

**CZBANK**  **浙商银行**

浙商银行股份有限公司 CHINA ZHESHANG BANK CO., LTD.

股份代號 Stock Code : 2016




**2016** 年度業績發佈會  
Annual Results Announcement

**China Zheshang Bank Co., Ltd.**  
(2016.HK)

**2016 Annual Results Announcement**

March 13, 2017

# Disclaimer

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  -  For more financial information regarding the Bank, please refer to the latest annual report of the Bank.
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- I. Overview of the Bank**
- II. Financial Performance**
- III. Business Development**
- IV. Risk Management**
- V. Outlook**

# Overview of the Bank

A nationwide joint-stock commercial bank based on full-asset class operation strategy

- One of the 12 nationwide joint-stock commercial banks, headquartered in Hangzhou, Zhejiang
- **170** branches in 14 provinces and provincial level municipalities in the PRC have been established as of Dec 31, 2016, covering the Yangtze River Delta Area, the Bohai Rim Area, the Pearl River Delta Area and some areas in Central and Western China
- Now **Hong Kong Branch** is under preparation to accelerate international presence
- Adhere to the overall goal of "Two Most" and the "Full-asset Class Operation" strategy



**Two  
Most**

The **Most** competitive nationwide joint-stock commercial bank  
The **Most** important financial platform in Zhejiang

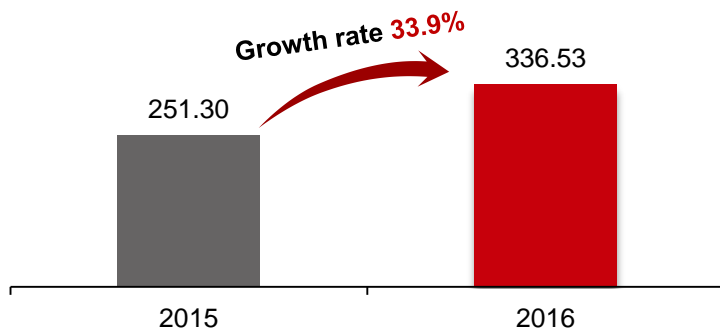
# Overview of the Bank (Cont'd)

Significant improvement in economic benefits, rapid increase in business scale, and solid asset quality

## Significant improvement in economic benefits

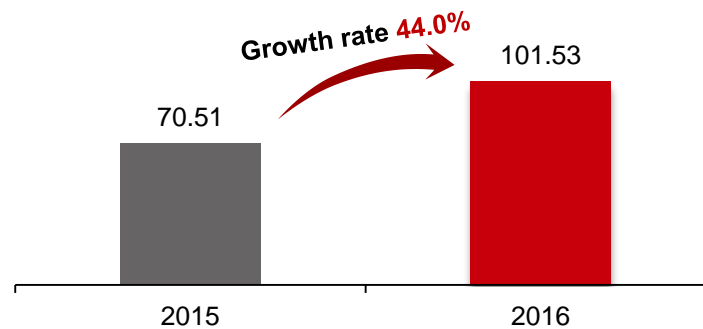
(RMB100 million)

### Operating Income



(RMB100 million)

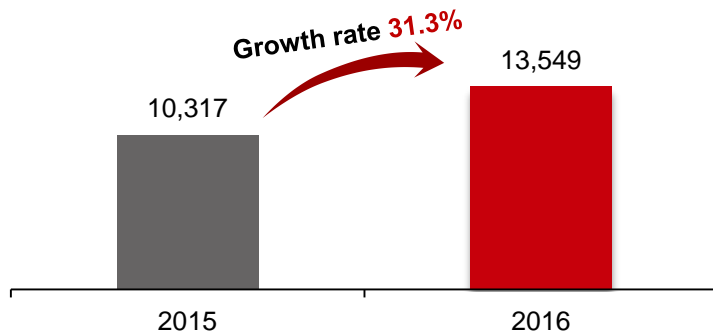
### Net Profit Attributable to Shareholders of the Bank



## Rapid increase of business scale

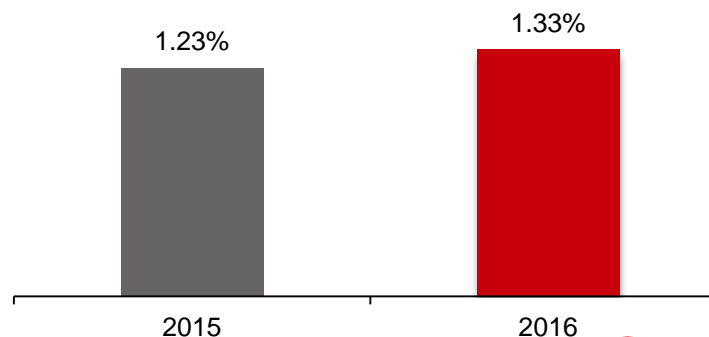
(RMB100 million)

### Total Assets



## Solid asset quality

### Non-performing Loan Ratio



# Overview of the Bank (Cont'd)

All-round development of business segments and continuous enhancement of brand recognition and social reputation

## All-round development of business segments

Corporate business segment

Providing enterprise liquidity services

Inter-bank financial segment

Providing inter-bank trading services

Full-asset Class Operation

Large retail segment: Small enterprise business

Providing customized services for small and micro enterprises

Large retail segment: Personal business

Providing personal wealth management

## Achievements obtained

The Banker  
**TOP 1000**  
WORLD BANKS 2016



- Ranked 117th among the "Top 1000 World Banks" in terms of total assets, up 28 places from 2015
- Best Investment Bank in Banking Industry
- Best Bond Underwriting Bank
- Best Wealth Management Brand
- A Financial Institution with the Most Social Responsibility
- The Best Return Prize and the Best Risk Control Prize in Banking Wealth Management Institutions
- Excellent Service Award and Excellent Innovation Award
- Best Corporate Liquidity Service Bank, Best Wealth & Capitals Solution
- Ranking 3rd in China for 2016 Asia's Best G3 Bonds Investment Institutions
- Annual Best Retail Business Innovation Bank
- 2017 German iF Design Award

# Key Financial Indicators

Operating performance indicator (RMB100 million)	2016	2015	Growth rate
Operating income	336.53	251.30	↑33.9%
Net interest income	252.29	205.86	↑22.6%
Net non-interest income	84.25	45.45	↑85.4%
Operating expenses	99.84	82.57	↑20.9%
Impairment losses on assets	102.78	74.93	↑37.2%
Net profits attributable to shareholders of the Bank	101.53	70.51	↑44.0%

Profitability indicator	2016	2015	Changes in percentage point
Average return on total assets	0.85%	0.83%	↑0.02
Average return on equity	17.34%	17.03%	↑0.31
Net interest margin	2.07%	2.31%	↓0.24
Net interest spread	1.89%	2.12%	↓0.23
Proportion of non-interest income	25.03%	18.08%	↑6.95

Scale indicator (RMB100 million)	2016	2015	Growth rate
Total assets	13,549	10,317	↑31.3%
Total loans and advances to customers	4,595	3,454	↑33.0%
Total liabilities	12,874	9,820	↑31.1%
Customers' deposits	7,362	5,160	↑42.7%
Shareholders' equity	675	497	↑35.9%

Assets quality indicator	2016	2015	Changes in percentage point
Non-performing loan ratio	1.33%	1.23%	↑0.10
Provision to loan ratio	3.44%	2.95%	↑0.49
Provision coverage ratio	259.33%	240.83%	↑18.50

Capital adequacy indicator	2016	2015	Changes in percentage point
Core tier-one capital adequacy ratio	9.28%	9.35%	↓0.07
Capital adequacy ratio	11.79%	11.04%	↑0.75

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浙商银行  
CZBANK

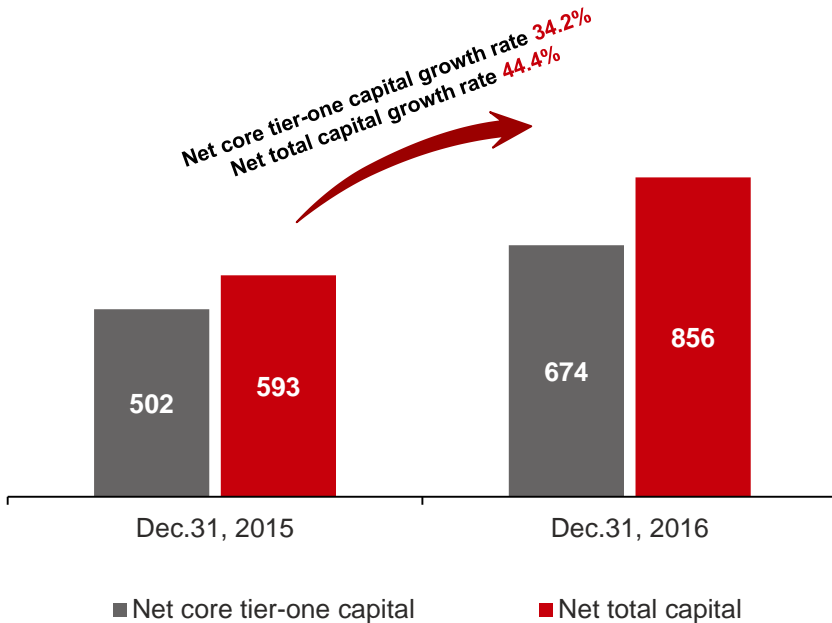
见行 见心 见未来

- 1 Effective replenishment of both internal and external capital to enhance capital strength
- 2 Rapid development of business scale, gradual optimization of asset-liability structure
- 3 Rapid growth of operating incomes, continuous improvement of income structure
- 4 Continuous optimization of business structure, steady increase in net interest income
- 5 Prudent provision for impairment of assets, enhance risk resistance ability
- 6 Reasonable growth of expenses, cost-to-income ratio remains at same level compared with the previous year
- 7 Operating benefits hit new peak again, shareholders' returns continuously improve
- 8 Steady improvement in risk control and asset quality remains excellent

