

An aerial photograph of a city skyline, featuring a prominent skyscraper on the left side. The image is in a warm, orange-toned color scheme. The text "Ping An Bank" and "2018 1Q Report Release" is overlaid on the right side of the image.

# **Ping An Bank**

## **2018 1Q Report Release**

April 2018



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## Overview

- Overall Performance
- Retail Breakthroughs
- Selective Corporate Banking
- Technology Driven Innovation

II

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- Key Work Projects



## Overall Performance

## Robust Operations

Total  
Assets

RMB3,338.6bn

+2.8%

Total  
Deposits

RMB2,528.4bn

+3.8%

Total  
Loans

RMB1,809.5bn

+4.6%

Total  
Operating  
Income

RMB28.0bn

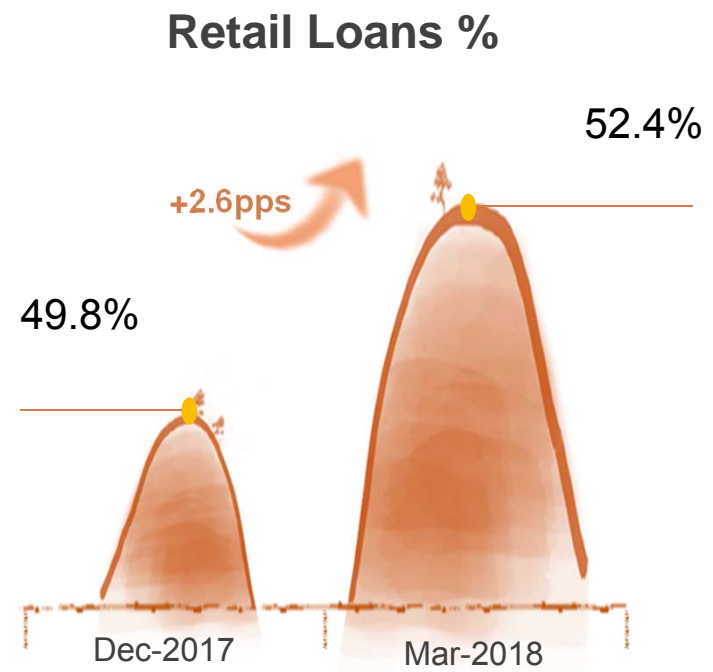
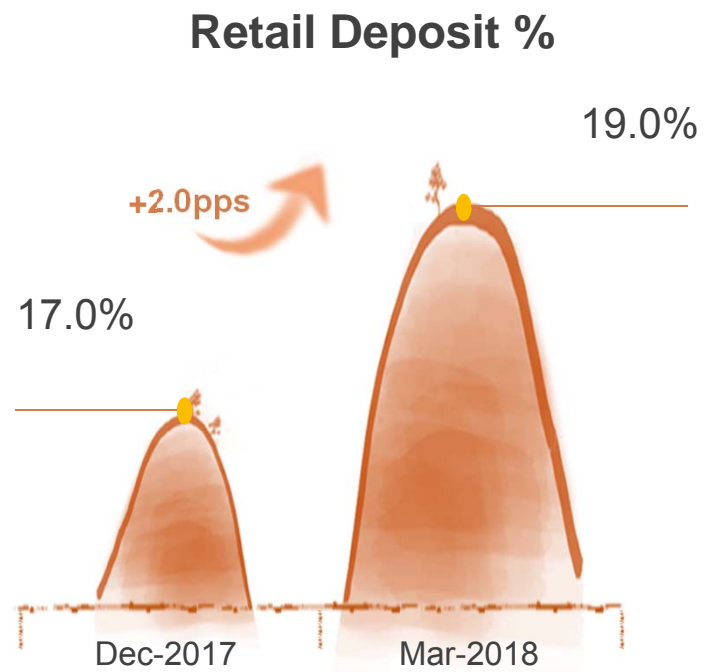
+1.1%

