bank’s retailing business in terms of customers acquisition, retention and upgrading, etc.

Cross-selling business maintained rapid development, and integrated financial services strategies continued to deepen

In 2012, with mode optimization and flow innovation, the Group further put the competitive edges of our integrated financial services into play. The cross-selling deposit business grew by 60%, and the loan business grew by 120%, both have maintained rapid development; in respect of the cross-selling of integrated financial services within the Group, bank deposits referred by life insurance amounted to RMB 14.8 billion, and Ping An trust, funds and insurance sold by the Bank amounted to RMB 9.1 billion, RMB 1.3 billion and RMB 1.2 billion respectively, its proportion to the entire banking business has increased.

Table on personal loan business

(In RMB million)

Item	December 31, 2012	%	December 31, 2011	%
I. Personal loans excluding credit cards				
Eastern region	75,657	42.96%	68,845	41.67%
Southern region	60,916	34.59%	58,979	35.69%
Western region	12,505	7.10%	10,294	6.23%
Northern region	27,031	15.35%	27,107	16.41%
Headquarters	1	-	1	-
Total balance of personal loans excluding credit cards	176,110	100.00%	165,226	100.00%

Including: Total NPL	850	0.48%	419	0.25%
II. Mortgage loans in personal loans				
Balance of mortgage loans	73,974	42.00%	79,749	48.28%
Including: Housing mortgage loans	70,406	39.98%	75,373	45.63%
Mortgage NPL	181	0.24%	165	0.21%
Including: Housing mortgage NPL	169	0.23%	146	0.19%

Personal loan balance (excluding credit cards) of the Bank increased by RMB 10.884 billion from the beginning of the year, of which, the growth mainly concentrated in the East and Western regions

2.3. Treasury and inter-bank business

In 2012, the Bank continued to expand the size of our inter-bank assets and liabilities, while accelerating product innovation, optimizing business structure and expanding inter-bank and customer channels. The Bank accelerated the establishment of our inter-bank platform and system and reasonably controlled liquidity and various risks to realize a simultaneous and rapid growth in inter-bank business scale and income. At the same time, the Bank actively leveraged on the integrated financial platform of the Group and the Bank to promote cross-selling, and strived to expand our customer bases with an aim to achieve new results in the integrated financial services sector.

Continuous growth in business scale and significant achievements in channel expansion

In 2012, the scale of inter-bank assets and liabilities of the Bank maintained a rapid yet steady and healthy growth, and the growth rate ranked one of the top among all joint stock banks nationwide. While expanding the business size, the Bank also took an active role to optimize business structure and maintained a relatively stable interest spread. The income from inter-bank capital business has become one of the most important sources of profit of the Bank.

Inter-bank business recorded a rapid growth, with inter-bank asset size exceeding RMB 300.0 billion and inter-bank business income reached a record high level. The co-operation with peers has achieved considerable development, with the number of newly signed Hang E-Tong reaching 22, new online bank partners reaching 14 and new online securities brokers for third-party custody business reaching 9. The rapid increase in the number of co-operation entities laid down a solid foundation for the bank to build up a one stop inter-bank financial trading platform.

Brokerage business has made new breakthrough in terms of product innovation and sales method. For foreign exchange business, the Bank leveraged on market opportunities and devoted tithe innovation and promotion of foreign exchange risk hedging products; for precious metal business, the Bank actively promoted our precious metal agency business. During the year, the gold and silver trade through our agency services exceeded a hundred tons and ten thousand tons respectively, and we innovatively launched the gold leasing business to maintain the Bank's traditional advantages in the precious metal field; in respect of

sales, the Bank established a professional product manager team and actively improved our service quality. The Bank has successfully marketed various businesses such as interest rate, foreign exchange, gold and commodity risk hedging products, and realized a fast growth in income from the sales of capital products; all brokerage businesses achieved rapid development, and enhanced the Bank's customer service capability, hence providing strong support for the growth of the Bank's fee-based business income.

