

The image features a large, abstract network graphic on the left side, composed of numerous interconnected nodes and lines. The nodes are colored in a gradient from orange at the top to blue at the bottom. The background is dark with a subtle pattern of small white dots.

中国平安 PINGAN

金融 · 科技

Ping An Bank 2019

1Q Report

April 2019

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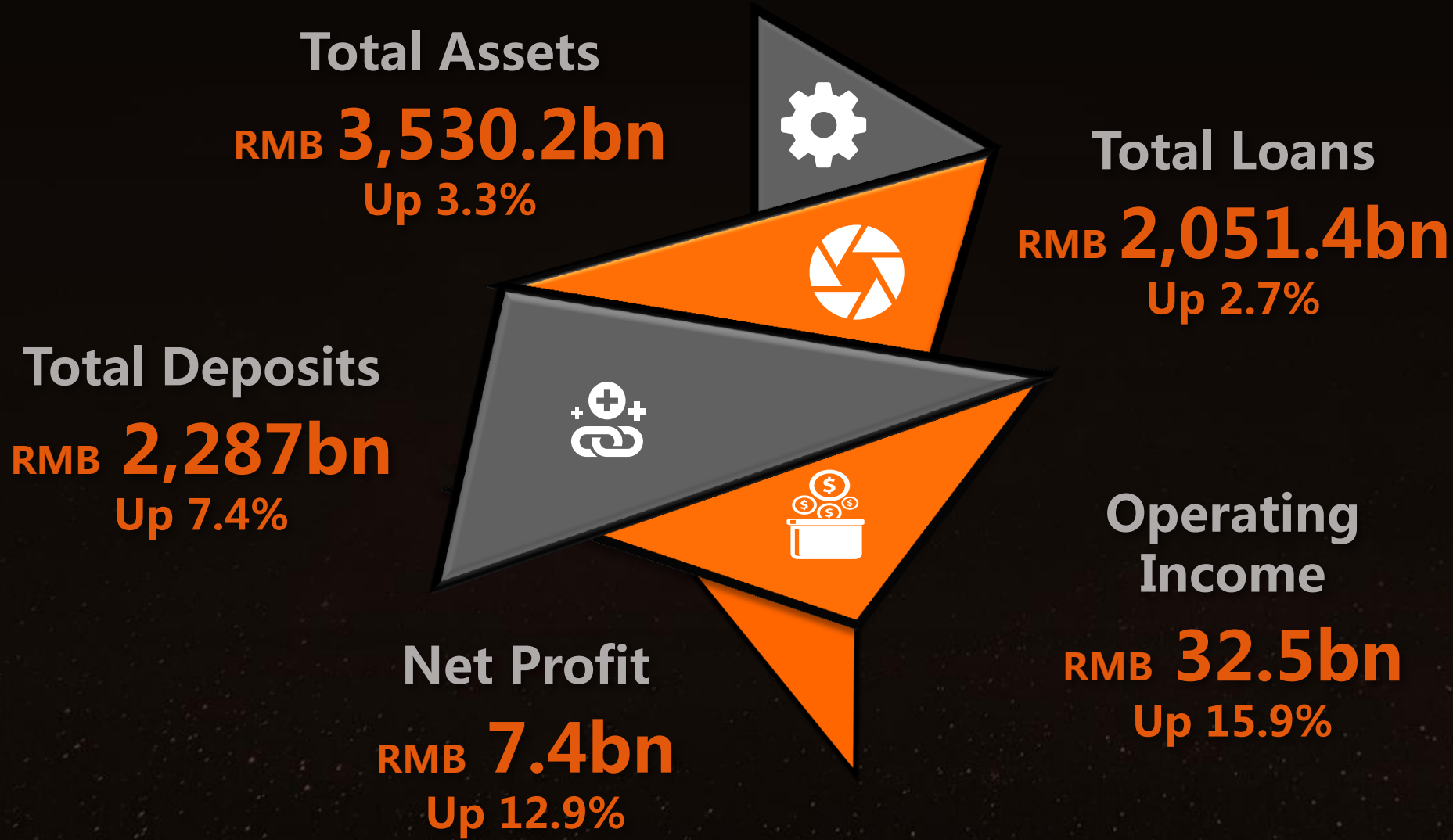


Appendixes



Overall Performance

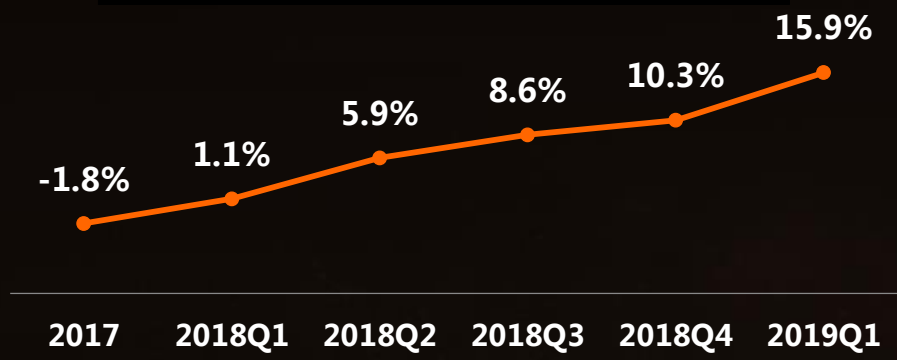
1.1 Overall Performance Remained Sound And Stable



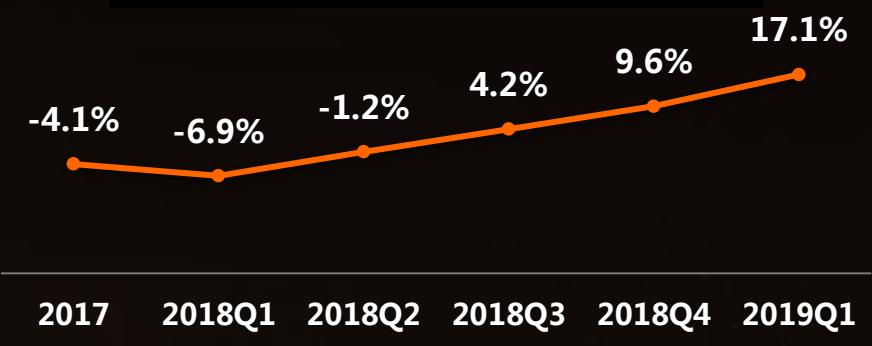
Note: Total deposits excludes deposits from non-banking institutions; total loans excludes loans from non-banking institutions.

