

Shenzhen Development Bank Co., Ltd.

2011 Annual Report

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Chapter 1 Important Notes

The Board of Directors, board of supervisors, directors, supervisors and senior management of Shenzhen Development Bank guarantee that this report does not contain any false documentation, misleading representation or material omission, and jointly and severally assume responsibility for the authenticity, accuracy and completeness of the contents of this report.

The complete version of Shenzhen Development Bank's 2011 Annual Report, together with its abstract, were reviewed at the 12th meeting of the Bank's 8th Board of Directors. Totally 18 directors attended this meeting, and unanimous consent on the Annual Report was reached.

Ernst & Young Hua Ming and Ernst & Young Accounting Firm had audited the Bank's 2011 financial and accounting reports in accordance with the auditing standards of the People's Republic of China and the international auditing standards, and each of them had issued their own auditor's report with standard unqualified opinion.

Xiao Suining (the Bank's Chairman), Richard Jackson (the Bank's President), Chen Wei (the Bank's Vice President and Chief Financial Officer) and Wang Lan (head of the Accounting Department) guarantee the authenticity, accuracy and completeness of the financial report contained in the 2011 Annual Report.

Chapter 2 Basic Facts of the Company

- (I) Legal Name in Chinese: 深圳发展银行股份有限公司
Legal Name in English: Shenzhen Development Bank Co., Ltd.
- (II) Legal Representative: Xiao Suining
- (III) Secretary of Board of Directors: Xu Jin
Representative of Securities Affairs: Lv Xuguang
Address: Shenzhen Development Bank Board Secretariat,
Shenzhen Development Bank Building, 5047 East Shennan Road, Shenzhen
City, Guangdong Province, China
Tel.: (0755) 82080387
Fax: (0755) 82080386
Email Address: dsh@sdb.com.cn
- (IV) Registered Address: Shenzhen City, Guangdong Province, China
Business Address: Shenzhen Development Bank Building, 5047 East
Shennan Road, Shenzhen City
Zip Code: 518001
Website: <http://www.sdb.com.cn>
Email Address: dsh@sdb.com.cn
- (V) Periodicals selected by the Bank for information disclosure: *Securities Times*, *Securities Daily* and *Shanghai Securities News*, *China Securities Journal*,
Website designated by China Securities Regulatory Commission to publish the Annual Report: <http://www.cninfo.com.cn>
Place for keeping annual reports of the Bank: Board Secretariat of the Bank
- (VI) Stock exchange on which the shares of the Bank are listed: Shenzhen Stock Exchange
Abbreviated Name of the Stock: 深发展 A
Stock Code: 000001
- (VII) Additional Related Information of the Bank
The latest date of change of registration: 20 October 2011
Registered address: 5047 East Shennan Road, Luohu District, Shenzhen City
Business License Registration No.: 440301103098545
Tax Registration No.: National Tax: 440300192185379; Local Tax: 440300192185379
Organizational Code Certificate No.: 19218537-9
Domestic accounting firm appointed by the Bank: Ernst & Young Hua Ming
Business address: 16/F, E&Y Tower, 1 Chang'an Street, Dongcheng District, Beijing
Name of signing accountants: Zhang Xiaodong, Chang Hua

Overseas accounting firm appointed by the Bank: Ernst & Young Accounting Firm

Business address: 22/F, Citic Tower, 1 Tim Mei Avenue, Central, Hong Kong

Name of sponsor engaged by the Bank for provision of ongoing supervision: CITIC Securities Company Limited

Business address: CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing
CITIC Securities Tower, No. 8 Zhong Xin San Road, Futian District, Shenzhen City

Name of signing representative of the Sponsor: Shao Xianghui, Liu Kebin

Name of financial consultant engaged by the Bank for provision of ongoing supervision: CITIC Securities Company Limited

Business address: CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing
CITIC Securities Tower, No. 8 Zhong Xin San Road, Futian District, Shenzhen City

Name of signing principal of the Financial Consultant: Zhang Huifang, Lv Yuqian (one of the original project sponsors, Mr. Fan Yu ceased to provide ongoing supervision due to change of job duties, and the relevant job duties were taken over by Mr. Lv Yuqian)

(VIII) History

Date of registration	Place of registration	Business licence	Tax registration number	Institution code
1989-11-1	Shenzhen Municipal Administration of Industry and Commerce	19218537-9	02001016	19218537-9
1998-11-10	Ditto	4403011010334	Ditto	Ditto
2000-12-27	Ditto	Ditto	440300192185379	Ditto
2007-12-29	Ditto	440301103098545	Ditto	Ditto
2009-11-3	Market Supervision Administration of Shenzhen Municipality	Ditto	Ditto	Ditto

(IX) This Report is prepared both in Chinese and English. In the event of any dispute over the two versions, the Chinese version shall prevail.

(X) In this report, references to the Company and the Bank mean Shenzhen Development Bank Co., Ltd.; references to the Group mean Shenzhen Development Bank Co., Ltd. and its subsidiaries.

(XI) The Company approved the acquisition of 90.75% interest in Ping An Bank (PAB) through non-public offering in July 2011. From the acquisition date, the Company prepared consolidated financial statements according to “Accounting Standards for Business Enterprises”. In the report, the figures for the current period were consolidated figures, while the figures for the previous periods were non-consolidated figures of the parent company (SDB). The consolidated net profit only includes the net profit of Ping An Bank from the acquisition date to 31 December 2011.

(XII) According to the Company’s announcement dated 18 August 2011 “Announcement of Shenzhen Development Bank Co., Ltd. regarding the change in accounting policy and retrospective adjustments”, the Company had made retrospective adjustments on the opening balance and comparative figures of the corresponding period of the previous year.

Chapter 3 Key Financial Data Highlights

I. Operating results

The Group

(In RMB thousand)

Item	January-December 2011	January-December 2010	January-December 2009	Change from previous year (%) (2011 vs. 2010)
Operating income	29,643,061	17,971,773	15,054,715	64.94%
Operating profit before asset impairment loss	15,281,275	9,288,064	7,674,834	64.53%
Assets impairment loss	2,148,574	1,488,116	1,575,088	44.38%
Operating profit	13,132,701	7,799,948	6,099,746	68.37%
Total profit	13,257,489	7,948,414	6,131,156	66.79%
Net profit attributed to shareholders of parent company	10,278,631	6,246,537	4,988,281	64.55%
Net profit attributed to shareholders of parent company after deducting non-recurring gains/losses	10,179,272	6,135,557	4,935,948	65.91%
Per share:				
Basic EPS (RMB Yuan)	2.47	1.90	1.61	30.00%
Diluted EPS (RMB Yuan)	2.47	1.90	1.61	30.00%
Basic EPS after deducting non-recurring gains/losses (RMB Yuan)	2.44	1.86	1.59	31.18%
Cash flow:				
Net cash flows from operating activities	(14,439,373)	22,045,723	32,152,181	(165.50%)
Per share net cash flows from operating activities (RMB Yuan)	(2.82)	6.33	10.35	(144.55%)

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

(In RMB thousand)

Non-recurring Gain/Losses Item	January - December 2011	January - December 2010	January - December 2009
Gains/losses on disposal of non-current assets (gain/loss on disposal of fixed assets, repossessed assets and long-term equity investment)	131,180	114,975	53,478

Gains/losses on contingency (predicted liabilities)	(29,278)	(1,469)	3,508
Other non-operating income and expenses except the above items	24,454	27,708	7,337
Impact of income tax	(27,120)	(30,234)	(11,990)
Attributed to minority shareholders	123		
Total	99,359	110,980	52,333

The Company

(In RMB thousand)

Item	January - December 2011	January - December 2010	January - December 2009	Change from previous year (%) (2011 vs. 2010)
Operating income	24,923,167	17,971,773	15,054,715	38.68%
Operating profit before asset impairment loss	13,380,370	9,288,064	7,674,834	44.06%
Assets impairment loss	1,810,696	1,488,116	1,575,088	21.68%
Operating profit	11,569,674	7,799,948	6,099,746	48.33%
Total profit	11,696,219	7,948,414	6,131,156	47.15%
Net profit attributed to shareholders of the Company	9,181,197	6,246,537	4,988,281	46.98%
Net profit attributed to shareholders of the Company after deducting non-recurring gains/losses	9,080,628	6,135,557	4,935,948	48.00%
Per share:				
Basic EPS (RMB Yuan)	2.20	1.90	1.61	15.79%
Diluted EPS (RMB Yuan)	2.20	1.90	1.61	15.79%
Basic EPS after deducting non-recurring gains/losses (RMB Yuan)	2.18	1.86	1.59	17.20%
Cash flow:				
Net cash flows from operating activities	(6,314,152)	22,045,723	32,152,181	(128.64%)
Per share net cash flows from operating activities (RMB Yuan)	(1.23)	6.33	10.35	(119.43%)

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

(In RMB thousand)

Non-recurring Gain/Losses Item	January - December 2011	January - December 2010	January - December 2009
Gains/losses on disposal of non-current assets (gain/loss)	126,861	114,975	53,478

on disposal of fixed assets, repossessed assets and long-term equity investment)			
Gains/losses on contingency (predicted liabilities)	(20,012)	(1,469)	3,508
Other non-operating income and expenses except the above items	21,264	27,708	7,337
Impact of income tax	(27,544)	(30,234)	(11,990)
Total	100,569	110,980	52,333

II. Profitability indicators

The Group

(Unit: %)

Item	January - December 2011	January - December 2010	January - December 2009	Change from previous year (%) (2011 vs. 2010)
Return on assets	0.82	0.86	0.85	-0.04 percentage point
Average return on assets	1.04	0.95	0.94	+0.09 percentage point
Return on equity (fully diluted)	14.02	18.82	24.69	-4.80 percentage points
Return on equity (fully diluted, deducting non-recurring gains/losses)	13.89	18.48	24.43	-4.59 percentage points
Weighted average return on equity	20.32	23.32	26.67	-3.00 percentage points
Weighted average return on equity (deducting non-recurring gains/losses)	20.12	22.91	26.39	-2.79 percentage points
Cost/income ratio	39.99	40.95	41.92	-0.96 percentage point
Credit cost	0.41	0.41	0.49	-
Net interest spread (NIS)	2.37	2.41	2.41	-0.04 percentage point
Net interest margin (NIM)	2.53	2.49	2.47	0.04 percentage point

The Company

Item	January-December 2011	January-December 2010	January-December 2009	(Unit: %)
				Change from previous year (%) (2011 vs. 2010)
Return on assets	0.93	0.86	0.85	+0.07 percentage point
Average return on assets	1.07	0.95	0.94	+0.12 percentage point
Return on equity (fully diluted)	12.73	18.82	24.69	-6.09 percentage points
Return on equity (fully diluted, deducting non-recurring gains/losses)	12.59	18.48	24.43	-5.89 percentage points
Weighted average return on equity	18.35	23.32	26.67	-4.97 percentage points
Weighted average return on equity (deducting non-recurring gains/losses)	18.15	22.91	26.39	-4.76 percentage points
Cost/income ratio	37.71	40.95	41.92	-3.24 percentage points
Credit cost	0.40	0.41	0.49	-0.01 percentage point
Net interest spread (NIS)	2.38	2.41	2.41	-0.03 percentage point
Net interest margin (NIM)	2.54	2.49	2.47	+ 0.05 percentage point

Notes: Credit cost = credit provision / average loan balance (including discounts) of the period

Net interest spread = yield of interest-earning assets – cost rate of interest-bearing liabilities

Net interest margin = net interest income / average balance of interest-earning assets

Return on equity (on both fully diluted and weighted average basis) declined compared with previous year because return on equity was diluted as net assets of the Bank was increased by RMB29,400,000,000 after the Bank issued 1,638,000,000 new shares through non-public offering during the report period.

III. Assets and liabilities

The Group

(In RMB thousand)

Item	31 December 2011	31 December 2010	31 December 2009	Change from the end of previous year (%) (2011 vs. 2010)
1. Total assets	1,258,176,944	727,207,076	587,477,736	73.01%

Including: Financial assets and derivative financial assets measured at fair value with changes accrued into current-period profit and loss	3,418,479	371,734	1,232,044	819.60%
Held-to-maturity investments	107,683,080	61,379,837	34,585,440	75.44%
Loans and receivables	884,305,432	550,580,227	454,274,577	60.61%
Available-for-sale financial assets investments	78,383,526	31,534,183	36,998,409	148.57%
Goodwill	7,568,304	-	-	-
Others	176,818,123	83,341,095	60,387,266	112.16%
2. Total liabilities	1,182,796,360	694,009,541	567,271,688	70.43%
Including: Financial liabilities or derivative financial liabilities measured at fair value with changes accrued into current-period profit and loss	732,418	311,805	21,540	134.90%
Placement from banks and other institutions	25,279,349	6,200,174	7,570,118	307.72%
Deposits	850,845,147	562,912,342	454,635,208	51.15%
Others	305,939,446	124,585,220	105,044,822	145.57%
3. Shareholders' equity	75,380,584	33,197,535	20,206,048	127.07%
Including: Equity attributed to shareholders of parent company	73,310,837	33,197,535	20,206,048	120.83%
Net asset per share attributed to shareholders of parent company (RMB Yuan)	14.31	9.53	6.51	50.16%
4. Total deposits	850,845,147	562,912,342	454,635,208	51.15%
Including: Corporate deposits	698,564,967	477,741,629	383,663,003	46.22%
Retail deposits	152,280,180	85,170,713	70,972,205	78.79%
5. Total loans	620,641,817	407,391,135	359,517,413	52.35%
Including: Corporate loans	430,702,072	287,295,541	261,876,410	49.92%
General corporate loans	413,019,170	268,648,981	216,590,882	53.74%
Discounted bills	17,682,902	18,646,560	45,285,528	(5.17%)
Retail loans	165,226,483	113,750,877	92,887,523	45.25%
Account receivables of credit cards	24,713,262	6,344,717	4,753,480	289.51%
Loan impairment provision	(10,566,481)	(6,425,060)	(3,954,868)	64.46%
Net loans and advances	610,075,336	400,966,075	355,562,545	52.15%

The Company

(In RMB thousand)

Item	31 December 2011	31 December 2010	31 December 2009	Change from the end of previous year (%) (2011 vs. 2010)

1. Total assets	987,800,475	727,207,076	587,477,736	35.83%
Including: financial assets and derivative financial assets measured at fair value with changes accrued into current-period profit and loss	3,299,399	371,734	1,232,044	787.57%
Held-to-maturity investments	83,640,331	61,379,837	34,585,440	36.27%
Loans and receivables	697,179,506	550,580,227	454,274,577	26.63%
Available-for-sale financial assets investments	48,292,746	31,534,183	36,998,409	53.14%
Others	155,388,493	83,341,095	60,387,266	86.45%
2. Total liabilities	915,662,121	694,009,541	567,271,688	31.94%
Including: financial liabilities and derivative financial liabilities measured at fair value with changes accrued into current-period profit and loss	715,472	311,805	21,540	129.46%
Placement from banks and other institutions	24,470,000	6,200,174	7,570,118	294.67%
Deposits	640,585,112	562,912,342	454,635,208	13.80%
Others	249,891,537	124,585,220	105,044,822	100.58%
3. Shareholders' equity	72,138,354	33,197,535	20,206,048	117.30%
Net asset per share attributed to shareholders of the Company (RMB Yuan)	14.08	9.53	6.51	47.74%
4. Total deposits	640,585,112	562,912,342	454,635,208	13.80%
Including: Corporate deposits	530,497,832	477,741,629	383,663,003	11.04%
Retail deposits	110,087,280	85,170,713	70,972,205	29.25%
5. Total loans	469,901,920	407,391,135	359,517,413	15.34%
Including: Corporate loans	330,891,962	287,295,541	261,876,410	15.17%
General corporate loans	314,179,616	268,648,981	216,590,882	16.95%
Discounted bills	16,712,346	18,646,560	45,285,528	(10.37%)
Retail loans	129,389,258	113,750,877	92,887,523	13.75%
Account receivables of credit cards	9,620,700	6,344,717	4,753,480	51.63%
Loan impairment provision	(8,918,960)	(6,425,060)	(3,954,868)	38.82%
Net loans and advances	460,982,960	400,966,075	355,562,545	14.97%

IV. Supplementary financial indicators for previous 3 years at of the end of the report period

The Group

(Unit: %)

	Standard level of the indicators	31 December 2011		31 December 2010		31 December 2009	
		Year-end	Monthly Average	Year-end	Monthly Average	Year-end	Monthly Average
Capital adequacy ratio	≥ 8	11.51	11.12	10.19	9.83	8.88	8.66
Core capital adequacy ratio	≥ 4	8.46	8.06	7.10	6.69	5.52	5.26
NPL ratio	≤ 5	0.53	0.47	0.58	0.60	0.68	0.50
Provision coverage	Not applicable	320.66	Not applicable	271.50	Not applicable	161.84	Not applicable
Provision/loan ratio	Not applicable	1.70	Not applicable	1.58	Not applicable	1.10	Not applicable
Cost/income ratio (excluding business tax)	Not applicable	39.99	Not applicable	40.95	Not applicable	41.92	Not applicable

The Company

(Unit: %)

		Standard level of the indicators	31 December 2011		31 December 2010		31 December 2009	
			Year-end	Monthly Average	Year-end	Monthly Average	Year-end	Monthly Average
Liquidity ratio	RMB	≥ 25	51.93	55.46	52.52	46.81	38.59	27.81
	Foreign currency	≥ 25	54.12	52.33	49.94	54.06	54.02	52.69
	RMB and foreign currency	≥ 25	51.24	54.66	52.35	46.58	39.46	
Loan/deposit ratio (including discounted bills)	RMB and foreign currency	≤ 75	73.49	72.94	72.61	75.67	79.14	62.02
Loan/deposit ratio (excluding discounted bills)	RMB and foreign currency	Not applicable	70.80	70.35	69.23	70.53	69.12	50.91
NPL ratio		≤ 5	0.58	0.49	0.58	0.60	0.68	0.50
Capital adequacy ratio		≥ 8	11.08	10.72	10.19	9.83	8.88	8.66
Core capital adequacy ratio		≥ 4	9.91	8.51	7.10	6.69	5.52	5.26
Ratio of loans to the single largest customer to net capital		≤ 10	3.84	4.44	5.29	5.99	7.84	3.86
Ratio of loans made to top 10 customers to net capital		Not applicable	22.06	23.83	26.86	30.49	40.85	23.52
Ratio of accumulated foreign exchange exposure position to net		≤ 20	2.37	Not applicable	0.84	Not applicable	1.11	Not applicable

capital							
Migration ratio of normal loans	Not applicable	0.67	Not applicable	0.73	Not applicable	1.31	Not applicable
Migration ratio of special mention loans	Not applicable	15.71	Not applicable	39.17	Not applicable	48.99	Not applicable
Migration ratio of substandard loans	Not applicable	41.50	Not applicable	23.15	Not applicable	23.39	Not applicable
Migration ratio of doubtful loans	Not applicable	13.38	Not applicable	9.23	Not applicable	-	Not applicable
Cost/income ratio (excluding business tax)	Not applicable	37.71	Not applicable	40.95	Not applicable	41.92	Not applicable
Provision coverage	Not applicable	325.78	Not applicable	271.50	Not applicable	161.84	Not applicable
Provision/loan ratio	Not applicable	1.90	Not applicable	1.58	Not applicable	1.10	Not applicable

Chapter 4 Management Discussion and Analysis

I. Business scope

The Bank and Ping An Bank in which the Bank has a controlling interest mainly engage in various commercial banking businesses approved by regulators, including Renminbi deposits, loans, settlement, remittance and cashing business; Renminbi bill acceptance and discounting; various trust businesses; issuance or trading of Renminbi securities as approved by regulators; foreign currency deposits and remittance; onshore and offshore loans; issuance and agency issuance of foreign currency securities at home and abroad; trade and non-trade settlement; foreign currency bill acceptance and discounting; foreign currency loans; agency trading of foreign exchange and foreign currency securities, proprietary foreign exchange trading; credit investigation, advisory and attestation services; concurrent insurance agency business; gold import business, and other businesses as approved or permitted by regulators.

We are a national joint-stock commercial bank. Our business network mainly covers Pearl River Delta, Bohai Rim and Yangtze River Delta while we are also expanding our network in major cities in the central and western China.

Ping An Bank is a trans-regional joint stock commercial bank headquartered in Shenzhen, and its business network covers Shenzhen, Shanghai, Fuzhou, Quanzhou, Xiamen, Hangzhou, Guangzhou, Dongguan, Huizhou and Zhongshan.

II. Analysis of business performance in 2011

(I) Overview

In 2011, the global economic situation remained turbulent. Domestic macroeconomic control focused on "prevention of inflation" and "structural adjustment", together with the implementation of the credit scale and pace control, differential deposit reserve mechanism and a tight monetary policy. The tightening liquidity and rising interest rate had led to the gradual increase of the funding cost of banks.

Under the complicated international and domestic economic situations and the intense competition in the market, the Group steadily implemented its business development strategy based on expanding deposits, promoting cross-selling, strengthening the portfolio management and improving asset and liability management capacity, and improving risk management system, thus achieved good operating results.

In addition, the material asset restructuring of SDB and PAB also saw progress. In the third quarter, SDB acquired 90.75% shares of PAB through non-public offering, thus obtaining the controlling shareholding in PAB. After re-structuring, the Group's strength increased, with total asset amounted to RMB1,258.177 billion and net assets amounted to RMB75.381 billion.

1. Steady growth in asset and liability scale with further optimized structure

As of the end of the report period, the total assets of the Bank amounted to RMB1,258.177 billion, a growth of 73.01% compared with year beginning, including total loans (including discount) of RMB620.642 billion, an increase of 52.35% compared with the beginning of the year; total deposits of RMB850.845 billion, a growth of 51.15% compared with the beginning of the year; daily average growth rate of deposits exceeded the average level of joint stock commercial banks.

Among the business structure, the strategic businesses - trade finance business, micro finance, retail business and credit card business saw healthy and rapid growth, with effective channel building and steady expansion in customer base. As of 31 December 2011, balance of trade financing facilities amounted to RMB233.356 billion, increasing by 32.97% compared with the beginning of the year, and number of credit customers totaled 10,125; micro loans amounted to RMB48.028 billion, representing an increase of 86.65% from the beginning of the year. Retail deposit growth was apparently higher than the growth of total loans. Total credit cards in force saw a rapid increase to 9.04 million.

2. Further improvement in income structure with steady growth in profitability

In 2011, the Group recorded operating income of RMB29.643 billion, representing a year-on-year increase of 64.94%. Net profit attributable to the parent company amounted to RMB10.279 billion, representing a year-on-year increase of 64.55%. Average return on assets was 1.04%, increasing by 0.09% compared with the previous year. Cost to income ratio was 39.99%, decreasing by 0.96 percentage point compared with the previous year. Net interest margin improved from 2.49% to 2.53% respectively. Profitability had improved steadily.

Among the operating income, non-interest income amounted to RMB4.353 billion, increasing by 103.18% compared with the previous year. Non-interest income as a percentage in operating income continued to rise to 14.68% from 11.92% at the previous year. Income structure had further improved.

3. Stable asset quality to further enhance the risk resistance ability of the Bank

As of 31 December 2011, the non-performing loan balance of the Group was RMB3.295 billion, increasing by RMB928 million or 39.21% compared with the beginning of the year, including RMB557 million of non-performance loan from acquisition of Ping An Bank and RMB371 billion incremental non-performing loan of the Bank; the non-performing loan ratio was 0.53 %, down 0.05% compared with the beginning of the year. The provision coverage was 320.66%, up 49.16% compared with the beginning of the year. The Bank has kept a lower level of NPL ratio and a higher level of provision coverage.

4. Capital was supplemented with capital adequacy ratio meeting regulatory standards

During the report period, the Group's supplementary capital increased by RMB3.65 billion through a successful issuance of hybrid bonds of RMB3.65 billion in the interbank bond market. Meantime the Group further built up its capital strength via non-public offering, its own capital accumulation and intensive capital management, and improved capital adequacy ratio and core capital adequacy ratio to 11.51% and 8.46% respectively as of the end of the report period, which [meets](#) regulatory standards.

(II) Analysis of income statement items

1. Composition of and changes in operating income during the report period

The Group

(in RMB million)

Item	January – December 2011		January – December 2010		YoY increase/ decrease (%)
	Amount	%	Amount	%	
Net interest income	25,290	85.32%	15,829	88.08%	59.77%
Interest income from placement at central bank	1,669	3.19%	857	3.26%	94.75%
Interest income from transactions with financial institutions	8,134	15.54%	2,781	10.59%	192.48%
Interest income from loans and advances	32,733	62.55%	19,224	73.23%	70.27%
Interest income from securities investment	6,314	12.07%	3,190	12.15%	97.93%
Other interest income	3,481	6.65%	200	0.77%	1640.50%
Subtotal of interest income	52,331	100.00%	26,252	100.00%	99.34%
Rediscount interest expense	44	0.16%	19	0.18%	131.58%
Interest expense from transactions with financial institutions	9,332	34.51%	2,110	20.24%	342.27%
Deposit interest expense	15,203	56.22%	7,682	73.70%	97.90%

Payable bond interest expense	837	3.10%	556	5.33%	50.54%
Other interest expense	1,625	6.01%	56	0.55%	2801.79%
Subtotal of interest expense	27,041	100.00%	10,423	100.00%	159.44%
Net fee and commission income	3,665	12.36%	1,585	8.82%	131.23%
Other net operating income	688	2.32%	558	3.10%	23.30%
Total operating income	29,643	100.00%	17,972	100.00%	64.94%

The Company

(in RMB million)

Item	January – December 2011		January – December 2010		YoY increase/ decrease (%)
	Amount	%	Amount	%	
Net interest income	21,528	86.38%	15,829	88.08%	36.00%
Interest income from placement at central bank	1,378	3.10%	857	3.26%	60.79%
Interest income from transactions with financial institutions	7,077	15.90%	2,781	10.59%	154.48%
Interest income from loans and advances	27,547	61.90%	19,224	73.23%	43.29%
Interest income from securities investment	5,080	11.42%	3,190	12.15%	59.25%
Other interest income	3,420	7.68%	200	0.77%	1610.00%
Subtotal of interest income	44,502	100.00%	26,252	100.00%	69.52%
Rediscount interest expense	38	0.17%	19	0.18%	100.00%
Interest expense from transactions with financial institutions	7,831	34.08%	2,110	20.24%	271.14%
Deposit interest expense	12,783	55.64%	7,682	73.70%	66.40%
Payable bond interest expense	757	3.30%	556	5.33%	36.15%
Other interest expense	1,565	6.81%	56	0.55%	2694.64%
Subtotal of interest expense	22,974	100.00%	10,423	100.00%	120.42%
Net fee and commission income	2,731	10.96%	1,585	8.82%	72.30%
Other net operating income	664	2.66%	558	3.10%	19.00%
Total operating income	24,923	100.00%	17,972	100.00%	38.68%

2. Net interest income

In 2011, the Group booked RMB25.290 billion of net interest income, which was an increase of 59.77% compared over the previous year and accounted for 85.32% of operating income with a decrease of 2.76% compared with 88.08% of the previous year. The growth in net interest income mainly credited to the interest-earning asset growth, interest rate hike and structure improvement.

The Group

The following table sets out the daily average balance, and daily average yield or daily average cost rate of the major asset and liability item of the Group during the report period.

(in RMB million)

Item	January – December 2011			January – December 2010		
	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)	576,214	37,091	6.44%	354,853	18,907	5.33%
Bond investment	176,762	6,460	3.65%	91,362	2,586	2.83%
Due from Central Bank	129,145	1,954	1.51%	60,381	856	1.42%
Bills discounting and inter-bank business	191,791	10,650	5.55%	122,382	3,702	3.02%
Others	59,613	3,543	5.94%	7,081	199	2.82%
Total of interest-earning assets	1,133,524	59,697	5.27%	636,059	26,251	4.13%
Liabilities						
Customer deposits	802,740	17,582	2.19%	502,816	7,712	1.53%
Bonds issued	14,939	900	6.02%	9,467	556	5.87%
Inter-bank business	225,154	10,859	4.82%	93,008	2,097	2.26%
Others	25,233	1,684	6.68%	2,232	56	2.50%
Total of interest-bearing liabilities	1,068,066	31,025	2.90%	607,522	10,422	1.72%
Net interest income		28,673			15,829	
Deposit-loan spread			4.25%			3.79%
Net interest spread (NIS)			2.37%			2.41%
Net interest margin (NIM)			2.53%			2.49%

Note: interest rate for PAB in this table is calculated on annualized basis, and actually only those interest income from the date of merger to the end of the year was booked into the consolidated statement.

On a year-on-year basis, the average interest rates of all the assets and liabilities were higher because of the interest rate increase policy of the Central Bank; at the same time, under the guidance of portfolio management and pricing strategy, deposit-loan spread and net interest margin saw better growth, but net interest spread was lower because of the expansion in scale of inter-bank business .

Item	July – September 2011			October – December 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)	585,493	9,652	6.54%	598,900	10,335	6.85%
Bond investment	186,182	1,759	3.75%	191,950	1,862	3.85%
Due from Central Bank	131,319	500	1.51%	145,061	557	1.52%
Bills discounting and inter-bank business	191,730	2,721	5.63%	139,216	2,104	6.00%

Others	52,743	746	5.61%	143,427	2,386	6.60%
Total of interest-earning assets	1,147,467	15,378	5.32%	1,218,554	17,245	5.61%
Liabilities						
Customer deposits	820,970	4,757	2.30%	819,682	5,017	2.43%
Bonds issued	16,120	249	6.13%	16,123	251	6.18%
Inter-bank business	220,396	2,813	5.06%	250,146	3,332	5.28%
Others	22,305	348	6.18%	60,522	1,119	7.33%
Total of interest-bearing liabilities	1,079,790	8,166	3.00%	1,146,473	9,718	3.36%
Net interest income		7,212			7,527	
Deposit-loan spread			4.24%			4.42%
Net interest spread (NIS)			2.32%			2.25%
Net interest margin (NIM)			2.49%			2.45%

On a month-on-month basis, the average interest rates of all assets and liabilities improved in the fourth quarter compared with the third quarter, which drove up deposit-loan spread. However, both net interest spread and net interest margin decreased due to increase in interbank liabilities.

Daily average balance of customer loans and advances and yield

(in RMB million)

Item	January – December 2011			January – December 2010		
	Daily average balance	Interest income	Average yield (%)	Daily average balance	Interest income	Average yield (%)
Corporate loans (excluding discount)	396,840	25,789	6.50%	246,657	13,179	5.34%
Personal loans	179,374	11,302	6.30%	108,196	5,728	5.29%
Customer loans and advances (excluding discount)	576,214	37,091	6.44%	354,853	18,907	5.33%

Item	July – September 2011			October – December 2011		
	Daily average balance	Interest income	Average yield (%)	Daily average balance	Interest income/expense	Average yield (%)
Corporate loans (excluding discount)	403,613	6,732	6.62%	411,952	7,194	6.93%
Personal loans	181,880	2,920	6.37%	186,948	3,141	6.67%
Customer loans and advances (excluding discount)	585,493	9,652	6.54%	598,900	10,335	6.85%

Daily average balance of customer deposits and cost rate

(in RMB million)

Item	January – December 2011	January – December 2010

	Daily average balance	Interest expense	Average cost rate (%)	Daily average balance	Interest expense	Average cost rate (%)
Corporate deposits	480,201	10,707	2.23%	297,050	4,738	1.59%
Including: demand deposits	200,268	1,522	0.76%	135,415	780	0.58%
Time deposits	279,933	9,185	3.28%	161,635	3,958	2.45%
Including: Ministry of Finance and negotiated deposits	52,181	2,632	5.04%	36,045	1,457	4.04%
Margin deposits	196,920	4,361	2.21%	128,159	1,745	1.36%
Retail deposits	125,619	2,514	2.00%	77,607	1,229	1.58%
Including: demand deposits	47,928	239	0.50%	25,323	91	0.36%
Time deposits	77,691	2,275	2.93%	52,284	1,138	2.18%
Total deposits	802,740	17,582	2.19%	502,816	7,712	1.53%

Item	July – September 2011			October – December 2011		
	Daily average balance	Interest expense	Average cost rate (%)	Daily average balance	Interest expense	Average cost rate (%)
	480,920	2,803	2.31%	485,699	2,988	2.44%
	196,192	378	0.76%	200,670	416	0.82%
Corporate deposits	284,728	2,425	3.38%	285,029	2,572	3.58%
Including: demand deposits	53,942	699	5.14%	57,841	761	5.22%
Time deposits	207,832	1,242	2.37%	202,185	1,268	2.49%
Including: Ministry of Finance and negotiated deposits	132,217	712	2.14%	131,798	760	2.29%
Margin deposits	48,007	63	0.52%	49,172	63	0.51%
Retail deposits	84,211	649	3.06%	82,626	697	3.35%
Including: demand deposits	820,970	4,757	2.30%	819,682	5,017	2.43%

The Company

Daily average balance and daily average yield or daily cost rate of major asset and liability items of the Company during the report period.

(in RMB million)

Item	January – December 2011			January – December 2010		
	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)	428,401	27,021	6.31%	354,853	18,907	5.33%
Bond investment	118,710	4,346	3.66%	91,362	2,586	2.83%
Due from Central Bank	91,004	1,378	1.51%	60,381	856	1.42%

Bills discounting and inter-bank business	152,484	8,337	5.47%	122,382	3,702	3.02%
Others	57,991	3,420	5.90%	7,081	199	2.82%
Total of interest-earning assets	848,589	44,502	5.24%	636,059	26,251	4.13%
Liabilities						
Customer deposits	602,783	12,783	2.12%	502,816	7,712	1.53%
Bonds issued	11,945	757	6.34%	9,467	556	5.87%
Inter-bank business	164,091	7,869	4.79%	93,008	2,097	2.26%
Others	23,744	1,565	6.59%	2,232	56	2.50%
Total of interest-bearing liabilities	802,564	22,974	2.86%	607,522	10,422	1.72%
Net interest income		21,528			15,829	
Deposit-loan spread			4.19%			3.79%
Net interest spread (NIS)			2.38%			2.41%
Net interest margin (NIM)			2.54%			2.49%

Item	July – September 2011			October – December 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)	439,058	7,174	6.48%	449,710	7,737	6.83%
Bond investment	127,410	1,229	3.83%	134,618	1,326	3.91%
Due from Central Bank	93,944	358	1.51%	106,154	409	1.53%
Bills discounting and inter-bank business	150,462	2,099	5.53%	101,870	1,560	6.08%
Others	52,094	735	5.60%	140,831	2,335	6.58%
Total of interest-earning assets	862,968	11,595	5.33%	933,183	13,367	5.68%
Liabilities						
Customer deposits	620,878	3,565	2.28%	619,861	3,789	2.43%
Bonds issued	13,126	213	6.44%	13,129	215	6.50%
Inter-bank business	158,390	2,058	5.15%	190,026	2,579	5.38%
Others	21,835	337	6.12%	58,014	1,069	7.31%
Total of interest-bearing liabilities	814,229	6,173	3.01%	881,030	7,652	3.45%
Net interest income		5,421			5,715	
Deposit-loan spread			4.20%			4.40%
Net interest spread (NIS)			2.32%			2.23%
Net interest margin (NIM)			2.49%			2.43%

Daily average balance of customer loans and advances and yield

(in RMB million)

Item	January – December 2011	January – December 2010

	Daily Average balance	Interest income/ expense	Average yield (%)	Daily average balance	Interest income/ expense	Average yield (%)
Corporate loans (excluding discount)	297,337	18,957	6.38%	246,657	13,179	5.34%
Personal loans	131,064	8,064	6.15%	108,196	5,728	5.29%
Customer loans and advances (excluding discount)	428,401	27,021	6.31%	354,853	18,907	5.33%

Item	July – September 2011			October – December 2011		
	Daily average balance	Interest income/ expense	Average yield (%)	Daily average balance	Interest income/ expense	Average yield (%)
Corporate loans (excluding discount)	304,420	5,039	6.57%	312,140	5,443	6.92%
Personal loans	134,638	2,135	6.29%	137,570	2,294	6.62%
Customer loans and advances (excluding discount)	439,058	7,174	6.48%	449,710	7,737	6.83%

Daily average balance of customer deposits and cost rate

(in RMB million)

Item	January – December 2011			January – December 2010		
	Daily average balance	Interest expense	Average cost rate (%)	Daily average balance	Interest expense	Average cost rate (%)
Corporate deposits	343,190	7,264	2.12%	297,050	4,738	1.59%
Including: demand deposits	142,695	1,086	0.76%	135,415	780	0.58%
Time deposits	200,495	6,178	3.08%	161,635	3,958	2.45%
Including: Ministry of Finance and negotiated deposits	41,631	2,099	5.04%	36,045	1,457	4.04%
Margin deposits	162,687	3,393	2.09%	128,159	1,745	1.36%
Retail deposits	96,906	2,126	2.19%	77,607	1,229	1.58%
Including: demand deposits	30,327	151	0.50%	25,323	91	0.36%
Time deposits	66,579	1,975	2.97%	52,284	1,138	2.18%
Total deposits	602,783	12,783	2.12%	502,816	7,712	1.53%

Item	July – September 2011			October – December 2011		
	Daily average balance	Interest expense	Average cost rate (%)	Daily average balance	Interest expense	Average cost rate (%)

Corporate deposits	344,084	1,944	2.24%	348,514	2,111	2.40%
Including: demand deposits	138,423	264	0.76%	143,293	310	0.86%
Time deposits	205,660	1,680	3.24%	205,221	1,801	3.48%
Including: Ministry of Finance and negotiated deposits	43,392	565	5.16%	47,291	626	5.25%
Margin deposits	173,627	1,005	2.30%	167,924	1,017	2.40%
Retail deposits	103,167	616	2.37%	103,423	661	2.54%
Including: demand deposits	30,421	41	0.53%	31,557	41	0.52%
Time deposits	72,746	575	3.14%	71,866	620	3.42%
Total deposits	620,878	3,565	2.28%	619,861	3,789	2.43%

3. Net fee income

In 2011, the net non-interest income of the Group was RMB4.353 billion with an increase of 103.18% over the previous year. It included net fee and commission income of RMB3.665 billion, increasing by 131.23%. The growth of net fee and commission income is as follows:

The Group

(in RMB million)

Item	January – December 2011	January – December 2010	Growth
Settlement fee income	840	501	67.66%
Wealth management business fee income	284	56	407.14%
Agency and entrustment business fee income	565	169	234.32%
Bank card business fee income	1,172	621	88.73%
Consulting and advisory fee income	611	277	120.58%
Account management fee income	190	48	295.83%
Others	468	164	185.37%
Subtotal of fee income	4,130	1,836	124.95%
Agency business fee outlay	103	65	58.46%
Bank card fee outlay	307	157	95.54%
Others	55	29	89.66%
Subtotal of fee outlay	465	251	85.26%
Net fee and commission income	3,665	1,585	131.23%

During the report period, the Group's various net fee incomes recorded a significant growth due to the acquisition of Ping An Bank, expansion of the Group's scale and customer base, innovation in wealth management products and improvement of service quality.

The Company

(in RMB million)

Item	January – December 2011	January – December 2010	Growth
Settlement fee income	758	501	51.30%
Wealth management business fee income	189	56	237.50%
Agency and entrustment business fee income	386	169	128.40%
Bank card business fee income	730	621	17.55%
Consulting and advisory fee income	570	277	105.78%
Account management fee income	44	48	(8.33%)
Others	407	164	148.17%
Subtotal of fee income	3,084	1,836	67.97%
Agency business fee outlay	103	65	58.46%
Bank card fee outlay	217	157	38.22%
Others	33	29	13.79%
Subtotal of fee outlay	353	251	40.64%
Net fee and commission income	2,731	1,585	72.30%

4. Other net operating income

Other net operating income includes investment income, gains/losses as a result of fair value changes, foreign exchange gains/losses and other business income. In 2011, other net operating income of the Group was RMB688 million, representing a year-on-year increase of 23.30%. Among which, other net operating income of the Bank was RMB664 million, representing a year-on-year increase of 19.00%, primarily due to price difference gains from discounted bills;

5. Operating expense

In 2011, operating expense of the Group rose by 61.10% to RMB11.855 billion, primarily due to headcount and business volume growth, the resources pooled for the integration of policies, procedures and systems as part of bank integration project, and continued investment in management process streamlining and IT system upgrading. Cost to income ratio (excluding business tax) was 39.99%, representing a decrease of 0.96 percentage point from 40.95% in 2009. In 2011, operating expense of the Bank rose by 27.72% to RMB9.399 billion. Cost to income ratio (excluding business tax) was 37.71%, representing a decrease of 3.24 percentage points from 40.95% in 2009. Operating expense includes staff expense of RMB5.527 billion with an increase of 40% over the previous year, business expense of RMB2.634 billion with an increase of 13% over the previous year, and depreciation, amortization and rentals of RMB1.238 billion with an increase of 14% over the previous year.

6. Asset impairment loss

The Group

(in RMB million)

	Provision in 2011	Provision in 2010	Growth
Placements of deposits with other financial institutions	10	-	-
Disbursement of loans and advances	2,137	1,475	44.88%

Held-to-maturity bond investments	5	-	-
Long term equity investments	(3)	-	-
Reposessed assets	6	15	(60.00%)
Other assets	(6)	(2)	(200.00%)
Total	2,149	1,488	44.42%

The Company

(in RMB million)

	Provision in 2011	Provision in 2010	Growth
Placements of deposits with other financial institutions	8	-	-
Disbursement of loans and advances	1,809	1,475	22.64%
Held-to-maturity bond investments	5	-	-
Long term equity investments	(3)	-	-
Reposessed assets	6	15	(60.00%)
Other assets	(14)	(2)	(600.00%)
Total	1,811	1,488	21.71%

7. Income tax expense

In 2011, income tax rate of the Group was 21.62%, up 0.21% over 2010. 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 1 January 2008, the applicable tax rate for enterprises which originally enjoy preferential income tax rates will be gradually shifted to the statutory tax rate over five years after the enforcement of the new income tax law. Therefore, the income tax rate of enterprises in Shenzhen Special Economic Zone will gradually increase from 15% to 22% in 2010 and 24% in 2011:

The Group

(in RMB million)

	2011	2010	Growth
Profit before tax	13,257	7,948	66.79%
Income tax expense	2,867	1,702	68.45%
Actual income tax rate	21.62%	21.41%	+0.21 percentage point

The Company

(in RMB million)

	2011	2010	Growth
Profit before tax	11,696	7,948	47.15%
Income tax expense	2,515	1,702	47.77%
Actual income tax rate	21.50%	21.41%	+0.09 percentage point

8. Profit by periods during the report period

The Group

(in RMB million)

Item	1Q	2Q	January -June Total	3Q	4Q	July - December Total	Full-year Total
Operating income	5,815	6,323	12,138	8,564	8,941	17,505	29,643
Net interest income	5,104	5,288	10,392	7,289	7,609	14,898	25,290
Net fee and commission income	482	706	1,188	1,242	1,235	2,477	3,665
Other net operating income	229	329	558	33	97	130	688
Operating expense	2,514	2,845	5,359	4,283	4,719	9,002	14,361
Business taxes and surcharges	446	507	953	731	822	1,553	2,506
Business and administrative expense	2,068	2,338	4,406	3,552	3,897	7,449	11,855
Operating profit before asset impairment loss	3,301	3,478	6,779	4,281	4,222	8,503	15,282
Asset impairment loss	241	490	731	509	909	1,418	2,149
Operating profit	3,060	2,988	6,048	3,772	3,313	7,085	13,133
Net non-operating income	9	7	16	89	19	108	124
Profit before tax	3,069	2,995	6,064	3,861	3,332	7,193	13,257
Income tax	667	665	1,332	847	688	1,535	2,867
Net profit	2,402	2,330	4,732	3,014	2,644	5,658	10,390
Net profit attributed to parent company	2,402	2,330	4,732	2,956	2,591	5,547	10,279

The Company

(in RMB million)

Item	1Q	2Q	January -June Total	3Q	4Q	July - December Total	Full-year Total
Operating income	5,815	6,323	12,138	6,249	6,536	12,785	24,923
Net interest income	5,104	5,288	10,392	5,421	5,715	11,136	21,528
Net fee and commission income	482	706	1,188	775	768	1,543	2,731
Other net operating income	229	329	558	53	53	106	664
Operating expense	2,514	2,845	5,359	2,989	3,195	6,184	11,543
Business taxes and surcharges	446	507	953	561	630	1,191	2,144
Business and administrative expense	2,068	2,338	4,406	2,428	2,565	4,993	9,399
Operating profit before asset impairment loss	3,301	3,478	6,779	3,260	3,341	6,601	13,380
Asset impairment loss	241	490	731	308	771	1,081	1,810
Operating profit	3,060	2,988	6,048	2,952	2,570	5,522	11,570
Net non-operating income	9	7	16	99	11	110	126
Profit before tax	3,069	2,995	6,064	3,051	2,581	5,632	11,696
Income tax	667	665	1,332	663	520	1,183	2,515
Net profit	2,402	2,330	4,732	2,388	2,061	4,449	9,181

9. Main business income and main business profit of the Bank by region during the report period

The Group

Year 2011

(in RMB million)				
Region segment	Operating income	Operating expense	Operating profit before asset impairment loss	Percentage of operating profit before asset impairment loss by region
East region	8,610	3,812	4,798	31.40%
South region	7,064	3,671	3,393	22.20%
West region	2,257	919	1,338	8.75%
North region	3,785	2,056	1,729	11.31%

Headquarters	7,927	3,903	4,024	26.34%
Total	29,643	14,361	15,282	100.00%

Year 2010

(in RMB million)				
Region segment	Operating income	Operating expense	Operating profit before asset impairment loss	Percentage of operating profit before asset impairment loss by region
East region	5,454	2,425	3,029	32.61%
South region	4,043	2,125	1,918	20.65%
West region	1,380	635	745	8.02%
North region	2,886	1,555	1,331	14.33%
Headquarters	4,209	1,944	2,265	24.39%
Total	17,972	8,684	9,288	100.00%

The Company

Year 2011

(in RMB million)				
Region segment	Operating income	Operating expense	Operating profit before asset impairment loss	Percentage of operating profit before asset impairment loss by region
East region	7,153	3,127	4,026	30.09%
South region	5,461	2,721	2,740	20.48%
West region	2,257	919	1,338	10.00%
North region	3,785	2,056	1,728	12.91%
Headquarters	6,267	2,720	3,548	26.52%
Total	24,923	11,543	13,380	100.00%

Year 2010

(in RMB million)				
Region segment	Operating income	Operating expense	Operating profit before asset impairment loss	Percentage of operating profit before asset impairment loss by region
East region	5,454	2,425	3,029	32.61%
South region	4,043	2,125	1,918	20.65%
West region	1,380	635	745	8.02%
North region	2,886	1,555	1,331	14.33%
Headquarters	4,209	1,944	2,265	24.39%
Total	17,972	8,684	9,288	100.00%

(III) Analysis of balance sheet items

1. Asset composition and changes

The Group

(in RMB million)

Item	31 December 2011		31 December 2010		Change from the end of last year (2011 vs. 2010)
	Amount	%	Amount	%	
Loans and advances	620,642	49.33%	407,391	56.02%	52.35%
Loan impairment provision	(10,567)	(0.84%)	(6,425)	(0.88%)	64.47%
Net loans and advances	610,075	48.49%	400,966	55.14%	52.15%
Investments	203,757	16.19%	112,192	15.43%	81.61%
Cash and placement at central bank	160,635	12.77%	76,587	10.53%	109.74%
Due from banks and other financial institutions	39,884	3.17%	8,524	1.17%	367.90%
Placements with banks and other financial institutions and assets purchased under resale agreements	42,751	3.40%	106,739	14.68%	(59.95)%
Account receivables	170,589	13.56%	13,727	1.89%	1142.73%
Interest receivables	7,274	0.58%	2,121	0.29%	242.95%
Fixed assets	3,524	0.28%	2,392	0.33%	47.32%
Intangible assets	5,990	0.48%	192	0.03%	3019.79%
Goodwill	7,568	0.60%	-	-	-
Properties for investment purposes	263	0.02%	215	0.03%	22.33%
Deferred income tax assets	2,890	0.23%	1,955	0.27%	47.83%
Other assets	2,977	0.23%	1,597	0.21%	86.41%
Total assets	1,258,177	100.00%	727,207	100.00%	73.01%

The Company

(in RMB million)

Item	31 December 2011		31 December 2010		Change from the end of last year (2011 vs. 2010)
	Amount	%	Amount	%	
Loans and advances	469,902	47.57%	407,391	56.02%	15.34%
Loan impairment provision	(8,919)	(0.90%)	(6,425)	(0.88%)	38.82%

Net loans and advances	460,983	46.67%	400,966	55.14%	14.97%
Investments	176,181	17.84%	112,192	15.43%	57.04%
Cash and placement at central bank	119,946	12.14%	76,587	10.53%	56.61%
Due from banks and other financial institutions	15,346	1.55%	8,524	1.17%	80.03%
Placements with banks and other financial institutions and assets purchased under resale agreements	34,934	3.54%	106,739	14.68%	(67.27%)
Account receivables	166,620	16.87%	13,727	1.89%	1113.81%
Interest receivables	5,564	0.56%	2,121	0.29%	162.33%
Fixed assets	2,563	0.26%	2,392	0.33%	7.15%
Intangible assets	261	0.03%	192	0.03%	35.94%
Properties for investment purposes	213	0.02%	215	0.03%	(0.93%)
Deferred income tax assets	2,606	0.26%	1,955	0.27%	33.30%
Other assets	2,583	0.26%	1,597	0.21%	61.74%
Total assets	987,800	100.00%	727,207	100.00%	35.83%

(1) Loans and advances

Loan structure distribution by product

The Group

(in RMB million)

Item	31 December 2011		31 December 2010	
	Balance	%	Balance	%
Corporate loans	430,702	69.40%	287,296	70.52%
Including: general loans	413,019	66.55%	268,649	65.94%
Discount	17,683	2.85%	18,647	4.58%
Retail loans	165,227	26.62%	113,751	27.92%
Including: Housing mortgage loans	75,373	12.14%	64,877	15.92%
Entrepreneur loans	43,353	6.99%	18,626	4.57%
Auto loans	12,705	2.05%	10,667	2.62%
Others	33,796	5.44%	19,581	4.81%
Credit card account receivables	24,713	3.98%	6,344	1.56%
Total loans	620,642	100.00%	407,391	100.00%

The Company

(in RMB million)

Item	31 December 2011		31 December 2010	
	Balance	%	Balance	%
Corporate loans	330,892	70.42%	287,296	70.52%
Including: general loans	314,180	66.86%	268,649	65.94%
Discount	16,712	3.56%	18,647	4.58%
Retail loans	129,389	27.53%	113,751	27.92%
Including: Housing mortgage loans	63,629	13.54%	64,877	15.92%
Entrepreneur loans	36,229	7.71%	18,626	4.57%
Auto loans	12,663	2.69%	10,667	2.62%
Others	16,868	3.59%	19,581	4.81%
Account receivables of credit cards	9,621	2.05%	6,344	1.56%
Total loans	469,902	100.00%	407,391	100.00%

Loans by region

The Group

(in RMB million)

Region segment	31 December 2011		31 December 2010	
	Balance	%	Balance	%
East region	228,039	36.75%	149,627	36.73%
South region	188,634	30.39%	108,265	26.58%
West region	47,852	7.71%	42,081	10.33%
North region	110,995	17.88%	97,821	24.01%
Headquarters	45,122	7.27%	9,597	2.35%
Total	620,642	100.00%	407,391	100.00%

From the perspective of loan structure by region as of end of 2011, loans of the Group mainly concentrate in East and South China, respectively accounting for 36.75% and 30.39% of total loans for the year, of which Ping An Bank loans mainly concentrated in South and East China.

The Company

(in RMB million)

Region segment	31 December 2011		31 December 2010	
	Balance	%	Balance	%
East region	166,310	35.39%	149,627	36.73%
South region	126,410	26.90%	108,265	26.58%
West region	47,852	10.18%	42,081	10.33%
North region	110,995	23.62%	97,821	24.01%
Headquarters	18,335	3.91%	9,597	2.35%

Sub-total	469,902	100.00%	407,391	100.00%

From the perspective of loan structure by region, the incremental loans of the Bank mainly concentrated in South region, accounting for 29.03% of the incremental loans for the year. The figures for East region, North region, the headquarters and West region were 26.69%, 21.07%, 13.98% and 9.23% respectively.

Loans by industry

The Group

(in RMB million)

Industries	31 December 2011		31 December 2010	
	Balance	%	Balance	%
Agriculture, husbandry and fishery	1,695	0.27%	829	0.20%
Mining (Heavy industry)	6,619	1.07%	4,206	1.03%
Manufacturing (Light industry)	134,197	21.62%	83,681	20.54%
Energy	14,644	2.36%	12,574	3.09%
Transportation, posts and telecommunications	29,259	4.71%	20,288	4.98%
Commercial	106,970	17.24%	55,196	13.55%
Real estate	36,633	5.90%	22,527	5.53%
Social service, technology, culture and sanitary industries	51,689	8.33%	48,328	11.86%
Construction	27,570	4.44%	18,277	4.49%
Others (mainly personal loans)	193,683	31.21%	122,838	30.15%
Discount	17,683	2.85%	18,647	4.58%
Total loans and advances	620,642	100.00%	407,391	100.00%

From the perspective of loan distribution by industry, the loans of the Group mainly concentrate in manufacturing, commercial and other loans (mainly personal loans), all together accounting for over 70% of total loans.

In 2011, the incremental loans of the Group mainly came from loans resulting from the acquisition of Ping An Bank and growth of the Bank's loans, which concentrate in manufacturing, commercial and other loans (mainly personal loans), all together accounting for 80% of total incremental loans.

The Company

(in RMB million)

Industries	31 December 2011		31 December 2010	
	Balance	%	Balance	%
Agriculture, husbandry and fishery	1,092	0.23%	829	0.20%
Mining (Heavy industry)	5,754	1.22%	4,206	1.03%
Manufacturing (Light industry)	107,971	22.98%	83,681	20.54%
Energy	10,862	2.31%	12,574	3.09%
Transportation, posts and telecommunications	18,947	4.03%	20,288	4.98%
Commercial	89,162	18.97%	55,196	13.55%
Real estate	22,934	4.88%	22,527	5.53%
Social service, technology, culture and sanitary industries	34,973	7.44%	48,328	11.86%
Construction	18,742	3.99%	18,277	4.49%
Others (mainly personal loans)	142,753	30.39%	122,838	30.15%
Discount	16,712	3.56%	18,647	4.58%
Total loans and advances	469,902	100.00%	407,391	100.00%

As of the end of 2011, the loans of the Bank mainly concentrated in manufacturing, commercial and other loans (mainly personal loans), all together accounting for over 70% of total loans.

In 2011, the incremental loans concentrated in manufacturing, commercial and other loans (mainly personal loans), all together higher than total incremental loans.

Loans by guarantee type

The Group

(in RMB million)

Item	Balance as of 31 December 2011	%
Unsecured loans	114,801	18.50%
Guaranteed loans	131,758	21.23%
Loans secured by collaterals	277,764	44.75%
Loans secured by pledges	78,636	12.67%

Discount	17,683	2.85%
Total	620,642	100.00%

The Company

(in RMB million)

Item	Balance as of 31 December 2011	%
Unsecured loans	69,725	14.84%
Guaranteed loans	97,273	20.70%
Loans secured by collaterals	220,905	47.01%
Loans secured by pledges	65,287	13.89%
Discount	16,712	3.56%
Total	469,902	100.00%

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

The Group

As of the end of the report period, the balance of the top 10 borrowers of the Group was RMB17.6 billion, accounting for 2.84% of the loan balance as of the end of the year. Specifically, these customers are: Shenzhen Metro Co., Ltd., Zhuhai Zhenrong Company, Wuhan Urban Construction Investment & Development (Group) Co., Ltd., Shenzhen Municipal Fiscal and Finance Service Center, Transport Department of Shanxi Province, Suning Appliance (Group) Co., Ltd, Works Bureau of Longgang District of Shenzhen, China Automobile Trading Co., Ltd., Metallurgical Corporation of China Limited, PKU Founder Commodities Group Co., Ltd.

The Company

As of the end of the report period, the balance of the top 10 borrowers of the Bank was RMB14.380 billion, accounting for 3.06% of the loan balance as of the end of the year. Specifically, these customers are: Zhuhai Zhenrong Company, Wuhan Urban Construction Investment & Development (Group) Co., Ltd., Suning Appliance (Group) Co., Ltd, Transport Department of Shanxi Province, China Automobile Trading Co., Ltd., Metallurgical Corporation of China Limited, PKU Founder Commodities Group Co.,Ltd., Shanxi Coal Transportation and Sales Group Co., Ltd., Beijing Gonglian Expressway Connect Network Ltd., Beijing Municipal Bureau of Land and Resources Chaoyang Center.

(2) Investments

Asset portfolio

The Group

(in RMB million)

Asset Class	31 December 2011		31 December 2010	
	Amount	%	Amount	%

Trading financial assets	2,608	1.28%	-	-
Derivative financial assets	811	0.40%	372	0.33%
Available-for-sale financial assets	78,384	38.47%	31,534	28.11%
Held-to-maturity investments	107,683	52.85%	61,380	54.71%
Investment in receivables	13,732	6.74%	18,502	16.49%
Long-term equity investments	539	0.26%	404	0.36%
Investments	203,757	100.00%	112,192	100.00%

The Company

(in RMB million)

Asset Class	31 December 2011		31 December 2010	
	Amount	%	Amount	%
Trading financial assets	2,513	1.43%	-	-
Derivative financial assets	787	0.45%	372	0.33%
Available-for-sale financial assets	48,293	27.41%	31,534	28.11%
Held-to-maturity investments	83,640	47.47%	61,380	54.71%
Investment in receivables	13,732	7.79%	18,502	16.49%
Long-term equity investments	27,216	15.45%	404	0.36%
Investments	176,181	100.00%	112,192	100.00%

Information on holding of bonds

At the end of the report period, the face value of the treasury bonds and financial bonds (including PBOC bills, policy bank debts, various ordinary financial debts, and subordinated financial debts, excluding corporate debts) held by the Group were RMB171.4 billion. The bonds of substantial amount are stated as below:

(in RMB million)

	Face value	Nominal annual interest rate (%)	Maturity date
11 financial bonds	43,600	0~5.61	2012/1/16~2021/10/26
10 financial bonds	32,470	2.9~5.75	2012/11/2~2020/11/4
09 financial bonds	18,300	1.95~5.89	2012/8/25~2019/9/23
08 financial bonds	14,020	2.04~5.5	2013/3/24~2018/12/16
PBOC notes	8,960	0~3.97	2012/11/16~2014/10/21
07 financial bonds	8,750	3.48~6.22	2012/2/2~2017/11/29
10 treasury bonds	8,006	2.23~4.6	2013/3/18~2040/6/21
11 treasury bonds	7,804	2.77~6.15	2012/1/13~2041/6/23
09 treasury bonds	4,826	1.6~4	2012/3/25~2019/7/23

03 financial bonds	4,682	3.14~4.55	2013/2/18~2013/9/4

Information on holding of derivative financial instruments

Table of derivatives investments

Risk analysis on derivatives position-holding during the report period and explanations on controlling measures (including but not limited to market risk, liquidity risk, credit risk, operational risk and legal risk)	1. Market risk. Market risk of derivatives refers to the risk of loss on on-balance-sheet and off-balance-sheet business due to change of market prices (interest rate, exchange rate, stock price, and commodity price). Market risk control in the Group is exercised via risk limit management from various perspectives such as exposure, risk level, and profit/loss. 2. Liquidity risk. Liquidity risk of derivatives refers to the risk that a 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. For derivatives delivered in full amount, the Group adopted the measure of integrated position closing to ensure sufficient fund for settlement while delivering; for derivatives delivered in net amount, there was no major impact as the cash flow would have minor impact on current assets of the Group. 3. Operational risk. Operational risk is the risk resulting from defective internal procedure, people, system, or external events, including the risks caused by people, process, system and external factors. The Group strictly observed <i>CBRC Guidance on Operational risk Management of Commercial Banks</i>, staffed full-time traders, adopted professional front-middle-back office integrated monitoring system, set complete business operational process and authorization management system and improved internal monitoring and auditing mechanism, to avoid operational risk to the utmost. 4. Legal risk. Legal risk refers to the possibility of risk exposure caused by business activity incompliance with legal rules or external legal events. The Group attached a lot of importance to legal documentation related to derivative transactions, and signed legal agreements including ISDA, CSA, MAFMII with other banks to avoid legal disputes and regulate dispute resolving methods. In pursuance to regulatory requirements and transaction management requirements, the Group also drafted out customer transaction agreement referring to above inter-bank legal agreements, thus largely avoiding potential legal disputes. 5. Force Majeure. Force Majeure refers to unforeseeable, unavoidable or insurmountable objective circumstances, including but not limited to fire, earthquake, flood or other natural disasters, war, military act, strike, pandemic, failure of electricity, telephone service or IT system, financial crisis, halt of related market transaction, or change of national legal rules or policy that prevents the derivative transactions to be implemented normally. The Group has concluded agreements with all the individual, institutional and inter-bank customers and set out terms and conditions about force Majeure to exempt from obligation upon contract breaching in case of force majeure.
Changes of market price or	In 2011, the Group did not see big fair value change of invested derivatives

product fair value of invested derivatives during the report period. The methods adopted in determining the fair value of derivatives as well as the assumptions and parameters should be disclosed together with the analysis result.	during the report period. The Group engaged the evaluation technique to determine the value of derivative financial instruments. The evaluation technique included reference to the price used by all voluntary stakeholders familiar with relevant circumstances in latest market trading, and reference to the current fair values and discounted cash flow technique of other financial instruments of essentially same nature. Evaluation techniques may use market parameters as much as feasible. However, the management team had to evaluate in light of credit risk, market fluctuation rate and correlation of itself and the trading counterparties when market parameters were not available.
Explanation on whether there were major changes of accounting policies or accounting settlement principles related to derivatives occurred during the report period compared with that of last report period.	The Group set out accounting policies and accounting settlement principles for derivatives in line with <i>Accounting Standards for Business Enterprises</i> . There was no major change of relevant policy.
Specific comments from independent directors on derivative investments and risk control.	Independent directors believed that the Group's derivative transaction business was a commercial banking business approved by regulators. The Group had established a relatively complete risk management system, which is effective for risk control on derivative transactions.

Table of position of derivative investments held by the Group at the end of the report period

(in RMB million)

Contract type	Beginning-of-period contract amount (Nominal)	End-of-period contract amount (Nominal)	Gains/losses on changes in fair value in the report period	End-of-period contract amount (nominal) as a percentage of the net assets of the Group at the end of the report period attributable to shareholders of the parent company (%)
Foreign exchange forward contract	47,535	109,552	15	149.43%
Interest rate swap contract	2,300	13,256	(8)	18.08%
Stock option contract	-	-	-	-
Equity swap contract	-	-	-	-
Total	49,835	122,808	7	167.51%

Table of position of derivative investments held by the Company at the end of the report period

(in RMB million)

Contract type	Beginning-of-p	End-of-period	Gains/losses on	End-of-period

	eriod contract amount (Nominal)	contract amount (Nominal)	changes in fair value in the report period	contract amount (nominal) as a percentage of the net assets of the Bank at the end of the report period attributable to shareholders of the listed company (%)
Foreign exchange forward contract	47,535	107,565	19	149.11%
Interest rate swap contract	2,300	12,450	(8)	17.26%
Stock option contract	-	-	-	-
Equity swap contract	-	-	-	-
Total	49,835	120,015	11	166.37%

The establishment of SDB Trading Center in Shanghai in early 2011 boosted our foreign exchange swap business and interest rate swap business during this report period, which leads to the fast growth of nominal amount but no big change in actual net risk exposure.

(3) Other assets

Reposessed assets

The Group

(in RMB million)

Item	Balance
Land, properties and buildings	567
Others	36
Subtotal	603
Impairment provision for reposessed assets	(248)
Net value of reposessed assets	355

The Company

(in RMB million)

Item	Balance
Land, properties and buildings	533
Others	12
Subtotal	545
Impairment provision for reposessed	(207)

assets	
Net value of repossessed assets	338

Changes in interest receivables and bad debt provisions in the report period

The Group

(in RMB million)	
Interest receivables	Amount
Opening balance	2,121
Increased amount in the report period	47,541
Recovered amount in the report period	(42,388)
Closing balance	7,274

(in RMB million)		
Type	Amount	Bad debt provision
Interest receivables	7,274	-

As of the end of the report period, interest receivables of the Group increased by 242.95% or RMB5.153 billion compared with the end of the previous year. The increase mainly came from assets resulted from acquisition of Ping An Bank and growth of internal interest-earning assets. Interest receivables from interest-earning assets including loans would offset interest income of the current period and be put off balance sheet if it is overdue for 90 days, with no provision set against it.

The Company

(in RMB million)	
Interest receivables	Amount
Opening balance	2,121
Increased amount in the report period	38,648
Recovered amount in the report period	(35,205)
Closing balance	5,564

(in RMB million)		
Type	Amount	Bad debt provision
Interest receivables	5,564	-

As of the end of the report period, the interest receivables of the Company increased by RMB3.443 billion or 162.33% from the end of the previous year.

(4) Goodwill

The Group acquired Ping An Bank in July 2011, which resulted in change of goodwill during the report period as follows:

(in RMB million)	
Goodwill	Amount
Balance at the beginning of the year	-
Increase during the year	7,568
Decrease during the year	-
Balance at the end of the year	7,568

(in RMB million)		
Class	Amount	Impairment provision
Goodwill	7,568	-

2. Liability structure and the changes

The Group

Item	31 December 2011		31 December 2010		Change from the end of last year (2011 vs. 2010)
	Amount	%	Amount	%	
Deposit-taking	850,845	71.94%	562,912	81.11%	51.15%
Placements of deposits from banks and other financial institutions	155,410	13.14%	82,370	11.87%	88.67%
Borrowed funds	25,279	2.14%	6,200	0.89%	307.73%
Derivative financial liabilities	732	0.06%	312	0.04%	134.62%
Repurchase agreements	39,197	3.31%	17,589	2.53%	122.85%
Employee benefits payables	3,600	0.30%	1,879	0.27%	91.59%
Taxes payables	2,536	0.21%	1,125	0.16%	125.42%
Interest payables	9,914	0.84%	3,920	0.56%	152.91%
Bonds payables	16,054	1.36%	9,469	1.36%	69.54%
Deferred income tax liabilities	1,351	0.11%	15	0.00%	8906.67%
Other liabilities	77,878	6.59%	8,219	1.21%	847.54%
Total liabilities	1,182,796	100.00%	694,010	100.00%	70.43%

The Company

(in RMB million)

Item	31 December 2011		31 December 2010		Change from the end of (2011 vs. 2010)
	Amount	%	Amount	%	
Deposit-taking	640,585	69.95%	562,912	81.11%	13.80%
Placements of deposits from banks and other financial institutions	125,309	13.69%	82,370	11.87%	52.13%
Borrowed funds	24,470	2.67%	6,200	0.89%	294.68%
Derivative financial liabilities	715	0.08%	312	0.04%	129.17%
Repurchase agreements	27,707	3.03%	17,589	2.53%	57.52%
Employee benefits payables	2,972	0.32%	1,879	0.27%	58.17%
Taxes payables	2,085	0.23%	1,125	0.16%	85.33%
Interest payables	7,769	0.85%	3,920	0.56%	98.19%
Bonds payables	13,130	1.43%	9,469	1.36%	38.66%
Deferred income tax liabilities	66	0.01%	15	0.00%	340.00%
Other liabilities	70,854	7.74%	8,219	1.21%	762.08%
Total liabilities	915,662	100.00%	694,010	100.00%	31.94%

Deposits by product

The Group

(in RMB million)

Item	31 December 2011	31 December 2010	Change from the end of last year (2011 vs. 2010)
Corporate deposits	698,565	477,741	46.22%
Retail deposits	152,280	85,171	78.79%
Total deposits	850,845	562,912	51.15%

The Company

(in RMB million)

Item	31 December 2011	31 December 2010	Change from the end of last year (2011 vs. 2010)
Corporate deposits	530,498	477,741	11.04%
Retail deposits	110,087	85,171	29.25%
Total deposits	640,585	562,912	13.80%

Deposits by region

The Group

(in RMB million)

Region segment	31 December 2011		31 December 2010	
	Amount	%	Amount	%
East region	246,885	29.02%	190,693	33.88%
South region	275,901	32.43%	159,952	28.42%
West region	56,782	6.67%	53,488	9.50%
North region	161,944	19.03%	140,208	24.91%
Headquarters	109,333	12.85%	18,571	3.29%
Total	850,845	100.00%	562,912	100.00%

The Company

(in RMB million)

Region segment	31 December 2011		31 December 2010	
	Amount	%	Amount	%
East region	188,892	29.49%	190,693	33.88%
South region	187,597	29.29%	159,952	28.42%
West region	56,782	8.86%	53,488	9.50%
North region	161,944	25.28%	140,208	24.91%
Headquarters	45,370	7.08%	18,571	3.29%
Total	640,585	100.00%	562,912	100.00%

3. Changes in shareholders' equity

The Group

(in RMB million)

Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
Share capital	3,485	1,638	-	5,123
Capital reserve	13,342	28,196	-	41,538
Surplus reserve	1,912	918	-	2,830
General reserve	5,978	1,977	-	7,955
Undistributed profit	8,481	10,279	(2,895)	15,865
Including: dividend proposed for distribution	-	-	-	-
Total equity attributable to shareholders of the parent company	33,198	43,008	(2,895)	73,311
Equity attributable to minority shareholders	-	2,070	-	2,070
Total shareholders' equity	33,198	45,078	(2,895)	75,381

The Company

(in RMB million)

Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
Share capital	3,485	1,638		5,123
Capital reserve	13,342	28,121		41,463
Surplus reserve	1,912	918		2,830
General reserve	5,978	1,977		7,955
Undistributed profit	8,481	9,181	(2,895)	14,767
Including: dividend proposed for	-			-

distribution				
Total shareholders' equity	33,198	41,835	(2,895)	72,138

4. Holding of foreign currency financial assets

Foreign currency financial assets held by the Group are mainly loans, receivables, and investment. There are two sorts of foreign currency investments held by the Group; the brokerage investment and proprietary investment. One part of brokerage investment is for close position of wealth management product, structure of which completely matches with wealth management product of the Group, hedging against market risk entirely; and the other part of brokerage investment is for brokerage foreign currency exchange, which features simple product structure and adequate liquidity, with most trading counterparties being big domestic banks. Proprietary investment is mainly for bond investment and inter-bank borrowing and lending. Bonds invested are largely foreign currency bonds issued by the Ministry of Finance of P.R. China or domestic policy banks, or bonds issued by large overseas banks backed in full amount by foreign governments. Investment product of this kind comprises simple structure, consistent price and stable market value. Counterparties of inter-bank borrowing and lending are mainly Chinese banks, thus fund security is guaranteed. Most overseas trading counterparties of the Group are major international investment/commercial banks, parent companies of which are mostly rated AA by Standard & Poor's. No material changes of their ratings as of the date of this report despite overseas financial market volatility.

The Group is always precautionous towards overseas securities investment, which does not make up for a big portion of total investments, and thus impact of its market risk on profit of the Group is limited.

According to regulatory rules, banks should hold certain amount of foreign currency capital to conduct such businesses as foreign debt guarantee. In accordance with this requirement, the Group purchased USD150 million foreign currency capital in 2009, which was subject to exchange rate risk.

At the end of the report period, foreign currency financial assets and liabilities held by the Group are as follows:

(in RMB million)

Item	Opening balance	Gains/losses on changes in fair value during the period	Accumulated fair value changes recognized in equity	Impairment provision during the period	Closing balance
Financial assets:					
Cash and placement at PBOC	1,186				1,686
Placement of deposits at other financial institutions	7,962			11	8,278
Financial assets and derivative financial assets measured by fair value with changes	-	(2)			95

booked in profit/ loss in current period					
Account receivables	5,373				8,743
Loans and advances	11,438			35	17,085
Available-for-sale financial assets	233		(80)		671
Held-to-maturity investments	934			5	823
Long-term equity investments	1				1
Other assets	104				266
Total	27,231	(2)	(80)	51	37,650
Placement of deposits from banks and other financial institutions	4,297				1,839
Deposits	22,136				28,771
Account payables	926				2,565
Other liabilities	66				216
Total	27,425				33,391

At the end of the report period, foreign currency financial assets and liabilities held by the Company are as follows:

Item	Opening balance	Gains/losses on changes in fair value during the period	Accumulated fair value changes recognized in equity	Impairment provision during the period	Closing balance
Financial assets:					
Cash and placement at PBOC	1,186				1,508
Placement of deposits at other financial institutions	7,962			8	6,377
Financial assets and derivative financial assets measured by fair value with changes booked in profit/ loss in current period	-	-			-
Account receivables	5,373				8,743
Loans and advances	11,438			35	15,730
Available-for-sale financial assets	233		5		159
Held-to-maturity investments	934			5	823
Long-term equity investments	1				1

Other assets	104				226
Total	27,231	-	5	48	33,566
Placement of deposits from banks and other financial institutions	4,297				267
Deposits	22,136				27,155
Account payables	926				2,565
Other liabilities	66				163
Total	27,425				30,150

5. Year-end balance of off-balance sheet items that may have significant impact on operating results

The Group

(in RMB million)	
Item	Amount
Banker's acceptance bills	296,782
Issuance of letters of credit	6,017
Issuance of letters of guarantee	25,172
Unused limit of credit cards and undrawn irrevocable loan commitments	42,458
Lease commitment	3,895
Capital expenditure commitment	40

The Company

(in RMB million)	
Item	Amount
Banker's acceptance bills	265,449
Issuance of letters of credit	4,197
Issuance of letters of guarantee	7,051
Unused limit of credit cards and undrawn irrevocable loan commitments	15,355
Lease commitment	2,820
Capital expenditure commitment	13

(IV) Analysis of asset quality

The Group

In 2011, the economy of China in general was positive, but at the same time was facing big uncertainties. The sustained and healthy development of the banking industry also faced various challenges. In particular, the credit risk in small and medium-sized enterprises, local government financing platform, real estate and high pollution, high energy consumption and over-capacity industries deserved serious attention. The Group proactively responded in line with its "Best Bank Strategy" requirements by improving credit risk management system and level to ensure the stable and healthy growth of its credit business, thus achieved steady and

faster growth in credit business and effective control over both NPL amount and NPL ratio and provision coverage ratio was further enhanced.

As of 31 December 2011, the balance of non-performing loans of the Group was RMB3.295 billion, representing an increase of RMB928 million as compared to the beginning of the year, NPL ratio was 0.53%, down 0.05% from the beginning of the year and provision coverage was 320.66%, up 49.16% over the beginning of the year.

Meanwhile, the Group achieved substantial recovery results in 2011. It recovered non-performing assets of RMB2.298 billion in aggregate throughout the year, including credit assets (loan principal) of RMB1.992 billion and non-credit assets of RMB18 million. Of the recovered principal amount of credit assets, loans of RMB1.013 billion were written off and non-performing loans of RMB0.979 billion were not written off. 97% of the non-performing credit assets were recovered in cash while the others were recovered in the form of repossessed assets.

The Company

As of the end of 2011, the balance of non-performing loans of the Bank was RMB2.738 billion, representing an increase of RMB371 million as compared to the beginning of the year; NPL ratio was 0.58%, similar to the beginning of the year and provision coverage was 325.78%, up 54.28% over the beginning of the year. It recovered non-performing assets of RMB2.210 billion in aggregate in 2011, including credit assets (loan principal) of RMB1.927 billion and non-credit assets of RMB18 million. Of the recovered principal amount of credit assets, loans of RMB1.003 billion were written off and non-performing loans of RMB0.924 billion were not written off. 97% of the non-performing credit assets were recovered in cash while the others were recovered in the form of repossessed assets.

1. 5-grade classification of loans

The Group

(in RMB million)						
5-grade classification	31 December 2011		31 December 2010		Change from the end of previous year (2011 vs. 2010)	
	Balance	%	Balance	%	Change in balance	Change in %
Pass	612,937	98.76%	403,686	99.09%	51.84%	-0.33 percentage point
Special mention	4,410	0.71%	1,339	0.33%	229.35%	0.38 percentage point
Non-performing loans	3,295	0.53%	2,367	0.58%	39.21%	-0.05 percentage point
Including: Substandard	1,744	0.28%	1,309	0.32%	33.23%	-0.04 percentage point
Doubtful	893	0.14%	620	0.15%	44.03%	-0.01 percentage point
	658	0.11%	438	0.11%	50.23%	-

Loss						
Total loans	620,642	100.00%	407,391	100.00%	52.35%	-
Loan loss provision	(10,566)		(6,425)		64.45%	
Provision coverage	320.66%		271.50%			49.16 percentage points

The Company

(in RMB million)

5-grade classification	31 December 2011		31 December 2010		Change from the end of previous year (2011 vs. 2010)	
	Balance	%	Balance	%	Change in balance	Change in %
Pass	463,937	98.73%	403,686	99.09%	14.93%	-0.36 percentage point
Special mention	3,227	0.69%	1,339	0.33%	141.00%	0.36 percentage point
Non-performing loans	2,738	0.58%	2,367	0.58%	15.67%	-
Including: Substandard	1,595	0.34%	1,309	0.32%	21.85%	0.02 percentage point
Doubtful	717	0.15%	620	0.15%	15.65%	-
Loss	426	0.09%	438	0.11%	-2.74%	-0.02 percentage point
Total loans	469,902	100.00%	407,391	100.00%	15.34%	
Loan loss provision	(8,919)		(6,425)		38.82%	
Provision coverage	325.78%		271.50%			54.28 percentage points

Under the impact of macroeconomic and financial situation, small and medium-sized enterprises in some regions were faced with weakened external demands/ exports, rising operating costs, and insufficient capital supply. Both NPLs and NPL ratio of the Bank rebounded in the second half of the year, but the overall risk was still within controllable range. As of end of the report period, the “Special Mention” loans accounted for 0.69% of total loans of the Bank, which was relatively low in the industry.

2. Restructured loans and overdue loans

The Group

(in RMB million)

Item	31 December 2011	31 December 2010	%
Restructured loans	954	992	0.16%
Overdue loans	424	1,976	0.32%
Non-accrual loans	2,011	2,771	0.45%

Note: Overdue loans refer to uncollected loans with principal overdue for no more than 90 days. Non-accrual loans refer to uncollected loans with principal or interest overdue for more than 90 days.

In 2011, the restructured loan balance, overdue loan balance and non-accrual loan balance of the Group increased by 3.98%, 366.04% and 37.79% respectively compared with the beginning of the year due to the acquisition of Ping An Bank and market conditions.