In respect of business scopes such as bonds, inter-bank lending, foreign exchange, precious metal and notes, the Bank has stepped up our efforts in market making, increased trading categories, expanded the scope of counterparties and enhanced trading volume and activeness, and thus enhanced our pricing capability, fee-based business income, market position as well as influence.

Significant improvement in research, development and management capabilities for wealth management business

Wealth management business continued its rapid growth with the size of assets under management exceeding a hundred billion dollars. Along with the increasing quality of wealth management product design, the asset portfolio management has been continuously optimized. In 2012, the circulation of all kinds of wealth management products bank-wide increased by 106.76% from the corresponding period of last year, realizing an increase in revenue by 105.83% from the corresponding period of last year. During the year, the number of newly issued wealth management products ranked the second among all joint stock banks nationwide, and the market position and competitiveness have both shown a significant surge.

2.4. Micro and small enterprise financial services

As one of the Bank's strategic businesses, micro and small enterprise finance business went through a critical year of establishing mode and laying down foundation in 2012. On one hand, a new mode of micro and small enterprise finance business was actively put into practice with a view to satisfy market demand. Through innovative marketing method and investment in brand, optimization of product structure, expansion of system building as well as optimization and unification of business procedures, the Bank has reinforced our overall marketing capability and market competitiveness. On the other hand, business operation and management system were gradually consolidated, while one-stop and multi-dimensional marketing system, embedded risk management system, comprehensive product system, professional appraisal system and progressive training system have been put in place, and thus the Bank was well prepared for further business development in terms of scale. In addition, leveraging on the resources of the Group, the efforts in channel development and integration for micro and small enterprise finance business have also been increased. Upon exploration and development, new channels such as cross-selling of life insurance and auto finance have initially been established, and the cross-selling business has achieved a

breakthrough from zero. The synergistic competitiveness of the Group's integrated financial platform would also emerge gradually.

As of the end of the reporting period, the balance of micro and small enterprise loans of the bank amounted to RMB 55.834 billion, representing an increase of 16.25% from the beginning of the year, and the NPL ratio was 1.24%. In particular, the new loans amount for 2012 reached RMB 41.280 billion. As the repayment amount for the deposit portion was relatively high, the growth in the overall loan scale was rather insignificant. Analyzed by region, the Eastern region has granted the largest proportion, which amounted to RMB 18.110 billion, accounted for 43.87% of the total.

Description on operation for 2012

(In RMB million)

Item	December 31, 2012		December 31, 2011		Y-o-Y change at the end of year	
	Balance	%	Balance	%	Change(±)	Growth rate
Loan to micro enterprises	55,834	100.00%	48,028	100.00%	7,806	16.25%
Including: Eastern region	22,247	39.84%	23,894	49.75%	(1,647)	(6.89%)
Southern region	19,326	34.61%	14,464	30.12%	4,862	33.61%
Western region	5,682	10.18%	2,964	6.17%	2,718	91.70%
Northern region	8,579	15.37%	6,706	13.96%	1,873	27.93%

2.5. Credit card business

Credit card business continued to achieve rapid and steady growth with the number of new cards issuance reaching 4.49 million in 2012, representing a growth of 69.26% from the corresponding period of last year under the same standards; as of the end of the reporting period, the number of cards in circulation reached 11.00 million, representing a growth of 22% from the beginning of the year; total transaction amount reached RMB 218.4 billion, representing a growth of 64.50% from the corresponding period of last year under the same standards. The market share of Unionpay inter-bank POS transaction (the top 16 card issuing banks) achieved a significant gain in market share, increasing from 3.66% at the beginning of the year to 5.05% at the end of the reporting period; loan balance reached RMB 49.7 billion, representing a growth of 101.21% from the beginning of the year. With continuous improvement in profitability, the profit before tax for 2012 increased by 97.72% from the corresponding period of last year under the same standards, of which, the net operating income increased by 63.36% from the corresponding period of last year under the same standards. As of the end of the reporting period, NPL ratio for credit cards was 0.98%, decreased by 0.12 percentage point from the corresponding period of last year.

