



# China Merchants Bank Co., Ltd. 2015 Annual Results Announcement

# Forward-Looking Statement Disclaimer

This presentation and subsequent discussions may contain forward-looking statements that involve risks and uncertainties. These statements are generally indicated by the use of forward-looking terminology such as believe, expect, anticipate, estimate, plan, project, target, may, will or may be expressed to be results of actions that may or are expected to occur in the future. You should not place undue reliance on these forward-looking statements, which reflect our belief only as of the date of this presentation. These forward-looking statements are based on our own information and on information from other sources we believe to be reliable. They relate to future events or our future financial, business or other performance and are subject to a number of uncertainties that may cause our actual results to differ materially.

# Agenda

1

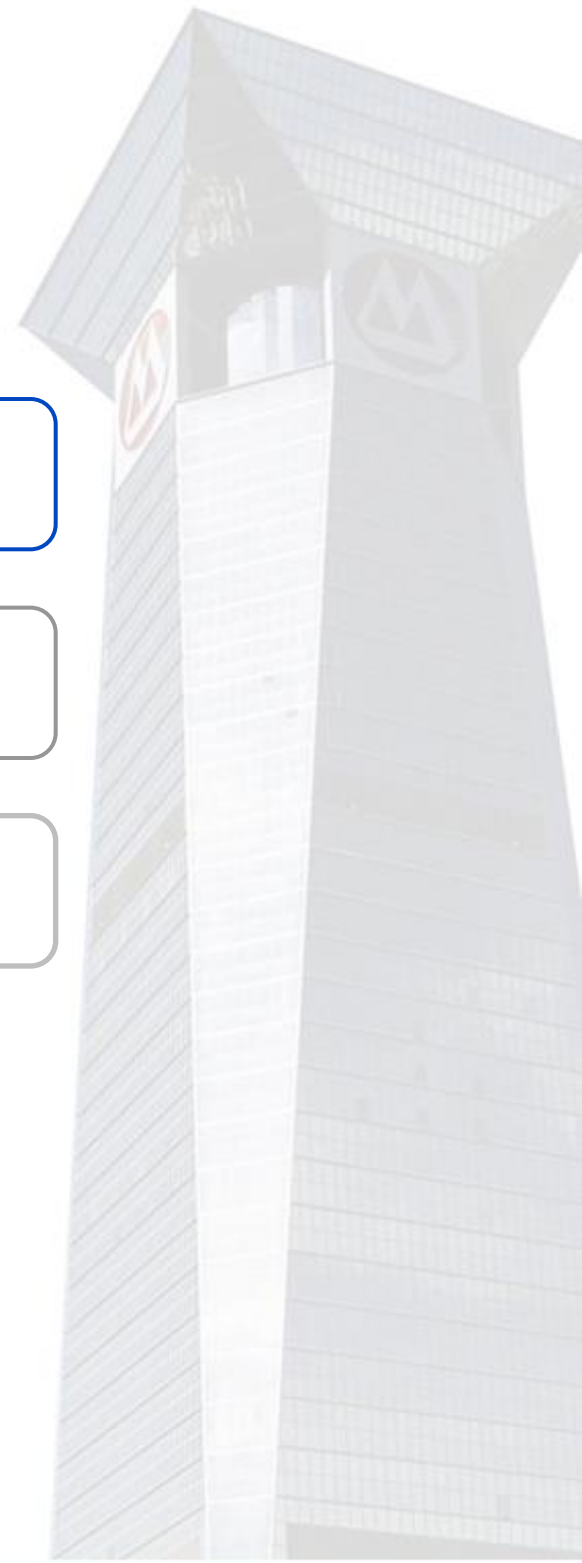
**Overview**

2

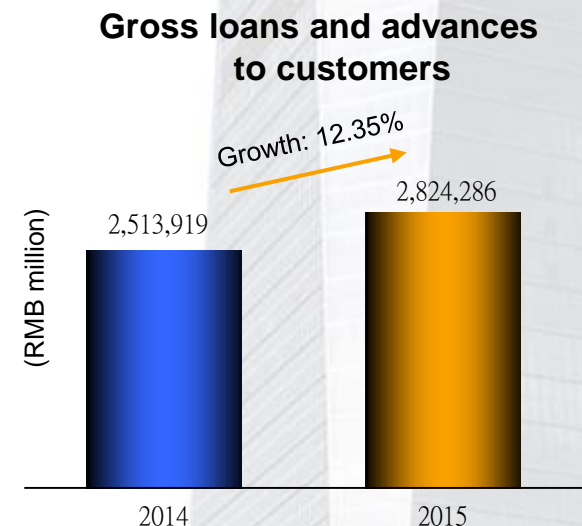
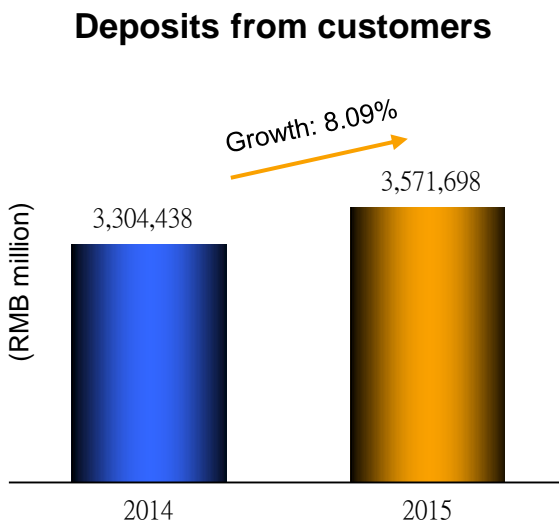
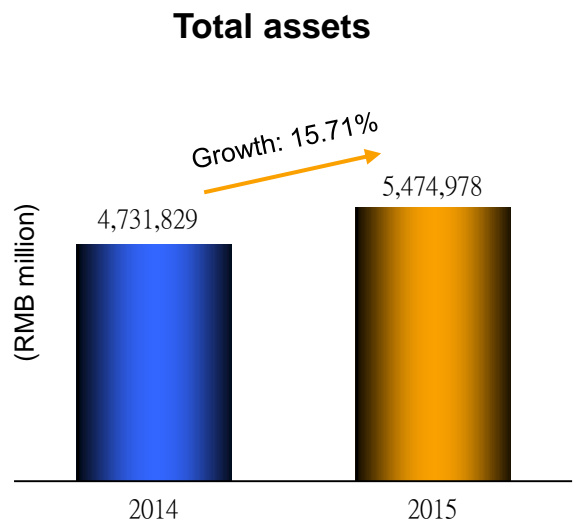
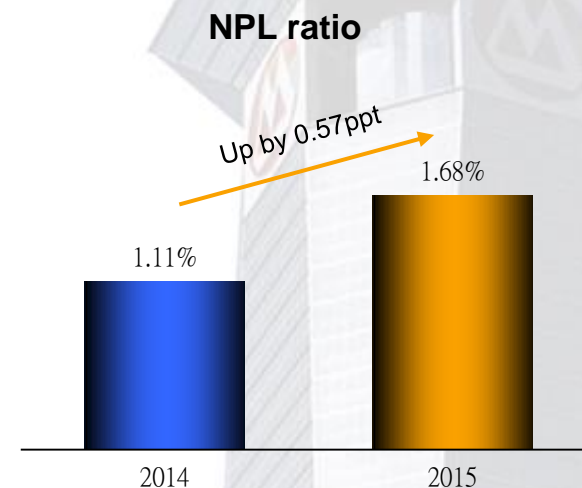
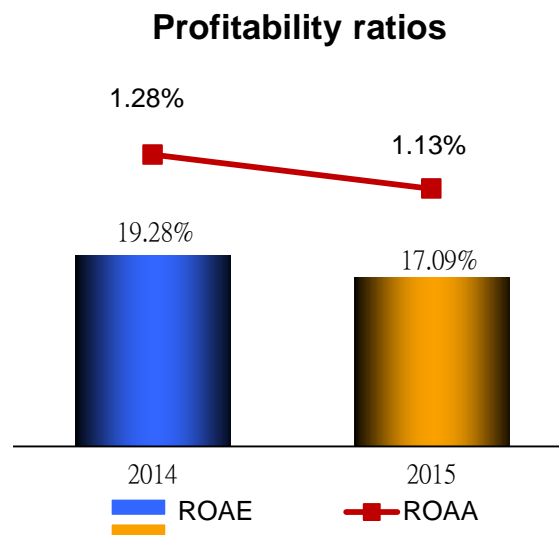
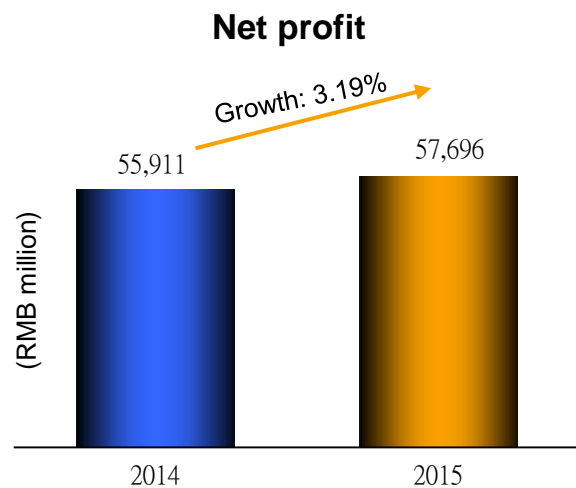
Operational Information

3

Outlook and Strategies



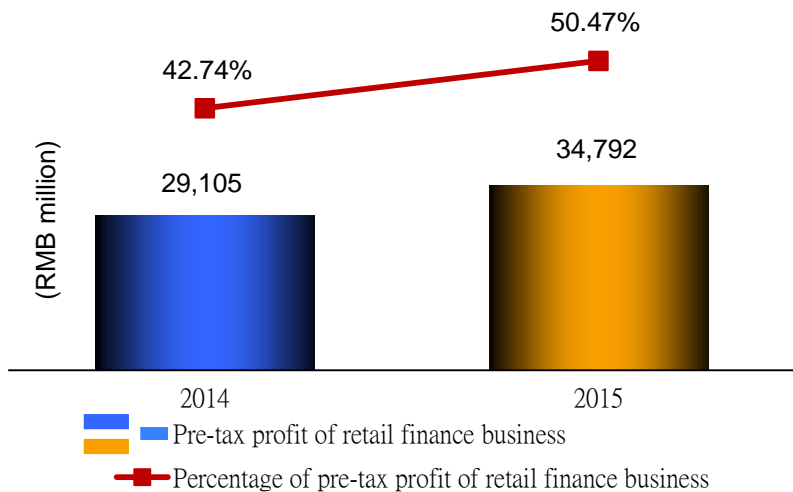
# Profitability, asset quality and scale maintained balanced development with steady operation management



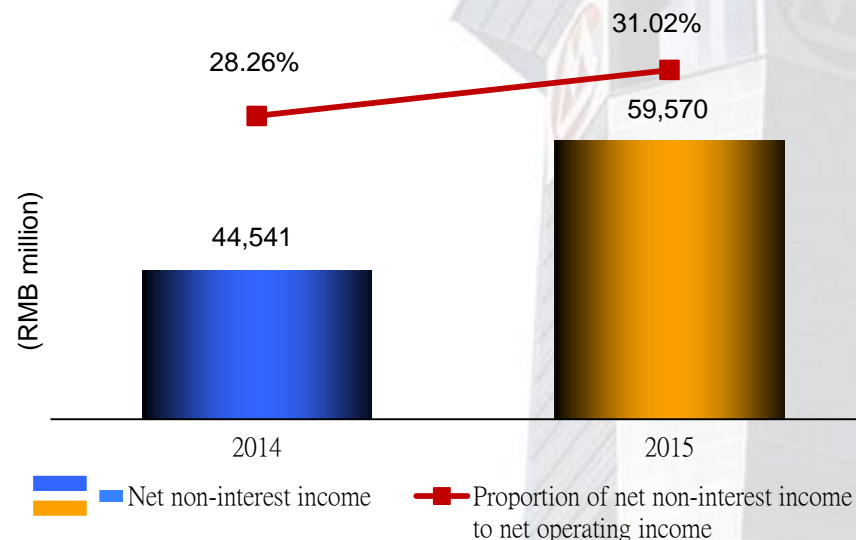
Note: In this presentation, unless otherwise indicated, all financials are on consolidated Group level and all business data are on standalone Bank level. Comparative figures of reporting in 2014 may have been restated. Unless otherwise indicated, all data shown in this presentation are based on IFRS and denominated in RMB (hereinafter inclusive)

# Strategic transformation steadily proceeded with further strengthened profitability

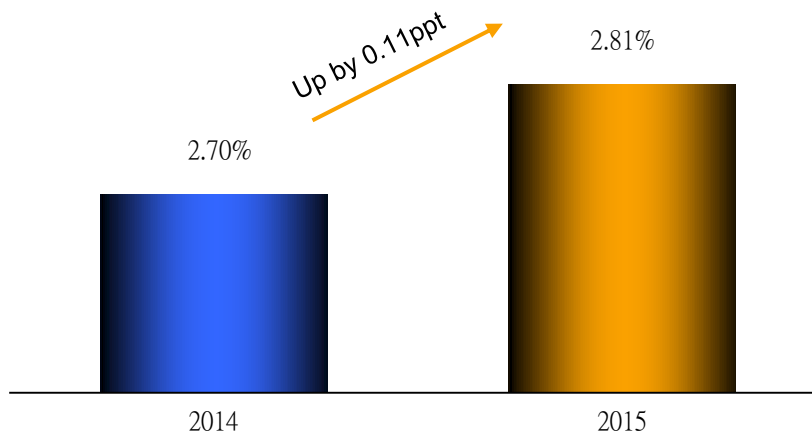
### Pre-tax profit of retail finance business



