



# China Merchants Bank Co., Ltd. 2016 Interim 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

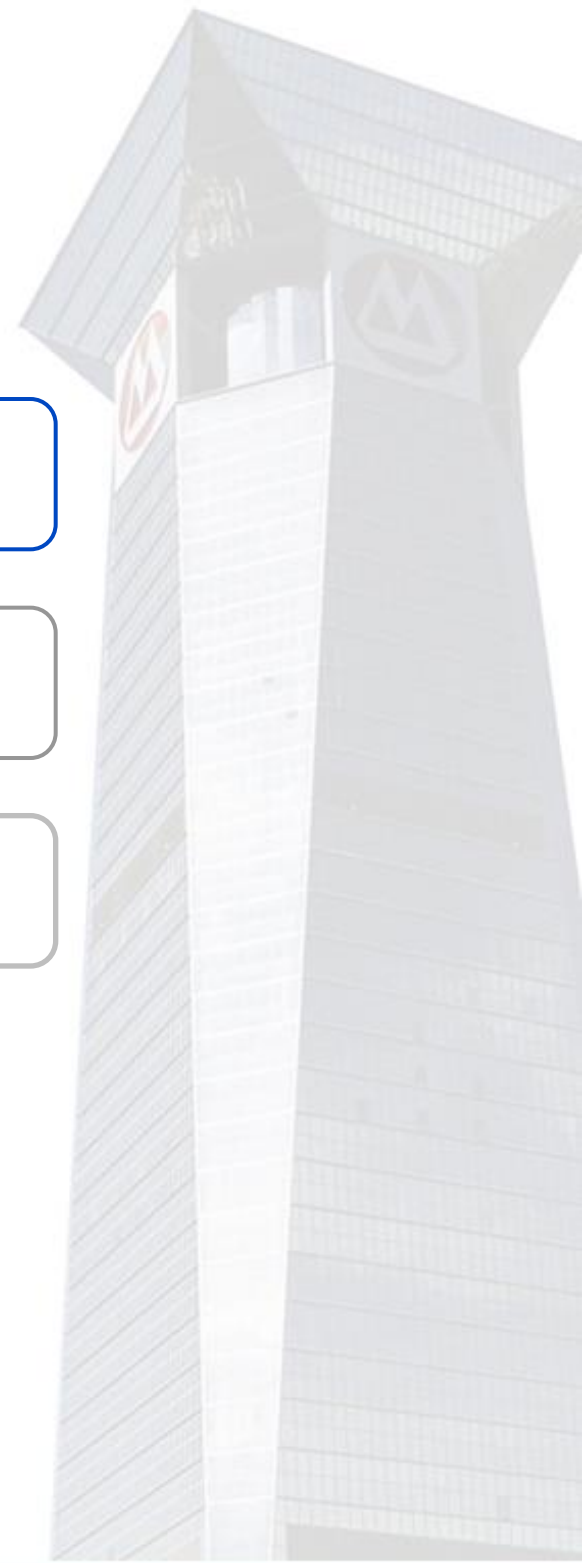
## Overview

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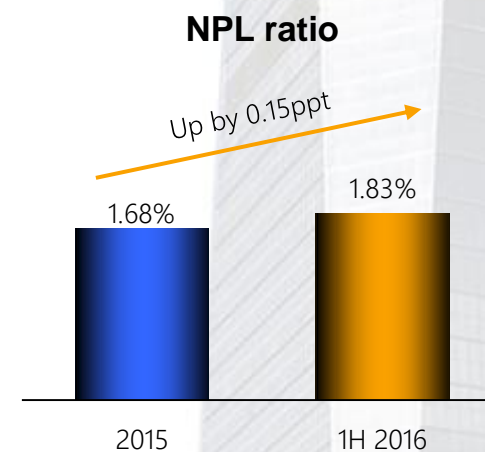
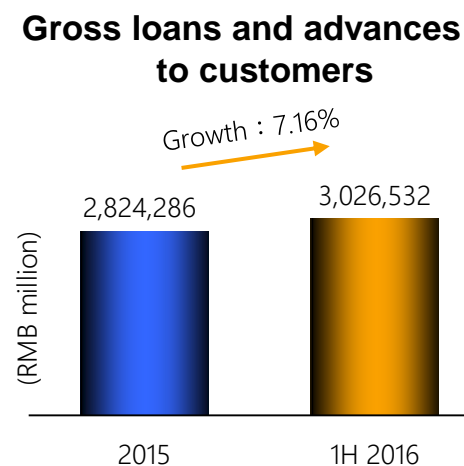
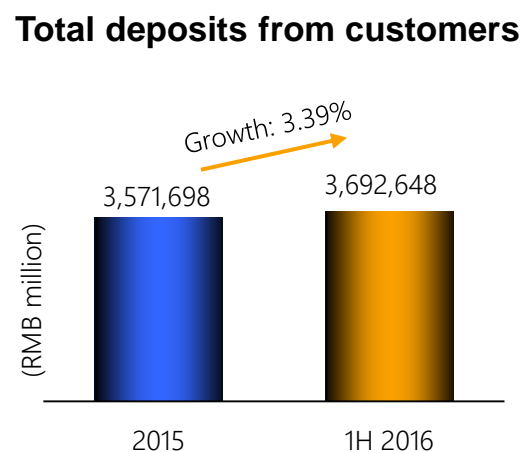
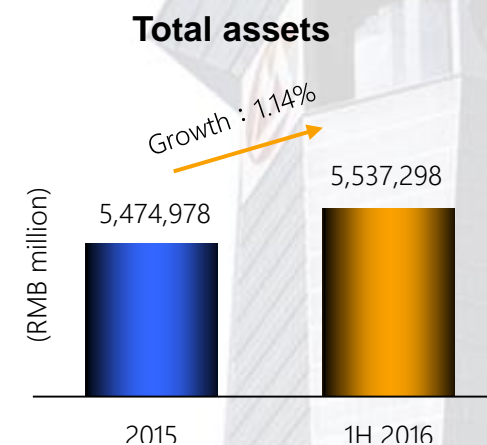
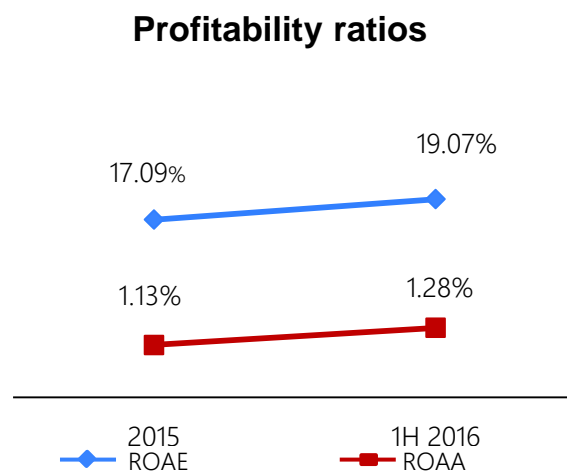
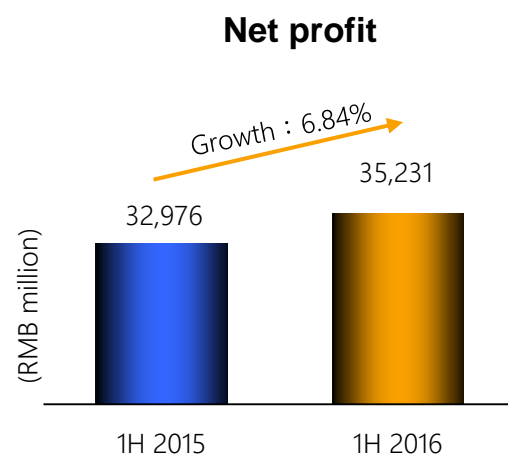
## Operational Information

3

## Outlook and Strategies



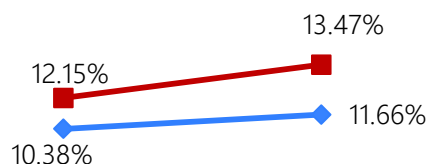
# Profitability, asset quality and scale maintained balanced development and led to satisfactory growth



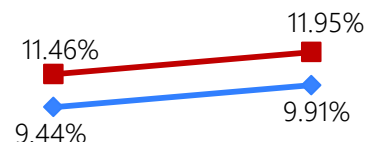
# Strategic transformation steadily proceeded with gradual progress of “Asset-light Banking” (I)

"Lighter" capital

Capital adequacy ratio under advanced method

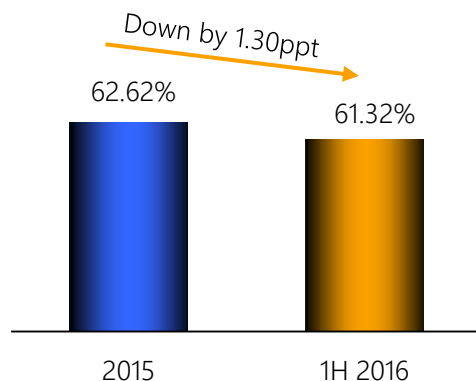


Capital adequacy ratio under weighted method

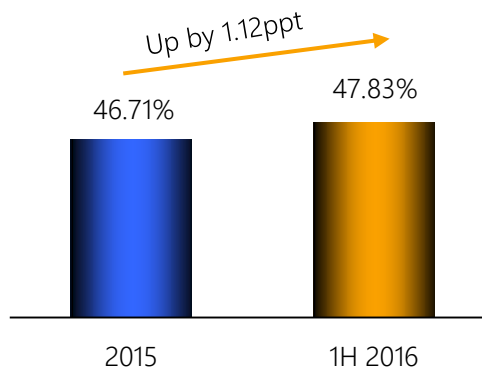


"Lighter" assets

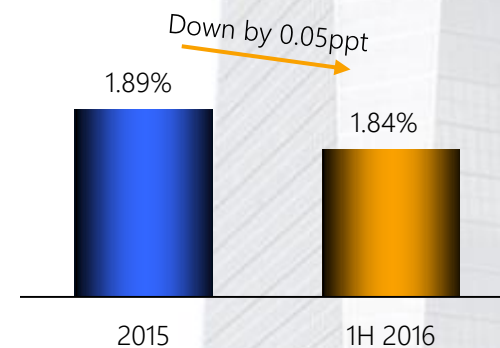
RWA to total assets



Proportion of retail loans to total loans and advances

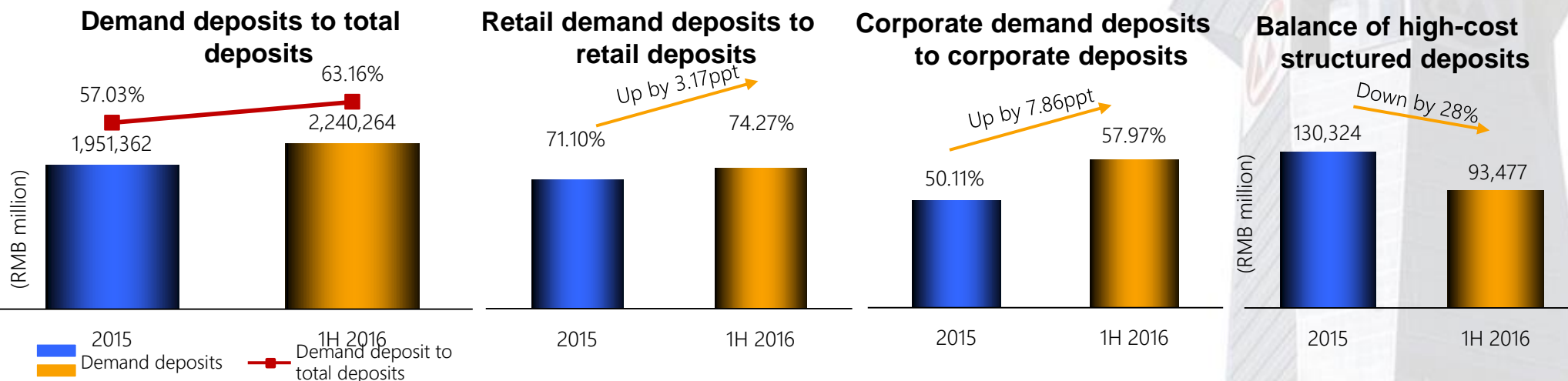


Proportion of loans extended to overcapacity industries to total loans and advances

