

# China Minsheng Banking Corp., Ltd.

## 2013 Interim Results Announcement



August 2013

# Disclaimer

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This presentation contains forward-looking statements that involve risks and uncertainties. These statements are generally indicated by the use of forward-looking terminology such as believe, expect, anticipate, estimate, plan, project, target, may, will or other similar words that express an indication of actions or results of actions that may or are expected to occur in the future. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this presentation. These forward-looking statements are based on our own information and information from other sources we believe to be reliable. Our actual results may be materially less favorable than those expressed or implied by these forward-looking statements which could affect the share price of our shares.



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**Business overview**

2

**Financial performance**

3

**Outlook**



# Business overview



In 1H2013, our business continued to achieve significant breakthroughs with continuously strengthening profitability

## Strategic positioning

A bank for non-state owned enterprises

A bank for small and micro enterprises

A bank for high-end retail customers

## Strategic objectives

Distinctive bank

Efficient bank

## General guiding principle

Accentuating characteristics

Comprehensive innovation

Solidifying foundation

Improving management

1

## Further enhanced profitability and steady returns to shareholders

- ◆ The Group achieved net profit attributable to equity shareholders of the Bank of RMB22,945 million, up 20.43% YoY
- ◆ ROAA (annualized) and ROAE were 1.42% and 13.18%, respectively
- ◆ Basic EPS was RMB0.81, an increase of 17.39% YoY

2

## Steady growth of assets and liabilities business and continuous development of strategic businesses

- ◆ Total assets and total liabilities grew 6.17% and 5.76%, respectively, as compared with the end of previous year
- ◆ Gross balance of loans and advances to customers and deposits from customers increased 7.25% and 12.92%, respectively, as compared with the end of previous year
- ◆ Personal deposits achieved rapid growth, with balance of personal deposits reaching RMB492,945 million, an increase of RMB99,171 million or 25.18%
- ◆ Outstanding loans to small and micro enterprises (MSE)<sup>1</sup> were RMB386,025 million, up 21.79% as compared with the end of previous year, and the number of MSE customers<sup>1</sup> was 1,456.1 thousand, up 46.74% compared with the end of previous year
- ◆ Outstanding general loans to non-state owned enterprises (NSOEs)<sup>1</sup> was RMB518,950 million, and the number of NSOE customers with outstanding loan balances<sup>1</sup> was 13,655
- ◆ The number of private banking customers<sup>1</sup> reached 12,334, up 31.37% compared with the end of previous year, AUM<sup>1</sup> were RMB172,857 million, an increase of 34.87% compared with the end of previous year

3

## Further optimization of income structure and higher operating efficiency

- ◆ Operating income was RMB58,492 million, up 13.87% YoY
- ◆ Net interest income and net non-interest income grew 7.11% and 32.82%, respectively
- ◆ Cost-to-income ratio was 28.57%, down 2.04 pts YoY

4

## Enhanced risk management and control and improved risk resilience

- ◆ Impaired loan ratio of the Group was 0.78%
- ◆ Allowance to impaired loan ratio was 320.41%, up 5.88 pts compared with the end of previous year
- ◆ Allowance to total loan ratio was 2.49%, up 0.10 pts compared with the end of previous year

Source: Interim report

Note:

1 Bank standalone

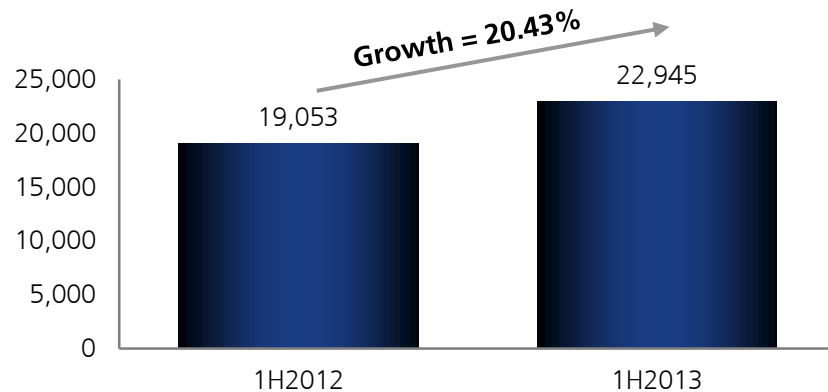
# Business overview



## Profitability continued to improve, and cost-to-income ratio continued to decrease

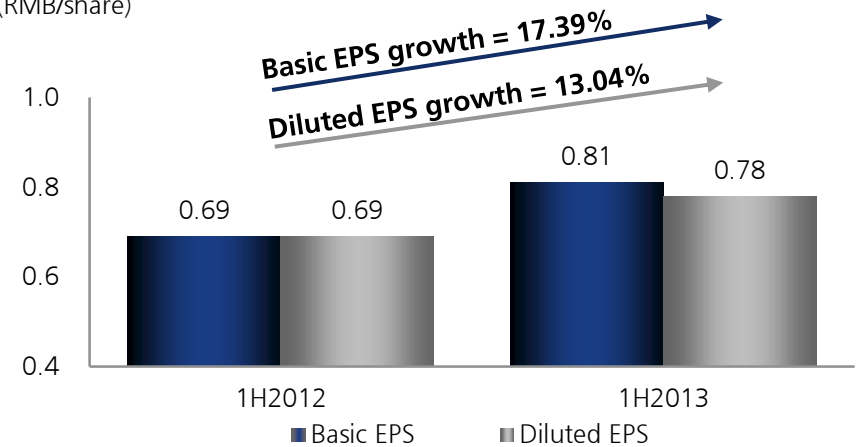
### Net profit attributable to equity shareholders of the Bank

(RMB million)



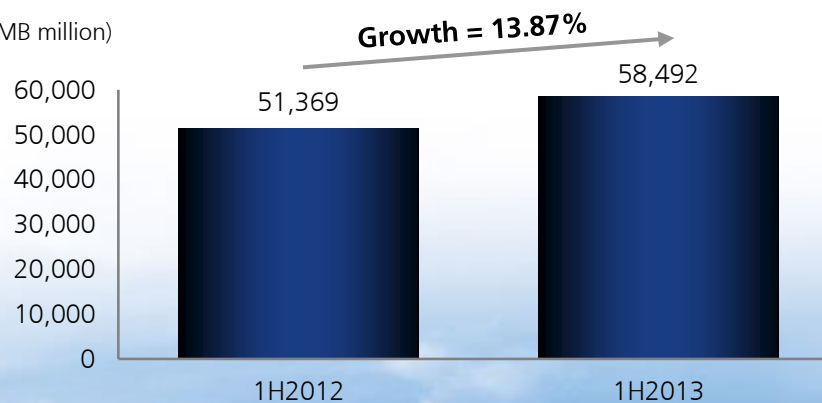
### Basic EPS /Diluted EPS

(RMB/share)

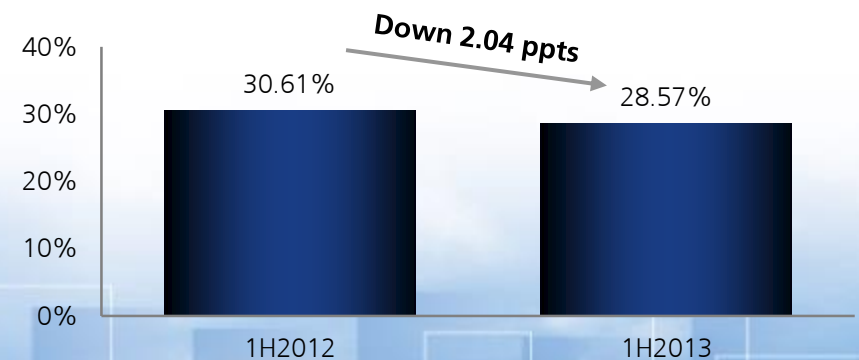


### Operating income

(RMB million)



