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**中国平安保险(集团)股份有限公司**  
**Ping An Insurance (Group) Company of China, Ltd.**  
*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 2318)**

**OVERSEAS REGULATORY ANNOUNCEMENT**

This announcement is made pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The “The Announcement of Ping An Insurance (Group) Company of China, Ltd. in relation to the Disclosure of 2011 Third Quarterly Report of Shenzhen Development Bank and its Proposed Issuance of Financial Bonds”, which is published by Ping An Insurance (Group) Company of China, Ltd. on the website of Shanghai Stock Exchange and certain designated newspapers (except the attachment) in the PRC, is reproduced herein for your reference.

By order of the Board  
**Yao Jun**  
Company Secretary

Shenzhen, PRC, October 25, 2011

*As at the date of this announcement, the Executive Directors of the Company are Ma Mingzhe, Sun Jianyi, Wang Liping and Yao Jason Bo; the Non-executive Directors are Lin Lijun, Chen Hongbo, Wong Tung Shun Peter, Ng Sing Yip, Li Zhe, Guo Limin and Cheung Chi Yan Louis; the Independent Non-executive Directors are Zhang Hongyi, Chen Su, Xia Liping, Tang Yunwei, Lee Ka Sze Carmelo, Chung Yu-Wo Danny and Woo Ka Biu Jackson.*

**THE ANNOUNCEMENT OF  
PING AN INSURANCE (GROUP) COMPANY OF CHINA, LTD.  
IN RELATION TO  
THE DISCLOSURE OF 2011 THIRD QUARTERLY REPORT OF  
SHENZHEN DEVELOPMENT BANK AND  
ITS PROPOSED ISSUANCE OF FINANCIAL BONDS**

**Special Notice:**

**The board of directors and all directors of Ping An Insurance (Group) Company of China, Ltd. (hereinafter referred to as the "Company") confirm that there are no false representations and misleading statements contained in, or material omissions from this announcement, and severally and jointly accept the responsibility for the truthfulness, accuracy and completeness of the contents of this announcement.**

On October 25, 2011, Shenzhen Development Bank Co., Ltd.(hereinafter referred to as “SDB” or “**Shenzhen Development Bank**”), the controlling subsidiary of the Company, held the eighth meeting (hereinafter referred to as the “**Meeting**”) of the eighth session of the board of directors of SDB, which considered the matters of the "2011 Third Quarterly Report of SDB" and the proposed issuance of financial bonds, etc. The Company announces the relevant information as follows:

- I. The Meeting reviewed and approved the "2011 Third Quarterly Report of SDB". Please refer to the attachment of this announcement for the "2011 Third Quarterly Report of SDB" as disclosed on the website of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).
- II. The Meeting reviewed and approved the "Resolution of Issuance of Financial Bonds". It is agreed that SDB proposes to issue financial bonds in the domestic and/or overseas markets in multiple tranches within 3 years, and the specific plan is as follows:
  - (i) Use of proceeds: the proceeds raised from the issuance of financial bonds will be used to supplement the medium to long-term funds of SDB and foster its development of small and medium-sized enterprises' business.
  - (ii) Total amount of issuance: the total amount of issuance of financial bonds in multiple tranches in aggregate shall not exceed RMB 20 billion, and the board of director of SDB is authorized to determine the terms of the specific issues according to the prevailing market conditions at the time of issue.
  - (iii) Duration of bonds: 1 year to 10 years.

- (iv) Interest rate of bonds: the interest rate of bonds should be determined according to the asset-liability maturity conditions of SDB and the prevailing market situation at the time of issue by reference to the prevailing market interest rate and in line with the issuance method. The board of directors of SDB is authorized to determine the specific interest rate according to the prevailing market conditions at the time of issue.
- (v) Period of validity for resolutions in relation to the issuance of financial bonds: the resolution shall be effective for a period of 36 months from the date of approval of the issuance of financial bonds by the general meeting of SDB.
- (vi) Authorization of issuance: the board of directors of SDB is authorized to deal with the matters in relation to the issuance of financial bonds, including but not limited to the determination of the specific terms of issuance of the financial bonds; the board of directors of SDB is also authorized to make appropriate adjustments to the terms of issuance in accordance with the requirements of relevant regulatory authorities. The above authorization shall be effective for a period of 36 months from the date of approval of the resolution of the issuance of the financial bonds by the general meeting of SDB.

On such basis, the board of directors of SDB authorizes its management to specifically deal with the matters in relation to the issuance of the financial bonds, including but not limited to the determination of specific terms of issuance of the financial bonds; making appropriate adjustments to the terms of issuance in accordance with the requirements of relevant regulatory authorities; determining the specific time, market and target, currency and amount, duration, interest rate and method of the issuance of the financial bonds according to the asset-liability maturity conditions of SDB and the prevailing market situation . The above authorization shall be effective for a period of 36 months from the date of approval of the resolution of the issuance of the financial bonds by the general meeting of SDB.

The above resolution is subject to the review and approval of the relevant regulatory authorities.

The above resolution shall be submitted to general meeting of SDB for review and approval.

Please refer to the "Announcement of Resolutions of the Board of Directors of SDB" published by SDB on the website of Shenzhen Stock Exchange ([www.szse.cn](http://www.szse.cn)) and certain designated newspapers in the PRC for the detailed information of the Meeting .

The Board of Directors  
Ping An Insurance (Group) Company of China, Ltd.  
October 25, 2011

## Shenzhen Development Bank Co., Ltd.

### 2011 Third Quarterly Report

#### §1 Important Reminder

1.1 The board of directors (hereinafter referred to as the "**Board**") along with its directors, the committee of supervisors along with its supervisors, and senior management team of Shenzhen Development Bank Co., Ltd. (hereinafter referred to as the "**Bank**" or "**SDB**") guarantee that this report does not have any false documentation, misleading statements or material omission, and they severally and jointly accept the responsibility for the truthfulness, accuracy and completeness of the report.

1.2 The third quarterly report was reviewed and approved at the eighth meeting of the eighth session of the Board of the Bank. There were 18 directors present in the meeting. The Board of the Bank approved this report unanimously at the meeting.

1.3 Xiao Suining, Chairman of the Board of the Bank, Richard Jackson, President, Chen Wei, Vice President and Chief Financial Officer, and Wang Lan, head of the Accounting Department, guarantee the authenticity and completeness of the financial report in the third quarterly report.

1.4 This report does not go through the formal audit; however, E&Y-Huaming conducted AUP towards certain issues and the compiling procedure of financial report.

1.5 In this report, the Company and the Bank/SDB refer to Shenzhen Development Bank Co., Ltd. and the Group refers to Shenzhen Development Bank Co., Ltd. and its subsidiaries.

1.6 The Company has obtained 90.75% of equity interests in Ping An Bank Company Limited (hereinafter referred to as the "**Ping An Bank**") via the non-public issuance of shares in July 2011. Since the date of acquisition, the Company starts to prepare the consolidated statements in accordance with Accounting Standards for Business Enterprises. The data for the period of the "Group" as set forth in the report represents the data of the consolidated statements, while the data for the same period of last year represents the standalone data of the parent company (SDB). The consolidated net profit only contains the net profit of Ping An Bank from the date of acquisition to 30 September.

1.7 According to the Company's announcement entitled "Announcement of Shenzhen Development Bank Co., Ltd. on Accounting Policy Changes and Retroactive Adjustment Items" (announcement no.: 2011 - 031), the Company had made retroactive adjustment to the balance of the financial statement at the beginning of the periods and the comparison data in respect of year-on-year performance for the same periods of last year.

## §2 Basic Facts of the Company

### 2.1 Key Accounting Data and Financial Indicators

The Group

(in RMB thousand)

	September 30, 2011	December 31, 2010	Change from the end of current reporting period over the end of previous year (%)	
Total assets	1,207,212,499	727,207,076	66.01%	
Equity attributable to shareholders of parent	69,707,946	33,197,535	109.98%	
Share capital	5,123,350	3,485,014	47.01%	
Net asset per share attributable to shareholders of parent (Yuan)	13.61	9.53	42.81%	
	July-September 2011	Changes over the same period of last year (%)	January-September 2011	Changes over the same period of last year (%)
Operating income	8,564,132	83.71%	20,701,401	57.58%
Net profit attributable to shareholders of parent company	2,956,041	73.95%	7,687,182	62.93%
Net cash flow from operating activities	Not applicable	Not applicable	17,861,633	68.83%
Net cash flow from operating activities per share (Yuan)	Not applicable	Not applicable	3.49	14.80%
Basic EPS (Yuan)	0.65	32.65%	2.01	37.67%
Diluted EPS (Yuan)	0.65	32.65%	2.01	37.67%
Basic EPS less non-recurring gains/losses (Yuan)	0.63	31.25%	1.98	37.50%
Average return of assets (un-annualized)	0.29%	0.03 percentage points	0.79%	0.04 percentage points
Fully diluted rate of return on net assets (un-annualized)	4.24%	-1.10 percentage points	11.03%	-3.78 percentage points

Weighted average rerun on net asset (un-annualized)	4.30%	-1.19 percentage points	17.64%	-1.33 percentage points
Weighted average rerun on net asset less non-recurring gains/losses (un-annualized)	4.20%	-1.22 percentage points	17.47%	-1.22 percentage points
Items of non-recurring gains/losses	Amount from the beginning of the year to the end of reporting period			
Gains/Losses on disposal of non-liquidity assets	121,798			
Losses from contingency	(25,750)			
Other non-operating income and expenses except the above items	11,102			
Impact on income tax of above adjustments	(24,683)			
Portions attributable to minority shareholders	819			
Total	83,286			

Notes: 1. Non-recurring gains/losses are calculated based on the definition of CSRC Announcement 2008 No.43—Explanatory Announcement of Information Disclosure by Companies Publicly Offering Securities No.1- Non-recurring Gains/Losses.

