



平安银行
PING AN BANK

PING AN BANK CO., LTD.

2017 HALF-YEAR REPORT SUMMARY

11 August 2017

I. Important Notes

1. This half-year report summary is extracted from the full text of half-year report. To comprehensively understand the operating results, financial position and future development plans of the Ping An Bank Co., Ltd. (hereinafter referred to as the "Company" or "Bank"), investors should carefully read the full text of the Half-year Report, which is available on the media designated by China Securities Regulatory Commission

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

3. The ninth meeting of the tenth session of the Board of the Bank considered the 2017 half-year report together with its summary. 12 directors attended the meeting, at which 12 directors were expected to attend. This report was approved unanimously at the meeting.

4. The 2017 half-year financial report of the Bank is unaudited. PricewaterhouseCoopers Zhong Tian LLP has reviewed the 2017 half-year financial report of the Bank.

Notice of non-standard audit opinions

☐ Applicable ☒ Not applicable

5. Xie Yonglin (the Bank's Chairman), Hu Yuefei (the President), Chen Rong (the Vice President and CFO) and Han Xu (the head of the Accounting Department) guarantee the authenticity, accuracy and completeness of the financial report contained in the 2017 half-year report.

6. Proposal of profit distribution or capitalization of capital reserve during the reporting period approved by the Board

☐ Applicable ☒ Not applicable

The Bank did not plan to distribute any cash dividend, issue bonus shares or capitalize any capital reserve into share capital for the first half of 2017.

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

☒ Applicable ☐ Not applicable

Time of distribution	Dividend rate	Amount of distribution (RMB) (tax inclusive)	Whether the distribution conditions and relevant procedures are satisfied	Way of dividend payment	Whether dividend is accumulated	Whether to participate in distribution of remaining profit
March 7, 2017	4.37%	Dividend per share distributed of RMB4.37 (tax inclusive)	Yes	Cash	No	No

II. Basic Information on the Company

Stock Short Name	Ping An Bank	Stock code	000001
Stock Exchange on which the shares are Listed	Shenzhen Stock Exchange		
Contact Person and Means of Contact	Secretary to the Board of Directors	Representative of Securities Affairs	
Name	Zhou Qiang	Lv Xuguang	
Office address	Board Office of Ping An Bank, No. 5047 of Shennan Road East, Shenzhen, Guangdong, the PRC	Board Office of Ping An Bank, No. 5047 of Shennan East Road, Guangdong, the PRC	
Facsimile	(0755) 82080386	(0755) 82080386	
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Email	pabdsh@pingan.com.cn	pabdsh@pingan.com.cn	

III. Major Financial Data

(I) Major Accounting Data and Financial Indicators

Whether the Company made retrospective adjustments to or restate the accounting data of previous years due to changes in accounting policies and correction of accounting errors

☐ Yes ☒ No

(Unit: in RMB million)

Item	30 June 2017	31 December 2016	31 December 2015	Change from the end of the period over the end of previous year
Total assets	3,092,142	2,953,434	2,507,149	4.70%
Shareholders' equity	211,454	202,171	161,500	4.59%
Shareholders' equity attributable to ordinary shareholders	191,501	182,218	161,500	5.09%
Share capital	17,170	17,170	17,170	-
Net assets per share attributable to ordinary shareholders (RMB/share)	11.15	10.61	9.41	5.09%
Item	January-June	January-June	January-	Change over the

	2017	2016	December 2016	same period of last year
Operating income	54,073	54,769	107,715	(1.27%)
Operating profit before asset impairment loss	40,184	36,156	76,297	11.14%
Asset impairment loss	23,716	20,000	46,518	18.58%
Operating profit	16,468	16,156	29,779	1.93%
Gross profit	16,432	16,154	29,935	1.72%
Net profit	12,554	12,292	22,599	2.13%
Net profit net of non-recurring gains/losses	12,512	12,294	22,606	1.77%
Net cash flows from operating activities	(128,180)	(33,198)	10,989	Negative for the same period of last year
Ratios per share (RMB/share):				
Basic/diluted EPS	0.68	0.72	1.32	(5.56%)
Basic EPS after non-recurring gains/losses	0.68	0.72	1.32	(5.56%)
Net cash flows from operating activities per share	(7.47)	(1.93)	0.64	Negative for the same period of last year
Financial ratios (%):				
Return on total assets (unannualized)	0.41	0.44	Not applicable	-0.03 percentage point
Return on total assets (annualized)	0.81	0.88	0.77	-0.07 percentage point
Average return on total assets (unannualized)	0.42	0.46	Not applicable	-0.04 percentage point
Average return on total assets (annualized)	0.83	0.93	0.83	-0.10 percentage point
Weighted average return on net assets (unannualized)	6.21	7.35	Not applicable	-1.14 percentage points
Weighted average return on net assets (annualized)	12.56	14.25	13.18	-1.69 percentage points
Weighted average return on net assets (after non-recurring gains/losses, unannualized)	6.19	7.35	Not applicable	-1.16 percentage points
Weighted average return on net assets (after non-recurring gains/losses, annualized)	12.51	14.25	13.18	-1.74 percentage points

Note: On March 7, 2016, the Bank issued non-cumulative preference shares of RMB20 billion in a non-public way. In March 2017, the Bank paid dividends on preference shares of RMB874 million (tax inclusive) for the year. The interest period for the dividends is from March 7, 2016 to March 6, 2017. In calculating the “EPS” and “weighted average return on net assets” for the first half of 2017, numerators were net of the aforementioned dividends on preference shares paid.

