

## 2014 Annual Report Summary of Ping An Bank Co., Ltd.

### I. Important Notes

1. The annual report summary is extracted from the full text of the annual report of Ping An Bank Co., Ltd. (the "Company", "Bank" or "Ping An Bank"). Investors are advised to read carefully through the full text of the annual report published on designated websites of the China Securities Regulatory Commission, including the websites of Shenzhen Stock Exchange, for details.

#### 2. Corporate Information

Stock Short Name	Ping An Bank	Stock Code	000001
Stock Exchange with which the Shares are Listed	Shenzhen Stock Exchange		
Contact Persons and Means of Contact	Secretary to the Board of Directors	Representative of Securities Affairs	
Name	Zhou Qiang	Lv Xuguang	
Telephone no.	( 0755 ) 82080387	( 0755 ) 82080387	
Facsimile no.	( 0755 ) 82080386	( 0755 ) 82080386	
Email	pabdsh@pingan.com.cn	pabdsh@pingan.com.cn	

### II. Financial Highlights and Changes in Shareholders

#### (I) Financial highlights

##### 1. Key accounting data and financial indicator

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

☒Yes   ☐No

Please refer to "37. Change in Significant Accounting Policies" under "II. Summary of Significant Accounting Policies and Accounting Estimates" of "Financial Report in Chapter 11" in "2014 Annual Report of Ping An Bank Co., Ltd." for further details.

(In RMB million)

Item	2014	2013	2012	Year-on-Year(Y-o-Y) change
Operating income	73,407	52,189	39,749	40.66%
Operating profit before asset impairment loss	41,257	26,845	20,673	53.69%
Asset impairment loss	15,011	6,890	3,130	117.87%
Operating profit	26,246	19,955	17,543	31.53%
Gross profit	26,194	20,040	17,552	30.71%
Net profit	19,802	15,231	13,512	30.01%
Net profit attributable to shareholders of the parent company	19,802	15,231	13,403	30.01%
Net profit attributable to shareholders of the parent company after non-recurring gains/losses	19,841	15,166	13,385	30.83%
				Per share:
Basic earnings per share (“EPS”) (in RMB)	1.73	1.55	1.37	11.61%
Diluted EPS(in RMB)	1.73	1.55	1.37	11.61%
Basic EPS after non-recurring gains/losses(in RMB)	1.74	1.54	1.36	12.99%
				Cash flow:
Net cash flows from operating activities	25,321	91,674	185,838	(72.38%)
Per share net cash flows from operating activities(in RMB)	2.22	8.02	18.89	(72.32%)

Note: The profit distribution proposal of the Bank for 2013 was implemented in the first half of 2014. According to the profit distribution proposal of the Bank for 2013, a cash dividend of RMB1.60 (tax inclusive) was paid for every 10 shares held by all the shareholders based on the total share capital of the Bank as at December 31, 2013 comprised 9,521 million shares by way of conversion of capital reserve on the basis of two shares for every 10 shares to all the shareholders. The earnings per share and net cash flows from operating activities per share stated in the table above were recalculated based on the adjusted number of shares.

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

☐ Yes ☒ No

#### Items and amount of non-recurring gains/losses

(In RMB million)

Item	2014	2013	2012	Year-on-Year(Y-o-Y) change
Gains/losses on disposal of non-current assets (gains/losses on disposal of fixed assets, repossessed assets and long-term equity investment)	(8)	11	32	(172.73%)
Gains/losses on contingency (projected liabilities)	(6)	53	(37)	(111.32%)
Other non-operating income and expense	(38)	21	28	(280.95%)
Income tax effect	13	(20)	(5)	165.00%
Total	(39)	65	18	(160.00%)

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

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

#### 2. Profitability indicators

(%)

Item	2014	2013	2012	Y-o-Y change
Return on total assets	0.91	0.81	0.83	+0.10 percentage points
Average return on total assets	0.97	0.87	0.94	+0.10 percentage points
Fully diluted net return on assets	15.12	13.59	15.81	+1.53 percentage points

Fully diluted net return on assets (net of non-recurring gains/losses)	15.15	13.53	15.78	+1.62 percentage points
Weighted average net return on assets	16.35	16.57	16.78	-0.22 percentage points
Weighted average net return on assets (net of non-recurring gains/losses)	16.38	16.50	16.76	-0.12 percentage points
Cost/income ratio(excluding business tax)	36.33	40.77	39.41	-4.44 percentage points
Credit costs	1.55	0.84	0.45	+0.71 percentage points
Net interest spread (NIS)	2.40	2.14	2.19	+0.26 percentage points
Net interest margin (NIM)	2.57	2.31	2.37	+0.26 percentage points

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

### 3. Assets and liabilities

(In RMB million)

Item	December 31, 2014	December 31, 2013	December 31, 2012	Y-o-Y change
I. Total assets	2,186,459	1,891,741	1,606,537	15.58%
Including: financial assets and derivative financial assets held at fair value through profit or loss	30,111	13,818	5,205	117.91 %
Held-to-maturity investments	207,874	195,667	103,124	6.24%
Loans and receivables	1,563,203	1,404,731	1,162,415	11.28%
Available-for-sale financial assets	1,493	578	90,007	158.30 %
Goodwill	7,568	7,568	7,568	-
Others	376,210	269,379	238,218	39.66%
II. Total liabilities	2,055,510	1,779,660	1,521,738	15.50%
Including: financial liabilities and derivative financial liabilities held at fair value through profit or loss	6,921	6,606	2,674	4.77%
Placement from banks and other institutions	13,551	22,633	39,068	(40.13%)
Deposit taking	1,533,183	1,217,002	1,021,108	25.98%
Others	501,855	533,419	458,888	(5.92%)
III. Shareholders' equity	130,949	112,081	84,799	16.83%

Net assets per share (in RMB)	11.46	9.81	8.62	16.82%
IV. Total deposits	1,533,183	1,217,002	1,021,108	25.98%
Including: Corporate deposits	1,280,430	1,005,337	839,949	27.36%
Retail deposits	252,753	211,665	181,159	19.41%
V. Total loans	1,024,734	847,289	720,780	20.94%
Including: Corporate loans	639,739	521,639	494,945	22.64%
General corporate loans	627,326	509,301	484,535	23.17%
Discounted bills	12,413	12,338	10,410	0.61%
Retail loans	282,096	238,816	176,110	18.12%
Receivables for credit cards	102,899	86,834	49,725	18.50%
Provision for impairment of loans	(21,097)	(15,162)	(12,518)	39.14%
Loans and advances, Net	1,003,637	832,127	708,262	20.61%

Note: In the first half of 2014, the Bank implemented the profit distribution for 2013 by way of conversion of capital reserve on the basis of 2 shares for every 10 shares to all the shareholders. The net assets per share for the respective comparative periods stated in the table above were recalculated based on the adjusted number of shares.

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

☐ Yes ☒ No

Is there any corporate bond?

☐ Yes ☒ No

#### 4. Supplementary financial indicators for the last three years as of the end of the reporting period

(%)

