



**重庆银行**  
BANK OF CHONGQING

**Bank of Chongqing, Co., Ltd. (1963.HK)**  
**2017 Annual Results Presentation**

March 2018

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# Table of Content

- 1 Key Performance Metrics
- 2 Financial Performance Overview
- 3 Business Overview
- 4 2017 Operating Highlight
- 5 Opportunities and Challenges





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Section 1

## **Key Performance Metrics**

# Key Operating Metrics

RMB Million	2017	2016	Change (%)
Net Interest Income	8,115	7,677	5.7
Net Commission & Fees	1,680	1,926	(12.8)
Operating Income	10,015	9,603	4.3
Pre-tax Profit	4,895	4,659	5.1
Net profit	3,764	3,502	7.5
Net profit attributable to shareholders of the Bank	3,726	3,502	6.4
			Change
Basic EPS ( RMB Yuan)	1.19	1.12	0.07
DPS (RMB Yuan)	0.118	0.291	(0.173)
			Change (%)
Total Assets	422,763	373,104	13.3
Loans	172,162	146,789	17.3
Total Liabilities	390,303	349,292	11.7
Gross Deposits	238,705	229,594	4.0
Total Equity	32,460	23,812	36.3

# Key Operating Metrics (Cont'd)

Rations (%)	2017	2016	变动
ROA	0.95	1.01	(0.06)
ROE	13.24	15.53	(2.29)
Net Interest Spread	1.89	2.23	(0.34)
Net Interest Margin	2.11	2.38	(0.27)
Net Commission & Fees / Operation Income	16.78	20.06	(3.28)
NPL	1.35	0.96	0.39
NPL Coverage	210.16	293.35	(83.19)
Core Tier 1 Capital Adequacy	8.62	9.82	(1.20)
Tier 1 Capital Adequacy	10.24	9.82	0.42
Capital Adequacy	13.60	11.79	1.81
Loans-Deposits	74.24	65.78	8.46



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Section 2

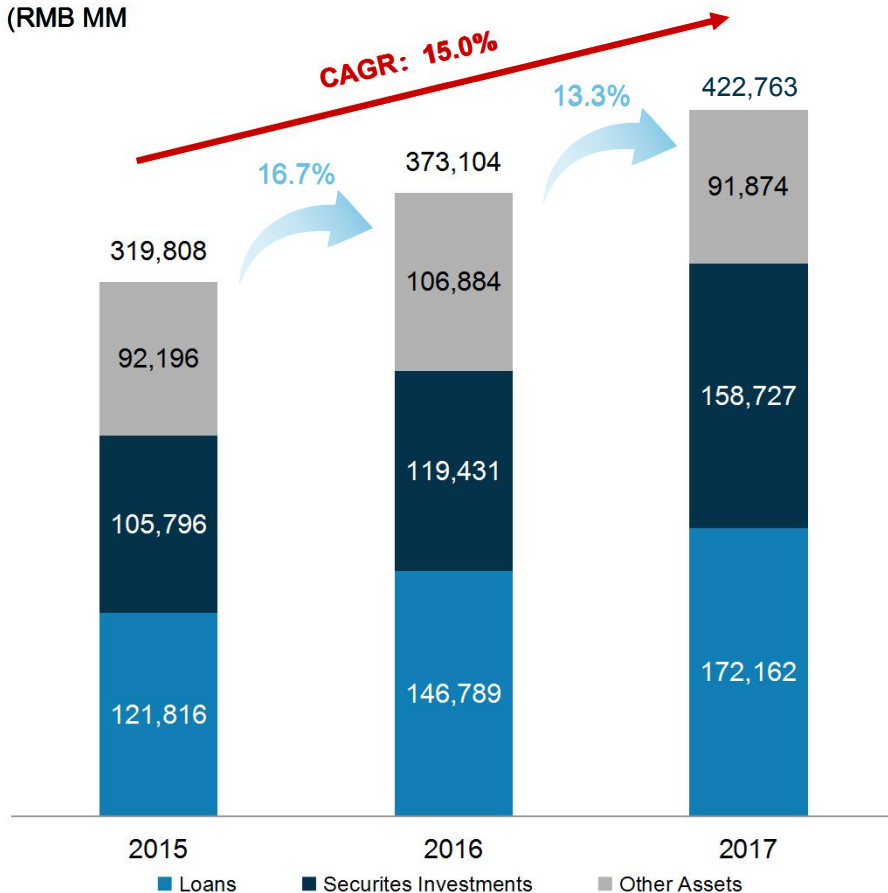
## Financial Performance Overview



# Solid and Healthy Business Growth

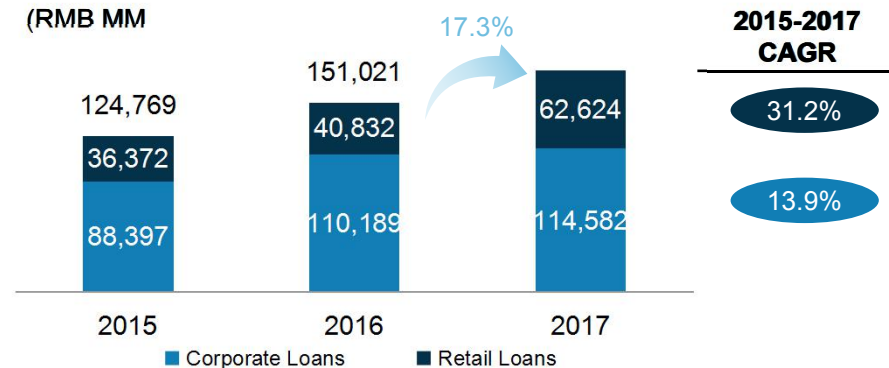
## Total Assets : 2015–2017

(RMB MM)



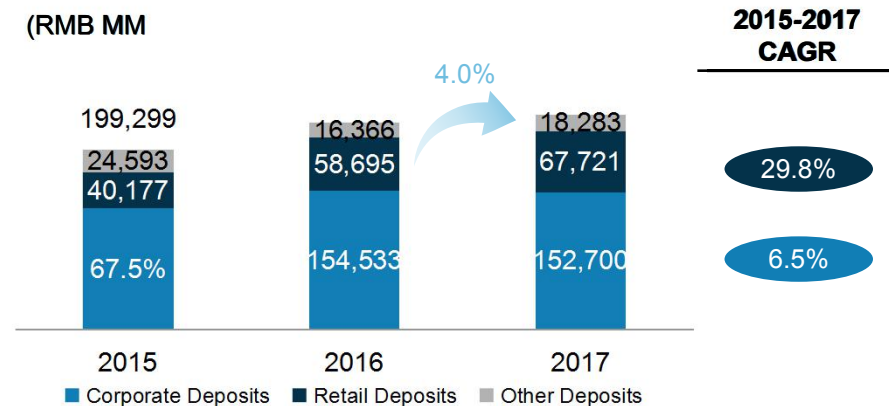
## Total Loans : 2015–2017

(RMB MM)



