



招商銀行
CHINA MERCHANTS BANK



China Merchants Bank Co., Ltd.

2018 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.

Note: 1) In this presentation, unless otherwise indicated, all financials are on standalone Bank level (certain 2017 financials are subject to retroactive adjustment)

2) Unless otherwise indicated, all data shown in this presentation is based on IFRS and denominated in RMB

3) Some data shown may be subject to rounding.



1

Overview

2

Operational Information

3

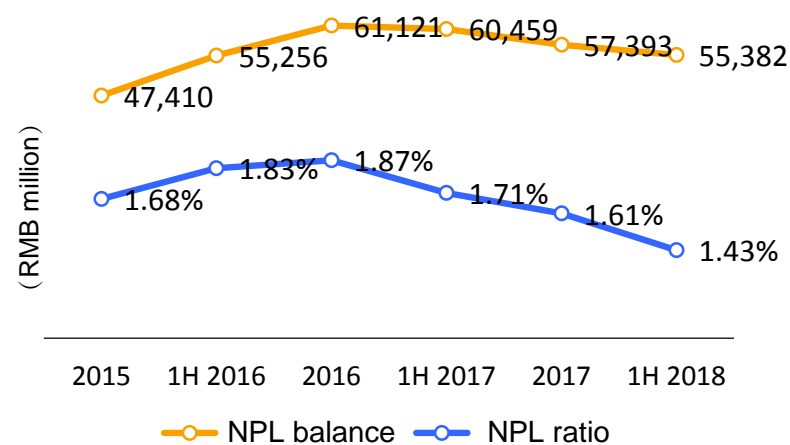
Outlook and Strategies

Quality, profitability and scale maintained balanced development

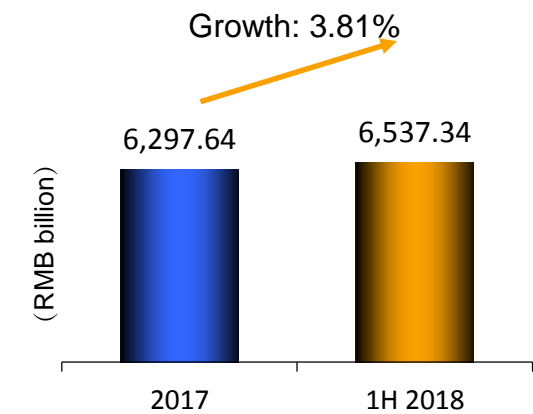
Net profit attributable to shareholders of the Bank



NPL balance and ratio

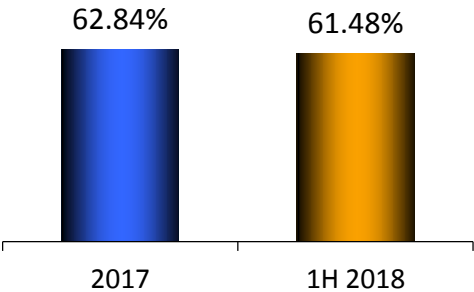


Total assets

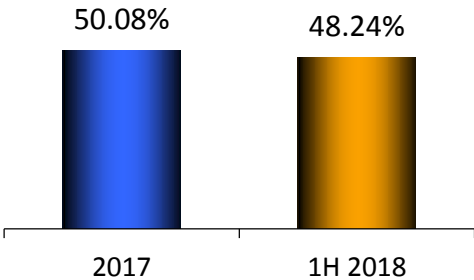


Operating quality further improved

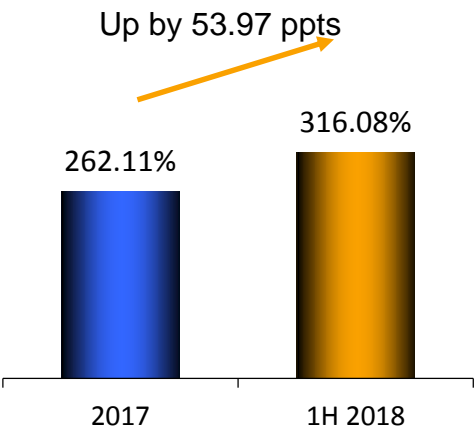
% of demand deposits



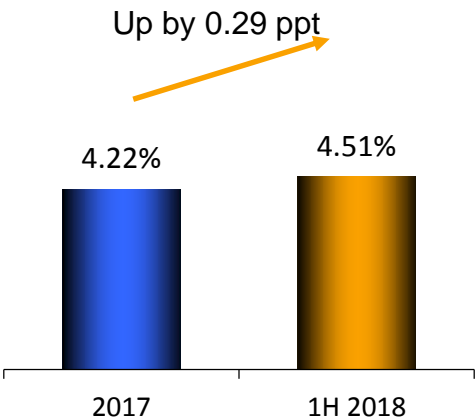
% of retail deposits



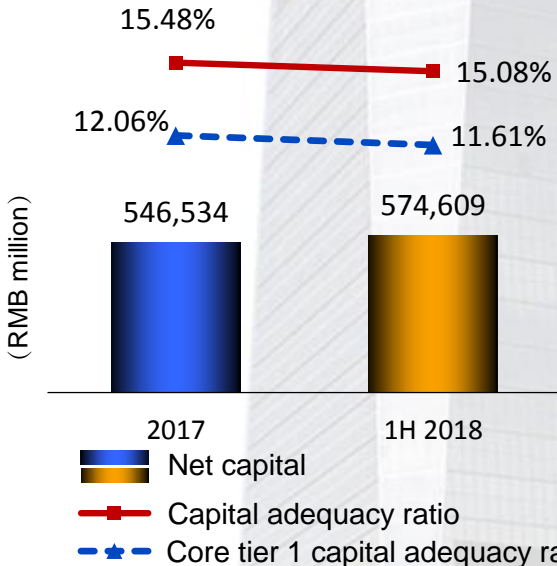
Coverage ratio of NPLs



Loan provision ratio

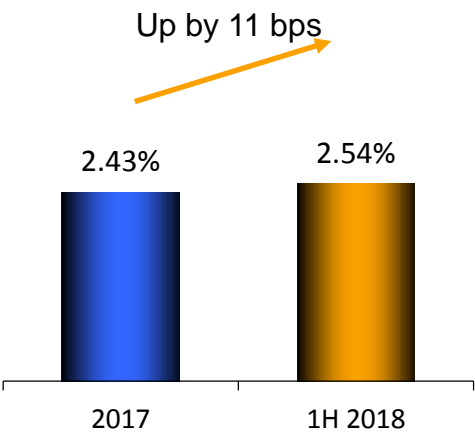


Capital adequacy ratio (advanced approach)