### Cost-to-income ratio



Source: Interim report

# Overview of major financial indicators



## Key data from statement of profit or loss

(RMB million, except EPS)	1H2013	1H2012	Growth (%)	
Operating income	58,492	51,369	↑	13.87
Of which: net interest income	40,564	37,871	↑	7.11
net non-interest income	17,928	13,498	↑	32.82
Profit before income tax	30,994	25,699	↑	20.60
Net profit attributable to equity shareholders of the Bank	22,945	19,053	↑	20.43
Basic earnings per share (RMB)	0.81	0.69	↑	17.39

## Key data from statement of financial position

(RMB million)	30 Jun 2013	31 Dec 2012	Growth (%)	
Total assets	3,410,093	3,212,001	↑	6.17
Of which: loans and advances	1,484,970	1,384,610	↑	7.25
Total liabilities	3,218,886	3,043,457	↑	5.76
Of which: deposits from customers	2,174,975	1,926,194	↑	12.92
Total equity attributable to equity shareholders of the Bank	185,116	163,077	↑	13.51

## Key profitability indicators (%)

	1H2013	1H2012	Change (ppts)	
ROAA (annualized)	1.42	1.61	↓	(0.19)
ROAE	13.18	13.64	↓	(0.46)
Cost-to-income ratio <sup>1</sup>	28.57	30.61	↓	(2.04)

## Asset quality indicators (%)

	30 Jun 2013	31 Dec 2012	Change (ppts)	
Impaired loan ratio	0.78	0.76	↑	0.02
Allowance to total loan ratio	2.49	2.39	↑	0.10

## Capital adequacy ratios (%)

	30 Jun 2013	31 Dec 2012	Change (ppts)	
Core tier 1 capital adequacy ratio <sup>2</sup>	7.86	N/A		N/A
Tier 1 capital adequacy ratio <sup>2</sup>	7.87	N/A		N/A
Capital adequacy ratio <sup>2</sup>	9.92	10.75		N/A

Source: Interim report

Note:

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

2 30 June 2013 data calculated in accordance with "Provisional Administrative Measures for the Capital of Commercial Banks", and therefore not comparable with YE2012 data calculated in accordance with "Measures on the Administration of the Capital Adequacy Ratio of Commercial Banks"

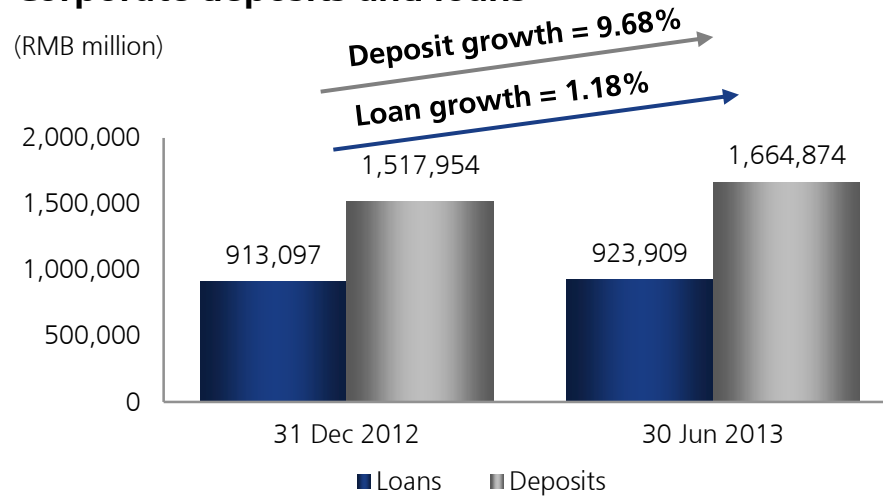
# Corporate banking – further enhanced NSOE Customer Base



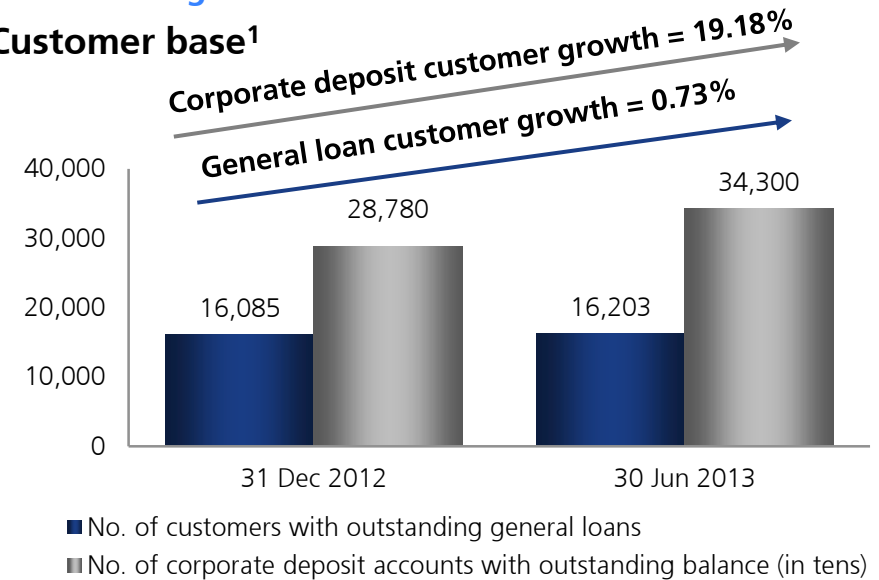
Targeting to become a distinctive and efficient bank, Minsheng focused on the implementation of NSOE strategies and promotion of the Financial Stewardship services, adopted intensive management under capital restraint, and continued to promote structural adjustment and growth method transformation

## Corporate deposits and loans<sup>1,2</sup>

(RMB million)

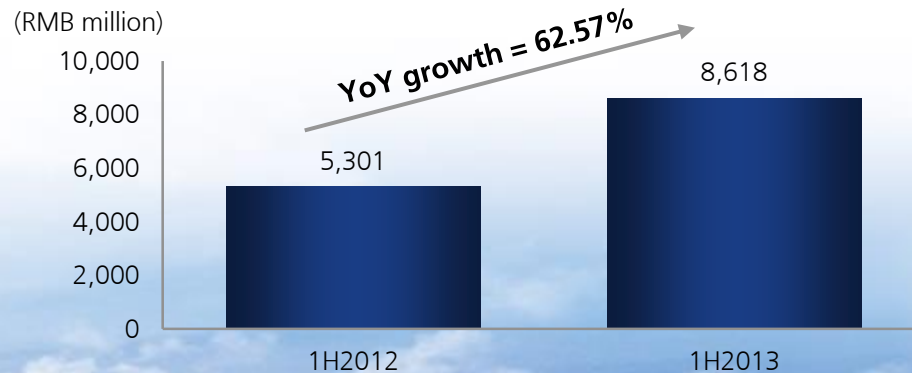


## Customer base<sup>1</sup>

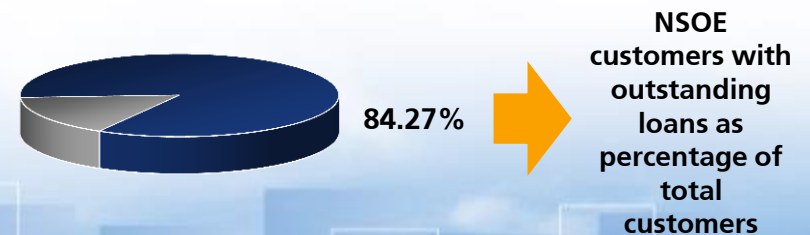


## Net fee and commission income from corporate banking business<sup>1</sup>

(RMB million)



