

Ping An Bank Co., Ltd.

2016 Third Quarterly Report

§ 1 Important Notes

- 1.1 The board of directors (hereinafter refer to as the “Board”), the supervisory committee (hereinafter referred to as the “Supervisory Committee”), the directors, the supervisors and senior management of Ping An Bank Co., Ltd. (hereinafter referred to as the “Bank”) guarantee the authenticity, accuracy and completeness of the contents of this report, in which there are no false representations and misleading statements contained, or material omissions, and the several and joint responsibilities are assumed as well.
- 1.2 The 24th meeting of the 9th session of the Board of the Bank considered the 2016 Third Quarterly Report. 14 directors were expected to attend the meeting and 14 directors were present in person. This report was approved unanimously at the meeting.
- 1.3 Sun Jianyi (the Bank’s Chairman), Shao Ping (the President), Chen Rong (the Vice President and CFO) and Han Xu (the head of the Accounting Department) guarantee the authenticity, accuracy and completeness of the financial report contained in the 2016 Third Quarterly Report.
- 1.4 This quarterly financial report of the Bank has not been audited; however, PricewaterhouseCoopers Zhong Tian LLP conducted agreed-upon procedures towards certain items and the compiling procedures of financial statement.
- 1.5 Definitions

Terms	Definition
Ping An Bank, the Bank	Shenzhen Development Bank Co., Ltd. (the “Shenzhen Development Bank” or “SDB”), which completed the integration with the original Ping An Bank Co., Ltd. (“Original Ping An Bank”) through absorption merger and changed its name to Ping An Bank.
Shenzhen Development Bank, SDB	A nationwide joint-stock commercial bank established on December 22, 1987, which changed its name to Ping An Bank following the absorption merger of the Original Ping An Bank.
Original Ping An Bank	A cross-regional joint-stock commercial bank established in June 1995 and deregistered on June 12, 2012.
PAG, Ping An Group	Ping An Insurance (Group) Company of China, Ltd.

§ 2 Key Financial Data and Changes of Shareholders

2.1 Key Accounting Data and Financial Indicators

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

Yes No

(In RMB million)

Item	30 September 2016	31 December 2015	Change from the end of the reporting period over the end of last year	
Total assets	2,791,238	2,507,149	11.33%	
Shareholders' equity	198,228	161,500	22.74%	
Shareholders' equity attributable to ordinary shareholders	178,275	161,500	10.39%	
Share capital	17,170	14,309	19.99%	
Net asset per share attributable to ordinary shareholders (in RMB)	10.38	9.41	10.31%	
Item	Jul – Sep 2016	Increase/decrease as compared with the same period last year	Jan – Sep 2016	Increase/decrease as compared with the same period last year
Operating income	27,199	10.67%	81,968	15.20%
Net profit	6,427	4.42%	18,719	5.52%
Net profit less non-recurring gains/losses	6,413	4.06%	18,707	5.37%
Net cash flow from operating activities	N/A	N/A	(152,942)	(266.27%)
Net cash flow from operating activities per share (in RMB)	N/A	N/A	(8.91)	(266.23%)
Basic EPS (in RMB)	0.37	2.78%	1.09	2.83%
Diluted EPS (in RMB)	0.37	2.78%	1.09	2.83%
Basic EPS less non-recurring gains/losses (in RMB)	0.37	2.78%	1.09	2.83%
Average return on total assets (un-annualised)	0.23%	-0.01 percentage points	0.71%	-0.03 percentage points
Average return on total assets (annualised)	0.92%	-0.03 percentage points	0.94%	-0.05 percentage points
Weighted average return on net assets (un-annualised)	3.67%	-0.33 percentage points	11.02%	-1.37 percentage points
Weighted average return on net assets (annualised)	14.43%	-1.25 percentage points	14.45%	-1.61 percentage points
Weighted average return on net assets less non-recurring gains/losses (un-annualised)	3.67%	-0.33 percentage points	11.01%	-1.39 percentage points
Weighted average return on net assets less non-recurring gains/losses (annualised)	14.40%	-1.30 percentage points	14.44%	-1.64 percentage points

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.

(In RMB million)

Item	30 September 2016	31 December 2015	31 December 2014	Change from the end of the reporting period over the end of last year
Deposit taking	1,912,878	1,733,921	1,533,183	10.32%
Including: Corporate deposits	1,630,968	1,453,590	1,280,430	12.20%
Retail deposits	281,910	280,331	252,753	0.56%
Total disbursement of loans and advances	1,430,514	1,216,138	1,024,734	17.63%
Including: Corporate loans	948,416	774,996	639,739	22.38%
General corporate loans	911,813	761,331	627,326	19.77%
Discounted bills	36,603	13,665	12,413	167.86%
Retail loans	311,832	293,402	282,096	6.28%
Receivables from credit cards	170,266	147,740	102,899	15.25%
Provision for impairment of loans and advances	(36,660)	(29,266)	(21,097)	25.26%
Loans and advances, net	1,393,854	1,186,872	1,003,637	17.44%

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 with deposit 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 aforesaid statistical standards, as at 30 September 2016, total deposits and total loans amounted to RMB2,388.4 billion and RMB1,454.5 billion, respectively.

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, January - September)	1.09

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

Yes No

Non-recurring items and amount

Applicable Not applicable

(In RMB million)

Item	January – September 2016
Gains/losses on disposal of non-current assets	(8)
Losses on contingency	1
Other non-operating income and expense except the above items	23

Impact on income tax by above adjustment	(4)
Total	12

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.

