中国平安
保险·银行·投资

平安银行
PING AN BANK

Annual Report 2013

Contents

Important Notes, Contents and Definitions

1.1. The Bank's Board of Directors along with its directors, the Board of Supervisors (BOS) along with its supervisors, and senior management team guarantee the authenticity, accuracy and completeness of the contents of the Report, the Report does not contain any false documentation, misleading statements or material omission and they are fully responsible both on a collective and individual basis.

1.2. The 2nd meeting of the 9th session of the Board of Directors of the Bank considered the full text and abstract of 2013 Annual Report. There were 16 directors present at the meeting, amongst which, 15 directors present in person. Li Jinghe, a director, absent from the meeting for cause and appointed Sun Jianyi as his proxy to exercise the voting right on his behalf. The Board of the Bank approved the Report unanimously at the meeting.

1.3. Pricewaterhousecoopers Zhong Tian LLP had audited the Bank's 2013 financial reports in accordance with the auditing standards of the People's Republic of China, and each of them had issued their own auditor's report with standard unqualified opinion.

1.4.Sun Jianyi (the Bank's Chairman), Shao Ping (the Bank's President), Sun Xianlang (the Bank's vice president and chief financial officer), Zhu Minhao (head of the Accounting Department) guarantee the authenticity, accuracy and completeness of the financial report contained in the 2013 Annual Report.

1.5.The proposal for profit distribution for the reporting period or the proposal for the transfer of statutory reserve fund into capital considered by the Board; it is intended to distribute a dividend to all shareholders by way of cash in the amount of RMB 1.60(tax inclusive) for every ten shares held, on the basis of the Bank's total capital of 9,521 million shares on December 31, 2013 and two share will be transferred to all shareholders for every ten shares held.

1.6. Investors should read the full text of the Annual Report carefully. The Annual Report involves forward-looking statement such as future plan, which does not constitute a substantive undertaking to the Investors. Investors should pay attention to investment risks.

Definitions

Definition item	Explanation of definition
Ping An Bank, the Bank, the Company	The bank derived upon the integration of the former Shenzhen Development Bank Company Limited ("former Shenzhen Development Bank" or "former SDB") with the former Ping An Bank Company Limited ("former PAB") in merger through absorption and after renaming.
Former Shenzhen Development Bank, former SDB	A national joint stock commercial bank established on December 22, 1987. The bank is renamed to Ping An Bank after the merger with the former PAB through absorption.
Former PAB	A joint stock commercial bank established in June 1995 with operations across regions, and was deregistered on June 12, 2012.
Ping An China, Ping An Group, the Group	Ping An Insurance (Group) Company of China, Ltd.

Material Risk Warnings

The risks that primarily incur in the Bank's operation are credit risk, market risk, liquidity risk, operation risk, compliance and legal risk, etc. The Bank has adopted various measures to effectively manage and control various operation risks. Please refer to Report of the Board of Directors in Chapter 4 for details.

Basic Facts of the Company

(I) Corporate Information

Stock Short Name	Ping An Bank	Stock Code	000001
Stock exchange on which the shares are listed	Shenzhen Stock Exchange		
Name in Chinese	平安银行股份有限公司		
Stock Short Name in Chinese	平安银行		
Name in English (if any)	Ping An Bank Co., Ltd.		
Stock Short Name in English (if any)	PAB		
Legal representative	Sun Jianyi		
Registered address	5047 East Shennan Road, Luohu District, Shenzhen City, Guangdong Province, China		
Zip code for registered address	518001		
Business address	5047 East Shennan Road, Shenzhen City, Guangdong Province, China		
Zip code for business address	518001		
Website	http://www.bank.pingan.com		
Email	pabdsh@pingan.com.cn		

(II) Contact Persons and Means of Contact

	Secretary of the Board	Representative of Securities Affairs
Name	Li Nanqing	Lv Xuguang
Contact Address	Office of the Board of Directors, Ping An Bank, 5047 East Shennan Road, Shenzhen City, Guangdong Province, China	Office of the Board of Directors, Ping An Bank, 5047 East Shennan Road, Shenzhen City, Guangdong Province, China
Telephone no.	(0755) 82080387	(0755) 82080387
Facsimile no.	(0755) 82080386	(0755) 82080386
Email	pabdsh@pingan.com.cn	pabdsh@pingan.com.cn

(III) Information Disclosure and Place for Maintenance

Newspapers selected by the Company for information disclosure	China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily
Website designated by China Securities Regulatory Commission to publish the Annual Report	The website of CNINFO (www.cninfo.com.cn)
Place for keeping Annual Report of the Company	Office of the Board of Directors

(IV) The Changes of the Registration of the Company

	Date of registration	Place of registration	Business license registration number of the legal entity of the business	Tax registration number	Organizational code
First registration	December 22, 1987	1 Xin Shi Fang, Cai WuWei, Shenzhen City	19218537-9	02001016(Tax payment number)	19218537-9
Registration at the end of the reporting period	July 22, 2013 (Business registration renewal)	5047 East Shennan Road, Luohu District, Shenzhen City	440301103098545	440300192185379	19218537-9
Changes of the main business of the Company after Listing (if any)	None				

Changes of controlling shareholder (if any)	Ping An China is the controlling shareholder of the Bank. In May 2010, the former largest shareholder of the Bank, Newbridge Asia AIV III, L.P. ("Newbridge"), transferred all its 520,414,439 shares of the Bank to Ping An China. In June 2010, the Bank underwent a non-public offering of 379,580,000 shares to a controlling subsidiary of Ping An China, Ping An Life Insurance Company of China (herein referred to as "Ping An Life Insurance"). After the share issue, Ping An China and its subsidiary Ping An Life Insurance held 1,045,322,687 shares of the Bank in total, representing approximately 29.99% of the enlarged total share capital of the Bank upon issuance. In July 2011, the Bank issued 1,638,336,654 shares to Ping An China to acquire its 7,825,181,106 shares of former PAB and RMB 2,690,052.3 thousand for the material asset reorganization. After the material asset reorganization, the total share capital of the Bank was increased to 5,123,350,416 shares. Ping An China and its controlling subsidiary Ping An Life Insurance in aggregate held 52.38% of the shares of the Bank, becoming the controlling shareholder of the Bank. In December 2013, the Bank underwent a non-public offering of 1,323,384,991 shares to Ping An China. After the offering, the Bank has 9,520,745,656 shares. Ping An China and its controlling subsidiaries Ping An Life Insurance held 59% shares of the Bank in total, and are the controlling shareholders of the Bank.

Basic Facts of the Company

(V) Additional Related Information

1. Accounting firms appointed by the Company

Name of the accounting firms	Domestic: Pricewaterhousecoopers Zhong Tian LLP Overseas: Not applicable
Business address of the accounting firms	Domestic: 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai Overseas: Not applicable
Name of signing accountants	Domestic: Yao Wenping, Zhu Liping Overseas: Not applicable

2. Sponsor engaged by the Company for provision of ongoing supervision in the reporting period

√ Appicable ☐ Not Applicable

Name of sponsor	Business address of the sponsor	Representative signatory of sponsor	The period of ongoing supervision
CITIC Securities Company Limited	CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing, PRC CITIC Securities Tower, No. 8 Zhong Xin San Road, Futian District, Shenzhen City, PRC	Ma Xiaolong, Liang Zongbao	From Jan 9, 2014 to the end of the accounting year of 2015

3. Financial consultant engaged by the Company for provision of ongoing supervision in the reporting period

☐ Applicable √ Not Applicable

(VI) This Report is prepared in both Chinese and English. In the event of any discrepancy, the Chinese version shall prevail.

Accounting Data and Financial Indicator Highlights

Whether the Company has adjusted or restated retrospectively the accounting data for previous years due to change in accounting policies and corrections of accounting errors.
☐ Yes √ No

I. Operating results

(In RMB million)

Item	January-December 2013	January-December 2012	January-December 2011	Y-o-Y change
Operating income	52,189	39,749	29,643	31.30%
Operating profit before asset impairment loss	26,845	20,673	15,281	29.86%
Asset impairment loss	6,890	3,130	2,149	120.13%
Operating profit	19,955	17,543	13,133	13.75%
Gross profit	20,040	17,552	13,257	14.18%
Net profit	15,231	13,512	10,390	12.72%
Net profit attributable to shareholders of the parent company	15,231	13,403	10,279	13.64%
Net profit attributable to shareholders of the parent company after non-recurring gains/losses	15,166	13,385	10,179	13.31%
Per share:				
Basic earnings per share ("EPS") (in RMB)	1.86	1.64	1.54	13.41%
Diluted EPS(in RMB)	1.86	1.64	1.54	13.41%
Basic EPS after non-recurring gains/losses(in RMB)	1.85	1.63	1.53	13.50%
Cash flow:				
Net cash flows from operating activities	91,674	185,838	(14,439)	(50.67%)
Net cash flows from operating activities per share (in RMB)	9.63	22.67	(1.76)	(57.52%)

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

Accounting Data and Financial Indicator Highlights

Items and amount of non-recurring gains/losses

(In RMB million)

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

II. Profitability indicators

(%)

Item	January-December 2013	January-December 2012	January-December 2011	Y-o-Y change (%)
Return on total assets	**0.81**	0.83	0.82	-0.02 percentage points
Average return on total assets	**0.87**	0.94	1.04	-0.07 percentage points
Fully diluted net return on assets	**13.59**	15.81	14.02	-2.22 percentage points
Fully diluted net return on assets (net of non-recurring gains/losses)	**13.53**	15.78	13.89	-2.25 percentage points
Weighted average net return on assets	**16.57**	16.78	20.32	-0.21 percentage points
Weighted average net return on assets(net of non-recurring gains/losses)	**16.50**	16.76	20.12	-0.26 percentage points
Cost/income ratio	**40.77**	39.41	39.99	+1.36 percentage points
Credit costs	**0.84**	0.45	0.41	+0.39 percentage points
Net interest spread (NIS)	**2.14**	2.19	2.39	-0.05 percentage points
Net interest margin (NIM)	**2.31**	2.37	2.56	-0.06 percentage points

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

III. Assets and liabilities

(In RMB million)

Item	December 31, 2013	December 31, 2012	December 31, 2011	Y-o-Y change
I. Total assets	**1,891,741**	1,606,537	1,258,177	17.75%
Including: Held-for-trading financial assets and derivative financial assets	**13,818**	5,205	3,418	165.48%
Held-to-maturity investments	**195,667**	103,124	107,683	89.74%
Loans and receivables	**1,404,731**	1,162,415	884,305	20.85%
Available-for-sale financial assets	**467**	89,896	78,384	(99.48%)
Goodwill	**7,568**	7,568	7,568	-
Others	**269,490**	238,329	176,819	13.07%
II. Total liabilities	**1,779,660**	1,521,738	1,182,796	16.95%
Including: Held-for-trading inancial liabilities and derivative financial liabilities	**6,606**	2,674	732	147.05%
Placement from banks and other institutions	**22,633**	39,068	25,279	(42.07%)
Deposit taking	**1,217,002**	1,021,108	850,845	19.18%
Others	**533,419**	458,888	305,940	16.24%
III. Shareholders' equity	**112,081**	84,799	75,381	32.17%
Including: equity attributable to shareholders of the parent company	**112,081**	84,799	73,311	32.17%
Net assets per share attributable to shareholders of the parent company (in RMB)	**11.77**	10.35	8.94	13.72%

Accounting Data and Financial Indicator Highlights

III. Assets and liabilities

(In RMB million)

Item	December 31, 2013	December 31, 2012	December 31, 2011	Y-o-Y change
IV. Total deposits	**1,217,002**	1,021,108	850,845	19.18%
Including: Corporate deposits	**1,005,337**	839,949	698,565	19.69%
Retail deposits	**211,665**	181,159	152,280	16.84%
V. Total loans	**847,289**	720,780	620,642	17.55%
Including: Corporate loans	**521,639**	494,945	430,702	5.39%
General corporate loans	**509,301**	484,535	413,019	5.11%
Discounted bills	**12,338**	10,410	17,683	18.52%
Retail loans	**238,816**	176,110	165,227	35.61%
Receivables for credit cards	**86,834**	49,725	24,713	74.63%
Provision for impairment of loans	**(15,162)**	(12,518)	(10,567)	21.12%
Loans and advances, Net	**832,127**	708,262	610,075	17.49%

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

Total capital of the Bank on the trading day as of the date of disclosure: 9,520,745,656 shares

Have the amount of the owners' equity been subject to changes arising from changes in share capital pursuant tonew issue of shares, additional issue, allotment, exercising the stock option, or repurchasing, etc. from the end of the reporting period to the disclosure date of the annual report?

☐ Yes √ No

Is there any coporate bond?

☐ Yes √No

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

(%)

Financial indicator		Standard level of indicator	December 31, 2013 Year-end	December 31, 2013 Monthly average	December 31, 2012 Year-end	December 31, 2012 Monthly average	December 31, 2011 Year-end	December 31, 2011 Monthly average
Liquidity ratio	RMB	≥25	50.00	49.72	51.31	58.17	55.72	Not applicable
	Foreign currency	≥25	44.33	73.23	88.90	79.25	62.89	Not applicable
	RMB and foreign currency	≥25	49.56	50.41	51.99	58.20	55.43	Not applicable
Loan/deposit ratio (including discounted bills)	RMB and foreign currency	≤75	69.67	69.68	70.64	72.73	72.88	Not applicable
Loan/deposit ratio (excluding discounted bills)	RMB and foreign currency	Not applicable	68.64	68.61	69.61	69.81	70.75	Not applicable
Non-performing loan (NPL) rate		≤5	0.89	0.97	0.95	0.74	0.53	Not applicable
According to Administrative Measures for the Capital of Commercial Banks (Trial)(Note)	Capital adequacy ratio	≥8.5	9.90	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Tier one capital adequacy ratio	≥6.5	8.56	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Core tier one capital adequacy ratio	≥5.5	8.56	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
According to Measures for the Administrative of Capital Adequacy Ratios of Commercial Banks and etc.	Capital adequacy ratio	≥8	11.04	10.29	11.37	11.43	11.51	Not applicable
	Core capital adequacy ratio	≥4	9.41	8.32	8.59	8.53	8.46	Not applicable
Ratio of loans to the single largest client to net capital		≤10	4.73	4.49	2.95	3.33	3.71	Not applicable
Ratio of loans to top 10 clients to net capital		Not applicable	20.88	23.21	15.60	17.87	19.24	Not applicable
Ratio of accumulated foreign exchange exposure position to net capital		≤20	0.65	Not applicable	1.38	Not applicable	2.80	Not applicable
Pass loans flow rate		Not applicable	4.78	Not applicable	2.03	Not applicable	0.67	Not applicable
Special Mention loans flow rate		Not applicable	37.77	Not applicable	53.38	Not applicable	9.35	Not applicable
Substandard loans flow rate		Not applicable	43.61	Not applicable	43.28	Not applicable	39.40	Not applicable
Doubtful loans flow rate		Not applicable	88.70	Not applicable	78.22	Not applicable	13.01	Not applicable
Cost/income ratio (excluding business tax)		Not applicable	40.77	Not applicable	39.41	Not applicable	39.99	Not applicable
Provision coverage		Not applicable	201.06	Not applicable	182.32	Not applicable	320.66	Not applicable
Loan loss provision ratio		Not applicable	1.79	Not applicable	1.74	Not applicable	1.70	Not applicable

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

Chairman's and President's Statements

SUN Jianyi

PING AN BANK Chairman

The year 2013 was an extraordinary year. This year, the convocation of the Third Plenary Session of the 18th Communist Party of China (CPC) Central Committee revealed the mask of series of comprehensive reforms, laying out a roadmap to the country's future reforms.

This year, Chinese economy was faced with unprecedented dilemma between adjusting structure or stabilizing growth, as a tapered quantitative easing in the United States started and an appreciated US dollar was expected to kick in and cause dollar flowing back into the U.S, exerting impact on the emerging markets.

This year, Ping An Bank forged ahead amidst of challenges, opened up the best landscape in history and kicked-off a new era of the Bank, by achieving rapid growth in size, significant improvement in efficiency, continuous optimization in structure and effective control in risks, and making great strides in all of its businesses, as a result of effective strategic transformation and structural adjustment under the concept of "Reform, Innovation and Development".

In 2013, Ping An Bank recorded net profit of RMB15.231 billion, with year-on-year increase of 12.72%. The Bank expanded faster than the market with total assets amounting to RMB1,890 billion, up 17.75% as compared with the beginning of the year; total deposits climbed substantially by 19.18% to RMB1,220 billion from the beginning of the year, a growth ahead of peers and resulting in a significant improvement of market share; both asset-liability structure and income mix were gradually optimised, spread levels were steadily improved, the share of deposit from basic banking was expanded and the proportion of high-yield loans was continuously increased; income from intermediary business accounted for nearly 22.10% of the total, substantially increased by almost 5.2 percentage points over last year; while achieving profits and a steady growth in size, the Bank's NPL ratio was maintained at 0.89%, down by 6 basis points over the previous year.

In 2013, Ping An Bank actively rolled out management reforms and business innovation, and made itself standout with four major characteristics, namely "professionalism, intensification, integrated finance and internet banking", a solid step taken on the road toward building differentiated core advantages. At the end of 2013, the Bank's corporate deposits increased by RMB165.388 billion or 19.69% from the beginning of the year. Substantial results in structural optimisation were achieved, traditional trade finance and offshore businesses continued to gain strength and more trade finance businesses were operated on customers' electronic terminals instead of the bank's counters. As we were rolling out the full-coverage industry chain business model and speeding up the reforms of business units, the results had started to kick in.

Through the year, the Bank built and launched altogether 15 product, sector and platform BUs and cultivated different market and customers with specialised products and services featuring "integrated finance" and "internet finance". Our SME financial services started to gain strength with a new SME service model named "Dai Dai Ping An". As at the end of

Shao Ping

PING AN BANK President

2013, the balance of SME loans of the Bank amounted to RMB87.128 billion, representing an increase of RMB31.294 billion or 56.05% from the beginning of the year. For retail banking, the Bank achieved rapid growth in the consumer credit business while fully entrenching six major foundations (product, channel, service, workforce, system and mechanism), as a result of which our retail customer satisfaction has been substantially improved. Our investment banking business was off to a strong start and has become a major growth point of the Bank's intermediary business income. The Bank obtained the first batch of qualifications to conduct pilot financial planning and asset management programs as well as trials on direct financing instruments. The number of our "Golden Orange Club" members has been increasing, which has laid a solid foundation for the bank's future development both in customers pipelines and customer base. Our inter-bank business had gradually made its voice heard in the market with a significantly expanding networks of peer banks and a leading gold trade business.

In 2013, Ping An Bank actively implemented regulatory policy requirements, enhanced its corporate governance system and structure, built a comprehensive risk management system, promoted the construction of risk management mechanisms, improved policies on banking risk management, optimised the organisational structure of risk management and especially strengthened management on market risks. As a result, the bank had withstood some severe liquidity turmoils in the market, mitigated the pressure from non-performing assets, and avoided any criminal case in operation, therefore ensured steady and healthy operation of the Bank .

Looking into the coming year, with domestic economic and financial reforms entering a more complicated period, we are facing more challenges and opportunities. Ping An Bank will follow the roadmap designed in "Five-year Strategy" and "Three-step Strategy", and continue to center our customers externally and our people internally, to think boldly in innovation, to keep risk in strict control, to upgrade our services to customers, and to achieve a rapid yet coordinated and sustainable growth in size and efficiency, thereby creating greater value and higher returns for investors, society and employees.

Chairman: SUN Jianyi

President: Shao Ping

Chairman of Supervisory Committee

Qiu Wei

PING AN BANK Chairman of Supervisory Committee

In 2013, our five-year development and strategic plan was launched into full swing, which has acted as "booster" and "stimulant" to the entire bank. Guided by the philosophy for "reform, innovation and development", we carried out reforms in the course of development, adopting a series of strong and effective measures and thus successfully overcoming fierce market competition and various internal and external difficulties amidst a complex domestic and foreign economic and financial environment, hence achieving an unprecedented breakthrough. This has laid a solid foundation for our future growth and our confidence has also been greatly enhanced through the bank.

"Ping An Bank really differs", in the sense that we are different not only in terms of development but also in terms of risk control. While a powerful head office is being built, it is necessary for us to focus on conventional risk control on one hand and highlight differentiated risk management and control on the other hand. Only in this way we are able to "combat the storm and survive the winter", hence realizing a healthy and sustained development of the Bank.

As always, the Board of Supervisors has demonstrated its functions well, playing a supervisory role in risk control as well as a complementary role in growth, truly achieving "checks and balances, mutually complementary ties and the spirit of community".

Chief Supervisors: Qiu Wei

Summary of Ping An Bank's Awards in 2013

January

- *Financial Money*

  Annual Golden Award for Innovative SME Bank

February

- *Financial World*

  Best Credit Card

  Greatest Growth Potential Bank

  Retail Bank with Best Marketing

March

- *Southern Metropolitan Daily*

  Top 10 Listed Enterprises with Brand Presence

May

- *cajing.com.cn*

  Best SME Bank

- 7th Summit Forum on Market Value Management of Chinese Listed Companies

  Top 100 Listed Companies by Market Value

  Top 100 Listed Companies by Capital Brand Value

- 8th Public Securities Cup in respect of the competitiveness and credibility of Chinese listed companies

  Best Long-term Investment Value Award

June

- *Securities Times*

  Best Fixed Income Financial Product

  Best Open-end Financial Product

  Best Short-term Financial Product

- *21st Century Business Herald*

  Best Bank in Cash Management in 2013

July

- *sina.com*

  Best Rated Financial Product

November

- *National Business Daily*

  Outstanding Microfinance Product

- Second Top 100 – Capital Strength Award Ceremony

  Best Listed Company in Social Responsibility

- *China Business Journal*

  Bank with Excellent Competitiveness in Brand Building in 2013

  Bank with Excellent Competitiveness in Mobile Finance in 2013

  Bank with Excellent Competitiveness in Credit Card Brand in 2013

- *The Economic Observer*

  Chinese Bank of Excellent Growth in 2012-2013 Comprehensive Award

  Chinese Bank of Excellence in Auto Finance Service in 2012-2013

- *Southern Metropolitan Daily*

  Annual Award for Excellence in Innovation

- 2nd Top 100 Companies by Capital Strength Award Presentation Ceremony

  Best Listed Company in Social Responsibility

December

- *Money Week*

  China's Most Respectable Bank in 2013

  Best Credit Card in 2013

  China's Best Microfinance Service Brand in 2013

- *21st Century Media*

  2013 Award for Potential in Financial Innovation

- *China Business News*

  Most Innovative Bank
  Credit Card Brand of the Year

- *Money Week*

  Most Innovative Bank in Auto Finance in 2013

  Best Chinese Bank in Auto Finance Service in 2013

- *Securities Times*

  Best Mobile Bank in 2013

- *National Business Daily*

  Best Rated Credit Card of the Year

- *China Times*

  Most Trusted Bank Among Micro and Small Enterprises in 2013

- *eastmoney.com*

  2013 Best Banking Website Award

- *qq.com*

  Ping An's pocket bank 2.0 won the "Internet Financial Product of the Year"

Business Highlights – Corporate Banking Business

I. Robust growth in corporate banking and steady rise in market share ranking

As at the end of 2013, the corporate deposit balance broke the thousand billion level to reach RMB1,005.2 billion, representing a growth of 20% from the beginning of the year. The structure optimisation was effective. Traditional trade finance and offshore business continued to expand. The launch of online trade finance business was successful.

II. Continuous innovation in trade finance for a new stage of development

In 2013, the Bank vigorously explored new sectors and models in trade finance on the basis of consolidating existing advantages. As a result, business size was steadily expanded and business structure was continuously optimised. Accumulated net operating income was RMB5.6 billion, up 30% year-on-year. High growth was achieved in all scale indicators and assets quality continued to stay at satisfactory levels. The NPL ratio was 0.28%, down 0.06 percentage point as compared to the beginning of the year.

III. Turning network finance into e-commerce and embarking on a new chapter on alliances

The Bank actively promoted the internet technology and innovative internet finance development model for its corporate banking business which recorded net operating income amounting to RMB3.6 billion, representing a year-on-year increase of RMB2.1 billion. Through the construction of an integrated supply chain service platform and the formation of a broad alliance, the Bank innovated its network financing model and upgraded supply chain financial service 2.0. The Bank was the first to build a micro-channel platform for corporate banking for trial on "O2O service" such as account opening by appointment. The Group had more than 10,000 cash management customers and its e-government finance grew substantially.

IV. Prominent results in offshore business with growth rising to a new high level

In 2013, the Bank's offshore business achieved net operating income of RMB640 million, representing a year-on-year increase of 128%. The balance of offshore deposits of the Bank grew 34% as compared to the beginning of the year. On the back of a substantial increase in offshore loans, both the NPL ratio and debit interest rate of offshore loans were maintained at zero.

V. Transportation finance starts a new model combining industry and finance

In 2013, the Bank's transportation finance business was committed to innovating models such as industry funds and deep plowing core customers with supply chain finance and integrated finance as the dual drivers. As at the end of the year, deposits of the Bank in the transportation finance business amounted to RMB58 billion and net operating income for the year was RMB1.9 billion. In addition, the Bank continued to maintain good customer and asset quality.

the corporate deposit balance broke the thousand billion level to reach RMB1,005.2 billion

RMB 1,005.2 billion

deposits of the Bank in the transportation finance business amounted to RMB58 billion

RMB 58 billion

Business Highlights – Retail Banking Business

I. Steady growth in both the number of wealthy customers or above and customer assets

The Bank's total number of wealthy customers or above was nearly 170,000, an increase of 39% as compared with the beginning of the year. Assets under management amounted to more than RMB360 billion, representing a growth of 37%.

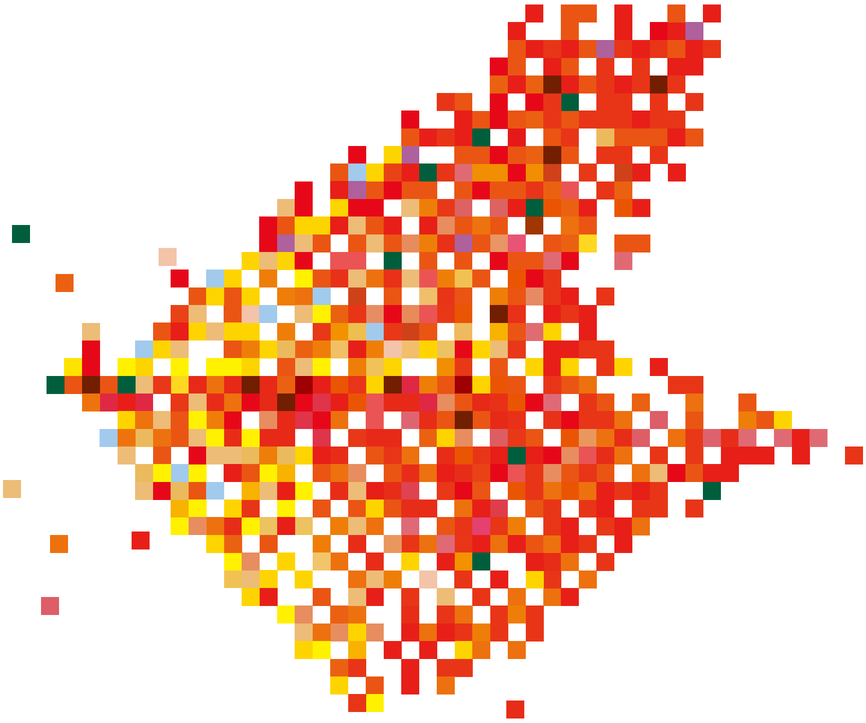
II. Rapid growth in credit card and consumer finance businesses and continuous improvement in market position and presence

The Bank has continued to outperform competitors in terms of market share in the credit card business, with annual transaction amount breaking RMB520 billion on the continuous improvement of its customer attracting capability and profitability. The Bank's share in the UnionPay interbank POS market has been growing faster than those of competitors and is constantly improving and consolidating its sixth position among major card issuing banks in China.

The Bank's retail loan balance amounted to RMB247.7 billion (including credit cards), representing a year-on-year increase of RMB72 billion, among which, the balance of new loans amounted to RMB24.2 billion, an increase of 55% over the previous year. In 2013, new loans amounting to RMB28.2 billion were extended, up 271% as compared to last year. The balance of auto loans amounted to RMB48.8 billion, representing an increase of 131% as compared with the end of last year, continuously outpacing the share of competitors; new loans extended in 2013 amounted to RMB50 billion, up 173% over the previous year.

with annual transaction amount breaking RMB520 billion

RMB 520 billion



III. Private banking business conducted at full swing and shortcomings in high-end customer service covered

The Bank's private banking business was officially launched in 8 November 2013. In 2013, the first batch of key personnel in our four private banking centers in Beijing, Shanghai, Guangzhou and Shenzhen was basically in place. Since the start to the end of December, the Bank had altogether 6,221 private banking customers with assets of more than RMB6 million, representing a growth of 44% from the beginning of the year. The number of new card holders was 8,719. The overall number of customers rose 183% from the beginning of the year. Assets of private banking customers under management amounted to RMB75.3 billion, an increase of 49% when compared with the beginning of the year.

For private banking business, the Bank has clearly advocated three major customer value propositions, that is, "integrated finance, global allocation and family succession", which has fully demonstrated Ping An Group's edge in integrated financial services and has nailed down our "multi-channel and multi-product" private banking business development model for building up a high-end private banking customer service system.

Assets of private banking customers under management amounted to RMB75.3 billion

RMB 75.3 billion

Business Highlights – Small Enterprise Financial Services

I. Leaping growth in business size and a balanced development achieved

The balance of micro and small enterprise loans of the Bank amounted to RMB87.128 billion, representing an increase of 59.14% from the beginning of the year. The average interest rate on new loans extended in 2013 surpassed 9% and the number of customers for the whole year rose sharply to break 560,000 at the end of the year, realising a further tilt toward micro and small enterprise customers and effectively supporting the development of the real economy.

II. Meteoric rise of "Dai Dai Ping An" business card and unremitting efforts on product innovation

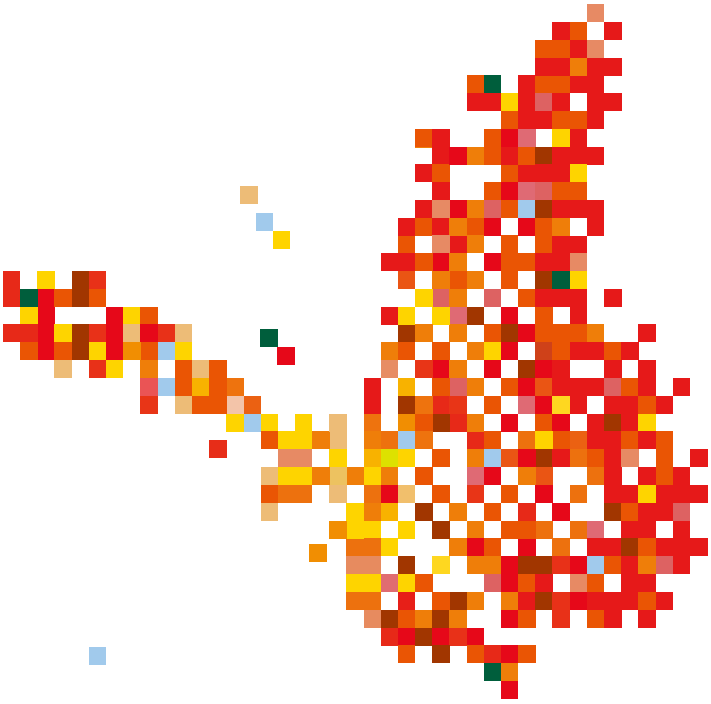
The card has integrated functions such as financing, settlement and value-added services with micro-credit revolving credit facility as its essence. Since it was fully promoted in September 2013, the number of card holders of the Bank broke the 300,000 level in only three months or so. Dai Dai Ping An business card has become a knockout product of the Bank in serving micro and small enterprises and has won awards including the Bank's Special Innovation Award of the Year.

The balance of micro and small enterprise loans of the Bank amounted to RMB87.128 billion

RMB 87.128 billion

the number of card holders of the Bank broke the 300,000 level in only three months or so

300,000



III. Deepening customer services to enhance customer experience

The Bank has commenced the building of all-rounded electronic service channels including internet banking, phone banking, mobile banking and micro-credit banking so that customers can enjoy a range of services provided by the Bank such as settlement, fund collection, loan drawing and repayment and wealth management whenever and wherever they like. At the same time, through various offline media and activities such as service promotions, clubs, wealth management seminars and thank you meetings, the Bank has deepened its value-added services for a comprehensive improvement of customer experience.

IV. Actively applying network IT to build an intensive micro and small enterprise finance model

The Bank has further broken the traditional business model and has devoted to innovation in small enterprise finance mobile integrated terminal, thereby achieving mobile, electronic and online acceptance, approval and money withdrawal throughout the whole process of its Dai Dai Ping An business card. At the same time, it has initially established a new mode of operation for centralised and standardised processing of credit facilities which has improved the speed and efficiency of review and approval.

Business Highlights – Investment Banking Business

I. Major breakthroughs in investment banking business and fruitful efforts on innovation

Full-year consolidated income of the Bank's investment banking division amounted to RMB2.401 billion, representing an increase of 59% over last year; income from intermediary business was RMB1.635 billion, a year-on-year increase of 371%. Assets under management amounted to RMB113.7 billion and the size of structural financing projects reached RMB52 billion. The size of registered and issued bonds was RMB60.2 billion and RMB51.7 billion respectively. Average daily deposits derived through the year amounted to RMB29.4 billion.

II. Professionally run real estate finance business delivering strong results

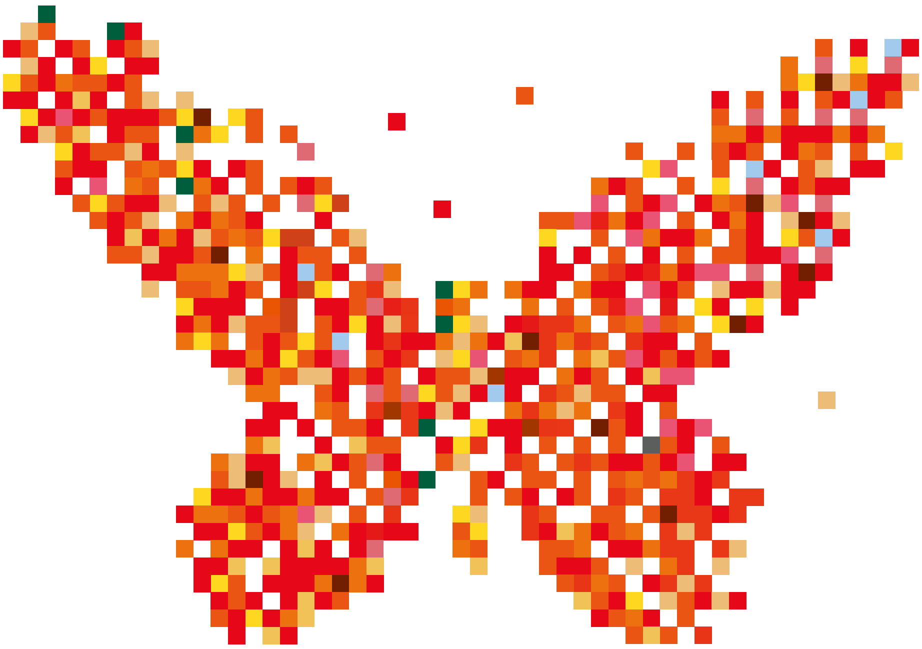
As at 31 December 2013, the Bank's real estate finance division recorded a deposit balance of RMB17.305 billion and a loan balance of RMB19.158 billion; net non-interest income was RMB366 million. The Bank is devoted to build a whole real estate industry chain development model with "housing" as its essence and is vigorous in developing innovative investment banking businesses to form a basic multi-dimensional business management pattern covering regions, customers, business formats and financial products.

III. Energy and mines – remarkable results achieved by turning into investment banking upholding "preparations made and returns achieved in the same year"

As at the end of 2013, net operating income amounted to RMB520 million and profit of this responsibility center was RMB240 million, among which, income from intermediary business was RMB262 million, accounting for 50.38% of the total. Deposit balance was RMB12.05 billion. The balance of assets under management as at the end of the year was RMB53.44 billion, including RMB6.9 billion for bond issuance, RMB9.82 billion for agency business and RMB16.44 billion for trade finance business. There were 128 valued customers and 251 customers with a balance of deposits.

Assets under management amounted to RMB113.7 billion

RMB 113.7 billion



IV. Substantial results in institutional business with qualification and certification obtained in a number of projects

Breakthroughs were achieved in the financial operation. The Bank obtained qualification and certification on the direct payment agency from the People's Bank of China in October 2013. Fruitful results were achieved in our asset securitisation trials and commencing our first asset securitisation business has made the Bank become the first batch of pilot banks to conduct asset securitisation on stock exchanges. Our financial planning and fund and asset management businesses delivered strong results and the Bank successfully obtained its first batch of pilot qualifications on running these businesses.

V. Asset custody business risen to a new level

In 2013, the asset custody business of Ping An Bank continued to maintain rapid growth momentum, with net value of assets under custody by the Bank breaking the level of RMB800 billion, up 89% year-on-year. Income from custody fees broke RMB500 million, representing an increase of 130% over last year. The Bank increased market share by 40 basis points to 2.31% as compared to the beginning of the year and climbed one place in sector ranking when compared with the end of 2012.

VI. Prominent results in integrated group finance

In 2013, the size of business for implementation by Ping An's investment companies as referred by the Bank was RMB100.8 billion. Premiums achieved by Ping An Insurance on insurance sold via the Bank amounted to RMB65.25 million and the Bank's average daily corporate deposits referred by other specialised companies for the year amounted to RMB14.009 billion. All of our specialised companies were organised for the conclusion of strategic cooperative agreements between Ping An Group and nine provincial and municipal governments such as Qingdao, Kunming and Wuhan, as a result of which our local brand recognition is improved.

Premiums achieved by Ping An Insurance on insurance sold via the Bank amounted to RMB65.25 million

RMB 65.25 million

Business Highlights – Treasury and Interbank Business

I. Interbank Business

The increasing presence of our "Hang E-Tong" channel platform has expanded the breadth and depth of our cooperation with various commercial banks, rural commercial banks, rural credit cooperatives, county banks and non-banking financial institutions. The brand effect of the Hang E-Tong platform is further demonstrated. Supported by the Group's advantages and through collaboration with subsidiaries within the Group, innovating interbank products and business models to expand revenue sources has become easier.

II. Financial markets

Our gold business has followed the full-coverage of industry chain business concept highlighting featured operation and brand building. Our gold leasing business has grown stably and the production of gold under the Ping An brand has been smoothly put into operation which has achieved good economic results and market reputation.

The Bank has actively developed integrated financial services and vigorously promoted the operation of new models and channels. It has joined hands with entities such as Lujiazui International Financial Asset Exchange and Ping An-UOB Fund for innovation and a series of cooperation models has been initially formed, including the launch and operation of Ping An Huitong – Ping An Ruizhi Rensheng and Ruizhi wealth management products with Ping An-UOB Fund and the development of SPV financial products with Lujiazui International Financial Asset Exchange, hence providing customers with more product options.

Report of the Board of Directors

I. Analysis of business performance in 2013

(I) Overview

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

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

The Bank recorded an operating income of RMB52.189 billion for the year, representing an increase of RMB12.440 billion (or 31.30%) from the previous year, and a net non-interest income of RM11.501 billion, representing an increase of RMB4.788 billion from the previous year. Non-interest income as a percentage of operating income rose to 22.04% from 16.89% of the previous year. Business and administrative expenses for the year amounted to RMB21.279 billion, representing an increase of RMB5.615 billion (or 35.85%) from the previous year. Impairment losses on assets amounted to RMB6.890 billion, representing an increase of RMB3.760 billion (or 120.13%) from the previous year. The net profit for the year amounted to RMB15.231 billion, representing an increase of RMB1.719 billion (or 12.72%) from the previous year, among which the net profit attributable to the parent company amounted to RMB15.231 billion, representing an increase of RMB1.828 billion (or 13.64%) from the previous year. The basic earnings per share recorded RMB 1.86, representing an increase of 13.41% from the previous year.

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

1.Rapid growth in business scale

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

2.Further improvement in business structure

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

I. Analysis of business performance in 2013 (Continued)

(I) Overview

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

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

3. Significant improvement in price capability

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

4. Asset quality remained stable

By restructuring, improving risk policies, optimizing operational procedures and stepping up efforts in loan recovery, the Bank has improved our standards in credit risk management kept our asset quality stable and reduced the ratio of non-performing loans, loan loss provision ratio and provision coverage, which further strengthen our risk mitigation capability. As at the end of the reporting period, the balance of non-performing loans amounted to RMB7.541 billion, representing an increase of RMB675 million (or 9.83%) from the beginning of the year. Ratio of non-performing loans was 0.89%, representing a decrease of 0.06 percentage points from that of the beginning of the year. The loan loss provision ratio was 1.79%, an increase of 0.05 percentage points from that of the beginning of the year. The provision coverage ratio was 201.06%, representing an increase of 18.74 percentage points from that of the beginning of the year.

5. Acceleration of institutional development

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

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

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

Report of the Board of Directors

(II) Analysis of income statement items

1. Composition of and changes in operating income

(In RMB million)

Item	2013 Amount	2013 %	2012 Amount	2012 %	YoY change for the year (%)	
Net interest income	**40,688**	**77.96%**	33,036	83.11%	23.16%	23.16%
Interest income from placement at Central Bank	**3,315**	**3.56%**	2,691	3.61%	23.19%	23.19%
Interest income from transactions with financial institutions	**19,188**	**20.61%**	9,703	13.00%	97.75%	97.75%
Including: interest income from inter-bank borrowing	**2,236**	**2.40%**	2,714	3.64%	-(17.61%)	-(17.61%)
Interest income from inter-bank lending	**1,039**	**1.12%**	343	0.46%	202.92%	202.92%
Interest income from loans and advances	**53,528**	**57.49%**	44,880	60.15%	19.27%	19.27%
Interest income from securities investment	**16,842**	**18.09%**	9,988	13.39%	68.62%	68.62%
Other interest income	**229**	**0.25%**	7,352	9.85%	(96.89%)	(96.89%)
Subtotal of interest income	**93,102**	**100.00%**	74,614	100.00%	24.78%	24.78%
Interest expense on borrowings from the central bank	**32**	**0.06%**	27	0.06%	18.52%	18.52%
Interest expense from transactions with financial institutions	**24,457**	**46.66%**	15,135	36.40%	61.59%	61.59%
Deposit interest expense	**27,253**	**52.00%**	23,121	55.61%	17.87%	17.87%
Bond interest expense payables	**672**	**1.28%**	1,001	2.41%	(32.87%)	(32.87%)
Other interest expense	**-**	**-**	2,294	5.52%	(100.00%)	(100.00%)
Subtotal of interest expense	**52,414**	**100.00%**	41,578	100.00%	26.06%	26.06%
Net fee and commission income	**10,456**	**20.03%**	5,722	14.40%	82.73%	82.73%
Other net operating income	**1,045**	**2.01%**	991	2.49%	5.45%	5.45%
Total operating income	**52,189**	**100.00%**	39,749	100.00%	31.30%	31.30%

I. Analysis of business performance in 2013 (Continued)

(II) Analysis of income statement items (Continued)

2. Net interest income

In 2012, the Bank booked RMB40.688 billion of net interest income, representing a year-on-year increase of 23.16% and accounting for 77.96% of operating income. The growth in net interest income mainly due to the growth in interest-earning asset and structure improvement.

The average balance, and average yield or average cost rate of the major asset and liability items

(In RMB million)

Item	January-December 2013			January-December 2012		
	Average balance	Interest income/ expense	Average yield/cost rate (%)	Daily average balance	Interest income/ expense	Average yield/cost rate (%)
Assets						
Customer loans and advances (excluding discounted bills)	776,509	53,234	6.86%	644,886	44,286	6.87%
Bond investment	205,648	8,206	3.99%	194,909	7,678	3.94%
Due from Central Bank	226,250	3,315	1.47%	178,012	2,691	1.51%
Bills discounting and inter-bank business	549,741	28,118	5.11%	255,079	12,607	4.94%
Others	4,240	229	5.40%	122,148	7,352	6.02%
Total of interest-earning assets	1,762,388	93,102	5.28%	1,395,034	74,614	5.35%
Liabilities						
Customer deposits	1,141,822	27,253	2.39%	912,025	23,121	2.54%
Bonds issued	10,810	672	6.22%	16,107	1,001	6.21%
Inter-bank business	515,567	24,489	4.75%	351,686	15,162	4.31%
Others	-	-	-	36,150	2,294	6.35%
Total of interest-bearing liabilities	1,668,199	52,414	3.14%	1,315,968	41,578	3.16%
Net interest income		40,688			33,036	
Deposit-loan spread			4.47%			4.33%
Net interest spread (NIS)			2.14%			2.19%
Net interest margin (NIM)			2.31%			2.37%

On a year-on-year basis, the deposit-loan spread in the market was narrowed due to interest rate cuts in 2012 and gradual interest rate liberation. However, as the Bank enhanced the structure adjustment and risk pricing management to improve the loan structure effectively and increase our pricing power remarkably, the loans yield rallied to pre-rate cut level in 2012, with the deposit-loan spread increasing by 14 basic points on a year-on-year basis. The net interest spread (NIS) and net interest margin (NIM) both kept rising rapidly.

Report of the Board of Directors

(II) Analysis of income statement items (Continued)

(In RMB million)

Item	October-December 2013 Average balance	October-December 2013 Interest income/ expense	October-December 2013 Average yield/cost rate (%)	July-September 2013 Daily average balance	July-September 2013 Interest income/ expense	July-September 2013 Average yield/cost rate (%)
Assets						
Customer loans and advances (excluding discounted bills)	830,864	15,105	7.21%	802,194	14,032	6.94%
Bond investment	209,575	2,182	4.13%	213,417	2,128	3.96%
Due from Central Bank	237,920	884	1.47%	241,747	870	1.43%
Bills discounting and inter-bank business	547,090	7,389	5.36%	547,024	7,185	5.21%
Others	4,133	55	5.28%	3,562	46	5.12%
Total of interest-earning assets	1,829,582	25,615	5.55%	1,807,944	24,261	5.32%
Liabilities	-					
Customer deposits	1,234,050	7,425	2.39%	1,212,824	7,252	2.37%
Bonds issued	8,850	136	6.10%	9,595	150	6.20%
Inter-bank business	486,636	6,422	5.24%	489,700	6,331	5.13%
Others				-	-	-
Total of interest-bearing liabilities	1,729,536	13,983	3.21%	1,712,119	13,733	3.18%
Net interest income		11,632			10,528	
Deposit-loan spread			4.82%			4.57%
Net interest spread (NIS)			2.34%			2.14%
Net interest margin (NIM)			2.52%			2.31%

On a quarter-on-quarter basis, as the structure adjustment and risk pricing management were quite productive, the yield of interest-earning assets rose sunstantially, and the cost rate of interest-bearing liabilities held steady. As a result, the deposit-loan spread, NIS and NIM continued to rise.

I. Analysis of business performance in 2013 (Continued)

(II) Analysis of income statement items (Continued)

Average balance and yield of customer loans and advances

(In RMB million)

	January-December 2013			January-December 2012		
Item	Average balance	Interest income	Average yield (%)	Daily average balance	Interest income	Average yield (%)
Corporate loans (excluding discounted bills)	482,515	30,121	6.24%	436,504	29,219	6.69%
Personal loans	293,994	23,113	7.86%	208,382	15,067	7.23%
Customer loans and advances (excluding discounted bills)	776,509	53,234	6.86%	644,886	44,286	6.87%

(In RMB million)

	October-December 2013			July-September 2012		
Item	Average balance	Interest income	Average yield (%)	Daily average balance	Interest income	Average yield (%)
Corporate loans (excluding discounted bills)	497,236	7,930	6.33%	7,804	6.34%	6.69%
Personal loans	333,628	7,175	8.53%	6,228	7.87%	7.23%
Customer loans and advances (excluding discounted bills)	830,864	15,105	7.21%	14,032	6.94%	6.87%

The loan structure had been improved while high yield businesses such as SMB/ Loans to new yuppies and auto financing grew rapidly with its proportions increased accordingly so as to the continuous growth of the loan yield.

Report of the Board of Directors

Average balance and cost rate of customer deposits

(In RMB million)

Item	January-December 2013			January-December 2012		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Corporate deposits	733,124	18,005	2.46%	540,233	13,713	2.54%
Including: demand deposits	275,701	1,829	0.66%	202,185	1,489	0.74%
Time deposits	457,423	16,176	3.54%	338,048	12,224	3.62%
Including: Treasury and negotiated deposits	92,568	4,909	5.30%	57,024	3,053	5.35%
Margin deposits	215,634	4,546	2.11%	208,265	5,263	2.53%
Retail deposits	193,064	4,702	2.43%	163,527	4,145	2.53%
Including: demand deposits	72,063	254	0.35%	56,401	255	0.45%
Time deposits	121,001	4,448	3.68%	107,126	3,890	3.63%
Total deposits	1,141,822	27,253	2.39%	912,025	23,121	2.54%

(In RMB million)

Item	October-December 2013			July-September 2013		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Corporate deposits	794,556	4,968	2.48%	787,186	4,788	2.41%
Including: demand deposits	292,881	516	0.70%	292,801	453	0.61%
Time deposits	501,675	4,452	3.52%	494,385	4,335	3.48%
Including: Treasury and negotiated deposits	95,353	1,284	5.34%	100,390	1,314	5.19%
Margin deposits	235,475	1,181	1.99%	222,087	1,164	2.08%
Retail deposits	204,019	1,276	2.48%	203,551	1,300	2.53%
Including: demand deposits	80,898	70	0.34%	72,697	62	0.34%
Time deposits	123,121	1,206	3.89%	130,854	1,238	3.75%
Total deposits	1,234,050	7,425	2.39%	1,212,824	7,252	2.37%

On both quarter-on-quarter basis and year-on-year basis, customer deposits grew rapidly, while the cost of capital was under fully control.

I. Analysis of business performance in 2013 (Continued)

(II) Analysis of income statement items

3. Net fee income

IIn 2013, net non-interest income of the Bank was RMB11.501 billion with a year-on-year increase of 71.32%, of which net fee and commission income was RMB10.456 billion, increasing by 82.73% year-on-year. The growth of net fee and commission income is as follows:

(In RMB million)

Item	2013	2012	YoY change for the year (%)
Settlement fee income	**1,220**	894	36.47%
Wealth management business fee income	**1,467**	654	124.31%
Agency and entrustment business fee income	**728**	771	(5.58%)
Bank card business fee income	**4,996**	2,484	101.13%
Consulting and advisory fee income	**1,895**	452	319.25%
Account management fee income	**282**	410	(31.22%)
Others	**1,233**	785	57.07%
Subtotal of fee income	**11,821**	6,450	83.27%
Agency business fee outlay	**223**	111	100.90%
Bank card fee outlay	**1,044**	511	104.31%
Others	**98**	106	(7.55%)
Subtotal of fee outlay	**1,365**	728	87.50%
Net fee and commission income	**10,456**	5,722	82.73%

During the reporting period, the Bank's investment banking and trusteeship business grew rapidly, and the income from settlement, wealth management and credit card fees recorded a remarkable performance, which contributed to the significant increase in intermediate business income.

4. Other net operating income

Other net operating income includes investment gains, gains/losses in fair value changes, foreign exchange gains/losses and other business income. In 2013, other net operating income of the Bank was RMB1.045 billion, representing a year-on-year increase of 5.45%, primarily due to the increase in spreads gains from bills.

5. Operating and administrative expense

In 2013, operating and administrative expense of the Bank recorded a year-on-year increase of 35.85% to RMB21.279 billion, while the cost to income ratio (excluding business tax) was 40.77%, up 1.36 percentage points from the 39.41% of last year. The increase in operating expense primarily caused by outlet expansion and business scale growth, and continued investment in upgrading the management process and IT system. In 2013, the Bank opened 5 new branches and 73 new sub-branches, and growth of institutions led to a rigid increase in the operating expenses. Included in operating expense were staff expense of RMB10.810 billion with a year-on-year increase of 28.10%, business expense of RMB7.610 billion with a year-on-year of 58.41%, and depreciation, amortization and rental expenses of RMB2.859 billion with a year-on-year of 18.09%.

