Ping An Bank Transformation

Xie Yonglin
Chairman of Ping An Bank

2018.10.12 Shenzhen, China
A new Ping An Bank came into being in 2012 after integration of the two banks.

- **1987**: SDB was founded.
- **1991**: Listed at SSE, with the stock code of 000001.
- **2002**: Introduced a strategic investor, Newbridge Capital.
- **2003**: PA acquired Fujian Asia Bank.
  - Fujian Asia Bank was renamed as Ping An Bank (PAB).
- **2006**: PA acquired Shenzhen Commercial Bank.
- **2010-2011**: PA held a 61.36% stake in Shenzhen Development Bank after many times of equity transactions.
- **2010**: Newbridge transferred all of its shares to PA, and PA held a 21.44% stake in total.
- **2012**: Ping An Bank (PAB) came into being after integration of the two banks.
Ping An Bank started retail transformation to meet internal and external challenges in 2016

To foster development, transformation was imperative under the situation
In October 2016, PAB introduced a new management team and began the reform:

**Insufficient internal development momentum**
- **Challenges in asset quality**: At the end of 2016, the amount and ratio of non-performing loan (NPL) was growing relatively fast YoY, with the loans overdue for over 90 days ratio hitting a record high.
- **Declining profitability**: Some business units’ performance has been declining and was dragging down entire bank’s profit growth.
- **Relatively weak capital**

**Traditional business model cannot cope with rapid external changes**
- **Shift of focus**: From growth-focused development to quality-oriented development. Mid and high-end consumption and innovation become the new growth drivers.
- **Tightening financial regulations**: Risk prevention, de-leveraging and other regulatory measures put financial risk prevention into a bigger priority.

**Precise transformation objective**: to become China’s most outstanding and the world’s leading smart retail bank

**Formulate transformation guidelines**: technology oriented; penetrate retail banking; enhance corporate banking.
With a clear objective and strategy, Ping An Bank introduced ten initiatives to promote its transformation and already seeing results

1. Optimize business structure, reduce corporate on/off balance sheet credit scale
2. Focus on asset quality, legacy issue and incremental asset
3. Embrace the group, to drive retail business with technology
4. Enhance LUM to create revenue
5. Develop an automatic, smart retail risk control system
6. Selective in corporate banking, focus on ‘dual-light model and industry based pathway
7. Fully utilize group’s integrated finance value
8. Increase tech investment to drive business development
9. Promote micro capital management
10. Rebuild management team and promote efficiency
Initiative 1: Optimizing business structure, compress on/off-balance sheet corporate credit size, and focus on higher profitability retail business

- Meaningfully compressing asset scale with RWA reduction ranked 1st among peers, freeing up resources to develop retail business
- First in industry to lower leverage, hence facing relatively less pressure from moving off-balance sheet items back on balance sheet (An estimation of RMB30bn has to move back to balance which is very manageable.)

Note: interbank business scale began to compress from 2H 2017
Steady profitability and growing revenues

The “smile” curve of revenues

Net interest income restored to positive growth YoY

Growing proportion of non-interest income

Net interest margin reversed the declining trend

Note: The decrease in net interest margin in 2017 was partly due to the active reduction of high-risk and high-return corporate loans.
Fundamental change in business structure: retail banking becomes the main growth driver

As of Jun. 30, 2018, the revenue structure saw over 50% of revenues from retail banking vs 31% two year ago.

Retail loans of RMB998.9bn, accounting for 54%
Retail revenues of RMB29.3bn, accounting for 51%
Net retail profit of RMB9.1bn, accounting for 68%
Initiative 2: Focusing on the quality of both existing and new assets

- **Actively promote industries with overcapacity and high-risk customers to exit**: Encourage red and yellow label customers to exit with incentives
- **Strengthen recovering assets**: Set up a Special Asset Management (SAM) team with a multi scenarios smart SAM platform to realize 100% closed environment handling process
- **Centralized handling on special units for timely response**: Differentiated strategies and specialized management to accelerate recover of assets

