

Ping An Bank Company Limited 2012 Half-Year Report Summary

(If there is any discrepancy, please refer to the Chinese Version.)

I. Important Notes

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

The eighteenth meeting of the eighth Board of Directors of the Bank discussed the full text and abstract of 2012 Half-Year Report. There were 18 directors present at the meeting. The Board of the Bank approved the Report unanimously at the meeting.

Ernst & Young Hua Ming has audited the 2012 half-year financial statements of the Bank, and has produced standard unqualified auditing report.

Xiao Suining, the Bank's Chairman of the Board of Directors, Richard Jackson, President, Chen Wei, Vice President and Chief Financial Officer, and Wang Lan, head of the Accounting Department, guarantee the authenticity, accuracy and completeness of the financial report in 2012 Half-Year Report.

II. Basic Facts of the Company

(I) Summary of Basic Facts

Abbreviated name of A share	Ping An Bank	
Stock Code for A Share	000001	
Stock exchange with which the shares of the Bank are listed	Shenzhen Stock Exchange	
	Secretary of the Board	Representative of Securities Affairs
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(II) Key Financial Data and Indicators

1、 Key Accounting Data and Financial Indicators

1.1 Operating results

(In RMB thousand)

Item	January – June 2012	January – June 2011	January – December 2011	Change from the same period of previous year (%)
Operating income	19,625,534	12,137,267	29,643,061	61.70%
Operating profit before asset impairment loss	10,407,134	6,777,886	15,281,275	53.55%
Asset impairment loss	1,570,234	730,678	2,148,574	114.90%
Operating profit	8,836,900	6,047,208	13,132,701	46.13%
Pre-tax profit	8,878,649	6,063,160	13,257,489	46.44%
Net profit	6,869,564	4,731,138	10,390,491	45.20%
Net profit attributed to shareholders of the parent	6,761,485	4,731,138	10,278,631	42.91%
Net profit attributed to shareholders of the parent after deducting non-recurring gains/losses	6,729,261	4,717,466	10,179,272	42.65%
Per share:				
Basic EPS(in RMB)	1.32	1.36	2.47	(2.94%)
Diluted EPS(in RMB)	1.32	1.36	2.47	(2.94%)
Basic EPS after deducting non-recurring gains/losses(in RMB)	1.31	1.35	2.44	(2.96%)
Cash flow:				
Net cash flows from operating activities	144,029,780	31,613,008	(14,439,373)	355.60%
Per share net cash flows from operating activities(in RMB)	28.11	9.07	(2.82)	209.92%

Items and amount of non-recurring gains/losses for the previous three years

(In RMB thousand)

Non-recurring gains/losses item	January – June 2012	January –June2011	January – December 2011
Gains/losses on disposal of non-current assets (gain/loss on disposal of fixed assets, repossessed assets and long-term equity investment)	16,200	28,176	131,180
Gains/losses on contingency (predicted liabilities)	17,180	(17,729)	(29,278)
Other non-operating income and expense	8,369	7,074	24,454

Impact of income tax	(9,447)	(3,849)	(27,120)
Amounts attributed to minority shareholders	(78)	-	123
Total	32,224	13,672	99,359

1.2 Profitability indicators

(%)

Item	January – June 2012	January – June 2011	January – December 2011	Change from the same period of previous year
Return on total assets (unannualized)	0.45	0.56	0.82	-0.11 percentage point
Return on total assets (annualized)	0.91	1.11	0.82	-0.20 percentage point
Average return on total assets (unannualized)	0.49	0.60	1.04	-0.11 percentage point
Average return on total assets (annualized)	0.98	1.20	1.04	-0.22 percentage point
Return on equity (fully diluted, unannualized)	8.47	12.51	14.02	-4.04 percentage point
Return on equity (fully diluted, annualized)	15.62	22.23	14.02	-6.61 percentage point
Return on equity (fully diluted, deducting non-recurring gains/losses, unannualized)	8.43	12.47	13.89	-4.04 percentage point
Return on equity (fully diluted, deducting non-recurring gains/losses, annualized)	15.54	22.17	13.89	-6.63 percentage point
Weighted average return on equity (unannualized)	8.82	13.30	20.32	-4.48 percentage point
Weighted average return on equity (annualized)	16.89	24.95	20.32	-8.06 percentage point
Weighted average return on Equity (deducting non-recurring gains/losses, unannualized)	8.77	13.27	20.12	-4.50 percentage point
Weighted average return on Equity (deducting non-recurring gains/losses, annualized)	16.81	24.88	20.12	-8.07 percentage point
Cost/income ratio	38.13	36.30	39.99	+1.83 percentage point
Credit cost	0.46	0.34	0.41	+0.12 percentage point
Net interest spread (NIS)	2.22	2.50	2.37	-0.28 percentage point
Net interest margin (NIM)	2.42	2.63	2.53	-0.21 percentage point

1.3 Assets and liabilities

(In RMB thousand)

Item	June 30, 2012	December 31, 2011	December 31, 2010	Change from the end of previous year (%)
1. Total assets	1,490,622,851	1,258,176,944	727,207,076	18.47%
Including: financial assets and derivative financial assets at fair value through profit or loss in the	6,262,586	3,418,479	371,734	83.20%
Held-to-maturity	108,223,947	107,683,080	61,379,837	0.50%
Loans and receivables	1,090,343,349	884,305,432	550,580,227	23.30%
Available-for-sale financial assets	80,229,512	78,383,526	31,534,183	2.36%
Goodwill	7,568,304	7,568,304	-	-
Others	197,995,153	176,818,123	83,341,095	11.98%
2. Total liabilities	1,410,800,241	1,182,796,360	694,009,541	19.28%
Including: financial liabilities and derivative financial liabilities at fair value through profit or loss in the current period	1,130,187	732,418	311,805	54.31%
Placement from banks and other institutions	7,197,324	25,279,349	6,200,174	(71.53%)
Deposits	949,577,975	850,845,147	562,912,342	11.60%
Others	452,894,755	305,939,446	124,585,220	48.03%
3. Shareholders' equity	79,822,610	75,380,584	33,197,535	5.89%
Including: equity attributed to shareholders of the parent	79,822,610	73,310,837	33,197,535	8.87%
Net asset per share attributed to shareholders of the parent (in RMB)	15.58	14.31	9.53	8.87%
4. Total deposits	949,577,975	850,845,147	562,912,342	11.60%
Including: Corporate deposits	772,966,531	698,564,967	477,741,629	10.65%
Retail deposits	176,611,444	152,280,180	85,170,713	15.98%
5. Total loans	682,905,530	620,641,817	407,391,135	10.03%
Including: Corporate loans	485,227,709	430,702,072	287,295,541	12.66%
General corporate	449,563,874	413,019,170	268,648,981	8.85%
Discounted bills	35,663,835	17,682,902	18,646,560	101.69%
Retail loans	167,049,225	165,226,483	113,750,877	1.10%
Receivables for credit cards	30,628,596	24,713,262	6,344,717	23.94%

Provision for impairment of loans	(11,830,022)	(10,566,481)	(6,425,060)	11.96%
Net loans and advances	671,075,508	610,075,336	400,966,075	10.00%

1.4 Supplementary financial indicators for previous three years as of the end of the reporting period

(Unit: %)

Financial indicators		Standard level of indicators	June 30, 2012		December 31, 2011		December 31, 2010	
			Period-end	Monthly Average	Year-end	Monthly Average	Year-end	Monthly Average
Liquidity ratio	RMB	≥ 25	59.74	64.85	55.72	Not applicable	52.52	46.81
	Foreign currency	≥ 25	74.45	76.11	62.89	Not applicable	49.94	54.06
	RMB and foreign currency	≥ 25	59.38	64.59	55.43	Not applicable	52.35	46.58
Loan/deposit ratio (including discounted bills)	RMB and foreign currency	≤ 75	71.69	72.01	72.88	Not applicable	72.61	75.67
Loan/deposit ratio (excluding discounted bills)	RMB and foreign currency	Not applicable	67.89	69.38	70.75	Not applicable	69.23	70.53
Non-performing loan (NPL) rate		≤ 5	0.73	0.71	0.53	Not applicable	0.58	0.60
Capital adequacy ratio		≥ 8	11.40	11.52	11.51	Not applicable	10.19	9.83
Core capital adequacy ratio		≥ 4	8.44	8.54	8.46	Not applicable	7.10	6.69
Ratio of loans to the single largest client to net capital		≤ 10	3.25	3.70	3.71	Not applicable	5.29	5.99
Ratio of loans to top 10 clients to net capital		Not applicable	18.90	19.26	19.24	Not applicable	26.86	30.49
Ratio of accumulated foreign exchange exposure position to net capital		≤ 20	1.45	Not applicable	2.80	Not applicable	0.84	Not applicable
Pass loans flow rate		Not applicable	0.73	Not applicable	0.67	Not applicable	0.73	Not applicable
Special Mention loans flow rate		Not applicable	39.62	Not applicable	9.35	Not applicable	39.17	Not applicable

	le		able		able		able
Substandard loans flow rate	Not applicable	24.50	Not applicable	39.40	Not applicable	23.15	Not applicable
Doubtful loans flow rate	Not applicable	50.46	Not applicable	13.01	Not applicable	9.23	Not applicable
Cost/income ratio (excluding business tax)	Not applicable	38.13	Not applicable	39.99	Not applicable	40.95	Not applicable
Provision coverage	Not applicable	237.96	Not applicable	320.66	Not applicable	271.50	Not applicable
Provision to loan ratio	Not applicable	1.73	Not applicable	1.70	Not applicable	1.58	Not applicable

2. Differences for net profit and net asset disclosed in accordance with International Accounting Standards and PRC Accounting Standards

Applicable Not Applicable

III. Changes in Share Capital and Particulars of Shareholders

(I) Changes in share capital

Applicable Not Applicable

(Unit: Shares)

Share Type	Before Change		Change (+,-)				After Change	
	Quantity	%	Restricted Shares released from restriction	Quantity	%	Restricted Shares released from restriction	Quantity	%
I. Restricted shares	2,017,991,744	39.39	-	-	-	-	2,017,991,744	39.39
1)Held by the state	-	-	-	-	-	-	-	-
2)Held by state legal entities	-	-	-	-	-	-	-	-
3)Held by other domestic bodies	2,017,991,744	39.39	-	-	-	-	2,017,991,744	39.39
Including: held by domestic non-state legal entities	2,017,973,130	39.39	-	-	-	-	2,017,973,130	39.39
Held by domestic natural person	18,614	Approximately 0.00	-	-	-	-	18,614	Approximately 0.00

4) Held by foreign institutions	-	-	-	-	-	-	-	-
Including: Held by foreign legal entities	-	-	-	-	-	-	-	-
Held by foreign natural person	-	-	-	-	-	-	-	-
II. Unrestricted shares	3,105,358,672	60.61	-	-	-	-	3,105,358,672	60.61
1) Ordinary RMB shares	3,105,358,672	60.61	-	-	-	-	3,105,358,672	60.61
2) Foreign shares listed domestically	-	-	-	-	-	-	-	-
3) Foreign shares listed overseas	-	-	-	-	-	-	-	-
4) Others	-	-	-	-	-	-	-	-
III. Total	5,123,350,416	100.00	-	-	-	-	5,123,350,416	100.00

(II) Shareholding of top ten shareholders and particulars of top ten shareholders without restriction conditions /Tradable shareholders

√ Applicable □ Not Applicable

(Unit: Shares)

Total number of shareholders as at the end of reporting period	283,377					
Shareholding of top 10 shareholders						
Name of shareholder	Nature of shareholder	Shareholding (%)	Total shares held	Increase/decrease during the reporting period	Restricted shares held	Shares collateralized or frozen
Ping An Insurance (Group) Company of China, Ltd. - Group level - Self-owned fund	Domestic legal person	42.16	2,159,807,516	-	1,638,336,654	-
Ping An Life Insurance Company of China, Ltd.- Proprietary fund	Domestic legal person	7.41	379,580,000	-	379,580,000	-
Ping An Life Insurance Company of China, LTD. - Tradition - Ordinary insurance products	Domestic legal person	2.75	140,963,528	-	-	-
Shenzhen Zhongdian Investment Co., Ltd.	Domestic legal person	1.71	87,382,302	-	-	-

China Life Insurance Co., Ltd-Dividend-Individual Dividend-005L-FH002 Shenzhen	Domestic legal person	0.95	48,661,762	(14,842,654)	-	-
BOC-E-fund Shenzhen 100 Trading Open-end Securities Investment Fund	Domestic legal person	0.88	45,228,499	4,253,752	-	-
Client credit trading guarantee securities account of Orient Securities Company Limited	Domestic legal person	0.88	44,898,304	44,898,304	-	-
National Social Security Fund-10 portfolio	Domestic legal person	0.78	39,841,497	2,999,987	-	-
Haitong Securities Co., Ltd.	Domestic legal person	0.73	37,458,896	(10,168,911)	-	-
ICBC – Rongtong Shenzhen Stock Exchange 100 Index Securities Investment Fund	Domestic legal person	0.60	30,504,294	2,213,349	-	-

Shareholding of top 10 shareholders without restriction conditions

Name of the shareholder	Number of unrestricted shares held	Share nature
Ping An Insurance (Group) Company of China, Ltd. - Group level - Self-owned fund	521,470,862	RMB ordinary shares
Ping An Life Insurance Company of China, LTD. - Tradition - Ordinary insurance products	140,963,528	RMB ordinary shares
Shenzhen Zhongdian Investment Co., Ltd.	87,382,302	RMB ordinary shares
China Life Insurance Company Limited - dividend - individual dividend - 005L-FH002 Shenzhen	48,661,762	RMB ordinary shares
BOC-Yifangda Shenzhen Stock Exchange 100 Transactional Open Index Securities Investment Fund	45,228,499	RMB ordinary shares
Client credit trading guarantee securities account of Orient Securities Company Limited	44,898,304	RMB ordinary shares
National Social Security Fund-10 portfolio	39,841,497	RMB ordinary shares
Haitong Securities Co., Ltd.	37,458,896	RMB ordinary shares
ICBC – Rongtong Shenzhen Stock Exchange 100 Index Securities Investment Fund	30,504,294	RMB ordinary shares
ICBC – China Southern Component Selected Equity Securities Investment Fund	27,135,463	RMB ordinary shares

Explanation on the related relationship and concerted action between the above shareholders	<p>1. Ping An Life Insurance Company of China, Ltd. is PAG’s controlling subsidiary and its person acting in concert. “Ping An Insurance (Group) Company of China, Ltd. - Group level - Self-owned fund” has related relation with “Ping An Insurance (Group) Company of China, Ltd- the Group – Proprietary fund” and “Ping An Life Insurance Company of China, Ltd. - Tradition -Ordinary insurance products”.</p> <p>2. The Bank is not aware of the related relationship between any of the other shareholders or aware of whether they are persons acting in concert or not.</p>
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(III) Change of the controlling shareholder and actual controller

Applicable Not Applicable

IV. Directors, Supervisors and Senior Management

(I) Changes in the shareholding by directors, supervisors and senior management

Applicable Not Applicable

(Unit: Shares)

Name	Title	Shares held at beginning of the period	Increase	Decrease	Shares held at end of the period	Including: number of restricted shares held	Number of share options held at end of the period	Reason for the change
Hu Yuefei	Director, VP	1,484	-	-	1,484	194	-	-
Wang Lan	Employee Supervisor	215	-	-	215	-	-	-
Wang Yi	Employee Supervisor	24,560	-	-	24,560	18,420	-	-

V. Report of the Board of Directors

(I) Management Discussion and Analysis

1. Overview

During the first half of 2012, inflation has been eased in China, and a stable monetary policy was continued under national macro-economic control. Under the influence of the macro-economy and decline in credit demand, and alongside with the decrease in benchmark interest rate and the trend of implementing market-based interest rate, interest spreads charged by banks narrowed and the pressure on increasing deposit grew. Meanwhile, under the influence of the new capital management method, various risk regulatory indicators and requirements in China has become more stringent, pressing the banking industry to enhance risk management. Under the complicated and ever-changing macro-economic situation and the increasingly competitive operating condition in the market, the Bank steadily implemented its business development strategy and the integration plan of SDB and PAB on the basis of expanding deposits to promote cross-selling, strengthen portfolio management, improve asset and liability management capabilities as well as optimize risk management system, and thus achieved a relatively satisfactory operating results. During the reporting period, integration of SDB and PAB was undergone in accordance with laws and regulations in a stable and orderly manner, making a substantial progress. On April 2011, the Bank obtained the Approval of China Banking Regulatory Commission on the Merger and

Consolidation of Shenzhen Development Bank with Ping An Bank (Yin Jian Fu [2012] No.192) to approve the former Shenzhen Development Bank to merge with the former PAB through absorption. On June 12, 2012, Market Supervision Administration of Shenzhen Municipality approved the deregistration of the former PAB, and SDB and PAB were officially combined as one individual bank in accordance with laws.