With the advocacy of "Safe, Economical and Functional" value for credit cards, cross-selling effort continued to step up with steady increase in customers' activeness and further improvement in asset quality.

In May 2012, upon the completion of credit cards core system upgrade, the Bank rationalized and established new product structure, pricing rules, service standards, business policies and flow, thereby laying a foundation for the rapid growth of our credit card business in the future. The capability of customer acquisition from various channels of credit cards business kept surging with significant improvement in the quality of customers acquired. Amongst which, the cross-selling channel of the Group continued to make important contribution, accounting for 54% of new cards. Branch channels made use of the synergy of large scale retailing, and credit card was put under the “six-items-to-open bundle project” in all outlets of the Bank, hence witnessing a rapid growth in the number of customers acquired. In respect of products, to satisfy diversified needs of our customers, products such as Ping An Bank Standard Credit Card, Ping An Bank Premium Gold Card, Ping An Taobao affiliated Credit Card and Ping An China Travel Credit Card were launched. In respect of marketing, the Bank has launched extensive marketing and promotion activities, namely, “Love to use credit card every day”, “Extra bonus points for selected weeks” and “Super Ping An Month” in an orderly manner throughout the year, while commencing four major themed marketing activities, namely “Watch movie with RMB 10”, “Discount for refuel”, “Discount for supermarket” and “Business trip reward” with an aim to further increase our market influence. In respect of risk management, the formulation of various risk foundation was fostered, while the approval policies and procedures were enhanced, and the capabilities for risk management and rational decision making were enhanced. In respect of operation compliance, the promotion and implementation of compliance culture and compliance concepts were continuously reinforced to control compliance risk and operational risk.

2.6. Auto finance service

In 2012, the newly granted loans for automobile consumption amounted to RMB 18.3 billion, representing an increase of 83% from the corresponding period of last year; loan balance for automobile consumption amounted to RMB 21.1 billion, representing an increase of 66% from the beginning of the year and ranked the second among all banks in China in terms of market share. Credit risk was effectively managed, and NPL ratio was put under control at 0.18%. Strategic co-operation with various middle to high-end automobile brands, including BMW, Mercedes-Benz, Jaguar, Land Rover and Porsche, as well as large dealership groups were further consolidated and developed with over 3,200 contracted dealers nationwide, which is still increasing.

2.7. Wealth management business and agency business

Wealth management business: The Bank expanded the varieties of our wealth management products and strengthened innovations in wealth management products. By developing customized wealth management products for different channels, the sales of the Bank climbed up. We also strived to strengthen the co-operation among subsidiaries within the Group to ramp up sales platform. During the reporting period, the accumulated issuance scale of the Bank’s wealth management products (including

corporate, retail, inter-bank) amounted to approximately RMB 1.4 trillion, of which, the issuance size of guaranteed wealth management products was approximately RMB 1 trillion; fee income for wealth management business of RMB 654 million was realized, representing an increase of 82.75% from the corresponding period of last year under the same standards. As of the end of the reporting period, the Bank's capital balance for wealth management (including corporate, retail, inter-bank) amounted to approximately RMB 150.0 billion, of which, the capital balance for principal guaranteed wealth management was over RMB 67.0 billion.

Agency business: In 2012, the size of trust, funds and insurance agency amounted to RMB 13.3 billion, RMB 7.5 billion and RMB 1.24 billion respectively, with an accumulated income of nearly RMB 120 million.

Asset custody business of the Bank achieved fast growth. Leveraging on the integrated financial services competitiveness of the Group and riding on the synergy of three major channels (the Group, the Bank and other channels), the Bank focused on our asset custody business segment, such as trust, wealth management banking and asset management for securities customers. As of the end of the reporting period, the size of custody in terms of net worth exceeded RMB 427.2 billion, representing an increase of 261% from the corresponding period of last year, and custodian fee income exceeded RMB 200 million, representing an increase of 128% from the corresponding period of last year.