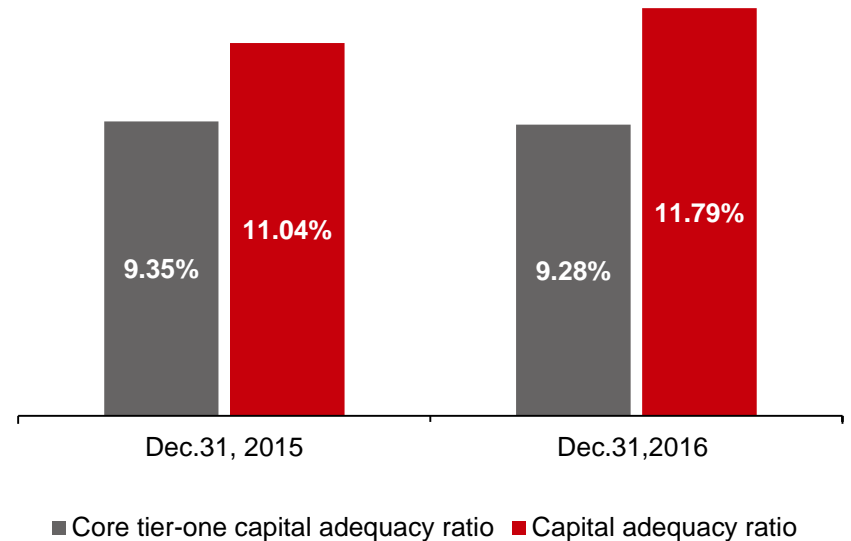
# 1 Effective replenishment of both internal and external capital to enhance capital strength

## Rapid growth in net total capital

(RMB100 million)



## Improvement in capital adequacy level

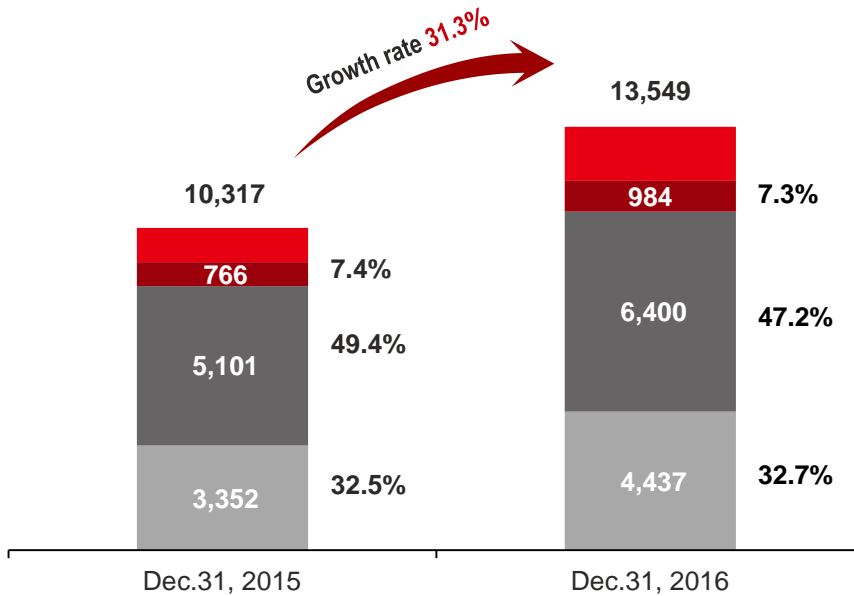


- In 2016, our bank's profit growth maintained a rapid pace, and by listing of H-shares, core tier-one capital of RMB11.422 billion were replenished and tier-two capital bonds of RMB10 billion were issued, thus effectively improving capital strength

## Rapid development of business scale, gradual optimization of asset-liability structure

### Increase provision of benefit assets, optimize assets structure

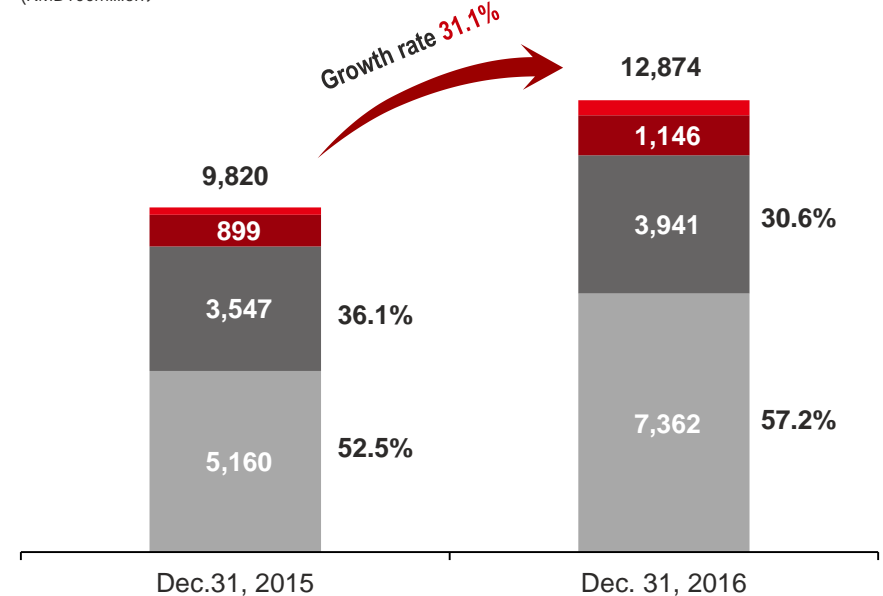
(RMB100 million)



- Net loans and advances to customers
- Financial investment
- Due from banks and other financial institutions
- Others

### Deposit proportion is increased and liabilities structure is optimized

(RMB100million)



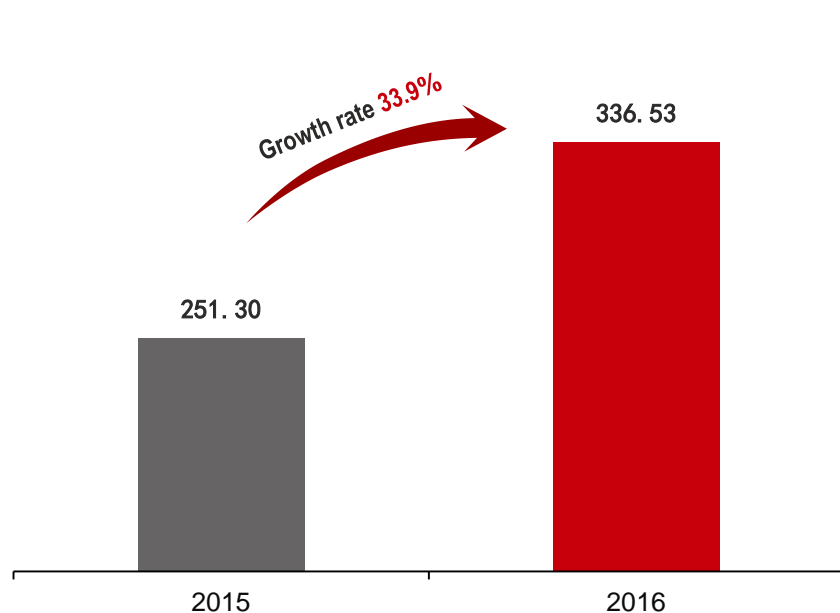
- Customers' deposits
- Due to banks and other financial institutions
- Debt securities issued
- Others

- Enhance provision of benefit assets such as credit assets, gradually optimize assets structure
- Stabilize source of liability, increase base deposits, reduce the percentage of interbank liabilities and optimize liability structure
- Customers' loans and advances as well as deposits develop relatively fast, and the growth rate ranks among the best among peers

## Rapid growth of operating incomes, continuous improvement of income structure

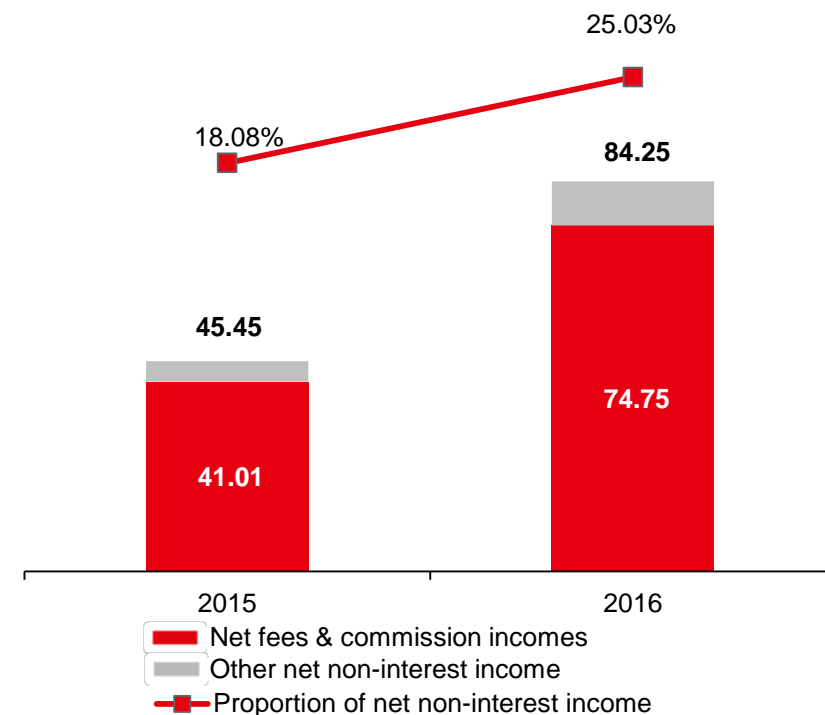
An increase of 33.9% for operating income compared to that of last year

