

China Minsheng Banking Corp., Ltd. 2019 Annual Results Announcement



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I

Overview

II

Operational Performance

III

Outlook

Overview of business

During 2019, the Group took proactive measures in coping with the adjustments and changes in the internal and external operating environment and continued to promote the three major strategic positioning of becoming “a bank for the non-state-owned enterprises (“NSOEs”), a fintech-based bank and a bank of comprehensive services”. Operating efficiency improved steadily with continuous optimization of operation structure. The Company has seen more technology and innovations introduction, more effective risk prevention, stable asset quality and sound operation across business lines

1 Significant improvement in operating efficiency with steady growth in profits

- ◆ **Operating efficiency continued to increase:** operating income was RMB177,745 million, representing an increase of 15.30% yoy; net profit attributable to equity shareholders of the Company was RMB53,819 million, representing an increase of 6.94% yoy; net interest margin (restated) was 2.11%, representing an increase of 0.24ppts yoy; cost-to-income ratio was 27.14%¹, representing a decrease of 3.44ppts yoy
- ◆ **Returns to shareholders remained steady:** RoAA was 0.87%¹, representing an increase of 0.02ppts yoy
- ◆ **Asset and liability scale maintained coordinated growth:** total assets amounted to RMB6,681,841 million, representing an increase of 11.46% as compared with the end of the previous year; total loans and advances to customers amounted to RMB3,487,601 million, representing an increase of 14.10% as compared with the end of the previous year; total deposits from customers amounted to RMB3,604,088 million, representing an increase of 13.79% as compared with the end of the previous year

2 Focus on NSOEs and continuous improvement in comprehensive services

- ◆ **Implemented strategies to support NSOEs and developed and promoted services for niche NSOE customers:** By the end of reporting period, strategic NSOE customers amounted to 650, representing an increase of 83.62% as compared with the end of the previous year; daily average deposit amounted to RMB359,855 million, representing an increase of 86.20% as compared with the end of the previous year; total loans amounted to RMB 436,468 million, representing an increase of 113.00% as compared with the end of the previous year
- ◆ **Breakthrough in innovation for SME customers and enhanced value of customers of small business finance:** During the reporting period, daily average deposits of SMEs amounted to RMB594,855 million, representing an increase of 12.83% as compared with the end of the previous year

3 Business development with technologies and achievements in digitalised transformation

- ◆ **Transformed business models with technologies and steady progress of digitalised transformation:** As at the end of the reporting period, public online platform users of the Company amounted to 2,310.3 thousand, representing an increase of 27.50% as compared with the end of the previous year; retail online platform users amounted to 70,411.8 thousand, representing an increase of 18.74% as compared with the end of the previous year; total number of direct bank customers was 29,203 thousand

4 Coordinated business development with continuous enhancement in comprehensive service capabilities

- ◆ **Strengthened cross-selling among customers and products and enhanced synergy between the parent company and subsidiaries:** during the reporting period, total operating income of subsidiaries amounted to RMB6,141 million, representing an increase of 9.45% yoy; net profit of subsidiaries amounted to RMB2,427 million and net profit attributable to shareholders of the Bank amounted to RMB1,331 million, with an increase of 100.75% yoy

5 Strengthened risk prevention and control and maintained generally stable asset quality

- ◆ The NPL ratio was 1.56%, representing a decrease of 0.20% yoy; the allowance to NPLs and the allowance to total loans were 155.50% and 2.43%, representing increases of 21.45 ppts and 0.07 ppts respectively as compared with the end of the previous year

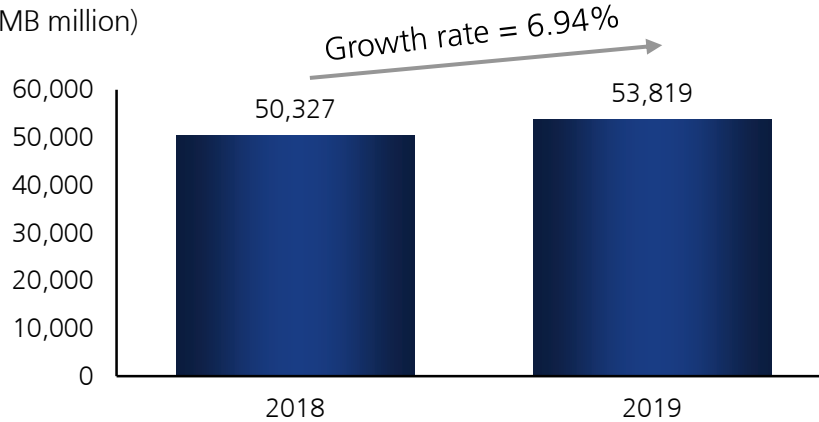
6 Expanded channels to replenish capital and strengthened capital capabilities

- ◆ **Actively grasped market opportunities and policy windows to replenish capital** and successfully issued Tier-2 capital bonds of RMB40 billion, undated capital bonds of RMB40 billion and preference shares of RMB20 billion
- ◆ At the end of the reporting period, net capital base amounted to RMB673,741 million¹, representing an increase of 23.11% yoy; capital adequacy ratio was 13.17%, representing an increase of 1.42 ppts as compared with the end of the previous year

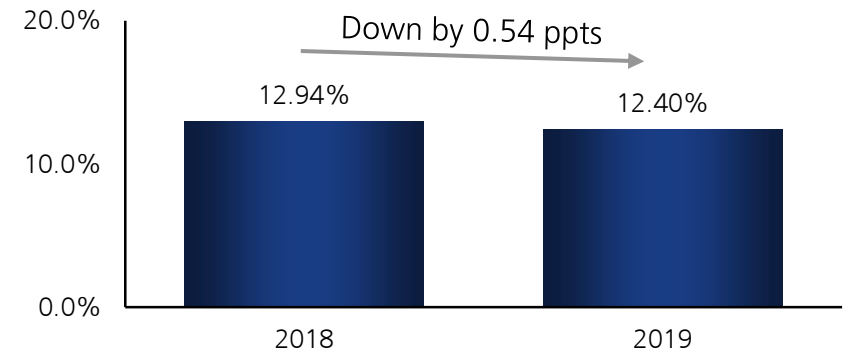
Continuous improvement in profitability and stable shareholder return

Net profit attributable to equity shareholders of the Company

(RMB million)

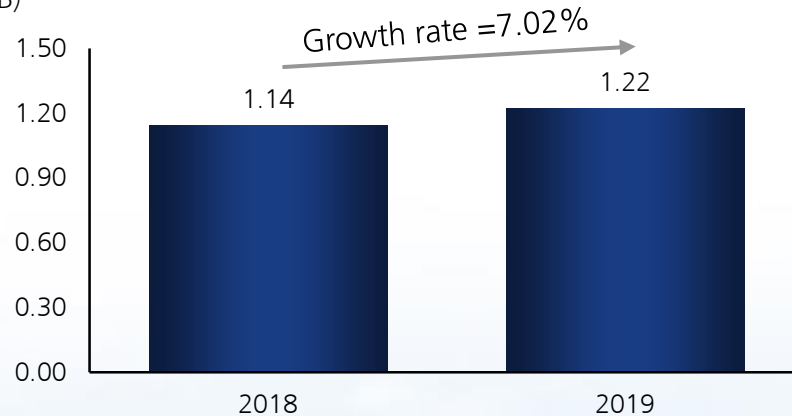


Return on weighted average equity

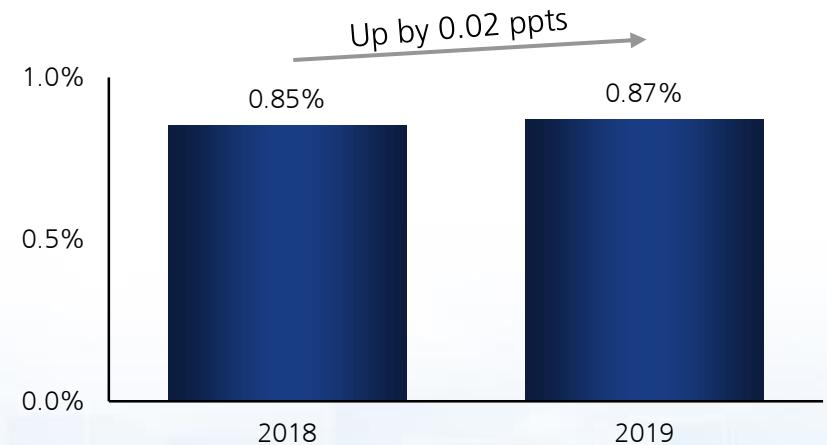


Basic earnings per share

(RMB)



