



平安银行  
PING AN BANK

# Ping An Bank 2014 3Q Report Release

October 2014



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# I. Financial Highlights

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# 1. Profit and Scale

| (In RMB 100 million)                                               | Jan-Sep 2014  | Jan-Sep 2013  | YoY          |               |
|--------------------------------------------------------------------|---------------|---------------|--------------|---------------|
|                                                                    |               |               | Change       | Change %      |
| <b>1. Net Profit</b>                                               | <b>156.94</b> | <b>116.96</b> | <b>39.98</b> | <b>34.18%</b> |
|                                                                    | 30 Sep 2014   | 31 Dec 2013   | YTD          |               |
|                                                                    |               |               | Change       | Change %      |
| <b>2. Total Assets</b>                                             | <b>21,444</b> | <b>18,917</b> | <b>2,527</b> | <b>13.35%</b> |
| <b>Including: Total Loans</b>                                      | <b>9,929</b>  | <b>8,473</b>  | <b>1,456</b> | <b>17.18%</b> |
| Including: General Corporate Loans<br>(excluding Discounted Bills) | 6,056         | 5,093         | 963          | 18.91%        |
| Retail Loans                                                       | 2,706         | 2,388         | 318          | 13.32%        |
| Credit Cards                                                       | 1,018         | 868           | 150          | 17.26%        |
| <b>3. Total Liabilities</b>                                        | <b>20,177</b> | <b>17,796</b> | <b>2,381</b> | <b>13.37%</b> |
| <b>Including: Total Deposits</b>                                   | <b>15,082</b> | <b>12,170</b> | <b>2,912</b> | <b>23.93%</b> |
| Including: Corporate Deposits                                      | 12,620        | 10,053        | 2,567        | 25.53%        |
| Retail Deposits                                                    | 2,462         | 2,117         | 345          | 16.33%        |
| <b>4. Shareholders' Equity</b>                                     | <b>1,267</b>  | <b>1,121</b>  | <b>146</b>   | <b>13.08%</b> |

## 2. Asset Quality and Efficiency

| (In RMB 100 million)                                 | 30 Sep 2014  | 31 Dec 2013  | YTD        |
|------------------------------------------------------|--------------|--------------|------------|
| <b>1. Asset Quality</b>                              |              |              |            |
| NPL Balance                                          | 97.65        | 75.41        | 29.50%     |
| NPL Ratio                                            | 0.98%        | 0.89%        | +0.09 ppt  |
| Provision to Loan Ratio                              | 1.89%        | 1.79%        | +0.10 ppt  |
| Provision Coverage Ratio                             | 191.82%      | 201.06%      | -9.24 ppts |
|                                                      | Jan-Sep 2014 | Jan-Sep 2013 | YoY        |
| <b>2. Return on Assets</b>                           |              |              |            |
| Average Return on Total Assets (annualized)          | 1.04%        | 0.90%        | +0.14 ppt  |
| Weighted Average Return on Equity (annualized)       | 17.20%       | 16.93%       | +0.27 ppt  |
| <b>3. Net Interest Spread</b>                        | 2.36%        | 2.07%        | +0.29 ppt  |
| <b>4. Net Interest Margin</b>                        | 2.53%        | 2.23%        | +0.30 ppt  |
| <b>5. Cost/Income Ratio (excluding Business Tax)</b> | 36.70%       | 39.57%       | -2.87 ppts |