The Group

(in RMB thousand)

Item	September 30, 2011	December 31, 2010	Change from the end of current reporting period over the end of previous year(%)
Total deposits	832,240,721	562,912,342	47.85%
Including: Corporate deposits	683,538,593	477,741,629	43.08%
Retail deposits	148,702,128	85,170,713	74.59%
Total loans	608,270,557	407,391,135	49.31%
Including: Corporate loans	423,225,540	287,295,541	47.31%
General loans	405,144,914	268,648,981	50.81%
Discounted Bills	18,080,626	18,646,560	-3.04%
Retail loans	164,430,207	113,750,877	44.55%
Credit card receivables	20,614,810	6,344,717	224.91%

Loan impairment provision	(9,553,943)	(6,425,060)	48.70%
Net loans and advances	598,716,614	400,966,075	49.32%

The Company

(in RMB thousand)

	September 30, 2011	December 31, 2010		Change from the end of current reporting period over the end of previous year（%）
Total assets	930,459,073	727,207,076		27.95%
Equity attributable to shareholders	69,432,449	33,197,535		109.15%
Share capital	5,123,350	3,485,014		47.01%
Net asset per share attributable to shareholders (Yuan)	13.55	9.53		42.18%
	July-September 2011	Changes over the same period of last year（%）	January-September 2011	Changes over the same period of last year（%）
Operating income	6,249,409	34.05%	18,386,678	39.96%
Net profit attributable to shareholders of SDB	2,388,047	40.53%	7,119,189	50.89%
Net cash flow from operating activities	Not applicable	Not applicable	16,646,094	57.34%
Net cash flow from operating activities per share (Yuan)	Not applicable	Not applicable	3.25	6.91%
Basic EPS (Yuan)	0.52	6.12%	1.85	26.71%
Diluted EPS (Yuan)	0.52	6.12%	1.85	26.71%
Basic EPS less non-recurring gains/losses (Yuan)	0.50	4.17%	1.83	27.08%
Average return on assets (un-annualized)	0.27%	0.01 percentage points	0.86%	0.11 percentage points
Average return on assets (annualized)	1.07%	0.02 percentage points	1.15%	0.15 percentage points
Fully diluted return on net assets (un-annualized)	3.44%	-1.90 percentage points	10.25%	-4.56 percentage points
Weighted average rerun on net asset (un-annualized)	3.49%	-2.00 percentage points	16.45%	-2.52 percentage points
Weighted average rerun on	13.96%	-7.98	18.91%	-4.56 percentage



net asset (annualized)		percentage points		points
Weighted average rerun on net asset less non-recurring gains/losses (un-annualized)	3.38%	-2.04 percentage points	16.25%	-2.44 percentage points
Items of non-recurring gains/losses	Amount from the beginning of the year to the end of reporting period			
Gains/Losses on disposal of non-liquidity assets	121,798			
Losses from contingency	(20,075)			
Other non-operating income and expenses except the above items	15,188			
Impact on income tax of above adjustments	(25,592)			
Portions attributable to minority shareholders	91,319			

The Company

(in RMB thousand)

Item	September 30, 2011	December 31, 2010	Change from the end of current reporting period over the end of previous year (%)
Total deposits	628,564,778	562,912,342	11.66%
Including: Corporate deposits	520,460,849	477,741,629	8.94%
Retail deposits	108,103,929	85,170,713	26.93%
Total loans	459,673,405	407,391,135	12.83%
Including: Corporate loans	323,003,218	287,295,541	12.43%
General loans	307,070,993	268,648,981	14.30%
Discounted bills	15,932,225	18,646,560	-14.56%
Retail loans	129,138,651	113,750,877	13.53%
Credit card account receivables	7,531,536	6,344,717	18.71%
Loan impairment provision	(8,041,502)	(6,425,060)	25.16%

Net loans and advances	451,631,903	400,966,075	12.64%
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## 2.2 Supplementary Financial Ratios

The Group

(Unit: %)

Item	Benchmark value	September 30, 2011	December 31, 2010	December 31, 2009
Capital adequacy ratio	$\geq 8$	11.46	10.19	8.88
Core capital adequacy ratio	$\geq 4$	8.38	7.10	5.52
NPL ratio	$\leq 5$	0.43	0.58	0.68
Provision coverage ratio	Not applicable	365.77	271.50	161.84
Provision to loan ratio	Not applicable	1.57	1.58	1.10
Cost/income ratio (excluding business tax)	Not applicable	38.44	40.95	41.92
Net interest spread	Not applicable	2.40	2.41	2.41
Net interest margin	Not applicable	2.56	2.49	2.47

The Company

(Unit: %)

Item	Benchmark value	September 30, 2011	December 31, 2010	December 31, 2009
Capital adequacy ratio	$\geq 8$	11.08	10.19	8.88
Core capital adequacy ratio	$\geq 4$	9.97	7.10	5.52
NPL ratio	$\leq 5$	0.46	0.58	0.68
Provision coverage ratio	Not applicable	382.77	271.50	161.84
Provision to loan ratio	Not applicable	1.75	1.58	1.10
Cost/income ratio (excluding business tax)	Not applicable	37.17	40.95	41.92
Loan to deposit spread	Not applicable	4.11	3.79	3.89
Net interest spread	Not applicable	2.44	2.41	2.41
Net interest margin	Not applicable	2.58	2.49	2.47

Loan to deposit ratio (including discounted bills, home and foreign currency)		≤75	73.19	72.61	79.14
Loan to deposit ratio (excluding discounted bills, home and foreign currency)		Not applicable	70.61	69.23	69.12
Liquidity ratio	RMB	≥25	52.13	52.52	38.59
	Foreign currency	≥25	34.73	49.94	54.02
	Home & foreign currency	≥25	50.65	52.35	39.46
Loan for the biggest single customer to net capital ratio		≤10	4.11	5.29	7.84
Loan for top 10 customers to net capital ratio		Not applicable	21.83	26.86	40.85
Migration ratio of Pass loans		Not applicable	0.77	0.73	1.31
Migration ratio of Special Mention loans		Not applicable	10.40	39.17	48.99
Migration ratio of Substandard loans		Not applicable	12.55	23.15	23.39
Migration ratio of Doubtful loans		Not applicable	9.95	9.23	-

### 2.3 Number of shareholders and position of the top ten unrestricted shareholders at the end of the reporting period

(Unit: shares)

Total number of shares	5,123,350,416	Total number of shareholders	274,203
Position of top ten unrestricted shareholders			
Name of the shareholder		Number of unrestricted shares held	Share nature
Ping An Insurance (Group) Company of China, Ltd. - Group level - Self-owned fund		521,470,862	RMB ordinary shares
Ping An Life Insurance Company of China, LTD. - Tradition - Ordinary insurance products		140,963,528	RMB ordinary shares
China Electronics Shenzhen Company, LTD.		87,382,302	RMB ordinary shares
China Life Insurance Company Limited - dividend - individual dividend - 005L-FH002 Shenzhen		63,504,416	RMB ordinary shares

Haitong Securities Co., Ltd.	47,781,086	RMB ordinary shares
BOC-Yifangda Shenzhen Stock Exchange 100 Transactional Open Index Securities Investment Fund	37,588,841	RMB ordinary shares
National Social Security Fund-10 portfolio	33,841,551	RMB ordinary shares
China Life Insurance Company Limited - tradition - Ordinary insurance products -005L-CT001 Shenzhen	31,499,998	RMB ordinary shares
ABC—Fuguotianrui Strong Regions Selective Mixed Open Securities Investment Fund	30,591,494	RMB ordinary shares
ICBC – Rongtong Shenzhen Stock Exchange 100 Index Securities Investment Fund	28,204,935	RMB ordinary shares

### §3 Major events

#### 3.1 Substantial changes of major financial items or indicators with the reasons

√Applicable    □Not applicable

The Company

Item	Percentage of change	Cause for change
Precious metals	-100.00%	Change of business
Due from other banks	116.08%	Inter-bank business structure adjustment
Inter-bank placemens	-44.20%	Inter-bank business structure adjustment
Financial assets at fair value through profit or loss for the current period	100.00%	Small base number, investment structure adjustment
Derivative financial assets	58.61%	Increase of forward foreign currency contract business
Reverse repo financial assets	-42.83%	Inter-bank business structure adjustment
Receivables	692.88%	Increase of agency payment business scale
Interest receivable	87.18%	Asset scale increase and interest rate rise
Available-for-sale financial assets	45.57%	Adjustment on investment structure
Held-to-maturity investments	38.17%	Adjustment on investment structure
Long-term equity investments	6600.01%	New equity investment to Ping An Bank
Other assets	37.50%	Increase of receivable bond settlement fee
PBOC lending	-54.77%	Decrease of rediscount financing volume
Due to other banks and financial institutions	64.99%	Inter-bank business structure adjustment
Derivative financial liabilities	68.30%	Small base number, increase of forward foreign currency contract business
Tax payable	58.23%	Increase of income and effective tax rate rise

