



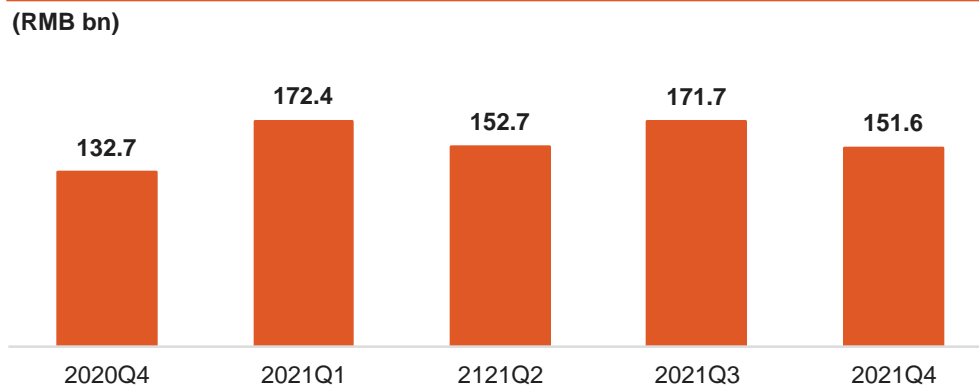
陆金所控股  
LUFAX

# Investor Presentation

March 2022

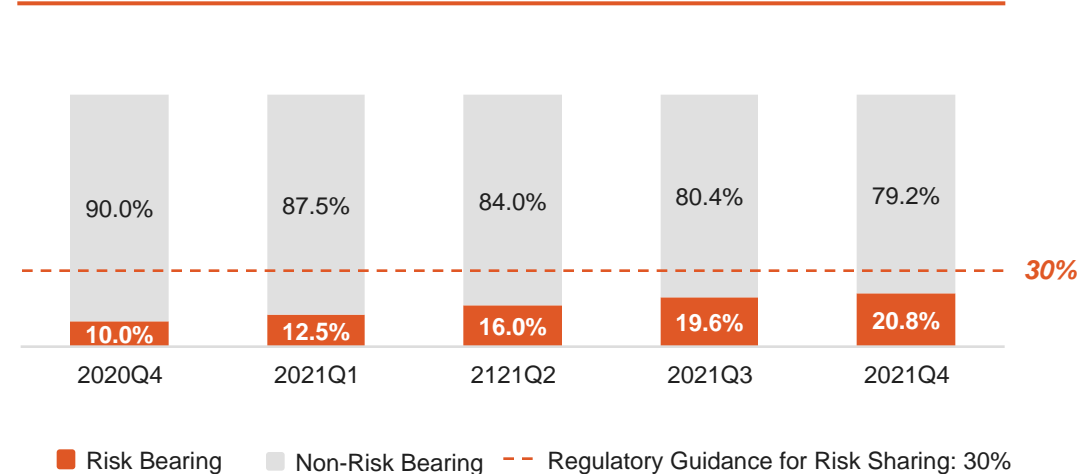
# Risk Bearing Model Compliance

## Risk Bearing New Loans Facilitated



**Increased Risk Sharing of New Loans**

## Risk Sharing Percentage<sup>(1)</sup>



## Sufficient Capacity to Increase Risk-taking as Needed

(RMB bn)

|  |      |
|--|------|
| Net Assets   | 94.6 |
| Net Assets of Puhui Guarantee Company as of 4Q 2021  | 47.4 |
| Guaranteed Amount as of 4Q 2021                      | 83.8 |
| Puhui Guarantee Company Leverage Ratio as of 4Q 2021 | 1.8x |

**Healthy Leverage Ratio**

## Illustrative Return on Regulatory Capital

|  |                         |
|--|-------------------------|
| Single Loan Size                                     | RMB 100                 |
| Company Risk Sharing                                 | 20-30 %                 |
| Maximum Leverage on Risk Sharing Portion             | 15.0 x                  |
| Required Regulatory Capital                          | RMB 1.3-2.0             |
| Pre-tax Net Margin per Loan                          | RMB 3.5-4.5             |
| Pre-Tax Return on Regulatory Capital for Single Loan | RMB 3.5/2 – RMB 4.5/1.3 |

↓ 175%      ↓ 346%

Note:

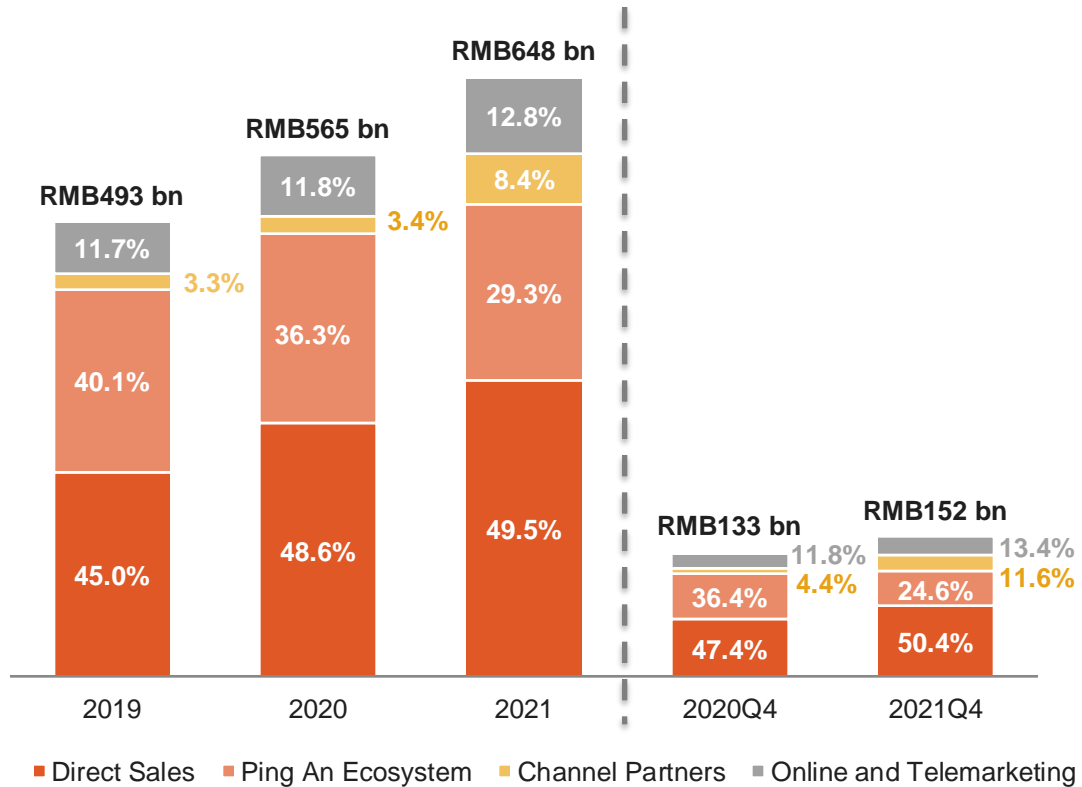
1. Excluding consumer finance subsidiary

# Channel Optimization


## Improvement in Direct Sales


### Evolution in Channel Mix


#### Volume of New Loans Facilitated



### Productivity of Direct Sales

- 

*Continued channel optimization with reduced reliance on PA Ecosystem*
- 

*Direct Sales' new loan volume +21.6% vs. +8.4% headcount in 4Q2021*
- 

*12.1% YoY increase in Direct Sales productivity in 4Q2021*

# Channel Optimization

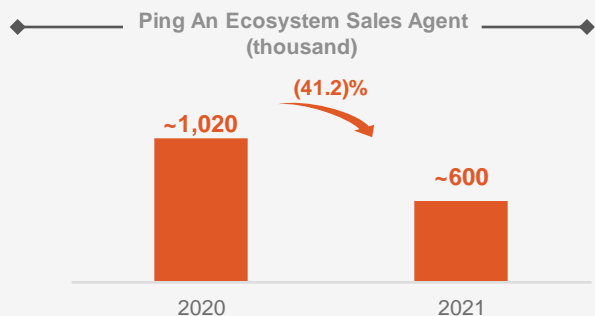
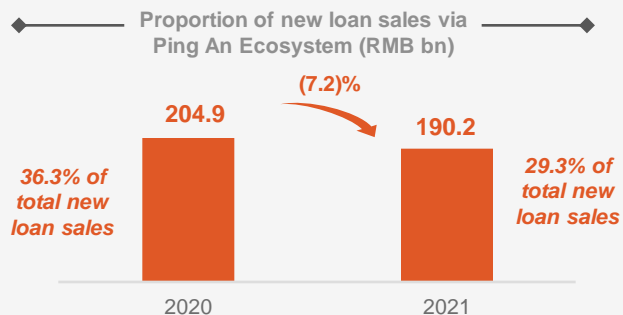
## Advantages of Direct Sales



