

The logo for Ping An Bank, featuring the Chinese characters "中国平安" (China Ping An) in white on a dark red rounded rectangular background.

中国平安

保险·银行·投资

平安银行

PING AN BANK

Ping An Bank 3Q18 Results Report

October 2018

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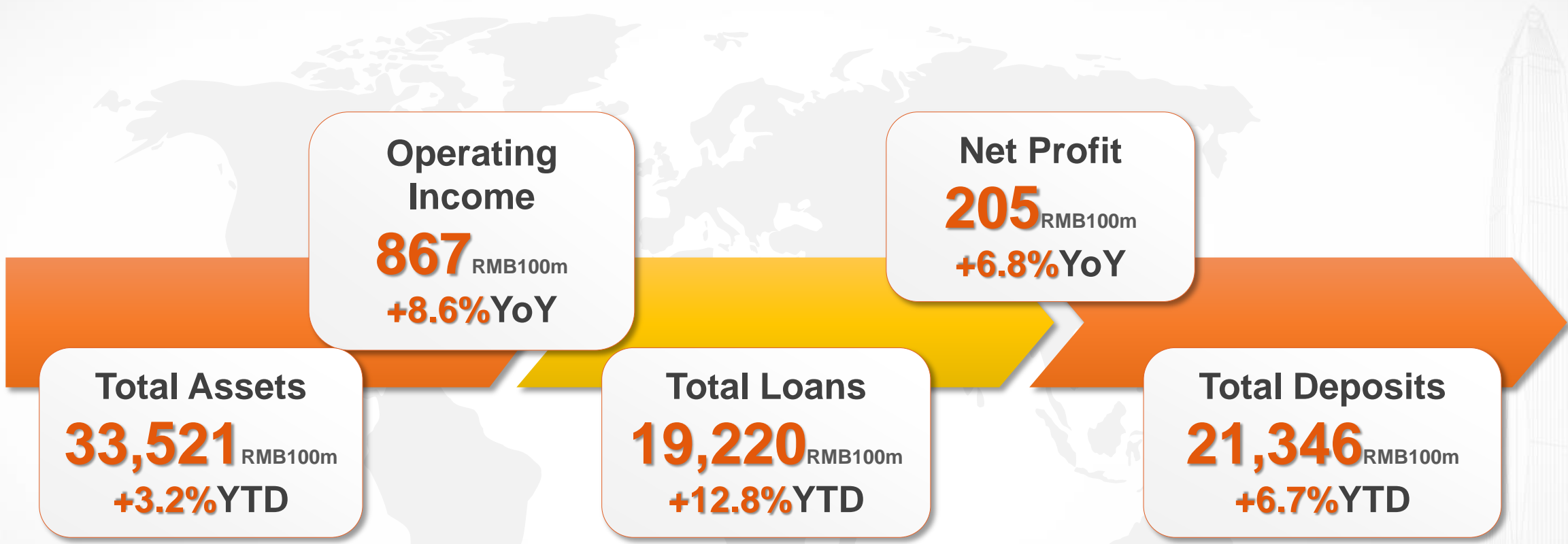
Appendix: Key financial & metrics



整体业绩

OVERALL PERFORMANCE

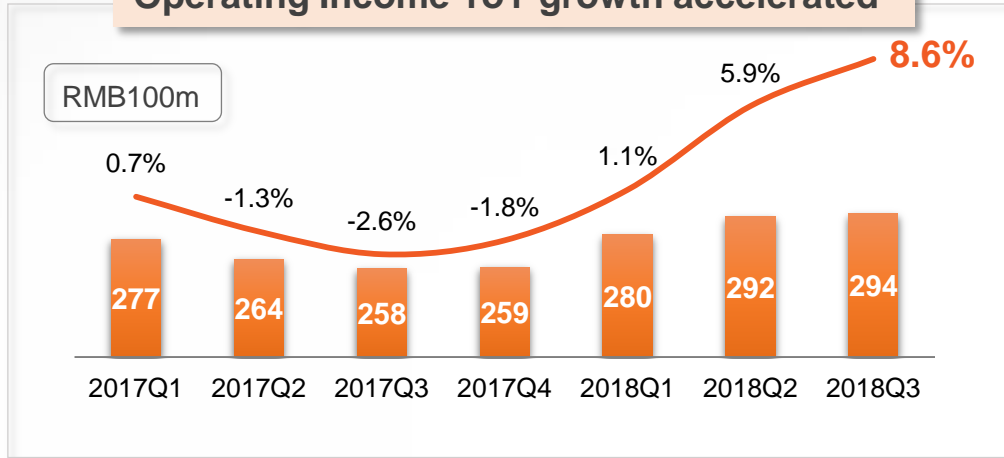
1.1 Overall performance recorded stable improvement



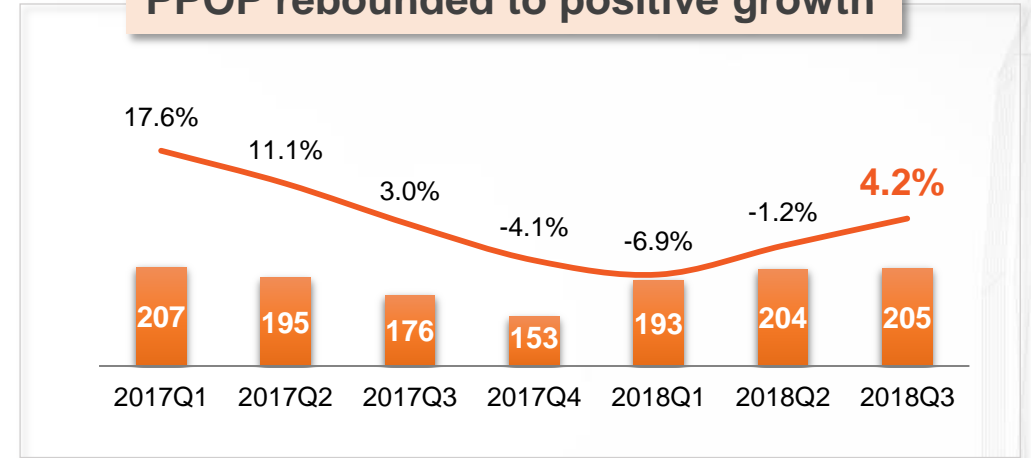
Note: total deposits excluding non-banking institutions deposits; total loans excluding non-banking institutions loans

