Building A World-Class Financial Services Operation Platform
(Introduction to Ping An Group Integrated Operation Center)

November 2007
The World-Class Integrated Operation Platform (IOC)

### The premise
- Invested RMB 1 billion
- 147,000 m²

### Objectives
- Consistent service standard
- Continuous cost reduction
- Separating front- and back-office, reducing ops risks

### Value
- Supporting group strategy
- Improving service levels and sales support, reducing costs and risks
- Process reengineering, standardization
Agenda

IOC Overview

Progress and performance

Future plans
Agenda

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Progress and performance

Future plans
Ping An’s objective is to become one of the leading multiple financial services providers in the world that consistently delivers stable profit growth and shareholder return.
The Operation Platform Must be Able to Support the Multi-Product, Multi-Channel Strategy

Customers
- Personal
  - Individual sales force
  - P&C brokers
  - Bancassurance branches
  - Telemarketing
  - Banking branches
  - Financial advisors
- Hybrid
- Commercial

Channels
- Security branches
- Banking branches
- Pension sale forces
- Security & investment banking sales force

Products
- Life Ins.
- P&C Ins.
- Securities
- Trusts
- Banking
- Pensions
- Health Ins.
- Asset Management

Back-office
- Centralized & Standardized Operations
- Integrated Service
• Various ops functions exist in >800 cities, difficult to capture economy of scale
• Standards deviate by geographical areas and by business lines
• Mixing services and pure back-office functions, not enough attention to customer services
• Minimum share of resources and expertise
• Complexity in risk management
Operation Centralization is Crucial for Ping An Group

Key Drivers

n WTO and Globalization:
  u China became the largest emerging market, multi-national financial institutions became our key competitors
  u Competitors secured cost advantages through new operation model

n Technology enables remote and large scale operations:
  u Online payment systems
  u Imaging systems
  u Large database and CRM

n Sophisticated customers demand:
  u One-stop services
  u Consistency
  u Standardization

Strategic value of centralization

n Cost advantage:
  u Enhanced efficiency and productivity
  u Improved cost structure and cost level

n Service enhancement:
  u Better and consistent service quality
  u Good services level at any customer contact points

n Risk control:
  u Managing risks centrally
  u New risk management model, tailored for new business model and strategy
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The Group Started to Rebuild Operation Model in 2004

1. Customer interface
(call centers, counters etc.)

- One-stop services
- Cross-product

2. Shared operations
(Scanning, data entry etc.)

- Highly standardized
- Max. share of resources

3. Professional operations
(Underwriting, claims etc.)

- Centralized
- Build deeper expertise

4. 3rd-party operations
(Hospitals, repair shops etc.)

- Integrated processes and systems
- Consistent service levels

5. HR / Training

6. Ops & Process mgmt

7. Policy, Rules, and guidelines

Ops support

Ops principles & rules
Established a Group-Wide Operation Unit...

Integrated Operation Center (IOC)

- Operation management
- Process management
- Planning & Research
- Policy management
- Group-wide ops mgmt and planning platform

- Finance & Accounting dept.
- Document operation dept.
- Call center
- Life underwriting
- Life policy admin.
- Life claims
- Pension claim adjusting
- Motor underwriting and claims
- Non-motor underwriting and claims
- Banking operation
- Credit card
- Performance mgmt
- HR & Training dept.

- Centralized shared services platform
- Centralized professional processing platform
- Centralized ops support platform
…And a Network of Operation Centers

Integrated Operation Center

- Call center
  - IB/OB
- UW/Policy admin
  - Life/Health/Auto
- Claims
  - Life/Pension/Health/P&C
- Finance & Accounting
  - Finance & Accounting
- Data processing
  - Data processing

Locations:
- Shanghai
  - IB/OB
- Suzhou
  - IB/OB
- Shenzhen
  - IB/OB
- Chengdu
  - IB/OB
- ...