1.2 Profitability Gained Steady Improvements

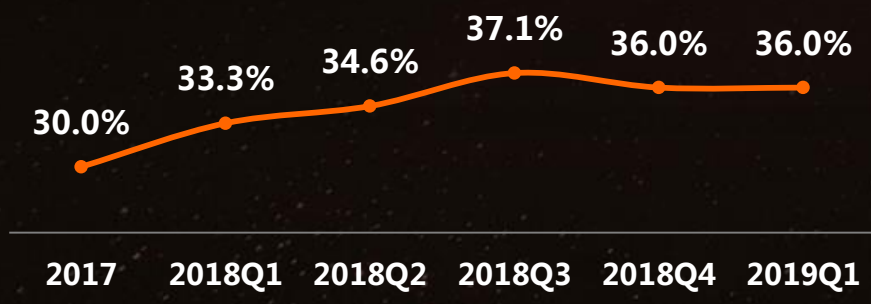
Operating Income Grew Rapidly



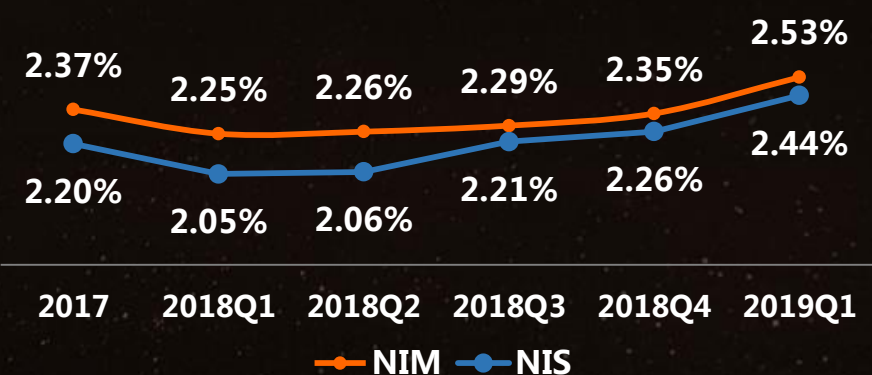
PPOP YoY Growth Accelerated



% Of Non-interest Income Remained Stable



NIM/NIS Expanded

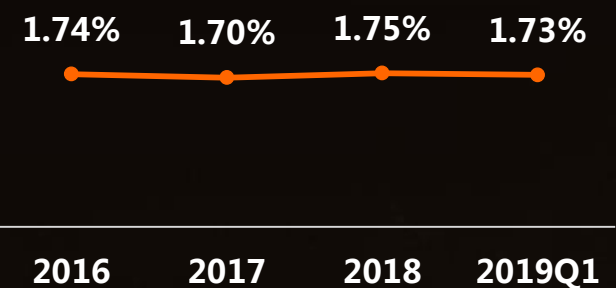


Note: Data in the four graphs are all cumulative amounts by the current year.

1.3 Asset Quality Improved And Risk Control Capacity Enhanced

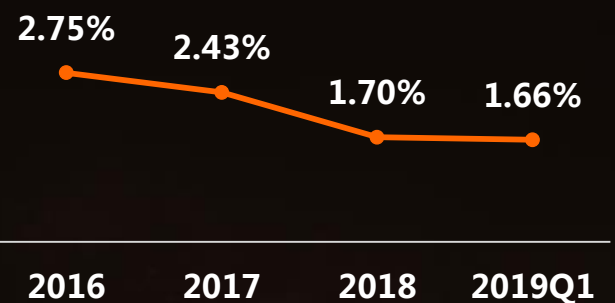
NPL Ratio Stabilized

■ Down 2bps YTD



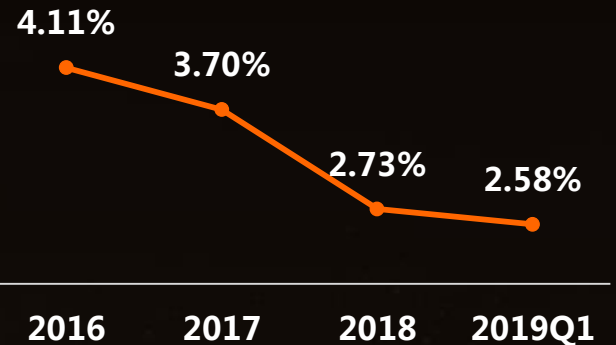
% of 90+ Overdue Shrank

■ Down 4bps YTD



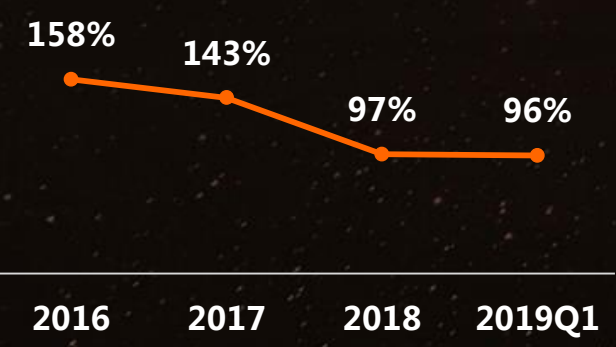
SML went down

■ Down 15bps YTD



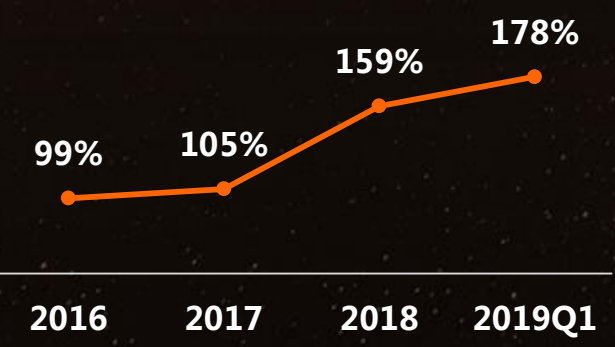
Deviation Ratio Remained Stable

■ Down 1pct YTD



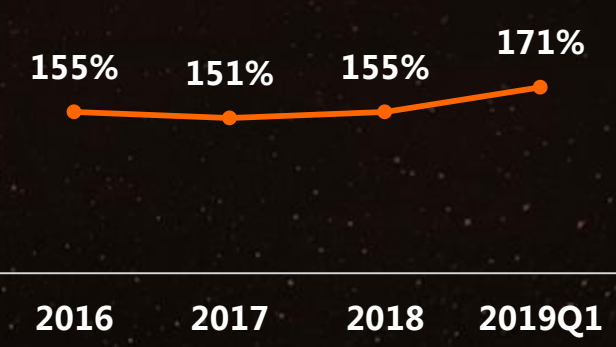
90+ Overdue Coverage Ratio Greatly Improved

■ Up 19pct YTD



PPOP Greatly Enhanced

■ Up 16pct YTD



1.4 Comprehensive Support For Real Economy

PAB will fully leverage on technology to support real economy and anti poverty.



Subdivided Policies on Regions and Industries

We closely follow national policies by supporting the “Guangdong-Hong Kong-Macao Greater Bay Area” endeavor, “the Belt and Road” initiative, “Economic Integration of Yangtze River Delta” plan and other projects. With a focus on strategic industries, we are doing real efforts to fuel local economies. By the end of May 2019, clients in key industries took up **48%**.

