

Bank of Chongqing, Co.,Ltd.
(1963.HK)
2013 Annual Results
Presentation
Hong Kong (Mar. 2014)



2013 Annual results presentation

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1

Key Business Highlights

Key Business Highlights

| RMB (million) | 2013 | 2012 | Change (%) | | 2011 | CAGR |
|---|---------|---------|--------------|-------|---------|--------|
| Net interest income | 5,179 | 4,150 | ↑ | 24.8 | 3,321 | 24.9% |
| Net fee and commission income | 645 | 368 | ↑ | 75.1 | 290 | 49.1% |
| Operating income | 5,875 | 4,657 | ↑ | 26.1 | 3,571 | 28.3% |
| Profit before income tax | 3,057 | 2,517 | ↑ | 21.5 | 1,937 | 25.7% |
| Net profit for the year/period attributable to shareholders | 2,329 | 1,925 | ↑ | 21.0 | 1,488 | 25.1% |
| Change | | | | | | |
| EPS (RMB) | 1.10 | 0.95 | ↑ | 0.150 | 0.74 | 21.9% |
| DPS (RMB) | 0.224 | 0.07 | ↑ | 0.154 | 0.05 | 119.5% |
| Change (%) | | | | | | |
| Total assets | 206,787 | 156,163 | ↑ | 32.4 | 127,340 | 27.4% |
| Net loans and advances to customers | 88,638 | 75,257 | ↑ | 17.8 | 62,825 | 18.8% |
| Total liabilities | 193,308 | 147,905 | ↑ | 30.7 | 120,887 | 26.5% |
| Customer deposits | 148,801 | 114,043 | ↑ | 30.5 | 89,307 | 29.1% |
| Total equity | 13,479 | 8,258 | ↑ | 63.2 | 6,453 | 44.5% |

Key Business Highlights

| Ratio (%) | 2013 | 2012 | Change | 2011 |
|------------------------------------|-------|-------|---------|-------|
| ROA | 1.28 | 1.36 | ↓ -0.08 | 1.26 |
| ROE | 21.4 | 26.2 | ↓ -4.8 | 25.9 |
| Net interest spread (NIS) | 2.61 | 2.66 | ↓ -0.05 | 2.77 |
| Net interest margin (NIM) | 2.81 | 2.85 | ↓ -0.04 | 2.92 |
| Fee and commission income ratio | 10.97 | 7.90 | ↑ 3.07 | 8.10 |
| Non-performing Loans ratio | 0.39 | 0.33 | ↑ 0.06 | 0.35 |
| Core capital adequacy ratio (CCAR) | 10.82 | 8.18 | ↑ 2.64 | 9.26 |
| Capital adequacy ratio (CAR) | 13.26 | 11.11 | ↑ 2.15 | 11.96 |
| Loan-to-Deposit ratio | 60.82 | 67.20 | ↓ -6.38 | 71.69 |

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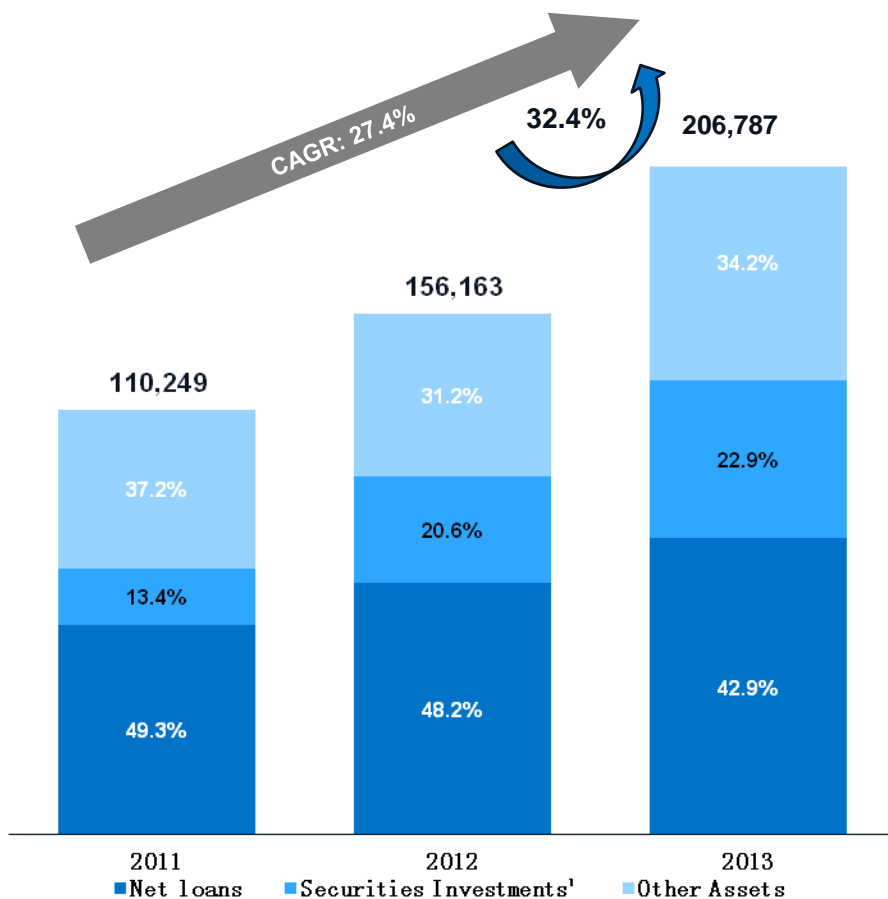
Financial Performance

Financial Performance

Solid and healthy growth of assets

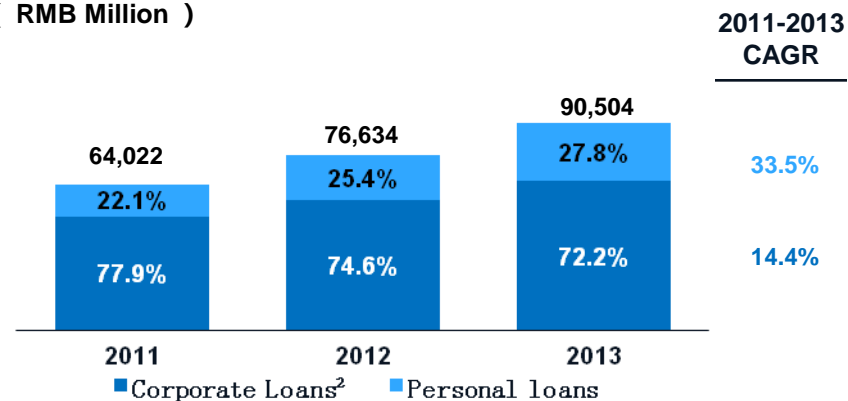
Total assets : 2011-2013

(RMB Million)



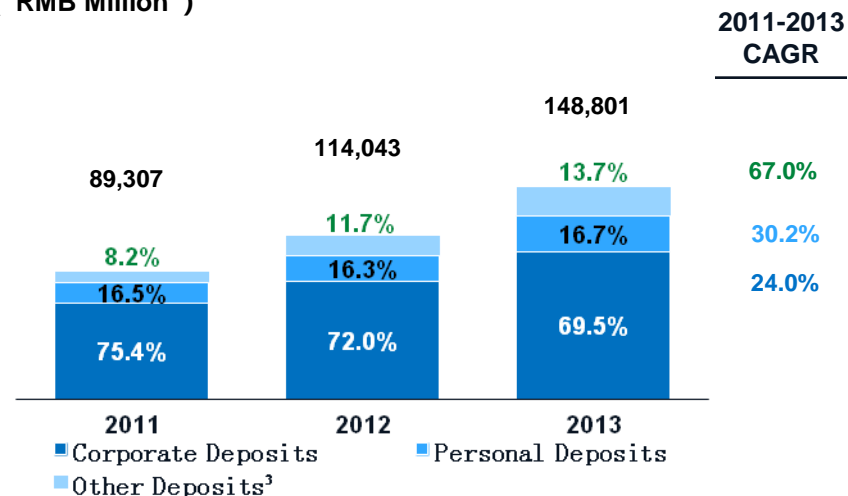
Total loans : 2011-2013

(RMB Million)



Total deposits :2011-2013

(RMB Million)



¹ Including loans and accounts receivable investments, available-for-sale securities and held-to-maturity securities.

