

Ping An Bank Co., Ltd.

2016 Annual Report Summary

I. Important Notes

1.1. This annual report summary is extracted from the full text of annual report (hereinafter referred to as the “2016 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 5th meeting of the 10th session of the Board of the Bank considered the 2016 Annual Report together with its summary. 12 directors attended the meeting, at which 12 directors were expected to attend. This report was approved unanimously at the meeting.

1.4. The 2016 financial report prepared by the Bank was audited by PricewaterhouseCoopers Zhong Tian LLP according to the PRC standards on auditing with the issue of the auditors’ report with unqualified opinions.

1.5. Xie Yonglin (the Bank’s Chairman), Hu Yuefei (the President), Chen Rong (the Vice President and CFO) and Han Xu (the head of the Accounting Department) guarantee the authenticity, accuracy and completeness of the financial report contained in the 2016 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 RMB1.58 per 10 shares (tax inclusive) to all shareholders based on the total share capital of the Bank of 17,170,411,366 shares as at December 31, 2016. No bonus shares will be issued and no conversion will be made from reserves.

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

Applicable Not applicable

II. Basic Corporate Information

1. 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 An Bank, 5047 East Shennan Road, Shenzhen, Guangdong, the PRC	Board Office of Ping An 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 in which the Bank operates

With new models replacing old models in the domestic economy and deleveraging in 2016, the pressure in banking operations was tighter. The impacts and challenges arising from credit risks, market risks and other risks in the industry, as well as the intensified volatility in the financial market abroad imposed higher requirements on liquidity management and asset and liability management of commercial banks. Meanwhile, positively affected by “One Belt, One Road”, new economy and good consumption sentiment, the businesses of banks such as internet

finance and consumer finance has soundly developed with a promising prospect. In 2016, based on a thorough review of the macro and industry situation, the Bank launched a new strategy for retail transformation, strived to build a new development model for smart retail banking and promoted our business operations with less capital and assets.

III. 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	2016	2015	2014	Year-on-year change
Operating income	107,715	96,163	73,407	12.01%
Operating profit before asset impairment loss	76,297	59,380	41,257	28.49%
Asset impairment loss	46,518	30,485	15,011	52.59%
Operating profit	29,779	28,895	26,246	3.06%
Gross profit	29,935	28,846	26,194	3.78%
Net profit	22,599	21,865	19,802	3.36%
Net profit net of non-recurring gains/losses	22,606	21,902	19,841	3.21%
Earnings per share (EPS):				
Basic EPS (in RMB)	1.32	1.30	1.20	1.54%
Diluted EPS (in RMB)	1.32	1.30	1.20	1.54%
Basic EPS after non-recurring gains/losses (in RMB)	1.32	1.30	1.21	1.54%
Cash flows:				
Net cash flows from operating activities	10,989	(1,826)	25,321	Negative amount for last year
Net cash flows from operating activities per share (in RMB)	0.64	(0.11)	1.54	Negative amount for last year
Total assets (at end of the year)	2,953,434	2,507,149	2,186,459	17.80%
Shareholders' equity (at end of the year)	202,171	161,500	130,949	25.18%
Shareholders' equity attributable to ordinary shareholders (at end of the year)	182,218	161,500	130,949	12.83%
Net asset per share attributable to ordinary shareholders (at end of the year and in RMB)	10.61	9.41	7.96	12.75%

Note: The profit distribution proposal of the Bank for 2015 was implemented during the first half of 2016. A cash dividend of RMB1.53 (tax inclusive) was paid to every shareholder for every 10 shares held based on the total share capital of the Bank as at December 31, 2015 comprising 14,308,676,139 shares, and bonus shares to every shareholder by way of conversion of capital reserve on the basis of two shares for every 10 shares in issue.

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 cash flows from operating activities per share, net asset per share attributable to ordinary shareholders stated in the table above were recalculated based on the adjusted number of shares.

Has the share capital ever changed and influenced the amount of the owners' equity because of newly issued shares, additional issue, allotment, exercising of 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)	17,170,411,366
Fully diluted earnings per share calculated based on the new share capital (RMB/share)	1.32

Whether there are corporate bonds

Yes No

2. Quarterly financial indicators

(In RMB million)

Item	First Quarter of 2016	Second Quarter of 2016	Third Quarter of 2016	Fourth Quarter of 2016
Operating income	27,532	27,237	27,199	25,747
Net profit attributable to the shareholders of the Company	6,086	6,206	6,427	3,880
Net profit attributable to shareholders of the Company after non-recurring profit/loss	6,075	6,219	6,413	3,899
Net cash flows from operating activities	59,268	(92,466)	(119,744)	163,931

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. Non-recurring gains/losses and their respective amounts

(In RMB million)

Item	2016	2015	2014	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)	(178)	(24)	(8)	Negative amount for last year
Gains/losses on contingency	1	(1)	(6)	Negative amount for last year
Other non-operating income and expense except the above items	168	(24)	(38)	Negative amount for last year
Income tax effect	2	12	13	(83.33%)
Total	(7)	(37)	(39)	Negative amount for last year

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	2016	2015	2014	Year-on-year change
Return on total assets	0.77	0.87	0.91	-0.10 percentage points
Average return on total assets	0.83	0.93	0.97	-0.10 percentage points
Weighted average return on net assets	13.18	14.94	16.35	-1.76 percentage points
Weighted average return on net assets (net of non-recurring gains/losses)	13.18	14.96	16.38	-1.78 percentage points
Cost/income ratio (excluding business tax)	25.97	31.31	36.33	-5.34 percentage points
Credit costs	3.37	2.56	1.55	+0.81 percentage points
Deposit-loan spread	4.49	4.89	5.01	-0.40 percentage points

Net interest spread (NIS)	2.60	2.62	2.39	-0.02 percentage points
Net interest margin (NIM)	2.75	2.81	2.60	-0.06 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. In 2016, the Bank reclassified the net gains of precious metals leasing from net non-interest income to net interest income, and adjusted the comparative data.

