



招商銀行
CHINA MERCHANTS BANK



China Merchants Bank Co., Ltd. 2017 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

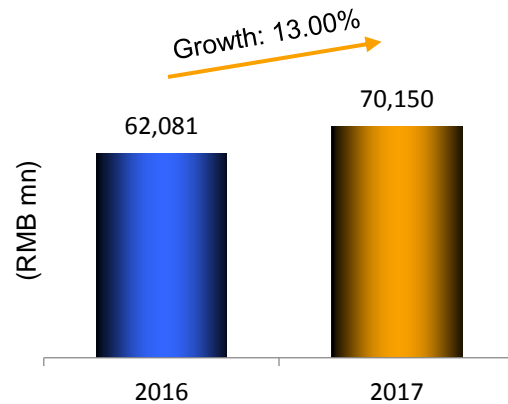
3

Outlook and Strategies

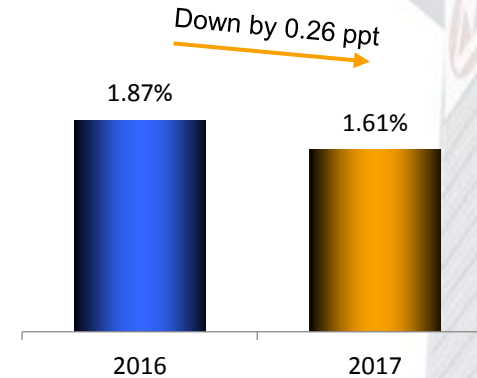


Quality, profitability and scale maintained balanced development and led to good performance

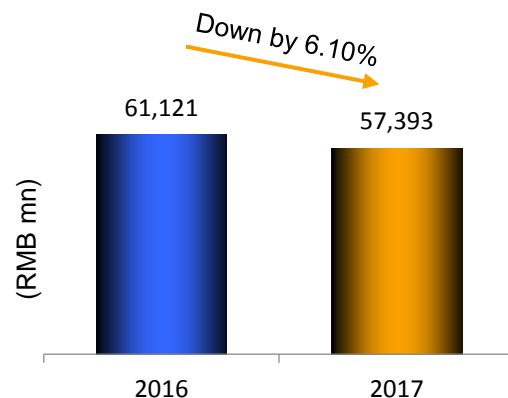
Net profit attributable to shareholders of the Bank



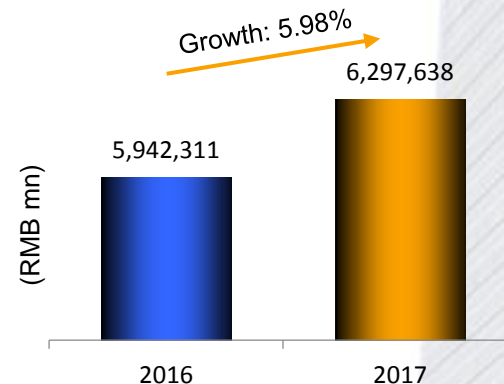
NPL ratio



NPL balance



Total assets



Note:

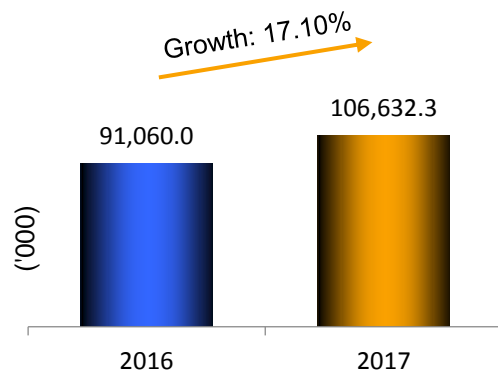
In this presentation, unless otherwise indicated, all financials are on consolidated Group level (certain 2016 financials are subject to retroactive adjustment) and all business data are on standalone Bank level.

Unless otherwise indicated, all data shown in this presentation is based on IFRS and denominated in RMB (hereinafter inclusive).

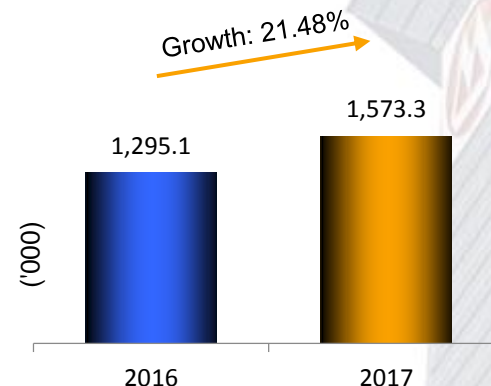
Some data shown may be subject to rounding.

Customer base and business scale continued to grow

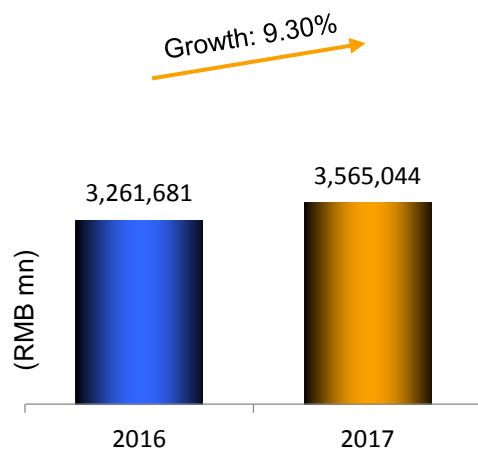
No. of retail customers



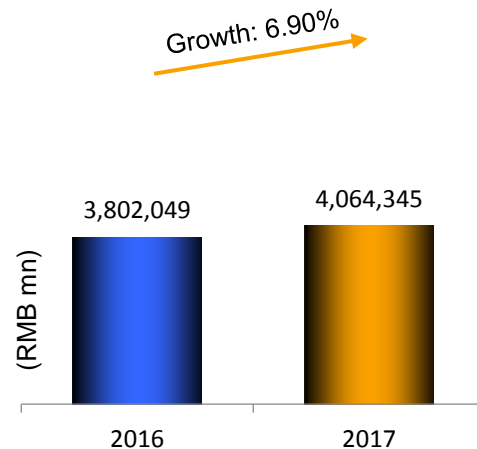
No. of corporate customers



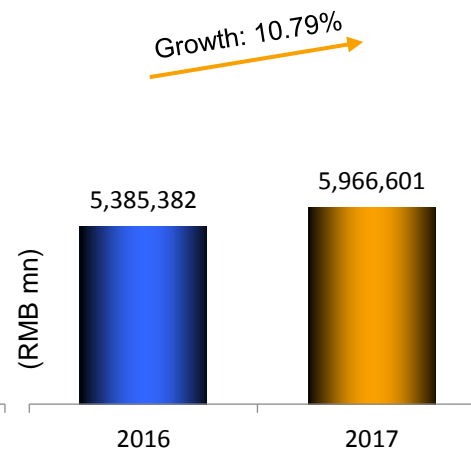
Total loans and advances



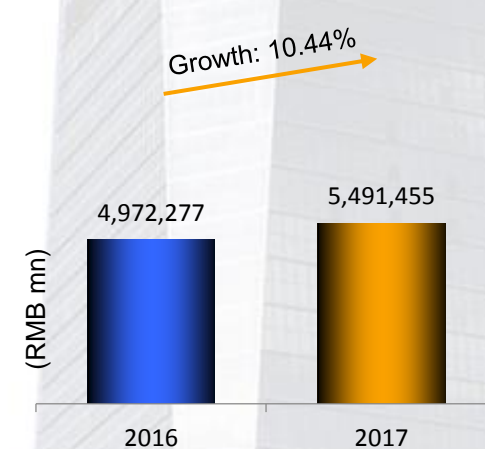
Total deposits from customers



Average daily balance of interest-earning assets



Average daily balance of interest-bearing liabilities

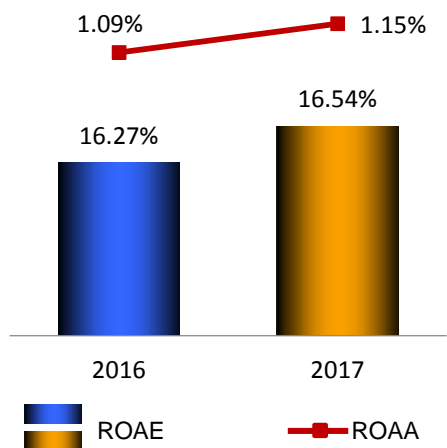


Note:

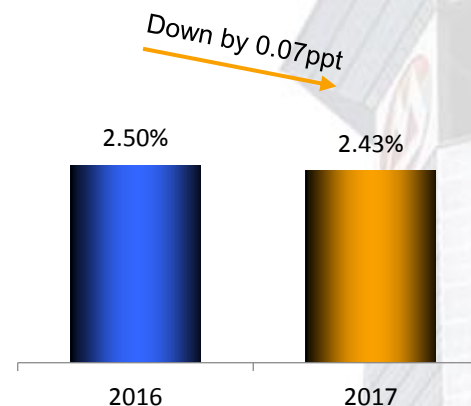
The number of retail customers and the number of corporate customers are based on standalone Bank level.
The number of retail customers is the sum of debit card and credit card customers removing duplication.