## Gross Deposits : 2015–2017

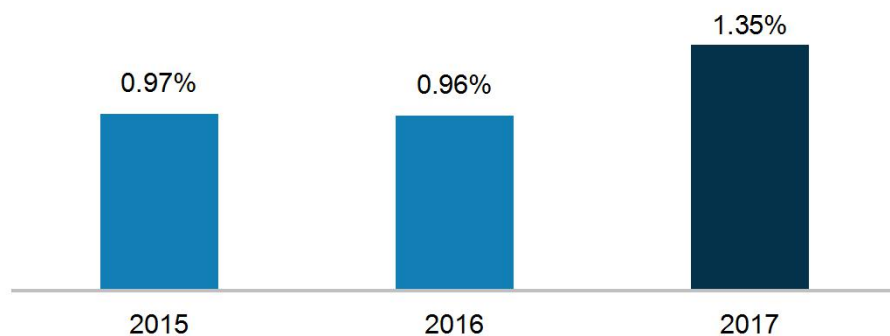
(RMB MM)



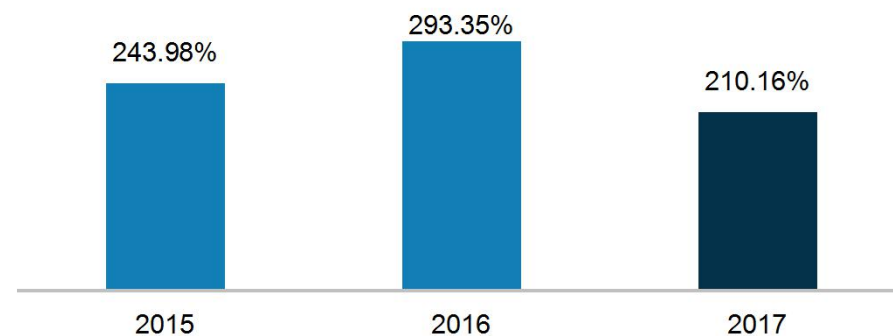


# Stable Asset Quality and Capital Adequacy

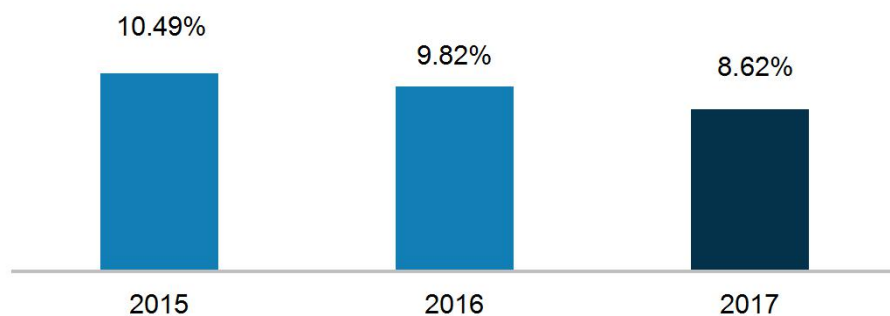
## Non-performing Loan Ratio



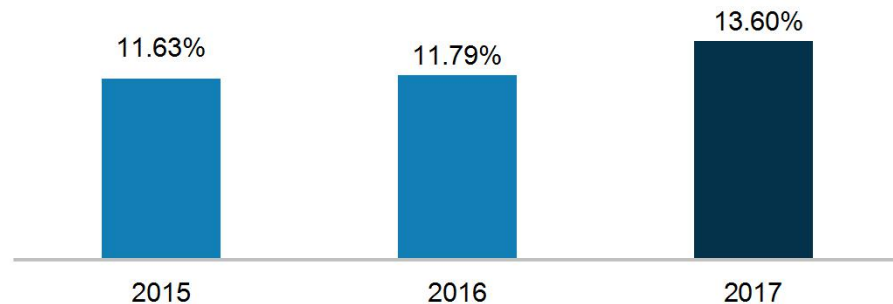
## Non-performing Loan Coverage Ratio <sup>(1)</sup>



## Core Capital Adequacy Ratio



## Capital Adequacy Ratio



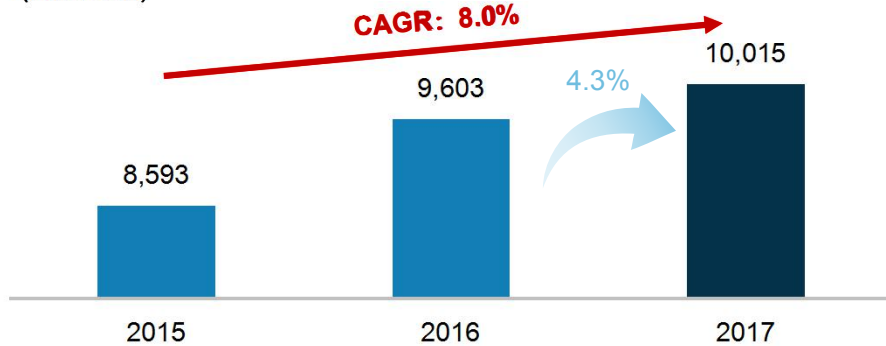
Note

1. NPL Coverage Ratio = Provision / NPL Loan Outstanding

# Stable Top-line Growth with Slight Decline in Commission & Fees Income

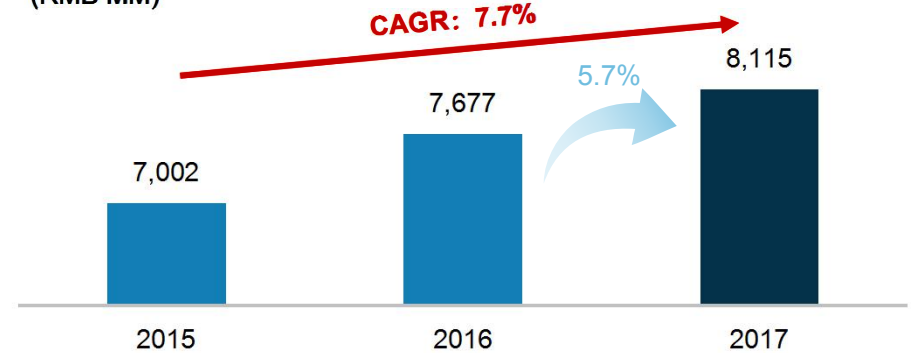
## Operating Income

(RMB MM)



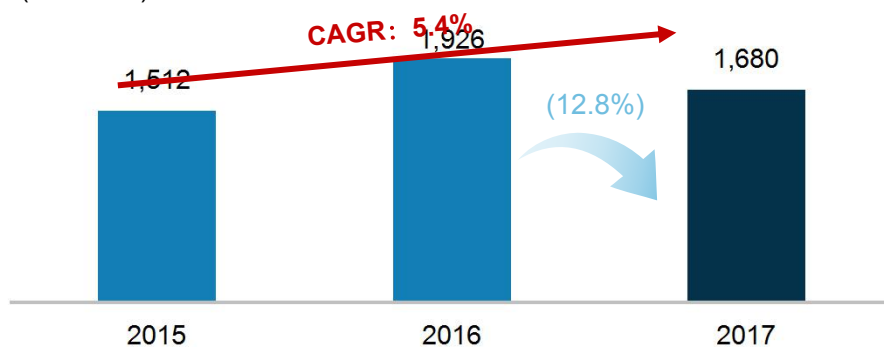
## Net Interest Income

(RMB MM)