### Growth Potential



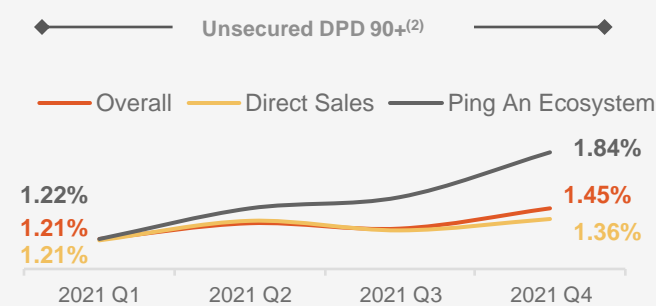
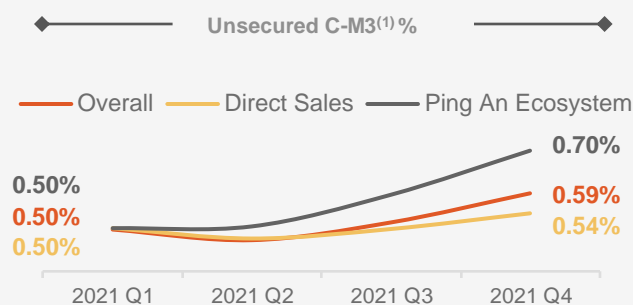
- The proportion of sales via Ping An Ecosystem continues to decline



### Risk Performance



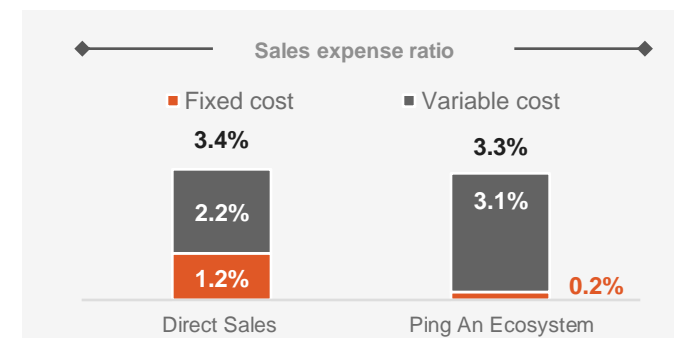
- Risk of loans from Ping An Ecosystem increased in 2021, higher than that of Direct Sales and the overall level as of 2021YE



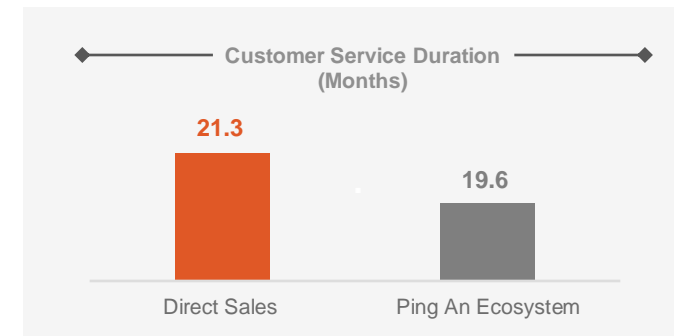
### Sales Expense & Customer Service



- Sales expense: room for optimization of the fixed cost for Direct Sales channel



- Proven customer satisfaction: the service time of Direct Sales channel is much longer than that of Ping An Ecosystem channel



Note:

1. Defined as the percentage of current loans that will become non-performing at the end of three months

2. DPD 90+ defined as the outstanding balance of loans for which any payment is 90 to 179 calendar days past due divided by the outstanding balance of loans

# Channel Optimization

## Future Strategies For Direct Sales

### ① Talent Acquisition



#### Identify Talents

#### Experience:

3 years + sales experience

#### Education:

mostly have a bachelor's degree

#### Indebtedness:

with car loan / house mortgage



#### Talent Performance

#### High productivity

#### High retention rate

| New loan sales                | MOB0 | MOB1 | MOB2 | MOB3 | MOB4 | Retention Rate           |       |
|-------------------------------|------|------|------|------|------|--------------------------|-------|
| High-quality talents(K/Month) | 104  | 257  | 298  | 322  | 590  | High-quality talents     | 80.5% |
| Non-high-quality talents      | 43   | 136  | 244  | 235  | 400  | Non-high-quality talents | 60.7% |



#### Talent Source



Industry referrals



Actively approaching



Compensation reform:  
**increasing fixed portion** as well as total package for new recruits

### ② Technology Empowerment

#### Customer Acquisition



Business opportunity / sales leads generation



9 technology tools to facilitate in every sales process

#### Customer Management



#### Pre-lending

- Direct customer traffic



#### Loan disbursed

- Loan management



#### Post-lending

- Relationship maintenance

#### Industry Expertise



Key industries to follow



Case study sharing



AI business map

### ③ Efficacy Management

1

Establishing a flat platform **with less managers**

2

Establishing **Puhui Management System**, building a transparent, unified platform

3

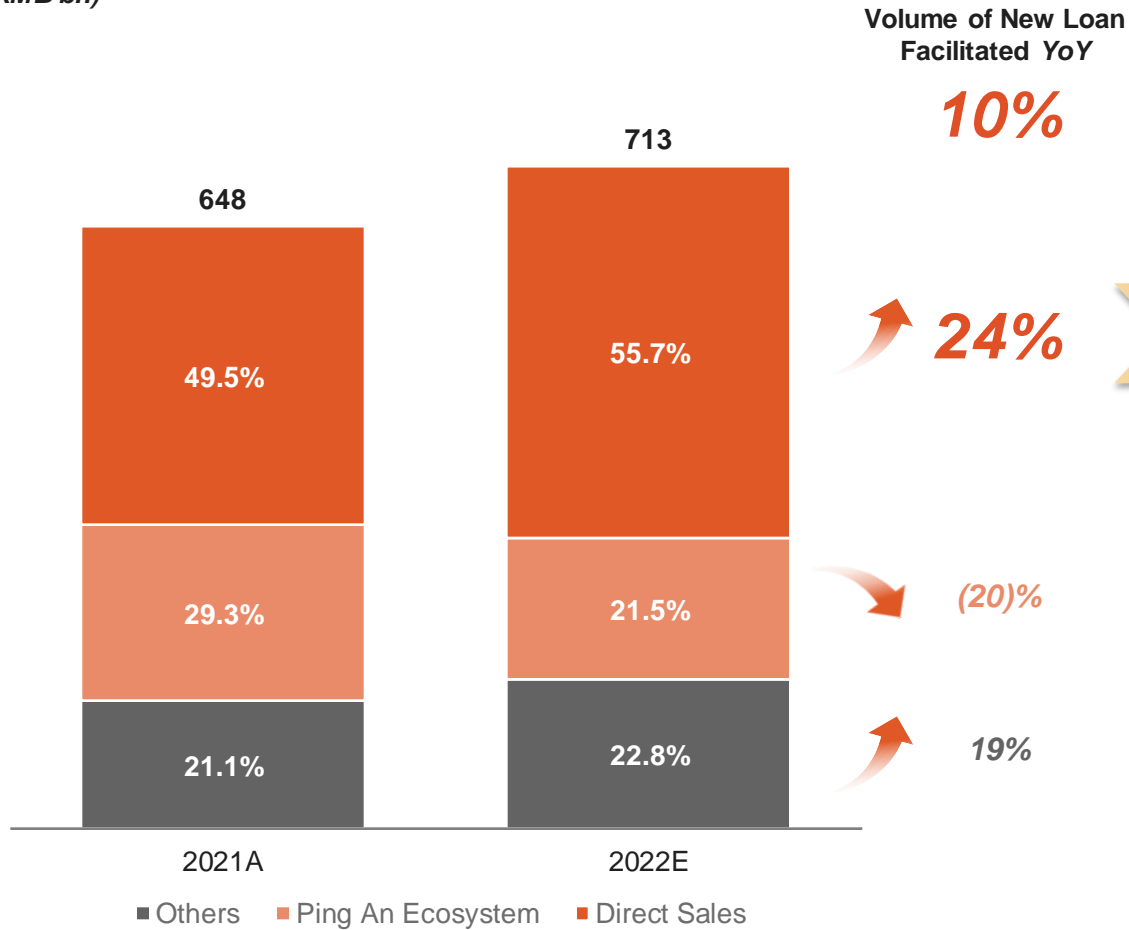
**Strict evaluation system to optimize team structure**