Operating efficiency continued to improve

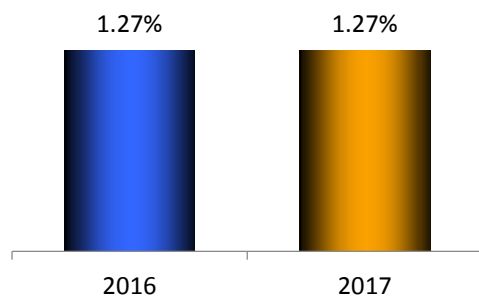
Profitability



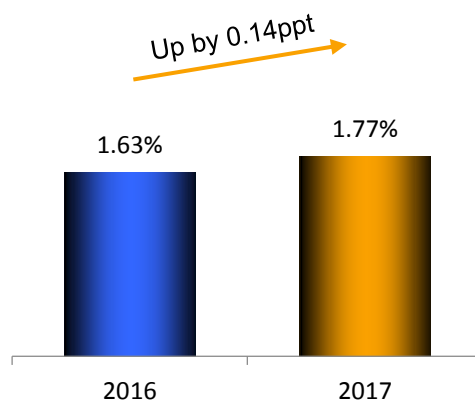
Net interest margin



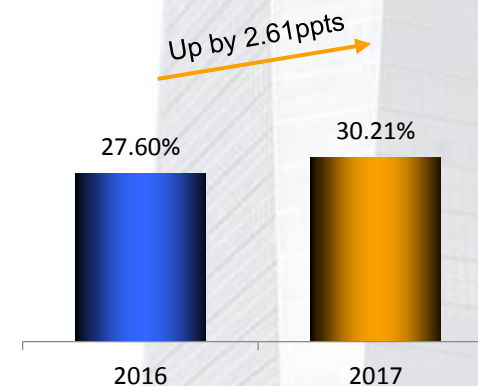
Average cost ratio of deposits from customers



Average cost ratio of interest-bearing liabilities

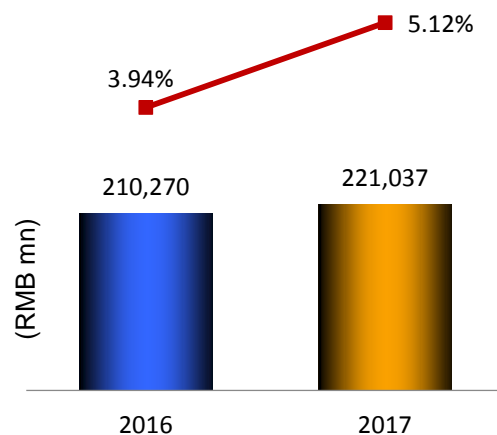


Cost-to-income ratio

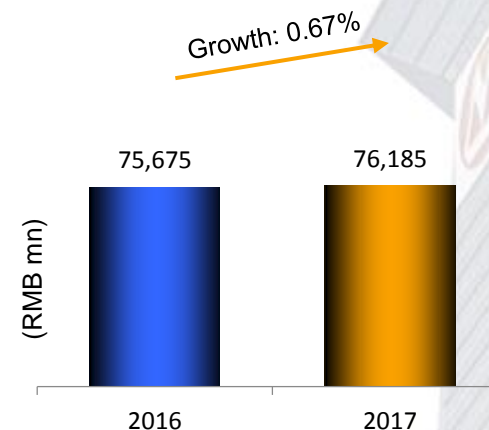


Business structure further optimized

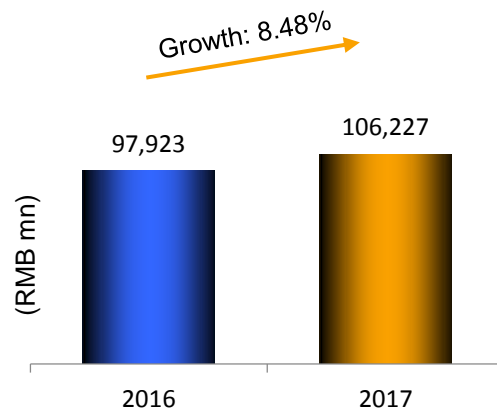
Net operating income and growth rate



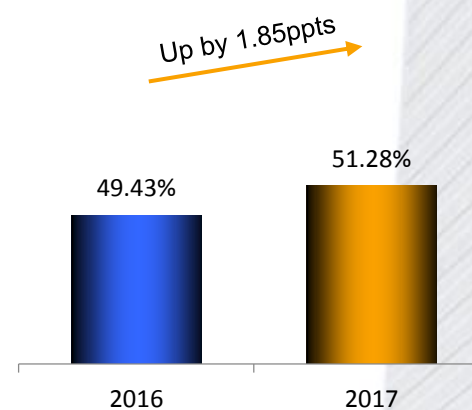
Net non-interest income



Retail finance net operating income

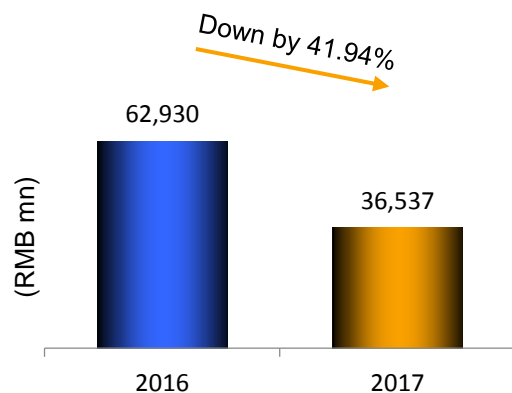


Retail finance net operating income as % of total net operating income

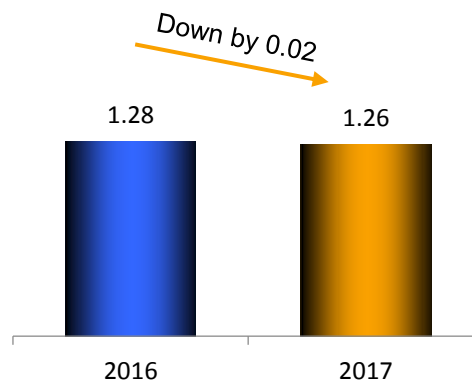


Risk provisioning capacity and internal capital generation capability continued to strengthen

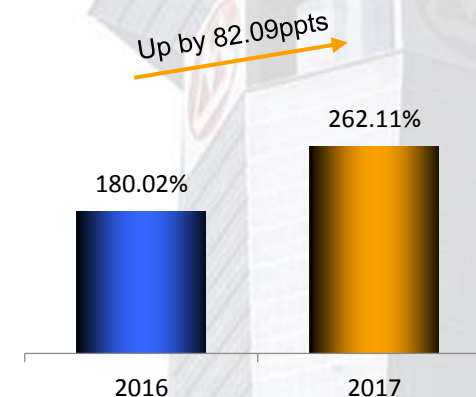
Incremental NPL



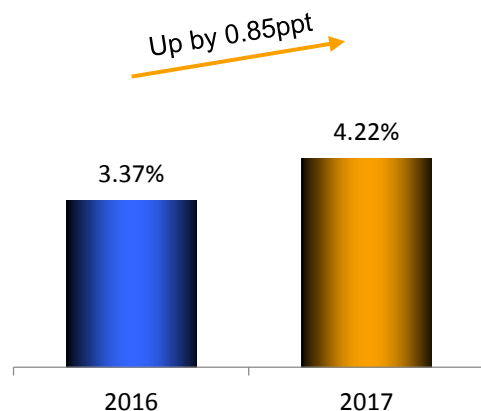
Ratio of NPLs to loans overdue for more than 90 days