(RMB100 million)



Non-interest net income increased by 85.4% compared to that of last year, with the proportion rising to 25.03%

(RMB100 million)

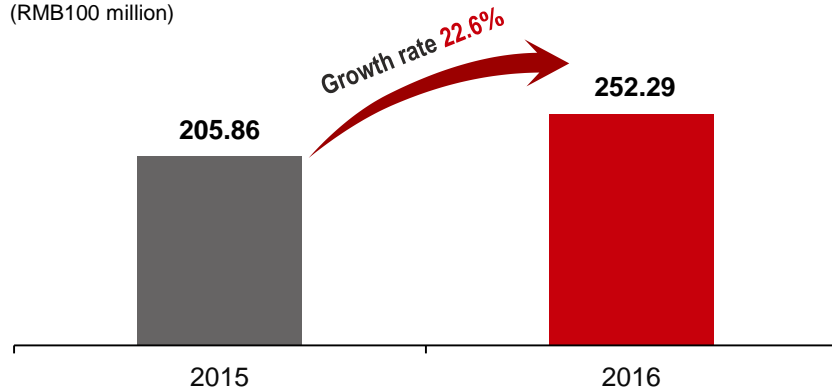


- Net fee and commission income during the period under review was RMB7.475 billion, an increase of 82.3% over the same period of previous year.
- Wealth management, underwriting, proprietary investment and trading businesses developed rapidly, with sources of non-interest net income showing diversified trends.

## Continuous optimization of business structure, steady increase in net interest income

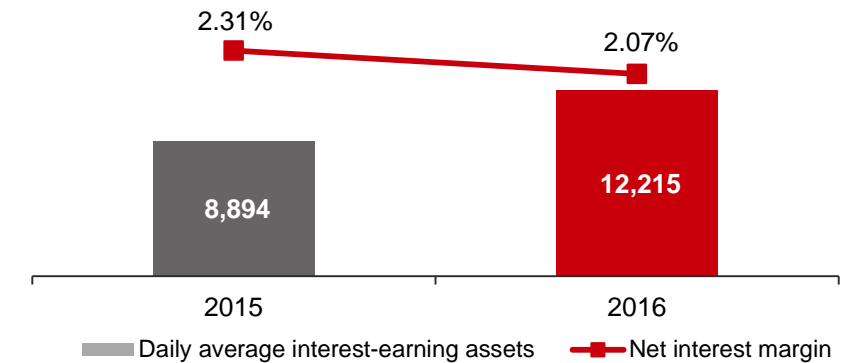
### An increase of 22.6% for net interest income compared to that of last year

(RMB100 million)



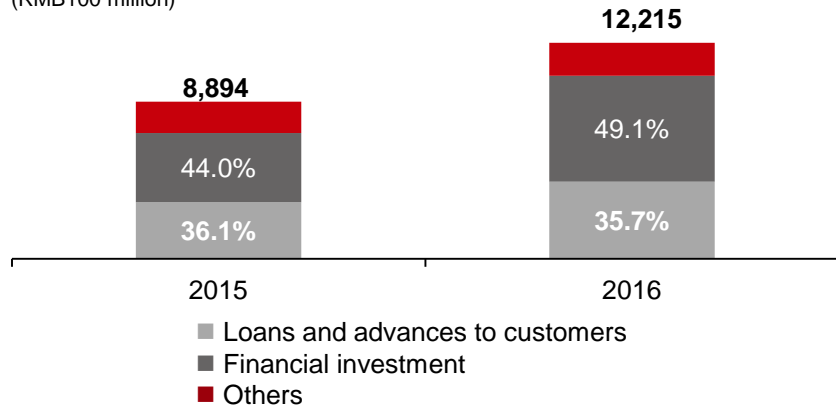
### Daily average interest-bearing assets and net interest margin

(RMB100 million)



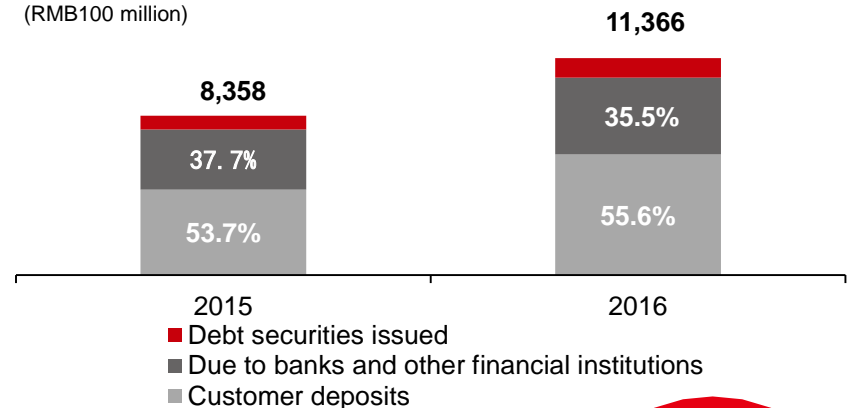
### Daily average interest-bearing assets structure optimization

(RMB100 million)



### Daily average liability with interest structure optimization

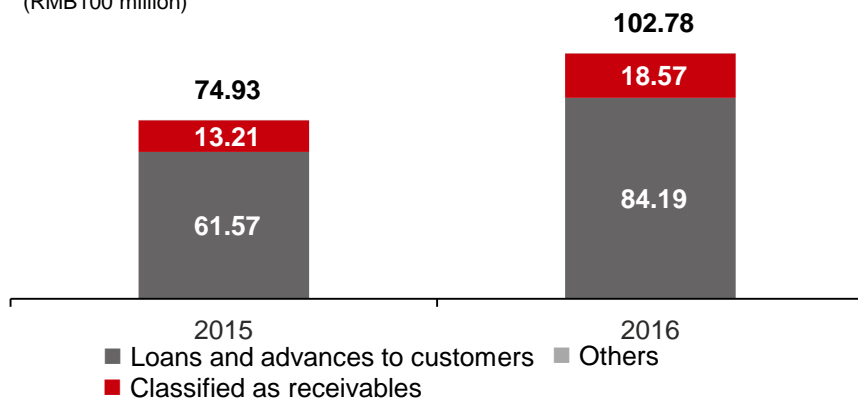
(RMB100 million)



## Prudent in provision for impairment of assets, enhancing risk resistance ability

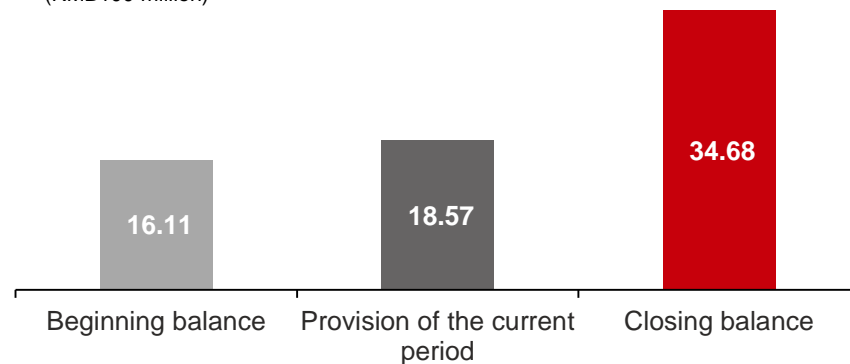
### Relatively prudent in provision of impairment loss of assets

(RMB100 million)



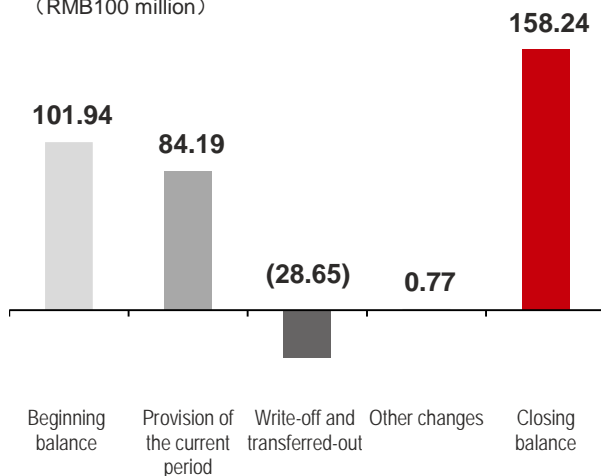
### Changes in debt instruments classified as receivables impairment loss provision

(RMB100 million)

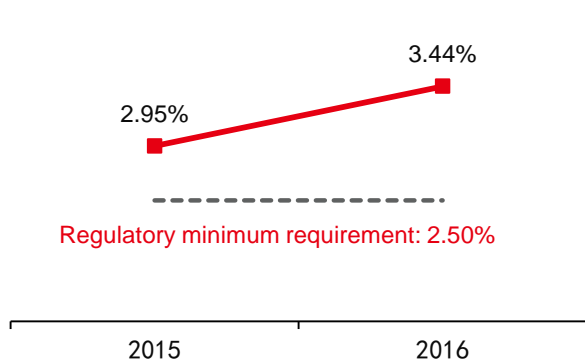


### Changes in loan impairment loss provision

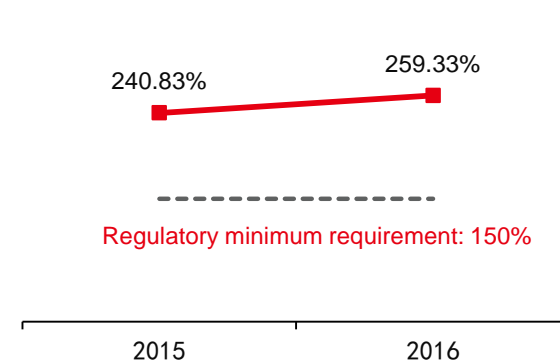
(RMB100 million)