2.2 Supplementary Financial Ratios

(Unit: %)

Indicator	Standard level of indicator	30 September 2016	31 December 2015	31 December 2014
Capital adequacy ratio	≥10.5	11.97	10.94	10.86
Tier one capital adequacy ratio	≥8.5	9.67	9.03	8.64
Core tier one capital adequacy ratio	≥7.5	8.64	9.03	8.64
Non-performing loan (NPL) rate	≤5	1.56	1.45	1.02
Provision coverage	N/A	164.39	165.86	200.90
Loan loss provision ratio	N/A	2.56	2.41	2.06
Cost/income ratio (excluding business tax, from the beginning of the year to the end of the period)	N/A	27.70	31.31	36.33
Deposit-loan spread (from the beginning of the year to the end of the period, annualised)	N/A	4.56	4.89	5.01
Net interest spread (NIS) (from the beginning of the year to the end of the period, annualised)	N/A	2.62	2.63	2.40
Net interest margin (NIM) (from the beginning of the year to the end of the period, annualised)	N/A	2.73	2.77	2.57

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

2.3 Shareholdings of the top 10 shareholders as at the end of the reporting period

2.3.1 Total number of ordinary shareholders and preference shareholders with recovered voting rights, and the shareholdings of the top 10 shareholders

(Unit: Share)

Total number of ordinary shareholders as at the end of the reporting period	340,324	Total number of preference shareholders with recovered voting rights as at the end of the reporting period (if any)	-			
Shareholdings of the top 10 ordinary shareholders						
Name of shareholder	Capacity	Share holdings (%)	Total number of shares held	Number of restricted shares held	Pledged or frozen	
					Status of shares	Number of shares
Ping An Insurance (Group) Company of China, Ltd. – the Group – proprietary fund	Domestic legal entity	49.56	8,510,493,066	2,539,057,247	-	-
Ping An Life Insurance Company of China, Ltd. – proprietary fund	Domestic legal entity	6.11	1,049,462,784	-	-	-

China Securities Finance Corporation Limited	Domestic legal entity	2.79	479,370,768	-	-	-
Ping An Life Insurance Company of China, Ltd. –traditional – ordinary insurance products	Domestic legal entity	2.27	389,735,963	-	-	-
Central Huijin Asset Management Ltd.	Domestic legal entity	1.26	216,213,000	-	-	-
China Electronics ShenZhen Company	Domestic legal entity	1.13	194,351,938	-	-	-
Ge Weidong	Domestic natural person	0.75	128,275,200	-	Pledged	126,835,200
China Nature Fund - Minsheng Bank - China Nature Ping'an No. 1 Asset Management Plan	Domestic legal entity	0.56	95,493,757	-	-	-
Donghai Ruijing Asset Management - SPD Bank - Donghai Ruijing - SPD Bank - Ruilong No. 18 Special Asset Management Plan	Domestic legal entity	0.52	89,314,735	-	-	-
Sunshine Life Insurance Corporation Limited – dividend insurance products	Domestic legal entity	0.39	66,599,906	-	-	-

Shareholdings of the top 10 unrestricted shareholders

Name of shareholder	Number of unrestricted shares held	Type of shares	
		Type of shares	Number of shares
Ping An Insurance (Group) Company of China, Ltd. – the Group – proprietary fund	5,971,435,819	RMB ordinary shares	5,971,435,819
Ping An Life Insurance Company of China, Ltd. – proprietary fund	1,049,462,784	RMB ordinary shares	1,049,462,784
China Securities Finance Corporation Limited	479,370,768	RMB ordinary shares	479,370,768
Ping An Life Insurance Company of China, Ltd. –traditional – ordinary insurance products	389,735,963	RMB ordinary shares	389,735,963
Central Huijin Asset Management Ltd.	216,213,000	RMB ordinary shares	216,213,000
China Electronics ShenZhen Company	194,351,938	RMB ordinary shares	194,351,938
Ge Weidong	128,275,200	RMB ordinary shares	128,275,200
China Nature Fund - Minsheng Bank - China Nature Ping'an No. 1 Asset Management Plan	95,493,757	RMB ordinary shares	95,493,757
Donghai Ruijing Asset Management - SPD Bank - Donghai Ruijing - SPD Bank - Ruilong No. 18 Special Asset Management Plan	89,314,735	RMB ordinary shares	89,314,735
Sunshine Life Insurance Corporation Limited – dividend insurance products	66,599,906	RMB ordinary shares	66,599,906

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 or concerted action among any of other shareholders.</p>
Description of the top 10 ordinary shareholders who engage in securities margin trading business (if any)	None

Whether the top 10 ordinary shareholders and the top 10 unrestricted ordinary shareholders executed any agreed repurchasing within the reporting period

Yes No

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

Applicable Not applicable

Unit: Share

Total number of preference shareholders at the end of the reporting period		15				
Shareholding of top 10 preference shareholders						
Name of shareholder	Capacity	Shareholding (%)	Total number of shares held	Number of restricted shares held	Pledged or frozen	
					Type of shares	Number of shares
Ping An Life Insurance Company of China, Ltd. – dividend – dividends for individual insurance	Domestic legal entity	29.00	58,000,000	-	-	-
Ping An Life Insurance Company of China, Ltd. – universal – individual universal insurance	Domestic legal entity	19.34	38,670,000	-	-	-
Ping An Property & Casualty Insurance Company of China, Ltd. – traditional – ordinary insurance products	Domestic legal entity	9.67	19,330,000	-	-	-
China Post & Capital Fund – Hua Xia Bank – Hua Xia Bank Co., Ltd.	Domestic legal entity	8.95	17,905,000	-	-	-
Bank of Communications Schroder Fund 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 SZITIC Trust Co. Ltd – investment No.1 – trust funds	Domestic legal entity	2.98	5,950,000	-	-	-
Hwabao Trust Co., Ltd. – investment No.2 – trust funds	Domestic legal entity	2.98	5,950,000	-	-	-
China Merchants Wealth – PSBC – Postal Savings Bank of China Co., Ltd.	Domestic legal entity	2.98	5,950,000	-	-	-
Description of the related relationship or concerted action of the above shareholders	<p>1. Ping An Life Insurance Company of China, Ltd. and Ping An 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 Life Insurance Company of China, Ltd. – dividend – dividends for individual insurance”, “Ping An Life Insurance Company of China, Ltd. – universal – individual universal insurance” 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 or concerted action among any of other shareholders.</p>					

Note: There is no restricted period for the unrestricted preference shares issued by the Company.