Payables	787.59%	Increase in agency payment business scale
Interest payable	66.31%	Increase of scale of liabilities and interest rate rise
Bond payables	38.63%	New issuance of RMB 3.65 billion hybrid bonds
Predicted liabilities	624.91%	Small base number
Other liabilities	283.64%	Increase of payable bond settlement fee and other transitional settlement fee
Share capital	47.01%	Increase of share capital due to the non-public offering of share
Capital reserve	205.96%	Increase in capital reserve due to the non-public offering
Undistributed profit	83.94%	Increase of profit for the year
Interest income	65.50%	Increase of interest-earning assets and interest rate rise
Interest expense	108.38%	Increase of interest-bearing liabilities and interest rate rise
Fee and commission income	65.21%	Increase of fee income from settlement, wealth management, agency and bank cards, etc.
Fee and commission expense	30.66%	Increase of fee expenses from agency and bank cards, etc
Gain on fair value change	37.10%	Decrease of loss from fair value change of derivatives such as interest swap
Net exchange income	58.15%	Increase of business volume of foreign exchange business on behalf of customer
Business tax and surcharges	60.10%	Increase of taxable business income
Non-operating income	34.06%	Increase of disposal gain of repossessed assets
Non-operating expense	129.06%	Small base number
Expense of income tax	56.65%	Increase of income on tax payable and increase of effective tax rate

Note: As the current period is the first consolidated statement with the Group, the data of the statements for the end of the current period represent are the consolidated data of the Group, and the comparable data for the last period are the data of the Company. As such, all Group consolidated statement data changed significantly. To demonstrate the cause for such changes in a clearer manner, the table shows the description of the cause for change for SDB's statement.

The above percentage of change is calculated based on the Company's data. The comparison of balance sheet items represents the comparison between the end of the current reporting period and the end of last year; and the comparison of income statement items represents the comparison between January to September of the current year and the same period of last year.

### 3.2 Analysis and explanation about the progress, impact and solution of major events

#### 3.2.1 Qualified opinions

☐Applicable    ☒Not applicable

#### 3.2.2 Provision of capital to controlling shareholder or other connected parties or provision of guarantees to external parties in breach of stipulated procedures by the Company

☐Applicable    ☒Not applicable

### 3.2.3 Signing and performance of daily material business operation contracts

☐Applicable ☒Not applicable

### 3.2.4 Other material matters

☒Applicable ☐Not applicable

On August 17, 2011, the seventh meeting of the eighth session of the Board of the Bank reviewed and approved *SDB Resolution of Non-public Offering of Shares*.

Pursuant to the *Share Subscription Agreement between Shenzhen Development Bank Co., Ltd. and Ping An Insurance (Group) Company of China, Ltd.* (hereinafter referred to as the “**Subscription Agreement**”) signed by the Bank and Ping An Insurance (Group) Company of China, Ltd. (hereinafter referred to as the “**PAG**”) on August 17, 2011 in Shenzhen, the Bank intended to issue no more than 892,325,997 shares but no less than 1,189,767,995 shares to PAG through non-public offering. The issuance price was determined as the average trading price of the Company’s shares for 20 trading days preceding to the pricing benchmark date (i.e. RMB 16.81 per share), raising no more than RMB 20 billion.

Such non-public offering resolution has been approved in the 1<sup>st</sup> extraordinary meeting of the Bank in 2011 held on September 2, 2011, and is pending for the approval of regulators, i.e. China Banking Regulatory Commission and China Securities Regulatory Commission.

For details, please refer to the announcement of the resolution of the Board, proposal of the non-public offering of A shares in 2011 and the announcement of the resolution of general meeting of the Company.

### 3.3 Performance of undertaking of the company, shareholder and actual controller

☒Applicable ☐Not applicable

Undertakings	Promiser	Contents	Performance status
Undertaking in share reform	-	-	-
Undertakings made in <i>Acquisition Report</i> or <i>Equity Change report</i>	Ping An Insurance (Group) Company of China, Ltd., Ping An Life Insurance Company of China, Ltd., (hereinafter referred to as the “ <b>Ping An Life</b> ”)	<p>PAG and Ping An Life undertook in <i>SDB’s Long Form Equity Change Report</i> issued on June 16, 2009 to:</p> <p>Take legal and feasible measures to integrate SDB and Ping An Bank in the manner of, including but not limited to, merger within 3 years after the completion of this deal by strictly following relevant rules, laws and regulatory requirements, so as to avoid substantial peer competition.</p> <p>PAG undertook in <i>Acquisition Report on Acquiring SDB</i> issued on June 30, 2011:</p> <p>As to all SDB shares owned by the acquirer and its affiliated institutions, as of the day when all SDB shares subscribed through the deal are registered under the name of the acquirer, the acquirer and its affiliated institutions will not transfer any of the shares within thirty-six months after the new shares are registered under the name of the acquirer, and after the lock-up period, the shares will be dealt with in accordance with relevant regulations of CSRC and Shenzhen Stock Exchange. However, under the permission of applicable laws, this restriction is not applicable to the transfer between the acquirer’s affiliated institutions.</p>	The undertakings were still being performed.