5. Deposit taking and advance of loans

(In RMB million)

Item	December 31, 2016	December 31, 2015	December 31, 2014	Change from the end of current year over the end of last year
I. Deposit taking	1,921,835	1,733,921	1,533,183	10.84%
Including: Corporate deposits	1,652,813	1,453,590	1,280,430	13.71%
Retail deposits	269,022	280,331	252,753	(4.03%)
II. Total loans and advances	1,475,801	1,216,138	1,024,734	21.35%
Including: Corporate loans	934,857	774,996	639,739	20.63%
General corporate loans	920,011	761,331	627,326	20.84%
Discounted bills	14,846	13,665	12,413	8.64%
Retail loans	359,859	293,402	282,096	22.65%
Receivables for credit cards	181,085	147,740	102,899	22.57%
Provision for impairment of loans and advances	(39,932)	(29,266)	(21,097)	36.45%
Loans and advances, net	1,435,869	1,186,872	1,003,637	20.98%

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 aforementioned statistical standards, as at December 31, 2016, the total deposits and the total loans amounted to RMB2,402.6 billion and RMB1,514.7 billion, respectively.

6. Supplementary indicators

(Unit: %)

Item		Standard level of indicator	December 31, 2016	December 31, 2015	December 31, 2014
Liquidity ratio	RMB	≥25	47.62	52.14	52.51

	Foreign currency	≥25	99.04	103.30	82.49
	RMB and foreign currency	≥25	49.48	54.29	53.21
Loan/deposit ratio (including discounted bills) (RMB and foreign currency)		Not applicable	75.21	69.01	65.39
Liquidity coverage		≥80	95.76	140.82	80.25
In accordance with <i>Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)</i>	Capital adequacy ratio	≥10.5	11.53	10.94	10.86
	Tier one capital adequacy ratio	≥8.5	9.34	9.03	8.64
	Core tier one capital adequacy ratio	≥7.5	8.36	9.03	8.64
Ratio of loans to the single largest client to net capital		≤10	5.19	3.46	2.93
Ratio of loans to top 10 clients to net capital		Not applicable	25.78	20.16	19.77
Ratio of accumulated foreign exchange exposure position to net capital		≤20	4.11	1.71	0.52
Pass loans flow rate		Not applicable	7.14	6.92	4.74
Special mention loans flow rate		Not applicable	37.56	29.13	20.16
Substandard loans flow rate		Not applicable	43.83	49.42	55.68
Doubtful loans flow rate		Not applicable	71.14	85.27	98.29
Cost/income ratio (excluding business tax)		Not applicable	25.97	31.31	36.33
Non-performing loan (NPL) rate		≤5	1.74	1.45	1.02
Provision coverage		Not applicable	155.37	165.86	200.90
Loans loss provision ratio		Not applicable	2.71	2.41	2.06

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.

IV. 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 the end of the reporting period	350,142	Total number of preference shareholders with recovered voting rights as at the end of the reporting period and 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	349,253
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	
							Status of shares	Number of shares
Ping An Insurance (Group) Company of China, Ltd. – the Group – proprietary fund	Domestic legal entity	8,510,493,066	49.56	1,418,415,511	2,539,057,247	5,971,435,819	-	-
Ping An Life Insurance Company of China, Ltd. – proprietary fund	Domestic legal entity	1,049,462,784	6.11	174,910,464	0	1,049,462,784	-	-
China Securities Finance Corporation Limited	Domestic legal entity	479,370,768	2.79	51,538,009	0	479,370,768	-	-
Ping An Life Insurance Company of China, Ltd. –traditional – ordinary insurance products	Domestic legal entity	389,735,963	2.27	64,955,994	0	389,735,963	-	-
Central Huijin Asset Management Ltd.	Domestic legal entity	216,213,000	1.26	36,035,500	0	216,213,000	-	-
China Electronics Shenzhen Company	Domestic legal entity	191,251,938	1.11	26,791,990	0	191,251,938	-	-
Shenzhen Zhengshun Capital Holdings Limited	Domestic legal entity	106,686,426	0.62	106,686,426	0	106,686,426	-	-
China Nature Fund – Minsheng Bank – China Nature Ping’an No. 1 Asset Management Plan	Domestic legal entity	94,643,757	0.55	94,643,757	0	94,643,757	-	-
Donghai Ruijing Asset Management – SPD Bank – Donghai Ruijing – SPD Bank – Ruilong No. 18 Special Asset Management Plan	Domestic legal entity	89,314,735	0.52	89,314,735	0	89,314,735	-	-
ICBC Credit Suisse Fund – Agricultural Bank of China –ICBC Credit Suisse & CSFC Asset Management Plan	Domestic legal entity	63,731,160	0.37	15,177,460	0	63,731,160	-	-
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	None							