§ 3 Major Events

3.1 Analysis of items with over 30% change in comparative financial statements

Applicable Not applicable

Item	Change	Reasons for change
Precious metals	59.20%	Increase in receivables from leasing of gold for trading
Funds loaned to other financial institutions	(34.53%)	Adjustment in inter-bank business structure
Financial assets purchased under reverse repurchase agreements	(67.90%)	Adjustment in inter-bank business structure
Receivables type investment	32.71%	Increase in the scale of investment
Fixed assets	54.70%	Increase in buildings and structures
Deferred tax assets	53.08%	Increase in deferred tax assets from provisions
Due to the Central Bank	249.03%	Increase in bonds sold under repurchase agreements to Central Bank
Financial liabilities measured with their fair value and their changes were counted into the profit and loss of the corresponding period	142.01%	Increase in payables from leasing of gold for trading
Derivative financial liabilities	178.38%	Increase in derivative transaction of precious metals
Financial assets sold under repurchased agreement	(100.00%)	Decrease in bonds sold under repurchase agreements
Tax payable	40.63%	Increase in corporate tax payables
Accounts payable	(100.00%)	Small base number, RMB44 million at the end of last year
Bonds payable	52.81%	Increase in interbank deposits, etc.
Other liabilities	32.48%	Increase in custody fees, settlement fund in transit and other payables
Other equity instruments	N/A	New item – issue of preference shares in March
Fee and commission expense	30.92%	Increase in fee of bank cards, etc.
Foreign exchange gains/(losses)	Negative amount for the same period of last year	Increase in foreign exchange gains/(losses) due to fluctuation of exchange rate
Business tax and surcharges	(38.57%)	Affected by the policy to replace the business tax with a value-added tax from 1 May
Impairment losses on assets	58.59%	Increase in scale of loans and risk resilience
Non-operating income	147.62%	Small base number, RMB21 million for the same period of last year

3.2 Analysis and explanation of the progress, impact and solution of major events

3.2.1 Qualified opinions

Applicable Not applicable

3.2.2 Provision of capital to controlling shareholder or other connected parties or provision of guarantees to external parties in breach of stipulated procedures by the Company

Applicable Not applicable

3.2.3 Execution and performance of material contracts in the ordinary course

Applicable Not applicable

3.2.4 Other significant events

Applicable Not applicable

3.3 Undertakings made by the Company, shareholders, de facto controller, bidders, directors, supervisors, senior management or other connected parties that were performed during the reporting period or not yet performed as at the end of the reporting period

Applicable Not applicable

Undertakings	Type	Undertaker	Content	Date	Term	Status of performance
Undertakings made during asset reorganisation	Undertakings in relation to non-competition, connected transactions and independence	Ping An Insurance (Group) Company of China, Ltd.	<p>PAG made the following undertakings when planning to subscribe for 1,638,336,654 shares of the Bank under the non-public issuance (NPO) (this Material Asset Restructuring) with its holding of 90.75% of the original Ping An Bank's shares and RMB2,690,052,300 in cash:</p> <p>1. After the completion of this Material Asset Restructuring and during the period when PAG acts as SDB's controlling shareholder, in respect of similar businesses or business opportunities of SDB that are intended to be engaged by or substantially obtained by PAG and other companies controlled by PAG in the future, and that the assets and businesses formed by those businesses or business opportunities may cause potential peer competition with SDB, PAG and other companies controlled by PAG will not engage in businesses that are the same or similar to SDB, so as to avoid in direct or indirect competition in relation to SDB's business operations.</p> <p>2. After the completion of this Material Asset Restructuring, with regard to the related party transactions between PAG and other companies controlled by PAG and SDB, PAG and other companies controlled by PAG will carry out the transactions with SDB under the principles of openness, fairness and justice of market transactions and in accordance with fair and reasonable market price, as well as implement decision-making procedures based on requirements of relevant laws, regulations and regulatory documents so as to fulfil its obligation of information disclosure according to the laws. PAG guarantees that PAG and other companies controlled by PAG would not acquire any illegal interests or make SDB assume any improper obligations through the transactions with SDB.</p> <p>3. After the completion of this Material Asset Restructuring and during the period when PAG acts as SDB's controlling shareholder, SDB's independence will be maintained so as to ensure that SDB is independent to PAG and other companies controlled by PAG in terms of personnel, assets, finance, institutions and business.</p>	29 July 2011	Long term	Performance of undertakings is being carried out now.
Undertakings made upon IPO or refinancing	Commitments on restricted shares	Ping An Insurance (Group) Company of China, Ltd.	<p>PAG made undertakings not to transfer the 1,323,384,991 new shares acquired from the Bank in NPO within 36 months from the date of completion of the issue of new shares (January 9, 2014), however, under the permission of applicable laws, the transfer between PAG's related parties (including the entities which directly or indirectly control PAG, entities directly or indirectly controlled by PAG and entities under the same control as PAG) will not be restricted. Upon expiry of the lock up period, PAG may dispose of the shares under this issue in accordance with the requirements of CSRC and Shenzhen Stock Exchange.</p>	31 December 2013	Within three years	Performance of undertakings is being carried out now.
			<p>PAG made undertakings not to transfer the 210,206,652 new shares acquired from the Bank in NPO within 36 months from the date of completion of the issue of new shares (May 21, 2015). During the restricted period, those shares shall not be sold or transferred nor disposed between non-connected enterprises. Therefore, there is no arrangement on disposal of other any equity interest of those shares.</p>	21 May 2015	Within three years	Performance of undertakings is being carried out now.

Other undertakings to the minority shareholders of the Company	Other undertakings	the Bank	The Bank did not make any performance undertakings in respect of the issuance of preference shares. The Company will adopt measures to ensure effective utilisation of proceeds, further improve the profitability of the Company, minimise the impact of the issuance of preference shares on the returns to ordinary shareholders and fully protect the legitimate interests of shareholders of the Company (particularly, minority shareholders).	14 March 2016	Long term	Performance of undertakings is being carried out now.
Whether the performance of undertakings is without delay			Yes			
Reasons for outstanding performance and the following steps (if any)			Not applicable			

3.4 Anticipation of operating results for 2016

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

Applicable Not applicable

3.5 Explanation of other significant events

3.5.1 Financial bonds of the Bank

Applicable Not applicable

At the end of the reporting period, book value of financial bonds (including policy bank notes, ordinary financial bonds and subordinated financial bonds, excluding corporate bonds) held by the Bank was RMB 114.3 billion, among which the top ten financial bonds in terms of nominal value are as follows:

(In RMB million)

