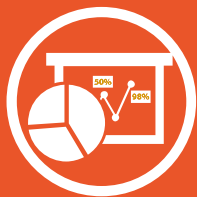


Ping An Bank 2017 Interim Report

August 2017



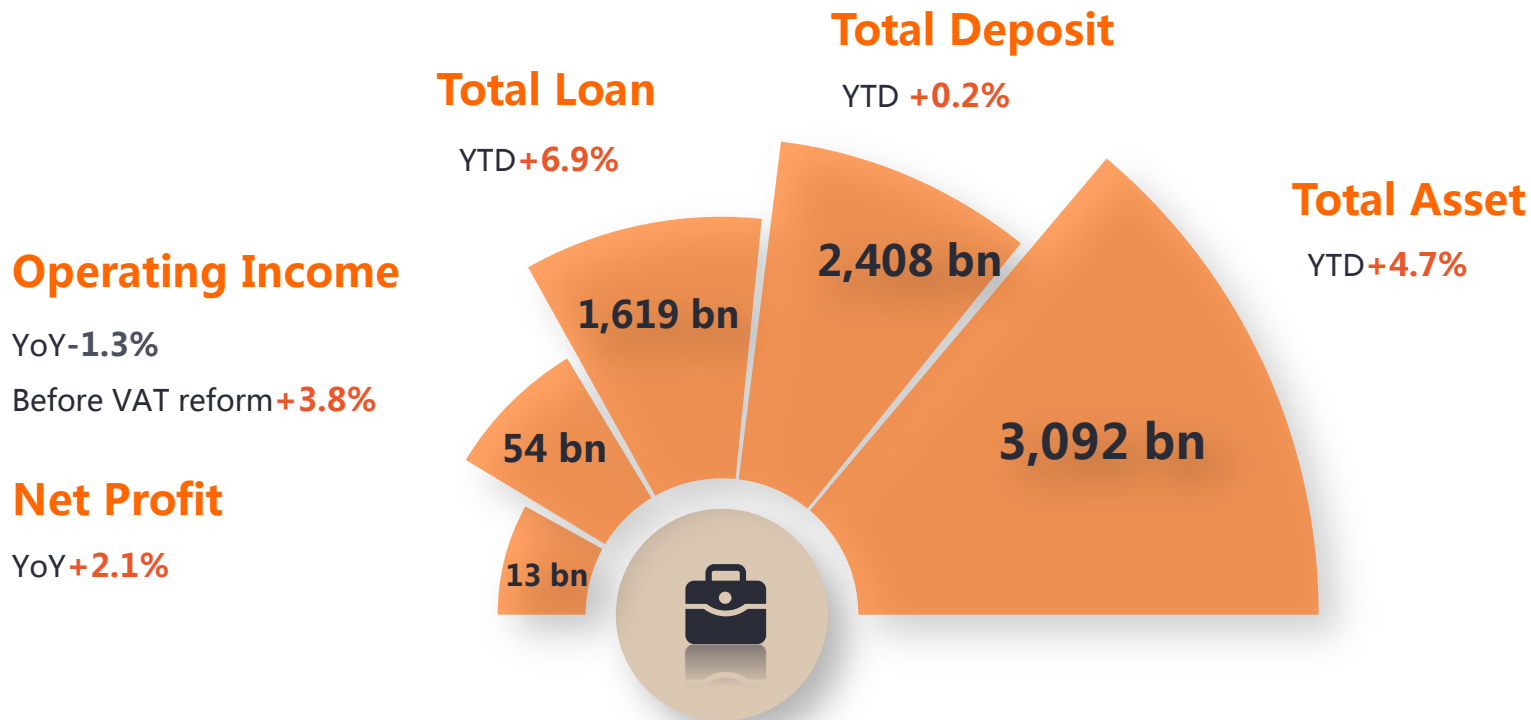
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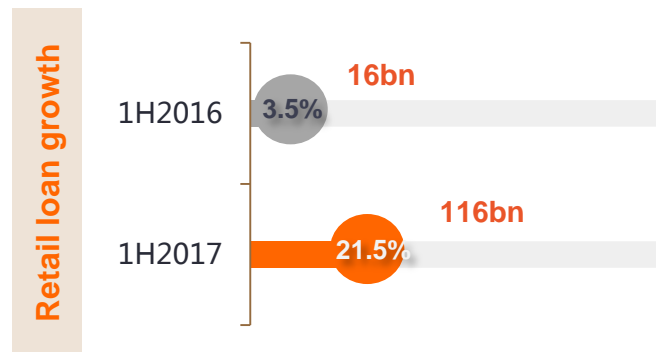
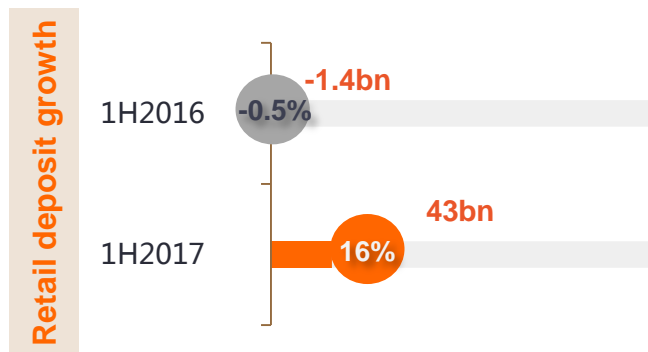
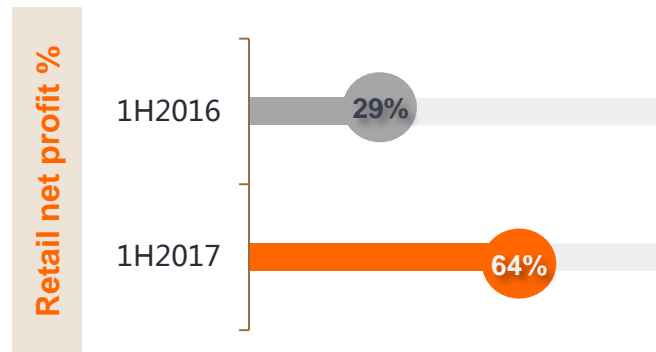
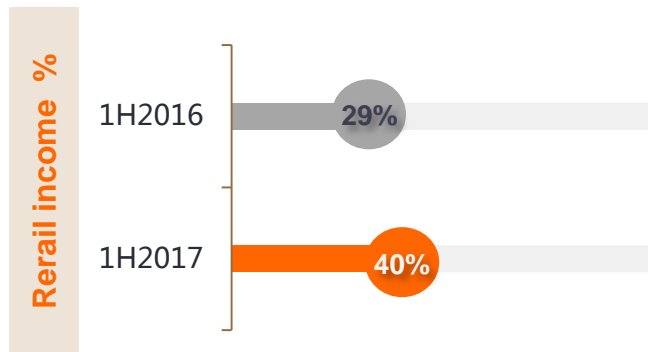
1. Overall Operation