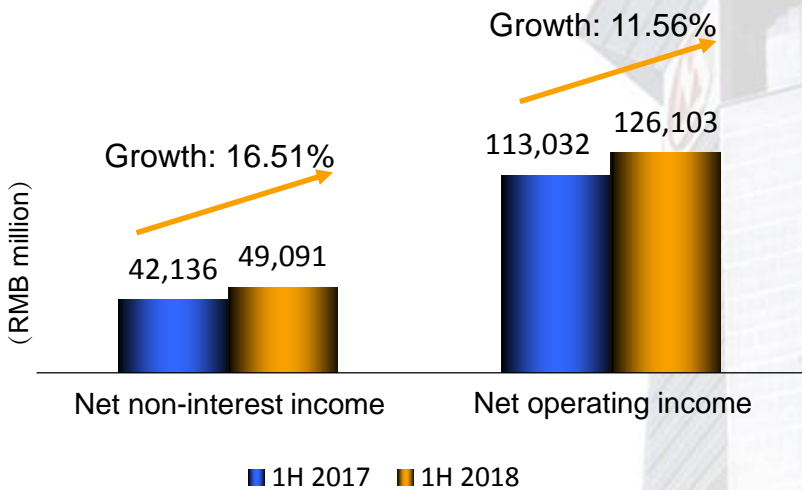


Core profitability continued to improve

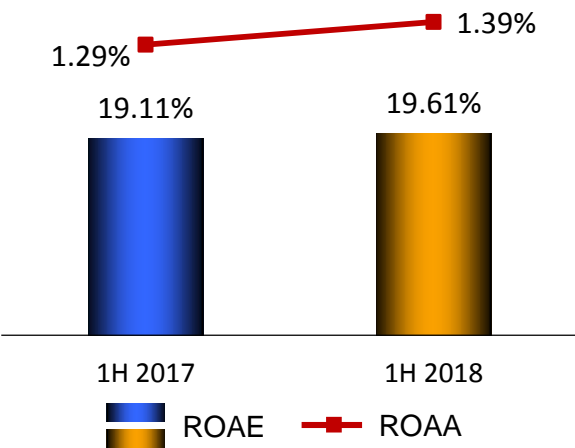
Net interest margin



Net non-interest income and net operating income

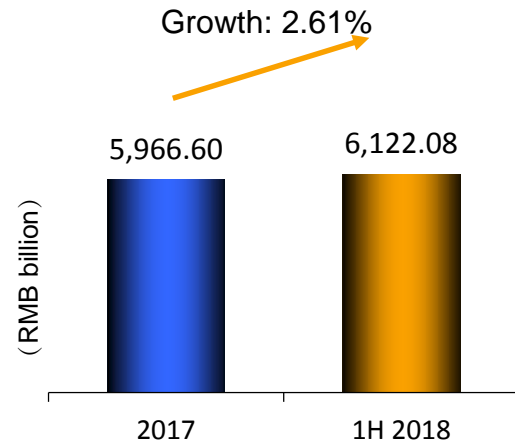


ROAA & ROAE

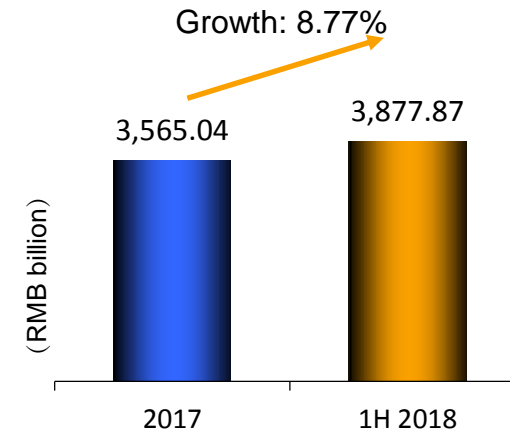


Business scales grew steadily

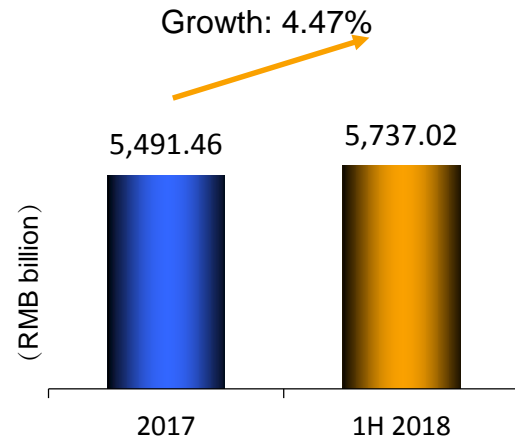
Daily average balance of interest-earning assets



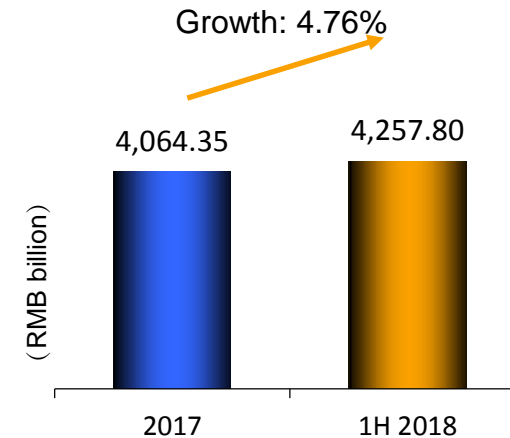
Total loans and advances



Daily average balance of interest-bearing liabilities



Total deposits from customers





1

Overview

2

Operational Information

3

Outlook and Strategies



Excellent business performance



Improving asset quality



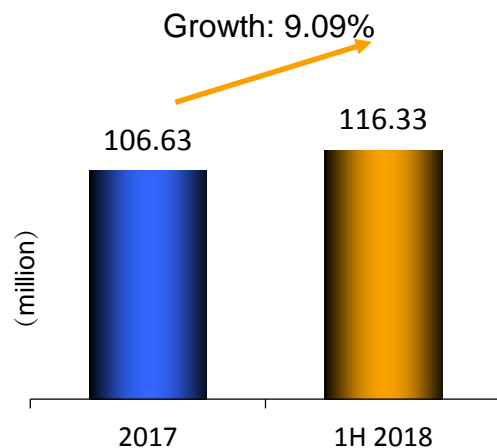
Prompting Digital Bank transformation

Enhanced customer experience boosted customer stickiness

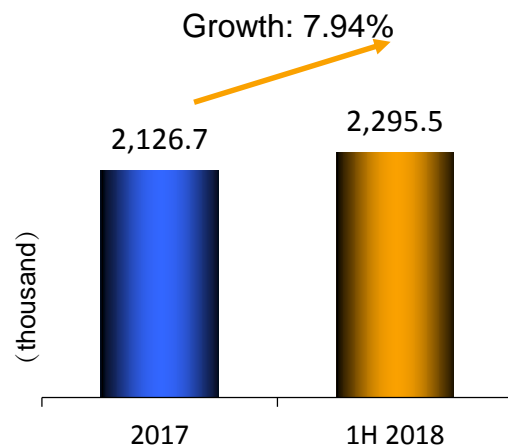
Unifying scenario, connecting services, and optimizing the end-to-end retail customer journey