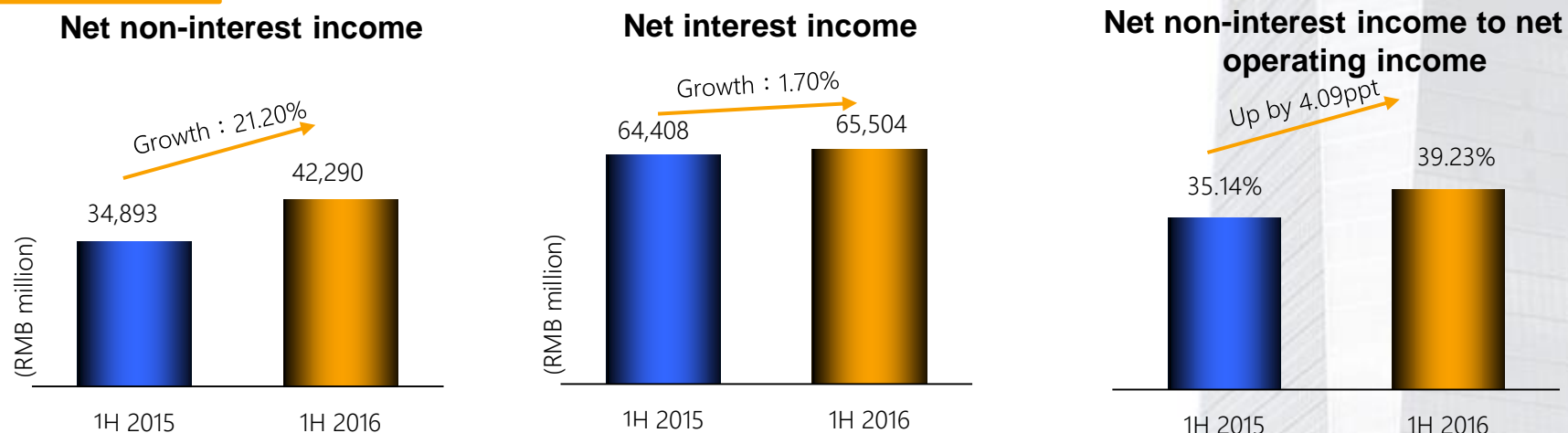


# Strategic transformation steadily proceeded with gradual progress of “Asset-light Banking” (II)

## "Lighter" liabilities



## "Lighter" income structure

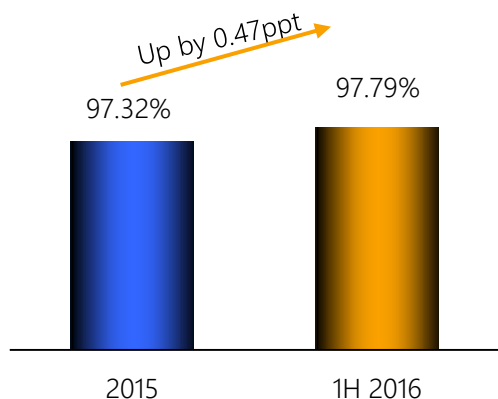




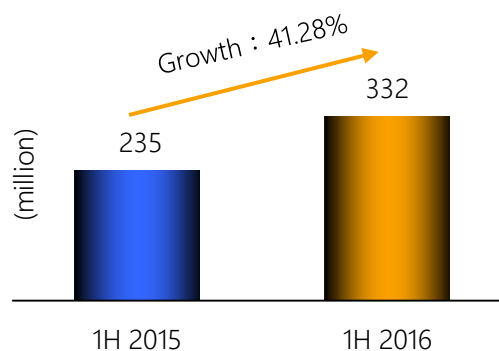
# Strategic transformation steadily proceeded with gradual progress of “Asset-light Banking” (III)

## "Lighter" channels

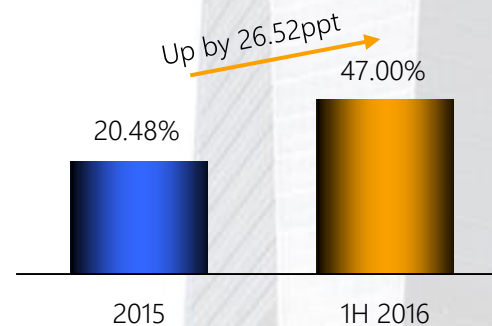
Counter replacement ratio of retail e-banking channels



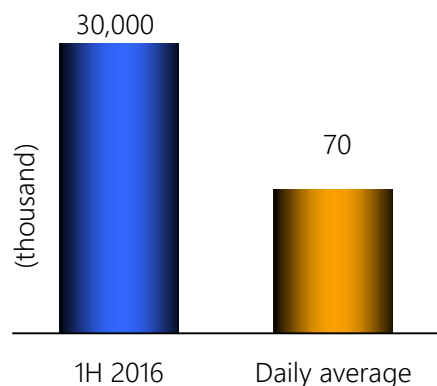
Cumulative number of mobile banking transactions



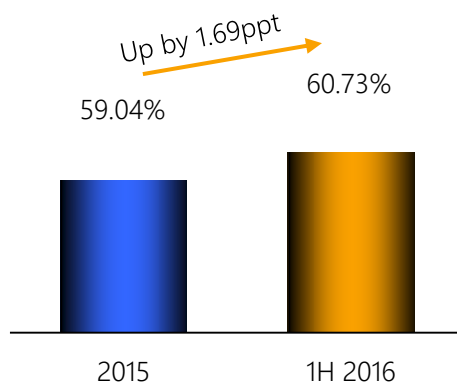
Replacement ratio of non-cash transactions at visual electronic counters



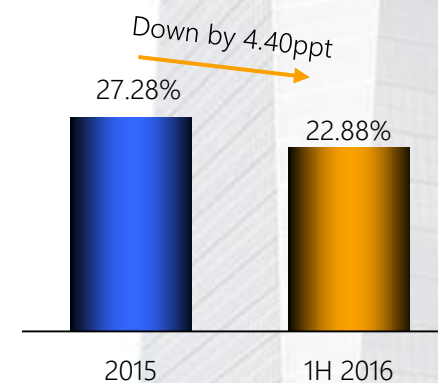
Number of accurate facial recognitions



Counter replacement ratio of corporate e-banking channels

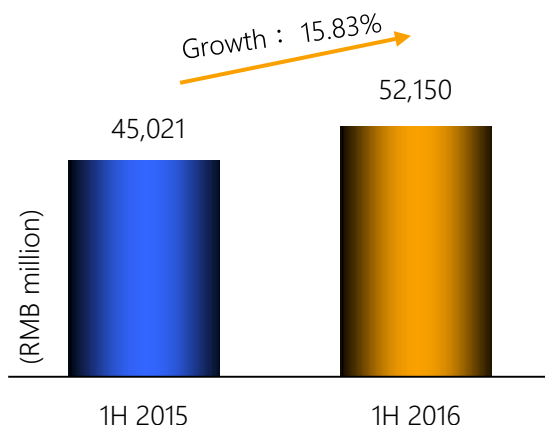


Cost-to-income ratio

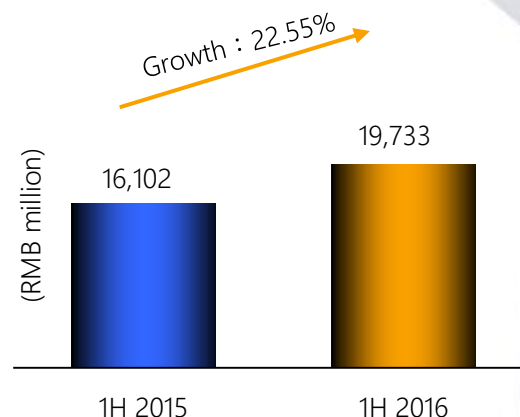


# "One Body with Two Wings" strategy was well maintained with strengthened "One Body"

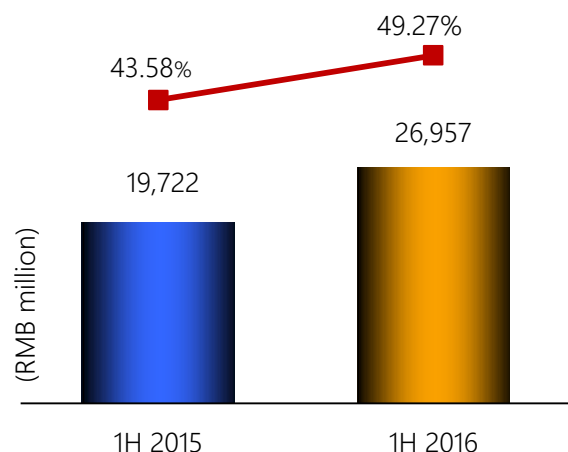
**Net operating income of retail finance business**



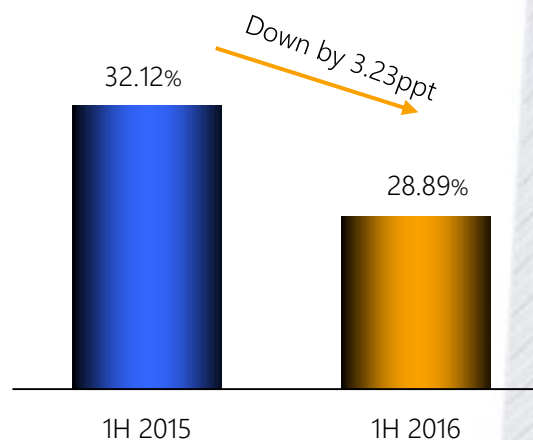
**Net non-interest income of retail finance business**



**Pre-tax profit of retail finance business to total pre-tax profit**



**Cost-to-income ratio of retail finance business**

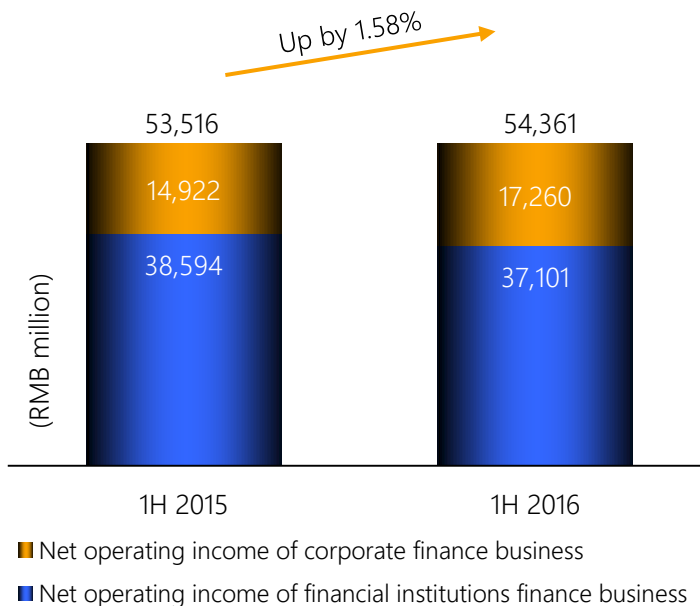


1H 2015  
 e-tax profit of retail finance business  
 % pre-tax profit of retail finance business



# "Two Wings" continued to strengthen with visible synergies

## Net operating income of corporate finance and financial institutions finance businesses



### **Support of retail finance business for corporate finance and financial institutions finance businesses**

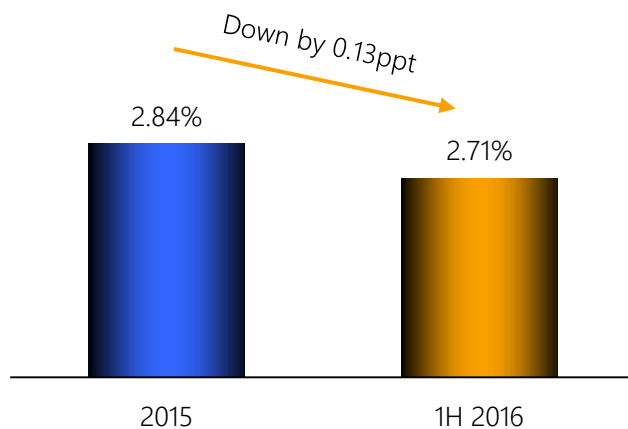
- ✓ Diamond-class customers made a referral of 792 corporate customers, contributing corporate deposits of RMB750 million
- ✓ Providing exclusive full-range retail finance services to strategic customers to improve customer loyalty
- ✓ Effectively promoting the development of its custody business and the growth in institutional deposits. As of the end of June 2016, self-led mutual funds and broker collective plans under custody amounted to RMB 339.3 billion; trust funds and specialized wealth management funds under custody amounted to RMB80.2 billion; total assets under custody reached RMB257 billion