1.2 Profitability recorded stable improvement

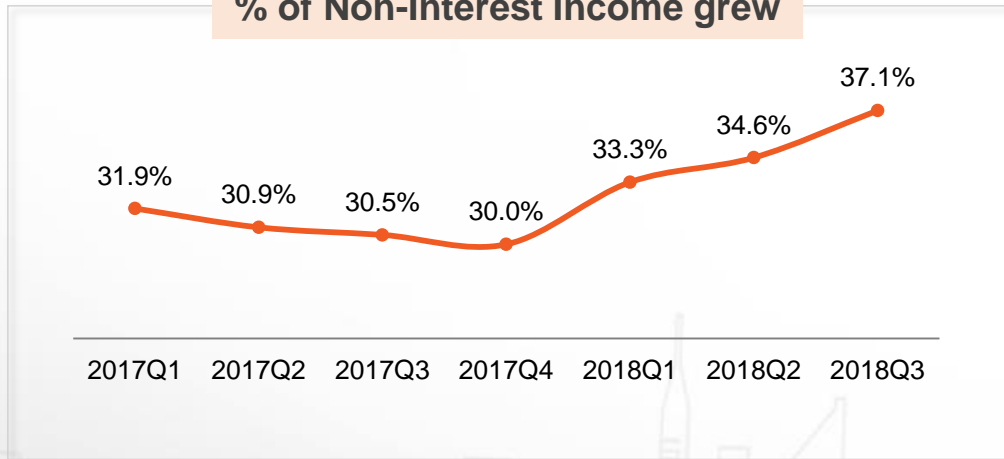
Operating Income YoY growth accelerated



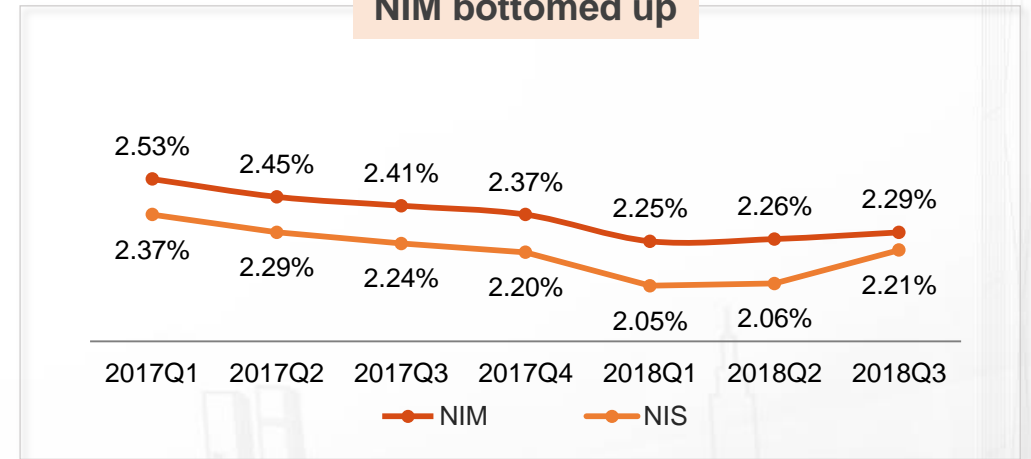
PPOP rebounded to positive growth



% of Non-Interest Income grew



NIM bottomed up

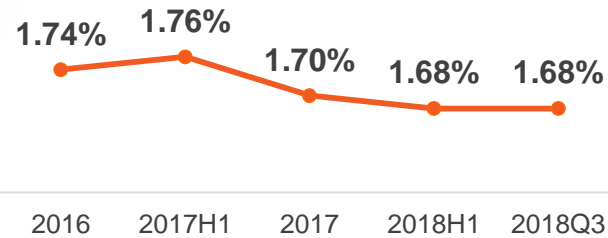


Note: Operating income YoY growth, PPOP YoY growth, % of non-interest income, NIM and NIS are all accumulated amount of the current year

