

中国平安

保险·银行·投资

平安银行

PINGAN BANK

Ping An Bank

1H 2018 Results Release

August 2018

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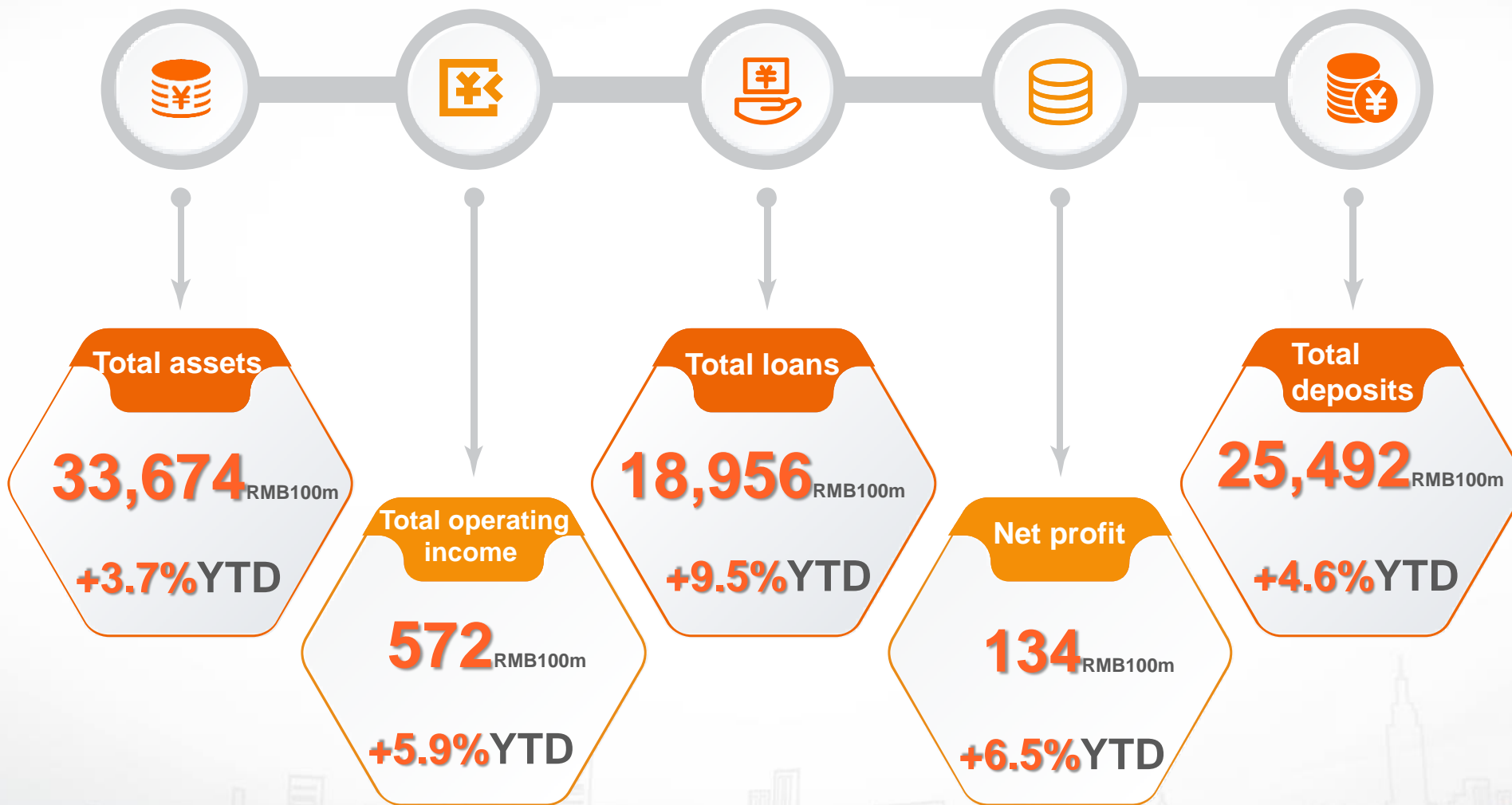
Appendix: Key financial & regulatory metrics



整体业绩

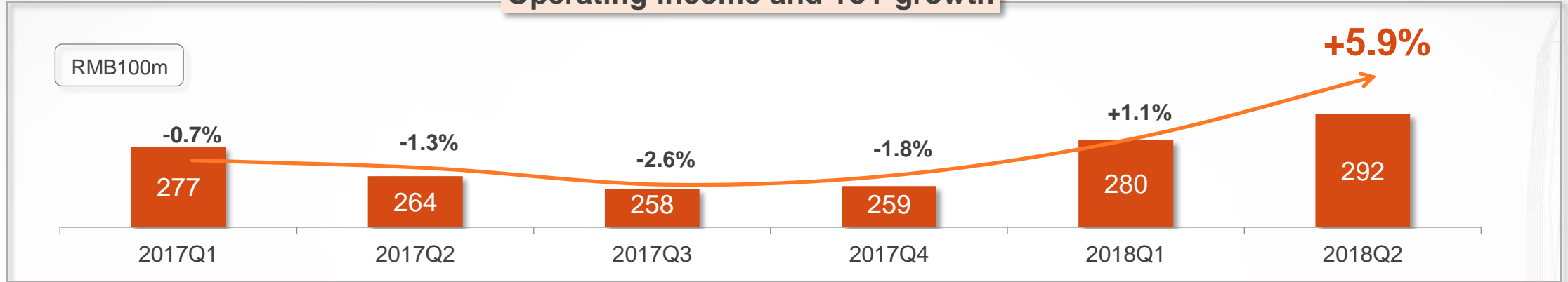
OVERALL PERFORMANCE

1.1 Overall performance recorded stable improvement

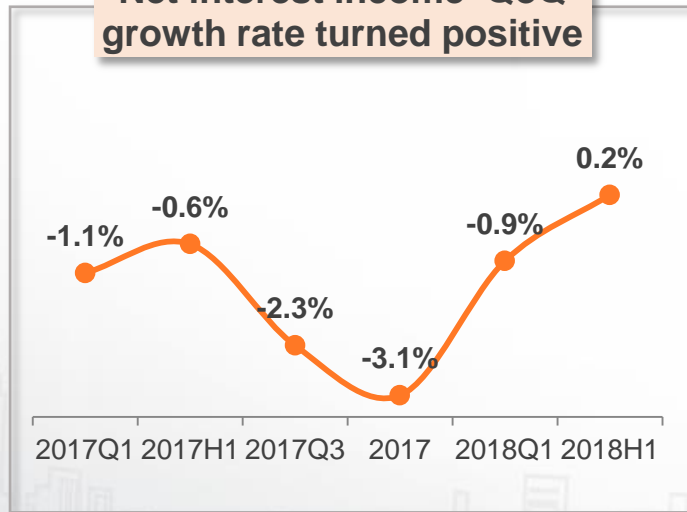


1.2 Operating income smile curve turned up

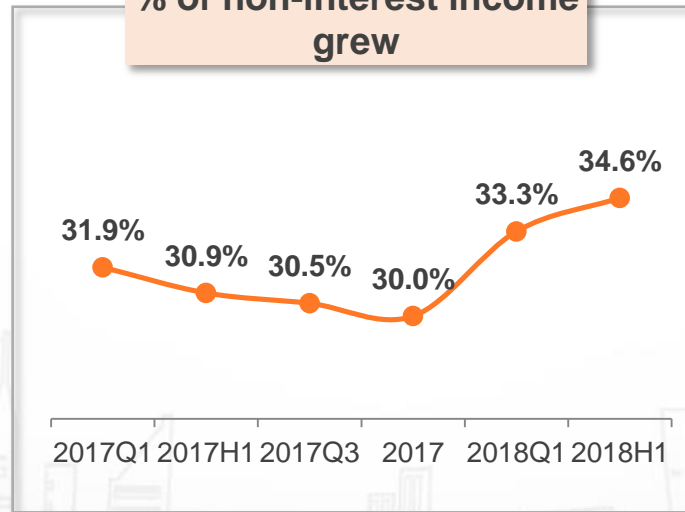
Operating income and YoY growth



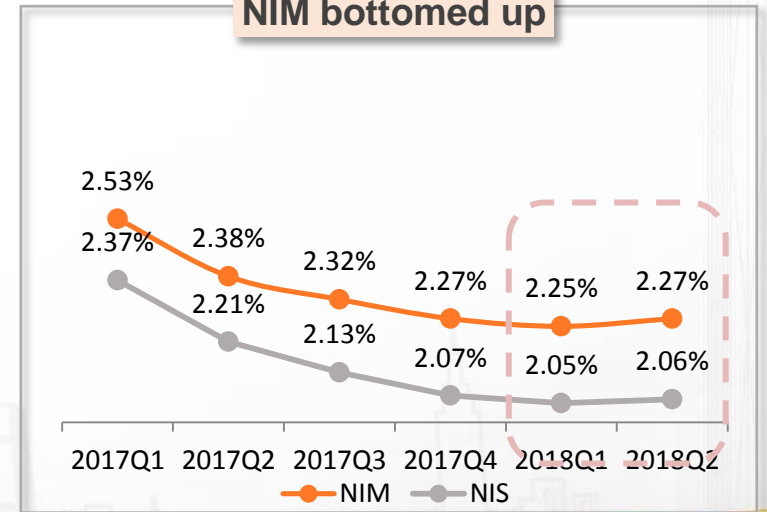
Net interest income QoQ growth rate turned positive