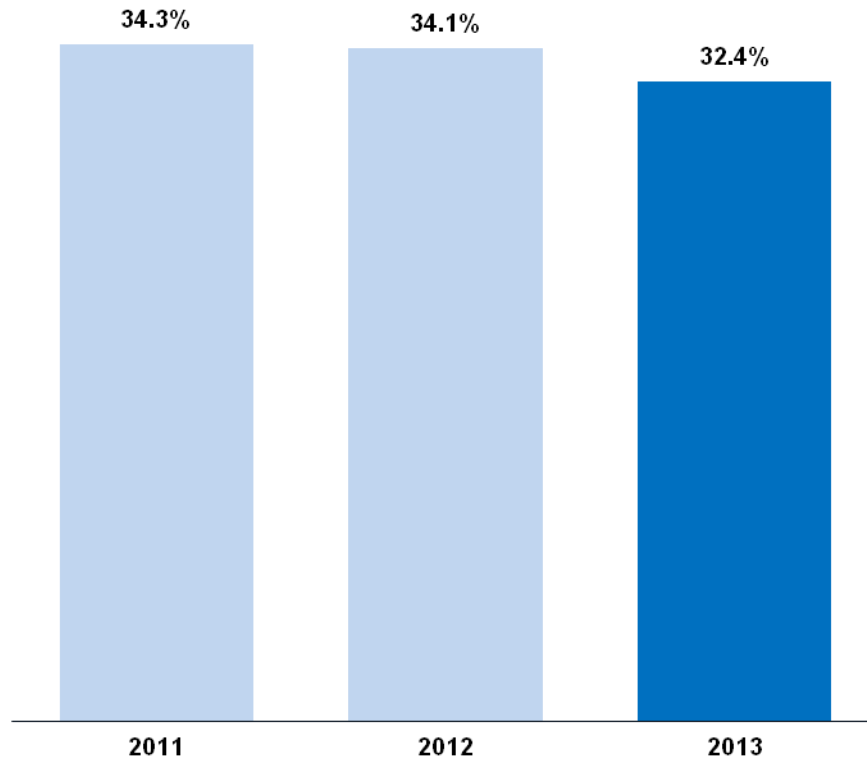
² Including discounted bills.

³ Including pledged deposits held as collateral.

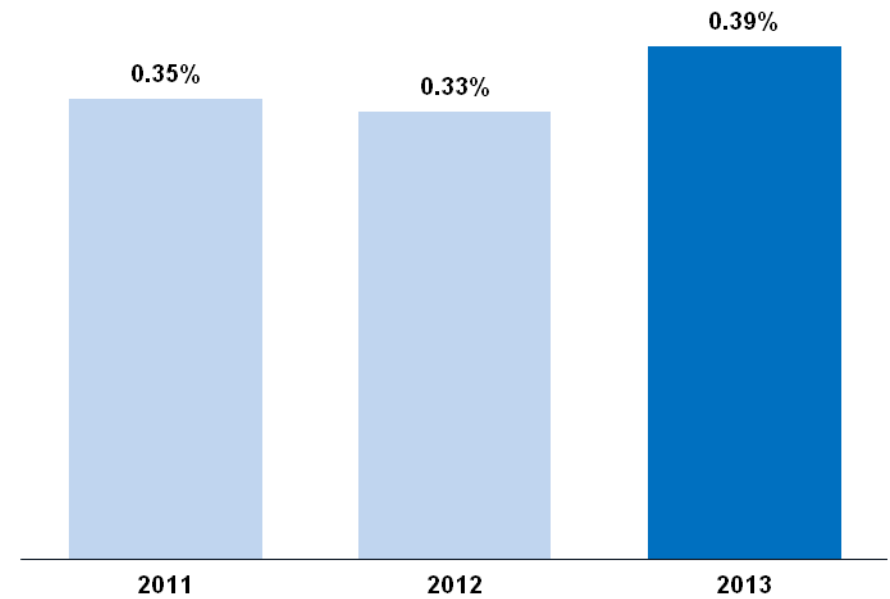
Financial Performance

High operating efficiency, low non-performing loan ratio

Cost-to-income ratio¹ : 2011-2013



Non-performing loan ratio² : 2011-2013



¹ Excluding business tax and surcharges.

² Calculated by dividing balance of non-performing loans by total balance of loans and advances to customers.

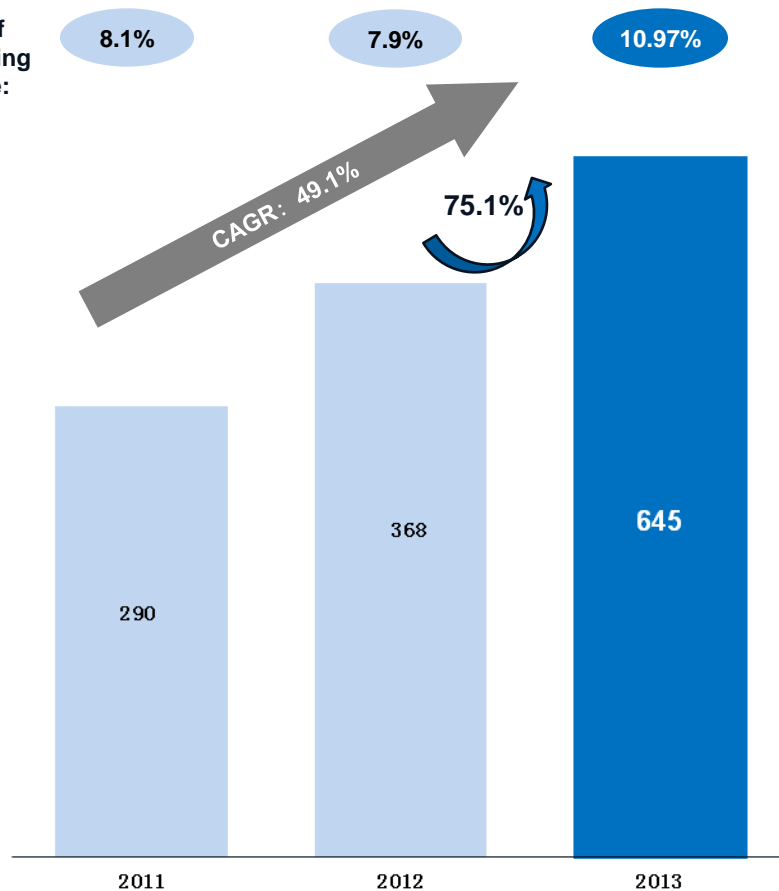
Financial Performance

Strong growth in non-interests income

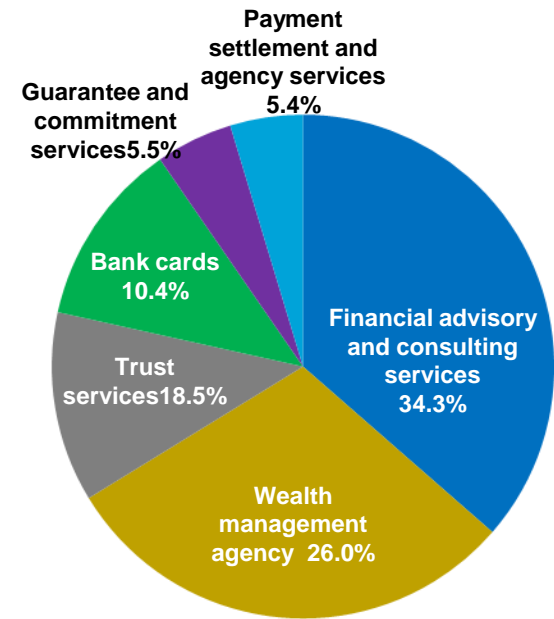
Net fee and commission income : 2011-2013

(RMB Million)

As % of
Operating
Income:



Net fee and commission income breakdown : 2013



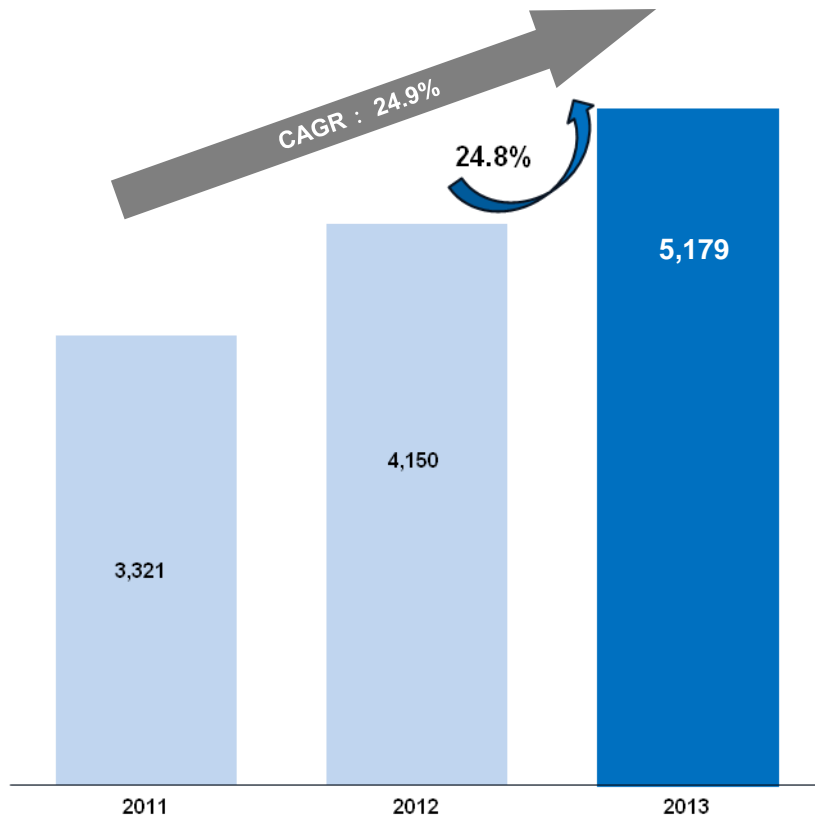
Total Fee and
Commission Income in
2013 : RMB 645mm