6. Asset impairment loss

(In RMB million)

Item	Provision in 2013	Provision in 2012	YoYchange for the year (%)
Due from banks	10	-	-
Disbursement of loans and advances	6,675	3,037	119.79%
Held-to-maturity investments	(4)	-	-
Repossessed assets	7	4	75.00%
Other assets	202	89	126.97%
Total	6,890	3,130	120.13%

7. Income tax expenses

In 2013, income tax rate of the Bank was 24.00%, up 0.98 percentage points year-on-year.

(In RMB million)

Item	2013	2012	YoY change for the year (%)
Profit before tax	20,040	17,552	14.18%
Income tax expenses	4,809	4,040	19.03%
Effective income tax rate	24.00%	23.02%	+0.98 percentage points

8. Cash flows

In 2013, the Bank's net cash flows generated from operating activities amounted to RMB91.674 billion, representing a year-on-year decrease of RMB94.164 billion or 50.67%, which was primarily due to a year-on-year increase in new loans leading to an increase in cash outflows and a year-on-year decrease in new placements of deposits from other financial institutions resulting a decrease in cash inflows, etc; net cash flows generated from investing activities amounted to -RMB87.011 billion, representing a year-on-year decrease of RMB6.975 billion or 8.71%, which was primarily due to increase in investmentleading to an increase in cash outflows; net cash flows generated from fund raising activities amounted to RMB4.910 billion, representing a year-on-year increase of RMB6.398 billion or 429.97%, which was primarily attributable to the increase genereated from cash received from issuing shares, offset by settlement of the matured bond payables, and cash payment from dividend distribution.

I. Analysis of business performance in 2013 (Continued)

(II) Analysis of income statement items

9. Operating income and operating profit of principal operation by region during the reporting period

January to December 2013

(In RMB million)

Region	Operating income	Operating expense	Operating profit before asset impairment loss	Percentage of operating profit before asset impairment loss by region
Eastern region	13,850	5,809	8,041	29.95%
Southern region	14,948	5,930	9,018	33.59%
Western region	5,625	2,176	3,449	12.85%
Northern region	9,040	3,436	5,604	20.88%
Headquarters	8,726	7,993	733	2.73%
Total	52,189	25,344	26,845	100.00%

January to December 2012

(In RMB million)

Region	Operating income	Operating expense	Operating profit before asset impairment loss	Percentage of operating profit before asset impairment loss by region
Eastern region	11,731	4,516	7,215	34.90%
Southern region	7,770	4,780	2,990	14.46%
Western region	2,998	1,179	1,819	8.80%
Northern region	4,802	2,430	2,372	11.47%
Headquarters	12,448	6,171	6,277	30.37%
Total	39,749	19,076	20,673	100.00%

Note:

1. The regions and headquarters in the above table represent:

Eastern region: Shanghai, Wenzhou, Hangzhou, Ningbo, Nanjing, Wuxi, Fuzhou, Quanzhou, Xiamen, Yiwu, Changzhou, Taizhou, Zhangzhou, Suzhou

Southern region: Shenzhen, Guangzhou, Foshan, Zhuhai, Dongguan, Huizhou, Zhongshan

Western region: Wuhan, Chongqing, Chengdu, Haikou, Kunming, Jingzhou, Honghe, Leshan, Xiangyang

Northern region: Beijing, Dalian, Tianjin, Qingdao, Jinan, Zhengzhou, Xian, Linyi

Headquarters: Headquarter sectors (inclusive of sectors such as credit card and offshore business)

2. The Bank has been using "cash pooling" mode to centralized funds. In and before 2012, internal funds transfer pricing of the Bank was not subject to financial accounting, instead it was reflected through assessment. Since 2003, based on the external reporting for branches and sub-branches and inter-bank comparison requirements, internal funds transfer pricing has been reflected in the financial statements through accounting. This adjustment has no impact on the combined data of the Bank, but will result in a year-on-year change in the profit attributable to the Bank, and every branch and region.

I. Analysis of business performance in 2013 (Continued)

(III) Analysis of balance sheet items

1. Asset composition and changes

(In RMB million)

Item	December 31 ,2013 Balance	December 31 ,2013 %	December 31 ,2012 Balance	December 31 ,2012 %	Y-o-Y change at the end of year (%)
Loans and advances	847,289	44.79%	720,780	44.87%	17.55%
Provision for impairment of loans	(15,162)	(0.80%)	(12,518)	(0.78%)	21.12%
Net loans and advances	832,127	43.99%	708,262	44.09%	17.49%
Investment and other financial assets	395,204	20.89%	289,585	18.03%	36.47%
Cash and due from the Central Bank	229,924	12.15%	219,347	13.65%	4.82%
Precious metals	21,286	1.13%	2,431	0.15%	775.61%
Due from banks and other financial institutions	71,914	3.80%	94,295	5.87%	(23.74%)
Placements with banks and other financial institutions and assets purchased under resale agreements	298,933	15.80%	251,899	15.68%	18.67%
Account receivables	7,058	0.37%	8,364	0.52%	(15.61%)
Interest receivables	10,043	0.53%	8,757	0.55%	14.69%
Fixed assets	3,694	0.20%	3,536	0.22%	4.47%
Intangible assets	5,463	0.29%	5,878	0.37%	(7.06%)
Goodwill	7,568	0.40%	7,568	0.47%	-
Properties for investment purposes	116	0.01%	196	0.01%	(40.82%)
Deferred income tax assets	4,406	0.23%	3,450	0.21%	27.71%
Other assets	4,005	0.21%	2,969	0.18%	34.89%
Total assets	1,891,741	100.00%	1,606,537	100.00%	17.75%

I. Analysis of business performance in 2013 (Continued)

(III) Analysis of balance sheet items

1. Asset composition and changes

(1) Loans and advances

(In RMB million)

Item	December 31 ,2013 Balance	December 31 ,2013 %	December 31 ,2012 Balance	December 31 ,2012 %
Corporate loans	521,639	61.57%	494,945	68.67%
Including: general loans	509,301	60.11%	484,535	67.23%
Discounted bills	12,338	1.46%	10,410	1.44%
Retail loans	238,816	28.18%	176,110	24.43%
Including: Housing mortgage loans	64,956	7.67%	70,406	9.77%
Entrepreneur loans	89,432	10.56%	55,187	7.66%
Auto loans	48,747	5.75%	21,125	2.93%
Others(Note)	35,681	4.20%	29,392	4.07%
Credit card account receivables	86,834	10.25%	49,725	6.90%
Total loans	847,289	100.00%	720,780	100.00%

Note: Other retail loans include “Xin Yi Dai”, i.e. the loans to new yuppies, Certificate pledged consumption loan, Petty consumer loan and other guaranteed or pledged consumption loan.

Loans by region

(In RMB million)

Region	December 31 ,2013 Balance	December 31 ,2013 %	December 31 ,2012 Balance	December 31 ,2012 %
Eastern region	266,690	31.48%	248,688	34.50%
Southern region	219,911	25.95%	216,672	30.06%
Western region	85,720	10.12%	60,122	8.34%
Northern region	158,228	18.67%	137,167	19.03%
Headquarters	116,740	13.78%	58,131	8.07%
Total	847,289	100.00%	720,780	100.00%

I. Analysis of business performance in 2013 (Continued)

(III) Analysis of balance sheet items

1. Asset composition and changes

(1) Loans and advances

(In RMB million)

Industry	December 31 ,2013 Balance	%	December 31 ,2012 Balance	%
Agriculture, husbandry and fishery	2,563	0.30%	1,792	0.25%
Mining (heavy industry)	29,808	3.52%	11,620	1.61%
Manufacturing (light industry)	131,696	15.54%	159,620	22.15%
Energy	9,371	1.11%	13,472	1.87%
Transportation, postal and telecommunications	25,292	2.99%	30,308	4.20%
Commerce	125,549	14.82%	138,810	19.25%
Real estate	80,894	9.55%	42,273	5.86%
Social service, technology, culture and health care	47,007	5.55%	46,247	6.42%
Construction	33,432	3.95%	34,452	4.78%
Others (mainly personal loans)	349,339	41.21%	231,776	32.17%
Discounts	12,338	1.46%	10,410	1.44%
Total loans	847,289	100.00%	720,780	100.00%

As at the end of the reporting period, the loans of the Bank mainly concentrated in manufacturing and commerce industry, with loan balances of RMB131.696 billion and RMB125.549 billion, respectively, accounting for 15.54% and 14.82% of all loans of the Bank.

Loans by guarantee type

(In RMB million)

Item	December 31 ,2013 Balance	%	December 31 ,2012 Balance	%
Credit loans	181,533	21.42%	147,604	20.48%
Guaranteed loans	171,902	20.29%	165,086	22.90%
Mortgage loans	342,548	40.43%	293,841	40.77%
Pledge loans	138,968	16.40%	103,839	14.41%
Discounted bills	12,338	1.46%	10,410	1.44%
Total	847,289	100.00%	720,780	100.00%

Loan balance and percentage of total loans of top 10 borrowers

As at the end of the reporting period, loan balance of the top 10 borrowers of the Bank was RMB24.191 billion, accounting for 2.86% of the year-end loan balance.

(In RMB million)

Item	December 31 ,2013	December 31 ,2012
Credit loans	24,191	2.86%

I. Analysis of business performance in 2013 (Continued)

(III) Analysis of balance sheet items

1. Asset composition and changes

(2) Investments

Asset portfolio

(In RMB million)

	December 31 ,2013		December 31 ,2012	
Item	Balance	%	Balance	%
Held-for-trading financial assets	10,421	2.64%	4,238	1.46%
Derivative financial assets	3,397	0.86%	967	0.33%
Available-for-sale financial assets	467	0.12%	89,896	31.04%
Held-to-maturity investments	195,667	49.51%	103,124	35.61%
Investment in receivables	184,656	46.72%	90,838	31.37%
Long-term equity investments	596	0.15%	522	0.19%
Total investments	395,204	100.00%	289,585	100.00%

Information on bonds holding

At the end of the reporting period, the face value of the treasury bonds and financial bonds (including PBOC notes, policy bank bonds, various ordinary financial bonds, and subordinated financial bonds, excluding corporate bonds) held by the Bank were RMB166.979 billion. The bonds of substantial amount are stated below:

(In RMB million)

Bond name	Face value	Nominal annual interest rate (%)	Maturity date	Impairment provision
11financial bonds	35,870	3.55~5.28	2014/1/18~2021/10/26	-
10financial bonds	31,860	2.95~4.84	2015/1/22~2020/11/4	-
13T-bonds	30,988	0~5.41	2014/1/13~2063/5/20	-
09financial bonds	14,840	1.95~5.62	2014/1/16~2019/9/23	-
12financial bonds	8,553	2~5.69	2017/3/5~2022/9/17	-
08financial bonds	7,880	3.03~5.5	2015/2/20~2018/12/16	-
10T-bonds	6,221	2.38~4.6	2015/4/8~2040/6/21	-
11T-bonds	5,757	3.03~6.15	2014/3/10~2041/6/23	-
07financial bonds	4,100	3.48~5.14	2014/4/3~2017/11/29	-
13financial bonds	3,960	3.15~5.8	2014/4/8~2023/7/18	-

Information on derivative financial instruments holding

Table of derivatives investments

Risk analysis on derivatives position-holding during the reporting period and explanations on controlling measures (including but not limited to market risk, liquidity risk, credit risk, operational risk and legal risk)	1. Market risk. Market risk of derivatives refers to the risk of loss in on-balance-sheet and off-balance-sheet business due to change of market prices (interest rate, exchange rate, stock price, and commodity price). Market risk control of the Bank is mainly exercised via risk limit management from various perspectives such as exposure, risk level, and profit/loss. 2. Liquidity risk. Liquidity risk of derivatives refers to the risk of a bank when it has solvency but cannot obtain sufficient fund in a timely manner or cannot obtain sufficient fund in time with reasonable cost to deal with asset growth or serve due debts. For derivatives delivered in full amount, the Bank adopted the measure of square positioning to ensure sufficient fund for settlementand clearing; for derivatives delivered in net amount, there was no significant impact as the cash flow would have minor impact on current assets of the Bank. 3. Operational risk. Operational risk is the risk resulting from deficient and defective internal procedure, staff, system, or external events, including the risks caused by staff, process, system and external factors. The Bank strictly observed the requirements of CBRC's Guidance on Operational risk Management of Commercial Banks, deployed designed traders, adopted professional front-middle-back office integrated monitoring system, set complete business operational process and authorization management system and complete and sound internal monitoring and auditing mechanism to avoid operational risk to the largest extent. 4. Legal risk. Legal risk refers to the possibility of risk exposure caused by the non-compliance of business activity with legal requirements or external legal matters. The Bank attached great importance to legal documentation related to derivative transactions, and signed legal agreements including ISDA, CSA, MAFMII with other banks to avoid legal disputes and regulate dispute resolving methods. For our customers, the Bank also drafted customer transaction agreement by referring to the above inter-bank legal agreements pursuant to regulatory requirements and transaction management requirements, thus largely avoiding potential legal disputes. 5. Force majeure. Force majeure refers to unforeseeable, unavoidable or insurmountable objective circumstances, including but not limited to fire, earthquake, flood or other natural disasters, war, military act, strike, pandemic, failure of IT or communication or power supply systems, financial crisis, moratorium of related market, or changes in national laws and regulations or policies such that the derivatives cannot conducted normal tradings after the contract becomes effective. The Bank has concluded agreements with all retail, institutional and inter-bank customers and set out terms and conditions about force majeure to disclaim any liability arising from any breach of the contract in case of force majeure.
Changes of market price or product fair value of invested derivatives during the reporting period. The methods adopted in determining the fair value of derivatives as well as the assumptions and parameters should be disclosed together with the analysis result	In 2013, changes in the fair value of derivatives invested by the Bank were not material. The Bank adopted evaluation techniques to determine the fair value of financial derivatives. The evaluation technique includes making reference to the prices used by all voluntary stakeholders familiar with the relevant circumstances in latest market trading, and reference to the current fair value and discounted cash flow technique of other financial instruments of substantially the same nature. Market parameters may be used in evaluation techniques whenever possible. However, the management has to make estimations in light of credit risk, market fluctuation rate and relevancy of its own and its trading counterparties when market parameters are unavailable.
Explanation on whether there were material changes in accounting policies and accounting treatment principles related to derivatives during the reporting period compared with that of last reporting period	The Bank set out accounting policies and accounting treatment principles for derivatives in line with Accounting Standards for Business Enterprises. There was no major change of the relevant policy during the reporting period.
Specific comments from independent directors, sponsors or financial advisors on corporate derivative investments and risk control	The Bank's derivatives trading business is a commercial banking business approved by regulatory authorities. The derivative investment business currently engaged by the Bank mainly includes forward foreign exchange/foreign exchange swap, interest rate exchange as well as deferred/forward precious metals, etc. The Bank has established a tailor-made risk management structure, and set up a specialized risk management entity to effectively manage the risks of derivatives investment business via means such as establishment of system, limited authorization, daily supervision and control, internal training and accreditation of qualifications of business personnel.

I. Analysis of business performance in 2013 (Continued)

(III) Analysis of balance sheet items

1. Asset composition and changes

(2) Investments

Table of position of derivative investments held at the end of the reporting period

(In RMB million)

Contract type	Beginning-of-year contract amount (Nominal)	End-of-year contract amount (Nominal)	Changes in fair value during the reporting period	End-of-year contract amount (nominal) as a percentage of the net assets attributable to shareholders of the parent company at the end of the reporting period (%)
Foreign exchange forward contract	153,193	385,406	(283)	343.86%
Interest rate swap contract	25,832	53,759	(43)	47.96%
Others	2	16,360	794	14.60%
Total	179,027	455,525	468	406.42%

Note: The amount of derivative contracts increased during the reporting period, but the net risk exposure of the swap contracts business was actually minimal. The limited management of the forward fair value of swap contracts business by the Bank had little impact on actual risk exposure.

(3) Other assets

Repossessed assets

(In RMB million)

Item	Balance
Land, properties and buildings	757
Others	50
Sub-total	807
Provision for impairment of repossessed assets	(204)
Net value of repossessed assets	603

I. Analysis of business performance in 2013 (Continued)

(III) Analysis of balance sheet items

1. Asset composition and changes

Increase/decrease in interest receivables and bad debt provisions during the reporting period

(In RMB million)

Interest receivables	Amount
Opening balance	8,757
Increased amount for the year	90,052
Recovered amount for the year	(88,766)
Closing balance	10,043

(In RMB million)

Item	Amount	Bad debt provision
Interest receivables	10,043	-

At the end of the reporting period, interest receivables of the Bank increased by RMB1.286 billion or 14.69% compared with the beginning of the year, which was mainly due to the increase of interest-earning assets. The Bank's interest receivables from interest-earning assets including loans would offset interest income of the current period and be accounted for as off-balance sheet items if they are overdue for 90 days, without provision for bad debts.

(4) Goodwill

Goodwill arose from the Bank's acquisition of the Fomer PAB in July 2011, changes in goodwill during the reporting period are set out as below:

(In RMB million)

Item	Amount
Opening balance	7,568
Increase for the year	-
Decrease for the year	-
Closing balance	7,568
Provision for impairment in goodwill	-

I. Analysis of business performance in 2013 (Continued)

(III) Analysis of balance sheet items

2. Liability structure and changes

(In RMB million)

Item	December 31 ,2013 Balance	December 31 ,2013 %	December 31 ,2012 Balance	December 31 ,2012 %	Y-o-Y change at the end of year
Deposit taking	1,217,002	68.38%	1,021,108	67.10%	19.18%
Due to other banks and financial institutions	450,789	25.33%	354,223	23.28%	27.26%
Borrowings from other banks and financial institutions	22,633	1.27%	39,068	2.57%	(42.07%)
Held-for-trading financial liabilities	3,692	0.21%	1,722	0.11%	114.40%
Derivative financial liabilities	2,914	0.16%	952	0.06%	206.09%
Repurchase agreements	36,049	2.03%	46,148	3.03%	(21.88%)
Employee compensation payables	6,013	0.34%	4,863	0.32%	23.65%
Tax payables	4,205	0.24%	2,299	0.15%	82.91%
Interest payables	16,605	0.93%	11,526	0.76%	44.07%
Bond payables	8,102	0.46%	16,079	1.06%	(49.61%)
Deferred income tax liabilities	-	-	1,272	0.08%	(100.00%)
Other liabilities (Note)	11,656	0.65%	22,478	1.48%	(48.14%)
Total liabilities	1,779,660	100.00%	1,521,738	100.00%	16.95%

Note: Other liabilities included "Due to the Central Bank, Accounts payable, Provisions and Other liabilities" in the items to the statements.

Deposits by product

(In RMB million)

Item	December 31 ,2013	December 31 ,2012	Y-o-Y change at the end of year
Corporate deposits	1,005,337	839,949	19.69%
Retail deposits	211,665	181,159	16.84%
Total deposits	1,217,002	1,021,108	19.18%

I. Analysis of business performance in 2013 (Continued)

(III) Analysis of balance sheet items

2. Liability structure and changes

Deposits by region

(In RMB million)

Region	December 31 ,2013 Balance	%	December 31 ,2012 Balance	%
Eastern region	**337,280**	**27.71%**	285,227	27.93%
Southern region	**417,914**	**34.34%**	372,844	36.51%
Western region	**116,785**	**9.60%**	78,800	7.72%
Northern region	**238,157**	**19.57%**	186,171	18.23%
Headquarters	**106,866**	**8.78%**	98,066	9.61%
Total	**1,217,002**	**100.00%**	1,021,108	100.00%

3. Changes of shareholders'equity

(In RMB million)

Item	Opening balance	Increase for the year	Decrease for the year	Closing balance
Share capital	5,123	4,398	-	9,521
Capital reserve	40,135	11,599	-	51,734
Surplus reserve	2,831	1,523	-	4,354
General reserve	13,633	2,876	-	16,509
Undistributed profit	23,077	15,231	(8,345)	29,963
Including: dividend proposed for distribution	3,946	1,523	(3,946)	1,523
Total equity attributable to shareholders of the parent company	84,799	35,627	(8,345)	112,081
Equity attributable to minority shareholders	-	-	-	-
Total shareholders' equity	84,799	35,627	(8,345)	112,081

I. Analysis of business performance in 2013 (Continued)

(III) Analysis of balance sheet items

4. Information on foreign currency financial assets holding

Foreign currency financial assets held by the Bank are mainly loans, due from other banks and a small amount of bond investment. Among which, due from other banks are mainly short terminter-bank lending and borrowing with low risk. The Bank has always adopted a prudent attitude towards overseas securities investment, and mainly invests in general bonds with high credit rating, short maturity and simple structure. The credit rating of the bonds currently held is stable, and foreign currency bond investment only has minimal impact on the Bank's profit. Foreign currency loans are mainly placed in domestic enterprises, and their respective risk is basically under control.

At the end of the reporting period, foreign currency financial assets and financial liabilities held by the Bank were as follows:

(In RMB million)

Item	Opening balance	Gains/losses	Accumulated changes in fair value credited to equity	Impairment provision during the year	Closing balance
Financial assets:					
Cash and placement at PBOC	3,461				4,337
Due from other banks (Note)	31,798			10	13,118
Held-for-trading financial assets and derivative financial assets	78	(65)			14
Account receivables	15				-
Disbursement of loans and advances	42,460			149	70,600
Available-for-sale financial assets	40		(1)		37
Held-to-maturity investments	569			(4)	473
Other assets	886			1	467
Total	79,307	(65)	(1)	156	89,046
Financial liabilities:					
Due to and borrowings from other banks and financial institutions (Note)	(16,437)				(37,794)
Held-for-trading financial liabilities and derivative financial liabilities	(1,740)	419			(3,705)
Deposits taking	(62,574)				(98,848)
Account payables	(7)				-
Other liabilities	(890)				(874)
Total	(81,648)	419			(141,221)

Note: Due from other banks included Due to and borrowings from other banks, Funds loaned to other financial institutions and Reverse repurchase agreements; Due to and borrowings from other banks and financial institutions included Repurchase agreements.

(III) Analysis of balance sheet items

5. The conduction and profit or loss of wealth management business, asset securitization, trust, entrust, wealth management services, etc.

During the reporting period, the structured entities of which the Bank served as manager mainly included wealth management products. The Bank designed and sold to specific customer targets the wealth management products based on the analysis and research of the potential customer targets, then used the proceeds to invest into relevant financial market or related financial products, and distributed the income from such investments to investors, according to stipulation of the product contracts. The Bank received charges as assect manager, such as sales charge, fixed management fee and float management fee. Except for the capital preserved wealth management products of RMB74,193 billion(capital preserved wealth management products are accounted in the Bank's balance sheet), the Bank considered the variable compensation from investment into other structured entities is not significant. As such, the Bank did not combine those structured entities. As at December 31,2013 the balance of the wealth management products issued and magaged by the Bank without combination was RMB123,140 billion, and the charges of those wealth management products were not significant.

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

(In RMB million)

Item	Balance
Bankers' acceptances	359,583
Issuance of letters of credit	39,472
Issuance of letters of credit	49,288
Unused credit line of credit card and irrevocable loan commitment	52,839
Operating lease commitment	7,569
Capital expenditure commitment	779

(IV) Measurement of fair value

1. Determination of fair value

For financial instruments with the existence of an active market, the Bank preferably adopts the price quoted on the active market to determine their fair value. For financial instruments in an inactive market, the Bank adopts evaluation techniques to determine their fair value. The evaluation technique includes reference to the price used by all voluntary stakeholders familiar with the relevant circumstances in latest market trading, and reference to the current fair value and discounted cash flow technique of other financial instruments of substantially the same nature. Market parameters may be used in evaluation techniques whenever possible. However, the management has to make estimations in light of credit risk, market fluctuation rate and correlation of its own and its trading counterparties when market parameters are unavailable. The change of those relevant assumptions would affect the fair value of the financial instruments. At present, the Bank has no such financial instrument.

The items and methods measured by using the fair value model by the Bank are as follows:

I. Analysis of business performance in 2013 (Continued)

(IV) Measurement of fair value

(1) The fair value of financial assets/financial liabilitiesat fair value through profit or loss (including derivative financial assets/derivative financial liabilities) are measured by reference to available mark-to-market price. If mark-to-market price is not available, fair value is estimated on the basis of discounted cash flows or by reference to the prices quoted by counterparties. The fair value of these items is equal to their book value

(2) The fair value of the held-to-maturity investments is measured with reference to the available mark-to-market price. If mark-to-market price is not available, fair value is estimated by discounting cash flows. The fair value of receivable-bond assets is determined by the cost.

(3) The fair value of other financial assets and financial liabilities to be matured within 12 months approximates their book value due to their short term.

(4) The fair value of fixed rate loans is estimated by comparing the market interest rates when the loans are granted on current market rates offered to similar loans. Changes in credit quality of loans within the portfolio are not taken into account in determining gross fair value as the impact of credit risk is recognized separately as impairment provision and deducted from both the book value and the fair value.

(5) Interest rates on customer deposits might either be floating or fixed depending on the types of products. The fair value of demand deposit and saving accounts without given maturity date is assumed to be the amount payable on demand to customers at the date of settlement. The fair value of deposits with fixed terms is determined using the discounted cash flow approach, and the discount rate adopted is the current deposit interest rate corresponding to the remaining term of those fixed deposits.

(In RMB million)

Item	Opening balance	Gains/losses on changes in fair value during the year	Accumulated changes in fair value credited to equity	Opening balance	Impairment provision for the year
1. Assets					
Precious metal	2,431	(1,065)		21,286	-
Held-for-sale Financial assets	4,238	(40)		10,421	-
Derivative financial assets	967	2,430		3,397	-
Available-for-sale financial assets	89,896		(1,800)	467	-
Total assets	97,532	1,325	(1,800)	35,571	-
2. Financial liabilities					
Held-for-sale Financial liabilities	(1,722)	416		(3,692)	
Derivative financial liabilities	(952)	(1,962)		(2,914)	
Total liabilities	(2,674)	(1,546)		(6,606)	

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

Item	Change	Reasons of change
Precious metal	775.61%	Increase in scale of gold business
Funds loaned to other financial institutions	(58.36%)	Structure adjustment of Inter-bank business
Held-for-trading financial assets	145.89%	Investment structure adjustment
Derivative financial assets	251.29%	Increase in scale of foreign exchange derivative instruments
Reverse repurchase agreements	45.70%	Structure adjustment of Inter-bank business
Available-for-sale financial assets	(99.48%)	Investment structure adjustment
Held-to-maturity investments	89.74%	Investment structure adjustment
Investment in receivables	103.28%	Investment structure adjustment
Properties for investment purposes	(40.82%)	Usage of properties changed and converted to fixed assets
Other assets	34.89%	Increase in Prepayments, Other receivables and Construction in progress
Due to Central Bank	(86.00%)	Structure adjustment of Inter-bank business
Funds borrowed from other banks and financial institutions	(42.07%)	Structure adjustment of Inter-bank business
Held-for-trading financial liabilities	114.40%	Increase in scale of gold business
Derivative financial liabilities	206.09%	Increase in scale of foreign exchange derivative instruments
Tax payable	82.91%	Increase in assessable income
Interest Payable	44.07%	Increase in scale of interest-bearing liabilities
Bond payables	(49.61%)	Redemption of matured subordinated debts
Provisions	(56.25%)	Decrease in provision for unsettled lawsuits
Deferred income tax liabilities	(100.00%)	Netting with deferred income tax assets
Other liabilities	129.62%	Increase in settlement of fund in transit at the end of period
Share capital	85.85%	Non-public offering of Shares and profit distribution of 6 bonus shares per 10 shares for 2012
Surplus reserve	53.85%	Profit allocation
Fee and commission income	83.27%	Increase in the fee and commission income of settlement,
financing, investment bank, trusteeship, bank card, etc.	32.13%	Increase in labor and business scale, and input on integration of SDB and PAB
Fee and commission expense	87.50%	Increase in the fee and commission expense of bank card
Investment income	(44.30%)	Decrease of gains/losses from precious metal trade for the year
Gains/losses from changes in fair values	2,551.72%	Increase in fair values changes of forward trading of precious metal
foreign exchange gains/losses	(167.08%)	Decrease of gains/losses from changes in fair value of foreign exchange derivative financial instruments
Business and administrative expenses	35.85%	Increase in labor, business and outlets
Impairment losses on assets	120.13%	Increase in provision
Non-operating expenses	(70.79%)	Decrease in provision for unsettled lawsuits

I. Analysis of business performance in 2013 (Continued)

(VI) Analysis of asset quality

At the end of the reporting period, NPL balance of the Bank was RMB7.541 billion, increasing by RMB675 million or 9.83% from the beginning of the year. NPL ratio was 0.89%, down 0.06 percentage point from the beginning of the year. Provision/loan ratio was 1.79%, up 0.05 percentage point from the beginning of the year. Provision coverage for loans was 201.06%, up 18.74 percentage points from the beginning of the year. Looking ahead, the Bank will further optimize its credit structure, prevent and resolve various potential risks that may arise from existing loans and strictly control incremental NPLs, so as to guarantee the stability of asset quality , as well as steadly enhance the provision/loan ratio and provision coverage. The Bank achieved good recovery results in 2013, with non-performing assets of RMB3.075 billion in aggregate being recovered throughout the year, including credit assets (loan principal) of RMB2.821 billion. Of the recovered loan principals, loans of RMB391 million were written off and non-performing loans of RMB2.43 billion were not written off 89% of loans were recovered in cash while the rest was in the form of repossessed assets.

1. 5-tier loan classification

(In RMB million)

	December 31 ,2013		December 31 ,2012		
Item.	Balance	%	Balance	%	Y-o-Y change at the end of year
Pass	821,721	96.98%	706,738	98.05%	16.27%
Special mention	18,027	2.13%	7,177	1.00%	151.18%
NPL	7,541	0.89%	6,866	0.95%	9.83%
Including: Substandard	4,375	0.52%	5,030	0.70%	(13.02%)
Doubtful	1,575	0.19%	962	0.13%	63.72%
Loss	1,591	0.18%	874	0.12%	82.04%
Total loans	847,289	100.00%	720,780	100.00%	17.55%
Balance of loan loss impairment provision	(15,162)		(12,518)		21.12%
NPL ratio	0.89%		0.95%		-0.06percentage point
Provision coverage ratio	201.06%		182.32%		+18.74percentage point

Influenced by the steel trade industry, special mention loans of the Bank grew fast during the reporting period. However, loans for steel trade industry as a percentage of loans of the Bank occupied a small proportion, so that the overall risks were under control.

2. Restructured loans

(In RMB million)

	December 31 ,2013		December 31 ,2012	
Item	Balance	Percentage as of total loans	Balance	Percentage as of total loans
Restructured loans	1,984	0.23%	717	0.10%
Loans with principals and interest overdue within 90 days	7,435	0.88%	5,027	0.70%
Loans with principals and interest overdue over 90 days	17,026	2.01%	9,546	1.32%

1 At the end of the reporting period, restructured loan balance of the Bank was RMB1.984 billion, increasing by RMB1.267 billion or 176.71% from the beginning of the year. The customers of the new restructured loans were mainly the steel trade enterprises in Shanghai area. In order to resolve the constantly exposed risks from the steel trade enterprises in this year, a credit problem management team had been established. The Bank will enhance the restructuring and solving to the steel trade enterprises, adjust the industrial construction accordingly step by step, and finally release and solve the credit risks of the steel trade enterprises.

2 At the end of the reporting period, the balance of loans with principals or interest overdue within 90 days was RMB7.435 billion, increased by RMB2.408 billion or 47.90% as compared with the beginning of this year. The balance of loans with principals or interest overdue over 90 days was RMB17.026 billion, increased by RMB7.480 billion or 78.36% as compared with the beginning of this year. The Bank's new overdue loans were mainly from the Yangtze River Delta region, most of which have collaterals and pledges. The Bank had actively adopted various measures and formulated collection and disposal and restructuring plans by category, and stepped up communication with local governments, regulatory authorities and peers to jointly improve risk management and remedial works. Up-to-date, overall risk is still under control.

3. Loan structure and quality by industry

(In RMB million)

	December 31 ,2013		December 31 ,2012	
Industry	Balance	NPL ratio	Balance	NPL ratio
Agriculture, husbandry and fishery	2,563	0.55%	1,792	-
Mining (heavy industry)	29,808	-	11,620	-
Manufacturing (light industry)	131,696	2.08%	159,620	1.83%
Energy	9,371	-	13,472	-
Transportation, postal and telecommunications	25,292	0.20%	30,308	0.28%
Commerce	125,549	1.58%	138,810	1.63%
Real estate	80,894	-	42,273	0.02%
Social service, technology, culture and health care	47,007	0.12%	46,247	0.28%
Construction	33,432	0.36%	34,452	0.37%
Others (mainly retail loans)	349,339	0.74%	231,776	0.58%
Discounts	12,338	-	10,410	-
Total loans	847,289	0.89%	720,780	0.95%

At the end of the reporting period, the Bank's NPLs mainly concentrated in the manufacturing and commerce industries, and NPL ratios for other industries accounted for less than 1%.

4. Loan quality by region

(In RMB million)

	December 31 ,2013		December 31 ,2012	
Region	Balance	NPL ratio	Balance	NPL ratio
Eastern region	266,690	1.05%	248,688	1.06%
Southern region	219,911	0.49%	216,672	0.47%
Western region	85,720	0.31%	60,122	0.35%
Northern region	158,228	0.36%	137,167	0.53%
Headquarters	116,740	2.40%	58,131	3.89%
Total	847,289	0.89%	720,780	0.95%

At the end of the reporting period, the asset quality of the Bank in the southern, northern and western regions maintained stable. While influenced by the steel trade industry, special mention loans in Eastern region increased quickly, but the NPL ratios remained stable due to our effective remedial, collection and disposal efforts.

I. Analysis of business performance in 2013 (Continued)

(VI) Analysis of asset quality

5. Loan quality by product

(In RMB million)

Item	December 31 ,2013 Balance	December 31 ,2013 NPL ratio	December 31 ,2012 Balance	December 31 ,2012 NPL ratio	Increase/decreasein NPL ratio
Corporate loans	521,639	0.95%	494,945	1.12%	-0.17percentage point
Including: General loans	509,301	0.98%	484,535	1.14%	-0.16percentage point
Discounts	12,338	-	10,410	-	-
Retail loans	238,816	0.50%	176,110	0.48%	+0.02percentage point
Including: Housing mortgage loans	64,956	0.44%	70,406	0.24%	+0.20percentage point
Entrepreneur loans	89,432	0.55%	55,187	0.83%	-0.28percentage point
Auto loans	48,747	0.21%	21,125	0.18%	+0.03percentage point
Others(Note)	35,681	0.90%	29,392	0.62%	+0.28percentage point
Account receivables of credit cards	86,834	1.58%	49,725	0.98%	+0.60percentage point
Total loans	847,289	0.89%	720,780	0.95%	-0.06percentage point

Note: Other loans include "Xin Yi Dai", i.e. the loans to new yuppies, Certificate pledged consumption loan, Petty consumer loan and other guaranteed or pledged consumption loan.

Analysis and explanation:

(1) At the end of the reporting period, NPL ratio of the Bank's retail loans (credit card exclusive) increased by 0.02 percentage point over the beginning of the year, mainly affected by housing mortgage loans, auto loans and other loans (mainly the Certificate pledged loan). The increase in NPL ratio of housing loans (including housing mortgage loans and Certificate pledged loan) was mainly attributable to the amendment and tightening of the rules for asset quality classification by the Bank at the beginning of the year and the balance of loans decreased due to decline of loan disbursement of this year. The increase in NPL ratio of auto loans was mainly due to the change of business stratigies and rasing the proportion of business with higher pricing leading to a slight increase in NPL ratio, but the overall risk and loss remained under control.

(2) The NPL ratio of credid card receivables increased 0.60 cent points as compared with the beginning of the year, mainly because the Bank further optimized loan structure, paid more attention to Lean and differentiation management for different customer groups of credid card, and enhanced profitability with moderate lending pace amid the relative shortage of credit. As a result, the growth of loan scale declined significantly in 2013 as compared with last year, while the risk from deposit loans came as usual under the regular pattern of customer's credit cycle, resulting in an increase of the NPL ratio of credid card business.

Report of the Board of Directors

6. Government financing platform loans

In 2013, the Bank continued to foster the resolving of platform loan risks via measures such as "list management, portfolio optimization, strict control on new loans and deposit amount management", provided that regulatory requirements were met. The platform risks were effectively controlled as witnessed by the gradual decrease in the proportion of platform loans.

As of the end of the reporting period, the balance of the Bank's loans to government financing platform (including rectified general corporate loans and loans still managed under platforms) was RMB38.758 billion, representing a decrease of RMB389 million or 0.99% as compared with the beginning of the year and accounting for 4.57% of total loan balances.

Among which: in terms of loan type, the balance of the Bank's rectified general corporate loans was RMB24.970 billion, accounting for 2.95% of total loan balance; the balance of loans still managed under platforms was RMB13.788 billion, accounting for 1.63% of total loan balance.

In terms of loan quality, the platform loan quality of the Bank remained sound without any NPL.

7. Loan impairment provision accrual and write-offs during the reporting period

On the basis of a number of factors including the borrowers' repayment ability, principal and interest repayment status, fair value of collaterals and pledges, the guarantors' actual guarantee capacity and loan management status of the Bank, the Bank made appropriate loan impairment loss provision charged to the income statement individually or collectively according to the 5-tier classification as well as the risk level, recoverability of loans and the discounted value of the anticipated future cash flow.

(In RMB million)

Item	Amount
Opening balance	12,518
Add: accrual for the year (including impairment loss for non-credit assets)	6,890
Less: interest offset of impaired loans	403
Less: impairment loss for non-credit assets	215
Net provisions for the year	6,272
Add: recovery of written-off loans for the year	391
Less: other changes	17
Less: written-off and disposal for the year	4,002
Closing balance	15,162

The fully provisioned non-performing loans satisfying write-off conditions will be submitted to the Board of Directors for approval and then write-off. The written-off loans will be transferred to off-balance sheet and left to the Assets Supervision and Control Department for follow-up collection and disposal. For the collection of written-off loans, litigation fee which has been advanced by the Bank and should have been assumed by the borrower will be deducted first and the remainder will be used to offset the loan principal first and then the overdue interest. The collected loan principal will increase the loan impairment provision of the Bank and the recovered interest and fees will increase the interest income and bad debt provision in the current period.

I. Analysis of business performance in 2013 (Continued)

(VI) Analysis of asset quality

8. Details of discounted loan as of the end of the reporting period

As of the end of the reporting period, the Bank has no discounted loan accounting for 20% of its total loan amount.

9. Green Credit

The Bank attached high importance to and promoted green credit by committing to adopt and implementing advanced international practice in its business development. The Bank entered into an agreement with the United Nations Environment Programme Finance Initiative (UNEPFI) in August 2010 and officially became the fourth bank member of this organization in China. In 2012, the Bank was one of the first financial institutions in China to enter into the "Natural Capital Declaration" proposed by international organizations including UNEPFI to promise to integrate natural capital into the decision-making process of the Bank. On November 4, 2013, the Bank joined the "Meeting on Solving Over-Capacity and Implementing Green Credit in the Banking Sector in China" co-organized by the CBRC and China Banking Association and entered into the "Mutual Undertakings of the Banking Sector in China on Green Credit".

The "Guidelines on Risk Policy of Ping An Bank for 2013" formulated by the Bank cover the basic philosophy and relevant entry policy of green credit. Firstly, loan category management is implemented, through which credit is limited for industries that do not comply with the environmental protection and industrial policies of the state, and the granted credit shall be gradually restrained; and the Bank is prohibited from granting credit to those industries expressly forbidden by government authorities. Secondly, credit limits to be granted to industries with "high energy consumption, high pollution and overcapacity" and backward production capacities are managed as a group to control the scale of credit reasonably. Thirdly, following the general practice of the "Equatorial Principles" adopted by the world's leading banks, support critical construction and projects on energy saving and emission reduction as well as technical innovation, technical reform and product promotion in energy saving and emission reduction.

The Bank strictly complied with the minimum requirements of the state's industrial policy while implementing the strict management policy of the credit granting category, which was to strictly enforce the state's catalogue (list) on industrial guidance. For projects under the eliminated category under the "Guiding Catalogue for Industrial Restructuring", non-compliance projects for environment protection and other incompliant projects with backward production capacity that are not in compliance with the requirements of the state's energy saving and emission reduction policies and are specifically required to be eliminated by the state shall not be provided with additional credit in any form. For credits that have been granted, appropriate measures are required to be taken to ensure the safe recovery of debts.

The Bank established a fast green credit approval channel to give support by granting credit to enterprises' energy saving and emission reduction projects as well as low-carbon economic development projects. It also supports the development of new energy economy by providing fast-track approval process for green economy. Priority of approval and facilities shall be given to key energy saving and environmental protection projects at the national and provincial levels.

The Bank kept on refining the credit management system and established a sound system on green credit labeling and dedicated survey. By strengthening the systems and adding green credit data to the credit management system, the Bank conducted dynamic control and regular dedicated survey on its support of energy saving and emission reduction projects and granting of credit to eliminated projects with backward production capacity. The Bank will also incorporate the verification of environmental protection information into the full credit process management.

II. Capital Management

Calculated based on the Administrative Measures for the Capital of Commercial Banks (Trial) (《商业银行资本管理办法（试行）》) issued by the CBRC:

(In RMB million)

Item	December 31, 2013
Net core tier one capital	100,161
Other tier one capital	-
Tier one net value	100,161
Tier two capital	15,723
Net capital	115,884
Total risk-weighted assets	1,170,412
Credit risk-weighted assets	1,087,683
On-sheet risk-weighted assets	898,589
Off-sheet risk-weighted assets	181,995
Risk-weighted assets exposed to counterparty credit risk	7,099
Market risk-weighted assets	4,247
Operational risk-weighted assets	78,482
Core tier one capital adequacy ratio	8.56%
Tier one capital adequacy ratio	8.56%
Capital adequacy ratio	9.90%
Risk exposure balance of credit risk asset portfolio after risk mitigation:	
Risk exposure balance of on-sheet credit risk assets after risk mitigation	1,690,974
Off-sheet risk exposure balance after transfer	411,158
Counterparty credit risk exposure	486,980

Note: For credit risk, the capital requirement was measured using the weighting method. The market risk was measured by adopting the standard approach and the operational risk was measured by using the basic indicator approach. During the reporting period, there was no material change to the method of measurement, risk measurement system and the corresponding capital requirements of credit risk, market risk and operational risk.

Calculated based on the Administrative Measures for the Management of Capital Adequacy Ratios of Commercial Banks (《商业银行资本充足率管理办法》) and the relevant requirements issued by the CBRC:

(In RMB million)

Item	December 31, 2013
Capital adequacy ratio	11.04%
Core capital adequacy ratio	9.41%

For further details of the relevant capital managements under the Regulatory Requirements for the Disclosure of Information on Capital Composition of Commercial Banks (《关于商业银行资本构成信息披露的监管要求》) issued by the CBRC, please refer to the column headed "Investor Relations" on the Bank's website (bank.pingan.com).

III. Risk Management

(I) Credit risk

Credit risk refers to the risks where borrowers or trading counterparties of the Bank cannot perform their obligations in accordance with agreements reached in advance.

During the reporting period, the Bank established a centralized, vertical and independent comprehensive risk management structure led by the Risk Management Committee at the headquarters with the cooperation of various professional departments, including the risk management department, corporate credit approval department, asset control department and retail credit management department, to further enhance the full process management and credit risk control of pre-credit issue investigation, credit issue review, post-credit issue management and recovery and disposal. The major credit risk management measures are as follows:

1. Reconstruct a comprehensive risk management structure – A Risk Management Committee was established at the headquarters to coordinate risk management at each level. A risk management model featuring "on-site risk management by appointment and matrix dual reporting lines" was set up, with the Risk Management Committee at the headquarters appointing a risk management vice president to each branch and a risk director to each business department to handle all the risk management duties at the relevant unit.

2. Refining risk management policy – The Bank supported the development of real economy and restructuring and implemented classification management under the guidance of risk limit management to effectively control the loans to the government financing platform, real estate development and industries with "high energy consumption, high pollution and overcapacity" and backward production capacities. It also continued to refine the financial services for small and medium enterprises and promote green credit and led its branches to optimize the credit structure for the purpose of risk prevention.

3. Optimizing risk management workflow – According to the flows and the Bank's requirements, by persisting in the principle of "risk prevention, simplification and efficiency", the Bank continued to refine and optimize its operation flows, ranging from credit issue investigation, credit issue approval, granting of loans, risk control to asset recovery, to ensure a clear division of labour, clear responsibilities and enhanced efficiency among different sectors.

4. Increasing efforts on recovery and disposal – The asset control department was established to manage the work on post-credit issue risk control, recovery and disposal of of non-performing assets, doubtful asset management and refinement of money lending system in a professional and efficient manner. Meanwhile, the Eastern China Asset Protection Center was set up to concentrate on the centralized disposal of doubtful assets in Easter China.

5. Facilitating the implementation of New Capital Accord – In respect of non-retail internal rating, the overall framework of the internal rating system was gradually refined and the rating model for customers and debts were completed. As for retail internal rating, an advanced credit risk measurement system was established to satisfy the needs of internal business development, risk management and external regulatory requirements.

6. Stepping up efforts in building up a team of talents – Domestic and foreign risk management talents were recruited to strengthen its risk management team. The training and development of risk management talents were enhanced to improve the skills and quality of the team.

7. Strengthening risk evaluation – Risk-adjusted return on capital and economic value added were introduced to reinforce the risk evaluation of the branches and business departments.

(II) Market risk

The principal market risk faced by the Bank comes from interest rate and the position of exchange rate products. The target of market risk management of the Bank is to avoid uncontrollable loss of revenue or equity caused by market risk, and to offset the impact of volatility risk of financial instruments on the Bank. The Board of Directors of the Bank is responsible for approving policies on market risk management, and authorizes the Asset and Liability Management Committee to specifically approve the credit limit on market risk for capital investment business, while conducts regular supervision on market risk. The specialized department under the Asset and Liability Management Committee undertakes regular functions of market risk monitoring, including determining a reasonable level of market risk exposure, monitoring daily operation of treasury business as well as giving advice to adjust maturity structure and interest rate structure of assets and liabilities, etc.

The transaction account interest rate risk comes from the change in the price of interest rate in products transaction account resulted from the change in market interest rate, which in turn affects the profit or loss of the Bank for the period. The Bank mainly managed the transaction account interest rate risk by adopting measures such as interest rate sensitivity limit and daily and monthly stop-loss limit, so as to ensure that the fluctuations of market value of interest rate products are within the range affordable by the Bank.

Bank account interest rate risk refers to the risk of incurring losses in the overall revenue and economic value of bank accounts resulting from the adverse changes to important elements like interest rates and term structure. The Bank exercised prudent risk management by regularly monitoring the re-pricing gap levels of Renminbi interest-earning assets and interest-bearing liabilities at different times, paying close attention to the proportion of impact of changes in institutional net worth on net capital during interest rate fluctuations through conducting scenario analysis and stress tests on interest rate risk using the asset and liability management system and strictly controlling the relevant interest rate sensitivity indicators. The Bank regularly convened Asset and Liability Management Committee meetings to actively adjust its asset and liability structure and manage interest rate risk in a rational manner by analyzing future macro-economic trends, market capital and the credit policies of the Peoples' Bank of China.

Exchange rate risk mainly includes risk of loss due to adverse exchange rate changes from foreign exchange exposure caused by currency structure imbalance between foreign currency assets and liabilities as well as foreign exchange exposure caused by foreign exchange derivatives trading. Exchange rate risk faced by the Bank primarily derives from loans, advances, capital investment and deposits held by the Bank which are not denominated in RMB. The Bank set limits for each currency position, monitors scale of currency position daily and controls the position within a settled limit by hedging strategy.

(III) Liquidity risk

Liquidity risk refers to the risk that a commercial bank cannot obtain sufficient fund at reasonable cost or cannot obtain sufficient fund in a timely manner to satisfy its business development needs or settle due debts and other payment obligations.

The Bank paid great attention to liquidity risk management, and continually refined its liquidity risk management system. By adopting multiple management indicators and working methods, the Bank effectively identified, measured, monitored and controlled its liquidity risks. It also conducted stress tests on liquidity risk regularly and formulated specific risk management contingency plans to ensure that sufficient liquidity reserve is available to satisfy the needs of business development and effectively deal with the adverse effect caused by market fluctuations.

To effectively monitor and control liquidity risk, the Bank continually perfected the liquidity risk management tools and significantly increased the frequency of liquidity risk monitoring so that the capital source, use of capital and capital position gap of the Bank is monitored on a daily basis. The Bank continued to perfect the business-wide stress test model and estimated the future liquidity risk level by combining business planning and stress tests. The Bank also continually perfected and refined the liquidity risk management contingency plans and devised specific solutions for particular events. Communication and coordination among the relevant departments were strengthened to increase the efficiency of risk management.

The Bank attaches great importance to liquidity risk management. As of the end of the reporting period, the Bank maintained sufficient liquidity and all important liquidity indicators reached or exceeded regulatory requirements. The Bank witnessed steady growth in various businesses, and continued to keep a considerable proportion of assets with good liquidity.

III. Risk Management

(IV) Operational risk

Operational risk refers to the risk of incurring losses resulting from imperfect or defective internal procedures, staff and information technology systems as well as external events.

Following the requirements of “bank-wide risk management”, the Bank reinforced the operational risk management basis and raised its bank-wide operational risk management capability to effectively prevent and restrain material operational risk incidents with the implementation of the operational risk projects under the New Capital Accord. During the reporting period, the operational risk generally remained stable and there was no material operational risk incident. Details are set out as below:

(1) The operational risk management system under bank-wide risk management was optimized. The strategic objectives and implementation plans of operational risk management were clearly established, while the systems and measures relating to operational risk were refined.

(2) The operational risk projects under the New Capital Accord were implemented smoothly and initially constituted a relatively complete operational risk management tool system. The three main management tools, namely, operational risk and control self-assessment (RCSA), key risk indicators (KRI) and loss data collection (LDC), were initially implemented throughout the Bank.

(3) The two main mechanisms, namely, RCSA and C-SOX, were consolidated in an innovative manner to create an operational risk and control self-assessment system that organically combines the RCSA dynamic quantitative assessment and inspection into the internal control system with wide coverage, delicate contents and multiple assessment dimensions.

(4) The Bank further enhanced the standardization and professionalism of operational risk control by forming a professional and standardized operational risk control system focused on the“three major tools + two special management approaches (DCFC and general ledger proofing and reconciliation) for operational risk management” at the first place so as to timely grasp the profile and characteristics of operational risk and strengthen the review, assessment and control of key risk areas.

(5) A business continuity system was initially established to regulate the daily and emergency management of business continuity. The Bank successfully carried out its first joint drill on business continuity planning (BCP), thereby further enhancing its management capability and operational recovery capability in emergency.

(6) The Bank facilitated the construction of the automated system for operational risk management. The three main tool modules of the operational risk management system have initially finished the design, development and testing stages and are tried out and promoted throughout the Bank for the purpose of enhancing the efficiency of operational risk management.

(7) The Bank thoroughly commenced the construction of operational risk culture, and created a good operational risk management culture via various forms of training and promotion activities, which have gradually rooted the concept of “taking operational risk management as everyone’s duties” in its staff’s minds.

(V) Other risks

Other risks faced by the Bank include legal risk and compliance risk.

During the reporting period, following the comprehensive risk management strategy, the Bank continued to perfect the pragmatic and efficient legal compliance and operational risk management structure. Case Prevention Committees and legal compliance management departments have been set up at the headquarters and each of the branches with professional legal, compliance and operational risk management personnel in place. The Legal Compliance Department of the headquarters reports to the Audit Committee of the Board of Directors, Board of Supervisors and senior management on a regular basis. The Bank has therefore established a sound organizational management system on legal compliance and operational risk.

1. In respect of legal risk control, the Bank further perfected the legal review system and legal case management system with a view to strengthening its capability of preventing, controlling and solving legal risk.

