

Ping An Bank Co., Ltd.

2014 Half-Year Report Summary

§1 Important Notes

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

2. Corporate Profile

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

1. Key Financial Data

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

Yes No

(1) Operating results

(In RMB million)

Item	January-June 2014	January-June 2013	January-Dec ember 2013	Change over the same period of last year
Operating income	34,733	23,426	52,189	48.27%

Operating profit before asset impairment loss	18,997	12,496	26,845	52.02%
Asset impairment loss	5,652	2,602	6,890	117.22%
Operating profit	13,345	9,894	19,955	34.88%
Gross profit	13,328	9,906	20,040	34.54%
Net profit	10,072	7,531	15,231	33.74%
Net profit attributable to shareholders of the parent company	10,072	7,531	15,231	33.74%
Net profit attributable to shareholders of the parent company after non-recurring gains/losses	10,085	7,522	15,166	34.07%
Per share:				
Basic EPS (in RMB)	0.88	0.77	1.55	14.95%
Diluted EPS (in RMB)	0.88	0.77	1.55	14.95%
Basic EPS after non-recurring gains/losses (in RMB)	0.88	0.76	1.33	15.79%
Cash flow:				
Net cash flows from operating activities	53,424	28,800	91,674	85.50%
Net cash flows from operating activities per share (in RMB)	4.68	2.93	8.02	59.73%

Note: The profit distribution proposal of the Bank for 2013 was implemented during the reporting period. According to the profit distribution proposal of the Bank for 2013, a cash dividend of RMB1.60 (tax inclusive) was paid for every 10 shares held by all the shareholders based on the total share capital of the Bank as at December 31, 2013 comprised 9,521 million shares by way of conversion of capital reserve on the basis of two shares for every 10 shares to all the shareholders.

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*, the earnings per share for the respective comparative periods shall be recalculated based on the adjusted number of shares. The earnings per share and net cash flows from operating activities per share stated in the table above were recalculated based on the adjusted number of shares.

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

Yes No

Item and amount of non-recurring gains/losses

(In RMB million)

Item	January-June 2014	January-June 2013	January-December 2013
Gains/losses on disposal of non-current assets	(6)	-	11

(gains/losses on disposal of fixed assets, repossessed assets and long-term equity investment)			
Gains/losses on contingency (projected liabilities)	(3)	-	53
Other non-operating income and expense except the above items	(8)	12	21
Income tax effect	4	(3)	(20)
Total	(13)	9	65

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

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

(2) Profitability indicators

(Unit: %)

Item	January-June 2014	January-June 2013	January-December 2013	Change over the same period of last year
Return on total assets (unannualised)	0.47	0.41	0.81	+0.06 percentage point
Return on total assets (annualised)	0.94	0.82	0.81	+0.12 percentage point
Average return on total assets (unannualised)	0.50	0.44	0.87	+0.06 percentage point
Average return on total assets (annualised)	1.00	0.88	0.87	+0.12 percentage point
Fully diluted return on net assets (unannualised)	8.33	8.23	13.59	+0.10 percentage point
Fully diluted return on net assets (annualised)	15.38	15.20	13.59	+0.18 percentage point
Fully diluted return on net assets (net of non-recurring gains/losses) (unannualised)	8.34	8.22	13.53	+0.12 percentage point
Fully diluted return on net assets (net of non-recurring gains/losses) (annualised)	15.40	15.18	13.53	+0.22 percentage point

				point
Weighted average return on net assets (unannualised)	8.62	8.52	16.57	+0.10 percentage point
Weighted average return on net assets (annualised)	16.61	16.40	16.57	+0.21 percentage point
Weighted average return on net assets (net of non-recurring gains/losses) (unannualised)	8.63	8.51	16.50	+0.12 percentage point
Weighted average return on net assets (net of non-recurring gains/losses) (annualised)	16.63	16.38	16.50	+0.25 percentage point
Cost/income ratio	37.59	38.87	40.77	-1.28 percentage points
Credit costs (annualised)	1.18	0.68	0.84	+0.50 percentage point
Net interest spread (NIS)	2.32	2.03	2.14	+0.29 percentage point
Net interest margin (NIM)	2.50	2.19	2.31	+0.31 percentage point

