

Ping An Bank Co., Ltd.

2015 Annual Report Summary

1 Important Notes

1.1. This annual report summary is extracted from the full text of annual report (hereinafter referred to as the “2015 Annual Report” or “Annual Report”). To comprehensively understand the operating results, financial position and future development plans of Ping An Bank Co., Ltd. (hereinafter referred to as “Ping An Bank” or the “Bank”), investors should carefully read the full text of the Annual Report, which is available on the media designated by China Securities Regulatory Commission.

1.2. The board of directors (hereinafter referred to as the “Board”), the supervisory committee (hereinafter referred to as the “Supervisory Committee”), the directors, the supervisors and senior management of the Bank guarantee the authenticity, accuracy and completeness of the contents of the Annual Report, in which there are no false representations, misleading statements or material omissions, and are severally and jointly liable for its contents.

1.3. The 20th meeting of the 9th session of the Board of the Bank considered the 2015 Annual Report together with its summary. 14 directors attended the meeting, at which 14 directors were expected to attend. This report was approved unanimously at the meeting.

1.4. The 2015 Annual Report prepared by the Bank was audited by Pricewaterhouse Coopers Zhong Tian LLP (special general partnership) according to the PRC standards on auditing with the issue of the auditors’ report with unqualified opinions.

1.5. Sun Jianyi (the Bank’s Chairman), Shao Ping (the President), and Han Xu (the head of the Accounting Department) guarantee the authenticity, accuracy and completeness of the financial report contained in the 2015 Annual Report.

1.6. Proposal of profit distribution or capitalization of capital reserve during the reporting period approved by the Board: proposes to distribute a cash dividend of RMB1.53 per 10 shares (tax inclusive) to all shareholders based on the total share capital of the Bank of 14,308,676,139 shares as at December 31, 2015, and issue a scrip dividend to all shareholders by way of conversion of capital reserve to share capital on the basis of 2 shares for every 10 shares in issue.

Proposal of profit distribution for preference shares during the reporting period approved by the Board

☐ Applicable ☒ Not applicable

1.7. Corporate Profile

Stock Short Name	Ping An Bank	Stock Code	000001
Stock Exchange on which the shares are Listed	Shenzhen Stock Exchange		
Contact Person and Means of Contact	Secretary to the Board	Representative of Securities Affairs	
Name	Zhou Qiang	Lv Xuguang	
Office Address	Board Office of Ping On Bank, 5047 East Shennan Road, Shenzhen, Guangdong, the PRC	Board Office of Ping On Bank, 5047 East Shennan Road, Shenzhen, Guangdong, the PRC	
Facsimile	(0755) 82080386	(0755) 82080386	
Telephone	(0755) 82080387	(0755) 82080387	
Email	pabdsh@pingan.com.cn	pabdsh@pingan.com.cn	

2. Overview of principal activities or products during the reporting period

Ping An Bank was formed after the merger of former Ping An Bank Co., Ltd. by former Shenzhen Development Bank Co., Ltd. through absorption. It is a national joint-stock commercial bank.

Principal activities of the Bank

The Bank is engaged in the following commercial banking services as approved by the regulatory authorities: (1) deposit-taking from the public; (2) advance of short-, medium- and long-term loans; (3) domestic and overseas settlement; (4) bills acceptance and discounting; (5) issuance of financial bonds; (6) agency for issuance, agency for honoring and underwriting of government bonds; (7) purchase and sale of government bonds and financial bonds; (8) interbank lending and borrowing; (9) trading of foreign exchange on its own behalf and as an agent; (10) bank cards; (11) provision of letter of credit services and guarantees; (12) agency for collection and payment and insurance agency; (13) safe deposit box services; (14) foreign exchange settlement and sale; (15) offshore banking; (16) asset custody; (17) gold related business; (18) financial adviser, and credit standing investigation, consultation and witness; and (19) other businesses as approved by the regulatory authorities.

The stage of development of the industry where the Bank operates

Under the backdrop of a “new normal” for the Chinese economy, commercial banks are still in a favorable period for development. However, there are changes for the opportunities arising from such favorable period. The general opportunities and quantitative opportunities gradually change to structural opportunities and qualitative opportunities. The direction of the financial development changes to further vertical expansion from horizontal expansion, thus providing a broader but complicated market environment for commercial banks. The comprehensively regulatory trend relaxes the regulatory restrictions on and creates room for innovation of the development of comprehensive financial services. The operating environment for commercial banks will allow for diverse development perspectives. The change in the financial market will encourage commercial banks not to rely on market expansion. Instead, commercial banks will intensively participate in the vertical division of labor along the financial industry chain. Commercial banks will live on their own “food chain” for survival out of the “competitions” with financial institutions in the new financial ecosystem. The role of commercial banks will change to a capital organizer from a capital provider and gradually shift to a multi-faceted intermediary of money, services and information from a specialized intermediary of credit to meet the growing diversified, customized financial and non-financial needs of the customers.

3. Major accounting data and financial indicators

(1) Major accounting data and financial indicators

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

(In RMB million)

Item	2015	2014	2013	Year-on-year change
Operating income	96,163	73,407	52,189	31.00%
Operating profit before asset impairment loss	59,380	41,257	26,845	43.93%
Asset impairment loss	30,485	15,011	6,890	103.08%
Operating profit	28,895	26,246	19,955	10.09%
Gross profit	28,846	26,194	20,040	10.12%
Net profit	21,865	19,802	15,231	10.42%

Net profit net of non-recurring gains/losses	21,902	19,841	15,166	10.39%
Earnings per share (EPS):				
Basic EPS (in RMB)	1.56	1.44	1.29	8.33%
Diluted EPS (in RMB)	1.56	1.44	1.29	8.33%
Basic EPS after non-recurring gains/losses (in RMB)	1.56	1.45	1.28	7.59%
Cash flows:				
Net cash flows from operating activities	(1,826)	25,321	91,674	(107.21%)
Net cash flows from operating activities per share (in RMB)	(0.13)	1.85	6.69	(107.03%)
Total assets	2,507,149	2,186,459	1,891,741	14.67%
Shareholders' equity	161,500	130,949	112,081	23.33%
Net assets per share (in RMB)	11.29	9.55	8.18	18.18%

Note: The profit distribution proposal of the Bank for 2014 was implemented during the first half of 2015. A cash dividend of RMB1.74 (tax inclusive) was paid for every 10 shares held based on the total share capital of the Bank of 11,424,894,787 shares as at December 31, 2014 and a scrip dividend by way of conversion of capital reserve to share capital was issued on the basis of 2 shares for every 10 shares.

Pursuant to the *Standards for Content and Format of Information Disclosure Of Companies Issuing Securities Publicly No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share (2010 Amendment)*, the earnings per share for the respective comparative periods shall be recalculated based on the adjusted number of shares. The earnings per share, net assets 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.

Have the share capital ever changed and influenced the amount of the owners' equity because of new issue of shares, additional issue, allotment, exercising the stock option, or repurchasing, etc. from the end of the reporting period to the disclosure date of the Annual Report?

☐ Yes ☒ No

Total share capital of the Company as at the trading day preceding the disclosure

Total share capital of the Company as at the trading day prior to disclosure (in shares)	14,308,676,139
Fully diluted earnings per share calculated based on the new share capital (RMB/share)	1.53

Whether there are corporate bonds

☐ Yes ☒ No

(2) Quarterly financial indicators

(In RMB million)

Item	First Quarter of 2015	Second Quarter of 2015	Third Quarter of 2015	Fourth Quarter of 2015
Operating income	20,671	25,904	24,577	25,011
Net profit attributable to the shareholders of the Company	5,629	5,956	6,155	4,125
Net profit attributable to shareholders of the Company after non-recurring profit/loss	5,637	5,954	6,163	4,148

Net cash flows from operating activities	11,495	171,027	(90,537)	(93,811)
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Have the above financial indicators or their totals differed significantly from the relevant financial indicators in the quarterly report and half-year report disclosed by the Company?