### Net non-interest income

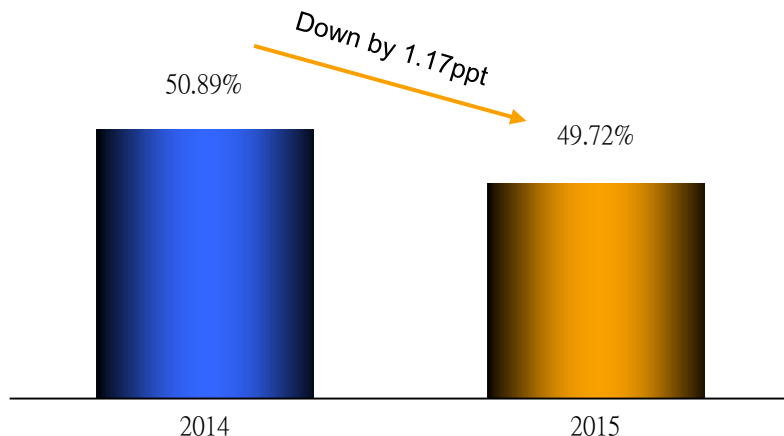


### Net interest margin

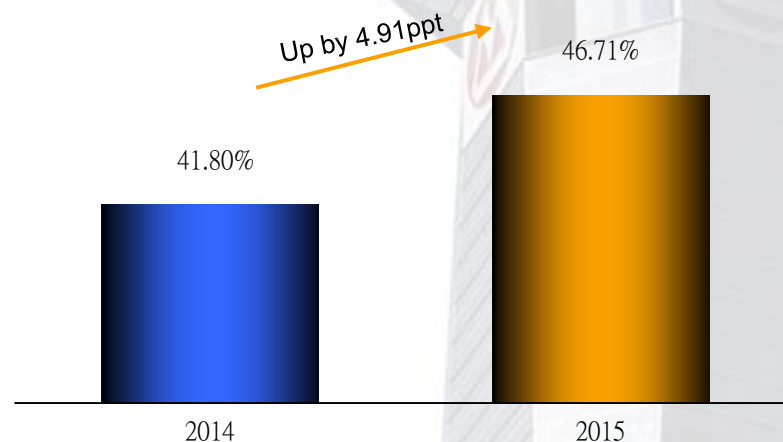


# Strategic transformation steadily proceeded with constantly optimized business structure

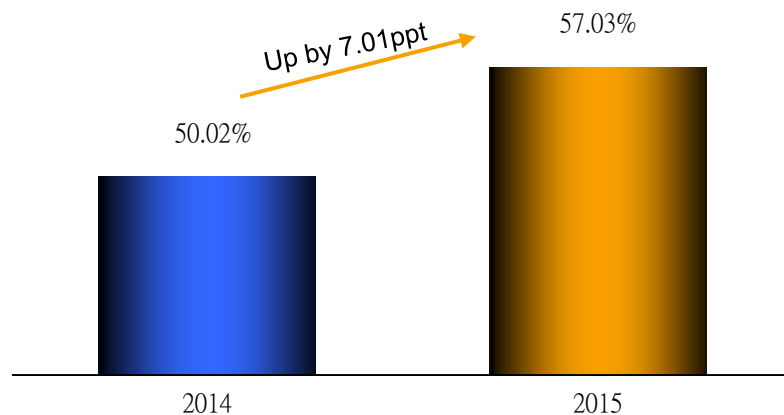
**Gross loans and advances to total assets**



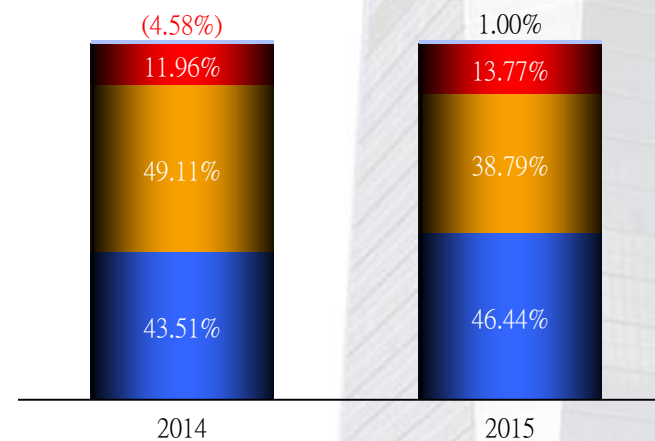
**Retail loans to total loans**



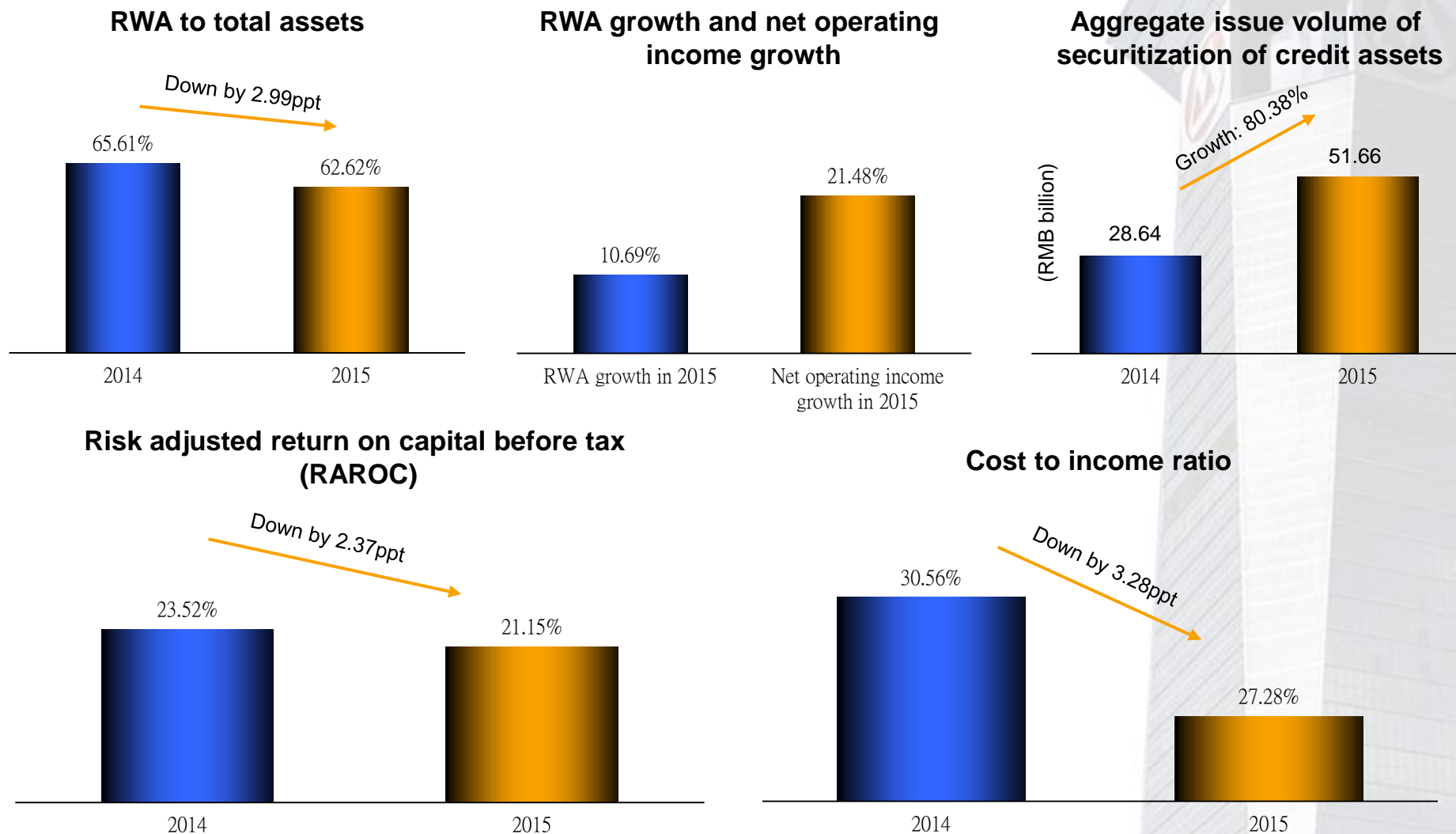
**Demand deposits to total deposits**



**Operating income breakdown by segment**

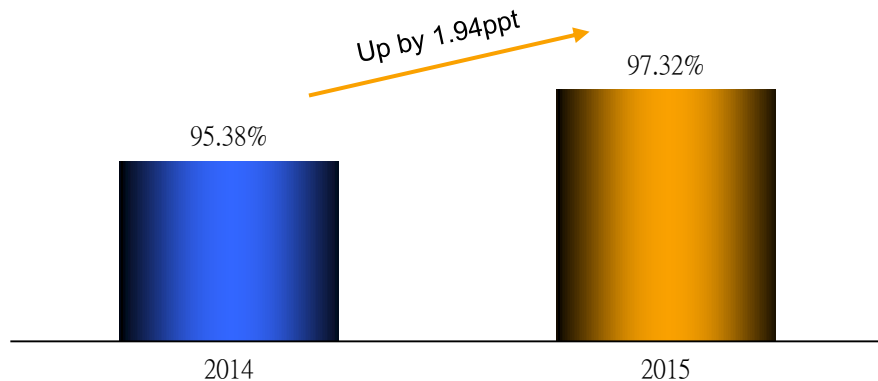


# Strategic transformation steadily proceeded with gradual progress of “Asset-light Banking” (I)

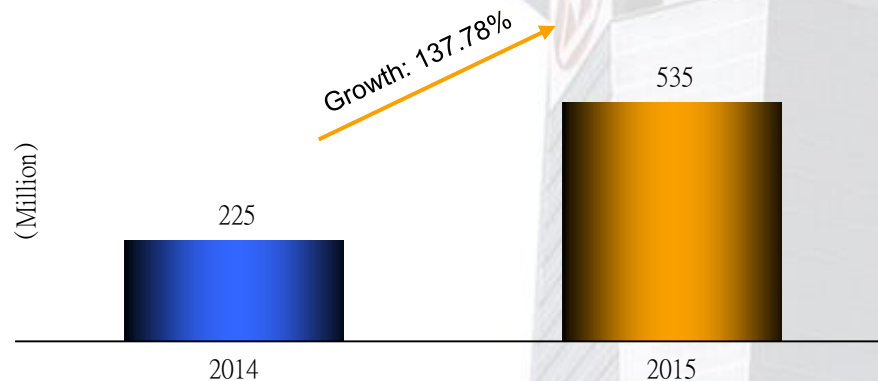


# Strategic transformation steadily proceeded with gradual progress of “Asset-light Banking” (II)

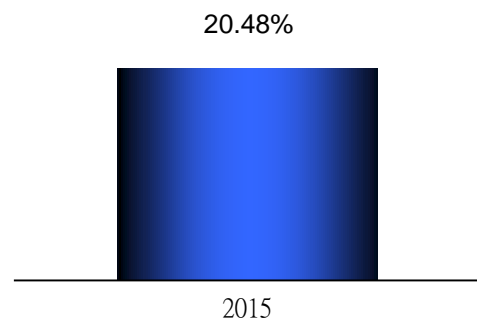
Counter replacement ratio of retail e-banking channels



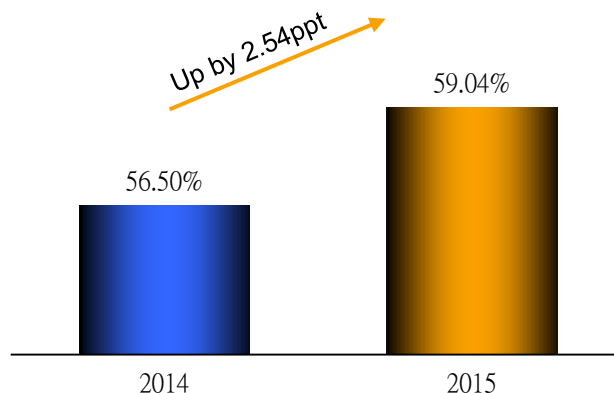
Accumulated number of mobile banking transactions



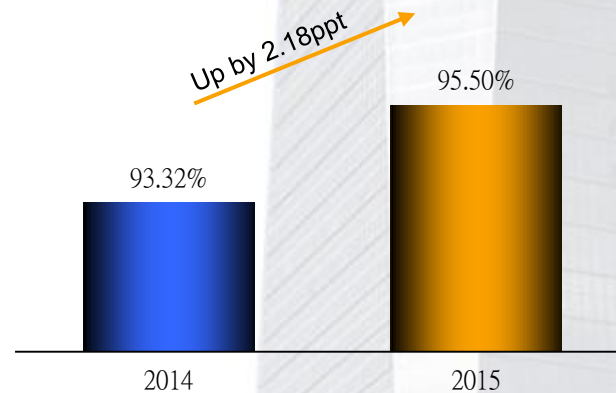
Replacement ratio of non-cash transactions at visual electronic counters



Counter replacement ratio in respect of corporate e-banking channels



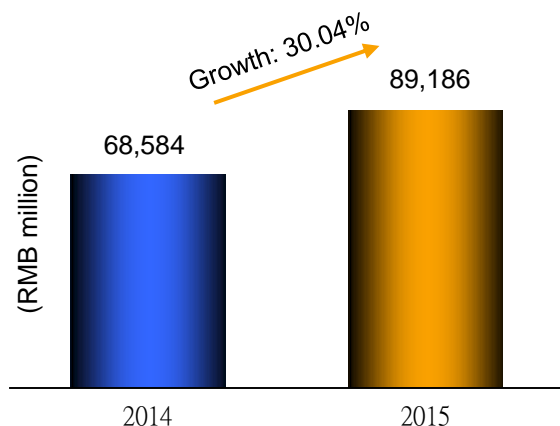
Replacement ratio of online corporate banking settlements



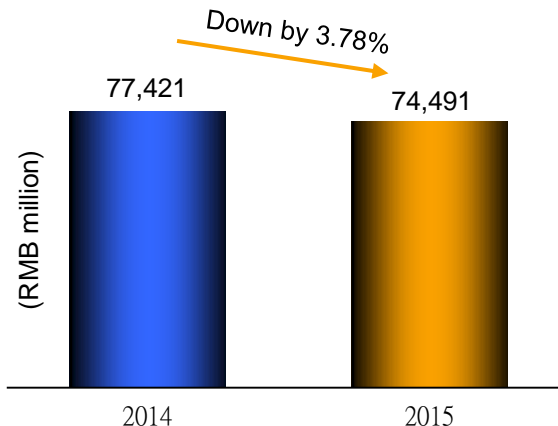


# Significant synergies achieved in implementing "One Body with Two Wings" strategy

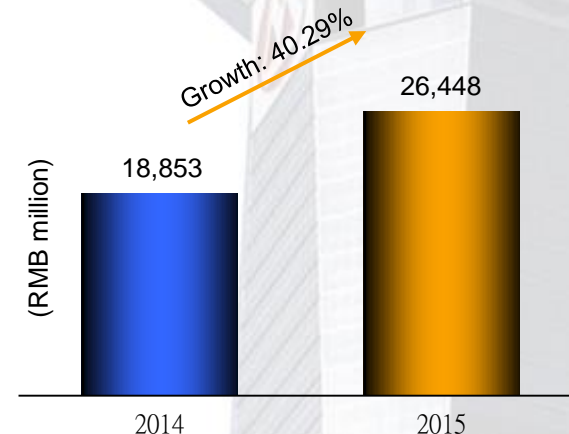
**Net operating income of retail finance business**