# Channel Optimization

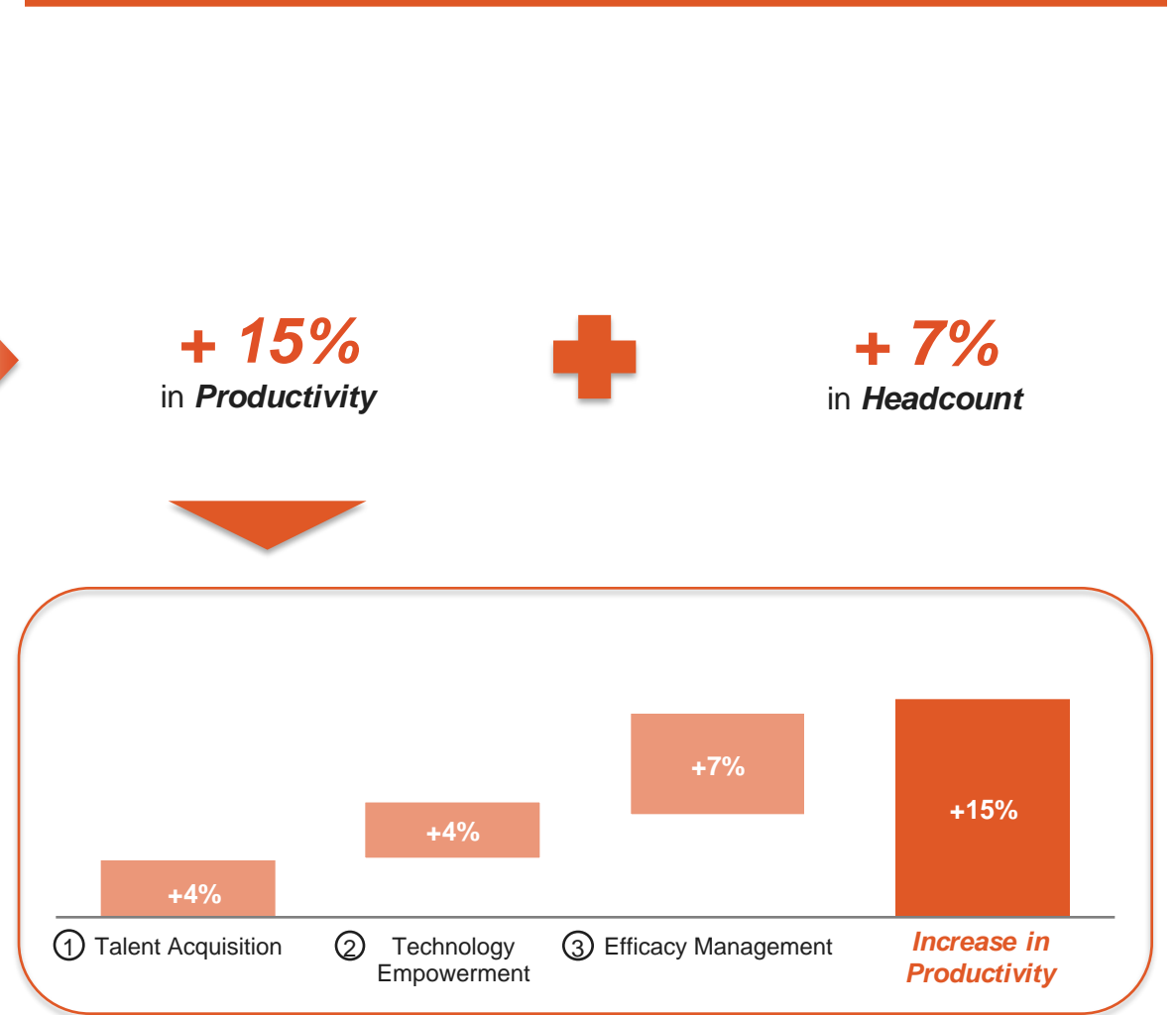
## Strategic Importance of Direct Sales

Channel Breakdown of New Loan Facilitated

(RMB bn)

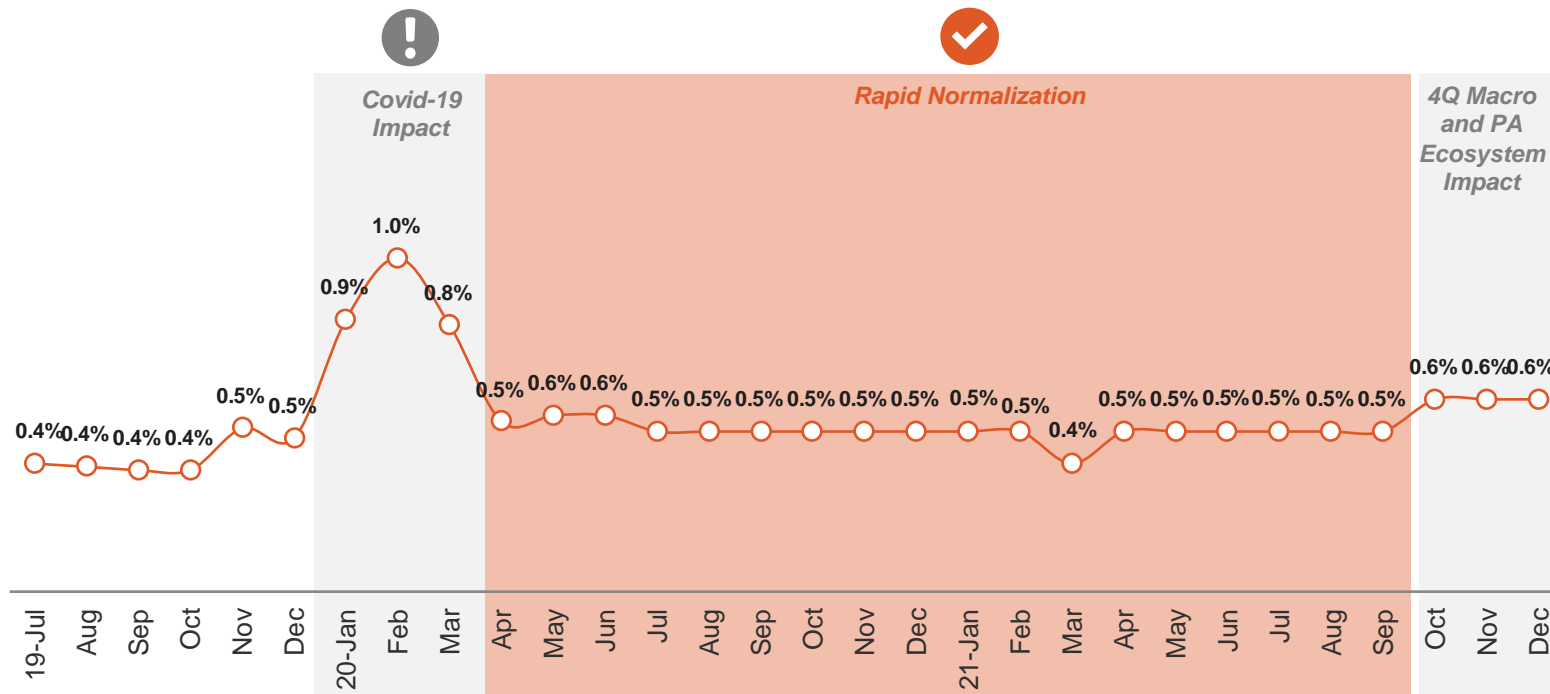


Breakdown of Increase in Direct Sales Channel

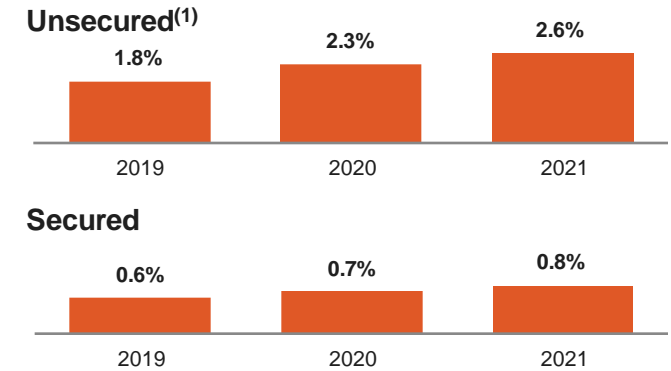


# Credit Quality Maintained Stable

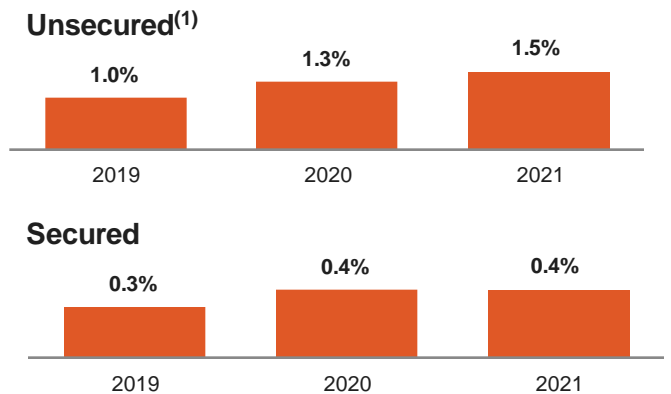
Unsecured C-M3 (Current to 60-89 Days Past Due) flow rates (%)<sup>(1)</sup>



