



**招商銀行**  
CHINA MERCHANTS BANK



# China Merchants Bank Co., Ltd. 2017 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

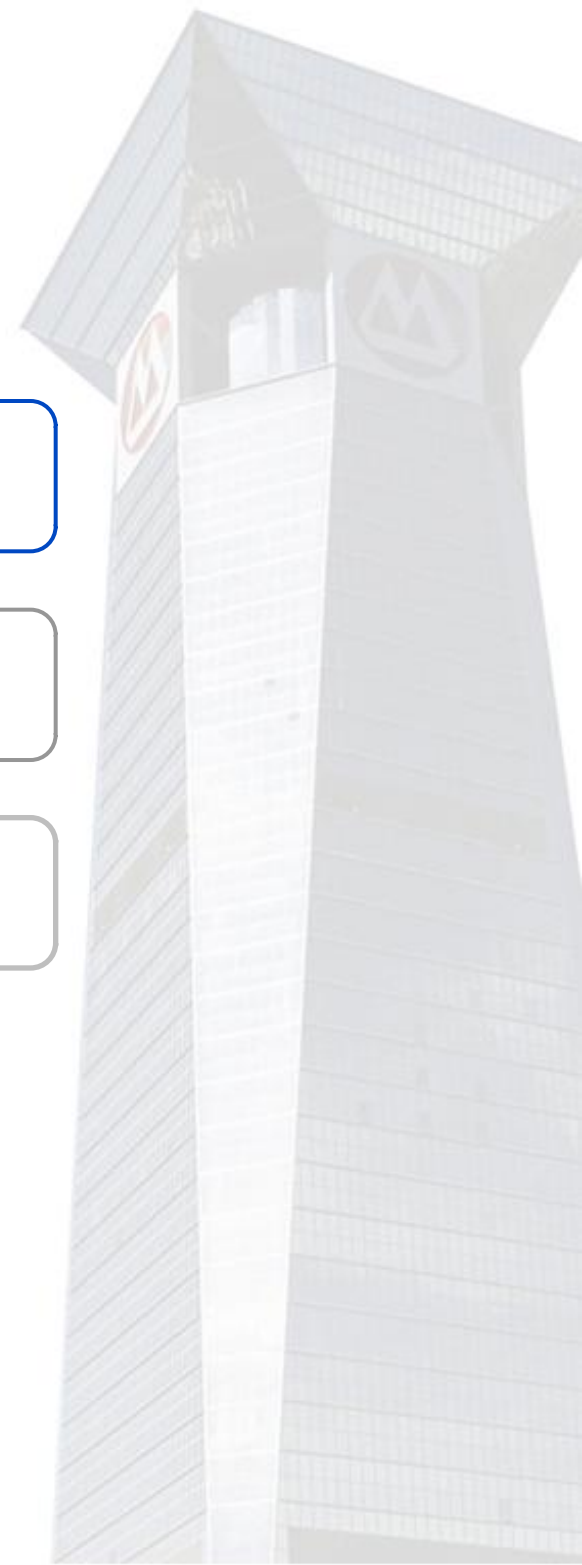
## Overview

2

## Operational Information

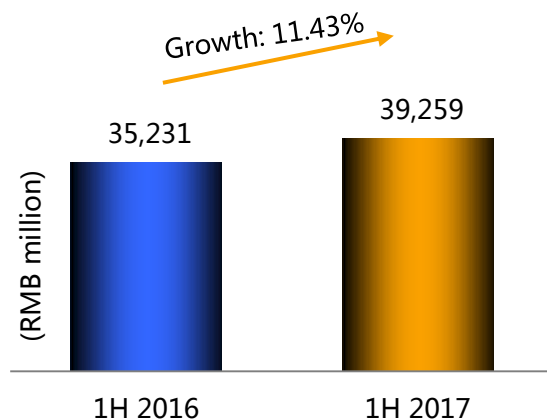
3

## Outlook and Strategies

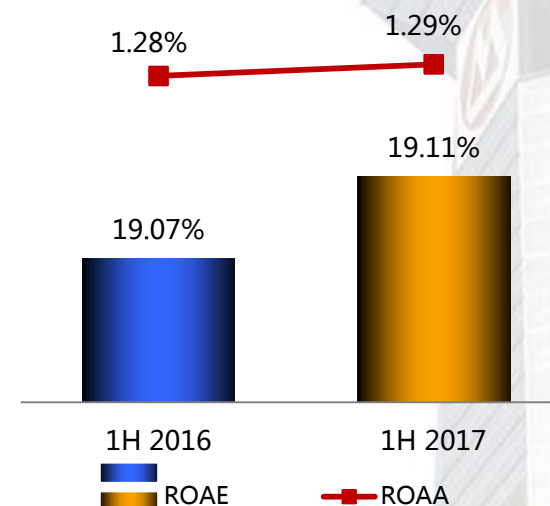


# Profitability, asset quality and scale maintained balanced development and led to satisfactory growth

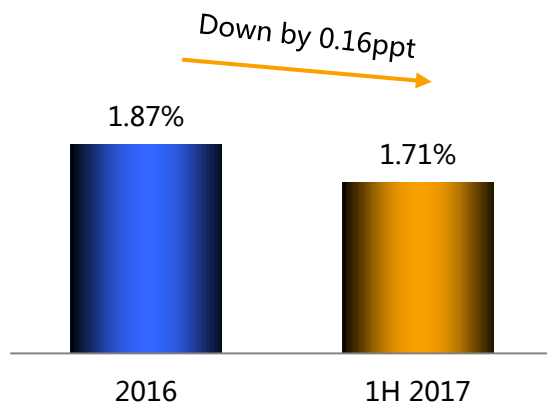
## Net profit attributable to shareholders of the Bank



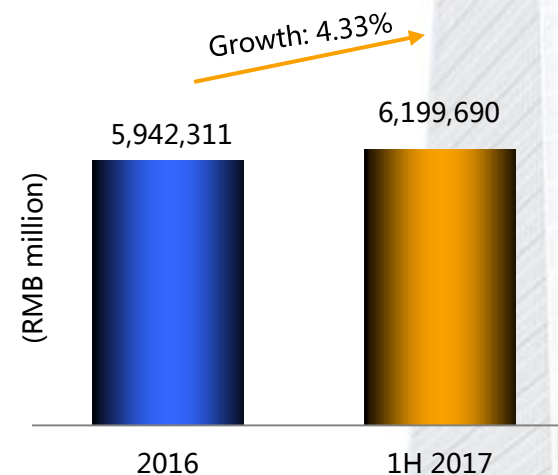
## Profitability ratios



## NPL ratio

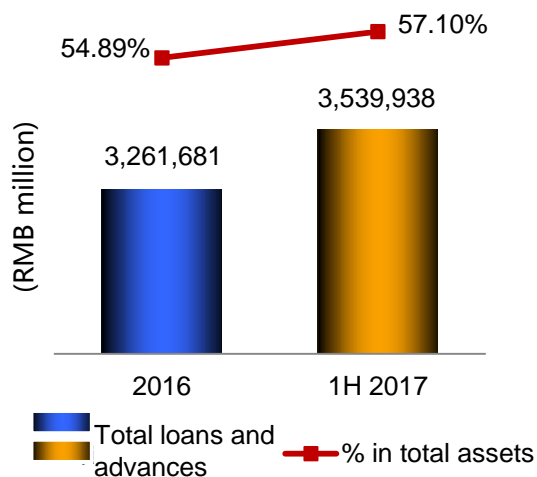


## Total assets

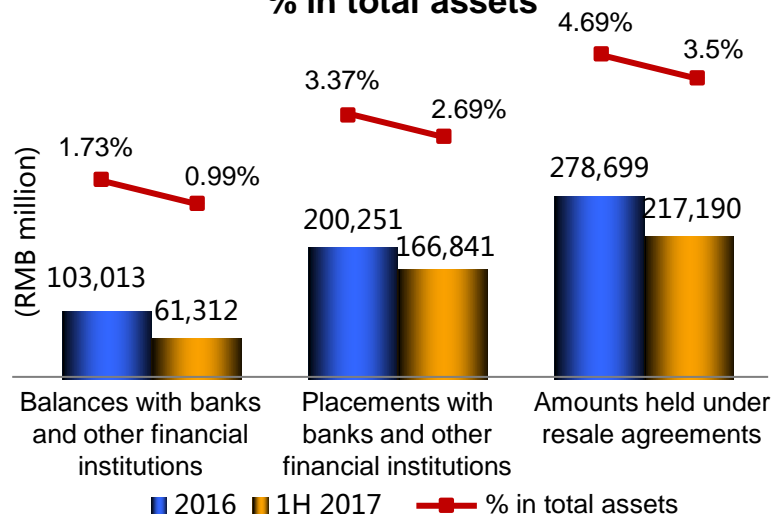


# Asset and liability structure improved

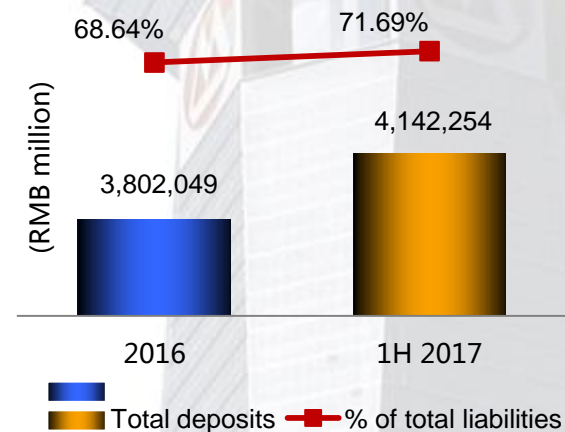
## Loans and advances and % in total assets



