

# 2019 Interim Results Announcement

August 2019



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## **1 Performance Overview**

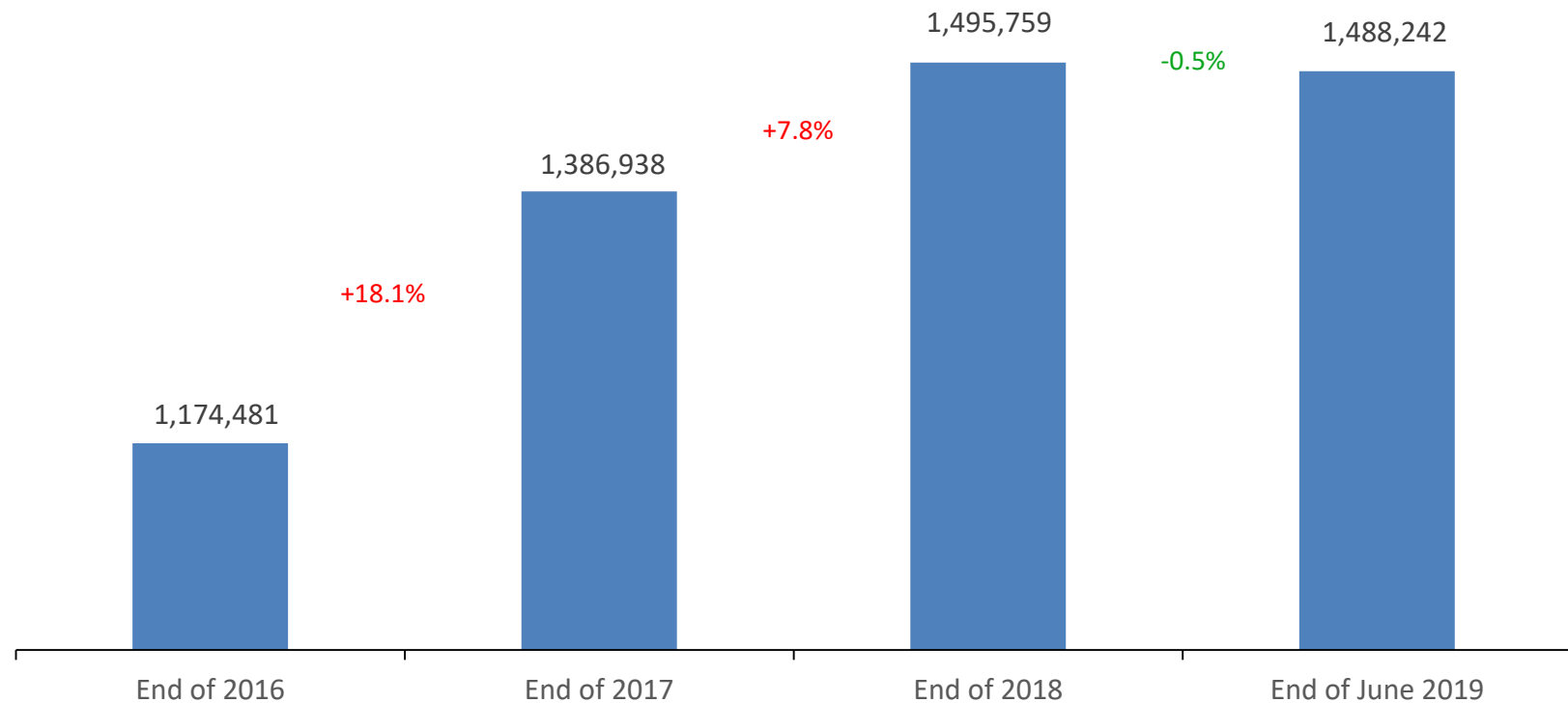
## **2 Business Development**

## **3 Future Prospects**

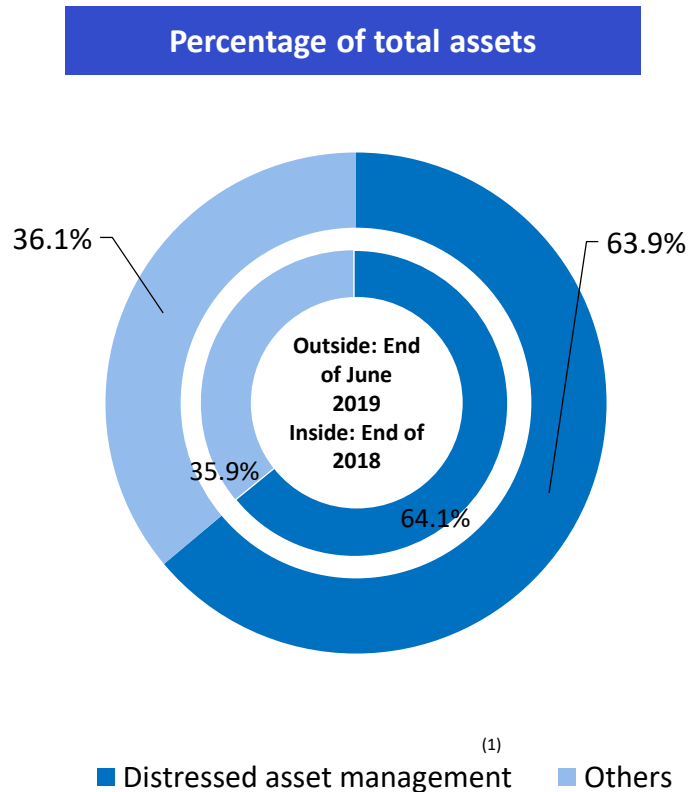
# Making coordinated efforts to control scale and adjust structure, and gradually consolidating the foundation of high quality development

## The Group's total assets

(in millions of RMB)



# Adhering to major responsibility and core business, optimizing asset structure, and giving play to the leading role of the core business



The Company adhered to major responsibility and core business, and the proportion of distressed assets in the total assets continued to remain above 60%