☐ Yes ☒ No

(3) Item and amount of non-recurring gains/losses

(In RMB million)

Item	2015	2014	2013	Year-on-year change
Gains/losses on disposal of non-current assets (fixed assets, foreclosed assets or gains/losses on disposal of long-term equity investment)	(24)	(8)	11	(200.00%)
Gains/losses on contingency (projected liabilities)	(1)	(6)	53	83.33%
Other non-operating income and expense except the above items	(24)	(38)	21	36.84%
Income tax effect	12	13	(20)	(7.69%)
Total	(37)	(39)	65	5.13%

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.

(4) Profitability indicators

(Unit: %)

Item	2015	2014	2013	Year-on-year change
Return on total assets	0.87	0.91	0.81	-0.04 percentage point
Average return on total assets	0.93	0.97	0.87	-0.04 percentage point
Fully diluted return on net assets	13.54	15.12	13.59	-1.58 percentage points
Fully diluted return on net assets (net of non-recurring gains/losses)	13.56	15.15	13.53	-1.59 percentage points
Weighted average return on net assets	14.94	16.35	16.57	-1.41 percentage points
Weighted average return on net assets (net of non-recurring gains/losses)	14.96	16.38	16.50	-1.42 percentage points
Cost/income ratio (excluding business tax)	31.31	36.33	40.77	-5.02 percentage points
Credit costs	2.56	1.55	0.84	+1.01 percentage points
Deposit-loan spread	4.89	5.01	4.47	-0.12 percentage point
Net interest spread (NIS)	2.63	2.40	2.14	+0.23 percentage points
Net interest margin (NIM)	2.77	2.57	2.31	+0.20 percentage points

Notes: Credit costs = credit provisions for the period / average loan balance (including discounts) for the period; Deposit-loan spread = average yield of loan (excluding discounts) – average deposit cost rate; 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.

(5) Deposit taking and advance of loans

(In RMB million)

Item	December 31, 2015	December 31, 2014	December 31, 2013	Change from the end of current year over the end of last year
I. Deposit taking	1,733,921	1,533,183	1,217,002	13.09%
Including: Corporate loans	1,453,590	1,280,430	1,005,337	13.52%
Retail loans	280,331	252,753	211,665	10.91%
II. Total loans and advances	1,216,138	1,024,734	847,289	18.68%
Including: Corporate loans	774,996	639,739	521,639	21.14%
General corporate loans	761,331	627,326	509,301	21.36%
Discounted bills	13,665	12,413	12,338	10.09%
Retail loans	293,402	282,096	238,816	4.01%
Receivables for credit cards	147,740	102,899	86,834	43.58%
Provision for impairment of loans and advances	(29,266)	(21,097)	(15,162)	38.72%
Loans and advances, net	1,186,872	1,003,637	832,127	18.26%

Pursuant to the *Notice on the Statistical Standards for Adjusting the Deposits and Loans of the Financial Institutions by the People's Bank of China* (Yin Fa [2015] No.14), starting from 2015, the deposits placed by non-deposit financial institutions at financial institutions are accounted for as "Total Deposits", whereas the loans extended by deposit financial institutions to non-deposit financial institutions are accounted for as "Total Loans". Based on the new statistical standards of the People's Bank of China (the "**Central Bank**"), as at December 31, 2015, total deposits and total loans amounted to RMB2,123,100 million and RMB1,264,200 million, respectively.

(6) Supplementary financial indicators for the recent three years as of the end of the reporting period

(Unit: %)

Financial indicator		Standard level of indicator	December 31, 2015		December 31, 2014		December 31, 2013	
			Year-end	Monthly average	Year-end	Monthly average	Year-end	Monthly average
Liquidity ratio	RMB	≥25	52.14	53.37	52.51	57.24	50.00	49.72
	Foreign currency	≥25	103.30	123.17	82.49	104.09	44.33	73.23
	RMB and foreign currency	≥25	54.29	58.59	53.21	60.28	49.56	50.41
Liquidity coverage		≥70	140.82	Not applicable	80.25	Not applicable	Not applicable	Not applicable
Loan/deposit ratio (including discounted bills) (RMB and foreign currency)		Not applicable	69.01	68.50	65.39	65.85	69.67	69.68
In accordance with <i>Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)</i>	Capital adequacy ratio	≥10.5	10.94	Not applicable	10.86	Not applicable	9.90	Not applicable
	Tier one capital adequacy ratio	≥8.5	9.03	Not applicable	8.64	Not applicable	8.56	Not applicable
	Core tier one capital adequacy ratio	≥7.5	9.03	Not applicable	8.64	Not applicable	8.56	Not applicable
Ratio of loans to the single largest client to net capital		≤10	3.46	Not applicable	2.93	Not applicable	4.73	4.49
Ratio of loans to top 10 clients to net capital		Not applicable	20.16	Not applicable	19.77	Not applicable	20.88	23.21
Ratio of accumulated foreign exchange exposure position to net capital		≤20	1.71	Not applicable	0.52	Not applicable	0.65	Not applicable
Pass loans flow rate		Not applicable	6.92	Not applicable	4.74	Not applicable	4.78	Not applicable

Special mention loans flow rate	Not applicable	29.13	Not applicable	20.16	Not applicable	37.77	Not applicable
Substandard loans flow rate	Not applicable	49.42	Not applicable	55.68	Not applicable	43.61	Not applicable
Doubtful loans flow rate	Not applicable	85.27	Not applicable	98.29	Not applicable	88.70	Not applicable
Cost/income ratio (excluding business tax)	Not applicable	31.31	Not applicable	36.33	Not applicable	40.77	Not applicable
Non-performing loan (NPL) rate	≤5	1.45	1.27	1.02	1.02	0.89	0.97
Provision coverage	Not applicable	165.86	Not applicable	200.90	Not applicable	201.06	Not applicable
Loans loss provision ratio	Not applicable	2.41	Not applicable	2.06	Not applicable	1.79	Not applicable

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

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

4. Share Capital and Shareholders

(1) Number of ordinary shareholders and preference shareholders with recovered voting rights, and shareholdings of top 10 shareholders

(Unit: share)

Total number of ordinary shareholders as at end of the reporting period	332,918	Total number of preference shareholders with recovered voting rights as at the end of the reporting period / Total number of preference shareholders with recovered voting rights as at the end of the month before the disclosure date of the Annual Report			-	Total number of ordinary shareholders as at the end of the month before the release of the Annual Report	347,147		
Shareholdings of top 10 shareholders									
Name of shareholder	Capacity		Total number of shares held	Shareholdings (%)	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		7,092,077,555	49.56	1,357,185,136	2,115,881,039	4,976,196,516	-	-
Ping An Life Insurance Company of China, Ltd. – proprietary fund	Domestic legal entity		874,552,320	6.11	145,758,720	0	874,552,320	-	-
China Securities Finance Corporation Limited	Domestic legal entity		427,832,759	2.99	427,832,759	0	427,832,759	-	-
Ping An Life Insurance Company of China, Ltd. –traditional – ordinary insurance products	Domestic legal entity		324,779,969	2.27	54,129,995	0	324,779,969	-	-
Ge Weidong	Domestic natural person		186,661,000	1.30	-87,578,761	0	186,661,000	Pledged	105,696,000
Central Huijin Asset Management Ltd.	Domestic legal entity		180,177,500	1.26	180,177,500	0	180,177,500	-	-
China Shenzhen Electronics Company Limited	Domestic legal entity		164,459,948	1.15	21,159,991	0	164,459,948	-	-
Harfor Fund – SPDB – Harfor Fund – SPDB – Jiyuan Directed Additional Issuance No.2 Asset	Domestic legal entity		71,855,029	0.50	71,855,029	71,855,029	0	-	-