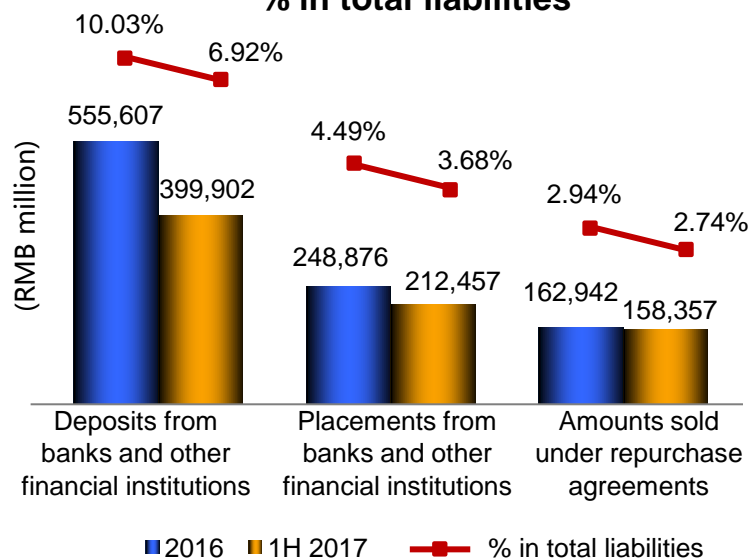
## Interbank assets and % in total assets



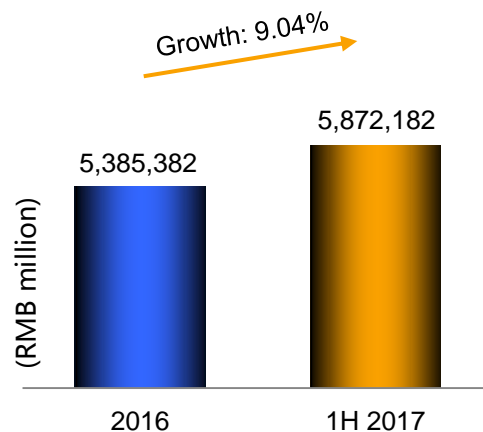
## Total deposits and % in total liabilities



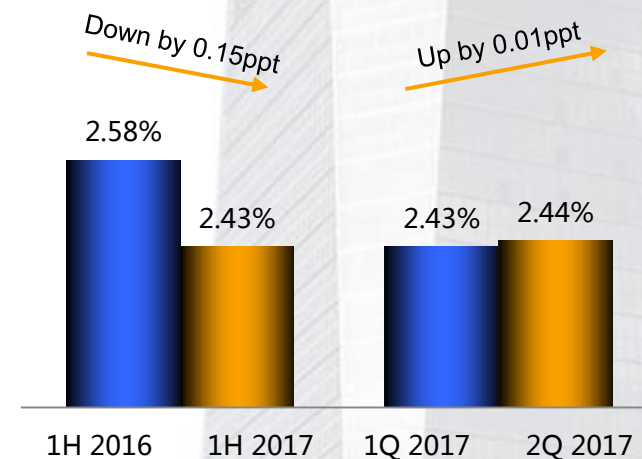
## Interbank liabilities and % in total liabilities



## Average balance of interest-earning assets



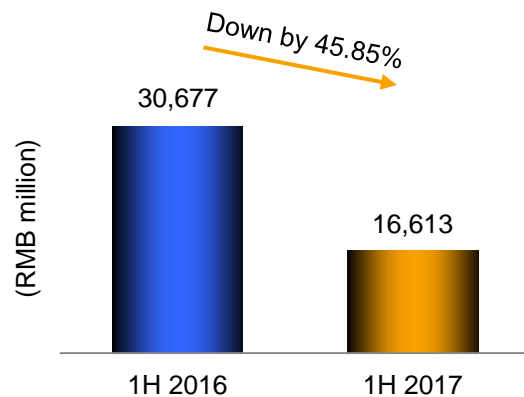
## Net interest margin



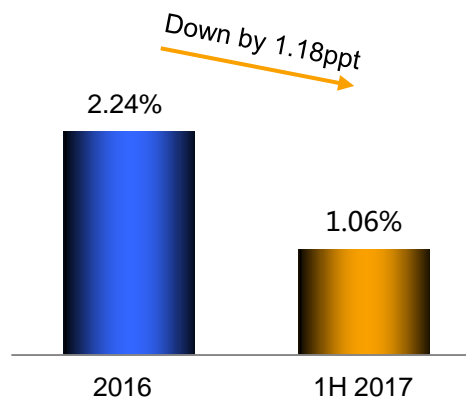


# Asset quality improved significantly

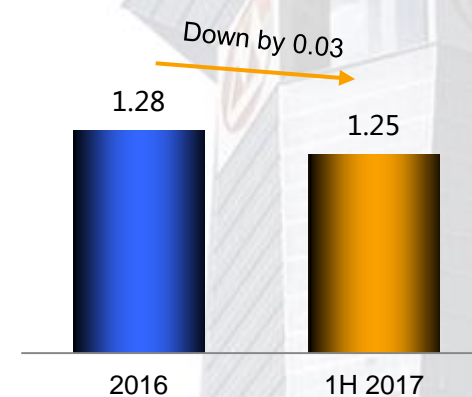
## Incremental NPL



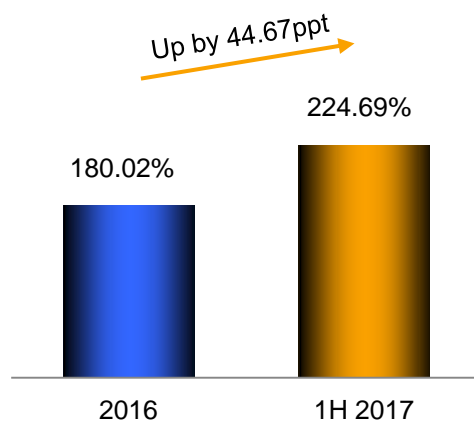
## NPL formation ratio



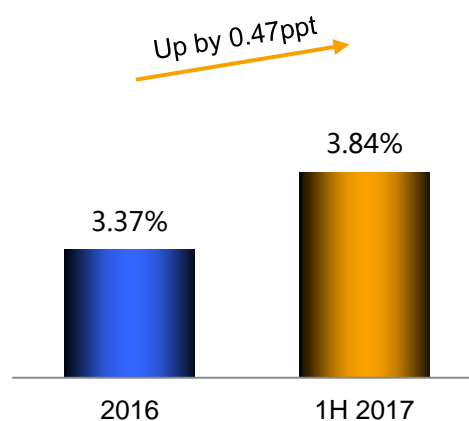
## Ratio of NPLs to loans overdue for more than 90 days



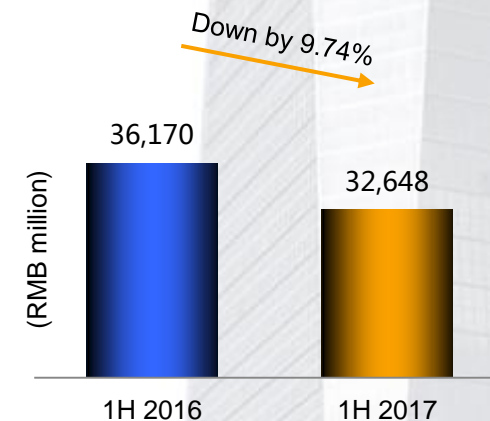
## NPL Allowance coverage ratio



## Allowance-to-loan ratio



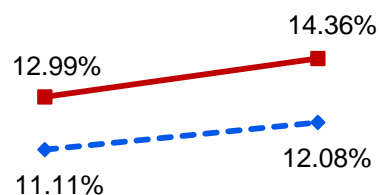
## Impairment losses on assets



# Strategic transformation achieved remarkable effects I

## "Light" capital

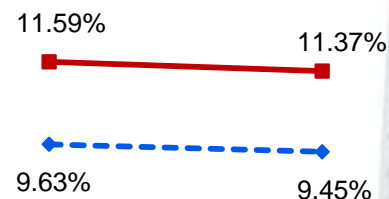
Capital adequacy ratio  
under the advanced approach