Financial Performance

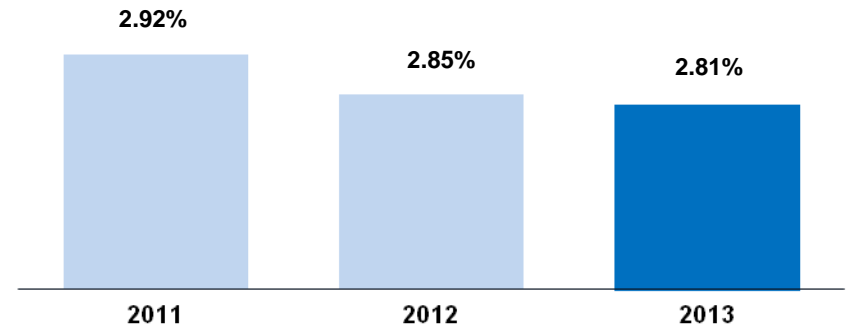
Solid growth of net interest income , slightly narrowing NIM and NIS

Net interest income : 2011-2013

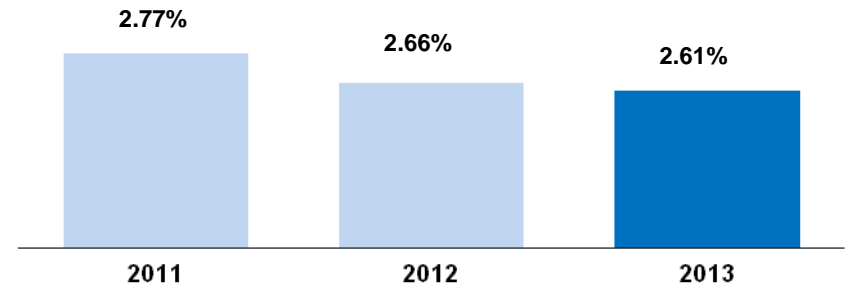
(RMB Million)



Net interest margin : 2011-2013



Net interest spread : 2011-2013



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Business Overview

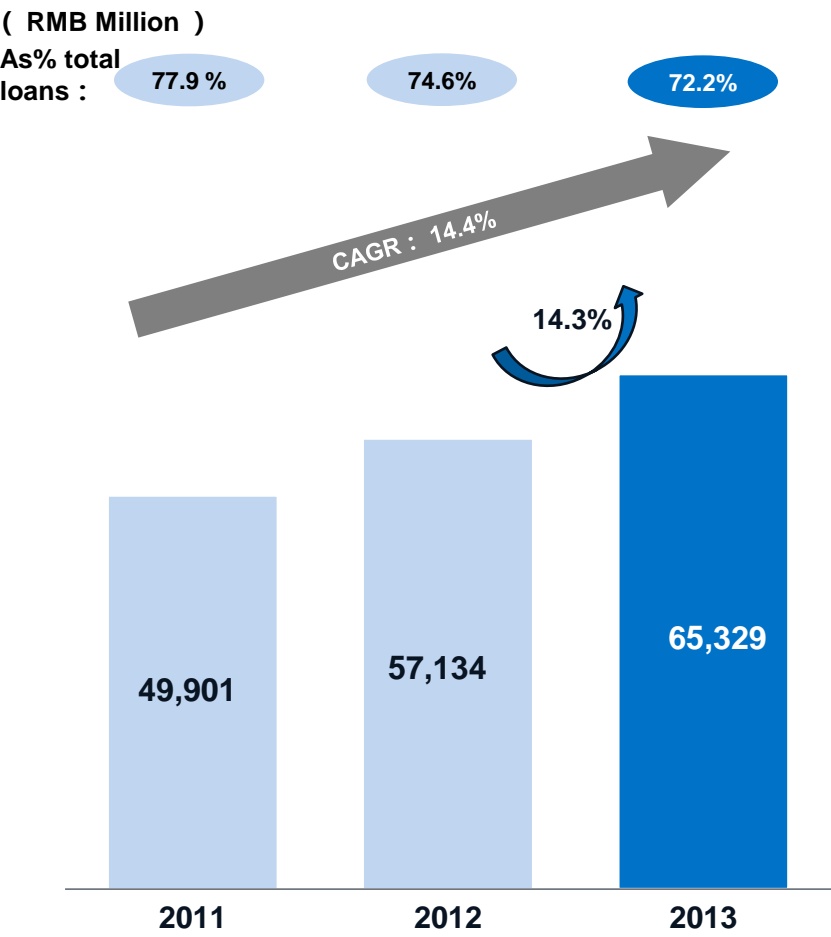
- Corporate banking business
- SME business
- Personal banking business
- Treasury Operations



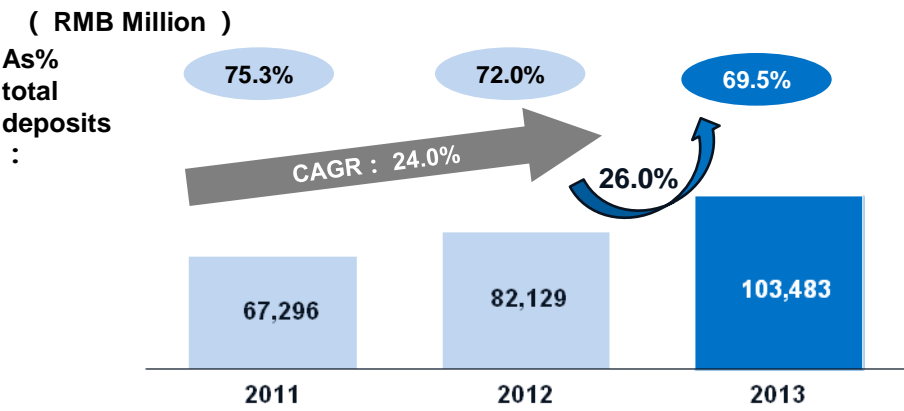
Business Overview: Corporate banking business