### 3. Income Statement

| (In RMB 100 million)                      | Jan-Sep 2014  |             | YoY           |                 |                   |
|-------------------------------------------|---------------|-------------|---------------|-----------------|-------------------|
|                                           | Amount        | Proportion  | Amount Change | Amount Change % | Proportion Change |
| <b>Operating Income</b>                   | <b>546.51</b> | <b>100%</b> | <b>173.06</b> | <b>46.34%</b>   |                   |
| Net Interest Income                       | 384.18        | 70.30%      | 93.62         | 32.22%          | -7.50%            |
| Net Non-Interest Income                   | 162.33        | 29.70%      | 79.44         | 95.84%          | 7.50%             |
| Including: Net Fee Income                 | 127.97        | 23.42%      | 53.82         | 72.58%          | 3.56%             |
| <b>Expenses</b>                           | <b>241.79</b> |             | <b>64.67</b>  | <b>36.51%</b>   |                   |
| Operating Fees                            | 200.56        | 36.70%      | 52.80         | 35.73%          | -2.87%            |
| <b>Operating Profit Before Provisions</b> | <b>304.72</b> |             | <b>108.39</b> | <b>55.21%</b>   |                   |
| <b>Less: Asset Impairment Loss</b>        | <b>97.01</b>  |             | <b>53.75</b>  | <b>124.25%</b>  |                   |
| <b>Net Profit</b>                         | <b>156.94</b> |             | <b>39.98</b>  | <b>34.18%</b>   |                   |
| <b>Basic/Diluted EPS (in RMB)</b>         | <b>1.37</b>   |             | <b>0.18</b>   | <b>15.13%</b>   |                   |

## 4. Regulatory Indicators

| (Unit: %)                                                                        |                                    | Standard level | 30 Sep 2014 | 31 Dec 2013 |
|----------------------------------------------------------------------------------|------------------------------------|----------------|-------------|-------------|
| <b>Liquidity Ratio (RMB and Foreign Currency)</b>                                |                                    | ≥25            | 68.66       | 49.56       |
| <b>Loan/Deposit Ratio (including Discounted Bills, RMB and Foreign Currency)</b> |                                    | ≤75            | 64.57       | 69.67       |
| <b>NPL Ratio</b>                                                                 |                                    | ≤5             | 0.98        | 0.89        |
| According to Administrative Measures for the Capital of Commercial Banks (Trial) | Capital Adequacy Ratio             | ≥10.5          | 11.00       | 9.90        |
|                                                                                  | Tier 1 Capital Adequacy Ratio      | ≥8.5           | 8.78        | 8.56        |
|                                                                                  | Core Tier 1 Capital Adequacy Ratio | ≥7.5           | 8.78        | 8.56        |

As at the end of the reporting period, the Bank's major regulatory indicators were in line with regulatory requirements.



## II. Business Operations

1. Steady Growth in Deposits and Effective Cost Control
2. Rapid Growth in Profits and Recorded High Non-Interest Income
3. Optimized Business Structure and Improvement in Efficiency
4. Accelerated Reforms and Professional Operations
5. Business Innovation and Brand Building
6. Strict Risk Management and NPL Disposal





# 1. Steady Growth in Deposits and Effective Cost Control

## Steady Growth in Deposits

- **Significant growth in deposit balance:** As at the end of Sep, the Bank's deposits amounted RMB 1,508.2 bn, up by 24% YTD. The deposit deviation ratio was in line with regulatory requirements.
- **Gradual improvement in daily average deposit balance:** For the first three quarters, daily average deposit balance was RMB 1,376.8 bn, up by RMB 235.0 bn from the previous year. Daily average deposit balance improved gradually from 2012 to 2014.

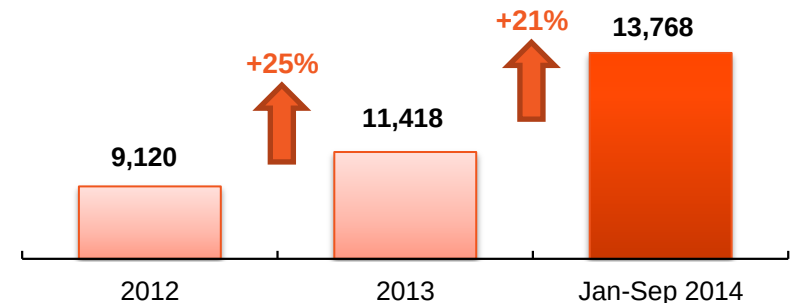
## Deposit Balance

| (In RMB 100 million) | 2014-9-30 |            | YTD           |                 |                   |
|----------------------|-----------|------------|---------------|-----------------|-------------------|
|                      | Amount    | Proportion | Amount Change | Amount Change % | Proportion Change |
| Corporate Deposits   | 12,620    | 83.67%     | 2,566         | 25.53%          | +1.06%            |
| Retail Deposits      | 2,462     | 16.33%     | 346           | 16.33%          | -1.06%            |
| Total Deposits       | 15,082    | 100%       | 2,912         | 23.93%          | -                 |

## Effective Cost Control

- Amid the interest rate liberalization and the impacts of Internet finance, the Bank's percentage of increase in wealth management deposits was lower than industry average. Through strict limitation of high-cost deposits growth, the Bank effectively controlled the increase in deposit cost.