Financial indicator		Standard level of indicator	December 31, 2014		December 31, 2013		December 31, 2012	
			Year-end	Monthly average	Year-end	Monthly average	Year-end	Monthly average
Liquidity ratio	RMB	≥25	52.51	57.24	50.00	49.72	51.31	58.17
	Foreign currency	≥25	82.49	104.09	44.33	73.23	88.90	79.25
	RMB and foreign currency	≥25	53.21	60.28	49.56	50.41	51.99	58.20
Liquidity coverage		≥60	80.25	N/A	N/A	N/A	N/A	N/A
Loan/deposit ratio (including		≤75	65.39	65.85	69.67	69.68	70.64	72.73

discounted bills) (RMB and foreign currency)(Note)								
Non-performing loan (NPL) rate		≤5	1.02	1.02	0.89	0.97	0.95	0.74
According to Administrative Measures for the Capital of Commercial Banks (Trial)	Capital adequacy Ratio	≥10.5	10.86	N/A	9.90	N/A	N/A	N/A
	Tier one capital adequacy ratio	≥8.5	8.64	N/A	8.56	N/A	N/A	N/A
	Core tier one capital adequacy ratio	≥7.5	8.64	N/A	8.56	N/A	N/A	N/A
According to Administrative Measures for the Capital Adequacy Ratios of Commercial Banks and etc.	Capital adequacy ratio	≥8	11.75	11.77	11.04	10.29	11.37	11.43
	Core capital adequacy ratio	≥4	9.28	9.41	9.41	8.32	8.59	8.53
Ratio of loans to the single largest client to net capital		≤10	2.93	N/A	4.73	4.49	2.95	3.33
Ratio of loans to top 10 clients to net capital		N/A	19.77	N/A	20.88	23.21	15.60	17.87
Ratio of accumulated foreign exchange exposure position to net capital		≤20	0.52	N/A	0.65	N/A	1.38	N/A
Pass loans flow rate		N/A	4.74	N/A	4.78	N/A	2.03	N/A
Special Mention loans flow rate		N/A	20.16	N/A	37.77	N/A	53.38	N/A
Substandard loans flow rate		N/A	55.68	N/A	43.61	N/A	43.28	N/A
Doubtful loans flow rate		N/A	98.29	N/A	88.70	N/A	78.22	N/A
Cost/income ratio (excluding business tax)		N/A	36.33	N/A	40.77	N/A	39.41	N/A
Provision coverage		N/A	200.90	N/A	201.06	N/A	182.32	N/A
Loan loss provision ratio		N/A	2.06	N/A	1.79	N/A	1.74	N/A

Notes: "Loan/deposit ratio (including discounted bills) (RMB and foreign currency)" was presented according to the requirements of China Banking Regulatory Commission (the "CBRC").

## (II) Shareholdings of Top 10 shareholders

Total number of shareholders at the end of reporting period	275,838	Total number of shareholders at the end of the fifth trading day prior to the disclosure date of this annual report		335,403	
Shareholdings of top 10 shareholders					
Name of shareholder	Capacity	Share Holding (%)	Total number of shares held at the end of reporting period	Number of restricted shares held	Number of Shares pledged or frozen
Ping An Insurance (Group) Company of China, Ltd. — the Group—the Group -proprietary	Domestic legal entity	50.20	5,734,892,419	1,588,061,989	-

fund					
Ping An Life Insurance Company of China, Ltd.-proprietary fund	Domestic legal entity	6.38	728,793,600	-	-
Ge Weidong	Domestic natural person	2.40	274,239,761	-	78,216,000
Ping An Life Insurance Company of China, Ltd. - tradition - ordinary insurance products	Domestic legal entity	2.37	270,649,974	-	-
China Electronics Shenzhen	Domestic legal entity	1.25	143,299,957	-	-
National Social Security Fund 104 Portfolio	Domestic legal entity	0.47	53,988,820	-	-
National Social Security Fund 103 Portfolio	Domestic legal entity	0.47	53,569,217	-	-
CSOP Asset Management Limited CSPO FTSE China A50 ETF	Foreign legal entity	0.36	41,385,367	-	-
China Construction Bank – Bosera Theme Industry Stock Securities Investment Fund	Domestic legal entity	0.34	38,300,000	-	-
ICBC - Rongtong SI 100 Index Securities Investment Fund	Domestic legal entity	0.27	31,315,894	-	-
Strategic investor or general legal entity that become top 10 shareholders by placing of new shares(if any)	Nil				
Description of the related relationship and concerted action of the above shareholders	<p>1. Ping An Life Insurance Company of China, Ltd. is a controlled subsidiary of and acting in concert with the Ping An Insurance (Group) Company of China, Ltd., “Ping An Insurance (Group) Company of China, Ltd. – the Group - proprietary fund”, “Ping An Life Insurance Company of China, Ltd. - proprietary fund” and “Ping An Life Insurance Company of China, Ltd. – traditional – ordinary insurance product” are related parties.</p> <p>2. The Bank is not aware of any related relationship or concerted action between any of other shareholders.</p>				
Description of the shareholders who engage in securities margin trading business	Ge Weidong, a shareholder of the Bank, is holding 175,319,780 shares via common stock account and 98,919,981 shares via client account of collateral securities for margin trading in Orient Securities Company Limited, effectively holding 274,239,761 shares in total.				

### (III) Shareholdings of top 10 preference shareholders

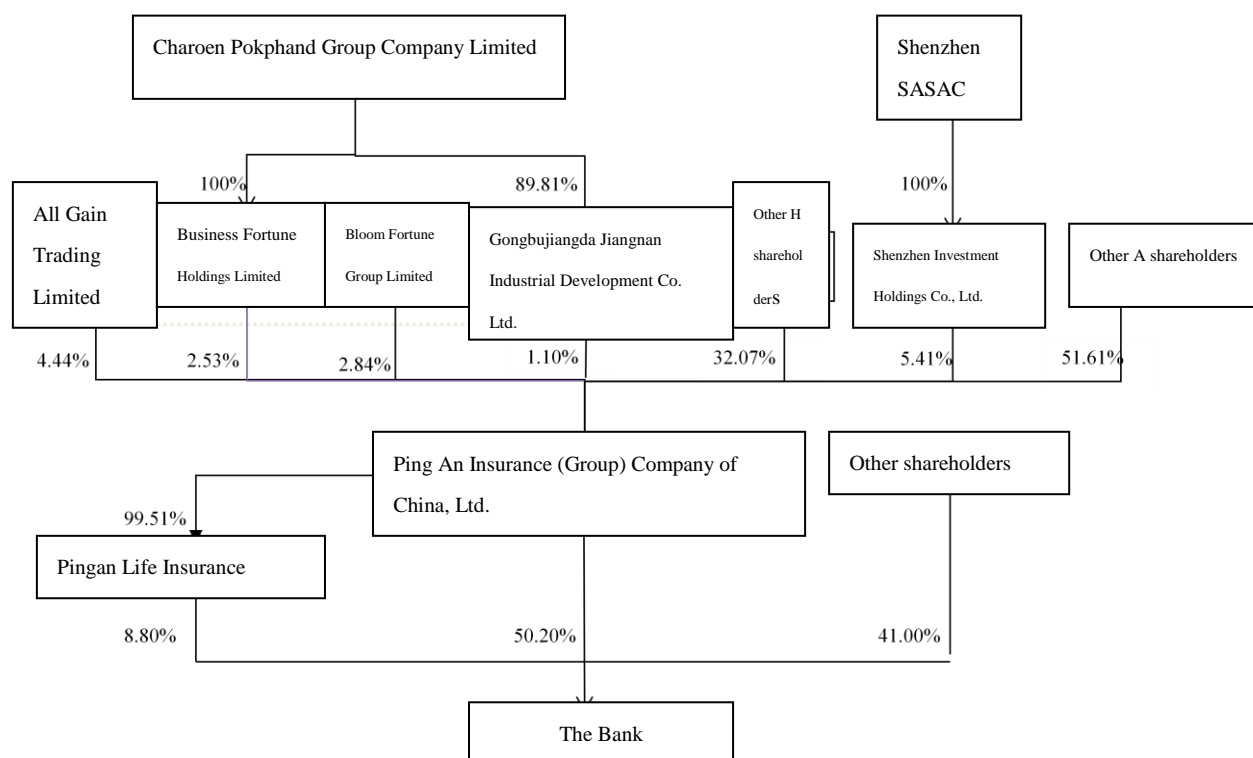
☐Applicable    ☒N/A

### (IV) Disclosure of the ownership and controlling relationship between the Company and de facto controller

☐Applicable    ☒N/A

The Bank does not have de facto controller.

The relationship between the Bank and the controlling shareholders is set out below:



### III. Management Discussion and Analysis

#### (I) 2014 Business Analysis

In 2014, amid the complicated and changing international environment, China has managed to deepen its economic reform in full steam, keep using active fiscal policies and prudent monetary policies, and continuous and steady development of the economy and society was attained. At the same time, the development of the banking industry has entered a new normal: liberalization of interest rates and financial disintermediation is on-going, competition on liability management is increasing, costs keep increasing, banking regulations are becoming more conservative and strict, while the traditional mode of business in banking is being challenged by private commercial banks and Internet finance.