E Fund Asset – SPDB – E Fund Asset – SPDB – Jiyuan Directed Additional Issuance No.1 Asset Management Plan	Domestic legal entity	71,855,029	0.50	71,855,029	71,855,029	0	-	-
National Social Security Fund 102 Portfolio	Domestic legal entity	58,005,459	0.41	56,791,185	0	58,005,459	-	-
Strategic investors or general legal entities (if any) who become the top 10 shareholders due to placement of new shares	Harfor Fund – SPDB – Harfor Fund – SPDB – Jiyuan Directed Additional Issuance No.2 Asset Management Plan and E Fund Asset – SPDB – E Fund Asset – SPDB – Jiyuan Directed Additional Issuance No.1 Asset Management Plan became top 10 shareholders of the Company as a result of the non-public offering of shares of the Company. The lock-up period of the shares is from May 21, 2015 to May 21, 2016.							
Description of the related relationship or concerted action of the above shareholders	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. 2. The Bank is not aware of any related relationship nor concerted action among any of other shareholders.							
Description of the shareholders who engage in securities margin trading business	In addition to 157,701,000 shares held through ordinary shares account, Ge Weidong, a shareholder of the Company, also holds 28,960,000 shares through client credit trading guarantee securities account of Orient Securities Company Limited, thus holding 186,661,000 shares in aggregate.							

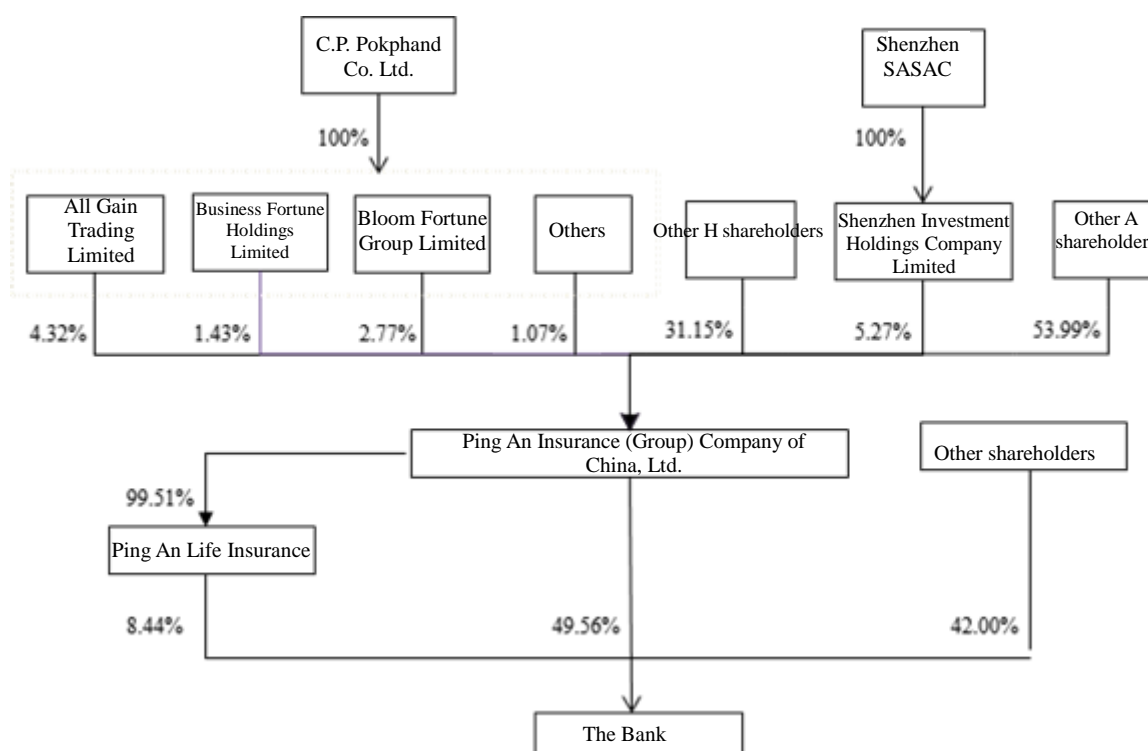
(2) Total number of preference shareholders of the Company and shareholdings of top 10 preference shareholders

☐Applicable ☒Not applicable

There is no shareholding of preferred shareholders during the reporting period.

(3) The ownership and controlling relationship between the Company and de facto controller are shown in the following diagram

There is no de facto controller of the Bank. There was no change in the controlling shareholder of the Bank during the reporting period. A diagram showing the relationship between the Bank and its controlling shareholder is as follows:



5. Management Discussion and Analysis

(1) Overview of the operations during the reporting period

In 2015, the domestic economy entered into a “new normal” of “structural adjustment and steady growth”. The central bank continued to implement prudent monetary policies by lowering interest rates and required reserve ratio five times during the year, while the completion of the interest rate liberalization process further narrowed the interest spread for banks. At the same time, the formal launching of a deposit insurance system, the on-going heating up of internet finance and market access liberalization for non-state-owned banks brought great challenges for banking operations.

In face of opportunities and challenges, the Bank launched the intelligent business model, adhering to the four main business strategies of “professional operation, intensive development, integrated finance, and Internet finance” to insist on the Bank’s transformation, innovation and development. Implementing a professional management and improving the operation systems of business divisions brought distinctive characteristics to the Bank’s operation. In promoting intensive development, changes in our organizational structure were made according to the requirements of the banking processes, streamlining the business processes and systems and unifying the business model to promote bulk acquisition of customers. Through a variety of financial instruments used by investment banks, the Bank strived to provide customers with comprehensive financing solutions. In integrated finance, the Bank’s resources in customers, products, channels, platforms and the Internet were fully utilized to provide customers with a one-stop integrated financial services. In Internet finance, the Bank strengthened the building of Internet finance platforms such as Orange-e-Net, Ping An Orange (Ping An Direct Banking), Hang E-Tong and Pocket Banking, continuing to enhance our customer experience.

The Bank rapidly grew in size with a significantly optimized structure and continuously enhanced efficiency. Its profitability remained robust and the strengthened risk control continued to create a “unique” brand image. The Bank received the Golden Dragon Prize in the “2015 Chinese Financial Institution Gold Medal List” jointly organized by the Financial Times and the Institute of Finance and banking of the Chinese Academy of Social Sciences. The Bank again won the “Best Joint Stock Banking Corporation of the Year” and also was awarded the “Top Ten Internet Finance Innovation Bank”.

In 2015, the Bank’s operations had the following characteristics:

1. Rapid expansion and stable profits

As at the end of 2015, the Bank’s total assets amounted to RMB2,507.149 billion, representing an increase of 14.67% as compared with that at the beginning of the year. Deposits showed a strong growth and deposit balance was RMB1,733.921 billion, representing an increase of RMB200.738 billion or 13.09% as compared with that at the beginning of the year, outperforming its industry peers in this regard and its market share expanded accordingly. The Bank actively promoted its quality projects and accelerated efforts in loans to adapt to market changes, resulting in a leading growth position in loans among other market players. Customer loan balance (including discounted bills) amounted to RMB1,216.138 billion, representing an increase of 18.68% from the beginning of the year.

Operating income for 2015 amounted to RMB96.163 billion, representing an increase of 31.00% as compared to the previous year. Net non-interest income amounted to RMB30.064 billion, representing an increase of 47.65% as compared to the previous year. Operating profit before provision amounted to RMB59.38 billion, representing an increase of 43.93% as compared to the previous year. Net profit amounted to RMB21.865 billion, representing an increase of 10.42% as compared to the previous year. This continued two-digit growth rate led to stable profitability.

2. Significantly improved structure and efficiency

The Bank positively responded to the interest rate liberalisation by restructuring assets and liabilities and developing new interbank businesses, resulting in significantly improved business structure and efficiency.