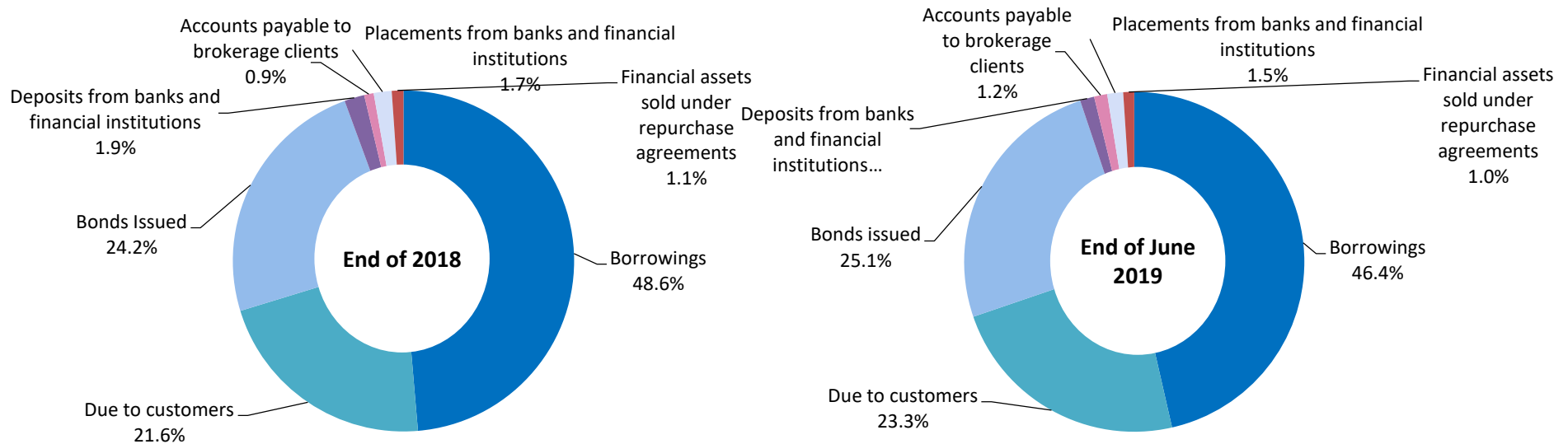
By improving the turnover rate and placement quality of the core business assets, the Company consolidated the advantages of distressed asset business



The Company expanded the operation pattern of “extensive distressed asset” business and optimized the allocation of various distressed assets

# Controlling the financing scale, and optimizing the financing structure, to reduce financing costs

## Composition of interest-bearing liabilities



The Company comprehensively strengthened the management and control of liquidity to ensure its liquidity safety domestically and abroad

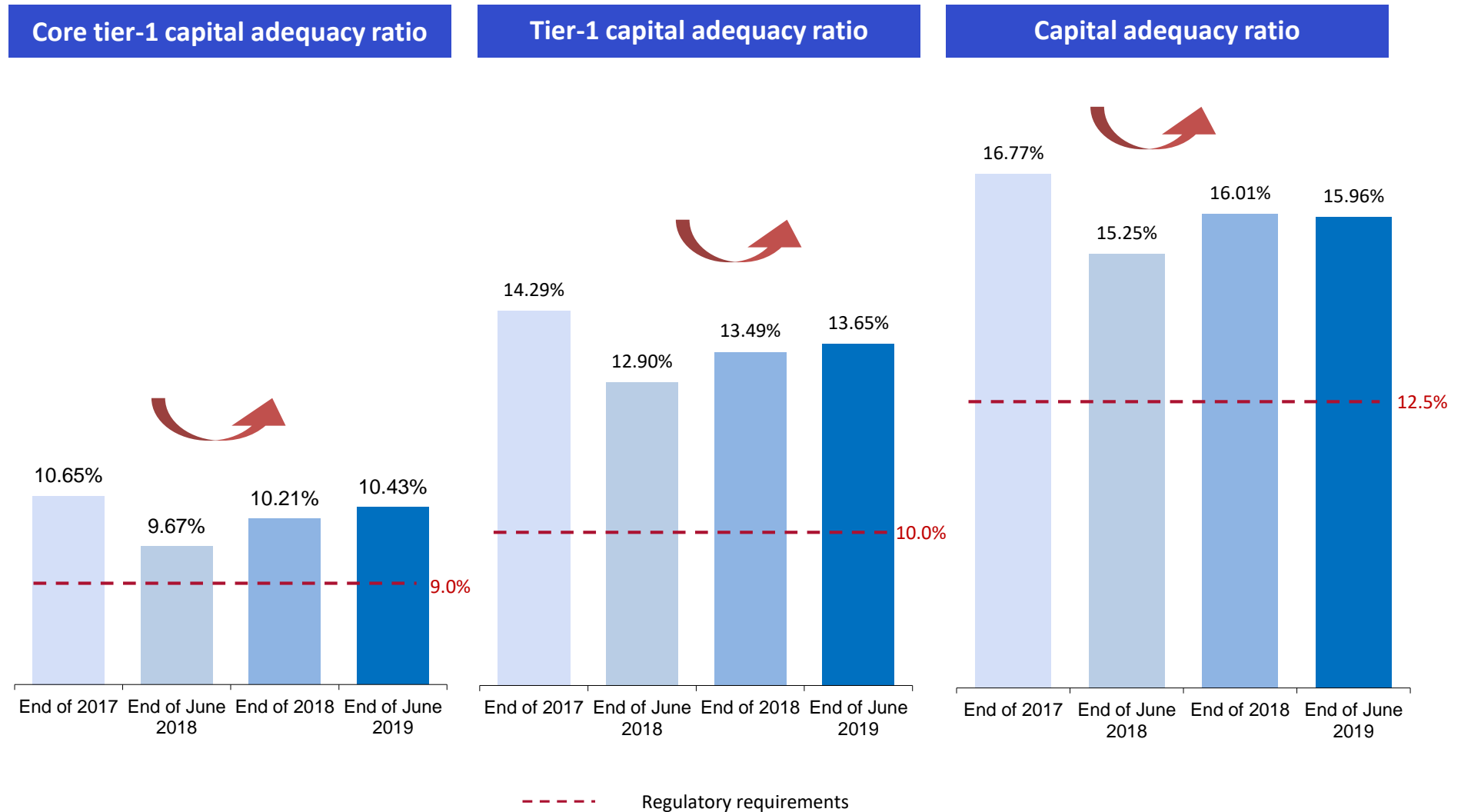


The Company continued to optimize its financing structure, and the proportion of financing from bonds issued and due to customers continued to increase



The Company continued to seek changes while making innovations, and promote its financing system to match the changes in the financing environment