In face of opportunities and challenges, the Bank took flexible steps to charge ahead with changes and reforms, motivate our staff and encourage innovations by following the five-year development plan, the “three-steps” strategy and, adhering to the philosophy of “customer-centric”. In particular, the Bank has put into practice “sense of duty, wholesome view, sense of innovation, sense of cooperation and sense of service” and built a structure that included a strong headquarters supported by branches and business units



with different features, and opened branches in strategic locations. The Bank also, guided by well-established management philosophy of commercial banking, has treated structural adjustments to operations, optimization of organizational structure and business model innovation as its main tasks. Accordingly, our customer mix and balance sheet structure have been revised, comprehensive risk management has been intensified and all laws and regulations have been complied. Furthermore, the Bank has proceeded to develop the new Internet-based finance with the support of the integrated finance operation of Ping An Group so as to fortify core competitiveness.

Spectacular improvement was seen in our business scale, profitability, product and service, operating efficiency following internal changes, innovation, transformation and development. Growth of the Bank's deposits beat the peers for two consecutive years, realizing a sharp rise in profits. Also, intermediate business grew rapidly, operating efficiency enhanced, the risk management framework strengthened, so that the required operation features, namely professionalism, intensification, integrated finance and Internet-based finance have been formed while the brand image of "Ping An Bank really differs" further promoted. The Bank was awarded the grand prize of "Best Joint Stock Banking Corporation of the Year" among the receivers of Golden Dragon Prize, Chinese Financial Institution Gold Medal List 2014 jointly organised by Financial Times and the Institute of Finance and Banking of the Chinese Academy of Social Sciences.

In 2014, the Bank's business can be described in the following observations:

### **1. Steady growth in business scale with marked improvement in profitability**

As at the end of the reporting period, the Bank's total assets amounted to RMB2,186.459 billion, representing an increase of 15.58% as compared with that at the beginning of the year. Deposits showed a strong growth and deposit balance was RMB1,533.183 billion, representing an increase of RMB316.181billion or 25.98% as compared with that at the beginning of the year. The growth in 2014 represented 1.6 times of the growth for the whole year in 2013. The Bank outperformed its industry peers in this regard and the market share was expanded accordingly. The Bank has put much effort in so soliciting borrowing interests from customers, resulting in a high level of loan extension growth and pricing among other market players. Customers loan balance (including discounted bills) has surpassed the Renminbi one trillion mark at RMB1,024.734 billion, representing an increase of 20.94% as compared with that at the beginning of the year.

Substantially stronger profitability with outstanding performance in various revenue and profit indicators: Operating income for 2014 amounted to RMB73.407billion, representing an increase of 40.66% as compared with that in the previous year. Operating profit before provision amounted to

RMB41.257billion, representing an increase of 53.69% as compared with that in the previous year. Net profit amounted to RMB19.802billion, representing an increase of 30.01% as compared with that in the previous year.

Another new record for non-interest income as a percentage of operating income: Net non-interest income for 2014 amounted to RMB20.361 billion, representing an increase of 77.04% as compared with that in the previous year. Non-interest income as a percentage of operating income increased to 27.74% from 22.04% in the same period of last year, mainly attributable to the growth of investment banking business, trusteeship business, note business and gold business.

## **2. General lift in operating efficiency with promising results from intensive mode of operation**

More efficient use of resources: The Bank strengthened intensive management over capital, strictly controlled risk limits and increased capital use efficiency of the Bank. Also, the Bank timely changed the pricing policy for primary loans to cater to changes in market conditions, and adopted flexible management model combining primary credit line, special credit line and bid credit line, so that the issues regarding the balanced development, focused development and efficient development of the Bank was effectively resolved.

Continuous optimization of liability structure and asset structure: The Bank flexibly adjusted the liability business management policies to optimize liability structure and controlled high cost liabilities. Given the speedy growth in primary deposits, the inter-bank liabilities to total liabilities decreased by 8.1 percentage points as compared with that of the previous year. The Bank stuck to proportion-based management regarding inter-bank business to achieve continuous optimization of asset structure. High yield loans including loans to small business and loans to new yuppies has accounted for a higher proportion of total loans, contributing to a significantly higher level of operating efficiency. Loan/deposit ratio, net interest spread and net interest margin increased by 0.54, 0.26 and 0.26 percentage point for 2014 as compared with those of the previous year, respectively.

Significant improvement in input-output ratio: Given the fast growth in revenue and effective cost control, cost/income ratio (excluding business tax) was 36.33%, representing a decrease of 4.44 percentage points as compared with that in the previous year.

## **3. Professional strength has been gradually appeared with the appearance of initial effect of Internet finance**

The Bank has established the big retail customers unit, successfully implemented structural reforms, set up systems for business management, assets and liabilities management and incentive system.

Professional operation and management by delegation have been achieved, forming the building blocks for the business development regarding big retail customers. On top of this, our industries unit has taken strategic moves in order that its scope of business can cover the whole industry chain for each of the industry sectors namely real estate, energy and mining, transportation, logistics and agriculture. On the other hand, we have finished the reforms made to the operation of inter-bank proprietary trading unit and the asset management unit so that they are run as specialized units.

The Bank strengthened Internet-based services by rolling out innovative products and service platforms such as Orange-e-Net, Hang E-Tong version 2.0, Gold Banking and Pocket Banking which drew good market attention. As to platform innovation, online integrated financial service platform “Orange-e-Net”, and system modules including Business Steward (生意管家), Orange-e-Journal, Orange-e-Finance, Orange-e-Wealth, Mobile Receipt have been made available online, effectively created new channels for new business and income growth. Sales made on the Internet platform “Hang E-Tong” reached RMB126.0 billion, while inter-bank settlement has risen and the proportion of demand deposits in total amount due to other banks has increased. A professional gold asset management platform which incorporates gold investing and financing, physical gold, gold saving and wealth management, the first of the kind in the banking industry, has been launched. As to product innovation, “Pocket Banking”, a mobile financial service platform which offers services including debit cards, credit cards, wealth management, mobile payment and other mobile services, has been launched. A petty consumer loans related asset securitization program has been launched and well received by the market, marking the first credit asset securitized product issued on the stock exchange in the PRC. Series of trade finance products such as “Zeng Xin Dai” and “Fu Rong Tong” were launched in order to cater to varied needs from customers. As to business model innovation, the business model of industrial funds was activated and online cloud platform for factoring business was built. Apart from this, “Gold Orange Factors Club” was established and 190 members have joined, accounting for over half of the factoring companies in the PRC.

#### **4. Success in market development through integrated financial strengths**

Entire industry chain business model: The entire industry chain business model has been developed in which our exposure to various industries and customers has expanded through the online interface connecting industries to finance units so that we can collaborate with the entire industry chain.

Large finance projects in progress: Key strategic projects were implemented. Through the cooperation with the investment series program of Ping An Group, the Bank brought in 111 new projects, involving a total investment and finance amount of RMB140.4 billion.

Rapid increase in custodian business under investment banking: Ping An Wan De bond sales flagship outlet was put up; and the newly launched public platform for credit notes online book keeping and selling, the first of its kind in the industry, was well received by the market. We also moved towards acquiring the status of a fully licensed custodian bank. After we acquired the qualification of custodian for insurance funds in 2013, we obtained the qualification of qualified foreign institutional investors (QFII) in 2014, resulting in the substantial increase in assets under custody and income when compared to those of the previous year.

Breakthrough in central government financial operation: The Bank's tender to act as the agency bank of the Ministry of Finance for the collection of non-tax revenue to the central finance was accepted in December 2014, marking a breakthrough in agency business for central government finance and laying a solid foundation for the future development of government finance.

## **5. Asset quality remained stable and financial indicators complied with the regulatory requirements**

To further strengthen the comprehensive risk management and respond to various challenges, the Bank has adopted many measures simultaneously to improve risk management ability. Adhering to the idea of concentrating on bank operational risk control, we continued to raise risk management standards, actively supported the real economy and ensured a stable operation of the Bank. Influenced by the overall market environment, NPL ratio of the Bank rose slightly, while overall asset quality was stable and risks remained under controlled. As at the end of the reporting period, the balance of non-performing loans of the Bank amounted to 10.501 billion, representing a growth of 39.25% from that of the beginning of the year. The ratio of non-performing loans was 1.02%, representing an increase of 0.13 percentage points from that of the beginning of the year. The loan loss provision ratio was 2.06%, representing an increase of 0.27 percentage points from that of the beginning of the year. And the provision coverage ratio was 200.90%, representing a slight decrease of 0.16 percentage points from that of the beginning of the year.