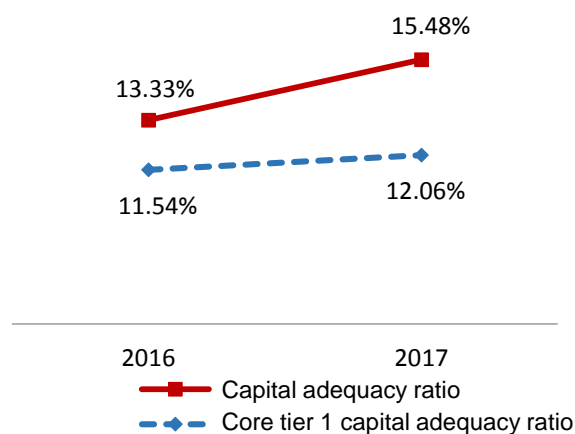
Allowance coverage ratio of NPLs



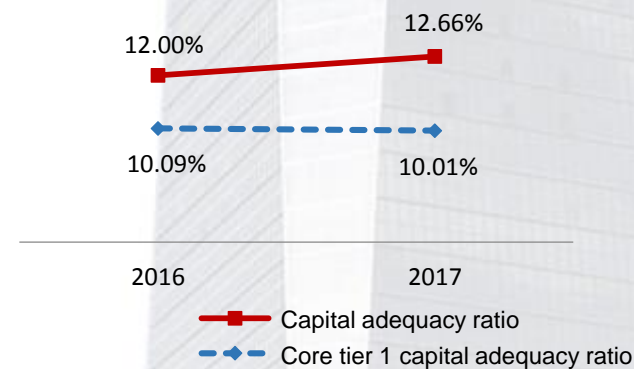
Allowance ratio of loans



Capital adequacy ratio under advanced approach

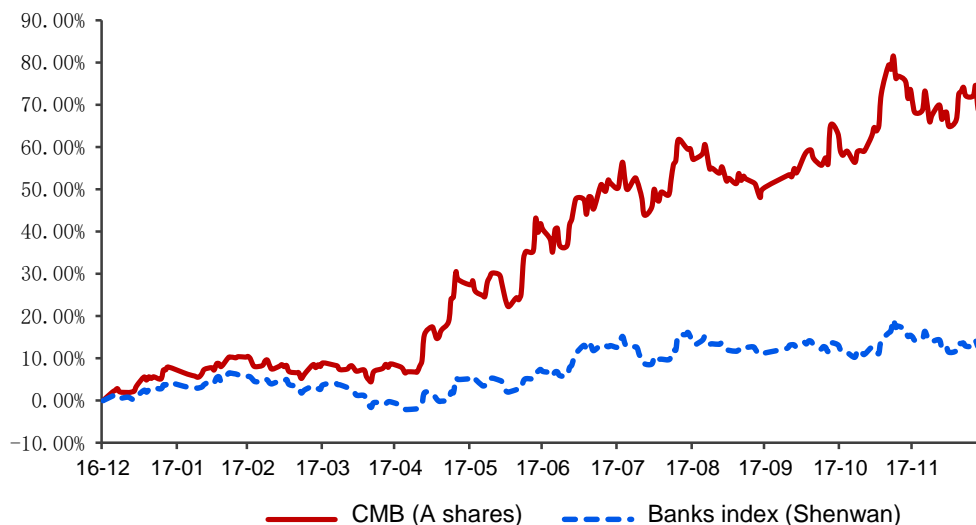


Capital adequacy ratio under weighted approach

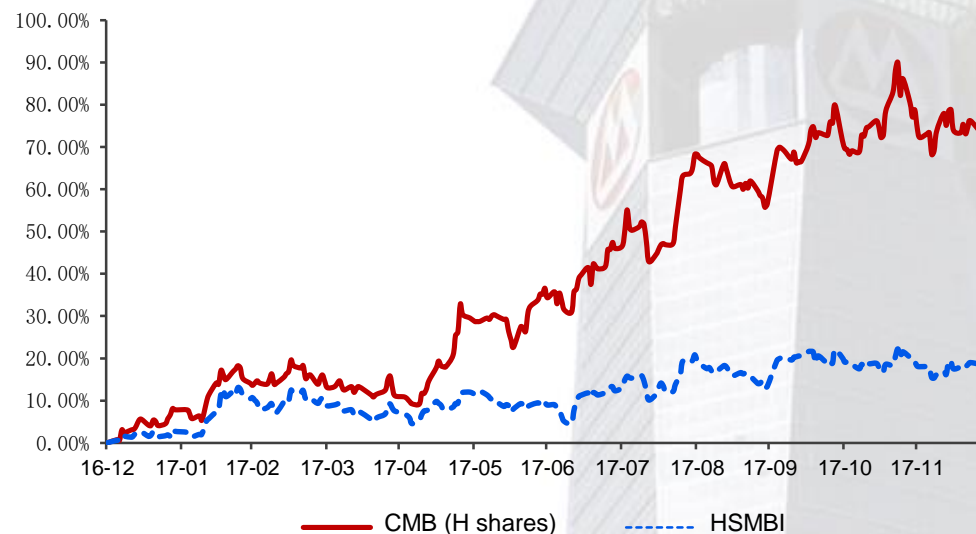


Excellent performance in capital market

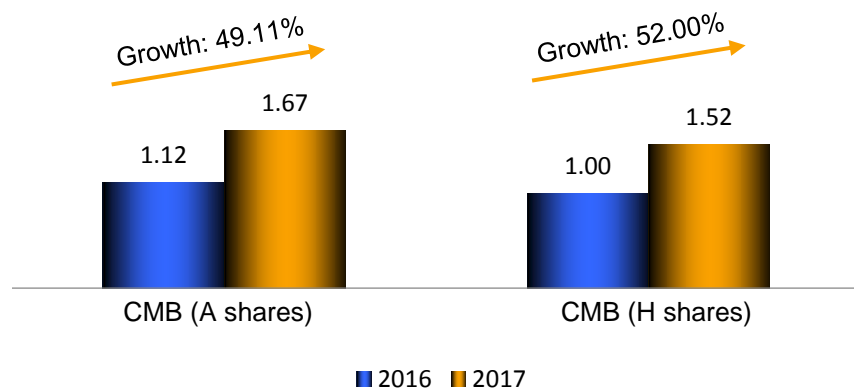
A-share performance



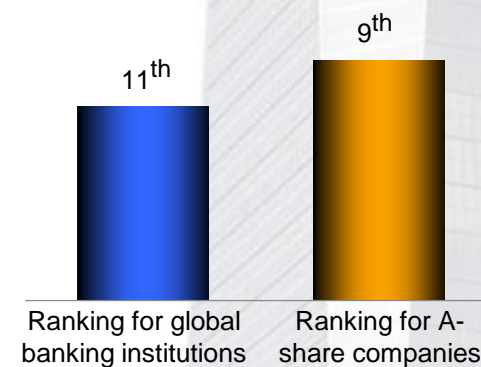
H-share performance



P/B of A+H shares



Rankings of CMB's market cap at the end of 2017



Growing brand recognition



China Banking Association

Ranked first in terms of corporate governance capability and earning sustainability among national commercial banks in China from the "Gyroscope" evaluation in 2017
Public Charity Excellence Project in 2016



The Asian Banker

Best Retail Bank in China for the eighth time in 2017
Best Joint Stock Retail Bank in China for the 13th time in 2017
Best Custodian Bank in China in 2017
Best Private Bank in China in 2017
Best Joint Stock Transaction Bank in China in 2017
Best Joint Stock Cash Management Bank in China in 2017
Best Supply Chain Management Project in China in 2017
Best Cash Management Project in China in 2017
Best Fund Management Service Center in China in 2017
Best Customer Relationship Management Project in China in 2017



Euromoney

Best Private Bank in China for the seventh time in 2017



Private Banker International

Best Private Bank in China for the seventh time consecutively 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 global Top 1000 banks, 2017
Ranked 12th among the global Top 500 Banking Brands



The Asset

Best Custodian Bank in China, 2017
Best Private Bank in China – HNW, 2017
Best Financial Service Transaction Bank in China, 2017
Best Regional Expert Award - Emerging Economies, 2017
Best Trade Finance Solution in China, 2017
Best Supply Chain Solution in China, 2017
Best New Liquidity Management Solution in China, 2017
Best Cash Management Solution in China, 2017
Best Treasury and Working Capital Management in China, 2017



Global Finance

Best Private Bank, 2017
Best Inter-generational Wealth Management Bank, 2017
Best Belt and Road Initiative Award in China, 2017



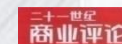
Institutional Investor

Asian (except Japan):
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



Securities Times

Junding Award for Wealth Management Institution in China, 2017
Junding Award for Private Banking Brand in China, 2017
Named in the China Banking Innovation Pioneers List, 2017
Named in the China AI Financial Opening-up List, 2017
Named in the China Emerging AI Investment Advisors List, 2017



21st Century Business Review

New Financial Innovation Award of the Year, 2017
Best Smart Technology Bank of the Year, 2017



Asia Money

"2017 China Fintech Leader": Best National Commercial Bank"

Agenda

1

Overview

2

Operational Information

3

Outlook and Strategies



Further development in a differentiated path while entering second half of strategic transformation



Strengthened leadership in retail finance



Systematic advantages of wholesale finance kept growing



Leading turnaround in asset quality



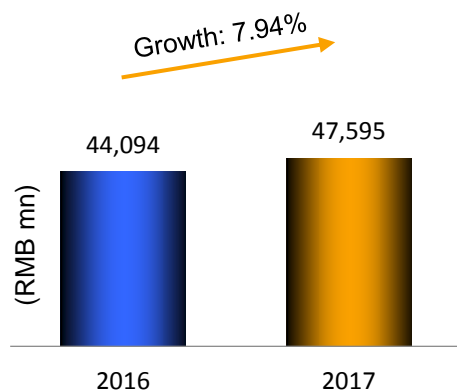
Fintech achieved significant development



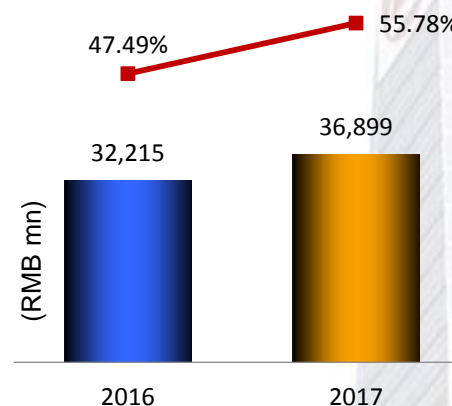
Strengthened leadership in retail finance

Consolidated position as “One Body”

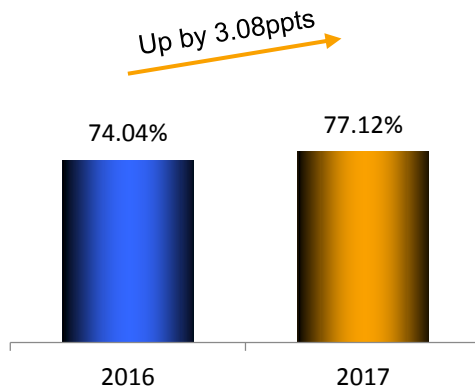
Retail finance profit before tax



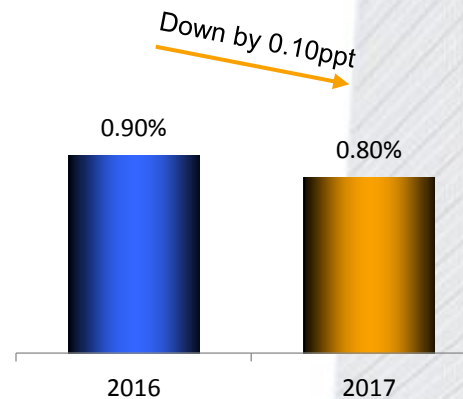
Retail finance net non-interest income and % of total net non-interest income



% of demand deposits in daily average balance of retail deposits

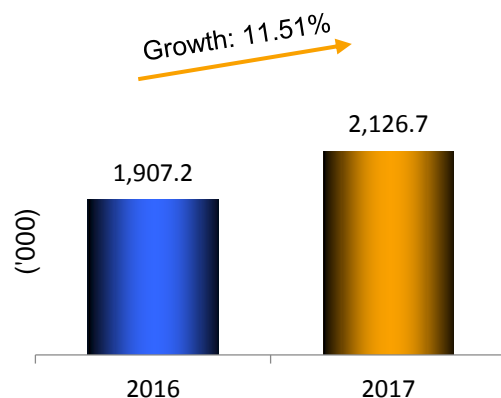


Average cost ratio of retail deposits

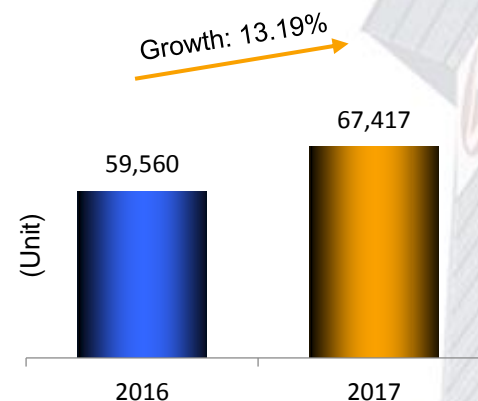


Retail customer recognition continued to increase

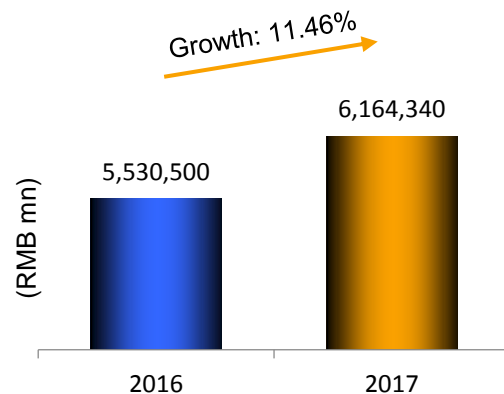
No. of sunflower-level and above customers