Corporate banking business- core business, main driver of revenue and profit

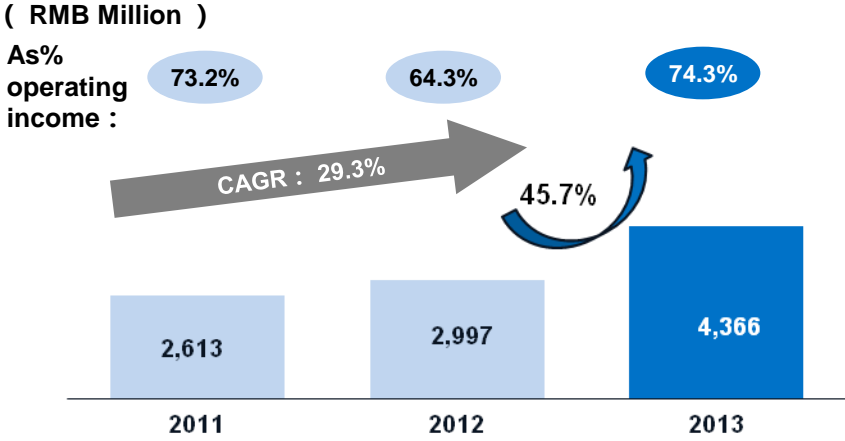
Corporate loans ¹: 2011-2013



Corporate deposits: 2011-2013



Corporate banking operating income: 2011-2013



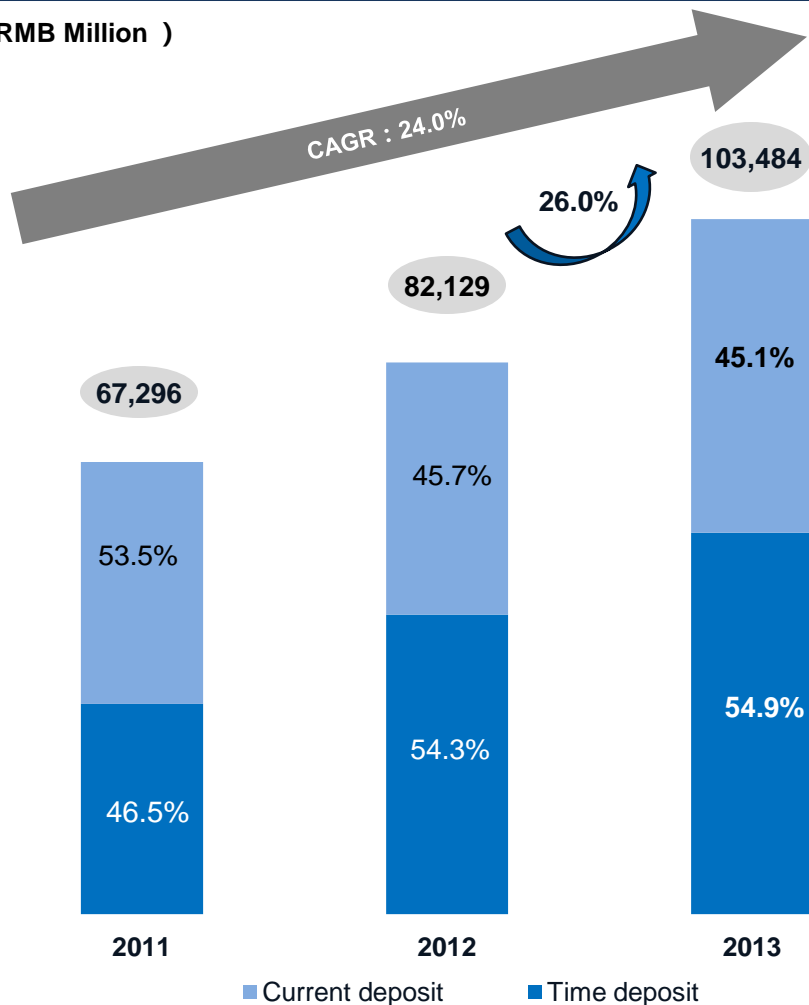
¹ Including SME loans.

Business Overview: Corporate banking business

Continue optimizing the structure of corporate deposits, provides stable funding sources

structure of corporate deposits and growth rate: 2011-2013

(RMB Million)



Corporate deposits:

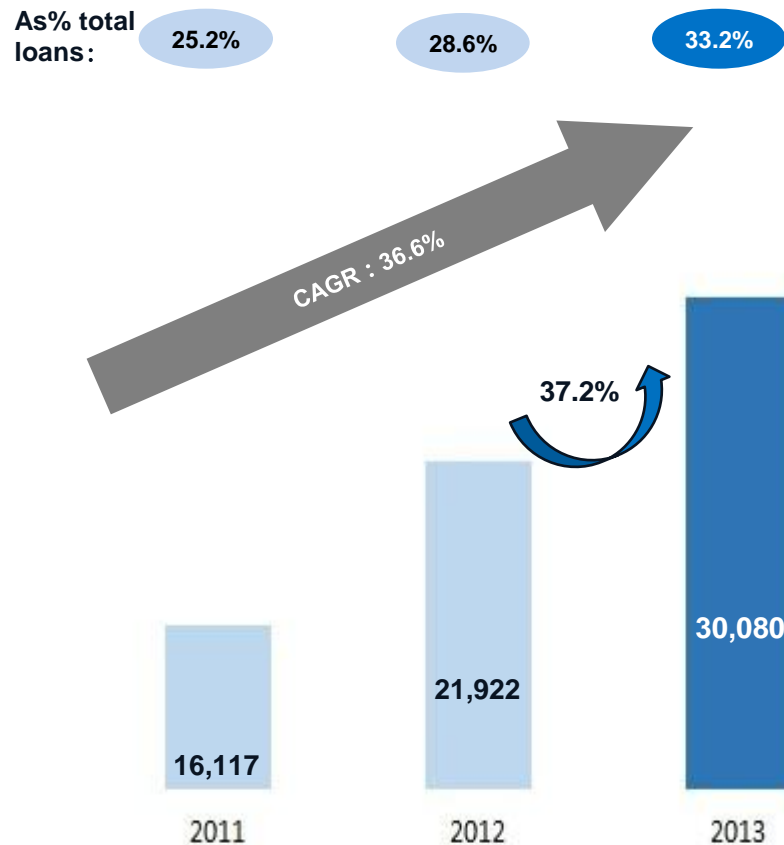
- In order to minimize duration mismatch and stabilize deposits, we focused on attracting time deposits. As end of 2013, time deposits accounted for 54.9% of total corporate deposits.
- Fast growing corporate deposits:
 - Growing customer base and expanding new customer relations.
 - Full covering of 38 counties and districts of Chongqing Area since 2011.
 - Three branches launched since 2008 in other 3 western Provinces (Chengdu, Sichuan Province; Guizhou, Guiyang Province; and Xi'an, Shaanxi Province).

Business Overview: SME business

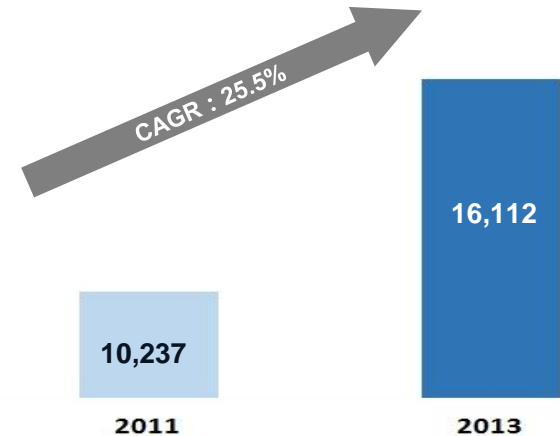
Fast-growing SME business with healthy asset quality

SME Loans: 2011-2013

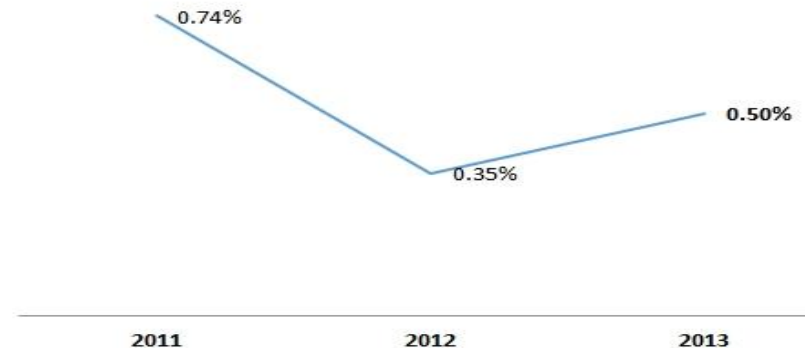
(RMB Million)



Number of clients:



Low SME NPL ratio:2011-2013

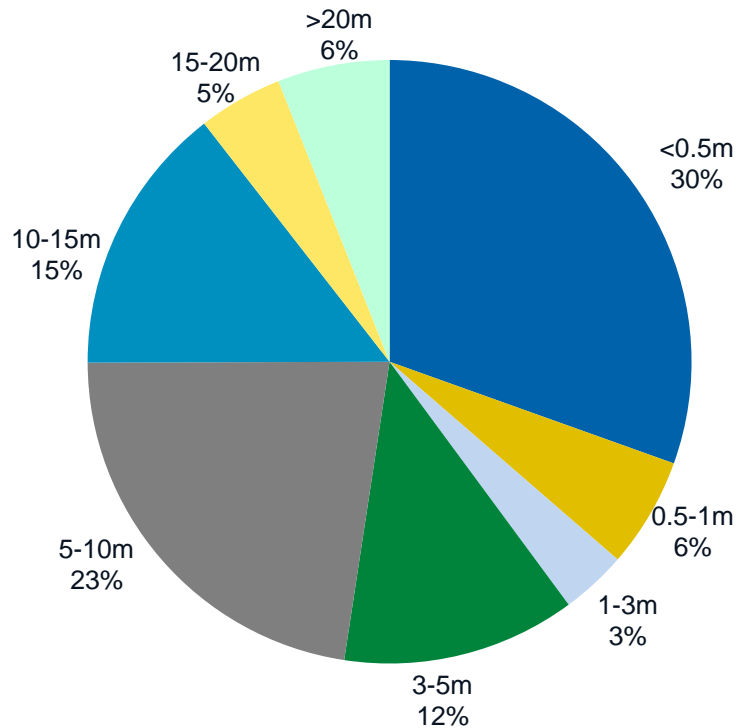


¹ The amount of SME loans is from our management data. The SME loan amount calculation is SME loans included in corporate loans plus personal business loans in individual business, then minus public institution loans.