% of non-interest income grew



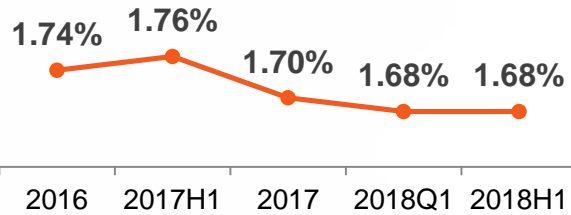
NIM bottomed up



1.3 Asset quality continued to improve

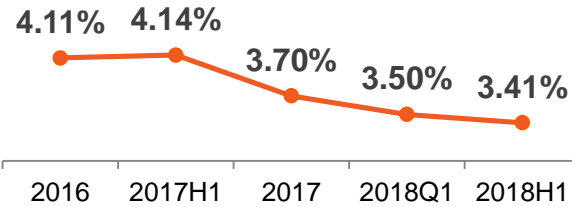
NPL ratio declined

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



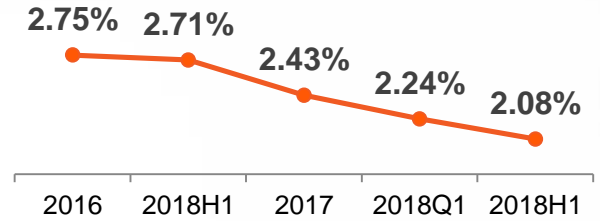
SML ratio declined

- Down **29bps** compared with the beginning of the year



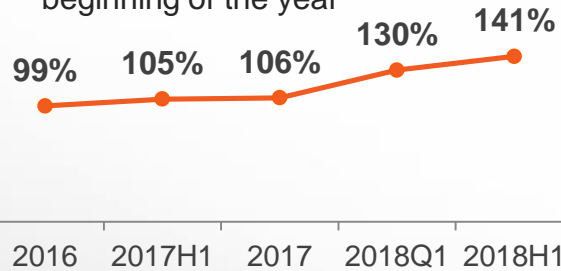
% of overdue 90+ declined

- Down **35bps** compared with the beginning of the year



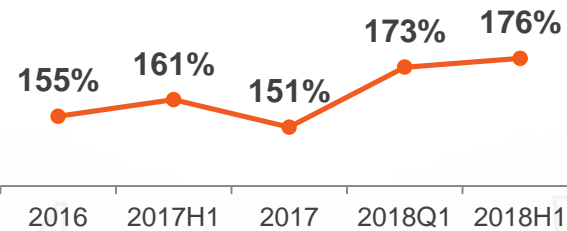
Overdue90+ coverage ratio up

- Up **35pps** compared with the beginning of the year



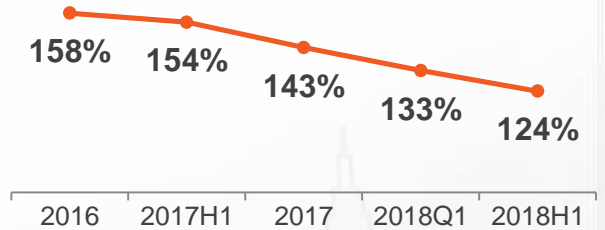
Provision coverage ratio up

- Up **25pps** compared with the beginning of the year



Deviation ratio declined

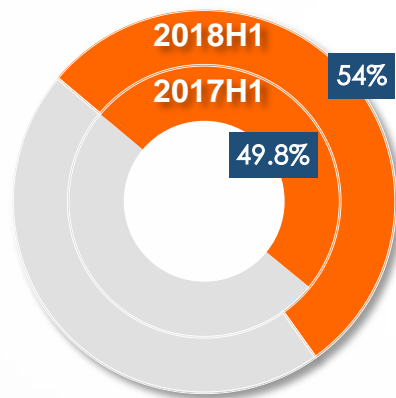
- Down **19bps** compared with the beginning of the year



1.4 Strategic transition deepening: retail contributed more than half

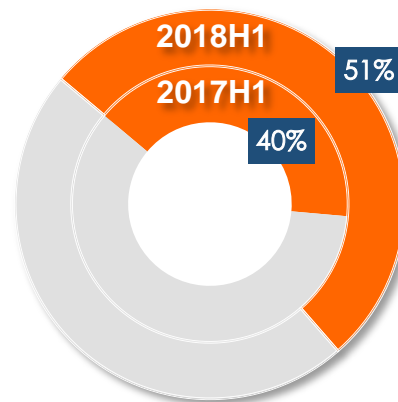
% of retail loans, operating income and net profit continued to rise