Our key financial indicators complied with the regulatory requirements, and indicators such as the loan to deposit ratio and capital adequacy ratio were obviously optimized. As at the end of the reporting period, the loan to deposit ratio (including discounted bills) was 65.39%. According to the Administrative Measures for the Capital of Commercial Banks (Trial) promulgated by the CBRC, our capital adequacy ratio was 10.86%, tier 1 capital adequacy ratio was 8.64% and core tier 1 capital adequacy ratio was 8.64%.

## **6. Capital replenishment underway and expanded outlet network**

Tier 2 capital bonds totaling RMB 15.0 billion in value were issued in 2014, replenishing our tier 2 capital. Preparation work for non-public issue of ordinary and preferred shares has been underway. We explored new capital tools in order to enhance access to supplemental capitals.

The Bank continued to enhance its outlet distribution network and accelerated the pace of further expansion. In 2014, the Bank added 5 branches and 214 sub-branch level outlets. As at the end of the reporting period, the Bank had a total of 43 branches and 747 operating outlets, including 129 community sub-branches.

## **(II) Principal businesses review**

### **1. Corporate business**

As at the end of the reporting period, the corporate deposit balance of the Bank increased by 27% from the beginning of the year, while the corporate loan balance (excluding discounted bills) increased by 23% from the beginning of the year. The credit balance of trade finance amounted to RMB443.2billion, representing an increase of 20% from the beginning of the year; the annual granted value of trade facilities amounted to RMB949.8billion, representing a year-on-year increase of 16%

#### **New windows of growth opened for corporate internet finance**

Catering to the trend of transformation from physical economy and financial institutions to online development, the corporate business of the Bank built up “Orange-e-Net” by integrating product development, platform construction and new business expansion and located a new profit growth point. As at the end of the reporting period, the number of registered customers of “Orange-e-Net” was nearly 220,000. The various corporate internet financial services focusing on “Orange-e-Net” developed rapidly, recording average daily balance of new deposits of RMB132.3 billion and total income of over RMB6.5 billion.

Our "orange-e-net" received eight awards, namely “2014 Innovative China Internet Finance Award” from China E-Commerce Industrial Alliance , "2014 Top 10 Influential Brands in China's Internet Finance " from "ISC.org " , "2014 Integrated Innovation of E-Commerce Award " from China e-Business Innovation Promotion Alliance , "The Most Popular Internet Financing Brand of the Year " of the Fifth Session of Golden Tripod Awards from *National Business Daily* , Internet Finance Award of "2014 Gold Brick Award " from Southern Metropolitan Daily , "2014 China's Top 10 Financial Innovation Cases " from Financial Innovation Forum of Shenzhen FINEXPO , "The Best Internet Finance Product Award " from 2014

JRJ.com Annual Selection of Financial Industry of China , "The Best Digital Experience Award " of "Ruis Financial Design Award " from "21st Century Business Review" .

For the corporate business, the Bank will build up Internet finance and integrated financial service models which will focus on the entire industry chain and are Internet-driven, integrated, professional with investment bank functions to cater to the trend of digitalization and go-online for the real economy and promote Internet banking along various facets of the supply chain by facilitating transactions made by regular customers.

#### **Offshore assets and deposits achieved doubled growth, with sound development momentum**

As at the end of the reporting period, the Bank's total offshore assets amounted to RMB67.9 billion, representing an increase of 101% as compared with that at the beginning of the year; the offshore deposits amounted to RMB65.8 billion, representing an increase of 103% as compared with that at the beginning of the year, the offshore finance represented sound development momentum.

#### **Sound growth momentum in trade finance business with ongoing improvement in business innovation**

At the end of the reporting period, the credit balance of trade finance was RMB443.2 billion, representing an increase of 20% as compared with that at the beginning of the year. The annual grant amount of trade finance was RMB949.8 billion, representing a year-on-year growth of 16%; the scale of the international settlement amount was USD146.5 billion, representing a year-on-year growth of 50%; total foreign exchange settlement volume amounted to USD56.4 billion, representing a year-on-year growth of 26%; the NPL ratio of the trade finance was 0.32% and continued to remain at a relatively low level.

In respect of trade finance business, distribution of industries to which loans were made continued to improve and concentration of industries has lessened. Moreover, more sophisticated products were offered and ability to innovate has been enhanced. Initial results in acquiring customers through business alliance have been encouraging. The "Golden Orange Factors Club" had absorbed over 190 members, accounting for more than half of the factoring companies in the PRC. The "commercial factoring cloud platform" had 261 online factoring customers and achieved an aggregate settlement volume of RMB12.2 billion. The agency bank alliance achieved substantial results, 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.

As to international business, given the opportunities emerging from the internationalization of Renminbi, the free-up of capital account transactions and the policies on free trade zones, the Bank capitalized on its strength in Internet finance and rolled out new businesses such as entrusted loans pledged by foreign reserve funds and cross-border foreign currency capital pool. These measures serve as domestic and foreign currencies unified, integrated, whole process and professional financial solutions provided to Chinese enterprises “Going Abroad”, and aim at enhancing competitiveness in the international banking.

#### Summary table for trade finance and international banking business

(In Renminbi million)

Particulars	As at December 31, 2014	Percentage	As at December 31, 2013	Percentage	Increase for the year
<b>Balance of trade finance</b>	<b>443,215</b>	<b>100.00%</b>	<b>370,556</b>	<b>100.00%</b>	<b>20%</b>
Region: Eastern region	137,582	31.04%	108,110	29.18%	27%
Southern region	169,644	38.28%	130,594	35.24%	30%
Western region	36,992	8.35%	30,636	8.27%	21%
Northern region	98,997	22.33%	101,216	27.31%	2%
China/International: China	283,462	63.96%	274,236	74.01%	3%
International (off-shore included)	159,753	36.04%	96,320	25.99%	66%

## 2. Retail Business

In 2014, the retail business unit promoted internal reform to achieve the goal of “professional operation and management by delegation”, and currently the basic framework has initially formed.

Leveraging on the comprehensive financial advantage of Ping An Group (hereafter referred to as the “Group”) and given the facts that the retail business possessed a large number of high-quality customers, a platform network which is regarded as “localized, smart, internet-driven and professional”, that all its products are fully licensed and with the established channels, and also relying on the divisional organization, the foundation of retail banking was further strengthened in 2014.

As at the end of the reporting period, retail deposits increased by 19% from the beginning of the year, and the Bank’s balance of retail loans (including credit cards) recorded a 18% growth as compared with the beginning of the year, among the highest in the industry. Assets under management for individual clients increased rapidly, and exceeded RMB500 billion at the end of the reporting period, representing an increase of 38% as compared with the beginning of the year. There were 227,000 VIP customers in total, representing an increase of 38%, among which, standard private banking customers were over 10,000, representing an increase of 61%. With the growth of customers and assets under management, net income

from retail intermediate business (including credit cards) registered a year-on-year increase of 44%.

Ping An retail bank aimed to become the leading bank of high value customers in China. In terms of customer management, private banking customers, wealth management customers and settlement business customers will be grouped into different categories and receive specific services. To achieve this goal, Ping An retail bank will provide one-stop solution and full range of products and services by leveraging the comprehensive financial strength of the Group, and provide differentiated products and services with Ping An's unique features tailored for different customers and take full advantage of the online and offline channels of the Group to realize seamless online-to-offline (O2O) connection and create the best customer experience in the industry.

### **Significant results in customer migration and acquiring new customers**

By 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 2014, the number of new customers contributed by the migration platform was 3.26 million, accounting for 72% of total new customers and 45% of new wealth management customers of the Bank, respectively.

### **New cross-selling model leads to evident comprehensive financial advantage**

In 2014, retail life insurance business under cross-selling channels recorded steady growth, and the average assets of new customers acquired after shifting into the new model increased significantly. In addition, the traditional model of credit cards sold by the Group, insurance policies sold by the Bank and bank-securities business cooperation continued to register income growth. Pilot projects including the migration of pension insurance and property insurance customers to the Bank and Ping An Direct Life Insurance cooperation were in progress.