3. Analysis on core competitiveness

Along with the gradual deepening of financial disintermediation, the demand from customers has been increasingly complicated and diversified, which required integrated financial services with coverage on settlement, investment, financing and wealth management. Benefited from the powerful integrated financial platform of Ping An Group and further enhancement on our traditional competitive edges through product research and development as well as technology innovation, the Bank's core competitiveness in respect of corporate, retail and inter-bank business has been further strengthened. Meanwhile, the Bank also devoted to the development of cross-selling, providing our customers with all-round integrated financial service experience of one customer, one account, various products and one-stop services, thereby formulating the unique core competitiveness of the Bank.

Integrated financial services: Leveraging on Ping An Group's integrated financial platform and riding on approximately 70 million personal banking customers, over 2 million corporate customers and a sales team with 0.5 million personnel under Ping An Group, the Bank underwent continuous and thorough reform and innovation and established a development model different from our peers, thereby realizing a sustainable development of our business in a faster and healthier manner.

Online supply chain financial services: In 2012, supply chain financial services 2.0 was launched

which focuses on interactivity, transparency and synergies. Through seven major product series, namely prepayment online financing, inventory online financing, online reverse factoring, electronic warehouse receipt pledge online financing, core enterprises synergy, value-added message service and corporate golden guard, the Bank achieved a complete coverage on the financing needs throughout the entire supply chain from corporate procurement, production to sales. With multi-dimensional seamless connection and synergy with core corporate electronic business platform as well as the supervisory platforms of the pledge supervisor, enterprises are provided with one-stop on-line services for all procedures from procurement, financing, charging/pledging to repayment and redemption of commodities. The efficient 15-minute credit approval and 5-minute commodity redemption has become the benchmark of the best experience in the industry. Information on the cash flow, logistics and business flow along the supply chain could be clearly displayed and accessed at any time. Enterprises could enquire information such as stocks, sales and limit of their own and their up or down stream at any time and place via various channels such as internet banking, telephone, short message and mail.

Auto finance: In 2012, the Bank's auto finance business department has established partnership with various automobile brands and dealers with coverage on major and key cities nationwide, and the size of new auto loan has rapidly increased. Along with the continuous improvement in service quality and time efficiency, it is envisaged that auto consumers of more brands could enjoy the convenient, fast and quality financial services of Ping An Bank in the future.

Credit cards: In terms of customer acquisition, the method of customer acquisition by way of cross-selling within the Group will be further deepened to continuously expand the customer acquisition channels. During the year, the number of new cards issued via cross-selling within the Group exceeded 2.40 million, which satisfied the needs on credit card products from quality customers of the Group. In respect of cross-selling, the optimization of name list management, team management and marketing management was continuously developed, and through precision marketing platform, premium installment has increased by 275% from the corresponding period of last year.

4. Future outlook of the Bank

4.1. Outlook on macro environment

In 2013, the global economy is likely to recover modestly while the domestic economy also stabilized and start to gain momentum. With continuous introduction of a series of policies and measures to foster economic development, a moderate growth in infrastructure investment, and the export rebound as the global economy pick up, thus gradually empowering further economic development. Further deepening of

the reform of income distribution system would facilitate a resilient domestic demand. It is expected that the Central Bank would act in line with the economic development, and maintain a stable monetary policy stand. In the short term, liquidity remains abundant. At the same time, the progress in interest rate marketization will accelerate, making room for the interest rate to move within a wider floatation range and the influence of financial disintermediation will also gradually deepen.