### **Support of corporate finance and financial institutions finance businesses for retail finance business**

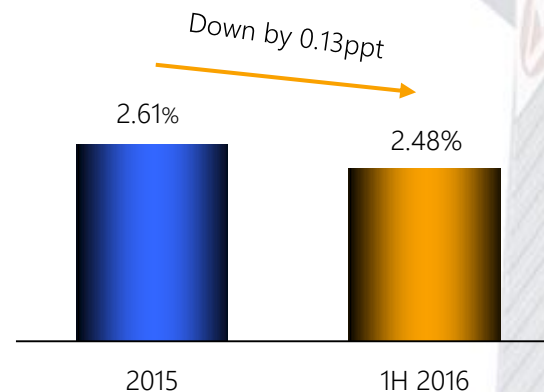
- ✓ Number of newly added corporate clients of payroll businesses grew by 13.20% YoY, while the number of payroll customers went up by 26.80% YoY
- ✓ Cumulative number of business cards, fiscal account cards and public service cards issued amounted to 56,700
- ✓ Managed pension assets of over RMB140 billion
- ✓ Issued 1,032 wealth management products for retail customers with total proceeds of RMB3,955.95 billion

# Risk management proved to be prudent with alleviated risk exposure

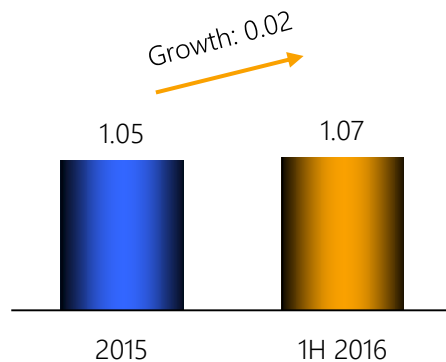
**Overdue loans ratio**



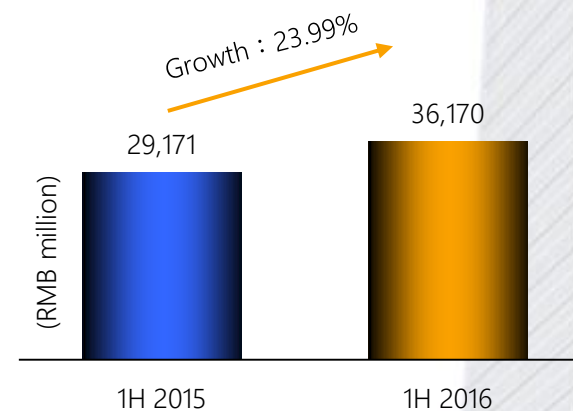
**Special mention loans ratio**



**NPLs to loans overdue for more than 90 days**



**Impairment losses on assets**



# Brand recognition in 2016 continued to increase



## China Banking Association

**Ranked first in overall development strength among commercial banks in China from the "Gyroscope" evaluation in 2016**

Awarded Public Charity Excellence Project in 2016

Awarded Most Socially Responsible Financial Institution for the fifth time in 2016

Pension business innovation award for "Xinfu Finance" product series in 2015

One of the top 50 financial products for SME for "Sheng Yi Dai" in 2015



## The Asian Banker

Awarded the Best Retail Bank in China for the seventh time in 2016

Awarded the Best Joint Stock Retail bank in China for the 12<sup>th</sup> time in 2016

Awarded Best Wealth Management in China for the second time, 2016

Awarded Best Transaction Bank in 2016



## Hurun Report

Awarded Best Domestic Private Bank in 2016 for the fifth time



## Euromoney

Awarded Best Private Bank in China for the seventh time in 2016

Awarded Best UHNI Customer Service in 2016

Awarded Best International Customer Service in 2016



## Fortune

Ranked 189<sup>th</sup> among Fortune Global 500 in 2016

Ranked 26<sup>th</sup> among Fortune China 500 in 2016



## The Asset

Best Custodian Banking in China, 2016

Best Transaction Banking in China, 2016

Best Cash Management Solution, 2016

Best Partnering Bank for E-Solutions, 2016

Best Treasury and Working Capital management Bank in China, 2016

Corporate Payment Project of the Year, 20-16



## Private Banker International

Awarded Best Private Bank in China for the sixth time consecutively in 2016



## Asian Private Banker

Best Domestic Private Bank in China for the first time in 2016



## The Banker

Ranked 27<sup>th</sup> among the world's 1,000 largest banks, 2016



## Investor

Ranked 1<sup>st</sup> for Best Analyst Day among Asian banks, 2016

Ranked 2<sup>nd</sup> for Best CFO among Asian Banks, 2016

Ranked 2<sup>nd</sup> for buyside Survey among Asian Banks, 2016

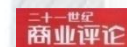


## Securities Times

Best Internet Finance Product in China, 2016

Best Wealth Management Banking Brand in China, 2016

Best Private Banking Brand in China, 2016



## 21<sup>st</sup> Century Business Review

Best Space Design for Financial Institutions, 2016

Best Customer Service System for Financial Institutions, 2016



## Sina Finance

Best Retail Bank, 2016

Best E-Bank, 2016



# Agenda

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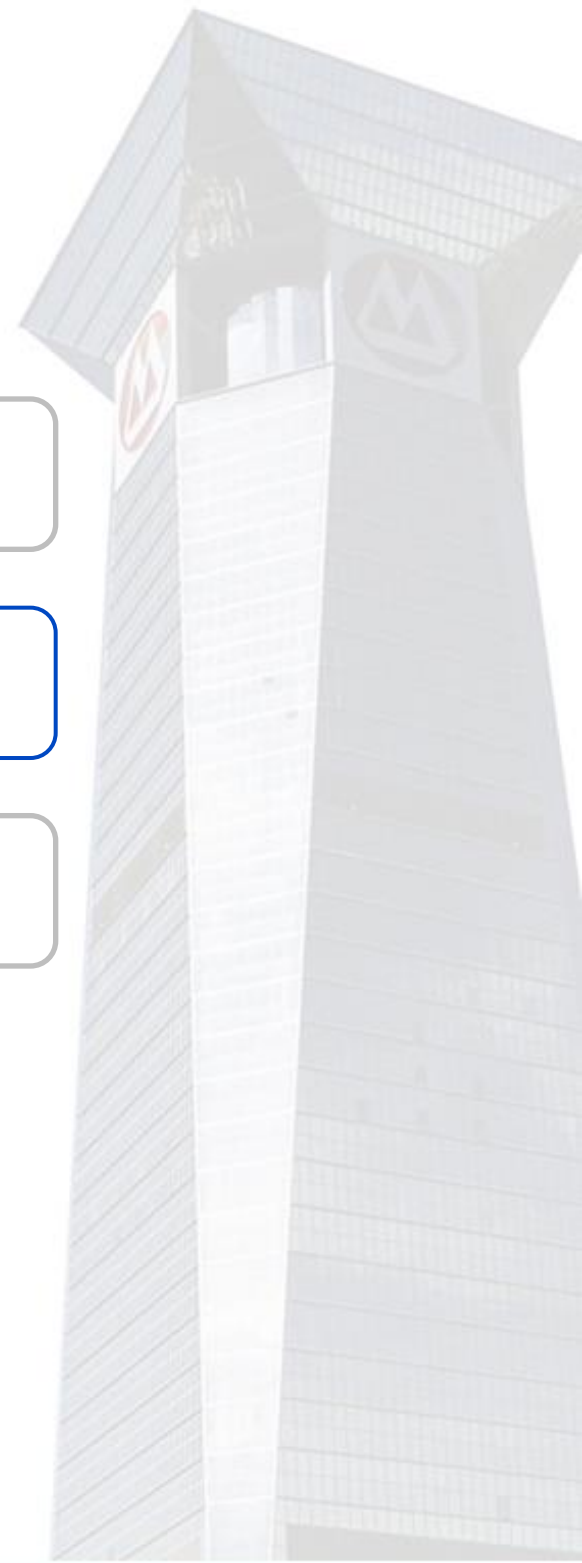
Overview