(1) In respect of legal review and consultation, the Bank emphasized the refinement and implementation of the legal review system. Contract samples and contract terms were updated, supplemented and standardized, and timely and effective legal support was provided for various management systems, new product research and development, new business introduction and material projects of the Bank. The operational mechanism of advanced involvement of legal service was continually practised to offer comprehensive, systematic, timely and effective legal service to the Bank's businesses. With regards to relevant legal problems involved in various businesses, specific review was made and further improvement measures were proposed to continuously enhance the effectiveness of legal risk prevention on the Bank's business.

(2) In respect of litigation and comprehensive legal affairs management, the litigation management system was optimized to reinforce the management and tracking of material cases, and regular case tracking and review as well as report, analysis and discussion mechanism were also established. Non-litigation disputes were also handled properly to effectively control litigation risk and protect the legal rights of the Bank.

2. In respect of compliance risk management, by carrying out various case prevention and compliance management measures and risk control tools, the Bank achieved the target of no material case and "zero punishment" on anti-money laundering during the year, thus providing effective compliance support for the sound and swift development of the Bank's businesses. Details are set out as below:

(1) The Bank reinforced its internal control compliance system. The card penalty series system was improved and a new accountability management system was set up.

(2) The Bank attached great importance to and took effort in case prevention through refining the multi-pronged case prevention work system. The pragmatic and efficient case prevention and compliance structure was further refined and the operational mechanism of the Case Prevention Committee was optimized for the effective implementation of case prevention supervision at different levels, such as specific supervision on case prevention at branch level and case prevention at sub-branch level. Certain case prevention measures, such as incidence risk analysis, suspicious staff behaviour inspection and case prevention promotion and education, were adopted to prevent cases from happening in key high-risk areas. The whole set of case prevention mechanism and operational system with "clear targets, accurate prediction, decisive action and effective measures" was basically established to secure the sound and healthy development of the Bank.

(3) In light of business innovation, the Bank optimized and effectively carried out the full process compliance review with "active and advanced involvement, progress tracking and assessment after compliance review", which is in line with the "four-wheel driven" strategy and frontline businesses, to strengthen the risk prevention capability of the operating institutions and business lines for the purposes of supporting its integrated financial strategy and business innovation and facilitating healthy business development.

(4) The Bank promoted the systematic and procedural management of internal control compliance. Optimization of the bank-wide system facilitated the procedural and systematic development of system management as well as the establishment of the legal compliance operational risk management system.

(5) An anti-money laundering system was established under the centralized anti-money laundering management model for standard, professional and centralized handling of anti-money laundering operations and constant improvement of the anti-money laundering work.

(6) The Bank carried out all-rounded and multi-level compliance training, promotion and education to enhance the case prevention awareness and due diligence compliance awareness, thereby cultivating a strong atmosphere of case prevention and compliance culture.

IV. Principal businesses reviewl (Continued)

(I) Corporate banking business

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

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

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

Table of trade finance and international businesses

(In RMB million)

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

New windows of growth opened for internet finance

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

Facing the challenges of market competition and the e-business era, the Bank turned the internet and the allied channels into a channel for acquiring large number of new customers. By integrating product development, platform construction and new business expansion, the Bank located a new profit growth point with the help of the "integrated financial services platform of supply chain". During the reporting period, the number of new customers was 10,049 with new daily average deposit amount of RMB74.1 billion and new daily average loan amount of RMB2.1 billion. The Bank achieved net non-interest income of RMB637 million and total income of RMB3.628 billion.

IV. Principal businesses review

(I) Corporate banking business

Good growth maintained for the international business and offshore business

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

Sound development of the corporate wealth management business

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

Breakthrough achieved by the transportation finance business

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

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

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

(II) Retail business

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

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

IV. Principal businesses reviewl (Continued)

(II) Corporate banking business

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

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

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

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

Steady progress of the "Foundation" works for the retail business

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

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

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

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

Established the Ping An Wealth and Rights system

In 2012, upholding the "customer-oriented "operation concept, the Bank introduced the new Ping An Wealth and Customer Rights system themed "Health and Care, High Protection, Driving Around". By integrating the rights of customers holding both debit cards and credit cards, the Bank strived to create a quality and integrated financial service platform for our customers. Meanwhile, Ping An Wealth and Rights also served as a driver for marketing and customer services, which facilitated the rapid development of the Bank's retailing business in terms of customers acquisition, retention and upgrading, etc.

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

1. Credit card business

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

(II) Corporate banking business

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

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

2. Auto finance business

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

3. Consumer finance business

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

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

(II) Retail banking business

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

4. Private banking business

The Bank officially launched the private banking business on November 8, 2013 with an aim to plan, direct, market and promote the Bank's private banking business in a uniform manner. A comprehensive headquarters organizational structure has now been established, and the key personnel for the first batch of our four private banking centers in 2013 have been basically deployed. Ever since the launching of the business, as of the end of the reporting period, there were 6,221 private banking customers with an asset value of over RMB6 million, representing a 44% growth as compared with the beginning of the year. There were 8,719 new customers applying for the private banking cards. The assets under management of the private banking business amounted to RMB75.3 billion, representing an increase of 49% as compared with the beginning of the year.

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

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

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

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

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

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

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

(II) Retail banking business

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

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

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

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

Table on personal loan business

(In RMB million)

Item	December 31, 2013	Percentage	December 31, 2012	Percentage
I. Personal loans excluding credit cards				
Eastern region	108,651	45.50%	75,657	42.96%
Southern region	73,184	30.64%	60,916	34.59%
Western region	20,988	8.79%	12,505	7.10%
Northern region	35,992	15.07%	27,031	15.35%
Headquarters	1	-	1	-
Total balance of personal loans excluding credit cards	238,816	100.00%	176,110	100.00%
Including: Total NPL	1,199	0.50%	850	0.48%
II. Mortgage loans in personal loans				
Balance of mortgage loans	68,010	28.48%	73,974	42.00%
Including: Housing mortgage loans	64,956	27.20%	70,406	39.98%
Mortgage NPL	314	0.46%	181	0.24%
Including: Housing mortgage NPL	284	0.44%	169	0.24%

(III) Treasury and inter-bank business

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

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

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

(III) Treasury and inter-bank business

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

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

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

The Bank endeavoured to establish an industry-leading product brand and its market influence remarkably increased as new breakthroughs were made in gold leasing, gold consignment, branded gold and the gold for interest wealth management products. The RMB currency swap and customer-driven interest rate swap were newly added to the business portfolio to strengthen its product innovation capability.

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

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

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

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

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

(IV) Investment bank business

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

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

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

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

Considerable progress achieved in pproject financing/ debt financing

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

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

(IV) Investment bank business

Outstanding performance of the corporate cross-selling business

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

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

Rapid growth of the asset custodian business

The Bank has established a relatively comprehensive asset custodian business series. There were ten main categories that can be put under custody, including public placement fund, asset management for funds' subsidiaries, wealth management for securities firms, fiduciary estate, wealth management for banks, private equity investment fund, social security fund, insurance capital and capital custody for commercial bank customers, covering more than 20 types of products. The Bank has established a stable business partnership with more than 300 financial and asset management institution customers.

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

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

Real estate finance: During the reporting period, the real estate business department fully adopted the comprehensive financial strategy of "professionalism, intensification, investment bank-oriented and integrated" and focused on the preparation and establishment of the business department and business development. The preparation work has now been basically completed, and initial success was reaped in the aspects of business, customer and branding. Substantial development was witnessed in the innovative business, which allowed the establishment of a new development model for real estate finance under the low capital consumption environment. Breakthroughs were achieved in the development model of the complete real estate industry chain with a focus on "living", and the Bank has gathered together a group of national branded developers and regional leading core customers who share the same belief. The professional brand image of "Ping An Real Estate Finance" ("平安地产金融") has initially been established in the industry, thereby realizing a high starting point, highly efficient and high quality development at the beginning. Leveraging on the integrated financial services competitive advantages of the Group, the real estate finance business department explored business models and developed product structure on the platform of the Golden Orange Real Property Finance Club of the Bank in order to boost the development of the investment bank business to the fullest. During the reporting period, the real estate finance business department obtained ground-breaking achievement in certain business segments, including "perpetual bond", primary land development fund, "stock-bond combination" and "tiering design" asset management plans and industrial development fund. Its widely recognized professionalism and ever-growing customer satisfaction have contributed to the establishment of the new real estate finance brand. As at the end of the reporting period, the deposit balance of the real estate finance business department was RMB17.305 billion and the loan balance was RMB19.158 billion. The net non-interest income was RMB366 million.

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

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

(V) Small enterprise finance business

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

Table on the operation of the small enterprise financial business

(In RMB million)

Item	December 31, 2013		December 31, 2012		Compared to the end of previous year	
	Balance of loans	Percentage	Balance of loans	Percentage	Change of balance	Growth rate
Loans to small enterprises	87,128	100.00%	55,834	100.00%	31,294	56.05%
Including: Eastern region	27,646	31.73%	22,247	39.84%	5,399	24.27%
Southern region	29,792	34.20%	19,326	34.61%	10,466	54.16%
Western region	12,817	14.71%	5,682	10.18%	7,135	125.57%
Northern region	16,860	19.35%	8,579	15.37%	8,281	96.53%
Headquarters	13	0.01%	-	-	13	-

(V) Credit card business

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

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

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

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

Pocket Bank 2.0 (口袋银行 2.0)

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

Community model development

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

Internet financial services

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

Note finance

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

VI. Analysis on core competitiveness

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

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

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

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

VI. Analysis on core competitiveness

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

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

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

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

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

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

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

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

VII. Future Prospect of the Bank

Estimated operation results from January to March 2014

[Warning on anticipated in losses in accumulated net profit from the beginning of the year to the end of next reporting period or representing a significant change from the corresponding period of last year, and the explanation of reason.]

☐ Applicable √Not applicable

VII. Future Prospect of the Bank

(I) Outlook on macro environment

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

(II) Landscape of industry competition and development trend

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

(III) Corporate development strategies

In 2014, the Bank will continue to implement our planned development strategies and development targets, ride on the advantages of the integrated financial platform of the Group to further implement cross-selling, which working towards establishing our key advantages in integrated financial services, in a bid to achieve the strategic objective of establishing the "Best Bank". At the same time, by directing primarily towards innovation of organization and business models, the Bank benefited from technologies and fully putting our late-mover advantages into play, and stepping up strategic efforts, the Bank will conduct projects such as the establishment of SCFP (supply chain financial platform) and the establishment of large scale retail data collection in an effort to build a "Smart Bank".

(IV) Operational plans

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

VII. Future Prospect of the Bank

(V) Risk management

1.The Bank will establish and improve a comprehensive risk management system and rebuild our risk management structure. The Bank will transform the concept of risk management and perfect the relationship between risk management and business development, realize the relationship among the 5 areas in the Group's strategic objectives, business innovations, customer services, and shareholder value. The Bank will also establish our overall risk management system as well as risk culture among all staff with coverage on all entities, all businesses, all risks and all processes with brand new methods. And the Bank will establish and optimize a centralized, independent and vertical risk management structure, thus enhancing the "three defense lines" of before, during and after event for overall risk management.

2. The Bank will step up our efforts in compliance work and prevent case risks, such as enhancing the compliance operation in the ordinary course of business to regulate our business and supervise execution work, strengthening our management of reputation risk by rationalizing systems and procedures, so as to prevent case risks. The Bank will continue to implement our "prevention oriented" policy by focusing on the prevention and control measures on high frequency risks, implementing material case risks inspection and organizing regular risk analysis and inspection of branches and related business lines.

3. The Bank will establish a proactive risk policy system to guide the orderly development of our business. With the establishment of risk policies, system and framework on all businesses, all risks and all procedures, the Bank will unify our risk management standards. The Bank will also formulate multi-dimensional risk policies on industries, regions, products and customers, and implement "list management" in respect of key industries or business categories. The Bank will effectively utilize portfolio system management tools and control the growth of high capital consumption businesses by setting up multi-dimensional risk limits, while continuously adjusting our business structure.

4. The Bank will modify the operation flow of risk management, and enhance our credit approval and management. According to the flows and the Bank management, and enhance our credit approval procedure to enhance risk management efficiency. The Bank will organize independent asset monitoring team, which will be responsible for daily risk monitoring, risk warning and risk investigation, and thus strengthening our asset monitoring functions. With the optimization of our clearance and settlement management system and organizational structure as well as the establishment of the operational concepts for non-performing assets, the Bank will ensure asset qualities by stepping up efforts in recovery with innovative management measures.

5. The Bank will further facilitate the implementation of the New Basel Capital Accord and the application of relevant technical tools in asset management to realize the scientific development of risk management. The Bank will accelerate the implementation of items on the new capital agreement, and establish assessment tools and models for three major risks, namely credit, market and operational risks. The Bank will establish risk evaluation mechanism, and ensure that our revenue could cover the risks. By applying value management tools, capital gains will be increased. The Bank will foster economic capital management, establish measurement and allocation mechanism for economic capital, and establish a capital saving bank.

6. The Bank will optimize fundamental work such as systems and data bases establishment, and increase capabilities for our risk service business. The Bank will establish a risk management system with complete coverage and gradually realize "on-line" risk management of all our businesses. The Bank will establish a risk management system establishment of risk data base collection, the Bank will integrate information of all transactions, costs and income of our credit customers, and establish a uniform credit data platform for the Company actions, costs The Bank will establish multi-dimensional portfolio automated statements/reporting system to enhance our data quality, analysis value of risk information and service support competencies to our businesses.

7. The Bank will enhance our team building and nurture advanced risk culture. The Bank will build up a top-notch risk management team, ramp up efforts in recruiting first-class risk management talents and enrich the number of risk teams. The Bank will establish a risk manager team to safeguard the "first defense line" of risk management, while establishing risk-specific technique sequences and open up the career promotion path for our risk management personnel to ensure the stability of the risk team. Meanwhile, the Bank will focus on nurturing our risk culture with coverage on "overall risk awareness, capital binding awareness, due diligence and compliance awareness, active acceptance of supervision awareness, risk quantification awareness and customer service awareness".

VIII. Investment analysis

(I) External equity investment

1. Shareholding in other listed companies

(in RMB thousand, %)

Stock code	Name	Initial investment	Percentage of total shareholding at the end of the year	Book value at the end of the year	Gains/ Losses in the reporting period	Change of owners' equity during the reporting period	Accounting entry	Origination
000150	Yihua Real Estate	6	1.36%	24	-	3	Available-for-sale	Repossessed equity
600094	Great Town	4	0.07%	6	-	(2)	Available-for-sale	Repossessed equity
000034	Shenxin Taifeng	6	0.18%	3	-	-	Available-for-sale	Repossessed equity
000030	Fawer	3	0.03%	2	-	(1)	Available-for-sale	Repossessed equity
	Visa Inc.	-	0.01%	3	-	1	Available-for-sale	Legacy investment
000035	ST Kejian	35	1.66%	33	-	(2)	Available-for-sale	Repossessed equity
Total		54		71	-	(1)		

2. Shareholding in other unlisted financial institutions and companies which plans to go public

(In RMB million)

Name of Investee Company	Investment Amount	Impairment Provision	Net value at the end of the year
China Unionpay Co. Ltd.	74	-	74
SWIFT	1	-	1
Clearing Center for City Commercial Banks	1	-	1
Total	76	-	76

VIII. Investment analysis

(II) Use of funds raised

(In RMB million)

Net raised funds	14,733.71		
Total raised funds with purpose changed in the reporting period	-	Total raised funds invested in the year	14,733.71
Total accumulative raised funds with purpose changed	-		
Percentage of total accumulative raised funds with purpose changed	-	Total accumulative raised funds invested	14,733.71

Committed investment projects and flow of surplus funds raised	Project changed or not (incl. partial change)	Total committed investment amount from raised funds	Total investment amount after adjustment (1)	Investment amount during the year	Accumulative investment amount as of the end of the period (2)	Investment progress as of the end of the period (%) (3) = (2)/(1)	Date when the item reaches predetermined status	Benefit realized during the year	In line with predicted benefit or not	Any material changes of feasibility of the project
Committed investment projects										
Capital replenishment	No	14,733.71	14,733.71	14,733.71	14,733.71	100%	December 30, 2013	Not applicable	Not applicable	No
Subtotal of committed investment projects	-	14,733.71	14,733.71	14,733.71	14,733.71	100%	-	-	-	
Flow of surplus funds raised										
Repayment of bank loans	-	-	-	-	-	-	-	-	-	-
Replenishment of working capital	-	-	-	-	-	-	-	-	-	-
Subtotal of flow of surplus funds raised	-	-	-	-	-	-	-	-	-	-
Total	-	14,733.71	14,733.71	14,733.71	14,733.71	100%	-	-	-	-

Failure to reach planned progress or expected revenue and reasons (by specific projects)	-
Notes on material changes of project feasibility	-
Amount, purpose and application progress of surplus funds raised	-
Changes of implementation locations of projects invested with raised funds	-
Changes of implementation approaches of projects invested with raised funds	-
Initial input and replacement of projects invested with raised funds	-
Temporary replenishment of working capital with spare raised funds	-
Surplus of raised fund incurred in project implementation and reasons	-
Purpose and flow of raised funds unused	-
Issues or other situations occurred in the application and disclosure of raised funds	-

VIII. Investment analysis

(III) Actual progress and revenue of major non-share-offering investment projects

During the reporting period, the Bank had no major non-share-offering investment projects.

(IV) Operation and results analysis of principal subsidiaries

☐ Applicable √Not applicable

IX. Information on profit distribution and dividend payout

(I) Profit distribution policy for the reporting period, especially the formulation, implementation or adjustment of the cash dividend payout policy

The Bank convened the second extraordinary general meeting for 2012 on August 31, 2012, during which the *Resolution on Amendment of Constitution of SDB ,SDB Planning on Return to Shareholders in Coming Three Years (2012-2014) and the Proposal on 2012 Interim Profit Distribution of Ping An Bank* were reviewed and approved. Through the resolution on the amendment of constitution, the Bank has clearly determined the principles, plans and forms of profit distribution and the respective intervals, conditions and proportion of cash profit distribution as well as the conditions and procedures for the adjustment on profit distribution policy. In *SDB Planning on Return to Shareholders in Coming Three Years (2012-2014)*, the Bank has clearly stated that the profit to be distributed in cash for each of the coming three years (2012-2014) ranges from 10% to 30% of the distributable profit for the year.

Based on the Bank's total capital of 5,123,350 thousand shares on December 31, 2012, the Bank's profit distribution for 2012 was RMB 1.70 in cash (tax inclusive) and bonus issue of 6 shares per 10 shares. *The Bank issued the Announcement of the Implementation of 2012 Annual Equity Distribution of PAB* on 14 June, 2013, and the Bank's annual profit distribution of 2012 has been completely implemented in the reporting period.

The cash dividend policy formulated by the Bank complies with the provisions of the Articles and the requirements of the resolution of the general meeting with specific and clear standards and proportion for dividend. The Board of Directors of the Bank has conducted specific researches on returns to shareholders, and listened to the opinions of shareholders (especially minority and medium shareholders), independent directors and the Board of Supervisors via various channels. The relevant decision making procedures and mechanism have been completely formulated, and independent directors have conducted due diligence and played their due roles, while the legal interests of minority and medium shareholders were adequately safeguarded. The conditions and procedures for adjusting and changing the Bank's cash dividend policy are in compliance with regulations and transparent.

(II) Profit distribution proposal or plan and proposal or plan on converting capital public reserve into equity for the last three years (including the reporting period)

I. Profit Distribution Proposal for 2013

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

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

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

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

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

3. Taking into account the factors such as the investment returns for the shareholders of the Bank, the capital adequacy ratio requirement stipulated by the regulatory authorities and the sustainability of the Bank's business, apart from the above mentioned statutory profit distribution, it is proposed to distribute a dividend of RMB1.60 in cash (tax inclusive) and bonus issue of 2 shares per 10 shares by capitalization from capital public reserve on the basis of the Bank's total share capital of 9,521 million shares on December 31, 2013. There will be RMB1,523 million for cash dividend distribution and RMB1,904 million for share capital increase in total. Upon the completion of the cash dividend distribution and the share capital increase, the balance of undistributed profit will be RMB28,440 million, and the total capital will be changed to 11,425 million shares.

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

II. Profit Distribution Proposal for 2012

In 2012, the audited net profit attributable to the shareholders of parent company was RMB13,402,701 thousand and distributable profit of RMB24,910,496 thousand.

Pursuant to the above profit and relevant requirements of China, the Bank made the following profit distribution for the year of 2012:

1. The balance of the statutory surplus reserve of the Bank has exceeded 50 % of our paid-up capital. The Bank did not accrue any statutory surplus reserve.

2. Withdrawal of general risk provisions of RMB1,833,781 thousand, represented 1.1% of the balance of risk assets at the end of the reporting period.

Upon the aforesaid profit distribution, as of December 31, 2012, the Bank's surplus reserve amounted to RMB2,830,459 thousand; general risk provisions amounted to RMB13,632,932 thousand; and the remaining undistributed profit amounted to RMB23,076,715 thousand.

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, the Bank has distributed a dividend of RMB 1.70 cash (tax inclusive) and bone issue of 6 share per 10 shares, on the basis of the Bank's total capital of 5,123,350 thousand shares on December 31, 2012. There would be distribution of RMB3,944,980 thousand in total, comprising RMB870,970 thousand for cash dividend and RMB3,074,010 thousand for bonus issue of shares, and the balance of RMB19,131,735 thousand undistributed profit would be used to replenish capital and retained for future distribution.

III. Profit Distribution Proposal for 2011

In 2011, the profit as per the Bank's statutory financial statements (audited by PRC certified accountant, Ernst & Young Hua Ming) included: net profit of RMB 9,181,197 thousand and distributable profit of RMB 17,662,186 thousand.

Pursuant to the above profit and relevant requirements of China, the Bank made the following profit distribution for the year of 2011:

1. Accrue statutory surplus reserve of RMB918,120 thousand based on the 10% of the profit after tax as audited by domestic Certified Public Accountants. After this accrual, the balance of the statutory surplus reserve of the Bank has exceeded 50% of its paid-up capital.

2. Withdrawal of general risk provisions of RMB 1,977,121 thousand.

3. In order to better facilitate the long-term development of the Bank, the Bank would not distribute cash dividend for the time being and will not covert capital public reserve into capital.

4. Upon the aforesaid profit distribution, as of December 31, 2011, the Bank's balance of surplus reserve amounted to RMB 2,830,459 thousand; general risk provisions amounted to RMB 7,954,903 thousand ; and the remaining undistributed profit amounted to RMB 14,766,945 thousand, which would be used to replenish capital and retained for profit distribution in future years.

(III) Cash dividends in last three years

(In RMB million)

Year with dividend payout	Cash dividend (tax included)	Net profit attributable to shareholders of the listed company in the consolidated statements of the year with dividend payout	Ratio of dividends to net profit attributable to shareholders of the listed company in the consolidated statements
2013	1,523	15,231	10.00%
2012	1,383	13,403	10.32%
2011	-	10,279	-

(IV) During the reporting period, the Bank has made profit and the undistributed profit of the parent company was positive, but no cash dividend distribution proposal has been made

☐ Applicable √Not applicable

X. Corporate social responsibility report

During the reporting period, the Bank actively commenced various activities in respect of social responsibility, while continuously optimized the management of social responsibility work. The Bank has strengthened the approval and supervision functions of headquarters in the area of social responsibility, while organized and coordinated all functions and branch entities in the performance of corporate social responsibility.

(I) Safeguard the interests of shareholders. Pursuant to the requirements of relevant laws and regulations such as the Companies Law, Securities Law and Commercial Bank Law as well as the regulatory requirements of the People's Bank of China, CSRC and CBRC, the Bank strived to improve its corporate governance mechanism and optimize corporate governance structure, safeguarding the interests of shareholders while realizing growth in shareholders' value. In the assessment of the information disclosure for listed companies by Shenzhen Stock Exchange, the Bank was rated A, the highest level again.

(II) Enhance the level of customer services. The Bank set up its new "Five-year Strategic Plan", established the guiding principle of "external customer-centric", and introduced the service upgrade project named "New bank and new service start from me" throughout the Bank, in order to build a "different PAB" with excellent service; conducted a more independent customer satisfaction survey that laid a solid foundation for optimizing the customer service quality management system; established a common customer service platform through the successful integration of systems of both SDB and PAB.In order to facilitate the development of small and micro business, launch a creative product "Safe Lending Business Cards" to solve credit difficulties for small and medium enterprises as well as individual industrial and commercial customers. As a result, the balance of small and micro business loans has exceeded RMB87 billion.

(III) Care for staff.The Bank expressively proposed the guiding principle of "internal people-oriented", and provided a fair and just development environment for staff via scientific performance appraisal methods; initiated a talent cultivation project, utilizing the comprehensive and superior financial resources of the Group and external exclusive training resources to provide quality training to staff and cultivate comprehensive financial top talent; launched EAP plan to implement "Show Your Love and Concern for Others" project; cared about staff's physical and psychological health via organizing various activities such as water sports games, football games, basketball games and badminton games.

(IV) Focus on green credit work. The Bank conducted dialogue and communication with institutions such as the United Nations Environment Programme and Financial Action Task Force;stably enhanced the level of green credit disclosure. Continued efforts were placed on enhancing the support to key energy saving and pollutant reduction engineering and projects with the incorporation of environment assessment mechanism into management flow for credit business, while strict control was imposed on the lending to "high energy consumption, high pollution and excessive capacity" industries.

X. Corporate social responsibility report (Continued)

(V) Energy conservation, emission reduction and environmental protection. By promoting the use of video conference system as well as green operation initiatives in respect of saving water, electricity and papers to lower energy and resources consumption in full efforts, and all staff was advocated to travel in a low carbon manner; actively participated in environment protection campaigns such as "Earth Hour" and "Run for Fun".

(VI) Commencement of charitable campaigns. In 2013, the Bank made an external charitable donation of RMB 1,872,000, which mainly included: Kunming branch's donation RMB 600,000 for the water tanks project of Water Resource Department of Yunnan Province and RMB 20,000 for the poverty alleviation work in Muding County; Hangzhou branch donation of RMB 200,000 for the activity of "Union of Villages" in Tonglu County and RMB 50,000 for the charity projects atDanwang Town in Xiaoshan District; Nanjing branch's donation of RMB 440,000 for the poverty alleviation project in Sihong County. After "4.20" Ya'an earthquake, the Bank promptly launched various measures to support the earthquake relief work without saving any effort, specifically, commenced a "Linked together, Donate for Ya'an" campaign with staff donation exceeding RMB 3,560,000. The CYL committee at our head office organized a "Different PingAn Bank—Help the Disabled" sunshine activity and raised a total of RMB14,200, which was used to help the disabled children at Integrated (Occupational) Centre at Huafu Street, Futian District; Hangzhou branch held a charity bazaar and raised RMB47,400, which was donated to the school for the blind in Zhejiang Province; Wenzhou branch launched a "Help the Students Take the Exam" community activity when the college entrance examination was approaching; Haikou branch organized an "One PingAn Family" education support activity to donate articles to PingAn Hope Primary School at Xinpo Town in Haikou City; Beijing branch initiated a "Buy New Shoes for Kids in the Summer" campaign to donate nessecities of life to Guangai School at Shunyi District in Beijing; Jinan branch held an "A Cup of Water with a Kind Heart to Cool the Summer" community activity to provide "a bottle of mineral water and a cool and refreshing place for free" to people working under high tempreture such as sanitation workers and traffic policemen through its business outlets; Kunming branch organized a community activity with a theme of "Plant PingAn Trees and Build Beautiful Homeland" on a barren mountain at the Haikou Forestry Centre in Kunming City in alliance with its customers. Again, the Bank received "Best Practice of Social Responsibility Award for Year 2012" from China Banking Association at 2012 Chinese Banking Industry Social Responsibility Report Release and Social Responsibility Award Ceremony.

XI. Reception of investigation, communication, interview and relevant situations

During the reporting period, the Bank conducted communication with institutions for many times in the form of results presentation, analyst meeting and investor investigation in respect of the operation, financial condition and other issues of the Bank. The Bank also accepted inquiry by phone call from individual investors. The contents mainly included: operation, development strategies, periodic reports and temporary announcements with explanations of the Bank. According to the requirements under Shenzhen Stock Exchange Guidelines on Fair Information Disclosure of Listed Companies, the Bank and relevant information disclosure parties strictly observed the principle of fair information disclosure, and there was no situation in violation of the principle.

The main information of investors received by the Bank during the reporting period is as follows:

Time	Location	Mode	Target type	Targets	Major contents discussed and materials provided
2013/01/05	Shenzhen	Onsite survey	Institution	Taikang Life	Business status and development strategies
2013/01/08	Shenzhen	Onsite survey	Institution	BOCI	Business status and development strategies
2013/01/09	Shenzhen	Onsite survey	Institution	Bosera Funds	Business status and development strategies
2013/01/10	Shenzhen	Onsite survey	Institution	EverBright Securities, etc	Business status and development strategies
2013/01/14	Shenzhen	Onsite survey	Institution	Sinolink Securities	Business status and development strategies
2013/01/16	Shenzhen	Onsite survey	Institution	China Merchants Fund	Business status and development strategies
2013/01/17	Shenzhen	Onsite survey	Institution	Guangzhou Securities	Business status and development strategies

Significant Events

Time	Location	Mode	Target type	Targets	Major contents discussed and materials provided
2013/01/18	Shanghai	Investment bank meeting	Institution	All sorts of investors including securities brokers and funds investors	Business status and development strategies
2013/01/22	Shenzhen	Onsite survey	Institution	Galaxy Securities	Business status and development strategies
2013/01/23	Shenzhen	Onsite survey	Institution	Haitong Securities, etc	Business status and development strategies
2013/01/23	Shenzhen	Onsite survey	Institution	China Merchants Securities, etc	Business status and development strategies
2013/01/23	Shenzhen	Onsite survey	Institution	Guangfa Securities, etc	Business status and development strategies
2013/01/23	Shenzhen	Onsite survey	Institution	Central China Securities	Business status and development strategies
2013/01/29	Shenzhen	Onsite survey	Institution	UBS Securities, etc	Business status and development strategies
2013/01/29	Shenzhen	Onsite survey	Institution	Industrial Securities, etc	Business status and development strategies
2013/01/29	Shenzhen	Onsite survey	Institution	Orient Securities, etc	Business status and development strategies
2013/01/29	Shenzhen	Onsite survey	Institution	Ping An Securities, etc	Business status and development strategies
2013/03/08	Shenzhen	Onsite survey,Telephone communication	Institution	All sorts of investors including securities brokers and funds investors	2012 annual report and results release
2013/03/12	Shenzhen	Onsite survey	Institution	Bosera Funds	Business status and development strategies
2013/03/18	Shenzhen, Shanghai	Roadshow	Institution	All sorts of investors including securities brokers and funds investors	2012 annual report roadshow
2013/03/19	Guangzhou, Beijing	Roadshow	Institution	All sorts of investors including securities brokers and funds investors	2012 annual report roadshow
2013/03/21	Shenzhen	Telephone communication	Institution	Moody	Business status and development strategies
2013/04/26	Shenzhen	Onsite survey	Institution	Haitong Securities, etc	Business status and development strategies
2013/05/23	Xiamen	Investment bank meeting	Institution	All sorts of investors including securities brokers and funds investors	Business status and development strategies
2013/06/20	Shenzhen	Investment bank meeting	Institution	All sorts of investors including securities brokers and funds investors	Business status and development strategies
2013/08/23	Shenzhen	Onsite survey, Telephone communication	Institution	All sorts of investors including securities brokers and funds investors	2013 1H results release
2013/09/02	Beijing,Shanghai, Guangzhou,Shenzhen	Roadshow	Institution	All sorts of investors including securities brokers and funds investors	2013 1H roadshow
2013/09/13	Shenzhen	Online roadshow	Individual	Small and medium investors	Business status and development strategies
2013/10/31	Shenzhen	Onsite survey	Institution	Ping An Securities, etc	Business status and development strategies
2013/11/07	Shenzhen	Onsite survey	Institution and Individual	Small and medium investors	Business status and development strategies
2013/12/13	Sanya	Investment bank meeting	Institution	All sorts of investors including securities brokers and funds investors	Business status and development strategies

I. Material lawsuits, arbitrations and events generally doubted by the media

During the reporting period, the Bank has no lawsuit and arbitration that had significant impact on the operation of the Bank. As of December 31, 2013, the Group was involved in 103 outstanding lawsuits as defendant, with a total amount of RMB388 million.

The Bank did not involve in any events generally doubted by the media during 2013.

II. Fund utilization by controlling shareholder and its related parties for non-operational usage

The controlling shareholder of the Bank, its subsidiaries and its related parties did not utilize any fund of the Bank during the reporting period.

III. Explanations and independent opinions of independent directors concerning fund utilization by related parties of the Bank and external guarantee offered by the Bank

There was no fund appropriation of the Company by controlling shareholder and other related parties in the reporting period or in prior periods which persist in the reporting period.

Guarantee business is a regular banking business of the Bank approved by the competent regulatory institutions. The Bank attaches importance to risk management of this business. By strictly following relevant operational process and examination and approval procedures, risks in external guarantee business can be effectively controlled. In the reporting period, other than the financial guarantee business within the operation scope approved by the competent regulatory institutions, the Bank has no other discloseable material guarantees.

IV. The Bank did not have any bankruptcy and arrangement related event during the reporting period.

V. The Bank did not have any acquisition and disposal of material assets and business merger by the bank during the reporting period.

VI. The bank did not adopt any share incentive scheme.

Significant Events

VII. Important connected transactions

I. The Bank had the following transactions with Ping An China and its subsidiaries:

(In RMB million)

Item	2013-12-31	2012-12-31
Investment in receivables	100	100
Interest receivable	3	3
Other assets	122	134
Amounts due to banks and other financial institutions	9,523	13,696
Deposits from customers	38,075	42,805
Debentures payable	-	398
Interest payable	817	966
Other liabilities	57	154
Credit facilities	9,000	7,000
Guarantees issued	6	-

(In RMB million)

Item	2013	2012
Interest income from bonds receivable	4	4
Agency fee income	153	56
Custodian fee income	202	85
Interest expenses on amounts due to banks and other financial institutions	151	85
Interest expenses on deposits from customers	1,667	1,519
Interest expenses on bonds payable	10	21
Expenses on premium	85	51
Operating lease expense	76	37
Service fee expenses	1,098	673

The above-mentioned transactions have been entered into on normal commercial terms, at prevailing market rates and in the ordinary course of business.

VII. Important connected transactions

II. As at 31 December 2013, the Bank approved to grant credit facilities of RMB2.842 billion to the connected legal entities and associates of the companies in which the Bank's key management members served (December 31, 2012: RMB 2.4 billion), actual loan balance of RMB2.301 billion (December 31, 2012: RMB 634 million) and off-balance sheet credit facilities balance of RMB5 million (December 31, 2012: RMB 51 million). As at December 31, 2013, the Group absorbed RMB 1.259 billion (December 31, 2012: RMB 604 million) deposit of the above mentioned related legal entities and associated companies

All connected transactions mentioned above are in compliance with the connected transaction approval procedures of the Bank.

III. The major transactions between the Company and key management members during the year are set out as below:

(In RMB million)

Loans	2013	2012
Balance at the beginning of the year	1	5
Additions during the year	8	3
Reductions during the year	-	(7)
Balance at the end of the year	9	1
Interest income from loans	1	1

(In RMB million)

Deposits	2013	2012
Balance at the beginning of the year	219	25
Additions during the year	1,497	2,805
Reductions during the year	(1,503)	(2,611)
Balance at the end of the year	213	219
Interest expense for loans	8	2

The above-mentioned transactions have been entered into on normal commercial terms, at prevailing market rates and in the ordinary course of business.

IV. Implementation of SDB's Proposal of Continuing Day-to-Day Connected Transactions with Related Parties such as Ping An Group

On April 26, 2012, the 2011 annual general meeting of the Bank deliberated and passed the SDB's Proposal of Continuing Day-to-Day Connected Transactions with Related Parties such as Ping An Group, which regulates the caps for continuing day-to-day connected transactions with Ping An Group, Bank of Communication, HSBC and BEA from 2012 to 2014. It was agreed that, subject to the caps, the management of the Bank was authorized to review and approve various kinds of day-to-day connected transactions based on the day-to-day business approval authorization as well as handle other related matters in accordance with the transaction principles for continuing day-to-day connected transactions,

(1) Continuing day-to-day connected transactions with Ping An Group

As of the end of the reporting period, the credit facilities type connected transactions of Ping An Group approved by the Bank amounted to RMB3.770 billion, and the balance of credit facilities was RMB6 million which was within the stipulated cap under The Administrative Measures for the Connected Transactions between the Commercial Banks and their Internal Personnel or Shareholders] issued by the China Banking Regulatory Commission.

The small consumption loan under insurance amounted to RMB3,029 million, the indirect day-to-day connected transactions such as facilities under credit insurance amounted to RMB1,150 million, and financing letter of credit amounted to RMB1,500 million, were within the cap of RMB0.9 billion.

In 2012, an interest expense arising from introducing the agreed deposits with Ping An Group amounted to RMB 1,077 million and was under RMB 2.0 billion.

In 2013, an interest expense arising from introducing the agreed deposits with Ping An Group amounted to RMB 1,339 million and was within the cap of RMB 2.0 billion.

In 2013, interest income arising from the investment in wealth management products (including directional asset management plan) with [Ping An Group] amounted to 19 million, and was under RMB the cap of 1.2 billion.

In 2013, interest income arising from inter-bank deposits, inter-bank lending and other inter-bank products with Ping An Group was RMB103, and was under the cap of RMB 480 million.

In 2013, interest expenses arising from structural deposit business with Ping An Group was under the cap of RMB 600 million.

(2) Day-to-day connected transactions with Bank of Communication

The maximum deposit balance of time deposit and demand accounts(clearing accounts exclusive) in 2013 with Bank of Communication was RMB2,495 million, which was within the transaction upper limit of "RMB5,000 million maximum deposit balance between SDB and Bank of Communication for any day during 2012 to 2014".

The gains of RMB699 million and costs of RMB873 million arising from the non-deposit (interest income form clearing accounts inclusive) continuous day-to-day connected transaction with Bank of Communication during 2012 fall within the upper limit of "RMB1,786 million limit on gains and costs arising from the non-deposit continuous day-to-day connected transactions between SDB and Bank of Communication".

VII. Important connected transactions

(3) Day-to-day connected transactions with HSBC

The total balance of time deposit and demand accounts(clearing accounts exclusive) in 2013 with HSBC was nil, which was within the transaction upper limit of "RMB 1.26 billion maximum deposit balance between SDB and HSBC for any day during 2012 to 2014"

The gains of RMB27 million and costs of RMB91 million arising from the non-deposit (interest income form clearing accounts inclusive) continuous day-to-day connected transaction with HSBC during 2013 fall within the upper limit of "RMB129 million limit on gains and costs arising from the non-deposit continuous day-to-day connected transactions between SDB and HSBC".

(4) Day-to-day connected transactions with BEA

The total balance of time deposit and demand accounts(clearing accounts exclusive) in 2013 with BEA was nil, which was within the transaction upper limit of "RMB300 million maximum deposit balance between SDB and BEA for any day during 2012 to 2014".

The gains of RMB37 million and costs of RMB57 million arising from the non-deposit (interest income form clearing accounts inclusive) continuous day-to-day connected transaction with the BEA during 2013 fall within the upper limit of "RMB60 million limit on gains and costs arising from the non-deposit continuous day-to-day connected transactions between SDB and BEA".

5. Temporary on-line disclosure of Material Connected Transaction

Name of temporary Announcement	Date of Announcement	Website for temporary disclosure
Announcement of Shenzhen Development Bank Co.,Ltd. on Continuing Connect Transactions in the Ordinary Course of Business with Connect Persons such as the Ping An Group	April 26, 2012	www.cninfo.com.cn

VIII. Materials contracts and performance

1. Material custodian, contracting and leasing: there were no material custodian, contracting and leasing business in the reporting period.

2. Material guarantee: except guarantees business approved by China Banking Regulatory Commission, the Bank had no other significant guarantees.

3. Other material contracts and their performance: the Bank had no material contract disputes in the reporting period.

Significant Events

IX. Material commitment of the Bank and relevant parties during the reporting period

√Applicable ☐ Not applicable

Commitments	Undertaker	Contents	Date	Term	Status
Commitments in share reform	–	–	–	–	–
Commitments made in acquisition report or equity change report	Ping An Insurance (Group) Company of China, Ltd.	PAG committed in SDB Acquisition Report published on June 30, 2011: As to all SDB shares owned by the Offeror and its affiliated institutions as of the date when those SDB shares subscribed by the Offeror through the deal are registered, the Offeror and its affiliated institutions will not transfer any of them within thirty six months after the newly-subscribed SDB shares are registered under the Offeror, and after the lock-up period, the shares will be dealt with in accordance with relevant regulations of CSRC and Shenzhen Stock Exchange. However, under the permission of applicable laws, transfer among the Offeror's affiliated institutions will not be restricted.	June 30, 2011	Within three years	Performance is being carried out now
Commitments made upon Material Asset Restructuring	Ping An Insurance (Group) Company of China, Ltd., the Bank	I. PAG made the following commitments when planning to subscribe for 1,638,336,654 NPO shares of SDB (this Material Asset Restructuring) with its holding of 90.75% of the original Ping An Bank's shares and RMB 2.6900523 billion in cash: 1. PAG and its affiliated institutions shall not transfer all SDB shares owned by PAG and its affiliated institutions within thirty six (36) months from the date of the completion of this NPO. However, under the permission of applicable laws, the transfer among PAG's affiliated institutions (i.e. any party that has direct or indirect control over PAG, is directly or indirectly controlled by PAG and is jointly controlled by other parties together with PAG) will not be restricted. After the expiry of the said duration, PAG can dispose such newly issued shares in accordance with relevant regulations of CSRC and Shenzhen Stock Exchange. 2. In accordance with Profit Forecast Compensation Agreement signed between PAG and the Bank on September 14, 2010, the Bank shall, within 3 years after this deal of asset purchase by share issue (the "compensation period"), prepare the original Ping An Bank's pro forma net profit data ("realized profit") within 4 months after the end of each accounting year pursuant to PRC Accounting Standards for Business Enterprises and procure the accounting firm engaged by the Bank to present special auditing opinions (the "special auditing opinions") with regard to such realized profit as well as the difference between such realized profit and the corresponding forecasted profit (the "difference amount"). According to such special auditing opinions, if the actual profit amount achieved in any year within the compensation period is lower than the corresponding profit forecast, PAG shall pay 90.75% of the difference between the said actual profit and the forecasted profit (the "compensation amount") to the Bank in terms of cash. PAG shall, within 20 business days after submission of the special auditing opinions for the current year, pay such amount in full to the Bank's designated bank account.	July 20, 2011	–	Performance is being carried out now

IX. Material commitment of the Bank and relevant parties during the reporting period

√Applicable ☐ Not applicable

Commitments	Undertaker	Contents	Date	Term	Status
Commitments made upon Material Asset Restructuring	Ping An Insurance (Group) Company of China, Ltd., the Bank	3. As to the two properties without ownership certificates owned by the original Ping An Bank, PAG issued the PAG Commitment Letter on Providing Compensation for Potential Dispute about Ownership of Ping An Bank's Properties. According to the commitment letter, PAG committed that if there is any dispute about the ownership of the above properties of the original Ping An Bank in the future, PAG will try its best to coordinate all parties, strive to settle disputes properly and avoid any adverse impact on the normal operations of the bank. If the dispute of the property ownership causes additional cost to the abovementioned subordinate institutions or have lowered their income, PAG promised to compensate the Bank in cash for the loss of profit derived as a result of handling the dispute of property ownership of the original Ping An Bank. On the basis of the above commitment letter, PAG makes the Commitment Letter of Ping An Insurance (Group) Company of China, Ltd. Regarding the Solutions to the Properties with Ownership Defects of Ping An Bank Co., Ltd., which undertakes that: within three years after the completion of this transaction, if the Bank cannot process real estate certificate for the two properties and cannot properly dispose of those properties, then PAG will purchase or designate a third party to purchase those properties at a fair and reasonable price within three months upon the expiry of the three year period. 4. After the completion of this Material Asset Restructuring and during the period when PAG acts as SDB's controlling shareholder, in respect of similar businesses or business opportunities as SDB that are intended to be engaged by or substantially obtained by PAG and other companies controlled by PAG in the future, and that the assets and businesses formed by those businesses or business opportunities may cause potential peer competition with SDB, PAG and other companies controlled by PAG will not engage in businesses that are the same or similar to SDB, so as to avoid in direct or indirect competition in relation to SDB's business operations. 5. After the completion of this Material Asset Restructuring, with regard to the related party transactions between PAG and other companies controlled by PAG and SDB, PAG and other companies controlled by PAG will carry out the transactions with SDB under the principles of openness, fairness and justice of market transactions and in accordance with fair and reasonable market price, as well as implement decision-making procedures based on requirements of relevant laws, regulations and regulatory documents so as to fulfill its obligation of information disclosure according to the laws. PAG guarantees that PAG and other companies controlled by PAG would not acquire any illegal interests or make SDB assume any improper obligations through the transactions with SDB. 6. After the completion of this Material Asset Restructuring and during the period when PAG acts as SDB's controlling shareholder, SDB's independence will be maintained so as to ensure that SDB is independent to PAG and other companies controlled by PAG in terms of personnel, assets, finance, institutions and business II. Regarding the said two properties without ownership certificate of the original Ping An Bank, the Bank promises that after the completion of the deal: 1. The Bank will proactively communicate with property ownership administrative authorities and relevant parties and try its best to get the ownership certificates of the above two properties;	July 20, 2011	—	Performance is being carried out now

Significant Events

IX. Material commitment of the Bank and relevant parties during the reporting period

√Applicable ☐ Not applicable

Commitments	Undertaker	Contents	Date	Term	Status
Commitments made upon Material Asset Restructuring	Ping An Insurance (Group) Company of China, Ltd., the Bank	2. If there is substantial obstruction in obtaining the property ownership certificates, the Bank will dispose the above two properties through methods including but not limited to selling them within three years after the completion of the deal; 3. If the Bank fails to dispose the properties in the way mentioned in (2) above within three years after the completion of the deal due to any reason, the Bank will sell the properties to PAG or its designated third party at a fair and reasonable price within three months after the expiry of the three year period; and 4. If there is any dispute about ownership before the above properties are disposed, the Bank will ask PAG to compensate the Bank according to the PAG Commitment Letter on Providing Compensation for Potential Dispute about Ownership of Ping An Bank's Properties issued by PAG.	July 20, 2011	–	Performance is being carried out now
Commitments initial public offering and refinancing	Ping An Life Insurance Company of China, Ltd	Ping An Life made commitments not to transfer the 379,580,000 new shares acquired from SDB in NPO within 36 months from the date of completion of this subscription of shares (September 17, 2010), however, under the permission of the laws and approval of relevant regulatory authorities, the transfer between Ping An Life and its related parties (including the controlling shareholder, de facto controller of Ping An Life and different subjects controlled by the same controller of Ping An Life) will not be restricted. If there is any selling deal against the said commitment, Shenzhen branch of China Securities Depository and Clearing Corporation Limited will be delegated to transfer all the proceeds from selling of the subscribed shares to SDB's listed company account and the proceeds will be owned by all SDB shareholders.	September 17, 2010	Within three years	Performance is being carried out now
	Ping An Insurance (Group) Company of China, Ltd.	In respect of the subscription of 1,323,384,991 new share in the private offering of the Bank, Ping An China has given an undertaking that it shall not transfer such share within 36 months from the listing date of the additional share (9 January 2014). However, subject to applicable laws, the transfers among related institutions (i.e. person directly or indirectly controls Ping An China, directly or indirectly under the control of Ping An China and under common control with Ping An China) of Ping An China are not subject to such undertaking. Upon expiry of the lock-up period, Ping An China can dispose of the shares in this offering according to the requirements of CSRS and Shenzhen Stock Exchange.	December 31, 2013	Within three years	Performance is being carried out now
Other undertakings to the minority shareholders of the Company	–	–	–	–	–
Timely performance of undertakings	Yes				
Reasons for non-performance and future planning(if any)	Not applicable				

Special Audit Report on Differences in Earnings and Profit Forecast

PwC ZT Te Shen Zi (2014) No.0543

To the Board of Directors of Ping An Bank Company Limited:

We have audited the financial reports of Ping An Bank Company Limited (formerly known as Shenzhen Development Bank Co., Ltd., hereinafter referred to as the "Ping An Bank"), including the balance sheet as at December 31, 2013, the income statement, statement of changes in shareholders' equity, cash flow statement and notes to the financial statements for the year 2013, and we issued a standard unqualified opinion audit report (Report No. PwC ZT Shen Zi (2014) No.10035) on 6 March 2014. The management of the Ping An Bank Company Limited is responsible for the preparation and fair presentation of the financial statements. Our responsibility is to express an audit opinion on these financial statements based on our audit in accordance with audit standards of PRC Certified Public Accountants.

We have been engaged, on the basis of our audit to these financial statements, to carry out reasonably guaranteed assurance business on the differences in earnings and profit forecast of the underlying assets (i.e. the former Ping An Bank Company Limited) of 2013 (as attached, hereinafter referred to as the "Statement of Differences") after the implementation of material asset restructuring, which is prepared by the Ping An Bank in accordance with the requirements of the Administrative Measures for the Material Asset Reorganizations of Listed Companies (as amended by the order No. 73 of China Securities Regulatory Commission, hereinafter referred to as the "Administrative Measures") and pursuant to the preparation basis stated in note 2.

The management of the Ping An Bank Company Limited is responsible for the preparation of the statement of differences, subject to the related requirements of the Administrative Measures and according to the preparation basis as set out in note 2, and to ensure that it is true, legal and complete. The responsibilities include designing, implementing and maintaining internal controls as determined necessary to enable the preparation of the financial statements, and to adopt appropriate preparation basis to prepare and disclose an authentic Statement of Differences.

Our responsibility is to express a conclusion on the Statement of Differences based on our assurance services. We carried out our assurance on the basis of Standards on Other Assurance Services for CPAs of China 3101- Other assurance services other than audit or review of historical financial information. These standards require us to plan and implement assurance services with professional ethics, so as to obtain reasonable assurance that whether the Statement of Differences is prepared according to the requirements of the Administrative Measures in all material aspects, and whether it reflects the differences in earnings and profit forecast of the underlying assets in all material aspects.

A reasonably guaranteed assurance services involves the implementation of assurance procedures to obtain adequate evidences to show that whether the Statement of Differences is prepared in accordance with the Administrative measures in all material aspects, and wither it reflects the differences in earnings and profit forecast of the underlying assets in all material aspects. The choice of assurance procedures is subject to the judgement of the certified public accountant, including the assessment on whether there is risk on material non-compliance of the differences in earnings and profit forecast with the Administrative Measures. Based on our audit to these financial statements, we implemented procedures we determined to be necessary, such as enquiries, checkings and recalculations. We believe that we have already obtained adequate and appropriate evidence which provide the basis for our assurance conclusion.

We believe that the above Statement of Difference has been prepared in accordance with the Administrative Measures for the Material Asset Reorganizations of Listed Companies in all material aspects and reflects the differences in the earnings and profit forecast of the underlying assets in all material aspects.

This report is for the sole purpose of disclosure by Ping An Bank Company Limited (formerly known as Shenzhen Development Bank Co., Ltd.) in its 2013 annual report as required by the Administrative Measures and for no other purpose.

PricewaterhouseCoopers Zhong Tian LLP
Shanghai, the People's Republic of China

Chinese Certified Public Accountant: Yao Wenping
(signature and personal chop)
Chinese Certified Public Accountant: Zhu Liping
(signature and personal chop)

6 March 2014

Significant Events

IX. Material commitment of the Bank and relevant parties during the reporting period

I. General information on material assets reorganization

Ping An Bank Co., Ltd. (formerly known as Shenzhen Development Bank Co., Ltd.) (hereafter referred to as the “Company” or Ping An Bank) was established in the People’s Republic of China (the “PRC”) as a result of the restructuring of six agricultural credit co-operatives into a joint stock commercial bank with limited liability. The Company was established on 22 December 1987 after the initial public offering of its RMB ordinary shares on 10 May 1987. The Company was listed on the Shenzhen Stock Exchange on 3 April 1991 and the stock code is 000001.