## Growth Trend of Daily Average Deposits (In RMB 100 million)



## 2. Rapid Growth in Profits and Recorded High Non-Interest Income

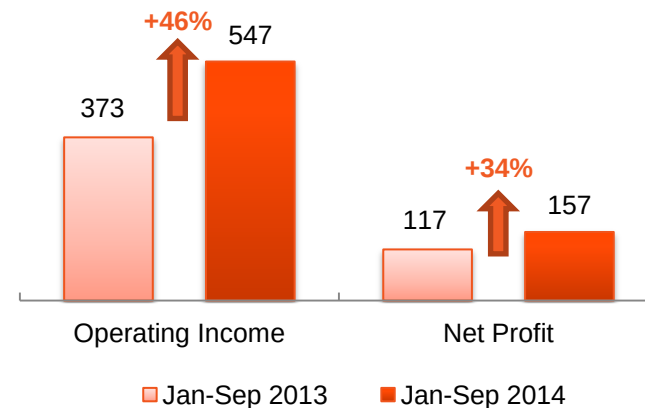
### Rapid Growth in Profits

- **Fast growth in profit:** During the reporting period, the accumulated net revenue was RMB 54.7 bn, up by 46% YoY; profit before provisions was RMB 30.5 bn, up by 55% YoY; asset impairment loss was RMB 9.7 bn, up by 124% YoY; net profit was RMB 15.7 bn, up by 34% YoY.
- **Significant improvement in profitability:** Profit before provisions improved significantly. Profit before provisions for the first three quarters represented almost two times from the same period of 2012.

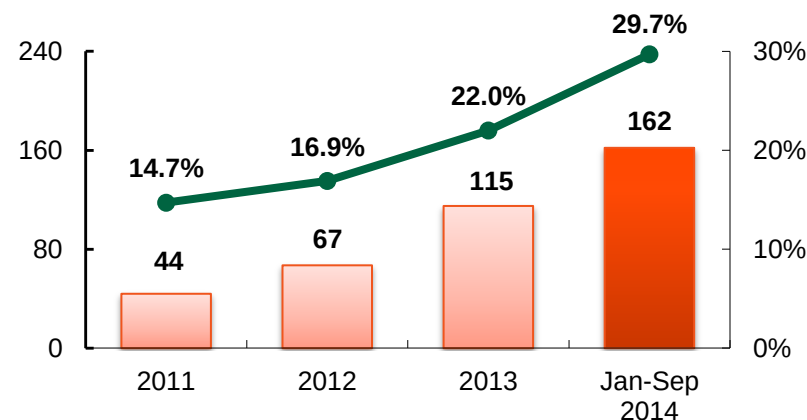
### Record High Non-Interest Income

- **Double up the growth:** For the first three quarters, non-interest income was RMB 16.2 bn, up by 96% YoY. Total non-interest income represented near 2.5 times from 2012 and over 3 times from 2011 respectively. And Investment banking, Notes and Gold businesses made the predominant contribution.
- **Recorded high NII percentage:** NII percentage reached its historical high of 29.7%, up by 7.7 pts from 2013 and 15 pts from 2011 respectively. Percentage of NII business topped the chart among its peers.

Growth in Revenue and Net Profit  
(In RMB 100 million)



Revenue and Percentage of Non-Interest Income Business (In RMB 100 million)



# 3. Optimized Business Structure and Improvement in Efficiency

## Balance Sheet Management

- **Inter-bank business proportion management:** Percentage of inter-bank assets was down by 3.2 ppts YTD; percentage of inter-bank liabilities was down by 8.6 ppts YTD, resulting in an increase in net interest margin and ROA of the Bank by 22bp and 14bp.

