

中国平安 PINGAN

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Expertise Makes Life Simple!

Understanding Ping An's Latest Strategy

August 2013



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Ping An is strategically positioned as “one of China’s largest retail financial services groups”

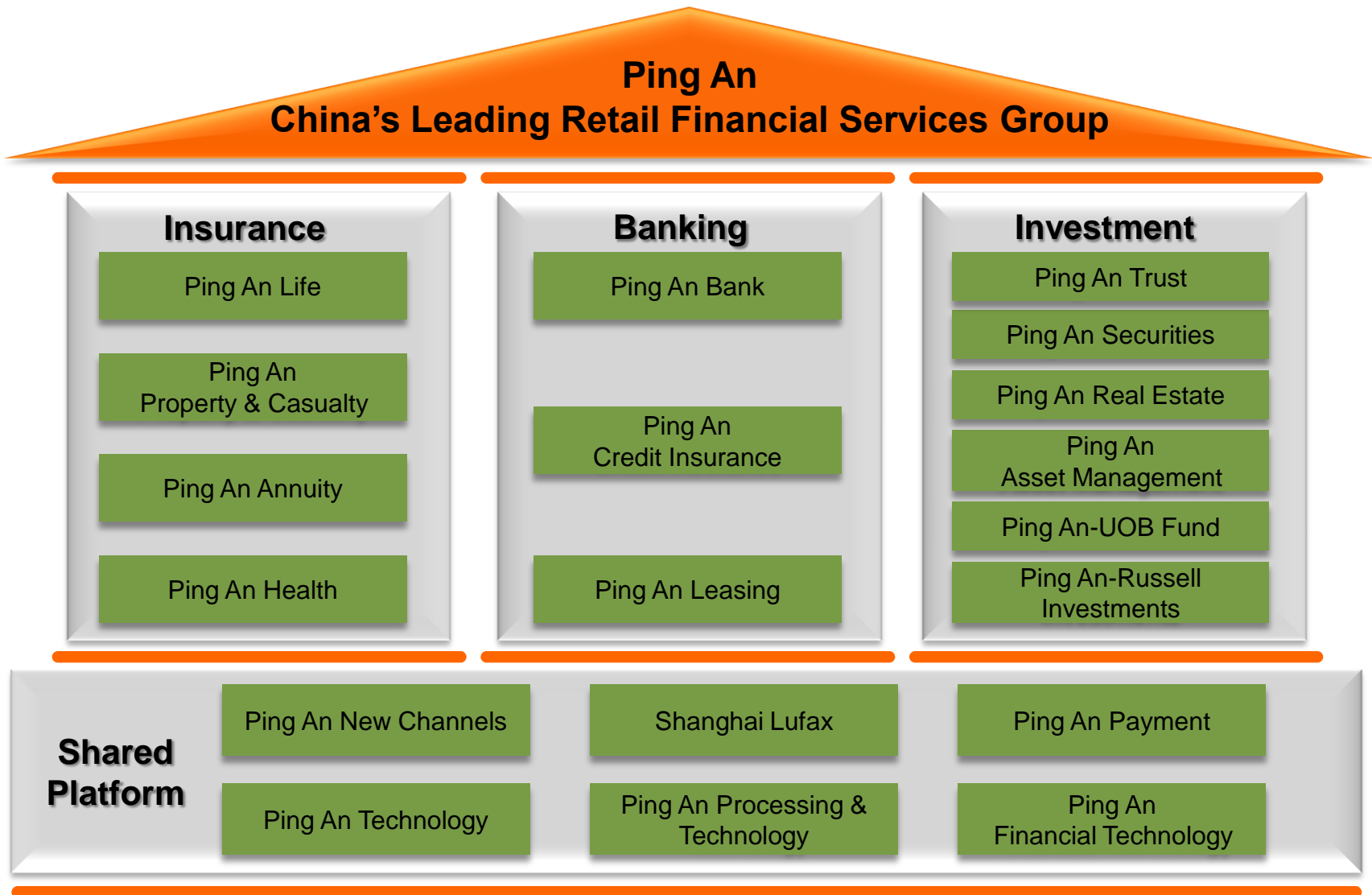
Retail Financial Services

- Provide financial services to cover life’s essentials, including auto, home, health, and etc.
- Become China’s largest retail financial services provider

Primary Wealth Manager

- Have the largest market share of affluent and mass-affluent retail customers in China
- Hold the majority of affluent and mass-affluent retail customers’ asset under management

Ping An has secured licenses spanning the entire financial services industry, comprising insurance, banking, and investment



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Ping An's business model is centered around financial services supermarket and customer migration