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

Total share capital of the Company as at the trading day prior to disclosure (in shares)	17,170,411,366
Fully diluted earnings per share calculated based on the new share capital (RMB/share, January – June 2017)	0.68

Deposit taking and advance of loans

(Unit: in RMB million)

Item	30 June 2017	31 December 2016	31 December 2015	Change from the end of the period over the end of previous year
Deposit taking	1,912,333	1,921,835	1,733,921	(0.49%)
Including: Corporate deposits	1,600,260	1,652,813	1,453,590	(3.18%)
Individual deposits	312,073	269,022	280,331	16.00%
Total loans and advances	1,594,281	1,475,801	1,216,138	8.03%
Including: Corporate loans	937,246	934,857	774,996	0.26%
General corporate loans	932,650	920,011	761,331	1.37%
Discounted bills	4,596	14,846	13,665	(69.04%)
Individual loans	449,076	359,859	293,402	24.79%
Receivables for credit cards	207,959	181,085	147,740	14.84%
Provision for impairment of loans and advances	(45,229)	(39,932)	(29,266)	13.27%
Loans and advances, net	1,549,052	1,435,869	1,186,872	7.88%

Note: Pursuant to the Notice on the Adjustment of Statistical Standards for Deposits and Loans of the Financial Institutions by the People's Bank of China (Yin Fa [2015] No.14), starting from 2015, the deposits placed by non-deposit financial institutions at financial institutions are accounted for as "Total Deposits", whereas the loans extended by deposit financial institutions to non-deposit financial institutions are accounted for as "Total Loans and Advances". Based on the aforementioned statistical standards, as at June 30, 2017, the total deposits and the total loans amounted to RMB2,407.5 billion and RMB1,618.6 billion, respectively.

Non-recurring gains/losses

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

(Unit: in RMB million)

Item	January - June, 2017	January - June, 2016	January - December, 2016
Gains/losses on disposal of non-current assets	87	(8)	(178)
Gains/losses on contingency	-	-	1
Other non-operating income and expense except the above items	(32)	6	168
Income tax effect	(13)	-	2
Total	42	(2)	(7)

Note: The non-recurring gains/losses shall be calculated according to the definition in the Explanatory Announcement on Information Disclosure by Companies Publicly Offering Securities No. 1 –Non-recurring Gains/Losses.

(II) Supplementary financial ratios

(Unit: %)

Item	January - June, 2017	January - June, 2016	January - December, 2016	Year-on-year change
Cost/income ratio	24.76	28.80	25.97	-4.04 percentage points
Credit costs (unannualized)	1.47	1.55	Not applicable	-0.08 percentage point
Credit costs (annualized)	2.94	3.11	3.37	-0.17 percentage point
Deposit-loan spread (annualized)	4.13	4.71	4.49	-0.58 percentage point
Net interest spread (annualized)	2.29	2.66	2.60	-0.37 percentage point
Net interest margin (unannualized)	1.22	1.41	Not applicable	-0.19 percentage point
Net interest margin (annualized)	2.45	2.83	2.75	-0.38 percentage point

Notes: Credit costs = credit provisions for the period / average loan balance (including discounted bills) for the period; the average loan balance (including discounted bills) of the Bank for the first half of 2017 amounted to RMB1,555.091 billion (RMB1,268.061 billion for the first half of 2016); Net interest spread = average yield of interest-earning assets –average cost rate of interest-bearing liabilities; Net interest margin = net interest income / average balance of interest-earning assets. In 2016, the Bank reclassified the net gains of precious metals leasing from net non-interest income to net interest income, and adjusted the comparative data according to the same standard.

(III) Supplementary regulatory indicators

(Unit: %)

Item	Standard level of indicator	30 June 2017	31 December 2016	31 December 2015
Liquidity ratio (RMB and foreign currency)	≥25	52.05	49.48	54.29
Liquidity ratio (RMB)	≥25	51.75	47.62	52.14
Liquidity ratio (foreign currency)	≥25	69.13	99.04	103.30
Loan/deposit ratio (including discounted bills) (RMB and foreign currency)	Not applicable	81.97	75.21	69.01
Liquidity coverage ratio	≥90 (as at the end of the year)	91.97	95.76	140.82
Capital adequacy ratio	≥10.5	11.23	11.53	10.94
Tier one capital adequacy ratio	≥8.5	9.05	9.34	9.03
Core tier one capital adequacy ratio	≥7.5	8.13	8.36	9.03
Ratio of loans to the single largest client to net capital	≤10	5.53	5.19	3.46
Ratio of loans to top 10 clients to net capital	Not applicable	24.01	25.78	20.16
Ratio of accumulated foreign exchange exposure position to net capital	≤20	1.40	4.11	1.71
Pass loans flow rate	Not applicable	2.89	7.14	6.92
Special mention loans flow rate	Not applicable	26.82	37.56	29.13
Substandard loans flow rate	Not applicable	65.01	43.83	49.42
Doubtful loans flow rate	Not applicable	82.10	71.14	85.27
Non-performing loan (NPL) rate	≤5	1.76	1.74	1.45
Provision coverage to NPL	≥50	161.32	155.37	165.86
Provision to loan ratio	≥2.5	2.84	2.71	2.41

Notes: Regulatory indicators are listed in accordance with the regulatory standard. Pursuant to the requirements of the Administrative Measures for Liquidity Risks of Commercial Banks (for Trial Implementation), the liquidity coverage of commercial banks shall reach 100% by the end of 2018; during the transitional period, the liquidity coverage shall reach 80% by the end of 2016 and 90% by the end of 2017, respectively.