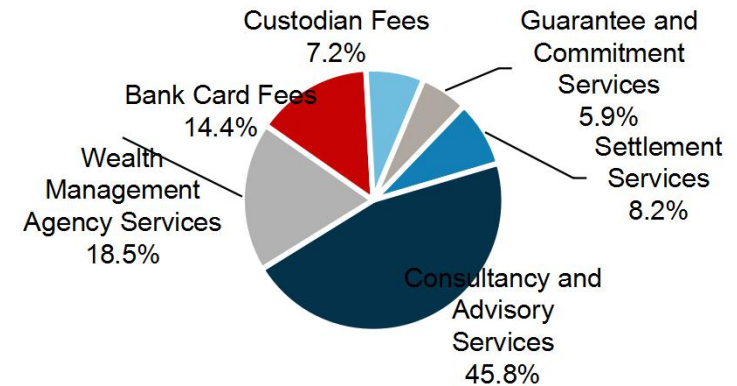


## Net Fee and Commission Income

(RMB MM)



## Net Fee and Commission Income Breakdown

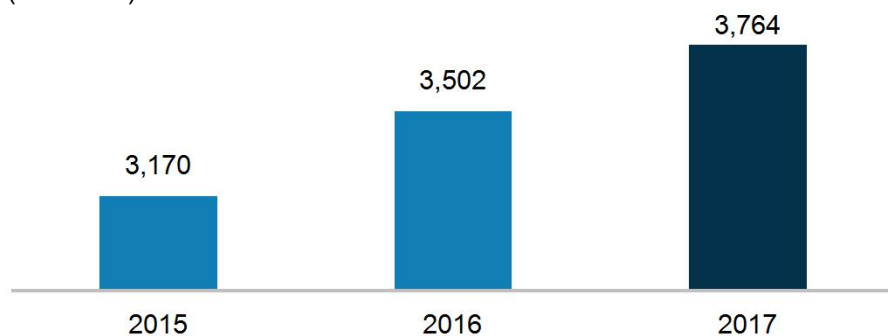


2017 Fee and Commission Income: RMB1,941 MM

# Improved Profitability

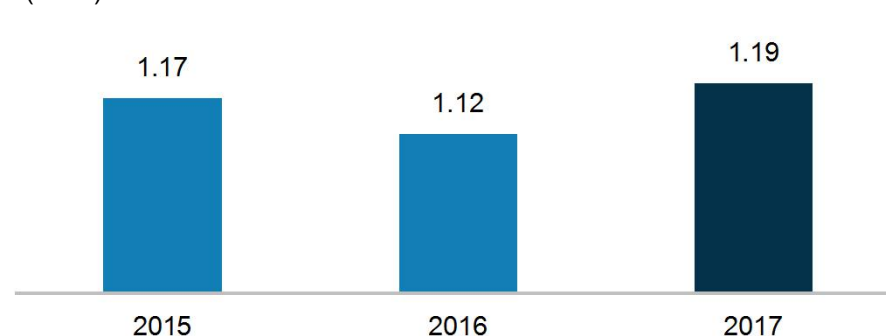
## Net Profit

(RMB MM)

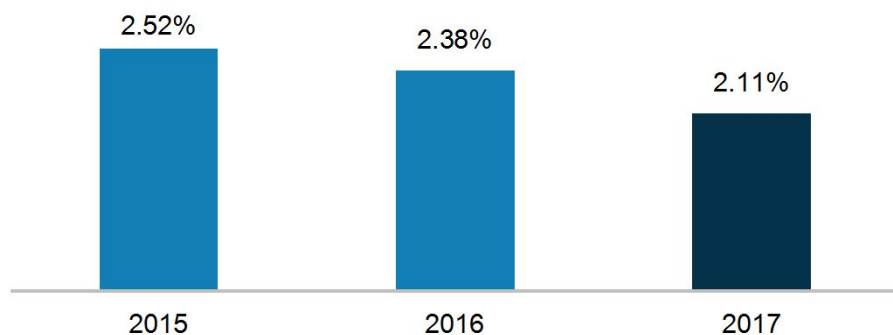


## Basic EPS<sup>(1)</sup>

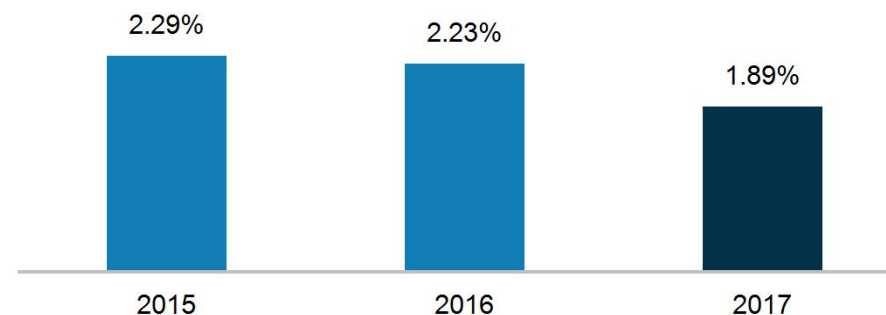
(RMB)



## Net Interest Margin<sup>(2)</sup>



## Net Interest Spread



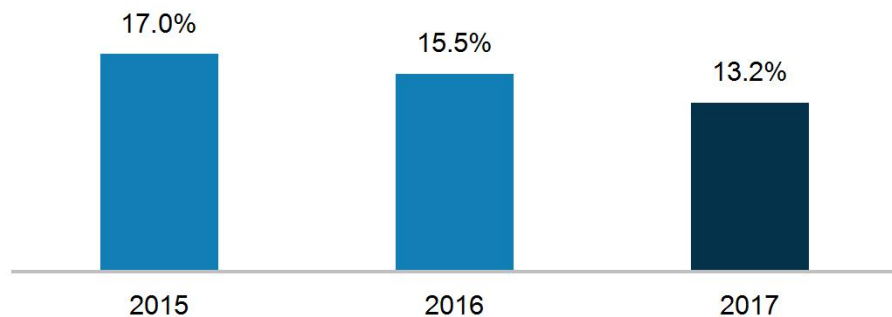
Note

1. EPS attributable to equity shareholders of the bank
2. Net Interest Margin = Net Interest Income / Average Interest-bearing Assets

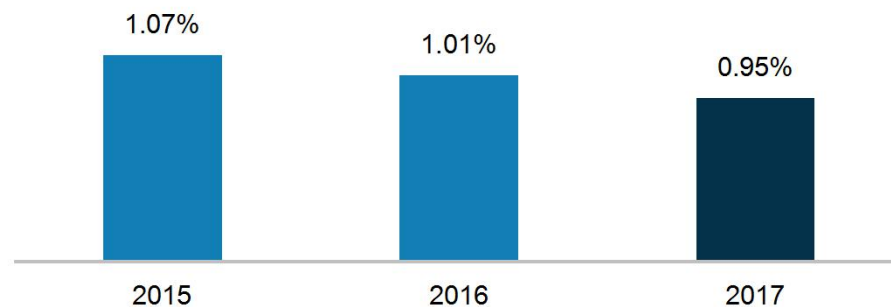


# Improved Profitability (Cont'd)

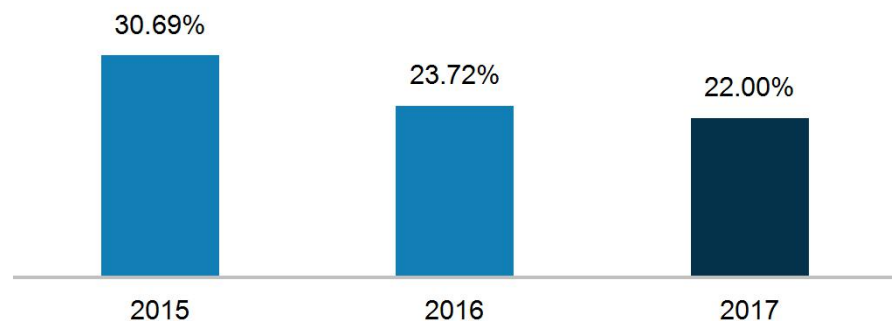
**Average Return on Equity attributable to shareholders of the Bank**