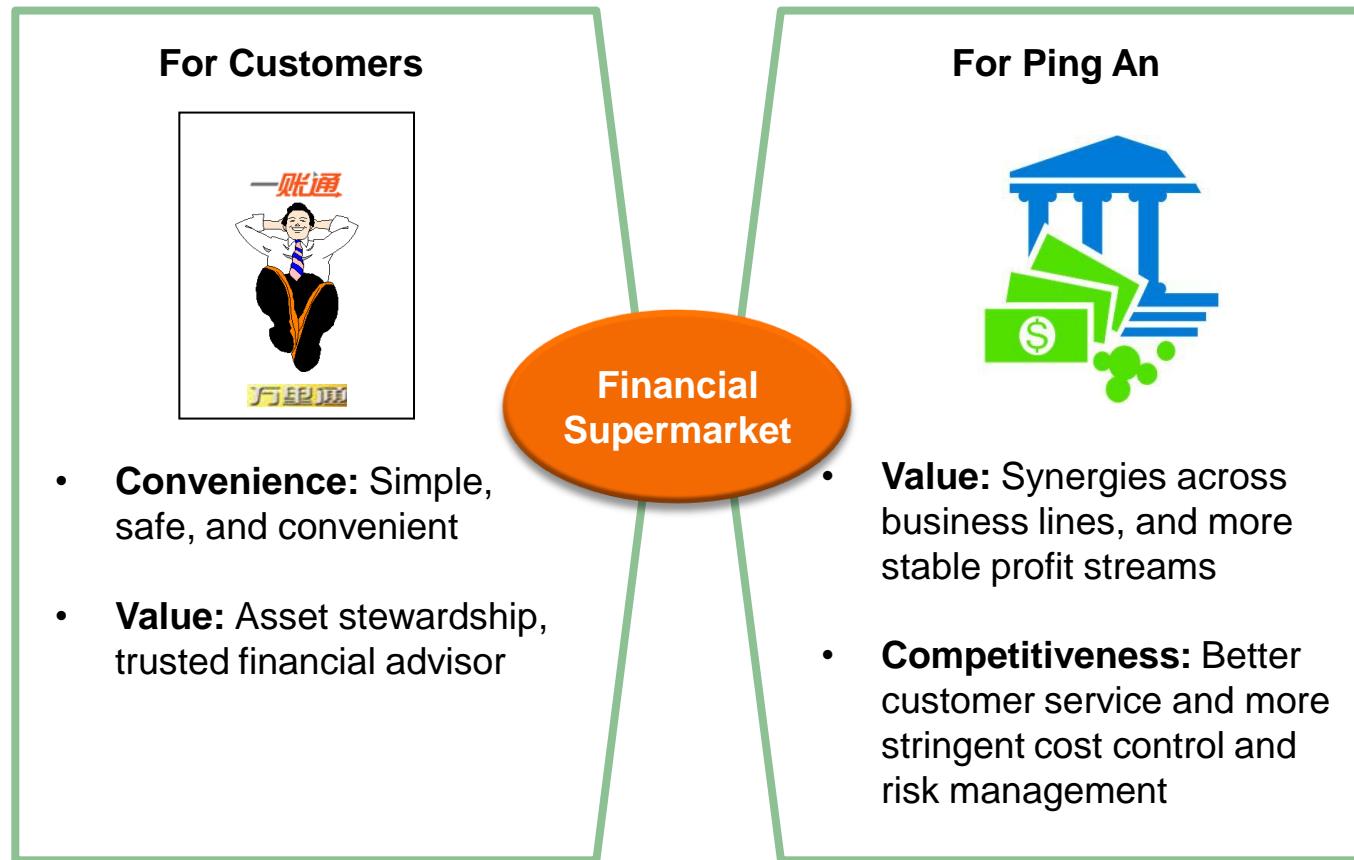
1 Financial Services Supermarket

- One Customer, One Account, Multiple Products and One-Stop Service

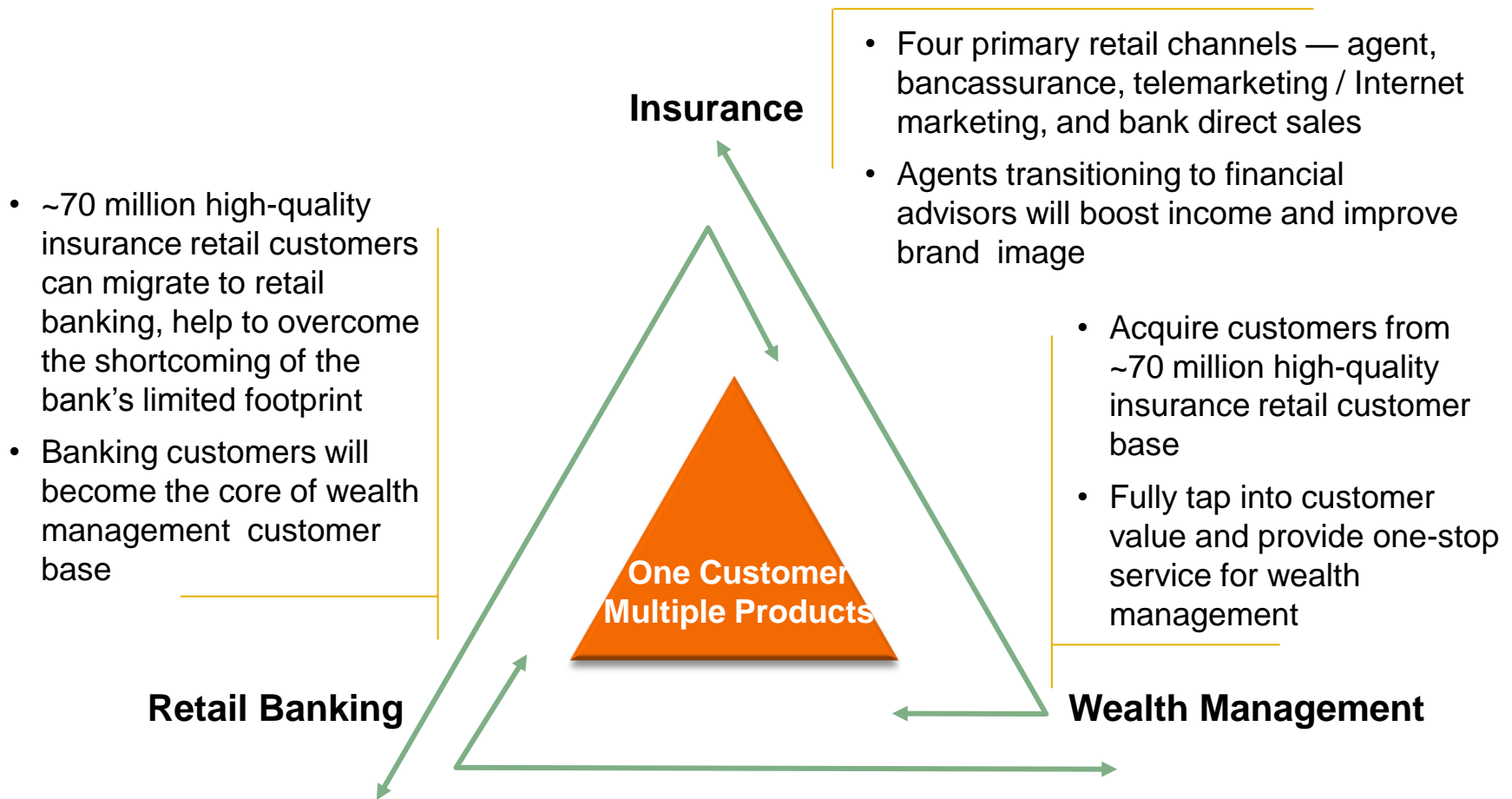
2 Customer Migration

- Insurance customers migrate to retail banking and wealth management
- Non-financial services customers migrate to financial services

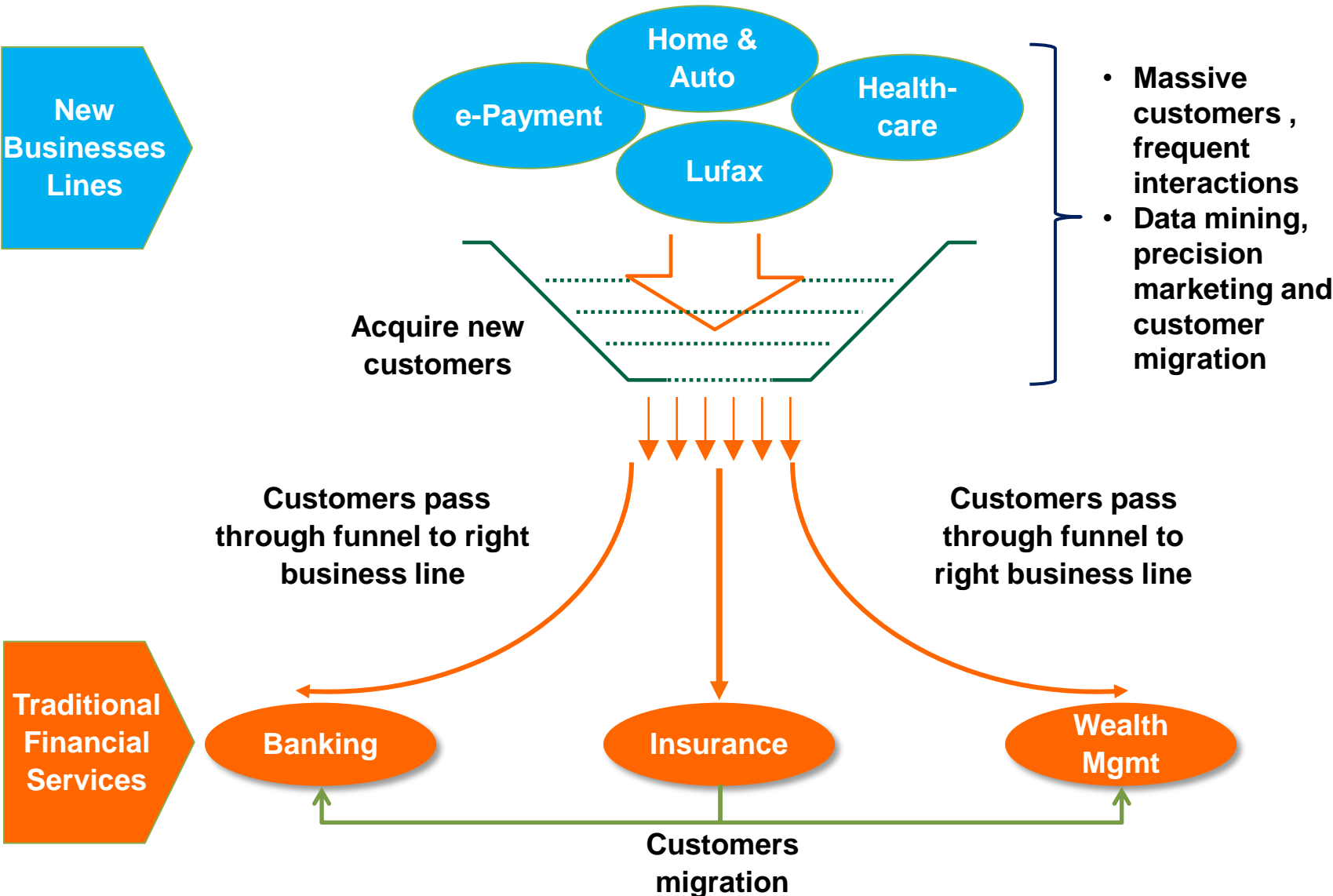
Financial Services Supermarket: One Customer, One Account, Multiple Products and One-Stop Service