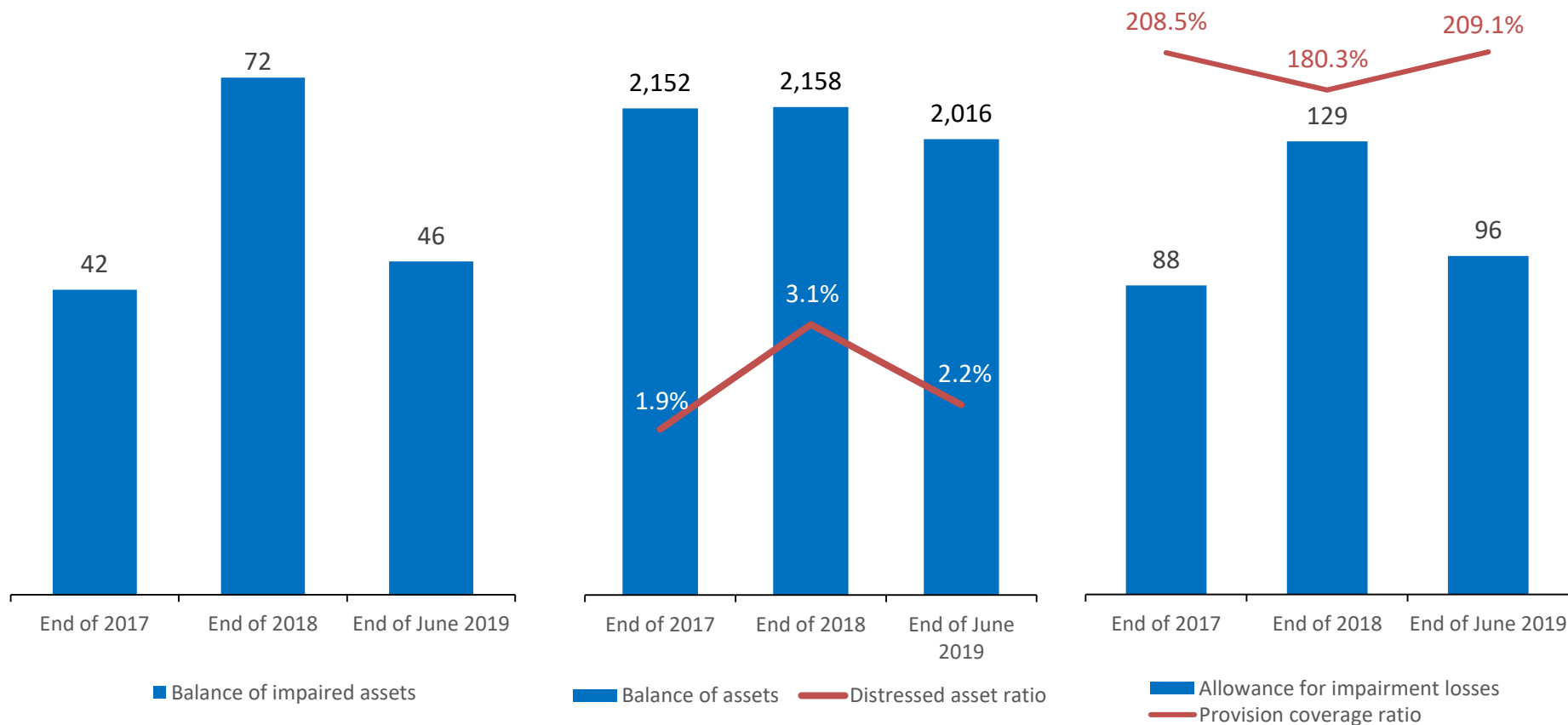
# The Company's capital operation efficiency continued to improve, and its capital adequacy ratios increased steadily



# Resolving existing risks, controlling incremental risks, and achieving steady improvement of asset quality

## Quality and provision of Restructured Distressed Assets

(RMB100 million)

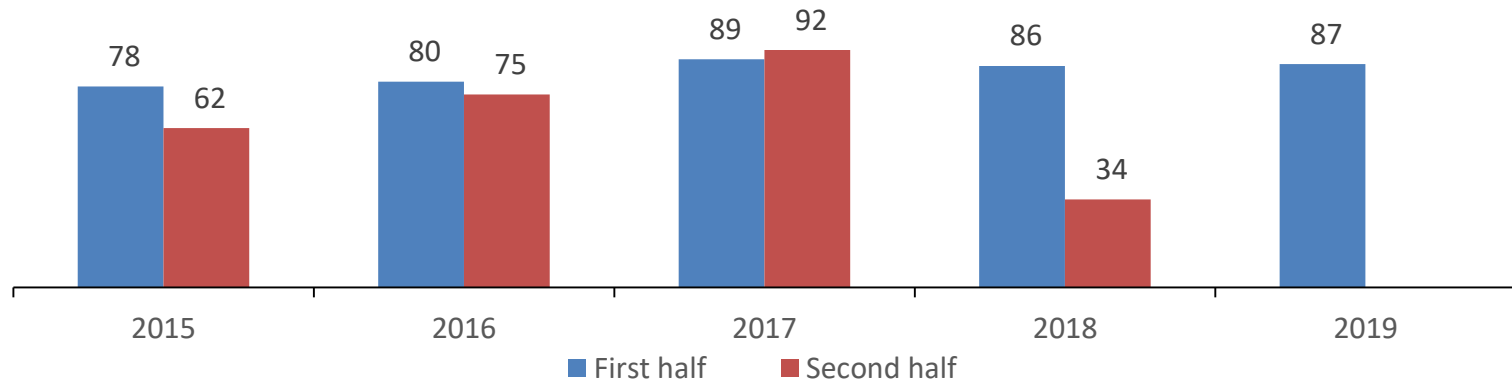




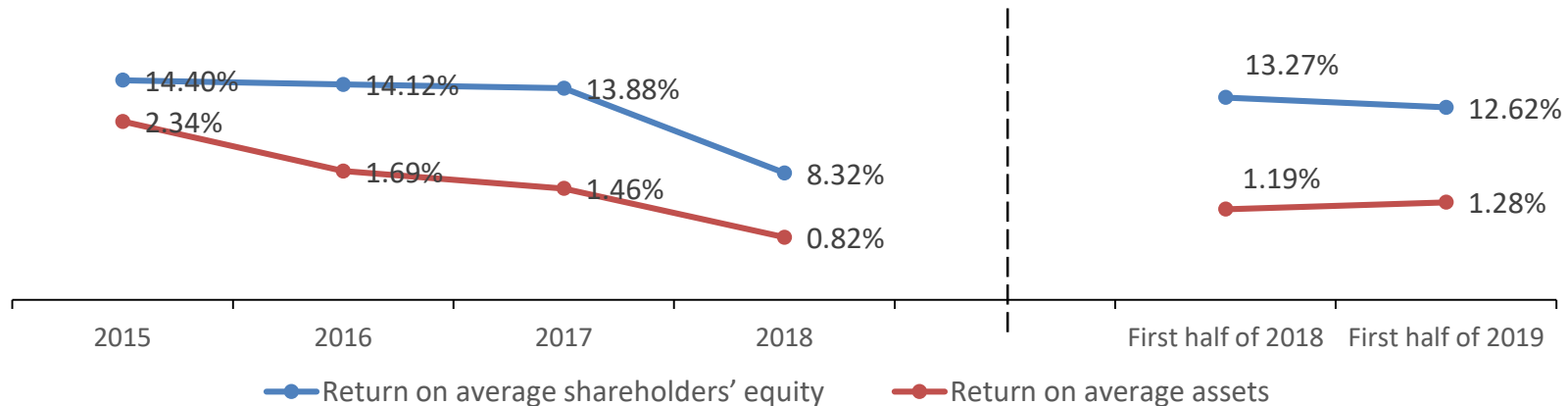
# Effectively improving quality and controlling speed, and achieving steady progress in profitability

## Net profit attributable to equity holders of the Company

(RMB100 million)