- ▶ Robust operation with effective implementation of strategic transformation
- ▶ Pressure in asset quality remained while risk management stayed organized and sound

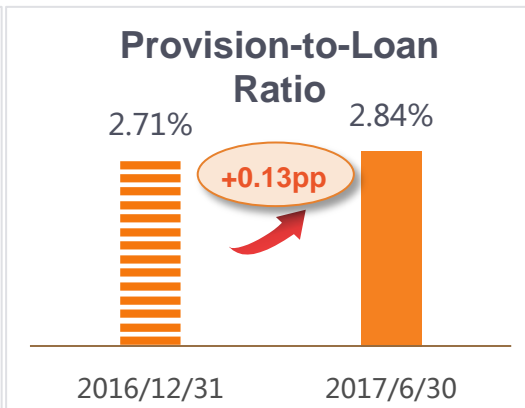
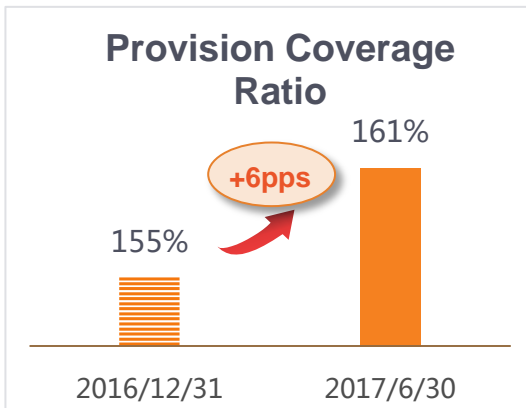
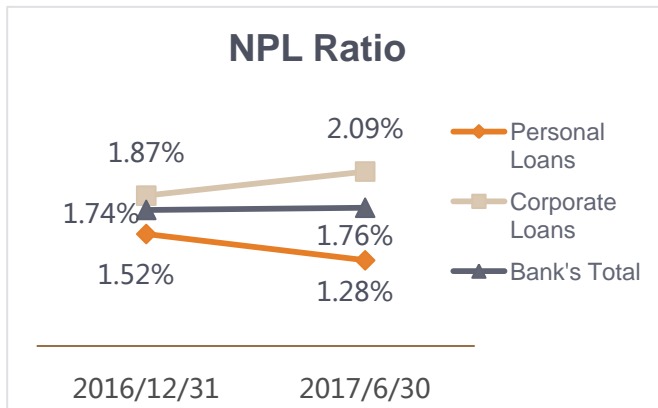
1.1 Robust operation with effective implementation of strategic transformation (1/2)



