

2013 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	
Name	Li Nanqing	Lv Xuguang	
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II. Financial Highlights and Changes in Shareholders

2.1 Financial highlights

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

Yes No

2.1.1 Operating results

(In RMB million)

Item	January-December 2013	January-December 2012	January-December 2011	Year-on-Year (Y-o-Y) change
Operating income	52,189	39,749	29,643	31.30%
Operating profit before asset impairment loss	26,845	20,673	15,281	29.86%
Asset impairment loss	6,890	3,130	2,149	120.13%
Operating profit	19,955	17,543	13,133	13.75%

Gross profit	20,040	17,552	13,257	14.18%
Net profit	15,231	13,512	10,390	12.72%
Net profit attributable to shareholders of the parent company	15,231	13,403	10,279	13.64%
Net profit attributable to shareholders of the parent company after non-recurring gains/losses	15,166	13,385	10,179	13.31%
Per share:				
Basic earnings per share (“EPS”) (in RMB)	1.86	1.64	1.54	13.41%
Diluted EPS(in RMB)	1.86	1.64	1.54	13.41%
Basic EPS after non-recurring gains/losses(in RMB)	1.85	1.63	1.53	13.50%
Cash flow:				
Net cash flows from operating activities	91,674	185,838	(14,439)	(50.67%)
Per share net cash flows from operating activities(in RMB)	9.63	22.67	(1.76)	(57.52%)

Note: The earnings per share and net cash flows from operating activities per share for January-December 2012 and January to December 2011 have been recalculated according to the total share capital of 8.197 billion shares after dividend distribution.

Items and amount of non-recurring gains/losses

(In RMB million)

Item	January-December 2013	January-December 2012	January-December 2011
Gains/losses on disposal of non-current assets (gains/losses on disposal of fixed assets, repossessed assets and long-term equity investment)	11	32	131
Gains/losses on contingency (projected liabilities)	53	(37)	(29)
Other non-operating income and expense	21	28	24
Income tax effect	(20)	(5)	(27)
Total	65	18	99

2.1.2 Profitability indicators

(%)

Item	January-December 2013	January-December 2012	January-December 2011	Y-o-Y change
Return on total assets	0.81	0.83	0.82	-0.02 percentage points

Average return on total assets	0.87	0.94	1.04	-0.07 percentage points
Fully diluted net return on assets	13.59	15.81	14.02	-2.22 percentage points
Fully diluted net return on assets (net of non-recurring gains/losses)	13.53	15.78	13.89	-2.25 percentage points
Weighted average net return on assets	16.57	16.78	20.32	-0.21 percentage points
Weighted average net return on assets(net of non-recurring gains/losses)	16.50	16.76	20.12	-0.26 percentage points
Cost/income ratio(excluding business tax)	40.77	39.41	39.99	+1.36 percentage points
Credit costs	0.84	0.45	0.41	+0.39 percentage points
Net interest spread (NIS)	2.14	2.19	2.39	-0.05 percentage points
Net interest margin (NIM)	2.31	2.37	2.56	-0.06 percentage points

Notes: Credit costs = credit provisions for the period / average loan balance (including discounted bills) 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

2.1.3 Assets and liabilities

(In RMB million)

Item	December 31, 2013	December 31, 2012	December 31, 2011	Y-o-Y change
I. Total assets	1,891,741	1,606,537	1,258,177	17.75%
Including: Held-for-trading financial assets and derivative financial assets	13,818	5,205	3,418	165.48%
Held-to-maturity investments	195,667	103,124	107,683	89.74%
Loans and receivables	1,404,731	1,162,415	884,305	20.85%
Available-for-sale financial assets	467	89,896	78,384	(99.48%)
Goodwill	7,568	7,568	7,568	-
Others	269,490	238,329	176,819	13.07%
II. Total liabilities	1,779,660	1,521,738	1,182,796	16.95%
Including: Held-for-trading financial liabilities and derivative financial liabilities	6,606	2,674	732	147.05%
Placement from banks and other institutions	22,633	39,068	25,279	(42.07%)
Deposit taking	1,217,002	1,021,108	850,845	19.18%
Others	533,419	458,888	305,940	16.24%

III. Shareholders' equity	112,081	84,799	75,381	32.17%
Including: equity attributable to shareholders of the parent company	112,081	84,799	73,311	32.17%
Net assets per share attributable to shareholders of the parent company (in RMB)	11.77	10.35	8.94	13.72%
IV. Total deposits	1,217,002	1,021,108	850,845	19.18%
Including: Corporate deposits	1,005,337	839,949	698,565	19.69%
Retail deposits	211,665	181,159	152,280	16.84%
V. Total loans	847,289	720,780	620,642	17.55%
Including: Corporate loans	521,639	494,945	430,702	5.39%
General corporate loans	509,301	484,535	413,019	5.11%
Discounted bills	12,338	10,410	17,683	18.52%
Retail loans	238,816	176,110	165,227	35.61%
Receivables for credit cards	86,834	49,725	24,713	74.63%
Provision for impairment of loans	(15,162)	(12,518)	(10,567)	21.12%
Loans and advances, Net	832,127	708,262	610,075	17.49%

Notes : Net asset per share attributable to shareholders of the parent company as of 31 December 2012 and 31 December 2011, had both been recalculated based on the total share capital after dividend of 8,197 million shares for 2012.

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, 2013		December 31, 2012		December 31, 2011	
			Year-end	Monthly average	Year-end	Monthly average	Year-end	Monthly average
Liquidity ratio	RMB	≥25	50.00	49.72	51.31	58.17	55.72	Not applicable
	Foreign currency	≥25	44.33	73.23	88.90	79.25	62.89	Not applicable
	RMB and foreign currency	≥25	49.56	50.41	51.99	58.20	55.43	Not applicable
Loan/deposit ratio (including discounted bills)	RMB and foreign currency	≤75	69.67	69.68	70.64	72.73	72.88	Not applicable
Loan/deposit ratio (excluding discounted bills)	RMB and foreign currency	Not applicable	68.64	68.61	69.61	69.81	70.75	Not applicable
Non-performing loan (NPL) rate		≤5	0.89	0.97	0.95	0.74	0.53	Not applicable
According to	Capital adequacy	≥8.5	9.90	Not	Not	Not	Not	Not

<i>Administrative Measures for the Capital of Commercial Banks (Trial)(Note)</i>	ratio			applicable	applicable	applicable	applicable	applicable
	Tier one capital adequacy ratio	≥ 6.5	8.56	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Core tier one capital adequacy ratio	≥ 5.5	8.56	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
According to <i>Administrative Measures for the Capital Adequacy Ratios of Commercial Banks and etc.</i>	Capital adequacy ratio	≥ 8	11.04	10.29	11.37	11.43	11.51	Not applicable
	Core capital adequacy ratio	≥ 4	9.41	8.32	8.59	8.53	8.46	Not applicable
Ratio of loans to the single largest client to net capital		≤ 10	4.73	4.49	2.95	3.33	3.71	Not applicable
Ratio of loans to top 10 clients to net capital		Not applicable	20.88	23.21	15.60	17.87	19.24	Not applicable
Ratio of accumulated foreign exchange exposure position to net capital		≤ 20	0.65	Not applicable	1.38	Not applicable	2.80	Not applicable
Pass loans flow rate		Not applicable	4.78	Not applicable	2.03	Not applicable	0.67	Not applicable
Special Mention loans flow rate		Not applicable	37.77	Not applicable	53.38	Not applicable	9.35	Not applicable
Substandard loans flow rate		Not applicable	43.61	Not applicable	43.28	Not applicable	39.40	Not applicable
Doubtful loans flow rate		Not applicable	88.70	Not applicable	78.22	Not applicable	13.01	Not applicable
Cost/income ratio (excluding business tax)		Not applicable	40.77	Not applicable	39.41	Not applicable	39.99	Not applicable
Provision coverage		Not applicable	201.06	Not applicable	182.32	Not applicable	320.66	Not applicable
Loan loss provision ratio		Not applicable	1.79	Not applicable	1.74	Not applicable	1.70	Not applicable

Note: Applicable standards of 2013 are presented according to *Notice of the China Banking Regulatory Commission on Issues concerning Transitional Arrangements for the Implementation of the Administrative Measures for the Capital of Commercial Banks (Trial)*.