Name of Bond	Face Value	Nominal annual interest rate (%)	Maturity date	Impairment provision
2010 policy bank notes	3,860	2.09	2020-2-25	-
2015 policy bank notes	3,280	3.85	2018-1-8	-
2011 policy bank notes	3,030	2.35	2021-2-17	-
2016 commercial bank notes	3,000	3.25	2021-3-7	-
2016 commercial bank notes	3,000	3.20	2021-3-29	-
2010 policy bank notes	2,870	2.02	2017-1-26	-
2009 policy bank notes	2,420	2.53	2019-5-19	-
2011 policy bank notes	2,250	4.25	2018-3-24	-
2010 policy bank notes	2,210	3.53	2017-6-29	-
2010 policy bank notes	1,880	1.83	2017-5-6	-

3.5.2 Shareholdings of the Bank in other listed companies

Applicable Not applicable

(In RMB million)

Stock code	Stock short name	Initial investment	Percentage of shareholding at the end of the period	Book value at the end of the period	Gains/losses in the reporting period	Change in owners' equity during the	Accounting entry	Origination
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						reporting period		
400061	CSC Nanjing Tanker 5	314	2.72%	423	-	(123)	Available-for-sale	Repossessed equity
-	Visa Inc.	-	0.01%	5	-	1	Available-for-sale	Legacy investment
Total		314		428	-	(122)		

3.5.3 Shareholdings of the Bank in other unlisted financial companies or to-be-listed companies

Applicable Not applicable

(In RMB million)

Name of investee	Investment amount	Impairment provision	Net value at the end of the period
China Unionpay Co. Ltd.	74	-	74
SWIFT	2	-	2
Clearing Centre for City Commercial Banks	1	-	1
China Zheshang Bank Co., Ltd. (Note)	59	-	59
Total	136	-	136

Note: In 2014, the Bank was granted 10 million shares in share capital of China Zheshang Bank Co., Ltd. by way of repossessed equity.

3.5.4 Derivative investments and position at the end of the reporting period

Applicable Not applicable

(1) Table of derivative investments

Risk analysis on derivatives position during the reporting period and explanations on control measures (including but not limited to market risk, liquidity risk, credit risk, operational risk and legal risk)	Under the framework of the risk preference and overall market risk limits determined by the Board, the Bank has commenced fund transactions and investment business including derivatives. The Bank has established a specialised risk management and internal control system to effectively identify, measure, monitor, report and control the risks in relation to the investment in derivatives.
Changes of market price or product fair value of invested derivatives during the reporting period. The methods adopted in determining the fair value of derivatives as well as the assumptions and parameters should be disclosed together with the analysis results	During the reporting period, the change of fair value of derivatives invested by the Bank was reasonable within a controllable range. The Bank used the valuation techniques which have been validated to provide reliable estimates of prices obtained in actual market transactions and commonly used by market participants as well as observable market parameters to determine the fair value of derivatives.
Explanation on whether there are material changes in accounting policies and accounting treatment principles related to derivatives during the reporting period compared with that of last reporting period	The Bank set out accounting policies and accounting treatment principles for derivatives in line with Accounting Standards for Business Enterprises. There was no major change in the relevant policies during the reporting period.
Specific comments from independent directors on corporate derivative investments and risk control	The Bank's derivatives trading business is a commercial banking business approved by regulatory authorities. The Bank has set up a specialised risk management entity, and established a tailor-made risk management structure to effectively manage the risks of derivatives investment business.

(2) Position of derivative investments at the end of the reporting period

(In RMB million)

Type of contract	Contract amount at the beginning of the period (Nominal)	Contract amount at the end of the period (Nominal)	Changes in fair value during the reporting period
Foreign exchange derivative instruments	677,816	730,058	(1,142)
Interest rate derivative instruments	640,328	790,107	101
Precious metal derivative instruments and others	139,721	235,563	(8,307)
Total	1,457,865	1,755,728	(9,348)

Note: Contract amount of derivate financial instrument refers to the contract amount of the reference object, which shows only the transaction amount but not the related risks. The Bank adopts strict risk limit management strategy to the derivate financial instruments, so there is little actual risk exposure.

3.5.5 Reception for investigation, communication and interview within the reporting period

Applicable Not applicable

Date	Mode	Target	Index of basic information for research
2016/08/12	Onsite survey	Institutions	CNINFO (www.cninfo.com.cn) <i>Record Chart of Investor Relationship Activities of Ping An Bank Co., Ltd.</i>
2016/08/19	Onsite survey	Institutions	
2016/08/25	Onsite survey	Institutions	
2016/09/08	Telephone communication	Institutions	
2016/09/20	Onsite survey	Institutions	

3.6 Management Discussion and Analysis

3.6.1 Description of overall operations

For the third quarter of the year, despite the existence of multiple pressures, the domestic macro-economy has rebounded steadily. The supply-side reform was implemented in order with the focus on structural reform while emerging industries such as intelligent manufacturing and big data is sprouting.

In the complex operating environment where reform on macro-economic structure, increased fluctuation in financial market and various other factors coexisted, the Bank unwaveringly carried forward the second efficiency-focused transformation by adhering to its strategy and deepening strategic transformation, so as to speed up the reform in local branches and business units, build up the Bank's strengths of "boutique finance", "smart finance" and "ecological finance", and generally tighten risk management and control. Operations of the Bank saw steady growth featured with the following characteristics:

1. Steady scale expansion

As at 30 September 2016, the total assets of the Bank amounted to RMB2,791,238 million, representing an increase of 11.33% 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 RMB1,430,514 million, representing an increase of 17.63% as compared with that at the beginning of the year. The balance of customers' deposits amounted to RMB1,912,878 million, representing an increase of 10.32% 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 adopted a liabilities management model to allocate liabilities, resulting in a decrease in liabilities cost. The average cost of

interest-bearing liabilities was 2.17% during January to September of the year, representing a decrease of 0.85 percentage points, as compared with that in the same period of last year; on the other hand, the net interest spread increased by 0.03 percentage points as compared with that in the same period of last year while the net interest margin remained stable.

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 30 September 2016, assets under custody amounted to RMB5.21 trillion, representing an increase of 39% as compared with that at the beginning of the year. The on and off-balance-sheet wealth management scale amounted to RMB1,034,031 million, representing an increase of 39.40% as compared with that at the beginning of the year. In particular, the off-balance-sheet wealth management scale amounted to RMB798,255 million, up by 59.05% from that at the beginning of the year.

