



# **Bank of Chongqing, Co.,Ltd.**

## **(1963.HK)**

### **2015 Annual Results Presentation**

**Hong Kong (Mar.2016)**







# 2015 Annual results presentation

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# 1 Key Business Highlights





# Key Business Highlights

RMB (million)	2015	2014	change (%)	2013	3 year CAGR (%)
Net interest income	7,002	6,232	↑ 12.4	5,179	19.1
Net fee and commission income	1,512	909	↑ 66.4	645	60.2
Operating income	8,593	7,483	↑ 14.8	5,875	22.6
Profit before income tax	4,270	3,790	↑ 12.7	3,057	19.3
Net Profit for the year attributable to shareholders	3,170	2,827	↑ 12.1	2,329	18.1
Change					
EPS (RMB)	1.17	1.05	↑ 0.12	1.10	7.2
DPS (RMB)	0.264	0.272	↓ -0.008	0.224	55.7
change (%)					
Total assets	319,808	274,531	↑ 16.5	206,787	27.0
Net loans and advances to customers	121,816	104,115	↑ 17.0	88,638	17.4
Total liabilities	298,515	258,628	↑ 15.4	193,308	26.4
Customer deposits	199,299	167,932	↑ 18.7	148,801	20.5
Total equity	21,293	15,903	↑ 33.9	13,479	37.1



# Key Business Highlights

Ratio (%)	2015	2014	Change	2013
ROA	1.07	1.17	↓ -0.10	1.28
ROE	17.0	19.2	↓ -2.2	21.4
Net interest spread (NIS)	2.29	2.56	↓ -0.27	2.61
Net interest margin (NIM)	2.52	2.81	↓ -0.29	2.81
Fee and commission income ratio	17.60	12.15	↑ 5.45	10.97
Non-performing loans ratio	0.97	0.69	↑ 0.28	0.39
Core capital adequacy ratio (CCAR)	10.49	9.63	↑ 0.86	10.82
Capital adequacy ratio (CAR)	11.63	11.00	↑ 0.63	13.26
Loan-to-Deposit ratio	62.60	63.39	↓ -0.79	60.82



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## Financial Performance

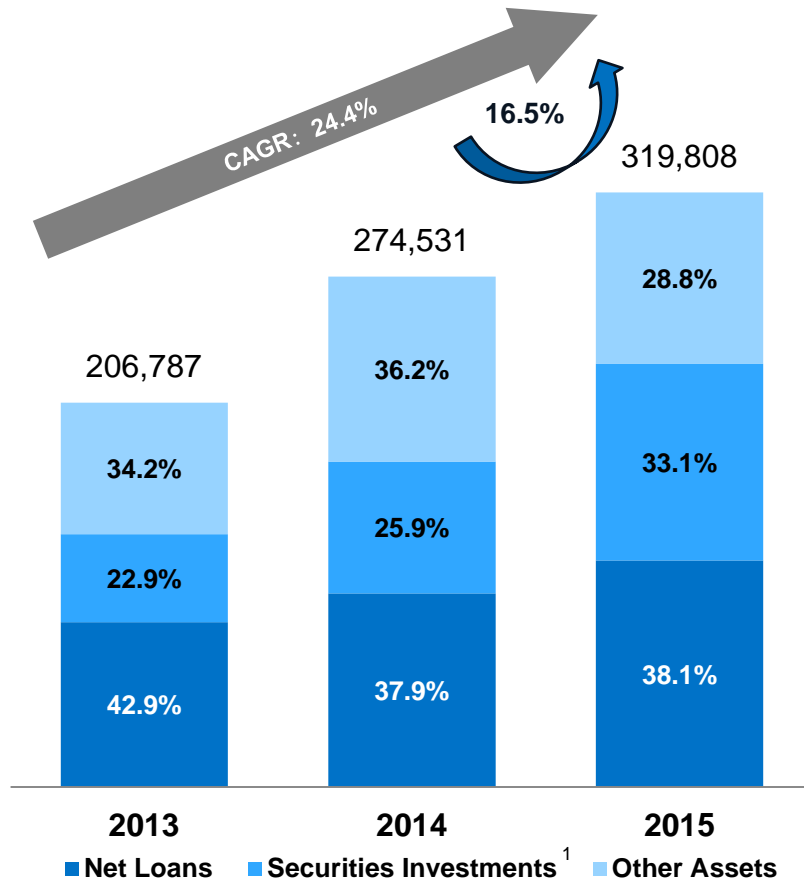


# Financial Performance

## Solid growth of assets

### Total assets : 2013-2015

(RMB Million)



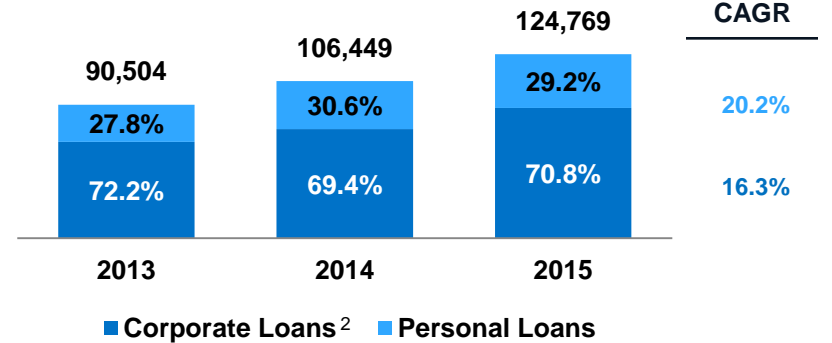
<sup>1</sup> Including loans and accounts receivable investments, available-for-sale securities and held-to-maturity securities.

<sup>2</sup> Including discounted bills.

<sup>3</sup> Including pledged deposits held as collateral.

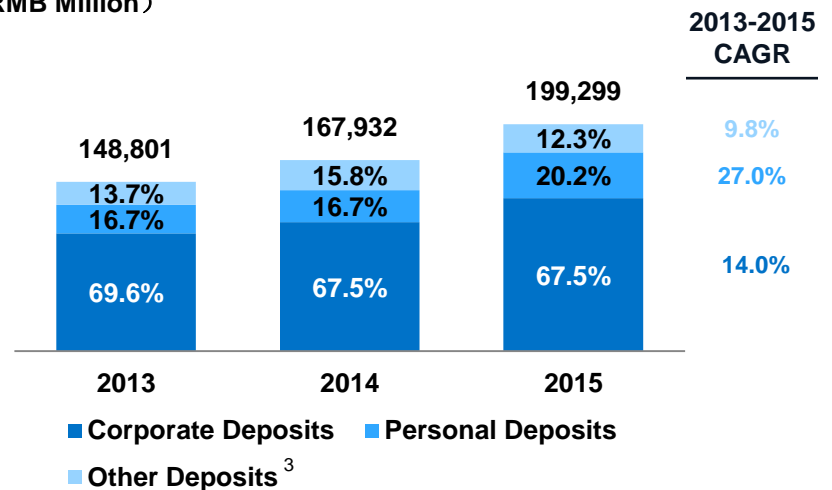
### Total loans: 2013-2015

(RMB Million)



### Total deposits: 2013-2015

(RMB Million)

