

中国平安 PINGAN

金融 · 科技

# 2020 Nine Months Results

October 2020



# Cautionary Statements Regarding Forward-Looking Statements

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To the extent any statements made in this Report contain information that is not historical, these statements are essentially forward-looking. These forward-looking statements include but are not limited to projections, targets, estimated and business plans that, the Company expects or anticipates, will or may occur in the future. Words such as “potential”, “estimates”, “expects”, “anticipates”, “objective”, “intends”, “plans”, “believes”, “will”, “may”, “should”, variations of these words and similar expressions are intended to identify forward-looking statements.

These forward-looking statements are subject to known and unknown risks and uncertainties that may be general or specific. Readers should be cautioned that a variety of factors, many of which are beyond the Company’s control, affect the performance, operations and results of the Company, and could cause actual results to differ materially from the expectations expressed in any of the Company’s forward-looking statements. These factors include, but are not limited to, exchange rate fluctuations, market shares, competition, environmental risks, changes in legal, financial and regulatory frameworks, international economic and financial market conditions and other risks and factors beyond our control. These and other factors should be considered carefully and readers should not place undue reliance on the Company’s forward-looking statements. In addition, the Company undertakes no obligation to publicly update or revise any forward-looking statement that is contained in this Report as a result of new information, future events or otherwise. None of the Company, or any of its employees or affiliates is responsible for, or is making, any representations concerning the future performance of the Company.

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Insurance Business

Corporate Integrated Finance and  
Banking Business

Technology Business

# Overview

# Challenging operating environment for 9M 2020

## External challenges

- **Business models need to be transformed due to the impact of COVID-19:** Traditional offline operations have begun to recover. However it has remained difficult to hold large-scale offline campaigns in China and offline face-to-face meetings have not resumed to pre-epidemic levels.
- **Credit risks persist but are improving:** The first half of 2020 saw elevated credit default risks and higher bad debt losses across our businesses. The situation has begun to moderate in the third quarter.
- **Investment risks increased:** Fair value gains and losses became more volatile due to the declining Hong Kong stocks and volatile interest rates as well as the Company's implementation of IFRS 9. Uncertain overseas COVID-19 situation may temper domestic recovery.



## Internal operations

- **Promoting online-merge-offline operations:** Ping An continued to upgrade our online operating model, and took innovative measures in team management, customer development, and product promotion to accumulate momentum for business growth.
- **Advancing Ping An Life's deep business reform:** Ping An Life empowered business teams through culture building, model upgrading, operations improvement, product strategies and channel development.
- **Strengthened risk management:** Ping An continued to strengthen credit risk management and enhanced the efficiency of risk management with fintech.
- **Optimized asset allocation:** Ping An increased the allocation to long-duration, low-risk bonds and continued to narrow the asset-liability duration gap. Moreover, Ping An boosted investment returns by managing equity investment flexibly to seize opportunities from epidemic-induced market volatility and structural trends.



## Opportunities and challenges coexist

- **In the short term:** Consumer demands for insurance and other financial services have not yet returned to pre-epidemic levels.
- **In the medium and long term:** Economic growth will be driven by released potential domestic demands:
  - **Financial services:** People's health awareness will be stronger after the epidemic, and their demands for insurance and other financial services will grow.
  - **Healthtech:** Driven by policies and technologies, the health care industry will develop rapidly, bringing growth opportunities in the upstream and downstream of the industry.

# Business highlights for 9M 2020

## Group

- Operating profit attributable to shareholders of the parent company rose by **4.5%** year on year to **RMB108,692 million**, culminating in a **20.9%** annualized operating ROE.

## Customer development

- Retail customer increased by **7.0%** year to date to **over 214 million** as of September 30, 2020. Overall contracts per retail customer grew by **2.7%** year to date to **2.71**. We acquired **28.53 million** new retail customers this year.

## Life & Health insurance

- Life & Health insurance operating profit rose by **9.2%** YoY to **RMB75,446 million**. Amid post-epidemic challenges, the Company continued to upgrade its business models and advance Ping An Life's deep business reform.

## Banking

- Operating income before impairment loss rose by **16.2%** year on year to **RMB83,313 million**. As of September 30, 2020, the provision coverage ratio rose by **35 pps** to **218%** from the beginning of 2020.

## Technology

- As of September 30, 2020, Ping An's technology patent applications increased by **6,654** year to date to **28,037**, more than most other international financial institutions'.

**Overview**

Retail Integrated Finance  
and Insurance Business

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## Financial Review



# Financial performance for 9M 2020

(in RMB)

**Operating profit<sup>(1)</sup>**

108,692 million

+4.5%

**Net profit<sup>(1)</sup>**

103,041 million

-20.5%

**NBV**

42,844 million

-27.1%

**Operating ROE  
(annualized)**

20.9%

-2.0 pps

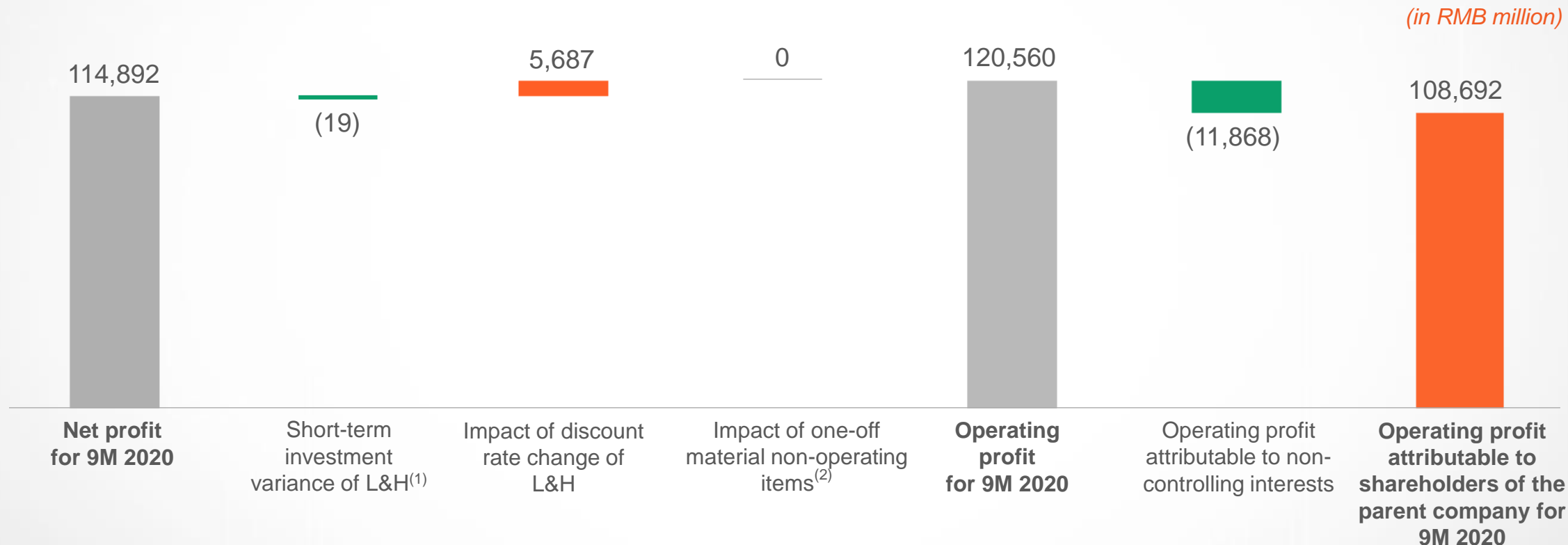
Notes: (1) Both the operating profit and the net profit are attributable to shareholders of the parent company.

(2) The computation of NBV is based on the 11.0% risk discount rate.



# Operating profit excludes non-operating items to reflect underlying performance

**Operating Profit** = Net Profit - Short-term Investment Variance - Discount Rate Change Impact - One-off Material Non-operating Items



Notes: (1) Short-term investment variance is the variance between the actual investment return and the EV long-run investment return assumption (5%), net of the associated impact on insurance and investment contract liability.

(2) There was no one-off material non-operating item in 9M 2020.

