



招商銀行
CHINA MERCHANTS BANK



China Merchants Bank Co., Ltd. 2016 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

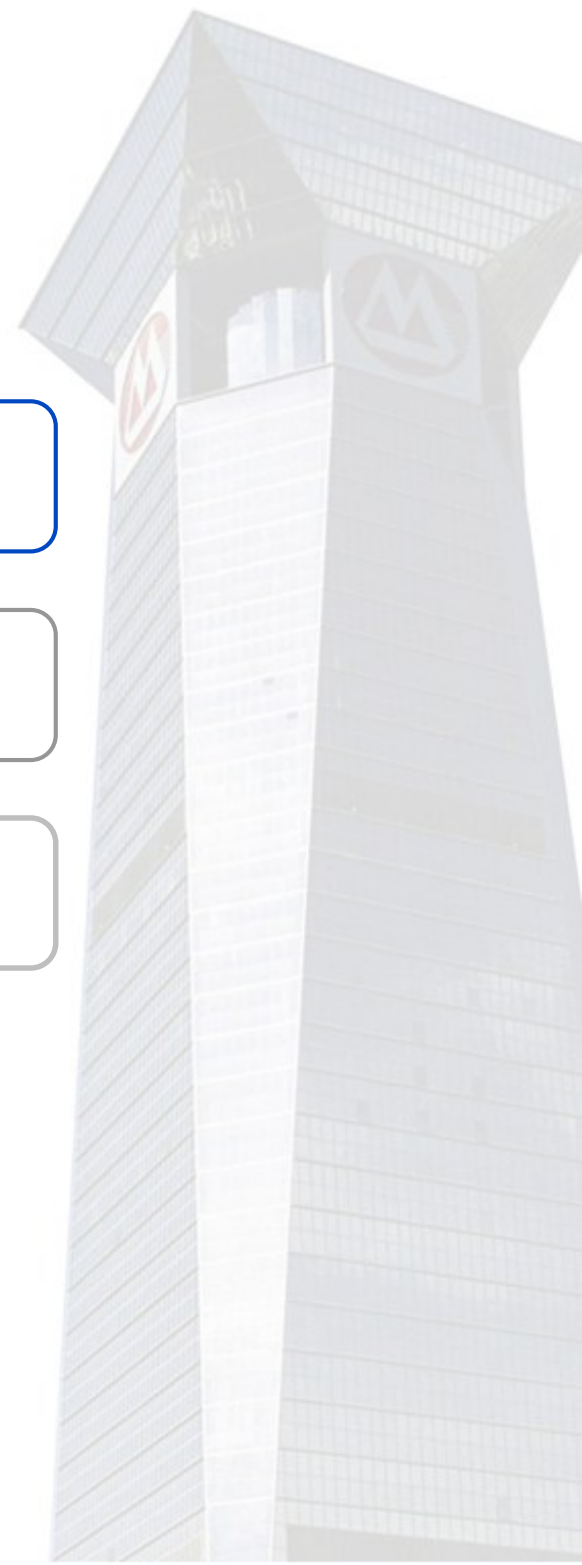
Overview

2

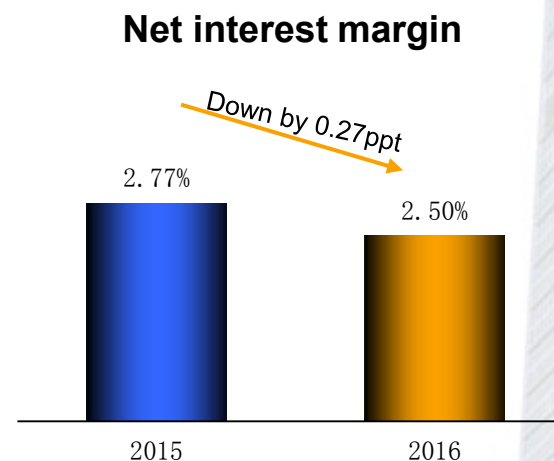
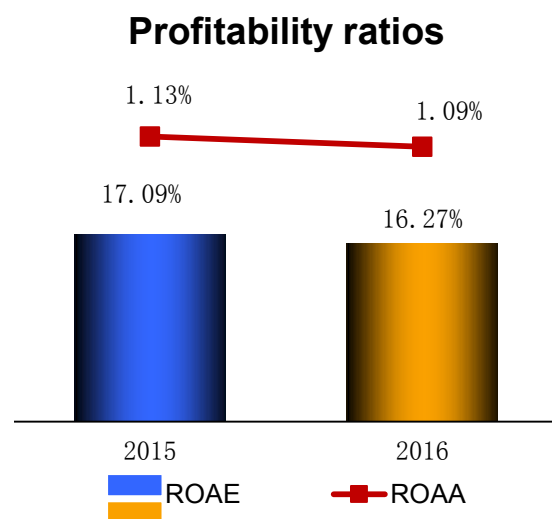
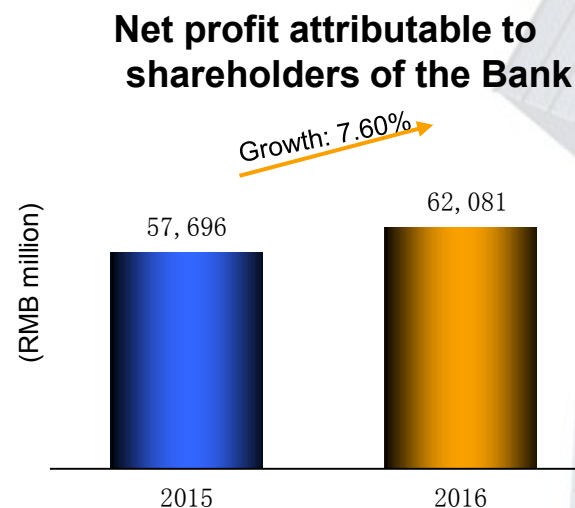
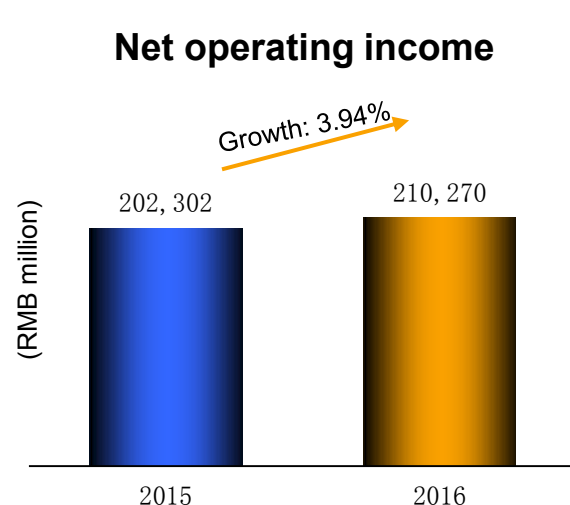
Operational Information

3

Outlook and Strategies

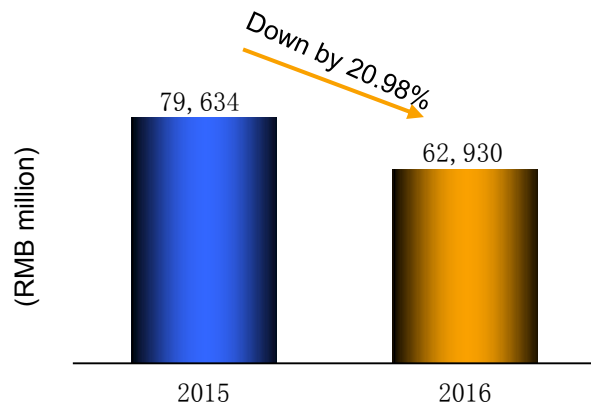


Profitability, asset quality and scale maintained balanced development and led to stable earnings growth

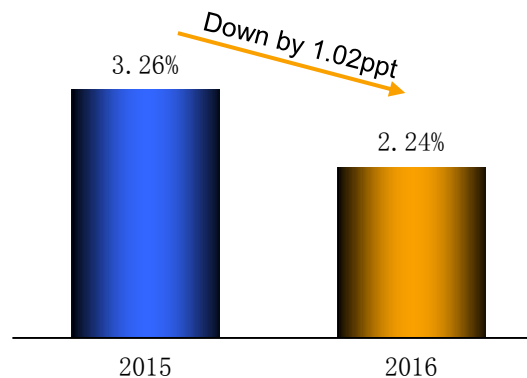


Asset quality started to stabilize and improve

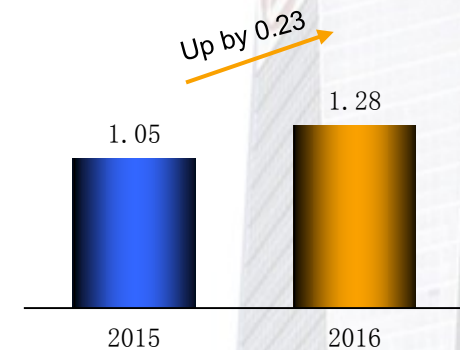
Balance of NPL formation



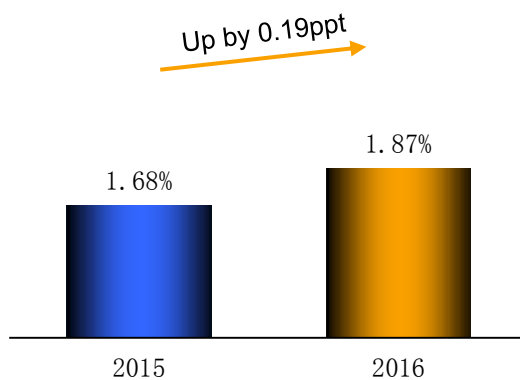
NPL formation ratio



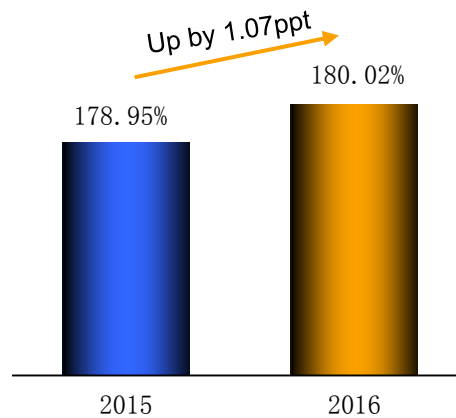
NPL to loans overdue for more than 90 days