2.2 Shareholdings of Top 10 shareholders

Total number of shareholders at the end of reporting period	298,070	Total number of shareholders at the end of the fifth trading day prior to the disclosure date of this annual report	310,335		
Shareholdings of top 10 shareholders					
Name of shareholder	Capacity	Share Holding (%)	Total number of shares held at the end of reporting period	Number of restricted shares held	Number of Shares pledged or frozen
Ping An Insurance (Group) Company of China, Ltd. - the Group—the Group insurance	Domestic legal entity	50.20	4,779,077,016	3,944,723,637	-
Ping An Life Insurance Company of China, Ltd.-proprietary fund	Domestic legal entity	6.38	607,328,000	-	-
Ping An Life Insurance Company of China, Ltd. - tradition - ordinary insurance products	Domestic legal entity	2.37	225,541,645	-	-
Ge Weidong	Domestic natural person	1.77	168,937,579	-	-
China Electronics Shenzhen	Domestic state-owned legal entity	1.56	148,587,816	-	-
China Minsheng Banking - Yinhua SZSE 100 Index classified securities investment fund	Domestic legal entity	0.52	49,958,081	-	-
CSOP Asset Management Limited CSPO FTSE China A50 ETF	Foreign legal entity	0.42	39,864,405	-	-
ICBC - Rongtong SI 100 Index Securities Investment Fund	Domestic legal entity	0.38	36,157,628	-	-
Bank of China - Efund SI100 ETF	Domestic legal entity	0.38	36,128,197	-	-
XingYa Group Holdings Co., Ltd.	Domestic legal entity	0.37	35,000,000	-	-

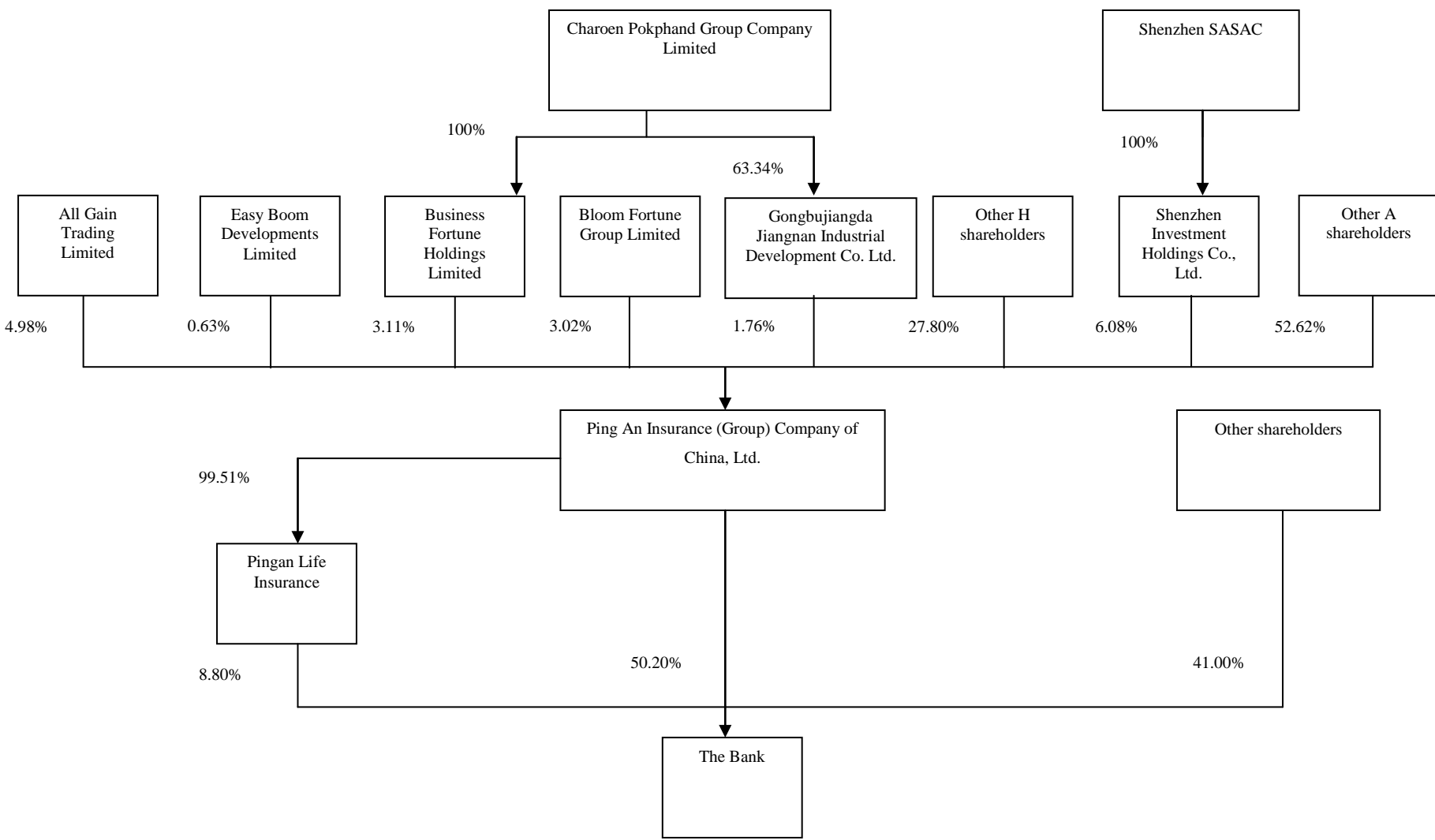
Strategic investor or general legal entity that become top 10 shareholders by placing of new shares(if any)	Nil
Description of the related relationship and concerted action of the above shareholders	<p>1. Ping An Life Insurance Company of China, Ltd. is a controlled subsidiary of and acting in concert 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>
Description of the shareholders (if any) who engage in securities margin trading business	<p>1. Ge Weidong, a shareholder of the bank, is holding 80,580,817 shares via common stock account and 88,356,762 shares via client account of collateral securities for margin trading in Orient Securities Company Limited, effectively holding 168,937,579 shares in total.</p> <p>2. XingYa Group Holdings Co., Ltd., a shareholder of the bank, is holding 0 shares via common stock account and 35,000,000 shares via client account of collateral securities for margin trading in CITIC Securities Company Limited, effectively holding 35,000,000 shares in total.</p>

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

Applicable Not applicable

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

(I) 2013 Business Analysis

In 2013, global recovery has been sluggish. And in the domestic front, the macroeconomic control policies of China adhered to the basic theme of pursuing steady growth by implementing active fiscal policies and stable monetary policies, which resulted in a stable domestic economy in general. As for the financial market environment, the central bank has fully liberalized the lending interest rate, which enabled acceleration of marketization of interest rate, gradual deepening of financial disintermediation, payment disintermediation development, intensifying inter-bank competition, rapid emerging of internet financial services and fast changing customer demands. The interest spread of the banks was narrow and growth in deposits and capital demands were under pressure.

Under pressures and challenges, Ping An Bank, leveraged on the Group' advantages in integrated financial service, has established the "three-steps" strategy and the five-year development plan, and formulated the guiding principle of "Transformation, Innovation and Evolution", through which we achieved a rapid and coordinative development in the scale and effectiveness of the bank, and completed all the operational targets to build the best business development momentums in recent years by adhering to the philosophy of "customer-centric", striving to achieve growth in parallel by external expansion and organic growth, focusing on the "four-wheel" drive of corporate, investment banking, retail and inter-bank businesses, and pushing forward the reform of organizational structure and building a brand-new incentive system, as well as proceeding the professional and intensive operation.