### **Excellent performance of new products, and great success in the research, development and innovation of products**

In recognition of its diverse financial products, excellent returns offered by its products and high reputation in the market, Ping An Bank received the "Best Structured Products in China" award from "Euro Money", an international authoritative journal. The private credit business was developing with good momentum. As at the end of the reporting period, total loan extension amounted to approximately RMB300 million, and the exchange-traded credit assets securitization program for petty consumer loans was



successfully carried out, which became the first product of this innovative type in the industry ever listed on stock exchange. By fully exploring the insurance needs of customers and their families, it innovated and developed “Ping An Protection” series of products through cooperating with Ping An Property Insurance and Ping An Pension Insurance, including insurance to protect against losses from stolen card payments, borrower accident insurance to protect against personal injuries, which met favorable market reactions.

**Rapid development in our new channels, with the features of Internet financial services gradually unveiled**

Our channels such as private banking, community finance and direct banking services have undergone a rapid growth, with the construction of their foundation platforms being finalized and the power of productivity gradually released. In 2014, we had 124 licensed community sub-branches opening for business, 13 of which had newly acquired assets amounting to RMB100 million and above.

As to Internet finance, in return to our untiring pursuit of innovative business models such as the mobile Internet, Big Data and O2O, our retail business has made remarkable progress in expanding our mobile network platform, researching our customer and market segments, reducing our operating costs and improving our customers' experiences. As to expanding our mobile network platform, we have been building our Internet platform featuring "integration of customer resources and our services, data reorganization and online sales guide" with Pocket Banking (Mobile Banking) and Ping An Orange (Ping An Direct Banking) as the main portals. As to researching our customer and market segments, we are offering a new type of community financial service known as "pocket community", which will provide our customers with services such as community hoardings, merchants' information, community financial service and social interaction. As at the end of the Reporting Period, our personal online banking customers amounted to 7.34 million, representing an increase of 62% over the last year, our pocket banking customers amounted to 5.40 million, representing an increase of 338% over the last year. The average replacement rate with electronic channels was 93.2% in 2014. Ping An Orange has registered 514,000 users since its launch in August 2014.

**Further implementation of standardised branch hall with growing brand value and value-added service capability**

Our branch hall service has been constantly improving, with the results of customer satisfaction survey improving quarter-on-quarter and critical customer complaints decreasing significantly. Our first intelligent service flagship store was opened in March 2014, with the Shanghai flagship store already being in operation and the flagship stores in Beijing and Shanghai being under construction.

## **Highlights sparkling in Ping An Wealth Management's brand marketing and customer right activities**

In 2014, with its three principal strengths, namely "professional products, customer rights service and comprehensive finance", gradually consolidated, Ping An Wealth Management received a number of important rewards, such as the "Best Chinese Banking Wealth Management Brand in 2014" from Securities Times and the "Innovative Wealth Management Reward" from finance@sino.com.

Ping An Wealth Management's customer rights platform has been fully upgraded to the Wan Li Tong Bonus System, whereby our customers' bonus points can be used in over 300 online shops and over 150,000 physical shops. At the same time, the "Ping An Wealth Cup" Golf Tour and over 50 "Ping An Wealth Management Forums" rolled out across the country have met with rapturous applause from our customers.

### **Our customer base was further optimized, with assets under management increasing rapidly**

Our wealth management customers, private banking customers with eligible assets and settlement customers aggregated to 227,000, 10,000 and 3.85 million, representing an increase of 38%, 61% and 35% as compared with the beginning of the year, respectively. The individual customers' assets under management have been increasing rapidly, with its balance at the end of the period hitting RMB500 billion, representing an increase of 38% as compared with the beginning of the year.

### **Healthy development of our wealth management business**

In 2014, through further optimizing the management mechanism of our wealth management products, enhancing our professional management expertise, expanding the product diversification layout, accelerating the transition to asset-allocating products while keeping abreast of the trend of Internet to improve our product flow and customer experience, indicators such as the size of our wealth management products, our issuance capability and product innovation have shown considerable progress, with a remarkable boost in our market position and influence.

### **Steady growth in our credit card, auto finance, consumer finance and private banking businesses**

#### *Credit card business*

Our credit card business maintained its stable growth, with 5.09 million new credit cards issued during the year. As at the end of the reporting period, we had 16.43 million credit cards in issue, representing an increase of 19% as compared with the beginning of the year, with a total transaction amount of RMB615.1 billion, representing an increase of 22% over the same period of last year, compared with an increase of 83% in the online transaction amount over the same period of last year. The balance of credit card loans was RMB102.9 billion, representing an increase of 19% as compared with the beginning of the year. Although

the portfolio risk has increased slightly as we cut down the loans granted to customers with low yields in order to improve the structure of our portfolio and enhance its yield, we have made adequate provision for such risks. Meanwhile, through a number of measures such as improving the quality of new credit card issuance, adopting a more prudent credit line strategy, strengthening the early control strategy of our existing customers and increasing our debt collection efficiency, we have further increased our return on assets, with the portfolio yields adequate to cover the risks.

Life insurance sales and telephone sales through credit card were the two main channels through which the corporate customers migrated to our banking segment, and our credit card segment has been constantly facilitating the migration of our corporate life insurance customers and car insurance customers. Among the new credit card customers, those acquired through cross-selling accounted for approximately 40% of the total. We have also accelerated the internal migration of our customers, and acquired over 2 million new customers who held both a credit account and a debit account with us, which led to an increase in the balance of retail deposits by RMB10.5 billion and an increase of RMB18.7 billion in assets under management.

Our credit card business continued to fuel innovation in our products and Internet financial services and diversify our product and service range. In cooperation with the retail industry leader RT-Mart, we launched a "RT-Mart" co-branded credit card. We also issued a new Yi Zhang Tong card, which combined credit card spending with debit card wealth management. We have also launched a smart phone APP (Tian Xia Tong) exclusively for our credit card users, to provide them with a variety of intelligent and well-targeted online services such as online application, application progress inquiry and the best deal broadcast. According to Nielsen, a market researcher, customer satisfaction for Ping An Credit Card has improved by 6% to 85 points.

The brand influence of our credit card continued to improve. Through a variety of marketing activities, such as "Refill with 12% Off", "Color Run" and "Stay youth, join us at Christmas Eve", we called on the ten million cardholders to swipe their cards for charity, for which we have recorded over 10 million brand flashes. Our branded marketing campaign "A customized Christmas Eve Brings Your Wish to Life" won us the gold prize of the EFFIE Effective Marketing Award in Greater China 2014, and our creative marketing campaign "Roar for Free Gas" won us the Media Marketing Award at the Media Marketing Summit 2014.

#### *Auto finance*

Auto finance is one of our strong and high-yielding businesses, with its market share constantly leading the industry. Through alliance with most of the mainstream vehicle brands, we have virtually covered all the mid and high-end brands, and over ten thousand car dealers. Our customers are mainly the

mid and high-end vehicle owners, and the loans extended to the buyers of mid and high-end brands such as Mercedes-Benz, BMW, Audi, Jaguar, Land Rover and Volvo accounted for more than 80% of the total, which was an important source of customers for the Bank and the Group.

The interest rate structure of our auto loans has improved, with the percentage of high-yield loans in the new loans rising to 16%, and the average interest rate increasing by 144 basis points as compared with the previous year, indicating a good beginning of our business transformation. Our approval efficiency also witnessed a substantial improvement, which effectively enhanced our competitive strength. Cross-selling models such as comprehensive development of life insurance business, online sales and telephone sales have entered the right track of development. Our insurance sales agency business was actually started from scratch, and its monthly revenue has recently hit RMB10 million. Our auto finance business has been able to offset the risks with its earnings, and will strive to optimize the quality of its assets through continuous optimization of the product structure and raising the threshold for new customer admission.

#### *Consumer finance*

In 2014, adhering to the service philosophy known as "efficiency, speed and flexibility", our consumer finance business remained focusing on customers and oriented by market, catered for the reasonable financing needs for personal consumption, accelerated the upgrade of consumption, fulfilled its social responsibility, and experienced a noteworthy growth. In 2014, it approved loans in a total of RMB44.1 billion, with the balance at the end of 2014 of RMB117.9 billion. We improved our asset quality through a variety of means such as raising the threshold of new customer admission, strengthening risk monitoring and warning and accelerating collection of arrears, as a result of which our portfolio risks moved steadily and were under control.