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

(3) Assets and liabilities

(In RMB million)

Item	June 30, 2014	December 31, 2013	December 31, 2012	Change from the end of the period over the end of previous year
I. Total assets	2,136,475	1,891,741	1,606,537	12.94%
Including: Held-for-trading financial assets and derivative financial assets	27,957	13,818	5,205	102.32%
Held-to-maturity investments	198,848	195,667	103,124	1.63%
Loans and receivables	1,579,381	1,404,731	1,162,415	12.43%
Available-for-sale financial assets	1,287	467	89,896	175.59%

Goodwill	7,568	7,568	7,568	-
Others	321,434	269,490	238,329	19.27%
II. Total liabilities	2,015,535	1,779,660	1,521,738	13.25%
Including: Held-for-trading financial liabilities and derivative financial liabilities	8,213	6,606	2,674	24.33%
Loans from other banks	18,765	22,633	39,068	(17.09%)
Customer bank deposits	1,508,904	1,217,002	1,021,108	23.99%
Others	479,653	533,419	458,888	(10.08%)
III. Shareholders' equity	120,940	112,081	84,799	7.90%
Including: Shareholders' equity attributable to the parent company	120,940	112,081	84,799	7.90%
Net assets per share attributable to the shareholders of the parent company (in RMB)	10.59	9.81	8.62	7.90%
IV. Total deposits	1,508,904	1,217,002	1,021,108	23.99%
Including: Corporate loans	1,246,993	1,005,337	839,949	24.04%
Retail loans	261,911	211,665	181,159	23.74%
V. Total loans	938,227	847,289	720,780	10.73%
Including: Corporate loans	584,328	521,639	494,945	12.02%
General corporate loans	567,799	509,301	484,535	11.49%
Discounted bills	16,529	12,338	10,410	33.97%
Retail loans	255,214	238,816	176,110	6.87%
Receivables for credit cards	98,685	86,834	49,725	13.65%
Provision for impairment of loans	(17,179)	(15,162)	(12,518)	13.30%
Loans and advances, net	921,048	832,127	708,262	10.69%

Note: During the reporting period, the Bank implemented the profit distribution for 2013 by way of conversion of capital reserve on the basis of 2 shares for every 10 shares to all the shareholders. The net assets per share attributable to the shareholders of the parent company for the respective comparative periods stated in the table above were recalculated based on the adjusted number of shares.

(4) Supplementary financial indicators for the last three years as of the end of the reporting period

(Unit: %)

Financial indicator		Standard level of indicator	June 30, 2014		December 31, 2013		December 31, 2012	
			Period -end	Monthly average	Year-end	Monthly average	Year-end	Monthly average
Liquidity ratio	RMB	≥25	67.57	61.00	50.00	49.72	51.31	58.17
	Foreign currency	≥25	105.99	73.23	44.33	73.23	88.90	79.25