DPD 30+ (30+ Days Past Due)<sup>(2)</sup> Delinquency Rate



DPD 90+ (90+ Days Past Due)<sup>(2)</sup> Delinquency Rate



Note: numbers on this page exclude consumer finance

1. Defined as the product of (1) the loan balance that is overdue from 1 to 29 days as a percentage of the total loan balance of the previous month, (2) the loan balance that is overdue from 30 to 59 days as a percentage of the loan balance that was overdue from 1 to 29 days in the previous month, and (3) the loan balance that is overdue from 60 to 89 days as a percentage of the loan balance that was overdue from 30 days to 59 days in the previous month

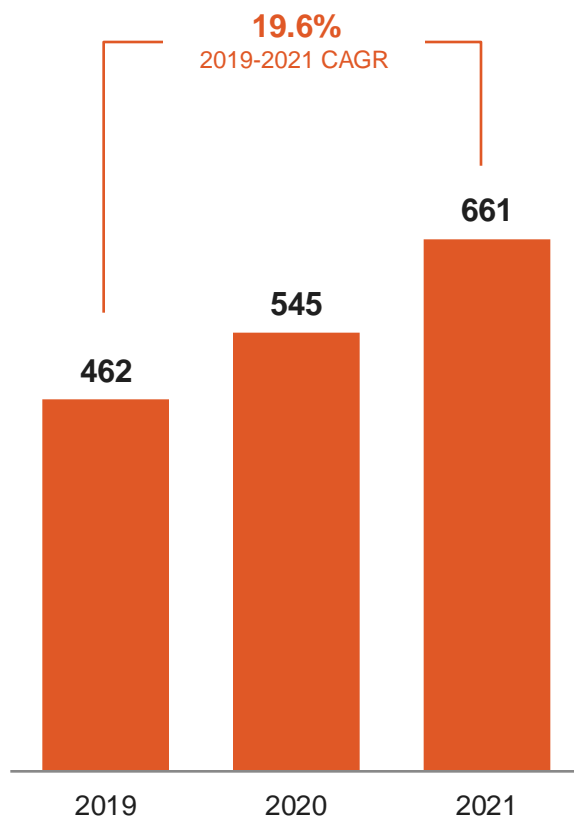
2. DPD 30+ and 90+ defined as the outstanding balance of loans for which any payment is 30 to 179 calendar days/90 to 179 calendar days past due divided by the outstanding balance of loans

# Strong Business Growth Driven By Core Segments

## Retail Credit Facilitation

### BALANCE OF LOANS FACILITATED

RMB bn

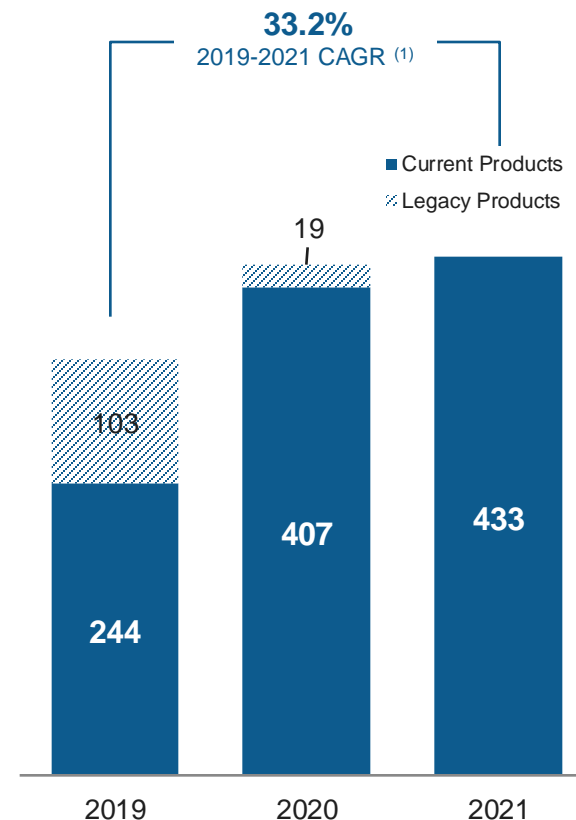


- **Small business owners** accounted for **79.6%** of new loans facilitated in Q42021, increased from **74.4%** in 2020 <sup>(2)</sup>
- **All-in borrowing costs** for new unsecured borrowers is **22.6%** in 2021, decreased from **26.7%** in 2020
- **High quality borrowers** <sup>(3)</sup> contributed to **63.4%** of the unsecured new loans facilitated in 2021, increased from **63.3%** in 2020
- Third-party credit enhancement decreased to **78.9%** of the outstanding loan balance<sup>5</sup> in 4Q2021, compared to **89.4%** as of 4Q2020

## Wealth Management

### CLIENT ASSETS

RMB bn



- **Annualized Take rate** on current products increased from **31.4bps** in 2020 to **64.0bps** in 2021
- **Active Investors** grew to **15.5 million** in 2021, from **14.9 million** in 2020
- **% client assets** from **investors with investments of more than RMB 300K+** increased from **75.5%** 2020 to **81.0%** in 2021
- **Retention rate** <sup>(4)</sup> stabilized at **96.1%** in 2021, as compared with **96.8%** as of 2020

Note:

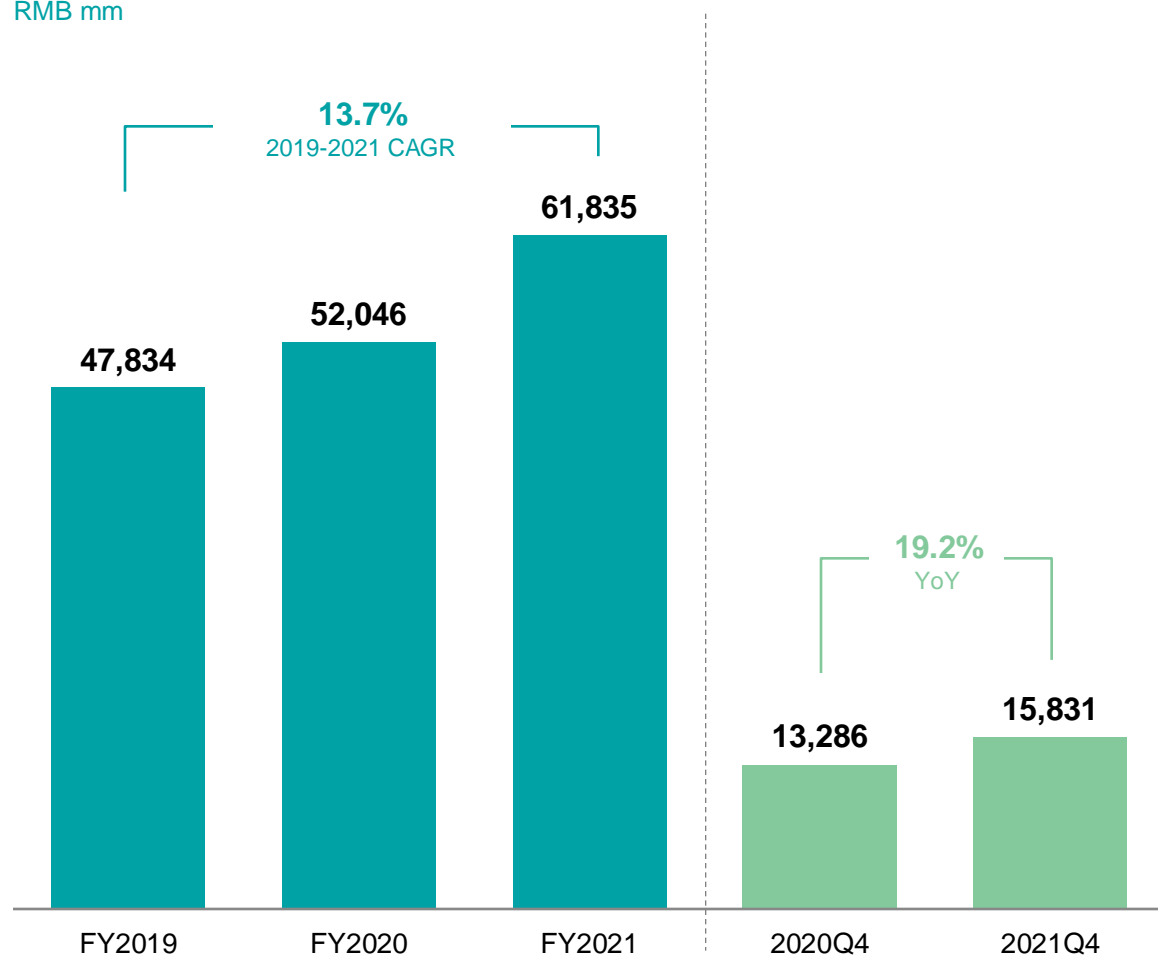
<sup>1</sup> Excluding legacy products. <sup>2</sup> Excluding consumer finance subsidiary. <sup>3</sup> High quality borrowers refer to G1-G3 unsecured borrowers. The Company groups its qualified borrowers into eight risk levels, with G1 representing the lowest risk and G8 representing the highest risk among qualified borrowers. <sup>4</sup> The percentage of the active investors at any given time who had been active investors one year earlier. <sup>5</sup> Excluding consumer finance.