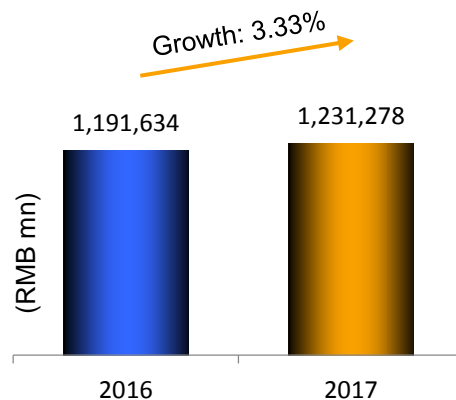
No. of private banking customers



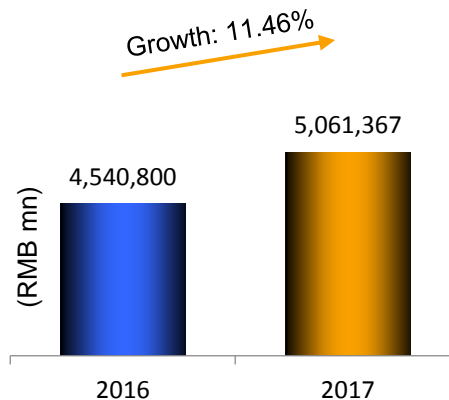
AUM balance from retail customers



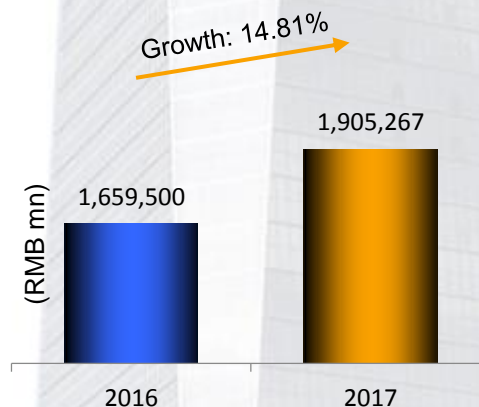
Deposit balance from retail customers



AUM balance from sunflower-level and above customers

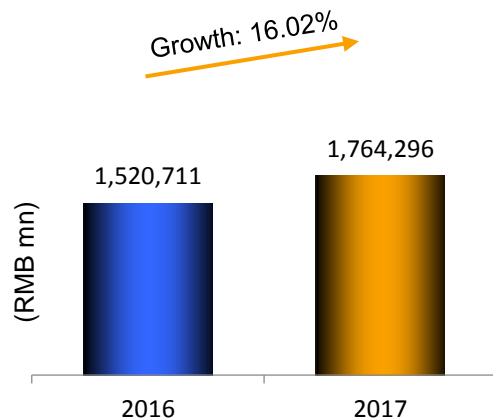


AUM balance from private banking customers

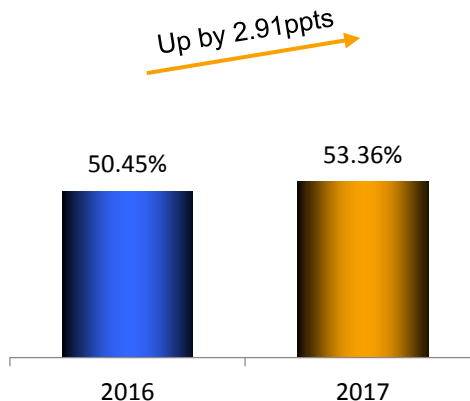


Retail loan structure further optimized

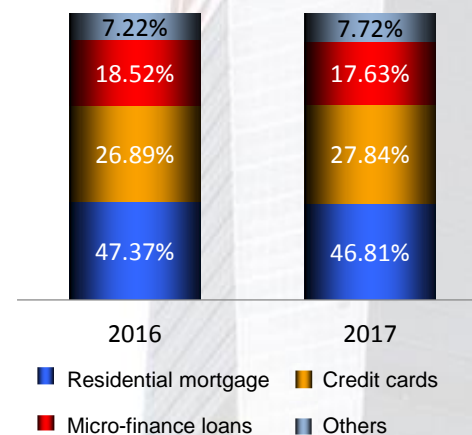
Total retail loans



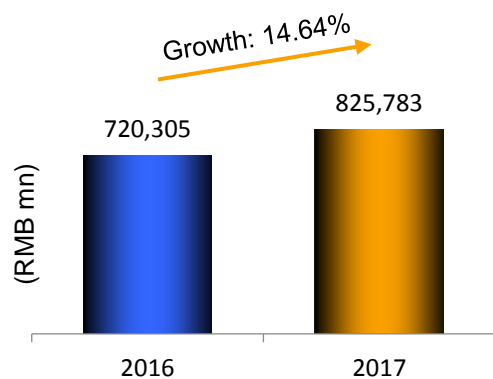
% of retail loans in total loans and advances



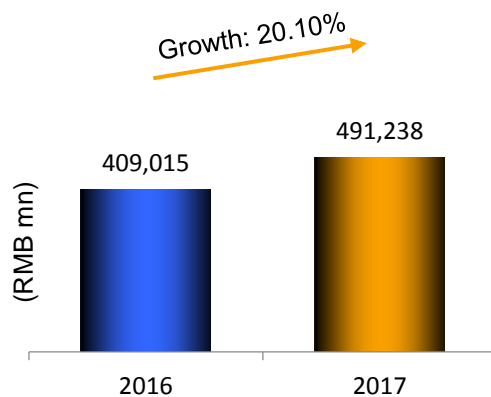
Retail loan structure



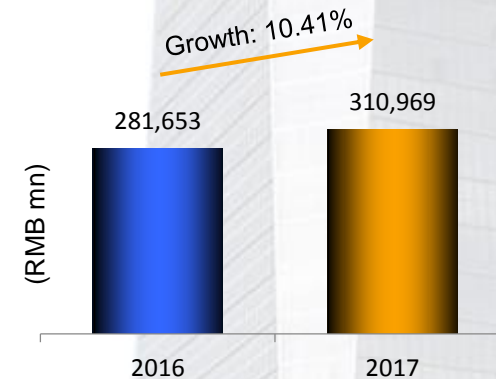
Balance of residential mortgage loans



Balance of credit card loans

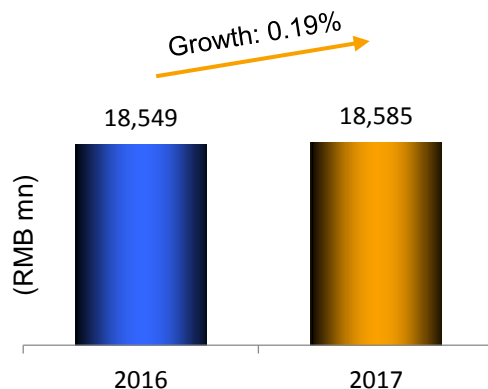


Balance of micro-finance loans

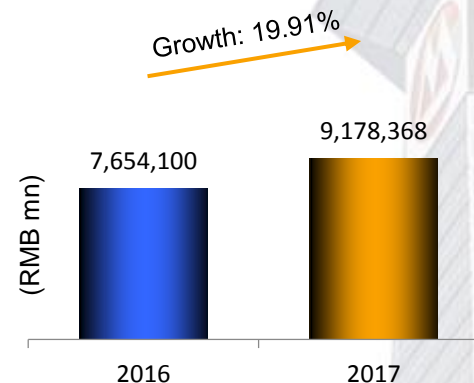


Contribution of retail wealth management grew steadily

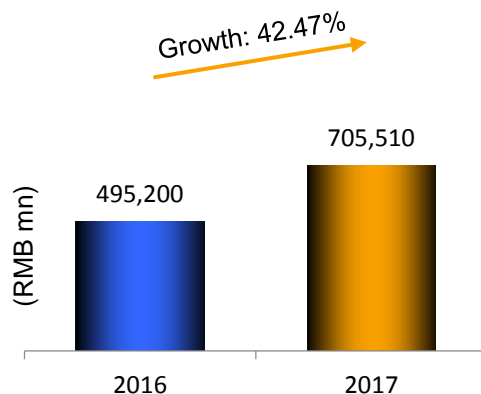
Fee and commission income from retail wealth management



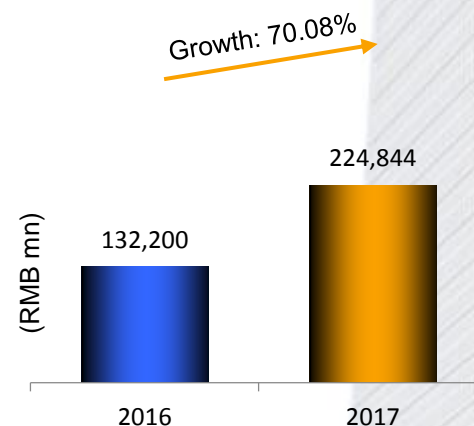
Sales of personal wealth management products