The Company

(in RMB million)

Item	31 December 2011	31 December 2010	%
Restructured loans	954	857	0.18%
Overdue loans	424	1,436	0.31%
Non-accrual loans	2,011	2,262	0.48%

- (1) As of the end of 2011, the restructured loan balance of the Bank was RMB857 million, representing a decrease of RMB97 million or 10.17% compared with the beginning of the year, primarily due to further improvement of disposal efficiency of non-performing assets by the Bank through its reinforced management of restructured loans and its strengthened collection and disposal of restructured loans in respect of non-performing assets.
- (2) As of the end of 2011, overdue loan balance of the Bank was RMB1.436 billion, representing an increase of RMB1.012 billion or 238.68% compared with the beginning of the year, primarily due to increase in overdue of corporate loans. Affected by macroeconomic and financial situation in the second half of the year, privately-owned small and medium enterprises in some regions were unable to repay the loans on schedule upon maturity, but the overall risk was still controllable.
- (3) As of the end of 2011, the non-accrual loan balance of the Bank was RMB2.262 billion, representing an increase of RMB251 million or 12.48% compared with the beginning of the year, primarily because of external factors weighing on SMEs and entrepreneur loans as well as enterprises' internal mismanagement.

3. Loan quality by industry

The Group

(in RMB million)

Industries	31 December 2011		31 December 2010		Change	
	Balance	NPL ratio	Balance	NPL ratio	Increase in amount	Increase in NPL Ratio
Agriculture, husbandry and fishery	1,695	0.00%	829	0.00%	866	-
Mining (heavy industry)	6,619	0.00%	4,206	0.33%	2,413	-0.33 percentage point
Manufacturing (light industry)	134,197	0.78%	83,681	0.80%	50,516	-0.02 percentage point
Energy industry	14,644	0.00%	12,574	0.00%	2,070	-
Transportation,	29,259	0.40%	20,288	0.00%	8,971	0.40 percentage

posts and telecommunications						point
Commercial	106,970	0.99%	55,196	1.57%	51,774	-0.58 percentage point
Real estate industry	36,633	0.54%	22,527	1.83%	14,106	-1.29 percentage points
Social service, technology, culture and sanitary industries	51,689	0.27%	48,328	0.19%	3,361	0.08 percentage point
Construction	27,570	0.09%	18,277	0.08%	9,293	0.01 percentage point
Others (mainly personal loans)	193,683	0.36%	122,838	0.23%	70,845	0.13 percentage point
Discount	17,683	0.07%	18,647	0.00%	-964	0.07 percentage point
Total loans and advances	620,642	0.53%	407,391	0.58%	213,251	-0.05 percentage point

From the view of loan quality by industry, the NPL ratios of the Group in various industries were lower than 1%.

The Company

(in RMB million)

Industries	31 December 2011		31 December 2010		Change	
	Balance	NPL ratio	Balance	NPL ratio	Increase in amount	Increase in NPL Ratio
Agriculture, husbandry and fishery	1,092	0.00%	829	0.00%	263	-
Mining (heavy industry)	5,754	0.00%	4,206	0.33%	1,548	-0.33 percentage point
Manufacturing (light industry)	107,971	0.87%	83,681	0.80%	24,290	0.07 percentage point
Energy industry	10,862	0.00%	12,574	0.00%	-1,712	-
Transportation, posts and telecommunications	18,947	0.59%	20,288	0.00%	-1,341	0.59 percentage point
Commercial	89,162	1.16%	55,196	1.57%	33,966	-0.41 percentage point
Real estate industry	22,934	0.86%	22,527	1.83%	407	-0.97 percentage point
Social service, technology, culture and sanitary industries	34,973	0.17%	48,328	0.19%	-13,355	-0.02 percentage point

Construction	18,742	0.14%	18,277	0.08%	465	0.06 percentage point
Others (mainly personal loans)	142,753	0.25%	122,838	0.23%	19,915	0.02 percentage point
Discount	16,712	0.07%	18,647	0.00%	-1,935	0.07 percentage point
Total loans and advances	469,902	0.58%	407,391	0.58%	62,511	-

From the view of loan quality by industry, non-performing loans of the Bank mainly concentrated on commercial loans and NPL ratios of other industries were lower than 1%. Real estate non-performing loans were primarily legacy non-performing loans disbursed before 2005 for real estate development purpose. NPL ratio of real estate development loan further decreased during the report period.

4. Loan quality by region

The Group

(in RMB million)

	31 December 2011		31 December 2010	
	Balance	NPL ratio	Balance	NPL ratio
East region	228,039	0.56%	149,627	0.43%
South region	188,634	0.40%	108,265	0.66%
West region	47,852	0.22%	42,081	0.22%
North region	110,995	0.49%	97,821	0.50%
Headquarters	45,122	1.35%	9,597	4.53%
Total	620,642	0.53%	407,391	0.58%

In terms of loan quality by region, in 2011, the Bank's NPL ratio in East Region increased because small and medium enterprises faced some difficulties in business conditions due to domestic and international economic and financial situations in the second half, and in particular small and medium enterprises in East China were facing significant difficulties, with some enterprises having risks in loan facilities, thus increasing the non-performing loan balance in East Region compared with the beginning of the year, but the overall risk was still within the controllable range.

The Company

(in RMB million)

Region	31 December 2011		31 December 2010	
	Balance	NPL ratio	Balance	NPL ratio
East Region	166,310	0.68%	149,627	0.43%

South Region	126,410	0.57%	108,265	0.66%
West Region	47,852	0.22%	42,081	0.22%
North Region	110,995	0.49%	97,821	0.50%
Headquarters	18,335	1.24%	9,597	4.53%
Sub-total	469,902	0.58%	407,391	0.58%

5. Loan quality by product

The Group

(in RMB million)					
Item	31 December 2011 (Consolidated figures)		31 December 2010 (SDB Individual figures)		Change in NPL ratio
	Balance	NPL ratio	Balance	NPL ratio	
Corporate loans	430,702	0.60%	287,296	0.73%	-0.13 percentage point
Including: General loans	413,019	0.63%	268,649	0.78%	-0.15 percentage point
Discount	17,683	0.07%	18,647	0.00%	0.07 percentage point
Retail loans	165,227	0.25%	113,751	0.18%	0.07 percentage point
Including: Housing mortgage loans	75,373	0.19%	64,877	0.16%	0.03 percentage point
Entrepreneur loans	43,353	0.31%	18,626	0.26%	0.05 percentage point
Auto loans	12,705	0.23%	10,667	0.13%	0.10 percentage point
Others	33,796	0.32%	19,581	0.17%	0.15 percentage point
Account receivables of credit cards	24,713	1.10%	6,344	1.21%	-0.11 percentage point
Total loans	620,642	0.53%	407,391	0.58%	-0.05 percentage point

The Company

					(in RMB million)
Item	31 December 2011		31 December 2010		Change in NPL ratio
	Balance	NPL ratio	Balance	NPL ratio	
Corporate loans	330,892	0.72%	287,296	0.73%	-0.01 percentage point
Including: General	314,180	0.76%	268,649	0.78%	-0.02 percentage point

loans					
Discount	16,712	0.07%	18,647	0.00%	0.07 percentage point
Retail loans	129,389	0.27%	113,751	0.18%	0.09 percentage point
Including: Housing mortgage loans	63,629	0.16%	64,877	0.16%	-
Entrepreneur loans	36,229	0.31%	18,626	0.26%	0.05 percentage point
Auto loans	12,663	0.22%	10,667	0.13%	0.09 percentage point
Others	16,868	0.31%	19,581	0.17%	0.14 percentage point
Account receivables of credit cards	9,621	0.61%	6,344	1.21%	-0.60 percentage point
Total loans	469,902	0.58%	407,391	0.58%	-

6. Government financing platform loans

After the unpack of the government financing platform loans in 2010 and a special cleanup and standardization of government financing platform loans in 2011, the Group has initially established and improved the "list system" information management system, and gradually achieved effective control of platform loans according to the scheduled work plan, which laid a good foundation for preventing and resolving platform loan risk.

The Group

According to the government financing platform list published by CBRC on 31 December 2011, as of 31 December 2011, the platform loan (including loans corrected to general corporate loans and those still managed as platform loans) balance of the Group was RMB50.936 billion, accounting for 8.2% of total loan balance.

Among which: in terms of loan type, the balance of loans corrected to general corporate loans was RMB24.431 billion, accounting for 3.94% of total loan balance; the balance of loans still managed as platform loans was RMB26.505 billion, accounting for 4.27% of total loan balance.

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

The Company

As of 31 December 2011, the platform loan (including loans corrected to general corporate loans and those still managed as platform loans) balance of the Bank was RMB36.504 billion,

accounting for 7.77% of total loan balance.

Among which: in terms of loan type, the balance of loans corrected to corporate loans was RMB18.362 billion, accounting for 3.91% of total loan balance; the balance of loans still managed as platform loans was RMB18.142 billion, accounting for 3.86% of total loan balance.

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 Group, the Group 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 estimated future value of the cash flow.

The Group

(in RMB million)	
Item	Amount
Year-beginning balance	6,425
Add: loan impairment provision balance for acquisition of subsidiary company	1,315
Add: accrual for the current year (including non-credit impairment provision)	2,149
Less: interest offset of impaired loans	78
Less: non-credit impairment provision	13
Net accruals in the current year	2,058
Add: recovery of written-off loans in the current year	1,013
Less: other changes	9
Less: written-off in the year	236
Year-end balance	10,566

The Company

(in RMB million)	
Item	Amount
Year-beginning balance	6,425

Add: accrual for the current year (including non-credit impairment provision)	1,811
Less: interest offset of impaired loans	75
Less: non-credit impairment provision	2
Net accruals in the current year	1,734
Add: recovery of written-off loans in the current year	1,003
Less: other changes	7
Less: written-off in the year	236
Year-end balance	8,919

The fully provisioned non-performing loans satisfying write-off conditions will be submitted to the Board of Directors for approval and then write-off. The written-off loans will be transferred to off-balance sheet and left to the Assets Protection Department for follow-up collection 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.

8. Details of discounted loan as at 31 December 2011

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

(V) Capital management

During the report period, the Group's supplementary capital increased by RMB3.65 billion through a successful issuance of hybrid bonds of RMB3.65 billion in the inter-bank bond market. Meantime the Group further built up its capital strength via non-public offering, its own capital accumulation and more intensive capital management, and improved capital adequacy ratio and core capital adequacy ratio to 11.51% and 8.46% respectively as of 31 December 2011 and the capital adequacy ratio and core capital adequacy ratio of the Bank increased to 11.08% and 9.91% respectively.

1. Change of capital in the latest three years

The Group

(in RMB million)

Item	31 December	31 December	31 December	Change from the end

	2011	2010	2009	of 2010 to the end of 2011
Net capital	91,491	47,272	31,905	93.54%
Including: Net core capital	67,244	32,919	19,854	104.27%
Supplementary capital	24,664	14,662	12,372	68.22%
Total risk-weighted assets	794,702	463,691	359,508	71.39%
Capital adequacy ratio	11.51%	10.19%	8.88%	+1.32 percentage points
Core capital adequacy ratio	8.46%	7.10%	5.52%	+1.36 percentage points

The Company

(in RMB million)

Item	31 December 2011	31 December 2010	31 December 2009	Change from the end of 2010 to the end of 2011
Net capital	65,183	47,272	31,905	37.89%
Including: Net core capital	58,304	32,919	19,854	77.11%
Supplementary capital	20,517	14,662	12,372	39.93%
Total risk-weighted assets	588,445	463,691	359,508	26.90%
Capital adequacy ratio	11.08%	10.19%	8.88%	+0.89 percentage point
Core capital adequacy ratio	9.91%	7.10%	5.52%	+2.81 percentage points

2. Table of capital composition and capital adequacy ratio calculation

The Group

(in RMB million)

Item	31 December 2011	31 December 2010	31 December 2009
Core capital adequacy ratio	8.46%	7.10%	5.52%
Capital adequacy ratio	11.51%	10.19%	8.88%
Composition of capital base			
Core capital	75,099	33,228	20,175
Share capital	5,123	3,485	3,105
Capital reserve	41,326	13,341	6,956
Surplus reserve	2,830	1,912	1,284
General risk reserve	7,955	5,978	4,676
Retained earnings	15,795	8,512	4,154
Minority interest	2,070	-	-
Amount deducted from core capital	7,855	309	321
Net core capital	67,244	32,919	19,854

Supplementary capital	24,664	14,662	12,372
General loan loss provisions	8,395	5,016	2,723
Revaluation reserve ¹	175	177	187
Long-term subordinated debts	10,952	7,979	7,973
Hybrid capital bonds	5,142	1,490	1,490
Total capital	99,763	47,890	32,548
Less: Goodwill	7,568	-	-
Unconsolidated equity investment	361	369	362
Others	343	250	280
Net capital	91,491	47,272	31,905
Total risk-weighted assets	794,702	463,691	359,508
On-balance-sheet risk-weighted assets	638,099	368,289	290,468
Off-balance-sheet risk-weighted assets	156,603	95,402	69,040

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

The Company

(in RMB million)

Item	31 December 2011	31 December 2010	31 December 2009
Core capital adequacy ratio	9.91%	7.10%	5.52%
Capital adequacy ratio	11.08%	10.19%	8.88%
Composition of capital base			
Core capital	71,941	33,228	20,175
Share capital	5,123	3,485	3,105
Capital reserve	41,334	13,341	6,956
Surplus reserve	2,830	1,912	1,284
General risk reserve	7,955	5,978	4,676
Retained earnings	14,699	8,512	4,154
Minority interest	-	-	-
Amount deducted from core capital	13,637	309	321
Net core capital	58,304	32,919	19,854
Supplementary capital	20,517	14,662	12,372
General loan loss provisions	7,254	5,016	2,723
Revaluation reserve ¹	133	177	187
Long-term subordinated debts	7,988	7,979	7,973
Hybrid capital bonds	5,142	1,490	1,490
Total capital	92,458	47,890	32,548

Less: Goodwill	-	-	-
Unconsolidated equity investment	27,062	369	362
Others	213	250	280
Net capital	65,183	47,272	31,905
Total risk-weighted assets	588,445	463,691	359,508
On-balance-sheet risk-weighted assets	473,955	368,289	290,468
Off-balance-sheet risk-weighted assets	114,490	95,402	69,040

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

(VI) Business review of the Company

1. Corporate Banking business

As of the end of 2011, the corporate deposit balance of the Bank increased by 11.04% from the beginning of the year; corporate loan balance increased by 15.17% from the beginning of the year; net income from the corporate fee-based business increased by 71.5% on a year-on-year basis and the trade finance credit balance amounted to RMB224.6 billion, representing an increase of 28.0% as compared to the beginning of the year.

Corporate business income grew steadily with the cost/income ratio staying low and total credit customers rapidly growing.

In 2011, net operating income of corporate business grew 51.4%, with the cost/income ratio maintaining at a low level, and the number of credit customers increased by 28.92% on a year-on-year basis. At the same time, through leveraging the integrated finance platform of the Group and the supply chain finance brand advantage of the Bank, the Bank formulated its Supply Chain Finance Platform (SCFP) planning and defined the future development pattern of corporate business.

Trade finance business maintained its sound and fast growth momentum

In 2011, the Bank's trade finance customer base steadily expanded with an increase of 2,309 or 30.3% to 9,921. Trade finance credit continued to achieve faster growth and the trade finance credit balance at the end of the year amounted to RMB224.6 billion, representing an increase of RMB49.1 billion or 28.0% from the beginning of the year. In particular, on-balance-sheet credit saw strong growth of 94.8%. The asset quality in trade finance remained sound in spite of the complicated economic situation with a NPL ratio of 0.26%, representing a decrease of 0.03 percentage point as compared to the beginning of the year.

Development of the trade finance business in 2011:

(In RMB million)					
	31 December	%	31 December	%	Change

	2011		2010		
Trade finance balance	224,635	100.0%	175,497	100.0%	28.0%
Regions: East Region	53,952	24.0%	44,366	25.3%	21.6%
South Region	83,326	37.1%	66,593	37.9%	25.1%
West Region	20,914	9.3%	13,384	7.6%	56.3%
North Region	66,443	29.6%	51,154	29.2%	29.9%
International/Domestic: Domestic	199,415	88.8%	162,716	92.7%	22.6%
International (including off-shore)	25,220	11.2%	12,781	7.3%	97.3%
Export	1,981	0.9%	1,776	1.0%	11.5%
Import	23,239	10.3%	11,005	6.3%	111.2%

Rapid development of and innovation in electronic settlement products

The Bank was the first bank to design and launch “universal product codes” for its Online Supply Chain Finance and accomplished its direct connection with the modern logistics management system of China Railway, thus turning a new page in real-time data interaction between supply chain finance and logistics. The Bank made great breakthrough in e-government service as the Wuhan Housing Fund online service system was put into operation, indicating formal operation of the first housing fund inter-bank online service system. The project won the 2011 Best E-Commerce Banking Application Award granted by China Electronic Finance Industrial Alliance.

“WM 1+N”, the Bank’s cash management brand, was well recognized by the business community, the media and the banking sector. The Bank was awarded 4 authoritative cash management prizes, namely the Best Cash Management Innovation Award (*CFO World*), the Best Innovative Cash Management Bank (*Treasury China*), the Rising Star Cash Management Bank (*Treasury China*) and the 2011 Best Cash Management Bank (*eastmoney.com*).

International business and offshore business grew rapidly

International trade finance balance of the Bank increased by 97.3% to RMB25.220 billion from the beginning of the year, representing a growth rapider than that of domestic trade finance, International and offshore settlement volume increased by 51.9% compared with previous year and the accumulated fee business income recorded a high year-on-year growth of 73%.

Quantum leap growth in corporate wealth management

The development, testing, and launch of and training on the new generation “Comprehensive Wealth Management System” were completed during the year. Over 1,500 tailor-made wealth management products were designed and issued against various corporate customer needs with cumulative sales over RMB110 billion, representing an increase of 288% on a year-on-year basis. Settlement deposits increased by RMB27.0 billion and relevant fee business income increased by 123% on a year-on-year basis.

2. Retail banking business

As of the end of 2011, retail deposit balance of the Bank increased by 29.25% from the beginning of the year; retail loan balance increased by 13.75% and net income from the retail fee-based business recorded a year-on-year increase of 70.5%.

Expanded liabilities business and improved market share in the retail deposit market

The Bank stuck to its basic business of deposit taking and put an emphasis on service reference and internal cross-selling in 2011. The Bank attracted in bulk and maintained customers of the third-party custody and payroll business through setting up teams within various channels. It also developed high net worth customers and increased its settlement savings deposit through the channels of auto loans and personal loans. The bank strengthened the role of wealth manager product sales in attracting savings deposit through innovation and combination of wealth management products, so as to achieve net increase in deposits. The Bank implemented the “gold card” strategy to enhance the operating capability of its customers and to significantly grow medium customers’ contribution to deposits. The retail deposit balance and daily average balance of the Bank saw robust growth as a result.

Made great endeavor to develop wealth management business and strengthened the advantage of precious metal products so as to achieve significant increase in sales of and income of wealth management products

In 2011, the Bank seized the market opportunity to boost promotion of its wealth management business and strengthen its innovation in wealth management products. More different product varieties were sold through the Bank and more wealth management products were issued. Sales significantly grew on a year-on-year basis. Personal precious metal transactions were promoted in terms of marketing and advertisement and the value-added services of consulting, the customer base was ever-increasing and the favorable market position was further strengthened. The size of the fund agency business steadily grew and the sales of equity-based funds increased robustly with significant fee income growth. The insurance business and securities business steadily grew and the growth of premium and third-party custody customers was basically flat from the previous year. Sales of wealth management products and fee business income both achieved significant growth.

Emphasized on disbursement of working capital loans and unsecured consumer loans to optimize the loan structure and improve the return

Businesses of higher yield such as personal working capital loans and unsecured consumer loans made up a higher percentage of the new loans disbursed by the Bank in 2011 in view of the real estate market was volatile and liquidity was tighter. The average interest rate of the new loans was about 20% above the benchmark interest rates, so the net return on loans was significantly higher. In particular, personal working capital loans significantly increased with a higher growth than the net growth of retail loans of the Bank and the disbursement volume of personal working capital loans accounted for 54% of the total personal loans. The Bank also established a personal loan whole process system to ensure the completeness of

materials before loan, the authenticity of credit investigation, approval, contract signing and disbursement, and the reliability of post-loan risk management. The loan size steadily grew with higher pricing, asset quality was stable and the asset business capability was enhanced through the new design and control of process.

Carried out gold card strategy and dual cards marketing activities to enhance management of retail customers

The Bank formulated and implemented “gold card strategy” and preset the threshold of gold cards to make potential customers entitled to gold cards to enjoy their respective entitlements according to different natures of customers of different businesses. The gold card marketing activities were included into the sales processes of wealth management products, third party custody, payroll business, personal loans and online banking so as to optimize the marketing and maintenance process of existing customers. As a result, the number of medium customers and their deposits grew significantly with lower deposits churn rate, the contribution of medium customers to deposits was higher and the medium customer base rapidly expanded. Over 290,000 gold cards were issued during the gold card activities, representing an increase of 160,000 from the previous year. New deposits amounted to RMB22.65 billion and assets of customers amounted to RMB3.72 billion. The “Dual Card” project was launched to establish close relationship between the credit card and the debit card so that customers could use cards with ease. By doing this, the bank enhanced stickiness of customers and created a new model of transforming credit card customers into retail value customers.

Continued to enhanced the results of the “Outlet Leapfrog” project and transformed the sales mode

Under the guidance of the “Best Bank” strategy, the Bank implemented the front desk sales operation model of “Outlet Leapfrog” within the Bank which covered 20 branches and 284 outlets with significant achievements. The productivity of outlet sales teams was enhanced through the “Outlet Leapfrog” project, which was supplemented and improved through fine-tuning the existing selling tools, establishing a standardized operation model, strengthening job training, and continuously improving qualification recognition and the pilot test results of the community marketing model. Meanwhile, the pilot promotion of basic rules for sales personnel was implemented at four branches, namely Shenzhen Branch, Beijing Branch, Guangzhou Branch and Hangzhou Branch to establish a unified and direct evaluation and incentive mechanism based on sales capacity to promote construction of performance appraisal culture.

Table of personal loans

(In RMB million)				
Item	31 December 2011	%	31 December 2010	%
I. Personal loans excluding credit cards				
East Region	53,203	41.12%	47,990	42.19%
South Region	38,786	29.98%	32,918	28.94%
West Region	10,294	7.96%	8,257	7.26%

North Region	27,105	20.95%	24,584	21.61%
Headquarters	1	0.00%	2	0.00%
Total balance of personal loans excluding credit cards	129,389	100.00%	113,751	100.00%
Including: total non-performing loans	349	0.27%	202	0.18%
II. Mortgage loans in personal loans				
Balance of mortgage loans	67,362	52.06%	68,002	59.78%
Including: housing mortgage loans	63,629	49.18%	64,877	57.03%
Non-performing mortgage loans	109	0.16%	118	0.17%
Including: non-performing housing mortgage loans	103	0.16%	106	0.16%

Note: Mortgage loan includes mortgage of personal residential property and commercial property; Housing mortgage excludes mortgage of housing for both commercial and residential purpose, offices and shops.

As of 31 December 2011, the balance of personal loan of the Bank (excluding credit cards) reached RMB129.4 billion, representing an increase of 13.75% from the beginning of the year. The growth of mortgage loans was slow due to the austere real estate policies and the shift of the retail loan business development strategy of the Bank. Compared with mortgage loan business, working capital loan business grew faster with a high business percentage.

3. Treasury inter-bank business

In 2011, the Bank accelerated the establishment of its inter-bank platform system, expanded inter-bank channels and continuously expanded the co-operation customer base, thereby optimizing the inter-bank asset and liability structure and realizing growth in both size and benefits. Meanwhile, an integrated financial service platform was set up for various customers by leveraging = resources within the Group and actively exploring cross selling solutions of financial products.

Rapid growth in business size and significant achievements in channel expansion

In 2011, the size of inter-bank assets and liabilities of the Bank recorded sustainable and rapid growth, with inter-bank market activity and influence improving steadily. The inter-bank business became a major driver for profit growth of the Bank. As at the end of the year, the balance of bank-wide inter-bank assets and liabilities increased by 51.62% and 63.97% respectively on a year-on-year basis, representing greater economies of scale.

The Bank got another 22 inter-bank partners for cooperation in agency business and another 11 online brokers of third-party custody business and margin trading and short selling network. It completed the first stage of development and launching of Hang E-Tong (Inter-bank E-Express) platform system, thus laying a solid foundation for the all-dimensional integrated financial service platform which integrated various businesses including banking, insurance, securities, fund and trust and winning the "Second Prize" in Financial Innovation Award organized by Shenzhen Municipal Government.

Significant improvement in research, development and management of wealth management business

Wealth management product designing and management capability was dramatically improved and a new series of wealth management products named Heying was developed. Issuance volume of wealth management products in the Bank grew by 466% on a year-on-year basis and the balance of wealth management products grew by 337% on a year-on-year basis, helping achieve a year-on-year profit growth of 374%. The Bank's market position and competitiveness substantially improved.

Stable growth in precious metal trading and foreign exchange business

The Bank's total precious metal trading amount at Shanghai Gold Exchange was RMB210 billion on a cumulative basis. Its total exchange trading amount of silver ranked the third position among its peers and its exchange amount of gold ranked the fifth position. Trading of gold deferred contracts and spot products amounted to 125 tonnes with the total trading amount increasing by 230% to RMB41.9 billion on a year-on-year basis.

The Bank's gold deposit business continued to steadily grow as its gold deposit and withdrawal volume accounting for 10% of the deposit business of the Gold Exchange. Meanwhile, the Bank successfully commenced its gold import business in 2011, thus paving the way for broadening its precious metal business in terms of product varieties in the future.

The business volume of forward settlement and sales of foreign exchange on behalf of customers grew by 105% on a year-on-year basis and foreign exchange trading business on behalf of customers grew by 61% on a year-on-year basis.

Significant growth in bond and money market transaction business

The cumulative trading volume in the RMB and foreign currency markets reached new high. The cumulative trading volume in RMB market increased by 14.62% on a year-on-year basis and the cumulative trading volume in the foreign currency market also significantly increased on a year-on-year basis.

The bond volume underwritten by the Bank and its market position grew. The Bank ranked among the top 20 in terms of underwriting financial bonds of the three policy banks and was awarded “Outstanding underwriter of financial bonds of Agricultural Development Bank of China” again.

It was the Bank’s landmark that the Bank was one of the first commercial banks to participate into the bond business of Shenzhen Stock Exchange and Shanghai Stock Exchange again.

In 2011, the transactions of the Bank’s RMB bond settlement agency business increased by 102% from the previous year and the trading volume increased by 79% on a year-to-year basis with the profit increasing by 83% on a year-to-year basis.

4. Financial service to micro enterprises

In 2011, the Bank continued to make progress in establishing micro finance business system and continued to invest more into institution establishment, staff allocation, risk control system and supporting resources in this area. Currently, the staff of the headquarters of Micro Finance Business Unit was basically in place and 10 Micro Finance Sub-centers were set up.

As at the end of the report period, the balance of micro loans of the Bank increased by 90.07% to RMB40.9 billion from the beginning of the year and the NPL ratio was 0.39%.

(In RMB million)

Item	31 December 2011		31 December 2010		Compared with the beginning of the year	
	Loan balance	%	Loan balance	%	Change (±)	Change rate
Personal entrepreneur loans	32,422	79.36%	15,443	71.84%	16,979	109.95%
Including: East Region	13,618	33.33%	8,605	40.03%	5,013	58.26%
South Region	9,999	24.47%	3,411	15.87%	6,588	193.14%
West Region	2,856	6.99%	1,372	6.38%	1,484	108.16%
North Region	5,949	14.56%	2,055	9.56%	3,894	189.49%
Small and medium enterprise loans	8,434	20.64%	6,052	28.16%	2,382	39.36%
Including: East Region	5,542	13.56%	4,905	22.82%	637	12.99%
South Region	2,027	4.96%	1,058	4.92%	969	91.59%
West Region	108	0.26%	89	0.41%	19	21.35%
North Region	757	1.85%	0	0.00%	757	100.00%

Total	40,856	100%	21,495	100.00%	19,361	90.07%

The significant growth of personal entrepreneur loans was the main driver of the overall growth of micro finance from the perspective of business types. As of the end of the year, the balance of personal entrepreneur loans increased by RMB1.70 billion to RMB3.24 billion from the beginning of the year and accounted for 88% of the overall business growth of micro finance. Loans to micro business also maintained rapid growth. Regionally, the business size of South Region and North Region significantly grew and their business also achieved rapid growth. The business growth of East Region was lower due to the greater base value.

5. Credit card business

In 2011, the Bank's credit card business achieved rapid and steady growth and maintained stable profitability. The quality of new customers was steadily upgraded and the asset quality was further improved. In 2011, the number of newly issued cards for the year totaled 1.93 million, representing an increase of 107% on a year-on-year basis. The number of effective credit cards accumulated to 5.72 million, representing an increase of 38.5% on a year-on-year basis. The number of cards in force accumulated to 3.95 million, representing an increase of 26% on a year-on-year basis. The loan balance reached RMB9.621 billion, representing an increase of 51.63% on a year-on-year basis. The balance of NPL was RMB59 million, representing a decrease of 22.37% on a year-to-year basis. The NPL ratio decreased by 0.60 percentage point to 0.61%, which was at a lower level in the industry.

In 2011, by leveraging Ping An integrated finance platform, the Bank's credit card business expanded the cross selling business and developed and designed SDB-PA Life co-branded credit card and SDB I auto credit card, with a total card issuance volume of 1.01 million pieces in the year.

6. Profit and loss of wealth management business and agency business

Wealth management business: As of the end of 2011, the Bank's wealth management products had a cumulative issue size of RMB420 billion, representing an increase of 463% on a year-on-year basis. The fee income of wealth management products was RMB189 million, representing an increase of 237% on a year-on-year basis.

Agency business: The size of fund and insurance agency business expanded steadily with an increasing percentage in fee-based business. The fund sales structure of the Bank was further optimized as compared

to the previous year and the sales of equity-based funds and bond funds with higher fee charge accounted for a higher percentage. The number of the customers who made regular investments further increased and the cumulative subscription volume under regular investment steadily grew from the previous year. Against the backdrop of the continuously falling overall market share of funds in China, the business size and market share of the Bank's fund business grew against the market trend and its market share in the fund market improved to 58%. The Bank saw a breakthrough in sales of newly-issued funds and the Ping An UOB Industry Leaders Equity Fund sold through the Bank reached RMB1.1 billion, which ranked the first among all distribution channels and reached the new highs in terms of channel sales during the same period. New premiums from the Bank's insurance agency business increased by around 25% from 2010 and the premiums from selling Ping An insurance products amounted to RMB1.322 billion, achieving good sales performance.

As of the end of December of 2011, the Bank had established stable business partnership with 95 financial institutions and achieved custody fee income of RMB52.83 million and net custody value of RMB68.6 billion, up 158% and 82% respectively from the end of 2010.

(VII) Risk management

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 directly 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 2011, in view of the complicated international and domestic economic and financial situations, the Bank adopted a series of measures to strengthen credit risk management.

(1) 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 in view of the change of the economic and financial situation and the macro regulatory policies and in accordance with the regulatory requirements. It also formulated credit policy guidelines for 15 major industries in accordance with the industry distribution of corporate credit business of the Bank to guide its subordinate institutions to keep on optimizing their credit structure. In 2011, the Bank continued to emphasize the development of supply chain finance business and small and medium enterprise ("SME") and retail credit business, continued to promote the "Green Credit" culture, 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.

(2) The Bank strengthened its compliance supervision to ensure strict implementation of the credit operating regulations. Through full implementation of the *Three Methods and One Guideline*, the Bank strengthened its organization management and regulation amendments. Quarterly examination of the related implementation ensured the operations such as loan disbursement and payment 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 to practically eliminate hidden risks. The Bank also strengthened its credit compliance supervision through monthly examination and report on bank-wide credit compliance supervision and continued to follow up non-compliance items and urge relevant units to make rectification. The Bank also promoted internal control examination system and internal control evaluation within departments to strengthen inspection on implementing operation regulations by credit staff of various levels, so as to ensure strict and effective implementation of credit system and process requirements.

(3) 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. 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 by asset protection department and with joint efforts of the headquarters and branches.

(4) The Bank strengthened its risk prevention in key areas. In 2011, the Bank further enhanced the specialized clean-up of local government financing platform loans, established the “name list policy” management system and carried out classification management of local government financing platform loans, thereby achieving the control target of percentage of local government financing platform loan portfolio. For real estate loans, the Bank continued to carefully execute its differentiated housing loan policy and strictly implemented the real estate loan risk regulatory requirements. 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.

(5) The Bank strengthened risk inspection to prevent large-sum credit risks. The Bank irregularly carried out credit business risk inspections, focusing on credit risks of local government financing platforms, real estate development enterprises, and industries with high energy consumption, high pollution and over capacity and resource-type industries, as well as the risks of SME loans, loans secured by land and loans to financing guarantee companies. The Bank formulated risk control measures for each credit customer with potential risk and strengthened monitoring by including them in the name list of key monitoring customers so as to prevent large-sum credit risk.

(6) The Bank centralized non-performing loans and dealt with them in a professional way to strive for recovery and disposal of non-performing loans. The Bank passed non-performing loans to Asset Protection Department on a timely basis for centralization and dealing with in a professional way. Asset Protection Department actively monitored and classified non-performing assets, formulated recovery strategy for each account by account and actively explored innovative disposal methods or ways to enhance the efficiency of recovering non-performing assets.

(7) The Bank put an emphasis on accountability in respect of non-performing assets to establish a good credit culture. The Bank set up the "Red/Yellow/Blue Card" penalty system and amended the administration measures on identifying accountability and holding 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.

(8) The Bank strived to build up its credit teams and enhance the credit management level. In view of business development and management requirements, the Bank adjusted and added key credit management officers at the headquarters and branches on a timely basis so as to facilitate allocation of risk management staff to regions and branches and for trade finance and micro finance businesses. The Bank also set up a system which required the credit approval staff at branches to be trained in rotation at the credit approval department at the headquarters to enhance loan approval level at branches. The Bank actively organized trainings for relationship managers and credit management personnel to raise their risk awareness and risk prevention capability.

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 it, and to offset the impact of volatility risk of financial instruments on the Bank. The Asset and Liability Management Committee of the Bank is responsible for formulating policies of market risk management and determining the targets of both market risk management and position limit on market risk. The Committee is also responsible for dynamically controlling business volume and structure, interest rate and liquidity. 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.

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 macroeconomic 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, and 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 2011, the liquidity in the Bank was ample and all important liquidity indicators reached or exceeded regulatory requirements. At the end of 2011, 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 resulting from defective internal procedures, errors or malpractice of Operations staff, and external events.

In 2011, the Bank focused on the objective of its best bank strategy and achieved “zero operation case”. By following requirements from CBRC such as Guidelines on the Operational Risk Management of Commercial Banks and taking measures such as strengthening internal control, enhancing the awareness and capability of risk prevention among bank staff, implementing strict accountability policy, etc., the Bank improved its capability and effectiveness of operational risk management in full scale. Details are shown below: (1) The Bank continued to construct a bank-wide operational risk management structure, strengthen three defense lines of “before the event, during the event, and after the event”, and fully implement the operational risk management. (2) The Bank accelerated construction of flow bank, implemented policies and risk control during the process and realized centralization of various key risk control measures. (3) The Bank established the internal control management system of Departmental Control Function Checklist (DCFC) within the Bank to strengthen the execution of internal control measures. (4) Based on the Bank’s existing accounting check and management, the Bank promoted the implementation of a general ledger proofing and reconciliation mechanism and set up general ledger proofing and reconciliation framework. (5) The Bank further improved and strengthened remote KRI (key risk indicators) monitoring, established KRI escalating reporting standards across the bank, and reported monitoring results on a regular basis. (6) The Bank continued to establish operations watch list reporting mechanism and adopted risk control measures such as prohibited access, conditional access and paying close attention based on the risk level. (7) The Bank fully implemented regulatory requirements in the Notice on Enhancing Efforts with Preventing Operational Risk (13 Rules) and CBRC Guidance on Operational Risk Management of Commercial Banks and carried out various inspections on operation risks. (8) The Bank strictly executed the requirements of the document “Notice on Red, Yellow and Blue Cards Penalty System” to strength the accountability mechanism, firmly establish the awareness of the staff of the Bank of incompliance and effectively enhance management and control of operation risks.

5. Other risks

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

The Bank continued to perfect the pragmatic and efficient compliance management structure. The headquarters and branches set up Case Prevention & Compliance Committees and independent compliance departments with professional compliance management personnel in place. The Compliance Department of the headquarters reported to the Audit Committee of the Board of Directors, Board of Supervisors and senior management on a regular basis. The Bank had established a sound organization and management system of case prevention, compliance and internal control.

In 2011, the Bank implemented Best Bank Strategy projects such as the “Red, Yellow and Blue Cards” penalty system, self assessment of internal control project (C-SOX), Departmental Control Function Checklist (DCFC) and risk heat map, fully sorted out the risk points and the control measures during the key business processes and enhanced risk prevention before the event, risk monitoring during the event and accountability for non-compliance after the event.. As a result, the internal control management level and risk prevention capability were enhanced within the Bank. Meanwhile, the Bank effectively implemented

various compliance risk identification and management activities in an orderly manner, including tracking and implementing new policies and regulations, policy planning management, identification and control of compliance risks of new products and new business, compliance review, "Woodpecker" action, related party transaction management and anti-money laundering. The management of compliance risk was integrated to the whole process of various operating and management activities. The Bank put an emphasis on the compliance culture publicity and education and carried out compliance publicity, education and training in various forms which had attracted active participation and high interaction. The Bank continuously organized a wide range of case prevention publicity and compliance culture building activities such as "10 thousand people's compliance in 1 thousand days", which had created a strong atmosphere of compliance culture and brought positive results within the Bank.

In respect of legal risk control, the Bank improved its legal review system and legal case management system to enhance the prevention, control and resolution of legal risks. 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. Meanwhile, the Bank engaged well-known legal firms in China as its external counsel for professional opinions about material legal affairs. The Bank continued to improve bank-wide management structure for legal affairs, and the headquarters enhanced the guidance to and management on branches' legal affairs, and thus effectively put the legal risks of various businesses under control.

(VIII) Institution expansion and employee management

1. Institution expansion status

As of the end of 2011, the Bank had 317 outlets in total (the closed outlets of Shenzhen branch included).

Below is a list of branches of the Bank (excluding headquarters, sequenced by asset size) at the end of the report period:

Name of branch	Address	Date of establishment	Number of outlets	Asset size (RMB million)	Staff number (including staff on contractual and dispatched basis)
Shanghai Branch	1351 Pudong Road S., Pudong, Shanghai	10 April 1998	30	123,168	1,339
Shenzhen Branch	No.7008, Shennan Road, Futian District, Shenzhen	17 April 2006	76	114,800	2,112
Beijing Branch	158 Fuxingmen Nei Dajie, Beijing	21 March 2000	26	101,128	1,173

Guangzhou Branch	66 Huacheng Avenue, New Pearl River City, Guangzhou	15 July 1994	23	85,734	1,133
Hangzhou Branch	36 Qingchun Road, Hangzhou	16 October 1998	15	49,310	860
Tianjin Branch	347 Nanjing Road, Nankai District, Tianjin	2 April 2001	16	43,974	671
Nanjing Branch	128, Shanxi Road, Gulou District, Nanjing	23 November 2000	15	35,179	738
Ningbo Branch	128 North Jiangdong Road, Jiangdong District, Ningbo	3 February 1999	10	31,059	592
Foshan Branch	5th Area, Foshan Media Center, Yuhe Road, Dongping New City, Foshan	27 December 1996	12	29,052	575
Dalian Branch	130 Youhao Road, Zhongshan District, Dalian	17 July 2000	9	26,500	488
Jinan Branch	13777 Jingshi Road, Lixia District, Jinan	11 November 2001	9	25,177	403
Chengdu Branch	206 Shuncheng Street, Chengdu	22 July 2002	10	23,199	455
Wenzhou Branch	Guoxin Building, Renmin Road E., Wenzhou	13 April 1999	7	23,194	456
Head office Branch	5047 Shennan Road E., Luohu District, Shenzhen	26 December 1997	1	22,533	171
Qingdao Branch	6 Hong Kong Road C., Qingdao	8 March 2002	9	22,504	416
Chongqing Branch	1 Xuetianwan Main Street, Yuzhong District, Chongqing	29 September 2000	12	19,364	439
Kunming Branch	450 Qingnian Road, Kunming City	28 October 2003	9	13,741	349
Yiwu Branch	223 Binwang Road, Yiwu	2 August 2002	5	11,532	172
Wuhan Branch	54 Zhongbei Road, Wuchang District,	23 November 2009	5	11,079	251

	Wuhan				
Zhuhai Branch	288, Hongshan Road, Xiangzhou District, Zhuhai	16 September 1996	7	10,212	260
Haikou Branch	22 Jinlong Road, Haikou	18 December 1995	8	9,800	316
Wuxi Branch	20 Beida Street, Wuxi	9 November 2010	1	4,145	119
Special Asset Management Center	1054, Bao'An Road S., Luohu District, Shenzhen	26 December 1997	1	482	61
SME Finance Department	5047 Shennan Road E., Luohu District, Shenzhen	13 November 2009	1	Assets are recorded at branches	
Total			317	836,866	13,549

Note: The number of outlets in the table is the number of business outlets with business licenses approved by regulatory authorities.

2. Information on employees

As of 31 December 2011, the Bank had 13,778 employees on contractual basis, among which 8,105 were in banking business lines (corporate banking, retail banking, credit card, Treasury and interbank, credit risk and auto finance), 3,879 in financial and operation lines, 1,065 in management and operation support functions (legal compliance, IT, human resources, senior management at the branches and at the headquarters and the outlet heads), and 729 in administrative and other functions (administration, management trainees, audit and others of the headquarters). Among the bank's employees on contractual basis, 75.9% of them had bachelor's degree or above, and 96.7% of them had associate degree or above. In addition, the Bank had 4,774 dispatched employees.

(IX) Operations of subsidiaries

Ping An Bank is a controlling subsidiary of the Bank and its operations are as follows:

1. Key data of the balance sheet and the income statement of Ping An Bank

(1) Assets and liabilities (RMB million)

Item	2011	2010	2009
Total assets	284,206	255,774	220,681
Total loans	150,740	130,798	107,562
Total deposits	210,260	182,118	149,065
Shareholders' equity	18,246	15,681	14,315

(2) Profit or loss (RMB million)

Item	2011	2010	2009
Operating income	8,571	6,366	4,282
Fee income	1,739	801	417
Net profit	2,409	1,753	1,105

(3) Key financial indicators (%)

Item	2011	2010	2009
Net interest spread	2.32%	2.18%	1.77%
Net interest margin	2.51%	2.30%	1.86%
Cost/income ratio	48.82%	52.87%	59.50%
Core capital adequacy ratio	9.10%	9.26%	10.87%
Capital adequacy ratio	11.10%	10.96%	13.05%
Loan/deposit ratio	71.69%	71.05%	70.27%
NPL ratio	0.37%	0.41%	0.46%
Provision coverage	295.74%	211.14%	155.96%
Net assets per share (RMB)	2.12	1.82	1.66

2. Asset quality

(1) Loan quality (RMB million)

	31 December 2011	31 December 2010
Normal	149,000	129,497
Special mention	1,183	768
Substandard	150	147
Doubtful	175	153
Loss	232	233
Total loans	150,740	130,798
Total non-performing loan	557	533
NPL ratio	0.37%	0.41%
Loan impairment provision balance	1,648	1,125
Provision coverage	295.74%	211.14%

In 2011, the non-performing loans of Ping An Bank slightly increased from RMB533 million in 2010 to RMB557 million in 2011. However, the NPL ratio decreased from 0.41% in 2010 to 0.37% in 2011. The loan quality continued to improve. Meanwhile, provision coverage ratio increased from 211.14% in 2010 to 295.74% in 2011.

(2) Capital adequacy ratio (RMB million)

	31 December 2011	31 December 2010
Net capital	22,249	18,551
Net risk-weighted assets	200,425	169,254
Capital adequacy ratio	11.10%	10.96%
Core capital adequacy ratio	9.10%	9.26%

As at 31 December of 2011, the capital adequacy and core capital adequacy ratio of Ping An Bank were 11.1% and 9.1% respectively, both of which outperformed regulatory standards.

3. Business highlights

(1) Retail business

- The deposit balance and loan balance amounted to RMB42.0 billion and RMB35.8 billion, representing a growth 37% and 11% respectively from the end of the previous year.
- Fee income amounted to RMB260 million, representing an increase of 313% from the end of the previous year.
- Bancassurance sales for the year amounted to RMB513 million, representing an increase of 54% from the end of the previous year and the fund sales for the year amounted to RMB1.2 billion, representing an increase of 140% from the end of the previous year.

- Integrated finance strategy delivered significant results, and new deposits generated from cross selling channels accounted for about 55% of the total.
- Financial services continued to improve with better service quality.
- Won 2011 Outstanding Financial Innovation Enterprise Award as a result of continued financial innovations
- The retail brand “New Unsecured Personal Loan” won several marketing prizes

In 2011, centering around the focus of “risk control, current approach solidification, skill improvement”, Ping An Bank retail banking line carried out risk management and control, optimized channel construction, strengthened educations of professional skills on retail staff , thus achieved rapid and healthy development for its retail business.

Rapid development of retail business, with business growth surpassing other banks

In 2011, all retail businesses saw diversified development. The Bank's deposits increased by 37%, surpassing the average level of seven national joint-stock banks which was 19%; loan growth was 11%, of which the disbursement of unsecured personal credit loans (UPL) amounted to approximately RMB4.0 billion; fee income was recorded at RMB260 million, an increase of 313%; bancassurance sales and funds sales saw substantial growth of 54% and 140% respectively compared with the end of the previous year; structure of loan-to-deposit ratio got optimized and loan-to-deposit ratio was 85.23% in 2011, representing 20 percentage point of improvement versus the previous year.

Significant results of integrated finance strategy, cross selling fueling up rapid growth of retail business

Continued pursuit of integrated finance strategy and rapid development of retail business through cross selling became the highlight of Ping An Bank’s retail growth. In 2011, greater cross selling channel contributed about 55% of new deposits acquired, and 60% of new loans were disbursed via cross selling channels..

Strengthened risk control to ensure healthy and stable development for retail business

In 2011, retail business strengthened the publicity of risk awareness and carried out risk control education and training across the Bank. In addition, the retail line also put risk control mechanism into place and improved the policies and procedures governing personal loan quality management and WM product sales management, thus effectively controlled false loans and exercised discipline upon sales behavior to ensure healthy and stable development of retail business.

Initial success in exploration and consolidation of channel-focused new banking models, steady improvement of sales management system

Substantial progress was made in exploration and consolidation of channel-focused new banking models, which was promoted and implemented throughout the Bank; sales management system was established and improved, and the establishment of sales teams delivered results, thus providing new impetus to the development of retail business.

Strengthened professional skill training upon staff, and staff expertise saw significant improvement

Continued efforts to strengthen professional skill training upon staff; In 2011, 1,318 training sessions were initiated with 33,751 person*time participation. The Bank strengthened its internal and external banking qualification license management by full execution of the job certification system in accordance with the requirements of the regulatory authorities. The training system for relationship managers and supervisors was initially formed. Retail line had been keeping to test the professional skills of retail staff through “five skills” contest, thus we saw obvious improvement in comprehensive quality and professional skills/expertise of the retail staff.

Continue service quality improvement focusing on customer experience and feelings

Retail line of the Bank adhered to customer-focused concept and has been providing customers with excellent services. The bank focused on customer experience and feelings and set a series of service indicators, continued to use third party organizations to carry out satisfaction surveys, build a service monitoring and improvement platform in order to continue enhancing the quality of service, optimized the unified complaints management mechanism, developed emergency response mechanism, thus improved the

efficiency of complaint handling and enhanced customer satisfaction.

Successful launch of new core system and Card Group project at the Bank has enabled the capacity to issue millions of bank cards, laying a solid foundation for long-term development of the retail business and meeting the service needs of more customers.

Won the award of 2011 outstanding financial innovation enterprise on the basis of continued adherence to financial innovations

Ping An Bank adhered to the concept of financial innovation and launched a number of innovative products and services to better meet customer needs: in the second half of 2011, the “six open” project (i.e. bundled online banking, e-banking, credit pre-authorization, and assessment of risk tolerance and credit card application when opening the debit card account) were piloted in 10 branches in Shanghai and Shenzhen; wealth E account was developed, thus sales platform of financial products was further diversified; remote machines were installed in Shanghai, Shenzhen, Dongguan in order to facilitate account opening procedures. With outstanding innovation ability, the Bank was awarded the 2011 Outstanding Enterprise of Financial Innovation by Qianhai Lundao Forum.

Retail sales and marketing continued to win awards

Unsecured personal credit loans saw strong and had now become a well-known product in personal credit loan market and won several sales and marketing awards, including the 2011 Effie China Awards, 2011 China Outstanding Marketing Award and the Annual Marketing Innovation Award by 2011 Adworld Awards.

(2) Credit card business

- Total cards in force exceeded 5 million and total trading volume increased by 43%;
- High-end credit cards including platinum credit cards and car owner credit cards accounted for 21% of new card issuance; tailored Ping An I Car Credit Card for auto insurance channels;
- Account receivables at the end of the year exceeded RMB15 billion, proving significant increase of profitability of credit card portfolio;
- In 2011, profit before tax of Ping An Bank credit card increased by 155 times from 2010.

In 2011, Ping An Bank issued 720,000 cards in total, and accumulated cards in force at the end of the year exceeded 5 million. In September 2011, Ping An Bank launched Ping An I Car Credit Card targeting the rapidly expanding Ping An telephone auto insurance customer base. With superior product design and highly attractive fuel promotions, Ping An credit card was able to expand its market share and competitive advantage of its products among private car owners, a high-value, high growing customer segment.

In 2011, in order to meet the needs of two bank business integration, credit card line actively made adjustments on channels and product portfolio, and continued efforts on customer segmentation, merchants acquisition, and installment /revenue product penetration, and saw significant growth in single account profitability and overall profitability. Total transaction amount of the year was RMB90.0 billion, a year-on-year growth of 43%. According to CUP inter-bank transaction data, POS consumer market share of Ping An credit card was 2.19%:

In 2011, Ping An Bank speed up the issuance of platinum credit cards and car owner cards, and the number of newly issued above two kinds of cards accounted for 21% of the new card issuance for the year, and 48% of new card issuance from Life insurance channel. Ping An platinum credit card delivered good performance in several spending indicators, with spending volume per active platinum card 14 times of the average level for full bank credit cards, and significant contribution in terms of per card spending volume versus other cards. Following credit cards issuance to auto insurance customers jointly launched by Ping An Bank and New Channel of Ping An P&C Insurance, Ping An Bank officially launched an exclusive credit card for this segment – Ping An I Car Credit Card. Following the concept of “safe, convenient and economical”, PAB offered value-added services for fuel refilling, customer travel safety and auto insurance claims account to provide customers with new card spending and integrated finance services experience.

In 2011, Ping An credit card continued to promote credit card spending at merchants offering preferential treatments, including fuel refilling card spending promotion (3% off for using Ping An card to refill), 5% for card spending in supermarkets (spend RMB100 to get a discount of RMB5 by using Ping An card),

half-price movie tickets by using Ping An card. Such activities had taken root in all card issuing cities in the country and achieved outstanding results in the fierce credit card promotions in different areas in the country. Active rate Ping An credit cards increased significantly. In 2011, PAB realized the connection with major third parties via online payment platform, including Alipay quick payment and CUP CNP payment, and online credit card payment amount increased by 833% compared with the previous year.

In 2011, the overall credit card installment became automatic, and the low-cost messaging and network marketing model covered main installment products. The Bank developed various special installment products featured different characteristics to meet market demand, leading to rapid growth of installment scale, and installment transactions volume growth of 144%, which generated high profits. In 2011, phase one of PCT project was successfully launched, thus enabling the differentiated price in cash withdrawal fee charges. The project will get further upgraded so as to set customized fee charging standards and differential risk-based pricing standards in various charging and service functions, say grace period, cash withdrawal quota, fees and interest rates,, and thus offer an optimized solution for achieving our strategic profit target. In 2011, Credit Card co-operated with Ping An Property and Casualty Insurance and Ping An Life Insurance, enhanced the accuracy and success rate of active marketing by way of the establishment of cross-selling model, development of new cooperation merchants, and diversification of product type, and effectively improved profitability, leading to an increase of 85% in sales revenue.

The account receivables of credit card at the end of the year exceeded RMB15.0 billion, increased by 43% over the previous year; profitability of credit card portfolio increased significantly. In 2011, profit before income tax of Ping An Bank credit card was RMB440 million, increased by 155 times compared to 2010. Under the rapid growth of account receivables and the continued growth of return on assets, asset quality continued to improve. At the end of the year, non-performing rate was 1.30%, decreased by 0.49 % compared to the end of 2010.

4. Outlets, employees

The Bank is headquartered in Shenzhen. As of 31 December 2011, the Bank had outlets in Shenzhen, Shanghai, Fuzhou, Quanzhou, Xiamen, Hangzhou, Guangzhou, Dongguan, Huizhou and Zhongshan, with a total of 10 branches and 78 outlets.

As of 31 December 2011, the Bank had 5,602 contract employees. Among them, 65.56% have bachelor degrees or higher, 95.08% have received college education or higher. In addition, the Bank has 182 dispatched and reemployed employees.

(X) Others

1. 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 estimating 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** when available. If quoted Mark to Market price are 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 value. If quoted Mark-to-Market prices are 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 approximately equal 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 deposits.

2. Items measured by fair value

The Group

(In RMB million)					
Item	Beginning-of-period amount (SDB Individual figures)	End-of-period amount (Consolidated figures)	Gains or losses from changes in fair value during the period (Consolidated figures)	Cumulative fair value changes recognized in equity (Consolidated figures)	Impairment provision during the period (Consolidated figures)
1. Assets					
Financial assets measured at fair value with changes calculated into loss/profit in the period	-	2,608	14		
Derivative financial assets	372	811	419		
Available-for-sale financial assets	31,534	78,383		399	
Total assets	31,906	81,802	433	399	
2. Financial liabilities					
Derivative financial liabilities	312	732	412		
Total liabilities	312	732	412		

The Company

(In RMB million)					
Item	Beginning-of-period amount	End-of-period amount	Gains or losses from changes in fair value during the period	Cumulative fair value changes recognized in equity	Impairment provision during the period
1. Assets					
Financial assets measures	-	2,512	16	0	

at fair value with changes calculated into loss/profit in the period					
Derivative financial assets	372	787	415	0	
Available-for-sale financial assets	31,534	48,293	0	172	
Total assets	31,906	51,592	431	172	
2. Financial liabilities					
Derivative financial liabilities	312	715	403		
Total liabilities	312	715	403		

3. Analysis of items with over 30% change in comparative financial statements

The Company

Name of item	Percentage of change	Reasons for change
Cash and placement due from the Central Bank	56.61%	Increase in required reserve
Precious metal	-100.00%	Small base number, has been cleared up in the reporting period
Due from banks and other financial institutions	80.04%	Inter-bank business structure adjustment
Financial assets measured at fair value with changes calculated into current period loss/profit	-	Small base number, investment structure adjustment
Derivative financial assets	111.64%	Increase in foreign exchange forward contract business
Reverse repurchase agreements	-70.57%	Inter-bank business structure adjustment
Accounts receivable	1113.78%	Small base number, increase in the scale of agency business
Interest receivable	162.33%	Increase in the scale of assets, interest rate hike
Available-for-sale financial assets	53.14%	Investment structure adjustment
Held-to-maturity investments	36.27%	Investment structure adjustment
Long-term equity investment	6630.18%	New additional investment in the interest of Ping An Bank
Intangible assets	36.24%	Increase in software development
Deferred income tax assets	33.34%	Increase in deferred tax assets arising from required reserve
Other assets	61.79%	Increase in bond settlement receivables
Due to PBOC	-61.51%	Decrease in the scale of rediscount financing
Due to other banks and financial institutions	52.13%	Inter-bank business structure adjustment
Funds borrowed from other financial institutions	294.67%	Inter-bank business structure adjustment
Derivative financial liabilities	129.46%	Small base number, increase in the scale of foreign exchange forward contract

		business
Repurchase agreements	57.53%	Inter-bank business structure adjustment
Employee compensation payables	58.22%	Accrued employee expenses at year end
Tax payable	85.32%	Income growth, increase in effective tax rate
Accounts payable	1213.42%	Small base number, increase in the scale of agency business
Interest payable	98.19%	Increase in the scale of liabilities, interest rate hike
Bonds payable	38.66%	New issuance of RMB3.65 billion hybrid bonds
Predicted liabilities	622.68%	Small base number
Deferred income tax liabilities	326.17%	Increase in available-for-sale financial assets/liabilities
Other liabilities	216.66%	Increase in bond settlement payables and other amounts pending settlement
Equity	47.01%	Non-public issuance of shares leading to increase in equity
Capital reserve	210.78%	Non-public issuance of shares leading to increase in capital reserve
Surplus reserve	48.01%	Profit distribution
General risk provision	33.07%	Accrued provision
Undistributed profit	74.12%	Increase in profit in the current year
Interest income	69.52%	Increase in the scale of interest-bearing assets and interest rate hike
Interest expense	120.42%	Increase in the scale of interest-bearing liabilities and interest rate hike
Fee and commission income	67.93%	Increase in fees income for settlement, Wealth Management, agency and banking card, etc.
Fee and commission expenses	40.48%	Increase in fees expenses for agency, banking card, etc.
Gains from changes in fair value	141.47%	Fair value changes of derivative financial instruments such as interest rate swaps
Business taxes and surcharges	61.85%	Increase in taxable business revenue
Non-operating expense	94.94%	Small base number
Income tax expenses	47.78%	Increase in income tax payable, increase in effective tax rate

Note: This was the first year where the Group prepared the consolidated annual report. The statement figures as at the end of the reporting period were consolidated figures of the Group. The comparative figures of the previous period were individual figures. Therefore, the change of the figures of the consolidated statements was significant. This table set out the reasons for the change in the individual statements of the Company for clarification.

(XI) Outlook for 2012

In 2012, the Bank will continue to focus on the objective of its best bank strategy and complete the merger with Ping An Bank so as to complete the structure, personnel, policy and system integration between the two banks. The Bank will promote the regional reform to optimize the organizational structure and operational mechanism and improve management efficiency. The Bank will also improve asset-liability management capabilities, enhance portfolio management and cost control, and improve the efficiency of the use of funds and the per capita, per outlet productivity and further develop its various strategic businesses and gain its market share.

1. Corporate business

Strengthen the sales process management, identify target markets and target customers, promote the customer tiering strategy. In trade finance business and products, expand upstream and downstream business of the supply chain finance, focus on the development of new channels and new customer base, and consolidate the customer base for the building of online supply chain finance. Develop optimized & application products, improve the customer experience, develop good industry solutions, increase effective customers and effective business. Actively promote cross-selling in the three levels of corporate business, corporate and retail, bank and other subsidiaries of Ping An Group. Leverage integrated financial advantages and focus on enhancing co-operation with Ping An Group's subsidiaries such as property & casualty, annuity, trust, funds, and asset management, based on the combination of "cross-selling + investment bank + custody + bank business with competitive advantage", promote income growth of bank corporate finance, custody, deposit and fee-based business.

2. Retail business

Customer business strategy. In 2012, the retail business line will make full use of the resources of Ping An Group and various business segments within the bank and based on the integration of resources and the synergistic development of consumer business development direction to build a consumer business synergistic operation platform, acquire customers by segmentation, implement layered management, unify customer value proposition, collaborate product development and product portfolio and launch joint branding and marketing activities, and promote organized, planned, systematic implementation of the "one customer, multiple products" integrated business strategy, thus ensuring the healthy and rapid development of our retail business.

Products and operational services strategy. Enhance product functions of basic trading products such as debit cards, online banking, phone banking, ATMs, third-party custody and payroll and optimize transaction service process to enhance customer satisfaction. Actively develop the wealth management business, continue to implement sound development strategy, enhance development of wealth management products for mid-to-high-end customers, and enrich product range, design product portfolio and combined with channel characteristics provide special product package for the convenience of the customers. Actively develop the non-secured consumer loans and small and micro enterprises loans, optimize the loan structure, and improve business profitability.

Channel strategy. Implement strategy of allocation of resources around channels, gradually improve customer acquisition, nurture, management and retention based on channel and improve the capability of value creation through professionalism. Establish the retail cross-selling channel targeted at exploration of the customer resources of Ping An Group; accelerate the migration processes of the customers of the Group; establish industry channels in respect of development & maintenance of customers of third-party custody, payroll services, and housing mortgage, and improve the ability of batch customers marketing; establish wealth management channels, accelerate the building of a team of wealth management managers and mid-to-high-end wealth management consultants to enhance customer management & service capabilities. Establish a retail sales system based on basic law for sales force appraisal, further reinforce the standardization of front-line sales operating model and improve the per capita productivity.

3. Treasury & Inter-bank business

Strengthen structural adjustment, and further enrich the product line to enhance the ranking of various trades; based on Hang E-Tong (Inter-bank E- Express) platform and combined with the resource advantages of Ping An Group to actively promote the channel construction, and promote product sales and cross-selling, in order to continue to improve profitability and enhance customer loyalty and contribution.

Accelerate the building of the Shanghai Treasury Trading Center, while making full use of the location advantages of Shanghai as an international financial center and Ping An Group's resources to strengthen the talent team building and interbank exchange. Introduce the advanced experience and models of counterparts to improve all types of investment and agency business platforms and enrich the variety of businesses. Make the Treasury Trading Center China's top-tier trading center and fund pricing center, and strive to make the Trading Center one of the pillars in inter-bank business profit growth within three years.

Continue to improve product development and design capability, and explore customer potential in business including wealth management, foreign exchange, precious metals. Strengthen product innovation and continue to introduce products that meet market needs, and gradually increase the market competitiveness of products of the Bank.

4. Micro Finance

Establish the organization structure for Micro Finance business development by using integrated financial platform and effectively integrating internal and external resources and channels, coupled with flexible and efficient human resource management and incentives, competitive business strategies, , advanced micro IT system, as well as standardized, professional and process-oriented mode of operation.

5. Credit card business

Strengthen channel construction, precise marketing, improve the market share of issuing volume and trading volume, and expand the core customer base. Further strengthen risk prevention and management capabilities, improve asset quality, while continue to tap the revenue growth potential of value-added services to further expand business profitability

6. Risk management

Establish risk information platform throughout the Bank, strive to create the credit culture of “good faith compliance, due diligence”; optimize credit staff qualification management and be strict with credit staff qualification acceptance & exit management.

At the same time, sort out the integrated legal collection & management for asset protection and clarify the non-performing asset recovery responsibilities; implement the monitoring of new non-performing assets recovery, accelerate the recovery & mitigation of new non-performing assets and push the whole bank to fulfill the task related to non-performing assets recovery, disposal and write-off etc; improve the HQ/branch coordination mechanism in the case of emergencies and enhance rapid intervention; meet the challenges of the changing business environment and explore moving asset protection forward.

Chapter 5 Changes in Shares and Shareholders

I. Changes in shares

1. Table of changes in shares

(Unit: Shares)

Share type	Before change		Change (+, -)				After change	
	Quantity	%	Restricted shares released from restriction	Changes of lock-up shares held by senior management	Share transfer and non-public offering	Subtotal	Quantity	%
I. Restricted shares	379,655,251	10.89		-161	1,638,336,654	1,638,336,493	2,017,991,744	39.39
1. Held by the state								
2. Held by the state legal person								
3. Held by other domestic investors	379,655,251	10.89		-161	1,638,336,654	1,638,336,493	2,017,991,744	39.39
Including: held by domestic non-state legal persons	379,636,476	10.89			1,638,336,654	1,638,336,654	2,017,973,130	39.39
Held by domestic natural persons	18,775	Approximately 0.00		-161		-161	18,614	Approximately 0.00
4. Held by foreign investors								
Including: held by foreign legal persons								
Held by foreign natural persons								
II. Unrestricted shares	3,105,358,511	89.11		161		161	3,105,358,672	60.61
1. Ordinary RMB shares	3,105,358,511	89.11		161		161	3,105,358,672	60.61
2. Domestically listed foreign shares								
3. Overseas listed foreign shares								
4. Others								
III. Total shares	3,485,013,762	100.00		0	1,638,336,654	1,638,336,654	5,123,350,416	100.00

Note: 1. During the reporting period, the Company issued 1,638,336,654 new shares to China Ping An Insurance (Group) Co., Ltd. through non-public offering, all of which were restricted shares. Total shares of the Bank increased by 1,638,336,654 shares to 5,123,350,416 shares and the restricted shares increased by 1,638,336,654 shares.

2. During the reporting period, restricted shares decreased by 161 shares and unrestricted shares increased by 161 shares accordingly due to the decrease of 161 shares subject to the supervisors of the Company.

2. Table of changes in restricted shares

(Unit: Shares)

Name of shareholder	Restricted shares at the beginning of year	Restricted shares released in the year	Restricted shares increased in the year	Restricted shares at the end of year	Reason for restriction	Date of release
Ping An Insurance (Group) Company of China. Ltd. – the Group – Proprietary fund	0	0	1,638,336,654	1,638,336,654	Non-public offering	2014-8-5
Ping An Life Insurance Company of China, Ltd. – proprietary fund	379,580,000	0	0	379,580,000	Non-public offering	2013-9-17
Shenzhen SDG Communications Development Company	40,903	0	0	40,903	Restricted shares from share reform	
Shenzhen Tourism Association	11,033	0	0	11,033	Restricted shares from share reform	
Shenzhen Futian District Agriculture Development Service Company Yunnan Agriculture Machine Trading	4,540	0	0	4,540	Restricted shares from share reform	
Total	379,636,476	0	1,638,336,654	2,017,973,130		

Note: 1. Restricted shares held by Shenzhen SDG Communications Development Company, Shenzhen Tourism Association and Shenzhen Futian District Agriculture Development Service Company Yunnan Agriculture Machine Trading matured on 20 June 2008, but relevant shareholders had not entrusted any company to apply for handling restricted share release formalities.

2. The data in the above table do not include the 18,614 lock-up shares held by directors, supervisors and senior management.

II. Securities issuance and listing

1. Securities issuance by the Bank within the three years as of the end of the reporting period

Upon deliberation and approval at the 16th meeting of the 7th Board of Directors of the Bank and the 2nd Extraordinary General Meeting held in 2009 and with the approval of relevant regulatory authorities, the Bank issued 379,580,000 new shares to Ping An Life Insurance Company of China, Ltd (Ping An Life) via non-public offering in 2010 at the issuance price of RMB18.26 per share and hence raised the fund of RMB6,931,130,800 in total, which would all be used to replenish its capital after the deduction of the relevant issuance expenses. These non-public offering shares were listed on 17 September 2010. They are not allowed to be transferred within 36 months after the date of listing. However, any share transfer between Ping An Life and its related parties (including the controlling shareholder and beneficial controller of Ping An Life and other parties under common control of the beneficial controller of Ping An Life) is not restricted by this stipulation providing such share transfer is permitted by law and approved by relevant regulatory authorities.

Upon deliberation and approval at the 27th meeting of the 7th Board of Directors of the Bank and the 1st Extraordinary General Meeting held in 2010 and with the approval of relevant regulatory authorities, the Bank issued 1,638,336,654 shares to China Ping An Insurance Group Co., Ltd (China Ping An) via non-public offering during the reporting period to acquire 7,825,181,106 shares of Ping An Bank held by China Ping An and raise RMB2,690.0523 million from China Ping An at the issuance price which was the average trading price of the shares of the Company of the 20 trading days prior to the pricing benchmark date, namely RMB17.75 per share. These new shares were listed on 5 August 2011. The shares subscribed by China Ping An during the non-public offering are not allowed to be transferred within 36 months and the

time for listing and trading will be 5 August 2014. However, any share transfer between the related parties of China Ping An, namely any person which directly or indirectly controls China Ping An, or any person under direct or indirect control of China Ping An or any person which is under common control of the controller of China Ping An) is not restricted providing such share transfer is permitted by applicable laws.

2. Changes in the total number and structure of shares of the Bank during the reporting period

During the reporting period, the Bank issued 1,638,336,654 new shares to Ping An via non-public offering and all of them were restricted shares. The total number of the shares of the Bank increased by 1,638,336,654 shares to 5,123,350,416 shares and the restricted shares increased by 1,638,336,654 shares to 2,017,991,744 shares. Please refer to the table on changes of shares for the change in the structure of shares.

As of the end of the reporting period, owners' equity of the Bank increased by RMB38.941 billion to RMB72.138 billion, representing an increase of 117.30% compared to the end of the previous year.,

3. The Bank has no internal staff share

III. Descriptions of shareholders

1. Number of shareholders and their shareholding status

(Unit: Shares)

Total number of shareholders at end of reporting period	272,946		Total shareholders by end of a month prior to release of the annual report		269,579	
Shareholding of top 10 shareholders						
Name of shareholder	Nature of shareholder	Share holding (%)	Total shares held	Changes during the reporting period	Number of restricted shares held	Shares pledged or frozen
Ping An Insurance (Group) Company of China. Ltd. – the Group – proprietary fund	Domestic legal entity	42.16	2,159,807,516	1,638,336,654	1,638,336,654	0
Ping An Life Insurance Company of China, Ltd. – proprietary fund	Domestic legal entity	7.41	379,580,000	-	379,580,000	0
Ping An Life Insurance Company of China, Ltd. – traditional – ordinary insurance product	Domestic legal entity	2.75	140,963,528	-	0	0
China Electronics Shenzhen Company	Domestic legal entity	1.71	87,382,302	80,000	0	0
China Life Insurance Co., Ltd – Dividend – Individual dividend-005L-FH002 Shenzhen	Domestic legal entity	1.24	63,504,416	-	0	0
Haitong Securities Co., Ltd.	Domestic legal entity	0.93	47,627,807	1,160,914	0	0
Bank of China – Efund Shenzhen Stock Exchange 100 Index Open-ended Securities	Domestic legal entity	0.80	40,974,747	6,630,577	0	0

Investment Fund						
National Social Security Fund – Group 110	Domestic legal entity	0.72	36,841,510	-3,484,622	0	0
China Life Insurance Co., Ltd. – traditional – ordinary insurance products-005L-CT001 Shenzhen	Domestic legal entity	0.61	31,499,998	-	0	0
Agricultural Bank of China — FullGoal Tianrui Favorable Regions Select Hybrid Open-ended Securities Investment Fund	Domestic legal entity	0.59	30,091,494	1,500,000	0	0
Shareholding of top 10 unrestricted shareholders						
Name of shareholder			Number of unrestricted shares held		Type of shares	
Ping An Insurance (Group) Company of China. Ltd. – fund owned by the Group – proprietary fund			521,470,862		RMB ordinary shares	
Ping An Life Insurance Company of China, Ltd. – traditional – ordinary insurance product			140,963,528		RMB ordinary shares	
China Electronics Shenzhen Company			87,382,302		RMB ordinary shares	
China Life Insurance Co., Ltd – Dividend – Individual dividend-005L-FH002 Shenzhen			63,504,416		RMB ordinary shares	
Haitong Securities Co., Ltd.			47,627,807		RMB ordinary shares	
Bank of China – Efund Shenzhen Stock Exchange 100 Index Open-ended Securities Investment Fund			40,974,747		RMB ordinary shares	
National Social Security Fund – Group 110			36,841,510		RMB ordinary shares	
China Life Insurance Co., Ltd. – traditional –ordinary insurance product-005L-CT001 Shenzhen			31,499,998		RMB ordinary shares	
Agricultural Bank of China – FullGoal Tianrui Favorable Regions Select Hybrid Open-ended Securities Investment Fund			30,091,494		RMB ordinary shares	
Industrial and Commercial Bank of China Limited – Southern Select Equity Securities Investment Constituent Fund			28,789,867		RMB ordinary shares	
Explanation on the associated relation and concerted action of the above shareholders	1. Ping An Life Insurance Company of China, Ltd. is a subsidiary company controlled by Ping An Insurance (Group) Company of China. Ltd. and both are parties acting in concert; Ping An Insurance (Group) Company of China. Ltd. – fund owned by the Group - proprietary fund”, “Ping An Life Insurance Company of China, Ltd. - proprietary fund” and “Ping An Life Insurance Company of China, Ltd. – traditional – ordinary insurance product” are related parties. 2. Both “China Life Insurance Co., Ltd– dividend–individual dividend-005L-FH002 Shenzhen” and “China Life Insurance Co., Ltd– traditional–ordinary insurance products 005L-CT001 Shenzhen” are insurance products of China Life Insurance Co., Ltd. 3. The Bank is not aware of the relationship or concerted action between any of other					

shareholders.

2. Controlling shareholders

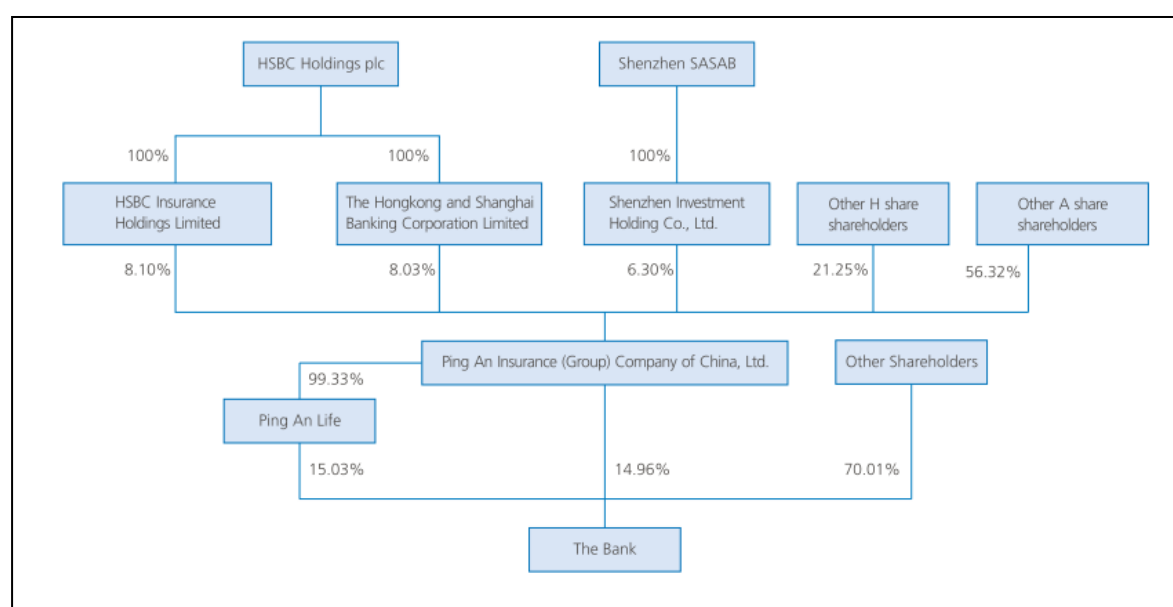
As at the end of the reporting period, China Ping An and its controlled subsidiary Ping An Life, held 52.38% of the shares of the Bank in aggregate and they were the controlling shareholders of the Bank.

China Ping An was established on 21 March 1988, and is an A-share and H-share listed company. Its registered office is situated at the 15th, 16th, 17th and 18th floor of Xinghe Development Center, Fuhua Third Road, Futian Central District, Shenzhen, Guangdong. Its organization code certificate is 10001231-6. The company's registered capital is RMB7,916,142,092 and its legal representative is Ma Mingzhe. Its scope of business is investment in insurance enterprises; supervision and management of various domestic and international businesses of the controlled subsidiaries, carrying out insurance fund application business, and domestic & oversea insurance business as approved as well as other businesses as approved by China Insurance Regulatory Commission and the related state departments.

China Ping An is a leading integrated financial group in China. Leveraging the integrated structure of integrated finance and the localization advantage and practicing the corporate governance based on international standards, it provides insurance, banking and investment services for over 60 million customers.

Ping An Life was registered at State Administration for Industry and Commerce of the People's Republic of China on 17 December 2002. The registered office is situated at the 9th, 10th and 11th floor of Xinghe Development Center, Fuhua Third Road, Futian Central District, Shenzhen. Its organization code certificate is 71093073-9. The company's registered capital is RMB33.8 billion and its legal representative is Lee Yuansiong. The company's scope of business is: accepting various personal insurance business in RMB or foreign currencies, including various life insurances, health insurances, accident injury insurances and other insurance businesses; handling reinsurance of the above businesses; handling various statutory personal insurances; acting as an agent for domestic and foreign insurance institutions to carry out examinations, claims and other relevant matters entrusted thereby; carrying out fund application business according to the relevant laws and regulations and other businesses as approved by China Insurance Regulatory Commission.

The controlling relationship between China Ping An and Ping An Life and the Bank is as follows:



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

Name of the new controlling shareholder	Ping An Insurance (Group) Company of China, Ltd.
Date of the change of the new controlling shareholder	20 July 2011
Publication date of the change of the new controlling shareholder	29 July 2011
Media on which the change of the new controlling shareholder is published	<i>Securities Times, China Securities Journal, Shanghai Securities News, Securities Daily</i> and the cninfo website (www.cninfo.com.cn)
Name of the new actual controller	Not applicable
Date of the change of the new actual controller	Not applicable
Publication date of the change of the new actual controller	Not applicable
Media on which the change of the new actual controller is published	Not applicable

On 30 September 2010, proposals including Proposal of Shenzhen Development Bank Co., Ltd. on Asset Purchase by Issuing Shares were reviewed and approved at the 1st extraordinary general meeting of the Bank in 2010, pursuant to which China Ping An planned to use its 7,825,181,106 shares of Ping An Bank (approximately 90.75% of Ping An Bank's total share capital) and RMB2,690.0523 million in cash (equivalent to the assessed value of approximately 9.25% of Ping An Bank's shares) to subscribe 1,638,336,654 shares of the Bank by non-public offering ("this Material Asset Restructuring").

On 28 June 2011, the Bank received from CSRC "Approval relating to the Acquisition of Assets by Shenzhen Development Bank Co., Ltd. through Issue of Shares to Ping An Insurance (Group) Company of China, Ltd." (Zheng Jian Xu Ke [2011] No. 1022), pursuant to which CSRC approved the Bank to issue 1,638,336,654 shares to China Ping An to acquire 7,825,181,106 shares of Ping An Bank held by it and raise fund of RMB2,690.0523 million from it. Such approval shall be valid for a period of 12 months from the date of approval. On 8 July 2011, the transfer of the equity interest of the related assets completed through Shenzhen United Property and Share Rights Exchange and the holder of the equity interest changed to the Bank. On 18 July 2011, China Ping An transferred RMB2,690.0523 million in cash to the bank account maintained at Bank of China by the Bank. The payment of the aforesaid fund was verified by Ernst & Young Hua Ming and a verification report (An Yong Hua Ming (2011) Yan Zi Di No. 60438538_H01) was issued. The registration of the 1,638,336,654 RMB denominated ordinary shares issued by non-public offering completed on 20 July 2011 and a security registration confirmation was issued by China Securities Depository and Clearing Corporation Limited Shenzhen branch.

Upon completion of the Major Asset Restructuring of the Bank, the total capital of the Bank increased to 5,123,350,416 shares and China Ping An and Ping An Life, a controlled subsidiary of China Ping An, held 52.38% of the shares of the Bank in aggregate and they became the controlling shareholders of the Bank.

Ping An Bank also became a controlled subsidiary of the Bank.

For other specific matters concerning the Major Asset Restructuring, please refer to the relevant announcements published by the Bank and the relevant information disclosure parties on *Securities Times*, *China Securities Journal*, *Shanghai Securities News*, *Securities Daily* and the cninfo website (www.cninfo.com.cn) on 2 September 2010, 15 September 2010, 8 October 2010, 29 June 2011, 30 June 2011, 29 July 2011 and 4 August 2011.