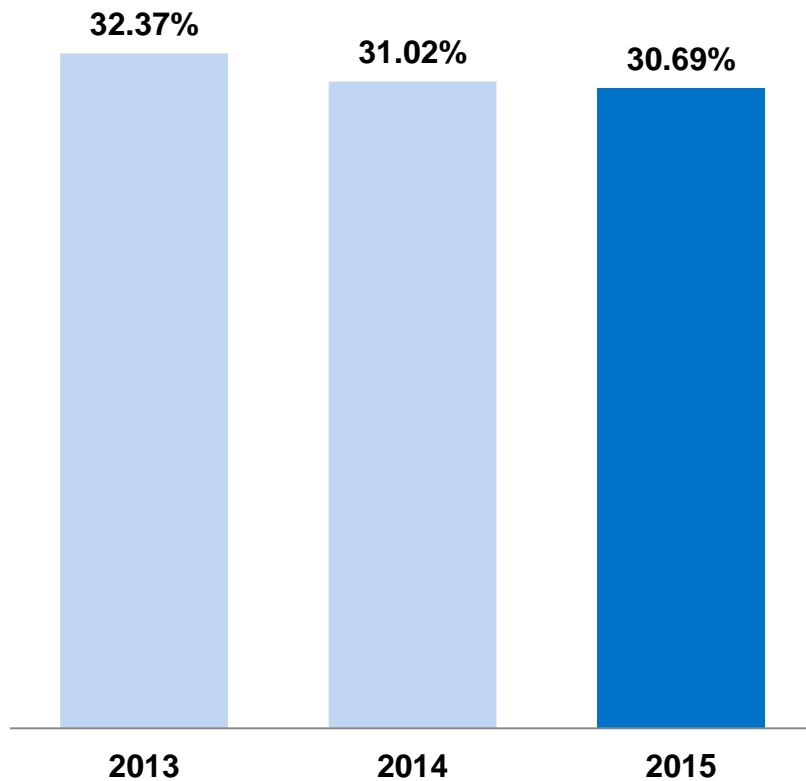




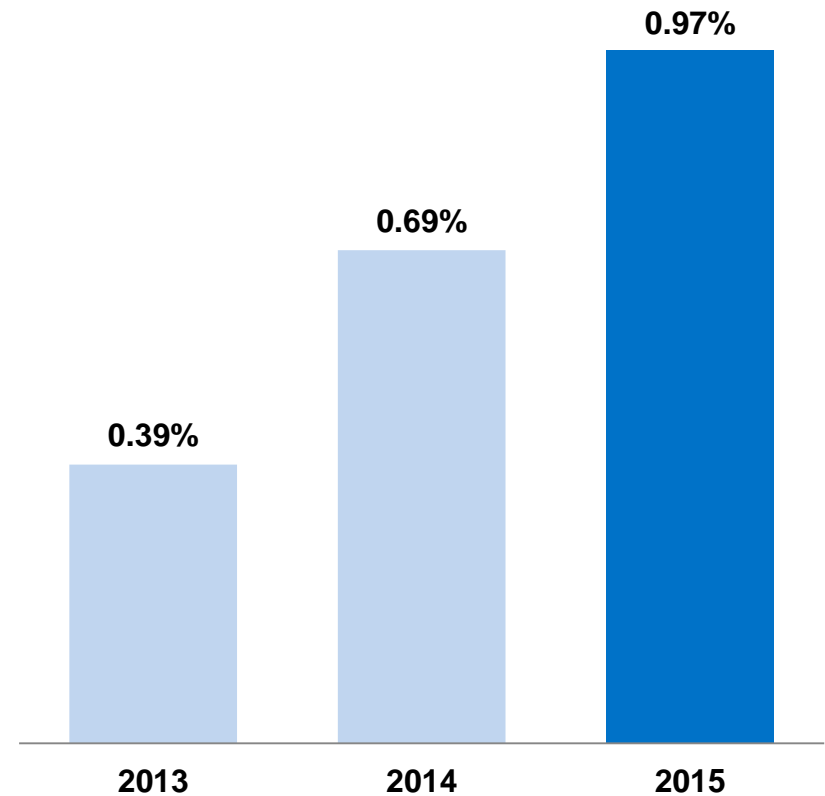
# Financial Performance

## Decreasing Cost/Income ration, Below-average NPL ratio

Cost-to-income ratio<sup>1</sup> : 2013-2015



NPL ratio<sup>2</sup>: 2013-2015



<sup>1</sup> Excluding business tax and surcharges.

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



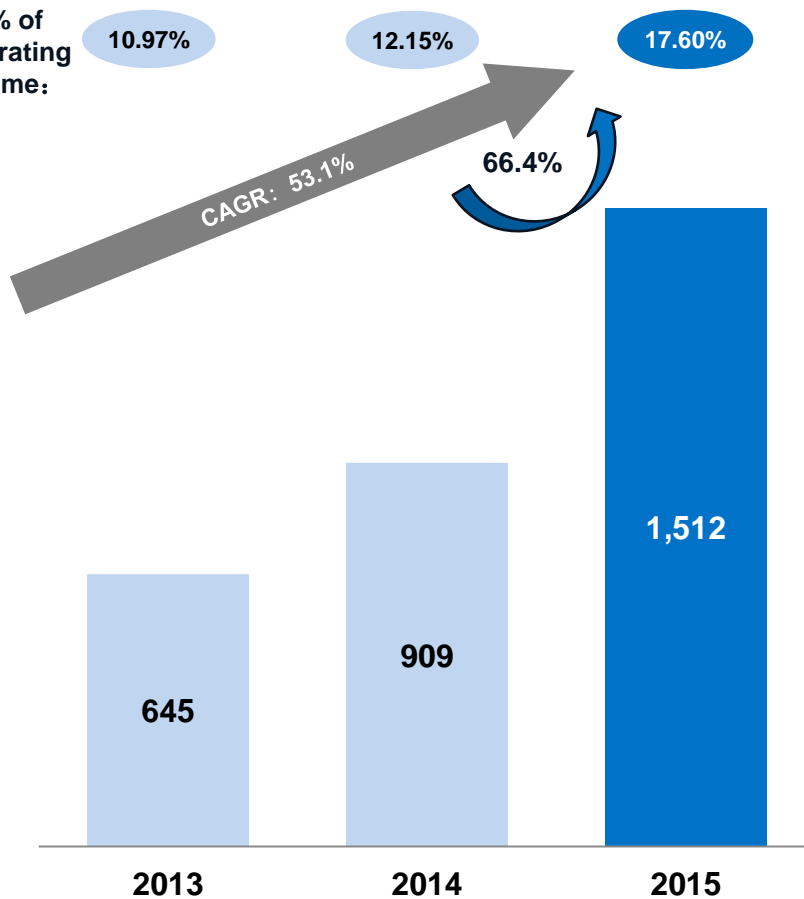
# Financial Performance

## Strong and diversified growth in non-interests income

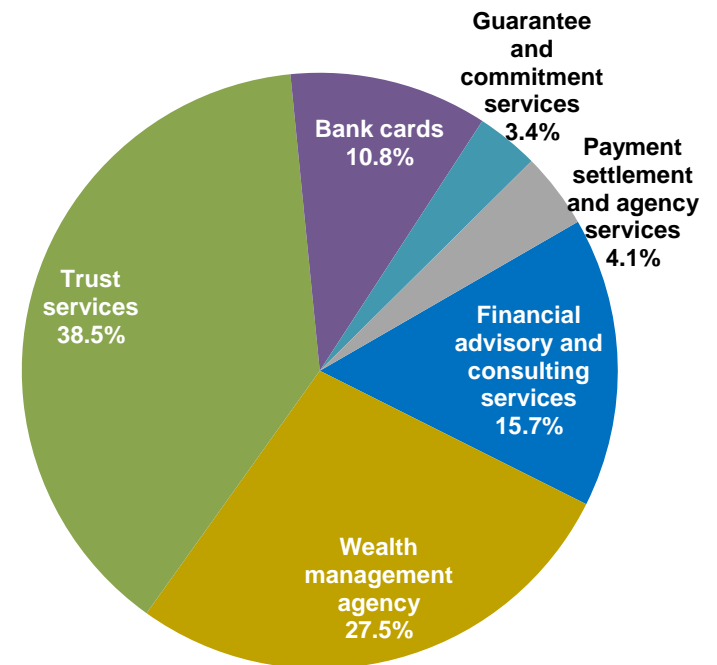
### Net fee and commission income:

(RMB Million)

As % of  
Operating  
Income:



### Net fee and commission income breakdown:



**Total Fee and Commission Income:**  
RMB1,512 million

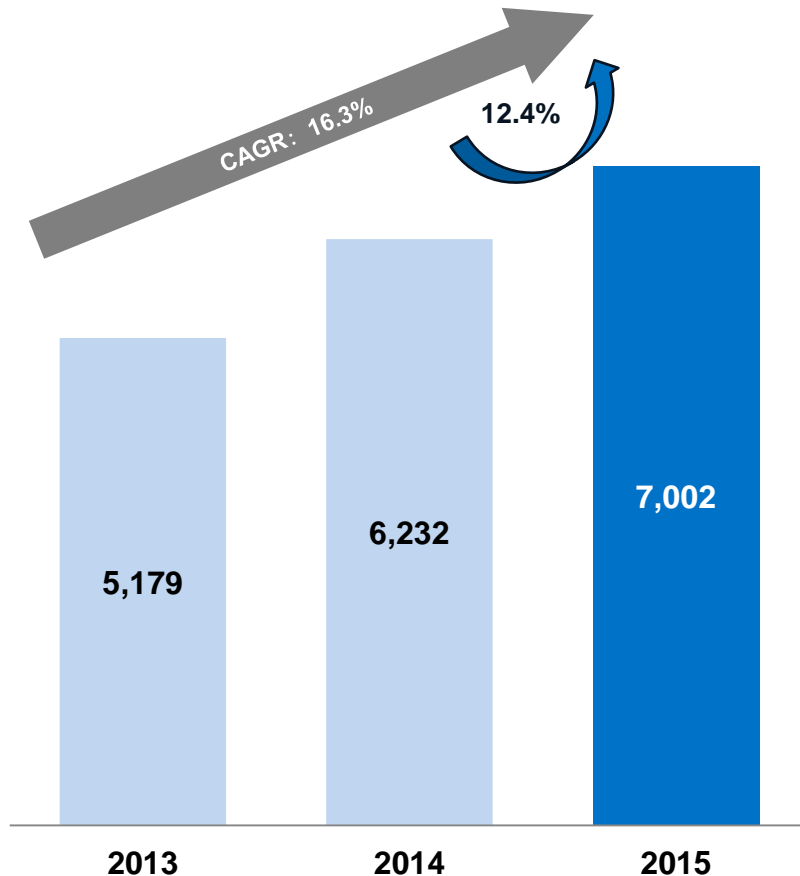


# Financial Performance

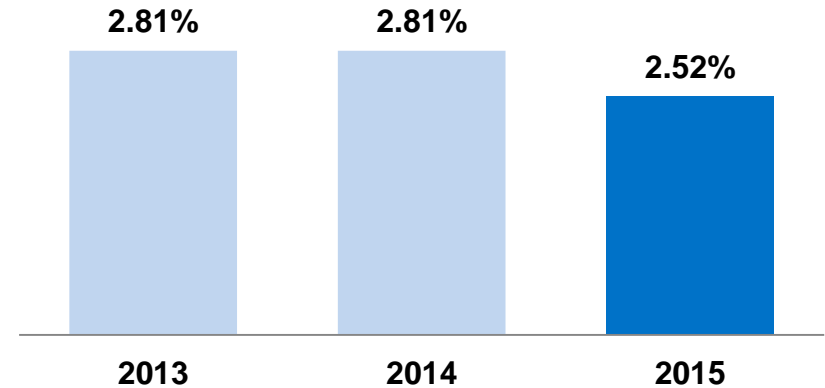
## Solid growth of net interest income , with narrowing NIM and NIS

### Net interest income : 2013-2015

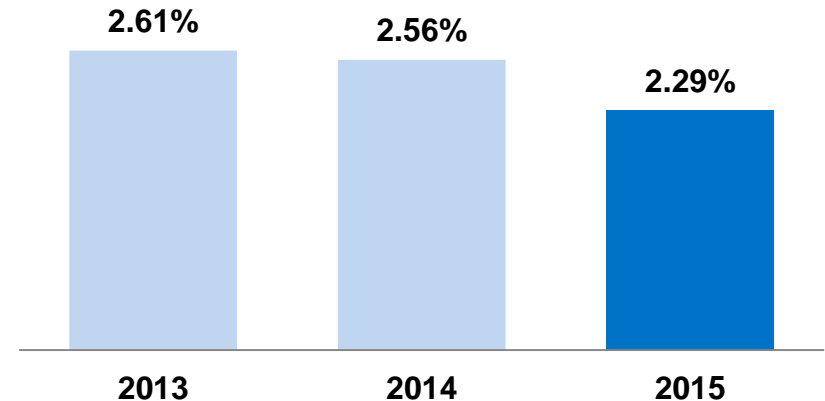
(RMB Million)



### Net interest margin : 2013-2015



### Net interest spread: 2013-2015





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## **Business Overview**

- **Corporate banking business**
- **SME business**
- **Personal banking business**
- **Treasury operations**



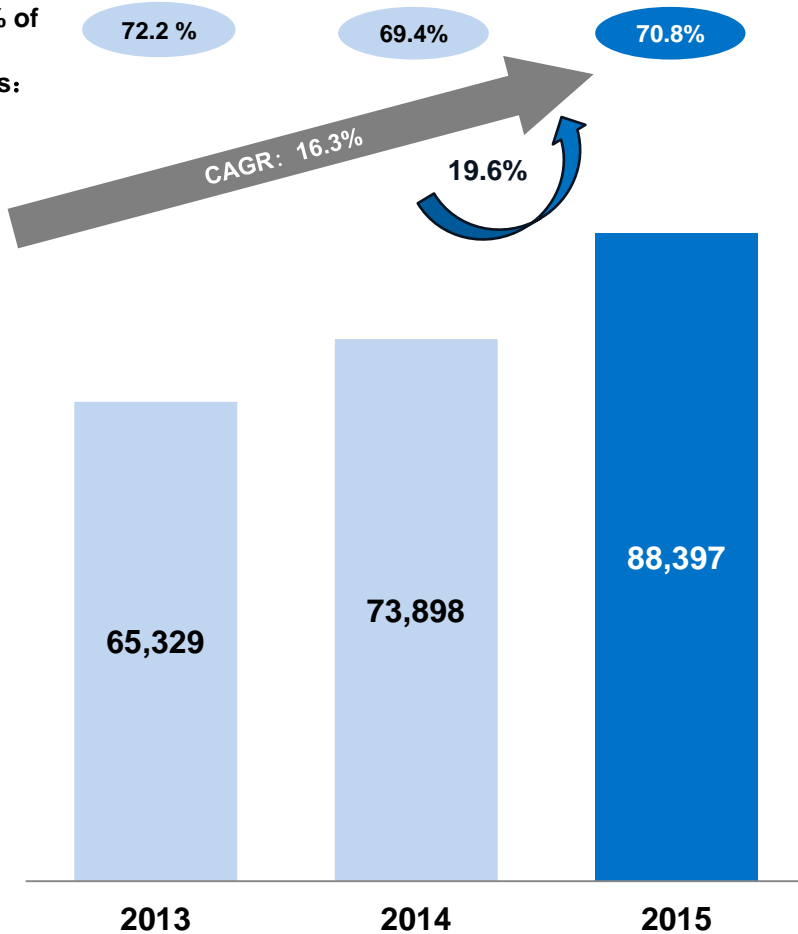
# Business Overview: Corporate banking business