The Bank flexibly adjusted the asset and liability business management policies to optimise the liability structure. For liability, it exercised control over high-cost liabilities and reduced the average cost rate of interest-bearing liabilities by 0.49 percentage point in 2015 as compared to last year. For the assets, the ratio of credit assets increased by 1.65 percentage points as compared to last year, particularly higher yield products including loans to yuppies, auto loans, credit cards and Dai Dai Card loans resulting in significantly higher operational efficiency.

Another new record for non-interest income as a percentage of operating income: Net non-interest income for 2015 amounted to RMB30.064 billion, accounting for 31.26% of the operating income as compared with 27.74% in the previous year, mainly attributable to the growth of, among other things, investment banking

business, custody business, credit card business, wealth management and gold-related business.

Interest spread increased against the market trend. Since November 2014, the central bank cut the interest rate for six times and lowered the required reserve ratio for five times, resulting in a overall narrower net interest spread. However, the interest spread of the Bank increased against the market trend with net interest spread at 2.63% and net interest margin at 2.77%, representing an increase of 0.23 percentage point and 0.20 percentage point respectively.

Output-to-input ratio significantly improved. The cost to income ratio (before business tax) of the Bank was 31.31% for 2015, down 5.02% and outperforming the sector.

3. Efforts in sector funds to capitalise on the mega asset management era

Seizing opportunities brought by national policies and industries' restructuring, the Bank put great efforts in developing sector funds to capitalise on the mega asset management era and the mega investment banking era and made substantial contribution to the size, efficiency enhancement and customers' upgrade.

For sector funds, the Bank focused on developing supply chain and industry leader customers with whom it could forge strategic cooperation and developed sector funds for infrastructure construction, investment in PPP projects, placement by listed companies and overseas mergers and acquisitions with focus on strategic regions and key supported industries set by the Chinese government under the One Belt and One Road policy.

For investment banking, the Bank commenced the new bond sales mode incorporating the Internet Plus in its bond underwriting business, with bonds of RMB132.95 billion underwritten for the year, an increase of 45.10% as compared to the previous year. For asset securitisation, it successfully completed two issues of asset securitisation products, which expanded the scope of underlying assets for such business and established a corporate asset securitisation project. As for custody, the Bank had net assets of RMB3.69 trillion under its custody as at the end of 2015, up 105% from the beginning of the year, generating relevant fee of RMB2.939 billion, which increased by 109.18% as compared to the previous year while establishing its brand effect in the market.

For its assets management business, the Bank accelerated product innovation and successfully launched the first wealth management product series in China linked to the banking index – Ping An Index. There were assets of RMB741.8 billion under its management as at the end of 2015, up 130% from the beginning of the year.

4. Establishing new business units to accelerate the presence along the industry chain

Since 2013, the Bank has set up six industry business units, and is currently planning to set up the electronics and information industry finance business unit and the equipment manufacturing industry finance business unit. The establishment of these new business units, together with the industry chain financial services covering nine industries, will achieve “full coverage” for the Bank.

The real estate finance unit adhered to the principle of working with the mainstream customers of the industry, expanding the coverage of the largest hundred real estate developers in continuing to promote the “investment bank-like” process. The energy and mining finance unit newly established an industry merger and acquisition fund and a green energy industry fund, and successfully issued the first perpetual medium-term notes with the Bank as the independent main underwriter. The transportation finance unit made a breakthrough in Internet of Things finance in the field of automotive supply chain, creating innovative brands in auto parts financing, policy financing products and aircraft trading, and gradually establishing a professional product system, setting up the “Golden Orange·Transportation Finance Club” with a first batch of 86 corporate members. The newly established healthcare, culture and travel finance unit launched the Ping An Wen Lu Hui, bringing innovation to the traditional bank-enterprise cooperation model. By incorporating the characteristics of the logistics industry and focusing on the core customers, the modern logistics finance unit designed industry fund solutions targeted at the upstream and downstream supply chain. The modern agricultural finance unit established the “Golden Orange Ping An Agriculture Club”, with the member enterprises expanding to 60 from 26 at its inception.

5. Accelerated financial innovation to feature internet finance

In response to market changes, the Bank accelerated product and business innovation, thereby further “distinguishing” itself.

(1) Innovation in platforms

The Bank had a fruitful harvest in internet finance. Orange-e-Net currently has 1.63 million users registered and granted facilities of over RMB21.0 billion in the year. With the rising of the Internet of Things, the Bank launched the first series of personal property-backed financing products through the Internet of Things, which was conducive to reforms of traditional supply chain finance by incorporating finance into commodities.

The interbank online platform of Hang E-Tong linked ten thousands of other banks' branches and recorded online transaction volume of over RMB600 billion. Pocket Bank (Mobile Banking) had 13.95 million users in total, increased by 158% over the beginning of the year, and launched innovative functions such as community O2O, hand signalling login, OTP auto-reading, configuration of transfers to credible accounts and the first intelligent speech recognition function in the industry. Ping An Orange (Ping An Direct Banking), which committed to becoming the "young's bank" by providing simple, fun and profit-making online financial services, served over 5 million customers.

(2) Business innovation

With respect to offshore finance, the Bank enhanced its four major product systems of offshore investment and finance, offshore inter-bank finance, domestic resident company offshore finance and offshore trade finance, and pushed forward with financing for overseas mergers acquisitions and financing for privatisation, which effectively enhanced market share. At the end of the period, outstanding offshore loans amounted to USD9.7 billion, which increased by 26.8% over the beginning of the year and was among the upper half among the four offshore Chinese banks.

For free trade zone business, the policy opportunities emerging from the Renminbi internationalisation, the free-up of capital account transactions and the free trade zone reform, the Bank made active promotion of foreign derivatives and cross-border investment and financing businesses and constructed cross-border online business platforms to enhance service quality and efficiency.

(3) Qualifications and licences

In 2015, the Bank obtained the qualification for issuing wholesale certificates of deposit and was among the first to be qualified as a direct investor under the Renminbi cross-border inter-bank payments system (CIPS), thereby laying a solid foundation for business expansion.

6. Strengthened risk control to cope with challenges in the market

The Bank actively met various challenges, implemented comprehensive risk management, supported real economy and ensured sound operation. As at the end of 2015, loan loss reserve to total loans was 2.41%, up by 0.35 percentage points as compared with that at the beginning of the year. NPL rate was 1.45%, where provision coverage was 165.86%. In 2015, the Bank disposed of non-performing assets totalling RMB5.947 billion, including credit assets (loans granted and advances) of RMB5.637 billion, which was a significant result.

In order to cope with volatility in the financial market, the Bank strengthened its asset and liability management by optimising its asset-and-liability structure and regulation of risk tolerance and benchmark quotas, constructing a comprehensive management model for liquidity risk and exercised rigorous control over market risks, which led to overall stable operation.

7. Capital replenishment and more branches to polish brand image

The Bank completed a RMB10 billion private placement of ordinary shares, the proceeds from which were all used to replenish its working capital. It also actively promoted a private placement of preference shares to support its business development.

By continuing to optimise its branches, the Bank accelerated its pace of acquisitive growth. In 2015, it had an addition of 250 branches, bringing the total to 997.

(2) Discussion and analysis of principal activities

1. Corporate business

As at the end of 2015, corporate deposit of the Bank increased by 13.52% from the beginning of the year, while the corporate loan balance (excluding discounted bills) increased by 21.36% from the beginning of the year. The credit balance of trade finance amounted to RMB491.812 billion, representing an increase of 10.96% from the beginning of the year. The NPL ratio of the trade finance was 0.43%.

Integrated finance as the basis and core of the Bank's competitive differentiation. The Bank steadily promoted the integration of the banking businesses, fully utilizing the comprehensive advantages of the resources of the Group and its subsidiaries to broaden the field of customer services and to enhance customer experience in integrated finance services. **Continuously innovating our business model in consolidating resources in integrated finance and Internet finance.** The Bank built an integrated financial services system which combines resource integration, customer gathering, product integration and information interoperability to create Internet portal platforms, notably the Orange-e-Net, providing customers with value and services

beyond expectation. **Creating a professional, intensive industry-specific financial business.** Deepening the reform of the divisions, the Bank insisted on platform development to become an integrator of industry resources and financial resources.