Chapter 6 Information on Directors, Supervisors, Senior Management and Staff

I. Brief introduction

Name	Position	Gender	Year of birth	Office Tenure	Shares held at year start	Shares held at year end	Changes in shares held and reason
Xiao Suining	Executive Director, Chairman of BoD	M	1948	2010.12-Reelection			
Richard Jackson	Executive Director, President	M	1956	Director: 2010.12-Reelection President: 2010.6-			
Wang Liping	Non-executive Director	F	1956	2010.12-Reelection			
Yao Bo	Non-executive Director	M	1971	2010.12-Reelection			
David Ku	Non-executive Director	M	1974	2010.12-Reelection			
So Lan Ip	Non-executive Director	F	1956	2010.12-Reelection			
Li Jinghe	Non-executive Director	M	1955	2010.12-Reelection			
Wang Kaiguo	Non-executive Director	M	1958	2010.12-Reelection			
Hu Yuefei	Executive Director, Vice President	M	1962	Director: 2010.12-Reelection Vice President: 2006.5-	1484	1484	-
Chen Wei	Executive Director, Vice President & Chief Financial Officer	F	1959	Director: 2010.12-Reelection Vice President & Chief Financial Officer: 2010.6-			
Lu Mai	Independent Director	M	1947	2010.12-Reelection			
Liu Nanyuan	Independent Director	M	1949	2010.12-Reelection			
Duan Yongkuan	Independent Director	M	1949	2010.12-Reelection			
Xia Donglin	Independent Director	M	1961	2010.12-Reelection			
Chu Yiyun	Independent Director	M	1964	2010.12-Reelection			
Ma Lin	Independent	M	1953	2011.5-Reelection			

	Director						
Chen Yingming	Independent Director	M	1964	2011.5-Reelection			
Liu Xueqiao	Independent Director	M	1951	2011.5-Reelection			
Qiu Wei	Shareholder Representative Supervisor, Chairman of BoS	M	1962	2010.12-Reelection			
Luo Kangping	External Supervisor	M	1954	2010.12-Reelection			
Xiao Lirong	External Supervisor	F	1962	2010.12-Reelection			
Che Guobao	Shareholder Representative Supervisor	M	1949	2010.12-Reelection			
Wang Lan	Employee Supervisor	F	1970	2010.12-Reelection	215	215	-
Wang Yi	Employee Supervisor	M	1975	2010.12-Reelection	24560	24560	-
Cao Lixin	Employee Supervisor	M	1968	2010.12-Reelection			
Feng Jie	Vice President	M	1957	2010.12-			
Wu Peng	Vice President	M	1965	2011.8-			
Xu Jin	BoD Secretary & Chief Legal Officer	M	1966	BoD Secretary: 2005.5- Chief Legal Officer: 2009.8-			

II. Directors' attendance at BoD meetings

Name	Position	No. of scheduled attendance	Actual presence	Attendance in the manner of telecommunication	Attendance by proxy	Absence	Failure to attend personally for two consecutive times
Xiao Suining	Executive Director, Chairman of BoD	9	6	3	0	0	No
Richard Jackson	Executive Director, President	9	6	3	0	0	No
Wang Liping	Non-executive Director	9	6	3	0	0	No
Yao Bo	Non-executive Director	9	6	3	0	0	No
David Ku	Non-executive Director	9	5	3	1	0	No
So Lan Ip	Non-executive Director	9	5	3	1	0	No
Li Jinghe	Non-executive Director	9	6	3	0	0	No
Wang Kaiguo	Non-executive Director	9	6	3	0	0	No
Hu Yuefei	Executive Director, Vice President	9	5	3	1	0	No
Chen Wei	Executive Director, Vice President & Chief Financial Officer	9	6	3	0	0	No
Lu Mai	Independent Director	9	6	3	0	0	No
Liu Nanyuan	Independent Director	9	5	3	1	0	No
Duan Yongkuan	Independent Director	9	6	3	0	0	No

Xia Donglin	Independent Director	9	6	3	0	0	No
Chu Yiyun	Independent Director	9	6	3	0	0	No
Ma Lin	Independent Director	4	2	2	0	0	No
Chen Yingming	Independent Director	4	2	2	0	0	No
Liu Xueqiao	Independent Director	3	1	2	0	0	No

Notes:

Director So Lan Ip was unable to attend the 3rd meeting of the 8th Board of Directors, and she delegated Director Chen Wei to exercise the voting rights on her behalf;

Director David Ku was unable to attend the 5th meeting of the 8th Board of Directors, and he delegated Director Wang Liping to exercise the voting rights on his behalf;

Director Hu Yuefei was unable to attend the 5th meeting of the 8th Board of Directors, and he delegated Chairman Xiao Suining to exercise the voting rights on his behalf;

Independent Director Liu Nanyuan was unable to attend the 5th meeting of the 8th Board of Directors, and he delegated Independent Director Duan Yongkuan to exercise the voting rights on his behalf;

The qualifications of Ma Lin and Chen Yingming as directors were approved by the regulatory authority on 5 July 2011;

The qualification of Mr. Liu Xueqiao as director was approved by the regulatory authority on 9 September 2011.

Number of BoD meetings held in the year	9
Including: number of on-site meetings	6
Number of meetings held in the manner of telecommunication	3
Number of meetings held on-site plus through telecommunication	0

III. Positions held by directors and supervisors in shareholder companies

Name	Name of shareholder company	Position	Tenure
Wang Liping	Ping An Insurance (Group) Company of China, Ltd.	Executive Director	June 2009-Now
		Deputy General Manager	January 2004-Now
	Ping An Life Insurance Company of China, Ltd.	Non-executive Director	September 2008-Now
Yao Bo	Ping An Insurance (Group) Company of China, Ltd.	Executive Director	June 2009-Now
		Chief Financial Officer	April 2010-Now
		Deputy General Manager	June 2009-Now
		General Manager of Business Planning & Analysis Department	February 2004-Now
	Ping An Life Insurance Company of China, Ltd.	Non-executive Director	September 2008-Now
David Ku	Ping An Insurance (Group) Company of China, Ltd.	Deputy General Manager	October 2009-Now
	Ping An Life Insurance Company of China, Ltd.	Director	March 2010-Now
So Lan Ip	Ping An Insurance (Group) Company of China, Ltd.	Deputy General Manager	January 2011-Now
		Chief Audit Officer	March 2006-Now
		Compliance Officer	July 2010-Now
		Responsible Person of Audit	March 2008-Now
	Ping An Life Insurance Company of China, Ltd.	Chairman of Board of Supervisors	September 2008-Now
Li Jinghe	China Electronics Shenzhen Company	Vice Chairman	January 2008-Now
		Secretary of CPC Committee	May 2006-Now
Wang Kaiguo	Haitong Securities Co., Ltd.	Chairman, Secretary of CPC Committee	2001-Now

IV. Positions held concurrently by Directors, Supervisors and Senior Management in companies

other than shareholder companies

Name	Name of Company	Position
Wang Liping	Ping An Property & Casualty Insurance Company of China, Ltd.	Non-executive Director
	Ping An Health Insurance Company Limited	Non-executive Director
	Ping An Annuity Insurance Company of China, Ltd.	Non-executive Director
	Ping An Asset Management Co., Ltd.	Non-executive Director
	China Ping An Trust Co., Ltd.	Non-executive Director
	Ping An Securities Co., Ltd.	Non-executive Director
	Ping An of China Asset Management (Hong Kong) Company Limited	Non-executive Director
	Shenzhen Ping An Financial Technology Consulting Co., Ltd.	Non-executive Director
	Ping An Technology (Shenzhen) Co., Ltd.	Non-executive Director
	Ping An Processing & Technology (Shenzhen) Co., Ltd.	Non-executive Director
	Ping An Channel Development Consultation Service Company of Shenzhen, Ltd.	Non-executive Director
Yao Bo	Ping An Property & Casualty Insurance Company of China, Ltd.	Non-executive Director
	Ping An Health Insurance Company Limited	Non-executive Director
	Ping An Annuity Insurance Company of China, Ltd.	Non-executive Director
	Ping An Asset Management Co., Ltd.	Non-executive Director
	China Ping An Trust Co., Ltd.	Non-executive Director
	Ping An Securities Co., Ltd.	Non-executive Director
	Shenzhen Ping An Financial Technology Consulting Co., Ltd.	Non-executive Director
	China Ping An Insurance Overseas (Holdings) Limited	Non-executive Director
	Ping An Technology (Shenzhen) Co., Ltd.	Non-executive Director
	Ping An Processing & Technology (Shenzhen) Co., Ltd.	Non-executive Director
	Ping An Channel Development Consultation Service Company of Shenzhen, Ltd.,	Non-executive Director
	Ping An of China Asset Management (Hong Kong) Company Limited	Non-executive Director
David Ku	Ping An Channel Development Consultation Service Company of Shenzhen, Ltd.	Chairman of BoD & Chief Executive Officer
	Ping An Processing & Technology (Shenzhen) Co., Ltd.	Chairman of BoD
	Ping An Property & Casualty Insurance Company of China, Ltd.	Non-executive Director
	Ping An Annuity Insurance Company of China, Ltd.	Non-executive Director
	Ping An Health Insurance Company Limited	Non-executive Director
	Shenzhen Ping An Financial Technology Consulting Co., Ltd.	Non-executive Director
	Xishuangbanna Financial Assets and Commodity Exchange Co., Ltd.	Non-executive Director
	Shanghai Lujiazui International Financial Assets and Exchange Market Co., Ltd.	Non-executive Director
So Lan Ip	Ping An Property & Casualty Insurance Company of China, Ltd.	Chairman of BoS
	Ping An Asset Management Co., Ltd.	Chairman of BoS
	Ping An Annuity Insurance Company of China, Ltd.	Chairman of BoS
	Ping An Health Insurance Company Limited	Chairman of BoS
	China Ping An Trust Co., Ltd.	Chairman of BoS
	Ping An Securities Co., Ltd.	Supervisor
	Shenzhen Ping An Financial Technology Consulting Co., Ltd.	Supervisor
	Ping An Channel Development Consultation Service Company of Shenzhen, Ltd.,	Supervisor
	Ping An Technology (Shenzhen) Co., Ltd.	Supervisor
	Ping An Processing & Technology (Shenzhen) Co., Ltd.	Supervisor

Name	Name of Company	Position
	Ping An UOB Fund Management Co., Ltd.	Chairman of BoS
Li Jinghe	China Electronic Engineering Co.,Ltd	Director & Deputy General Manager
	China Electronics Zhuhai Company Limited	Chairman
	Zhuhai CEIEC Hi-Tech Industry Investment Co., Ltd,	Chairman
	Shenzhen Jingwah Electronics Co., Ltd.	Vice Chairman
	Shenzhen Huaqiang Industry Co., Ltd.	Independent Director
	Science, Education, Health and Sports Sub-committee under CPPCC Shenzhen Committee	Part-time Deputy Director
Wang Kaiguo	Shanghai Chlor-Alkali Chemical Co., Ltd.	Independent Director
	Securities Association of China	Vice President
	Shanghai Stock Exchange	Director
Chen Wei	Ping An Bank Co., Ltd.	Non-executive Director
	China UnionPay Co., Ltd.	Supervisor
Lu Mai	China Development Research Foundation	Secretary General
	Huaxin Cement Co., Ltd.	Independent Director
Duan Yongkuan	Shenzhen Zhengtong Electronics Co., Ltd.	Director
	Anbang Life Insurance Co., Ltd.	Director
	China Sinosteel Co., Ltd.	External Director
Xia Donglin	School of Economics and Management of Tsinghua University	Associate Dean
	Tsinghua Tongfang Co. Ltd.	Chairman of BoS
	Xinxing Cathay International Group Co., Ltd.	External Director
	UFIDA Software Co., Ltd.	Independent Director
	Beyondsoft Corporation	Independent Director
Chu Yiyun	Shanghai University of Finance and Economics	Professor
	Huawen Media Investment Corporation	Independent Director
	Shanghai Jinfeng Wine Co., Ltd.	Independent Director
	Shandong Jincheng Pharmaceutical & Chemical Co., Ltd.	Independent Director
	China Fiberglass Co., Ltd.	Independent Director
Chen Yingming	CHEN & CO. Law Firm	Partner
	Securities Business Sub-committee under Shanghai Lawyers Association	Director
	Huatai Securities Co., Ltd.	Independent Director
Liu Xueqiao	Promontory Financial Group	Managing Director
Luo Kangping	Sino Group	Associate Director
Xiao Lirong	China Resources SZITIC Trust Co., Ltd.	Chief Financial Officer and Board Secretary
Che Guobao	Shenzhen Yingzhongtai Investment Co., Ltd.	Chairman of BoD
Feng Jie	Ping An Bank Co., Ltd.	Non-executive Director
Xu Jin	China International Economic and Trade Arbitration Committee	Arbitrator
	Shenzhen Arbitration Committee	Arbitrator

V. Work experience of Directors, Supervisors and Senior Management

Mr. Xiao Suining, Executive Director and Chairman of the Board of Directors. Born in 1948. He holds an Associate College's degree, and is a senior economist. Now he serves as an executive director and Chairman of Shenzhen Development Bank.

Mr. Xiao Suining started his career in September 1968 and served as the chief engineer and vice chief

economist in Yunnan Hydropower Construction Company and Yunnan Hydropower Design Institute respectively. Mr. Xiao Suining joined Bank of Communications in 1990, and successively assumed the posts of head of HR & Education Division, assistant to general manager, and Vice President in Bank of Communications Chongqing Branch; he was President of Bank of Communications Zhuhai Branch since November 1995 and President of Bank of Communications Shenzhen Branch from December 1999 to February 2007. He served as the President of Shenzhen Development Bank from February 2007 to June 2010; he has been serving as an executive director of Shenzhen Development Bank from June 2007 to present and Chairman of the Board of Directors of Shenzhen Development Bank from June 2010 to present.

Mr. Richard Jackson, Executive Director and President. Born in 1956. He is a Fellow of the Chartered Insurance Institute. He has been executive director of Shenzhen Development Bank from June 2010 to present; from June 2010 to October 2010 he was Acting President of Shenzhen Development Bank; he has been serving as the President of Shenzhen Development Bank from October 2010 to present.

Mr. Richard Jackson worked in Commercial Union Assurance Corporation from 1974 to 1985 in London, Hong Kong and Singapore. He worked in CitiBank from 1985 to 2005 during which he successively assumed head of International Business for Citicorp Insurance International, financial institutions head for Citibank Asia Pacific, Chairman and Chief Executive Officer of Citibank Hungary, director of Bank Handlowy in Poland, country manager and consumer business head of Citibank Korea, and director of Koram Bank. Mr. Richard Jackson joined Ping An Group in October 2005 and served as the President of Ping An Bank from December 2006 to May 2010.

Ms. Wang Liping, Non-executive Director. Born in 1956. She holds a Master's Degree in Monetary Banking from Nankai University, and is a senior economist. She served as executive director and deputy general manager of Ping An Insurance (Group) Company of China, Ltd. from June 2009 and January 2004 respectively to present. She has been serving as a non-executive director of the 7th Board of Directors of Shenzhen Development Bank from June 2010 to present.

Ms. Wang Liping joined Ping An Group in June 1989. She concurrently served as deputy chief insurance business officer of Ping An Insurance (Group) Company of China, Ltd. from July 2006 to January 2007. She was Chairman and General Manager of Ping An Annuity Co., Ltd. from August 2005 to July 2006 and Chairman and Chief Executive Officer of Ping An Life Insurance Company of China, Ltd from 2002 to 2004. She successively served as assistant to general manager and deputy general manager of Ping An Group from 1998 to 2002. She successively served as headquarters general manager and life insurance general manager of Ping An Life Insurance Company from 1995 to 1997 and general manager of securities department of Ping An Group from 1994 to 1995.

Mr. Yao Bo, Non-executive Director. Born in 1971. He is a Fellow of Society of Actuaries (FSA) and received an MBA degree from New York University of the United States. He has been serving as executive director of Ping An Insurance (Group) Company of China, Ltd. from June 2009 to present. He has been Chief Financial Officer and deputy general manager of Ping An Group respectively from April 2010 and June 2009 to present. He has concurrently served as general manager of Business Planning and Analysis Department of Ping An Group from February 2004 to present. He has been serving as a non-executive director of the 7th Board of Directors of Shenzhen Development Bank from June 2010 to present.

Mr. Yao Bo joined Ping An Group in May 2001. He served as financial head of Ping An Group from March 2008 to April 2010, vice chief financial officer of Ping An Group from February 2004 to January 2007, chief actuary of Ping An Group from January 2007 to June 2010, vice chief actuary of Ping An Group from December 2002 to January 2007, and deputy general manager of Product Center of Ping An Insurance (Group) Company of China, Ltd. from 2001 to 2002.

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

Mr. David Ku, Non-executive Director. Born in 1974. He holds a Bachelor's Degree in Business Administration of the Chinese University of Hong Kong. Mr. David Ku has been serving as deputy general manager of Ping An Group from October 2009 to present, Chairman and Chief Executive Officer of Ping An Channel Development Consultation Service Company of Shenzhen, Ltd., and Chairman of Ping An Processing & Technology (Shenzhen) Co., Ltd. from November 2008 and June 2010 to present respectively. He has been serving as a non-executive director of the 7th Board of Directors of Shenzhen Development Bank from June 2010 to present.

Mr. David Ku joined Ping An Group in 2000. He successively served as senior Vice President of Ping An E-Commerce, general manager of Customer Resource Center, general manager of E-service Marketing Center, general manager of Life Insurance Operation Center, and deputy director of Group Development and Reform Center. Mr. Ku successively served as general manager and vice chief service and operation officer of National Backup Management Center and Group Operation Management Center of Ping An Group from February 2004 to March 2008. He served as assistant to general manager of Ping An Group from March 2008 to October 2009.

Mr. David Ku was previously a consultant in McKinsey & Company.

Ms. So Lan Ip, Non-executive Director. Born in 1956, she holds a Bachelor's Degree in Computer of Polytechnic of Central London of the United Kingdom. She has been serving as deputy general manager of Ping An Group from January 2011 to present, and Chief Audit Officer, responsible person of audit and compliance officer of Ping An Group from March 2006 to present, March 2008 to present and July 2010 to present respectively. She has been serving as a non-executive director of the 7th Board of Directors of Shenzhen Development Bank from June 2010 to present.

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

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

Mr. Li Jinghe, Non-executive Director. Born in 1955. He holds a Bachelor's Degree in Engineering of Electronics Materials of Chengdu Telecommunication Engineering College, and was a post graduate in Corporate Administration from Chinese Academy of Social Science. He currently serves as director of the Board of Directors and deputy general manager of China Electronics Industry Engineering Co., Ltd., and vice chairman and secretary of CPC Committee of China Electronics Shenzhen Company. He has been serving as a non-executive director of the 7th Board of Directors of Shenzhen Development Bank from December 2007 to present.

He served as salesman of Export Department of China National Electronics Import & Export South China Branch, deputy director of Zhuhai Office of China National Electronics Import & Export South China Branch, and deputy general manager and general manager of China National Electronics Import & Export Zhuhai Company successively from January 1982 to January 2000. From February 2000 to

July 2011, he served successively as a director, vice chairman, general manager, vice secretary and secretary of CPC Committee of China Electronics Shenzhen Company. He has been serving as the vice Chairman and deputy secretary of CPC Committee of China Electronics Shenzhen Company from July 2011 to present, and has been serving as an independent director of Shenzhen Huaqiang Industrial Co., Ltd. from June 2006 to present.

Mr. Li Jinghe concurrently serves as standing director of China Chamber of Commerce for Import and Export of Machinery and Electronic Products, member of China Administration Academy of State Owned Assets, member of Youth President Committee, part-time deputy director of the Science, Education, Health and Sports Sub-committee under CPPCC Shenzhen Committee, Chairman of Shenzhen Chamber of Commerce for Import and Export, vice Chairman of Guangdong Enterprise Confederation and Guangdong Entrepreneur Association, vice Chairman of Shenzhen Chamber of Electronic Products, vice Chairman of Shenzhen Electronic Industry Association and honorary Chairman of Shenzhen Electronics Academy.

Mr. Wang Kaiguo, Non-executive Director. Born in 1958. He holds a Doctor's Degree in Economics. Now he serves as Chairman of Board of Directors and secretary of CPC Committee of Haitong Securities. He has been serving as a non-executive director of the Board of Directors of Shenzhen Development Bank from June 2006 to present.

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

Mr. Hu Yuefei, Executive Director and Vice President. Born in 1962. He holds in-service Master's Degree in monetary banking of Zhongnan University of Economics. Now Mr. Hu works as executive director and Vice President of Shenzhen Development Bank.

From December 1979 to July 1983, Mr. Hu Yuefei worked in People's Bank of China Hunan Andong County Office as accountant and credit officer. From August 1983 to July 1986, he studied at Hunan Finance Cadre Management Institute. From August 1986 to December 1989, he worked in Industrial and Commercial Bank of China Hunan Branch and from 1988 served as deputy section chief of Human Resource Department. Mr. Hu began to work in Shenzhen Development Bank from January 1990. From January 1990 to February 1992, he worked in Party Affair Office as chief of Propaganda Unit. From February 1992 to December 1992, he worked as deputy manager of Nantou Sub-branch. From January 1993 to February 1999, he worked as manager of Nantou Sub-branch (from January 1998 to February 1999, he also held a concurrent post as manager of Shekou Sub-branch). From September 1993 to July 1996, he received in-service education at Zhongnan University of Economics for a Master's Degree, majoring in monetary banking. From February 1999 to March 2000, Mr. Hu worked in Guangzhou Branch as branch manager. From March 2000 to March 2005, he worked as assistant to President of Shenzhen Development Bank and branch manager of Guangzhou Branch. From March 2005 to May 2006, he worked as assistant to President of Shenzhen Development Bank. He has been serving as Vice President of Shenzhen Development Bank from May 2006 to present, and also an executive director of Shenzhen Development Bank from December 2007 to present.

Ms. Chen Wei, Executive Director, Vice President and Chief Financial Officer. Born in 1959. She holds a Doctor's Degree in management and is a senior economist. She has been serving as an executive director, Vice President and Chief Financial Officer of Shenzhen Development Bank from

June 2010 to present. She has been serving as a non-executive director of Ping An Bank from December 2011 to present.

She worked in Beijing Branch of People's Bank of China from 1982 to 1984, and served as cadre, section chief, vice director of Treasury Planning Division and chief of Finance Management Division of Shenzhen Special Economic Zone Branch of People's Bank of China from 1984 to 1993. She joined China Merchants Bank in February 1993, and worked as executive director, Vice President and financial head. Ms. Chen served as executive Vice President of Ping An Bank from April 2007 to May 2010, and concurrently served as executive director of Ping An Bank from September 2007 to May 2010.

Mr. Lu Mai, Independent Director. Born in 1947. He holds a Bachelor's Degree in Economics and a Master's Degree in Public Administration. He is secretary general of China Development Research Foundation. He has been serving as an independent director of the 8th Board of Directors of Shenzhen Development Bank from December 2010 to present.

He graduated from Beijing Economy College with a Bachelor's Degree in Economics in 1981. From 1986 to 1989, he successively served as head of Marketing Research Office of Development Research Institute, deputy head of Liaison Office, deputy head and head of Administration Office of Rural Reform Experimental Division of the Center for Rural Development Research under the State Council, member of Administration Office for Economic System Reform Leading Group under State Council and member of Circulation System Reform Leading Group. From 1990 to 1991, he studied at Harvard Kennedy School of the United States with a Master's Degree in Public Administration. He worked as deputy researcher of Harvard Institute for International Development and deputy researcher of the Government Faculty of Harvard University from 1991 to 1993 and senior researcher of China Business Center of the Hong Kong Polytechnic University from 1993 to 1995. He worked in Development Research Center of State Council since 1995 as a researcher and deputy director in the International Cooperation Bureau. From 1998 he served as deputy secretary general and then secretary general of China Development Research Foundation.

Mr. Liu Nanyuan, Independent Director. Born in 1949. He holds a Bachelor's Degree and is a senior economist. He has been serving as an independent director of the 8th Board of Directors of Shenzhen Development Bank from December 2010 to present.

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

Mr. Duan Yongkuan, Independent Director. Born in 1949. He holds a Bachelor's Degree in Economics of Anhui University of Finance and Economics and a Doctor's Degree in Economics of Southwestern University of Finance and Economics and is a senior economist. He has been serving as an independent director of the 8th Board of Directors of Shenzhen Development Bank from December 2010 to present.

From January 1982 to 1983, Mr. Duan conducted research on financial and economic policies in Research Department of the Office of Finance and Trade of Anhui Provincial Government. From 1983 to 1984, he served as Secretary of the General Office of Anhui Provincial Government. Mr. Duan

served as department chief of International Settlement Department of Bank of China Hefei Branch (Anhui Provincial Branch of BOC) from 1984 to 1985, Vice President and Deputy Secretary of CPC Committee of Anhui Provincial Branch of BOC from 1985 to December 1992, Director and Deputy General Manager of Nanyang Commercial Bank of Hong Kong from December 1992 to October 1997, President and Secretary of CPC Committee of Anhui Provincial Branch of BOC from October 1997 to January 2000, President and Secretary of CPC Committee of BOC Zhejiang Branch from January 2000 to May 2006 and President and Secretary of CPC Committee of BOC Shenzhen Branch from May 2006 to November 2009.

Mr. Xia Donglin, Independent Director. Born in 1961. He holds a Doctor's Degree in Economics (Accounting). He is Associate Dean, Professor of Accounting and Supervisor of PhD students of School of Economics and Management of Tsinghua University. He has been serving as independent director of the 8th Board of Directors of Shenzhen Development Bank from December 2010 to present.

Mr. Xia Donglin received a Bachelor's Degree in Economics (Accounting) from Accounting Faculty of Jiangxi University of Finance and Economics in July 1984, a Master's Degree in Economics (Accounting) from Research Institute for Fiscal Science of Ministry of Finance in July 1990 and a Doctor's Degree in Economics (Accounting) from Research Institute for Fiscal Science of Ministry of Finance in July 1994. In July 2000, he completed CPCL Program in Harvard Business School. He successively served as visiting scholar in Wharton School of University of Pennsylvania, Accounting Faculty of the Hong Kong Polytechnic University, the University of New South Wales and MIT Sloan School of Management.

From March 1995, he started to teach in School of Economics and Management of Tsinghua University. Before that, he worked in the Accounting Faculty of Jiangxi University of Finance and Economics and China Consultants of Advisory and Finance Management Co., Ltd.

Mr. Chu Yiyun, Independent Director. Born in 1964. He holds a Doctor's Degree in Accounting. He is now working as an accounting professor and doctoral supervisor in Shanghai University of Finance and Economics. He has been serving as an independent director of the 8th Board of Directors of Shenzhen Development Bank from December 2010 to present.

He graduated from Shanghai University of Finance and Economics. He is now working as an accounting professor and doctoral supervisor in Shanghai University of Finance and Economics, consulting expert in Accounting Standards of China Accounting Standards Committee under Ministry of Finance, member of Senior Professional Qualification Evaluation Committee for Accounting (Auditing) Series of Police Servicemen Institution under Ministry of Public Security, Executive Secretary General of Accounting Education Association of China Accounting Society, full-time research associate of Accounting and Finance Research Institute of Shanghai University of Finance and Economics under the Research Base for Humanities and Social Sciences of the Ministry of Education. Mr. Chu was also a standing director of the 6th Council of Finance Cost Sub-Institute of China Accounting Association.

Mr. Ma Lin, Independent director. Born in 1953, he holds a Bachelor's Degree in Economics. He has been serving as an independent director of Shenzhen Development Bank from May 2011 to present.

Mr. Ma Lin graduated from the Fiscal and Financial Department of Beijing Institute of Finance and Trade in 1982 and obtained a bachelor's degree in economics. He acted as cadre of the international exchange group of Beijing Library from August 1982 to August 1984; deputy section chief-level staff of the Investigation and Research Team under the State Commission for Restructuring the Economic System from August 1984 to July 1988. He also worked in the State Administration of Taxation from July 1988 to November 2010 as office-head level staff of the General Division of Office, deputy chief of Policy Research Division under the Tax Reform Department, chief of the Tax Reform Division under the Tax Reform and Regulations Department, deputy head of the Policy and Regulations

Department, head of the Import and Export Tax Management Department and head of the Income Tax Department. He retired in November 2010.

Mr. Chen Yingming, Independent director. Born in 1964, he holds a Master of Laws and he is a partner of CHEN & CO. Law Firm. He has been serving as an independent director of Shenzhen Development Bank from May 2011 to present.

Mr. Chen Yingming graduated from the law schools of Jilin University and Fudan University, and obtained his bachelor's and master's degrees in law in 1984 and 1990 respectively. From 1992 to 1993, he further studied in London School of Economics and Political Science, Oriental and African School under University of London, and at Slaughter & May in the United Kingdom and BWS Law Firm in Germany respectively.

Mr. Chen Yingming worked in the economic court of the Higher People's Court of Fujian Province, Shanghai United Law Firm, Fujian Law Firm for Foreign Economic Affairs and Herbert Smith Hong Kong. He became a partner of CHEN & CO. Law Firm in 1998. Mr. Chen Yingming obtained his qualification for PRC lawyer in 1988 and his scope of practice includes corporate finance, corporate restructuring, merger and acquisition, private equity investment and venture capital investment, infrastructure projects, project finance, international consortium investment and real estate development as well as other commercial law services and related dispute settlement. Mr. Chen Yingming is one of the first PRC lawyers with qualifications for the securities industry recognized by the China Securities Regulatory Commission (CSRC). He has served as a full-time member of the 7th and 8th Issuance Approval Committee under the CSRC from January 2005 to April 2007, and a member of the 6th Listing Committee of the Shenzhen Stock Exchange in September 2010. For three consecutive years since 2005, he acted as the head of Securities Business Committee under the Shanghai Lawyers Association. He is currently an independent director of Huatai Securities Co., Ltd. (Shanghai Stock Exchange: 601688).

Mr. Liu Xueqiao, Independent Director. Born in 1951, he holds a Doctor's Degree in Economics. He has served as managing director of Promontory Financial Group since 2011. He has been serving as an independent director as well as a member of the Audit Committee and Risk Management Committee under the Board of Directors of Shenzhen Development Bank from May 2011 to present.

Mr. Liu Xueqiao graduated from California State University in 1979 with a Bachelor's Degree in Communications; he obtained a Master's Degree in Economics from California State University in 1986; and a Doctor's Degree in Economics from the University of South Australia, Australia in 2004. Mr. Liu Xueqiao worked as a senior bank inspector of the Major Bank Supervision Bureau under the Office of Thrift Supervision of the US Department of Treasury from 1985 to 1994, and recognized as a capital market expert by the Office of Thrift Supervision of the US Department of Treasury. He returned to Hong Kong upon invitation to be a senior manager of the HKMA in 1994, and established the derivatives team of the HKMA; he was promoted to the Banking Policy Division Chief in 1999. He acted as the HKMA's chief representative in New York from 2000 to 2002 and returned to Hong Kong in 2002 and served as the Division Chief of the Banking Supervision Department, responsible for supervising local banks, European banks and Chinese banks in Hong Kong. Mr. Liu joined Dah Sing Bank as an executive director in 2004 and he was in charge of the Bank's Risk Management Department, and subsequently served as the alternative Chief Executive Officer. He was appointed as a director of Dah Sing Group in 2007, responsible for managing the group's risks. Mr. Liu is a Chartered Financial Analyst (CFA), and he has acted as a member of Board of Directors of the Global Association of Risk Professionals, member and chairman of the advisory board under the Department of Finance and Economics of the City University of Hong Kong.

Mr. Qiu Wei, Shareholder Representative Supervisor and Chairman of the Board of Supervisors. Born in 1962. He holds a Doctor's Degree in Finance. He is currently working as

Chairman of the Board of Supervisors of Shenzhen Development Bank.

Mr. Qiu Wei previously worked as Deputy Section Chief and Section Chief of PBOC Sichuan Luzhou Branch, Head of the General Office of the Headquarters Administrative Department, Deputy Manager of outlet and Assistant to General Manager of HR Department of Shenzhen Development Bank, Head of the Administrative Department, Assistant to Branch President, Vice President, President and Secretary of CPC Committee of Guangdong Development Bank Shenzhen Branch, President and Deputy Secretary of CPC Committee of Shenzhen International Trust Investment Company, Chairman of Board of Supervisors, Deputy Secretary of CPC Committee and Secretary of Discipline and Inspection Commission of Shenzhen Commercial Bank and Chairman of Board of Supervisors, Deputy Secretary of CPC Committee, Secretary of Discipline and Inspection Commission and Chairman of Labor Union of Ping An Bank. He has been serving as the Chairman of the Board of Supervisors of Shenzhen Development Bank from June 2010 to present.

Mr. Che Guobao, Shareholder Representative Supervisor. Born in 1949, He holds a Bachelor's Degree in Construction Machinery. He is a shareholder, legal representative and Chairman of Shenzhen Yingzhongtai Investment Co., Ltd. He has been serving as a shareholder representative supervisor of the Board of Supervisors of Shenzhen Development Bank from December 2010 to present.

Mr. Che Guobao previously worked as Vice Director of Beijing Construction Lightweight Steel Factory, a monitor of training course in the 3rd session of China Merchants Shekou Industrial Zone, Deputy Director general and secretary of CPC Committee of Shenzhen Shekou Management Bureau, Officer of System Reform Office of People's Government of Shenzhen, Deputy General Manager of China Merchants Shekou Industrial Zone Co., Ltd, Director of China Merchants Shekou Industry & Enterprise Office, General Manager of China Merchants Shekou Port Service Company, General Manager of China Merchants Import & Export Company, Director of Technical Title Certification Committee of China Merchants Shekou Industrial Zone, Officer of No. 11 Office of People's Government of Guangdong Province, Chairman of Shenzhen Yueshang Industrial Co., Ltd., and a shareholder, legal representative and Chairman of Shenzhen Yingzhongtai Investment Co., Ltd.

Mr. Luo Kangping, External Supervisor. Born in 1954. He holds a Master's Degree in Economics. He is currently the General Manager of Lease and Special Projects of Sino Group in Hong Kong. He has been serving as an external supervisor of the Board of Supervisors of Shenzhen Development Bank from December 2010 to present.

Mr. Luo Kangping previously worked as an economist in CLP Group, and subsequently as Strategy Planning and Implementation Officer, Management Accountant, Manager of Finance Control & Management Information System, Manager of Finance Control Department, Regional Manager of Retail Banking, Manager of Retail Risk Management, Regional Manager, Marketing Manager of Special Projects, Regional Senior Officer, Head of Mortgage Business, and Head of Banking Service of HSBC's Shanghai Headquarter, and also the General Manager of Retail Banking of BOC (Hong Kong).

Ms. Xiao Lirong, External Supervisor. Born in 1962. She holds a Master's Degree in Economics. She is currently working as Chief Financial officer and Board Secretary of China Resources SZITIC Trust Co., Ltd. She has been serving as an external supervisor of the Board of Supervisors of Shenzhen Development Bank from December 2010 to present.

Ms. Xiao Lirong previously worked as a teacher in Finance and Accounting Faculty of Jiangxi University of Finance and Economy, and Accountant, Deputy Section Chief, Assistant to General Manager, Deputy General Manager, and General Manager of Treasury and Finance Department of

Shenzhen International Trust & Investment Co., Ltd. in succession. Then she worked as the Chief Financial Officer of China Resources SZITIC Trust Co., Ltd.

Ms. Wang Lan, Employee Supervisor. Born in 1970. She holds a Master's Degree in Business Administration. She currently works as Deputy General Manager of the Financial Information and Asset and Liability Management Department of Shenzhen Development Bank. She has been serving as an employee supervisor of the Board of Supervisors of Shenzhen Development Bank from December 2010 to present.

Ms. Wang Lan was previously Deputy Director of Accounting Unit under International Business Department of Shenzhen Development Bank, Deputy Unit Manager of the Accounting Department, Manager of General Unit, Manager of General Unit under Planning Finance and Accounting Department, Manager and Assistant to General Manager of the Financial Information and Asset and Liability Management Department.

Mr. Wang Yi, Employee Supervisor. Born in 1975. He holds a Master's Degree in International Law. He currently works as Deputy General Manager of the Credit Management Department of Shenzhen Development Bank. He has been serving as an employee supervisor of the Board of Supervisors of Shenzhen Development Bank from December 2010 to present.

Mr. Wang Yi was previously Deputy Manager of outlet Risk Management Department, Deputy Manager of General Unit, Manager of Credit Policy and Portfolio Management Unit of Credit Management Department, Manager and Assistant to General Manager of Credit Monitoring and Early Warning Unit of Shenzhen Development Bank.

Mr. Cao Lixin, Employee Supervisor. Born in 1968. He holds a Bachelor's Degree in Automatic Control. He now works as the Operation Officer of Shenzhen Branch of Shenzhen Development Bank. He has been serving as an employee supervisor of the Board of Supervisors of Shenzhen Development Bank from December 2010 to present.

Mr. Cao Lixin was previously an accountant, Deputy Accounting Section Chief, Manager of the Accounting and Settlement Department of Taiping Qiao Outlet of the Industrial and Commercial Bank of China in Harbin, Deputy Unit Manager of Accounting Department of Shenzhen Development Bank, acting person-in-charge and Deputy General Manager (as person-in-charge) of Finance and Accounting Department of Qingdao Branch, person-in-charge and General Manager of Finance and Accounting Department of the outlet in Qingdao Economic and Technological Development Zone of Shenzhen Development Bank, and Assistant to General Manager and Deputy General Manager of Accounting and Settlement Department of Shenzhen Development Bank.

Mr. Feng Jie, Vice President. Born in 1957. He is a postgraduate with a Master's Degree and a senior economist. He graduated from the Southwestern University of Finance and Economics in 1984 with a Degree in Finance, and graduated from China Europe International Business School in 1998 as a postgraduate with an in-service EMBA degree. He joined Shenzhen Development Bank in December 2010 and now serves as Vice President. He has been serving as a non-executive director of Ping An Bank from December 2011 to present.

Mr. Feng Jie entered the banking industry in 1979 and worked in Shanghai Branch of People's Bank of China, Shanghai Branch of Industrial and Commercial Bank and Shanghai Branch of China CITIC Bank. He was previously President Assistant, Vice President, Vice President (as person-in-charge) and President of Shanghai Branch of China CITIC Bank. In April 2004, he joined Ping An Bank as Executive Vice President. In December 2006, he was transferred to Shenzhen Commercial Bank where he worked as Executive Vice President. From July 2007 to November 2010, he served as Executive Director and Executive Vice President of Ping An Bank and was in charge of the business operation

and management of East Region Business Unit of Ping An Bank.

Mr. Wu Peng, Vice President. Born in 1965, he holds a doctor's degree. He graduated from Nanjing University in 2003 and received a Doctor's Degree in Business Administration. He is currently Vice President of Shenzhen Development Bank.

Mr. Wu Peng started to work in the financial sector in 1989, and he has taken different positions in Ping An Group subsidiaries, such as Deputy General Manager of Shenzhen Branch Company of Ping An Life Insurance, General Manager of Nanjing Branch Company of Ping An Life Insurance, Assistant General Manager at the headquarters of Ping An Property & Casualty Insurance, Deputy General Manager at the headquarters of Ping An Life Insurance, General Manager at the headquarters of Ping An Property & Casualty Insurance, Chairman of Ping An Insurance (Hong Kong), and General Manager of East Region Business Unit of Ping An Bank. He joined Shenzhen Development Bank as Vice President in August 2011.

Mr. Xu Jin, Board Secretary and Chief Legal Officer. Born in 1966. He holds a Bachelor's Degree in Law of Anhui University, a Master's Degree in Law of China University of Political Science and Law, and studied in Peking University for a Doctor's Degree in Law. He is a lawyer, a state certified legal consultant and a senior economist. He is currently the Secretary of Board of Directors and Chief Legal Officer of Shenzhen Development Bank.

From September 1989 to July 1990, he worked in People's Procuratorate of Fengtai District of Beijing Municipality. In August 1995, he joined Shenzhen Development Bank and worked as General Manager Assistant of Credit Department, Deputy General Manager of Credit Department, Deputy General Manager of Asset Protection Department and Director of Special Asset Management Centre in Shenzhen region. He has been the General Manager of Legal Affairs Department since June 2003. He used to be an employee representative supervisor of the 5th Board of Supervisors of Shenzhen Development Bank from January 2005 to May 2005, as well as Secretary of the Board of Directors and General Manager of Legal Affairs Department of the Bank from May 2005 to August 2009. He has been serving as Secretary of the Board of Directors and Chief Legal Officer of Shenzhen Development Bank from August 2009 to present.

VI. Annual compensations

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

The following table shows the before-tax compensation of directors, supervisors and senior management of the Bank in 2011:

Name	Position	2011 Compensation (in RMB thousand)	Receive any compensation, allowances from shareholders' units or other related units or not
Xiao Suining	Executive Director, Chairman of the	7,450	No

	Board of Directors		
Richard Jackson	Executive Director, President	8,690	No
Wang Liping	Non-executive Director	-	Yes
Yao Bo	Non-executive Director	-	Yes
David Ku	Non-executive Director	-	Yes
So Lan Ip	Non-executive Director	-	Yes
Li Jinghe	Non-executive Director	210	Yes
Wang Kaiguo	Non-executive Director	210	Yes
Hu Yuefei	Executive Director, Vice President	5,790	No
Chen Wei	Executive Director, Vice President & Chief Financial Officer	4,750	No
Lu Mai	Independent Director	200	No
Liu Nanyuan	Independent Director	210	No
Duan Yongkuan	Independent Director	200	No
Xia Donglin	Independent Director	200	No
Chu Yiyun	Independent Director	210	No
Ma Lin	Independent Director	90	No
Chen Yingming	Independent Director	90	No
Liu Xueqiao	Independent Director	90	No
Qiu Wei	Chairman of the Board of Supervisors	2,150	No
Luo Kangping	External Supervisor	410	No
Xiao Lirong	External Supervisor	370	No
Che Guobao	Supervisor	360	No
Wang Lan	Employee Representative Supervisor	1,710	No
Wang Yi	Employee Representative Supervisor	1,400	No
Cao Lixin	Employee Representative Supervisor	1,740	No
Feng Jie	Vice President	2,990	No
Wu Peng	Vice President	580	No
Xu Jin	Board Secretary & Chief Legal Officer	1,690	No
Total		41,790	

Notes:

1. Ms. Wang Liping, Mr. Yao Bo, Mr. David Ku and Ms. So Lan Ip waived their directors' remuneration.
2. The *Proposal on the Deferred Bonus Payment Plan for Key Management Personnel of the Company* was reviewed and approved at the 15th meeting of the 6th Board of Directors in 2006. Since 2006, the Bank offers an initial deferred bonus payment plan to key management personnel and key business staff and pay the deferred bonus due according to the Company's three-year net profit and shareholder value growth. In 2011, Mr. Xiao Suining received a bonus due of RMB 1.78 million granted in 2008.

VII. Changes of directors, supervisors and senior management during the report period

1. Change of directors

On 25 May 2011, Mr. Ma Lin, Mr. Chen Yingming and Mr. Liu Xueqiao were elected as Independent Directors of the 8th Board of Directors of the Bank at the 2010 Annual General Meeting of

Shareholders.

The qualifications of Mr. Ma Lin and Mr. Chen Yingming as independent directors were approved by CBRC Shenzhen Office on 5 July 2011, and the qualification of Mr. Liu Xueqiao as independent director was approved by CBRC Shenzhen Office on 9 September 2011.

2. Change of supervisors

There was no change of supervisors during the report period.

3. Change of senior management

On 17 August 2011, Mr. Wu Peng was appointed as Vice President of Shenzhen Development Bank at the 7th meeting of the 8th Board of Directors of the Bank. The qualification of Mr. Wu Peng as Vice President of the Bank was approved by CBRC Shenzhen Office on 25 October 2011.

VIII. Staff

For details, please refer to “Institution Establishment and Staff” in Chapter 4 *Management Discussion and Analysis*.

Chapter 7 Corporate Governance Structure

I. Corporate governance

The Bank abides by the *Company Law*, the *Securities Law*, the *Commercial Banking Law* and relevant rules and regulations as well as regulatory requirements stipulated by China Securities Regulatory Commission (“CSRC”) and China Banking Regulatory Commission (“CBRC”) and has been committed to improving corporate governance system, improving corporate governance structure and upgrading the overall governance standard. The Bank has established a number of corporate governance systems, including Articles of Association, Rules of Procedures for General Meeting of Shareholders, Rules of Procedures for the Board of Directors and its special committees, Rules of Procedures for the Board of Supervisors and its special committees, the Information Disclosure Management Rules, Insider Information and Insider Management Rules, the Accountability for Material Errors in Information Disclosure in the Annual Report, the Policy for Preventing Fund Appropriation by Majority Shareholder and Its Related Parties and Measures for Appraising Duty Fulfillment of Directors and Supervisors (Trial).

During the report period, all directors of the Bank have honored their commitments and fulfilled their duties with diligence. They have actively participated in all meetings, fully expressed their opinions and seriously performed their duties. The Bank’s Board of Directors fulfilled its obligations to the General Meeting of Shareholders and holds meetings according to due legal procedures and exercises its rights in strict adherence to laws. The Board of Supervisors has kept close contact and communication with the Board of Directors and senior management. By attending various Board of Directors meetings and Audit Committee meetings under Board of Directors, the supervisors have fulfilled their responsibilities to provide opinions after reviewing the periodic reports. The Bank built the management structure which is in conformity with corporate governance principles and relevant laws and regulations and is applicable to the Bank’s specific situation. The roles and responsibilities and reporting lines of the senior management are clear. In the report period, the Bank disclosed information in a truthful, accurate, complete and timely manner.

During the report period, the Board of Directors of the Bank adjusted the setting and composition of the special committees under the 8th Board of Directors in accordance with actual requirements. The original Audit and Related Party Transaction Control Committee was divided into the Audit Committee and the Related Party Transaction Control Committee. The special committees under the Board of Directors after such adjustment include: Audit Committee, Related Party Transaction Control Committee, Compensation and Appraisal Committee, Nomination Committee, Risk Management Committee and Strategic Development Committee.

During the report period, the Board of Directors of the Bank added 3 independent directors in accordance with legal procedures, the number of independent directors increased to 8 and exceeded one third of the members of the Board of Directors.

During the report period, the Bank has not received any documents from any regulator to conduct administrative control measures, and there was no requirement for correction actions to be taken within given time.

II. Duty fulfillment of independent directors

In 2011, all the 8 independent directors of the Bank, based on relevant laws, rules and regulations and the requirements of the Articles of Association of the Bank, performed their duties actively, effectively and independently, made independent judgment and decision on material events and expressed objective, fair independent opinions to protect the overall interests of the Bank, in particular, the legitimate rights of minority shareholders from infringement. The independent directors have made due contributions to corporate governance enhancement, Board of Directors building and business operation & management improvement.

Name of	No. of	Actual	Attendance	Absence	Objections to

independent director	scheduled attendance	presence	by proxy		proposals
Lu Mai	9	9	0	0	Nil
Liu Nanyuan	9	8	1	0	Nil
Duan Yongkuan	9	9	0	0	Nil
Xia Donglin	9	9	0	0	Nil
Chu Yiyun	9	9	0	0	Nil
Ma Lin	4	4	0	0	Nil
Chen Yingming	4	4	0	0	Nil
Liu Xueqiao	3	3	0	0	Nil

Note: The qualifications of independent directors Mr. Ma Lin and Mr. Chen Yingming were approved by the regulator on 5 July 2011. The qualification of independent director Mr. Liu Xueqiao was approved by the regulator on 9 September 2011.

III. The separation of the Bank from its controlling shareholder in business, people, assets, institution and financial aspects

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

In accordance with the provisions of the *Company Law*, *Listing Rules of Shenzhen Stock Exchange*, *Listing Rules of Hong Kong Exchanges and Clearing*, *Guidance for Internal Control of Companies Listed in Shenzhen Stock Exchange* and other relevant laws, regulations and regulatory stipulations as well as to facilitate the preparation of consolidated financial statements, the disclosure of information and the management of subsidiaries by the controlling shareholder, the *Resolution on Reporting Information to the Controlling Shareholder* was reviewed and approved at the 7th meeting of the 8th Board of Directors of the Bank. The Bank reported information to its controlling shareholder in accordance with relevant laws, regulations and regulatory stipulations.

During the report period, there was no occurrence of controlling shareholder or actual controllers interfering with the production, operation and management of the listed company.

IV. Appraisal and incentive mechanism for senior management

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

V. Self-appraisal summary on internal control

1. Board of Directors statement on internal control responsibility and self-appraisal summary on internal control

The Board of Directors of the Bank is responsible for establishing/improving and effectively implementing the internal control of financial reporting. The objective of the internal control of financial reporting is to properly ensure the truthfulness, completeness and reliability of financial reports and relevant information, and to prevent material misreporting risks. Due to the inherent limitations of internal control, the Bank could only provide reasonable guarantee for the above objective.

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

In 2011, as a pilot unit to implement the C-SOX, the Board of Directors attached great importance to the implementation of work related to the C-SOX and matching guidelines. During the report period, the *Work Plan for C-SOX Implementation at Shenzhen Development Bank Co., Ltd* formulated by the senior management was reviewed and approved by the Board of Directors, and relevant work was proceeded smoothly and orderly. The Board of Directors had assessed the internal control of financial reporting (including internal control of financial reporting of its subsidiary Ping An Bank) in accordance with the requirements of the C-SOX and relevant assessment guidelines, and confirmed that it was effective on 31 December 2011 (the reference date).

For more details, please refer to the *2011 Internal Control Self-appraisal Report of Shenzhen Development Bank Co., Ltd* disclosed by the Bank.

2. Board of Supervisors' comments on self-appraisal of internal control

During the report period, the Bank set up a complete and rational internal control policy in accordance with basic principles of internal control, relevant provisions of China Banking Regulatory Commission, China Securities Regulatory Commission and Shenzhen Stock Exchange and the actual situation of the Bank, and implemented it in business activities, which was generally consistent with relevant requirements of China Banking Regulatory Commission, China Securities Regulatory Commission and Shenzhen Stock Exchange. The 2011 internal control self-appraisal report of the Bank accurately and completely reflected current situation of the Bank's internal control and main areas to be improved. The improvement plan is practical and satisfies the long-term development requirement of internal control.

3. Independent directors' comments on self-appraisal of internal control

In accordance with relevant provisions of *Commercial Banking Law of People's Republic of China*, *C-SOX*, *Guidance for Internal Control of Commercial Banks* and *Guidance for Internal Control of Companies Listed in Shenzhen Stock Exchange*, the Bank takes risk prevention and cautious operation as the starting point, pays attention to internal control policy building while maintaining continuous business growth, establishes and improves a series of policies procedures and methods to prevent and control risks, and formulates an all-around, cautious, effective and independent internal control policy system, which plays an effective role in maintaining sustainable business development and preventing financial risks. We did not detect any material internal control defect in the Bank. The *2011 Internal Control Self-appraisal Report of Shenzhen Development Bank* is in conformity with the status quo of the Bank.

VI. Peer competition and related party transactions with the controlling shareholder

1. Peer competition

Ping An Group, which is the controlling shareholder of the Bank, was the controlling shareholder of Ping An Bank and originally held 7,825,181,106 shares of Ping An Bank, which accounted for 90.75% of the total capital stock of Ping An Bank. The Bank and Ping An Bank have same or similar businesses.

For the purpose of satisfying regulatory requirements and ensuring fairness of peer competition, on 30 September 2010, the 1st Extraordinary General Meeting of the Bank in 2010 reviewed and approved the *Proposal of Shenzhen Development Bank Co., Ltd. on Asset Purchase by Issuing Shares*, pursuant to which Ping An Group planned to use its 7,825,181,106 shares of Ping An Bank (representing approximately 90.75% of the total capital stock of Ping An Bank) and RMB 2,690,052,300 in cash (equivalent to the valuation of approximately 9.25% of the total capital stock of Ping An Bank) to subscribe for 1,638,336,654 shares of the Bank issued through non-public offering (“the Material Asset Restructuring”).

The Bank received the *Approval in Respect of the Issuing of Shares to Acquire Assets from Ping An Insurance (Group) Company of China, Ltd by Shenzhen Development Bank Co., Ltd.* (ZJXX No. 1022 [2011]) from the CSRC on 28 June 2011, which approved the Bank’s issuance of 1,638,336,654 shares to Ping An Group to acquire 7,825,181,106 shares of Ping An Bank held by PAG and to raise RMB 2,690,052,300 from PAG. The approval is valid for 12 months since the day of the approval.

The Bank disclosed the *Report on the Issuing Shares to Acquire Assets and Related Party Transactions of Shenzhen Development Bank Co., Ltd.* on 30 June 2011. On 8 July 2011, the equity transfer procedures of 7,825,181,106 shares of Ping An Bank held by Ping An Group (representing approximately 90.75% of the total capital stock of Ping An Bank) were completed with the Shenzhen United Assets and Equity Exchange, and the equity holder of such shares was changed to the Bank. On 18 July 2011, Ping An Group transferred RMB 2,690,052,300 in cash to the Bank’s account opened with Bank of China. On 20 July 2011, China Securities Depository and Clearing Corporation Limited, Shenzhen Branch Office issued the *Letter of Confirmation on Securities Registration*, pursuant to which, 1,638,336,654 RMB denominated ordinary shares issued under the non-public offering had been registered under the name of Ping An Group.

The Bank intended to merge its subsidiary - Ping An Bank through absorption (“the Merger”). Upon completion of the Merger, the Bank will continue to exist and legally inherit all assets, liabilities, licenses, permits, businesses, personnel and all other rights and obligations of Ping An Bank, and the status of legal entity of Ping An Bank will be de-registered.

Upon completion of the Merger, the issues of potential peer competition between the Bank, Ping An Group and Ping An Bank will be completely resolved.

2. Related party transactions

Ping An Group and the enterprises controlled by Ping An Group are related parties of the Bank. In order to reduce and regulate related party transactions between Ping An Group and the enterprises controlled by Ping An Group and the Bank and safeguard the legitimate rights and interests of the Bank, Ping An Group made the following commitment:

After completion of the material asset restructuring, with regard to matters occurred between Ping An Group or other enterprises controlled by Ping An Group and Shenzhen Development Bank which constitute related party transactions of Shenzhen Development Bank, Ping An Group and other enterprises controlled Ping An Group shall conduct the transactions with Shenzhen Development Bank in compliance with the principles of openness, fairness and impartiality of market transactions and based on fair and reasonable market prices, implement the decision-making procedures in accordance with the provisions of relevant laws, regulations and regulatory documents, and perform the information disclosure obligation in accordance with the laws. Ping An Group guarantees that it and other enterprises it controls will not acquire

any unlawful benefit or put Shenzhen Development Bank in a position to assume any unjust obligation through transactions with Shenzhen Development Bank.

Chapter 8 Introduction of General Meetings of Shareholders

During the report period, the Bank held 3 General Meetings of Shareholders in total, including one Annual General Meeting of Shareholders and two Extraordinary General Meetings. The Below please find the briefing:

1. On 25 May 2011, the Bank held its 2010 Annual General Meeting of Shareholders at which the *2010 Work Report of the Board of Directors of Shenzhen Development Bank Co., Ltd.*, the *2010 Work Report of the Board of Supervisors of Shenzhen Development Bank Co., Ltd.*, the *2010 Report on Duty Fulfillment of Independent Directors of Shenzhen Development Bank Co., Ltd.*, the *2010 Report on Financial Report of Shenzhen Development Bank Co., Ltd.*, the *2010 Profit Distribution Proposal of Shenzhen Development Bank Co., Ltd.*, the *Special Report on Related Party Transactions of Shenzhen Development Bank Co., Ltd.* in 2010, the *2011 Budget Report of Shenzhen Development Bank Co., Ltd.*, the *Proposal on the Election of New Independent Directors of the 8th Board of Directors of Shenzhen Development Bank Co., Ltd.*, the *Proposal on Engaging Certified Public Accountants in 2011 of Shenzhen Development Bank Co., Ltd.*, the *Proposal on Purchasing of Liability Insurance for Directors and Senior Management of Shenzhen Development Bank Co., Ltd.* and the *Proposal on the Remuneration for Directors and Supervisors of Shenzhen Development Bank Co., Ltd.* were reviewed and approved. The *Announcement on Resolutions passed at the 2010 Annual General Meeting of Shareholders of Shenzhen Development Bank Co., Ltd* was published on *Securities Times*, *China Securities Journal*, *Shanghai Securities News*, *Securities Daily* and www.cninfo.com.cn on 26 May 2011.

2. On 2 September 2011, the Bank held its 1st Extraordinary General Meeting in 2011. The meeting reviewed and approved the *Proposal on Meeting the Conditions for Non-public Offering of Shenzhen Development Bank Co., Ltd.*, the *Proposal on the Non-public Offering Plan of Shenzhen Development Bank Co., Ltd.*, the *Proposal on the Report of the Use of Funds Raised Before by Shenzhen Development Bank Co., Ltd.*, the *Proposal on the Feasibility Report of the Use of Funds Raised by Non-public Offering of Shenzhen Development Bank Co., Ltd.*, the *Proposal on the Applying to General Meeting of Shareholders to Authorize the Board of Directors to Be Fully Responsible for All Matters in Relation to the Non-public Offering of Shenzhen Development Bank Co., Ltd.*, the *Proposal to Propose the General Meeting of Shareholders of Shenzhen Development Bank Co., Ltd. to approve Ping An Insurance (Group) Company of China, Ltd. to Increase Its Holding of the Shares in the Company by Way of Exemption from Tender Offer and the Proposal on the Capital Management Plan (2011-2014) of Shenzhen Development Bank Co., Ltd.* by means of a combination of on-site written voting and on-line voting. The *Announcement on Resolutions passed at the 1st Extraordinary General Meeting in 2011 of Shenzhen Development Bank Co., Ltd* was published on *Securities Times*, *China Securities Journal*, *Shanghai Securities News*, *Securities Daily* and www.cninfo.com.cn on 3 September 2011.

3. On 6 December 2011, the Bank held its 2nd Extraordinary General Meeting in 2011. The meeting reviewed and approved the *Proposal on Adjusting Financial Bond Issuance Plan*. The *Announcement on the Resolutions passed at the 2nd Extraordinary General Meeting in 2011 of Shenzhen Development Bank Co., Ltd* was published on *Securities Times*, *China Securities Journal*, *Shanghai Securities News*, *Securities Daily*s and www.cninfo.com.cn on 7 December 2011.

Chapter 9 Report of the Board of Directors

I. 2011 annual profit distribution plan

The 2011 statutory financial statements of the Bank (audited by domestic certified public accountant – Ernst & Young Hua Ming) reported net profit of RMB 9,181,197,000, and profits available for distribution of RMB 17,662,186,000.

According to the aforesaid profit result and applicable regulations of China, the annual profits distribution for 2011 is as follows:

1. The Bank should accrue RMB 918,120,000 statutory surplus reserve based on the 10% of the profit after tax as audited by the domestic Certified Public Accountants. After this accrual, the balance of the statutory surplus reserve of the Bank will exceeds 50% of its paid-up capital.
2. To accrue RMB 1,977,121,000 general risk provision.
3. In order to better facilitate the long-term development of the bank, the Bank will not distribute cash dividend for the time being and will not convert capital reserve into capital.
4. Upon the aforesaid profit distribution, as of 31 December 2011, the balance of surplus reserve amounted to RMB 2,830,459,000; general risk provisions totalled RMB 7,954,903,000; and the balance of undistributed profit amounted to RMB 14,766,945,000, which will be used to replenish capital and retained for profit distribution in future years.

The above plan is subject to review and approval of the 2011 Annual General Meeting of the Bank.

II. Cash dividends in prior three years:

(In RMB thousand, %)

Year	Cash dividend (tax included)	Net profit attributed to shareholders of the listed company in the consolidated report of the dividend pay-out year	Ratio of dividends to net profit attributed to shareholders of the listed company in the consolidated report	Annual distributable profit
2008	80,024	622,184	12.86	772,111
2009	-	4,988,281	-	4,164,340
2010	-	6,246,537	-	8,480,990
Ratio of accumulative cash dividends in prior three years to average annual net profit (%)		2.02%		

III. Investments of the Group during the report period

Shareholding in other listed companies

(in RMB thousand, %)

Stock Code	Name	Initial investment	Number of shares held at the beginning of the period	Percentage of total shareholding at the beginning of the period	Number of Shares held at the end of the period	Percentage of total shareholding at the end of the period	Book value at the end of the period	Gains/Losses in the report period	Change of owners' equity during the report period	Accounting entry	Origination
000150	Yihua	5,895	4,419	1.36%	4,419	1.36%	14,584	0	(8,080)	Available-for-sale	Reposessed

	Real Estate										equity
600094	ST Shanghai Worldbest	4,248	1,082	0.23%	1,082	0.07%	4,490	0	217	Available-for-sale	Reposessed equity
000034	ST Shenxin Taifeng	5,553	643	0.18%	643	0.18%	2,513	0	(2,349)	Available-for-sale	Reposessed equity
000030	ST Shengrun	2,916	0		359	0.12%	2,801	0	(115)	Available-for-sale	Reposessed equity
	Visa Inc.	0.00-	2	0.01%	2	0.01%	1,418	5	436	Available-for-sale	Legacy investment
Total		18,612	6,146		6,505		25,806	5	(9,891)		

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

(in RMB thousand)

Name of Investee Company	Investment Amount	Impairment Provision	Net value at the end of the period
Ping An Bank Co., Ltd.	26,701,707	-	26,701,707
China Unionpay Co. Ltd.	74,220	-	74,220
SWIFT	684		684
Clearing Center for City Commercial Banks	600		600
Total	26,777,211	-	26,777,211

IV. Business operation and performance analysis of major subsidiaries

For details, please refer “2011 business performance analysis” in Chapter 4 *Management Discussion and Analysis*.

V. Use of funds raised

(in RMB thousand)

Total raised funds			2,690,052.30		Total raised funds invested in the report period			0		
Total raised funds with purpose changed in the report period			0							
Total raised funds with purpose changed			0		Total accumulative raised funds invested			0		
Percentage of total raised funds with purpose changed			0%							
Promised investment projects and flow of surplus funds raised	Project changed or not (incl. partial change)	Promised investment amount from raised funds	Total investment amount after adjustment (1)	Invested amount during the year	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 year	In line with predicted benefit or not	Any material changes of feasibility of the project
Promised investment projects										
Integrate PAB/capital replenishment	No	2,690,052.30	2,690,052.30	0	0	0%	-	-	-	No
Subtotal of promised investment projects	-	2,690,052.30	2,690,052.30	0	0	0%	-	-	-	-
Flows of surplus funds raised										
Repayment of bank loans	-	-	-	-	-	-	-	-	-	-

Replenishment of working capital	-	-	-	-	-	-	-	-	-	-
Subtotal of flows of surplus funds raised	-	-	-	-	-	-	-	-	-	-
Total	2,690,052.30	2,690,052.30	0	0	0%	-	-	-	-	2,690,052.30
Failure to reach planned progress or expected earnings and reasons (by specific projects)	-									
Notes on material changes of project feasibility	-									
Amount, purpose and application progress of surplus funds raised	-									
Changes of implementation locations of projects invested with raised funds	-									
Changes of implementation approaches of projects invested with raised funds	-									
Initial input and replacement of projects invested with raised funds	-									
Temporary supplementation of working capital with spare raised funds	-									
Surplus fund amount in the project implementation and reasons	-									
Purpose and flows of unused funds raised	The used funds raised are deposited in a special account for the fundraising and such used funds will be used for integrating PAB and replenishing capital									
Issues or other situations occurred in the application and disclosure of raised funds	No									

VII. The work summary of Board of Directors

1. Meetings and resolutions of Board of Directors during the report period

No. and Session of the meeting	Date of the meeting	Name of media used for information disclosure	Disclosure date
2 nd meeting of the 8 th Board of Directors	24 Feb 2011	<i>Securities Times, China Securities Journal, Shanghai Securities News and www.cninfo.com.cn</i>	25 Feb 2011
3 rd meeting of the 8 th Board of Directors	26 Apr 2011	<i>Securities Times, China Securities Journal, Shanghai Securities News and www.cninfo.com.cn</i>	27 Apr 2011
4 th meeting of the 8 th Board of Directors	25 May 2011	<i>Securities Times, China Securities Journal, Securities Daily, Shanghai Securities News and www.cninfo.com.cn</i>	26 May 2011

5 th meeting of the 8 th Board of Directors	7 Jun 2011	Same as above	8 Jun 2011
6 th meeting of the 8 th Board of Directors	1 Jul 2011	Same as above	2 Jul 2011
7 th meeting of the 8 th Board of Directors	17 Aug 2011	Same as above	18 Aug 2011
8 th meeting of the 8 th Board of Directors	25 Oct 2011	Same as above	26 Oct 2011
9 th meeting of the 8 th Board of Directors	18 Nov 2011	Same as above	19 Nov 2011
10 th meeting of the 8 th Board of Directors	21 Dec 2011	Same as above	22 Dec 2011

2. Execution of resolutions passed at shareholders' general meeting by the Board

The Board of Directors of the Bank seriously executed every resolution of General Meeting of Shareholders during the report period. As of the end of the report period, except certain proposals subject to regulatory approvals, such as *the Proposal on the Non-public Offering Plan of Shenzhen Development Bank Co., Ltd.* approved at the 1st Extraordinary General Meeting in 2011 and the *Proposal on Adjusting Financial Bond Issuance Plan* approved at the 2nd Extraordinary General Meeting in 2011, the Board of Directors had executed and implemented all resolutions of the General Meeting of Shareholders.

3. Duty performance of the Audit Committee of the Board

During the report period, the Audit Committee of the Board (Audit and Related Party Transaction Control Committee) thoroughly fulfilled its various duties as stated in the work rules and held 5 meetings in total, assisting the Board of Directors in supervising and ensuring the completeness of financial report and internal control policy as well as the effectiveness of its internal audit functions; supervising on compliance issues of the Company; supervising the annual independent audit on its financial statements, evaluating the qualification, independence and work performance of independent auditors; and supervising on the execution of information disclosure control and procedures as well as its efficiency.

During the report period, the Audit Committee under the Board of Directors carried out communications and coordination with the Certified Public Accountants for annual audit, in accordance with the *Working Rules for Annual Audit* and relevant rules of the Committee.

(1) Opinions on financial reports after two rounds of reviews

The Audit Committee negotiated and decided time arrangement for the audit of the 2011 financial report with the Certified Public Accountants, and urged the Certified Public Accountants to submit auditors' report within the specified time limit. The Audit Committee reviewed the financial statements prepared by the Bank before the CPA in charge of the annual audit officially came into work, and considered that the financial report was prepared in accordance with the provisions of new accounting standards for business enterprises and fairly reflected, in all material aspects, the financial position of the Bank as of 31 December 2011 and the business results and cash flow in 2011. After the CPA for the annual audit came into work, the Audit Committee enhanced the communication with them. After the annual audit CPA issued the preliminary audit opinion, the Audit Committee held a meeting on 7 March 2012 and reviewed the financial report again and considered that the financial report is true, accurate and complete in every aspect, and prepared in accordance with the Accounting Standards for Business Enterprises and relevant regulations, and rendered no disputes with the accountant on significant issues.

(2) Supervision on audit work

The Audit Committee made arrangement for annual audit in advance, and negotiated the scope and timetable of auditors' report with the Certified Public Accountants. After auditors came to work, they communicated with the in-charge project heads to understand the auditing progress and areas of CPA's concerns. The Audit Committee also urged the Accountants to hand in high-quality report according to specified time limit to make sure annual audit and information disclosure is completed as scheduled.

(3) Summary report on auditor's work in last year submitted to Board of Directors

Current CPA of the Bank completed the audit work on 2011 annual report and interim report, and the review of Q1 report and Q3 report as per agreed procedures. Audit Committee, according to the work rules of the Committee, shall carry out annual performance appraisal on independent auditors. Audit Committee is satisfied with the qualifications and independence of current Accountant, and considered they have completed 2011 financial statement audit and other work satisfactorily according to audit regulations and rules.

(4) Suggestion on the reappointment of Certified Public Accountants in the next year

Propose to engage Ernst & Young Hua Ming as the domestic auditors, and engage Ernst & Young as the international auditors for 2012. The total audit fees will be up to RMB 9 million.

4. Duty fulfilment of Compensation & Appraisal Committee

During the report period, the Compensation & Appraisal Committee thoroughly fulfilled its various duties as stated in the work rules and held 3 meetings in total. The Committee studied compensation policy and plan for directors, supervisors and senior management, reviewed senior management performance appraisal rules and carried out appraisals, and implemented other compensation related assignments authorized by Board of Directors.

(1) Review opinion of disclosed compensation of directors, supervisors and senior management

As per regulatory requirements, the Compensation & Appraisal Committee reviewed the disclosed compensation of directors, supervisors and senior management and considered that the disclosure is true, accurate, complete and consistent with relevant resolutions of General Meeting of Shareholders, Board of Directors meetings and Compensation & Appraisal Committee meetings, as well as relevant policies of the Bank.

(2) The Bank did not implement any equity incentive plan.

VIII. Implementation of inside information and insider management policy

During the report period, the Bank attached great importance to the establishment of inside information and insider management policy. In October 2011, the Bank further revised the *Inside Information and Insider Management Policy of Shenzhen Development Bank Co., Ltd.* according to the actual situation of the Company.

During the report period, the Bank attached importance to the management of inside information, strictly kept inside information and insiders within bounds in accordance with relevant provisions, registered the name lists of insiders and their particulars in a timely manner, conducted self-inspection on insider trade of shares of the Company, and organized special trainings and case studies for directors, supervisors, senior management and staff in key posts that have access to inside information. There was no insider who made use of inside information to trade the Company's shares before the disclosure of material and sensitive information that can affect the price of the Company's shares, and also no regulatory measures or administrative penalties imposed by the regulatory authorities due to any violation of the inside information and insider management policy and involvement in insider trade.

The *Inside Information and Insider Management Policy of Shenzhen Development Bank Co., Ltd.* also regulated the use of information by external users. During the report period, there was no external information user who made use of inside information to trade the Company's shares, or procured others to trade the Company's shares, or leaked such information.

During the report period, there were no directors, supervisors or senior management personnel who violated the rules to trade the Company's shares.

IX. Work plan and implementation plan of internal control policy

The Bank will officially implement C-SOX in 2012. The Board of Directors will continue to attach high importance to and proactively promote the establishment and development of internal control policy as they did in the past, formulate sound work plan and implementation plan, and designated a special committee to be responsible for the establishment and inspection of internal control. Base on the pilot implementation of C-SOX in 2011, the Bank will further expand the scope of implementation, further develop the internal control policies for identification, control and reporting of major risks, continue to streamline and improve processes of business lines, and push for the continuous improvement of the internal control of the Bank.

X. Corporate social responsibility report

During the report period, the Bank proactively carried out various activities to fulfilling its social responsibility, and continued to improve the corporate social responsibility management work. The *Management Rules for External Donation* was formulated and approved by the Board of Directors, which clarified and standardized the principles, the approval authority and the management process for external donation of the Bank; the Bank continued to strengthen the review and supervision function of the headquarters in areas of corporate social responsibility, and organized and coordinated various functional departments, branches/outlets to proactively fulfill their corporate social responsibility.

1. In accordance with the provisions of relevant laws and regulations, such as the *Company Law*, *Securities Law* and *Commercial Banking Law*, as well as the regulatory requirements stipulated by the People's Bank of China, China Securities Regulatory Commission and China Banking Regulatory Commission, the Bank has been continuously committed to improving the corporate governance policies and structure, and achieve value growth for its shareholders while protecting shareholders' interests. During the integration process of the two banks, the Bank specially established communication workstream to coordinate for full communication between the whole bank and stakeholder, and adopted various measures to protect the interests of related parties such as customers, shareholders, staff and suppliers.

2. Bearing the target of "one of best banks in China" in mind, the Bank carried out various process re-engineering projects and conducted "Process and Service Improvement and Innovation" activity for improving customer service quality, internal control policy and customer service level. Based on the online supply chain finance system, the Bank continuously diversified its business models, vigorously promoted the corporate cash management system, and enriched the integrated service functions to build an innovative financial service platform. The Bank established the Micro Finance Business Unit to support the development of small and micro enterprises by helping solve their difficulties in financing.

3. Staff care. The Bank provided fair and just space of development for its staff; provided opportunities of training and development to its staff, and helped the staff to improve their overall quality, working skills and performance; communicated with the staff regarding topics they concerned about through Q&A sessions on the public sentiments of the staff; organized various activities such as badminton contest, interesting sports meeting, counselling seminars and "Family Month" to take care of the physical and psychological health of the staff.

4. The Bank attached high importance to green credit. To fulfil its commitment and to leverage on advanced international practice, the Bank entered into an agreement with the United Nations Environment Programme Finance Initiative ("UNEPFI") in August 2010 and officially became the fourth bank member of this organization in China. 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 overcapacity", emphasized on environmental protection and implemented a one-vote-down policy according to environmental problems. As of the end of December 2011, the balance

of loans to enterprises in industries with “high energy consumption, high pollution and overcapacity” amounted to RMB 43.651 billion, representing 9.29% of the total loan of the Bank, and decreased by 0.3 percentage point as compared with the beginning of the year; the growth in the year was 11.79%, lower than the average growth of all loan of the Bank by 3.55 percentage points. The non-performing loan ratio of loans to enterprises in industries with “high energy consumption, high pollution and overcapacity” was 0.49%, decreasing by 0.07 percentage point as compared with the beginning of the year, lower than the average non-performing loan ratio of the Bank by 0.09 percentage point. Under the precondition of insisting on risk bottom line of environmental protection policy, the Bank proactively supported credit enterprises to do energy saving and emission reduction and sand low-carbon economic development projects. As of the end of 2011, the credit granted to energy saving and emission reduction key projects and in supporting technological innovation, technological reform and product promotion amounted to RMB 13.486 billion, increased by RMB 2.629 billion or 24.21% as compared with the beginning of the year. Balance of loan amounted to RMB 5.268 billion, increasing by RMB 329 million or 6.66% compared with the beginning of the year.

5. The Bank actively supported energy saving and emission reduction to protect environment. It continued to carry out “Office Energy Saving and Environment Friendly Life” initiative, promote green operation measures such as saving water, saving electricity and cutting down paper waste through improve video conference system and conference call system to reduce energy consumption and material consumption; and proactively participated in environmental initiatives such as “Earth Hour”.

6. The bank proactively carried out charity activities. In 2011, the Bank's external charitable donation amounted to RMB 3.564 million, among which, RMB 1.98 million were contributed by the institution and 1.584 million were contributed by staff. The branded charity project of the Bank “SDB Love Assistance Travel” was launched again, which organized “City Study Tour Camp” for Pupils form Yutang Primary School, Dujiangyan; and organized “Visiting and Teaching Camp” for 16 Tibetan teachers from Yushu, Qinghai Province, enabling them to work with teachers form Shenzhen Nanshan Shiyan School, in order to have a deep understanding of the education principles and teaching methods in Shenzhen and to improve their own teaching skill. The Bank also donated 4 multi-media classrooms for 4 schools in Yushu, and more than 7,500 pupils and approximately 500 teachers would directly benefit from it. The Special Asset Management Center of the Bank has donated all its rewards awarded by the third session of Shenzhen Financial Innovation Award, i.e. RMB 400,000 to equip the multi-media preparation room for teachers and to construct the hot water room of Qiyi Minzu Secondary School in Mao County, which was an earthquake-stricken area; Wuxi Branch has donated RMB 900,000 to fund the medication and health care of five-guarantee population who was in difficulty; Nanjing Branch has donated RMB 330,000 to be used in the poverty relief project in Sihong County; Shanghai Branch has donated RMB 250,000 to help Chongming County of Shanghai to build a community center for the elderly in Xiaodong Village; Hangzhou Branch has raised a poverty relief fund of RMB 200,000 to be used in the building of “Fuli Village” and the infrastructure construction in Baijiang Town, Tonglu County of Zhejiang Province.

Please refer to *2011 Corporate Social Responsibility Report of Shenzhen Development Bank Co., Ltd.* disclosed by the Bank for specifics.

Chapter 10 Report of the Board of Supervisors

In 2011, the Board of Supervisors of Shenzhen Development Bank fulfilled its duties with diligence, seriously exercised its supervising functions and powers, and fulfilled its supervising obligations, on the basis of being responsible for our shareholders and staff, in accordance with *Company Law*, *Securities Law*, *Articles of Association* of the Bank and Rules of Procedure for Board of Supervisors and various guidelines from the regulators. This has positive effect on the standardized operation and development of the Bank.

I. Meetings of the Board of Supervisors

Seven Board of Supervisors meetings were held during the report period. Detailed contents of the meetings are as follows:

No.	Date of meeting	No. and session of the meeting	Resolutions & proposals reviewed and approved	Disclosure media	Date of disclosure
1	24 February 2011	The 3 rd meeting of the 7 th Board of Supervisors	2010 Annual Report of Shenzhen Development Bank Co., Ltd. was reviewed	Securities Times, China Security News, Shanghai Security News and www.cninfo.com.cn	25 February 2011
			Report on the Review Opinions of the 2010 Annual Report of Board of Supervisors of Shenzhen Development Bank was reviewed	Securities Times, China Security News, Shanghai Security News and www.cninfo.com.cn	
			Opinions of Board of Supervisors Shenzhen Development Bank on the Self-Appraisal Report of the Company's Internal Control was reviewed	Securities Times, China Security News, Shanghai Security News and www.cninfo.com.cn	
2	24 March 2011	The 4 th meeting of the 7 th Board of Supervisors	2010 Work Report of the Board of Supervisors of Shenzhen Development Bank Co., Ltd. (used in the report of the General Meeting) was reviewed	/	/
			2010 Work Report of External Supervisors of Shenzhen Development Bank Co., Ltd. was reviewed		

3	26 April 2011	The 5 th meeting of the 7 th Board of Supervisors (by way of correspondence)	2011 Q1 Report of Shenzhen Development Bank Co., Ltd. was reviewed	Securities Times, China Security News, Shanghai Security News and www.cninfo.com.cn	27 April 2011
			Report on the Review Opinions of the 2011 Q1 Report of Board of Supervisors of Shenzhen Development Bank was reviewed	Securities Times, China Security News, Shanghai Security News and www.cninfo.com.cn	
4	25 May 2011	The 6 th meeting of the 7 th Board of Supervisors	Trail Measures for Appraisal of Performance of Directors of Shenzhen Development Bank Co., Ltd. was reviewed	/	/
			Trail Measures for Appraisal of Performance of Supervisors of Shenzhen Development Bank Co., Ltd. was reviewed		
5	17 August 2011	The 7 th meeting of the 7 th Board of Supervisors	2011 Interim Report of Shenzhen Development Bank Co., Ltd. was reviewed	Securities Times, China Security News, Shanghai Security News, Securities Daily and www.cninfo.com.cn	18 August 2011
			Report on the Review Opinions of 2011 Interim Report of Board of Supervisors of Shenzhen Development Bank was reviewed		
			Opinions of the Board of Supervisors of Shenzhen Development Bank on the Self-Appraisal Report of the Company's Internal Control was reviewed		
			Opinions of the Board of Supervisors of Shenzhen Development Bank on Resolutions of the Board of Directors in respect of the changes in accounting policies and retroactive adjustments was reviewed		

			<i>Inspection Work Report of the Board of Supervisors of Shenzhen Development Bank</i> was reviewed		
6	25 October 2011	The 8 th meeting of the 7 th Board of Supervisors (by way of correspondence)	<i>2011 Q3 Report of Shenzhen Development Bank Co., Ltd</i> was reviewed <i>Report on the Review Opinions of the 2011 Q3 Report of Board of Supervisors of Shenzhen Development Bank</i> was reviewed	<i>Securities Times, China Security News, Shanghai Security News , Securities Daily and www.cninfo.com.cn</i>	26 October 2011
7	30 November 2011	The 9 th meeting of the 7 th Board of Supervisors	Resolution on adjusting the establishment and composition of the committees under the 7th Board of Supervisors was reviewed Proposal on the implementation Rules for <i>Trail Measures for Appraisal of Performance of Directors of Shenzhen Development Bank Co., Ltd.</i> was reviewed Proposal on the Implementation Rules for <i>Trail Measures for Appraisal of Performance of Supervisors of Shenzhen Development Bank Co., Ltd.</i> was reviewed Proposals on Implementation Measures for Supervision and Inspection of 2011 Risk Management and Financial Management by the Board of Supervisors of the Bank was reviewed Proposal on the Summary of 2011 Work and 2012 Work Plan of the Board of Supervisors	/	/

II. Board of Supervisors expressed independent opinions on the following matters:

1. Operation in compliance with laws

During the report period, the Company observed relevant laws, administrative rules and the Bank's *Articles of Association*, established and improved corporate governance structure, and decision-making procedures were basically in compliance with relevant regulations. No breach of laws, policies, *Articles of Association* of the Bank or resolutions of the General Meeting of Shareholders was found in the Board of Directors, the senior management or their members in the process of fulfilling their duties.