1.1 Robust operation with effective implementation of strategic transformation (2/2)



1.2 Pressure in asset quality remained while risk management stayed organized and sound



Organized risk management

- **Business structure adjustment:** control from sources of funding and the structure, loan extension to retail business with higher asset quality, adherence to industry and customer selection in corporate business;
- **Innovation in special management:** establishment of a specialized Special Asset Management BU to manage, alleviate and collect troubled assets professionally;
- **Implementation of management and control measures:** implemented standardized measures in an organized and gradual manner from the perspective of the three tiers of the headquarters, branches and frontline staff.

Sound measures

- **Enhanced efforts in exiting certain industries:** increased efforts in exiting certain industries and loan disposals;
- **Strengthened proactive collection:** disposed NPL solely through proactive collection mainly by means of write-offs;
- **Outstanding results in collection:** in the first half of 2017, the total recoverable assets amounted to RMB4.4 bn, up by 67% YoY; of which, 90% was recovered in cash and the rest in the form of paying debt in kind.

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2. Outcome of Strategic Transformation

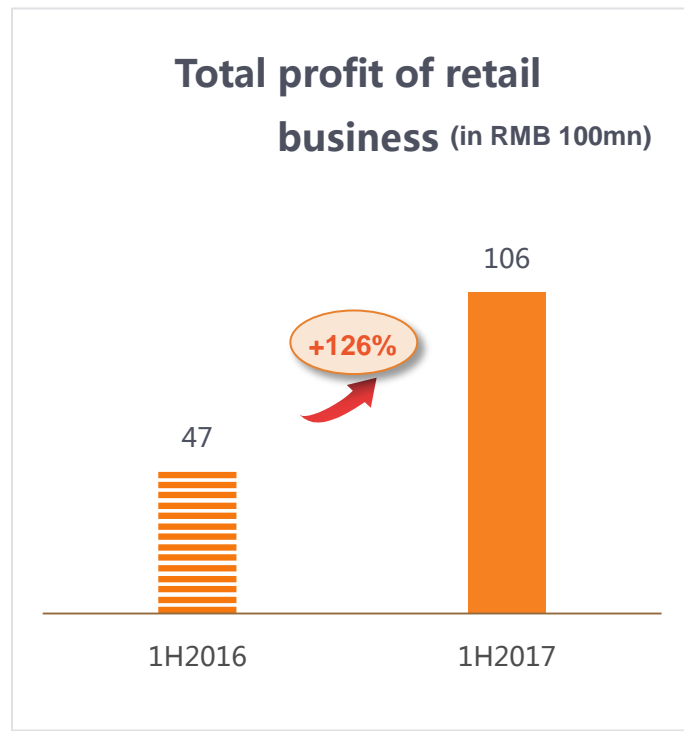
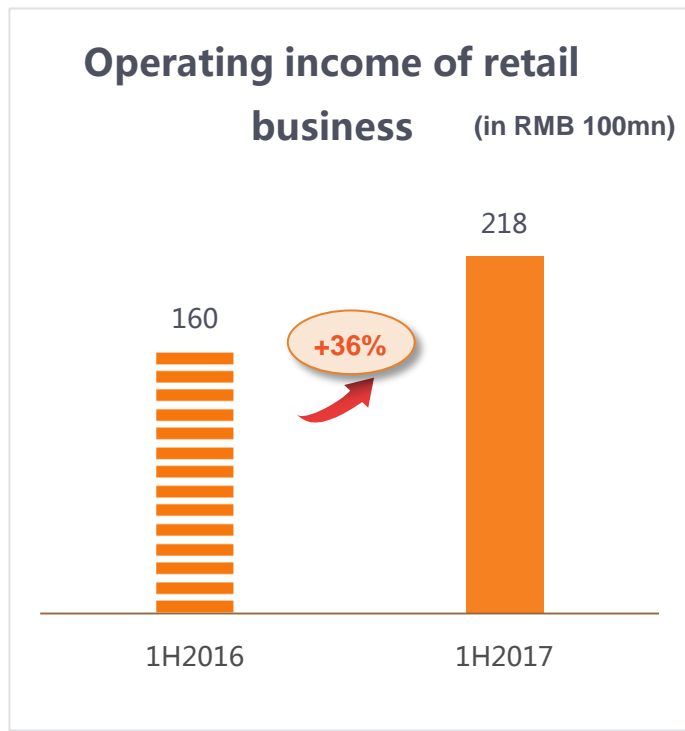
- ▶ Retail Breakthroughs
- ▶ Selective Corporate Business
- ▶ Technology-driven Innovation