### Continuous increase in loan provision ratio



### Rise of provision coverage against the tendency

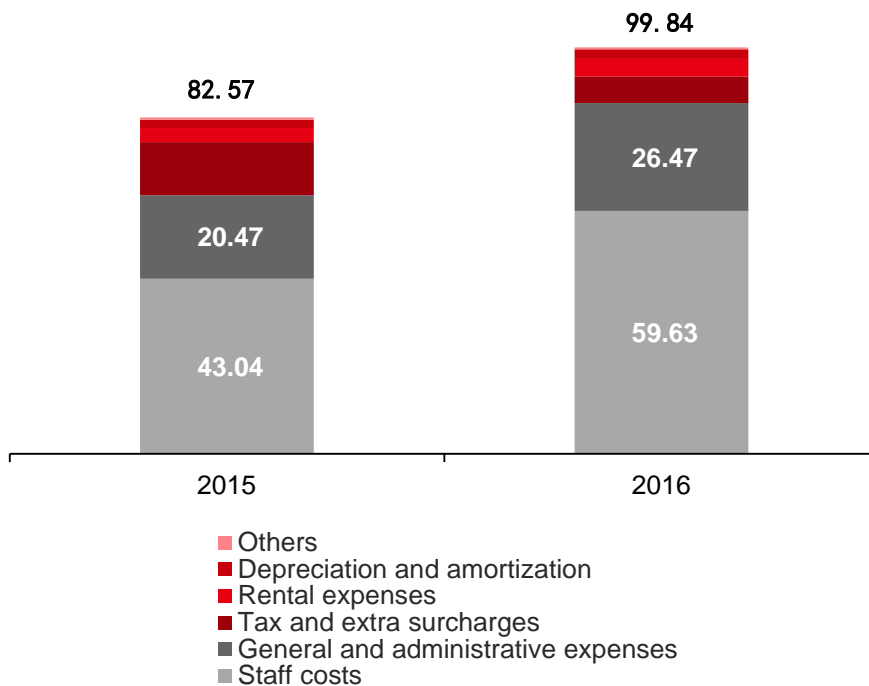


Note: Other changes include changes in the balance of loan impairment loss provision incurred from carry-backs as a result of increase of discounting value, recovery of the accounts receivable previously written off and balance of foreign exchange.

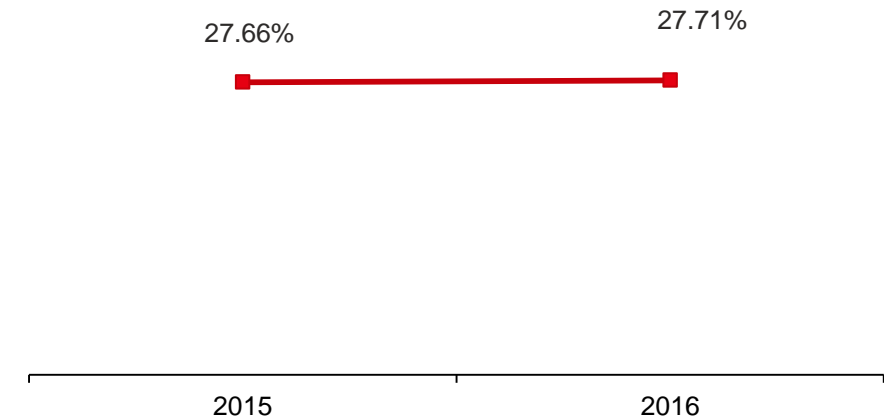
Reasonable growth of expenses, cost-to-income ratio remains at same level compared with the previous year

### Operating expenses

(RMB100 million)



### Cost-to-income ratio is controlled at a reasonable level

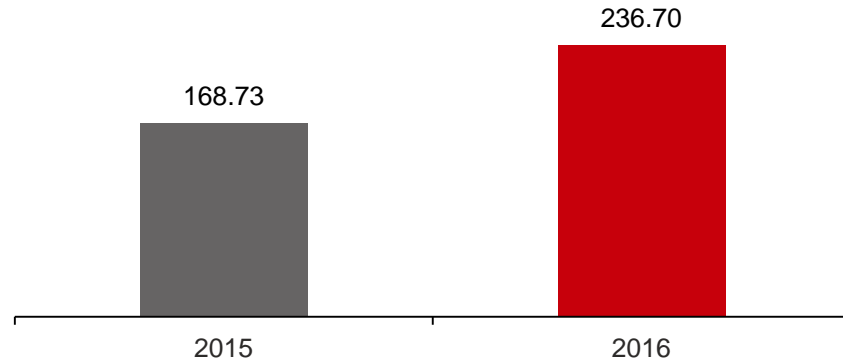


Note: The cost-to-income ratio is operating expenses (after deduction of taxes and extra charges) divided by operating incomes.

## Operating benefits hit new peak again, shareholders' returns continuously improve

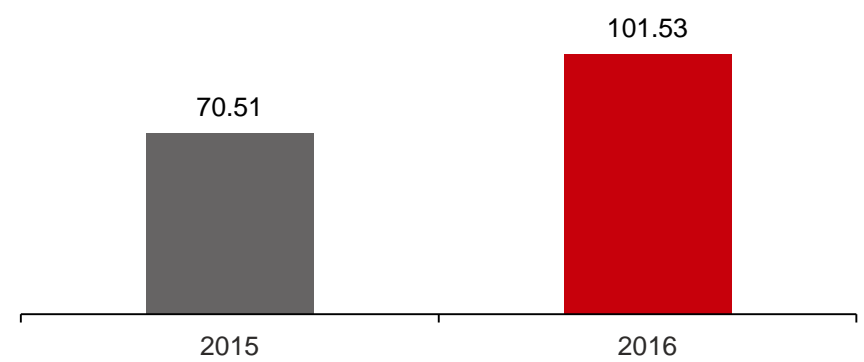
### Total profits prior to provision

(RMB100 million)



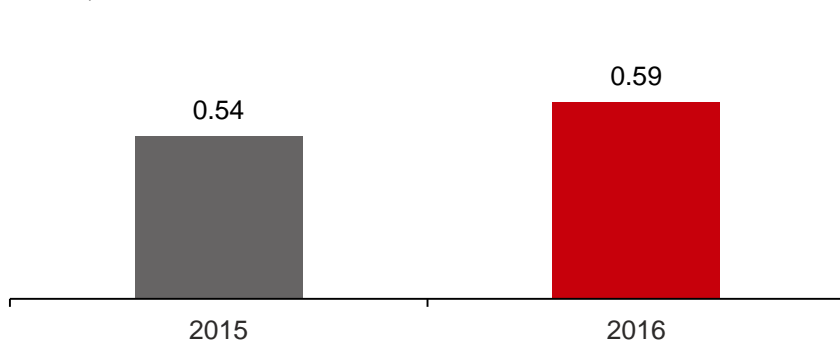
### Net profits attributable to the shareholders of the Bank

(RMB100 million)

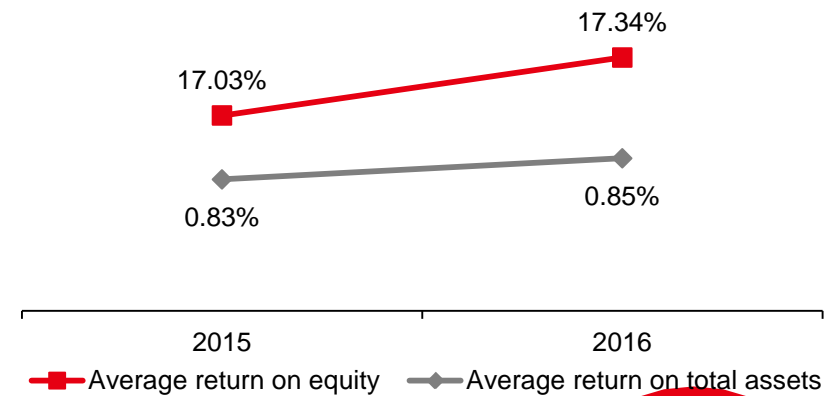


### Basic income of each share

(RMB)



### Average return on equity and average return on total assets

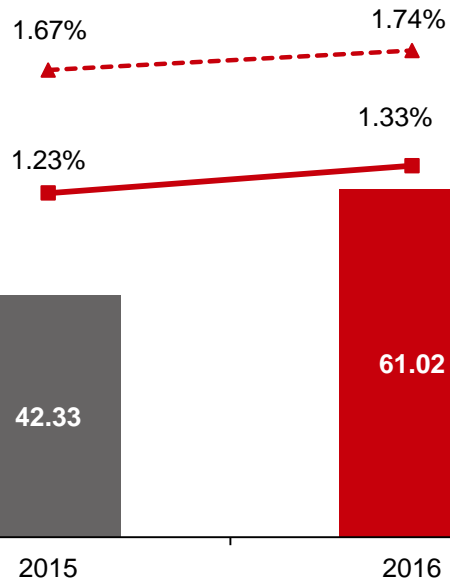




## Steady improvement in risk control and asset quality remains excellent

### Non-performing loan balance and non-performing loan ratio

(RMB100 million)