# Solid Financial Performance

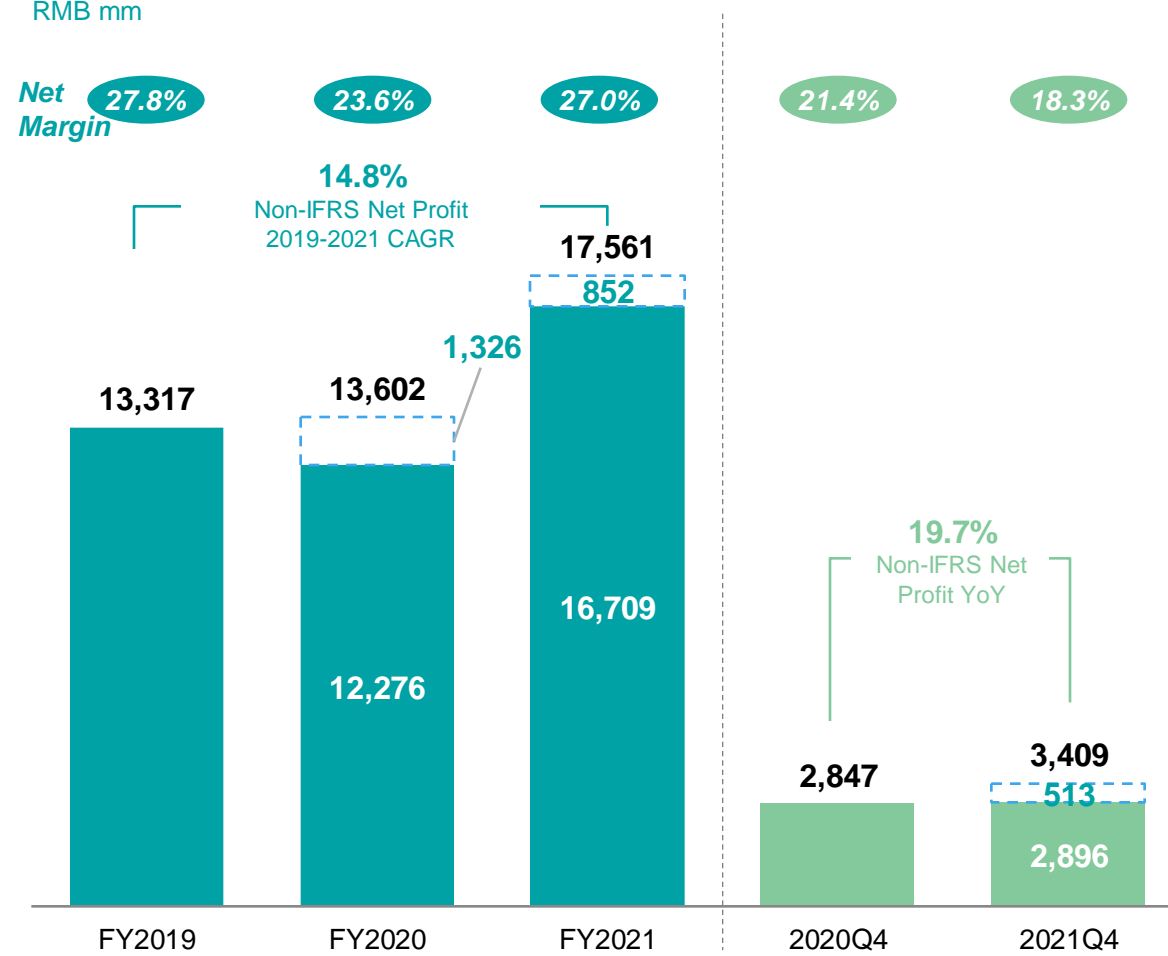
## Total Income

RMB mm



## Net Profit and Adjusted Net Profit<sup>1</sup>

RMB mm



■ Net Profit □ Non-IFRS Adjusted Net Profit

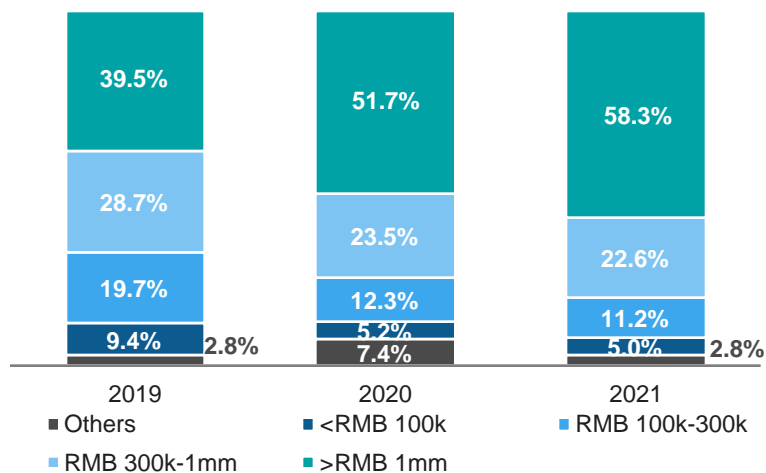
Note:

<sup>1</sup> Non IFRS adjusted net profit excludes non-recurring expense related to C round convertible notes restructuring

# Wealth Management – Client, Product and Take Rate Priorities

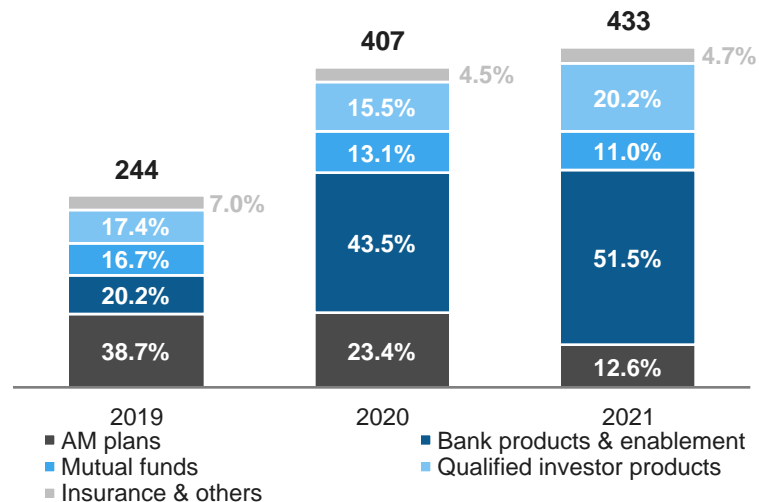
### Customer Segment Mix

Customer segments in current assets



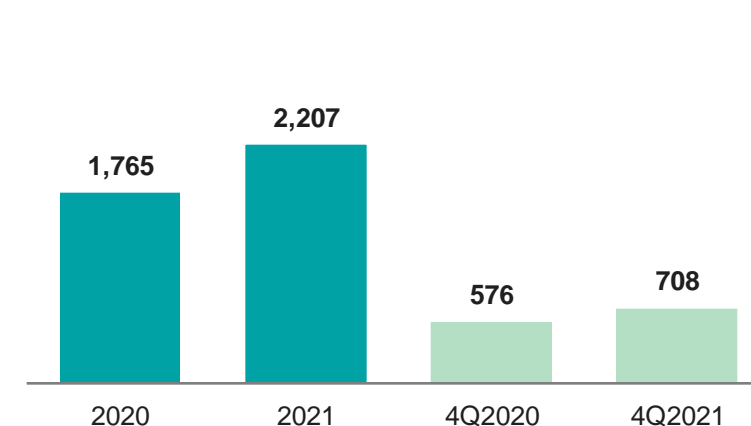
### Client Assets Mix – Current Assets<sup>1</sup>

In RMB bn

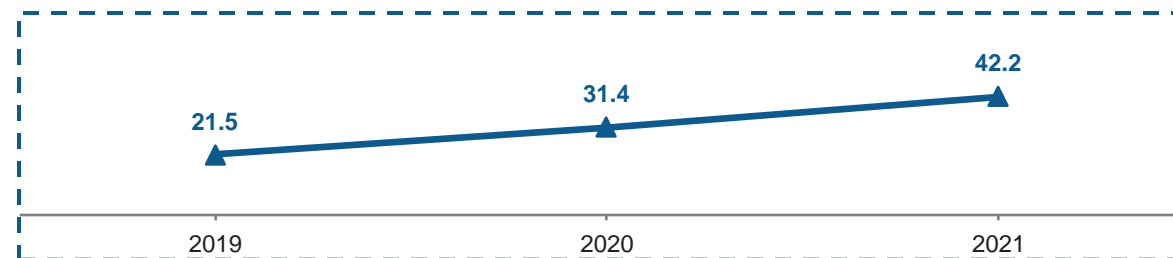


### Wealth Management Transaction & Service Fee

(RMB mm)