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

√ Applicable □ Not Applicable

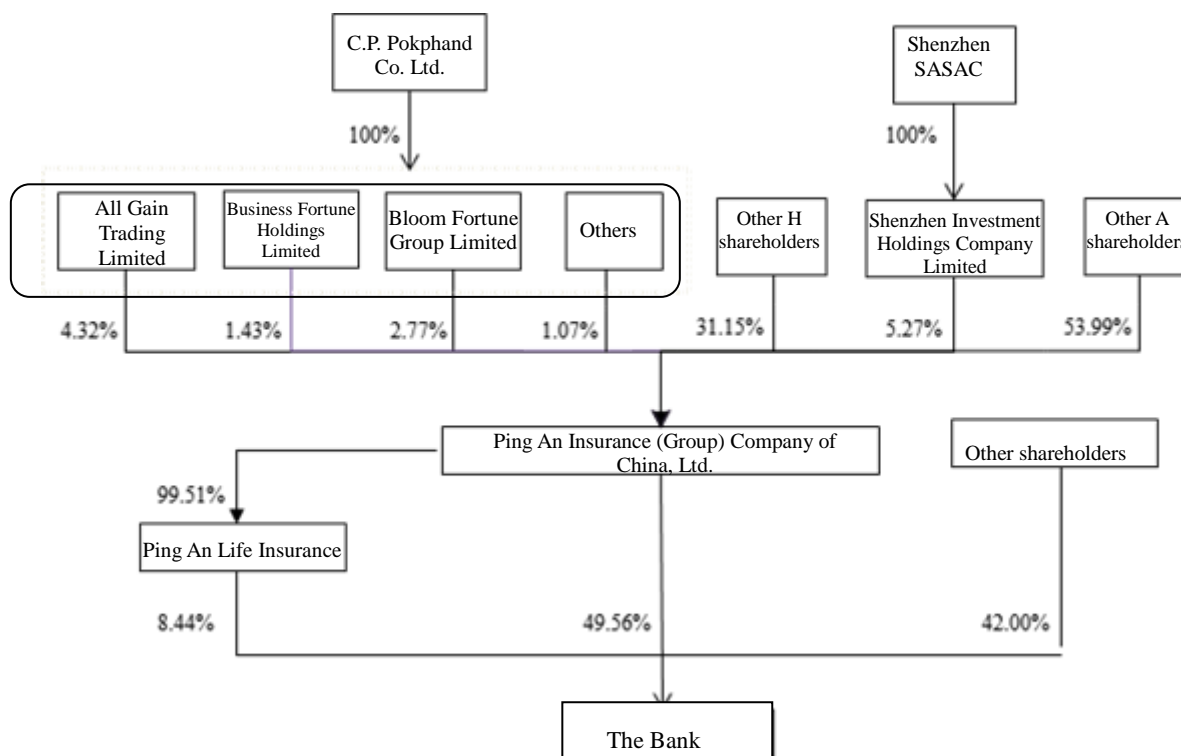
(Unit: Share)

Total number of preference shareholders at the end of the reporting period	15		Total number of preference shareholders as at the end of the month before the release of the Annual Report	15				
Shareholding of shareholders with more than 5% preference shares or top 10 preference shareholders								
Name of shareholder	Capacity	Shareholdings (%)	Total number of shares held at the end of the reporting period	Changes during the reporting period	Number of restricted shares held	Number of unrestricted shares held	Pledged or frozen	
							Status of shares	Number of shares
Ping An Life Insurance Company of China, Ltd. – dividend – dividends for individual insurance	Domestic legal entity	29.00	58,000,000	58,000,000	-	58,000,000	-	-
Ping An Life Insurance Company of China, Ltd. – universal – individual universal insurance	Domestic legal entity	19.34	38,670,000	38,670,000	-	38,670,000	-	-
Ping An Property & Casualty Insurance Company of China, Ltd. – traditional – ordinary insurance products	Domestic legal entity	9.67	19,330,000	19,330,000	-	19,330,000	-	-
China Post & Capital Fund – Hua Xia Bank – Hua Xia Bank Co., Ltd.	Domestic legal entity	8.95	17,905,000	17,905,000	-	17,905,000	-	-
Bank of Communications Schroder Fund Management – Bank of Communications – Bank of Communications Co., Ltd.	Domestic legal entity	8.95	17,905,000	17,905,000	-	17,905,000	-	-
Bank of China Limited Shanghai Branch	Domestic legal entity	4.47	8,930,000	8,930,000	-	8,930,000	-	-
Postal Savings Bank of China Co., Ltd.	Domestic legal entity	2.98	5,950,000	5,950,000	-	5,950,000	-	-
China Resources SZITIC Trust Co. Ltd – investment No.1 – trust funds	Domestic legal entity	2.98	5,950,000	5,950,000	-	5,950,000	-	-
Hwabao Trust Co., Ltd. – investment No.2 – trust funds	Domestic legal entity	2.98	5,950,000	5,950,000	-	5,950,000	-	-
China Merchants Wealth – PSBC – Postal Savings Bank of China Co., Ltd.	Domestic legal entity	2.98	5,950,000	5,950,000	-	5,950,000	-	-
Description of different requirements on other terms of preference shares held other than dividend distribution	N/A							

and residual property distribution	
Description of the related relationship or concerted action among top 10 preference shareholders and between top 10 preference shareholders and top 10 ordinary shareholders	<p>1. Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China, Ltd. are controlled subsidiaries of and acting in concert with the Ping An Insurance (Group) Company of China, Ltd. “Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund”, “Ping An Life Insurance Company of China, Ltd. - proprietary fund”, “Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance product”, “Ping An Life Insurance Company of China, Ltd. – dividend – dividends for individual insurance”, “Ping An Life Insurance Company of China, Ltd. – universal – individual universal insurance” and “Ping An Property & Casualty Insurance Company of China, Ltd. – traditional – ordinary insurance products” are related parties.</p> <p>2. The Bank is not aware of any related relationship or concerted action among any of other shareholders.</p>

3. The ownership and controlling relationship between the Company and its 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:



V. Corporate Bonds

Applicable Not applicable

VI. The Discussion and Analysis of the Operations

1. Brief Introduction to the Operations during the Reporting Period

In 2016, as China actively promoted the structural reform of the supply side and achieved initial results, the domestic economy has made steady progress. The People's Bank of China continued to implement a prudent monetary policy, adopt more flexible controlling tools and improve the macro prudential management framework. In order to get adapted to the external economic situation, the Bank firmly pursued its own business transformation and formulated the strategic goal of a shift to a retail bank in a comprehensive way: to create the intelligent, mobile and professional retail banking services with "SAT (social media + client application + remote service team) plus smart main account" at the core; to persist in the operational principle of large corporate business characterized by "industrialization, specialization, investment banking, light assets, light capital" with a view to promoting the coordinative development of the corporate business and the interbank business; to implement the public and private linkage and render support to the development of retail business.