**Net operating income of corporate finance business**



**Net operating income of financial institutions finance business**



**Support of retail banking for other businesses**

- ✓ Diamond-class customers made a referral of 853 corporate customers, and the SME customers opened 8,891 active corporate accounts
- ✓ Providing exclusive full-range retail finance services to strategic customers and their employees so as to improve customer loyalty
- ✓ Effectively promoting the development of its custody business and the growth in institutional deposits

**Support of corporate banking for retail banking**

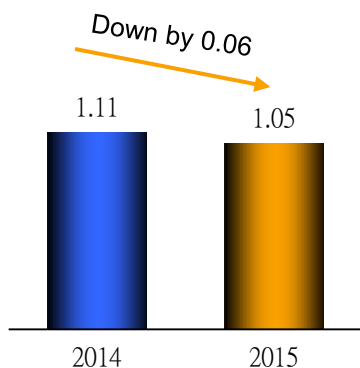
- Vigorously promoting retail finance services, including payroll service, corporate card service and pension. With the coordinated support of retail finance business by corporate finance business:
- ✓ handled an amount of over RMB1 trillion under its payroll service
  - ✓ issued 122,200 cards under its corporate card service
  - ✓ managed pension assets of over RMB130 billion

**Support of interbank finance for retail banking**

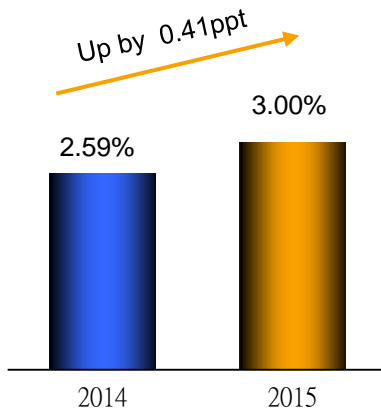
- ✓ 3,527 wealth management products were issued to retail customers with total volume of RMB 7,235.603 billion
- ✓ Outstanding balance of wealth management products at year end amounted to RMB 907.384 billion

# Risk management proved resilient to challenges with capital position improved

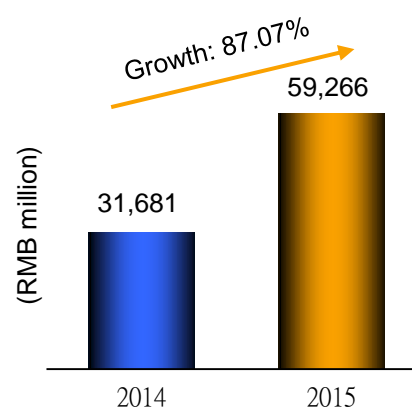
Ratio of NPLs to loans overdue more than 90 days



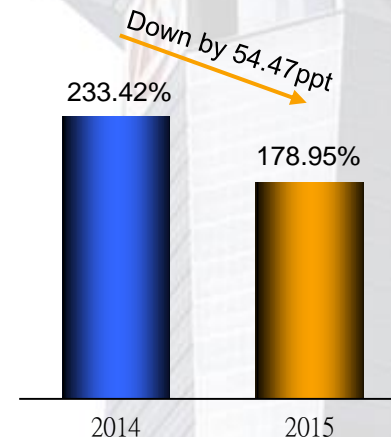
Loan allowance ratio



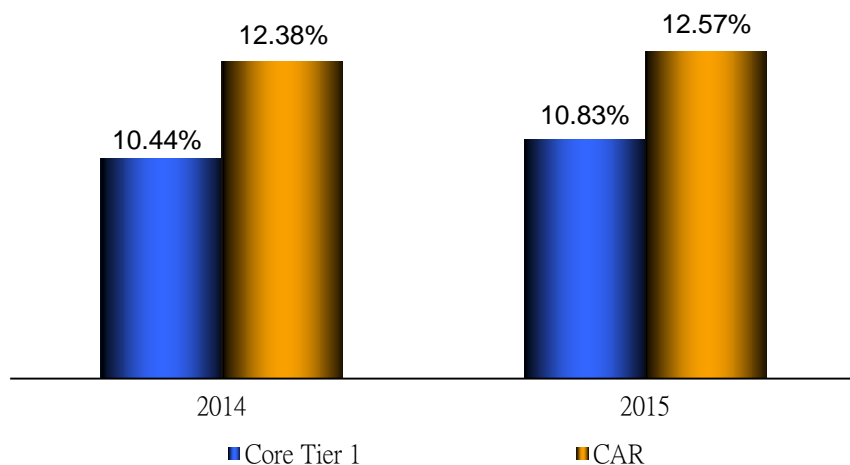
Impairment losses on assets



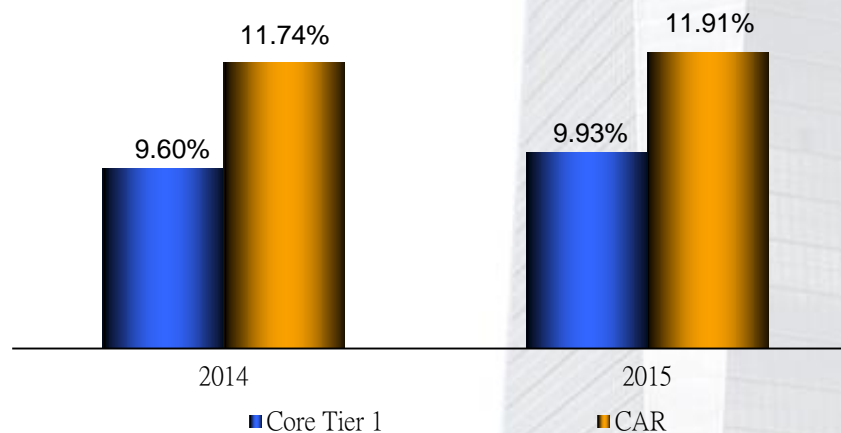
NPL allowance coverage ratio



Capital adequacy ratio under advanced method



Capital adequacy ratio under weighted method



# Brand recognition remained strong



## China Association for Public Companies

Ranked 1<sup>st</sup> among Top 10 Most Respected Public Companies in China



## The Asian Banker

Awarded the Best Retail Bank in China for the sixth time in 2015

Awarded the Best Joint Stock Retail bank in China for the 11th time in 2015

Best Cash Management Bank in China, 2015

Best Wealth Management in China, 2015

Best Financial Supply Chain Project in Asia Pacific, 2015

Best Smart Branch Project in China, 2015

Best Mobile Banking Project, 2015



## The Banker

Best Financial Innovation, 2015

Top 10 Innovation in Financial Products, 2015

Top 10 Innovation in Internet Finance, 2015

Ranked 28th among the world's 1,000 largest banks, 2015



## Euromoney

Awarded Best Private Bank in China for the sixth time in 2015



## Private Banker International

Awarded Best Private Bank in China for the fifth time in 2015



## China Banking Association

Awarded Most Socially Responsible Financial Institution for the fourth time in 2015

Best Green Finance Award in Social Responsibility of the Year in 2015

Excellent Philanthropy Award of the Year, 2015



## China's 500 Most Valuable Brands

Ninth China's 500 Most Valuable Brands, 2015



## ChinaHR.com

Best Employer, 2015

Best Banking Employer, 2015



## Fortune

Ranked 235<sup>th</sup> among Fortune Global 500 in 2015

Ranked 29<sup>th</sup> among Fortune China 500 in 2015



## The 9th Chinese Public Company Market Value Conference

Top 100 Capital Brand Value of the Year, 2015



## The Asset

Best Emerging Transaction Banking, 2015

Editor's Triple Star – Smart Supply Chain Finance, 2015

China's Best Treasury and Working Capital Management (SME), 2015

Best Solution (Cross-Border Cash Pool Project), 2015



## Asiamoney

Best Domestic Cash Management Bank in China, 2015

Best Credit Fixed-Income in China, 2015

Best Credit Derivatives in China, 2015

Best Credit Fixed-Income Research in China, 2015

Best Credit Sales in China, 2015

Best Credit Services in China, 2015

# Agenda

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Overview

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**Operational Information**

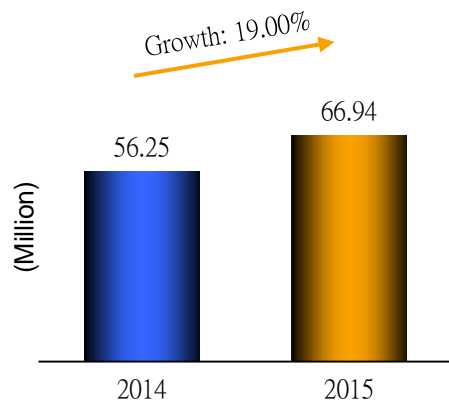
3

Outlook and Strategies

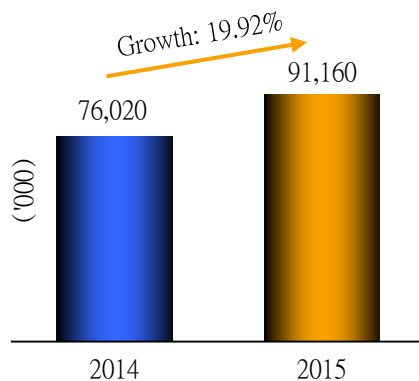


# Retail finance: competitive advantages continued to improve

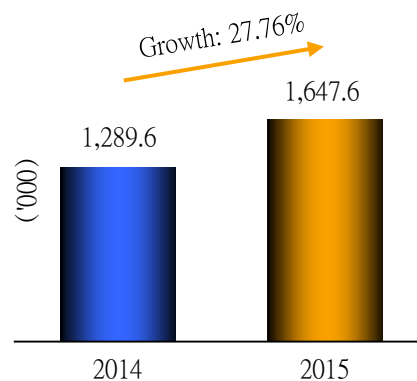
Number of retail customers



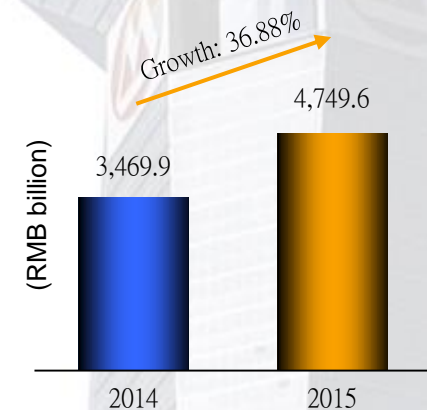
Number of "All-in-One" card issuance



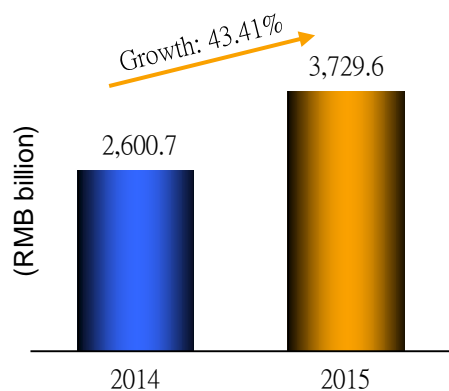
Number of Sunflower-level and above customers



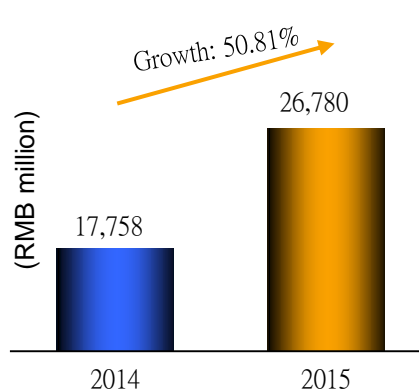
AUM of retail customers



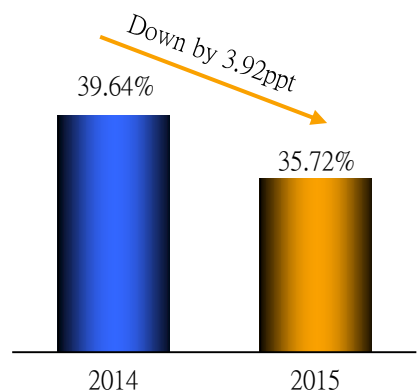
AUM of Sunflower-level and above customers



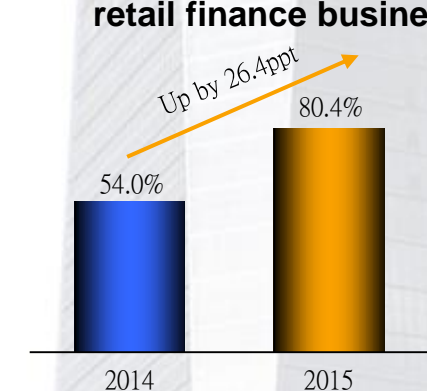
Net non-interest income from retail finance