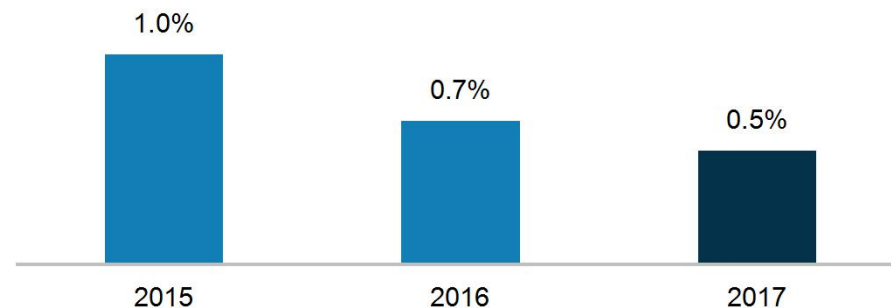
**Average Return on Assets**



**Cost-to-income Ratio**



**OpEx-to-assets Ratio**





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Section 3

## **Business Overview**

# Business Overview

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1

**Corporate Banking: Solid Profile with Optimized Business Structure**

2

**SME Banking: Consistent Support to SMEs in West Region**

3

**Retail Banking: Concrete Momentum with Focus on Consumer Financing**

4

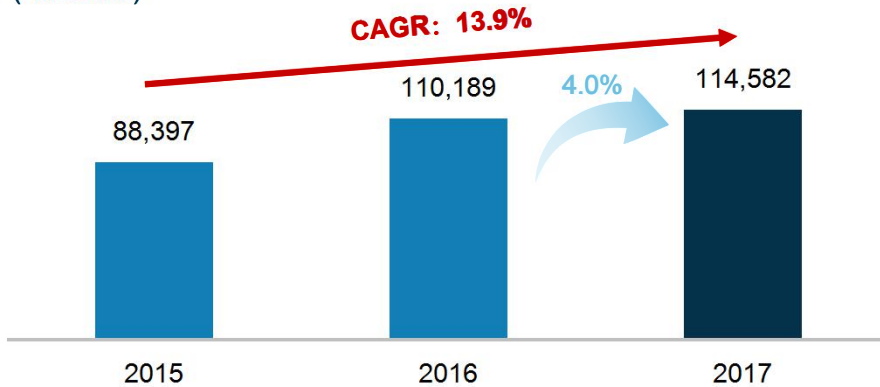
**Treasury: Proactively Adjust Treasury Business Structure and Strengthen Business Risk Management**



# Corporate Banking: Solid Profile with Optimized Business Structure

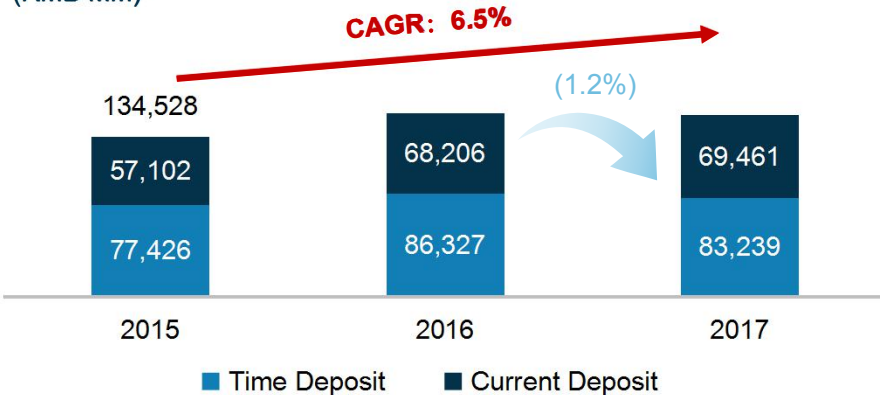
Corporate Loans and Growth Rate<sup>(1)</sup> : 2015–2017

(RMB MM)

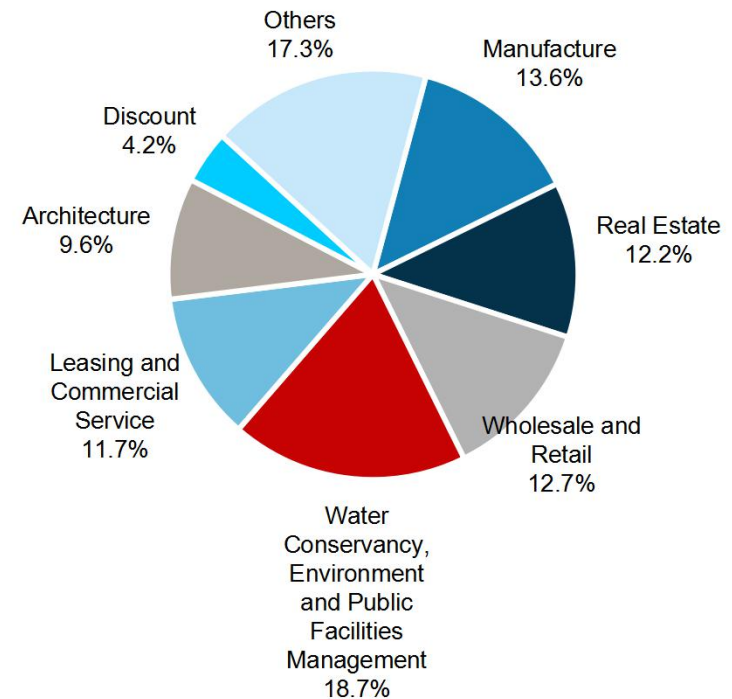


Corporate Deposits and Growth Rate: 2015–2017

(RMB MM)



Industry Distribution of Corporate Loans



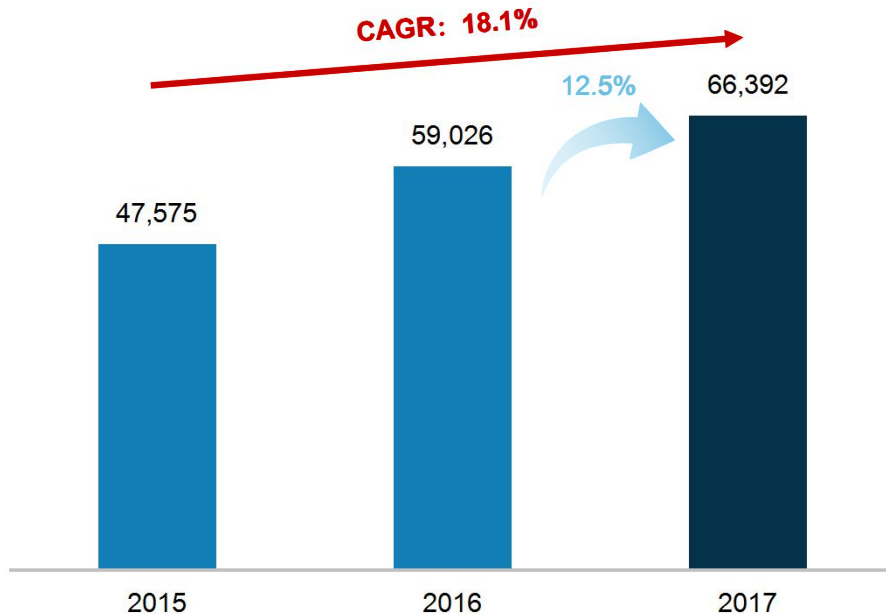
1. Includes SME loans.