Continuously strengthening trade finance business innovation and significant allied client-absorption effect

The commercial factoring alliance has further expanded. The “Golden Orange Factors Club” had absorbed 256 members which covered all mainstream factors, and the “commercial factoring cloud platform” had over 1,000 online customers. The agency bank alliance achieved substantial results and cooperated with 90 banks, which widened the source of funds for international business, presented more opportunities for business cooperation and promoted the Bank’s brand image and influence among domestic and foreign banks. Meanwhile, given the policy opportunities emerging from the Renminbi interest rate reform, the free-up of capital account transactions and the free trade zone reform, the Bank made active promotion of foreign derivatives and cross-border investment and financing businesses and constructed online business platforms for cross-border businesses to enhance service quality and efficiency and profitability of foreign business, in order to shape its core competitiveness in international businesses.

Table of trade finance and international businesses

(In RMB million)

Item	December 31, 2015	%	December 31, 2014	%	Change from the end of period over the end of last year (%)
Trade finance balance	491,812	100.00%	443,215	100.00%	10.96%
Including: Domestic	326,610	66.41%	283,462	63.96%	15.22%
International (including offshore)	165,202	33.59%	159,753	36.04%	3.41%

Corporate network finance continued to grow

The Orange-e-Net platform adhered to the strategic positioning of “supply chain finance + Internet finance” in serving the financial service needs of the internetized real economy in the process of transformation. The Orange-e-Net grabbed the opportunities arising from “Internet +” electronic commerce, focused on the productive service sectors and actively planned for business application to build a comprehensive services ecosystem targeted at industry chain and SME transformation. Innovative “B2B, B2C to C2B” service model efficiently empowered a comprehensive “Internet + industry + finance” development pattern.

In 2015, the Orange-e-Net had more than 2.00 million users, of which 1,625,000 were registered users, and the number of transaction customers were 970,000, while the amount of network financing was more than RMB21.0 billion.

Offshore financial business maintained a good momentum of development

The Bank actively implemented the offshore business transformation, improving four major offshore financial product systems, namely offshore investment and financing, offshore interbank financing, domestic resident and corporate offshore finance and offshore trade finance. The Bank has increased efforts in overseas mergers and acquisitions financing and privatization financing projects, effectively increasing the market share. As at the end of 2015, the balance of offshore loans amounted to USD9.7 billion, an increase of 26.8% over the beginning of year, and the loan amount increase stood at the forefront among the four Chinese offshore banks.

2. Retail business

In 2015, the retail business continued to deepen its reforms of BUs. Leverage on the comprehensive financial advantage of Ping An Group and the Bank’s resources of professional platforms, full-ranged licensed products and channels, it picked up the speed of client migration to further solidify its foundation. As at the end of 2015, retail deposits increased by 10.91% from the beginning of the year, and balance of retail loans (including credit cards) recorded 14.58% growth as compared with the beginning of the year. Assets under

management for individual clients increased rapidly to over RMB660.0 billion, representing an increase of 32.9% as compared with the beginning of the year.

Rapid growth in number of client and assets under management (AUM) driving up revenue

By virtue of continuous optimisation of the client structure, the number of client significantly increased, particular wealth management clients. Wealth management clients, private banking customers with eligible assets and settlement customers aggregated to 286,000, 14,500 and 4.894 million, representing an increase of 25.8%, 44.3% and 27.0% as compared with the beginning of the year, respectively. The individual customers' assets under management have been driven up rapidly, representing an increase of 32.9% as compared with the beginning of the year.

Significant results in customer migration and acquiring new customers

By continuing taking full advantage of the internal and external resources of the Group and the Bank, the retail business established a migration platform for customers from the Group, micro and small enterprise and payroll service customers, credit card customers, auto finance and consumer finance customers within the Bank. In 2015, the number of new customers contributed by the migration platform was 3.93 million, accounting for 50% of total new customers, 57% of new wealth management customers of the Bank, 54% of new assets and 63% of new deposits, respectively.

Excellent performance of wealth management products within further enriched product portfolio

On the back of the diversity of its wealth management products, excellent returns on products and good reputation in the market, the Bank won several wealth management awards in 2015. It continued to introduce new products to replace the old ones in our structural, private and overseas product categories, so as to promote sector fund products and diversify the product mix.

Rapid development of private banking, wealth management, community finance and online banking

Private Banking

Our private banking saw continued rapid development. As at the end of 2015, the clients' assets managed under our private banking increased by 64% to over RMB250.0 billion from the beginning of the year. Both the size and the growth led the pack

The Private Banking business continued to reinforce the three customer value propositions of “integrated finance, global configuration, and family heritage”, while deepening the four service systems of “investment management, health management, immigration and overseas education, and family protection”. The Bank has launched overseas real estate study tours and a number of domestic and foreign health management projects. Starting up the Ping An Heritage Institute, the Bank also jointly produced a large scale TV program with the CBN which was China's first TV program focused on family business governance and family wealth inheritance. Relying on the Group's consolidated financial platform, the Private Banking business performed group customer migration through multiple channels. In 2015, customer migration in main channels like life insurance and securities increased 236% and 117% respectively over the previous year.

The Private Banking business has established a good brand image, gaining wide market recognition. In 2015, the Bank won the seventh “Gold Money” Emerging Private Banking Award of the Shanghai Securities News, and also the Best Private Banking Award of “2015 China High-end Financial Management Strength List” organized by the Daily Economic News.

Wealth Management

Through customer enhancement projects like “Care for New Customers”, the Wealth Management business continued to work on “layered and split” operation, optimizing the wealth management team, team building and capacity building. The Bank has achieved results in equity penetration of wealth customers, marketing platform building, wealth brand building, and service capability enhancement.

In 2015, the Bank continued to hold the Ping An Wealth Forum, utilizing “Internet Plus” to launch large scale customer e-marketing campaigns such as Ping An Wealth “Fortuna Festival”. The bank also launched the “Enjoy your gift +” equity brand, built the “Ping An Wealth Travel +” and golf equity service platform, and continued the deepening of “banking hall integration” to create 20 “model service outlets”.

Through various enhancement initiatives, there was significant improvement in banking services, thus gaining market and customer recognition. The Bank won several wealth management and service experience awards such as the “2015 Best Bank in Wealth Management Brand”, “2015 Most Competitive Wealth Management Institution” and “Best Customer Experience Award” selected by many authoritative media such as Securities Times, Shanghai Securities News, Eastern Wealth Network, and hexun.com.

Community Finance

The Bank continued to promote the establishment and operation of branches in the communities in order to achieve a low-cost physical coverage and service provision. Surrounding the three customer value propositions of “doorstep, full finance, wise living” and leveraging on the Group’s advantages in integrated finance, the Bank provided financial and non-financial products and services to community residents so as to become their Ping An Good Neighbor. As at the end of 2015, the number of licensed community branches was 304, of which 119 community branches managed over billion of customer assets.

In 2015, the Bank held the Ping An Neighborhood Festival in 27 cities across the country, launching a series of activities covering the living of the community residents. Two nation-wide brand activities were organized: “Neighborhood in My Mind” painting contest and “Community Branch Experience Program”. Tens of thousands of customers participated in these activities, creating a peak of new asset increase. As a result, the Bank received the Best Brand Marketing Award of 2015 21st Century Golden Stone Award organized by Twenty-first Century Business Review.