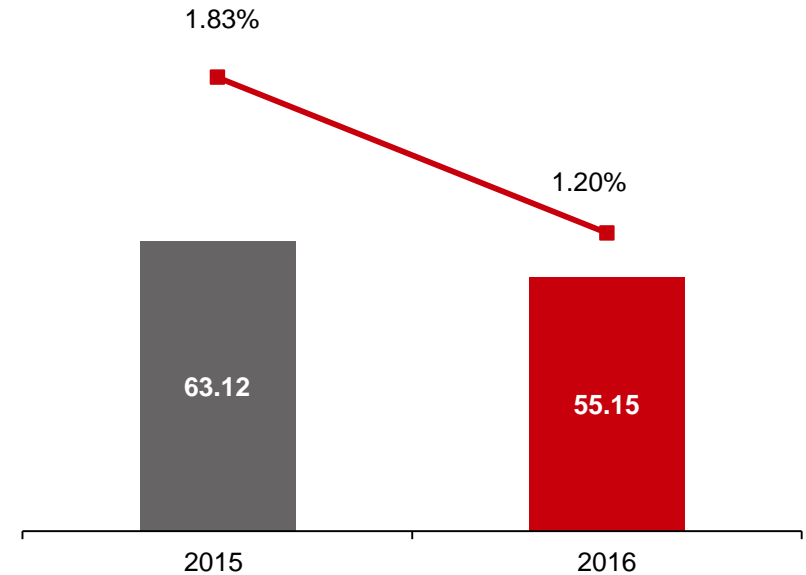


- Non-performing loan balance
- Non-performing loan ratio
- ▲- Non-performing loan ratio of commercial banks

Note: Data regarding non-performing loan ratio of commercial banks is based on the data disclosed on the website of China Banking Regulatory Commission

### Overdue loan balance and overdue loan ratio

(RMB100 million)



- Overdue loan balance
- Overdue loan ratio

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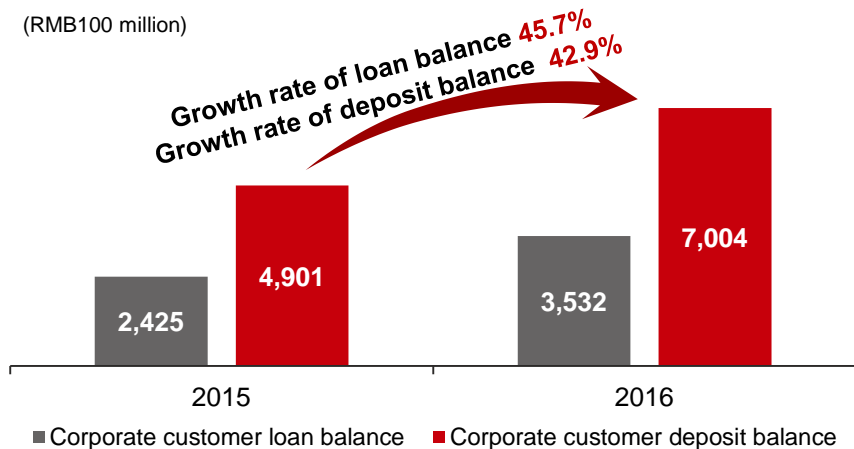


- 1** Dual drivers of corporate business segment and remarkable success of mobile service bank
- 2** Continuous input of Inter-bank financial segment and steady promotion of trading service bank
- 3** Accelerating growth in small enterprise and upgrading customized bank services
- 4** Emerging to be a wealth management bank with continuous innovations in personal business

# Dual drivers of corporate business segment and CZBANK 浙商银行 remarkable success of mobile service bank

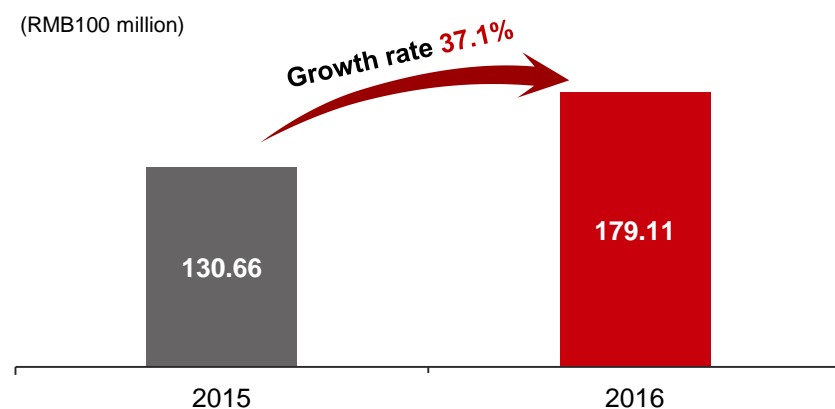
## Corporate customers' loans and deposits

(RMB100 million)



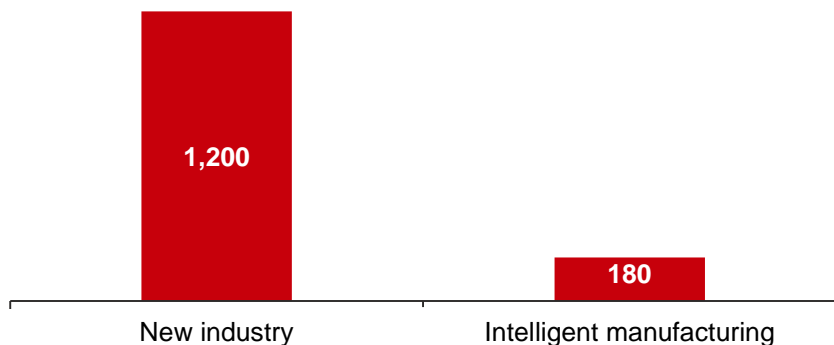
## Operating incomes of corporate banking business

(RMB100 million)



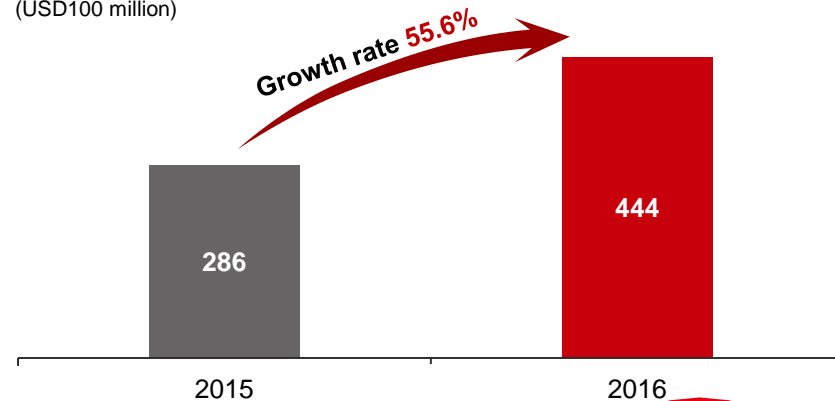
## Emerging industry and intelligent manufacturing financing balance

(RMB100 million)



## International business settlements

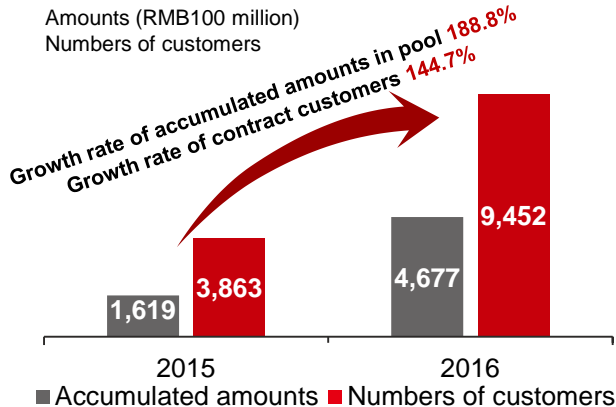
(USD100 million)



Continually promote "Pooling" and "Online" financing business mode

Asset pool (bills pool) business

Amounts (RMB100 million)  
Numbers of customers



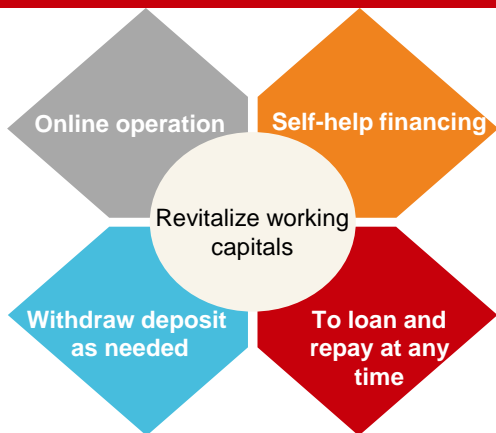
Export pool

	2016
Number of contract customers	1,282
Accumulated accounts receivable in pool	25,100
Cumulative amounts in pool	USD3.1 billion
Accumulated export accounts receivable financing issued	USD1.1 billion

Zhizhen Loan

	2016
Number of contract customers	351
Financing balance	RMB10.9 billion

To provide customers with a set of relatively complete and comprehensive enterprise-liquidity financial service solution

