

China Minsheng Banking Corp., Ltd. 2017 Annual Results Announcement



Disclaimer



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1

Overview

2

Operational Performance

3

Outlook



Overview of performance



The Group took proactive measures in coping with the adjustments and changes in the domestic and overseas operating environment and regulatory policies. With the completion of the design of the Phoenix Project, its trial implementation was proven successful. The Group further deepened its operational system reform and optimized business structure. Through strengthening its risk management capability, the Company maintained stable asset quality and achieved steady growth of its operating performance

1

Continued growth in profits and stable return for shareholders

- ◆ Net profit attributable to equity shareholders of the Company of RMB49,813 million, representing an increase of RMB1,970 million, or 4.12%, as compared with the corresponding period of the previous year
- ◆ Return on weighted average equity and return on average assets were 14.03% and 0.86%, respectively, representing decreases of 1.10 percentage points and 0.08 percentage points as compared with the corresponding period of the previous year, respectively
- ◆ Operating income amounted to RMB141,947 million. Among which, net non-interest income amounted to RMB55,395 million, and accounting for 39.03% of the total operating income, representing an increase of 0.49 percentage points as compared with the corresponding period of the previous year
- ◆ Cost-to-income ratio was at 32.24% and operating expenses were RMB47,245 million, representing a decrease of 9.88% as compared with the corresponding period of the previous year
- ◆ Basic earnings per share was RMB1.35, representing an increase of 3.05% as compared with the corresponding period of the previous year
- ◆ Net assets per share attributable to ordinary shareholders of the Company was RMB10.12, representing an increase of RMB1.00 as compared with the end of the previous year

2

Proactive adjustment in operation strategies and continuous optimization of business structure

- ◆ Total assets amounted to RMB5,902,086 million, representing an increase of RMB6,209 million, or 0.11%, as compared with the end of the previous year; Total liabilities amounted to RMB5,512,274 million, representing a decrease of RMB31,576 million, or 0.57%, as compared with the end of the previous year
- ◆ Total loans and advances to customers amounted to RMB2,804,307 million, representing an increase of 13.92%, as compared with the end of the previous year; total loans and advances to customers accounted for 47.51% of total assets, representing an increase of 5.75 percentage points as compared with the end of the previous year
- ◆ Personal loans amounted to RMB1,105,827 million, representing 39.43% of the total loans and an increase of 2.83 percentage points as compared with the end of the previous year
- ◆ Small and micro business loans steadily rebounded to a total balance of RMB373,262 million, representing an increase of RMB38,188 million or 11.40%, as compared with the end of the previous year
- ◆ Balance of demand deposits accounted for 46.19% of total deposits, representing an increase of 3.73 percentage points as compared with the end of the previous year

3

Successful business transformation through continuous system reform

- ◆ Total corporate deposits amounted to RMB2,434,747 million¹. The number of domestic corporate customers that have deposits with the Company was 1,012.8 thousand¹, representing an increase of 173.6 thousand¹, or 20.69%¹, as compared with the end of the previous year
- ◆ Total corporate loans was RMB1,699,696 million¹, representing an increase of RMB143,311 million¹, or 9.21%¹, as compared with the end of the previous year
- ◆ Operating income from the retail banking amounted to RMB48,162 million¹, representing 35.30%¹ of the operating income and an increase of 2.24 percentage points¹ as compared with the corresponding period of the previous year. The number of retail customers with deposits at the year end was 35,561.4 thousand¹, representing an increase of 5,223.8 thousand¹ as compared with the end of the previous year
- ◆ The number of direct banking customers reached 10,914.5 thousand¹ with financial assets of RMB104,746 million¹ under the Company's management. The total subscription volume of Ru Yi Bao (如意宝) amounted to RMB2.05 trillion¹. The Company's brand of direct banking remained its leading position in the industry
- ◆ The number of mobile banking customers increased by 6,040.3 thousand¹ to 30,791.7 thousand¹ as compared with the end of the previous year. The number of corporate online banking customers was 1,042.7 thousand¹, representing an increase of 167.7 thousand¹ as compared with the end of the previous year. The number of subscribers to the WeChat official account of the Company kept increasing and the number of users of the WeChat service account matrix reached 26,818.9 thousand¹

4

Enhanced overall risk management and stable asset quality

- ◆ The NPL ratio was 1.71%; the allowance to NPLs was 155.61%; the allowance to total loans was 2.66%

5

Expansion of capital replenishment channels to diversify financing resources

- ◆ In 2017, the Group captured the favorable market opportunities and issued tier-two capital bonds of RMB30,000 million. As at the end of 2017, the capital adequacy ratio of the Group was 11.85%, representing an increase of 0.12 percentage points as compared with the end of the previous year

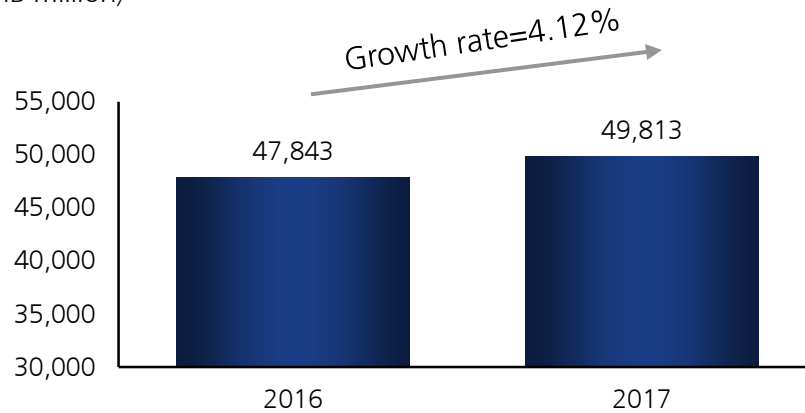
Note:

1 Bank standalone

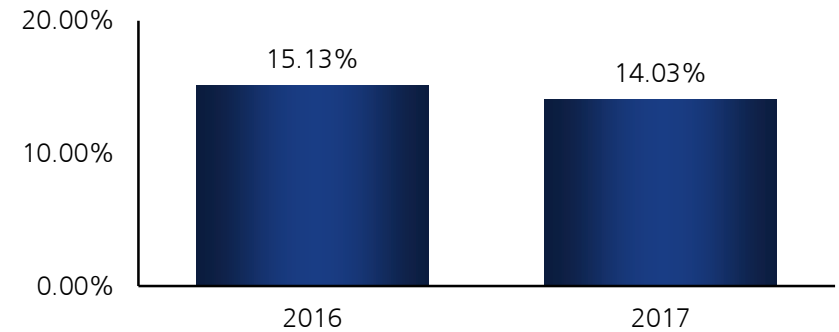
Continued growth in return for shareholders and stable profits



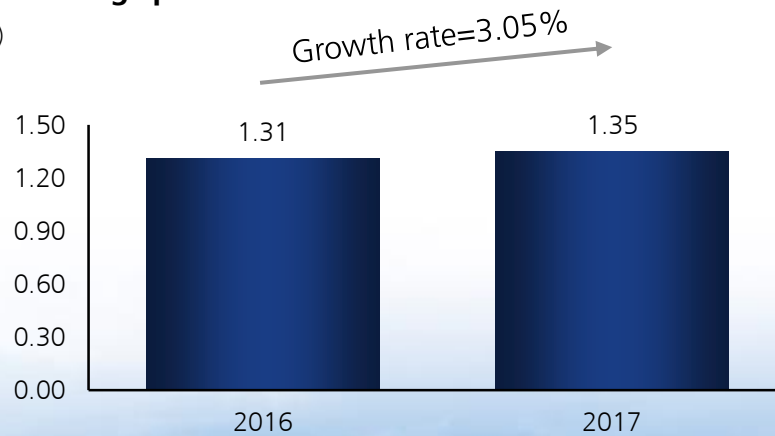
Net profit attributable to equity shareholders of the Company
(RMB million)