Network Finance

Continuing to be customer-centric, the Bank has pushed forward the mobile Internet and big data construction and the continuous capability enhancement in 3E customer operation (E-customer acquisition, E-marketing, E-services), therefore creating an “innovation leading” brand advantage in the industry. As at the end of 2015, the cumulative number of online banking users was 10.09 million, an increase of 39% compared with the beginning of the year. Online Banking version 2.0 was launched around the brand philosophy of “Feel the Beauty of Minimalist, Experience the Speed Control”. With the introduction of the industry’s first intelligent voice and other innovative functions, the cumulative number of users in Pocket Banking was 13.95 million, an increase of 158% compared with the beginning of the year. The number of Ping An Orange customers was 5.06 million, up 883% compared with the beginning of the year. This was the result of innovative cross-industry cross-sector cooperation model, gradually promoting the implementation of “One Plus One Multiply” strategy to build a financial consumer services ecosystem. From the standpoint of raising production capacity and reducing costs, self-service equipment was transformed from “service” type equipment to “service-based, marketing-compatible” type equipment, therefore effectively improving the daily average number of transactions by 20%.

The various innovative initiatives received wide acclaim from the market. Pocket Banking, Ping An Orange and Personal Online Banking received several awards from many authoritative media and market third-party organizations such as hexun.com, The Banker, China Financial Certification Center and Sina Finance.

Steady growth in our asset businesses such as credit card, auto finance and consumer finance

Credit card

In 2015, Pingan Bank Credit Card Center moved to Qianhai, Shenzhen. It was upgraded as a second-level legal person specializing in credit card business and its operation was relatively independent. Our credit card business maintained its rapid and stable growth. As at the end of 2015, we had 19.98 million credit cards in issue, representing an increase of 22% as compared to the beginning of the year, of which 6.74 million were issued during the year. Total transaction amounted to RMB806.9 billion, representing a year-on-year increase of 31%. The balance of credit card loans was RMB147.7 billion, representing an increase of 44% as compared to the beginning of the year.

With innovation-driven development, customer experience was continuously enhanced, as our “Credit Card Real-time Approval and Issuing Project” was awarded “Science and Technology Development Award Third Prize” by the People’s Bank of China. As “Internet Plus” products are innovative, jointly launched with Ping An One Pocket, the Flower Card was the first credit card issued under the new concept “Internet Plus Credit card”. The Bank continued to promote network channel customer acquisition and online conversion of traditional channel customers. In 2015, network channel customer acquisition grew by 173% over the previous year, and the amount of online transactions increased by 26% year on year. The Bank employed innovative risk management technologies and optimized the portfolio structure, using the industry’s leading real-time approval and card issuing technologies and real-time transaction detection technologies. The Bank was the first to apply face recognition technology to PAD application. Through implementing various risk management measures,

risk resilience increased significantly, while the portfolio income could cover the risk. As at the end of 2015, the Bank's credit card NPL ratio was 2.50%, down 0.27 percentage point over the beginning of the year.

Auto finance

In 2015, the auto finance business of the Bank proactively carried out transformation and adjusted its business strategy, with RMB59.6 billion of loans granted in the year, increased by 14% as compared with the previous year, and outstanding car loans at RMB78.6 billion, increased by 20% from the beginning of the year. Its market share was dominant, where NPL ratio was at 0.28%, decreased by 0.30 percentage point from the beginning of the year. Automatic approval efficiency continued to rise, and further improvements were made in client experience. In August, the first asset-backed note with the subject as auto finance loan was successfully launched in the inter-bank market, which received an encouraging amount of subscription.

In 2015, the business commenced financial innovation cooperation with members of the group. Together with Ping An-UOB Fund, it launched the wealth-management-included auto loan product Auto Gain in September and has attracted near 4,000 quality customers with sales totalling RMB500 million since then. Its accident and health insurance for car owners operating with Ping An Annuity Insurance recorded sales near RMB500 million for the year. The Care-free with Cars covering purchase, usage and maintenance with health insurance embedded recorded sales of approximately RMB240 million for the year and won the Best Auto Finance Innovative Product 2015 at the China Auto Finance Fair. In 2015, the Bank also won several awards from external bodies including the Best Personal Auto Finance Bank 2015.

Consumer Finance

The Consumer Finance business has always been adhering to the customer-centric principle, with the aim of becoming the most trusted consumer financial service provider. While constantly pursuing product innovation, the Bank strived to meet customers' multi-faceted, multi-channel financing needs, optimize the business structure and enhance the quality of customer acquisition so as to achieve a high-quality, sustainable healthy development. The personal unsecured consumer credit product "New One Loan" has the core features of convenient application, and simple and fast. The Bank constantly enriched the product plan, and gradually strengthened online usage to effectively enhance the customer experience. Jinling Tong 2.0, Pay ETS respectively catered for the wealth customers and salaried customers with good occupation to provide comprehensive financial services such as consumer revolving credit and personal settlement. At the same time, to support the reasonable housing consumption demand of inhabitant households, the Bank has further expanded the mortgage business.

As at the end of 2015, the balance of the loans of consumer finance amounted to RMB128.317 billion with loans of RMB61.742 billion newly issued during the year. Our consumer finance carried on research on assets securitization of low-income loan to expand underlying assets base of the Bank's assets securitization. Our consumer finance remained steadfast in the pursuit of "restructuring and risk control" and optimized the loan structure and improved assets quality from aspects such as promotion of the mortgage business, strengthening risk monitoring and alert and repayment demand and collection. At present, the overall assets quality is stable and manageable.

3. Treasury and inter-bank business

In 2015, the treasury line upheld the operation strategy of "smaller capital, better structure, valued clients and good efficiency", under which it sped up the shift of operation model, expanded its customer base and transaction volume and continually optimised inter-bank assets and liabilities structure to enhance investment return, reduce inter-bank debt cost and expand non-interest revenue source, thus progressing the optimization of the revenue structure.

Stronger business innovation rising brand influence of "Gold Business", "Banking", "Option Expert" and "Smart Transaction"

Our capital operating centre was licensed and established in May 2015, which was the second bank capital business specialised institution approved by the CSRC, further enhancing the brand influence of treasury business.

The precious metal business continued to outperform most joint-stock banks. It continued to expand its investment and financing business by establishing the professional gold assets management account "Tong Cun Tong Dui" which was integrated with Ping An Pocket Banking, Ping An Orange and One Wallet and by launching the first repurchase business in the industry.

Seizing opportunities in the market, it launched innovative products such as Gou Hui Bao, Euro Loan,

buy-write option pairs and ranged forward currency settlement and the one-stop integrated trading platform for financial products Ping An Easy Trade, which provided diverse and customised products and services with convenience and efficiency. It also promoted products such as forward currency, Capped Forward Currency and narrow-ranged hedging currency option pairs to satisfy risk-aversion needs of clients and further enhance its reputation as an “option expert”.

It diversified its fixed income, gold and derivative product portfolios, strengthened analysis and management of capital for bonds and IRS, interest rate sensitivity and maturity structure and explored the investment consultancy business to increase the accuracy and depth of its transaction management, which led to steady increase in profits from transactions, market activity and influence.

Asset Management business accelerated product transformation and investment innovation, achieving rapid growth in scale.

As at the end of 2015, assets under the Bank’s management increased 130% compared with the beginning of the year, which was faster than the industry average. There were increasingly more net-worth-type products, in addition to the conventional net-worth-type products, the Bank has developed and designed share-bond hybrid net-worth-type products such as “Preferential Shares Enhanced Yield”, “New Shares Enhanced Yield” and “State Bond Futures” which were highly recognized by investors. The Bank actively expanded the equity investment market to accelerate business development and layout.