Greater Financial Support for Private Entities

a) Technology:

With AI, biometrics, big data, block chain, cloud computing and other advanced technologies, we built Supply Chain Receivables Service Platform, SME Digital Finance project and Xinyidai UPL product, so as to make financing less difficult and expensive for private entities and SMEs

b) Mechanism:

We adopted differentiated and targeted measures, including differentiated pricing policy and risk tolerance strategy to support SME growth

c) Execution and Policy:

- Newly extended loans to private sector as a percentage to the total corporate loans accounted for more than **70%**;
- SME that receives 10million credit or less grew **3.5% YTD**, higher than the bank's average loan growth rate;
- Accounts with loan balance increased **8,639 YTD**. Interest rate for such SME loans went down **0.66pct YTD** and NPL was well under control

Continuous Efforts in Targeted Poverty Reduction

We established a closed loop of “Finance+Tech+Produce-and-Sell” based on the “Finance+Industry” relief scheme. In Q12019, **4.385bn** was appropriated to the program, covering and benefiting over **430k** registered poor people, among which, **2,800** received direct financial help.



Tech-driven Innovation

2.1 Technology Empowerment Strategy Produced Results

Tech Empowerment: facilitating business and upgrading management



Empowering Management

To build smart platforms

- Intelligent Platform for **Operation Analysis**
- Intelligent Platform for **Credit Risk Control**
- Intelligent Platform for **Special Assets Management**
- Integrated and Automatic Information Registry and Processing for **Discounted Bills**
- **141mn** be prevented from Fraud with AI + Risk Control Technology



Empowering Products

To upgrade business

- **Pocket APP**: transaction volume grew by **25% YoY**
- **SME Digital Finance**: enabled by quantitative model and data analysis, **4.2bn** has been issued in 1Q
- **Supply Chain Receivables Service Platform(SAS)**: with AI, blocked chain, cloud computing, big data and other core technologies, transaction volume in the platform reached **7.8bn** in 1Q
- **Cross-border E Service**: financial services fully digitalized, accumulated online transaction was around **150bn**
- **Government Finance**: we kept making innovations in areas of finance, housing and jurisdiction with the help of block chain, AI and other smart technologies. **21** Platforms for government finance have been launched online



Empowering Services

To better experience

- AI Marketing: conversion effect improved by **3 times** compared with traditional methods
- Xinyidai UPL **Online Verification**: applications were simplified and approval time shortend
- **360° Profile** for Corporate Clients: capacity in targeted marketing was continuously enhanced
- **82%** AI customer service
- **177** new intelligent outlets opened to business



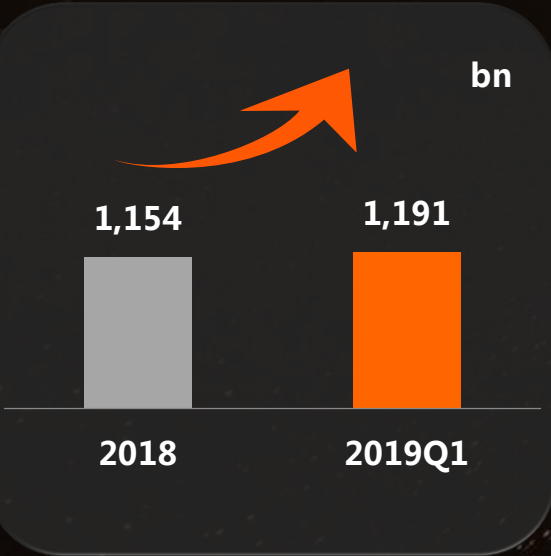
Retail Breakthroughs

3.1 Retail Business Grew Steadily

- Given persisting downward pressure since end-2018, we proactively optimized loan extending strategy with a pre-requisite that asset quality is ensured. We increased the bar for credit card application and loan extension and selected customers with higher quality; multiple measure have been taken internally and are starting to produce initial effects; it is estimated that personal loans and credit card businesses will both present positive growth starting from 2H 2019.
- We kept providing quality products and benefits based on market demand, and offering stellar customer experience with the help of internet. As a result, **credit card transaction volume, retail deposits and AUM all greatly improved.**