2. Stable profit generation

During January to September 2016, the Bank recorded an operating income of RMB81,968 million, representing an increase of 15.20% as compared with that in the same period of last year. Benefiting from the speedy development of bank card, wealth management, asset custody, and agency (including gold leasing) businesses, the Bank recorded a net non-interest income of RMB27,405 million, representing an increase of 19.43% as compared with that in the same period of last year. Percentage of net non-interest income was 33.43%, up by 1.18 percentage points as compared with that in the same period of last year. Operating profit before provision grew by 29.88% as compared with that in the same period of last year to RMB56,160 million. Due to the increase in asset impairment losses, net profit grew by 5.52% as compared with that in the same period of last year to RMB18,719 million. Due to the separation of price and tax under the policy of replacing business tax with value-added tax (“VAT Reform”) with effect from 1 May 2016, the Bank recorded a decrease in operating income.

Attributable to the enhancement of input/output efficiency resulting from its refined cost control, the Bank recorded a cost/income ratio of 27.70% for the period from January to September 2016, down by 4.44 percentage points as compared with that in the same period of last year and down by 3.61 percentage points as compared with that in 2015.

3. Sound business development

The Bank’s advantages of professionalism began to manifest along with business development and the accelerated construction of platforms for IoT finance and Internet finance.

Corporate business: The Bank continued to develop its integrated financial service solution supported by the “transaction banking +” and the “investment banking +”, while the reform in business units was further improved and deepened. The launch of innovative C+SIE (core clients + clients from supply chain, industrial chain and ecosystem) financial marketing model gave full paly to the growth potentials of business units and local branches, facilitating the rapid development of comprehensive financial business. With 2.51 million registered users, the “Orange-e-Platform” not only supported the sustainable development of B2B e-commerce, industrial chain finance and other transactions as well as the implementation of the strategic deployment of IoT finance, but also had its business model and application scenarios improved gradually. The offshore investment and financing business continued to increase in terms of size and revenue, taking the lead among its peers. As of the end of the period, the balance of offshore deposits (including interbank deposits) and offshore loans (including advances) amounted to RMB110.2 billion and RMB86.7 billion, respectively.

Retail business: The Bank continued to deepen the structural reform of major business units. As of the end of the period, its wealth management business had 328,5000 clients with AUM of RMB760,670 million. Ping An Orange (Direct Banking) successfully launched the e-signature feature through electronic signature acknowledgement, which supports much larger range of asset management products. As of the end of the

reporting period, the number of clients reached 10,077,000, representing an increase of 98.98% compared with that at the beginning of the year. As for the pocket banking, a new feature was added which allows users to open a new e-account through pocket banking, while the home page was redesigned to support customised layout. The total number of users had reached 17,214,800, up by 110.34% as compared with that in the beginning of the year. The credit card business maintained rapid and steady growth. From January to September 2016, the Bank newly issued 6,499,900 cards, representing an increase of 46.83% compared with that in the same period of last year, 30.82% of which were issued through cross-selling. On the other hand, the number of cards in issue had reached 24,256,600 cards, up by 21.43% over the beginning of the year. The total transaction amount increased by 43.96% to RMB821,107 million as compared with that in the same period of last year while the balance of loans increased by 15.25% to RMB170,266 million over the beginning of the year.

Interbank business: The principle of “capital light, asset light, high cost effectiveness” was strictly followed in the course of development, which further enhanced the Bank’s sustainable ability and secured sound operational performance in general. The total AUM increased by 39% over the beginning of the year to over RMB1 trillion, outperforming its domestic peers in terms of growth rate. “Hang-E-Tong” continued to expand its coverage to reach 1,315 partners, representing an increase of 800 partners over the beginning of the year, while the transactions through the “Hang-E-Tong” platform amounted to RMB3.33 trillion, including on-line transactions of RMB2.62 trillion. As part of our effort in speeding up the reform and innovation of bills business, in July, the Bank launched the “Tebon Securities – Ping An Bank Anying No. 1 Asset-backed Special Plan”, the first paper-based acceptance bill ABS product in China, in a bid to provide more direct financing channels to enterprises. In the period, the Bank recorded another 1.75 million gold accounts as compared with the beginning of the year while the number of active accounts had reached 240,000, representing a significant YoY increase in the number of gold accounts and active accounts; the number of gold accounts totalled 3.18 million, leading the banking industry. In September, “Ping An Gold” mobile banking App — the first gold investment smartphone application of the Bank — was available to the public. This user-friendly product is an integration of five major functions, i.e. transaction, physical materials, financing, wealth management, and payment.

Investment banking business: It functioned as a comprehensive financial hub with continuous effort in custody platform innovation and facilitating business development. In light of the major national strategies regarding economic and industrial development, the Bank vigorously promoted the development of sector funds as a way to support the growth of real economy and the construction of the key sectors relating to people’s livelihood. In the meantime, cooperation with governments, industry leaders, listed companies and other quality customers was continued with satisfactory results. In particular, the Bank, as a financial advisor to the lead underwriting syndicate, participated in the DFI projects of 30 customers and the issue of ABS products.

4. Manageable asset risk 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 30 September 2016, the Bank had a non-performing loan ratio of 1.56% and a loan loss provision coverage ratio of 164.39%, representing an increase of 0.11 percentage points and a decrease of 1.47 percentage points, respectively, over the beginning of the year. The Bank continued to optimise its credit structure and tightening the control on existing and incremental businesses. The Bank recovered bad debts of RMB3.8 billion during January to September 2016, as a result of its efforts to dissolve and dispose of non-performing assets, and recorded a loan loss provision ratio of 2.56%, up by 0.15 percentage points 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 30 September 2016, the Bank had 59 branches and 1,042 outlets, among which one new branch (Rizhao Branch) was set up in the third quarter of 2016.