The Bank recorded an operating income of RMB52.189 billion for the year, representing an increase of RMB12.440 billion (or 31.30%) from the previous year, and a net non-interest income of RM11.501 billion, representing an increase of RMB4.788 billion from the previous year. Non-interest income as a percentage of operating income rose to 22.04% from 16.89% of the previous year. Business and administrative expenses for the year amounted to RMB21.279 billion, representing an increase of RMB5.615 billion (or 35.85%) from the previous year. Impairment losses on assets amounted to RMB6.890 billion, representing an increase of RMB3.760 billion (or

120.13%) from the previous year. The net profit for the year amounted to RMB15.231 billion, representing an increase of RMB1.719 billion (or 12.72%) from the previous year, among which the net profit attributable to the parent company amounted to RMB15.231 billion, representing an increase of RMB1.828 billion (or 13.64%) from the previous year. The basic earnings per share recorded RMB 1.86, representing an increase of 13.41% from the previous year.

In 2013, the business highlights of the Bank are as follows:

1. Rapid growth in business scale

As at the end of the reporting period, total assets of the Bank amounted to RMB1,891.741 billion, representing a growth of RMB 285.204 billion (or 17.75%) as compared to the beginning of the year; total loans (including discounted bills) amounted to RMB847.289 billion, representing an increase of RMB126.509 billion (or 17.55%) from the beginning of the year, among which the retail loans (excluding credit cards) amounted to RMB238.816 billion, representing an increase of RMB62.706 billion (or 35.61%) from the beginning of the year. Total deposits balance amounted to RMB1,217.002 billion, representing a growth of RMB195.894 billion (or 19.18%) from the beginning of the year. The expansion of business scale has laid a solid foundation for the growth of operating income.

2. Further improvement in business structure

The Bank proactively adjusted our asset and liability structure, devoted to developing deposit business, and reduced the high-cost inter-bank liabilities, leading to a 1.28 percentage points increase in the percentage of year end deposit to total deposit as compared to the beginning of the year; through cutting ineffective inter-bank assets and restricting the percentage of inter-bank assets, ensure an orderly development of the inter-bank busies and a coordinative asset and liability structure of the Bank. By enhancing the loan to deposit ratio management, the balance loan to deposit ratio and daily loan to deposit ratio recorded a substantial year-on-year decrease, which effectively mitigated our liquidity risk and helped us ride out of the liquidity crisis in June and December, setting us free from obtaining expensive short term funding.

The Bank increased our credit resources efficiency, significantly improved the loan structure. During the reporting period, the increment of micro and small enterprise /Loans to new yuppies and auto financing in total accounted for 59% of the increment of the bank's total loans, and the percentage for ending balance increased by 7 percentage points to 19% from the beginning of the year. The customer structure and business structure for loans have been improved considerably.

The Bank leveraged on our integrated financial advantages, put great efforts on developing investment banking business, leading to a substantial growth in intermediate business income. During the reporting period, the non-interest income recorded a year-on-year increase of 71.32%, and accounted for 22.04% of the operating income, increased from 16.89% of the previous year, with the income structure improving remarkably. Among the non-interest income, intermediate income from investment banking for the year recorded RMB1.634 billion, representing an increase of RMB1.290 billion from the previous year, and the intermediate income from custody business recorded RMB510 million, representing an increase of RMB290 million from the previous year.

3. Significant improvement in price capability

The Bank has enhanced our intensive management in capital resources and credit resources, and implemented strict management in loan facilities and risk assets limits. Meanwhile, we strengthened our pricing management in loan extension, pursuant to which, we launched the minimum pricing policies on loans to keep inefficient consumption of credit resources under control, and we rolled out the bidding management on loan facilities in the second half of the year, which resulted in month on month increase in the interest rate of new loans, the average interest rate of new loans for the year increased by 93 base points from that of last year. Under the adverse influence of interest rate cut by the central bank and liberalization of interest rate in 2012, the deposit-loan spread still increased by 14 base points.

4. Asset quality remained stable

By restructuring, improving risk policies, optimizing operational procedures and stepping up efforts in loan recovery, the Bank has improved our standards in credit risk management kept our

asset quality stable and reduced the ratio of non-performing loans, loan loss provision ratio and provision coverage, which further strengthen our risk mitigation capability. As at the end of the reporting period, the balance of non-performing loans amounted to RMB7.541 billion, representing an increase of RMB675 million (or 9.83%) from the beginning of the year. Ratio of non-performing loans was 0.89%, representing a decrease of 0.06 percentage points from that of the beginning of the year. The loan loss provision ratio was 1.79%, an increase of 0.05 percentage points from that of the beginning of the year. The provision coverage ratio was 201.06%, representing an increase of 18.74 percentage points from that of the beginning of the year.

5. Acceleration of institutional development

During the reporting period, 5 branches, including the Xi'an branch, Suzhou branch, Linyi branch, Leshan branch and Xiangyang branch and 73 sub-branches had been approved to commence operation. As at the end of the reporting period, the Bank had a total of 38 branches and 528 other outlets, the coverage of our network has been extending.

6. Indicators such as capital adequacy ratio complied with regulatory requirements

During the reporting period, our key financial indicators complied with the regulatory requirements. We had completed a non-public offering of shares successfully in December, which effectively increased our capital adequacy ratio. As at the end of the reporting period, According to the *Administrative Measures for the Capital of Commercial Banks (Trial)* promulgated by the CBRC, our capital adequacy ratio was 9.90%, tier 1 capital adequacy ratio was 8.56%, core tier 1 capital adequacy ratio was 8.56%. According *Administrative Measures for the Capital Adequacy Ratios of Commercial Banks* promulgated by the CBRC and related requirements, our capital adequacy ratio was 11.04% and our core capital adequacy ratio was 9.41%.

II. Principal businesses review

1. Corporate business

As at the end of the reporting period, the corporate deposit balance of the Bank increased by 19.69% from the beginning of the year, and the corporate loan balance increased by 5.39% from the beginning of the year; the trade finance credit balance amounted to RMB370.556 billion, representing an increase of 28.99% as compared to the beginning of the year.

Outstanding growth momentum in the trade finance business and continuous optimization of the industrial structure

The annual accumulated trade finance amounted to RMB821.926 billion, representing a year-on-year growth of 21.63%. The trade finance credit balance amounted to RMB 370.556 billion, representing a growth of 28.99% as compared to the beginning of the year. The NPL ratio still remained at a relatively low level of 0.28%. The industrial restructuring of the trade finance business yielded remarkable results with the portfolio of steel and auto industries decreased by 7.9 percentage points as compared with the beginning of this year. The industrial concentration decreased continuously, and the industrial structure was further optimized.

Table of trade finance and international businesses

(In RMB million)

Item	December 31, 2013		December 31, 2012		Increase
	Amount	Percentage	Amount	Percentage	
Trade finance credit balance	370,556	100.00%	287,282	100.00%	28.99%
Regions: Eastern region	108,110	29.18%	68,543	23.86%	57.73%
Southern region	130,594	35.24%	111,240	38.72%	17.40%
Western region	30,636	8.27%	29,197	10.16%	4.93%
Northern region	101,216	27.31%	78,302	27.26%	29.26%
Domestic/International: Domestic	274,236	74.01%	247,141	86.03%	10.96%
International (including offshore)	96,320	25.99%	40,141	13.97%	139.95%

New windows of growth opened for internet finance

With a focus on comprehensive internet financial services platform under the lead of quick-win projects on the platform, the Bank materialized the integrated financial strategies of the Bank and its subsidiaries (the "**Group**"), facilitated the rapid growth of the fundamental businesses and laid the foundation for the steady progress of internet finance by reinforcing the investment of important projects and continuing its effort in researching and developing and promoting new models and new products through market/product/IT integration with the assistance of its external allies and integrated financial services. Through an open-source front-end and coordination of the back-end, the Bank made concerted efforts with various parties to promote the establishment of a comprehensive financial services platform on internet.