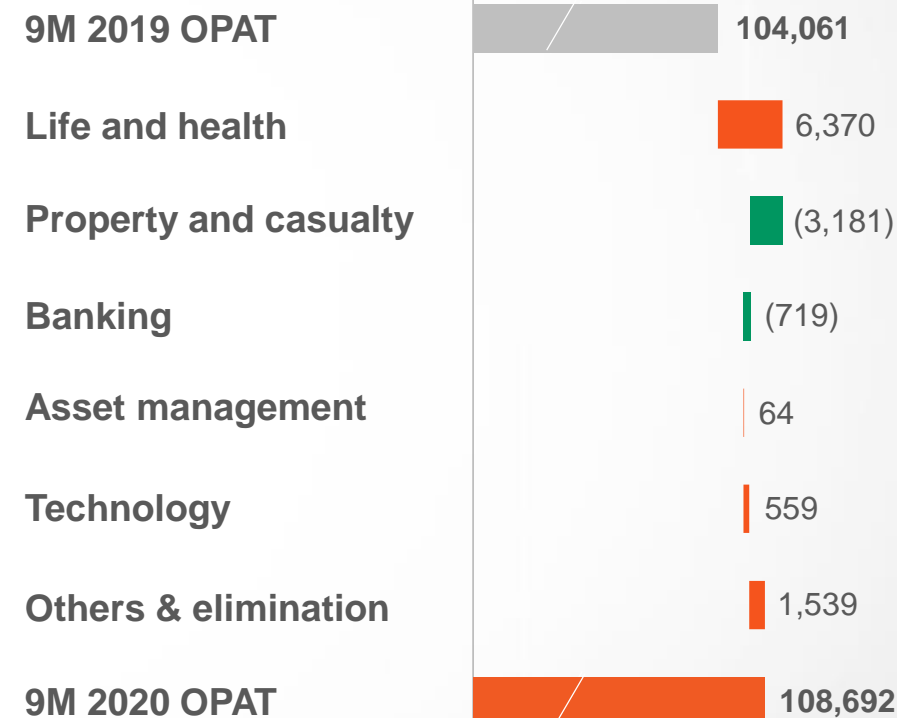
# Group operating profit rose 4.5% YoY

(in RMB million)

	9M 2020	Proportion (%)	YoY Change (%)
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	9M 2020	Proportion (%)	YoY Change (%)
Life and health insurance	74,764	68.8	9.3
Property and casualty insurance	11,003	10.1	(22.4)
Banking	12,981	11.9	(5.2)
Trust	2,239	2.1	(7.6)
Securities	2,381	2.2	40.1
Other asset management <sup>(1)</sup>	3,808	3.5	(10.2)
Technology <sup>(2)</sup>	4,669	4.3	13.6
Others & elimination	(3,153)	(2.9)	(32.8)
<b>The Group</b>	<b>108,692</b>	<b>100.0</b>	<b>4.5</b>

## Operating profit growth drivers



Notes: (1) The other asset management business represents results of companies that engage in asset management business including Ping An Asset Management, Ping An Financial Leasing, and Ping An Overseas Holdings.

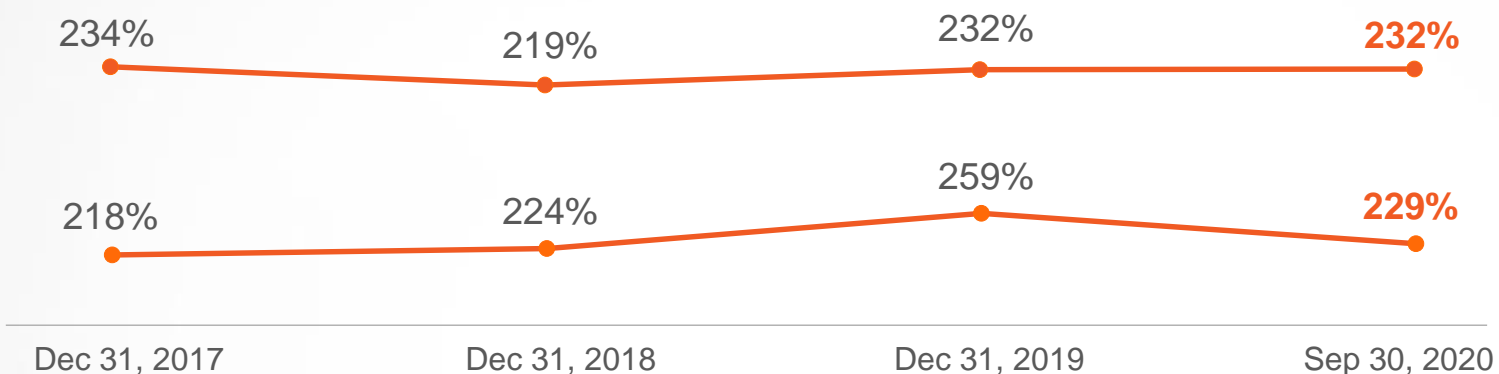
(2) The technology business represents results of subsidiaries, associates and jointly controlled entities that engage in technology business including Lufax Holding, OneConnect, Ping An Good Doctor, Ping An HealthKconnect, and Autohome.

(3) Operating profit refers to the operating profit attributable to shareholders of the parent company.

(4) Figures may not match the calculation due to rounding.

# Strong capital adequacy position

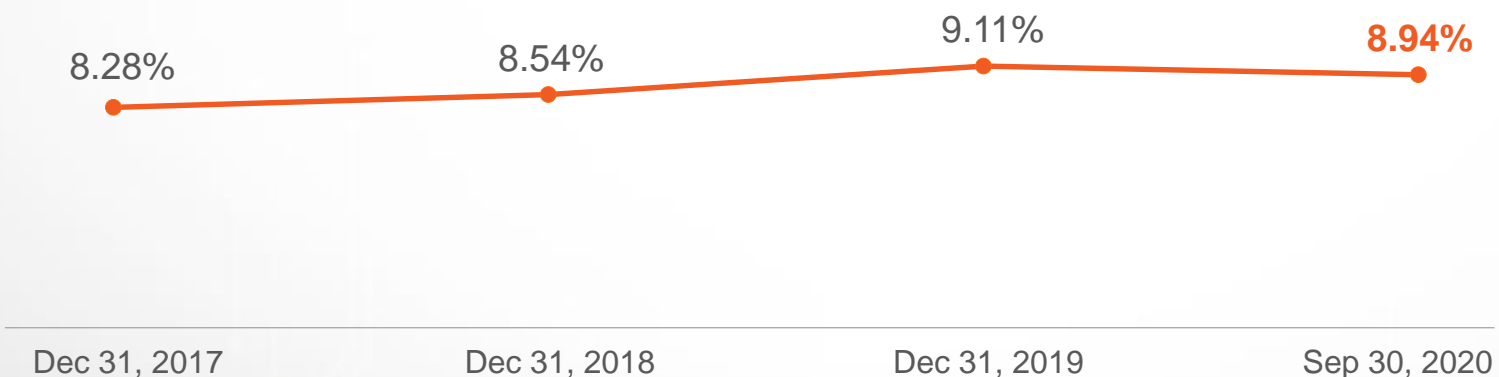
## Comprehensive solvency margin ratio remained strong



**Ping An Life**  
(Regulatory requirement:  
Core solvency margin ratio $\geq$ 50%,  
Comprehensive solvency margin ratio $\geq$ 100%)

**Ping An P&C**  
(Regulatory requirement:  
Core solvency margin ratio $\geq$ 50%,  
Comprehensive solvency margin ratio $\geq$ 100%)

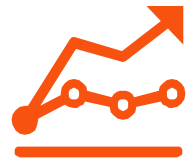
## Core tier 1 capital adequacy ratio comfortably above regulatory minimum



**Ping An Bank**  
(Regulatory requirement  $\geq$ 7.5%)

Note: Ping An Bank and its wholly-owned subsidiary Ping An Wealth Management Co., Ltd. are included in the computation of the above core tier 1 capital adequacy ratio in accordance with the *Administrative Measures for the Capital of Commercial Banks (Trial)* issued by the former China Banking Regulatory Commission on June 7, 2012.