1.3 Asset quality continued to improve

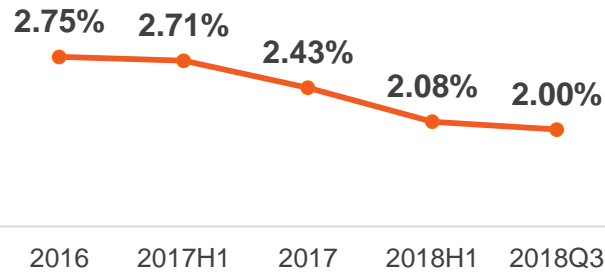
NPL Ratio declined

- Down **2bps** compared with the beginning of the year



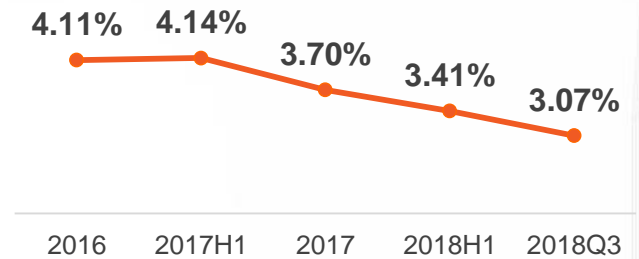
% of Overdue90+ down

- Down **43bps** compared with the beginning of the year



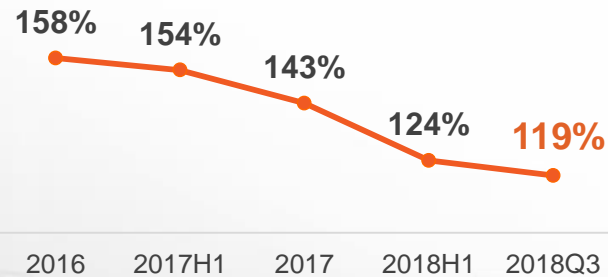
SML Ratio declined

- Down **63bps** compared with the beginning of the year



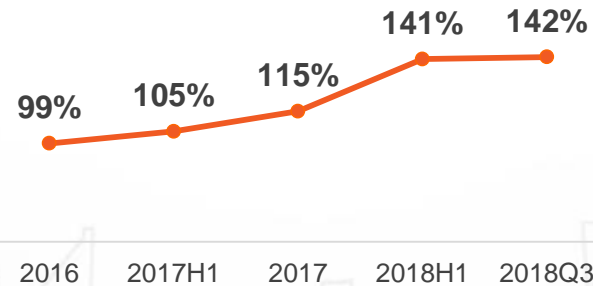
Deviation Ratio declined

- Down **24pps** compared with the beginning of the year



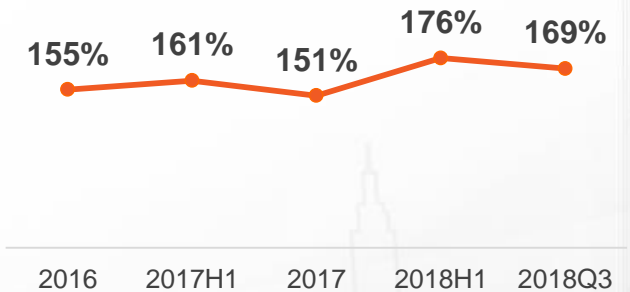
Overdue90+ Coverage Ratio up

- Up **27pps** compared with the beginning of the year



Provision Coverage Ratio

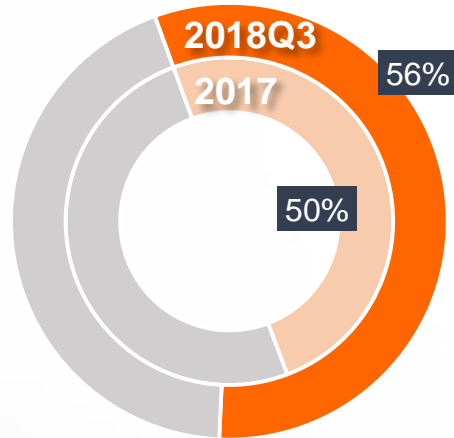
- Up **18pps** compared with the beginning of the year



1.4 Retail contribution continued to rise

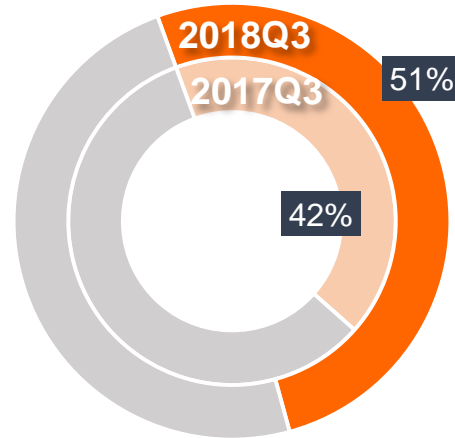
Retail loans, operating income and net profit contributions continued to rise

■ Retail Loans **10,821**(RMB100m)
accounting for **56%**



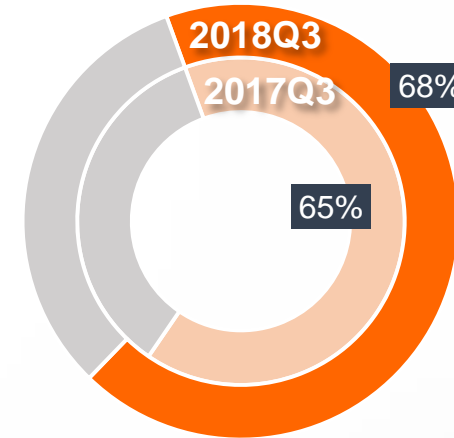
% up **+7pps**

■ Retail Operating Income **444**(RMB100m) accounting for **51%**



% up **+9pps**

■ Retail Net Profit **139**(RMB100m)
accounting for **68%**



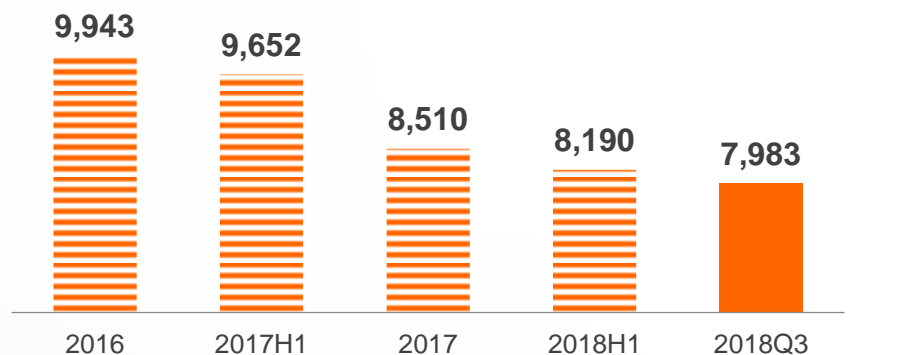
% up **+3pps**

1.5 Corporate business structure continued to optimise

Business structure optimised, capital consumption reduced

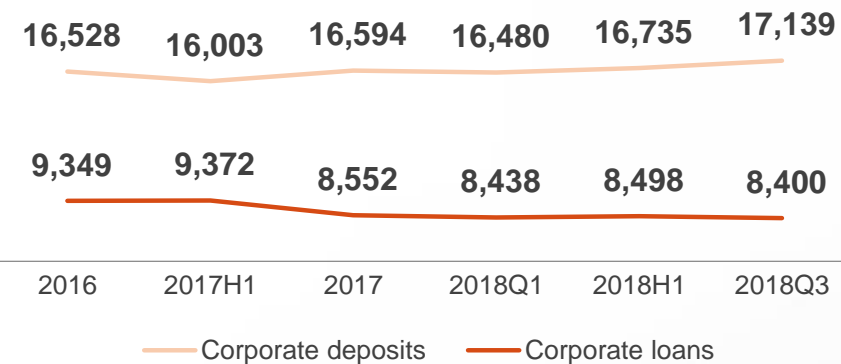
- Corporate RWA down by **6.2%** versus last year

Corporate RWA

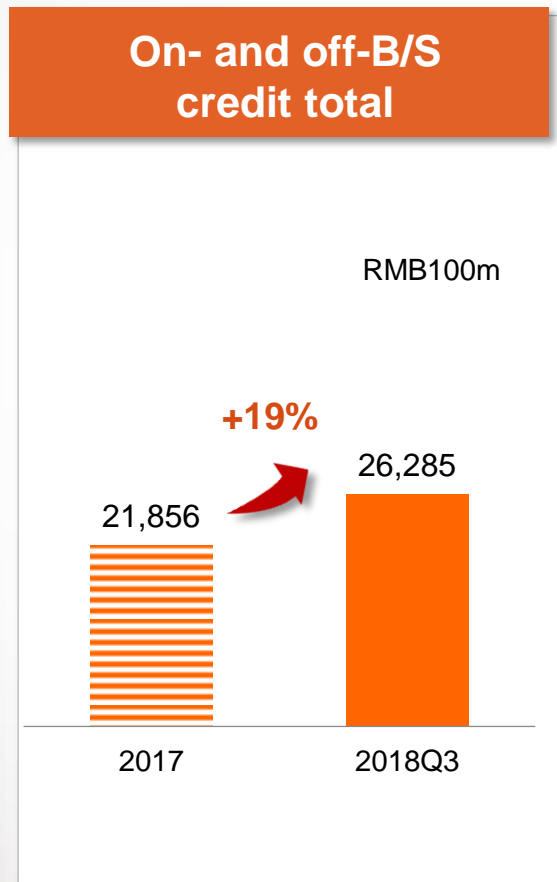


Deposit continued to grow against loan compression

- 3Q18 Corporate Deposits grew **54.5bn**, up **3.3%** vs. the beginning of the year, grew **40.4bn**, up **2.4%** vs. the end of 1H18



1.6 Returned to the essence in supporting real economies



Corporate

Industry

- Incremental credit loans origination adhered to national strategy, focused on key industries
- Legacy credit loan structure wise, cut down overcapacity loans, exit 'zombie enterprise', selected for enterprises with upgraded and efficient demand and supply

Area

- Proactively connected with 'big four sectors', supported 'big three strategies', continued to promote targeted poverty alleviation.