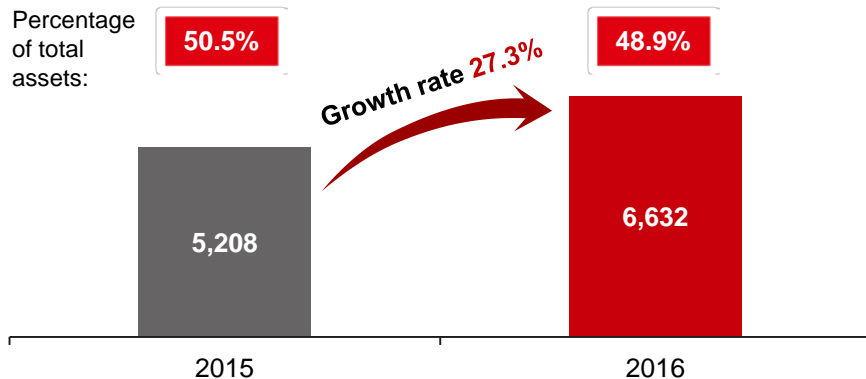


- ✓ Reduce enterprises' capital reserve and total amounts of loans
- ✓ Reduce enterprise financing leverage
- ✓ Reduce interest expenses
- ✓ Reduce financing costs

## Continuous input of Inter-bank financial segment and steady promotion of trading service bank

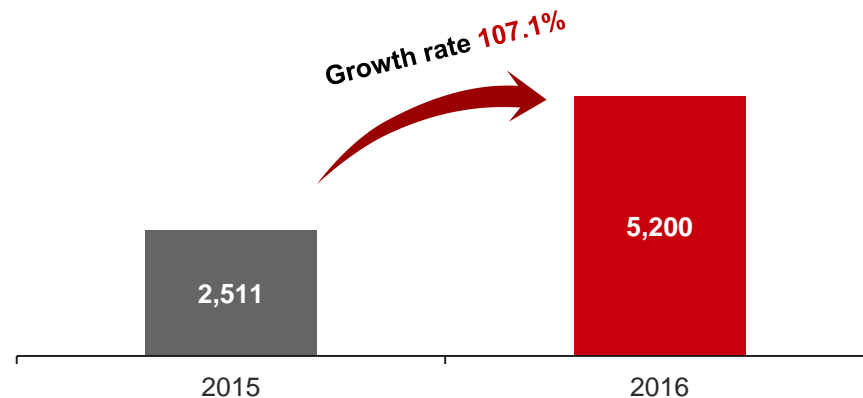
### Total investment

(RMB100 million)



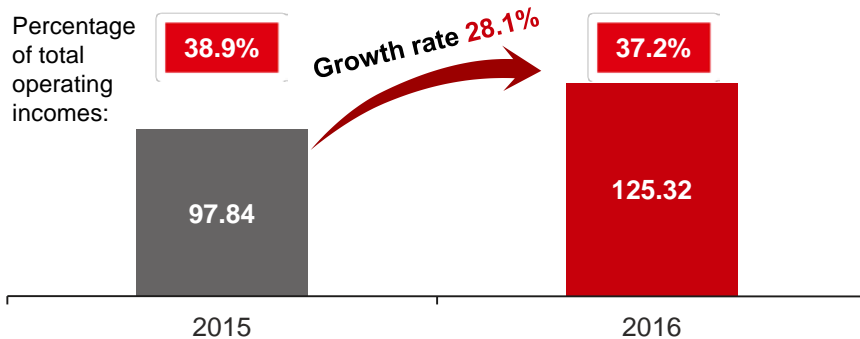
### Balance of trust and assets management plan

(RMB100 million)



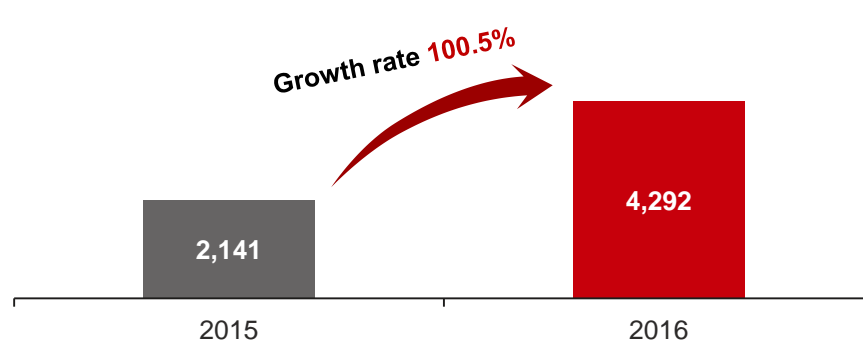
### Operating incomes from interbank financial segment

(RMB100 million)



### Financing product balance

(RMB100 million)



## 2 Continuous input of Inter-bank financial segment and steady promotion of trading service bank

### Financial market business

- Actively build integrated FICC trading platform, continuously enrich various trading business qualifications and product lines
- Maintain rapid development of financial market trading business, trading volume of local currency and foreign exchange market increased by 1.2 times and 1.6 times compared with those of the previous year
- Foreign exchange derivatives trading business for customers and precious metal trading business for customers achieved remarkably growth over the previous year

### Assets management business

- Dedicated in building asset management platform on the basis of integrated application of trans-market multi-tools, taking the lead in professional efficiency and meeting customers' demands with one-stop platform
- Introduce internet concepts, and innovatively introduce No. Yongjin wallet, an open-ended product without fixed schedule, and Yongjin wealth management business, to provide better wealth added channel for retail customers.
- Newly-increased efficient personal financing customers up to 114,700, with an increment of around 96.1%

### Capital market business

- Actively explore joint development of commercial banks and multi-level capital market
- Basically have the ability to provide the whole lifecycle services for enterprises
- Provision of services to over 300 listed companies and various key customers

### Investment banking business

- Successfully take advantage of different mature products and innovative products in the inter-bank market
- Provide direct financing services to customers, and continually serve real economy
- In 2016, underwriting of various bonds up to RMB 91.4 billion, an increase of 37.0% over the same period of the previous year.

### Financial interbank business

- Comply with "Large Interbank" operation philosophy
- Promote innovative business development and optimization of interbank assets structure
- Serve real economy, gradually complete shifts of assets allocation to material base customer
- Two-way line of credit with main commercial banks achieved great increase over the previous year

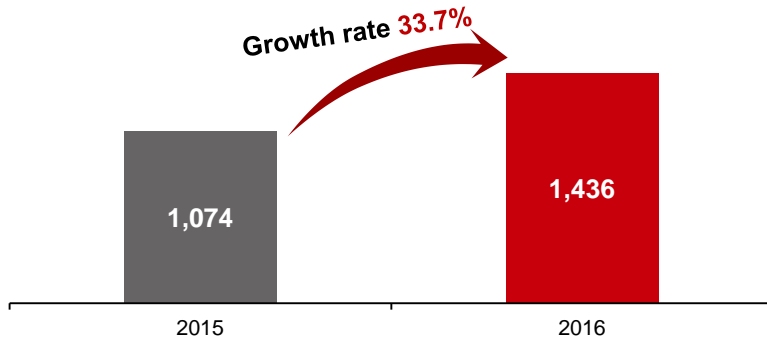
### Assets custody business

- As of the end of 2016, balances of custody assets reached RMB 1,423.5 billion, an increase of 360.9% over the beginning of the year
- In 2016, the growth rate of scale of the Bank's custody assets ranked first among the industry
- Custody product types are enriched and business flow and management means are continuously improved

# 3 Growth in small enterprise business accelerated and customized bank services upgraded

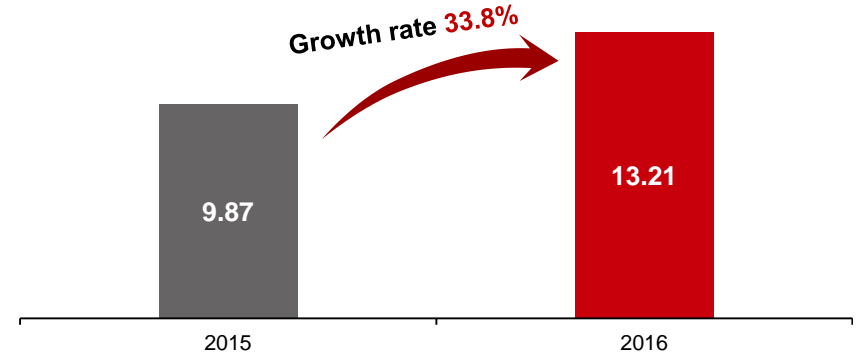
## Small and micro enterprises' loan balance (national standard)

(RMB100 million)



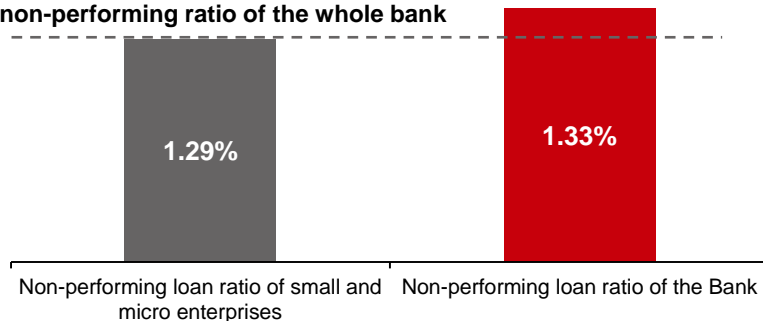
## Number of small and micro enterprise customers

(10 thousand customers)



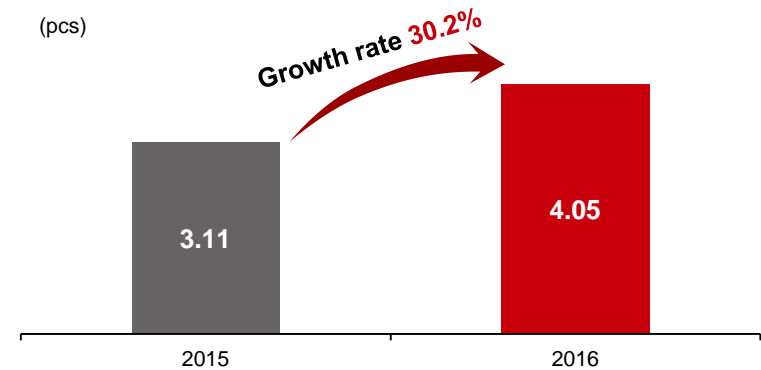
## Non-performing loan ratio of small and micro enterprises

Non-performing loan ratio of small and micro enterprises is lower than the overall non-performing ratio of the whole bank



## Number of cross-selling products

(pcs)





# 3 Growth in small enterprise business accelerated and customized bank services upgraded

## Improve customer team level, continuously increase service groups

- Added more than 20,000 new small and micro enterprise customers during the year, total cumulative customers serviced reached 132,100
- Established small and micro enterprise customers growth cultivation mechanism, introduced line products of “Loans for Growth”, constructed a financial service system covering the developing stages of establishment, growth and expansion of small and micro enterprises, further improved continual service ability. The balance of line product “Loans for Growth” is RMB757 million
- Develop such products as “Accounts Universal”, “Internet Bank at single edition”, “Settlement card for small and micro enterprises”.