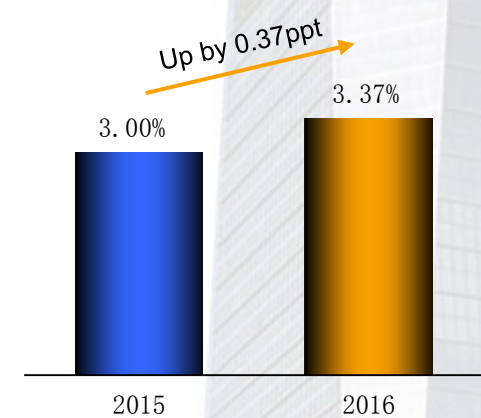
NPL ratio



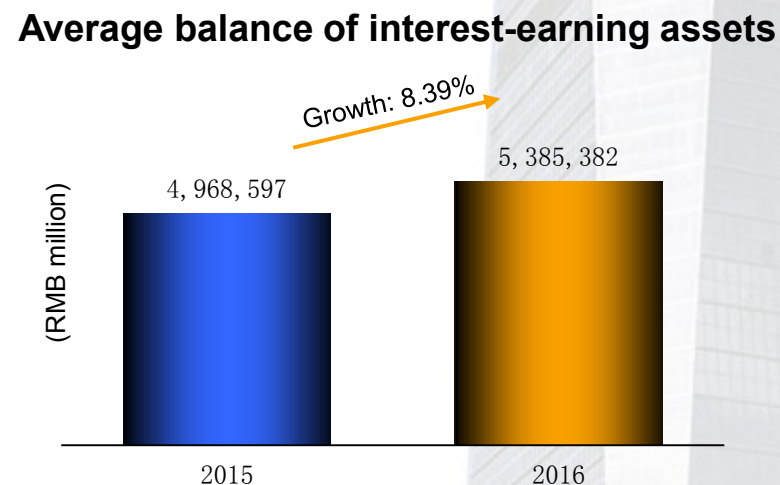
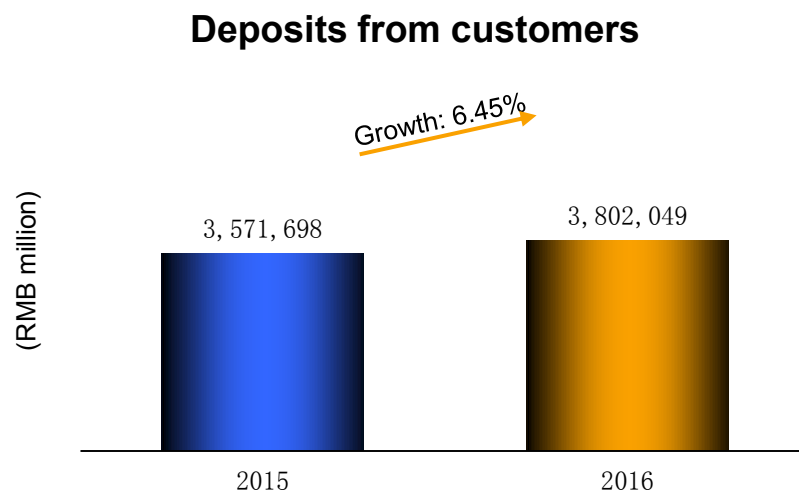
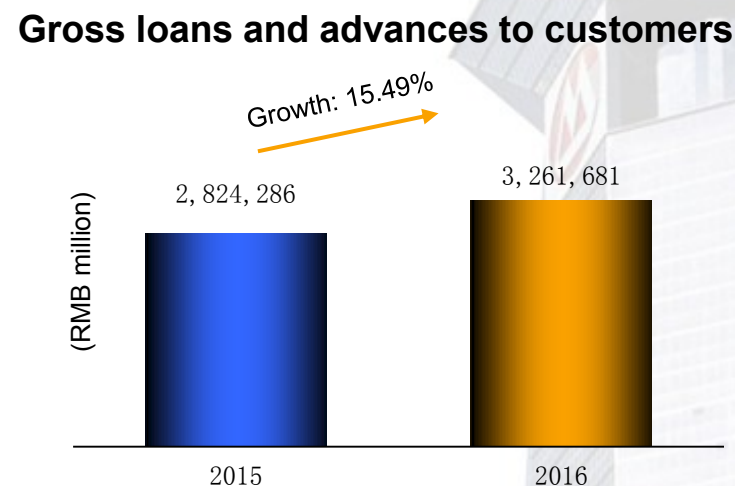
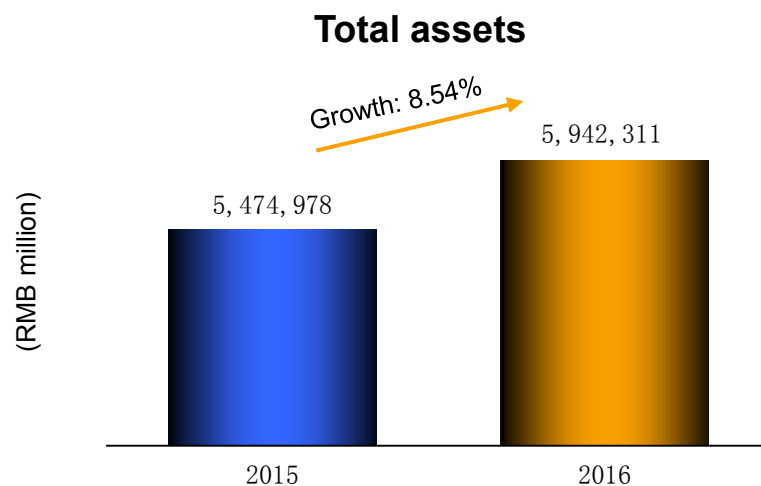
NPL allowance coverage ratio



Loan allowance ratio



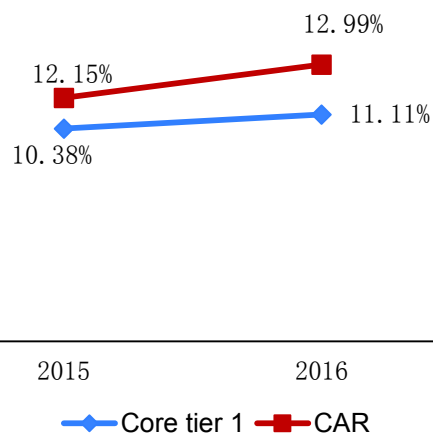
Assets and liabilities maintained stable growth



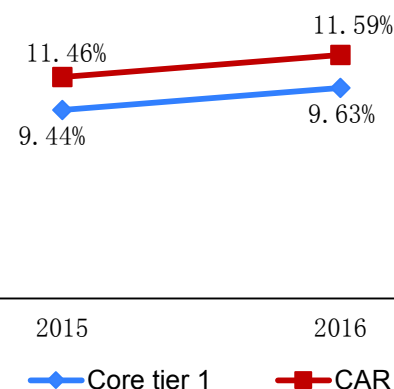
Gradual progress of transformation to "Light-operation Bank" was made (I)

"Lighter" capital

Capital adequacy ratio under advanced approach

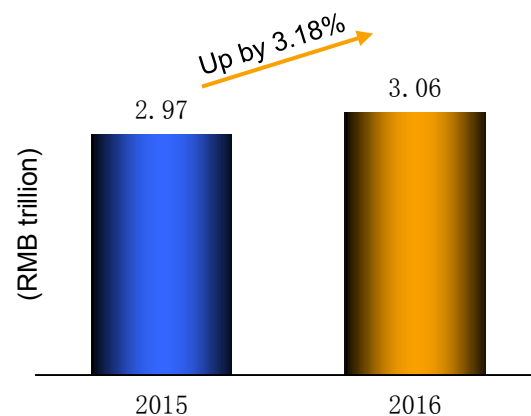


Capital adequacy ratio under weighted approach



"Lighter" assets

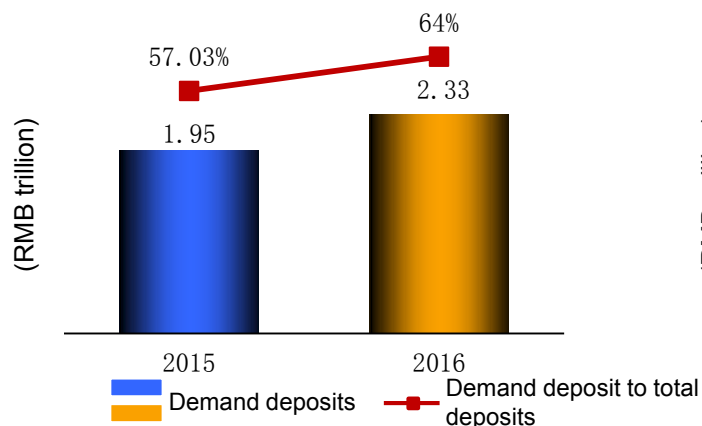
RWA under advanced approach



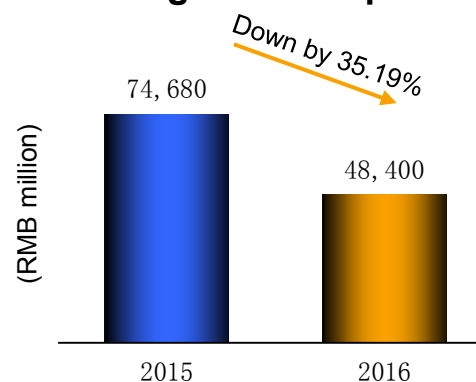
Gradual progress of transformation to "Light-operation Bank" was made (II)

"Lighter" liabilities

Balance of demand deposits and as a proportion of of total deposits

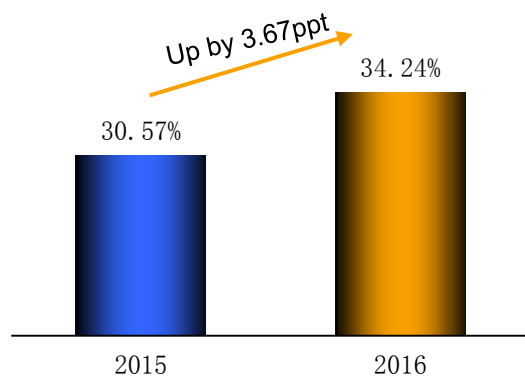


Balance of high-cost negotiated deposits

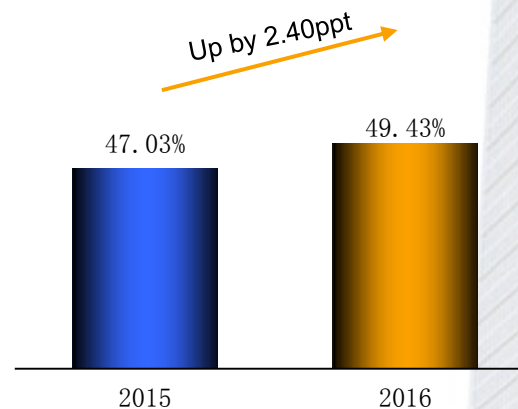


"Lighter" income structure

Net non-interest income to net operating income



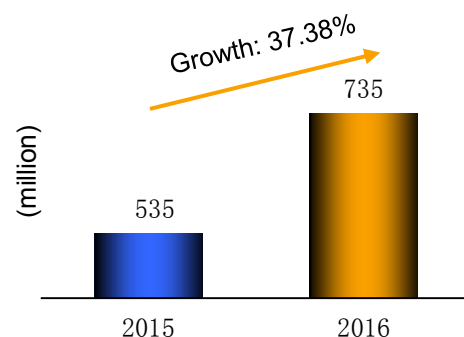
Net operating income of retail finance to net operating income