## Profitability

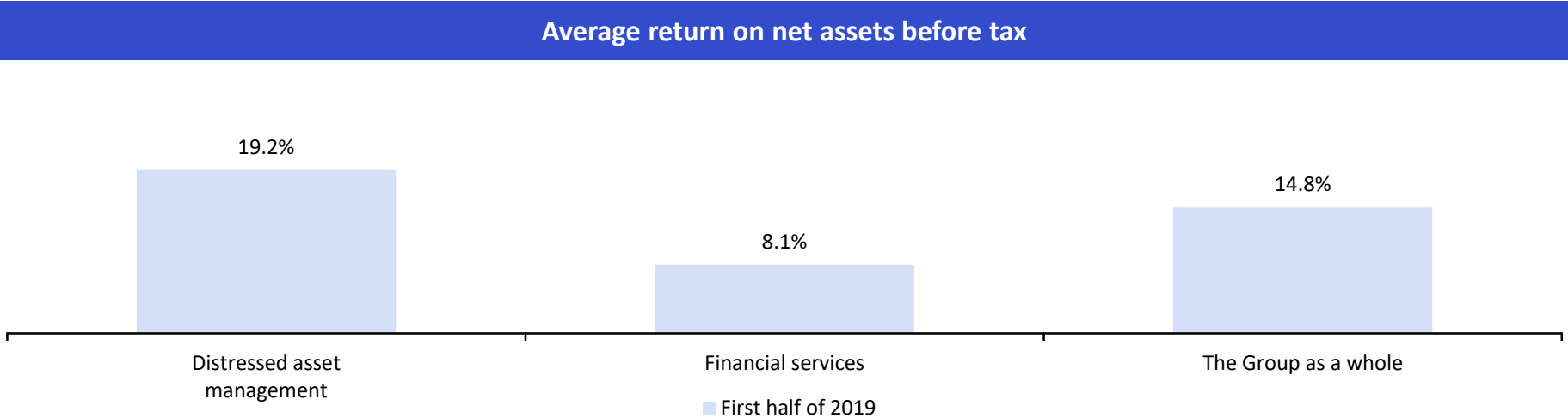
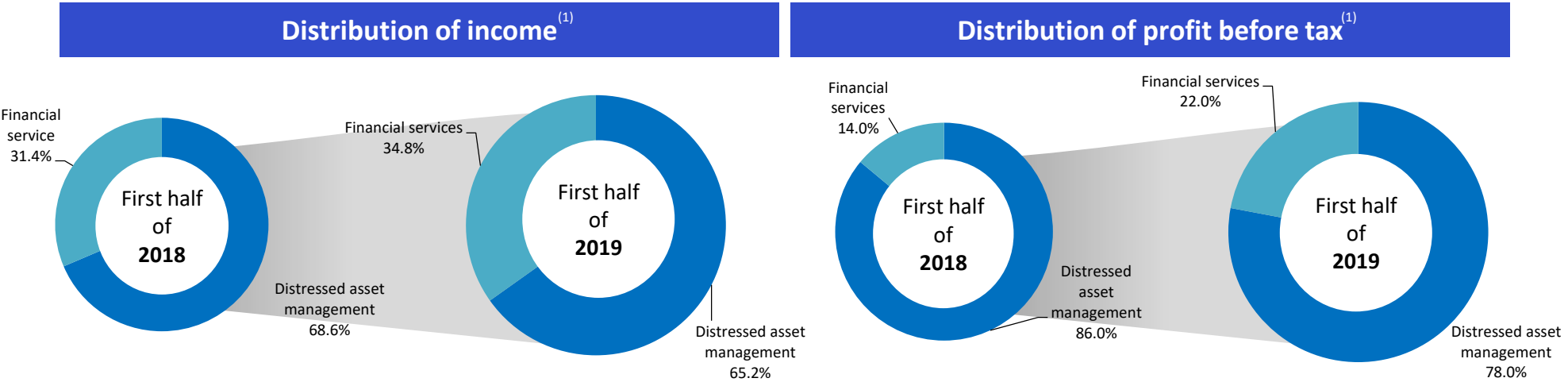


**1** Performance Overview

**2** Business Development

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# Overview of the development of the Group's business segments

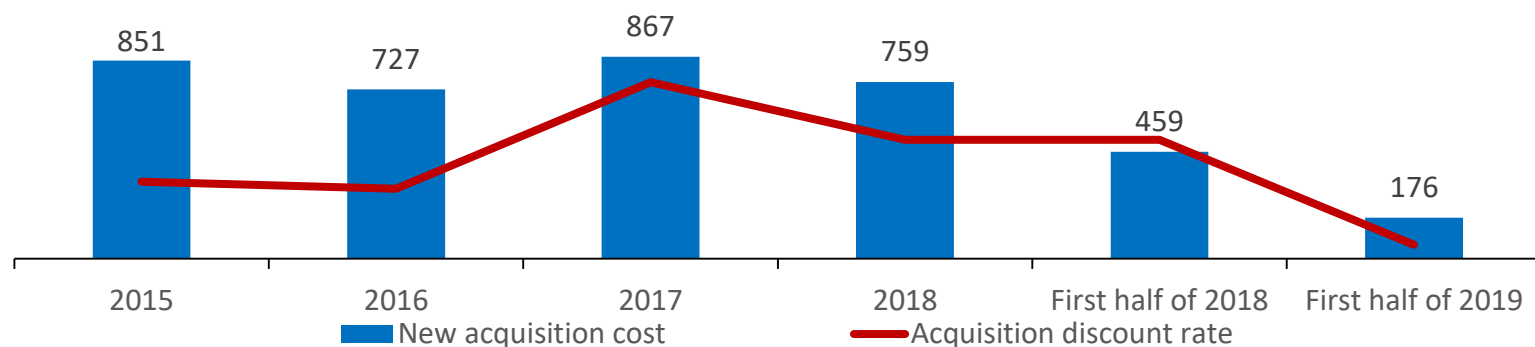


(1) Inter-segment elimination is not considered in the chart on this page

# Acquisition-operation distressed asset business

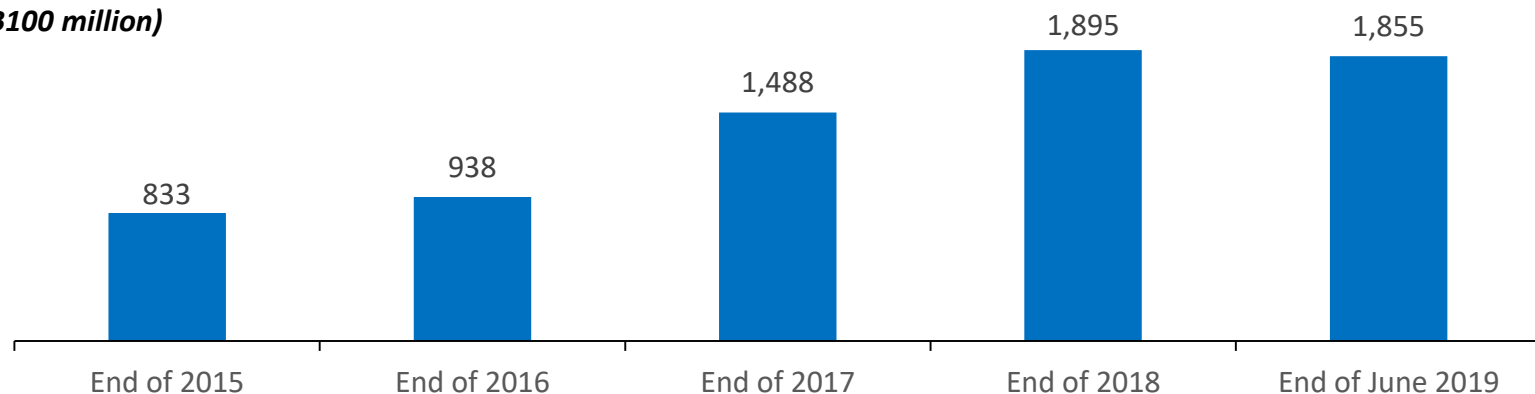
## New acquisition cost and acquisition discount rate