Sales of agency distribution of open-ended funds

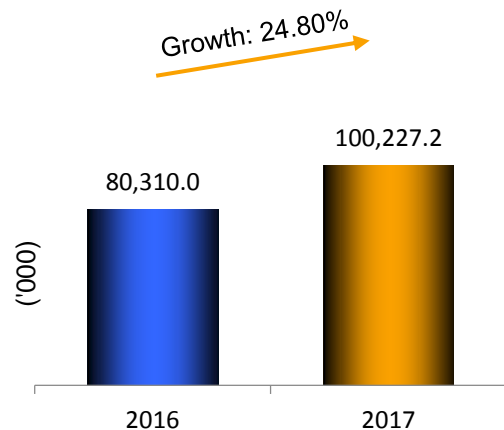


Sales of agency distribution of trust schemes

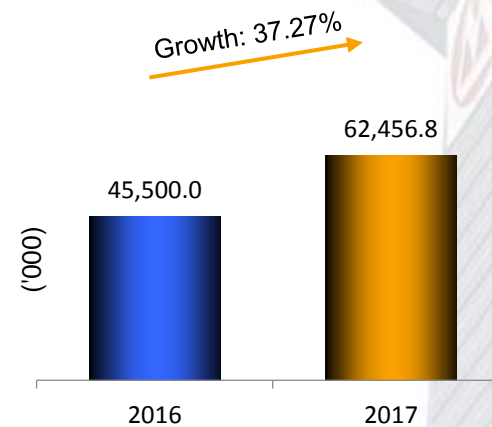


Credit card business showed strong vitality

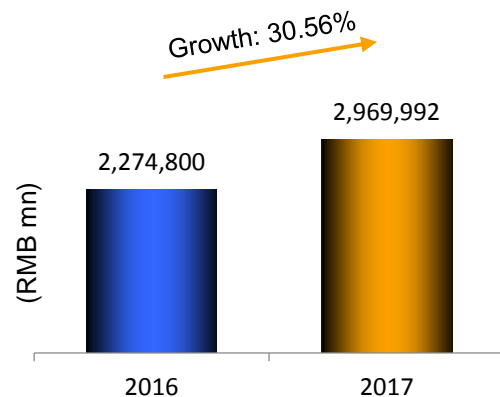
Cumulative No. of credit cards issued



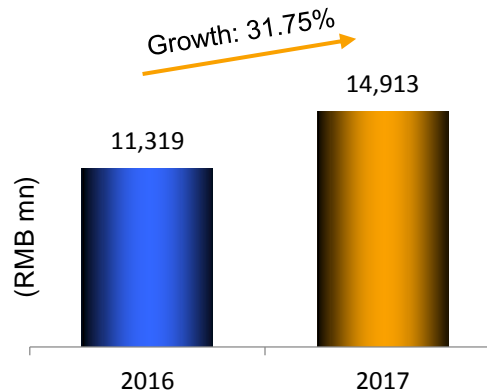
No. of active credit cards



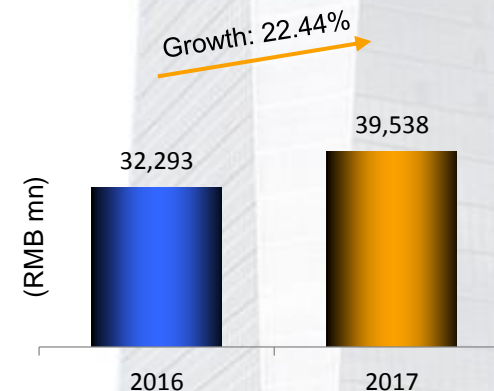
Transaction value of credit cards



Non-interest income from credit cards



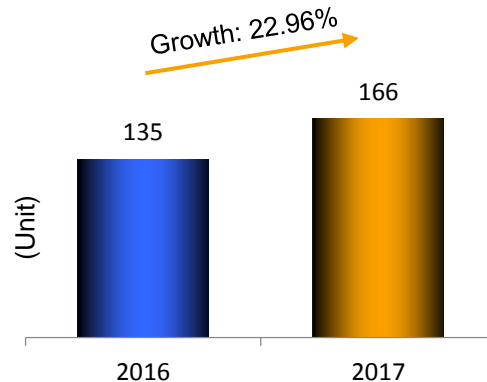
Interest income from credit cards



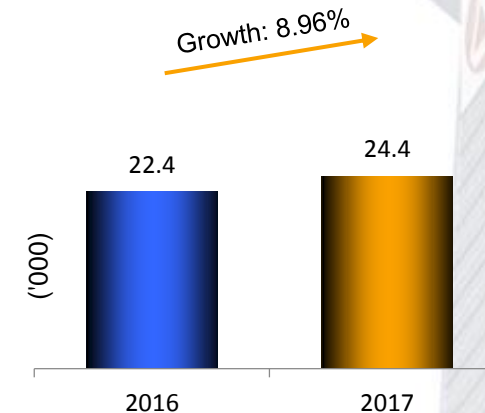
Systematic advantages of wholesale finance kept growing

Corporate customer base developed well

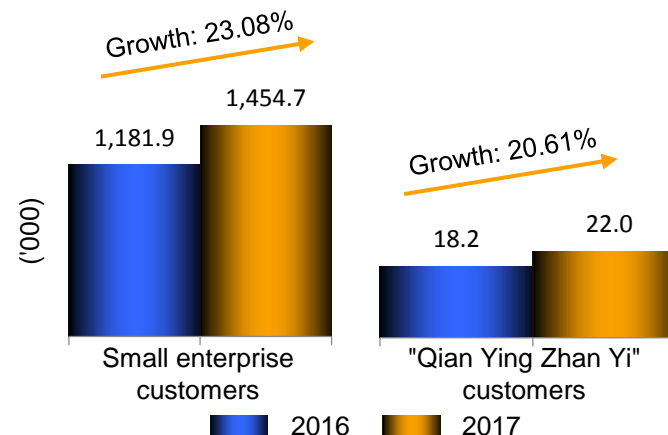
No. of strategic customers
under the Head Office



No. of institutional customers

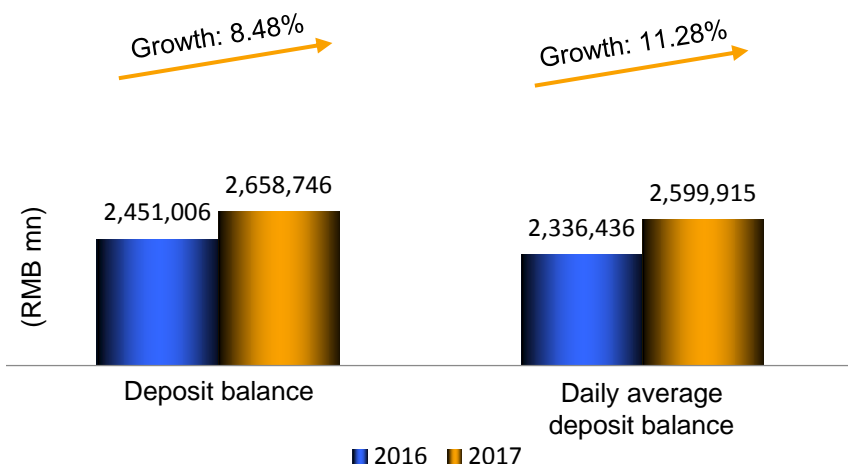


No. of small enterprise customers and
No. of registered customers under "Qian Ying Zhan Yi"

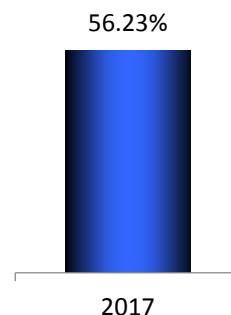


Corporate deposits grew against industrial downturn

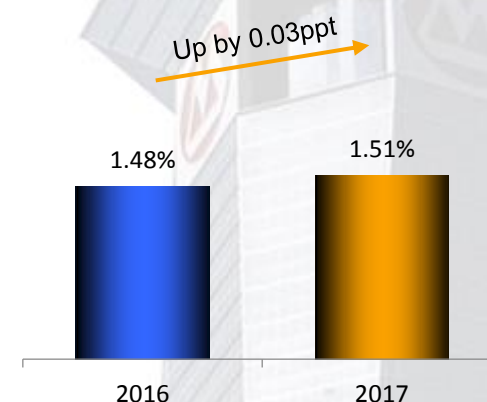
Corporate customer deposit balance and daily average deposit balance



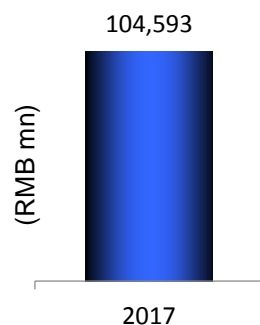
% of demand deposits in daily average balance of corporate deposit



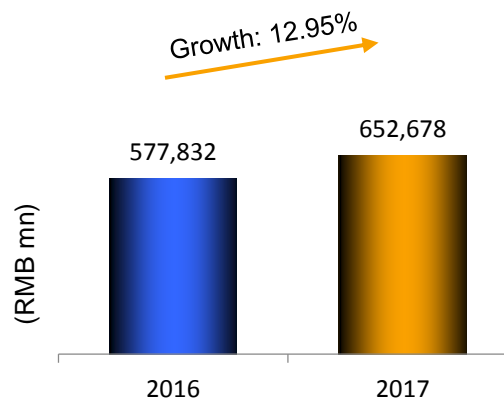
Average cost ratio of corporate deposits



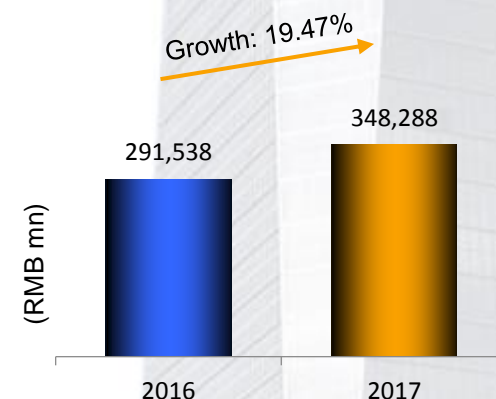
Daily average deposit of newly acquired corporate depositors



Daily average balance of general deposits from institutional customers

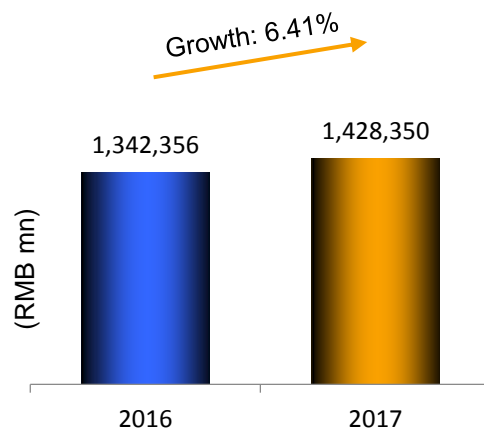


Daily average balance of general deposits from strategic customers under the Head Office

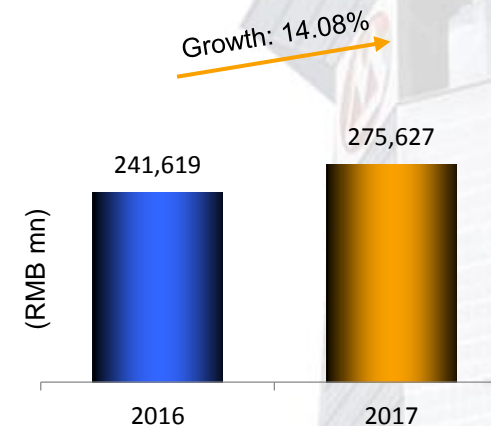


Corporate loan structure kept optimizing

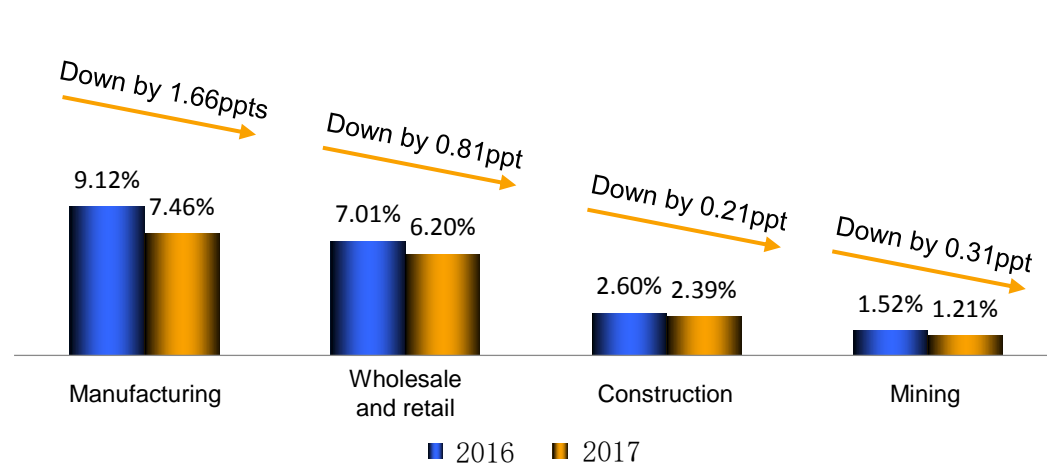
Total corporate loans



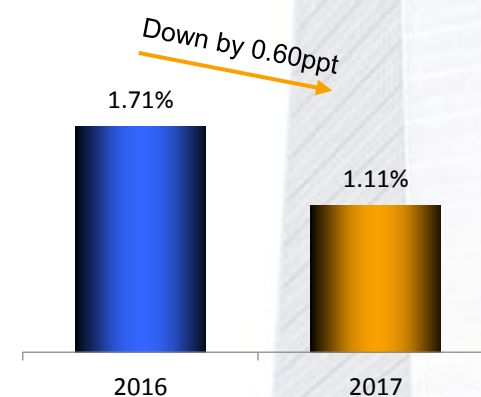
General loan balance of strategic customers under the Head Office