The Bank successfully launched China’s first index of the banking system – the Ping An Index series of wealth management products. The Bank successively released the Ping An Bank Cross-asset Optimized Allocation Index, Ping An Bank Global Balanced Index products, and overseas asset allocation by QDIE products. Brand building for the Asset Management business has significant achievement, successfully creating the “Growing Family” net-worth-type product brand and the “Wisdom” series product brand, which were widely recognized by investors and the community. In May 2015, the Bank ranked tenth in China Banking Financial Capability Integrated Financial Capability released by the China Banking Association, and also the Shanghai Securities News 2014 “Golden Money” Outstanding Bank Wealth Management Brand Award and “Golden Money” Best RMB Wealth Management Product Award. In September 2015, the Bank was named “China Best Structured Product Issuer” by Euromoney. In December 2015, by virtue of the achievement in asset management business and product innovation, the Bank won the 2015 CBN financial value list “Best Innovation Bank in Wealth Management Products”.

Strengthening changes in business model to promote interbank wealth accounts business with significant increase in number of customers and transaction volume in interbank cooperation

By implementing value customer service system in customer-focused marketing, the number of customers and transaction volume in interbank cooperation significantly increased. The Bank continued to strictly control the scale and risk assets occupancy, emphasizing on new asset quality and earnings to achieve a stable interbank spread and risk assets yield. By expanding non-banking customers, the Bank improved the contribution of deposits by non-banking customers, with deposits from non-deposit-taking financial institutions significantly increased compared with the beginning of the year, therefore increasing the proportion of demand deposits and lowering the overall cost of debt.

The Hang E-Tong Internet platform developed rapidly, quickly improving customer acquisition capability and service level with cooperation customers exceeding 500. The Hang E-Tong Internet platform won the “Shenzhen Financial Innovation 2015 Award”, therefore continuously improving the Bank’s brand image.

Note Finance continued optimization of business structure

The Note Finance Division continued to grow steadily by improving management and optimizing system processes, therefore improving judgment of the macroeconomic situation. By promoting the marketing of discounted bills business, the Bank has adjusted the business structure to gradually increase the earnings. The Bank has also explored innovative transformation of Internet bills, speeding up the transformation of the business model, improving the business structure and expanding non-interest net income sources.

4. Investment banking business

During 2015, non-interest net income from investment banking business amounted to RMB5.389 billion, representing an increase of 67% as compared with that in the same period of last year. As at the end of the reporting period, net assets in custody amounted to RMB3.69 trillion, representing an increase of 105% as compared with the beginning of the year, and custody fee income amounted to RMB2.939 billion, representing

an increase of 109.18% as compared with that in the same period of last year.

Significant progress in sector funds

In 2015, the Bank captured strategic opportunities of the deepening national reforms and economic transformation and promoted its sector funds as a key area of its investment banking business so as to support real economic development and throw itself into key areas benefiting to the public welfare, which drove the growth in its debt and interbank revenue and changed its operations.

The Bank focused on developing supply chain and industry leader customers with whom it could forge strategic cooperation. Based on customers' needs, it put into play its advantage in integrated financing and professional operation to assist customers in business expansion, operational transformation and resources allocation to facilitate the in-depth cooperation with companies from different sectors. It developed sector funds for infrastructure construction, investment in PPP projects, placement by listed companies and overseas mergers and acquisitions with focus on strategic regions and key supported industries set by the Chinese government under the One Belt One Road policy.

Continuous growth in bond underwriting

By virtue of its integrated financing channels, the Bank recorded continuous growth in bond underwriting. In 2015, it underwrote bonds of RMB132.95 billion, which increased by 45.10% as compared with the previous year.

Innovative breakthroughs in assets securitization

The assets securitization business made breakthroughs. In 2015, the Bank successfully launched in the inter-bank market two asset securitization products, of which "Ping An Bank 2015 first asset-backed securities for auto-backed loan" was the first asset securitization product for auto-backed loan launched in the inter-bank market by a Chinese commercial bank. The Bank strengthened its marketing of corporate asset securitisation products and cooperated with other banks to make new breakthroughs, which made ready a wide range of financial instruments for customers.

Progress in cross-border business

In 2015, the Bank actively developed its cross-border business and added innovation into its cross-border merger and acquisition financing and funds for A share offering by Chinese concept companies, aiming to provide one-stop ancillary corporate financial services for overseas investment and financing with multi-currency financing in China and overseas satisfying all relevant financing needs.

Custody business developed healthy and rapidly

In 2015, the Bank focused on building and promoting a "first class operation" marketing system by fully making use of the integrated financial ties. Closely following the work policy of "technology guiding, innovation-driven, marketing leading, efficient service", the Bank continued to build a custody financial ecosystem for the whole industry, therefore creating a "unique" Ping An trust brand.

The Bank has been successively awarded the "Chinese Asset Custody Industry's Most Influential Brand", "National Golden Award • Best Asset Custody Service Bank", "2015 China Best Financial Asset Custody Service Institution" and "2015 IF Internet + Customer + Financial Innovation".

Institutional business developed rapidly

In 2015, taking the opportunity of winning the qualification of non-tax revenue collection agent of the central treasury, the Bank accelerated the business development with various institutions. Consolidating the basis of the central treasury business, while completing the related supporting systems, the Bank has accelerated the system development, debugging and testing work. Standing out from the five new central treasury non-tax revenue agent banks, the Bank has taken the lead in obtaining the system approval by the Ministry of Finance and was highly commented. With the help of local treasury business development, the Bank has successively obtained the qualification of treasury business agent. In 2015, the Bank obtained qualification for non-tax revenue collection and payment agent in six provinces, five municipals and four districts, and direct payment agent qualification in one municipal. In comprehensively promoting the treasury cash management business, the Bank's five pilot branches have absorbed local treasury deposits in an accumulated amount of RMB25 billion, accounting about 4% of the market share.

5. Small enterprise finance business

Affected by the macro-economy, the small enterprise finance business set its main task as restructuring during 2015. As at the end of 2015, the loan balance of micro and small enterprises amounted to RMB114.1 billion, while personal business loans amounted to RMB107.4 billion, representing an accumulated increase of 5.6% as compared with the beginning of the year. The loan balance managed by small enterprise finance business unit amounted to RMB93.41 billion, representing a decrease of 14.3% as compared with the beginning of the year, of which the strategic product Dai Dai Ping An dual debit-credit commercial card loan balance was RMB52.548 billion, up 16.96% as compared with the beginning of the year. Among the other loans, internet insurance credit and loan with high mortgage rate decreased by RMB23.415 billion, reflecting the improved risk structure.

Affected by the macro-economy, micro and small enterprises faced tight cash flows with shrinking operations and higher credit risk, resulting in an overall increase in relevant NPL ratio to 3.13% as at the end of 2015, with main risks from existing internet insurance business and certain client of high-risk regions. Since 2014, the Bank has adjusted its strategy and targeted client from lower classes. Risk of new businesses was manageable. The overall quality of the strategic product Dai Dai Ping An dual debit-credit commercial card loan assets, which was under strong promotion, was stable, with NPL ratio at 1.76% as at the end of 2015. The amount of NPL and increase in NPL ratio remained manageable.

Expanding client coverage and optimizing business structure

On the one hand, the Bank consolidated tangible commercial businesses and strengthened risk management by implementing accountable marketing and sales list. On the other, it actively expanded the customer base of platforms and upper and lower value chain and designed new batch development models for headquarters-to-headquarters cooperation and flow-shop approval. The Bank has given approval to 275 third-party platforms and sub-value chain projects with credit facilities over RMB5.4 billion, involving logistic, supermarket, home appliances, brand distribution value chains and platforms of e-merchants, third-party information and data.

Accelerating integration with internet to enhance financial service efficiency and client experience

The Bank upgraded traditional businesses to go online, established online financing platforms and promoted mobile service channels such as online banking, mobile phones, Wechat, APP, IPAD, SMS and phone to form a service circle of mobile internet. With respect to innovative services, it launched Ping An Butler and explored comprehensive online management, operation, commercial and exchange platforms specializes for small corporate clients to provide the business sector and small businesses with more derivative added-value services. It strengthened new online tools and internet way of thinking to further improve and apply mobile display tool and client management system and enhance accuracy and sub-division of marketing. By making good use of “We Media” marketing such as Wechat dissemination and mobile internet, it effectively enhanced the efficiency of brand popularization.