	RMB and foreign currency	≥ 25	70.52	61.97	49.56	50.41	51.99	58.20
Loan/deposit ratio (including discounted bills)	RMB and foreign currency	≤ 75	62.21	65.18	69.67	69.68	70.64	72.73
Loan/deposit ratio (excluding discounted bills)	RMB and foreign currency	Not applicable	60.98	64.28	68.64	68.61	69.61	69.81
Non-performing loan (NPL) rate		≤ 5	0.92	0.91	0.89	0.97	0.95	0.74
In accordance with Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) (note)	Capital adequacy ratio	≥ 10.5	11.02	Not applicable	9.90	Not applicable	Not applicable	Not applicable
	Tier one capital adequacy ratio	≥ 8.5	8.73	Not applicable	8.56	Not applicable	Not applicable	Not applicable
	Core tier one capital adequacy ratio	≥ 7.5	8.73	Not applicable	8.56	Not applicable	Not applicable	Not applicable
In accordance with Measures for the Management of Capital Adequacy Ratios of Commercial Banks and etc.	Capital adequacy ratio	≥ 8	11.97	11.71	11.04	10.29	11.37	11.43
	Core capital adequacy ratio	≥ 4	9.43	9.48	9.41	8.32	8.59	8.53
Ratio of loans to the single largest client to net capital		≤ 10	3.56	4.21	4.73	4.49	2.95	3.33
Ratio of loans to top 10 clients to net capital		Not applicable	20.97	20.42	20.88	23.21	15.60	17.87
Ratio of accumulated foreign exchange exposure position to net capital		≤ 20	0.39	Not applicable	0.65	Not applicable	1.38	Not applicable
Pass loans flow rate		Not applicable	2.23	Not applicable	4.78	Not applicable	2.03	Not applicable
Special mention loans flow rate		Not applicable	15.93	Not applicable	37.77	Not applicable	53.38	Not applicable
Substandard loans flow rate		Not applicable	36.56	Not applicable	43.61	Not applicable	43.28	Not applicable
Doubtful loans flow rate		Not applicable	49.35	Not applicable	88.70	Not applicable	78.22	Not applicable
Cost/income ratio (excluding business tax)		Not applicable	37.59	Not applicable	40.77	Not applicable	39.41	Not applicable
Provision coverage		Not	198.18	Not	201.06	Not	182.32	Not

	applicable		applicable		applicable		applicable
Loans loss provision ratio	Not applicable	1.83	Not applicable	1.79	Not applicable	1.74	Not applicable

Note: Pursuant to the *Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)* issued by China Banking Regulatory Commission (CBRC), commercial banks shall meet the regulatory requirement on capital adequacy ratio by the end of 2018 by phases within the transition period (where the capital adequacy ratio, tier 1 capital adequacy ratio and core tier 1 capital adequacy ratio shall be 10.5%, 8.5% and 7.5%, respectively). Pursuant to the *Notice on Issues concerning Transitional Arrangements for the Implementation of the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)* issued by CBRC, the standard level of indicators for the respective ratios applicable to 2014 are 8.9%, 6.9% and 5.9%, respectively.

2. Shareholdings of top 10 ordinary shareholders

(Unit: Share)

Total number of ordinary shareholders as at the end of the reporting period	298,305	Total number of preference shareholders with recovered voting rights as at the end of the reporting period	-	Total share capital on the trading day preceding disclosure	11,424,894,787			
Shareholdings of top 10 shareholders								
Name of shareholder	Capacity	Shareholding (%)	Total number of shares held	Changes during the reporting period	Number of restricted shares held	Number of unrestricted shares held	Pledged or frozen	
							Type of shares	Number of shares
Ping An Insurance (Group) Company of China, Ltd. – the Group – proprietary fund	Domestic legal entity	50.20	5,734,892,419	955,815,403	4,733,668,364	1,001,224,055	-	-
Ping An Life Insurance Company of China, Ltd. – proprietary fund	Domestic legal entity	6.38	728,793,600	121,465,600	-	728,793,600	-	-
Ping An Life Insurance Company of China, Ltd. –traditional – ordinary insurance products	Domestic legal entity	2.37	270,649,974	45,108,329	-	270,649,974	-	-
China Shenzhen Electronics Company Limited	Domestic legal entity	1.56	178,305,379	29,717,563	-	178,305,379	-	-
Ge Weidong	Domestic natural person	1.25	143,218,435	(25,719,144)	-	143,218,435	Pledged	78,216,000
Special account for agreed repurchase of Orient Securities Company Limited	Domestic legal entity	0.79	90,120,000	87,721,200	-	90,120,000	-	-