IV. Number of Shareholders and Shareholdings of the Company

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

(Unit: share)

Total number of ordinary shareholders as at the end of the reporting period	379,179			Total number of preference shareholders with recovered voting rights as at the end of the reporting period		-		
Shareholdings of top 10 shareholders								
Name of shareholder	Capacity	Total number of shares held	Shareholdings (%)	Changes during the reporting period	Number of restricted shares held	Number of unrestricted shares held	Pledged or frozen	
							Status of shares	Number of shares
Ping An Insurance (Group) Company of China, Ltd.—the Group—proprietary fund	Domestic legal entity	8,510,493,066	49.56	0	252,247,983	8,258,245,083	-	-
Ping An Life Insurance Company of China, Ltd.—proprietary fund	Domestic legal entity	1,049,462,784	6.11	0	0	1,049,462,784	-	-
China Securities Finance Corporation Limited	Domestic legal entity	552,234,007	3.22	72,863,239	0	552,234,007	-	-
Ping An Life Insurance Company of China, Ltd.—traditional—ordinary insurance products	Domestic legal entity	389,735,963	2.27	0	0	389,735,963	-	-
Central Huijin Asset Management Ltd.	Domestic legal entity	216,213,000	1.26	0	0	216,213,000	-	-
China Electronics Shenzhen Company	Domestic legal entity	186,051,938	1.08	-5,200,000	0	186,051,938	-	-

Shenzhen Zhengshun Capital Holdings Limited	Domestic legal entity	106,686,426	0.62	0	0	106,686,426	Pledged	106,686,426
ICBC Credit Suisse Fund – Agricultural Bank of China–ICBC Credit Suisse & CSFC Asset Management Plan	Domestic legal entity	63,731,160	0.37	0	0	63,731,160	-	-
Southern Fund –Agricultural Bank of China –Southern CSI FinancialCSF C Asset Management Plan	Domestic legal entity	63,731,160	0.37	0	0	63,731,160	-	-
Zhongou Fund – Agricultural Bank of China – Zhongou CSFC Asset Management Plan	Domestic legal entity	63,731,160	0.37	0	0	63,731,160	-	-
Strategic investors or general legal entities (if any) who become the top 10 shareholders due to rights issue	None							
Description of the related relationship or concerted action of the above shareholders	<p>1. Ping An Life Insurance Company of China, Ltd. is a controlled subsidiary of and acting in concert with the Ping An Insurance (Group) Company of China, Ltd. “Ping An Insurance (Group) Company of China, Ltd. –the Group - proprietary fund”, “Ping An Life Insurance Company of China, Ltd. - proprietary fund” and “Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance product” are related parties.</p> <p>2. The Bank is not aware of any related relationship nor concerted action among any of other shareholders.</p>							
Description of the shareholders who engage in securities margin trading business	None							

2. Change of controlling shareholder or its de facto controller

There is no de facto controller of the Bank. There was no change in the controlling shareholder of the Bank during the reporting period.

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

(Unit: Share)

Total number of preference shareholders at the end of the reporting period		15				
Shareholding of shareholders with more than 5% preference shares or top 10 preference shareholders						
Name of shareholder	Capacity	Shareholdings (%)	Total number of shares held at the end of the reporting period	Changes during the reporting period	Pledged or frozen	
					Status of shares	Number of shares
Ping An Life Insurance Company of China, Ltd.– dividend – dividends for individual insurance	Domestic legal entity	29.00	58,000,000	–	–	–
Ping An Life Insurance Company of China, Ltd.– universal – individual universal insurance	Domestic legal entity	19.34	38,670,000	–	–	–
Ping An Property & Casualty Insurance Company of China, Ltd.– traditional – ordinary insurance products	Domestic legal entity	9.67	19,330,000	–	–	–
China Post & Capital Fund – Hua Xia Bank –Hua Xia Bank Co., Ltd.	Domestic legal entity	8.95	17,905,000	–	–	–
Bank of Communications Schroder Fund Management – Bank of Communications – Bank of Communications Co., Ltd.	Domestic legal entity	8.95	17,905,000	–	–	–
Bank of China Limited Shanghai Branch	Domestic legal entity	4.47	8,930,000	–	–	–
Postal Savings Bank of China Co., Ltd.	Domestic legal entity	2.98	5,950,000	–	–	–
China Resources SZITIC Trust Co. Ltd. –investment No.1single trust funds	Domestic legal entity	2.98	5,950,000	–	–	–