Product

- Utilized technology in building up six refined businesses and realizing concrete support in servicing real economies

Multiple supports for real economies

Retail

Supported consumption upgrade

- Centered on customers demands, taking on the opportunity of national consumption upgrading, supported consumers' rational consumption financing need, boosted consumption upgrade, performed social responsibility, highlighted support for real economies from demand side.

Supported SMEs

- Xinyidai, Zhaiyitong and auto loans products actively served micro and small enterprises, self-employed business owners in resolving their financing problems; realized a practical usage of financial resources and better support for the real economies development.



科技引领

TECHNOLOGY-ORIENTED

2. Key projects continued to progress

Technology drove up businesses, upgraded mgt.

Technology empowered mgt.
Building up intelligent platform

Built up smart fiance platform

Scenario Demo design through smart platforms **1,057** meta products completed, conducted raw data inspection

Established credit risk platform

Completed **19** demands, of which **3** are in the process of development

Technology empowered products
Driving up business upgrade

Corporate

KYB

Originated **66.8**(100m), up by **35.2**(100m) vs. 1H18

SAS

Transactions amounted **32.5**(100m), up by **22.5**(100m) vs. 1H18

Retail

Online

Pocket e-mall transactoin up by **175%**YoY

Offline

Launched **74** intelligent outlets, increased by **28** vs. 1H18

Technology empowered services
Providing better customer experience

AI+risk control

Anti-fraud amounted **4.9**(100m) from Jan to Sep

AI+customer service

Taking up **80%** by the end of 3Q18, up by **6pps** vs. 1H18

AI+marketing

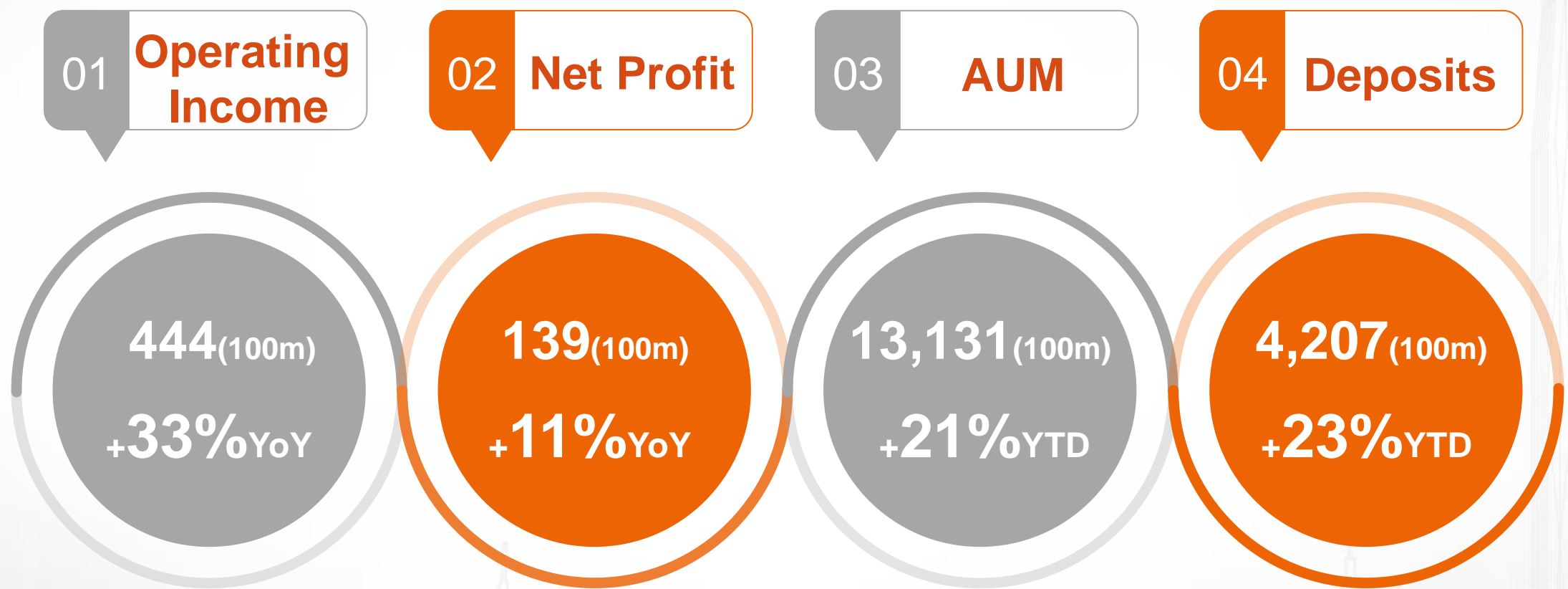
Facial recognition put in place at **60** outlets