- **Control quality of new assets**
  - **Crystalized standards**: By stipulate cooperating institutions and managing distributors to ensure asset quality from beginning
  - **Systematically allocate resources with risk management as top priority**: Priorities risk management control policy, credit review, and legal&compliance review and focus on target industries, customers and products

- **Speed up legacy asset disposal**

  **Industry**: Electronics information, healthcare, culture & education etc.
  **Region**: Beijing, Shanghai, Guangzhou, Shenzhen…
  **Customer**: Quality customers from major industries etc.
Asset quality continue to improve while all risk indicators are showing positive signs

**Falling NPL and loans overdue for 90+ days rate**

- **3.03%** (2016Q1) to **2.08%** (2018Q2)
- **Rate of loans overdue for 90+ days**
- **NPL rate**

**Increasing coverage for loans overdue for 90+ days**

- **106%** (2017) to **141%** (2018H1)
- **130%** (2018Q1)

**Enhancing provision coverage**

- **151%** (2017) to **176%** (2018H1)
- **173%** (2018Q1)

**Decreasing deviation**

- **143%** (2017) to **124%** (2018H1)
- **133%** (2018Q1)

Deviation = NPL rate of loans overdue for 90+ days / NPL ratio
Initiative 3: Embracing the Group and technology-driven retail banking to shape differentiated competitiveness

**S**
- **Integrated finance**: Customer groups, 1mn+ agents, various cross-selling channels
- **Tech strength**: Big data, blockchain, cloud, biometrics, and AI

**W**
- Relatively small number of outlets
- Gap exist between PAB and some peers as they have begun transformation earlier than PAB

**O**
- Higher standard of service and experience expected from customers
- Greater demand for low-threshold financial services from customers in tier 3 and 4 cities

**T**
- Tightening regulation bring new challenges to the whole industry
- New business development model demands more from management team

**Embracing the Group & tech-empowered business**

is best choice for PAB to achieve differentiated retail banking
Innovative OMO (Online Merge Offline) new retail business model

**OMO driven retail business model**

- **Online**: By using the Pocket Bank APP to provide a one-stop, smart and open mobile platform
- **Offline**: upgrade outlets through smart recognition, AI and other technologies

**Three actions**

**APP integration**: Integrate the original pocket banking APP, Chengzi APP and credit card APP to form the new Pocket Banking APP 4.0

**Smart outlets**: Develop a multi-diversification, community friendly smart outlet network and turn it to the offline entry of group’s integrated finance model

**SAT model**: Through Social Media, APP and Tele (SAT) to integrate resource, improve management efficiency and customer experience
Rapid retail growth leverage from technology and integrated financial platform

- **Solid foundation**
  - Rapid growth of revenues, retail deposits, AUM and customer base, of which the number of customers ranks 2nd among benchmarking banks

- **Technological characteristics**
  - MAU the new pocket banking APP reached 24mn, ranking 2nd among joint-stock banks
  - The productivity per smart outlet staff (eg Liuhua outlet) is 2+ times above the bank average

- **Fast and continuous growth**
  - AUM growth ranking 2nd among benchmarking banks
  - Loan growth ranking 1st among benchmarking banks
  - Deposit growth ranking 3rd among benchmarking banks
Initiative 4: Identify strategy to expand LUM scale in order to create revenue

As urbanization level and consumer consumption continue to improve, consumption’s effect on economy is becoming more significant and creating opportunities for retail finance.

<table>
<thead>
<tr>
<th>Three cutting-edge products</th>
<th>Credit card</th>
<th>Consumer finance</th>
<th>Auto finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>All retail business BU will focus resources in acquiring credit card customers, and leverage from Group’s offline channel and strong traffic platform (eg Autohome)</td>
<td>Promote online consumer finance through PA Life channel and enhance customer experience and cost structure to expand market share</td>
<td>Cooperating with PA P&amp;C and Autohome to build a closed-loop environment covering from car selection, purchase, car insurance application to car maintenance</td>
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</table>

Seize the opportunity to expand scale and create revenue to develop platform and AUM
Core retail business growing fast and steadily