Undertakings made upon this major assets restructuring	Ping An Insurance (Group) Company of China, Ltd., the Bank	<p>I. PAG made the following undertakings when planning to subscribe for 1,638,336,654 shares of SDB issued through non-public offering (this major assets restructuring) with its 90.75% shareholding of Ping An Bank and RMB 2.6900523 billion cash:</p> <p>1. PAG will act strictly in compliance with relevant rules and regulatory requirements to quickly launch the integration of Ping An Bank and SDB, implement necessary internal decision-making procedures and submit to regulators for approval to try to complete the integration of two banks within one year. Due to uncertainties of regulatory approval, the specific time of the completion of the integration depends on factors such as the approval progress of regulators. PAG will actively communicate with relevant regulators to try to complete the integration as soon as possible.</p> <p>2. PAG and its affiliated institutions shall not transfer all the shares owned by PAG and its affiliated institutions within 36 months since the day when this non-public offering is completed. However, under the permission of applicable laws, the transfer between PAG's affiliated institutions (i.e. any party that has direct or indirect control over PAG, is directly or indirectly controlled by PAG and is jointly controlled by other parties together with PAG) will not be restricted. After the expiration of the above term, PAG can dispose such new shares in accordance with relevant regulations of CSRC and Shenzhen Stock Exchange.</p> <p>3. In accordance with <i>Profit Forecast Compensation Agreement</i> signed between PAG and the Bank on September 14, 2010, PAG shall, within 3 years after this deal of asset purchase by share issue ("the compensation period"), prepare Ping An Bank's pro forma net profit data ("realized profit") within 4 months after each accounting year pursuant to PRC enterprise accounting standards and urge the accounting firm engaged by PAG to present special auditing opinions ("the special auditing opinions") with regard to such realized profit as well as the difference between such realized profit and the corresponding forecast amount ("the difference amount"). According to such special auditing opinions, if the actual profit amount achieved in any year within the compensation period is lower than the corresponding profit forecast, PAG shall pay 90.75% of the difference between the above mentioned actual profit and the corresponding forecast amount ("the compensation amount") to the Bank in cash. PAG shall, within 20 business days after submission of the special auditing opinions for the year, pay such amount in full to the Bank's designated account.</p> <p>4. As to the two properties without ownership certification by Ping An Bank, PAG issued the <i>PAG Undertaking Letter on Providing Compensation for Potential Dispute about Ownership of Ping An Bank's Properties</i>. According to the undertaking letter, PAG undertook that if there is any dispute about the ownership of the above properties of Ping An Bank in the future, PAG will try its best to coordinate all parties, strive to settle disputes and avoid any adverse impact to normal business operation of the Bank. If the dispute of the property ownership causes additional cost or</p>	The undertaking on vesting of ownership of profit/loss during the transition period was performed on July 20, 2011. Other undertakings were still being performed.
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		<p>income decrease to the above said subordinate institutions, PAG promises to compensate the Bank in cash for the loss of profit caused due to handling the ownership dispute of PAB property.</p> <p>On the basis of the above undertaking letter, PAG makes the <i>Undertaking letter of Ping An Insurance (Group) Company of China, Ltd. Regarding the Solutions to the Properties with Ownership Defects of Ping An Bank Company Limited</i>, which undertakes that: within three years after the completion of this deal, if the Bank cannot obtain real estate certificates for the two properties and cannot properly dispose of those properties, then PAG will purchase at a fair and reasonable price, or designate a third party to purchase those properties within three months upon the expiry of the three year period.</p> <p>5. Regarding profit/loss of the subscribed consideration assets during the transitional period, PAG issued undertaking letter: from the day following the evaluation benchmark day until the shares are transferred to the Company, profits derived from the subscription of consideration assets are enjoyed by SDB while losses are borne by PAG.</p> <p>6. After this major assets restructuring and during the period when PAG acts as the controlling shareholder of SDB, in respect of similar businesses or business opportunities as SDB that are intended to be engaged by or substantially obtained by PAG and other companies controlled by PAG in the future, and that the assets and businesses formed by those businesses or business opportunities may cause potential peer competition with SDB, PAG and other companies controlled by PAG will not engage in businesses that are the same or similar to SDB, so as not to involve in direct or indirect competition in relation to SDB's business operations.</p> <p>7. After this major assets restructuring, with regard to the related party transactions between PAG and other companies controlled by PAG and SDB, PAG will carry out the transactions with SDB under the principles of openness, fairness and justice of market transactions and in accordance with fair and reasonable market price, as well as implement decision-making procedures based on requirements of relevant laws, regulations and regulatory documents so as to fulfill its obligation of information disclosure according to the laws. PAG guarantees that PAG and other companies controlled by PAG would not acquire any illegal interests or make SDB assume any improper obligations through the transactions with SDB.</p> <p>8. After this major assets restructuring and during the period when PAG acts as SDB's controlling shareholder, SDB's independence will be maintained so as to make sure SDB is independent to PAG and other companies controlled by PAG in terms of staffing, asset, finance, institution and business.</p> <p>II. Regarding the aforesaid two properties without ownership certificate of Ping An Bank, the Bank promises that after the completion of the deal:</p>	
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		<p>1. The Company will proactively communicate with property ownership administrative authorities and relevant parties and try its best to get ownership certificate of the above two properties;</p> <p>2. If there is substantial obstacle 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 deal;</p> <p>3. If the Company fails to dispose the properties in the way mentioned in point 2 within three years after the completion of the deal due to any reason, the Company will sell the properties to PAG or a designated third party at a fair and reasonable price within three months after expiration of the three-year time limit; and</p> <p>4. If there is any dispute about ownership before the properties are disposed, the Company will ask PAG to compensate the Company according to the <i>PAG Undertaking Letter on Providing Compensation for Potential Dispute about Ownership of Ping An Bank's Properties</i> issued by PAG.</p>	
Undertakings made upon share issuance	Ping An Life	<p>Ping An Life made undertakings not to transfer the 379,580,000 new shares acquired from SDB in non-public offering within 36 months from the date of listing of the above subscribed shares, being September 17, 2010, however, under the permission of the laws and approval of relevant regulatory authorities, the transfer between Ping An Life and its related parties (including its controlling shareholders, de facto controllers and the other entities under the control of its de facto controllers) will not be restricted. If there are any selling deals against the said undertaking, the Clearing Company-Shenzhen Branch will be delegated to transfer all the money from selling of the subscribed shares to SDB's listed company account and the money will be owned by all SDB shareholders.</p>	The undertakings were still being performed.
Other undertakings (including retrospective undertakings )	Ping An Insurance (Group) Company of China, Ltd.	<p>On September 16, 2011, the Bank received the <i>Letter on Undertaking of Reinforcing Management of Non-public Information</i> by PAG. PAG undertakes that it will establish and optimize the management and internal control on acquired non-public information of listed company, and press itself and those who know the relevant information of its effective controllers not to utilize non-public information of SDB to trade SDB's securities; PAG will not recommend others to trade the securities of SDB and will not leak out non-public information, while provide the list of persons of its own and its effective controllers in knowledge of the non-public information of SDB in a timely, truthful, real, accurate and complete manner for SDB to file to the Securities Regulatory Commission and Stock Exchange of Shenzhen.</p>	The undertakings were still being performed.

3.4 Anticipation of loss or substantial change of accumulative net profit from the beginning of the year to the end of next reporting period, and the explanation of reason

☐Applicable    ☒Not applicable

3.5 Execution of dividend policy in the reporting period

☐Applicable    ☒Not applicable

3.6 Explanation of other major events

3.6.1 Securities investment situation

☒Applicable    ☐Not applicable

At the end of the reporting period, book value of treasury and financial bonds (including PBOC notes, policy bank notes, ordinary financial bonds and subordinated financial bonds) held by the Group was RMB 179.3 billion, among which the bonds with large amount are as follows:

(in RMB thousands)

Type	Book value (‘000)	Annual coupon rate (%)	Maturity date	Impairment provision
11 financial bonds	36,630,010	0~6.20	2012/1/16~2021/8/9	-
10 financial bonds	21,440,000	2.61~6.17	2011/11/9~2020/11/4	-
09 financial bonds	12,790,000	1.95~6.27	2011/11/11~2019/9/23	-
08 financial bonds	10,130,000	2.04~4.95	2011/12/5~2018/12/16	-
PBOC notes	7,870,000	2.65~3.80	2013/4/23~2014/5/13	-
11 T-bonds	5,928,422	0~6.15	2011/11/14~2041/6/23	-
07 financial bonds	4,815,000	2.52~6.42	2012/2/2~2017/11/29	-
10 T-bonds	4,780,895	2.15~4.60	2011/10/15~2040/6/21	-
06 T-bonds	3,189,483	2.51~3.81	2011/11/30~2016/3/27	-
10 Policy bank bonds	3,180,000	4.09	2020/2/25	-

3.6.2 Shareholding of other listed company

☒Applicable    ☐Not applicable

(in RMB thousands)

Code	Name	Initial investment	Portion of total shareholding in the end of the period	Face value in the end of the period	G/L (gain/loss) in the reporting period	Change of equity in the reporting period	Accounting subjects	Sources of shares
000150	Yihua Real Estate	5,895	1.36%	20,108	-	(2,564)	Available-for-sales financial assets	Reposessed equity

600094	ST Huayuan	4,248	0.23%	3,602	-	(671)	Available-for-sales financial assets	Reposessed equity
000034	ST Shentai	5,553	0.18%	4,024	-	(838)	Available-for-sales financial assets	Reposessed equity
000030	ST Sunrise	2,916	1.24%	5,801	-	2,885	Available-for-sales financial assets	Reposessed equity
	Visa Inc.	-	0.01%	1,214	2	221	Available-for-sales financial assets	Historical investment
Total		18,612		34,749	2	(967)		

### 3.6.3 Shareholding of other unlisted financial companies or to-be-listed companies

√Applicable    □Not applicable

(in RMB thousands)

Name of the invested company	Investment	Impairment provision	Ending net value
Ping An Bank Company Limited	26,701,707	-	26,701,707
China UnionPay Company Ltd.	74,220	-	74,220
SWIFT Membership shares	684	-	684
Clearing Center for City Commercial Banks	600	-	600
Total	26,777,211	-	26,777,211

### 3.6.4 Position of derivatives investment at the end of the reporting period

√Applicable    □ Not applicable

#### (1) Derivatives investment table

Risk analysis on derivatives position-holding in the reporting period and explanations on controlling measures (including but not limited to market risk, liquidity risk, credit risk, operational risk and legal risk)	<p>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 price (interest rate, exchange rate, stock price and goods price). The Bank conducts limit management from aspects such as exposure, risk level and G/L.</p> <p>2. Liquidity risk. Liquidity risk of derivatives refers to the risk that bank has the solvency but cannot obtain sufficient fund timely 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 Bank adopts the measures of integration position closing to ensure sufficient fund for settlement while delivery; for derivatives delivered in net amount, there is no major impact as the cash flow would have minor impact on liquid assets of the Bank.</p> <p>3. Operational risk. Operational risk is the risk resulting from defective internal procedure, staff, system, or external events. The Bank strictly observes the CBRC Guidelines on Operational Risk Management at Commercial Banks, staffs full-time traders, adopted professional front-middle-back office monitoring system, set complete business operation process and authorization management system and</p>
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	<p>improved internal monitoring and auditing mechanism, trying best to avoid operational risk.</p> <p>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 Bank attached great importance to legal documentation related to derivatives transaction and signed legal agreement including ISDA, CSA, NAFMII with peer banks to avoid legal dispute and regulate dispute resolving method. In accordance with regulatory requirement and transaction management necessity, the Bank also set customer transaction agreement referring to above inter-bank legal agreements thus avoid most potential legal disputes.</p> <p>5. Force Majeure. Force Majeure refers to the unforeseeable, inescapable or insurmountable objective circumstances, including not limited to fire, earthquake, flood or other natural disaster, 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 prevent the derivatives transaction to be implemented normally. The Bank signed off agreement with all the individuals, institutional and inter-bank customers about force majeure to exempt obligation of contract breaching.</p>
Changes of market price or product fair value of invested derivatives in the reporting period. While making analysis on derivatives fair value, specific methods in use with relevant presumptions and parameters should be disclosed	<p>In the third quarter of 2011, the Bank did not see big fair value change of invested derivatives during the reporting period. Regarding derivative financial instruments, the Bank engaged the evaluation technique to determine the value. The evaluation technique includes reference to familiar circumstances and the price used in latest market trading of each party voluntary for trading, and reference to the current fair values and discounted cash flow technique of other essentially same financial instruments.</p> <p>Evaluation technique may use market parameter if feasible. However, the management team needs to evaluate in light of the credit risk, market fluctuation rate and relevance of itself and the trading counterparts when lacking market parameters</p>
Explanation on if there is major change of accounting policy or accounting settlement principle related to derivatives occurred in the reporting period compared with that of last reporting period	<p>The Bank stipulates accounting policy and accounting settlement principle related to derivatives in line with the Accounting Standard for Business Enterprises. There is no major change of relevant policy</p>
Specific comments from independent directors, sponsors or financial advisors on derivatives investment and risk control	<p>Independent directors of the Bank believe that the Bank's derivatives transactions business is a commercial banking business approved by regulator. The Bank has established a relative complete risk management system, which is effective for risk control on derivatives transaction.</p>