Hwabao Trust Co., Ltd.– investment No.2 trust funds	Domestic legal entity	2.98	5,950,000	–	–	–
China Merchants Wealth – PSBC – Postal Savings Bank of China Co., Ltd.	Domestic legal entity	2.98	5,950,000	–	–	–
Description of different requirements on other terms of preference shares held other than dividend distribution and residual property distribution	N/A					
Description of the related relationship or concerted action among top 10 preference shareholders and between top 10 preference shareholders and top 10 ordinary shareholders	<p>1. Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China, Ltd. are controlled subsidiaries of and acting in concert with the Ping An Insurance (Group) Company of China, Ltd. “Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund”, “Ping An Life Insurance Company of China, Ltd. - proprietary fund”, “Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance product”, “Ping An Life Insurance Company of China, Ltd. – dividend – dividends for individual insurance”, “Ping An Life Insurance Company of China, Ltd. – universal – individual universal insurance” and “Ping An Property & Casualty Insurance Company of China, Ltd. – traditional – ordinary insurance products” are related parties.</p> <p>2. The Bank is not aware of any related relationship or concerted action among any of other shareholders.</p>					

4. Corporate Bonds

Whether the Company has any publicly issued corporate bonds which were listed on any securities exchange and were not yet due or due but cannot be repaid in full as at the date of the interim report

☐ Yes ☒ No

V. The Discussion and Analysis of the Operations

(1) Brief Introduction to the Operations during the Reporting Period

In the first half of 2017, as China forged ahead the “the Belt and Road Initiatives” strategy and the structural reform of the supply side achieved initial results, the overall domestic economy has made steady progress. The Company’s vision is to “build leading intelligent retail bank centered on retail business with a view to promoting the coordinative development of the corporate business and the interbank business”. In the first half of 2017, under the transformation direction of “technology-driven, breakthroughs in retail banking, and excellent corporate banking”, the strategic transformation made dramatic progress by attaching great importance to the application of scientific and technological innovation to create comprehensive intelligent retail banking, vigorously promoting the transformation to excellent corporate banking with light assets and light capital, and preventing all types of operating risks and scaling up collection. The overall operations of the Bank in the first half of the year are as follows:

1. Sound Growth of Overall Operations

The revenue, profit and scale of the Bank had maintained a sound growth. In the first half of 2017, the Bank realized operation revenue of RMB54.073 billion, representing a year-on-year decrease of 1.27% (the operation revenue was supposed to increase 3.78% year-on-year excluding of the impact

of the value-added tax reform). Among others, the net fee and commission income was RMB15.748 billion, representing a year-on-year increase of 4.64%, mainly due to the increase in the service fee of credit card business. With the operating profit before allowance increasing by 11.14% year-on-year to RMB40.184 billion and the net profit increasing by 2.13% year-on-year to RMB12.554 billion, the Bank's profitability remained stable under the circumstance of increased provision. In the first half of 2017, the operation efficiency of the Bank significantly improved, recording a cost-to-income ratio of 24.76%, which optimized 4.04 percentage points year-on-year.

As at the end of June 2017, the Bank's total assets amounted to RMB3,092.142 billion, increasing by 4.70% over the end of the previous year; the deposit balance totaled RMB1,912.333 billion, remained largely the same with the end of the previous year. The Bank actively adapted itself to the market changes by marketing high-quality projects, having a total loans and advances (including discount) of RMB1,594.281 billion, up by 8.03% over the end of the previous year.

2. Fully Optimized Business Structure

In the first half of 2017, the Bank further enhanced breakthroughs in retail banking and excellent corporate banking as well as optimization of business structure, leading to the substantially increased contribution from retail business.

The retail business of the Bank made fast growth in terms of customer number, assets under management (AUM) and size of deposits and loans, laying a solid foundation for the business structure optimization of the Bank and the proportion improvement of retail business. As at the end of June 2017, the number of the Bank's retail customers (including the users of its debit cards and credit card) reached 58,431.1 thousand, increasing by 11.53% over the end of the previous year; the assets under management (AUM) of the individual customers increased fast with an ending balance of RMB950.970 billion, increasing by 19.23% over the end of the previous year. The balance of retail loans under management (including credit cards) amounted to RMB657.035 billion, up by 21.46% over the end of the previous year; the current credit card accounts reached 29,631.5 thousand, up by 15.72% over the end of the previous year, with the new card issuance in the single month of June reaching 1.2 million, up by 31.23% over May; the transaction volume of credit cards totaled RMB635.799 billion, increasing by 20.18% year-on-year. The contribution from retail business improved due to the fast growth, with the Bank's retail business accounting for 40% of the operating revenue and 64% of total profits. The proportions of balances of retail deposits and loans increased 2.32 and 4.56 percentage points respectively over the beginning of the year, with the incremental retail loans accounting for 98% and individual deposits recording a growth of 16.00% compared with the beginning of the year, ranked top among the peers.

