The “Financial Service + Technology” Strategy of Ping An

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Important Notes

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Ping An’s Performance on Value
Ping An Started Technology Innovation Strategy 7 Years Ago and Keeps Value Focus, Leading to Ongoing Earnings Growth

**Cumulative annual growth rate** of profit attributable to shareholders of parent company ( % )

**Annual growth rate** of profit attributable to shareholders of parent company ( % )

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<td>Rate</td>
<td>25%</td>
<td>13%</td>
<td>3%</td>
<td>40%</td>
<td>40%</td>
<td>38%</td>
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**Compound annual growth rate of profit 2009-2016**

- **Ping An**: 24%

**Standard deviation of profit growth**: 15.04

**How to make profit out of value?**

- **Value Focus**
- **Strong KPI mechanism**
- **Strict compliance & risk management**
- **Ongoing investment and incubation of technology**
The Strategy of “Financial Service + Technology”
The “Financial Service + Technology” Strategy Will Bring Us A Huge Leap in Our Earnings and Value
Why Adopting the “Financial Service + Technology” Strategy And What’s the Business Model?

Why?

1. Tide of Tech & Big Trend
2. Modularization
3. PA’s Advantages

What?

4. PA’s Domain
5. PA’s Model
1.1 On Top of the Tide

Technological advancement

- Origin of writing
- Origin of math
- Industrial Revolution
- Agriculturalization

Time

Y_{-3000} \quad Y_{-2400} \quad Y_{1760} \quad Y_{2016}

- Informatization
- Industrialization
- Cloud
- Internet
- Computer
- Airplane
- Railway

Big Trend
Modularization
Advantages

Intelligence Era

- AlphaGo Zero
- AlphaGo beat Go world champions
- Cloud
- Big Data
- …
1.2 Intelligent & Personalized Internet Technology

- **Rising Penetration of Internet:**
  - Intelligent + Personalized

- **Enhancement in Payment Function:**
  - Standardized

- **Popularity of Mobile Internet & Online Transaction:**

- **Advisory + Intelligent Services:**
  - Information Supply
  - Commodity/Service Exchange

**Advantages** of Intelligent & Personalized Internet Technology include:

1. **Intelligent & Personalized Internet Technology**
2. **Rising Penetration**
3. **Enhancement in Payment Function**
4. **Popularity of Mobile Internet & Online Transaction**
5. **Advisory + Intelligent Services**
1.3 Opportunities from Technological Advancements

- Cloud computing reduces our reliance on Wintel
- Internet speed increases pave the way for advancement of cloud computing
- External barriers designed for information security represent growth opportunities

**Our Opportunities**
- Cloud computing reduces our reliance on Wintel
- Internet speed increases pave the way for advancement of cloud computing
- External barriers designed for information security represent growth opportunities

**Our Advantages**
- 80% of our infrastructure is in our own cloud
- Cloud is the delivery mechanism for our rich SAAS offering to external clients
- High SDLC (Software Development Life Cycle) Speeds

**Preconditions for AI**
- **Speed**
  - Significantly faster computers
- **Algorithm**
  - Advancing algorithms
- **Data Volume**
  - Geometric growth in data volumes
- **Cost**
  - Lower computing costs

**Big Trend** Modularization

**Advantages**
2.1 Traditional FIs Rely on Capital, Labor and Integrated Operations

Traditional FIs all have integrated operations of front, middle and back offices.
2.2 Implications from Modularization of Smartphone And Auto Industries

The iPhone industry chain
Apple secures a high margin on the industry chain by strengthening its design, brand, and services via modularization under a capital-light model.

Profit margin
- High: Industrial design, branding, software services
- Low

Technological mastery
- High: Core parts (processor, memory, baseband, RFID)
- Low: Important parts (screen, camera, electroacoustic device)
- Other parts (shell, battery...)
- Assembly

The Tesla industry chain
With core advantages in the BMS, electric drive system and automatic drive, Tesla selects and assembles modules from across the world to launch groundbreaking products such as Model S.

Profit margin
- High: Integrated powertrain system (lithium battery, BMS, heat management...)
- Low

Technological mastery
- High: Electric drive system (Electric machinery and drive modules)
- Low: Central control system (automatic drive system, dashboard, telecom, GPS, screen)
- Vehicle chassis and body
- Interiors...

Big Trend Modularization Advantages
2.3 Fintech Companies Will Supply Modular Services

Our vision is to make Ping An a world leading Fintech company which will provide modular financial services.

We can generate capital light revenue streams from providing financial institutions modular services.

中国平安 PING AN
(Fintech Companies)

Strategic Empower-ment
Technology Supply
Service Supply

Big Trend
Modularization
Advantages

Channel
Products/services
Operations/Risk Mgmt
Assets

PE/VC
Asset management
Investment
Bank
Commercial
Bank
Insurance
3 Ping An’s Advantages

Big Trend  Modularization  Advantages

3 Gens
- Innovation
- Culture
- Execution

3 Capabilities
- Tech
- Data
- Scenarios

3 Resources
- Funds
- Channels
- Experts
- O+O

Innovation & Culture & Execution
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4 Ping An’s Domain: 2 Big Focus + 5 Key Technologies

- **Fintech**
  - Puhui (2005)
  - Lufax (2011)
  - E-wallet (2012)
  - Finance One Connect (2015)

- **Healthtech**
  - Healthcare Management (2013)
  - Good Doctor (2014)
  - Wanjia Healthcare (2016)

- **Cloud**
- **AI**
- **Big Data**
- **Blockchain**
- **Biometrics**
5 Ping An’s Technology-powered Model

Technology-powered PA will seek innovations in financial and healthcare industries to become more competitive in traditional financial businesses.

PA will provide FIs and medical institutions with new technologies to improve their efficiency and generate capital light revenue streams.

- Traditional financial businesses
- Innovative fintech and healthtech
- Other financial and medical institutions
- Generate Revenue
- Lower cost
- Output
- Application

Domain Model
“Financial Service + Technology”, An Ongoing Value Generating Strategy

**Traditional finance**
- Keep the advantages in traditional financial businesses and focus on value
- Elevate the efficiency of capital, continue rewarding shareholders

**Technological innovation**
- Invest and develop world-leading technologies; incubate new business models
- Provide the society, government and other businesses with technologies to boost efficiency, cut costs, and reduce risks
Thank you