Cost to income ratio of retail finance business

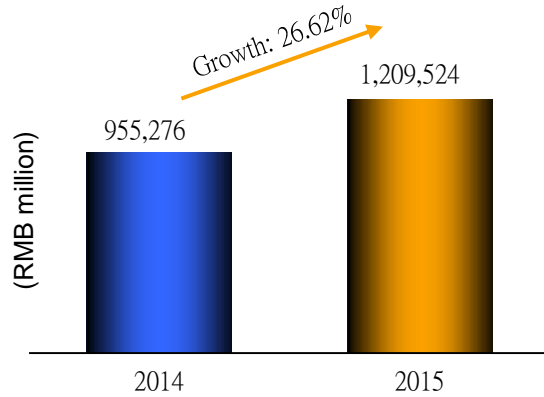


Risk adjusted return on capital before tax (RAROC) of retail finance business

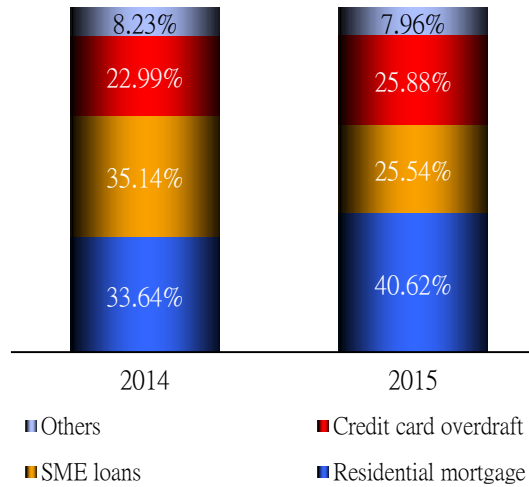


# Retail finance: asset-liability structure further enhanced

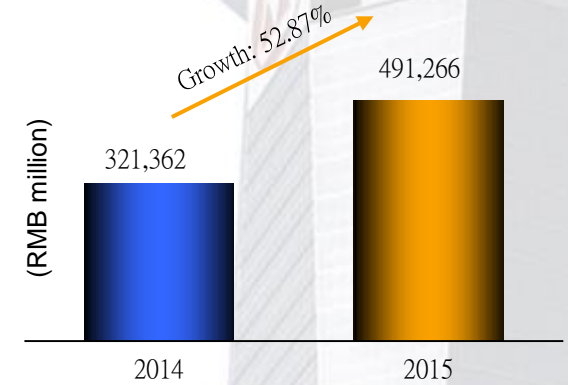
### Balance of retail loans



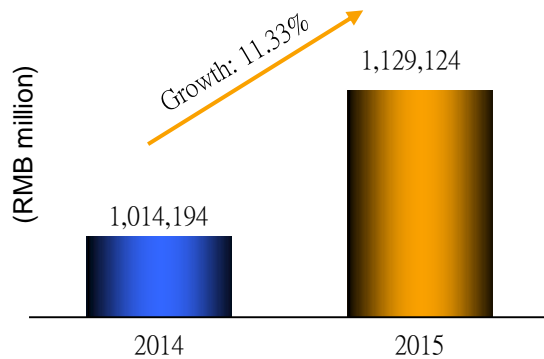
### Retail loan structure



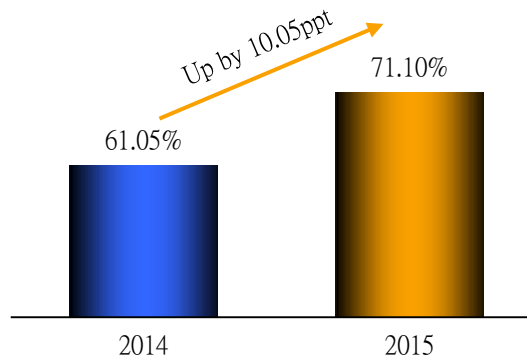
### Balance of residential mortgage



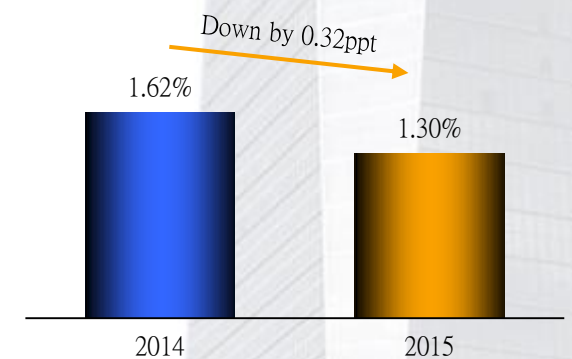
### Balance of deposits from retail customers



### Proportion of retail demand deposit

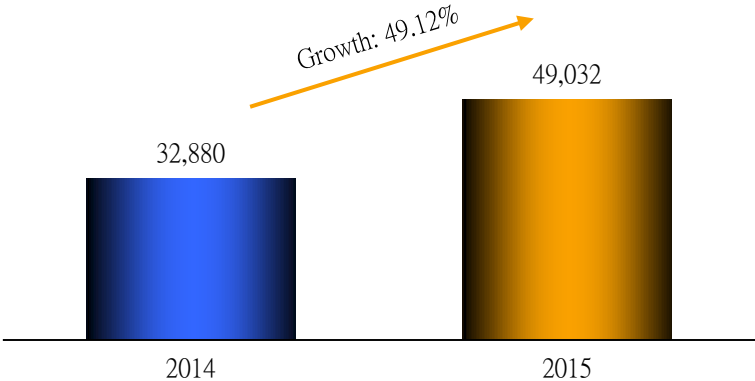


### Annualized average cost of deposit from retail customers

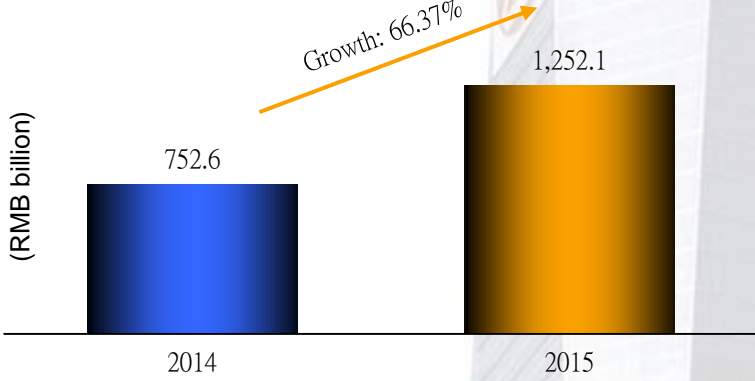


# Retail finance: private banking thrived

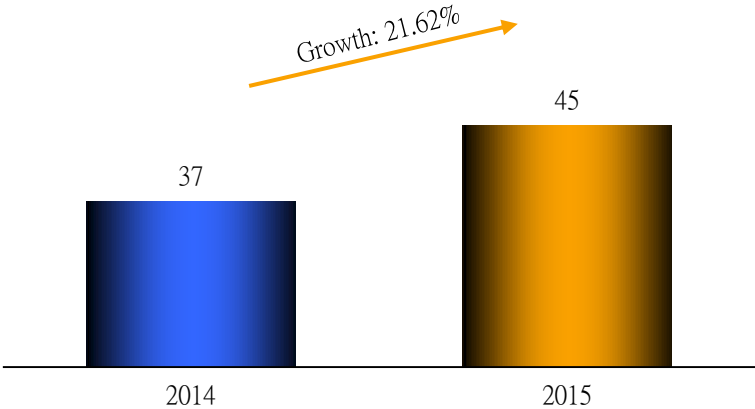
**Number of private banking customers**



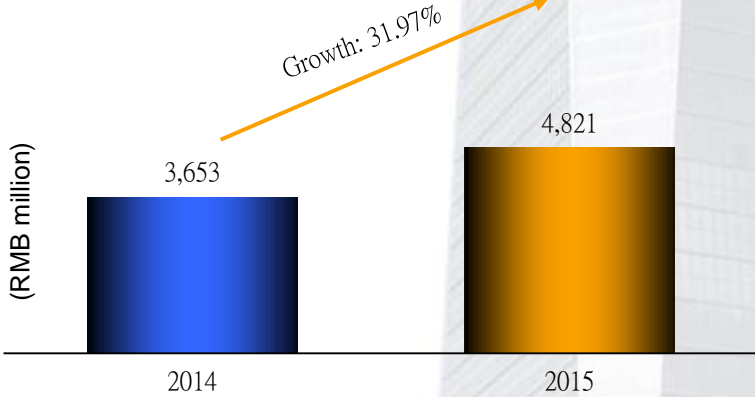
**AUM from private banking customers**



**Number of private banking centers**



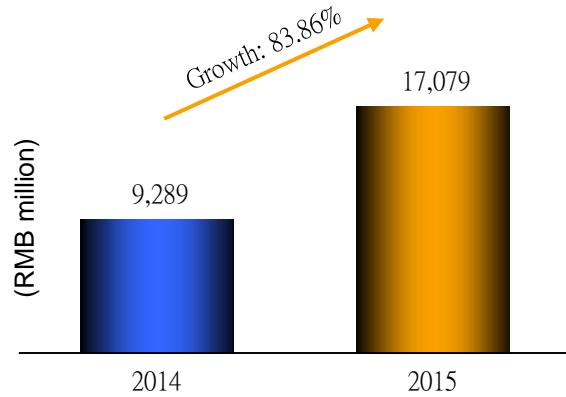
**Net operating income from customers holding private banking cards**



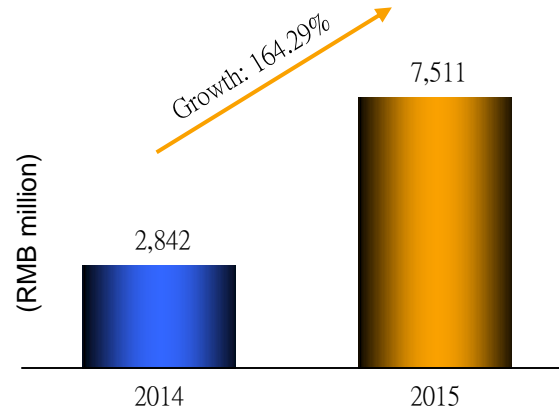
Note: All data on this page is based on standalone Bank level, and net operating income from customers holding private banking cards does not include credit card income

# Retail finance: wealth management achieved rapid growth

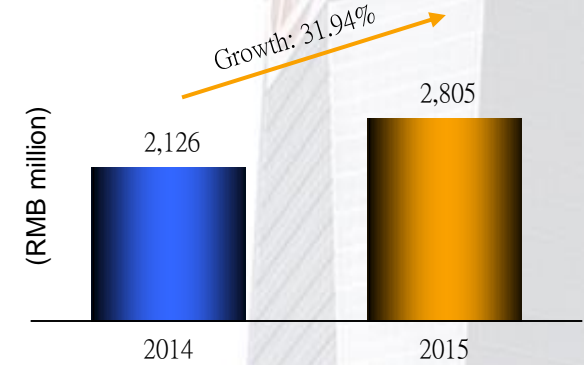
### Fee and commission income from retail wealth management business



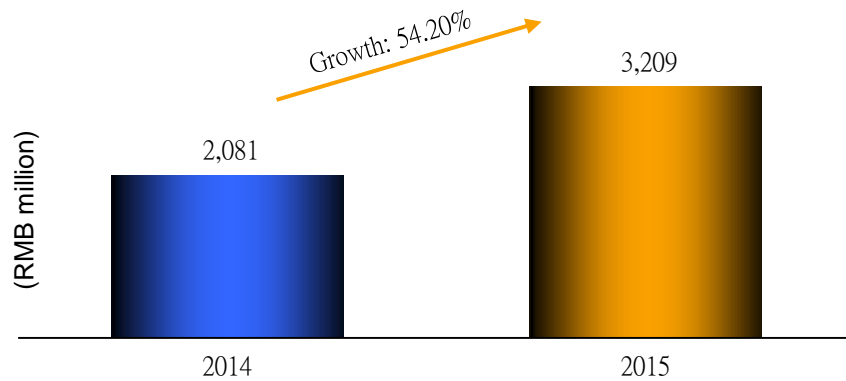
### Income from distribution of funds



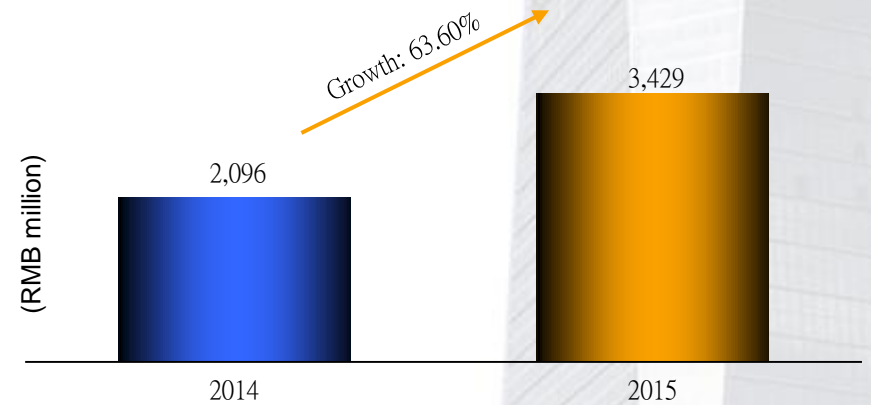
### Income from distribution of insurance policies



### Income from entrusted wealth management



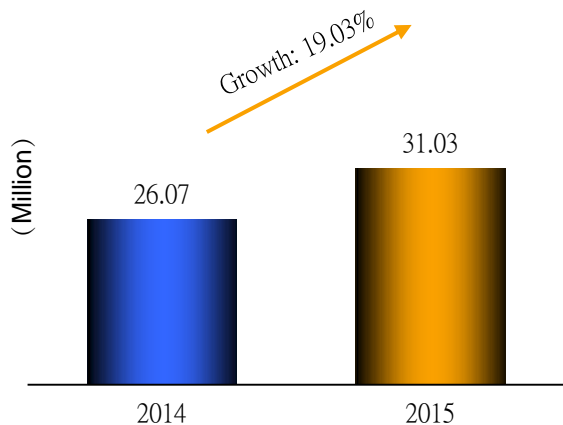
### Income from distribution of third-party trust plans