Facing the challenges of market competition and the e-business era, the Bank turned the internet and the allied channels into a channel for acquiring large number of new customers. By integrating product development, platform construction and new business expansion, the Bank located a new profit growth point with the help of the "integrated financial services platform of supply chain". During the reporting period, the number of new customers was 10,049 with new daily average deposit amount of RMB74.1 billion and new daily average loan amount of RMB2.1

billion. The Bank achieved net non-interest income of RMB637 million and total income of RMB3.628 billion.

Good growth maintained for the international business and offshore business

The scale of the international settlement amount and cross-border Renminbi business both increased swiftly. During the reporting period, the onshore international settlement amount was USD97.8 billion, representing a year-on-year increase of 48%, while the cross-border Renminbi business volume was RMB117.1 billion, representing a year-on-year increase of 323%. The offshore settlement amount was USD155.9 billion, representing a year-on-year increase of 21%. The daily average offshore deposit amounted to RMB29.0 billion, representing a year-on-year increase of 17%, and the daily average loan amounted to RMB16.3 billion, representing a year-on-year increase of 304%.

Sound development of the corporate wealth management business

During the reporting period, the Bank issued 2,905 corporate wealth management products with an accumulated sales scale of RMB0.43 trillion, including guaranteed wealth management products of RMB0.41 trillion and non-guaranteed wealth management products of RMB0.02 trillion. As at the end of the reporting period, the balance of corporate wealth management products was RMB31.7 billion, including guaranteed wealth management products of RMB28.8 billion and non-guaranteed wealth management products of RMB2.9 billion.

Breakthrough achieved by the transportation finance business

Targeted mainly at corporate customers operating in the industry chain of transportation manufacturing, distribution and transportation and the various lines of businesses of the extended business scope, the transportation finance business department is responsible for expanding and strengthening the transportation finance business of the Bank.

Due to the fierce homogeneity competition of the automobile industry financing services and the low return on risk assets under the traditional business model, the business department expanded its core customer base and developed different types of financial services in the transportation industry chain by leveraging on its advantages in the automobile business under the lead of the trade finance business and comprehensive financial business. The business department achieved a breakthrough via the combination of industry and finance and developed innovative models for the financing receivables of suppliers, industrial funds and 4-in-1 financing based on the online supply chain financial platform. By persisting in the asset-light and comprehensive operating strategy, asset turnover was accelerated and capital consumption was reduced. Meanwhile, the Bank tried to develop high-value businesses in the large vehicle industry chains,

including aviation, railway and ships, and explored innovative businesses in sectors such as the manufacturing of general aviation and high value-added transportation facilities.

As at the end of the reporting period, the transportation finance business department managed a deposit balance of RMB58.5 billion and on-balance sheet and off-balance sheet credit scale of RMB115.1 billion. The net operating income for the year amounted to RMB1.960 billion.

2. Retail business

As at the end of the reporting period, the Bank's balance of retail loan (including credit cards) continued to outperform its peers in the industry in terms of growth rate by recording an increase of 44.20% as compared with the beginning of the year. In particular, high yield products such as "Xin Yi Dai", i.e. the loans to new yuppies, and auto financing, recorded a remarkable growth. The retail deposits also increased by 16.84% from the beginning of the year. During the reporting period, the net income from retail fee-based business had a year-on-year increase of 62.99%.

During the reporting period, according to the five-year transformation strategy at the beginning of this year, the retail business focused on reinforcing basic platforms, including distribution channels, teams, products, services, mechanisms and systems. Important projects on integrated finance, community finance and private banking were carried out, and remarkable results were made in the increase of VIP customers and assets under management, diversification of customer service channels, growth of market shares of credit cards and optimization of personal loan structure.

Steady growth in the number of VIP customers and customers' assets

There were nearly 160,000 VIP customers, representing an increase of 39% as compared with the beginning of this year. Assets under management were close to RMB170.0 billion, representing an increase of 42% as compared with the beginning of the year.

Significant increase in the number of customers using the electronic channel and further enhancement of brand image with the recognition of the e-banking products and services

During the reporting period, the number of new users of the personal internet banking and mobile banking services increased significantly. The number of new internet banking customers was 4,212,000 and the number of new registered users of mobile banking was 1,087,000, representing a year-on-year increase of 836%. The Bank was granted several titles and awards by authoritative newspapers and magazines and research institutes in the market, such as the "Best E-Banking in China for 2013" ("2013 年领航中国最佳电子银行") and the "Best Mobile Banking for 2013" ("2013 年度最佳手机银行").

Steady progress of the “Foundation” works for the retail business

Establishment of diversified, fast and convenient channels: 726 self-service banking outlets were newly added during the year. Meanwhile, the Bank began to establish community sub-branches to provide customers with convenient financial services in the neighbourhood. As for e-banking, upgrading of internet banking and launching of the new version of mobile banking were completed and the number of new registered users were 4.212 million and 1.087 million, respectively.

Enhancement of product competitiveness: The Bank developed agency businesses by adding products such as wealth management schemes, asset management schemes for the special account of QDII funds and broker asset management schemes for the purpose of gradually shifting its role from “cash management” to “asset management”. The Bank also started to develop private banking product lines aimed at high-net-worth clients.

Building up a professional team: Deployment of outlets and distribution teams and staff training were enhanced to provide customers with professional services of higher standards.

Improvement of service level: A third party was engaged to evaluate the services and provide an analysis report on improvement advice. The benefit system based on customer segmentation was perfected. The scenarios for the use of consumption points of "WanLiTong" were expanded, and the benefits will be further enhanced upon its implementation.

Stable growth of the credit card, auto finance and consumer finance businesses and successful launching of the private banking business

(1) Credit card business

During the reporting period, the credit card business kept growing rapidly and steadily. As at the end of the reporting period, the number of credit cards in circulation was 13.81 million, representing an increase of 25.6% from the beginning of the year. In particular, the number of newly issued credit cards this year amounted to 5.46 million, representing a year-on-year increase of 21.6%. The cross-selling channels of the Group continued to make important contribution, accounting for 39.8% of the newly issued credit cards. The total transaction amounted to RMB528.1 billion, representing a year-on-year increase of 141.8%. In particular, the online transaction amount continued to maintain a rapid year-on-year growth of 213.0%. As at the end of the reporting period, the balance of loans was RMB86.8 billion, representing an increase of 74.6% as compared with the beginning of the year.

The credit card business focused on providing better products and services to customers so as to improve customer satisfaction. In respect of customer acquisition, since the Bank aimed at attracting high-end clients and young customers, high end cards of platinum class or above rapidly

increased and recorded a year-on-year increase of 200%. New products were also developed to enrich the card product system. In June, the official cards for the Shenzhen Finance Bureau were issued to provide all-rounded security protection and discounts to officials working at the budgeting unit. Diamond cards were successfully issued in July to provide personalized priceless offers to high-end clients, while IC credit cards for car owners were issued in September. To maintain customer relationship, thematic marketing campaigns, namely, “You swipe, Ping An pays” (“你刷卡, 平安买单”), “Buy & Love Wednesday” (“购爱星期三”), “Lucky round trip” (“幸运环游记”), “Consumption abroad motivation” (“境外消费促动”), “Personalized Christmas Eve” (“私人定制平安夜”) and “Sleepless Christmas Eve” (“平安不夜橙”), were carried out and special promotion activities, such as “Watch movie with RMB10” (“10元看电影”), “Refuelling discount” (“加油打折”) and “Car wash in business district” (“商圈洗车”), were organized continuously. As an innovation of the internet financial business, the Ping An Online Shopping Mall was established and the online marketing campaign “Buy & Love Wednesday” was promoted. The Bank also cooperated with e-business partners, including Suning.com payment, Shenzhen Airlines, elong.com, yixun.com and Ctrip. A customer-oriented quality enhancement system was established with the launching of the WeChat and internet versions of automatic customer service in July. The number of customers on the WeChat platform exceeded 1.80 million and customer satisfaction has increased significantly as a whole.