## NSOE loan customer base<sup>1</sup>



Source: Interim report

Note:

1 Bank standalone

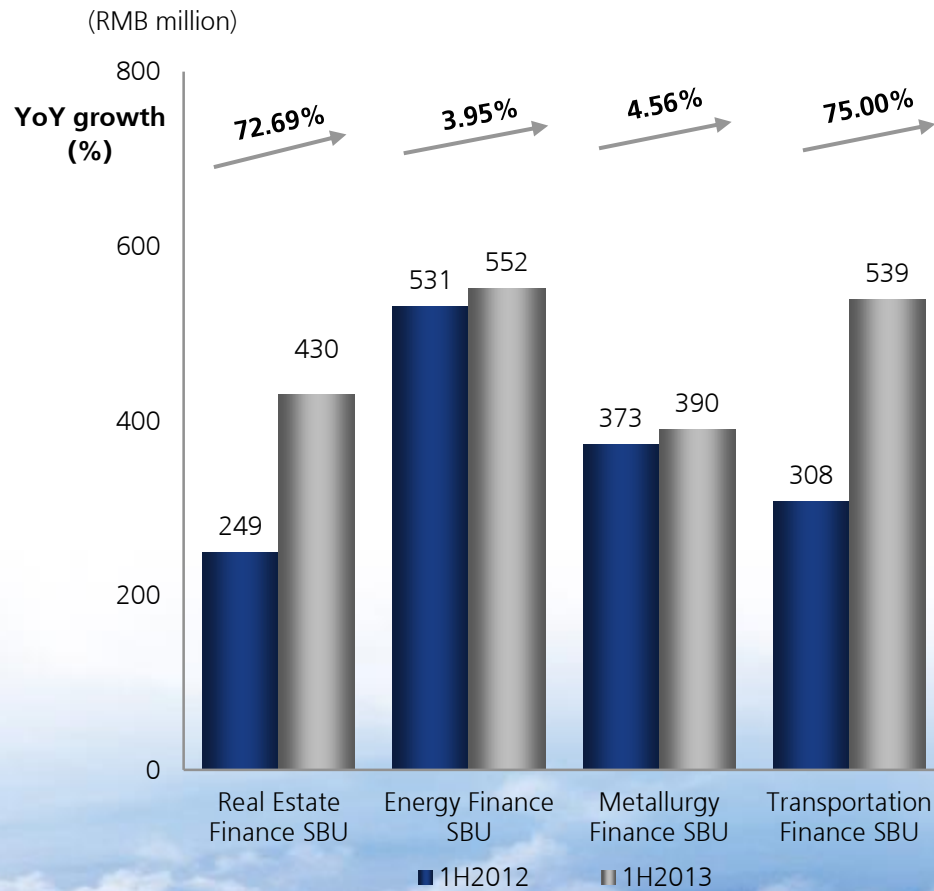
2 Including discounted bills

# Corporate banking – specialized SBU operations continued to strengthen



SBUs enhanced risk prevention, explored business opportunities in emerging markets, promoted the application of the Financial Stewardship service model and implemented NSOE strategies. All lines of business at SBUs achieved positive growth and asset quality continued to be healthy

## Net non-interest income of industry SBUs<sup>1</sup>

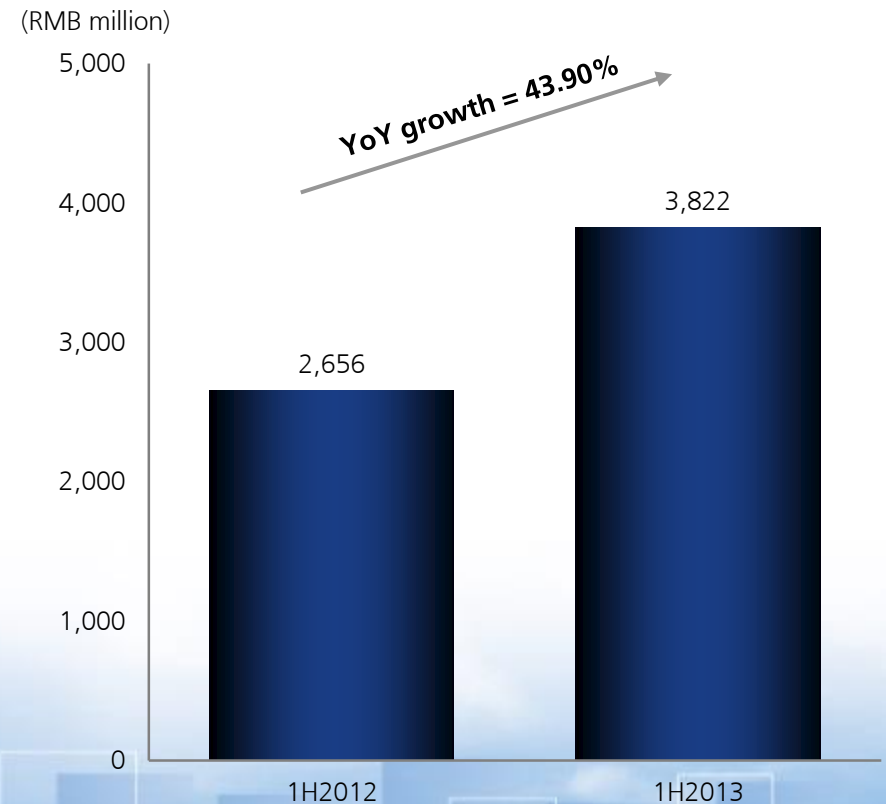


## Trade finance business grew rapidly



Best Trade Finance Bank in China  
— *The Asian Banker*

### Trade finance business net non-interest income<sup>1</sup>



Source: Interim report

Note:

1. Bank standalone



# Corporate banking – rapid growth of net non-interest income businesses



 **2012 Best VC/PE Custodian Bank**  
— *21<sup>st</sup> Century Business Herald*

 **2012 Best Custodian Services Bank**  
— *Financial Money*

 **2012 Top 5 VC/PE Custodian Bank**  
— *Zero2IPO*

## Commercial bank investment banking operation

- ✓ Offering customers, particularly strategic NSOEs, comprehensive financial services focusing on investment and financing
- ✓ Continuing to improve and carry out innovation of its product and services system, broaden product offering, focusing on breakthroughs in varieties of direct financing and asset management products related to capital markets
- ✓ Enriching consultation and financial advisory services and enhancing our integrated solution design capability
- ✓ Further standardizing business management and operating model, while accelerating the replication of well-developed business models and relevant marketing efforts
- ✓ Comprehensively strengthening the integration of the specialized platform to drive the establishment of the specialized team

## Debt financing instruments in issue<sup>1</sup>

(RMB million)



No. of issuances **60**

**101**

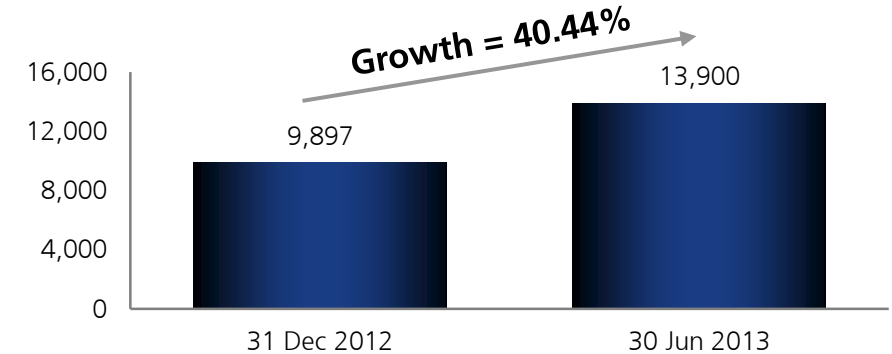
Source: Interim report

Note:

1 Bank standalone

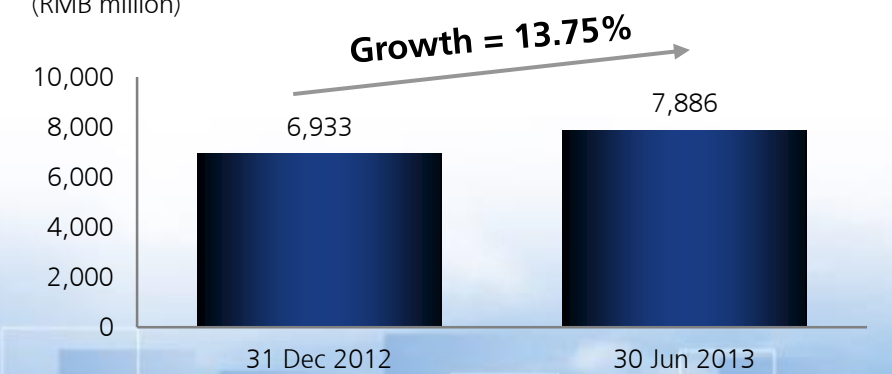
## Assets in custody (including safekeeping)<sup>1</sup>

(RMB 100 million)



## Corporate annuity funds under custody<sup>1</sup>

(RMB million)



No. of accounts **121,315**

**128,594**

# Retail banking – focused on MSE finance to drive rapid growth of traditional finance business

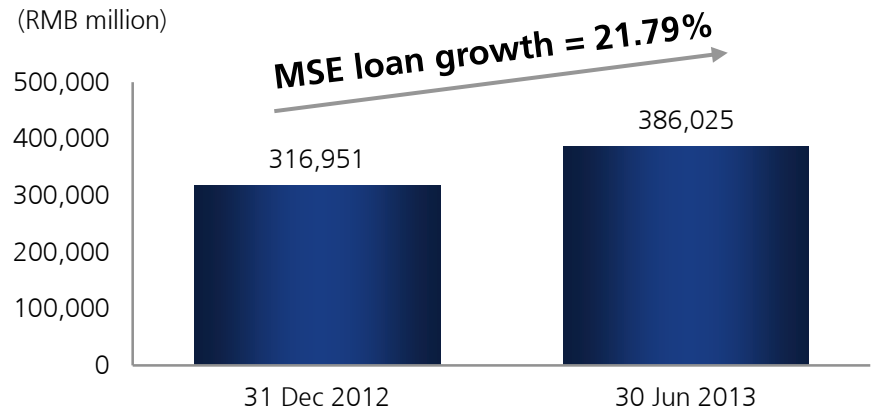


In 1H2013, the Group accelerated the process restructuring of MSE business and promoted the new MSE business mode of centralized sales and marketing in all branches, achieving accelerated development in the midst of sustained transformation

## MSE finance business maintained strong upside momentum

- 1 Strengthened MSE settlement business, self-sufficiency ratio of capital, expanded the “Happy Payment” (乐收银) platform and marketed new product series of “Partner Pass, Logistics Pass and Distribution Pass” (伙伴通、物流通、经销通)
- 2 Implemented centralized marketing in all branches to rapidly and effectively integrate customer and team resources and achieve clearer positioning
- 3 Implemented new risk management system by moving risk prevention to an earlier stage, enhancing the role of MSE business planning in credit approval, and granting branches with full authority

## Balance of MSE loans<sup>1</sup>



## Number of MSE customers<sup>1</sup>

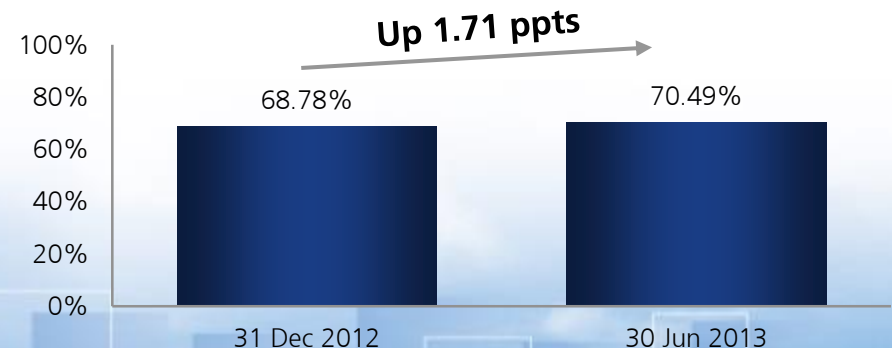


Percentage of MSE customers with outstanding loans of RMB1-3 million

39.75%

42.99%

## MSE loans as % of personal loans and advances<sup>1</sup>



Source: Interim report

Note:

1 Bank standalone

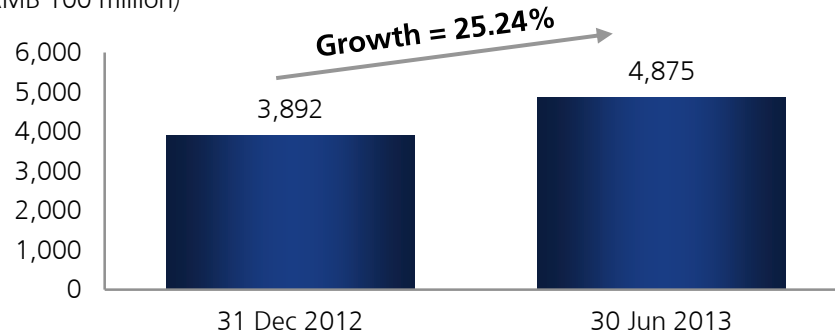
# Retail banking – traditional finance business achieved significant growth



Driven by SME finance business, balance of savings deposit as percentage of total deposits increased and became an important low-cost source of funding; retail customer base further solidified while customer mix further improved; and the Credit Card Centre continued its innovation and breakthroughs in products, value-added services and marketing activities

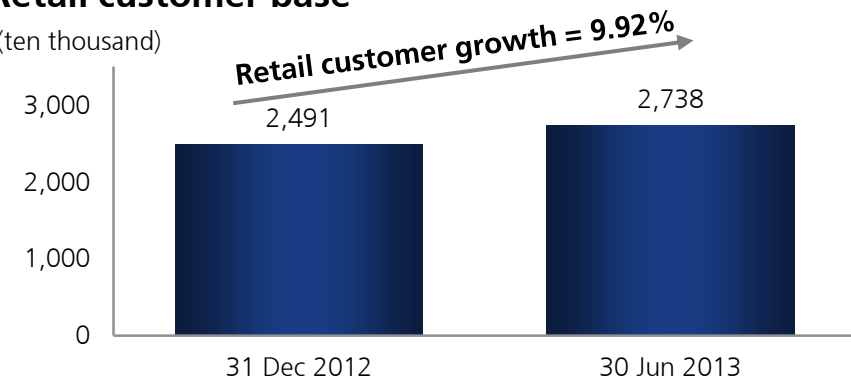
## Balance of savings deposits<sup>1</sup>

(RMB 100 million)