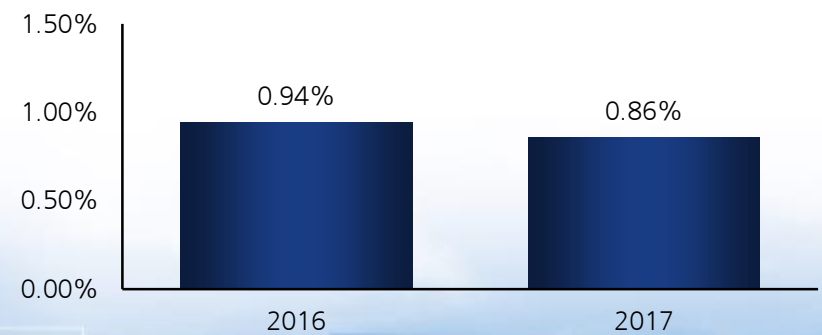
Return on weighted average equity



Basic earnings per share
(RMB)



Return on average assets



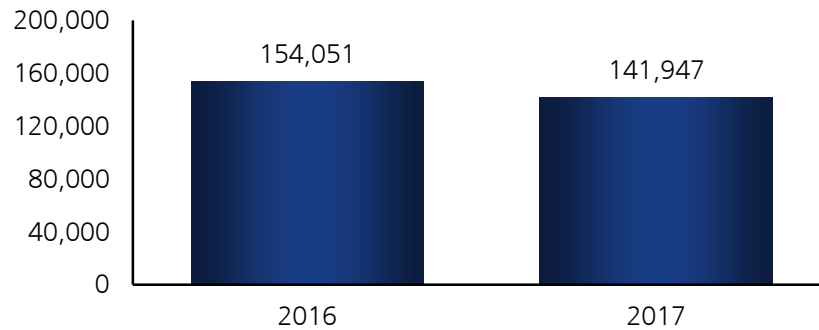
Source: Company annual report

Develop featured business and income structure further optimized

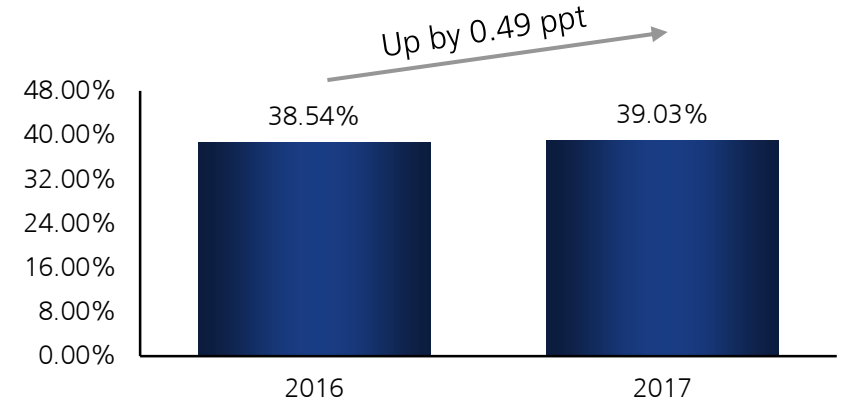


Operating income

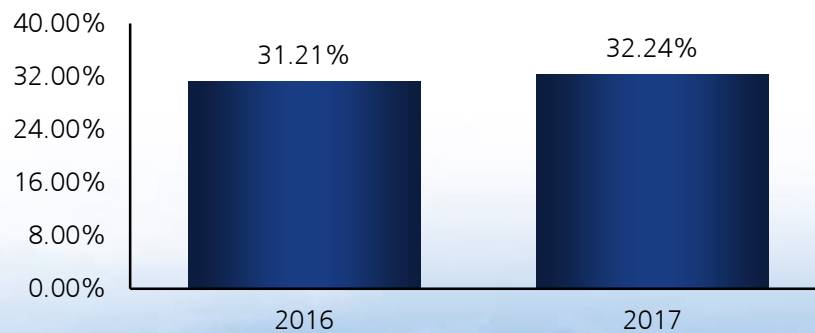
(RMB million)



Net non-interest income/total operating income

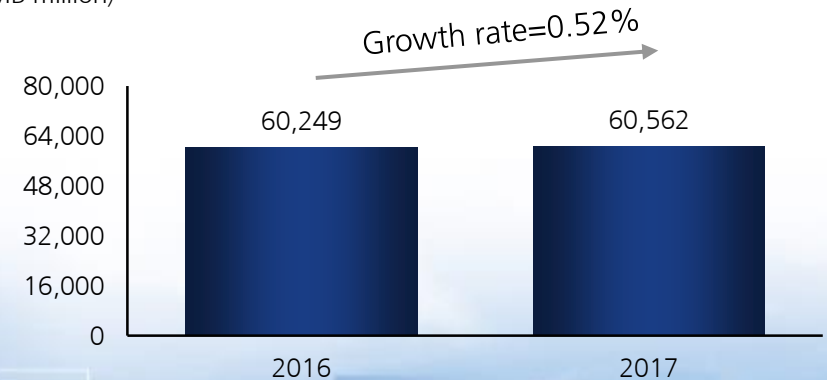


Cost-to-income ratio



Profit before income tax

(RMB million)



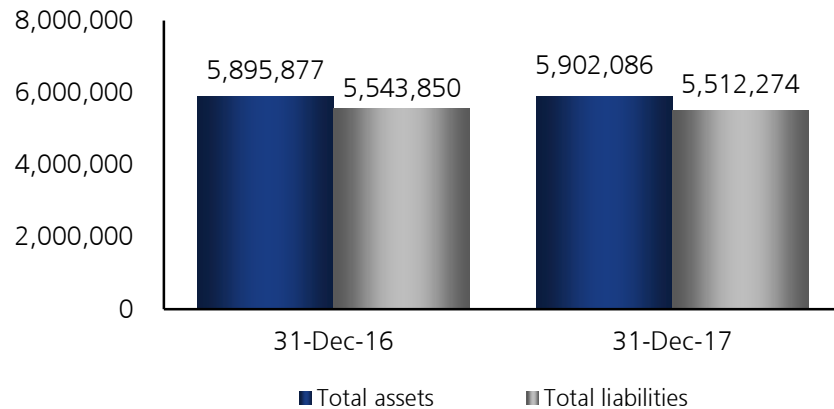
Source: Company annual report

Business maintains robust growth and operating structure further optimized



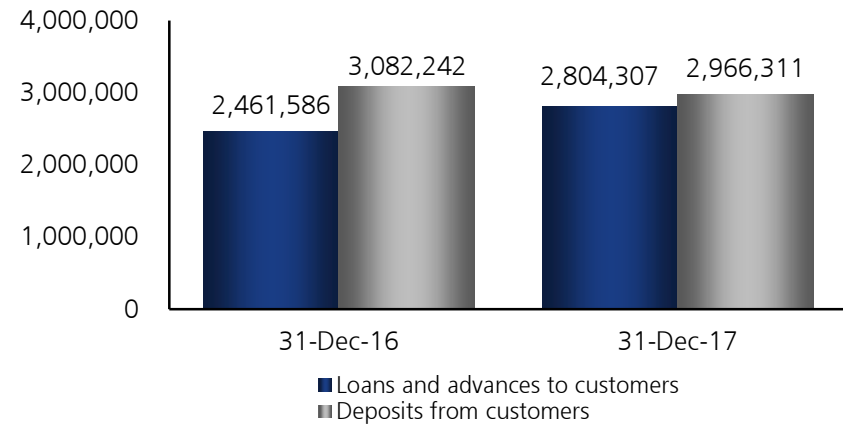
Total assets and total liabilities

(RMB million)