Loans mix by industry

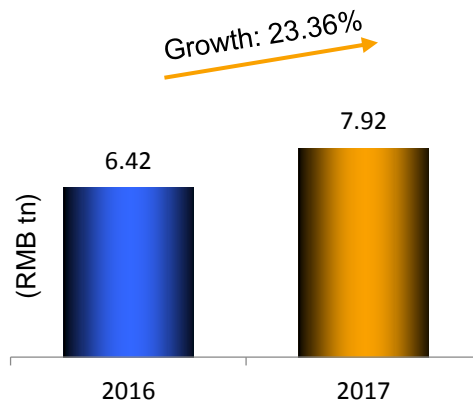


Weighted average possibility of default for domestic non-defaulting corporate customers' exposure

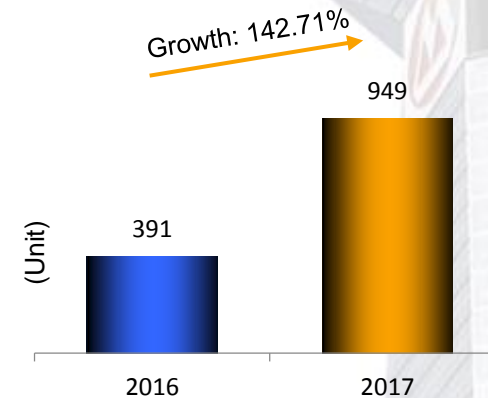


Strong growth in transaction banking

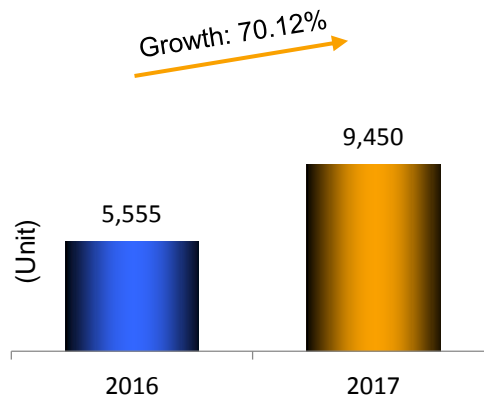
Annual transaction amount of
CBS Cash Management Cloud



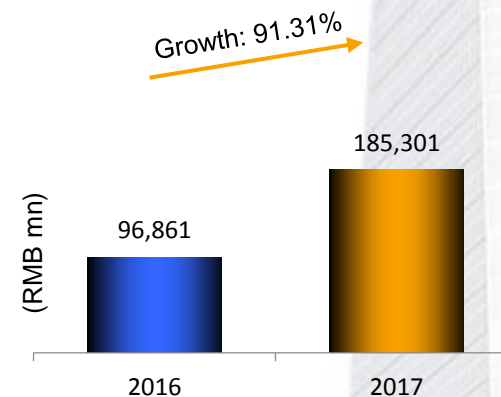
No. of core customers in supply chain finance



No. of upstream and downstream
customers in supply chain finance

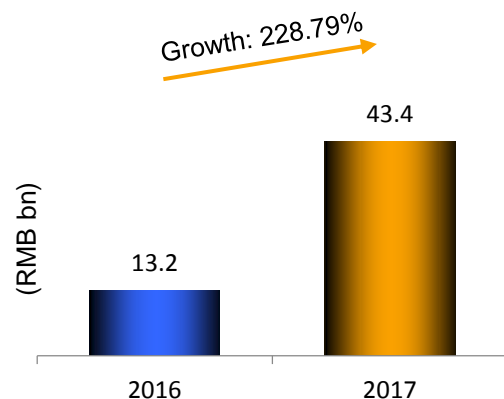


Balance of supply chain finance

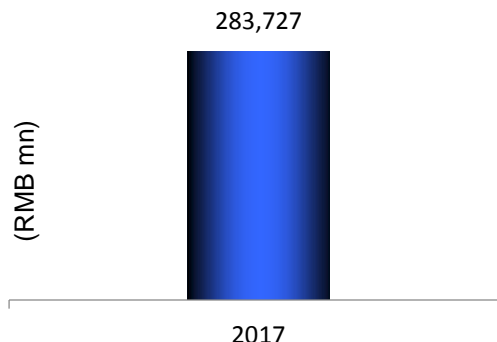


Rapid expansion in investment banking business

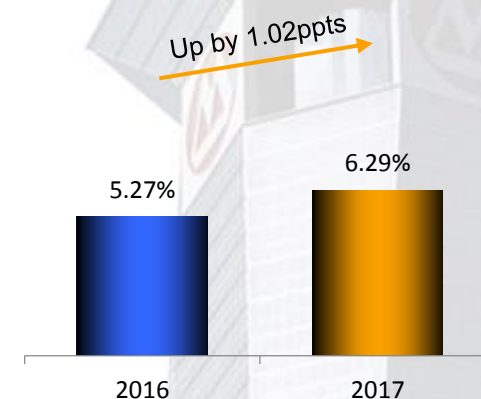
**Market deal matching businesses
In instructural financing**



Value of Lead bonds underwriting

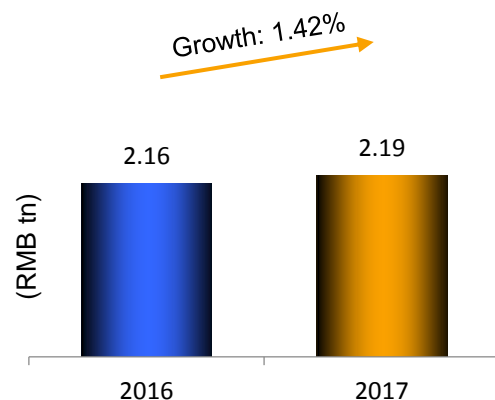


**CMB International's Hong Kong
IPO underwriting market share**

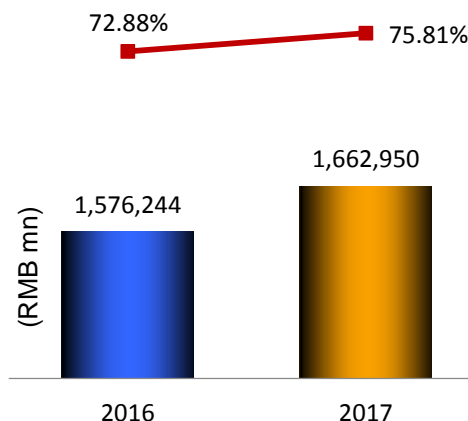


Asset management business grew steadily

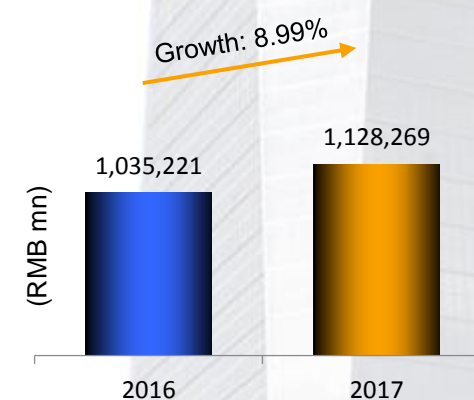
Value of WMPs



**NAV-based product balance
and % of WMP balance**

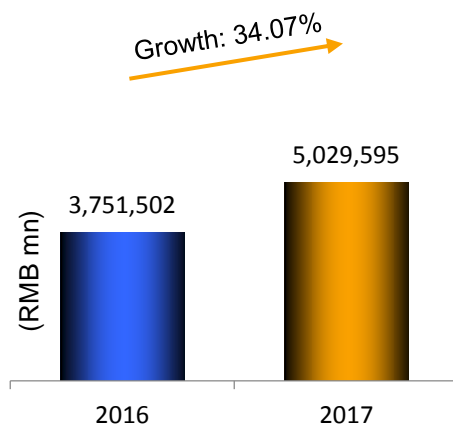


**Balance of wealth management
funds investments in the bond market**

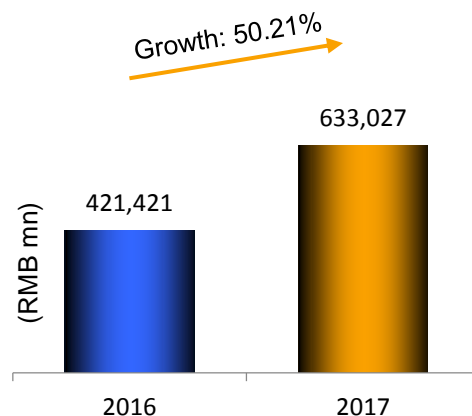


Financial markets business grew against industrial downturn

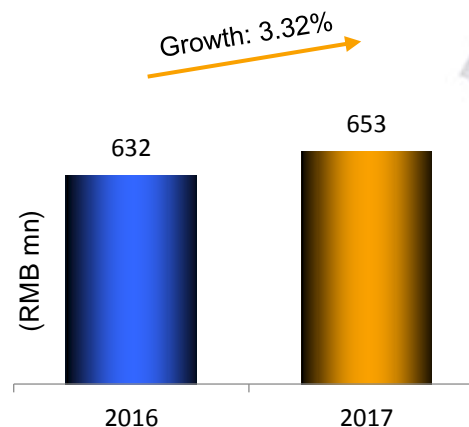
Trading volume of RMB exchange rate swaps