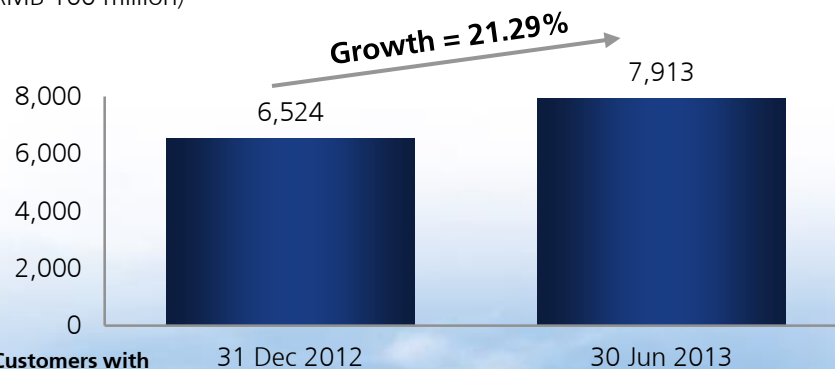
## Retail customer base<sup>1</sup>

(ten thousand)



## Personal financial assets<sup>1</sup>

(RMB 100 million)



Customers with personal financial assets of over RMB 500,000 (thousand)

Period	Number (thousand)
31 Dec 2012	233.6
30 Jun 2013	280.2

Source: Interim report

Note:

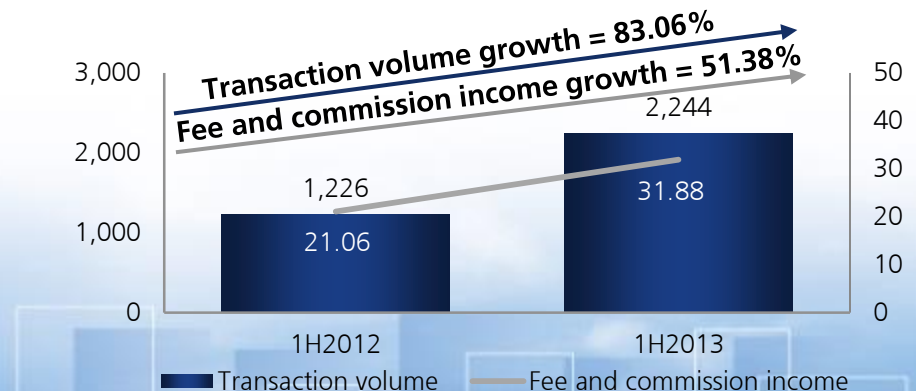
1 Bank standalone

## Credit card business<sup>1</sup>

(RMB 100 million)



Risk Management Technology Achievement Award  
— The Asian Banker



# Private banking – continue to establish a world-class full-service private bank



 **Top Ten Financial Product Innovation Award**

— *The Banker*



**Best Private Bank with Integrated Services**

— *21st Century Business Herald*



**Best Private Banking Service Award**

— *The Asian Banker*

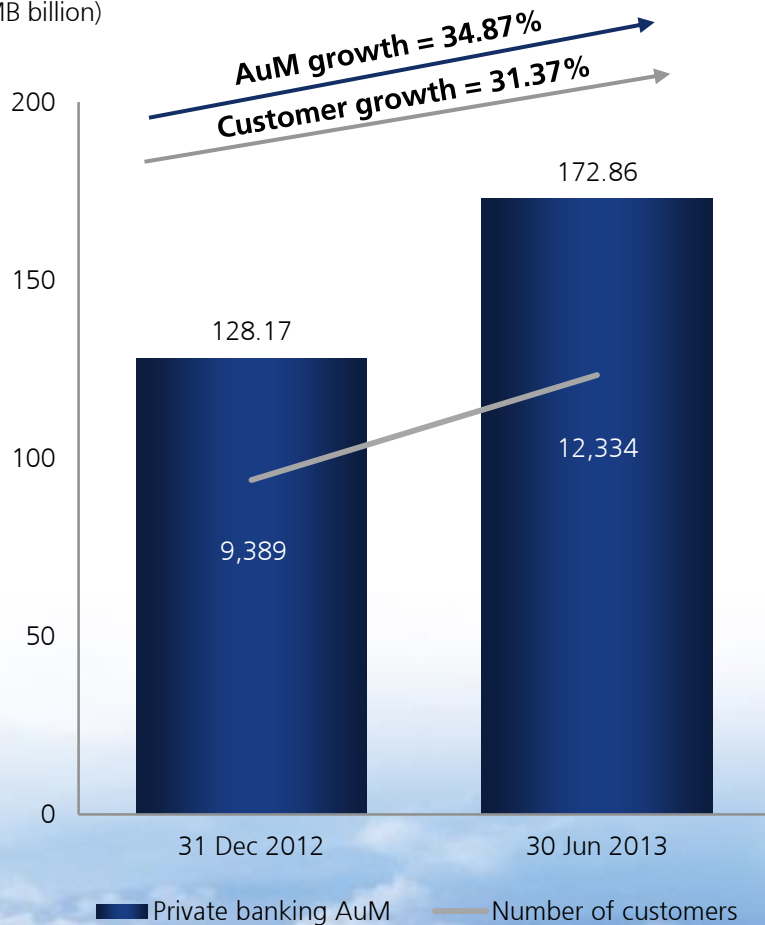


**Private Bank with Highest Brand Value**

— *The Asian Banker*

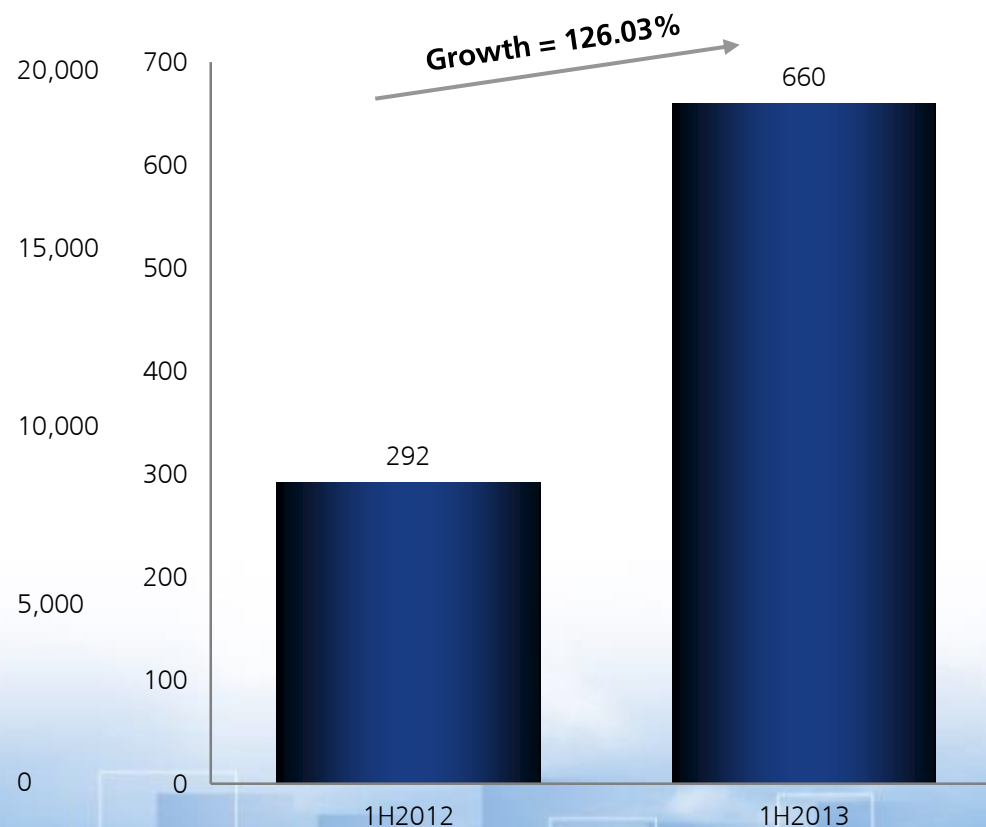
## Private banking AuM and number of customers<sup>1</sup>