Net  
Profit

RMB6.6bn

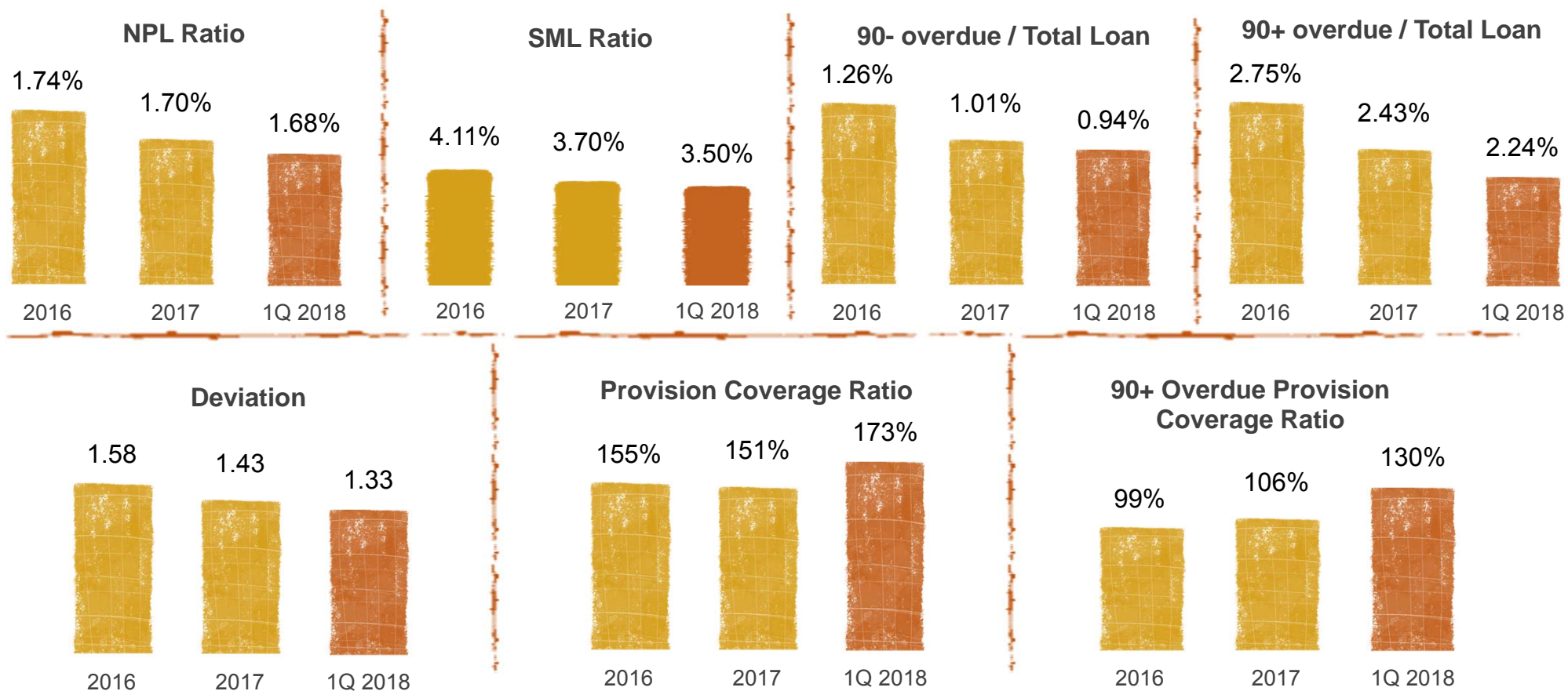
+6.1%

# Deepening Retail Transformation





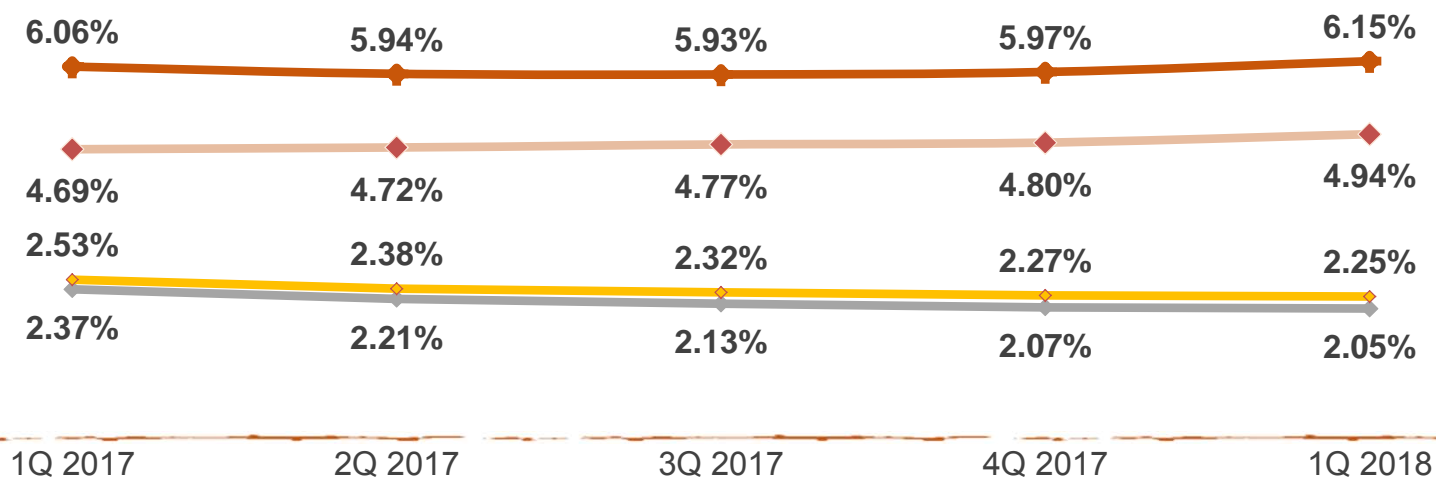
## Asset Quality Stable and Improving



## Assets Yields Continued to Rise, Interest Margin Stabilizing

- PAB continued to optimize its business structure; personal loans increased in scale and proportion; corporate loans being repriced; yields on loans and the overall yields on interest-earning assets on the rise
- NIS and NIM gradually stabilized and stayed at the leading position in the industry

Asset Yields (Quarterly)



◆ Interest Earning Asset Yield ◆ Loan Yield ◆ NIS ◆ NIM

## Key Indicators: Assets & Liabilities Scale

(In RMB100mn)	2018-03-31	2017-12-31	YoY	
			Change	Change%
<b>1.Total Assets</b>	<b>33,386</b>	<b>32,485</b>	<b>901</b>	<b>2.8%</b>
Total Loans	18,095	17,304	791	4.6%
Including: (1) Corporate Loans	8,438	8,552	-114	-1.3%
(2) Retail Loans	9,287	8,490	797	9.4%
<b>2.Total Liabilities</b>	<b>31,152</b>	<b>30,264</b>	<b>888</b>	<b>2.9%</b>
Total Deposits	25,284	24,365	919	3.8%
Including: (1) Corporate Deposits	16,480	16,594	-114	-0.7%
(2) Retail Deposits	3,865	3,410	455	13.3%
<b>3.Shareholders' Equity</b>	<b>2,234</b>	<b>2,221</b>	<b>13</b>	<b>0.6%</b>



## Key Indicators: Quality and Efficiency

(In RMB100mn)	2018 1Q / 2018-03-31	2017	Change
<b>1. Asset Quality</b>			
NPL Balance	298	290	+2.7%
NPL Ratio	1.68%	1.70%	-0.02pp
Provision-to-Loan Ratio	2.90%	2.57%	+0.33pp
Provision Coverage Ratio of NPL	173%	151%	+22pps
Provision Coverage Ratio of 90+ overdue	130%	106%	+24pps
<b>2. Return on Assets</b>			
Average Return on Total Assets	0.80%	0.75%	+0.05pp
Weighted Average Return on Net Assets	11.87%	11.62%	+0.25pp
<b>3. Net Interest Spread (NIS)</b>	<b>2.05%</b>	<b>2.07%</b>	<b>-0.02pp</b>
<b>4. Net Interest Margin (NIM)</b>	<b>2.25%</b>	<b>2.27%</b>	<b>-0.02pp</b>
<b>5. Cost/Income Ratio</b>	<b>30.36%</b>	<b>29.89%</b>	<b>+0.47pp</b>

