# Ping An Bank 2017 3Q Report

October 2017

# CONTENTS

## 1. Overall Operation

- Robust operation
- Asset quality is stable and improving
- Retail Business Transformation makes greater contribution

# 1.1 Robust operation

**Total Deposits**

YTD-**1.1%**

**Total Loans**

YTD**+11.0%**

**Total Assets**

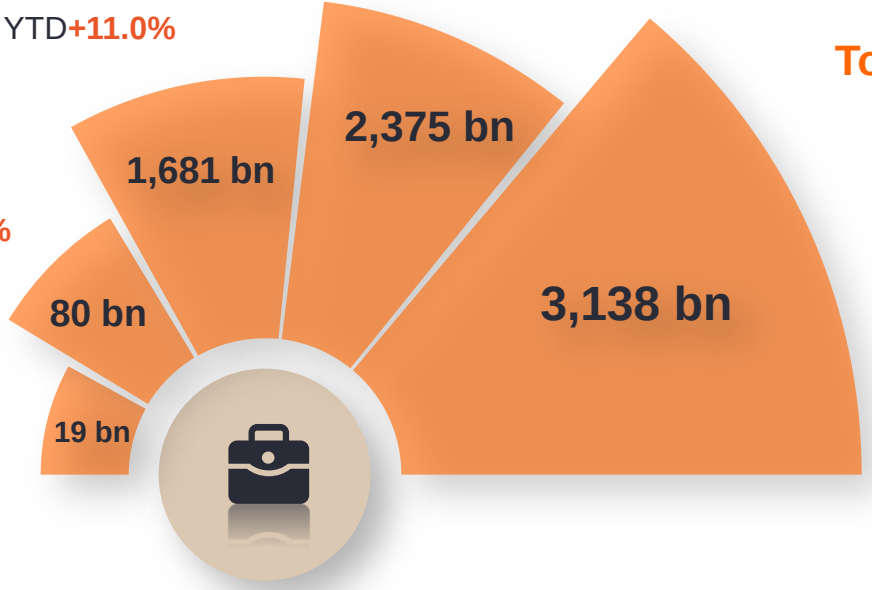
YTD**+6.2%**