(RMB billion)



## Net fee and commission income of private banking business<sup>1</sup>

(RMB million)



Source: Interim report

Note:

1 Bank standalone



# Agenda

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# Overview of key indicators



<b>Key statement of profit or loss items (RMB million)</b>	<b>1H2012</b>	<b>1H2013</b>	<b>Growth (%)</b>
Net interest income	37,871	40,564	↑ 7.11
Net non-interest income	13,498	17,928	↑ 32.82
Of which: net fee and commission income	10,030	16,222	↑ 61.73
Operating income	51,369	58,492	↑ 13.87
Operating expenses	(19,418)	(20,726)	↑ 6.74
Impairment losses on assets	(6,096)	(6,772)	↑ 11.09
Net profit attributable to equity shareholders of the Bank	19,053	22,945	↑ 20.43

<b>Key statement of financial position items (RMB million)</b>	<b>31 Dec 2012</b>	<b>30 Jun 2013</b>	<b>Growth (%)</b>
Gross balance of loans and advances	1,384,610	1,484,970	↑ 7.25
Securities and other investments	243,520	303,017	↑ 24.43
Balances and placements with banks and other financial institutions (including financial assets held under resale agreement)	1,048,905	1,064,743	↑ 1.51
Total assets	3,212,001	3,410,093	↑ 6.17
Deposits from customers	1,926,194	2,174,975	↑ 12.92
Deposits and placements from banks and other financial institutions (including financial assets sold under repurchase agreements)	910,597	719,369	↓ (21.00)
Debt securities issued	74,969	91,589	↑ 22.17
Total liabilities	3,043,457	3,218,886	↑ 5.76

Source: Interim report

# Overview of key indicators



Key profitability indicators (%)	1H2012	1H2013	Change (ppts / RMB)
Cost-to-income ratio <sup>1</sup>	30.61	28.57	↓ (2.04)
Basic earnings per share (RMB)	0.69	0.81	↑ 0.12
Return on average equity	13.64	13.18	↓ (0.46)

Key asset quality indicators (%)	31 Dec 2012	30 Jun 2013	Change (ppts)
Impaired loan ratio	0.76	0.78	↑ 0.02
Allowance to impaired loan ratio	314.53	320.41	↑ 5.88
Allowance to total loan ratio	2.39	2.49	↑ 0.10

Source: Interim report

Note:

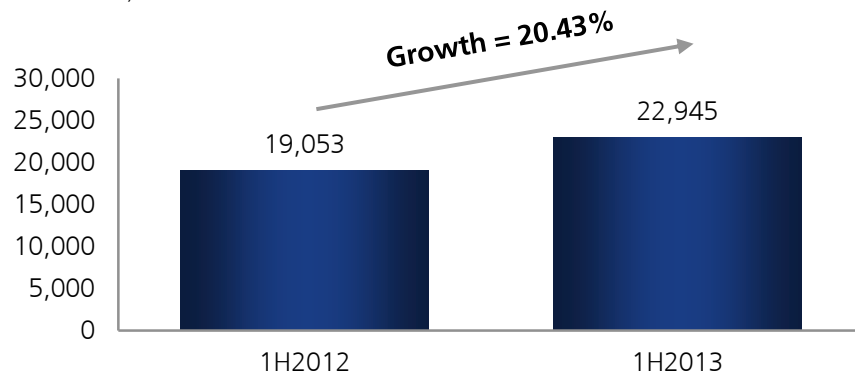
1 Cost-to-income ratio = (operating expenses + other operating expenses – business tax and surcharges) / operating income

# Continuously rising profitability

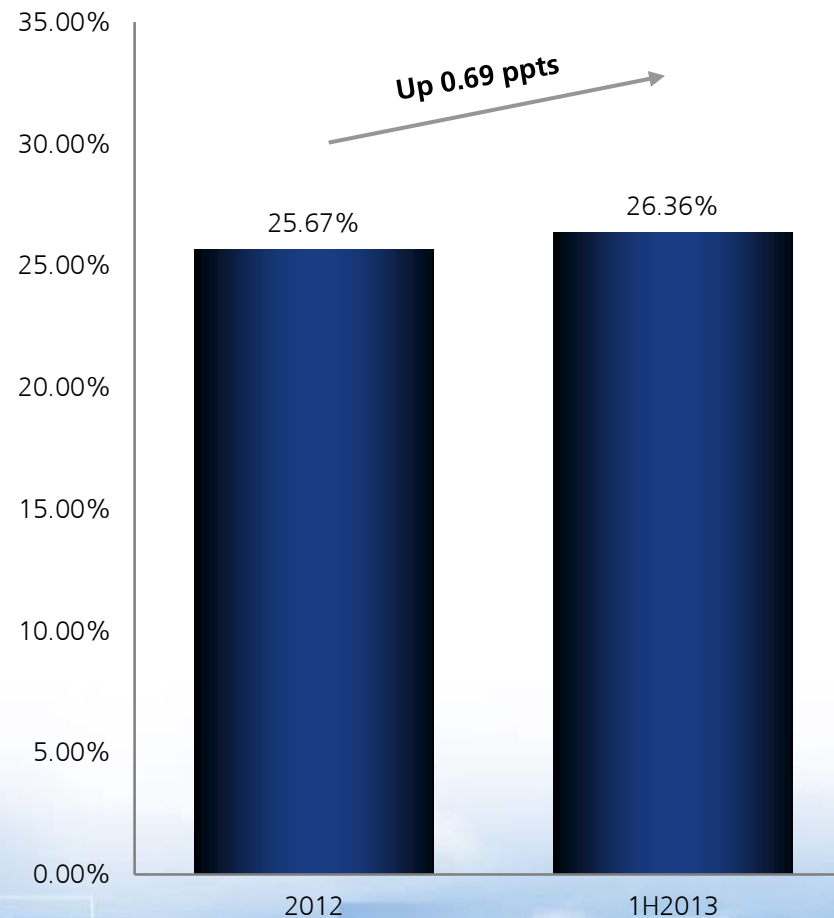


## Net profit attributable to equity shareholders of the Bank

(RMB million)

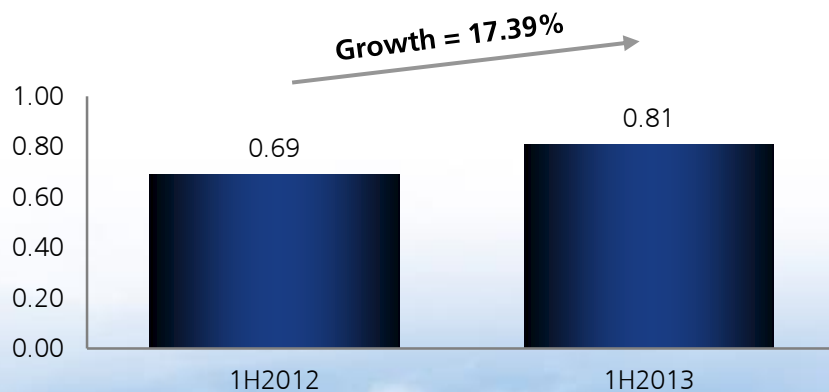


## Return on equity attributable to equity shareholders of the Bank (annualized)



## Basic EPS

(RMB / share)



Source: Interim report

Note:

1 Bank standalone



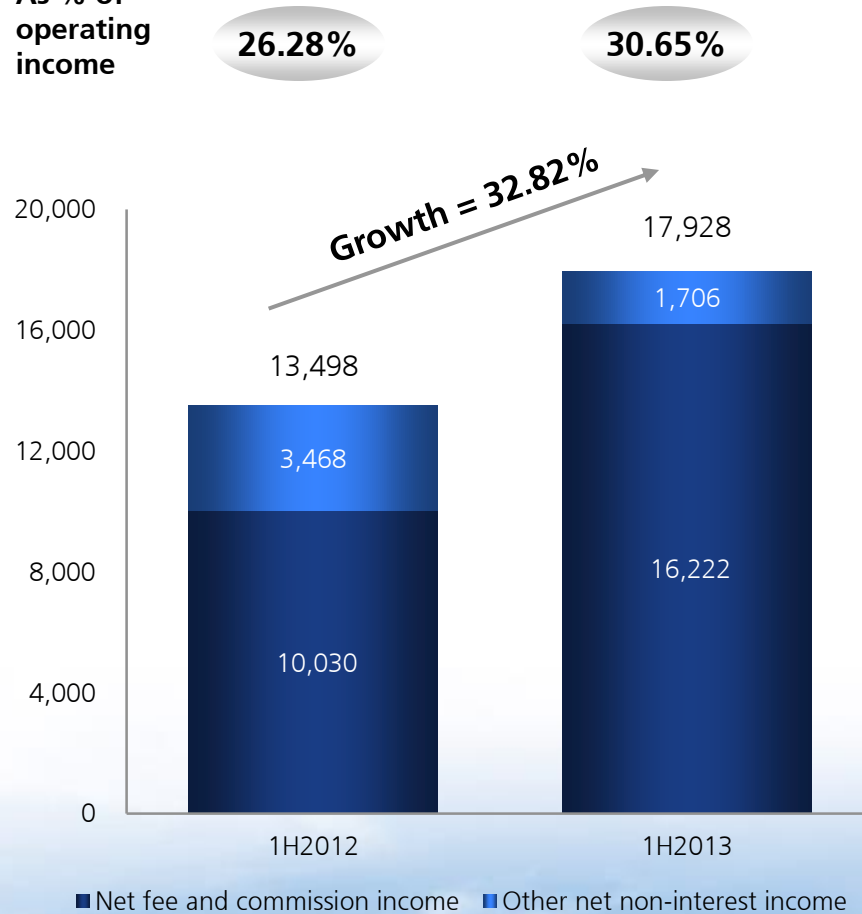
# Significantly higher proportion of net non-interest income and further improved income structure



## Growth of net non-interest income and as % of operating income

(RMB million)

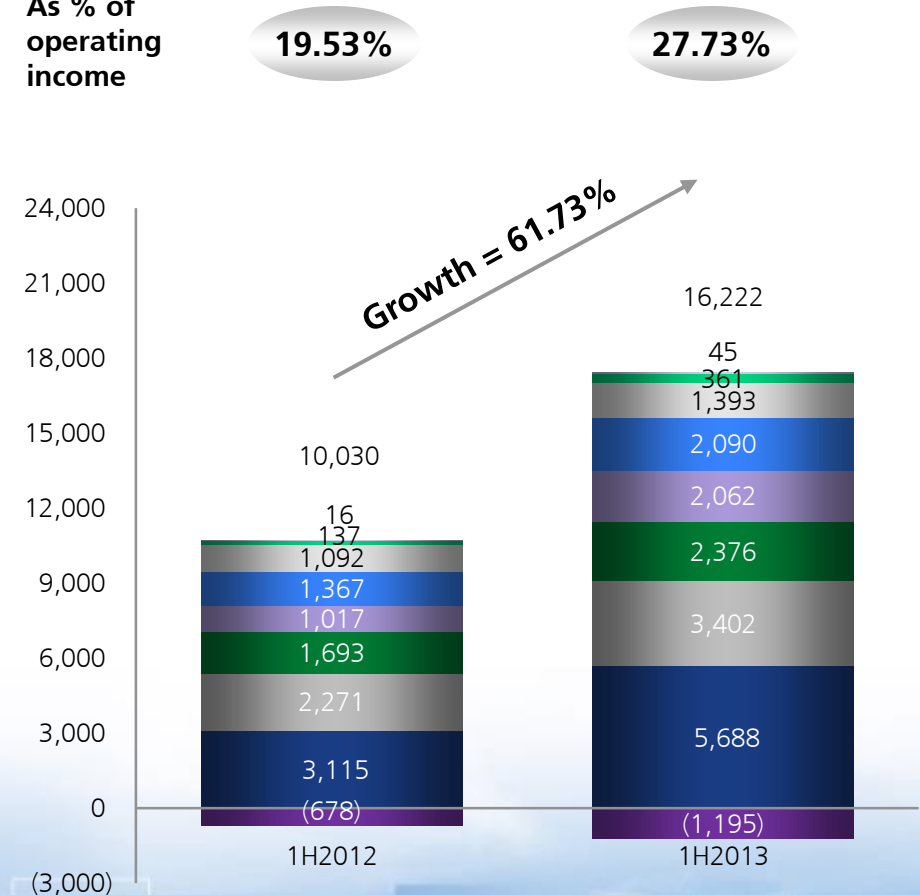
As % of operating income



## Growth of net fee and commission income and as % of operating income

(RMB million)