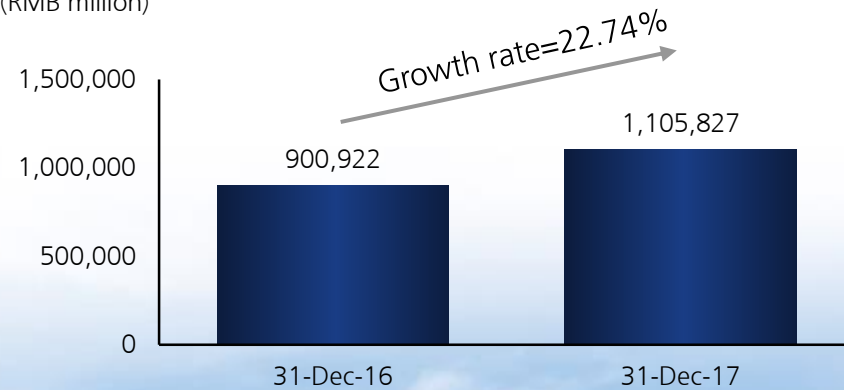
Total loans and advances to customers, and deposits from customers

(RMB million)



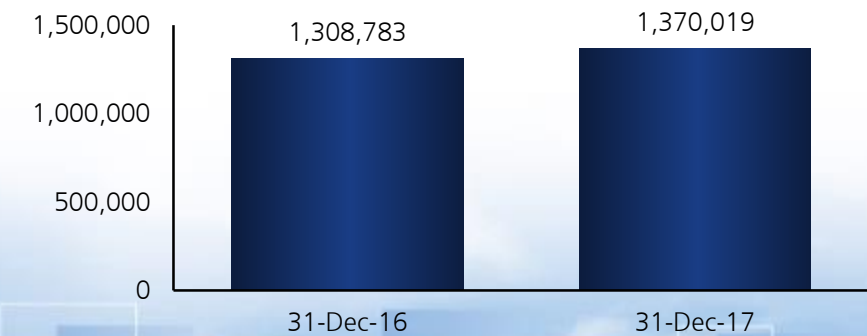
Personal loans and advances

(RMB million)



Total demand deposits

Growth rate=4.68%



% of total loans and advances to customers

36.60%

39.43%

% of total deposits

42.46%

46.19%

Source: Company annual report

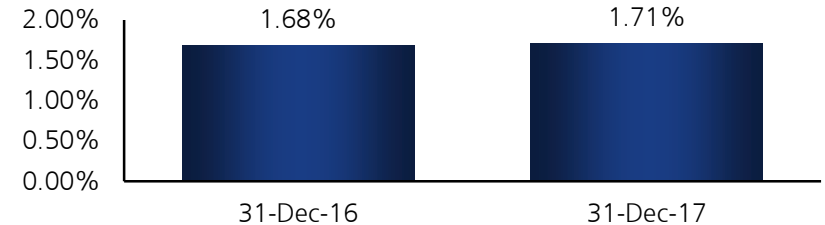
Robust risk management further strengthened with asset quality under control in general



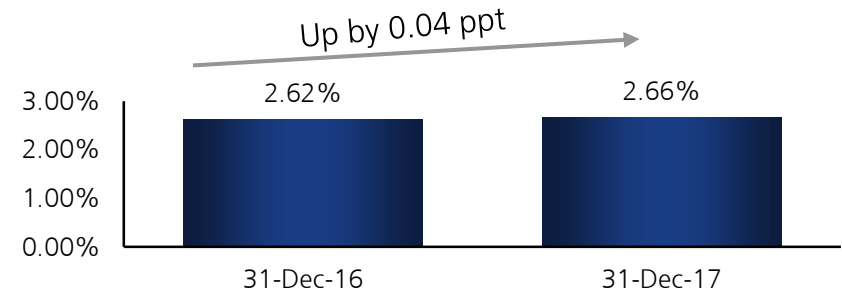
Take proactive measures to ensure asset quality

- ◆ Proactively adjusting loan distribution and continuously optimizing asset structure in line with the national macro-economic policies, industrial policies and regional policies, latest regulatory requirements, and development strategies and risk preferences determined by the Board
- ◆ Improving management policies on asset portfolios by imposing multidimensional risk limit management and portfolio management for different industries, customers and products
- ◆ Strictly controlling risk of new credit facilities. Greater efforts were exerted to enhance screening of customers admittances, and set up stricter credit approval criteria in order to mitigate credit risks from the origins
- ◆ Enhancing risk early-warning and post-loan risk supervision. Based on the big data analysis, the Company established a risk early-warning system to realize an automatic and intelligent collecting, analyzing and reporting of risk information. A new top-down alert management model of data-driven and active management was set up to strengthen the risk management of the entire process. In addition, post-loan management was enhanced for existing loans. A regular monitoring and inspection system was put in place to enhance supervision over major industries, regions and products and duly carry out proper risk prevention
- ◆ Further enhancing collection and disposal of non-performing loans by concurrently implementing various measures, including recovery and disposal measures such as repayment collection, restructuring, assignment, foreclosing, legal action and writing-off, and actively exploring and implementing new recovery methods, in order to improve the efficiency of collection and disposal
- ◆ Improving the rules and regulations, strengthening accountability and compliance training to achieve positive results in establishing the philosophy of law-compliant operation, preventing and defusing risks, improving asset quality and promoting operation compliance

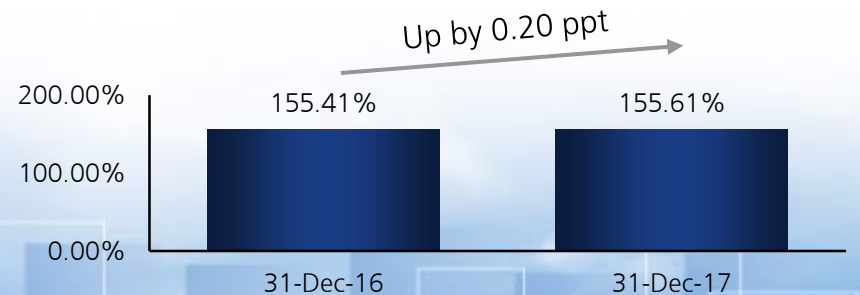
NPL ratio



Allowance to total loans



Allowance to NPLs

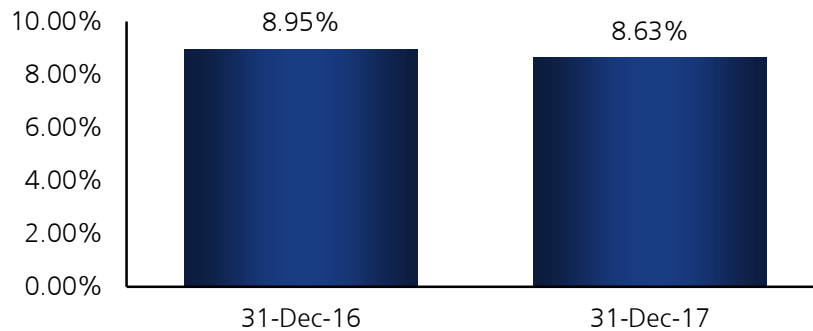


Source: Company annual report

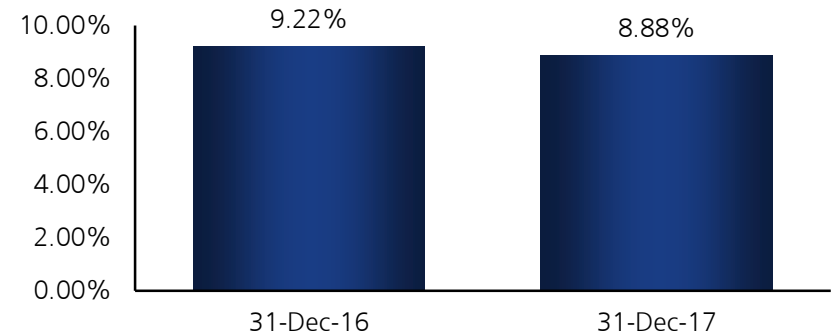
Capital replenishment channels further expanded to ensure sound capital adequacy