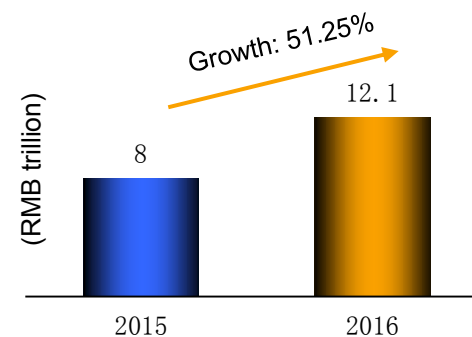
Gradual progress of transformation to "Light-operation Bank" was made (III)

"Lighter" operations

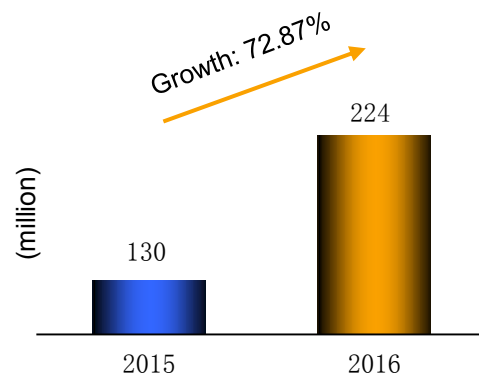
Number of mobile banking transactions



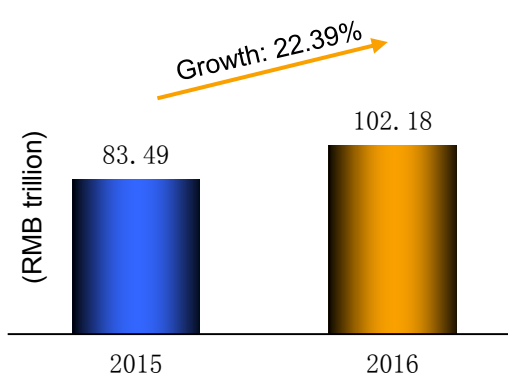
Amount of mobile banking transactions



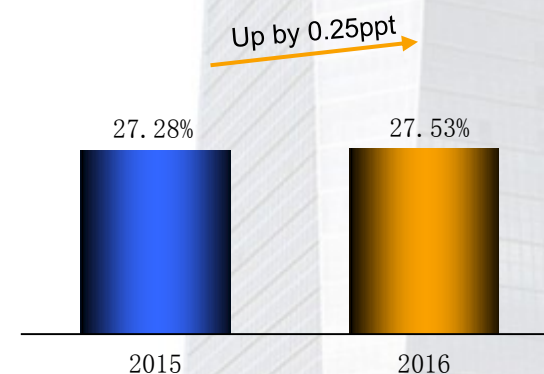
Number of corporate online banking transactions



Accumulated amount of corporate online banking transactions



Cost-to-income ratio



Brand recognition 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



China Association for Public Companies

100 Most Respected Public Companies by Investors in China, 2015

Best Practice Award for Supervisory Boards of Public Companies, 2016



The Asian Banker

Awarded Best Retail Bank in China for the eighth time in 2017

Awarded Best Joint Stock Retail bank in China for the 13th time in 2017

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

Awarded Best Transaction Bank in 2016

Awarded Best Private Bank in China and Best Joint stock Private Bank in China for the first time in 2016

Best Mortgage and Home loan Product in Pan-APAC in 2017



Euromoney

Awarded Best Private Bank in China for the seventh time in 2017

Awarded Best UHNWI Customer Service in 2017

Awarded Best International Customer Service in 2017



Fortune

Ranked 189th among Fortune Global 500 in 2016

Ranked 26th among Fortune China 500 in 2016



The Banker

Ranked 27th among the world's 1,000 largest banks, 2016 (by tier 1 capital)

Bank of the Year in China, 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, 2016

Best Private Banking in China – HNW, 2016



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



Hurun Report

Awarded Best Domestic Private Bank in 2016 for the fifth time



Institutional Investor

Ranked 1st for Best Analyst Day among Asian banks, 2016

Ranked 2nd for Best CFO among Asian Banks, 2016

Ranked 2nd for buy-side Survey among Asian Banks,



Directors & Boards

Gold Round Table Award - Best Board of Public Companies in 2016

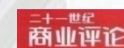


Securities Times

Best Internet Finance Product in China, 2016

Best Wealth Management Banking Brand in China, 2016

Best Private Banking Brand in China, 2016



21st 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

1

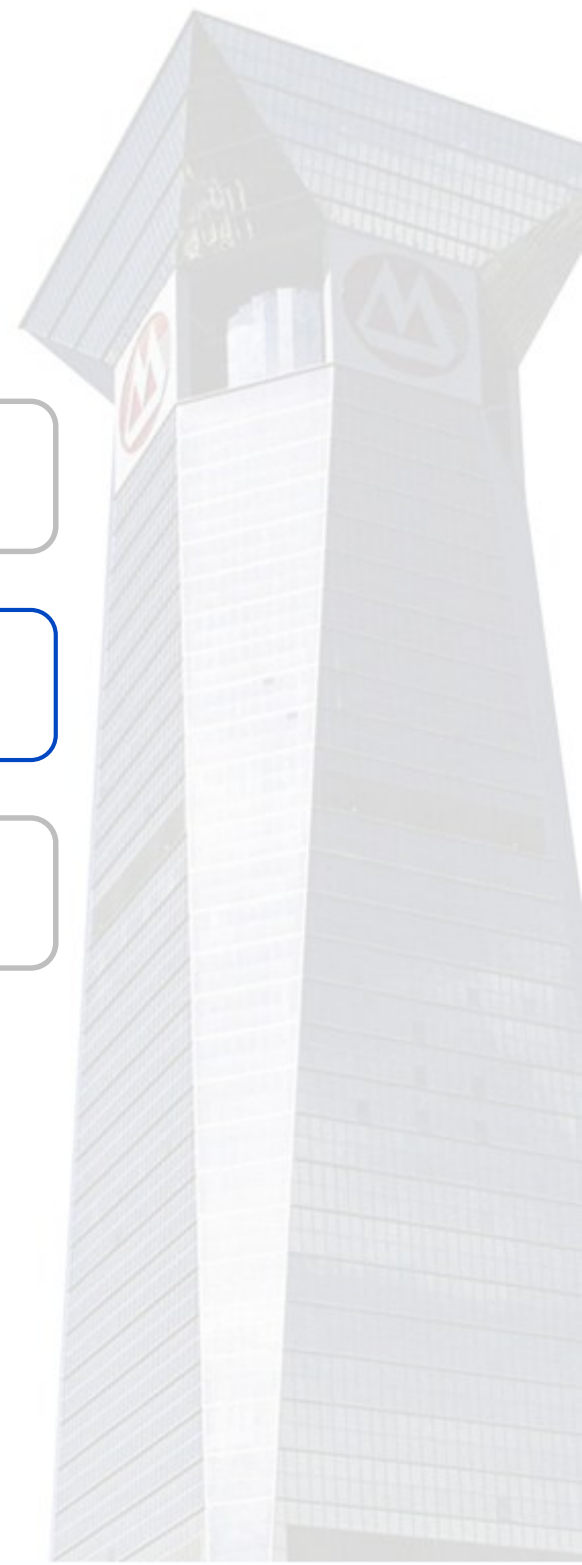
Overview

2

Operational information

3

Outlook and Strategies



Determined to promote structural adjustments and explore differentiated development opportunities



Safer structure



More distinguished features

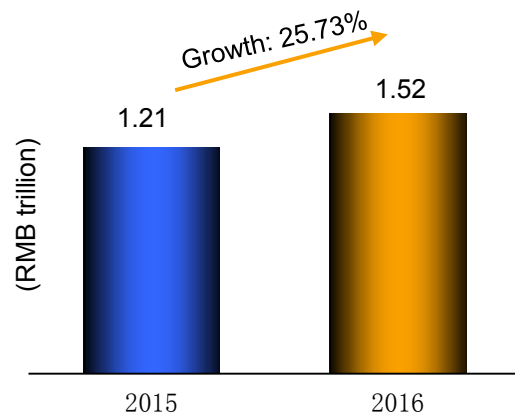


Clearer model

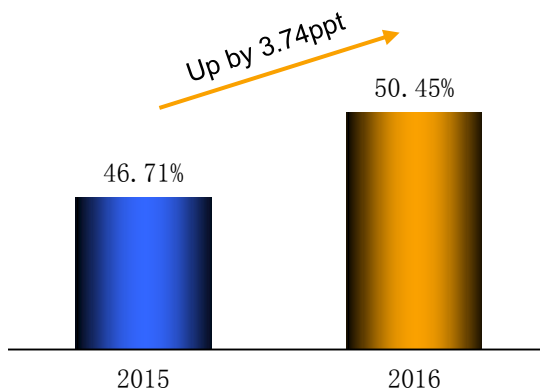


Retail loans structure became more robust

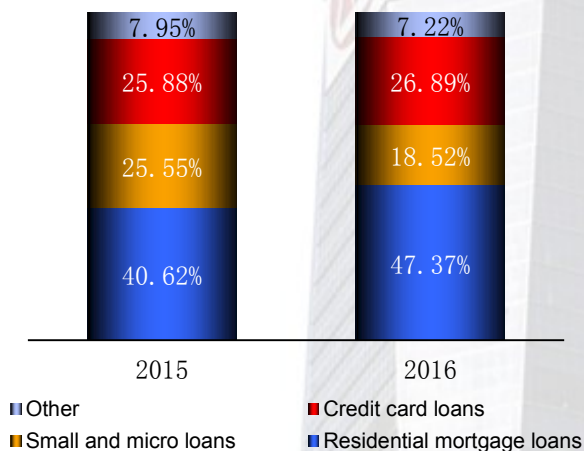
Gross retail loans



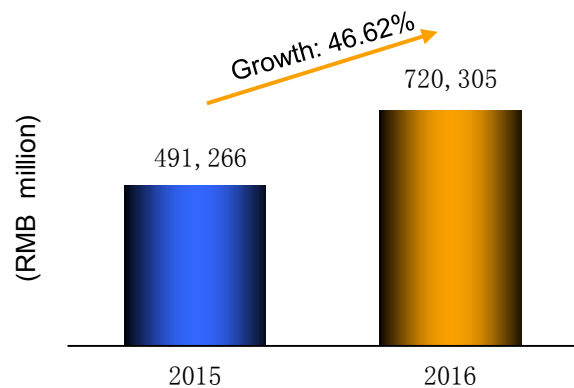
Proportion of retail loans to gross loans and advances