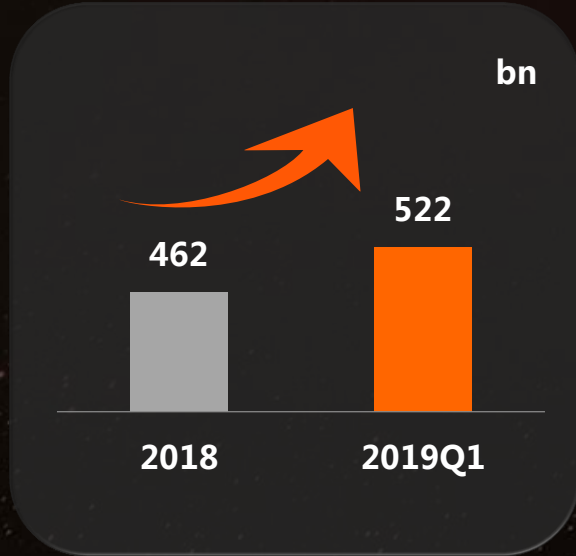
Loans

+3%



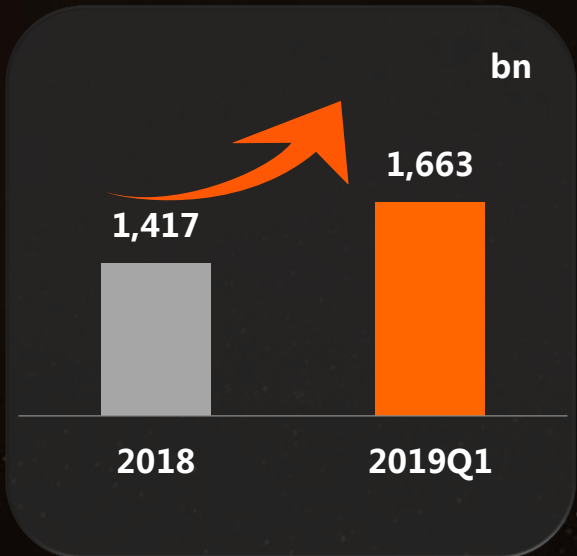
Deposits

+13%



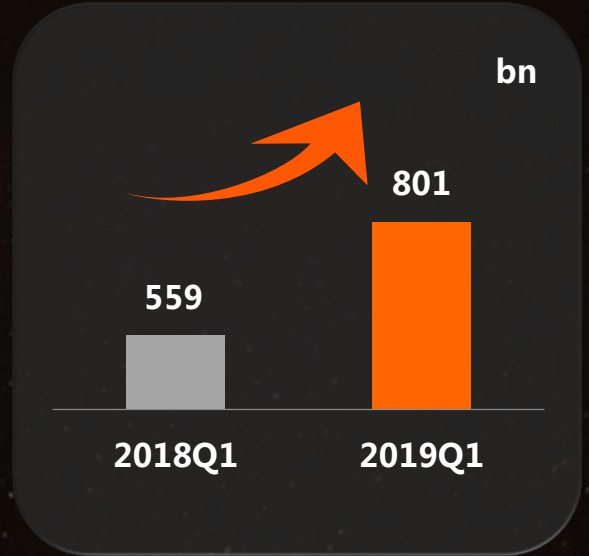
AUM

+17%

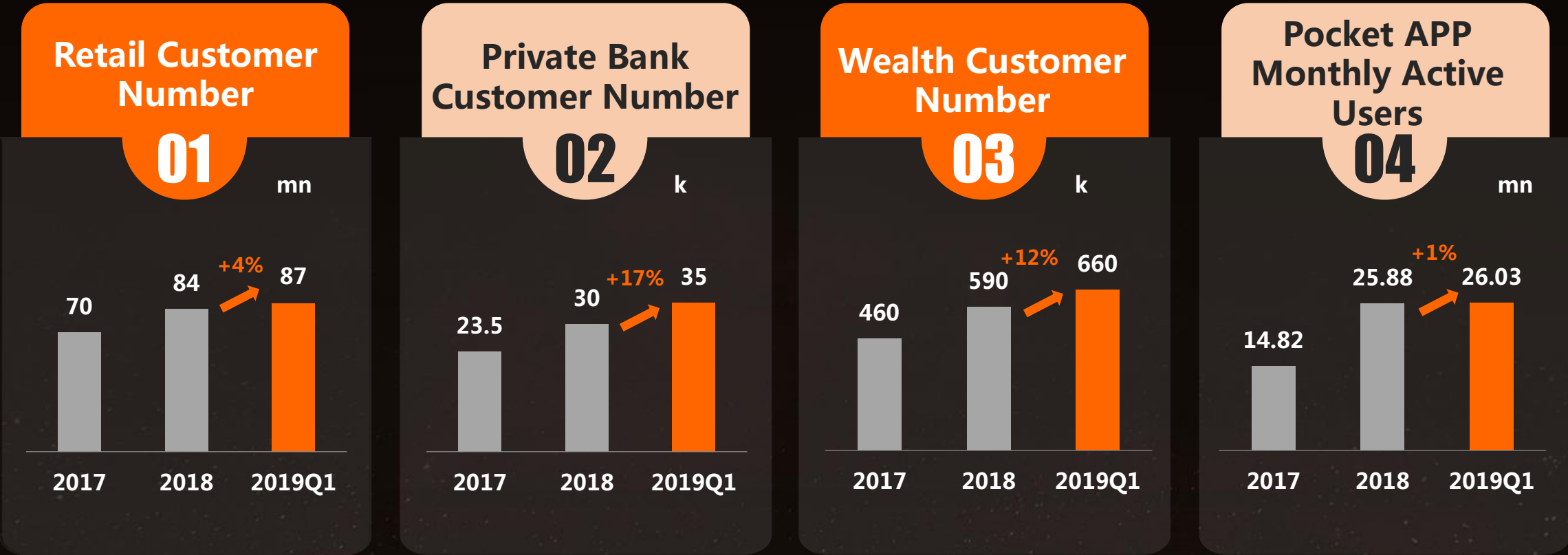


Credit Card Transaction Volume

+43%



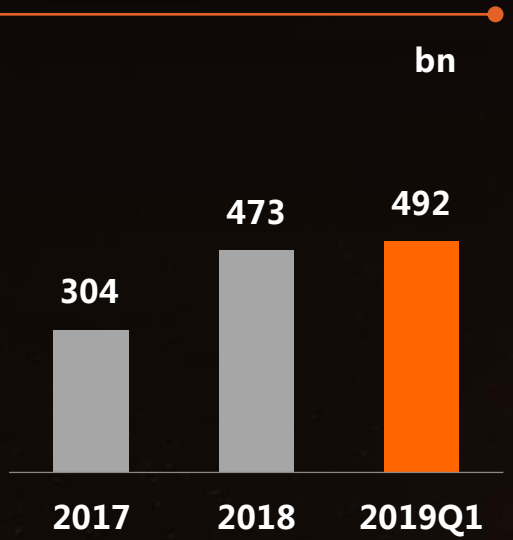
3.2 Retail Customer Continued To Increase



Note: Private bank customer are clients with a minimum net-wealth of 6 million and wealth customer of 500K.

3.3 Core Businesses Maintained Sound

Credit Card Loan Balance



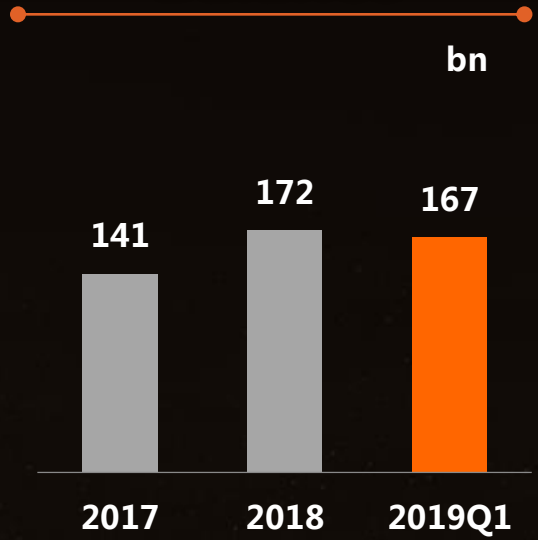
- Accumulated new issuance stood at **3.32mn**, and card in circulation **53.52mn**
- Total transaction volume reached **801bn**, up **43% YoY**
- Transaction volume of credit card e-mall increased **25% YoY**

Xinyidai UPL Loan Balance



- 1Q 2019 new issuance **27.7bn**
- SAT+T online application: use technology to empower loan extending process throughout the prior-, during- and post-loan stages