The Bank took the initiative to adjust the structure of corporate business by adhering to the philosophy of "quality guarantees efficiency" and implementing strict quality control which deemed asset quality as the fundamental operating element, and established the two development concepts of "industrialization" and "light assets, light capital". In terms of "industrialization", the Bank selectively identified and developed the professional advantages in specific industries, focusing on the finance business in industries with growth potential such as medical health, culture and tourism, and electronic information. The Bank actively practiced the industrial financial mode of "C + SIE + R" to invest prime resources to customers with high quality and potential as an arranger, mobilizing the upstream and downstream supply chain, industrial chain and ecosystem customers. In terms of "light assets, light capital", the Bank focused on the development of low-risk, low- and zero- capital consumption business, such as investment banking business including standardized bonds, matching and financial adviser, as well as asset custody business which effectively leveraged on the

Group's integrated financial platform to achieve the efficient transfer and matching between capital and asset. As at the end of June 2017, the Bank completed bonds underwriting of RMB45.2 billion, the vast majority of which were issued by high credit rating customers. Under the situation of intense market competition and falling charge rate, in the first half of 2017, the Bank managed to achieve custody fees of RMB1.857 billion; as at the end of June 2017, the net custody value was RMB5.69 trillion, representing an increase of 4.21% from the end of the previous year.

3. Orderly and Effective Risk Management

The Bank made active responses to external risks and implemented risk management in an orderly fashion through strict control of incremental business risk, continuous optimization of credit structure and preference for low-risk retail business in respect of new loans. Our Bank conducted overall inspection of existing loans to prevent all types of possible risks and found out the specific personnel accountable for the non-performing asset, and resolved potential risks in an orderly way by holding the principle of “one strategy for one customer”.

In the first half of 2017, the Bank actively adjusted its business structure by increasing loans granted to retail business with better asset quality and pursuing continuous excellence in corporate business. Meanwhile, the Bank has taken more proactive measures about the disposal of non-performing assets. First, the Bank implemented centralized management for operating unit with higher asset quality pressure and adopted differential assessment mechanism; second, the special asset management division was established to implement an centralized, vertical and specialized management for non-performing loans throughout the Bank, with recovered assets totalling RMB4.401 billion in the first half of the year, representing an increase of 66.52% year-on-year; third, with the macroeconomic restructuring direction becoming gradually clear, the Bank adopted the approach of proactive collection to dispose non-performing assets, and increased efforts to take legal actions against the loans granted to troubled companies with outdated industrial capacity, excessive capacity and poor management; fourthly, the Bank sped up the write-off of non-performing loans with a disposal of non-performing loans of RMB18.890 billion through write-off in the first half of this year, representing an increase of 73.18% year-on-year; fifth, the Bank actively implemented control measures to define the actions required for the Head Office, branch, customer managers and risk managers regarding credit management to strengthen the whole-process control of credit risk.

In the first half of 2017, the Bank's provision for impairment loss on loans amounted to RMB22.856 billion, up by 15.94% year-on-year. As at the end of June 2017, the balance of provision for impairment loss on loans amounted to RMB45.229 billion, up by 13.27% over the end of the previous year; the provision-loan ratio was 2.84%, up by 0.13 percentage point over the end of the previous year; the provision coverage ratio was 161.32%, up by 5.95 percentage points over the end of the previous year; the non-performing loan ratio was 1.76%, up by 0.02 percentage point over the end of the previous year, of which the non-performing ratio of individual loans (including credit cards) fell by 0.24 percentage point over the end of the previous year. In the first half of 2017, the Bank recovered a total non-performing asset of RMB4.401 billion, an increase of 66.52% year-on-year, of which the credit assets (loan principal) amounted to RMB4.041 billion. Among the recovered loan principal, the written-off loan valued RMB1.768 billion, the non-written-off non-performing loan valued RMB2.273 billion; 90% of non-performing assets recovered were recovered in cash and the rest was recovered in kind.

4. Significant Achievement in Quality and Efficiency Improvement

The Bank made significant achievement in quality and efficiency improvement. In the first half of 2017, the Bank promoted an open, inclusive and shared organizational culture from top to bottom, advocating flat, efficient and direct organization and management, and full utilized the agile development model of the Internet to rapidly propel the development of key projects. The Bank took the initiative to conduct organization streamline, leading to a better division structure and number within the industry as well as significantly improved management efficiency.

Meanwhile, in order to ensure the transformation to intelligent retail banking, the Bank has made great efforts to introduce talents in the areas of Internet technology, product and marketing to the fields including credit card, consuming finance, automobile finance and large data platform. The retail business achieved rapid result growth, contributing to the revenue, profit and business scale increase of the whole Bank.

While strengthening the organizational structure management, the Bank continued to implement the construction of intelligent outlets and developed a proper network of business outlets. In the first half of 2017, it opened 9 new business outlets (including 4 branches, namely Tangshan, Xuzhou, Guiyang and Zibo branch). As at the end of June 2017, the number of its branches and business outlets reached 64 and 1,081 respectively.

(2) Discussion and Analysis of the Main Businesses

1. Breakthroughs in Retail Banking

In the first half of 2017, the Bank accelerated the transformation of retail business by further utilizing the Group's integrated financial advantages, endeavored to build "intelligent retail bank" through applying mobile and Internet means to enable continuous optimization and innovation of the business process and service experience, and achieved rapid and healthy growth in performance.