1. Steady growth in scale and strategic business grew healthily

As of the end of the reporting period, total assets of the Bank amounted to RMB1,490.623 billion, a growth of 18.47% compared with the beginning of the year; total loans (including discount) amounted to RMB682.906 billion, an increase of 10.03% compared with the beginning of the year; total deposits amounted to RMB949.578 billion, a growth of 11.60% compared with the beginning of the year. NPL ratio was 0.73%, and was still under control and maintained at low level. Among the business structure, strategic businesses including trade finance business, micro finance, retail business and credit card business saw a healthy growth with effective channel building, increased promotion of online supply chain finance and steady expansion in customer base. As of the end of the reporting period, balance of trade financing facilities amounted to RMB277.5 billion, increasing by 18.89% compared with the beginning of the year; balance of micro loans amounted to RMB53.549 billion, representing an increase of 11.57% from the beginning of the year; retail deposit growth rate was apparently higher than that of total deposits; total credit cards in force amounted to 9.89 million.

2. Stable profitability with improvement in income structure

In the first half of 2012, the Bank recorded operating income of RMB19.626 billion, representing a period-on-period increase of 61.70%. Net profit attributable to the parent company amounted to RMB6.761 billion, representing a period-on-period increase of 42.91%. Profitability remained stable. Among the operating income, non-interest income amounted to RMB3.469 billion, increasing by 98.79% compared with the same period of last year. Net non-interest income as a percentage in operating income continued to rise to 17.68% from 14.38% of the same period of last year. Income structure had further improved.

3. Capital adequacy ratio meeting regulatory standards

The Bank's capital adequacy ratio and core capital adequacy ratio were 11.40% and 8.44% respectively as of the end of the reporting period, which met regulatory standards.

2. Analysis of income statement items

2.1 Composition of and changes in operating income

(In RMB million)

Item	January – June 2012		January – June 2011		Increase/decrease for the period
	Amount	%	Amount	%	

					compared with the same period of last year (%)
Net interest income	16,157	82.32%	10,392	85.62%	55.48%
Interest income from placement at central bank	1,320	3.55%	611	3.13%	116.04%
Interest income from transactions with financial institutions	4,084	10.97%	4,096	20.96%	(0.29%)
Interest income from loans and advances	22,111	59.39%	12,332	63.11%	79.30%
Interest income from securities investment	4,710	12.65%	2,151	11.01%	118.97%
Other interest income	5,003	13.44%	350	1.79%	1329.43%
Subtotal of interest income	37,228	100.00%	19,540	100.00%	90.52%
Rediscount interest expense	12	0.06%	27	0.30%	(55.56%)
Interest expense from transactions with financial institutions	7,438	35.30%	3,204	35.02%	132.18%
Deposit interest expense	11,434	54.26%	5,429	59.35%	110.61%
Payable bond interest expense	501	2.38%	329	3.60%	52.28%
Other interest expense	1,685	8.00%	159	1.73%	959.75%
Subtotal of interest expense	21,070	100.00%	9,148	100.00%	130.33%
Net fee and commission income	2,779	14.16%	1,188	9.79%	133.92%
Other net operating income	690	3.52%	557	4.59%	23.88%
Total operating income	19,626	100.00%	12,137	100.00%	61.70%

2.2 Net interest income

In the first half of 2012, the Bank realized net interest income of RMB16.157 billion, increasing by 55.48% compared with the same period of last year and accounting for 82.32% of operating income, which decreased by 3.30 percentage points compared with 85.62% of the same period of last year. The growth in net interest income mainly credited to the growth of the scale of interest-earning assets and structure improvement.

The following table sets out the daily average balance, and daily average yield or daily average cost rate of the major asset and liability items of the Bank during the reporting period.

(In RMB million)

Item	January – June 2012			January – June 2011		
	Daily average balance	Interest income/expense	Average yield/cost (%)	Daily average balance	Interest income/expense	Average yield/cost (%)
Assets						
Customer loans and advances (excluding discount)	625,025	21,821	7.02%	412,153	12,110	5.93%

Bond investment	195,062	3,907	4.03%	106,201	1,791	3.40%
Due from Central Bank	174,294	1,320	1.52%	81,809	611	1.50%
Bills discount and inter-bank business	196,049	5,176	5.31%	179,238	4,678	5.26%
Others	154,896	5,003	6.50%	18,881	350	3.74%
Total of interest-earning assets	1,345,326	37,227	5.56%	798,283	19,540	4.94%
Liabilities						
Customer deposits	891,512	11,434	2.58%	584,906	5,429	1.87%
Bonds issued	16,126	501	6.24%	10,744	329	6.18%
Inter-bank business	312,384	7,450	4.80%	153,807	3,231	4.23%
Others	48,643	1,685	6.97%	7,296	159	4.41%
Total of interest-bearing liabilities	1,268,665	21,070	3.34%	756,751	9,148	2.44%
Net interest income		16,157			10,392	
Deposit-loan spread			4.44%			4.06%
Net interest spread (NIS)			2.22%			2.50%
Net interest margin (NIM)			2.42%			2.63%

On a period-on-period basis, the average interest rates of all assets and liabilities during the period were higher than that in the same period of last year under the lagging influence of the interest rate increase policy of the Central Bank in 2011. Meanwhile, under the guidance of portfolio management and pricing strategy, deposit-loan spread recorded a better growth, but net interest spread and net interest margin were lowered due to the expansion of the scale of inter-bank business.

Item	April – June 2012			January – March 2012		
	Daily average balance	Interest income/expense	Average yield/ cost (%)	Daily average balance	Interest income/expense	Average yield/ cost (%)
Assets						
Customer loans and advances (excluding discount)	631,899	11,038	7.03%	618,152	10,783	7.02%
Bond investment	195,482	1,954	4.02%	194,641	1,953	4.04%
Due from Central Bank	179,020	676	1.52%	169,569	644	1.53%
Bills discount and inter-bank business	252,888	3,069	4.88%	139,210	2,107	6.09%
Others	138,180	2,124	6.18%	171,612	2,879	6.75%

Total interest-earning assets	1,397,468	18,861	5.43%	1,293,184	18,366	5.71%
Liabilities						
Customer deposits	918,665	5,961	2.61%	864,359	5,473	2.55%
Bonds issued	16,127	250	6.23%	16,126	251	6.25%
Inter-bank business	350,102	3,904	4.48%	274,666	3,546	5.19%
Others	34,227	544	6.39%	63,059	1,141	7.27%
Total interest-bearing liabilities	1,319,121	10,659	3.25%	1,218,210	10,411	3.44%
Net interest income		8,202			7,955	
Deposit-loan spread			4.42%			4.47%
Net interest spread (NIS)			2.18%			2.27%
Net interest margin (NIM)			2.36%			2.47%

In the second quarter of 2012, the Central Bank announced the downward adjustment on interest rate and expanded the margin for fluctuations for deposit and loan interest rate, yet the overall influence on the second quarter was insignificant for the second quarter due to the fact that the policy was launched in June. On a quarter-on-quarter basis, interest rates of deposits rose in the second quarter under the influence of market factors. Interest rates of bonds, inter-bank and other businesses dropped, whilst deposit-loan spread, net interest spread and net interest margin also decreased.

Daily average balance of customer loans and advances and yield

(In RMB million)

Item	January – June 2012			January – June 2011		
	Daily average balance	Interest income	Average yield (%)	Daily average balance	Interest income	Average yield (%)
Corporate loans (excluding discount)	424,778	14,740	6.98%	286,213	8,475	5.97%
Retail loans	200,247	7,081	7.11%	125,940	3,635	5.82%
Customer loans and advances (excluding discount)	625,025	21,821	7.02%	412,153	12,110	5.93%

Item	April – June 2012			January – March 2012		
	Daily average balance	Interest income	Average yield (%)	Daily average balance	Interest income	Average yield (%)

Corporate loans (excluding discount)	430,426	7,465	6.98%	419,131	7,275	6.98%
Retail loans	201,473	3,573	7.13%	199,021	3,508	7.09%
Customer loans and advances (excluding discount)	631,899	11,038	7.03%	618,152	10,783	7.02%

Daily average balance of customer deposits and cost rate

(In RMB million)

Item	January – June 2012			January – June 2012		
	Daily average balance	Interest income	Average cost rate (%)	Daily average balance	Interest income	Average cost rate (%)
Corporate deposits	518,782	6,628	2.57%	340,030	3,208	1.90%
Including: Demand deposits	197,594	771	0.78%	144,562	512	0.71%
Time deposits	321,188	5,857	3.67%	195,468	2,696	2.78%
Including: Ministry of Finance and negotiated deposits	55,967	1,529	5.49%	37,859	908	4.84%
Corporate margin deposits	211,611	2,664	2.53%	154,465	1,372	1.79%
Retail deposits	161,119	2,142	2.67%	90,411	849	1.89%
Including: Demand deposits	54,504	137	0.51%	29,654	69	0.47%
Time deposits	106,615	2,005	3.78%	60,757	780	2.59%
Total deposits	891,512	11,434	2.58%	584,906	5,429	1.87%

Item	April – June 2012			January – March 2012		
	Daily average balance	Interest expense	Average cost rate (%)	Daily average balance	Interest expense	Average cost rate (%)
Corporate deposits	533,091	3,412	2.57%	504,473	3,216	2.56%
Including: Demand deposits	200,329	383	0.77%	194,859	388	0.80%
Time deposits	332,762	3,029	3.66%	309,614	2,828	3.67%
Including: Ministry of Finance and negotiated deposits	54,831	751	5.51%	57,104	778	5.48%
Corporate margin deposits	219,682	1,466	2.68%	203,540	1,198	2.37%
Retail deposits	165,892	1,083	2.63%	156,346	1,059	2.72%
Including: Demand deposits	55,347	66	0.48%	53,661	71	0.53%
Time deposits	110,545	1,017	3.70%	102,685	988	3.87%

Total deposits	918,665	5,961	2.61%	864,359	5,473	2.55%
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2.3 Net fee and commission income

In the first half of 2012, the net non-interest income of the Bank was RMB3.469 billion with an increase of 98.79% over the same period of last year. Among which, net fee and commission income was RMB2.779 billion, increasing by 133.92%. The growth of net fee and commission income was as follows:

(In RMB million)

Item	January – June 2012	January – June 2011	Increase/decrease for the period compared with the same period of last year (%)
Settlement fee income	450	316	42.41%
Wealth management business fee income	326	95	243.16%
Agency and entrustment business fee income	500	155	222.58%
Bank card business fee income	1,037	301	244.52%
Consulting and advisory fee income	177	275	(35.64%)
Account management fee income	227	23	886.96%
Others	382	165	132.12%
Subtotal of fee income	3,099	1,330	133.08%
Agency business fee outlay	56	42	33.33%
Bank card fee outlay	216	88	145.45%
Others	48	12	300.00%
Subtotal of fee outlay	320	142	125.35%
Net fee and commission income	2,779	1,188	133.92%

During the reporting period, the Bank's consulting and advisory fee income dropped significantly under the influence of "seven prohibitions". However, under the influence of factors on the merger and the expansion of the Bank's size and customer base as well as factors such as the rapid development of bank card business, innovation in wealth management products and increase in service quality emerged, the Bank's net fee income showed a good overall growth trend..

2.4 Other net operating income

Other net operating income includes investment income, gains/losses from changes in fair value, foreign exchange gains/losses and other business income. In the first half of 2012, other net operating income of the Bank was RMB690 million, representing a period-on-period increase of 23.88%, primarily due to price difference gains from bonds and discounted bills.

2.5 Operating expense

In the first half of 2012, operating expense of the Bank surged by 69.82% over the same period of last year to RMB7.483 billion, primarily due to the influence of consolidation basis, headcount and business scale growth, the resources pooled for integrating the policies, procedures and systems of SDB and PAB after the merger, and continued investment in upgrading the management process and IT system. Cost to income ratio (excluding business tax) was 38.13%, representing an increase of 1.83 percentage points from 36.30% over the same period of last year. Operating expense includes staff expense of RMB4.034 billion with an increase of 62.07% over the same period of last year, business expense of RMB2.314 billion with an increase of 74.25% over the same period of last year, and depreciation, amortization and rentals of RMB1.135 billion with an increase of 92.37% over the same period of last year.

2.6 Asset impairment loss

(In RMB million)

	Provision for January – June 2012	Provision for January – June 2011	Increase/decrease for the period compared with the same period of last year (%)
Due from banks and other financial institutions	-	10	(100.00%)
Placement with banks and other financial institutions	-	4	(100.00%)
Load disbursements and advances	1,539	715	115.24%
Held-to-maturity bond investments	-	5	(100.00%)
Long-term equity investments	-	(3)	100.00%
Repossessed assets	2	9	(77.78%)
Other assets	29	(9)	422.22%
Total	1,570	731	114.90%

2.7 Income tax expense

In the first half of 2012, income tax rate of the Bank was 22.62%, up 0.67 percentage point over the same period of last year. According to the Enterprise Income Tax Law of the People's Republic of China and Notification of the State Council on Carrying out the Transitional Preferential Policies concerning Enterprise

Income Tax, starting from January 1, 2008, the applicable tax rate for enterprises which originally enjoy preferential income tax rates will be gradually shifted to the statutory tax rate of 25% over five years after the enforcement of the new income tax law.

(In RMB million)

	January to June 2012	January to June 2011	Increase/decrease for the period compared with the same period of last year (%)
Profit before tax	8,879	6,063	46.44%
Income tax expense	2,009	1,331	50.94%
Actual income tax rate	22.62%	21.95%	0.67 percentage point

2.8 Profit by periods during the reporting period

(In RMB million)

Item	Q1	Q2	January to June Total
Operating income	9,724	9,902	19,626
Net interest income	7,955	8,202	16,157
Net fee and commission income	1,448	1,331	2,779
Other net operating income	321	369	690
Operating expense	4,573	4,646	9,219
Business taxes and surcharges	860	876	1,736
Business and administrative expense	3,713	3,770	7,483
Operating profit before asset impairment loss	5,151	5,256	10,407
Asset impairment loss	686	884	1,570
Operating profit	4,465	4,372	8,837
Net non-operating income and expense	12	30	42
Profit before tax	4,477	4,402	8,879
Income tax	982	1,027	2,009
Net profit	3,495	3,375	6,870

2.9 Operating income and operating profit of the Bank by region during the reporting period

January to June 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
East region	5,713	2,125	3,588	34.48%

South region	3,620	2,293	1,327	12.75%
West region	1,552	504	1,048	10.07%
North region	2,294	1,134	1,160	11.15%
Headquarters	6,447	3,163	3,284	31.55%
Total	19,626	9,219	10,407	100.00%

Description: The resultant bank after the merger through absorption conducts management by region, which is divided into four regions, namely the East region, South region, West region and North region. In the table, the corresponding branches for the regions and the headquarters are:

East region: Shanghai, Wenzhou, Hangzhou, Ningbo, Nanjing, Wuxi, Fuzhou, Quanzhou, Xiamen

South region: Shenzhen, Guangzhou, Foshan, Zhuhai, Dongguan, Huizhou, Zhongshan, Operation Department at Headquarters

West region: Wuhan, Chongqing, Chengdu, Haikou, Kunming

North region: Beijing, Dalian, Tianjin, Qingdao, Jinan

Headquarters: Departments at Headquarters (including credit card and offshore department, etc.)