4.2. Landscape of industry competition and development trend

Looking forward, opportunities will co-exist with challenges in the banking industry. On one hand, (1) the development and reform of the banking industry in the coming decade are underpinned by solid foundation in terms of policies and environment. By 2020, it is expected that both Gross Domestic Product (GDP) and income per capita for residents in the urban and rural areas would be doubled as compared with 2010, and an average GDP growth rate of not less than 7% would be maintained in the next eight years. Priority will be given to urbanization, industrialization, informationization and agricultural modernization, and thus help to stimulate domestic demand and favour relevant industries. Austerity policies of fiscal easing and monetary stabilization would also be sustained. (2) Rapid growth in personal wealth will continue, providing unparalleled business opportunities for the banking industry to develop businesses such as wealth management and consumption credit. (3) China will further step up the efforts in fostering financial innovation and reform. The financial innovation, as represented by Qianhai Comprehensive Financial Pilot Zone, Hengqin Economic Development Zone and the three new boards in Tianjin, Beijing and Wuhan, signifies more and greater business innovation and development opportunities for commercial banks in respect of areas such as settlement, marketization of interest rate, cross-border Renminbi loan, investment banking business and integrated financial services.

On the other hand, (1) certain unfavourable factors in the external macro environment might impose adverse impacts on the economic and financial development of China, such as the Eurozone debt crisis, situation of China peripheral areas, unreasonable economic structure of China and the challenges arising from transformation. (2) The continuous progress of marketization of interest rate would be accelerated, which would pose challenges to the Bank's profitability, as the marketization of interest rate would further narrow the inter-bank interest spreads. (3) The continuation in marketization would further intensify financial disintermediation, and thus commercial banks would face the challenges brought by the shadow banking system and the capital market as substitutes of bank financing. (4) The homogenization in peer competition would be intensified, such that competitions in business areas, including micro and small enterprise financial services, personal banking and wealth management would be intensified. (5) continuous technological advancement might completely change the traditional operation format of banking industry.

4.3. Corporate development strategies

The Bank will continue to ride on the advantages of the integrated financial platform of the Group to further implement cross-selling, in a bid to achieve the strategic objective of establishing the “Best Bank”. At the same time, benefited from technologies and fully putting our late-mover advantages into play, the Bank will conduct projects such as the establishment of SCFP (supply chain financial platform) and the establishment of large scale retail data collection in an effort to build a “Smart Bank”. In respect of our strategic businesses, the Bank will dedicate to develop businesses for supply chain financial services, micro and small enterprise financial services and consumer finance as well as investment banking business with low capital consumption. For supply chain business, the Bank will establish online platforms by means of technologies, uphold our “1+N” mode and strive to expand upstream and downstream on the back of core enterprises, so as to enrich our financing support. For micro and small enterprise financial services, the Bank will focus in batch development based on “rings (connection ring, cluster ring and business ring) and chains (supply chain, sales chain and capital chain) group” and professional markets, and co-operate with e-commerce brands to expand the micro business of e-commerce brands and build up our own characteristics. For consumer finance business, the Bank will ride on the features of the Bank in respect of auto trading, auto finance and credit cards as well as the micro business of e-commerce brands to provide consumers with convenience for consumer finance. For investment banking, fee-based business income will be increased via providing enterprises with services such as financial consultation, financing consultation, structural financing arrangements and listing services. In addition, the Bank will also make full use of the competitive edges of the integrated financial services of Ping An Group to make breakthrough in business innovation and establish our core competitiveness.

4.4. Operational plans

In 2013, the Bank will follow our long-term development strategic objectives, and continue to adopt active assets and liabilities management strategies, while upholding a coordinated development of our asset and liability businesses with an aim to steadily facilitate the growth in scale and optimize our assets and liabilities structure. It is anticipated that the deposits, loans and total assets of the Bank would experience healthy growth in 2013. Meanwhile, the Bank will also focus on the diversified development of our income sources. While further consolidating our leading industry positions in featured business such as credit cards, auto finance and supply chain financial services, the Bank will actively develop innovative products, widen our income channels and further promote cross-selling to facilitate the sustainable growth in business income.