## Corporate banking business — main driver of revenues and profits

### Corporate loans<sup>1</sup>: 2013-2015

(RMB Million)

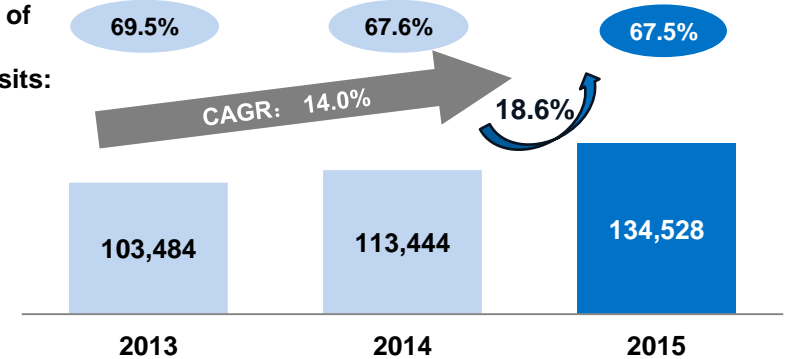
As % of  
total  
loans:



### Corporate deposits: 2013-2015

(RMB Million)

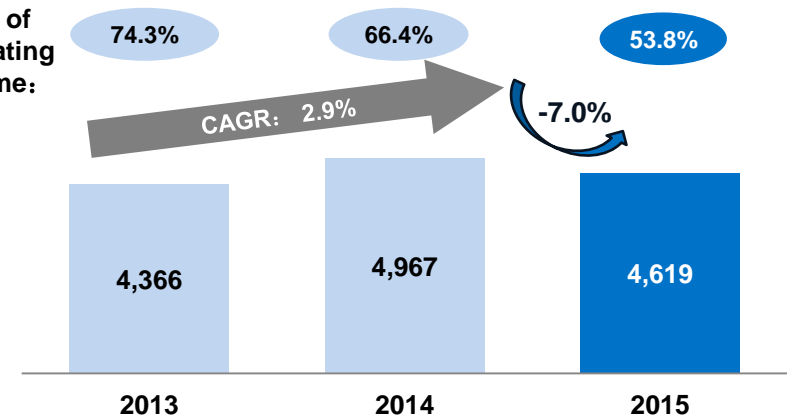
As % of  
total  
deposits:



### Corporate banking operating income: 2013-2015

(RMB Million)

As % of  
operating  
income:



<sup>1</sup> Including SME loans.

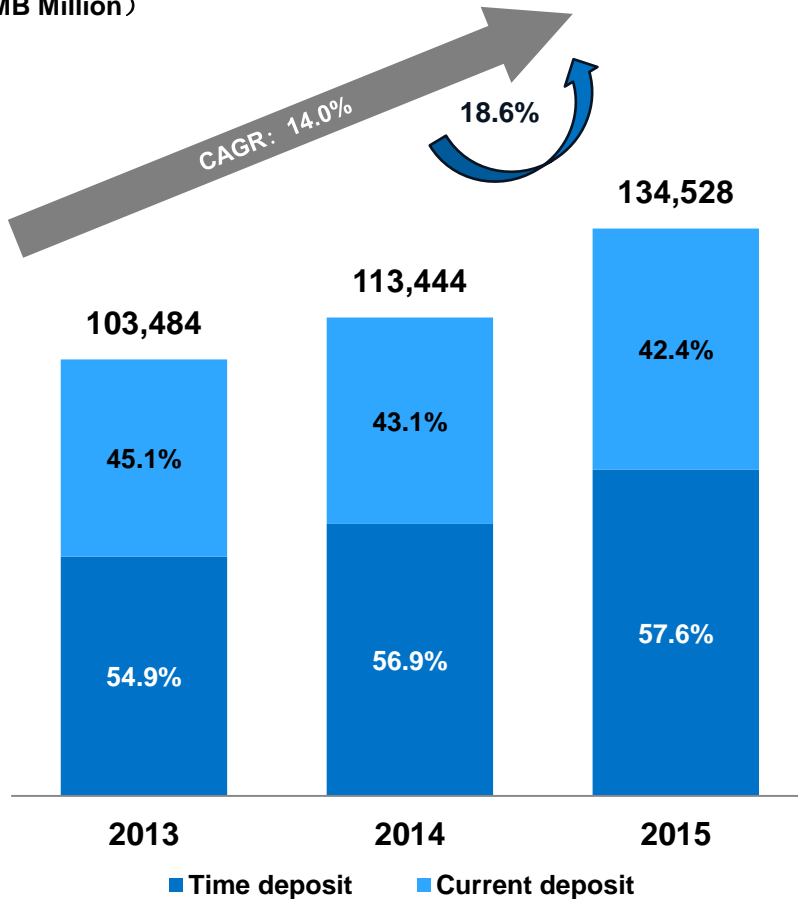


# Business Overview: Corporate banking business

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

### Structure of corporate deposits and growth rate:

(RMB Million)



### Corporate deposits :

- In order to minimize duration mismatch and stabilize deposits, we focused on attracting time deposits. As end of 2015, time deposits accounted for 57.6% 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; Guiyang, Guizhou Province; and Xi'an, Shaanxi Province).