**Operating Income**

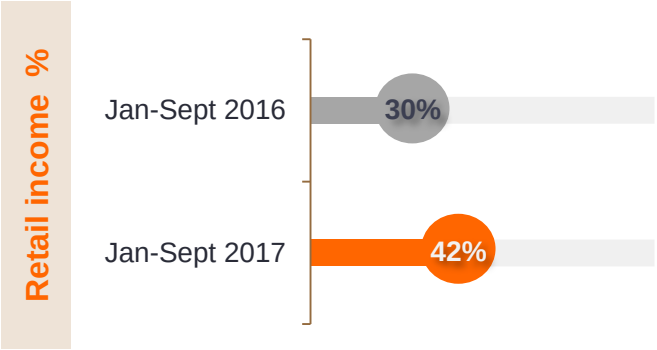
YoY-**2.6%**
Before VAT reform**+0.9%**

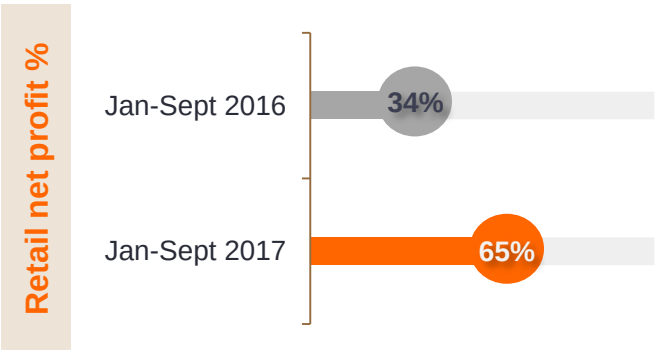
**Net Profit**

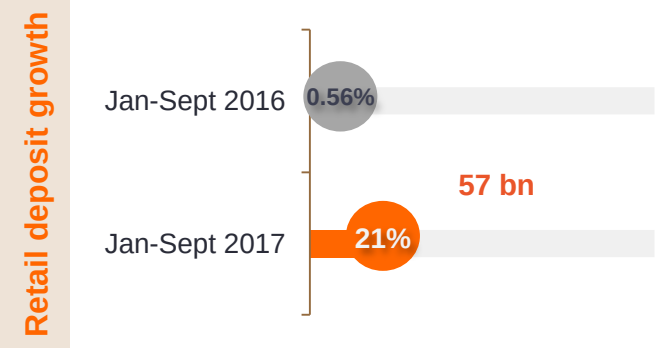
YoY**+2.3%**

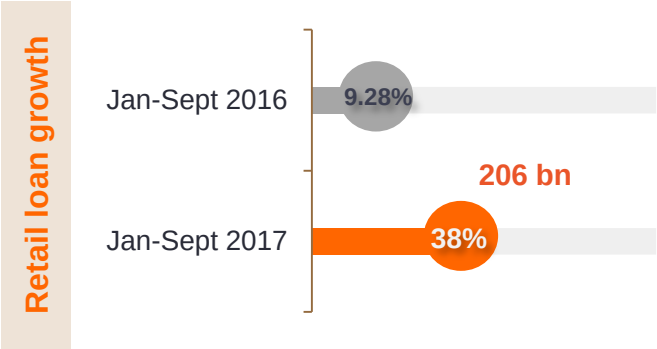


# 1.2 Retail Business Transformation makes greater contribution

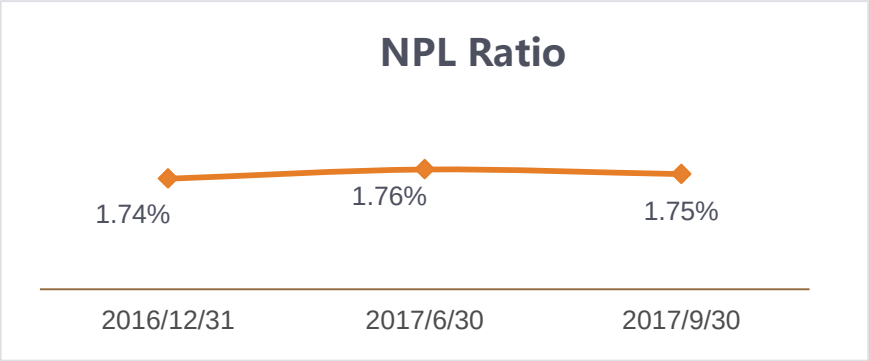


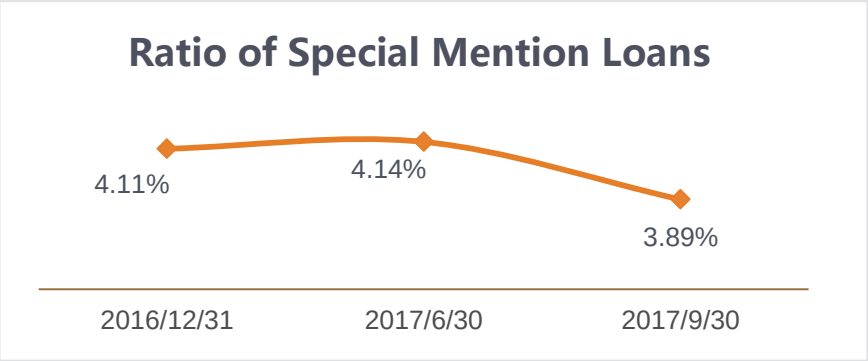