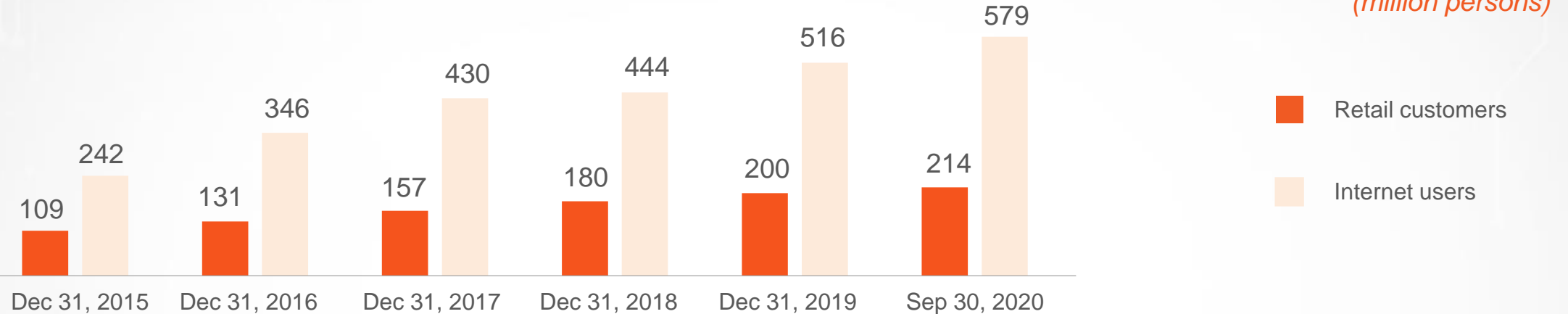
# Retail Integrated Finance and Insurance Business



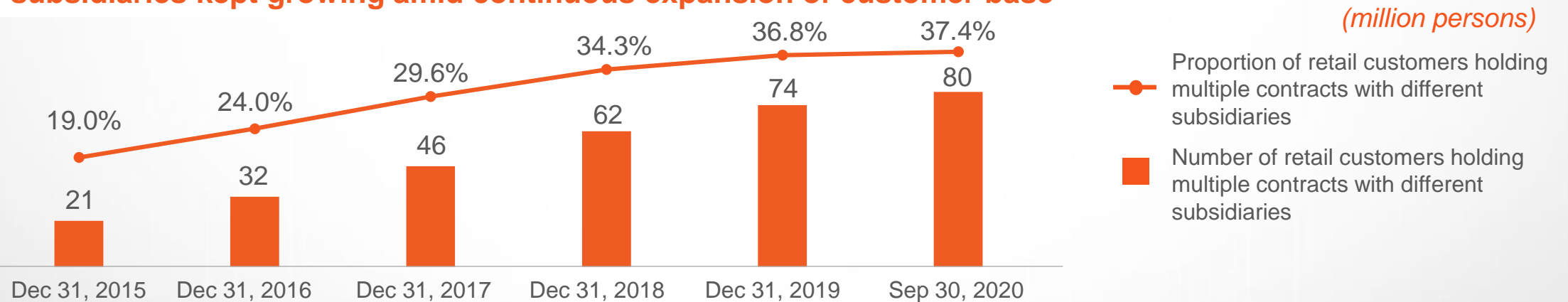
## Retail Integrated Finance

# Growing retail customer base and cross-selling penetration

## Huge potential for user conversion among the Group's 579 mn internet users



## The proportion of retail customers holding multiple contracts with different subsidiaries kept growing amid continuous expansion of customer base



Notes: (1) At the end of 2019, we revised the definitions of retail customers and internet users, removing customers with complimentary insurance from retail customers and independent users of suspended internet platforms from internet users, and restating the data for the comparable periods of 2017, 2018, and 2019.

(2) Figures may not match the calculation due to rounding.

Overview

**Retail Integrated Finance  
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# Insurance Business



# Ping An Life's reform: face new challenges head-on by leveraging the Group's resources

## Background

1

**Demographic dividends are disappearing**

China's working-age population is shrinking

2

**Mainstream customers have changed**

Serving higher-income customers  
Those born in the 1980s and 1990s have become main consumers

3

**Customer demands are evolving**

Customer demands have become more varied and complicated

4

**Competition landscape is changing abruptly**

Internet players have crossed over into the life insurance industry

***Our life insurance business must undergo a reform!***

—Chairman Ma Mingzhe

## 4 core advantages

**A professional management team**

- **25+ years** of managerial experience
- Global vision, professional expertise, and diverse skills

**Highly competent teams**

- A **highly competent** sales force
- **Industry-leading** productivity

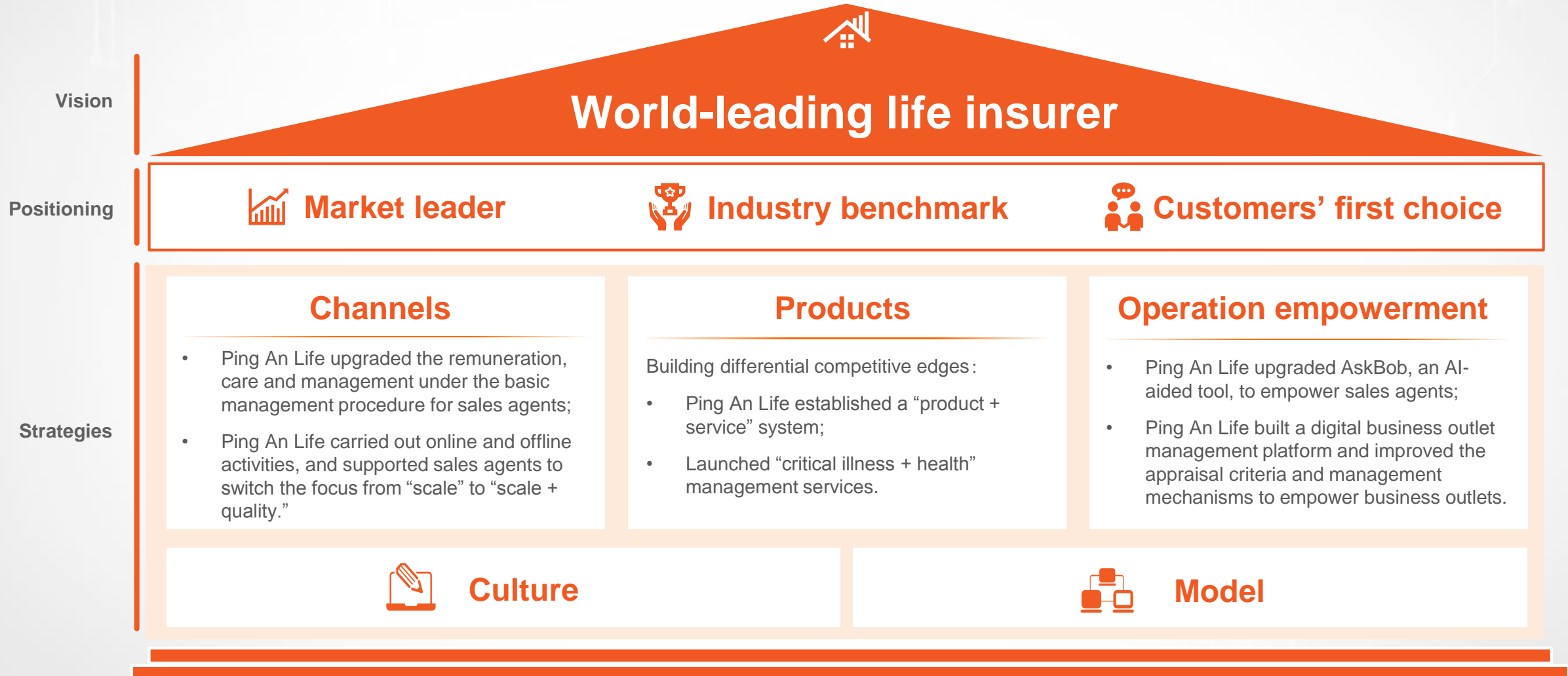
**A strong integrated financial product portfolio**