2. Inspection on the Bank's financial status

During the report period, the Bank standardized the conducts in compliance with the *Articles of Association* of the Bank in major aspects including financial accounting, and no conduct detrimental to the interest of the bank and the shareholders was found.

3. Use of Funds Raised

During the report period, the Bank completed the transaction in respect of issuing 1,638,336,654 new shares to Ping An Insurance (Group) Company of China, Ltd. by means of non-public offering to subscribe 7,825,181,106 shares of Ping An Bank held by it (representing approximately 90.75% of the total capital stock of Ping An Bank) and raised RMB 2,690,052,300. The actual investment project out of this fund raising by the Company is consistent with its promised investment project.

4. Purchase/sale of assets

During the report period, the Bank completed the transaction in respect of issuing 1,638,336,654 new shares to Ping An Insurance (Group) Company of China, Ltd. by means of non-public offering to subscribe 7,825,181,106 shares of Ping An Bank held by it (representing approximately 90.75% of the total capital stock of Ping An Bank) and raised RMB 2,690,052,300. The Board of Supervisors conducted a thorough supervision over the above transaction of the Company. The price of this transaction was reasonable and fair, and there was no insider trading which would prejudice the interests of minority shareholders or result in losses of the Company's assets.

5. Related party transaction

During the report period, all related party transactions were conducted under normal business processes and policies, and no action that might be detrimental to the interest of the bank and the shareholders was found.

6. Internal control of the Bank

During the report period, the Bank adhered to the basic principles of internal control in accordance with relevant provisions of China Securities Regulatory Commission and Shenzhen Stock Exchange, set up complete and rational internal control policies based on the Bank's status quo and issued a self-appraisal report on its internal control. The internal control policies were effectively carried out during operations, which was generally consistent with relevant requirements of China Securities Regulatory Commission and Shenzhen Stock Exchange. The 2011 self-appraisal report on internal control of the Bank accurately and completely reflected the current status of internal control and main aspects to be improved. The correction plan was practical and in line with the long-term development requirement of internal control.

7. Implementation of inside information and insider management policy

During the report period, the Bank attached importance to the policy building in respect of inside information and insider management. The Bank put much emphasis on the management of inside information, strictly kept inside information and insiders within bounds in accordance with relevant provisions, registered the name lists of insiders and their particulars in a timely manner, conducted self-inspection on insider trading of shares of the Company, and identified no insider trading of shares of the Company by making use of inside information.

Chapter 11 Important Events

一、Material lawsuits and arbitrations

During the report period, there were no lawsuits and arbitrations that had material impact on the operation of the Group. As at 31 December 2011, the Group, as defendant, was involved in 78 outstanding lawsuits with a total amount of RMB383 million.

During the report period, there were no lawsuits and arbitrations that had material impact on the operation of the Bank. As at 31 December 2011, the Bank, as defendant, was involved in 52 outstanding lawsuits with a total amount of RMB183 million.

二、Acquisition, Merger and Disposal of Assets by the Bank during the Report period

During the year, the Company completed the non-public offering of 1,638,336,654 shares to Ping An in order to acquire the 7,825,181,106 shares of Ping An Bank held by the latter (representing approximately 90.75% of the total share capital of Ping An Bank) and raise RMB2,690,052,300 from it (the "Material Asset Restructuring Transaction" or "Restructuring Transaction"). The price for the Company's non-public offering to Ping An equalled the average price of its shares traded during the last 20 trading days prior to the pricing reference date, i.e. RMB17.75 per share. The final price for Ping An Bank as confirmed by both Parties was RMB29,080,475,600, among which RMB26,390,423,300 was settled with its assets and RMB2,690,052,300 was paid in cash.

The proposal for the Restructuring Transaction was considered and passed at the 27th meeting of the seventh Board of Directors, and the proposals regarding the Restructuring Transaction were considered and passed at the 29th meeting of the seventh Board of Directors. The proposals regarding the Restructuring Transaction, including the Proposal of Shenzhen Development Bank on Issuing Shares to Acquire Assets, were considered and passed at the first Extraordinary General Meeting of the Company for 2010, which was held on 30 September 2010.

On 18 January 2011, the Company obtained the Approval of China Banking Regulatory Commission on the Material Transaction between Shenzhen Development Bank and Ping An Bank and the Relevant Issues (Yin Jian Fu No. [2011] 9) from China Banking Regulatory Commission.

On 28 June 2011, the Company obtained the Approval of China Securities Regulatory Commission on Issue of Shares by Shenzhen Development Bank Co., Ltd. to Ping An Insurance (Group) Company of China, Ltd. for Acquisition of Assets (Zheng Jian Xu Ke No. [2011] 1022), whereby the Company was allowed to issue 1,638,336,654 shares to Ping An in order to acquire the 7,825,181,106 shares of Ping An Bank and raise RMB2,690,052,300 from it.

On 8 July 2011, the equity interests in 7,825,181,106 shares of Ping An Bank held by Ping An (representing approximately 90.75% of the total share capital of Ping An Bank) was transferred to the Company with the

registration completed at the Shenzhen United Property and Share Rights Exchange.

On 12 July 2011, Ping An Bank completed the procedure of changes of industrial and commercial registration for the shareholding changes.

On 18 July 2011, Ping An transferred RMB2,690,052,300 into the Company's bank account in Bank of China.

On 19 July 2011, Ernst & Young Hua Ming issued the Capital Verification Report (EYHM (2011) Yan Zi No. 60438538-H01) for the purpose of verifying the aforesaid capital contribution by Ping An.

As per the Share Registration Confirmation and Securities Holders Register issued by China Securities Depository and Clearing Corporation Limited, Shenzhen branch on 20 July 2011, the 1,638,336,654 new shares issued by the Company to Ping An have already been registered under the name of Ping An (among which 1,638,336,654 shares are subject to trading moratorium).

Ping An Bank and the Company are in the same industry. While we are specialized in trade financing and supply chain financing, Ping An Bank is dedicated to retail business and the cross-selling to the customer base of Ping An Group. Through this transaction, the Company and Ping An Bank may supplement each other with their own expertise and achieve full synergy. Meanwhile, Ping An Bank and the Company may complement and balance each other in customer base and distribution of outlets and channels. Upon completion of the transaction, the total assets of the Company will increase considerably, and the coverage of its distribution network will extend much further and deeper, and therefore its ability to prevent risk and achieve sustainable development will be enhanced remarkably. The restructuring transaction will help to maintain the continuity of our business and the stability of the management.

The material asset restructuring has expanded our assets and liabilities business, increased the Group's assets and enhanced our overall competitive strength. The material asset restructuring has created a goodwill of RMB7.6 billion, accounting for 0.66% of our total assets after the restructuring. Upon completion of the material asset restructuring, the Group's operating income, operating profit and net profit attributable to the parent for 2011 increased by 64.94%, 68.37% and 64.55%, respectively. The Group's profitability has been enhanced.

Pursuant to the Profit Forecast Audit Report issued by Ernst & Young Hua Ming (EYHM [2010] Zhuan Zi No. 60803861-B01), Ping An Bank has prepared its forecast on the operating results for 2011, which indicates that it will achieve a forecasted net profit attributable to the equity holders of RMB2.3 billion in 2011. According to the Audit Report issued by Ernst & Young Hua Ming (EYHM [2012] Shen Zi No. 6080386_H01), Ping An Bank has made a net profit attributable to the equity holders of RMB2.4 billion in 2011, which is slightly higher than the forecast.

Special Audit Report

Ernst & Young Hua Ming (EYHM (2012) Zhuan Zi No. 60438538-H05)

To The Board of
Shenzhen Development Bank Co., Ltd.

We have audited the Statement of Differences between the consolidated and actual profits for the year 2011 of the listed company and estimated profits as well as the actual profits for the year 2011 of underlying assets and the estimated profits as set out in the valuation report upon the completion of the Material Asset Restructuring (the “Statement of Differences”), which has been prepared by Shenzhen Development Bank Co., Ltd. in accordance with *The Measures for the Administration of Material Asset Restructuring by Listed Companies* (Order of China Securities Regulatory Commission No. 73), as attached hereinafter. The management of Shenzhen Development Bank Co., Ltd. is responsible for the preparation of the Statement of Differences. Our responsibility is to express an opinion on the Statement of Differences based on our audit.

Management’s responsibility for the differences between the actual profits and estimated profits

The management is responsible for the preparation of the Statement of Differences in accordance with *The Measures for the Administration of Material Asset Restructuring by Listed Companies* and the basis of preparation stated in note 1, and for the design, implementation and maintenance of necessary internal control, ensuring that the statement is free from any major misstatement, whether due to fraud or error.

Responsibility of Certified Public Accountants

Our responsibility is to express an audit opinion on the Statement of Differences based on our audit. We have conducted our audit in accordance with the rules of the Auditing Standards for the Chinese Certified Public Accountants. These standards require us to plan and implement audit with professional ethics, so as to obtain reasonable assurance that there are no material misstatement therein.

An audit involves performing procedures to obtain audit evidences about the amounts and disclosures in the Statement of Differences. The procedures selected depend on the certified public accountants’ judgment, including the assessment of the risks of material misstatement of the Statement of Differences, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Statement of Differences, in order to design audit procedures that are appropriate in the circumstances. We do not form an opinion on the effectiveness of the internal control. An audit also includes making reference to *The Measures for the Administration of Material Asset Restructuring by Listed Companies* and basis of preparation, as well as evaluating the overall presentation of the statement of the differences.

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

Audit opinion

In our opinion, the aforesaid Statement of Differences, in all material respects has been properly prepared in accordance with the requirements of *The Measures for Administration of Material Asset Restructuring by Listed Companies* and the basis of preparation stated in note 1.

Basis of preparation and limitation on the distribution and usage

We hereby draw your attention to the description on the basis of preparation set out in note 1. This audit report is prepared at the request of China Securities Regulatory Commission. It is only available to the Company for disclosure in its annual report according to relevant requirements and submitted to relevant regulatory authorities. Accordingly, this report does not serve any other purposes, and if any consequences arise from improper use, the certified public accountants and the accounting firm shall bear no any responsibility for it.

Ernst & Young Hua Ming Certified Public Accountants Firm PRC Certified Public Accountants Zhang Xiaodong

Beijing, PRC

PRC Certified Public Accountants

Chang Hua

8 March 2012

I. Basis of preparation for the Statement of Differences

Shenzhen Development Bank Co., Ltd. (the “Company”) and Ping An Insurance (Group) Company of China, Ltd. (“Ping An Group”) entered into the conditional Share Subscription Agreement and Supplementary Agreement to Share Subscription Agreement respectively on 1 September 2010 and 14 September 2010. Pursuant to such agreements and resolutions passed at the First Extraordinary General Meeting of the Company for 2010, and subject to the *Approval of China Banking Regulatory Commission on the Material Transaction between Shenzhen Development Bank and Ping An Bank and the Relevant Issues* (Yin Jian Fu No. [2011] 9) and the *Approval of China Securities Regulatory Commission on Issue of Shares by Shenzhen Development Bank Co., Ltd. to Ping An Insurance (Group) Company of China, Ltd. for Acquisition of Assets* (Zheng Jian Xu Ke No. [2011] 1022), Ping An Group subscribed 1,638,336,654 non-public issued shares of the Company at a price satisfied partly by transferring 7,825,181,106 shares (representing approximately 90.75% of the total share capital of Ping An Bank) in Ping An bank and partly in cash of RMB2,690,052,300.

In July 2011, transfer registration of the equity interests in 7,825,181,106 shares of Ping An Bank (representing approximately 90.75% of the total share capital of Ping An Bank) held by Ping An Group was completed with the Shenzhen United Assets and Equity Exchange and the Company became the equity holder. Ping An Group transferred a cash amount of RMB2,690,052,300 into the Company's bank account in Bank of China. Ernst & Young Hua Ming issued the Capital Verification Report (EYHM Yan Zi (2011) No. 60438538-H01) for the increase of the share capital.

Pursuant to the provisions of *The Measures for the Administration of Material Asset Restructuring by Listed Companies* (Order of the CSRC No. 73) (the “Measures”), the above assets acquisition of the Company constituted a material asset reorganization. Fair value of Ping An Bank in the material asset reorganization was determined on the basis of the asset evaluation report (Zhong Lian Ping Bao Zi No. [2010] 697), issued by China United Assets Appraisal Co., Ltd. in which discounted income valuation method was adopted. The Company prepared the Statement of Differences between the consolidated and actual profits and estimated profits of the listed company for 2011 as well as the actual profits of underlying assets (Ping An Bank) and the estimated profits as set out in the evaluation report (the “Statement of Differences”) in accordance with the provisions of the Measures. The consolidated and actual profits of Shenzhen Development Bank set out in the Statement of Differences were prepared under the audited financial information of the Company for 2011, and the actual profits of underlying assets, namely Ping An Bank, are based on its audited financial statements, the corresponding audit report of which being Ernst & Young Hua Ming (2012) Shen Zi No. 60803861_H01. The pro forma consolidated estimated profits of the Company set out in the Statement of Differences was extracted from the *Pro Forma Consolidated Profit Forecast Report and the Audit Report of Shenzhen Development Bank Co., Ltd. for 2010 and 2011* ((2010) Zhuan Zi No. 60438538-H08) and the *Profit Forecast Report and the Audit Report of Shenzhen Development Bank Co., Ltd. for 2010 and 2011* ((2010) Zhuan Zi No. 60438538-H07) issued by Ernst & Young Hua Ming, while the estimated profits of the underlying assets was from the *Explanation on Special Assets Evaluation of China United Assets Appraisal Co., Ltd. for the Proposed Consolidated Equity of Ping An Bank Co., Ltd.* (Zhong Lian Ping Bao Zi No. [2010] 698), for which Ernst & Young Hua Ming issued the audit report ((2010) Zhuan Zi No. 60803861_B01).

The major accounting policies and accounting estimates on which the estimated and actual profits are based in the Statement of Differences are consistently adopted in all material aspects. Details of such major accounting

policies and accounting estimates were set out in the *Pro Forma Consolidated Profit Forecast Report and the Audit Report of Shenzhen Development Bank Co., Ltd. for 2010 and 2011* ((2010) Zhuan Zi No. 60438538-H08), the *Profit Forecast Report and the Audit Report of Shenzhen Development Bank Co., Ltd. for 2010 and 2011* ((2010) Zhuan Zi No. 60438538-H07), the *Profit Forecast Report and the Audit Report of Ping An Bank Co., Ltd. for 2010 and 2011* ((2010) Zhuan Zi No. 60803861_B01), the *Audited Financial Statements of Ping An Bank Co., Ltd. for 2011* ((2012) Shen Zi No. 60803861_H01) mentioned above and in the audited financial statements of the Company.

II. Statement of differences

(RMB million)		Net profits of Shenzhen Development Bank Co., Ltd. attributable to the shareholders of the parent company (The Group) (Note)	Net profits of Shenzhen Development Bank Co., Ltd. (the Company)	Underlying assets: Ping An Bank Co., Ltd.
In 2011				
Actual profits	A	10,279	9,181	2,409
Estimated profits	B	<u>9,340</u>	<u>7,247</u>	<u>2,300</u>
Differences	C=A-B	<u>939</u>	<u>1,934</u>	<u>109</u>

Note: Estimated profits of Shenzhen Development Bank Co., Ltd. for the year 2011 attributable to the shareholders of the parent company amounted to RMB9,340 million, which was extracted from *The Pro Forma Consolidated Profit Forecast Report and Audit Report of Shenzhen Development Bank Co., Ltd. for 2010 and 2011* issued by Ernst & Young Hua Ming Accountants Firm ((2010) Zhuan Zi No. 60438538_H08). The pro forma consolidated profit forecast for 2011 was arrived based on the financial plans for the respective profit forecast reports of the Company and Ping An Bank for 2011, as audited by Ernst & Young Hua Ming Accountants Firm, after consolidation adjustments and on the assumption that the base date of consolidation for the pro forma consolidated profits forecast was 1 January 2010.

Actual profits of Shenzhen Development Bank Co., Ltd. for 2011 attributable to the shareholders of the parent company amounted to RMB10,279 million, which were comprised of net profits of the Company (Shenzhen Development Bank Co., Ltd.) for the year 2011 and net profits of the Subsidiary (Ping An Bank Co., Ltd.) from 18 July 2011, the acquisition date, up to 31 December 2011, after taking into account relevant consolidation adjustment items.

三、Material Related Party Transaction Issues

During the Report period, the Company completed the non-public offering of 1,638,336,654 shares to Ping An in order to acquire the 7,825,181,106 shares of Ping An Bank held by the latter (representing approximately 90.75% of the total share capital of Ping An Bank) and raise RMB2,690,052,300 from it (the "Material Asset Restructuring Transaction" or "Restructuring Transaction"). As Ping An and its related parties held approximately 29.99% of the shares of the Bank before the Transaction, the issue of shares to Ping An for acquisition of assets constituted a related party transaction, whereby Ping An was a related party.

According to the Audit Report issued by Ernst & Young Hua Ming (EYHM [2010] Shen Zi No. 60803861-B02), as at 30 June 2010, the carrying value of the target company, Ping An Bank, was RMB15,329,093,500. According to the Asset Evaluation Report issued by China United Assets Appraisal Co., Ltd. (Zhong Lian Ping Bao Zi [2010] No.697), as at 30 June 2010, the reference date of evaluation, the carrying value of Ping An Bank was RMB15,329,093,500 as compared to the valuation value of RMB29,080,475,600, representing an evaluation premium of 89.71%. The assets of the target company to be acquired (90.75% of shares of Ping An Bank) was

evaluated to be RMB26,390,423,300. The final price for Ping An Bank as confirmed by both Parties was RMB29,080,475,600, among which RMB26,390,423,300 was settled with its assets and RMB2,690,052,300 was paid in cash.

The effect of the material related party transaction on the operating results and financial position of the Bank is set out in the section "Acquisition, Merger and Disposal of Assets by the Bank during the Report period" in this chapter.

I. Saved for the above-mentioned transactions, the Group had the following transactions with Ping An and its subsidiaries:

(Unit: RMB'000)

At end of year	2011-12-31	2010-12-31
Investment in receivables	100,000	100,000
Amounts due to banks and other financial institutions	1,324,672	85,975
Deposits from clients	25,147,518	3,752,314
Debentures payable	500,637	129,431
Factoring credit facilities	2,000,000	300,000
Credit facilities with peers	1,500,000	1,000,000
Issue of letters of guarantee	500,000	-

Transactions during the period	Jan.-Dec. 2011	Jan.-Dec. 2010
Interest income from bonds receivable	4,191	4,200
Agency fee income	47,263	8,380
Custody fee income	5,257	1,005
Interest expenses on amounts due to banks and other financial institutions	22,839	1,701
Interest expenses on deposits from customers	364,082	176,948
Interest expenses on bonds payable	11,800	7,075
Expenses on premium	14,296	2,082
Operating lease expenses	8,255	-
Services fee expenses	167,489	-

Saved for the above-mentioned transactions, the Bank had the following transactions with Ping An and its subsidiaries:

(Unit: RMB'000)

At end of year	2011-12-31	2010-12-31

Investment in receivables	100,000	100,000
Amounts due to banks and other financial institutions	36,350	85,975
Deposits from clients	11,802,500	3,752,314
Debentures payable	99,741	129,431
Factoring credit facilities	200,000	300,000
Credit facilities with peers	-	1,000,000

Transactions during the period	Jan.-Dec. 2011	Jan.-Dec. 2010
Interest income from bonds receivable	4,191	4,200
Agency fee income	35,265	8,380
Custody fee income	691	1,005
Interest expenses on amounts due to banks and other financial institutions	7,262	1,701
Interest expenses on deposits from customers	260,143	176,948
Interest expenses on bonds payable	6,286	7,075
Expenses on premium	4,562	2,082
Services fee expenses	8,946	-

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

2. On 31 December 2011, the Group approved to grant credit facilities of RMB3.55 billion to the connected legal entities and associates of the companies in which the Bank's key management members served (31 December 2010: RMB2.15 billion), actual loan balance of RMB520 million (31 December 2010: RMB319 million) and off-balance sheet credit facilities of RMB67 million (31 December 2010: RMB209 million).

On 31 December 2011, the Bank approved to grant credit facilities of RMB3.20 billion to the connected legal entities and associates of the companies in which the Bank's key management members served (31 December 2010: RMB2.15 billion), actual loan balance of RMB450 million (31 December 2010: RMB319 million) and off-balance sheet credit facilities of RMB67 million (31 December 2010: RMB209 million).

The above-mentioned related party transactions have been entered into in accordance with the Bank's approval procedures for related party transactions.

IV. Material contracts and their implementation

1. Material custodian, contracting and leasing: there were no material custodian, contracting and leasing business in the report period.
2. Material guarantee: except normal guarantees business approved by China Banking Regulatory Commission, the Bank had no other significant guarantees.
3. Entrusted wealth management: the Bank did not entrust others to handle management of cash assets in the report period.

4. Other material contracts and their implementation: the Bank had no material contract disputes in the report period.

V. Material commitment by the Bank and relevant parties

Type	Promiser	Commitment	Date	Term	Status
Commitments in share reform	-	-			-
Commitments made in Acquisition Report or Equity Change Report	Ping An Insurance (Group) Company of China, Ltd., Ping An Life Insurance Company of China, Ltd.	Ping An Group and Ping An Life made promise in the <i>Detailed Equity Change Report of Shenzhen Development Bank Co., Limited</i> published on 16 June 2009: Promise to take legal and feasible measures to integrate Shenzhen Development Bank and Ping An Bank in manner including but not limited to merger within 3 years after the completion of this transaction by strictly following relevant rules, laws and regulatory requirements, so as to avoid substantial peer competition. Ping An Group made promise in the <i>Acquisition Report of Shenzhen Development Bank Co., Limited</i> published on 30 June 2011: As to Shenzhen Development Bank's shares owned by the acquirer and its related entities as of the day when all the subscribed shares in this transaction are registered, the acquirer and its related entities will not transfer any of the shares of Shenzhen Development Bank within thirty-six months after the newly-subscribed shares are registered under the acquirer, but can dispose of such newly issued shares in accordance with relevant regulations of the China Securities Regulatory Commission and the Shenzhen Stock Exchange after the expiration of the lock-up period. However, subject to applicable laws, transference between the acquirer's related entities is not restricted.	16 June 2009 30 June 2011	Within three years	Underway
Commitments made in material assets restructuring	Ping An Insurance (Group) Company of China, Ltd., the Bank	I. In order to subscribe 1,638,336,654 shares offered by the Bank via non-public offering with its 90.75% stakes in Ping An Bank and cash of RMB 2.6900523 billion (the Material Asset Restructuring), Ping An Group promises that: 1. The integration of Ping An Bank and the Bank will be launched as soon as possible in strict accordance with relevant rules and regulatory requirements, necessary internal decision-making procedures will be	29 July 2011	-	The commitment on vesting of gains/losses during the transitional period was performed on 20 July 2011, and performance of other commitments

		performed, reporting to the regulators will be made for review and approval, and the integration is expected to be finished within 1 year. Due to uncertainties of regulatory approval, the specific time for completing the integration depends on the approval progress of the regulators and other factors. Ping An Group will actively communicate with relevant regulators, and try to complete regulatory approval and integration as soon as possible. 2. Ping An Group and its related entities will not transfer any shares of Shenzhen Development Bank owned by them within 36 months from the date of the completion of this transaction. However, subject to applicable laws, transference between Ping An Group's related entities (any direct or indirect controllers of Ping An Group, or any companies directly or indirectly controlled by Ping An Group, or any Ping An Group affiliated companies commonly controlled by other companies) is not restricted. After the expiration of the said duration, Ping An Group can dispose such newly issued shares in accordance with regulations of the China Securities Regulatory Commission and the Shenzhen Stock Exchange. 3. According to the stipulations of the <i>Profit Forecast Compensation Agreement</i> signed between Ping An Group and Shenzhen Development Bank on 14 September 2010, within four months after the end of each year during the three years after the completion of the purchase of assets through share issuance ("Compensation Period"), Ping An Group shall prepare the pro forma net profit of Ping An Bank for the year ("Realized Profit") according to the <i>Accounting Standards for Business Enterprises in China</i> and shall urge the accounting firm engaged by Ping An Group to issue as fast as possible a special audit opinion ("Special Audit Opinion") on the Realized Profit and the difference in the amount between the Realized Profit and the corresponding profit forecast ("Difference in Amount"). If, according to that Special Audit Opinion, the actual profit in any year during the Compensation Period is less than the corresponding profit forecast, Ping An Group shall pay 90.75% of the difference between the aforesaid actual profit and profit forecast			was underway

		(“Compensation Amount”) to the Bank in cash. Ping An Group shall deposit such amount in full to the bank account designated by the Bank within 20 business days after the issuance of the Special Audit Opinion specifically for that year. 4. As to the two properties of Ping An Bank without ownership certificates, Ping An Group issued <i>Commitment Letter of Ping An Insurance (Group) Company of China, Ltd. on Providing Compensation for Potential Disputes about Ownership of Ping An Bank’s Properties</i>. According to the commitment letter, Ping An Group committed that if there is any dispute about the ownership of the above properties of Ping An Bank in the future, Ping An Group will try its best to coordinate all parties, strive to settle disputes properly and avoid any adverse impact to normal operations of the bank. If the dispute of the property ownership causes additional cost to the above said subordinate institutions or have their income declined, Ping An Group promises to compensate the Bank in cash for the loss of profit as a result of handling the dispute of property ownership by Ping An Group. On the basis of the above commitment letter, Ping An Group issued <i>the Commitment Letter of Ping An Insurance (Group) Company of China, Ltd. Regarding the Solutions to the Properties with Ownership Defects of Ping An Bank Co., Ltd</i>, in which it undertakes that: within three years after the completion of this transaction, if the Bank cannot acquire real estate certificates for the two properties and cannot properly dispose those properties, then Ping An Group 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. 5. Regarding the gains/losses of the subscription during the transitional period: from the day following the evaluation day until the shares are transferred to the Company, gains from the subscription of consideration assets are enjoyed by Shenzhen Development Bank while losses are borne by Ping An Group. 6. After completion of the material asset restructuring and during the period when Ping An Group acts as the controlling shareholder			

		of Shenzhen Development Bank, if Ping An Group and other enterprises controlled by Ping An Group intend to capture or are actually given the same type of business or commercial opportunities that Shenzhen Development Bank has, and the asset and business created by such business or commercial opportunities may constitute potential peer competition with Shenzhen Development Bank, Ping An Group and its controlling enterprises shall not engage in the business that is the same as or similar to that of Shenzhen Development Bank so as to avoid direct or indirect competition with the business of Shenzhen Development Bank. 7. After completion of the material asset restructuring, with regard to matters occurring between Ping An Group or other enterprises controlled by Ping An Group and Shenzhen Development Bank that constitute related party transactions of Shenzhen Development Bank, Ping An Group and other enterprises controlled by Ping An Group shall conduct the transactions with Shenzhen Development Bank in compliance with the principles of openness, fairness and impartiality of market transactions and based on fair and reasonable market prices, implement the decision-making procedures in accordance with the provisions of the relevant laws, regulations and regulatory documents, and perform the information disclosure obligation in accordance with the law. Ping An Group guarantees that it and other enterprises it controls will not acquire any unlawful benefit or put Shenzhen Development Bank in a position to assume any unjust obligation through transactions with Shenzhen Development Bank. 8. After completion of the material asset restructuring and during the period when Ping An Group acts as the controlling shareholder of Shenzhen Development Bank, the independence of Shenzhen Development Bank shall be maintained and it shall be guaranteed that Shenzhen Development Bank and Ping An Group or other enterprises controlled by Ping An Group will be mutually independent in aspects such as people, assets, finance, institutions and business. II. Regarding the said two properties of Ping An Bank without ownership certificates, the Bank promises that after the completion of the			

		transaction: 1. The Company will proactively communicate with competent property administrative authorities and relevant parties and try its best to get ownership certificate of the above two properties; 2. If there is substantial obstruction in obtaining the property ownership certificate, the Company will dispose the above two properties through methods including but not limited to selling them within three years after the completion of the transaction; 3. If the Company fails to dispose the properties in the way mentioned in (2) within three years after the completion of the transaction due to any reason, the Company will sell the properties to Ping An Group or a designated third party at a fair and reasonable price within three months after expiration of the time limit of three years; and 4. If there is any dispute about ownership before the disposal of the properties, the Company will request Ping An Group to compensate the Company according to the <i>Commitment Letter of Ping An Insurance (Group) Company of China, Ltd. on Providing Compensation for Potential Disputes about Ownership of Ping An Bank's Properties</i> issued by Ping An Group.			
Commitments made upon issuance	Ping An Life Insurance Company of China, Ltd.	As for the subscription of 379,580,000 new shares of the Bank via non-public offering, Ping An Life has promised that it will not transfer the subscribed shares within 36 months since the listing date of the subscribed shares (17 September 2010); however, under permission by laws and approval by relevant regulators, transference between Ping An Life and its related parties (including its controlling shareholder, its actual controller and different subjects controlled by the same actual controller of Ping An Life) is not restricted. If Ping An Life sells the subscribed shares against the said commitment, China Securities Depository and Clearing Corporation Limited Shenzhen Branch will be authorized to transfer all the proceeds from the sale of the subscribed shares to the listed company account of Shenzhen Development Bank, and the money will be owned by shareholders of Shenzhen Development Bank.	17 September 2010	Within three years	Underway
Other commitments	Ping An Insurance	On 16 September 2011, the Bank received the <i>Letter on Undertaking of Reinforcing</i>	16 September	during the period	The commitments

(including retrospective commitments)	(Group) Company of China, Ltd.	<i>Management of Non-public Information</i> by Ping An Group. Ping An Group promised that it will establish and optimize the management and internal control on acquired non-public information of listed company, and procure those persons in Ping An Group and its effective controllers who know the relevant information of not to utilize non-public information of Shenzhen Development Bank on any trading of and advice on the trading of the securities of Shenzhen Development Bank and will not leak out non-public information, while providing the list of persons in Ping An Group and its effective controllers who know the non-public information of Shenzhen Development Bank in a timely, truthful, real, accurate and complete manner for Shenzhen Development Bank to file to the Securities Regulatory Commission and Stock Exchange of Shenzhen.	2011	when Ping An Group acts as the controlling shareholder of Shenzhen Development Bank	were performed by 31 December 2011.

VI. Engagement of accounting firms

During the report period, the Bank engaged Ernst & Young Hua Ming for the auditing assignment and engaged Ernst & Young Accounting Firm to audit the supplementary financial statements the Bank prepared under the International Financial Reporting Standards.

In 2011, the Bank paid RMB 7.59 million to Ernst & Young Hua Ming and RMB 0.60 million to Ernst & Young Accounting Firm, so in aggregate RMB8.19 million. In addition, RMB1,010,000 agreed-upon procedures fees for the 1st quarter and the 3rd quarter were paid. Travel expenses of these two accounting firms were not reimbursed by the Bank.

Ernst & Young Hua Ming has provided services for the Bank for 5 years; Ernst & Young Accounting Firm has provided services for the Bank for 12 years.

VII. Penalties to the Company, the Board of Directors and its Directors and the Issue of Rectification

During the report period, the Bank, the Board of Directors and its members were not examined or penalized by the China Securities Regulatory Commission, nor publicly denounced by the Shenzhen Stock Exchange.

VIII. Fund occupation by related parties

At the end of the report period, there were no funds occupied by the controlling shareholder of the Bank, its subsidiaries and other related parties.

IX. Explanations and independent opinions of independent directors concerning external guarantee offered by the Bank

We, as independent directors of Shenzhen Development Bank, have checked the external guarantee offered by the Bank in an impartial, fair and objective manner and pursuant to China Securities Regulatory Commission

Document [2003] No. 56. We think that the external guarantee business conducted by Shenzhen Development Bank is a regular banking business approved by the People's Bank of China and the China Banking Regulatory Commission. Shenzhen Development Bank attaches importance to risk management of this business and strictly follows relevant operation process and examination and approval procedures, thus ensuring effective control of risks in external guarantee business.

X. Bond issuance

On 29 April 2011, following the approval from the People's Bank of China and the China Banking Regulatory Commission, the Bank has managed to issue RMB 3.65 billion hybrid capital bonds in the inter-bank bonds market under the Proposal on Adjustments to Terms of the Bank's Hybrid Capital Bonds Issuance which was reviewed and approved at the 2008 First Extraordinary General Meeting of the Bank. Proceeds of the issuance will be used as supplementary capital to expand the Bank's capital base and increase the capital adequacy ratio in compliance with the applicable laws and approval of the regulatory authorities.

XI. Other material events

On 17 August 2011, the 7th meeting of the 8th Board of Directors of the Bank reviewed and approved the *Proposal on the Non-public Offering Scheme for Shenzhen Development Bank*. Under the Share Subscription Agreement between Shenzhen Development Bank Co., Ltd. and Ping An Insurance (Group) Company of China, Ltd. (hereinafter referred to as "Subscription Contract") entered into between the Bank and Ping An in Shenzhen on 17 August 2011, the Bank proposed non-public offering of shares to Ping An with no less than 892,325,997 shares but no more than 1,189,767,995 shares (the offering price being the average of the Bank's share trading prices in the past 20 trading days before pricing base date, i.e., RMB16.81 per share) and raise no more than RMB 20.0 billion. The Scheme has already been reviewed and approved at the 2011 First Extraordinary General Meeting of the Bank on 2 September 2011 but is still subject to the approval of relevant regulatory authorities including CBRC and CSRC.

XII. Reception of investigation, communication and interview within the report period

In the report period, the Bank conducted communication with institutions for many times in the form of results release, analyst meeting and investor investigation in respect of performance, financial status, and other issues of the Bank. The Bank also accepted inquiry by phone from individual investors. The contents mainly include: performance, development strategy, periodic report, Temporary Announcement with explanations, disclosed business and management information and material events. According to the requirement of *Shenzhen Stock Exchange Guidelines on Fair Information Disclosure of Listed Companies*, the Bank and relevant information disclosure parties strictly observed the principle of fair information disclosure, and there was no situation in violation of it.

The main information of investors received by the Bank within the report period is as follows:

Time	Locale	Reception manner	Investor	Contents discussed and materials provided
2011-01-05	Shenzhen	Onsite survey	Sinolink Securities	Business status and development strategy

2011-01-06	Shenzhen	Onsite survey	Everbright Securities	Business status and development strategy
2011-01-13	Shenzhen	Onsite survey	Moody's	Business status and development strategy
2011-01-14	Shenzhen	Onsite survey	Guosen Securities	Business status and development strategy
2011-01-20	Shenzhen	Onsite survey	Galaxy Securities	Business status and development strategy
2011-01-26	Shenzhen	Onsite survey	Standard & Poor's	Business status and development strategy
2011-02-25	Shenzhen	On-site meeting, Telephone meeting	All sorts of investors including securities traders and funds investors	2010 Annual report results release
2011-02-26	Shanghai	Investor communication	All sorts of investors including securities traders and funds investors	2010 Annual report results release
2011-02-26	Shenzhen	Investor communication	All sorts of investors including securities traders and funds investors	Business status and development strategy
2011-02-27	Beijing	Investor communication	China AMC, Gao Hua Securities	Business status and development strategy
2011-03-09	Shenzhen	Onsite survey	Central Asset Investments	Business status and development strategy
2011-03-16	Shenzhen	Onsite survey	BOCI Securities	Business status and development strategy
2011-03-18	Shenzhen	Onsite survey	Citigroup	Business status and development strategy
2011-03-21	Shenzhen	Onsite survey	CITIC Construction	Business status and development strategy
2011-04-12	Shenzhen	Onsite survey	Morgan Stanley	Business status and development strategy
2011-04-27	Shenzhen	Telephone meeting	All sorts of investors including securities traders and funds investors	2011 Q1 report results release
2011-05-03	Shenzhen	Onsite survey	HSBC	Business status and development strategy
2011-05-05	Shenzhen	Onsite survey	KBW	Business status and development strategy
2011-05-05	Shenzhen	Onsite survey	Daiwa Securities	Business status and development strategy
2011-05-06	Shenzhen	Onsite survey	Sinolink Securities	Business status and development strategy
2011-05-11	Shenzhen	Onsite survey	Industrial Securities	Business status and development strategy
2011-05-11	Shenzhen	Onsite survey	Guosen Securities	Business status and development strategy
2011-05-12	Shenzhen	Onsite survey	Credit Suisse Securities	Business status and development strategy
2011-05-18	Shenzhen	Onsite survey	CMS, Guangfa Securities	Business status and development strategy
2011-05-26	Shenzhen	Onsite survey	Changjiang Securities, Huachuang Securities	Business status and development strategy
2011-06-01	Shenzhen	Investor communication	J.P.Morgan Chase	Business status and development strategy

2011-06-09	Shenzhen	Onsite survey	Qilu Securities, Hongyuan Securities	Business status and development strategy
2011-06-13&14	London	Investor communication	HSBC	Business status and development strategy
2011-06-17	Shanghai	Investor communication	CICC	Business status and development strategy
2011-06-17	Guiyang	Investor communication	Guotai Junan Securities	Business status and development strategy
2011-06-23	Shenzhen	Onsite survey	MF Global	Business status and development strategy
2011-06-24	Shenzhen	Onsite survey	Morgan Stanley	Business status and development strategy
2011-06-27	Shenzhen	Onsite survey	Barclays Asian	Business status and development strategy
2011-06-30	Beijing	Investor communication	Gao Hua Securities	Business status and development strategy
2011-07-04	Shenzhen	Onsite survey	HSBC	Business status and development strategy
2011-07-08	Shenzhen	Onsite survey	HSBC etc.	Business status and development strategy
2011-08-18	Shenzhen	Telephone meeting	All sorts of investors including securities traders and funds investors	2011 interim report results release
2011-08-26	Shenzhen	Online Roadshow	All sorts of investors including securities traders and funds investors	2011 interim Online roadshow
2011-09-19	Shenzhen	Onsite survey	Sinolink Securities etc.	Business status and development strategy
2011-09-19	Shenzhen	Onsite survey	Morgan Stanley etc.	Business status and development strategy
2011-09-23	Shenzhen	Onsite survey	UBS Securities	Business status and development strategy
2011-09-28	Shenzhen	Onsite survey	Mizuho Securities	Business status and development strategy
2011-10-13	Shenzhen	Onsite survey	Fitch Ratings	Business status and development strategy
2011-10-26	Shenzhen	Telephone meeting	All sorts of investors including securities traders and funds investors	2011 3Q report results release
2011-11-02	Shenzhen	Telephone meeting	Morgan Stanley	Business status and development strategy
2011-11-08	Shenzhen	Onsite survey	Ping An Securities	Business status and development strategy
2011-11-10	Shenzhen	Onsite survey	Industrial Securities	Business status and development strategy
2011-11-11	Shenzhen	Onsite survey	Samsung Securities	Business status and development strategy
2011-11-11	Shenzhen	Telephone meeting	UBS	Business status and development strategy
2011-11-15	Shenzhen	Onsite survey	Moody's	Business status and development strategy
2011-11-15	Shenzhen	Onsite survey	Haitong Securities	Business status and development strategy
2011-11-22	Shenzhen	Onsite survey	Goldman Sachs Gao Hua Securities	Business status and development strategy
2011-11-22	Shenzhen	Onsite survey	Bank of America Merrill Lynch	Business status and development strategy
2011-11-25	Shanghai	Investor communication	Guotai Junan Securities	Business status and development strategy

2011-11-25	Shenzhen	Investor communication	Ping An Securities	Business status and development strategy
2011-11-30	Shenzhen	Investor communication	Huatai United Securities	Business status and development strategy
2011-12-08	Shenzhen	Onsite survey	Moody's	Business status and development strategy
2011-12-01	Shanghai	Investor communication	Sinolink Securities	Business status and development strategy
2011-12-15	Shenzhen	Investor communication	Essence Securities	Business status and development strategy
2011-12-15	Chongqing	Strategy meetings for Securities Dealers	Guosen Securities	Business status and development strategy
2011-12-22	Shenzhen	Onsite survey	Goldman Sachs Gao Hua Securities	Business status and development strategy
2011-12-22	Shenzhen	Onsite survey	J.P.Morgan Chase	Business status and development strategy
2011-12-28	Shenzhen	Onsite survey	Huatai United Securities	Business status and development strategy

XIII. Reference of information disclosure

Item	Publication date	Media
<i>Resolution Announcement of Board of Directors, Resolution Announcement of Board of Supervisors, Abstract of 2010 Annual Report</i>	2011-2-25	<i>Securities Times, China Securities, Shanghai Securities News and www.cninfo.com.cn</i>
<i>2011 Q1 Performance Forecast</i>	2011-4-14	Ditto
<i>Resolution Announcement of Board of Directors, Resolution Announcement of Board of Supervisors, 2011 Q1 Report, Notice of Convening 2010 Annual General Meeting, Public Declaration of the Nominators for Independent Directors by Chen Yingming, Public Declaration of the Nominators for Independent Directors by Liu Xueqiao, Public Declaration of the Nominators for Independent Directors by Ma Lin</i>	2011-4-27	Ditto
<i>Announcement regarding the Completion of Issuance of Hybrid Capital Bonds</i>	2011-5-4	<i>Securities Times, China Securities, Shanghai Securities News, Securities Daily and www.cninfo.com.cn</i>
<i>Announcement on Suspension of Trading of Shares during the Review of the Material Asset Restructuring of the Company by the Merger and Reorganization Review Committee of the China Securities Regulatory Commission</i>	2011-5-9	Ditto
<i>Announcement regarding the Conditional Approval of Material Asset Restructuring Transactions by the Merger and Reorganization Review Committee of the China Securities Regulatory Commission</i>	2011-5-13	Ditto
<i>Resolution Announcement of Board of Directors, Resolution Announcement of 2010 Annual General Meeting</i>	2011-5-26	Ditto
<i>Resolution Announcement of Board of Directors</i>	2011-6-8	Ditto
<i>Announcement regarding the Approval of Material Asset Restructuring by China Securities Regulatory Commission</i>	2011-6-29	Ditto
<i>Announcement regarding the Amendments to Report on Asset Purchase by Issuing Shares and Related Party Transaction</i>	2011-6-30	Ditto
<i>Resolution Announcement of Board of Directors</i>	2011-7-2	Ditto

<i>2011 Interim Performance Forecast</i>	2011-7-13	Ditto
<i>Announcement regarding the Completion of Material Asset Restructuring, Announcement regarding the Commitments Related to Asset Purchase by Issuing Shares and Related Party Transaction</i>	2011-7-29	Ditto
<i>Report on Changes of Additional Shares and Listing Announcement, Report (Abstract) on Changes of Additional Shares and Listing Announcement</i>	2011-8-4	Ditto
<i>Announcement regarding Temporary Suspension of Trading due to Contemplation of Significant Project</i>	2011-8-17	Ditto
<i>Resolution Announcement of Board of Directors, Resolution Announcement of Board of Supervisors, Announcement regarding Changes of Special Account for Raised Funds, Announcement regarding Signing of Depository and Supervisory Agreement on Special Account for Raised Funds, Abstract of 2011 Interim Report, Announcement regarding Changes of Accounting Policy and Retrospective Adjustment, Proposal of Non-public Offering of Shares, Announcement regarding Related Party Transaction of Non-public Offering of Shares, Notice of Convening 2011 First Extraordinary General Meeting</i>	2011-8-18	Ditto
<i>Announcement regarding Convening of Online Investors Communication Meeting</i>	2011-8-25	Ditto
<i>Reminding Announcement of Convening 2011 First Extraordinary General Meeting</i>	2011-8-26	Ditto
<i>Resolution Announcement of 2011 First Extraordinary General Meeting</i>	2011-9-3	Ditto
<i>First Three Quarters Performance Forecast in 2011</i>	2011-10-15	Ditto
<i>Resolution Announcement of Board of Directors, Resolution Announcement of Board of Supervisors, 2011 Q3 Report</i>	2011-10-26	Ditto
<i>Resolution Announcement of Board of Directors, Notice of Convening 2011 Second Extraordinary General Meeting</i>	2011-11-19	Ditto
<i>Resolution Announcement of 2011 Second Extraordinary General Meeting</i>	2011-12-7	Ditto
<i>Resolution Announcement of Board of Directors</i>	2011-12-22	Ditto

Chapter 12 Financial Statements

I. Statutory financial statements

Auditors' Report

Ernst & Young Hua Ming (2012) Shenzi No. 60438538_H01

To the shareholders of Shenzhen Development Bank Co., Limited

We have audited the accompanying financial statements of Shenzhen Development Bank Co., Ltd., which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated and company income statements, statements of changes in shareholders' equity and cash flow statements for the year then ended and notes to the financial statements.

Management's Responsibility for the Financial Statements

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.

Auditors' Responsibility

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.

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.

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

Auditors' Report (continued)

Ernst & Young Hua Ming (2012) Shenzi No. 60438538_H01

Opinion

In our opinion, the financial statements of 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 Shenzhen Development Bank Co., Ltd. as of 31 December 2011 and the results of its operations and its cash flows for the year then ended.

Ernst & Young Hua Ming (chop)

Chinese Certified Public Accountant: Zhang Xiaodong
(signature and personal chop)

Beijing, the People's Republic of China

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

8 March 2012

SHENZHEN DEVELOPMENT BANK CO., LTD.
CONSOLIDATED BALANCE SHEET
31 December 2011
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note IV	<u>2011-12-31</u>	<u>2010-12-31</u> (Restated)
ASSETS:			
Cash on hand and due from the Central Bank	1	160,635,236	76,586,858
Precious metals		-	2
Placements of deposits with other financial institutions	2	39,884,342	8,523,729
Funds loaned to other financial institutions	3	8,446,567	8,475,988
Financial assets at fair value through profit or loss	4	2,607,902	-
Derivative financial assets	5	810,577	371,734
Reverse repurchase agreements	6	34,303,887	98,263,433
Accounts receivable	7	170,589,011	13,727,415
Interest receivable	8	7,274,189	2,121,487
Loans and advances	9	610,075,336	400,966,075
Available-for-sale financial assets	10	78,383,526	31,534,183
Held-to-maturity investments	11	107,683,080	61,379,837
Receivables	12	13,732,100	18,502,100
Long term equity investments	13	539,294	404,390
Investment properties	14	262,791	214,571
Fixed assets	15	3,524,265	2,392,293
Intangible assets	16	5,989,731	191,580
Goodwill	17	7,568,304	-
Deferred tax assets	18	2,889,762	1,954,568
Other assets	19	2,977,044	1,596,833
TOTAL ASSETS		<u><u>1,258,176,944</u></u>	<u><u>727,207,076</u></u>

SHENZHEN DEVELOPMENT BANK CO., LTD.
CONSOLIDATED BALANCE SHEET (continued)
31 December 2011
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note IV	2011-12-31	2010-12-31 (Restated)
LIABILITIES:			
Due to the Central Bank		1,130,876	2,237,675
Placements of deposits from other financial institutions	21	155,409,777	82,370,060
Funds borrowed from other financial institutions	22	25,279,349	6,200,174
Derivative financial liabilities	5	732,418	311,805
Repurchase agreements	23	39,197,371	17,588,672
Customer deposits	24	850,845,147	562,912,342
Employee benefits payable	25	3,600,345	1,878,603
Tax payable	26	2,535,814	1,125,121
Accounts payable	27	70,560,734	5,120,818
Interest payable	28	9,913,661	3,920,073
Bonds payable	29	16,054,486	9,469,488
Provisions	30	112,246	3,047
Deferred tax liabilities	18	1,351,062	15,425
Other liabilities	31	6,073,074	856,238
TOTAL LIABILITIES		1,182,796,360	694,009,541
SHAREHOLDERS' EQUITY:			
Share capital	32	5,123,350	3,485,014
Capital reserve	33	41,537,746	13,341,411
Surplus reserve	34	2,830,459	1,912,339
General reserve	35	7,954,903	5,977,782
Unappropriated profit	36	15,864,379	8,480,989
Shareholders' equity attributable to the parent company		73,310,837	33,197,535
Non-controlling shareholders' equity		2,069,747	-
TOTAL SHAREHOLDERS' EQUITY		75,380,584	33,197,535
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,258,176,944	727,207,076

The financial statements have been signed by:

Legal representative _____ President _____ Chief financial officer _____ Accounting manager _____

Company chop _____

SHENZHEN DEVELOPMENT BANK CO., LTD.
CONSOLIDATED INCOME STATEMENT
31 December 2011
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note IV	Jan-Dec 2011	Jan-Dec 2010 (Restated)
I. Operating income			
Interest income	37	52,330,697	26,251,790
Interest expense	37	(27,040,923)	(10,422,598)
Net interest income	37	<u>25,289,774</u>	<u>15,829,192</u>
Fee and commission income	38	4,129,600	1,836,376
Fee and commission expense	38	(464,931)	(251,234)
Net fee and commission income	38	<u>3,664,669</u>	<u>1,585,142</u>
Investment income	39	284,753	228,525
of which: Share of profits of associates		45,000	60,824
Gains or losses from changes in fair values of financial instruments	40	6,005	(19,071)
Net foreign exchange differences	41	264,977	213,921
Other operating income	42	<u>132,883</u>	<u>134,064</u>
Total operating income		<u>29,643,061</u>	<u>17,971,773</u>
II. Operating costs			
Business tax and surcharge	43	(2,506,344)	(1,324,595)
Business and administrative expenses	44	<u>(11,855,442)</u>	<u>(7,359,114)</u>
Total operating costs		<u>(14,361,786)</u>	<u>(8,683,709)</u>
III. Operating profit before impairment losses on assets		15,281,275	9,288,064
Impairment losses on assets	45	<u>(2,148,574)</u>	<u>(1,488,116)</u>
IV. Operating profit		13,132,701	7,799,948
Add: Non-operating income		174,416	165,320
Less: Non-operating expenses		<u>(49,628)</u>	<u>(16,854)</u>
V. Profit before tax		13,257,489	7,948,414
Less: Income tax expense	46	<u>(2,866,998)</u>	<u>(1,701,877)</u>
VI. Profit for the year		<u>10,390,491</u>	<u>6,246,537</u>
Net profit attributable to the parent company		<u>10,278,631</u>	<u>6,246,537</u>
Net profit attributable to non-controlling shareholders		111,860	-
VII. Earnings per share			
Basic earnings per share (Renminbi Yuan)	47	2.47	1.90
Diluted earnings per share (Renminbi Yuan)	47	2.47	1.90
VIII. Other comprehensive income for the year, net of tax	48	<u>450,562</u>	<u>(162,479)</u>
IX. Total comprehensive income for the year, net of tax		<u>10,841,053</u>	<u>6,084,058</u>
Total comprehensive income attributable to the parent company		10,721,543	6,084,058
Total comprehensive income attributable to non-controlling shareholders		119,510	-

SHENZHEN DEVELOPMENT BANK CO., LTD.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
31 December 2011
(Expressed in thousands of Renminbi, unless otherwise stated)

Shareholders' equity attributed to parent company											
	Note IV	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-controlling interest	Total equity
I. At 1 January 2011		3,485,014	13,396,943	(132,761)	55,532	1,912,339	5,977,782	8,740,798	33,512,876	-	33,512,876
Add: Accounting policy changes(Notell 38)		-	(55,532)	-	(55,532)	-	-	(259,809)	(315,341)	-	(315,341)
II. As at 1 January 2011 (restated)		<u>3,485,014</u>	<u>13,341,411</u>	<u>(132,761)</u>	<u>-</u>	<u>1,912,339</u>	<u>5,977,782</u>	<u>8,480,989</u>	<u>33,197,535</u>	<u>-</u>	<u>33,197,535</u>
III. Movements in the year											
(i) Profit for the year		-	-	-	-	-	-	10,278,631	10,278,631	111,860	10,390,491
(ii) Other comprehensive income	48	-	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	36	-	-	-	-	918,120	-	(918,120)	-	-	-
2. Appropriation to general reserve	36	-	-	-	-	-	1,977,121	(1,977,121)	-	-	-
IV. At 31 December 2011		<u>5,123,350</u>	<u>41,537,746</u>	<u>204,151</u>	<u>-</u>	<u>2,830,459</u>	<u>7,954,903</u>	<u>15,864,379</u>	<u>73,310,837</u>	<u>2,069,747</u>	<u>75,380,584</u>
I. At 1 January 2010		3,105,434	7,017,072	20,499	41,030	1,283,957	4,676,276	4,386,870	20,469,609	-	20,469,609
Add: Accounting policy changes (Notell 38)		-	(41,030)	-	(41,030)	-	-	(222,530)	(263,560)	-	(263,560)
II. At 1 January 2010 (restated)		<u>3,105,434</u>	<u>6,976,042</u>	<u>20,499</u>	<u>-</u>	<u>1,283,957</u>	<u>4,676,276</u>	<u>4,164,340</u>	<u>20,206,049</u>	<u>-</u>	<u>20,206,049</u>
III. Movements in the year											
(i) Profit for the year		-	-	-	-	-	-	6,246,537	6,246,537	-	6,246,537
(ii) Other comprehensive income	48	-	(162,479)	(153,260)	-	-	-	-	(162,479)	-	(162,479)
Subtotal of (i) and (ii)		-	(162,479)	(153,260)	-	-	-	6,246,537	6,084,058	-	6,084,058
(iii) Capital injection from shareholders		379,580	6,527,848	-	-	-	-	-	6,907,428	-	6,907,428
(iv) Profit appropriation											
1. Appropriation to surplus reserve	36	-	-	-	-	628,382	-	(628,382)	-	-	-
2. Appropriation to general reserve	36	-	-	-	-	-	1,301,506	(1,301,506)	-	-	-
IV. At 31 December 2010		<u>3,485,014</u>	<u>13,341,411</u>	<u>(132,761)</u>	<u>-</u>	<u>1,912,339</u>	<u>5,977,782</u>	<u>8,480,989</u>	<u>33,197,535</u>	<u>-</u>	<u>33,197,535</u>

SHENZHEN DEVELOPMENT BANK CO., LTD.
CONSOLIDATED CASH FLOW STATEMENT
31 December 2011
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note IV	Jan-Dec 2011	Jan-Dec 2010
I. CASH FLOWS FROM OPERATING ACTIVITIES			
Net increase in amounts due to the Central Bank		-	2,218,199
Net increase in customer deposits and placements of deposits from other financial institutions		126,046,578	116,507,521
Net decrease in funds loaned to other financial institutions		1,484,214	-
Net increase in funds borrowed from other financial institutions		16,120,877	-
Net increase in accounts payable		65,317,961	4,269,937
Net decrease in reverse repurchase agreements		45,457,534	-
Net increase in repurchase agreements		-	3,701,753
Cash receipts from interest and fee and commission income		40,511,111	21,206,937
Cash receipts relating to other operating activities	50	4,334,376	3,369,087
Subtotal of cash inflows from operating activities		<u>299,272,651</u>	<u>151,273,434</u>
Net decrease in amounts due to the Central Bank		1,358,004	-
Net increase in loans and advances		67,003,852	46,575,944
Net increase in amounts due from the Central Bank and placements of deposits with other financial institutions		46,446,640	18,764,827
Net decrease in funds borrowed from other financial institutions		-	1,369,944
Net increase in funds loaned to other financial institutions		-	974,193
Net increase in accounts receivable		156,927,782	8,945,254
Net increase in reverse repurchase agreements		-	33,937,324
Net decrease in repurchase agreements		2,827,719	-
Cash payments for interest and fee and commission expenses		22,663,033	8,579,821
Cash payments for salaries and staff expenses		5,287,265	3,747,634
Cash payments for taxes		5,115,777	2,885,964
Cash payments relating to other operating activities	51	6,081,952	3,446,806
Subtotal of cash outflows from operating activities		<u>313,712,024</u>	<u>129,227,711</u>
Net cash flows (used in)/ generated from operating activities		<u>(14,439,373)</u>	<u>22,045,723</u>
II. CASH FLOWS FROM INVESTING ACTIVITIES			
Cash receipts from investments upon disposal/maturity		198,003,471	110,133,550
Cash receipts from investment income		6,590,988	3,275,000
Cash and cash equivalents of subsidiary receipts upon a acquisition		31,358,185	-
Cash receipts from disposal of fixed assets		10,030	9,954
Subtotal of cash inflows from investing activities		<u>235,962,674</u>	<u>113,418,504</u>
Cash payments for investments		226,275,601	127,241,139
Cash payments for fixed assets, intangible assets, construction in progress and leasehold improvements		849,801	837,901
Subtotal of cash outflows from investing activities		<u>227,125,402</u>	<u>128,079,040</u>
Net cash flows generated from/(used in) investing activities		<u>8,837,272</u>	<u>(14,660,536)</u>

SHENZHEN DEVELOPMENT BANK CO., LTD.
CONSOLIDATED CASH FLOW STATEMENT (continued)
31 December 2011
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note IV	Jan-Dec 2011	Jan-Dec 2010
III. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash receipts from issue of shares		2,690,052	6,931,130
Cash receipts from bond issue		3,650,000	-
Subtotal of cash inflows from financing activities		<u>6,340,052</u>	<u>6,931,130</u>
Cash payments for dividend distribution and bond interest		561,900	548,862
Cash payments for issue of shares		-	23,702
Cash payments for dividend and profit appropriation		295	-
Subtotal of cash outflows from financing activities		<u>562,195</u>	<u>572,564</u>
Net cash flows generated from financing activities		<u>5,777,857</u>	<u>6,358,566</u>
IV. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		<u>(417,197)</u>	<u>(299,428)</u>
V. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(241,441)	13,444,325
Add: Cash and cash equivalents at beginning of the year		<u>68,147,808</u>	<u>54,703,483</u>
VI. CASH AND CASH EQUIVALENTS AT END OF THE YEAR	49	<u>67,906,367</u>	<u>68,147,808</u>

SHENZHEN DEVELOPMENT BANK CO., LTD.
CONSOLIDATED CASH FLOW STATEMENT (continued)
31 December 2011
(Expressed in thousands of Renminbi, unless otherwise stated)

SUPPLEMENTARY INFORMATION

	<u>Note IV</u>	<u>Jan-Dec 2011</u>	<u>Jan-Dec 2010</u>
1. Adjustment of profit for the year to cash flows generated from operating activities:			
Profit for the year		10,390,491	6,246,537
Impairment losses on assets		2,148,574	1,488,116
Interests related to unwinding of discounts of provisions for impaired financial assets		(77,791)	(68,905)
Depreciation of fixed assets		457,021	321,313
Depreciation of investment properties		10,578	13,433
Amortisation of intangible assets		286,890	52,458
Amortisation of long term deferred expenses		165,949	117,783
Gains on disposal of fixed assets		(2,468)	(602)
Gains or losses from changes in fair values of financial instruments		(21,138)	19,071
Interest on investment securities and investment income		(6,190,693)	(3,243,965)
Increase in deferred tax assets		(768,970)	(329,069)
Increase/(decrease) in deferred tax liabilities		26,299	(3,255)
Interest paid on bonds		836,642	555,945
Increase in operating receivables		(235,443,537)	(109,852,309)
Increase in operating payables		213,713,502	126,727,703
Increase in provisions		29,278	1,469
Net cash flows generated from/(used in) operating activities		<u>(14,439,373)</u>	<u>22,045,723</u>
2. Net increase/(decrease) in cash and cash equivalents:			
Cash at end of the year	49	2,235,565	836,549
Less: Cash at beginning of the year		836,549	779,169
Add: Cash equivalents at end of the year	49	65,670,802	67,311,259
Less: Cash equivalents at beginning of the year		67,311,259	53,924,314
Net increase/(decrease) in cash and cash equivalents		<u>(241,441)</u>	<u>13,444,325</u>

SHENZHEN DEVELOPMENT BANK CO., LTD.
BALANCE SHEET
31 December 2011
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note V	2011-12-31	2010-12-31 (Restated)
ASSETS:			
Cash on hand and due from the Central Bank	1	119,945,894	76,586,858
Precious metals		-	2
Placements of deposits with other financial institutions	2	15,346,333	8,523,729
Funds loaned to other financial institutions	3	6,017,091	8,475,988
Financial assets at fair value through profit or loss	4	2,512,660	-
Derivative financial assets	5	786,739	371,734
Reverse repurchase agreements	6	28,916,930	98,263,433
Accounts receivable	7	166,620,120	13,727,415
Interest receivable	8	5,563,972	2,121,487
Loans and advances	9	460,982,960	400,966,075
Available-for-sale financial assets	10	48,292,746	31,534,183
Held-to-maturity investments	11	83,640,331	61,379,837
Receivables	IV 12	13,732,100	18,502,100
Long term equity investments	12	27,216,181	404,390
Investment properties		212,523	214,571
Fixed assets		2,563,163	2,392,293
Intangible assets		261,016	191,580
Deferred tax assets		2,606,163	1,954,568
Other assets		2,583,553	1,596,833
TOTAL ASSETS		987,800,475	727,207,076

SHENZHEN DEVELOPMENT BANK CO., LTD.
BALANCE SHEET (continued)
31 December 2011
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note V	2011-12-31	2010-12-31 (Restated)
LIABILITIES:			
Due to the Central Bank		861,233	2,237,675
Placements of deposits from other financial institutions	13	125,309,018	82,370,060
Funds borrowed from other financial institutions	14	24,470,000	6,200,174
Derivative financial liabilities	5	715,472	311,805
Repurchase agreements	15	27,707,200	17,588,672
Customer deposits	16	640,585,112	562,912,342
Employee benefits payable		2,972,260	1,878,603
Tax payable		2,085,106	1,125,121
Accounts payable	17	67,258,052	5,120,818
Interest payable		7,769,337	3,920,073
Bonds payable		13,130,234	9,469,488
Provisions		22,020	3,047
Deferred tax liabilities		65,737	15,425
Other liabilities		2,711,340	856,238
TOTAL LIABILITIES		915,662,121	694,009,541
SHAREHOLDERS' EQUITY:			
Share capital	IV 32	5,123,350	3,485,014
Capital reserve		41,462,697	13,341,411
Surplus reserve	IV 34	2,830,459	1,912,339
General reserve	IV 35	7,954,903	5,977,782
Unappropriated profit		14,766,945	8,480,989
TOTAL SHAREHOLDERS' EQUITY		72,138,354	33,197,535
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		987,800,475	727,207,076

The financial statements have been signed by:

Legal representative _____ President _____ Chief financial officer _____ Accounting manager _____

Company chop _____

SHENZHEN DEVELOPMENT BANK CO., LTD.
INCOME STATEMENT
31 December 2011
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note V	Jan-Dec 2011	Jan-Dec 2010 (Restated)
I. Operating income			
Interest income	18	44,502,034	26,251,790
Interest expense	18	(22,973,948)	(10,422,598)
Net interest income	18	21,528,086	15,829,192
Fee and commission income	19	3,083,836	1,836,376
Fee and commission expense	19	(352,939)	(251,234)
Net fee and commission income	19	2,730,897	1,585,142
Investment income	20	282,382	228,525
of which: Share of profits of associates		45,000	60,824
Gains or losses from changes in fair values of financial instruments		7,908	(19,071)
Net foreign exchange differences		245,569	213,921
Other operating income		128,325	134,064
Total operating income		24,923,167	17,971,773
II. Operating costs			
Business tax and surcharge		(2,143,854)	(1,324,595)
Business and administrative expenses	21	(9,398,943)	(7,359,114)
Total operating costs		(11,542,797)	(8,683,709)
III. Operating profit before impairment losses on assets		13,380,370	9,288,064
Impairment losses on assets	22	(1,810,696)	(1,488,116)
IV. Operating profit		11,569,674	7,799,948
Add: Non-operating income		159,400	165,320
Less: Non-operating expenses		(32,855)	(16,854)
V. Profit before tax		11,696,219	7,948,414
Less: Income tax expense		(2,515,022)	(1,701,877)
VI. Profit for the year		9,181,197	6,246,537
VII. Other comprehensive income for the year, net of tax		367,863	(162,479)
VIII. Total comprehensive income for the year, net of tax		9,549,060	6,084,058

SHENZHEN DEVELOPMENT BANK CO., LTD.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
31 December 2011
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note IV	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 2011		3,485,014	13,396,943	(132,761)	55,532	1,912,339	5,977,782	8,740,798	33,512,876
Add: Accounting policy changes (Note II 38)		-	(55,532)	-	(55,532)	-	-	(259,809)	(315,341)
II. Balance at the beginning of the year (restated)		<u>3,485,014</u>	<u>13,341,411</u>	<u>(132,761)</u>	<u>-</u>	<u>1,912,339</u>	<u>5,977,782</u>	<u>8,480,989</u>	<u>33,197,535</u>
III. Movements in the year									
(i) Profit for the year		-	-	-	-	-	-	9,181,197	9,181,197
(ii) Other comprehensive income	48	-	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	36	-	-	-	-	918,120	-	(918,120)	-
2. Appropriation to general reserve	36	-	-	-	-	-	1,977,121	(1,977,121)	-
IV. At 31 December 2011		<u>5,123,350</u>	<u>41,462,697</u>	<u>129,102</u>	<u>-</u>	<u>2,830,459</u>	<u>7,954,903</u>	<u>14,766,945</u>	<u>72,138,354</u>
I. At 1 January 2010		3,105,434	7,017,072	20,499	41,030	1,283,957	4,676,276	4,386,870	20,469,609
Add: Accounting policy changes (Note II 38)		-	(41,030)	-	(41,030)	-	-	(222,530)	(263,560)
II. Balance at the beginning of the year(restated)		<u>3,105,434</u>	<u>6,976,042</u>	<u>20,499</u>	<u>-</u>	<u>1,283,957</u>	<u>4,676,276</u>	<u>4,164,340</u>	<u>20,206,049</u>
III. Movements in the year									
(i) Profit for the year		-	-	-	-	-	-	6,246,537	6,246,537
(ii) Other comprehensive income		-	(162,479)	(153,260)	-	-	-	-	(162,479)
Subtotal of (i) and (ii)		-	(162,479)	(153,260)	-	-	-	6,246,537	6,084,058
(iii) Capital injection from shareholders		379,580	6,527,848	-	-	-	-	-	6,907,428
(iv) Profit appropriation									
1. Appropriation to surplus reserve	36	-	-	-	-	628,382	-	(628,382)	-
2. Appropriation to general reserve	36	-	-	-	-	-	1,301,506	(1,301,506)	-
IV. At 31 December 2010		<u>3,485,014</u>	<u>13,341,411</u>	<u>(132,761)</u>	<u>-</u>	<u>1,912,339</u>	<u>5,977,782</u>	<u>8,480,989</u>	<u>33,197,535</u>

SHENZHEN DEVELOPMENT BANK CO., LTD.
CASH FLOW STATEMENT
31 December 2011
(Expressed in thousands of Renminbi, unless otherwise stated)

	Jan-Dec 2011	Jan-Dec 2010
I. CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in amounts due to the Central Bank	-	2,218,199
Net increase in customer deposits and placements of deposits from other financial institutions	120,634,835	116,507,521
Net decrease in funds loaned to other financial institutions	1,544,214	-
Net increase in funds borrowed from other financial institutions	18,269,826	-
Net increase in accounts payable	62,242,700	4,269,937
Net decrease in reverse repurchase agreements	31,457,218	-
Net increase in repurchase agreements	9,895,226	3,701,753
Cash receipts from interest and fee and commission income	33,070,942	21,206,937
Cash receipts relating to other operating activities	2,628,204	3,369,087
Subtotal of cash inflows from operating activities	279,743,165	151,273,434
Net decrease in amounts due to the Central Bank	1,412,947	-
Net increase in loans and advances	60,678,024	46,575,944
Net increase in amounts due from the Central Bank and placements of deposits with other financial institutions	37,662,051	18,764,827
Net decrease in funds borrowed from other financial institutions	-	1,369,944
Net increase in funds loaned to other financial institutions	-	974,193
Net increase in accounts receivable	153,186,310	8,945,254
Net increase in reverse repurchase agreements	-	33,937,324
Cash payments for interest and fee and commission expenses	18,722,935	8,579,821
Cash payments for salaries and staff expenses	4,432,998	3,747,634
Cash payments for taxes	4,458,492	2,885,964
Cash payments relating to other operating activities	5,503,560	3,446,806
Subtotal of cash outflows from operating activities	286,057,317	129,227,711
Net cash flows (used in)/ generated from operating activities	(6,314,152)	22,045,723
II. CASH FLOWS FROM INVESTING ACTIVITIES		
Cash receipts from investments upon disposal/maturity	188,778,597	110,133,550
Cash receipts from investment income	5,591,793	3,275,000
Cash receipts from disposal of fixed assets	4,848	9,954
Subtotal of cash inflows from investing activities	194,375,238	113,418,504
Cash payments for investments	224,315,673	127,241,139
Cash payments for fixed assets, intangible assets, construction in progress and leasehold improvements	633,260	837,901
Subtotal of cash outflows from investing activities	224,948,933	128,079,040
Net cash flows used in investing activities	(30,573,695)	(14,660,536)

SHENZHEN DEVELOPMENT BANK CO., LTD.
CASH FLOW STATEMENT (continued)
31 December 2011
(Expressed in thousands of Renminbi, unless otherwise stated)

	<u>Jan-Dec 2011</u>	<u>Jan-Dec 2010</u>
III. CASH FLOWS FROM FINANCING ACTIVITIES		
Cash receipts from issue of shares	2,690,052	6,931,130
Cash receipts from bond issue	3,650,000	-
Subtotal of cash inflows from financing activities	<u>6,340,052</u>	<u>6,931,130</u>
Cash payments for bond interest	561,900	548,862
Cash payments for issue of shares	-	23,702
Subtotal of cash outflows from financing activities	<u>561,900</u>	<u>572,564</u>
Net cash flows generated from financing activities	<u>5,778,152</u>	<u>6,358,566</u>
IV. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(366,384)</u>	<u>(299,428)</u>
V. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(31,476,079)	13,444,325
Add: Cash and cash equivalents at beginning of the year	<u>68,147,808</u>	<u>54,703,483</u>
VI. CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u><u>36,671,729</u></u>	<u><u>68,147,808</u></u>

SHENZHEN DEVELOPMENT BANK CO., LTD.
CASH FLOW STATEMENT (continued)
31 December 2011
(Expressed in thousands of Renminbi, unless otherwise stated)

SUPPLEMENTARY INFORMATION

	<u>Jan-Dec 2011</u>	<u>Jan-Dec 2010</u>
1. Adjustment of profit for the year to cash flows generated from operating activities:		
Profit for the year	9,181,197	6,246,537
Impairment losses on assets	1,810,696	1,488,116
Interests related to unwinding of discounts of provisions for impaired financial assets	(75,050)	(68,905)
Depreciation of fixed assets	365,048	321,313
Depreciation of investment properties	9,165	13,433
Amortisation of intangible assets	71,900	52,458
Amortisation of long term deferred expenses	130,893	117,783
Losses/(gains) on disposal of fixed assets	1,853	(602)
Gains or losses from changes in fair values of financial instruments	(27,276)	19,071
Interest on investment securities and investment income	(4,954,173)	(3,243,965)
Increase in deferred tax assets	(694,160)	(329,069)
Increase/(decrease) in deferred tax liabilities	7,278	(3,255)
Interest paid on bonds	756,661	555,945
Increase in operating receivables	(230,301,681)	(109,852,309)
Increase in operating payables	217,383,485	126,727,703
Increase in provisions	20,012	1,469
Net cash flows generated from/(used in) operating activities	<u>(6,314,152)</u>	<u>22,045,723</u>
2. Net increase/(decrease) in cash and cash equivalents:		
Cash at end of the year	1,320,700	836,549
Less: Cash at beginning of the year	836,549	779,169
Add: Cash equivalents at end of the year	35,351,029	67,311,259
Less: Cash equivalents at beginning of the year	67,311,259	53,924,314
Net increase/(decrease) in cash and cash equivalents	<u>(31,476,079)</u>	<u>13,444,325</u>

SHENZHEN DEVELOPMENT BANK CO., LTD.
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I. GENERAL INFORMATION

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

The institution number of the Company on the 00000028 approval document issued by the China Banking Regulatory Commission is B0014H144030001. The business licence number of the Company issued by the Shenzhen Municipal Administration of Industry and Commerce is 440301103098545.

In accordance with the resolution of the shareholders' meeting of the Company as at 30 September 2010 and the written approval “Approval Regarding Issue of Shares to Ping An Insurance (Group) Company Limited for the Acquisition of Assets by Shenzhen Development Bank” (Zhengjianxuke No. [2011]1022) issued by the China Securities Regulatory Commission, the Company issued a private placement of 1,638,336,654 shares to Ping An Insurance (Group) Company of China, Ltd. (hereafter referred to as “China Ping An”) to acquire 7,825,181,106 shares of Ping An Bank Company Limited (hereafter referred to as “Ping An Bank”), (representing approximately 90.75% of the total share capital of Ping An Bank) and RMB2,690,052.3 thousand in cash (hereafter referred to as “the Material Asset Reorganisation”). The related procedures such as transfer and registration of shares, cash delivery and issuance of ordinary shares have been completed in July 2011. After completion of the Material Asset Reorganisation, China Ping An and its subsidiary Ping An Life Insurance Company of China, Ltd. hold 52.38% of shares of the Company in total and become the controlling shareholder of the Company, while Ping An Bank becomes the controlling subsidiary of the Company.

The Company and its subsidiaries (collectively the “Group”) are principally engaged in authorised commercial and retail banking activities in Mainland China.

The registered office of the Company is located at No. 5047, Shennan Road East, Luohu District, Shenzhen, Guangdong Province, the PRC. Headquartered in Shenzhen, the Company operates its business in Mainland China.

The financial statements were approved and authorised for issue by the board of directors on 8 March 2012.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Basis of preparation

The financial statements have been prepared in accordance with the “Accounting Standards for Business Enterprises – Basic Standard” and 38 specific standards, Implementation Guidance, Interpretations and other relevant regulations (hereafter collectively referred to as “ASBEs”), issued by the Ministry of Finance, PRC (hereafter referred to as the “MOF”) in February 2006.

The financial statements are prepared on a going concern basis.

SHENZHEN DEVELOPMENT BANK CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS (continued)
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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

2. Statement of compliance

The financial statements have been prepared in accordance with ASBEs and present fairly the financial position of the Group and the Company as at 31 December 2011 and the results of its operation and its cash flows for the year ended 31 December 2011.

3. Accounting year

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

4. Functional currency

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

5. Basis of accounting and measurement

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

6. Business combination and goodwill

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

Business combination under common control

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

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

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

6. Business combination and goodwill (continued)

Business combination not under common control

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

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

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

7. Consolidated financial statements

Consolidated financial statements are prepared on the basis of control existence. The scope of consolidated financial statements shall include financial statements of the Company and all its subsidiaries by 31 December 2011. A subsidiary is an enterprise or a special vehicle, that is controlled by the Company.

A subsidiary shall adopt the uniform accounting year and accounting policies with the Company when preparing the consolidated financial statements. Profits and losses, balances and dividends resulting from intra-group transactions that are recognised in assets are eliminated in full.

Non-controlling interests are debited by the excess, if any, of the loss attributable to non-controlling shareholders over their share of the net fair value of the subsidiary's identifiable assets and liabilities where they are able and obliged to contribute to the excess; the excess is otherwise attributable to the Company.

For a subsidiary acquired from business combination not under common control, the operating results and cash flows of the acquiree should be consolidated from the date that the company's control takes place to the date that the control is terminated. It shall adjust the subsidiary's financial statements on the basis of the fair values, at the acquisition date, of its identifiable assets, liabilities and contingent liabilities, when consolidated financial statements are prepared.

SHENZHEN DEVELOPMENT BANK CO., LTD.
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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

7. Consolidated financial statements (continued)

For a subsidiary acquired from business combination under common control, the operating results and cash flows of the acquiree shall be consolidated from the beginning of the period. When preparing for the comparative financial figures, the prior year's financial statements are adjusted so that the acquiree is deemed as the reporting entity has been in existence to the ultimate acquiree in a business combination.

8. Foreign currency translation

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

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

9. Reverse repurchase and repurchase agreements

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

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

10. Financial assets

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

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

10. Financial assets (continued)

Financial assets at fair value through profit or loss

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

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

- (i) the designation eliminates or significantly reduces a measurement or recognition inconsistency of the related gains or losses that would otherwise result from measuring assets or liabilities on a different basis.
- (ii) a group of financial assets, financial liabilities or both are managed and their performance is evaluated on a fair value basis, and the information about the group is reported on that basis to the Group's key management personnel. Formal documentation has been prepared with respect to such risk management or investment strategy.
- (iii) a hybrid instrument embedded with derivatives, unless the embedded derivative does not significantly modify the cash flows of the hybrid instrument, or it is clear that a separation of the hybrid instrument from the embedded derivative is prohibited.
- (iv) the hybrid instrument is embedded with derivatives which are required to be separately accounted for but where it is impossible to make an independent measurement when it is obtained or subsequently on the balance sheet date.

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

10. Financial assets (continued)

Held-to-maturity investments

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

- (i) sales or reclassifications are so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value.
- (ii) sales or reclassifications of the remaining portion of the financial asset occur after the Group has collected substantially all of the financial asset's original principal through scheduled payments or prepayments.
- (iii) sales or reclassifications are attributable to an isolated event that is beyond the Group's control and is non-recurring and could not have been reasonably anticipated by the Group.

Loans and receivables

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

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

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

10. Financial assets (continued)

Available-for-sale financial assets

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

11. Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

11. Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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

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

Financial assets carried at cost

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

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

Available-for-sale financial assets

If an available-for-sale asset is impaired, the cumulative loss arising from the decline in fair value that had been recognised directly in owners' equity shall be removed from owners' equity and recognised in the income statement in "Impairment losses on assets". The amount of the accumulated losses that is removed from owners' equity shall be the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement.