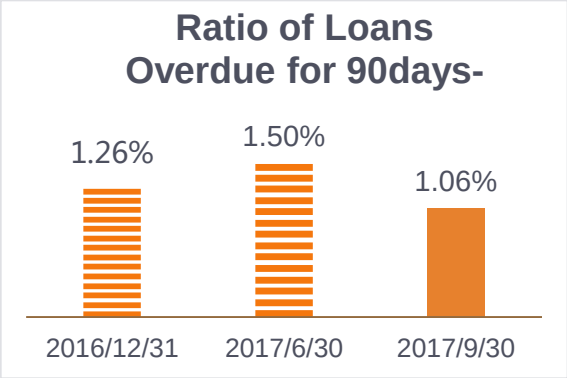



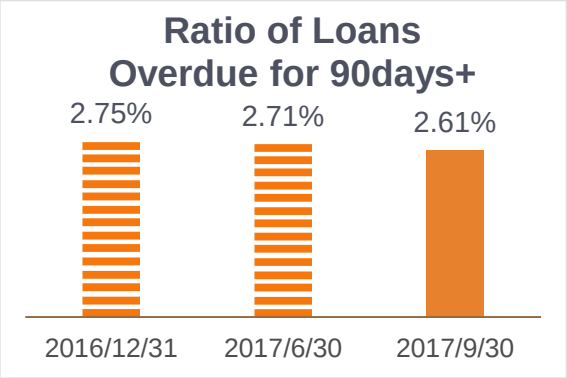



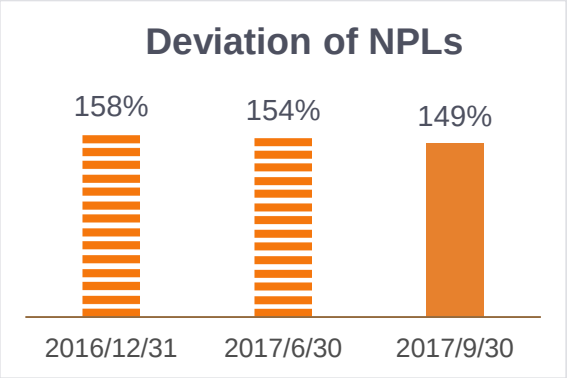
# 1.3 Asset quality is stable and improving



# CONTENTS

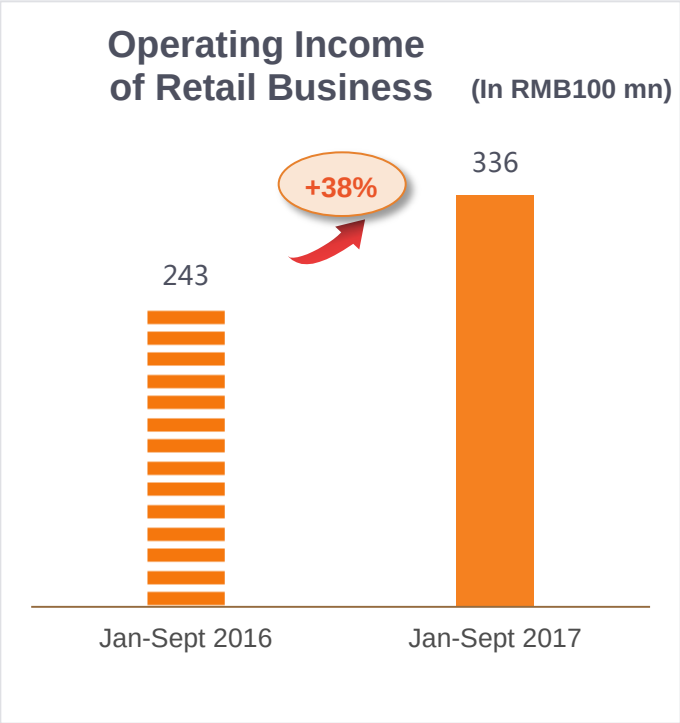
## 2. Outcome of Strategic Transformation

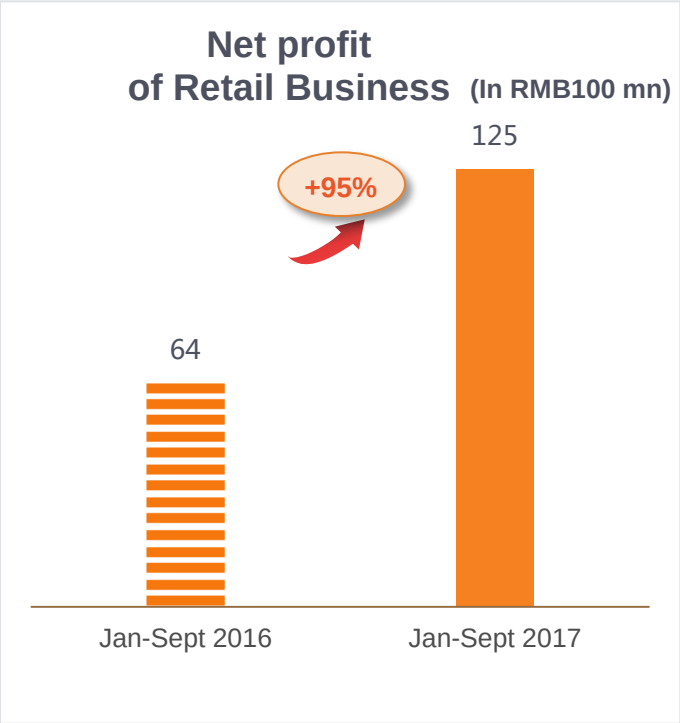
- Retail Breakthroughs
- Selective Corporate Business
- Technology-driven Innovation