In the "2016 China Financial Institution Gold Medal & Gold Dragon Award" sponsored by the Financial Times, the Bank won the award of "Best Shareholding Bank of the Year" for three consecutive years and the award of "Top Ten Internet Financial Innovation Bank of the Year" for the second time. In the "China Distinguished Financial Award" sponsored by the Economic Observer, the Bank won the award of "Distinguished Retail Bank". In addition, the Bank has also won the "ACCA's China Future Top 100 Enterprise – New Emerging Bank", "China Top 100 Enterprise Award" and "China Innovative Enterprise Award" at the 16th China Top 100 Listed Company Summit, "Outstanding Board of Directors" at the 12th Gold Prize of Round Table of Chinese Boards of Listed Companies and other honors.

In 2016, the Bank's operations have the following characteristics:

(1) Maintaining a steady growth of scale and a stable increase in profit

At the end of 2016, the Bank's total assets amounted to RMB2,953.434 billion, increasing by 17.80% over the beginning of the year. The deposit base was continuously consolidated. The deposit balance totaled RMB1,921.835 billion at the end of the year with an increase of RMB187.914 billion or up 10.84% over the beginning of the year; the deposit structure was optimized, as the ratio of the daily average balance of the current deposit (excluding guarantee deposit) increased by 6% over the previous year. The Bank was actively adapting itself to the market changes and marketing high-quality projects with a leading loan growth in the industry. The issued loans and advances (including discount) totaled RMB1,475.801 billion, up 21.35% over the beginning of the year.

In 2016, the Bank has realized operation revenue of RMB107.715 billion, up 12.01% year on year. Among others, the non-interest net income was RMB31.304 billion, up 13.00% year on year, mainly due to the increase in the service fee of credit card and financial management. With a pre operating profit of RMB76.297 billion, up 28.49% and a net profit of RMB22.599 billion, up 3.36%, the Bank's profitability remained stable.

The operation efficiency continued to be optimized with a ratio of the cost to the income being 25.97%, down 5.34%; despite the influence of the implementation of the BT-into-VAT policy as of May 1 this year, the Bank's interest spread remained stable with a net interest spread of 2.60% and a net interest margin of 2.75% in 2016.

(2) Deepening the reform and innovation and constructing the intelligent retail bank

The Bank continued to deepen the reform of the retail business system, and accelerated the construction of an intelligent retail bank with our own characteristics through customer migration and scientific and technological innovation.

At the end of 2016, the number of the Bank's retail customers reached 40,473.2 thousand, increasing by 27.43% over the beginning of the year; the assets under management (AUM) of the individual customers increased fast with a balance of RMB797.6 billion at the end of the year, increasing by 19.54% over the beginning of the year. The balance of retail loans under management (LUM, excluding credit card, small enterprise loans) amounted to RMB291.338 billion, up 42.04% over the beginning of the year; the current credit card accounts reached 22,741.8 thousand, up 29.76% over the beginning of the year; the transaction volume of credit cards totaled RMB1,121.062 billion, increasing by 38.94% year on year. By virtue of the business growth in 2016, the retail business (including credit cards) realized a cumulative after-tax net profit of RMB9.315 billion, increasing by 147.15% year on year.

(3) Practicing the operating philosophy of "industrialization, specialization, investment banking, light assets, light capital" and promoting the development of corporate business

Through an integration of the corporate business, investment banking and interbank capital businesses, the Bank was reconstructing the large public segment to further develop the corporate business on the philosophy of "industrialization, specialization, investment banking, light assets, light capital"; adhering to the industrial characteristics, the Bank actively practiced the industrial financial mode of "C + SIE + R" (industrial core customers + supply chain, industrial chain, eco-circle + retail customers) and undertook the path of becoming a "commercial + investment bank".

The Bank's internet financial strategy produced marked effects. In 2016, the trading volume of "Orange E Platform" was RMB1.48 trillion, up 92.52% over last year. The Bank developed the first gold investment application - Ping An Gold in the industry; the balance of the Bank's net value of assets custody reached RMB5.46 trillion with a daily average asset management scale of RMB981.976 billion and a substantial increase year on year.

(4) Strengthening risk management and continuously enlarging the provision and recovery

The Bank continued to optimize its credit structure and strictly control the incremental business risk. Through a series of measures, it strengthened the recovery and disposal of non-performing assets, increased the provision and verification and maintained a relatively stable asset quality. In 2016, the Bank's accrued impairment loss on loans amounted to RMB45.435 billion, up 52.12% year on year. The reserve balance of impairment loss on loans amounted to RMB39.932 billion at the end of 2016, up 36.45% over the beginning of the year. The call loan ratio was 2.71%, up 0.3% over the beginning of the year, the non-performing loan ratio was 1.74% and the provision coverage ratio was 155.37%.

In 2016, the Bank improved its capabilities of risk disposal and rapid disintegration in special asset management. During the whole year, the Bank recovered a total non-performing asset of RMB5.246 billion, of which the credit assets (loan principal) amounted to RMB4.852 billion. Among the recovered loan principal, the written-off loan valued RMB1.508 billion, the non-written-off non-performing loan valued RMB3.344 billion; 88% of the recovered amount was in cash and the rest was in the payment of debt by things.

(5) Promoting capital supplement and allocating a reasonable network coverage

The Bank was promoting the capital supplement by a non-public offering of 20-billion-RMB preferred stock in March 2016 and 10-billion-RMB second-tier capital bonds in April 2016 in order to respectively supplement other first-tier as well as second-tier capital and guarantee the business development in general.

The Bank has allocated a reasonable network coverage. In 2016, 6 new branches and 75 new operating agencies were set up. As of the end of 2016, the Bank has 60 branches and 1,072 operating agencies in total.

2. Discussion and Analysis of the Main Businesses

(1) Retail business

In 2016, the Bank continued to deepen the reform of a large retail business division through customer migration and scientific and technological innovation and accelerate the creation of an intelligent retail bank with our own characteristics. Till the end of the reporting period, the balance of retail deposits was basically the same as that at the beginning of the year. The balance of retail loans (including credit cards) increased by 22.62% over the beginning of the year. The assets under management of individual customers increased rapidly with a balance of RMB797.6 billion at the end of the period, up 19.54% over the beginning of the year.