(1) Transformation Achieved Initial Result with Rapid Growth in Business Scale

As at the end of June 2017, the ending balance of assets under management of individual customers of the Bank amounted to RMB950.97 billion, up by 19.23% over the end of the previous year; the number of retail customers (including the users of its debit cards and credit cards) reached 58,431.1 thousand, up by 11.53% over the end of the previous year, among them, private wealth customers and private banking customers reached 411.8 thousand and 20.4 thousand respectively, representing a substantial increase of 19.77% and 20.85% over the end of the previous year; the current credit card accounts reached 29,631.5 thousand, an increase of 15.72% over the end of the previous year. The balance of retail deposits was RMB312.073 billion, an increase of 16.00% over the end of the previous year, and the balance of retail loans (including credit cards) was RMB657.035 billion, an increase of 21.46% over the end of the previous year; the transaction volume of credit cards totaled RMB635.799 billion, rising by 20.18% year-on-year.

Starting from the second quarter of 2017, the Bank's retail business transformation began to present result gradually with strong growth momentum in performance. Driven by deposits from wealth management and certificates of large-amount deposits, deposits continued to grow, with a single-quarter increase of RMB22.563 billion in the second quarter; the single-month issuance of credit cards in the credit card business in June exceeded 1.2 million, up by 31.23% over May month on month. The single-month loans granted in automobile finance business reached RMB9.323 billion in June, up by 9.9% over May month on month. Among the loan business, the star product "New Generation Loan" achieved a single-month granting of loans of RMB9.981 billion in June, up

by 18.3% over May month on month.

(2) Asset quality maintains upward trend

In the first half of 2017, non-performing rate of the Bank's retail business declined steadily. Non-performing rate of retail loans (including credit cards) was 1.28%, down 0.24 percentage point from the end of last year. Among them, non-performing rate of the retail loans (excluding credit cards) was 1.32%, down 0.25 percentage points from the end of last year; non-performing rate of retail loans (excluding credit cards, personal operating loans) was 0.34%, down 0.26 percentage points from the end of last year; non-performing rate of credit card was 1.20%, down 0.23 percentage point from the end of last year. Credit card asset quality remained stable with the new non-performing rate in June hit the lowest for the past three years. At the same time, the proportion of major loan products retail (New Generation Loan, car loans, credit cards) from not overdue to overdue for over 30 days continued to decline and the trend of early warning indicators continued to improve.

(3) More breakthroughs to fruit

The Bank's credit card business continues to maintain rapid and steady growth and continues to enhance the customer experience. In the first half of 2017, 5,065.2 thousand new credit cards were issued, an increase of 12.35% compared with the same period of last year. The loan balance was RMB207.959 billion, up by 14.84% over the end of previous year. Since the beginning of this year, the Bank provided targeted interests for different customers to meet the needs of customers through improving its credit card business product system. It optimized the online application process on each channel and achieved immediate on-line pre-trial to enhance customer experience and time effectiveness. The Bank introduced products and process accommodating channels and business scenarios to speed up the Group's internal customer migration under the comprehensive financial strategy. In the first half of 2017, cards issued via the Group's cross-selling channel recorded a corresponding increase of 44.90%. The Bank innovated social media communication by conducting promoting activities such as red envelopes, Refill with 12% Off and overseas refunds. At the same time, the Bank used mobile platforms, human-computer interaction and other technologies to improve service efficiency. The proportion of E channel services continued to increase, which surpassed 85%. Customer satisfaction continues to improve and won the "2017 Best Customer Experience Credit Card Brand" of "Gold Shell Awards" elected by the 21st Century Business Herald.

The Bank's consumer finance business is focused on customer needs and is committed to providing quality products and efficient services to customers in the personal consumption field. As at the end of the reporting period, the balance of consumer finance loans was RMB277.09 billion, and new loans granted in the first half of 2017 amounted to RMB129.4 billion, up by 255.49% year-on-year. Among them, "New Generation Loan" issued RMB48.6 billion of loans in the first half of 2017, an increase of 95%. In response to the call of inclusive finance, the product provides extensive service to salaried and self-employed customers, and can achieve rapid lending within one day. At the same time, revolving credit products "Jinlingtong" and "Xinyitong" which result from the optimization and upgrading of consumer finance business provide customers with the loan experience of instant borrowing and repayment as well as interest incurred on a daily basis and effectively meet customer's omnibearing credit service needs.

The market share of the Bank's auto finance business continues to take the lead. At the end of June 2017, the balance of auto loans was RMB104.832 billion, up by 10.04% from the end of last year.

In the first half of 2017, a total of RMB46.888 billion new loans were granted, up 32.0% year-on-year. The overall system of automated approval of auto finance business surpassed 60% through product innovation, credit process optimization, scientific risk quantification model and large data strategy application and a series of initiatives, up 5 percentage points over the end of previous year so that customers can be informed of the approval results within a few seconds, thereby effectively enhancing customer experience and establishing the industry leading edge. At the same time, the Bank continued to strengthen channel innovation and service innovation to provide customers with more efficient and convenient business applications through mobile banking, Wechat, website and other online channels. Besides, it continuously improved the automotive financial product lineage from car purchase, utilization, maintenance, change and other life cycle. A number of subsidiaries within the Group to carried out a wide range of comprehensive financial innovative cooperation targeting at customer needs, to provide customers with the entire "Ping An Travel" solution.