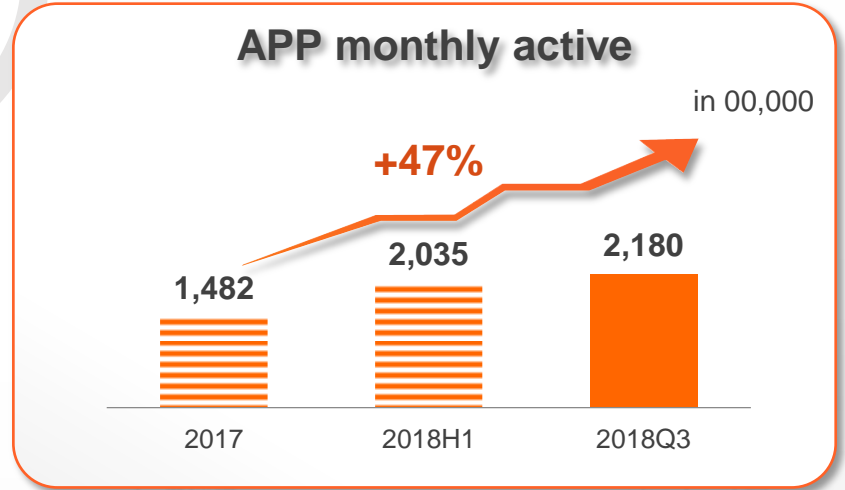
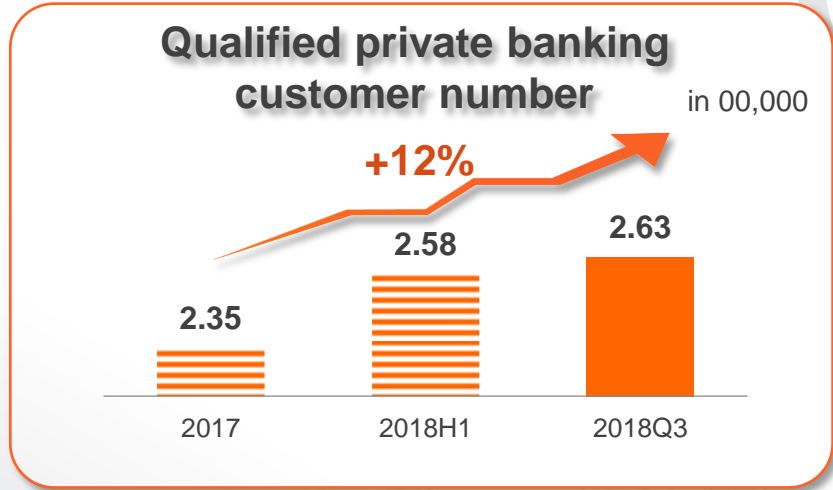
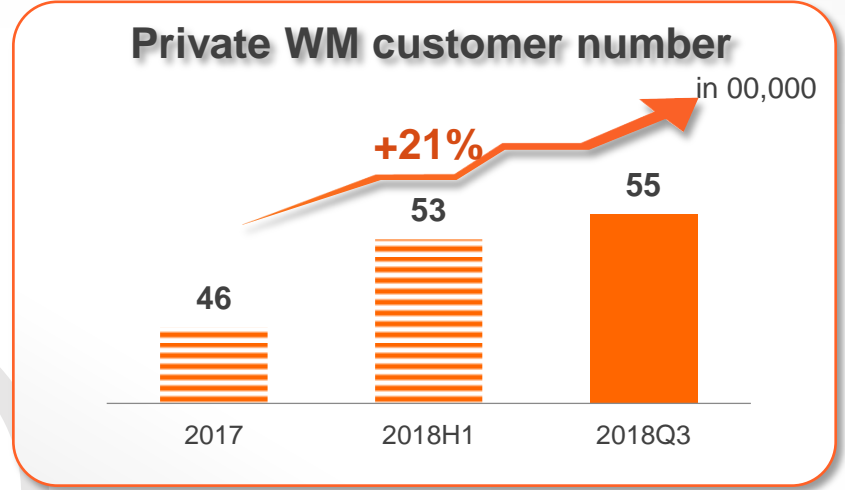
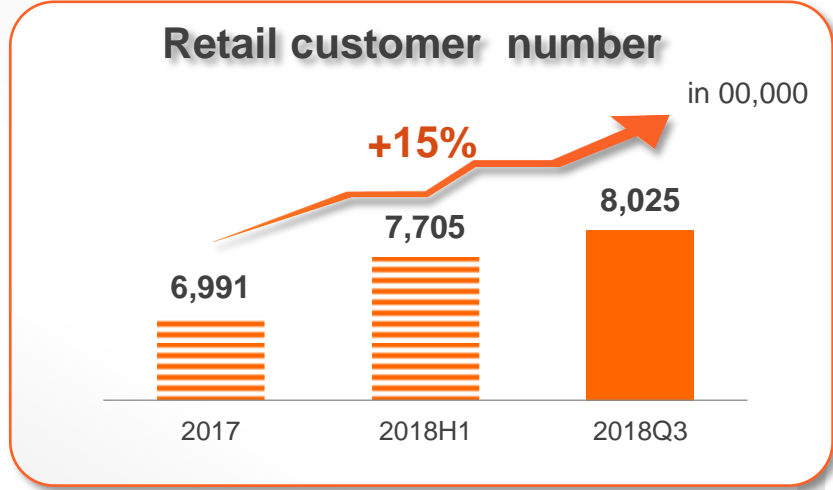
零售突破

RETAIL BREAKTHROUGH

3.1 Strong growth in retail operating income



3.2 Retail customer number continued to grow

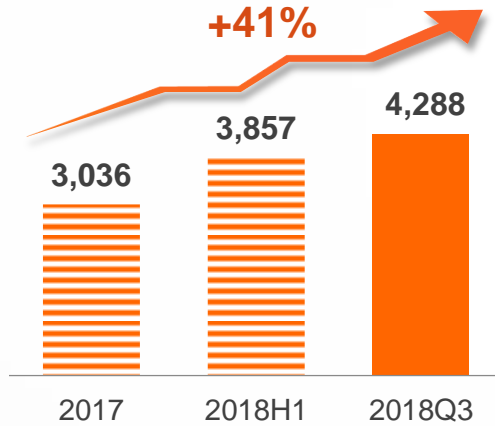


Note: Private banking customers - assets over RMB 6mn; WM customers - assets over RMB 0.5mn.

3.3 Core businesses maintained stable growth

Credit card balance

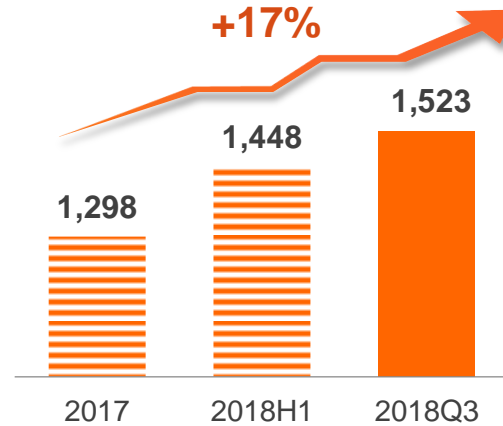
RMB100m



- Accumulated new issuance of credit cards **13.09m**, up **32.1%YoY**
- Cards in circulation **48.53m**, up **26.6%** compared to the beginning of the year
- Aggregated transaction amounted **1925.6bn**, up **84.0%YoY**