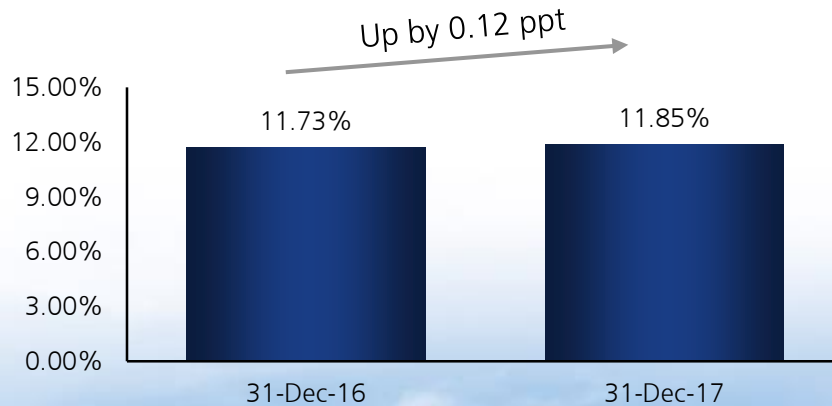
Core tier-one capital adequacy ratio¹



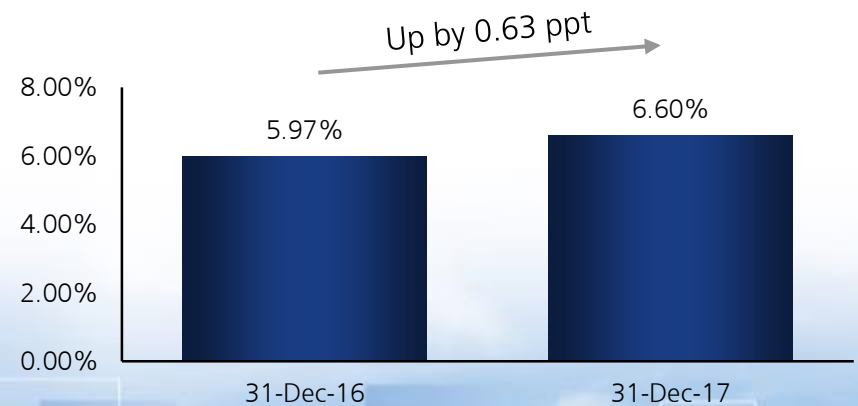
Tier-one capital adequacy ratio¹



Capital adequacy ratio¹



Total equity to total assets ratio



Source: Company annual report

Note:

1 Calculated in accordance with the Capital Rules for Commercial Banks (Provisional) (《商业银行资本管理办法(试行)》) promulgated by the CBRC on 1 January 2013 and other relevant regulatory provisions

Consistently strong brand influence



The 13th Golden Round Table of the Board of Directors of Listed Companies
Outstanding Board of Directors



Sina Finance
Best Electronic Bank of the Year
Top 10 Direct Bank of the Year



The Economic Observer
Most Outstanding Assets Management Bank of the Year
Outstanding Bank of Foreign Exchange Service of the Year



VISA
Most Innovative Product Design Award



National Association of Financial Market Institutional Investors
Outstanding Integrated Market Maker for 2016
Outstanding Market Maker of Credit Notes for 2016



Securities Times
Best Banking Wealth Management Brand of China
Wealth Management Product with the Most Stable Yield in China



WPP
Top 100 Most Valuable Brands in China for 2017



National Interbank Funding Centre
Outstanding Dealer of Interbank Domestic Currency Market for 2016
Outstanding Derivative Dealer of Interbank Domestic Currency Market for 2016
Outstanding Bond Dealer of Interbank Domestic Currency Market for 2016

Source: Company annual report

Agenda



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Operational Performance

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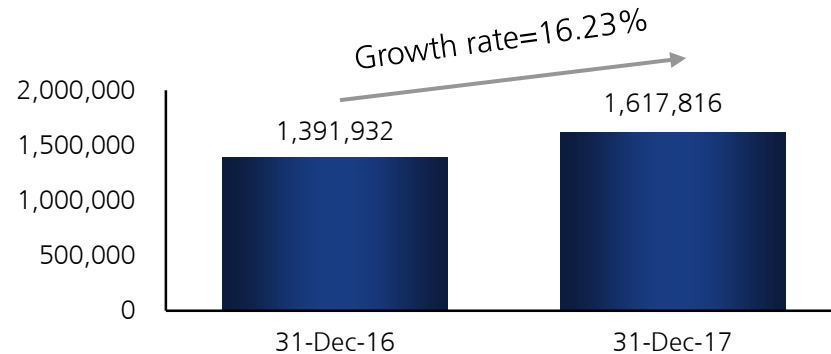
Outlook

Further strengthening the distinctive corporate banking business

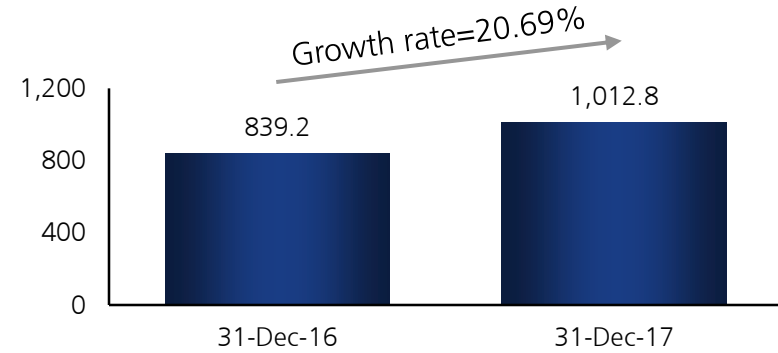


In response to the complicated and challenging operating and development environments, the Company adopted two major strategies as “one hand on operation development and the other on transformation and improvement”, and strove to position itself as “a professional commercial bank”, “a scenarized transaction bank” and “a customized investment bank” in order to further strengthen its corporate banking business

Outstanding general corporate loans¹
(RMB million)



Number of domestic corporate customers with deposits¹
(Thousand)



Fully implemented reform on investment banking business

- ✓ A set of new business model, procedures and mechanism of investment banking for commercial banks were established
- ✓ The Company focused on four major sectors including medical and healthcare, cultural tourism and consumption, high-end manufacturing and information technology as well as government and investment institutions
- ✓ The Company further reformed its four major business lines, including private placement, industry (government) funds, pre-IPO direct investment and mergers, acquisitions and restructuring, and developed a “4+2” investment banking product portfolio primarily consisting of bond issuance and securitization as the core products
- ✓ The annual bond issuance volume of the Company amounted to RMB243,547 million¹

Transaction banking facilitating the transformation and upgrade of corporate banking business