(RMB100 million)



## Net balance of Acquisition-operation Distressed Assets

(RMB100 million)

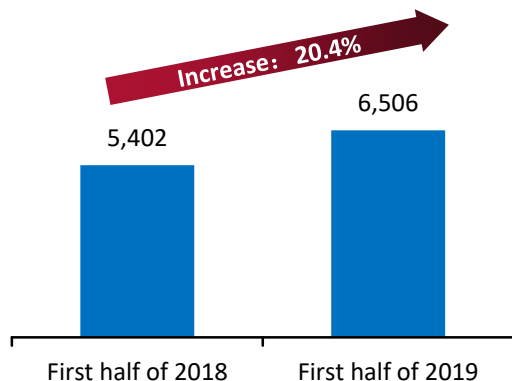


# Acquisition-operation distressed asset business

## Steady improvement in income

### Net income from Acquisition-operation Distressed Assets

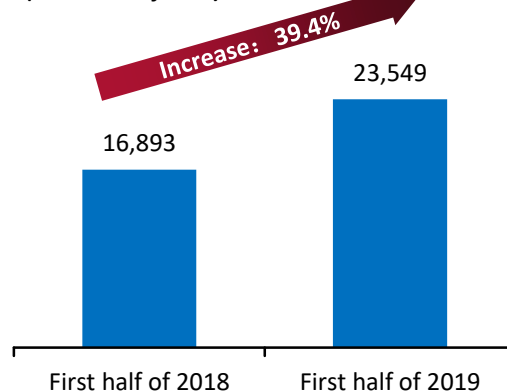
(in millions of RMB)



## Acceleration in turnover of assets

### Disposal cost of Acquisition-operation Distressed Assets

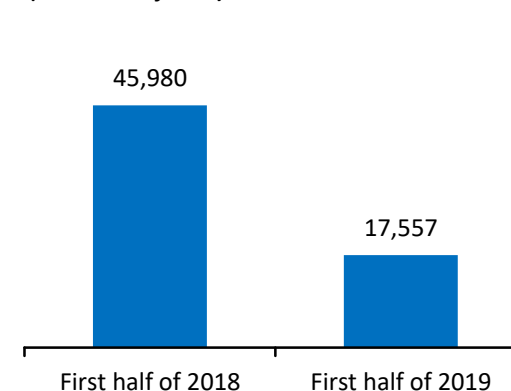
(in millions of RMB)



## Active control of acquisition scale

### Acquisition cost of Acquisition-operation Distressed Assets

(in millions of RMB)



### Diversified acquisition channels

- Distressed assets of local banks and non-bank financial institutions
- Regional events and liquidity risks
- Paying attention to the opportunities arising from rescue of distressed financial institutions

### Refined market segmentation

- Restructuring of default bonds in the secondary market
- Investment funds for distressed enterprises

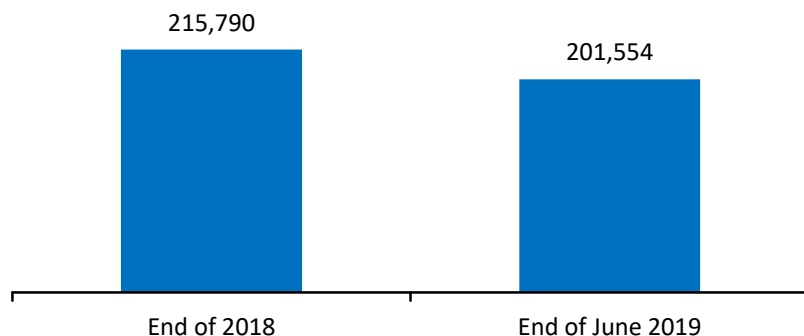
# Restructured distressed asset business

Improving quality and controlling speed to achieve transformation and upgration

Steady increase in profitability

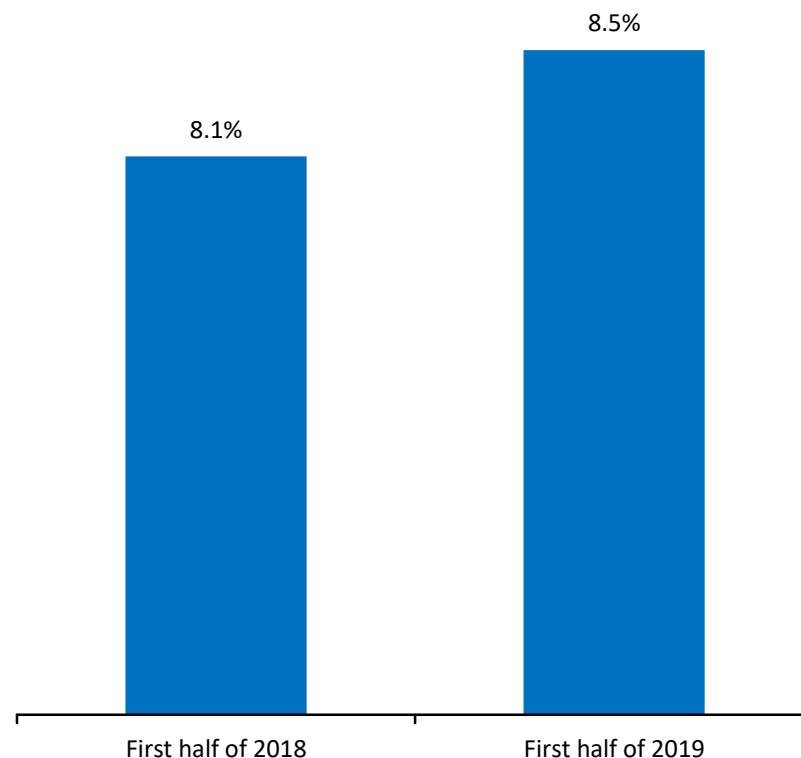
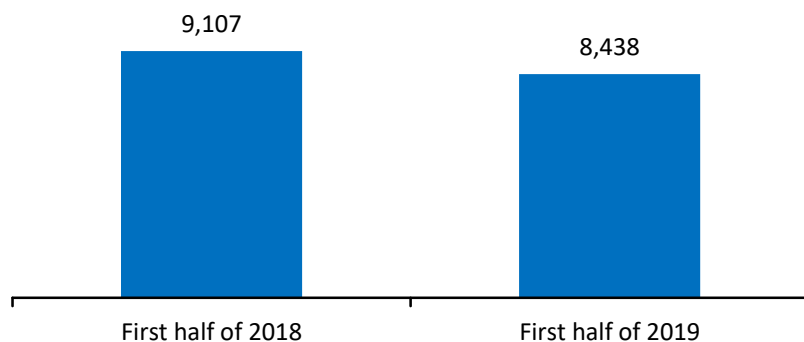
## Net balance of Restructured Distressed Assets