## Develop new industry by all means, assist small and micro enterprise to achieve transformation and upgrade

- Promote loan products such as loans for “Mass entrepreneurship and innovation” and “E-Commerce” and apply such products as “Loans to Elites” to contact with high-end talent and to provide venture capital for the talents selected for “National, Provincial and Municipal New Century Talents Project”.
- The first pilot branch of “Talent Bank” now is in operation to provide professional financial services to high-end talents
- Loan balances of “Mass entrepreneurship and innovation” and “E-Commerce” customers respectively are RMB15.7 billion and RMB6.3 billion, increased by RMB14.5 billion and RMB5.2 billion over the end of previous year

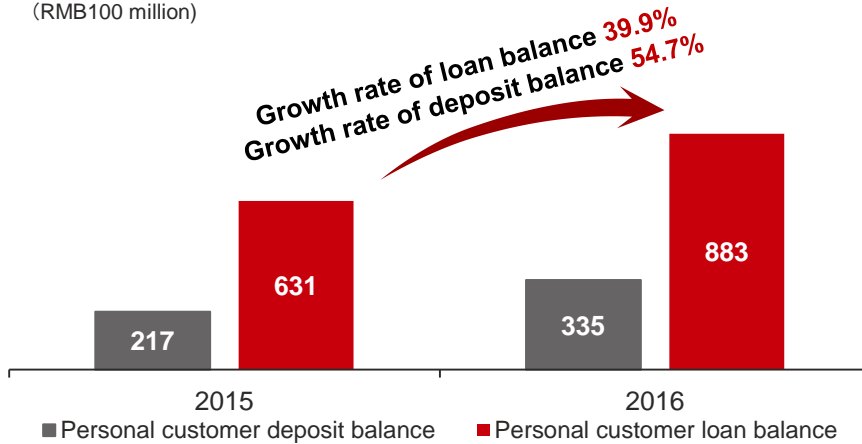
## Explore application of financial technologies, provide fast and convenient financial services

- Improve cooperation with the third party institutions to develop “Assistance Loan” business, take advantage of big data analysis technology to expand the sources of customers
- First in the banking industry, to introduce “Single-Clicking Easy Loan” service that can be operated online to obtain approval in 1 hour, achieve 24-hour online application, approval and fund release and achieve of online data use and automation

# 4 Emerging to be a wealth management bank with continuous innovations in personal business

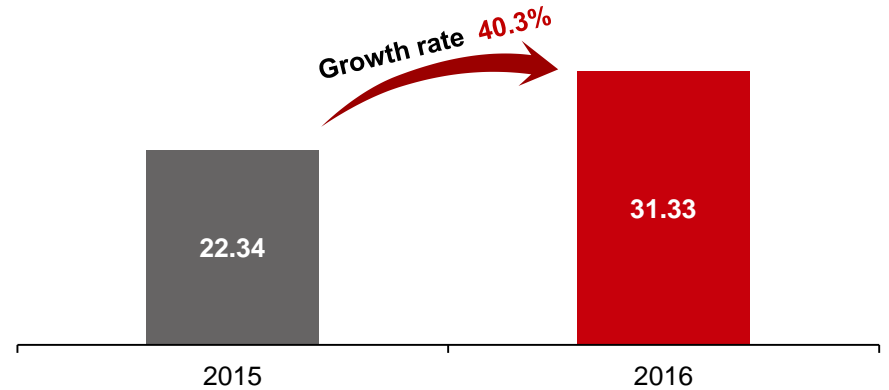
## Personal customers' loans and deposits

(RMB100 million)



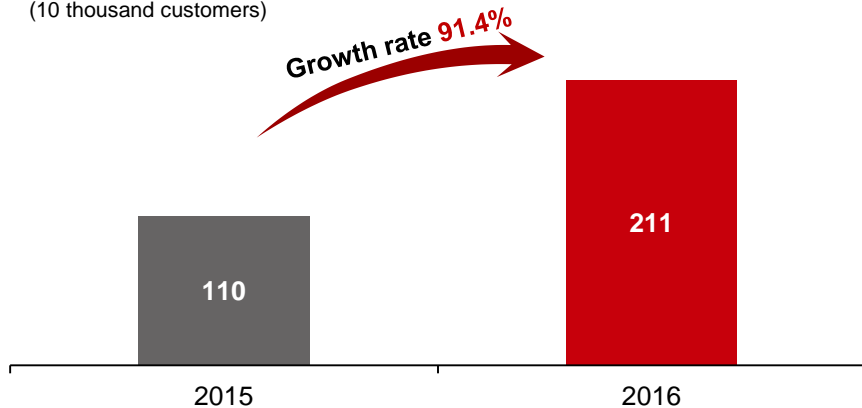
## Operating income of personal banking business

(RMB100 million)



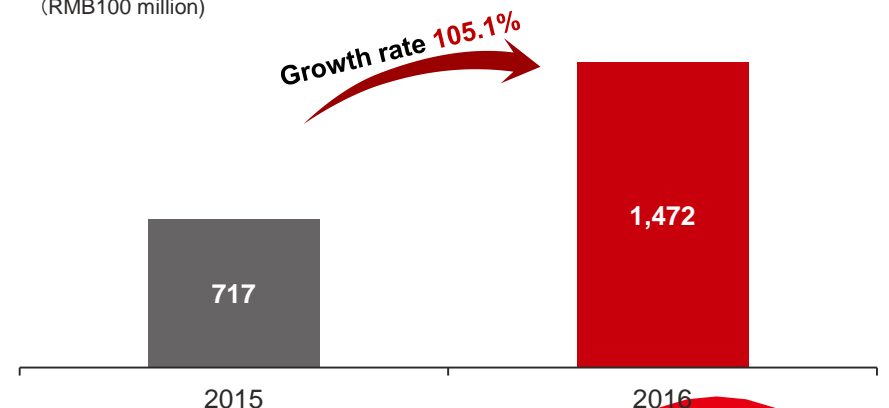
## Number of effective personal customers

(10 thousand customers)



## Personal financial assets balance

(RMB100 million)



## Emerging to be a wealth management bank with continuous innovations in personal business

### Continuously innovate deposit products

- Developed special products greatly “Zengjinbao” (excerpted from 2016 “The Asian Banker” “Best Deposit Product”, to continuously develop special personal financial products, expand basic customer group

Specialized personal deposit products



Checking account and regular income product



Innovative products based on balance financing



### Continually improve wealth management ability

- Introduced comprehensive liquidity solution focusing on “Finance Market” and “Zengjin Wealth Pool” characterized by high incomes and liquidity, one-stop wealth management and financing, to solve customers’ problems
- Personal financial assets integrated with credit card line services are first introduced in banking industry
- The first personal pooled credit financing product in the industry “Zengjin Wealth Pool” obtained the “Award for Best Innovation Program in China’s Financial Industry in 2016 ” relying on the Bank’s leading ideas on Internet financing and powerful technological strength

### Build special credit card brand

- Introduced the leading digital credit account, customized credit card, automatic acquisition for first risk transaction, and successively introduced a series of innovative products like vehicle cards, business cards, ETC cards, personal customized credit card and etc., and successfully issued Visa cards and formed a product service system covering the areas both at home and abroad
- Issued 1,103,000 credit cards in total, obtain such awards as “2016 Bank Card Business Innovation Prize” of China Banking Association, “2016 China UnionPay Card Promotion and Contribution Award” of China UnionPay

### March towards personal banking business

- Promote construction of personal banking business system, develop exclusive investment financing product for personal banking that are controllable in risk, higher in returns and diversified in periods
- Develop value-added service systems such as “7×24 hours free-of-charge tailored-taxi services to airports and express railway stations” and “Z20” a series of high-end activities
- Private banking customers financial assets and private banking customers are in better development trend

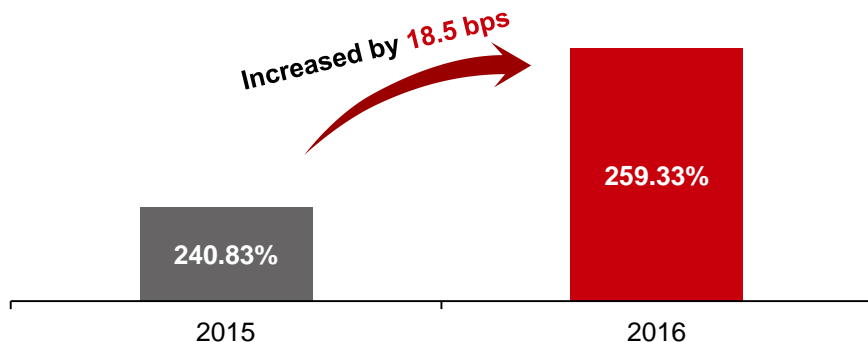
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# Steady improvements in risk control, Prudent operation is further enhanced