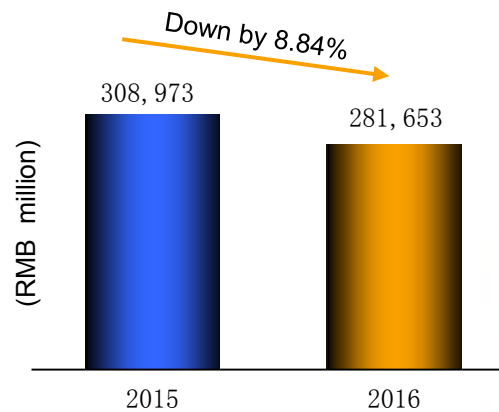
Retail loan structure



Balance of residential mortgage loans

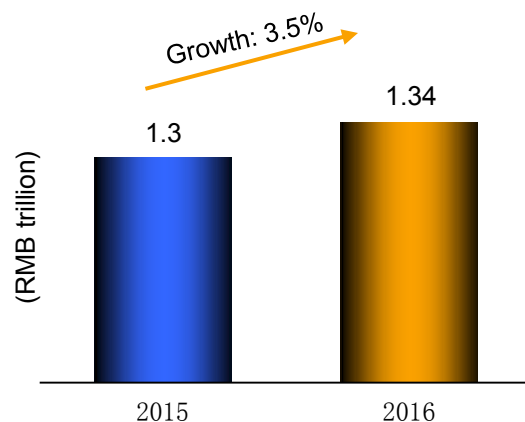


Balance of loans granted to small and micro enterprises

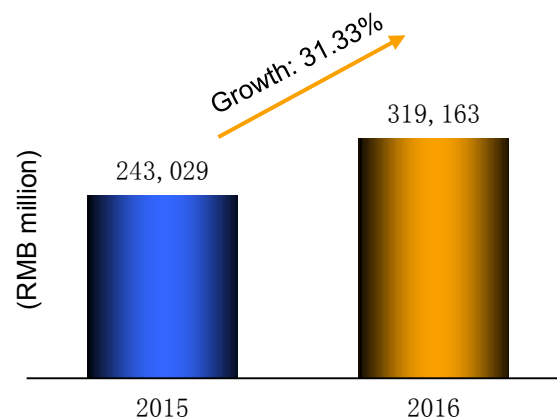


Corporate loan structure further improved

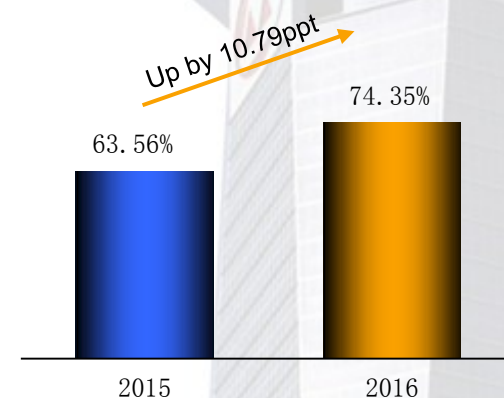
Gross corporate loans



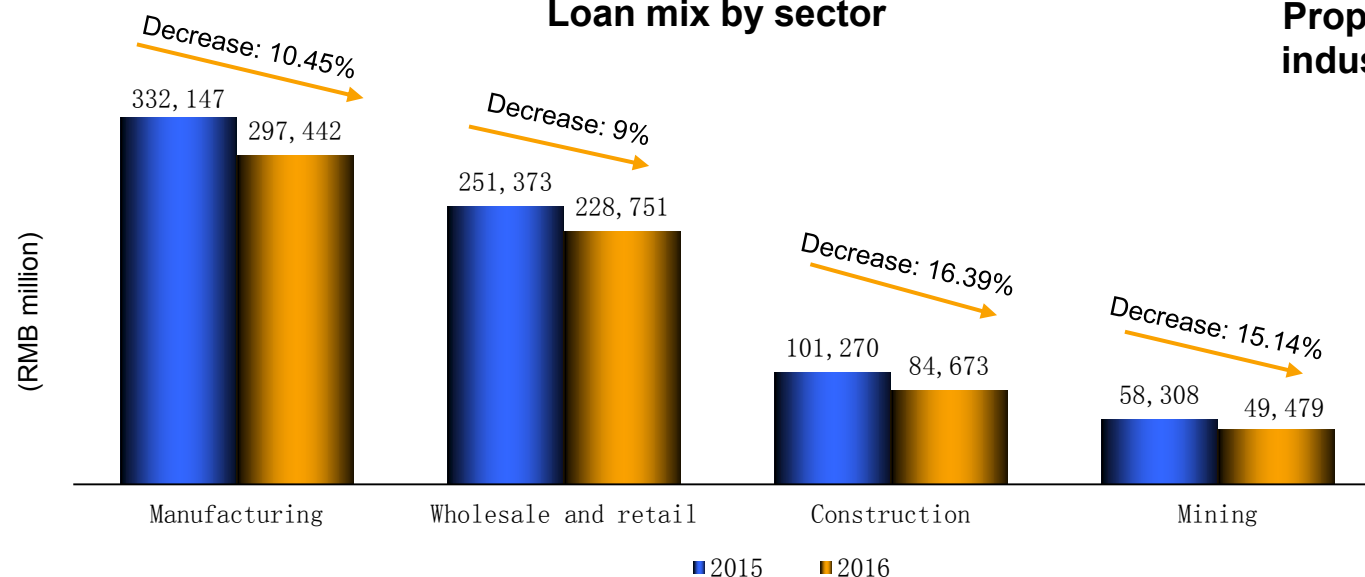
Balance of loans to strategic customers



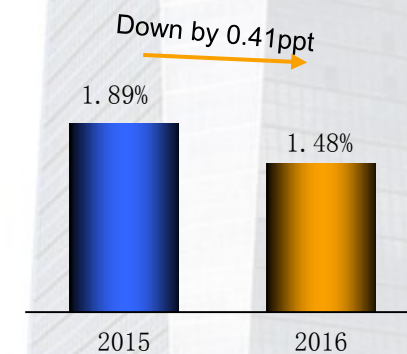
Proportion of mortgage and pledged loans to small enterprises



Loan mix by sector

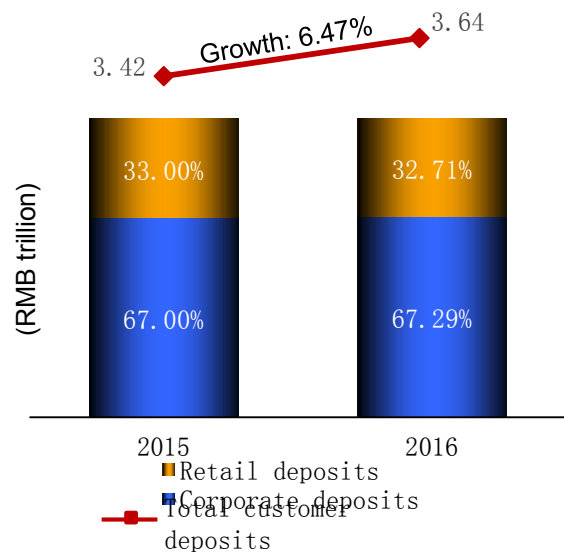


Proportion of loans to overcapacity industries to total loans and advances

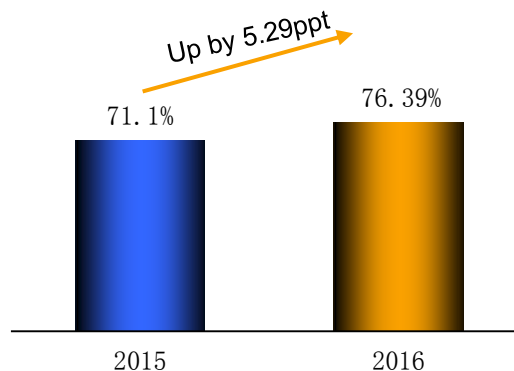


Share of demand deposits in total deposits continued to increase

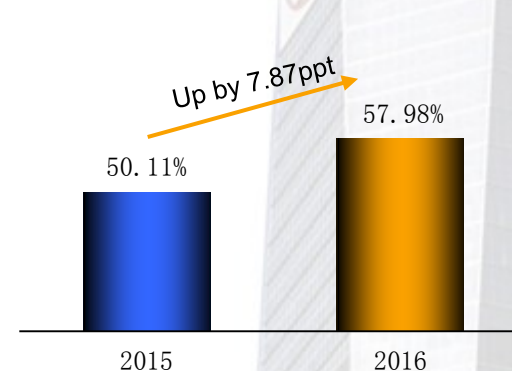
Customer deposits and structure



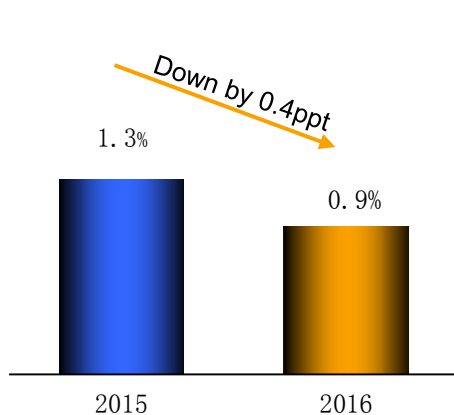
Retail demand deposits to total retail deposits



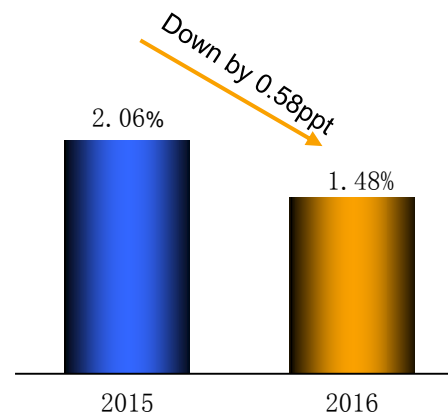
Corporate demand deposits to total corporate deposits



Average cost of retail deposits

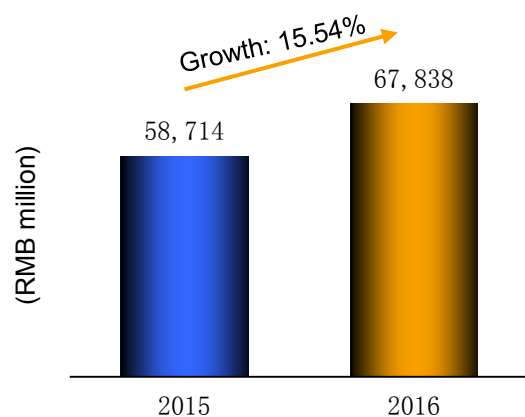


Average cost of corporate deposits

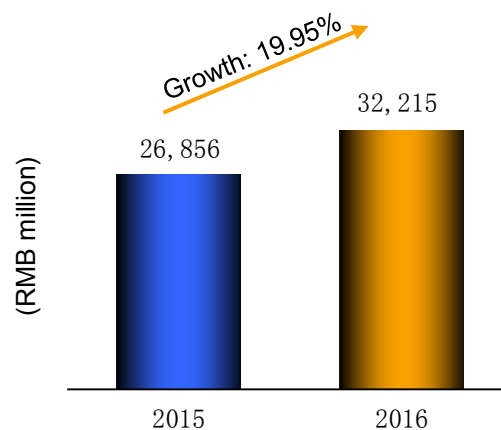


Fast growth of net non-interest income

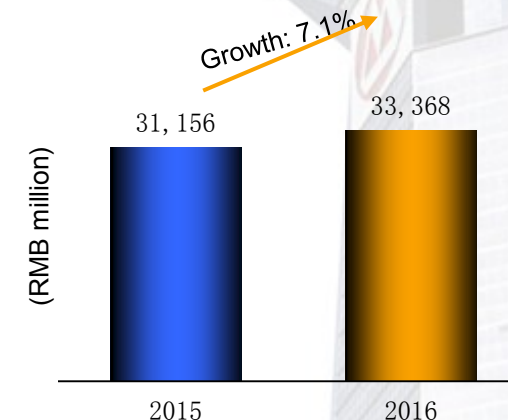
Net non-interest income



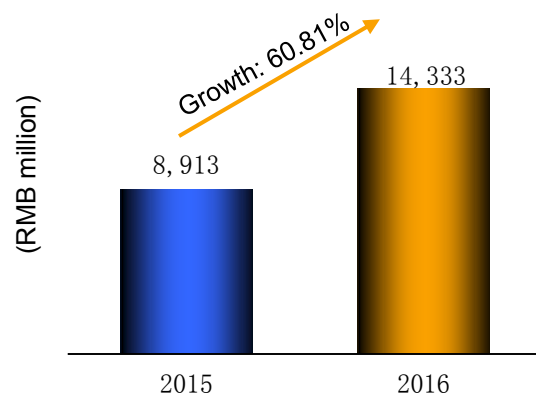
Net non-interest income of retail finance business