CONTENTS



2.1 Retail Breakthroughs

2.1.1 Rapid growth in operating income and profit



2.1.2 Speedy growth in no. of customers and AUM

Steady growth in No. of retail customers

(Unit: 10,000 account)



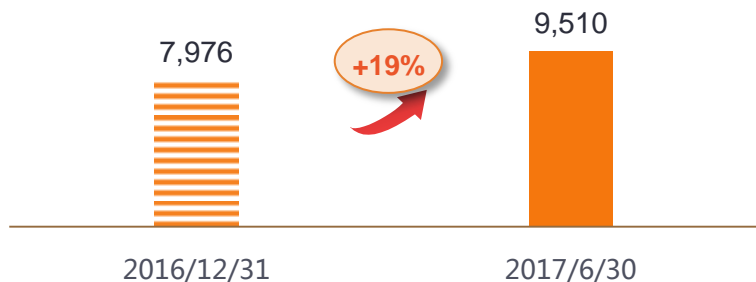
Speedy growth in private banking customers in retail business

(Unit: 10,000 account)



Speedy growth of retail AUM

(in RMB100mn)



Growth rate in personal deposits outperformed the industry

(in RMB100mn)



2.1.3 Remarkable achievements of LUM business

Growth rate in personal loans outperformed the industry (in RMB100 mn)



Speedy growth in accounts receivable on credit cards (in RMB100 mn)



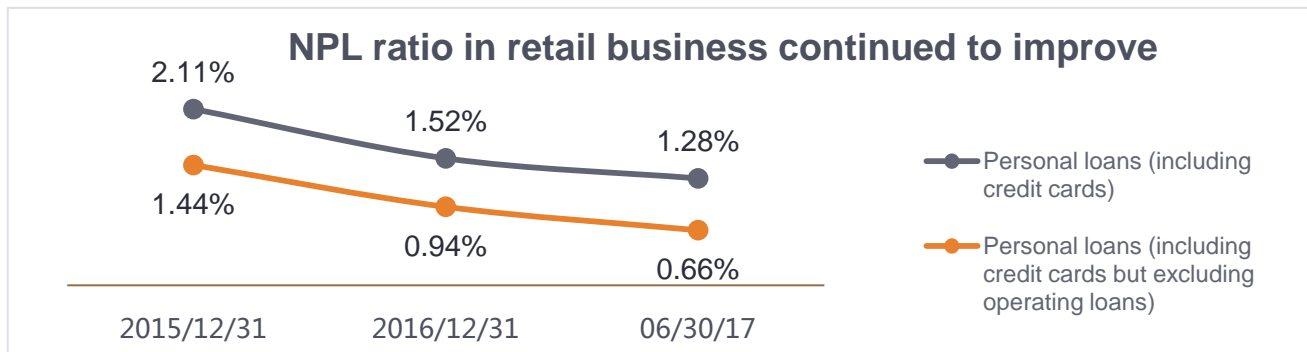
Continuous breakthrough in consumer finance loans (in RMB100 mn)