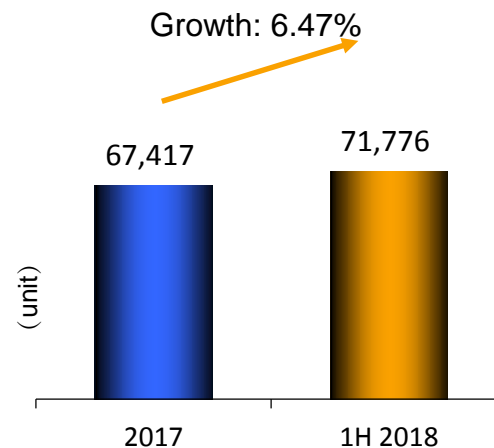
No. of retail customers



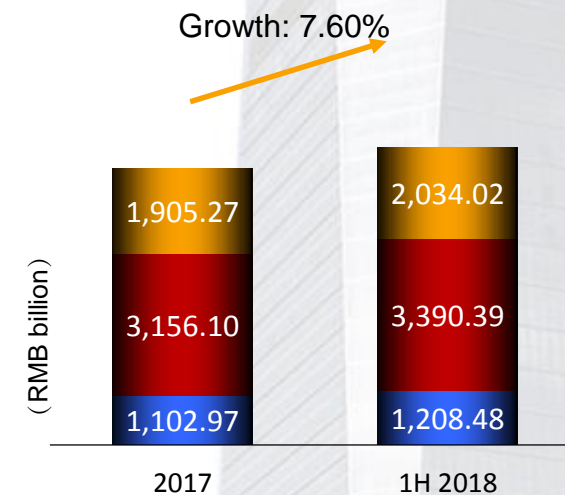
No. of Sunflower-level and above customers



No. of private banking customers

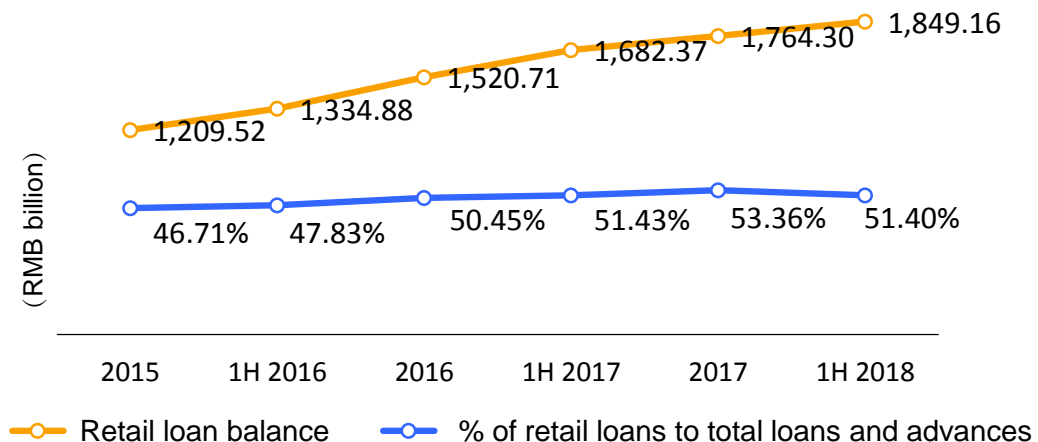


AUM balance from retail customers



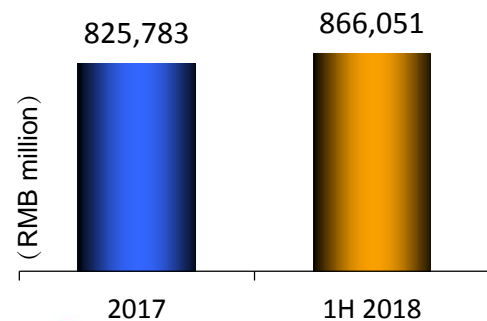
Retail loan structure further optimized

Balance and % of retail loans



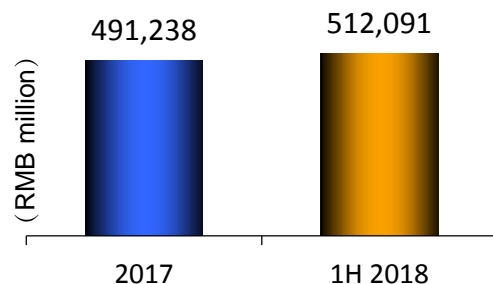
Balance of residential mortgage loans

Growth: 4.88%



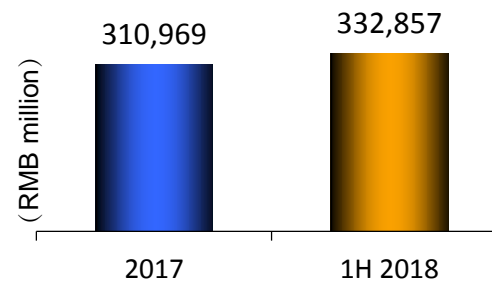
Balance of credit card loans

Growth: 4.24%

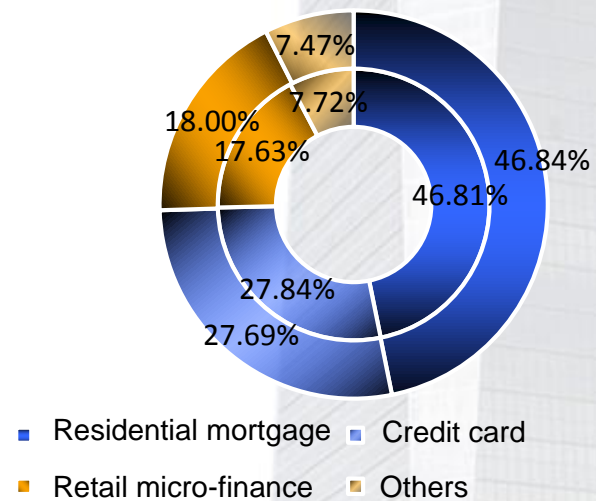


Balance of micro-finance loans

Growth: 7.04%

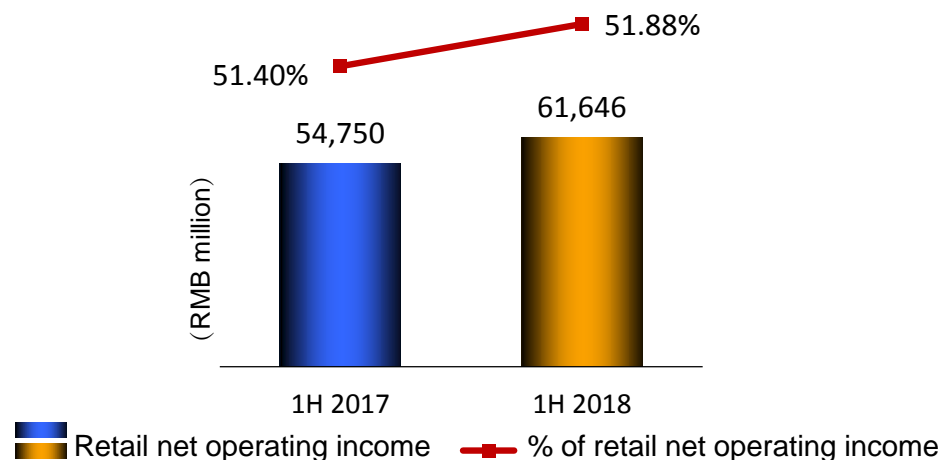


Retail loan structure
(Inner: 2017, outward: 1H 2018)