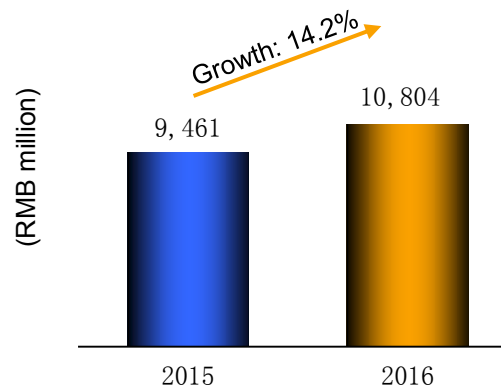
Net non-interest income of wholesale finance business



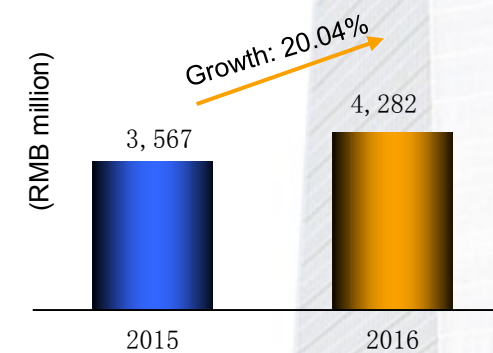
Fees from entrusted wealth management



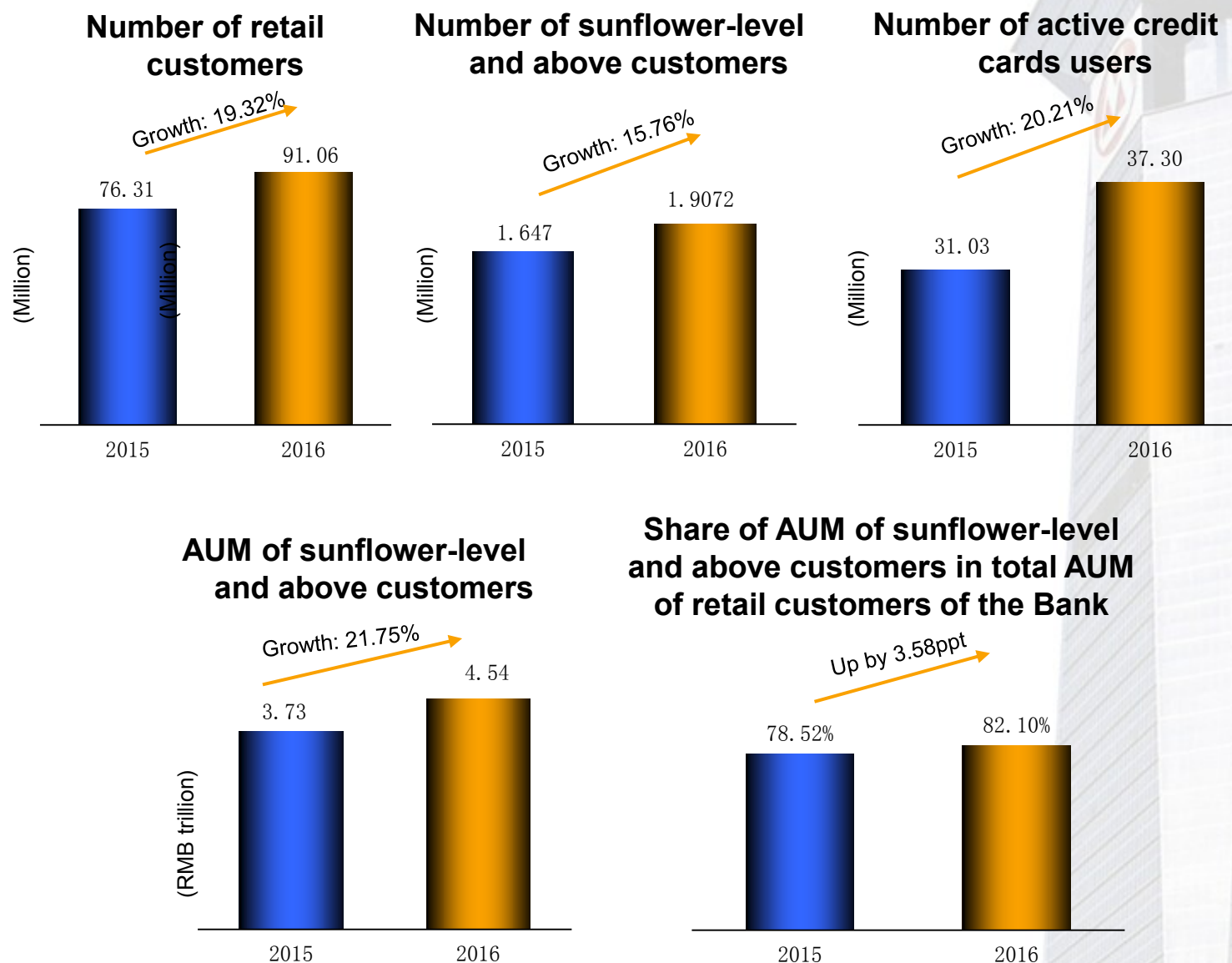
Bank card fee income



Custody fee income

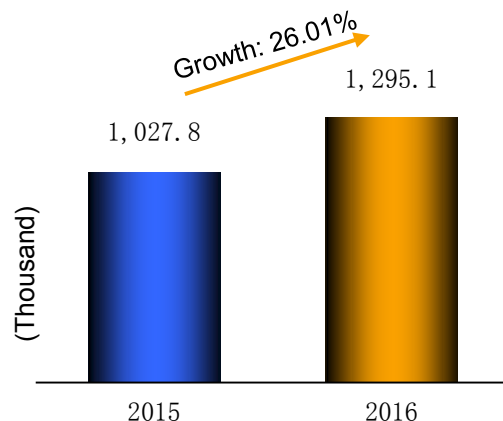


Retail customer base and AUM grew steadily

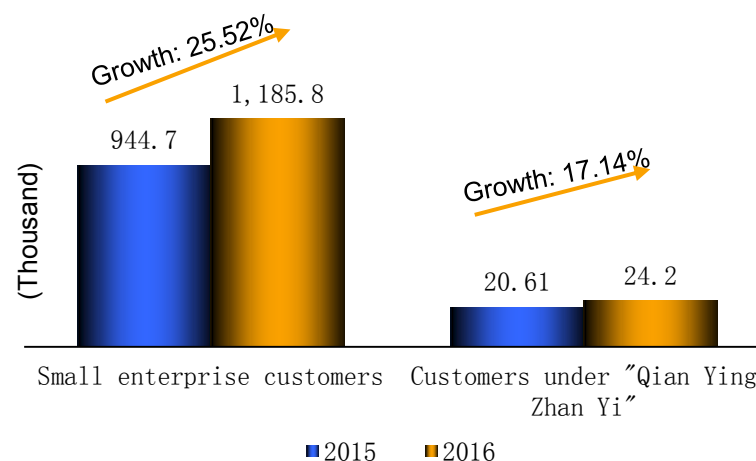


Wholesale finance customer base improved

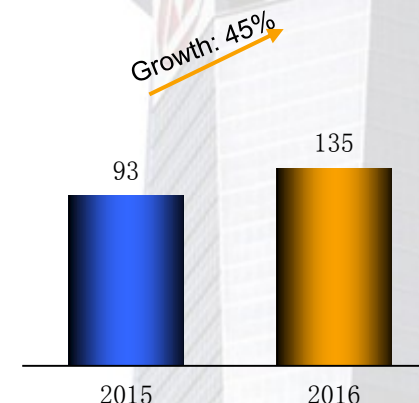
Corporate depositors



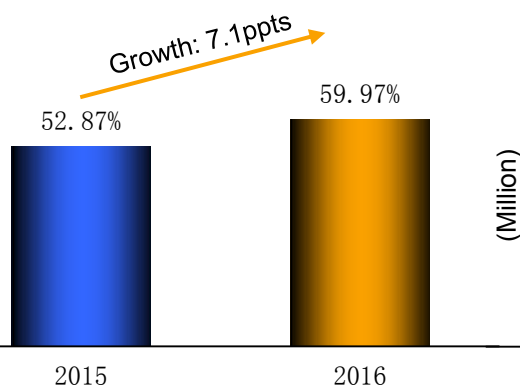
Small enterprise customers and customers under "Qian Ying Zhan Yi"



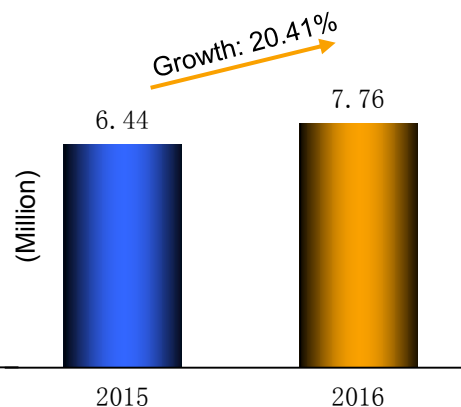
Number of Strategic customers under the Head Office



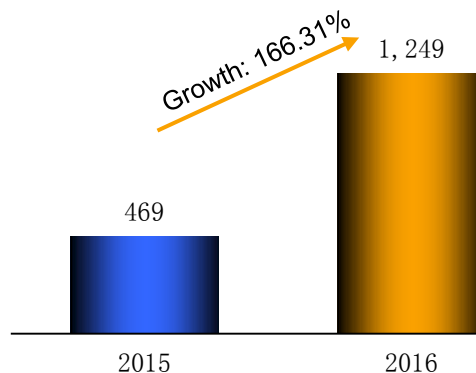
The exposure of corporate loans to customers with a high credit rating