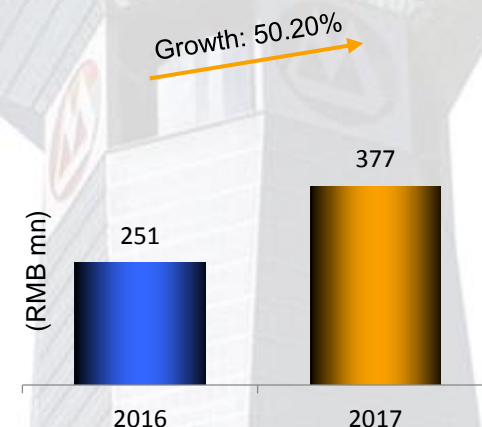
Trading volume of institutional customer derivatives



Income from institutional customer derivatives trading

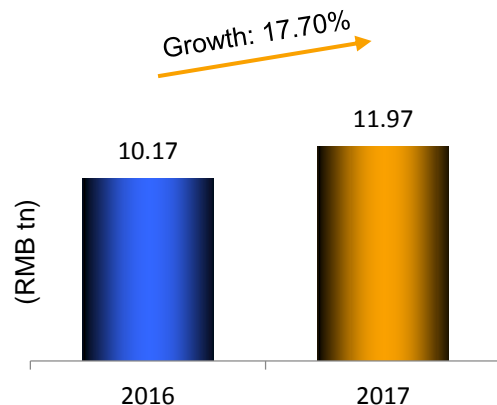


Income from precious metals business

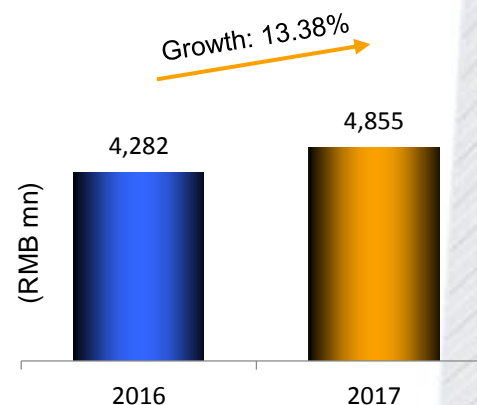


Asset custody business achieved steady development

Balance of entrusted assets



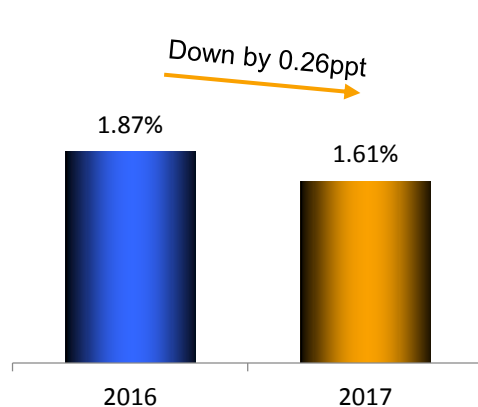
Custodian fee income



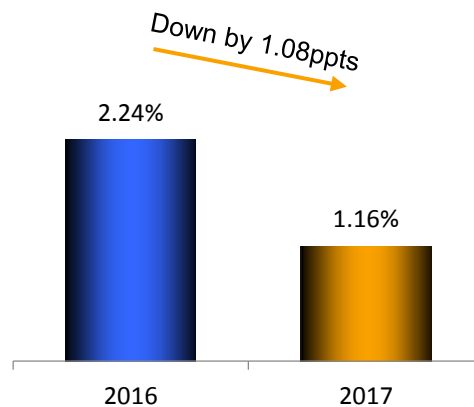


Leading turnaround in asset quality

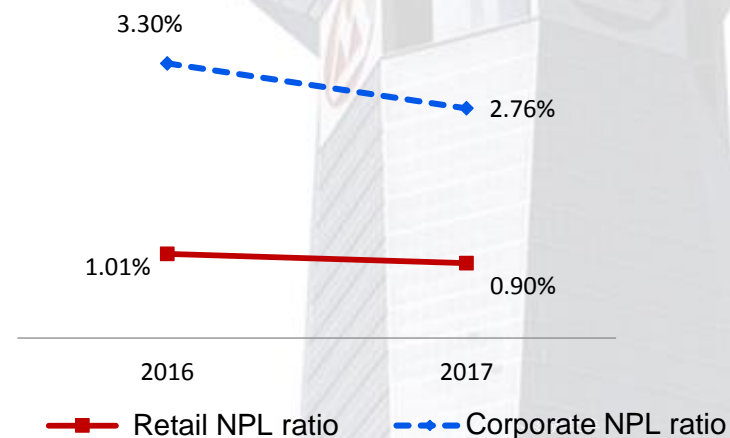
NPL ratio



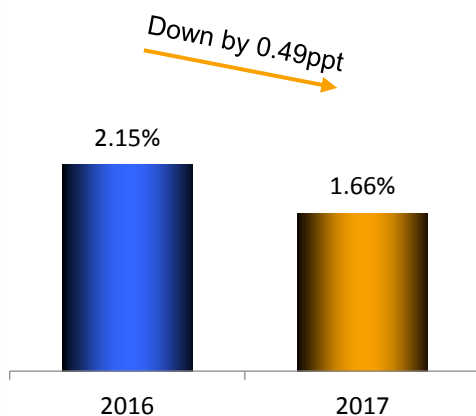
NPL formation ratio



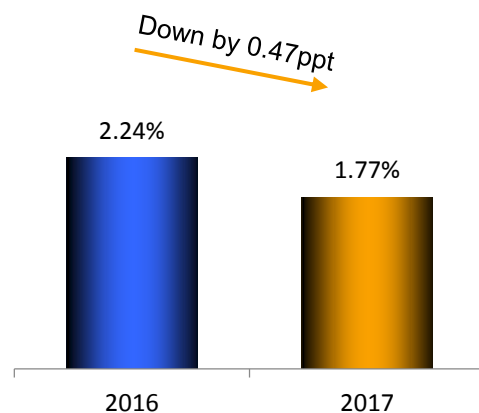
Retail and corporate NPL ratio



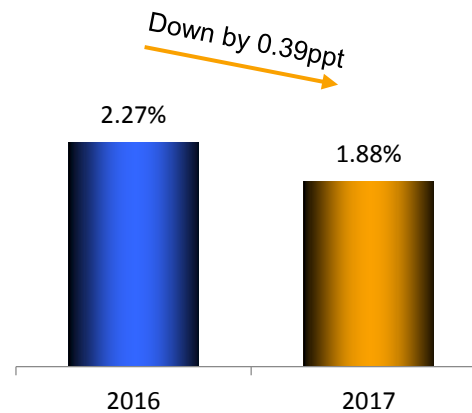
Special-mentioned loan ratio



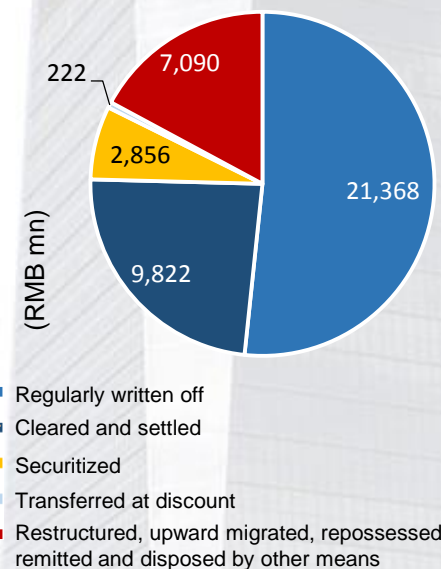
Overdue loan ratio



Credit cost ratio



Disposal of NPLs





Fintech achieved significant development

Infrastructure & organizational structure:

Focused on a stable core accounting platform, a cloud computing & big data platform and an open banking eco-system to transform and develop an internet-driven technology infrastructure

R&D:

More investment in mobile technology, cloud computing, big data, machine learning, internet security, block chain and other emerging areas

System & mechanism:

Pioneered in establishing a Fintech innovation project fund; upgraded the integration level of IT and businesses to develop in a smart way

Strategic position:

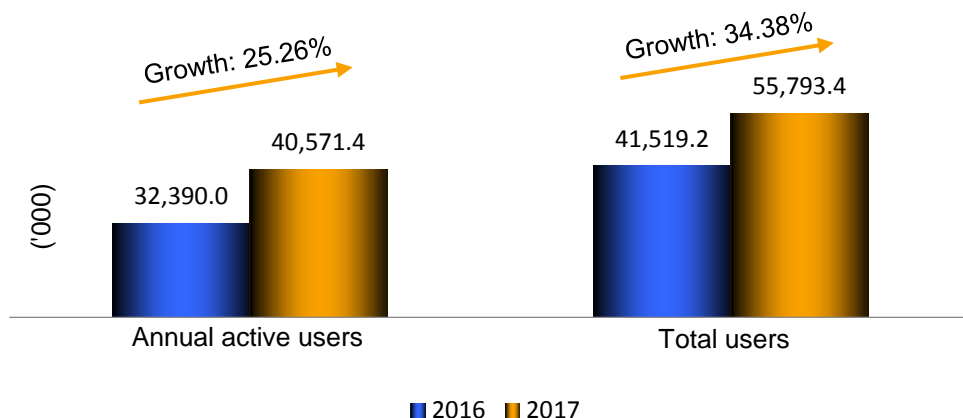
clearly positioned as a “digital bank” to push forward strategic transformation

Business applications:

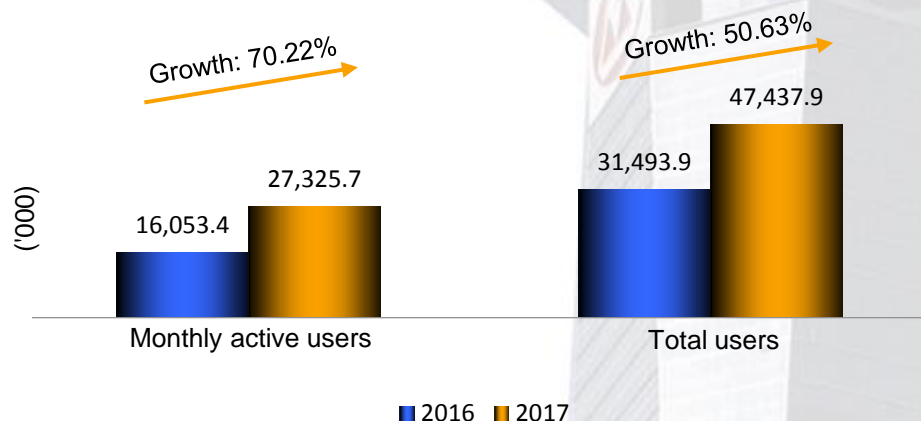
- Promoted business model transformation by “building platform, exploring usage scenarios and managing traffic”
- Improved the level of digitalization and intelligence for marketing, customer acquisition, services, operation and risk control with Fintech