Return on average assets

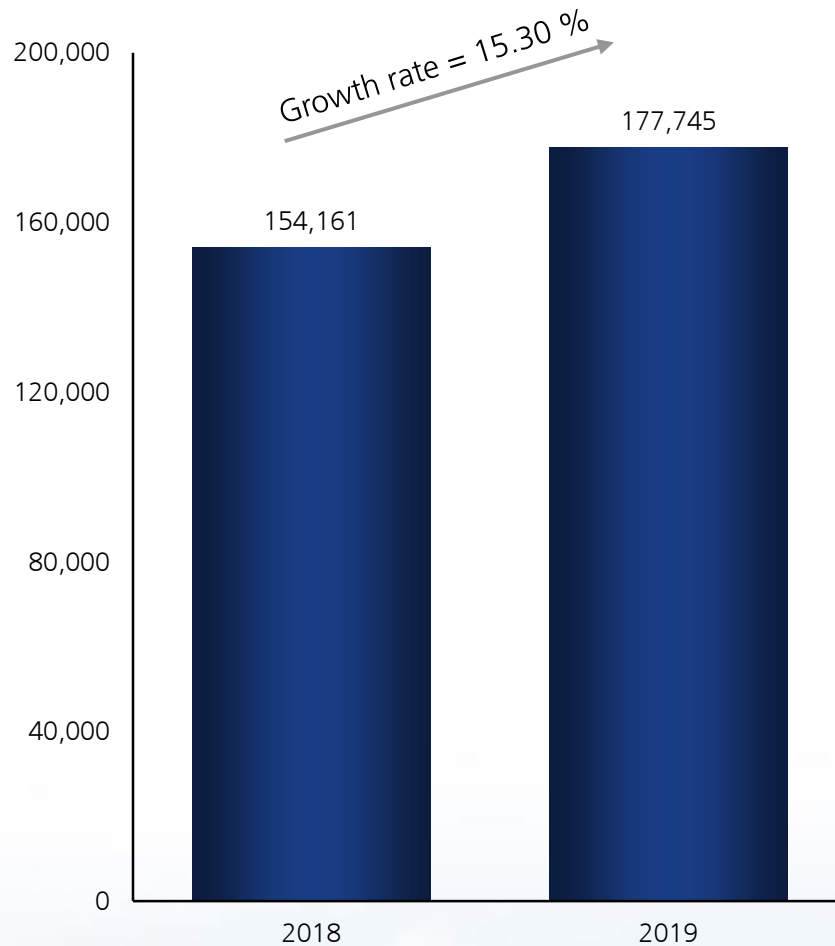


Source: Company's Annual Report

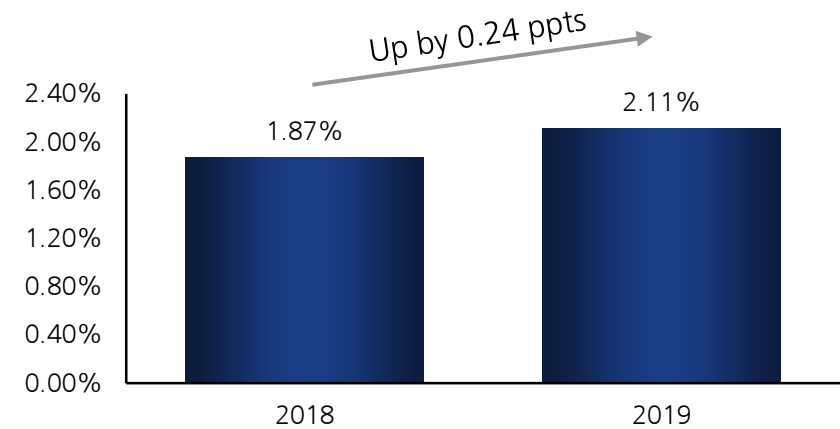
Stable revenue growth and improved operation efficiency

Operating income

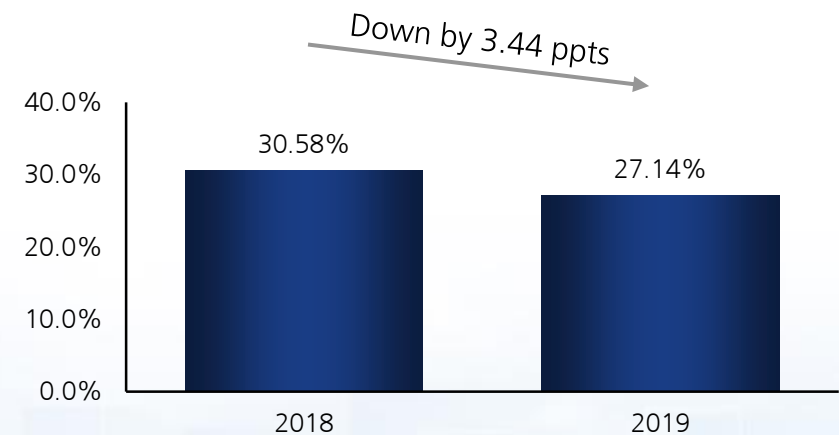
(RMB million)



Net interest margin¹



Cost-to-income ratio²



Source: Company's Annual Report

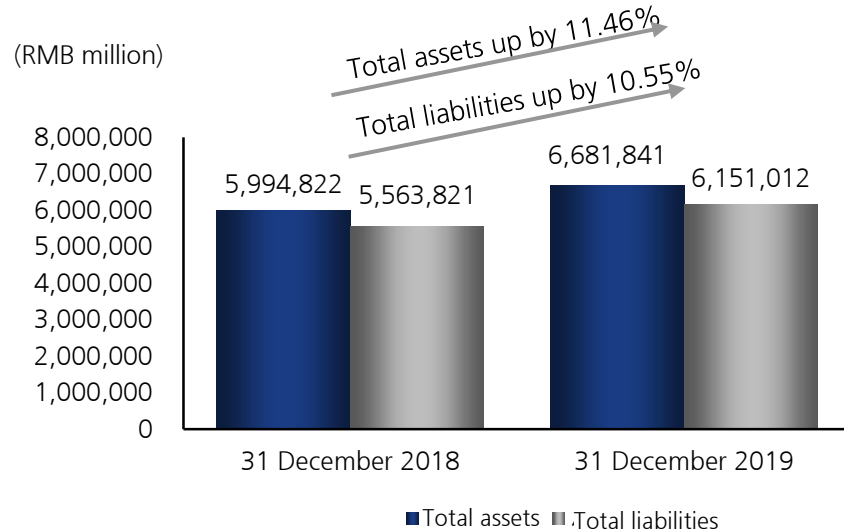
Note:

1 Restated net interest margin

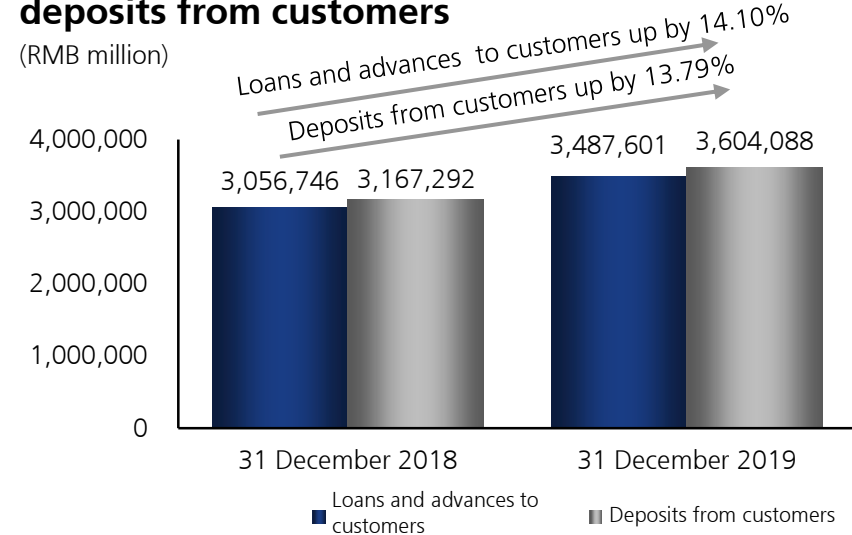
2 Cost-to-income ratio = (operating and other operating expenses - tax and surcharges)/operating income