Our consumer finance business focused on its customers' needs, catered for their diverse financing needs and enhanced customer satisfaction by constantly expanding the range of and innovating in its products and services. Among its products and services, the personal unsecured consumer loan "Xin Yi Dai", popular for its simplicity and speed, is designed to meet the customers' needs of emergency financing. Another innovative product it launched is "Jin Ling Tong", which has a core feature of "deposit and loan in one and relying on each other" and provides personal unsecured credit facilities that can be "borrowed and paid back at any time".

In addition, under the guidance of the State Council's policy on further expanding the range of testing on securitization of credit assets, we kicked off the project of securitization of personal small consumer loans, and have completed asset securitization of a total of RMB2.63 billion, making it the first credit asset securitization product issued and traded in the stock market in China.

#### *Private Banking*

In 2014, our private banking continued to advocate its three major customer value propositions known as "integrated finance, global allocation and family succession", and consolidate its four main service systems known as "investment management, health management, immigration and overseas study and family protection". As to investment management, we promoted the GWS global investment management platform, and prepared a comprehensive asset management plan for our customers. Meanwhile, we continued to expand the range of our private banking products, and launched market-leading private banking products. We continued to introduce new products to replace the old ones in our structural, private and overseas product categories, so as to consolidate our competitiveness. We introduced a health management platform, offering services such as domestic and overseas health management and overseas medical treatment, aiming to help our customers to manage their health as well as their assets. For our migration and overseas study service, we introduced the Eaton Summer Course, Training of Future Leaders of the United States and the Swiss Rosehill Winter Seminar, aiming to cater for the needs of the children of our customers to experience their life overseas in advance. At the end of 2014, our private banking segment launched a family trust service known as "Private Gift in Succession", which aimed to integrate the cross-border platform resources and prepare for high net worth customers a full range wealth inheritance and security solution covering individual/household and family business throughout the whole life cycle. Also, through the promotion and granting of "Ping An China's Family Business Heritage Award", we aimed to promote the excellent experience of Chinese family business, help the Chinese family businesses to grow and cater for our customers' needs in a family inheritance planning.

Ping An private banking takes advantage of our integrated financial platform to offer unified private banking services to Ping An Group's high net worth customers, and has entered into cross-border cooperation, in terms of customer management and product development, with Ping An-UOB Fund, Lufax, Ping An Russell, Ping An Trust, Ping An Real Estate, Ping An Securities, Legg Mason Fund and Schroder Fund in a "private bank + integrated finance" model.

In 2014, our private banking service was granted the "Most Promising Private Bank Award" under the Golden Shell Award by the 21st Century Asset Management, and the "Award for Chinese Private Bank with the Best Growth Value in 2014" by Money Week.

As at the end of the reporting period, our private banking customers with eligible assets aggregated to 10,036, representing an increase of 61% compared with the beginning of the year. The balance of assets under its management approximated RMB154.5 billion, with an increase in the size of assets of 93%, and an increase in the total sales of wealth management products of 150%, as compared with 2013.

### Details of retail loans (excluding credit cards)

(RMB million)

Item	31 December 2014	%	31 December 2013	%
Eastern District	119,458	42.34%	108,651	45.50%
Southern District	85,582	30.34%	73,184	30.64%
Western District	30,381	10.77%	20,988	8.79%
Northern District	46,371	16.44%	35,992	15.07%
Head Office	304	0.11%	1	-
<b>Balance of retail loans (excluding credit card)</b>	<b>282,096</b>	<b>100.00%</b>	<b>238,816</b>	<b>100.00%</b>
In which: total non-performing loans	2,671	0.95%	1,199	0.50%

### 3. Treasury and inter-bank business

Upholding the operation strategy of "saving capital, restricting scale, adjusting structure and high efficiency", we managed to drive business expansion in 2014 by identifying customers' needs and making innovations in products and service model based on strict risk control and operation compliance. The customer values system was improved and customer base was further consolidated through the synergy gained from headquarters-branches coordination. Marketing channels were expanded and ways accessing to new customers were discovered by making use of the concept of Internet finance and integrating resources inside and outside of the Bank and Ping An Group. Liabilities sources were expanded, liquidity management was improved, liabilities cost was effectively reduced and liabilities structure was optimized. A sound foundation was laid for business development by optimizing system and organizational structure. Further efforts were made to drive transformation of operational model and optimization of revenue structure, resulting in sustainable development of various businesses based on strict control on quotas and 2.0 uses of risk assets.

#### **Hang-E-Tong integrated finance cooperation platform upgraded with the launch of version 2.0**

The version 2.0 aims to establish an inter-bank integrated finance shopping mall to fulfill customer relations, product selling and data mining purposes, acting as an intelligent platform for product cross-selling, linking up institutions, broadening doors and attract customer traffic.

#### **Financial market business grows at high speed and with high quality**

Key business fields, such as precious metal, foreign currency derivatives and bond trading, witnessed enhanced brand effect. Under stringent risk control and sound operations, structure of the precious metal

business was further optimized and one-stop offer of gold products/services was made available to gold accounts, catering to the diversified demand of business/retail customers. Capitalizing on the favorable market environment, we have reported a remarkable year-on-year increase in revenues from bonds and foreign exchange transactions, and enriched business offerings, taking the lead among joint-stock commercial banks in terms of transaction volumes across a number of businesses.

#### **Note business reported evident increase in profits and trading volume**

An on-system market-making platform "Ping An Notes" was launched, activating on-system transactions and driving steady development of the Bank's note business. Business structure was further optimized to promote development of the discounted and rediscounted notes business. Product innovation was accelerated, product range was further enriched and online operations were realized for new business models such as note asset management programs and Hang-E-Tong notes. A new model of balance shortfalls management for mismatched operations was set up to enhance liquidity management. In 2014, price spread gains from trading bills were RMB2.5 billion, representing a year-on-year increase of 200%.

#### **Operations of precious metal industrial chain took initial shape**

The gold leasing business was further solidified through customer selections and optimization of customer mix, and strictly controlling the credit risks. Service and product offerings were widened, among many of those products and tools are periodic gold investment, unit trading, gold fixed deposit, gold certificate and "gold for interest". The "Ping An Gold" brand was established and product categories of real gold were further enriched with the launch of four collections, namely "Xiang Ban Ping An、Xiang Ban Cai Fu、Xiang Ban Ren Sheng and Xiang Ban Jie Qing". Resources were fully integrated and utilized, and a sound foundation was laid which facilitates sourcing of new customers and marketing activities through linking up with other channels within the Bank, such as Hang-E-Tong, credit cards, Oranges Bank, "Orange-e-Net", auto finance and cross-selling programs; linking up with other channels within the Group, such as Wan Li Tong, Yhd.com, life insurance and direct phone marketing; and cooperation with outside parties such as S.F. Express and JD.com.

#### **Foreign exchange derivatives business grew fast, initially establishing a brand position as "Option Expert"**

Specific products were launched to satisfy customers' needs for risk aversion and hedging, resulting in remarkable increase in trading volume of customer-driven foreign exchange derivatives and eightfold increase in trading volume of foreign exchange options compared to last year. The Bank won the "Bank of

2014 for Excellent Foreign Exchange Derivatives Products and Services" award presented by The Economic Observer, getting off to a good start for the brand of "Option Expert".

#### **The reforms for inter-bank proprietary trading unit and asset management unit were completed**

Through stressing return on capital, strict control on quotas and usage of risk assets, the inter-bank financial business saw steady and sound development, highlighting a greater increase in net operating income than increase in balance values. Sales of various financial inter-bank products increased with continuous climb in the weighting of intermediate business income because of the effort made to accelerate changes in operation models, innovate new products and improve business structure. Also, the Bank added efforts to improve liability management which resulted in effective reduction of liabilities cost while maintaining adequate liquidity level.