2

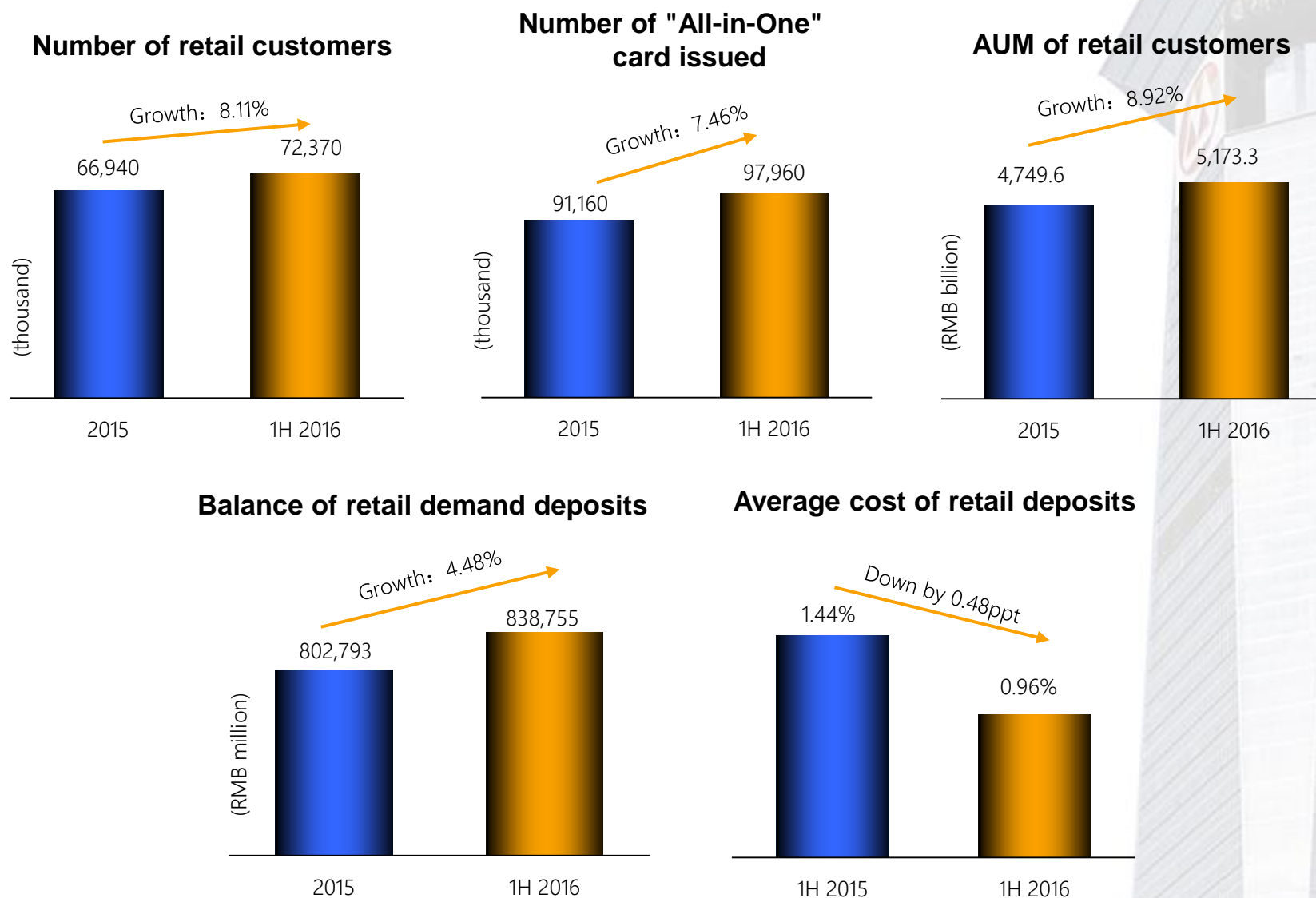
**Operational Information**

3

Outlook and Strategies

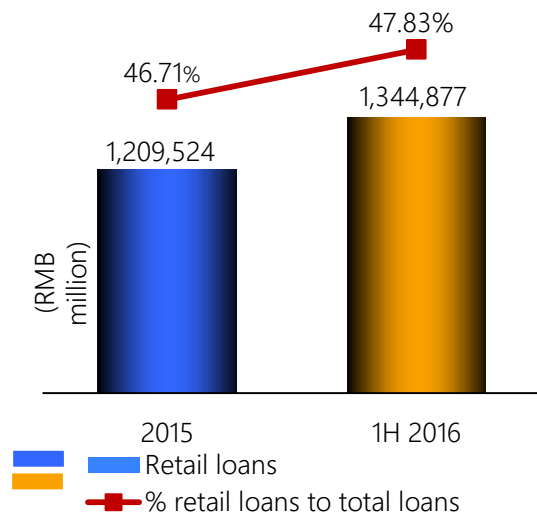


# Retail finance: competitive advantages continued to improve

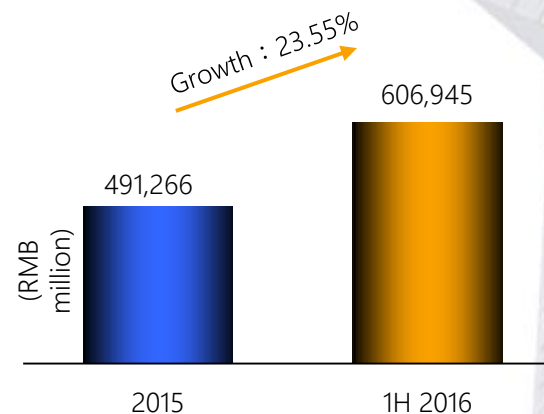


# Retail finance: credit exposure expanded with continuously optimized structure

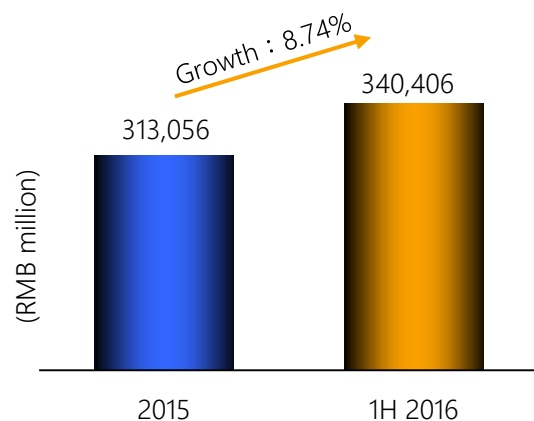
## Balance and percentage of retail loans



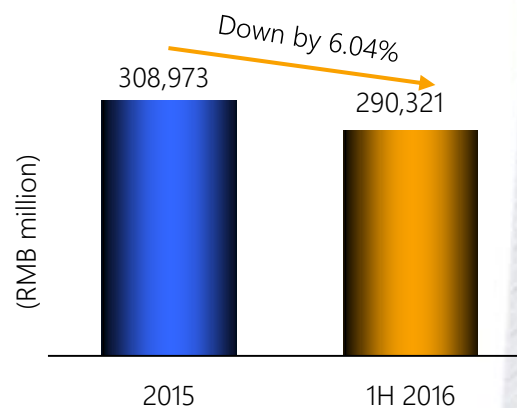
## Balance of residential mortgage



## Balance of credit card overdrafts



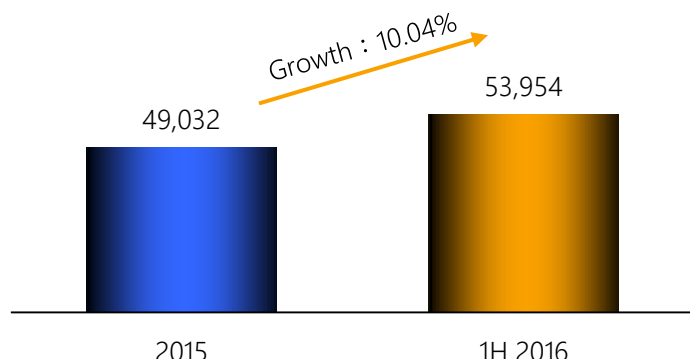
## Balance of micro-finance loans



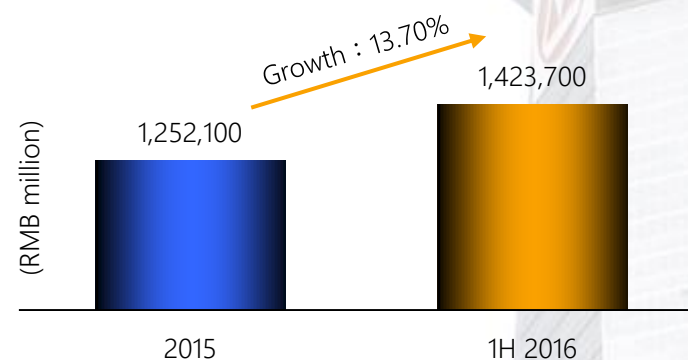


# Retail finance: private banking business thrived

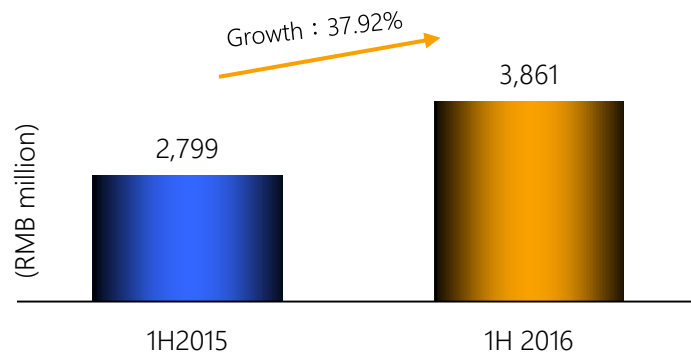
**Number of private banking customers**



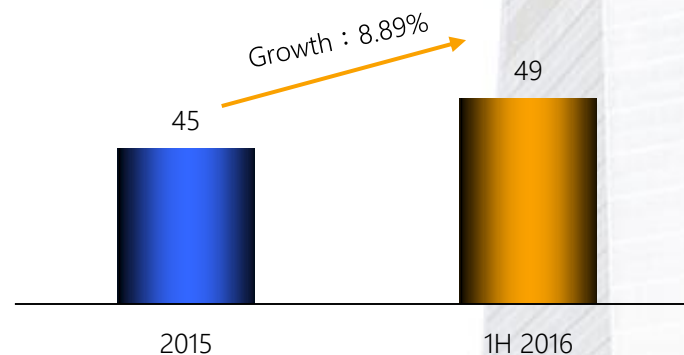
**AUM from private banking customers**



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

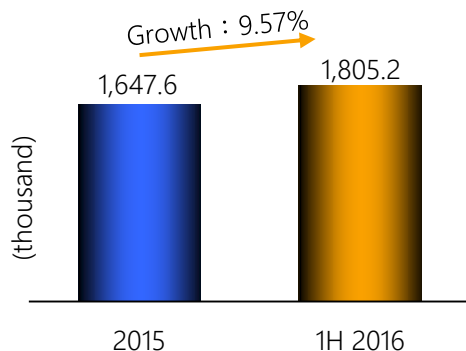


**Number of private banking centers**

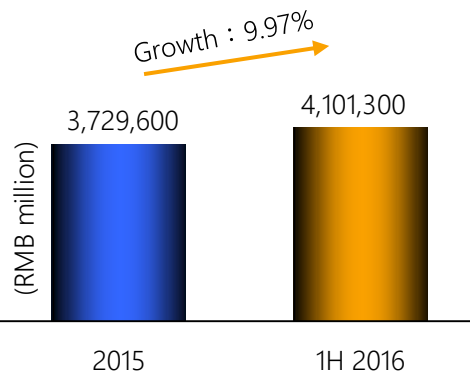


# Retail finance: wealth management business showed clear lead

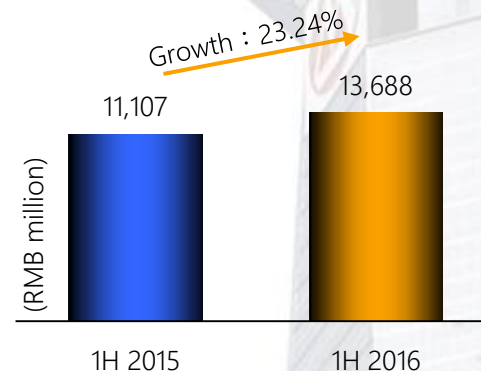
**Number of sunflower-level and above customers**



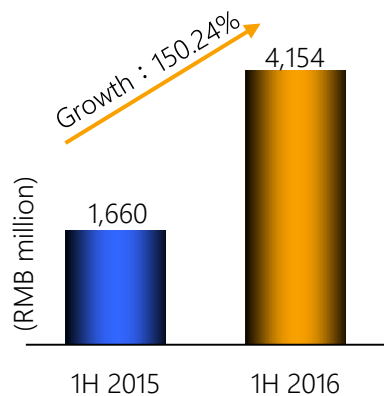
**AUM of sunflower-level and above customers**



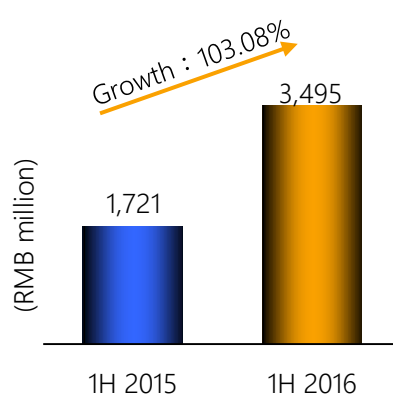
**Fee and commission income from wealth management**



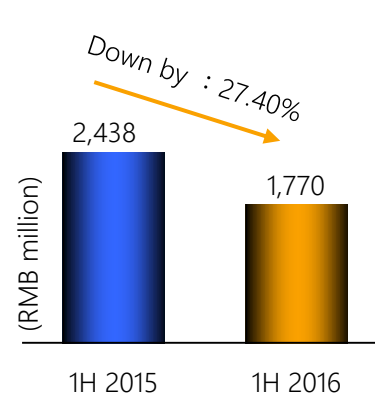
**Fees from agency distribution of insurance**



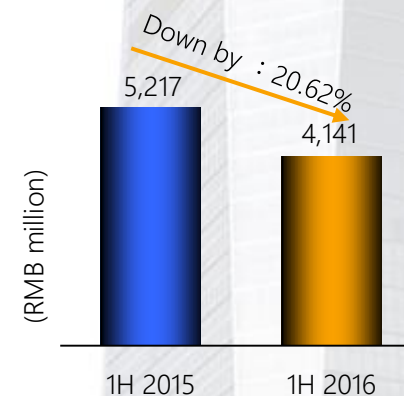
**Fees from entrusted wealth management**