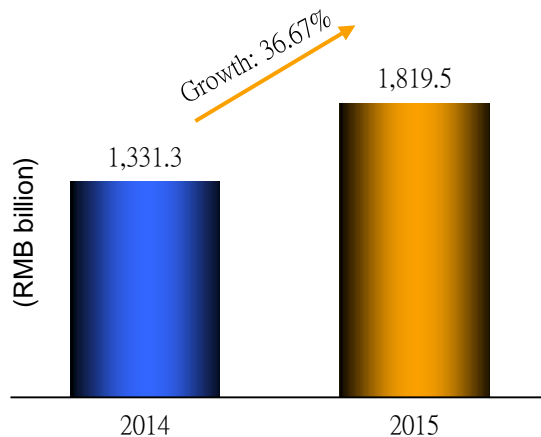


# Retail finance: credit card business maintained robust growth

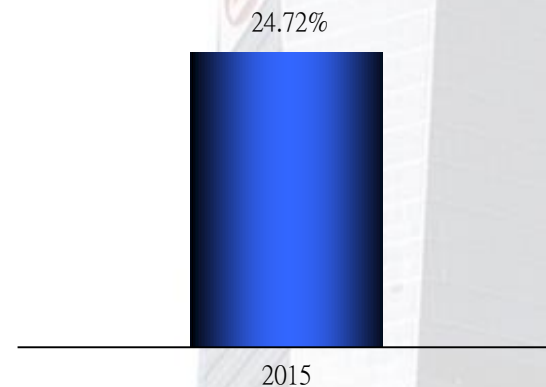
**Number of active credit cards users**



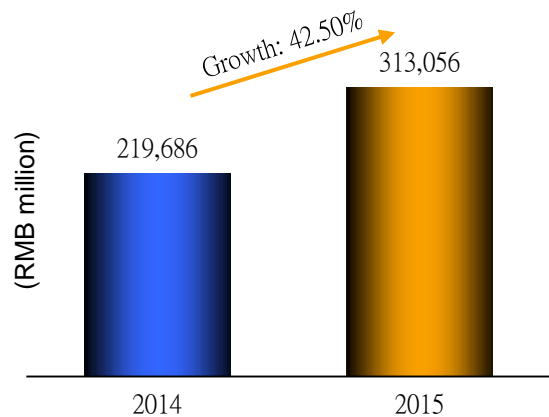
**Cumulative transaction value of credit cards**



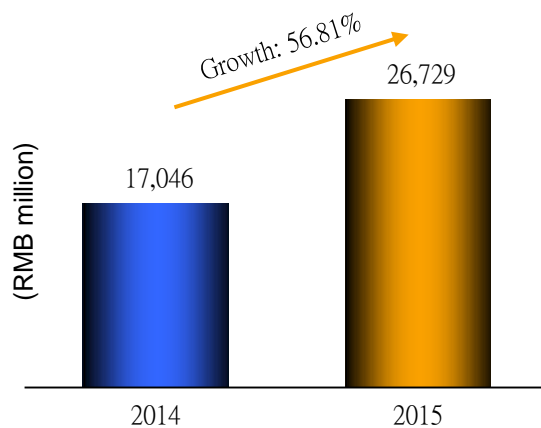
**Percentage of the revolving balances of credit cards**



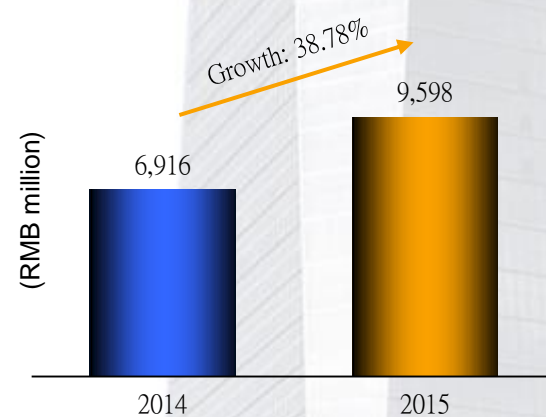
**Balance of credit card overdrafts**



**Interest income from credit cards**

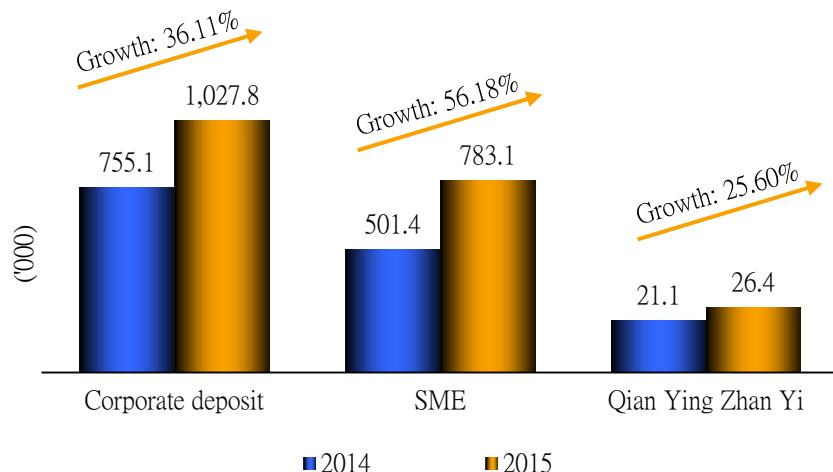


**Non-interest income from credit cards**

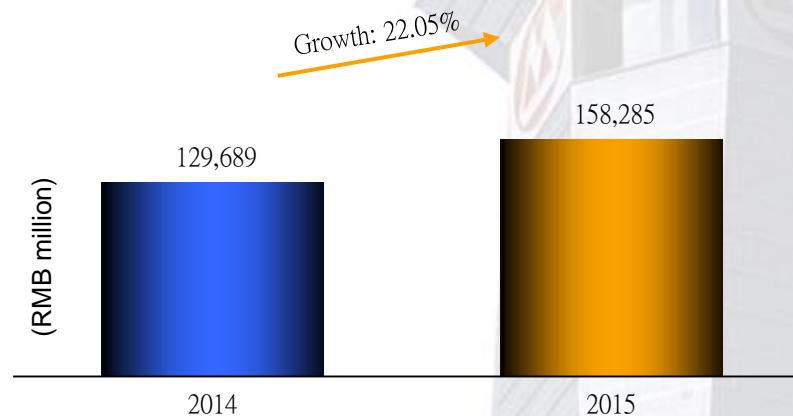


# Corporate finance: business foundation further enhanced

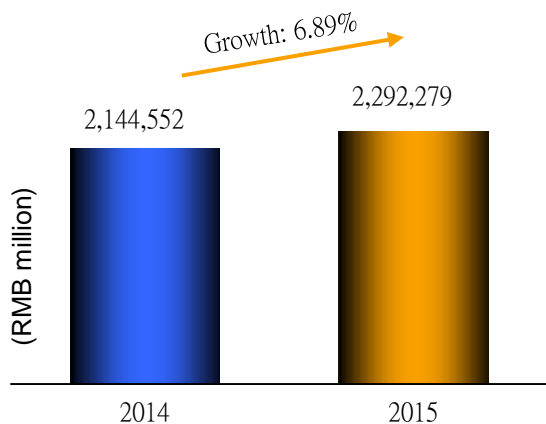
Number of corporate deposit, SME and "Qian Ying Zhan Yi" customers



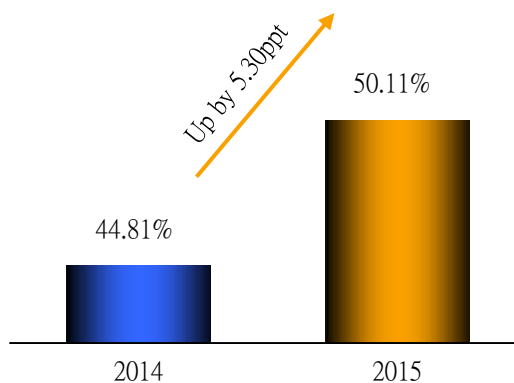
Balance of loans granted to "Qian Ying Zhan Yi" customers



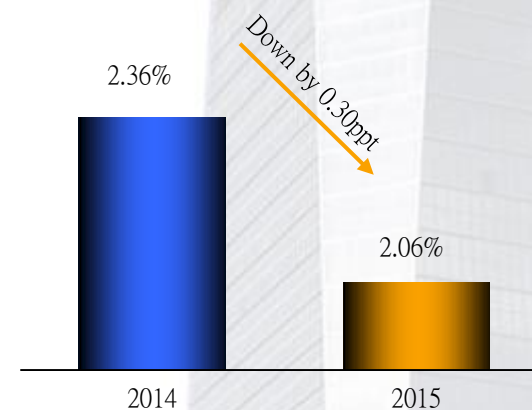
Balance of corporate customer deposits



Proportion of demand deposits

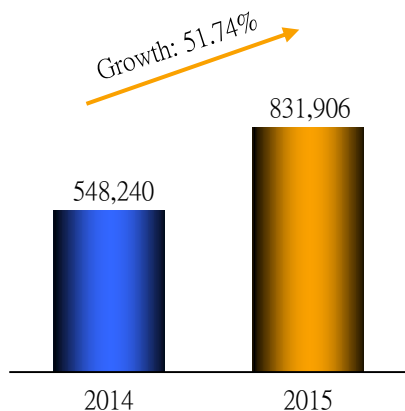


Average cost of deposit from corporate customers

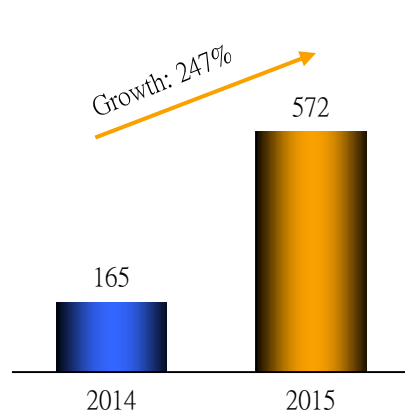


# Corporate finance: transaction banking achieved fast growth (I)

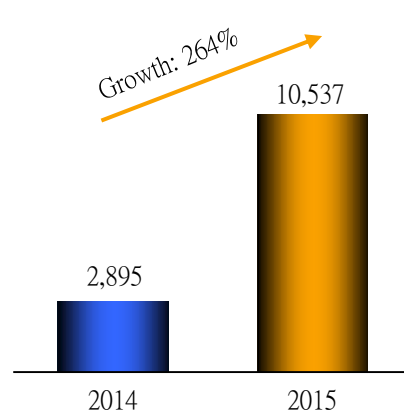
**Number of cash management customers**



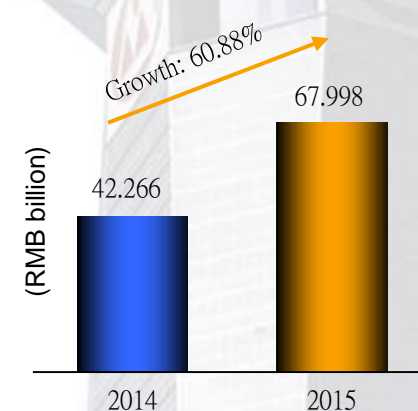
**Number of core customers in the supply chain**



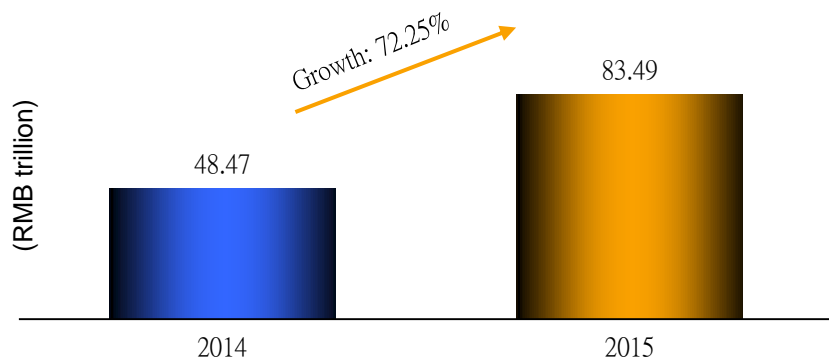
**Number of customers from up/downstream industries**



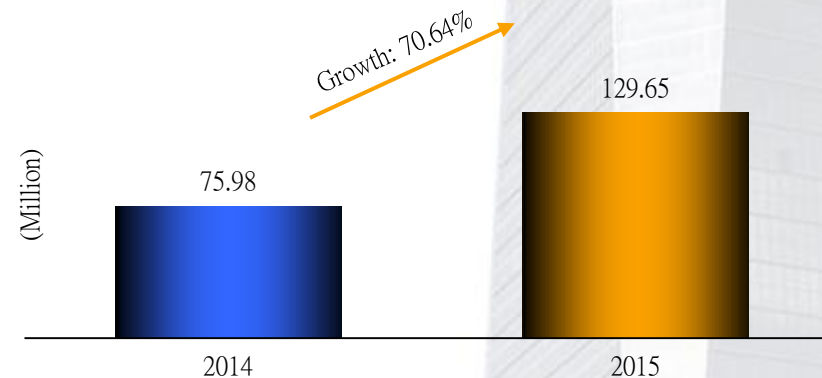
**Balance of supply chain finance**



**Cumulative transaction value of corporate online banking transactions**

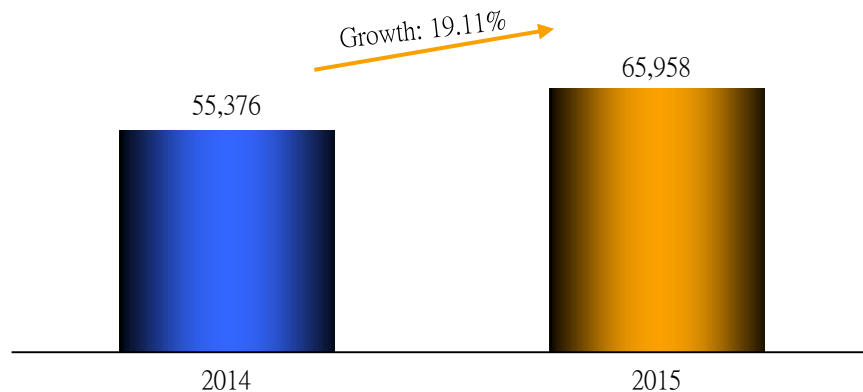


**Cumulative number of corporate online banking transactions**

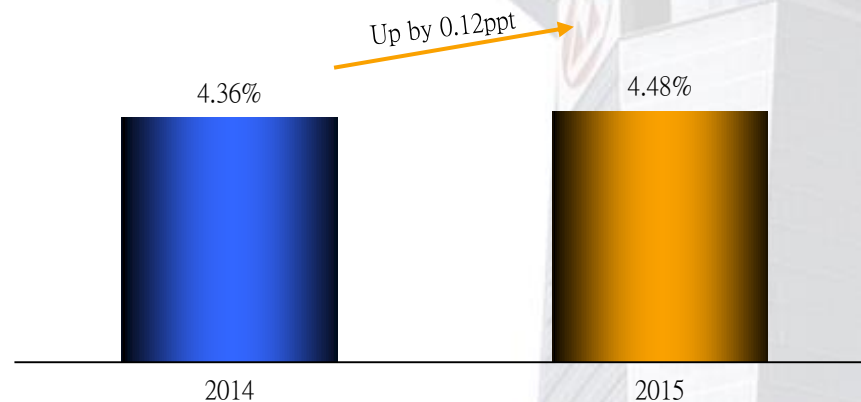


# Corporate finance: transaction banking achieved fast growth (II)

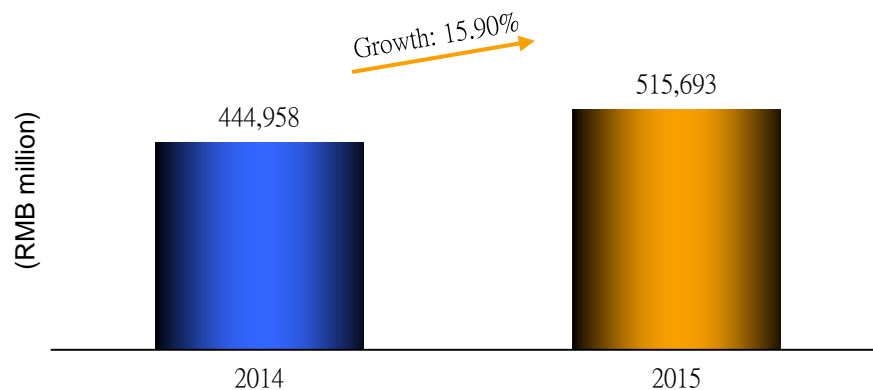
### Number of onshore customers of international business