2016                      1H 2017

—■— Capital adequacy ratio  
- - - ◆ - Core Tier 1 adequacy ratio

Capital adequacy ratio  
under the weighted approach

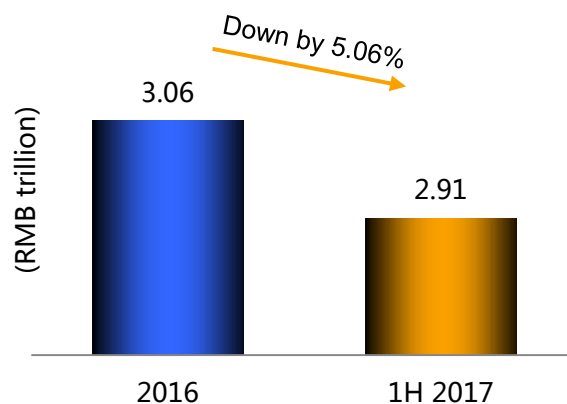


2016                      1H 2017

—■— Capital adequacy ratio  
- - - ◆ - Core Tier 1 adequacy ratio

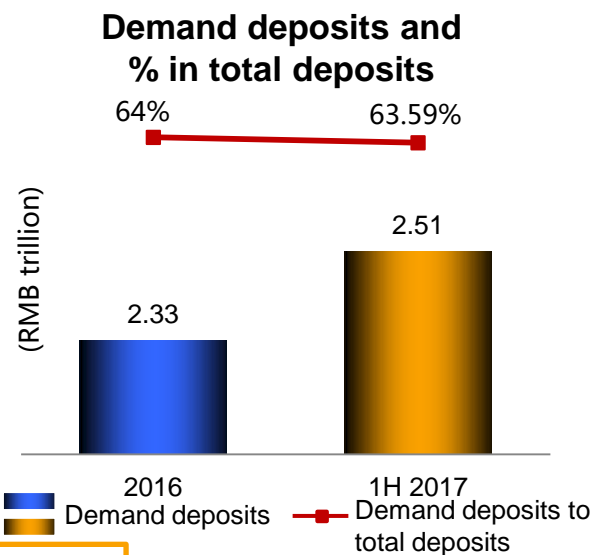
## "Light" assets

Risk-weighted assets under the advanced approach

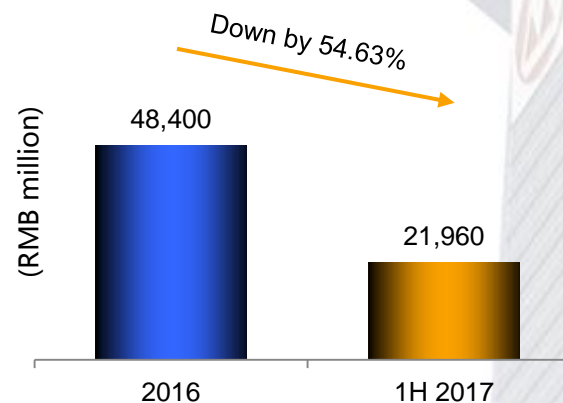


# Strategic transformation achieved remarkable effects II

## "Light" liabilities

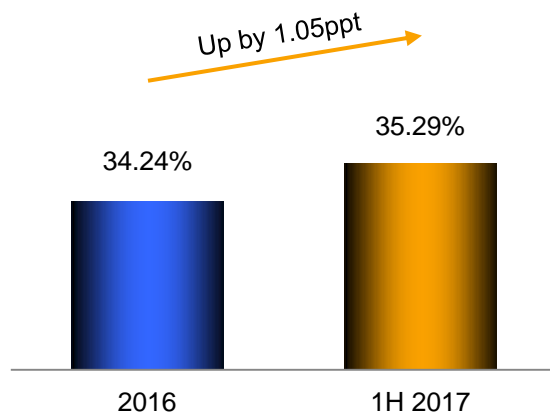


## Balance of high-cost negotiated deposits



## "Light" income structure

### % of net non-interest income to net operating income

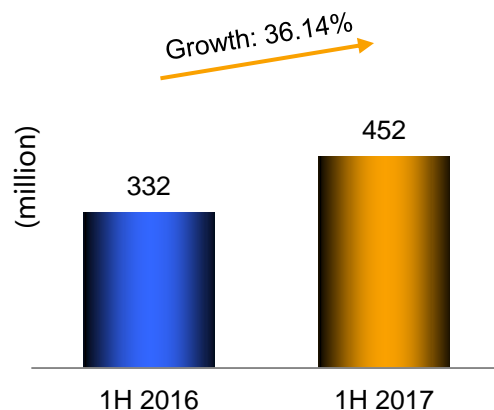




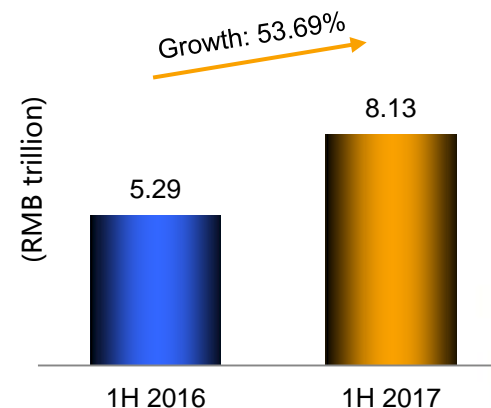
# Strategic transformation achieved remarkable effects III

"Light" operations

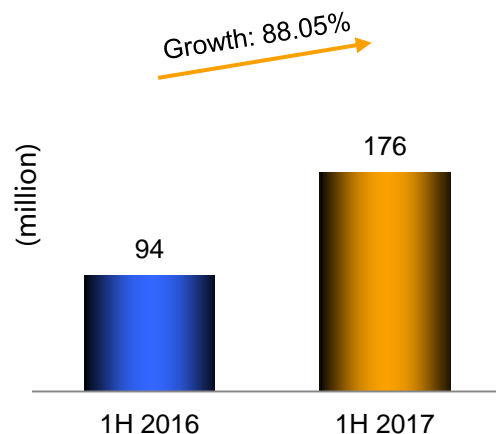
Transaction No. of CMB APP



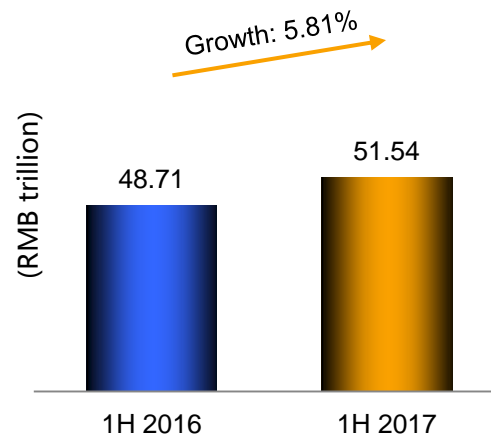
Transaction amount of CMB APP



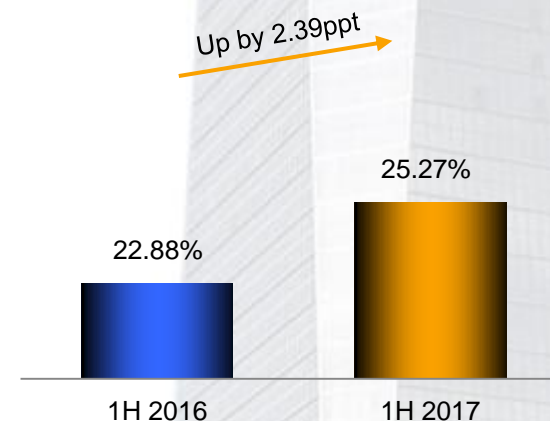
No. of corporate online banking transactions



Transaction amount of corporate online banking



Cost-to-income ratio



# Growing brand recognition



## 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



## China Association for Public Companies

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 thirteenth time in 2017  
Awarded Best Custodian Bank in China in 2017  
Awarded Best Joint Stock Transaction Bank in China in 2017  
Awarded Best Joint Stock Cash Management Bank in China in 2017  
Awarded Best Mortgage and Home Loans Product in Pan-Asia Pacific in 2017  
Awarded Best Mobile Payment Product in Pan-Asia Pacific in 2017  
Awarded Best Customer Relationship Management Project in China in 2017  
Awarded Best Private Bank in China and Best Joint stock Private Bank in China for the first time in 2016



## 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 216th among Fortune Global 500 in 2017  
Ranked 30th among Fortune China 500 in 2017



## The Banker

Ranked 23rd among the world's 1,000 largest banks, 2017 (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 – HNWI, 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 second time in 2017



## Hurun Report

Awarded Most Favorite Credit Card Issuer for Multimillionaires in 2017 for the thirteenth time consecutively  
Awarded Best Domestic Private Bank in 2016 for the fifth time



## Institutional Investor

Sector of Asian banks:  
Most Respected Company, 2017  
Best Investor Relations Management Company, 2017  
Best CEO, 2017  
Best CFO, 2017  
Best Investor Relations Specialist, 2017  
Best Analyst Day, 2017  
Best Investor Relations Website, 2017



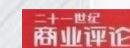
## Directors & Boards

Gold Round Table Award - Best Board of Directors of Public Companies, 2016



## Securities Times

Junding Award for Wealth Management Institution in China, 2017  
Junding Award for Private Banking Brand in China, 2017  
Best Wealth Management Banking Brand in China, 2016  
Best Private Banking Brand in China, 2016  
Best Internet Finance Product 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

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Overview

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**Operational Information**

3

Outlook and Strategies



# Determined to promote strategic transformation and pushed forward a differentiated development model



**Continued leadership in retail finance**



**Improving wholesale finance**



**Turnaround in asset quality**



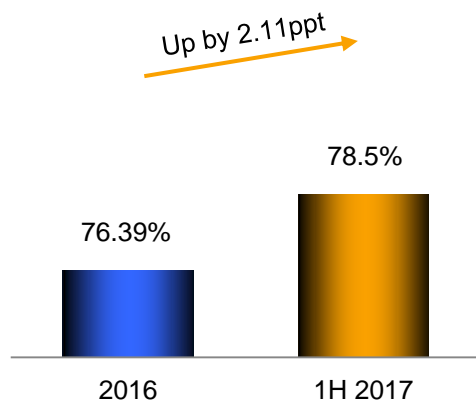
**Deepening reform and transformation**



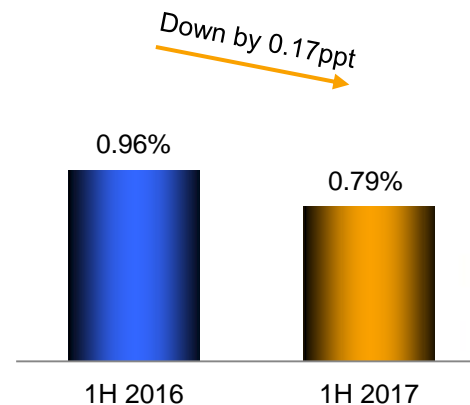
## Continued leadership in retail finance

### Competitive advantages of retail finance continued to strengthen

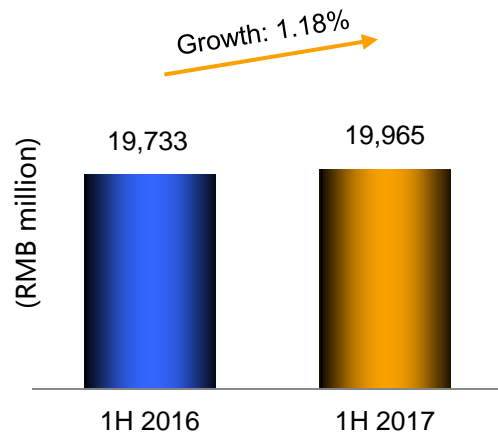
**% of retail demand deposits in retail deposits**