Proactive adjustment in business size and continuous optimisation of business structure

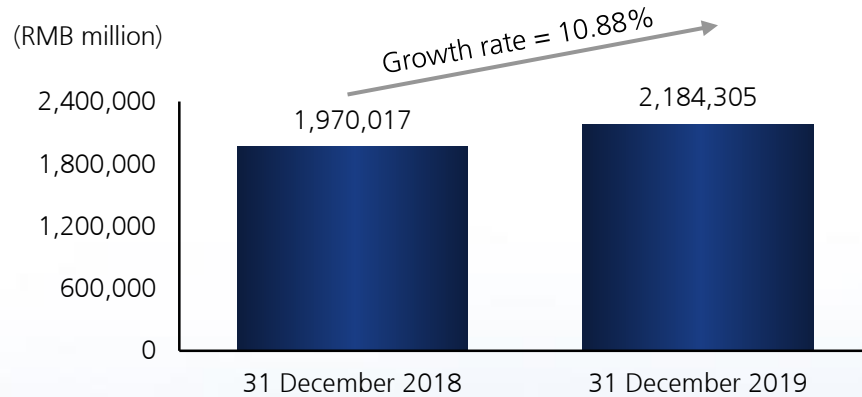
Total assets and total liabilities



Total loans and advances to customers and deposits from customers



Net investment in trading and banking books



As % of total assets

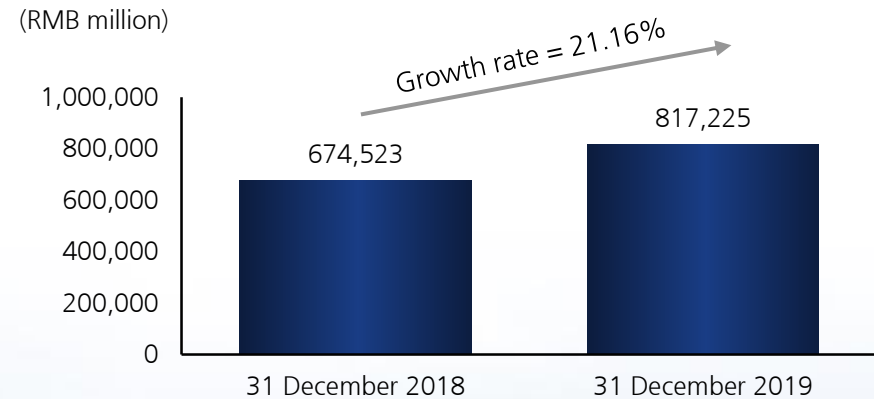
32.86%

32.69%

Source:

Company's Annual Report

Total debt securities issued



As % of total liabilities

12.12%

13.29%

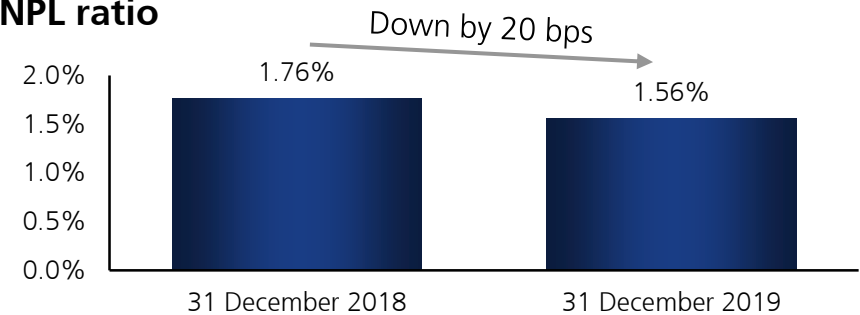
Continually enhanced risk management and stable asset quality

Enhanced overall risk management

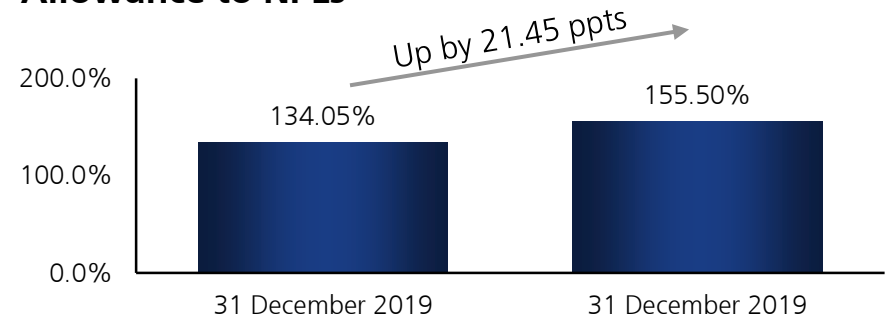
- ◆ **Established an overall risk management system** to enhance risk management
- ◆ **Enhanced money-laundering risk management system** to lay a sound foundation for business development and reform and transformation
- ◆ **Further optimised internal control system** and refined the operation mechanism of the internal control committee
- ◆ **Revised collaborative administrative measures for audit, risk management and internal control and compliance management departments** and effectively promoted collaboration of these departments on a day-to-day basis
- ◆ **Established and promoted a specialised operation and management mechanism for distressed assets to strengthen the efficiency of disposal of distressed assets;** allocated additional resources to the collection and disposal of existing problem loans and non-performing assets. The assets quality remained generally stable and the allowance to NPLs has gradually improved
- ◆ **Strengthened the internal control and compliance guidance and management of affiliated institutions** to ensure the compliant operation of Minsheng Bank and its affiliated institutions