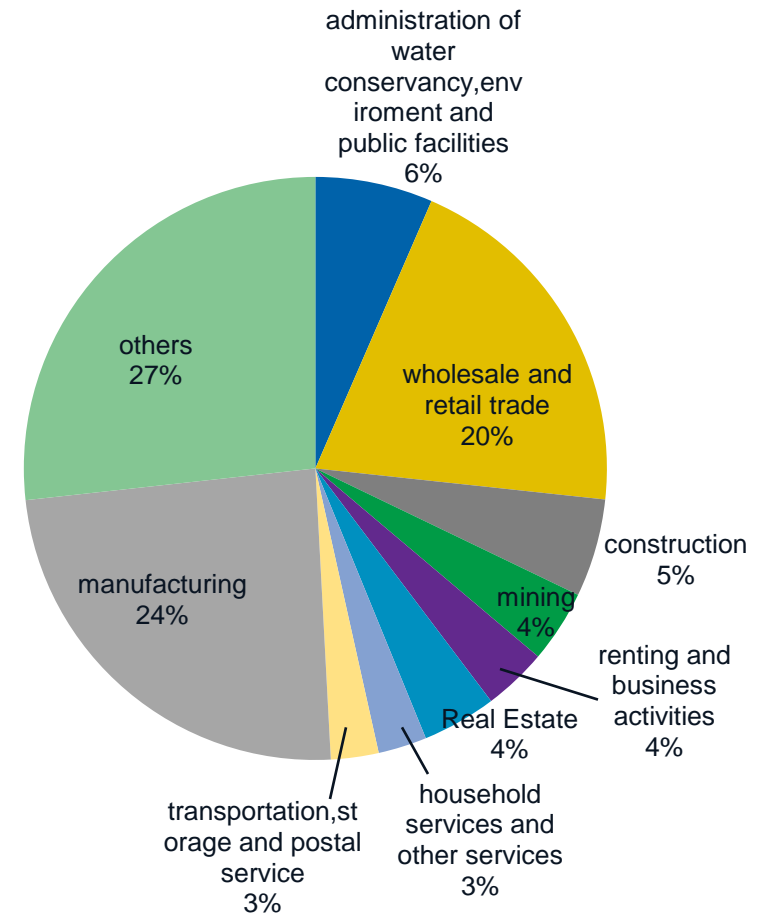
Business Overview: SME business

Well adapted to local economy with industry diversification

Breakdown by scale (2013)



Breakdown by industries (2013)



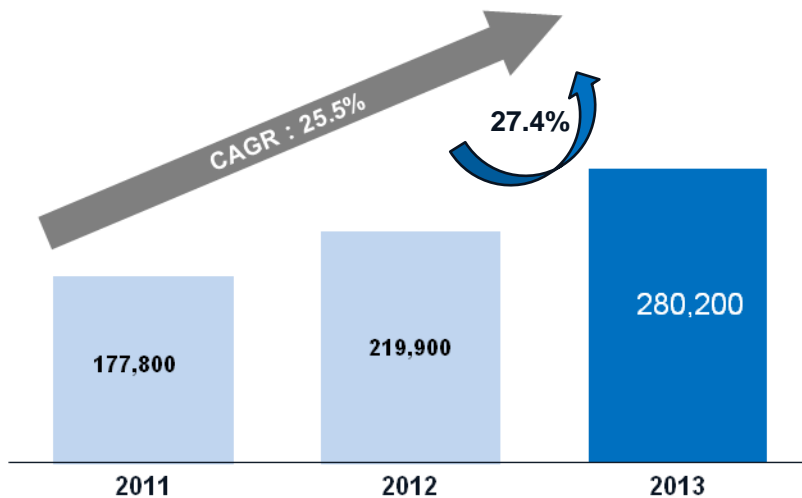
Small and micro enterprise loans
2013: RMB 30.1bm

Business Overview : SME business

Great development potential from accumulated experience & brand name

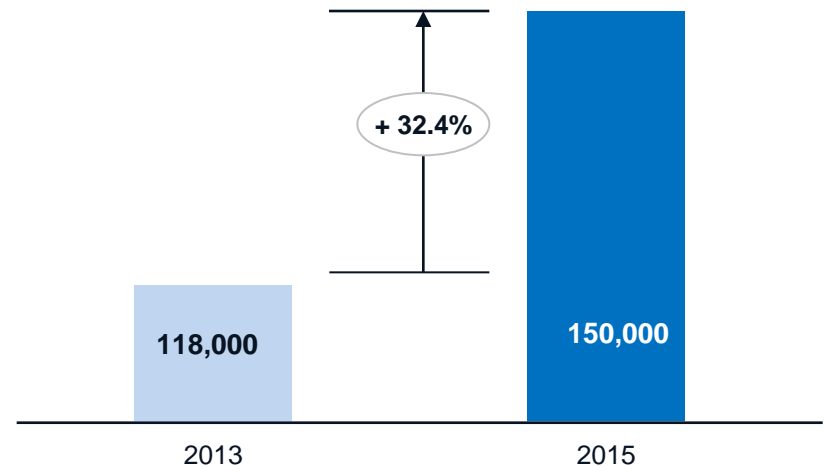
SME loan growth in Chongqing: 2011-2013

(RMB Million)



Development potential: 2013-2015

No. of SMEs in Chongqing



- Chongqing Municipal Government has made great efforts to encourage the development of micro-enterprises in recent years. In 2010, the Government issued Several Opinions on Strengthening the Development of Micro-enterprises (《关于大力发展微型企业的若干意见》), the first local government in China to differentiate micro-enterprises from SMEs, to provide special policy support in terms of taxation, loans and financial aid.
- By the end of 2013, there are 111.8 thousand SMEs, account for a quarter of all private enterprises in Chongqing. There will be around 150 thousand SMEs in Chongqing by forecast.

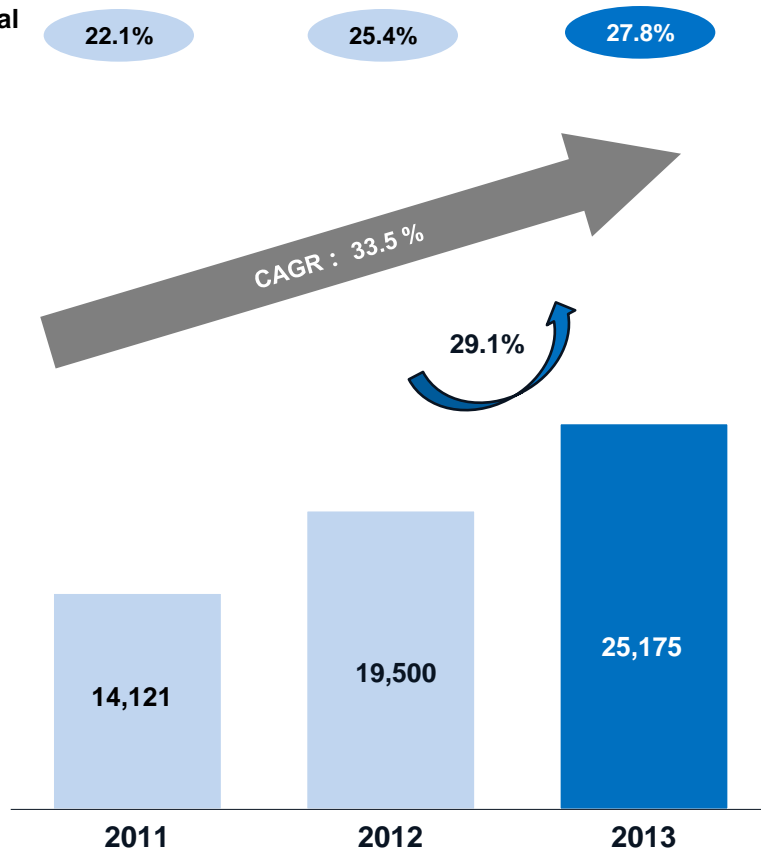
Business Overview : Personal banking business

Strong growth of personal deposits, loans and operating income

Personal loans: 2011—2013

(RMB Million)

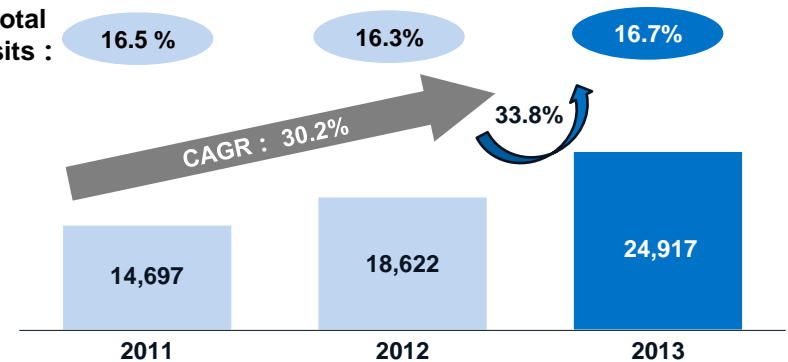
As% total
loans:



Personal deposits: 2011—2013

(RMB Million)