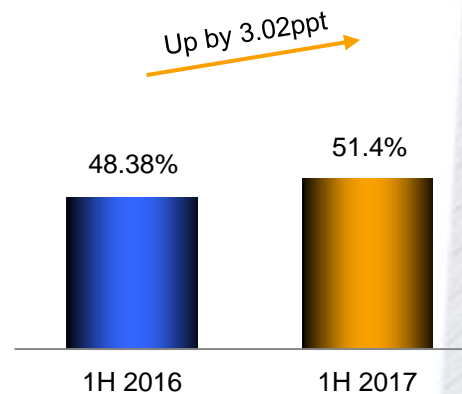
**Average cost of retail deposits**



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

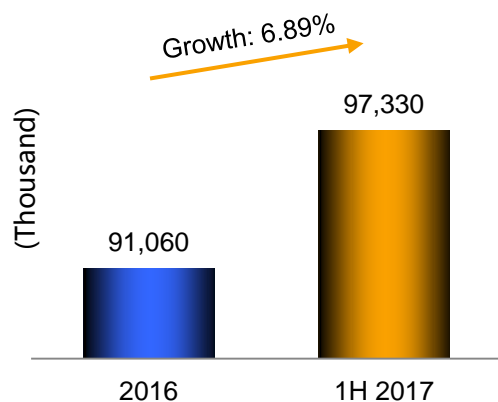


**% of net operating income of retail finance in total net operating income**

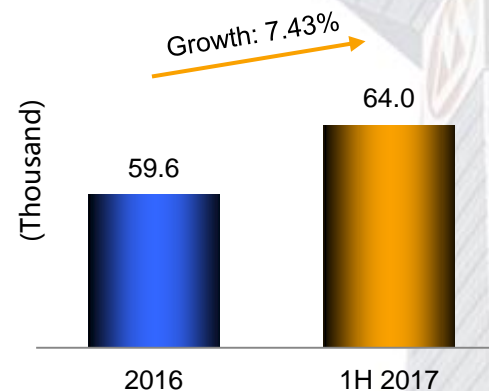


# Retail customer base of value expanded steadily

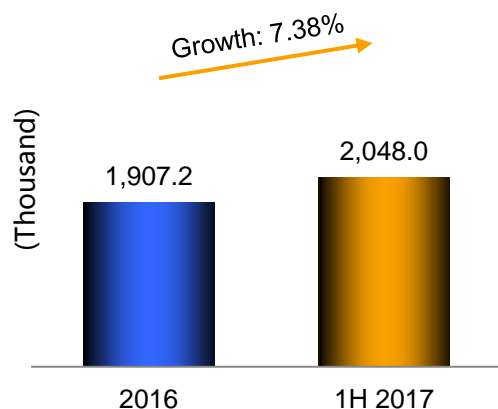
No. of retail customers



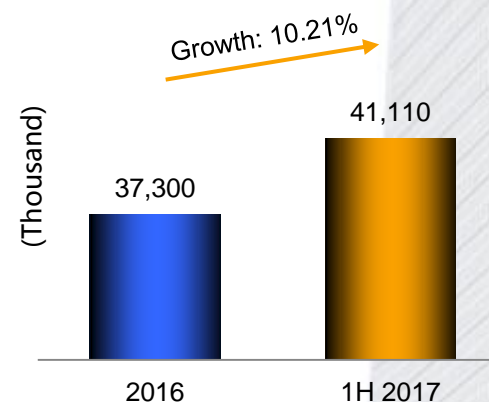
No. of private banking customers



No. of sunflower-level and above customers



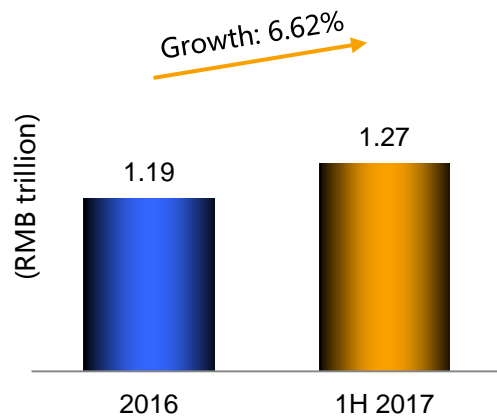
No. of active credit card users



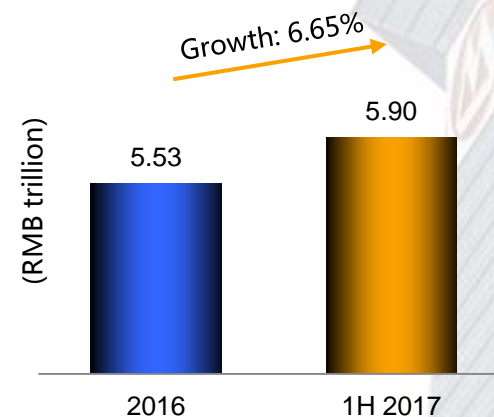


# Retail customer's loyalty improved

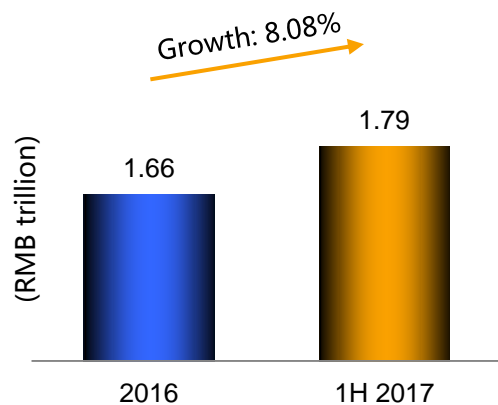
**Balance of deposits from retail customers**



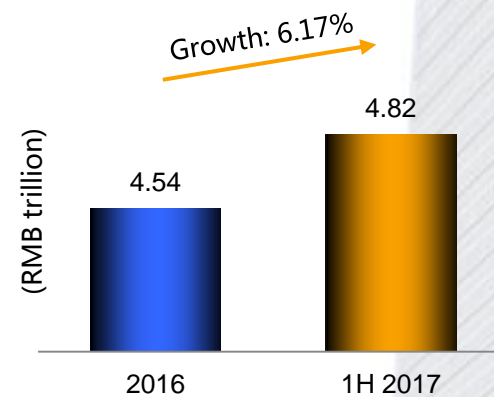
**AUM balance from retail customers**



**AUM balance from private banking customers**

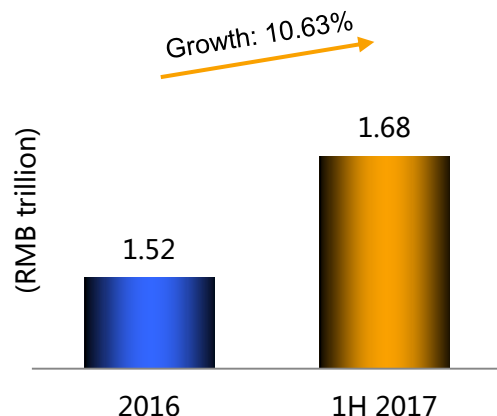


**AUM balance from sunflower-level and above customers**

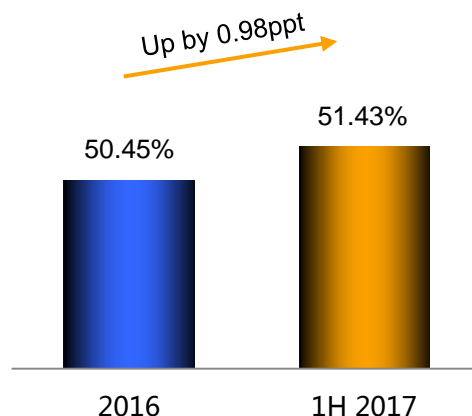


# Retail loan structure became safer

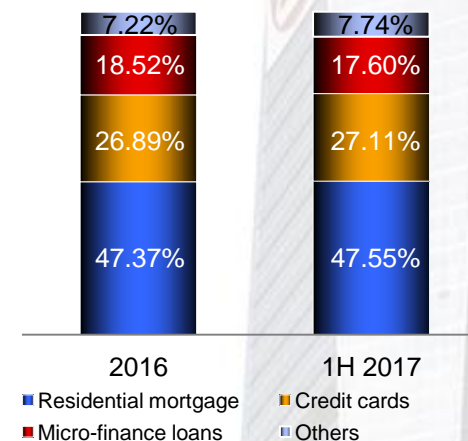
## Total retail loans



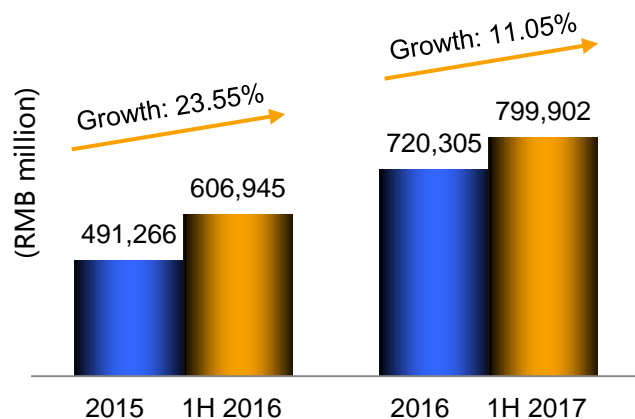
## % of retail loans in total loans and advances



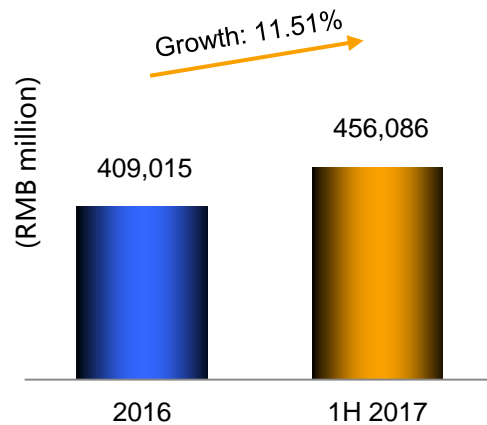
## Retail loan structure



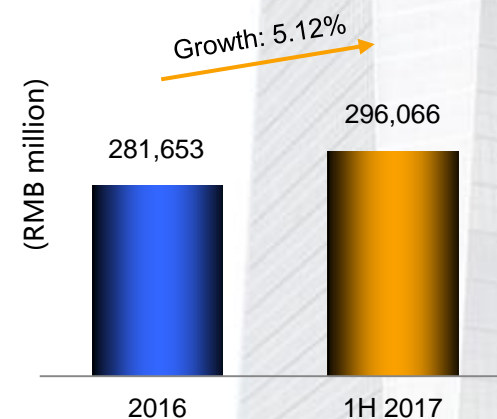
## Balance of residential mortgage loans