3.6.2 Asset quality

1. Loans and 5-tier loan classification

(In RMB million)

Item	30 September 2016		31 December 2015		Change from the end of period over the end of last year
	Balance	Proportion	Balance	Proportion	
Pass loans	1,348,514	94.27%	1,148,011	94.40%	17.47%
Special mention loans	59,700	4.17%	50,482	4.15%	18.26%
Non-performing loans	22,300	1.56%	17,645	1.45%	26.38%
Incl.: Substandard	12,792	0.89%	7,945	0.65%	61.01%
Doubtful	4,114	0.29%	2,141	0.18%	92.15%
Loss	5,394	0.38%	7,559	0.62%	(28.64%)
Total loans and advances	1,430,514	100.00%	1,216,138	100.00%	17.63%
Provision for impairment of loans and advances	(36,660)		(29,266)		25.26%
NPL ratio	1.56%		1.45%		+0.11 percentage points
Provision coverage ratio	164.39%		165.86%		-1.47 percentage points
Provision/loan ratio	2.56%		2.41%		+0.15 percentage points

2. Loan structure and quality by product

(In RMB million)

Item	30 September 2016		31 December 2015		Increase/decrease in NPL ratio
	Balance	NPL ratio	Balance	NPL ratio	
Corporate loans	948,416	1.45%	774,996	1.08%	+0.37 percentage points
Incl.: General loans	911,813	1.51%	761,331	1.10%	+0.41 percentage points
Incl.: Corporate loans managed by the Small Business Finance Department	5,038	2.14%	5,116	2.38%	-0.24 percentage points
Discounted bills	36,603	-	13,665	-	-
Retail loans	311,832	1.94%	293,402	1.91%	+0.03 percentage points
Incl.: Housing mortgage loans	61,426	0.17%	45,967	0.09%	+0.08 percentage points
Entrepreneur loans	95,919	4.62%	107,429	4.19%	+0.43 percentage points
Incl.: Personal loans managed by the Small Business Finance Department	71,985	5.60%	88,294	3.17%	+2.43 percentage points
Auto loans	88,667	0.87%	78,635	0.28%	+0.59 percentage points
Others (Note)	65,820	1.14%	61,371	1.36%	-0.22 percentage points
Accounts receivable from credit cards	170,266	1.45%	147,740	2.50%	-1.05 percentage points
Total loans	1,430,514	1.56%	1,216,138	1.45%	+0.11 percentage points

Note: Other retail loans include “Xin Yi Dai”, certificate pledged consumption loan, petty consumer loan and other guaranteed or pledged consumption loan.

The increase in NPL ratio was mainly due to the overall downturn of macro-economy, because of which part of customers who are either private small and medium-sized enterprises (SMEs) or low-end manufacturer experienced difficulties in operations, decrease in profit and challenges in financing, resulting in capital chain

being tightened or ruptured, or incapability of repayment.

The increase in NPL rate of retail loans from the beginning of the year was mainly driven by entrepreneur loans and auto loans. Affected by the economic downturn, SMEs experienced difficulties in operations and diminished ability in repayment of loans, resulting in an increased NPL ratio. The Bank will proactively adjust its credit policy and direction to reduce the proportion of joint guarantee and mutual guarantee businesses, and further specialise the risk portfolio control and hierarchical customer management by region and industry. In the meantime, the Bank will constantly expand and improve its target clientele and vigorously promote the integration of industrial chains and online products, so as to enhance profitability and risk resilience. On the other hand, effort was made to adjust the business structure and the risk standard policy of auto loan business by applying scientific risk measurements with reference to external big data, so as to improve its ability in risk identification. In addition, the Bank also provided vigorous support to the construction of loan collection team and had various collection methods in place to speed up the disposal of non-performing assets. The yield has increased steadily after disposal of non-performing assets.

3.6.3 Interest income and expense

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

(In RMB million)

Item	January - September 2016			January - September 2015		
	Average daily balance	Interest income/expense	Average yield/cost rate	Average daily balance	Interest income/expense	Average yield/cost rate
Assets						
Disbursement of loans and advances (excluding discounted bills)	1,281,968	62,617	6.52%	1,132,331	63,934	7.55%
Bond investment	343,811	8,618	3.35%	275,454	7,930	3.85%
Due from central Bank	282,046	3,139	1.49%	287,806	3,148	1.46%
Bills discounting and interbank business	753,916	21,004	3.72%	662,341	23,897	4.82%
Others	5,779	197	4.55%	6,894	316	6.13%
Total interest-earning assets	2,667,520	95,575	4.79%	2,364,826	99,225	5.61%
Liabilities						
Deposits taking	1,854,597	27,184	1.96%	1,633,446	32,755	2.68%
Bonds issued	283,552	7,093	3.34%	104,611	3,625	4.63%
Incl.: Interbank deposits	257,123	5,889	3.06%	84,496	2,608	4.13%
Interbank business	387,368	6,735	2.32%	518,808	14,639	3.77%
Total interest-bearing liabilities	2,525,517	41,012	2.17%	2,256,865	51,019	3.02%
Net interest income		54,563			48,206	
Deposit-loan spread			4.56%			4.87%
Net interest spread (NIS)			2.62%			2.59%
Net interest margin (NIM)			2.73%			2.73%

Affected by the separation of price and tax under the VAT Reform with effect from 1 May of this year and the aftereffect of Central Bank's interest-rate cuts and removal of deposit interest rate cap in the last year, both the interest-bearing assets and the interest-bearing liabilities saw a decrease in their respective average interest rate for the period from January to September as compared with those in the same period of last year. Such decrease was also found in deposit-loan spread. However, the continuous optimisation of asset-liability structure had the

proportion of structured debt with lower interest rate to the liability scale increased while the average interest rate of interbank liabilities was decreased substantially. The cost of interest-bearing liabilities recorded a considerable drop. The net interest spread increased 0.03 percentage points while the net interest margin remained stable.

Item	July - September 2016			April - June 2016		
	Average daily balance	Interest income/expense	Average yield/cost rate	Average daily balance	Interest income/expense	Average yield/cost rate
Assets						
Disbursement of loans and advances (excluding discounted bills)	1,300,700	20,747	6.35%	1,272,499	20,514	6.48%
Bond investment	321,364	2,944	3.64%	355,158	2,926	3.31%
Due from central Bank	290,309	1,070	1.47%	277,869	1,029	1.49%
Bills discounting and interbank business	801,374	7,180	3.56%	729,926	6,680	3.68%
Others	6,276	66	4.18%	5,528	60	4.37%
Total interest-earning assets	2,720,023	32,007	4.68%	2,640,980	31,209	4.75%
Liabilities						
Deposits taking	1,870,152	8,744	1.86%	1,846,734	9,169	2.00%
Bonds issued	327,226	2,743	3.33%	261,475	2,154	3.31%
Incl.: Interbank deposits	305,917	2,303	2.99%	232,458	1,729	2.99%
Interbank business	417,442	2,153	2.05%	372,166	2,088	2.26%
Total interest-bearing liabilities	2,614,820	13,640	2.08%	2,480,375	13,411	2.17%
Net interest income		18,367			17,798	
Deposit-loan spread			4.49%			4.48%
Net interest spread (NIS)			2.60%			2.58%
Net interest margin (NIM)			2.69%			2.71%