(in millions of RMB)



## Income from the business of Restructured Distressed Assets

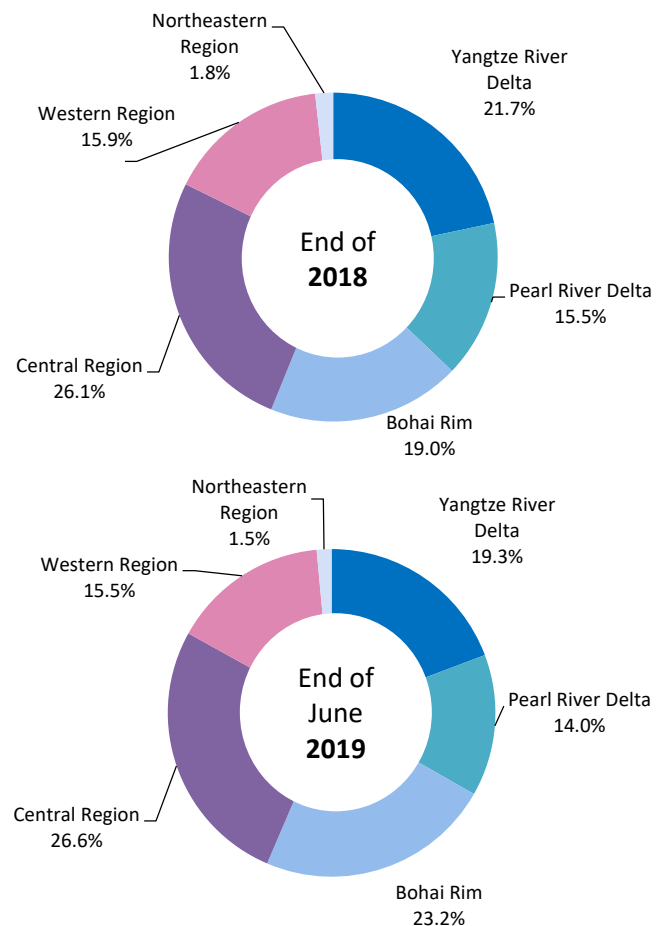
(in millions of RMB)



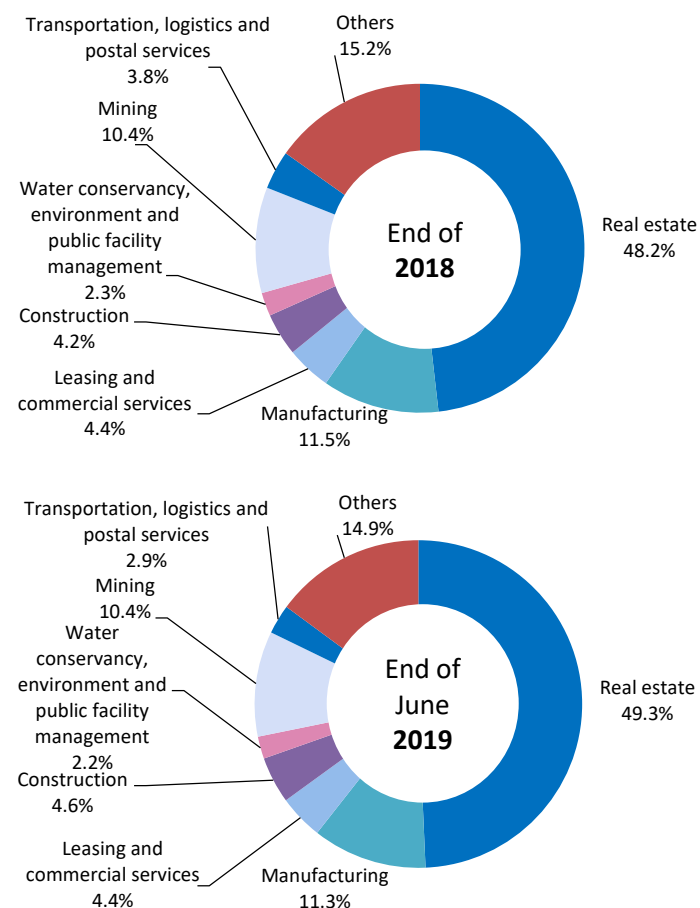
Transformation into a resource integrator and value creator, to improve stable business development and steady increase in profitability

# Restructured distressed asset business

## Further optimized regional distribution



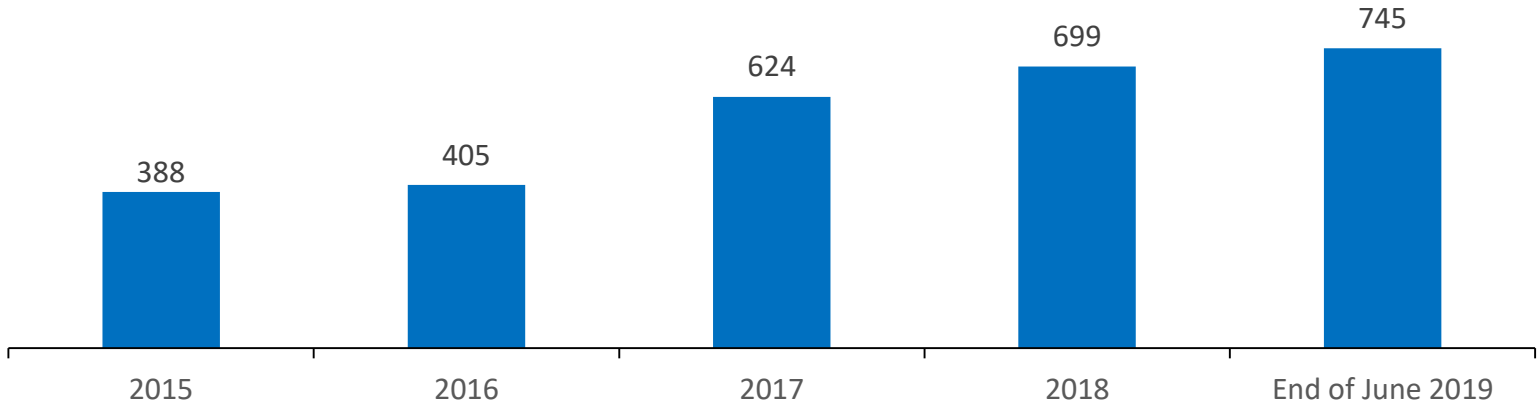
## More proactive industry configuration