Credit card loan balance

- 27% increase from 2017 to 2018H1
- 2017: 3,036
- 2018H1: 3,857

Note: Data as of 1H 2018

Xin Yi Dai loan balance

- 11.6% increase from 2017 to 2018H1
- 2017: 1,298
- 2018H1: 1,448

Auto finance balance

- 8.3% increase from 2017 to 2018H1
- 2017: 1,305
- 2018H1: 1,414

- Accumulative 9.18mn new credit cards are issued, up 81.2% YoY
- 45.77mn cards are under circulation, up 19.4% YTD
- Total transaction amount for RMB 1,207.2bn, up 89.9% YoY

- RMB 56.4bn worth of loans were issued in 1H 2018
- Supporting micro and small businesses with business loans account for about 30% entirely
- Ranked 1st in market share
- RMB 71.6bn worth of loans were issued, up 52.7% YoY
- Overall automated approval rate of 67%, up 2 percentage points YTD

•
Leverage by Group’s synergies, PAB’s credit card business is among top tier vs. peers

Credit card: Both the number of active accounts and transaction amount rank 2nd among joint-stock banks

### No. of active accounts in 1H 2018 ranked 2nd

- **Unit**: 10k

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### Net growth of customers in 1H 2018 ranked 1st

- **Unit**: 10k

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### Transaction amount in Aug. 2018 ranked 2nd among joint-stock banks

- **Unit**: RMB100mn

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### PA has the fastest Transaction growth in the industry

- **Unit**: RMB100mn

<table>
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<tr>
<th>Year</th>
<th>A</th>
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<tr>
<td>2017-8</td>
<td>1,000</td>
<td>1,500</td>
<td>2,000</td>
<td>2,500</td>
<td>3,000</td>
<td>1,000</td>
<td>1,500</td>
<td>2,000</td>
<td>2,500</td>
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<td>2018-1</td>
<td>1,000</td>
<td>1,500</td>
<td>2,000</td>
<td>2,500</td>
<td>3,000</td>
<td>1,000</td>
<td>1,500</td>
<td>2,000</td>
<td>2,500</td>
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Initiative 5: Create an automated smart retail risk management system to protect LUM business

**Automation**
- 100% live approval process for credit cards; 85%+ automated system approval
- Average approval time for auto finance is 0.4 hour, the quickest among peers; approval process of unsecured auto loan are done within seconds

**Smart**
- **Credit card**: A trading-level big data risk management system to block frauds in real time, ensuring zero loss for both bank and customer
- **Auto finance**: AI-based pricing system to apply smart pricing subject to customer ranking
- **Xin Yi Dai**: Set up a multi-dimensional risk monitoring system regarding each product types, branches, sales teams and intermediaries on a daily/weekly/monthly/quarterly basis

**Three core capabilities**
- **Big data platform**
  - Financial big data
  - Internet big data

- **Rating based on multiple algorithms**
  - Credit risk forecast & rating
  - Customer income evaluation model
  - Revenue forecast model

- **Biometric information application**
  - Biometrics (face recognition & voiceprint)
  - Fingerprint
Retail loan asset quality maintain positive leverage from smart risk management platform

- NPL rate of retail loans dropped **13BP** vs end 2017

![Graph showing NPL rate from 2016 to 2018H1 with decreasing trend: 1.57%, 1.18%, 1.05%]

**Steady M0-M2 migration**
Remain in relatively low level

![Graph showing M0-M2 migration rate from 201706 to 201806 with stable trend]

Note: M0-M2 migration rate = current month M2/ M0 two months ago
Initiative 6: “Dual-light + industry-based” strategy for corporate banking business

**Dual-light: Asset-light + capital-light**

Precise target investment, maintain asset liquidity and develop using none-minimal capital

- **Upgrading transaction banking:** Set up the “platform + product + service” model to shape popular products (KYB, SAS)
- **Investment banking:** Work with PA Securities to carry out capital market business through a centralized, scandalized business model
- **Syndicated loan:** Aidding enterprises to secure funding from other financial institutions
- **Government financing:** By creating synergy with Group’s smart city ecosystem project to connect with government platforms for deposit business

**Industry-based**

Focusing on ten key industries with strong growth which are not subject to cyclical impact