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

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

12. Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

Financial guarantee contracts

The Group gives financial guarantees consisting of letters of credit, guarantees, and acceptances. Financial guarantee contracts are initially recognised at fair value, in "Other liabilities", being the premium received. The guarantee fee is amortised over the period of the contract and is recognised as fee and commission income. Subsequent to initial recognition, the Group's liability under each guarantee contract is measured at the higher of the initial fair value less cumulative amortisation, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to financial guarantees is taken to profit or loss for the year.

Other financial liabilities

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

13. Recognition and derecognition of financial instruments

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

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

- (i) the contractual rights to the cash flows from the financial asset expire; or
- (ii) the financial asset has been transferred and the transfer qualifies for derecognition as set out below.

Transfer of financial assets

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

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

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

13. Recognition and derecognition of financial instruments (continued)

Transfer of financial assets (continued)

- (ii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient(s) in an arrangement that meets all of the following conditions:
 - (a) the Group's obligation to pay amounts to the eventual recipient(s) arises only when it has collected equivalent amounts from the original financial asset. Short term advances by the Group with the right of full recovery of the amount lent plus accrued interest at market rates for bank loans of equivalent terms do not violate this condition.
 - (b) the Group is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipient(s) for the obligation to pay them cash flows.
 - (c) the Group has an obligation to remit any cash flows it collects on behalf of the eventual recipient(s) without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the intervening period between two consecutive payments, which are invested in accordance with the terms of the contract. Income earned on such investments (i.e., reinvesting the cash flows according to the terms of the contract) is passed to the eventual recipient(s) according to the contract terms.

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

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

- (i) when the Group has not retained control of the financial asset, the financial asset is derecognised;
- (ii) when the Group has retained control of the financial asset, the financial asset is recognised to the extent of the Group's continuing involvement in the transferred financial asset and an associated liability is recognised.

Financial liabilities

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

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

14. Derivative financial instruments

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

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

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

15. Long term equity investments

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

A long term equity investment is measured initially at its investment cost. For the business combination under common control, it shall, on the date of merger, regard the share of the carrying value of the shareholders' equity of the acquiree as the initial cost of the long-term equity investment. For the business combination under common control, the acquiree shall, on the date of merger, regard the merger costs ascertained as the initial cost of the long term equity investment. Besides the long term equity investments formed by the merger of enterprises, the initial cost of a long term equity investment obtained by other means shall be ascertained in accordance with the provisions as follows: (1) The initial cost of a long term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid. The initial cost consists of the expenses directly relevant to the obtainment of the long term equity investment, taxes and other necessary expenses. (2) The initial cost of a long term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued. (3) The initial cost of a long term equity investment of an investor shall be the value stipulated in the investment contract or agreement except the unfair value stipulated in the contract or agreement.

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

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

15. Long term equity investments (continued)

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

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

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

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

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

For the method of long term equity investments in subsidiaries and associates impairment test and impairment provision, please refer to Note II.21. For the method of impairment test and impairment provision which there is no offer in the active market and of which the fair value cannot be reliably measured, refer to Note II.11.

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

16. Investment properties

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

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

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

17. Fixed assets and accumulated depreciation

(i) Recognition of fixed assets

A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably.

Subsequent expenditures incurred for a fixed asset that meet the above conditions are included in the cost of the fixed asset and the carrying amount of the parts that are replaced is derecognised. Otherwise, subsequent expenditures are recognised in the income statement in the period in which they are incurred.

(ii) Measurement and depreciation of fixed assets

Fixed assets are initially measured at cost. All fixed assets are stated at cost less any accumulated depreciation and any impairment losses. The cost of an asset comprises the purchase price, related taxes, and any directly attributable expenditure of bringing the asset to working condition for its intended use, such as delivery and handling costs, installation costs and professional fees.

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

17. Fixed assets and accumulated depreciation (continued)

(ii) Measurement and depreciation of fixed assets (continued)

Depreciation is calculated using the straight-line method. The Group reasonably determines the useful lives and estimated net residual values of the fixed assets according to the natures and use patterns of the fixed assets as follows:

	Useful life	Estimated net residual value	Annual depreciation rate
Properties and buildings			
Including: Properties and buildings	15-35 years	1%-5%	2.7%-6.6%
Including: Owner-occupied property improvements	5 or 10 years	-	20.0% or 10.0%
Transportation vehicles	5-8 years	3%-5%	11.8%-19.4%
Office facilities	3-10 years	1%-5%	9.5% -33.0%

The useful life and estimated net residual value of a fixed asset and the depreciation method applied are reviewed at each balance sheet date, and adjusted prospectively, if appropriate.

18. Construction in progress

Construction in progress represents costs incurred in the construction of fixed assets. These costs include various construction costs which are necessary and other related expense during the period of construction. Construction in progress is not depreciated.

Construction in progress is reclassified to the appropriate category of fixed assets, intangible assets or long term deferred expenses when completed and ready for use.

19. Intangible assets

Intangible asset refers to the identifiable non-monetary assets possessed or controlled by the Group which have no physical shape.

An intangible asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. As for any intangible asset acquired in a combination, if its fair value can be measured reliably, it shall be separately recognised as an intangible asset and shall be measured in light of its fair value. The Group analyses and assesses the useful life of an intangible asset on its acquisition. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

An intangible asset with definite useful life is amortised over its useful life with the straight-line method.

	Useful life	Annual depreciation rate
Software and others	3-5 years	20%-33%
Core deposits	20 years	5%

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(continued)

19. Intangible assets (continued)

The useful life and amortisation method of intangible assets with finite useful lives are reviewed at each balance sheet date. If the expected useful life of the asset or the amortisation method differs significantly from previous assessments, the amortisation period or amortisation method is changed accordingly as a change in accounting estimate.

The useful life of intangible assets with indefinite useful lives is reassessed at each balance sheet date. If there is evidence that the useful life of the asset becomes definite, the accounting policies for intangible assets with definite useful life described above are then applied.

20. Long term deferred expenses

Long term deferred expenses are those prepaid expenses with an amortisation period of more than one year (excluding one year), mainly include rental expenses and leasehold improvements.

Rental expenses are operating lease rental of fixed assets and are amortised over the lease term. Other long term deferred expenses are amortised evenly according to their beneficial periods or legal periods of validity, whichever is shorter.

When long term deferred expenses no longer provide future economic benefits, the unamortised amount is recognised in profit or loss for the year.

21. Impairment of assets

For assets excluding financial assets, long-term equity investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, and repossessed assets, the Group assesses impairment of assets as follows:

At each balance sheet date, the Group assesses whether there is any indication that assets may be impaired. If there is any indication that an asset may be impaired, a recoverable amount is estimated for the asset. No matter whether there is any sign of possible assets impairment, the goodwill formed by the business combination and intangible assets with uncertain service lives shall be subject to impairment test every year.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The Group estimates the recoverable amount of an asset on an individual basis.

Where the measurement result of the recoverable amount indicates that an asset's recoverable amount is lower than its carrying value, the carrying value of the asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognised as the loss of asset impairment and be recorded as profit or loss for the current period. Simultaneously, a provision for asset impairment shall be made accordingly.

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

21. Impairment of assets (continued)

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is so allocated shall not be larger than an operating segment as defined by the Group.

When making an impairment test on the relevant asset groups or combination of asset groups including goodwill, whenever there is an indication that the unit may be impaired, impairment loss shall be recognized by comparing the unit's carrying amount, excluding any goodwill, with its recoverable amount. Then the Group shall make an impairment test of the asset groups or combinations of asset groups by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. If the recoverable amount is lower than its carrying value, the amount of the impairment loss shall be allocated first to reduce the carrying amount of goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

Once an impairment loss is recognised, it shall not be reversed in a subsequent period.

22. Repossessed assets

Reposessed assets are initially recognised at fair value. The difference between the initial fair value and the sum of the related loan principal, interest receivable and impairment provision is taken into the income statement. At the balance sheet date, the reposessed assets are measured at the lower of their carrying value and net realisable value. When the carrying value of the reposessed assets is higher than the net realisable value, a provision for the decline in value of reposessed assets is recognised in the income statement in "Impairment losses on assets".

23. Recognition of income and expense

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income and interest expense

For all financial instruments measured at amortised cost and interest-bearing financial instruments classified as available for sale and held for trading, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial instrument. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not the future credit losses.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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

23. Recognition of income and expense (continued)

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

(i) Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

(ii) Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or component of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

The fair value of the award credits granted by the Group to the bank card holders under customer loyalty programmes are deferred and recognised as fee and commission income when the award credits are redeemed or expired.

Dividend income

Revenue is recognised when the shareholders' right to receive the payment is established.

24. Income tax

Income tax comprises current and deferred income tax. Except for goodwill arising in a business combination and to the extent that the tax arises from a transaction or event which is recognised directly in other comprehensive income, all the income tax should be expensed or credited to profit or loss as appropriate.

Current income tax

Current tax is the amount of income taxes payable in respect of the taxable profit for a period. Taxable profit is the profit for a period, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities.

Deferred tax

Deferred tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts, as well as on temporary difference arising from the tax bases and carrying amount that have not recognised as an asset or liability on the balance sheet but can be determined as the tax calculation basis.

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

24. Income tax (continued)

Deferred tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- (i) where the deferred tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or deductible loss;
- (ii) in respect of taxable temporary differences associated with subsidiaries, investments in associates, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

For deductible temporary differences, carry forward of unused deductible losses and tax credits, the Group recognises the corresponding deferred tax asset to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, the deductible losses and tax credits can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible loss.

For deductible temporary differences arising from investments in associates and subsidiaries, the corresponding deferred income tax asset is recognised, to the extent that, it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available in the future, against which the temporary differences can be utilised.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, according to the requirement of tax laws.

At the balance sheet date, the Group reviews the carrying amount of a deferred tax asset. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available in future periods to allow the benefit of the deferred tax asset to be utilised. At the balance sheet date, deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow part or full of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

25. Employee benefits

Short term employee benefits

Salaries and bonuses, social security contributions and other short term employee benefits are accrued in the period in which services are rendered by the employees of the Group.

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

25. Employee benefits (continued)

Defined contribution plans

According to the statutory requirements in Mainland China, the Group is required to make contributions to the pension and insurance schemes that are separately administered by the local government authorities which are recognized in profit or loss for the period as incurred. In addition, the Group participates in a defined contribution retirement benefit insurance plan managed by an insurance company. Obligation for contributions to the insurance plan is borne by the Group, and contributions paid by the Group are recognized in profit or loss for the year as incurred.

Retirement welfare plan

Certain employees of the Group in Mainland China can enjoy the retirement welfare plan. These benefits are unfunded. The cost of providing benefits is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in profit or loss for the period in which they occur.

Share-based payment transactions

The Group grants equity instruments or incurs liabilities for amounts that are determined based on the price of equity instruments, in return for services rendered by employees or other parties.

The cost of cash-settled transactions is measured initially at fair value at the grant date using an appropriate pricing model taking into account the terms and conditions upon which the instruments were granted. The fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured at each balance sheet date up to and including the settlement date, with changes in fair value recognised in profit or loss for the period.

26. Definition of cash equivalents

Cash equivalents are short term, highly liquid monetary assets that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash equivalents comprise investments that have a short maturity of generally within three months when acquired, the unrestricted balance with the Central Bank, amounts due from banks and other financial institutions and reverse repurchase agreements that have a short original maturity of generally within three months.

27. Related parties

If a party has the power to control, jointly control or exercise significant influence over another party in making financial and operating decisions, they are regarded as related parties. Two or more parties are also regarded as related parties if they are subject to control or joint control from the same party.

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

28. Fiduciary activities

Where the Group acts in a fiduciary capacity such as nominee, trustee or agent, assets arising there on together with the related undertakings to return such assets to customers are excluded from the financial statements.

Entrusted loans granted by the Group on behalf of third-party lenders are recorded as off-balance sheet items. The Group acts as an agent and grants such entrusted loans to borrowers under the direction of the third-party lenders who fund these loans. The Group has been contracted by the third-party lenders to manage the administration and collection of these loans on their behalf. The third-party lenders determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The Group charges a commission related to the management of the entrusted loans. The commission income is recognised pro rata over the period in which the service is provided. The risk of loan loss is borne by the third-party lenders.

29. Leases

A lease that transfers in substance all the risks and rewards incident to ownership of an asset is classified as a finance lease. An operating lease is a lease other than a finance lease.

As a lessee under operating leases

Lease payments under an operating lease are recognised by a lessee on a straight-line basis over the lease term, and either included in the cost of another related asset or charged to profit or loss for the period.

As a lessor under operating leases

Lease income from operating leases is recognised by the lessor in profit or loss for the period on a straight-line basis over the lease term.

30. Contingent liabilities

A contingent liability is a possible obligation that arises from past transactions or events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events. It can also be a present obligation arising from past transactions or events but is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

31. Provisions

An obligation related to a contingency is recognised as a provision when all of the following conditions are satisfied:

- (i) the obligation is a present obligation of the Group;

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

31. Provisions (continued)

(ii) it is probable that an outflow of economic benefits will be required to settle the obligation; and

(iii) the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. The Group reviews the carrying amount of a provision at the balance sheet date. When there is clear evidence that the carrying amount of a provision does not reflect the current best estimate, the carrying amount is adjusted to the current best estimate.

32. Trade date accounting

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date on which the Group commits to purchase or sell the asset. A regular way purchase or sale of financial assets is the purchase or sale of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the marketplace.

33. Offsetting

Financial assets and financial liabilities are offset only when the Group has a legally enforceable right to offset the recognised amounts and both parties of the transaction intend to settle on a net basis.

34. Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Company. Dividends for the year that are approved after the balance sheet date are disclosed as an event after the balance sheet date.

35. Debts restructuring

Debts restructuring represents the consensus made by the creditor in accordance with the agreement with the debtor or based on the court order, when the debtor is in financial difficulty conditions.

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

As a creditor

The difference between the carrying amounts of the debts and the cash receipts is recognised in profit or loss for the period if cash is received from discharging the debts. The difference between the carrying amounts of the debts and the fair value of the non-monetary assets is recognised in profit or loss for the period if non-monetary assets are received from discharging the debts. The difference between the carrying amounts of the debts and the fair value of the interests in share capital is recognised in profit or loss for the period if capital is exchanged in discharging the debts. The difference between the carrying amounts of the debts and the fair value of the debts after restructuring based on agreed terms and conditions is recognised in profit or loss for the period if terms and conditions are amended. If all of the above are applied, the disposals should be based on the sequential order of the cash received, the fair value of the non-monetary assets received, the fair value of the interests in share capital received less the carrying amounts of the debts, and finally settlement of debts based on terms and conditions agreed.

If provision has been made to the debts under restructuring, the difference results from the above is offset against the provision with net change recognised in profit or loss for the period.

36. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the balance sheet date. However, uncertainty of these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

(i) Designation of held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and a fixed maturity are classified as held-to-maturity investments when the Group has the positive intention and ability to hold the investments to maturity. Accordingly, in evaluating whether a financial asset shall be classified as held-to-maturity investment, significant management judgement is required. If the Group fails to correctly assess its intention and ability to hold the investments to maturity and the Group sells or reclassifies more than an insignificant amount of held-to-maturity investments before maturity, the Group shall classify the whole held-to-maturity investment portfolio as available for sale.

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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
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36. Significant accounting judgements and estimates (continued)

(ii) Impairment losses of loans and advances

The Group determines periodically whether there is any objective evidence that an impairment loss on loans and advances has been incurred. If any such evidence exists, the Group assesses the amount of impairment losses. The amount of impairment losses is measured as the difference between the carrying amount and the present value of estimated future cash flows. Assessing the amount of impairment losses requires significant judgement on whether objective evidence for impairment exists and also significant estimates when determining the present value of the expected future cash flows.

(iii) Income tax

Determining income tax provisions requires the Group to estimate the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant estimates on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred income tax assets to be recovered.

(iv) Fair value of financial instruments

If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. To the extent practicable, the valuation technique makes maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on areas such as credit risk (both the Group's and the counterparty's), volatility and correlation. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

(v) Impairment of available-for-sale and held-to-maturity investments

In determining whether there is any objective evidence that impairment losses on available-for-sale and held-to-maturity investments have been incurred, the Group assesses periodically whether there has been a significant or prolonged decline in the fair value of the investment below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry environment, change of technology, operating and financing cash flows, etc. This requires significant level of judgement of the management, which would affect the amount of impairment losses.

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

36. Significant accounting judgements and estimates (continued)

(vi) Impairment of goodwill

The goodwill shall be subject to an impairment test at least at each year end. When an enterprise makes an impairment test of assets, it shall, as of the purchasing day, apportion the carrying value of the goodwill formed by merger of enterprises to the relevant asset groups by a reasonable method.

37. Taxes

Major taxes and related tax rates applicable to the Group are as follows:

Tax	Basis of tax assessment	Tax rate
Business Tax	Business income (not including interest income from transactions with financial institutions)	5%
City Maintenance and Construction Tax	Amount of business tax	1% to 7%
Corporate Income Tax	Amount of taxable income	24%, 25%

38. Changes in accounting policies and accounting estimations

The Company chose the fair value method as subsequent measurement of investment properties originally. After the material assets restructure, Ping An has become the controlling shareholder of the Company, and Ping An has chosen the cost method as subsequent measurement of investment properties. The Company changed the accounting policy of investment properties from 1 July 2011, adopted the cost method instead of fair value method as subsequent measurement, and made retroactive adjustments to financial statements. The effect on financial statements due to the above accounting policy changes is immaterial.

The impact of the retrospective adjustments due to the above accounting policy changes on the financial statements for the years 2011 and 2010 is as follows:

The Group

2011

	Before the accounting policy changes		After the accounting policy changes
	Balance at beginning of the year/incurred during the year	Accounting policy changes	Balance at beginning Of the year/incurred during the year
Investment properties	539,805	(325,234)	214,571
Fixed assets	2,470,051	(77,758)	2,392,293
Deferred tax liabilities	103,076	(87,651)	15,425
Capital reserve	13,396,943	(55,532)	13,341,411
Unappropriated profit	8,740,798	(259,809)	8,480,989
Profit for the year	10,398,452	(7,961)	10,390,491
Basic earnings per share	2.47		2.47

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38. Changes in accounting policies and accounting estimations (continued)

The Group (continued)

2010

	Before the accounting policy changes Balance at beginning of the year/incurred during the year	Accounting policy changes	After the accounting policy changes Balance at beginning of the year/incurred during the year
Investment properties	523,846	(287,311)	236,535
Fixed assets	1,714,461	(45,988)	1,668,473
Deferred tax liabilities	94,525	(69,739)	24,786
Capital reserve	7,017,072	(41,030)	6,976,042
Unappropriated profit	4,386,870	(222,530)	4,164,340
Profit for the year	6,283,816	(37,279)	6,246,537
Basic earnings per share	1.91		1.90

The Company

2011

	Before the accounting policy changes Balance at beginning of the year/incurred during the year	Accounting policy changes	After the accounting policy changes Balance at beginning of the year/incurred during the year
Investment properties	539,805	(325,234)	214,571
Fixed assets	2,470,051	(77,758)	2,392,293
Deferred tax liabilities	103,076	(87,651)	15,425
Capital reserve	13,396,943	(55,532)	13,341,411
Unappropriated profit	8,740,798	(259,809)	8,480,989
Profit for the year	9,188,385	(7,188)	9,181,197

2010

	Before the accounting policy changes Balance at beginning of the year/incurred during the year	Accounting policy changes	After the accounting policy changes Balance at beginning of the year/incurred during the year
Investment properties	523,846	(287,311)	236,535
Fixed assets	1,714,461	(45,988)	1,668,473
Deferred tax liabilities	94,525	(69,739)	24,786
Capital reserve	7,017,072	(41,030)	6,976,042
Unappropriated profit	4,386,870	(222,530)	4,164,340
Profit for the year	6,283,816	(37,279)	6,246,537

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III. THE SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

1. Subsidiary situation

The following subsidiary has been included within the scope of the consolidated financial statements of the Group:

	Equity percentage	Voting percentage	Registered capital	Company investment	Place of registration	Legal representative	Nature of business	Organisation code
Subsidiary acquired through business combinations not under common control								
Ping An Bank	90.75%	90.75%	RMB8.6 billion	RMB7.8 billion	Shenzhen	Jianyi Sun	Banking	19236558-0

2. The new subsidiary due to business combination not under common control during the year

During the year, the Company issued a private placement of 1,638,336,654 shares to China Ping An to acquire 7,825,181,106 shares of Ping An Bank (representing approximately 90.75% of the total share capital of Ping An Bank) and RMB2,690,052.3 thousand in cash. This material assets reorganisation represented the Company's acquisition of assets through the issuance of shares and the related transfer of assets and settlements which took place on 18 July 2011. The acquisition date was 18 July 2011. The acquisition aimed to win strategic resources support from China Ping An and made the best of synergy effects among the Company, Ping An Bank and China Ping An.

The fair values and book values of identifiable assets and liabilities of Ping An Bank at the acquisition date are as follows:

	2011-7-18 Fair value(Note3)	2011-7-18 Book value
Cash on hand and due from the Central Bank	40,238,663	40,238,663
Placements of deposits with other financial institutions and Funds loaned to other financial institutions	23,397,082	23,397,082
Financial assets at fair value through profit or loss and derivative financial assets	14,799,502	14,799,502
Loans and advances	144,414,068	144,414,068
Loans impairment reserves	(1,314,957)	(1,314,957)
Available-for-sale financial assets	36,857,715	36,857,715
Held-to-maturity investments	24,280,555	24,909,081
Intangible assets	5,873,969	140,137
Other assets	3,423,187	2,952,699
Customer deposits	(209,320,073)	(209,320,073)
Placements of deposits from other financial institutions and funds borrowed from other financial institutions	(52,955,203)	(52,955,203)
Other liabilities	(8,610,868)	(7,242,600)
Non-controlling interests	(1,950,237)	-
Total:	<u>19,133,403</u>	<u>16,876,114</u>
Goodwill arose from combination (Note 1)	<u>7,568,304</u>	
Combination cost (Note 2)	<u><u>26,701,707</u></u>	

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III. THE SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. The new subsidiary due to business combination not under common control during the year (continued)

Note1: The goodwill arose mainly on the basis of obtaining the strategy resource supports from China Ping An and was determined based on the elaboration of the synergies and related factors among the Company, Ping An Bank and China Ping An in the future.

Note2: The combination cost is the fair value as calculated based on the closing price of 1,638,336,654 shares used to acquire Ping An Bank at the acquisition date, minus the cash receipts of RMB2,690,052.3 thousand by the Company.

Note3: The fair values of identifiable assets and liabilities of Ping An Bank at the acquisition date were appraised by Zhonglian Pingbao Zi[2011]No.716 by China United Assets Appraisal Group who issued a [2011] No.716 assessment report.

Ping An Bank's operations results and cash flows for the period from the acquisition date to the end of this year are as follows:

	From 18 July 2011 To 31 December 2011
Operating income	4,490,115
Net profit	1,142,626
Net cash flows used in operating activities	(8,233,338)
Net cash flows generated from investing activities	8,052,782
Net cash flows used in financing activities	(295)

As at 31 December 2011, net assets of Ping An Bank amounted to RMB18,245,521 thousand.

The Group's operating income and profit for the year were approximately RMB33.7 billion and RMB11.6 billion, respectively, as though the acquisition date for the business combinations that occurred during the year had been as of the beginning of 2011.

IV. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash on hand and due from the Central Bank

	2011-12-31	2010-12-31
Cash on hand	2,235,565	836,549
Statutory reserve with the Central Bank - RMB	136,225,688	61,766,745
Statutory reserve with the Central Bank - foreign currency	651,457	809,165
Unrestricted balance with the Central Bank	21,335,563	12,798,567
Other deposits with the Central Bank - fiscal deposits	186,963	375,832
Total	160,635,236	76,586,858

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IV. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Cash on hand and due from the Central Bank (continued)

Based on the related RMB and foreign currency deposits, the Group places respective statutory reserves with the Central Bank in accordance with the requirements from the People's Bank of China. These reserve deposits are not available for use in the Group's daily operations.

Fiscal deposits represent the amounts received from government-related bodies that are required to be deposited with the Central Bank according to the relevant regulations.

2. Placements of deposits with other financial institutions

Analysed by location and counterparty

	2011-12-31	2010-12-31
Domestic banks	36,361,505	7,119,595
Other domestic financial institutions	66,963	45,280
Overseas banks	3,496,787	1,389,549
Subtotal	39,925,255	8,554,424
Less: Impairment provision (Note IV.20)	(40,913)	(30,695)
Total	39,884,342	8,523,729

As at 31 December 2011, included in this total amount of placements of deposits with other financial institutions was an amount of RMB31,520 thousand (31 December 2010: RMB31,520 thousand) of impaired assets.

3. Funds loaned to other financial institutions

Analysed by location and counterparty

	2011-12-31	2010-12-31
Domestic banks	4,436,806	1,580,636
Other domestic financial institutions	1,373,997	2,782,626
Overseas banks	2,660,022	4,142,056
Subtotal	8,470,825	8,505,318
Less: Impairment provision (Note IV.20)	(24,258)	(29,330)
Total	8,446,567	8,475,988

As at 31 December 2011, included in this total amount of loans funded to other financial institutions was an amount of RMB26,997 thousand (31 December 2010: RMB32,626 thousand) impaired assets.

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IV. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Financial assets at fair value through profit or loss

	<u>2011-12-31</u>	<u>2010-12-31</u>
Bonds held for trading (bond investments analysed by issuer)		
Governments	102,038	-
The Central Bank	187,197	-
Policy banks	1,965,852	-
Other banks and non-bank financial institutions	57,603	-
Corporations	<u>295,212</u>	<u>-</u>
Total	<u>2,607,902</u>	<u>-</u>

As at 31 December 2011, included in the bond investments was an amount of RMB370,587 thousand (31 December 2010: Nil) that had been pledged for repurchase agreements.

5. Derivative financial instruments

A derivative is a financial instrument, the value of which is derived from the value of another "underlying" financial instrument, an index or some other variables. Typically, an "underlying" financial instrument is a share, commodity or bond price, an index value or an exchange or interest rate. The Group uses derivative financial instruments such as forward contracts and swaps.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

At each balance sheet date, the Group has positions in the following types of derivatives:

	Notional amounts with remaining lives of				Fair value	
	Up to 3 months	3 months to 1 year	1 to 5 years	Total	Assets	Liabilities
<u>2011-12-31</u>						
Foreign exchange derivative instruments:						
Forward foreign exchange contracts	53,345,202	55,451,436	755,184	109,551,822	660,960	(582,520)
Interest rate derivative instruments:						
Interest rate swap contracts	<u>127,600</u>	<u>4,984,780</u>	<u>8,143,660</u>	<u>13,256,040</u>	<u>149,617</u>	<u>(149,898)</u>
Total	<u>53,472,802</u>	<u>60,436,216</u>	<u>8,898,844</u>	<u>122,807,862</u>	<u>810,577</u>	<u>(732,418)</u>

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IV. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Derivative financial instruments (continued)

	Notional amounts with remaining lives of				Fair value	
	Up to 3 months	3 months to 1 year	1 to 5 years	Total	Assets	Liabilities
2010-12-31						
Foreign exchange derivative instruments:						
Forward foreign exchange contracts	23,821,327	23,318,315	395,376	47,535,018	343,972	(291,069)
Interest rate derivative instruments:						
Interest rate swap contracts	-	100,000	2,200,000	2,300,000	27,762	(20,736)
Total	<u>23,821,327</u>	<u>23,418,315</u>	<u>2,595,376</u>	<u>49,835,018</u>	<u>371,734</u>	<u>(311,805)</u>

As at 31 December 2011 and 31 December 2010, no derivatives were designated as hedging instruments.

6. Reverse repurchase agreements

(a) Analysed by counterparty

	2011-12-31	2010-12-31
Banks	30,730,464	97,525,239
Non-bank financial institutions	3,608,423	773,194
Subtotal	<u>34,338,887</u>	<u>98,298,433</u>
Less: Impairment provision (Note IV.20)	<u>(35,000)</u>	<u>(35,000)</u>
Total	<u>34,303,887</u>	<u>98,263,433</u>

As at 31 December 2011, included in this total amount of reverse repurchase agreements was an amount of RMB47.04 million (31 December 2010: RMB50 million) of impaired assets.

(b) Analysed by collateral

	2011-12-31	2010-12-31
Securities	5,230,046	250,000
Bills	27,962,678	97,525,239
Receivables under finance leases	1,146,163	523,194
Subtotal	<u>34,338,887</u>	<u>98,298,433</u>
Less: Impairment provision (Note IV.20)	<u>(35,000)</u>	<u>(35,000)</u>
Total	<u>34,303,887</u>	<u>98,263,433</u>

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IV. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Reverse repurchase agreements (continued)

(c) Fair value of collateral

Under certain reverse repurchase agreements, the Group has held collateral that is permitted to be sold or re-pledged in the absence of default by the owners of the collateral. At the balance sheet date, the fair values of the collateral held on such terms are as follows:

	2011-12-31		2010-12-31	
	Amount of reverse repurchase agreements	Fair value of Collateral	Amount of reverse repurchase agreements	Fair value of Collateral
Bills	<u>25,730,474</u>	<u>25,730,474</u>	<u>59,788,125</u>	<u>59,788,125</u>

As at 31 December 2011, included in the above fair value of collateral were bills of RMB400,007 thousand (31 December 2010: RMB9,830,370 thousand) that had been re-pledged and the Group had an obligation to return such collateral.

7. Accounts receivable

	2011-12-31	2010-12-31
Receivables with respect to making payments on behalf of customers (Note)	74,126,195	7,388,795
Receivables under factoring	7,758,628	3,960,733
Receivables with respect to making payments on behalf of other banks	88,481,105	1,874,992
Others	<u>223,083</u>	<u>502,895</u>
Total	<u>170,589,011</u>	<u>13,727,415</u>

Note: The above receivables are related to the provision of trade finance services for customers by making payments on their behalf via the offshore business unit of the Group or other banks in accordance with the terms of agreements signed with the customers. In connection with this, the payments made by other banks are correspondingly recorded in "Accounts payable".

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IV. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Interest receivable

	Balance at beginning of the year	Acquisition of a subsidiary	Increase during the year	Collection during the year	Balance at end of the year
<u>Jan-Dec 2011</u>					
Interest receivable on bond investments and wealth management products	1,230,980	770,632	7,819,218	(7,125,259)	2,695,571
Interest receivable on loans and amounts due from other financial institutions	890,507	646,302	38,304,390	(35,262,581)	4,578,618
Total	2,121,487	1,416,934	46,123,608	(42,387,840)	7,274,189
	Balance at beginning of the year	Increase during the year	Collection during the year	Balance at end of the year	
<u>Jan-Dec 2010</u>					
Interest receivable on bond investments and wealth management products	915,769	3,769,768	(3,454,557)	1,230,980	
Interest receivable on loans and amounts due from other financial institutions	709,931	19,484,018	(19,303,442)	890,507	
Total	1,625,700	23,253,786	(22,757,999)	2,121,487	

As at 31 December 2011, included in the interest receivable was an amount of RMB51,368 thousand (31 December 2010: RMB12,334 thousand) that is past due. Such interest receivable is related to interest income on loans and is aged within 90 days.

9. Loans and advances

9.1 Analysed by corporation and individual

	<u>2011-12-31</u>	<u>2010-12-31</u>
Loans and advances to corporations:		
Loans	413,022,705	268,653,156
Discounted bills	17,682,902	18,646,560
Subtotal	430,705,607	287,299,716
Loans and advances to individuals:		
Credit cards	24,709,727	6,340,541
Property mortgages	140,782,827	102,372,046
Others	24,443,656	11,378,832
Subtotal	189,936,210	120,091,419
Total loans and advances	620,641,817	407,391,135
Less: Loan impairment provision (Note IV.9.6)	(10,566,481)	(6,425,060)
Loans and advances, net	610,075,336	400,966,075

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IV. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Loans and advances (continued)

9.1 Analysed by corporation and individual (continued)

As at 31 December 2011, there were RMB715,656 thousand discounted bills (31 December 2010: RMB1,305,932 thousand) that had been pledged for amounts due to the Central Bank.

As at 31 December 2011, there were no loans (31 December 2010: RMB2,572,000 thousand) that had been pledged for repurchase agreements.

In addition, as at 31 December 2011, the Group transferred out (without recourse) discounted bills amounting to RMB23.3 billion (31 December 2010: RMB86 billion) that had not yet matured at year end.

9.2 Analysed by industry

	2011-12-31	2010-12-31
Agriculture, husbandry and fisheries	1,695,473	829,002
Extraction (Heavy industry)	6,619,201	4,206,075
Manufacturing (Light industry)	134,197,288	83,680,778
Energy	14,643,938	12,574,110
Transportation, storage and communication	29,259,438	20,287,842
Commercial	106,969,803	55,195,669
Real estate	36,632,582	22,527,322
Service, technology, culture and sanitary industries	51,688,604	48,328,221
Construction	27,569,898	18,277,064
Discounted bills	17,682,902	18,646,560
Loans and advances to individuals	189,936,210	120,091,419
Others	3,746,480	2,747,073
Total loans and advances	620,641,817	407,391,135
Less: Loan impairment provision (Note IV.9.6)	(10,566,481)	(6,425,060)
Loans and advances, net	610,075,336	400,966,075

9.3 Analysed by type of collateral held or other credit enhancements

	2011-12-31	2010-12-31
Unsecured	114,800,698	73,941,051
Guaranteed	131,758,073	84,903,049
Secured by collateral	356,400,144	229,900,475
Of which: secured by mortgages	277,764,450	185,885,620
secured by monetary assets	78,635,694	44,014,855
Subtotal	602,958,915	388,744,575
Discounted bills	17,682,902	18,646,560
Total loans and advances	620,641,817	407,391,135
Less: Loan impairment provision (Note IV.9.6)	(10,566,481)	(6,425,060)
Loans and advances, net	610,075,336	400,966,075

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IV. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Loans and advances (continued)

9.4 Aging analysis of past due loans

	2011-12-31				Total
	Overdue by 1 to 90 days, inclusive	Overdue by 90 days to 1 year, inclusive	Overdue by 1 to 3 years, inclusive	Overdue by more than 3 years	
Unsecured	820,012	274,594	25,395	129,467	1,249,468
Guaranteed	418,822	61,809	259,684	80,088	820,403
Secured by collateral	4,485,565	818,443	549,634	547,607	6,401,249
Of which:					
secured by mortgages	4,146,085	792,382	539,856	371,492	5,849,815
secured by monetary assets	339,480	26,061	9,778	176,115	551,434
Total	<u>5,724,399</u>	<u>1,154,846</u>	<u>834,713</u>	<u>757,162</u>	<u>8,471,120</u>
	2010-12-31				Total
	Overdue by 1 to 90 days, inclusive	Overdue by 90 days to 1 year, inclusive	Overdue by 1 to 3 years, inclusive	Overdue by more than 3 years	
Unsecured	314,087	108,749	222,741	-	645,577
Guaranteed	27,293	21,014	164,275	29,976	242,558
Secured by collateral	1,905,022	503,554	629,462	290,808	3,328,846
Of which:					
secured by mortgages	1,709,025	405,765	345,595	290,808	2,751,193
secured by monetary assets	195,997	97,789	283,867	-	577,653
Total	<u>2,246,402</u>	<u>633,317</u>	<u>1,016,478</u>	<u>320,784</u>	<u>4,216,981</u>

Overdue loans refer to the loans with either principal or interest being overdue by one day or more.

9.5 Analysed by geographical region

	2011-12-31	2010-12-31
Eastern District	228,038,476	149,627,501
Southern District	215,421,145	108,264,687
Western District	47,852,179	42,081,244
Northern District	110,994,884	97,820,853
Head office	18,335,133	9,596,850
Total loans and advances	<u>620,641,817</u>	<u>407,391,135</u>
Less: Loan impairment provision (Note IV.9.6)	<u>(10,566,481)</u>	<u>(6,425,060)</u>
Loans and advances, net	<u>610,075,336</u>	<u>400,966,075</u>

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IV. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Loans and advances (continued)

9.6 Movements in impairment provision for loans and advances

	Jan-Dec 2011			Jan-Dec 2010		
	Individual	Collective	Total	Individual	Collective	Total
Balance at beginning of the year	1,126,471	5,298,589	6,425,060	994,935	2,959,933	3,954,868
Acquisition of a subsidiary	100,016	1,214,941	1,314,957	-	-	-
Charge/(reversal) for the year	(538,065)	2,673,726	2,135,661	(928,082)	2,402,545	1,474,463
Amounts written off	(22,438)	(213,719)	(236,157)	(12,111)	(201,088)	(213,199)
Recovery of loans written off previously	834,323	178,800	1,013,123	1,147,353	137,199	1,284,552
Interest accrued on impaired loans and advances	(77,791)	-	(77,791)	(68,905)	-	(68,905)
Other changes for the year	(8,384)	12	(8,372)	(6,719)	-	(6,719)
Balance at end of the year (Note IV.20)	<u>1,414,132</u>	<u>9,152,349</u>	<u>10,566,481</u>	<u>1,126,471</u>	<u>5,298,589</u>	<u>6,425,060</u>

10. Available-for-sale financial assets

	<u>2011-12-31</u>	<u>2010-12-31</u>
Bond investments analysed by issuer:		
Governments	5,953,913	5,740,082
Central Bank	684,203	2,027,138
Policy banks	65,346,309	22,526,040
Other banks and non-bank financial institutions	2,014,326	677,160
Corporations	4,396,799	530,928
Subtotal	<u>78,395,550</u>	<u>31,501,348</u>
Less: Impairment provisions (Note IV.20)	<u>(37,830)</u>	<u>-</u>
Total bond investments	<u>78,357,720</u>	<u>31,501,348</u>
Equity investments	<u>25,806</u>	<u>32,835</u>
Total	<u>78,383,526</u>	<u>31,534,183</u>

As at 31 December 2011, included in the bond investments was an amount of RMB10,943,222 thousand (31 December 2010: Nil) that had been pledged for repurchase agreements.

As at 31 December 2011, there were no restricted tradable shares in the available-for-sale financial assets (31 December 2010: RMB2,715 thousand).

As at 31 December 2011, included in this total amount of available-for-sale financial assets was an amount of RMB37.83 million (31 December 2010: Nil) of impaired assets.

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IV. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Held-to-maturity investments

	<u>2011-12-31</u>	<u>2010-12-31</u>
Bond investments analysed by issuer:		
Governments	22,444,724	15,040,553
The Central Bank	8,071,093	6,969,813
Policy banks	61,407,084	28,613,269
Other banks and non-bank financial institutions	2,672,188	2,739,149
Corporations	13,092,792	8,017,053
Subtotal	<u>107,687,881</u>	<u>61,379,837</u>
Less: Impairment provision (Note IV.20)	<u>(4,801)</u>	<u>-</u>
Total	<u>107,683,080</u>	<u>61,379,837</u>

As at 31 December 2011, included in the bond investments was an amount of RMB6,969,737 thousand (31 December 2010: RMB598,218 thousand) that had been pledged for agreements of time deposits from the PBOC.

As at 31 December 2011, included in the bond investments was RMB28,501,524 thousand (31 December 2010: RMB6,177,996 thousand) that had been pledged for repurchase agreements.

12. Receivables

	<u>2011-12-31</u>	<u>2010-12-31</u>
Subordinated bonds issued by financial institutions	500,000	500,000
Principal guaranteed wealth management products issued by banks	<u>13,232,100</u>	<u>18,002,100</u>
Total	<u>13,732,100</u>	<u>18,502,100</u>

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IV. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Long term equity investments

	Jan-Dec 2011									
	Cost of investment	Balance at beginning of the year	Acquisition of a subsidiary	Movements	Balance at end of the year	Percentage of equity held by the Company (%)	Percentage of voting right held by the Company (%)	Provision transferred out during the year	Impairment provision at end of the year (Note IV.20)	Net balance at end of the year
Name of investee										
Cost method:										
China UnionPay Co., Ltd.	74,220	50,000	24,220	-	74,220	2.20%	2.20%	-	-	74,220
Gintian Industry (Group) Co., Ltd.	9,662	9,662	-	-	9,662	2.03%	2.03%	-	(9,662)	-
Hainan Pearl River Holdings Co., Ltd.	9,650	9,650	-	-	9,650	0.27%	0.27%	-	(9,650)	-
Hainan Wuzhou Travel Co., Ltd.	5,220	5,220	-	-	5,220	3.70%	3.70%	-	(5,220)	-
Meizhou Polyester (Group) Co.	1,100	1,100	-	-	1,100	0.41%	0.41%	-	(1,100)	-
Shenzhen Zoto Investment Co.,Ltd.	2,500	2,500	-	-	2,500	4.10%	4.10%	-	-	2,500
Guangdong Sanxing Enterprises (Group) Co., Ltd.	500	500	-	-	500	0.05%	0.05%	-	(500)	-
Hainan Baiyunshan Co., Ltd.	1,000	1,000	-	-	1,000	0.91%	0.91%	-	(1,000)	-
Hainan Saige Co., Ltd.	1,000	1,000	-	-	1,000	0.56%	0.56%	-	(1,000)	-
Hainan Zhonghailian Real Estate Co., Ltd.	1,000	1,000	-	-	1,000	0.74%	0.74%	-	(1,000)	-
Shenzhen Jiafeng Textile Industrial Co., Ltd	16,725	16,725	-	-	16,725	13.82%	13.82%	-	(16,725)	-
SWIFT	684	684	-	-	684	0.03%	0.00%	-	-	684
Yong An Property Insurance Co., Ltd.	67,000	67,000	-	-	67,000	4.03%	4.03%	-	(67,000)	-
Wuhan Steel Electricity Co., Ltd.	32,175	32,175	-	-	32,175	3.37%	3.37%	-	-	32,175
Clearing Center for City Commercial Banks	600	-	600	-	600	1.99%	1.99%	-	-	600
Subtotal	223,036	198,216	24,820	-	223,036			-	(112,857)	110,179
Equity method:										
Associates										
Chengdu Gongtou Assets Management Co., Ltd.	259,836	313,054	-	136,061	449,115	33.20%	33.20%	-	(20,000)	429,115
Shandong Xinkaiyuan Real Estate Co., Ltd.	30,607	29,038	-	(29,038)	-	0.00%	0.00%	3,061	-	-
Subtotal	290,443	342,092	-	107,023	449,115			3,061	(20,000)	429,115
Total	513,479	540,308	24,820	107,023	672,151			3,061	(132,857)	539,294

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IV. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Long term equity investments (continued)

	2010								
					Percentage of equity held by the Company (%)	Percentage of voting right held by the Company (%)	Provision charged for the year	Impairment provision at end of the year (Note IV.20)	Net balance at end of the year
Name of investee	Cost of investment	Balance at beginning of the year	Movements	Balance at end of the year					
Cost method:									
China UnionPay Co., Ltd.	50,000	50,000	-	50,000	1.71%	1.71%	-	-	50,000
Gintian Industry (Group) Co., Ltd.	9,662	9,662	-	9,662	2.03%	2.03%	-	(9,662)	-
Hainan Pearl River Holdings Co., Ltd.	9,650	9,650	-	9,650	0.27%	0.27%	-	(9,650)	-
Hainan Wuzhou Travel Co., Ltd.	5,220	5,220	-	5,220	3.70%	3.70%	-	(5,220)	-
Meizhou Polyester (Group) Co.	1,100	1,100	-	1,100	0.41%	0.41%	-	(1,100)	-
Shenzhen Zoto Investment Co.,Ltd.	2,500	2,500	-	2,500	4.10%	4.10%	-	-	2,500
Guangdong Sanxing Enterprises (Group) Co., Ltd.	500	500	-	500	0.05%	0.05%	-	(500)	-
Hainan Baiyunshan Co., Ltd.	1,000	1,000	-	1,000	0.91%	0.91%	-	(1,000)	-
Hainan Saige Co., Ltd.	1,000	1,000	-	1,000	0.56%	0.56%	-	(1,000)	-
Hainan Zhonghailian Real Estate Co., Ltd.	1,000	1,000	-	1,000	0.74%	0.74%	-	(1,000)	-
Shenzhen Jiafeng Textile Industrial Co., Ltd	16,725	16,725	-	16,725	13.82%	13.82%	-	(16,725)	-
SWIFT	684	684	-	684	0.03%	0.00%	-	-	684
Yong An Property Insurance Co., Ltd.	67,000	67,000	-	67,000	4.03%	4.03%	-	(67,000)	-
Wuhan Steel Electricity Co., Ltd.	32,175	32,175	-	32,175	3.37%	3.37%	-	-	32,175
Chengdu Unionfriend Network Co. Ltd.	20,000	20,000	(20,000)	-	0.00%	0.00%	-	-	-
Subtotal	218,216	218,216	(20,000)	198,216			-	(112,857)	85,359
Equity method:									
Associates									
Chengdu Gongtou Assets Management Co., Ltd.	259,836	279,800	33,254	313,054	33.20%	33.20%	-	(20,000)	293,054
Shandong Xinkaiyuan Real Estate Co., Ltd.	30,607	30,607	(1,569)	29,038	15.42%	15.42%	-	(3,061)	25,977
Subtotal	290,443	310,407	31,685	342,092			-	(23,061)	319,031
Total	508,659	528,623	11,685	540,308			-	(135,918)	404,390

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13. Long term equity investments (continued)

The movement in impairment provision for long term equity investments is as follows:

<u>Jan-Dec 2011</u>	Balance at beginning of the year	Acquisition of a subsidiary	Charge for the year	Amounts transferred out during the year	Balance at end of the year
Chengdu Gongtou Assets Management Co., Ltd.	20,000	-	-	-	20,000
Yong An Property Insurance Co., Ltd.	67,000	-	-	-	67,000
Others	48,918	-	-	(3,061)	45,857
Total	135,918	-	-	(3,061)	132,857

<u>2010</u>	Balance at beginning of the year	Charge for the year	Amounts transferred out during the year	Balance at end of the year
Chengdu Gongtou Assets Management Co., Ltd.	20,000	-	-	20,000
Yong An Property Insurance Co., Ltd.	67,000	-	-	67,000
Others	48,918	-	-	48,918
Total	135,918	-	-	135,918

The movements in the associates during the year are as follows:

<u>Jan-Dec 2011</u>	Cost of investment	Balance at beginning of the year	Movements in equity				Impairment provision		Balance at end of the year
			Movements of profit for the year	Movement in other comprehensive income (Note IV.48)	Cash dividend received	Amounts transferred out	Amounts transferred out	Accumulated balance	
Chengdu Gongtou Assets Management Co., Ltd. (Note 1)	259,836	293,054	45,000	106,000	(14,939)	-	-	(20,000)	429,115
Shandong Xinkaiyuan Real Estate Co., Ltd. (Note 2)	30,607	25,977	-	-	-	(29,038)	3,061	-	-
Total	290,443	319,031	45,000	106,000	(14,939)	(29,038)	3,061	(20,000)	429,115

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13. Long term equity investments (continued)

2010	Cost of investment	Balance at beginning of the year	Movements in equity			Impairment provision		Balance at end of the year
			Movements of profit for the year	Movement in other comprehensive income	Cash dividend received	Charge for the year	Accumulated balance	
			(Note IV.48)					
Chengdu Gongtong Assets Management Co., Ltd. (Note 1)	259,836	259,800	62,393	(9,219)	(19,920)	-	(20,000)	293,054
Shandong Xinkaiyuan Real Estate Co., Ltd. (Note 2)	30,607	27,546	(1,569)	-	-	-	(3,061)	25,977
Total	290,443	287,346	60,824	(9,219)	(19,920)	-	(23,061)	319,031

Note 1: On 30 January 2008, the Company obtained 33.2% of the shareholding of Chengdu Gongtong Assets Management Co., Ltd. as repossessed assets.

Note 2: On 18 August 2008, the Company obtained 15.42% of the shareholding of Shandong Xinkaiyuan Real Estate Co., Ltd. as repossessed assets. The Company has appointed a representative at the board of the investee and had significant influence over the investee. In May 2011, the Company obtained a property from Shandong Xinkaiyuan Real Estate Co., Ltd. as repossessed assets in exchange for the 15.42% shareholding.

The key financial information of the associate is as follows:

	Place of registration	Nature of business	Registered capital
Chengdu Gongtong Assets Management Co., Ltd.	Chengdu	Asset management	518,700
		2011-12-31	Jan-Dec 2011
		Total assets	Total liabilities
		Operating income	Net profit(Note)
Chengdu Gongtong Assets Management Co., Ltd.		2,490,750	1,077,630
		135,647	163,277
		2010-12-31	Jan-Dec 2010
		Total assets	Total liabilities
		Operating income	Net profit(Note)
Chengdu Gongtong Assets Management Co., Ltd.		1,385,767	467,642
		114,434	115,053

Note: The amount represents the net profit attributable to the parent company on the face of the consolidated income statement of the associate.

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IV. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Investment properties

	<u>2011-12-31</u>	<u>2010-12-31</u> (Restated)
At cost:		
Balance at beginning of the year	332,410	345,041
Transfer in/(out) from fixed assets during the year, net	13,343	(12,631)
Acquisition of a subsidiary	57,658	-
Balance at end of the year	<u>403,411</u>	<u>332,410</u>
Accumulated depreciation:		
Balance at beginning of the year	117,839	108,506
Accrual of the year	10,578	13,433
Acquisition of a subsidiary	5,977	-
Transfer in/(out) from fixed assets during the year, net	6,226	(4,100)
Balance at end of the year	<u>140,620</u>	<u>117,839</u>
Book value:		
Balance at end of the year	<u>262,791</u>	<u>214,571</u>
Balance at beginning of the year	<u>214,571</u>	<u>236,535</u>

As at 31 December 2011, included in the investment properties was an amount of RMB8,780 thousand (31 December 2010: RMB6,722 thousand) that did not have the corresponding registration certificates of property rights.

The gross rental income earned from the investment properties during the year amounted to RMB42,718 thousand (Jan-Dec 2010: RMB42,732 thousand). The total direct operating expense (including repairs and maintenance expenses) for the investment properties, with or without rental income generated during the year, was RMB2,778 thousand (Jan-Dec 2010: RMB2,479 thousand).

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15. Fixed assets

	Properties and buildings	Transportation vehicles	Offices facilities and computers	Total
<u>2011</u>				
At cost:				
Balance at beginning of the year	2,660,437	83,552	1,569,187	4,313,176
Additions	20,127	9,772	356,208	386,107
Transfer from construction in progress	217,843	-	42,122	259,965
Acquisition of a subsidiary	680,800	13,579	796,957	1,491,336
Subtraction	(23,397)	(7,500)	(150,125)	(181,022)
Balance at end of the year	3,555,810	99,403	2,614,349	6,269,562
Accumulated depreciation:				
Balance at beginning of the year	918,488	47,030	949,076	1,914,594
Additions	136,939	12,050	308,032	457,021
Acquisition of a subsidiary	120,585	4,997	408,436	534,018
Subtraction	(11,530)	(7,260)	(147,835)	(166,625)
Balance at end of the year	1,164,482	56,817	1,517,709	2,739,008
Less: Impairment provision (Note IV.20)	(6,289)			(6,289)
Net book value:				
31-Dec-2011	2,385,039	42,586	1,096,640	3,524,265
31-Dec-2010	1,735,660	36,522	620,111	2,392,293
	Properties and buildings	Transportation vehicles	Offices facilities and Computers	Total
<u>2010 (Restated)</u>				
At cost:				
Balance at beginning of the year	1,916,083	84,150	1,348,970	3,349,203
Additions	41,165	13,291	240,115	294,571
Transfer from construction in progress	723,590	-	50,018	773,608
Subtraction	(20,401)	(13,889)	(69,916)	(104,206)
Balance at end of the year	2,660,437	83,552	1,569,187	4,313,176
Accumulated depreciation:				
Balance at beginning of the year	818,503	51,403	804,535	1,674,441
Additions	101,641	8,618	211,054	321,313
Subtraction	(1,656)	(12,991)	(66,513)	(81,160)
Balance at end of the year	918,488	47,030	949,076	1,914,594
Less: Impairment provision (Note IV.20)	(6,289)			(6,289)
Net book value:				
31-Dec-2010	1,735,660	36,522	620,111	2,392,293
31-Dec-2009	1,091,291	32,747	544,435	1,668,473

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IV. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Fixed assets (continued)

As at 31 December 2011, the original cost and net book value of properties and buildings amounting to RMB370,566 thousand (31 December 2010: RMB330,810 thousand) and RMB295,212 thousand (31 December 2010: RMB281,104 thousand) respectively, are in use by the Group without having the registration certificates of property rights.

16. Intangible assets

<u>2011</u>	<u>Core deposits (Note)</u>	<u>Software</u>	<u>Others</u>	<u>Total</u>
Cost/valuation:				
At 1 January 2011	-	312,231	375	312,606
Addition	-	210,233	1,000	211,233
Acquisition of a subsidiary	5,756,685	390,556	-	6,147,241
Subtraction	-	(389)	-	(389)
At 31 December 2011	<u>5,756,685</u>	<u>912,631</u>	<u>1,375</u>	<u>6,670,691</u>
Amortisation:				
At 1 January 2011	-	120,833	193	121,026
Amortisation during the year	143,917	142,862	111	286,890
Acquisition of a subsidiary	-	273,271	-	273,271
Subtraction	-	(227)	-	(227)
At 31 December 2011	<u>143,917</u>	<u>536,739</u>	<u>304</u>	<u>680,960</u>
Net book value:				
As at 31 December 2011	<u>5,612,768</u>	<u>375,892</u>	<u>1,071</u>	<u>5,989,731</u>
As at 1 January 2011	<u>-</u>	<u>191,398</u>	<u>182</u>	<u>191,580</u>
<u>2010</u>	<u>Core deposits</u>	<u>Software</u>	<u>Others</u>	<u>Total</u>
Cost/valuation:				
At 1 January 2010	-	224,981	375	225,356
Addition	-	117,421	-	117,421
Subtraction	-	(30,171)	-	(30,171)
At 31 December 2010	<u>-</u>	<u>312,231</u>	<u>375</u>	<u>312,606</u>
Amortisation:				
At 1 January 2010	-	68,375	193	68,568
Amortisation during the year	-	52,458	-	52,458
At 31 December 2010	<u>-</u>	<u>120,833</u>	<u>193</u>	<u>121,026</u>
Net book value:				
As at 31 December 2010	<u>-</u>	<u>191,398</u>	<u>182</u>	<u>191,580</u>
As at 1 January 2010	<u>-</u>	<u>156,606</u>	<u>182</u>	<u>156,788</u>

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IV. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Intangible assets (continued)

Note: Core deposits are accounts that a financial institution expects to maintain for an extended period of time due to ongoing business relationships. The intangible asset value associated with core deposits reflects the use of the deposits at a lower cost alternative source of funding.

17. Goodwill

2011

	Balance at beginning of the year	Additions	Subtraction	Balance at end of the year	Impairment provision
Ping An Bank	-	7,568,304	-	7,568,304	-

Ping An Bank was acquired by the Group in July, 2011 and goodwill acquired from this business combination amounted to RMB7,568,304 thousand with calculation set out in Note III. 2.

Goodwill acquired from the business combination has been allocated to eastern district, southern district, western district, northern district, credit card center and Ping An Bank cash-generating units for impairment test.

The recoverable amounts of cash-generating units were determined based on the present value of the expected future cash flows of the cash-generating units. The future expected cash flows were determined based on the basis of the expected cash flows from the 5 years budget plan as approved by management. The cash flows beyond the 5 years period were extrapolated based on the growth rate of the long-term average growth rates arose within the operating geographic locations and industries of the cash-generating units. The pre-tax discounted rate used to discount the cash flows reflected the specific risk associated with the cash-generating units.

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18. Deferred tax assets/liabilities

2011

	Balance at beginning of the year	Acquisition of a subsidiary	Recognised in profit or loss (Note IV.46)	Recognised in other comprehensive income (Note IV.48)	Balance at end of the year
<u>Deferred tax assets</u>					
Impairment provision	1,517,492	51,920	414,521	-	1,983,933
Salaries and bonuses	352,216	82,392	294,500	-	729,108
Changes in fair values of available-for-sale financial assets	42,565	-	-	(42,565)	-
Others	42,295	74,477	59,949	-	176,721
Subtotal	1,954,568	208,789	768,970	(42,565)	2,889,762
<u>Deferred tax liabilities</u>					
Changes in fair values of financial instruments at fair value through profit or loss and derivative financial instruments	(15,425)	-	(7,278)	-	(22,703)
Changes in fair values of available-for-sale financial assets	-	-	-	(64,480)	(64,480)
Fair value assessment of the subsidiary	-	(1,244,858)	(19,021)	-	(1,263,879)
Subtotal	(15,425)	(1,244,858)	(26,299)	(64,480)	(1,351,062)
Net amount	1,939,143	(1,036,069)	742,671	(107,045)	1,538,700

2010 (Restated)

	Balance at beginning of the year	Recognised in profit or loss (Note IV.46)	Recognised in other comprehensive income (Note IV.48)	Balance at end of the year
<u>Deferred tax assets</u>				
Impairment provision	1,492,006	25,486	-	1,517,492
Salaries and bonuses	67,522	284,694	-	352,216
Changes in fair values of available-for-sale financial assets	-	-	42,565	42,565
Others	23,406	18,889	-	42,295
Subtotal	1,582,934	329,069	42,565	1,954,568
<u>Deferred tax liabilities</u>				
Changes in fair values of financial instruments at fair value through profit or loss and derivative financial instruments	(18,680)	3,255	-	(15,425)
Changes in fair values of available-for-sale financial assets	(6,106)	-	6,106	-
Subtotal	(24,786)	3,255	6,106	(15,425)
Net amount	1,558,148	332,324	48,671	1,939,143

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IV. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Other assets

(a) Analyzed by nature

	2011-12-31	2010-12-31
Prepayments (Note IV.19b)	1,041,015	137,907
Prepaid legal expenses (Note IV.19c)	66,865	64,045
Reposessed assets (Note IV.19d)	602,474	630,116
Construction in progress (Note IV.19e)	161,240	194,586
Receivable of bills due from other banks	4,904	3,796
Receivable of deferred consumption payments	515,757	336,457
Long term deferred expenses (Note IV.19f)	647,072	489,385
Others (Note IV.19g)	348,865	158,120
Total other assets	<u>3,388,192</u>	<u>2,014,412</u>
Less: Impairment provision:		
Prepaid legal expenses (Note IV.19c)	(55,467)	(56,080)
Reposessed assets (Note IV.19d)	(247,668)	(258,185)
Others (Note IV.19g)	(108,013)	(103,314)
Total impairment provision	<u>(411,148)</u>	<u>(417,579)</u>
Other assets, net	<u>2,977,044</u>	<u>1,596,833</u>

(b) Aging analysis of prepayments

	2011-12-31		2010-12-31	
	Amount	Percentage	Amount	Percentage
Less than 1 year	986,190	94.73%	88,661	64.29%
1 to 2 years	8,433	0.81%	11,657	8.45%
2 to 3 years	11,207	1.08%	14,672	10.64%
Over 3 years	35,185	3.38%	22,917	16.62%
Total	<u>1,041,015</u>	<u>100.00%</u>	<u>137,907</u>	<u>100.00%</u>

As at 31 December 2011 and 31 December 2010, the Group has not made any provision for prepayments.

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19. Other assets (continued)

(c) Prepaid legal expenses

	2011-12-31				2010-12-31			
	Carrying amount		Impairment provision		Carrying amount		Impairment provision	
	Amount	Percentage	Amount	Coverage	Amount	Percentage	Amount	Coverage
Individual assessment	61,086	91.36%	(52,236)	85.51%	59,237	92.49%	(52,343)	88.36%
Collective assessment:								
Aging less than 1 year	3,385	5.06%	(877)	25.91%	2,269	3.55%	(1,256)	55.35%
Aging between 1 and 2 years	889	1.33%	(849)	95.50%	1,271	1.98%	(1,213)	95.44%
Aging between 2 and 3 years	679	1.01%	(679)	100.00%	438	0.68%	(438)	100.00%
Aging over 3 years	826	1.24%	(826)	100.00%	830	1.30%	(830)	100.00%
Subtotal	5,779	8.64%	(3,231)	55.91%	4,808	7.51%	(3,737)	77.72%
Total	66,865	100.00%	(55,467)	82.95%	64,045	100.00%	(56,080)	87.56%

(d) Repossessed assets

	2011-12-31	2010-12-31
Land, properties and buildings	566,835	590,375
Others	35,639	39,741
Total	602,474	630,116
Less: Provision for decline in value (Note IV.20)	(247,668)	(258,185)
Reposessed assets, net	354,806	371,931

During the year, the Group took possession of collateral held as security with a carrying amount of RMB177,227 thousand (2010: RMB120,858 thousand). The collateral mainly comprises buildings. During the year, the Group disposed of reposessed assets with their gross carrying value amounting to RMB267,724 thousand (2010: RMB518,866 thousand). The Group plans to dispose of the reposessed assets through auctions, bidding or transfers in the future.

(e) Construction in progress

	2011-12-31	2010-12-31
Balance at beginning of the year	194,586	673,587
Acquisition of a subsidiary	117,734	-
Additions during the year	261,571	437,470
Transfer to fixed assets	(259,965)	(773,608)
Transfer to intangible assets	(58,996)	(19,292)
Transfer to long term deferred expenses	(93,690)	(123,571)
Balance at end of the year	161,240	194,586

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19. Other assets (continued)

(e) Construction in progress

Movements in key projects of construction in progress during the year are as follows:

2011

Project name	Budget amount	Balance at beginning of the year	Additions	Transfer out to fixed assets	Balance at end of the year	Percentage of budget incurred	Progress of project
Bank premises of Jinan Branch	210,000	175,330	24,721	(200,051)	-	95%	100%

2010

Project name	Budget amount	Balance at beginning of the year	Additions	Transfer out to fixed assets	Balance at end of the year	Percentage of budget incurred	Progress of project
Bank premises of Jinan Branch	210,000	-	175,330	-	175,330	83%	75%
Property development project for Information Technology Building of SDB	217,095	176,788	32,676	(209,464)	-	96%	100%
Bank premises of Tianjin Branch	268,548	197,504	48,587	(246,091)	-	92%	100%
Bank premises of Nanjing Branch (Hetai Building)	253,444	233,798	11,016	(244,814)	-	97%	100%

Note: All proceeds for construction in progress are self-funded.

(f) Long term deferred expenses

	2011-12-31	2010-12-31
Balance at beginning of the year	489,385	429,279
Acquisition of a subsidiary	181,592	-
Additions during the year	146,634	183,091
Amortisation during the year	(165,949)	(117,783)
Others	(4,590)	(5,202)
Balance at end of the year	647,072	489,385

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19. Other assets (continued)

(g) Others

	2011-12-31				2010-12-31			
	Carrying amount		Impairment provision		Carrying amount		Impairment provision	
	Amount	Percentage	Amount	Coverage	Amount	Percentage	Amount	Coverage
Individual assessment	173,628	49.77%	(91,371)	52.62%	117,179	74.11%	(95,144)	81.20%
Collective assessment:								
Aging less than 1 year	165,886	47.55%	(8,545)	5.15%	26,098	16.51%	(1,091)	4.18%
Aging between 1 and 2 years	3,466	0.99%	(3,354)	96.77%	6,031	3.81%	(208)	3.45%
Aging between 2 and 3 years	-	-	-	-	510	0.32%	(472)	92.55%
Aging over 3 years	5,885	1.69%	(4,743)	80.59%	8,302	5.25%	(6,399)	77.08%
Subtotal	175,237	50.23%	(16,642)	9.50%	40,941	25.89%	(8,170)	19.96%
Total	348,865	100.00%	(108,013)	30.96%	158,120	100.00%	(103,314)	65.34%

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IV. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Impairment losses on assets

Jan-Dec 2011	Note IV	Balance at beginning of the year	Acquisition of a subsidiary	Charge/ (reversal) for the year (Note IV.45)	Amounts written off	Recovery of assets written off previously	Amounts released upon disposal of assets	Interest accrued on impaired loans and advances	Other movements	Balance at end of the year
Impairment provision for placements of deposits with other financial institutions	2	30,695	-	10,282	-	-	-	-	(64)	40,913
Impairment provision for funds loaned to other financial institutions	3	29,330	-	409	(4,773)	-	-	-	(708)	24,258
Impairment provision for reverse repurchase agreements	6	35,000	-	-	-	-	-	-	-	35,000
Impairment provision for loans and advances	9.6	6,425,060	1,314,957	2,135,661	(236,157)	1,013,123	-	(77,791)	(8,372)	10,566,481
Impairment provision for available-for-sale financial assets	10	-	103,571	-	(63,009)	-	-	-	(2,732)	37,830
Impairment provision for held-to-maturity investments	11	-	-	4,801	-	-	-	-	-	4,801
Impairment provision for long term equity investments	13	135,918	-	(3,061)	-	-	-	-	-	132,857
Provision for decline in value of repossessed assets	19d	258,185	45,505	6,431	-	-	(62,453)	-	-	247,668
Impairment provision for fixed assets	15	6,289	-	-	-	-	-	-	-	6,289
Impairment provision for other assets	19c&q	159,394	9,583	(5,949)	(433)	1,839	-	-	(954)	163,480
Total		7,079,871	1,473,616	2,148,574	(304,372)	1,014,962	(62,453)	(77,791)	(12,830)	11,259,577

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20. Impairment losses on assets (continued)

<u>2010</u>	<u>Note IV</u>	<u>Balance at beginning of the year</u>	<u>Charge/ (reversal) for the year</u> (Note IV.45)	<u>Amounts written off</u>	<u>Recovery of assets written off previously</u>	<u>Amounts released upon disposal of assets</u>	<u>Interest accrued on impaired loans and advances</u>	<u>Other movements</u>	<u>Balance at end of the year</u>
Provision for decline in value of precious metals		78	59	-	-	(137)	-	-	-
Impairment provision for placements of deposits with other financial institutions	2	40,695	-	(10,000)	-	-	-	-	30,695
Impairment provision for funds loaned to other financial institutions	3	29,979	(41)	-	-	-	-	(608)	29,330
Impairment provision for reverse repurchase agreements	6	35,000	-	-	-	-	-	-	35,000
Impairment provision for loans and advances	9.6	3,954,868	1,474,463	(213,199)	1,284,552	-	(68,905)	(6,719)	6,425,060
Impairment provision for long term equity investments	13	135,918	-	-	-	-	-	-	135,918
Provision for decline in value of repossessed assets	19d	360,961	15,426	-	-	(118,202)	-	-	258,185
Impairment provision for fixed assets	15	6,289	-	-	-	-	-	-	6,289
Impairment provision for other assets	19c&g	154,408	(1,791)	(117)	5,243	-	-	1,651	159,394
Total		4,718,196	1,488,116	(223,316)	1,289,795	(118,339)	(68,905)	(5,676)	7,079,871

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IV. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. Placements of deposits from other financial institutions

	<u>2011-12-31</u>	<u>2010-12-31</u>
Domestic banks	78,380,040	59,298,912
Domestic non-bank financial institutions	77,007,971	23,071,148
Overseas banks	21,766	-
Total	<u>155,409,777</u>	<u>82,370,060</u>

22. Funds borrowed from other financial institutions

	<u>2011-12-31</u>	<u>2010-12-31</u>
Domestic banks	25,159,349	6,200,174
Domestic non-bank financial institutions	120,000	-
Total	<u>25,279,349</u>	<u>6,200,174</u>

23. Repurchase agreements

	<u>2011-12-31</u>	<u>2010-12-31</u>
(a) Analysed by collateral		
Securities	39,197,371	6,144,600
Bills	-	8,944,072
Loans	-	2,500,000
Total	<u>39,197,371</u>	<u>17,588,672</u>
(b) Analysed by counterparty		
Banks	37,529,171	16,854,072
Non-bank financial institutions	1,668,200	734,600
Total	<u>39,197,371</u>	<u>17,588,672</u>

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IV. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. Customer deposits

	<u>2011-12-31</u>	<u>2010-12-31</u>
Current deposits:		
Corporate customers	204,743,627	142,599,994
Personal customers	69,075,202	33,028,210
Subtotal	<u>273,818,829</u>	<u>175,628,204</u>
Fixed deposits:		
Corporate customers	276,087,203	177,004,192
Personal customers	70,410,312	47,816,086
Subtotal	<u>346,497,515</u>	<u>224,820,278</u>
Guarantee deposits	205,702,638	143,372,603
Fiscal deposits	16,029,463	16,399,646
Time deposits from PBOC	5,800,000	470,000
Inward and outward remittances	<u>2,996,702</u>	<u>2,221,611</u>
Total	<u>850,845,147</u>	<u>562,912,342</u>

25. Employee benefits payable

	Balance at beginning of the year	Acquisition of a subsidiary	Increase during the year	Payment made during the year	Balance at end of the year (Note 2)
<u>2011</u>					
Salaries, bonuses, allowances and subsidies	1,547,270	350,135	5,156,562	(4,019,518)	3,034,449
including: Deferred bonus accrual (Note 1)	68,817	-	69,303	(26,610)	111,510
Social insurance, supplementary pension contributions and staff welfare	327,028	79,670	964,558	(845,629)	525,627
Housing funds	-	-	255,643	(255,643)	-
Labour union and training expenses	4,305	40,272	143,002	(147,310)	40,269
Others	-	-	19,165	(19,165)	-
Total	<u>1,878,603</u>	<u>470,077</u>	<u>6,538,930</u>	<u>(5,287,265)</u>	<u>3,600,345</u>

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25. Employee benefits payable (continued)

	Balance at beginning of the year	Increase during the year	Payment made during the year	Balance at end of the year(Note 2)
<u>2010</u>				
Salaries, bonuses, allowances and subsidies	1,419,343	3,070,266	(2,942,339)	1,547,270
including: Deferred bonus accrual (Note 1)	159,602	8,625	(99,410)	68,817
Social insurance, supplementary pension contributions and staff welfare	262,385	590,526	(525,883)	327,028
Housing funds	-	162,078	(162,078)	-
Labour union and training expenses	-	96,193	(91,888)	4,305
Others	-	25,446	(25,446)	-
Total	1,681,728	3,944,509	(3,747,634)	1,878,603

Note 1: The amount of deferred bonus is determined based on the indicators of profitability, the share price and the capital adequacy ratio of the Company as well as the share prices of certain other domestic listed banks; and will be settled in cash in accordance with the terms of the arrangement.

Note 2: As at 31 December 2011, included in the outstanding balances of employee benefits payable was an approximate amount of RMB3 billion (31 December 2010: RMB1.5 billion) that is expected to be settled in 12 months.

26. Tax payable

	<u>2011-12-31</u>	<u>2010-12-31</u>
Corporate income tax	1,431,004	656,410
Business tax and surcharges	959,725	432,825
Others	145,085	35,886
Total	2,535,814	1,125,121

27. Accounts payable

	<u>2011-12-31</u>	<u>2010-12-31</u>
Payables with respect to making payments on behalf of customers	69,478,001	4,532,860
Payables under factoring	968,108	85,064
Payables under discounted bills	114,625	502,894
Total	70,560,734	5,120,818

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IV. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. Interest payable

	Balance at beginning of the year	Acquisition of a subsidiary	Increase during the year	Payment made during the year	Balance at end of the year
<u>2011</u>					
Interest payable for deposits from customers and financial institutions	3,566,797	1,913,652	24,304,042	(20,479,904)	9,304,587
Interest payable for bonds	<u>353,276</u>	<u>772</u>	<u>817,811</u>	<u>(562,785)</u>	<u>609,074</u>
Total	<u>3,920,073</u>	<u>1,914,424</u>	<u>25,121,853</u>	<u>(21,042,689)</u>	<u>9,913,661</u>
	Balance at beginning of the year		Increase during the year	Payment made during the year	Balance at end of the year
<u>2010</u>					
Interest payable for deposits from customers and financial institutions	2,329,195	9,566,189	(8,328,587)	3,566,797	
Interest payable for bonds	<u>352,967</u>	<u>549,171</u>	<u>(548,862)</u>	<u>353,276</u>	
Total	<u>2,682,162</u>	<u>10,115,360</u>	<u>(8,877,449)</u>	<u>3,920,073</u>	

29. Bonds payable

	<u>2011-12-31</u>	<u>2010-12-31</u>
Subordinated bonds (Note 1)	10,942,684	7,978,650
Hybrid capital debt instrument (Note 2)	<u>5,111,802</u>	<u>1,490,838</u>
Total	<u>16,054,486</u>	<u>9,469,488</u>

During the years 2011 and 2010, the Group did not have any defaults of principal, interest or other breaches with respect to the subordinated bonds and the hybrid capital debt instrument.

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IV. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. Bonds payable (continued)

Note 1: As approved by the PBOC and the CBRC, the Company issued three sets of subordinated bonds with a total amount of RMB8 billion in the inter-bank bond market on 21 March 2008 and 28 October 2008. These subordinated bonds comprise two sets of fixed-rate bonds with notional values of RMB6 billion and RMB1.5 billion respectively; and one set of floating-rate bonds with a notional value of RMB0.5 billion. The term of the bonds is of 10 years with a call option at the end of the fifth year. The coupon rates for the first five years are 6.10% and 5.30% for the two sets of fixed-rate bonds; and 3-month SHIBOR+1.40% for the floating-rate bonds. If the Company does not exercise the call option at the end of the fifth year, both the fixed and floating coupon rates will increase by 3%.

Upon the approval of the PBOC and the CBRC, Ping An Bank issued subordinated debts of RMB3 billion through open market bidding during the period from 26 June 2009 to 29 June 2009. The debts are unsecured and have a maturity period of 10 years. Among which, RMB1.15 billion are fixed interest rate debts bearing interest at a rate of 4.4% per annum in the first five years and 7.4% in the remaining years; RMB1.85 billion are floating interest rate debts bearing interest at a rate of one year time deposit interest rate plus 165BP per annum in the first five years and one year time deposit interest rate plus 465BP per annum in the remaining years. Ping An Bank has the option to redeem the subordinated debts at the end of the first five years.

Note 2: As approved by the PBOC and CBRC, the Company issued a fixed-rate hybrid capital debt instrument amounting to RMB1.5 billion in the inter-bank market on 26 May 2009. The debt instrument has 15 years to maturity. The Company has the option to redeem the debt instrument at face value on 26 May 2019. The coupon rate for the first ten years is 5.70%. If the Company does not exercise this option, the coupon rate will increase by 3% thereafter

On 29 April 2011, as approved by the PBOC and the CBRC, the Company issued another fixed-rate hybrid capital debt instrument amounting to RMB3.65 billion in the inter-bank market. The debt instrument has 15 years to maturity with an annual interest rate of 7.5%. The Company has the option to redeem the debt instrument at face value on 29 April 2021.

30. Provisions

	2011-12-31	2010-12-31
Balance at beginning of the year	3,047	3,358
Acquisition of a subsidiary	89,592	-
Charge for the year	29,278	1,469
Amounts paid or released	(9,671)	(1,780)
Balance at end of the year	<u>112,246</u>	<u>3,047</u>

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31. Other liabilities

	2011-12-31	2010-12-31
Amounts pending for settlement and clearing	4,194,274	77,157
Financial guarantee contracts	109,829	69,007
Amounts payable for bond redemption as intermediaries	28,435	36,139
Accrued expenses	372,636	98,230
Inactive deposit account balances	110,075	34,573
Dividends payable (Note)	12,991	11,260
Advanced receipts of rentals and proceeds from disposal of repossessed assets	2,496	11,713
Others	1,242,338	518,159
Total	6,073,074	856,238

Note: As at 31 December 2011, the above-mentioned balance of dividends payable has been outstanding for more than one year as the related shareholders have not collected the dividends.

32. Share capital

As at 31 December 2011, the number of the Company's ordinary shares issued and fully paid was 5,123,350 thousand, with a price of RMB1 Yuan each. The nature and the structure of the share capital are as follows:

	2010-12-31	Percentage	Movement in the year	2011-12-31	Percentage
I. Restricted tradable shares:					
Domestic non-state-owned corporation shares	379,636	10.89%	1,638,336	2,017,972	39.39%
Domestic individual shares	19	0.00%	-	19	0.00%
Total restricted tradable shares	379,655	10.89%	1,638,336	2,017,991	39.39%
II. Unrestricted tradable shares:					
RMB ordinary shares	3,105,359	89.11%	-	3,105,359	60.61%
III. Total shares	3,485,014	100.00%	1,638,336	5,123,350	100.00%

In 2011, the Bank completed the issuance of 1,638,336,654 A shares to Ping An Group for exchange of 90.75% of Ping An Bank's shares and RMB2,690,052 thousand of cash, of which amounts of RMB1,638,336,654 was recorded in share capital and RMB27,753,423 thousand was recorded in share premium, respectively.

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32. Share capital (continued)

The above mentioned paid-up capital has been verified by Ernst & Young Hua Ming in the issued capital verification reports (Ernst & Young Hua Ming [2011] Yanzi No.60438538_H01).

33. Capital reserve

	<u>2011-12-31</u>	<u>2010-12-31</u> (Restated)
Share premium	41,254,541	13,501,118
Cumulative changes in fair value of available-for-sale financial assets	204,151	(132,761)
Share of the changes in owners' equity of an associate	<u>79,054</u>	<u>(26,946)</u>
Total	<u>41,537,746</u>	<u>13,341,411</u>

34. Surplus reserve

In accordance with the Company Law, the Company is required to appropriate 10% of its profit after tax to its statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, if any, and may also be converted into capital, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital. The Company may also appropriate its profit after tax to the discretionary surplus reserve upon approval of the shareholders in general meetings.

As at 31 December 2011 and 31 December 2010, the amount of the surplus reserve represented the statutory surplus reserve.

35. General reserve

Pursuant to the relevant regulations issued by the MOF, the Company is required to maintain a general reserve within equity, through the appropriation of net profit, which should not be less than 1% of the year end balance of its risk assets.

36. Unappropriated profit

Pursuant to a board resolution on 8 March 2012, based on the audited profit for the year as reported in the statutory financial statements for the year ended 31 December 2011, the Company appropriated RMB918,120 thousand to the statutory surplus reserve based on 10% of the net profit and RMB1,977,121 thousand to the general reserve for the year of 2011. The above proposed appropriations are pending for approval from shareholders at the forthcoming annual general meeting.

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36. Unappropriated profit (continued)

Pursuant to a board resolution on 24 February 2011, based on the audited profit for the year as reported in the statutory financial statements for the year ended 31 December 2010, the Company appropriated RMB628,382 thousand to the statutory surplus reserve based on 10% of the net profit and RMB1,301,506 thousand to the general reserve for the year of 2010. The above proposed appropriations were approved at the shareholders' meeting of the Company on 25 May 2011.