Steady growth in vehicle loans (in RMB100 mn)



2.1.4 Continuous improvement in asset quality



Excellent asset quality ensured by management measures, talent team and risk control technology

Precise management and control

- Control customer quality at the source; offer timely warning on troubled assets with effective disposal
- Establish a comprehensive whole-process risk control system which effectively reduces risks in the process of loan extension and collection

Professional team

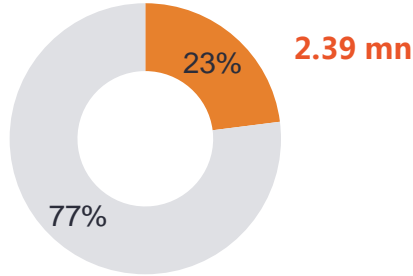
- Possess a team of professional, meticulous and international talents who are experienced in handling major economic cycles of various countries
- The team boasts three “risk management doctors of the Wall Street” who worked in renowned financial enterprises in the world before and possess profound knowledge in risk management in retail business and big data modelling

Advanced technology

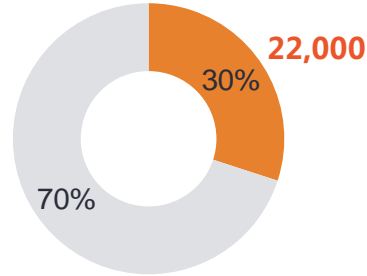
- Incorporate GBM and chain cluster analysis into actual production and screen customers accurately through “big data + artificial intelligence”
- The rating and approval system of personal loans can confirm the loan amounts to customers in 10 seconds based on the precise rating which the customers are subject to

2.1.5 “Integrated Finance” demonstrated outstanding advantages

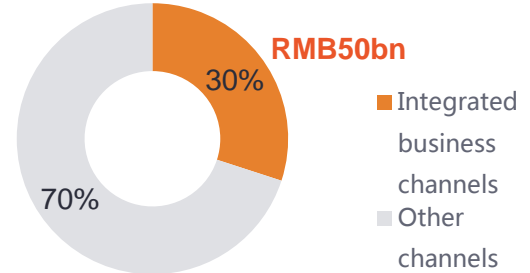
% growth in retail customers



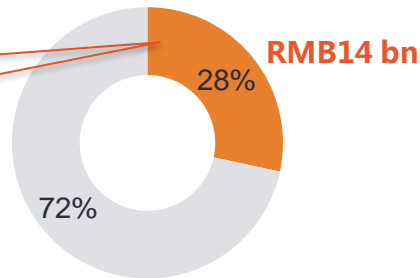
% growth in private banking customers in retail business



% growth in AUM

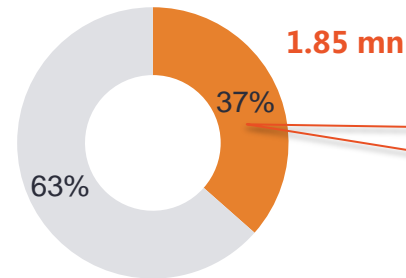


% of XinYIDai



Amongst which, % of loans extended through integrated business channel in Q2 amounted to **32%**

% of new credit card issuance



Amongst which, % of credit cards issued through integrated business channel in June alone amounted to **45%**

CONTENTS



2.2 Selective Corporate Business

2.2.1 Precise control of scale

Controlled the scale of corporate loans

Corporate loan growth

(in RMB 100mn)

1,263



1H2016

23

1H2017

Optimized the allocation of interbank assets and liabilities

Assets

Proactively adjusted structure and return on interbank business up by 28bps YTD as a result

- Reduced the amount of notes and low-interest interbank assets around 100bn, and sought high-yield assets allocation over 80bn