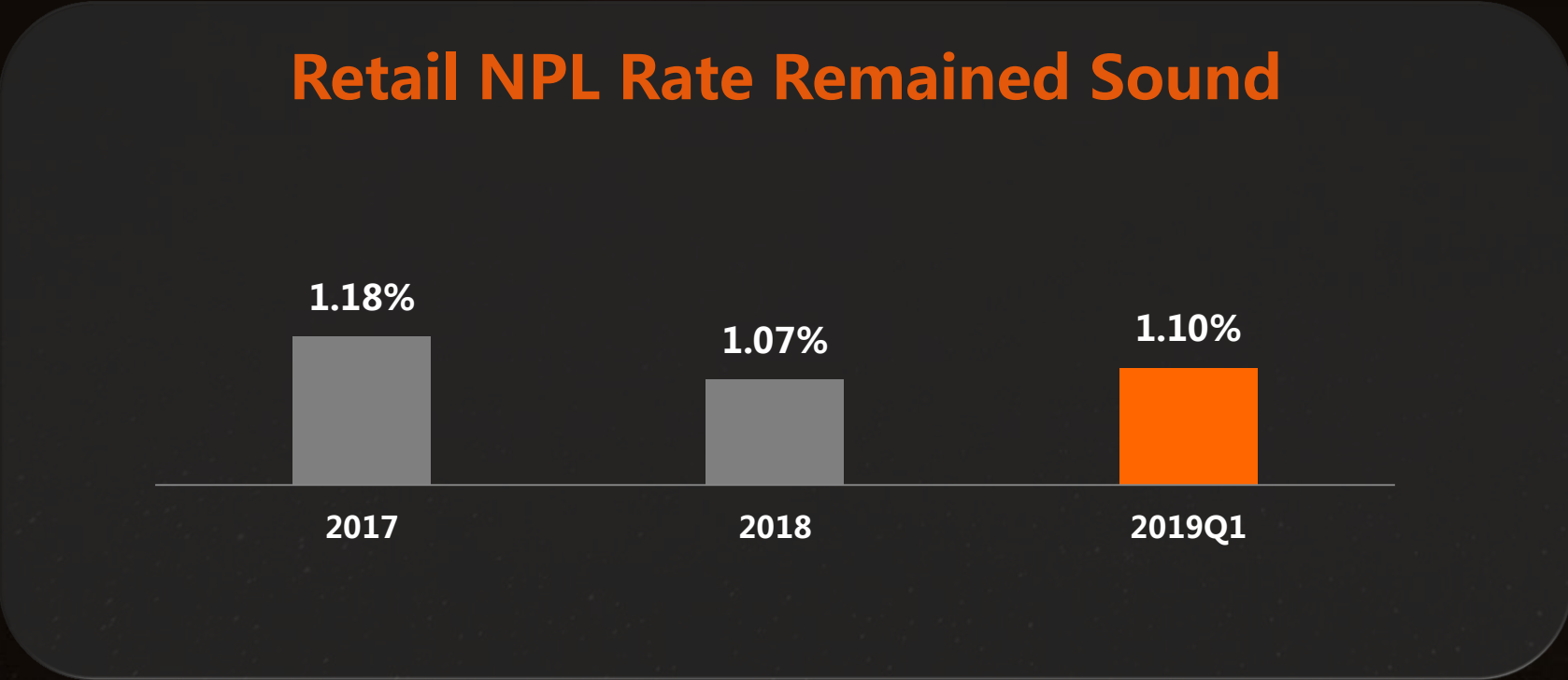
Auto Loan Balance



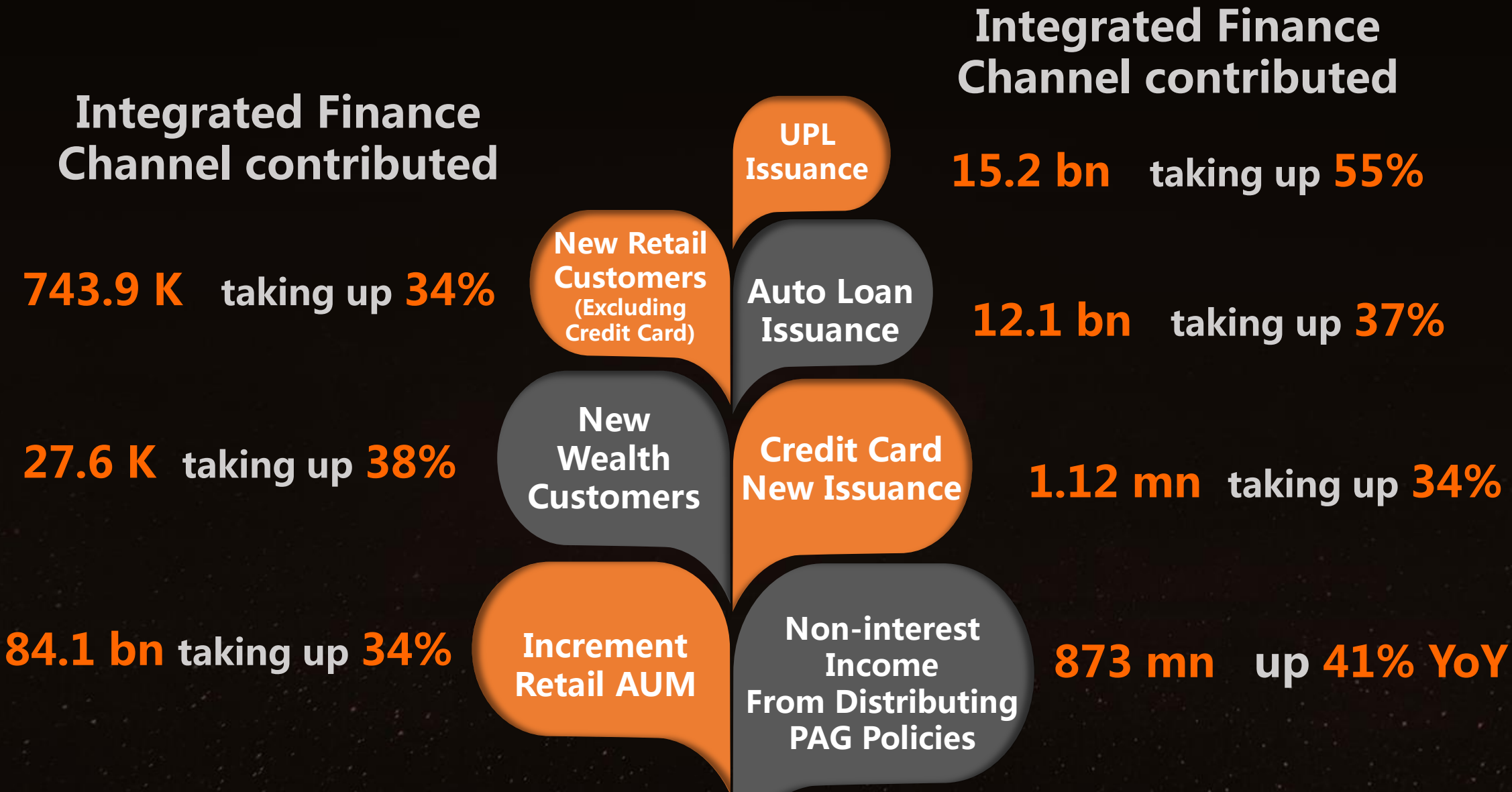
- 1Q 2019 new issuance **32.7bn**
- Market shares still lead the industry

3.4 Retail Asset Quality Remained Sound

- Affected by the economic downturn, increasing risks of multi-debt borrowers and sliding car consumption and other external factors, the entire financial industry saw an upward trend in the risk spectrum. As of the end-1Q 2019, the bank saw a slight NPL increase in retail business, but risk indicators stayed low overall.
- PAB adjusted its risk policy as early as the end-2017 with a focus to prevent risks incurred by multi-debt borrowers. The proportion of high-risk customers is thereby reduced and asset quality of newly issued loans is relatively better. It is estimated that these tightend measures will gradually make a difference in 2H 2019 and NPL rate for major retail products will go down steadily.