- Support for sales agents' income growth and career development
- Sales agents' cross-selling income increased by **48%** YoY in 1H 2020

**Leading technological strengths**

- Ping An Life ranked **seventh** in the global fintech patent ranking list with **152** fintech patent applications

# Ping An Life's reform: the reform projects have been piloted and will be scaled up



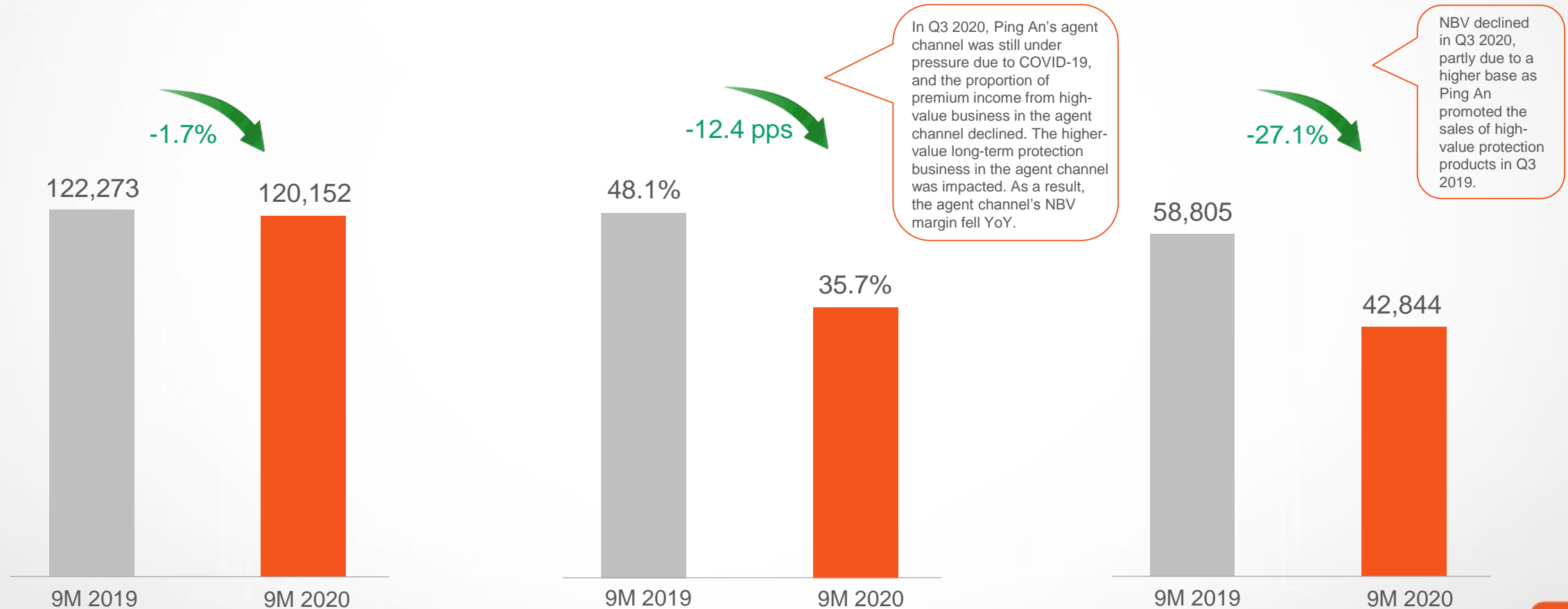
# Life & Health business NBV still affected by COVID-19

(in RMB million)

FYP used to calculate NBV

NBV margin

NBV

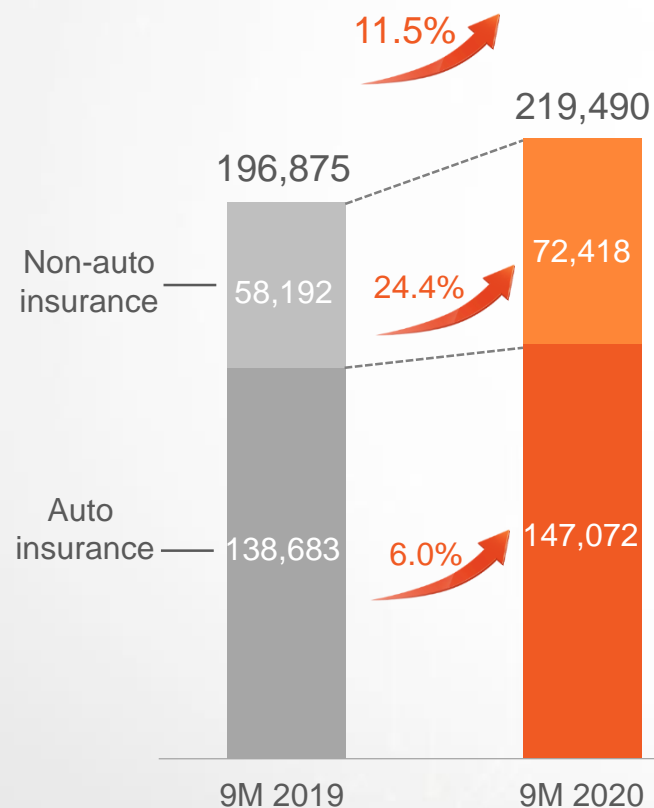


Note: Figures may not match the calculation due to rounding.

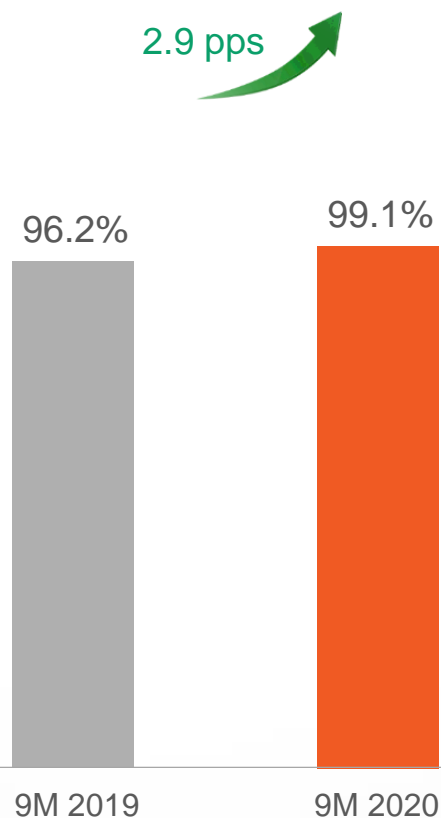
# The property and casualty insurance premium income grew steadily

(in RMB million)