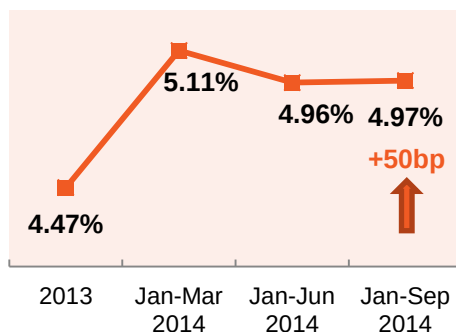
## Liabilities

- **Incentives and innovation:** The Bank encouraged to absorb low-cost deposits and cope with interest rate marketization challenges. The Bank also actively made use of voluntary liability tools to expand liability channels.
- **Maintaining wealth management deposits at reasonable growth:** The Bank strengthened the management of and guidance on wealth management deposits and structural deposits, while adhered to limitation management.

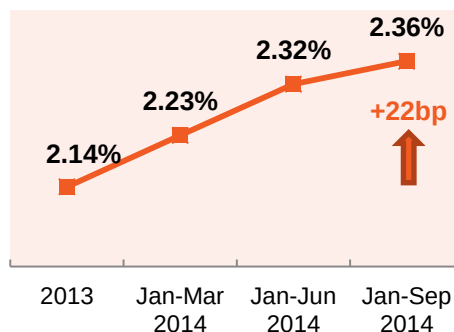
## Assets

- **Credit line management:** The Bank continued to adopt a management model combining basic credit line, bid credit line and special credit line to enhance the utilization rate of loans.
- **Dai Dai Ping An Card business:** As at the end of Sep, there were 160,000 holders of Dai Dai Ping An Card and the credit balance was RMB 56.4 bn. The deposit balance of Dai Dai Ping An Card was RMB 17.5 bn and the loan balance was RMB 38.0 bn, up by 221% and 535% YTD respectively. Average interest rate of outstanding loans extended under existing Dai Dai Ping An Card was 15.68% p.a.

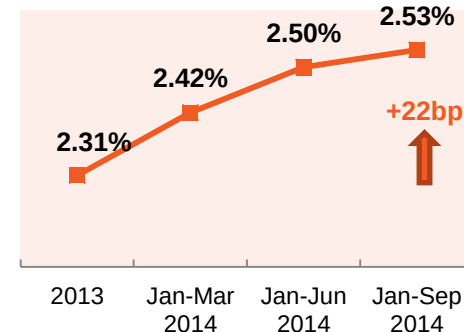
Loan/Deposit Ratio



Net Interest Spread



Net Interest Margin



# 4. Accelerated Reforms and Professional Operations

## Accelerated Reforms

- Completed the reform of Retail BU, which was the first in China to implement professional operation in retail business;
- Completed the reform of Inter-Bank Proprietary Trading BU and Asset Management BU to implement professional operation in inter-bank business and asset management business;
- Established the Modern Agriculture Finance BU and Logistics Finance BU with team building and marketing initiatives well underway.

## Professional Operations

### •Retail BU:

- Retail deposit balance was up by 16% YTD; retail loan (including credit cards) balance was up by 14% YTD; retail non-interest income (including credit cards) was up by 38% YoY;
- There were 200,000 wealth management customers with assets under management of RMB 452.8 bn in aggregate. 291 out of 382 branches of Ping An Wealth Management have rolled out wealth management center;
- The Bank launched a series of niche businesses and products including Oranges Bank, Community Bank and Jin Ling Tong;
- Traditional businesses such as credit cards, private banking, auto finance and consumer finance continued to maintain steady growth.

### •Industry BU:

- Energy BU deposit balance was RMB 38.1 bn. AUM amounted to RMB 126.1 bn and profit before tax was RMB 1.1 bn;
- Real Estate BU deposit balance was RMB 38.1 bn. AUM amounted to RMB 140.3 bn and profit before provisions was RMB 2.1 bn.

### •Product BU:

- Transportation Finance BU launched platform marketing this year and entered into alliance with core customers including Dongfeng Nissan, BeiQi Foton and FAW-VW. Deposit balance as at the end of Sep was RMB 66.2 bn and On and Off Balance Sheet credit size was RMB 119.3 bn;
- Trade Finance BU and Internet Finance BU actively introduced innovative products with increasing market influence.