Insurance customers migrate to retail banking and wealth management, which, in turn, will enhance insurance business development



Application of new technologies will enable Ping An to migrate customers of new business lines to traditional financial services



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Ping An's profit model has two separate but synergetic engines

1 Traditional Financial Services

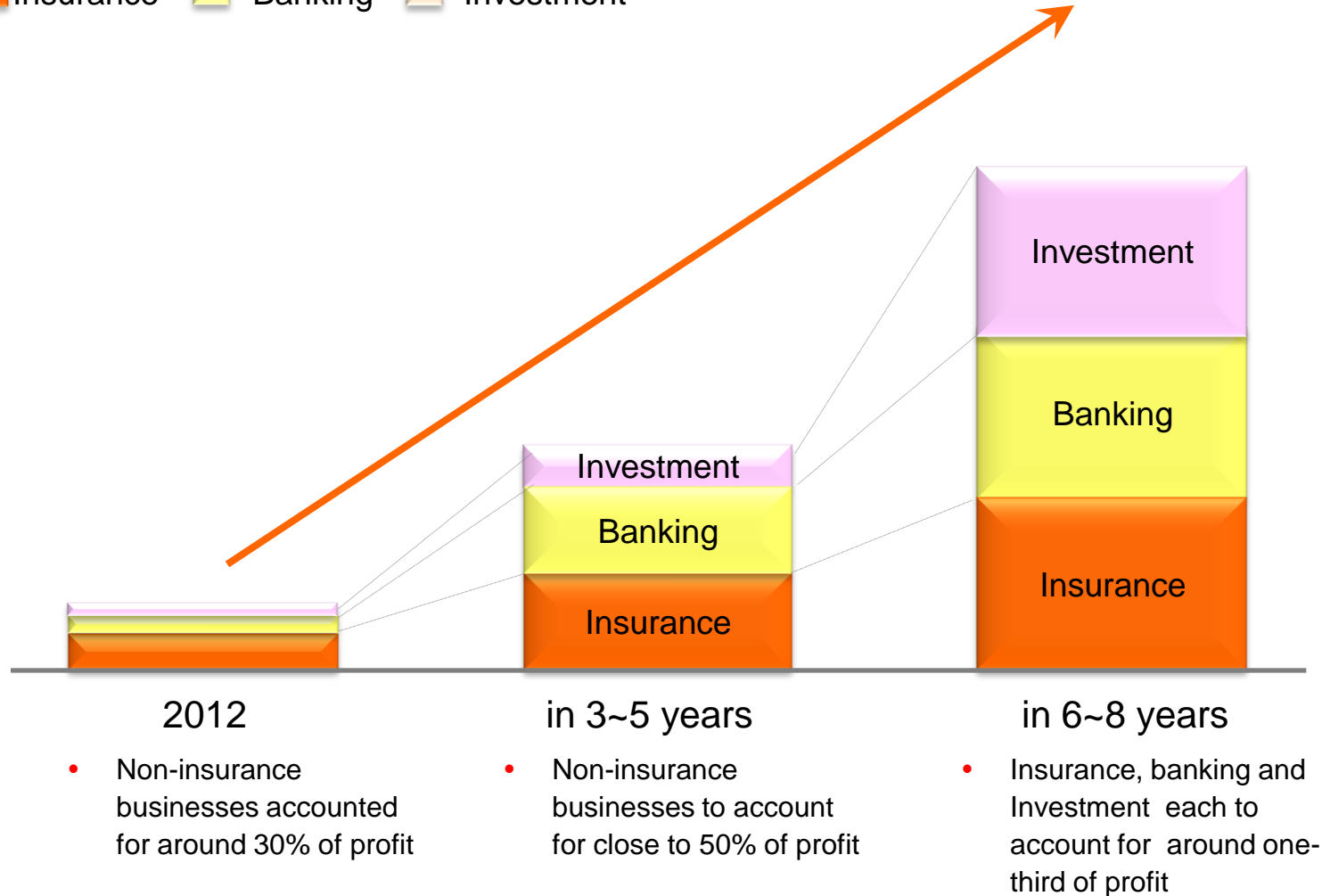
- Achieve balanced growth of three core businesses – insurance, banking, and investment
- Increase average number of products and profit contribution per customer

2 New Business Lines

- Cover life's essentials, including auto, home, health, and etc.
- Generate profit through a multi-dimensional approach, including platform, data, and services

Ping An aims to achieve balanced growth of insurance, banking and investment, each account for around one-third of profit in 2020

Insurance Banking Investment

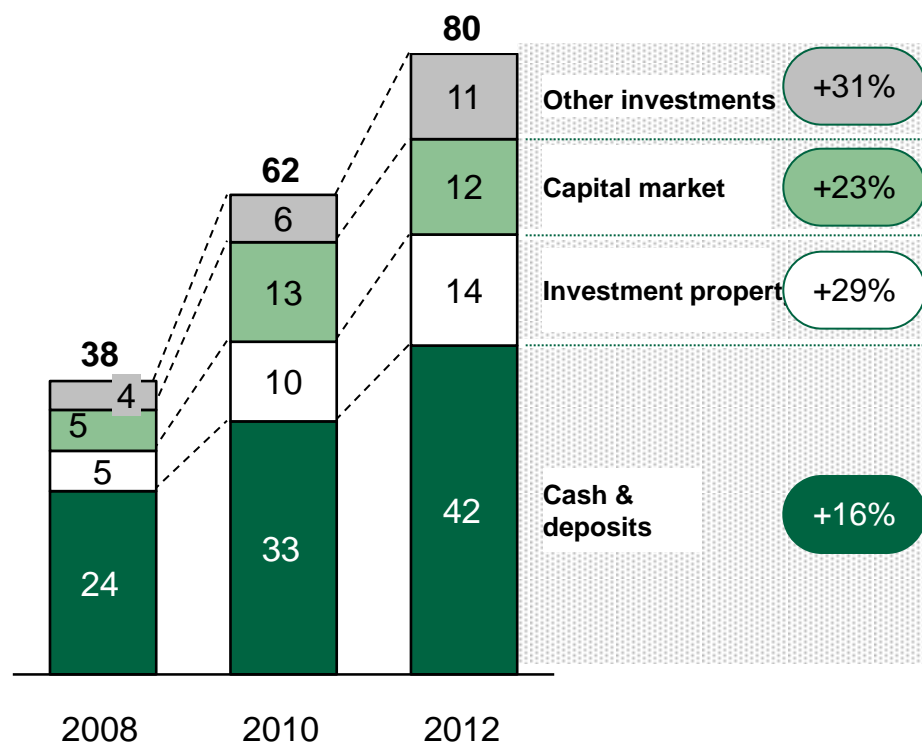


By increasing average number of products and profit contribution per customer, Ping An becomes the primary wealth manager for the affluent and mass-affluent customers