3. Analysis of balance sheet items

3.1 Asset composition and changes

(In RMB million)

Item	June 30, 2012		December 31, 2011		Increase or decrease for the end of the period compared with the end of last year (%)
	Amount	%	Amount	%	
Loans and advances	682,906	45.81%	620,642	49.33%	10.03%
Provision for impairment of loans	(11,830)	(0.79%)	(10,567)	(0.84%)	11.96%
Net loans and advances	671,076	45.02%	610,075	48.49%	10.00%
Investment	232,357	15.59%	203,757	16.19%	14.04%
Cash and due from the central bank	180,414	12.10%	160,635	12.77%	12.31%

Due from banks and other financial institutions	106,987	7.18%	39,884	3.17%	168.25%
Lendings to banks and other financial institutions and reverse repurchase agreements	143,515	9.63%	42,751	3.40%	235.70%
Account receivables	123,110	8.26%	170,589	13.56%	(27.83%)
Interest receivables	8,552	0.57%	7,274	0.58%	17.57%
Fixed assets	3,247	0.22%	3,524	0.28%	(7.86%)
Intangible assets	5,785	0.39%	5,990	0.48%	(3.42%)
Goodwill	7,568	0.50%	7,568	0.60%	-
Properties for investment purposes	254	0.02%	263	0.02%	(3.42%)
Deferred income tax assets	2,964	0.20%	2,890	0.23%	2.56%
Other assets	4,794	0.32%	2,977	0.23%	61.00%
Total assets	1,490,623	100.00%	1,258,177	100.00%	18.47%

3.1.1 Loans and advances

Loan structure by product

(In RMB million)

Item	June 30, 2012		December 31, 2011	
	Amount	%	Amount	%
Corporate loans	485,228	71.05%	430,702	69.40%
Including: General loans	449,564	65.83%	413,019	66.55%
Discounts	35,664	5.22%	17,683	2.85%
Retail loans	167,049	24.46%	165,227	26.62%
Including: Housing mortgage loans	70,513	10.33%	75,373	12.14%
Entrepreneur loans	48,453	7.09%	43,353	6.99%
Auto loans	14,093	2.06%	12,705	2.05%
Others	33,990	4.98%	33,796	5.44%
Account receivables of credit cards	30,629	4.49%	24,713	3.98%
Total loans	682,906	100.00%	620,642	100.00%

Loans by region

(In RMB million)

Region	June 30, 2012		December 31, 2011	
	Amount	%	Amount	%
East region	238,439	34.92%	228,038	36.74%

South region	223,017	32.65%	200,329	32.28%
West region	55,033	8.06%	47,852	7.71%
North region	127,783	18.71%	110,995	17.88%
Headquarters	38,634	5.66%	33,428	5.39%
Total	682,906	100.00%	620,642	100.00%

From the perspective of loan structure by region, the incremental loans of the Bank in the first half of 2012 mainly concentrated in South and North regions, increasing by RMB22.7 billion and RMB16.8 billion respectively as compared with the beginning of the year and accounting for 36% and 27% of the incremental loans for the year.

Loans by industry

(In RMB million)

Industry	June 30, 2012		December 31, 2011	
	Amount	%	Amount	%
Agriculture, husbandry and fishery	2,035	0.30%	1,695	0.27%
Mining (heavy industry)	11,009	1.61%	6,619	1.07%
Manufacturing (light industry)	148,652	21.77%	134,197	21.62%
Energy	15,490	2.27%	14,644	2.36%
Transportation, postal and telecommunications	29,879	4.38%	29,259	4.71%
Commerce	122,815	17.98%	106,970	17.24%
Real estate	39,487	5.78%	36,633	5.90%
Social service, technology, culture and health care	47,802	7.00%	51,689	8.33%
Construction	28,017	4.10%	27,570	4.44%
Others (mainly personal loans)	202,056	29.59%	193,683	31.21%
Discounts	35,664	5.22%	17,683	2.85%
Total loans	682,906	100.00%	620,642	100.00%

Loans by guarantee type

(In RMB million)

Item	June 30, 2012	
	Amount	%
Credit loans	133,735	19.58%

Guarantee loans	144,774	21.20%
Mortgage loans	280,563	41.09%
Pledge loans	88,170	12.91%
Discounts	35,664	5.22%
Total	682,906	100.00%

Loan balance and percentage as of total loans of top 10 borrowers

As of the end of the reporting period, balance of the top 10 borrowers of the Bank was RMB18.225 billion, accounting for 2.67% of the loan balance as of the end of the period. Specifically, these customers are: Zhuhai Zhenrong Company, Shenzhen Metro Co., Ltd., Wuhan Urban Construction Investment & Development (Group) Co., Ltd., Shaanxi Coal and Chemical Industry Group Co., Ltd., PKU Founder Commodities Group Co., Ltd., Guangzhou Panyu Southern Star Co., Ltd., Southernpec Corporation, Transport Department of Shanxi Province, China ZhenHuaOil Co., Ltd. and Suning Appliance (Group) Co., Ltd.

(1) 3.1.2 Investment

Asset mix

(In RMB million)

Type	June 30, 2012		December 31, 2012	
	Amount	%	Amount	%
Trading financial assets	5,460	2.35%	2,608	1.28%
Derivative financial assets	803	0.34%	811	0.40%
Available-for-sale financial assets	80,230	34.53%	78,384	38.47%
Held-to-maturity investment	108,224	46.58%	107,683	52.85%
Receivables investment	37,104	15.97%	13,732	6.74%
Long-term equity investment	536	0.23%	539	0.26%
Investment	232,357	100.00%	203,757	100.00%

Information on bonds held

As of the end of the reporting period, face value of the treasury bonds and financial bonds (including Central Bank bills, policy bank debts, various ordinary financial bonds, and subordinated financial debts, and excluding corporate debts) held by the Bank was RMB172.3 billion. Bonds with material amount are stated as follows:

(In RMB million)

Bond name	Face value	Nominal annual interest rate (%)	Maturity date
11 financial bonds	42,480	3.55~4.9	2012/7/5~2021/10/26
10 financial bonds	32,550	2.9~4.81	2012/11/2~2020/11/4

09 financial bonds	17,580	1.95~4.97	2012/8/25~2019/9/23
08 financial bonds	13,650	2.04~5.5	2013/2/26~2018/12/16
PBOC notes	9,350	0~3.97	2012/11/16~2014/10/21
10 T-bonds	8,472	2.23~4.6	2013/3/18~2040/6/21
07 financial bonds	7,570	3.77~5.2	2012/7/2~2017/11/29
12 financial bonds	6,400	3.39~4.44	2013/4/20~2022/6/18
11 T-bonds	5,558	3.03~6.15	2012/7/14~2041/6/23
03 financial bonds	4,452	3.14~4.55	2013/2/18~2013/11/13

Information on holding of derivative financial instruments

Table of position of derivatives investment at the end of the reporting period

(In RMB million)

Contract type	Beginning-of-period contract amount (Nominal)	End-of-period contract amount (Nominal)	Changes in fair value in the reporting period	End-of-period contract amount (nominal) as a percentage of the net assets at the end of the reporting period attributable to shareholders of the parent company (%)
Foreign exchange forward contract	109,552	176,606	2	221.25%
Interest rate swap contract	13,256	26,937	(9)	33.75%
Stock option contract	-	-	-	-
Equity swap contract	-	-	-	-
Others		10	-	0.01%
Total	122,808	203,553	(7)	255.01%

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

3.1.3 Other assets

Reposessed assets

(In RMB million)

Item	Balance
Land, properties and buildings	538
Others	35

Sub-total	573
Provision for impairment of repossessed assets	(230)
Net value of repossessed assets	343

Changes of interest receivables and bad debt provisions in the reporting period

(In RMB million)

Interest receivables	Amount
Beginning-of-period balance	7,274
Increment in the reporting period	36,012
Recovery in the reporting period	34,734
End-of-period balance	8,552

(In RMB million)

Type	Amount	Bad debt provision
Interest receivables	8,552	-

As of the end of the reporting period, interest receivables of the Bank increased by RMB1.278 billion or 17.57% compared with the beginning of the year, which was mainly due to the growth in scale of interest-earning assets and interest rate hike. Interest receivables from interest-earning assets including loans would offset interest income of the current period and be put off balance sheet if they are overdue for 90 days, with no provision being made.

3.1.4 Goodwill

The Bank acquired the former PAB in July 2011, which resulted in the following changes in goodwill during the reporting period:

(In RMB million) Goodwill	Amount
Beginning-of-period balance	7,568
Increment in the period	-
Decrement in the period	-
End-of-period balance	7,568
Provision for impairment in goodwill	-

3.2 Liability structure and the changes

(In RMB million)

Item	June 30, 2012		December 31, 2011		Increase or decrease for the end of the period compared with the end of last year (%)
	Amount	%	Amount	%	
Deposit taking	949,578	67.31%	850,845	71.94%	11.60%
Due to banks and other financial institutions	323,726	22.95%	155,410	13.14%	108.30%
Borrowings from banks and other financial institutions	7,197	0.51%	25,279	2.14%	(71.53%)
Financial liabilities measured at fair value with changes recognized in current profit and loss account	398	0.03%	-	-	-
Derivative financial liabilities	732	0.05%	732	0.06%	-
Repurchase agreements	36,674	2.60%	39,197	3.31%	(6.44%)
Employee compensation payables	3,610	0.26%	3,600	0.30%	0.28%
Tax payables	1,766	0.12%	2,536	0.21%	(30.36%)
Interest payables	10,440	0.74%	9,914	0.84%	5.31%
Bond payables	16,068	1.14%	16,054	1.36%	0.09%
Deferred income tax liabilities	1,454	0.10%	1,351	0.11%	7.62%
Other liabilities	59,157	4.19%	77,878	6.59%	(24.04%)
Total liabilities	1,410,800	100.00%	1,182,796	100.00%	19.28%

Deposits by product

(In RMB million)

Item	June 30, 2012	December 31, 2011	Increase or decrease for the end of the period compared with the end of last year (%)
Corporate deposits	772,967	698,565	10.65%
Retail deposits	176,611	152,280	15.98%
Total deposits	949,578	850,845	11.60%

Deposits by region

(In RMB million)

Region	June 30, 2012		December 31, 2011	
	Amount	%	Amount	%
East region	271,704	28.61%	246,885	29.02%
South region	360,546	37.97%	339,441	39.90%
West region	73,363	7.73%	56,782	6.67%
North region	175,505	18.48%	161,944	19.03%
Headquarters	68,460	7.21%	45,793	5.38%
Total	949,578	100.00%	850,845	100.00%

3.3 Changes of shareholders' equity

(In RMB million)

Item	Beginning-of-period balance	Increase in the period	Decrease in the period	End-of-period balance
Share capital	5,123	-	-	5,123
Capital reserve	41,538	244	(494)	41,288
Surplus reserve	2,830	-	-	2,830
General reserve	7,955	3,844	-	11,799
Undistributed profit	15,865	6,761	(3,844)	18,782
Including: Dividend proposed for distribution	-	512	-	512
Total shareholders' equity of the parent company	73,311	10,849	(4,338)	79,822
Minority shareholders' equity	2,070	126	(2,196)	-
Total shareholders' equity	75,381	10,975	(6,534)	79,822

3.4 Information on foreign currency financial assets held

Foreign currency financial assets held by the Bank are mainly loans, due from other banks and a small amount of bond investment. Among the above, due from other banks are in short term and purchased or deposited in other banks with low risk. The Bank has always acted in a careful manner towards overseas securities investment, and mainly invests in general bonds with high credit rating, shore term and simple structure. The credit rating of the bonds currently held is stable, and foreign currency bond investment only has minimal impact of the Bank's profit. Foreign currency loans are mainly placed in domestic enterprises, and respective risk is basically under control.

As of the end of the reporting period, foreign currency financial assets and financial liabilities held by the

Bank were as follows:

(In RMB million)

Item	Beginning-of-period balance	Profit/loss from changes in fair value during the period	Accumulated fair value changes recognized in equity	Impairment provision during the period	End-of-period balance
Financial assets:					
Cash and due from the Central Bank	1,686	-	-	-	3,115
Due from other banks	8,278	-	-	-	37,732
Financial assets and derivative financial assets measured at fair value with changes recognized in current profit and loss account	95	(1)	-	-	471
Accounts receivables	8,743	-	-	-	10,938
Loans and advances	17,085	-	-	158	32,406
Available-for-sale financial assets	671	-	2	-	2
Held-to-maturity investments	823	-	-	-	561
Long-term equity investments	1	-	-	-	1
Other assets	266	-	-	-	515
Total	37,648	(1)	2	158	85,741
Financial liabilities:					
Due to and borrowings from banks and other financial institutions	1,839	-	-	-	7,150
Financial liabilities and derivative financial liabilities measured at fair value with changes recognized in current profit and loss account		(2)	-	-	410
Deposits taking	28,771	-	-	-	68,000
Account payables	2,565	-	-	-	2,104
Other liabilities	216	-	-	-	602
Total	33,391	(2)	-	-	78,266

3.5 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	Amount
Issuance of bills of acceptance	342,307
Issuance of letters of credit	17,310
Issuance of letters of guarantee	25,048
Unused credit line of credit card and irrevocable loan commitment	44,142
Lease commitment	4,220
Capital expenditure commitment	368

4. Analysis of asset quality

In the first half of 2012, the economy of China performed well in general, but still faced considerable uncertainties. The Bank's credit assets quality was affected to a certain extent in face of external factors including the European debt crisis and domestic economic slowdown, coupled with lower debt repayment ability due to operating difficulties experienced by some small and medium private enterprises in Yangtze River Delta and Pearl River Delta as well as significant signs of risk as seen in different regions and industries. With regard to this, the Bank responded proactively. In accordance with the requirements of the "Best Bank Strategy", the Bank further improved the credit risk management system, raised the standard of credit risk management and ensured a steady, healthy and sustainable development of its credit business, thereby achieving a stable and faster growth of the credit business and effective control of newly added NPL balance and NPL ratio.

As of the end of the reporting period, NPL balance of the Bank was RMB4.971 billion, representing an increase of RMB1.677 billion as compared with the beginning of the year. NPL ratio was 0.73%, up 0.2 percentage point from the beginning of the year. Provision coverage for loans was 237.96%, down 82.70 percentage points over the beginning of the year.

The Bank achieved good recovery results in the first half of 2012. It recovered non-performing assets of RMB896 million in aggregate throughout the year, including credit assets (loan principal) of RMB804 million. Of the recovered principal amount of loans, loans of RMB195 million were written off and non-performing loans of RMB609 million were not written off. Over 99.7% of loans were recovered in cash while the rest was in the form of repossessed assets.