- Retail loans **9,989**(RMB100m) accounting for **54%**



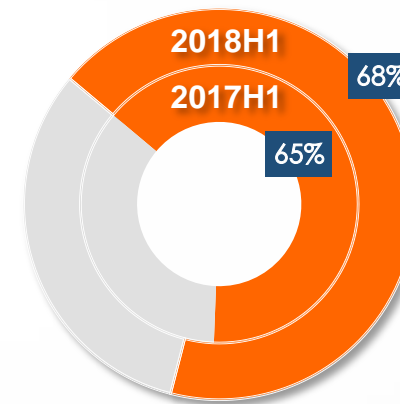
% up **+4pps**

- Retail operating income **293**(RMB100m) accounting for **51%**



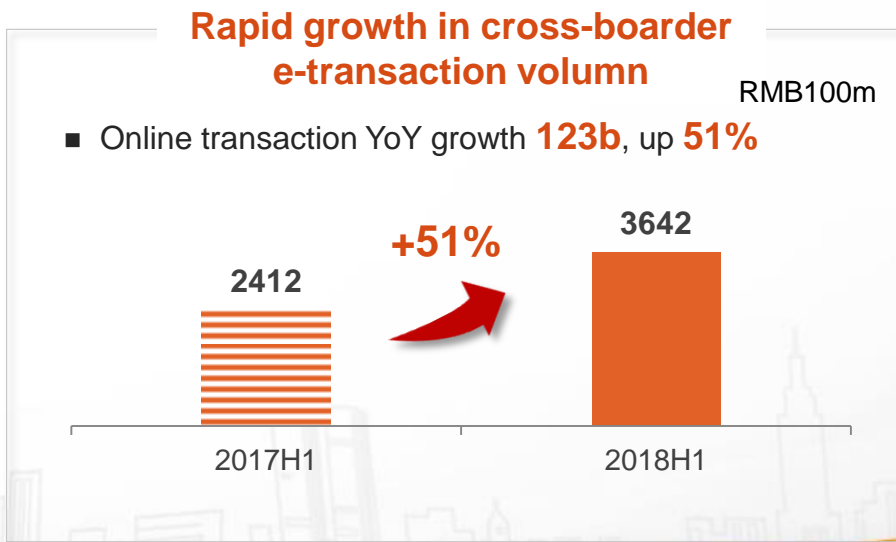
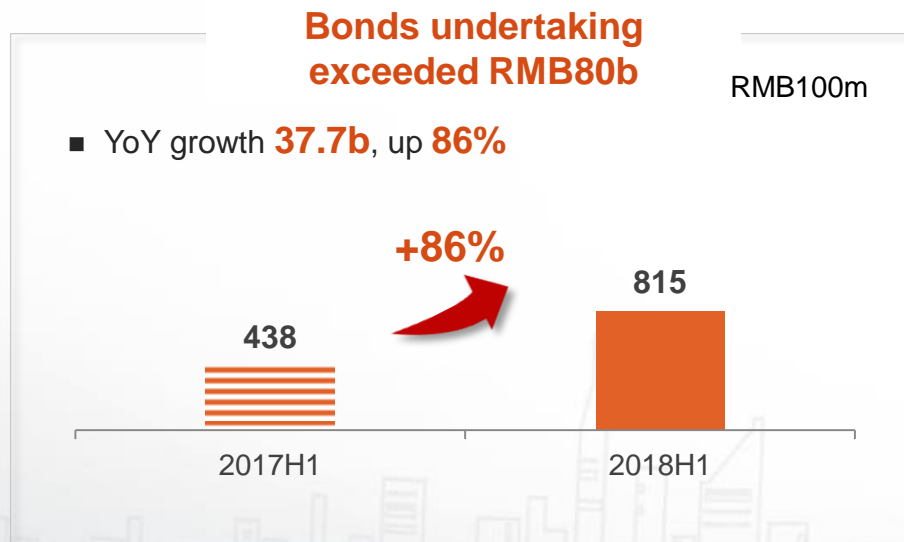
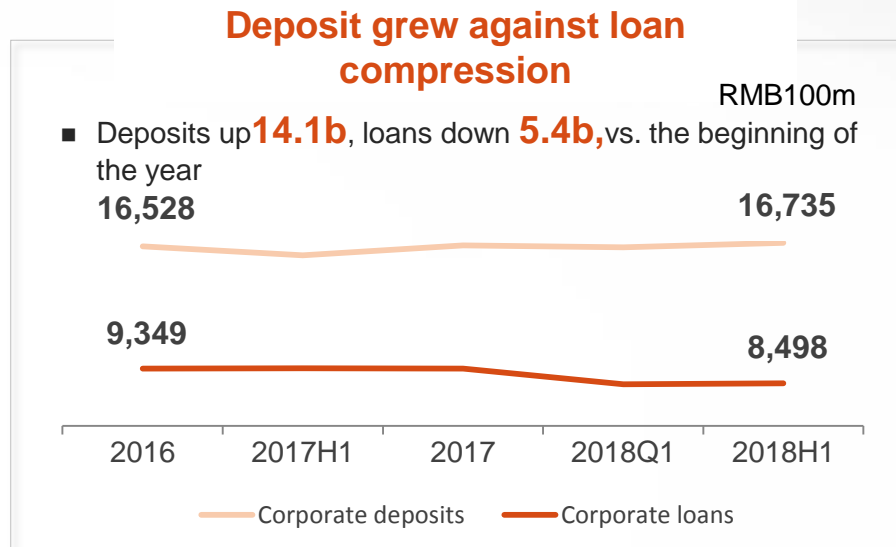
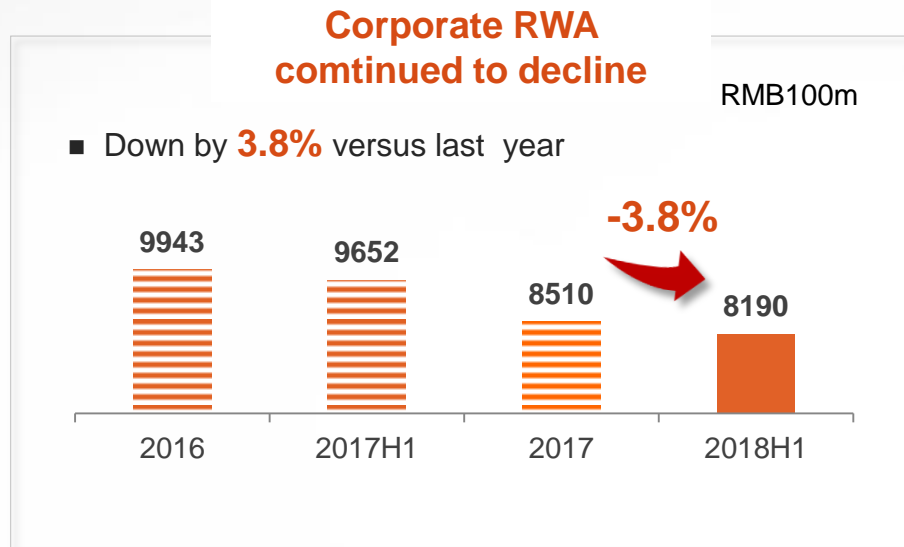
% up **+11pps**

- Retail net profit **91**(RMB100m) accounting for **68%**



% up **+3pps**

1.5 Strategic transition deepening: corporate structure adjustment paying off





科技引领

TECHNOLOGY-ORIENTED

2.1 Technology-oriented: integrated PAG technology in boosting bank transition

Technology drove up businesses, upgraded mgt.

Technology empowered mgt.
Building up intelligent platform

Built up smart fiance platform

Intergrated business + finance
optimised process

Established credit risk platform

Process + data + tech innovation

Technology empowered products
Driving up business uprade

Corporate

KYB

online+intelligent

SAS

Tech + operation

Retail

Online

Online instruments+
offline empowering

Offline

Offline outlet+online
promotion

Technology empowered services
Providing better customer experience

AI + risk control

Big data pre-warning+PingAn intelligent control

AI+ customer service

Leveraged on PAG tech+enhanced AI by **90%**

AI + marketing

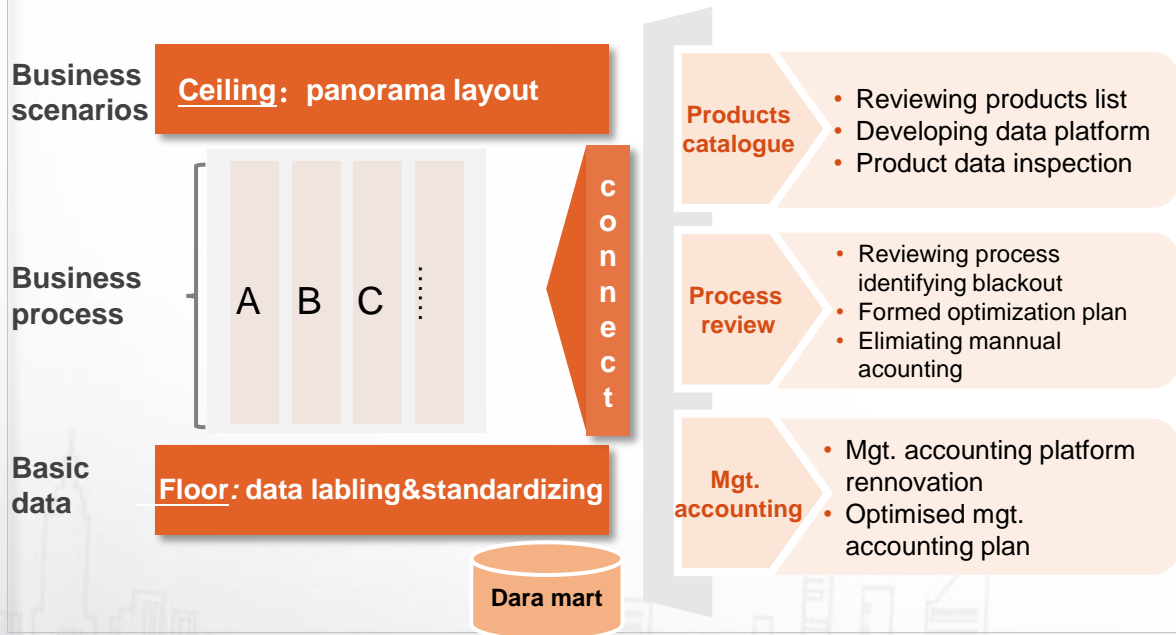
Precision marketing+customization+AI secretary

2.2 Technology empowered mgt. in digitalization and intelligence



Built up smart finance, restructured mgt. system

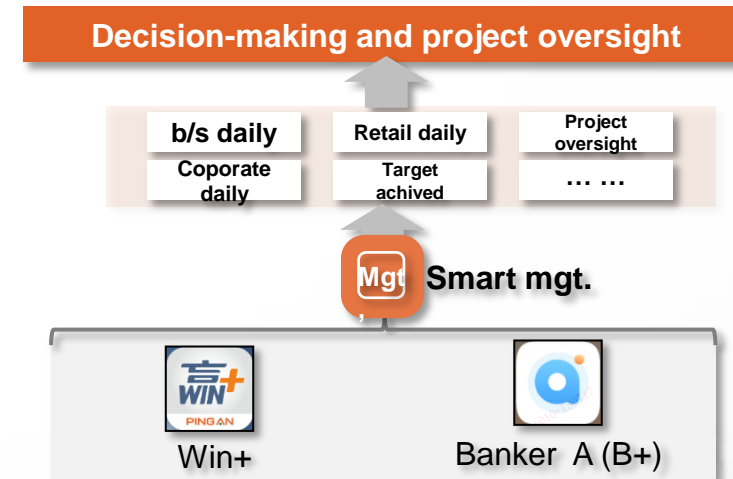
- Connected business scenarios, process and basic data
- Realised intelligent analysis, researching and decision-making
- Optimised end to end finance process with solid data base and less manual input



Built up smart mgt. system bankwide

- **Unified information diagram supporting decision-making and coordinated business expansion**
 - Integrated corporate (win+), retail (B+) platform data, established unified information diagram bankwide, facilitaed decision making
 - Products info sharing, supported corporate and retail business coordinated development
- **Online oversight:** online digitalization tracking