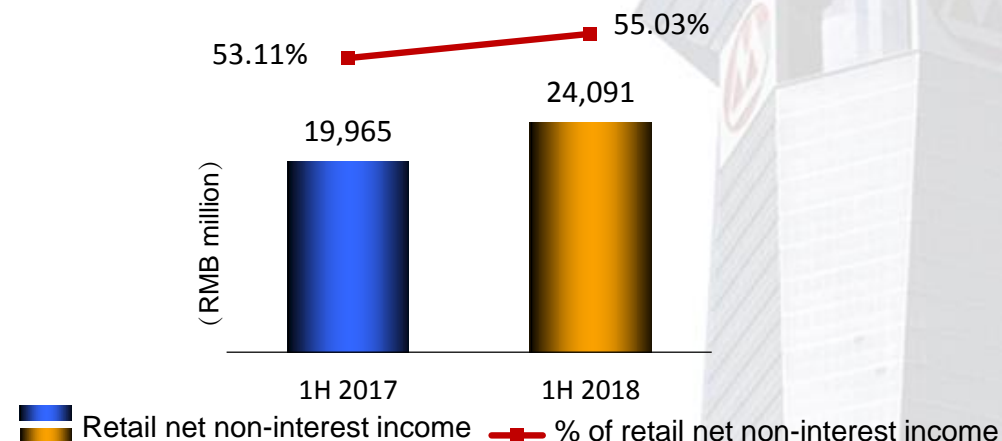


Strengthened advantage of retail business

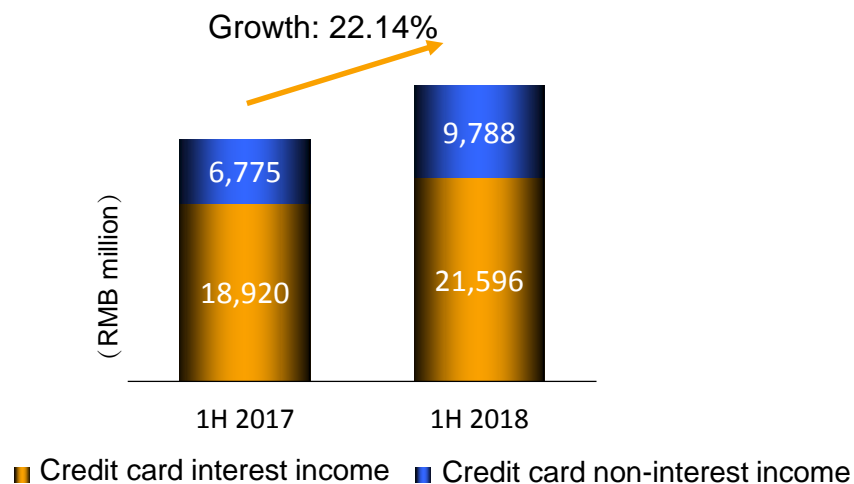
Net operating income and % of retail business



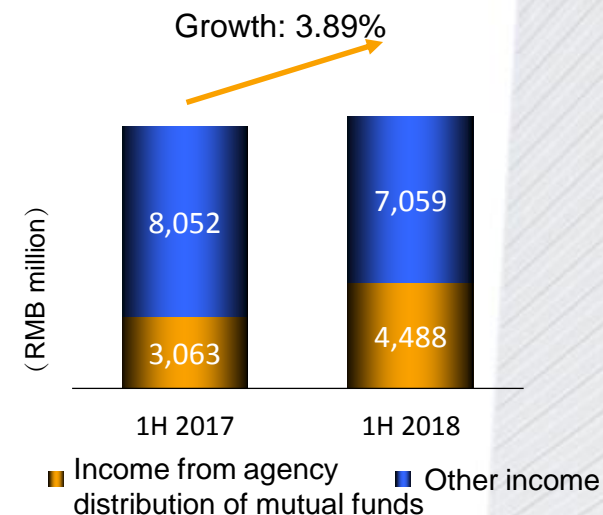
Net non-interest income and % of retail business