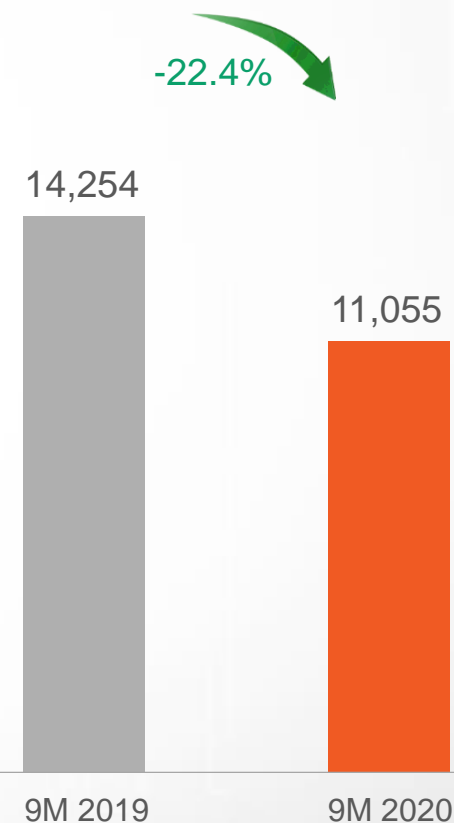
## Premium income



## Combined ratio

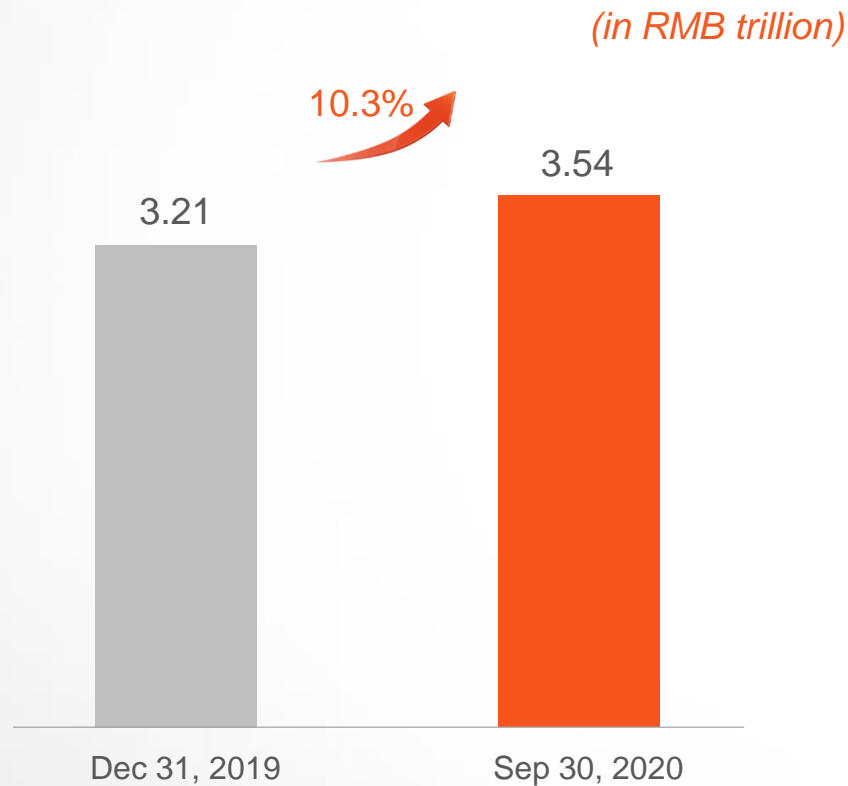


## Operating profit

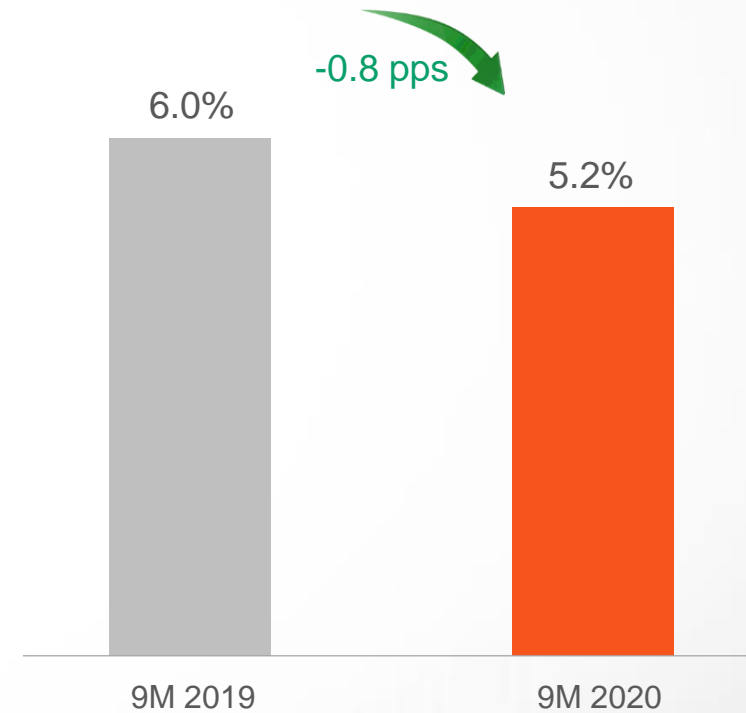


# Investment portfolio of insurance funds grew by 10.3% from the beginning of 2020

## Investment assets



## Annualized total investment yield



Note: In the computation of the annualized total investment yield, only interest revenue from deposits and debt financial assets as well as operating lease income from investment properties were annualized, while interest revenue from financial assets purchased under reverse repurchase agreements, interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions, dividend income, capital gains from investments, and fair value gains and losses were not annualized.

# Corporate Integrated Finance and Banking Business



## Corporate Integrated Finance



# Extending the “1+N” philosophy to corporate business under an innovative corporate integrated financial business model

## “1+N” corporate business model

### Customer development



- We provide comprehensive tailor-made solutions combining “**commercial banking + investment banking + investment**” and “**financing + intelligence**”



We embed the highly competitive “**sophisticated investment/financing + new supply chain**” model in treasury platforms and insurance business by leveraging local marketing advantages



- We build **uniform platforms** and **accounts** to provide customers with financial and non-financial products and services in batches

### Three models



- We built a **uniform customer development platform** to acquire and activate customers in ecosystems and scenarios through the projects of “Four Connects and One Platform”
- We built a **strong middle office** to centralize functions including underwriting and approval for efficient, intensive and targeted marketing



In key areas including **infrastructure, real estate, mixed ownership reform, deleveraging and M&As**, we set up task forces to provide tailor-made comprehensive solutions

- We **follow fund flows** to open accounts, acquire customers, retain deposits, and contain risks.
- We seek business opportunities in insurance and technology through cross-selling channels **under a “1+N” service model**



- We built a three-tiered decision-making chain characterized by “**pre-investment guidance, clear job division during investment, and post-investment evaluation**”
- We developed stop-profit and stop-loss mechanisms to lock up returns and contain risks