# DES business

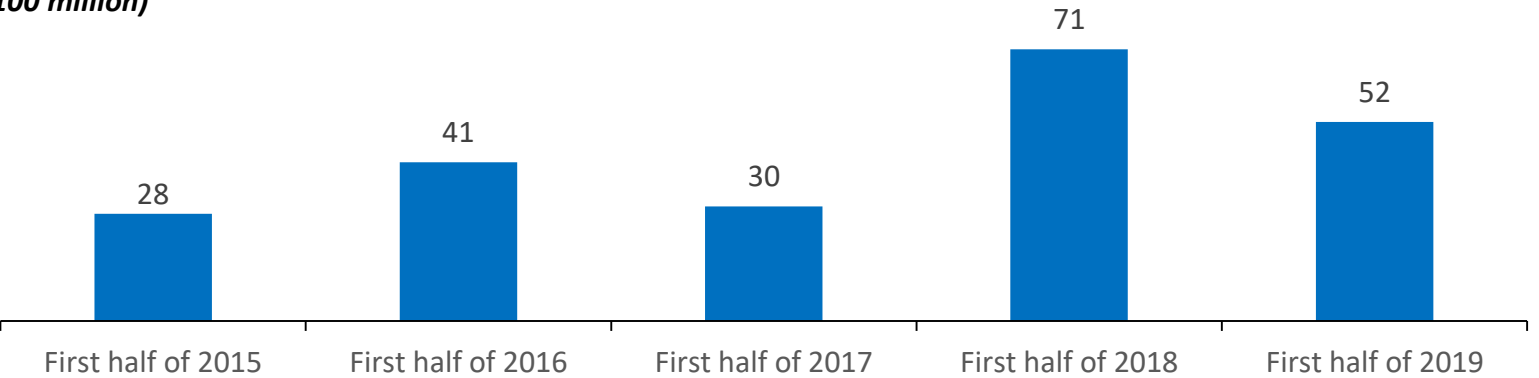
## Book value of DES Assets

(RMB100 million)



## Income from operation

(RMB100 million)

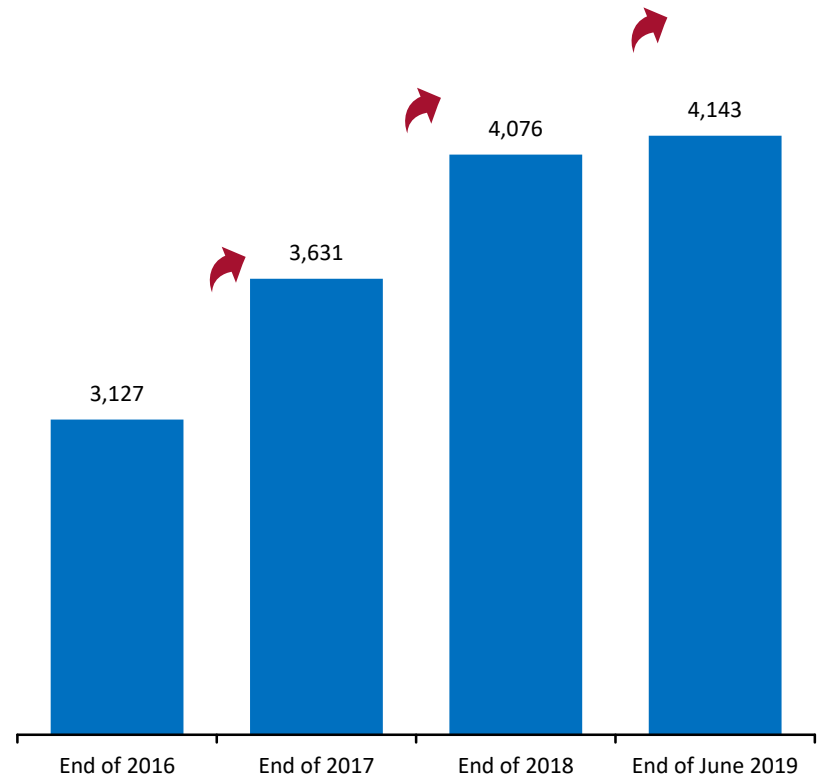




# Financial service business—NCB

## Total assets

(RMB100 million)

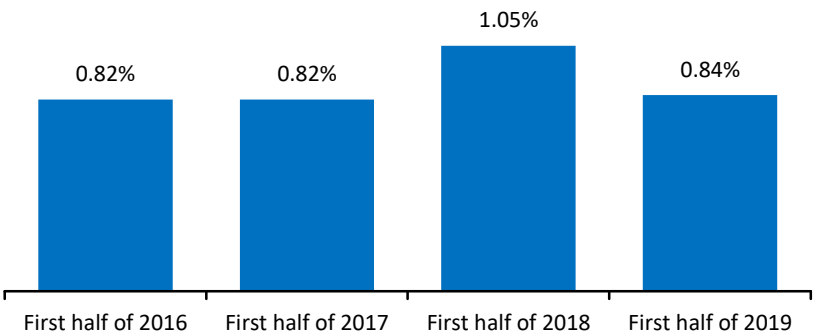


Income increased by  
15.9% year-on-year

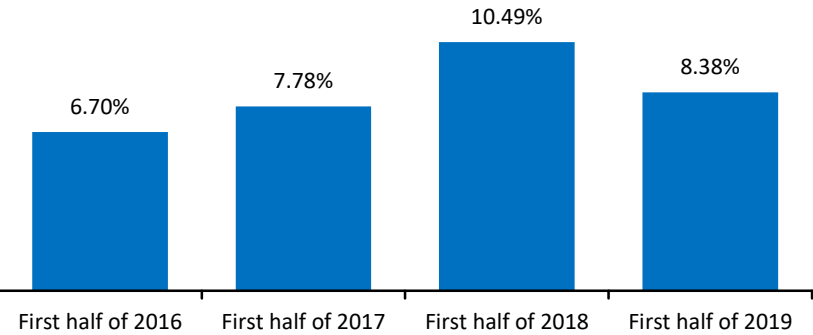
Net interest income increased by  
3.5% year-on-year