The Ping An Insurance (Group) Company of China, Ltd. (the “China Ping An” hereinafter) was approved by means of The Approval to the Proposal of Material Assets Reorganization of The Ping An Insurance (Group) Company of China, Ltd.(CSRC approval[2011]no. 1024) issued by the China Securities Regulatory Commission on June 28, 2011 to subscribe for 1,638,336,654 RMB denominated NPO shares of former Shenzhen Development Bank Company Limited (the “former SDB” hereinafter) with its equity holding of 90.75% in the former Ping An Bank Company Limited (the “former PAB” hereinafter) and cash. As at July 8, 2011, the 90.75% equity interest in the former PAB held by the China Ping An completed the transfer procedures in the Shenzhen United Property And Share. The holder of such equity interest had been changed to the form SDB and the former SDB became the controlling shareholder of the former PAB.

Board resolutions on “Proposal of SDB on the Scheme of Merger of the Controlling Subsidiary Ping An Bank Co., Ltd. through Absorption” and “Proposal of SDB on Signing the Absorption Merger Agreement with Ping An Bank Co., Ltd.” signed between the Company and the former Ping An Bank Company Limited (hereafter referred to as “Former Ping An Bank”) were approved during the first Extraordinary Shareholders Meeting held on 9 February 2012. The absorption and merger plan had been approved by the China Banking Regulatory Commission in accordance with “China Banking Regulatory Commission's Approval of absorption of Ping An Bank Co., Ltd. by Shenzhen Development Bank Co., Ltd.” (Yin Jian Fu [2012] No.192).

On 12 June 2012, the Shenzhen Market Supervision and Management Bureau approved Former Ping An Bank’s deregistration application. After deregistration of Former Ping An Bank, its branches have become the Company’s branches. The Company is the surviving company and shall in accordance with laws inherit all assets, liabilities, certificates, licences, businesses, personnel and all rights and obligations of Former Ping An Bank. On 20 July 2012, as approved by the China Banking Regulatory Commission in accordance with “China Banking Regulatory Commission on the approval for the renaming of Shenzhen Development Bank“ (Yin Jian Fu [2012] No.397), the Chinese name of the Company, being “深圳发展银行股份有限公司” has been changed to " 平安银行股份有限公司 ". The English name of “Shenzhen Development Bank Co., Ltd.” has been changed to “Ping An Bank Co., Ltd.”.

The registered office of the Company is located at No. 5047, Shennan Road East, Luohu District, Shenzhen, Guangdong Province, the PRC. Headquartered in Shenzhen, the Company operates its business in Mainland China. The institution number of the Company on the 00386413 approval document issued by the China Banking Regulatory Commission is B0014H144030001. The business licence number of the Company issued by the Shenzhen Municipal Administration of Industry and Commerce is 440301103098545.

The Company engages in authorized commercial banking activities.

IX. Material commitment of the Bank and relevant parties during the reporting period

2. Basic information on underlying assets

The former Ping An Bank was formerly known as the "Shenzhen Ping An Bank Co. Ltd.". It is established by the merger through absorption by the Shenzhen Commercial Bank Co., Ltd. with Ping An Bank Co., Ltd. on June 16, 2007. On February 10, 2009, it was approved by the Administration for Industry & Commerce of Shenzhen to change its name into "Ping An Bank Company Limited" and became a subsidiary of Ping An China.

The scope of operation of the former Ping An Bank was the approved commercial banking businesses.

II. Basis of preparation of the Statement of Differences in earnings and profit forecast of the underlying assets in 2013

In the course of the above mentioned material assets restructuring, the Company determined the fair value of the former Ping An Bank on the basis of the assets valuation report Zhonglianping Bao Zi [2010] No. 697 issued by China United Assets Appraisal Co. by adopting the valuation method of present earning value method. Pursuant to article 34 of the Administrative Measures for the Material Asset Reorganizations of Listed Companies (as amended by the order No. 73 of China Securities Regulatory Commission), for valuation of contemplated acquisition of assets by asset valuation organization adopting valuation methods based on future revenues, such as present earning value method, and used as the reference of pricing, the listed company shall disclose separately the differences in the actual earnings and the profit forecast in the valuation report of underlying assets, in the annual reports of the three years after the implementation of the material assets restructuring. And a special audit report thereof shall be issued by the accounting firm. In light of the above, the Company prepared the 2013 Statement of Differences of the earnings and profit forecast (hereinafter referred to as the "Statement of Differences") on the underlying assets (i.e. former Ping An Bank).

1. Earnings

As the former Ping An Bank has already been merged through absorption by the former SDB in June 2012 and the deregistration has been completed on June 12, 2012. To track the differences in earnings and profit forecast in the assets valuation report of the underlying assets (i.e. the former Ping An Bank), the Company considered and approved the"Shenzhen Development Bank Co., Ltd earnings determination plan in connection with Ping An Bank (the underlying assets) for the subsequent three Years after the completion of material assets reorganisation" (the "Plan") by board resolutions on July 8, 2011, to determine the profit of the underlying assets after merger through absorption.

The profit of the underlying assets in 2013 as set out in the Statement of Differences was dertermined according to the Plan on the basis of the 2013 Financial Statements of the Company audited by PricewaterhouseCoopers Zhong Tian LLP.

2. Profit forecast

The profit forecast of the underlying assets in 2013 as set out in the Statement of Differences was extracted from the above mentioned valuation report Zhonglianping Bao Zi [2010] No. 697.

The earnings of the underlying assets in 2013 and the Statement of Differences of the earnings and the profit forecast of the underlying assets in 2013 was considered and approved by the 2nd meeting of 9th session of the Board on 6 March 2014.

IX. Material commitment of the Bank and relevant parties during the reporting period

III. Statement of Differences of the earnings and the profit forecast of the underlying assets in 2013

RMB million		Underlying assets
Earnings in 2013	A	3,695
Profit forecast in 2013	B	3,597
Differences	C=A-B	98

X. Engagement of intermediaries

1. Engagement of accounting firm for audit of annual financial reporting

Existing accounting firm

Name of domestic accounting firm	PriceWaterHouseCoopers Zhong Tian(LLP)
Remuneration of domestic accounting firm (Note)	RMB 8.2 million
Continuous term of audit service of domestic accounting firm	First Year
Name of Certified Public Accountant of domestic accounting firm	Yao Wenping, Zhu Liping
Name of foreign accounting firm (if any)	Not applicable
Remuneration of foreign accounting firm (if any)	Not applicable
Continuous term of audit service of foreign accounting firm (if any)	Not applicable
Name of Certified Public Accountant of foreign accounting firm (if any)	Not applicable

Note: It excludes the remuneration payable of RMB400,000 to Ernst & Young Hua Ming LLP pursuant to agreed procedure in the first quarter in 2013.

Change of accounting firm for the current period

☐ Yes √No

Change of accounting firm for the audit reporting period

☐ Yes √No

2. Engagement of internal control audit accounting firm, financial advisor and sponsor

Name of internal control audit accounting firm	PriceWaterHouseCoopers Zhong Tian(LLP)
Remuneration of internal control audit accounting firm	RMB1.38 million
Name of financial advisor	Not applicable
Remuneration of financial advisor	Not applicable
Name of sponsor	Citi Securities Co., Ltd.
Remuneration of sponsor	RMB37 million

XI. Bond Issuance

The Bank had not issued any bonds during 2013.

XII. Penalties and correction

During the reporting period, the Bank and its directors, supervisors, senior management, shareholders holding 5% or above interest in the shares and de facto controllers had not been investigated by competent authorities, imposed enforcement measures by judicial authorities or disciplinary and prosecution authorities, proceeded to judicial authorities or held responsible for criminal responsibilities, investigated or adopted administrative measures, prohibited from trading, identified as inappropriate candidate by CSRC, penalized by other administrative authorities nor publicly denounced by the Stock Exchange.

XIII. Other Significant Events

On September 6, 2013, the 29th meeting of the 8th session of the Board of the Bank deliberated and approved relevant resolutions, including the Resolution of the Ping An Bank Company Limited on the Proposal of non-public offering of shares.

On September 24, 2013, the first Extraordinary Shareholders Meeting in 2013 of the bank deliberated and approved relevant resolutions, including the Resolution of the Ping An Bank Company Limited on the Proposal of non-public offering of shares.

On September 24, 2013, the Bank received the Approval of the Non-public Offering of Shares by Ping An Bank Company Limited (Zhengjiangxuke No. [2013]1642) from China Securities Regulatory Commission, approving the non-public offering of up to 1,323,384,991 new shares by the Company.

On January 8, 2014, the Bank published the Issuance Report and Listing Notice on the non-public offering of A-shares of Ping An Bank Company Limited. The Bank had submitted an application to the Shenzhen branch of China Securities Depository and Clearing Co. Ltd. on December 31, 2013 for the registration of this non-public offering and we have received the Confirmation Letter of Share Registration Application from its Registration and Depository Department. This non-public offering to Ping An Insurance (Group) Company of China, Ltd. issued 1,323,384,991 new shares (including 1,323,384,991 restricted shares), the Company's number of shares after the non-public offering was 9,520,745,656. The shares in this non-public offering listed on January 9, 2014, which may not be transferred in the 36 months from the date of listing of new shares. However, to the extent permitted by applicable laws, transfers among the related parties of Ping An China (i.e. any person directly or indirectly controls Ping An China, directly or indirectly controlled by Ping An China, under common control with Ping An China) are not subject to this restriction. After the lock-up period, Ping An China can dispose of the shares issued in this issuance pursuant to the related requirements of China Securities Regulatory Commission and Shenzhen Stock Exchange.

For details, please refer to relevant announcements published by the Bank in China Securities Journal, Securities Times, Shanghai Securities News, Securities Daily and www.cninfo.com.cn.

I. Changes in shares

1. Table of changes in shares

Unit: Shares

	Before change		Share type					After change	
Share type	Quantity		New issuance	Share distribution	From contributed Capital Surplus	Others	Sub-total	Number of shares	(%)
I. Restricted Shares	2,017,992,394	39.39	1,323,384,991	1,210,795,046	-	(607,328,650)	1,926,851,387	3,944,843,781	41.43
1. Held by the state	-	-	-	-	-	-	-	-	-
2. Held by the state legal person	-	-	-	-	-	-	-	-	-
3. Held by other domestic investors	2,017,992,394	39.39	1,323,384,991	1,210,795,046	-	(607,328,650)	1,926,851,387	3,944,843,781	41.43
Including: held by domestic non-state legal persons	2,017,973,130	39.39	1,323,384,991	1,210,783,878	-	(607,328,000)	1,926,840,869	3,944,813,999	41.43
Held by domestic natural persons	19,264	约 0.00	-	11,168	-	(650)	10,518	29,782	约 0.00
4. Held by foreign investors	-	-	-	-	-	-	-	-	-
Including: held by foreign legal persons	-	-	-	-	-	-	-	-	-
Held by foreign natural persons	-	-	-	-	-	-	-	-	-
II. Unrestricted shares	3,105,358,022	60.61	-	1,863,215,203	-	607,328,650	2,470,543,853	5,575,901,875	58.57
1. Ordinary RMB shares	3,105,358,022	60.61	-	1,863,215,203	-	607,328,650	2,470,543,853	5,575,901,875	58.57
2. Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-
III. Total shares	5,123,350,416	100	1,323,384,991	3,074,010,249	-	-	4,397,395,240	9,520,745,656	100

Changes in Shares and Shareholders

I. Changes in shares

Reasons for changes in shares

√ Applicable ☐ Not applicable

The Bank implemented the 2012 profit distribution proposal and issued shares to Ping An China by way of non-public offering and the number of shares of the Bank has been increased accordingly.

Approval of the changes in shares

√ Applicable ☐ Not applicable

1. On May 23, 2013, the Bank deliberated and approved the 2012 Profit Distribution Proposal of Ping An Bank Company Limited.

2. On September 24, 2013, the first Extraordinary Shareholders Meeting in 2013 of the bank deliberated and approved relevant resolutions, including the Resolution of the Ping An Bank Company Limited on the Proposal of non-public offering of shares.

3. On September 24, 2013, the Bank received the Approval of the Non-public Offering of Shares by Ping An Bank Company Limited (Zhengjiangxuke No. [2013]1642) from China Securities Regulatory Commission, approving the non-public offering of up to 1,323,384,991 new shares by the Company.

The transfer of shares in the changes

√ Applicable ☐ Not applicable

1. The date of record of the Bank's 2012 annual equity distribution was June 19, 2013; the date of ex-rights was June 20, 2013.

2. The Bank had submitted an application to the Shenzhen branch of China Securities Depository and Clearing Co. Ltd. on December 31, 2013 for the registration of this non-public offering and we have received the Confirmation Letter of Share Registration Application from its Registration and Depository Department.

Effect on financial indicators, such as changes in shares on the basic earnings per share and diluted earnings per share for the latest year and latest period and net assets per share attributable to ordinary shareholders of the Company

√ Applicable ☐ Not applicable

Basic earnings per share and diluted earnings per share for the reporting period, 2012 and 2011 is calculated according to the accounting standards and relevant requirement of CSRC, taking into account the effect of the issuance of new shares and the share distribution. The net asset per share attributable to the shareholders of parent company as at the end of the reporting period was calculated on the basis of number of share capital 9,521 million shares as at the end of the period. For the ease of comparison, the net asset per share attributable to the shareholders of parent company as at the end of 2012 and 2011 was recalculated on the basis of total basic share capital 8,197 million shares after dividends distribution for 2012.

Other information deemed necessary by the Company or required to be disclosed by securities regulatory institution

☐ Applicable √ Not applicable

2. Table of changes in restricted shares

Unit: Shares

Name of shareholder	Restricted shares at the beginning of year	Restricted shares released in the year	Restricted shares increased in the year	Restricted shares at the end of year	Reason for restriction	Date of release
Ping An Insurance (Group) Company of China, Ltd. – the Group – Proprietary fund	1,638,336,654	-	983,001,992	2,621,338,646	Non-public offering	2014-8-5
Ping An Insurance (Group) Company of China, Ltd. – the Group – Proprietary fund	-	-	1,323,384,991	1,323,384,991	Non-public offering	2017-1-9
Ping An Life Insurance Company of China, Ltd. – proprietary fund	379,580,000	607,328,000	227,748,000	-	Non-public offering	Listed and traded on 12 November 2013
Shenzhen SDG Communications Development Company	40,903	-	24,542	65,445	Restricted shares from share reform	
Shenzhen Tourism Association	11,033	-	6,620	17,653	Restricted shares from share reform	
Shenzhen Futian District Agriculture Development Service Company Yannan Agriculture Machine Trading	4,540	-	2,724	7,264	Restricted shares from share reform	
Total	2,017,973,130	607,328,000	2,534,168,869	3,944,813,999		

Note:

1. Lock-up period for the restricted shares held by Shenzhen SDG Communications Development Company, Shenzhen Tourism Association and Shenzhen Futian District Agriculture Development Service Company Yannan Agriculture Machine Trading expired on 20 June 2008, but relevant shareholders had not entrusted any company to apply for handling restricted share release formalities.

2. The data in the above table do not include the 29,782 senior management lock-up shares held by directors, supervisors and senior management.

Changes in Shares and Shareholders

II. Securities issuance and listing

1. Securities issuance within the last three years up to the end of the reporting period

Name of securities and its derivatives	Date of issuance	Issue price (or interest rate)	Size	Date of listing	Approved trading volume	End date
Stock						
Non-public issuance	July 20, 2011	17.75	1,638,336,654	August 5, 2011	0	-
Non-public issuance	December 31, 2013	11.17	1,323,384,991	January 9, 2014	0	-

Upon deliberation and approval at the 27th meeting of the 7th session Board of Directors of the Bank and the 1st Extraordinary Shareholders Meeting held in 2010 and with the approval of relevant regulatory authorities, the Bank issued 1,638,336,654 shares to Ping An China via non-public offering during 2011 to acquire 7,825,181,106 shares of former Ping An Bank held by Ping An China and raise RMB2,690.0523 million from Ping An China at the issuance price which was the average trading price of the shares of the Company of the 20 trading days prior to the pricing benchmark date, namely RMB17.75 per share. These new shares were listed on 5 August 2011. The shares subscribed by Ping An China during the non-public offering are not allowed to be transferred within 36 months and the time for listing and trading will be 5 August 2014. However, to the extent permitted by applicable laws, transfers among the related parties of Ping An China (namely, any person directly or indirectly controls Ping An China, directly or indirectly controlled by Ping An China, under common control with Ping An China) are not subject to this restriction.

Upon deliberation and approval at the 29th meeting of the 8th session Board of Directors of the Bank and the 1st Extraordinary Shareholders Meeting in 2013 and with the approval of relevant regulatory authorities, the Bank issued 1,323,384,991 shares to Ping An China via non-public offering during the reporting period at the issuance price of RMB11.17 per share, the total proceeds RMB14,782,210,349.47, after netting the related issuance expenses, will be applied to supplement the capital. The shares in this non-public offering were listed on9 January, 2014. The shares may not be transferred within the 36 months period from the date of listing of the new additional shares. However, to the extent permitted by applicable laws, transfers among the related parties of Ping An China (namely, any person directly or indirectly controls Ping An China, directly or indirectly controlled by Ping An China, under common control with Ping An China) are not subject to this restriction. After the lock-up period, Ping An China can disposed of the shares issued in this issuance pursuant to the related requirements of China Securities Regulatory Commission and Shenzhen Stock Exchange.

2. Changes in the total number of share and the structure of shareholders, the assets and liabilities structure of the Bank

During the reporting period, the Bank implemented the 2012 profit distribution proposal of Ping An Bank Company Limited, the 2012 profit distribution was based on the total share capital of 5,123,350 thousand shares of the Bank on December 31, 2012, with dividends of RMB 1.70 in cash (tax inclusive) and bonus issue of 6 shares per 10 shares. The bank published the Announcement of Implementation of 2012 Equity Distribution of Ping An Bank Company Limited on June 14, 2013 and the implementation of the profit distribution proposal was completed within the reporting period. Upon completion of the above profit distribution proposal, the number of shares of the Bank increased from 5,123,350,416 to 8,197,360,665.

During the reporting period, upon deliberation and approval at the 29th meeting of the 8th session Board of Directors of the Bank and the 1st Extraordinary Shareholders Meeting in 2013 and with the approval of relevant regulatory authorities, the Bank issued 1,323,384,991 shares to Ping An China via non-public offering during the reporting period. The Bank's total number of shares increased from 8,197,360,665 shares to 9,520,745,656 shares after the non-public offering.

As of the end of the reporting period, shareholder equity attributable to the Bank's parent company by RMB27.282 billion to RMB112.081 billion, representing an increase of 32.17% compared to the beginning of year.

3. The Bank has no employee share

III. Descriptions of shareholders

1. Number of shareholders and their shareholding status

Unit: Shares

Total number of shareholders at the end of reporting period	298,070	Total number of shareholders by the end of the fifth trading day prior to the publication of the annual report	310,335

Shareholding of top 10 shareholders

Name of shareholder	Capacity	Share holding (%)	Total number of shares held	Changes during the reporting period	Number of restricted shares held	Number of unrestricted shares held	Number of Shares pledged or frozen
Ping An Insurance (Group) Company of China, Ltd. – the Group- proprietary fund	Domestic legal entity	50.20	4,779,077,016	2,619,269,500	3,944,723,637	834,353,379	-
Ping An Life Insurance Company of China, Ltd.- proprietary fund	Domestic legal entity	6.38	607,328,000	227,748,000	-	607,328,000	-
Ping An Life Insurance Company of China, Ltd. - tradition - ordinary insurance products	Domestic legal entity	2.37	225,541,645	84,578,117	-	225,541,645	-
Ge Weidong	Domestic natural person	1.77	168,937,579	107,352,370	-	168,937,579	-
China Electronics Shenzhen	Domestic state-owned legal entity	1.56	148,587,816	55,720,431	-	148,587,816	-
China Minsheng Banking – Yinhua SZSE 100 Index classified securities investment fund	Domestic legal entity	0.52	49,958,081	22,372,537	-	49,958,081	-
CSOP Asset Management Limited CSPO FTSE China A50 ETF	Foreign legal entity	0.42	39,864,405	22,925,692	-	39,864,405	-
ICBC - Rongtong SI 100 Index Securities Investment Fund	Domestic legal entity	0.38	36,157,628	7,030,439	-	36,157,628	-
Bank of China - Efund SI100 ETF	Domestic legal entity	0.38	36,128,197	-5,006,312	-	36,128,197	-
XingYa Group Holdings Co., Ltd.	Domestic legal entity	0.37	35,000,000	10,970,567	-	35,000,000	-
Strategic investor or general legal entity that become top 10 shareholders by placing of new shares(if any)	Nil						
Description of the related relationship and concerted action of the above shareholders	1. Ping An Life Insurance Company of China, Ltd. is a controlled subsidiary of and acting in concert with the Ping An Insurance (Group) Company of China, Ltd.. "Ping An Insurance (Group) Company of China, Ltd. – the Group - proprietary fund", "Ping An Life Insurance Company of China, Ltd. - proprietary fund" and "Ping An Life Insurance Company of China, Ltd. – traditional – ordinary insurance product" are related parties. 2. The Bank is not aware of any related relationship or concerted action between any of other shareholders.						

Changes in Shares and Shareholders

1. Number of shareholders and their shareholding status

Shareholding of top 10 shareholders without restriction conditions

Unit: Shares

Name of shareholder	Number of unrestricted shares held as at the end of the reporting period	Type of shares
Ping An Insurance (Group) Company of China, Ltd. – the Group– proprietary fund	834,353,379	RMB ordinary shares
Ping An Life Insurance Company of China, Ltd.-proprietary fund	607,328,000	RMB ordinary shares
Ping An Life Insurance Company of China, Ltd. - tradition - ordinary insurance products	225,541,645	RMB ordinary shares
Ge Weidong	168,937,579	RMB ordinary shares
China Electronics Shenzhen	148,587,816	RMB ordinary shares
China Minsheng Banking – Yinhua SZSE 100 Index classified securities investment fund	49,958,081	RMB ordinary shares
CSOP Asset Management Limited CSPO FTSE China A50 ETF	39,864,405	RMB ordinary shares
ICBC - Rongtong SI 100 Index Securities Investment Fund	36,157,628	RMB ordinary shares
Bank of China - Efund SI100 ETF	36,128,197	RMB ordinary shares
XingYa Group Holdings Co., Ltd.	35,000,000	RMB ordinary shares

Description of the related relationship and concerted action among the top 10 shareholders without restriction conditions and among the top 10 shareholders without restriction conditions and top 10 shareholders	1. Ping An Life Insurance Company of China, Ltd. is a controlled subsidiary of and acting in concert with the Ping An Insurance (Group) Company of China, Ltd.. "Ping An Insurance (Group) Company of China, Ltd. – the Group - proprietary fund", "Ping An Life Insurance Company of China, Ltd. - proprietary fund" and "Ping An Life Insurance Company of China, Ltd. – traditional – ordinary insurance product" are related parties. 2. The Bank is not aware of any related relationship or concerted action between any of other shareholders.
Description of the shareholders (if any) who engage in securities margin trading business	1. Ge Weidong, a shareholder of the bank, is holding 80,580,817 shares via common stock account and 88,356,762 shares via client account of collateral securities for margin trading in Orient Securities Company, effectively holding 168,937,579 shares in total. 2. XingYa Group Holdings Co., Ltd., a shareholder of the bank, is holding 0 shares via common stock account and 35,000,000 shares via client account of collateral securities for margin trading in CITIC Securities Company Limited, effectively holding 35,000,000 shares in total.

III. Descriptions of shareholders

Have the shareholders of the Company entered into agreed repurchase transaction during the reporting period

☐ Yes √ No

2. Controlling shareholder

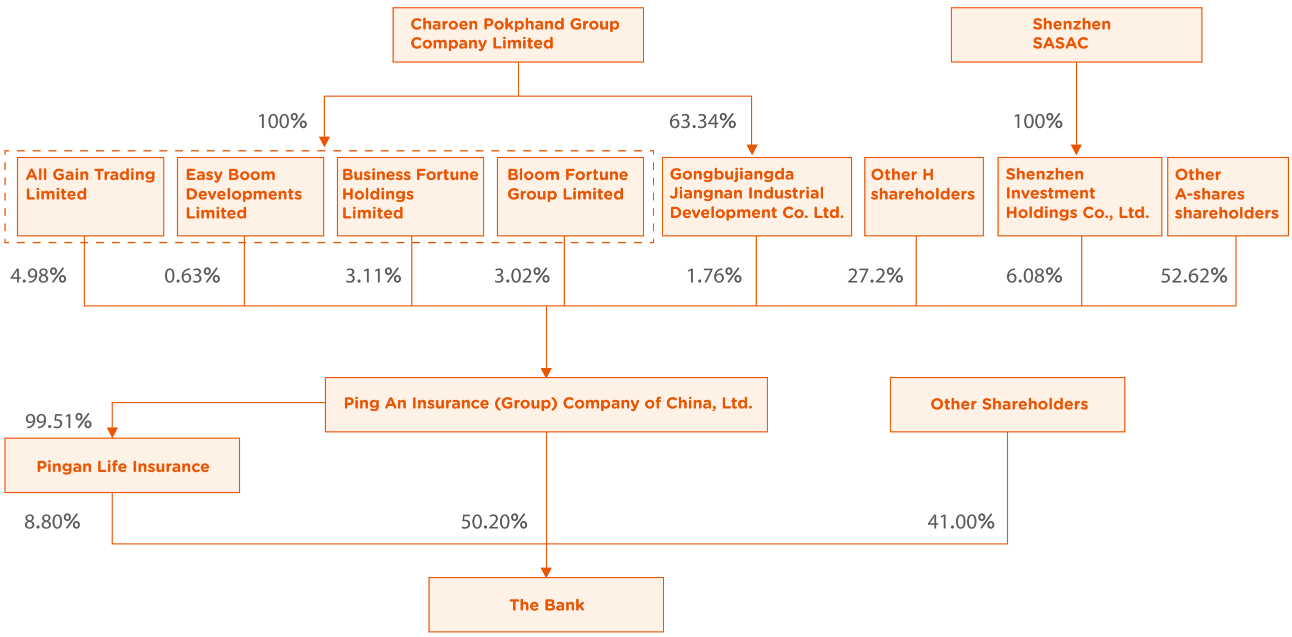
Unit: Shares

Name of controlling shareholder	Legal representative	Date of establishment	Organizational Code	Registered capital	Principal business
Ping An Insurance (Group) Company of China, Ltd.	Ma Mingzhe	21 March 1988	10001231-6	RMB7,916,142,092	Investment in insurance enterprises; supervision and management of various domestic and oversea businesses of the controlled entities, carrying out insurance fund application business, and domestic and international insurance business as approved as well as other businesses as approved by China Insurance Regulatory Commission and the related state authorities.
Results, financial position, cash flow and future development strategies	Ping An Insurance (Group) Company of China, Ltd., the controlling shareholder of the Bank, is listed on both of the main board of Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively. As of the reporting date, Ping An China's 2013 annual report is yet to be disclosed. Please refer to the section "Ping An Insurance (Group) Company of China, Ltd.- 2013 annual report" for related information.				
Controlling shareholder's shareholdings in other domestic and overseas listed companies, in which it is the controlling shareholder or shareholder during the period	Same as above.				

Information on Directors, Supervisors, Senior Management and Staff

3. Change of the controlling shareholder of the Bank during the reporting period

There is no change in the controlling shareholder of the Bank during the reporting period. The relationship between the Bank and the controlling shareholder is set out below:



4. Actual controller

The Bank does not have any de facto controller.

5. Other corporate shareholder with over 10% of shareholdings

Nil.

IV. Proposal on or implementation of increase in shareholding by corporate shareholders and its concerted parties during the reporting period

Not applicable.

None of the corporate shareholders and its concerned parties proposed or implemented any proposal on increase in shareholding during the reporting period.

I. Brief Information on Directors, Supervisors, Senior Management

Name	Position	Status	Gender	Age	Office Tenure	Shares held at the beginning of the year (Shares)	Shareholding increase for the year (Shares)	Shareholding decrease(Shares)	Shares held at year end (Shares)
Sun Jianyi	Director, Chairman of BoD	Current	M	60	Director: 2012.10-Reelection Chairman of BoD: 2012.11-Reelection	-	-	-	-
Shao Ping	Director, President	Current	M	56	Director: 2012.10-Reelection President : 2012.11-	-	-	-	-
Wang Liping	Director	Current	F	57	2010.12-2014.1	-	-	-	-
Yao Bo	Director	Current	M	42	2010.12-Reelection	-	-	-	-
David Ku	Director	Current	M	39	2010.12-2014.1	-	-	-	-
So Lan Ip	Director	Current	F	57	2010.12-Reelection	-	-	-	-
Li Jinghe	Director	Current	M	58	2010.12-Reelection	-	-	-	-
Wang Kaiguo	Director	Current	M	55	2010.12-2014.1	-	-	-	-
Hu Yuefei	Director, Vice President	Current	M	51	Director: 2010.12-Reelection Vice President : 2006.5-	1,484	890	-	2,374
Chen Wei	Director, Vice President	Current	F	54	Director: 2010.12-Reelection Vice President: 2010.6-	-	-	-	-
Lu Mai	Independent Director	Current	M	66	2010.12-2014.1	-	-	-	-
Liu Nanyuan	Independent Director	Current	M	64	2010.12-2014.1	-	-	-	-
Duan Yongkuan	Independent Director	Current	M	64	2010.12-Reelection	-	-	-	-
Xia Donglin	Independent Director	Current	M	52	2011.5-Reelection	-	-	-	-
Chu Yiyun	Independent Director	Current	M	49	2011.5-2014.1	-	-	-	-
Ma Lin	Independent Director	Current	M	60	2011.5-Reelection	-	-	-	-
Chen Yingming	Independent Director	Current	M	49	2011.5-Reelection	-	-	-	-

Information on Directors, Supervisors, Senior Management and Staff

I. Brief Information on Directors, Supervisors, Senior Management

Name	Position	Status	Gender	Age	Office Tenure	Shares held at the beginning of the year (Shares)	Shareholding increase for the year (Shares)	Shareholding decrease(Shares)	Shares held at year end (Shares)
Liu Xueqiao	Independent Director	Current	M	62	2011.5-2014.1	-	-	-	-
Qiu Wei	Shareholder Supervisor, Chairman of BoS	Current	M	51	2010.12-Reelection	-	-	-	-
Luo Kangping	External Supervisor	Current	M	59	2010.12-2014.1	-	-	-	-
Xiao Lirong	External Supervisor	Current	F	51	2010.12-2014.1	-	-	-	-
Che Guobao	Shareholder Supervisor	Current	M	64	2010.12-Reelection	-	-	-	-
Wang Lan	Employee Supervisor	Current	F	43	2010.12-Reelection	215	129	-	344
Wang Yi	Employee Supervisor	Current	M	38	2010.12-2014.1	24,560	14,736	-	39,296
Cao Lixin	Employee Supervisor	Current	M	45	2010.12-Reelection	-	-	-	-
Ye Wangchun	Vice President	Current	M	58	2012.7-	-	-	-	-
Zhao Jichen	Vice President	Current	M	50	2013.1-	-	-	-	-
Sun Xianlang	Vice President	Current	M	52	2013.1	-	-	-	-
Cai Lifeng	Vice President	Current	F	55	2013.3-	-	-	-	-
Xie Yonglin	Vice President	Former	M	45	2012.7-2013.10	-	-	-	-
Feng Jie	Vice President	Current	M	56	2010.12-	-	-	-	-
Wu Peng	Vice President	Current	M	48	2011.8-	866	520	-	1,386
Li Nanqing	BoD Secretary	Current	M	57	2012.7-	-	-	-	-

II. Positions held by directors and supervisors in shareholder companies

Name	Name of shareholder company	Position	Tenure
Sun Jianyi	Ping An Insurance (Group) Company of China, Ltd.	Executive Deputy General Manager	October 1994-now
		Executive Director	March 1995-now
		Vice Chairman	October 2008-now
Wang Liping	Ping An Insurance (Group) Company of China, Ltd.	Executive Director	October 2008-now
		Deputy General Manager	January 2004-January 2014
	Ping An Life Insurance Company of China, Ltd.	Non-executive Director	October 2007-Now
Yao Bo	Ping An Insurance (Group) Company of China, Ltd.	Executive Director	June 2009-Now
		Executive Director	June 2009-Now
		Chief Financial Officer	April 2010-Now
		Deputy General Manager	June 2009-Now
		Chief Actuary	October 2012-now
	Ping An Life Insurance Company of China, Ltd.	Non-executive Director	September 2008-Now
David Ku	Ping An Insurance (Group) Company of China, Ltd.	[Executive Deputy General Manager]	June 2012- Now
		Executive Director	July 2012-Now
	Ping An Life Insurance Company of China, Ltd.	Non-executive Director	March 2010-Now
So Lan Ip	Ping An Insurance (Group) Company of China, Ltd.	Deputy General Manager	January 2011-Now
		Chief Audit Officer	March 2006-Now
		March 2006-Now	July 2010-Now
		Compliance Officer	July 2010-Now
	Ping An Life Insurance Company of China, Ltd.	Responsible Person of Audit	March 2008-Now
Li Jinghe	China Electronics Shenzhen Company	Vice Chairman	January 2008-Now
		Secretary of CPC Committee	May 2006-Now
Wang Kaiguo	Haitong Securities Co., Ltd.	Chairman, Secretary of CPC Committee	2001-Now

Information on Directors, Supervisors, Senior Management and Staff

III. Full-time/Part-time Positions held concurrently by Directors, Supervisors and Senior Management in companies other than shareholder companies

Name	Name of Company	Position
Sun Jianyi	Shenzhen Vanke Co., Ltd.	Non-executive Director
	China Insurance Security Fund Co. Ltd.]	Non-executive Director
Shao Ping	Executive Board of Wharton School of Business in the United States	Executive Director for Asia Region
	Anxin Trust & Investment Co., Ltd.	Independent Director
Wang Liping	Ping An Property & Casualty Insurance Company of China, Ltd.	Non-executive Director
	Ping An Health Insurance Company Limited	Non-executive Director
	Ping An Annuity Insurance Company of China, Ltd.	Non-executive Director
	Ping An Asset Management Co., Ltd.	Non-executive Director
	China Ping An Trust Co., Ltd.	Non-executive Director
	Ping An Securities Co., Ltd.	Non-executive Director
	Ping An of China Asset Management (Hong Kong) Company Limited	Non-executive Director
	Shenzhen Ping An Financial Technology Consulting Co., Ltd.	Non-executive Director
	Ping An Technology (Shenzhen) Co., Ltd.	Non-executive Director
	Ping An Processing & Technology (Shenzhen) Co., Ltd.	Non-executive Director
	Ping An Channel Development Consultation Service Company of Shenzhen, Ltd.	Non-executive Director
	Shanghai Lujiazui International Financial Assets Exchange Co., Ltd.	Non-executive Director
	XiShuangBanNa Financial Assets and Mercantile Exchange Co., Ltd.	Non-executive Director
Yao Bo	Ping An Property & Casualty Insurance Company of China, Ltd.	Non-executive Director
	Ping An Health Insurance Company Limited	Non-executive Director
	Ping An Annuity Insurance Company of China, Ltd.	Non-executive Director
	Ping An Asset Management Co., Ltd.	Non-executive Director
	China Ping An Trust Co., Ltd.	Non-executive Director
	Ping An Securities Co., Ltd.	Non-executive Director
	Shenzhen Ping An Financial Technology Consulting Co., Ltd.	Non-executive Director
	China Ping An Insurance Overseas (Holdings) Limited	Non-executive Director
	Ping An Technology (Shenzhen) Co., Ltd.	Non-executive Director
	Ping An Processing & Technology (Shenzhen) Co., Ltd	Non-executive Director
	Ping An Channel Development Consultation Service Company of Shenzhen, Ltd.,	Non-executive Director
	Ping An of China Asset Management (Hong Kong) Company Limited	Non-executive Director
	Ping An UOB Fund Management Co., Ltd.	Non-executive Director
	Shanghai Lujiazui International Financial Assets and Exchange Market Co., Ltd.	Non-executive Director
	Xishuangbanna Financial Assets and Commodity Exchange Co., Ltd.	Non-executive Director
	Ping An Channel Development Consultation Service Company of Shenzhen, Ltd.	Director

III. Positions held concurrently by Directors, Supervisors and Senior Management in companies other than shareholder companies

Name	Name of Company	Position
David Ku	Ping An Processing & Technology (Shenzhen) Co., Ltd.	Chairman of BoD
	Ping An Property & Casualty Insurance Company of China, Ltd.	Non-executive Director
	Ping An Annuity Insurance Company of China, Ltd.	Non-executive Director
	Ping An Health Insurance Company Limited	Non-executive Director
	Shenzhen Ping An Financial Technology Consulting Co., Ltd	Non-executive Director
	Xishuangbanna Financial Assets and Commodity Exchange Co., Ltd.	Non-executive Director
	Shanghai Lujiazui International Financial Assets and Exchange Market Co., Ltd.	Non-executive Director
So Lan Ip	Ping An Property & Casualty Insurance Company of China, Ltd.	Chairman of BoS
	Ping An Asset Management Co., Ltd.	Chairman of BoS
	Ping An Annuity Insurance Company of China, Ltd.	Chairman of BoS
	Ping An Health Insurance Company Limited	Chairman of BoS
	China Ping An Trust Co., Ltd.	Chairman of BoS
	Ping An Securities Co., Ltd.	Supervisor
	Shenzhen Ping An Financial Technology Consulting Co., Ltd.	Supervisor
	Ping An Channel Development Consultation Service Company of Shenzhen, Ltd.,	Supervisor
	Ping An Technology (Shenzhen) Co., Ltd.	Supervisor
	Ping An Processing & Technology (Shenzhen) Co., Ltd.	Supervisor
	Ping An UOB Fund Management Co., Ltd.	Chairman of BoS
	Shenzhen Ping An Real Estate Co., Ltd.	Chairman of BoS
	Shanghai Lujiazui International Financial Assets and Exchange Market Co., Ltd.	Chairman of BoS
	Xishuangbanna Financial Assets and Commodity Exchange Co., Ltd.	Chairman of BoS
Li Jinghe	China Electronics Zhuhai Company Limited	Chairman
	Zhuhai CEIEC Hi-Tech Industry Investment Co., Ltd.	Chairman
	Shenzhen Jingwah Electronics Co., Ltd.	Vice Chairman
	Science, Education, Health and Sports Sub-committee under CPPCC Shenzhen Committee	Deputy Director
	Shenzhen Huaqiang Industry Co., Ltd.	Independent Director
	Science, Education, Health and Sports Sub-committee under CPPCC Shenzhen Committee	Deputy Director
Wang Kaiguo	Shanghai Chlor-Alkali Chemical Co., Ltd.	Independent Director
	Securities Association of China	Vice Presidnet
	Shanghai Stock Exchange	Director
Lu Mai	China Development Research Foundation	Secretary General
	Huaxin Cement Co., Ltd.	Independent Director

Information on Directors, Supervisors, Senior Management and Staff

III. Full-time/Part-time Positions held concurrently by Directors, Supervisors and Senior Management in companies other than shareholder companies

Name	Name of Company	Position
Duan Yongkuan	Huaxin Cement Co., Ltd.	Independent Director
	Shenzhen Zhengtong Electronics Co., Ltd.	Director
	Anbang Life Insurance Co., Ltd.	Director
Xia Donlin	School of Economics and Management of Tsinghua University	Associate Dean
	Tsinghua Tongfang Co. Ltd.	Chairman of BoS
	UFIDA Software Co., Ltd.	Independent Director
Chu Yiyun	Shanghai University of Finance and Economics	Professor
	Shanghai Jinfeng Wine Co., Ltd.	Independent Director
	Shandong Jincheng Pharmaceutical & Chemical Co., Ltd.	Independent Director
	China Fiberglass Co., Ltd.	Independent Director
	Zhejiang Qinglian Food Co., Ltd.	Independent Director
Ma Lin	Henan Shuanghui Investment & Development Co., Ltd.	Independent Director
	Hao Tian Resources Group Limited, Hong Kong	Independent Director
	Yingda International Trust Co., Ltd.	Independent Director
Chen Yingming	CHEN & CO. Law Firm	Managing Partner
	Securities Business Sub-committee under Shanghai Lawyers Association	Director
	The 2nd, 3rd and 4th session of CPPCC, Pudong New Area, Shanghai	Member
	Huatai Securities Co., Ltd.	Independent Director
	Red Star Macalline Group Corporation Ltd.	Independent Director
	Dubon Insurance Company Limited	Independent Director
	The third session of Listing Committee of the Shanghai Stock Exchange	Member
	Shanghai LengGuang Industrial Co., Ltd.	Independent Director
Liu Xueqiao	Promontory Financial Group	Managing Director
Luo Kangping	Numsight Asia Limited	President
Xiao Lirong	China Resources Group	Accounting Direct of Finance Department
Che Guobao	Shenzhen Yingzhongtai Investment Co., Ltd.	Chairman of BoD

IV. Work experience of Directors, Supervisors and Senior Management in the last 5 years

Mr. Sun Jianyi, Chairman of the Board of Directors.

Born in 1953, he holds a college degree and is a senior economist. He has served as a director and the Chairman of Ping An Bank since October 2012 and November 2012 respectively.

Mr. Sun Jianyi joined Ping An China in July 1990 and had been worked as the general manager of the headquarters, deputy general manager, executive deputy general manager and vice CEO of Ping An China successively. He has been appointed as executive deputy general manager since October 1994. Since March 1995, he has been elected as an executive director of Ping An China. Since October 2008, he has been elected as the vice Chairman of Ping An China's BoD. He was also the Chairman of PA Trust from October 1999 to September 2004. From January 2008 to June 2012, he was also the Chairman of former PAB.

Before joining Ping An China, Mr. Sun Jianyi worked at PBOC Wuhan Branch from 1971 to 1984 as the deputy head of Credit Section and head of Representative Office. From 1984 to 1990, he worked at the People's Insurance Company of China as the deputy general manager of Wuhan Branch and the general manager of Wuhan Securities Company.

Mr. Sun Jianyi is also a non-executive director of Shenzhen Wanke Co., Ltd. and China Insurance Protection Fund Co., Ltd.

Mr. Shao Ping, Director and President.

Born in 1957, he holds a doctorate degree in Economics from the Fudan University and is a senior economist.

Mr. Shao participated in the establishment of the China Minsheng Banking Corporation Limited in 1995. From 1996 to 2012, he acted as the deputy director of the Credit Department in the headquarters, the deputy general manager (in-charge) and general manager of Credit Business Department in the headquarters, the CPC committee secretary and branch president of Shanghai branch, a CPC committee member and an assistant to president of the headquarters, a CPC committee member and the vice president of headquarters and the Chairman of risk management committee of headquarters. He has been a director and the president of Ping An Bank since October 2012 and November 2012 respectively. In addition, he has also been appointed as an executive director on the Executive Board for Asia Pacific Region of the Wharton School of Business in the United States since 2006.

Before joining the China Minsheng Banking Corporation Limited, Mr. Shao had served as the CPC committee secretary and general manager of Urban Credit Cooperative in Weicheng District of Weifang City in Shandong Province, vice CPC committee secretary and deputy general manager of Weifang Credit Cooperative.

Ms. Wang Liping, Director.

Born in 1956. She holds a master's degree in Monetary Banking from Nankai University, and is a senior economist. She served as a deputy general manager of Ping An China from January 2004 to January 2014. She served as a director of Ping An Bank (former SDB) from June 2010 to January 2014.

Ms. Wang Liping joined Ping An China in June 1989. She served as an executive director in the Ping An China from June 2009 to June 2012, and concurrently served as a deputy chief insurance business officer of Ping An China from July 2006 to January 2007. She was Chairman and general manager of Ping An Annuity Co., Ltd. from August 2005 to July 2006 and Chairman and chief executive officer of Ping An Life Insurance Company of China, Ltd from 2002 to 2004. She successively served as assistant to general manager and deputy general manager of Ping An China from 1998 to 2002. She successively served as headquarters general manager and life insurance general manager of Ping An Life Insurance Company from 1995 to 1997 and general manager of securities department of Ping An China from 1994 to 1995.

Information on Directors, Supervisors, Senior Management and Staff

IV. Work experience of Directors, Supervisors and Senior Management in the last 5 years

Mr. Yao Bo, Director.

Born in 1971. He is a Fellow of the Society of Actuaries (FSA) and obtained a Master's degree in Business Adminstration from the New York University of the United States. He has been serving as an executive director of the Ping An China from June 2009 to present. He has been serving as the Chief Financial Officer and deputy general manager of the Ping An China from April 2010 and June 2009 to present respectively. He has been concurrently serving as an director of the Ping An Bank (former SDB).

Mr. Yao Bo joined the Ping An China in May 2001. He served as the head of Ping An China's financial function from March 2008 to April 2010, the vice chief financial officer of the Ping An China from February 2004 to January 2007, the chief actuary of the PAG from January 2007 to June 2010, the vice chief actuary of the Ping An China from December 2002 to January 2007 and the deputy general manager of product center of the Ping An China from 2001 to 2002. He concurrently acted as the general manager of the planning and analysis department of the Ping An China from February 2004 to February 2012.

Mr. Yao Bo was previously a senior actuarial consulting manager of Deloitte Touche Tohmatsu.

Mr. David Ku, Director.

Born in 1974. He holds a bachelor's degree in Business Administration from the Chinese University of Hong Kong. Mr. David Ku has been serving as the executive deputy general manager of Ping An China from June 2012 to present. He served as a director of Ping An Bank (former SDB) from June 2010 to January 2014.

Mr. David Ku joined the Ping An China in 2000. He successively served as the senior Vice President of Ping An E-Commerce, the general manager of the Customer Resources Center, the general manager of the E-service Marketing Center, the general manager of the Life Insurance Operation Center, and the deputy director of the Group Development and Reform Center. He successively served as the general manager of the National Back Office Management Center and the Group Operation Management Center of the Ping An China respectively] and the vice chief service and operation officer from February 2004 to March 2008. He served as the assistant to general manager and deputy general manager of Ping An China from March 2008 to October 2009 and October 2009 to June 2012 respectively. He acted as the Chairman and the chief executive officer of Ping An Channel Development Consultation Service Company of Shenzhen, Ltd., from November 2008 to April 2013. From January 2010 to January 2014, he acted as the Chairman of Ping An Processing & Technology (Shenzhen) Co., Ltd. .

Mr. David K u was previously a consultant in McKinsey & Company.

Ms. So Lan Ip, Director.

Born in 1956. She holds a bachelor's degree in Computer of Polytechnic of Central London of the United Kingdom. She has been serving as the deputy general manager of the Ping An China from January 2011 to present, and chief audit officer, responsible person of audit and compliance officer of Ping An Group from March 2006 to present, March 2008 to present and July 2010 to present respectively. He has been serving as a director of Ping An Bank (former SDB) since June 2010.

Ms. So Lan Ip joined Ping An China in February 2004. She served as an assistant to general manager of Ping An Life from February 2004 to March 2006, and an assistant to general manager of Ping An China from March 2006 to January 2011.

Ms. Ip previously worked in Westpac Bank, Australia, AIA and Prudential Assurance Company of Hong Kong.

IV. Work experience of Directors, Supervisors and Senior Management in the last 5 years

Mr. Li Jinghe, Director.

Born in 1955. He holds a Bachelor's Degree in Engineering of Electronics Materials of Chengdu institute of telecommunication, and a post graduate in Corporate Administration from Chinese Academy of Social Science. He serves as vice chairman and secretary of CPC Committee of China Electronics Shenzhen Company. He has been concurrently serving as a director of Ping An Bank (former SDB) since December 2007.

He served as salesman of Export Department of China National Electronics Import & Export South China Branch, deputy director of Zhuhai Office of China National Electronics Import & Export South China Branch, and deputy general manager and general manager of China National Electronics Import & Export Zhuhai Company successively from January 1982 to January 2000. From February 2000 to July 2011, he served successively as a director, vice chairman, general manager, deputy secretary and secretary of CPC Committee of China Electronics Shenzhen Company. He has been serving as the vice Chairman and deputy secretary of CPC Committee of China Electronics Shenzhen Company from July 2011 to present, and served as an independent director of Shenzhen Huaqiang Industrial Co., Ltd. from June 2006 to July 2012. He served as a Director and Deputy General Manager of China Electronic Engineering Co., Ltd from October 2010 to July 2013.

Mr. Li Jinghe concurrently serves as a member of CPPCC Shenzhen Committee, the deputy director of the Science, Education, Health and Sports Sub-committee under CPPCC Shenzhen Committee, Chairman of Shenzhen Chamber of Commerce for Import and Export, vice Chairman of Guangdong Enterprise Confederation and Guangdong Entrepreneur Association, vice Chairman of Shenzhen Chamber of Electronic Products , honorary Chairman of Shenzhen Electronics Academy and honorary chairman of Shenzhen electronic information industry association.

Mr. Wang Kaiguo, Director.

Born in 1958. He holds a doctorate's degree in Economics. He served as the Chairman of Board of Directors and secretary of CPC Committee of Haitong Securities Company Limited. He has been concurrently serving as a director of Ping An Bank (former SDB) from June 2006 to January 2014.

Mr. Wang Kaiguo successively served as deputy director of the Application Section of the Research Institute, head of Regulation Department and deputy head of Research Institute of the National Administration of State Owned Assets from 1990 to 1995. He joined Haitong Securities in 1995 and served as deputy general manager, general manager and Chairman of Board of Directors successively, and works as Chairman of Board of Directors and secretary of CPC Committee of Haitong Securities Company Limited at present. Mr. Wang Kaiguo is also a member of the Board of Shanghai Stock Exchange and Vice President of the Securities Association of China.

Mr. Hu Yuefei, Director and Vice President.

Born in 1962. He holds an in-service master's degree in monetary banking of Zhongnan University of Economics.

From December 1979 to July 1983, Mr. Hu Yuefei worked in the People's Bank of China Hunan Dongan County Office and engaged in accounting and credit affairs. From August 1983 to July 1986, he studied at Hunan Finance Cadre Management Institute. From August 1986 to December 1989, he worked in Industrial and Commercial Bank of China Hunan Branch and since 1988 served as deputy section chief of Human Resource Department. Mr. Hu began to work in Shenzhen Development Bank from January 1990. From January 1990 to February 1992, he worked in Party Affair Office as chief of Propaganda Unit. From February 1992 to December 1992, he worked as deputy manager of Nantou Sub-branch. From January 1993 to February 1999, he worked as manager of Nantou Sub-branch (from January 1998 to February 1999, he also held a concurrent post as manager of Shekou Sub-branch). From September 1993 to July 1996, he received in-service education at Zhongnan University of Economics for a Master's Degree, majoring in monetary banking.

From February 1999 to March 2000, Mr. Hu worked in Guangzhou Branch as branch president. From March 2000 to March 2005, he worked as assistant to president of Shenzhen Development Bank and branch president of Guangzhou Branch. From March 2005 to May 2006, he worked as assistant to president of Shenzhen Development Bank. He has been serving as vice president of Ping An Bank (former SDB) from May 2006 to present. From December 2007 to present, he has been concurrently serving as a director of Ping An Bank (former SDB).

Information on Directors, Supervisors, Senior Management and Staff

IV. Work experience of Directors, Supervisors and Senior Management in the last 5 years

Ms. Chen Wei, Director, Vice President and Chief Financial Officer.

Born in 1959. She holds a doctorate degree in management and is a senior economist.

She worked in Beijing Branch of People's Bank of China from 1982 to 1984, and served as cadre, section chief, vice director of Treasury Planning Division and section chief of Finance Management Division of Shenzhen Special Economic Zone Branch of People's Bank of China from 1984 to 1993. She joined China Merchants Bank in February 1993, and worked as executive director, vice president and financial head. Ms. Chen served as an executive vice president of former PBA from April 2007 to May 2010, and concurrently served as an executive director of former PBA from September 2007 to May 2010. Ms. Chan concurrently served as a non-executive director of the former PAB from December 2011 to June 2012. She has served as a Director and vice president of Ping An Bank (former SDB) from June 2010 to present (during this period, she concurrently held the post of chief financial official in Ping An Bank).

Mr. Lu Mai, Independent Director.

Born in 1947. He holds a Bachelor's Degree in Economics and a Master's Degree in Public Administration. He currently serves as the secretary general of China Development Research Foundation. He has been serving as an independent director of Ping An Bank (former SDB) from December 2010 to present.