37. Net interest income

	<u>Jan-Dec 2011</u>	<u>Jan-Dec 2010</u>
Interest income:		
Due from the Central Bank	1,668,547	856,418
Due from financial institutions	8,133,710	2,781,239
Of which: Rediscounted bills and reverse repurchase agreements collateralised by bills	6,253,797	2,345,347
Loans and advances		
Corporate loans and advances	22,401,574	13,169,394
Individual loans and advances	9,696,386	5,737,924
Discounted bills	634,797	316,995
Interest income on investment securities (excluding financial assets at fair value through profit or loss)	6,249,138	3,175,925
Others	3,481,564	199,377
Subtotal	<u>52,265,716</u>	<u>26,237,272</u>
Interest income on financial assets at fair value through profit or loss	<u>64,981</u>	<u>14,518</u>
Total	<u>52,330,697</u>	<u>26,251,790</u>
Including: Interest income accrued on impaired financial assets	<u>77,791</u>	<u>68,905</u>
Interest expense:		
Due to the Central Bank	44,145	19,476
Due to financial institutions	9,331,858	2,109,560
Of which: Rediscounted bills and repurchase agreements collateralised by bills	849,697	153,535
Customer deposits	15,202,648	7,681,732
Bonds payable	836,642	555,945
Others	1,625,630	55,885
Subtotal	<u>27,040,923</u>	<u>10,422,598</u>
Total	<u>27,040,923</u>	<u>10,422,598</u>
Net interest income	<u>25,289,774</u>	<u>15,829,192</u>

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38. Net fee and commission income

	<u>Jan-Dec 2011</u>	<u>Jan-Dec 2010</u>
Fee and commission income:		
Settlement fee income	840,060	501,072
Wealth management products related fee income	284,226	55,948
Agency business fee income	565,460	169,092
Bank card fee income	1,171,866	621,272
Advisory and consulting fee income	611,076	276,997
Account management fee income	189,941	47,705
Others	466,971	164,290
Subtotal	<u>4,129,600</u>	<u>1,836,376</u>
Fee and commission expenses:		
Agency business fee expenses	103,011	65,244
Bank card fee	306,787	157,470
Others	55,133	28,520
Subtotal	<u>464,931</u>	<u>251,234</u>
Net fee and commission income	<u>3,664,669</u>	<u>1,585,142</u>

39. Investment income

	<u>Jan-Dec 2011</u>	<u>Jan-Dec 2010</u>
Net gain/(loss) on financial assets at fair value through profit or loss	(20,904)	2,429
Net loss on disposal of available-for-sale bond investments	(108,543)	(6,306)
Net gain on disposal of held-to-maturity bond investments (Note)	46	-
Net gain on disposal of available-for-sale equity investments	-	15,680
Net gain/(loss) on disposal of long term equity investments	1,569	(7,252)
Share of profits of associates under equity method of accounting	45,000	60,824
Dividend income	3,483	5,094
Net realised gain on derivative financial instruments (excluding foreign exchange derivative financial instruments)	4,638	4,468
Gain on disposal of bills	358,386	144,771
Net gain on disposal of debt instruments being underwritten	938	8,389
Gain on disposal of loans	140	428
Total	<u>284,753</u>	<u>228,525</u>

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39. Investment income (continued)

Note: All the held-to-maturity bonds sold during the year were within three months of maturity dates.

40. Gains or (losses) from changes in fair values of financial instruments

	<u>Jan-Dec 2011</u>	<u>Jan-Dec 2010</u>
Financial instruments held for trading	14,424	665
Derivative financial instruments (excluding foreign exchange derivative financial instruments)	<u>(8,419)</u>	<u>(19,736)</u>
Total	<u>6,005</u>	<u>(19,071)</u>

41. Net foreign exchange difference

	<u>Jan-Dec 2011</u>	<u>Jan-Dec 2010</u>
Gain from changes in fair values of foreign exchange derivative financial instruments	15,133	1,209
Others	<u>249,844</u>	<u>212,712</u>
Total	<u>264,977</u>	<u>213,921</u>

42. Other operating income

	<u>Jan-Dec 2011</u>	<u>Jan-Dec 2010</u> (Restated)
Rental income	77,281	73,214
Others	<u>55,602</u>	<u>60,850</u>
Total	<u>132,883</u>	<u>134,064</u>

43. Business tax and surcharge

	<u>Jan-Dec 2011</u>	<u>Jan-Dec 2010</u>
Business tax	2,220,788	1,200,493
City maintenance and construction tax	155,455	71,529
Education surcharge	110,378	46,081
Others	<u>19,723</u>	<u>6,492</u>
Total	<u>2,506,344</u>	<u>1,324,595</u>

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44. Business and administrative expenses

	<u>Jan-Dec 2011</u>	<u>Jan-Dec 2010</u> (Restated)
Staff expenses:		
Salaries, bonuses, allowances and subsidies	5,156,562	3,070,266
Social insurance, supplementary pension contributions and staff welfare	964,558	590,526
Housing funds	255,643	162,078
Labor union and training expenses	143,002	96,193
Others	19,165	25,446
Subtotal	<u>6,538,930</u>	<u>3,944,509</u>
Depreciation, amortisation and rental expenses:		
Depreciation of fixed assets	457,021	321,313
Amortisation of leasehold improvements	154,477	105,348
Amortisation of intangible assets	286,890	52,458
Rental expenses	857,480	606,711
Subtotal	<u>1,755,868</u>	<u>1,085,830</u>
General business and administrative expenses	<u>3,560,644</u>	<u>2,328,775</u>
Total	<u>11,855,442</u>	<u>7,359,114</u>

45. Impairment losses on assets

	<u>Jan-Dec 2011</u>	<u>Jan-Dec 2010</u>
Charge/(reversal) of impairment losses on:		
Precious metals	-	59
Placements of deposits with other financial institutions	10,282	-
Funds loaned to other financial institutions	409	(41)
Loans and advances	2,135,661	1,474,463
Held-to-maturity investments	4,801	-
Long term equity investments	(3,061)	-
Reposessed assets	6,431	15,426
Other assets	(5,949)	(1,791)
Total	<u>2,148,574</u>	<u>1,488,116</u>

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IV. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

46. Income tax expense

	<u>Jan-Dec 2011</u>	<u>Jan-Dec 2010</u> (Restated)
Current tax:		
Charge for the year	3,696,062	1,826,190
Adjustments in respect of current income tax for prior years	<u>(86,393)</u>	<u>208,011</u>
Subtotal	<u>3,609,669</u>	<u>2,034,201</u>
Deferred income tax (Note IV.18)	<u>(742,671)</u>	<u>(332,324)</u>
Total	<u>2,866,998</u>	<u>1,701,877</u>

The reconciliation of income tax expense applicable to profit before tax at the statutory tax rate to income tax expense at the Group's effective income tax rate is as follows:

	<u>Jan-Dec 2011</u>	<u>Jan-Dec 2010</u> (Restated)
Profit before tax	<u>13,257,489</u>	<u>7,948,414</u>
Income tax at the statutory rate of 25%	3,314,372	1,987,104
Effects of 24% tax rate (2010: 22%) applicable to the regions of Shenzhen, Zhuhai and Haikou	(81,751)	(173,323)
Adjustments in respect of current income tax for prior years (Note)	(75,198)	11,390
Non-taxable income	(184,576)	(126,081)
Non-deductible expenses and other adjustments	<u>(105,849)</u>	<u>2,787</u>
Income tax expense	<u>2,866,998</u>	<u>1,701,877</u>

Note: The adjustments in respect of current income tax for prior years have excluded the tax effect of temporary differences.

47. Earnings per share

The Group's basic earnings per share amount is calculated as follows:

	<u>Jan-Dec 2011</u>	<u>Jan-Dec 2010</u> (Restated)
Net profit attributable to ordinary shareholders of the parent company	10,278,631	6,246,537
Weighted average number of ordinary shares outstanding (in thousands)	4,167,654	3,295,224
Basic earnings per share (Renminbi Yuan)	<u>2.47</u>	<u>1.90</u>

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IV. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

47. Earnings per share (continued)

The Group had no potentially dilutive ordinary shares in issue during the year.

There have been no transactions involving ordinary shares or potential ordinary shares between the balance sheet date and the date the financial statements are authorized for issue.

48. Other comprehensive income

	<u>Jan-Dec 2011</u>	<u>Jan-Dec 2010</u> (Restated)
(i) Net gain or loss on available-for-sale financial assets	322,149	(217,692)
Less: income tax effect	(77,251)	52,470
Net gain or loss previously recognised in other comprehensive income transferred to profit or loss during the period	129,458	15,761
Less: income tax effect	(29,794)	(3,799)
Subtotal	<u>344,562</u>	<u>(153,260)</u>
(ii) Share of the changes in owners' equity of an associate	106,000	(9,219)
Less: income tax effect	-	-
Subtotal	<u>106,000</u>	<u>(9,219)</u>
Total	<u>450,562</u>	<u>(162,479)</u>

49. Cash and cash equivalents

	<u>2011-12-31</u>	<u>2010-12-31</u>
Cash on hand	2,235,565	836,549
Cash equivalents:		
Within three months before original maturity date		
- Placements of deposits with other financial institutions	29,565,419	3,495,736
- Funds loaned to other financial institutions	6,829,499	5,375,004
- Reverse repurchase agreements	7,856,992	45,343,000
Unrestricted balance with the Central Bank	21,335,563	12,798,567
Bond investments (with maturity of less than three months when acquired)	83,329	298,952
Subtotal	<u>65,670,802</u>	<u>67,311,259</u>
Total	<u>67,906,367</u>	<u>68,147,808</u>

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IV. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

50. Cash receipts relating to other operating activities

	<u>Jan-Dec 2011</u>	<u>Jan-Dec 2010</u>
Collections of amounts already written off	972,821	1,289,795
Cash receipts from disposal of repossessed assets	332,417	400,664
Financial instruments held for trading	-	1,135,206
Derivative financial instruments	4,217	-
Others	3,024,921	543,422
Total	<u>4,334,376</u>	<u>3,369,087</u>

51. Cash payments relating to other operating activities

	<u>Jan-Dec 2011</u>	<u>Jan-Dec 2010</u>
Financial instruments held for trading	2,376,170	-
Derivative financial instruments	-	5,678
Administrative expenses such as marketing and public relation expenses, rental expenses and others	3,705,782	3,441,128
Total	<u>6,081,952</u>	<u>3,446,806</u>

V. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS

1. Cash on hand and due from the Central Bank

	<u>2011-12-31</u>	<u>2010-12-31</u>
Cash on hand	1,320,700	836,549
Statutory reserve with the Central Bank - RMB	101,420,520	61,766,745
Statutory reserve with the Central Bank - foreign currency	581,906	809,165
Unrestricted balance with the Central Bank	16,436,531	12,798,567
Other deposits with the Central Bank - fiscal deposits	186,237	375,832
Total	<u>119,945,894</u>	<u>76,586,858</u>

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V. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (continued)

2. Placements of deposits with other financial institutions

Analysed by location and counterparty

	2011-12-31	2010-12-31
Domestic banks	12,351,164	7,119,595
Other domestic financial institutions	61,559	45,280
Overseas banks	2,972,206	1,389,549
Subtotal	15,384,929	8,554,424
Less: Impairment provision	(38,596)	(30,695)
Total	15,346,333	8,523,729

As at 31 December 2011, included in this total amount of placements of deposits with other financial institutions was an amount of RMB31,520 thousand (31 December 2010: RMB31,520 thousand) of impaired assets.

3. Funds loaned to other financial institutions

Analysed by location and counterparty

	2011-12-31	2010-12-31
Domestic banks	2,007,330	1,580,636
Other domestic financial institutions	1,373,997	2,782,626
Overseas banks	2,660,022	4,142,056
Subtotal	6,041,349	8,505,318
Less: Impairment provision	(24,258)	(29,330)
Total	6,017,091	8,475,988

As at 31 December 2011, included in this total amount of loans funded to other financial institutions was an amount of RMB26,997 thousand (31 December 2010: RMB32,626 thousand) of impaired assets.

4. Financial assets at fair value through profit or loss

	2011-12-31	2010-12-31
Bond investments analysed by issuer		
Government	102,038	-
The Central Bank	187,197	-
Policy banks	1,965,852	-
Corporations	257,573	-
Total	2,512,660	-

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V. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (continued)

4. Financial assets at fair value through profit or loss (continued)

As at 31 December 2011, included in the bond investments was an amount of RMB334,414 thousand (31 December 2010: Nil) that had been pledged for repurchase agreements.

5. Derivative financial instruments

At each balance sheet date, the Company had positions in the following types of derivatives:

	Notional amounts with remaining lives of				Fair value	
	Up to 3 months	3 months to 1 year	1 to 5 years	Total	Assets	Liabilities
2011-12-31						
Foreign exchange derivative instruments:						
Forward foreign exchange contracts	52,240,025	54,570,011	755,184	107,565,220	647,666	(575,395)
Interest rate derivative instruments:						
Interest rate swap contracts	100,000	4,890,000	7,460,000	12,450,000	139,073	(140,077)
Total	52,340,025	59,460,011	8,215,184	120,015,220	786,739	(715,472)
	Notional amounts with remaining lives of				Fair value	
	Up to 3 months	3 months to 1 year	1 to 5 years	Total	Assets	Liabilities
2010-12-31						
Foreign exchange derivative instruments:						
Forward foreign exchange contracts	23,821,327	23,318,315	395,376	47,535,018	343,972	(291,069)
Interest rate derivative instruments:						
Interest rate swap contracts	-	100,000	2,200,000	2,300,000	27,762	(20,736)
Total	23,821,327	23,418,315	2,595,376	49,835,018	371,734	(311,805)

As at 31 December 2011 and 31 December 2010, no derivatives were designated as hedging instruments.

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V. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (continued)

6. Reverse repurchase agreements

(a) Analysed by counterparty

	<u>2011-12-31</u>	<u>2010-12-31</u>
Banks	25,343,507	97,525,239
Non-bank financial institutions	<u>3,608,423</u>	<u>773,194</u>
Subtotal	28,951,930	98,298,433
Less: Impairment provision	<u>(35,000)</u>	<u>(35,000)</u>
Total	<u>28,916,930</u>	<u>98,263,433</u>

As at 31 December 2011, included in this total amount of reverse repurchase agreements was an amount of RMB47,076 thousand (31 December 2010: RMB50,000 thousand) of impaired assets.

(b) Analysed by collateral

	<u>2011-12-31</u>	<u>2010-12-31</u>
Securities	343,046	250,000
Bills	27,462,721	97,525,239
Receivables under finance leases	<u>1,146,163</u>	<u>523,194</u>
Subtotal	28,951,930	98,298,433
Less: Impairment provision	<u>(35,000)</u>	<u>(35,000)</u>
Total	<u>28,916,930</u>	<u>98,263,433</u>

(c) Fair value of collateral

Under certain reverse repurchase agreements, the Company has held collateral that is permitted to be sold or re-pledged in the absence of default by the owners of the collateral. At the balance sheet date, the fair values of the collateral held on such terms are as follows:

	<u>2011-12-31</u>		<u>2010-12-31</u>	
	Amount of reverse repurchase agreements	Fair value of collateral	Amount of reverse repurchase agreements	Fair value of collateral
Bills	<u>25,730,474</u>	<u>25,730,474</u>	<u>59,788,125</u>	<u>59,788,125</u>

As at 31 December 2011, included in the above fair value of collateral were bills of RMB400,007 thousand (31 December 2010: RMB9,830,370 thousand) that had been re-pledged and the Company had an obligation to return such collateral.

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V. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (continued)

7. Accounts receivable

	<u>2011-12-31</u>	<u>2010-12-31</u>
Receivables with respect to making payments on behalf of customers	70,849,204	7,388,795
Receivables under factoring	7,732,938	3,960,733
Receivables with respect to making payments on behalf of other banks	87,814,895	1,874,992
Others	<u>223,083</u>	<u>502,895</u>
Total	<u>166,620,120</u>	<u>13,727,415</u>

8. Interest receivable

	Balance at beginning of the year	Increase during the year	Collection during the year	Balance at end of the year
<u>Jan-Dec 2011</u>				
Interest receivable on bond investments and wealth management products	1,230,980	6,759,049	(6,127,401)	1,862,628
Interest receivable on loans and amounts due from other financial institutions	<u>890,507</u>	<u>31,888,685</u>	<u>(29,077,848)</u>	<u>3,701,344</u>
Total	<u>2,121,487</u>	<u>38,647,734</u>	<u>(35,205,249)</u>	<u>5,563,972</u>
	Balance at beginning of the year	Increase during the year	Collection during the year	Balance at end of the year
<u>Jan-Dec 2010</u>				
Interest receivable on bond investments and wealth management products	915,769	3,769,768	(3,454,557)	1,230,980
Interest receivable on loans and amounts due from other financial institutions	<u>709,931</u>	<u>19,484,018</u>	<u>(19,303,442)</u>	<u>890,507</u>
Total	<u>1,625,700</u>	<u>23,253,786</u>	<u>(22,757,999)</u>	<u>2,121,487</u>

As at 31 December 2011, included in the interest receivable was an amount of RMB38,857 thousand (31 December 2010: RMB12,334 thousand) that is past due. Such interest receivable is related to interest income on loans and is aged within 90 days.

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V. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (continued)

9. Loans and advances

9.1 Analysed by corporation and individual

	<u>2011-12-31</u>	<u>2010-12-31</u>
Loans and advances to corporations:		
Loans	314,183,151	268,653,156
Discounted bills	<u>16,712,346</u>	<u>18,646,560</u>
Subtotal	<u>330,895,497</u>	<u>287,299,716</u>
Loans and advances to individuals:		
Credit cards	9,617,165	6,340,541
Property mortgages	113,319,175	102,372,046
Others	<u>16,070,083</u>	<u>11,378,832</u>
Subtotal	<u>139,006,423</u>	<u>120,091,419</u>
Total loans and advances	469,901,920	407,391,135
Less: Loan impairment provision (Note V.9.6)	<u>(8,918,960)</u>	<u>(6,425,060)</u>
Loans and advances, net	<u>460,982,960</u>	<u>400,966,075</u>

As at 31 December 2011, there were RMB446,013 thousand of discounted bills (31 December 2010: RMB1,305,932 thousand) that had been pledged for amounts due to the Central Bank.

As at 31 December 2011, there were no loans (31 December 2010: RMB2,572,000 thousand) that had been pledged for repurchase agreements.

In addition, as at 31 December 2011, the Company transferred out (without recourse) discounted bills amounting to RMB21.5 billion (31 December 2010: RMB86 billion) that had not yet matured at year end.

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V. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (continued)

9. Loans and advances (continued)

9.2 Analysed by industry

	2011-12-31	2010-12-31
Agriculture, husbandry and fisheries	1,092,348	829,002
Extraction (Heavy industry)	5,753,741	4,206,075
Manufacturing (Light industry)	107,970,759	83,680,778
Energy	10,862,344	12,574,110
Transportation, storage and communication	18,946,616	20,287,842
Commercial	89,162,245	55,195,669
Real estate	22,933,798	22,527,322
Service, technology, culture and sanitary industries	34,972,585	48,328,221
Construction	18,742,235	18,277,064
Discounted bills	16,712,346	18,646,560
Loans and advances to individuals	139,006,423	120,091,419
Others	3,746,480	2,747,073
Total loans and advances	469,901,920	407,391,135
Less: Loan impairment provision (Note V.9.6)	(8,918,960)	(6,425,060)
Loans and advances, net	460,982,960	400,966,075

9.3 Analysed by type of collateral held or other credit enhancements

	2011-12-31	2010-12-31
Unsecured	69,725,177	73,941,051
Guaranteed	97,272,997	84,903,049
Secured by collateral	286,191,400	229,900,475
Of which: secured by mortgages	220,904,866	185,885,620
secured by monetary assets	65,286,534	44,014,855
Subtotal	453,189,574	388,744,575
Discounted bills	16,712,346	18,646,560
Total loans and advances	469,901,920	407,391,135
Less: Loan impairment provision (Note V.9.6)	(8,918,960)	(6,425,060)
Loans and advances, net	460,982,960	400,966,075

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V. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (continued)

9. Loans and advances (continued)

9.4 Aging analysis of past due loans

	2011-12-31				Total
	Overdue by 1 to 90 days, inclusive	Overdue by 90 days to 1 year, inclusive	Overdue by 1 to 3 years, inclusive	Overdue by more than 3 years	
Unsecured	534,045	61,492	19,195	105,160	719,892
Guaranteed	271,909	59,760	199,701	79,325	610,695
Secured by collateral	3,850,642	691,204	484,874	525,185	5,551,905
Of which:					
secured by mortgages	3,594,429	668,796	475,096	349,070	5,087,391
secured by monetary assets	256,213	22,408	9,778	176,115	464,514
Total	<u>4,656,596</u>	<u>812,456</u>	<u>703,770</u>	<u>709,670</u>	<u>6,882,492</u>
	2010-12-31				Total
	Overdue by 1 to 90 days, inclusive	Overdue by 90 days to 1 year, inclusive	Overdue by 1 to 3 years, inclusive	Overdue by more than 3 years	
Unsecured	314,087	108,749	222,741	-	645,577
Guaranteed	27,293	21,014	164,275	29,976	242,558
Secured by collateral	1,905,022	503,554	629,462	290,808	3,328,846
Of which:					
secured by mortgages	1,709,025	405,765	345,595	290,808	2,751,193
secured by monetary assets	195,997	97,789	283,867	-	577,653
Total	<u>2,246,402</u>	<u>633,317</u>	<u>1,016,478</u>	<u>320,784</u>	<u>4,216,981</u>

9.5 Analysed by geographical region

	2011-12-31	2010-12-31
Eastern China	166,309,428	149,627,501
Southern China	126,410,296	108,264,687
Western China	47,852,179	42,081,244
Northern China	110,994,884	97,820,853
Head office	18,335,133	9,596,850
Total loans and advances	<u>469,901,920</u>	<u>407,391,135</u>
Less: Loan impairment provision (Note V.9.6)	<u>(8,918,960)</u>	<u>(6,425,060)</u>
Loans and advances, net	<u>460,982,960</u>	<u>400,966,075</u>

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V. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (continued)

9. Loans and advances (continued)

9.6 Movements in impairment provision for loans and advances

	Jan-Dec 2011			Jan-Dec 2010		
	Individual	Collective	Total	Individual	Collective	Total
Balance at beginning of the year	1,126,471	5,298,589	6,425,060	994,935	2,959,933	3,954,868
Charge/(reversal) for the year	(559,690)	2,368,068	1,808,378	(928,082)	2,402,545	1,474,463
Amounts written off	(22,438)	(213,719)	(236,157)	(12,111)	(201,088)	(213,199)
Recovery of loans written off previously	834,323	168,222	1,002,545	1,147,353	137,199	1,284,552
Interest accrued on impaired loans and advances	(75,050)	-	(75,050)	(68,905)	-	(68,905)
Other changes for the year	(5,816)	-	(5,816)	(6,719)	-	(6,719)
Balance at end of the year	<u>1,297,800</u>	<u>7,621,160</u>	<u>8,918,960</u>	<u>1,126,471</u>	<u>5,298,589</u>	<u>6,425,060</u>

10. Available-for-sale financial assets

	<u>2011-12-31</u>	<u>2010-12-31</u>
Bond investments analysed by issuer:		
Governments	5,250,392	5,740,082
The Central Bank	684,203	2,027,138
Policy banks	40,069,688	22,526,040
Other banks and non-bank financial institutions	1,002,414	677,160
Corporations	1,260,243	530,928
Total bond investments	<u>48,266,940</u>	<u>31,501,348</u>
Equity investments	<u>25,806</u>	<u>32,835</u>
Total	<u>48,292,746</u>	<u>31,534,183</u>

As at 31 December 2011, included in the bond investments was an amount of RMB7,662,987 thousand (31 December 2010: Nil) that had been pledged for repurchase agreements.

As at 31 December 2011, there were no restricted tradable available-for-sale financial assets (31 December 2010: RMB2,715 thousand).

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V. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (continued)

11. Held-to-maturity investments

	<u>2011-12-31</u>	<u>2010-12-31</u>
Bond investments analysed by issuer:		
Governments	14,887,314	15,040,553
The Central Bank	7,677,764	6,969,813
Policy banks	50,859,703	28,613,269
Other banks and non-bank financial institutions	2,234,083	2,739,149
Corporations	7,986,268	8,017,053
Subtotal	<u>83,645,132</u>	<u>61,379,837</u>
Less: Impairment provision	<u>(4,801)</u>	<u>-</u>
Total	<u>83,640,331</u>	<u>61,379,837</u>

As at 31 December 2011, included in the bond investments was an amount of RMB6,969,737 thousand (31 December 2010: RMB598,218 thousand) that had been pledged for agreements of time deposit from the PBOC.

As at 31 December 2011, included in the bond investments was an amount of RMB20,193,209 thousand (31 December 2010: RMB6,177,996 thousand) that had been pledged for repurchase agreements.

12. Long term equity investments

<u>Name of investee</u>	<u>2011-12-31</u>	<u>2010-12-31</u>
Cost method:		
Ping An Bank	26,701,707	-
Other investments	85,359	85,359
Subtotal	<u>26,787,066</u>	<u>85,359</u>
Equity method:		
Associates		
Chengdu Gongtong Assets Management Co., Ltd.	429,115	293,054
Shandong Xinkaiyuan Real Estate Co., Ltd.	-	25,977
Subtotal	<u>429,115</u>	<u>319,031</u>
Total	<u>27,216,181</u>	<u>404,390</u>

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V. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (continued)

13. Placements of deposits from other financial institutions

	<u>2011-12-31</u>	<u>2010-12-31</u>
Domestic banks	61,867,983	59,298,912
Domestic non-bank financial institutions	63,419,269	23,071,148
Overseas banks	21,766	-
Total	<u>125,309,018</u>	<u>82,370,060</u>

14. Funds borrowed from other financial institutions

	<u>2011-12-31</u>	<u>2010-12-31</u>
Domestic banks	24,350,000	6,200,174
Domestic non-bank financial institutions	120,000	-
Total	<u>24,470,000</u>	<u>6,200,174</u>

15. Repurchase agreements

	<u>2011-12-31</u>	<u>2010-12-31</u>
(a) Analysed by collateral		
Securities	27,707,200	6,144,600
Bills	-	8,944,072
Loans	-	2,500,000
Total	<u>27,707,200</u>	<u>17,588,672</u>
(b) Analysed by counterparty		
Banks	26,039,000	16,854,072
Non-bank financial institutions	1,668,200	734,600
Total	<u>27,707,200</u>	<u>17,588,672</u>

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V. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (continued)

16. Customer deposits

	<u>2011-12-31</u>	<u>2010-12-31</u>
Current deposits:		
Corporate customers	142,752,179	142,599,994
Personal customers	48,849,316	33,028,210
Subtotal	<u>191,601,495</u>	<u>175,628,204</u>
Fixed deposits:		
Corporate customers	193,295,010	177,004,192
Personal customers	59,805,873	47,816,086
Subtotal	<u>253,100,883</u>	<u>224,820,278</u>
Guarantee deposits	172,202,794	143,372,603
Fiscal deposits	15,963,261	16,399,646
Time deposits from the PBOC	5,800,000	470,000
Inward and outward remittances	<u>1,916,679</u>	<u>2,221,611</u>
Total	<u><u>640,585,112</u></u>	<u><u>562,912,342</u></u>

17. Accounts payable

	<u>2011-12-31</u>	<u>2010-12-31</u>
Payables with respect to making payments on behalf of customers	66,201,009	4,532,860
Payables under factoring	942,418	85,064
Payables under discounted bills	<u>114,625</u>	<u>502,894</u>
Total	<u><u>67,258,052</u></u>	<u><u>5,120,818</u></u>

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V. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (continued)

18. Net interest income

	<u>Jan-Dec 2011</u>	<u>Jan-Dec 2010</u>
Interest income:		
Due from the Central Bank	1,378,420	856,418
Due from financial institutions	7,076,668	2,781,239
Of which: Rediscounted bills and reverse repurchase agreements collateralised by bills	5,899,485	2,345,347
Loans and advances:		
Corporate loans and advances	18,957,266	13,169,394
Individual loans and advances	8,064,168	5,737,924
Discounted bills	525,743	316,995
Interest income on investment securities (excluding financial assets at fair value through profit or loss)	5,016,159	3,175,925
Others	3,419,773	199,377
Subtotal	<u>44,438,197</u>	<u>26,237,272</u>
Interest income on financial assets at fair value through profit or loss	<u>63,837</u>	<u>14,518</u>
Total	<u>44,502,034</u>	<u>26,251,790</u>
Including: Interest income accrued on impaired financial assets	<u>75,050</u>	<u>68,905</u>
Interest expense:		
Due to the Central Bank	37,589	19,476
Due to financial institutions	7,830,808	2,109,560
Of which: Rediscounted bills and repurchase agreements collateralised by bills	225,782	153,535
Customer deposits	12,783,470	7,681,732
Bonds payable	756,661	555,945
Others	1,565,420	55,885
Subtotal	<u>22,973,948</u>	<u>10,422,598</u>
Total	<u>22,973,948</u>	<u>10,422,598</u>
Net interest income	<u><u>21,528,086</u></u>	<u><u>15,829,192</u></u>

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V. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (continued)

19. Net fee and commission income

	<u>Jan-Dec 2011</u>	<u>Jan-Dec 2010</u>
Fee and commission income:		
Settlement fee income	758,033	501,072
Wealth management products related fee income	189,286	55,948
Agency business fee income	385,836	169,092
Bank card fee income	729,691	621,272
Advisory and consulting fee income	570,383	276,997
Account management fee income	44,374	47,705
Others	406,233	164,290
Subtotal	<u>3,083,836</u>	<u>1,836,376</u>
Fee and commission expenses:		
Agency business fee expenses	103,000	65,244
Bank card fee	216,875	157,470
Others	33,064	28,520
Subtotal	<u>352,939</u>	<u>251,234</u>
Net fee and commission income	<u>2,730,897</u>	<u>1,585,142</u>

20. Investment income

	<u>Jan-Dec 2011</u>	<u>Jan-Dec 2010</u>
Net gain on disposal of financial assets designated as at fair value through profit or loss	(19,313)	2,429
Net gain/(loss) on disposal of available-for-sale bond investments	(111,678)	(6,306)
Net loss on disposal of held-to-maturity bond investments	46	-
Net gain on disposal of available-for-sale equity investments	-	15,680
Net gain/(loss) on disposal of long term equity investments	1,569	(7,252)
Share of profits of associates under equity method of accounting	45,000	60,824
Dividend income	3,077	5,094
Net realised gain on derivative financial instruments (excluding foreign exchange derivative financial instruments)	4,217	4,468
Gain on disposal of bills	358,386	144,771
Net gain on disposal of debt instruments being underwritten	938	8,389
Gain on disposal of loans	<u>140</u>	<u>428</u>
Total	<u>282,382</u>	<u>228,525</u>

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V. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (continued)

21. Business and administrative expenses

	<u>Jan-Dec 2011</u>	<u>Jan-Dec 2010</u> (Restated)
Staff expenses:		
Salaries, bonuses, allowances and subsidies	4,338,240	3,070,266
Social insurance, supplementary pension contributions and staff welfare	839,774	590,526
Housing funds	215,395	162,078
Labor union and training expenses	114,082	96,193
Others	19,164	25,446
Subtotal	<u>5,526,655</u>	<u>3,944,509</u>
Depreciation, amortisation and rental expenses:		
Depreciation of fixed assets	365,048	321,313
Amortisation of leasehold improvements	120,472	105,348
Amortisation of intangible assets	71,900	52,458
Rental expenses	680,634	606,711
Subtotal	<u>1,238,054</u>	<u>1,085,830</u>
General business and administrative expenses	<u>2,634,234</u>	<u>2,328,775</u>
Total	<u>9,398,943</u>	<u>7,359,114</u>

22. Impairment losses on assets

	<u>Jan-Dec 2011</u>	<u>Jan-Dec 2010</u>
Charge/(reversal) of impairment losses on:		
Precious metals	-	59
Placements of deposits with other financial institutions	7,913	-
Funds loaned to other financial institutions	409	(41)
Loans and advances	1,808,378	1,474,463
Held-to-maturity investments	4,801	-
Long term equity investments	(3,061)	-
Reposessed assets	6,431	15,426
Other assets	(14,175)	(1,791)
Total	<u>1,810,696</u>	<u>1,488,116</u>

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VI. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into operating segments based on the internal organisation structure, management requirements and internal reporting. The Group's reportable segments are as follows:

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations and government agencies. The products and services include corporate loans, deposit-taking activities, trade financing, corporate wealth management services and various types of corporate intermediary services.

Retail banking

The personal banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans, deposit-taking activities, bank card business, personal wealth management services and various types of personal intermediary services.

Interbank business

The interbank business segment covers interbank and money market activities conducted by the branches and the Treasury Trading Centre of the Group. This segment mainly aims to earn profits through funding activities from the interbank markets.

Other

This category consists of participation in bond investments and partially money market activities conducted by the head office of the Group for the purpose of liquidity management. It also includes central management of non-performing assets, equity investments as well as assets, liabilities, income and expenses that are not directly attributable to individual segments.

Subsidiary

Ping An Bank is a subsidiary in which the Company holds 90.75% of its shares. That company is presented as a separate operating segment in segment reporting as it is an independent legal entity which undertakes independent financial accounting function.

Management monitors the operating results of its business units separately for the purpose of making decisions about resources allocations and performance assessment. Segment assets and liabilities, and segment revenues and profit are calculated according to the accounting policies of the Group. Income taxes are managed on a company basis and are not allocated to operating segments. Interest income is reported net since the majority of the segments' revenues are from interest. Management primarily relies on net interest revenue, not the gross revenue and expense amounts.

Transactions between segments mainly represent transfer of funding to or from individual operating segments. These transactions are conducted on terms determined with reference to the market funding cost for different maturity dates and have been reflected in the performance of each segment. Net interest income and expense arising on internal charges are referred to as "internal net interest income/expense". Such transfer prices between operating segments are internally eliminated when the operating results of individual segments are aggregated. Furthermore, interest income and expense relating to third parties are referred to as "external net interest income/expense" and the aggregate amount of the external net interest income/expense of the operating segments is the same as the net interest income in the income statement.

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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VI. OPERATING SEGMENT INFORMATION (continued)

The Group has implemented full internal transfer pricing strategy since the year 2011. The transfer prices among segments are calculated based on the maturity date of each transaction within a single account (contract) instead of the net balances between internal placements and borrowings for the purpose of asset and liability structure enhancement, appropriate product pricing and comprehensive performance assessment.

	Corporate banking	Retail banking	Interbank business	Other	Subsidiary	Offset	Total
<u>Jan-Dec 2011</u>							
Net interest income	16,581,861	4,325,064	2,325,294	(1,704,133)	3,761,688	-	25,289,774
Of which: External net interest income	11,174,467	5,886,075	2,334,443	2,133,101	3,761,688	-	25,289,774
Internal net interest income/(expense)	5,407,394	(1,561,011)	(9,149)	(3,837,234)	-	-	-
Net non-interest income (Note 1)	2,100,979	731,090	534,270	28,742	969,766	(11,560)	4,353,287
Of which: Share of profits of associates	-	-	-	45,000	-	-	45,000
Operating income	18,682,840	5,056,154	2,859,564	(1,675,391)	4,731,454	(11,560)	29,643,061
Operating costs (Note 2)	(6,837,520)	(4,188,773)	(444,536)	(71,968)	(2,830,549)	11,560	(14,361,786)
Of which: Depreciation, amortisation and rental expenses	(637,654)	(558,782)	(36,925)	(4,695)	(517,812)	-	(1,755,868)
Impairment losses on assets	(2,069,038)	(319,680)	(8,323)	586,345	(337,878)	-	(2,148,574)
Net non-operating income	-	356	-	126,189	(1,757)	-	124,788
Segment profit	9,776,282	548,057	2,406,705	(1,034,825)	1,561,270	-	13,257,489
Income tax expense							(2,866,998)
Profit for the year							10,390,491
Net profit attributed to parent company							10,278,631
<u>2011-12-31</u>							
Total assets	392,860,933	139,103,955	172,757,543	283,078,044	289,581,586	(19,205,117)	1,258,176,944
Total liabilities	547,392,412	111,367,674	134,737,214	122,164,820	267,205,955	(71,715)	1,182,796,360

Note 1: Included net fee and commission income, investment income, gains or losses from changes in fair values of financial instruments, net foreign exchange differences and other operating income.

Note 2: Included business tax and surcharge, and general and administrative expenses.

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VI. OPERATING SEGMENT INFORMATION (continued)

	Corporate banking	Retail banking	Interbank business	Other	Total
<u>Jan-Dec 2010 (Restated)</u>					
Net interest income	11,286,387	3,073,976	851,714	617,115	15,829,192
Of which: External net interest income	8,892,566	4,210,848	1,383,606	1,342,172	15,829,192
Internal net interest income/(expense)	2,393,821	(1,136,872)	(531,892)	(725,057)	-
Net non-interest income (Note 1)	1,033,453	628,089	318,037	163,002	2,142,581
Of which: Share of profits of associates	-	-	-	60,824	60,824
Operating income	12,319,840	3,702,065	1,169,751	780,117	17,971,773
Operating costs (Note 2)	(4,696,211)	(3,235,357)	(297,095)	(455,046)	(8,683,709)
Of which: Depreciation, amortisation and rental expenses	(553,993)	(503,671)	(26,566)	(1,600)	(1,085,830)
Impairment losses on assets	(1,733,175)	(415,961)	41	660,979	(1,488,116)
Net non-operating income	-	-	-	148,466	148,466
Segment profit	5,890,454	50,747	872,697	1,134,516	7,948,414
Income tax expense					(1,701,877)
Profit for the year					6,246,537
Net profit attributed to parent company					6,246,537
<u>2010-12-31</u>					
Total assets	317,025,565	124,822,955	145,663,438	139,695,118	727,207,076
Total liabilities	426,988,680	84,844,019	108,384,626	73,792,216	694,009,541

Note 1: Included net fee and commission income, investment income, gains or losses from changes in fair values of financial instruments, net foreign exchange differences and other operating income.

Note 2: Included business tax and surcharge, and general and administrative expenses.

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VI. OPERATING SEGMENT INFORMATION (continued)

Geographical information

The Group's external operating income and non-current assets are mainly attributable to Mainland China based on the locations of the customers and assets respectively for the years 2011 and 2010. Non-current assets for this purpose consist of investment properties, fixed assets, construction in progress, repossessed assets and intangible assets.

Information about a major customer

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in the years 2011 and 2010.

VII. COMMITMENTS AND CONTINGENT LIABILITIES

1. Capital commitments

	<u>2011-12-31</u>	<u>2010-12-31</u>
Authorised, but not contracted for	3,939	22,122
Contracted, but not provided for	<u>35,793</u>	<u>21,193</u>
Total	<u>39,732</u>	<u>43,315</u>

2. Operating lease commitments

The Group has entered into commercial leases on certain premises and equipment. At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases were as follows:

	<u>2011-12-31</u>	<u>2010-12-31</u>
Within one year, inclusive	875,609	472,328
One to two years, inclusive	695,309	408,917
Two to three years, inclusive	559,249	356,260
More than three years	<u>1,764,395</u>	<u>1,161,237</u>
Total	<u>3,894,562</u>	<u>2,398,742</u>

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VII. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

3. Credit commitments

	<u>2011-12-31</u>	<u>2010-12-31</u>
Financial guarantee contracts:		
Bank acceptances	296,781,896	246,614,478
Guarantees issued	25,172,388	3,823,915
Letters of credit issued	6,017,002	2,926,267
Subtotal	<u>327,971,286</u>	<u>253,364,660</u>
Unused limit of credit cards and undrawn irrevocable loan commitments	<u>42,457,943</u>	<u>9,863,018</u>
Total	<u>370,429,229</u>	<u>263,227,678</u>
Credit risk weighted amounts of credit commitments	<u>156,050,794</u>	<u>95,401,720</u>

Financial guarantee contracts commit the Group to make payments on behalf of customers upon the failure of the customers to perform the terms of the contracts.

Apart from the irrevocable loan commitments, the Group had loan commitments of RMB954 billion at 31 December 2011 which are unconditionally cancellable by the Group or automatically cancellable due to deterioration in the creditworthiness of the borrower as stipulated in the respective loan agreements. The total contract amounts do not necessarily represent future cash requirements.

4. Fiduciary transactions

	<u>2011-12-31</u>	<u>2010-12-31</u>
Entrusted deposits	20,665,182	11,144,128
Entrusted loans	<u>20,665,182</u>	<u>11,144,128</u>
Entrusted funding	33,182,428	16,256,304
Entrusted investments	<u>33,182,428</u>	<u>16,256,304</u>

Entrusted deposits represent funds that depositors have instructed the Group to use to make loans to third parties as designated by them. The credit risk remains with the depositors.

Entrusted funding and entrusted investments represent the investment and asset management services provided by the Group to third parties in accordance with the agreed investment plans. The third parties provide funding for the related investments. Income from such investment activities is collected on behalf of and paid to the third parties according to the relevant contractual terms.

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VII. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

5. Contingent liabilities

5.1 Legal proceedings

As at 31 December 2011, the total claimed amount of the litigation cases of which the Group is the defendant was RMB383 million (31 December 2010: RMB241 million). These litigation cases are under legal proceedings. In the opinion of management, the Group has made adequate allowance for any probable losses based on the prevailing facts and circumstances.

Apart from the above pending litigation cases, the respective liquidators of DeHeng Securities Co., Ltd. and the China Southern Securities Co., Ltd. had requested the Group to repay a total amount of RMB430 million. The Group had opposed all such repayment requests. At the year end, based on the legal opinion from an independent third-party lawyer, the Group had no immediate obligation to repay the monies.

5.2 Redemption and underwriting commitments of voucher-type government bonds and savings bonds (electronic)

As an underwriting agent of the MOF, the Group underwrites PRC voucher-type government bonds and savings bonds (electronic) and sells the bonds to the general public. The Group is obliged to redeem the bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the notional value of the bonds plus any interest accrued up to the redemption date. As at 31 December 2011, the Group has sold voucher-type government bonds and savings bonds (electronic) with accumulated amounts of RMB2,558,355 thousand (31 December 2010: RMB3,146,088 thousand) and RMB766,947 thousand (31 December 2010: RMB183,313 thousand) respectively, to the general public that the Company has the obligation of early redemption.

The MOF will not provide funding for the early redemption of these government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

As at 31 December 2011 and 31 December 2010, there was no unexpired underwriting commitment of the government bonds.

VIII. CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to ensure that the Group complies with regulatory capital requirements, to maximise shareholders' value and to support the continuous growth in business. The Group regularly reviews its capital structure and makes adjustments to it through asset and liability management, so as to maintain the overall balance of the capital structure and maximisation of capital return. The required information of capital adequacy is filed with the CBRC by the Group on a quarterly basis.

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VIII. CAPITAL MANAGEMENT (continued)

The risk-weighted assets are measured according to the nature of individual assets and counterparty, reflecting an estimate of related credit, market and other risks after taking into account of any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposures, with adjustments made to reflect the contingent nature of any potential losses.

The Group calculated and reported the core capital adequacy ratio and capital adequacy ratio in accordance with the "Regulation Governing Capital Adequacy Ratio of Commercial Banks" promulgated by the CBRC and other related regulations.

The core capital includes share capital, capital reserve, surplus reserve, general reserve and unappropriated profit. The supplementary capital includes revaluation surplus, long term subordinated bonds, hybrid capital debt instrument and other supplementary capital.

	2011-12-31	2010-12-31
Net core capital	67,243,978	32,918,920
Supplementary capital	24,663,844	14,662,482
Net capital	91,491,101	47,271,941
Risk-weighted assets and market risk capital adjustment	794,701,556	463,690,570
Core capital adequacy ratio	8.46%	7.10%
Capital adequacy ratio	11.51%	10.19%

IX. RISK DISCLOSURE

1. Credit risk

Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. The Group's credit risk mainly arises from the loans and advances to customers, financial guarantees and loan commitments.

The Group has established a Credit Portfolio Management Committee, which approves and determines the Group's credit risk management strategies, credit risk preferences as well as its various credit risk management policies and standards. The Group has also formulated guidelines on corporate and retail credit policies across the Group and for specific industries. Furthermore, the Group has implemented a strategic customer categorisation management system, and set up a customer entry and exit mechanism to facilitate the sustainable development of its credit underwriting business.

The Group implements a credit risk officer system, in which the Chief Credit Officer at the Head Office appoints credit officers to various business lines and branches. The credit officers directly report to the Chief Credit Officer, who is responsible for evaluating the performance of the credit officers and establishing an independent and transparent vertical credit risk management system.

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IX. RISK DISCLOSURE (continued)

1. Credit risk (continued)

The Group has formulated a complete set of operational procedures for credit approval and management. These procedures are being enforced across the Group. Credit management procedures for its corporate and retail loans comprise the processes of credit origination, credit review, credit approval, disbursement, post-disbursement monitoring and collection. In addition, the Group has formulated the “Policies of Credit Underwriting”, which have defined the functions and responsibilities of different credit operational processes, and have enhanced the monitoring of the related compliance for improving the overall effective control of credit risk.

The Group has strengthened its early warning monitoring system for the credit business with measures applicable to the portfolio level and to individual customers, resulting in early detection and effective management of credit risks.

The Group sub-divides credit asset risks into 10 categories based on the five-tier loan classification system promulgated by the CBRC, namely, Pass One, Pass Two, Pass Three, Pass Four, Pass Five, Special Mention One, Special Mention Two, Substandard, Doubtful and Loss. Furthermore, a separate “Write-off” category has been added to the classification system. The Group applies different management policies to the loans in accordance with their respective loan categories.

Risks arising from financial guarantees and loan commitments are similar to those associated with loans and advances. Transactions of financial guarantees and loan commitments are, therefore, subject to the same portfolio management and the same requirements for application and collateral as loans and advances to customers.

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IX. RISK DISCLOSURE (continued)

1. Credit risk (continued)

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

	<u>2011-12-31</u>	<u>2010-12-31</u>
Due from the Central Bank	158,399,671	75,750,309
Placements of deposits with other financial institutions	39,884,342	8,523,729
Funds loaned to other financial institutions	8,446,567	8,475,988
Financial assets at fair value through profit or loss	2,607,902	-
Derivative financial assets	810,577	371,734
Reverse repurchase agreements	34,303,887	98,263,433
Loans and advances	610,075,336	400,966,075
Available-for-sale financial assets (excluding equity investments)	78,357,720	31,501,348
Held-to-maturity investments	107,683,080	61,379,837
Receivables	13,732,100	18,502,100
Other assets	<u>178,632,785</u>	<u>16,250,073</u>
Total	<u>1,232,933,967</u>	<u>719,984,626</u>
Credit commitments	<u>370,429,229</u>	<u>263,227,678</u>
Maximum exposure to credit risk	<u>1,603,363,196</u>	<u>983,212,304</u>

Risk concentration of the maximum exposure to credit risk

Credit risk is often greater when counterparties are concentrated in a single industry or geographic location or have comparable economic characteristics.

The majority of the loans and financial guarantee contracts of the Group are related to the local customers within Mainland China. However, different areas in Mainland China have their own unique characteristics in terms of economic development. Therefore, each area in Mainland China could present different credit risks.

Please refer to Note IV.9 for an analysis of concentration of loans and advances by industry and geographical region.

Collateral and other credit enhancements

The amount and type of collateral required are determined by the Group based on its assessment of the credit risk of the counterparty. The Group has implemented guidelines regarding the acceptability of types of collateral and valuation parameters.

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IX. RISK DISCLOSURE (continued)

1. Credit risk (continued)

Collateral and other credit enhancements (continued)

The main types of collateral obtained are as follows:

- ▶ For reverse repurchase transactions, mainly bills, loans or securities
- ▶ For commercial lending, mainly charges over real estate properties, inventories, shares or trade receivables
- ▶ For retail lending, mainly mortgages over residential properties.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the provision for impairment losses.

Credit quality

The credit quality by class of financial assets (gross amount before deducting any impairment provision) of the Group is analysed as follows:

<u>2011-12-31</u>	<u>Neither past due nor impaired</u>	<u>Past due but not impaired</u>	<u>Impaired (Note)</u>	<u>Total</u>
Placements of deposits with other financial institutions	39,893,735	-	31,520	39,925,255
Funds loaned to other financial institutions	8,443,828	-	26,997	8,470,825
Financial assets at fair value through profit or loss	2,607,902	-	-	2,607,902
Reverse repurchase agreements	34,291,841	-	47,046	34,338,887
Accounts receivable	170,589,011	-	-	170,589,011
Loans and advances	612,017,588	5,171,422	3,452,807	620,641,817
Available-for-sale financial assets (excluding equity investments)	78,357,720	-	37,830	78,395,550
Held-to-maturity investments	107,687,881	-	-	107,687,881
Receivables	13,732,100	-	-	13,732,100
Total	<u>1,067,621,606</u>	<u>5,171,422</u>	<u>3,596,200</u>	<u>1,076,389,228</u>

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IX. RISK DISCLOSURE (continued)

1. Credit risk (continued)

Credit quality (continued)

<u>2010-12-31</u>	<u>Neither past due nor impaired</u>	<u>Past due but not impaired</u>	<u>Impaired (Note)</u>	<u>Total</u>
Placements of deposits with other financial institutions	8,522,904	-	31,520	8,554,424
Funds loaned to other financial institutions	8,472,692	-	32,626	8,505,318
Reverse repurchase agreements	98,248,433	-	50,000	98,298,433
Accounts receivable	13,727,415	-	-	13,727,415
Loans and advances	403,000,653	1,989,816	2,400,666	407,391,135
Available-for-sale financial assets (excluding equity investments)	31,501,348	-	-	31,501,348
Held-to-maturity investments	61,379,837	-	-	61,379,837
Receivables	18,502,100	-	-	18,502,100
Total	643,355,382	1,989,816	2,514,812	647,860,010

Note: Impaired corporate loans comprise loans and advances graded at the last three tiers (i.e., "Substandard", "Doubtful" or "Loss") under the five-tier loan classification system maintained by the Company. Impaired personal loans comprise "Pass" or "Special Mention" loans overdue more than 90 days as well as loans graded at the last three tiers. As at 31 December 2011, impaired loans and advances comprise overdue loans of RMB3,299,698 thousand (31 December 2010: RMB2,227,165 thousand) and non-overdue loans of RMB153,109 thousand (31 December 2010: RMB173,501 thousand).

Neither past due nor impaired loans and advances

At the balance sheet date, the aggregate amounts of neither past due nor impaired loans and advances to customers are "Pass" and "Special Mention" loans graded in accordance with the five-tier classification.

	<u>2011-12-31</u>	<u>2010-12-31</u>
Pass	609,694,452	401,879,920
Special Mention	2,323,136	1,120,733
Total	612,017,588	403,000,653

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IX. RISK DISCLOSURE (continued)

1. Credit risk (continued)

Credit quality (continued)

Past due but not impaired loans and advances

At the balance sheet date, an aging analysis of the past due but not yet impaired loans and advances was as follows:

	2011-12-31				Total	Fair value of collateral
	Within 1 month	1 to 2 months	2 to 3 months	More than 3 months		
Corporate loans and advances	686,469	503,820	167,976	12,451	1,370,716	1,150,078
Personal loans	1,206,279	2,369,981	224,446	-	3,800,706	8,768,794
Total	1,892,748	2,873,801	392,422	12,451	5,171,422	9,918,872

	2010-12-31				Total	Fair value of collateral
	Within 1 month	1 to 2 months	2 to 3 months	More than 3 months		
Corporate loans and advances	52,299	2,822	-	2,371	57,492	57,213
Personal loans	1,506,187	272,430	153,707	-	1,932,324	5,186,307
Total	1,558,486	275,252	153,707	2,371	1,989,816	5,243,520

Impaired loans and advances

Impaired loans and advances are defined as those loans and advances having objective evidence of impairment as a result of one or more events that occur after initial recognition, resulting in an impact on the estimated future cash flows of loans and advances that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and the situation where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The fair value of the collateral that the Group holds relating to corporate loans and advances individually determined to be impaired at 31 December 2011 amounted to RMB999 million (31 December 2010: RMB790 million).

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IX. RISK DISCLOSURE (continued)

1. Credit risk (continued)

Credit quality (continued)

Impaired amounts due from other financial institutions

Impaired amounts due from other financial institutions are all determined based on individual assessments. In determining whether an item is impaired, the Group considers the evidence of loss event and the decreases in estimated future cash flows. No collateral was held by the Group as security of the impaired amounts due from other financial institutions.

The carrying amount of loans and advances that would otherwise be past due or impaired and whose terms have been renegotiated is as follows:

	<u>2011-12-31</u>	<u>2010-12-31</u>
Loans and advances to customers	<u>887,311</u>	<u>274,523</u>

2. Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due. The risk is attributable to any mismatch in amounts and terms between assets and liabilities. To limit the risk, management has arranged diversified funding sources, and monitors loan and deposit balances on a daily basis. The Group also maintains a portfolio of highly marketable assets that can be easily liquidated in the event of an unforeseen interruption of cash flows. Furthermore, the Group performs stress testing regularly to assess and identify the actions that can meet the payment obligations under different critical scenarios.

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IX. RISK DISCLOSURE (continued)

2. Liquidity risk (continued)

As at 31 December 2011, the remaining contractual maturity analysis of the Group's financial assets and financial liabilities (based on contractual undiscounted cash flows) was as follows:

	2011-12-31							
	Overdue/ on demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
Non-derivative cash flows:								
<u>Financial assets:</u>								
Cash on hand and due from the Central Bank	23,641,429	-	-	-	-	-	137,064,108	160,705,537
Amounts due from other financial institutions (1)	5,672,846	39,024,359	17,825,472	21,112,302	140,212	-	-	83,775,191
Financial assets at fair value through profit or loss	-	4,133	96,914	325,259	1,579,409	1,176,323	-	3,182,038
Accounts receivable	-	12,670,214	72,156,138	90,709,195	1,694,912	-	-	177,230,459
Loans and advances	3,750,267	52,106,782	82,135,764	285,568,591	150,253,866	138,335,188	-	712,150,458
Available-for-sale financial assets	-	1,040,990	1,338,442	12,950,561	54,523,395	22,081,220	25,806	91,960,414
Held-to-maturity investments	-	299,374	1,280,551	11,221,155	77,040,856	36,934,312	-	126,776,248
Receivables	-	541,123	13,549	13,370,894	534,140	-	-	14,459,706
Long term equity investments	-	-	-	-	-	-	539,294	539,294
Other financial assets	87,586	1,675	665,824	-	-	5,208	-	760,293
Total financial assets	33,152,128	105,688,650	175,512,654	435,257,957	285,766,790	198,532,251	137,629,208	1,371,539,638
<u>Financial liabilities:</u>								
Due to the Central Bank	-	224,761	161,806	749,863	-	-	-	1,136,430
Amounts due to other financial institutions (2)	16,491,655	99,428,568	55,584,634	51,775,116	-	-	-	223,279,973
Accounts payable	-	7,550,547	34,616,569	30,844,837	-	-	-	73,011,953
Customer deposits	385,145,370	96,918,690	115,182,236	189,706,633	85,822,066	2,044,136	-	874,819,131
Bonds payable	-	-	374,563	596,925	13,085,518	6,740,120	-	20,797,126
Other financial liabilities	5,096,677	197,631	2,330,791	865,481	533,535	2,543	-	9,026,658
Total financial liabilities	406,733,702	204,320,197	208,250,599	274,538,855	99,441,119	8,786,799	-	1,202,071,271
Derivative cash flows:								
Derivative financial instruments settled on a net basis	-	(6,200)	(483)	426	(5,615)	-	-	(11,872)
Derivative financial instruments settled on a gross basis								
Of which: Cash inflow	-	27,769,003	26,040,712	55,995,943	843,945	-	-	110,649,603
Cash outflow	-	(27,768,666)	(26,031,750)	(55,928,527)	(843,995)	-	-	(110,572,938)
	-	337	8,962	67,416	(50)	-	-	76,665

(1) Amounts due from other financial institutions included financial assets of placements of deposits with other financial institutions, funds loaned to other financial institutions and reverse repurchase agreements.

(2) Amounts due to other financial institutions included financial liabilities of placements of deposits from other financial institutions, funds borrowed from other financial institutions and repurchase agreements.

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IX. RISK DISCLOSURE (continued)

2. Liquidity risk (continued)

As at 31 December 2010, the remaining contractual maturity analysis of the Group's financial assets and financial liabilities (based on contractual undiscounted cash flows) was as follows:

	2010-12-31 (Restated)							
	Overdue/ on demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
Non-derivative cash flows:								
Financial assets:								
Cash on hand and due from the Central Bank	13,669,765	-	-	-	-	-	62,951,742	76,621,507
Amounts due from other financial institutions (1)	2,460,604	45,137,621	42,173,381	26,006,333	460,697	-	-	116,238,636
Accounts receivable	-	1,832,879	5,289,139	6,204,869	855,760	-	-	14,182,647
Loans and advances	1,250,566	24,081,437	49,849,968	184,906,620	117,113,673	81,145,643	-	458,347,907
Available-for-sale financial assets	-	277,698	2,140,109	9,112,896	14,872,627	8,546,088	32,835	34,982,253
Held-to-maturity investments	-	78,231	133,539	6,722,682	44,135,997	19,925,885	-	70,996,334
Receivables	-	8,083,004	4,200	10,434,179	560,090	-	-	19,081,473
Long term equity investments	-	-	-	-	-	-	404,390	404,390
Other financial assets	21,941	1,697	363,309	-	-	14,225	-	401,172
Total financial assets	17,402,876	79,492,567	99,953,645	243,387,579	177,998,844	109,631,841	63,388,967	791,256,319
Financial liabilities:								
Due to the Central Bank	-	670,199	69,082	1,508,929	-	-	-	2,248,210
Amounts due to other financial institutions (2)	26,849,134	33,419,149	22,240,091	23,036,584	1,500,000	-	-	107,044,958
Accounts payable	-	450,108	2,202,158	2,537,396	-	-	-	5,189,662
Customer deposits	259,568,208	74,673,416	85,404,544	122,442,503	31,928,407	1,124,645	-	575,141,723
Bonds payable	-	-	372,460	184,740	9,266,532	1,842,000	-	11,665,732
Other financial liabilities	609,918	15	1,373,358	231,014	324,574	47,881	-	2,586,760
Total financial liabilities	287,027,260	109,212,887	111,661,693	149,941,166	43,019,513	3,014,526	-	703,877,045
Derivative cash flows:								
Derivative financial instruments settled on a net basis	-	414	(1,785)	18,874	42,250	-	-	59,753
Derivative financial instruments settled on a gross basis								
Of which: Cash inflow	-	14,881,678	9,091,324	23,413,622	390,944	-	-	47,777,568
Cash outflow	-	(14,887,674)	(9,086,997)	(23,360,078)	(389,916)	-	-	(47,724,665)
	-	(5,996)	4,327	53,544	1,028	-	-	52,903

- (1) Amounts due from other financial institutions included financial assets of placements of deposits with other financial institutions, funds loaned to other financial institutions and reverse repurchase agreements.
(2) Amounts due to other financial institutions included financial liabilities of placements of deposits from other financial institutions, funds borrowed from other financial institutions and repurchase agreements.

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IX. RISK DISCLOSURE (continued)

2. Liquidity risk (continued)

Analysis of credit commitments by contractual expiry date:

	Repayable on demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
<u>2011-12-31</u>								
Credit commitments	<u>61,377,670</u>	<u>51,517,141</u>	<u>112,546,688</u>	<u>137,764,845</u>	<u>7,210,166</u>	<u>12,719</u>	<u>-</u>	<u>370,429,229</u>
<u>2010-12-31</u>								
Credit commitments	<u>12,751,042</u>	<u>55,485,097</u>	<u>96,179,808</u>	<u>97,742,016</u>	<u>1,069,715</u>	<u>-</u>	<u>-</u>	<u>263,227,678</u>

Management expects that not all of the commitments will be drawn before expiry of the commitments.

IX. RISK DISCLOSURE (continued)

3. Market risk

Market risk is the risk of loss, in respect of the Group's on or off-balance sheet activities, arising from adverse movements in market rates including foreign exchange rates, interest rate, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading businesses. The aim of market risk management of the Group is to mitigate undue losses of income and equity, and simultaneously, to reduce the Group's exposure to the volatility inherent in financial instruments. The Group considers the market risk arising from commodity or stock prices in respect of its investment portfolio is immaterial.

The Group's Risk Management Committee and the Asset and Liability Management Committee are responsible for setting up market risk management policies, establishing market risk management objectives and determining market risk limits. The Asset and Liability Management Committee is responsible for controlling the volume, structure, interest rate and liquidity of the Group's business. The Group's Financial Information and Asset and Liability Management Department discharges the daily market risk monitoring function on behalf of the Asset and Liability Management Committee, including the determination of reasonable levels of market risk exposures, monitoring the daily treasury operation and proposing adjustments to the maturity profile of the assets and liabilities and the interest rate structure.

Gap analysis is the key method used by the Group to monitor the market risk of its non-trading business activities. This method measures the impact of interest rate changes on income, with interest-earning assets and interest-bearing liabilities grouped by their respective re-pricing bands for the calculation of the re-pricing gap. By multiplying this position with an assumed interest rate change, an approximate effect on the net interest income resulting from the assumed interest rate change is quantified.

Financial derivative transactions entered into by the Group primarily provide effective economic hedges to other financial instruments held by the Group for the mitigation of interest and exchange rate risks. In the opinion of management, as the market risk of the Group's trading business activities is not material, the Group has not separately disclosed quantitative information about exposure to market risk arising from the trading portfolio.

3.1. Currency risk

The Group's foreign exchange risk exposure mainly comprises exposures from the mismatch of foreign currency assets and liabilities, and off-balance sheet foreign exchange position arisen from derivative transactions. The currency risk of the Group mainly arises from loans and advances, investments and deposits denominated in foreign currencies. The Group has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

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IX. RISK DISCLOSURE (continued)

3. Market risk (continued)

3.1. Currency risk (continued)

As at 31 December 2011, the Group's foreign currency assets and liabilities analysed by currency were as follows:

	2011-12-31			Total
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Assets				
Cash on hand and due from the Central Bank	1,456,457	214,974	14,967	1,686,398
Amounts due from other financial institutions (1)	5,186,010	1,158,170	1,934,204	8,278,384
Financial assets at fair value through profit or loss and derivative financial assets	95,242	-	-	95,242
Accounts receivable	8,587,984	65,362	89,322	8,742,668
Loans and advances	15,820,451	1,158,063	106,730	17,085,244
Available-for-sale financial assets	292,484	-	377,562	670,046
Held-to-maturity investments	823,180	-	-	823,180
Others	254,260	7,862	4,344	266,466
Total assets	32,516,068	2,604,431	2,527,129	37,647,628
Liabilities				
Amounts due to other financial institutions (2)	1,021,374	238,242	579,767	1,839,383
Accounts payable	2,436,631	52,388	75,556	2,564,575
Customer deposits	21,202,799	5,475,469	2,092,954	28,771,222
Others	174,806	33,749	7,084	215,639
Total liabilities	24,835,610	5,799,848	2,755,361	33,390,819
Net position of foreign currency (3)	7,680,458	(3,195,417)	(228,232)	4,256,809
Notional amount of foreign exchange derivative financial instruments	(4,466,765)	3,174,932	188,307	(1,103,526)
Total	3,213,693	(20,485)	(39,925)	3,153,283
Off-balance sheet credit commitments	11,405,695	632,562	556,500	12,594,757

- (1) Amounts due from other financial institutions included financial assets of placements of deposits with other financial institutions, funds loaned to other financial institutions and reverse repurchase agreements.
- (2) Amounts due to other financial institutions included financial liabilities of placements of deposits from other financial institutions, funds borrowed from other financial institutions and repurchase agreements.
- (3) The net position of foreign currency comprised the related net position of monetary assets and liabilities.

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IX. RISK DISCLOSURE (continued)

3. Market risk (continued)

3.1. Currency risk (continued)

As at 31 December 2010, the Company's foreign currency assets and liabilities analysed by currency were as follows:

	2010-12-31			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets				
Cash on hand and due from the Central Bank	675,707	500,102	10,683	1,186,492
Amounts due from other financial institutions (1)	5,765,927	713,855	1,481,974	7,961,756
Accounts receivable	5,306,933	19,036	46,653	5,372,622
Loans and advances	10,477,204	776,476	184,194	11,437,874
Available-for-sale financial assets	231,897	-	-	231,897
Held-to-maturity investments	934,292	-	-	934,292
Others	100,036	3,314	619	103,969
Total assets	23,491,996	2,012,783	1,724,123	27,228,902
Liabilities				
Amounts due to other financial institutions (2)	2,829,237	1,467,888	152	4,297,277
Accounts payable	901,513	14,668	9,977	926,158
Customer deposits	17,453,662	3,218,904	1,462,991	22,135,557
Others	57,215	7,101	1,910	66,226
Total liabilities	21,241,627	4,708,561	1,475,030	27,425,218
Net position of foreign currency (3)	2,250,369	(2,695,778)	249,093	(196,316)
Notional amount of foreign exchange derivative financial instruments	(613,538)	2,380,687	(234,176)	1,532,973
Total	1,636,831	(315,091)	14,917	1,336,657
Off-balance sheet credit commitments	5,521,061	118,842	618,970	6,258,873

(1) Amounts due from other financial institutions included financial assets of placements of deposits with other financial institutions, funds loaned to other financial institutions and reverse repurchase agreements.

(2) Amounts due to other financial institutions included financial liabilities of placements of deposits from other financial institutions, funds borrowed from other financial institutions and repurchase agreements.

(3) The net position of foreign currency comprised the related net position of monetary assets and liabilities.

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IX. RISK DISCLOSURE (continued)

3. Market risk (continued)

3.1. Currency risk (continued)

The table below indicates the sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement in the exchange rates against the RMB, with all other variables held constant on profit before tax. A negative amount in the table reflects a potential net reduction in profit before tax, while a positive amount reflects a net potential increase. As the Group has no cash flow hedges and has only a minimal amount of available-for-sale equity instruments denominated in foreign currencies, changes in exchange rates do not have any material potential impact on the equity.

2011-12-31

Currency	Change in exchange rate in %	Effect on profit before tax (RMB equivalent)
USD	+/-5%	+/-160,685
HKD	+/-5%	-/+1,024

2010-12-31

Currency	Change in exchange rate in %	Effect on profit before tax (RMB equivalent)
USD	+/-3%	+/-49,105
HKD	+/-3%	-/+9,453

3.2. Interest rate risk

The Group's interest rate risk mainly arises from the mismatch of contractual maturity or re-pricing dates between interest-earning assets and interest-bearing liabilities. The interest-earning assets and interest-bearing liabilities of the Group are mainly denominated in RMB. The PBOC sets a cap and a floor on interest rates on deposits and loans, respectively.

The Group manages its interest rate risk by adjusting the composition of assets and liabilities, monitoring indicators such as the interest rate sensitivity gap on a regular basis and measuring risk exposure in accordance with the re-pricing characteristics of assets and liabilities. The Asset and Liability Management Committee meets regularly and manages interest rate risk exposures by adjusting the composition of the assets and liabilities in accordance with movement in market interest rates.

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IX. RISK DISCLOSURE (continued)

3. Market risk (continued)

3.2. Interest rate risk (continued)

As at 31 December 2011, the contractual re-pricing dates or maturity dates, whichever were earlier, of the Group's balance sheet were analysed as follows:

	2011-12-31					Total
	Within 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Non-interest-bearing	
Assets:						
Cash on hand and due from the Central Bank	157,561,807	-	-	-	3,073,429	160,635,236
Precious metals	-	-	-	-	-	-
Amounts due from other financial institutions (1)	62,209,226	20,425,570	-	-	-	82,634,796
Financial assets at fair value through profit or loss and derivative financial assets	1,371,479	313,333	492,743	426,922	814,002	3,418,479
Accounts receivable	86,962,940	83,596,802	29,269	-	-	170,589,011
Loans and advances	457,752,831	134,941,046	12,935,336	4,446,123	-	610,075,336
Available-for-sale financial assets	31,472,107	30,051,309	12,658,379	4,046,516	155,215	78,383,526
Held-to-maturity investments	19,899,227	21,201,606	49,858,195	16,724,052	-	107,683,080
Receivables	530,000	12,702,100	500,000	-	-	13,732,100
Long term equity investments	-	-	-	-	539,294	539,294
Fixed assets	-	-	-	-	3,524,265	3,524,265
Others	-	-	-	-	19,393,517	19,393,517
Goodwill	-	-	-	-	7,568,304	7,568,304
Total assets	817,759,617	303,231,766	76,473,922	25,643,613	35,068,026	1,258,176,944
Liabilities:						
Amounts due to the Central Bank	385,987	744,889	-	-	-	1,130,876
Amounts due to other financial institutions (2)	170,510,933	49,375,564	-	-	-	219,886,497
Derivative financial liabilities	-	-	-	-	732,418	732,418
Accounts payable	41,796,814	28,763,920	-	-	-	70,560,734
Customer deposits	603,580,760	182,483,547	61,109,982	2,034,000	1,636,858	850,845,147
Bonds payable	500,616	1,831,454	8,610,614	5,111,802	-	16,054,486
Others	-	-	-	-	23,586,202	23,586,202
Total liabilities	816,775,110	263,199,374	69,720,596	7,145,802	25,955,478	1,182,796,360
Interest rate risk exposure	984,507	40,032,392	6,753,326	18,497,811	Not applicable	Not applicable

- (1) Amounts due from other financial institutions included financial assets of placements of deposits with other financial institutions, funds loaned to other financial institutions and reverse repurchase agreements.
- (2) Amounts due to other financial institutions included financial liabilities of placements of deposits from other financial institutions, funds borrowed from other financial institutions and repurchase agreements.

SHENZHEN DEVELOPMENT BANK CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS (continued)
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IX. RISK DISCLOSURE (continued)

3. Market risk (continued)

3.2. Interest rate risk (continued)

As at 31 December 2010, the contractual re-pricing dates or maturity dates, whichever were earlier, of the Group's balance sheet were analysed as follows:

	2010-12-31 (Restated)					Total
	Within 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Non-interest-bearing	
Assets:						
Cash on hand and due from the Central Bank	74,305,925	-	-	-	2,280,933	76,586,858
Precious metals	-	-	-	-	2	2
Amounts due from other financial institutions (1)	89,854,678	25,358,472	50,000	-	-	115,263,150
Financial assets at fair value through profit or loss and derivative financial assets	-	-	-	-	371,734	371,734
Accounts receivable	9,749,676	3,643,526	334,213	-	-	13,727,415
Loans and advances	239,551,909	150,661,664	9,341,576	1,410,926	-	400,966,075
Available-for-sale financial assets	11,660,106	15,453,440	4,167,420	66,840	186,377	31,534,183
Held-to-maturity investments	2,654,757	13,234,756	34,253,098	11,236,757	469	61,379,837
Receivables	8,000,000	10,002,100	500,000	-	-	18,502,100
Long term equity investments	-	-	-	-	404,390	404,390
Fixed assets	-	-	-	-	2,392,293	2,392,293
Others	-	-	-	-	6,079,039	6,079,039
Total assets	435,777,051	218,353,958	48,646,307	12,714,523	11,715,237	727,207,076
Liabilities:						
Amounts due to the Central Bank	738,560	1,499,115	-	-	-	2,237,675
Amounts due to other financial institutions (2)	83,096,113	23,062,793	-	-	-	106,158,906
Derivative financial liabilities	-	-	-	-	311,805	311,805
Accounts payable	2,669,161	2,451,657	-	-	-	5,120,818
Customer deposits	417,715,410	116,133,644	28,163,288	900,000	-	562,912,342
Bonds payable	499,036	-	7,479,613	1,490,839	-	9,469,488
Others	-	-	-	-	7,798,507	7,798,507
Total liabilities	504,718,280	143,147,209	35,642,901	2,390,839	8,110,312	694,009,541
Interest rate risk exposure	(68,941,229)	75,206,749	13,003,406	10,323,684	Not applicable	Not applicable

- (1) Amounts due from other financial institutions included financial assets of placements of deposits with other financial institutions, funds loaned to other financial institutions and reverse repurchase agreements.
- (2) Amounts due to other financial institutions included financial liabilities of placements of deposits from other financial institutions, funds borrowed from other financial institutions and repurchase agreements.

SHENZHEN DEVELOPMENT BANK CO., LTD.
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IX. RISK DISCLOSURE (continued)

3. Market risk (continued)

3.2. Interest rate risk (continued)

The Group principally uses sensitivity analysis to measure and control interest rate risk. In respect of the financial assets and liabilities at fair value through profit or loss, in the opinion of management, the interest rate risk to the Group arising from this portfolio is not significant. For other financial assets and liabilities, the Group mainly uses a gap analysis to measure and control the related interest rate risk.

As at 31 December 2011 and 31 December 2010, the gap analyses of the financial assets and liabilities (excluding financial assets and liabilities at fair value through profit or loss) were as follows:

	2011-12-31		2010-12-31	
	Changes in interest rate (basis points)		Changes in interest rate (basis points)	
	-50	+50	-100	+100
Effect on the net interest income increase/(decrease)	(72,780)	72,780	321,210	(321,210)
Effect on equity increase/(decrease)	311,543	(311,543)	148,130	(148,130)

The above gap analyses assume that the interest rate risk profile of the financial assets and liabilities (excluding financial assets and liabilities at fair value through profit or loss) remains static.

The sensitivity of the net interest income is the effect of a reasonable possible change in interest rates on the net interest income for one year, in respect of the financial assets and liabilities (excluding financial assets and liabilities at fair value through profit or loss) held at the balance sheet date. The sensitivity of equity is calculated by revaluing the year end portfolio of fixed-rate available-for-sale financial assets, based on a reasonable possible change in interest rates. Impact on income tax has not been considered in calculating the above effect on the net interest income and equity.

The above sensitivity analyses are based on the following assumptions: (i) all assets and liabilities that are re-priced/due within three months (inclusive), and between three months and one year (inclusive) are assumed to be re-priced in the mid of the respective bands; and (ii) there are parallel shifts in the yield curve.

Regarding the above assumptions, the effect on the net interest income and equity as a result of the actual increases or decreases in interest rates may differ from that of the above sensitivity analyses.

SHENZHEN DEVELOPMENT BANK CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS (continued)
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(Expressed in thousands of Renminbi, unless otherwise stated)

IX. RISK DISCLOSURE (continued)

4. Fair value of financial instruments

The following table summarises the carrying values and the fair values of receivables, held-to-maturity debt securities and bonds payable for which their fair values have not been presented or disclosed above:

	<u>Carrying value</u>	<u>Fair value</u>
<u>2011-12-31</u>		
Receivables	13,732,100	13,732,100
Held-to-maturity debt securities	107,683,080	107,738,265
Bonds payable	16,054,486	15,843,464
<u>2010-12-31</u>		
Receivables	18,502,100	18,502,100
Held-to-maturity debt securities	61,379,837	60,326,494
Bonds payable	9,469,488	9,514,103

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. The following methods and assumptions were used to estimate the fair values.

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods described below are adopted to determine the fair values of these assets and liabilities:

- (1) The receivables are non-transferable. The fair values of these receivables are estimated on the bases of discounted cash flows.
- (2) The fair value of held-to-maturity debt securities and bonds payable are determined with reference to the available market values. If quoted market prices are not available, fair values are estimated on the bases of pricing models or discounted cash flows.

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

Financial instruments, for which their carrying amounts are the reasonable approximation of their fair values because, for example, they are short term in nature or are re-priced to current market rates frequently, are as follows:

<u>Assets</u>	<u>Liabilities</u>
Cash and due from the Central Bank	Due to the Central Bank
Placements of deposits with other financial institutions	Placements of deposits from other financial institutions
Funds loaned to other financial institutions	Funds borrowed from other financial institutions
Reverse repurchase agreements	Repurchase agreements
Loans and advances	Customer deposits
Other financial assets	Other financial liabilities

SHENZHEN DEVELOPMENT BANK CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS (continued)
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IX. RISK DISCLOSURE (continued)

4. Fair value of financial instruments (continued)

The following table shows an analysis of financial instruments recorded at fair value.

	Quoted market price ("Level 1")	Valuation techniques - market observable inputs ("Level 2")	Valuation techniques - non-market observable inputs ("Level 3")	Total
2011-12-31				
Financial assets:				
Financial assets at fair value through profit or loss	37,639	2,512,660	57,603	2,607,902
Derivative financial assets	-	810,577	-	810,577
Available-for-sale financial assets	475,513	77,908,013	-	78,383,526
Total	513,152	81,231,250	57,603	81,802,005
Financial liabilities:				
Derivative financial liabilities	-	732,418	-	732,418
	Quoted market price ("Level 1")	Valuation techniques - market observable inputs ("Level 2")	Valuation techniques - non-market observable inputs ("Level 3")	Total
2010-12-31				
Financial assets:				
Derivative financial assets	-	371,734	-	371,734
Available-for-sale financial assets	25,847	31,508,336	-	31,534,183
Total	25,847	31,880,070	-	31,905,917
Financial liabilities:				
Derivative financial liabilities	-	311,805	-	311,805

During the year ended 31 December 2011, there were transfers of available-for-sale equity investments amounting to RMB6.98 million from Level 2 to Level 1 fair value measurements as the related tradable shares became unrestricted during the year.(2010:Nil.)

SHENZHEN DEVELOPMENT BANK CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS (continued)
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IX. RISK DISCLOSURE (continued)

4. Fair value of financial instruments (continued)

The following table shows a reconciliation of the opening and closing amounts of Level 3 financial instruments which are recorded at fair value.

	Balance at beginning of the year	Acquisition of a subsidiary	Sales during the year	Losses from changes in fair values of the year	Balance at end of the year
<u>2011</u>					
Financial assets at fair value through profit or loss	-	60,898	-	(3,295)	57,603

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent company:

<u>Name</u>	<u>Place of registration</u>	<u>Percentage of equity interest held</u>	
		<u>2011-12-31</u>	<u>2010-12-31</u>
Ping An Insurance (Group) Company of China, Ltd.	Shenzhen, PRC	52.38%	14.96%

Ping An Insurance (Group) Company of China, Ltd. (hereafter referred to as "China Ping An") was established in Shenzhen, the People's Republic of China on 21 March 1988. The business scope of China Ping An includes investing in financial and insurance enterprises, supervising and managing various domestic and overseas businesses of its subsidiaries, and treasury trading.

As at 31 December 2011, 10.22% of shares (31 December 2010: 15.03%) of the Company were indirectly held by China Ping An through its subsidiary, Ping An Life Insurance Company of China, Ltd.

2. Major transactions between the Group and China Ping An and its subsidiaries during the year are as follows:

<u>Outstanding balances at the year end</u>	<u>2011-12-31</u>	<u>2010-12-31</u>
Receivables	100,000	100,000
Amounts due to other financial institutions	1,324,672	85,975
Customer deposits	25,147,518	3,752,314
Bonds payable	500,637	129,431
Credit limit of factoring	2,000,000	300,000
Interbank credit limit	1,500,000	1,000,000
Guarantees issued	500,000	-

SHENZHEN DEVELOPMENT BANK CO., LTD.
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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

2. Major transactions between the Group and China Ping An and its subsidiaries during the year are as follows: (continued)

Transactions during the year	2011-12-31	2010-12-31
Interest income on receivables	4,191	4,200
Agency business fee income	47,263	8,380
Custodian services fee income	5,257	1,005
Interest expenses on amounts due to other financial institutions	22,839	1,701
Interest expenses on customer deposits	364,082	176,948
Interest expenses on bonds payable	11,800	7,075
Insurance premium expenses	14,296	2,082
Payment under operating leases	8,255	-
Service fees	167,489	-

The above transactions were made according to the normal commercial terms and conditions and were processed under normal business procedures.