## Balance of credit card loans

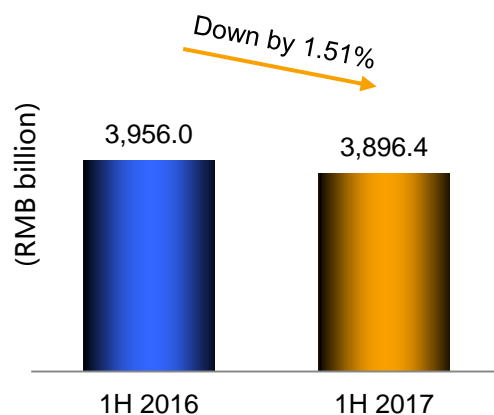


## Balance of retail micro-finance loans

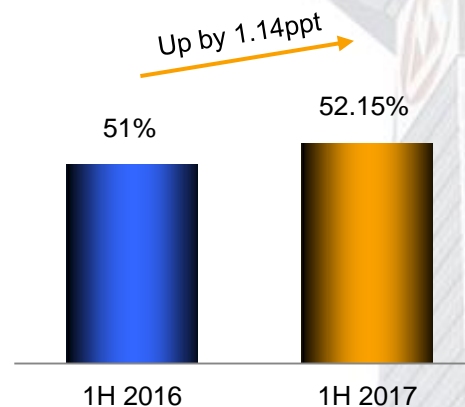


# Wealth management business showed widened lead

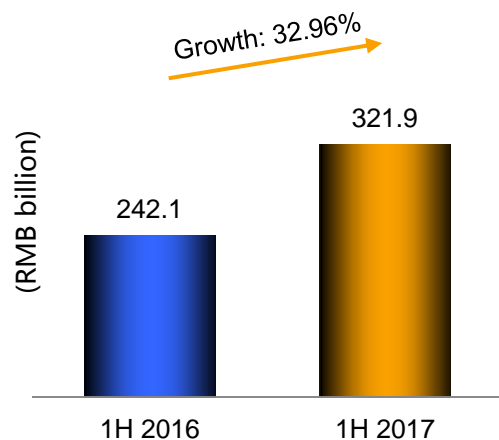
**Sales of personal wealth management products**



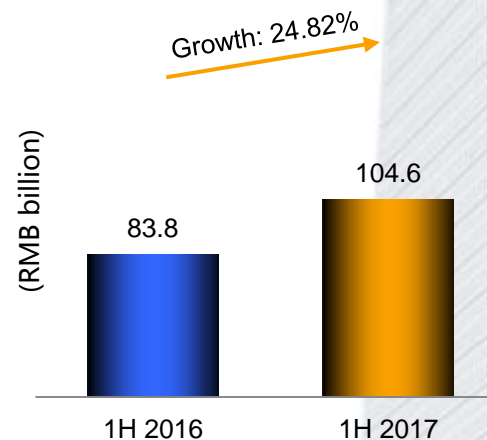
**% of sales of personal wealth management products in sales of all wealth management products**



**Sales of agency distribution of open-ended funds**

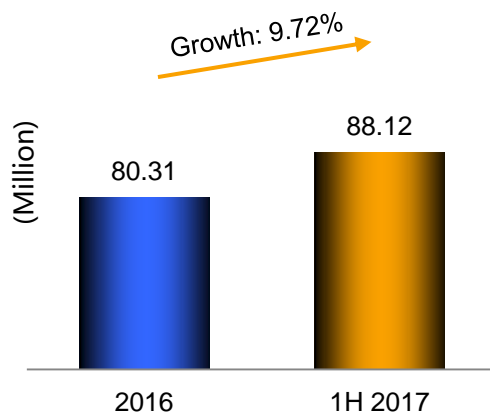


**Sales of agency distribution of trust schemes**

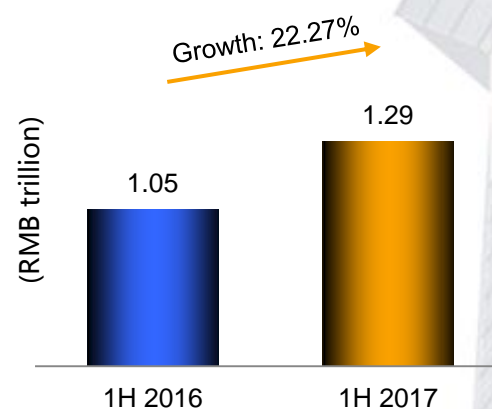


# Credit card business maintained rapid growth

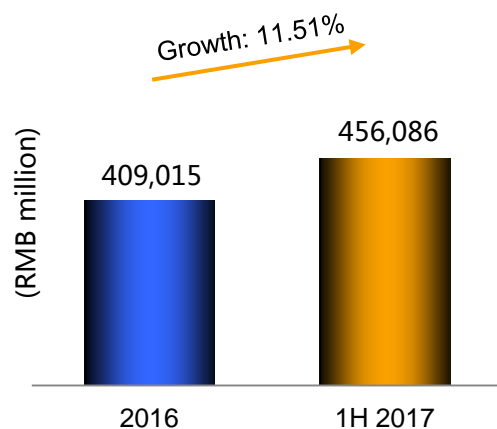
## Cumulative No. of credit card issued



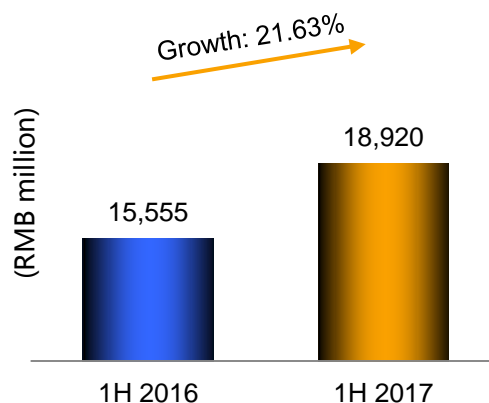
## Credit card transaction



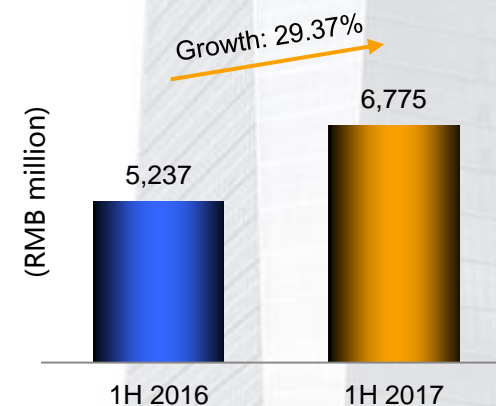
## Balance of credit card loans



## Interest income from credit cards

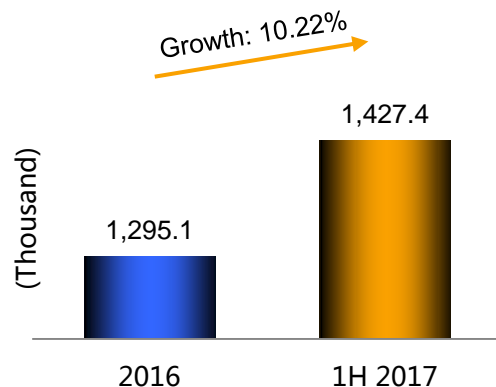


## Non-interest income from credit cards

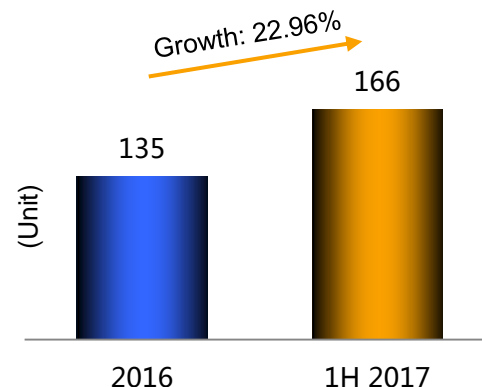


## Wholesale finance customer base was more focused

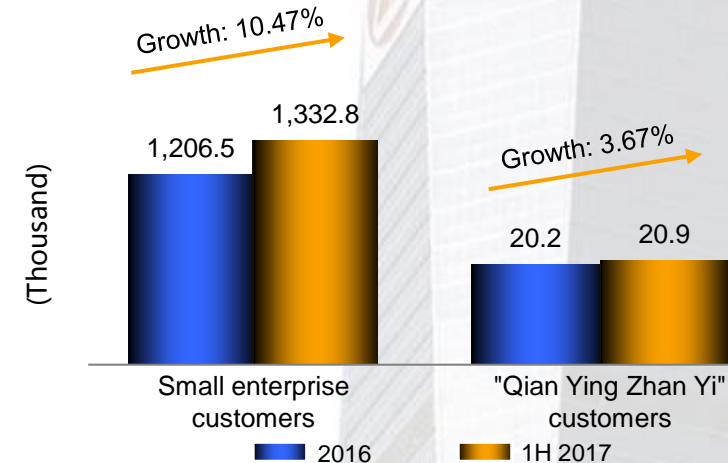
No. of corporate depositors



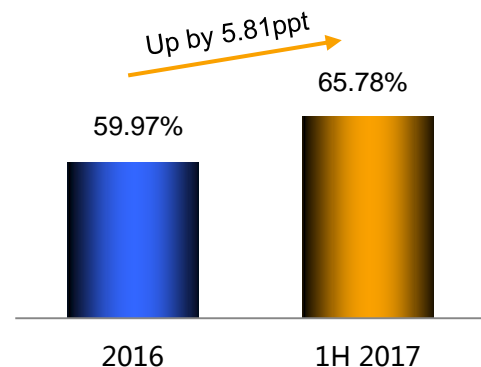
No. of strategic customers under the Head Office



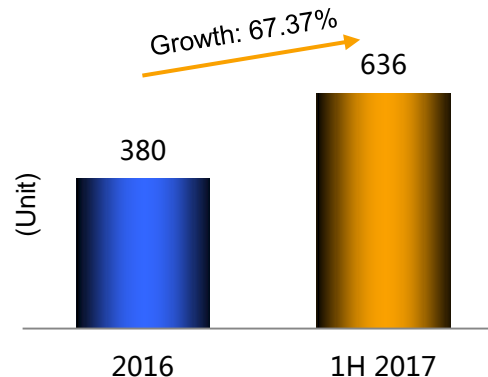
Small enterprise customers and customers under "Qian Ying Zhan Yi"



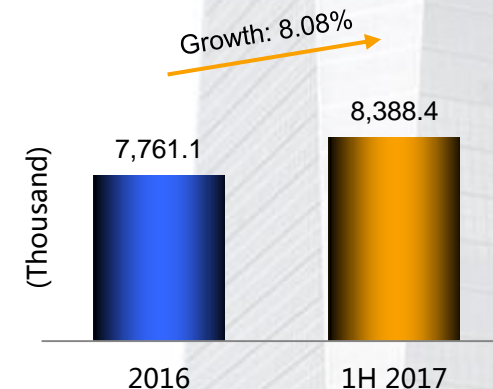
The exposure of corporate loans to customers with high credit rating