From 1986 to 1989, he successively served in the Center for Rural Development Research under the State Council as the head of Marketing Research Office of Development Research Institute, deputy head of Liaison Office, deputy head and head of Administration Office of Rural Reform Experimental Division. He is a member of Administration Office for Economic System Reform Leading Group under State Council and member of Circulation System Reform Leading Group. He worked as associate researcher of Center for International Development and associate researcher of the Government Faculty of Harvard University from 1991 to 1993. He worked in Development Research Center of State Council since 1995 as a researcher and deputy director in the International Cooperation Bureau. He received special government allowance for his research contribution in 1998, and since 1998, he served as deputy secretary general and then secretary general of China Development Research Foundation. He served as a "Lulu Chow Wang" senior visiting professor in Chazen Institute in Columbia University. During 2002 to 2003, he was appointed as a member of Committee in Social Effect of Globalization under the International Labor Organization, and he was the only Chinese member in this committee. He also sits in the 8th session of the executive board of Chinese Finance Society.

In 2005, the 2005 Humanity Development Report of China that was prepared under the leadership of Mr. Lu was awarded the "Policy analysis and impact" by the United Nations Development Programme. In 2011, Leading Group Office of Poverty Alleviation and Development (LGOPAD) of the State Council named Mr. Lu as one of the "National Pioneers in Poverty Alleviation and Development".

Mr. Liu Nanyuan, Independent Director.

Born in 1949. He holds a bachelor's degree and is a senior economist. He has been serving as an independent director of Ping An Bank (Former SDB) from December 2010 to present.

He served as cadre of Jiangxi Banking School from December 1982 to January 1984. He successively served as cadre, principal staff member, deputy division chief and division chief of Planning Division, chief of Human Resources Division and vice president of PBOC Jiangxi Provincial Branch from January 1984 to November 1998. He worked as party committee member of People's Bank of China Shanghai branch and commissioner to Fuzhou Regulation Office from November 1998 to July 2003 and secretary of CPC Committee and director general of CBRC Fujian from July 2003 to May 2006. He served as deputy secretary of CPC Committee and deputy director of CBRC Shenzhen from May 2006 to August 2007, inspector of CBRC Shenzhen Office from August 2007 to May 2009 and vice Chairman of Shenzhen Domestic Banking Association from May 2009 to June 2010. He was an independent non-executive director of former PAB from December 2009 to May 2010.

IV. Work experience of Directors, Supervisors and Senior Management in the last 5 years

Mr. Duan Yongkuan, Independent Director.

Born in 1949. He holds a bachelor's degree in Economics from Anhui University of Finance and Economics and a Doctoral Degree in Economics of Southwestern University of Finance and Economics and is a senior economist. He served as an independent director of the 8th session Board of Directors of Ping An Bank (Former SDB) from December 2010 to January 2014.

From January 1982 to 1983, Mr. Duan conducted research on financial and economic policies in Research Department of the Office of Finance and Trade of Anhui Provincial Government. From 1983 to 1984, he served as secretary of the general office of Anhui Provincial Government. Mr. Duan served as department chief of International Settlement Department of Bank of China Hefei branch (Anhui Provincial Branch of BOC) from 1984 to 1985, vice president and deputy secretary of CPC Committee of Anhui Provincial Branch of BOC from 1985 to December 1992, director and deputy general manager of Nanyang Commercial Bank of under the Bank of China Group in Hong Kong from December 1992 to October 1997, president and secretary of CPC Committee of Anhui Provincial branch of BOC from October 1997 to January 2000, president and secretary of CPC Committee of BOC Zhejiang branch from January 2000 to May 2006 and president and secretary of CPC Committee of BOC Shenzhen Branch from May 2006 to November 2009.

Mr. Xia Donglin, Independent Director.

Born in 1961. He holds a doctorate degree in Economics (Accounting). He is an associate dean, professor of accounting and doctoral supervisor of School of Economics and Management of Tsinghua University. He has been serving as independent director of the 8th session Board of Directors of Ping An Bank (Former SDB) from December 2010 to January 2014.

Mr. Xia Donglin received a bachelor's degree in Economics (Accounting) from Accounting Faculty of Jiangxi University of Finance and Economics in July 1984, a master's degree in Economics (Accounting) from Research Institute for Fiscal Science of Ministry of Finance in July 1990 and a Doctoral Degree in Economics (Accounting) from Research Institute for Fiscal Science of Ministry of Finance in July 1994. In July 2000, he completed CPCL Program in Harvard Business School. He successively served as visiting scholar in Wharton School of University of Pennsylvania, accounting faculty of the Hong Kong Polytechnic University, the University of New South Wales and MIT Sloan School of Management. From March 1995, he started to teach in School of Economics and Management of Tsinghua University. Before that, he worked in the Accounting Faculty of Jiangxi University of Finance and Economics and China Consultants of Advisory and Finance.

Mr. Chu Yiyun, Independent Director.

Born in 1964. He holds a doctorate degree in Accounting. He is now an accounting professor and doctoral supervisor in Shanghai University of Finance and Economics. He has been serving as an independent director of Ping An Bank (former SDB) from December 2010 to present.

Mr. Chu Yiyun graduated from Shanghai University of Finance and Economics. He is now working as an accounting professor and doctoral supervisor in Shanghai University of Finance and Economics, consulting expert in Accounting Standards of China Accounting Standards Committee under Ministry of Finance, member of Senior Professional Qualification Evaluation Committee for Accounting (Auditing) Series of Police Servicemen Institution under Ministry of Public Security, executive secretary general of Accounting Education Association of China Accounting Society, a director of the 8th Council of China Accounting Society, full-time research associate of Accounting and Finance Research Institute of Shanghai University of Finance and Economics under the Research Base for Humanities and Social Sciences of the Ministry of Education. Mr. Chu concurrently served as an independent director of China Fiberglass Co., Ltd., Shanghai Jinfeng Wine Co., Ltd., Shandong Jincheng Pharmaceutical & Chemical Co., Ltd. and Zhejiang Qinglian Food Co., Ltd.

Information on Directors, Supervisors, Senior Management and Staff

IV. Work experience of Directors, Supervisors and Senior Management in the last 5 years

Mr. Ma Lin, Independent director.

Born in 1953, he holds a Bachelor's Degree in Economics. He has been serving as an independent director of Ping An Bank (Former SDB) from May 2011 to present.

Mr. Ma Lin graduated from finance discipline of the Fiscal and Financial Department of Beijing Institute of Finance and Trade in 1982 [and obtained a bachelor's degree in economics]. He acted as cadre of the international exchange group of Beijing Library from August 1982 to August 1984; deputy chief of the Research Office under the State Commission for Restructuring the Economic System from August 1984 to July 1988. He also served in the State Administration of Taxation from July 1988 to November 2010 as senior staff of the General Office, deputy chief of Policy Research Office under the Tax Reform Department, chief of the Tax Reform Office under the Tax Reform and Regulations Department, deputy director of the Policy and Regulations Department, director of the Import and Export Tax Management Department and director of the Income Tax Department. He retired in November 2010. He concurrently serves as an independent director of Hao Tian Development Group Limited, Henan Shuanghui Investment & Development Co., Ltd. and Yingda International Trust Co., Ltd. since 2012.

Mr. Chen Yingming, Independent director.

Born in 1964, he holds a LL.M., and he is a partner of CHEN & CO. Law Firm. He has been serving as an independent director of the 8th session of the Board of Directors Ping An Bank (Former SDB) from May 2011 to January 2014.

Mr. Chen Yingming has been acting as a partner of CHEN & CO. Law Firm since 1998. He has served as a delegated member of the7th and 8th Issuance Audit Committee under the CSRC from January 2005 to April 2007, and a member of the 6th Listing Committee of the Shenzhen Stock Exchange in September 2010. He has been acting as a member of the 3rd Listing Committee of the Shenzhen Stock Exchange since 2012. For three consecutive years since 2005, he acted as the director of Securities Business Sub-committee under the Shanghai Lawyers Association. He served as an independent director of Huatai Securities Co., Ltd., Red Star Macalline Group Corporation Ltd. and Dubon Insurance Company Limited, currently is an independent director of Shanghai LengGuang Industrial Co., Ltd.

currently an independent director of Huatai Securities Co., Ltd., Red Star Macalline Group Corporation Ltd. and Dubon Insurance Company Limited.

Mr. Frederic Lau, Independent Director.

Born in 1951, he holds a doctorate degree in Economics. He has served as managing director of Promontory Financial Group since 2011. He has been serving as an independent director of the 8th session of the Board of Directors of Ping An Bank (Former SDB) from May 2011 to January 2014.

Mr. Frederic Lau graduated from California State University in 1979 with a bachelor's degree in Journalism and Communications; he obtained a Master's Degree in Economics from California State University in 1986; and a doctorate degree in Economics from the University of South Australia, Australia in 2004. Mr. Frederic Lau had acted as a senior bank inspector of the Major Banks Supervision Department under the Office of Comptroller Currency of the United States Department of the Treasury from 1985 to 1994, and recognized as a capital market expert by the Office of Comptroller Currency of the United States Department of the Treasury. He was invited to Hong Kong to act as a senior manager of the HKMA in 1994, and established the derivatives team of the HKMA; he was promoted to the director of the Banking Policy Department in 1999. He acted as the HKMA's chief representative in New York from 2000 to 2002 and returned to Hong Kong in 2002 to serve as the director of the Banking Supervision Department, responsible for supervision on local banks, European banks and Chinese banks in Hong Kong. Mr. Lau joined Dah Sing Bank as an executive director in 2004 and he was in charge of the Bank's Risk Management Department, and subsequently served as the alternative chief executive officer. He was appointed as a director of Dah Sing Group in 2007, responsible for the group's risk management functions. Mr. Lau is a Chartered Financial Analyst (CFA), and he has acted as a board member of the Global Association of Risk Professionals, member and chairman of the advisory board under the Department of Finance and Economics of the City University of Hong Kong.

IV. Work experience of Directors, Supervisors and Senior Management in the last 5 years

Mr. Qiu Wei, Shareholder Representative Supervisor and Chairman of the Board of Supervisors.

Born in 1962. He holds a doctorate degree in Finance and is a senior economist. He is currently the Chairman of the Board of Supervisors, deputy Secretary of CPC Committee and secretary of Discipline and Inspection Commission of Ping An Bank.

Mr. Qiu Wei previously worked as deputy section chief and section chief of the People' People's Bank of China Sichuan Luzhou Branch, head of the General Office of the headquarters, deputy president of sub-branch and assistant to general manager of HR Department of headquarters of Shenzhen Development Bank; head of office, assistant to branch president, vice president, president and secretary of CPC Committee of Guangdong Development Bank Shenzhen Branch, president and deputy secretary of CPC Committee of Shenzhen International Trust Investment Company; Chairman of board of supervisors, deputy Secretary of CPC Committee and secretary of Discipline and Inspection Commission of Shenzhen Commercial Bank and Chairman of board of supervisors, deputy secretary of CPC Committee, secretary of Discipline and Inspection Commission and Chairman of Labor Union of former PAB; the Chairman of the Board of Supervisors of Shenzhen Development Bank.

Mr. Luo Kangping, External Supervisor.

Born in 1954. He holds a Master's Degree in Economics. He is currently the President of Numsight Asia Limited. He has been serving as an external supervisor of the Board of Supervisors of Ping An Bank from December 2010 to present.

Mr. Luo Kangping previously worked as an economist in CLP Group, and subsequently as strategy planning and implementation officer, management accountant, manager of Finance Control & Management Information System, manager of Finance Control Department, regional manager of Retail Banking, manager of Retail Risk Management, regional manager, marketing manager of Special Projects, regional senior officer, head of Mortgage Business, and head of Banking Service of HSBC's Shanghai Headquarter, and also the general manager of Retail Banking of BOC (HK). He had also served as the general manager of leasing and special project of Sino Group in Hong Kong.

Ms. Xiao Lirong, External Supervisor.

Born in 1962. She holds a master's degree in Economics. She is currently working as Chief Accountant of Financial Department of China Resources Group. She served as an external supervisor of the 7th session of the Board of Supervisors of Ping An Bank from December 2010 to January 2014.

Ms. Xiao Lirong previously worked as a lecturer in Finance and Accounting Faculty of Jiangxi College of Finance and Economy, and accountant, deputy section chief, assistant to general manager, deputy general manager, and general manager of Treasury and Finance Department of Shenzhen International Trust & Investment Co., Ltd.. Then she worked as the chief financial officer of China Resources SZITIC Trust Co., Ltd.

Mr. Che Guobao, Shareholder Supervisor.

Born in 1949, He holds a Bachelor's Degree in Construction Machinery. He is a shareholder, legal representative and Chairman of Shenzhen Yingzhongtai Investment Co., Ltd. He is a Shareholder Representative Supervisor of the Board of Supervisors of Ping An Bank.

Mr. Che Guobao previously worked as a vice director of Beijing Construction Lightweight Steel Factory, group leader in the 3rd training session of China Merchants Shekou Industrial Zone, deputy director general and secretary of CPC Committee of Shenzhen Shekou Management Bureau, officer of System Reform Office of People's Government of Shenzhen, deputy managing director of China Merchants Shekou Industrial Zone Co., Ltd, director of China Merchants Shekou Industry & Enterprise Office, general manager of China Merchants Shekou Port Service Company, general manager of China Merchants Import & Export Company, director of Technical Title Certification Committee of China Merchants Shekou Industrial Zone, cadre of No.11 Office of People's Government of Guangdong Province, Chairman of Shenzhen Yueshang Industrial Co., Ltd.

Information on Directors, Supervisors, Senior Management and Staff

IV. Work experience of Directors, Supervisors and Senior Management in the last 5 years

Ms. Wang Lan, Employee Representative Supervisor.

Born in 1970. She holds a Master's Degree in Business Administration. She currently works as deputy general manager of the Financial Planning Department of Ping An Bank and an Employee Supervisor of the Board of Supervisors of Ping An Bank.

Ms. Wang Lan was previously deputy director of Accounting Unit under International Business Department of Shenzhen Development Bank, deputy unit manager of the shroff office and manager of General Unit of the Accounting Department, manager of General Unit under Planning Finance and Accounting Department, manager of the Financial Information and Asset and Liability Management Department, assistant to general manager and deputy general manager of the Financial Information and Assets and Liabilities Management Department and the deputy general manager of the Finance and Accounting department of the Ping An Bank.

Mr. Wang Yi, Employee Representative Supervisor.

Born in 1975. He holds a Master’s Degree in International Law. He is currently acting as the vice president of Ping An Bank Chengdu branch and credit officer. He served as an employee supervisor of the 7th session of the Board of Supervisors of Ping An Bank from December 2010 to January 2014.

Mr. Wang Yi was previously deputy manager of Risk Management Department at sub-branch level, deputy manager of General Unit, manager of Credit Policy and Portfolio Management Unit of Credit Management Department, manager and assistant to general manager of Credit Monitoring and Alert Unit, deputy general manager of Credit Management Department of Shenzhen Development Bank; deputy general manager of the Risk Management Department of Ping An Bank.

Mr. Cao Lixin, Employee Representative Supervisor.

Born in 1968. He holds a Bachelor’s Degree in Automatic Control. He now works as the operation officer of Shenzhen branch of Ping An Bank and an Employee Supervisor of the Board of Supervisors of Ping An Bank.

Mr. Cao Lixin was previously accountant, deputy accounting section chief, manager of the Accounting and Settlement Department of Taiping Qiao sub-branch of the Industrial and Commercial Bank in Harbin, deputy unit manager of Accounting Department, acting person-in-charge and deputy general manager (In-charge) of Finance and Accounting Department of Qingdao branch, person-in-charge and general manager of Finance and Accounting Department of the sub-branch in Qingdao Economic and Technological Development Zone, and Operation Officer of Shenzhen Branch, assistant to general manager and deputy general manager of Accounting and Settlement Department of the headquarters.

Mr. Ye Wangchun, Vice President.

Born in 1955. He graduated from Huazhong University of Science and Technology with a doctorate degree in management and engineering.

From March 1973 to May 1987, he worked in the People’s Bank of China in Honghu County, Hubei Province as loan officer, deputy office head and vice president. He worked in Industrial and Commercial Bank of China from May 1984 to November 1999 as office head of Jingzhou District branch in Hubei Province, vice president, president and party secretary of Jingmen Branch in Hubei province, chief of Planning Division of Hubei Branch, vice president of Wuhan Branch and deputy party secretary of Hubei Province. From November 1999 to March 2007, he worked in Huaxia Bank as director of office of the headquarters, president and party secretary of Hangzhou Branch, general manager of Human Resources and Training Department and head of Organization Department of the headquarters, and general manager of Business Department of the headquarters and party secretary. He joined former PAB in March 2007 and was the vice president from July 2007 to May 2010, acting president from May 2010 to June 2012 and executive director from July 2008 to June 2012. He joined the SDB in July 2012 as a vice president.

IV. Work experience of Directors, Supervisors and Senior Management in the last 5 years

Mr. Zhao Jichen, Director and Vice President.

Born in 1963. He holds a master's degree and is a senior economist.

He served as a clerk of People's Bank of China Zaozhuang Branch from September 1982 to January 1984; he successively served as a clerk, Branch President (CPC committee Secretary), director of the credit department, CPC committee member and executive vice president of Industrial and Commercial Bank of China Zaozhuang Branch from February 1984 to July 1998; he served as a CPC committee member and executive vice president of Industrial and Commercial Bank of China Laiwu Branch from August 1998 to the end of February 2002.

He served as the general manager of Risk Management Department of China Minsheng Bank Shanghai Branch from March 2002 to February 2004, served as a CPC committee member and executive vice president of Hangzhou branch from March 2004 to October 2007, and served as an executive vice president and chief risk officer of SME Finance Division of Minsheng Bank from November 2007 to November 2008. He served as the general manager of Risk Management Section of China Minsheng Bank from November 2008 to October 2012.He served as a vice president of Ping An Bank since January 2013, and served as an executive director of the 9th session Board of Directors of Ping An Bank since January 2014.

Mr. Sun Xianlang, Vice President, Chief Financial Officer.

Born in September 1961. He holds a bachelor degree and is a senior economist.

He served as the accountant, teacher, planning officer and the general administration officer of Xiangyang sub-branch of the Agricultural Bank of China during September 1981 to June 1986. During June 1986 to July 1989, he served as an officer of Xiangyang sub-branch office of the People's Bank of China. From July 1989 to December 1996, he served as the vice president of the People's Bank of China, deputy secretary of the Party Leadership Group. From January 1997 to August 1998, he served as the deputy director of the office of Ningbo branch of Shanghai Pudong Development Bank and a vice president of Zhen Hai(General Administration).

From August 1998 to September 2001, he served as the director of office and the general manager of the treasure department of the Wuhan branch of the China Minsheng Bank. During October 2001 to March 2006, he served as the section head of system finance in the treasury department of the China Minsheng Bank and assistant to the general manager. From March 2006 to September 2007, he acted as the deputy director (General Administration) of the office of Assets and Liabilities management committee of the China Minsheng Bank. From September 2007 to December 2008, He served as the general manager of the financial planning department of the China Minsheng Bank. From January 2009 to October 2012, he served as the general manager of the operation management of the China Minsheng Bank. Since January 2013, he served as the Vice President of Ping An Bank.

Ms. Cai Lifeng, Vice President.

Born in April 1958. She pursued further education in City University, UK in 1981 and obtained her master's degree. She was elected as a chartered member of British Computer Society in 2004, and was invited to act as an honorary certified financial management planner of Hong Kong Institute of Bankers.

She served as a programmer/systems analyst in Armitage Ltd (Hong Kong) from January 1978 to December 1979, served as a systems engineer in ICL (Hong Kong) from January 1980 to September 1980, successively served as a management trainee, systems engineering intern, assistant systems engineer , systems engineer, systems engineering consultant and systems engineering manager in IBM China (Hong Kong) from February 1982 to December 1993, successively served as the head for systems development of the Science and Technology Development of Citi Consumer Bank in Hong Kong and Macau, manager of Hankou Centre Branch, manager of credit card merchant relations team, head of direct and international personal banking, regional sales manager and director of direct banking division of Consumer Bank from January 1994 to November 2004, served as a director of branch sales and distribution department of Citibank Hong Kong from November 2004 to June 2010, and was dispatched to China by Citibank and served as the vice president of China Guangfa Bank (retail banking) since July 2010. Since March 2013, she has been serving as the Vice President of Ping An Bank.

Information on Directors, Supervisors, Senior Management and Staff

IV. Work experience of Directors, Supervisors and Senior Management in the last 5 years

Mr. Feng Jie, Vice President.

Born in 1957. He is a postgraduate with a master's degree and a senior economist. He graduated from the Southwestern University of Finance and Economics in 1984 with a bachelor degree in finance, and graduated from China Europe International Business School in 1998 as a postgraduate with an in-service EMBA degree.

Mr. Feng Jie entered the banking industry in 1979 and worked in Shanghai Branch of People's Bank of China, Shanghai branch of Industrial and Commercial Bank of China and Shanghai branch of China CITIC Bank. He consecutively served as an assistant to the president, vice president, vice president (In-charge) and president of Shanghai branch of China CITIC Bank. In April 2004, he joined the former PAB as executive vice president. In December 2006, he was transferred to Shenzhen Commercial Bank where he worked as executive vice president. From July 2007 to November 2010, he served as executive director and executive vice president of former PAB and was in charge of the operation management of the Business Department of Eastern Region of the former PAB. He also served as non-executive director of former PAB from December 2011 to June 2012. He joined the SDB in December 2010 as a vice president. He has been serving as the Vice President of Ping An Bank (former SDB) since December 2010.

Mr. Wu Peng, Vice President.

Born in 1965, he holds a doctorate degree. He graduated from Nanjing University in 2003 and received a doctorate degree in Business Administration.

Mr. Wu Peng entered the financial sector in 1989, and he has served in different subsidiaries under Ping An China, including deputy general manager of Shenzhen Branch of Ping An Life Insurance, general manager of Nanjing Branch of Ping An Life Insurance, assistant general manager of the head office of Ping An Property & Casualty Insurance, deputy general manager of the headquarters of Ping An Life Insurance, general manager of the headquarters of Ping An Property & Casualty Insurance, chairman of Ping An Insurance (Hong Kong), and general manager of Eastern Region Business of Division of former PAB. He has been serving as the Vice President of Ping An Bank (former SDB) since August 2011.

Mr. Li Nanqing, Secretary to BoD.

Born in 1956. He has Master's Degree and is Associate Professor and Senior Economist. He has been the Secretary of the Board of Ping An Bank since July 2012.

He served in the following positions since 1985: person-in-charge of the research centre of Xidian University, head of research centre, office head, secretary general and party member of Sichuan Provincial Committee, and chief editor of Sichaun Social Science and Tianfu New Idea. Mr. Li Nanqing entered China Merchants Bank in 1994, and once was Assistant to General Manager of Development and Research Department, Director of Office and Head of Publicity Department of Party Committee, Head of Party Committee Office, Disciplinary Committee Member, Vice President of Hangzhou Branch, Party Committee member and Disciplinary Committee Secretary. From 2005 to 2007, he was Secretary General of Shenzhen Association of Domestic Banks. He joined former PAB in 2007 where he assumed Retail Director and Secretary to the Board.

V. Annual compensations

The decisions in respect of compensation of directors, supervisors and senior management of the Bank and the basis of compensation is on the following basis and via the following procedures: the compensation plan for senior management of the Bank is reviewed and approved at the meetings of the Board of Directors; while the compensation plan for directors and supervisors is reviewed and approved by the Board of Directors before submitting to the General Meeting of Shareholders for review and approval.

The following table shows the compensation of directors, supervisors and senior management during the reporting period:

Name	Position	Status	Sex	Age	Total remuneration before tax from the Bank(RMB'000)	Total remuneration before tax from shareholders' units(RMB'000)	Actual remuneration before tax received at the end of reporting period
Sun Jianyi	Director, Chairman	Current	M	60		Note	Note
Shao Ping	Director,President	Current	M	56	8,332.6		8,332.6
Wang Liping	Director	Current	F	57		Note	Note
Yao Bo	Director	Current	M	42		Note	Note
David Ku	Director	Current	M	39		Note	Note
So Lan Ip	Director	Current	F	57		Note	Note
Li Jinghe	Director	Current	M	58	311.0		311.0
Wang Kaiguo	Director	Current	M	55	296.6		296.6
Hu Yuefei	Director, Vice President	Current	M	51	5,862.3		5,862.3
Chen Wei	Director, Vice President	Current	F	54	4,038.8		4,038.8
Lu Mai	Independent Director	Current	M	66Current	364.0		364.0
Liu Nanyuan	Independent Director	Current	M	64Current	367.6		367.6
Duan Yongkuan	Independent Director	Current	M	64Current	364.0		364.0
Xia Donglin	Independent Director	Current	M	52Current	366.8		366.8
Chu Yiyun	Independent Director	Current	M	49Current	386.2		386.2
Ma Lin	Independent Director	Current	M	60Current	321.8		321.8
Chen Yingming	Independent Director	Current	M	49	350.4		350.4
Liu Xueqiao	Independent Director	Current	M	62	360.4		360.4

Information on Directors, Supervisors, Senior Management and Staff

Name	Position	Status	Sex	Age	Total remuneration before tax from the Bank(RMB'000)	Total remuneration before tax from shareholders' units(RMB'000)	Actual remuneration before tax received at the end of reporting period
Qiu Wei	Shareholder Supervisor, Chairman of BoS	Current	M	51	2,985.9		2,985.9
Luo Kangping	External Supervisor	Current	M	59	328.4		328.4
Xiao Lirong	External Supervisor	Current	F	51	307.1		307.1
Che Guobao	Shareholder Supervisor	Current	M	64	307.1		307.1
Wang Lan	Employee Supervisor	Current	F	43	2,961.8		2,961.8
Wang Yi	Employee Supervisor	Current	M	38	2,453.1		2,453.1
Cao Lixin	Employee Supervisor	Current	M	45	3,758.0		3,758.0
Ye Wangchun	Vice President	Current	M	58	4,444.4		4,444.4
Zhao Jichen	Vice President	Current	M	50	7,082.6		7,082.6
Sun Xianlang	Vice President	Current	M	52	7,090.4		7,090.4
Cai Lifeng	Vice President	Current	F	55	6,269.0		6,269.0
Xie Yonglin	Vice President	Former	M	45	4,301.7		4,301.7
Feng Jie	Vice President	Current	M	56	4,204.0		4,204.0
Wu Peng	Vice President	Current	M	48	3,714.3		3,714.3
Li Nanqing	BoD Secretary	Current	M	57	3,465.1		3,465.1

Note:

1. The shareholder as referred to in the table is Ping An Insurance (Group) Company of China, Ltd., the controlling shareholder of the Bank.

2. Chairman, Sun Jianyi, and directors, Wang Liping, Yao Bo, Gu Min and So Lan Ip, held an office in and received remuneration from Ping An China, the controlling shareholder of the Bank. Please refer to the "2013 Annual Report of Ping An Insurance (Group) Company of China, Ltd." for details on their remuneration. The above persons received no remuneration from the Bank.

3. In accordance with the "Supervisory Guidelines on Sound Compensation in Commercial Banks" of China Banking Regulatory Commission and relevant provisions of the Bank, part of the performance pay of the Bank's senior management shall be deferred up to three years. The total remuneration before tax received by senior management from the Bank includes performance pay that has been deferred and is still outstanding. Such performance pay shall be settled over the next three years on an annual basis.

VI. Changes of directors, supervisors and senior management during the reporting period

Name	Position	Type of change	Date	Reason
Zhao Jichen	Vice President	appointment	21 January 2013	New Appointed by the Bank
Sun Xianlang	Vice President	appointment	21 January 2013	New Appointed by the Bank
Cai Lifeng	Vice President	appointment	8 March 2013	New Appointed by the Bank
Xie Yonglin	Vice President	Resignation	31 October 2013	Resigned from the position of the Vice President of the Bank due to work reallocation

VII. Changes in core technical team and key technical staff during the reporting period (excluding directors, supervisors and senior management)

☐ applicable √ not applicable

Information on Directors, Supervisors, Senior Management and Staff

VIII. Institution expansion and employee management

1. Institution expansion status

At the end of the reporting period, the Bank had 38 branches and 528 various types of outlets in total. Below is a list of institutions of the Bank (excluding institutions under the headquarters):

Name of institution	Address	Number of outlets	Asset size (RMB million)	Staff number
Shenzhen Branch	No.7008, Shennan Road, Futian District, Shenzhen	125	358,669	4,709
Shanghai Branch	1333 Lu Jia Zui Ring Road, Pudong New Area, Shanghai	46	194,107	2,146
Beijing Branch	No. 158 Fuxingmennei Street, Xicheng District, Beijing	30	182,066	1,420
Guangzhou Branch	No. 66, Huacheng Avenue, Zhujiang New Town, Tianhe District, Guangzhou	30	139,272	1,796
Hangzhou Branch	No. 36, Qingchun Road, Xiacheng District, Hangzhou	23	70,330	1,369
Tianjin Branch	No. 349, Nanjing Road, Nankai District, Tianjin	21	62,101	859
Chengdu Branch	No. 206, Shuncheng Street, Qingyang District, Chengdu	16	60,244	728
Nanjing Branch	128, Shanxi Road, Gulou District, Nanjing	18	59,775	977
Chongqing Branch	No. 1, Xuetianwan Main Street,	17	51,188	679
Dalian Branch	No. 130, Youhao Road, Zhongshan District, Dalian	14	42,194	712
Jinan Branch	13777 Jingshi Road, Lixia District, Jinan	13	40,534	611
Foshan Branch	5th Area, Foshan Media Center, Yuhe Road, Dongping New City, Foshan	16	40,275	757
Ningbo Branch	No. 138, North Jiangdong Road, Jiangdong District, Ningbo	13	38,411	729
Kunming Branch	No. 448, Qingnian Road, Panlong District, Kunming	15	35,845	584
Wuhan Branch	No. 54, Zhongbei Road, Wuchang District, Wuhan	14	35,758	569
Qingdao Branch	No. 6, Hong Kong Road C., Qingdao	14	29,560	667
Wenzhou Branch	1707 Wenzhou Avenue, Ouhai District, Wenzhou	11	28,022	580
Fuzhou Branch	Donghuang Mansion, No. 109, Wusi Road, Gulou District, Fuzhou	16	24,559	533
Haikou Branch	22 Jinlong Road, Longhua District, Haikou	9	20,891	354
Xi'an Branch	No.240, Dongxin Street, Xincheng District, Xi'an	1	18,833	297
Zhengzhou Branch	No. 25, Shangwu Outer Ring Road, Zhengdong New Area, Zhengzhou	2	17,744	342
Wuxi Branch	No. 20, Beida Street, Beitong District, Wuxi	4	14,284	168
Xiamen Branch	No. 159, Hubin Road North, Siming District, Xiamen	10	14,034	352

VIII. Institution expansion and employee management

1. Institution expansion status

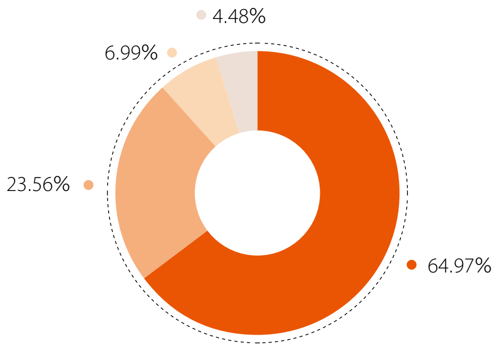
Name of institution	Address	Number of outlets	Asset size (RMB million)	Staff number
Zhuhai Branch	No. 288, Hongshan Road, Xiangzhou District, Zhuhai	9	13,738	318
Zhongshan Branch	No. 1, Xingzheng Road, East District, Zhongshan	4	11,675	235
Yiwu Branch	No. 223, Binwang Road, Yiwu	6	10,670	294
Quanzhou Branch	No. 311 Fengze Road, Fengze District, Quanzhou,	9	9,770	338
Dongguan Branch	Block A, Fortune Plaza, intersection of Hongfu Road and Yuan Mei Road, Nancheng District, Dongguan	5	8,255	354
Huizhou Branch	No. 8, Maidi Road East, Huicheng District, Huizhou	6	6,946	239
Taizhou Branch	No. 181, Baiyun Mountain Road South, Taizhou Economic Development Zone	1	4,160	81
Changzhou Branch	No. 288, Feilong East Road, Changzhou	1	3,857	67
Zhangzhou Branch	Liyuan Plaza, [Eastern Extension,] Nanchang Road, Xiangcheng District, Zhangzhou	1	1,335	50
Leshan Branch	No. 358, Chunhua Road Southern Section, Shizhong District, Leshan	1	867	31
Jingzhou Branch	Fengtai Building, Beijing Road, Shashi District, Jingzhou	1	745	47
Honghe Branch	No. 6, Daqiao Street, Gejiu City	1	136	30
Xiangyang Branch	No. 10, West Chunyuan Road, Xiangyang	1	-	43
Suzhou Branch	No. 89, Suxiu Road, Industrial Park, Suzhou	1	-	47
Linyi Branch	No. 10, Jinqueshan Road, Lanshan District, Linyi	1	-	13
Other affiliated institutions (Special Asset Management Center)	5047 Shennan Road E., Luohu District, Shenzhen	1	6,396	48
SME Finance Department	5047 Shennan Road E., Luohu District, Shenzhen	1	Included in branches	
Total		528	1,657,246	24,173

Note: The number of outlets in Shenzhen included the number of marketing department of the headquarters and 12 outlets that ceased operation, number of staff include dispatched employees.

Information on Directors, Supervisors, Senior Management and Staff

2. Information on employees

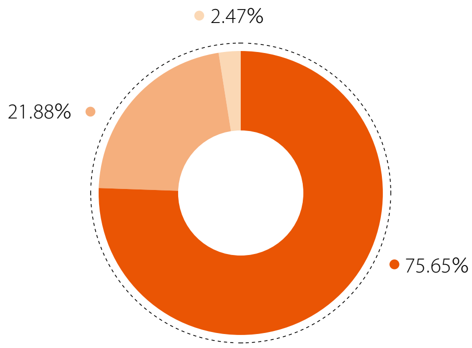
At the end of the reporting period, the Bank had 324,724 employees in total (including 6,355 dispatched employees). Among the Bank's official employees, 18,430 were in business lines, 6,685 in financial and operation lines, 1,984 in management and operation support functions and 1,270 in administrative and other functions; 75.65% of them had bachelor's degree or above, and 97.53% of them had associate degree or above.



Official Employees Constitution

- Business lines: 64.97%
- Financial and operation: 23.56%
- Management and operation: 6.99%
- Administrative and other: 4.48%

In addition, the Bank had 6,355 dispatched employees



Official Employees Educational Status

- Bachelor's degree or above: 75.65%
- Associate degree or above: 21.88%
- Other: 2.47%

Corporate Governance

I. Basic Information on Corporate governance

During the reporting period, the Bank has been committed to enhance our corporate governance system and improve our corporate governance structure according to requirements in relevant rules and regulations, such as the Companies Law, the Securities Law, the Commercial Banking Law, as well as regulatory requirements stipulated by China Securities Regulatory Commission ("CSRC") and China Banking Regulatory Commission ("CBRC"). The Bank has established a number of corporate governance systems, including Articles of Association, Rules of Procedures for General Meetings, Rules of Procedures for the Meetings of the Board of Directors and its Special Committees, Rules of Procedures for the Meetings of Board of Supervisors and its Special Committees, the Information Disclosure Administration Rules, Inside Information and Insider Administration System and the Administrative Measures of Shareholdings in the Company by the Directors, Supervisors and Senior Management and related changes, Inside Information and Insider Administration Rules, the Accountability System for Material Errors in Information Disclosure in the Annual Report, the System for Regulating Fund Appropriation by Substantial Shareholders and Related Parties and Administration of Performance Appraisal of Directors and Supervisors.

During the reporting period, the General Meetings of the Bank strictly adhered to relevant requirements such as the Companies Law and the Articles to effectively perform its functions. The Board, which is responsible to the General Meetings, assumed the ultimate responsibilities of the operation and management of the Bank. It had convened meetings and exercised its rights according to the stipulated procedures. The Board of supervisors, which is responsible to all shareholders, has kept close contact and communications with the Board of Directors and the management to carry out performance appraisal on Directors and Supervisors, and perform various supervising duties and obligations effectively. The management of the Bank performed their duties with care and diligent in good faith and operated according to decisions made by the Board.

Any deviation of Corporate Governance from the Companies Law and Relevant Requirements of the CSRC

☐ Yes √ No

There is no deviation of our corporate governance from the Companies Law and relevant requirements of the CSRC.

The commencement of specific corporate governance activities and the formulation and implementation of the registration and management system of persons in possession of insider information

During the reporting period, the Bank commence on various specific activities on corporate governance in accordance with the requirements of the CSRC and the CBRC in a serious manner. The Bank performs our obligation in information disclosure in a truthful, accurate, complete and timely manner. The Bank effectively strengthened the management of inside information and persons in possession of such information to prevent the inside information from revealing and to avoid insider transaction. The Bank formulated and strictly implemented rules and systems, such as the Inside Information and Insider Administration System and the Administrative Measures of Shareholdings in the Company by the Directors, Supervisors and Senior Management and related changes according to relevant regulatory requirements. The Bank strictly controlled the scope of personnel in possession of inside information, entered the name of relevant staff into our register of staff in possession of inside information and conducted investigations in dealings of staff in possession of inside information in the Bank's shares. The Bank has not discovered any non-compliance of staff in possession of inside information to deal with shares of the Bank using such information, and have not been imposed of any regulatory measures and administrative penalties by regulatory authorities for insider trade due to non-compliance with inside information and insider administration system.

Corporate Governance

Related Information on Annual General Meeting and Extraordinary Shareholders Meetings during the Reporting Period

1. Annual General Meeting during the Reporting Period

Meeting	Date	Proposals	Results	Date of disclosure	Disclosure reference
2011 Annual General Meeting	May 23, 2012	1. Report of the Board of Directors of Ping An Bank Co., Ltd. 2012; 2. Report of the Board of Supervisors of Ping An Bank Co., Ltd. 2012; 3. Report on work of Independent Directors of Ping An Bank Co., Ltd. 2012; 4. Financial Report of Ping An Bank Co., Ltd. 2012; 5. Profit Distribution Proposal of Ping An Bank Co., Ltd. 2012; 6. Connected Transaction and the Implementation of the Administrative System of Connected Transactions of Ping An Bank Co., Ltd. 2012; 7. Budget Report of Ping An Bank Co., Ltd. 2013; 8. Proposal on Engaging Certified Public Accountants in 2013; 9.Proposal on Purchasing of Liabilities Insurance of Directors, Supervisors and Senior Staff and Related Authorization; 10.Special report on the Use of Proceeds from previous fund raising exercise; 11. Proposal to Issue No More than RMB50 Billion of Write-down Type Qualified Subordinated Bonds in the Next Three years.	passed	May 24, 2013	Securities Times, China Securities Journal, Shanghai Securities News, Securities Daily and www.cninfo.com.cn

2. Extraordinary Shareholders Meeting during the Reporting Period

Meeting	Date	Resolutions	Results	Date of disclosure	Disclosure reference
The first Extraordinary Shareholders Meeting in 2013	September 24, 2013	1.Deliberate all items in the Proposal of non-public offering of shares by Ping An Bank Company Limited; 1.1. Type and Nominal Amount of this Share Offer 1.2. Method of Offering 1.3. Offering Amount 1.4. Targets of Offering 1.5. Offer Price and Method of Pricing 1.6. Adjustment on the Amount and Price of Offering 1.7. Lock-up Period of the Share Offer 1.8.Amount and Use of Proceeds 1.9. Place of Listing 1.10. Arrangement of unallocated profit accumulated before the completion of this non-public offering 1.11. The effective period of the resolutions of this offering shareholders meeting The implementation of the above resolutions is subject to the approval of regulatory authorities, such as CSRC and CBRC. 2. The Proposal of Ping An Bank Company Limited in relation to satisfaction of conditions to the non-public offering of shares; 3.The Proposal of Ping An Bank Company Limited in Relation to Feasibility Study on the Use of Proceeds from the Non-public Offering of Shares; 4. Proposal of Ping An Bank Co., Ltd. on proposed granting of authorization by the shareholders meeting to the Board to proceed the non-public offering of shares; 5. Proposal on the Capital Management Planning (2013-2016) of Ping An Bank Company Limited; 6. Proposal on the amendment of constitution of Ping An Bank Co., Ltd.; 7. Proposal on the Changes in Registered Capital.	passed	September 25, 2013	Securities Times, China Securities Journal, Shanghai Securities News, Securities Daily and www.cninfo.com.cn

III. Performance of duty of independent directors] during the reporting period

In 2012 all the 8 independent directors of the Bank, based on relevant laws, rules and regulations and the requirements of the constitution of the Bank, performed their duties actively, effectively and independently, made independent judgment and decision on material events and expressed objective and fair independent opinions to protect the overall interests of the Bank, in particular, the legitimate rights of minority shareholders from infringement. The independent directors have made due contributions to corporate governance enhancement, Board of Directors development and business operation and management improvement.

1. Attendance of Independent Directors in Board Meeting and General Meeting

Attendance of Independent Directors in Board Meeting

Name of independent director	No. of scheduled attendance during the period	Actual presence	Attendance by correspondance	Attendance by proxy	Absence	Absent from 2 meetings consecutively
Lu Mai	9	7	1	1	0	No
Liu Nanyuan	9	8	1	0	0	No
Duan Yongkuan	9	7	1	1	0	No
Xia Donglin	9	5	1	3	0	No
Chu Yiyun	9	8	1	0	0	No
Ma Lin	9	8	1	0	0	No
Chen Yingming	9	7	1	1	0	No
Liu Xueqiao	9	8	1	0	0	No
No. of attendance by independent directors in General Meetings			2 times			

None of the independent directors has been absent from 2 Board meetings consecutively.

2. Independent Directors have not expressed any dissent to the related issues of the Bank during the reporting period.

3. Other description of duty performance of independent directors

Adoption of related suggestions of the Bank from independent directors

√Yes ☐ No

Suggestions on the Bank from Independent Directors adopted/not adopted.

During the reporting period, all of the 8 independent directors devoted not less than 15 working days to the Bank. Apart from present at the General Meetings and meetings of the Board and special committees and expressed independent view and made suggestions, the independent directors participated in the trainings organized by regulatory institutions and the Bank actively and participate in the visits to branches, with a view to understanding the operation and risk management of operating entities. During 2013, all of the 8 independent directors expressed their independent views on 14 related resolutions considered by the Board. They made a number of recommendations and suggestions during and between the meetings and have been all adopted or addressed by the Bank.

IV. The Performance of Duties by Special Committees under the Board

The Bank set up six special committees, namely, the strategic and development committee, the audit committee, the risk management committee, the connected transactions control committee, the nomination committee and the remuneration and appraisal committee under the 8th session Board of Directors. The special committees convened a total of 18 meetings during 2013. Amongst which, 1 meeting was held by the strategic development committee, 4 meetings were held by the audit committee, 2 meetings were held by the risk management committee, 2 meeting was held by the connected transaction control committee, 5 meetings were held by the nomination committee and 4 meetings were held by the remuneration and appraisal committee. Each special committee under the Board performs their duties in strict compliance to the Articles and rules of procedures for Board meetings and the terms of reference of each committee and operates in accordance to the law. They give advises and recommendations to the Bank in respect of major development strategies, financial reporting and internal audit and control compliance management, comprehensive risk management and control, connected transaction management, nomination of candidates for directors and senior management, remuneration and appraisal, and contribute to the rational decision making of the Board.

V. Operation of the Board of the Supervisors

Risk of the Bank identified by the board of supervisor in their supervision during the reporting period

☐ Yes √No

The board of supervisor has not expressed any dissent for issues under supervision during the reporting period.

VI. The Independence and Completeness of The Bank from Its Controlling Shareholder in Business, Personnel, Assets, Structural and Financial Aspects

The Bank is completely independent from its controlling shareholder in terms of business, structure, personnel, financial and assets. The Bank is capable of operating independently and owns independent and complete business. In respect of business, the Bank has its own production and operation and sales system; in respect of structure, the Bank is structurally organized to be completely independent from its controlling shareholder; in respect of personnel, the Bank and its controlling shareholder are mutually independent in areas such as labor, human resource and payroll management, and no member of the management holds positions in any institution of the controlling shareholder; in respect of financial aspects, the Bank has established independent financial management system, accounting and auditing mechanism and deals with all the auditing and tax payment issues independently; in respect of assets, the Bank has complete range of assets with clear ownership relationship. The Bank has its own independent business operation premises and various intangible assets such as industrial property rights, trademark registration rights and non-patent technology.

During the reporting period, there was no non-compliance in corporate governance such as controlling shareholder or de facto controllers interfering with the production, operation and management of the listed company.

VII. Appraisal and Incentive Mechanism for Senior Management

During the reporting period, the Board of Directors and the Compensation and Appraisal Committee appraised the performance of senior management based on the achievement of annual work objectives and plans and paid bonuses to the senior management based on the performance appraisal results. The Bank will keep improving the performance appraisal and incentive mechanism for the senior management.

Internal Control

I. Implementation of internal control measures

Pursuant to relevant provisions of Commercial Bank Law of PRC, Basic Standards on Internal Control for Business Enterprises and relevant guidance, Guidance on Internal Control of Commercial Banks and Guidance on Standard Operation of Listed Companies on the Main Board of SZSE, the Bank continuously adheres to our operating strategies and continuously improves our internal control system with reference to the changes in business process while developing business for the purpose of risk aversion and prudential operation.

Following closely the strategic development of the Bank in establishing industry, products and platform business departments, we set up a separate "Monitoring Center for Business Department" specifically responsible for the auditing responsibility to monitor and assess the operating activities of each business division, simplify and integrate internal structure to further enhance the pertinence, professionalism and effectiveness of internal auditing, as well as complete each auditing task in accordance with the annual working plan. Upon due consideration of organization risks and the management requirements, we pay close attention to the organizational strategies and plans and the changes in strategies, directions and targets of management etc. While shifting the auditing focus to the key new strategies and innovative businesses of the Bank, we keep expanding the coverage of audition businesses and keep enhancing the execution of internal control system within the Bank through exercising regulatory and advising rights.

In view of the above, on the basis of internal control system assessment and check on business auditing in 2013, we think that the Bank's internal control system covers each business flow and operation, which can meet the needs for the control and management of administration departments and branches. Although there are still rooms for further optimization and improvement in certain aspects for the Bank, the management of the Bank places a high degree of concern on such areas and already formulated specific measures for making improvement. Generally, the Bank's internal system is comprehensive, rational and effective, while the structure of internal control is complete and free from material deficiencies in internal control.

II. Statement of the Board of Directors on Internal Control Responsibility

The Board of Directors of the Bank is responsible for establishing sound and effective internal control on financial reporting. The objective of the internal control on financial reporting is to reasonably ensure the truthfulness, completeness and reliability of financial reports and relevant information, and to prevent material risks of misstatement. Due to the inherent limitations of internal control, the Bank could only provide reasonable assurance for the above objective.

III. The basis for formulation of internal control on financial reporting

In accordance with relevant provisions in the Commercial Banking Law of People's Republic of China, C-SOX, Guidance for Internal Control of Commercial Banks and Guidance for Internal Control of Companies Listed on the Main Board of Shenzhen Stock Exchange, the Bank formulated its internal control measures on financial reporting. The Bank formulated and strictly implemented the Information Disclosure Management System of Ping An Bank Co., Ltd. and the Accountability Policy for Material Errors in Information Disclosure in the Annual Report of Ping An Bank Co., Ltd.

IV. Self-assessment Report on Internal Control

Details of material deficiencies in internal control identified during the reporting period in the self-assessment report	
During the reporting period, the Bank had established and effectively implemented internal control on all the businesses and issues within the scope of assessment. The objectives of internal control have been achieved, and no material deficiency was identified.	
The date of disclosure of self-assessment report on internal control	March 7, 2014
The reference of disclosure of self-assessment report on internal control	www.cninfo.com.cn

V. Internal Control Audit Report

√Applicable ☐ Not Applicable

Paragraphs of audit opinion in the internal control audit report	
We believed that Ping An Bank has maintained effective financial reporting internal control in all material aspect according to C-SOX and related requirements as at 31 December, 2013.	
Date of disclosure of audit report on internal control	March 7, 2014
The reference of disclosure of audit report on internal control	www.cninfo.com.cn

Whether the accounting firm issues an audit report on internal control with qualified opinion

☐ Yes √No

Whether the audit report on internal control issued by the accounting firm consistent with the self-assessment report of the Board

√Yes ☐ No

VI. Formulation and Implementation of Accountability System for Material Errors in Information Disclosure in the Annual Report

The bank strictly implemented the Information Disclosure Management Rules of Ping An Bank Co., Ltd. and the Accountability Policy for Material Errors in Information Disclosure in the Annual Report of Ping An Bank Co., Ltd. during the reporting period. There was no occurrence of correction of material accounting error, supplement of material information omission and correction on result warning.

VII. Statement of Board of Supervisors and Independent Directors on responsibilities of internal control

1. Board of Supervisors' comments on self-assessment of internal control

During the reporting period, the Board of the Bank set up and enhanced a complete and rational internal control system in accordance with relevant provisions and basic principles of internal control of CBRC, CSRC and Shenzhen Stock Exchange and the actual situation of the Bank, with the issuance of self-assessment internal report. The internal control measures were implemented in business activities, which was generally consistent with relevant requirements of CBRC, CSRC and Shenzhen Stock Exchange. The 2013 internal control self-assessment report of the Bank accurately and completely reflected current situation of the Bank's internal control and main areas to be improved. The improvement plan is practical and satisfies the long-term development requirement of internal control, the Board of supervisors has no disagreement to the report.

2. Independent directors' comments on self-assessment of internal control

In accordance with relevant provisions of Commercial Banking Law of People's Republic of China, C-SOX, Guidance for Internal Control of Commercial Banks and Guidance for Standardized Operation of Companies Listed on the Main Board of Shenzhen Stock Exchange, for the purpose of risk prevention and cautious operation, the Bank focuses on internal control system building while maintaining continuous business growth, establishes and improves a series of policies procedures and methods to prevent and control risks, and formulates and enhances a series of risk prevention system, procedures and methods, which constitute a risk management system and internal control system which is more adaptable to the risk profile of the Bank, which plays an effective role in maintaining sustainable business development and preventing financial risks. We have not identified any material internal control defect in the Bank. The 2013 Internal Control Self-assessment Report of Ping An Bank Co., Ltd.is in conformity with the status quo of the Bank.

Finanical Statement

Auditors' Report

PwC ZT Shen Zi (2014) No. 10035

To the Shareholders of Ping An Bank Co., Ltd.,

We have audited the accompanying financial statements of Ping An Bank Co., Ltd. (hereinafter "The Company"), which comprise the balance sheet as at 31 December 2013, and income statement, the statement of changes in shareholders' equity and the cash flow statement for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2013, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

Chinese Certified Public Accountant: Yao Wenping
(signature and personal chop)

PricewaterhouseCoopers Zhong Tian LLP
Shanghai, the People's Republic of China

Chinese Certified Public Accountant: Zhu Liping
(signature and personal chop)

6 March 2014

Balance Sheet

31 December 2013

(Expressed in millions of Renminbi, unless otherwise stated)

	Note III	2013-12-31	2012-12-31
ASSETS:			
Cash on hand and due from the Central Bank	1	229,924	219,347
Deposits with banks and other financial institutions	2	71,914	94,295
Precious metals		21,286	2,431
Placements with banks and other financial institutions	3	27,241	65,426
Financial assets at fair value through profit or loss	4	10,421	4,238
Derivative financial assets	5	3,397	967
Reverse repurchase agreements	6	271,692	186,473
Accounts receivable	7	7,058	8,364
Interest receivable	8	10,043	8,757
Loans and advances	9	832,127	708,262
Available-for-sale financial assets	10	467	89,896
Held-to-maturity investments	11	195,667	103,124
Receivables	12	184,656	90,838
Long term equity investments	13	596	522
Investment properties	14	116	196
Fixed assets	15	3,694	3,536
Intangible assets	16	5,463	5,878
Goodwill	17	7,568	7,568
Deferred tax assets	18	4,406	3,450
Other assets	19	4,005	2,969
TOTAL ASSETS		1,891,741	1,606,537

The accompanying notes form an integral part of these financial statements.