## 2 SME Banking: Consistent Support to SMEs in West Region

Continuous fast growth of SME banking and above-average asset quality <sup>(1)</sup>

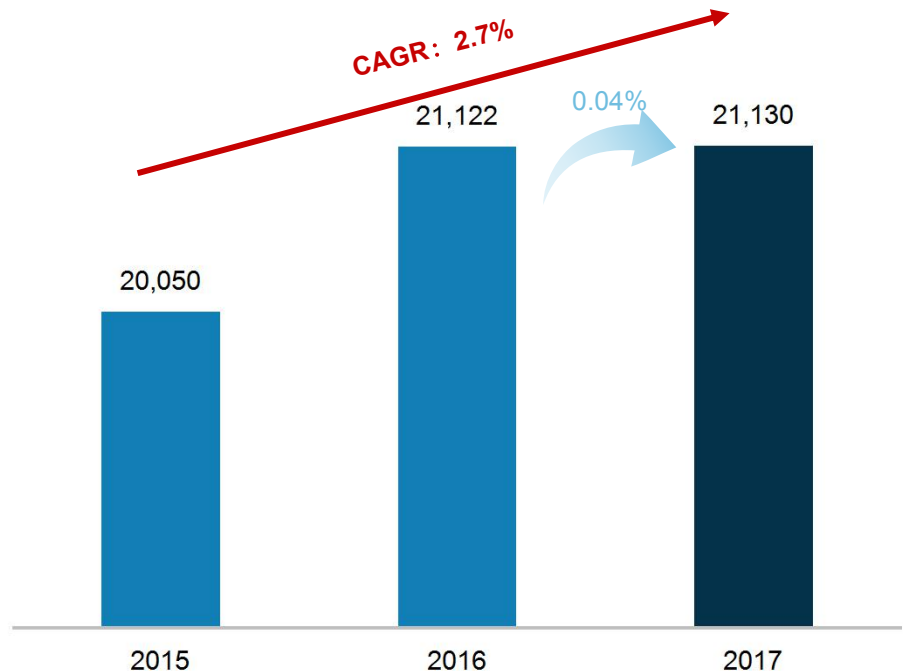
### SME Loans and Growth Rate : 2015–2017

(RMB MM)



### Stable Growth of SME Credit Client

(No. of Client)



#### Note

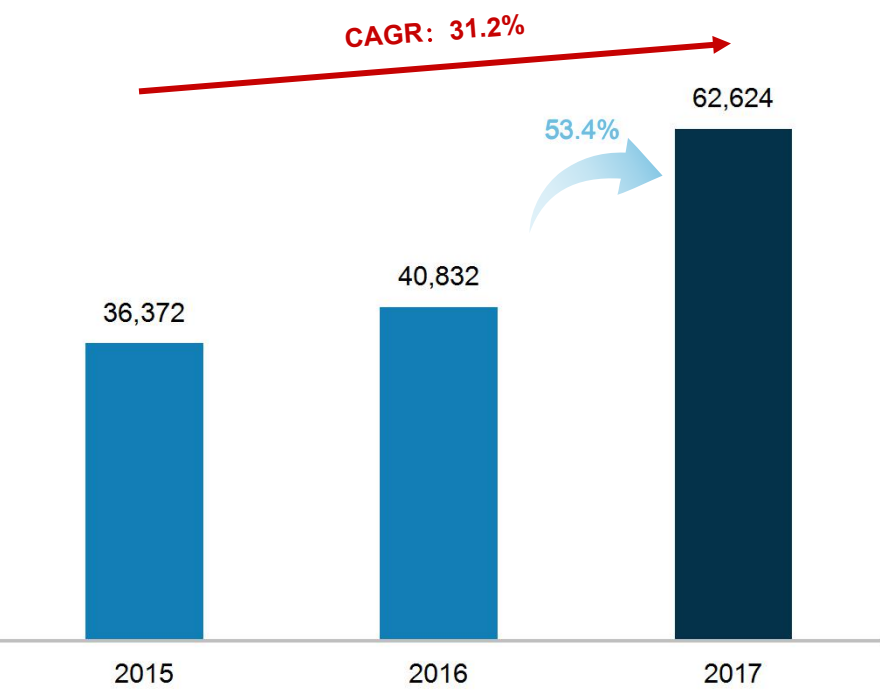
1. The amount of SME loans follows our management account. The SME loan amount is calculated as the SME loans included in corporate loans plus personal business loans in retail banking, deducted by loans to public institution

# Retail Banking: Uptrend Maintained with Focus on Consumer Financing

Strong uptrend of retail business

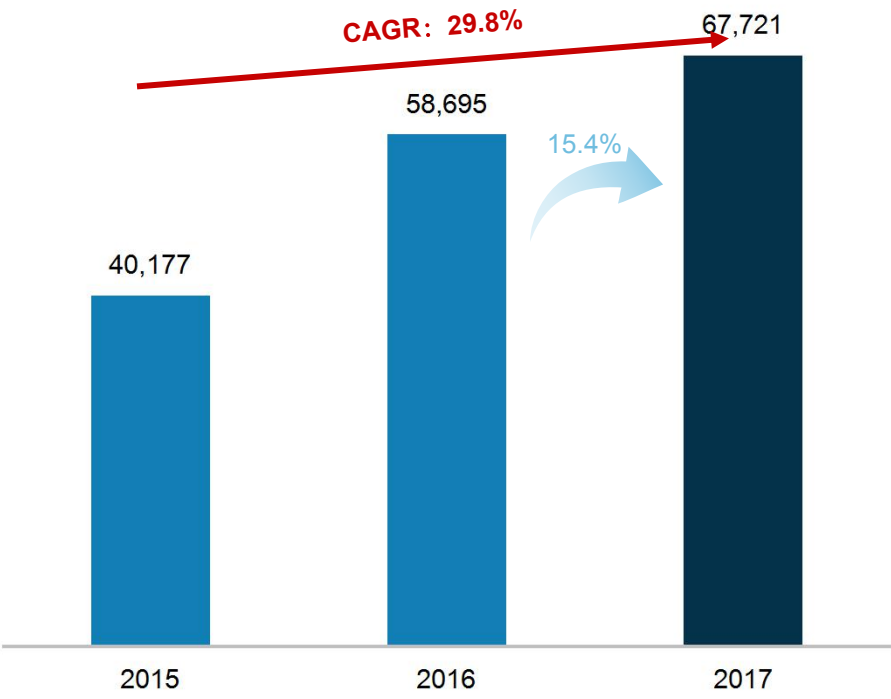
Retail Loans: 2015–2017

(RMB MM)