Retail mobile service platforms flourished with innovation

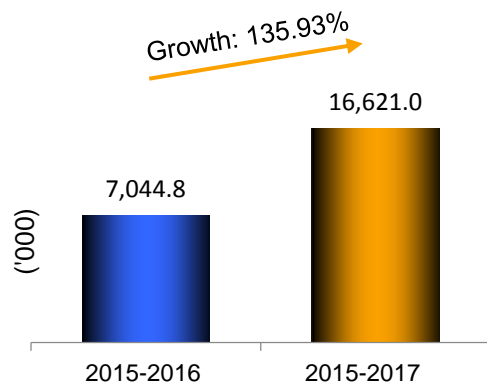
Annual active users and total users of CMB APP



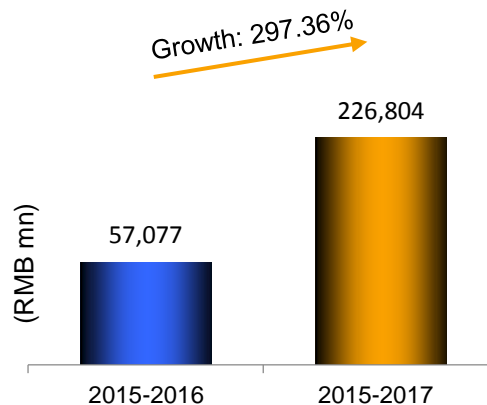
Monthly active users and total users of CMB Life APP



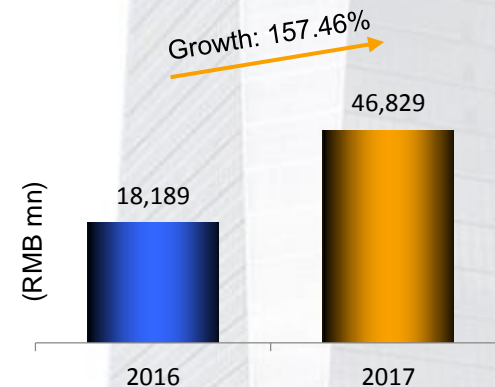
Cumulative No. of customers approved for MUCFC



MUCFC cumulative extended loans

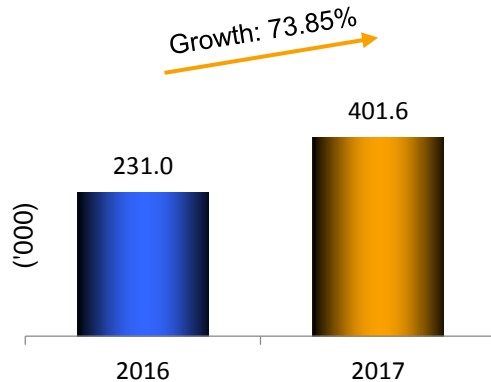


MUCFC loan balance

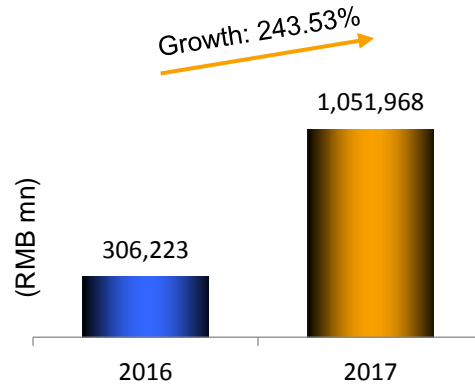


Mobilization and platform development of wholesale finance went forward

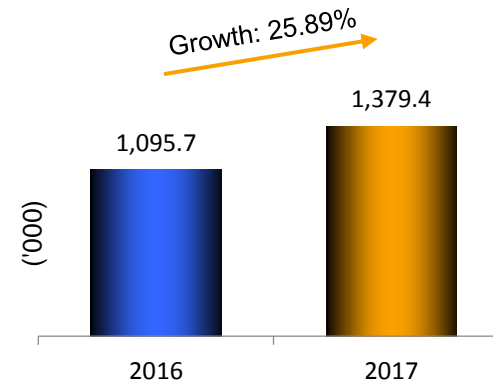
No. of corporate mobile banking customers



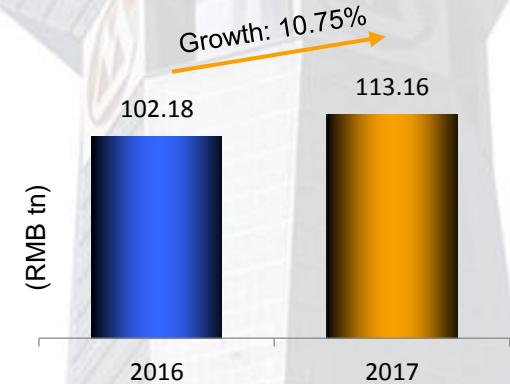
Corporate mobile banking transaction value



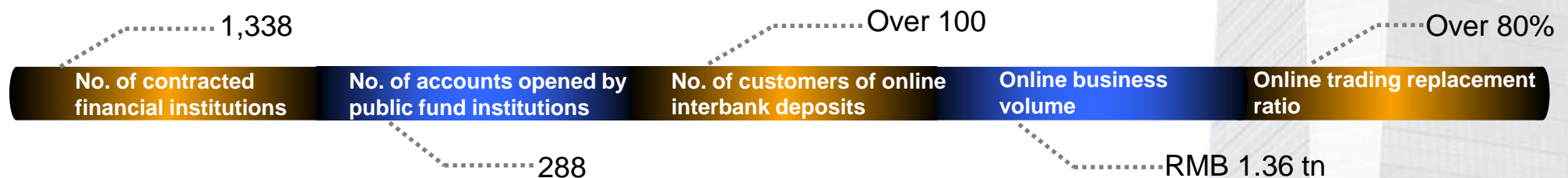
No. of online corporate banking customers



Online corporate banking transaction value



Development of "Zhao Ying Tong" transaction platform for industry peers



Agenda

1

Overview

2

Operational Information

3

Outlook and Strategies



Opportunities

- This year marks the 40th anniversary of China's reform and opening-up. There will be a comprehensive deepening of reform, stimulating the vitality among all kinds of market players and generating more benefits for the sustainable growth of China's economy.
- Currently, China has an even more solid material and technological foundation, a complete industrial system, a huge market scale, abundant human resources, active entrepreneurship and innovation, representing distinct comprehensive advantages. The country has good conditions and capabilities to achieve development with a higher quality.
- The central government adheres to the general work guideline of making progress while maintaining stability, deepens the supply-side structural reform, and implements a proactive fiscal policy and a sound monetary policy, which will be beneficial to a reasonable and healthy growth of the economy, further reinforcing a positive long-term economic outlook.
- The GDP growth target in 2018 is set at 6.5%, which not only maintains a necessary growth, but also meets the requirement of improving the quality of economic development. Consumption and industrial upgrades will bring plenty of new strategic opportunities to banks.
- Consumption and the service sector have played a more significant role in leading economic growth. Retail banking businesses have great potential for development.
- The trend of tightening regulation helps prevent and solve risks, and market participants who adhere to sound and compliant operations will have more advantages.

Challenges

International:




- Despite positive momentum in global economy, geopolitical risks have risen and policy adjustments in major economies and their spillover effects have brought more uncertainties. Therefore, the global economic recovery is becoming harder to predict.
- Resistance to globalization and trade protectionism are getting more intense.
- Increasing expectations in global rate hike and balance sheet shrinking of US Federal Reserve will tighten global liquidity.

Domestic:

- The domestic economy is at a crucial stage in terms of changing development model, optimization of economic structure and transformation of economic growth drivers. The switch between the new and old economic growth drivers has not been completed yet, and there is a need to deal with predictable and unpredictable risk challenges.
- The monetary policy will be prudent, neutral and appropriately balanced, while the market liquidity will show characteristics of being “tight balance”.
- The supply-side structural reform continues to deepen, and overcapacity and “zombie enterprises” will be further eliminated. Both the demand for expansion and the quality of existing assets under the “de-leveraging” environment could be under pressure.
- Strong supervision prevents and resolves financial systematic risks. However, the business models of market players may face adjustments in the short term and the market may need an adaptation period, which could create certain pressure.
- With Fintech further penetrating into the banking industry, it will bring a huge impact on the traditional business model.

Business strategy

While the country is entering a new era and the banking industry is witnessing strong signs of polarization, we will adhere to the business philosophy of “pursuing a balanced development among quality, profitability and scale”, seize strategic opportunities, strive to take the lead in a new round of transformation, make new achievements and get a new look. The main business initiatives for 2018 are:

-  We will keep focusing on the strategic goal of “light-operation bank” strategy and strategic positioning of “One Body with Two Wings” and consolidate strategic achievement. Meanwhile, we are also dedicated to build new strengths in the new era with the mentality of starting from scratch.
-  While asset quality is showing an obvious trend of improvement, we still need to attach great importance to the test of asset quality and financial risks, further strengthen risk management by addressing both problems and their root causes with more efforts focused on tackling the "root causes", firmly follow our strategic direction and continue business structural adjustment to prevent and mitigate material risks. We will continue to enhance the intelligent level of risk control by building a full-range, full-process, all-type and all-data coverage in risk management.
-  To promote our core competitiveness, we will build the “digital bank” and rely on an "innovation + talent" dual-driver growth model. On the innovation side, the quota of Fintech innovation project fund will be raised from 1% of pre-tax profits to 1% of operating income. We will explore business model innovation in a subversive manner, increase innovation investment and encourage innovation enthusiasm with a fault-tolerant thinking, expand cooperation system and promote a unique digital ecology with a win-win mentality. On the talent side, we plan to further improve our market-oriented incentive mechanism, make more efforts to better serve and encourage talents and stimulate the potential and vitality of talents.



Q&A