### Take Rate of Current Products & Technology Services (bps)<sup>2</sup>



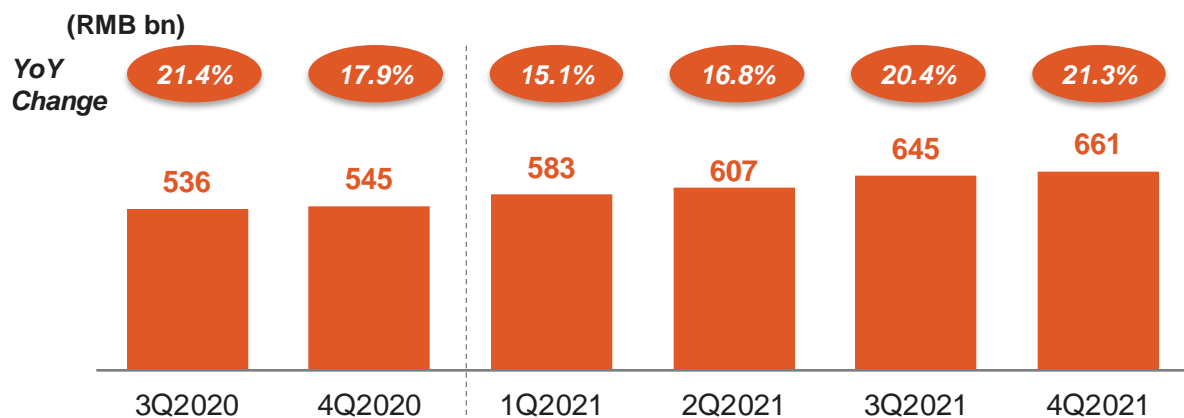
Note:

<sup>1</sup> Excluding legacy products.

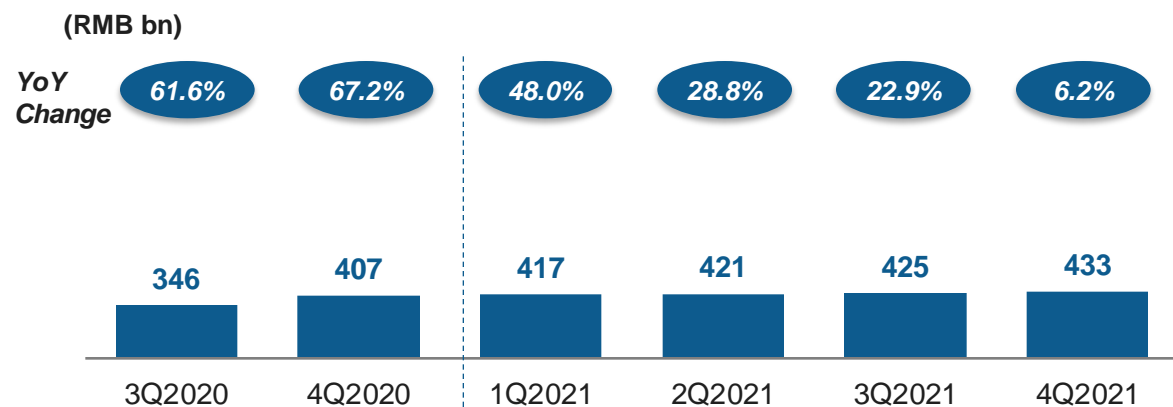
<sup>2</sup> The take rate of wealth management business is calculated by dividing total wealth management transaction and service fees for current products by the Company's average current product client assets.

# Sound Track Record Since IPO

## Balance of Loans Facilitated



## Client Assets














## Financial Performance

(RMB bn)

|                     | 3Q2020  | 4Q2020 | 1Q2021 | 2Q2021 | 3Q2021 | 4Q2021 |
|---------------------|---------|--------|--------|--------|--------|--------|
| <b>Total income</b> | 13.1    | 13.3   | 15.3   | 14.8   | 15.9   | 15.8   |
| YoY change          | 10.5%   | 5.9%   | 16.9%  | 17.3%  | 21.8%  | 19.2%  |
| <b>Net profit</b>   | 2.2     | 2.8    | 5.0    | 4.7    | 4.1    | 2.9    |
| YoY change          | (36.8)% | 17.4%  | 18.7%  | 53.2%  | 90.8%  | 1.7%   |
| <b>Net margin</b>   | 16.5%   | 21.4%  | 32.6%  | 31.9%  | 25.8%  | 18.3%  |

## Performance Guidance

| <i>RMB bn</i>         | 1Q 2022       | YoY Change  | 1H 2022       | YoY Change   | 2022E         | YoY Change  |
|-----------------------|---------------|---|---------------|--|---------------|---|
| <b>New loan sales</b> | 169.0~175.8   | (2)~2%  | 334.8 ~ 344.6 | 3-6%    | 706.8 ~ 726.2 | 9 ~12%   |
| <b>Client assets</b>  | 429.6 ~ 433.8 | 2%                  | 433.7 ~ 437.9 | 3.3%    | 441.3 ~ 445.7 | 2 ~ 3%   |
| <b>Total income</b>   | 16.5 ~ 16.8   | 8 ~10%              | 33.1 ~ 33.7   | 10-12%  | 68.0 ~ 69.3   | 10 ~12%  |
| <b>Net profit</b>     | 5.3 ~ 5.5     | 6~10% <sup>1</sup>  | 10.3 ~ 10.6   | 6-9%    | 18.6 ~18.9    | 11~13%   |

✓ **Stable Growth and Net Margin of Retail Credit Facilitation with Clarity in Regulation**

✓ **Continuous Improvement of Operating Efficiency**

✓ **More Synergies across Business Segments**

✓ **Empowering Financial Institutions through Technology for Wealth Management**

Note:

1.Excluding legacy P2P impact in 2021.



## Appendix – Additional Materials

# China's Policy Goal – To Balance Growth, Safety and Social Welfare: Key Areas of Focus (1/2)

## Social Equality & “Common Prosperity”



**Tech giants:** To tackle rising tensions of social inequality

- ✓ Take up responsibility on welfare of flexible workers
- ✗ Monopolistic behavior with disregard for social welfare



**Education:** To ease parents' burden associated with children's education

- ✓ Increase public school resources, vocational training
- ✗ Profit-oriented afterschool tutoring



**Housing:** To meet living demands of urban dwellers

- ✓ Property rental market
- ✗ Housing speculation, over-leveraged developers



**Healthcare:** To enhance elderly care and reduce medical costs

- ✓ Innovative drugs, R&D on medical technology
- ✗ Generic drugs



**Insurance and Pension:** To better allocate households' savings

- ✓ Commercial insurance (medical + retirement)
- ✗ Speculative activity, short-term products

## National Security & Digital Economy



**Data leakage:** New cybersecurity regulations heightened the regulatory communication costs for potential US listings

- ✓ A-share and HKEx listing not affected
- ✗ US listing no longer a viable option in near term



**Digital Economy:** Empower national digital transformation, shore up innovation and enable the government to offer more equitable public services

- ✓ Boost the R&D of sensors, quantum information, telecom, integrated circuits, key software, big data and artificial intelligence

# China's Policy Goal – To Balance Growth, Safety and Social Welfare: Key Areas of Focus (2/2)

## Personal Information Protection



**Consumer Rights & Protections:** Give individuals sufficient rights and strictly protect personal information

✓ Regulated information transparency, consent, control, and transfer



**Platform Responsibilities:** Standardize processing and intensified platform duties

✓ Prevent price discrimination, regulate market practices, and standardize governance



**Scope and Supervision:** Regulate personal information processing and cross-border provision of personal information

✓ Designated regulator and clarified liabilities



**Fintech:** To curb regulatory arbitrage and financial stability risks

✓ Capital requirements, proper oversight on data usage  
 ✗ Players with high leverage, low capital, and product/credit concentration risks



**Capital flows:** To promote RMB asset internationalization

✓ Orderly increase of “two-way” flows  
 ✗ Speculative capital flows



**Capital markets:** Seek resolution to US auditing requirements

✓ Announce efforts to bridge long-standing impasse



**Overseas Listing:** CSRC rolled out new and comprehensive set of rules to regulate overseas listing process

✓ All the overseas listings, including Hong Kong and the US, will have to go through CSRC “filing” process



**New “Negative List” for Foreign Investment:** Still allows overseas listing of companies with VIE structure

✓ Companies with VIE structure still allowed for overseas listing, subject to the completion of CSRC filing process



**Decarbonization:** To reach Peak emissions by 2030 and carbon neutrality by 2060

✓ Clean energy, smart grid, electrification, green financing  
 ✗ “Brown assets”