- ✓ The Company made innovations in supply chain financial service model to support the transformation and upgrade of financial services for enterprises, and the model of providing financial services “on demand” was initially developed
- ✓ The Company reshaped its competitive strength in international business adapting to the external changes, strengthened the service brand of “Cross-border Express (跨境通)” for its international business, and the volume of cross-border settlement continued to grow
- ✓ The innovation on scenarized settlement and cash management products was further enhanced, which effectively improved the Company’s competitiveness and its service capabilities for group customers, and the differentiated competitive edges of products were further consolidated
- ✓ The Company progressively innovated domestic trade finance and factoring products, pushed forward the transformation and development of its business, further enhanced its distinctive competitiveness in its trade finance business, and consolidated its leading position of factoring business among its peers

Source: Company annual report

Note:
1 Bank standalone

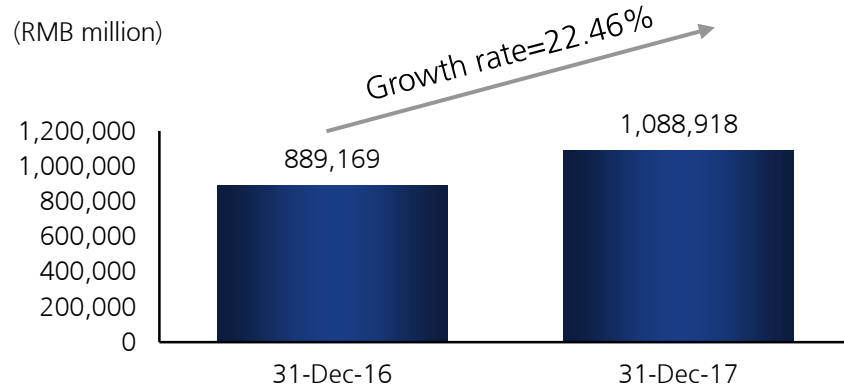
Expanded retail banking business with significant results achieved in small business finance



The Company timely adjusted the operation strategies and measures for retail banking in view of the economic situation and market environments, and focused on management of customer groups by addressing improvement of both current operating performance and overall management capabilities. It also further defined the strategic positioning and promoted transformation of its small business finance. As a result, the small business finance recorded steady growth

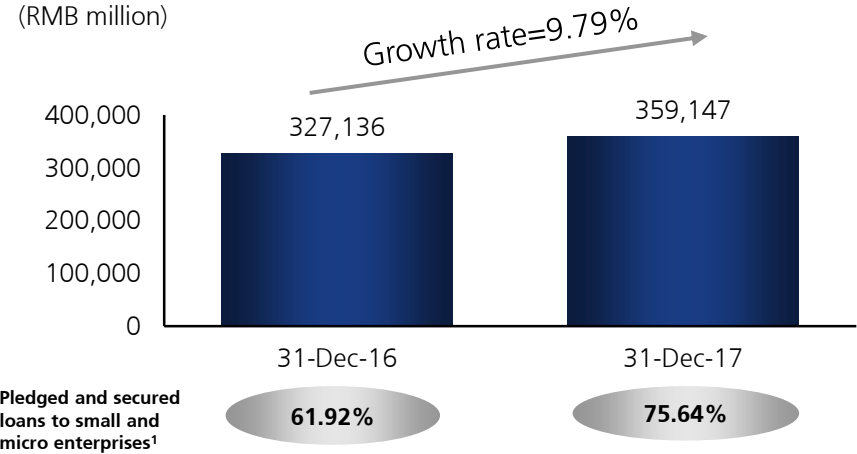
Balance of retail loans¹

(RMB million)



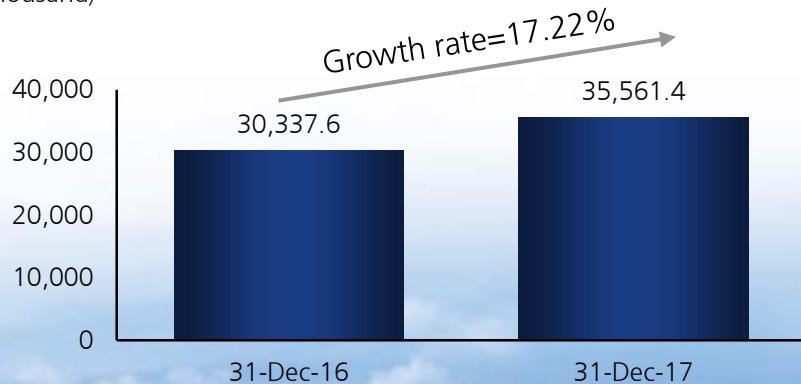
Balance of loans to small and micro enterprises¹

(RMB million)



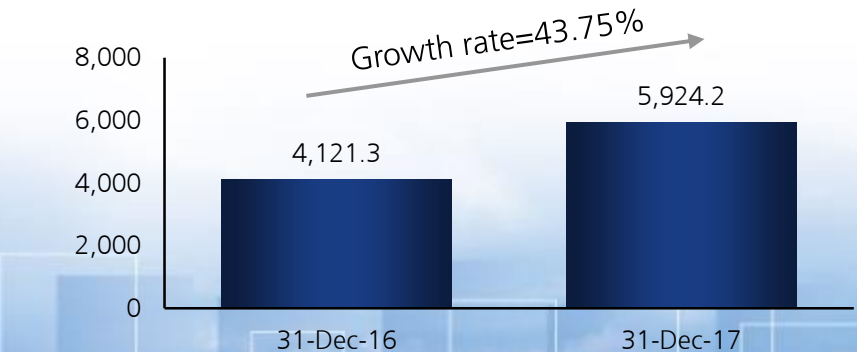
Number of retail customers with existing deposits¹

(Thousand)



Number of customers of small and micro enterprises¹

(Thousand)



Source: Company annual report

Note:

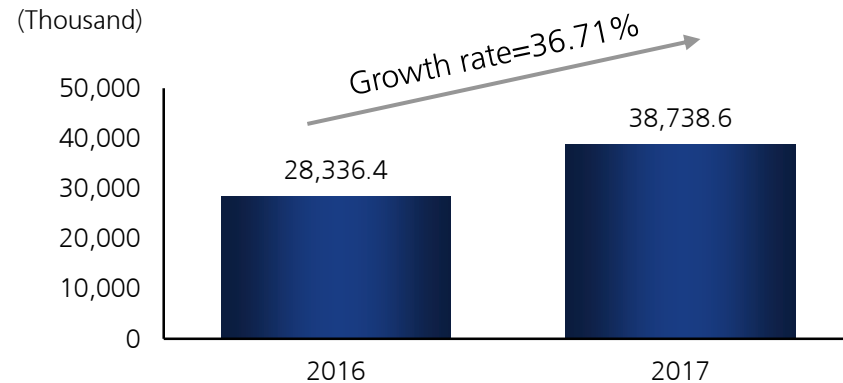
1 Bank standalone

Full retail banking business development and further upgraded business

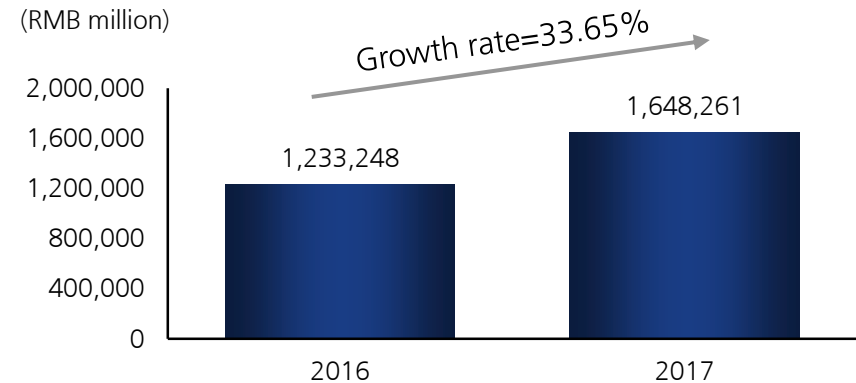


The Company seized the market opportunities to push forward the development of credit card business, and achieved rapid growth in terms of major indicators, such as the number of cards issued and transaction volume. The wealth management system was refined, and the private banking business was reformed and adjusted, with further improvement in the allocation of assets. Meanwhile, in compliance with the national strategy of "inclusive finance", the Company further reformed the business model of community finance