**Fees from agency distribution of trust plans**

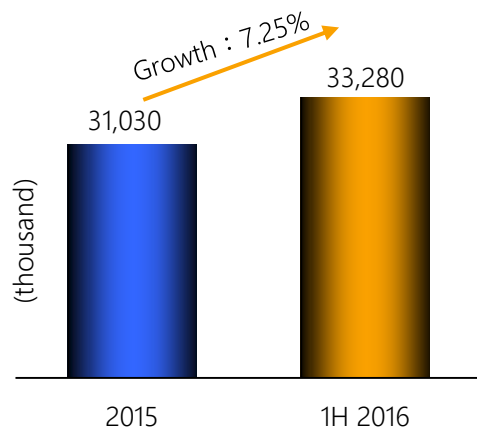


**Fees from agency distribution of funds**

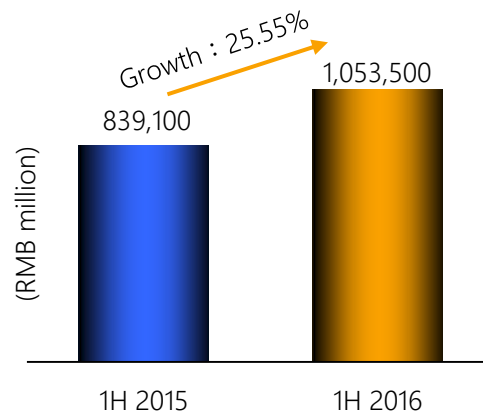


# Retail finance: credit card business maintained rapid growth

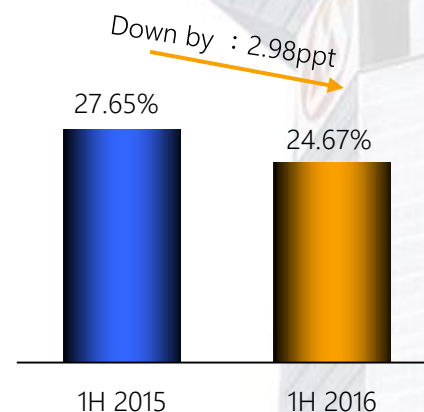
Number of active credit cards users



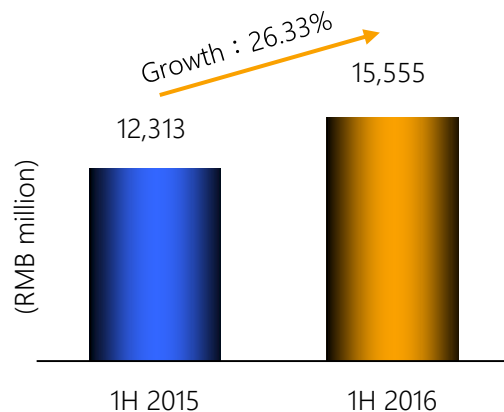
Cumulative transaction value of credit cards



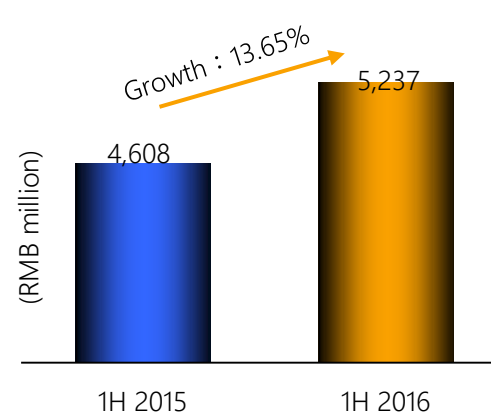
Percentage of the revolving balance of credit cards



Interest income from credit cards

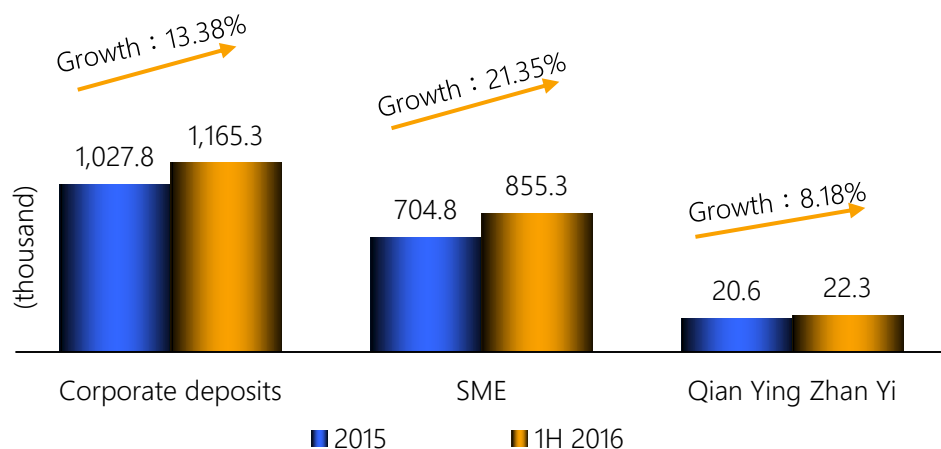


Non-interest income from credit cards

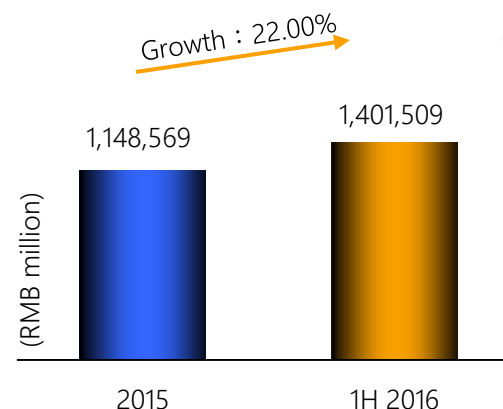


# Corporate finance: business foundation further enhanced

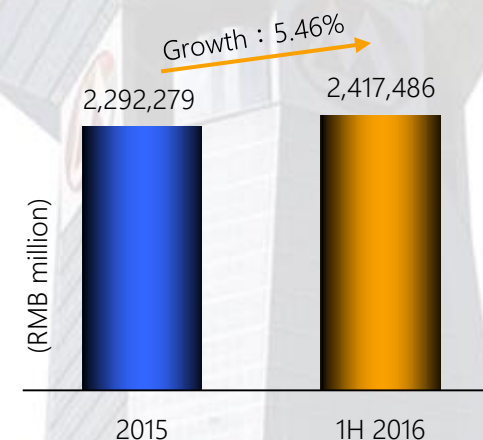
Number of corporate deposit, SME and "Qian Ying Zhan Yi" customers



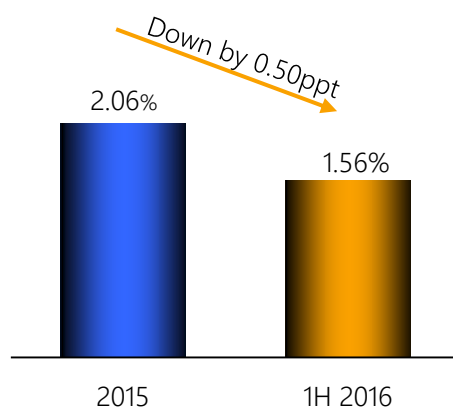
Balance of corporate demand deposits



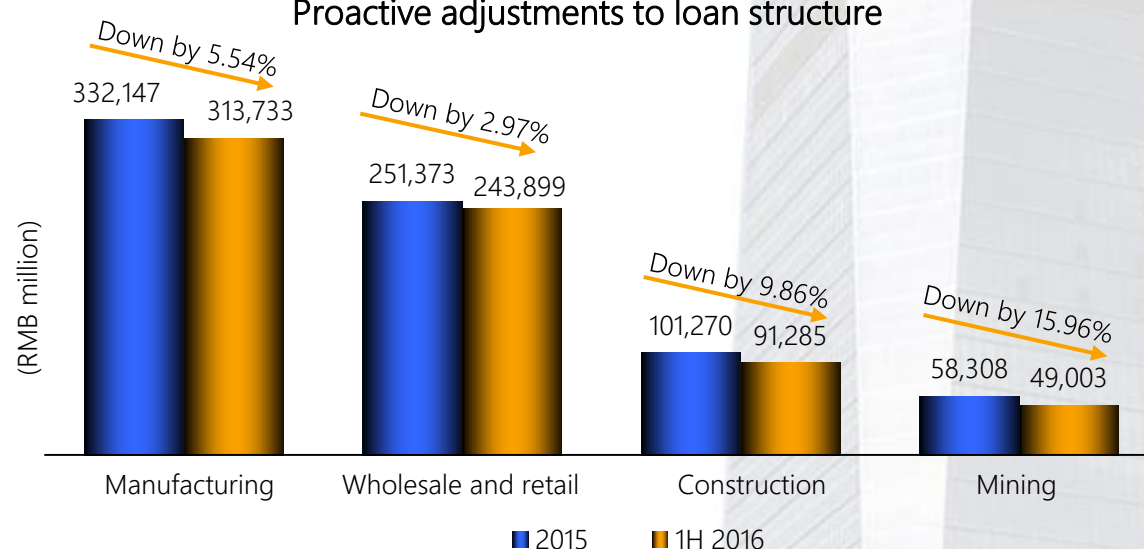
Balance of corporate customer deposits



Average cost of deposit from corporate customers

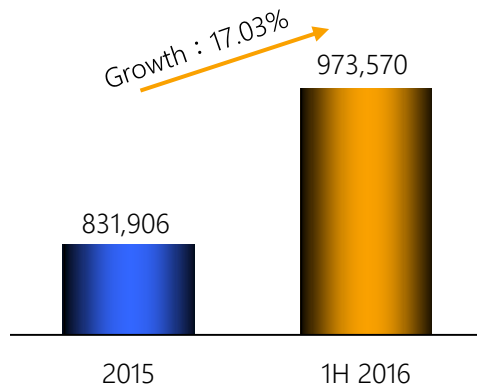


Proactive adjustments to loan structure

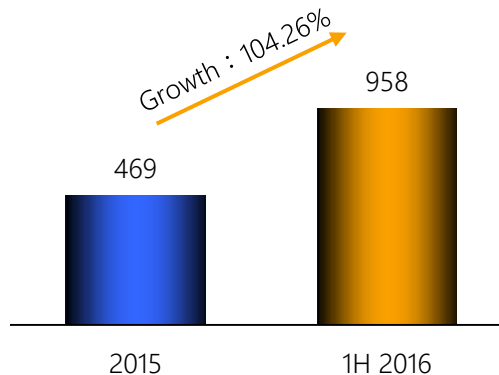


# Corporate finance: transaction banking achieved fast growth

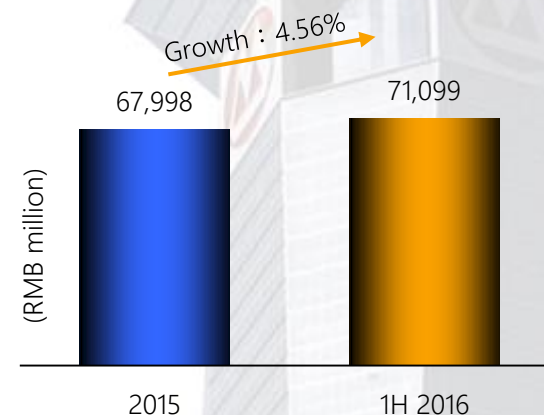
Number of cash management customers



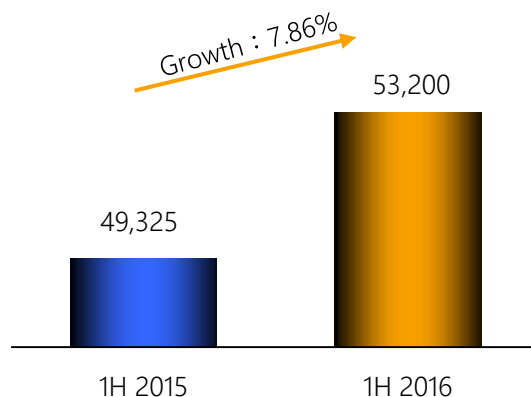
Number of core customers in the supply chain