Balance Sheet (continued)

31 December 2013
(Expressed in millions of Renminbi, unless otherwise stated)

	Note III	2013-12-31	2012-12-31
LIABILITIES:			
Due to the Central Bank		2,264	16,168
Deposits from banks and other financial institutions	21	450,789	354,223
Placements from banks and other financial institutions	22	22,633	39,068
Financial liabilities at fair value through profit or loss		3,692	1,722
Derivative financial liabilities	5	2,914	952
Repurchase agreements	23	36,049	46,148
Customer deposits	24	1,217,002	1,021,108
Employee benefits payable	25	6,013	4,863
Tax payable	26	4,205	2,299
Accounts payable	27	2,149	3,052
Interest payable	28	16,605	11,526
Bonds payable	29	8,102	16,079
Provisions	30	56	128
Deferred tax liabilities	18	-	1,272
Other liabilities	31	7,187	3,130
TOTAL LIABILITIES		1,779,660	1,521,738
SHAREHOLDERS' EQUITY:			
Share capital	32	9,521	5,123
Capital reserve	33	51,734	40,135
Surplus reserve	34	4,354	2,831
General reserve	35	16,509	13,633
Retained earnings	36	29,963	23,077
TOTAL SHAREHOLDERS' EQUITY		112,081	84,799
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,891,741	1,606,537

The accompanying notes form an integral part of these financial statements.

The financial statements have been signed by:

Legal representative	Sun Jianyi	President	Shao Ping
Vice president & CFO	Sun Xianlang	Accounting manager	Zhu Minhao

Income Statement

2013

(Expressed in millions of Renminbi, unless otherwise stated)

	Note III	2013	2012
I.Operating income			
Interest income	37	**93,102**	74,614
Interest expense	37	**(52,414)**	(41,578)
Net interest income	37	**40,688**	33,036
Fee and commission income	38	**11,821**	6,450
Fee and commission expense	38	**(1,365)**	(728)
Net fee and commission income	38	**10,456**	5,722
Investment income	39	**347**	623
of which: Share of profits of associates		**102**	43
Gains or losses from changes in fair values	40	**711**	(29)
Net foreign exchange differences	41	**(163)**	243
Other operating income	42	**150**	154
Total operating income		**52,189**	39,749
II.Operating costs			
Business tax and surcharge	43	**(4,065)**	(3,412)
Business and administrative expenses	44	**(21,279)**	(15,664)
Total operating costs		**(25,344)**	(19,076)
III.Operating profit before impairment losses on assets		**26,845**	20,673
Impairment losses on assets	45	**(6,890)**	(3,130)
IV.Operating profit		**19,955**	17,543
Add: Non-operating income		**111**	98
Less: Non-operating expenses		**(26)**	(89)
V.Profit before tax		**20.040**	17,552
Less: Income tax expense	46	**(4,809)**	(4,040)
VI.Net Profit		**15,231**	13,512
Net profit attributable to the parent company		**15,231**	13,403
Net profit attributable to minority shareholders		**-**	109

	Note III	2013	2012
VII.Earnings per share			
Basic earnings per share (Renminbi Yuan, restated)	47	**1.86**	1.64
Diluted earnings per share (Renminbi Yuan, restated)	47	**1.86**	1.64
VIII.Other comprehensive income for the year	48	**(1,811)**	(890)
IX.Total comprehensive income for the year		**13,420**	12,622
Total comprehensive income attributable to the parent company		**13,420**	12,495
Total comprehensive income attributable to non-controlling shareholders		**-**	127

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Shareholders'Equity

2013

(Expressed in millions of Renminbi, unless otherwise stated)

2013	Note III	Shareholders' equity attributable to parent company Share capital	Capital reserve	Of which: Cumulative changes in fair value of available-for-sale financial assets	Surplus reserve	General reserve	Retained earnings	Total equity
I.As at 1 January 2013		5,123	40,135	(663)	2,831	13,633	23,077	84,799
II.Movements in the year								
(i)Profit for the year		-	-	-	-	-	15,231	15,231
(ii)Other comprehensive income	48	-	(1,811)	(1,800)	-	-		(1,811)
Subtotal of (i) and (ii)		-	(1,811)	(1,800)	-	-	15,231	13,420
(iii)Capital input by shareholder	32	1,324	13,410	-	-	-	-	14,734
(iv)Profit appropriation								
1.Appropriation to surplus reserve	36	-	-	-	1,523	-	(1,523)	-
2.Appropriation to general reserve	36	-	-	-	-	2,876	(2,876)	-
3. Cash dividends	36	-	-	-	-	-	(872)	(872)
4. Share dividends	36	3,074	-	-	-	-	(3,074)	-
III.At 31 December 2013		9,521	51,734	(2,463)	4,354	16,509	29,963	112,081

The accompanying notes form an integral part of these financial statemewnts.

2012	Share capital	Capital reserve	Of which: Cumulative changes in fair value of available-for-sale financial asset	Surplus reserve	General reserve	Retained earnings	Subtotal	Non-controlling interests	Total equity
	Shareholders' equity attributable to parent company								
I.At 1 January 2012	5,123	41,537	204	2,831	7,955	15,865	73,311	2,070	75,381
II.Movements in the year									
(i)Profit for the year	-	-	-	-	-	13,403	13,403	109	13,512
(ii)Other comprehensive income	-	(908)	(867)	-	-	-	(908)	18	(890)
Subtotal of (i) and (ii)	-	(908)	(867)	-	-	13,403	12,495	127	12,622
(iii)cquisition of the subsidiary's non- controlling shareholders' equity	-	(494)	-	-	-	-	(494)	(2,197)	(2,691)
(iv)Profit appropriation									
1.Appropriation to general reserve	-	-	-	-	5,678	(5,678)	-	-	-
2. Distribution to shareholders	-	-	-	-	-	(513)	(513)	-	(513)
III.At 31 December 2012	5,123	40,135	(663)	2,831	13,633	23,077	84,799	-	84,799

The accompanying notes form an integral part of these financial statements.

Cash Flow Statement

2013

(Expressed in millions of Renminbi, unless otherwise stated)

	Note III	2013	2012
I.CASH FLOWS FROM OPERATING ACTIVITIES			
Net increase in amounts due to the Central Bank		-	15,011
Net increase in customer deposits and deposits from banks and other financial institutions		292,403	369,061
Net decrease in accounts receivable		1,306	112,490
Net decrease in placements with banks and other financial institutions		36,695	-
Net decrease in repurchase agreements		-	6,860
Cash receipts from interest and fee and commission income		83,017	65,518
Cash receipts relating to other operating activities	50	2,066	2,347
Subtotal of cash inflows from operating activities		415,487	571,287
Net increase in amounts due from the Central Bank and deposits with banks and other financial institutions		(18,272)	(56,985)
Net increase in placements with banks and other financial institutions		-	(11,052)
Net increase in reverse repurchase agreements		(42,367)	(118,944)
Net increase in loans and advances		(129,767)	(78,186)
Net increase in amounts due to the Central Bank		(13,936)	-
Net decrease in placements from banks and other financial institutions		(16,435)	(6,160)
Net decrease in repurchase agreements		(11,046)	-
Net decrease in accounts payable		(903)	(47,560)
Cash payments for interest and fee and commission expenses		(46,687)	(39,563)
Cash payments for salaries and staff expenses		(9,660)	(7,176)
Cash payments for taxes		(8,652)	(8,113)
Cash payments relating to other operating activities	51	(26,088)	(11,710)
Subtotal of cash outflows from operating activities		(323,813)	(385,449)
Net cash flows generated from/(used in) operating activities		91,674	185,838

	Note IV	2012	2011
II.CASH FLOWS FROM INVESTING ACTIVITIES			
Cash receipts from investments upon disposal/maturity		443,713	213,202
Cash receipts from investment income		17,345	11,656
Cash receipts from disposal of fixed assets		28	111
Subtotal of cash inflows from investing activities		461,086	224,969
Cash payments for investments		(546,347)	(300,992)
Cash payments for acquisition of subsidiary's non-controlling shareholders' equity		-	(2,591)
Cash payments for fixed assets, intangible assets, and other long-term assets		(1,750)	(1,422)
Subtotal of cash outflows from investing activities		(548,097)	(305,005)
Net cash flows used in investing activities		(87,011)	(80,036)
III.CASH FLOWS FROM FINANCING ACTIVITIES			
Cash receipts from issuance of shares		14,734	-
Subtotal of cash inflows from financing activities		14,734	-
Cash payments for bonds		(8,000)	-
Cash payments for bond interest		(952)	(975)
Cash payments for dividend and profit appropriation		(872)	(513)
Subtotal of cash outflows from financing activities		(9,824)	(1,488)
Net cash flows generated from/(used in) financing activities		4,910	(1,488)
IV.EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(536)	(153)
V.NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		9,037	104,161
Add: Cash and cash equivalents at beginning of the year		172,067	67,906
VI.CASH AND CASH EQUIVALENTS AT END OF THE YEAR	49	181,104	172,067

The accompanying notes form an integral part of these financial statements.

Cash Flow Statement

2013
(Expressed in millions of Renminbi, unless otherwise stated)

SUPPLEMENTARY INFORMATION	Note III	2013	20112
1.Adjustment of profit for the year to cash flows generated from operating activities:			
Profit for the year		15,231	13,512
Impairment losses on assets		6,890	3,130
Interests related to unwinding of discounts of provisions for impaired financial assets		(403)	(219)
Depreciation of investment properties		11	14
Depreciation of fixed assets		590	533
(Profit)/Loss from the disposal of fixed assets		(10)	9
Amortisation of intangible assets		545	501
Amortisation of long term deferred expenses		267	222
Loss from changes in fair values of financial instruments		233	85
Interest on investment securities and investment income		(16,430)	(9,987)
Increase in deferred tax assets		(344)	(348)
Derease in deferred tax liabilities		(1,272)	(15)
Interest paid on bonds		672	1,001
Increase in operating receivables		(179,718)	(159,241)
Increase in operating payables		265,465	336,604
(Reversal)/Increase in provisions		(53)	37
Net cash flows generated from operating activities		91,674	185,838
2.Net increase in cash and cash equivalents:			
Cash at end of the year	49	3,731	3,233
Less:Cash at beginning of the year		(3,233)	(2,235)
Add:Cash equivalents at end of the year	49	177,373	168,834
Less:Cash equivalents at beginning of the year		(168,834)	(65,671)
Net increase in cash and cash equivalents		9,037	104,161

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

31 December 2013
(Expressed in millions of Renminbi, unless otherwise stated)

I. GENERAL INFORMATION

Ping An Bank Co., Ltd. (formerly known as Shenzhen Development Bank Co., Ltd.) (hereafter referred to as "The Company") was established in the People's Republic of China (the "PRC") as a result of the restructuring of six agricultural credit co-operatives into a joint stock commercial bank with limited liability. The Company was established on 22 December 1987 after the initial public offering of its RMB ordinary shares on 10 May 1987. The Company was listed on the Shenzhen Stock Exchange on 3 April 1991 and the stock code is 000001.

Board resolutions on "Proposal of SDB on the Scheme of Merger of the Controlling Subsidiary Ping An Bank Co., Ltd. through Absorption" and "Proposal of SDB on Signing the Absorption Merger Agreement with Ping An Bank Co., Ltd." signed between the Company and the former Ping An Bank Company Limited (hereafter referred to as "Former Ping An Bank") were approved during the first extraordinary general meeting held on 9 February 2012. The absorption and merger plan had been approved by the China Banking Regulatory Commission in accordance with "China Banking Regulatory Commission's Approval of absorption of Ping An Bank Co., Ltd. by Shenzhen Development Bank Co., Ltd."(Yin Jian Fu [2012] No.192).

On 12 June 2012, the Shenzhen Market Supervision and Management Bureau approved Former Ping An Bank's deregistration application. After deregistration of Former Ping An Bank, its branches have become the Company's branches. The Company is the surviving company and shall in accordance with laws inherit all assets, liabilities, certificates, licences, businesses, personnel and all rights and obligations of Former Ping An Bank. On 20 July 2012, as approved by the China Banking Regulatory Commission (the "CBRC") in accordance with "China Banking Regulatory Commission on the approval for the renaming of Shenzhen Development Bank" (Yin Jian Fu [2012] No.397), the Chinese name of the Company, being "深圳发展银行股份有限公司" has been changed to " 平安银行股份有限公司 ". The English name of "Shenzhen Development Bank Co., Ltd." has been changed to "Ping An Bank Co., Ltd.".

The registered office of the Company is located at No. 5047, Shennan Road East, Luohu District, Shenzhen, Guangdong Province, the PRC. Headquartered in Shenzhen, the Company operates its business in Mainland China. The institution number of the Company on the 00386413 approval document issued by the China Banking Regulatory Commission is B0014H144030001. The business licence number of the Company issued by the Shenzhen Municipal Administration of Industry and Commerce is 440301103098545.

The Company and its subsidiary (collectively the "Company") are principally engaged in authorised commercial and retail banking activities in Mainland China. The Company's ultimate holding company is Ping An Insurance (Company) Company of China, Ltd.

The financial statements were approved and authorised for issue by the board of directors on 6 March 2014.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Basis of preparation

The financial statements have been prepared in accordance with the "Accounting Standards for Business Enterprises — Basic Standard" and 38 specific standards, Implementation Guidance, Interpretations and other relevant regulations (hereafter collectively referred to as "ASBEs"), issued by the Ministry of Finance, PRC (hereafter referred to as the "MOF") on 15 February 2006, and No.15 Rules regarding the Preparation of Reports for Information Disclosure by Companies Which Publicly Offer Securities-General Provision on Financial Reports (Revision 2010) disclosed by China Securities Regulatory Commission.

The financial statements are prepared on a going concern basis.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

2. Statement of compliance

The financial statements have been prepared in accordance with ASBEs and present fairly the financial position of the Company and the Company as at 31 December 2013 and the results of their operation and their cash flows for the year ended 31 December 2013.

3. Accounting year

The accounting year of the Company is from 1 January to 31 December.

4. Functional currency

The Company's functional and presentation currency is Renminbi ("RMB"). Unless otherwise stated, the values are rounded to the nearest thousand of Renminbi.

5. Basis of accounting and measurement

The Company's financial statements have been prepared on an accrual basis using the historical cost as the basis of measurement, except for financial assets, financial liabilities and derivative financial instruments held at fair value through profit or loss, available-for-sale financial assets and cash-settled share-based payments that have been measured at fair value. If an asset is impaired, a provision for impairment loss of the asset is recognised in accordance with the relevant requirements.

6. Business combination and goodwill

Business combination refers to a transaction or event bringing together two or more separate enterprises into one reporting entity. Business combinations are classified into the business combination under common control and the business combination not under common control.

Business combination under common control

Business combination under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or the same parties both before and after the business combination and on which the control is not temporary. In a business combination under common control, the party which obtains control of other combining enterprise(s) on the combining date is the combining party, the other combining enterprise(s) is (are) the combined party. The "combining date" refers to the date on which the combining party actually obtains control on the combined party.

The assets and liabilities that the combining party obtains in a business combination shall be measured on the basis of their carrying amounts in the combined party on the combining date. As for the difference between the carrying amount of the net assets obtained by the combining party and the carrying amount of the consideration paid by it (or the total par value of the shares issued), the additional paid-in capital shall be adjusted. If the additional paid-in capital is not sufficient to be offset, the retained earnings shall be adjusted.

Business combination not under common control

Business combination not under common control is a business combination in which the combining enterprises are not ultimately controlled by the same party or the same parties both before and after the business combination. In a business combination not under common control, the party which obtains the control on other combining enterprise(s) on the acquisition date is the acquirer, and other combining enterprise(s) is (are) the acquiree. The "acquisition date" refers to the date on which the acquirer actually obtains the control on the acquiree.

For the business combination not under common control, the acquirer shall, on the acquisition date, measure the identifiable assets, liabilities and contingent liabilities it obtains from the acquirer in light of their fair values.

The acquirer shall recognise the positive difference between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as goodwill. The goodwill upon initial measurement shall be measured on the basis of its costs minus the accumulative impairment provisions. The acquirer shall, pursuant to the following provisions, treat the balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree: (a) It shall re-examine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquiree as well as the combination costs; (b) If, after the re-examination, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquiree, it shall record the difference into profit or loss for the current period.

For the business combination not under common control, the acquirer shall, on the acquisition date, measure the identifiable assets, liabilities and contingent liabilities it obtains from the acquirer in light of their fair values.

7. Foreign currency translation

The Company translates the amount of foreign currency transactions into its functional currency.

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated using the spot exchange rate at the balance sheet date. All exchange differences are recognised in the income statement in “Net foreign exchange differences”. Foreign currency non-monetary items measured at historical cost continue to be translated at the spot exchange rates at the dates of the transactions. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined. All exchange differences are recognised in the income statement in “Net foreign exchange differences” or “Other comprehensive income”. When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss shall be recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss shall be recognised in profit or loss.

8. Precious metals

The Company’s precious metals represent gold and other precious metals. Precious metals that are not related to the Company’s precious metal trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Company for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in the income statement.

9. Reverse repurchase and repurchase agreements

Assets sold under agreements to repurchase at a specific future date are not derecognised from the balance sheet. The corresponding proceeds are recognised on the balance sheet under “Repurchase agreements”. The difference between the sale price and the repurchase price is treated as interest expense and is accrued over the life of the agreement using the effective interest method.

Conversely, assets purchased under agreements to resell at a specific future date are not recognised on the balance sheet. The corresponding cost is recognised on the balance sheet under “Reverse repurchase agreements”. The difference between the purchase price and the resale price is treated as interest income and is accrued over the life of the agreement using the effective interest method.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial assets

The Company classifies its financial assets into four categories: financial assets at fair value through profit or loss; held-to-maturity investments; loans and receivables; and available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value. In the case of a financial asset at fair value through profit or loss, transaction costs are charged to the income statement. For other financial assets, transaction costs are included in their initial recognition amounts.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated as at fair value through profit or loss by management upon initial recognition. Financial assets classified as held for trading include those financial assets that meet one of the following conditions: 1) they are acquired principally for the purpose of selling in the near term; 2) they are part of a portfolio of identified financial instruments that are managed together and for which there is objective evidence of a recent pattern of short term profit-taking; or 3) they are derivative instruments unless they are designated as effective hedging instruments. After initial recognition, these financial assets are measured at their fair values. All related realised and unrealised gains or losses are included in the income statement. Of which, changes in fair value are recognised in “Gains or losses from changes in fair values” and interest earned is accrued in interest income according to the terms of the contract.

A financial asset or financial liability may be designated, on initial recognition, as at fair value through profit or loss only when one of the following conditions is met:

(i) the designation eliminates or significantly reduces a measurement or recognition inconsistency of the related gains or losses that would otherwise result from measuring assets or liabilities on a different basis.

(ii) a company of financial assets, financial liabilities or both are managed and their performance is evaluated on a fair value basis, and the information about the company is reported on that basis to the Company’s key management personnel. Formal documentation has been prepared with respect to such risk management or investment strategy.

(iii) a hybrid instrument embedded with derivatives, unless the embedded derivative does not significantly modify the cash flows of the hybrid instrument, or it is clear that a separation of the hybrid instrument from the embedded derivative is prohibited.

(iv) the hybrid instrument is embedded with derivatives which are required to be separately accounted for but where it is impossible to make an independent measurement when it is obtained or subsequently on the balance sheet date.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity date that the Company has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest method. Gains or losses are recognised in the income statement when the held-to-maturity investments are derecognised or impaired, and through the amortisation process. If the Company has, during the current financial period, sold or reclassified (to available-for-sale financial assets) items of held-to-maturity investments, whose amount is significant in relation to the total amount of the held-to-maturity investments before the sale or reclassification, the Company shall reclassify the remaining portion of the held-to-maturity investments as available-for-sale investments, and the Company shall not again classify any financial assets as held-to-maturity investments in the current and the next two financial years. However, sales or reclassifications under the following circumstances are exceptions to the above:

(i) sales or reclassifications are so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value.

(ii) sales or reclassifications of the remaining portion of the financial asset occur after the Company has collected substantially all of the financial asset's original principal through scheduled payments or prepayments.

(iii) sales or reclassifications are attributable to an isolated event that is beyond the Company's control and is non-recurring and could not have been reasonably anticipated by the Company.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method. Gains or losses are recognised in the income statement when the loans and receivables are derecognised or impaired, and through the amortisation process. Loans and receivables mainly include loans and advances to customers, receivables, account receivable and discounted bills.

Discounted bills are granted by the Company to its customers based on the bank acceptance held which has not matured. Discounted bills are carried at face value less unrealised interest income. The interest income of the discounted bills is recognised using the effective interest method.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated on initial recognition as available for sale or those financial assets that are not classified as other categories. After the initial recognition, available-for-sale financial assets are subsequently measured at fair value. Interest earned whilst holding available-for-sale financial assets is reported as interest income using the effective interest rate. Gains or losses arising from a change in the fair value of available-for-sale financial assets are recognised directly in owners' equity, except for impairment losses and foreign exchange gains and losses resulting from monetary financial assets, until the financial assets are derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are removed from equity and recognised in the income statement in "Investment income".

When the Company has the ability and intent to hold particular financial assets to maturity date, the available-for-sale financial assets are allowed to be reclassified to held-to-maturity investments.

Cost or amortised costs of the assets under reclassification are the fair values of such the financial assets at the reclassification date. The effective interest rate of the financial assets reclassified to held-to-maturity investments is determined on the reclassification date. Unrealised gain or loss related to such financial assets, previously included in the equity directly should be amortised to profit and loss over the remaining period, using the effective interest rate method. Difference between the amortised cost and maturity value of such financial assets should be amortised to profit and loss over the remaining period, using the effective interest rate method. In the event of impairment in the subsequent accounting period, unrealized gain or lass originally included in equity should be charged to proft and loss.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

11. Impairment of financial assets

An assessment is made at each balance sheet date to determine whether there is evidence of impairment of the financial asset or a company of financial assets (other than those at fair value through profit or loss) as a result of one or more events that occurred after the initial recognition of those assets (an incurred "loss event") and whether that loss event has an impact on the estimated future cash flows of the financial asset or a company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a company of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and the situation where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The amount of reduction is recognised as an impairment loss in the income statement. The present value of estimated future cash flows is discounted at the financial asset's original effective interest rate and includes the value of any related collateral.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a company of financial assets with similar credit risk characteristics and that company of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

Future cash flows of a company of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the company. Historical loss experience is adjusted on the basis of current observable data to reflect the impact of current conditions that did not affect the year on which the historical loss experience is based and to eliminate the impact of historical conditions that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company.

If, subsequent to the recognition of an impairment loss on a financial asset carried at amortised cost, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed and recognised in the income statement. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment was reversed.

Financial assets carried at cost

If there is objective evidence that an impairment loss on a financial asset has been incurred, the amount of the impairment loss is measured as the difference between the carrying amount of that financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The impairment loss on the financial asset shall not be reversed.

Financial assets carried at cost (continued)

According to the Accounting Standards for Business Enterprises No.2 – Long Term Equity Investments, the impairment of a long term equity investment which is measured by employing the cost method as prescribed in this standards, for which there is no active market and of which the fair value cannot be reliably measured, its impairment shall be disposed of in accordance with the above principle.

Available-for-sale financial assets

If an available-for-sale asset is impaired, the cumulative loss arising from the decline in fair value that had been recognised directly in owners' equity shall be removed from owners' equity and recognised in the income statement in "Impairment losses on assets". The amount of the accumulated losses that is removed from owners' equity shall be the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where objective evidence of impairment exists. For equity securities, a significant or prolonged decline in the fair value of an equity instrument is objective evidence of impairment. In conducting an impairment analysis, the Company considers quantitative and qualitative evidence. More specifically, the Company collectively considers the magnitude of the decline in fair value relative to the cost, volatility, and the duration of the decline in evaluating whether a decline in fair value is significant. The Company considers the period and consistency of the decline in evaluating whether a decline in fair value is prolonged. The Company performs individual assessment for all available-for-sale equity investments on balance sheet date. Occurance of impairment is noted if fair values of the relevant equity instruments are 50% or more than 50% lower than their initial investment costs, or the period when the fair values are lower than the initial investment costs is over 1 year (including 1 year); In the situation where the fair values are more than 20% (including 20%) but less than 50% lower than the initial investment closts at balance sheet date, the Company collectively considers other relevant factors such as price fluctuation rate to determine whether there is occurance of impairment.

If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss shall be reversed, with the amount of the reversal recognised in the income statement. Impairment losses recognised for an investment in an equity instrument classified as available for sale shall not be reversed through the income statement.

12. Financial liabilities

The Company classifies its financial liabilities into financial liabilities at fair value through profit or loss, financial guarantee contracts, deposits and other financial liabilities.

Financial liabilities at fair value through profit or loss

The Company classifies its financial liabilities at fair value through profit or loss into financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss by management upon initial recognition. Changes in fair value are recognised in "Gains or losses from changes in fair values" and interest incurred is accrued in interest expense according to the terms of the contract.

Other financial liabilities

Except for financial liabilities at fair value through profit or loss and financial guarantee contracts, deposits and other financial liabilities are subsequently measured at amortised cost using the effective interest method.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. Recognition and derecognition of financial instruments

A financial asset or a financial liability is recognised when the Company becomes a party to the contractual provisions of the financial instrument.

A financial asset is derecognised when one of the following conditions is met:

(i) the contractual rights to the cash flows from the financial asset expire; or

(ii) the financial asset has been transferred and the transfer qualifies for derecognition as set out below.

Transfer of financial assets

The Company transfers a financial asset in one of the following ways:

(i) the Company transfers the contractual rights to receive the cash flows of the financial asset to another party; or

(ii) the Company retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient(s) in an arrangement that meets all of the following conditions:

(a) the Company's obligation to pay amounts to the eventual recipient(s) arises only when it has collected equivalent amounts from the original financial asset. Short term advances by the Company with the right of full recovery of the amount lent plus accrued interest at market rates for bank loans of equivalent terms do not violate this condition;

(b) the Company is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipient(s) for the obligation to pay them cash flows;

(c) the Company has an obligation to remit any cash flows it collects on behalf of the eventual recipient(s) without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the intervening period between two consecutive payments, which are invested in accordance with the terms of the contract. Income earned on such investments (i.e., reinvesting the cash flows according to the terms of the contract) is passed to the eventual recipient(s) according to the contract terms.

When the Company transfers substantially all the risks and rewards of ownership of a financial asset to the transferee, the financial asset is derecognised. When the Company retains substantially all the risks and rewards of ownership of a financial asset, the financial asset is not derecognised.

When the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it accounts for the transaction as follows:

(i) when the Company has not retained control of the financial asset, the financial asset is derecognised;

(ii) when the Company has retained control of the financial asset, the financial asset is recognised to the extent of the Company's continuing involvement in the transferred financial asset and an associated liability is recognised.

Financial liabilities

A financial liability is derecognised when the underlying present obligation is performed, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss for the year.

14. Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the hybrid instrument is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with the changes in fair value recognised in profit or loss for the year.

Certain derivative transactions, while providing effective economic hedges under the Company's risk management positions, do not qualify for hedge accounting and are therefore treated as derivatives held for trading with fair value gains or losses recognised in profit or loss for the year.

15. Long term equity investments

Long term equity investments include the investments in subsidiaries and associates, which also include those equity investments in investees whereas there are no control, joint control, and significant influences as well as there are no active market price quotes and their fair values cannot be reliably measured.

A long term equity investment is measured initially at its investment cost. For the business combination under common control, it shall, on the date of merger, regard the share of the carrying value of the shareholders' equity of the acquiree as the initial cost of the long term equity investment. Investment acquired in business combination not under common control is measured initially at its combination costs. The combination costs include the total sum of the fair value of the assets transferred from the acquirer, liabilities incurred or born by the acquirer and securities with equity interest issued by the acquirer. Besides the long term equity investments formed by the merger of enterprises, the initial cost of a long term equity investment obtained by other means shall be ascertained in accordance with the provisions as follows: (1) The initial cost of a long term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid. The initial cost consists of the expenses directly relevant to the obtainment of the long term equity investment, taxes and other necessary expenses. (2) The initial cost of a long term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued. (3) The initial cost of a long term equity investment of an investor shall be the value stipulated in the investment contract or agreement unless the value stipulated in the contract or agreement is unfair.

A long term equity investment shall be measured by employing the cost method that the Company does not have joint control or does not have significant influences on the invested entity, and which has no quoted price in the active market and its fair value cannot be reliably measured. A long term equity investment shall be measured by employing the cost method that the Company is able to control the invested enterprise. The term "control" refers to the power to determine the financial and operating policies of an enterprise and obtain benefits from the operating activities of the enterprise.

Under the cost method, a long term equity investment is measured at its initial investment cost. Cash dividends or profit distributions declared by the investee are recognised as investment income in the current period, except for those declared but not yet paid and included in the actual purchase price or the consideration of the investment. Furthermore, the Company assesses whether there is an indicator of impairment in accordance with the related policy of asset impairment when a dividend from the investment is recognised.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

When the Company can exercise joint control or significant influence over the investee, a long term equity investment is accounted for using the equity method. Joint control refers to the control over an economic activity in accordance with the contracts and agreements, which does not exist unless the investing parties unanimously agree to share the power upon the important financial and operating strategies pertaining to a particular economic activity. Significant control refers to the power to participate in the decision making of the financial and operating strategies of the enterprise, but cannot control or jointly control the implementation of these strategies.

Under the equity method, when the initial investment cost of a long term equity investment exceeds the Company's interest in the fair values of the investee's identifiable net assets at the acquisition date, no adjustment is made to the initial investment cost. When initial investment cost is less than the Company's interest in the fair value of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss for the current period, and the cost of the long term equity investment is adjusted accordingly.

Under the equity method, after acquiring a long term equity investment, the Company recognises its share of the net profits or losses made by the investee as investment income or losses, and adjusts the carrying amount of the investment accordingly. After an investing enterprise obtains a long term equity investment, it shall, in accordance with the attributable share of the net profits or losses of the invested entity, recognise the investment profits or losses and adjust the book value of the long term equity investment. The investing enterprise shall, in the light of the profits or cash dividends declared to distribute by the invested entity, calculate the proportion it shall obtain, and shall reduce the book value of the long term equity investment correspondingly. The Company shall adjust the carrying amount of the long term investment for other changes in owners' equity of the investee (other than net profits or losses), and include the corresponding adjustment in shareholders' equity.

On disposal of a long term equity investment, the difference between the proceeds actually received and the carrying amount is recognised in the income statement in "Investment income". For a long term equity investment accounted for using the equity method, is transferred to the income statement in "Investment income" on a pro-rata basis according to the proportion disposed of.

For the method of impairment test and impairment provision of long term equity investments in subsidiaries and associates impairment test and impairment provision, please refer to Note II.22. For the method of impairment test and impairment provision for long term equity investment where there is no active market and of which the fair value cannot be reliably measured, refer to Note II.12.

16. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation or both. The investment properties of the Company are buildings that are leased out. No investment properties shall be recognised, unless the economic benefits pertinent to these investment properties are likely to flow into the Company and the cost of they can be reliably measured.

The initial measurement of the investment properties shall be made at cost, and shall make a follow-up measurement to the investment properties through the cost pattern on the date of the balance sheet. Depreciation of investment properties is calculated using the straight-line method.

	Useful life	Estimated net residual value	Annual depreciation rate
Properties and buildings	15-35 years	1%-5%	2.7%-6.6%

17. Fixed assets and accumulated depreciation

(i) Recognition of fixed assets

A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably.

Subsequent expenditures incurred for a fixed asset that meet the above conditions are included in the cost of the fixed asset and the carrying amount of the parts that are replaced is derecognised. Otherwise, subsequent expenditures are recognised in the income statement in the period in which they are incurred.

(ii) Measurement and depreciation of fixed assets

Fixed assets are initially measured at cost. All fixed assets are stated at cost less any accumulated depreciation and any impairment losses. The cost of an asset comprises the purchase price, related taxes, and any directly attributable expenditure of bringing the asset to working condition for its intended use, such as delivery and handling costs, installation costs and professional fees.

Depreciation is calculated using the straight-line method. The Company reasonably determines the useful lives and estimated net residual values of the fixed assets according to the natures and use patterns of the fixed assets as follows:

	Useful life	Estimated net residual value	Annual depreciation rate
Properties and buildings			
Including: properties and buildings	15-35 years	1%-5%	2.7%-6.6%
Including: owner-occupied property improvements	5 or 10 years	-	20.0% or 10.0%
Transportation vehicles	5-8 years	3%-5%	11.8%-19.4%
Office facilities	3-10 years	1%-5%	9.5% -33.0%

The useful life and estimated net residual value of a fixed asset and the depreciation method applied are reviewed at each balance sheet date, and adjusted prospectively, if appropriate.

18. Construction in progress

Construction in progress represents costs incurred in the construction of fixed assets. These costs include various construction costs which are necessary and other related expense during the period of construction. Construction in progress is not depreciated.

Construction in progress is reclassified to the appropriate category of fixed assets, intangible assets or long term deferred expenses when completed and ready for use.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

19. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance owned or controlled by the Company.

An intangible asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. As for any intangible asset acquired in a combination, if its fair value can be measured reliably, it shall be separately recognised as an intangible asset and shall be measured in light of its fair value. The Company analyses and assesses the useful life of an intangible asset on its acquisition. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Company.

An intangible asset with definite useful life is amortised over its useful life with the straight-line method.

	Useful life	Annual depreciation rate
Software and others	3-5 years	20%-33%
Core deposits	20 years	5%

The useful life and amortisation method of intangible assets with finite useful lives are reviewed at each balance sheet date. If the expected useful life of the asset or the amortisation method differs significantly from previous assessments, the amortisation period or amortisation method is changed accordingly as a change in accounting estimate.

The useful life of intangible assets with indefinite useful lives is reassessed at each balance sheet date. If there is evidence that the useful life of the asset becomes definite, the accounting policies for intangible assets with definite useful life described above are then applied.

Expenditure incurred for an internal research and development project is recorded as expenditure on the research phase and development phase by the Company, respectively. Expenditure on the research phase is recognized in profit or loss in the period in which it is incurred. Expenditure on the development phase is recognised as an intangible asset only when the Company can demonstrate all of the following:

(i) The technical feasibility of completing the intangible asset so that it will be available for use or sale;

(ii) The intention to complete the intangible asset and use or sell it;

(iii) How the intangible asset will generate economic benefits. Among other things, the enterprise can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

(iv) The availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;

(v) Its ability to measure reliably the expenditure attributable to the intangible asset during its development phase.

Expenditure on the development phase which does not meet all of the above conditions is recognised in profit or loss in the period in which it is incurred.

20. Long term deferred expenses

Long term deferred expenses are those prepaid expenses with an amortisation period of more than one year (excluding one year), mainly include rental expenses and leasehold improvements.

Rental expenses are operating lease rental of fixed assets and are amortised over the lease term. Other long term deferred expenses are amortised evenly according to their beneficial periods or legal periods of validity, whichever is shorter.

When long term deferred expenses no longer provide future economic benefits, the unamortised amount is recognised in profit or loss for the year.

21. Impairment of assets

For assets excluding financial assets, long term equity investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, and repossessed assets, the Company assesses impairment of assets as follows:

At each balance sheet date, the Company assesses whether there is any indication that assets may be impaired. If there is any indication that an asset may be impaired, a recoverable amount is estimated for the asset. No matter whether there is any sign of possible asset impairment, the goodwill formed by the business combination and intangible assets with uncertain service lives shall be subject to impairment testing every year. Intangible assets not yet available for use shall be subject to impairment testing every year.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The Company estimates the recoverable amount of an asset on an individual basis.

Where the measurement result of the recoverable amount indicates that an asset's recoverable amount is lower than its carrying value, the carrying value of the asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognised as the loss of asset impairment and be recorded as profit or loss for the current period. Simultaneously, a provision for asset impairment shall be made accordingly.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer’s cash-generating units, or companys of cash-generating units, that is expected to benefit from the synergies of the combination. Each unit or company of units to which the goodwill is so allocated shall not be larger than an operating segment as defined by the Company.

When making an impairment test on the relevant asset companys or combination of asset companys including goodwill, whenever there is an indication that the unit may be impaired, impairment loss shall be recognised by comparing the unit’s carrying amount, excluding any goodwill, with its recoverable amount. Then the Company shall make an impairment test of the asset companys or combinations of asset companys by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. If the recoverable amount is lower than its carrying value, the amount of the impairment loss shall be allocated first to reduce the carrying amount of goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

Once an impairment loss is recognised, it shall not be reversed in a subsequent period.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

22. Repossessed assets

Repossessed assets are initially recognised at fair value. The difference between the initial fair value and the sum of the related loan principal, interest receivable and impairment provision is taken into the income statement. At the balance sheet date, the repossessed assets are measured at the lower of their carrying value and net realisable value. When the carrying value of the repossessed assets is higher than the net realisable value, a provision for the decline in value of repossessed assets is recognised in the income statement in "Impairment losses on assets".

23 Recognition of income and expense

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and when the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income and interest expense

For all financial instruments measured at amortised cost and interest-bearing financial instruments classified as available for sale and held for trading, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial instrument. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not the future credit losses.

Once the recorded value of a financial asset or a company of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

The Company earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

(i) Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

(ii) Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

The fair value of the award credits granted by the Company to the bank card holders under customer loyalty programmes are deferred and recognised as fee and commission income when the award credits are redeemed or expire.

Dividend income

Revenue is recognised when the shareholders' right to receive the payment is established.

24. Income tax

Income tax comprises current and deferred income tax. Except for goodwill arising in a business combination and to the extent that the tax arises from a transaction or event which is recognised directly in other comprehensive income, all the income tax should be expensed or credited to profit or loss as appropriate.

Current income tax

Current tax is the amount of income taxes payable in respect of the taxable profit for a period. Taxable profit is the profit for a period, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities.

Deferred tax

Deferred tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts, as well as on temporary differences arising from the tax bases and carrying amounts that have not recognised as an asset or liability on the balance sheet but can be determined as the tax calculation basis.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(i) where the deferred tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or deductible loss; and

(ii) in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

For deductible temporary differences, carryforward of unused deductible losses and tax credits, the Company recognises the corresponding deferred tax asset to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, the deductible losses and tax credits can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible loss.

For deductible temporary differences arising from investments in subsidiaries and associates, the corresponding deferred income tax asset is recognised, to the extent that, it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available in the future, against which the temporary differences can be utilised.

At the balance sheet date, deferred tax assets and liabilities of the Company are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, according to the requirement of tax laws.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

24. Income tax (continued)

At the balance sheet date, the Company reviews the carrying amount of a deferred tax asset. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available in future periods to allow the benefit of the deferred tax asset to be utilised. At the balance sheet date, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow part or full of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

25. Employee benefits

Short term employee benefits

Salaries and bonuses, social security contributions and other short term employee benefits are accrued in the period in which services are rendered by the employees of the Company.

Defined contribution plans

According to the statutory requirements in Mainland China, the Company is required to make contributions to the pension and insurance schemes that are separately administered by the local government authorities which are recognised in profit or loss for the year as incurred. In addition, the Company participates in a defined contribution retirement benefit insurance plan managed by an insurance company. Obligation for contributions to the insurance plan is borne by the Company, and contributions paid by the Company are recognised in profit or loss for the year as incurred.

Retirement welfare plan

Certain employees of the Company in Mainland China can enjoy the retirement welfare plan. These benefits are unfunded. The cost of providing benefits is determined using the projected unit credit actuarial valuation method.

Share-based payment transactions

The Company grants equity instruments or incurs liabilities for amounts that are determined based on the price of equity instruments, in return for services rendered by employees or other parties.

The cost of cash-settled transactions is measured initially at fair value at the grant date using an appropriate pricing model taking into account the terms and conditions upon which the instruments were granted. The fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured at each balance sheet date up to and including the settlement date, with changes in fair value recognised in profit or loss for the year.

26. Definition of cash equivalents

Cash equivalents are short term, highly liquid monetary assets held by the Company that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash equivalents comprise investments that have a short maturity of generally within three months when acquired, the unrestricted balance with the Central Bank, amounts due from banks and other financial institutions and reverse repurchase agreements that have a short original maturity of generally within three months.

27. Related parties

If a party has the power to control, jointly control or exercise significant influence over another party in making financial and operating decisions, they are regarded as related parties. Two or more parties are also regarded as related parties if they are subject to control or joint control from the same party.

28. Fiduciary activities

Where the Company acts in a fiduciary capacity such as nominee, trustee or agent, assets arising there on together with the related undertakings to return such assets to customers are excluded from the financial statements.

Entrusted loans granted by the Company on behalf of third-party lenders are recorded as off-balance sheet items. The Company acts as an agent and grants such entrusted loans to borrowers under the direction of the third-party lenders who fund these loans. The Company has been contracted by the third-party lenders to manage the administration and collection of these loans on their behalf. The third-party lenders determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The Company charges a commission related to the management of the entrusted loans. The commission income is recognised pro rata over the period in which the service is provided. The risk of loan loss is borne by the third-party lenders.

29. Leases

A lease that transfers in substance all the risks and rewards incident to ownership of an asset is classified as a finance lease. An operating lease is a lease other than a finance lease.

As a lessee under operating leases

Lease payments under an operating lease are recognised by a lessee on a straight-line basis over the lease term, and either included in the cost of another related asset or charged to profit or loss for the year.

As a lessor under operating leases

Lease income from operating leases is recognised by the lessor in profit or loss for the year on a straight-line basis over the lease term.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Financial guarantee contracts

The Company gives financial guarantees consisting of letters of credit, guarantees, and acceptances. Financial guarantee contracts are initially recognised at fair value, in "Other liabilities", being the premium received. The guarantee fee is amortised over the period of the contract and is recognised as fee and commission income. At balance sheet days, the Company's liability under each guarantee contract is measured at the higher of the initial fair value less cumulative amortisation, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to financial guarantees is taken to profit or loss for the year.

31. Contingent liabilities

A contingent liability is a possible obligation that arises from past transactions or events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events. It can also be a present obligation arising from past transactions or events but is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

32. Provisions

An obligation related to a contingency is recognised as a provision when all of the following conditions are satisfied except for contingent consideration and contingent liabilities assumed in the business combination:

(i) the obligation is a present obligation of the Company;

(ii) it is probable that an outflow of economic benefits will be required to settle the obligation; and

(iii) the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. The Company reviews the carrying amount of a provision at the balance sheet date. When there is clear evidence that the carrying amount of a provision does not reflect the current best estimate, the carrying amount is adjusted to the current best estimate.

33. Trade date accounting

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date on which the Company commits to purchase or sell the asset. A regular way purchase or sale of financial assets is the purchase or sale of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the marketplace.

34. Offsetting

Financial assets and financial liabilities are offset only when the Company has a legally enforceable right to offset the recognised amounts and both parties of the transaction intend to settle on a net basis.

35. Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Company. Dividends for the year that are approved after the balance sheet date are disclosed as an event after the balance sheet date.

36. Debt restructuring

Debt restructuring represents the consensus made by the creditor in accordance with the agreement with the debtor or based on the court order, when the debtor is in financial difficulty.

As a creditor

The difference between the carrying amounts of the debts and the cash receipts is recognised in profit or loss for the year if cash is received from discharging the debts. The difference between the carrying amounts of the debts and the fair value of the non-monetary assets is recognised in profit or loss for the year if non-monetary assets are received from discharging the debts. The difference between the carrying amounts of the debts and the fair value of the interests in share capital is recognised in profit or loss for the year if capital is exchanged in discharging the debts. The difference between the carrying amounts of the debts and the fair value of the debts after restructuring based on agreed terms and conditions is recognised in profit or loss for the year if terms and conditions are amended. If all of the above are applied, the disposals should be based on the sequential order of the cash received, the fair value of the non-monetary assets received, the fair value of the interests in share capital received less the carrying amounts of the debts, and finally settlement of debts based on terms and conditions agreed.

If provision has been made to the debts under restructuring, the difference resulting from the above is offset against the provision with the net change recognised in profit or loss for the year.

37. Significant accounting judgements and estimates

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the balance sheet date. However, uncertainty of these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

(i) Designation of held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and a fixed maturity are classified as held-to-maturity investments when the Company has the positive intention and ability to hold the investments to maturity. Accordingly, in evaluating whether a financial asset shall be classified as held-to-maturity investment, significant management judgement is required. If the Company fails to correctly assess its intention and ability to hold the investments to maturity and the Company sells or reclassifies more than an insignificant amount of held-to-maturity investments before maturity, the Company shall classify the whole held-to-maturity investment portfolio as available for sale.

(ii) Impairment losses of loans and advances

The Company determines periodically whether there is any objective evidence that an impairment loss on loans and advances has been incurred. If any such evidence exists, the Company assesses the amount of impairment losses. The amount of impairment losses is measured as the difference between the carrying amount and the present value of estimated future cash flows. Regarding loan portfolio assets with similar credit risk characters and objective impairment evidence, the management use historical loss experience of the assets as basis of assessing future cash flows of the loan portfolios. Assessing the amount of impairment losses requires significant judgement on whether objective evidence for impairment exists and also significant estimates when determining the present value of the expected future cash flows.

(iii) Income tax

Determining income tax provisions requires the Company to estimate the future tax treatment of certain transactions. The Company carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant estimates on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred income tax assets to be recovered.

Notes to the Financial Statements

31 December 2013

(Expressed in millions of Renminbi, unless otherwise stated)

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(iv) Fair value of financial instruments

If the market for a financial instrument is not active, the Company establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. To the extent practicable, the valuation technique makes maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on areas such as credit risk (both the Company's and the counterparty's), volatility and correlation. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

(v) Impairment of available-for-sale and held-to-maturity investments

In determining whether there is any objective evidence that impairment losses on available-for-sale and held-to-maturity investments have been incurred, the Company assesses periodically whether there has been a significant or prolonged decline in the fair value of the investment below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry environment, change of technology, operating and financing cash flows, etc. This requires a significant level of judgement of management, which would affect the amount of impairment losses.

(vi) Impairment of goodwill

The goodwill shall be subject to an impairment test at least at each year end, and whenever there is an indication that the unit may be impaired. When an enterprise makes an impairment test of assets, it shall, as of the purchasing day, allocate the carrying value of the goodwill formed by merger of enterprises to the relevant asset companys by a reasonable method, and apply the appropriate discount rate for the calculation of the present value of future cash flows.

(vii) Core deposits

The Company reviews the reasonableness of core deposits' remaining useful life on each balance sheet date. The review involves making necessary adjustments on relevant parameters and assumptions based on the actual development of relevant fact patterns, so as to amortize the core deposits over an appropriate remaining useful life.

38. Taxes

Major taxes and related tax rates applicable to the Company are as follows:

Tax	Basis of tax assessment	Tax rate
Business Tax	Business income (not including interest income from transactions with financial institutions)	5%
City Maintenance and Construction Tax	Amount of business tax	5% to 7%
Corporate Income Tax	Amount of taxable income	25%

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash on hand and due from the Central Bank

	2013-12-31	2012-12-31
Cash on hand	3,731	3,233
Statutory reserve with the Central Bank - RMB	194,291	158,421
Statutory reserve with the Central Bank - foreign currencies	3,332	1,954
Unrestricted balance with the Central Bank	26,652	55,152
Other deposits with the Central Bank - fiscal deposits	1,918	587
Total	229,924	219,347

Based on the related RMB and foreign currency deposits, the Company places respective statutory reserves with the Central Bank in accordance with the requirements from the People's Bank of China. These reserve deposits are not available for use in the Company's daily operations. As at 31 December 2013, the RMB deposit reserve ratio was 18% (31 December 2012: 18%), and the foreign currency deposit reserve ratio was 5% (31 December 2012: 5%).

Fiscal deposits represent the amounts received from government-related bodies that are required to be deposited with the Central Bank according to the relevant regulations.

2. Deposits with banks and other financial institutions

Analysed by location and counterparty

	2013-12-31	2012-12-31
Domestic banks	57,420	87,254
Other domestic financial institutions	9,554	688
Overseas banks	4,991	6,394
Subtotal	71,965	94,336
Less: Impairment provision (Note III.20)	(51)	(41)
Total	71,914	94,295

As at 31 December 2013, included in this total amount of deposits with banks and other financial institutions was an amount of RMB32 million (31 December 2012: RMB32 million) of impaired assets.

(Expressed in millions of Renminbi, unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Placements with banks and other financial institutions

Analysed by location and counterparty

	2013-12-31	2012-12-31
Domestic banks	**23,683**	52,197
Other domestic financial institutions	**434**	2,854
Overseas banks	**3,147**	10,399
Subtotal	**27,264**	65,450
Less: Impairment provision (Note III.20)	**(23)**	(24)
Total	**27,241**	65,426

As at 31 December 2013, included in this total amount of placements with banks and other financial institutions was an amount of RMB26 million (31 December 2012: RMB27 million) impaired assets.

4. Financial assets at fair value through profit or loss

Analysed by location and counterparty

	2013-12-31	2012-12-31
Bonds held for trading (bond investments analysed by issuer)		
The Central Bank	**-**	50
Policy banks	**1,963**	2,297
Other banks and non-bank financial institutions	**2,590**	60
Corporations	**5,868**	1,831
Total bonds held for trading	**10,421**	4,238

5. Derivative financial instruments

A derivative is a financial instrument, the value of which is derived from the value of another "underlying" financial instrument, an index or some other variables. Typically, an "underlying" financial instrument is a share, commodity or bond price, an index value or an exchange or interest rate. The Company uses derivative financial instruments such as forward contracts and swaps.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Company but does not reflect the risk.

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

At the balance sheet date, the Company had positions in the following types of derivatives:

	Notional amounts with remaining lives of				Fair value	
	Up to 3 months	3 months to 1 year	1 to 5 years	Total	Assets	Liabilities
2013-12-31						
Foreign exchange derivative instruments:						
Forward foreign exchange contracts	233,350	149,663	2,393	385,406	2,114	(2,374)
Interest rate derivative instruments:						
Interest rate swap contracts	15,377	20,997	17,385	53,759	419	(470)
Others						
Gold derivatives	477	15,347	536	16,360	864	(70)
Total	249,204	186,007	20,314	455,525	3,397	(2,914)

	Notional amounts with remaining lives of				Fair value	
	Up to 3 months	3 months to 1 year	1 to 5 years	Total	Assets	Liabilities
2012-12-31						
Foreign exchange derivative instruments:						
Forward foreign exchange contracts	83,714	66,833	2,646	153,193	872	(849)
Interest rate derivative instruments:						
Interest rate swap contracts	2,470	9,581	13,781	25,832	95	(103)
Others	2	-	-	2	-	-
Total	86,186	76,414	16,427	179,027	967	(952)

As at 31 December 2013 and 31 December 2012, no derivatives were designated as hedging instruments.

(Expressed in millions of Renminbi, unless otherwise stated)

6. Reverse repurchase agreements

(a) Analysed by counterparty

	2013-12-31	2012-12-31
Banks	263,299	182,125
Non-bank financial institutions	8,428	4,383
Subtotal	271,727	186,508
Less: Impairment provision (Note III.20)	(35)	(35)
Total	271,692	186,473

As at 31 December 2013, included in this total amount of reverse repurchase agreements was an amount of RMB43 million (31 December 2012: RMB47 million) of impaired assets.

(b) Analysed by collateral

	2013-12-31	2012-12-31
Securities	34,885	23,952
Bills	55,938	64,649
Beneficial right of trust	180,338	96,968
Receivables under finance leases	566	939
Subtotal	271,727	186,508
Less:Impairment provision (Note III.20)	(35)	(35)
Total	271,692	186,473

(c) Fair value of collateral

Under certain reverse repurchase agreements, the Company has held collateral that is permitted to be sold or re-pledged in the absence of default by the owners of the collateral. The Company had an obligation to return such collateral At the balance sheet date, the fair values of the collateral held on such terms are as follows:

	2013-12-31		2012-12-31	
	Amount of reverse repurchase agreements	Fair value of collateral	Amount of reverse repurchase agreements	Fair value of collateral
Bills	13,925	13,925	48,699	48,699

As at 31 December 2013, included in the above fair value of collateral were bills of 3,296 million (31 December 2012: RMB3,855 million) that had been re-pledged.