In respect of risk management, the Bank continued to foster the formulation of various risk infrastructures, optimized the approval policies and procedures, developed and launched the scoring model for new applications and fraudulent transactions, and improved its risk management and rational decision-making capabilities. As a result, the manual production capacity, automatic approval percentage and detection of fraudulent tactics were greatly enhanced. For the construction of basic platform, the Mobile Integrated Terminal, internet customer acquisition and real-time approval were rolled out and e-operations were continuously optimized in order to effectively manage the operating costs. As for operation compliance, the promotion and implementation of compliance culture and compliance concepts were continuously reinforced and the legal compliance risk was managed and controlled by means of technologies. To maintain the swift growth of the credit card business, the Bank began the trial run of the securitization of credit card assets during the second half of this year in order to mitigate the pressure of the expanding loan scale. The Bank also emphasized the optimization of customer structure and appropriately increased its risk tolerance by increasing its returns. As at the end of the reporting period, the NPL ratio increased slightly to 1.58% as compared with the beginning of the year, which was still a relatively low level in the industry.

(2) Auto finance business

In 2013, the loans newly granted by the auto financing center for automobile consumption amounted to RMB50 billion, representing an increase of 173% from the last year. The loan balance for automobile consumption amounted to RMB48.8 billion, representing an increase of 131% from the beginning of the year, outperforming our peers again in terms of market share. Credit risk was effectively managed, and NPL ratio was well contained at 0.21%. The auto financing center will keep on innovating the products and services by leveraging on its integrated financial services competitive advantages, optimizing the business processes and improving customers' experience for the purpose of providing customers with simpler, faster and more convenient financing services for automobile consumption.

(3) Consumer finance business

Following the concept of small amount, fast operation and real consumption, the consumer finance business focused on developing unsecured and non-guaranteed consumer loan products under the brand of "Xin Yi Dai" during the reporting period. By leveraging on the integrated financial services competitive advantages of the Bank and making use of the sales channels of professional companies, an industrial-leading operational model was developed. As at the end of the reporting period, the loan balance of "Xin Yi Dai" amounted to RMB24.2 billion, approximately three times the balance at the beginning of the year.

The Bank strictly complied with the regulatory requirements and adopted differentiated credit policies. In respect of the real estate mortgage business, the need for the first self-occupied home was prioritized, while the demand for speculative house purchase was restricted. Each branch formulated its own differentiated interest rate policy (i.e. prime interest rates for first-home buyers and increased interest rates for second-home buyers) based on local circumstances under the guiding policies of the regulators after taking into account the local market demand, and suspended issuing mortgage loans for a third home according to the guiding opinions of the regulators. The average interest rate for new mortgage loans during the year was 6.39%.

(4) Private banking business

The Bank officially launched the private banking business on November 8, 2013 with an aim to plan, direct, market and promote the Bank's private banking business in a uniform manner. A comprehensive headquarters organizational structure has now been established, and the key personnel for the first batch of our four private banking centers in 2013 have been basically deployed. Ever since the launching of the business, as of the end of the reporting period, there were 6,221 private banking customers with an asset value of over RMB6 million, representing a 44% growth as compared with the beginning of the year. There were 8,719 new customers

applying for the private banking cards. The assets under management of the private banking business amounted to RMB75.3 billion, representing an increase of 49% as compared with the beginning of the year.

Upholding three major customer values, namely, integrated financial services, global deployment and family succession, by leveraging on the integrated financial services competitive advantages of Ping An Group, the “multi-channel and multi-product” business development model of private banking was delineated and the customer service system for private banking was established:

By virtue of the integrated financial services competitive advantages of Ping An Group in products, channels and platforms, the Bank provides a basket of financial solutions for its customers by demonstrating its own characteristics in aspects such as cross-selling and customer development.

Through “global deployment”, the Bank strove to integrate cross-platform globalized financial products. Currently, a product line dedicated to private banking has been established. The diversified and open product platform catered to the needs of customers for centralized management of their domestic and overseas assets (i.e. wealth planning) by providing global ancillary services. The Bank cooperated with professional partners in providing professional investment solutions for the purposes of global financial investment, tax planning, emigration, study abroad and immovable property investment, etc..

A financial services and advisory platform has been fully established with a focus on family trust planning and succession planning to facilitate the smooth succession of corporeal property of family enterprises. To assist with the succession of moral property and social responsibilities, the Bank has launched the “Ping An Succession Award for Entrepreneur Families in China” (“平安·中国企业家传承奖项”) and entered into strategic cooperation with PBC School of Finance, Tsinghua University and Deloitte Consulting LLP with a view to setting good examples of Chinese family succession by learning from the wisdom of global family succession.

The Bank successfully issued the Ping An Private Banking Black Diamond debit cards, through which a full ranged customer benefit system was provided to high end customers with the themes of “health management, travel offerings, sweet homes, study abroad and life enjoyment”. Unique marketing campaigns, including the “Diamond Tour in South Africa” and “Three-tier Exclusive Privileges for Customers”, were successfully launched during the second half. By offering high end tailor-made travelling and private jet tour to high end customers, the Bank further strengthened its brand influence.

Healthy development of wealth management, agency and cross-selling businesses

The investment varieties of wealth management products were expanded focusing on product innovation. The agency business was developed, to which products such as wealth management schemes, asset management schemes for the special account of QDII funds and broker asset management schemes were added in order to diversify the product portfolio and gradually shift the role of the wealth management business from “cash management” to “asset management”. Secondly, the operating strategy of customer segmentation has been enhanced constantly with the audience and functions of each type of wealth management products being classified and positioned deliberately according to different latitudes for the orderly supply and sale of the product series. In addition, through the platform of Ping An Group (refer to Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries), the cooperation with the Group’s subsidiaries was reinforced to facilitate portfolio cross-selling in order to provide “one-stop” comprehensive financial services to customers.

During the reporting period, the Bank issued 1,867 wealth management products (retail) with a sales volume of RMB1.45 trillion. As of the end of the reporting period, the balance of the Bank’s retail wealth management products was RMB153.0 billion, including the balance of guaranteed wealth management products of RMB44.8 billion and the balance of non-guaranteed wealth management products of RMB108.2 billion.

Agency business: During the reporting period, the sales volume of consigned funds amounted to RMB19.3 billion, while the sales volume of consigned trusts amounted to RMB25.9 billion, including the sales volume of Ping An Trust of RMB22.7 billion. The total premium of the consigned insurance policies amounted to RMB540 million. The fee-based income realized from the sale of the above investment and wealth management products was RMB790 million.

Cross-selling: The life insurance distribution business grew rapidly and a breakthrough was achieved in the customer migration volume. The daily average deposit amount increased by 48% to RMB16.9 billion, and the loan amount rose by 270% to RMB8.5 billion. The number of customers sourced from cross-selling increased by 77% to 1.21 million.

Table on personal loan business

(In RMB million)

Item	December 31, 2013	Percentage	December 31, 2012	Percentage
I. Personal loans excluding credit cards				
Eastern region	108,651	45.50%	75,657	42.96%
Southern region	73,184	30.64%	60,916	34.59%
Western region	20,988	8.79%	12,505	7.10%
Northern region	35,992	15.07%	27,031	15.35%
Headquarters	1	-	1	-
Total balance of personal loans	238,816	100.00%	176,110	100.00%

excluding credit cards				
Including: Total NPL	1,199	0.50%	850	0.48%
II. Mortgage loans in personal loans				
Balance of mortgage loans	68,010	28.48%	73,974	42.00%
Including: Housing mortgage loans	64,956	27.20%	70,406	39.98%
Mortgage NPL	314	0.46%	181	0.24%
Including: Housing mortgage NPL	284	0.44%	169	0.24%

3. Treasury and inter-bank business

During the reporting period, on the basis of stringent risk control, the Bank satisfied the diversified customer demand and expanded its business scale through continuous product innovation. Through adopting internet technologies, new marketing channels and business models were developed by making use of new internet and financial ideas. Operational efficiency was enhanced through system optimization and upgrades, and customers' experience was improved through the implementation of a marketing model that combined the headquarters and branches. The high-quality, sustainable and sound business development was facilitated by rational liquidity management, training and supervision at the branch level, strict compliance and internal control, continuous financial innovation and optimization of the asset and liabilities structure.