(i) A rapid growth of the number of customers, significantly good results in the work of customer migration and attraction and the constant improvement of customer services

The number of customers grew rapidly and the customer structure continued to be optimized. As of the end of the reporting period, the number of retail customers was 40,473.2 thousand, increasing by 27.43% over the beginning of the year. Among them, wealth and above-level customers (private wealth customers) and private banking customers reached 343.8 thousand and 16.9 thousand respectively, up 20.20% and 16.69% over the beginning of the year. The number of settlement account customers reached 5,415.2 thousand, up 10.65% over the beginning of the year.

The Bank continued to utilize the Group's internal and external resources to establish a migration platform for the Group's customers, internal small and micro payroll customers, credit card customers, and automotive financial and consumer financial customers. In 2016, the migration platform contributed 8,213.9 thousand new customers to the Bank, taking up 49.47% of the total. Among them, the contribution rate of new wealth customers was 53.24% and that of new assets was 53.96%.

The Bank was always upholding the "customer-oriented" operating philosophy, listening to the customers' voice and continuously enhancing the customer experience, ranking No. 2 in "2016's Research Report on the Customer Satisfaction of China Retail Bank" released by the J.D.Power.

(ii) The rapid development of private banking customers and wealth customers, internet finance and other channels of financial businesses

Private and Wealth Customers

In 2016, the Bank continued to deepen the reform of the retail business and established a new private banking and wealth customer business division (hereinafter referred to as the "private and wealth division"). After this transformation, the "private and wealth division focused on the operation of customer groups in order to build an intelligent business platform and achieve the intelligent management of the customers through the accurate customer segmentation, the open integrated supermarket of financial products, the overall global asset allocation and the "financial +" service platform catering to the customers' non-financial needs on the basis of the Group's integrated financial businesses, big data platform and high mobile capacity; at the same time, this division was advocating the core value proposition of "a smart change of the finance makes a really different Ping An Bank" and targeting at becoming the customer's smart financial partner.

The first phase of the layered diffluent Intelligent platform - "Love New Customer" (3.0 version), which got on line successfully, cumulatively recommended 102 thousand potential private banking and wealth customers to the network, promoted an increase of 11 thousand private banking and wealth customers and a net asset growth of RMB12 billion in combination with the large data platform. The upgraded real-time smart purchase platform as a hot product, which got on line on September 8, provided the online function of a click to buy on H5 (HTML5) page and built the new extensive business model of SAT (social media + client application + remote service team).

At the same time, the private and wealth division further implemented the product system of "wealth management + asset management + investment banking", strengthened its communication and cooperation with the Group's subsidiaries, enriched the product line to meet the product supply for new customers and stock customers as well and formulated and implemented the product strategy towards the migrated customers from other channels. Moreover, the discretionary and family heritage businesses have also started and steadily grown.

Internet Finance

The Bank underwent comprehensive retail business transformation, acted on the customer-centric philosophy, sped up the construction of online platforms for the goal to become the "financial steward" and "life assistant" of the customers and gradually boosted the smart banking experience by technological means.

In 2016, the pocket bank took an agile development mode, continuously optimizing the customer experience by way of a quick iterative process of versions and improved the operational processes and functions. At the same time, the Bank comprehensively implemented the construction of mobile projects, strengthened its online management and marketing capabilities and promoted the change of the pocket bank from a financial instrument into an operating platform. During the reporting period, the pocket bank opened the second-type registration function and supported the customer's registration in the Bank by binding his or her cards of other banks and achieved an integration with the account of Ping An Orange (Ping An Direct Banking). It also started the pilot program of "thousands of style for thousands of people" and offered an exclusive layout particularly for each different customer. It introduced new life services such as the payment of the violation charges and innovatively launched an aggregated page of multiple hot financing products for the customers' choices. In this case, the customer needed not to download APP but to finish the online account registration and then the purchase was complete. The sharing through WeChat or other socialization tools was also supported here. As of the end of the reporting period, the cumulative number of the users of the pocket bank reached 26,096.8 thousand, doubling that at the beginning of the year. In "2016 China's Financial Annual Champion Awards" by Hexun.com, the pocket bank won the "Scientific and Technological Innovation Award for Commercial Banks".

(iii) The steady growth of credit cards, automotive finance, consumer finance and other asset businesses

Credit Card

The credit card business continued to grow rapidly and steadily. As of the end of the reporting period, the number of newly issued cards reached 8,382 thousand, up 24.27% year on year; the amount of card circulation was 25,606.1 thousand, up 28.18% over the beginning of the year; the total transaction amount was RMB1,121.062 billion, up 38.94%; the loan balance was RMB181.085 billion, up 22.57% over the beginning of the year. The non-performing rate of the credit card of the Bank was 1.43%, down 1.07% over the beginning of the year, and the trend of portfolio risks continued to improve.

As the innovation and the brand of the Bank won great recognition, its customer experience continued to improve. The innovation and brand of its credit card have been well acclaimed by the authoritative institutions and the market itself. The "credit card's real-time authorization and decision system project" has won the Third Prize for Scientific and Technological Innovation Development" by the People's Bank of China and the Qianhai

Outstanding Financial Innovation Best Practice Award; "the integrated promotion of Ping An's All Your Card by social media" won the Annual Marketing Prize of China Advertising Great Wall Awards as well as the Annual Bank Award for Innovation in Credit Card" by Investor News. The Bank's customer satisfaction for credit card increased to 83 points, ranking in the forefront of the industry. The NPS (customer recommendation index) increased by 9 points from that in 2015.