Function launched
Connected with Win+ APP

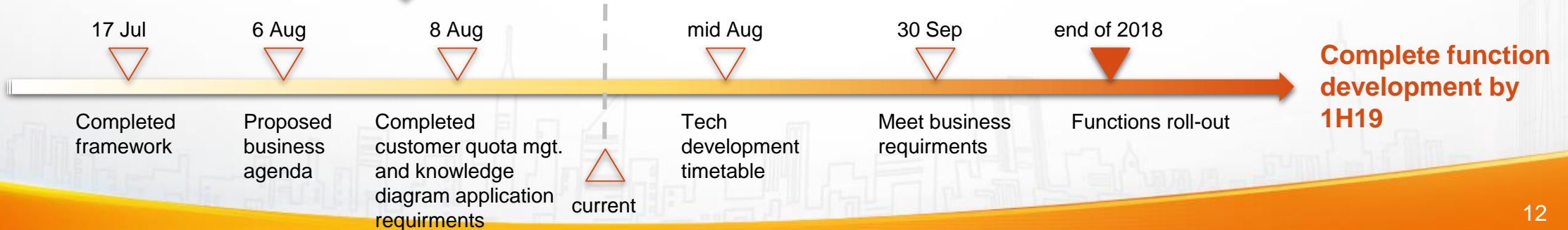
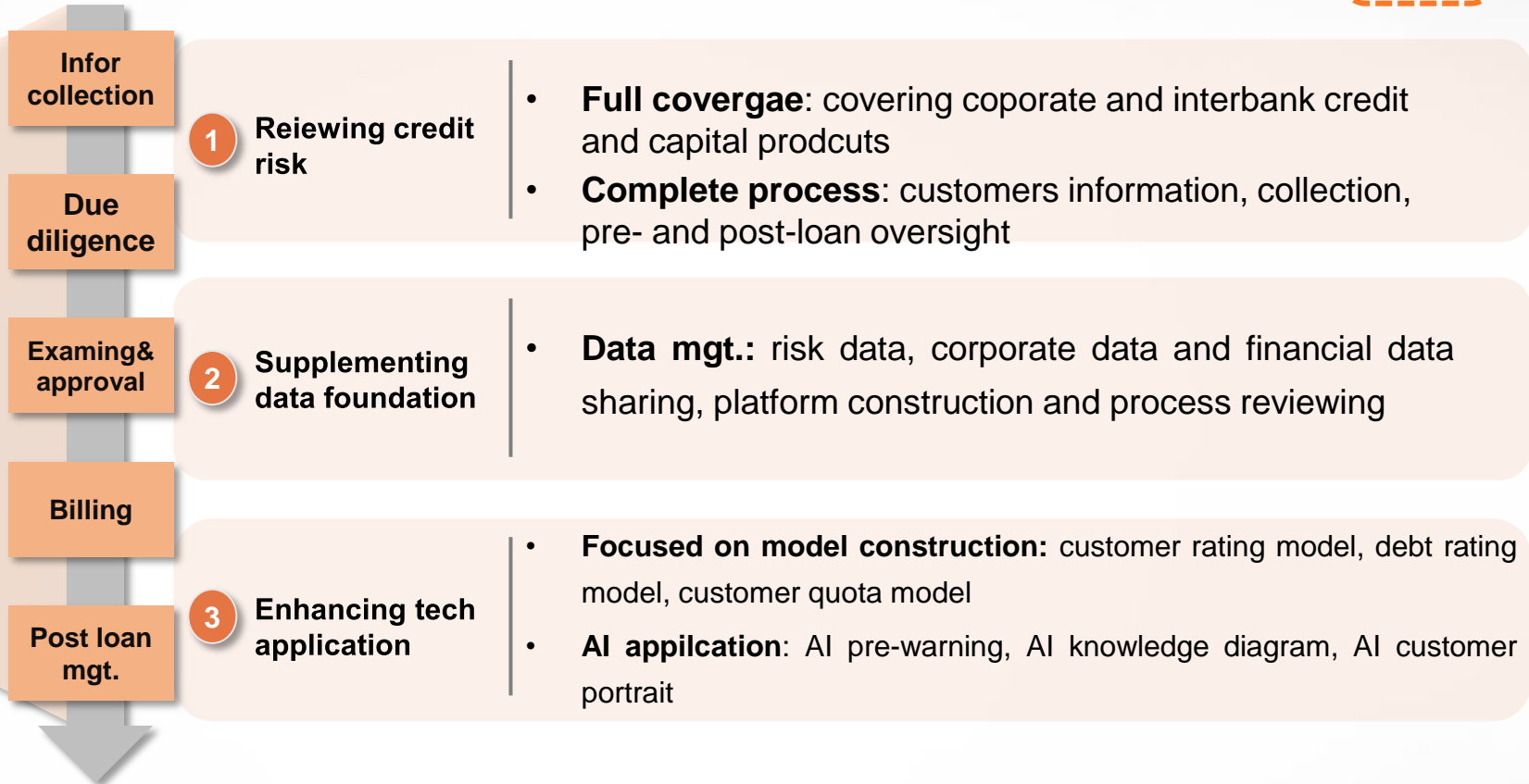


2.2 Technology empowered mgt. in building up credit risk base platform



Achieved:

- Corporate customer full life cycle mgt.
- Risk pre-warning and reaction



2.3 Technology empowered products – upgraded traditional banking (Corporate)



» KYB (SMEs data loan)

Promoted digitalization and intelligent upgrading of traditional loan business, became our bank's core competence in the industry

Single day loan issuance exceeded **RMB100m**

Total billing **13k**

Total issuance **RMB3.16bn**

• Constructed clients portrait:

including clients industry, operating, scenario, up stream and down stream data

• Model test:

further completed KYB model test, reduced interruptions, laid foundation for large scale expansion next year

• Multi-dimension data:

Taxation, invoice, customs, tobacco and social pension data; released labeling, digitalization and granular mgt.

• Multiple channel sales:

Financial-One-Connect, group finance, life insurance, 3rd party platform and bank's own team integrated sales model

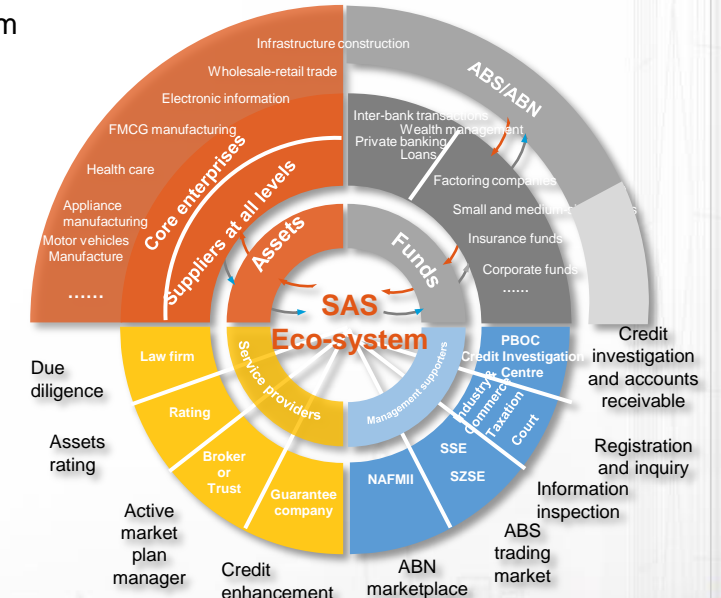


SAS (Supply chain Account receivables Service)

Upgraded traditional platform via Internet of Things, blockchain technology

- **Tech focus:** completed digitalization through internet of things, blockchain technologies, obtained full information of trade financing, upgraded risk control from core enterprise controlling to technology controlling
- **Smart operation:** strengthened smart operation service, provided one-stop service and convenient comprehensive service, enhanced clients retention, established SAS eco-system

Transaction in 1H18 initial launch exceeded **RMB1b**



2.3 Technology empowered products - intelligent development model (Retail)



Integrated intelligent OMO service system

- Leveraged on cutting edge technology, launched all-in-one pocket APP for customers and pocket bankers' APP for employees
- Opened **46** new "light-model, community-oriented, intelligent, diversified" retail outlets, integrated intelligent OMO service



90% above non-cash business

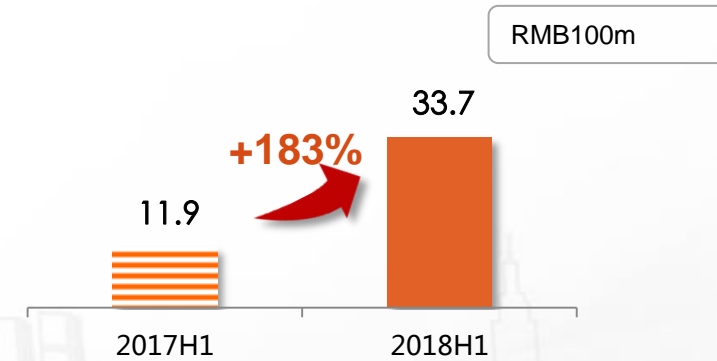
100% coverage for front office staff

100 Intelligent outlets by the end of the year

Supplemented fintech scenario application

- Connected with external scenarios:** built B2B2C model, connected with 3rd party scenarios and inflows via APP, H5 interfaces, provided customers with more flexible products and service
- Self-set up scenarios:** focused on credit card online shopping operation, directed customer flow via APP, social networking media, telecom customer service, offline outlets and brand marketing