3.5 Integrated Finance Helped Drive Up Business



3.6 Private Bank WM Gained Stronger Momentum



Product: fundamental change

- actively promoted the establishment of Wealth Management Subsidiary;
- greatly enhanced product capacity after the merge of the Ping An Trust team;
- fully mobilized PAG and the bank's resources to found good investment assets for the PB arm.



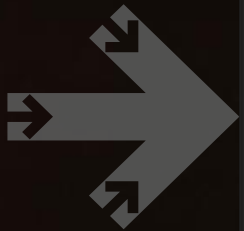
System: revamped

- Implemented Product Committee mechanism to diversify asset sources;
- Enhanced capacity in internal risk team and strictly controlled asset risks;
- Revamped organizational structure and introduced professionals via multiple channels.



Mechanism: 3 models PK

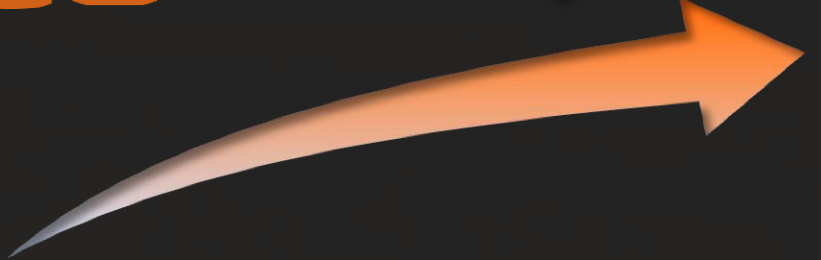
- Integrated finance
- Branch/sub-branch
- Direct selling



• Retail **AUM** grew **17%**



• Private bank customer grew **17%**

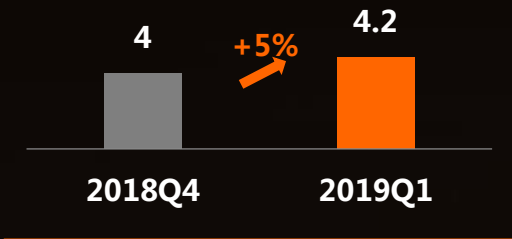




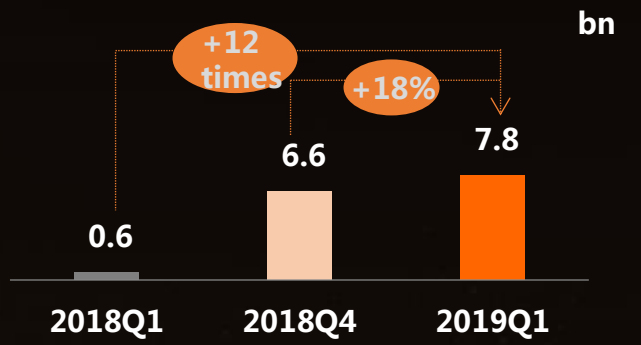
Selective Corporate

4.1 Selective Corporate Businesses Produced Results

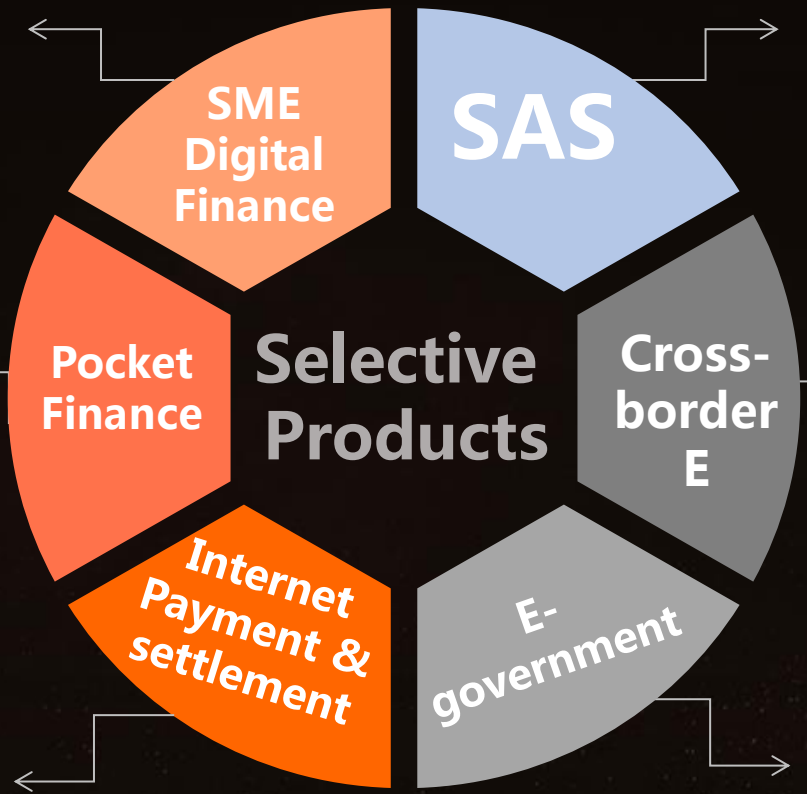
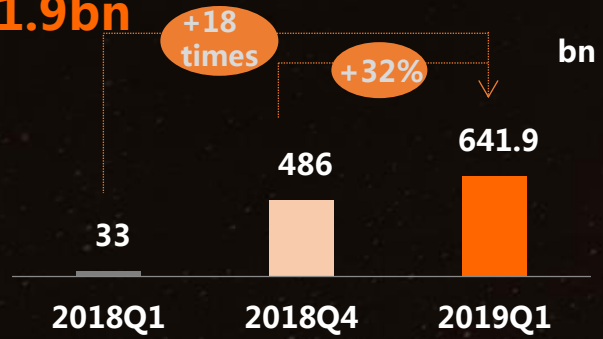
- Served **17,355** customers, and issued **4.2bn** loans bn



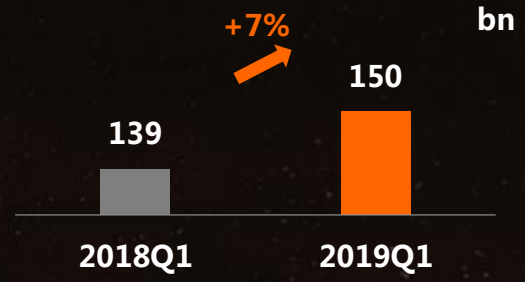
- 137** core business have started to use the platform and the transaction volume exceeded **7.8bn**



- Registered users stood at **278k**, processed **853k** transactions, and transaction volume reached **641.9bn**



Transaction Volume



- 86** new internet payment settlement platforms put into use, with **150mn** transactions being processed and the total amount reaching **530bn**

- Newly launched government finance platform stood at **21**, adding the total number to **464**.