1. 4.15-tier loan classification

(In RMB million)

5-tier classification	June 30, 2012	December 31, 2011	Increase or decrease for the end of the

	Amount	%	Amount	%	period compared with the beginning of the year (%)
Pass	673,011	98.55%	612,937	98.76%	9.80%
Special mention	4,924	0.72%	4,410	0.71%	11.66%
NPL	4,971	0.73%	3,295	0.53%	50.90%
Including: Substandard	3,388	0.50%	1,744	0.28%	94.32%
Doubtful	824	0.12%	893	0.14%	(7.73%)
Loss	759	0.11%	658	0.11%	15.35%
Total loans	682,906	100.00%	620,642	100.00%	10.03%
Balance of loan loss provision	(11,830)		(10,566)		11.96%
Provision for impairment of loans	0.73%		0.53%		+0.20 percentage point
Provision coverage ratio	237.96%		320.66%		-82.70 percentage point

1. 4.2 Restructured loans and overdue loans

(In RMB million)

Item	Beginning-of-period balance	End-of-period balance	%
Restructured loans	992	929	0.14%
Loans with principals and interest overdue within 90 days	2,515	3,090	0.45%
Loans with principals and interest overdue over 90 days	2,771	6,118	0.89%

(1) As of the end of the reporting period, restructured loan balance of the Bank was RMB929 million, representing a decrease of RMB63 million or 6.35% compared with the beginning of the year, primarily due to further improvement of disposal efficiency of non-performing assets by the Bank through reinforcing management of restructured loans and strengthening recovery and disposal of restructured loans in respect of non-performing assets.

(2) As of the end of the reporting period, overdue loan balance of the Bank within 90 days was RMB3.090 billion, representing an increase of RMB575 million or 22.86% compared with the beginning of the year, while

overdue loan balance of the Bank over 90 days was RMB6.118 billion, representing an increase of RMB3.347 billion or 120.79% compared with the beginning of the year, primarily due to external factors such as the European debt crisis and significant signs of systematic risk in different regions and industries. Certain enterprises, in particular small and medium-sized private enterprises in the Yangtze River Delta and Pearl River Delta regions, also had insufficient liquidity and lower debt repayment ability due to operating difficulties triggered by weak overseas demand and export, rising operating costs and lack of capital supply. However, the loans were mostly secured by collaterals, and the Bank had adopted appropriate risk mitigation and recovery measures timely, so the overall risk was still controllable.

2. 4.3 Loan quality by industry

(In RMB million)

Industry	June 30, 2012		December 31, 2011	
	Amount	NPL ratio	Amount	NPL ratio
Agriculture, husbandry and fishery	2,035	0.49%	1,695	-
Mining (heavy industry)	11,009	-	6,619	-
Manufacturing (light industry)	148,652	1.50%	134,197	0.78%
Energy	15,490	-	14,644	-
Transportation, postal and telecommunications	29,879	0.50%	29,259	0.40%
Commerce	122,815	1.15%	106,970	0.99%
Real estate	39,487	0.06%	36,633	0.54%
Social service, technology, culture and health care	47,802	0.31%	51,689	0.27%
Construction	28,017	0.22%	27,570	0.09%
Others (mainly retail loans)	202,056	0.47%	193,683	0.36%
Discounts	35,664	-	17,683	0.07%
Total loans	682,906	0.73%	620,642	0.53%

As of the end of the reporting period, the loans of the Bank mainly concentrated in other loans (mainly personal loans), manufacturing and commerce, and the loan balances were RMB 202.056 billion, RMB 148.652

billion and RMB 122.815 billion respectively, accounting for 29.59%, 21.77% and 17.98% of total loans. The Bank's NPLs mainly concentrated in manufacturing and commerce, and NPL ratios for other industries accounted for less than 1%.

3. 4.4 Loan quality by region

(In RMB million)

Region	June 30, 2012		December 31, 2011	
	Amount	NPL ratio	Amount	NPL ratio
East region	238,439	1.16%	228,038	0.56%
South region	223,017	0.47%	200,329	0.46%
West region	55,033	0.19%	47,852	0.22%
North region	127,783	0.54%	110,995	0.49%
Headquarters	38,634	0.96%	33,428	1.32%
Total	682,906	0.73%	620,642	0.53%

From the perspective of loan structure by region, the newly added non-performance loan of the Bank mainly concentrated in the East region in the first half of 2012, in particular our Wenzhou branch, and its NPL balance for the end of the period accounted for 27.61% of the total NPL balance. Since September 2011, under the influence of macro-economic and financial trend and borrowing crisis in the society, some small and medium enterprises in Wenzhou experienced the breakdown of capital chain and the fleeing of enterprise owners, which led to the deterioration of asset quality of Wenzhou branch and a relatively great pressure on the Bank's asset quality. However, as the total amount of loan of Wenzhou branch only represented a relatively small proportion of 2.69% to the whole bank, and most of the non-performance loans were secured by pledges, the overall risk was under control and the impact on the normal operation of the Bank was relatively minimal.

4. 4.5 Loan quality by product

(In RMB million)

Item	June 30, 2012		December 31, 2011		NPL ratio change
	Amount	NPL ratio	Amount	NPL ratio	
Corporate loans	485,228	0.83%	430,702	0.60%	0.23 percentage point
Including: General loans	449,564	0.90%	413,019	0.63%	0.27 percentage point
Discounts	35,664	-	17,683	0.07%	-0.07 percentage point
Retail loans	167,049	0.36%	165,227	0.25%	0.11 percentage point

Including: Housing mortgage loans	70,513	0.21%	75,373	0.19%	0.02 percentage point
Entrepreneur loans	48,453	0.55%	43,353	0.31%	0.24 percentage point
Auto loans	14,093	0.19%	12,705	0.23%	-0.04 percentage point
Others	33,990	0.49%	33,796	0.32%	0.17 percentage point
Account receivables of credit cards	30,629	1.09%	24,713	1.10%	-0.01 percentage point
Total loans	682,906	0.73%	620,642	0.53%	0.20 percentage point

4.6 Government financing platform loans

Through opening-up package and one-by-one review of government financing platform loans in the whole year of 2010 and the special clearing up and standardizing work in 2011, the Bank has gradually realized effective control on the government financing platform loans based on the established working plan. In the first half of 2012, the Bank, on the foundation of management via “listed system”, continued to foster the resolving of platform loan risks via measures such as credit classification and management, strict control on total amount as well as rectification on newly added and deepened deposit amount.

According to the list of government financing platform newly published by China Bank Regulatory Commission (CBRC) on June 30, 2012, as of June 30, 2012, the balance of the Bank’s loans to government financing platform (including general corporate loans and loans still managed as platforms after rectification) was RMB 43.623 billion, representing a decrease of RMB 7.313 billion or 14.36% from the beginning of the year and accounting for 6.39% of various loan balances.

Among which: in terms of loan type, the balance of the Bank’s loans corrected to general corporate loans was RMB18.682 billion, accounting for 2.74% of total loan balance; the balance of loans still managed as platform loans was RMB24.941 billion, accounting for 3.65% of total loan balance.

In terms of loan quality, the platform loan quality of the Bank remained good with no non-performing loan.

4.7 Loan impairment provision accrual and write-offs during the report 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 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 present value of the anticipated future cash flow.

(In RMB million)

Item	Amount
Period-beginning balance	10,566
Add: Accrual for the current period (including non-credit	1,570

impairment provision)	
Less: Interest offset of impaired loans	85
Less: Non-credit impairment provision	31
Net accruals in the current period	1,454
Add: Recovery of written-off loans in the current period	195
Add: Other changes	2
Less: Written-off in the period	387
Period-end balance	11,830

The fully provisioned non-performing loans satisfying write-off conditions will be submitted to the Board of Directors for approval and then written-off. The written-off loans will be transferred to off-balance sheet record and left to the Assets Protection Department for follow-up recovery and disposal. For the collection of written-off loans, litigation fee which is paid by the Bank and should have been assumed by the borrower will be deducted first and the remainder will be used to first offset the loan principal 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 debts reserves in the current period.

4.8 Details of discounted loan as of the end of reporting period

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

4.9 Green Credit

The Bank strictly complied with the national policy of industrial adjustment, formulated strict guidance policy of loan disbursement for enterprises in the industries with “high energy consumption, high pollution and resources consumption” , while strived to gradually foster and comprehensively establish green credit policies in line with the Bank’ s development strategies. The Bank emphasized on environmental protection and implemented a one-vote-down policy according to environmental problems, bringing compliance with environment protection indicators, energy conservation and emission reduction into the basic criteria for granting and approving credit to customers. Involvement with enterprises or projects polluting limited approval river regions or environmentally sensitive regions announced by the Ministry of Environmental Protection was strictly prohibited.

The Bank has established the list management system, which is implemented towards industries of high pollution and energy consumption level nature. Credit is strictly prohibited to be granted to those enterprises or projects which are not in compliance with the environment protection standards as well as energy conservation and emission reduction requirements as announced by the National Development and Reform Commission and

environment protection authorities. For those industries of high pollution and high energy consumption level nature highly concerned by the Central Bank and CBRC, subject to upholding the bottom line of environment protection policies and risks, attention is paid to differentiated treatment as well as providing support to good enterprises and projects while suppressing bad ones. Based on the common practice on implementing the Equator Principles by internationally leading banks, the Bank actively shows supports by granting credit to enterprises' energy saving and emission reduction projects as well as low-carbon economic development projects.

In view of the requirements of national and regional environment protection departments and regulatory departments, the Bank has imposed strict requirements on environment protection, and has placed priorities on considering different aspects such as the level of advancement of production facilities, environment protection in terms of products and industries as well as measures on environment protection for enterprises on renewing and applying credit. With stringent approval process, the Bank firmly declines any dealing with enterprises with problems on environment protection and not passing the examination of relevant departments.

The Bank steps away from granting credit to those industries with laggard production capacity and processes in a serious manner, including steel, coal, electricity, petroleum, chemicals, construction materials, electrolytic aluminum, iron alloy, carbide, coke and paper making, so as to prevent newly added loans from being used in aimless investment as well as low quality and repeated construction.

5. Capital Management

As of the end of the reporting period, the Bank's capital adequacy ratio and core capital adequacy ratio were 11.40% and 8.44% respectively.

1. 5.1 Change of capital in the past three years

(In RMB million)

Item	June 30, 2012	December 31, 2011	December 31, 2010	Increase or decrease for the end of the period compared with the end of last year (%)
Net capital	96,425	91,491	47,272	5.39%
Including: Net core capital	71,375	67,244	32,919	6.14%
Supplementary capital	25,547	24,664	14,662	3.58%
Total risk-weighted assets	845,914	794,702	463,691	6.44%
Capital adequacy ratio	11.40%	11.51%	10.19%	-0.11 percentage point
Core capital adequacy ratio	8.44%	8.46%	7.10%	-0.02 percentage point

1. 5.2 Table of capital mix and capital adequacy ratio calculation

(In RMB million)

Item	June 30, 2012	December 31, 2011	December 31, 2010
Core capital adequacy ratio	8.44%	8.46%	7.10%
Capital adequacy ratio	11.40%	11.51%	10.19%
Composition of capital base			
Core capital	79,309	75,099	33,228
Share capital	5,123	5,123	3,485
Capital reserve	40,840	41,326	13,341
Surplus reserve	2,830	2,830	1,912
General risk reserve	11,799	7,955	5,978
Retained earnings	18,717	15,795	8,512
Minority shareholders' equity	-	2,070	-
Amount deducted from core capital	7,934	7,855	309
Net core capital	71,375	67,244	32,919
Supplementary capital	25,547	24,664	14,662
General loan loss provisions	9,190	8,395	5,016
Revaluation reserve ¹	289	175	177
Long-term subordinated debts	10,956	10,952	7,979
Hybrid capital bonds	5,112	5,142	1,490
Total capital	104,856	99,763	47,890
Less: Goodwill	7,568	7,568	-
Unconsolidated equity investment	479	361	369
Others	384	343	250
Net capital	96,425	91,491	47,272
Total risk-weighted assets	845,914	794,702	463,691
On-balance sheet weighted risk assets	665,927	638,099	368,289
Off-balance sheet weighted risk assets	179,987	156,603	95,402

Note 1: Revaluation reserve included revaluation reserves for available-for-sale financial assets and held-for-trading financial assets.

1. Credit risk

Credit risk refers to the risks where borrowers or trading counterparties cannot perform their obligations in accordance with agreements reached in advance. Credit risk of the Bank mainly arises from loans and off-balance-sheet credit business.

The Bank has established an independent vertical credit risk management system where the Chief Credit Risk Officer at the Head Office is responsible for the credit risk management of the Bank and branch credit

officers are appointed to take care of the credit risk management of branches; branch credit officers report to the Chief Credit Risk Officer who is responsible for appraising the performance of branch credit officers. The Bank has formulated a complete set of credit management processes and internal control mechanisms, so as to carry out whole process management of credit business.

In the first half of 2012, in view of the extremely complicated international and domestic economic and financial situations as well as the deteriorating credit environment, the Bank mainly adopted the following measures to control and prevent credit risk:

(1) The Bank optimized management of its organization and improved its work flow. The Bank further optimized its management organization and structure on credit risk, which included the establishment of the credit policy committee under uniform management of SDB and PAB and a supervisory team on credit upon approval, as well as the expansion of the functions of regional credit management departments to fully perform the management and supervision on asset quality. The Bank also established the system of regular meeting on monthly credit review to review the management and problems on aspects such as bank-wide credit operation, portfolio management, industry benchmark and control on non-performing loans on a regular basis and to supervise the effective implementation of various risk management and control measures. The Bank has thoroughly rationalized its credit policy system and flow, and has greatly enhanced the strictness of management flow and work quality.

(2) The Bank strengthened its credit portfolio management and continued to optimize its credit structure. Based on in-depth research, the Bank formulated its credit policy guidelines for 2012 in view of the change of the economic and financial situation and the macro regulatory policies and in accordance with the regulatory requirements of regulatory departments, so as to guide its subordinate institutions to keep on optimizing their credit structure. Meanwhile, the Bank continued to emphasize on the “Green Credit” culture, and actively supported lending to enterprises’ energy saving and emission reduction projects as well as low-carbon economic development projects and strictly controlled lending to high energy consumption, high pollution and excessive capacity industries.

(3) The Bank strengthened its compliance supervision to ensure strict implementation of the credit operating regulations. Through thorough implementation of the *Three Methods and One Guideline*, the Bank conducted quarterly examination of the related implementation to ensure the operations such as loan disbursement and payment are in compliance with the related regulations. The Bank continued to carry out rolling inspection in key business areas and various special credit examinations and followed up the completion of rectification and improvement. The Bank also strengthened its credit compliance supervision and continued to follow up non-compliant items and urge relevant units to make rectification. The Bank also promoted the implementation of

internal control and examination system and internal control evaluation within departments to ensure strict and effective implementation of credit system and process requirements.

(4) The Bank strengthened credit risk monitoring and early warning to enhance its alertness against risks at an early stage and make rapid response. The Bank also further enhanced its credit risk monitoring and early warning management system in order to improve its credit risk monitoring. The Bank actively responded to the change of the credit environment by conducting regular analysis on credit risk situation and matters and taking precautionary risk control measures with a forward-looking vision. The Bank also set up a problematic loan optimization mechanism to speed up the problematic loan optimization process and preventing them from deteriorating to non-performing loans. Emergent credit risk events were promptly controlled and resolved through early intervention on asset protection and with joint efforts of the headquarters and branches.

(5) The Bank strengthened its risk prevention in key areas to prevent substantial credit risk. Under strict implementation of risk regulatory requirements on government financing platform loans issued by regulatory departments, the Bank continued to foster the resolving of platform loan risks via measures such as classification and management of borrowings, strict control on total amount as well as rectification on newly added and deepened deposit amount. For real estate loans, the Bank continued to carefully and thoroughly execute its differentiated housing loan policy. The Bank dealt with property developers in accordance with the “name list policy” and strengthened risk monitoring and risk inspection to reinforce the management of real estate loan risks. The Bank maintained its customer credit concentration below the limit and strengthened integrated credit management of group customers, so as to effectively prevent credit concentration risk.