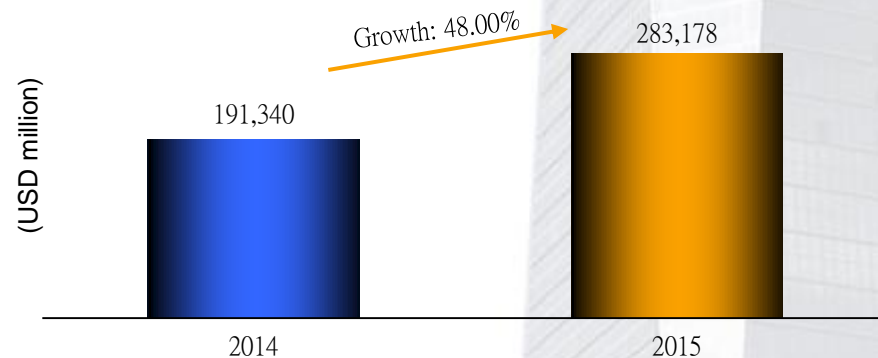
### Market share of foreign exchange settlements



### Amount of domestic trade financing

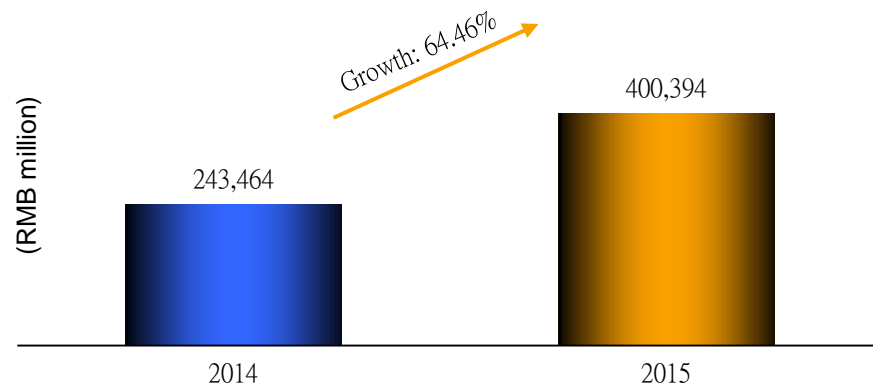


### Amount of offshore international settlements

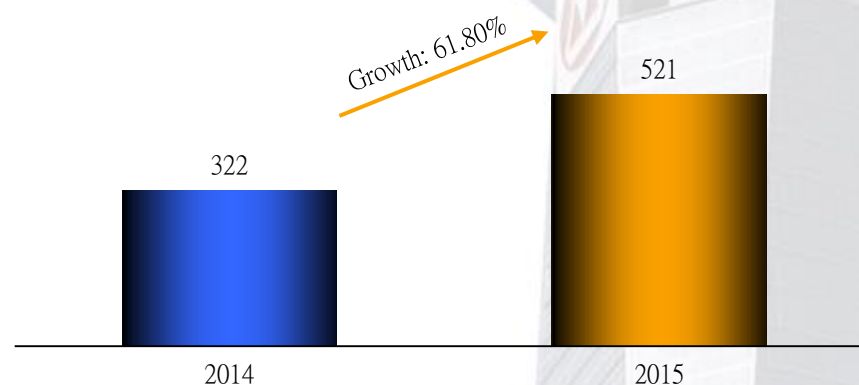


# Corporate finance: investment banking business expanded rapidly

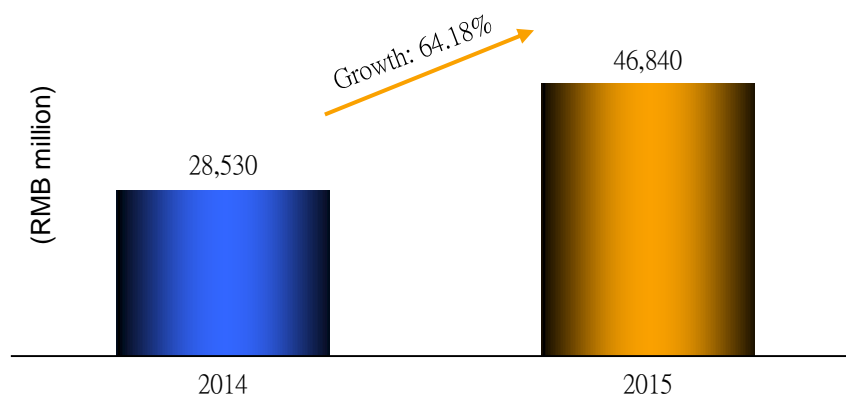
### Debt financing instruments underwritten



### Number of bonds underwritten

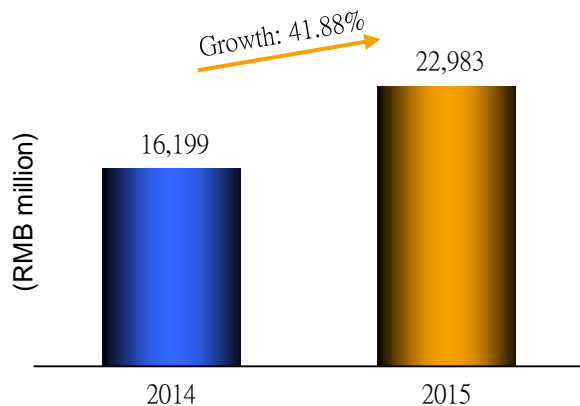


### Granted value of M&A financing activities

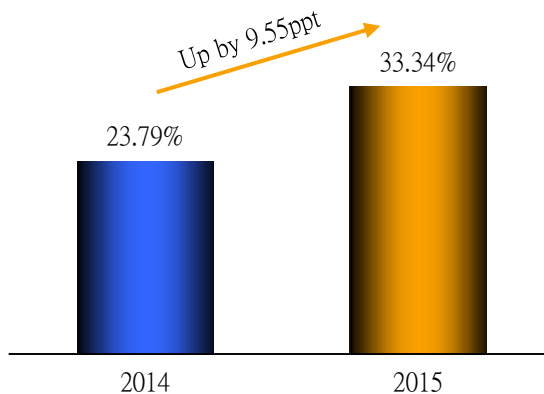


# Financial institutions finance: value contribution steadily enhanced

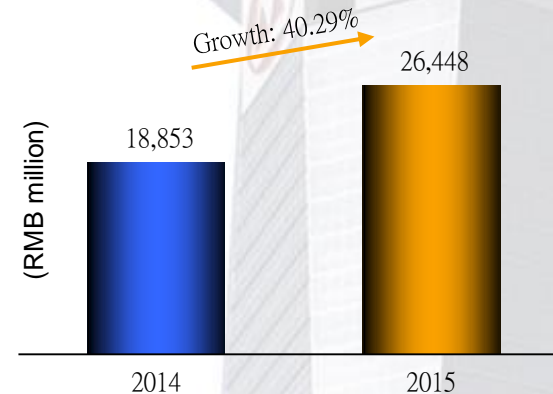
**Pre-tax profit of financial institutions finance business**



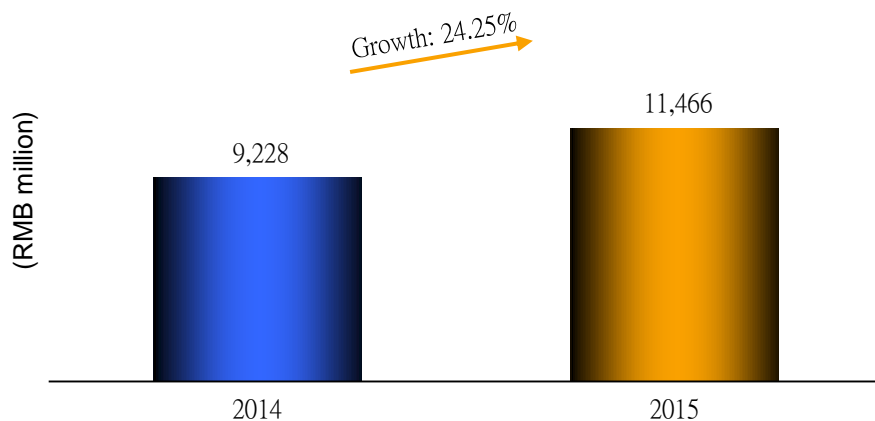
**Proportion of pre-tax profit of financial institutions finance business**



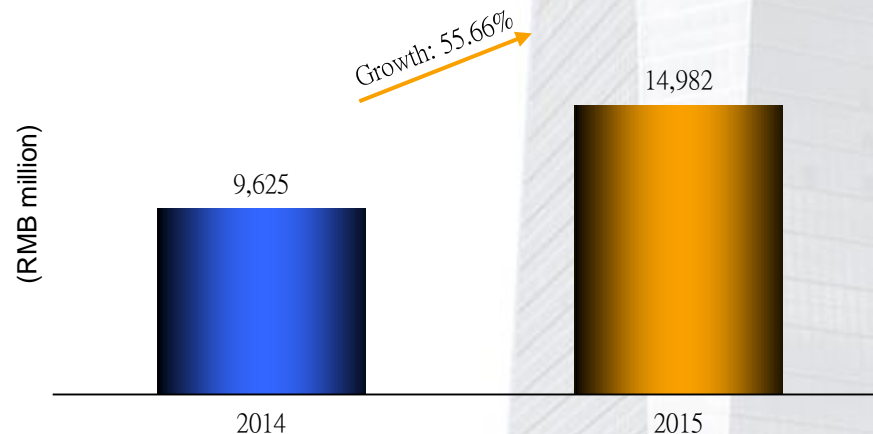
**Operating income of financial institutions finance business**



**Net interest income of financial institutions finance business**

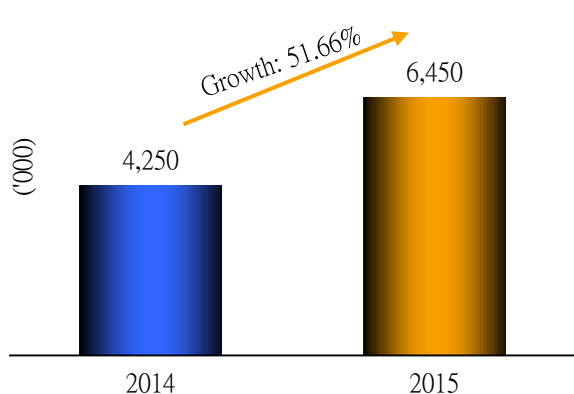


**Net non-interest income of financial institutions finance business**

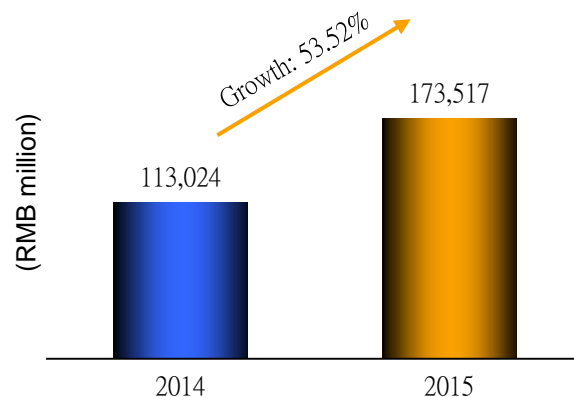


# Financial institutions finance: interbank business achieved stable growth

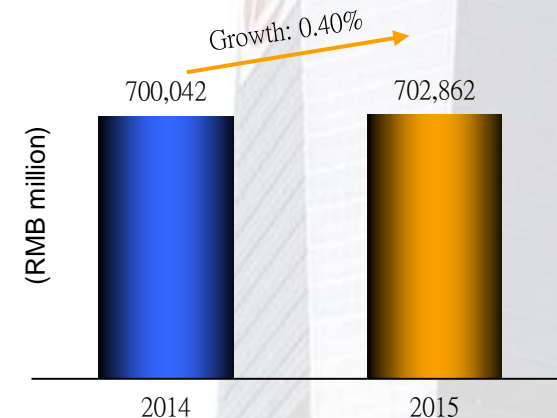
**Number of customers under third-party custody business**



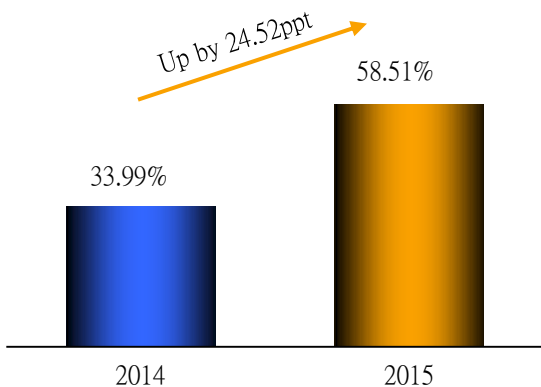
**The balance of funds under third-party custody**



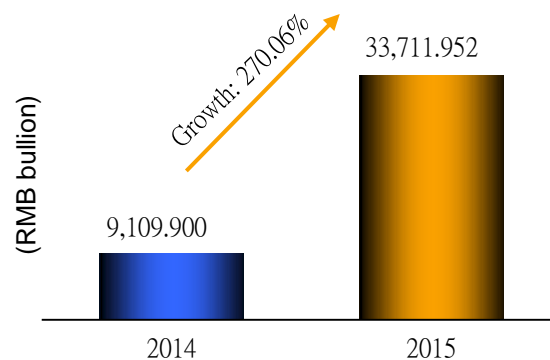
**The balance of placements from banks and other financial institutions**