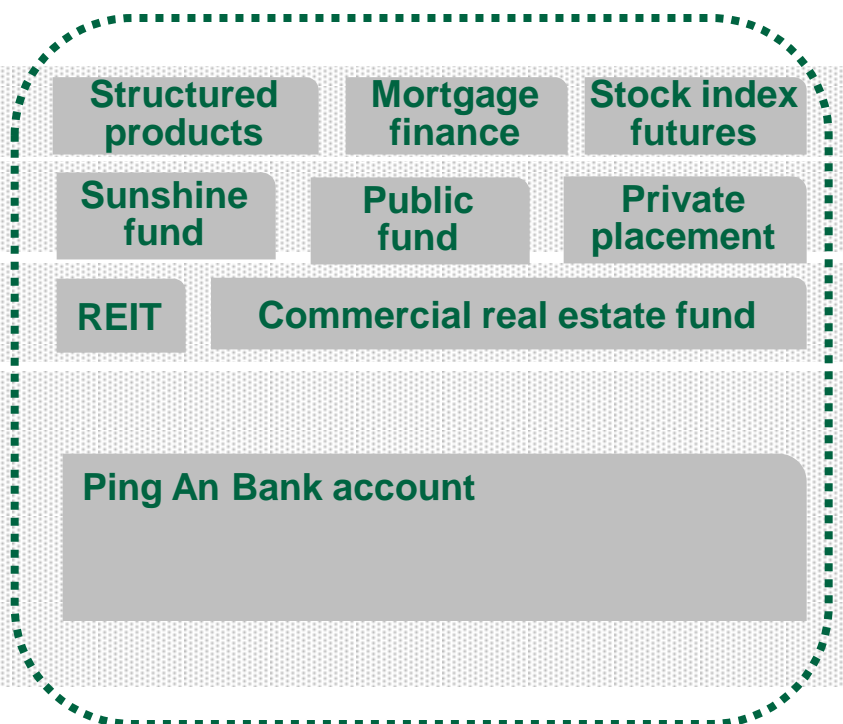
China's personal investable asset

(2008-2012) [RMB trillion]

CAGR

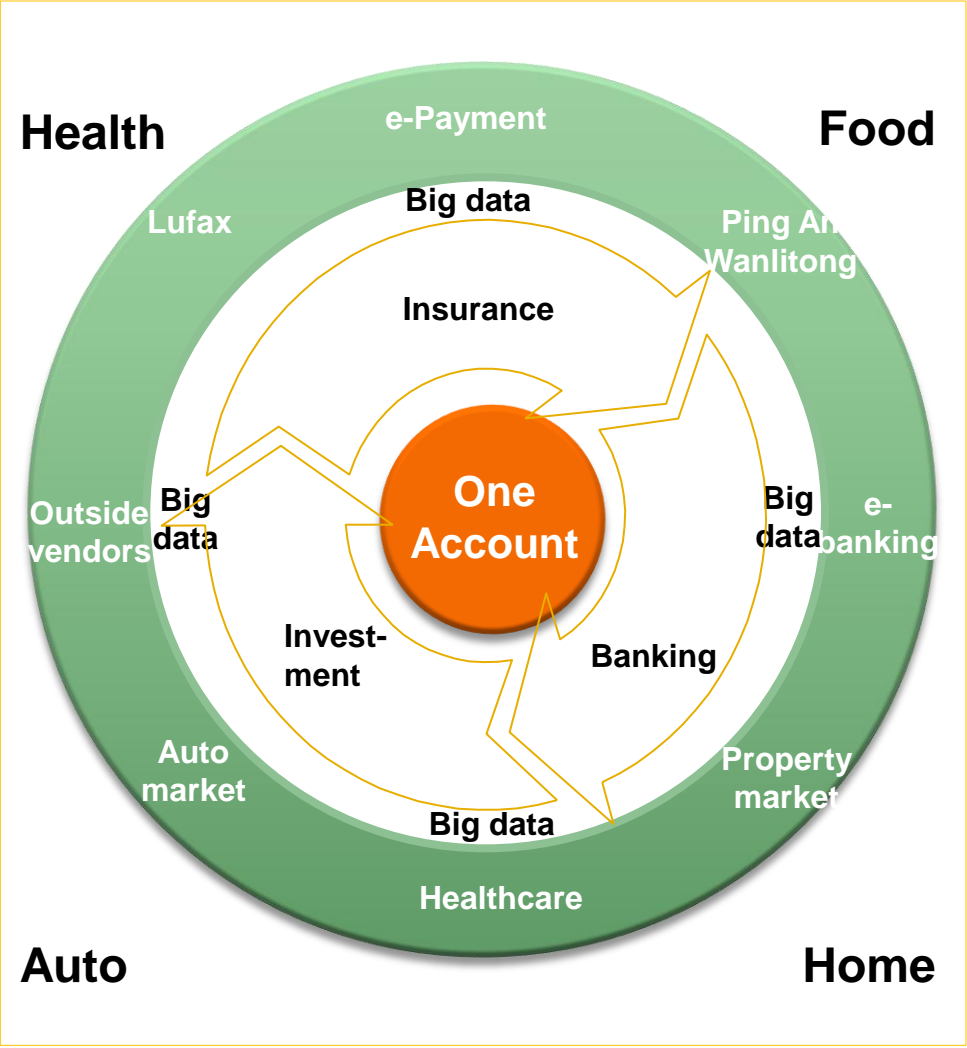


Ping An to provide China's affluent and mass-affluent customers with one-stop shop for wealth management



Source: <China Private Wealth Report 2013> published by Bain & Company

In new business lines, Ping An wants to cover life's essentials through the application of new technologies



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Ping An's core competitive advantages lie in its strong customer base, distribution channels, innovation and risk management

Customers

- Over 80 million retail customers with wealth levels far exceeding Chinese urban market averages
- ~70 million high-quality insurance retail customers can migrate to retail banking and wealth mngmt
- Nearly 70% of Ping An's affluent and mass-affluent retail customers are in the 26-45 age group, with average profit contribution far exceeding that of mass customers, spelling huge potential for integrated finance services

Channels

- Life insurance agents cross-sell other product lines to customers, increasing customer loyalty and agent commission income, and thus enhance the stability of agency force
- Rapid growth in Credit Card and Trust businesses have successfully demonstrated Ping An's ability to migrate customers from insurance to other businesses
- Ping has a tele-sales force of ~40,000, and their annual sales in insurance premiums would rank Ping An as the sixth largest P&C carrier in China, and the largest in Life(by tele-sales)