### Technological empowerment



Online management platform and smart marketing platform

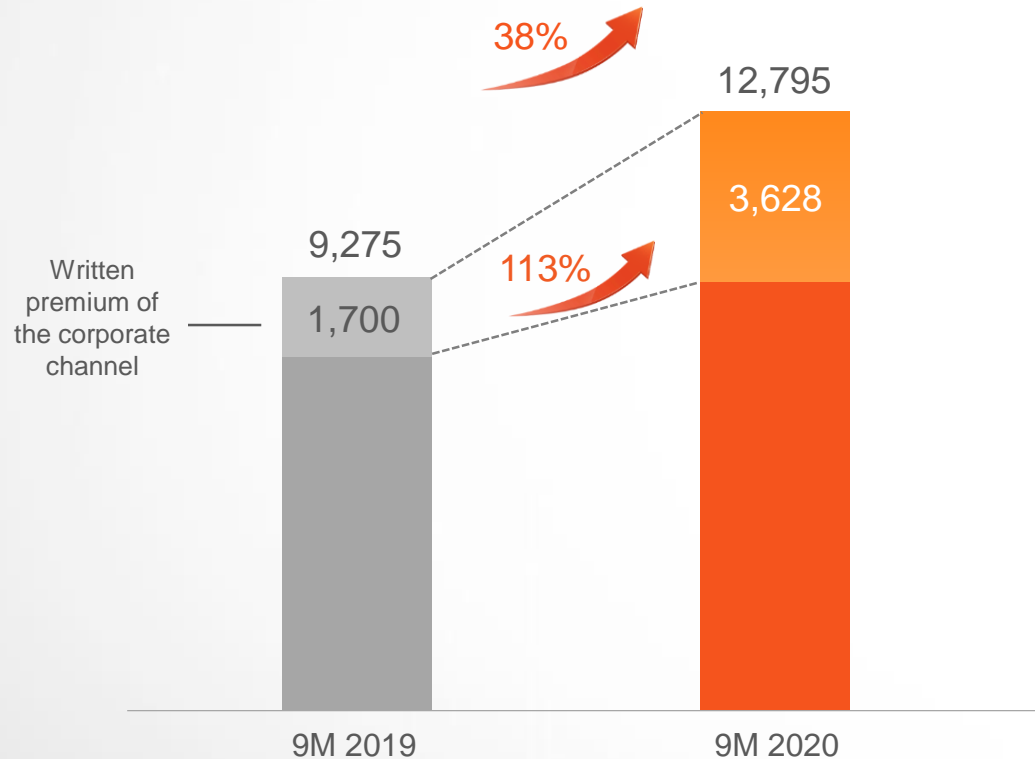


Databases of customers, products, channels, account managers, and experts

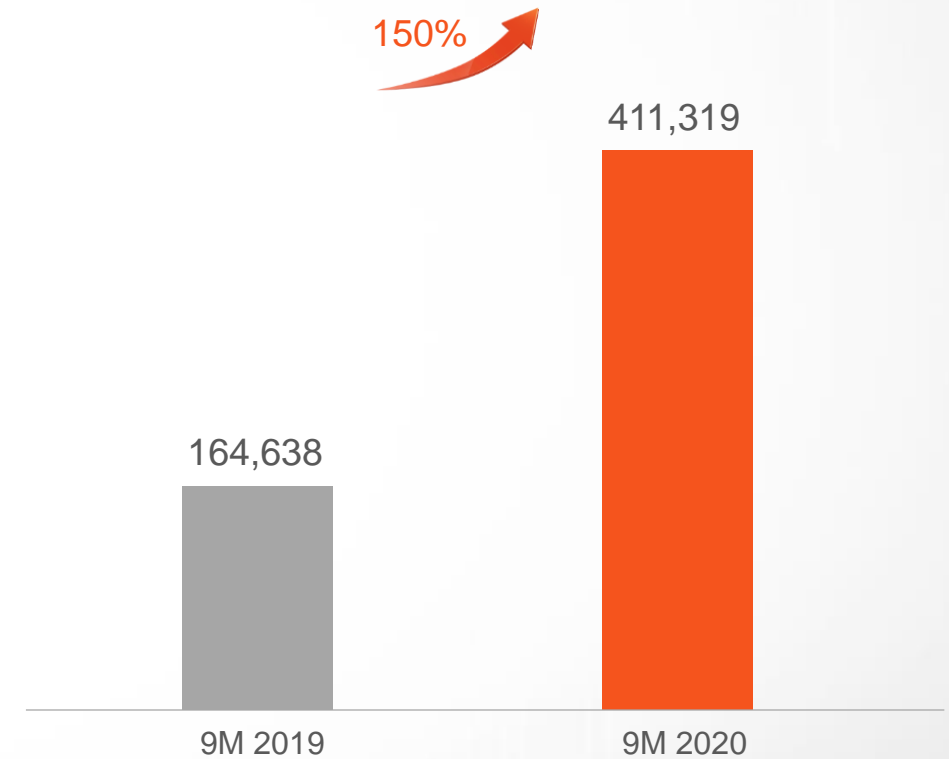
# Rising corporate integrated financial business volume

(in RMB million)

Corporate premiums achieved through cross-selling rose 38%



New financing scale achieved through corporate business cross-selling rose 150%



Notes: (1) Corporate premiums achieved through cross-selling refer to written premiums of insurance policies sold by the Group to corporate customers through cross-selling.

(2) Written premium of the corporate channel refers to the written premium of the integrated financial business less that of the life insurance channel.

(3) New financing scale achieved through corporate business cross-selling refers to the scale of new financing projects achieved by the Group's member companies through cross-selling.

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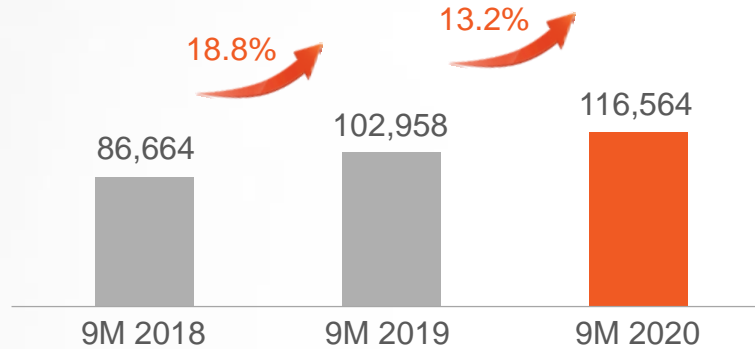


## Banking Business

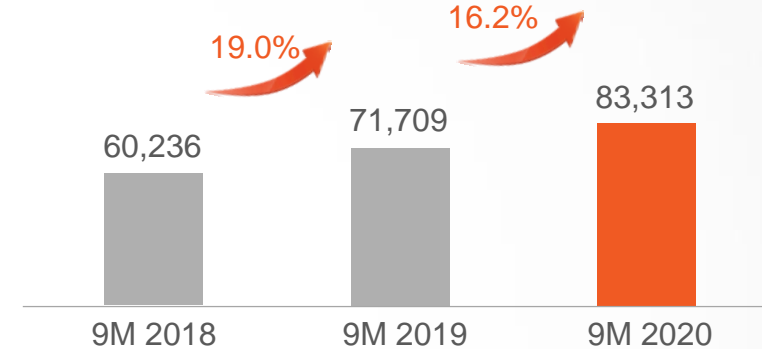
# Ping An Bank maintained stable operations

(in RMB million)

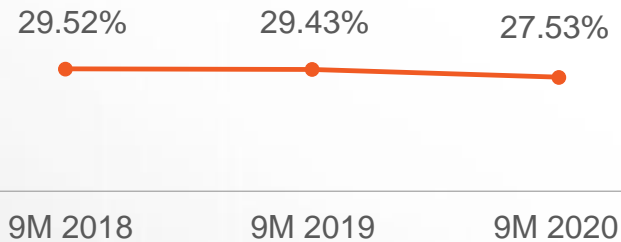
### Revenue rose 13% YoY



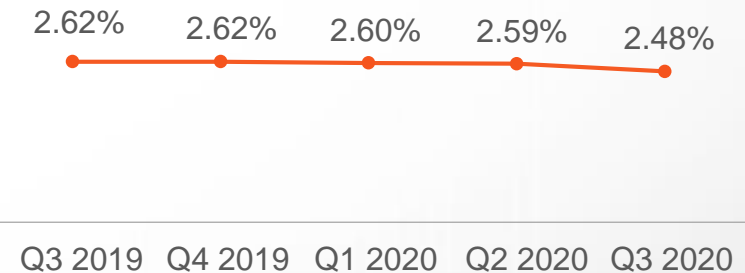
### Operating income before impairment loss rose 16% YoY



### Cost-to-income ratio improved 1.90 pps

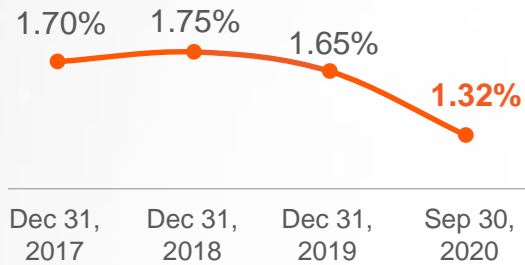


### Annualized net interest margin fell 0.11 pps QoQ

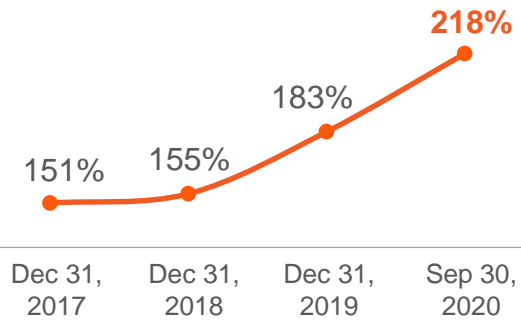


# Asset quality risks under control

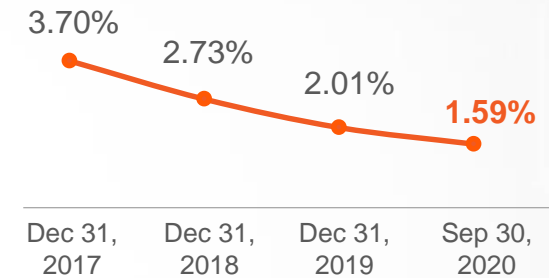
### Decreasing NPL ratio



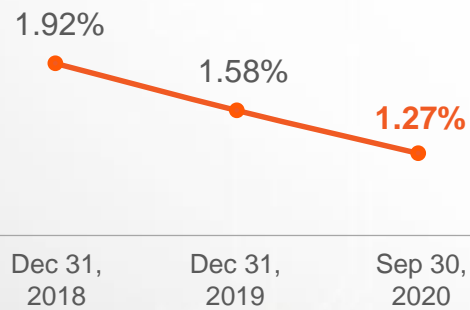
### Provision coverage ratio now over 200%