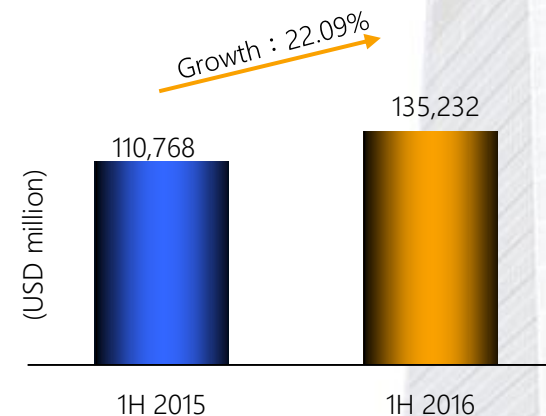
Balance of supply chain finance



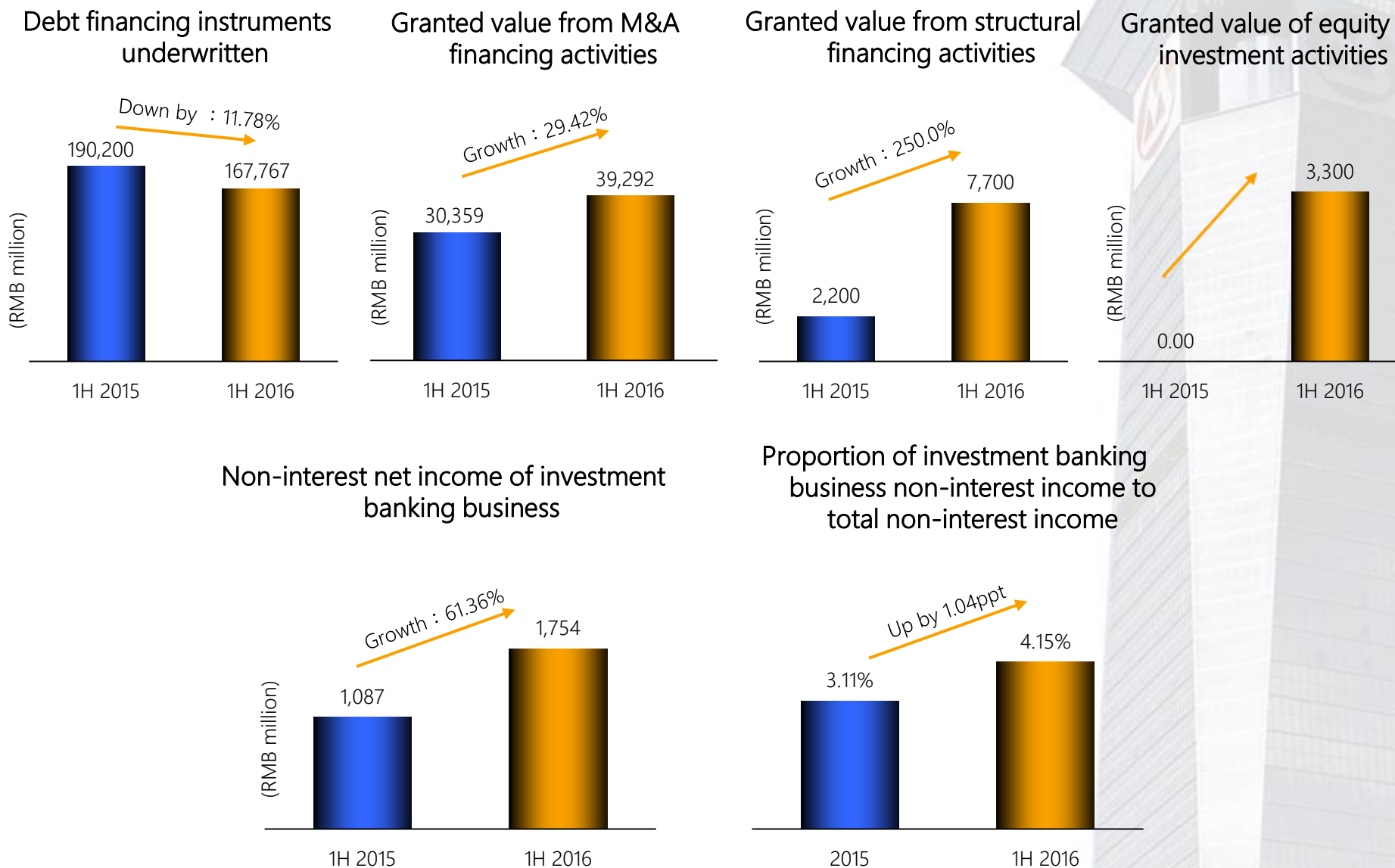
Number of onshore international business customers



Amount of offshore international settlements



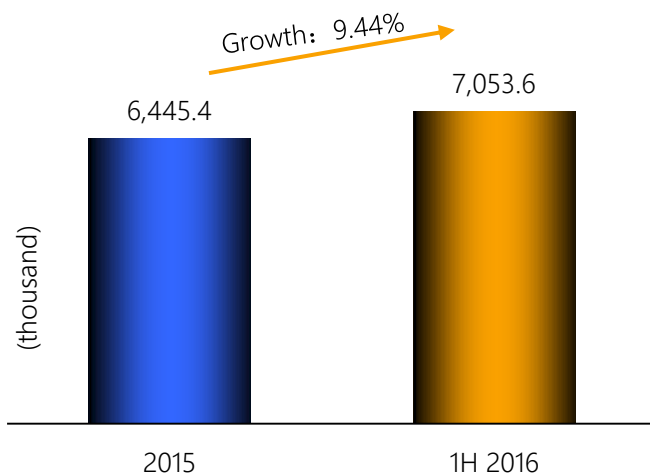
# Investment banking business expanded rapidly



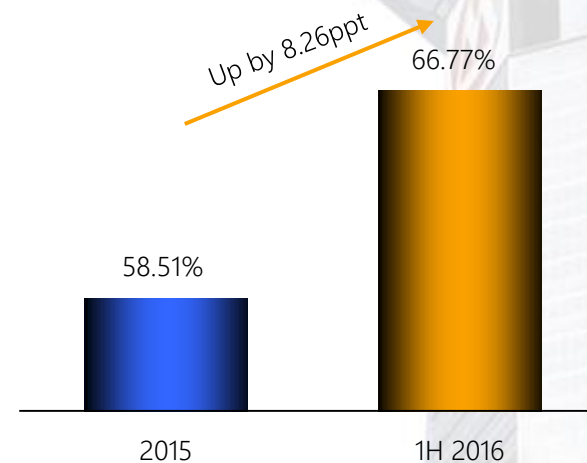


# Financial institutions finance: interbank business achieved stable growth

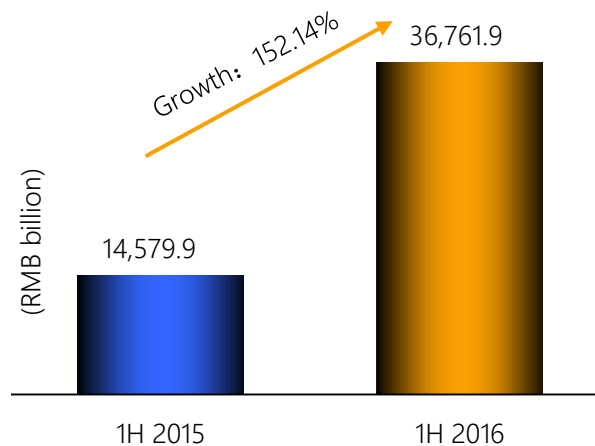
Number of customers under third-party custody business



Proportion of interbank demand deposits

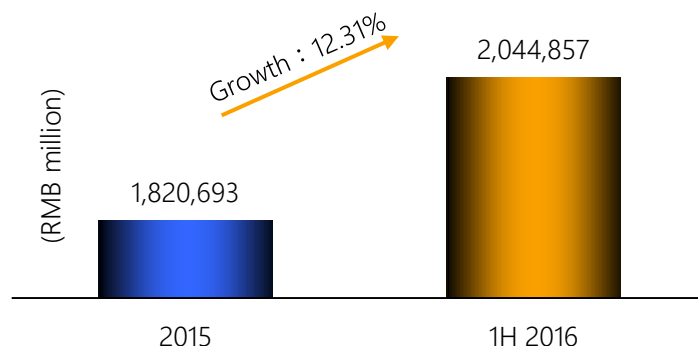


Trading volume of discounted bills business

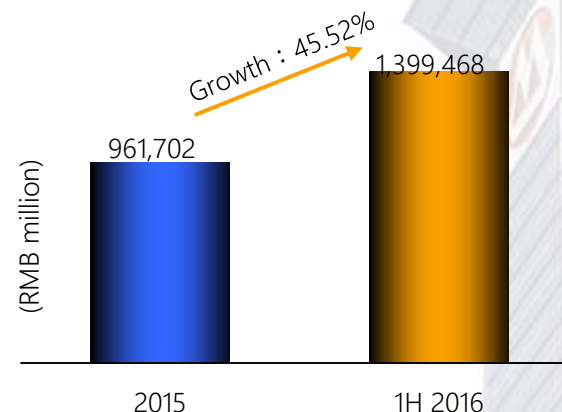


# Asset management business: AUM and revenue maintained a strong growth

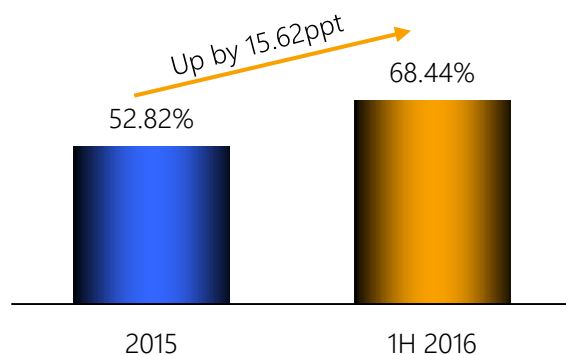
Balance of wealth management products under operation



Balance of net-worth products



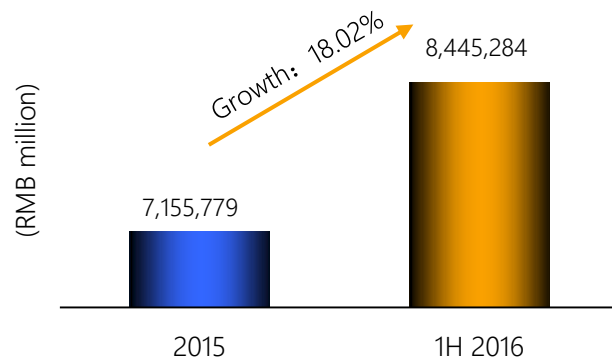
Proportion of net-worth products to wealth management products



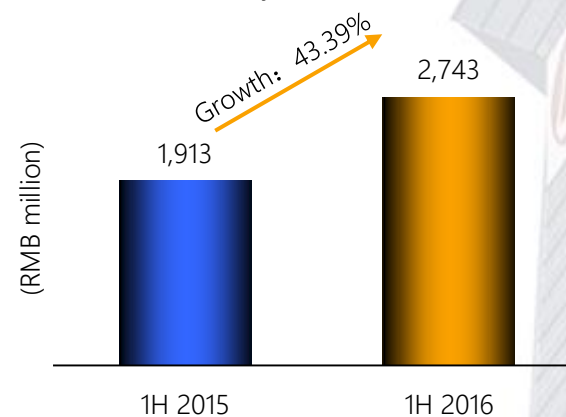
- As of the end of June 2016, balance of wealth management funds invested in beneficiary rights of margin financing and securities lending amounted to RMB 6,128 million, representing a decrease of 77.77% as compared to the end of the prior year
- The Company's wealth management funds invested in margin financing in the secondary market amounted to RMB 45.51 billion, an increase of 50.02% as compared to the end of last year, which is mainly contributed by financing demands from some institutional investors with strong funding capabilities
- As of the end of the reporting period, the Company's wealth management funds invested in the equity-pledged financing business amounted to RMB 15.978 billion, representing a substantial decrease of 34.63%