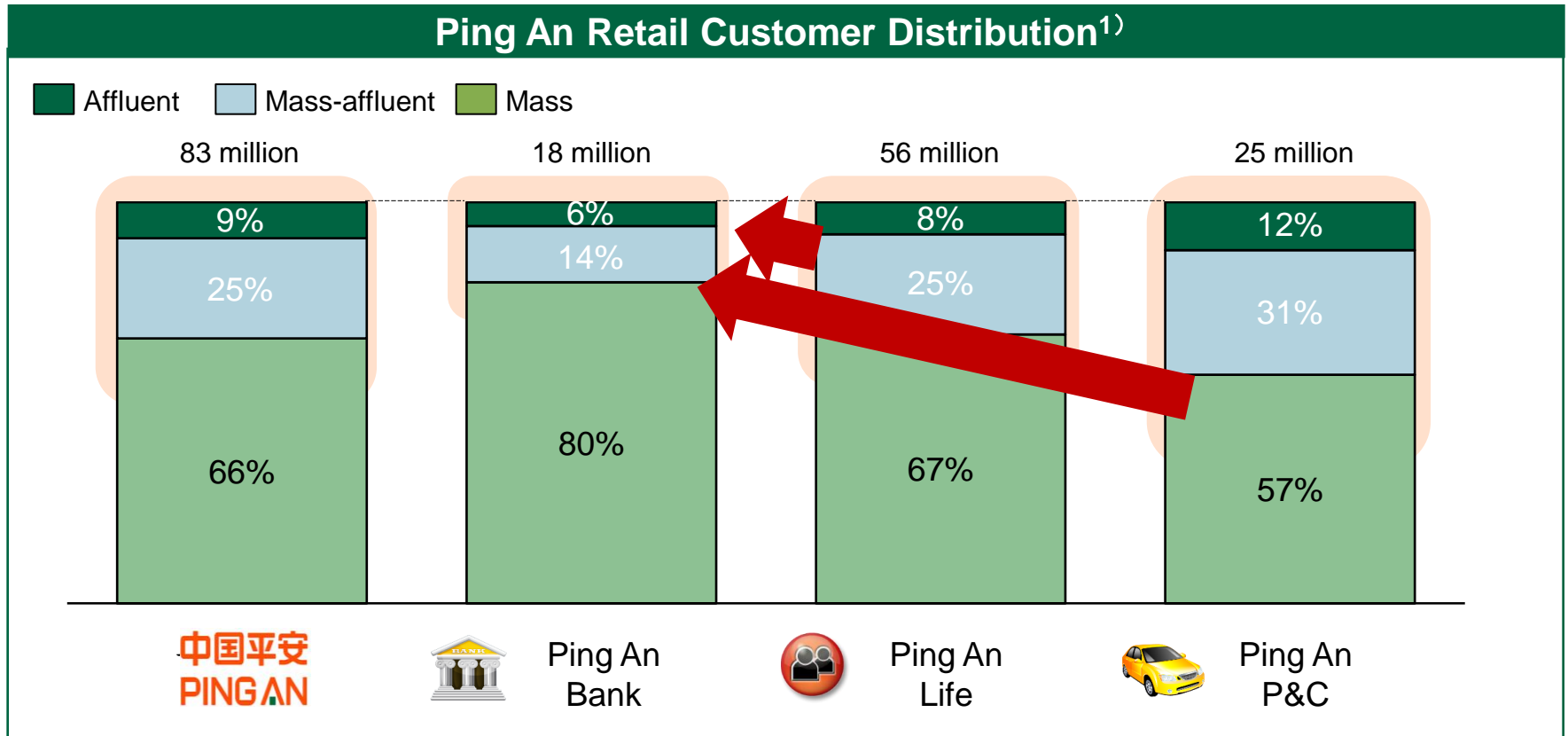
Innovations

- Ping An has long been the leader in financial technology innovation. Big data, new businesses, new outlet formats, and new e-tools will lay a solid foundation for Ping An's earnings growth in the future
- New business lines, such as Lufax and e-Payments, signals Ping An's future direction of developing more asset-light, technology-heavy and highly profitable businesses

Risk Management

- The Group imposes a "dual supervision" risk management system, and has more stringent controls on integrated financial services risk than the market or regulatory bodies
- The Group has strong investment and financing capabilities and is able to provide capital injection to its subsidiaries to deal with risk events and ensure the stability of the Company, as well as the market

Ping An's Insurance business has ~70 million high-quality retail customers, continuously migrating to retail banking and wealth mngmt



Ping An has ~7 million affluent retail customers and ~20 million mass-affluent retail customers, both ideal target customers for integrated financial services

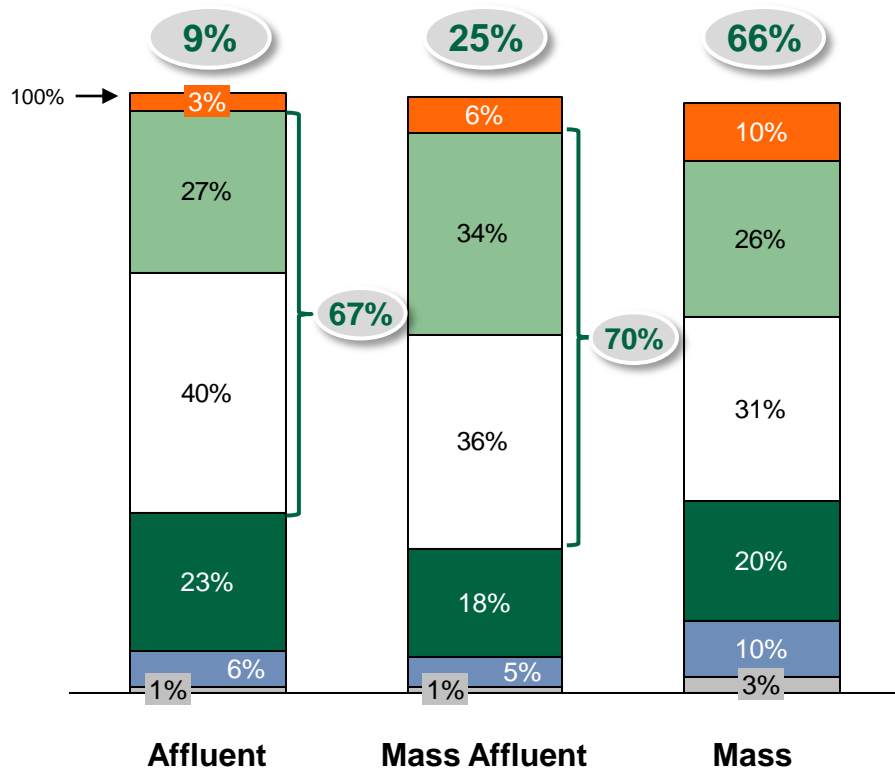
- 1) Affluent customers--annual income of RMB250,000 or above; mass-affluent customers--between RMB100,000 and 250,000; mass customers--below RMB100,000
- 2) Number of customers at subsidiaries' level will total more than that at Group level, as duplicate customer counts were eliminated only at the Group level
- 3) Customer income is estimated through customer self-reflected information, product holding position and market survey data
- 4) Bank customers do not include credit card customers

Source: McKinsey Analysis

~70% of Ping An's affluent and mass-affluent retail customers are in the 26-45 age group, with profit contribution far exceeding that of mass customers

Ping An retail customer age distribution by wealth level

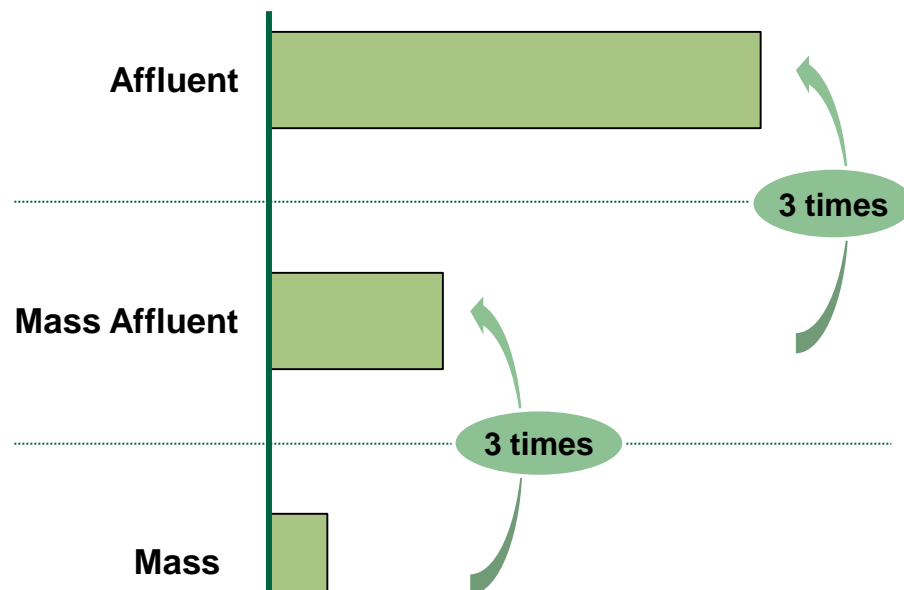
■ below 26 ■ 26-35 years old ■ 36-45 years old ■ 56-65 years old
■ 46-55 years old ■ 65 or above