No. of effective core-asset customers in the supply chain

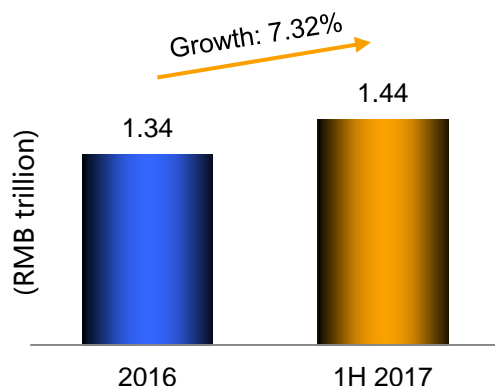


No. of third-party custody customers

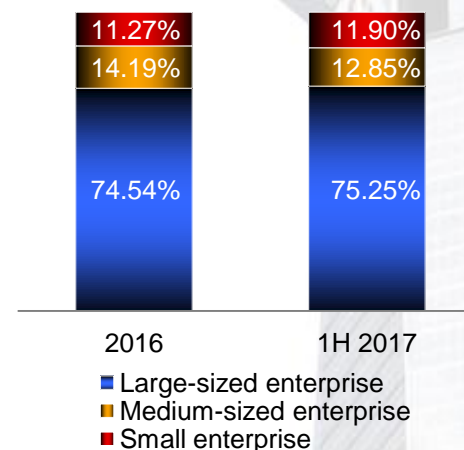


# Corporate loan structure optimized increasingly

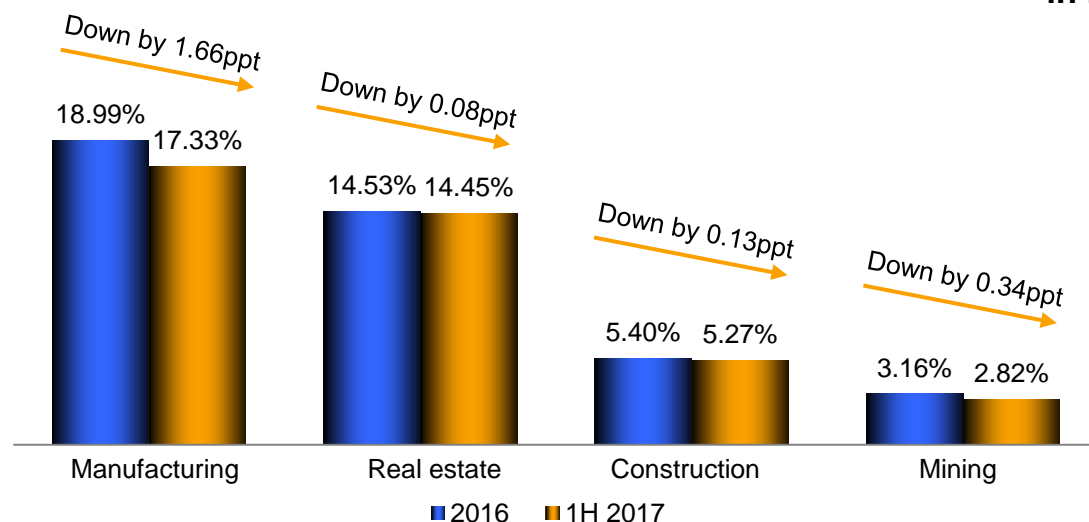
## Total corporate loans



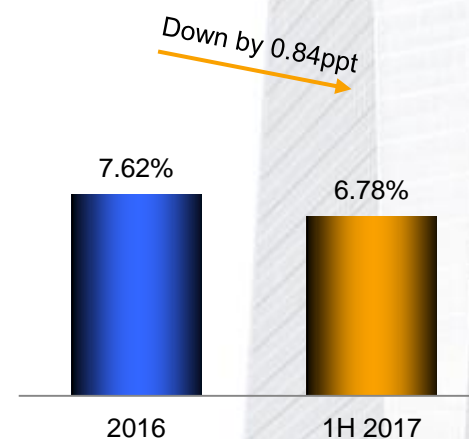
## Loan structure by size of domestic enterprise borrowers



## Loans mix by industry



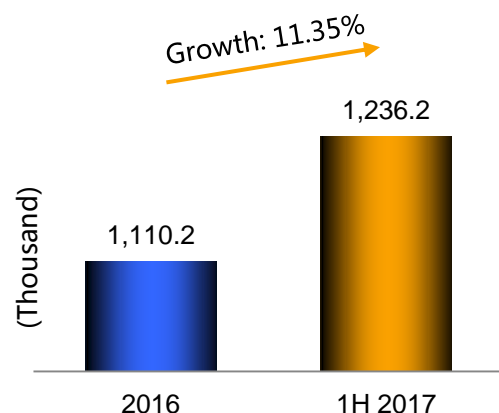
## % of balance of loans to customers in industries with reduced or withdrawn exposure



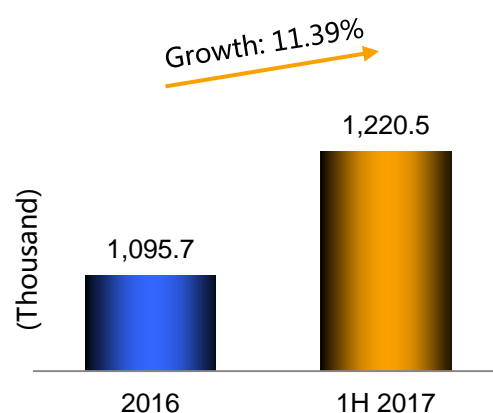


# Transaction banking achieved fast growth

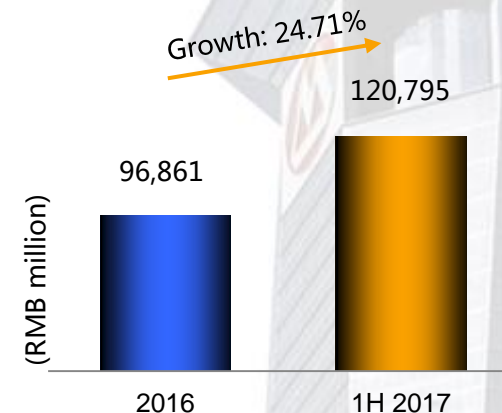
**No. of customers using cash management service**