# CONTENTS

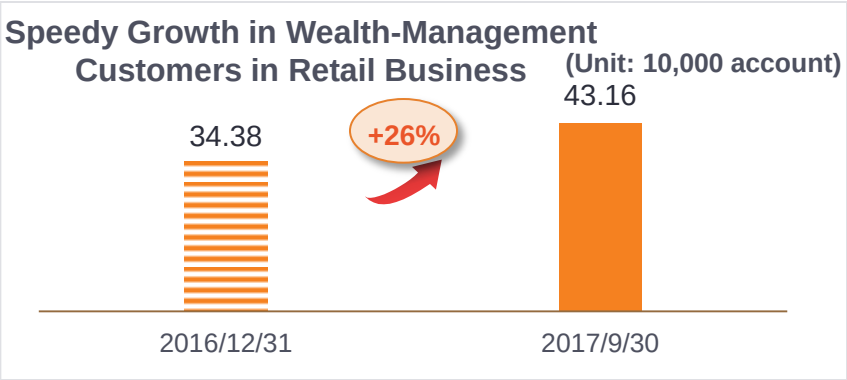
## 2.1 Retail Breakthroughs

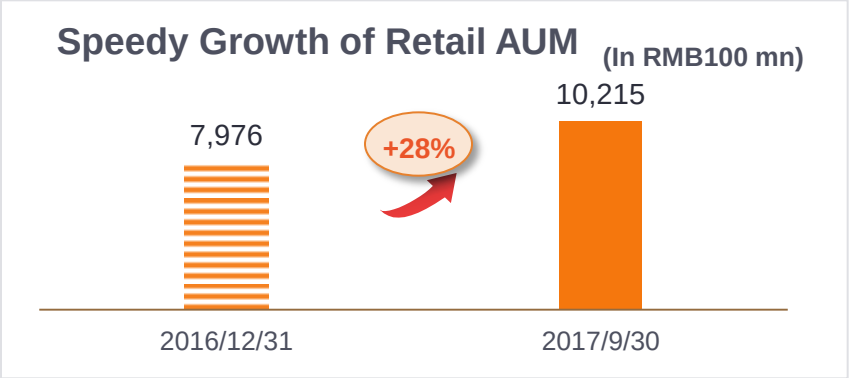
# 2.1.1 Rapid growth in operating income and profit

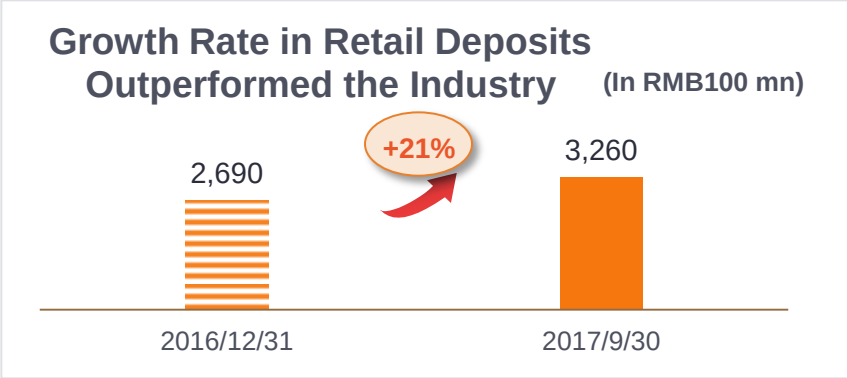


# 2.1.2 AUM tops one trillion



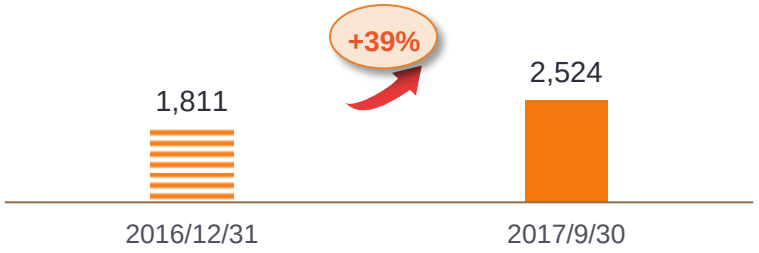
# 2.1.3 Remarkable achievement of LUM Business