## Key Indicators: Financial Income and Expenses

(In RMB100mn)	2018 1Q		2017 1Q		YoY Change		
	Amount	% of Total	Amount	% of Total	Change in Amount	Change%	Change in % of Total
<b>1. Operating Income</b>	<b>280.26</b>	<b>100.00%</b>	<b>277.26</b>	<b>100.00%</b>	<b>3.00</b>	<b>1.1%</b>	
Net Interest Income	186.87	66.68%	188.69	68.06%	-1.82	-1.0%	-1.38pps
Net Non-interest Income	93.39	33.32%	88.57	31.94%	4.82	5.4%	+1.38pps
<b>2. Operating Expenses</b>	<b>87.71</b>		<b>70.50</b>		<b>17.21</b>	<b>24.4%</b>	
General and Administrative Expenses	85.10	30.36%	68.04	24.54%	17.06	25.1%	+5.82pps
<b>3. Operating Profit Before Provisions</b>	<b>192.55</b>		<b>206.76</b>		<b>-14.21</b>	<b>-6.9%</b>	
<b>4. Less: Impairment Losses on Assets</b>	<b>106.71</b>		<b>124.34</b>		<b>-17.63</b>	<b>-14.2%</b>	
<b>5. Net Profit</b>	<b>65.95</b>		<b>62.14</b>		<b>3.81</b>	<b>6.1%</b>	
<b>6. Basic/Diluted EPS (RMB)</b>	<b>0.33</b>		<b>0.31</b>		<b>0.02</b>	<b>6.5%</b>	

## Core Regulatory Indicators

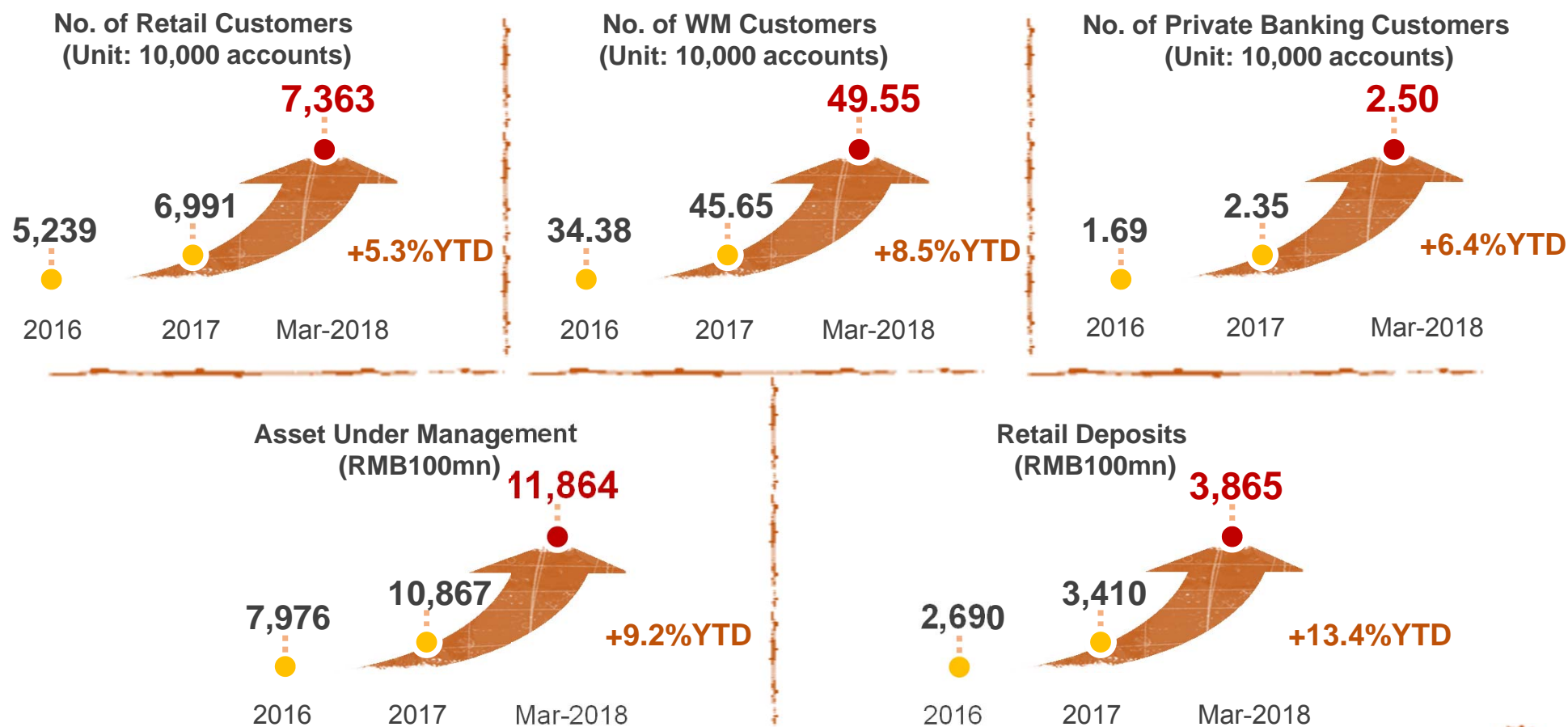
(Unit: %)	Benchmark	2018-03-31	2017-12-31
<b>Capital Adequacy</b>			
Capital Adequacy Ratio	≥10.5	11.40	11.20
Tier 1 Capital Adequacy Ratio	≥8.5	9.08	9.18
Core Tier 1 Capital Adequacy Ratio	≥7.5	8.19	8.28



## Retail Breakthroughs



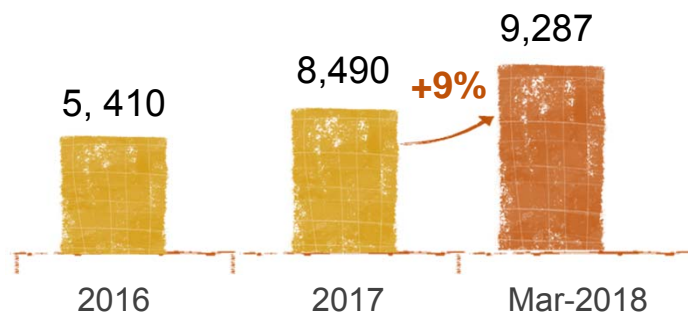
## Significant Increase in Number of Customers and AUM