Deepening comprehensive financial services on stepping stone Dai Dai Ping An

Dai Dai Ping An dual debit-credit commercial card made steady progress. As at the end of 2015, the number of Dai Dai Ping An dual debit-credit commercial card client totaled 958,600; the deposit balance of Dai Dai Ping An amounted to RMB12.913 billion; the number of holder amounted to 247,100; the credit balance of Dai Dai Ping An amounted to RMB86.481 billion; the loan balance amounted to RMB52.548 billion; and the average interest rate was 15.45%.

Based on the core objectives of Dai Dai Ping An, the Bank produced more repeatable and risk-manageable solution, including standardized the mortgage product - Fang Yi Dai, invoice-based loan products and customized Dai Dai products specialized for quality business clients. It further diversified the portfolio and rights of cards to satisfy clients' individual needs. It also increased development and marketing of settlement and comprehensive financial products, which enabled total coverage over credit, settlement and comprehensive finance. It held various large client appreciation events such as advanced customer appreciation party, praying trip to Putuo Mountain, further improving differentiated services and enhancing customer experience.

Strengthened technological innovative capability for systems, data and models

Leveraging the internet way of thinking and Big Data technologies, the Bank pursued business innovation and strengthened construction of data platforms, increased data application capacity and strengthened precise marketing and risk management models. The innovative platform of full long-distance business management was equipped with functions such as PAD long-distance signature and self-service loan application and pre-examination and approval, which provided small and micro companies with the professional and comprehensive online small and micro financial services.

6. Industry business units

The Bank has established six industry business units, namely the real estate finance unit, energy and mining finance unit, transportation finance unit, modern logistics finance unit, modern agricultural finance unit, and healthcare, culture and travel unit. The Bank is also organizing the electronics and information industry and equipment manufacturing business units. As at the end of 2015, the (self-operating) deposit balance of industry business units was RMB169.4 billion, and the loan balance was RMB250.6 billion. Both of them doubled as compared to the beginning of the year. The operating income for 2015 amounted to RMB10.1 billion, representing a year-on-year increase of 41%.

7. Integrated finance business

Consistently high performance of corporate cross-selling

The operating income of corporate cross-selling channels in 2015 amounted to RMB1,270 million (including net non-interest income of RMB391 million). Daily average deposit increased by 35% to RMB30.8 billion as compared to the beginning of the year. The intragroup professional subsidiaries contributed to the custody business share for over trillion RMB, accounted for over 31% of the custody business. 121 new projects involving new investment amount of RMB150.0 billion were confirmed through the cooperation between the Bank and the investment series program of Ping An Group, thus contributing RMB800 million of operating income of the Bank.

Strength in integrated finance continued to boost retail development

Integrated Finance business continued to grow, such as retail life insurance comprehensive development new model, Group sold credit cards, bank sales of insurance, and banking-security cooperation. Comprehensive development channels have migrated 1.09 million customers in 2015, with an increase of 20,769 wealth customers compared with the beginning of the year, customer assets increased RMB47.9 billion, deposits increased RMB11.9 billion, while the average assets of new customers continued to increase substantially, with contribution of new customers, wealth customers, assets and deposits to the Bank respectively at 8%, 35%, 29% and 44%. Credit cards brought a class of natural products to the Group subsidiaries, with newly acquired customers through cross-selling channels accounted for about 33% of new card issues. Retail channel sales of Group insurance achieved a non-interest income of RMB607 million, a year-on-year increase of 136%. The branches, credit cards and auto finance channels continued to tap on the rich insurance resources within the group, and created insurance products in cooperation with the Group subsidiaries to suit the customer needs catered to the customer characteristics of each channel, as a result achieved non-interest income of RMB220 million, RMB197 million and RMB190 million respectively, an year-on-year increase of 134%, 60% and 380%. The Bank has deepened the cooperation with securities brokerage companies, successfully created Bank-Securities e-Home, a differentiated third party custody business brand, with specialty products and features such as booking and 24/7 service for wealth management. As at the end of 2015, newly signed Ping An Securities third-party depository customers were 528,500, 11 times of that for the same period last year.

8. Wealth management business

As at the end of 2015, the Bank's balance of capital guaranteed wealth management products was RMB239.9 billion and the balance of non-capital guaranteed wealth management products was RMB501.9 billion.

(3) Whether there is significant change in the main businesses during the reporting period?

☐ Yes ☒ No

(4) Product accounted for over 10% of main businesses income or main businesses profit

☒ Applicable ☐ Not Applicable

(In RMB million)

Item	2015		2014		Year-on-year change
	Amount	%	Amount	%	
Net interest income	66,099	68.74%	53,046	72.26%	24.61%
Interest income from placement at central bank	4,206	3.19%	3,885	3.26%	8.26%
Interest income from transactions with financial institutions	12,660	9.62%	20,422	17.13%	(38.01%)
Including: Interest income from inter-bank borrowing	4,179	3.17%	3,642	3.06%	14.74%
Interest income from inter-bank lending	1,188	0.90%	1,176	0.99%	1.02%
Interest income from loans and advances	86,140	65.43%	71,270	59.79%	20.86%
Interest income from investments	28,271	21.47%	23,179	19.45%	21.97%
Other interest income	372	0.29%	446	0.37%	(16.59%)
Subtotal of interest income	131,649	100.00%	119,202	100.00%	10.44%
Interest expense on borrowings from Central Bank	63	0.10%	37	0.06%	70.27%
Interest expense from transactions with financial institutions	17,238	26.30%	26,911	40.68%	(35.94%)
Deposit interest expense	42,763	65.24%	37,551	56.76%	13.88%
Bond interest expense payables	5,486	8.36%	1,657	2.50%	231.08%
Subtotal of interest expense	65,550	100.00%	66,156	100.00%	(0.92%)
Net fee and commission income	26,445	27.50%	17,378	23.67%	52.18%
Other net operating income	3,619	3.76%	2,983	4.07%	21.32%
Total operating income	96,163	100.00%	73,407	100.00%	31.00%

(5) Whether there is operating seasonal or cyclical sign needed specific concern?

☐ Yes ☒ No

(6) Reason for significant changes in operating income, operating cost, net total profit attributable to ordinary shareholders of the Company during the reporting period as compared to the last reporting period

☒ Applicable ☐ Not Applicable

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

Item	Change (%)	Reasons for change
Fee and commission income	48.10%	Increase in fee and commission income of investment banking, custody, wealth management, settlement, agency, bank cards, gold leasing, etc.
Gains/losses in fair value changes	1,170.00%	Small base number, RMB -10 million in last year
Foreign exchange gains/losses	(47.68%)	Small base number, RMB -388 million in last year
Asset impairment loss	103.08%	Increase in the loan size and enhanced ability to resist risks

(7) Suspension in trading or delisting

☐ Applicable ☒ Not applicable

6. Matters relating to Financial Statements**(1) Reason for changes in accounting policies, accounting estimates and accounting methods as compared to the financial report for last year**

☐ Applicable ☒ Not applicable

There is no change in accounting policies, accounting estimates and accounting methods during the reporting period.

(2) Reason for retrospective restatement to correct major accounting errors during the reporting period

☐ Applicable ☒ Not applicable

There is no retrospective restatement to correct major accounting errors during the reporting period.

(3) Reason for changes in scope of the consolidated financial statements as compared to the financial report for last year

☐ Applicable ☒ Not applicable

There is no change in scope of the consolidated financial statements during the reporting period.

(4) Opinions of the Board and the Supervisory Committee regarding the “modified auditors’ report” for the reporting period issued by the CPA

☐ Applicable ☒ Not applicable

The Board of Ping An Bank Co., Ltd.

March 10, 2016

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