## Growth Rate in Retail Loans Outperformed the Industry

(In RMB100 mn)

## Speedy Growth in Receivable On Credit Cards Business

(In RMB100 mn)



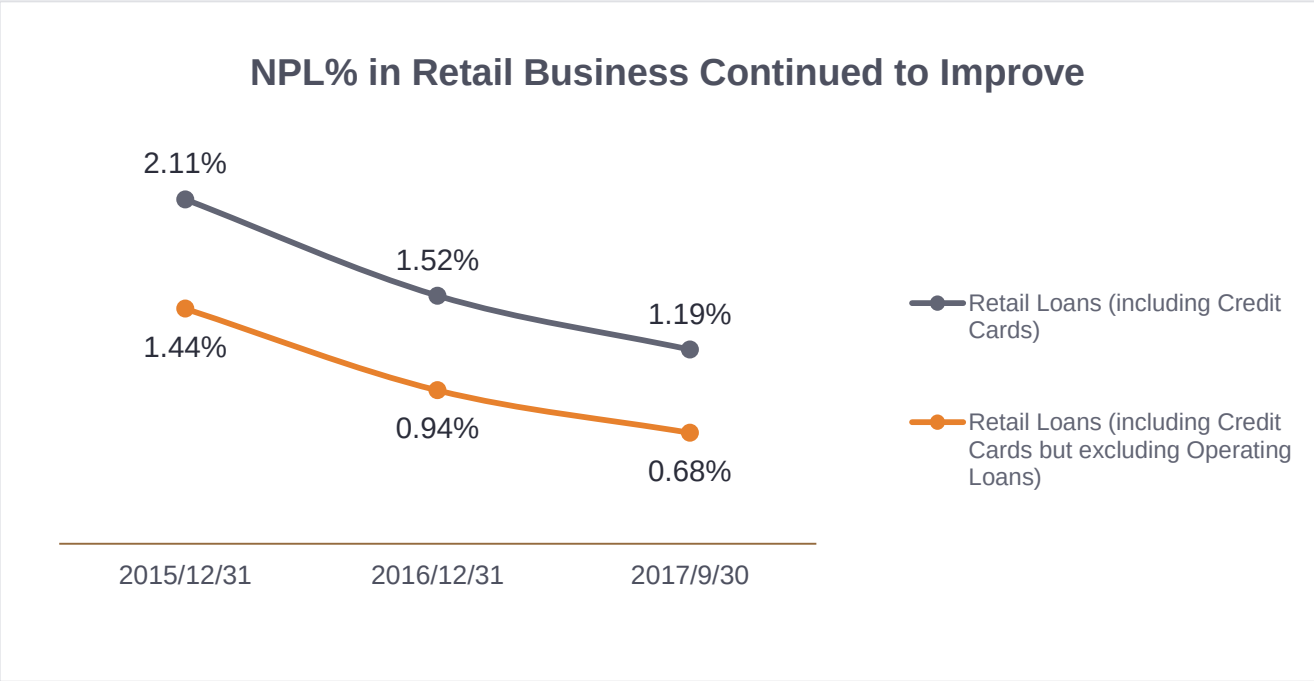

## Strong Increase in Xin-Yi-Dai

(In RMB100 mn)

## Steady Growth in Vehicle Loans

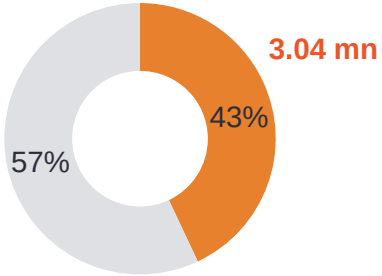
(In RMB100 mn)