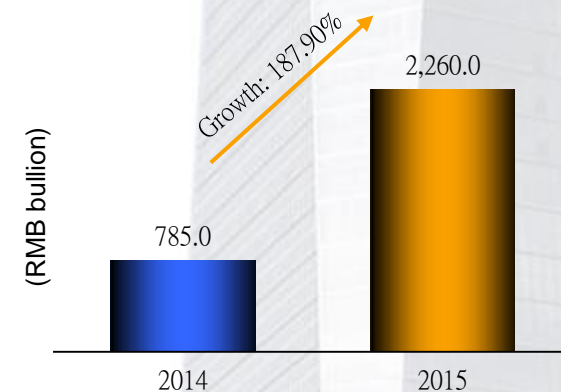
**Proportion of interbank demand deposits**



**Trading amount of discounted bills business**

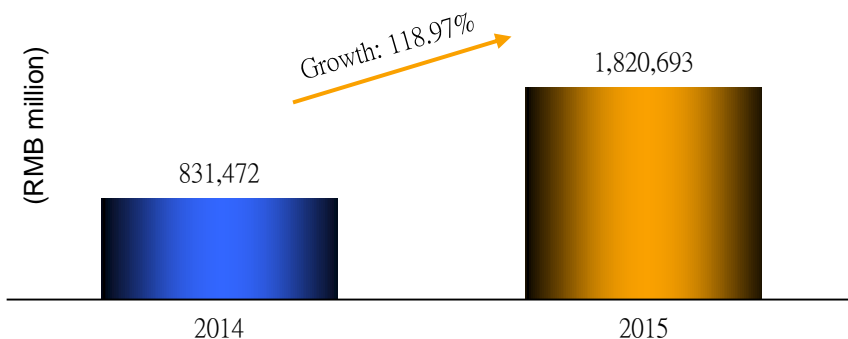


**Volume of interbank cross-border RMB clearing service**

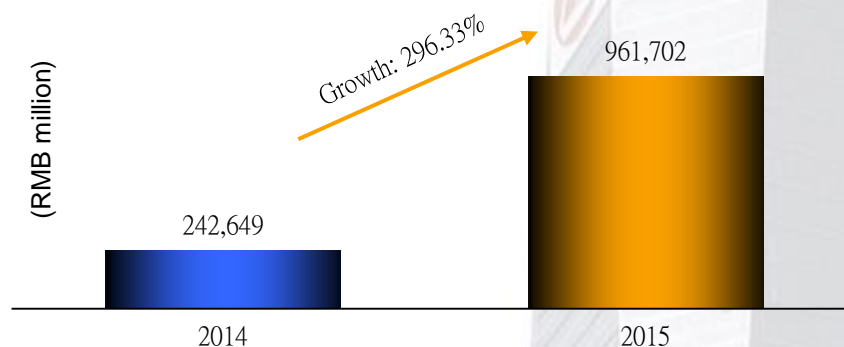


# Asset management business maintained a strong growth momentum

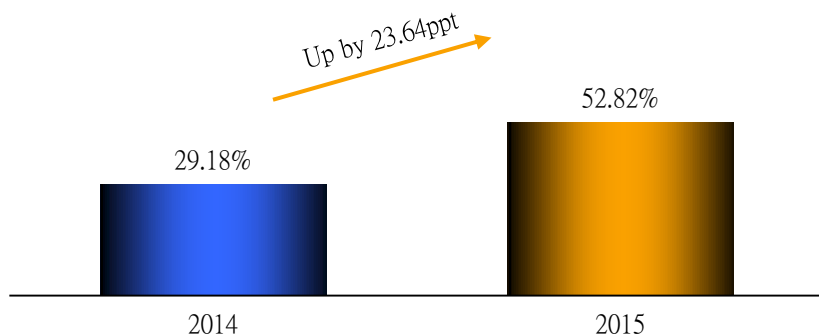
## Balance of wealth management products under operation



## Balance of net-worth products



## Percentage of net-worth products to wealth management products

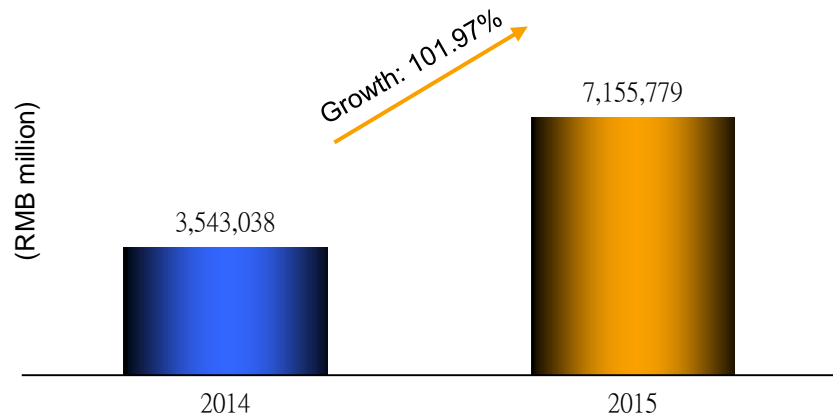


- As at the end of 2015, balance of wealth management funds invested in beneficiary rights of margin financing and securities lending amounted to RMB 27.570 billion, representing a decrease of RMB 39.007 billion or 58.59% as compared to the end of the prior year
- The Company's wealth management funds invested in margin financing in the secondary market amounted to RMB 30 billion, significantly lower than peak level
- As at the end of the reporting period, the Company's wealth management funds invested in the equity-pledged financing business amounted to RMB 24.442 billion, representing a substantial decrease

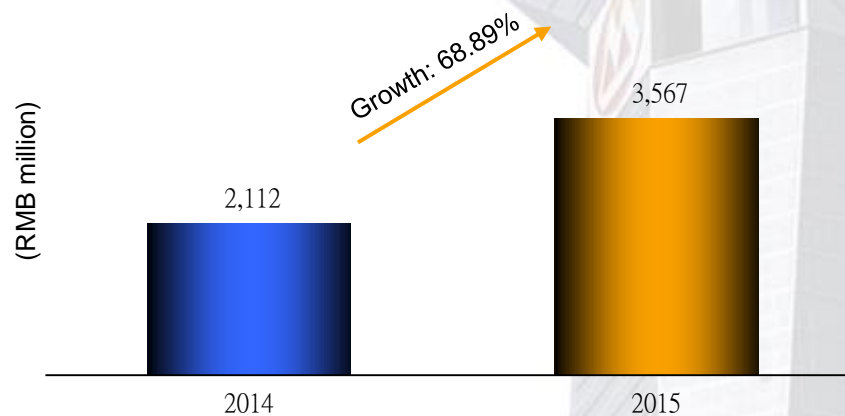


# Custodian business experienced rapid growth

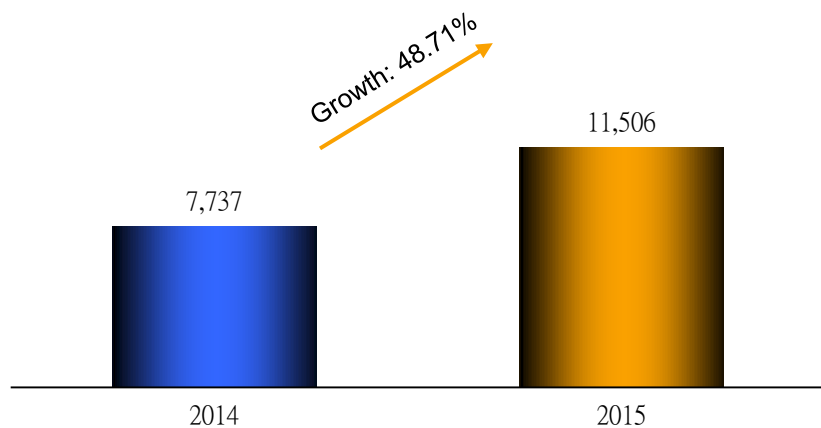
## Assets under custody



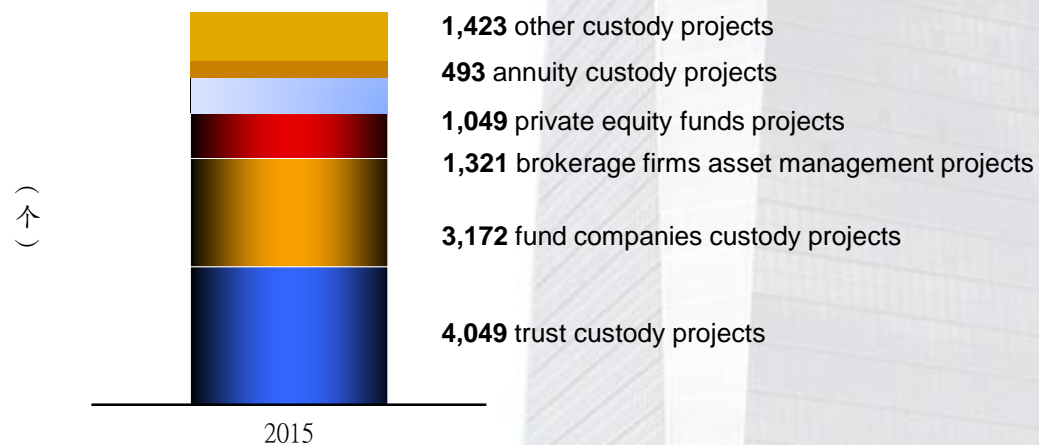
## Custody fee income



## No. of custody projects

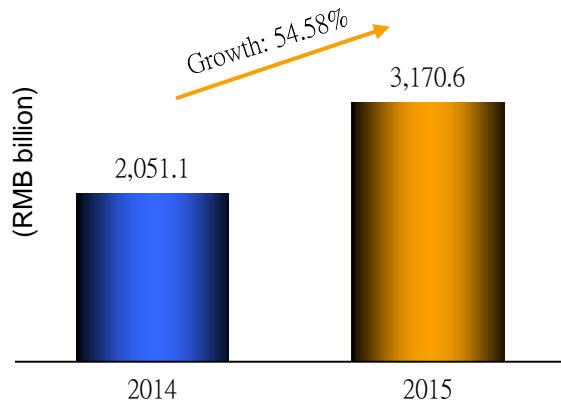


## Structure of custody projects

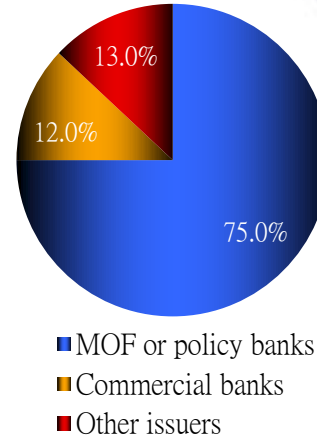


# Financial market business was well developed

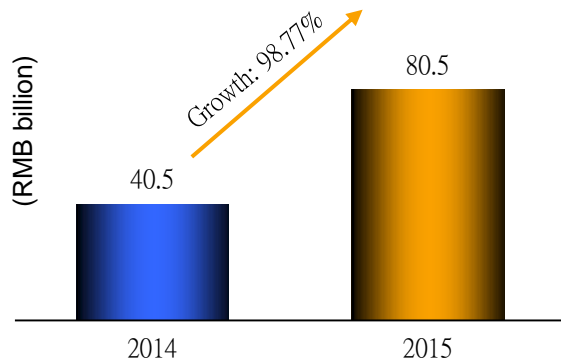
Trading volume of bonds



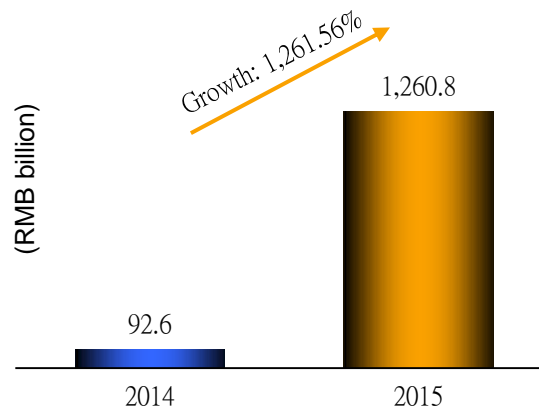
Bonds investment structure



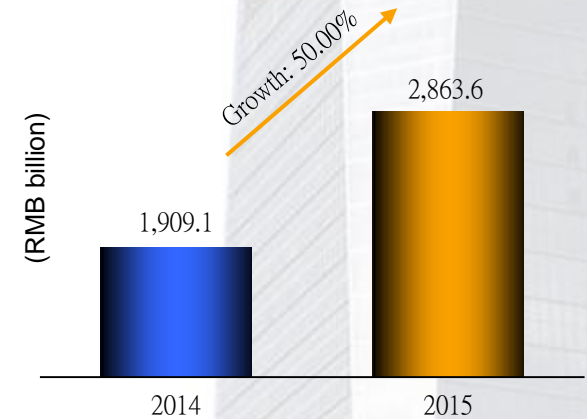
Trading volume of RMB-denominated options