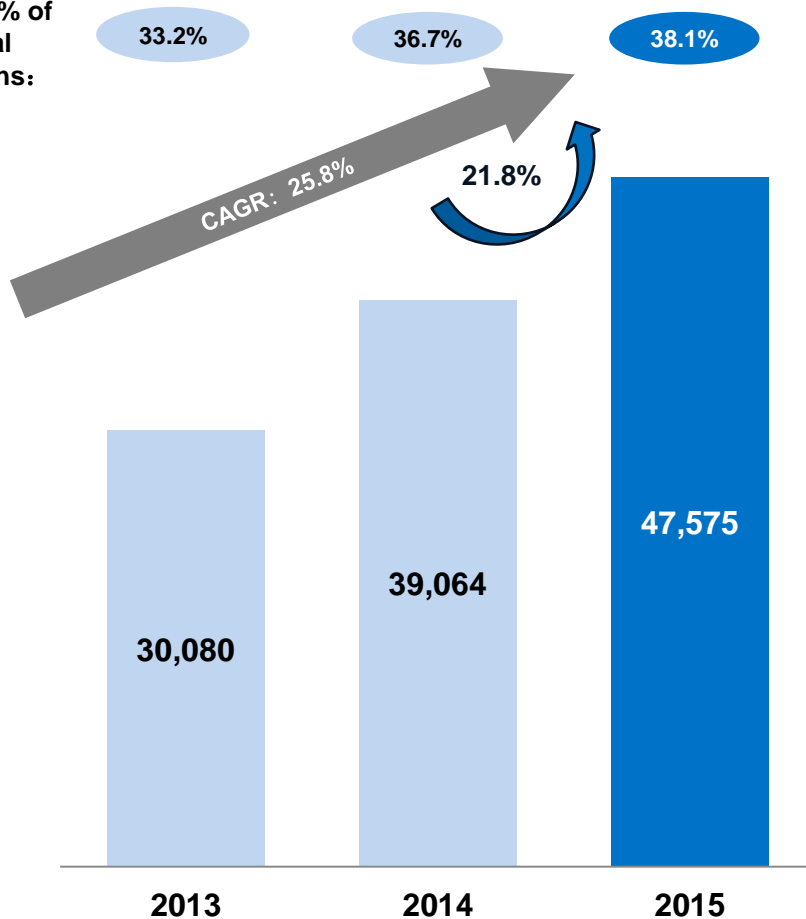
# Business Overview: SME business

## Stable growth of SME business<sup>1</sup> with below average NPL ratio

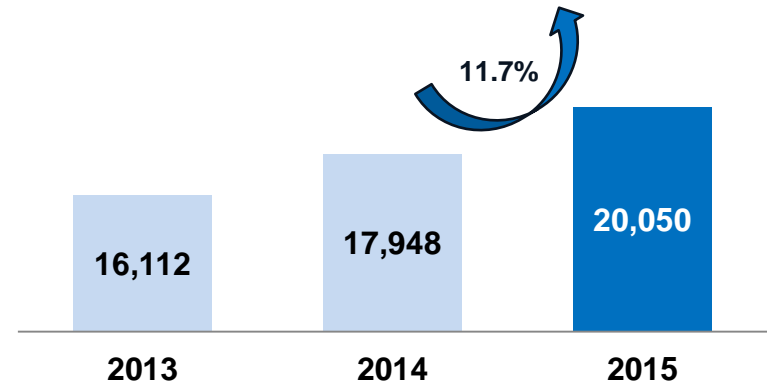
### SME loans: 2013-2015

(RMB Million)

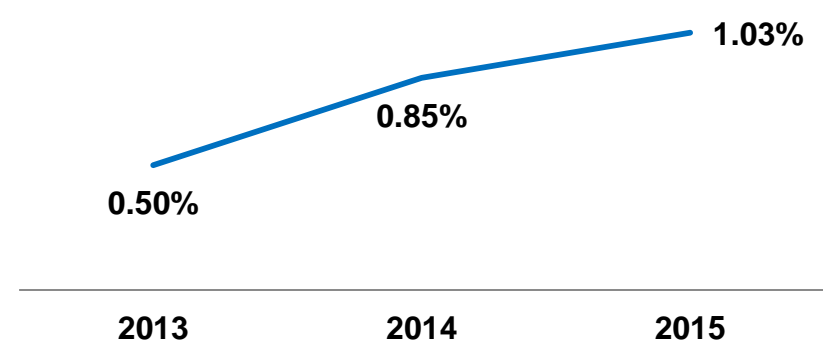
As % of  
total  
loans:



### Number of SME clients:



### Relatively low SME NPL ratio: 2013-2015



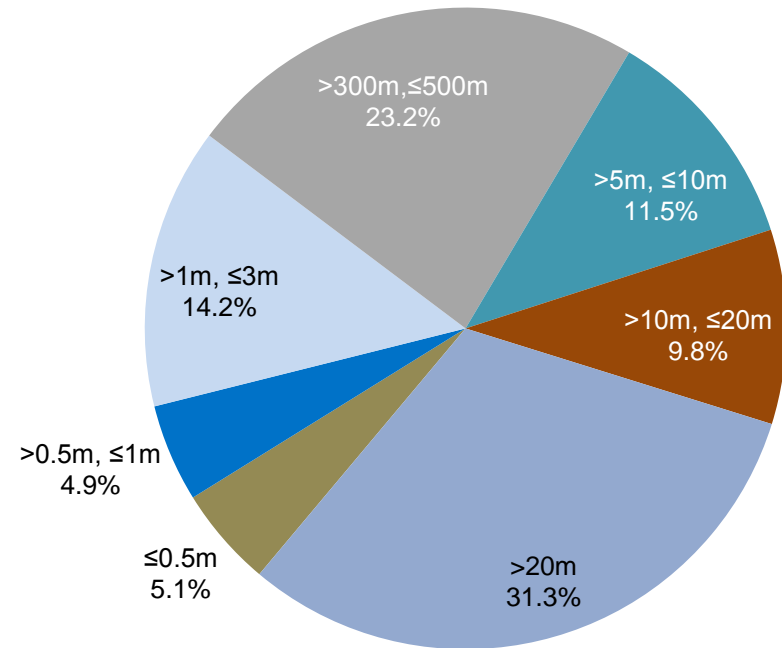
<sup>1</sup> The amount of SME loans is from our management data. The SME loan amount calculation is SME loans included in corporate loans plus personal business loans in individual business, then minus public institution loans.



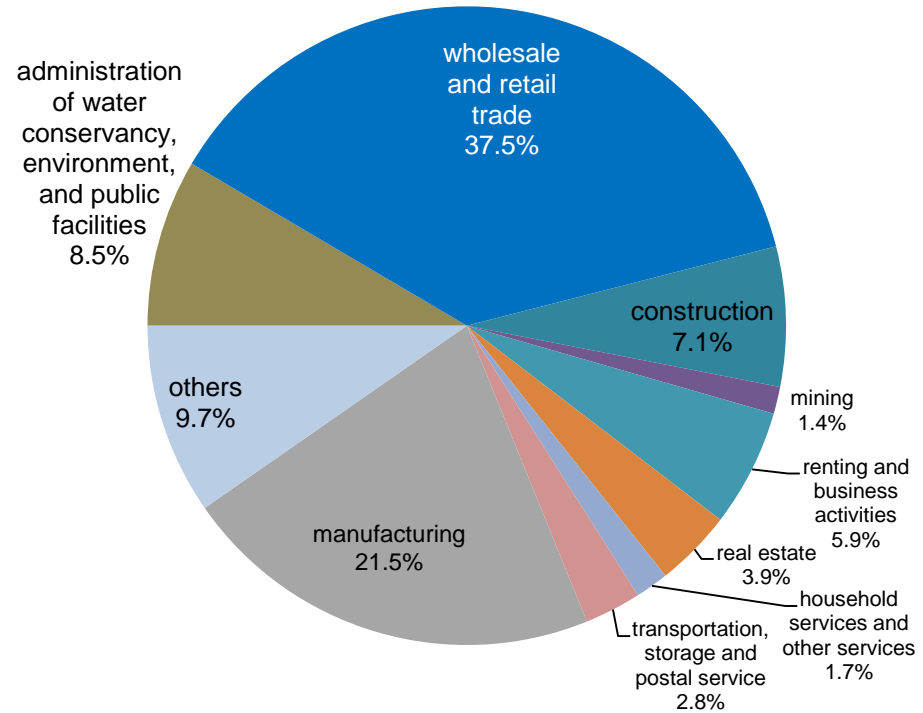
# Business Overview: SME business

Well adapted to local economy with scale & industry diversification

Breakdown by scale (2015)