## Maintain leading asset quality

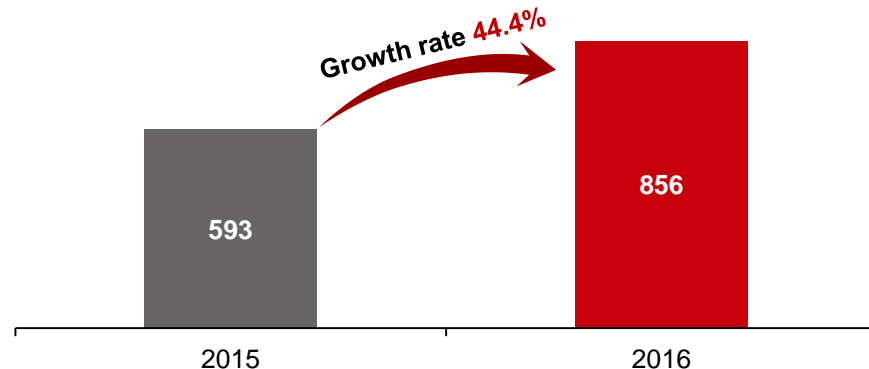
### Provision coverage



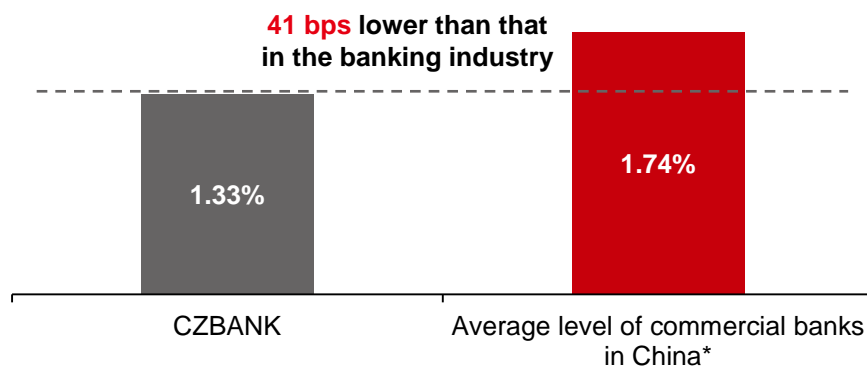
## Relief in core capital constraints

(RMB100 million)

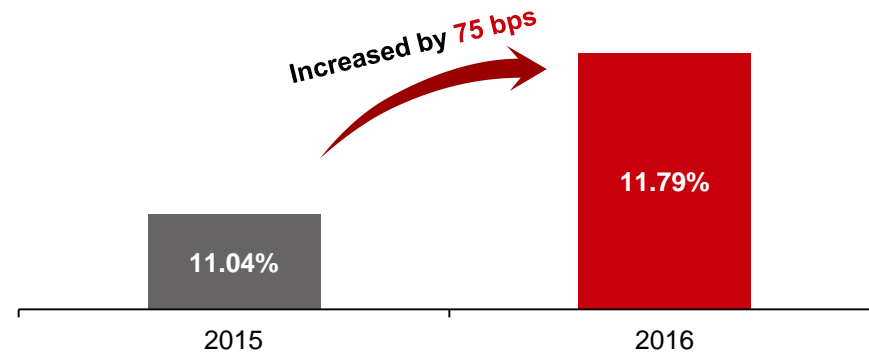
### Net value of total assets



### Non-performing loan ratio



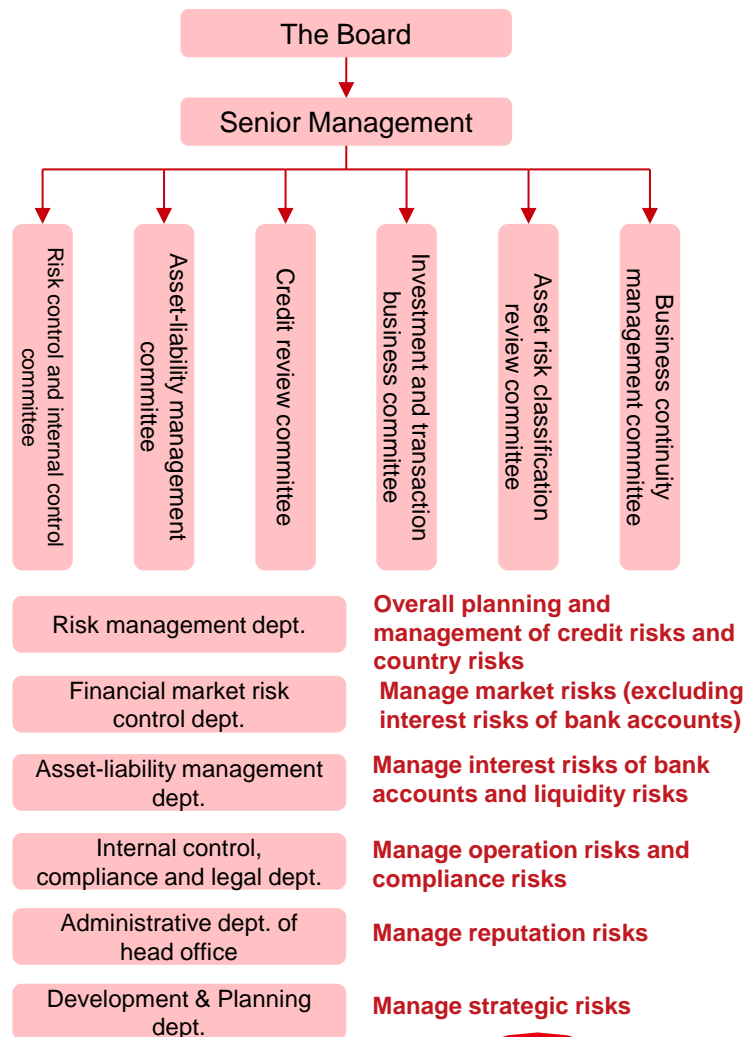
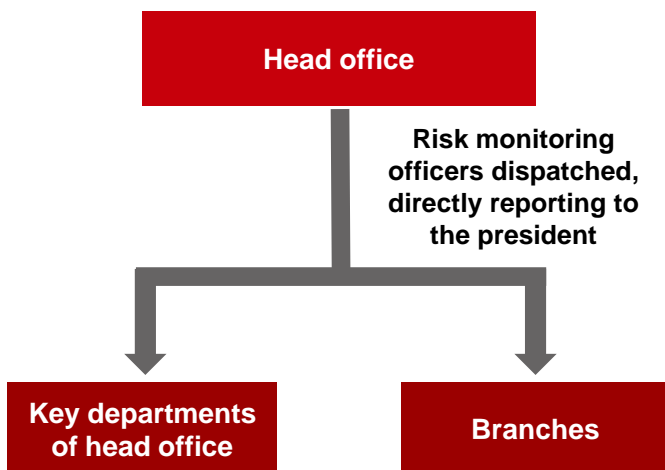
### Capital adequacy ratio



\* Excerpted from "List of Main Regulation Indicators of Commercial Banks in 2016" issued by China Banking Regulatory Commission

# Overall Risk Management System

- Practice positive and prudent risk preference, actively deal with operation risks and adapt to full-asset class operation strategy, balance capitals, risks and benefits, pursue constant and health development
- The Board is the top policymaking body for risk management, six committees including risk management and internal control committees are set under top management to examine the important matters related to risk management, the key departments of the head office are responsible for taking the lead in dealing with various risk policies and management requirements
- Carry out relatively vertical risk management mode; risk monitoring officers, who are independent of the departments and the branches they are stationed, and directly report to the president of head office, are assigned to the key departments of the head office and each branch
- Implement line risk control mode, with risk control center set under the competent departments of business line to improve professional level and efficiency of risk management and control



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1

## Further promote full-asset class operation strategy

- Define strategic orientation of services for corporate customers, reconstruct macro management system
- Further display profitability and strategy of small enterprises' business, maintain the benchmarking position
- Promote rapid development of retail business by new thoughts and new methods

2

## Focus on establishment of basic customer group

- Improve liquidity service banks and full-value service bank construction
- Select industry leader and private enterprises listed and planning to be listed as strategic customers, provide follow-up services and cultivate growing private enterprises and, thus developing with customers

3

## Accelerate products and services innovation

- Based changes of market and customers' demands, expedite upgrading and updating of competitive products
- Continuously develop new products and new marketing methods
- Actively and innovatively apply financial technologies, promote digitalization

4

## Enhance operation-oriented comprehensive assets-liability management

- Establish full view for assets-liability management
- Improve flexibility of assets-liability management
- Further enhance the guiding role of examination, to improve resources distribution and utilization efficiency

5

## Improve independent and balanced overall risk management system

- Maintain independence and authority of risk management, play the role of three defense lines on risk control and management
- Pay special attention to liquidity risks and market risks
- Enhance compliance operation, promote normal development of business

6

## Promote cultural fusion, strengthen management

- Enhance enterprise culture construction and brand system construction
- Strengthen "Three Forces" construction in head office, branches and sub-branches
- Promote management abilities by solving problems, establish and perfect management system



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Annual Results Announcement

**Q&A**  
**Session**

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***Thank You***