Continual optimization of the asset and liabilities structure of the treasury and inter-bank business

The Bank underwent products and business model innovation by exploring and promoting innovative cooperation models, such as inter-bank cooperation, integrated finance and internet finance, to ensure the steady growth of inter-bank assets and liabilities scale and equilibrium distribution and income level of the inter-bank asset structure. The Bank persisted in product innovation and structural optimization to achieve a balanced development of the traditional business and innovative business.

Constant reinforcement of the cooperation with inter-bank institutions

There were over 70 cooperating banks and brokerage firms for the third-party custody business and more than 100 banks joined hands under the Hang-E-Tong inter-bank cooperation platform, thereby further demonstrating the brand effect of the Hang-E-Tong platform.

Development of customer-driven treasury business strengthened trading and customer service capabilities

The Bank endeavoured to establish an industry-leading product brand and its market influence remarkably increased as new breakthroughs were made in gold leasing, gold consignment, branded gold and the gold for interest wealth management products. The RMB

currency swap and customer-driven interest rate swap were newly added to the business portfolio to strengthen its product innovation capability.

Subject to stringent risk control, the trade category and trading activities increased remarkably. There was a rapid year-on-year increase in the trading volume of bonds, foreign exchange and derivatives, which contributed to the significant improvement of the market influence and pricing capability of the Bank.

The Bank reinforced the analysis and forecast of the note market and optimized the resource allocation for notes. A relatively high return on assets was achieved in the note business.

Risk prevention was strengthened and the management and control system was refined. In the expansion of business scale, regulatory requirements were strictly complied with, risks were prevented and controlled and the structure was optimized.

Wealth management research and development continued to take the lead in the industry

The Bank continued to rank among the top three joint-equity banks in China in terms of the volume of product research and development. Following the requirements of Circular No. 8 issued by the CBRC, the Bank rationalized, adjusted and optimized its wealth management system and products, developed new products such as net-value and structured products, and explored the cooperation model with non-bank institutions, including brokerage firms, thereby gaining positive market influence.

4. Investment bank business

During the reporting period, the total amount of investment and financing of the investment bank business amounted to RMB198.673 billion. The fee-based business income amounted to RMB1.634 billion, the derivative deposits amounted to RMB29.4 billion, and the derived income amounted to RMB766 million. The comprehensive income was RMB2.401 billion. The custodian fee income amounted to RMB510 million, representing a year-on-year increase of 130%.

The brand effect of “Golden Orange” was realized and the product line of “Golden Orange” Wealth was enriched constantly

26 financial companies, 11 securities firms and 31 fund companies have become the members of the Golden Orange Club, while other membership platforms are still in progress. Contracts have been entered into for the Hang-E-Tong platform with over 50 cooperating banks. There are already more than 60 members in the Golden Orange Club.

The Bank gradually rolled out guaranteed pension products, wealth management and asset management plans for banks, direct financing instruments for banks, single asset-backed wealth management products, bond-type wealth management products, combined wealth management products and external capital pool. During the reporting period, the asset under management amounted to RMB114.124 billion and the new fundraising scale reached RMB94.575 billion.

Considerable progress achieved in pproject financing/ debt financing

The investment in land reserves under the investment bank business amounted to RMB28.04 billion, and the investment in comfortable housing projects under the investment bank business amounted to RMB14.358 billion. The investment scale of the capital market project business amounted to RMB1.15 billion, and the investment scale of the energy and mining business amounted to RMB2 billion. The investment in the investment bank business under the cooperation with the business department amounted to RMB6.5 billion.

67 new debts amounting to RMB51.65 billion were issued under debt financing and the registered scale amounted to RM60.19 billion. The market ranking was up 6 notches from the beginning of the year and the market share increased by 103 basis points as compared to the beginning of the year.

Outstanding performance of the corporate cross-selling business

As at the end of the reporting period, the daily average corporate deposit referred by the insurance and investment series was RMB14.009 billion, and the balance of deposit was RMB14.0 billion. The total income from the channel was RMB406 million, including the total income of RMB 127 million from the daily average corporate deposit referred by the investment series of RMB4.264 billion and the total income of RMB279 million from the daily average corporate deposit referred by the property and casualty insurance and pension insurance of RMB9.845 billion.

The Bank, as an intermediary, successfully referred 47 projects under the investment series with an accumulated executed amount of RMB100.8 billion. The Bank realized insurance premium amounting to RMB65 million from its insurance agency business.

Rapid growth of the aasset custodian business

The Bank has established a relatively comprehensive asset custodian business series. There were ten main categories that can be put under custody, including public placement fund, asset management for funds' subsidiaries, wealth management for securities firms, fiduciary estate,

wealth management for banks, private equity investment fund, social security fund, insurance capital and capital custody for commercial bank customers, covering more than 20 types of products. The Bank has established a stable business partnership with more than 300 financial and asset management institution customers.

During the reporting period, the accumulated custodian fee income was RMB510 million, representing a year-on-year increase of 130%. The size of custody in terms of net worth reached RMB808.9 billion, representing an increase of 89.35% from the beginning of the year.

Continuous healthy development of the real estate, energy and mining finance business

Real estate finance: During the reporting period, the real estate business department fully adopted the comprehensive financial strategy of “professionalism, intensification, investment bank-oriented and integrated” and focused on the preparation and establishment of the business department and business development. The preparation work has now been basically completed, and initial success was reaped in the aspects of business, customer and branding. Substantial development was witnessed in the innovative business, which allowed the establishment of a new development model for real estate finance under the low capital consumption environment. Breakthroughs were achieved in the development model of the complete real estate industry chain with a focus on “living”, and the Bank has gathered together a group of national branded developers and regional leading core customers who share the same belief. The professional brand image of “Ping An Real Estate Finance” (“平安地产金融”) has initially been established in the industry, thereby realizing a high starting point, highly efficient and high quality development at the beginning. Leveraging on the integrated financial services competitive advantages of the Group, the real estate finance business department explored business models and developed product structure on the platform of the Golden Orange Real Property Finance Club of the Bank in order to boost the development of the investment bank business to the fullest. During the reporting period, the real estate finance business department obtained ground-breaking achievement in certain business segments, including “perpetual bond”, primary land development fund, “stock-bond combination” and “tiering design” asset management plans and industrial development fund. Its widely recognized professionalism and ever-growing customer satisfaction have contributed to the establishment of the new real estate finance brand. As at the end of the reporting period, the deposit balance of the real estate finance business department was

RMB17.305 billion and the loan balance was RMB19.158 billion. The net non-interest income was RMB366 million.

Energy and mining finance: During the reporting period, there were 144 new credit customers with a credit exposure of RMB78.874 billion. The assets under management at the end of the year exceeded RMB50 billion. As at the end of the reporting period, the balance of deposit of the energy and mining business department was RMB12.052 billion, the daily average deposit reached RMB4.044 billion and the balance of loan was RMB20.159 billion. The assets under management of the investment bank business amounted to RMB16.8 billion, including debt financing instruments with a registered amount of RMB7.9 billion and an issuance amount of 6.9 billion and the outstanding balance of the investment bank's capital pool business of RMB9.82 billion. The net income from fee-based business was RMB262 million.

Institutional finance: With the recognition of the Bank's direct payment qualifications by the People's Bank of China, the Bank promoted the expansion of the financial business. Together with the investment bank department, the Bank launched its first asset securitization project. The Bank cooperated with Xiamen University in organising the "Campus Golden Orange Project" ("校园金橙工程"), participated in the inter-bank business of a financial company under a large group company, and began cooperating with military industrial enterprises.

5. Small enterprise finance business

As one of the Bank's strategic businesses, the micro and small enterprise finance business achieved a breakthrough development with the support of the product policies and mass marketing model. As at the end of the reporting period, the balance of micro and small enterprise loans of the Bank amounted to RMB87.128 billion, representing an increase of RMB31.294 or 56.05% from the beginning of the year. The NPL ratio at the end of the reporting period was 0.60%, down by 0.64 percentage points from the beginning of the year. Analyzed by region, the Western and Northern regions recorded the strongest growth with an increase of 125.57% and 96.53%, respectively.