Source: Company's Annual Report

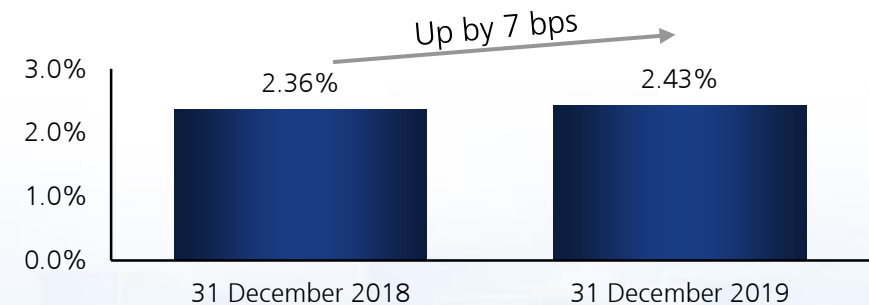
NPL ratio



Allowance to NPLs

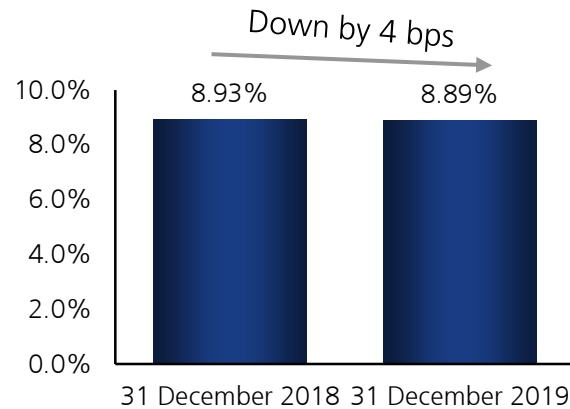


Allowance to total loans

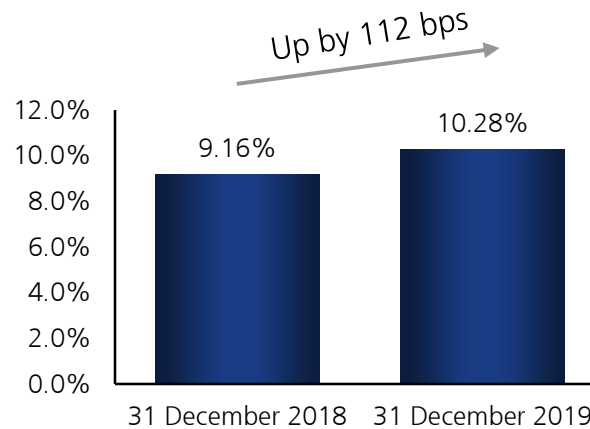


Capital adequacy ratio remains sound with improved liquidity

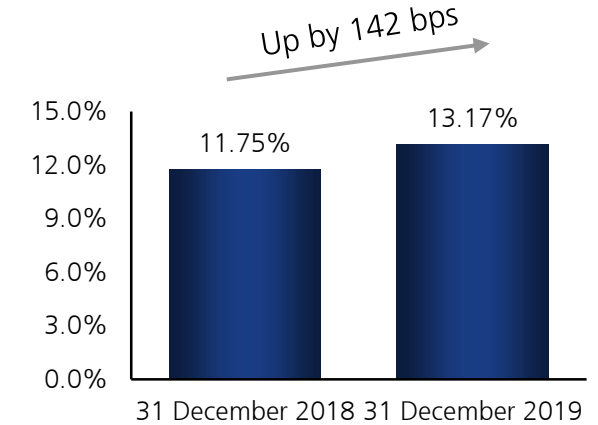
Core tier-one capital adequacy ratio¹



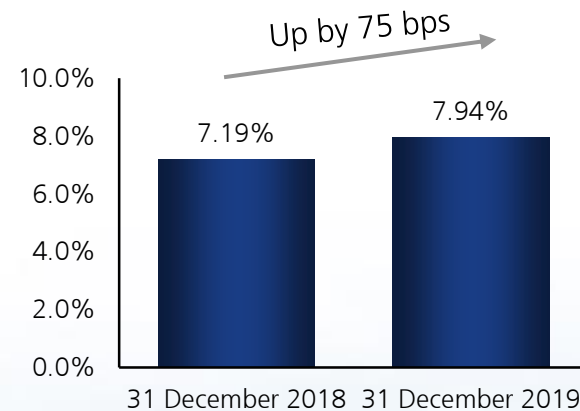
Tier-one capital adequacy ratio¹



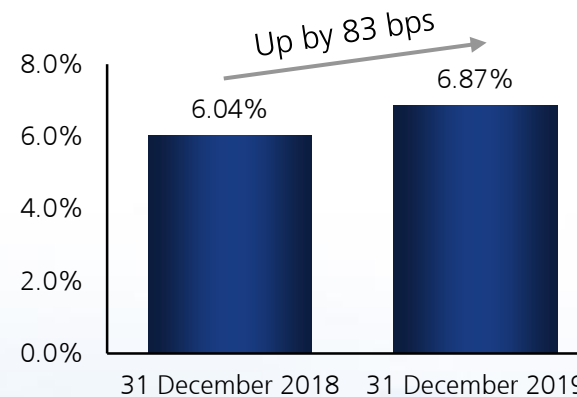
Capital adequacy ratio¹



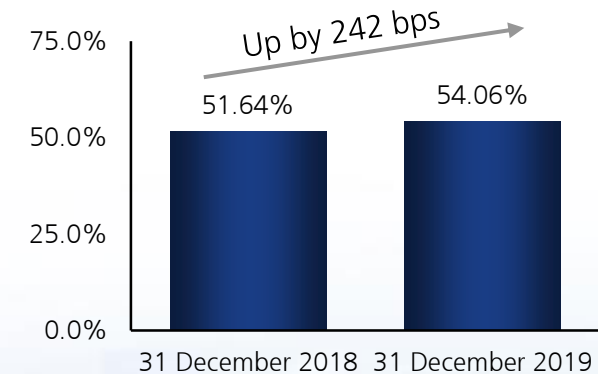
Total equity to total assets ratio



Leverage ratio²



Liquidity ratio^{1,3}



Source: Company's 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)》) and other relevant regulatory provisions
- 2 Group level
- 3 Bank standalone

I

Overview

II

Operational Performance

III

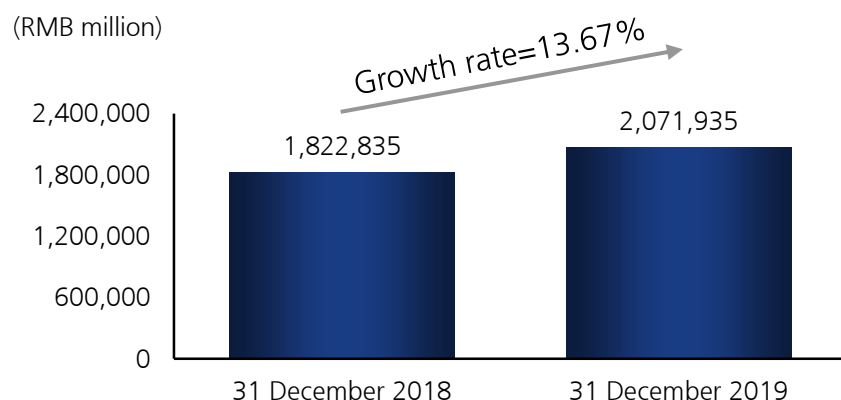
Outlook

Strengthened corporate banking business with further improvement in professional abilities

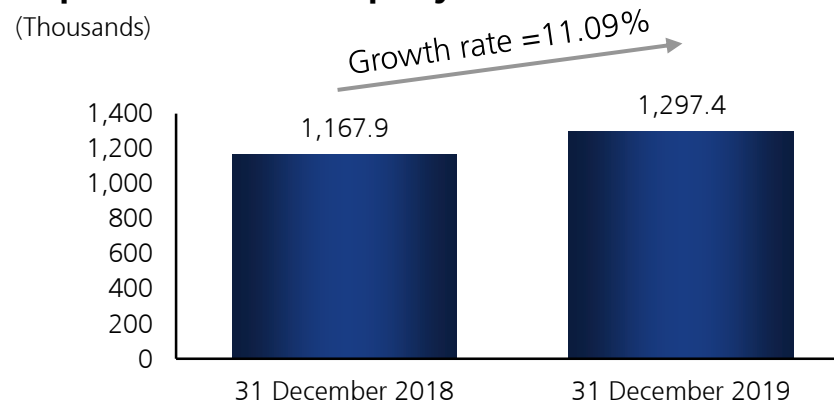


In active response to the new changes and challenges in market and regulatory environment, the Company captured the crucial opportunities arising from the shift in growth drivers of corporate banking business and adopted reform and business development as two major strategies, so as to promote development through transformation. It also pressed ahead with the NSOE strategy, strengthened segmented management of different customer groups, improved the quality and structure of liabilities and assets, accelerated product innovation and upgrading as well as facilitated the transformation from an extensive style to a capital-saving business model. As a result, the corporate banking business was continuously expanded

Total corporate loans¹



Number of domestic corporate customers with deposits of the Company¹



Further adoption of new investment banking business framework

- ✓ Effectively promoted investment banking business system reform and further implemented new investment banking framework
- ✓ Achievements have been witnessed in key areas with the establishment of a fundamental customer base and strengthened management based on project classifications
- ✓ Ranked **No.9** among lead underwriters in the interbank bond market¹
- ✓ In respect of **asset securitisation**, the Company introduced innovative products and successfully launched the first consolidated fund units securitisation project for enterprises owned by the central government/state-owned enterprises in China, the first utility corridor PPP + ABS project in China and the first scalable REITs project in China

Transformation and upgrading of corporate banking business driven by transaction banking

- ✓ Focused on the financial demands from daily production and operation of customers, **improved and optimised the new transaction banking service solutions**
- ✓ **Modified settlement and cash management business** according to changes in customers' demands and further enriched its product offering
- ✓ **International business** maintained sound development with remarkable improvements in market competitiveness
- ✓ Continuous upgrading of **digital service capabilities** to effectively improve customers' experience

Source: Company's Annual Report

Note:

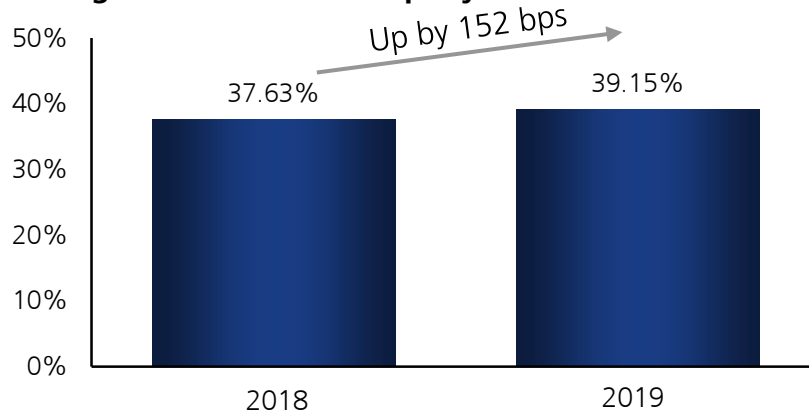
1 Bank standalone

Rapid growth of retail banking business and customer base

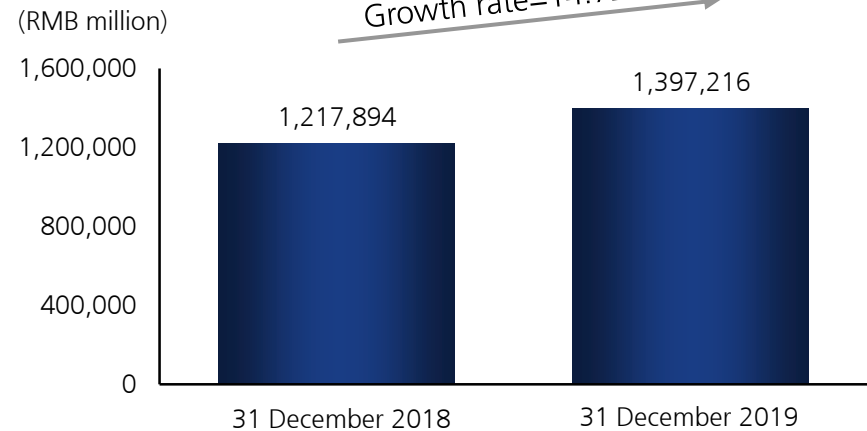


In accordance with the strategic deployment of reform and transformation for its retail banking, the Company implemented reform and transformation measures in an orderly manner. With the successful implementation of various reforms, retail banking business recorded rapid income growth and high-quality development

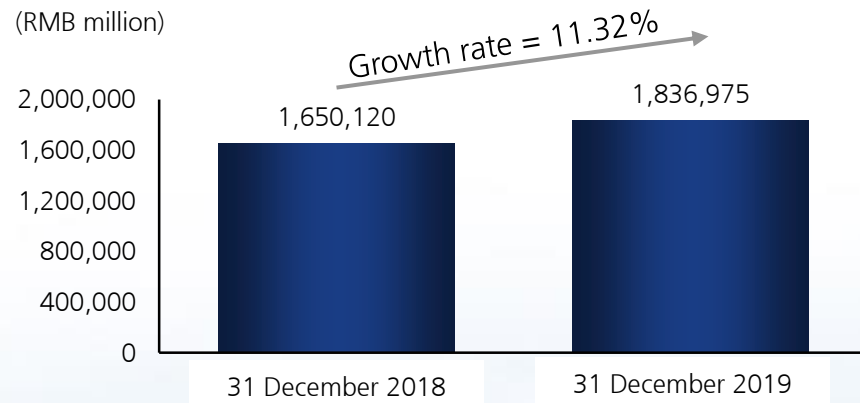
Net operating income from retail business as % of operating income of the Company¹



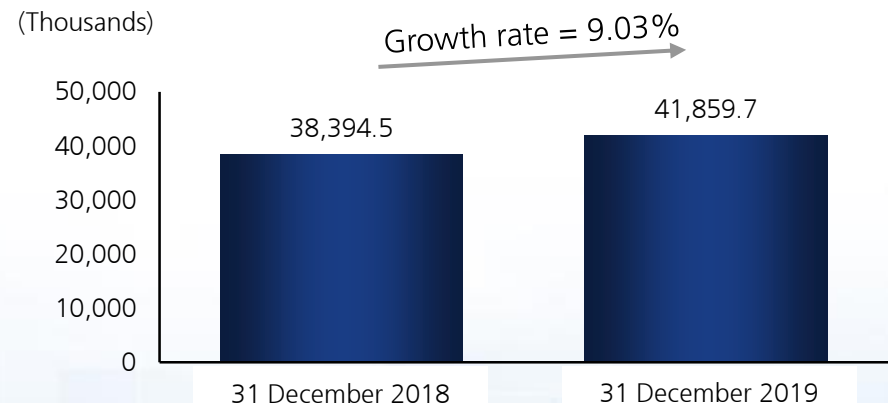
Balance of retail loans¹



Financial assets of retail customers¹



of retail customers with deposits¹



Source: Company's Annual Report

Note:

1 Bank standalone

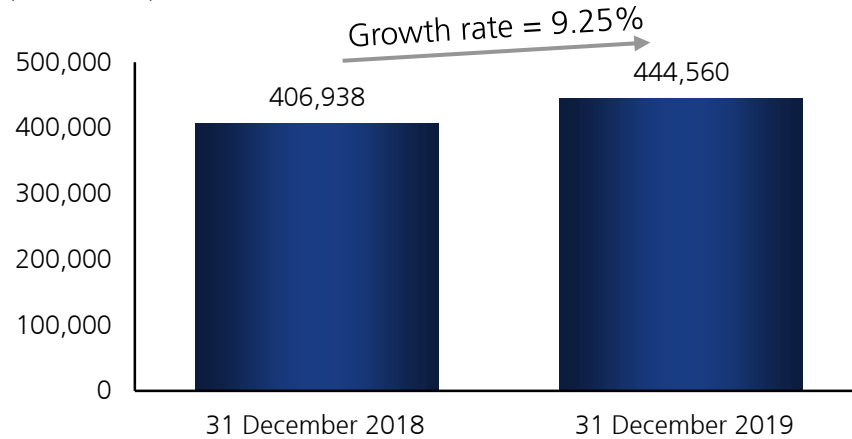
Rapid expansion in small business finance activities with further promotion of new business model



The Company further promoted the new business model of small business finance, enhanced product and service innovation, consolidated customer base and further enhanced comprehensive financial services. Loans increased significantly and sources of income were diversified. Fintech support was strengthened to improve smart services and digital management

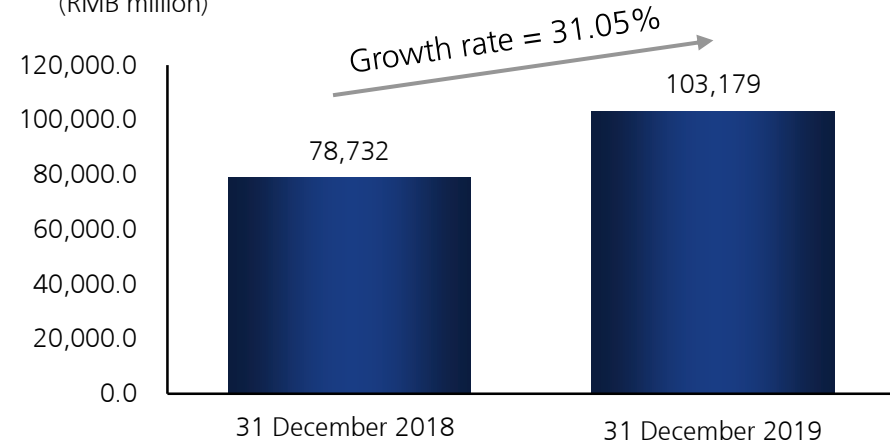
Loans to small and micro enterprises¹

(RMB million)



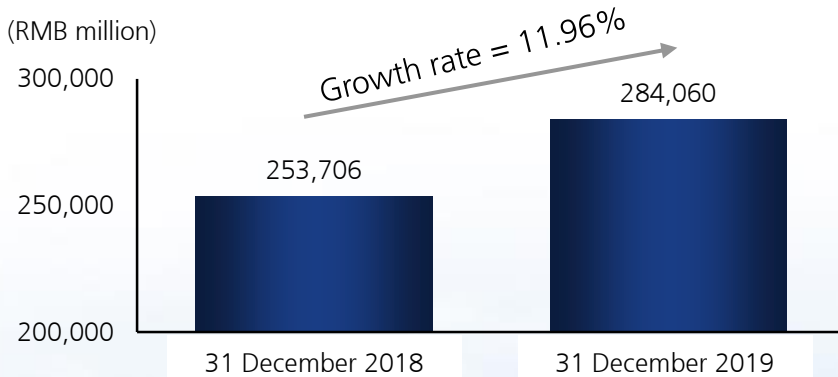
Total savings deposits of the community (small business) outlets¹