Breakdown by industries (2015)



SME loans 2015: RMB47.58 billion



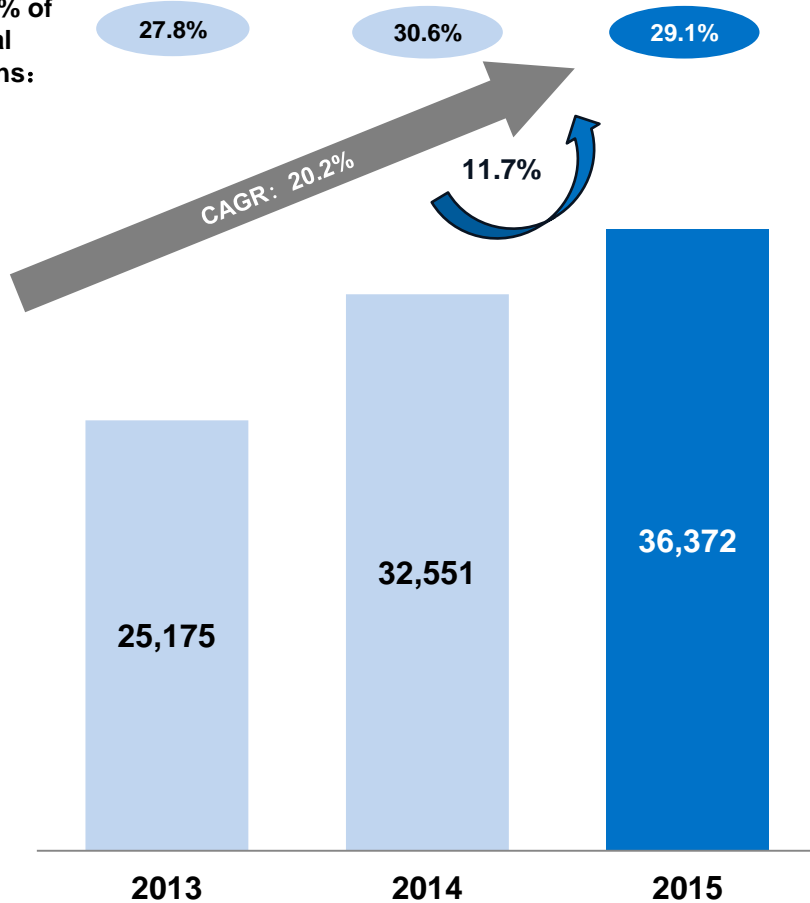
# Business Overview: Personal banking business

## Fast-growing personal banking business

### Personal loans: 2013-2015

(RMB Million)

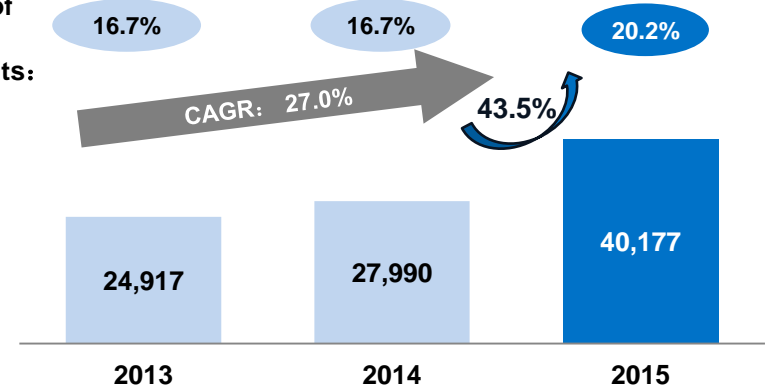
As % of  
total  
loans:



### Personal deposits: 2013-2015

(RMB Million)

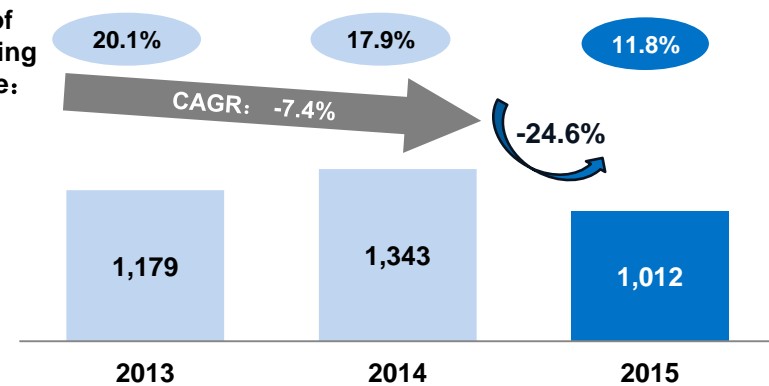
As % of  
total  
deposits:



### Personal operating income: 2013-2015

(RMB Million)

As % of  
operating  
income:





# 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 Chongqing<sup>1</sup>

- 1 headquarter biz dept
- 1 small and micro credit center
- 128 branches and sub-branches
- 88 off-site self-service bank
- 112 on-site self-service bank
- 338 ATM
- 295 CRS
- 181 Multimedia self-service terminals

## E-banking system



Self-Service Banking

- Self-service banking transactions 8.4m, total amount RMB15.44 billion in 2015.



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.



Direct Banking

- Via mobile phones and other portable devices, customer s can access banking business as DIY wealth management and loan application without visiting any business outlet



Online Banking

- Online Banking registered a total turnover of RMB313.78 billion in 2015.



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

<sup>1</sup> As end of December 31, 2015.



# 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

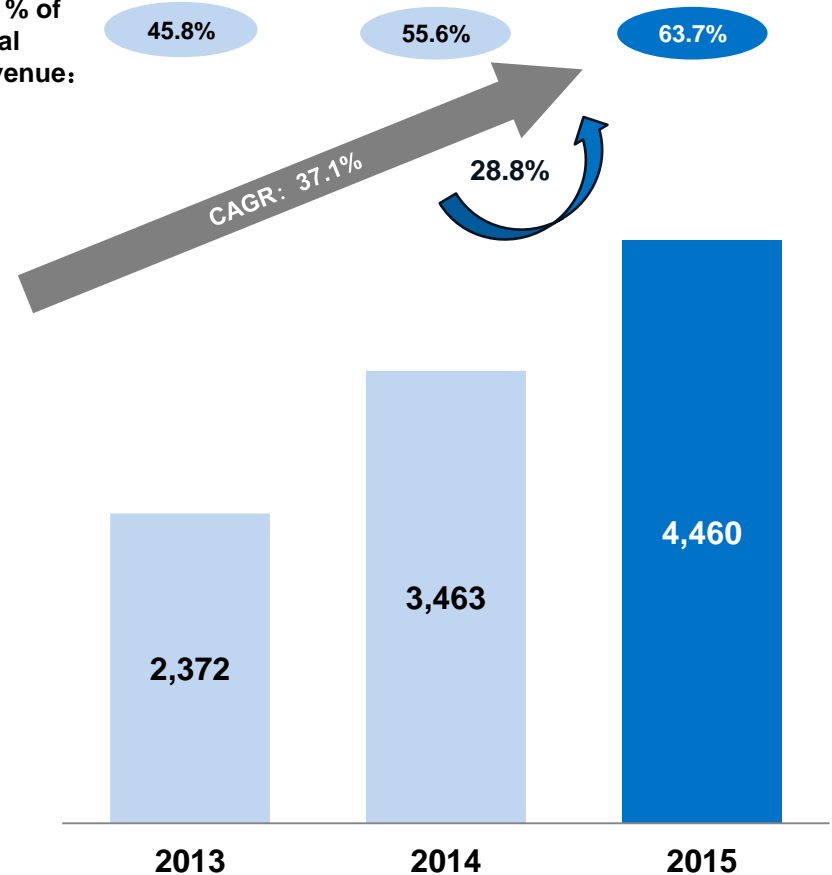
##### Wealth management

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

### Revenue from treasury operations: 2013-2015

(RMB Million)