Note: SME digital finance had not yet started in Q1 2018.

4.2 Investment Bank And Interbank Businesses

- We stayed committed to institutional sales transition and continued to improve our light-oriented funding capacity and transaction capacity. Enabled with advanced technology, we aim to build an ecosystem for financial services and a connector for financial institutions.

- “Etbank” customers reached **2,115, 36** more than end-2018



- Customer derivative business volume posted at **3.7bn dollars**, up **58% YoY**

- Interest rate swap market-making business stood at **573bn**, up **57% YoY**



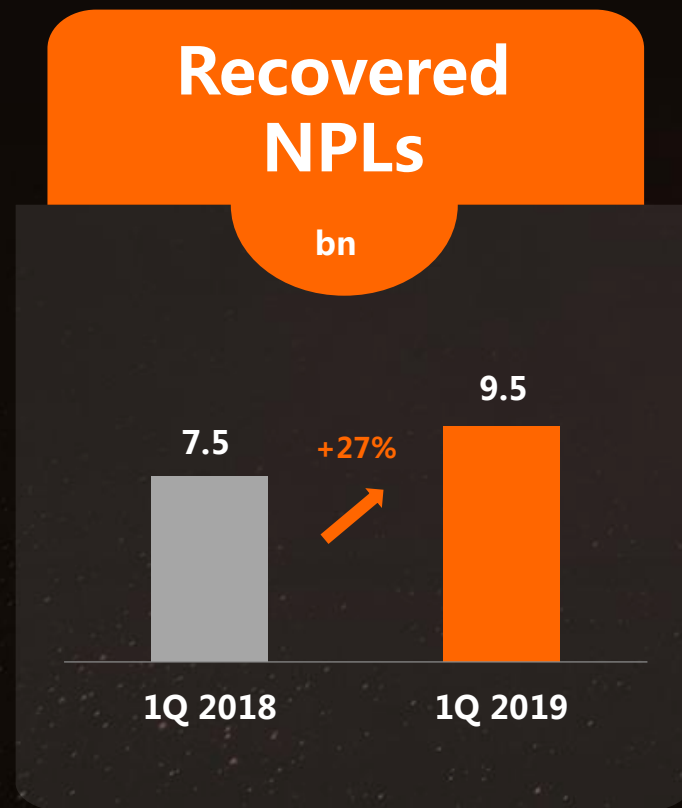
- Interbank sales volume hit **130bn**, **3 times** comparing with same period of last year



- WM direct financing products (CBIRC registered) distribution volume amounted to **19.7bn**, ranking among the best in the market

4.3 Debt Recovery Made Great Headway

- We have built a big-data-empowered platform for special assets, with a focus on enhancing three capacities: intelligent recovery, smart management and eco-operation
- Recovery made solid success as intelligent models started to play a greater role during the process





Main Concerns

5.1 Main Concerns From The Market



Deposit Mix

Issue:

- **CASA proportion is still relatively low**
- **Deposit costs keep mounting**

Responses:

- **Retail-side:** will focus on payroll and merchant acquiring businesses and work to attract deposits from settlement business and cash management services
- **Corporate-side:** will take in fiscal, housing and social security deposits by providing **government financing services**; and to attract customer's deposits via **transaction banking** and project fund via comprehensive investment banking business



Retail Growth

Issue:

Retail loan growth slows down. How to cope with it in the future?

Responses:

- **Proactive adjustments:** considering external economic changes, the bank started to adjust its risk policy last year, which is much earlier than peers, and slowed down retail loan growth
- **Response:** asset quality of newly issued loans are stable and sound; multiple measures have been taken internally and are starting to produce initial effects; it is estimated that personal loans and credit card businesses will both present positive growth starting from 2H 2019.



Asset Quality

Issue:

- **Risk indicators are still below peer average**
- **Risk control capacity should be further enhanced**

Responses:

- **For new issuance:** will maintain asset quality with a strict access standard, and choose industries that are less susceptible to economic cyclical changes and that have a stable growth curve
- **For existing loans:** will scale up provisions and write-offs to digest legacy debts
- **Risk indicators all turning better:** as of 1Q 2019, NPL rate went down **0.02** pct, loan-to-provision ratio improved **0.23** pct, and provision coverage ratio increased **15** pct



Outlook

Key Work In 2019: Retail Business “3+2+1” Model



Fundamental Retail

To acquire customers via both on/off-line channels and provide them services that are big-data-driven and customer-oriented; to promote customer asset level and facilitate cross sales among different products.