Xinyidai balance

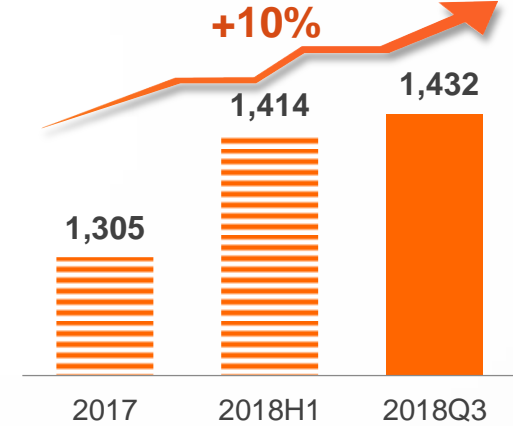
RMB100m



- Issuance amounted **85.6bn** from Jan to Sep
- Micro & small business operational loans accounted for **1/3**

Auto finance balance

RMB100m

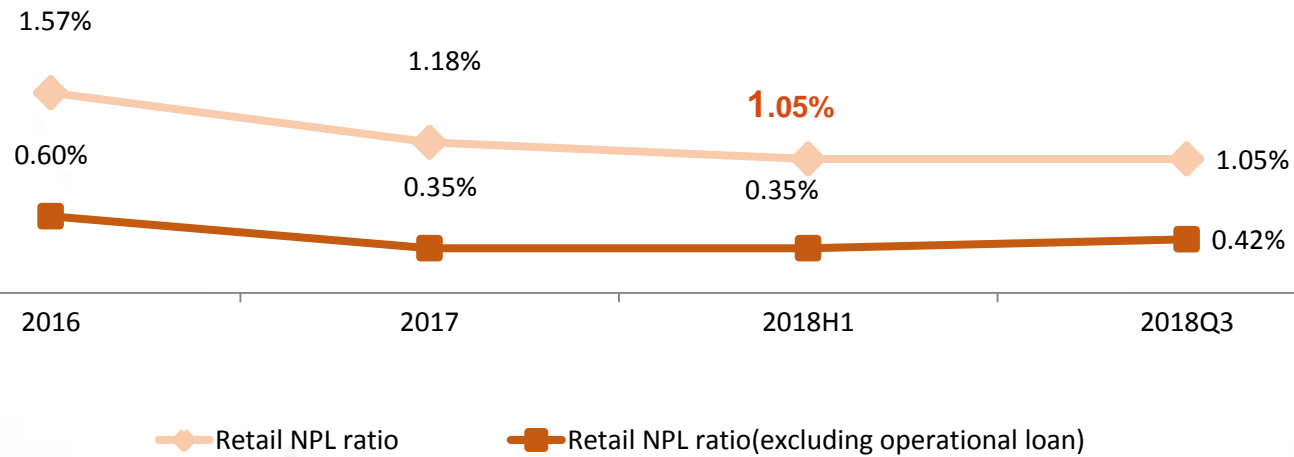


- New issuance **109.7bn**, up **37.9%YoY**
- Continued to lead the industry peers in terms of market share

3.4 Retail asset quality remained sound

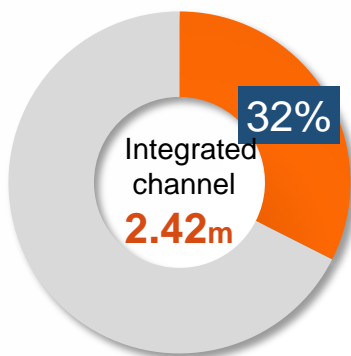
Retail NPL ratio remained good

- Retail NPL ratio down **13bps** vs. the end of last year

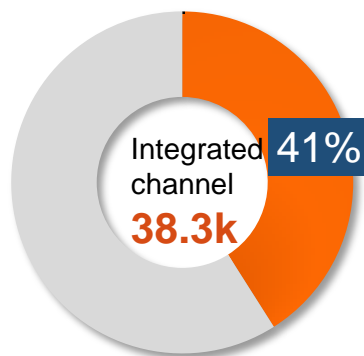


3.5 Integrated fianance contribution further enhanced, driving up business

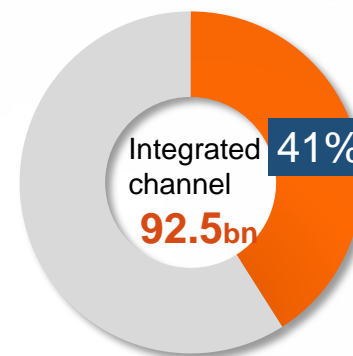
No. of retail new customers
(ex. credit cards)



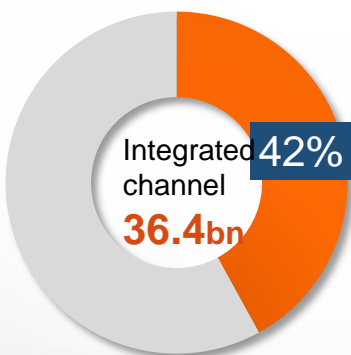
No. of retail new WM customers



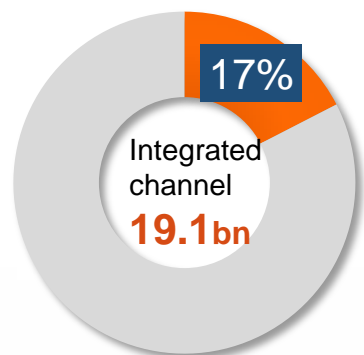
Retail incremental AUM



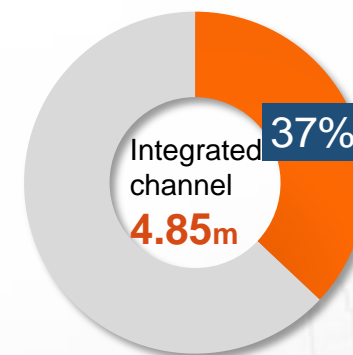
Xinyidai insurance



Auto loan insurance



Credit card new insurance



■ PAG integrated channel contributions to retail businesses (in %)

3.6 Key projects continued to pay off

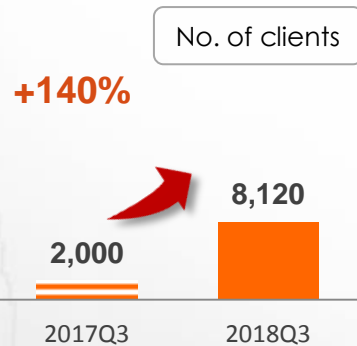


Payroll business

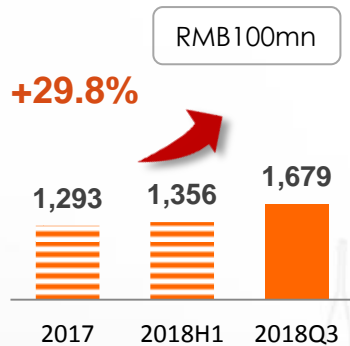
◆ Payroll Manager 2.0:

- Improved efficiency using AI and online applications
- Optimized payroll process, connecting bank and enterprises, instant cross-bank payroll transfer only one-click away

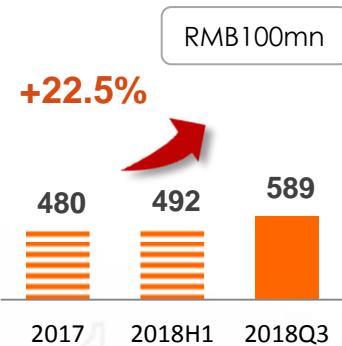
Net increase effective payroll clients



Payroll clients AUM



Payroll clients deposit balance

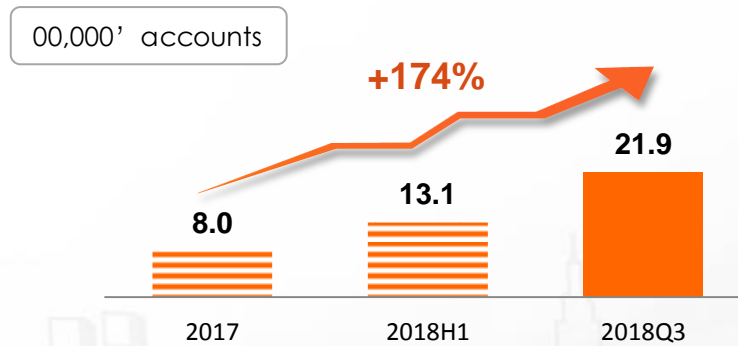


Merchant acquiring

◆ Launched acquiring service in full-mode:

- Pioneered launch of 3-in-1 combined payment code
- Launched merchant acquiring APP and H5 mini program mobile service
- Launched mobile and mini program payment service with unique characters

No. of merchants acquired





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CORPORATE BANKING

4.1 Set up transaction banking division, products refinement paying off

Transaction banking division set up

Established transaction banking division, centralized corporate products management through organization structure adjustment, optimised overall planning and process.

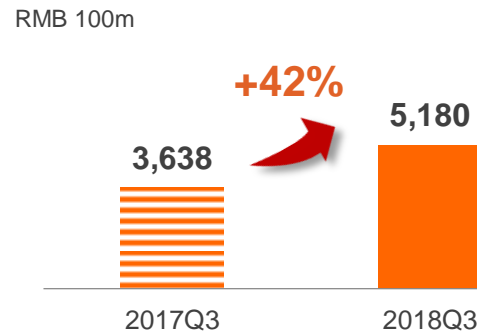


Further enhanced products development



Focused on sophistication and promotion of hit products such as KYB, SAS etc.,

Cross boarder-e transaction volumn

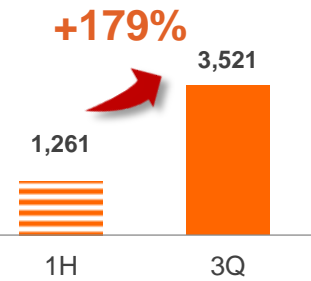


Pocket finance

Registered customer number '00,000



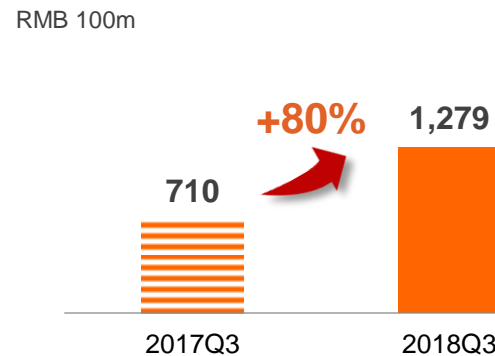
Transaction volumn RMB 100m



Note: Pocket finance was launched this year, figures in comparison were from 1H18.

Hit products

Bond undertaking



KYB, SAS

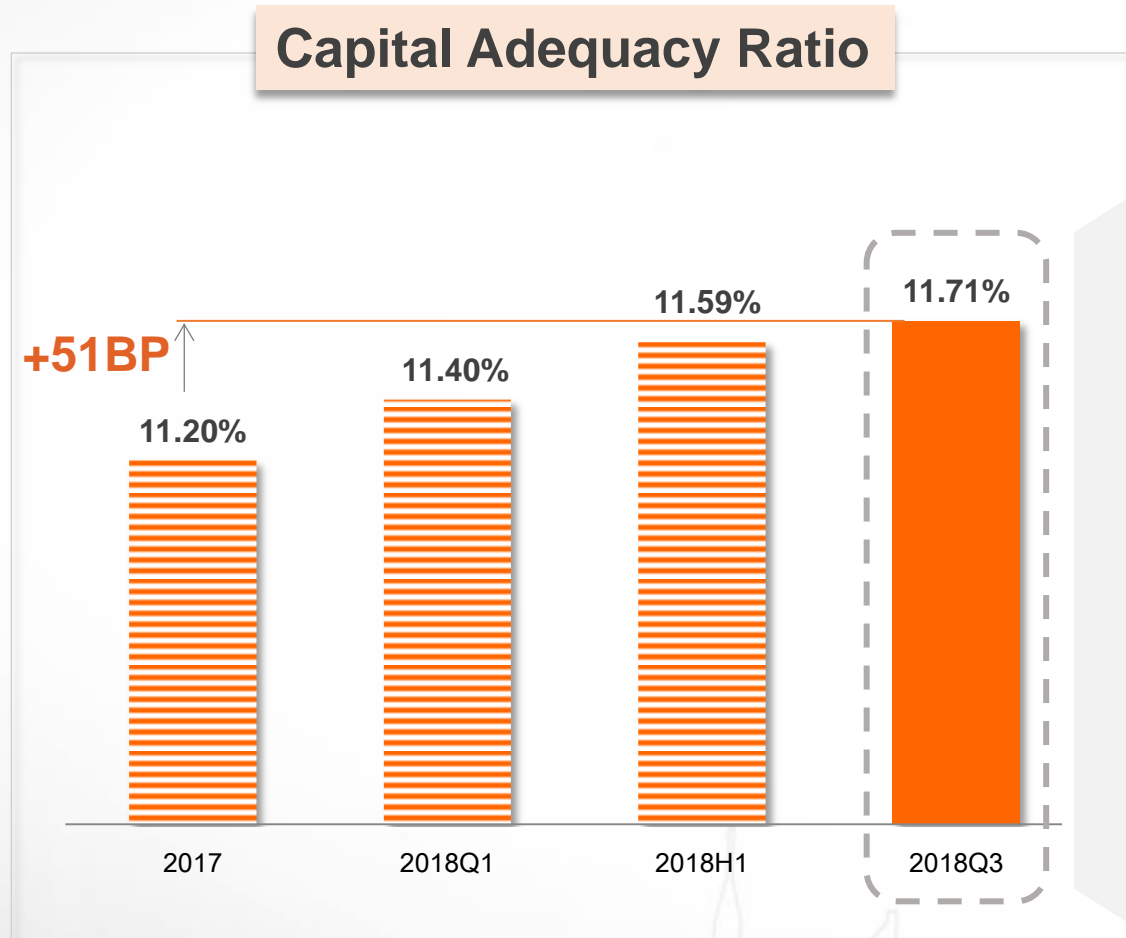


KYB: connecting natual person and legal personal **7 dimensions, 68 categories, 2,000sub-entries**; by the end of Sep, total loans originated **6.68bn**, served **10,910 enterprises**