- **Setting up professional teams:** Continue develop the industry focus BU, in cooperation with HQ, to improve ability in research, service and risk
- **Crystalized business boundary:** Depending on industry movement and peers competition, we should crystalized business boundaries especially in business areas we do not involve in
The dual-light + industry-based strategy has brought good results

Creating a bigger input with fewer resources

Leveraged from RMB 44.8bn on-balance sheet to raise RMB 196.2bn

Dual-light multiples

Last year, RMB 144.2bn were raised by leveraged from RMB 84.4bn on-balance sheet

The industry-based strategy has become the consent within Ping An bank

Focusing resources
After the introduction of new management, the targeted ten industries accounted for 90+% of the newly issued corporate loans

Breakthroughs
Strategic cooperation with several major pharmaceutical companies to offer integrated financial services to customers

The structure of corporate asset has been optimized continuously

- Since the transition, the proportion of cooperate credit resources to the “Top Ten Industry including Government” has increased year by year.
- And that would lead to improvements in asset quality

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio of “Top Ten Industry including Government” credit exposure to total</th>
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<tbody>
<tr>
<td>2016Q1</td>
<td>35%</td>
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<tr>
<td>2017Q1</td>
<td>48%</td>
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<tr>
<td>2018Q1</td>
<td>52%</td>
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<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio of “Top Ten Industry including Government” credit exposure to total</th>
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<tr>
<td>2016Q2</td>
<td>35%</td>
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<tr>
<td>2017Q2</td>
<td>48%</td>
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<tr>
<td>2018Q2</td>
<td>52%</td>
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Initiative 7: Further exploration of the value of Group’s integrated finance platform

PAB can leverage the Group’s integrated finance platform to form synergies with other subsidiaries in customer resources, professional capabilities, product capacities and channel strength to offer one-stop financial services to customers.

Cross-selling & customer referral
- Connect to other subsidiaries and internet platforms to develop individual and corporate customers
- Referral through cross-selling

Scenario-based business synergy
- Cooperate with Ping An Securities, Ping An Leasing to meet the full-cycle of financial demand of customers

Ecosystem building & innovative development
- Participating in the building of the five ecosystems
- Cooperation with other subsidiaries: from customer traffic connection and business complementarity to business integration & innovation

Group’s integrated finance platform
- 179mn individual customers
- 486mn internet users
- 2mn corporate customers
- 1.399mn agents
Increasing contributions from Integrated finance channel with higher customer quality

- Group’s integrated finance channel has been increasing contributions to the Bank’s retail customers, AUM and XinYiDai loans yoy

<table>
<thead>
<tr>
<th></th>
<th>2016H1</th>
<th>2017H1</th>
<th>2018H1</th>
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<tbody>
<tr>
<td>New customers ('00 thousand)</td>
<td>5</td>
<td>23.9</td>
<td>19.4</td>
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<tr>
<td>New AUM (RMBbn)</td>
<td>23.8</td>
<td>45</td>
<td>55.8</td>
</tr>
<tr>
<td>Xin Yi Dai new loans issuance (RMBbn)</td>
<td>5.1</td>
<td>13.8</td>
<td>23.2</td>
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\[ \text{Delinquency ratio} = \frac{\text{M2-M5 loan balance}}{\text{M0-M5 ending loan balance}} \]

- Take credit card business as example. Group customers are of better quality.
- Group customers showed lower delinquency ratio and higher transaction amount per account.

Note: data as of 1H 2018
Initiative 8: Increase technological input to drive business development

- Bringing in technological talents from Silicon Valley and top internet companies
- Strengthening tech team to lift tech innovation capability, the technology manpower of our bank has expanded to 4800, a YoY growth of over 25%.
- Set up an innovation committee and an “innovation garage”
- Explore application scenarios for big data, AI, biometrics and imaging recognition tech
- Embed tech staff into business lines to quicken new tech implementation and relevant operating model
- Agile development in credit card, auto finance, big data and the pocket finance app
- Set up comprehensive disaster recovery tech systems and big data systems
- Migrating all development, testing and production processes to Cloud-based systems
Tech input strengthened driving business development and upgrade operational management