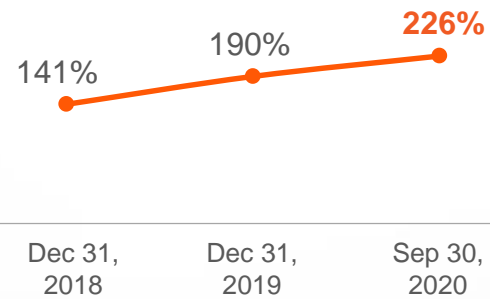
### Decreasing percentage of SMLs



### Decreasing percentage of loans 60+ days overdue



### Increasing provision coverage ratio for loans 60+ days overdue



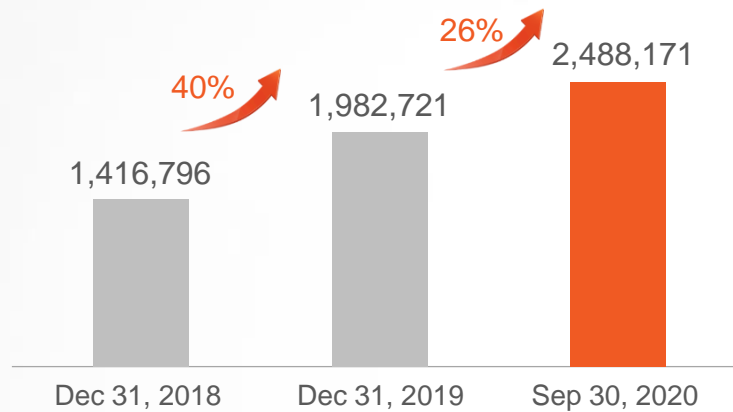
### Deviation of loans 60+ days overdue below 1



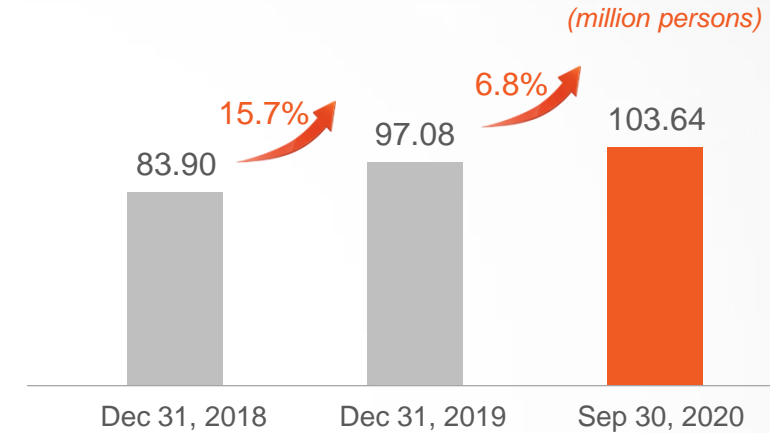
# Retail banking business continued to grow steadily

(in RMB million)

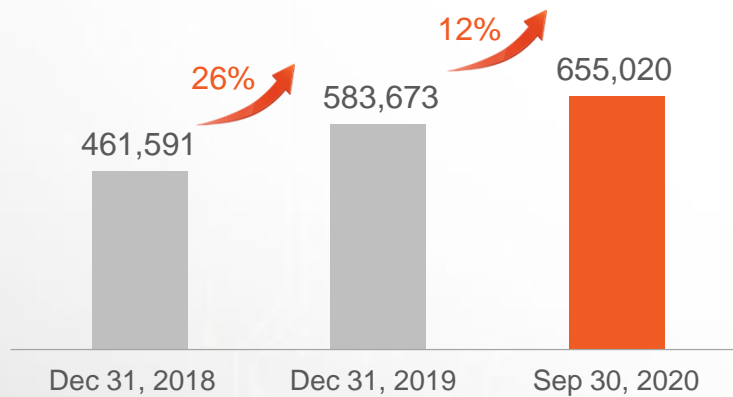
## Retail AUM



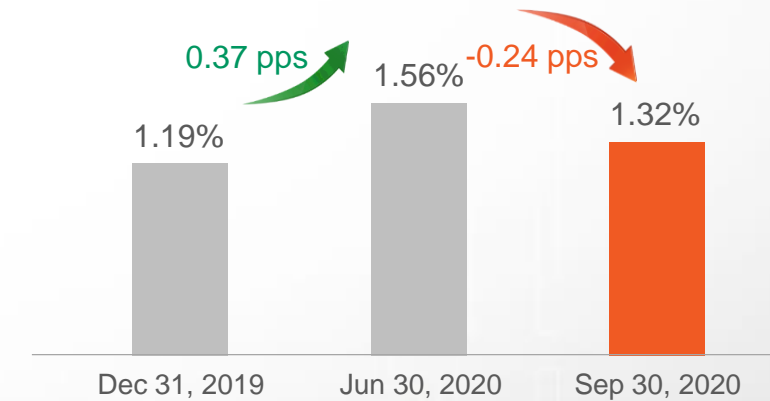
## Retail customers



## Balance of retail deposits continued to grow



## Retail NPL improved QoQ

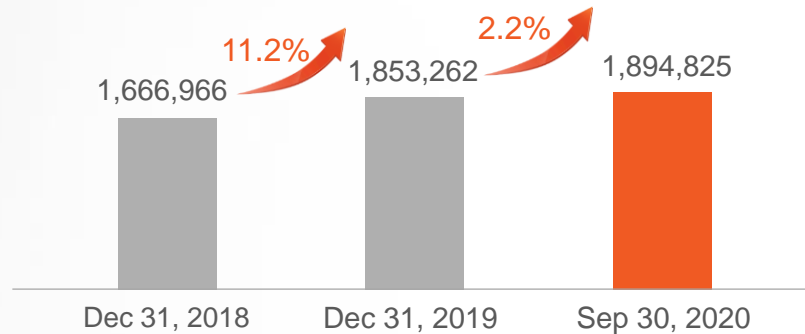


# Corporate banking remained steady while interbank business grew strongly

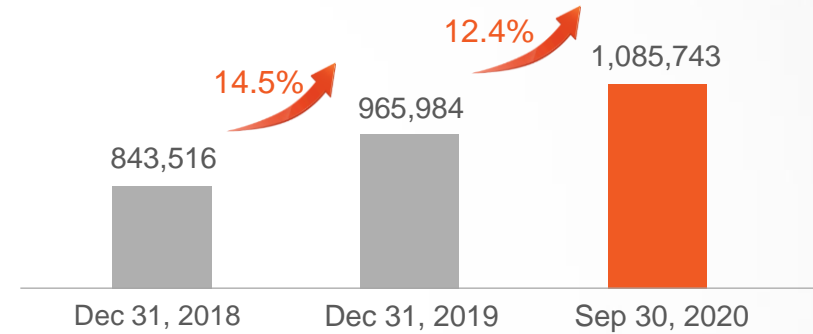
## ➤ Ping An Bank continued to enhance corporate banking

(in RMB million)

Balance of corporate deposits rose 2.2% YTD



Corporate loans grew YTD with continued focus on risk controls



## ➤ Ping An Bank's interbank business grew strongly

Net revenue from trading

**RMB4,317 million**

+39% YoY

Interbank institutional sales volume

**RMB554,619 million**

+54% YoY

Scale of NAV type products in compliance with the new asset management regulations

**RMB377,949 million**

+47% YTD



# Technology Business

# Technological innovations: upgrading core financial services with cutting-edge technologies

## Tech patent applications

- **28,037** technology patent applications so far
- Including **6,908** filed under the Patent Cooperation Treaty (PCT) or abroad

## Awards & certifications

- OneConnect was selected for the **2020 IDC China Fintech Top 50**
- OneConnect won the **Platinum Award** for Digital Banking at the IFTA FinTech Achievement Awards 2019

## Contests

- Ping An won multiple international honors in AI, healthtech and other fields
- Ping An's healthtech team won the **championship** in the biomedical translation task of 2020 Conference on Machine Translation (WMT2020)

## Sales



- Ping An Life's AI Customer Visit Assistant: provide an online **50**-people reception room and a customer-visit training camp; used **over 11.50 million times** in the first nine months of 2020.
- Ping An Life's AI-powered, video-based customer survey robot: completed customer surveys for **nearly 2.70 million new insurance policies** in the first nine months of 2020.