The Bank innovated the comprehensive financial model to facilitate customer migration and asset upgrading. It strengthened the cooperation among the professional companies within the Group for the purpose of customers obtaining. In August 2016, the Gold Chamberlain Joint Card and the Car Home Joint Card were released on the line so as to promote the customer migration. In 2016, the new cards arising from the cross-selling channels within the Group accounted for 43.41% of the total new issuance. The Bank was also promoting the transition of the credit card customers to retail banking. 46.30% of the credit card customers also held the debit cards, up 5.94%. At the same time, the Bank was carrying out the cross-selling insurance and continued to meet the personalized insurance demands of the customers. The cross-selling insurance revenue increased by 36.49% in 2016.

The Bank strengthened the construction of mobile Internet and promoted the Internet business and customer obtainment. It continued to promote the customer obtainment through network channels and the electrification of the customer attraction through traditional channels. In 2016, the card issuance through network channels grew by 40.30% while the electronic proportion exceeded 70%. It built the mobile business platform for customers. Since the credit card APP got on line in May, the cumulative number of registered users reached nearly 9.8 million with the number of active users positioning top 3 in the industry (data source: QuestMobile). It expanded the online payment channels and covered cloud flash payment, APPLE PAY, SAMSUNG PAY and other mobile payment methods. Furthermore, it organized "Buy Love on Wednesday" and other 50%-discount online shopping activities to help increase the amount of the online transactions. As a result, the annual network consumption reached RMB98.065 billion, up 43.17% year on year.

The trend of portfolio risks continued to improve and the proportional index between the new and old customers were optimized, thanks to a more comprehensive and accurate risk scoring model, more scientific risk management tools and an overall upgrading of the asset recovery efficiency. As of the end of 2016, the new card quality indicator, that is, "the ratio of the 6-month-after-issuance new card holders with an overdue of more than 30 days" continued to decline; the average amount in 2016 fell by 0.11%; the new non-performing ratio of the risk index for stock customers fell by 0.07%. On the other hand, through the optimization of the collection strategy and the enhancement of the collection and management capacity, the Bank kept on enhancing its ability to collect non-performing assets. In 2016, the annual non-performing recovery value of credit card increased by 25.9% year on year. The level of portfolio risks was controllable and the revenue could cover the risk.

Automotive Finance

At the end of 2016, the balance of auto loans was RMB95.264 billion, up 21.14% over the beginning of the year. The Bank's cumulative new auto loans totaled RMB82.088 billion, an increase of 37.73% over the previous year; its market share continued to maintain a leading position.

The business approval efficiency was constantly increasing while the customer service experience was further perfected. The Bank took a series of initiatives such as the product innovation, the credit process optimization, the scientification of the risk quantification model and the strategic application of big data so that the automatic approval of the overall system for automobile finance accounted for 55%. Among others, the automatic approval ratio of the less-than-300 thousand-RMB new auto discount loans exceeded 65%; that of the less-than-200 thousand-RMB new auto discount loan exceeded 70%; that of the second-hand car business exceeded 30%. In consequence, the customer could get the approval results within a few seconds. Therefore, the Bank effectively enhanced its customer experience and played a leading role in the industry.

The Bank continued to enrich the spectrum of automotive financial products, covering all the major consumption stages throughout the entire cycle such as car purchase, utilization, maintenance, replacement and so on. The Bank cooperated with many subsidiaries within the Group in comprehensive financial innovation and provided customers with the whole-process "safe driving" solution.

With the steady development of the automotive consumer finance, the continuous product innovation and service enhancement, the Bank was awarded the "Best Automobile Finance Service Bank" by the 10th China Automobile Marketing Channel Competitiveness Forum and Financial Development Summit, "2016 Best Auto Financial Service Bank" by Anting International Auto Finance Forum, "2016 Best Individual Auto Financial Service Bank" by "Golden Engine" China Auto Finance Annual Conference and other prizes.

Consumer Finance

The Bank's consumer finance business maintained a steady growth. In 2016, its cumulative consumer finance

loans reached RMB130.872 billion, up 110.24% year on year. Till the end of the reporting period, the balance of consumer finance loans of the Bank reached RMB191.229 billion, up 48.52% over the beginning of the year.

The Bank concentrated on the customers' demand, abided by the value proposition of "comprehensive finance, intelligent consumption, accessible loan" and met the full range of consumption and financial requirements of customers by virtue of the opportunities brought by the national consumption upgrading and through product renovation, experience optimization, comprehensive risk control and other initiatives so as to boost the consumption upgrading and fulfill its own social responsibility.

The Bank was accelerating the model upgrading and product innovation of consumer finance through big data, Internet + and other scientific and technological means. The product of "New Generation Loan" took unsecured credit and simple and fast procedures as its core advantages, was committed to supporting the reasonable financing needs in the field of the personal consumption. In 2016, the Bank timely introduced a richer customized program, achieved a rapid verification through big data technology, fulfilled the time commitment of "it only takes three days to lend once information is complete" and satisfied the fast financing needs of the general public. At the same time, the business of "New Generation Loan" was soundly operated and the risk control was in good condition. As for loan on mortgage, the tailor-made product - "Home Easy Pass" provided the house-holding customers with 10 years' circular credit line and instant loan and payment within the same supporting amount once the customers finished a single application. The Bank utilized its comprehensive financial advantages, launched the innovative product of "property rights transaction guarantee insurance" and supported the fast lending of the real estate mortgage loan in order to create a differentiated competitiveness and further enhance the customer experience.

Owing to its continuous product upgrading and service enhancement, the Bank's innovation in consumer finance has been recognized by the authoritative institutions and the market. In the "2016 (8th Session) Financial Institution Awards for Outstanding Competitiveness" sponsored by China Business Journal, the Bank won the two awards - "Outstanding Competitive Consumer Finance Bank", "Outstanding Competitive Smart Bank"; based on its innovation in mortgage loan models and integrated financial products, "House Easy Pass" won the "Innovative Product Award for Commercial Banks" in the 14th China's Financial Annual Champion Awards by Hexun.com in 2016.