Interest income and non-interest income from credit cards

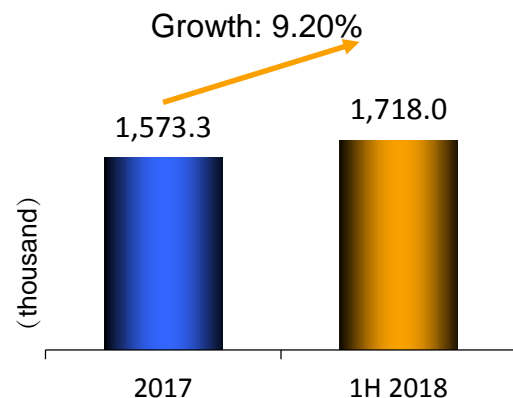


Fee and commission income from retail wealth management

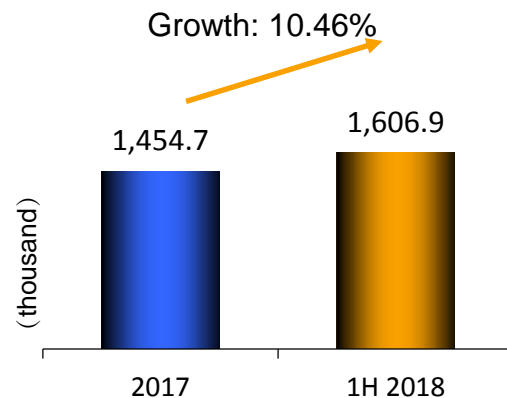


Increasing corporate customer base and deposits

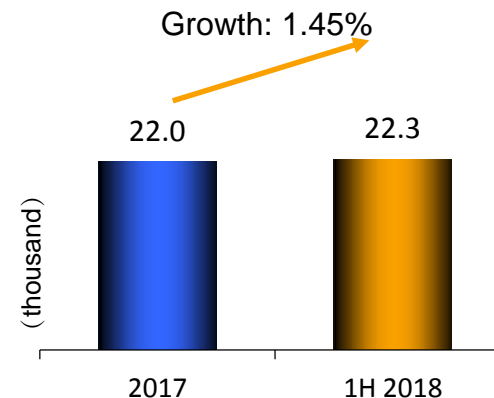
No. of corporate customers



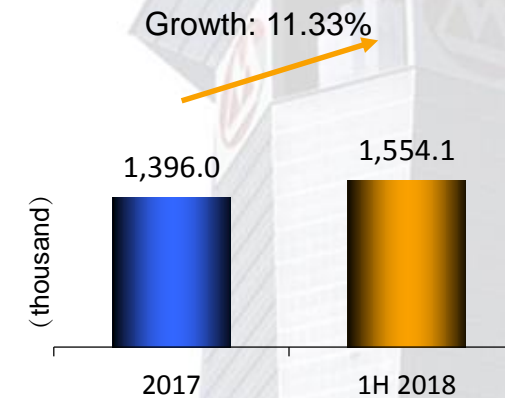
No. of small enterprise customers



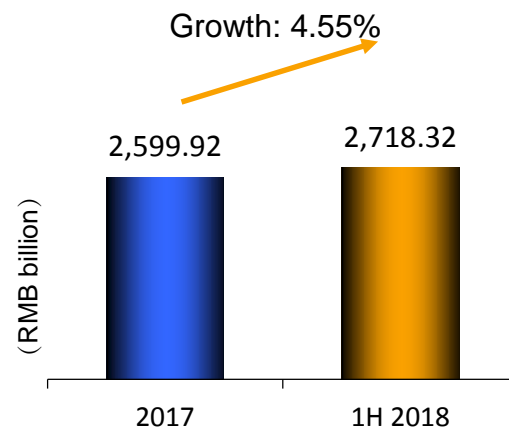
No. of registered customers under "Qian Ying Zhan Yi"



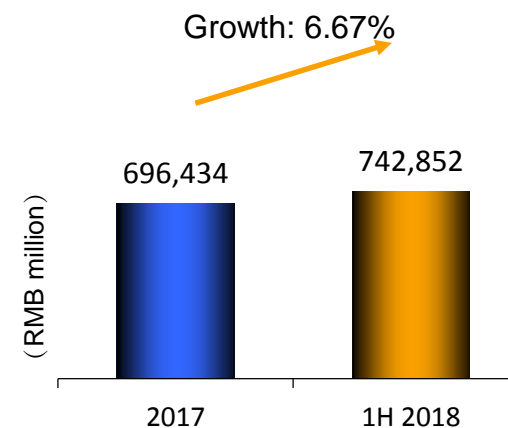
No. of cash management customers



Corporate customer daily average deposit balance

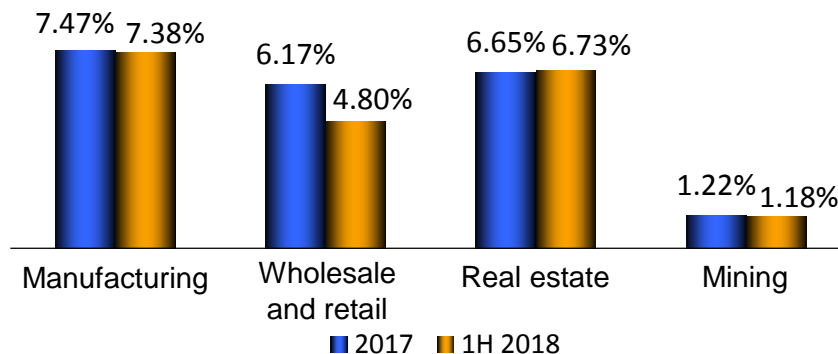


Institutional customer daily average RMB deposit balance

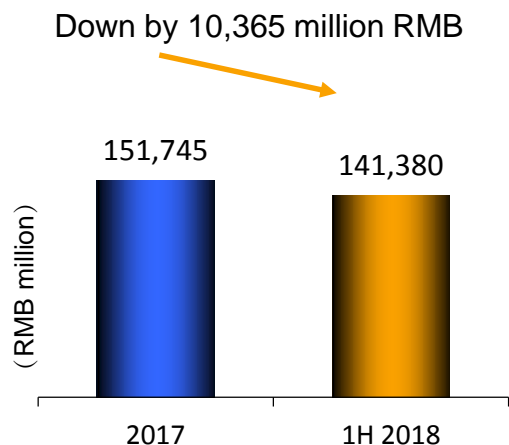


Corporate loan structure adjusted continuously

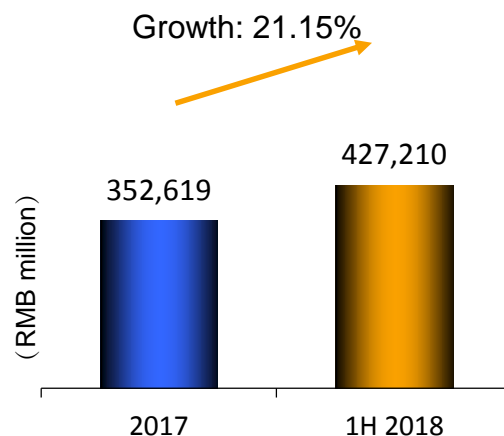
Loan mix by industry



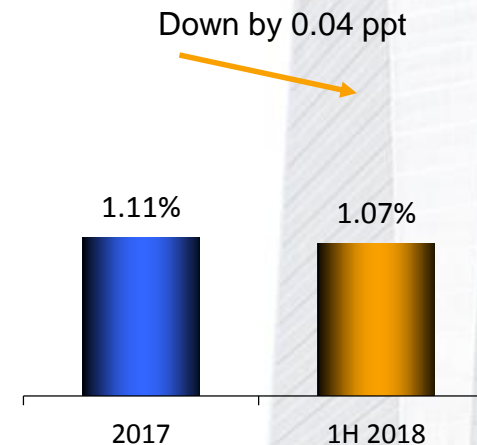
Reducing exposure to industries the Bank is winding down



General loan balance of strategic customers under the Head Office

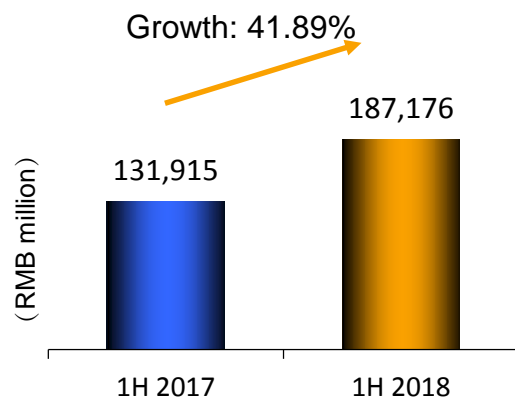


Exposure weighted average probability of default for domestic non-defaulting corporate customers