## (2) Position of derivative investment at the end of the reporting period

(in RMB thousands)

Agreement type	Beginning agreement amount (nominal)	Ending agreement amount (nominal)	Fair value change during the reporting period	Percentage of ending agreement amount (nominal) to ending equity (%)
FX forward agreement	47,535,018	133,472,407	16,816	191.47%
IR swap agreement	2,300,000	12,097,580	-6,933	17.35%
Stock option agreement	-	-	-	-
Equity exchange agreement	-	-	-	-
Total	49,835,018	145,569,987	9,883	208.82%

3.6.5 Share offering plan raised by shareholders holding more than 30% of total shares and the implementation, and whether there is any situation of providing funds or providing external guarantee in violation of regulations to controlling shareholder or its related party

☐Applicable    ☒Not applicable

### 3.6.6 Explanations on the implementation project progress of the Basic Standard for Enterprise Internal Control

During the reporting period, the Bank has launched various internal control evaluation works in an orderly manner in accordance with Implementation Plan of the Basic Standard for Enterprise Internal Control. As of the end of September, the Bank has successfully completed independent on-site evaluations of the head office of the Bank and two branches as planned, and currently, the independent evaluation of one branch is still in progress. Consolidation of self-assessment documents on internal control as well as the integration and follow-up of insufficiencies will be carried on during the stage of establishing internal control, and the overall progress was in line with the requirements as planned.

To efficiently facilitate internal control evaluation works in a highly effective and high quality manner, the Bank has undergone review on works done in the previous stage and amended internal control evaluation operational guidelines, and followed up the difference on control points arising from the difference on setup of organizational structure between the headquarter and the branches. Flow chart was also drawn and given to business department for confirmation, and the work plan for the next stage was made based on the change of process flows arising from the consolidation of both banks to make it suitable for the Bank. Meanwhile, the Bank formulated internal control evaluation supplementary training program to strengthen training and consolidate

results of preliminary internal control establishment, so as to ensure internal control evaluation work methodology and standards would be in place to further raise the risk control level for the whole bank.

### 3.6.7 Reception of investigation, communication and interview within the reporting period

√Applicable    □Not applicable

In the reporting period, the Bank conducts communication with investors in respect of performance and financial status. The Bank also receives inquiries by phone from individual investors. The contents mainly include: development strategy, periodic report, interim report and remarks, business and management information and major events as legally disclosed, corporate culture, and other related information. According to the Shenzhen Stock Exchange's requirements of information disclosure for the listed company, the Bank and relevant information disclosure obligators strictly observe the principle of fair information disclosure, and there is no situation in violation thereof.

Reception time	Reception location	Reception manner	Reception target	Contents and provided materials
2011-07-04	Shenzhen	Onsite survey	HSBC	Operations and development strategies
2011-07-08	Shenzhen	Onsite survey	HSBC, etc.	Operations and development strategies
2011-08-18	Shenzhen	Conference call	All sorts of investors including brokers and fund investors	2011 interim report result release
2011-09-19	Shenzhen	Onsite survey	Sino-link Securities, etc.	Operations and development strategies
2011-09-19	Shenzhen	Onsite survey	Morgan Stanley, etc.	Operations and development strategies
2011-09-23	Shenzhen	Onsite survey	UBS Securities	Operations and development strategies
2011-09-28	Shenzhen	Onsite survey	Mizuho Securities	Operations and development strategies

## 3.7 Management discussion and analysis

### 3.7.1 Business overview of the Group

Amidst the complicated economic and financial environment in domestic and overseas markets in the third quarter of 2011, the Group pushed forward its business development strategies steadily while adjusting its asset and liability structure and reinforcing pricing management, and thus maintained a healthy and stable development of various businesses and achieved good business performance. Meanwhile, the asset reorganization between SDB and Ping An Bank saw substantial progress. Till July 2011, SDB obtained 90.75% of shares in Ping An Bank via

non-public offering and realized shareholding control of Ping An Bank, and completed an important step for the completion of the reorganization of both banks.

As of September 30, 2011, the total assets of the Group amounted to RMB 1,207.2 billion, a growth of 66% over the same period of last year, which evidenced a further increase in its strength. From January to September, net profit attributable to the shareholders of the parent company amounted to RMB 7,687 million, a growth of 63% over the same period of last year. With further increase in net interest margin and proportion of non-interest income, as well as effective cost control, profitability showed a steady increase. NPL ratio was 0.43% and provision coverage ratio was 365.77%, both of which were maintained at a sound level within the industry. Capital adequacy ratio and core capital adequacy ratio were 11.46% and 8.38% respectively, which met the regulatory requirements.

### 3.7.2 Business overview of the Company

#### I. Scale grew steadily and quality remained stable

As of September 30, 2011, the total assets of the Company amounted to RMB 930.5 billion, a growth of 28% over the beginning of the year; total deposits amounted to RMB 628.6 billion, a growth of 12% over the beginning of the year; total loans amounted to RMB 459.7 billion, a growth of 13% over the beginning of the year. NPL ratio and provision coverage ratio were 0.46% and 382.77% respectively, representing a lower NPL ratio and a higher provision coverage ratio as compared with the industry standard. Balance of government financing platform loans reduced by 29% since the beginning of the year. Quality of assets remained normal, no non-performing loans.

#### Overall Quality of Loans of the Company as of the end of the Reporting Period

(in RMB million)

5-tier grading	September 30, 2011		December 31, 2010	
	Loan balance	%	Loan balance	%
Normal	455,078	99.00%	403,686	99.09%
Special mention	2,494	0.54%	1,339	0.33%
NPLs	2,101	0.46%	2,367	0.58%
Including: Substandard	1,084	0.24%	1,309	0.32%
Doubtful	588	0.13%	620	0.15%
Loss	429	0.09%	438	0.11%
Total Loans	459,673	100.00%	407,391	100.00%

Note: The loan balance in the table includes discount loan balance.

#### Loan structure by product as of the end of the reporting period

(in RMB million)

Items	September 30, 2011	December 31, 2010	Change of
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	Loan balance	NPL ratio	Loan balance	NPL ratio	NPL ratio
<b>Corporate loans (excluding credit cards)</b>	<b>323,003</b>	<b>0.57%</b>	<b>287,296</b>	<b>0.73%</b>	<b>-0.16%</b>
Including: general loans	307,071	0.60%	268,649	0.78%	-0.18%
Discounted bills	15,932	0.00%	18,647	0.00%	0.00%
<b>Retail loans (excluding credit cards)</b>	<b>129,138</b>	<b>0.17%</b>	<b>113,751</b>	<b>0.18%</b>	<b>-0.01%</b>
Including: House mortgage loans	65,024	0.14%	64,877	0.16%	-0.02%
Entrepreneur loans	34,643	0.17%	18,626	0.26%	-0.09%
Auto loans	11,956	0.21%	10,667	0.13%	0.08%
Others	17,515	0.23%	19,581	0.17%	0.06%
<b>Credit card receivables</b>	<b>7,532</b>	<b>0.71%</b>	<b>6,344</b>	<b>1.21%</b>	<b>-0.50%</b>
<b>Total loans</b>	<b>459,673</b>	<b>0.46%</b>	<b>407,391</b>	<b>0.58%</b>	<b>-0.12%</b>

#### Changes of loan impairment provision balance of the Company in the reporting period

(in RMB million)

Items	January- September 2011	January- September 2010
Opening balance	6,425	3,955
Add: total credit provision in current period (including provision for non-credit impairment)	1,039	804
Less: interest offset of impaired loans	54	48
Less: Provision for non-credit impairment	6	16
Net provisions for loans in current period	979	740
Add: Recoveries in current period	843	1,213
Add: Exchange difference and other changes	(2)	(4)
Less: Write-off in current period	203	169
Closing balance	8,042	5,735

## II. Profitability remained steady

In the third quarter, the Company realized net profit of RMB 2,388 million, representing a growth

of 3% on a quarter-on-quarter basis and a growth of 41% on a year-on-year basis. From January to September, the Company realized an accumulated net profit of RMB 7,119 million, a growth of 51% over the same period of last year. Loan to deposit spread for the third quarter has further increased, but net interest spread and net interest margin have lowered from the interim period, which was due to the increase in the scale of inter-bank business and the decrease in interest spread. Proportion of non-interest income and fee income rose continuously, while profitability remained stable.