# 5. Business Innovation and Brand Building

## Platform Innovation

- **Orange-e-Platform:** A platform specialising in financial functions and has alliance with many market players. Striving to build an industry chain financial ecosystem, it integrates various services comprising product research & development, platform development and new business expansion with a view to promoting the online development of the corporate business;
- **Orange Bank:** Industry leading innovative “Internet-oriented” bank in China. Upholding three major values of “easy”, “fun” and “make money”, it is a digital and innovative financial services platform positioned to target at young customers and is the first among its peers to launch its two major functions – “dream account” and “fabulous spending” ;
- **Hang-E-Tong 2.0:** Featuring comprehensive service upgrade, it endeavors to become an online financial mall for the small to medium size financial institutions and its customers. Hang-E-Tong had approximately 300 customers linking over 40,000 branches, covering different financial institutions including banking, securities, funds and trusts;
- **Gold Bank:** Represent the first online gold management platform in the industry that features gold transaction, payment, financing and wealth management.

## Business Innovation

- **Asset securitization:** The nation’s first “Ping An No.1 petty consumer loans asset backed securities product” was successfully launched;
- **M&A financing:** Commenced M&A financing and related businesses in pharmaceutical and energy sectors;
- **Innovative trusteeship business:** Developed special fund trusteeship products with respect to asset securitization and finance lease and launched the first trusteeship WeChat platform in China. As at the end of Sep, net asset trusteeship size was RMB 1.65 trillion, up by 118% YoY; trusteeship income exceeded RMB 1.0 bn, up by 149% YoY ;
- **Innovative offshore business:** Seize cross-border business opportunities and pushed ahead cross-border syndication business to provide integrated financial services including global credit and settlement to enterprises.

## Integrated Finance

- **Retail cross-selling:**
  - **Steady growth via life insurance channel:** In the first three quarters, new asset balance reached RMB 21.0 bn, accounting for 23% of the new asset balance of retail business across the Bank; there were 9,739 new wealth management customers, accounting for 26% of the new customers secured from retail business across the Bank;
  - **Continuous development in credit card cross-selling:** Of the 3.63 mn newly issued cards during the year, percentage of new customers acquired via cross-selling channel to newly issued credit cards was 39%;
  - **Private banking cross-border cooperation:** By adopting the “private banking + integrated finance” model, cross-border cooperation in building customer relationship and product development was achieved. As at the end of Sep, there were a total of 6,042 private banking customers under cross-selling of various subsidiaries with asset size amounting to RMB 4.9 bn.
- **Corporate cross-selling:**
  - Daily average deposits secured via cross-selling channels amounted to RMB 19.1 bn, up by 41% YoY; net operating income was RMB 450 mn, up by 49% YoY; there were 87 new projects referred by investment business with a total asset size of RMB 127.2 bn.

## 6. Strict Risk Management and NPL Disposal

### Strict Risk Management

- **Optimizing credit structure:** The Bank proactively made strategic adjustment to credit availability and the ability to resist yield coverage risks was further strengthened given the optimized portfolio structure and enhanced portfolio yield;
- **Strict risk management:** The risk management system across the Bank was optimized and the credit risk management measures were strictly executed. The asset quality of newly granted loans was sound.

### NPL Disposal

- **Significant improvement in recovery and disposal efforts:** During the reporting period, the Bank recovered non-performing assets of RMB 2,145 mn in aggregate, including credit assets (loan principal) of RMB 1,980 mn. Of the recovered loan principal, loans of RMB 556 mn were written off and non-performing loans of RMB 1,424 mn were not written off. 89.17% of loans were recovered in cash while the rest was in the form of repossessed assets;
- **Effective control of NPL ratio:** Through effective recovery and disposal efforts, the NPL ratio and increase in NPL ratio of the Bank were under control.

# III. Looking Ahead





# Looking Ahead

**Maintain fast growth momentum**

**Kick off scientific planning next year**

**Strengthen risk management**

**Accelerate business and management innovation**







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# Thank You!

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