7. Accounts receivable

	2013-12-31	2012-12-31
Receivables under factoring	6,933	7,381
Others	125	983
Total	7,058	8,364

8. Interest receivable

	Balance at beginning of the year	Increase during the year	Collection during the year	Balance at end of the year
2013				
Interest receivable on bond investments and wealth management products	3,633	20,361	(17,960)	6,034
Interest receivable on loans and amounts due from other financial institutions	5,124	69,691	(70,806)	4,009
Total	8,757	90,052	(88,766)	10,043

	Balance at beginning of the year	Increase during the year	Collection during the year	Balance at end of the year
2012				
Interest receivable on bond investments and wealth management products	2,695	13,325	(12,387)	3,633
Interest receivable on loans and amounts due from other financial institutions	4,579	59,397	(58,852)	5,124
Total	7,274	72,722	(71,239)	8,757

As at 31 December 2013, included in the interest receivable was an amount of RMB 100 million (31 December 2012: RMB84 million) that is past due. Such interest receivable is related to interest income on loans and is aged within 90 days.

(Expressed in millions of Renminbi, unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Loans and advances

9.1 Analysed by corporation and individual

	2013-12-31	2012-12-31
Loans and advances to corporations:		
Loans	509,301	484,535
Discounted bills	12,338	10,410
Subtotal	521,639	494,945
Loans and advances to individuals:		
Bussiness loans	89,432	55,187
Credit cards	86,834	49,725
Property mortgages	64,956	70,406
Car loans	48,747	21,125
Others	35,681	29,392
Subtotal	325,650	225,835
Total loans and advances	847,289	720,780
Less: Loan impairment provision (Note III.9.6)	(15,162)	(12,518)
Loans and advances, net	832,127	708,262

As at 31 December 2013, there was no discounted bill (31 December 2012: RMB513 million) that had been pledged for repurchase agreements collateralised by bills.

As at 31 December 2013, there were RMB290 million discounted bills (31 December 2012: RMB987 million) that had been pledged for amounts due to the Central Bank.

9. Loans and advances (continued)

9.2 Analysed by industry

	2013-12-31	2012-12-31
Agriculture, husbandry and fisheries	2,563	1,792
Extraction (heavy industry)	29,808	11,620
Manufacturing (light industry)	131,696	159,620
Energy	9,371	13,472
Transportation, storage and communication	25,292	30,308
Commercial	125,549	138,810
Real estate	80,894	42,273
Service, technology, culture and sanitary industries	47,007	46,247
Construction	33,432	34,452
Discounted bills	12,338	10,410
Loans and advances to individuals	325,650	225,835
Others	23,689	5,941
Total loans and advances	847,289	720,780
Less: Loan impairment provision (Note III.9.6)	(15,162)	(12,518)
Loans and advances, net	832,127	708,262

Notes to the Financial Statements

31 December 2013
(Expressed in millions of Renminbi, unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Loans and advances

9.3 Analysed by type of collateral held or other credit enhancements

	2013-12-31	2012-12-31
Unsecured	181,533	147,604
Guaranteed	171,902	165,086
Secured by collateral	481,516	397,680
Of which:Secured by mortgages	342,548	293,841
Secured by monetary assets	138,968	103,839
Subtotal	834,951	710,370
Discounted bills	12,338	10,410
Total loans and advances	847,289	720,780
Less: Loan impairment provision (Note III.9.6)	(15,162)	(12,518)
Loans and advances, net	832,127	708,262

9.4 Aging analysis of past due loans

	2013-12-31				
	Overdue by 1 to 90 days, inclusive	Overdue by 90 days to 1 year, inclusive	Overdue by 1 to 3 years, inclusive	Overdue by more than 3 years	Total
Unsecured	2,693	2,099	297	-	5,089
Guaranteed	1,793	2,525	965	12	5,295
Secured by collateral	5,312	6,584	4,181	49	16,126
Of which:Secured by mortgages	4,207	4,927	3,745	49	12,928
Secured by monetary assets	1,105	1,657	436	-	3,198
Total	9,798	11,208	5,443	61	26,510

9.4 Aging analysis of past due loans (continued)

	2012-12-31				
	Overdue by 1 to 90 days, inclusive	Overdue by 90 days to 1 year, inclusive	Overdue by 1 to 3 years, inclusive	Overdue by more than 3 years	Total
Unsecured	1,418	856	169	40	2,483
Guaranteed	1,092	1,377	205	55	2,729
Secured by collateral	5,162	5,113	1,674	233	12,182
Of which:Secured by mortgages	4,297	4,505	1,489	96	10,387
Secured by monetary assets	865	608	185	137	1,795
Total	7,672	7,346	2,048	328	17,394

Overdue loans refer to the loans with either principal or interest being overdue by one day or more. For the overdue loans presented above, loans and advances to customers repayable by instalments, the total amount of loans is deemed overdue if part of the instalments is overdue.

For loans repaid on an instalment basis, only the amount which is not repaid upon maturity (not the total amount of loans and advances) is deemed overdue. As at 31 December 2013, there were RMB 24,461million loans (31 December 2012: RMB14,573 million) that had been deemed overdue according to this criterion.

9.5 Analysed by geographical region

	2013-12-31	2012-12-31
Eastern District	**266,690**	248,688
Southern District	**219,911**	216,672
Western District	**85,720**	60,122
Northern District	**158,228**	137,167
Head office	**116,740**	58,131
Total loans and advances	**847,289**	720,780
Less: Loan impairment provision (Note III.9.6)	**(15,162)**	(12,518)
Loans and advances, net	**832,127**	708,262

Details of the above geographical regions:

Eastern District: Shanghai, Wenzhou, Hangzhou, Ningbo, Nanjing, Wuxi, Fuzhou, Quanzhou, Xiamen, Yiwu, Changzhou, Taizhou, Zhangzhou, Suzhou

Southern District: Shenzhen, Guangzhou, Foshan, Zhuhai, Dongguan, Huizhou, Zhongshan

Western District: Wuhan, Chongqing, Chengdu, Haikou, Kunming, Jingzhou, Honghe, Leshan, Xiangyang

Northern District: Beijing, Dalian, Tianjin, Qingdao, Jinan, Zhengzhou, Xi'an, Linyi

Head office: The departments of head office (including credit card department and offshore department)

(Expressed in millions of Renminbi, unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Loans and advances (continued)

9.6 Movements in impairment provision for loans and advances

	2013			2012		
	Individual	Collective	Total	Individual	Collective	Total
Balance at beginning of the year	1,844	10,674	12,518	1,414	9,153	10,567
Charge/(reversal) for the year	3,127	3,548	6,675	1,168	1,869	3,037
Amounts written off	(2,837)	(1,165)	(4,002)	(863)	(381)	(1,244)
Recovery of loans written off previously	204	187	391	344	78	422
Interest accrued on impaired loans and advances	(403)	-	(403)	(219)	-	(219)
Other changes for the year	(2)	(15)	(17)	-	(45)	(45)
Balance at end of the year (Note III.20)	1,933	13,229	15,162	1,844	10,674	12,518

10. Available-for-sale financial assets

10.1 Available-for-sale financial assets are analyzed by categories below:

	2013-12-31	2012-12-31
Bond investments analysed by issuer:		
Governments	312	5,922
The Central Bank	-	363
Policy banks	37	64,769
Other banks and non-bank financial institutions	83	2,395
Corporations	-	16,447
Subtotal	432	89,896
Less: Impairment provisions (Note IV.20)	(36)	(37)
Total bond investments	396	89,859
Equity investments	71	37
Total	467	89,896

In 2013, bonds of fair value RMB91,765 million was reclassified from available-for-sale financial assets to held-to-maturity investments, referring to Note III.11 for details.

10.2 Relevant information of available-for-sale financial assets are analyzed as below:

	2013-12-31	2012-12-31
Available-for-sale debt securities		
-Fair value	396	89,859
-Amortized cost	430	90,701
-Accumulated other comprehensive income	2	(805)
-Accumulated impairment	(36)	(37)
Available-for-sale equity instruments		
-Fair value	71	37
-Amortized cost	54	19
-Accumulated other comprehensive income	17	18
-Accumulated impairment	-	-
Total		
-Fair value	467	89,896
-Amortized cost	484	90,720
-Accumulated other comprehensive income	19	(787)
-Accumulated impairment	(36)	(37)

10.3 Relevant information of available-for-sale financial asset impairment is analyzed as below:

	Available for sale debt securities	Available for sale equity instruments	Total
Balance at beginning of the year	37	-	37
Addition of the year	-	-	-
Including: Transferred from other comprehensive income	-	-	-
Decrease of the year	(1)	-	(1)
Including: Reversal of fair value increase	-	-	-
Balance at end of the year	36	-	36

As at 31 December 2013, no bond investments from available-for-sale financial assets had been pledged for repurchase agreements (31 December 2012: RMB7,336 million).

As at 31 December 2013, no bond investments from available-for-sale financial assets had been pledged for agreements of time deposits from the PBOC (31 December 2012: RMB539 million).

As at 31 December 2013, no bond investments from available-for-sale financial assets had been pledged for amounts due to the Central Bank agreements (31 December 2012:RMB 2,959 million).

As at 31 December 2013, included in this total amount of available-for-sale financial assets was an amount of RMB36 million (31 December 2012: RMB37 million) of impaired assets.

(Expressed in millions of Renminbi, unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Held-to-maturity investments

	2013-12-31	2012-12-31
Bond investments analysed by issuer:		
Governments	51,276	20,203
The Central Bank	770	8,154
Policy banks	106,951	60,491
Other banks and non-bank financial institutions	2,833	1,837
Corporations	33,838	12,444
Subtotal	195,668	103,129
Less: Impairment provision (Note III.20)	(1)	(5)
Total	195,667	103,124

In the current year, the Company reviewed the bond portfolio management method of the overall liquidity management, Considering the long-tern nature of the portfolio, the Company decided to reclassifiy certain bonds to held-to-maturity. In 2013, bonds with a fair value of RMB91,675 million were reclassified from available-for-sales financial assets to held-to-maturity investments to reflect the Company's intent and ability to hold such investments to maturity. As at 31 December 2013, the carrying values and fair values of such investments were RMB94,795 million and RMB89,922 million, respectively. The effective weighted average interest rate was 5.21% at the time of the reclassification, the undiscounted cash flow that the Company expected to recover was RMB122,381 million. Up to the reclassification date, the loss recognized in the current year as other comprehensive income due to changes in fair values of such investments was RMB2,573 million; and the loss recognized in previous years as other comprehensive income due to changes in fair values of such investments was RMB760. Had the aforementioned reclassification not been made, a loss of RMB1,630 million due to the changes in the fair values would have been recognized as other comprehensive income in the current year. Other comprehensive income of RMB90 million related to the period prior to the reclassification date was transferred out and charged to profit and loss in the current year.

As at 31 December 2013, included in the bond investments was RMB35,918 million (31 December 2012: RMB35,572 million) that had been pledged for repurchase agreements.

As at 31 December 2013, no bond investments from held-to-maturity investments had been pledged for agreements of time deposits from the PBOC (31 December 2012: RMB15,136 million).

As at 31 December 2013, no bond investments from held-to-maturity investments had been pledged for amounts due to the Central Bank agreements (31 December 2012: RMB12,055 million) that.

12. Receivables

	2013-12-31	2012-12-31
Subordinated bonds issued by financial institutions	200	500
Wealth management products issued by other banks	52,657	90,338
Asset management plans	115,530	-
Trust beneficial rights	16,269	-
Total	184,656	90,838

13. Long term equity investments

Name of investee	Cost of investment	Balance at beginning of the year	Movements	Balance at end of the year	Percentage of equity held by the Company (%)	Percentage of voting right held by the Company (%)	Provision transferred out during the year	Impairment provision at end of the year (Note IV.20)	Net balance at end of the year
	2013								
Cost method:									
China UnionPay Co., Ltd.	74	74	-	74	2.20%	2.20%	-	-	74
Gintian Industry (Company) Co., Ltd.	9	9	-	9	2.03%	2.03%	-	(9)	-
Hainan Pearl River Holdings Co., Ltd.	10	10	-	10	0.27%	0.27%	-	(10)	-
Hainan Wuzhou Travel Co., Ltd.	5	5	-	5	3.70%	3.70%	-	(5)	-
Meizhou Polyester (Company) Co.	1	1	-	1	0.41%	0.41%	-	(1)	-
Shenzhen Zoto Investment Co., Ltd.	3	3	-	3	4.10%	4.10%	-	-	3
Guangdong Sanxing Enterprises (Company) Co., Ltd.	1	1	-	1	0.05%	0.05%	-	(1)	-
Hainan Baiyunshan Co., Ltd.	1	1	-	1	0.91%	0.91%	-	(1)	-
Hainan Saige Co., Ltd.	1	1	-	1	0.56%	0.56%	-	(1)	-
Hainan Zhonghailian Real Estate Co., Ltd.	1	1	-	1	0.74%	0.74%	-	(1)	-
Shenzhen Jiafeng Textile Industrial Co., Ltd	17	17	-	17	13.82%	13.82%	-	(17)	-
SWIFT	1	1	-	1	0.03%	-	-	-	1
Yong An Property Insurance Co., Ltd.	67	67	-	67	4.03%	4.03%	-	(67)	-
Wuhan Steel Electricity Co., Ltd.	32	32	-	32	3.37%	3.37%	-	-	32
City Commercial Bank Funds Clearing	1	1	-	1	1.99%	1.99%	-	-	1
Subtotal	224	224	-	224				(113)	111
Equity method:									
Associate									
Chengdu Gongtou Assets Management Co., Ltd.	260	431	74	505	33.20%	33.20%	-	(20)	485
Total	484	655	74	729			-	(133)	596

(Expressed in millions of Renminbi, unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Long term equity investments (continued)

	2012								
Name of investee	Cost of investment	Balance at beginning of the year	Movements	Balance at end of the year	Percentage of equity held by the Company (%)	Percentage of voting right held by the Company (%)	Provision transferred out during the year	Impairment provision at end of the year	Net balance at end of the year
Cost method:									
China UnionPay Co., Ltd.	74	74		74	2.20%	2.20%	-	-	74
Gintian Industry (Company) Co., Ltd.	9	9	-	9	2.03%	2.03%	-	(9)	-
Hainan Pearl River Holdings Co., Ltd.	10	10	-	10	0.27%	0.27%	-	(10)	-
Hainan Wuzhou Travel Co., Ltd.	5	5	-	5	3.70%	3.70%	-	(5)	-
Meizhou Polyester (Company) Co.	1	1	-	1	0.41%	0.41%	-	(1)	-
Shenzhen Zoto Investment Co., Ltd.	3	3	-	3	4.10%	4.10%	-	-	3
Guangdong Sanxing Enterprises (Company) Co., Ltd.	1	1	-	1	0.05%	0.05%	-	(1)	-
Hainan Baiyunshan Co., Ltd.	1	1	-	1	0.91%	0.91%	-	(1)	-
Hainan Saige Co., Ltd.	1	1	-	1	0.56%	0.56%	-	(1)	-
Hainan Zhonghailian Real Estate Co., Ltd.	1	1	-	1	0.74%	0.74%	-	(1)	-
Shenzhen Jiafeng Textile Industrial Co., Ltd.	17	17	-	17	13.82%	13.82%	-	(17)	-
SWIFT	1	1	-	1	0.03%	-	-	-	1
Yong An Property Insurance Co., Ltd.	67	67	-	67	4.03%	4.03%	-	(67)	-
Wuhan Steel Electricity Co., Ltd.	32	32	-	32	3.37%	3.37%	-	-	32
City Commercial Bank Funds Clearing	1	1	-	1	1.99%	1.99%	-	-	1
Subtotal	224	224	-	224			-	(113)	111
Equity method:									
Associates									
Chengdu Gongtou Assets Management Co., Ltd.	260	449	(18)	431	33.20%	33.20%	-	(20)	411
Total	484	673	(18)	655			-	(133)	522

The movement in impairment provision for long term equity investments is as follows:

	Balance at beginning of the year	Charge for the year	Amounts transferred out during the year	Balance at end of the year
2013				
Chengdu Gongtou Assets Management Co., Ltd.	20	-	-	20
Yong An Property Insurance Co., Ltd.	67	-	-	67
Others	46	-	-	46
Total	133	-	-	133

	Balance at beginning of the year	Charge for the yea	Amounts transferred out during the year	Balance at end of the year
2012				
Chengdu Gongtou Assets Management Co., Ltd.	20	-	-	20
Yong An Property Insurance Co., Ltd.	67	-	-	67
Others	46	-	-	46
Total	133	-	-	133

The movements of long term equity investments in the associates during the year/year are as follows:

			Movements in the year				Impairment provision		
2013	Cost of investment	Balance at beginning of the year	Share of profit for the year	Movement in other comprehensive income	Cash dividend received	Amounts transferred out	Amounts transferred out	Accumulated balance	Balance at end of the year
Chengdu Gongtou Assets Management Co., Ltd. (Note 1)	260	411	102	(11)	(17)	-	-	(20)	485

			Movements in the year				Impairment provision		
2012	Cost of investment	Balance at beginning of the year	Share of profit for the year	Movement in other comprehensive income	Cash dividend received	Amounts transferred out	Amounts transferred out	Accumulated balance	Balance at end of the year
Chengdu Gongtou Assets Management Co., Ltd. (Note 1)	260	429	43	(42)	(19)	-	-	(20)	411

Note 1: On 30 January 2008, the Company obtained 33.2% of the shareholding of Chengdu Gongtou Assets Management Co., Ltd. as repossessed assets.

(Expressed in millions of Renminbi, unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Long term equity investments (continued)

The key financial information of the associate is as follows:

	Place of registration	Nature of business	Registered capital
Chengdu Gongtou Assets Management Co., Ltd.	Chengdu	Asset management	519

	2013-12-31		2013	
	Total assets	**Total liabilities**	**Operating income**	**Net profit (Note)**
Chengdu Gongtou Assets Management Co., Ltd.	2,631	1216	211	175

	2012-12-31		2012	
	Total assets	Total liabilities	Operating income	Net profit (Note)
Chengdu Gongtou Assets Management Co., Ltd.	2,423	1,046	209	111

Note:The amount represents the net profit of the associate attributable to the parent company on the face of the consolidated income statement.

14. Investment properties

	2013-12-31	2012-12-31
At cost:		
Balance at beginning of the year	344	403
Transfer out to fixed assets during the year	(68)	(59)
Decrease in the year	(2)	-
Balance at end of the year	274	344
Accumulated depreciation:		
Balance at beginning of the year	148	140
Accrual of the year	11	14
Transfer out to fixed assets during the year	-	(6)
Decrease in the year	(1)	-
Balance at end of the year	158	148
Net book value:		
Balance at end of the year	116	196
Balance at beginning of the year	196	263

As at 31 December 2013, included in the investment properties was an amount of RMB12 million (31 December 2012: RMB14 million) of which the corresponding registration certificates of property rights have not been obtained.

The gross rental income earned from the investment properties during the year amounted to RMB 46 million (2012: RMB45 million). The total direct operating expense (including repairs and maintenance expenses) for the investment properties, with or without rental income generated during the year, was RMB2 million (2012: RMB2 million).

(Expressed in millions of Renminbi, unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Fixed assets

	Properties and buildings	Transportation vehicles	Offices facilities and computers	Total
2013				
At cost:				
Balance at beginning of the year	3,636	103	2,933	6,672
Additions	36	25	609	670
Transfer from investment properties	68	-	-	68
Transfer from construction in progress	2	-	19	21
Subtractions	(11)	(4)	(104)	(119)
Balance at end of the year	3,731	124	3,457	7,312
Accumulated depreciation:				
Balance at beginning of the year	1,327	64	1,739	3,130
Additions	156	11	423	590
Transfer from investment properties	-	-	-	-
Subtractions	(5)	(4)	(93)	(102)
Balance at end of the year	1,478	71	2,069	3,618
Impairment provision (Note III.20)				
Balance at beginning of the year	6	-	-	6
Movement of the year	(6)	-	-	(6)
Balance at end of the year	-	-	-	-
Net book value:				
As at 31 December 2013	2,253	53	1,388	3,694
As at 31 December 2012	2,303	39	1,194	3,536

	Properties and buildings	Transportation vehicles	Offices facilities and computers	Total
2012				
At cost:				
Balance at beginning of the year	3,554	99	2,614	6,267
Additions	30	8	584	622
Transfer from construction in progress	59	-	-	59
Acquisition of a subsidiary	15	-	13	28
Subtractions	(22)	(4)	(278)	(304)
Balance at end of the year	3,636	103	2,933	6,672
Accumulated depreciation:				
Balance at beginning of the year	1,164	56	1,517	2,737
Additions	160	11	362	533
Acquisition of a subsidiary	6	-	-	6
Subtractions	(3)	(3)	(140)	(146)
Balance at end of the year	1,327	64	1,739	3,130
Impairment provision				
Balance at beginning of the year	6	-	-	6
Movement of the year	-	-	-	-
Balance at end of the year	6	-	-	6
Net book value:				
As at 31 December 2012	2,303	39	1,194	3,536
As at 31 December 2011	2,384	43	1,097	3,524

As at 31 December 2013, the original cost and net book value of properties and buildings amounting to RMB180 million (31 December 2012: RMB176 million) and RMB95 million (31 December 2012: RMB100 million) respectively, are in use by the Company without having the registration certificates of property rights.

(Expressed in millions of Renminbi, unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Intangible assets

2013	Core deposits (Note)	Software	Others	Total
Cost/valuation:				
Balance at beginning of the year	5,757	1,256	1	7,014
Addition	-	115	3	118
Transfer from property in construction	-	13	-	13
Subtractions	-	(1)	-	(1)
Balance at end of the year	5,757	1,383	4	7,144
Amortisation:				
Balance at beginning of the year	432	704	-	1,136
Amortisation during the year	288	256	1	545
Subtractions	-	-	-	-
Balance at end of the year	720	960	1	1,681
Net book value:				
As at 31 December 2013	5,037	423	3	5,463
As at 31 December 2012	5,325	552	1	5,878

2012	Core deposits (Note)	Software	Others	Total
Cost/valuation:				
Balance at beginning of the year	5,757	912	1	6,670
Addition	-	272	-	272
Transfer from property in construction	-	152	-	152
Subtractions	-	(80)	-	(80)
Balance at end of the year	5,757	1,256	1	7,014
Amortisation:				
Balance at beginning of the year	144	537	-	681
Amortisation during the year	288	213	-	501
Subtractions	-	(46)	-	(46)
Balance at end of the year	432	704	-	1,136
Net book value:				
As at 31 December 2012	5,325	552	1	5,878
As at 31 December 2011	5,613	375	1	5,989

Note:Core deposits are accounts that a financial institution expects to maintain for an extended period of time due to ongoing business relationships. The intangible asset value associated with core deposits reflects the use of the deposits at a lower cost alternative source of funding.

17. Goodwill

2013	Balance at beginning of the year	Additions	Subtraction	Balance at end of the year	Impairment provision
Former Ping An Bank	**7,568**	**-**	**-**	**7,568**	**-**

2012	Balance at beginning of the year	Additions	Subtraction	Balance at end of the year	Impairment provision
Former Ping An Bank	-	7,568	-	7,568	-

(Expressed in millions of Renminbi, unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Goodwill

Former Ping An Bank was acquired by the Company in July 2011 and the goodwill acquired from this business combination amounted to RMB7,568 million. The goodwill acquired from the business combination was allocated to the eastern district, southern district, western district, northern district and credit card center cash-generating units for impairment test.

The recoverable amounts of the cash-generating units were determined based on the present value of the expected future cash flows of the cash-generating units. The expected future cash flows were determined based on the expected cash flows from the 5 years' budget plan as approved by management. The cash flows beyond the 5 years' period were extrapolated based on the long term average growth rates within the operating geographic locations and industries of the cash-generating units. The pre-tax discounted rate used to discount the cash flows reflected the specific risk associated with the cash-generating units. The discounting rate applied above is 14.42%.

18. Deferred tax assets/liabilities

The temporay differences of deferred tax assets and liabilities before offsetting are shown below:

	2013-12-31		2012-12-31	
	Deductible/ (Taxable) Temporary difference	Deferred Tax asset / (liability)	Deductible/ (Taxable) Temporary difference	Deferred Tax asset / (liability)
Deferred tax assets				
Impairment provisions	12,389	3,097	7,936	1,984
Salaries and bonuses	5,403	1,351	4,072	1,018
Changes in fair values of financial instruments at fair value through profit or loss and derivative financial instruments	223	56	-	-
Changes in fair values of available-for-sale financial assets	3,295	824	849	212
Others	1,271	317	944	236
Subtotal	22,581	5,645	13,801	3,450
Deferred tax liabilities				
Changes in fair values of financial instruments at fair value through profit or loss and derivative financial instruments	-	-	(5)	(1)
Others	(4,957)	(1,239)	(5,080)	(1,271)
Subtotal	(4,957)	(1,239)	(5,085)	(1,272)
Net amount	17,624	4,406	8,716	2,178

18. **Deferred tax assets/liabilities** (continued)

2013	Balance at beginning of the year	Recognised in profit or loss (Note III.46)	Recognised in other comprehensive income (Note III.46)	Balance at end of the year
Deferred tax assets				
Impairment provisions	1,984	1,113	-	3,097
Salaries and bonuses	1,018	333	-	1,351
Changes in fair values of financial instruments at fair value through profit or loss and derivative financial instruments	-	56	-	56
Changes in fair values of available-for-sale financial assets	212	-	612	824
Others	236	81	-	317
Subtotal	3,450	1,583	612	5,645
Deferred tax liabilities				
Changes in fair values of financial instruments at fair value through profit or loss and derivative financial instruments	(1)	1	-	-
Fair value assessment of the subsidiary	(1,271)	32	-	(1,239)
Subtotal	(1,272)	33	-	(1,239)
Net amount	2,178	1616	612	4,406

(Expressed in millions of Renminbi, unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Deferred tax assets/liabilities (continued)

2012	Balance at beginning of the year	Recognised in profit or loss (Note III.46)	Recognised in other comprehensive income (Note III.46)	Balance at end of the year
Deferred tax assets				
Impairment provision	1,984	-	-	1,984
Salaries and bonuses	729	289	-	1,018
Changes in fair values of available-for-sale financial assets	-	-	212	212
Others	177	59	-	236
Subtotal	2,890	348	212	3,450
Deferred tax liabilities				
Changes in fair values of financial instruments at fair value through profit or loss and derivative financial instruments	(23)	22	-	(1)
Changes in fair values of available-for-sale financial assets	(64)	-	64	-
Fair value assessment of the subsidiary	(1,264)	(7)	-	(1,271)
Subtotal	(1,351)	15	64	(1,272)
Net amount	1,539	363	276	2,178

19. Other assets

(a) Analysed by nature

	2013-12-31	2012-12-31
Receivable of sales proceeds from bonds	754	456
Prepayments (Note III.19b)	131	95
Prepaid legal expenses (Note III.19c)	807	651
Repossessed assets (Note III.19d)	707	262
Construction in progress (Note III.19e)	137	176
Receivable of deferred consumption payments	-	298
Long term deferred expenses (Note III.19f)	988	777
Others (Note III.19g)	1,141	733
Total other assets	4,665	3,448
Less:		
Prepaid legal expenses (Note III.19c)	(81)	(65)
Repossessed assets (Note III.19d)	(204)	(204)
Others (Note III.19g)	(375)	(210)
Total impairment provision	(660)	(479)
Other assets, net	4,005	2,969

(b) Aging analysis of prepayments

	2013-12-31		2012-12-31	
	Amount	Percentage	Amount	Percentage
Less than 1 year	624	82.76%	379	83.11%
1 to 2 years	45	5.97%	25	5.48%
2 to 3 years	12	1.59%	6	1.32%
Over 3 years	73	9.68%	46	10.09%
Total	754	100.00%	456	100.00%

As at 31 December 2012 and 31 December 2011, the Group has not made any provision for prepayments.

Notes to the Financial Statements

31 December 2013

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III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Other assets (continued)

(c) Prepaid legal expenses

	2013-12-31				2012-12-31			
	Carrying amount		Impairment provision		Carrying amount		Impairment provision	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Individual assessment	87	66.41%	(51)	58.62%	81	85.26%	(55)	67.90%
Collective assessment:								
Aging less than 1 year	28	21.37%	(14)	50.00%	10	10.53%	(6)	60.00%
Aging between 1 and 2 years	9	6.87%	(9)	100.00%	2	2.11%	(2)	100.00%
Aging between 2 and 3 years	2	1.53%	(2)	100.00%	1	1.05%	(1)	100.00%
Aging over 3 years	5	3.82%	(5)	100.00%	1	1.05%	(1)	100.00%
Subtotal	44	33.59%	(30)	68.18%	14	14.74%	(10)	71.43%
Total	131	100.00%	(81)	61.83%	95	100.00%	(65)	68.42%

(d) Repossessed assets

	2013-12-31	2012-12-31
Land, properties and buildings	757	651
Others	50	-
Total	807	651
Less: Provision for decline in value (Note III.20)	(204)	(204)
Repossessed assets, net	603	447

During the year, the Company took possession of collateral held as security with a carrying amount of RMB234 million (2012: RMB151 million). The collateral mainly comprises buildings. During the year, the Company disposed RMB78 million repossessed assets (2012: RMB102 million). The Company plans to dispose of the repossessed assets through auctions, bidding or transfers in the future.

20. Impairment losses on assets

(e) Construction in progress

	2013-12-31	2012-12-31
Balance at beginning of the year	262	161
Additions during the year	650	445
Transfer to fixed assets	(21)	(28)
Transfer to intangible assets	(13)	(152)
Transfer to long term deferred expenses	(171)	(164)
Balance at end of the year	707	262

As at 31 December 2013, the Company has no significant construction in progress project movement.

(f) Long term deferred expenses

	2013-12-31	2012-12-31
Balance at beginning of the year	777	647
Additions during the year	312	198
Transfer from construction in progress	171	164
Amortisation during the year	(267)	(222)
Others	(5)	(10)
Balance at end of the year	988	777

Notes to the Financial Statements

31 December 2013
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III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Impairment losses on assets (continued)

(g) Others

	2013-12-31				2012-12-31			
	Carrying amount		Impairment provision		Carrying amount		Impairment provision	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Individual assessment	794	69.59%	(297)	37.41%	486	66.30%	(126)	25.93%
Collective assessment:								
Aging less than 1 year	294	25.76%	(29)	9.86%	221	30.15%	(58)	26.24%
Aging between 1 and 2 years	31	2.72%	(27)	87.10%	20	2.73%	(20)	100.00%
Aging between 2 and 3 years	18	1.58%	(18)	100.00%	3	0.41%	(3)	100.00%
Aging over 3 years	4	0.35%	(4)	100.00%	3	0.41%	(3)	100.00%
Subtotal	347	30.41%	(78)	22.48%	247	33.70%	(84)	34.01%
Total	1,141	100.00%	(375)	32.87%	733	100.00%	(210)	28.65%

2013	Note III	Balance at beginning	Charge/ (reversal) for the year	Amounts written off	Recovery of assets written off previously	Amounts released upon disposal of assets	Interest accrued on impaired loans and advances	Other movements	Balance at end of the year
Impairment provision for deposits with banks and other financial institutions	2	41	10	-	-	-	-	-	51
Impairment provision for placements with banks and other financial institutions	3	24	-	-	-	-	-	(1)	23
Impairment provision for reverse repurchase agreements	6	35	-	-	-	-	-	-	35
Impairment provision for loans and advances	9.6	12,518	6,675	(3,194)	391	(808)	(403)	(17)	15,162
Impairment provision for available-for-sale financial assets	10	37	-	-	-	-	-	(1)	36
Impairment provision for held-to-maturity investments	11	5	(4)	-	-	-	-	-	1
Impairment provision for long term equity investments	13	133	-	-	-	-	-	-	133
Provision for decline in value of repossessed assets	19d	204	7	-	-	(7)	-	-	204
Impairment provision for fixed assets	15	6	-	-	-	(6)	-	-	-
Impairment provision for other assets	19c&g	275	202	(21)	1	-	-	(1)	456
Total		13,278	6,890	(3,215)	392	(821)	(403)	(20)	16,101

(Expressed in millions of Renminbi, unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Impairment losses on assets (continued)

2012	Note III	Balance at beginning	Charge/ (reversal) for the year	Amounts written off	Recovery of assets written off previously	Amounts released upon disposal of assets	Interest accrued on impaired loans and advances	Other movements	Balance at end of the year
Impairment provision for deposits with banks and other financial institutions		41	-	-	-	-	-	-	41
Impairment provision for placements with banks and other financial institutions		24	-	-	-	-	-	-	24
Impairment provision for reverse repurchase agreements		35	-	-	-	-	-	-	35
Impairment provision for loans and advances		10,567	3,037	(1,244)	422	-	(219)	(45)	12,518
Impairment provision for available-for-sale financial assets		37	-	-	-	-	-	-	37
Impairment provision for held-to-maturity investments		5	-	-	-	-	-	-	5
Impairment provision for long term equity investments		133	-	-	-	-	-	-	133
Provision for decline in value of repossessed assets		248	4	-	-	(48)	-	-	204
Impairment provision for fixed assets		6	-	-	-	-	-	-	6
Impairment provision for other assets		163	89	-	9	-	-	14	275
Total		11,259	3,130	(1,244)	431	(48)	(219)	(31)	13,278

21. Deposits from banks and other financial institutions

	2013-12-31	2012-12-31
Domestic banks	277,102	217,877
Domestic non-bank financial institutions	172,885	135,686
Overseas banks	802	660
Total	450,789	354,223

22. Placements from banks and other financial institutions

	2013-12-31	2012-12-31
Domestic banks	13,686	36,519
Overseas banks	8,947	2,549
Total	22,633	39,068

23. Repurchase agreements

	2013-12-31	2012-12-31
(a)Analysed by collateral		
Securities	34,691	41,933
Bills	1,358	4,215
Total	36,049	46,148
(b)Analysed by counterparty		
Banks	32,852	46,148
Non-bank financial institutions	3,197	-
Total	36,049	46,148

(Expressed in millions of Renminbi, unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. Customer deposits

	2013-12-31	2012-12-31
Current deposits:		
Corporate customers	275,775	257,351
Personal customers	104,500	85,212
Subtotal	380,275	342,563
Fixed deposits:		
Corporate customers	456,656	349,045
Personal customers	98,965	88,348
Subtotal	555,621	437,393
Guarantee deposits	242,338	205,573
Fiscal deposits	36,212	19,017
Time deposits from PBOC	-	13,170
Inward and outward remittances	2,556	3,392
Total	1,217,002	1,021,108

25. Employee benefits payable

2013	Balance at beginning of the year	Increase during the year	Payment made during the year	Balance at end of the year
Salaries, bonuses, allowances and subsidies	4,175	8,588	(7,360)	5,403
Including: Deferred bonus accrual (Note)	145	147	(90)	202
Social insurance, supplementary pension contributions and staff welfare	626	1,451	(1,523)	554
Housing funds	-	413	(413)	-
Labour union and training expenses	62	223	(229)	56
Others	-	135	(135)	-
Total	4,863	10,810	(9,660)	6,013

2012	Balance at beginning of the year	Increase during the year	Payment made during the year	Balance at end of the year
Salaries, bonuses, allowances and subsidies	3,034	6,694	(5,553)	4,175
Including: Deferred bonus accrual (Note)	112	70	(37)	145
Social insurance, supplementary pension contributions and staff welfare	526	1,181	(1,081)	626
Housing funds	-	342	(342)	-
Labour union and training expenses	40	197	(175)	62
Others	-	25	(25)	-
Total	3,600	8,439	(7,176)	4,863

Note:The amount of deferred bonus is determined based on the indicators of profitability, the share price and the capital adequacy ratio of the Company as well as the share prices of certain other domestic listed banks, etc., and will be settled in cash in accordance with the terms of the arrangement.

Notes to the Financial Statements

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(Expressed in millions of Renminbi, unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. Tax payable

	2013-12-31	2012-12-31
Corporate income tax	2,826	1,203
Business tax and surcharges	1,252	965
Others	127	131
Total	4,205	2,299

27. Accounts payable

	2013-12-31	2012-12-31
Payables under factoring	2,024	2,068
Others	125	984
Total	2,149	3,052

28. Interest payable

2013	Balance at beginning of the year	Increase during the year	Payment made during the year	Balance at end of the year
Interest payable for deposits from customers and financial institutions	10,915	50,705	(45,321)	16,299
Interest payable for bonds	611	648	(953)	306
Total	11,526	51,353	(46,274)	16,605

2012	Balance at beginning of the year	Increase during the year	Payment made during the year	Balance at end of the year
Interest payable for deposits from customers and financial institutions	9,305	40,446	(38,836)	10,915
Interest payable for bonds	609	977	(975)	611
Total	9,914	41,423	(39,811)	11,526

29. Bonds payable

	2013-12-31	2012-12-31
Subordinated bonds (Note 1)	**2,989**	10,966
Hybrid capital debt instrument (Note 2)	**5,113**	5,113
Total	**8,102**	16,079

As at 31 December 2013 and 31 December 2012, the Company did not have any defaults of principal, interest or other breaches with respect to the subordinated bonds and the hybrid capital debt instrument.

Note 1: As approved by the PBOC and the CBRC, the Company issued three sets of subordinated bonds with a total amount of RMB8 billion in the inter-bank bond market on 21 March 2008 and 28 October 2008. These subordinated bonds comprise two sets of fixed-rate bonds with notional values of RMB6 billion and RMB1.5 billion respectively; and one set of floating-rate bonds with a notional value of RMB0.5 billion. The term of the bonds is of 10 years with a call option at the end of the fifth year. The coupon rates for the first five years are 6.10% and 5.30% for the two sets of fixed-rate bonds; and 3-month SHIBOR+1.40% for the floating-rate bonds. If the Company does not exercise the call option at the end of the fifth year, both the fixed and floating coupon rates will increase by 3%.

Upon the approval of the PBOC and the CBRC, Former Ping An Bank issued subordinated debts of RMB3 billion through open market bidding during the period from 26 June 2009 to 29 June 2009. The debts are unsecured and have a maturity period of 10 years. Among which, RMB1.15 billion are fixed interest rate debts bearing interest at a rate of 4.4% per annum in the first five years and 7.4% in the remaining years; RMB1.85 billion are floating interest rate debts bearing interest at a rate of one year time deposit interest rate plus 165BP per annum in the first five years and one year time deposit interest rate plus 465BP per annum in the remaining years. Former Ping An Bank has the option to redeem the subordinated debts at the end of the first five years.

The Company exercised the redemption option on 21 March 2013 and 28 October 2013，to redeem the subordinated bonds of RMB8 billion at the par value.

Note 2: As approved by the PBOC and CBRC, the Company issued a fixed-rate hybrid capital debt instrument amounting to RMB1.5 billion in the inter-bank market on 26 May 2009. The debt instrument has 15 years to maturity. The Company has the option to redeem the debt instrument at face value on 26 May 2019. The coupon rate for the first 10 years is 5.70%. If the Company does not exercise this option, the coupon rate will increase by 3% thereafter.

On 29 April 2011, as approved by the PBOC and the CBRC, the Company issued another fixed-rate hybrid capital debt instrument amounting to RMB3.65 billion in the inter-bank market. The debt instrument has 15 years to maturity with an annual interest rate of 7.5%. The Company has the option to redeem the debt instrument at face value on 29 April 2021.

30. Provisions

	2013-12-31	2012-12-31
Balance at beginning of the year	**128**	112
(Reversal)/Charge for the year	**(53)**	37
Amounts paid or released	**(19)**	(21)
Balance at end of the year	**56**	128

(Expressed in millions of Renminbi, unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. Other liabilities

	2013-12-31	2012-12-31
Amounts pending for settlement and clearing	**2,123**	439
Amounts payable for bond redemption as intermediaries	**5**	27
Accrued expenses	**1,215**	604
Amounts payable for acquisition of bonds	**-**	307
Inactive deposit account balances	**103**	99
Dividends payable (Note)	**12**	12
Advanced receipts of rentals and proceeds from disposal of repossessed assets	**28**	15
Amounts payable for custody	**1,764**	204
Deferred revenue	**742**	408
Others	**1,195**	1,015
Total	**7,187**	3,130

Note: As at 31 December 2013 and 31 December 2012, the above-mentioned balance of dividends payable has been outstanding for more than one year as the related shareholders have not collected the dividends.

32. Share capital

As at 31 December 2013, the number of the Company's ordinary shares issued and fully paid was 8,197 million, with a price of RMB 1 Yuan each. The nature and the structure of the share capital are as follows:

	2012-12-31	Percentage	Movement in the year	2013-12-31	Percentage
I.Restricted tradable shares:					
Domestic non-state-owned corporation shares	2,018	39.39%	1,927	**3,945**	**41.43%**
II.Unrestricted tradable shares:					
RMB ordinary shares	3,105	60.61%	2,471	**5,576**	**58.57%**
III.Total shares	5,123	100.00%	4,398	**9,521**	**100.00%**

Restricted tradable shares are shares held by shareholders subject to sale retrsitrictions in accordance with laws, regulations or committments. Restricted tradable shares of the Company mainly include shares non-publicly issued to Ping An Insurance (Group) Company of China, Ltd.

The Company passed its profit appropriation resolution for the year 2012 through the annual general meeting held on 23 May 2013. According to the resolution, the Company distributed 6 shares per 10 shares as share dividends, and RMB 1.7 Yuan per 10 shares (inclusive of tax) as cash dividends based on the total shares of 5,123 million as at 31 December 2012. The total share capital of the Company before and after the aforementioned distribution were 5,123 million and 8,197 million, respectively. The registration date for the distribution was 19 June 2013, the first marketable date of the non-restricted shares resulted from the distribution was 20 June 2013, and the distribution date for the cash dividends was 20 June 2013.

Upon approval of China Securities Regulatory Commission (Zheng Jian Xu Ke [2013]1642), the Company non-publicly issued 1,324 million shares to Ping An Insurance (Group) Company of China, Ltd. on 31 December 2013, with a par value of RMB1 per share and issuance price of RMB11.17 per share. Non-publicly issued shares are subject to sale restrictions for a period of 36 months starting from the shares issue date, and will be marketable on Shenzhen Stock Exchange when the sale restriction period is over. The aforementioned fund was received on 30 December 2013 and has been certified by domestic certificed public accountants.

33. Capital reserve

	2013-12-31	2012-12-31
Share premium (Note)	**54,171**	40,761
Cumulative changes in fair value of available-for-sale financial assets	**(2,463)**	(663)
Share of the changes in owners' equity of an associate	**26**	37
Total	**51,734**	40,135

Note: The Company's non-public offering of ordinary shares is 1,324 million in the year, of which the share premium achieved is RMB 13,410 millon.

34. Surplus reserve

In accordance with the Company Law, the Company is required to appropriate 10% of its profit after tax to its statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, if any, and may also be converted into capital, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital. The Company may also appropriate its profit after tax to the discretionary surplus reserve upon approval of the shareholders in general meetings.

As at 31 December 2013 and 31 December 2012, the amount of the surplus reserve represented the statutory surplus reserve.

35. General reserve

Pursuant to the relevant regulations issued by the MOF, the Company is required to maintain a general reserve within equity, through the appropriation of net profit. As at 31 December 2013, the amount of the general reserve represented 1.2% of the year end balance of the Company's risk assets, and it would be 1.5% of the year end balance of the Company's risk assets by 2016.

36. Retained earnings

Pursuant to a board resolution on 6 March 2014, based on the audited profit for the year as reported in the statutory financial statements for the year ended 31 December 2013, the Company appropriated RMB1,513 million to surplus reserve and RMB2,876 million to general reserve. The aforesaid proposal is pending for approval from the shareholders at the forthcoming annual general meeting.

Pursuant to a board resolution on 7 March 2013, based on the audited profit for the year as reported in the statutory financial statements for the year ended 31 December 2012, the Company appropriated RMB5,678 millon to general reserve. The above proposed appropriation was approved at the shareholders' general meeting on 23 May 2013.

The Company passed its profit appropriation resolution for the year 2012 through the shareholders' general meeting held on 23 May 2013. According to the resolution, the Company has made appropriation of cash dividends of RMB872 million and share dividends of RMB3,074 million to its shareholders.

(Expressed in millions of Renminbi, unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

37. Net interest income

	2013	2012
Interest income:		
Due from the Central Bank	3,315	2,691
Due from financial institutions	19,188	9,703
Of which: Rediscounted bills and reverse repurchase agreements collateralised by bills	5,557	4,002
Loans and advances		
Corporate loans and advances	30,697	29,803
Individual loans and advances	22,537	14,483
Discounted bills	294	594
Interest income on investment securities (excluding financial assets at fair value through profit or loss)	16,276	9,782
Others	229	7,352
Subtotal	92,536	74,408
Interest income on financial assets at fair value through profit or loss	566	206
Total	93,102	74,614
Including:Interest income accrued on impaired financial assets	403	219
Interest expense:		
Due to the Central Bank	32	27
Due to financial institutions	24,457	15,135
Of which: Rediscounted bills and repurchase agreements collateralised by bills	947	91
Customer deposits	27,253	23,121
Bonds payable	672	1,001
Others	-	2,294
Total	52,414	41,578
Net interest income	40,688	33,036

38. Net fee and commission income

	2013	2012
Fee and commission income:		
Bank card fee income	4,996	2,484
Advisory and consulting fee income	1,895	452
Wealth management products related fee income	1,467	654
Settlement fee income	1,220	894
Agency business fee income	728	771
Account management fee income	282	410
Others	1233	785
Subtotal	11,821	6,450
Fee and commission expenses:		
Bank card fee expenses	1,044	511
Agency business fee expenses	223	110
Others	98	107
Subtotal	1,365	728
Net fee and commission income	10,456	5,722

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III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. Investment income

	2013	2012
Gain on disposal of bills	848	396
Share of profits of associates under equity method of accounting	102	43
Net gain on disposal of available-for-sale bond investments	47	143
Share of profits of associates under equity investments	5	5
Net (loss)/gain on disposal of financial assets designated as at fair value through profit or loss	(36)	10
Net realised (loss)/gain on derivative financial instruments (excluding foreign exchange derivative financial instruments)	(46)	11
Net loss on precious metals	(529)	-
Others	(44)	15
Total	347	623

40. Gains or (losses) from changes in fair values

	2013	2012
Derivative financial instruments (excluding foreign exchange derivative financial instruments)	751	(8)
Financial instruments held for trading	(40)	(23)
Others	-	2
Total	711	(29)

41. Net foreign exchange difference

	2013	2012
Gain/(loss) from changes in fair values of foreign exchange derivative financial instruments	(283)	(56)
Others	120	299
Total	(163)	243

42. Other operating income

	2013	2012
Rental income	71	77
Others	79	77
Total	150	154

43. Business tax and surcharge

	2013	2012
Business tax	3,604	3,027
City maintenance and construction tax	252	211
Education surcharge	180	150
Others	29	24
Total	4,065	3,412

44. Business and administrative expenses

	2013	2012
Staff expenses:		
Salaries, bonuses, allowances and subsidies	8,588	6,694
Social insurance, supplementary pension contributions and staff welfare	1,451	1,181
Housing funds	413	342
Labor union and training expenses	223	197
Others	135	25
Subtotal	10,810	8,439
Depreciation, amortisation and rental expenses:		
Depreciation of fixed assets	590	532
Amortisation of leasehold improvements	259	202
Amortisation of intangible assets	545	502
Rental expenses	1,465	1,185
Subtotal	2,859	2,421
General business and administrative expenses	7,610	4,804
Total	21,279	15,664

(Expressed in millions of Renminbi, unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

45. Impairment losses on assets

	2013	2012
Charge/(reversal) of impairment losses on:		
-Loans and advances	6,675	3,037
-Deposits with banks and other financial institutions	10	-
-Repossessed assets	7	4
-Held-to-maturity investments	(4)	-
Other assets	202	89
Total	6,890	3,130

46. Income tax expense

	2013	2012
Current tax:		
Charge for the year	6,475	4,402
Adjustments in respect of current income tax for prior years	(50)	1
Subtotal	6,425	4,403
Deferred income tax	(1,616)	(363)
Total	4,809	4,040

The reconciliation of income tax expense applicable to profit before tax at the statutory tax rate to income tax expense at the Company's effective income tax rate is as follows:

	2013	2012
Profit before tax	20,040	17,552
Income tax at the statutory rate of 25%	5,010	4,388
Adjustments in respect of current income tax for prior years	(50)	(6)
Non-taxable income	(316)	(204)
Non-deductible expenses and other adjustments	165	(138)
Income tax expense	4,809	4,040

47. Earnings per share

The Company's basic earnings per share amount is calculated as follows:

	2013	2012 (Restated)
Net profit attributable to ordinary shareholders of the parent company	15,231	13,403
Weighted average number of ordinary shares outstanding (in millons)	8,197	8,197
Basic earnings per share (RMB Yuan)	1.86	1.64

The Company has no potentially dilutive ordinary shares in issue in this year.

48. Other comprehensive income

	2013	2012
(i)Net gain or loss on changes in fair values of available -for-sale financial assets	(2,479)	(996)
Less: Income tax effect	629	244
Net gain or loss previously recognised in other comprehensive income transferred to profit or loss during the year	67	(128)
Less: Income tax effect	(17)	32
Subtotal	(1,800)	(848)
(ii)Share of other comprehensive income of associates under equity investments	(11)	(42)
Less:income tax effect	-	-
Subtotal	(11)	(42)
Total	(1,811)	(890)

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III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

49. Cash and cash equivalents

	2013-12-31	2012-12-31
Cash on hand	3,731	3,233
Cash equivalents:		
Within three months before the original maturity date		
-Deposits with banks and other financial institutions	48,826	50,890
-Placements with banks and other financial institutions	22,287	23,777
-Reverse repurchase agreements	76,575	38,711
Unrestricted balance with the Central Bank	26,652	55,152
Bond investments (with maturity of less than three months when acquired)	3,033	304
Subtotal	177,373	168,834
Total	181,104	172,067

50. Cash receipts relating to other operating activities

	2013	2012
Collection of amounts already written off	340	385
Cash receipts from disposal of repossessed assets	67	78
Others	1,659	1,884
Total	2,066	2,347

51. Cash payments relating to other operating activities

	2013	2012
Precious metal	19,514	2,471
Financial instruments held for trading	3,137	1,339
Amounts pending for settlement and clearing	-	3,755
Administrative expenses such as marketing and public relation expenses, rental expenses and others	3,437	4,145
Total	26,088	11,710

IV. OPERATING SEGMENT INFORMATION

For management purposes, the Company is organised into operating segments based on the internal organisation structure, management requirements and internal reporting. The Company operates through both the business management and the district management. From a business perspective, the Company provides financial services through four segments, including corporate banking, retail banking, interbank business and other. From a district perspective, the Company carries out business activities mainly in five districts, including East Distirct, South Distirct, West Distirct, North Distirct and the Head Office.

The Company's reportable segments are as follows:

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations and government agencies. The products and services include corporate loans, deposit-taking activities, trade financing, corporate wealth management services and various types of corporate intermediary services.

Retail banking

The personal banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans, deposit-taking activities, bank card business, personal wealth management services and various types of personal intermediary services.

Interbank business

The interbank business segment covers interbank and money market activities conducted by the branches and the Treasury Trading Centre of the Company. This segment mainly aims to earn profits through funding activities from the interbank markets.

Other

This category consists of participation in bond investments and partial money market activities conducted by the head office of the Company for the purpose of liquidity management. It also includes central management of non-performing assets, equity investments as well as assets, liabilities, income and expenses that are not directly attributable to individual segments.

Management monitors the operating results of the Company's business units separately for the purpose of making decisions about resources allocations and performance assessment. Segment assets and liabilities, and segment revenues and profit are calculated according to the accounting policies of the Company. Income taxes are managed on a company basis and are not allocated to operating segments. Interest income is reported net since the majority of the segments' revenues are from interest. Management primarily relies on net interest revenue, not the gross revenue and expense amounts.

Transactions between segments mainly represent transfer of funding to or from individual operating segments. These transactions are conducted on terms determined with reference to the market funding cost for different maturity dates and have been reflected in the performance of each segment. Net interest income and expense arising on internal charges are referred to as —internal net interest income/expense‖. S uch transfer prices between operating segments are internally eliminated when the operating results of individual segments are aggregated. Furthermore, interest income and expense relating to third parties are referred to as —external net interest income/expense‖ and the aggregate amount of the external net interest income/expense of the operating segments is the same as the net interest income in the income statement.