CSOP Asset Management Limited – CSOP FTSE China A50 ETF	Foreign legal entity	0.52	58,874,728	19,010,323	-	58,874,728	-	-
China Minsheng Banking Corp., Limited – Yinhua SZSE 100 Index Classified Securities Investment Fund	Domestic legal entity	0.49	56,509,423	6,551,342	-	56,509,423	-	-
National Social Security Fund 103 Portfolio	Domestic legal entity	0.37	41,999,924	7,000,543	-	41,999,924	-	-
ICBC - Rongtong SI 100 Index Securities Investment Fund	Domestic legal entity	0.34	38,954,254	2,796,626	-	38,954,254	-	-
Strategic investors or general legal entities (if any) who become the top 10 shareholders due to placement of new shares	None							
Description of the related relationship or concerted action of the above shareholders	<p>1. Ping An Life Insurance Company of China, Ltd. is a controlled subsidiary of and acting in concert with the Ping An Insurance (Group) Company of China, Ltd. “Ping An Insurance (Group) Company of China, Ltd. – the Group - proprietary fund”, “Ping An Life Insurance Company of China, Ltd. - proprietary fund” and “Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance product” are related parties.</p> <p>2. The Bank is not aware of any related relationship nor concerted action among any of other shareholders.</p>							
Description of the shareholders who engage in securities margin trading business	In addition to 81,012,980 shares held through common securities account, Ge Weidong, a shareholder of the Company, also holds 62,205,455 shares, i.e. 143,218,435 shares in aggregate, through client credit trading guarantee securities account of Orient Securities Company Limited.							

3. Shareholdings of top 10 preference shareholders

Applicable Not applicable

4. Change in the controlling shareholder or de facto controller of the Bank during the reporting period

Applicable Not applicable

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

§3 Management Discussion and Analysis

1. Description of overall operations

During the reporting period, the banking industry faced a complicated business environment internally and externally. On the one hand, the PRC macro economy was undergoing structural adjustments, whereas

major overseas economies recovered slowly. On the other hand, with stronger directional fine-tuning of macro monetary policies, various financial reforms were progressing as scheduled. Meanwhile, the regulations governing inter-bank business and online finance development also posed greater challenges to the stability and liability costs of the banking industry.

To tackle such challenges, the Bank seized the opportunities and propelled the speedy development of its four-wheel driven strategy comprising corporate business, retail business, inter-bank business and investment banking business in adherence to the “customer-oriented” operating principle. Accordingly, the “four major features”, namely professionalism, intensification, integrated finance and inter-bank finance, were highlighted. During the reporting period, the Bank record satisfactory results through promoting various reforms, stepping up the efforts of institutional development, increasing the management of balance sheet and improving the risk management system. At the same time, the Bank also built a leading business platform and business model by ongoing market researches, dedicated customer services, product innovation and resource integration with a view to consolidating the foundation for further enhancing the market competitiveness.

The features of the Bank’s operating conditions are as follows:

(1) Steady growth in asset size and new record for total deposits

As at the end of the reporting period, the Bank’s total assets amounted to RMB2,136.475 billion, representing an increase of 12.94% as compared with that at the beginning of the year. Loan balance (including discounted bills) was RMB938.227 billion, representing an increase of 10.73% as compared with that at the beginning of the year. Deposit balance amounted to RMB1,508.904 billion, representing an increase of RMB291.902 billion or 23.99% as compared with that at the beginning of the year. Deposit balance hit the new record of over RMB1.5 trillion. The growth for the six months represented 1.5 times of the growth for the whole year in 2013. The Bank outperformed its industry peers in this regard and established a solid foundation for its business development.

(2) Continuous optimisation of business structure and substantial growth in profitability

Against the backdrop of accelerating interest rate marketisation, narrowing bank spreads and increasing liquidity risks, the Bank actively adjusted the structure of the balance sheet, controlled the liability costs and increased the return on assets, which effectively avoided the liquidity risks and improved the spread level significantly:

- (i) the Bank adjusted the management strategies according to market changes. In view of the speedy

growth in primary deposits, the inter-bank liabilities to total liabilities decreased by 7.2 percentage points as compared with that at the beginning of the year. Accordingly, the Bank increased the net interest spread by utilising the primary liabilities to support the business development of inter-bank assets.