**No. of corporate online banking customers**

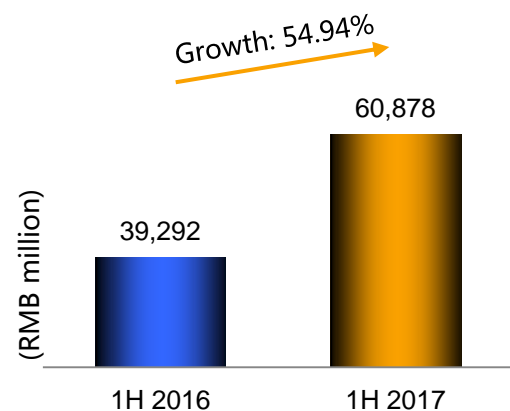


**Balance of supply chain finance**

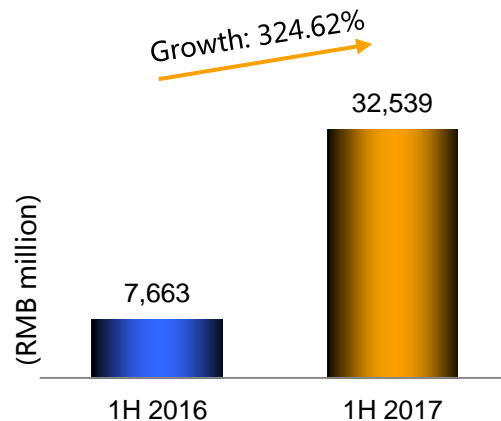


# Investment banking business expanded rapidly

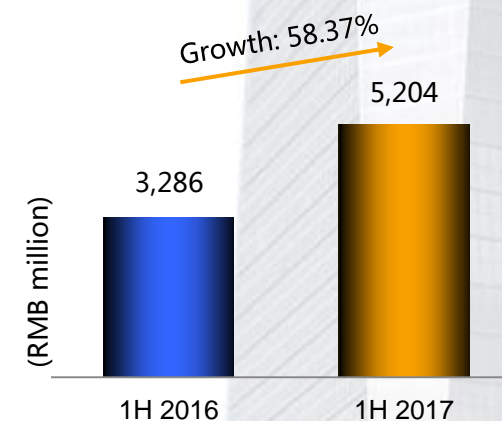
**Transaction value of M&A financing**



**Transaction value of structural financing**

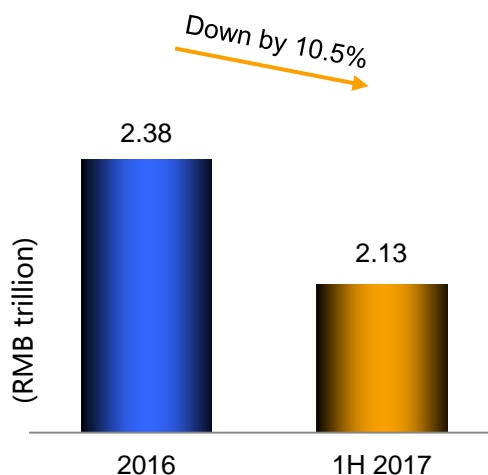


**Transaction value of equity investment**

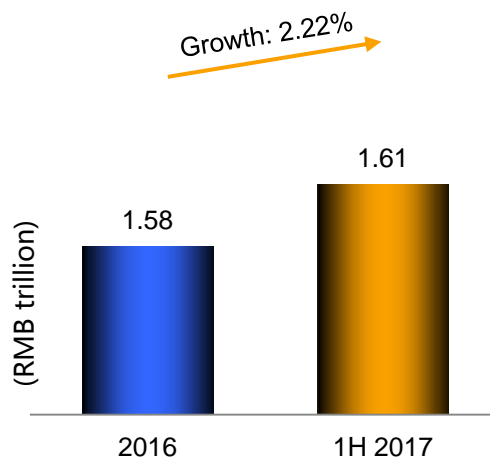


# Asset management business developed in accordance with regulatory demand

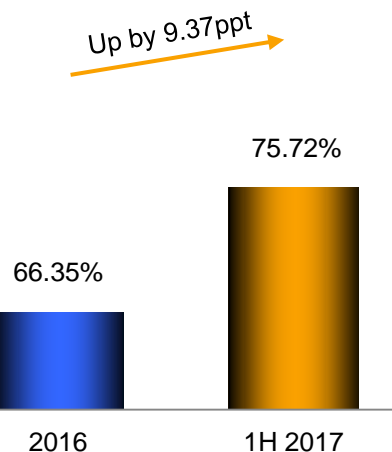
Balance of wealth management business



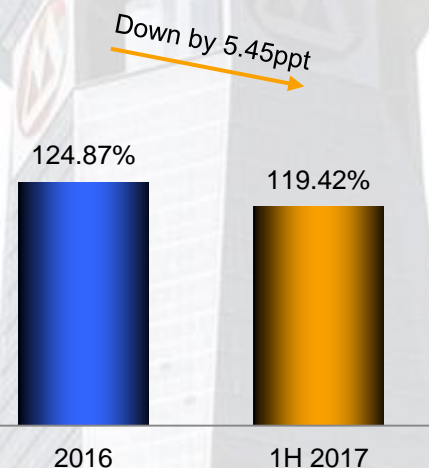
Balance of net-worth products



% of net-worth products to balance of wealth management business

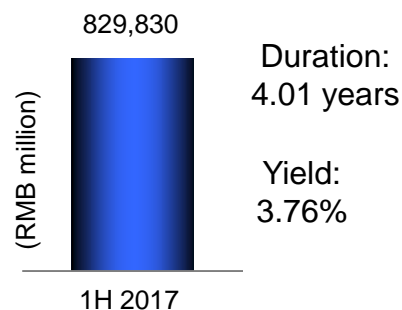


Leverage ratio of entrusted bond investment

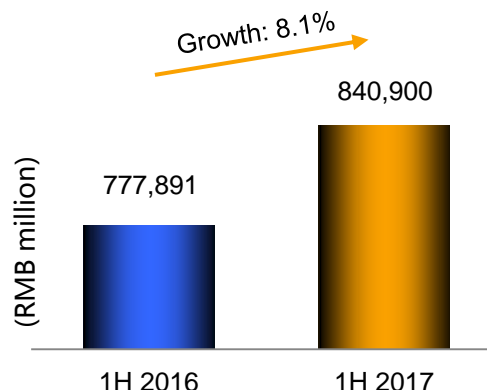


# Financial markets business delivered solid growth

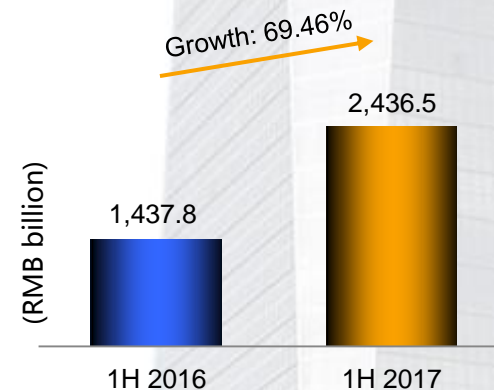
Balance, duration and yield of RMB bond portfolio



Trading volume on behalf of customers

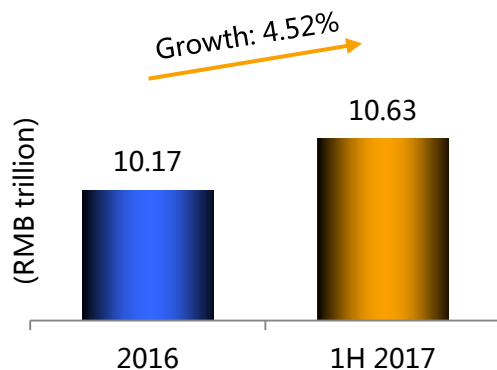


Trading volume of RMB exchange rate swaps

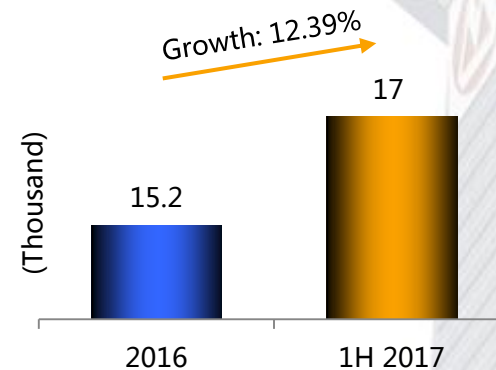


# Asset custody business achieved steady growth

Balance of assets under custody

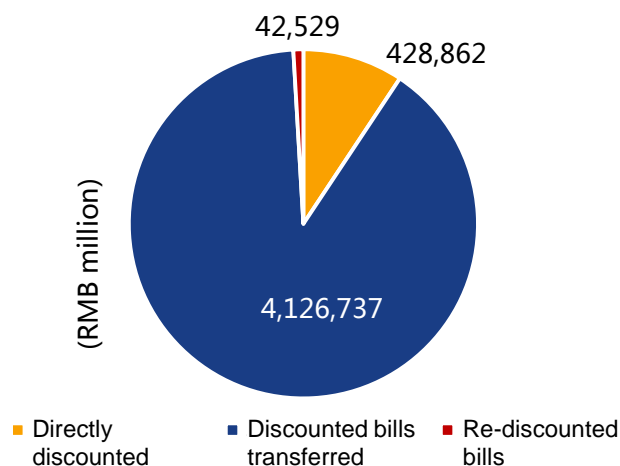


No. of asset custody projects



## Discounted bill business continued to lead in the market

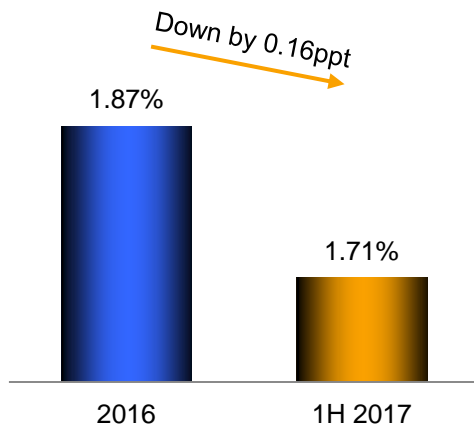
Volume of directly discounted bills, discounted bills transferred and re-discounted bills



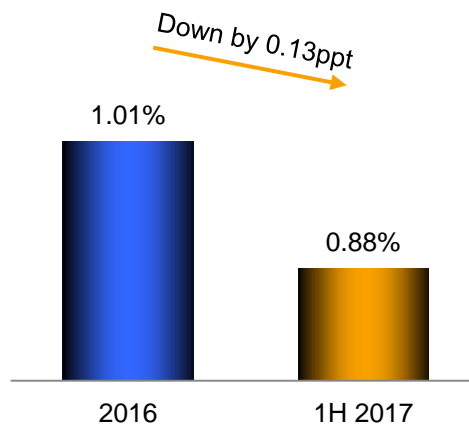


# Turnaround in asset quality

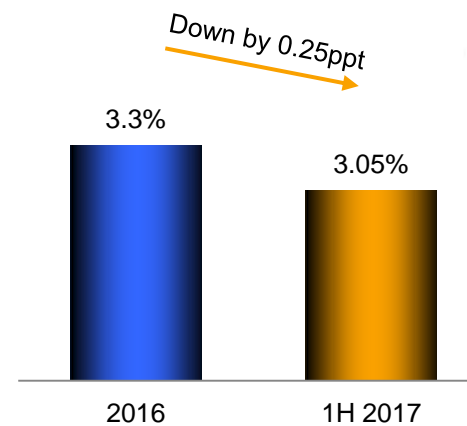
**NPL ratio**



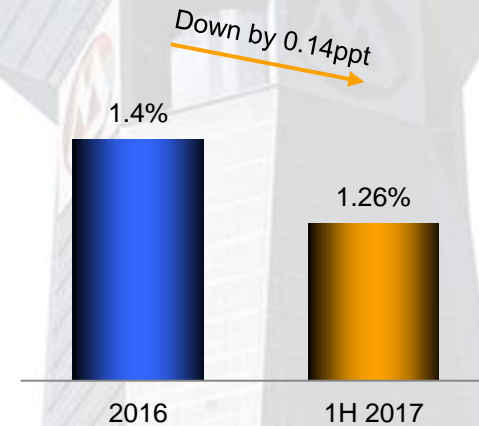
**Retail NPL ratio**



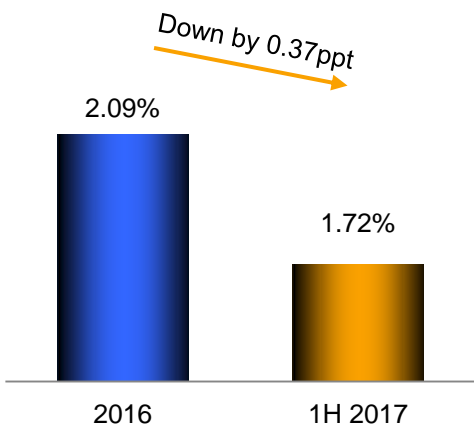
**Corporate NPL ratio**



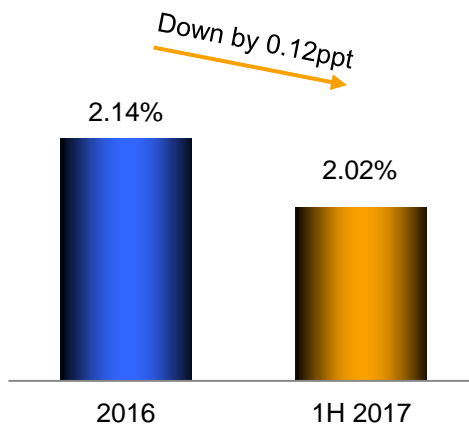
**Credit card NPL ratio**



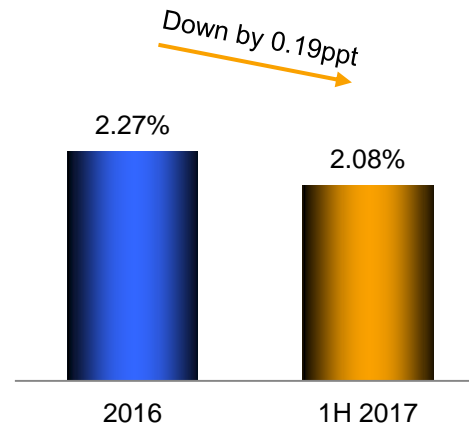
**Special-mention loan ratio**



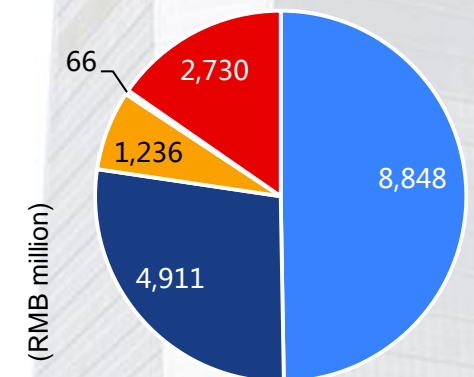
**Overdue loan ratio**



**Credit cost**



**Disposal of NPLs**



- Regular write-off
- Recovery
- Securitization
- Transfer at discount
- Restructuring, transfer, debt repayment, reduction