To ensure the realization of the long-term strategic objectives, it is anticipated that we will step up our efforts in internal management and control, operation efficiency, product research and development as well as system development in 2013. In tandem with the expansion of business scale and addition of new

branches and outlets, the expenses for 2013 would increase as compared with that in 2012, but the overall cost to income ratio will be well contained in a reasonable range. Apart from the above, the Bank will also place emphasis on the development of our overall risk management system to ensure a steady increase in capital gains on the premises of putting risks under control, so as to foster a optimization of assets and liabilities deployment efficiency as well as a reasonable control on operating costs, to realize steady growth in net profit and to provide long-term and sustainable return to our shareholders.

4.5. Risk management

(1) The Bank will focus on our mission of “structural adjustment, foundation consolidation, innovation focused, risk prevention, effectiveness enhancement and development facilitation”, uphold our vision of “customer-oriented” and regard regulatory compliance as our baseline. Launching our “leading global integrated financial services provider in the world” strategies and adhering to the theme of future macro-economic development, the Bank will fully enhance our risk management level. In 2013, the risk management of the Bank will mainly focus on the following areas:

1) The Bank will establish a comprehensive risk management system and rebuild our risk management structure. The Bank will transform the concept of risk management and perfect the relationship between risk management and business development, realize the relationship between the Group’s strategic objectives, business innovations, customer services, and shareholder value. The Bank will also establish our overall risk management system as well as risk culture among all staff with coverage on all entities, all businesses, all risks and all processes with brand new methods. And the Bank will establish and optimize a centralized, independent and vertical risk management structure, thus enhancing the “three defense lines” of before, during and after event for overall risk management.

2) The Bank will establish a proactive risk policy system to guide the orderly development of our business. With the establishment of risk policies, system and framework on all businesses, all risks and all procedures, the Bank will unify our risk management standards. The Bank will also formulate multi-dimensional risk policies on industries, regions, products and customers, and implement “list management” for key industries or business categories. The Bank will effectively utilize portfolio system management tools and control the growth of high capital consumption businesses by setting up multi-dimensional risk limits, while continuously adjusting our business structure.

3) The Bank will modify the operation flow of risk management, and enhance our credit approval and management. According to the flows and the Bank’s requirements, operation flows will be simplified and optimized to enhance risk management efficiency. The Bank will organize independent asset monitoring team, which will be responsible for daily risk monitoring, risk warning and risk investigation, and thus strengthening our asset monitoring functions. With the optimization of our clearance and settlement management system and organizational structure as well as the establishment of the operational concepts for non-performing assets, the Bank will ensure asset qualities by stepping up efforts in recovery with

innovative management measures.

4) The Bank will facilitate the implementation of the New Basel Capital Accord and the application of relevant technical tools in asset management to realize the scientific development of risk management. The Bank will accelerate the implementation of items on the new capital agreement, and establish assessment tools and models for three major risks, namely credit, market and operational risks. The Bank will establish risk evaluation mechanism, and ensure that our revenue could cover the risks. By applying value management tools, capital gains will be increased. The Bank will actively foster economic capital management, establish measurement and allocation mechanism for economic capital, and establish a capital saving bank.

5) The Bank will optimize fundamental work such as systems and data bases establishment, and increase capabilities for our risk service business. The Bank will establish a risk management system with complete coverage and gradually realize online risk management for all of our businesses. With the establishment of risk data base collection, the Bank will integrate information of all transactions, costs and income of our credit customers, and establish a uniform credit data platform for the Company's businesses. The Bank will establish multi-dimensional portfolio automated statements/reporting system to enhance our data quality, analysis value of risk information and service support competencies to our businesses.