In the first half of 2017, the Bank comprehensively promoted the new model of wealth management business, and optimized the staffing allotment, assessment methods, customer operation, business management, innovation of bank financing products. Asset under management (AUM) of retail customers recorded an increase of RMB153.37 billion, of which: financial products increased by nearly RMB100 billion, and large deposits increased by RMB18.159 billion.

(4) Technology and services: build "SAT" service system to safeguard customer service and experience with artificial intelligence

The Bank is committed to building a retail banking service system with the core of "SAT (Social media + Client application + Remote team)", and safeguards retail transformation by way of large data analysis, targeting customer needs and providing customers with the ultimate wisdom experience.

In the first half of 2017, the Bank launched the "Phoenix Project" to promote the integration of the three major APPs (original Pocket Bank APP, Credit Card APP, Ping An Orange Bank APP). After the integration, the new Pocket Bank APP carries the whole product and services of the Bank's retail business to achieve a credit card and debit card one-stop management, and gradually introduces information, live broadcasting and intelligent investment, and supports the sharing of any page of the APP to friends upon one click. With the increasingly perfect function and rich scenario, customer experience continues to be improved. As of the end of the reporting period, the number of users of Pocket Bank APP was 31.64 million, an increase of 50.09% over the end of previous year. Monthly active users of the APP have leapt to the industry leading level.

Since the first half of 2017, the Bank positions its branches as online "outpost", it equips offline branches with science and technology through the application of intelligent tools and equipment such as APP, FB (FACE BANK), and the introduction of biometrics and wisdom, which is closely integrated with online channels and optimized to improve service quality and efficiency and creates intelligent "not line up network".

At the same time, the Bank actively deployed in the field of artificial intelligence, and has achieved certain success. In the aspect of business marketing, the Bank has accumulated a wealth of customer labels and has gradually formed a 360-degree view of individual customers to provide customers with differentiated products and services based on actual mastery of their needs. In terms of risk control, the Bank adopts the model cluster technology by deploying approximately more than 40 sets of risk models along various points involving customers, to achieve a full range of monitoring

and assessment of risk, and applies face recognition technology to carry out the account anti-counterfeiting test and detection; meanwhile, the Bank fully applies engine tools and scoring model such as big data and face recognition and other new technologies, to achieve over 75% in the decision-making capacity of credit card credit approval system. In the case of substantial increase in the amount of card issuance, the approval manpower remains relatively unchanged.

(5) Comprehensive finance: deepen cooperation and build B2B2C retail business development model based on major wisdom account

Comprehensive financial advantage continues to facilitate retail development. The Bank continued to deepen the Group's high-quality personal customer resources and conducts migration and transformation not only through the products, services and customer referring, but also creating a specific B2B2C model, to integrate the Bank's account capacity with scenario of the Group's online platform (such as Ping An Doctor, Autohome) through plug-in, interface and other technical means to the combine traffic, the form complementary, so that its customers can enjoy the advantages of the Bank's products and services in a more natural and convenient manner.

In the first half of 2017, the comprehensive financial results of new model of life insurance retail, sales of credit cards through the Group and insurance through the Bank continued to grow. The number of new migration customers on the channels was 2.39 million of which, the number of customers with wealth assets and above (private financial customers) increased by 22 thousand and the balance of customers' assets increased by RMB49.97 billion, with the proportion of channels accounting for 22.9%, 30.3% and 30.3% respectively. A total of RMB13.8 billion was granted via New Generation Loan, with the proportion of channels accounting for 28.4%. Credit cards granted by cross-selling channels account for about 36.5% of the total number of newly granted cards. The total non-interest net income of retail whole channel consignment group insurance was RMB0.97 billion, up by 70% from the same period last year.

(6) Change culture to guide development

In the first half of 2017, the Bank implemented a top-down open, inclusive and shared organizational culture, promoted flat, efficient and direct organizational management, and made full use of the Internet agile development model to rapidly promote the development of key projects.

The Bank recruited 188 Internet technology, product and marketing professionals in the credit card, consuming finance, automobile finance, big data platform and other fields, including 15 senior management staff. While introducing talents, the Bank re-planned training system to assist the transformation by regarding training as the accelerator of business development and incubator of personnel training. It implemented the Wolf Training, Excellence Project, Pilot Project and other key projects for different groups, at different levels and by batches. It used traditional face-to-face, online platform, live broadcasting means and by skills teaching, action learning, case sharing and other forms, to enhance the management of cadres, business team management and professional skills.

II. Excellent corporate banking

The Bank will further refine the business philosophy of "industry, specialization, investment, light capital and light assets", forming a "1234 landing strategy" for general corporate banking business, and thus the future development direction of the public business and profit model is more clear. The "1234 landing strategy" refers to a lifeline (asset quality), two development ideas (industry, light

capital and light assets), three major protection base (system, assessment and team), four implementation methods (pure deposit, real investment bank, leader's bank and KYB), covering the industry banks, government banks, customer management strategies, product organization, to achieve integration of the public services through team reconstruction, technology support, risk management system and performance appraisal system changes. The general corporate banking business will be transformed from net interest spread model to light capital and light assets profit model of improved customer comprehensive services and efficiency through the "1234 landing strategy".