As % of total revenue:





# Launching “Big Data Financial Laboratory”

## Basics

- Our bank is currently setting up a " Big Data Financial Laboratory ". We have chosen partners with professional and technical background in big data industry, as well as a well-known listed companies with rich and diversified scene resources. According to the requirements our innovation transformation, adapting the "small step trial and error, quick pilot, gradually" rhythm, together with partners we will constantly improve big data applications in areas such as risk management, precise marketing , and concrete application scenarios.

## Pros

- In terms of strategic resource cultivation, Our bank will benefit through the cooperation project build up big data management platform, and depth of participation in training talents in the cooperation, gradually perfect our big data core competencies ;
- In terms of operational efficiency, based on the common goal of all parties, our bank will effectively promote the project progress to rapidly introduce and make use of new technology resources, and sustainable external data to get available resources.



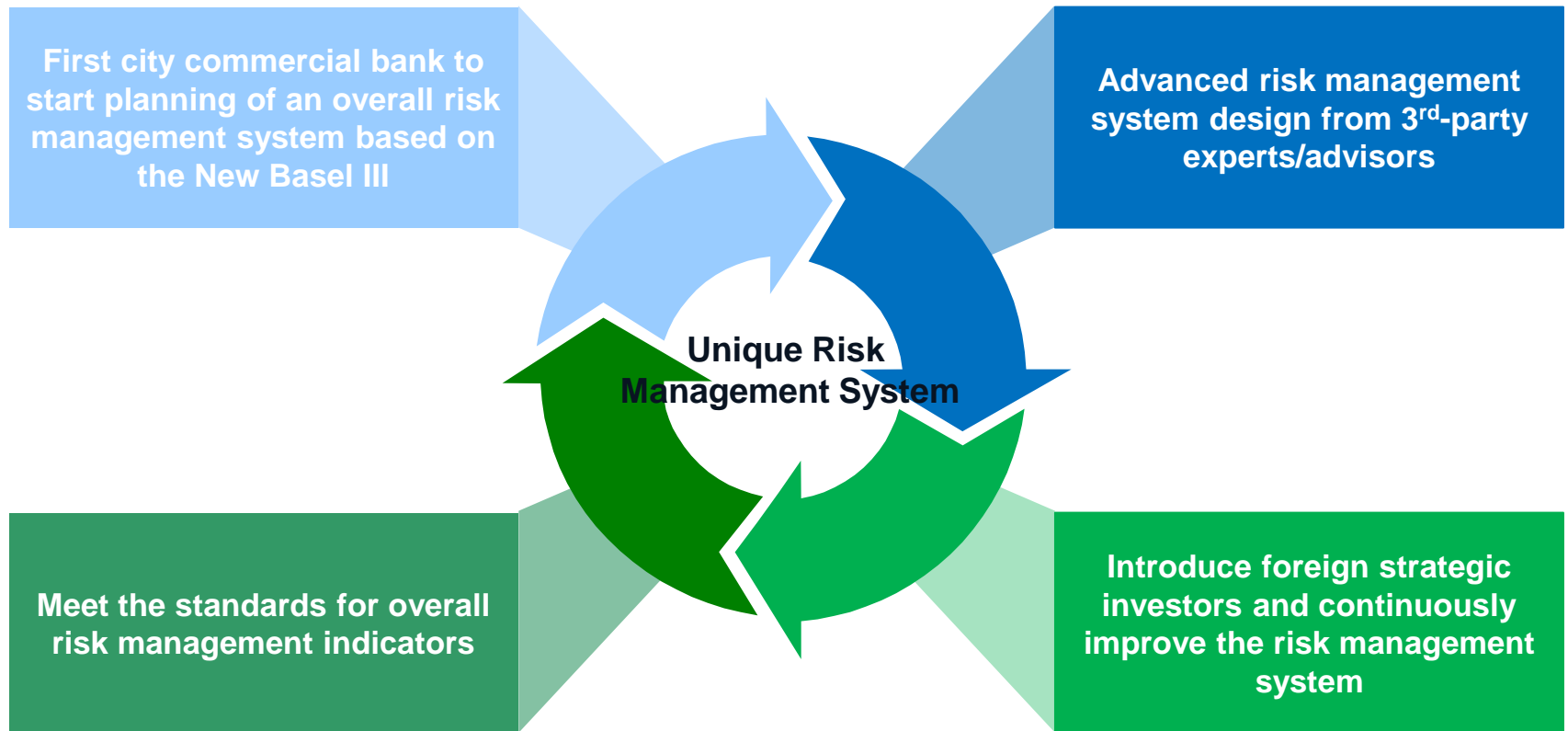
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## Risk management