(RMB million)



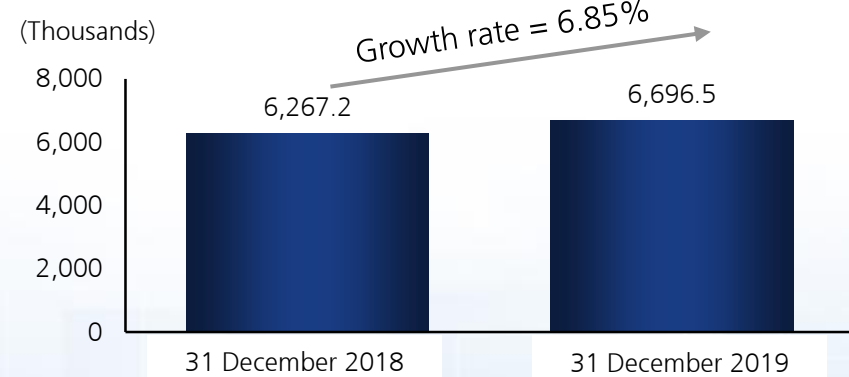
Balance of financial assets of community outlets¹

(RMB million)



of customers of community outlets¹

(Thousands)



Source: Company's Annual Report

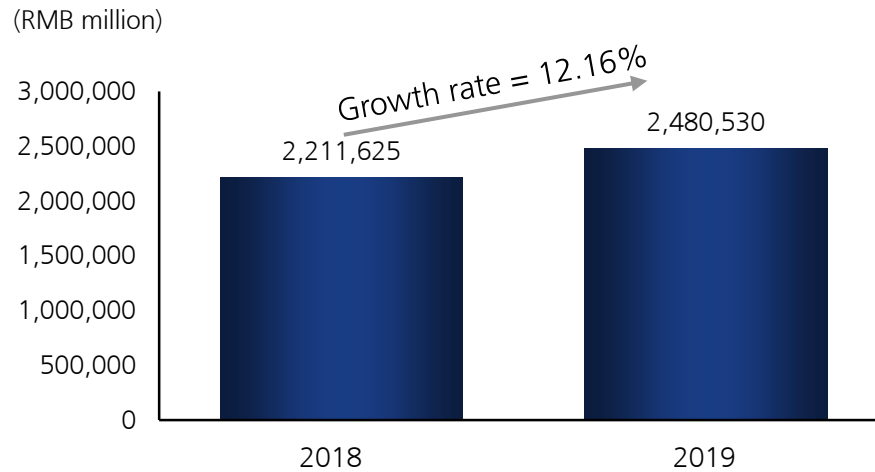
Note:

1 Bank standalone

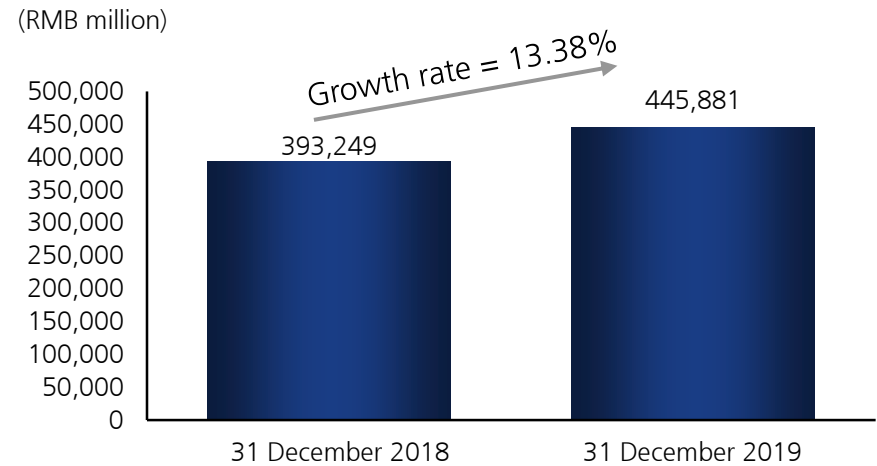
Innovations in credit card business and deepening transformation of private banking business

The Company targeted at millennial customers and took into account of features and preferences of the customer group in brand positioning, product design, business channels and scenarios. The private banking business of the Company was further reformed with enhanced efficiency as a result of the “three reforms” in respect of the classified customer management system for wealth management, comprehensive services for entrepreneurs and the cooperation between personal and corporate banking businesses, and the product system was in compliance with the new regulations on asset management. All major indicators achieved historical breakthroughs

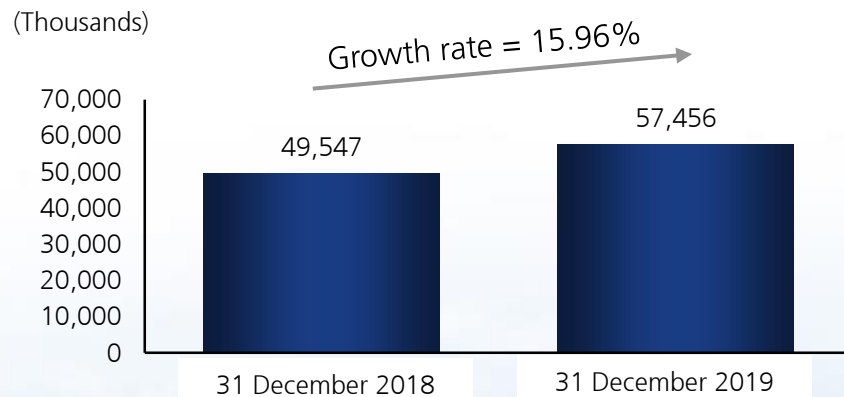
Transaction volume of credit card business¹



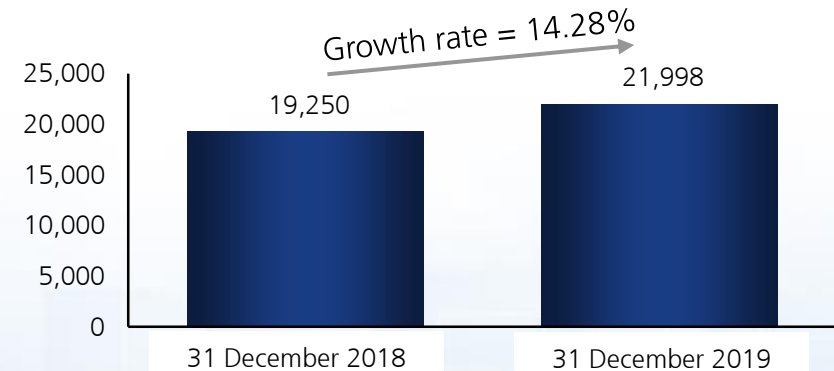
Balance of accounts receivable from credit card business¹



of credit cards issued¹



of eligible private banking customers



Source: Company's Annual Report

Note:

1 Bank standalone

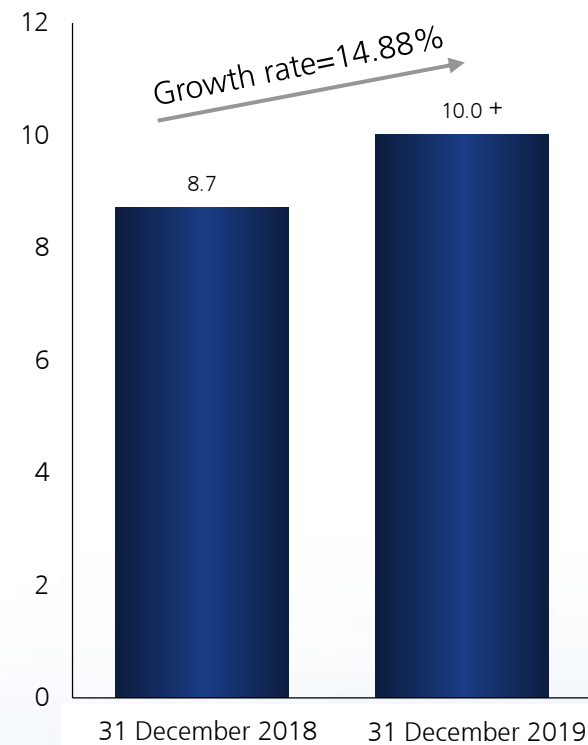
2 Represents the number of eligible private banking customers with financial assets of more than RMB8 million