# Custodian business experienced rapid growth

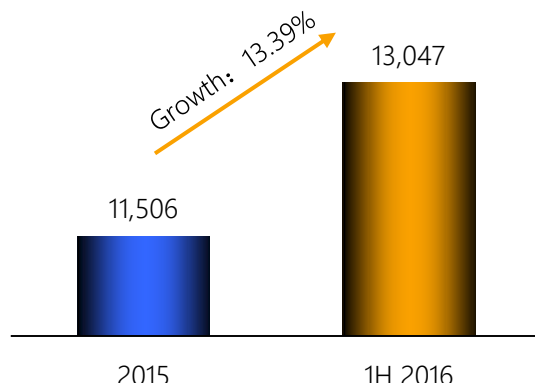
## Assets under custody



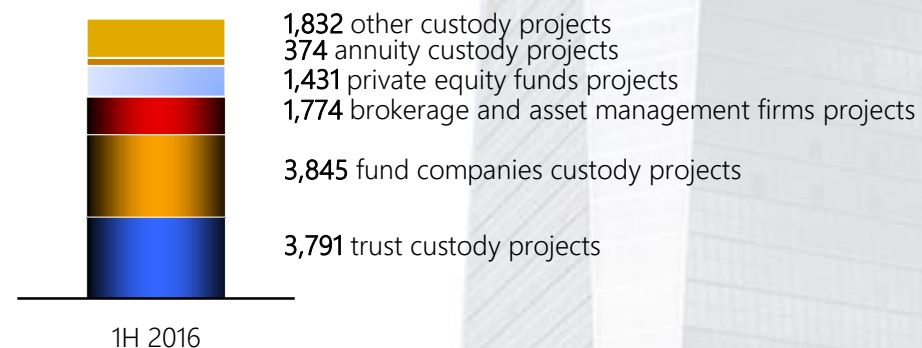
## Custody fee income



## No. of custody projects

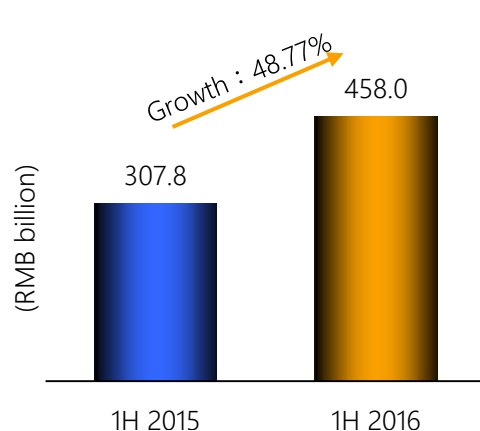


## Structure of custody projects

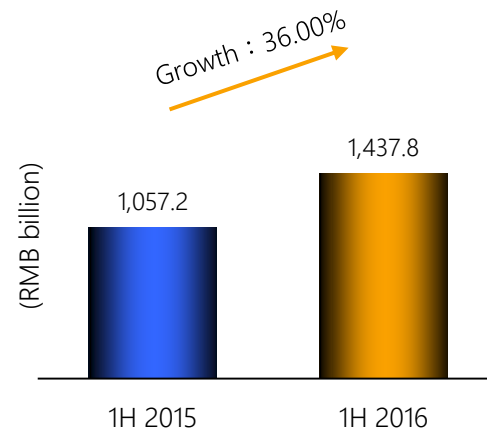


# Financial market business was well developed

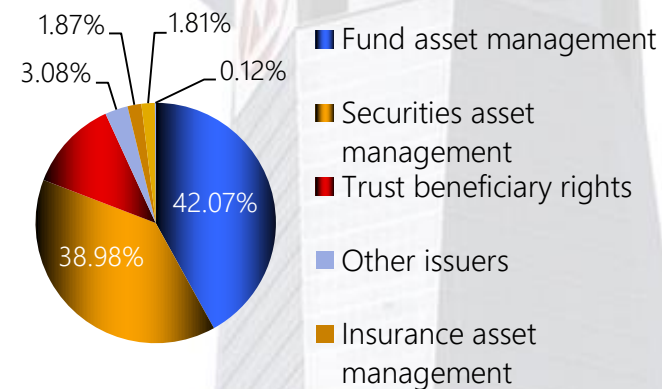
Trading volume of RMB-denominated options



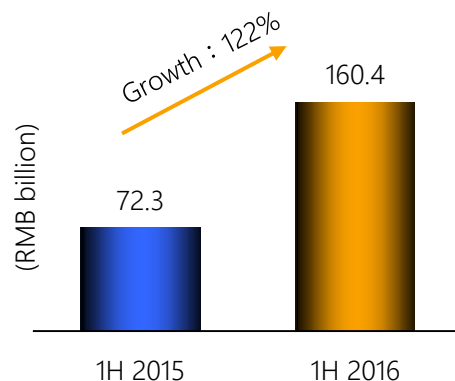
Trading volume of RMB exchange rate swap business



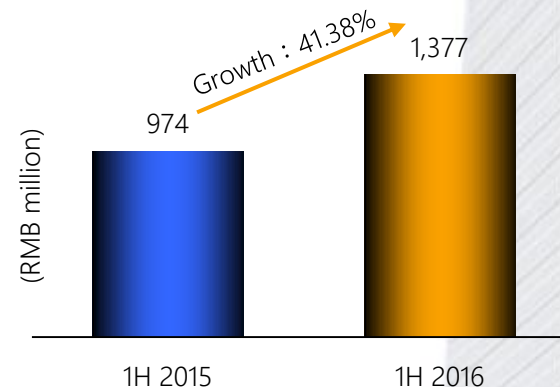
Bonds investment structure



Trading volume of single customer derivatives

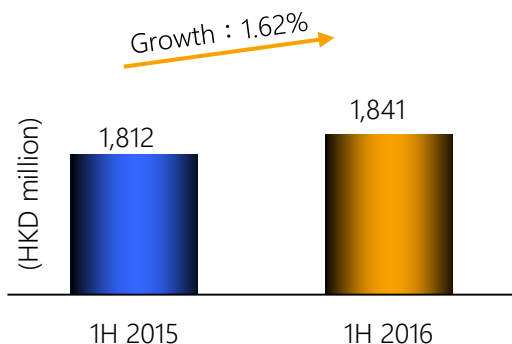


Non-interest income from foreign exchange settlements for customers

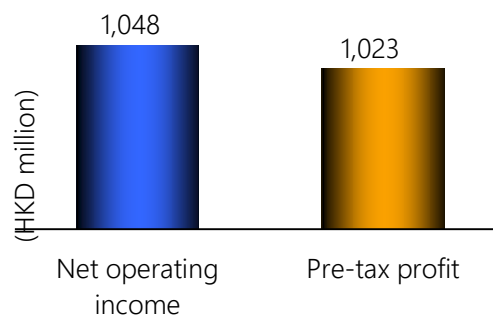


# Overseas strategy is steadily progressing

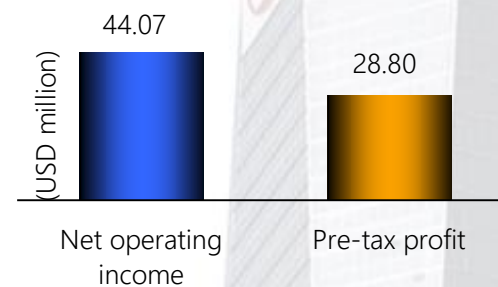
Net profit of Wing Lung Group



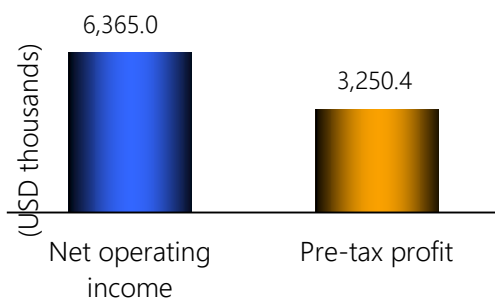
Hong Kong branch net operating income and pre-tax profit



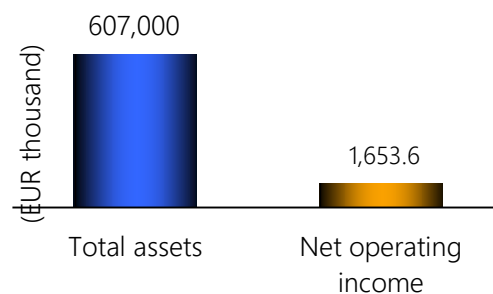
New York branch net operating income and pre-tax profit



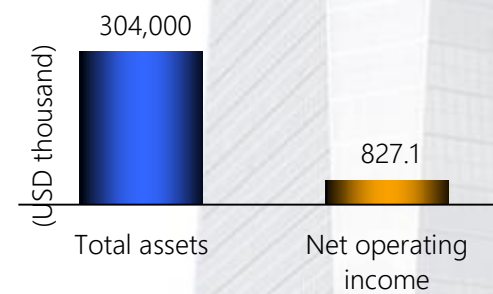
Singapore branch net operating income and pre-tax profit



Luxembourg branch total assets and net operating income

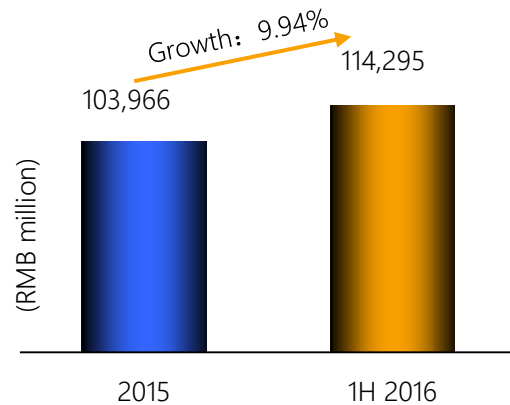


London branch total assets and net operating income

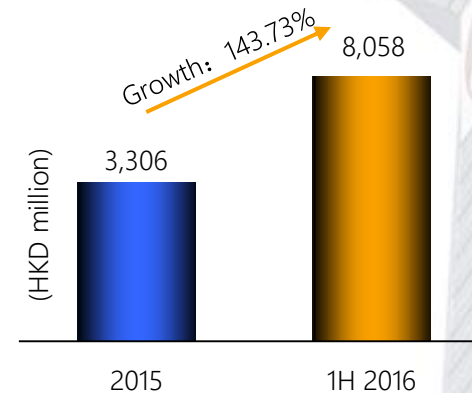


# Comprehensive financial services continued to grow

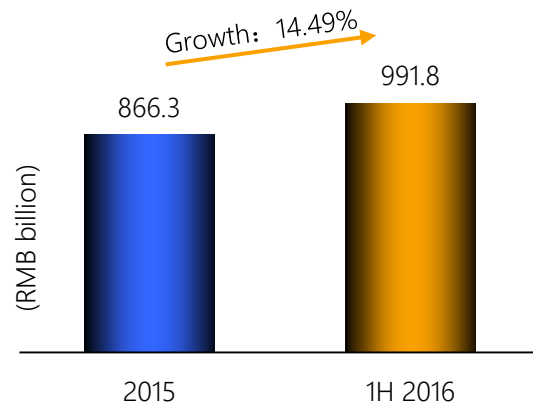
Total assets of CMB Financial Leasing



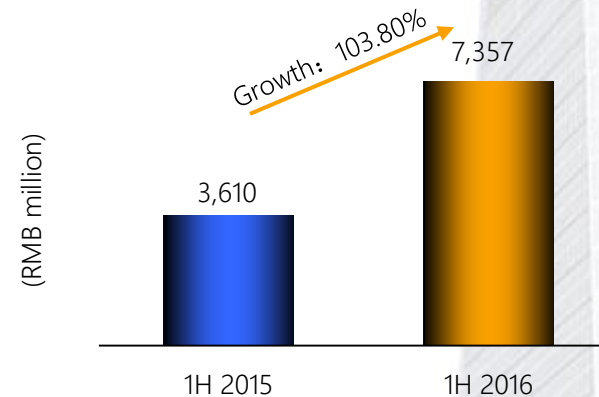
Total assets of CMB International Capital



AUM of China Merchants Fund



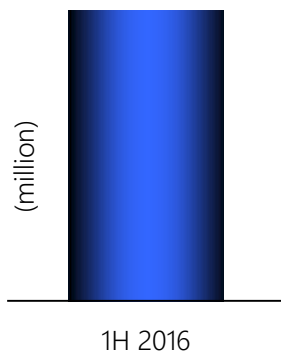
GWP of Cigna & CMB Life Insurance



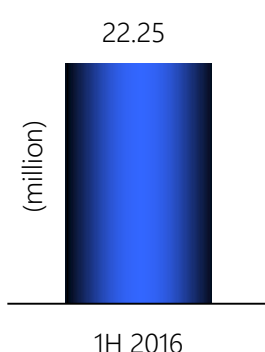


# FinTech : Vigorously developing FinTech to establish service platform

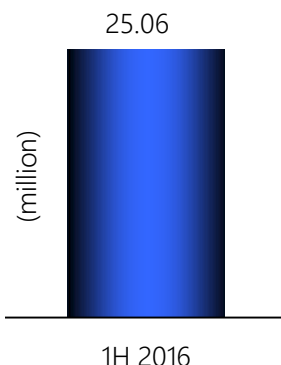
Aggregate number of  
mobile banking  
customers  
34.09



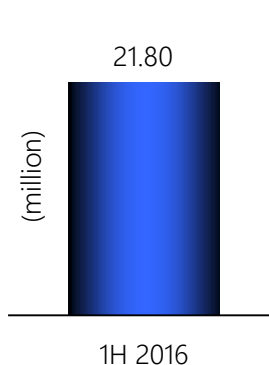
Aggregate number of  
mobile banking active  
customers  
22.25