## Operations



- Ping An leverages technologies to optimize financial business processes, boost operational efficiency, and improve customer experiences.
- In property and casualty insurance operations, Ping An combines such AI technologies as image-based loss assessment with precise customer profiling to provide targeted claims services. Ping An settled **88%** of auto insurance claims via "One-click Claim Services," demonstrating its leading position in online claims settlement.

## Services



- Widely used in banking, insurance, and other areas, our speech robots provided services **over 1,380 million times** in the first nine months of 2020.
- The net promoter score (NPS) of the speech robots for September 2020 was **16.5 pps** higher than that for December 2019.

# Technological innovations: adopted advanced medical technologies to build and empower its health care ecosystem



## Horizontal integration

- **Patients:** grasp patient flows
- **Payers:** manage medical institutions effectively
- **Providers:** empower providers to maximize value



## Vertical integration

- **Serving the government:** leverage core resources of hospitals, doctors and pharmacies
- **Technological empowerment:** empower ecosystem members and build barriers to competition



## Synergies with main businesses

- **Customer acquisition:** seek synergies with Ping An's main financial businesses in terms of customer acquisition and stickiness
- **Higher value per customer:** boost customer value by combining financial services with health care

Ping An will seize the great development opportunities in the health care market and create new drivers of value growth by building a closed-loop health care ecosystem involving the government, users, service providers, payers, and technology.

# | Healthtech business



## Ping An Good Doctor (01833.HK)

Has built an AI-aided in-house medical team, and provides users with online-merge-offline services by integrating offline health care networks

- Ping An Good Doctor has built an excellent in-house medical team of **nearly 2,000** members. Supported by a proprietary AI-based medical system, this team has constantly improved user services.
- In mid-2020, Ping An Good Doctor launched an across-the-board strategic upgrade, focusing on channels, services, and capacities.
- In September 2020, Ping An Good Doctor launched a sub-brand “**Ping An Doctor Home**” to facilitate communication between doctors and patients. Ping An Good Doctor upgraded its services, including the Private Doctor and the Doctor Virtual Office, to serve both users and doctors.



## Ping An HealthKconnect

Committed to becoming a smart technology company fully empowering the health care ecosystem

- Centering around a smart SHI system, Ping An HealthKconnect empowers Healthcare Security Administrations by developing **the Smart SHI Integrated Platform**. Starting from SHI, Ping An HealthKconnect also provides integrated medical management solutions covering hospitals, doctors, pharmacies, and insured members.
- In the first nine months of 2020, Ping An HealthKconnect won bids to construct SHI platforms for provinces including Qinghai, Hainan, Guizhou, Guangdong, Xinjiang, and Shaanxi. As of September 30, 2020, Ping An HealthKconnect had won bids to construct SHI platforms for **nine** provinces.

# Fintech business



## Lufax Holding

China's leading online wealth management and retail lending technology platform

- Loans facilitated by Lufax Holding to small and micro-business owners and retail customers grew steadily. The balance of retail credit facilitated by Lufax Holding increased by **15.9%** from the beginning of 2020 to **RMB535,788 million**.
- In online wealth management, customer assets increased by **9.1%** from the beginning of 2020 to **RMB378,278 million** due to its business transformation in response to the latest regulatory requirements.
- The ratio of loans more than 30 days overdue in the loan portfolio facilitated by Lufax Holding has **fallen drastically** from the peak seen in the second quarter, and has returned to pre-epidemic levels.



## OneConnect (OCFT US)

China's leading technology-as-a-service platform for financial institutions

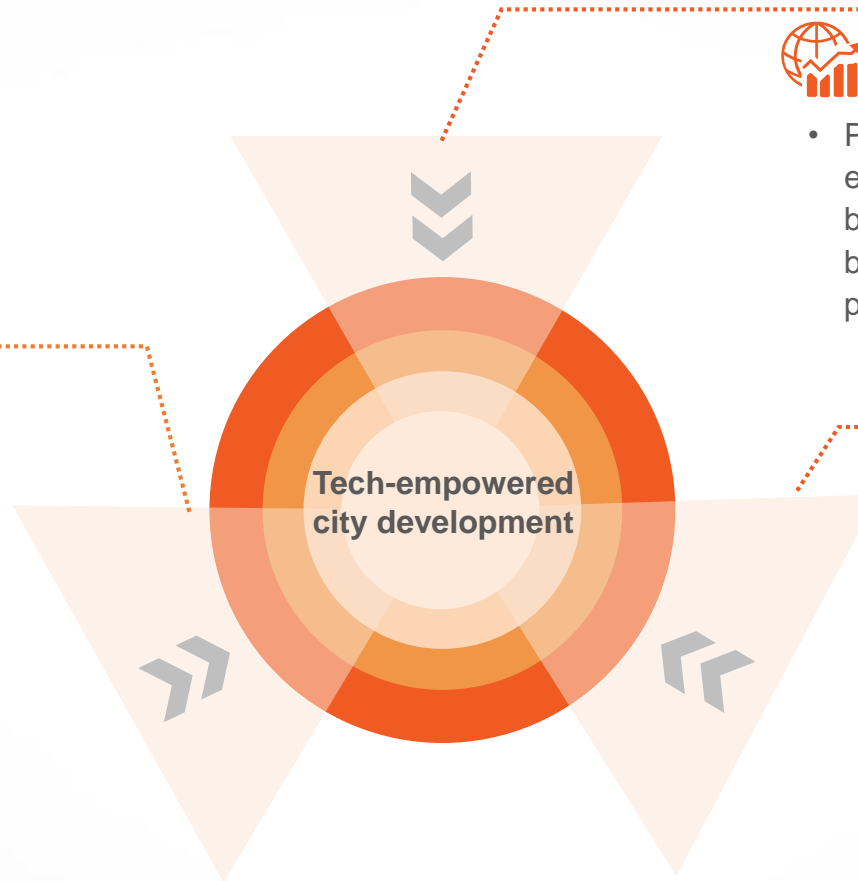
- OneConnect's end-to-end technology applications and business services help financial institutions boost revenues, manage risks, increase efficiency, improve services, and reduce costs, thereby enabling digital transformations.
- **Ping An OneConnect Bank (Hong Kong) Limited**, OneConnect's virtual bank, officially opened for business in Hong Kong on September 29, 2020. The virtual bank aims to push beyond the boundaries of traditional banks with fintech, and provide flexible, convenient financial services for small- and medium-sized enterprises and retail customers in Hong Kong.

# Smart city business covers 143 domestic cities and multiple countries and regions involved in the Belt and Road Initiative



## Government services

- Ping An signed a contract worth **RMB180 million** on the construction of Shenzhen's integrated smart market supervision platform. This is so far the **largest** order for a smart market supervision platform in China.
- Ping An won the bid for a vocational skills training supervision service platform of Shenzhen Human Resources and Social Security Bureau. The platform supervised the data-driven training for **over 14,000** trainees in the first week.



Tech-empowered city development



## Business development

- Ping An helps the government strengthen ecological environment management and assists businesses in green environmental protection by building an integrated smart environmental protection platform.



## Citizen services

- Ping An launched the “Nationwide COVID-19 Real Time Dashboard” with authoritative organizations of the state. The dashboard went live on **over 300** official platforms in **21** provinces and **31** cities across China, keeping the public updated on COVID-19 developments in real time.
- Ping An also provided AI-based image reading services for **over 1,500** medical institutions across China to identify COVID-19. It took only **15 seconds** on average to issue a single smart analysis, and **over 40 million** images were analyzed.



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Thank you!