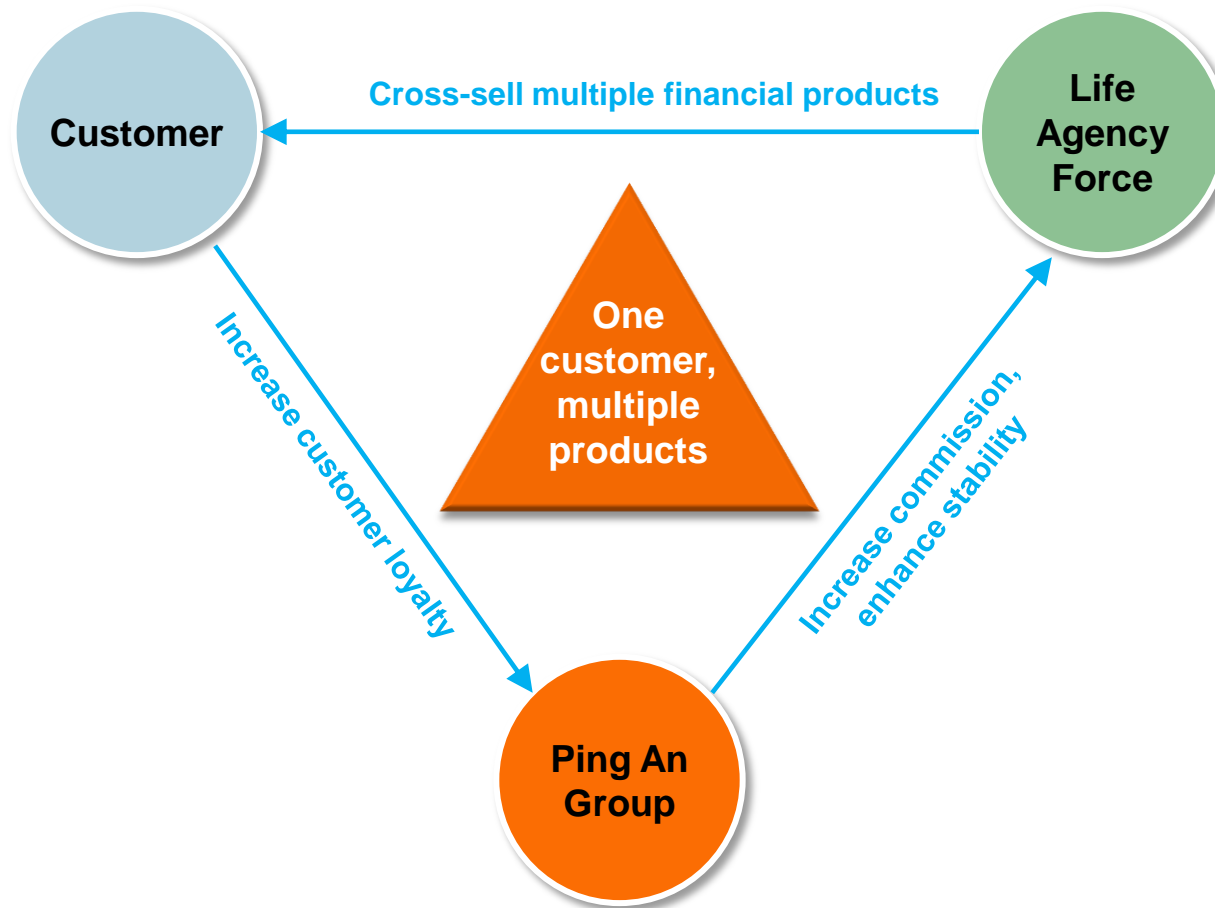
X% Proportion of Group's retail customers

Average profit contribution per retail customer

Figures are indexed



Ping An Life insurance agents cross-sell other product lines to customers, increasing customer loyalty and agent income, and thus enhance the stability of agency force

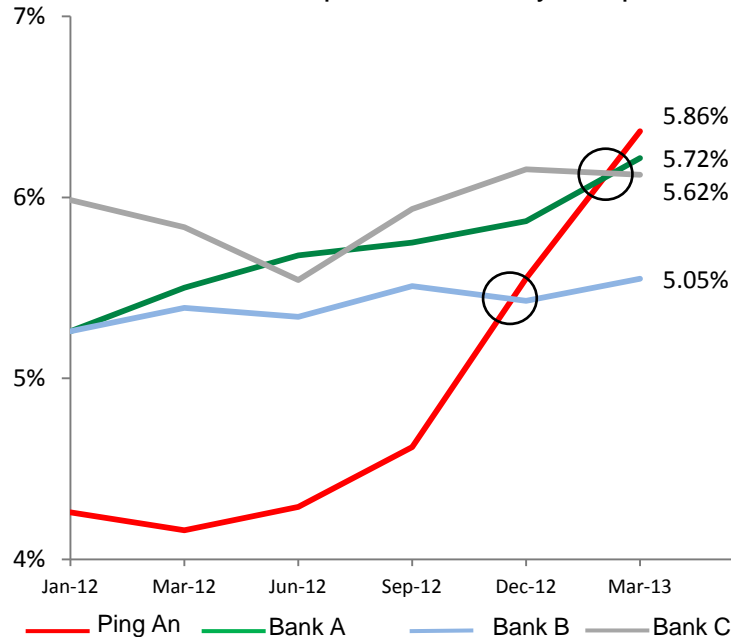


- Ping An's Life agency force reached 549,000 by end of 1st half 2013, **up 7% against end of 2012**
- Income generated by cross-sell up nearly 30% in 2012, currently accounts for **13% of total income of agents**

Credit card has proved Ping An Bank's ability to acquire high-quality customers from insurance business at lower cost

Credit card business has grown rapidly

Market share comparison with key competitors

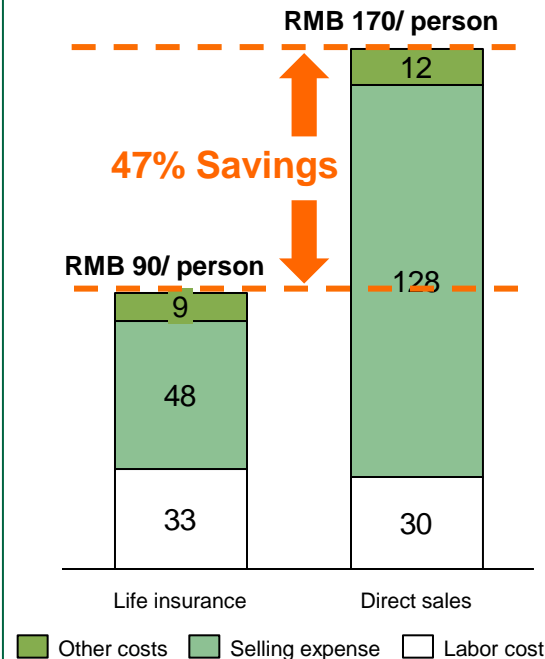


Note: banks A,B,C refer to leaders in the 2nd tier credit card issuers in China

Market share of credit card POS transactions reached a record high of 6.34% in May 2013, with transaction amount exceeding RMB35 billion

Life insurance channel has lower customer acquisition cost

Customer acquiring cost comparison

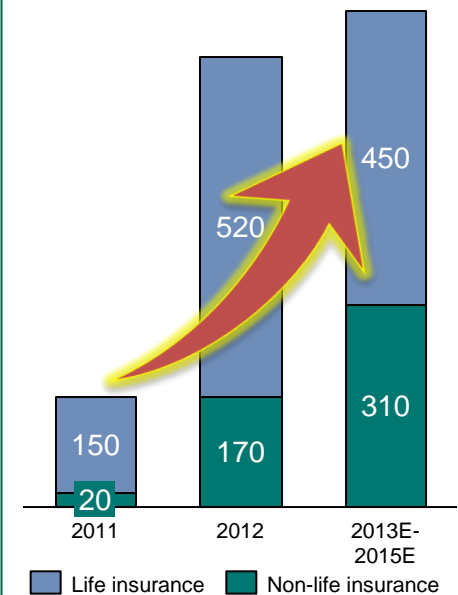


Per customer acquisition cost by two different channels:

- **Life insurance: RMB90**
- **Direct sales: RMB170**

Life insurance continues to provide quality customers

Platinum, Car-owner and Insurance Gold cards issued: (in thousands)



Issuance of credit cards with annual fees increased multi-fold, driven in large part by customer migration from insurance businesses

Over 50% of Ping An Trust's retail customers migrated from insurance business, further proof of insurance business's ability to provide high-quality customer to other businesses

Key success factors to Ping An Trust's rapid growth

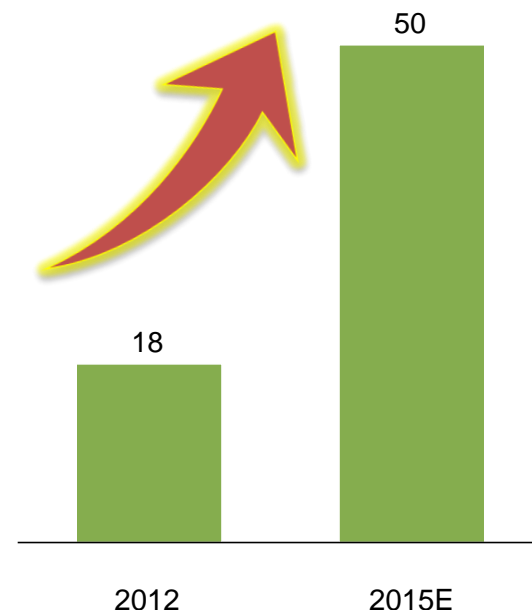
Huge growth to cross-sell to Group's customer base

- Ping An Trust has only covered **2%** of the Group's high-net-worth retail customers (estimated to total ~700,000).
- By covering only 6% of the Group's high-net-worth retail customers, Ping An Trust will boast a customer base greater than the majority of China's premier private banks

Customer migration model is well tested, highly replicable

- Over **50%** of Ping An Trust's retail customers **migrated from insurance business**.
- Number of insurance agents who have referred customer for trust products has reached ~3,000 at the end of 2012. It is estimated to **grow 10-fold to 30,000 in 2015**.
- Insurance channel has lower customer acquisition cost than direct sales channel

Ping An Trust retail customers
(in 1,000)



1) High-net-worth customers have annual income of RMB1 million and above or AUM of RMB6 million and above

2) Customer income is estimated through customer self-reflected information, product holding position and market survey data

Ping An Group has a “dual supervision” risk management system, and its capital deployment is highly efficient and effective

“Dual supervision” risk management

- Subsidiaries are **operated independently** with a rigorous **firewall system**, and each subsidiary complies with its governing regulatory requirements.
- **The Group does not operate any business.** It takes part in decision making through the Board of Directors, but does not intervene in the daily operations of its subsidiaries.
- The Group runs a “**dual supervision**” risk management system – together with the regulatory bodies, the Group imposes “dual supervision” on finances, audit, compliance, strategic planning, and executive accountability.

Efficient & effective capital deployment

- The Group has strong investment and financing capabilities and is able to provide capital injection to its subsidiaries to deal with risk events and **ensure the stability of the Company, as well as the entire market.**
- Reserving capital at the Group level could avoid unnecessary duplication of capital reserves at the subsidiaries’ level, and therefore could **enhance the efficiency and effectiveness of capital deployment in the entire Group.**

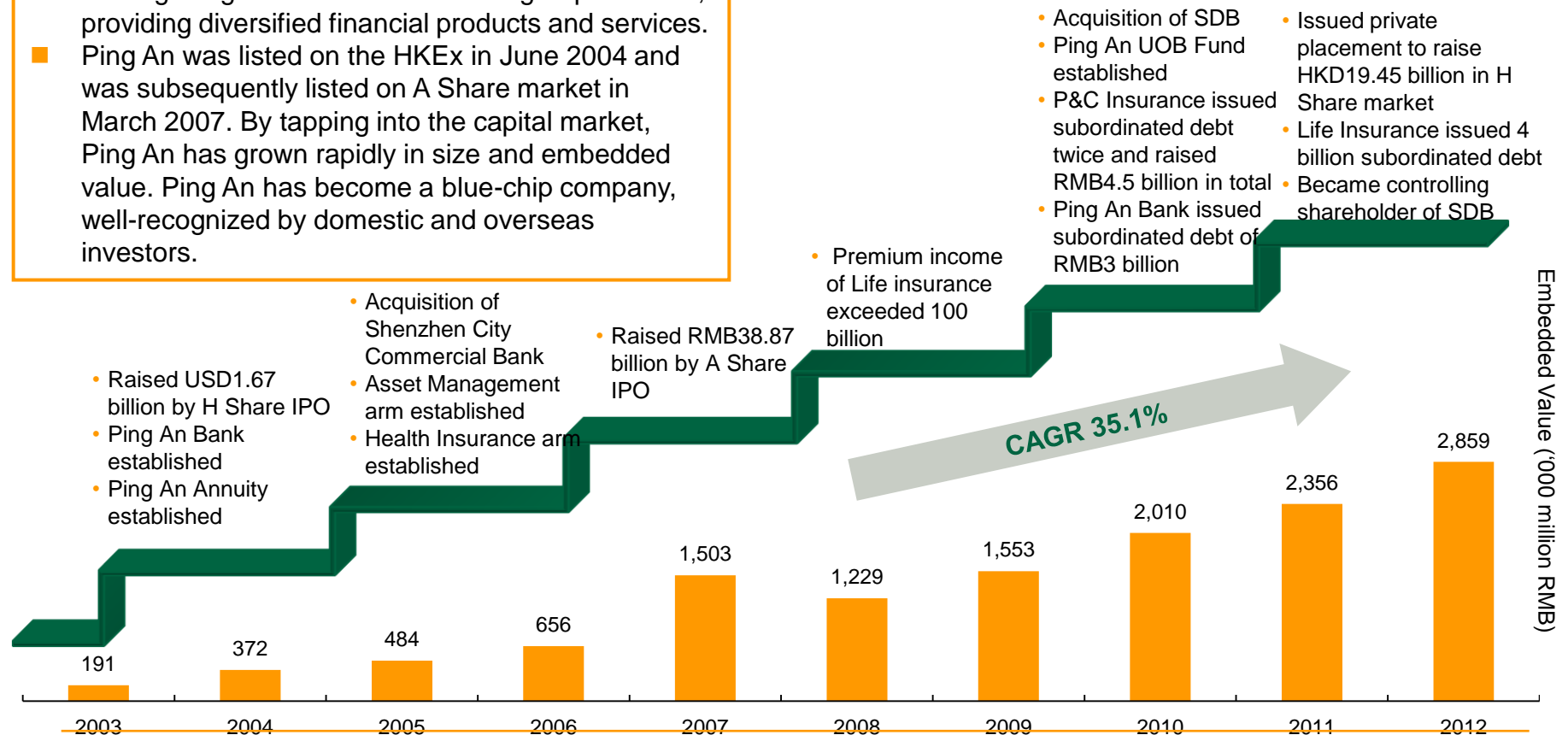
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Ping An Group's embedded value grew at 35.1% per annum since listing

Backed by integrated financial strategy and sustained high performance, Ping An Group's embedded value grew rapidly

- After years of development, Ping An has transformed from a P&C insurance company into a leading integrated financial services group in China, providing diversified financial products and services.
- Ping An was listed on the HKEx in June 2004 and was subsequently listed on A Share market in March 2007. By tapping into the capital market, Ping An has grown rapidly in size and embedded value. Ping An has become a blue-chip company, well-recognized by domestic and overseas investors.