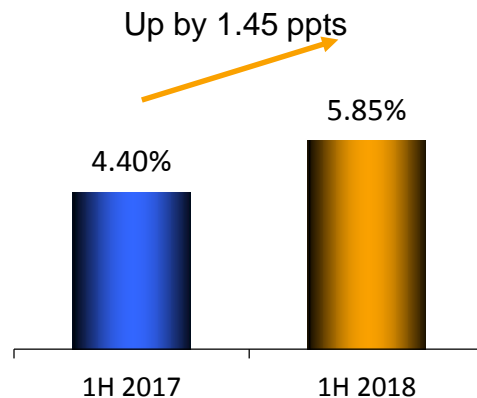


Development of distinctive businesses driven by enhanced expertise

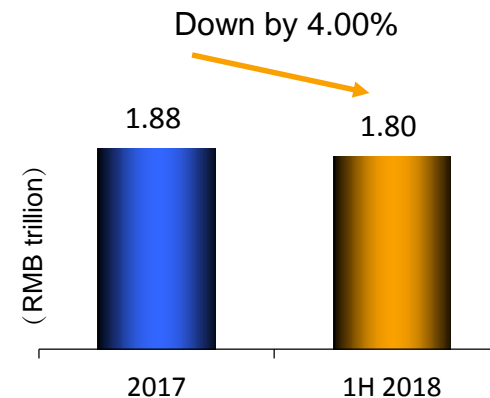
Value of lead bonds underwriting



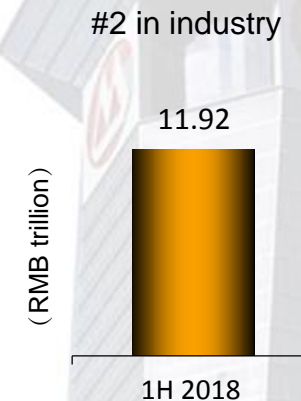
CMB International Capital's market share in Hong Kong IPO underwriting



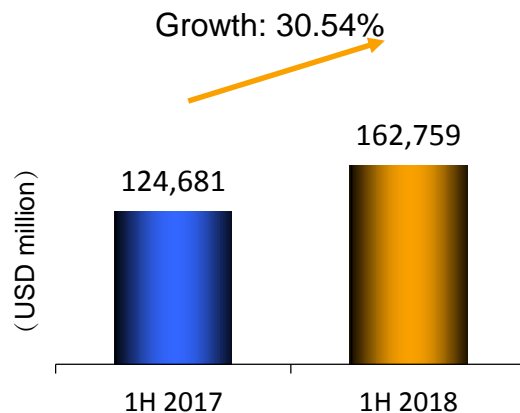
Balance of WMPs (excl. structured deposits)



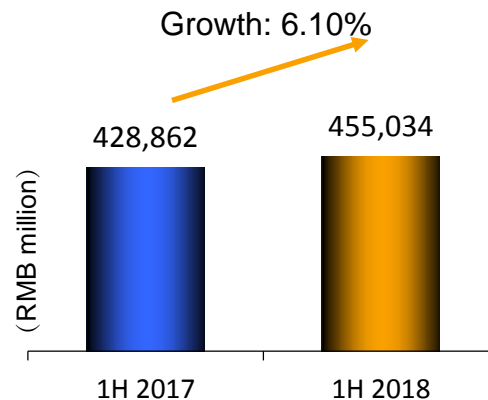
Balance of assets under custody



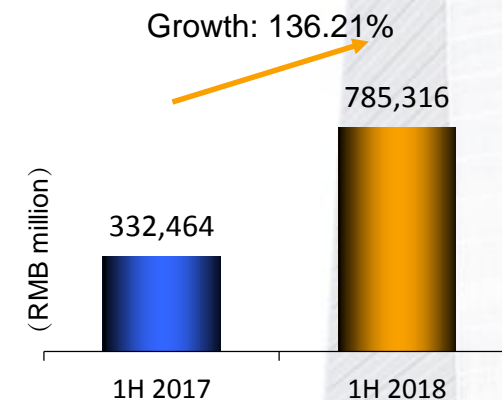
Financial market trading volume on behalf of customers



Business volume of directly discounted bills

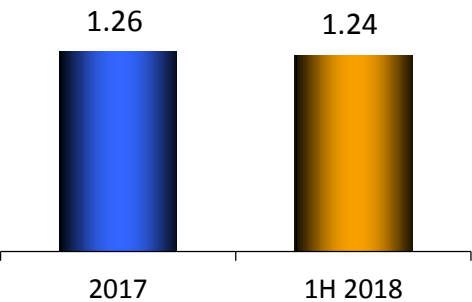


Volume of mobile check transactions

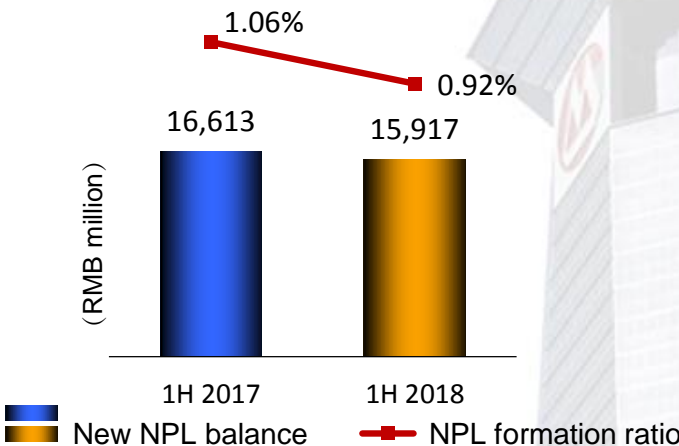


Asset quality kept improving

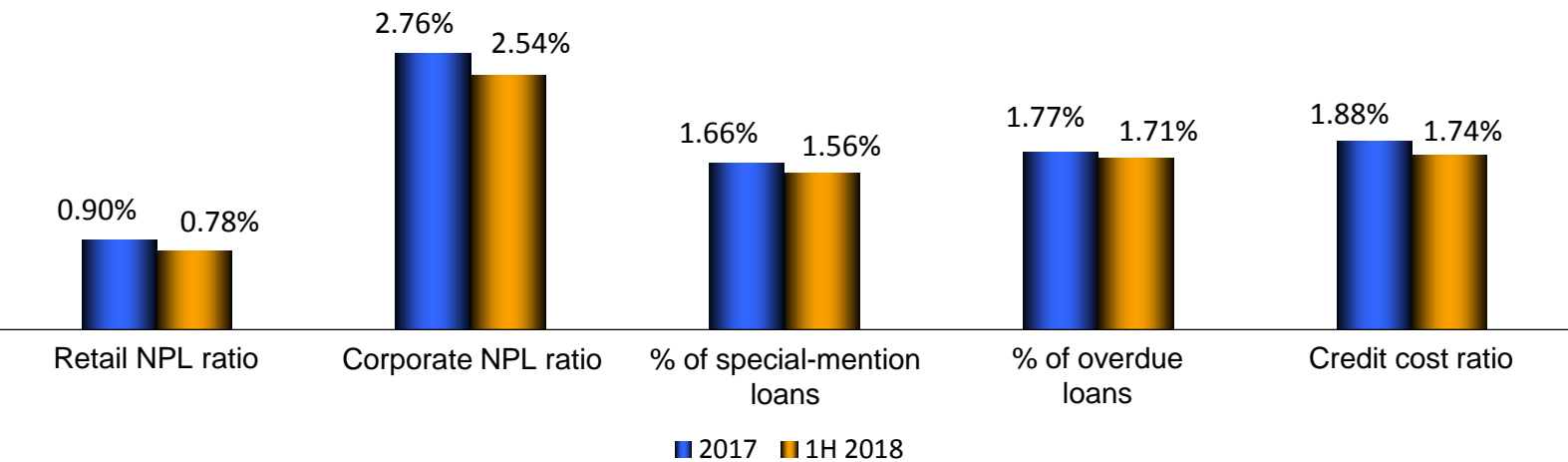
Ratio of NPLs to loans
overdue for more than 90 days