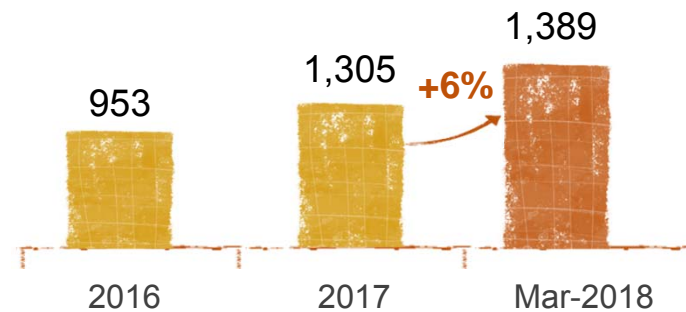


## Retail Loans Grew Rapidly

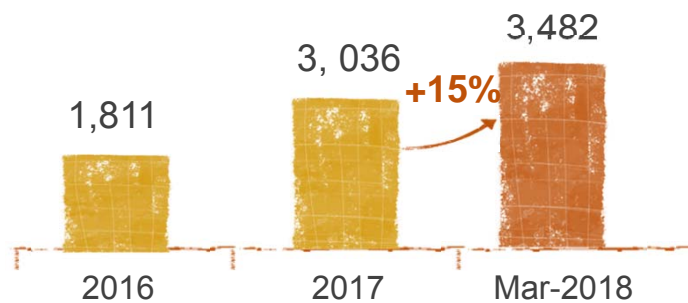
Retail Loans Balance  
(RMB100mn)



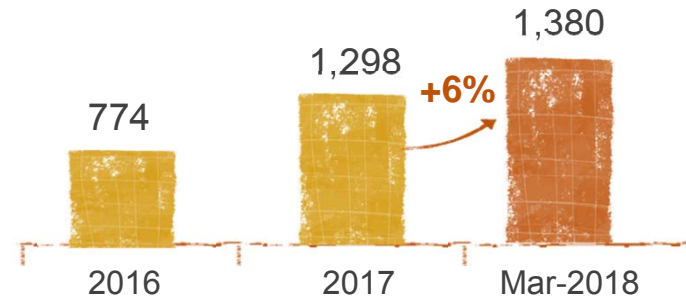
Auto Finance Balance  
(RMB100mn)



Credit Cards Receivable  
(RMB100mn)



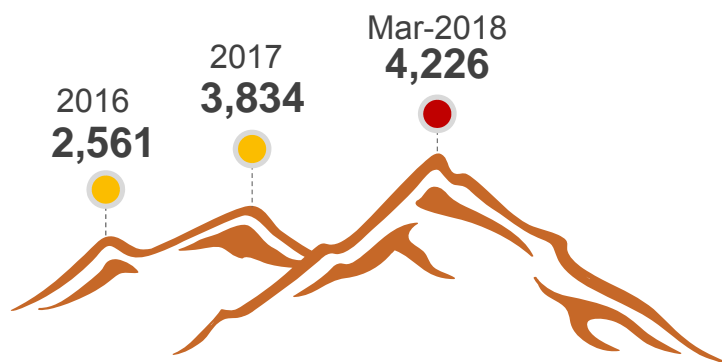
Xin-Yi-Dai Balance  
(RMB100mn)



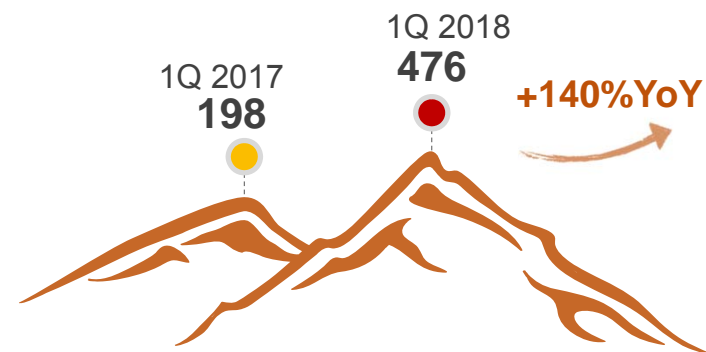


## Credit Cards Kept Growing in Circulation and Transaction

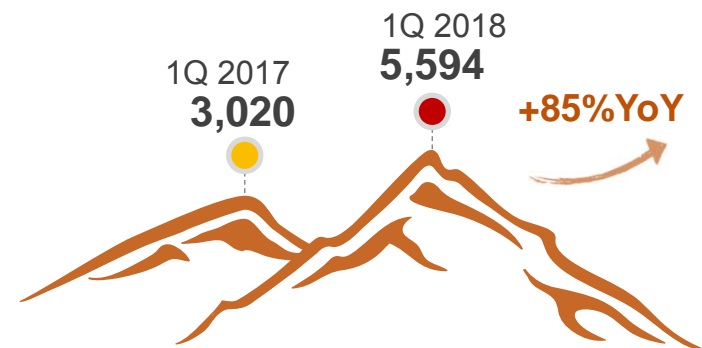
No. of Credit Card in Circulation  
(Unit: 10,000)



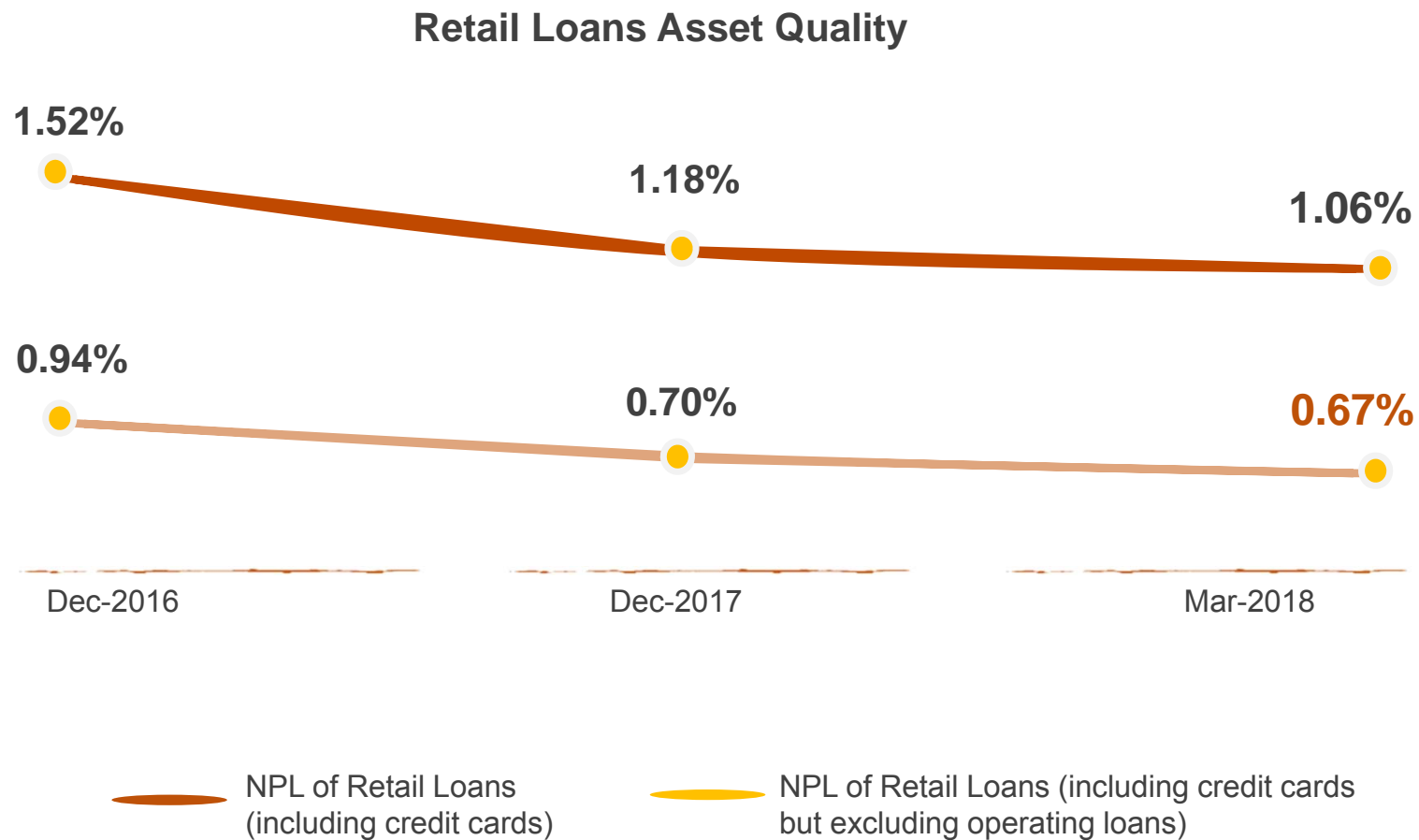
New Credit Card Issuance  
(Unit: 10,000)