### Fee income and expense

(in RMB million)

Items	January- September 2011	January- September 2010	Growth rate
Fee income of settlement	557	353	57.79%
Fee income of bank card business	495	475	4.21%
Consultation fees	425	191	122.51%
Fee income of agency and entrustment	257	109	135.78%
Fee income of WM	158	44	259.09%
Account management fee income	34	34	-
Others	275	127	116.54%
<b>Subtotal of fee income</b>	<b>2,201</b>	<b>1,333</b>	<b>65.12%</b>
Fee outlay for bank card	147	116	26.72%
Fee outlay for agency business	71	47	51.06%
Others	20	20	-
<b>Subtotal of fee and commission outlay</b>	<b>238</b>	<b>183</b>	<b>30.05%</b>
<b>Net fee and commission income</b>	<b>1,963</b>	<b>1,150</b>	<b>70.70%</b>

### III. Capital Adequacy Ratio

During the reporting period, the Company completed non-public offering and hence its capital was further raised. As of September 30, 2011, the capital adequacy ratio and core capital adequacy ratio of the Company were 11.08% and 9.97% respectively, which met the regulatory requirements.

### IV. Business Development

#### Corporate business

During the reporting period, “Online Supply Chain Finance” achieved direct connection with the modern logistics management system of China Railway. Such a connection would help realize the

effective integration of capital, resources and business flow with the seamless embedding of financial and logistics functions into the supply chain transaction process, thereby symbolizing the first commercial bank to usher into the era of real-time data interchange between the supply chain financial system and logistics monitoring system.

As of the end of September 2011, the balance of the Company's deposits increased by 9% from the beginning of the year, while the balance of the Company's general loans increased by 14% from the beginning of the year. Corporate fee-based business net income grew by 64 % year-on-year; trade finance credit balance was RMB 213.6 billion, a growth of 22% from the beginning of the year.

In the third quarter, under the influence of domestic macroeconomic adjustment in the third quarter, the growth of the Bank's trade finance business has slowed down with the deceleration of economic growth and downward adjustment of currency credit, and the credit balance dropped slightly compared with that in the end of the last quarter. As of the end of September, number of customers of trade finance for the Bank totaled 9,517, representing an increase of 1,905 or 25% from the beginning of the year. Trade finance balance amounted to RMB 213.6 billion, representing an increase of RMB 38.1 billion or 22% over the beginning of the year. NPL ratio was 0.20%, representing a decrease of 0.09 percentage point over the beginning of the year, and continued to remain at a relatively low level.

In the third quarter, the growth of domestic trade finance slowed down, yet it still accounted for over 90% of the total, with a balance of RMB 194.1 billion at the end of the quarter and an increase of RMB 31.4 billion or 19% over the beginning of the year. International and offshore trade finance recorded a faster increase of 52% over the beginning of the year and the balance reached RMB 19.4 billion. In terms of regional distribution, the growth rate of West Region as compared with the beginning of the year was the highest at about 50%. The amount of increase in Northern Region was the highest with an increase of RMB 11.7 billion, followed by Southern Region with an increase of RMB 11.4 billion, while other regions also maintained a steady and rapid growth. As of the end of September, international (including offshore) settlement amount exceeded USD 120 billion, representing an increase of approximately USD 50 billion or over 70% as compared with the same period of last year.

Table of trade balance

(in RMB million)					
Items	September 30, 2011	%	December 31, 2010	%	Change
Total trade finance balance	213,561	100.0%	175,497	100.0%	21.7%
Region: East Region	52,829	24.7%	44,366	25.3%	19.1%
South Region	78,023	36.5%	66,593	37.9%	17.2%
West Region	19,810	9.3%	13,384	7.6%	48.0%
North Region	62,899	29.5%	51,154	29.1%	23.0%
Domestic/International: Domestic	194,134	90.9%	162,716	92.7%	19.3%

International (including offshore)	19,427	9.1%	12,781	7.3%	52.0%
Export	1,861	0.9%	1,776	1.0%	4.8%
Import	17,566	8.2%	11,005	6.3%	59.6%

### Retail business

In the third quarter, the capability to acquire customers via various channels of retail business was enhanced to launch customer operation in a multi-dimensional manner, thereby improving the sales mode. Exploration strategy of launching gold cards to value customers was continued to enhance the level of customer services. With the pilot promotion of basic rules for sales personnel and focus on allocation of resources based on channels to enhance sales capability, the result of “Outlet Leapfrog” project was continuously consolidated. Meanwhile, the structure adjustment strategy formulated in the beginning of the year was continuously cohered, with more resources placed on high yield loans, thereby gradually increasing the proportion of credit loans and entrepreneur loans (loans for small and micro enterprises) within the whole business structure to realize the simultaneous growth in both scale and revenue of retail business.

As of the end of September 2011, balance of retail deposits of the Bank amounted to RMB 108.1 billion, representing an increase of 27% over the beginning of the year. Balance of retail loans (excluding credit cards) amounted to RMB 129.1 billion, representing an increase of 14% over the beginning of the year. Personal trading volume of precious metals increased by 1,363% from the same period of last year, while incremental premium scale increased by 30% from the same period of last year. Market share of third-party custody business increased by 11%, realizing an increase of 182% for accumulated custody fee income from the same period of last year. Net value of custody increased by RMB 32.1 billion or 85% from the end of last year.

Table of retail loans

(in RMB million)

	September 30, 2011	%	December 31, 2010	%
I. Retail loan excl. Credit Card				
South Region	38,846	30.08%	32,918	28.94%
East Region	53,363	41.32%	47,990	42.19%
North Region	26,929	20.85%	24,584	21.61%
West Region	9,999	7.75%	8,257	7.26%
Headquarter	1	0%	2	0.00%
Total balance of personal loan excl. CC	129,138	100%	113,751	100.00%
Among which: Total non-performing loans	220	0.17%	202	0.18%
II. Mortgage loans				
Mortgage loans	68,802	53.28%	68,002	59.78%
Among which: Home mortgage Loans	65,024	50.35%	64,877	57.03%
Non-performing mortgage	99	0.14%	118	0.17%
Among which: Non-performing housing mortgage	93	0.14%	106	0.16%

## **Treasury Business**

In the third quarter, PBOC has adjusted the scope of reserve ratio and further tightened market liquidity. By adopting measures including adjusting durations, controlling funding and gapping, enhancing efforts on attracting deposits, properly increasing the level of reserve and reducing the scale of discount, the Bank has tackled the issue of tight market liquidity in a timely manner and the overall profitability was continuously enhanced while guaranteeing the liquidity.

- ◆ Inter-bank profit increased continuously, and the scale of assets and liabilities remained stable.
- ◆ Establishment of inter-bank channels moved forward steadily with stable increase in the number of third-party custody securities company partners, third-party custody bank partners, personal precious metal trading as well as wealth management business bank partners, and the deployment of inter-bank cooperation channels have gradually taken shape.
- ◆ Precious metal business recorded a significant growth, with fee income for the current quarter increasing by 581% over the same period of last year while the accumulated income for the first three quarters increasing by 1001% over the same period of last year. Trading volume of silver ranked third in the market.
- ◆ Wealth management products continued to grow rapidly. Balance of wealth management products recorded an increase of 58% over previous quarter and an increase of 297% over the same period of last year. Accumulated wealth management gain for the first three quarters increased by 345% over the same period of last year.
- ◆ Agency forward FX settlement and sales business volume in current quarter increased by 175% over the same period of last year, while the agency FX trading business volume increased by 86% over the same period of last year. In the first three quarters, agency forward FX settlement and sales business volume increased by 164% over the same period of last year, while the agency FX trading business volume increased by 127% over the same period of last year.

## **Credit card business**

In the third quarter, credit card business grew rapidly while maintaining stable profitability with steady enhancement on quality of new customers as well as significant improvement on various risk indicators. As of September 2011, 1.06 million new cards were issued in the year, representing an increase of 42% over the same period of last year. The number of effective credit cards reached 4.94 million, representing an increase of 22% over the same period of last year; loan balance amounted to RMB 7,532 million, representing an increase of 12% over the same period of last year; NPL balance amounted to RMB 53 million, representing a decrease of 24% over the same period of last year; NPL ratio was 0.71%, representing a decrease of 0.5 percentage point from the beginning of the year, which remained at a relatively low level within the industry.

## **Micro finance business**

In the third quarter, the Bank continued to foster the establishment of micro finance business structure and enhance input in various aspects, such as the establishment of institutions in such

field, allocation of staff, risk control system and supporting resources. Currently, personnel for Micro Finance Business Unit has basically been in place, while the preparation and establishment of Micro Finance Business Division in various regions is still undergoing in a steady manner.

As of the end of the reporting period, the Bank's balance of loans to micro business amounted to RMB 39.4 billion, representing an increase of 84% from the beginning of the year, and NPL ratio was 0.12%.

## **V. Establishment of institutions**

During the reporting period, the Bank has newly opened 3 branches in Beijing, Nanjing and Wuhan, respectively.