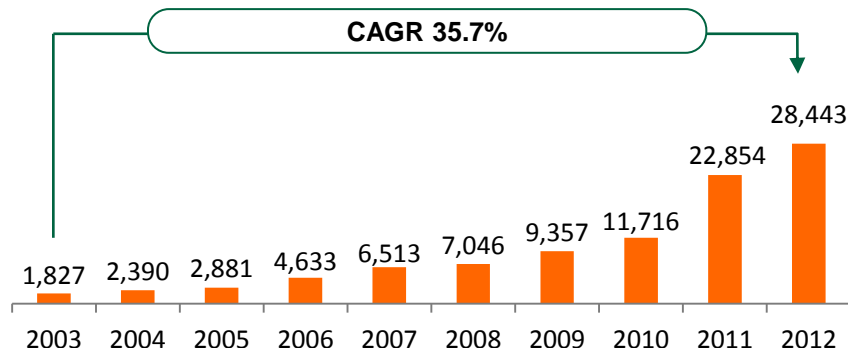


Source: Company's annual reports and prospectus

Group's total assets grew 14.6 times and net profit 8.5 times since listing

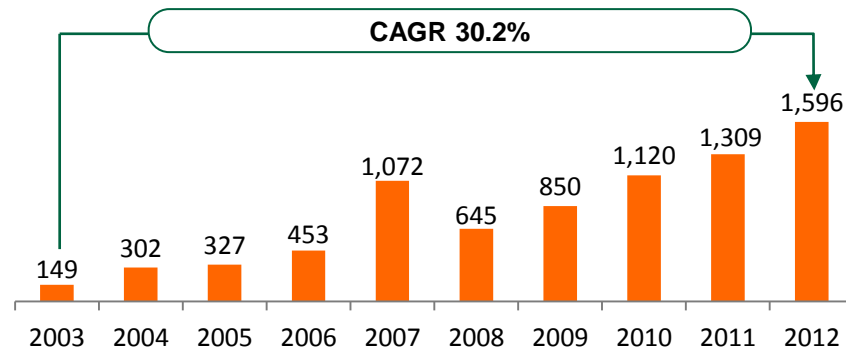
Total assets grew 14.6 times 2003-2012

RMB'000 million



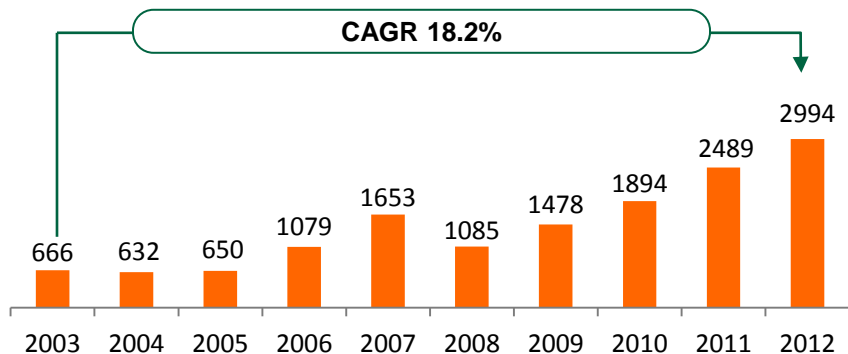
Net assets¹⁾ grew 9.7 times 2003-2012

RMB'000 million



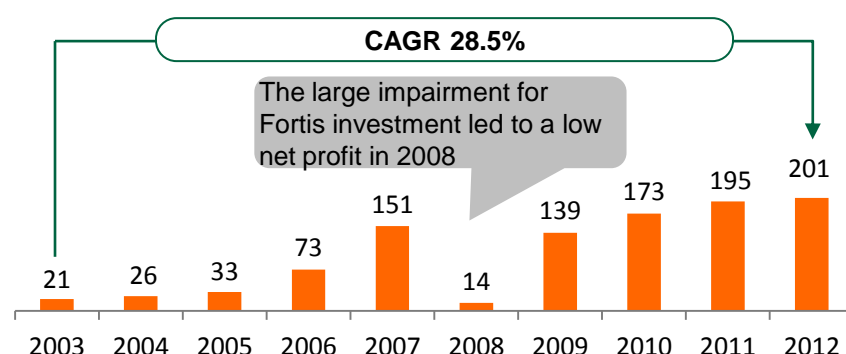
Operating income grew 3.5 times 2003-2012

RMB'000 million



Net profit²⁾ grew 8.5 times 2003-2012

RMB'000 million



1) Net assets refer to equity attributable to shareholders of the parent company;

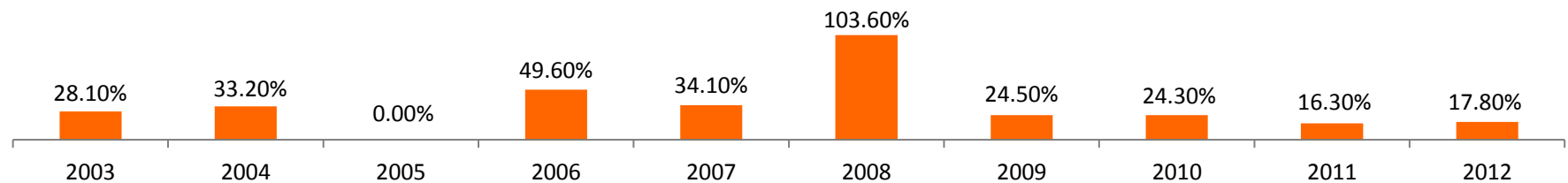
2) Net profit refer to net profit attributable to shareholders of the parent company, subject to adjustment and restatement

Source: Company's annual reports and prospectus

Ping An Group maintained a relatively stable cash dividend payout, and kept its focus on Return on Shareholder Equity

Dividend payout¹⁾

Average cash dividend payout of 33.1%

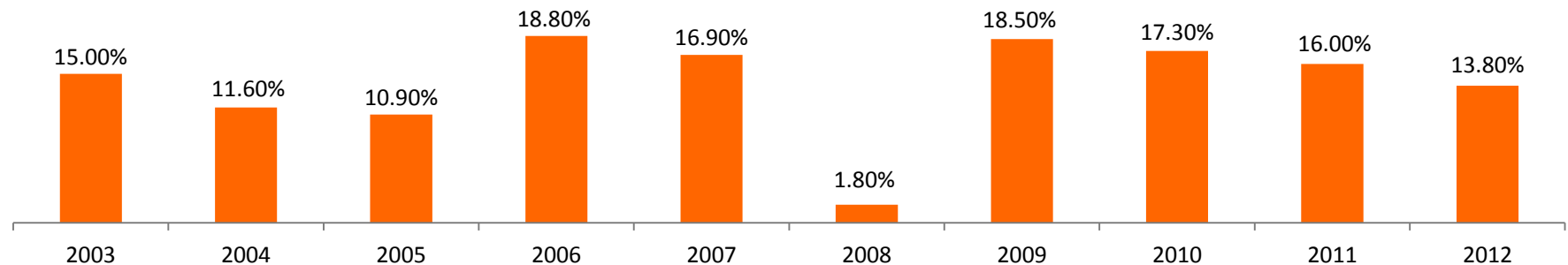


1) The net profit used to calculate the dividend payout refers to net profit attributable to shareholder of the parent company, subject to adjustment and restatement

Source: Company's annual reports and prospectus

ROE since listing

Average ROE of 14.1%



Source: 2003 & 2004 data from the A share prospectus, while 2005-2012 data from Company's annual reports.

Adjusted and restated data was adopted (if any)

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Thank You!