Liabilities

Obtained capital with low cost through enhanced active liabilities

- 15 bn of financial debt issued

2.2.2 Refined relationship with customers

Customer

- In 1H17, PAB increased around 1,000 mainstream customers, achieved steady growth of customer quality



Select industry

- Be selective on development directions, industries, and regions



Team restructuring

- Set up special team and five branches (Beijing, Shanghai, Guangzhou, Shenzhen, Nanjing) based on industry, government, liability and strategy (investment bank, interbank, KYB)



Risk control reform

- Strengthen risk control, pre-risk management and industry-based approval



2.2.3 Precise control of risks

Strict control of the quality of new businesses

Implement standardized risk control measure with asset quality as the core

- 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 measures before, during and after loan extension and idea of “one bank one policy” and “one account one policy”;
- Implement standardized measures in an organized and gradual manner from the perspective of the three tiers of the headquarters, braches and frontline staff.

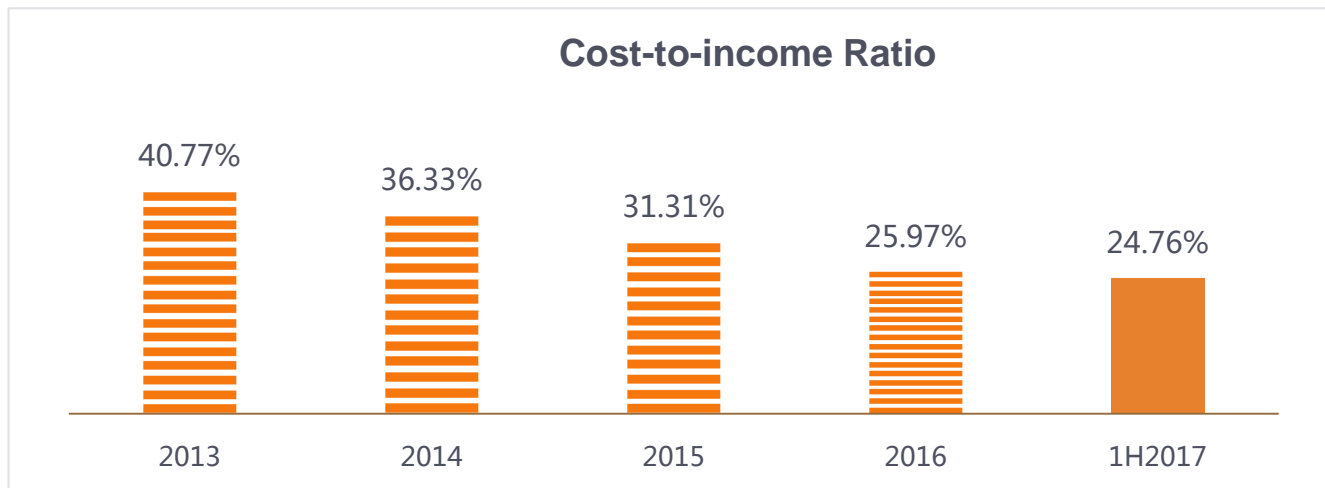
Effective alleviation of quantity risks

Establish the first specialized Special Asset Management BU within the industry to conduct special asset management, including collection and reorganization, in a specialized and professional manner. In the first half of 2017, the total non-performing assets collected amounted to RMB4.4 bn, up by 67% YoY

- **Teams:** possess a specialized team of over 380 members and a team with nearly 20 experts
- **Systems and rules:** improve the regulations and systems, invent new ways of approval and establish a training system
- **Strategies:** implement various measures to maximize collection efficiency
- **Platforms:** numerous external platforms are interconnected to widen the sources of information

2.2.4 Lean Efficiency

- Strive to promote efficiency through empowered platform, training and upgrading, team reconstruction, etc.
- Allocate more corporate resources to key sectors and key businesses and guide the “dual-light” products through appraisals and incentive measures.
- Promote input-output efficiency through lean management on resources. Cost-to-income ratio of the entire bank in the first half of the year is 24.76%, down by 1.21pps over the entire 2016, or 4.04pps YOY.