(2) Corporate Business

Through an integration of the corporate business, investment banking and interbank capital businesses, the Bank was reconstructing the large public segment to further develop the corporate business on the philosophy of "industrialization, specialization, investment banking, light assets, light capital". Adhering to the industrial characteristics, the Bank was actively practicing the industrial financial model of "C + SIE + R" and taking the road of "commercial + investment bank". It pursued the sustainable development of integrated finance and provided customers with all-round financial services including the cash flow of credit market, monetary market, capital market, domestic and foreign market and online and offline market. It laid out the Internet light asset platforms represented by Orange E Network, security cloud etc., paid attention to the user experience with an Internet thinking mold and continued to seek innovative highlights and thus create a "light" commercial bank.

At the end of 2016, the Bank had 422 thousand corporate customers, of which 91.8 thousand were effective customers and 23.7 thousand were effective closed customers, an increase of 10.70% over the beginning of the year, and maintained a sustained growth in this field. Its interbank customers reached 1,878 in number, an increase of 43.90% over the beginning of the year.

(i) Performing the capital bridge of an investment bank and realizing the flow from assets to capital and the shift from heavy banking to light banking

In 2016, the investment banking business adhered to the operational strategy of "the traditional commercial bank plus investment bank" and achieved a bond underwriting of RMB101.855 billion and an asset securitization of RMB16.367 billion.

The bond underwriting business maintained a steady development

In 2016, facing the challenges in the macro environment, the Bank closely focused on the national strategies, took the local governments, the industrial leaders and the listed companies as the core customers, availed itself of the opportunities of PPP, the government's purchase of services and industrial consolidation and mobilized multiple resources to meet customers' financing needs and balance benefits and risks as well.

In 2016, the Bank seized the opportunity brought by DFI (the hierarchical management model of the unified registered multi-species debt financing tools) and established partnership with more than 30 AAA-level DFI customers with a scale of DFI issuance reaching nearly RMB18 billion.

The asset securitization continuously pursued an innovation-led development and created a pan-asset

custody service platform

The Bank made a starting point of its corporate asset securitization and actively explored other innovative models. In 2016, led by the Bank, the special plan of the asset support to the final payment of the Zhuoyue property purchase and the special plan of the asset support to the beneficial right of trust of Hongda School had been successfully issued, recording the first ABS case for the final payment of property purchase in the Bank and the first ABS project for non-university tuition fee business on the market.

The asset custody business focused on building a first-tier operating and marketing system of "whole-and-part integration, unified layout, prepositive marketing and personal service," enhanced the comprehensive three-in-one services of "managed + outsourcing + value-added innovation" and created a one-stop pan-asset custody service platform. At the end of 2016, the balance of trusted assets held by the Bank was RMB5.46 trillion, an increase of 47.89% over the beginning of the year.

(ii) Making a transition from the traditional corporate banking business to the trade banking system, optimizing the platform and continuously obtaining customers

The Bank constantly enriched the platform strategy of "supply chain finance + Internet finance", vertically extended the industrial chain, horizontally elongated the product chain, achieved a comprehensiveness of customer services and an integration of platform businesses and formed the competitive advantage of trade banking system.

In the trade finance business, there was a combination of tradition and innovation; there was a clear increase in customers of innovative businesses, and the scaling effect slowly manifested.

The scale of trade finance business continued to grow steadily and the industrial structure was optimized. As of the end of the reporting period, the balance of trade finance credit was RMB533.4 billion, representing an increase of 8.46% over the beginning of the year. The Bank vigorously developed the domestic credit business with a transaction value of more than RMB100 billion. The development of the commercial factoring alliance sped up with the customers on the security cloud platform reaching 4,366.

The continuous rapid growth of transactions and customers of the Internet finance business

Relying on the strength of the electronic commercialization of industries, "Orange E Network" implemented the strategy of "1+N, N+N, platform + platform" and comprehensively promoted the development mold of "Internet + industry + finance". It focused on the field of productive services, composed the ecological applications in industries and built the ecological service system targeting at sector-oriented industrial chain and SME transformation. At the end of 2016, the full network users of "Orange E Network" (including mobile users) exceeded 10 million, the number of the registered users being 3,117.5 thousand and the number of enterprise customers being 601.9 thousand. The interbank customer number and transaction amount in the platform of "Driving Easy Pass" rapidly grew. During the year, the total number of customers in cooperation with the platform was 1,363, increasing by more than 800 over the beginning of the year, and the sales amount of the products was RMB3.03 trillion, of which RMB2.16 trillion was accomplished online. The agglomeration effect of the interbank business channels was obvious.

The offshore business assets grew rapidly

In line with the internationalization of Chinese enterprises in terms of operation, financing and investment, the Bank endeavored to meet the customers' offshore business needs from the three perspectives of products, services and performance. At the end of 2016, its offshore business assets totaled USD18.462 billion, the balance of offshore deposits (including interbank deposit) was USD16.87 billion and the balance of offshore loans (including payment for another) was USD13.629 billion, up 31.18%, 22.43% and 40.52% respectively over the beginning of the year. The major business indicators ranked first among Chinese offshore banks. In 2016, the Bank seized the opportunity of the "One Belt, One Road" initiative, focused on the offshore investment and financing product system, provided financing services for overseas mergers and acquisitions of Chinese-funded enterprises, supported Chinese enterprises' "going global" and further enhanced the influence of the Bank's offshore financial business in the international market.

(iii) Building the professional brand in the financial market and enhancing the investment yield of the capital business

The Bank continued to create the three major brands of "Gold Bank", "Option Expert" and "Smart Trading". In 2016, the sales of physical gold and the number of gold accounts of the Bank took a position in the forefront of the share-holding banks with sales of physical gold exceeding RMB4.1 billion and the number of gold accounts exceeding 3.5 million. "Ping An Trading Pass" as the first mobile channel for the public foreign exchange trading system in the industry got on line and provided customers with convenient and high-efficient, diversified and personalized products and services.

(iv) The asset management business sped up its product transformation and investment innovation and achieved a rapid growth in scale.