(6) The Bank increased efforts on recovery and disposal of non-performing loans, and put an emphasis on accountability in respect of non-performing assets. The Bank passed non-performing loans to Asset Protection Department on a timely basis for centralization and handling in a professional way. The Bank actively monitored and classified non-performing assets, formulated recovery strategy account by account and actively explored innovative disposal methods or ways to enhance the efficiency of recovering non-performing assets. The Bank further optimized the "Red/Yellow/Blue Card" penalty system and held the persons accountable for non-performing credit assets so as to identify the accountability for non-performing credit assets and impose penalties for non-compliant actions or non-due-diligent actions, and therefore established a credit culture of integrity, compliance and due diligence.

(7) The Bank strived to build up its credit teams and enhance the credit management level. In accordance with business development and management needs, the Bank adopted different measures to continuously enrich its credit management principles, and gradually established professional credit management team. The Bank implemented management of credit risk by grade in its branches to further enhance the assessment and evaluation

of risk management at branch level, which was also linked with deposit-to-loan ratio, authorization and staff deployment. Through multi-channel means of training combining online self-study, video and on-site training, a new credit training system was formulated to enhance the recognition of training tests and qualifications of credit personnel at each level, and thus raised up risk management level.

2. 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 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 of 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 conducting regular supervision on market risks. 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, 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 interest rate and product price of 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 manages the transaction account interest rate risk by adopting measures such as interest rate sensitive limit and daily and monthly stop-loss limit to ensure that the fluctuations of interest rate and market value of product are within the affordable scope of the Bank.

Bank account interest rate risk comes from mismatch of maturity date or contract re-pricing date between interest-earning assets and interest-bearing liabilities. Interest-earning assets and interest-bearing liabilities of the Bank are primarily priced in RMB. The People's Bank of China has specified the lower rate limit for basic RMB loans and upper rate limit for basic RMB deposits. The Bank manages interest rate risk primarily by adjusting asset/liability pricing structure, regularly monitoring sensitive gaps of interest rate, analyzing characteristics of asset/liability re-pricing, and using asset/liability management system to conduct scenario analysis on interest risk. The Bank regularly convenes Asset and Liability Management Committee meetings to adjust asset/liability structure timely and appropriately and manage interest rate risk by predicting future macro-economic trends and analyzing base rate policies of Peoples' Bank of China.

Exchange rate risk mainly includes risk of loss due to negative 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, investment and deposits held by the Bank which are not priced in RMB.

The Bank sets limits for each currency position, monitored scale of currency position daily and controls the position within a settled limit by hedging strategy.

3. Liquidity risk

Liquidity risk refers to the risk that a commercial bank has the 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 pay off due debts.

The Bank pays great attention to liquidity risk management, and 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 Bank pays great attention to diversity of fund source and fund application, and has been keeping a relatively high proportion of current assets. The Bank monitors fund source and application, loan and deposit size as well as quick ratio on a daily basis. Meanwhile, the Bank, in applying multiple liquidity risk management indicators, incorporates the forecast results into stress test to assess future liquidity risk level, and proposes corresponding solutions in light of special circumstances.

The Board of Directors and the management of the Bank attach great importance to liquidity risk management. At the end of the reporting period, the liquidity in the Bank was ample and all important liquidity indicators reached or exceeded regulatory requirements. At the end of the reporting period, the Bank witnessed steady growth in various deposits and loans, and continued to keep a good proportion of assets with good liquidity. According to the Bank's one-month fundraising capability Index - quick ratio, the Bank has been maintaining a proper quick fund exposure. According to the stress tests on quick fund proportion carried out in each month, the liquidity of the Bank is adequate to offset the possible loss of large amount of deposits resulting from potential liquidity crisis.

4. Operational risk

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

In the first half of 2012, the whole bank actively learned from the success on operational risk management from SDB and PAB, and fully implemented the construction of the best risk management and control mode for the new bank in respect of raising its bank-wide operational risk management capability and implementation of the new capital requirements in line with standards, so as to gradually realized professional and detailed management. Details are shown as below: (1) The Bank determined respective positions and duties, and constructed a bank-wide operational risk management structure of “two tier full-time and two tier part-time

positions”. With implementation of three defense lines of "before the event, during the event, and after the event", the comprehensiveness of operational risk management of entities at all level was further strengthened.

(2) The Bank accelerated the standardized management of system and procedures, established review and approval mechanism and standards for operational risk of new products, and implemented advanced control on the operational risk of system and procedures. (3) The Bank facilitated activities on “enhancement on Departmental Control Function Checklist (DCFC)” to check on the reasonableness of the list and improvement on implementation within the whole bank and strengthen the implementation of internal control measures. (4) The Bank facilitated the establishment of the general ledger proofing mechanism, and based on fundamental methods of “proofing, reconciliation and analysis on reasonableness”, strengthened the resolving of ordinary audit, supervision and problems on account with a view to enhance prevention and control on accounting risk.

(5) The Bank strengthened daily control on the information system and emergency handling capability for sudden events, while edged up its management and control capability on information system risk. (6) The Bank fostered the collection and reporting mechanism for operational risk, and fully revealed and disclosed the potential and events of operational risk with an aim to understand the status of operational risk and its characteristics of distribution on a timely basis and to improve its capabilities on anticipating and preventing operational risk. (7) The Bank facilitated and commenced the implementation of operational risk items under the new capital agreement in order to lay a foundation for professional management of operation risk and raised its operational risk management capabilities. (8) The Bank fully implemented regulatory requirements in the *Notice on Enhancing Efforts with Preventing Operational Risk (13 Rules)*, while commenced various control and audit and further raised up its capabilities on case prevention, including: implementation of mechanisms for rolling inspection on deposit business, rotation of positions and compulsory leave, “inspection on suspected behaviors of suspected persons” as well as “Flying Pigeon” and “Woodpecker” reporting mechanisms. (9) The Bank firmly strengthened its construction on audit, and continuously optimized its audit system and structure, while has enriched the functions of audit and increased the level of training for audit team. At the same time, more efforts were also put into audit with the commencement of sudden audit and rolling check, thereby deepening the management and control capabilities for operational risk in the third defense line. (10) The Bank commenced training and promotion in various manner to deeply create the culture of managing operational risk, which aimed to gradually root the concept of “taking operational risk management as everyone’s duties” in people’s minds. (11) The Bank upgraded the “Red/Yellow/Blue Card” accountability mechanism, while standardized and strictly implemented the liabilities towards the case. As such, the awareness on compliance among all staff of the Bank would be firmly established, and the level of operation in compliance with rules as well as the control and implementation of operational risk would be effectively enhanced.

5. Other risks

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

In the first half of 2012, the Bank focused on its best bank strategy and year plan, while optimized the management structure for case prevention and compliance management and further standardized the working structure of the Case Prevention and Compliance Committee of the head office and branches. The Bank also added regional case prevention and compliance supervisors as well as adjustment and supplementary compliance staff for all branches in order to enrich its case prevention and compliance management teams. The compliance department has regularly reported to the Board of Directors, Board of Supervisors and senior management on case prevention and compliance works based on the system and management requirements. The continuous and effective operation of the Bank's case prevention and compliance management mechanism ensured the prevention and control of compliance risk and cases (risks).

During the reporting period, the Bank continued to deeply implement the Best Bank Strategy projects such as the "Red/Yellow/Blue Card" penalty system, self assessment of internal control project (C-SOX), bank-wide rolling inspection on risks in key business scopes and risk heat map, fully sorted out the cases of key business scopes and compliance risk, and enhanced case and compliance risk prevention before the event, risk monitoring during the event and accountability for non-compliance after the event. As a result, the compliance and internal control management level and risk prevention capability were enhanced within the Bank. Meanwhile, the Bank continued to commence various compliance and risk management activities, such as tracking and implementation of new policies and regulations, compliance risk assessment on new products and new business, case prevention and compliance supervision at region and branch level, specific treatment on non-compliant operation, inspection and standardization on usage of bank premises, "Woodpecker" action and anti-money laundering, and thus integrated compliance risk management into the entire process of every operation and management activities. The Bank put great emphasis on the compliance culture publicity and education and carried out education and training in various forms with high level of participation and interaction, such as the compliance culture building activity named "10 thousand people's compliance in 1 thousand days", which had created the culture and atmosphere of "integrity-oriented and putting compliance on priority", and greatly raised up the compliance awareness among all staff.

In respect of legal risk control, the Bank formulated a comprehensive legal risk management system applicable for the new bank after the merger, while strengthened various functions such as legal review, case management, related party transaction management, legal affair management for branches, legal business training and legal affair check. Such measures standardized the authorization of legal affairs of branches as well as the reporting mechanism for legal affairs of branches. For operating activities, the Bank focused on legal review in

business, standardized the formats as well as terms and conditions of contracts, provided timely and effective legal support in terms of formulation of various management systems, new product R&D, new business development and material projects, and provided comprehensive, systemic, timely and effective legal services for various businesses, while providing professional opinions on material legal affairs and establishing proper handling mechanism for litigations and legal disputes without litigations, thereby maintaining effective control on the legal risk for all kinds of businesses.

7. Institution establishment and employee management

As of the end of the reporting period, the Bank had 404 outlets in total (the closed outlets included). Below is a list of branches of the Bank (excluding headquarters) at the end of the reporting period:

Name of branch	Address	Number of outlets	Asset scale (in RMB million)	Staff number
Shenzhen Branch (including Headquarter Outlet)	No.7008, Shennan Road, Futian District, Shenzhen	125	259,844	4,259
Shanghai Branch	No. 1351, South Pudong Road, Pudong, Shanghai	41	170,664	1,928
Guangzhou Branch	No. 66, Huacheng Avenue, Zhujiang New Town, Tianhe District, Guangzhou	25	124,894	1,381
Beijing Branch	No. 158 Fuxingmennei Street, Beijing	27	115,935	1,281
Hangzhou Branch	No. 36, Qingchun Road, Hangzhou	17	68,149	1,206
Nanjing Branch	No. 128, Shanxi Road, Gulou District, Nanjing	15	45,559	804
Tianjin Branch	No. 349, Nanjing Road, Nankai District, Tianjin	16	42,873	696
Chengdu Branch	No. 206, Shuncheng Street, Chengdu	10	39,701	479
Jinan Branch	13777 Jingshi Road, Lixia District, Jinan	9	35,525	436
Foshan Branch	5th Area, Foshan Media Center, Yuhe Road, Dongping New City, Foshan	13	32,968	609
Dalian Branch	No. 130, Youhao Road, Zhongshan District, Dalian	10	29,611	559
Ningbo Branch	No. 138, North Jiangdong Road, Jiangdong District, Ningbo	10	29,565	602
Chongqing Branch	No. 1, Xuetianwan Main Street, Yuzhong District, Chongqing	12	27,690	472
Qingdao Branch	No. 6, Hong Kong Road C., Qingdao	9	27,323	451
Kunming Branch	No. 450, Qingnian Road, Kunming	10	19,798	395
Fuzhou Branch	Donghuang Mansion, No. 109, Wusi Road, Gulou District, Fuzhou	7	19,583	417

Wenzhou Branch	Guoxin Building, East Renmin Road, Wenzhou	7	18,903	493
Wuhan Branch	No. 54, Zhongbei Road, Wuchang District, Wuhan	6	15,681	332
Haikou Branch	No. 22, Jinlong Road, Haikou	8	13,872	328
Zhuhai Branch	No. 288, Hongshan Road, Xiangzhou District, Zhuhai	7	11,471	257
Yiwu Branch	No. 223, Binwang Road, Yiwu	5	10,481	221
Dongguan Branch	Block A, Fortune Plaza, intersection of Hongfu Road and Yuan Mei Road, Nancheng District, Dongguan	1	10,406	235
Xiamen Branch	No. 159, Hubin Road North, Siming District, Xiamen	5	8,014	266
Wuxi Branch	No. 20, Beida Street, Beitong District, Wuxi	1	6,665	121
Quanzhou Branch	No. 311 Fengze Road, Quanzhou, Fujian	4	5,937	242
Huizhou Branch	A1A2, Podium, Green Lake New Estate, No. 8, Maidi Road East, Huizhou	1	3,335	174
Zhongshan Branch	G/F, Block 1, Central Plaza, No. 1, Xingzheng Road, East District, Zhongshan	1	2,559	126
Special Management Department	Asset 5F, Hubei Baofeng Building, No.1054, Baoan Road S., Luohu District, Shenzhen	1	353	66
SME Department	Finance Shenzhen Development Bank Building, No. 5047, East Shennan Road, Luohu District, Shenzhen	1	Included in branches	
Total		404	1,197,359	18,836

Note: The basis for branches includes 21 branches of the former SDB and 6 unduplicated branches of the former PAB (Fuzhou, Quanzhou, Xiamen, Dongguan, Huozhou and Zhongshan). The corresponding data of 4 duplicated branches of the former PAB (Shenzhen, Shanghai, Guangzhou and Hangzhou) are included in the corresponding branches of the former SDB.

8. Others

8.1 Determination of fair value

For financial instruments subject to existence in an active market, the Bank preferably adopts the price of active market to determine the fair value. For financial instruments in an inactive market, the Bank adopts evaluation techniques to determine the fair value. The evaluation technique includes reference to the price used by all voluntary stakeholders familiar with relevant circumstances in latest market trading, and reference to the current fair value and discounted cash flow technique of other financial instruments of essentially same nature. Market parameters are used in evaluation techniques as much as feasible. However, the management team has to evaluate in light of credit risk, market fluctuation rate and correlation of itself and the trading counterparties when market parameters are not available. The change of those relevant assumptions would influence the fair value of financial instruments. At present, the Bank has no such financial instrument.

The following methods and items are used in calculating the fair value by the Bank:

- (1) Financial assets/financial liabilities measured at fair value with changes accrued into current-period

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

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

(3) The fair value of other financial assets and financial liabilities maturing within 12 months is assumed to be approximate to their book value due to their short term.

(4) The fair value of the 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 the amount payable on demand to customers at the date of settlement. The fair value of deposits with fixed terms is determined per discounted cash flow approach, and the discount rate adopted is the current deposit interest rate corresponding to the remaining term of those fixed deposits.