Retail Deposits : 2015–2017

(RMB MM)

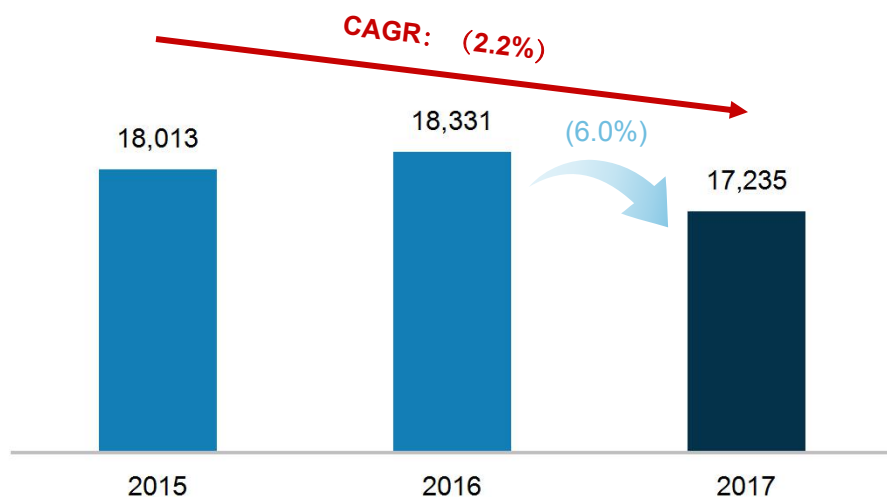




### ③ Retail Banking: Cater Daily Financial Needs of Clients

#### Mortgage Loans: 2015–2017

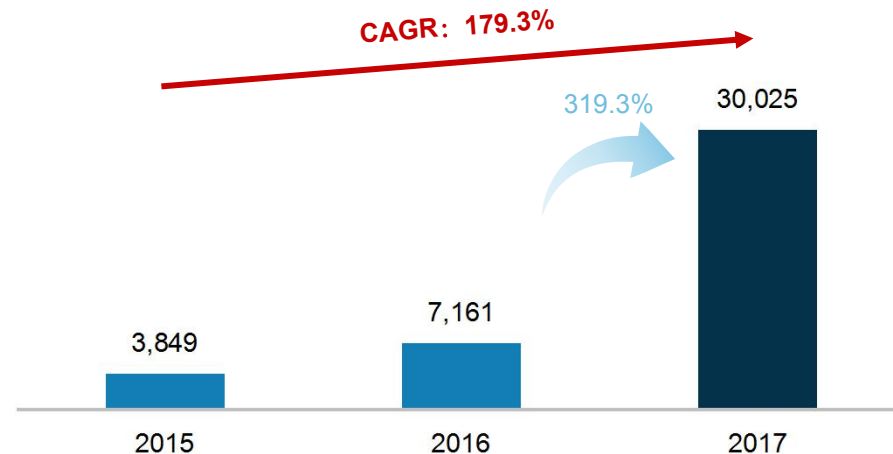
(RMB MM)



- Mortgage loan balance experienced slight growth from 2016 after proactive business structure adjustments
- Mortgage loan's contribution to total retail loans continued to decrease and was under 30% by end of 2017
- No significant deterioration in asset quality of mortgage loans. We will make proper adjustments on business strategies to mortgage loans based on market situation

#### Retail Consumption Loans: 2015–2017

(RMB MM)



- Benefiting from business structure adjustment, retail consumer loans increased significantly to be over RMB30 Bn in 2017
- Retail consumer loan's contribution to total retail loans quickly grew to 47.9%, which optimizes the portfolio of retail loans and diversifies the risk
- We will continue to actively develop consumer loans and cater the daily financial needs of retail clients

# 4 Treasury: Revenue from Treasury Business Declined due to Regulatory Policies

Proactively Adjust Treasury Business Structure and Strengthen Business Risk Management

## Guideline and Main Business

### Guideline

Ensure the liquidity of bank's daily operation, and then maximize the return of non-credit fund

### Main Business

#### Money Market Trading

- Inter-bank Lending and Bill Rediscount
- Repurchase and Reverse Repurchase

#### Securities Investment

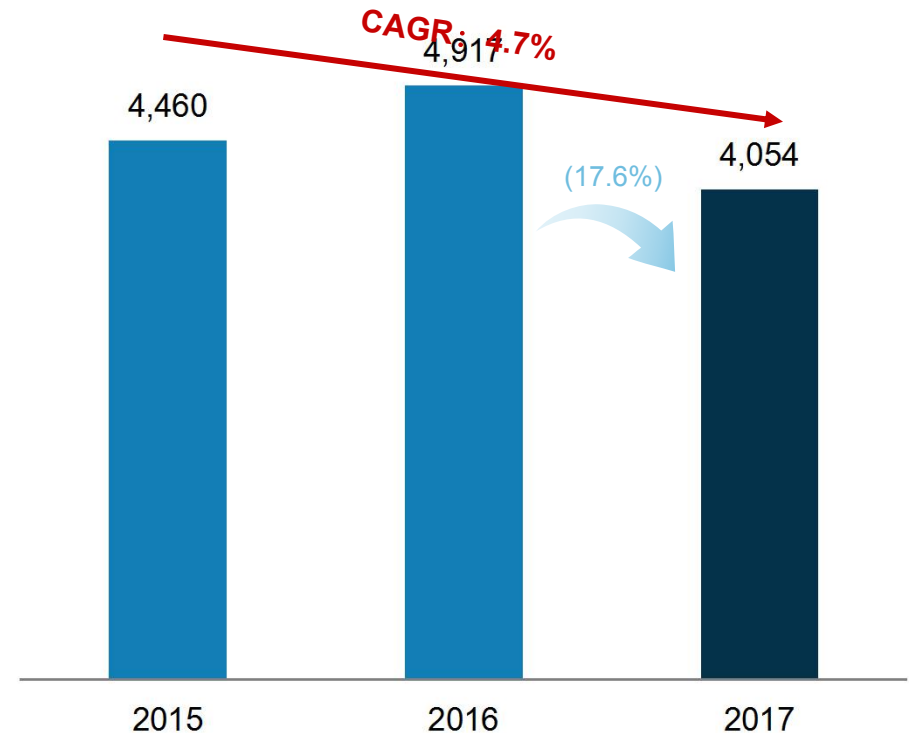
- Fixed Income Products
- Principle-protected Wealth Management Products and Benefit Right of Trust Products

#### Wealth Management

- For both corporate and retail clients

## Net Interest Income from Treasury Business: 2015–2017

(RMB MM)