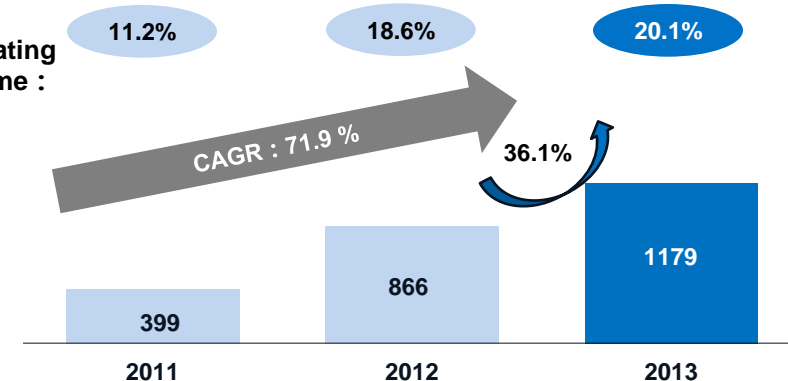
As% total
deposits :



Personal operating income: 2011—2013

(RMB Million)

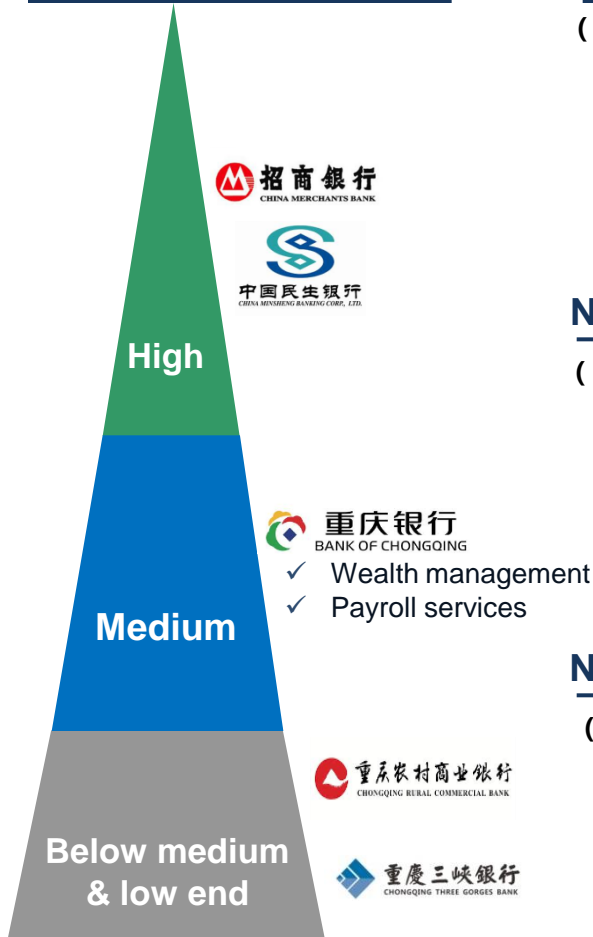
As%
operating
income :



Business Overview: Personal banking business

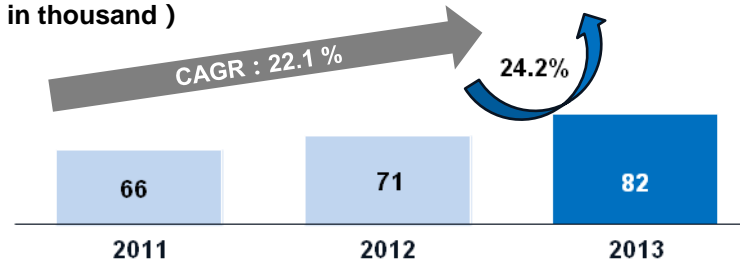
Differentiated positioning on medium-tier individual clients

Individual Client Position



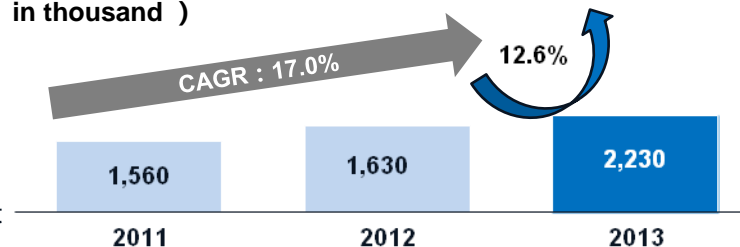
No. of personal loan clients : 2011-2013

(in thousand)



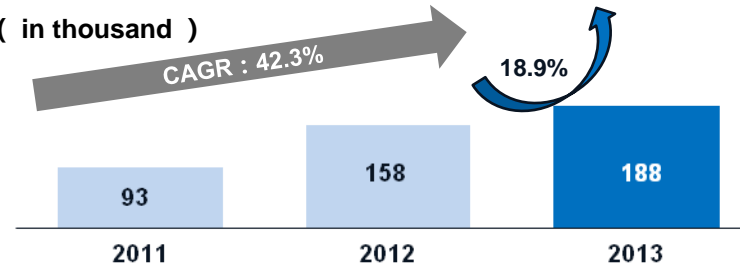
No. of personal deposits clients: 2011-2013

(in thousand)



No. of mid-tier clients:2011-2013

(in thousand)



Description:

- Individual clients base have increased rapidly in recent years mainly because we have substantially expanded our mortgage loan installment payment business and provided diversified loan/other products/services.

- The dramatic increase of mid-tier clients base is due to our great efforts in expanding our wealth management business and provide series of financial products and services to meet client needs. We will continue to expand our mid-tier clients base.

Business Overview: Personal banking business



A highly efficient network established in Chongqing and Western China, satisfying individual clients in the convenient and secure manner

Full coverage of 38 counties and districts of Chongqing since 2011



Sichuan, Shanxi, Guizhou Provinces and Chongqing¹

- 1 headquarter biz dept.
- 1 small and micro credit center
- 114 branches and sub-branches
- 43 off-site self-service bank
- 78 on-site self-service bank
- 315 ATM
- 180 CRS
- 160 Multimedia self-service terminals

E-banking system to enhance clients experience in all respects and complement physical outlets



Self-Service Banking

- Self-service banking transactions 7.1m, total amount 9.5b RMB in 2013.



Telephone Banking

- Relatively advanced nationwide, the new Telephone Banking system adds new businesses such as financial product and fund investment, business travel services, personalized value added services, as well as selected online installment payments.



Mobile Banking

- Mobile Banking allows customers to access secure and personalized banking services via cell phones and other mobile devices. It also provides supporting services, including weather forecast, hotel and plane ticket booking and calculation of various investment yields.



Online Banking

- Corporate Online Banking was recognized by JRJC (China Finance Online Co.Ltd: www.irj.com.cn) as the Best Customer Experience Award. Leading China Corporate Online Banking in 2013.
- Online Banking registered a total turnover of RMB1778mm in 2013



TV Banking

- Signed the strategic cooperation agreement to introduce advanced e-business technologies
- Designing TV interface, by using remote control to query, deposit and withdrawal fund in personal accounts

Business Overview: Treasury operations

Stable growth in treasury operations: important channel to enhance revenue sources

Guiding principle and business types

Guiding Principle

- Look to maximize the financial returns of non-lending operations after satisfying our own liquidity requirement

Business Types

Money market transactions

- Short-term lending (inter-bank lending and re-discounting)
- Repo and reverse repo of securities and notes

Securities investment

- Bond market (government, financial institutions and corporate bond)
- Guaranteed fixed income financial products and trust beneficiary right

Wealth management

- Investment with proceeds from offering of financial products to companies and personal customers

Revenue from treasury operations: 2011-2013

(RMB Million)

As% of total revenue:

31.4%

38.1%

45.8%

CAGR: 50.9%

50.0%



2011



2012



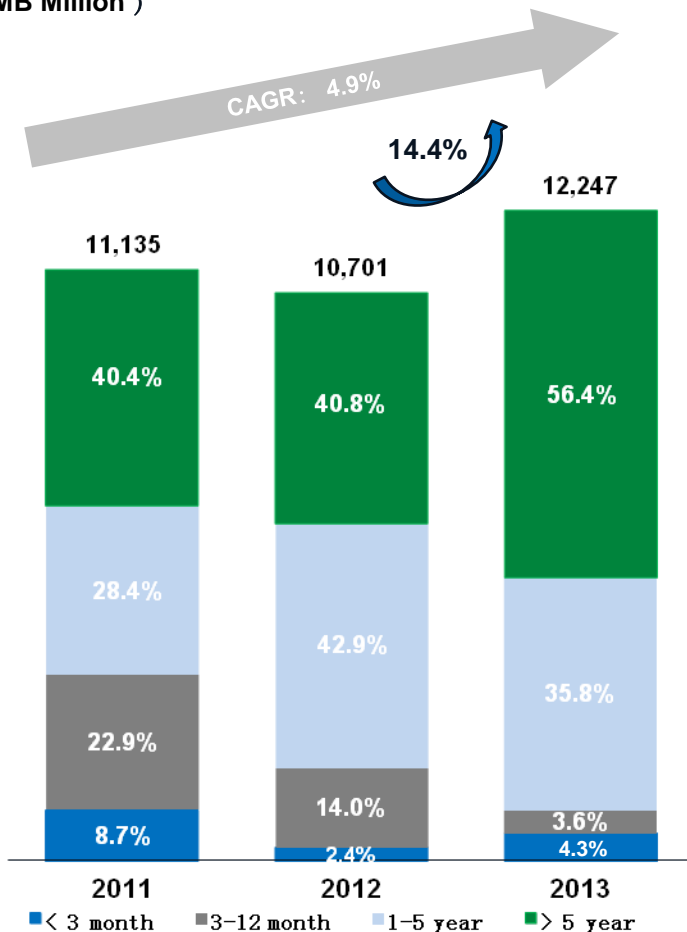
2013

Business Overview: Treasury operations

Fix-income investment of high rating bond, stable returns and strong liquidity

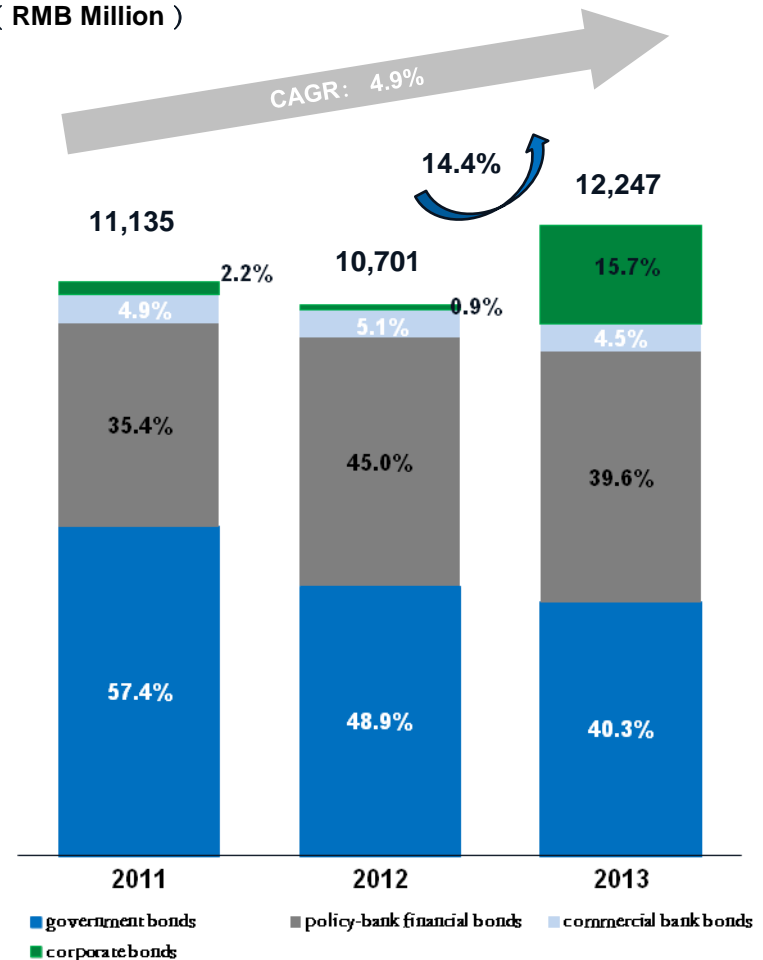
Stable bond portfolio : 2011-2013

(RMB Million)



Investment portfolio: Governments bonds, policy-bank financial bonds and corporate bonds, 2011-2013

(RMB Million)