# Risk Management

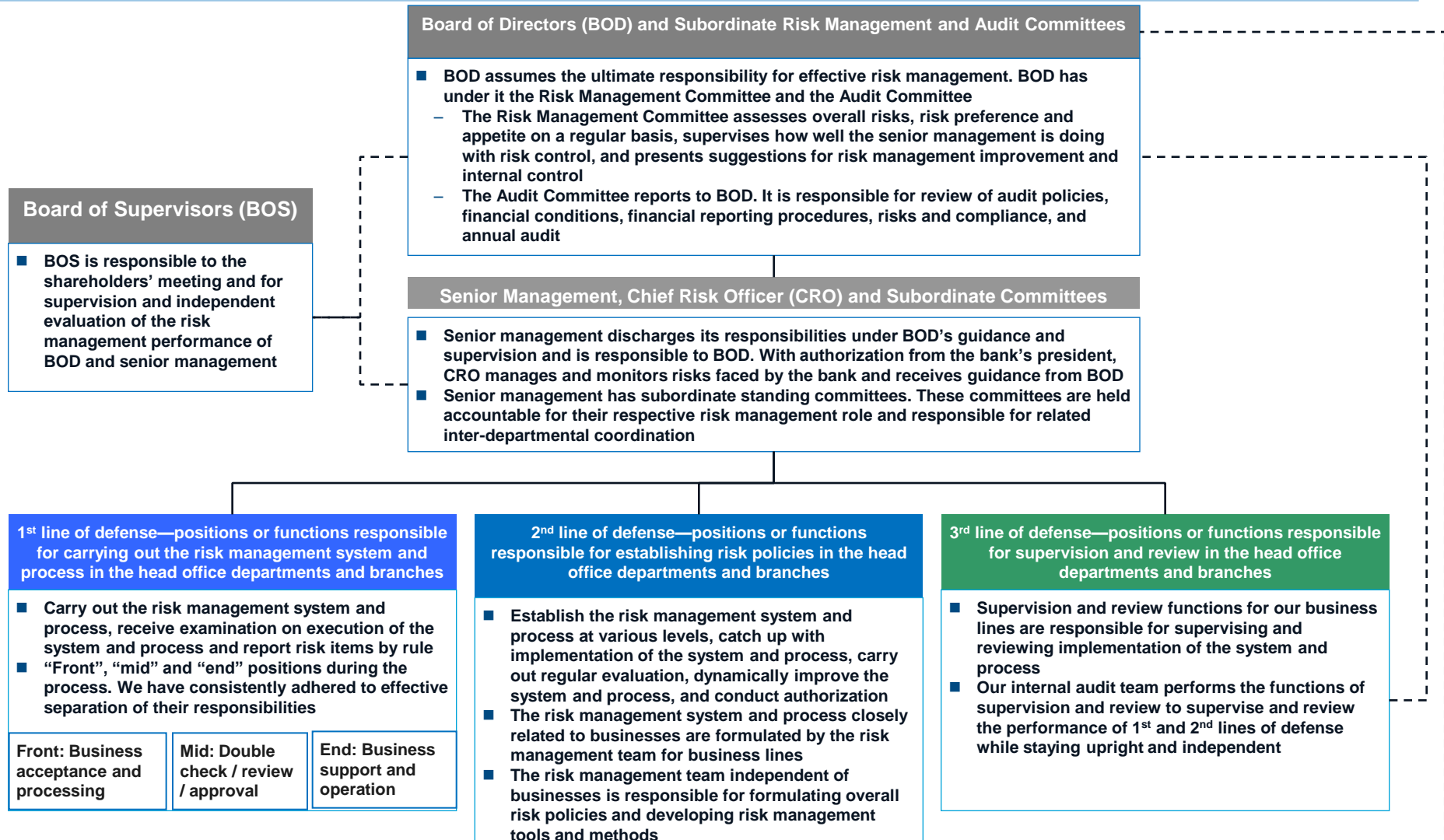
## Leading risk management philosophy





# Risk Management

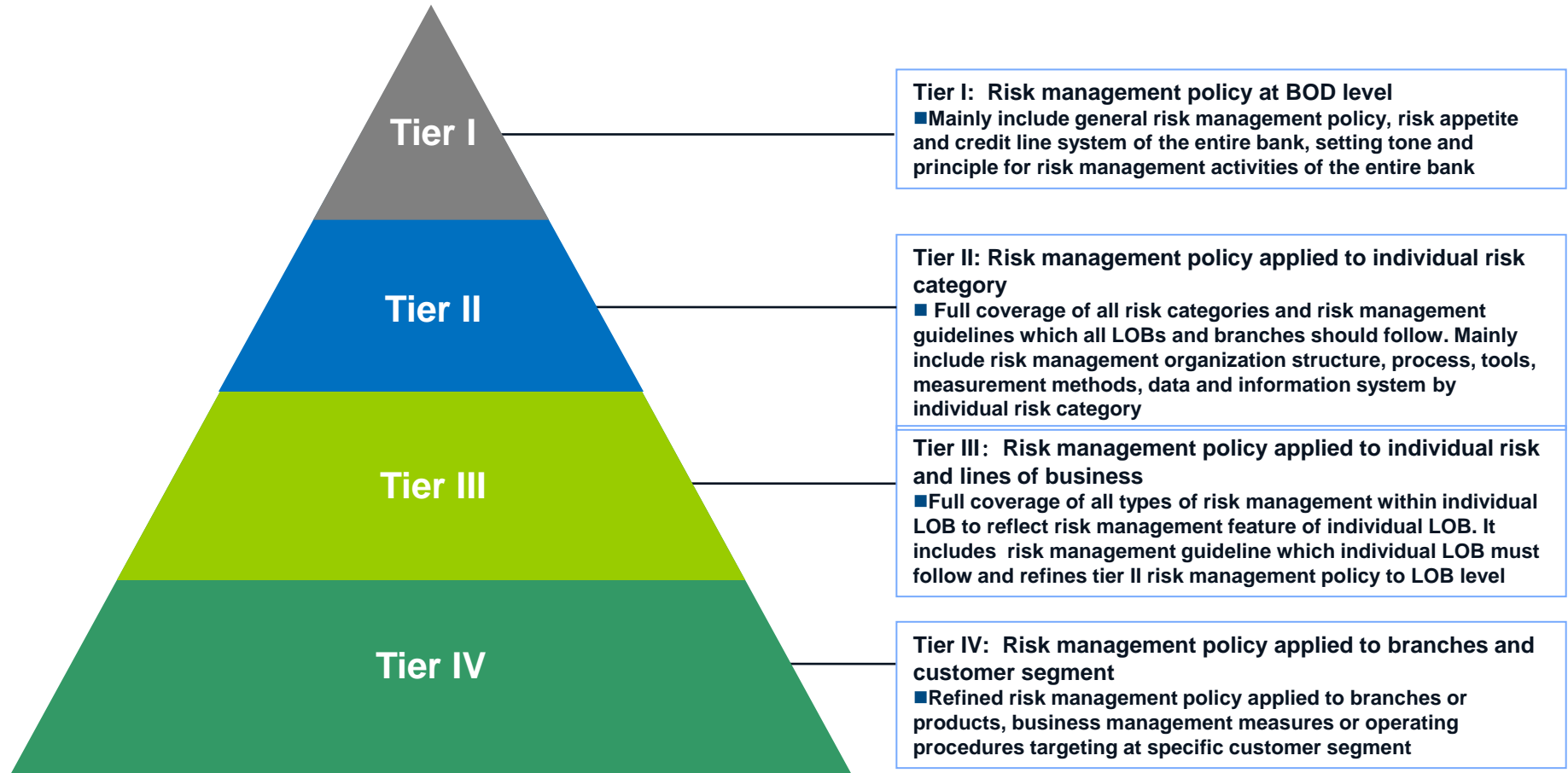
## Organizational structure for risk management





# Risk Management

## Tiered risk management structure





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## Outlook



# Outlook: Opportunities and Challenges

## Opportunities

- Under **“The New Normal”**, the reformation of economy and promotion of industrial structure of China will provide a strong support of the banking sector;
- **“The One Belt and One Road”**, **“Internet+”** and **“Mass entrepreneurship and innovation”** will create a new economic growth engine, to expand the economic development space. As the "supply side structural reforms" strategy, vigorously promote a series of beneficial to steady growth, structural adjustment, livelihood, prevent the new measures will be rolled out of the risk, Banks will gain valuable opportunities for development.
- As the largest municipality located in Western China, directly under the central government, Chongqing had achieved the highest GDP growth rate in 2015. In 2016, as China's important development strategy and plan continues to advance, and the implement of steady growth, structural adjustment policies and measures, Chongqing is expected to continue to maintain the fast economic growth in Chongqing the good momentum of development.

## Challenges

- Downward pressure is still large, China's economic growth momentum transformation linkup of multiple constraints, a new growth engine for the support of the economy is not yet significant;
- The acceleration of relatively loose monetary policy and interest rate marketization, lead to NIS and NIM continue to narrow;
- Financial disintermediation, emerging financial models, such as the Internet financial for the banking industry brought huge impact the traditional deposit and lending business, trade and network financial cross-border competition will be in full swing.



**Q & A**





**Thank you!**