The Bank continued to promote the light capital and light assets transformation of boutique corporate banks to achieve sustainable business and quality development.

In terms of platform strategy, the Bank continued to expand the clout of four platforms of Orange E-Platform, Cross-border Platform, Baoliyun and Hang-E-Tong through scientific and technological support and further provided customers with lean products and services. By the end of June 2017, Orange E-Platform has delivered industry financial service system to 950 e-commerce platform projects, an increase of 134 from the end of last year. The digitalization of the supply chain financial system industry standards are taking shape. In the first half of 2017, transaction volume on Cross-border E-commerce Platform reached RMB230.755 billion, a year-on-year increase of 20.2%. At the end of June 2017, the assets receivables trading market on Baoliyun recorded 5,621 customers, an increase of 1,255 over the end of previous year. The influence of the Hang-E-Tong comprehensive financial asset trading platform continues to show influence and the total number of cooperative customers reached 1,745, an increase of 382 from the end of last year. The scale effect of the interbank channel is becoming more and more obvious.

In terms of the development of light capital and light assets, the Bank vigorously developed low-risk weight, low capital to zero capital occupation business, made full use of the Group's comprehensive financial resources and platform to expand channel cooperation and open up light capital and light assets income source. As of the end of June 2017, it has completed the bonds underwriting size of RMB45.2 billion, of which AAA- level customer issuance scale accounted for more than 80% while AA+ and higher level customer issuance scale accounted for more than 90%. Against market competition and declining rate, the custody fee income from custody business reached RMB1.857 billion, remaining basically flat; as of the end of June 2017, the net size of custody was RMB5.69 trillion, an increase of 4.21% over the end of previous year; the cumulative precious metals transactions income in the first half of 2017 was RMB180 million and precious metals trading volume, self-trading volume in Shanghai Gold Exchange stood at the forefront of the industry.

(1) Precision control

The Bank took the initiative to implement the business structure and asset structure adjustment to maintain a reasonable level of the scale of corporate banking assets. At the end of June 2017, corporate banking structural assets were optimized, and the risk capital decreased by 3 percentage points from the end of last year. The balance of the Company's loan (including discount) was RMB937.246 billion, representing an increase of 0.26% from the end of last year, accounting for 59% of the whole bank, down by 4 percentage points from the end of last year. New loans to the corporate banking amounted to RMB267.9 billion, accounting for 47% of the whole bank, down by 8 percentage points from the proportion recorded for the last year.

(2) Elaborately target at customers

Focusing on the volume of large, weak cycle, sound growth industry, the Bank operates financial business in health care, cultural tourism and electronic information industry to strengthen the industry forward-looking research, plan industry development progress, optimize the industry customer structure, target at quality customer demand and strictly control industry financial risks.

The Bank focuses on financial industry and actively uses "C+SIE+R", which is becoming more clearly and implemented in the field of industry finance. The Bank takes the lead manager thinking, polling advantage resources into high quality, high potential customers to drive the upstream and downstream supply chain, industry chain and ecosystem customer. In the first half of 2017, 705 new industry mainstream customers were added. For different customer groups, it adopts differentiated marketing strategy. For the large and medium-sized customers, the "financing+wisdom, absorbing capital + drainage and lead manager" strategy will be adopted based on name list model to become the "commercial bank + investment bank" of customers. For small customers, the Bank provides fast and bulk financial services in light mode, thereby effectively controlling risks and realizing value regression.

(3)Strictly follow assets quality

The Bank will build a comprehensive risk management system, implement the pre-loan, loan and post-loan regulations, and practice "targeted policy". It will strictly control the new business quality, ensure credit resources and risk assets to tilt toward lead managers and KYB where risks can be controlled. For stock assets, it will innovate special management mode to speed up the asset dissolve. Since its inception by the end of 2016, special asset management division functions well. Through elaborating management, intensive mode of operation and professional management, in the first half, of the non-performing assets recovered by special asset management division, 93% was cash while the rest was recovered by repayment in kind. Through the platform, batched operation, Internet and big data, the business department has practiced innovation and dissolve, effectively released the risk of asset quality and contributed to the profit of the whole bank.

(4) Lean efficiency

The Bank is committed to promoting efficiency through platform empowerment, training promotion, team reengineering and others. The Bank further improved the performance evaluation system of the front-line team, tilted the resources to the key industries and key businesses, and guided towards light capital and light asset products by passing the general corporate banking basic rules. Through the lean management of resources, it improves input and output efficiency.

VI. Relevant Matters Related to Financial Reporting

1. Explanation for changes in accounting policies, accounting estimates and accounting methods compared to financial statements for the previous accounting period

☒ applicable ☐ not applicable

There was no change in accounting policies, accounting estimates and accounting methods of the Company during the reporting period.

2. Explanation for major accounting errors correction that needs to trace the restatement.

☐ applicable ☒ not applicable

There was no major accounting errors correction that needs to trace the restatement during the reporting period.

3. Changes in the scope of the consolidated statement compared to the financial statements for the previous accounting period

☐ applicable ☒ not applicable

There was no change in the scope of the consolidated statement of the Company during the reporting period.

Board of Directors of Ping An Bank Company Limited
11 August 2017

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