Confronted with the complex and volatile market environment, the Bank held the product transformation and investment innovation as the focus of its asset management business, and realized a rapid and healthy development in this segment. In 2016, the Bank successfully issued the first net-worth endowment wealth management product in the domestic banking market, with a daily average scale of asset management being RMB981.976 billion, up 88.00% over the beginning of the year.

(v) The industry business divisions made a planning of key sectors and created a professional marketing strategy of the industries as a whole.

The Bank has established eight business divisions being real estate finance, energy and mining finance, transportation finance, modern logistics finance, modern agriculture finance, medical health, culture and tourism finance, electronic information industry finance and equipment manufacturing industry finance. In particular, the electronic information industry finance division and the equipment manufacturing industry finance division were opened in 2016. The Bank established a name-listed customer marketing system in which the industry business divisions should take the lead in the planning of the key areas, the construction of a professional marketing strategy of the industry as a whole and the realization of the ecological marketing through “C + SIE + R”. At the end of 2016, the cumulative deposits of the industry divisions amounted to RMB254.8 billion, the balance of loans was RMB330.8 billion and the balance of assets under management was RMB721.60 billion.

(3) Comprehensive Financial Business

(i) The advantage of comprehensive financial business continued to boost retail development.

The Bank's performance in comprehensive finance such as the new model of retail life insurance, the Group-selling credit card, the bank-selling insurance, banking and securities cooperation and so on made continuous progress. The annual migrated customers from the comprehensive and extensive channels reached 5,224.4 thousand, the number of wealth and above-level customers increased by 20.743 thousand and the customers' assets increased by RMB50.069 billion over the beginning of the year. The per-account assets of the newly acquired category-I customers continued to increase significantly, the contribution of which to the new customers, new wealth customers and new assets accounted for 23.18%, 35.86% and 38.26% respectively. The Bank officially launched the retail transformation project in July 2016 and acquired 7,220.1 thousand new customers and 6,592 thousand new on-line customers relying on the advantages of the Group in the second half of the year; the credit cards through the cross-selling channels accounted for about 43.41% in the new card issuance; the retail full-channel consigned group insurance achieved a cumulative non-interest net income of RMB1.161 billion, an increase of 91.27%. The Bank continued to tap the ample insurance resources within the Group through the channels of branches, credit card and auto finance, innovatively cooperated with the Group's subsidiary companies in introducing insurance products according to the characteristics and needs of the customers through all channels and achieved an insurance non-interest net income of RMB423 million, RMB269 million and RMB470 million respectively, up 91.87%, 36.49% and 147.36% year on year. The Bank continued to deepen its cooperation with the brokers, expand the connotation of the differentiated three-party custody business brand of "Silver Card E Home". In 2016, the newly-signed three-party custody customers of Ping An securities reached 707.2 thousand and the assets of Silver Card amounted to RMB26.103 billion.

(ii) Maintaining good performance in public comprehensive and extensive businesses

The Bank continued to deepen the synergies between the Group's core financial companies through the regulation on cooperation management, the name-listed marketing system, the principle of returning every particle back into the granary and the operation of other projects. The level of comprehensive financial cooperation continued to improve. In 2016, the public comprehensive and extensive channels achieved total annual deposits of RMB63.24 billion, an increase of 105.00% over the beginning of the year. There were 3,302 customers from the public comprehensive and extensive channels, up 24.00% over the beginning of the year. Among the public customers of the Bank, 48 thousand held other products of the professional companies within the Group at the same time, increasing by nearly 7,000 over the beginning of the year.

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

Yes No

4. Product accounting for over 10% of main businesses income or main businesses profit

Applicable Not Applicable

(In RMB million)

Item	2016		2015		Year-on-year change
	Amount	%	Amount	%	
Net interest income	76,411	70.94%	68,461	71.19%	11.61%
Interest income from placement at central bank	4,240	3.23%	4,206	3.14%	0.81%
Interest income from transactions with financial institutions	8,787	6.70%	12,660	9.44%	(30.59%)
Including: Interest income from inter-bank borrowing	4,998	3.81%	4,179	3.12%	19.60%
Interest income from inter-bank lending	1,413	1.08%	1,188	0.89%	18.94%
Interest income from loans and advances	84,904	64.75%	86,140	64.21%	(1.43%)
Interest income from investments	29,665	22.62%	28,271	21.07%	4.93%
Other interest income	3,523	2.70%	2,876	2.14%	22.50%
Subtotal of interest income	131,119	100.00%	134,153	100.00%	(2.26%)
Interest expense on borrowings from Central Bank	948	1.73%	168	0.26%	464.29%
Interest expense from transactions with financial institutions	8,531	15.59%	17,275	26.29%	(50.62%)
Deposit interest expense	35,895	65.62%	42,763	65.10%	(16.06%)
Bond interest expense payables	9,334	17.06%	5,486	8.35%	70.14%
Subtotal of interest expense	54,708	100.00%	65,692	100.00%	(16.72%)
Net fee and commission income	27,859	25.86%	24,083	25.04%	15.68%
Other net operating income	3,445	3.20%	3,619	3.77%	(4.81%)
Total operating income	107,715	100.00%	96,163	100.00%	12.01%

5. Whether there is operating seasonal or cyclical sign requiring 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 expense	32.79%	Increase in fee and commission expense of bank cards, etc.
Investment income	(39.65%)	Decrease in notes transfer spread, etc.
Gains/losses in fair value changes	(54.21%)	Decrease in gains/losses in fair value changes of trading bonds
Foreign exchange gains/losses	Negative amount for last year	Increase in foreign exchange gains/losses resulting from exchange rate fluctuations
Business tax and surcharges	(48.36%)	Impact of implementation of business tax replaced with VAT policy from 1 May
Asset impairment loss	52.59%	Increase in the loan size and enhanced ability to resist risks
Non-operating income	452.50%	Small base number, RMB 40 million in last year

7. Suspension in trading or delisting

Applicable Not applicable

VII. 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.

The Board of Ping An Bank Co., Ltd.

March 17, 2017

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.