SAS: transaction exceeded **3bn**

4.2 Granular capital management, improved CAR



CAR up 0.51pp YTD

◆ **KPI guidance:**

- Implemented EVA/RAROC in economic capital management
- Guided towards low-risk business via adjustment

◆ **Lean capital consumption:**

- Enhanced efforts in tax write-off
- Enhanced efforts in disposing debt assets and reducing no-yield capital consumption
- Disposed and cut down low- and no-yield assets, adjusted high capital consumption businesses

4.3 Significant recovery performance, strict control over risk asset

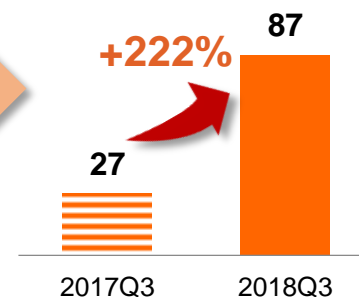


Legacy disposal

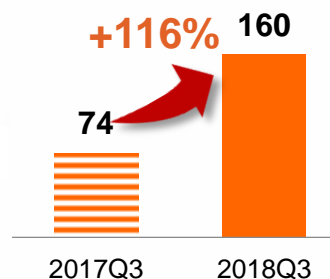
- **Cleaned up and exited red and yellow lable customers**, continued running off loan book and optimizing customers structure
- Optimized system construction, **setting up big data+AI risk control platform** with granular comprehensive monitoring
- **Intelligent & innovative operation on special assets**, enhanced efforts in disposal and writing off
- **Progressed on special asset intellligent service platform** , featuring collection, legitation, filing, entrust and fee charge functions

Significant recovery, optimised structure

NPL write-offs (100m)



NPL recovery (100m)



Control over incremental

- **Strengthened oversight mechanism** across all branches with precision management to ensure incremental asset quality
- **Oversaw incremental lending direction** with extensive research and focus on key industries, areas and products



工作展望

NEXT QUARTER OUTLOOK

Key work in 4Q18

Key agenda



Tech-oriented

- Expedite **PAG tech empowerment**, boost synergy between tech and business teams
- Strengthen **PAG ecosystem synergy**, leverage on account and settling capability
- Implement **smart finance** program, build product catalogue digitalize process with smart analysis system



Retail breakthrough

- Optimise **LUM income structure**, drive up **AUM** growth, realise better income structure
- **LUM key breakthroughs**, credit card business overachieves objective, fully driven up by life insurance, internet and other channels; explore online insurance for auto loans
- Enhance **private banking management capability**, expedite integration of trust and bank teams
- Build **offline integrated flow**, embed businesses of other companies into bank outlets



Corporate banking

- **Optimize asset quality**, build up credit risk control platform with full-cycle management
- **Solidify KYB model**, with all-time access to multi-dimensional data and clear customer portraits; boost risk control model review; prepare sales channel
- **Clarify investment bank division positioning**, including asset undertaking new development, products innovations, ecosystem trading pivot



Appendix

KEY FINANCIAL & METRICS

Key Metrics: Balance Sheet

RMB100m	30 Sep 2018	31 Dec 2017	Changes	
			Amount	%
1.Total Assets	33,521	32,485	1,036	3.2%
Total Loans	19,889	17,304	2,585	14.9%
Of which: Loans and Advances	19,220	17,042	2,178	12.8%
of which:(1) Corporate Loans	8,400	8,552	-152	-1.8%
(2) Retail Loans	10,820	8,490	2,330	27.4%
2.Total Liabilities	31,169	30,264	905	3.0%
Total Deposits	25,126	24,365	761	3.1%
Of which: Deposits Due to Customers	21,346	20,004	1,342	6.7%
of which: (1) Corporate Deposits	17,139	16,594	545	3.3%
(2) Retail Deposits	4,207	3,410	797	23.4%
3. Shareholder equity	2,352	2,221	131	5.9%

Key Metrics: Income and Expenses

RMB100m

Jan-Sep 2018

Jan-Sep 2017

△ Changes

	Amount	%	Amount	%	Growth rate%	△%
1. Operating Income	866.64	100.0%	798.32	100.0%	8.6%	
Interest Income	545.29	62.9%	554.82	69.5%	-1.7%	-6.6pps
Non-Interest Income	321.35	37.1%	243.50	30.5%	32.0%	+6.6pps
2. Operating Expenses	264.28		220.13		20.1%	
Business and Overhead	255.81	29.5%	212.68	26.6%	20.3%	+2.9pps
3. Pre-provision Profit	602.36		578.19		4.2%	
4. Asset Impairment Loss (-)	336.22		328.20		2.4%	
5. Net Profit	204.56		191.53		6.8%	
6. Basic/Diluted EPS(CNY)	1.14		1.06		7.5%	

Key Metrics: quality and productivity

	Jan-Sep 2018 / 30 Sep 2018	Jan-Sep 2017 / 30 Sep 2017	Changes
1.Asset Quality			
NPL Ratio	1.68%	1.70%	-0.02pp
Provision to Loan Ratio	2.89%	2.57%	+0.32pp
NPL Provision Coverage	169%	151%	+18pps
Overdue 90+ Provision Coverage	142%	106%	+36pps
NPL Deviation Ratio	119%	143%	-24pps
2.Asset yields			
Average Return on Total Assets (annualized)	0.83%	0.84%	-0.01pp
Weighted Average Return on Aet Assets (annualised)	12.60%	12.77%	-0.17pp
3.NIS	2.21%	2.24%	-0.03pp
4.NIM	2.29%	2.41%	-0.12pp
5.Cost Income Ratio	29.52%	26.64%	+2.88pp

Thank You



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