8.2 Items measured by fair value

(In RMB million)

Item	Beginning-of-period balance	End-of-period balance	Profit/loss from changes in fair values of the period	Accumulated fair value change booked in equity	Impairment provision of the period
1. Assets					
Financial assets measured at fair value with changes calculated into loss/profit in the period	2,608	5,460	(17)		
Derivative financial assets	811	803	(7)		
Available-for-sale financial assets	78,383	80,229		606	
Total assets	81,802	86,492	(24)	606	

2. Financial liabilities					
Financial liabilities measured at fair value with changes calculated into loss/profit in the period	-	(399)	14	-	
Derivative financial liabilities	(732)	(731)	1	-	
Total liabilities	(732)	(1,130)	15	-	

(II) Explanation on reasons for material changes of main business and its structure

Applicable Not applicable

(III) Explanation on reasons for material changes of the profitability (gross profit margin) of main business as compared with last year

Applicable Not applicable

(IV) Analysis on reasons for material changes of composition of profit as compared with last year

Applicable Not applicable

(V) Use of raised funds

1. Comparison on use of raised

Applicable Not Applicable

(In RMB thousand)

Net raised funds			2,690,052.30		Total raised funds invested in the period			2,297,297.31		
Total raised funds with purpose changed in reporting period			-		Total accumulative raised funds invested			2,297,297.31		
Total raised funds with purpose changed			-							
Percentage of total raised funds with purpose changed			-							
Investment projects and flow of surplus funds used	Project changed or not (incl. partial change)	Promised investment amount from raised funds	Total investment amount after adjustment (1)	Invested amount during the period	Accumulative invested 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 purpose status	Benefit realized during the period	In line with predicted benefit or not	Any material changes/feasibility of project
Promised investment projects										
Promised investment projects	No	2,690,052.30	2,690,052.30	2,297,297.31	2,297,297.31	85%	-	-	-	No

regrate the mer B/capital lenishment		2,690,052.30	2,690,052.30	2,297,297.31	2,297,297.31	85%	-	-	-	-
total of mised estment jects										
ws of surplus ds raised	-	-	-	-	-	-	-	-	-	-
payment of k loans	-	-	-	-	-	-	-	-	-	-
plenishment of rking capital	-	-	-	-	-	-	-	-	-	-
total of flows surplus funds sed	-	2,690,052.30	2,690,052.30	2,297,297.31	2,297,297.31	85%	-	-	-	-
Total	-									
lure to reach nned progress expected nings and sons (by cific projects)	-									
tes on material nges of ject feasibility	-									
ount, purpose l application gress of plus funds sed	-									
anges of olementation ations of jects invested h raised funds	-									
anges of olementation roaches of jects invested h raised funds	-									
itial input and lacement of jects invested h raised funds	-									
mporary mplementation working pital with spare sed funds	-									
plus fund ount in the ject olementation l reasons	The unutilized funds raised are deposited in a special account for the fundraising and such funds will continued to be used for the outstanding consideration to be paid to minority shareholders of the former PAB and replenishing capital as originally planned.									
urpose and ws of unused ds raised	No									

2. Changes in the use of raised funds in projects

Applicable Not Applicable

(VI) Amendments on operation plan of the Board of Directors for the second half of the year

Applicable Not Applicable

(VII) Estimates on operating results for January to September 2012

Cautions and explanation for reasons of incurring loss for the accumulated net profit anticipated for the beginning of the year to the end of the next reporting period or material changes as compared with the same period of last year

Applicable Not Applicable

(VIII) Explanations of the Board of Directors on the “non-standard audit report” issued by the accounting firm for the reporting period

Applicable Not Applicable

(IX) Explanations of the Board of Directors of the Company on changes and handling of matters involved in “non-standard audit report” issued by the accounting firm in last year

Applicable Not Applicable

VI. Important

(I) Acquisition, merger through absorption and disposal of assets during the reporting period

On January 19, 2012, the eleventh meeting of the 8th Board of Directors of SDB deliberated and passed *Proposal of SDB on the Scheme of Merger of the Controlling Subsidiary PAB Co., Ltd. through Absorption*, *Proposal of SDB on Signing the Absorption Merger Agreement with Ping An Bank Co., Ltd.* and *of SDB on Renaming*. The proposal on merger through absorption has been deliberated and passed in the first extraordinary general meeting of the Bank in 2012 and the first extraordinary general meeting of the former PAB in 2012 on February 9, 2012.

CBRC approved the merger through absorption on April 24, 2012 with *CBRC Approval for Merger of PAB by SDB through Absorption (CBRC [2012] No. 192)*.

On June 13, 2012, the former PAB received *Notice about Company Deregistration* from Shenzhen Market Supervision and Management Bureau, which approved the former PAB to be deregistered on June 12, 2012. After the former PAB's deregistration, its branches/outlets will become the former SDB's branches/outlets, its assets, liabilities, licenses, permissions, businesses and employees will be legally carried on by the former SDB, and all the rights and obligations attached to its assets will legally be enjoyed and assumed by the former SDB.

The general meeting of the Bank has deliberated and passed the resolution on the change in name of SDB into “平安银行股份有限公司”. The Bank has received CBRC’s *Approval on Change in Name of Shenzhen Development Bank* (Yin Jian Fu (2012) No. 397). CBRC agreed on the change of name of 深圳发展银行股份有限公司 into “平安银行股份有限公司”, and the change of English name into “Ping An Bank Company Limited”. On July 27, 2012, the Bank has completed relevant procedures on changes with the Market Supervision Administration of Shenzhen Municipality and received the new business license for legal entities. The stock abbreviation of the Bank has been changed to “平安银行” since August 2, 2012, and its stock code 000001 remains unchanged.

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

(II) Guarantees

Applicable Not Applicable

(III) Dealings on non-operating related debt rights and liabilities

Applicable Not Applicable

(IV) Material lawsuits and arbitrations

Applicable Not Applicable

During the reporting period, there were no lawsuits or arbitrations that had material impact on the operation of the Bank. As of June 30, 2012, the Bank, as defendant, was involved in 92 outstanding lawsuits with a total amount of RMB 245 million.

(V) Other material matters and their impact as well as analysis on solutions

1. Investment in securities

Applicable Not Applicable

2. Shareholding in other listed companies

Applicable Applicable

(in RMB thousand)

Stock code	Name	Initial investment	Percentage of total shareholding at the end of the period	Book value at the end of the period	Gains/Losses in the reporting period	Change of owners' equity during the reporting	Accounting entry	Origination
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						period		
000150	Yihua Real Estate	5,895	1.36%	17,722	-	3,138	Available-for-sale	Reposessed equity
600094	Great Town	4,248	0.07%	5,009	-	519	Available-for-sale	Reposessed equity
000034	Shenxin Taifeng	5,553	0.18%	2,969	-	456	Available-for-sale	Reposessed equity
000030	ST ShengrunA	2,916	0.12%	3,146	-	345	Available-for-sale	Reposessed equity
	Visa Inc.	0.00	0.01%	1,742	10	325	Available-for-sale	Legacy investment
Total		18,612		30,588	10	4,783		

3. Utilization of funds and progress of settlement during the reporting period

Applicable Not Applicable

4. Performance of commitment

Performance of the Company, its directors, supervisors, shareholders holding over 5% of shares of the Company and their related parties such as actual controllers on the following commitments during the reporting period

Applicable Not Applicable

Commitments	Promiser	Contents	Performance
Commitments in Share Reform	-	-	-
Commitments made in Acquisition Report or Equity Change Report	Ping An Insurance (Group) Company of China, Ltd., Ping An Life	PAG and Ping An Life committed in <i>SDB's Long Form Equity Change Report</i> published on June 16, 2009 to: Take legal and feasible measures to integrate SDB and Ping An Bank in the manner of, including but not limited to, merger within 3 years after the completion of this deal by strictly following relevant rules, laws and regulatory requirements, so as to avoid substantial peer competition.	Performance has been completed on June 12, 2012
		PAG committed in <i>SDB's Acquisition Report</i> published on June 30, 2011: As to SDB shares owned by the Offeror and its affiliated institutions as of the day when all SDB shares subscribed by the Offerors through the deal are registered, PAG and its affiliated institutions will not transfer any of them within thirty-six months after the newly-subscribed 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 PAG's affiliated institutions will not be restricted.	Performance is being carried out now
Commitments made upon Material	Ping An Insurance (Group)	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 Ping An Bank's shares	The commitment on

Asset Restructuring	Company of China, Ltd., the Bank	<p>and RMB 2.6900523 billion cash:</p> <ol style="list-style-type: none"> 1. PAG will act strictly in compliance with relevant rules and regulatory requirements to quickly launch the integration of Ping An Bank and SDB, implement necessary internal decision-making procedures and filing to regulatory authorities for their review and approval in order to complete the integration of two banks within one year. Due to uncertainties of regulatory approval, the specific time of the completion of the integration depends on factors such as the approval progress of regulatory authorities. PAG will actively communicate with relevant regulatory authorities to seek their approval and complete the integration as soon as possible. 2. PAG and its affiliated institutions shall not transfer all the shares owned by PAG and its affiliated institutions within 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 expiration of the said duration, PAG can dispose such newly issued shares in accordance with relevant regulations of CSRC and Shenzhen Stock Exchange. 3. In accordance with <i>Profit Forecast Compensation Agreement</i> signed between PAG and the Bank on September 14, 2010, PAG shall, within 3 years after this deal of asset purchase by share issue (“the compensation period”), prepare Ping An Bank’s pro forma net profit data (“realized profit”) within 4 months after each accounting year pursuant to PRC Accounting Standards for Business Enterprises and procure the accounting firm engaged by PAG 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 forecast amount (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 corresponding forecast amount (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 account. 4. As to the two properties without ownership certification by Ping An Bank, PAG issued the <i>PAG Commitment Letter on Providing Compensation for Potential Dispute about Ownership of Ping An Bank’s Properties</i>. According to the commitment letter, PAG committed that if there is any dispute about the ownership of the above properties of Ping An Bank in the future, PAG will try its best to coordinate all parties, strive to settle disputes and avoid any adverse impact to normal operations of the bank. If the dispute of the property ownership causes additional cost to the abovementioned subordinate institutions or have their income declined, PAG promised 	<p>integration of PAB and SDB has been performed on June 12, 2012. Other performance is being carried now</p>
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	<p>to compensate the Bank by cash for the loss of profit derived as a result of handling the dispute of property ownership by PAB.</p> <p>On the basis of the above commitment letter, PAG makes the <i>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.</i>, 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 at a fair and reasonable price, or designate a third party to purchase, those properties within three months upon the expiry of the three year period.</p> <p>5. After the completion of this Material Asset Restructuring and during the period when PAG acts as the controlling shareholder of SDB, 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 not to involve in direct or indirect competition in relation to SDB's business operations.</p> <p>6. 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 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.</p> <p>7. 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 make sure SDB is independent to PAG and other companies controlled by PAG in terms of personnel, asset, finance, institution and business.</p> <p>II. Regarding the said two properties without ownership certificate of Ping An Bank, the Bank promises that after the completion of the deal:</p> <p>1. The Bank will proactively communicate with property ownership administrative authorities and relevant parties and try its best to get ownership certificate of the above two properties;</p>	
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		<p>2. If there is substantial obstruction in obtaining the property ownership certificate, 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;</p> <p>3. If the Bank fails to dispose the properties in the way mentioned in (2) within three years after the completion of the deal due to any reason, the Bank will sell the properties to PAG or a designated third party at a fair and reasonable price within three months after expiration of the time limit of three years; and</p> <p>4. If there is any dispute about ownership before the properties are disposed, the Bank will ask PAG to compensate the Bank according to the <i>PAG Commitment Letter on Providing Compensation for Potential Dispute about Ownership of Ping An Bank's Properties</i> issued by PAG.</p>	
Commitments made upon share issuance	Ping An Life	<p>Ping An Life made commitments not to transfer the 379,580,000 new shares acquired from SDB in NPO within 36 months from the 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, actual controller of Ping An Life and different subjects controlled by the same controller of Ping An Life) will not be restricted. If there are any selling deals against the said commitment, the Clearing Company-Shenzhen Branch will be delegated to transfer all the money from selling of the subscribed shares to SDB's listed company account and the money will be owned by all SDB shareholders.</p>	Performance is being carried out now
Other commitments (including retrospective commitments)	-	-	-

5. Profit distribution plan or plan about converting reserve into equity made by the Board of Directors

Applicable Not Applicable

In the first half of 2012, the profit as per the Bank's statutory financial statements (audited by PRC certified accountant, Ernst & Young Hua Ming) included: net profit attributable to shareholders of the parent of RMB 6,761,485,000 and distributable profit of RMB 22,625,864,000.

Pursuant to the above profit and relevant requirements of China, the Bank made the following profit distribution in the first half of 2012:

1. As the statutory surplus reserve of the Bank has exceeded 50% of its paid-in capital, no statutory surplus reserve was withdrawn.

2. Withdrawal of general risk provision of RMB 3,844,248,000.

Upon the above profit distribution, as of June 30, 2012, the Bank's surplus reserve was RMB 2,830,459,000; general risk provision was RMB 11,799,151,000, remaining undistributed profit was RMB 18,781,616,000.

3. Apart from the above statutory profit distribution, the Board of Directors recommended the Bank to include the following profit distribution proposal for the interim period of 2012:

Based on the total capital of 5,123,350,000 shares of the Bank as of June 30, 2012, cash of RMB 0.10 per share (inclusive of tax) would be distributed. Actual amount of profit used for the distribution was RMB 512,335,000 in aggregate and the remaining undistributed profit amounted to RMB 18,269,281,000, which would be carried forward to be distributed in subsequent years.

The above proposal is subject to the deliberation and approval by the general meeting.

6. Other comprehensive income items

In RMB thousand

Item	January to June 2012	January to June 2011
Net gain or loss on available-for-sale financial assets	469,157	(171,219)
Less: income tax impact	(123,320)	44,375
Net gain or loss previously recognized in other comprehensive income transferred to profit or loss during the period	(113,016)	33,092
Less: income tax impact	29,694	(8,577)
Total	262,515	(102,329)

(VI) Register on activities such as reception, researches, communication and interview during the reporting period

Date	Location	Mode	Target Audience	Major Content and Information Disclosed
January 11, 2012	Shanghai	Investment bank meeting	UBS	Company Operations and Strategies
January 17, 2012	Shenzhen	Investor meeting	Bosera Funds	Company Operations and Strategies
January 20, 2012	Shenzhen	Telephone conference	Analysts and Investors	Merger through Absorption between SDB and PAB
March 9, 2012	Shenzhen	Investor meeting, telephone conference	Analysts and Investors	2011 Company Performance

March 2012	19,	Shenzhen, Shanghai	Roadshow	Analysts and Investors	2011 Annual Report Roadshow
March 2012	20,	Guangzhou, Beijing	Roadshow	Analysts and Investors	2011 Annual Report Roadshow
March 2012	26,	Shenzhen	Investor meeting	Credit Suisse Securities	Company Operations and Strategies
April 2012	26,	Shenzhen	Telephone conference	Analysts and Investors	2012 1Q Company Performance
May 3, 2012		Shenzhen	Investor meeting	CPIC Asset	Company Operations and Strategies
May 7, 2012		Shenzhen	Investor meeting	JP Morgan	Company Operations and Strategies
May 7, 2012		Shenzhen	Investor meeting	AshmoreEMM	Company Operations and Strategies
May 2012	11,	Shenzhen	Investor meeting	Haitong Securities, etc	Company Operations and Strategies
May 2012	11,	Anhui	Investment bank meeting	Changcheng Securities	Company Operations and Strategies
May 2012	15,	Shenzhen	Investor meeting	Zheshang Securities, Galaxy Securities	Company Operations and Strategies
May 2012	15,	Shenzhen	Investor meeting	Ping An Securities	Company Operations and Strategies
May 2012	16,	Shenzhen	Investor meeting	China Merchants Securities	Company Operations and Strategies
May 2012	22,	Shenzhen	Investor meeting	Shenyin & Wanguo, etc	Company Operations and Strategies
May 2012	22,	Shenzhen	Telephone conference	Falcon Edge	Company Operations and Strategies
May 2012	24,	Shenzhen	Investment bank meeting	Orient Securities, Citibank	Company Operations and Strategies
May 2012	25,	Shenzhen	Investor meeting	Changsheng Fund	Company Operations and Strategies
June 6, 2012		Hangzhou	Investment bank meeting	Credit Suisse	Company Operations and Strategies
June 8, 2012		Shenzhen	Investor meeting	Long Oar	Company Operations and Strategies
June 2012	14,	Zhengzhou	Investment bank meeting	Haitong Securities	Company Operations and Strategies
June 2012	18,	London	Investment bank meeting	HSBC	Company Operations and Strategies
June 2012	21,	Shenzhen	Investor meeting	Mizuho	Company Operations and Strategies
June 2012	26,	Shenzhen	Investor meeting	Founder Securities	Company Operations and Strategies

VII. Financial Statements

(I) Auditor' s opinion

Whether the half-yearly report has been audited

Yes No

Type of auditor' s opinion	Standard unqualified opinion
Date of signature for auditor' s report	August 15, 2012
Name of auditing firm	Ernst & Young Hua Ming Accounting Firm
Document number of auditor' s report	Ernst & Young Hua Ming (2012) Shenzi No. 60438538_H03
<p>Auditor' s report</p> <p>Ernst & Young Hua Ming (2012) Shenzi No. 60438538_H03</p> <p>To the shareholders of Ping An Bank Co., Limited</p> <p>We have audited the accompanying financial statements of Ping An Bank Co., Ltd. (Formerly known as Shenzhen Development Bank Co., Ltd), which comprise the consolidated and company balance sheets as at 30 June 2012, and the consolidated and company income statements, statements of changes in shareholders' equity and cash flow statements for the six-month period then ended and notes to the financial statements.</p> <p><i>Management's Responsibility for the Financial Statements</i></p> <p>Management is responsible for the preparation and fair presentation of the financial statements. This responsibility includes (1) preparing the financial statements to ensure they present fairly in accordance with Accounting Standards for Business Enterprises; (2) designing, implementing and maintaining internal controls as determined necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.</p> <p><i>Auditors' Responsibility</i></p> <p>Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Chinese Auditing Standards issued by the Chinese Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.</p> <p>An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of 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.</p> <p>We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.</p>	

Opinion

In our opinion, the financial statements of Ping An Bank Co., Ltd. (Formerly known as Shenzhen Development Bank Co., Ltd), have been prepared, in all material aspects, in accordance with Accounting Standards for Business Enterprises, and present fairly the consolidated and company financial position of Ping An Bank Co., Ltd. as of 30 June 2012 and the results of its operations and its cash flows for the six-month period then ended.