Aggregate number of issued credit cards¹



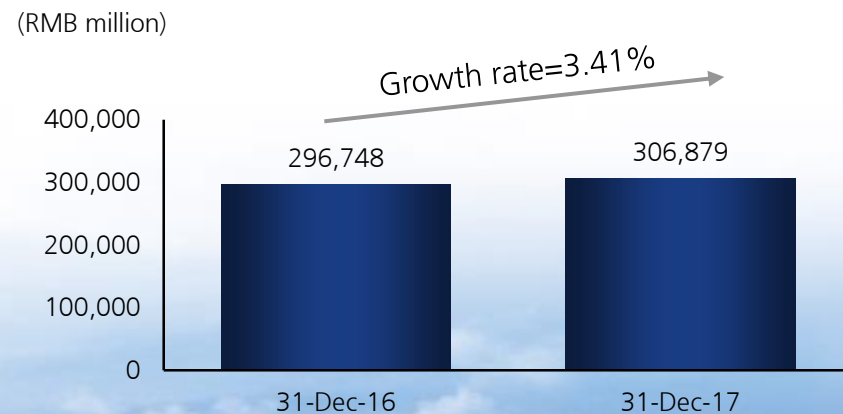
Transaction value of credit card business¹



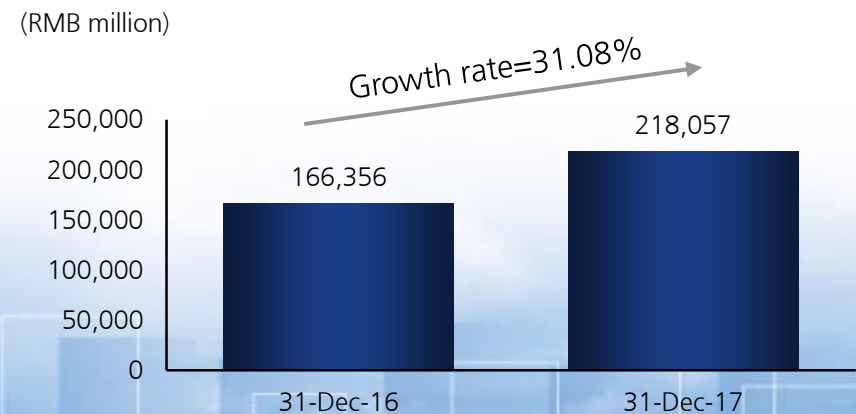
Accounts receivable as at year end (RMB million)¹



Private banking financial assets under management¹



Financial assets balance of community outlets¹



Source: Company annual report

Note:
1 Bank standalone

Number of customers of community outlets (Thousand)¹



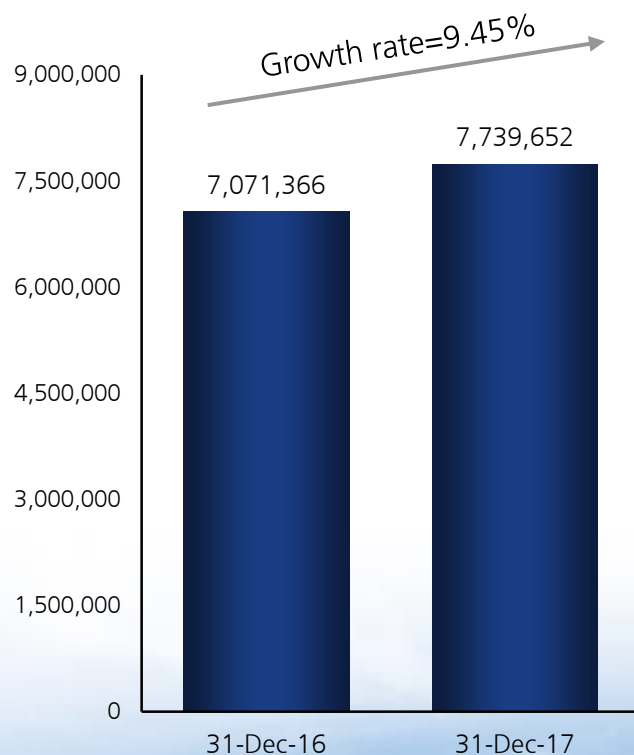
Strengthened interbank business and enhanced financial market business



The Company adopted customer-oriented policy, expanded the cooperation with other financial institutions, and further standardized liabilities management in compliance with the regulatory requirement. Meanwhile, the Company fully consolidated the resources of the Bank to facilitate the marketing and development of various asset custody business opportunities, and developed an agency trading system for customers with real-time quotations, which further enhanced the competitive edges of its foreign exchange business. In addition, the Company has become one of the most active proprietary dealers at the Shanghai Futures Exchange

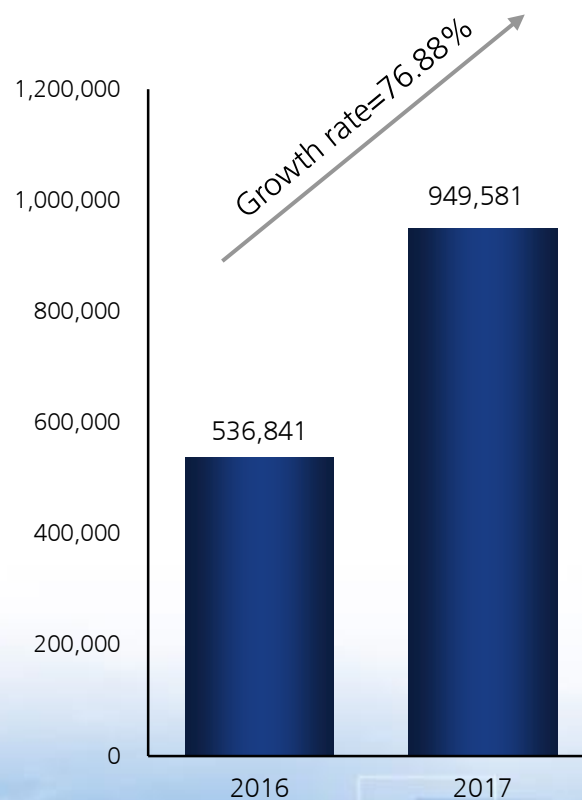
Assets under custody¹

(RMB million)