## Environmental

# We Are Relatively Well Positioned in the Changing Regulatory Environment... (1/2)

Lufax's Relative Exposure

2021  
Feb

Mar

Apr

May

Jun

Jul

## Anti-trust

○ \* Tech giants most affected

- SAMR released official guidelines for Anti-monopoly Rules targeting **platform economics**

- Alibaba, JD, Meituan, Tencent, Baidu, ByteDance, Didi fined
- SAMR reinforced compliance by **online retail platforms** and protection of consumer interests

- Alibaba** fined for RMB18bn
- Meituan** investigated by SAMR
- SAMR warned **34 major tech firms** to curb excess in antitrust reviews

- Merger of **Huya** and **Douyu** blocked by SAMR
- TME** fined and ordered to end exclusive music licensing rights by SAMR

## Social Equality

○ \* K12 / real estate affected

- Ministry of Education announced plans to intensify **AST rectification** actions in 2021

- "**Double Reduction**" of homework and AST approved by Central Comprehensive Deepening Reforms Commission

- CPCCC and State Council** jointly issued the document on "**Double Reduction**" banning tutoring companies on school subjects from **raising capital through IPOs**

## Data & Personal Info Security

◐ \* Tech giants most affected

- CAC finalized new policy on personal data collection by mobile apps

- CAC inspected and announced violations in person data collection by Apps across **input method, navigation, phone security, short video, web browsers and online hiring**

- CAC inspected and announced violations in person data collection by Apps across **fitness, news, online streaming, app store and female health**

- CAC proposed that **cybersecurity review** for companies **holding person information of 1mm users** prior foreign listing

## Financials / Fintech



- CBIRC further tightened the regulation on **online lending business** by commercial banks

**1 PBOC, CBIRC, CSRC and SAFE summoned 13 internet companies engaging in financial business**

- PBOC instructed major banks and payment companies to curtail trading of **cryptocurrencies**

- 2 PBOC** instructed internet platforms to **stop direct data connection** with financial institutions ("断直连")
- 3 Financial Rights Protection Bureau** of the CBIRC noted **fintech players** charge 6-7% for customer traffic

## Capital Markets/Other

◑ \* Unlisted TMT companies most affected

- CSRC revised guidance on STAR board listings with a focus on "**hard tech**"

- CPCCC and State Council** jointly released document to strengthen regulations for domestic business listed overseas
- CSRC** reportedly working to change overseas listing rules that now require **VIE structure to seek approval** before an overseas IPO



# We Are Relatively Well Positioned in the Changing Regulatory Environment... (2/2)

Lufax's Relative Exposure

2021 Aug

Sep-Nov

Dec

2022

Jan-Feb

Pipeline

## Anti-trust

○ \* Tech giants most affected

- The State Administration for Market Regulation ("SAMR") issued reply to continue **improving the regulation system of platform economy**
- The SAMR published 43 cases against companies that failed to report their illegal activities, **13 Tencent related cases and 12 Alibaba related cases**

- SAMR announced 13 past M&As that failed to report market concentration risks and imposed RMB500k fine for each deal.

- To legislate the amended Anti-Monopoly Law of China

## Social Equality

○ \* K12 / real estate affected

- After-school education institutions, including New Oriental, Gaotu, Tand AL Education, made public announcements to **stop providing the off-campus subjects-related training services to K9 students** and shift business focus to other services related to adult education, quality education, etc.

## Data & Personal Info Security

◓ \* Tech giants most affected

- State Council issued the Regulations on the **Security Protection of Critical Information Infrastructure**

- Cyberspace Administration of China ("CAC") have laid out circumstances required to apply for network security review
- The MIIT provided transitory administrative guidance to Tencent. Tencent was publicly criticized 4 times for 9 non-compliant products
- Personal Information Protection Law came into effect on Nov 1

- Truck Alliance, Didi and Ximalaya are reportedly in talks about "golden share" arrangement

- President Xi emphasis the importance of China's digital economy on Jan 15, 2022
- Cybersecurity Review Measures to be officially implemented on Feb 15, 2022

- To finalize regulation on data security on internet platform (CAC)
- To finalize regulation on management of cross-border data security (CAC)
- To finalize measures for data security in industry and IT sector (MIIT)

## Financials / Fintech

◓

- CAC and other 9 departments identified business activities related to **virtual currency** as illegal financial activities
- The PBOC and the HKMA agreed to **link up the PBOC's Fintech Innovation Regulatory Facility with the HKMA's Fintech Supervisory Sandbox in the form of a "network"** and provide efficient Fintech innovation testing services

- Official implementation of **Regulating the Asset Management Business of Financial Institutions and Regulating Internet Loans of Commercial Banks** by CSRC
- JD Digits submitted filing material to CSRC on Jan 26 2022; Cinda terminated capital injection to Ant's consumer finance JV

- "Fintech development plan (2022-2025)" issued by PBOC proposes guidance opinions for the development of fintech in a new era

## Capital Markets/Other

◓ \* Unlisted companies most affected

- State council / CSRC announced intention to **resolve US auditing disclosure requirements**

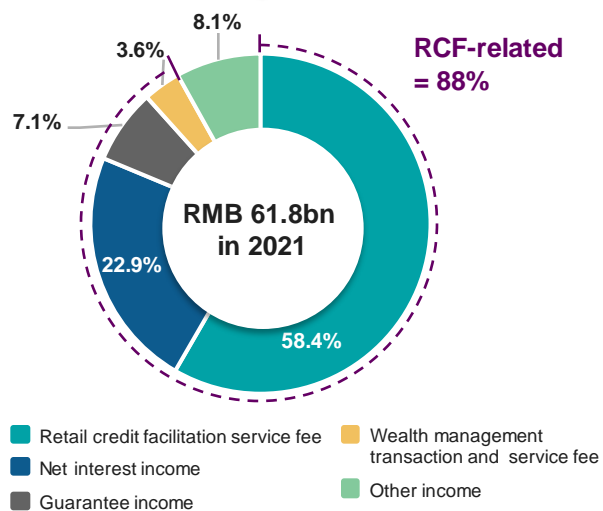
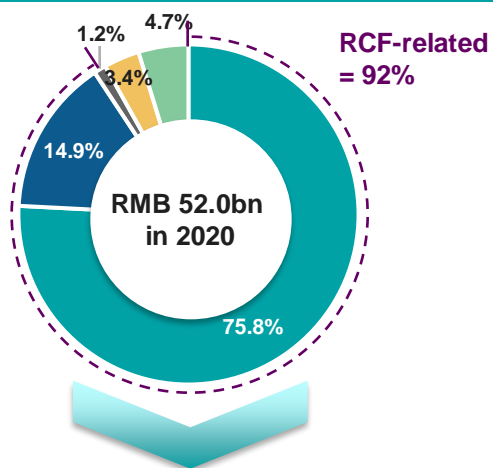
- According to the CSRC, China will establish Beijing Stock Exchange based on the current NEEQ **SELECT and pilot the registration-based IPO system**
- CSRC created conditions for **smooth transition to a registration-based IPO system across the board**

- NDRC/MOC published shortened **Negative List 2021 CSRC published a consultation paper on overseas listing on Dec 24**

- To finalize the overseas listing rules for onshore companies (CSRC/State Council)

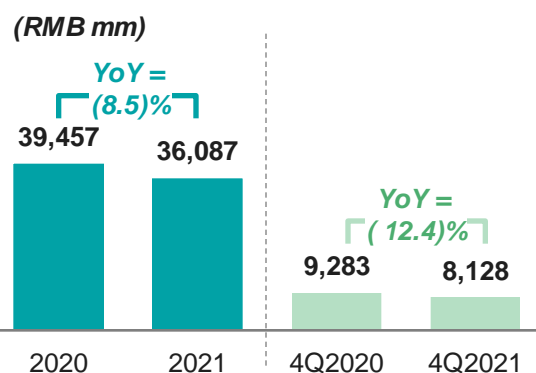
# Steady Growth in Retail Credit Facilitation Income under Risk-Sharing Model