<table>
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<tr>
<th>Tech-empowered management</th>
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<td><strong>Smart-finance platform</strong></td>
<td>• Connecting use-case scenarios, processes and data to improve end-to-end business finance procedure</td>
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<td>• Smart analysis and smart searching to empower business decision-making</td>
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<tr>
<td><strong>Credit platform</strong></td>
<td>• Life-cycle management covering all financing businesses to corporate clients</td>
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<td>• Forecast and pre-warning of risks and providing countermeasures</td>
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<thead>
<tr>
<th>Tech-empowered products</th>
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<tr>
<td><strong>KYB</strong></td>
<td>• Promote online smart lending business</td>
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<td><strong>SAS</strong></td>
<td>• End-to-end process data monitoring and one-stop comprehensive services</td>
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<th>Tech-empowered services</th>
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<td><strong>AI + risk management</strong></td>
<td>• Timely and accurate risk management through the smart control and big data warning systems</td>
</tr>
<tr>
<td><strong>AI + customer</strong></td>
<td>• Convenient online services; over 90% of customer service done by AI within in 1-2 years</td>
</tr>
<tr>
<td><strong>AI + marketing</strong></td>
<td>• Customer profiling for precision marketing; AI secretary to assist business development</td>
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Initiative 9: Promote refined capital management

Economic capital management centering on EVA/RAROC to efficiently deploy capital and enhance capital adequacy

**Appraisal & guidance**
- **Appraisal**: Carry out EVA/RAFOC appraisal and guide business units to balance risks and returns;
- **Differentiated guidance**: Tailored appraisals toward normal branches and special branches;
- **Strengthen incentives**: Linking credit and RWA resource consumption to EVA/RAROC appraisal in order to strengthen incentive

**Capital release**
- **Tax write-offs, asset disposals & recoveries**: Manage assets that have been written off, increase bad loan write-offs/ transfers and recoveries

**Saving capital**
- **Structure adjustment**: Restructure high capital consumption businesses to release RWA;
- **Selective compression**: Selectively compress inefficient/ineffective assets;
- **Clean-up**: Clean up litigation reserves, current accounts and collaterals to reduce capital waste
As of June 2018, capital adequacy ratio rose sequentially for two quarters

- Through a series of capital management measures, capital adequacy ratio in at end-1H18 reversed the previous declining trend, showing improvement in capital management capabilities.
- We plan to issue RMB26bn of A-share convertible bonds and RMB30bn of secondary capital bonds to bring in supplementary capital.

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<thead>
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<th>%</th>
<th>Standard value</th>
<th>1H 2018</th>
<th>2017</th>
<th>2016</th>
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<tr>
<td>Capital adequacy ratio</td>
<td>≥10.5</td>
<td>11.59</td>
<td>11.20</td>
<td>11.53</td>
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<tr>
<td>Tier 1 capital ratio</td>
<td>≥8.5</td>
<td>9.22</td>
<td>9.18</td>
<td>9.34</td>
</tr>
<tr>
<td>Core tier 1 capital ratio</td>
<td>≥7.5</td>
<td>8.34</td>
<td>8.28</td>
<td>8.36</td>
</tr>
</tbody>
</table>
### Initiative 10: Rebuild management team to enhance efficiency

<table>
<thead>
<tr>
<th>Rebuild management team</th>
<th>Enhance efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Talent diversification:</strong> Adjust core management personnel of front, middle and back offices as well as major branches; bring in veteran bankers, internet talent and experts</td>
<td><strong>Streamline structure:</strong> Level 1 departments of the head office shrank by 28%, offices cut by 33%, and non-retail personnel reduce by more than 5,000 people</td>
</tr>
<tr>
<td><strong>Attract young talent:</strong> Bring in young blood for the management team</td>
<td><strong>Enhance capacity:</strong> Enhance employees’ skills and capabilities through multi-layered online-to-offline training</td>
</tr>
</tbody>
</table>

The new management team forms consensus on the target of transformation and becomes strong promoter of the Bank transformation.