### **3.7.3 Business condition of Ping An Bank**

In the third quarter, the scale of Ping An Bank maintained steady growth, and the contribution of all types of business has increased steadily. As of September 30, 2011, Ping An Bank's total asset amounted to RMB 290.4 billion, representing an increase of 14% over the beginning of the year. Total deposits amounted to RMB 203.7 billion, representing an increase of 12% over the beginning of the year, of which, retail deposits increased by 32% from the beginning of the year. Total loans amounted to RMB 148.6 billion, representing an increase of 14% over the beginning of the year, of which, SME loans increased by 43% from the beginning of the year. For the credit card business, a total of 575,000 new cards have been issued in the first three quarters in 2011, of which, the number of new cards for the third quarter was 175,000, which continued to contribute to the profit of the bank. NPL ratio remained at 0.34%, and the quality of assets maintained its leading position in the industry. In the third quarter, Ping An Bank realized net profit of RMB 591 million, and all financial indicators remained stable.

## **§4 Audit report**

Audit opinion: This is subject to formal audit.

Board of Directors

Shenzhen Development Bank Co., Ltd.

October 26, 2011

Appendices:

1. Consolidated and parent balance sheet
2. Consolidated and parent income statement
3. Consolidated and parent cash flow statement

**Shenzhen Development Bank Co., Ltd.**  
**Consolidated Balance Sheet**  
**30 September 2011**

	In RMB ' 000	
	2011/9/30	2010/12/31 (restated)
<b>ASSETS</b>		
Cash on hand and due from the Central Bank	136,993,533	76,586,858
Precious metals	-	2
Placements of deposits with other financial institutions	27,071,033	8,523,729
Funds loaned to other financial institutions	8,035,012	8,475,988
Financial assets at fair value through profit or loss	16,545,462	-
Derivative financial assets	622,094	371,734
Reverse repurchase agreements	71,940,734	98,263,433
Accounts receivable	110,352,473	13,727,415
Interest receivable	5,554,467	2,121,487
Loans and advances	598,716,614	400,966,075
Available-for-sale financial assets	78,392,673	31,534,183
Held-to-maturity investments	108,836,036	61,379,837
Receivables type bond investment	21,002,100	18,502,100
Long-term equity investments	417,292	404,390
Goodwill	7,568,304	-
Investment properties	260,528	214,571
Fixed assets	3,406,765	2,392,293
Intangible assets	6,021,591	191,580
Deferred tax assets	2,927,550	1,954,568
Other assets	2,548,238	1,596,833
<b>Total assets</b>	<b>1,207,212,499</b>	<b>727,207,076</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Due to the Central Bank	1,012,204	2,237,675
Placements of deposits from other financial institutions	163,195,945	82,370,060
Funds borrowed from other financial institutions	9,873,508	6,200,174
Derivative financial liabilities	540,765	311,805
Repurchase agreements	46,151,736	17,588,672
Customer deposits	832,240,721	562,912,342
Employee salary payable	2,702,437	1,878,603
Tax payable	2,146,167	1,125,121
Accounts payable	46,963,384	5,120,818
Interest payable	8,726,992	3,920,073
Bonds payable	16,046,949	9,469,488
Provisions	105,303	3,047
Deferred tax liabilities	1,411,316	15,425
Other liabilities	4,408,808	856,238
<b>Total liabilities</b>	<b>1,135,526,235</b>	<b>694,009,541</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	5,123,350	3,485,014
Capital reserve	40,526,307	13,341,410
Surplus reserve	1,912,339	1,912,339
General reserve	5,977,782	5,977,782
Unappropriated profit	16,168,168	8,480,990
<b>Total shareholders' equity attributable to parent</b>	<b>69,707,946</b>	<b>33,197,535</b>
Minority shareholders' equity	1,978,318	-
<b>Shareholders' equity</b>	<b>71,686,264</b>	<b>33,197,535</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,207,212,499</b>	<b>727,207,076</b>

Legal representative: Xiao Suining  
Accounting manager: Wang Lan

President: Richard Jackson

Chief financial officer: Chen Wei

**Shenzhen Development Bank Co., Ltd.**

**Balance Sheet**  
**30 September 2011**

	In RMB '000	
<b>ASSETS</b>	2011/9/30	2010/12/31 (restated)
Cash on hand and due from the Central Bank	99,324,194	76,586,858
Precious metals	-	2
Placements of deposits with other financial institutions	18,417,862	8,523,729
Funds loaned to other financial institutions	4,729,373	8,475,988
Financial assets at fair value through profit or loss	389,763	-
Derivative financial assets	589,613	371,734
Reverse repurchase agreements	56,179,476	98,263,433
Accounts receivable	108,842,182	13,727,415
Interest receivable	3,970,996	2,121,487
Loans and advances	451,631,903	400,966,075
Available-for-sale financial assets	45,903,577	31,534,183
Held-to-maturity investments	84,810,764	61,379,837
Receivables type bond investment	21,002,100	18,502,100
Long-term equity investments	27,094,180	404,390
Investment properties	209,554	214,571
Fixed assets	2,465,835	2,392,293
Intangible assets	236,299	191,580
Deferred tax assets	2,465,789	1,954,568
Other assets	2,195,613	1,596,833
<b>Total assets</b>	<b>930,459,073</b>	<b>727,207,076</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Due to the Central Bank	1,012,204	2,237,675
Placements of deposits from other financial institutions	135,902,805	82,370,060
Funds borrowed from other financial institutions	5,813,000	6,200,174
Derivative financial liabilities	524,757	311,805
Repurchase agreements	16,796,796	17,588,672
Customer deposits	628,564,778	562,912,342
Employee salary payable	2,211,281	1,878,603
Tax payable	1,780,236	1,125,121
Accounts payable	45,451,784	5,120,818
Interest payable	6,519,531	3,920,073
Bonds payable	13,127,253	9,469,488
Provisions	22,088	3,047
Deferred tax liabilities	15,207	15,425
Other liabilities	3,284,904	856,238
<b>Total liabilities</b>	<b>861,026,624</b>	<b>694,009,541</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	5,123,350	3,485,014
Capital reserve	40,818,802	13,341,410
Surplus reserve	1,912,339	1,912,339
General reserve	5,977,782	5,977,782
Unappropriated profit	15,600,176	8,480,990
<b>Total shareholders' equity</b>	<b>69,432,449</b>	<b>33,197,535</b>
<b>Total liabilities and shareholders' equity</b>	<b>930,459,073</b>	<b>727,207,076</b>

Legal representative: Xiao Suining  
Accounting manager: Wang Lan

President: Richard Jackson

Chief financial officer: Chen Wei



Shenzhen Development Bank Co., Ltd.  
Consolidated Income Statement  
From Jan to Sep of 2011

	In RMB '000			
Items	Jul-Sep,2011	Jul-Sep,2010 (restated)	Jan-Sep,2011	Jan-Sep,2010 (restated)
<b>I. Operating income</b>	8,564,132	4,661,864	20,701,401	13,136,980
Net interest income	7,288,763	4,050,771	17,680,986	11,459,983
Interest income	15,458,998	6,632,911	34,999,460	18,812,506
Interest expense	8,170,235	2,582,140	17,318,474	7,352,523
Net fee and commission income	1,242,254	399,941	2,429,891	1,149,766
Fee and commission income	1,395,603	467,738	2,725,638	1,332,466
Fee and commission expense	153,349	67,797	295,747	182,700
Other operating income	33,115	211,152	590,524	527,231
Net investment income	-75,250	141,197	277,211	313,574
Gains from changes in fair values	-7,785	-2,405	-15,650	-22,589
Foreign exchange gains	83,342	43,259	235,013	142,099
Other operating income	32,808	29,101	93,950	94,147
<b>II. Operating costs</b>	4,283,197	2,238,650	9,642,577	6,435,781
Business tax and surcharge	731,521	339,127	1,684,612	946,018
Business and administrative expenses	3,551,676	1,899,523	7,957,965	5,489,763
<b>III. Operating profit before impairment losses on assets</b>	4,280,935	2,423,214	11,058,824	6,701,199
Impairment losses on assets	509,285	309,888	1,239,963	803,797
<b>IV. Operating profit</b>	3,771,650	2,113,326	9,818,861	5,897,402
Add: Non-operating income	106,094	30,674	145,351	106,069
Less: Non-operating expenses	16,464	3,248	39,769	11,724
<b>V. Profit before tax</b>	3,861,280	2,140,752	9,924,443	5,991,747
Less: Income tax expenses	847,344	441,380	2,179,366	1,273,535
<b>VI. Net profit</b>	3,013,936	1,699,372	7,745,077	4,718,212
<b>Net profit attributable to owners of parent</b>	2,956,041	1,699,372	7,687,182	4,718,212
Gains or losses of minority shareholders	57,895	-	57,895	-
<b>VII. Earnings per share</b>				
(I) Basic earnings per share(Renminbi Yuan)	0.65	0.49	2.01	1.46
(II) Diluted earnings per share(Renminbi Yuan)	0.65	0.49	2.01	1.46
<b>VIII. Other comprehensive income</b>	-516,214	18,729	-598,339	19,031
<b>IX. Total comprehensive income</b>	2,497,722	1,718,101	7,146,738	4,737,243
<b>Total comprehensive income attributable to owners of parent</b>	2,469,641	1,718,101	7,118,657	4,737,243
<b>Total comprehensive income attributable to minority shareholders</b>	28,081	-	28,081	-