# 2.1.4 Continuous improvement in asset quality

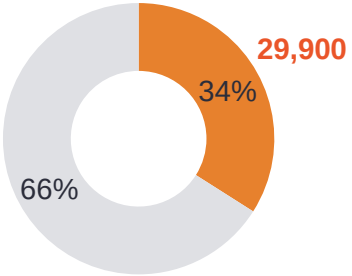


# 2.1.5 “Integrated Finance” demonstrated outstanding advantages

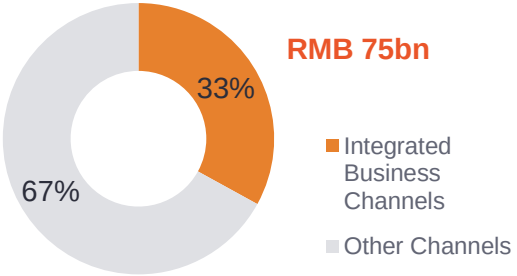
### % Growth in Retail Customers



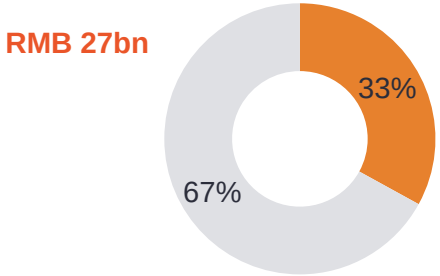

### % Growth in Wealth-Management Customers in Retail Business



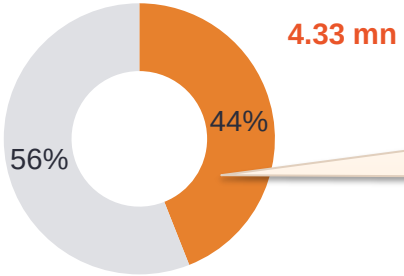

### % Growth in AUM




### % of Xin-Yi-Dai




### % of New Credit Card Issuance



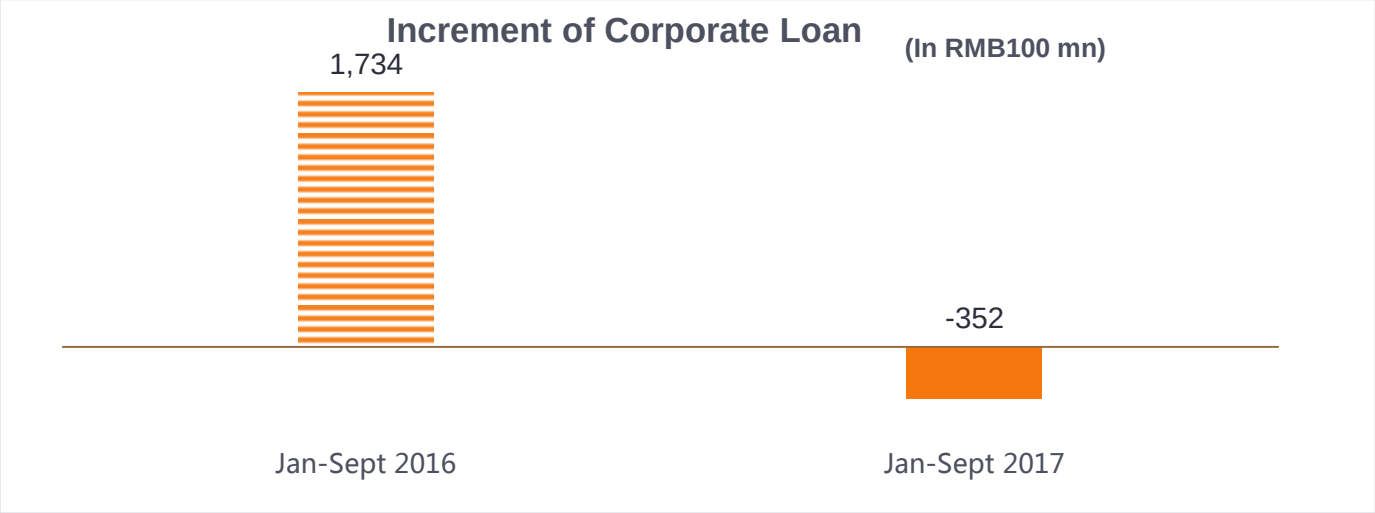

Amongst which, % of Credit Cards issued through integrated business channels in Q3 alone amounted to **54%**

# CONTENTS

## 2.2 Selective Corporate Business

# 2.2.1 Precise control of scale

At the end of September of 2017, corporate business assets were optimized in structure. Corporate loan balance was RMB 900bn, accounting for 55% of total loans and down 8 pps YTD. The risk-weighted assets of corporate loan business decreased by RMB 43bn YTD.



# 2.2.2 Refined relationship with customers

## Focus on Mainstream Customers

- Acting as customer's lead-bank, the Bank concentrates resources to quality customers with high potentials. The Bank has acquired 958 new mainstream customers during 3Q 2017.

## Selective Industry

The Bank focuses on large-scale, mildly cyclical industries with strong growth potentials, and strives to deepen financial services in industries like medical health, cultural tourism, electronic information and etc.