New NPL balance & NPL formation ratio



Retail and corporate NPL ratio, key indicators of asset quality & credit cost ratio



Further enhancement of Fintech infrastructure



Cloud service

Total No. of X86 servers installed up by **36.80%**
% of cloud-based applications reached **26.38%**



Big data

32.4 bn messages daily
processed by big data platform



API opening

Opened **3 types of API**
in ID verification, security and payment
Launched **25 applets**

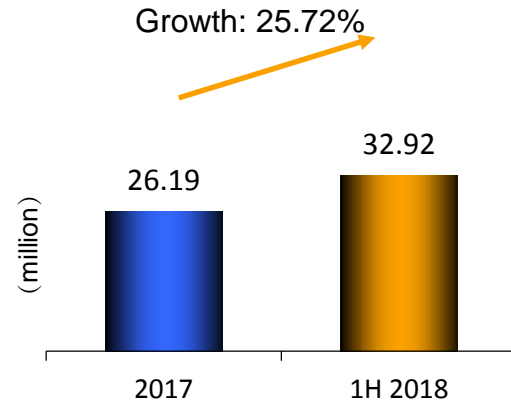


IT agility

No. of new versions of applications launched: **3,550**
product iteration cycle shortened to **2-4 weeks**

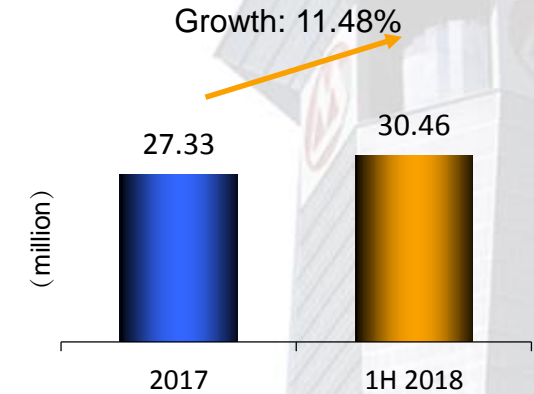
Retail banking operational model changed from card-based to APP-based

MAU of CMB APP

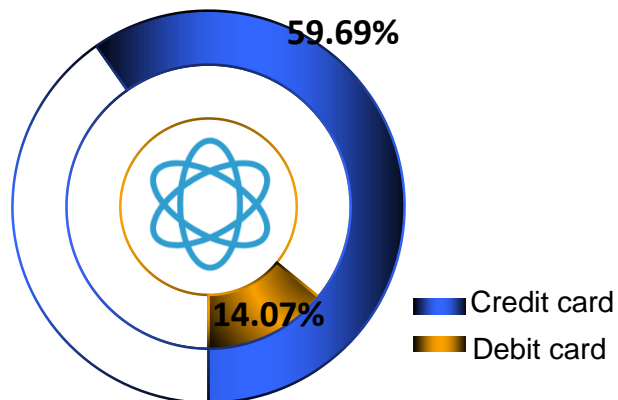


MAU of APP (removing duplication)
53.82 mn

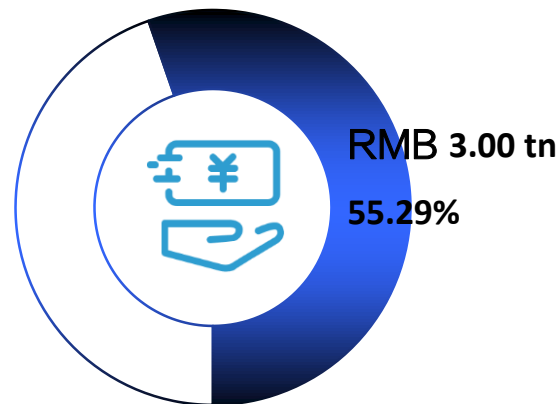
MAU of CMB Life APP



% of online customer acquisition for credit card and debit card



Sales value and % of WMPs through CMB APP



% of consumer finance business value completed through CMB Life APP



Intelligence-oriented upgrade of retail services



Smart sales – smart marketing platform

1,500+ user portraits

2.6x increase of customer reach

14.38% successful marketing rate



Smart customer service – customer service robot

70.70% of total customer service

99% customer satisfaction rate



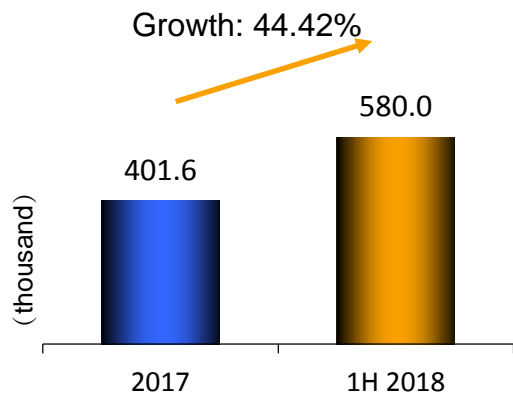
Smart risk control – the Libra system

Risk assessment in **30ms**

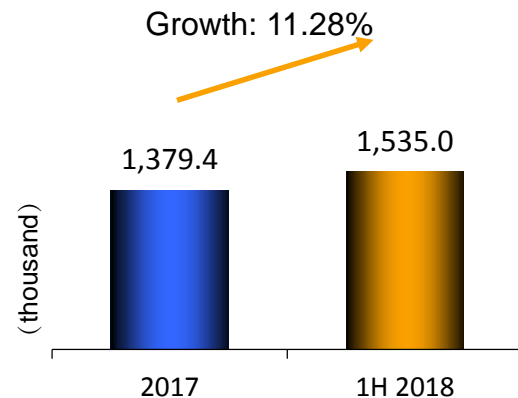
0.0001% level of fund loss ratio

Transform to Internet-based wholesale finance customer service

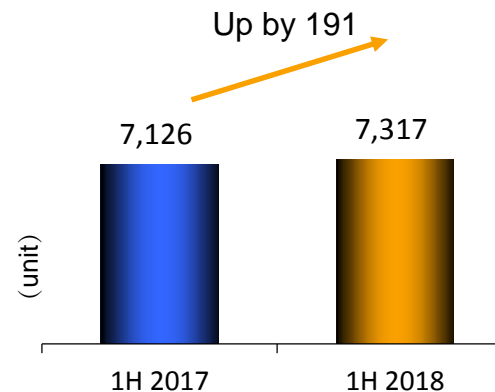
No. of corporate mobile banking customers