Ernst & Young Hua Ming (chop)

Chinese Certified Public Accountant: Chang Hua
(signature and personal chop)

Beijing, the People's Republic of China

Chinese Certified Public Accountant: Chen Ying
(signature and personal chop)

15 Aug 2012

(II) Balance sheets, income statements, cash flow statements and statements of changes in shareholders' equity (see attached tables)

Whether consolidation of financial statements is needed:

Yes No

(III) Notes to financial statements

1. Changes in significant accounting policies and accounting estimates as well as corrections of material accounting errors and their impact on amounts

(1) Changes in accounting policies

Whether significant accounting policies have been changed for the reporting period

Yes No

(2) Changes in accounting estimates

Whether significant accounting estimates have been changed for the reporting period

Yes No

(3) Corrections of accounting errors

Whether any accounting error of the previous period has been identified in the reporting period

Yes No

2. Reasons for the change in scope of consolidation for consolidated financial statements

During the current period, the Company purchased 9.25% share capital held by the non-controlling shareholders of Former Ping An Bank in the forms of cash and shares of the company purchased from the secondary market. On 12 June 2012, the Company held 100% shareholding and voting rights of Former Ping An Bank (31 December 2011: 90.75%). Former Ping An Bank was merged into the Company on 12 June 2012 and completed its deregistration application.

3. For non-standard auditor's report issued, please state the relevant notes for matters involved

Applicable Not Applicable

PING AN BANK CO., LTD. (FORMERLY KNOWN AS SHENZHEN DEVELOPMENT BANK CO., LTD.)

CONSOLIDATED BALANCE SHEET

30 June 2012

(Expressed in thousands of Renminbi, unless otherwise stated)

	<u>2012-6-30</u>	<u>2011-12-31</u>
ASSETS:		
Cash on hand and due from the Central Bank	180,414,435	160,635,236
Placements of deposits with other financial institutions	106,987,239	39,884,342
Funds loaned to other financial institutions	26,319,620	8,446,567
Financial assets at fair value through profit or loss	5,459,603	2,607,902
Derivative financial assets	802,983	810,577
Reverse repurchase agreements	117,195,402	34,303,887
Accounts receivable	123,109,583	170,589,011
Interest receivable	8,552,297	7,274,189
Loans and advances	671,075,508	610,075,336
Available-for-sale financial assets	80,229,512	78,383,526
Held-to-maturity investments	108,223,947	107,683,080
Receivables	37,103,700	13,732,100
Long term equity investments	535,796	539,294
Investment properties	253,732	262,791
Fixed assets	3,247,386	3,524,265
Intangible assets	5,785,049	5,989,731
Goodwill	7,568,304	7,568,304
Deferred tax assets	2,964,350	2,889,762
Other assets	4,794,405	2,977,044
TOTAL ASSETS	<u>1,490,622,851</u>	<u>1,258,176,944</u>

PING AN BANK CO., LTD. (FORMERLY KNOWN AS SHENZHEN DEVELOPMENT BANK CO., LTD.)

CONSOLIDATED BALANCE SHEET (continued)

30 June 2012

(Expressed in thousands of Renminbi, unless otherwise stated)

	<u>2012-6-30</u>	<u>2011-12-31</u>
LIABILITIES:		
Due to the Central Bank	26,240,178	1,130,876
Placements of deposits from other financial institutions	323,726,121	155,409,777
Funds borrowed from other financial institutions	7,197,324	25,279,349
Financial liabilities at fair value through profit or loss	398,598	-
Derivative financial liabilities	731,589	732,418
Repurchase agreements	36,674,334	39,197,371
Customer deposits	949,577,975	850,845,147
Employee benefits payable	3,609,746	3,600,345
Tax payable	1,765,605	2,535,814
Accounts payable	26,310,276	70,560,734
Interest payable	10,439,829	9,913,661
Bonds payable	16,068,072	16,054,486
Provisions	86,597	112,246
Deferred tax liabilities	1,453,659	1,351,062
Other liabilities	<u>6,520,338</u>	<u>6,073,074</u>
TOTAL LIABILITIES	<u>1,410,800,241</u>	<u>1,182,796,360</u>
SHAREHOLDERS' EQUITY:		
Share capital	5,123,350	5,123,350
Capital reserve	41,288,034	41,537,746
Surplus reserve	2,830,459	2,830,459
General reserve	11,799,151	7,954,903
Unappropriated profit	<u>18,781,616</u>	<u>15,864,379</u>
Shareholders' equity attributable to the parent company	79,822,610	73,310,837
Non-controlling shareholders' equity	<u>-</u>	<u>2,069,747</u>
TOTAL SHAREHOLDERS' EQUITY	<u>79,822,610</u>	<u>75,380,584</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>1,490,622,851</u></u>	<u><u>1,258,176,944</u></u>

The financial statements have been signed by:

Legal representative	<u>Xiao Suining</u>	President	<u>Richard Jackson</u>	Chief financial officer	<u>Chen Wei</u>	Accounting manager	<u>Wang Lan</u>
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Company chop Ping An Bank Co., Ltd.

PING AN BANK CO., LTD. (FORMERLY KNOWN AS SHENZHEN DEVELOPMENT BANK CO., LTD.)
CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2012
(Expressed in thousands of Renminbi, unless otherwise stated)

	Jan-Jun 2012	Jan-Jun 2011 (Restated)
I. Operating income		
Interest income	37,226,844	19,540,461
Interest expense	<u>(21,070,247)</u>	<u>(9,148,239)</u>
Net interest income	16,156,597	10,392,222
Fee and commission income	3,099,716	1,330,035
Fee and commission expense	<u>(320,426)</u>	<u>(142,398)</u>
Net fee and commission income	2,779,290	1,187,637
Investment income	451,878	352,460
of which: Share of profits of associates	15,000	29,000
	(11,358)	(7,865)
Gains or losses from changes in fair values of financial instruments	183,621	151,671
Other operating income	<u>65,506</u>	<u>61,142</u>
Total operating income	<u>19,625,534</u>	<u>12,137,267</u>
II. Operating costs		
Business tax and surcharge	(1,735,666)	(953,092)
Business and administrative expenses	<u>(7,482,734)</u>	<u>(4,406,289)</u>
Total operating costs	<u>(9,218,400)</u>	<u>(5,359,381)</u>
III. Operating profit before impairment losses on assets	10,407,134	6,777,886
Impairment losses on assets	<u>(1,570,234)</u>	<u>(730,678)</u>
IV. Operating profit	8,836,900	6,047,208
Add: Non-operating income	58,738	39,257
Less: Non-operating expenses	<u>(16,989)</u>	<u>(23,305)</u>
V. Profit before tax	8,878,649	6,063,160
Less: Income tax expense	<u>(2,009,085)</u>	<u>(1,332,022)</u>
VI. Profit for the period	<u>6,869,564</u>	<u>4,731,138</u>
Net profit attributable to the parent company	6,761,485	4,731,138
Net profit attributable to non-controlling shareholders	108,079	-
VII. Earnings per share		
Basic earnings per share (Renminbi Yuan)	1.32	1.36
Diluted earnings per share (Renminbi Yuan)	1.32	1.36
VIII. Other comprehensive income for the period, net of tax	<u>262,515</u>	<u>(102,329)</u>
IX. Total comprehensive income for the period, net of tax	<u>7,132,079</u>	<u>4,628,809</u>
Total comprehensive income attributable to the parent company	7,005,732	4,628,809

PING AN BANK CO., LTD. (FORMERLY KNOWN AS SHENZHEN DEVELOPMENT BANK CO., LTD.)
CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2012
(Expressed in thousands of Renminbi, unless otherwise stated)

Total comprehensive income attributable to non-controlling shareholders	126,347	-
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PING AN BANK CO., LTD. (FORMERLY KNOWN AS SHENZHEN DEVELOPMENT BANK CO., LTD.)
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the six months ended 30 June 2012
(Expressed in thousands of Renminbi, unless otherwise stated)

	Shareholders' equity attributed to parent company									
	Share capital	Capital reserve	Of which: Cumulative changes in fair value of available-for-sale financial assets	Of which: Revaluation surplus on owner-occupied properties transferred to investment properties	Surplus reserve	General reserve	Unappropriated profit	Subtotal	Non-controllin g interest	Total equity
I. As at 1 January 2012	5,123,350	41,537,746	204,151	-	2,830,459	7,954,903	15,864,379	73,310,837	2,069,747	75,380,584
II. Movements in the period										
(i) Profit for the period	-	-	-	-	-	-	6,761,485	6,761,485	108,079	6,869,564
(ii) Other comprehensive income	-	244,247	244,247	-	-	-	-	244,247	18,268	262,515
Subtotal of (i) and (ii)	-	244,247	244,247	-	-	-	6,761,485	7,005,732	126,347	7,132,079
(iii) Capital injection from shareholders	-	-	-	-	-	-	-	-	-	-
(iv) Acquisition of the subsidiary's non- controlling	-	(493,959)	-	-	-	-	-	(493,959)	(2,196,094)	(2,690,053)
(v) Profit appropriation										
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	-	-
2. Appropriation to general reserve	-	-	-	-	-	3,844,248	(3,844,248)	-	-	-
III. At 30 June 2012	5,123,350	41,288,034	448,398	-	2,830,459	11,799,151	18,781,616	79,822,610	-	79,822,610
I. At 1 January 2011 (restated)	3,485,014	13,341,411	(132,761)	-	1,912,339	5,977,782	8,480,989	33,197,535	-	33,197,535
II. Movements in the year										
(i) Profit for the year	-	-	-	-	-	-	10,278,631	10,278,631	111,860	10,390,491
(ii) Other comprehensive income	-	442,912	336,912	-	-	-	-	442,912	7,650	450,562
Subtotal of (i) and (ii)	-	442,912	336,912	-	-	-	10,278,631	10,721,543	119,510	10,841,053
(iii) Capital injection from shareholders	1,638,336	27,753,423	-	-	-	-	-	29,391,759	-	29,391,759
(iv) Acquisition of a subsidiary	-	-	-	-	-	-	-	-	1,950,237	1,950,237
(v) Profit appropriation										
1. Appropriation to surplus reserve	-	-	-	-	918,120	-	(918,120)	-	-	-
2. Appropriation to general reserve	-	-	-	-	-	1,977,121	(1,977,121)	-	-	-
III. At 31 December 2011	5,123,350	41,537,746	204,151	-	2,830,459	7,954,903	15,864,379	73,310,837	2,069,747	75,380,584

PING AN BANK CO., LTD. (FORMERLY KNOWN AS SHENZHEN DEVELOPMENT BANK CO., LTD.)
CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2012
(Expressed in thousands of Renminbi, unless otherwise stated)

	Jan-Jun 2012	Jan-Jun 2011
I. CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in amounts due to the Central Bank	25,098,681	-
Net increase in customer deposits and placements of deposits	267,049,171	108,033,842
Net increase in accounts payable	-	7,397,489
Net decrease in accounts receivable	47,479,429	-
Net decrease in funds loaned to other financial institutions	-	4,183
Cash receipts from interest and fee and commission income	32,258,776	14,272,630
Cash receipts relating to other operating activities	1,564,553	1,602,186
Subtotal of cash inflows from operating activities	<u>373,450,610</u>	<u>131,310,330</u>
Net increase in amounts due from the Central Bank and placements of deposits with other financial institutions	48,031,445	15,794,044
Net increase in funds loaned to other financial institutions	394,688	-
Net increase in reverse repurchase agreements	20,041,254	9,719,731
Net increase in accounts receivable	-	14,592,808
Net increase in loans and advances	60,889,908	40,384,311
Net decrease in amounts due to the Central Bank	-	739,006
Net decrease in funds loaned from other financial institutions	18,082,025	864,468
Net decrease in repurchase agreements	2,590,473	2,800,582
Net decrease in accounts payable	44,250,458	-
Cash payments for interest and fee and commission expenses	19,714,553	7,850,360
Cash payments for salaries and staff expenses	4,024,159	2,510,804
Cash payments for taxes	4,609,946	2,119,850
Cash payments relating to other operating activities	6,791,921	2,321,358
Subtotal of cash outflows from operating activities	<u>229,420,830</u>	<u>99,697,322</u>
Net cash flows generated from operating activities	<u>144,029,780</u>	<u>31,613,008</u>
II. CASH FLOWS FROM INVESTING ACTIVITIES		
Cash receipts from investments upon disposal/maturity	95,831,205	44,385,598
Cash receipts from investment income	5,235,395	1,657,190
Cash receipts from disposal of fixed assets	-	1,536
Subtotal of cash inflows from investing activities	<u>101,066,600</u>	<u>46,044,324</u>
Cash payments for investments	122,715,061	67,617,881
Cash payments for acquisition of subsidiary's non-controlling shareholders' equity	2,297,297	-
Cash payments for fixed assets, intangible assets, construction in progress and leasehold improvements	195,653	95,378
Subtotal of cash outflows from investing activities	<u>125,208,011</u>	<u>67,713,259</u>
Net cash flows used in investing activities	<u>(24,141,411)</u>	<u>(21,668,935)</u>

PING AN BANK CO., LTD. (FORMERLY KNOWN AS SHENZHEN DEVELOPMENT BANK CO., LTD.)
CONSOLIDATED CASH FLOW STATEMENT (continued)
For the six months ended 30 June 2012
(Expressed in thousands of Renminbi, unless otherwise stated)

	<u>Jan-Jun 2012</u>	<u>Jan-Jun 2011</u>
III. CASH FLOWS FROM FINANCING ACTIVITIES		
Cash receipts from bond issue	-	3,650,000
Subtotal of cash inflows from financing activities	<u>-</u>	<u>3,650,000</u>
Cash payments for bond interest	883,063	465,075
Subtotal of cash outflows from financing activities	<u>883,063</u>	<u>465,075</u>
Net cash flows (used in)/generated from financing activities	<u>(883,063)</u>	<u>3,184,925</u>
IV. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>142,670</u>	<u>(39,109)</u>
V. NET INCREASE IN CASH AND CASH EQUIVALENTS	119,147,976	13,089,889
Add: Cash and cash equivalents at beginning of the period	<u>67,906,367</u>	<u>68,147,808</u>
VI. CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>187,054,343</u>	<u>81,237,697</u>

PING AN BANK CO., LTD. (FORMERLY KNOWN AS SHENZHEN DEVELOPMENT BANK CO., LTD.)
CONSOLIDATED CASH FLOW STATEMENT (continued)
For the six months ended 30 June 2012
(Expressed in thousands of Renminbi, unless otherwise stated)

SUPPLEMENTARY INFORMATION

	<u>Jan-Jun 2012</u>	<u>Jan-Jun 2011</u>
1. Adjustment of profit for the period to cash flows generated from operating activities:		
Profit for the period	6,869,564	4,731,138
Impairment losses on assets	1,570,234	730,678
Interests related to unwinding of discounts of provisions for impaired financial assets	(84,680)	(37,043)
Depreciation of investment properties	7,073	3,323
Depreciation of fixed assets	259,767	177,115
Amortisation of intangible assets	220,409	31,196
Amortisation of long term deferred expenses	103,380	63,294
Losses on disposal of fixed assets	-	838
Losses from changes in fair values of financial instruments	11,358	7,865
Gains from changes in fair values foreign exchange derivative financial instruments	(1,776)	(30,359)
Interest on investment securities and investment income	(4,761,690)	(2,125,371)
Increase in deferred tax assets	(74,588)	(80,807)
Increase in deferred tax liabilities	8,971	6,083
Interest paid on bonds	500,702	329,456
Increase in operating receivables	(87,592,350)	(85,475,036)
Increase in operating payables	227,010,586	113,262,909
Charge/(reversal) in provisions	(17,180)	17,729
Net cash flows generated from operating activities	<u>144,029,780</u>	<u>31,613,008</u>
2. Net increase in cash and cash equivalents:		
Cash at end of the period	2,268,767	1,189,116
Less: Cash at beginning of the period	2,235,565	836,549
Add: Cash equivalents at end of the period	184,785,576	80,048,581
Less: Cash equivalents at beginning of the period	<u>65,670,802</u>	<u>67,311,259</u>
Net increase in cash and cash equivalents	<u>119,147,976</u>	<u>13,089,889</u>

PING AN BANK CO., LTD. (FORMERLY KNOWN AS SHENZHEN DEVELOPMENT BANK CO., LTD.)