6) The Bank will enhance our team building and nurture advanced risk culture. The Bank will build up a top-notch risk management team, ramp up efforts in recruiting first-class risk management talents and enrich the number of risk teams. The Bank will establish a risk manager team to safeguard the "first defense line" of risk management, while establishing risk-specific technique sequences and open up the career promotion path for our risk management personnel to ensure the stability of the risk team. Meanwhile, the Bank will focus on nurturing our risk culture with coverage on "overall risk awareness, capital binding awareness, due diligence and compliance awareness, active acceptance of supervision awareness, risk quantification awareness and customer service awareness".

(2) In 2013, works related to asset protection will reinforce the concepts on operation of non-performing assets, and asset protection structure will be continuously established at four levels, namely "foundation consolidation, strict recovery, risk resolution and services efficiency". The Bank will edge up our efforts in the recovery and disposal of non-performing assets to maximize our rights on non-performing assets, while continuing to optimize the fast intervention mechanism to control and resolve problematic credit extension risk from its root. The Bank will also enhance our service awareness and improve service efficiency.

5. Profit Distribution Proposal for 2012

In 2012, the audited net profit attributable to the shareholders of parent company was RMB13,402,701 thousand and distributable profit of RMB24,910,496 thousand.

Pursuant to the above profit and relevant requirements of China, the Bank made the following profit distribution for the year of 2012:

1. The balance of the statutory surplus reserve of the Bank has exceeded 50 % of our paid-up capital. The Bank did not accrue any statutory surplus reserve.

2. Provision of general risk provisions of RMB1,833,781 thousand, representing 1.1% of the balance of risk assets at the end of the reporting period.

Upon the aforesaid profit distribution, as of December 31, 2012, the Bank's surplus reserve amounted to RMB2,830,459 thousand; general risk provisions amounted to RMB13,632,932 thousand; and the remaining undistributed profit amounted to RMB23,076,715 thousand.

3. Taking into account the factors such as the investment returns for the shareholders of the Bank, the capital adequacy ratio requirement stipulated by the regulatory authorities and the sustainability of the Bank's business, apart from the above mentioned statutory profit distribution, it is proposed to distribute a dividend of RMB1.70 in cash (tax inclusive) and bonus issue of 6 shares per 10 shares on the basis of the Bank's total capital of 5,123,350 thousand on December 31, 2012. The distribution will be amounted to RMB3,944,980 thousand in total, comprising RMB870,970 thousand for cash dividend and RMB3,074,010 thousand for bonus issue of shares, the balance of RMB19,131,735 thousand undistributed profit will be used to replenish the capital base, and will be retained for future distribution.

The above proposals are subject to the deliberation and approval by the shareholders of the Bank at the general meeting for the year 2012 .

The above profit distribution proposals for the year comply with the Company Law, Accounting Standards for Business Enterprises, the Articles of Association and the relevant regulations.

IV. Relevant Matters Involved in Financial Reporting

4.1. For any change in accounting policies, accounting estimates and calculation methods as compared with the financial report of last year, the Company shall provide description on the situation, reasons and impacts.

☐ Applicable ☒ Not applicable

4.2. For any significant corrections of accounting errors during the reporting period which require retrospective restatement, the Company shall provide description on the situation, corrected amount, reasons and impacts.

☐ Applicable ☒ Not applicable

4.3. For any change in the scope of consolidation for the financial statements as compared with the financial report of last year, the Company shall make detailed explanations.

During the reporting period, the Company purchased the 9.25% equity interests in the original Ping An Bank as held by minority shareholders with the consideration of cash and its shares acquired in the secondary market. As of June 12, 2012, the Company held 100% equity interests and voting rights in the original Ping An Bank (December 31, 2011: 90.75%). The original Ping An Bank has been merged with the Company through absorption on June 12, 2012, and the deregistration procedures have been completed.

4.4. For any non-standard auditing opinions issued by the accounting firm on the annual financial report, the Board of Directors and the Board of Supervisors shall make explanations on related matters.

☐ Applicable ☒ Not applicable

Board of Directors,
Ping An Bank Company Limited
March 7, 2013

The annual 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 and the English version, the Chinese version shall prevail.