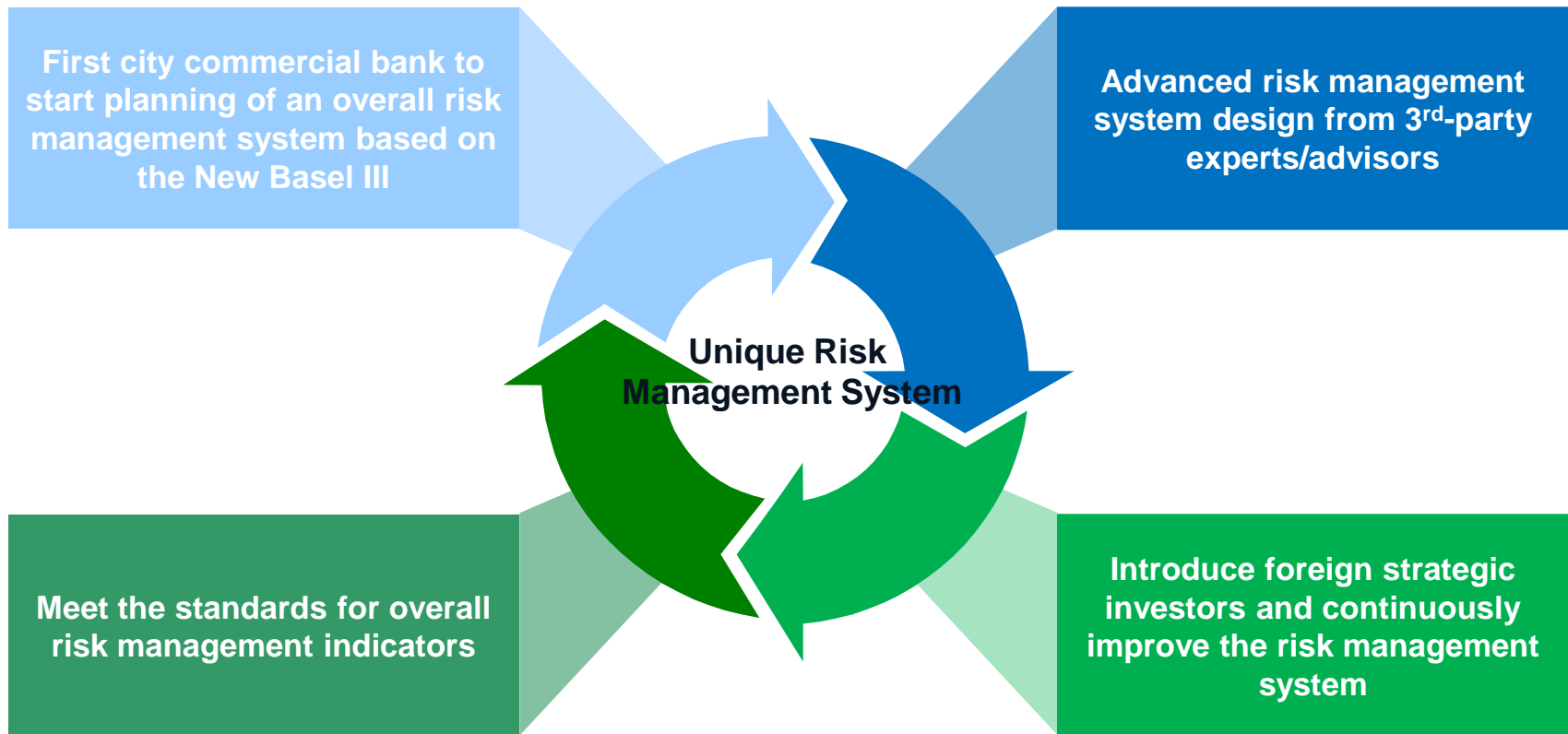


4

Risk Management

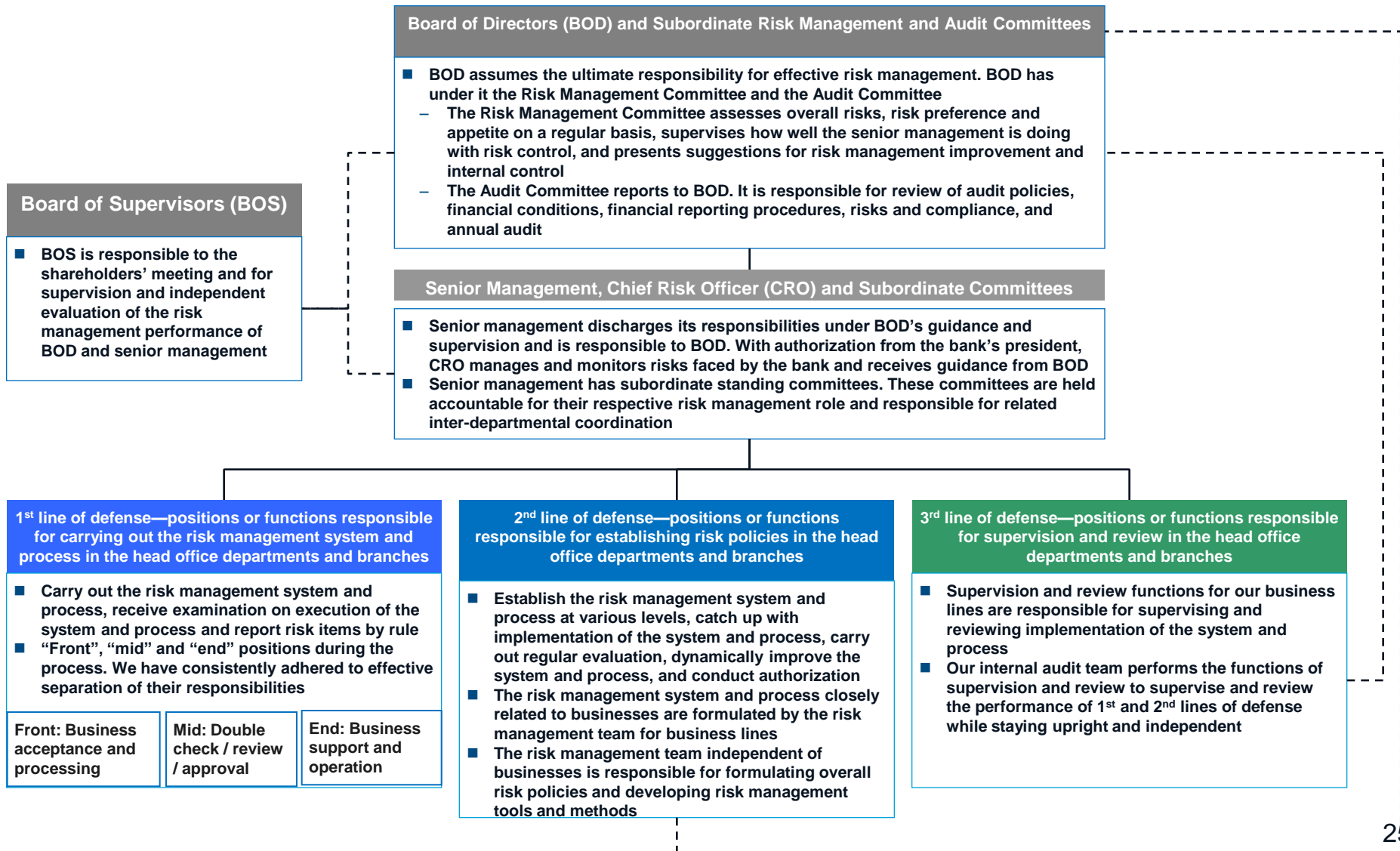
Risk Management

Leading risk management philosophy



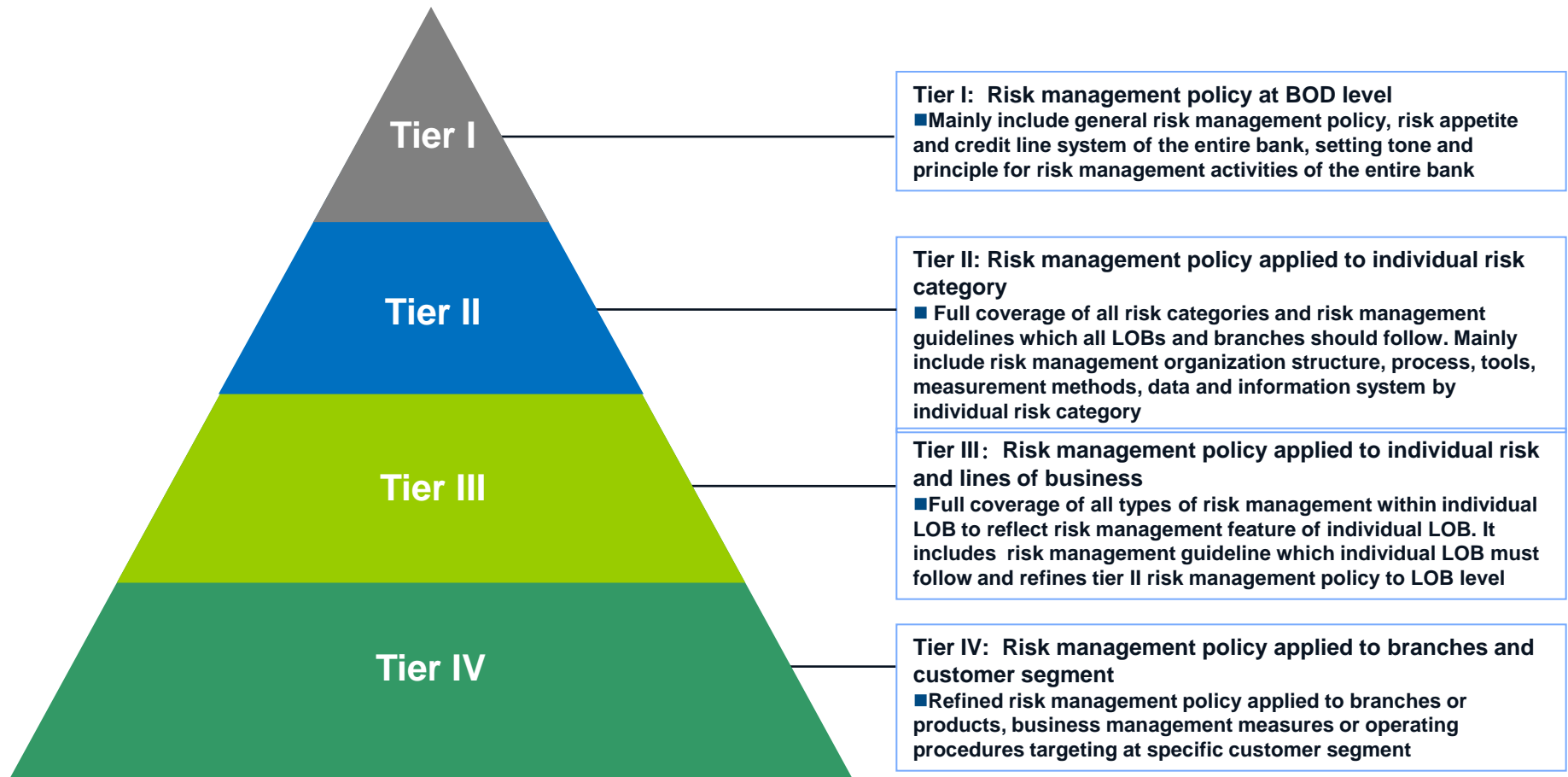
Risk Management

Organizational structure for risk management:



Risk Management

Tiered risk management structure



5

Outlook

Outlook: Opportunities and Challenges

Opportunities

- Signs of recovery in developed economies, more positive factors in global economic development and stronger drivers for world economic growth;
- China's economy growth still has strategic opportunities, with stable GDP growth, China would continue the proactive fiscal policy and prudent monetary policy;
- As the largest municipality located in Western China that is directly under the central government, Chongqing benefits from the policies, markets and regional advantages in respect of China's industry restructuring and manufacturing inland moving, and is still expected to demonstrate a regional growth much higher than the national average.

Challenges

- In-depth restructuring of the global economy and complicated environment for China's economic growth;
- Increasingly tighter macro policies and banking industry regulations, with new competition from the promotion of privately-run banks and deposit-insurance-system against the existing banking sector;
- Reinforced financial disintermediation as evidenced by the huge impact of emerging e-financial business models on the traditional deposit/lending business of the banking sector, with full competition among and across banking industry peers and internet finance players;
- Expedited interest rate de-regulation, with NIS and NIM of the banking sector expected to continue to narrow down.

Outlook: Our measures

Our measures:

- **Strategic transform and structural reform:** initiate and implement “BCQ’s *Decision On Deepening Reform and Accelerating Development*” (《重庆银行关于深化改革加快发展的决定》) since January 2014;
- **Evolving business strategy:** 1) driven by innovation, continuous transformation, and structural reform, to become leading retail bank with clear management guidelines; 2) sound business lines & mix; 3) strive to break-through in consumer finance and asset management businesses, while proactively explore and build a highly efficient online banking platform; 4) provide broader financial products and services to our customers;
- **Seize the opportunity of Chongqing’s position as the pilot city of integrated urban-rural development, and the economic center in upper Yangtze River, as well as policy benefits from Liangjiang New Area.** Bank of Chongqing is committed to become leading regional bank with branches and presence in Western China, forming core business network in Chongqing as its home base, and radiate to major cities in Western China;
 - **Corporate banking:** Commit to build a specialized full service provider
 - **SME banking:** Commit to become a pioneer and leader of small & micro banking service provider
 - **Personal banking:** Commit to build a citizen bank skillful at serving customers’
 - **Treasury operations:** Commit to become a leading inter-bank funding trader
- **Improve risk management system and credit approval system:** process to more strict control over bank’s business lines to achieve better assets quality.



Q & A



Thank you!