Transaction Volume  
(RMB100mn)

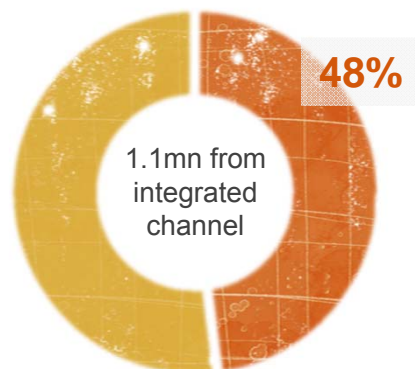


## Continuous Improvement in Retail Asset Quality

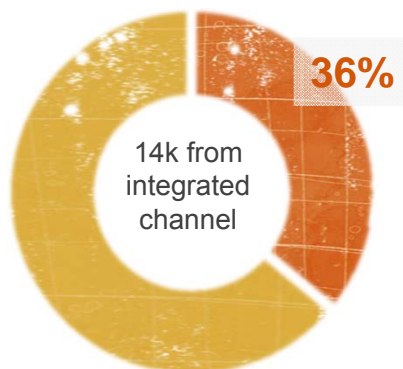


# “Integrated Finance” Demonstrated Outstanding Advantages

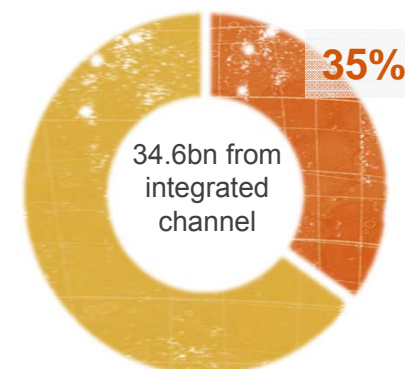
Growth in Retail Customers  
(excluding credit cards)