(ii) the Bank stepped up its efforts in expanding its intermediate business and recorded substantial growth in net non-interest income and its percentage to operating income. During the reporting period, net non-interest income amounted to RMB10,179 million, representing an increase of 107.82% as compared with that in the same period of last year, whereas the percentage to operating income increased from 20.91% in the same period of last year to 29.31%. The income structure was optimised significantly. The investment banking business maintained speedy growth. Net non-interest income from investment banking business amounted to RMB1,445 million, whereas net non-interest income from trusteeship business amounted to RMB590 million. At the same time, bills and settlement businesses both grew rapidly.

(iii) the Bank upheld strict credit line management and built a management model combining primary credit line, special credit line and bid credit line, and introduced risk adjustment indicators to solve the issue regarding the balanced development, focused development and efficient development of the Bank.

Due to the implementation of structural adjustment and pricing management, the Bank achieved satisfactory profitability growth during the reporting period. Operating income amounted to RMB34,733 million, representing an increase of 48.27% as compared with that in the same period of last year. Operating profit before provision amounted to RMB18,997 million, representing an increase of 52.02% as compared with that in the same period of last year. Net profit amounted to RMB10,072 million, representing an increase of 33.74% as compared with that in the same period of last year. At the same time, to strengthen cost control so that the costs are effectively managed, cost to income ratio (excluding business tax) was 37.59%, down by 1.28 percentage points as compared with that in the same period of last year and down by 3.18 percentage points as compared with that in 2013.

(3) Increasing innovative capabilities and steady implementation of transformation and reforms

Platform innovation: The launch of the online platform of integrated financial services for small and medium enterprises (Orange E Platform) provided effective support to the Bank for its speedy development of business. The national distribution of Hang-E-Tong platform was initially completed with over 230 online inter-bank customers, up by 65 customers as compared with that at the beginning of the year. Sales of inter-bank products amounted to RMB230.0 billion.

Product innovation: The successful asset securitisation of small consumption loans made it the first

credit asset securitised product issued on the stock exchange in the PRC, which effectively increased the asset liquidity, diversified the operating risks and improved the revenue structure. With increasing recognition of “Ping An Jin” and cooperation with the Shanghai Gold Exchange, Wan Li Tong, JD.com and S.F. Express, the Bank developed the new real gold online sales model. Following the successful launch of integrated financial products such as “Lflex Notes” and “Hang-E-Tong Notes”, the Bank’s note products were introduced in third-party platforms. At the same time, the successful launch of the “Ping An Notes” business model also achieved the market making of the Bank’s note business internally.

During the reporting period, the Bank actively promoted the reform of its retail division and created a sound environment for accelerating its retail business. The Bank speeded up the construction of the new sector division and continued to intensify its professionalised operation. The Bank also guided its branches to focus on regional features to build their own differentiated comparative advantages.

(4) Breakthrough in integrated finance and improving cooperation platform

With the implementation of key projects, as at the end of the reporting period, the Bank recorded net operating income from bancassurance of RMB170 million and 400 new corporate customers. There were 44 new bancassurance cooperation projects amounting to RMB76.3 billion. A number of successful integrated finance projects were launched. Through strengthening the e-system, the Bank focused on building the management platform of integrated finance and completed the online support for middle offices and the online development of integrated finance product mix. Ping An Jin Orange Club (平安金橙俱乐部) kicked off the construction of “Golden Orange Intelligence Database” (金橙智库) for the purpose of conducting the forward-looking research on strategic moves to provide support for the project establishment and evaluation of major projects.

(5) Strengthening risk management capabilities and maintaining sound asset quality

Adhering to the principle of “focusing on the Bank’s operation and risk management”, the Bank further consolidated its comprehensive risk management and actively support the real economy to ensure sound operation. At the end of the reporting period, NPL balance amounted to RMB8,668 million, up by 14.95% as compared with that at the beginning of the year. NPL rate was 0.92%, up by 0.03 percentage point as compared with that at the beginning of the year. Loans loss provision ratio was 1.83%, up by 0.04 percentage point as compared with that at the beginning of the year. Provision coverage was 198.18%, slightly down by 2.88 percentage points as compared with that at the beginning of the year.