At end-2017, productivity per corporate bank staff rose by **32% yoy**.
Going forward, Ping An Bank will strengthen its competitive advantages and pursue rapid development by holding fast to the transformation target, adhering to the Group’s leadership, and leveraging technologies and wider Group synergies.
Enhance fundamentals, create breakthroughs, execute on transformation

Enhance retail transformation, embrace Group synergies and technologies

Enhance fundamentals
- Maintain stable asset quality
- Strengthen deposit base via multiple strategies
- Improve refined capital management capabilities

Breakthroughs
- Strengthen private banking and wealth management capabilities
- Accelerate credit card business to build PA new brand
- Promote corporate knockout product

Accelerate AM transformation, strengthen AM capabilities and improve product supply
Enhancing fundamental: Redouble commitment to improve asset quality

Control risks
- By focusing on the business in the ten target sectors, business departments are accelerating pace to exit non-priority sectors and allocating resources to quality customers

Strengthen clearing of NPA
- Multiple packaging strategies to enhance NPA disposal
- Accelerate NPA disposal by leveraging big data, ecosystem, and innovative recovery models

Leverage technologies
- Established AI-based risk control platform to improve detection and management in advance

Specialized management
- Performance and incentives of business heads are tied to asset quality. Dedicated people to regularly track disposal of distressed assets

NPL ratio, overdue 90+ ratio and NPL deviation outperformed industry average

Our asset quality will seek progress while maintaining stability
Enhancing fundamental: Strengthen deposit base through multiple strategies

**Retail deposits**

- **Operating deposits:** Expand retail AUM to drive demand deposits
- **Deposits for settlement:** Deposit growth through the B2B2C model and aggregate payment on the banking App
- **Active liability:** Optimize the structure of deposit products, strengthen marketing, maintain pricing advantages, and offer convenient purchase channels to lift wealth management deposit scale

**Corporate deposits**

- **Government financing:** Obtain quality deposits and settlement accounts of local governments
- **Transaction banking:** Strengthen connection to platforms to obtain fund aggregation deposits of platform customers
- **Investment banking:** Obtain investment banking project funds through “commercial banking + investment banking + investment” model
- **Active liability:** Improve service and price competitiveness to boost growth in large sum certificate of deposits and structured deposits
Enhancing fundamental: Reform capital management to support transformation

Refine capital management

Promote refined capital management
- Pro-active dynamic capital allocation, adjust business structure based on the “asset-light, capital-light” (Dual-light) strategy and implement capital saving and capital release measures

Incorporate economic capital management to better manage risk weighted assets
- Incorporate economic capital management into performance appraisals and guide branches to establish capital saving awareness; instill the concept and value of capital cost and capital management into daily operations and management

Improve internal and external capital supplement mechanisms

Adjust asset structure to improve risk weighted asset allocation
- Basing on RAROC to dynamically adjust risk weighted asset mix in order to improve capital consumption efficiency
- Continue to compress high-capital-consumption low-return assets to free up capital for high RAROC business

External capital supplement to lift capital level
- We plan to issue RMB26bn of A-share convertible bonds and RMB30bn of secondary capital bonds to bring in supplementary capital
Making breakthroughs: Strengthen private banking and wealth management capabilities

**Client**
Clients are mainly from inheritance club, the group' high-end clients are in the centre.

**Product**
Utilizing group resources, building open platform, improving AUM structure, creating brand of private bank.

**Team**
Centralized and cyber-ized investment consultant capability, along with the offline training system for the improvement of portfolio management services.

**Marketing**
Reorganizing the group's marketing advantages, making scene marketing, exploiting differentiated interests, enhancing customer loyalty.

**Organization**
- Establish Flagship sub-center
- Develop customized policy
- Improve the coordination and collaboration between Private banking center and sub-branches of bank
Making breakthroughs: Develop credit card business with tilted resources

### Customer acquisition strategy

<table>
<thead>
<tr>
<th>Cross-selling</th>
<th>Internet channel</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>• MGM referral (Member Get Member)</td>
<td>• Expand traffic</td>
<td>• Improve capacity</td>
</tr>
<tr>
<td>• Sharing platform</td>
<td>• Precision input</td>
<td>• Explore branches’ resources</td>
</tr>
<tr>
<td>• Support from management</td>
<td>• Enhance conversion</td>
<td>• Cross-selling</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Monthly customers acquired (in 10,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>62%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2017H2</th>
<th>2018H1</th>
<th>2018H2</th>
<th>2019H1</th>
<th>2019H2</th>
</tr>
</thead>
</table>