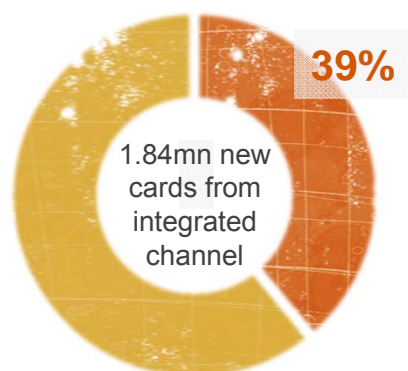
Growth in Retail WM Customers



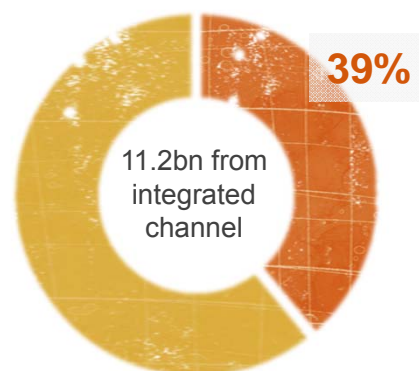
Growth in AUM



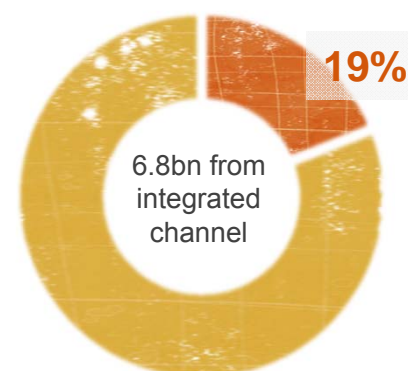
New Credit Cards Issuance



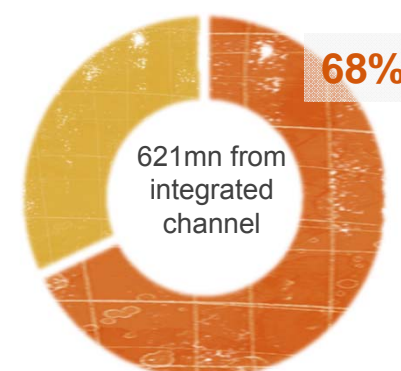
Issuance of Xin-Yi-Dai



Issurance of Auto Finance



NII From Bank Insurance



Integrated Channels  
Other Channels

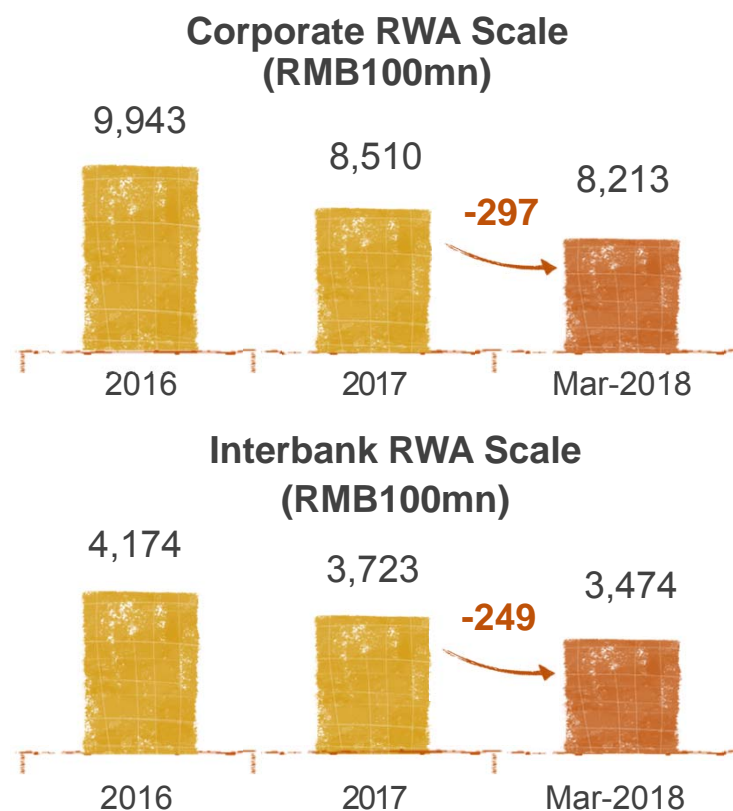
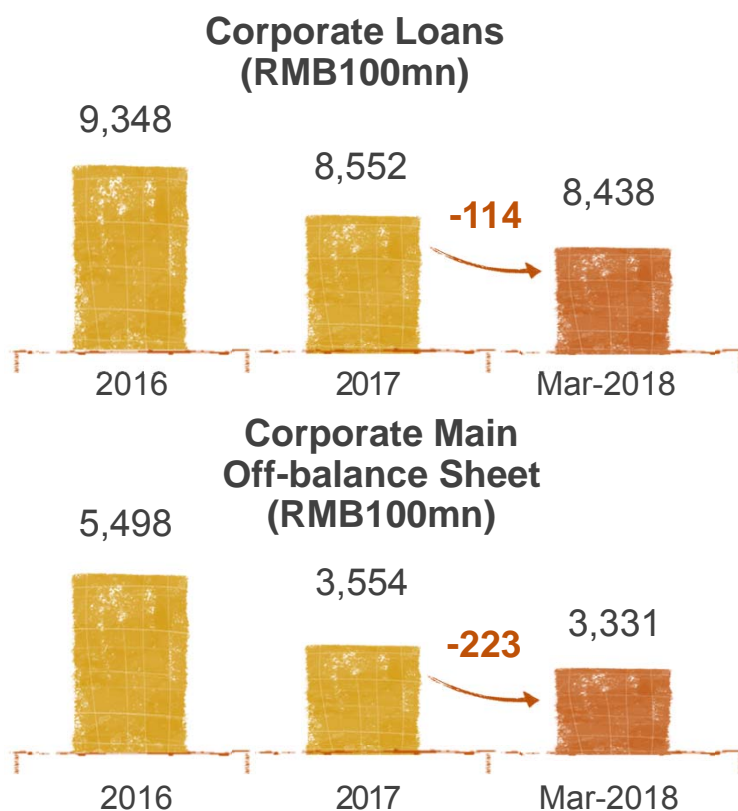


## Selective Corporate Banking



## Implemented 'Light Capital Light Asset' Strategy, Scale-Down Effectively

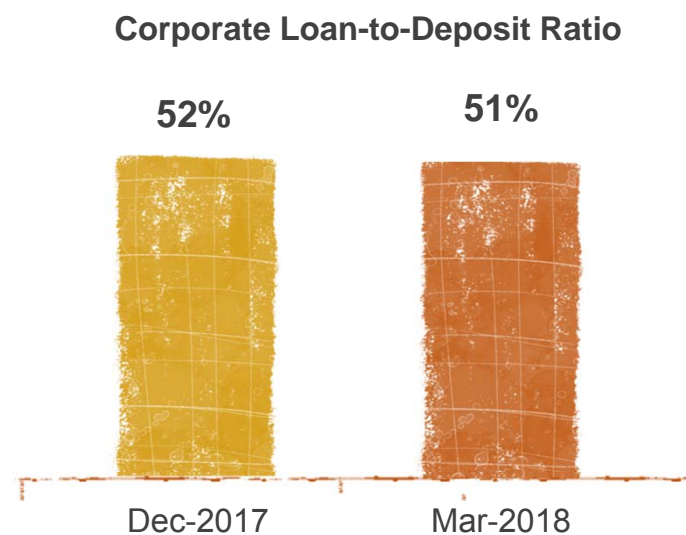
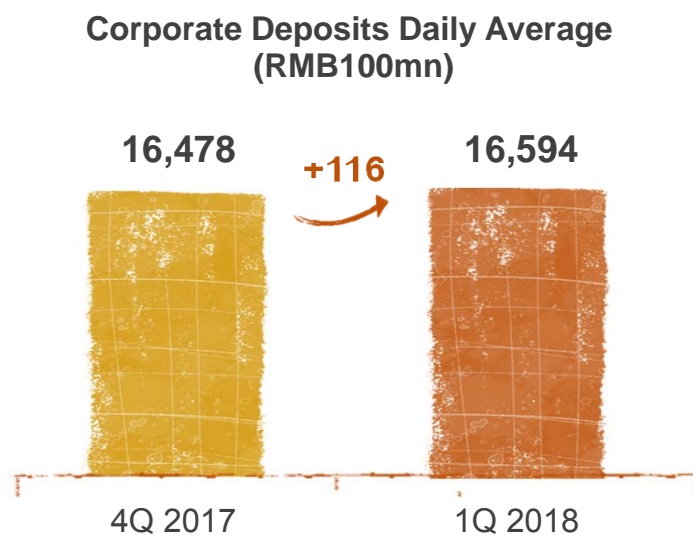
- Optimized customer structure, freed up credit resources , provided strong support for retail transformation