Credit card pocket shopping transaction



2.4 Technology empowered service: established full life cycle of digitalised service



Automatic, online, intelligent service system

AI+marketing



Customer portrait, precision marketing, AI secretary support

- Customer labeling and portrait, achieved **precision marketing and customerised service**
- AI secretary** supported bank employee in carrying out intelligent business service

3-5 times customer transfer rate

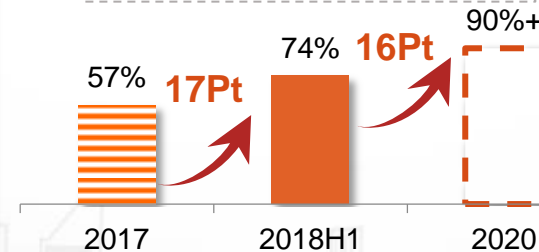
AI+customer service



More efficient online service

- Enhanced connection with PAG technology, further optimised AI customer service
- Strive to achieve 90% of AI customer service

AI replaced manpower rate



AI+risk control



More efficient and accurate risk control

- Big-data pre-warning:** continued monitoring of pre-warning signals' application, optimising model
- Ping An intelligent control system:** on-time dynamic reporting of risk conditions bankwide in assets, business lines and employees

Debit card and credit card anti-fraud:

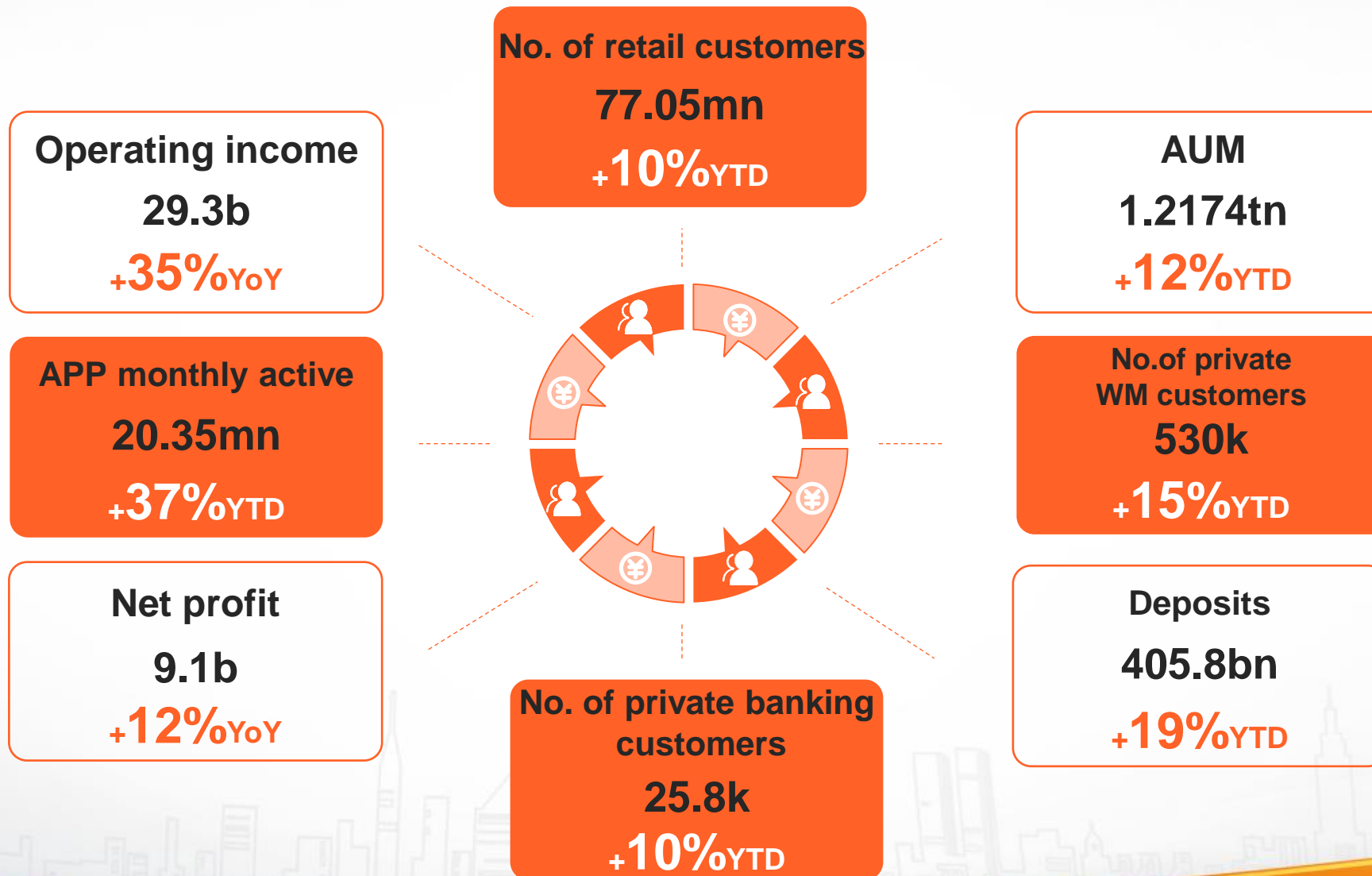
3.5(RMB100mn)



零售突破

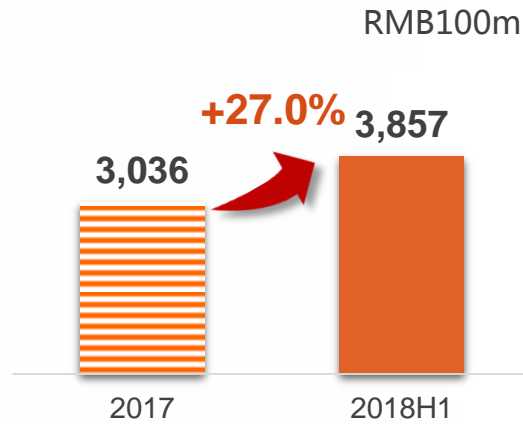
RETAIL BREAKTHROUGH

3.1 Strong YoY growth in retail operating income and scale



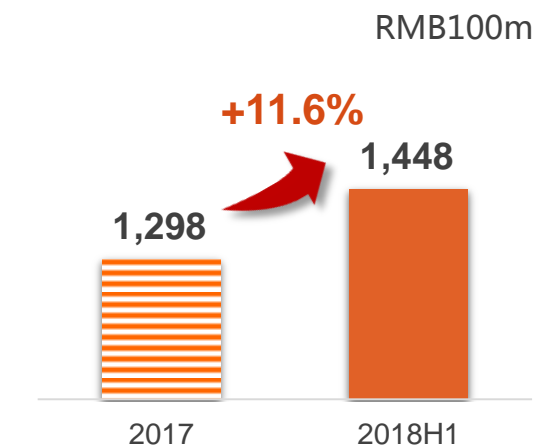
3.2 Core businesses supported transition breakthrough

Credit card balance



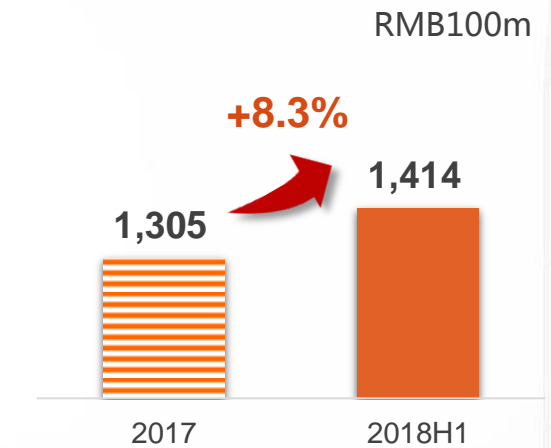
- Accumulated issuance **9.18m**, up **81.2%YoY**
- Cards in circulation **457.7m**, up **19.4%** compared to the beginning of the year
- Aggregated transaction amounted **1207.2bn**, up **89.9%YoY**

Xinyidai balance



- Issurance amounted **56.4bn** in 1H18
- Micro&small business loans accounted for **1/3**