3. Major transactions between the Group and the key management personnel during the year are listed below:

Loans	Jan-Dec 2011	Jan- Dec 2010
Balance at beginning of the year	959	455
Increase during the year	5,736	1,345
Decrease during the year	(1,228)	(841)
Balance at end of the year	5,467	959
Interest income on loans	133	41

As at 31 December 2011, the annual interest rates of these loan transactions ranged from 1.63%-7.05%.

Deposits	Jan-Dec 2011	Jan- Dec 2010
Balance at beginning of the year	11,728	12,271
Increase during the year	583,672	63,887
Decrease during the year	(570,606)	(64,430)
Balance at end of the year	24,794	11,728
Interest expense on deposits	658	226

These deposit transactions were under normal commercial terms and conditions and were processed under normal business procedures.

SHENZHEN DEVELOPMENT BANK CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS (continued)
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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

4. Details of the compensation for key management personnel are as follows:

	Jan-Dec 2011	Jan- Dec 2010
Salaries and other short term employee benefits	47,607	72,815
Post-employment benefits	883	719
Termination benefits	-	10,298
Deferred bonus accrual (Note)	8,275	1,432
Total	56,765	85,264

Note: The amount of deferred bonus is determined based on the indicators of profitability, the share price and the capital adequacy ratio of the Company as well as the share prices of certain other domestic listed banks; and will be settled in cash in accordance with the terms of the arrangement.

As at 31 December 2011, the Group has authorised a total credit facility of RMB3.55 billion (31 December 2010: RMB2.15 billion) for entities relating to the key management personnel of the Company and the associates companies, which included an outstanding loan balance amounting to RMB0.52 billion (31 December 2010: RMB0.319 billion) and an outstanding facility of the off-balance sheet items amounting to RMB0.067 billion (31 December 2010: RMB0.209 billion).

XI. POST BALANCE SHEET EVENTS

Accordance with the "China Banking and Regulatory Commission's Approval of Significant Transaction and Related Matters in Relation to Shenzhen Development Bank Co., Ltd. and Ping An Bank Co., Ltd." (Yin Jian Fu [2011]No. 9) issued by the CBRC, the Company shall complete the integration of the two banks through merger and acquisition.

A board resolution on "the Scheme in Relation to the Absorption of the Shareholding of Ping An Bank Co., Ltd by Shenzhen Development Bank Co., Ltd." was passed in a tenth meeting of the eighth board of directors of the Company on 19 January 2012. The Company held a first extraordinary general meeting on 9 February 2012 which approved the related board resolution, agreeing the Company to merge Ping An Bank. At the same time, "The Proposal of Renaming Shenzhen Development Bank Co., Ltd" was passed whereas after Ping An Bank is de-registered after the merger, the Chinese Name of the Company, being "深圳发展银行股份有限公司" will be changed to "平安银行股份有限公司". The English name of "Shenzhen Development Bank Co., Ltd" will be changed to "Ping An Bank Co., Ltd".

After the merger is completed, Ping An Bank will be incorporated into the Company. Ping An Bank will be de-registered and will no longer remain as an independently existed legal entity. The Company will be the surviving company after the completion of the merger and shall in accordance with laws inherit all assets, liabilities, certificates, licenses, businesses, personnel and all rights and obligations of Ping An Bank.

SHENZHEN DEVELOPMENT BANK CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS (continued)
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XI. POST BALANCE SHEET EVENTS (continued)

The merger has been designed to meet the regulatory requirements. At the same time, this merger will completely solve the intra-industry competition problems between the Company and Ping An Bank so that complementary advantages and full synergy can be effectively realized.

A resolution on this merger transaction was also passed by the twenty-ninth meeting of the fifth board of directors of Ping An Bank. The resolution was passed by the first extraordinary general meeting of the shareholders of Ping An Bank on 9 February 2012. The implementation of the merger will take place when it is approved by the relevant authorities.

XII. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the current year's presentation.

XIII. OTHER SIGNIFICANT ITEMS

1. Assets and liabilities carried at fair value

Jan-Dec 2011	Balance at beginning of the year	Gains or (losses) from changes in fair values during the year	Accumulated valuation gain taken into other comprehensive income	Balance at end of the year
Assets:				
Financial assets at fair value through profit or loss	-	14,424	-	2,607,902
Derivative financial assets	371,734	418,438	-	810,577
Available-for-sale financial assets	31,534,183	-	398,917	78,383,526
Total	31,905,917	432,862	398,917	81,802,005
Liabilities:				
Financial liabilities at fair value through profit or loss	-	-	-	-
Derivative financial liabilities	(311,805)	(411,724)	-	(732,418)
Total	(311,805)	(411,724)	-	(732,418)

SHENZHEN DEVELOPMENT BANK CO., LTD.
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(Expressed in thousands of Renminbi, unless otherwise stated)

XIII. OTHER SIGNIFICANT ITEMS (continued)

2. Foreign currency financial assets and foreign currency financial liabilities

Jan-Dec 2011 (RMB equivalent)	Balance at beginning of the year	Gains or (losses) from changes in fair values during the year	Accumulated valuation gain taken into other comprehensive income	Impairment provision charged for the year	Balance at end of the year
Foreign currency financial assets:					
Cash on hand and due from the Central Bank	1,186,492	-	-	-	1,686,398
Amounts due from other financial institutions (1)	7,961,756	-	-	10,640	8,278,384
Financial assets at fair value through profit or loss and derivative financial assets	-	(1,514)	-	-	95,242
Accounts receivable	5,372,622	-	-	-	8,742,668
Loans and advances	11,437,874	-	-	35,153	17,085,244
Available-for-sale financial assets	232,926	-	(79,619)	-	671,463
Held-to-maturity investments	934,292	-	-	4,801	823,180
Long term equity investments	684	-	-	-	684
Other assets	103,969	-	-	(262)	266,466
Total	27,230,615	(1,514)	(79,619)	50,332	37,649,729
Foreign currency financial liabilities:					
Amounts due to other financial institutions (2)	4,297,277	-	-	-	1,839,383
Customer deposits	22,135,557	-	-	-	28,771,222
Accounts payable	926,158	-	-	-	2,564,575
Other liabilities	66,190	-	-	-	215,550
Total	27,425,182	-	-	-	33,390,730

(1) Amounts due from other financial institutions included financial assets of placements of deposits with other financial institutions, funds loaned to other financial institutions and reverse repurchase agreements.

(2) Amounts due to other financial institutions included financial liabilities of placements of deposits from other financial institutions, funds borrowed from other financial institutions and repurchase agreements.

Net asset return and earnings per share

<u>2011</u>	Profit for the year	Net asset return		Earnings per share (RMB)	
		Fully diluted	Weighted average	Basic	Diluted
Net profit attributable to ordinary shareholders of the parent company	10,278,631	14.02%	20.32%	2.47	2.47
Net profit attributable to ordinary shareholders of the parent company after deduction of non-recurring profit and loss	10,179,272	13.89%	20.12%	2.44	2.44
<u>2010 (Restated)</u>	Profit for the year	Net asset return		Earnings per share (RMB)	
		Fully diluted	Weighted average	Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	6,246,537	18.82%	23.32%	1.90	1.90
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit and loss	6,135,557	18.48%	22.91%	1.86	1.86

Of which, net profit attributable to ordinary shareholders of the parent company after deduction of non-recurring profit and loss:

	<u>2011</u>	<u>2010</u> (Restated)
Net profit attributable to ordinary shareholders of the parent company	10,278,631	6,246,537
Add/(deduct): Non-recurring profit and loss items		
Gains/losses on disposal of fixed assets and settled assets	(129,611)	(122,227)
Gain on disposal of long term equity investments	(1,569)	7,252
Provision for litigation	29,278	1,469
Other non-operating income and expenses	(24,454)	(27,708)
Income tax effect	27,120	30,234
Less: Net effected amount of non-recurring profit and loss attributable to non-controlling shareholders	(123)	-
Net profit attributable to ordinary shareholders of the parent company after deduction of non-recurring profit and loss	<u>10,179,272</u>	<u>6,135,557</u>

The above net asset return and earnings per share are calculated in accordance with the rules stipulated in the Regulation on Information Disclosure of Public Companies No.9 as revised by the China Securities Regulatory Commission on 11 January 2010. The non-recurring profit and loss is calculated in accordance with the rules stipulated in the Interpretation of Information Disclosure of Public Companies No.1 - Non-recurring profit and loss, effective from 1 December 2008.

Fair value changes arising from financial assets and liabilities held for trading and investment income arising from disposals of financial assets and liabilities held for trading and available for sale financial assets incurred during the normal course of business are not disclosed as non-recurring profit and loss items.

II. International auditor's report

INDEPENDENT AUDITORS' REPORT

To the shareholders of Shenzhen Development Bank Co., Limited
(Established in the People's Republic of China with limited liability)

We have audited the accompanying consolidated financial statements of Shenzhen Development Bank Co., Ltd. and its subsidiary (the "Group") set out on pages 254 to 351, which comprise the consolidated statement of financial position as at 31 December 2011 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 the consolidated 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 the management, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITORS' REPORT (continued)

To the shareholders of Shenzhen Development Bank Co., Limited
(Established in the People's Republic of China with limited liability)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2011 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Certified Public Accountants
Hong Kong
8 March 2012

SHENZHEN DEVELOPMENT BANK CO., LTD.
CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2011
(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	2011	2010 (Restated)
Interest income	5	52,330,697	26,251,790
Interest expense	5	(27,040,923)	(10,422,598)
Net interest income	5	25,289,774	15,829,192
Fee and commission income	6	4,129,600	1,836,376
Fee and commission expenses	6	(464,931)	(251,234)
Net fee and commission income	6	3,664,669	1,585,142
Investment income	7	239,753	167,701
Gains or losses from changes in fair values of financial instruments	8	6,005	(19,071)
Net foreign exchange differences		264,977	213,921
Other net income	9	257,671	282,530
TOTAL OPERATING INCOME		29,722,849	18,059,415
Staff expenses	10	(6,538,930)	(3,944,509)
General and administrative expenses	10	(3,560,644)	(2,328,775)
Depreciation, amortisation and rental expenses	10	(1,755,868)	(1,085,830)
Business tax and surcharges		(2,506,344)	(1,324,595)
Profit before impairment losses on assets		15,361,063	9,375,706
Impairment losses on assets	11	(2,148,574)	(1,488,116)
OPERATING PROFIT		13,212,489	7,887,590
Share of profits of associates		45,000	60,824
PROFIT BEFORE TAX		13,257,489	7,948,414
Income tax expense	12	(2,866,998)	(1,701,877)
PROFIT FOR THE YEAR		10,390,491	6,246,537
Attributable to:			
Shareholders of the parent company		10,278,631	6,246,537
Non-controlling interests		111,860	-
EARNINGS PER SHARE			
Basic earnings per share (Renminbi Yuan)	13	2.47	1.90
Diluted earnings per share (Renminbi Yuan)	13	2.47	1.90

SHENZHEN DEVELOPMENT BANK CO., LTD.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011
(Expressed in thousands of Renminbi, unless otherwise stated)

	2011	2010
		(Restated)
PROFIT FOR THE YEAR	10,390,491	6,246,537
OTHER COMPREHENSIVE INCOME		
(i) Net gain or loss on available-for-sale financial assets	322,149	(217,692)
Less: Income tax effect	(77,251)	52,470
Net gain or loss previously recognised in other comprehensive income transferred to the income statement during the year	129,458	15,761
Less: Income tax effect	(29,794)	(3,799)
Subtotal	344,562	(153,260)
(ii) Share of other comprehensive income of associates	106,000	(9,219)
Less: Income tax effect	-	-
Subtotal	106,000	(9,219)
Total other comprehensive income	450,562	(162,479)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	10,841,053	6,084,058
Attributable to:		
Shareholders of the parent company	10,721,543	6,084,058
Non-controlling interests	119,510	-

SHENZHEN DEVELOPMENT BANK CO., LTD.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2011
(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	2011	2010 (Restated)
ASSETS			
Cash on hand and due from the Central Bank	14	160,635,236	76,586,858
Precious metals		-	2
Placements of deposits with other financial institutions	15	39,884,342	8,523,729
Funds loaned to other financial institutions	16	8,446,567	8,475,988
Financial assets at fair value through profit or loss	17	2,604,476	-
Derivative financial assets	18	810,577	371,734
Reverse repurchase agreements	19	34,303,887	98,263,433
Accounts receivable	20	170,589,011	13,727,415
Loans and advances	21	610,075,336	400,966,075
Available-for-sale financial assets	22	78,364,296	31,466,000
Held-to-maturity investments	23	107,683,080	61,379,368
Receivables	24	13,732,100	18,502,100
Investments in associates	25	429,115	319,031
Investment properties	26	262,791	214,571
Property and equipment	27	4,080,098	2,782,800
Intangible assets	28	5,989,731	191,580
Goodwill	29	7,568,304	-
Deferred tax assets	30	2,889,762	1,954,568
Other assets	31	9,828,235	3,481,824
TOTAL ASSETS		1,258,176,944	727,207,076
LIABILITIES			
Due to the Central Bank		1,130,876	2,237,675
Placements of deposits from other financial institutions	32	155,409,777	82,370,060
Funds borrowed from other financial institutions	33	25,279,349	6,200,174
Derivative financial liabilities	18	732,418	311,805
Repurchase agreements	34	39,197,371	17,588,672
Customer deposits	35	850,845,147	562,912,342
Employee benefits payable	36	3,600,345	1,878,603
Corporate income tax payable		1,431,004	656,410
Accounts payable	37	70,560,734	5,120,818
Bonds payable	38	16,054,486	9,469,488
Provisions	39	112,246	3,047
Deferred tax liabilities	30	1,351,062	15,425
Other liabilities	40	17,091,545	5,245,022
TOTAL LIABILITIES		1,182,796,360	694,009,541
EQUITY			
Share capital	41	5,123,350	3,485,014
Share premium	41	41,254,541	13,501,118
Reserves	42	11,068,567	7,730,414
Unappropriated profit	43	15,864,379	8,480,989
Equity attributable to shareholders of the parent company		73,310,837	33,197,535
Non-controlling interests		2,069,747	-
TOTAL EQUITY		75,380,584	33,197,535
TOTAL EQUITY AND LIABILITIES		1,258,176,944	727,207,076

SHENZHEN DEVELOPMENT BANK CO., LTD.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2011
(Expressed in thousands of Renminbi, unless otherwise stated)

	Shareholders' equity attributed to the parent company								Non-controlling interests	Total equity
	Share capital	Share premium	Reserves (Note 42)	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	Of which: general reserve	Unappropriated profit (Note 43)	Subtotal		
2011										
I. As at 1 January 2011	3,485,014	13,501,118	7,786,706	(132,761)	56,292	5,977,782	8,740,038	33,512,876	-	33,512,876
Add: Changes in accounting policy (Note 2.4)	-	-	(56,292)	-	(56,292)	-	(259,049)	(315,341)	-	(315,341)
II. As at 1 January 2011 (restated)	3,485,014	13,501,118	7,730,414	(132,761)	-	5,977,782	8,480,989	33,197,535	-	33,197,535
III. 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	-	-	2,895,241	-	-	1,977,121	(2,895,241)	-	-	-
IV. At 31 December 2011	5,123,350	41,254,541	11,068,567	204,151	-	7,954,903	15,864,379	73,310,837	2,069,747	75,380,584

SHENZHEN DEVELOPMENT BANK CO., LTD.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2010
(Expressed in thousands of Renminbi, unless otherwise stated)

	Share capital	Share premium	Reserves (Note 42)	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	Of which: general reserve	Unappropriated profit (Note 43)	Total equity
<u>2010 (Restated)</u>								
I. As at 1 January 2010	3,105,434	6,973,270	6,004,795	20,499	41,790	4,676,276	4,386,110	20,469,609
Add: Changes in accounting policy (Note 2.4)	-	-	(41,790)	-	(41,790)	-	(221,770)	(263,560)
II. As at 1 January 2010	<u>3,105,434</u>	<u>6,973,270</u>	<u>5,963,005</u>	<u>20,499</u>	<u>-</u>	<u>4,676,276</u>	<u>4,164,340</u>	<u>20,206,049</u>
III. Movements in the year								
(i) Profit for the year	-	-	-	-	-	-	6,246,537	6,246,537
(ii) Other comprehensive income	-	-	(162,479)	(153,260)	-	-	-	(162,479)
Subtotal of (i) and (ii)	-	-	(162,479)	(153,260)	-	-	6,246,537	6,084,058
(iii) Capital injection from shareholders	379,580	6,527,848	-	-	-	-	-	6,907,428
(iv) Profit appropriation	-	-	1,929,888	-	-	1,301,506	(1,929,888)	-
IV. At 31 December 2010	<u>3,485,014</u>	<u>13,501,118</u>	<u>7,730,414</u>	<u>(132,761)</u>	<u>-</u>	<u>5,977,782</u>	<u>8,480,989</u>	<u>33,197,535</u>

SHENZHEN DEVELOPMENT BANK CO., LTD.
CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2011
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES	44	(11,604,298)	23,718,298
Income tax paid		(2,835,075)	(1,672,575)
Net cash flows generated from/(used in) operating activities		(14,439,373)	22,045,723
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of construction in progress		(261,571)	(437,470)
Purchases of property and equipment		(435,992)	(331,884)
Purchases of intangible assets		(152,238)	(68,547)
Purchases of investment properties		-	-
Proceeds from disposal of items of property and equipment		10,030	9,954
Cash and cash equivalents of subsidiary receipts upon a acquisition		31,358,185	-
Interest received from investment securities		6,572,565	3,249,986
Dividend received from investment securities		18,423	25,014
Purchases of bond investments		(226,275,601)	(127,241,139)
Cash receipts from investment securities upon disposal/maturity		198,003,471	110,089,296
Proceeds from disposal of equity investments		-	44,254
Net cash flows generated from/(used in) investing activities		8,837,272	(14,660,536)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash receipts from share issue		2,690,052	6,931,130
Cash receipts from bond issue		3,650,000	-
Cash payments for bond interest		(561,900)	(548,862)
Cash payments for bond issue		-	-
Cash payments for share issue		-	(23,702)
Cash payments for dividend and profit appropriation		(295)	-
Net cash flows generated from financing activities		5,777,857	6,358,566
Effect of exchange rate changes on cash and cash equivalents		(417,197)	(299,428)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(241,441)	13,444,325
Cash and cash equivalents at beginning of the year		68,147,808	54,703,483
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		67,906,367	68,147,808
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash on hand		2,235,565	836,549
Cash equivalents:			
Within three months before original maturity date			
-Placements of deposits with other financial institutions		29,565,419	3,495,736
-Funds loaned to other financial institutions		6,829,499	5,375,004
-Reverse repurchase agreements		7,856,992	45,343,000
Unrestricted balance with the Central Bank		21,335,563	12,798,567
Bond investments (with maturity of less than three months when acquired)		83,329	298,952
		67,906,367	68,147,808
SUPPLEMENTARY INFORMATION			
Interest received		42,116,427	22,553,427
Interest paid		(21,042,689)	(8,877,448)

SHENZHEN DEVELOPMENT BANK CO., LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2011
(Expressed in thousands of Renminbi, unless otherwise stated)

1. GENERAL INFORMATION

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

The institution number of the Company on the 00000028 approval document issued by the China Banking Regulatory Commission is B0014H144030001. The business licence number of the Company issued by the Shenzhen Municipal Administration of Industry and Commerce is 440301103098545.

In accordance with the resolution of the shareholders' meeting of the Company as at 30 September 2010 and the written approval "Approval Regarding Issue of Shares to Ping An Insurance (Group) Company Limited for the Acquisition of Assets by Shenzhen Development Bank" (Zhengjianxuke No. [2011]1022) issued by the China Securities Regulatory Commission, the Company issued a private placement of 1,638,336,654 shares to Ping An Insurance (Group) Company of China, Ltd. (hereafter referred to as "China Ping An") to acquire 7,825,181,106 shares of Ping An Bank Company Limited (hereafter referred to as "Ping An Bank"), (representing approximately 90.75% of the total share capital of Ping An Bank) and RMB2,690,052.3 thousand in cash (hereafter referred to as "the Material Asset Reorganisation"). The related procedures such as transfer and registration of shares, cash delivery and issuance of ordinary shares have been completed in July 2011. After completion of the Material Asset Reorganisation, China Ping An and its subsidiary Ping An Life Insurance Company of China, Ltd. hold 52.38% of shares of the Company in total and become the controlling shareholder of the Company, while Ping An Bank becomes the controlling subsidiary of the Company.

The Company and its subsidiary (the "Group") are principally engaged in authorised commercial and retail banking activities in Mainland China.

The registered office of the Company is located at No. 5047, Shennan Road East, Luohu District, Shenzhen, Guangdong Province, the PRC. Headquartered in Shenzhen, the Company operates its business in Mainland China.

The financial statements were approved and authorised for issue by the board of directors on 8 March 2012.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments, financial assets and financial liabilities held at fair value through profit or loss, financial assets and liabilities designated at fair value through profit or loss, available-for-sale financial assets, and cash-settled share-based payments, that have been measured at fair value, as further explained in the respective accounting policies below.

SHENZHEN DEVELOPMENT BANK CO., LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2011
(Expressed in thousands of Renminbi, unless otherwise stated)

2. ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The Group maintains its books and prepares its statutory financial statements in accordance with "Accounting Standards for Business Enterprises – Basic Standard" and 38 specific standards, Implementation Guidance, Interpretations and other relevant regulations (hereafter collectively referred to as "ASBEs") issued by the Ministry of Finance (the "MOF") of the PRC in February 2006. As the accounting policies adopted in the preparation of the statutory financial statements are basically the same as those adopted in these financial statements, there is no significant difference in the results of operations and financial performance.

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and its interpretations promulgated by the International Accounting Standards Board (the "IASB").

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2011.

A subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date when such control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

SHENZHEN DEVELOPMENT BANK CO., LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2011
(Expressed in thousands of Renminbi, unless otherwise stated)

2. ACCOUNTING POLICIES (continued)

2.3 Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, the uncertainty of these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

(a) Designation of held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and a fixed maturity are classified as held-to-maturity investments when the Group has the positive intention and ability to hold the investments to maturity. Accordingly, in evaluating whether a financial asset shall be classified as held-to-maturity investment, significant management judgement is required. If the Group fails to correctly assess its intention and ability to hold the investments to maturity and the Group sells or reclassifies more than an insignificant amount of held-to-maturity investments before maturity, the Group shall classify the whole held-to-maturity investment portfolio as available for sale.

(b) Impairment losses of loans and advances

The Group determines periodically whether there is any objective evidence that an impairment loss on loans and advances has been incurred. If any such evidence exists, the Group assesses the amount of impairment losses. The amount of impairment losses is measured as the difference between the carrying amount and the present value of estimated future cash flows. Assessing the amount of impairment losses requires significant judgement on whether objective evidence for impairment exists and also significant estimates when determining the present value of the expected future cash flows.

(c) Income tax

Determining income tax provisions requires the Group to estimate the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant estimation on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred income tax assets to be recovered.

SHENZHEN DEVELOPMENT BANK CO., LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2011
(Expressed in thousands of Renminbi, unless otherwise stated)

2. ACCOUNTING POLICIES (continued)

2.3 Significant accounting judgements and estimates (continued)

(d) Fair value of financial instruments

If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis and option pricing models. To the extent practicable, the chosen valuation technique makes maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on areas such as credit risk (both the Group's and the counterparty's), volatility and correlation. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

(e) Impairment of available-for-sale and held-to-maturity investments

In determining whether there is any objective evidence that impairment losses on available-for-sale and held-to-maturity investments have been incurred, the Group assesses periodically whether there has been a significant or prolonged decline in the fair value of the investment below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry environment, change of technology, operating and financing cash flows, etc. This requires significant level of judgement of the management of the Group, which would affect the amount of impairment losses.

(f) Goodwill impairment

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired. In the impairment testing, goodwill acquired from business combination is allocated to each CGU (or group of CGUs) to which the goodwill relates. The Group estimates the future cash flows generated from each CGU (or group of CGUs) and discount to their present value using an appropriate discount rate.

2.4 Voluntary change in accounting policies

The Group has reassessed its accounting policy with regard to the measurement of investment properties. The Group previously adopted the fair value model for measurement of investment properties which were not depreciated or amortised. At each period end, the carrying value of the investment properties was adjusted based on the fair value, and any differences between the carrying amount and the fair value is accounted for in the income statement.

During 2011, the Group changed its accounting policy with regard to the measurement of investment properties from the fair value model to the cost model. The change of accounting policy has no significant impact on the financial statements. Under the cost model, depreciation is calculated on the straight-line basis to write off the cost of each item of investment properties to its residual value over its estimated useful life.

SHENZHEN DEVELOPMENT BANK CO., LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2011
(Expressed in thousands of Renminbi, unless otherwise stated)

2. ACCOUNTING POLICIES (continued)

2.4 Voluntary change in accounting policies (continued)

As a result of the voluntary accounting policy change, the following adjustments were made to the financial statements:

As of 1 January 2011 or for the year 2011:

	Before changes in accounting policies	Change in accounting policy	After changes in accounting policies
Investment properties	539,805	(325,234)	214,571
Property and equipment	2,860,558	(77,758)	2,782,800
Deferred tax liabilities	103,076	(87,651)	15,425
Reserves	7,786,706	(56,292)	7,730,414
Unappropriated profit	8,740,038	(259,049)	8,480,989
Net profit for the year	10,398,452	(7,961)	10,390,491
Basic earnings per share	2.47		2.47

As of 1 January 2010 or for the year 2010:

	Before changes in accounting policies	Change in accounting policy	After changes in accounting policies
Investment properties	523,846	(287,311)	236,535
Property and equipment	2,034,301	(45,988)	1,988,313
Deferred tax liabilities	94,525	(69,739)	24,786
Reserves	6,004,795	(41,790)	5,963,005
Unappropriated profit	4,386,110	(221,770)	4,164,340
Net profit for the year	6,283,816	(37,279)	6,246,537
Basic earnings per share	1.91		1.90

2.5 Impact of new and revised International Financial Reporting Standards

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRSs and IFRIC interpretations effective as of 1 January 2011:

- IAS 24 *Related Party Disclosures* (amendment) effective 1 January 2011;
- IAS 32 *Financial Instruments: Presentation* (amendment) effective 1 February 2010;
- IFRIC 14 *Prepayments of a Minimum Funding Requirement* (amendment) effective 1 January 2011;
- *Improvements to IFRSs* (May 2010).

SHENZHEN DEVELOPMENT BANK CO., LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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(Expressed in thousands of Renminbi, unless otherwise stated)

2. ACCOUNTING POLICIES (continued)

2.5 Impact of new and revised International Financial Reporting Standards (continued)

- IAS 24 *Related Party Transactions* (Amendment)

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasize a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity.

- IAS 32 *Financial Instruments: Presentation* (Amendment)

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

- *Improvements to IFRSs* (May 2010)

Improvements to IFRSs issued in May 2010 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- IFRS 3 *Business Combinations*: The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.
- IFRS 7 *Financial Instruments – Disclosures*: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.
- IAS 1 *Presentation of Financial Statements*: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements.

The adoption of these new and revised IFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

SHENZHEN DEVELOPMENT BANK CO., LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2011
(Expressed in thousands of Renminbi, unless otherwise stated)

2. ACCOUNTING POLICIES (continued)

2.6 Issued but not yet effective International Financial Reporting Standards

The Group has not applied the following new and revised IFRSs and IFRIC interpretations that have been issued but are not yet effective, in these financial statements.

- Amendments to IAS 1 *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income* effective 1 July 2012

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance.

- Amendments to IAS 12 *Income Taxes - Deferred Tax: Recovery of Underlying Assets* effective 1 January 2012

The amendments clarified the determination of deferred tax on investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments introduce the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset.

- Amendment to IAS 19 *Employee Benefits* effective 1 January 2013

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording.

- Amendment to IAS 27 *Separate Financial Statements* (as revised in 2011) effective 1 January 2013

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly-controlled entities, and associates in separate financial statements.

- Amendment to IAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011) effective 1 January 2013

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

SHENZHEN DEVELOPMENT BANK CO., LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2011
(Expressed in thousands of Renminbi, unless otherwise stated)

2. ACCOUNTING POLICIES (continued)

2.6 Issued but not yet effective International Financial Reporting Standards (continued)

- Amendments to IFRS 7 *Financial Instruments: Disclosures - Transfers of Financial Assets* effective 1 July 2011

The amendments require additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets.

- Amendments to IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* effective 1 January 2014
- IFRS 9 *Financial Instruments: Classification and Measurement* effective 1 January 2015

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2011 or the first half of 2012. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities.

- IFRS 10 *Consolidated Financial Statements* effective 1 January 2013

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

- IFRS 11 *Joint Arrangements* effective 1 January 2013

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*.

IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

2. ACCOUNTING POLICIES (continued)

2.6 Issued but not yet effective International Financial Reporting Standards (continued)

- IFRS 12 *Disclosure of Involvement with Other Entities* effective 1 January 2013

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

- IFRS 13 *Fair Value Measurement* effective 1 January 2013

IFRS 13 establishes a single source of guidance under IFRSs for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRSs when fair value is required or permitted.

2.7 Summary of significant accounting policies

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The Group measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

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2. ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Investments in associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are accounted for under the equity method of accounting. Under the equity method, an investment in an associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate, less any impairment losses. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of comprehensive income. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

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2. ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

Recognition of income and expense

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income and interest expense

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available for sale and held for trading, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial instrument. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

(iii) Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

(iv) Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or component of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

The fair value of the award credits granted by the Group to the bank card holders under customer loyalty programmes are deferred and recognised as fee and commission income when the award credits are redeemed or expired.

Dividend income

Revenue is recognised when the shareholders' right to receive the payment is established.

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2. ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

Financial instruments

(a) Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

(b) Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations, without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

(c) "Day 1" profit or loss

When the transaction price is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a "Day 1" profit or loss) in the income statement. In cases where fair value is determined using data which is not observable, the difference between the transaction price and the model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

(d) Financial assets or financial liabilities held for trading

Included in this classification are debt securities, equities, derivatives (except for a derivative that is designated and an effective hedging instrument) and short positions which have been acquired principally for the purpose of selling or repurchasing in the near term. Financial assets or financial liabilities held for trading are recorded in the statement of financial position at fair value. Changes in fair value are recognised in "Gains or losses from changes in fair values of financial instruments".

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2. ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

Financial instruments (continued)

(e) Financial assets and financial liabilities designated as at fair value through profit or loss

A financial instrument may be designated as a financial asset or financial liability at fair value through profit or loss upon initial recognition, if it meets the criteria set out below, and is so designated by management:

- The designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the financial assets or the financial liabilities or recognising the gains and losses on them on a different basis;
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains one or more embedded derivatives that significantly modify the cash flows that otherwise would be required by the contract.

Financial assets and financial liabilities designated at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in "Gains or losses from changes in fair values of financial instruments".

(f) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Group has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest rate, less impairment provision. The amortisation is included in "Net interest income" in the income statement. The losses arising from impairment of such investments are recognised in the income statement in "Impairment losses on assets".

The Group shall reclassify any remaining held-to-maturity investments as available for sale and shall not classify any financial assets as held to maturity if it has, during the current financial year or during the two preceding financial years, sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity other than sales or reclassifications that:

- (i) are so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- (ii) occur after the Group has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or
- (iii) are attributable to an isolated event that is beyond the Group's control and is non-recurring and could not have been reasonably anticipated by the Group.

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2. ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

Financial instruments (continued)

(g) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Group has no intention of trading the assets immediately or in the near term. Loans and receivables mainly include loans and advances to customers, receivables and discounted bills. After initial measurement, loans and receivables are subsequently measured at amortised cost using the effective interest rate, less allowance for impairment. The amortisation is included in "Net interest income" in the income statement. The losses arising from impairment are recognised in the income statement in "Impairment losses on assets".

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

(h) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. After initial recognition, financial assets which are classified as available for sale are stated at fair value. Premiums and discounts on available-for-sale financial assets are amortised using the effective interest method and taken to the interest income.

Changes in fair value of available-for-sale financial assets are reported as a separate component of other comprehensive income until the financial asset is derecognised or the financial asset is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported as "Cumulative changes in fair value of available-for-sale financial assets" within other comprehensive income is included in the income statement.

In the case of an equity investment classified as available for sale, if neither a quoted market price in an active market exists nor its fair value can be reliably measured, it will be measured at cost.

(i) Deposits, debt securities issued and other financial liabilities

Deposits, debt securities issued other than those designated as trading liabilities or at fair value through profit or loss, and other financial liabilities are carried at amortised cost using the effective interest method.

2. ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

Impairment of financial assets

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

(a) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an impairment provision account and the amount of the loss is recognised in the income statement.

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

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

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2. ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

(a) Financial assets carried at amortised cost (continued)

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be attributed objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

When a loan and receivable is uncollectible, it is written off against the related allowance for impairment losses. Such loans and receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the amounts previously written off decrease the amount of the provision for impairment losses in the income statement.

(b) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of impairment loss is measured as the difference between the carrying amount of that financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

(c) Available-for-sale financial assets

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

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2. ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

(c) Available-for-sale financial assets (continued)

In case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

Derecognition of financial assets and financial liabilities

(a) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the assets or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(b) Financial liabilities

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

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2. ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

Derivative financial instruments

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

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

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

Trade date accounting

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date on which the Group commits to purchase or sell the asset. A regular way purchase and sale is the purchase or sale of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the marketplace.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position only when the Group currently has a legally enforceable right to offset the recognised amounts; and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Reverse repurchase agreements and repurchase agreements

Assets sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within "Repurchase agreements". The difference between the sale and the repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate.

Conversely, assets purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position within "Reverse repurchase agreements". The difference between the purchase and the resale prices is treated as interest income and is accrued over the life of the agreement using the effective interest rate.

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2. ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

Leases

A lease that transfers substantially all the risks and rewards incidental to ownership of the leased item is accounted for as a finance lease. An operating lease is a lease other than a finance lease.

As a lessee under operating leases

Lease payments under an operating lease are recognised in the income statement as an expense by a lessee on a straight-line basis over the lease term.

As a lessor under operating leases

Lease income from operating leases is recognised by the lessor in the income statement on a straight-line basis over the lease term.

Construction in progress

Construction in progress represents costs incurred in the construction of office premises including furniture and fixtures. Costs comprise direct costs incurred during the period of construction. Interest charged on related borrowings for the construction is capitalised and such capitalisation of interest ceases when the assets under construction are completed and are ready for their intended use. No capitalisation of interest is made if the cost incurred during the construction is from the Group's own fund. Construction in progress is not depreciated.

Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

Property and equipment

All property and equipment are stated at cost less any accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Properties and buildings:

Including: Properties and buildings 2.7%-6.6%

Including: Owner-occupied property improvements 10.0% or 20.0%

Transportation vehicles 11.8%-19.4%

Electronic appliances 9.5%-33.0%

Leasehold improvements Over the lease terms

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2. ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

Property and equipment (continued)

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year/period the asset is derecognised.

Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance owned or controlled by the Group.

Intangible assets are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. The Group analyses and assesses the useful life of an intangible asset on its acquisition. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

An intangible asset with definite useful life is amortised over its useful life with the straight-line method.

	Useful life	Annual depreciation rate
Software and others	3-5 years	20%-33%
Core deposit	20 years	5%

The useful life and the amortisation method for intangible assets with finite useful lives are reviewed at each reporting date. If the expected useful life of the asset or the amortisation method differs significantly from previous assessments, the amortisation period or amortisation method is changed accordingly as a change in accounting estimate.

The useful life of intangible assets with indefinite useful lives is reassessed at each reporting date. If there is evidence that the useful life of the asset becomes definite, the accounting policies for intangible assets with definite useful life described above are then applied.

2. ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined on an individual basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In assessing value in use of an asset, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement under those expense categories consistent with the function of the impaired assets.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of any depreciation/amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. After such a reversal, the depreciation/amortisation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

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2. ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

Investment properties

Investment properties are interests in land or buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business. The Group adopts the cost model for the initial and subsequent measurement of investment properties. Depreciation is calculated on the straight-line basis to write off the cost of each item of investment property to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Properties and buildings	2.7%-6.6%

Reposessed assets

Reposessed assets are initially recognised at fair value. The difference between the initial fair value and the sum of the related loan principal, interest receivable and impairment provision is taken into the income statement. At the reporting date, the reposessed assets are measured at the lower of their carrying value and net realisable value. When the carrying value of the reposessed assets is higher than the net realisable value, a provision for the decline in value of the reposessed assets is recognised in the income statement in "Impairment losses on assets".

Foreign currency translation

These financial statements are presented in Renminbi, which is the Group's functional and presentation currency.

Transactions in foreign currencies are initially recorded using their respective functional currency rates of exchange ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange at the reporting date. Exchange differences arising on the settlement of monetary items or on translating monetary items at period/year end rates are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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2. ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

Fiduciary activities

Where the Group acts in a fiduciary capacity such as nominee, trustee or agent, assets arising thereon together with the related undertakings to return such assets to customers are excluded from the financial statements.

Entrusted loans granted by the Group on behalf of third-party lenders are recorded as off-balance sheet items. The Group acts as an agent and grants such entrusted loans to borrowers under the direction of the third-party lenders who fund these loans. The Group has been contracted by the third-party lenders to manage the administration and collection of these loans on their behalf. The third-party lenders determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The Group charges a commission related to the management of the entrusted loans. The commission is recognised pro rata over the period in which the service is provided. The risk of loan loss is borne by the third-party lenders.

Financial guarantee contracts

The Group gives financial guarantees consisting of letters of credit, letters of guarantees, and acceptances. These financial guarantee contracts provided for specified payments to be made to reimburse the holder for a loss it incurs when a guaranteed party defaults under the original or modified terms of a debt instrument, loan or other obligation.

Financial guarantee contracts are initially recognised at fair value, in "Other liabilities", being the premium received. The guarantee fee is amortised over the period of the contract and is recognised as fee and commission income. Subsequent to initial recognition, the Group's liabilities under such contracts are each measured at the higher of the initial fair value less cumulative amortisation, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to financial guarantees is taken to the income statement.

Related parties

A party is considered to be related to the Group if:

- (i) a person or a close member of that person's family has control or joint control over the Group;
- (ii) a person or a close member of that person's family has significant influence over the Group;
- (iii) a person or a close member of that person's family is a member of the key management personnel of the Group or of a parent of the Group;
- (iv) the party and the Group are members of the same group;
- (v) the party is an associate or joint venture of the Group;
- (vi) the party and the Group are joint ventures of the same third party;
- (vii) the party is a joint venture of a third entity and the other entity is an associate of the third entity;

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2. ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

Related parties (continued)

- (viii) the party is a post-employment benefit plan for the benefit of employees of either the Group or related to the Group.
- (ix) the party is controlled or jointly controlled by a person identified in (i) , (ii) or (iii);
- (x) the party identified in (i) has significant influence over the entity or is a member of the key management personnel of the entity;

Income tax

Income tax comprises current and deferred income tax. Except to goodwill arising in a business combination and to the extent that the tax arises from a transaction or event which is recognised directly in other comprehensive income, all the income tax should be expensed or credited to profit or loss as appropriate. Income tax relating to items recognised directly in other comprehensive income is recognised in other comprehensive income.

Current income tax

Current tax is the amount of income taxes payable in respect of the taxable profit for a period. Taxable profit is the profit for a period, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authorities.

Deferred tax

Deferred tax is provided using the balance sheet liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- (i) where the deferred tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or deductible loss;
- (ii) in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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2. ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

Income tax (continued)

For deductible temporary differences, carry forward of unused deductible losses and tax credits, the Group recognises the corresponding deferred tax asset to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, the deductible losses and tax credits can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible loss.

For deductible temporary differences arising from investments in subsidiaries and associates, the corresponding deferred income tax asset is recognised, to the extent that, it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available in the future, against which the temporary differences can be utilised.

At the reporting date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, according to the requirements of tax laws.

At the reporting date, the Group reviews the carrying amount of a deferred tax asset. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available in future periods to allow the benefit of the deferred tax asset to be utilised. At the reporting date, deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow part or all of the deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Employee benefits

Short term employee benefits

Salaries and bonuses, social security contributions and other short term employee benefits are accrued in the period in which services are rendered by the employees of the Group.

Defined contribution plans

According to the statutory requirements in Mainland China, the Group is required to make contributions to the pension and insurance schemes that are separately administered by the local government authorities. Contributions to these plans are recognised in the income statement as incurred. In addition, the Group participates in a defined contribution retirement benefit insurance plan managed by an insurance Group. Obligation for contributions to the insurance plan is borne by the Group, and contributions paid by the Group are recognised in the income statement as incurred.

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2. ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

Employee benefits (continued)

Supplementary retirement benefits

Certain employees of the Group in Mainland China can enjoy supplementary retirement benefits after retirement. These benefits are unfunded. The cost of providing benefits is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in the income statement in the period in which they occur.

Share-based payment transactions

The Group grants equity instruments, or incurs liabilities for amounts that are determined based on the price of equity instruments, in return for services rendered by employees or other parties.

The cost of cash-settled transactions is measured initially at fair value at the grant date using an appropriate pricing model taking into account the terms and conditions upon which the instruments were granted. The fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date, with changes in fair value recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and short term, highly liquid monetary assets that are readily convertible into known amounts of cash, and are subject to an insignificant risk of changes in value. For the purpose of the cash flow statement, cash equivalents comprise investments that have a short maturity of generally within three months when acquired, the unrestricted balance with the Central Bank, amounts due from banks and other financial institutions and reverse repurchase agreements that have a short original maturity of generally within three months.

Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

Contingent liabilities

A contingent liability is a possible obligation that arises from past transactions or events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events. It can also be a present obligation arising from past transactions or events but is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

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2. ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

3. Business combination

Acquisition of Ping An Bank

During the year, the Company issued a private placement of 1,638,336,654 shares to China Ping An to acquire 7,825,181,106 shares of Ping An Bank (representing approximately 90.75% of the total share capital of Ping An Bank) and RMB2,690,052.3 thousand in cash. This material assets reorganisation represented the Company's acquisition of assets through the issuance of ordinary shares and the related transfer of assets and settlements which took place on 18 July 2011. The acquisition date was 18 July 2011. The acquisition aimed to win strategic resources support from China Ping An and made the best of synergy effects among the Company, Ping An Bank and China Ping An.

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3. Business combination (continued)

Acquisition of Ping An Bank (continued)

The fair values and net book values of the identifiable assets and liabilities of Ping An Bank as at the date of acquisition were:

	2011-7-18 Fair value (Note 3)	2011-7-18 Net book value
Cash on hand and due from the Central Bank	40,238,663	40,238,663
Placements of deposits with other financial institutions and Funds loaned to other financial institutions	23,397,082	23,397,082
Financial assets at fair value through profit or loss and derivative financial assets	14,799,502	14,799,502
Loans and advances	144,414,068	144,414,068
Loan impairment provisions	(1,314,957)	(1,314,957)
Available-for-sale financial assets	36,857,715	36,857,715
Held-to-maturity investments	24,280,555	24,909,081
Intangible assets	5,873,969	140,137
Other assets	3,423,187	2,952,699
Customer deposits	(209,320,073)	(209,320,073)
Placements of deposits from other financial institutions and funds borrowed from other financial institutions	(52,955,203)	(52,955,203)
Other liabilities	(8,610,868)	(7,242,600)
Non-controlling interests	(1,950,237)	-
Total identifiable net assets	<u>19,133,403</u>	<u>16,876,114</u>
Goodwill arising on acquisition (Note 1)	<u>7,568,304</u>	
Cost of acquisition (Note 2)	<u><u>26,701,707</u></u>	

Note 1: The goodwill arose mainly on the basis of obtaining the strategy resource supports from China Ping An and was determined based on the elaboration of the synergies and related factors among the Company, Ping An Bank and China Ping An in the future.

Note 2: The combination cost is the fair value as calculated based on the closing price of 1,638,336,654 shares used to acquire Ping An Bank at the acquisition date, minus the cash receipts of RMB2,690,052.3 thousand by the Company.

Note 3: The fair values of identifiable assets and liabilities of Ping An Bank at the acquisition date were appraised by Zhonglian Pingbao Zi[2011]No.716 by China United Assets Appraisal Group who issued a [2011] No.716 assessment report.

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3. Business combination (continued)

Acquisition of Ping An Bank (continued)

The financial performance and cash flows of Ping An Bank from the date of acquisition until 31 December 2011 are as follows:

	From 18 July 2011 To 31 December 2011
Operating income	4,490,115
Profit for the period	1,142,626
Net cash flows used in operating activities	(8,233,338)
Net cash flows generated from investing activities	8,052,782
Net cash flows used in financing activities	<u>(295)</u>

As at 31 December 2011, the net assets of Ping An Bank amounted to RMB18,245,521 thousand.

The Group's operating income and profit for the year were approximately RMB33.7 billion and RMB11.6 billion, respectively, as though the acquisition date for the business combinations that occurred during the year had been as of the beginning of 2011.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into operating segments based on the internal organisation structure, management requirements and internal reporting. The Group's reportable segments are as follows:

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations and government agencies. The products and services include corporate loans, deposit-taking activities, trade financing, corporate wealth management services and various types of corporate intermediary services.

Retail banking

The personal banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans, deposit-taking activities, bank card business, personal wealth management services and various types of personal intermediary services.

Interbank business

The interbank business segment covers the Group's interbank business and money market business. This segment mainly serves the liquidity management of the Group and facilitates the needs of customers of other operating segments.

Other

This category consists of debt and equity investments, non-performing assets centrally managed by the Group and assets, liabilities, income and expenses that are not directly attributable to individual segments.

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4. OPERATING SEGMENT INFORMATION (continued)

Subsidiary

Ping An Bank is a subsidiary in which the Company holds 90.75% of its shares. That company is presented as a separate operating segment in segment reporting as it is an independent legal entity which undertakes independent financial accounting function.

Management monitors the operating results of its business units separately for the purpose of making decisions about resources allocations and performance assessment. Segment assets and liabilities, and segment revenues and profit are calculated according to the accounting policies of the Group. Income taxes are managed on a Group basis and are not allocated to operating segments. Interest income is reported net since the majority of the segments' revenues are from interest. Management primarily relies on net interest revenue, not the gross revenue and expense amounts.

Transactions between segments mainly represent transfer of funding to or from individual operating segments. These transactions are conducted on terms determined with reference to the average cost of funding and have been reflected in the performance of each segment. Net interest income and expense arising on internal charges are referred to as "internal net interest income/expense". Such transfer prices between operating segments are internally eliminated when the operating results of individual segments are aggregated. Furthermore, interest income and expense relating to third parties are referred to as "external net interest income/expense" and the aggregate amount of the external net interest income/expense of the operating segments is same as the net interest income in the income statement.

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group has implemented full internal transfer pricing strategy since the year 2011. The transfer prices among segments are calculated based on the maturity date of each transaction within a single account (contract) instead of the net balances between internal placements and borrowings for the purpose of asset and liability structure enhancement, appropriate product pricing and comprehensive performance assessment.

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4. OPERATING SEGMENT INFORMATION (continued)

	Corporate banking	Retail banking	Interbank business	Other	Subsidiary	Offset	Total
<u>2011</u>							
Net interest income	16,581,861	4,325,064	2,325,294	(1,704,133)	3,761,688	-	25,289,774
Of which: External net interest income	11,174,467	5,886,075	2,334,443	2,133,101	3,761,688	-	25,289,774
Internal net interest income/(expense)	5,407,394	(1,561,011)	(9,149)	(3,837,234)	-	-	-
Net non-interest income (Note 1)	2,100,979	731,446	534,270	109,931	968,009	(11,560)	4,433,075
Operating income	18,682,840	5,056,510	2,859,564	(1,594,202)	4,729,697	(11,560)	29,722,849
Operating costs (Note 2)	(6,837,520)	(4,188,773)	(444,536)	(71,968)	(2,830,549)	11,560	(14,361,786)
Of which: Depreciation, amortisation and rental expenses	(637,654)	(558,782)	(36,925)	(4,695)	(517,812)	-	(1,755,868)
Impairment losses on assets	(2,069,038)	(319,680)	(8,323)	586,345	(337,878)	-	(2,148,574)
Share of profits of associates	-	-	-	45,000	-	-	45,000
Segment profit	9,776,282	548,057	2,406,705	(1,034,825)	1,561,270	-	13,257,489
Income tax expense							(2,866,998)
Profit for the year							10,390,491
Net profit attributed to parent company							10,278,631
<u>2011-12-31</u>							
Total assets	392,860,933	139,103,955	172,757,543	283,078,044	289,581,586	(19,205,117)	1,258,176,944
Of which: Investments in associates				429,115	-	-	429,115
Total liabilities	547,392,412	111,367,674	134,737,214	122,164,820	267,205,955	(71,715)	1,182,796,360

Note 1: Included net fee and commission income, investment income, gains or losses from changes in fair values of financial instruments, net foreign exchange differences and other operating income.

Note 2: Included business tax and surcharge, and general and administrative expenses.

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4. OPERATING SEGMENT INFORMATION (continued)

	Corporate banking	Retail banking	Interbank business	Other	Total
<u>2010 (Restated)</u>					
Net interest income	11,286,387	3,073,976	851,714	617,115	15,829,192
Of which: External net interest income	8,892,566	4,210,848	1,383,606	1,342,172	15,829,192
Internal net interest income/(expense)	2,393,821	(1,136,872)	(531,892)	(725,057)	-
Net non-interest income (Note 1)	1,033,453	628,089	318,037	250,644	2,230,223
Operating income	12,319,840	3,702,065	1,169,751	867,759	18,059,415
Operating costs (Note 2)	(4,696,211)	(3,235,357)	(297,095)	(455,046)	(8,683,709)
Of which: Depreciation, amortisation and rental expenses	(553,993)	(503,671)	(26,566)	(1,600)	(1,085,830)
Impairment losses on assets	(1,733,175)	(415,961)	41	660,979	(1,488,116)
Share of profits of associates	-	-	-	60,824	60,824
Segment profit	5,890,454	50,747	872,697	1,134,516	7,948,414
Income tax expense					(1,701,877)
Profit for the year					6,246,537
Net profit attributed to parent company					6,246,537
<u>2010-12-31</u>					
Total assets	317,025,565	124,822,955	145,663,438	139,695,118	727,207,076
Of which: Investments in associates	-	-	-	319,031	319,031
Total liabilities	426,988,680	84,844,019	108,384,626	73,792,216	694,009,541

Note 1: Included net fee and commission income, investment income, gains or losses from changes in fair values of financial instruments, net foreign exchange differences and other operating income.

Note 2: Included business tax and surcharge, and general and administrative expenses.

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4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

The Group's external operating income and non-current assets are mainly attributable to Mainland China based on the locations of the customers and assets respectively for the year ended 31 December 2011 and 31 December 2010. Non-current assets for this purpose consist of investment properties, property and equipment, construction in progress, repossessed assets and intangible assets.

Information about a major customer

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2011 or 2010.

5. NET INTEREST INCOME

	2011	2010
Interest income:		
Interest income on loans and advances (Note)	32,732,757	19,224,313
Interest income on amounts due from financial institutions	8,133,710	2,781,239
Interest income on investment securities (excluding financial assets at fair value through profit or loss)	6,249,138	3,175,925
Others	5,150,111	1,055,795
Subtotal	52,265,716	26,237,272
Interest income on financial assets at fair value through profit or loss	64,981	14,518
Total	52,330,697	26,251,790
Interest expenses:		
Interest expense due to the Central Bank	44,145	19,476
Interest expense on amounts due to financial institutions	9,331,858	2,109,560
Interest expense on customer deposits	15,202,648	7,681,732
Interest expense on bonds	836,642	555,945
Others	1,625,630	55,885
Subtotal	27,040,923	10,422,598
Interest expense on financial liabilities at fair value through profit or loss	-	-
Total	27,040,923	10,422,598
Net interest income	25,289,774	15,829,192

Note: Included in interest income was RMB77,791 thousand (2010: RMB68,905 thousand) in respect of interest income accrued on impaired financial assets (see Note 21f).

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6. NET FEE AND COMMISSION INCOME

	2011	2010
Fee and commission income:		
Settlement fee income	840,060	501,072
Wealth management products related fee income	284,226	55,948
Agency business fee income	565,460	169,092
Bank card fee income	1,171,866	621,272
Advisory and consulting fee income	611,076	276,997
Account management fee income	189,941	47,705
Others	466,971	164,290
Subtotal	<u>4,129,600</u>	<u>1,836,376</u>
Fee and commission expenses:		
Agency business fee expenses	103,011	65,244
Bank card fee	306,787	157,470
Others	55,133	28,520
Subtotal	<u>464,931</u>	<u>251,234</u>
Net fee and commission income	<u><u>3,664,669</u></u>	<u><u>1,585,142</u></u>

7. INVESTMENT INCOME

	2011	2010
Net gain/(loss) on disposal of bond investments held for trading	(20,904)	2,429
Net loss on disposal of available-for-sale bond investments	(108,543)	(6,306)
Net gain on disposal of available-for-sale equity investments	1,569	8,428
Net gain on disposal of held-to-maturity bond investments (Note)	46	-
Dividend income	3,483	5,094
Net realised gain on derivative financial instruments (excluding foreign exchange derivative financial instruments)	4,638	4,468
Gain on disposal of bills	358,386	144,771
Net gain on disposal of debt instruments being underwritten	938	8,389
Gain on disposal of loans	<u>140</u>	<u>428</u>
Total	<u><u>239,753</u></u>	<u><u>167,701</u></u>

Note: All the held-to-maturity bonds sold during the year were within three months of maturity dates.

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8. GAINS OR (LOSSES) FROM CHANGES IN FAIR VALUES OF FINANCIAL INSTRUMENTS

	<u>2011</u>	<u>2010</u>
Financial instruments held for trading	14,424	665
Derivative financial instruments (excluding foreign exchange derivative financial instruments)	<u>(8,419)</u>	<u>(19,736)</u>
Total	<u><u>6,005</u></u>	<u><u>(19,071)</u></u>

9. OTHER NET INCOME

	<u>2011</u>	<u>2010</u> (Restated)
Gain/(Loss) on disposal of property and equipment, net	(1,937)	602
Rental income	77,281	73,214
Gain on disposal of repossessed assets, net	131,550	121,625
Provision against litigation claims	(29,278)	(1,469)
Others	<u>80,055</u>	<u>88,558</u>
Total	<u><u>257,671</u></u>	<u><u>282,530</u></u>

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10. OPERATING EXPENSES

	<u>2011</u>	<u>2010</u> (Restated)
Staff expenses:		
Salaries, bonuses, allowances and subsidies	5,156,562	3,070,266
Of which: Deferred bonus accrual (Note 36)	69,303	8,625
Social insurance, supplementary pension contributions and staff welfare	964,558	590,526
Housing funds	255,643	162,078
Labour union and training expenses	143,002	96,193
Others	19,165	25,446
Subtotal	<u>6,538,930</u>	<u>3,944,509</u>
Depreciation, amortisation and rental expenses:		
Depreciation of property and equipment	611,498	426,661
Amortisation of intangible assets	286,890	52,458
Rental expenses	857,480	606,711
Subtotal	<u>1,755,868</u>	<u>1,085,830</u>
General and administrative expenses	<u>3,560,644</u>	<u>2,328,775</u>
Total operating expenses	<u><u>11,855,442</u></u>	<u><u>7,359,114</u></u>
Including:		
Auditors' remuneration-audit service fees	<u><u>8,190</u></u>	<u><u>6,210</u></u>

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11. IMPAIRMENT LOSSES ON ASSETS

<u>2011</u>	<u>Notes</u>	<u>Balance at beginning of the year</u>	<u>Acquisition of a subsidiary</u>	<u>Charge/ (reversal) for the year</u>	<u>Amounts written off</u>	<u>Recovery of assets written off previously</u>	<u>Amounts released upon disposal of assets</u>	<u>Interest accrued on impaired loans and advances</u>	<u>Other movements</u>	<u>Balance at end of the year</u>
Impairment provision for placements of deposits with other financial institutions	15	30,695	-	10,282	-	-	-	-	(64)	40,913
Impairment provision for funds loaned to other financial institutions	16	29,330	-	409	(4,773)	-	-	-	(708)	24,258
Impairment provision for reverse repurchase agreements	19	35,000	-	-	-	-	-	-	-	35,000
Impairment provision for loans and advances	21	6,425,060	1,314,957	2,135,661	(236,157)	1,013,123	-	(77,791)	(8,372)	10,566,481
Impairment provision for available-for-sale financial assets	22	112,857	103,571	-	(63,009)	-	-	-	(2,732)	150,687
Impairment provision for held-to-maturity investments	23	-	-	4,801	-	-	-	-	-	4,801
Impairment provision for investments in associates		23,061	-	(3,061)	-	-	-	-	-	20,000
Provision for decline in value of repossessed assets	31	258,185	45,505	6,431	-	-	(62,453)	-	-	247,668
Impairment provision for property and equipment	27	6,289	-	-	-	-	-	-	-	6,289
Impairment provision for other assets		159,394	9,583	(5,949)	(433)	1,839	-	-	(954)	163,480
Total		7,079,871	1,473,616	2,148,574	(304,372)	1,014,962	(62,453)	(77,791)	(12,830)	11,259,577

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11. IMPAIRMENT LOSSES ON ASSETS (continued)

2010	Notes	Balance at beginning of the year	Charge/ (reversal) for the year	Amounts written off	Recovery of assets written off previously	Amounts released upon disposal of assets	Interest accrued on impaired loans and advances	Other movements	Balance at end of the year
Provision for decline in value of precious metals		78	59	-	-	(137)	-	-	-
Impairment provision for placements of deposits with other financial institutions	15	40,695	-	(10,000)	-	-	-	-	30,695
Impairment provision for funds loaned to other financial institutions	16	29,979	(41)	-	-	-	-	(608)	29,330
Impairment provision for reverse repurchase agreements	19	35,000	-	-	-	-	-	-	35,000
Impairment provision for loans and advances	21	3,954,868	1,474,463	(213,199)	1,284,552	-	(68,905)	(6,719)	6,425,060
Impairment provision for available-for-sale financial assets	22	112,857	-	-	-	-	-	-	112,857
Impairment provision for investments in associates	25	23,061	-	-	-	-	-	-	23,061
Provision for decline in value of repossessed assets	31	360,961	15,426	-	-	(118,202)	-	-	258,185
Impairment provision for property and equipment	27	6,289	-	-	-	-	-	-	6,289
Impairment provision for other assets		154,408	(1,791)	(117)	5,243	-	-	1,651	159,394
Total		4,718,196	1,488,116	(223,316)	1,289,795	(118,339)	(68,905)	(5,676)	7,079,871

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12. INCOME TAX EXPENSE

	2011	2010 (Restated)
Current tax:		
Charge for the year	3,696,062	1,826,190
Adjustments in respect of current income tax for prior years	(86,393)	208,011
Subtotal	<u>3,609,669</u>	<u>2,034,201</u>
Deferred income tax (Note 30)	<u>(742,671)</u>	<u>(332,324)</u>
Total	<u><u>2,866,998</u></u>	<u><u>1,701,877</u></u>

The reconciliation of income tax expense applicable to profit before tax at the statutory tax rate to income tax expense at the Group's effective income tax rate is as follows:

	2011	2010 (Restated)
Profit before tax	<u>13,257,489</u>	<u>7,948,414</u>
Income tax at the statutory rate of 25%	3,314,372	1,987,104
Effects of 24% tax rate (2010: 22%) applicable to the regions of Shenzhen, Zhuhai and Haikou	(81,751)	(173,323)
Adjustments in respect of current income tax for prior years (Note)	(75,198)	11,390
Non-taxable income	(184,576)	(126,081)
Non-deductible expenses and other adjustments	<u>(105,849)</u>	<u>2,787</u>
Income tax expense	<u><u>2,866,998</u></u>	<u><u>1,701,877</u></u>

Note: The adjustments in respect of current income tax for prior years have excluded the tax effect of temporary differences.

13. EARNINGS PER SHARE

The Group's basic earnings per share amount is calculated as follows:

	2011	2010 (Restated)
Net profit attributable to ordinary shareholders of the parent company	10,278,631	6,246,537
Weighted average number of ordinary shares outstanding (in thousands)	4,167,654	3,295,224
Basic earnings per share (Renminbi Yuan)	<u>2.47</u>	<u>1.90</u>

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13. EARNINGS PER SHARE (continued)

The Group had no potentially dilutive ordinary shares in issue during the year.

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements are authorised for issue.

14. CASH ON HAND AND DUE FROM THE CENTRAL BANK

	2011-12-31	2010-12-31
Cash on hand	2,235,565	836,549
Statutory reserve with the Central Bank - RMB	136,225,688	61,766,745
Statutory reserve with the Central Bank - foreign currency	651,457	809,165
Unrestricted balance with the Central Bank	21,335,563	12,798,567
Other deposits with the Central Bank - fiscal deposits	186,963	375,832
Total	<u>160,635,236</u>	<u>76,586,858</u>

Based on the related RMB and foreign currency deposits, the Group places respective statutory reserves with the Central Bank in accordance with the requirements from the People's Bank of China. These reserve deposits are not available for use in the Group's daily operations.

Fiscal deposits represent the amounts received from government-related bodies that are required to be deposited with the Central Bank according to the relevant regulations.

15. PLACEMENTS OF DEPOSITS WITH OTHER FINANCIAL INSTITUTIONS

Analysed by location and counterparty

	2011-12-31	2010-12-31
Domestic banks	36,361,505	7,119,595
Other domestic financial institutions	66,963	45,280
Overseas banks	3,496,787	1,389,549
Subtotal	39,925,255	8,554,424
Less: Impairment provision (Note 11)	(40,913)	(30,695)
Total	<u>39,884,342</u>	<u>8,523,729</u>

As at 31 December 2011, included in this total amount of placements of deposits with other financial institutions was an amount of RMB31,520 thousand (31 December 2010: RMB31,520 thousand) of impaired assets.

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16. FUNDS LOANED TO OTHER FINANCIAL INSTITUTIONS

Analysed by location and counterparty

	2011-12-31	2010-12-31
Domestic banks	4,436,806	1,580,636
Other domestic financial institutions	1,373,997	2,782,626
Overseas banks	2,660,022	4,142,056
Subtotal	8,470,825	8,505,318
Less: Impairment provision (Note 11)	(24,258)	(29,330)
Total	8,446,567	8,475,988

As at 31 December 2011, included in this total amount of loans funded to other financial institutions was an amount of RMB26,997 thousand (31 December 2010: RMB32,626 thousand) of impaired assets.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011-12-31	2010-12-31
Bond investments analysed by issuer:		
Governments	102,038	-
The Central Bank	187,197	-
Policy banks	1,965,852	-
Other domestic financial institutions	57,603	-
Corporations	291,786	-
Total	2,604,476	-

As at 31 December 2011, included in the bond investments was an amount of RMB370,587 thousand (31 December 2010: Nil) that had been pledged for repurchase agreements.

18. DERIVATIVE FINANCIAL INSTRUMENTS

A derivative is a financial instrument, the value of which is derived from the value of another "underlying" financial instrument, an index or some other variables. Typically, an "underlying" financial instrument is a share, commodity or bond price, an index value or an exchange or interest rate. The Group uses derivative financial instruments such as forward contracts and swaps.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

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18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

At each reporting date, the Group has positions in the following types of derivatives:

	Notional amounts with remaining lives of				Fair value	
	Up to 3 months	3 months to 1 year	1 to 5 years	Total	Assets	Liabilities
<u>2011-12-31</u>						
Foreign exchange derivative instruments:						
Forward foreign exchange contracts	53,345,202	55,451,436	755,184	109,551,822	660,960	(582,520)
Interest rate derivative instruments:						
Interest rate swap contracts	127,600	4,984,780	8,143,660	13,256,040	149,617	(149,898)
Total	<u>53,472,802</u>	<u>60,436,216</u>	<u>8,898,844</u>	<u>122,807,862</u>	<u>810,577</u>	<u>(732,418)</u>
	Notional amounts with remaining lives of				Fair value	
	Up to 3 months	3 months to 1 year	1 to 5 years	Total	Assets	Liabilities
<u>2010-12-31</u>						
Foreign exchange derivative instruments:						
Forward foreign exchange contracts	23,821,327	23,318,315	395,376	47,535,018	343,972	(291,069)
Interest rate derivative instruments:						
Interest rate swap contracts	-	100,000	2,200,000	2,300,000	27,762	(20,736)
Total	<u>23,821,327</u>	<u>23,418,315</u>	<u>2,595,376</u>	<u>49,835,018</u>	<u>371,734</u>	<u>(311,805)</u>

As at 31 December 2011 and 31 December 2010, no derivatives were designated as hedging instruments.

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19. REVERSE REPURCHASE AGREEMENTS

(a) Analysed by counterparty

	<u>2011-12-31</u>	<u>2010-12-31</u>
Banks	30,730,464	97,525,239
Non-bank financial institutions	<u>3,608,423</u>	<u>773,194</u>
Subtotal	34,338,887	98,298,433
Less: Impairment provisions (Note 11)	<u>(35,000)</u>	<u>(35,000)</u>
Total	<u><u>34,303,887</u></u>	<u><u>98,263,433</u></u>

As at 31 December 2011, included in this total amount of reverse repurchase agreements was an amount of RMB47 million (31 December 2010: RMB50 million) of impaired assets.

(b) Analysed by collateral

	<u>2011-12-31</u>	<u>2010-12-31</u>
Securities	5,230,046	250,000
Bills	27,962,678	97,525,239
Receivables under finance leases	<u>1,146,163</u>	<u>523,194</u>
Subtotal	34,338,887	98,298,433
Less: Impairment provisions (Note 11)	<u>(35,000)</u>	<u>(35,000)</u>
Total	<u><u>34,303,887</u></u>	<u><u>98,263,433</u></u>

(c) Fair value of collateral

Under certain reverse repurchase agreements, the Group has held collateral that is permitted to be sold or re-pledged in the absence of default by the owners of the collateral. At the reporting date, the fair values of the collateral held on such terms are as follows:

	<u>2011-12-31</u>		<u>2010-12-31</u>	
	Amount of reverse repurchase agreements	Fair value of collateral	Amount of reverse repurchase agreements	Fair value of collateral
Bills	<u>25,730,474</u>	<u>25,730,474</u>	<u>59,788,125</u>	<u>59,788,125</u>

As at 31 December 2011, included in the above fair value of collateral were bills of RMB400,007 thousand (31 December 2010: RMB9,830,370 thousand) that had been re-pledged and the Group had an obligation to return such collateral.

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20. ACCOUNTS RECEIVABLE

	<u>2011-12-31</u>	<u>2010-12-31</u>
Receivables with respect to making payments on behalf of customers (Note)	74,126,195	7,388,795
Receivables under factoring	7,758,628	3,960,733
Receivables with respect to making payments on behalf of other banks	88,481,105	1,874,992
Others	<u>223,083</u>	<u>502,895</u>
Total	<u>170,589,011</u>	<u>13,727,415</u>

Note: The above receivables are related to the provision of trade finance services for customers by making payments on their behalf via the offshore business unit of the Group or other banks in accordance with the terms of agreements signed with the customers. In connection with this, the payments made by other banks are correspondingly recorded in "Accounts payable".

21. LOANS AND ADVANCES

21a. Analysed by corporation and individual

	<u>2011-12-31</u>	<u>2010-12-31</u>
Loans and advances to corporations:		
Loans	413,022,705	268,653,156
Discounted bills	17,682,902	18,646,560
Subtotal	<u>430,705,607</u>	<u>287,299,716</u>
Loans and advances to individuals:		
Credit cards	24,709,727	6,340,541
Property mortgages	140,782,827	102,372,046
Others	24,443,656	11,378,832
Subtotal	<u>189,936,210</u>	<u>120,091,419</u>
Total loans and advances	620,641,817	407,391,135
Less: Loan impairment provisions (Notes 21f & 11)	<u>(10,566,481)</u>	<u>(6,425,060)</u>
Loans and advances, net	<u>610,075,336</u>	<u>400,966,075</u>

As at 31 December 2011, included in the discounted bills was an amount of RMB715,656 thousand (31 December 2010: RMB1,305,932 thousand) that had been pledged for amounts due to the Central Bank.

As at 31 December 2011, no loans had been pledged for repurchase agreements (31 December 2010: RMB2,572,000 thousand).

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21. LOANS AND ADVANCES (continued)

21a. Analysed by corporation and individual (continued)

In addition, as at 31 December 2011, the Group transferred out (without recourse) discounted bills amounting to RMB23.3 billion (31 December 2010: RMB86 billion) that had not yet matured at year end.

21b. Analysed by industry

	2011-12-31	2010-12-31
Agriculture, husbandry and fisheries	1,695,473	829,002
Extraction (Heavy industry)	6,619,201	4,206,075
Manufacturing (Light industry)	134,197,288	83,680,778
Energy	14,643,938	12,574,110
Transportation, storage and communication	29,259,438	20,287,842
Commercial	106,969,803	55,195,669
Real estate	36,632,582	22,527,322
Service, technology, culture and sanitary industries	51,688,604	48,328,221
Construction	27,569,898	18,277,064
Discounted bills	17,682,902	18,646,560
Loans and advances to individuals	189,936,210	120,091,419
Others	3,746,480	2,747,073
Total loans and advances	620,641,817	407,391,135
Less: Loan impairment provisions (Notes 21f & 11)	(10,566,481)	(6,425,060)
Loans and advances, net	<u>610,075,336</u>	<u>400,966,075</u>

21c. Analysed by type of collateral held or other credit enhancements

	2011-12-31	2010-12-31
Unsecured	114,800,698	73,941,051
Guaranteed	131,758,073	84,903,049
Secured by collateral	356,400,144	229,900,475
Of which: secured by mortgages	277,764,450	185,885,620
secured by monetary assets	78,635,694	44,014,855
Subtotal	602,958,915	388,744,575
Discounted bills	17,682,902	18,646,560
Total loans and advances	620,641,817	407,391,135
Less: Loan impairment provisions (Notes 21f & 11)	(10,566,481)	(6,425,060)
Loans and advances, net	<u>610,075,336</u>	<u>400,966,075</u>

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21. LOANS AND ADVANCES (continued)

21d. Aging analysis of past due loans

	2011-12-31				Total
	Overdue by 1 to 90 days, inclusive	Overdue by 90 days to 1 year, inclusive	Overdue by 1 to 3 years, inclusive	Overdue by more than 3 years	
Unsecured	820,012	274,594	25,395	129,467	1,249,468
Guaranteed	418,822	61,809	259,684	80,088	820,403
Secured by collateral	4,485,565	818,443	549,634	547,607	6,401,249
Of which:					
secured by mortgages	4,146,085	792,382	539,856	371,492	5,849,815
secured by monetary assets	339,480	26,061	9,778	176,115	551,434
Total	5,724,399	1,154,846	834,713	757,162	8,471,120

	2010-12-31				Total
	Overdue by 1 to 90 days, inclusive	Overdue by 90 days to 1 year, inclusive	Overdue by 1 to 3 years, inclusive	Overdue by more than 3 years	
Unsecured	314,087	108,749	222,741	-	645,577
Guaranteed	27,293	21,014	164,275	29,976	242,558
Secured by collateral	1,905,022	503,554	629,462	290,808	3,328,846
Of which:					
secured by mortgages	1,709,025	405,765	345,595	290,808	2,751,193
secured by monetary assets	195,997	97,789	283,867	-	577,653
Total	2,246,402	633,317	1,016,478	320,784	4,216,981

Overdue loans refer to the loans with either principal or interest being overdue by one day or more.

21e. Analysed by geographical region

	2011-12-31	2010-12-31
Eastern District	228,038,476	149,627,501
Southern District	215,421,145	108,264,687
Western District	47,852,179	42,081,244
Northern District	110,994,884	97,820,853
Head office	18,335,133	9,596,850
Total loans and advances	620,641,817	407,391,135
Less: Loan impairment provisions (Notes 21f & 11)	(10,566,481)	(6,425,060)
Loans and advances, net	610,075,336	400,966,075

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21. LOANS AND ADVANCES (continued)

21f. Movements in impairment provisions for loans and advances

	2011			2010		
	Individual	Collective	Total	Individual	Collective	Total
Balance at beginning of the year	1,126,471	5,298,589	6,425,060	994,935	2,959,933	3,954,868
Acquisition of a subsidiary	100,016	1,214,941	1,314,957	-	-	-
Charge/(reversal) for the year	(538,065)	2,673,726	2,135,661	(928,082)	2,402,545	1,474,463
Amounts written off	(22,438)	(213,719)	(236,157)	(12,111)	(201,088)	(213,199)
Recovery of loans written off previously	834,323	178,800	1,013,123	1,147,353	137,199	1,284,552
Interest accrued on impaired loans and advances	(77,791)	-	(77,791)	(68,905)	-	(68,905)
Other changes for the year	(8,384)	12	(8,372)	(6,719)	-	(6,719)
Balance at end of the year (Note 11)	<u>1,414,132</u>	<u>9,152,349</u>	<u>10,566,481</u>	<u>1,126,471</u>	<u>5,298,589</u>	<u>6,425,060</u>

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2011-12-31	2010-12-31
Bond investments analysed by issuer:		
Governments	5,824,504	5,591,842
The Central Bank	684,203	2,027,138
Policy banks	65,346,309	22,526,040
Other banks and non-bank financial institutions	2,014,326	677,160
Corporations	4,396,799	525,626
Less: Impairment provisions (Note 11)	(37,830)	-
Subtotal	<u>78,228,311</u>	<u>31,347,806</u>
Equity investments (Note 22a):		
Tradable shares	<u>25,806</u>	<u>32,835</u>
Non-tradable shares (Note)	223,036	198,216
Less: Impairment provisions (Note 11)	(112,857)	(112,857)
Non-tradable shares, net	<u>110,179</u>	<u>85,359</u>
Subtotal	<u>135,985</u>	<u>118,194</u>
Total available-for-sale financial assets	<u>78,364,296</u>	<u>31,466,000</u>

Note: These available-for-sale unlisted equity investments which do not have any quoted market prices and whose fair values cannot be reliably measured are stated at cost.

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22. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

As at 31 December 2011, included in the bond investments was an amount of RMB10,943,222 thousand (31 December 2010: Nil) that had been pledged for repurchase agreements.

As at 31 December 2011, there were no restricted tradable available-for-sale financial assets. As at 31 December 2010, included in the available-for-sale financial assets were restricted tradable shares of RMB2,715 thousand.

As at 31 December 2011, included in this total amount of available-for-sale financial assets was an amount of RMB37,830 thousand (31 December 2010: Nil) of impaired assets.

22a. Equity investments

	<u>2011-12-31</u>	<u>2010-12-31</u>
<u>Tradable shares</u>		
Yihua Real Estate Co., Ltd.	14,584	22,672
Visa Inc.	1,417	1,029
Shanghai Worldbest Co., Ltd.	4,490	4,273
Guangdong Shengrun Group Co., Ltd.	2,802	-
Shenzhen Shenxin Taifeng Group Co., Ltd.	2,513	4,861
Subtotal	<u>25,806</u>	<u>32,835</u>
<u>Non-tradable shares</u>		
China UnionPay Co., Ltd	74,220	50,000
Gintian Industry (Group) Co., Ltd.	9,662	9,662
Hainan Pearl River Holdings Co., Ltd.	9,650	9,650
Hainan Wuzhou Travel Co., Ltd.	5,220	5,220
Meizhou Polyester (Group) Co.	1,100	1,100
Shenzhen Zoto Investment Co., Ltd.	2,500	2,500
Guangdong Sanxing Enterprises (Group) Co., Ltd.	500	500
Hainan Baiyunshan Co., Ltd.	1,000	1,000
Hainan Saige Co., Ltd.	1,000	1,000
Hainan Zhonghailian Real Estate Co., Ltd.	1,000	1,000
Shenzhen Jiafeng Textile Industrial Co., Ltd.	16,725	16,725
SWIFT	684	684
Yong An Property Insurance Co., Ltd.	67,000	67,000
Wuhan Steel Electricity Co., Ltd.	32,175	32,175
City Commercial Bank Funds Clearing	600	-
Less: Impairment provisions (Note 11)	<u>(112,857)</u>	<u>(112,857)</u>
Subtotal	<u>110,179</u>	<u>85,359</u>
Equity investments, net	<u>135,985</u>	<u>118,194</u>

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23. HELD-TO-MATURITY INVESTMENTS

	<u>2011-12-31</u>	<u>2010-12-31</u>
Bond investments analysed by issuer:		
Governments	22,444,724	15,040,553
The Central Bank	8,071,093	6,969,813
Policy banks	61,407,084	28,613,269
Other banks and non-bank financial institutions	2,672,188	2,739,149
Corporations	13,092,792	8,016,584
Subtotal	<u>107,687,881</u>	<u>61,379,368</u>
Less: Impairment provisions (Note 11)	<u>(4,801)</u>	<u>-</u>
Total	<u><u>107,683,080</u></u>	<u><u>61,379,368</u></u>

As at 31 December 2011, included in the bond investments were amounts of RMB6,969,737 thousand (31 December 2010: RMB598,218 thousand) and RMB28,501,524 thousand (31 December 2010: RMB6,177,996 thousand) that had been pledged for agreements of time deposits from the PBOC and repurchase agreements, respectively.

24. RECEIVABLES

	<u>2011-12-31</u>	<u>2010-12-31</u>
Subordinated bonds issued by financial institutions	500,000	500,000
Principal guaranteed wealth management products issued by banks	<u>13,232,100</u>	<u>18,002,100</u>
Total	<u><u>13,732,100</u></u>	<u><u>18,502,100</u></u>

25. INVESTMENTS IN ASSOCIATES

	<u>2011-12-31</u>	<u>2010-12-31</u>
<u>Associates</u>		
Chengdu Gongtong Assets Management Co., Ltd.	449,115	313,054
Shandong Xinkaiyuan Real Estate Co., Ltd.	-	29,038
Subtotal	<u>449,115</u>	<u>342,092</u>
Less: Impairment provisions (Note 11)	<u>(20,000)</u>	<u>(23,061)</u>
Net investment balance	<u><u>429,115</u></u>	<u><u>319,031</u></u>

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25. INVESTMENTS IN ASSOCIATES (continued)

The movements in the associates during the year are as follows:

	Cost of investment	Balance at beginning of the year	Share of profit for the year	Movements in equity			Impairment provision		Balance at end of the year
				Movement in other comprehensive income	Cash dividend received	Amounts transferred out during the year	Amounts transferred out during the year	Accumulated balance	
2011									
Chengdu Gongtuo Assets Management Co., Ltd. (Note 1)	259,836	293,054	45,000	106,000	(14,939)	-	-	(20,000)	429,115
Shandong Xinkaiyuan Real Estate Co., Ltd. (Note 2)	30,607	25,977	-	-	-	(29,038)	3,061	-	-
Total	290,443	319,031	45,000	106,000	(14,939)	(29,038)	3,061	(20,000)	429,115

	Cost of investment	Balance at beginning of the year	Share of profit for the year	Movements in equity			Impairment provision		Balance at end of the year
				Movement in other comprehensive income	Cash dividend received	Charge for the year	Accumulated balance		
2010									
Chengdu Gongtuo Assets Management Co., Ltd. (Note 1)	259,836	259,800	62,393	(9,219)	(19,920)	-	(20,000)		293,054
Shandong Xinkaiyuan Real Estate Co., Ltd. (Note 2)	30,607	27,546	(1,569)	-	-	-	(3,061)		25,977
Total	290,443	287,346	60,824	(9,219)	(19,920)	-	(23,061)		319,031

Note 1: At 30 January 2008, the Company obtained 33.2% of the shareholding of Chengdu Gongtuo Assets Management Co., Ltd. as repossessed assets.