### Operation strategy

<table>
<thead>
<tr>
<th>S (Social media) Brand expansion</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Promotion of credit card benefits through Group’s millions of agents</td>
</tr>
<tr>
<td>• Promotion by &gt;70mn retail and credit card customers</td>
</tr>
<tr>
<td>• All-round branding by Group and PAB</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>A (App) Enhance experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>• OMO for openness and interconnectivity</td>
</tr>
<tr>
<td>• Better app experience than peers with 20-40 categories to form market dominance</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>T (Tele) Drop-out marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Enhance marketing efficiency through timely tele-communication service</td>
</tr>
<tr>
<td>• Re-acquire customers lost through drop-out services</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Agile operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Establish an agile structure in marketing, IT and all supporting teams to enhance delivery efficiency and market response</td>
</tr>
</tbody>
</table>
Making breakthroughs: Corporate business to leverage Group tech to adopt “platform + product + service” model

**Popular products**

**KYB**
- Promote online smart lending business
- Tackle the high cost of financing and other difficulties in financing

**SAS**
- Leverage technologies and PAB’s experience in supply chain finance
- Tackle the difficulty in obtaining funding for small and micro businesses and in verifying the authenticity of trade

**Solving pain points**

**Key advantages**

- **Scale**: 90mn small and micro customers
- **Relatively low risk**: Scenario-based risk models to shape online smart financing services with controllable risks and costs
- **Efficiency**: Online operation and automated system approval to offer superior customer experience while enhancing business efficiency
- The product will be released to the market in 1H 2019 to become one of the new profit engine of PAB
- **Great Potential**: SAS platform able to serve accounts receivable amount up to RMB13.5tr, which grows by 10% p.a.
- **Technology Empowered**: Application of Ping An’s four blockchain core skills (distributed ledger, authorized encryption, zero-knowledge proof, smart contract) dramatically improves the efficiency of deal-making.
- **Win-win Open platform**: The participants in the open platform alliance industrial chain are provided with both standardized and customized services, co-building the ecosystem of supply chain finance
Promote asset management transformation, improving competitiveness

**Strengthen transaction**
- Deepened cooperation with PA Securities, leveraging its quantitative strategy team and pricing model to strengthen transaction capabilities

**Improve product**
- Optimize product variety to serve diversified customer needs
- Accelerate NAV product issuances in compliance to New AM rules; enhance research on equity type products and overseas products

Build professional AM capabilities to improve brand influence

Accelerate product supply to expand AUM

Fulfill diversified customer needs to improve customer stickiness and loyalty
As Bank transformation progresses, the ROE of PAB will reach or exceed the industry average.

**Retail banking**
- Leverage Group’s resources to develop retail business
- New lending resources to be allocated to retail business

**Corporate banking**
- Execute “Dual-light” strategy with focus on targeted industries
- Strictly control NPL growth while resolving legacy assets

**Capital**
- Strengthen capital metric appraisal
- Prioritize resources to retail business
- “Dual-light” corporate business strategy

**Integrated finance + tech**
- Realizing Group and integrated finance platform synergies
- Enhance services, risk control and management through technology

**Provision**
- Provision has increased over the years
- Provisioning pressure is alleviating given slowdown in new NPL generation

ROE is expected to achieve a higher level in the next 2-3 years.
PAB will play a pivotal role in PAG’s integrated finance strategy

**Bank license** is an integral part of the Group’s Integrated Finance strategy

- **Bank** is the main provider of retail integrated finance product and service, supporting Group’s vision
- Bank smart flagship stores will be Group’s offline traffic portal
- Private banking will be Group’s core part of wealth management business
- Try to improve ROE in the next 2-3 years to become an important profit contributor to the Group
- Open distribution capability to become the biggest channel for corporate customer service
- Provide account function, payment and settlement, financing services to promote Group’s ecosystem strategy
Thanks