Table on the operation of the small enterprise financial business

(In RMB million)

Item	December 31, 2013		December 31, 2012		Compared to the end of previous year	
	Balance of loans	Percentage	Balance of loans	Percentage	Change of balance	Growth rate
Loans to small enterprises	87,128	100.00%	55,834	100.00%	31,294	56.05%
Including: Eastern region	27,646	31.73%	22,247	39.84%	5,399	24.27%

Southern region	29,792	34.20%	19,326	34.61%	10,466	54.16%
Western region	12,817	14.71%	5,682	10.18%	7,135	125.57%
Northern region	16,860	19.35%	8,579	15.37%	8,281	96.53%
Headquarters	13	0.01%	-	-	13	-

III. Business Innovation

During the reporting period, the Bank initially established an innovative mechanism, which achieved a huge breakthrough in management innovation, business model innovation and product and service innovation. A series of creative products and services were rolled out, including Ping An dual debit-credit commercial card, Pocket Bank 2.0, community model development, internet financial services and note finance, which gained wide recognition and support from the market.

Ping An dual debit-credit commercial card (贷贷平安商务卡)

The bank-wide promotion of the Ping An dual debit-credit commercial card was launched during the second half of 2013. Card application channels were opened up one by one on the official website, WeChat Bank and telephone banking, withdrawal and repayment functions were introduced into various platforms, including internet banking, Pocket Bank, telephone banking and WeChat Bank, and the trial run of the Mobile Integrated Terminal was launched - all within a short period of time. Business processes were continually optimized to enhance customers' experience.

The market sales achieved good progress. As at the end of the reporting period, the number of customers using the Ping An dual debit-credit commercial card reached 347,782 with an approved credit limit of RMB10.9 billion, and there were 35,042 customers being granted with a credit line. As at the end of the year, the balance of outstanding loans amounted to RMB6 billion and the average interest rate per annum of the outstanding loans was 15.1%. The balance of deposit was RMB5.4 billion.

Pocket Bank 2.0 (口袋银行 2.0)

During the reporting period, the Bank continued to enhance customers' satisfaction and experience in personal internet banking and mobile banking by fully upgrading the mobile banking (Ping An Pocket Bank) and iPad banking. Pocket Bank 2.0 has been receiving positive feedbacks from the customers and numerous awards ever since its launch. By introducing the fixed upgrade version and mobile version for VTM (Virtual Teller Machine), the convenience and self-service characteristics of customer service were effectively enhanced via the innovative service channel. Meanwhile, several new functions were rolled out on the electronic channel, including internet banking for micro and small enterprises, online customer service for personal internet banking, customer referral, Ping An wealth and benefits, Commodity Exchange Phase 2, automatic gold investment, online e-payment, security upgrade for internet banking, fund collection, "Ping An Ying" (平安盈) and the online functions of the Ping An dual debit-credit card, etc. Pocket Bank 2.0 also launched several key new functions, such as transfer via mobile

phone numbers, shake-and-transfer, cardless cash withdrawal, mobile IC card issuance, Ping An dual debit-credit commercial card, speech recognition, WeChat Bank, the marketing platform of Alipay service as well as customer tailor-made screen.

Community model development

The community model is an innovative retail operational model targeted mainly at the residents in the community for the purpose of providing simple, fast, convenient and innovative new financial experience to customers so as to promote the growth of customers and increase customer loyalty and recognition. During the reporting period, the Bank explored the community operational model and introduced the first batch of trial community sub-branches.

Internet financial services

The Bank implemented integrated finance and internet financial services by facilitating the application of new models and new channels. It introduced a wide variety of products by cooperating with institutions such as Lufax and Ping An-UOB Fund. The “Ping An Dealer” platform was set up and operated under WeChat to increase its market influence and customer penetration with the help of the mobile internet. Research results were published via the mobile internet to provide faster market information and analysis services to the front line.

Note finance

The Bank endeavoured in innovating note products and established the “custodian system” through target market analysis and product competitiveness analysis after taking into consideration the needs of its existing customers. Through such platform, the participating branches and trading customers may conduct point-to-point on and off-system electronic transactions for paper-based notes, while the branches are provided with comprehensive custodian services covering risk prevention for notes, note custody, note trading and note collection. In the meantime, market resources of the regional markets can be optimized and consolidated to lower the operating costs of the note business and thus enhance the overall operating revenue of the Bank’s note operations.

(IV) Analysis on core competitiveness

Along with the gradual deepening of financial disintermediation, the demand from customers has been increasingly complicated and diversified, requiring the integrated financial services with coverage on settlement, investment, financing and wealth management. Benefited from the powerful integrated financial platform of Ping An Group, and directed primarily towards innovation of organization and business models, we have established our Business Departments, enhanced our intensification and professional operation, and also improved our incentive system. In addition to enhancement in our traditional competitive edges, such as supply chain financial services, auto finance and credit card business, through product research and development and technology innovation, we have also fostered progress in cross-selling and developed new business brands, such as “Ping An dual debit-credit card” and “Golden Orange Club-”, providing our customers with full-functioned integrated financial service experience focusing on “one

customer, single account, multi-products and one-stop services” , thereby establishing our core advantage of integrated financial service and forming the unique core competitiveness of the Bank.

Corporate business: In respect of our corporate banking business, we continued to build up our three key competitive barriers, “innovation , efficiency and IT technology”. Riding on the edges in customer acquisition from trade finance business, we have deepened our innovation-oriented marketing development, so as to secure a healthy and stable growth in trade finance business.

The Bank conducted thorough industry-finance integration by means of technology. For example, we have constructed an on-line integrated financial services platform to implement the digitalization and internet development of the traditional businesses, so as to improve customer experience and expand the customer base. Catering to the trend of transformation from physical economy to e-business, we are working towards acquired a large number of customers through (amongst others) intra-group synergies, inter-bank alliance, business affiliates alliance and political alliance, so that the Bank’s businesses can “go online” .

Leveraging on our advantages in holding an off-shore business license, we have built up a new product portfolios. Through businesses such as cross-border syndicated loans, we provide international credit facilities services for those “go overseas” enterprises and have extended our supply chain financial services beyond the border, implementing settlement and financing one-stop services along the supply chain, which enhanced our service efficiency to customers around the globe. Catering for more need of the customers, our off-shore product portfolios are flexible.

Retail business: Upholding Ping An Group’s vision to become the “Leading personal integrated financial services provider in China” , the Bank has unique competitive advantages in retail business, including the Group’ s vast customer resources, cross-selling with the life insurance sales team, diversified financial product offerings from respective subsidiaries and support from cutting-edge technology and strategic resources. Internally, our competitiveness in retail business can also be reflected by our five-year strategy to gradually position retail business as the focus of our bank and to this end, we have built up a team with international top notch management experience. In particular, we have continuously enriched our product portfolios, improved our outstanding businesses of credit cards, auto finance and consumption credit, fostered innovation in customer service channels, such as internet banking, telesales wealth-management financial manager and community branch, gradually strengthened our wealth management team in outlets and private banking team. We are also going to launch a customer benefit mechanism on the basis of consumption points of "WanLiTong". The above contributed to our internal competitive advantages.

Treasury and inter-bank business: Leveraging on the advantages of our Group, we have enlarged our income resources by cooperation amongst subsidiaries within our Group, facilitating innovations in interbank products and operation models. The increasing influence of "Hang E-Tong" platform had brought about increased horizontal and vertical cooperation between the Bank and city commercial banks, rural commercial banks, rural credit cooperatives, village and township banks and non-bank financial institution.

We have built up some industry-leading product brands, Businesses, such as gold leasing and consignment, branded gold and "gold for interest" wealth management products, have achieved steady growth. We have launched featured businesses such as automatic gold investment plan and Ping An brand gold, which initially formed our featured businesses. The scale of our new gold leasing business and the scale of our imported gold ranked among the top players in the industry.