## Differentiated Marketing

- For large and medium-sized customers, the Bank uses lists and implements a strategy combining "financing+intellectual solution, capital+investment, and the lead bank" to establish itself as the customers' choice of lead-bank for both "commercial banking + investment banking".
- For small-sized customers, the Bank focuses on delivering swift and large number of financial services through its light-weight platforms, so as to control risks and deliver value.

# 2.2.3 Strict control of asset quality

**Strict Control of the Quality for New Businesses**

**Consider asset quality as its lifeline and implement standardized risk control measures**

- Concentrate corporate loan resources and risky assets to leading banks and KYB with controllable risks.
- Establish a comprehensive risk management system and implement the standard measure before, during and after loan origination. Pursue “one bank one policy” and “one account one policy”.
- Implement and promote standardized risk control measures at three levels, namely: the headquarters, branches and frontline staff.

**Effective Mitigation the Risk for Existing Loans**

**Establish the first specialized Special Asset Management BU within the industry to take charge of special asset management, such as NPL recovery and restructuring, in a specialized and professional manner. The amount recovered from Jan to Sep 2017 was 2.1 times YoY. The total non-performing assets recovered amounted to RMB7.4 bn, up by 95% YoY**

- **Teams:** over 380 dedicated professionals and a team of about 20 specialists.
- **Systems and rules:** complete rules and regulations along with innovation examination and approval methods as well as training systems.
- **Strategies:** implement various measures to maximize efficiency of recovery.
- **Platforms:** multiple external platforms established to expand the sources of information.

# CONTENTS

## 2.3 Technology-driven Innovation

# 2.3 Technology driven and innovative breakthroughs

## Pocketbank App 4.0 Rolled Out

- The Bank rolled out Pocketbank App 4.0, fully incorporating fingerprint, voiceprint and facial recognition.
- As at the end of Q3 2017, the APP had a total of 36mn registered users, up by 15mn from the beginning of the year. The number of monthly active customers was 12mn, enabling the Bank to be a leading position among all joint-stock banks.

## "New Intelligent Outlet" Launched

- "New Retail Intelligent Outlet“ — GZ Liuhua Branch is opened. The Bank heads to be lighter, more communitization, smarter and more diversified.
- Endeavors to build a service system focusing on "Intelligence+O2O+Customer Experience" and strives to build itself as a “know-you-better” benchmarking bank.

## AI + Innovation in Full Progress

- AI + Customer Service: online customer service robot, Xiao An, is rolled out on Pocketbank, while offline intelligent robots are onsite to greeting customers and interactive marketing.
- AI + Investment Adviser: recommends personalized product offerings to customers, and offers one-click-option to place order for the product portfolio.
- AI + Risk Control: more than 40 risk models are deployed to monitor assess risks in all dimensions; 7x24 real-time anti-fraud monitoring is in place to enable decision-making responses in milliseconds for credit cards.

## KYB Implementation Underway

- The first KYB data loan for SME has been successfully made. Credit limit application, drawdown and repayment can all be done within H5 by the borrower himself.
- The KYB big data platform has been completed. Majority business process has realized online operation.
- Deepen cooperation with Financial One Connect (FOC). Realized acquiring customers from FOC platform.

# CONTENTS

## 3. Key Initiatives in Q4 2017

# 3. Key Initiatives in Q4 2017

**Business Initiatives**

- **Retail Breakthroughs**
  - ✓ Continue to increase the proportion of Retail Business
  - ✓ Promote Integrated Finance and SAT
  - ✓ Speed up the promotion of the "New Intelligent Outlet" model for Retail Business
  - ✓ Drive the transformation of the organizational structure to be more agile

- **Selective Corporate Business**
  - ✓ Strictly supervise and control asset quality
  - ✓ Continuously push forward structure adjustment
  - ✓ Carry out industrialization and dual-light transformation insistently

- **Technology-driven Innovation**
  - ✓ Lay a solid technological foundation
  - ✓ Increase technological investments
  - ✓ Constantly optimize APP and deliver better customer experience
  - ✓ Speed up the promotion of the KYB Business model
  - ✓ Constantly drive the application of AI

# CONTENTS

## Appendices


- Assets and Liabilities
- Income and Expense
- Quality and Efficiency Indicators
- Core Regulatory Indicators