Legal representative: Xiao Suining

President: Richard Jackson

Chief financial officer: Chen Wei

Accounting manager: Wang Lan

Shenzhen Development Bank Co., Ltd.  
Income Statement  
From Jan to Sep of 2011

In RMB '000				
Items	Jul-Sep.2011	Jul-Sep.2010 (restated)	Jan-Sep.2011	Jan-Sep.2010 (restated)
<b>I. Operating income</b>	6,249,409	4,661,864	18,386,678	13,136,980
Net interest income	5,421,146	4,050,771	15,813,369	11,459,983
Interest income	11,594,339	6,632,911	31,134,800	18,812,506
Interest expense	6,173,193	2,582,140	15,321,431	7,352,523
Net fee and commission income	774,980	399,941	1,962,618	1,149,766
Fee and commission income	871,292	467,738	2,201,327	1,332,466
Fee and commission expense	96,312	67,797	238,709	182,700
Other operating income	53,283	211,152	610,691	527,231
Net investment income	-44,539	141,197	307,921	313,574
Gains from changes in fair values	-6,344	-2,405	-14,209	-22,589
Foreign exchange gains	73,061	43,259	224,732	142,099
Other operating income	31,105	29,101	92,247	94,147
<b>II. Operating costs</b>	2,989,057	2,238,650	8,348,436	6,435,781
Business tax and surcharge	561,486	339,127	1,514,577	946,018
Business and administrative expenses	2,427,571	1,899,523	6,833,859	5,489,763
<b>III. Operating profit before impairment losses on assets</b>	3,260,352	2,423,214	10,038,242	6,701,199
Impairment losses on assets	308,695	309,888	1,039,374	803,797
<b>IV. Operating profit</b>	2,951,657	2,113,326	8,998,868	5,897,402
Add: Non-operating income	102,941	30,674	142,198	106,069
Less: Non-operating expenses	3,551	3,248	26,855	11,724
<b>V. Profit before tax</b>	3,051,047	2,140,752	9,114,211	5,991,747
Less: Income tax expenses	663,000	441,380	1,995,022	1,273,535
<b>VI. Net profit</b>	2,388,047	1,699,372	7,119,189	4,718,212
<b>VII. Earnings per share</b>				
(I) Basic earnings per share(Renminbi Yuan)	0.52	0.49	1.85	1.46
(II) Diluted earnings per share(Renminbi Yuan)	0.52	0.49	1.85	1.46
<b>VIII. Other comprehensive income</b>	-193,905	18,729	-276,031	19,031
<b>IX. Total comprehensive income</b>	2,194,142	1,718,101	6,843,158	4,737,243

Legal representative: Xiao Suining

President: Richard Jackson

Chief financial officer: Chen Wei

Accounting manager: Wang Lan

Shenzhen Development Bank Co., Ltd.  
Consolidated Cash Flow Statement  
From Jan to Sep of 2011

	In RMB '000	
Items	Jan-Sep,2011	Jan-Sep,2010
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net increase in borrowings from the Central Bank	-	2,099,269
Net increase in customer deposit and placements of deposits from other financial institutions	115,297,560	70,906,428
Net decrease in funds loaned to other financial institutions	866,673	-
Net increase in funds borrowed from other financial institutions	500,337	4,132,887
Net increase in accounts payable	41,615,147	632,739
Net decrease in reverse repurchase agreements	32,302,004	-
Net increase in repurchase agreements	4,127,770	-
Cash receipts from interest, fee and commission income	26,767,390	17,653,773
Cash receipts from other operating activities	1,981,977	3,029,587
Subtotal of cash inflows from operating activities	223,458,858	98,454,683
Net increase in amounts due from the Central Bank and placements of deposits with other financial institutions	28,075,071	8,777,933
Net decrease in borrowings from Central Bank	1,256,649	-
Net increase in funds loaned to other financial institutions	-	830,632
Net decrease in funds borrowed from other financial institutions	-	-
Net increase in reverse repurchase agreements	-	16,451,220
Net increase in accounts receivables	96,397,639	5,220,926
Net increase in loans and advances	55,242,688	39,071,261
Net decrease in repurchase agreements	-	3,379,164
Cash payments for interest, fee and commission expenses	14,005,453	6,198,784
Cash payments for salaries and staff expenses	3,859,678	2,976,298
Cash payments for taxes	3,655,034	2,264,698
Cash payments relating to other operating activities	3,105,013	2,703,975
Subtotal of cash outflows from operating activities	205,597,225	87,874,891
Net cash flows generated from operating activities	17,861,633	10,579,792
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash receipts from disinvestments	101,881,640	104,400,524
Cash receipts from investment income	3,411,571	2,185,050
Cash receipts from disposal of fixed assets and investment properties	3,437	1,248
Subtotal of cash inflows from investing activities	105,296,648	106,586,822
Cash payments for investments	139,217,011	113,462,799
Cash payments for fixed assets, intangible assets and construction in progress	350,971	589,407
Subtotal of cash outflows from investing activities	139,567,982	114,052,206
Net cash flows generated from investing activities	-34,271,334	-7,465,384
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Cash receipts from issue of share capital	2,690,052	6,907,269
Cash receipts from bond issue	3,650,000	-
Subtotal of cash inflows from financing activities	6,340,052	6,907,269
Cash payments for issue of share capital	-	23,367
Cash payments for dividend distribution and interest	473,828	464,400
Subtotal of cash outflows from financing activities	473,828	487,767
Net cash flows generated from financing activities	5,866,224	6,419,502
<b>IV. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	-	-
<b>V. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	-10,543,477	9,533,910
Add: Balance of cash and cash equivalents at beginning of the period	84,876,253	54,703,483
<b>VI. BALANCE OF CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	74,332,776	64,237,393

Legal representative: Xiao Suining  
Accounting manager: Wang Lan

President: Richard Jackson

Chief financial officer: Chen Wei

Shenzhen Development Bank Co., Ltd.  
Cash Flow Statement  
From Jan to Sep of 2011

Items	In RMB '000	
	Jan-Sep,2011	Jan-Sep,2010
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net increase in amounts borrowings from Central Bank	-	2,099,269
Net increase in customer deposit and placements of deposits from other financial institutions	119,211,327	70,906,428
Net decrease in funds loaned to other financial institutions	866,673	-
Net increase in funds borrowed from other financial institutions	-	4,132,887
Net increase in accounts payable	40,330,966	632,739
Net decrease in reverse repurchase agreements	23,702,178	-
Cash receipts from interest, fee and commission income	23,286,192	17,653,773
Cash receipts from other operating activities	1,980,590	3,029,587
Subtotal of cash inflows from operating activities	209,377,926	98,454,683
Net increase in amounts due from the Central Bank and placements of deposits with other financial institutions	22,383,291	8,777,933
Net decrease in amounts borrowings from Central Bank	1,256,649	-
Net increase in funds loaned to other financial institutions	-	830,632
Net decrease in funds borrowed from other financial institutions	387,174	-
Net increase in reverse repurchase agreements	-	16,451,220
Net increase in accounts receivables	95,114,767	5,220,926
Net increase in loans and advances	51,059,605	39,071,261
Net decrease in repurchase agreements	1,014,055	3,379,164
Cash payments for interest, fee and commission expenses	12,282,816	6,198,784
Cash payments for salaries and staff expenses	3,435,369	2,976,298
Cash payments for taxes	3,332,677	2,264,698
Cash payments relating to other operating activities	2,465,429	2,703,975
Subtotal of cash outflows from operating activities	192,731,832	87,874,891
Net cash flows generated from operating activities	16,646,094	10,579,792
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash receipts from disinvestments	79,082,052	104,400,524
Cash receipts from investment income	2,861,334	2,185,050
Cash receipts from disposal of fixed assets and investment properties	3,437	1,248
Subtotal of cash inflows from investing activities	81,946,823	106,586,822
Cash payments for investments	119,371,375	113,462,799
Cash payments for fixed assets, intangible assets and construction in progress	301,532	589,407
Subtotal of cash outflows from investing activities	119,672,907	114,052,206
Net cash flows generated from investing activities	-37,726,084	-7,465,384
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Cash receipts from issue of share capital	2,690,052	6,907,269
Cash receipts from bond issue	3,650,000	-
Subtotal of cash inflows from financing activities	6,340,052	6,907,269
Cash payments for issue of share capital	-	23,367
Cash payments for dividend distribution and interest	473,625	464,400
Subtotal of cash outflows from financing activities	473,625	487,767
Net cash flows generated from financing activities	5,866,427	6,419,502
<b>IV. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	-	-
<b>V. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	-15,213,563	9,533,910
Add: Balance of cash and cash equivalents at beginning of the period	68,147,808	54,703,483
<b>VI. BALANCE OF CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	52,934,245	64,237,393

Legal representative: Xiao Suining  
manager: Wang Lan

President: Richard Jackson

Chief financial officer: Chen Wei

Account

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