## Total Income

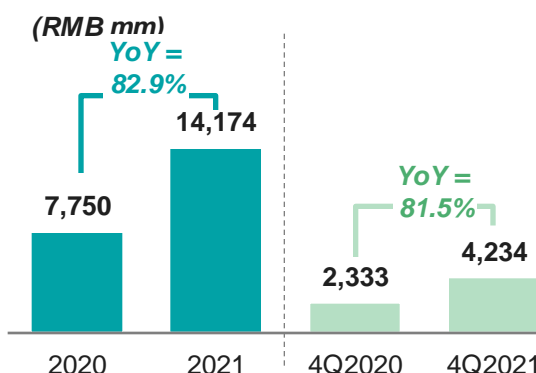


## RCF-related Income

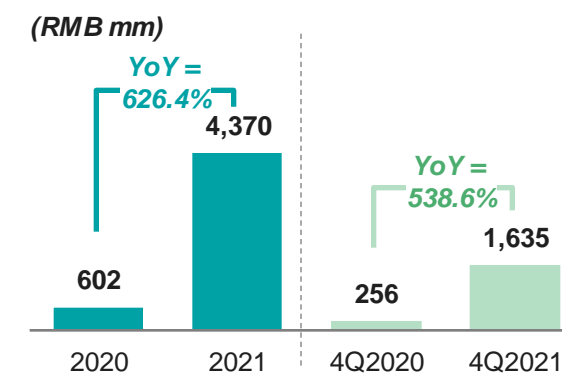
### RCF Service Fees



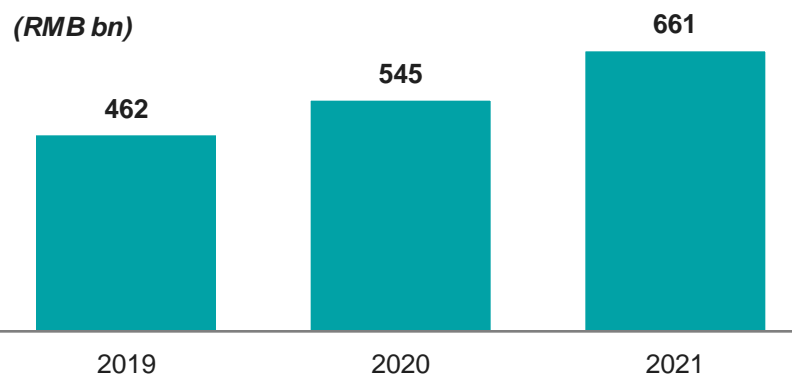
### Net Interest Income



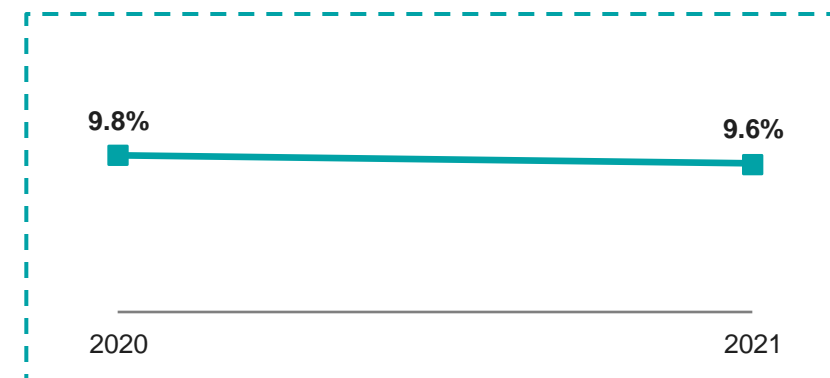
### Guarantee Income



## Outstanding Balance of Loans Facilitated



## RCF Take Rate<sup>1</sup>

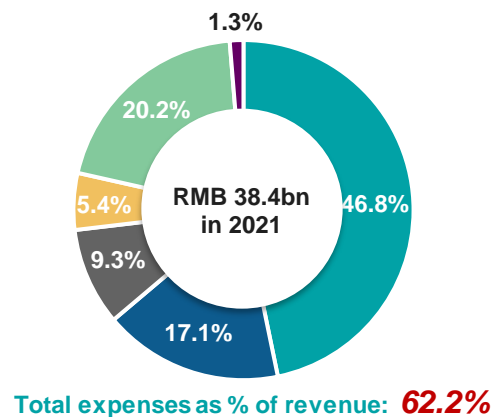
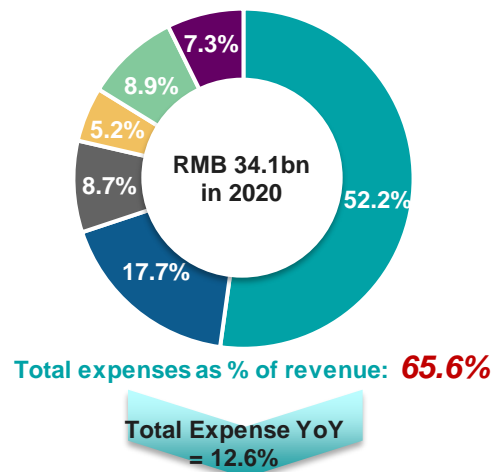


Note:

1. Calculated by dividing the aggregated amount of retail credit facilitation service fee, net interest income, guarantee income and the penalty fees and account management fees by the average outstanding balance of loans facilitated for each period.

# Stable Cost-to-Income Ratio with Improving Operating Leverage

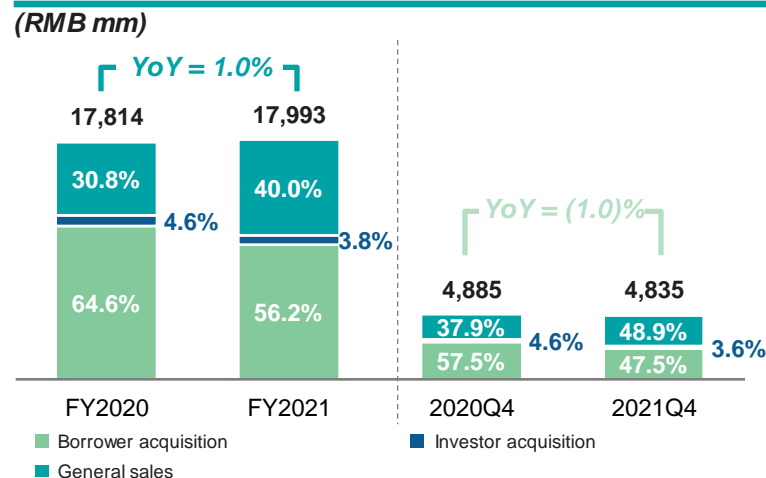
## Total Expenses as % of Revenue



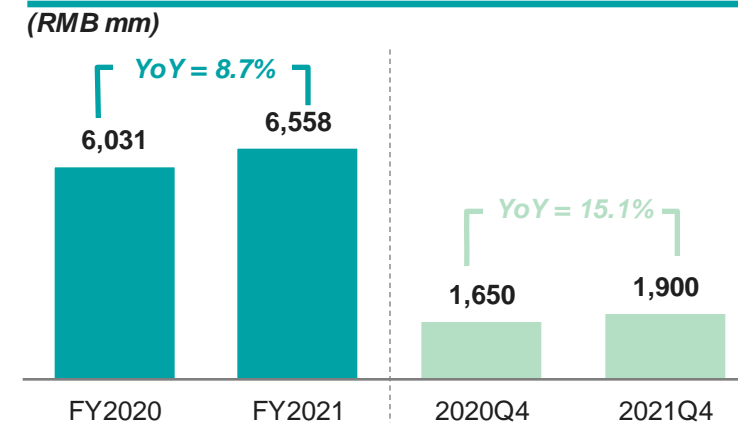
- Sales and marketing expenses
- Operation and servicing expenses
- General and administrative expenses
- Technology and analytics expenses
- Impairment losses
- Others<sup>1</sup>

## Expenses Breakdown

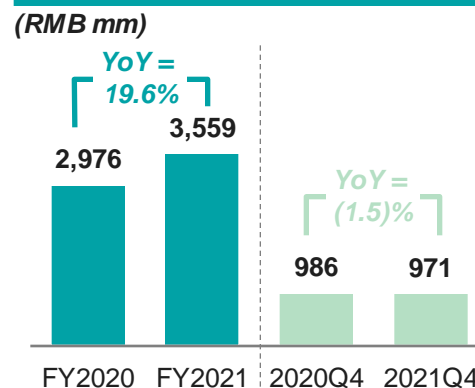
### Sales and Marketing



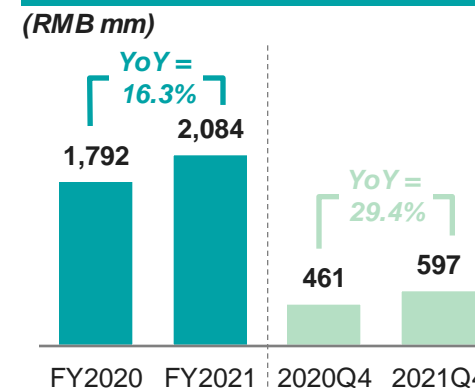
### Operation and Servicing



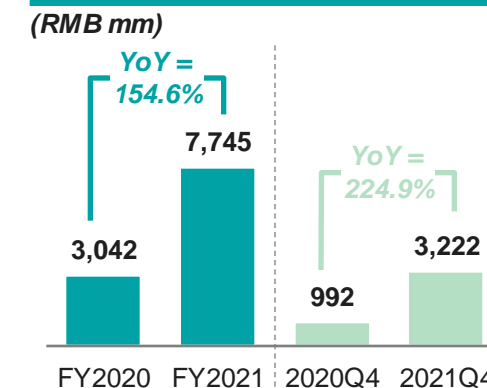
### General and Administrative



### Technology and Analytics



### Impairment Losses



Note:

1. Includes finance costs and other gains/ losses