(6) Successful transfer of supplementary capital and accelerating outlet distribution

The Bank actively expanded the channel of supplementary capital and developed innovative

supplementary capital tools. During the reporting period, the Bank issued tier 2 capital bonds of RMB15.0 billion in aggregate. As at the end of the reporting period, capital adequacy ratio under the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) issued by CBRC was 11.02%, representing an increase of 1.12 percentage points as compared with that at the beginning of the year.

The Bank continued to promote outlet distribution and accelerated the pace of extension development. During the reporting period, the Bank had 38 new outlets. As at the end of the reporting, the Bank had a total of 38 branches and 566 operating outlets. As at the end of the reporting period, 44 community banks were opened, of which three community banks each had an asset size of over RMB100 million.

2. Analysis of income statement items

(1) Composition of and changes in operating income

(In RMB million)

Item	January – June 2014		January-June 2013		Change over the same period of last year
	Amount	%	Amount	%	
Net interest income	24,554	70.69%	18,528	79.09%	32.52%
Interest income from placement at central bank	1,860	3.27%	1,561	3.61%	19.15%
Interest income from transactions with financial institutions	11,090	19.47%	10,144	23.47%	9.33%
Including: Interest income from inter-bank borrowing	1,809	3.18%	1,427	3.30%	26.80%
Interest income from inter-bank lending	664	1.17%	753	1.74%	(11.80%)
Interest income from loans and advances	33,000	57.95%	24,255	56.11%	36.05%
Interest income from securities investment	10,827	19.01%	7,138	16.51%	51.68%
Other interest income	173	0.30%	128	0.30%	35.16%
Subtotal of interest income	56,950	100.00%	43,226	100.00%	31.75%
Interest expense on borrowings from Central Bank	18	0.06%	15	0.06%	20.00%
Interest expense from transactions with financial institutions	15,125	46.69%	11,721	47.46%	29.04%
Deposit interest expense	16,706	51.57%	12,576	50.92%	32.84%
Bond interest expense payables	547	1.68%	386	1.56%	41.71%

Subtotal of interest expense	32,396	100.00%	24,698	100.00%	31.17%
Net fee and commission income	7,771	22.37%	4,376	18.68%	77.58%
Other net operating income	2,408	6.94%	522	2.23%	361.30%
Total operating income	34,733	100.00%	23,426	100.00%	48.27%

(2) Net interest income

During the reporting period, the Bank recognised net interest income of RMB24,554 million, representing an increase of 32.52% as compared with that in the same period of last year and accounting for 70.69% of operating income. The growth in net interest income was mainly attributable to the growth in interest-earning assets and improvement in interest spread.

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

(In RMB million)

Item	January – June 2014			January-June 2013		
	Average balance	Interest income/expense	Average yield/cost rate	Average balance	Interest income/expense	Average yield/cost rate
Assets						
Customer loans and advances (excluding discounted bills)	883,479	32,885	7.51%	735,827	24,097	6.60%
Bond investment	218,115	4,531	4.19%	199,703	3,896	3.93%
Due from Central Bank	253,940	1,860	1.48%	212,441	1,561	1.48%
Bills discounting and inter-bank business	623,218	17,501	5.66%	552,469	13,544	4.94%
Others	5,489	173	6.36%	4,640	128	5.56%
Total of interest-earning assets	1,984,241	56,950	5.79%	1,705,080	43,226	5.11%
Liabilities						
Customer deposits	1,323,124	16,706	2.55%	1,058,853	12,576	2.40%
Bonds issued	16,873	547	6.54%	12,423	386	6.27%
Inter-bank business	545,378	15,143	5.60%	543,420	11,736	4.36%
Total of interest-bearing liabilities	1,885,375	32,396	3.47%	1,614,696	24,698	3.08%
Net interest income		24,554			18,528	
Deposit-loan spread			4.96%			4.20%
Net interest spread (NIS)			2.32%			2.03%
Net interest margin (NIM)			2.50%			2.19%

As compared with the same period of last year, the Bank continued to strengthen the structural adjustment and risk and pricing management, and increased the resource utilisation rate. Accordingly, the deposit-loan spread, net interest spread and net interest margin increased as compared with those in the

same period of last year.