The Bank consolidated its asset management business and rationalized the related business structure. Stable growth was achieved in the scale of wealth management business due to efforts in undertaking market research, enhancing liquidity, risk and profitability management of portfolios. The Bank topped other joint-stock banks in number of wealth management products issued, with distinguished features of structural products, and provided wide choice of diversified products to individuals and institutional customers.

#### **4. Investment bank business**

In 2014, intermediate income from investment bank business amounted to RMB3.2 billion and derived income amounted to RMB1.1 billion, making up a comprehensive income of RMB4.2 billion, which represented a year-on-year increase of 77%. Asset custody business recorded a balance of RMB1.8 trillion, up 123% from the beginning of the year and the custodian fee income was RMB1.4 billion, representing a year-on-year increase of 177%. Integrated finance yielded remarkable results, highlighting rising brand value of "Gold Orange". Through the cooperation with the investment series program of Ping An Group, the Bank brought in 111 new projects, involving a total investment and finance amount of RMB140.4 billion.

#### **Great efforts made to drive product and model innovations, investment bank products further enriched**

In respect of asset securitization, the Bank launched China's first-ever asset securitization product of small consumption loans that was issued on the stock exchange. In respect of bond underwriting, Ping An Wan De bond sales flagship outlet was put up; and the newly launched public platform for credit notes



online book keeping and selling, the first of its kind in the industry, was well received by the market. The Bank managed to obtain the qualification to act as the Ministry of Finance's agency bank for the collection of non-tax revenue to the central finance, resulting in an addition of daily institutional deposits of RMB20.8 billion.

### **Custodian business grew rapidly with further increase in profitability**

Adhering to the "customer-centric and market-oriented" principle and following the concept of "intensified marketing, tailored services, continuous innovation, hierarchical operation and regulated management", the asset custody business seized the golden opportunities in the mega asset management era through resource integration, platform establishment as well as pursuit of active innovation and reform in service model. Following the launch of custody business via WeChat, the Bank successively completed the development of trusteeship internet banking and the upgrade of bank-enterprise direct connection interface, leading to good results in the custodian business scale and revenues.

In 2014, the Bank was granted two awards, namely the "Hua Zun Awards -Best Custodian Bank in China" and the "Brands: Win in China-Most Competitive Custodian Bank of the Year".

### **5. Small enterprise finance business**

Small enterprise finance business has reported steady development. As at the end of the reporting period, the balance of loans managed by the small enterprise finance BU amounted to RMB109.1 billion, representing an increase of 25% from the beginning of the year; analyzed by region, the Western and Northern regions recorded the strongest growth with an increase of 64% and 43%, respectively. The NPL ratio at the end of the reporting period was 1.16%.

### **Breakthrough progress was made in Internet finance for small enterprises**

In terms of e-channel development, the Bank continued to optimize the small enterprise online banking, mobile banking, phone banking, WeChat banking, SMS services and the official website, and introduced the functions of multi-channel enquiries, withdrawal, repayment and directional payment for Dai Dai Ping An. Tapping into the intangible business opportunities and the chain-related Dai Dai Ping An project, the Bank worked with tens of the leading e-commerce platform providers in China to provide speedy and synergistic services to its small enterprise customers. An online business model was established based on the Orange E Platform to further enhance integrated finance services to small enterprises and Dai Dai Ping An customers with products, such as mobile payment collection and business manager.

**Strategy for transformation and upgrading of small enterprises was deepened, Dai Dai Ping An version 2.0 was improved**

The Bank specified the details of Dai Dai Ping An version 2.0 to establish the systems, enrich the variety and functions, optimize the card application procedures and e-channel functions, expand the batch customer channel, and develop and promote the online application and platform with a view to making Dai Dai Ping An Card the medium or platform for Ping An Bank's small enterprise integrated financial services. Payment/settlement related products were enriched to satisfy the needs for daily liquidity settlement of Dai Dai Ping An customers; the Bank also designed the exclusive insurance mall, wealth management products and bookkeeping products for small enterprise customers of online Dai Dai Ping An version 2.0 to further satisfy customers' needs and enhance customers' loyalty.

Ping An dual debit-credit commercial card has continued to grow rapidly. As at the end of the reporting period, the number of Dai Dai Ping An Card holders was 800,000, representing an increase of 128% from the beginning of the year. There were 180,000 customers granted with a credit line and the credit balance was RMB65.4 billion. The deposit balance of Dai Dai Ping An Card was RMB16.5 billion and the loan balance was more than RMB44.8 billion, representing an increase of 203% and 646%, respectively from the beginning of the year. The average interest rate and NPL rate of Dai Dai Ping An Card was 15.75% and 0.64%, respectively.

**Continuous innovation and enriching of small enterprise products and services**

Building of small enterprise product system was further enhanced and the Bank also explored the integrated financial services solutions in the areas of second-handed autos and logistics. Mobile micro enterprise finance business and paperless loan application were launched and functions of Mobile Integrated Terminal, such as document submission, examination and approval, management, were further optimized, providing better service experiences to the customers. The Bank rolled out the small enterprise integrated financial services and explored niche services to provide customers with personalized service solutions, such as joint card accounts and pilot business zone O2O; various forms of rich club activities and value-added services were launched by the customer club.

**Table of small enterprise finance business**

(In RMB million)

Item	December 31, 2014		December 31, 2013		Compared with the previous year	
	Balance	%	Balance	%	Increase/decrease in balance	% change
<b>Loans managed by</b>	<b>109,103</b>	<b>100.00%</b>	<b>87,128</b>	<b>100.00%</b>	<b>21,975</b>	<b>25%</b>

the small enterprise finance unit						
Including: Eastern region	26,352	24.15%	27,646	31.73%	(1,294)	(5%)
Southern region	37,593	34.46%	29,792	34.20%	7,801	26%
Western region	20,970	19.22%	12,817	14.71%	8,153	64%
Northern region	24,188	22.17%	16,860	19.35%	7,328	43%
Headquarters	-	-	13	0.01%	(13)	(100%)

## 6. Industry business units

**Real estate finance unit:** As at the end of the reporting period, the deposit balance of real estate finance unit was RMB39.8 billion, the loan balance was RMB71.2 billion and the balance of assets under management was RMB144.6 billion; operating income for the year was RMB3.9 billion and the profit before provision was RMB2.9 billion.

In 2014, the real estate finance unit made great efforts in innovations: firstly, it established a presence in the market with investment bank business and integrated finance business by leveraging Ping An Group's advantages in integrated finance and specialized business units. It managed not only to win market and reputation, but also enhance competitiveness of traditional businesses in particular through innovative businesses, such as perpetual bond, primary land development fund and asset management plans; secondly, it continued to make cooperation with high-quality mainstream customers, initially shaping up the Bank's system of real estate customers. Targeting the country's top 100 companies and leading companies in the regions, and based on the list management, it carefully selected projects and well carried out "headquarter-to-headquarter" strategic cooperation and "door-to-door" services to facilitate in-depth operations and provision of integrated finance services. Based on the plan of the headquarter, the real estate finance unit will put great efforts in innovations in terms of the operation scope and depth, enhance management, strictly control risks and enhance the professional brand image so as to achieve new heights in operation and development.

**Energy and mining finance unit:** as at the end of the reporting period, the deposit balance of energy and mining finance unit was RMB39.3 billion, the loan balance was RMB49.8 billion and the balance of assets under management was RMB151.4 billion; operating income for the year was RMB2.1 billion and the profit before provision was RMB1.5 billion.

In 2014, the energy and mining finance unit saw a smooth transition from the startup period into the growth period, and became a key business growth unit throughout the Bank. During the course of fast business development, the business unit attached great importance to industry and customer research,

emphasized risk control amid downturn of the energy and mining industry, specified that the energy and mining industry was in the period of M&A and integration that was characterized by decrease in the number of enterprises, but increase in the scale of enterprises, resulting in enhanced strategy to modestly shift to "big, special and good" customers within the industry. Meanwhile, under the background of interest rate marketization and financial disintermediation, the business unit took the lead to carry out investment bank-oriented transformation of the traditional businesses and managed to promote fast growth of the investment bank business based on "one center and four growth points": one center was to focus on "big, special and good" customers, while four growth points referred to promoting development of industrial funds, making breakthrough in new bond issuance, pursuing businesses related to loans secured by government projects and identifying structural financing projects.