BALANCE SHEET

30 June 2012

(Expressed in thousands of Renminbi, unless otherwise stated)

	<u>2012-6-30</u>	<u>2011-12-31</u>
ASSETS:		
Cash on hand and due from the Central Bank	180,414,435	119,945,894
Placements of deposits with other financial institutions	106,987,239	15,346,333
Funds loaned to other financial institutions	26,319,620	6,017,091
Financial assets at fair value through profit or loss	5,459,603	2,512,660
Derivative financial assets	802,983	786,739
Reverse repurchase agreements	117,195,402	28,916,930
Accounts receivable	123,109,583	166,620,120
Interest receivable	8,552,297	5,563,972
Loans and advances	671,075,508	460,982,960
Available-for-sale financial assets	80,229,512	48,292,746
Held-to-maturity investments	108,223,947	83,640,331
Receivables	37,103,700	13,732,100
Long term equity investments	535,796	27,216,181
Investment properties	253,732	212,523
Fixed assets	3,247,386	2,563,163
Intangible assets	5,785,049	261,016
Goodwill	7,568,304	-
Deferred tax assets	2,964,350	2,606,163
Other assets	4,794,405	2,583,553
TOTAL ASSETS	<u>1,490,622,851</u>	<u>987,800,475</u>

PING AN BANK CO., LTD. (FORMERLY KNOWN AS SHENZHEN DEVELOPMENT BANK CO., LTD.)

BALANCE SHEET (continued)

30 June 2012

(Expressed in thousands of Renminbi, unless otherwise stated)

	<u>2012-6-30</u>	<u>2011-12-31</u>
LIABILITIES:		
Due to the Central Bank	26,240,178	861,233
Placements of deposits from other financial institutions	323,726,121	125,309,018
Funds borrowed from other financial institutions	7,197,324	24,470,000
Financial liabilities at fair value through profit or loss	398,598	-
Derivative financial liabilities	731,589	715,472
Repurchase agreements	36,674,334	27,707,200
Customer deposits	949,577,975	640,585,112
Employee benefits payable	3,609,746	2,972,260
Tax payable	1,765,605	2,085,106
Accounts payable	26,310,276	67,258,052
Interest payable	10,439,829	7,769,337
Bonds payable	16,068,072	13,130,234
Provisions	86,597	22,020
Deferred tax liabilities	1,453,659	65,737
Other liabilities	<u>6,520,338</u>	<u>2,711,340</u>
TOTAL LIABILITIES	<u>1,410,800,241</u>	<u>915,662,121</u>
SHAREHOLDERS' EQUITY:		
Share capital	5,123,350	5,123,350
Capital reserve	41,033,760	41,462,697
Surplus reserve	2,830,459	2,830,459
General reserve	11,799,151	7,954,903
Unappropriated profit	<u>19,035,890</u>	<u>14,766,945</u>
TOTAL SHAREHOLDERS' EQUITY	<u>79,822,610</u>	<u>72,138,354</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>1,490,622,851</u></u>	<u><u>987,800,475</u></u>

The financial statements have been signed by:

Legal representative	<u>Xiao Suining</u>	President	<u>Richard Jackson</u>	Chief financial officer	<u>Chen Wei</u>	Accounting manager	<u>Wang Lan</u>
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Company chop Ping An Bank Co., Ltd.

PING AN BANK CO., LTD. (FORMERLY KNOWN AS SHENZHEN DEVELOPMENT BANK CO., LTD.)

INCOME STATEMENT

For the six months ended 30 June 2012

(Expressed in thousands of Renminbi, unless otherwise stated)

	Jan-Jun 2012	Jan-Jun 2011 (Restated)
I. Operating income		
Interest income	30,426,396	19,540,461
Interest expense	<u>(17,554,043)</u>	<u>(9,148,239)</u>
Net interest income	12,872,353	10,392,222
Fee and commission income	2,268,381	1,330,035
Fee and commission expense	<u>(224,624)</u>	<u>(142,398)</u>
Net fee and commission income	2,043,757	1,187,637
Investment income	2,861,292	352,460
of which: Share of profits of associates	15,000	29,000
Gains or losses from changes in fair values of financial instruments	(14,223)	(7,865)
Net foreign exchange differences	164,546	151,671
Other operating income	<u>60,971</u>	<u>61,142</u>
Total operating income	<u>17,988,696</u>	<u>12,137,267</u>
II. Operating costs		
Business tax and surcharge	(1,380,869)	(953,092)
Business and administrative expenses	<u>(5,587,288)</u>	<u>(4,406,289)</u>
Total operating costs	<u>(6,968,157)</u>	<u>(5,359,381)</u>
III. Operating profit before impairment losses on assets	11,020,539	6,777,886
Impairment losses on assets	<u>(1,326,841)</u>	<u>(730,678)</u>
IV. Operating profit	9,693,698	6,047,208
Add: Non-operating income	49,731	39,257
Less: Non-operating expenses	<u>(9,074)</u>	<u>(23,305)</u>
V. Profit before tax	9,734,355	6,063,160
Less: Income tax expense	<u>(1,621,162)</u>	<u>(1,332,022)</u>
VI. Profit for the period	<u>8,113,193</u>	<u>4,731,138</u>
VII. Other comprehensive income for the period, net of tax	<u>65,022</u>	<u>(102,329)</u>
VIII. Total comprehensive income for the period, net of tax	<u>8,178,215</u>	<u>4,628,809</u>

PING AN BANK CO., LTD. (FORMERLY KNOWN AS SHENZHEN DEVELOPMENT BANK CO., LTD.)
 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
 For the six months ended 30 June 2012
 (Expressed in thousands of Renminbi, unless otherwise stated)

	Share capital	Capital reserve	Of which: Cumulative changes in fair value of available-for-sale financial assets	Of which: Revaluation surplus on owner-occupied properties transferred to investment properties	Surplus reserve	General reserve	Unappropriated profit	Total
I. At 1 January 2012	5,123,350	41,462,697	129,102	-	2,830,459	7,954,903	14,766,945	72,138,354
II. Movements in the period								
(i) Profit for the period	-	-	-	-	-	-	8,113,193	8,113,193
(ii) Other comprehensive income	-	65,022	65,022	-	-	-	-	65,022
Subtotal of (i) and (ii)	-	65,022	65,022	-	-	-	8,113,193	8,178,215
(iii) Capital injection from shareholders	-	-	-	-	-	-	-	-
(iv) Absorption and merger of Former Ping An Bank and	-	(493,959)	-	-	-	-	-	(493,959)
(v) Profit appropriation								
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-
2. Appropriation to general reserve	-	-	-	-	-	3,844,248	(3,844,248)	-
III. At 30 June 2012	5,123,350	41,033,760	194,124	-	2,830,459	11,799,151	19,035,890	79,822,610
I. At 1 January 2011 (restated)	3,485,014	13,341,411	(132,761)	-	1,912,339	5,977,782	8,480,989	33,197,535
II. Movements in the year								
(i) Profit for the year	-	-	-	-	-	-	9,181,197	9,181,197
(ii) Other comprehensive income	-	367,863	261,863	-	-	-	-	367,863
Subtotal of (i) and (ii)	-	367,863	261,863	-	-	-	9,181,197	9,549,060
(iii) Capital injection from shareholders	1,638,336	27,753,423	-	-	-	-	-	29,391,759
(iv) Profit appropriation								
1. Appropriation to surplus reserve	-	-	-	-	918,120	-	(918,120)	-
2. Appropriation to general reserve	-	-	-	-	-	1,977,121	(1,977,121)	-
III. At 31 December 2011	5,123,350	41,462,697	129,102	-	2,830,459	7,954,903	14,766,945	72,138,354

PING AN BANK CO., LTD. (FORMERLY KNOWN AS SHENZHEN DEVELOPMENT BANK CO., LTD.)

CASH FLOW STATEMENT

For the six months ended 30 June 2012

(Expressed in thousands of Renminbi, unless otherwise stated)

	Jan-Jun 2012	Jan-Jun 2011
I. CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in amounts due to the Central Bank	25,368,345	-
Net increase in customer deposits and placements of deposits from other financial institutions	233,066,828	108,033,842
Net increase in repurchase agreements	7,429,698	-
Net increase in accounts payable	-	7,397,489
Net decrease in accounts receivable	47,456,894	-
Net decrease in funds loaned to other financial institutions	-	4,183
Cash receipts from interest and fee and commission income	25,983,642	14,272,630
Cash receipts relating to other operating activities	1,504,915	1,602,186
Subtotal of cash inflows from operating activities	<u>340,810,322</u>	<u>131,310,330</u>
Net increase in amounts due from the Central Bank and placements of deposits with other financial institutions	42,540,620	15,794,044
Net increase in funds loaned to other financial institutions	454,688	-
Net increase in reverse repurchase agreements	20,056,395	9,719,731
Net increase in accounts receivable	-	14,592,808
Net increase in loans and advances	53,456,443	40,384,311
Net decrease in amounts due to the Central Bank	-	739,006
Net decrease in funds borrowed from other financial institutions	17,695,772	864,468
Net decrease in repurchase agreements	-	2,800,582
Net decrease in accounts payable	41,451,231	-
Cash payments for interest and fee and commission expenses	16,475,528	7,850,360
Cash payments for salaries and staff expenses	3,113,991	2,510,804
Cash payments for taxes	3,679,054	2,119,850
Cash payments relating to other operating activities	3,195,220	2,321,358
Subtotal of cash outflows from operating activities	<u>202,118,942</u>	<u>99,697,322</u>
Net cash flows generated from operating activities	<u>138,691,380</u>	<u>31,613,008</u>
II. CASH FLOWS FROM INVESTING ACTIVITIES		
Cash receipts from investments upon disposal/maturity	94,599,933	44,385,598
Cash receipts from investment income	4,281,218	1,657,190
Cash receipts from disposal of fixed assets	-	1,536
Cash and cash equivalents of subsidiary receipts upon a acquisition	37,854,809	-
Subtotal of cash inflows from investing activities	<u>136,735,960</u>	<u>46,044,324</u>
Cash payments for investments	121,800,961	67,617,881
Cash payments for acquisition of subsidiary's non-controlling shareholders' equity	2,297,297	-
Cash payments for fixed assets, intangible assets, construction in progress and leasehold improvements	188,177	95,378
Subtotal of cash outflows from investing activities	<u>124,286,435</u>	<u>67,713,259</u>
Net cash flows generated from/(used in) investing activities	<u>12,449,525</u>	<u>(21,668,935)</u>

PING AN BANK CO., LTD. (FORMERLY KNOWN AS SHENZHEN DEVELOPMENT BANK CO., LTD.)
 CASH FLOW STATEMENT (continued)
 For the six months ended 30 June 2012
 (Expressed in thousands of Renminbi, unless otherwise stated)

	<u>Jan-Jun 2012</u>	<u>Jan-Jun 2011</u>
III. CASH FLOWS FROM FINANCING ACTIVITIES		
Cash receipts from bond issue	-	3,650,000
Subtotal of cash inflows from financing activities	-	3,650,000
Cash payments for bond interest	883,063	465,075
Subtotal of cash outflows from financing activities	883,063	465,075
Net cash flows (used in)/generated from financing activities	(883,063)	3,184,925
IV. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	124,772	(39,109)
V. NET INCREASE IN CASH AND CASH EQUIVALENTS	150,382,614	13,089,889
Add: Cash and cash equivalents at beginning of the period	36,671,729	68,147,808
VI. CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>187,054,343</u>	<u>81,237,697</u>

PING AN BANK CO., LTD. (FORMERLY KNOWN AS SHENZHEN DEVELOPMENT BANK CO., LTD.)
CASH FLOW STATEMENT (continued)
For the six months ended 30 June 2012
(Expressed in thousands of Renminbi, unless otherwise stated)

SUPPLEMENTARY INFORMATION

	<u>Jan-Jun 2012</u>	<u>Jan-Jun 2011</u>
1. Adjustment of profit for the period to cash flows generated from operating activities:		
Profit for the period	8,113,193	4,731,138
Impairment losses on assets	1,326,841	730,678
Interests related to unwinding of discounts of provisions for impaired financial assets	(83,232)	(37,043)
Depreciation of investment properties	6,855	3,323
Depreciation of fixed assets	195,323	177,115
Amortisation of intangible assets	68,931	31,196
Amortisation of long term deferred expenses	75,612	63,294
Losses on disposal of fixed assets	-	838
Losses from changes in fair values of financial instruments	14,223	7,865
Gains from changes in fair values foreign exchange derivative financial instruments	(1,776)	(30,359)
Interest on investment securities and investment income	(6,193,501)	(2,125,371)
Increase in deferred tax assets	(103,342)	(80,807)
Increase in deferred tax liabilities	8,971	6,083
Interest paid on bonds	434,343	329,456
Increase in operating receivables	(74,024,321)	(85,475,036)
Increase in operating payables	208,870,440	113,262,909
Charge/(reversal) in provisions	(17,180)	17,729
Net cash flows generated from operating activities	<u>138,691,380</u>	<u>31,613,008</u>
2. Net increase in cash and cash equivalents:		
Cash at end of the period	2,268,767	1,189,116
Less: Cash at beginning of the period	1,320,700	836,549
Add: Cash equivalents at end of the period	184,785,576	80,048,581
Less: Cash equivalents at beginning of the period	35,351,029	67,311,259
Net increase in cash and cash equivalents	<u>150,382,614</u>	<u>13,089,889</u>