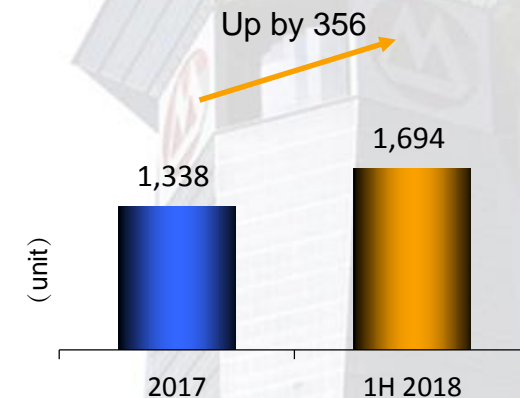
No. of online corporate banking customers



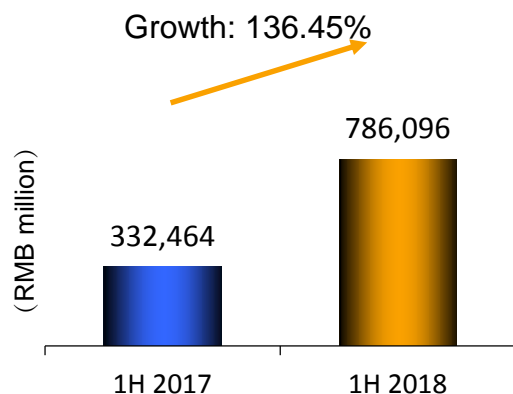
No. of upstream and downstream customers in supply chain finance



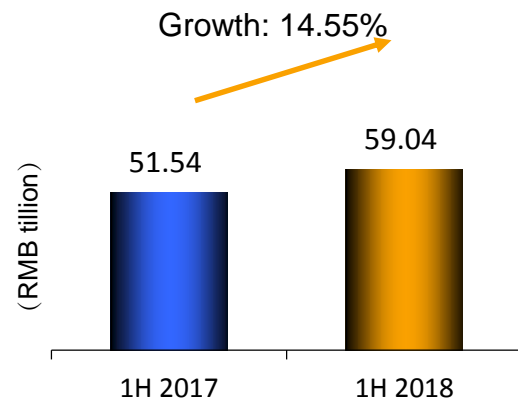
Financial institution customers of "Zhao Ying Tong"



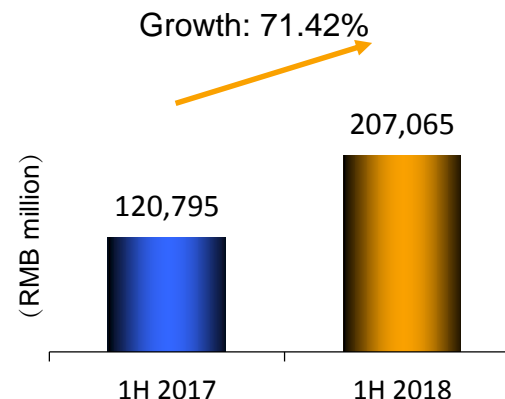
Corporate mobile banking transaction value



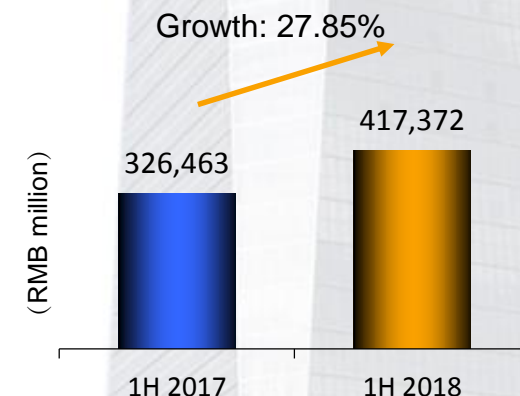
Online corporate banking transaction value



Supply chain finance balance



Online business volume of "Zhao Ying Tong"





1

Overview

2

Operational Information

3

Outlook and Strategies



Challenges



International:

- ◆ After two years of cyclical recovery of global economy, the pace of different countries started to differentiate – the gap of growth rate between US, Europe and Japan widened while the imbalance among emerging markets and developing countries has been growing. Some countries and regions are experiencing rising turbulence.
- ◆ Affected by the rising oil price, the rising US interest rate and the appreciation of US dollar, the global liquidity has tightened, causing a direct impact on global asset allocation.
- ◆ Escalating tensions in global trade, heating-up of Sino-US trade frictions and increasing trade barriers will disrupt global supply chains and greatly impact the enterprises heavily relying on overseas markets and technologies.



Domestic:

- ◆ China's economy is transforming towards high-quality development and is confronted with short-term challenges of switching growth drivers, internal and external issues and aggravated risks.
- ◆ Along with the process of de-leveraging, the narrowing off-balance-sheet financing channels will incur a short-term liquidity shortage. As a result, the financial markets experienced a turbulence and there might be risk implications to other industries.
- ◆ Cross-industry competition and technological innovation will impact traditional banks' business models. Banks need to quickly recognize and adjust themselves.

Opportunities



- ◆ This year marks the 40th anniversary of China's reform and opening-up. Following a series of new measures taken in 1H2018, China will further reform and open to the world, generating more opportunities for the sustainable growth of China's economy.
- ◆ To prevent and resolve financial systematic risks while serve the real economy, the regulators will enhance coordination, control the pace and intensity when introducing policies, which will help stabilize market expectations.
- ◆ In 2H2018, a more proactive fiscal policy and a prudent monetary policy will ensure the domestic economy a stable and healthy development.
- ◆ The supply-side structural reform aiming at “lower costs and bolster areas of weakness” is making progresses in stimulating creativity, developing new growth drivers and reducing enterprises' costs.

Business strategy

Confronted with the new challenges and opportunities, we will focus on the strategy of building "the best commercial bank in China with innovation-driven development, leading retail banking and distinguished features", adhere to the concept of maintaining a dynamic balance among "quality, profitability and scale" in our development, return to our business origin, restructure our business, embrace Fintech, and strive to be the leading player in this new era. The main business initiatives for 2H2018 are:

- ◆ We will continue to adhere to the strategic transition of "light-operation bank" and "One Body with Two Wings", promote the establishment of Digital Bank and keep building the best customer experience bank.
- ◆ We will continue to take risk management as the foundation of development and step up risk control efforts. In response to the volatile macroeconomic environment, we will maintain an appropriate pace of development, optimize our business structure, pay attention to risky areas, prevent cross-border risks and enhance compliance management and internal control.
- ◆ We will continue to adhere to our operation philosophy of "customer-centric", keep improving the capability of providing in-depth professional services. By shifting from the product-based thinking pattern to customer-based one, we are more ready to enlarge customer base, enhance customer quality and improve customer experience, laying the foundation for our high-quality development.
- ◆ We will keep relying on the "innovation + talent" dual-driver growth model and accelerate the transition to Digital Bank. We will strengthen our support to system, talents and resources to stimulate the passion for innovation and the potential of talents.



Q&A