# Appendix 1 Assets and Liabilities

| *(In RMB100 mn)* | 2017-9-30 | 2016-12-31 | YTD | |
|---|---|---|---|---|
| | | | Change | Change % |
| **1. Total Assets** | **31,375** | **29,534** | **1,841** | **6.23%** |
| **Total Loans** | **16,810** | **15,147** | **1,663** | **10.98%** |
| **Including: Loans and Advances** | **16,468** | **14,758** | **1,710** | **11.59%** |
| (1) Corporate Loans | 8,997 | 9,349 | -352 | -3.76% |
| (2) Retail Loans | 7,471 | 5,409 | 2,062 | 38.12% |
| **2. Total Liabilities** | **29,194** | **27,512** | **1,682** | **6.11%** |
| **Total Deposits** | **23,750** | **24,026** | **-276** | **-1.15%** |
| **Including: General Deposits** | **19,117** | **19,218** | **-101** | **-0.53%** |
| (1) Corporate Deposits | 15,857 | 16,528 | -671 | -4.06% |
| (2) Retail Deposits | 3,260 | 2,690 | 570 | 21.18% |
| **3. Shareholders' Equity** | **2,181** | **2,022** | **159** | **7.88%** |

# Appendix 2 Income and Expense

| *(In RMB100 mn)* | Jan-Sept 2017 | | YOY | | |
|---|---|---|---|---|---|
| | Amount | % of Total | Change | Change % | Change in % of Total |
| **1. Operating Income** | **798.33** | **100.00%** | **-21.35** | **-2.60%** | |
| Net Interest Income | 554.82 | 69.50% | -13.10 | -2.31% | +0.21pp |
| Net Non-interest Income | 243.51 | 30.50% | -8.25 | -3.28% | -0.21pp |
| **2. Operating Expense** | **220.13** | | **-37.95** | **-14.70%** | |
| Operation and Administrative Expense | 212.68 | 26.64% | -14.40 | -6.34% | -1.06pps |
| **3. Profit Before Provisions** | **578.20** | | **16.60** | **2.96%** | |
| **4. Less: Asset Impairment Loss** | **328.20** | | **12.05** | **3.81%** | |
| **5. Net Profit** | **191.53** | | **4.34** | **2.32%** | |
| **6. EPS (RMB)** | **1.06** | | **-0.03** | **-2.75%** | |

# Appendix 3 Quality and Efficiency Indicators

| *(In RMB100 mn)* | 2017-9-30 | 2016-12-31 | YTD |
|---|---|---|---|
| **1. Asset Quality** | | | |
| NPL Balance | 288 | 257 | 12.06% |
| NPL Ratio | 1.75% | 1.74% | +0.01pp |
| Provision-to-Loan Ratio | 2.66% | 2.71% | -0.05pp |
| Provision Coverage Ratio | 152.11% | 155.37% | -3.26pps |
| Provision Coverage Ratio of Loans Overdue for more than 90 Days | 101.89% | 98.51% | +3.38pps |
| | **Jan-Sept 2017** | **Jan-Sept 2016** | **YOY** |
| **2. Return on Assets** | | | |
| ROAA | 0.84% | 0.94% | -0.10pp |
| ROAE | 12.77% | 14.45% | -1.68pps |
| **3. Net Interest Spread (NIS)** | **2.24%** | **2.60%** | **-0.36pp** |
| **4. Net Interest Margin (NIM)** | **2.41%** | **2.77%** | **-0.36pp** |
| **5. Cost/Income Ratio (Excluding Business Tax)** | **26.64%** | **27.70%** | **-1.06pps** |

# Appendix 4 Core Regulatory Indicators

| *(Unit: %)* | Benchmark | 2017-9-30 | 2016-12-31 |
|---|---|---|---|
| **1. Capital Adequacy** | | | |
| Capital Adequacy Ratio | ≥10.5 | 11.28 | 11.53 |
| Tier 1 Capital Adequacy Ratio | ≥8.5 | 9.23 | 9.34 |
| Core Tier 1 Capital Adequacy Ratio | ≥7.5 | 8.32 | 8.36 |
| **2. Liquidity** | | | |
| Liquidity Ratio | ≥25 | 52.72 | 49.48 |
| Liquidity Coverage Ratio | ≥90 (Current year) | 90.02 | 95.76 |

# Thank you

中国平安
保险·银行·投资

平安银行
PING AN BANK

平安银行研究团队

PABIR@pingan.com.cn