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Company has implemented a full internal transfer pricing strategy. The transfer prices among segments are calculated based on the maturity date of each transaction within a single account (contract) for the enhancement of the asset and liability structure, appropriateness of product pricing and the right level of comprehensive performance assessment.

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IV. OPERATING SEGMENT INFORMATION (continued)

	Corporate banking	Retail banking	Interbank business	Other	Total
2013					
Net interest income	24,086	11,486	6,093	(977)	40,688
Net non-interest income (Note 1)	4,604	4,552	2,708	(363)	11,501
Of which: Share of profits of associates	-	-	-	102	102
Operating income	28,690	16,038	8,801	(1,340)	52,189
Operating costs (Note 2)	(12,099)	(11,892)	(1,096)	(257)	(25,344)
Of which: Depreciation, amortisation and rental expenses	(1,304)	(1,416)	(134)	(5)	(2,859)
Impairment losses on assets	(4,439)	(2,124)	(10)	(317)	(6,890)
Net non-operating income	-	1	-	84	85
Segment profit	12,152	2,023	7,695	(1,830)	20,040
Income tax expense					(4,809)
Profit for the year					15,231
2013-12-31					
Total assets	497,681	331,291	577,472	485,297	1,891,741
Total liabilities	950,491	217,734	462,528	148,907	1,779,660

Note 1: Included net fee and commission income, investment income, gains or losses from changes in fair values, net foreign exchange differences and other operating income.

Note 2: Included business tax and surcharge, and general and administrative expenses.

	Corporate banking	Retail banking	Interbank business	Other	Total
2012					
Net interest income	22,332	8,404	3,972	(1,672)	33,036
Net non-interest income (Note 1)	2,658	2,616	1,337	102	6,713
Of which: Share of profits of associates	-	-	-	43	43
Operating income	24,990	11,020	5,309	(1,570)	39,749
Operating costs (Note 2)	(10,130)	(8,267)	(567)	(112)	(19,076)
Of which: Depreciation, amortisation and rental expenses	(1,155)	(1,199)	(59)	(8)	(2,421)
Impairment losses on assets	(1,774)	(1,384)	-	28	(3,130)
Net non-operating income	13	1	-	(5)	9
Segment profit	13,099	1,370	4,742	(1,659)	17,552
Income tax expense					(4,040)
Profit for the year					13,512
2012-12-31					
Total assets	487,466	230,194	433,110	455,767	1,606,537
Total liabilities	788,910	183,779	369,644	179,405	1,521,738

Note 1: Included net fee and commission income, investment income, gains or losses from changes in fair values, net foreign exchange differences and other operating income.

Note 2: Included business tax and surcharge, and general and administrative expenses.

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IV. OPERATING SEGMENT INFORMATION (continued)

Details of the geographical regions:

Eastern District: Shanghai, Wenzhou, Hangzhou, Ningbo, Nanjing, Wuxi, Fuzhou, Quanzhou, Xiamen, Yiwu, Changzhou, Taizhou, Zhangzhou, Suzhou

Southern District: Shenzhen, Guangzhou, Foshan, Zhuhai, Dongguan, Huizhou, Zhongshan

Western District: Wuhan, Chongqing, Chengdu, Haikou, Kunming, Jingzhou, Honghe, Leshan, Xiangyang

Northern District: Beijing, Dalian, Tianjin, Qingdao, Jinan, Zhengzhou, Xi'an, Linyi

Head office: The departments of head office (including credit card department and offshore department)

The management reviews and monitors the operating result of the aforementioned segments to allocate the segments' resources and assess the performance. Figures, like revenue, cost and expenses as well as profit are highly relied on when performing the segments' monitor.

2013	East District	South District	West District	North District	Head Office	Total
Net interest income	12,627	13,036	4,899	7,784	2,342	40,688
Net non-interest income	1,223	1,912	726	1,256	6,384	11,501
of which: Share of profits of associates	-	-	-	-	102	102
Operating income	13,850	14,948	5,625	9,040	8,726	52,189
Operating costs	(5,809)	(5,930)	(2,176)	(3,436)	(7,993)	(25,344)
of which: depreciation, amortization and Rental costs	(694)	(673)	(227)	(379)	(886)	(2,859)
Impairment losses on assets	(2,891)	(249)	(67)	(252)	(3,431)	(6,890)
Net non-operating (expenses)/income	(7)	47	11	33	1	85
Segment profit/(loss)	5,143	8,816	3,393	5,385	(2,697)	20,040
Income tax expense						(4,809)
Net profit						15,231

2013-12-31	East District	South District	West District	North District	Head Office	Offset	Total
Total assets	473,315	578,832	205,676	393,031	747,704	(506,817)	1,891,741
Total liabilities	468,173	569,997	202,283	387,647	658,377	(506,817)	1,779,660

2012	East District	South District	West District	North District	Head Office	Total
Net interest income	10,687	6,272	2,724	4,097	9,256	33,036
Net non-interest income	1,044	1,498	274	705	3,192	6,713
of which: Share of profits of associates	-	-	-	-	43	43
Operating income	11,731	7,770	2,998	4,802	12,448	39,749
Operating costs	(4,516)	(4,780)	(1,179)	(2,430)	(6,171)	(19,076)
of which: depreciation, amortization and Rental costs	(561)	(607)	(153)	(279)	(821)	(2,421)
Impairment losses on assets	(1,743)	(778)	(145)	(372)	(92)	(3,130)
Net non-operating (expenses)/income	5	12	3	(24)	13	9
Segment profit/(loss)	5,477	2,224	1,677	1,976	6,198	17,552
Income tax expense						(4,040)
Net profit						13,512

2012-12-31	East District	South District	West District	North District	Head Office	Offset	Total
Total assets	410,995	534,267	129,220	291,270	620,777	(379,992)	1,606,537
Total liabilities	405,519	532,027	127,543	289,294	547,347	(379,992)	1,521,738

Information about a major customer

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Company's total revenue for the year of 2013 and 2012.

(Expressed in millions of Renminbi, unless otherwise stated)

V. COMMITMENTS AND CONTINGENT LIABILITIES

1. Capital commitments

	2013-12-31	2012-12-31
Contracted, but not provided for	708	32
Authorised, but not contracted for	71	74
Total	779	106

2. Operating lease commitments

The Company has entered into commercial leases on certain premises and equipment. At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases were as follows:

	2013-12-31	2012-12-31
Within one year, inclusive	1,516	979
One to two years, inclusive	1,362	832
Two to three years, inclusive	1,238	720
More than three years	3,453	2,194
Total	7,569	4,725

3. Credit commitments

	2013-12-31	2012-12-31
Bank acceptances	359,583	315,436
Letters of credit issued	49,288	19,071
Guarantees issued	39,472	25,958
Subtotal	448,343	360,465
Unused limit of credit cards and undrawn irrevocable loan commitments	52,839	50,506
Total	501,182	410,971
Credit risk weighted amounts of credit commitments	181,995	171,952

Financial guarantee contracts commit the Company to make payments on behalf of customers upon the failure of the customers to perform the terms of the contracts.

As at 31 December 2013, revocable loan commitments granted by the Company amounted to RMB18,554 million (31 December 2012: RMB13,830 million). Since these commitments were revocable under certain conditions or automatically revoked when the creditability of the borrower deteriorated, the total contract amounts do not necessarily represent future cash requirements.

4. Fiduciary transactions

	2013-12-31	2012-12-31
Entrusted deposits	**95,246**	27,538
Entrusted loans	**95,246**	27,538
Entrusted funding	**123,140**	83,196
Entrusted investments	**123,140**	83,196

Entrusted deposits represent funds that depositors have instructed the Company to use to make loans to third parties as designated by them. The credit risk remains with the depositors.

Entrusted funding and entrusted investments represent the investment and asset management services provided by the Company to third parties in accordance with the agreed investment plans. The third parties provide funding for the related investments. Income from such investment activities is collected on behalf of and paid to the third parties according to the relevant contractual terms.

5. Contingent liabilities

5.1 Legal proceedings

As at 31 December 2013, the total claimed amount of the litigation cases of which the Company was the defendant was RMB388 million (31 December 2012: RMB463 million). These litigation cases are under legal proceedings. In the opinion of management, the Company has made adequate allowance for any probable losses based on the prevailing facts and circumstances.

5.2 Redemption and underwriting commitments of voucher-type government bonds and savings bonds (electronic)

As an underwriting agent of the MOF, the Company underwrites PRC voucher-type government bonds and savings bonds (electronic) and sells the bonds to the general public. The Company is obliged to redeem the bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the notional value of the bonds plus any interest accrued up to the redemption date. As at 31 December 2013, the Company has sold voucher-type government bonds and savings bonds (electronic) with accumulated amounts of RMB1,926 million (31 December 2012: RMB2,203 million) and RMB2,326 million (31 December 2012: RMB1,335 million) respectively, to the general public that the Company has the obligation of early redemption.

The MOF will not provide funding for the early redemption of these government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

As at 31 December 2013 and 31 December 2012, there was no unexpired underwriting commitment of the government bonds.

(Expressed in millions of Renminbi, unless otherwise stated)

VI. CAPITAL MANAGEMENT

The primary objectives of the Company's capital management are to support the continuous growth in business, to ensure that the Company complies with regulatory capital requirements and to maximise shareholders' value. The Company regularly reviews its capital positions and implementation of related capital management strategy and to support the achievements of medium and long term business objectives through active capital management, so as to unceasingly improve the use efficiency of capital. The required information of capital adequacy is filed with the CBRC by the Company on a quarterly basis.

The risk-weighted assets are measured according to the nature of individual assets and counterparty, reflecting an estimate of related credit, market and other risks after taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposures, with adjustments made to reflect the contingent nature of any potential losses.

Starting from this reporting period, the Company measuresthe capital adequacy ratio in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the CBRC. According to the requirements, credit risk weighted assets are measured usingweighted method, market risk weighted assets are measured usingstandard method, and operational risk weighted assets are measured using basic indicator method.

As the Company began to use the aforementioned new rules to measure the capital adequancy ratio, relevant changes have been introduced, which included incorporating operational risks into the scope, making adjustments on certain aspects such as the definition of capital, risk weights of on and off balance sheet assets, and conversion parameters of off-balance sheet assets' credit risk. Such changes have resulted in corresponding effects on the Company's capital adequacy ratio.

As at 31 December 2013, the Company's core Tier 1 capital adequacy ratio, Tier 1 capital adequacy ratio and capital adequacy ratio are shown below:

	2013-12-31
Core Tier 1 capital adequacy ratio	**8.56%**
Tier 1 capital adequacy ratio	**8.56%**
Capital adequacy ratio	**9.90%**

As at 31 December 2013, the core capital adequacy ratio and capital adequacy ratio, calculated according to "Measures for the Management of Capital Adequacy Ratios of Commercial Banks" issued by the CBRC in July 2007 and other related regulations, were 9.41% (31 December 2012: 8.59%) and 11.04% (31 December 2012: 11.37%) respectively.

VII. RISK DISCLOSURE

1. Credit risk

Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. The Company's credit risk mainly arises from the loans and advances to customers, financial guarantees and loan commitments.

The Company has established a credit policy committee under uniform management and a credit approval supervisory team, and expanded the functions of the regional credit management departments so as to fully perform the management and supervision on asset quality. The Company has also established the system of regular monthly credit meetings to review any management conditions and issues arising from the bank-wide credit operation, portfolio management and control on non-performing loans, etc., as well as to supervise the effective implementation of various risk management and control measures.

The Company has formulated a complete set of credit management processes and internal control mechanisms, so as to carry out whole process management of credit business. Credit management procedures for its corporate and retail loans comprise the processes of credit origination, credit review, credit approval, disbursement, post-disbursement monitoring and collection. In addition, the Company has formulated the "Policies of Credit Underwriting", which have defined the functions and responsibilities of different credit operational processes, and have enhanced the monitoring of the related compliance for improving the overall effective control of credit risk.

The Company also further enhanced its credit risk monitoring and early warning management system in order to improve its credit risk monitoring. The Company actively responds to the change of the credit environment by conducting regular analysis on credit risk situations and matters and taking precautionary risk control measures with a forward-looking vision. The Company has also set up a problematic loan optimisation mechanism to speed up the problematic loan optimisation process and to prevent them from deteriorating to non-performing loans.

The Company sub-divides credit asset risks into 10 categories based on the five-tier loan classification system promulgated by the CBRC, namely, Pass One, Pass Two, Pass Three, Pass Four, Pass Five, Special Mention One, Special Mention Two, Substandard, Doubtful and Loss. Furthermore, a separate "Write-off" category has been added to the classification system. The Company applies different management policies to the loans in accordance with their respective loan categories.

Risks arising from financial guarantees and loan commitments are similar to those associated with loans and advances. Transactions of financial guarantees and loan commitments are, therefore, subject to the same portfolio management and the same requirements for application and collateral as loans and advances to customers.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

	2013-12-31	2012-12-31
Due from the Central Bank	226,193	216,114
Deposits with banks and other financial institutions	71,914	94,295
Placements with banks and other financial institutions	27,241	65,426
Financial assets at fair value through profit or loss	10,421	4,238
Derivative financial assets	3,397	967
Reverse repurchase agreements	271,692	186,473
Loans and advances	832,127	708,262
Available-for-sale financial assets (excluding equity investments)	396	89,859
Held-to-maturity investments	195,667	103,124
Receivables	184,656	90,838
Other assets	18,173	19,319
Total	1,841,877	1,578,915
Credit commitments	501,182	410,971
Maximum exposure to credit risk	2,343,059	1,989,886

VII. RISK DISCLOSURE (continued)

1. Credit risk (continued)

Risk concentration of the maximum exposure to credit risk

Credit risk is often greater when counterparties are concentrated in a single industry or geographic location or have comparable economic characteristics.

The majority of the loans and financial guarantee contracts of the Company are related to the local customers within Mainland China. However, different areas in Mainland China have their own unique characteristics in terms of economic development. Therefore, each area in Mainland China could present different credit risks.

Please refer to Note III.9 for an analysis of concentration of loans and advances by industry and geographical region.

Collateral and other credit enhancements

The amount and type of collateral required are determined by the Company based on its assessment of the credit risk of the counterparty. The Company has implemented guidelines regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For reverse repurchase transactions, mainly bills, beneficial right of trust, or securities
- For commercial lending, mainly charges over real estate properties, inventories, shares or trade receivables
- For retail lending, mainly mortgages over residential properties

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the provision for impairment losses.

Credit quality

The credit quality by class of financial assets (gross amount before deducting any impairment provision) of the Company is analysed as follows:

2013-12-31	Neither past due nor impaired	Past due but not impaired	Impaired (Note)	Total
Deposits with banks and other financial institutions	71,933	-	32	71,965
Placements with banks and other financial institutions	27,238	-	26	27,264
Financial assets at fair value through profit or loss	10,421	-	-	10,421
Reverse repurchase agreements	271,684	-	43	271,727
Accounts receivable	7,058	-	-	7,058
Loans and advances	820,710	19,038	7,541	847,289
Available-for-sale financial assets (excluding equity investments)	396	-	36	432
Held-to-maturity investments	195,668	-	-	195,668
Receivables	184,656	-	-	184,656
Total	1,589,764	19,038	7,678	1,616,480

2012-12-31	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Deposits with banks and other financial institutions	94,304	-	32	94,336
Placements with banks and other financial institutions	65,423	-	27	65,450
Financial assets at fair value through profit or loss	4,238	-	-	4,238
Reverse repurchase agreements	186,461	-	47	186,508
Accounts receivable	8,364	-	-	8,364
Loans and advances	703,272	10,311	7,197	720,780
Available-for-sale financial assets (excluding equity investments)	89,859	-	37	89,896
Held-to-maturity investments	103,129	-	-	103,129
Receivables	90,838	-	-	90,838
Total	1,345,888	10,311	7,340	1,363,539

Note: Impaired corporate loans comprise loans and advances graded at the last three tiers (i.e., "Substandard", "Doubtful" or "Loss") under the five-tier loan classification system maintained by the Company. Impaired personal loans comprise "Pass" or "Special Mention" loans overdue more than 90 days as well as loans graded at the last three tiers. As at 31 December 2013, impaired loans and advances comprise overdue loans of RMB7,472 million (31 December 2012: RMB7,083 million) and non-overdue loans of RMB69 million (31 December 2012: RMB114 million).

(Expressed in millions of Renminbi, unless otherwise stated)

VII. RISK DISCLOSURE (continued)

1. Credit risk (continued)

Neither past due nor impaired loans and advances

At the balance sheet date, the aggregate amounts of neither past due nor impaired loans and advances to customers are "Pass" and "Special Mention" loans graded in accordance with the five-tier loan classification.

	2013-12-31	2012-12-31
Pass	818,119	701,392
Special Mention	2,591	1,880
Total	820,710	703,272

Past due but not impaired loans and advances

At the balance sheet date, an aging analysis of the past due but not yet impaired loans and advances was as follows:

	2013-12-31					
	Within 1 month	1 to 2 months	2 to 3 months	More than 3 months	Total	Fair value ofcollateral
Corporate loans and advances	2,790	1,571	980	9,315	14,656	9,928
Personal loans	2,799	841	531	211	4,382	4,716
Total	5,589	2,412	1,511	9,526	19,038	14,644

	2012-12-31					
	Within 1 month	1 to 2 months	2 to 3 months	More than 3 months	Total	Fair value ofcollateral
Corporate loans and advances	2,199	787	628	2,777	6,391	4,124
Personal loans	3,208	471	241	-	3,920	7,329
Total	5,407	1,258	869	2,777	10,311	11,453

Impaired loans and advances

Impaired loans and advances are defined as those loans and advances having objective evidence of impairment as a result of one or more events that occurred after initial recognition, resulting in an impact on the estimated future cash flows of loans and advances that can be reliably estimated. Evidence of impairment may include indications that the borrower or a company of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and the situation where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The fair value of the collateral that the Company holds relating to corporate loans and advances individually determined to be impaired at 31 December 2013 amounted to RMB3,807 million (31 December 2012: RMB2.249 million).

As at 31 December 2013, the carrying amount of loans and advances that would otherwise be past due or impaired and whose terms have been renegotiated is RMB1,984 million (31 December 2012: RMB676 million).

Impaired amounts due from other financial institutions

Impaired amounts due from other financial institutions are all determined based on individual assessments. In determining whether an item is impaired, the Company considers the evidence of any loss events and the decreases in estimated future cash flows. No collateral was held by the Company as security of the impaired amounts due from other financial institutions.

2. Liquidity risk

Liquidity risk refers to the risk that a commercial bank cannot satisfy the needs of business development, and pay off debts and other obligations with reasonable costs or with sufficient fund in a timely manner. The Company has built a complete liquidity risk management system putting in use multiple management methods, aiming to effectively identify, measure, monitor, and control liquidity risks and keep sufficient liquidity to satisfy various fund demands and deal with adverse market situations. To effectively monitor and control liquidity risks, the Company pays great attention to diversity of fund source and fund application, and has been keeping a relatively high proportion of current assets. The Company monitors fund source and application, the loan and deposit size as well as quick ratio on a daily basis. Meanwhile, the Company, in applying multiple liquidity risk management indicators, incorporates the forecast results into stress test to assess the future liquidity risk level, and proposes corresponding solutions in light of special circumstances.

(Expressed in millions of Renminbi, unless otherwise stated)

VII. RISK DISCLOSURE (continued)

2. Liquidity risk (continued)

As at 31 December 2013, the remaining contractual maturity analysis of the Company's financial assets and financial liabilities (based on contractual undiscounted cash flows) was as follows:

	2013-12-31							
	Overdue/ on demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
Non-derivative cash flows:								
Financial assets:								
Cash on hand and due from the Central Bank	23,216	-	-	-	-	-	206,713	229,929
Amounts due from other financial institutions (1)	27,775	102,636	77,723	81,242	98,910	-	-	388,286
Financial assets at fair value through profit or loss	-	360	4,337	5,361	660	-	-	10,718
Accounts receivable	74	110	2,182	2,161	3,170	-	-	7,697
Loans and advances	9,755	89,212	138,888	331,846	249,473	140,780	-	959,954
Available-for-sale financial assets	-	-	48	181	157	68	81	535
Held-to-maturity investments	-	1,444	4,553	19,082	137,968	63,031	-	226,078
Receivables	1,551	28,111	52,683	80,067	30,454	-	-	192,866
Long term equity investments	-	-	-	-	-	-	596	596
Other financial assets	760	124	160	-	-	28	-	1,072
Total financial assets	63,131	221,997	280,574	519,940	520,792	203,907	207,390	2,017,731
Financial liabilities:								
Due to the Central Bank	-	586	785	903	-	-	-	2,274
Amounts due to other financial institutions (2)	30,426	155,783	128,192	192,065	18,072	-	-	524,538
Financial liabilities at fair value through profit or loss	-	1,864	1,828	-	-	-	-	3,692
Accounts payable	13	55	296	180	1,913	-	-	2,457
Customer deposits	519,676	124,604	149,017	282,499	186,201	75	-	1,262,072
Bonds payable	-	-	-	3,410	1,437	6,028	-	10,875
Other financial liabilities	5,130	100	-	1,215	-	-	-	6,445
Total financial liabilities	555,245	282,992	280,118	480,272	207,623	6,103	-	1,812,353
Derivative cash flows:								
Derivative financial instruments settled on a net basis	-	27	60	231	483	-	-	801
Derivative financial instruments settled on a gross basis								
Of which: Cash inflow	-	73,701	113,919	278,358	2,800	-	-	468,778
Cash outflow	-	(73,771)	(113,632)	(267,511)	(2,287)	-	-	(457,201)
	-	(70)	287	10,847	513	-	-	11,577

(1) Amounts due from other financial institutions included financial assets of deposits with banks and other financial institutions, placements with banks and other financial institutions and reverse repurchase agreements.

(2) Amounts due to other financial institutions included financial liabilities of deposits from banks and other financial institutions, placements from banks and other financial institutions and repurchase agreements.

As at 31 December 2012, the remaining contractual maturity analysis of the Company's financial assets and financial liabilities (based on contractual undiscounted cash flows) was as follows:

	2012-12-31							
	Overdue/ on demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
Non-derivative cash flows:								
Financial assets:								
Cash on hand and due from the Central Bank	58,470	-	-	-	-	-	160,962	219,432
Amounts due from other financial institutions (1)	17,108	96,700	49,531	145,299	50,667	-	-	359,305
Financial assets at fair value through profit or loss	-	265	475	1,896	1,840	95	-	4,571
Accounts receivable	2,013	871	1,090	3,747	864	-	-	8,585
Loans and advances	7,920	59,937	125,560	319,558	162,399	129,877	-	805,251
Available-for-sale financial assets	-	407	1,918	12,354	59,477	33,570	37	107,763
Held-to-maturity investments	-	204	1,571	22,118	66,196	28,359	-	118,448
Receivables	-	5,025	7,711	62,121	21,034	-	-	95,891
Long term equity investments	-	-	-	-	-	-	522	522
Other financial assets	40	472	498	-	-	12	-	1,022
Total financial assets	85,551	163,881	188,354	567,093	362,477	191,913	161,521	1,720,790
Financial liabilities:								
Due to the Central Bank	-	15,544	330	333	-	-	-	16,207
Amounts due to other financial institutions (2)	24,262	124,066	133,401	162,259	2,402	-	-	446,390
Financial liabilities at fair value through profit or loss	-	134	1,588	-	-	-	-	1,722
Accounts payable	5	2,226	548	245	42	-	-	3,066
Customer deposits	455,371	122,549	131,195	209,302	121,004	13,596	-	1,053,017
Bonds payable	-	-	6,873	2,078	4,571	6,383	-	19,905
Other financial liabilities	1,826	307	-	604	-	-	-	2,737
Total financial liabilities	481,464	264,826	273,935	374,821	128,019	19,979	-	1,543,044
Derivative cash flows:								
Derivative financial instruments settled on a net basis	-	5	2	(4)	(33)	-	-	40
Derivative financial instruments settled on a gross basis								
Of which: Cash inflow	-	31,916	52,069	66,546	2,573	-	-	153,104
Cash outflow	-	(31,894)	(52,047)	(66,571)	(2,569)	-	-	(153,081)
	-	22	22	(25)	4	-	-	23

(1) Amounts due from other financial institutions included financial assets of deposits with banks and other financial institutions, placements with banks and other financial institutions and reverse repurchase agreements.

(2) Amounts due to other financial institutions included financial liabilities of deposits from banks and other financial institutions, placements from banks and other financial institutions and repurchase agreements.

Notes to the Financial Statements

31 December 2013
(Expressed in millions of Renminbi, unless otherwise stated)

VII. RISK DISCLOSURE (continued)

2. Liquidity risk (continued)

Analysis of credit commitments by contractual expiry date:

	Repayable on demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
2013-12-31								
Credit commitments	**32,441**	**86,447**	**143,933**	**179,616**	**54,901**	**3,844**	**-**	**501,182**
2012-12-31								
Credit commitments	63,996	61,551	115,083	161,166	9,175	-	-	410,971

Management expects that not all of the commitments will be drawn before expiry of the commitments.

3. Market risk

The principal market risk faced by the Company comes from interest rates and the position of exchange rate products. The target of market risk management is to avoid uncontrollable loss of revenue or equity caused by market risk, and to offset the impact of volatility risk of financial instruments on the Company. The Board of Directors of the Company is responsible for approving policies of market risk management, and authorizes the Risk Management Committee to specifically approve the credit limit on market risk for capital investment business, while conducting regular supervision on market risks. The specialised department under the Risk Management Committee undertakes regular functions of market risk monitoring, including determining a reasonable level of market risk exposure, monitoring daily operation of treasury business, giving advice to adjust maturity structure and interest rate structure of assets and liabilities.

Transaction account interest rate risk comes from the change in interest rates and product price of the transaction account resulting from the change in market interest rates, which in turn affects the profit or loss of the Company for the year. The Company mainly manages the transaction account interest rate risk by adopting measures such as the interest rate sensitive limit and daily and monthly stop-loss limit to ensure that the fluctuations of interest rate and market value of products are within the affordable scope of the Company.

Bank account interest rate risk comes from the mismatch of the maturity date or contract re-pricing date between interest-earning assets and interest-bearing liabilities. Interest-earning assets and interest-bearing liabilities of the Company are primarily priced in RMB. The Company manages interest rate risk primarily by adjusting the asset/liability pricing structure, regularly monitoring sensitive gaps of interest rate, analysing characteristics of asset/liability re-pricing, and using an asset/liability management system to conduct scenario analysis on interest risk. The Company regularly convenes the Asset and Liability Management Committee meetings to adjust the asset/liability structure timely and appropriately and manage interest rate risk by predicting future macro-economic trends and analysing base rate policies of the Peoples' Bank of China.

In the opinion of management, as the market risk of the Company's trading business activities is not material, the Company has not separately disclosed quantitative information about exposure to market risk arising from the trading portfolio.

3.1. Currency risk

The Company's foreign exchange risk exposure mainly comprises exposures from the mismatch of foreign currency assets and liabilities, and off-balance sheet foreign exchange position arising from derivative transactions. The currency risk of the Company mainly arises from loans and advances, investments and deposits denominated in foreign currencies. The Company has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

As at 31 December 2013, the Company's foreign currency assets and liabilities analysed by currency were as follows:

	2013-12-31			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets				
Cash on hand and due from the Central Bank	4,005	284	48	4,337
Amounts due from other financial institutions (1)	9,527	1,608	1,983	13,118
Financial assets at fair value through profit or loss and derivative financial assets	14	-	-	14
Loans and advances	66,919	3,452	229	70,600
Available-for-sale financial assets	37	-	-	37
Held-to-maturity investments	473	-	-	473
Others	456	11	-	467
Total assets	81,431	5,355	2,260	89,046
Liabilities				
Amounts due to other financial institutions (2)	23,996	49	13,749	37,794
Financial liabilities at fair value through profit or loss and derivative financial liabilities	3,705	-	-	3,705
Customer deposits	90,775	5,699	2,374	98,848
Others	771	34	69	874
Total liabilities	119,247	5,782	16,192	141,221
Net position of foreign currency (3)	(37,816)	(427)	(13,932)	(52,175)
Notional amount of foreign exchange derivative financial instruments	35,076	396	13,868	49,340
Total	(2,740)	(31)	(64)	(2,835)
Off-balance sheet credit commitments	20,165	410	680	21,255

(1) Amounts due from other financial institutions included financial assets of deposits with banks and other financial institutions, placements with banks and other financial institutions and reverse repurchase agreements.

(2) Amounts due to other financial institutions included financial liabilities of deposits from banks and other financial institutions, placements from banks and other financial institutions and repurchase agreements.

(3) The net position of foreign currency comprised the related net position of monetary assets and liabilities.

(Expressed in millions of Renminbi, unless otherwise stated)

VII. RISK DISCLOSURE (continued)

3. Market risk (continued)

3.1. Currency risk(continued)

As at 31 December 2012, the Company's foreign currency assets and liabilities analysed by currency were as follows:

	2012-12-31			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets				
Cash on hand and due from the Central Bank	2,926	517	18	3,461
Amounts due from other financial institutions (1)	26,195	2,173	3,430	31,798
Financial assets at fair value through profit or loss and derivative financial assets	78	-	-	78
Accounts receivable	15	-	-	15
Loans and advances	40,708	1,611	141	42,460
Available-for-sale financial assets	38	-	-	38
Held-to-maturity investments	569	-	-	569
Others	848	2	1,758	2,608
Total assets	71,377	4,303	5,347	81,027
Liabilities				
Amounts due to other financial institutions (2)	16,319	118	-	16,437
Financial liabilities at fair value through profit or loss and derivative financial liabilities	18	-	1,722	1,740
Customer deposits	52,799	5,602	4,173	62,574
Accounts payable	7	-	-	7
Others	783	34	74	891
Total liabilities	69,926	5,754	5,969	81,649
Net position of foreign currency (3)	1,451	(1,451)	(622)	(622)
Notional amount of foreign exchange derivative financial instruments	547	1,382	560	2,489
Total	1,998	(69)	(62)	1,867
Off-balance sheet credit commitments	12,745	143	705	13,593

(1) Amounts due from other financial institutions included financial assets of deposits with banks and other financial institutions, placements with banks and other financial institutions and reverse repurchase agreements.

(2) Amounts due to other financial institutions included financial liabilities of deposits from banks and other financial institutions, placements from banks and other financial institutions and repurchase agreements.

(3) The net position of foreign currency comprised the related net position of monetary assets and liabilities.

3. Market risk (continued)

3.1. Currency risk (continued)

The table below indicates the sensitivity analysis of exchange rate changes of the currencies to which the Company had significant exposure on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement in the exchange rates against the RMB, with all other variables held constant on profit before tax. A negative amount in the table reflects a potential net reduction in profit before tax, while a positive amount reflects a net potential increase. As the Company has no cash flow hedges and has only a minimal amount of available-for-sale equity instruments denominated in foreign currencies, changes in exchange rates do not have any material potential impact on equity.

2013-12-31

Currency	**Change in exchange rate in %**	**Effect on profit before tax(RMB equivalent)**
USD	**+/-5%**	**-/+137**
HKD	**+/-5%**	**-/+2**

2012-12-31

Currency	Change in exchange rate in %	Effect on profit before tax(RMB equivalent)
USD	+/-5%	+/-100
HKD	+/-5%	-/+3

3.2. Interest rate risk

The Company's interest rate risk mainly arises from the mismatch of contractual maturity or re-pricing dates between interest-earning assets and interest-bearing liabilities. The interest-earning assets and interest-bearing liabilities of the Company are mainly denominated in RMB. The PBOC sets a cap and a floor on interest rates on deposits and loans, respectively.

The Company manages its interest rate risk by adjusting the composition of assets and liabilities, monitoring indicators such as the interest rate sensitivity gap on a regular basis and measuring risk exposure in accordance with the re-pricing characteristics of assets and liabilities. The Asset and Liability Management Committee meets regularly and manages interest rate risk exposures by adjusting the composition of the assets and liabilities in accordance with movements in market interest rates.

Notes to the Financial Statements

31 December 2013

(Expressed in millions of Renminbi, unless otherwise stated)

VII. RISK DISCLOSURE (continued)

3. Market risk (continued)

3.1. Currency risk(continued)

As at 31 December 2013, the contractual re-pricing dates or maturity dates, whichever were earlier, of the Company's balance sheet items were analysed as follows:

	2013-12-31					
	Within 3 months	3 months to 1 yea	1 year to 5 years	More than 5 years	Non-interest- bearing	Total
Assets:						
Cash on hand and due from the Central Bank	224,173	-	-	-	5,751	229,924
Precious metals	-	-	-	-	21,286	21,286
Amounts due from other financial institutions (1)	204,988	74,053	91,806	-	-	370,847
Financial assets at fair value through profit or loss and derivative financial assets	5,287	4,760	374	-	3,397	13,818
Accounts receivable	5,905	438	715	-	-	7,058
Loans and advances	458,272	296,353	67,047	10,455	-	832,127
Available-for-sale financial assets	47	176	136	27	81	467
Held-to-maturity investments	34,325	51,416	74,745	35,181	-	195,667
Receivables	79,928	76,855	27,873	-	-	184,656
Long term equity investments	-	-	-	-	596	596
Fixed assets	-	-	-	-	3,694	3,694
Others	-	-	-	-	24,033	24,033
Goodwill	-	-	-	-	7,568	7,568
Total assets	1,012,925	504,051	262,696	45,663	66,406	1,891,741
Liabilities:						
Amounts due to the Central Bank	1,368	896	-	-	-	2,264
Amounts due to other financial institutions (2)	309,428	184,206	15,837	-	-	509,471
Financial liabilities at fair value through profit or loss and derivative financial liabilities	-	-	-	-	3,692	3,692
Accounts payable	1,931	3	215	-	-	2,149
Customer deposits	782,998	272,875	158,030	75	3,024	1,217,002
Bonds payable	-	2,989	-	5,113	-	8,102
Others	-	-	-	-	36,980	36,980
Total liabilities	1,095,725	460,969	174,082	5,188	43,696	1,779,660
Interest rate risk exposure	(82,800)	43,082	88,614	40,475	Not applicable	Not applicable

(1) Amounts due from other financial institutions included financial assets of deposits with banks and other financial institutions, placements with banks and other financial institutions and reverse repurchase agreements.

(2) Amounts due to other financial institutions included financial liabilities of deposits from banks and other financial institutions, placements from banks and other financial institutions and repurchase agreements.

As at 31 December 2012, the contractual re-pricing dates or maturity dates, whichever were earlier, of the Company's balance sheet items were analysed as follows:

	2012-12-31					
	Within 3 months	3 months to 1 yea	1 year to 5 years	More than 5 years	Non-interest- bearing	Total
Assets:						
Cash on hand and due from the Central Bank	212,615	-	-	-	6,732	219,347
Precious metals	-	-	-	-	2,431	2,431
Amounts due from other financial institutions (1)	161,360	138,062	46,772	-	-	346,194
Financial assets at fair value through profit or loss and derivative financial assets	841	1,778	1,494	80	1,012	5,205
Accounts receivable	7,753	609	2	-	-	8,364
Loans and advances	452,166	235,828	16,229	4,039	-	708,262
Available-for-sale financial assets	27,898	27,498	17,417	16,966	117	89,896
Held-to-maturity investments	19,558	30,406	40,108	13,052	-	103,124
Receivables	12,061	58,889	19,888	-	-	90,838
Long term equity investments	-	-	-	-	522	522
Fixed assets	-	-	-	-	3,536	3,536
Others	-	-	-	-	21,250	21,250
Goodwill	-	-	-	-	7,568	7,568
Total assets	894,252	493,070	141,910	34,137	43,168	1,606,537
Liabilities:						
Amounts due to the Central Bank	15,837	331	-	-	-	16,168
Amounts due to other financial institutions (2)	278,980	158,159	2,300	-	-	439,439
Financial assets at fair value through profit or loss and derivative financial assets	--	-	-	-	2,674	2,674
Accounts payable	2,821	231	-	-	-	3,052
Customer deposits	718,051	187,590	100,971	10,810	3,686	1,021,108
Bonds payable	6,497	3,336	1,133	5,113	-	16,079
Others	-	-	-	-	23,218	23,218
Total liabilities	1,022,186	349,647	104,404	15,923	29,578	1,521,738
Interest rate risk exposure	(127,934)	143,423	37,506	18,214	Not applicable	Not applicable

(1) Amounts due from other financial institutions included financial assets of deposits with banks and other financial institutions, placements with banks and other financial institutions and reverse repurchase agreements.

(2) Amounts due to other financial institutions included financial liabilities of deposits from banks and other financial institutions, placements from banks and other financial institutions and repurchase agreements.

(Expressed in millions of Renminbi, unless otherwise stated)

VII. RISK DISCLOSURE (continued)

3. Market risk (continued)

3.1. Currency risk(continued)

The Company principally uses sensitivity analyses to measure and control interest rate risk. In respect of the financial assets and liabilities at fair value through profit or loss, in the opinion of management, the interest rate risk to the Company arising from this portfolio is not significant. For other financial assets and liabilities, the Company mainly uses a gap analysis to measure and control the related interest rate risk.

As at 31 December 2013 and 31 December 2012, the gap analyses of the financial assets and liabilities (excluding financial assets and liabilities at fair value through profit or loss) were as follows:

	2013-12-31 Changes in interest rate (basis points)		2012-12-31 Changes in interest rate (basis points)	
	-50	**+50**	-50	+50
Effect on the net interest income increase/(decrease)	**314**	**(314)**	298	(298)
Effect on equity increase/ (decrease)	**3**	**(3)**	838	(838)

The sensitivity of the net interest income is the effect of a reasonable possible change in interest rates on the net interest income for one year, in respect of the financial assets and liabilities (excluding financial assets and liabilities at fair value through profit or loss) held at the balance sheet date. The sensitivity of equity is calculated by revaluing the year end portfolio of fixed-rate available-for-sale financial assets, based on a reasonable possible change in interest rates. Impact on income tax has not been considered in calculating the above effect on the net interest income and equity.

The above sensitivity analyses are based on the following assumptions: (i) all assets and liabilities that are re-priced/due within three months (inclusive), and between three months and one year (inclusive) are assumed to be re-priced in the mid of the respective bands; and (ii) there are parallel shifts in the yield curve.

Regarding the above assumptions, the effect on the net interest income and equity as a result of the actual increases or decreases in interest rates may differ from that of the above sensitivity analyses.

4. Fair value of financial instruments

The following table summarises the carrying values and the fair values of receivables, held-to-maturity investments and bonds payable for which their fair values have not been presented or disclosed above:

	Carrying value	Fair value
2013-12-31		
Held-to-maturity investments	**195,667**	**188,993**
Receivables	**184,656**	**184,656**
Bonds payable	**8,102**	**8,029**
2012-12-31		
Held-to-maturity investments	103,124	102,422
Receivables	90,838	90,838
Bonds payable	16,079	16,136

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. The following methods and assumptions were used to estimate the fair values.

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain financial assets and liabilities held and issued by the Company, the discounted cash flow method or other valuation methods described below are adopted to determine the fair values of these assets and liabilities:

(1) The receivables are non-transferable. The fair values of these receivables are estimated on the bases of discounted cash flows.

(2) The fair value of held-to-maturity investments and bonds payable are determined with reference to the available market values. If quoted market prices are not available, fair values are estimated on the bases of pricing models or discounted cash flows.

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Company's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

Financial instruments, for which their carrying amounts are the reasonable approximation of their fair values because, for example, they are short term in nature or are re-priced to current market rates frequently, are as follows:

Assets	Liabilities
Cash and due from the Central Bank	Due to the Central Bank
Deposits with banks and other financial institutions	Deposits from banks and other financial institutions
Placements with banks and other financial institutions	Placements from banks and other financial institutions
Reverse repurchase agreements	Repurchase agreements
Loans and advances	Customer deposits
Other financial assets	Other financial liabilities

(Expressed in millions of Renminbi, unless otherwise stated)

VII. RISK DISCLOSURE (continued)

4. Fair value of financial instruments (continued)

The following table shows an analysis of financial instruments recorded at fair value.

2013-12-31	Quoted market price ("Level 1")	Valuation techniques – market observable inputs ("Level 2")	Valuation techniques – non-market observable inputs ("Level 3")	Total
Financial assets:				
Financial assets at fair value through profit or loss	-	10,421	-	10,421
Derivative financial assets	-	3,397	-	3,397
Available-for-sale financial assets	107	349	11	467
Total	107	14,167	11	14,285
Financial liabilities:				
Financial liabilities at fair value through profit or loss	3,692	-	-	3,692
Derivative financial liabilities	-	2,914	-	2,914
Total	3,692	2,914	-	6,606

2012-12-31	Quoted market price ("Level 1")	Valuation techniques – market observable inputs ("Level 2")	Valuation techniques – non-market observable inputs ("Level 3")	Total
Financial assets:				
Financial assets at fair value through profit or loss	-	4,178	60	4,238
Derivative financial assets	-	967	-	967
Available-for-sale financial assets	75	89,821	-	89,896
Total	75	94,966	60	95,101
Financial liabilities:				
Financial liabilities at fair value through profit or loss	1,722	-	-	1,722
Derivative financial liabilities	-	952	-	952
Total	1,722	952	-	2,674

The following table shows a reconciliation of the opening and closing amounts of Level 3 financial instruments which are recorded at fair value.

2013	Balance at beginning of the year	Increases during the year	Sales during the year	Gains/(losses) from changes in fair values of the year	Balance at end of the year
Financial assets at fair value through profit or loss	60	-	(60)	-	-
Available-for-sale financial assets	-	11	-	-	11
Total	60	11	(60)	-	11

2012	Balance at beginning of the year	Increases during the year	Sales during the year	Gains/(losses) from changes in fair values of the year	Balance at end of the year
Financial assets at fair value through profit or loss	58	-	-	2	60

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent company:

Name	Place of registration	Percentage of equity interest held	
		2013-12-31	2012-12-31
Ping An Insurance (Group) Company of China, Ltd.	Shenzhen, PRC	59.00%	52.38%

Ping An Insurance (Group) Company of China, Ltd. (hereafter referred to as “China Ping An”) was established in Shenzhen, the People’s Republic of China on 21 March 1988. The business scope of China Ping An includes investing in financial and insurance enterprises, supervising and managing various domestic and overseas businesses of its subsidiaries, and treasury trading.

As at 31 December 2013, 8.80% of shares (31 December 2012: 10.22%) of the Company were indirectly held by China Ping An through its subsidiary, Ping An Life Insurance Company of China, Ltd.

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31 December 2013

(Expressed in millions of Renminbi, unless otherwise stated)

VII. RISK DISCLOSURE (continued)

2. Major transactions between the Company and China Ping An and its subsidiaries during the year are as follows:

Outstanding balances at the year end	2013-12-31	2012-12-31
Interest receivable	3	3
Receivables	100	100
Other assets	122	134
Amounts due to other financial institutions	9,523	13,696
Customer deposits	38,075	42,805
Interest payable	817	966
Bonds payable	-	398
Other liabilities	57	154
Guarantees issued	6	-
Credit limit	9,000	7,000

Transactions during the year	2013	2012
Interest income on receivables	4	4
Custodian services fee income	202	85
Agency business fee income	153	56
Interest expenses on amounts due to other financial institutions	151	85
Interest expenses on customer deposits	1,667	1,519
Interest expenses on bonds payable	10	21
Service fees	1,098	673
Insurance premium expenses	85	51
Payment under operating leases	76	37

The above transactions were made according to the normal commercial terms and conditions and were processed under normal business procedures.

3. Major transactions between the Company and the key management personnel during the year are listed below:

Loans	2013	2012
Balance at beginning of the year	1	5
Increase during the year	8	3
Decrease during the year	-	(7)
Balance at end of the year	9	1
Interest income on loans	1	1

As at 31 December 2013 and 31 December 2012, the annual interest rates of these loan transactions ranged from 1.51% to 6.6% and 1.57% to 6.8%.

Deposits	2013	2012
Balance at beginning of the year	219	25
Increase during the year	1,497	2,805
Decrease during the year	(1,503)	(2,611)
Balance at end of the year	213	219
Interest expense on deposits	8	2

These deposit transactions were on normal commercial terms and conditions and were processed under normal business procedures.

Notes to the Financial Statements

31 December 2013

(Expressed in millions of Renminbi, unless otherwise stated)

VII. RISK DISCLOSURE (continued)

4. Details of the compensation for key management personnel are as follows:

	2013	2012
Salaries and other short term employee benefits	74	66
Post-employment benefits	1	1
Deferred bonus accrual (Note)	13	12
Total	88	79

Note: The amount of deferred bonus is determined based on the indicators of profitability, the share price and the capital adequacy ratio of the Company as well as the share prices of certain other domestic listed banks, etc., and will be settled in cash in accordance with the terms of the arrangement.

As at 31 December 2013, the Company has authorised a total credit facility of RMB2.842 billion (31 December 2012: RMB2.4 billion) for entities relating to the key management personnel of the Company and the associates, which included an outstanding loan balance amounting to RMB2.301 billion (31 December 2012: RMB0.634 billion) and an outstanding facility of the off-balance sheet items amounting to RMB0.005 billion (31 December 2012: RMB0.051 billion, and the Company took a deposit amounting to RMB1.259 billion from the above entities relating to the key management personnel of the Company and the associates (31 December 2012: RMB0.604 billion).

IX. POST BALANCE SHEET EVENTS

On 6 March 2014, the 2nd meeting of the 9th board of directors passed the resolution on the Company's distribution of cash dividends of RMB1.60 Yuan per 10 share (inclusive of tax) and capitalizing of capital reserve of 2 shares per 10 shares based on a distribution base of total 9,521 million shares outstanding as at 31 December 2013 after appropriating surplus reserve and general reserve. The total dividends are RMB3,427 million, of which cash dividends are RMB1,523 million and capitalizing of capital reserve are RMB1,904 million. The aforesaid proposal is pending for approval from the shareholders at the forthcoming annual general meeting.

X. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the current year's presentation.

XI. OTHER SIGNIFICANT ITEMS

1. Assets and liabilities carried at fair value

2013	Balance at beginning of the year	Gains or (losses) from changes in fair values during the year	Accumulated valuation gain taken into other comprehensive income	Balance at end of the year
Assets:				
Precious metals	2,431	(1,065)	-	21,286
Financial assets at fair value through profit or loss	4,238	(40)	-	10,421
Derivative financial assets	967	2,430	-	3,397
Available-for-sale financial assets	89,896	-	(1,800)	467
Total	97,532	1,325	(1,800)	35,571
Liabilities:				
Financial liabilities at fair value through profit or loss	(1,722)	416	-	(3,692)
Derivative financial liabilities	(952)	(1,962)	-	(2,914)
Total	(2,674)	(1,546)	-	(6,606)

2. Foreign currency financial assets and foreign currency financial liabilities

2013(RMB equivalent)	Balance at beginning of the yea	Gains or (losses) from changes in fair values during the year	Accumulated valuation gain taken into other comprehensive income	Impairment provision charged/ (reversed) for the year	Balance at end of the year
Foreign currency financial assets:					
Cash on hand and due from the Central Bank	3,461	-	-	-	4,337
Amounts due from other financial institutions (1)	31,798	-	-	10	13,118
Financial assets at fair value through profit or loss and derivative financial assets	78	(65)	-	-	14
Accounts receivable	15	-	-	-	-
Loans and advances	42,460	-	-	149	70,600
Available-for-sale financial assets	40	-	(1)	-	37
Held-to-maturity investments	569	-	-	(4)	473
Other assets	886	-	-	1	467
Total	79,307	(65)	(1)	156	89,046
Foreign currency financial liabilities:					
Amounts due to other financial institutions (2)	(16,437)	-	-	-	(37,794)
Financial liabilities at fair value through profit or loss and derivative financial liabilities	(1,740)	419	-	-	(3,705)
Customer deposits	(62,574)	-	-	-	(98,848)
Accounts payable	(7)	-	-	-	-
Other liabilities	(890)	-	-	-	(874)
Total	(81,648)	419	-	-	(141,221)

(1) Amounts due from other financial institutions included financial assets of deposits with banks and other financial institutions, placements with banks and other financial institutions and reverse repurchase agreements.

(2) Amounts due to other financial institutions included financial liabilities of deposits from banks and other financial institutions, placements from banks and other financial institutions and repurchase agreements.

(Expressed in millions of Renminbi, unless otherwise stated)

XI. OTHER SIGNIFICANT ITEMS

2. Foreign currency financial assets and foreign currency financial liabilities (continued)

Net asset return and earnings per share (continued)

2013	Profit for the year	Net asset return		Earnings per share(RMB)	
		Fully diluted	Weighted average	Basic	Diluted
Net profit attributable to ordinary shareholders of the parent company	15,231	13.59%	16.57%	1.86	1.86
Net profit attributable to ordinary shareholders of the parent company after deduction of non-recurring profit and loss	15,166	13.53%	16.50%	1.85	1.85

2012	Profit for the year	Net asset return		Earnings per share(RMB)	
		Fully diluted	Weighted average	Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	13,403	15.81%	16.78%	1.64	1.64
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit and loss	13,385	15.78%	16.76%	1.63	1.63

Of which, net profit attributable to ordinary shareholders of the parent company after deduction of non-recurring profit and loss:

	2013	2012
Net profit attributable to ordinary shareholders of the parent company	15,231	13,403
Add/(deduct) : Non-recurring profit and loss items	-	-
Losses on disposal of fixed assets, intangible assets and repossessed assets	(11)	(18)
Provision for litigation	(53)	37
Gains/(losses) of other investments	-	(14)
Other net non-operating income and expenses	(21)	(28)
Income tax effect	20	5
Net profit attributable to ordinary shareholders of the parent company after deduction of non-recurring profit and loss	15,166	13,385

Net asset return and earnings per share (continued)

The above net asset return and earnings per share are calculated in accordance with the rules stipulated in the Regulation on Information Disclosure of Public Companies No.9 as revised by the China Securities Regulatory Commission on 11 January 2010. The non-recurring profit and loss is calculated in accordance with the rules stipulated in the Interpretation of Information Disclosure of Public Companies No.1 – Non-recurring profit and loss, effective from 1 December 2008.

Fair value changes arising from financial assets and liabilities held for trading and investment income arising from disposals of financial assets and liabilities held for trading and available for sale financial assets incurred during the normal course of business are not disclosed as non-recurring profit and loss items.

Written Confirmation of Directors and Senior Management on 2013 Annual Report

In accordance with relevant requirements, such as the Securities Law and *No. 2 Standards on Contents and Format of Information Disclosure on Publicly Listed Companies - Contents and Format of Annual Report,* we, as directors and senior management of Ping An Bank Company Limited, provide the following opinions after fully understanding and reviewing the 2013 Annual Report of the Bank and its summary:

1. The Bank operates in strict accordance with Accounting Standards for Business Enterprises, Accounting Rules for Enterprises and Accounting Rules for Financial Enterprises, and the Bank's 2013 Annual Report and its abstract give a fair view of the financial position and operating results of the Bank for the year 2013.

2. Pricewaterhousecoopers Zhong Tian LLP has audited the financial statements of the Bank for the year of 2013 and has issued standard and unqualified audit reports.

3. We undertake that the information disclosed in the Bank's 2013 Annual Report and its summary is true, accurate and complete and free of false record, misrepresentation or material omissions and we assume several and joint responsibilities for the truthfulness, accuracy and completeness thereof.

Signature of Directors and senior management:

Name	Name
Sun Jianyi	Ma Lin
Shao Ping	Chu Yiyun
Yao Bo	Wang Chunhan
So Lan Ip	Wang Songqi
Cai Fangfang	Han Xiaojing
Li Jinghe	Ye Wangchun
Hu Yuefei	Sun Xianlang
Chen Wei	Cai Lifeng
Zhao Jichen	Feng Jie
Lu Mai	Wu Peng
Liu Nanyuan	Li Nanqing

Documents Available for Inspection

1. Financial Statements signed and sealed by the Chairman, President, Vice President and CFO as well as the representative from the accounting firm.

2. Original audit report with the seal of the accounting firm, signed and sealed by a Certified Public Accountant.

3. All of our original documents and original announcements disclosed on China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily during the reporting period.

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

平安银行
PINGAN BANK

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