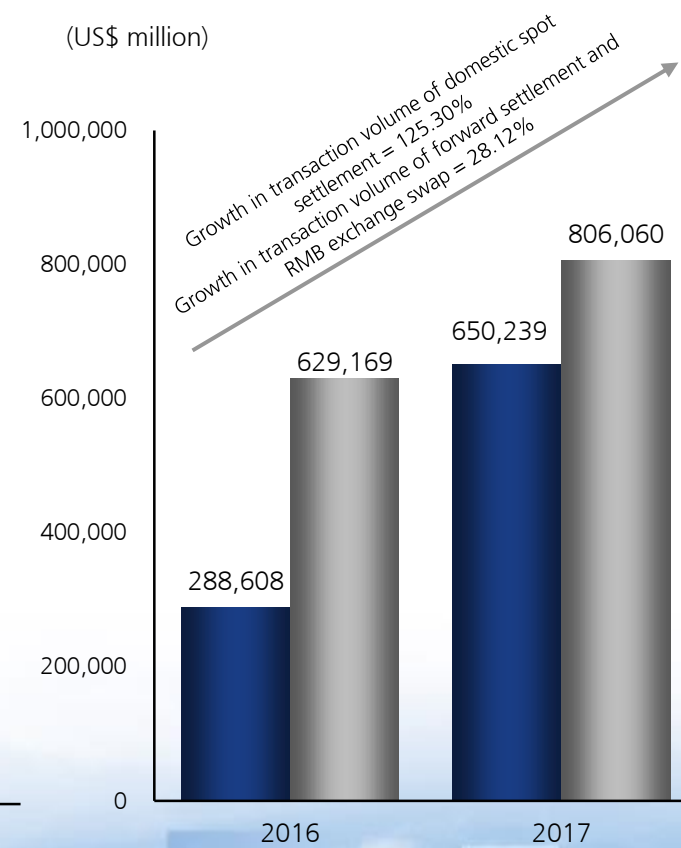
Transaction value of precious metals¹

(RMB million)



Transaction volume of foreign exchange business¹

(US\$ million)



Source: Company annual report

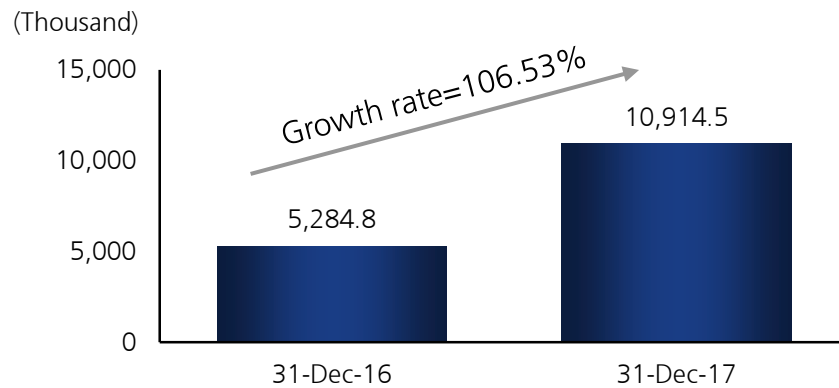
Note:
1 Bank standalone

Continuous breakthroughs in internet finance with market-leading innovation

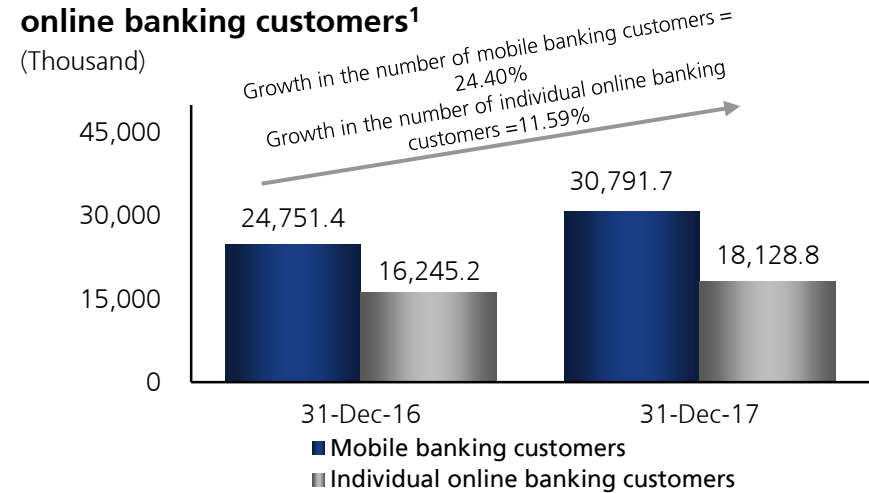


The Company developed new internet finance business model and actively applied cutting-edge fintech. Based on the diversified needs of customers, the Company focused on the innovation of financial platforms, products and services such as direct banking, Internet finance for retail and corporate customers, online payment and WeChat banking, which further enhanced the customers' experience. It also consolidated the Company's position as one of the top commercial banks in terms of market share. As at the year end, the number of direct banking customers exceeded 10 million and the financial assets under management exceeded RMB100 billion

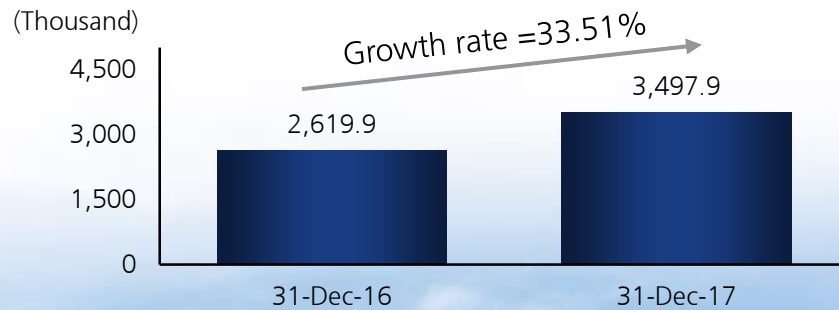
Number of direct banking customers¹



Number of mobile banking customers and individual online banking customers¹



Number of customers using Kua Hang Tong¹

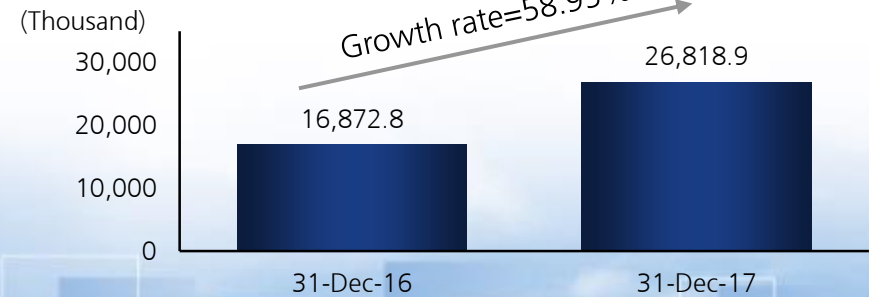


Annual total concentrated fund (RMB million)¹

477,991

584,408

Number of customers using the Company's WeChat service account matrix¹



Source: Company annual report

Note:
1 Bank standalone

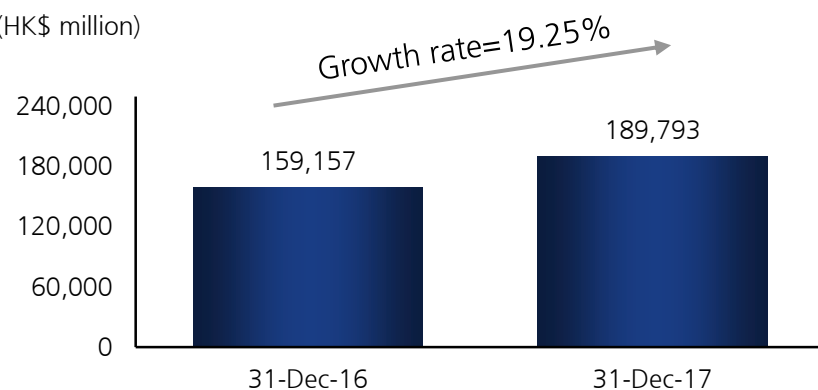
Rapidly growing overseas business with continuous improvement in efficiency



Serving as an effective overseas business platform of the Company, the Hong Kong Branch strictly followed the Company's development strategy of "strengthening corporate banking, expanding retail banking and optimizing financial markets business" and continued to strengthen the three major businesses, namely the corporate banking business, financial markets business and private banking and wealth management business. The Hong Kong Branch maintained steady business growth, playing a greater role as the Company's overseas business platform