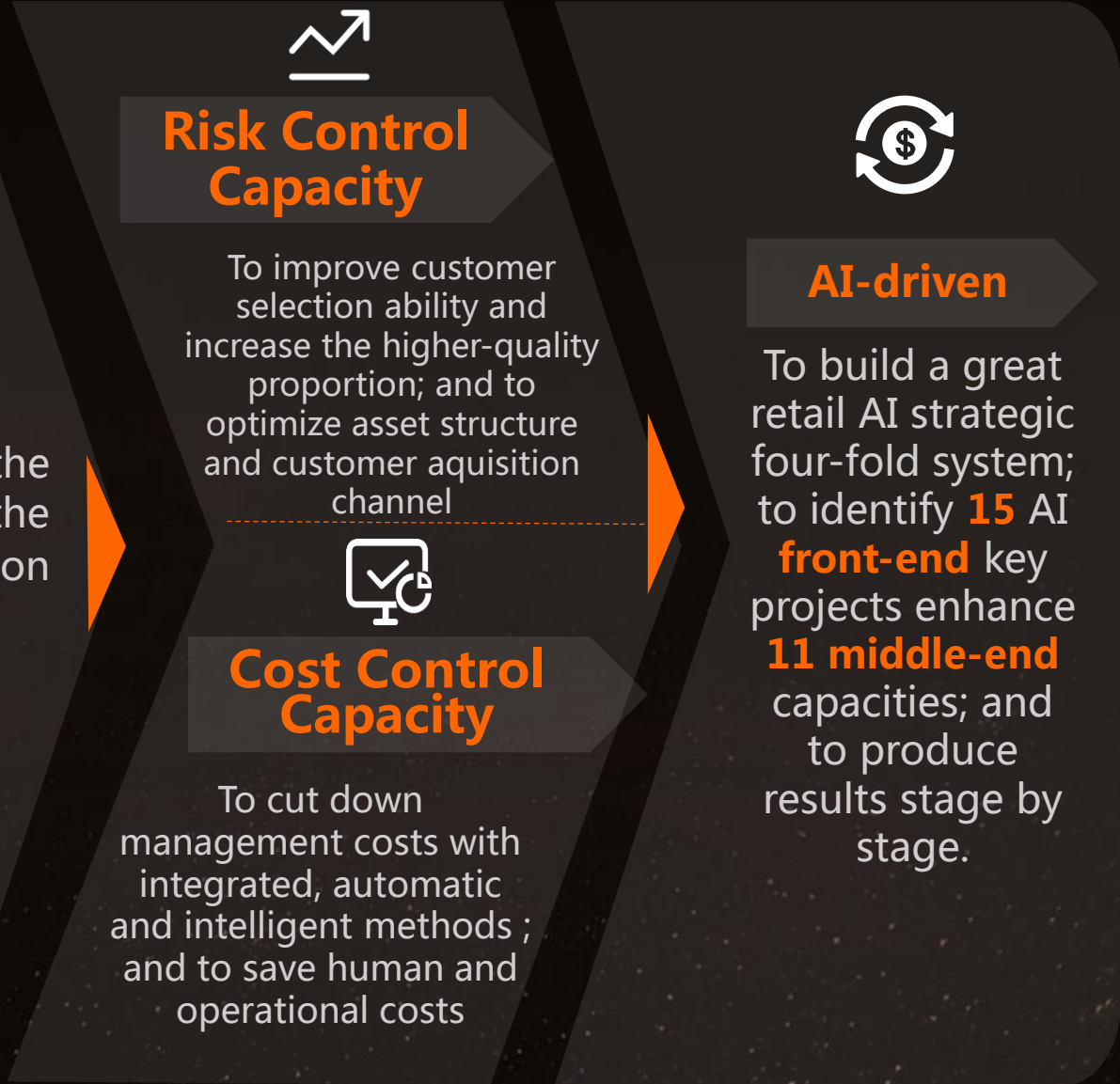
PB & Wealth Management

To fully leverage on the **two advantages**: the group and technology, and to apply the sophisticated **SAT** model to business operation and to build an **open product platform**.



Consumer Finance

To acquire and manage customers via **online and platform channels** and strengthen the synergies among various businesses.



Key Work In 2019: Selective Corporate Business



Construct an open and customer-centered platform 


To use the bank's professional ability in wealth management, liquidity management and market prediction as a way to empower customers with a systematic, intelligent and center-controlled management platform

Establish a brand-new and integrated sales model 

To fully integrate the customer, business, product and bank service teams; and to provide industrialized, customer-segment-focused and highly compatible financial service solutions

Build a market-leading FICC transaction team 


To integrate transaction and market-making capacity; to build a leading system and talent team; to step up output of strategies and systems to peers; and to accelerate the development of customer business

Use smart operation to enhance customer experience 


To build a smart operation cloud platform, so as to improve business efficiency and customer experience

Wealth management subsidiary 

To establish a whole-process framework for product, channel, risk and back office; and to establish a wealth management sub-company

Serve as an engine for Group Integrated Finance 

To fully leverage on the bank's and the group's integrated finance resources and platforms; To enhance the bank channel and design comprehensive solutions that are scenario-based, embedded, online and intelligent

Wage an annihilation war against NPLs 

To comb through the status quo of problematic assets and establish an archive system featured with "one account one archive" ; and to work on responsibility identification and NPL digestion and recovery

Key Work In 2019: Tech-driven Development



To Initiate and Implement Key Projects On The whole Bank Level

To focus particularly on building a new generation of financial market core, new credit card core, smart risk control core, Hong Kong branch Two, and intelligent special asset platform



To Build An AI Middle Office

To embed AI technology into various business scenarios; to empower front office scenarios with knowledge bank, business middle office and other systems and platforms; and to support the bank's transition into an AI bank.



To Enhance Basic Platform To Empower Application Development and Business Growth

To drive the establishment of PaaS (platform as a service), Devops (development and operations) , cloud active-active data center and other platforms, and promote pilot projects



Appendixes

Key Metrics: Balance Sheet

RMB100m	Mar. 31th, 2019	Dec. 31th, 2018	Changes YTD	
			Amount	%
1. Total Assets	35,302	34,186	1,116	3.3%
Total Loans	21,101	20,376	725	3.6%
of which: Loans and Advances	20,514	19,975	539	2.7%
of which: Corporate Loans	8,609	8,435	174	2.1%
Retail Loans	11,905	11,540	365	3.2%
2. Total Liabilities	32,792	31,786	1,006	3.2%
Total Deposits	26,027	25,051	976	3.9%
of which: Deposit Principal	22,870	21,286	1,584	7.4%
of which: Corporate Deposits	17,654	16,670	984	5.9%
Retail Deposits	5,216	4,616	600	13.0%
3. Shareholder Equity	2,509	2,400	109	4.5%

Key Metrics: Income And Expenses

RMB100m	1Q 2019		1Q 2018		Changes YTD	
	Account	%	Account	%	Growth%	Changes
1. Operating Income	324.76	100.00%	280.26	100.00%	15.9%	
Interest Income	207.74	63.97%	186.87	66.68%	11.2%	-2.7pct
Non-Interest Income	117.02	36.03%	93.39	33.32%	25.3%	+2.7pct
2. Operating Expenses	99.24		87.71		13.1%	
Business and Overhead	96.20	29.62%	85.10	30.36%	13.0%	-0.7pct
3. PPOP	225.52		192.55		17.1%	
4. Asset Impairment Loss (-)	128.85		106.71		20.7%	
5. Net Profit	74.46		65.95		12.9%	
6. Basic EPS (RMB)	0.38		0.33		15.2%	
7. diluted EPS (RMB)	0.36		0.33		9.1%	

Note: PAB issued 26 bn convertible bonds on 25th Jan. 2019; the effect of CD's conversion to common stocks have been calculated into diluted EPS

Key Metrics: Quality And Efficiency

	1Q 2019 /end-March	1Q 2018 /end-March	Changes
1. Asset Quality			
NPL Ratio	1.73%	1.75%	-0.02pct
Provision to Loan Ratio	2.94%	2.71%	+0.23pct
NPL Provision Coverage Ratio	171%	155%	+16pct
Overdue 90+ Provision Coverage	178%	159%	+19pct
NPL Deviation Ratio	96%	97%	-1pct
2. Asset Yields			
Average Return on Total Assets (annualized)	0.86%	0.80%	+0.06pct
Weighted Average Return on Net Assets (annualized)	12.15%	11.87%	+0.28pct
3. NIS	2.44	2.05	+0.39pct
4. NIM	2.53	2.25	+0.28pct
5. Cost Income Ratio	29.62%	30.36%	-0.74pct

Note: PAB issued 20bn non-cumulative preference shares on a private placement basis in March 7th, 2016; when calculating EPS and Weighted Average Return on Net Assets, the numerators already exclude interests issued to preferred shares



Thank
You

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PAB IR TEAM
pabir@pingan.com.cn