Sectors:
- Life/Health/Auto
- Life/Pension/Health/P&C
- Life/Pension/Health
- Finance & Accounting
- Data processing
## Accumulated Core Operation Capabilities

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<th>Core Capabilities</th>
<th>Basic Rationale</th>
<th>Selected Performance</th>
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| Business Process Reengineering | - Efficiency and quality can and must be improved continuously  
                          | - Structured methodology and fact-based analysis is the key                      | - IOC build-up  
                          |                          | | - “Seals” centralization  
                          |                          | - Telesales process design |
| System redesign         | - Improve efficiency and costs through end-to-end straight-through-processing  
                          | - Proactively redesigning systems, preparing for business development upfront      | - ELIS  
                          |                          | | - OA  
                          |                          | - IT issues mgmt system |
| Ops mgmt                | - Focus on both result and process  
                          | - Maximize overall resources utilization                                         | - Ops command center  
                          |                          | | - Prediction and scheduling  
                          |                          | - Motor insurance automatic underwriting system  
                          |                          | | - Data processing system |
| Standardization         | - Everything can be standardized                                                 | - Motor claims nationwide “rule engine”  
                          |                          | | - Call center knowledge base |
| Knowledge mgmt          | - Knowledge is treasury of the organization  
                          | - Document, store and use of knowledge are important                             | - ELIS  
                          |                          | | - OA  
                          |                          | - IT issues mgmt system |

**Selected performance**
- IOC build-up
- “Seals” centralization
- Telesales process design
- ELIS
- OA
- IT issues mgmt system
- Ops command center
- Prediction and scheduling
- Motor insurance automatic underwriting system
- Data processing system
- Motor claims nationwide “rule engine”
- Call center knowledge base
Results of Core Capabilities
(Example: BPR)

- Simplified front-end
  - Information Collection only
  - System transfer

- ...Centralized processing...
  - Remote approval

- ...Centralized authority control and auditing
  - Authority control
  - Centralized remote auditing
Results of Core Capabilities
(Example: system redesign)

Branch

Operation centers

Workflow engine

Customers/ channels

Workflow engines
CRM
Customer contact history

Agents
Mgrs
Banks
Customers

TDB—Transaction Database
Results of Core Capabilities
(Example: OPS mgmt)

- Prediction...
- Real-time monitoring...
- Result tracking

- Historical data analysis
- Real-time volume and service level monitoring
- Automatic reporting and tracking

- Forecast and scheduling
- Real-time adjusting resources allocation
- Dynamic performance analysis
Delivered Superior Operation Results (Normalized figures)

Quality (error rate)

Data processing
- Property insurance claims
- Before: 1, Error rate: 0.03, -90%
- Current: 1, Error rate: 0.1, -97%

Service levels

Health claims (% cases paid in 5 days)
- Before: 1, Cases paid: 0.32, +220%
- Current: 1, Cases paid: 3.2

Unit costs

Motor claims
- Before: 1, Unit cost: 0.13, -87%
- Current: 1, Unit cost: 0.32

As of July, 2007
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Effectively Support Business Growth

Integrated Operations Center

- **2006年**
  - 1.5m Expenses
  - 18b Claims payout
  - 7.5m Underwrite vehicles

- **2007年**
  - 40m service calls
  - 1.2m Expenses
  - 5.8m Underwrite vehicles
  - 5m Underwrite new policies
  - 3m Underwrite new policies
  - 5.8m Underwrite vehicles
  - 7.5m Underwrite vehicles

- **2007年**
  - 60m service calls
  - 5m Underwrite new policies
  - 3m Underwrite new policies
  - 5.8m Underwrite vehicles
  - 7.5m Underwrite vehicles

- **2006年**
  - 40m service calls
  - 1.2m Expenses
  - 5.8m Underwrite vehicles
  - 7.5m Underwrite vehicles

- **2007年**
  - 60m service calls
  - 5m Underwrite new policies
  - 3m Underwrite new policies
  - 5.8m Underwrite vehicles
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- **2006年**
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- **2007年**
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  - 7.5m Underwrite vehicles
Gradually Redeploy to Low Cost Areas, Capturing Cost Advantages.

Data processing
Call center
UW/claims etc.
Telesales

Gradually Redeploy to Low Cost Areas, Capturing Cost Advantages.
Our Vision

- Support and enabling group strategy, through leveraging latest technology and operation capabilities
- Building a “role model” operation platform, with the best services levels, operation quality, risk management practices and, the most competitive cost advantage

Leading integrated financial services providers
Thank You!