Note 2: At 18 August 2008, the Company obtained 15.42% of the shareholding of Shandong Xinkaiyuan Real Estate Co., Ltd. as repossessed assets. The Company has appointed a representative at the board of the investee and has significant influence over the investee. In May 2011, the Company obtained a property from Shandong Xinkaiyuan Real Estate Co., Ltd. as repossessed assets in exchange for the 15.42% shareholding.

The key financial information of the associate is as follows:

	Place of registration	Nature of business	Registered capital
Chengdu Gongtuo Assets Management Co., Ltd.	Chengdu	Asset management	518,700

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25. INVESTMENTS IN ASSOCIATES (continued)

The key financial information of the associate is as follows: (continued)

	2011-12-31		2011	
	Total assets	Total liabilities	Operating income	Net profit (Note)
Chengdu Gongtong Assets Management Co., Ltd.	<u>2,490,750</u>	<u>1,077,630</u>	<u>135,647</u>	<u>163,277</u>
	2010-12-31		2010	
	Total assets	Total liabilities	Operating income	Net profit (Note)
Chengdu Gongtong Assets Management Co., Ltd.	<u>1,385,767</u>	<u>467,642</u>	<u>114,434</u>	<u>115,053</u>

Note: The amount represents the net profit attributable to the parent company on the face of the consolidated income statement of the associate.

26. INVESTMENT PROPERTIES

	2011-12-31	2010-12-31 (Restated)
At cost:		
Balance at beginning of the year	332,410	345,041
Transfer in/(out) from property and equipment during the year, net	13,343	(12,631)
Acquisition of a subsidiary	57,658	-
Balance at end of the year	<u>403,411</u>	<u>332,410</u>
Accumulated depreciation:		
Balance at beginning of the year	117,839	108,506
Accruals	10,578	13,433
Acquisition of a subsidiary	5,977	-
Transfer in/(out) from property and equipment during the year, net	6,226	(4,100)
Balance at end of the year	<u>140,620</u>	<u>117,839</u>
Net book value:		
Balance at end of the year	<u>262,791</u>	<u>214,571</u>
Balance at beginning of the year	<u>214,571</u>	<u>236,535</u>
Fair value:		
Balance at end of the year	<u>562,367</u>	<u>539,805</u>
Balance at beginning of the year	<u>539,805</u>	<u>523,846</u>

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26. INVESTMENT PROPERTIES (continued)

As at 31 December 2011, included in the investment properties was an amount of RMB8,780 thousand (31 December 2010: RMB6,722 thousand) that did not have the corresponding registration certificates of property rights.

The gross rental income earned from the investment properties during the year amounted to RMB42,718 thousand (2010: RMB42,732 thousand). The total direct operating expense (including repairs and maintenance expenses) for the investment properties, with or without rental income generated during the year, was RMB2,778 thousand (2010: RMB2,479 thousand).

27. PROPERTY AND EQUIPMENT

2011	Properties and buildings	Transportatio n vehicles	Electronic appliances	Leasehold improvements	Total
At cost:					
Balance at beginning of the year	2,660,437	83,552	1,569,187	698,222	5,011,398
Additions	20,127	9,772	356,208	50,342	436,449
Transfer from construction in progress	217,843	-	42,122	93,689	353,654
Acquisition of a subsidiary	680,800	13,579	796,957	365,251	1,856,587
Subtraction	(23,397)	(7,500)	(150,125)	(12,966)	(193,988)
Balance at end of the year	<u>3,555,810</u>	<u>99,403</u>	<u>2,614,349</u>	<u>1,194,538</u>	<u>7,464,100</u>
Accumulated depreciation:					
Balance at beginning of the year	918,488	47,030	949,076	307,715	2,222,309
Accruals	136,939	12,050	308,032	154,477	611,498
Acquisition of a subsidiary	120,585	4,997	408,436	184,889	718,907
Subtraction	(11,530)	(7,260)	(147,835)	(8,376)	(175,001)
Balance at end of the year	<u>1,164,482</u>	<u>56,817</u>	<u>1,517,709</u>	<u>638,705</u>	<u>3,377,713</u>
Less: Impairment provision (Note 11)	<u>(6,289)</u>				<u>(6,289)</u>
Net book value:					
As at 31 December 2011	<u>2,385,039</u>	<u>42,586</u>	<u>1,096,640</u>	<u>555,833</u>	<u>4,080,098</u>
As at 31 December 2010	<u>1,735,660</u>	<u>36,522</u>	<u>620,111</u>	<u>390,507</u>	<u>2,782,800</u>

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27. PROPERTY AND EQUIPMENT (continued)

2010 (Restated)	Properties and buildings	Transportatio n vehicles	Electronic appliances	Leasehold improvements	Total
At cost:					
Balance at beginning of the year	1,916,083	84,150	1,348,970	829,417	4,178,620
Additions	41,165	13,291	240,115	57,668	352,239
Transfer from construction in progress	723,590	-	50,018	123,571	897,179
Subtraction	(20,401)	(13,889)	(69,916)	(43,635)	(147,841)
Balance at end of the year	<u>2,660,437</u>	<u>83,552</u>	<u>1,569,187</u>	<u>967,021</u>	<u>5,280,197</u>
Accumulated depreciation:					
Balance at beginning of the year	818,503	51,403	804,535	509,577	2,184,018
Accruals	101,641	8,618	211,054	105,348	426,661
Subtraction	(1,656)	(12,991)	(66,513)	(38,411)	(119,571)
Balance at end of the year	<u>918,488</u>	<u>47,030</u>	<u>949,076</u>	<u>576,514</u>	<u>2,491,108</u>
Less: Impairment provision (Note 11)	<u>(6,289)</u>				<u>(6,289)</u>
Net book value:					
As at 31 December 2010	<u>1,735,660</u>	<u>36,522</u>	<u>620,111</u>	<u>390,507</u>	<u>2,782,800</u>
As at 31 December 2009	<u>1,091,291</u>	<u>32,747</u>	<u>544,435</u>	<u>319,840</u>	<u>1,988,313</u>

As at 31 December 2011, the original cost and net book value of properties and buildings amounting to RMB370,566 thousand (31 December 2010: RMB330,810 thousand) and RMB295,212 thousand (31 December 2010: RMB281,104 thousand) respectively, are in use by the Group without having the registration certificates of property rights.

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28 INTANGIBLE ASSETS

2011	Core deposits (Note)	Software	Others	Total
Cost/valuation:				
At 1 January 2011	-	312,231	375	312,606
Additions	-	210,233	1,000	211,233
Acquisition of a subsidiary	5,756,685	390,556	-	6,147,241
Subtractions	-	(389)	-	(389)
At 31 December 2011	<u>5,756,685</u>	<u>912,631</u>	<u>1,375</u>	<u>6,670,691</u>
Amortisation:				
At 1 January 2011	-	120,833	193	121,026
Amortisation	143,917	142,862	111	286,890
Acquisition of a subsidiary	-	273,271	-	273,271
Subtractions	-	(227)	-	(227)
At 31 December 2011	<u>143,917</u>	<u>536,739</u>	<u>304</u>	<u>680,960</u>
Net book value:				
As at 31 December 2011	<u>5,612,768</u>	<u>375,892</u>	<u>1,071</u>	<u>5,989,731</u>
As at 1 January 2011	<u>-</u>	<u>191,398</u>	<u>182</u>	<u>191,580</u>
2010	Core deposits	Software	Others	Total
Cost/valuation:				
At 1 January 2010	-	224,981	375	225,356
Additions	-	117,421	-	117,421
Subtractions	-	(30,171)	-	(30,171)
At 31 December 2010	<u>-</u>	<u>312,231</u>	<u>375</u>	<u>312,606</u>
Amortisation:				
At 1 January 2010	-	68,375	193	68,568
Amortisation	-	52,458	-	52,458
At 31 December 2010	<u>-</u>	<u>120,833</u>	<u>193</u>	<u>121,026</u>
Net book value:				
As at 31 December 2010	<u>-</u>	<u>191,398</u>	<u>182</u>	<u>191,580</u>
As at 1 January 2010	<u>-</u>	<u>156,606</u>	<u>182</u>	<u>156,788</u>

Note: Core deposits are accounts that a financial institution expects to maintain for an extended period of time due to ongoing business relationships. The intangible asset value associated with core deposits reflects the use of the deposits at a lower cost alternative source of funding.

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29. GOODWILL

2011

	Balance at beginning of the year	Additions	Subtraction	Balance at end of the year	Impairment provision
Ping An Bank	-	7,568,304	-	7,568,304	-

Ping An Bank was acquired by the Group in July 2011 and goodwill acquired from this business combination amounted to RMB7,568,304 thousand with calculation set out in Note 3.

Goodwill acquired from the business combination has been allocated to eastern district, southern district, western district, northern district, credit card center and Ping An Bank cash-generating units for impairment test.

The recoverable amounts of cash-generating units were determined based on the present value of the expected future cash flows of the cash-generating units. The future expected cash flows were determined based on the basis of the expected cash flows from the 5 years budget plan as approved by management. The cash flows beyond the 5 years period were extrapolated based on the growth rate of the long-term average growth rates arose within the operating geographic locations and industries of the cash-generating units. The pre-tax discounted rate used to discount the cash flows reflected the specific risk associated with the cash-generating units.

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30. DEFERRED TAX ASSETS/LIABILITIES

2011

	Balance at beginning of the year	Acquisition of a subsidiary	Recognised in the income statement (Note 12)	Recognised in other comprehensive income	Balance at end of the year
Deferred tax assets					
Impairment provisions	1,517,492	51,920	414,521	-	1,983,933
Salaries and bonuses	352,216	82,392	294,500	-	729,108
Changes in fair values of available-for-sale financial assets	42,565	-	-	(42,565)	-
Others	42,295	74,477	59,949	-	176,721
Subtotal	1,954,568	208,789	768,970	(42,565)	2,889,762
Deferred tax liabilities					
Changes in fair values of financial instruments at fair value through profit or loss and derivative financial instruments	(15,425)	-	(7,278)	-	(22,703)
Changes in fair values of available-for-sale financial assets	-	-	-	(64,480)	(64,480)
Fair value assessment of the subsidiary	-	(1,244,858)	(19,021)	-	(1,263,879)
Subtotal	(15,425)	(1,244,858)	(26,299)	(64,480)	(1,351,062)
Net amount	1,939,143	(1,036,069)	742,671	(107,045)	1,538,700

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30. DEFERRED TAX ASSETS/LIABILITIES (continued)

2010 (Restated)

	Balance at beginning of the year	Recognised in the income statement (Note 12)	Recognised in other comprehensive income	Balance at end of the year
<u>Deferred tax assets</u>				
Impairment provisions	1,492,006	25,486	-	1,517,492
Salaries and bonuses	67,522	284,694	-	352,216
Changes in fair values of available-for-sale financial assets	-	-	42,565	42,565
Others	23,406	18,889	-	42,295
Subtotal	<u>1,582,934</u>	<u>329,069</u>	<u>42,565</u>	<u>1,954,568</u>
<u>Deferred tax liabilities</u>				
Changes in fair values of financial instruments at fair value through profit or loss and derivative financial instruments	(18,680)	3,255	-	(15,425)
Changes in fair values of available-for-sale financial assets	(6,106)	-	6,106	-
Subtotal	<u>(24,786)</u>	<u>3,255</u>	<u>6,106</u>	<u>(15,425)</u>
Net amount	<u><u>1,558,148</u></u>	<u><u>332,324</u></u>	<u><u>48,671</u></u>	<u><u>1,939,143</u></u>

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31. OTHER ASSETS

(a) Analysed by nature

	<u>2011-12-31</u>	<u>2010-12-31</u>
Interest receivable on bond investments and wealth management products	2,828,406	1,384,991
Interest receivable on loans and amounts due from other financial institutions	4,578,618	890,507
Long term prepayments	91,239	98,878
Prepayments (Note 31b)	1,041,015	137,907
Prepaid legal expenses (Note 31c)	66,865	64,045
Reposessed assets (Note 31d)	602,474	630,116
Construction in progress (Note 31e)	161,240	194,586
Receivable of bills due from other banks	4,904	3,796
Receivable of deferred consumption payments	515,757	336,457
Others (Note 31f)	<u>348,865</u>	<u>158,120</u>
Total other assets	<u>10,239,383</u>	<u>3,899,403</u>
Less: Impairment provisions:		
Prepaid legal expenses (Note 31c)	(55,467)	(56,080)
Reposessed assets (Note 31d)	(247,668)	(258,185)
Others (Note 31f)	<u>(108,013)</u>	<u>(103,314)</u>
Total impairment provisions	<u>(411,148)</u>	<u>(417,579)</u>
Other assets, net	<u><u>9,828,235</u></u>	<u><u>3,481,824</u></u>

(b) Aging analysis of prepayments

	<u>2011-12-31</u>		<u>2010-12-31</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Less than 1 year	986,190	94.73%	88,661	64.29%
1 to 2 years	8,433	0.81%	11,657	8.45%
2 to 3 years	11,207	1.08%	14,672	10.64%
Over 3 years	<u>35,185</u>	<u>3.38%</u>	<u>22,917</u>	<u>16.62%</u>
Total	<u><u>1,041,015</u></u>	<u><u>100.00%</u></u>	<u><u>137,907</u></u>	<u><u>100.00%</u></u>

As at 31 December 2011 and 31 December 2010, the Group has not made any provision for prepayments.

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31. OTHER ASSETS (continued)

(c) Prepaid legal expenses

	2011-12-31				2010-12-31			
	Carrying amount		Impairment provision		Carrying amount		Impairment provision	
	Amount	Percentage	Amount	Coverage	Amount	Percentage	Amount	Coverage
Individual assessment	61,086	91.36%	(52,236)	85.51%	59,237	92.49%	(52,343)	88.36%
Collective assessment:								
Aging less than 1 year	3,385	5.06%	(877)	25.91%	2,269	3.55%	(1,256)	55.35%
Aging between 1 and 2 years	889	1.33%	(849)	95.50%	1,271	1.98%	(1,213)	95.44%
Aging between 2 and 3 years	679	1.01%	(679)	100.00%	438	0.68%	(438)	100.00%
Aging over 3 years	826	1.24%	(826)	100.00%	830	1.30%	(830)	100.00%
Subtotal	5,779	8.64%	(3,231)	55.91%	4,808	7.51%	(3,737)	77.72%
Total	66,865	100.00%	(55,467)	82.95%	64,045	100.00%	(56,080)	87.56%

(d) Repossessed assets

	2011-12-31	2010-12-31
Land, properties and buildings	566,835	590,375
Others	35,639	39,741
Total	602,474	630,116
Less: Provision for decline in value (Note 11)	(247,668)	(258,185)
Repossessed assets, net	354,806	371,931

During the year, the Group took possession of collateral held as security with a carrying amount of RMB177,227 thousand (2010: RMB120,858 thousand). The collateral mainly comprises buildings. During the year, the Group disposed of repossessed assets with their gross carrying value amounting to RMB267,724 thousand (2010: RMB518,866 thousand). The Group plans to dispose of the repossessed assets through auctions, bidding or transfers in the future.

(e) Construction in progress

	2011-12-31	2010-12-31
Balance at beginning of the year	194,586	673,587
Acquisition of a subsidiary	117,734	-
Additions during the year	261,571	437,470
Transfer to property and equipment	(353,655)	(897,179)
Transfer to intangible assets	(58,996)	(19,292)
Balance at end of the year	161,240	194,586

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31. OTHER ASSETS (continued)

(e) Construction in progress (continued)

Movements in key projects of construction in progress during the year are as follows:

2011

Project name	Budget amount	Balance at beginning of the year	Additions	Transfer out to property and equipment	Balance at end of the year	Percentage of budget incurred	Progress of project
Bank premises of Jinan Branch	210,000	175,330	24,721	(200,051)	-	95%	100%

2010

Project name	Budget amount	Balance at beginning of the year	Additions	Transfer out to property and equipment	Balance at end of the year	Percentage of budget incurred	Progress of project
Bank premises of Jinan Branch	210,000	-	175,330	-	175,330	83%	75%
Property development project for Information Technology Building of SDB	217,095	176,788	32,676	(209,464)	-	96%	100%
Bank premises of Tianjin Branch	268,548	197,504	48,587	(246,091)	-	92%	100%
Bank premises of Nanjing Branch (Hetai Building)	253,444	233,798	11,016	(244,814)	-	97%	100%

Note: All proceeds for construction in progress are self-funded.

(f) Others

	2011-12-31				2010-12-31			
	Carrying amount		Impairment provision		Carrying amount		Impairment provision	
	Amount	Percentage	Amount	Coverage	Amount	Percentage	Amount	Coverage
Individual assessment	173,628	49.77%	(91,371)	52.62%	117,179	74.11%	(95,144)	81.20%
Collective assessment:								
Aging less than 1 year	165,886	47.55%	(8,545)	5.15%	26,098	16.51%	(1,091)	4.18%
Aging between 1 and 2 years	3,466	0.99%	(3,354)	96.77%	6,031	3.81%	(208)	3.45%
Aging between 2 and 3 years	-	-	-	-	510	0.32%	(472)	92.55%
Aging over 3 years	5,885	1.69%	(4,743)	80.59%	8,302	5.25%	(6,399)	77.08%
Subtotal	175,237	50.23%	(16,642)	9.50%	40,941	25.89%	(8,170)	19.96%
Total	348,865	100.00%	(108,013)	30.96%	158,120	100.00%	(103,314)	65.34%

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32. PLACEMENTS OF DEPOSITS FROM OTHER FINANCIAL INSTITUTIONS

	<u>2011-12-31</u>	<u>2010-12-31</u>
Domestic banks	78,380,040	59,298,912
Domestic non-bank financial institutions	77,007,971	23,071,148
Overseas banks and other financial institutions	<u>21,766</u>	<u>-</u>
Total	<u>155,409,777</u>	<u>82,370,060</u>

33. FUNDS BORROWED FROM OTHER FINANCIAL INSTITUTIONS

	<u>2011-12-31</u>	<u>2010-12-31</u>
Domestic banks	25,159,349	6,200,174
Domestic non-bank financial institutions	<u>120,000</u>	<u>-</u>
Total	<u>25,279,349</u>	<u>6,200,174</u>

34. REPURCHASE AGREEMENTS

	<u>2011-12-31</u>	<u>2010-12-31</u>
(a) Analysed by collateral		
Securities	39,197,371	6,144,600
Bills	-	8,944,072
Loans	<u>-</u>	<u>2,500,000</u>
Total	<u>39,197,371</u>	<u>17,588,672</u>
(b) Analysed by counterparty		
Banks	37,529,171	16,854,072
Non-bank financial institutions	<u>1,668,200</u>	<u>734,600</u>
Total	<u>39,197,371</u>	<u>17,588,672</u>

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35. CUSTOMER DEPOSITS

	<u>2011-12-31</u>	<u>2010-12-31</u>
Current deposits:		
Corporate customers	204,743,627	142,599,994
Personal customers	69,075,202	33,028,210
Subtotal	<u>273,818,829</u>	<u>175,628,204</u>
Fixed deposits:		
Corporate customers	276,087,203	177,004,192
Personal customers	70,410,312	47,816,086
Subtotal	<u>346,497,515</u>	<u>224,820,278</u>
Guarantee deposits	205,702,638	143,372,603
Fiscal deposits	16,029,463	16,399,646
Time deposits from the PBOC	5,800,000	470,000
Inward and outward remittances	<u>2,996,702</u>	<u>2,221,611</u>
Total	<u>850,845,147</u>	<u>562,912,342</u>

36. EMPLOYEE BENEFITS PAYABLE

	Balance at beginning of the year	Acquisition of a subsidiary	Increase during the year	Payment made during the year	Balance at end of the year (Note 2)
<u>2011</u>					
Salaries, bonuses, allowances and subsidies	1,547,270	350,135	5,156,562	(4,019,518)	3,034,449
including: Deferred bonus accrual (Note 1)	68,817	-	69,303	(26,610)	111,510
Social insurance, supplementary pension contributions and staff welfare	327,028	79,670	964,558	(845,629)	525,627
Housing funds	-	-	255,643	(255,643)	-
Labour union and training expenses	4,305	40,272	143,002	(147,310)	40,269
Others	-	-	19,165	(19,165)	-
Total	<u>1,878,603</u>	<u>470,077</u>	<u>6,538,930</u>	<u>(5,287,265)</u>	<u>3,600,345</u>

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36. EMPLOYEE BENEFITS PAYABLE (continued)

<u>2010</u>	<u>Balance at beginning of the year</u>	<u>Increase during the year</u>	<u>Payment made during the year</u>	<u>Balance at end of the year(Note 2)</u>
Salaries, bonuses, allowances and subsidies	1,419,343	3,070,266	(2,942,339)	1,547,270
including: Deferred bonus accrual (Note 1)	159,602	8,625	(99,410)	68,817
Social insurance, supplementary pension contributions and staff welfare	262,385	590,526	(525,883)	327,028
Housing funds	-	162,078	(162,078)	-
Labour union and training expenses	-	96,193	(91,888)	4,305
Others	-	25,446	(25,446)	-
Total	<u>1,681,728</u>	<u>3,944,509</u>	<u>(3,747,634)</u>	<u>1,878,603</u>

Note 1: The amount of deferred bonus is determined based on the indicators of profitability, the share price and the capital adequacy ratio of the Company as well as the share prices of certain other domestic listed banks; and will be settled in cash in accordance with the terms of the arrangement.

Note 2: As at 31 December 2011, included in the outstanding balances of employee benefits payable was an approximate amount of RMB3 billion (31 December 2010: RMB1.5 billion) that is expected to be settled in 12 months.

37. ACCOUNTS PAYABLES

	<u>2011-12-31</u>	<u>2010-12-31</u>
Payables with respect to making payments on behalf of customers	69,478,001	4,532,860
Payables under factoring	968,108	85,064
Payables under discounted bills	114,625	502,894
Total	<u>70,560,734</u>	<u>5,120,818</u>

38. BONDS PAYABLE

	<u>2011-12-31</u>	<u>2010-12-31</u>
Subordinated bonds (Note 1)	10,942,684	7,978,650
Hybrid capital debt instrument (Note 2)	5,111,802	1,490,838
Total	<u>16,054,486</u>	<u>9,469,488</u>

During 2011 and 2010, the Group did not have any defaults of principal, interest or other breaches with respect to the subordinated bonds and the hybrid capital debt instrument.

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38. BONDS PAYABLE (continued)

Note 1: As approved by the PBOC and the CBRC, the Company issued three sets of subordinated bonds with a total amount of RMB8 billion in the inter-bank bond market on 21 March 2008 and 28 October 2008. These subordinated bonds comprise two sets of fixed-rate bonds with notional values of RMB6 billion and RMB1.5 billion respectively; and one set of floating-rate bonds with a notional value of RMB0.5 billion. The term of the bonds is of 10 years with a call option at the end of the fifth year. The coupon rates for the first five years are 6.10% and 5.30% for the two sets of fixed-rate bonds; and SHIBOR3M+1.40% for the floating-rate bonds. If the Company does not exercise the call option at the end of the fifth year, both the fixed and floating coupon rates will increase by 3%.

Upon the approval of the PBOC and the CBRC, Ping An Bank issued subordinated debts of RMB3 billion through open market bidding during the period from 26 June 2009 to 29 June 2009. The debts are unsecured and have a maturity period of 10 years. Among which, RMB1.15 billion are fixed interest rate debts bearing interest at a rate of 4.4% per annum in the first five years and 7.4% in the remaining years; RMB1.85 billion are floating interest rate debts bearing interest at a rate of one year time deposit interest rate plus 165BP per annum in the first five years and one year time deposit interest rate plus 465BP per annum in the remaining years. Ping An Bank has the option to redeem the subordinated debts at the end of the first five years.

Note 2: As approved by the PBOC and CBRC, the Company issued a fixed-rate hybrid capital debt instrument amounting to RMB1.5 billion in the inter-bank market on 26 May 2009. The debt instrument has 15 years to maturity. The Company has the option to redeem the debt instrument at face value on 26 May 2019. The coupon rate for the first ten years is 5.70%. If the Company does not exercise this option, the coupon rate will increase by 3% thereafter.

On 29 April 2011, as approved by the PBOC and the CBRC, the Company issued another fixed-rate hybrid capital debt instrument amounting to RMB3.65 billion in the inter-bank market. The debt instrument has 15 years to maturity with an annual interest rate of 7.5%. The Company has the option to redeem the debt instrument at face value on 29 April 2021.

39. PROVISIONS

	<u>2011-12-31</u>	<u>2010-12-31</u>
Balance at beginning of the year	3,047	3,358
Acquisition of a subsidiary	89,592	-
Charge for the year	29,278	1,469
Amounts paid or released	(9,671)	(1,780)
Balance at end of the year	<u>112,246</u>	<u>3,047</u>

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40. OTHER LIABILITIES

	2011-12-31	2010-12-31
Interest payable	9,913,661	3,920,073
Tax payable - other than income tax	1,104,810	468,711
Amounts pending for settlement and clearing	4,194,274	77,157
Financial guarantee contracts	109,829	69,007
Amounts payable for bond redemption as intermediaries	28,435	36,139
Inactive deposit account balances	110,075	34,573
Accrued expenses	372,636	98,230
Dividends payable (Note)	12,991	11,260
Advanced receipts of rentals and proceeds from disposal of repossessed assets	2,496	11,713
Others	1,242,338	518,159
Total	<u>17,091,545</u>	<u>5,245,022</u>

Note: As at 31 December 2011, the above-mentioned balance of dividends payable has been outstanding for more than one year as the related shareholders have not collected the dividends.

41. SHARE CAPITAL AND PREMIUM

As at 31 December 2011, the number of the Company's ordinary shares issued and fully paid was 5,123,350 thousand, with a price of RMB1 Yuan each. The nature and the structure of the share capital are as follows:

	2010-12-31	Percentage	Movement in the year	2011-12-31	Percentage
I. Restricted tradable shares:					
Domestic non-state-owned corporation shares	379,636	10.89%	1,638,336	2,017,972	39.39%
Domestic individual shares	19	0.00%	-	19	0.00%
Total restricted tradable shares	<u>379,655</u>	<u>10.89%</u>	<u>1,638,336</u>	<u>2,017,991</u>	<u>39.39%</u>
II. Unrestricted tradable shares:					
RMB ordinary shares	3,105,359	89.11%	-	3,105,359	60.61%
III. Total shares	<u>3,485,014</u>	<u>100.00%</u>	<u>1,638,336</u>	<u>5,123,350</u>	<u>100.00%</u>

In 2011, the Company completed the issuance of 1,638,336,654 A shares to Ping An Group for exchange of 90.75% of Ping An Bank's shares and RMB2,690,052 thousand of cash, of which amounts of RMB1,638,336,654 was recorded in share capital and RMB27,753,423 thousand was recorded in share premium, respectively.

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41. SHARE CAPITAL AND PREMIUM (continued)

The above mentioned paid-up capital has been verified by Ernst & Young Hua Ming in the issued capital verification reports (Ernst & Young Hua Ming [2011] Yanzi No.60438538_H01).

42. RESERVES

	<u>2011-12-31</u>	<u>2010-12-31</u> (Restated)
Statutory surplus reserve	2,830,459	1,912,339
General reserve	7,954,903	5,977,782
Accumulated share of the other comprehensive income of associates	79,054	(26,946)
Cumulative changes in fair value of available-for-sale financial assets	<u>204,151</u>	<u>(132,761)</u>
Total	<u>11,068,567</u>	<u>7,730,414</u>

In accordance with the Company Law, the Company is required to appropriate 10% of its profit after tax to its statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, if any, and may also be converted into capital, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital. The Company may also appropriate its profit after tax to the discretionary surplus reserve upon approval of the shareholders in general meetings.

As at 31 December 2011 and 31 December 2010, the amount of the surplus reserve represented the statutory surplus reserve.

Pursuant to the relevant regulations issued by the MOF, the Company is required to maintain a general reserve within equity, through the appropriation of net profit, which should not be less than 1% of the year end balance of its risk assets.

43. UNAPPROPRIATED PROFIT

Pursuant to a board resolution on 8 March 2012, based on the audited profit for the year as reported in the statutory financial statements for the year ended 31 December 2011, the Company appropriated RMB918,120 thousand to the statutory surplus reserve based on 10% of the net profit and RMB1,977,121 thousand to the general reserve for the year of 2011. The above proposed appropriations are pending for approval from shareholders at the forthcoming annual general meeting.

Pursuant to a board resolution on 24 February 2011, based on the audited profit for the year as reported in the statutory financial statements for the year ended 31 December 2010, the Company appropriated RMB628,382 thousand to the statutory surplus reserve based on 10% of the net profit and RMB1,301,506 thousand to the general reserve for the year of 2010. The above proposed appropriations were approved at the shareholders' meeting of the Company held on 25 May 2011.

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44. NOTE TO THE CASH FLOW STATEMENT

	2011	2010 (Restated)
Profit before tax	13,257,489	7,948,414
Adjustments to reconcile profit before tax to cash flows arising from operating activities		
Non-cash items included in profit before tax and other adjustments:		
Depreciation of property and equipment	611,498	426,661
Depreciation of investment properties	10,578	13,433
Impairment provision on loans	2,135,661	1,474,463
Interest income accrued on impaired financial assets	(77,791)	(68,905)
Impairment provisions on other assets	12,913	13,653
Provisions charged for the year	29,278	1,469
Amortisation of long term prepayments	11,472	12,436
Amortisation of intangible assets	286,890	52,458
Net unrealised (gain)/loss of financial assets/liabilities at fair value through profit or loss	(21,138)	19,071
Net gain on disposal of property and equipment	(2,468)	(602)
Interest income on debt investments	(6,249,138)	(3,175,925)
Dividend income from investment securities	(3,483)	(5,094)
Net (gain)/loss on disposal of investment securities	106,928	(2,122)
Interest expense on bonds	836,642	555,945
Share of profits of associates	(45,000)	(60,824)
Net decrease/(increase) in operating assets:		
Due from the Central Bank	(41,891,696)	(23,841,469)
Placements of deposits with other financial institutions	(4,554,944)	5,076,642
Funds loaned to other financial institutions	1,484,214	(974,193)
Reverse repurchase agreements	45,457,534	(33,937,324)
Financial assets at fair value through profit or loss	(2,465,994)	1,132,776
Loans and advances	(67,003,852)	(46,575,944)
Long term prepayments	(2,603)	(1,874)
Other assets	(166,466,196)	(10,730,924)
Net increase/(decrease) in operating liabilities:		
Due to the Central Bank	(1,358,004)	2,218,199
Placements of deposits from other financial institutions	45,245,811	8,230,387
Interbank borrowings	16,120,877	(1,369,944)
Repurchase agreements	(2,827,719)	3,701,753
Customer deposits	83,220,588	107,825,040
Inward and outward remittances	(2,419,821)	452,094
Other liabilities	74,957,176	5,308,548
Cash flows from operating activities	<u>(11,604,298)</u>	<u>23,718,298</u>

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45. COMMITMENTS AND CONTINGENT LIABILITIES

45a. Capital commitments

	<u>2011-12-31</u>	<u>2010-12-31</u>
Authorised, but not contracted for	3,939	22,122
Contracted, but not provided for	<u>35,793</u>	<u>21,193</u>
Total	<u>39,732</u>	<u>43,315</u>

45b. Operating Lease commitments

Operating lease commitments - Group as lessee

The Group has entered into commercial leases on certain premises and equipment. At the reporting date, the total future minimum lease payments under non-cancellable operating leases were as follows:

	<u>2011-12-31</u>	<u>2010-12-31</u>
Within one year, inclusive	875,609	472,328
In the second to fifth years, inclusive	2,112,075	1,315,628
More than five years	<u>906,878</u>	<u>610,786</u>
Total	<u>3,894,562</u>	<u>2,398,742</u>

Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on its investment portfolio. All investment properties are leased out under operating leases. Future minimum rentals receivable under non-cancellable operating leases at the reporting date were as follows:

	<u>2011-12-31</u>	<u>2010-12-31</u>
Within one year, inclusive	41,507	33,886
In the second to fifth years, inclusive	47,054	32,930
More than five years	<u>9,233</u>	<u>3,207</u>
Total	<u>97,794</u>	<u>70,023</u>

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45. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

45c. Credit commitments

	<u>2011-12-31</u>	<u>2010-12-31</u>
Financial guarantee contracts:		
Bank acceptances	296,781,896	246,614,478
Guarantees issued	25,172,388	3,823,915
Letters of credit issued	6,017,002	2,926,267
Subtotal	<u>327,971,286</u>	<u>253,364,660</u>
Unused limit of credit cards and undrawn irrevocable loan commitments	<u>42,457,943</u>	<u>9,863,018</u>
Total	<u>370,429,229</u>	<u>263,227,678</u>
Credit risk weighted amounts of credit commitments	<u>156,050,794</u>	<u>95,401,720</u>

Financial guarantee contracts commit the Group to make payments on behalf of customers upon the failure of the customers to perform the terms of the contracts.

As at 31 December 2011, revocable loan commitments granted by the Group amounted to RMB954 billion. Since these commitments were revocable under certain conditions or automatically revoked when the creditability of the borrower deteriorated, the total contract amounts do not necessarily represent future cash requirements.

45d. Fiduciary transactions

	<u>2011-12-31</u>	<u>2010-12-31</u>
Entrusted deposits	20,665,182	11,144,128
Entrusted loans	<u>20,665,182</u>	<u>11,144,128</u>
Entrusted funding	33,182,428	16,256,304
Entrusted investments	<u>33,182,428</u>	<u>16,256,304</u>

Entrusted deposits represent funds that depositors have instructed the Group to use to make loans to third parties as designated by them. The credit risk remains with the depositors.

Entrusted funding and entrusted investments represent the investment and asset management services provided by the Group to third parties in accordance with the agreed investment plans. The third parties provide funding for the related investments. Income from such investment activities is collected on behalf of and paid to the third parties according to the relevant contractual terms.

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45. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

45e. Contingent liabilities

(1) Legal proceedings

As at 31 December 2011, the total claimed amount of the litigation cases of which the Group is the defendant was RMB383 million (31 December 2010: RMB241 million). These litigation cases are under legal proceedings. In the opinion of management, the Group has made adequate allowance for any probable losses based on the prevailing facts and circumstances.

Apart from the above pending litigation cases, the respective liquidators of DeHeng Securities Co., Ltd. and the China Southern Securities Co., Ltd. had requested the Group to repay a total amount of RMB430 million. The Group had opposed all such repayment requests. At year end, based on the legal opinion from an independent third-party lawyer, the Group had no immediate obligation to repay the monies.

(2) Redemption and underwriting commitments of voucher-type government bonds and savings bonds (electronic)

As an underwriting agent of the MOF, the Group underwrites PRC voucher-type government bonds and savings bonds (electronic) and sells the bonds to the general public. The Group is obliged to redeem the bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the notional value of the bonds plus any interest accrued up to the redemption date. As at 31 December 2011, the Group has sold voucher-type government bonds and savings bonds (electronic) with accumulated amounts of RMB2,558,355 thousand (31 December 2010: RMB3,146,088 thousand) and RMB766,947 thousand (31 December 2010: RMB183,313 thousand) respectively, to the general public that the Group has the obligation of early redemption.

The MOF will not provide funding for the early redemption of these government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

As at 31 December 2011 and 31 December 2010, there was no unexpired underwriting commitment of the government bonds.

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46. CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to ensure that the Group complies with regulatory capital requirements, to maximise shareholders' value and to support the continuous growth in business. The Group regularly reviews its capital structure and makes adjustments to it through asset and liability management, so as to maintain the overall balance of the capital structure and maximisation of capital return. The required information of capital adequacy is filed with the CBRC by the Group on a quarterly basis.

The risk-weighted assets are measured according to the nature of individual assets and counterparty, reflecting an estimate of related credit, market and other risks after taking into account of any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposures, with adjustments made to reflect the contingent nature of any potential losses.

The Group calculated and reported the core capital adequacy ratio and capital adequacy ratio in accordance with the "Regulation Governing Capital Adequacy Ratio of Commercial Banks" promulgated by the CBRC and other related regulations.

The core capital includes share capital, capital reserve, surplus reserve, general reserve and unappropriated profit. The supplementary capital includes revaluation surplus, long term subordinated bonds, hybrid capital debt instrument and other supplementary capital.

	2011-12-31	2010-12-31
Net core capital	67,243,978	32,918,920
Supplementary capital	24,663,844	14,662,482
Net capital	91,491,101	47,271,941
Risk-weighted assets and market risk capital adjustment	794,701,556	463,690,570
Core capital adequacy ratio	8.46%	7.10%
Capital adequacy ratio	11.51%	10.19%

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47. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

A maturity analysis of the assets and liabilities of the Group as at 31 December 2011 was as follows:

	2011-12-31							
	Overdue/ on demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
ASSETS:								
Cash on hand and due from the Central Bank	23,571,128	-	-	-	-	-	137,064,108	160,635,236
Amounts due from other financial institutions (1)	5,671,605	32,319,632	18,462,295	9,143,184	16,903,712	134,368	-	82,634,796
Financial assets at fair value through profit or loss and derivative financial assets	-	195,328	287,127	493,829	1,316,658	1,122,111	-	3,415,053
Accounts receivable	-	12,323,167	69,987,039	86,694,897	1,583,908	-	-	170,589,011
Loans and advances	3,707,033	49,485,262	75,950,114	268,654,361	116,085,942	96,192,624	-	610,075,336
Available-for-sale financial assets	-	886,620	850,223	10,283,631	46,304,427	19,903,410	135,985	78,364,296
Held-to-maturity investments	-	78,694	709,327	8,028,625	65,627,529	33,238,905	-	107,683,080
Receivables	-	530,000	-	12,702,100	500,000	-	-	13,732,100
Investments in associates	-	-	-	-	-	-	429,115	429,115
Property and equipment	-	-	-	-	-	-	4,080,098	4,080,098
Goodwill	-	-	-	-	-	-	7,568,304	7,568,304
Others	97,355	1,310,937	2,926,326	3,399,949	2,862,021	176,877	8,197,054	18,970,519
Total assets	33,047,121	97,129,640	169,172,451	399,400,576	251,184,197	150,768,295	157,474,664	1,258,176,944
LIABILITIES:								
Due to the Central Bank	-	224,607	161,380	744,889	-	-	-	1,130,876
Amounts due to other financial institutions (2)	16,478,991	98,874,671	54,642,222	49,890,613	-	-	-	219,886,497
Derivative financial liabilities	-	194,588	197,446	201,115	139,269	-	-	732,418
Accounts payable	-	7,349,926	33,534,928	29,675,880	-	-	-	70,560,734
Customer deposits	384,963,617	95,862,692	112,841,793	182,983,063	72,159,982	2,034,000	-	850,845,147
Bonds payable	-	-	-	-	10,942,684	5,111,802	-	16,054,486
Others	5,647,865	4,020,121	5,027,659	4,993,608	2,098,442	29,173	1,769,334	23,586,202
Total liabilities	407,090,473	206,526,605	206,405,428	268,489,168	85,340,377	7,174,975	1,769,334	1,182,796,360
Liquidity net value	(374,043,352)	(109,396,965)	(37,232,977)	130,911,408	165,843,820	143,593,320	155,705,330	75,380,584

- (1) Amounts due from other financial institutions included financial assets of placements of deposits with other financial institutions, funds loaned to other financial institutions and reverse repurchase agreements.
- (2) Amounts due to other financial institutions included financial liabilities of placements of deposits from other financial institutions, funds borrowed from other financial institutions and repurchase agreements.

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47. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

A maturity analysis of the assets and liabilities of the Group as at 31 December 2010 was as follows:

	2010-12-31 (Restated)							
	Overdue/ on demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
ASSETS:								
Cash on hand and due from the Central Bank	13,635,116	-	-	-	-	-	62,951,742	76,586,858
Precious metals	2	-	-	-	-	-	-	2
Amounts due from other financial institutions (1)	2,460,521	45,088,187	41,780,983	25,490,265	443,194	-	-	115,263,150
Financial assets at fair value through profit or loss and derivative financial assets	-	67,118	75,084	198,679	30,853	-	-	371,734
Accounts receivable	-	1,787,785	5,203,656	5,955,618	780,356	-	-	13,727,415
Loans and advances	1,233,509	22,949,743	46,152,391	174,654,157	96,316,791	59,659,484	-	400,966,075
Available-for-sale financial assets	-	239,370	1,992,138	8,341,043	12,796,721	7,978,534	118,194	31,466,000
Held-to-maturity investments	-	1,060	-	4,989,745	38,549,494	17,839,069	-	61,379,368
Receivables	-	8,000,000	-	10,002,100	500,000	-	-	18,502,100
Investments in associates	-	-	-	-	-	-	319,031	319,031
Property and equipment	-	-	-	-	-	-	2,782,800	2,782,800
Others	24,392	263,277	702,664	1,292,715	2,219,457	128,733	1,211,305	5,842,543
Total assets	17,353,540	78,396,540	95,906,916	230,924,322	151,636,866	85,605,820	67,383,072	727,207,076
LIABILITIES:								
Due to the Central Bank	-	669,706	68,855	1,499,114	-	-	-	2,237,675
Amounts due to other financial institutions (2)	26,840,245	33,283,356	22,972,512	23,062,793	-	-	-	106,158,906
Derivative financial liabilities	-	73,115	70,756	145,688	22,246	-	-	311,805
Accounts payable	-	447,318	2,184,803	2,488,697	-	-	-	5,120,818
Customer deposits	256,242,145	74,184,080	84,289,184	119,133,645	28,163,288	900,000	-	562,912,342
Bonds payable	-	-	-	-	7,978,649	1,490,839	-	9,469,488
Others	658,976	1,994,869	2,657,077	1,795,631	630,663	57,072	4,219	7,798,507
Total liabilities	283,741,366	110,652,444	112,243,187	148,125,568	36,794,846	2,447,911	4,219	694,009,541
Liquidity net value	(266,387,826)	(32,255,904)	(16,336,271)	82,798,754	114,842,020	83,157,909	67,378,853	33,197,535

- (1) Amounts due from other financial institutions included financial assets of placements of deposits with other financial institutions, funds loaned to other financial institutions and reverse repurchase agreements.
- (2) Amounts due to other financial institutions included financial liabilities of placements of deposits from other financial institutions, funds borrowed from other financial institutions and repurchase agreements.

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48. RISK DISCLOSURE

48a. Credit risk

Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. The Group's credit risk mainly arises from the loans and advances to customers, financial guarantees and loan commitments.

The Group has established a Credit Portfolio Management Committee, which approves and determines the Group's credit risk management strategies, credit risk preferences as well as its various credit risk management policies and standards. The Group has also formulated guidelines on corporate and retail credit policies across the Group and for specific industries. Furthermore, the Group has implemented a strategic customer categorisation management system, and set up a customer entry and exit mechanism to facilitate the sustainable development of its credit underwriting business.

The Group implements a credit risk officer system, in which the Chief Credit Officer at the Head Office appoints credit officers to various business lines and branches. The credit officers directly report to the Chief Credit Officer, who is responsible for evaluating the performance of the credit officers and establishing an independent and transparent vertical credit risk management system.

The Group has formulated a complete set of operational procedures for credit approval and management. These procedures are being enforced across the Group. Credit management procedures for its corporate and retail loans comprise the processes of credit origination, credit review, credit approval, disbursement, post-disbursement monitoring and collection. In addition, the Group has formulated the "Policies of Credit Underwriting", which have defined the functions and responsibilities of different credit operational processes, and have enhanced the monitoring of the related compliance for improving the overall effective control of credit risk.

The Group has strengthened its early warning monitoring system for the credit business with measures applicable to the portfolio level and to individual customers, resulting in early detection and effective management of credit risks.

The Group sub-divides credit asset risks into 10 categories based on the five-tier loan classification system promulgated by the CBRC, namely, Pass One, Pass Two, Pass Three, Pass Four, Pass Five, Special Mention One, Special Mention Two, Substandard, Doubtful and Loss. Furthermore, a separate "Write-off" category has been added to the classification system. The Group applies different management policies to the loans in accordance with their respective loan categories.

Risks arising from financial guarantees and loan commitments are similar to those associated with loans and advances. Transactions of financial guarantees and loan commitments are, therefore, subject to the same portfolio management and the same requirements for application and collateral as loans and advances to customers.

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48. RISK DISCLOSURE (continued)

48a. Credit risk (continued)

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

	<u>2011-12-31</u>	<u>2010-12-31</u>
Due from the Central Bank	158,399,671	75,750,309
Placements of deposits with other financial institutions	39,884,342	8,523,729
Funds loaned to other financial institutions	8,446,567	8,475,988
Financial assets at fair value through profit or loss	2,604,476	-
Derivative financial assets	810,577	371,734
Reverse repurchase agreements	34,303,887	98,263,433
Loans and advances	610,075,336	400,966,075
Available-for-sale financial assets (excluding equity investments)	78,228,311	31,347,806
Held-to-maturity investments	107,683,080	61,379,368
Receivables	13,732,100	18,502,100
Other assets	<u>178,765,620</u>	<u>16,404,084</u>
Total	<u>1,232,933,967</u>	<u>719,984,626</u>
Credit commitments	<u>370,429,229</u>	<u>263,227,678</u>
Maximum exposure to credit risk	<u><u>1,603,363,196</u></u>	<u><u>983,212,304</u></u>

Risk concentration of the maximum exposure to credit risk

Credit risk is often greater when counterparties are concentrated in a single industry or geographic location or have comparable economic characteristics.

The majority of the loans and financial guarantee contracts of the Group are related to the local customers within Mainland China. However, different areas in Mainland China have their own unique characteristics in terms of economic development. Therefore, each area in Mainland China could present different credit risks.

Please refer to Note 21 for an analysis of concentration of loans and advances by industry and geographical region.

Collateral and other credit enhancements

The amount and type of collateral required are determined by the Group based on its assessment of the credit risk of the counterparty. The Group has implemented guidelines regarding the acceptability of types of collateral and valuation parameters.

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48. RISK DISCLOSURE (continued)

48a. Credit risk (continued)

Collateral and other credit enhancements (continued)

The main types of collateral obtained are as follows:

- ▶ For reverse repurchase transactions, mainly bills, loans or securities
- ▶ For commercial lending, mainly charges over real estate properties, inventories, shares or trade receivables
- ▶ For retail lending, mainly mortgages over residential properties

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the provision for impairment losses.

Credit quality

The credit quality by class of financial assets (gross amount before deducting any impairment provision) of the Group is analysed as follows:

<u>2011-12-31</u>	<u>Neither past due nor impaired</u>	<u>Past due but not impaired</u>	<u>Impaired (Note)</u>	<u>Total</u>
Placements of deposits with other financial institutions	39,893,735	-	31,520	39,925,255
Funds loaned to other financial institutions	8,443,828	-	26,997	8,470,825
Financial assets at fair value through profit or loss	2,604,476	-	-	2,604,476
Reverse repurchase agreements	34,291,841	-	47,046	34,338,887
Accounts receivable	170,589,011	-	-	170,589,011
Loans and advances	612,017,588	5,171,422	3,452,807	620,641,817
Available-for-sale financial assets (excluding equity investments)	78,228,311	-	37,830	78,266,141
Held-to-maturity investments	107,687,881	-	-	107,687,881
Receivables	13,732,100	-	-	13,732,100
Total	<u>1,067,488,771</u>	<u>5,171,422</u>	<u>3,596,200</u>	<u>1,076,256,393</u>

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48. RISK DISCLOSURE (continued)

48a. Credit risk (continued)

Credit quality (continued)

<u>2010-12-31</u>	<u>Neither past due nor impaired</u>	<u>Past due but not impaired</u>	<u>Impaired (Note)</u>	<u>Total</u>
Placements of deposits with other financial institutions	8,522,904	-	31,520	8,554,424
Funds loaned to other financial institutions	8,472,692	-	32,626	8,505,318
Reverse repurchase agreements	98,248,433	-	50,000	98,298,433
Accounts receivable	13,727,415	-	-	13,727,415
Loans and advances	403,000,653	1,989,816	2,400,666	407,391,135
Available-for-sale financial assets (excluding equity investments)	31,347,806	-	-	31,347,806
Held-to-maturity investments	61,379,368	-	-	61,379,368
Receivables	18,502,100	-	-	18,502,100
Total	643,201,371	1,989,816	2,514,812	647,705,999

Note: Impaired corporate loans comprise loans and advances graded at the last three tiers (i.e., "Substandard", "Doubtful" or "Loss") under the five-tier loan classification system maintained by the Group. Impaired personal loans comprise "Pass" or "Special Mention" loans overdue more than 90 days as well as loans graded at the last three tiers. As at 31 December 2011, impaired loans and advances comprise overdue loans of RMB3,299,698 thousand (31 December 2010: RMB2,227,165 thousand) and non-overdue loans of RMB153,109 thousand (31 December 2010: RMB173,501 thousand).

Neither past due nor impaired loans and advances

At the reporting date, the aggregate amounts of neither past due nor impaired loans and advances to customers are "Pass" and "Special Mention" loans graded in accordance with the five-tier classification.

	<u>2011-12-31</u>	<u>2010-12-31</u>
Pass	609,694,452	401,879,920
Special Mention	2,323,136	1,120,733
Total	612,017,588	403,000,653

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48. RISK DISCLOSURE (continued)

48a. Credit risk (continued)

Credit quality (continued)

Past due but not impaired loans and advances

At the reporting date, an aging analysis of the past due but not yet impaired loans and advances was as follows:

	2011-12-31				Total	Fair value of collateral
	Within 1 month	1 to 2 months	2 to 3 months	More than 3 months		
Corporate loans and advances	686,469	503,820	167,976	12,451	1,370,716	1,150,078
Personal loans	1,206,279	2,369,981	224,446	-	3,800,706	8,768,794
Total	<u>1,892,748</u>	<u>2,873,801</u>	<u>392,422</u>	<u>12,451</u>	<u>5,171,422</u>	<u>9,918,872</u>

	2010-12-31				Total	Fair value of collateral
	Within 1 month	1 to 2 months	2 to 3 months	More than 3 months		
Corporate loans and advances	52,299	2,822	-	2,371	57,492	57,213
Personal loans	1,506,187	272,430	153,707	-	1,932,324	5,186,307
Total	<u>1,558,486</u>	<u>275,252</u>	<u>153,707</u>	<u>2,371</u>	<u>1,989,816</u>	<u>5,243,520</u>

Impaired loans and advances

Impaired loans and advances are defined as those loans and advances having objective evidence of impairment as a result of one or more events that occur after initial recognition, resulting in an impact on the estimated future cash flows of loans and advances that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and the situation where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The fair value of the collateral that the Group holds relating to corporate loans and advances individually determined to be impaired at 31 December 2011 amounted to RMB999 million (31 December 2010: RMB790 million).

Impaired amounts due from other financial institutions

Impaired amounts due from other financial institutions are all determined based on individual assessments. In determining whether an item is impaired, the Group considers the evidence of loss event and the decreases in estimated future cash flows. No collateral was held by the Group as security of the impaired amounts due from other financial institutions.

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48. RISK DISCLOSURE (continued)

48a. Credit risk (continued)

Credit quality (continued)

The carrying amount of loans and advances that would otherwise be past due or impaired and whose terms have been renegotiated is as follows:

	<u>2011-12-31</u>	<u>2010-12-31</u>
Loans and advances to customers	<u>887,311</u>	<u>274,523</u>

48b. Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due. The risk is attributable to any mismatch in amounts and terms between assets and liabilities. To limit the risk, management has arranged diversified funding sources, and monitors loan and deposit balances on a daily basis. The Group also maintains a portfolio of highly marketable assets that can be easily liquidated in the event of an unforeseen interruption of cash flows. Furthermore, the Group performs stress testing regularly to assess and identify the actions that can meet the payment obligations under different critical scenarios.

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48. RISK DISCLOSURE (continued)

48b. Liquidity risk (continued)

At the reporting date, the remaining contractual maturity analysis of the Group's financial liabilities (based on contractual undiscounted cash flows) was as follows:

	Overdue/ on demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
2011-12-31								
Due to the Central Bank	-	224,761	161,806	749,863	-	-	-	1,136,430
Amounts due to other financial institutions (Note)	16,491,655	99,428,568	55,584,634	51,775,116	-	-	-	223,279,973
Derivative financial instruments								
- Contractual amounts payable	-	27,761,183	26,010,488	55,803,749	841,115	-	-	110,416,535
- Contractual amounts receivable	-	(27,761,469)	(26,019,291)	(55,874,946)	(841,065)	-	-	(110,496,771)
Accounts payable	-	7,550,547	34,616,569	30,844,837	-	-	-	73,011,953
Customer deposits	385,145,370	96,918,690	115,182,236	189,706,633	85,822,066	2,044,136	-	874,819,131
Bonds payable	-	-	374,563	596,925	13,085,518	6,740,120	-	20,797,126
Other financial liabilities	5,096,677	197,631	2,330,791	865,481	533,535	2,543	-	9,026,658
Subtotal	406,733,702	204,319,911	208,241,796	274,467,658	99,441,169	8,786,799	-	1,201,991,035
Credit commitments	61,377,670	51,517,141	112,546,688	137,764,845	7,210,166	12,719	-	370,429,229
Total	468,111,372	255,837,052	320,788,484	412,232,503	106,651,335	8,799,518	-	1,572,420,264
2010-12-31 (Restated)								
Due to the Central Bank	-	670,199	69,082	1,508,929	-	-	-	2,248,210
Amounts due to other financial institutions (Note)	26,849,134	33,419,149	22,240,091	23,036,584	1,500,000	-	-	107,044,958
Derivative financial instruments								
- Contractual amounts payable	-	7,542,181	4,143,761	10,822,782	131,792	-	-	22,640,516
- Contractual amounts receivable	-	(7,467,098)	(4,070,719)	(10,684,679)	(128,940)	-	-	(22,351,436)
Accounts payable	-	450,108	2,202,158	2,537,396	-	-	-	5,189,662
Customer deposits	259,568,208	74,673,416	85,404,544	122,442,503	31,928,407	1,124,645	-	575,141,723
Bonds payable	-	-	372,460	184,740	9,266,532	1,842,000	-	11,665,732
Other financial liabilities	609,918	15	1,373,358	231,014	324,574	47,881	-	2,586,760
Subtotal	287,027,260	109,287,970	111,734,735	150,079,269	43,022,365	3,014,526	-	704,166,125
Credit commitments	12,751,042	55,485,097	96,179,808	97,742,016	1,069,715	-	-	263,227,678
Total	299,778,302	164,773,067	207,914,543	247,821,285	44,092,080	3,014,526	-	967,393,803

Note: Amounts due to other financial institutions included financial liabilities of placements of deposits from other financial institutions, funds borrowed from other financial institutions and repurchase agreements.

48. RISK DISCLOSURE (continued)

48c. Market risk

Market risk is the risk of loss, in respect of the Group's on or off-balance sheet activities, arising from adverse movements in market rates including foreign exchange rates, interest rate, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading businesses. The aim of market risk management of the Group is to mitigate undue losses of income and equity, and simultaneously, to reduce the Group's exposure to the volatility inherent in financial instruments. The Group considers the market risk arising from commodity or stock prices in respect of its investment portfolio is immaterial.

The Group's Risk Management Committee and the Asset and Liability Management Committee are responsible for setting up market risk management policies, establishing market risk management objectives and determining market risk limits. The Asset and Liability Management Committee is responsible for controlling the volume, structure, interest rate and liquidity of the Group's business. The Group's Financial Information and Asset and Liability Management Department discharges the daily market risk monitoring function on behalf of the Asset and Liability Management Committee, including the determination of reasonable levels of market risk exposures, monitoring the daily treasury operation and proposing adjustments to the maturity profile of the assets and liabilities and the interest rate structure.

Gap analysis is the key method used by the Group to monitor the market risk of its non-trading business activities. This method measures the impact of interest rate changes on income, with interest-earning assets and interest-bearing liabilities grouped by their respective re-pricing bands for the calculation of the re-pricing gap. By multiplying this position with an assumed interest rate change, an approximate effect on the net interest income resulting from the assumed interest rate change is quantified.

Financial derivative transactions entered into by the Group primarily provide effective economic hedges to other financial instruments held by the Group for the mitigation of interest and exchange rate risks. In the opinion of management, as the market risk of the Group's trading business activities is not material, the Group has not separately disclosed quantitative information about exposure to market risk arising from the trading portfolio.

Currency risk

The Group's foreign exchange risk exposure mainly comprises exposures from the mismatch of foreign currency assets and liabilities, and off-balance sheet foreign exchange position arisen from derivative transactions. The currency risk of the Group mainly arises from loans and advances, investments and deposits denominated in foreign currencies. The Group has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

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48. RISK DISCLOSURE (continued)

48c. Market risk (continued)

Currency risk (continued)

As at 31 December 2011, the Group's foreign currency assets and liabilities analysed by currency were as follows:

	2011-12-31			Total
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
<u>Assets</u>				
Cash on hand and due from the Central Bank	1,456,457	214,974	14,967	1,686,398
Amounts due from other financial institutions (1)	5,186,010	1,158,170	1,934,204	8,278,384
Financial assets at fair value through profit or loss and derivative financial assets	95,242	-	-	95,242
Accounts receivable	8,587,984	65,362	89,322	8,742,668
Loans and advances	15,820,451	1,158,063	106,730	17,085,244
Available-for-sale financial assets	292,484	-	377,562	670,046
Held-to-maturity investments	823,180	-	-	823,180
Others	254,260	7,862	4,344	266,466
Total assets	32,516,068	2,604,431	2,527,129	37,647,628
<u>Liabilities</u>				
Amounts due to other financial institutions (2)	1,021,374	238,242	579,767	1,839,383
Accounts payable	2,436,631	52,388	75,556	2,564,575
Customer deposits	21,202,799	5,475,469	2,092,954	28,771,222
Others	174,806	33,749	7,084	215,639
Total liabilities	24,835,610	5,799,848	2,755,361	33,390,819
Net position of foreign currency (3)	7,680,458	(3,195,417)	(228,232)	4,256,809
Notional amount of foreign exchange derivative financial instruments	(4,466,765)	3,174,932	188,307	(1,103,526)
Total	3,213,693	(20,485)	(39,925)	3,153,283
Off-balance sheet credit commitments	11,405,695	632,562	556,500	12,594,757

- (1) Amounts due from other financial institutions included financial assets of placements of deposits with other financial institutions, funds loaned to other financial institutions and reverse repurchase agreements.
- (2) Amounts due to other financial institutions included financial liabilities of placements of deposits from other financial institutions, funds borrowed from other financial institutions and repurchase agreements.
- (3) The net position of foreign currency comprised the related net position of monetary assets and liabilities.

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48. RISK DISCLOSURE (continued)

48c. Market risk (continued)

Currency risk (continued)

As at 31 December 2010, the Group's foreign currency assets and liabilities analysed by currency were as follows:

	2010-12-31			Total
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
<u>Assets</u>				
Cash on hand and due from the Central Bank	675,707	500,102	10,683	1,186,492
Amounts due from other financial institutions (1)	5,765,927	713,855	1,481,974	7,961,756
Accounts receivable	5,306,933	19,036	46,653	5,372,622
Loans and advances	10,477,204	776,476	184,194	11,437,874
Available-for-sale financial assets	231,897	-	-	231,897
Held-to-maturity investments	934,292	-	-	934,292
Others	100,036	3,314	619	103,969
Total assets	23,491,996	2,012,783	1,724,123	27,228,902
<u>Liabilities</u>				
Amounts due to other financial institutions (2)	2,829,237	1,467,888	152	4,297,277
Accounts payable	901,513	14,668	9,977	926,158
Customer deposits	17,453,662	3,218,904	1,462,991	22,135,557
Others	57,215	7,101	1,910	66,226
Total liabilities	21,241,627	4,708,561	1,475,030	27,425,218
Net position of foreign currency (3)	2,250,369	(2,695,778)	249,093	(196,316)
Notional amount of foreign exchange derivative financial instruments	(613,538)	2,380,687	(234,176)	1,532,973
Total	1,636,831	(315,091)	14,917	1,336,657
Off-balance sheet credit commitments	5,521,061	118,842	618,970	6,258,873

- (1) Amounts due from other financial institutions included financial assets of placements of deposits with other financial institutions, funds loaned to other financial institutions and reverse repurchase agreements.
- (2) Amounts due to other financial institutions included financial liabilities of placements of deposits from other financial institutions, funds borrowed from other financial institutions and repurchase agreements.
- (3) The net position of foreign currency comprised the related net position of monetary assets and liabilities.

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48. RISK DISCLOSURE (continued)

48c. Market risk (continued)

Currency risk (continued)

The table below indicates the sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement in the exchange rates against the RMB, with all other variables held constant on profit before tax. A negative amount in the table reflects a potential net reduction in profit before tax, while a positive amount reflects a net potential increase. As the Group has no cash flow hedges and has only a minimal amount of available-for-sale equity instruments denominated in foreign currencies, changes in exchange rates do not have any material potential impact on the equity.

2011-12-31

Currency	Change in exchange rate in %	Effect on profit before tax (RMB equivalent)
USD	+/-5%	+/-160,685
HKD	+/-5%	-/+1,024

2010-12-31

Currency	Change in exchange rate in %	Effect on profit before tax (RMB equivalent)
USD	+/-3%	+/-49,105
HKD	+/-3%	-/+9,453

Interest rate risk

The Group's interest rate risk mainly arises from the mismatch of contractual maturity or re-pricing dates between interest-earning assets and interest-bearing liabilities. The interest-earning assets and interest-bearing liabilities of the Group are mainly denominated in RMB. The PBOC sets a cap and a floor on interest rates on deposits and loans, respectively.

The Group manages its interest rate risk by adjusting the composition of assets and liabilities, monitoring indicators such as the interest rate sensitivity gap on a regular basis and measuring risk exposure in accordance with the re-pricing characteristics of assets and liabilities. The Asset and Liability Management Committee meets regularly and manages interest rate risk exposures by adjusting the composition of the assets and liabilities in accordance with movement in market interest rates.

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48. RISK DISCLOSURE (continued)

48c. Market risk (continued)

Interest rate risk (continued)

As at 31 December 2011, the contractual re-pricing dates or maturity dates, whichever were earlier, of the Group's statement of financial position were analysed as follows:

	2011-12-31					
	Within 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Non-interest - bearing	Total
Assets:						
Cash on hand and due from the Central Bank	157,561,807	-	-	-	3,073,429	160,635,236
Precious metals	-	-	-	-	-	-
Amounts due from other financial institutions (1)	62,209,226	20,425,570	-	-	-	82,634,796
Financial assets at fair value through profit or loss and derivative financial assets	1,371,479	313,333	492,743	426,922	810,576	3,415,053
Accounts receivable	86,962,940	83,596,802	29,269	-	-	170,589,011
Loans and advances	457,752,831	134,941,046	12,935,336	4,446,123	-	610,075,336
Available-for-sale financial assets	31,472,107	30,051,309	12,658,379	4,046,516	135,985	78,364,296
Held-to-maturity investments	19,899,227	21,201,606	49,858,195	16,724,052	-	107,683,080
Receivables	530,000	12,702,100	500,000	-	-	13,732,100
Investments in associates	-	-	-	-	429,115	429,115
Property and equipment	-	-	-	-	4,080,098	4,080,098
Others	-	-	-	-	18,970,519	18,970,519
Goodwill	-	-	-	-	7,568,304	7,568,304
Total assets	817,759,617	303,231,766	76,473,922	25,643,613	35,068,026	1,258,176,944
Liabilities:						
Amounts due to the Central Bank	385,987	744,889	-	-	-	1,130,876
Amounts due to other financial institutions (2)	170,510,933	49,375,564	-	-	-	219,886,497
Derivative financial liabilities	-	-	-	-	732,418	732,418
Accounts payable	41,796,814	28,763,920	-	-	-	70,560,734
Customer deposits	603,580,760	182,483,547	61,109,982	2,034,000	1,636,858	850,845,147
Bonds payable	500,616	1,831,454	8,610,614	5,111,802	-	16,054,486
Others	-	-	-	-	23,586,202	23,586,202
Total liabilities	816,775,110	263,199,374	69,720,596	7,145,802	25,955,478	1,182,796,360
Interest rate risk exposure	984,507	40,032,392	6,753,326	18,497,811	Not applicable	Not applicable

- (1) Amounts due from other financial institutions included financial assets of placements of deposits with other financial institutions, funds loaned to other financial institutions and reverse repurchase agreements.
- (2) Amounts due to other financial institutions included financial liabilities of placements of deposits from other financial institutions, funds borrowed from other financial institutions and repurchase agreements.

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48. RISK DISCLOSURE (continued)

48c. Market risk (continued)

Interest rate risk (continued)

As at 31 December 2010, the contractual re-pricing dates or maturity dates, whichever were earlier, of the Group's statement of financial position were analysed as follows:

	2010-12-31 (Restated)					
	Within 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Non-interest - bearing	Total
<u>Assets:</u>						
Cash on hand and due from the Central Bank	74,305,925	-	-	-	2,280,933	76,586,858
Precious metals	-	-	-	-	2	2
Amounts due from other financial institutions (1)	89,854,678	25,358,472	50,000	-	-	115,263,150
Financial assets at fair value through profit or loss and derivative financial assets	-	-	-	-	371,734	371,734
Accounts receivable	9,749,676	3,643,526	334,213	-	-	13,727,415
Loans and advances	239,551,909	150,661,664	9,341,576	1,410,926	-	400,966,075
Available-for-sale financial assets	11,660,106	15,453,440	4,167,420	66,840	118,194	31,466,000
Held-to-maturity investments	2,654,757	13,234,756	34,253,098	11,236,757	-	61,379,368
Receivables	8,000,000	10,002,100	500,000	-	-	18,502,100
Investments in associates	-	-	-	-	319,031	319,031
Property and equipment	-	-	-	-	2,782,800	2,782,800
Others	-	-	-	-	5,842,543	5,842,543
Total assets	435,777,051	218,353,958	48,646,307	12,714,523	11,715,237	727,207,076
<u>Liabilities:</u>						
Amounts due to the Central Bank	738,560	1,499,115	-	-	-	2,237,675
Amounts due to other financial institutions (2)	83,096,113	23,062,793	-	-	-	106,158,906
Derivative financial liabilities	-	-	-	-	311,805	311,805
Accounts payable	2,669,161	2,451,657	-	-	-	5,120,818
Customer deposits	417,715,410	116,133,644	28,163,288	900,000	-	562,912,342
Bonds payable	499,036	-	7,479,613	1,490,839	-	9,469,488
Others	-	-	-	-	7,798,507	7,798,507
Total liabilities	504,718,280	143,147,209	35,642,901	2,390,839	8,110,312	694,009,541
Interest rate risk exposure	(68,941,229)	75,206,749	13,003,406	10,323,684	Not applicable	Not applicable

(1) Amounts due from other financial institutions included financial assets of placements of deposits with other financial institutions, funds loaned to other financial institutions and reverse repurchase agreements.

(2) Amounts due to other financial institutions included financial liabilities of placements of deposits from other financial institutions, funds borrowed from other financial institutions and repurchase agreements.

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48. RISK DISCLOSURE (continued)

48c. Market risk (continued)

Interest rate risk (continued)

The Group principally uses sensitivity analysis to measure and control interest rate risk. In respect of the financial assets and liabilities at fair value through profit or loss, in the opinion of management, the interest rate risk to the Group arising from this portfolio is not significant. For other financial assets and liabilities, the Group mainly uses a gap analysis to measure and control the related interest rate risk.

As at 31 December 2011 and 31 December 2010, the gap analyses of the financial assets and liabilities (excluding financial assets and liabilities at fair value through profit or loss) were as follows:

	2011-12-31		2010-12-31	
	Changes in interest rate (basis points)		Changes in interest rate (basis points)	
	-50	+50	-100	+100
Effect on the net interest income increase/(decrease)	(72,780)	72,780	321,210	(321,210)
Effect on equity increase/(decrease)	311,543	(311,543)	148,130	(148,130)

The above gap analyses assume that the interest rate risk profile of the financial assets and liabilities (excluding financial assets and liabilities at fair value through profit or loss) remains static.

The sensitivity of the net interest income is the effect of a reasonable possible change in interest rates on the net interest income for one year, in respect of the financial assets and liabilities (excluding financial assets and liabilities at fair value through profit or loss) held at the reporting date. The sensitivity of equity is calculated by revaluing the year end portfolio of fixed-rate available-for-sale financial assets, based on a reasonable possible change in interest rates. Impact on income tax has not been considered in calculating the above effect on the net interest income and equity.

The above sensitivity analyses are based on the following assumptions: (i) all assets and liabilities that are re-priced/due within three months (inclusive), and between three months and one year (inclusive) are assumed to be re-priced in the mid of the respective bands; and (ii) there are parallel shifts in the yield curve.

Regarding the above assumptions, the effect on the net interest income and equity as a result of the actual increases or decreases in interest rates may differ from that of the above sensitivity analyses.

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48. RISK DISCLOSURE (continued)

48d. Fair value of financial instruments

The following table summarises the carrying values and the fair values of receivables, held-to-maturity debt securities and bonds payable for which their fair values have not been presented or disclosed above:

	<u>Carrying value</u>	<u>Fair value</u>
31 December 2011:		
Receivables	13,732,100	13,732,100
Held-to-maturity debt securities	107,683,080	107,738,265
Bonds payable	16,054,486	15,843,464
31 December 2010:		
Receivables	18,502,100	18,502,100
Held-to-maturity debt securities	61,379,368	60,326,025
Bonds payable	9,469,488	9,514,103

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods described below are adopted to determine the fair values of these assets and liabilities:

- (1) The receivables are non-transferable. The fair values of these receivables are estimated on the bases of discounted cash flows.
- (2) The fair value of held-to-maturity debt securities and bonds payable are determined with reference to the available market values. If quoted market prices are not available, fair values are estimated on the bases of pricing models or discounted cash flows.

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

Financial instruments, for which their carrying amounts are the reasonable approximation of their fair values because, for example, they are short term in nature or are re-priced to current market rates frequently, are as follows:

<u>Assets</u>	<u>Liabilities</u>
Cash and due from the Central Bank	Due to the Central Bank
Placements of deposits with other financial institutions	Placements of deposits from other financial institutions
Funds loaned to other financial institutions	Funds borrowed from other financial institutions
Reverse repurchase agreements	Repurchase agreements
Loans and advances	Customer deposits
Other financial assets	Other financial liabilities

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48. RISK DISCLOSURE (continued)

48d. Fair value of financial instruments (continued)

The following table shows an analysis of financial instruments recorded at fair value.

	Quoted market price ("Level 1")	Valuation techniques - market observable inputs ("Level 2")	Valuation techniques - non-market observable inputs ("Level 3")	Total
2011-12-31				
Financial assets:				
Financial assets at fair value through profit or loss	37,639	2,509,234	57,603	2,604,476
Derivative financial assets	-	810,577	-	810,577
Available-for-sale financial assets	475,513	77,778,604	-	78,254,117
Total	513,152	81,098,415	57,603	81,669,170
Financial liabilities:				
Derivative financial liabilities	-	732,418	-	732,418
	Quoted market price ("Level 1")	Valuation techniques - market observable inputs ("Level 2")	Valuation techniques - non-market observable inputs ("Level 3")	Total
2010-12-31				
Financial assets:				
Derivative financial assets	-	371,734	-	371,734
Available-for-sale financial assets	25,847	31,354,794	-	31,380,641
Total	25,847	31,726,528	-	31,752,375
Financial liabilities:				
Derivative financial liabilities	-	311,805	-	311,805

During the year ended 31 December 2011, there were transfers of available-for-sale equity investments amounting to RMB6.98 million from Level 2 to Level 1 fair value measurements as the related tradable shares became unrestricted during the year.(2010:Nil.)

The following table shows a reconciliation of the opening and closing amounts of Level 3 financial instruments which are recorded at fair value.

	Balance at beginning of the year	Acquisition of a subsidiary	Sales during the year	Gains/(losses) from changes in fair values of the year	Balance at end of the year
2011					
F Financial assets at fair value through profit or loss	-	60,898	-	(3,295)	57,603

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49. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

Parent company:

Name	Place of registration	Percentage of equity interest held	
		2011-12-31	2010-12-31
Ping An Insurance (Group) Company of China, Ltd.	Shenzhen, PRC	52.38%	14.96%

Ping An Insurance (Group) Company of China, Ltd. (hereafter referred to as "China Ping An") was established in Shenzhen, the People's Republic of China on 21 March 1988. The business scope of China Ping An includes investing in financial and insurance enterprises, supervising and managing various domestic and overseas businesses of its subsidiaries, and treasury trading.

As at 31 December 2011, 10.22% of shares (31 December 2010: 15.03%) of the Company were indirectly held by China Ping An through its subsidiary, Ping An Life Insurance Company of China, Ltd.

Major transactions between the Group and China Ping An and its subsidiaries during the year are as follows:

Outstanding balances at the year end	2011-12-31	2010-12-31
Receivables	100,000	100,000
Amounts due to other financial institutions	1,324,672	85,975
Customer deposits	25,147,518	3,752,314
Bonds payable	500,637	129,431
Credit limit of factoring	2,000,000	300,000
Interbank credit limit	1,500,000	1,000,000
Guarantees issued	500,000	-
Transactions during the year	2011	2010
Interest income on receivables	4,191	4,200
Agency business fee income	47,263	8,380
Custodian services fee income	5,257	1,005
Interest expenses on amounts due to other financial institutions	22,839	1,701
Interest expenses on customer deposits	364,082	176,948
Interest expenses on bonds payable	11,800	7,075
Insurance premium expenses	14,296	2,082
Payment under operating leases	8,255	-
Service fees	167,489	-

The above transactions were made according to the normal commercial terms and conditions and were processed under normal business procedures.

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49. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

Major transactions between the Group and the key management personnel during the year are listed below:

Loans	2011	2010
Balance at beginning of the year	959	455
Increase during the year	5,736	1,345
Decrease during the year	(1,228)	(841)
Balance at end of the year	5,467	959
Interest income on loans	133	41

As at 31 December 2011, the annual interest rates of these loan transactions ranged from 1.63% to 7.05%.

Deposits	2011	2010
Balance at beginning of the year	11,728	12,271
Increase during the year	583,672	63,887
Decrease during the year	(570,606)	(64,430)
Balance at end of the year	24,794	11,728
Interest expense on deposits	658	226

These deposit transactions were under normal commercial terms and conditions and were processed under normal business procedures.

Details of the compensation for key management personnel are as follows:

	2011	2010
Salaries and other short term employee benefits	47,607	72,815
Post-employment benefits	883	719
Termination benefits	-	10,298
Deferred bonus accrual (Note)	8,275	1,432
Total	56,765	85,264

Note: The amount of deferred bonus is determined based on the indicators of profitability, the share price and the capital adequacy ratio of the Company as well as the share prices of certain other domestic listed banks; and will be settled in cash in accordance with the terms of the arrangement.

As at 31 December 2011, the Group has authorised a total credit facility of RMB3.55 billion (31 December 2010: RMB2.15 billion) for entities relating to the key management personnel of the Company and the associates companies, which included an outstanding loan balance amounting to RMB0.52 billion (31 December 2010: RMB0.319 billion) and an outstanding facility of the off-balance sheet items amounting to RMB0.067 billion (31 December 2010: RMB0.209 billion).

50. EVENTS AFTER THE REPORTING PERIOD

Accordance with the "China Banking and Regulatory Commission's Approval of Significant Transaction and Related Matters in Relation to Shenzhen Development Bank Co., Ltd. and Ping An Bank Co., Ltd." (Yin Jian Fu [2011]No. 9) issued by the CBRC, the Company shall complete the integration of the two banks through merger and acquisition.

A board resolution on "the Scheme in Relation to the Absorption of the Shareholding of Ping An Bank Co., Ltd by Shenzhen Development Bank Co., Ltd." was passed in a tenth meeting of the eighth board of directors of the Company on 19 January 2012. The Company held a first extraordinary general meeting on 9 February 2012 which approved the related board resolution, agreeing the Company to merge Ping An Bank. At the same time, "The Proposal of Renaming Shenzhen Development Bank Co., Ltd" was passed whereas after Ping An Bank is de-registered after the merger, the Chinese Name of the Company, being "深圳发展银行股份有限公司" will be changed to "平安银行股份有限公司". The English name of "Shenzhen Development Bank Co., Ltd" will be changed to "Ping An Bank Co., Ltd".

After the merger is completed, Ping An Bank will be incorporated into the Company. Ping An Bank will be de-registered and will no longer remain as an independently existed legal entity. The Company will be the surviving company after the completion of the merger and shall in accordance with laws inherit all assets, liabilities, certificates, licenses, businesses, personnel and all rights and obligations of Ping An Bank.

The merger has been designed to meet the regulatory requirements. At the same time, this merger will completely solve the intra-industry competition problems between the Company and Ping An Bank so that complementary advantages and full synergy can be effectively realized.

A resolution on this merger transaction was also passed by the twenty-ninth meeting of the fifth board of directors of Ping An Bank. The resolution was passed by the first extraordinary general meeting of the shareholders of Ping An Bank on 9 February 2012. The implementation of the merger will take place when it is approved by the relevant authorities.

51. COMPARATIVE FIGURES

Certain comparative figures have been restated in accordance with the requirements of IFRSs and reclassified to conform with the current year's presentation.

Chapter 13 Written Confirmation of Directors and Senior Management on 2011 Annual Report

In accordance with *Securities Law* and *No. 2 Regulation on Contents and Format of Information Disclosure on Publicly Listed Companies -- Contents and Format of Annual Report*, we, as directors and senior executives of Shenzhen Development Bank Co., Ltd., provide the following opinions after studying and checking 2011 Annual Report of the Bank and its abstract:

1. The Bank strictly operates in accordance with *Accounting Standards for Business Enterprises*, *Accounting System for Enterprises* and *Accounting System for Financial Enterprises*, and the Bank's 2011 Annual Report and its abstract give a fair view of the financial position and business results of the Bank.
2. Ernst & Young Hua Ming has audited the annual financial statements of the Bank and has issued standard unqualified audit reports.
3. We undertake that the information disclosed in the Bank's 2011 Annual Report and its abstract is true, accurate and complete and contains no false record, misrepresentation or material omissions and we are severally and jointly liable for the truthfulness, accuracy and completeness thereof.

Signatures of directors and senior executives:

Name	Name
Xiao Suining	Liu Nanyuan
Richard Jackson	Duan Yongkuan
Wang Liping	Xia Donglin
Yao Bo	Chu Yiyun
David Ku	Ma Lin
So Lan Ip	Chen Yingming
Li Jinghe	Liu Xueqiao
Wang Kaiguo	Feng Jie
Hu Yuefei	Wu Peng
Chen Wei	Xu Jin
Lu Mai	

Chapter 14 Reference Documents

1. Financial statements bearing the signatures and stamps of the Chairman of Board of Directors, President, Vice President and Chief Financial Officer and officer-in-charge of the accounting institution.
2. Original copies of the audit reports bearing the chop of the accounting firm and signatures of certified public accountants (CPAs).
3. Original copies of all documents and notices disclosed on the *Securities Times*, *China Securities*, *Shanghai Securities News* and the *Securities Daily* by the Bank during the report period.