Note: Started to Compress interbank RWA scale in June 2017

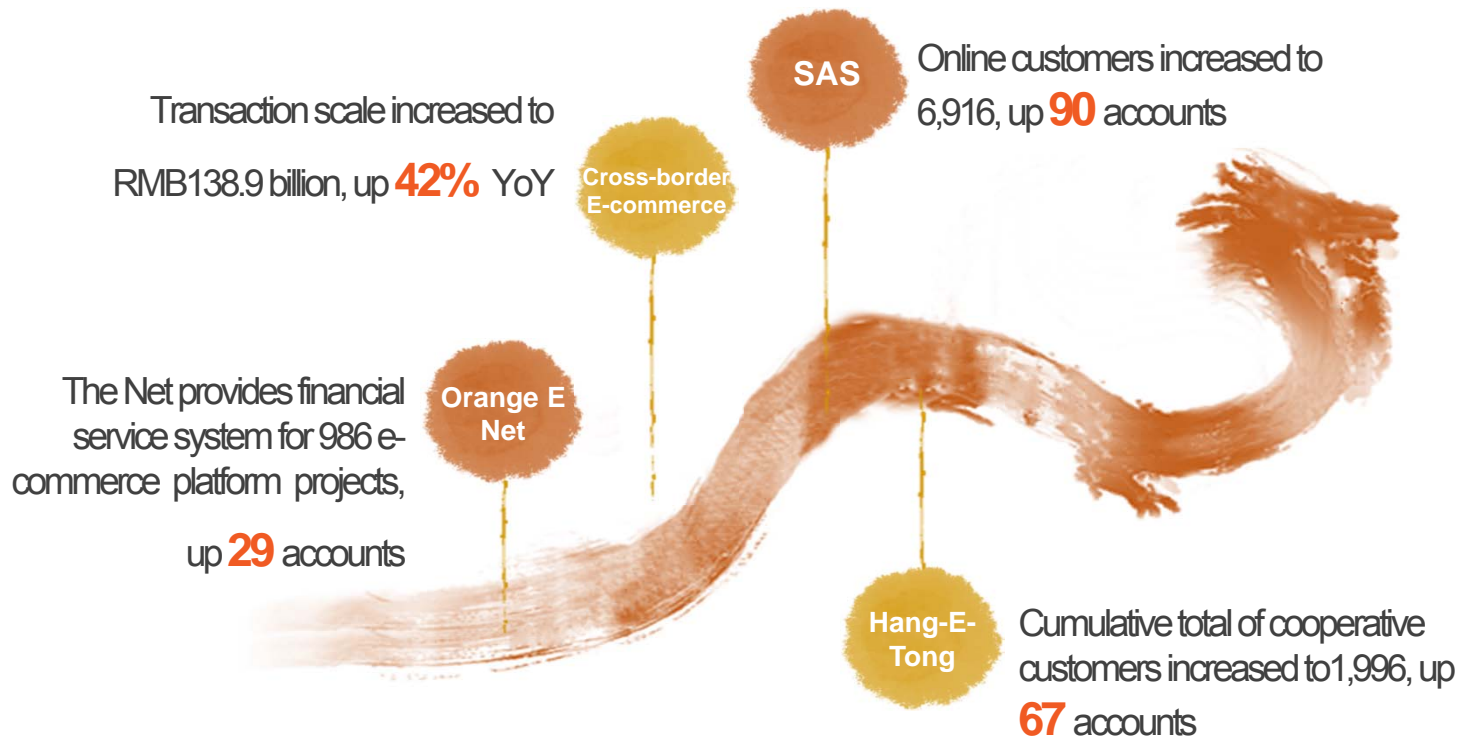
## Deposit Scale Stabilized, Loan-to-Deposit Ratio Optimized

- Given the scale-down of corporate loans, the corporate deposit daily average balance increased by 11.6bn in 1Q 2018
- While the loan-to-deposit ratios of other banks and financial institutions increased by varying degrees, PAB continued to improve its corporate loan-to-deposit ratio





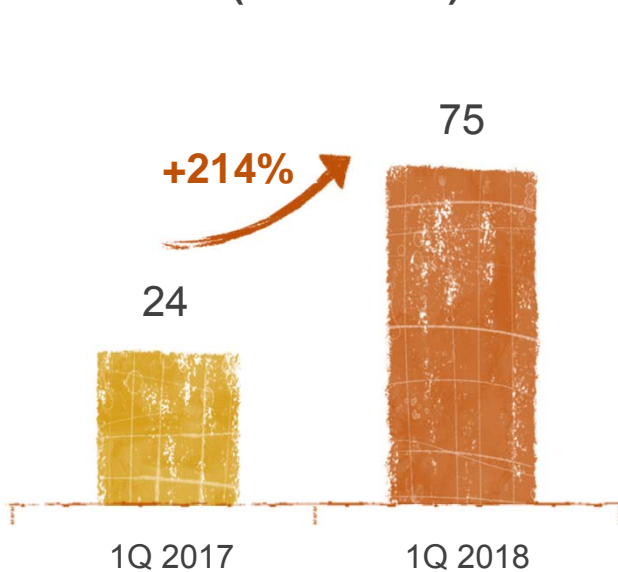
## Carefully Designed Hit Products in Building Up Transaction Banking



- Cumulative transactions of SAS, the upgraded supply chain account receivable service platform, increased 5 times to 19.7 billion YoY. Strong efforts have been made to accelerate the construction of the Cross-border E 2.0 platform, build the "Internet + foreign trade" ecosystem and provide one-stop cross-border comprehensive financial services and to take advantage of platform financing to drive the cross-border light-capital and light-asset business transformation and rapid business growth.
- Made full use of the comprehensive platforms to expand light-capital and light-asset income sources. Bonds underwriting amounted to RMB50.7 billion, as market share rose from 2.650% to 4.37%.

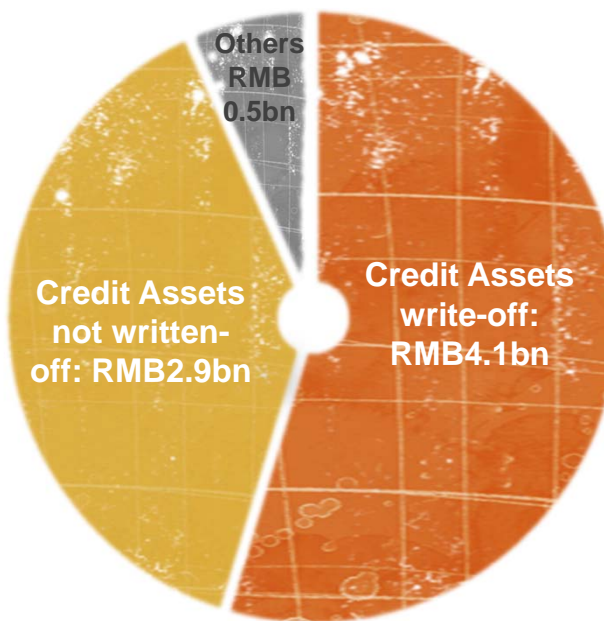
## Remarkable Performance in NPL Recovery