Auto finance balance

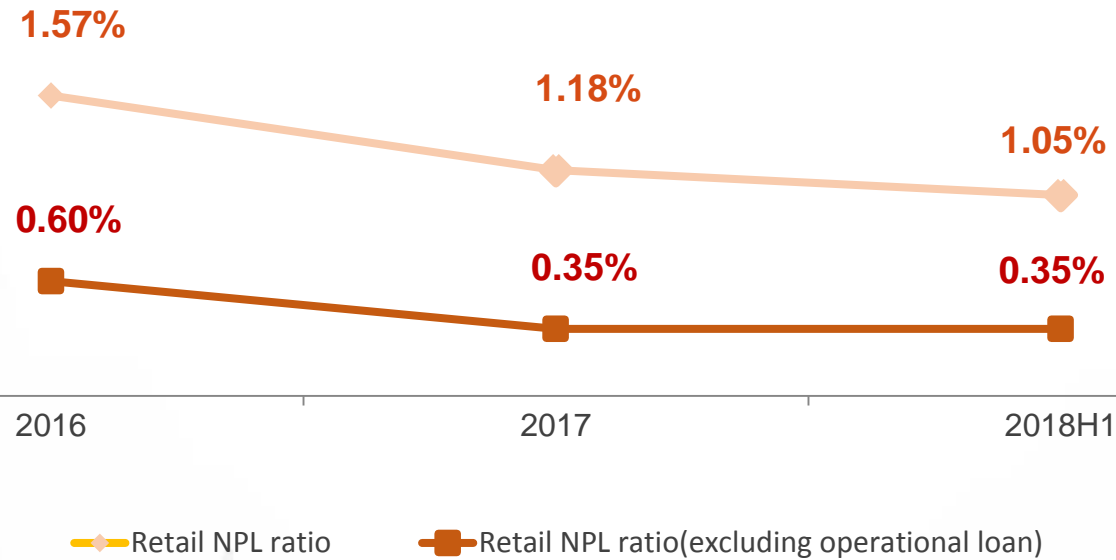


- New issuance **71.6bn**, up **52.7%YoY**
- Automatic approval rate **67%**, up **2pps**

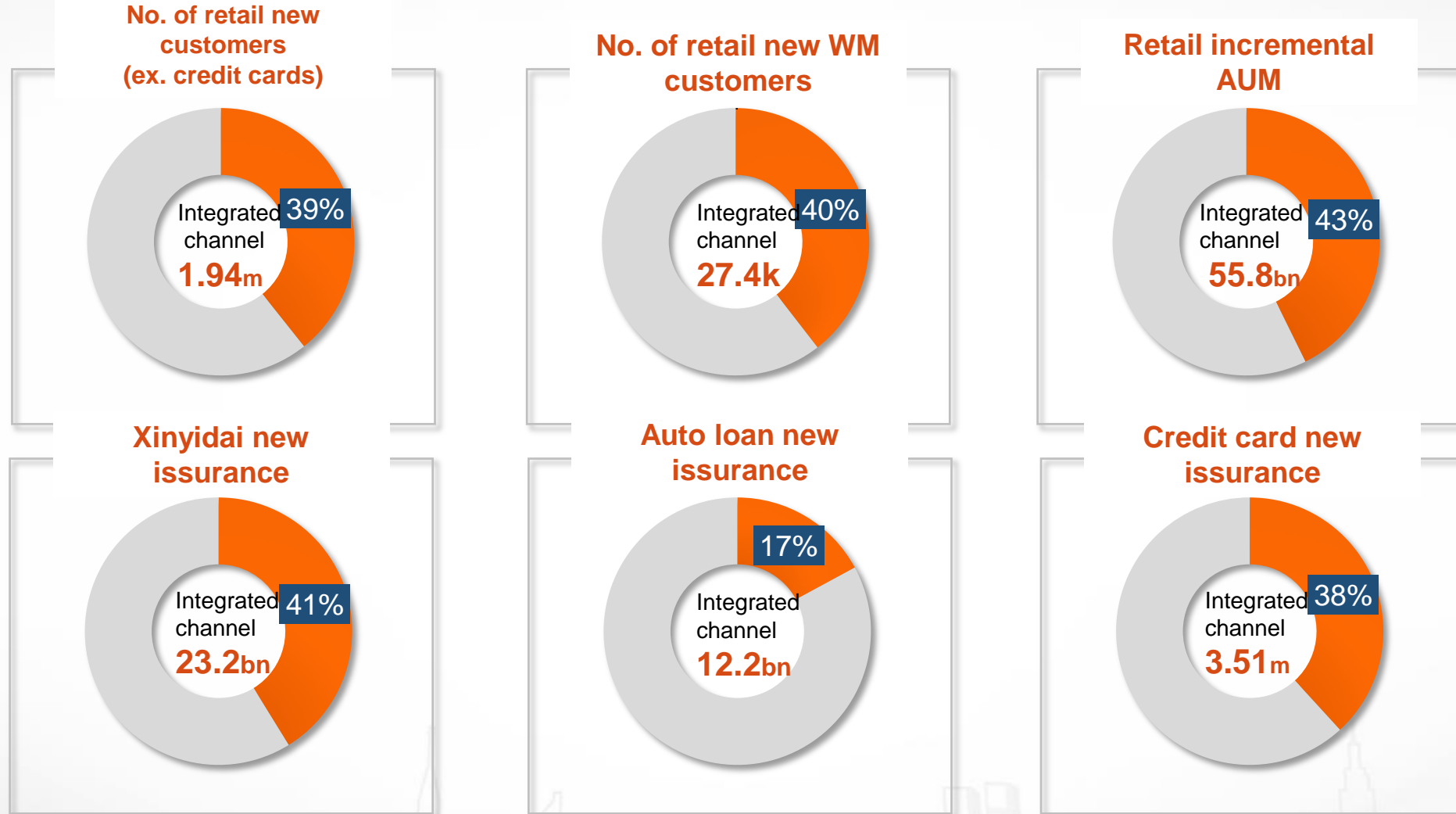
3.3 Retail asset quality remained sound

Retail NPL ratio remained sound

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



3.4 Integrated fianance contribution further enhanced



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

3.5 Key projects started paying off

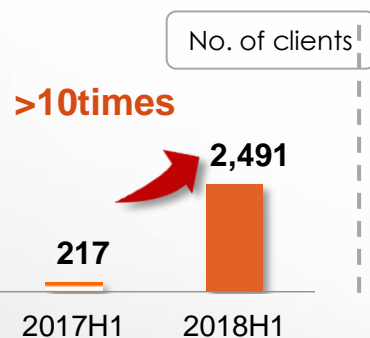


Payroll business

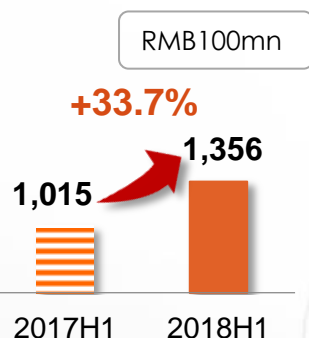
◆ Payroll Manager 2.0:

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

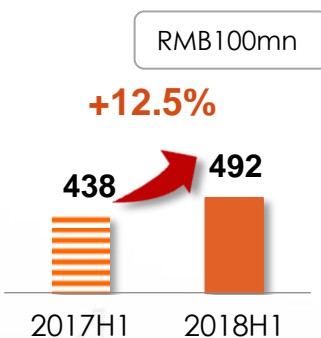
Net increase effective payroll clients



Payroll clients AUM



Payroll clients deposit balance

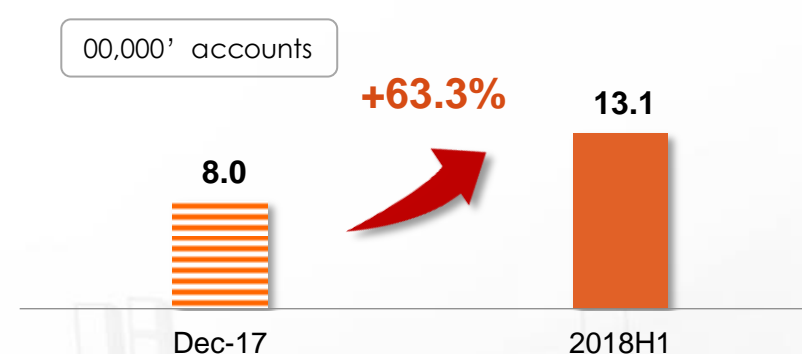


Merchant acquiring

◆ 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

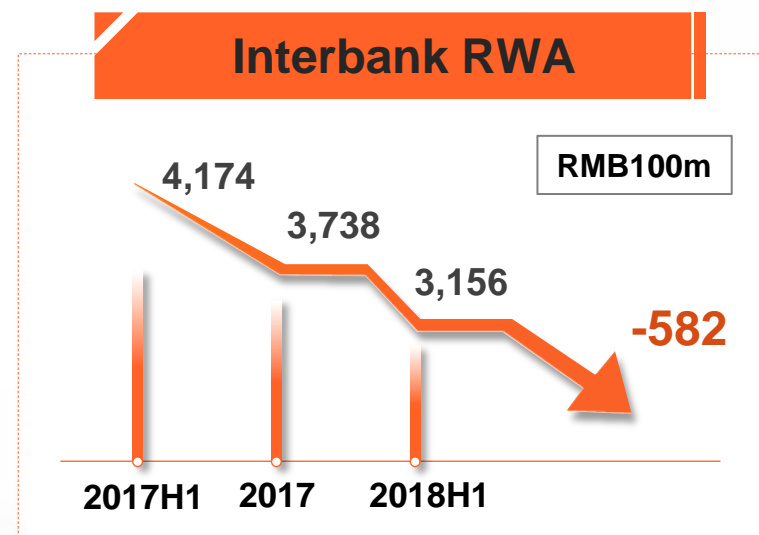
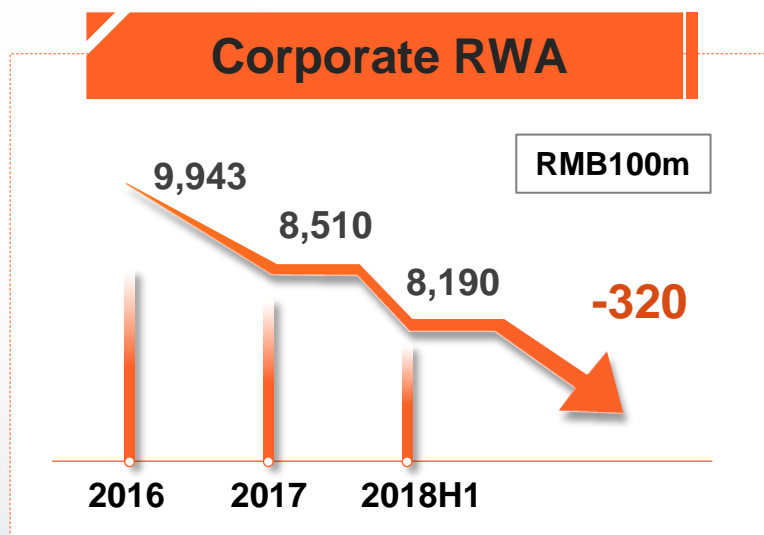
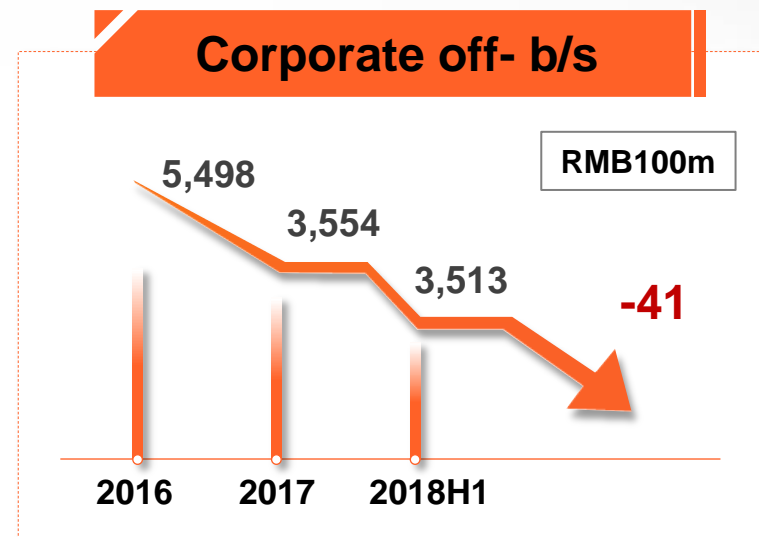
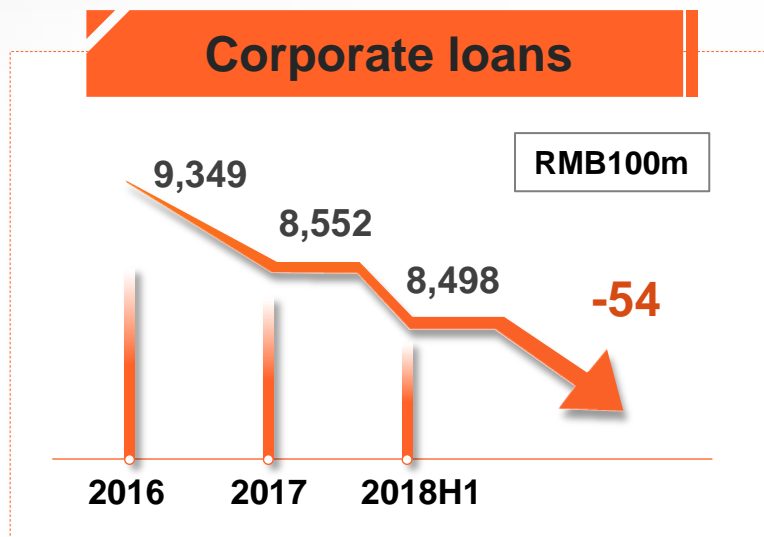




对公做精

CORPORATE BANKING

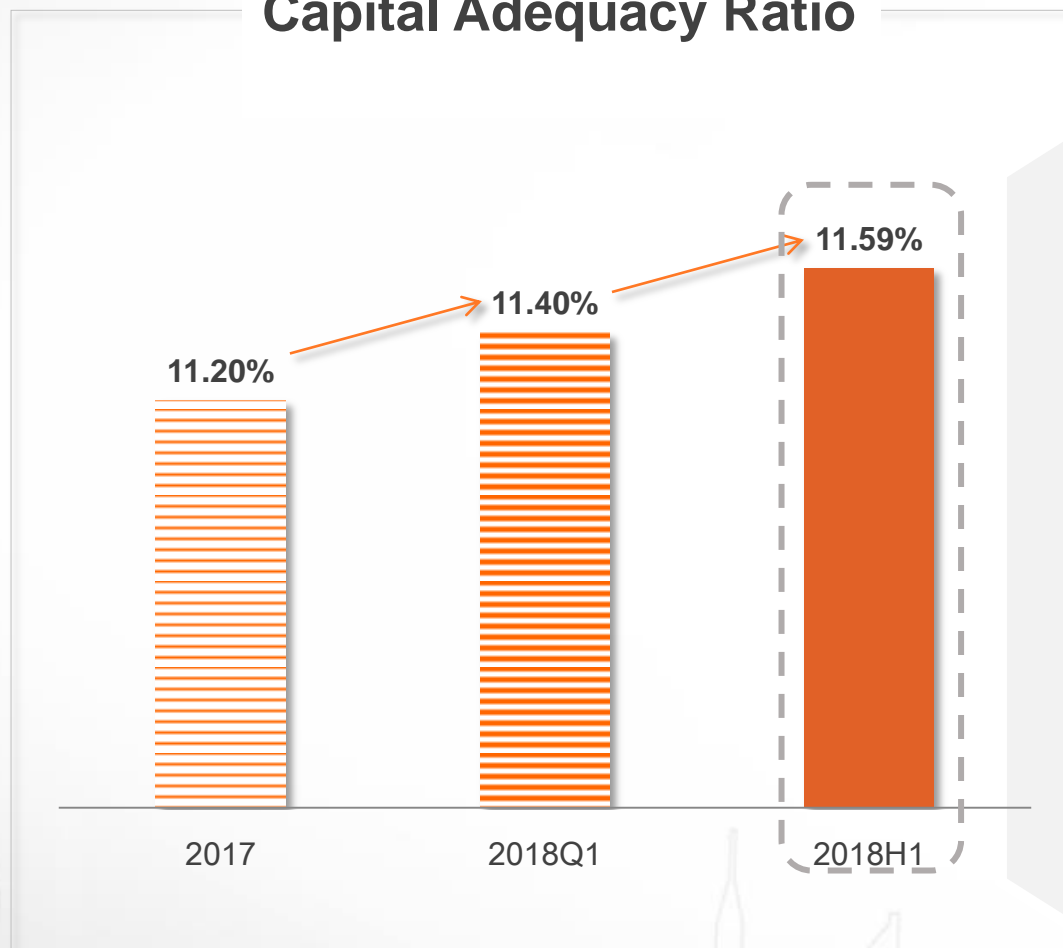
4.1 Optimised asset structure, reduced capital consumption



Note: interbank business been scaled down since 2H17

4.2 Granular capital management, CAR enhanced

Capital Adequacy Ratio



CAR up **0.39%** YTD

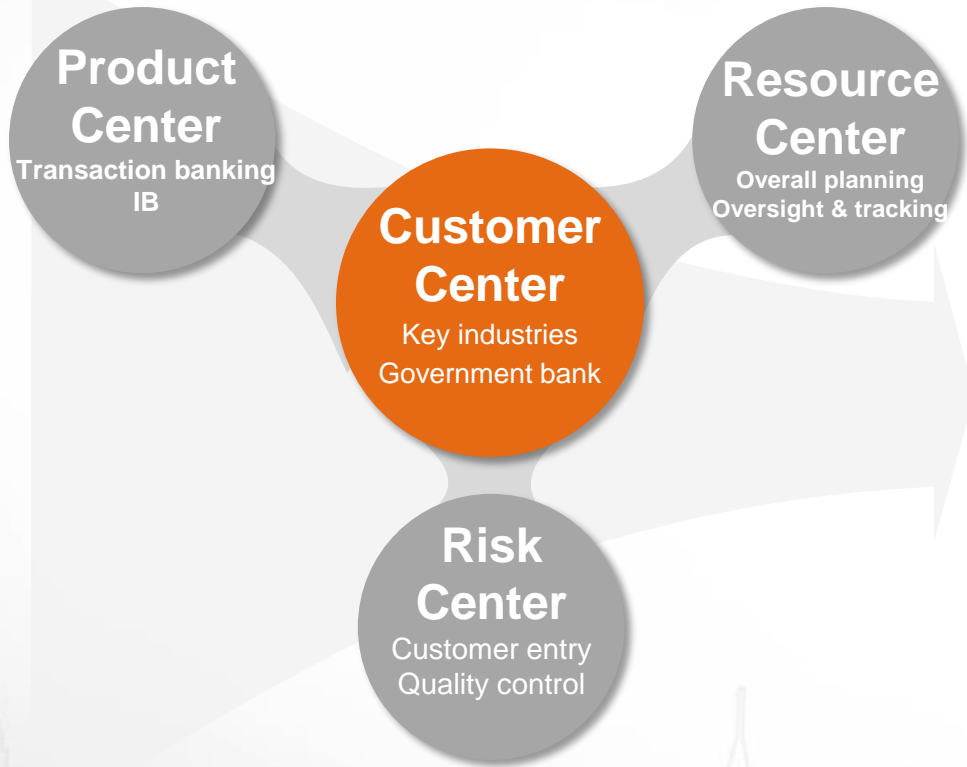
◆ KPI guidance:

- Implemented EVA/RAROC in managing risk and return
- Strengthened incentives with interactions between credit and RWA use and EVA/RAROC assessments

◆ Lean capital consumption:

- Multiple measures in managing write-offs, packaged sale and recovery
- Disposed and cut down low- and no-yield assets, adjusted high capital consumption business
- Enhanced efforts in cleaning up litigation fees, account current and debt assets

4.3 Strengthened expertise, constructed four big centers



Customer Center: advising+equipment

- **Industry research team:**
research guided risk approval; identified industry trend and opportunity clarified dos and donts
- **Solutions team:**
Established a team of expertise coordinating with branches in providing financial solutions
- **Asset management team:**
Achieved the target through personnel allocation, credit allocation and KPI among other measures

Product Center : central kitchen

Output two main capabilities through transaction banking and investment banking

- Focused resources on building up hit products
- Output quick response

Resource Center : center brain

On the corporate business level:

- Resource planning
- KPI reviewing
- Systemetic supervision
- Enhanced empowerment

Risk Center : gatekeeper

- Clarified entry standard
- Established expert team in industry approval for risk control
- Supervised non-industry clients exit via mechanism

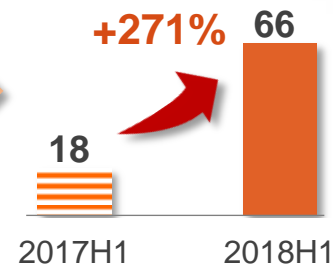
4.4 Strict control of incremental risk, stronger asset quality



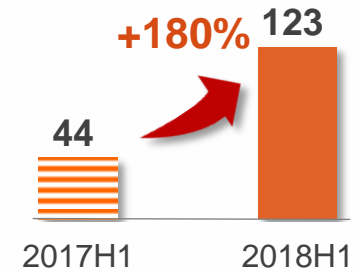
Legacy disposal

- **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

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

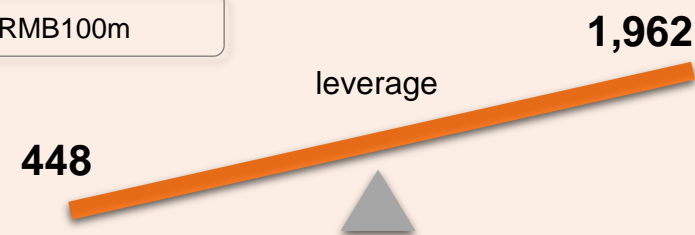
4.5 IBD: light model financing started paying off

Deepend dual-light model transition

4.5folds Dual-light multiples = **Total financing scale (196.2bn)**
on b/s scale (44.8bn)

YoY **1.7folds** Dual-light multiples = **Total financing scale (144.2bn)**
On b/s scale (84.4bn)

RMB100m



Bank consortium financing broke ground

20.76bn Bank consortium scale **2** Projects led **4bn** Investments **16.76bn** Leverage

Credit assets flow breakthrough

5.4bn Corporate **100bn** Retail

Transaction match-making geared up

16.7bn Scale **8** Projects matched **98.1bn** Projects initiated via smart system

Private banking sales drove up transition

3.7bn Sales volumn **5** Projects connected



工作展望

NEXT HALF-YEAR OUTLOOK

Key work in 2H18

Key agenda

Key projects



Tech-oriented

- Expedite implementation of **PAG tech empowerment**, enhance tech-orientation
- Strengthen **synergy with PAG ecosystem**, innovate bank scenario
- Implement **smart finance** program

- Coporate open day 8 major projects
- IT consulting for the next three years
- Ping An finance core cloud
- Smart fiance
- Capital business system upgrac
- Data governance
- 7*24 bank business
- Credit card core system upgrade
- PAG tech empoeering
- Smart operation
- SAS
- Pocket fiance
- KYB
- Cross boarder E2.0
- Industry bank
- Special asset operation
- True investment bank
- Bank group finance1+T+N



Retail breakthrough

- Optimise revenue structure
- Enhance **private banking WM capability**
- Drive up **main account management mechanism**
- Build up offline integrated inflow – copy Lihua branch

- Pre-lay out of LUM, strengthen market position
- Copy Lihua branch, build up PAG offline inflow
- Restructured private banking and team
- Upgrade life insurance team cross sale
- Implement bankassurance double hundreds branches
- Establish main account admin team to connect with PAG
- Implement standard management



Corporate banking

- Implement big four centers framwork
- Build professional industry bank
- Hold fast to **asset quality**, enhance **risk management capability**
- Optimise **business and revenue structure-AUM and NII percentage**
- Improve products portfolio-"platform+products+service"

- "Platform+Product+Service"
- Credit risk mgt.platform
- Enhance deposit scale
- Improve NII percentage
- Bank digital service for government
- Group finance new model
- Promote asset mgt. transition, enhance competitiveness
- Cross boarder finance
- Trade finance
- Internet finance (KYB、online payment & settlement)



Appendix

KEY FINANCIAL & REGULATORY METRICS

Key metrics: balance sheet

RMB100m	30 Jun 2018	31 Dec 2017	△ Changes	
			△ amount	△%
1.Total assets	33,674	32,485	1,189	3.7%
Total loans	18,956	17,304	1,652	9.5%
Of which: loans and advances	18,487	17,042	1,445	8.5%
of which:(1) corporate loans	8,498	8,552	-54	-0.6%
(2) retail loans	9,989	8,490	1,499	17.7%
2.Total liabilities	31,393	30,264	1,129	3.7%
Total deposits	25,492	24,365	1,127	4.6%
Of which: deposits due to customers	20,793	20,004	789	3.9%
of which: (1) corporate deposits	16,735	16,594	141	0.8%
(2) retail deposits	4,058	3,410	648	19.0%
3. Shareholder equity	2,281	2,221	60	2.7%

Key metrics: income and expenses

RMB100m	Jan-Jun 2018		Jan-Jun 2017		△ Changes	
	Amount	%	Amount	%	Growth rate%	△%
1. Operating income	572.41	100.0%	540.69	100.0%	5.9%	
Interest income	374.36	65.4%	373.61	69.1%	0.2%	-3.7pps
Non-interest income	198.05	34.6%	167.08	30.9%	18.5%	+3.7pps
2. Operating expenses	175.41		138.89		26.3%	
Business and overhead	169.80	29.7%	133.86	24.8%	26.8%	+4.9pps
3. Preprovision profit	397.00		401.80		-1.2%	
4. Asset impairment loss (-)	222.98		237.16		-6.0%	
5. Net profit	133.72		125.54		6.5%	
6. Basic/diluted EPS(CNY)	0.73		0.68		7.4%	

Key metrics: quality and productivity

	1H18	2017	△ Changes
1.Asset quality			
NPL ratio	1.68%	1.70%	-0.02pp
Provision to loan ratio	2.95%	2.57%	+0.38pp
NPL provision coverage	176%	151%	+25pps
Overdue 90+ provision coverage	141%	106%	+35pps
NPL deviation ratio	124%	143%	-19pps
2.Asset yields			
Average return on total assets (annualised)	0.81%	0.83%	-0.02pp
Weighted average return on net assets (annualised)	12.36%	12.56%	-0.20pp
3.NIS	2.06%	2.29%	-0.23pp
4.NIM	2.26%	2.45%	-0.19pp
5.Cost income ratio	29.66%	24.76%	+4.90pps

Key regulatory metrics

In %	Standard	1H18	2017
1. CAR			
CAR	≥10.5	11.59	11.20
Tier1 CAR	≥8.5	9.22	9.18
Core tier1 CAR	≥7.5	8.34	8.28
2. Liquidity			
Liquidity ratio	≥25	60.40	52.23
Liquidity coverage ratio	≥100(year end)	123.60	98.35

Thank you



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