Trading volume of RMB interest rate swap business

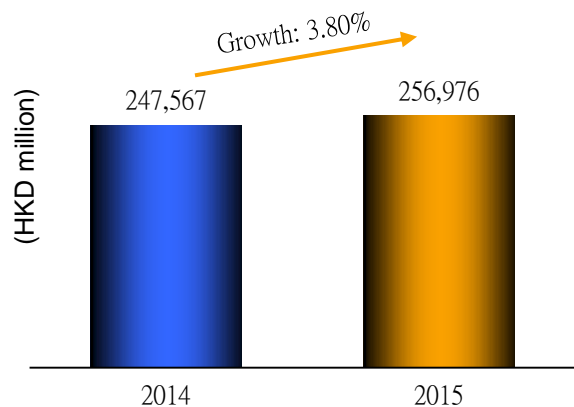


Trading volume of RMB exchange rate swaps

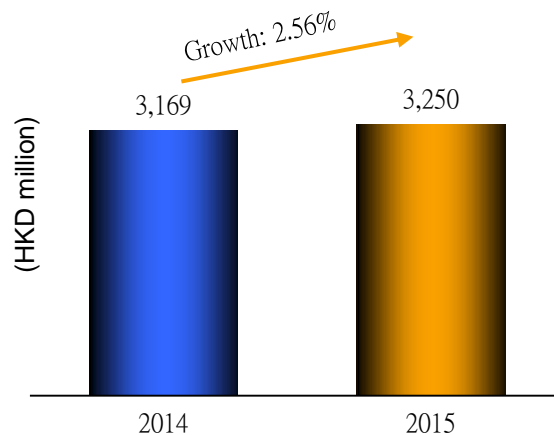


# Comprehensive financial services continued to grow

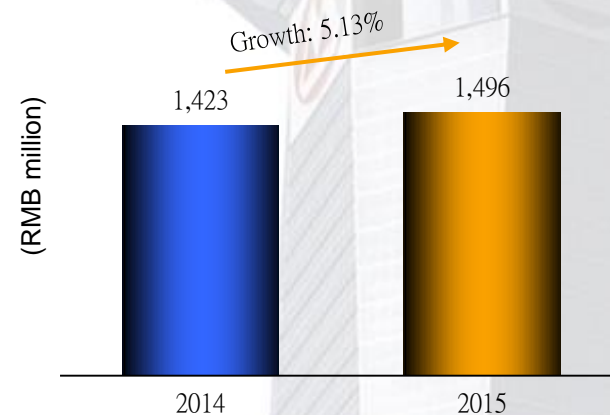
**Total assets of Wing Lung Group**



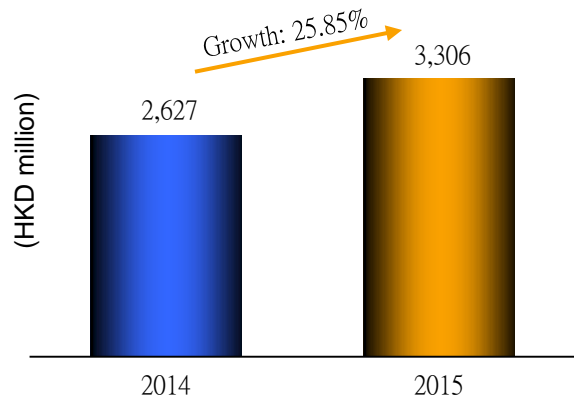
**Net profit of Wing Lung Group**



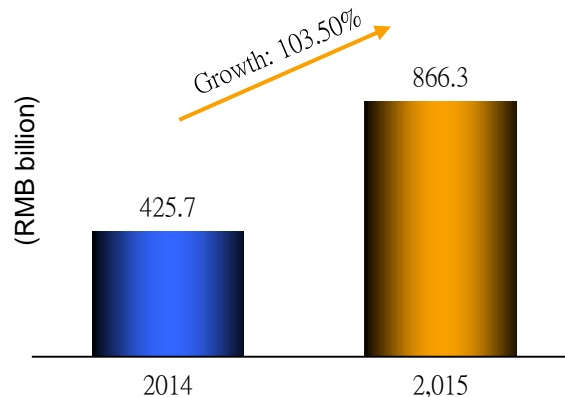
**Net profit of CMB Financial Leasing**



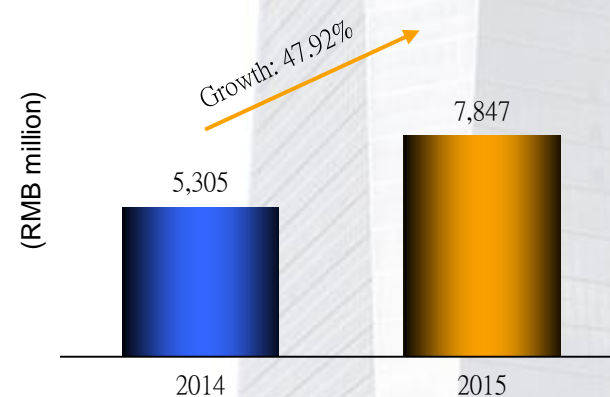
**Total assets of CMB International Capital**



**AUM of China Merchants Fund**

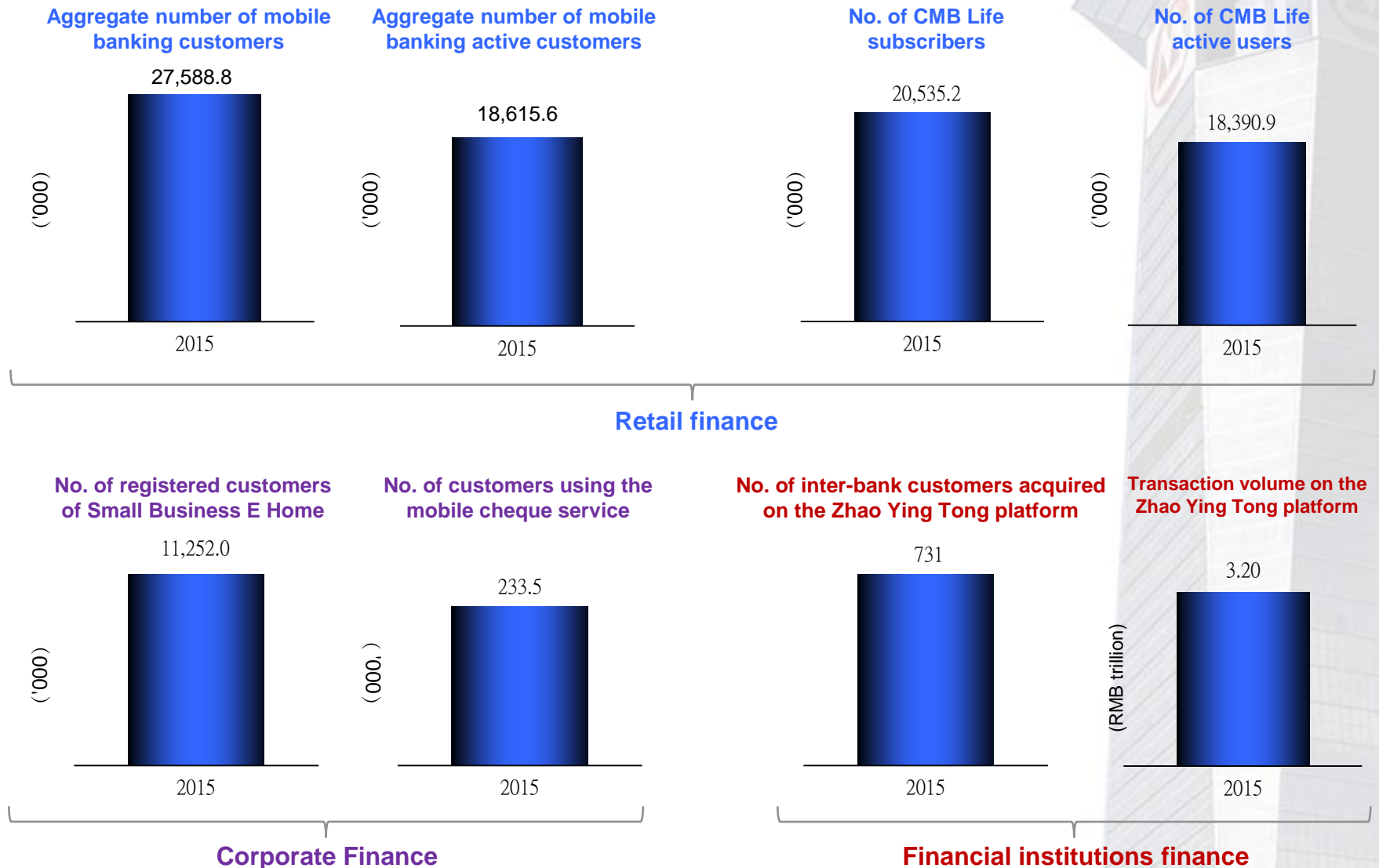


**GWP of CIGNA&CMB Life Insurance**



# Vigorously developing mobile banking to establish service platform

Remarkable progress in internal platform-based structural transformation with rapid growth in customer flows on business platforms

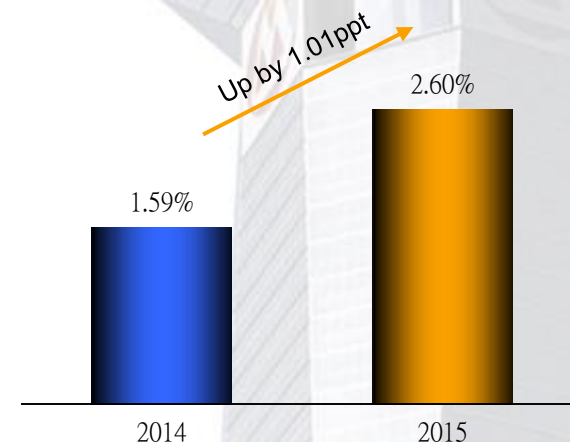


# Strengthened comprehensive risk management contributed to stable asset quality

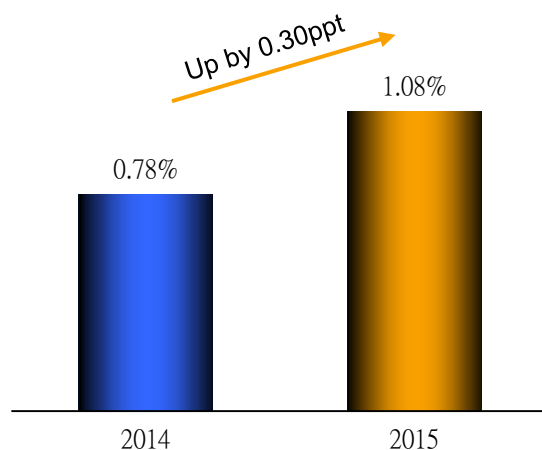
In response to grave risk environment in 2015, the bank strengthened its risk management measures, including:

- ⚠ Continued to improve the comprehensive risk management system and the centralized risk management mechanism
- ⚠ Solidified management and front, middle and back defense lines
- ⚠ Tightened customer onboarding criteria, optimized asset portfolio and streamlined asset structure
- ⚠ Tightened monitoring and control over asset quality, deepened risk warning, examination and supervision
- ⚠ Introduced innovative approaches for disposal of NPLs so as to dispose of NPLs aggressively through different means
- ⚠ Steadily increased application of quantitative risk management tools

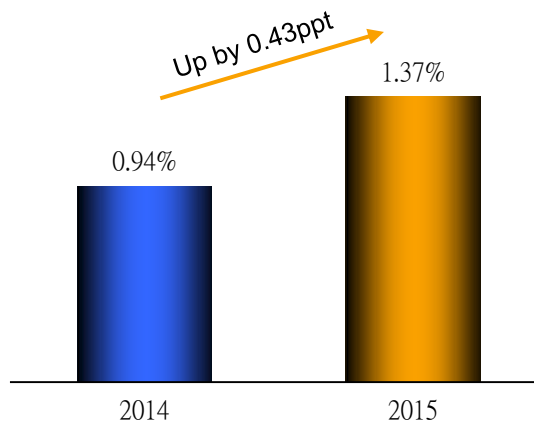
### Corporate NPL ratio



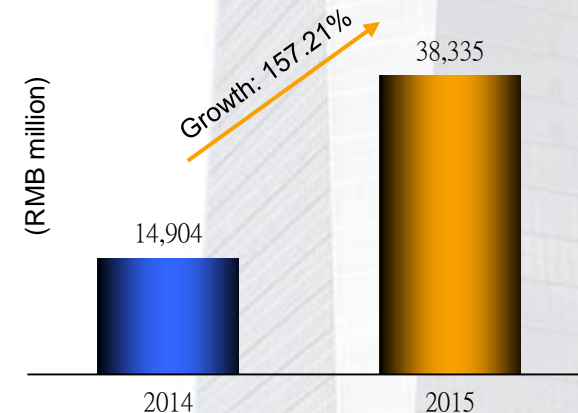
### Retail NPL ratio



### Credit cards NPL ratio



### Accumulated amount of disposed NPL



# Agenda

1

Overview

2

Operational Information

3

**Outlook and Strategies**



# Challenges and opportunities

## Challenges

### *International*

- ◆ Impact of the global financial crisis remain with global economic weakness, diminished prospects and subdued growth
- ◆ Uncertainty around economic growth increases as countries will compete more fiercely in areas such as energy, trade and technology
- ◆ Risks across global financial markets will increase with heightened volatility in interest rates, exchange rates, commodity prices and cross-border capital flows, due to more frequent changes in monetary policies from the Fed and ECB

### *Domestic*





- ◆ The Chinese economy is entering into a period of "New Normal" with slower economic growth
- ◆ Banks will face higher requirements for operation and management and increased business risk from a more complicated environment as the key phase of structural adjustments arrives with completion of the interest rate liberalization process and accelerated financial disintermediation
- ◆ Competitors from within and outside the sector will intensify the competition imposing pressure on banks' profitability

## Opportunities

- ◆ Prudent monetary policy and proactive fiscal policy will help stabilize the real economy
- ◆ The upgrade of traditional industries, infrastructure construction, urbanization construction and public services present significant business opportunities
- ◆ With rapid development of the modern services sector, new economies and a number of emerging strategic industries may become the new engine for banks to grow
- ◆ Reform benefits will be released as the supply-side reform progresses further, leading to more M&A and restructuring in which banks may explore business opportunities
- ◆ Chinese companies entering into international markets, RMB internationalization and the One Belt One Road national strategy provides commercial banks with growth potential in cross-border business
- ◆ Rising household disposal income, upgrading in consumption pattern and lifestyle and increasing standard of living implies optimistic outlook for retail banking
- ◆ Establishment of a multi-layered capital market and accumulating social wealth may bring huge growth potential to wealth management and asset management

# Operating strategy

In face of challenges and opportunities in a new environment, the bank will adhere to its philosophy of balanced development of "efficiency, quality and scale" and transformation strategy of "Asset-light Banking" and "One Body with Two Wings," with key measures to be taken in 2016 include:

-  Improve its comprehensive risk management capabilities with focus on enhancement of credit risk management to maintain asset quality
-  Further refine its business structure through assets, liabilities, customers and commitment of resources
-  Strive to achieve mechanism optimization and process reengineering to continue with the reform
-  Implement rigid management to foster a team of talents and corporate culture that are beneficial to the sustainable long-term development of the bank





Q&A