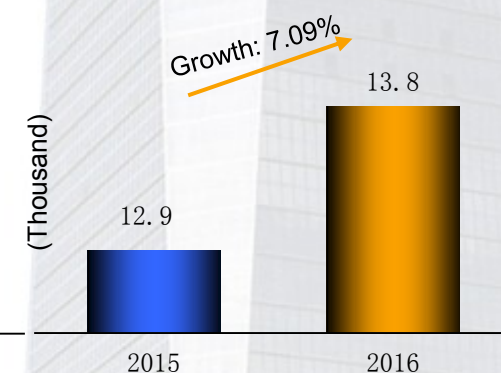
Number of Third-party custody customers



Effective core customers in the supply chain



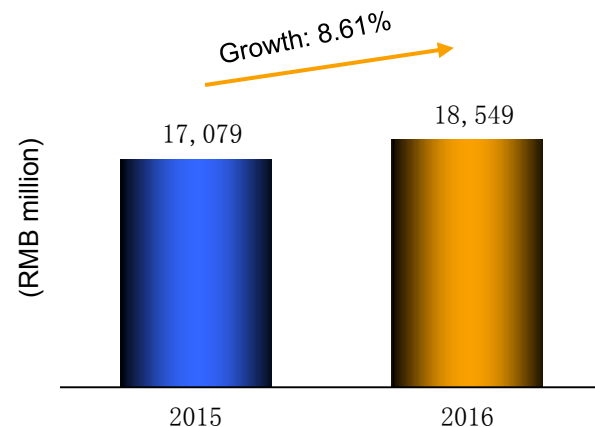
Core customers for cross-border finance



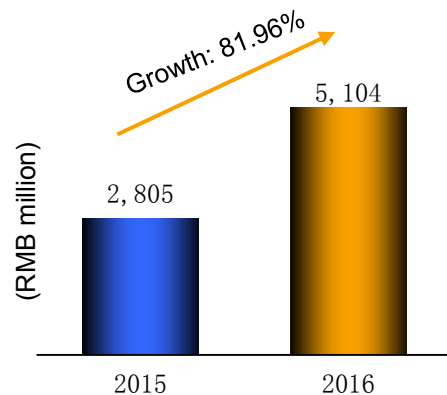
More distinguished features

Income from wealth management grew

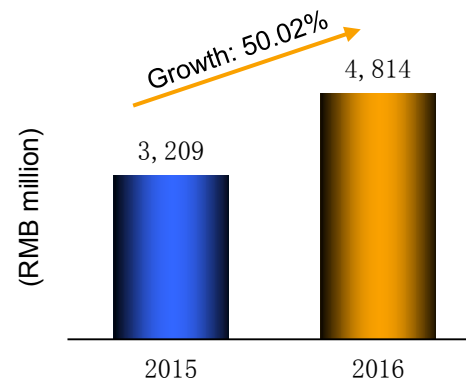
Fee and commission income from retail wealth management