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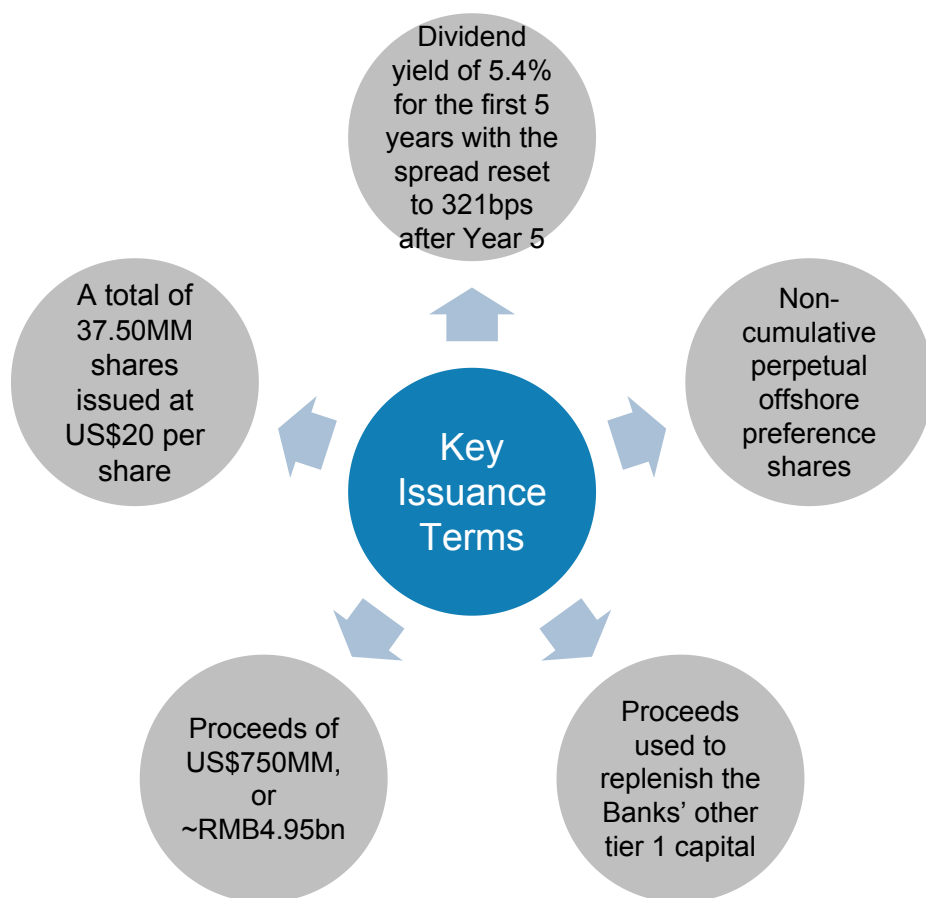
Section 4

## 2017 Operating Highlight



# 1 Successful Issuance of Offshore Preference Shares

## Overview



## Milestones

- In early 2017, launched the process for offshore preference share issuance
- In Mar-May, 2017, completed the internal approval process for the preference share issuance
- In Jun 2017, completed the Issuer's international rating and was rated BBB -(investment grade) by S&P
- In Jul 2017, obtained from CBRC Chongqing Bureau the administrative approval and regulatory opinions for the preference share issuance and corresponding revision of the *Articles of Association*
- In Aug 2017, conducted a non-deal roadshow and actively communicated with potential investors
- In Nov 2017, obtained from the NDRC the *Enterprise Foreign Debt Pre-Issuance Registration Certificate*
- In Dec 2017, obtained from the CSRC the approval document for the preference share issuance
- On Dec 13, 2017, completed the roadshow and pricing for the preference share issuance
- On Dec 20, 2017, deal closed and the offshore preference share issuance successfully priced
- On Dec 21, 2017, the preference shares were listed on SEHK

## Record Breaking in Several Respects

This issue has broken a number of records for offshore preference share issuances by Chinese banks:

- The lowest coupon cost among offshore preference share issuances by Chinese city commercial banks
- The tightest pricing spread among offshore preference share issuances by Chinese city commercial banks
- The largest tightening from the initial price guidance to the final pricing among preference share issuances by Chinese banks

## ② Investment Grade Rating by S&P

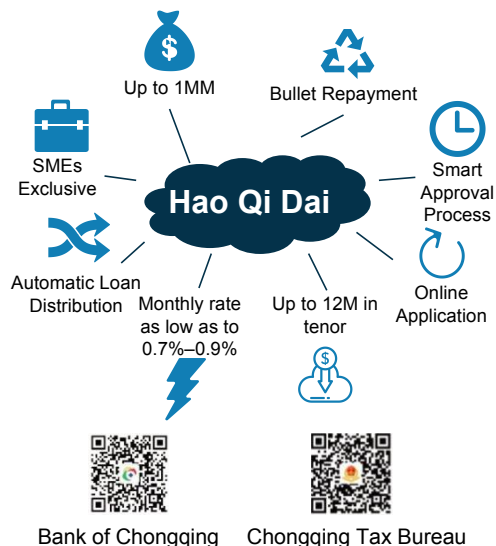
SACP	bb+	+	Support	+1	+	Additional Factors	0
Anchor	bbb-		ALAC Support	0		<b>Issuer Credit Rating</b>  <b>BBB-/Stable/A-3</b>	
Business Position	Adequate	0	GRE Support	+1			
Capital and Earnings	Moderate	-1	Group Support	0			
Risk Position	Adequate	0	Sovereign Support	0			
Funding	Average	0					
Liquidity	Adequate	0					

- On June 14, 2017, the international rating agency S&P Global Ratings assigned long-term and short-term issuer credit ratings of “BBB-” and “A-3”, respectively, to Bank of Chongqing, with a stable outlook
- The investment grade rating of “BBB-” is the highest among city commercial banks with international ratings
- The first financial institution in Western China which was assigned the investment grade rating
- According to S&P, stable outlook reflected that Bank of Chongqing could maintain current business development momentum in the following 12-24 months and has sufficient capital reserve to mitigate potential economic risks at macro level and within the industry. It also reflected S&P’s recognition of the Bank’s regional strength in Chongqing and strong government support received by the Bank
- In S&P’s view, driven by its underwriting preference and asset quality, risk level of Bank of Chongqing will be in line with industry average level.

# 3 Internet Finance: Develop SME Business via Big Data

## Hao Qi Dai

### Product Description



Supported by Chongqing Tax Bureau, “Hao Qi Dai” is a short-term loan exclusively for SMEs with good tax record to finance its daily operation. By taking tax record as an important credit rating factor, “Hao Qi Dai” incentivizes SMEs to keep good tax record for a better credit score.