Optimised financial markets business with continuous improvement in profitability

The interbank business continued to be dually driven by customer groups and products. The Company further strengthened interbank customer group management and optimised business structure, and achieved stable and healthy development with sound risk management and control

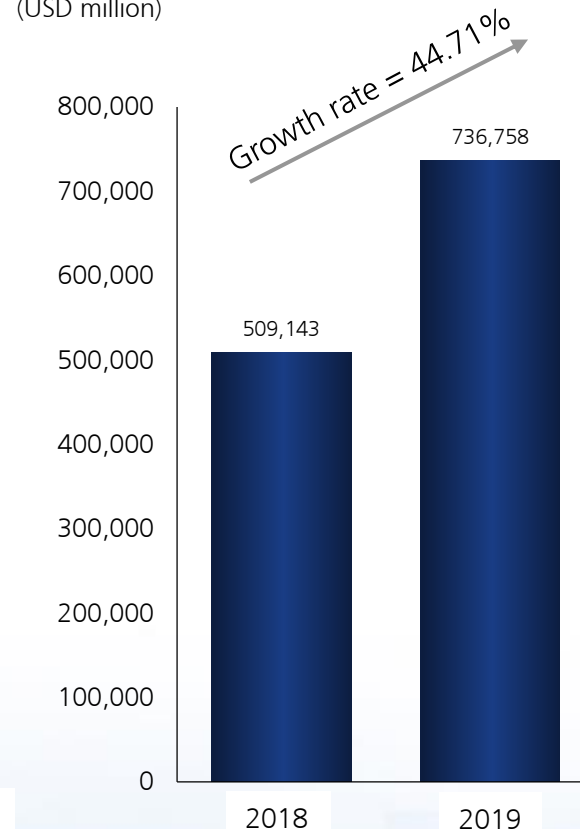
Balance of assets under custody¹

(RMB trillion)



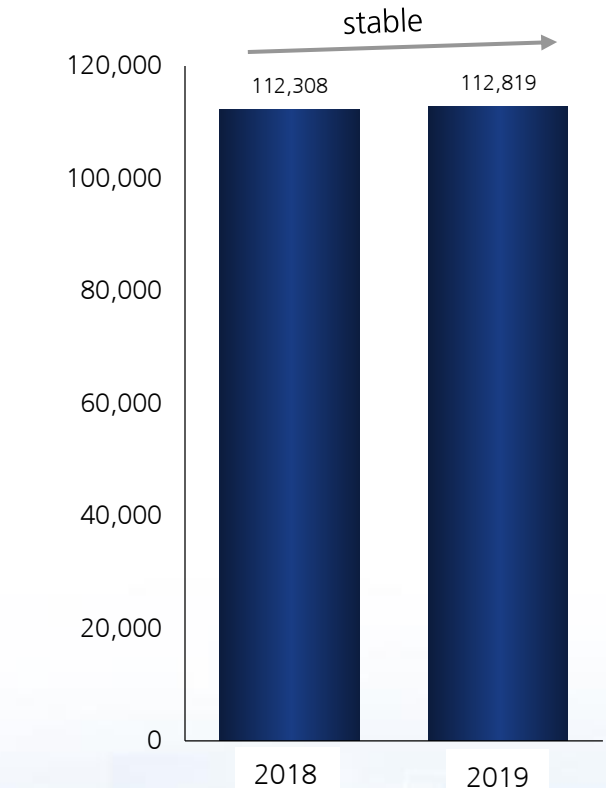
Transaction volume of domestic spot settlement of the Company¹

(USD million)



Transaction volume of RMB foreign exchange options¹

(USD million)



Source: Company's Annual Report

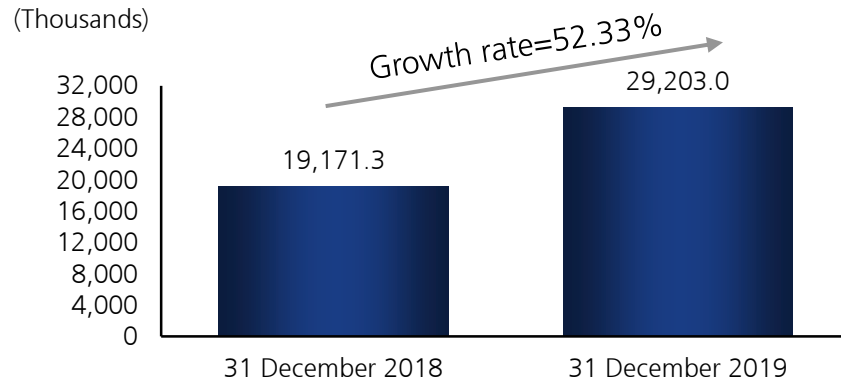
Note:

1 Bank standalone

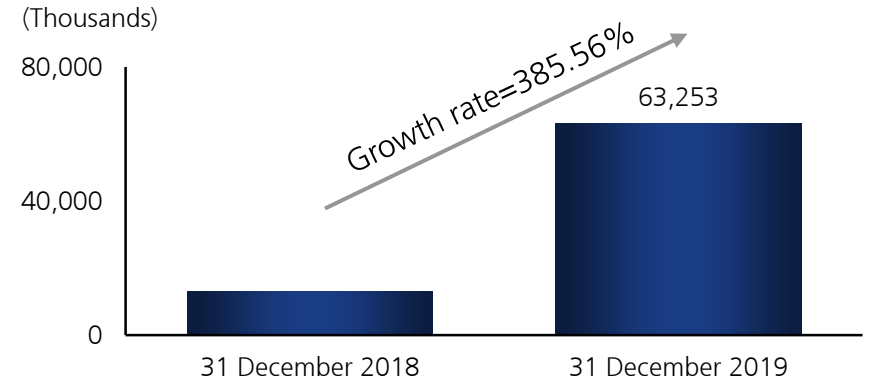
Promoting Internet finance business to build an Internet finance ecosystem

In accordance with the strategic positioning of "a fintech-based bank", the Company focused on the pain points in customer needs, fully leveraged emerging financial technologies, proactively explored new internet finance development models and continuously innovated platforms, products and services of direct bank, retail internet finance and online payment. as a result, customer experience was improved while the Company maintained first-tier status among commercial banks in terms of market share

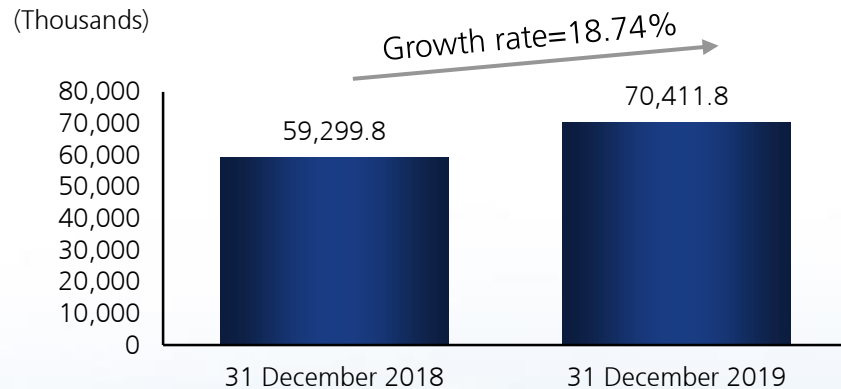
of direct banking customers¹



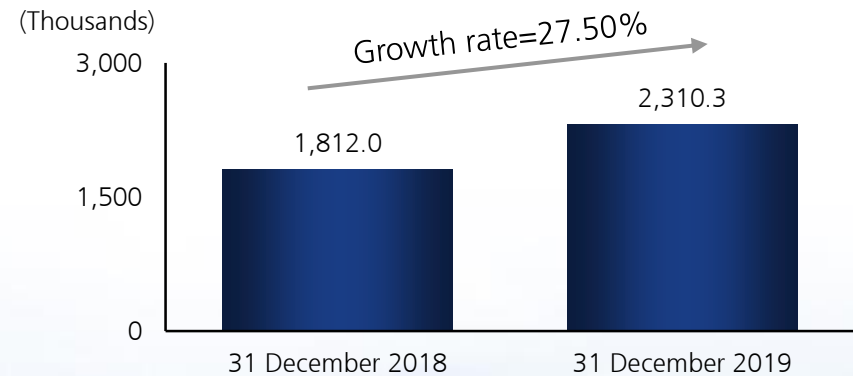
of mobile payment transactions via debit cards¹



of retail online platform customers¹



of corporate users of online platform¹



Source: Company's Annual Report

Note:

1 Bank standalone

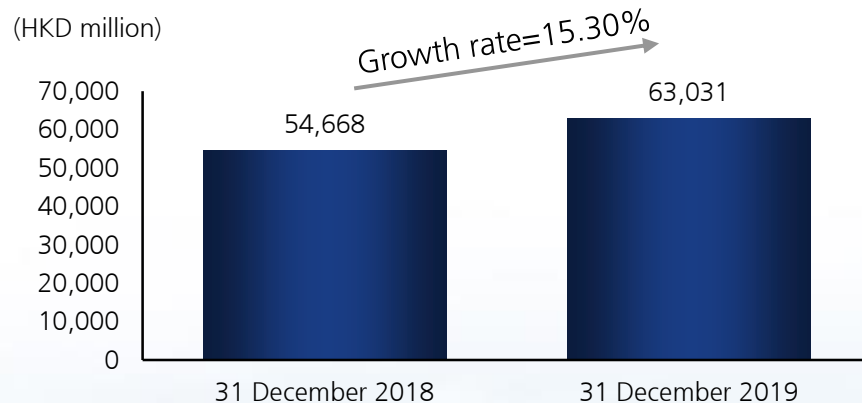
Promotion of international development strategy and stable expansion of global network

The Hong Kong Branch actively followed the Company's development strategy, implemented reform and transformation as well as the three-year development plan. Capitalising on the cross-border synergy with the Head Office and focusing on the strategic opportunities arising from the "Guangdong-Hong Kong-Macau Greater Bay Area" and others, the Hong Kong Branch served as an important overseas business platform of the Company and recorded steady business growth and continuous improvement in efficiency

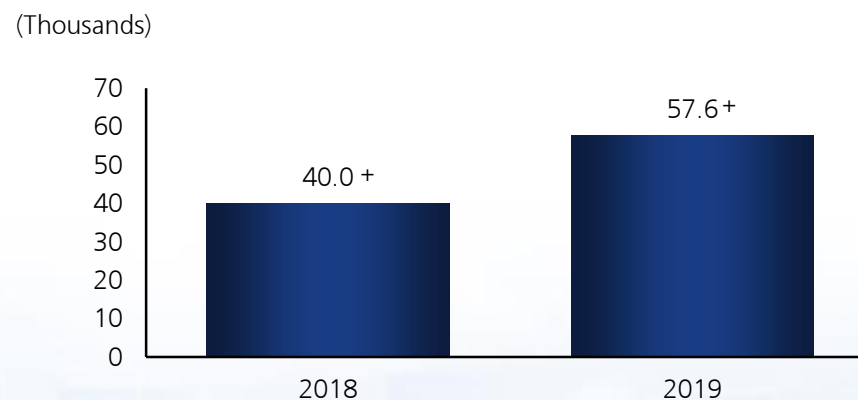
Steady business growth of the Hong Kong Branch with continuous improvement in efficiency

- ◆ **Capitalising on the cross-border synergy with the Head Office and grasping the strategic opportunities arising from the "Guangdong-Hong Kong-Macau Greater Bay Area" and others**, the Hong Kong Branch focused on providing professional cross-border financial solutions for quality customers and strengthened the professional services in capital market and new economic sectors
- ◆ **The Hong Kong Branch focused on the capital market, expanded its featured business** and recorded a remarkable income from investment banking businesses, such as syndicated loans, loans for merger and acquisition and structured financing. Cooperation with State Power Investment Corporation, China Duty Free International Limited and Mutual Fund of Greater Bay Area and other enterprises with high influence in the industry were successfully launched, giving full play to the overseas business platform
- ◆ **Individual business** of the Hong Kong Branch continued to grow rapidly. The number of customers who had opened accounts for personal wealth management exceeded 57,600, with total deposits of HKD4,120 million. The sales of "Minsheng Insurance", a high-end retail banking product series, recorded 440 transactions with the total insurance premium amount exceeding HKD10 billion, effectively driving the growth of high-end private banking customer base

Bond investment balance of Hong Kong Branch



of customers who had opened accounts for personal wealth management with Hong Kong Branch



Source: Company's Annual Report

I

Overview

II

Operational Performance

III

Outlook

In the coming three years, the Company will commit to becoming a benchmark bank with distinctive features, increased value and continuous innovation. It will also strategically position itself as a bank for NSOEs, a fintech-based bank and a bank with comprehensive services

A bank for NSOEs

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

A fintech-based bank

- **Vigorously develop direct banking, online small business loans and credit card online customer acquisition** to enhance fintech capabilities
- **Enhance its scientific and technological strength** to promote technology-empowered businesses and build an Internet banking business with the best customer experience in China

A bank with comprehensive services

- **Expedite its business layout diversification** and establish cross-selling and business coordination mechanisms under its "One Minsheng" strategy
- Provide its customers with comprehensive financial services with **the integration of commercial, investment and transaction banking** and the **combination of capital, intelligence and commerce**
- **Prioritise its customers** and provide integrated and comprehensive services through the cooperation of front, middle and back offices

"3+3+5" strategy deployment

- Strengthen **three primary businesses, namely direct banking, small business finance and investment banking**
- Consolidate **three leading businesses, namely credit card, supply chain finance and asset management**
- Enhance **five major business segments, namely corporate finance, retail finance, financial markets, Internet finance and comprehensive operation**
- Transform into a benchmark bank of the industry principally engaging in **digitalised, light-capital and comprehensive** business in addition to the traditional business
- **Make greater reform and innovation efforts**, revitalise the structure by innovative mechanisms and systems of major management aspects, and 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



Income statement highlights

(RMB million, except per share data)

	2019	2018	Growth (%)	
Operating income	177,745	154,161	↑	15.30
Of which: Net interest income	97,943	76,680	↑	27.73
Net non-interest income	79,802	77,481	↑	3.00
Profit before income tax	64,738	58,785	↑	10.13
Net profit attributable to equity shareholders of the Company	53,819	50,327	↑	6.94
Basic earnings per share (RMB)	1.22	1.14	↑	7.02

Balance sheet highlights

(RMB million)

	31 Dec 2019	31 Dec 2018	Growth (%)	
Total assets	6,681,841	5,994,822	↑	11.46
Of which: Total loans and advances to customers	3,487,601	3,056,746	↑	14.10
Total liabilities	6,151,012	5,563,821	↑	10.55
Of which: Deposits from customers	3,604,088	3,167,292	↑	13.79
Total equity attributable to equity shareholders of the Company	518,845	420,074	↑	23.51

Key profitability indicators (%)

	2019	2018	Change (ppt)	
Return on average assets	0.87	0.85	↑	0.02
Return on weighted average equity	12.40	12.94	↓	-0.54
Net interest margin (restated)	2.11	1.87	↑	0.24
Net fee and commission income to operating income ratio	29.42	31.22	↓	-1.80
Cost-to-income ratio ¹	27.14	30.58	↓	-3.44

Assets quality indicators (%)

	31 Dec 2019	31 Dec 2018	Change (ppt)	
NPL ratio	1.56	1.76	↓	-0.20
Allowance to total loans	2.43	2.36	↑	0.07
Capital adequacy ratio indicators (%)²				
Core tier-one capital adequacy ratio	8.89	8.93	↓	-0.04
Tier-one capital adequacy ratio	10.28	9.16	↑	1.12
Capital adequacy ratio	13.17	11.75	↑	1.42

Source: Company's 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) and other relevant regulatory provisions

Thank you!