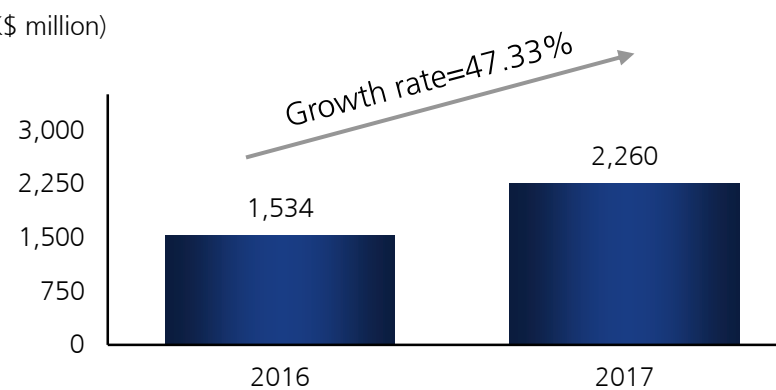
Total assets of the Hong Kong Branch

(HK\$ million)



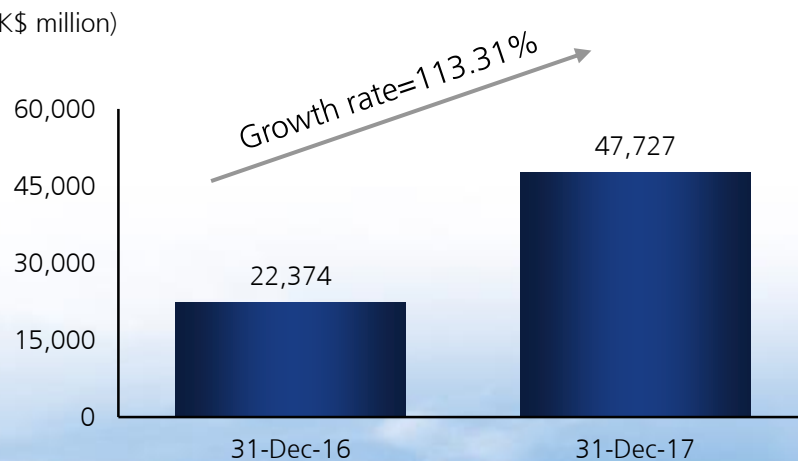
Total net income of the Hong Kong Branch

(HK\$ million)



Balance of bond investment of the Hong Kong Branch

(HK\$ million)



Significant breakthroughs in corporate banking, financial market and retail banking businesses

- ✓ During the year, 25 cross-border merger and acquisition projects were completed with a total financing amount of HKD14 billion, representing an increase of 100% as compared with the corresponding period of the previous year
- ✓ The Hong Kong Branch issued medium-term notes with an aggregate amount of USD2 billion, and completed 25 underwriting projects for bond issuance for customers with a total issue size of USD27.3 billion and a total underwriting amount of over USD2 billion. The success in the above projects has shown the influence and market position of the Company in the overseas bond market
- ✓ In September 2017, the personal wealth management business of the Hong Kong Branch officially commenced operation. As at the end of the Reporting Period, the number of customers who had opened accounts for personal wealth management exceeded 10,000, marking a new page of the Company's expansion to cross-border retail banking market. The Hong Kong Branch also established cooperation with various traditional and Internet-based securities firms in Hong Kong
- ✓ A total of 258 "Minsheng Insurance" series products were sold and the total insurance premium of effective policies amounted to HKD2.3 billion, which had driven up the number of high-end private banking customers to 730, representing an increase of 42% as compared with the corresponding period of the previous year

Source: Company annual report

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2018 Outlook



To cope with changes in external conditions and internal development needs, the Company has formulated the Reform and Transformation & Three-year Development Plan (《改革转型暨三年发展规划方案》), and has facilitated the implementation of the Phoenix Project

Be a bank for NSOEs

- Focus on large and medium NSOEs with high quality, upstream and downstream of the supply chain for core enterprises and small and micro enterprises
- Provide NSOE customers and their senior management with integrated, customized and comprehensive financial services
- Serve as a financial butler of NSOE customers and their senior management, and strive to become the host bank and preferred bank of NSOE customers

Be a fintech-based bank

- Establish the Internet finance system of "One E-CMBC"
- Apply new technologies to facilitate the innovation of its financial services
- Carry out cross-sector cooperation to form an Internet business system

Be a bank offering comprehensive services

- Expedite business layout diversification and establish a centralized business synergy system under "One Minsheng"
- Boost the business synergy among business lines as well as domestic and foreign units to create a model with the integration of commercial, investment and transaction banking
- Provide comprehensive financial services of capital, intelligence and commerce and transform Minsheng Bank to pursue value growth

Deploy three major innovative businesses, three principal businesses and four major business segments

- Strengthen three major innovative businesses, namely direct banking, small business finance and investment banking
- Consolidate three principal businesses, namely credit card, supply chain finance and asset management
- Enhance four major traditional business segments, namely corporate finance, retail finance, financial markets and comprehensive operation
- Transform the Company into a benchmark bank of the industry principally engaging in digitalized, light-capital and comprehensive business in addition to the traditional business
- Make greater reform and innovation efforts, and revitalize the Company's structure with innovative mechanisms and systems of the major management aspects
- Establish a customer-oriented operation and management system and extensively enhance professional management to facilitate and support the implementation of business development strategies

Appendix – Overview of key financial indicators



Major Items of Statement of Profit or Loss

(RMB million, excl. data per share)

	2017	2016	Growth rate (%)	
Operating income	141,947	154,051	↓	(7.86)
Of which: Net interest income	86,552	94,684	↓	(8.59)
Net non-interest income	55,395	59,367	↓	(6.69)
Profit before income tax	60,562	60,249	↑	0.52
Net profit attributable to equity shareholders of the Company	49,813	47,843	↑	4.12
Earnings per share (RMB)	1.35	1.31	↑	3.05

Major items of Statement of Financial Position

(RMB million)

	31 December 2017	31 December 2016	Growth rate (%)	
Total assets	5,902,086	5,895,877	↑	0.11
Of which: total loans and advances to customers	2,804,307	2,461,586	↑	13.92
Total liabilities	5,512,274	5,543,850	↓	(0.57)
Of which: deposits from customers	2,966,311	3,082,242	↓	(3.76)
Total equity attributable to equity shareholders of the Company	378,970	342,590	↑	10.62

Key profitability indicators (%)

	2017	2016	Change (ppt)	
Return on average assets	0.86	0.94	↓	(0.08)
Return on weighted average equity	14.03	15.13	↓	(1.10)
Net interest margin	1.50	1.86	↓	(0.36)
Net fee and commission income to operating income ratio	33.63	33.92	↓	(0.29)
Cost-to-Income ratio ¹	32.24	31.21	↑	1.03

Assets quality indicators (%)

	31 December 2017	31 December 2016	Change (ppt)	
NPL ratio	1.71	1.68	↑	0.03
Allowance to total loans	2.66	2.62	↑	0.04

Capital adequacy ratio indicators (%)²

Core tier-one capital adequacy ratio	8.63	8.95	↓	(0.32)
Tier-one capital adequacy ratio	8.88	9.22	↓	(0.34)
Capital adequacy ratio	11.85	11.73	↑	0.12

Source: Company annual report

Note:

1 Cost-to-income ratio = (operating and other operating expenses – tax and surcharges)/ operating income

2 Calculated in accordance with the Capital Rules for Commercial Banks (Provisional) (《商业银行资本管理办法(试行)》) promulgated by the CBRC on 1 January 2013 and other relevant regulatory provisions



Thank You