Client can apply a loan up to 1MM with the tenor up to 12 months, bullet Repayment with monthly interest rate as low as to 0.7%–0.9%

### Product Features



Online Application



Pure Credit Loan Up to 1MM



Bullet Repayment

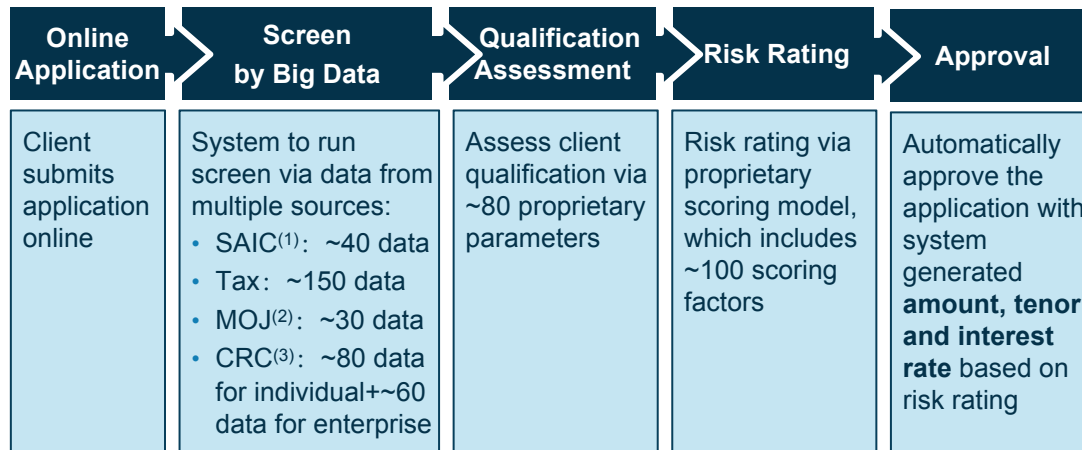


Client With Tax Record

#### Note:

1. State Administration for Industry & Commerce
2. Ministry of Justice
3. Credit Reference Center of The People's Bank of China

## Process

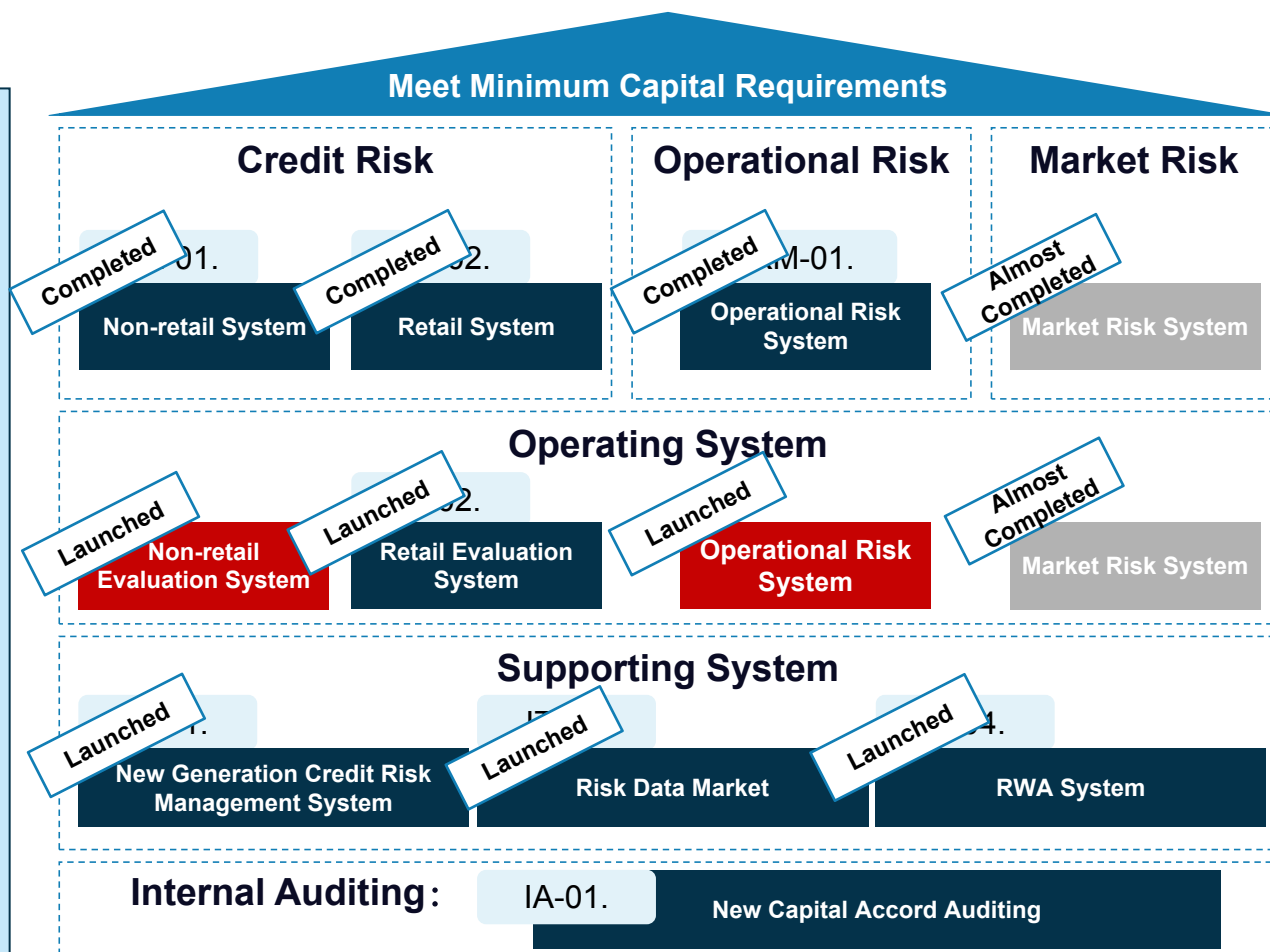


## Prospect

- As of December 2017, total 13,598 applications received under “Hao Qi Dai” with 3,621 applications approved and RMB1,327 MM loan drawn
- Currently we have launched accelerated approval and loan extension process for Hao Qi Dai, with the services covering Chongqing, Sichuan and Guiyang
- At the awarding ceremony of “2017 China Financial Innovation Awards”, “Hao Qi Dai” won the “Top 10 Internet Financial Innovation Award” for its innovative small and micro enterprise loan model that featured of instant, no collateral and lending up to RMB1MM

# Fulfill Compliance Standard of Administrative Measures for the Capital of Commercial Banks

- In 2012, CBRC issued Administrative Measures for the Capital of Commercial Banks (for Trail Implementation). This is the China version of the New Basel Capital Accord
- In 2014, Bank of Chongqing started New Capital Accord project, conducting self-assessments according to regulatory guidelines. We also constitute, implement and optimize the execution plan. Up to now, the execution is almost completed







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Section 5

## **Opportunities and Challenges**

# Outlook: Opportunities and Challenges

## Opportunities

- As China's macro economy maintains stable development, further economic structural adjustment and upgrading of the industrial structure will provide strong support to the sound development of the banking sector
- With the gradual implementation of the "supply-side reform", a series of new measures will be introduced to achieve stable growth, adjust structure, improve livelihood and prevent risks, creating valuable development opportunities for the banking sector
- As the largest municipality directly under the Central Government in China, the most developed metropolitan area in West China, the largest central port city in the upper reaches of the Yangtze River, and the operation center of China-Singapore Demonstration Initiative on Strategic Connectivity, Chongqing was ranked among the top in China in terms of economic growth in 2017. In 2018, with further advancement of China's major development strategies and initiatives and the implementation of various policies and measures for achieving steady growth and structural adjustment, Chongqing is expected to maintain a rapid and sound momentum of development

## Challenges

- The rising anti-globalization and trade protectionism sentiment may pose potential challenges to the global economic recovery and the steady development of China's economy
- Intensive introduction of regulatory policies and strengthening regulation and oversight in China may create certain pressure on the business expansion of the financial sector in the short term
- The upward trend in the non-performing loan ratio of the banking sector has not fundamentally changed with continued pressure on asset quality
- The deepening of financial disintermediation and the continuous development of Internet finance and other emerging financial models may exert a greater impact on traditional banking businesses



Thank you!