**Transportation finance unit:** As at the end of the reporting period, the deposit balance of transportation finance unit was RMB77.1 billion, the loan balance was RMB35.6 billion and the balance of assets under management was RMB122.7 billion; operating income for the year was RMB2.6 billion.

With launch of online supply chain finance business via "Orange-e-Net", the transportation finance unit provided more efficient, convenient and safer services to the customers based on better understanding of the customers' needs and industry changes. In 2014, the transportation finance unit led transportation service providers in multiple niche fields to establish the transportation finance alliances, resulting in an enhanced industry reputation and providing customers with competitive integrated services and products by integrating resources from various parties.

**Modern logistics finance unit:** Modern logistics finance unit was officially established in November 2014. In recognition of the unit's professional finance service capability and sound operating mechanism, the unit managed to win the chairman seat of the logistics finance committee under the China Federation of Logistics & Purchasing and the vice president seat of the China Federation of Logistics & Purchasing in the initial years of establishment. Meanwhile, it successfully signed strategic cooperation agreements with 28 backbone enterprises in China and 30 excellent logistics companies were invited to join the Ping An Gold Orange • Modern Logistics Club. The modern logistics finance unit will leverage the Group's integrated finance advantages and strive to become a leading modern logistics integrated finance service provider, resource integrator in the logistics industry and driver for upgrading and transformation of the logistics industry in China by carrying out in-depth cooperation with the government, associations and enterprises.

**Modern agricultural finance unit:** the modern agricultural finance unit was officially established in December 2014. On the very day of opening, 125 accounts were opened with the deposit amount exceeding RMB10 billion. The modern agricultural finance unit explored an innovative model of combining government capital, financial capital and industrial to make full use of the integrated finance advantages, thus enabling the Bank to bring into play its professional capabilities in terms of fund raising, project selection, risk control and capital custody. By brining various sides to work together, it took the lead to support the establishment of 11 modern agricultural industry funds across the country with an aim to facilitate modernization of the agricultural industry by focusing investments on regional agricultural industry development and integration of the industrial chain. It attached great importance to cooperating with industry associations and carrying out strategic cooperation with leading enterprises. Through the transaction platform, a direct system from field to table was established to link trading and circulation of the national agricultural products and a business model was created to make innovations in development of the agricultural industrial chain. The modern agricultural finance unit will exert its own strengths to seize big business opportunities in agriculture with innovative models, implement strategies for the abovementioned funds and platform, grow the "Gold Orange• Ping An Agriculture Club" so as to better demonstrate its own value.

## **7. Integrated finance business**

### **Remarkable performance from corporate integrated finance, brand value of "Gold Orange" enhanced**

Corporate cross-selling channels recorded net operating income of RMB928 million, representing a year-on-year increase of 141%. Daily average corporate deposit referred by the property and casualty insurance and pension insurance was RMB13.8 billion, representing a year-on-year increase of 39%, net income was RMB380 million, representing a year-on-year increase of 32%. 111 new projects, involving a total investment and finance amount of RMB140.4 billion, were confirmed through the cooperation between Ping An Bank and the investment series program of Ping An Group. Daily average deposit was RMB9 billion, representing a year-on-year increase of 117%; net operating income was RMB300 million, representing a year-on-year increase of 146%. Premiums from property and casualty insurance and pension insurance policies sold by the Bank exceeded RMB100 million, representing a year-on-year increase of 89%. Ping An Group's internal professional companies contributed RMB248 million of custody revenues.

Gold Orange Club was established and further improved, highlighting 10 "Gold Orange Club" activities and addition of 135 new members throughout the year. The total number of members reached 446 during the year.

### **Comprehensive development of new model for retail cross-selling business and steady growth in cross-selling channel business**

In 2014, the "whole-process business platform for retail integrated finance" was established and the life insurance cross-selling channel business reported steady growth. As at the end of the reporting period, customers' assets under cross-selling channels increased by RMB32.7 billion compared to the beginning of the year, the number of VIP customers increased by 14,747 compared to the beginning of the year, average assets of new customers increased by 203% compared to the existing customers.

Credit cards continued to make key contributions in the Group's cross sales by not only adding level-A natural customer acquisition products to the Group's subsidiaries, but also enabled the Bank to issue a large number of new cards through the Group's subsidiaries. 40% of the 5.09 million new credit cards issued in 2014 came from new customers from the cross-selling channels.

In 2014, the total accumulated bancassurance revenue was RMB270 million, representing an increase of 72% compared to that of 2013, by further capitalizing on the Group's rich internal insurance product resources. In addition, various kinds of pilot programs were advancing rapidly, including the project to shift customers of pension insurance/property and casualty insurance to the Bank; three pilot programs regarding life insurance sales by phone to debit card customers of the Bank, launch of Ping An Oranges Bank APP and remote referrals of potential life insurance clients by the Bank; and the launch of "all-in-one card for banking and securities service" in cooperation with Ping An Securities as part of the bank-securities business cooperation enhancement project.

### **Hang-E-Tong integrated finance service platform further upgraded**

Version 2.0 of Hang-E-Tong has introduced Ping An Group's customer benefit management mechanism, such as consumption points of "Wan Li Tong" to provide platform customers with rich multi-institutional integrated finance products.

### **(III) Profit Distribution Proposal for 2014**

In 2014, the audited net profit attributable to the shareholders of parent company was RMB19,802 million and the distributable profit was RMB48,242 million.

Pursuant to the above profit and the relevant requirements of China, the Bank made the following profit distribution for the year of 2014:

1. Accrued statutory surplus reserve of RMB1,980 million according to the 10% of the profit after tax as audited by domestic Certified Public Accountants.

2. Provision of general risk provisions of RMB2,606 million, representing 1.3% of the balance of risk assets at the end of the reporting period.

Upon the aforesaid profit distribution, as of December 31, 2014, the Bank's surplus reserve amounted to RMB6,334 million; general risk provisions amounted to RMB19,115 million; and the remaining undistributed profit amounted to RMB43,656 million.

3. Taking into account the factors such as the investment returns for the shareholders of the Bank, the capital adequacy ratio requirement stipulated by the regulatory authorities and the sustainability of the Bank's business, apart from the above mentioned statutory profit distribution, it is proposed to distribute a dividend of RMB1.74 in cash (tax inclusive) and bonus issue of 2 shares for every 10 shares by way of conversion of capital reserve on the basis of the Bank's total share capital of 11,424,894,787 shares on December 31, 2014. There will be RMB1,988 million for cash dividend distribution and the capital reserve of RMB2,285 million will be converted into share capital in total. Upon completion of cash dividend distribution and issue of share by way of conversion of capital reserve, balance of the Bank's undistributed profit will be RMB41,668 million and the total capital will be changed to 13,709,873,744 shares.

The above proposals are subject to the consideration and approval by the shareholders of the Bank at the annual general meeting for the year 2014.

## **IV. Relevant Matters Involved in Financial Reporting**

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

☒Applicable ☐Not applicable

In 2014, the Ministry of Finance released the *Accounting Standards of Business Enterprises No. 39 — Fair Value Measurement*, *Accounting Standards of Business Enterprises No. 40 — Joint Venture Arrangement*, *Accounting Standards for Business Enterprises No.41 —Disclosure of Interests in Other Entities* and the revised *Accounting Standards for Business Enterprises No.2 — Long-term Equity Investments*, *Accounting Standards of Business Enterprises No. 9 —Employee Compensation*, *Accounting Standards of Business Enterprises No. 30 — Presentation of Financial Statements*, *Accounting Standards of Business Enterprises No. 33 —Consolidated Financial Statements* and *Accounting Standards of Business*

*Enterprises No. 37– Presentation of Financial Instruments*, saying the above standards would take effect on July 1, 2014 except for the *Accounting Standards of Business Enterprises No. 37– Presentation of Financial Instruments*, which would take effect starting from the 2014 annual financial statements. The Company has adopted the above standard to prepare its 2014 annual financial statements. For details, please refer to “II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES” under “Chapter 11 Notes to the Financial Statements” of the *Annual Report 2014 of Ping An Bank Co., Ltd.*”.

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

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

Board of Directors  
Ping An Bank Company Limited  
March 13, 2015