(3) Net fee and commission income

During the reporting period, the Bank recognised net non-interest income of RMB10,179 million, representing an increase of 107.82% as compared with that in the same period of last year. Among which, net fee and commission income was RMB7,771 million, representing an increase of 77.58% as compared with that in the same period of last year. The growth of net fee and commission income was as follows:

(In RMB million)

Item	January – June 2014	January-June 2013	Change over the same period of last year
Settlement fee income	828	582	42.27%
Wealth management business fee income	820	622	31.83%
Agency and entrustment business fee income	1,220	213	472.77%
Bank card business fee income	3,096	2,086	48.42%
Consulting and advisory fee income	1,699	647	162.60%
Account management fee income	116	101	14.85%
Others	1,162	640	81.56%
Subtotal of fee income	8,941	4,891	82.81%
Agency business fee outlay	190	98	93.88%
Bank card business fee outlay	923	377	144.83%
Others	57	40	42.50%
Subtotal of fee outlay	1,170	515	127.18%
Net fee and commission income	7,771	4,376	77.58%

During the reporting period, the Bank's investment banking and trusteeship businesses grew rapidly, which contributed to the significant increase in intermediate business income. Meanwhile, income from wealth management and settlement and credit card fees performed well.

(4) Other net operating income

Other net operating income includes investment gains, gains/losses in fair value changes, foreign exchange gains/losses and other business income. During the reporting period, other net operating income of the Bank was RMB2,408 million, representing an increase of 361.30% as compared with that in the same period of last year, primarily due to the increase in spread gains from bills.

(5) Operating and administrative expense

During the reporting period, operating expense of the Bank grew by 43.37% as compared with that in the same period of last year to RMB13,055 million, whereas cost to income ratio (excluding business tax) was 37.59%, down by 1.28 percentage points as compared with that in the same period of last year and down by 3.18 percentage points as compared with that in 2013. The increase in operating expense was primarily due to outlet expansion and business scale growth, and continued investment in management. Since 2013, the Bank has obtained a significant progress in outlet and institution development. In 2013, the Bank opened 5 new branches and 73 new sub-branches. During the first half of 2014, the Bank opened 38 new sub-branches. The growth of institutions led to a rigid increase in operating expense. Included in operating expense were staff expense of RMB6,808 million with an increase of 45.22%, business expense of RMB4,613 million with an increase of 50.85%, and depreciation, amortisation and rental expenses of RMB1,634 million with an increase of 20.15%, respectively, as compared with that in the same period of last year.

(6) Asset impairment loss

(In RMB million)

Item	Provision in January – June 2014	Provision in January – June 2013	Change over the same period of last year
Due from banks	34	9	277.78%
Disbursement of loans and advances	5,294	2,564	106.47%
Held-to-maturity investments	-	(5)	100.00%
Investment in receivables	300	-	-
Other assets	24	34	(29.41%)
Total	5,652	2,602	117.22%

(7) Income tax expenses

(In RMB million)

Item	January – June 2014	January-June 2013	Change over the same period of last year
Profit before tax	13,328	9,906	34.54%
Income tax expenses	3,256	2,375	37.09%
Effective income tax rate	24.43%	23.98%	+0.45 percentage point

(8) Cash flows

During the reporting period, the Bank's net cash flows generated from operating activities amounted to RMB53,424 million, representing an increase of RMB24,624 million or 85.50% as compared with that in the same period of last year, primarily due to an increase in new loans as compared with the same period of last year which resulted in an increase in cash inflows. Net cash outflow for investing activities amounted to RMB15,214 million, representing an increase of RMB48,732 million or 76.21% as compared with that in the same period of last year, primarily due to a decrease in cash paid for investment as compared with the same period of last year. Net cash flows generated from financing activities amounted to RMB11,464 million, representing an increase of RMB19,708 million or 239.06% as compared with that in the same period of last year, primarily due to the increase in cash received from issue of tier 2 capital bonds and inter-bank deposits, offset by settlement of matured bond payables/paid and cash payment from dividend distribution during the reporting period.