2. Average daily balance and yield of loans and advance

(In RMB million)

Item	January - September 2016			January - September 2015		
	Average daily balance	Interest income	Average yield	Average daily balance	Interest income	Average yield
Corporate loans (excluding discounted bills)	823,272	31,019	5.03%	719,664	33,295	6.19%
Personal loans	458,696	31,598	9.20%	412,667	30,639	9.93%
Disbursement of loans and advances (excluding discounted bills)	1,281,968	62,617	6.52%	1,132,331	63,934	7.55%

Item	July - September 2016			April - June 2016		
	Average daily balance	Interest income	Average yield	Average daily balance	Interest income	Average yield
Corporate loans (excluding discounted bills)	834,973	10,260	4.89%	817,357	10,223	5.03%
Personal loans	465,727	10,487	8.96%	455,142	10,291	9.09%
Disbursement of loans and advances (excluding discounted bills)	1,300,700	20,747	6.35%	1,272,499	20,514	6.48%

3. Average daily balance and cost rate of customer deposits

(In RMB million)

Item	January - September 2016			January - September 2015		
	Average daily balance	Interest expense	Average cost rate	Average daily balance	Interest expense	Average cost rate
Corporate deposits	1,266,626	19,363	2.04%	1,074,089	22,463	2.80%
Incl.: Demand deposits	456,381	1,845	0.54%	314,529	1,485	0.63%
Time deposit	810,245	17,518	2.89%	759,560	20,978	3.69%
Incl.: Treasury and negotiated deposits	139,973	4,644	4.43%	141,670	5,434	5.13%
Margin deposits	335,513	4,695	1.87%	322,504	5,805	2.41%
Retail deposits	252,458	3,126	1.65%	236,853	4,487	2.53%
Incl.: Demand deposits	122,003	300	0.33%	91,871	295	0.43%
Time deposit	130,455	2,826	2.89%	144,982	4,192	3.87%
Total deposits	1,854,597	27,184	1.96%	1,633,446	32,755	2.68%

Item	July - September 2016			April - June 2016		
	Average daily balance	Interest expense	Average cost rate	Average daily balance	Interest expense	Average cost rate
Corporate deposits	1,280,153	6,380	1.98%	1,259,788	6,573	2.10%
Incl.: Demand deposits	479,778	721	0.60%	444,554	600	0.54%
Time deposit	800,375	5,659	2.81%	815,234	5,973	2.95%
Incl.: Treasury and negotiated deposits	135,916	1,388	4.06%	142,024	1,552	4.40%
Margin deposits	338,844	1,403	1.65%	333,829	1,559	1.88%
Retail deposits	251,155	961	1.52%	253,117	1,037	1.65%
Incl.: Demand deposits	122,201	105	0.34%	121,903	100	0.33%
Time deposit	128,954	856	2.64%	131,214	937	2.87%
Total deposits	1,870,152	8,744	1.86%	1,846,734	9,169	2.00%

3.6.4 Capital adequacy ratio, leverage ratio and liquidity coverage

1. Capital adequacy ratio

(In RMB million)

Item	30 September 2016	31 December 2015
Net core tier one capital	167,058	150,070
Other tier one capital	19,953	-
Net tier one capital	187,011	150,070
Tier two capital	44,475	31,735
Net capital	231,486	181,805
Total risk-weighted assets	1,933,937	1,661,747
Credit risk-weighted assets	1,774,859	1,506,963
On-balance-sheet risk-weighted assets	1,535,646	1,274,366
Off-balance-sheet risk-weighted assets	233,186	226,879
Risk-weighted assets of counterparty credit risk exposure	6,027	5,718

Market risk-weighted assets	20,401	16,107
Operational risk-weighted assets	138,677	138,677
Core tier one capital adequacy ratio	8.64%	9.03%
Tier one capital adequacy ratio	9.67%	9.03%
Capital adequacy ratio	11.97%	10.94%

2. Leverage ratio

(In RMB million)

Item	30 September 2016	30 June 2016	31 March 2016	31 December 2015
Leverage ratio	5.63%	5.41%	5.49%	4.94%
Net tier one capital	187,011	180,428	176,230	150,070
On/off-balance-sheet assets balance after adjustment	3,320,207	3,334,600	3,208,603	3,035,027

Note: The leverage ratio increased as compared with that in the beginning of the year due to the increase in profit, preference share capital injection and increase in net tier one capital during the reporting period.

3. Liquidity coverage

(In RMB million)

Item	30 September 2016	31 December 2015
Liquidity coverage	96.36%	140.82%
Qualified assets with high liquidity	351,211	351,133
Cash outflow, net	364,469	249,357

Note: Pursuant to the requirements of the *Administrative Measures on Liquidity Risks of Commercial Banks (Trial)*, 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.

§ 4 Audit Report

Has the third quarter report been audited

Yes No

The third quarter report has not been audited.

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

21 October 2016

Appendices:

1. Balance sheet (unaudited)
2. Income statement (unaudited)
3. Cash flow statement (unaudited)

Ping An Bank Co., Ltd.
Balance Sheet
30 September 2016

In RMB million

ASSETS	30 September 2016	31 December 2015
Cash on hand and due from the Central Bank	303,936	291,715
Placements of deposits with other banks	123,078	109,046
Precious metals	101,482	63,744
Funds loaned to other financial institutions	50,172	76,636
Financial assets measured with their fair value and their changes were counted into the profit and loss of the corresponding period	15,984	19,757
Derivative financial assets	5,832	8,144
Financial assets purchased under reverse repurchase agreements	37,655	117,291
Accounts receivable	5,704	6,624
Interest receivable	13,471	13,540
Loans and advances	1,393,854	1,186,872
Available-for-sale financial assets	1,502	1,245
Held-to-maturity investments	282,862	266,166
Receivables type investment	408,273	307,635
Long-term equity investments	542	521
Investment properties	211	212
Fixed assets	7,407	4,788
Intangible assets	4,631	4,961
Goodwill	7,568	7,568
Deferred tax assets	13,361	8,728
Other assets	13,713	11,956
Total assets	2,791,238	2,507,149
LIABILITIES AND SHAREHOLDERS' EQUITY		
Due to the Central Bank	10,649	3,051
Placements of deposits from other banks and financial institutions	246,754	311,106
Funds borrowed from other banks and financial institutions	12,928	12,143
Financial liabilities measured with their fair value and their changes were counted into the profit and loss of the corresponding period	20,585	8,506
Derivative financial liabilities	11,238	4,037
Financial assets sold under repurchase agreements	-	11,000
Deposit taking	1,912,878	1,733,921
Employee salary payable	10,648	10,351
Tax payable	9,241	6,571
Accounts payable	-	44
Interest payable	21,151	23,253
Bonds payable	325,419	212,963
Provisions	24	26
Other liabilities	11,495	8,677
Total liabilities	2,593,010	2,345,649
SHAREHOLDERS' EQUITY:		
Share capital	17,170	14,309
Other equity instruments	19,953	-
Of which: Preference shares	19,953	-
Capital reserve	56,465	59,326
Other comprehensive income	(872)	(1,117)
Surplus reserve	8,521	8,521
General reserve	27,528	27,528
Unappropriated profit	69,463	52,933
Total shareholders' equity	198,228	161,500
Total liabilities and shareholders' equity	2,791,238	2,507,149

Legal representative: Sun Jianyi

President: Shao Ping

Vice President and CFO: Chen Rong

Accounting manager: Han Xu

Ping An Bank Co., Ltd.
Income statement
January - September 2016

Items	In RMB million			
	Jul - Sep 2016	Jul - Sep 2015	Jan - Sep 2016	Jan - Sep 2015
I. Operating income	27,199	24,577	81,968	71,152
Net interest income	18,367	17,088	54,563	48,206
Interest income	32,007	33,361	95,575	99,225
Interest expense	13,640	16,273	41,012	51,019
Net fee and commission income	7,726	6,501	24,174	20,223
Fee and commission income	8,589	7,183	26,689	22,144
Fee and commission expense	863	682	2,515	1,921
Investment income	858	977	2,466	3,081
Gains or losses from changes in fair values	(50)	12	110	97
Foreign exchange gains/(losses)	285	(56)	568	(571)
Other operating income	13	55	87	116
II. Operating costs	7,195	9,527	25,808	27,912
Business tax and surcharges	261	1,666	3,100	5,046
Business and administrative expenses	6,934	7,861	22,708	22,866
III. Operating profit before provision	20,004	15,050	56,160	43,240
Impairment losses on assets	11,615	7,012	31,615	19,935
IV. Operating profit	8,389	8,038	24,545	23,305
Add: Non-operating income	23	8	52	21
Less: Non-operating expenses	6	19	37	40
V. Total Profits	8,406	8,027	24,560	23,286
Less: Income tax expense	1,979	1,872	5,841	5,546
VI. Net profit	6,427	6,155	18,719	17,740
VII. After-tax Net Amount of Other Comprehensive Gains	101	101	245	495
Other comprehensive incomes to be re-classified into gains and losses	101	101	245	495
1. Shares enjoyed among investee's other comprehensive income to be reclassified into profit and loss under equity method	-	-	(4)	58
2. Profit and loss of alteration of saleable financial assets' far value	101	101	249	437
VIII. Total comprehensive income	6,528	6,256	18,964	18,235
IX. Earnings per share				
(I) Basic earnings per share	0.37	0.36	1.09	1.06
(II) Diluted earnings per share	0.37	0.36	1.09	1.06

Legal representative: Sun Jianyi President: Shao Ping Vice President and CFO: Chen Rong Accounting manager: Han Xu

Ping An Bank Co., Ltd.
Cash Flow statement
January - September 2016

In RMB million		
Items	Jan - Sep 2016	Jan - Sep 2015
I. CASH FLOWS FROM OPERATING ACTIVITIES:		
Net increase in amounts due from the Central Bank	7,553	803
Net increase in customer deposit and placements of deposits from other banks	113,563	239,398
Net increase in funds borrowed from other financial institutions	785	3,295
Net decrease in accounts receivable	920	2,805
Net increase in accounts payable	-	905
Net decrease in reverse repurchase agreements	27,800	67,936
Cash receipts from interest, fee and commission income	99,405	98,793
Cash receipts from other operating activities	7,946	9,944
Subtotal of cash inflows from operating activities	257,972	423,879
Increase in placement of deposit with Central Bank and other banks	59,220	8,179
Net increase in funds loaned to other financial institutions	14,475	4,989
Net decrease in accounts payable	44	-
Net increase in loans and advances	239,188	200,784
Net decrease in repurchase agreements	11,001	22,571
Cash payments for interest, fee and commission expenses	37,291	47,404
Cash payments for salaries and staff expenses	11,060	9,895
Cash payments for taxes	11,059	11,737
Cash payments relating to other operating activities	27,576	26,335
Subtotal of cash outflows from operating activities	410,914	331,894
Net cash flows generated from operating activities	(152,942)	91,985
II. CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash receipts from disinvestments	1,626,197	577,505
Cash receipts from investment income	21,757	21,044
Subtotal of cash inflows from investing activities	1,647,954	598,549
Cash payments for investments	1,744,210	630,866
Cash payments for fixed assets, intangible assets and other long-term assets	906	2,444
Subtotal of cash outflows from investing activities	1,745,116	633,310
Net cash flows generated from investing activities	(97,162)	(34,761)
III. CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash receipt from issue of equity shares	-	9,940
Cash receipts from issue of other equity instruments	20,000	-
Cash receipts from bond issue	609,764	258,096
Subtotal of cash inflows from financing activities	629,764	268,036
Cash payments for debt repayment	503,190	106,230
Cash payments for bond interest	1,369	1,361
Cash payments made for issue of other equity instruments	48	-
Cash payments for distribution of dividends and profit	2,189	1,988
Subtotal of cash outflows from financing activities	506,796	109,579
Net cash flows generated from financing activities	122,968	158,457
IV. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,546	723
V. NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(125,590)	216,404
Add: Balance of cash and cash equivalents at beginning of the period	261,341	183,456
IV. BALANCE OF CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	135,751	399,860

Legal representative: Sun Jianyi President: Shao Ping Vice President and CFO: Chen Rong Accounting manager: Han Xu

This report 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 versions, the Chinese version shall prevail.