CONTENTS



2.3 Technology-driven Innovation

2.3.1 Increase resources investment and establish self-development and building ability

Recruitment

- **Head of Retailing**
——Leading talent in internet field
- **Backbone of the business** comes from big, well-known internet company and has abundant experience in IT industry

Team expansion

- Establish a **retail-exclusive IT team** with an overall of more than 1800 talents
- Recruit more than 100 **core talents in internet field**, and will recruit more talents in the future

Investment

- Special funding investment to technology development, increased 20% IT expenditure YOY;
- in the future, additional resources will be invested to **big data** development, usage system and capability, so to realize transformation from “operation and maintenance” to **operation-driven approach**

2.3.2 Retail business obtains positive results in various areas

Capacity expansion of system brings excellent results

- Smoothly completed the integration of three major APPs; functions of the new pocket bank app are optimized with increasingly abundant scenarios available; the cumulative number of users reaches **32 mn**;
- Monthly active users of the APP reaches **11mn**, achieving an industry-leading level.

SAT model starts to create positive effect

- **S**ocial: All contents in the pocket app are shareable; online H5 product aggregation page was innovatively developed ; innovative marketing model, word-of-mouth propagation realized; number of customers and successful sales rate rapidly increased
- **A**PP: Integration at the customer end is achieved; bank staff support online office, service quality and efficiency are optimized and upgraded; coverage rate reached 100%;
- **T**elephone: Provide bank staff support, customer marketing and service; currently, 61 remote investment consulting experts are available on the telephone expert platform.

2.3.3 Initial outstanding results in corporate business

Continuous upgrade and optimization for existing platforms such as Orange-e-Net and Hang-E-Tong, resulting in an increase in net deposit

- **Orange-e-Net:** connected to more than **900** external platforms, registered users reached 5mn, increased by 2mn as compared to the beginning of the year; entirely upgraded **Orange-e-Net 2.0** creates an open platform for customers to freely obtain financial services, and integrates smartpay, KYB, Qian Chuan Zi, Government Affairs Apps;
- **Hang-E-Tong:** maintains its edge in its connection with small and medium financial institutions, the cumulative number of customers in collaboration is **1,745**, increasing by 382 as compared to the end of last year; actively integrating with One Connect to promote the mutually enhancing effect of customers and products and the competitiveness.

KYB, bond transaction model gradually put in place, cultivating new advantages

- **KYB:** make use of facial recognition, big data risk model building, small enterprise loan business entirely go online with automatic approval process; real time connection with customers' after-loan data, automatic after-loan warning, thus strengthening risk management system;
- **Bond trading:** with the aid of expert team and e-trade system, an electronic trading platform for the inter-bank market is created, enhancing the capacity of cross-product electronic trading and active trading and promoting the standard of market makers in advantageous fields.

2.3.4 Breakthroughs through “AI+” and “Intelligent Banking”

AI+

From the current fast placement

- **AI+risk control** supports business to expand rapidly and further optimizes asset quality with the number of risk control staff remaining unchanged
- **Precision marketing** applies the best channel at the best time to provide the customer with the best products and services
- **Initiate special projects**: initiate **AI+customer service, AI+investment consulting, AI+credit approval**, being the first to grasp the industry opportunity

Intelle
tual
outlet

- **Stock outlet transformation**. Optimize outlet procedures, upgrade intellectual hardware, boost the ratio of automatic business, effectively reduce customer's waiting time
- **New layout for new outlets**. Simplified design intellectual outlets

To future's in-depth usage

- **Enrich user data**: enhance the collection, storage and model building of big data on user behavior
 - **Corporate Intelligent Finance**: continuous abundant KYB products and application scenarios
 - **Personal Intelligent Finance**: provide intelligent product and service based on fully understand customers
-
- **Speed up promotion**. Promote the completion of the intellectualization transformation of stock outlets as soon as possible
 - **Encourage tellers to move forward**. By applying appraisal scoring system, encourage tellers to take the initiative to make good use of mobile and automatic devices in promoting marketing, so to further enhance the team's productivity

CONTENTS



3. Key Initiatives in 2H17

3. Key initiatives in 2H17

Business Initiatives



• Retail breakthroughs

- ✓ Expand scale and share, enhance profit making ability
- ✓ Promote Integrated Finance and SAT, and seek for new breakthroughs
- ✓ Speed up principal account construction
- ✓ Constantly improve NPS, promote outlet intellectualization transformation