3. Analysis of balance sheet items

(1) Asset composition and changes

(In RMB million)

Item	June 30, 2014		December 31, 2013		Change from the end of the period over the end of previous year
	Balance	%	Balance	%	
Loans and advances	938,227	43.92%	847,289	44.79%	10.73%
Provision for impairment of loans	(17,179)	(0.80%)	(15,162)	(0.80%)	13.30%
Net loans and advances	921,048	43.12%	832,127	43.99%	10.69%
Investment and other financial assets	434,557	20.34%	395,204	20.89%	9.96%
Cash and due from Central Bank	259,604	12.15%	229,924	12.15%	12.91%
Precious metal	40,898	1.91%	21,286	1.13%	92.14%
Due from banks and other financial institutions	95,690	4.48%	71,914	3.80%	33.06%
Placements with banks and other financial institutions and assets purchased under resale agreements	335,270	15.69%	298,933	15.80%	12.16%
Account receivables	10,850	0.51%	7,058	0.37%	53.73%
Interest receivables	10,641	0.50%	10,043	0.53%	5.95%
Fixed assets	3,492	0.16%	3,694	0.20%	(5.47%)
Intangible assets	5,296	0.25%	5,463	0.29%	(3.06%)
Goodwill	7,568	0.35%	7,568	0.40%	0.00%
Properties for investment purposes	103	0.01%	116	0.01%	(11.21%)
Deferred income tax assets	4,786	0.22%	4,406	0.23%	8.62%
Other assets	6,672	0.31%	4,005	0.21%	66.59%

Total assets	2,136,475	100.00%	1,891,741	100.00%	12.94%
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(2) Liability structure and changes

(In RMB million)

Item	June 30, 2014		December 31, 2013		Change from the end of the period over the end of previous year
	Balance	%	Balance	%	
Deposit taking	1,508,904	74.86%	1,217,002	68.38%	23.99%
Due to other banks and financial institutions	392,313	19.46%	450,789	25.33%	(12.97%)
Borrowings from other banks and financial institutions	18,765	0.93%	22,633	1.27%	(17.09%)
Held-for-trading financial liabilities	4,950	0.25%	3,692	0.21%	34.07%
Derivative financial liabilities	3,263	0.16%	2,914	0.16%	11.98%
Financial assets under repurchase agreements	20,385	1.01%	36,049	2.03%	(43.45%)
Employee compensation payables	5,715	0.28%	6,013	0.34%	(4.96%)
Tax payables	3,765	0.19%	4,205	0.24%	(10.46%)
Interest payables	21,219	1.05%	16,605	0.93%	27.79%
Bond payables	21,605	1.07%	8,102	0.46%	166.66%
Other liabilities ^(Note)	14,651	0.74%	11,656	0.65%	25.69%
Total liabilities	2,015,535	100.00%	1,779,660	100.00%	13.25%

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

(3) Changes in shareholders' equity

(In RMB million)

Item	Balance at the beginning of the year	Increase in the period	Decrease in the period	Balance at the end of the period
Share capital	9,521	1,904	-	11,425
Capital reserve	51,734	310	(1,904)	50,140
Surplus reserve	4,354	-	-	4,354
General reserve	16,509	-	-	16,509
Undistributed profit	29,963	10,072	(1,523)	38,512
Including: Dividend proposed for distribution	1,523	-	(1,523)	-
Total shareholders' equity	112,081	12,286	(3,427)	120,940

(4) Balance of off-balance sheet items that may have significant impact on the Bank's operating results at the end of the reporting period

(In RMB million)

Item	Balance
Issuance of bills of acceptance	404,462
Issuance of letters of guarantee	54,739
Issuance of letters of credit	64,182
Unused credit line of credit card and irrevocable loan commitment	54,786
Operating lease commitment	7,938
Capital expenditure commitment	2,038

§4 Matters relating to Financial Statements

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

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

14 August 2014