Income from agency distribution of insurance policies

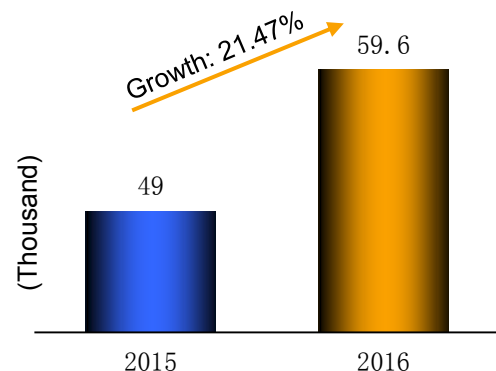


Income from entrusted wealth management

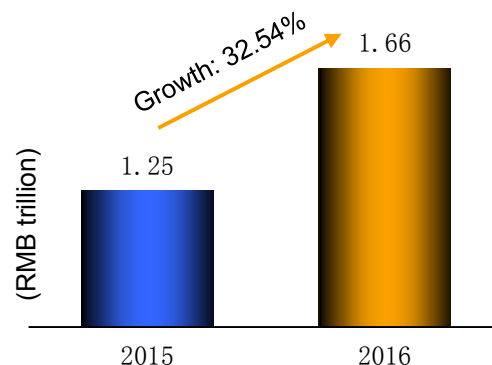


Private banking business experienced a rapid growth

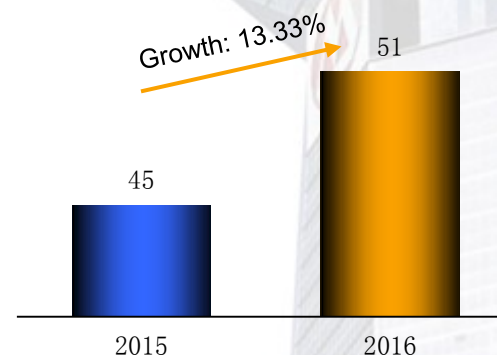
Number of Private banking customers



AUM from private banking customers

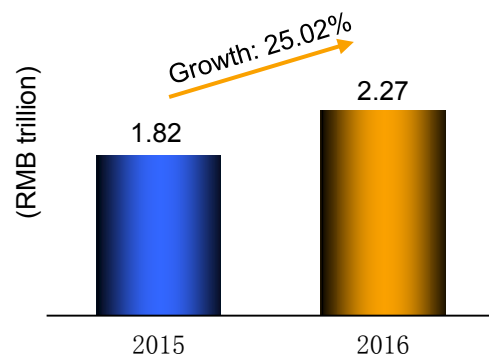


Number of private banking centers

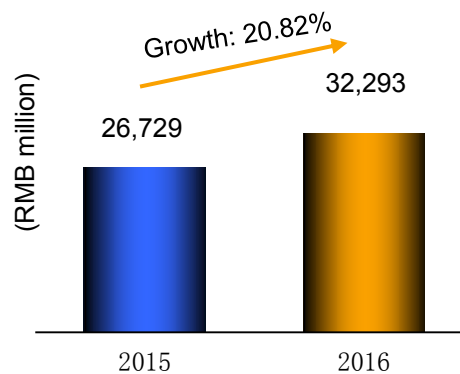


Credit card business maintained satisfactory growth

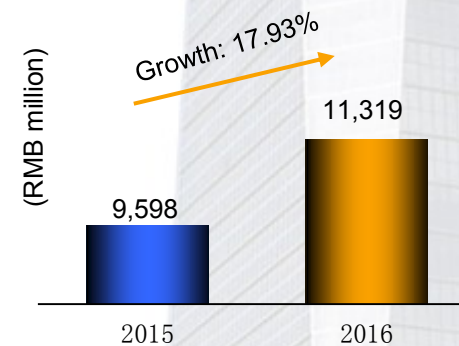
Total credit card transaction



Interest income from credit cards

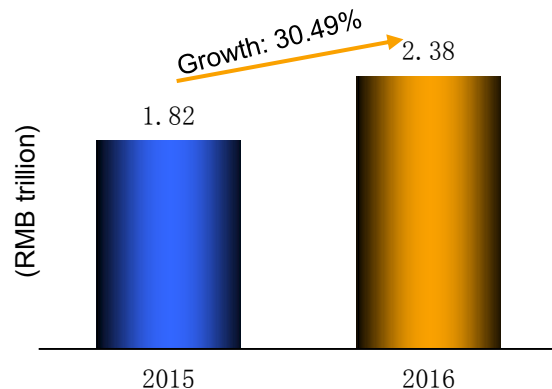


Non-interest income from credit cards

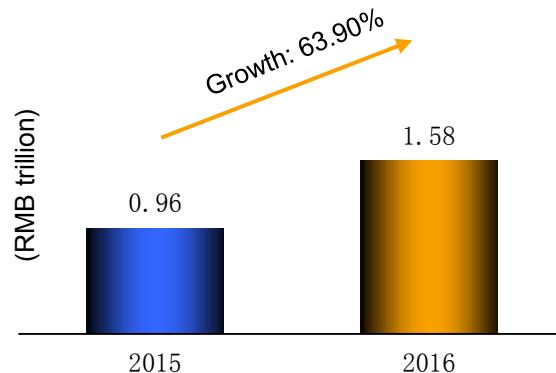


Balance of wealth management business maintained a good development momentum

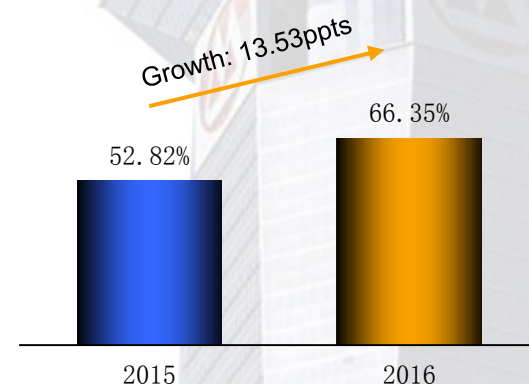
Balance of wealth management business



Balance of net-worth products

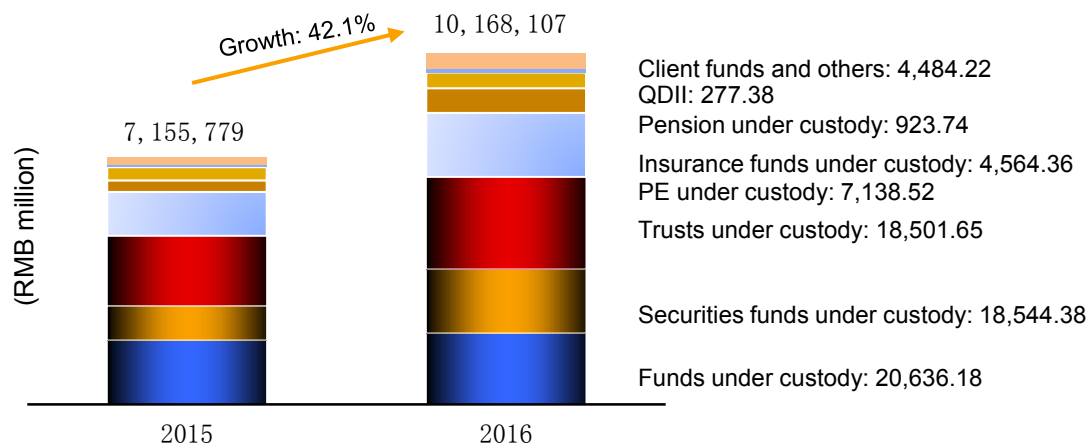


Proportion of net-worth products in the wealth management business

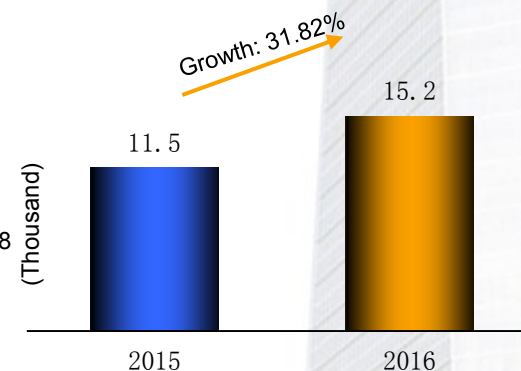


Asset custody business achieved fast growth

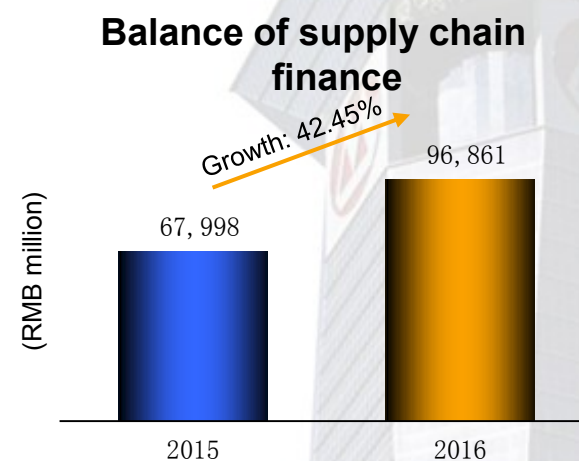
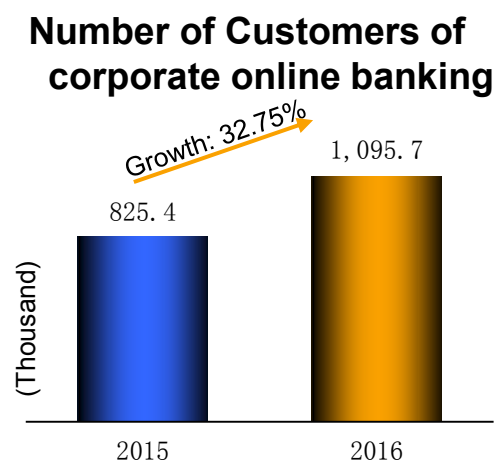
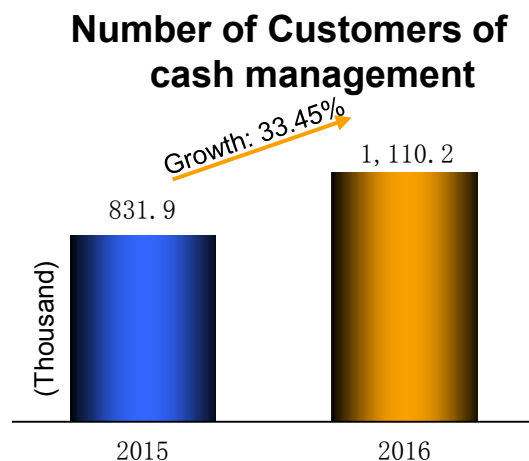
Balance of asset custody



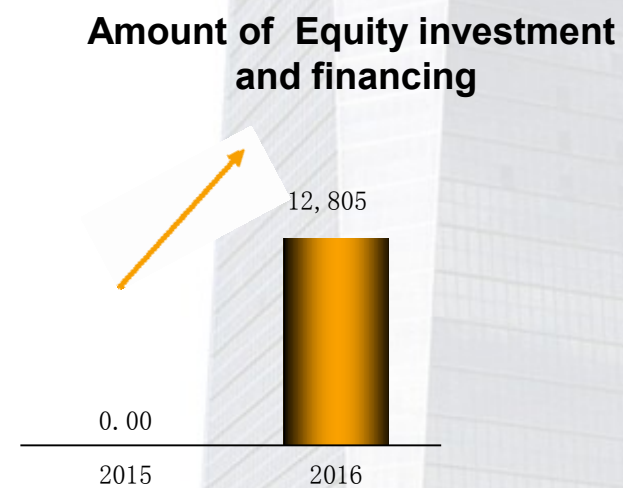
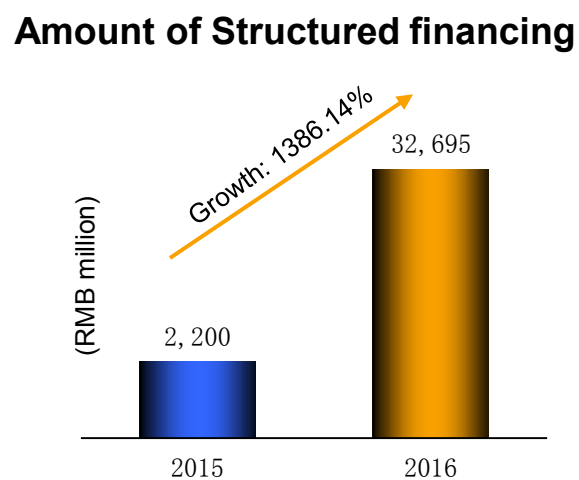
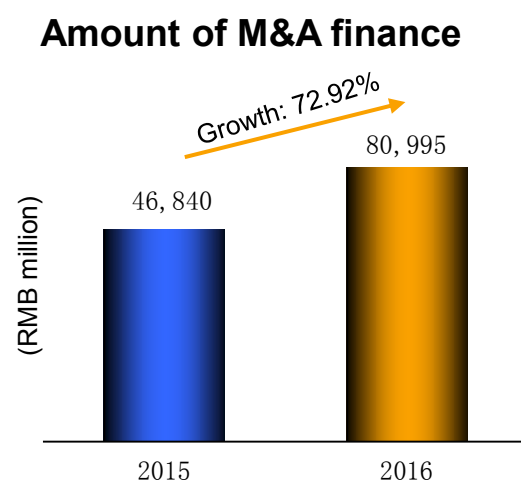
Number of asset custody projects



Transaction banking business achieved strong growth

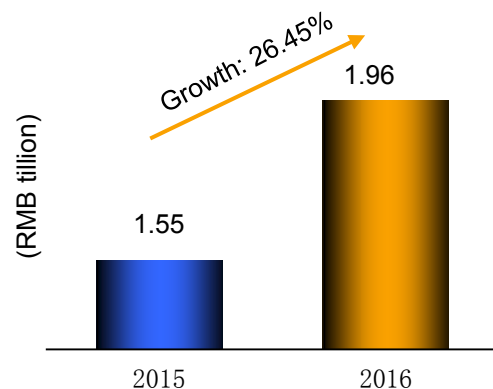


Core competitiveness of investment banking enhanced significantly

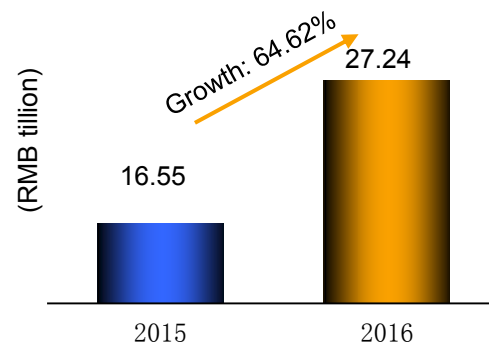


Discounted bill business continued to lead in the market

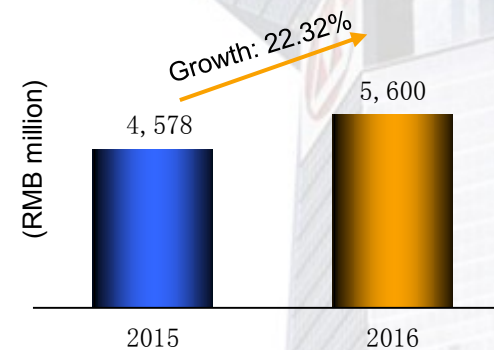
Volume of directly discounted bills



Volume of discounted bills transferred to other banks or financial institutions

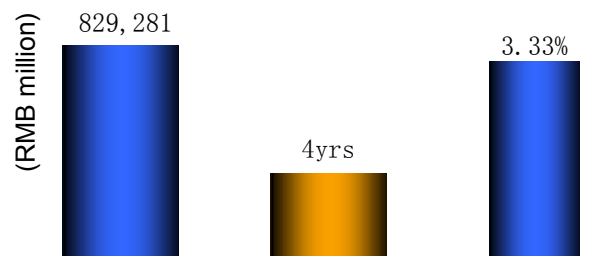


Spread income from disposal of bills

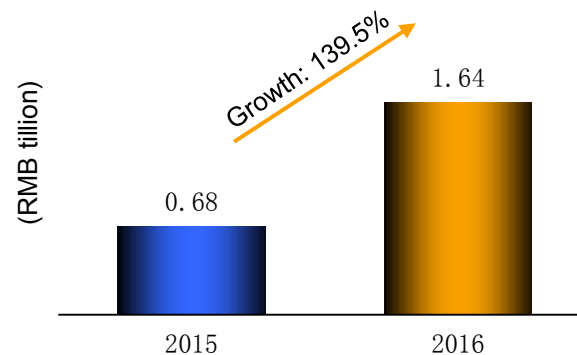


Financial markets business developed rapidly

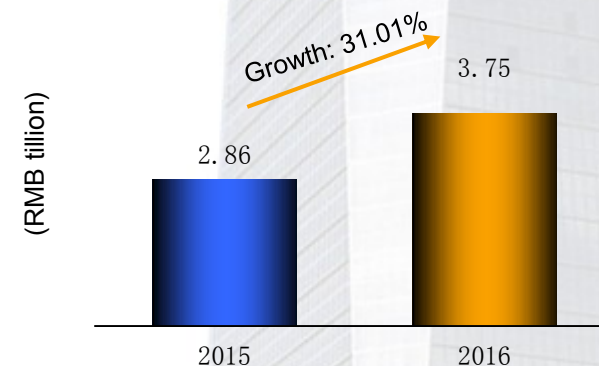
Balance of RMB bond portfolio, portfolio duration and portfolio yield



Volume of RMB-denominated options



Volume of RMB exchange rate swaps



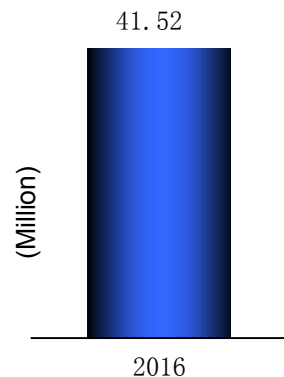


Clearer model

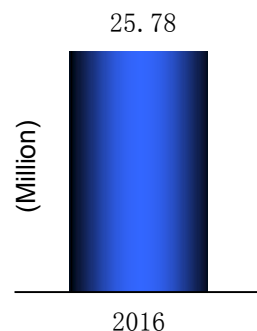
- ① With an open mind to technological innovation, the Bank continued to strengthen its innovation capabilities and focused on the strategy of "mobile priority" by enhancing the mobility and intelligence of its systems through utilization of mobile technologies and artificial intelligence according to the principle of "building an in-house platform, acquiring flows from external parties and operating with emphasis on flows"
- ② A strategic path of developing Fintech through enhancement of our network, data and intelligence capabilities was set and specific allocation to investment technology, larger investment in Fintech and more efforts on the building of a team of relevant talents were planned
- ③ Continued to create a supportive environment for Fintech innovations and applications and improve organizational structure, review mechanism and incentive mechanism to provide stronger support for business innovation
- ④ With a heightened focus on infrastructure development, the Bank increased its investment in mobile technologies, cloud computing, big data and artificial intelligence and kept a close eye on latest development and innovations of new technologies such as blockchain
- ⑤ For **retail finance**, the Bank stuck to the strategy of "mobile priority" and began to transform into personalized, intelligence customer service by continuously improving customer service interface on mobile application. For **wholesale finance**, the Bank continued to upgrade its financial services through customer service model innovations based on mobile web technologies. For **cross-industry cooperation and alliance**, the Bank started a multi-format cross-industry alliance with diversified member base and actively seeking new financial service models under web-based scenarios