• Selective Corporate Business

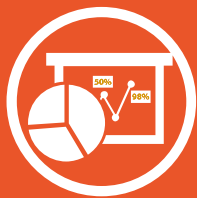
- ✓ Strictly supervise and control asset quality
- ✓ Continuously push forward structure adjustment
- ✓ Carry out industrialization and dual-light transformation insistently



• Technology-driven Innovation

- ✓ Constantly increase technological investment in term of manpower, finance and resources
- ✓ As for retailing, continuously optimize the APP and be the first to seize AI development opportunity
- ✓ As for corporate business, actively push forward the implementation of new platforms such as KYB, and continuously optimize and upgrade existing platforms including Orange-e-Net and Hang-E-Tong
- ✓ Enhance its connections with third party platforms, provide bank services relying on the traffic and scenarios of these platforms

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Appendices

- ▶ Assets and Liabilities
- ▶ Income and expense
- ▶ Quality and Efficiency Indicators
- ▶ Core Regulatory Indicators

Appendix 1 Assets and Liabilities

(in RMB100 mn)

	2017-6-30	2016-12-31	YTD	
			Change	Change %
1.Total Assets	30,921	29,534	1,387	4.70%
Total Loans	16,186	15,147	1,039	6.86%
Including: Loans and Advances	15,943	14,758	1,185	8.03%
(1) Corporate Loans	9,372	9,348	24	0.26%
(2) Retail Loans	6,571	5,410	1,161	21.44%
2. Total Liabilities	28,806	27,512	1,294	4.70%
Total Deposits	24,075	24,026	49	0.20%
Including: General Deposits	19,123	19,218	-95	-0.49%
(1) Corporate Deposits	16,002	16,528	-526	-3.18%
(2) Retail Deposits	3,121	2,690	431	16.02%
3. Shareholders' Equity	2,115	2,022	93	4.60%

Appendix 2 Income and Expense

(in RMB100 mn)

	Jan-Jun 2017		YOY		
	Amount	% of Total	Change	Change%	Change in % of Total
1. Operating Income	540.73	100.00%	-6.96	-1.27%	
Net Interest Income	373.61	69.09%	-2.34	-0.62%	0.45%
Net Non-interest Income	167.12	30.91%	-4.62	-2.69%	-0.45%
2. Operating Expense	138.89		-47.24	-25.38%	
Operation and Administrative Expense	133.86	24.76%	-23.88	-15.14%	-4.04%
3. Profit Before Provisions	401.84		40.28	11.14%	
4. Less: Asset Impairment Loss	237.16		37.16	18.58%	
5. Net Profit	125.54		2.62	2.13%	
6. EPS (RMB)	0.68		-0.04	-5.56%	

Appendix 3 Quality and Efficiency Indicators

(in RMB100 mn)

	2017-6-30	2016-12-31	YTD
1. Asset Quality			
NPL Balance	280.37	257.02	9.08%
NPL Ratio	1.76%	1.74%	+0.02 pp
Provision Coverage Ratio	161.32%	155.37%	+5.95 pps
Provision-to-Loan Ratio	2.84%	2.71%	+0.13 pp
	Jan-Jun 2017	Jan-Jun 2016	YOY
2. Return on Asset			
ROAA	0.83%	0.93%	-0.10 pp
ROAE	12.56%	14.25%	-1.69 pps
3. Net Interest Spread (NIS)	2.29%	2.66%	-0.37 pp
4. Net Interest Margin (NIM)	2.45%	2.83%	-0.38 pp
5. Cost/Income Ratio (Excluding Business Tax)	24.76%	28.80%	-4.04 pps

Appendix 4 Core Regulatory Indicators

(Unit: %)

	Benchmark	2017-6-30	2016-12-31
1. Capital Adequacy			
Capital Adequacy Ratio	≥10.5	11.23	11.53
Tier 1 Capital Adequacy Ratio	≥8.5	9.05	9.34
Core Tier 1 Capital Adequacy Ratio	≥7.5	8.13	8.36
2.Liquidity			
Liquidity Ratio	≥25	52.05	49.48
Liquidity Coverage Ratio	≥90 (Current year)	91.97	95.76

Thank
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