NPL Recovery  
(RMB100mn)



Including: 94% in cash recovery

Composition of NPL Recovery



### NPL Clean-up Measures

- Used dedicated professionals to recover NPLs, and established a three-tier oversight system at the headquarters, regional and segment levels
- As part of the efforts to take advantage of new technologies, PAB has built AMS, its special asset management system, to enable closed-loop management of special corporate loans and improve efficiency



## Technology-Driven Innovation



# Agile Transformation Development and Greater Technology Applications

## Organizational innovation & agile development

- **Organize BU reform:** adopt a matrix team structure and give full authority to the business product manager.
- **Build a spindle-shaped team structure:** a spindle-shaped structure where the intermediate technicians form the majority.
- **Agile development:** retail technologies to provide vertical services to each retail business line, improve communication efficiency and delivery time (the development cycle of the co-branded cards is shortened from 10 weeks to 5 weeks).

## Followed the example of Liuhua Branch and build strong sub-branches

- **21 new retail banking outlets opened and another 11 in preparation following the operation Liuhua branch:** establish the mechanisms; clarify the standardized actions of each post; provide full authority to the sub-branch heads; apply overall planning for the management team; retail and operation integration of the client-facing lobby team; and the counter staff members come from behind the counters.
- **Branch comprehensive financial flash show:** team up with Good Doctor, Safe Car Ecological Alliance members; set up "Good Doctor relief flash shop", and "future travel experience pavilion"; experience pavilion opened for 2 hours to secure more than 300 deals, covering auto financing, credit cards, auto insurance, wealth management, etc.

## Pocket Bank APP

- The monthly active customers of Pocket Bank amount to 16,050 thousand, increasing 8.3% compare with last year, , one of the largest among joint-stock banks.

## New technology usage kept improving

- **Facial Recognition:** applied to bankers app and pocket bank app; current usage has exceeded 16 million times per month, and the accuracy rate reached 99.8%.
- **VPR:** pilot use in the credit card call center; the voice verification rate is 92.35%.
- **DT platform:** applied to 12 main scenarios, including risk control, fraud identification, intelligent investment and business circle analysis.

## KYB model optimization promotion

- **Development of the credit investigation model:** integrated the basic data of Yi-Zhang-Tong (One-Account system), and scenario data and third-party data, and completed the construction of the master model and the construction of four scenarios.
- **Heightened promotion:** selected 15 key industries and 74 key projects (leading enterprises) to follow up.





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## Outlook

II



## Key Work Projects: Retail Breakthroughs

- Adhere to strategic transformation direction and achieve the strategic target of “becoming a leading retail bank in both China and worldwide”



### Deepen Coordination with PAG

- Make good use of the million workforce of life insurance, and focus on the auto ecosystem; strive to make breakthroughs in cooperating with car insurance agencies and Auto Home, etc.

### Pathbreaker Strategy of LUM & AUM

- Improve the capacity of LUM, and ensure proper counter-cyclical risk prevention and control; increase efforts in agency sales and agency payment/acquiring; expand retail deposits, and shore up AUM weaknesses.

### Build up upon Liuhua Sub-branch

- Copy Liuhua business model to increase productivity, use the most light-capital and light-asset solutions to build network in the well-off and major regions; undertake group comprehensive finance activities.

### Solidify New Private Banking Model

- Make plans for building the new private banking model, bridge private banking and investment banking, and build dedicated teams to develop and maintain high-end life insurance customers.

## Key Work Projects: Selective Corporate Business

### Scale-down and quality improvement

Continue with the scale-down of corporate loans and free up resources. Keep strengthening the recovery of NPLs and ensuring the quality of new loans.

### Create a corporate banking product center

Adjust the traditional structure of corporate banking, thoroughly review the products, operating processes and build an agile organization.

### Build hit products through KYB

Take advantage of the PAG's technological advantages, focus on target industries, build and offer hit products through KYB with enriched application scenarios and breakthroughs.

### Take the lead in the new model

Streamline the products and processes, and build up teams to deliver the "1+T1+T2+N" new model; deliver the "bank + securities + leasing" cooperation, consolidate three committees and achieve breakthroughs in the "commercial banking + investment banking" model.

### Deliver the industrial bank and the government bank

Restructure the five industry BUs, clarify the relationship between the BUs and the branches and build an industrial bank; promote PAG's smart city cloud-based platform, deliver breakthroughs in government finance and expand pure deposits.



## Key Work Projects: Technology-Driven Innovation

- Build up upon technology base, leveraging on PAG's technological advantages with increased investment
- Strengthen ordinations with business units, specify criteria, achieve actual results and establish benchmarking

● **Introduce PAG's technology to coordinate with bank operations:** give full play to the Group's technological advantages (AI, big data, block chain, biometrics, cloud technology, etc.) and create new customer service models, investment consulting, investment researches, KYB, risk identification and early warning, trade financing, etc.

● **Launch IT planning projects:** Comprehensively combine the IT architecture, processes and people, promote IT and business integration, and build an agile organization.

● **Deliver the smart financial construction:** Integrate data, restructure processes, enable systematic automated and smart decision-making, and improve management efficiency.



## Deepening Strategy in 2018: Ecosystem Strategy

- Develop ecosystem strategy of PAB based on the Group's overall ecosystem

### Auto

- Investment in new auto industry
- Ecological comprehensive service for consumer autos

### Housing

- Investment expert in real estate industry/expert in capital market
- Finance manager based on RIB construction

### Health Care

- Investment and financing expert in health care industry
- KYB for small and medium-sized medical institutions

### Smart City

- Think-tank and manager for government debts
- Management expert for government liquidity and sedimentary funds
- Citizen cards
- Smart education

### Finance

- Empowering partner for small and medium-sized financial institutions
- Intelligent interbank asset matching platform
- Market maker for bonds, derivatives and ETF

### Cross-Ecosphere Subjects:

1. Account system(B+C)

3. Ecosystem smart business platform

2. Consumer panorama

4. Ecosystem fund matching platform

### Supporting Framework:

Organization

Control

Assessment

Incentive

Data

Technology



# THANK YOU



平安银行  
PINGANBANK

平安銀行相關團隊

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