We continued to enhance our capabilities in product innovation and channels expansion. We have rolled out our new RMB swop and interest swop businesses, and have finalized a series of new business cooperation model through cooperation with Lufax and Ping An-UOB Fund.

We have optimized the processes of the bills business of the Bank and enhanced the efficiency of the related operation, thus facilitating professionalism in operation.

Investment banking business: Leveraging on financial instruments such as direct financial and indirect financial and building on the proprietary structure, operational layout and operational wealth structure of the enterprises, we designed structural comprehensive financial solutions to transform from structural financing to "financing + intelligent financing" to provide one-stop customized integrated financial services.

Small enterprise financial business: "Ping An dual debit-credit commercial card" had become our best kept weapon to explore for the micro and small enterprise customers and achieve market expansion. Moreover, the micro and small enterprise internet banking cash withdrawal and fund settlement function had laid a solid ground for the growth in assets business and attract customers in settlement business.

We have built our micro and small enterprise internet financial services model on our on-line business. Firstly, we commenced our cooperation with e-businesses by focusing on key e-business platforms and conduct marketing measures accordingly, while implementing our operation strategy of delicacy management. We have initiated the collection of sales and marketing intelligence by our branches so as to actively identify and provide potential cooperation entity. We intended to catch market opportunities promptly by a top-down, point-to-surface approach, with a view to establish an internal financial model with Ping An Bank characteristics. Secondly, we have made way for building up a small enterprise on-line financing platform. We have started our planning in small enterprise on-line financing to explore the on-line financial services model for small enterprise.

(V) Future Prospect of the Bank

1. Outlook on macro environment

Looking forward, global economic recovery will be sluggish. And in the domestic front, economic growth will be stable but on the upside. The basic theme of “pursuing steady growth and conducting economic restructuring” remains unchanged. China will maintain the continuity and stability of macroeconomic policies, thoroughly push forward the reforms, and accelerate the transformation in economic development and the economic restructuring. It will steer towards the expansion of domestic demands and increase the operational efficiency in the financial sector and its capacity in serving the physical economy. It will be devoted to indigenous innovation as well as energy conservation and emission reduction, safeguard and improve people’s livelihood as well as maintain healthy and continuous economic development. The marketization of interest rate, reforms in free trade zone and the deleveraging of physical economy has brought about a series of opportunities and challenges. Facing a new environment in a new starting point, we will strive to leverage on the opportunities, actively embracing new challenges, continuously keep track of local and global economy and financial changes, keep ourselves abreast of policies direction as well as market trends, strengthen our product innovation capacity and service and marketing capacity making use of the technology and internal financial services ideas, in a bid to control risk reasonably, so as to optimize our structure while maintaining continuous, stable and rapid growth.

2. Landscape of industry competition and development trend

The Third Plenary Session of the 18th Central Committee of the CPC has clarified the objective and direction of pursuing comprehensive and deeper reform. In 2014, the influence of market mechanism will be of decisive effect. The commercial banks will encounter more development opportunities arising from a series of new reform redirections such as state-owned enterprise reform, financial sector reform, fiscal and tax reform, urbanization reform, boosting consumption, accelerating innovation and opening up. However, it will also bring along the continuous intensification of financial disintermediation, acceleration in marketization of interest rate, rapid development in internet financial services, together with the upcoming deposit insurance system, potential local government finance platform default risk, gradual liberalization of establishment of private banks, all of which will impose substantial challenges to the traditional operational model of the banking industry.

3. Corporate development strategies

In 2014, the Bank will continue to implement our planned development strategies and development targets, ride on the advantages of the integrated financial platform of the Group to further implement cross-selling, which working towards establishing our key advantages in integrated financial services, in a bid to achieve the strategic objective of establishing the “Best Bank”. At the same time, by directing primarily towards innovation of organization and business models, the Bank benefited from technologies and fully putting our late-mover advantages into play, and stepping up strategic efforts, 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”.

4. Operational plans

Guiding by our belief of “customer-oriented externally and staff-oriented internally”, our business focuses on small and micro enterprise financial services and personal consumption financial services as well as investment banking. Through organizational reform, we aim at better serving the physical economy by our professional operation and grow with them together. Through assets and liabilities differentiation operation model, we will continuous to step up our efforts in deposits taking and enhance the management of liquidity. Through featured products, such as “Ping An dual debit/credit card”, “Hang E-Tong”, “Golden Orange series” Club, we have established our brand as a unique and competitive one, thereby creating a unique bank. Through further integration of resources, acceleration in construction of “orange-e-net”, the corporate internet financial services platform, we will effectively integrate products and services under different business department. Through extending more technology support to financial services, we will step up our efforts in innovation and development in the area of internet financial services. Meanwhile, through optimization of organization structure and operational systems, improving management efficiency, we will provide more professional service to our customers. Through improved portfolio management and cost control, we will improve efficiency in fund utilization and per capita and on-line productivity. Through our efforts in improving interest spread and interest margin, realizing coordinative development in assets and liabilities, we will ensure stable progress in various strategic businesses. Through continuously enhancing comprehensive risk management, we will build up a strong defense line in risk management. Through the building up of a harmonious Ping An culture, we will fully enhance our soft capabilities.

5. Risk management

(1)The Bank will establish and improve 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 among the 5 areas in 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 step up our efforts in compliance work and prevent case risks, such as enhancing the compliance operation in the ordinary course of business to regulate our business and supervise execution work, strengthening our management of reputation risk by rationalizing systems and procedures, so as to prevent case risks. The Bank will continue to implement our “prevention oriented” policy by focusing on the prevention and control measures on high

frequency risks, implementing material case risks inspection and organizing regular risk analysis and inspection of branches and related business lines.

(3) 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” in respect of 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.

(4) The Bank will modify the operation flow of risk management, and enhance our credit approval and management. According to the flows and the Bank management, and enhance our credit approval procedure 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.

(5) The Bank will further 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 foster economic capital management, establish measurement and allocation mechanism for economic capital, and establish a capital saving bank.

(6) 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 “on-line” risk management of all our businesses. The Bank will establish a risk management system 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 actions, costs 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.

(7) 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”.

(VI) Profit Distribution Proposal for 2013

In 2013, the audited net profit attributable to the shareholders of parent company was RMB15,231 million and distributable profit of RMB34,362 million.

Pursuant to the above profit and the relevant requirements of China, the Bank made the following profit distribution for the year of 2013:

1. Accrued statutory surplus reserve of RMB1,523 million according to the 10% of the profit after tax as audited by domestic Certified Public Accountants.

2. Provision of general risk provisions of RMB2,876 million, representing 1.2% of the balance of risk assets at the end of the reporting period.

Upon the aforesaid profit distribution, as of December 31, 2013, the Bank’s surplus reserve amounted to RMB4,354 million; general risk provisions amounted to RMB16,509 million; and the remaining undistributed profit amounted to RMB29,963 million.

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 RMB1.60 in cash (tax inclusive) and bonus issue of 2 shares per 10 shares by capitalization from capital public reserve on the basis of the Bank’s total share capital of 9,521 million shares on December 31, 2013. There will be RMB1,523 million for cash dividend distribution and RMB1,904 million for share capital increase in total. Upon the completion of the cash dividend distribution and the share capital increase, the balance of undistributed profit will be RMB28,440 million, and the total capital will be changed to 11,425 million shares.

The above proposals are subject to the deliberation and approval by the shareholders of the Bank at the general meeting for the year 2013.

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 Description of any change in accounting policies, accounting estimates and calculation methods as compared with the financial report of last year.

Applicable Not applicable

4.2 Description of any significant corrections of accounting errors during the reporting period which require retrospective restatement.

Applicable Not Applicable

4.3 Description of any change in the consolidated financial statements as compared with the financial report of last year.

Applicable Not Applicable

4.4 Explanations from Board of Directors and the Board of Supervisors of any “non-standard auditing report” issued by the accounting firm for the reporting period.

Applicable Not Applicable

Board of Directors
Ping An Bank Company Limited
March 7, 2014

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.