Promoting the "mobile priority" strategy and achieving personalization and digitalization of customer services

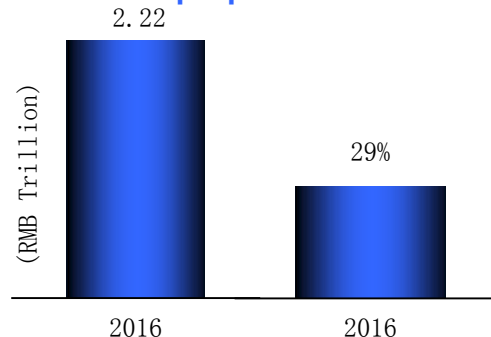
Users that downloaded mobile banking applications



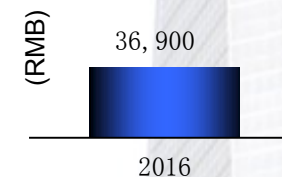
Active users of mobile banking applications



Sales of wealth management products through the mobile banking channel and its proportion

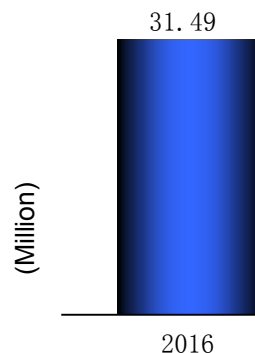


Average purchase amount of the users of Machine Gene Investment

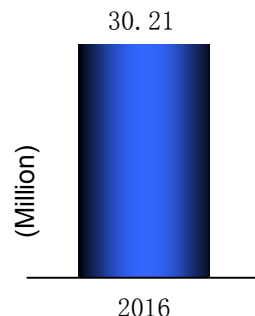


Retail finance

Registered users of "CMB Life"

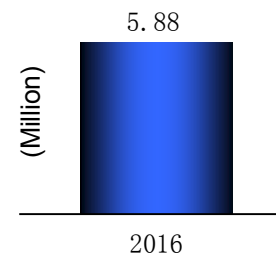


Active users of "CMB Life"

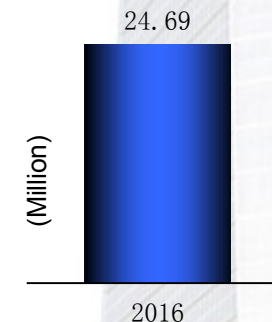


Retail finance

Effective mobile cheque transactions



Corporate mobile banking transactions

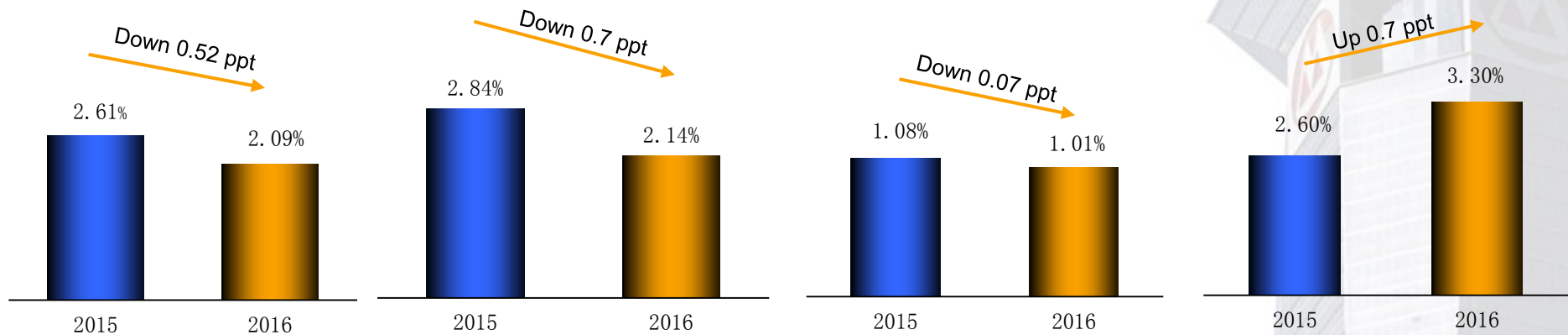


Wholesale finance

Significant progress achieved from ongoing transformation efforts and asset quality improved steadily

Special mention loans ratio Overdue loans ratio

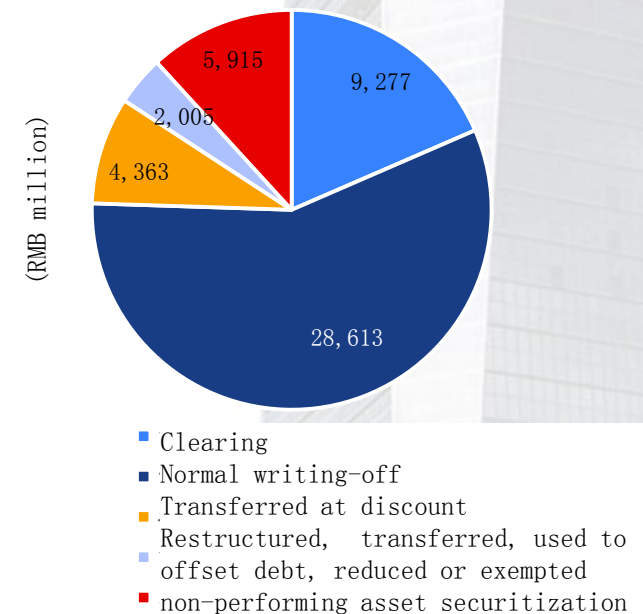
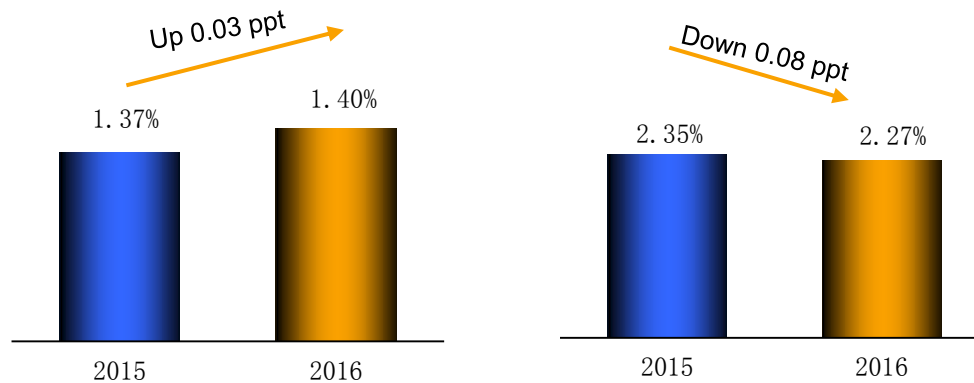
NPL ratio of retail loans NPL ratio of corporate loans



NPL ratio of credit card loans

Credit cost ratio

Disposal of NPLs



Agenda

1

Overview

2

Operational information

3

Outlook and strategies



Opportunities & challenges

Challenges

International

- ◆ A bearish outlook of the world economy is expected to continue;
- ◆ As the US economy has bottomed out, an interest-hiking cycle of the Federal Reserve imposes great pressure on emerging economies, with greater volatility to be seen for the global currently market and stronger international capital flows expected;
- ◆ With the spread of anti-globalization mentality and rising protectionism, major economies of the US, Japan and European countries will have divided performance. Many countries will usher in their election year in 2017, with greater uncertainties and spillover effect expected;
- ◆ There will be more volatility in the international financial market, regional and global-based challenges may appear from time to time and geopolitics may become more complex.

Domestic


- ◆ China will enter a key period of reform to its economic structure; reforms are still in a critical stage in areas such as SOE reform, financial reform, fiscal tax reform and land reform;
- ◆ Potential growth speed of the Chinese economy will be still in downward passage, industrial division will continue to accelerate, and economic development will be in critical period of transition from an old to a new model;
- ◆ The banking industry will still be subject to serious risks and more non-performing assets may come to light; in the meantime, the financial deleveraging process have just been started, and factors like tightened regulatory oversight will continue to pose greater challenges to the operation of banks;
- ◆ For the banking industry, horizontal competition and non-horizontal cross-border competition tends to be intensified.


Opportunities


- ◆ Under the keynote of "making progress while maintaining stability", the central government will pursue more proactively fiscal policies and relatively stable monetary policies; as a result, the macro economy will continue to grow steadily, with sufficient upside and strong resilience for economy growth and ample room to maneuver;
- ◆ The GDP growth target of around 6.5% is in line with the law of economy and the reality, and will make for a stabilized and reasonable expectation;
- ◆ Backed by preferential policies, infrastructure investment will continue to be strong, while manufacturing investment and private investment will be stabilized and witness moderate growth; in the future, impetus of organic economic growth is set for a gradual recovery as the central government pushes ahead with deregulation and ownership reform;
- ◆ Supply-side structural reform will be further deepened, and the government initiatives of "removing low-margin and high-pollution excess capacities, removing inventories, bringing down leverages and improving weak links" will produce new impetus for economic growth; banks will see more business opportunities in the course of SOE reform, corporate merging and restructuring, region-specific de-inventory efforts and market-based bond-to-stock attempts;
- ◆ With a further implementation of the three key national strategies (OBOR, coordinated development of Beijing-Tianjin-Hebei Region and Yangtze River Economic Belt) as well regional strategies for coordinated development, the real economy will gain a sustained vigor to grow;
- ◆ China has stepped into a stage of consumption upgrading, generating opportunities of industrial chain investment and consumer finance growth for the banking industry;
- ◆ The application of new technologies such as big data, cloud computing and artificial intelligence in the areas of customer management, risk control, payment settlement and wealth management will play an important role in accelerating transformation of commercial banks.

Business strategies

In the face of challenges and opportunities under the new situation, the Group will continue to follow the operation concept of “keeping balance among efficiency, quality and scale”, unswervingly push forward the “One Body with Two Wings” strategy and “Light-operation Bank” strategy, and continue to move on the transformation road toward “safer structure, more distinguished features and clearer model”. Major operational measures for 2017 are as follows:

 Based on our strategic objective of “Light-operation Bank” and strategic positioning of “One Body with Two Wings”, we will maintain our strategic focus, strengthen implementation of strategies, keep profit growth stable, enhance capabilities, improve quality and efficiency, making a solid progress to regain the market position;

 We will invest more in innovations by enhancing applications of financial technologies, enhancing innovation in both products and business, moving ahead with innovation in business pattern, continuing to make innovation in systems and mechanism, so as to promote an innovation-driven development, and “outperform the market and peers” in our operating results;

 We will continue to pursue a strict approach toward risk management and strive to build a sound comprehensive risk management system by tackling both symptoms and root causes. In particular, we will give top priority to prevention of financial risks, orchestrate to fend off cross-sector financial risks, strictly control generation of new non-performing loans, enhance efforts to write off and transfer non-performing loans, adjust structure of assets and improve our capabilities.



Q&A