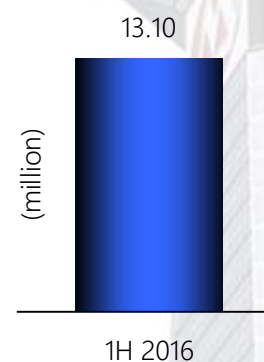
No. of CMB Life Subscribers  
25.06



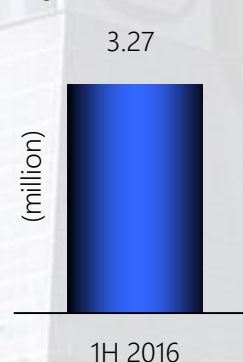
No. of CMB Life  
active users  
21.80



Registered  
Customers  
13.10

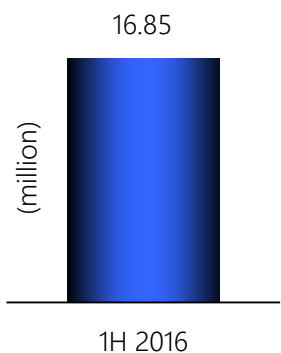


Registered Customers  
(granted credit)  
3.27

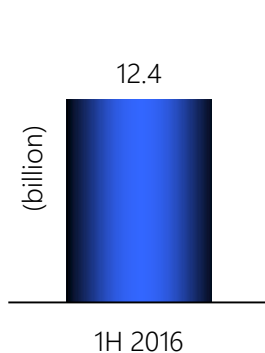


## Retail finance

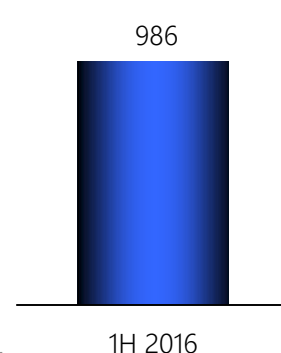
No. of registered  
customers of small  
business E-home  
16.85



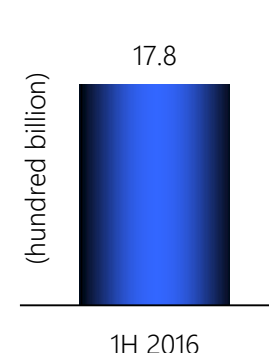
No. of mobile  
cheque  
transactions  
12.4



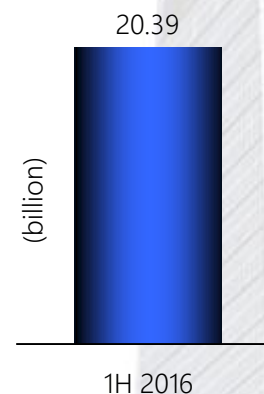
No. of inter-bank customers  
acquired on the Zhao Ying  
Tong platform  
986



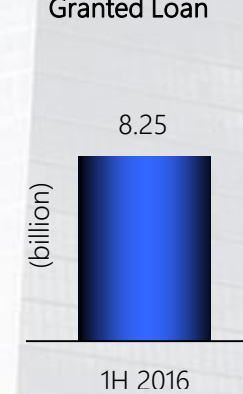
Transaction volume  
on the Zhao Ying  
Tong platform  
17.8



Granted Loan  
20.39



Balance of  
Granted Loan  
8.25



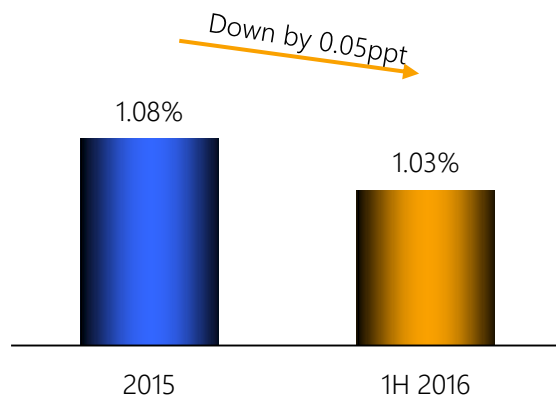
Corporate  
finance

Financial institutions  
finance

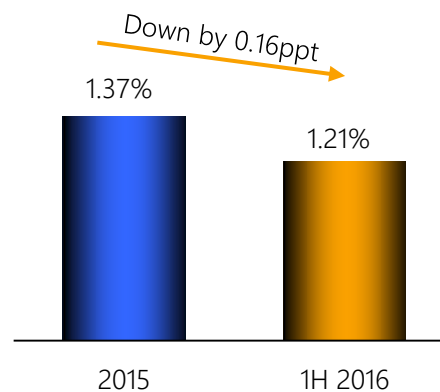
Merchants Union Consumer  
Finance Co.,Ltd

# Strengthened comprehensive risk management contributed to stable asset quality (I)

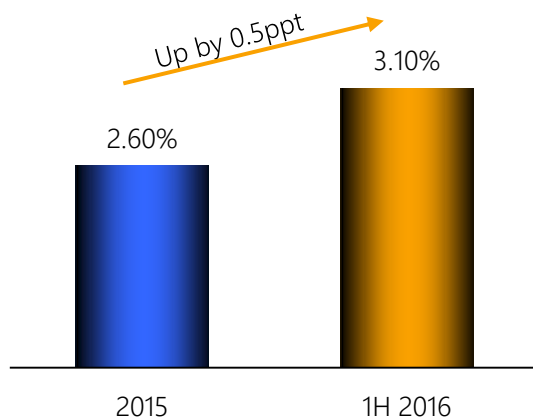
Retail NPL ratio



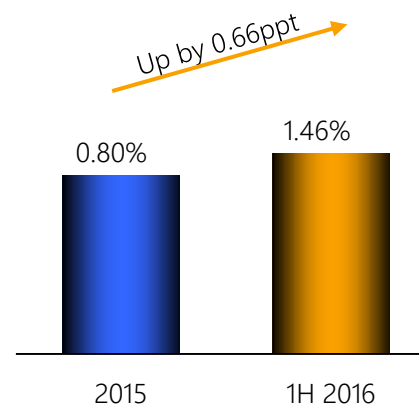
Credit cards NPL ratio



Corporate NPL ratio

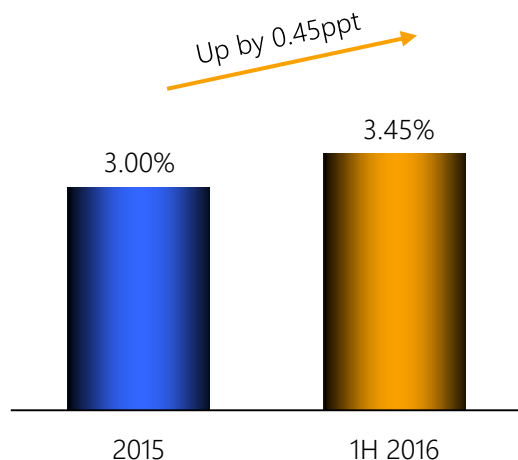


NPL ratio of the proprietary funds invested in non-standard debt assets under the credit category

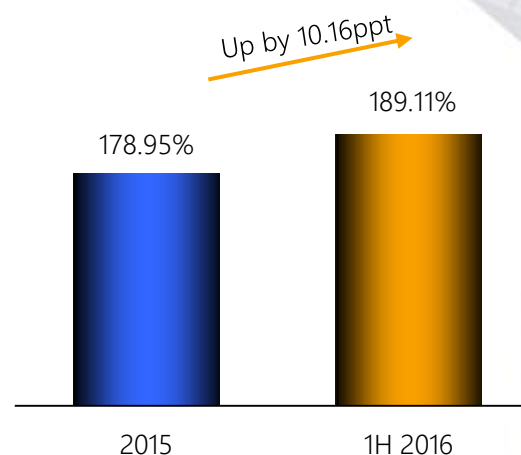


# Strengthened comprehensive risk management contributed to stable asset quality (II)

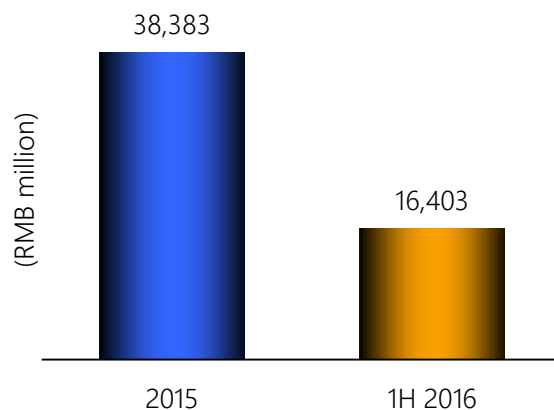
Loan allowance ratio



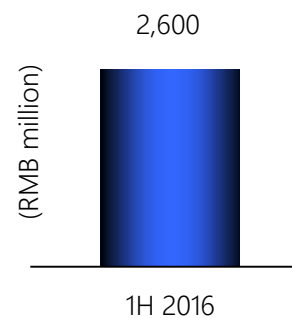
NPL Provision coverage ratio



Accumulated amount of disposed NPL



Total size of asset securitization of NPL





# Agenda

1

Overview

2

Operational Information

3

**Outlook and Strategies**



# Challenges and opportunities

## Challenges

### *International*

- ◆ The World Bank lowered their expected growth forecast for developed and developing countries. As the external economy is not likely to recover soon, a weak international market is likely to continue
- ◆ Economies over the world have had mixed performance with different policy approaches. Whilst the Fed rate hike may not come this year, Europe and Japan have continued their QE programs; coupled with the surprising Brexit move in June, global economic development has become even more uncertain
- ◆ There is an overall high degree of uncertainty due to a slowdown in world trade, volatile bulk commodities, international financial markets and rising geopolitical risk
- ◆ Despite the presence of risk aversion sentiment and the expectation of monetary easing amid “de-globalization”, the positive marginal contribution from loose monetary policy has diminished

### *Domestic*

- ◆ China's economy has not yet touched its bottom despite intensified industry fragmentation, a struggling real economy, and huge volatility. China should prepare for a long term fight if it wishes to have strong growth
- ◆ Driven by USD appreciation, China's monetary policy will likely move to a more prudent stance. RMB will continue to face depreciation pressure
- ◆ Bank operations are threatened by the deleverage of the finance sector, the reveal of non performing assets, stagnant effective credit demand, asset shortage and increasingly stringent regulations
- ◆ There exists increasing pressure from stiff interbank and cross sector competitions



## Opportunities

The five development concepts of “innovative, coordinated, green, open and shared” development set out in the 18<sup>th</sup> CPC National Congress, the State's “13<sup>th</sup> Five Year Plan” and the emphasized supply side structural reform provide clear economic development guidance and opportunities for banks to tackle these operation challenges:

- ◆ Stabilized macro economic policy, proactive fiscal policy and prudent monetary policy favor the stabilization of the real economy
- ◆ The deepening of structural reform on the supply side and the implementation of various measures to “reduce excess capacity, inventory, leverage, cost and improve shortcomings”, coupled with the gradual release of profit distribution will expedite market reshuffling and lead to increasing M&A and reorganizations, which will create extra business opportunities to the banks
- ◆ Areas of upgrade and transformation in traditional industries of infrastructure development, urbanization and public service represent enormous business potential
- ◆ Fast development of modern service sector and the emergence of new economy and new strategic industries creates strong growth momentum
- ◆ The three major strategic plans of “One Belt, One Road”, Collaborative Development of Beijing , Tianjin and Hebei and the development of Yangtze River Economic Belt, coupled with coordinated regional development, are new drivers for the economy
- ◆ Retail banking and consumer finance businesses are likely to benefit from increasing wealth, evolving consumption concepts, habits of residents and improving living quality
- ◆ The WM, AM and IB businesses see enormous potential from continued optimization of the multi layered capital market, fast expansion of direct financing business and increasing social wealth

# Operation 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 insist upon its strategic transformation plan. Major measures to be taken in 2H16 will be :

-  Continue to pursue its strategic objectives of becoming an “asset-light bank” with the strategy of "One Body with Two Wings"; strengthen innovation-driven development, grasp structural opportunities, improve differentiation competitiveness and expand the internet finance business, so as to become the best commercial bank in China with leading retail operations and innovative and unique strategies
-  Adhering to rigorous risk management, optimizing internal systems, enhancing “red line” awareness, increased “bottom line” thinking for greater efficiency and expedition of the development of a risk management system will allow for risk adjusted value creation





## Q&A