## Profitability

### Return on average assets



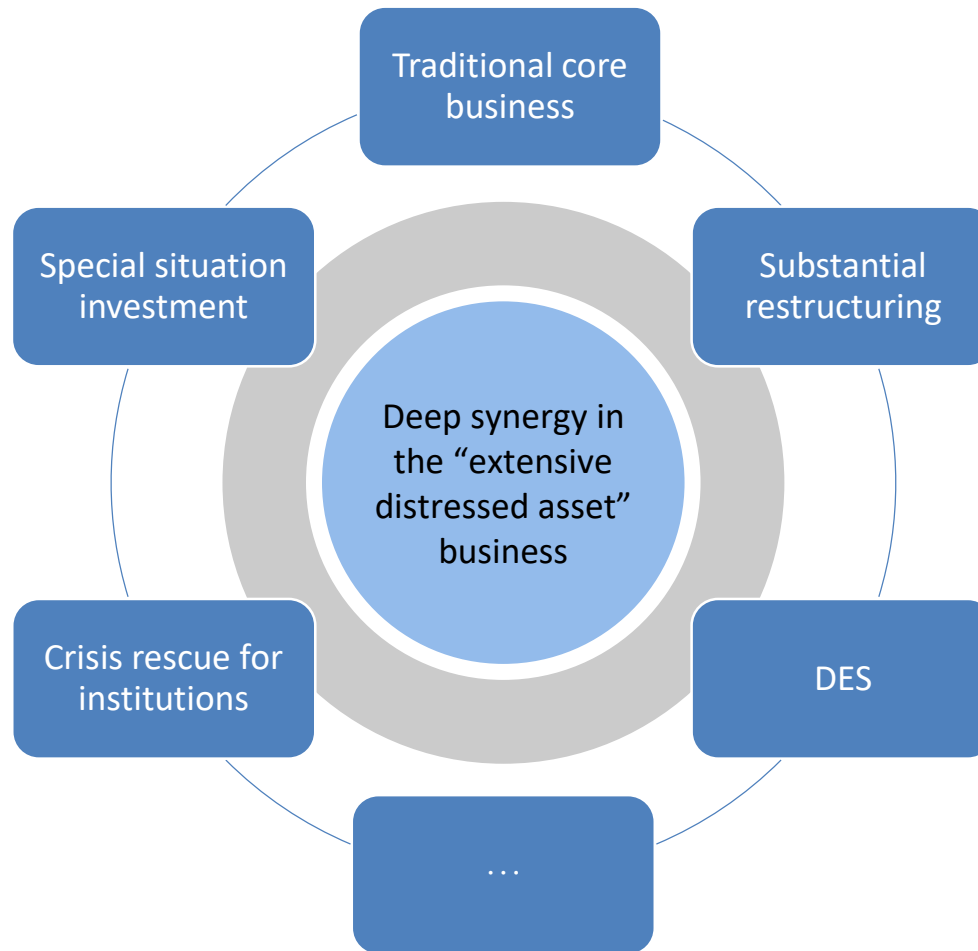
### Return on average shareholder's equity



Cost-to-income ratio decreased by  
0.31%

Tier-1 capital ratio increased to  
17.1%

# Focusing on “extensive distressed asset” business and promoting deep integration of the Group's resources



Synergy results of the Group's businesses in the first half of 2019



**Sales revenue of synergy business:**  
**RMB1.3 billion**



**Scale of synergy business:**  
**RMB260.86 billion**



**Number of customers involved:**  
**2,694**

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# China Cinda's potential business opportunities

## Background

- The economic performance achieved generally stable growth while making further progress. However, there are new risks and challenges, and the downward pressure on the economy has increased
- The financial industry has further expanded its opening to the outside world, stimulated market vitality, and enriched market entities
- During the deepening of financial supply-side structural reform, the rhythm and intensity of risk disposal should be grasped properly

## Target market and business opportunities

- 1 The risk of asset quality is transmitted to financial institutions, and the demands for risk prevention and disposal provides market space for the development of the core business
- 2 The risks faced by distressed enterprises are more complicated, and the demands for comprehensive financial assistance using combinations of multiple financial instruments are more urgent
- 3 With the improvement of the market entity exit system, the business opportunities from the market clearing of “zombie enterprise”, bankruptcy and reorganization have been increasing
- 4 Due to the upgrading of the industrial structure, the real enterprises’ demands for financial services such as divestiture of secondary businesses from primary businesses, M&A and restructuring rise continuously
- 5 A few small and medium-sized financial institutions face the test of distressed assets, which puts forward higher requirements on the Company's performance of the functions including financial assistance, restructuring and integration, and custody

**Effectively fulfilling professional responsibilities in resolving financial risks, serving the real economy, and supporting supply-side structural reform**

## Key works in the second half of 2019



By focusing on major responsibility and core business and increasing effective placement, the Company will continue to forge professional capabilities in the core business of distressed assets



The Company will actively conduct crisis rescue and substantial restructuring businesses to comprehensively enhance the capability to operate the “extensive distressed asset” business



The Company will further promote the reform of the direct operation department of the headquarters, strengthen the market-oriented reform of financial subsidiaries, and continuously improve the synergy of the Group



The Company will strengthen capital management and capital's guidance for business, and improve capital use efficiency



The Company will continue to improve the building of risk management and compliance system, and continuously strengthen risk control, speed up the solution of existing risks, strictly control new risks

# Appendix

# Financial highlights

## Summary of Group Consolidated Statement of Profit or Loss

(in millions of RMB)

	First half of 2019	First half of 2018	Change
Income from distressed debt assets at amortized cost	8,438	9,109	(7.4%)
Fair value changes on distressed debt assets	6,270	5,478	14.5%
Fair value changes on other financial instruments	11,647	11,724	(0.7%)
Investment income	125	500	(75.0%)
Net insurance premiums earned	5,572	6,728	(17.2%)
Interest income	12,970	12,782	1.5%
Revenue from sales of inventories	4,919	4,880	0.8%
Other income and other net gains or losses	3,328	3,571	(6.8%)
<b>Total</b>	<b>53,269</b>	<b>54,772</b>	<b>(2.7%)</b>
Impairment losses on assets	(3,450)	(3,165)	9.0%
Interest expense	(23,061)	(23,037)	0.1%
Insurance costs	(5,801)	(7,341)	(21.0%)
Purchases and changes in inventories	(3,106)	(3,178)	(2.3%)
Employee benefits	(2,424)	(3,182)	(23.8%)
Others	(3,605)	(3,784)	(4.7%)
<b>Total</b>	<b>(41,447)</b>	<b>(43,686)</b>	<b>(5.1%)</b>
Profit before tax	13,409	11,816	13.5%
<b>Profit for the period</b>	<b>9,546</b>	<b>8,493</b>	<b>12.4%</b>
Net profit attributable to equity holders of the Company	8,685	8,620	0.8%

## Summary of Group Consolidated Balance Sheet

(in millions of RMB)

	End of June 2019	End of 2018	Change
Cash and balances with central banks	13,443	16,652	(19.3%)
Deposits with banks and financial institutions	72,327	80,103	(9.7%)
Financial assets at fair value through profit or loss	431,870	428,791	0.7%
Financial assets at fair value through other comprehensive income	139,866	116,828	19.7%
Financial assets at amortized cost	240,627	252,417	(4.7%)
Loans and advances to customers	345,469	336,617	2.6%
Others	244,641	264,353	(7.5%)
<b>Total assets</b>	<b>1,488,242</b>	<b>1,495,759</b>	<b>(0.5%)</b>
Borrowings	541,478	570,870	(5.1%)
Bonds issued	292,660	283,115	3.4%
Accounts payable to brokerage clients	14,562	10,316	41.2%
Due to customers	272,059	254,100	7.1%
Others	183,713	198,790	(7.6%)
<b>Total liabilities</b>	<b>1,304,472</b>	<b>1,317,191</b>	<b>(1.0%)</b>
<b>Total equity</b>	<b>183,770</b>	<b>178,569</b>	<b>2.9%</b>
Equity attributable to equity holders of the Company	161,378	156,493	3.1%
Return on average assets	1.28%	0.82%	0.5%
Return on average shareholders' equity	12.62%	8.32%	4.3%
Cost-to-income ratio	23.39%	26.52%	(3.1%)

## Key Ratios