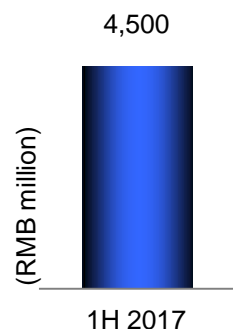
## Deepening reform and transformation

Develop FinTech as a powerful engine for the later-stage transformation and build CMB into a FinTech bank

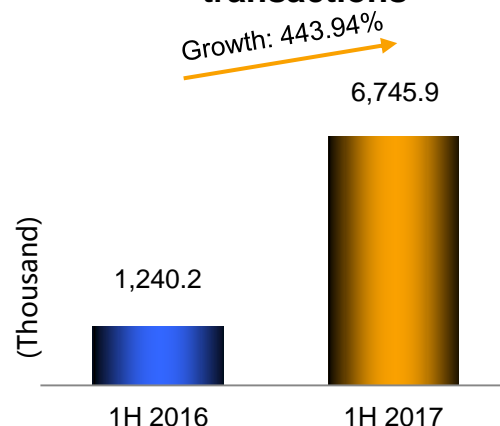
- Accelerate FinTech development with increased use of the Internet, big data and smart technologies through encouraging FinTech innovation, actively enhancing FinTech capabilities and promoting innovative application of emerging technologies, such as mobile Internet, cloud computing, big data, artificial intelligence and block chain.
- Increase investment in FinTech innovation, allocate 1% of pre-tax profits from the previous year to set up a special fund dedicated to FinTech innovation projects and establish an innovation and incubation platform to promote the application of emerging technologies for financial innovation across the Bank, while strengthening exchanges and cooperation with leading external technology companies to actively explore, research and introduce external emerging technologies.
- In the area of retail finance**, adhere to the “Mobile First” strategy, create new business and service models based on customers’ mobile phones and continue to enhance online customer activity and stickiness; **in the area of wholesale finance**, continue to employ mobile Internet, big data and block chain technologies for service model innovation and launch the first cross-border block chain project in China and Asia-Pacific – the block chain platform for cross-border direct payment; **in the area of intersectoral cooperation**, continue to promote diversified intersectoral cooperation and build a FinTech eco-system with CMB characteristics.

# Promoted the "mobile priority" strategy and achieved satisfactory results

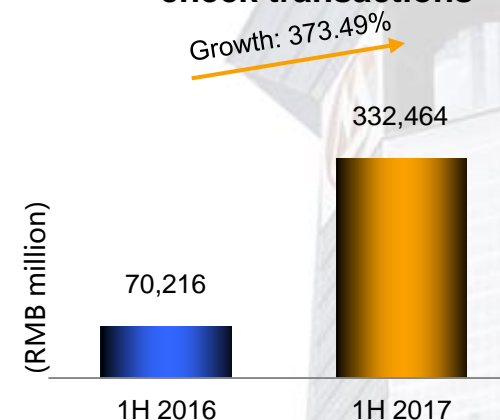
**Aggregate placement amount of Machine Gene Investment**



**No. of mobile check transactions**



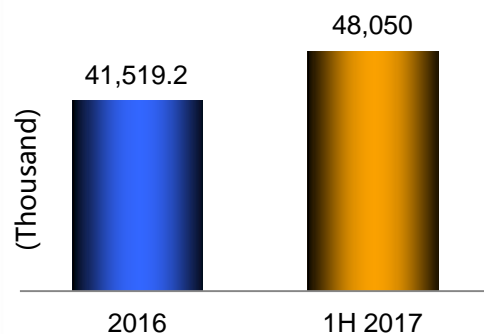
**Volume of effective mobile check transactions**



**CMB APP**

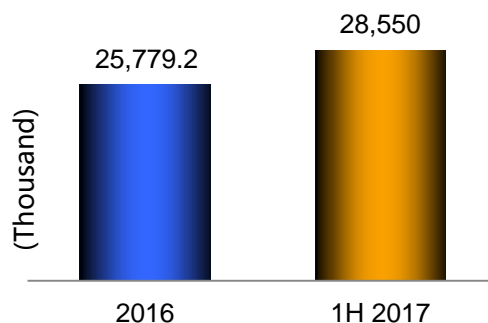
**Aggregate No. of users who downloaded**

Growth: 15.73%



**Annual Active users**

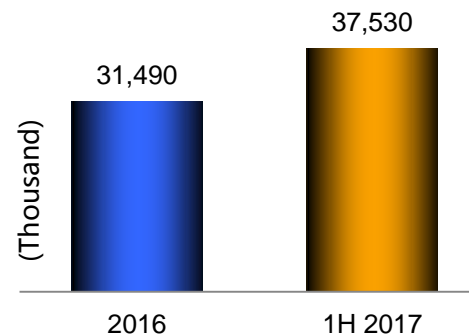
Growth: 10.75%



**"CMB Life" APP**

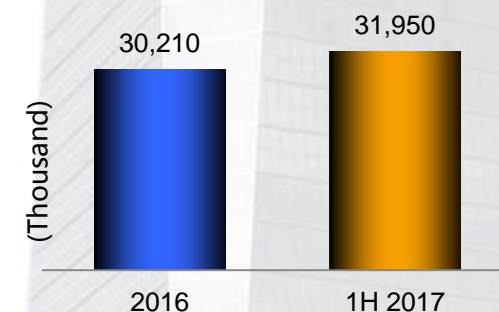
**Registered users**

Growth: 19.18%



**Annual Active users**

Growth: 5.76%





# Agenda

1

Overview

2

Operational Information

3

**Outlook and Strategies**



# Challenges

## *International*

- ◆ Despite positive momentum, uncertainties remain in the global economy due to lack of drivers of recovery and deep-seated issues that remain unresolved.
- ◆ Global trade recovery is faced with uncertain prospects due to further resistance to globalization with intensifying trade protectionism and increasing anti-globalization sentiment.
- ◆ Exit of loose monetary policy in the US, Europe, Japan and other major economies, increasing uncertainty in Fed rate hike and balance sheet shrinking will tighten global liquidity and have a negative lagged effect on international financial markets and global economy.
- ◆ The global political and economic landscape facing adjustment, increasingly unstable geopolitical situation, and regional and global challenges that emerge from time to time have become threats to global economic recovery.

## *Domestic*





- ◆ Despite better-than-expected growth in 1H2017, China's economy is still in a critical period of structural adjustment, deep-seated and structural problems remain prominent, the fund circulation problems of the real economy haven't been fundamentally resolved, and the task of preventing and mitigating financial risks remains arduous.
- ◆ As the real estate control policies have started to yield results, real estate sales and investment will decline moderately, the economic growth momentum will be weakened and the economic growth in 2H2017 is expected to slow down.
- ◆ The monetary policy that maintains a "tight balance" and a gradual ripple effect of financial deleveraging will weaken the financing needs of enterprises to a certain extent.
- ◆ With brand-new challenges brought by FinTech, the banking industry will see more intense competition from peers as well as from players in other industries.

# Opportunities

- ◆ China's economy has maintained steady performance and good momentum for growth with continued structural adjustment, better-than-expected key indicators, increased macroeconomic stability and positive economic developments.
- ◆ The National Financial Work Conference has set the goal for future financial development, which will foster a more healthy financial eco-system and a more equitable market environment for commercial banks and provide guarantee in their pursuit of more sustainable development.
- ◆ The continued advancement of the supply-side structural reform, accelerated replacement of old growth drivers with new ones, continued adjustment in industrial structure, continued ease of overcapacity, and the rapid development of the industries that can meet the needs of consumption upgrading and strategic emerging industries will provide better conditions for commercial banks to adjust and optimize the credit structure.
- ◆ With stronger market demand and enhanced corporate earnings driving continued recovery in manufacturing investment, the demand for bank financing will improve with eased pressure on asset quality.
- ◆ Regional collaboration, which has continued to yield positive results, and continued implementation of the three major strategies - the "One Belt, One Road" initiative, the Beijing-Tianjin-Hebei collaborative development, and the development of the Yangtze River Economic Belt, will provide a broader market for commercial banks to better serve and align with the national strategies.
- ◆ With the effort to further boost mass entrepreneurship and innovation, a range of new technologies, new industries, new products and new business models have emerged, serving as new drivers for sustained and healthy economic growth and creating a better environment for commercial banks to innovate New Economy service models.
- ◆ The application of big data, cloud computing, block chain, artificial intelligence and other financial technologies in customer management, risk management, wealth management, and payment and settlement will also accelerate business transformation of commercial banks.

# Business strategy

Faced with challenges and opportunities under the new conditions, we will adhere to the business philosophy of maintaining balanced development of profitability, asset quality and scale, and strive to build a “Light-operation Bank” through the “One Body with Two Wings” strategy. We will focus on the fundamental financial needs, actively develop FinTech, create a new business model and explore new drivers for sustainable development. The main business initiatives for 2H2017 are:

-  Focus on the goal of building a “Light-operation Bank” and the strategy of “One Body with Two Wings”. Maintain the strategic focus and further implement the strategy to deliver sustained, stable growth in profits and achieve further progress to ensure continued business growth and maintain industry leadership.
-  Actively embrace FinTech, set technological transformation as the top priority in future development, continue to increase investment in innovation, strengthen product innovation and business innovation, promote business model innovation, and continue to explore system and mechanism innovation to realize innovation-driven development.
-  With significantly improved asset quality, we will continue to step up risk control efforts, fully implement the risk management policy to address the root cause, adhere to the strategic direction, continue to deepen structural adjustment, closely monitor and control cross financial risks, adapt to the changes to risk management brought by big data and artificial intelligence, increase technology investment in risk management, and further enhance the level of risk management.
-  Continue to maintain outperformance and leadership among peers through ongoing efforts across the Bank.



**Q&A**