As % of operating income



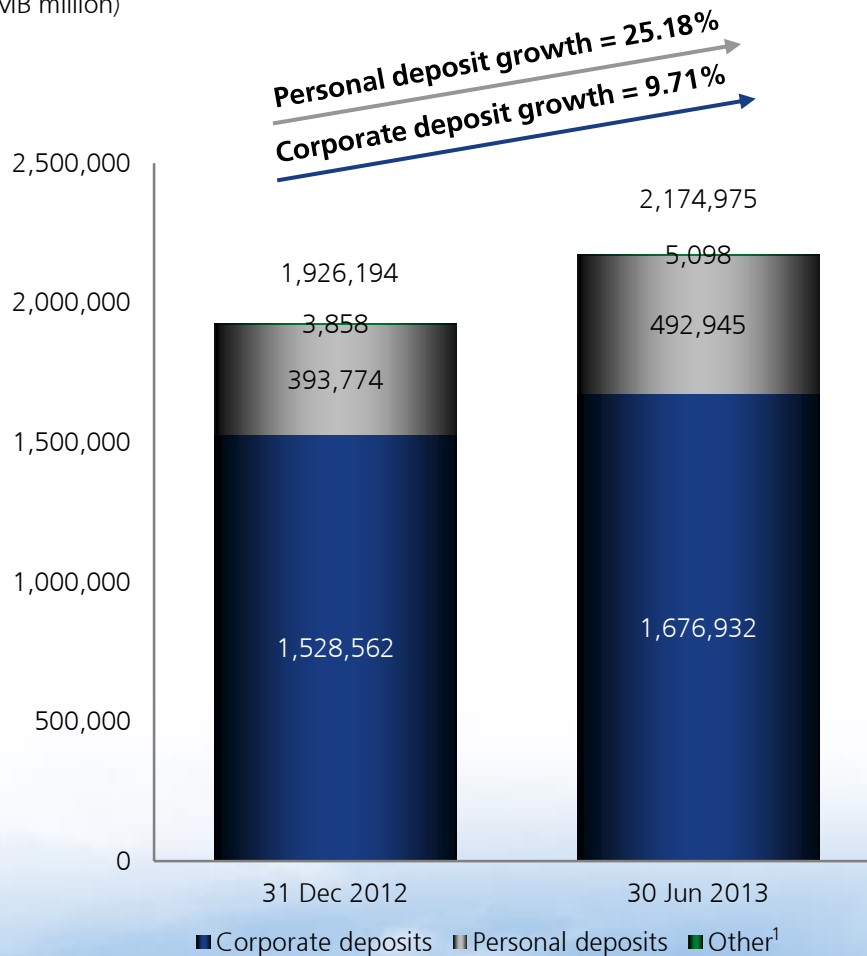
Source: Interim report

# Personal deposits maintain stable growth in scale and contribution to total deposits

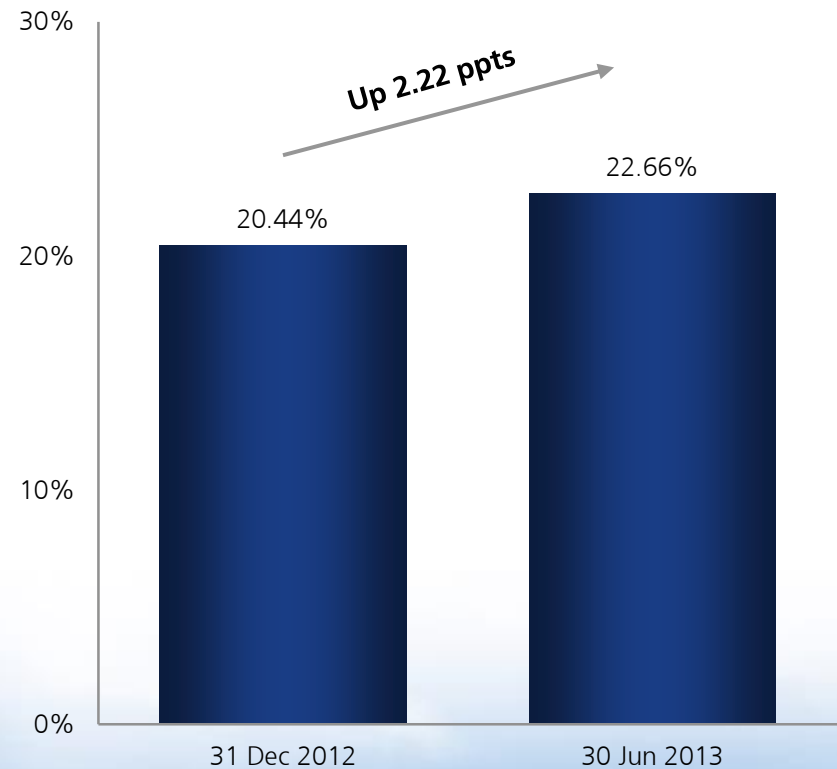


## Deposit mix

(RMB million)



## Rising personal deposits as percentage of total deposits



Source: Interim report

Note:

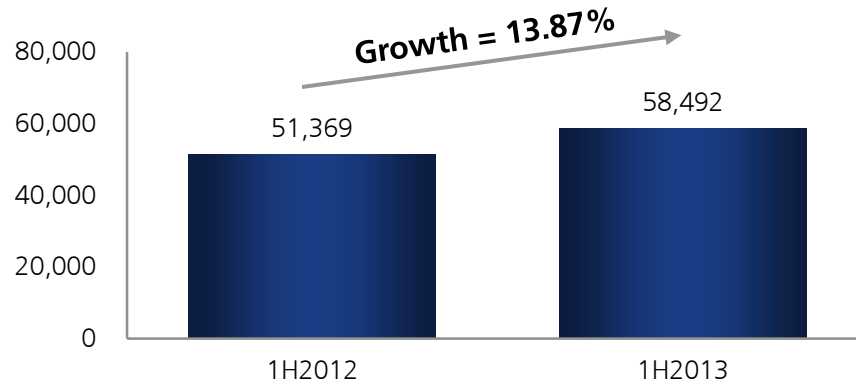
1 Including remitted capital and remittances outstanding, issued certificates of deposits

# Operating efficiency steadily improved with further lowered cost-to-income ratio

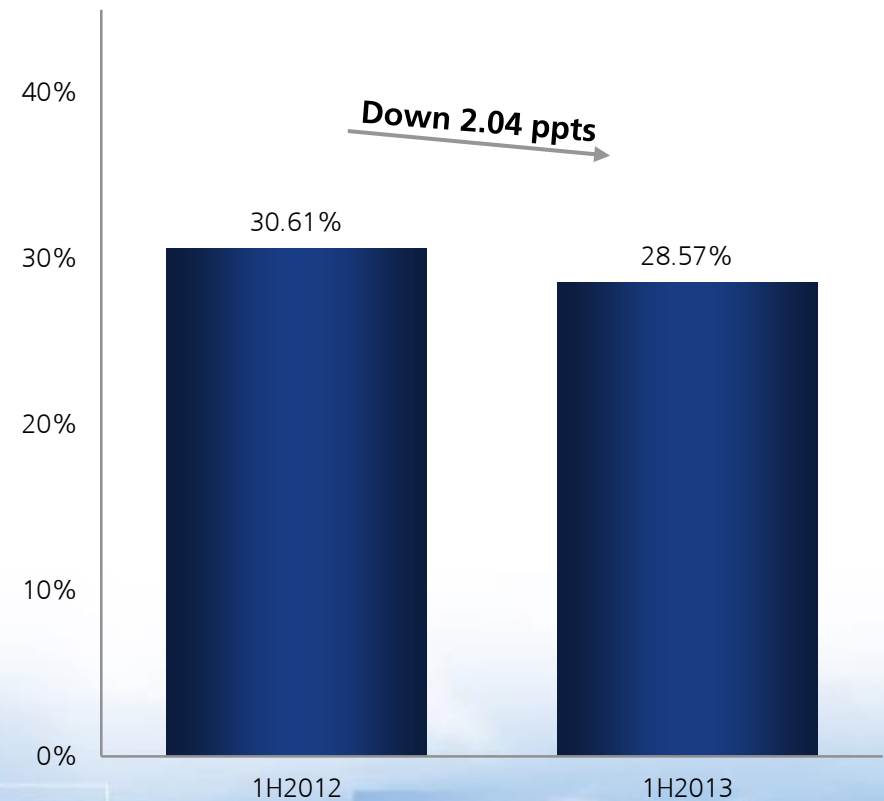


## Operating income achieves steady growth

(RMB million)

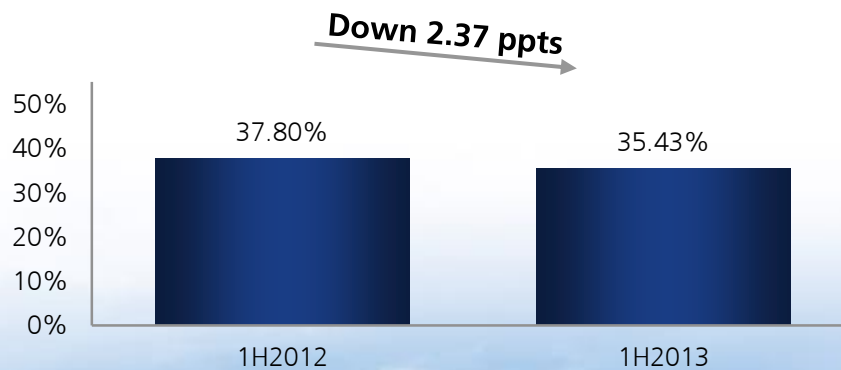


## Cost-to-income ratio<sup>1</sup>



## Operating expenses as % of operating income

(RMB million)



Source: Interim report

Note:

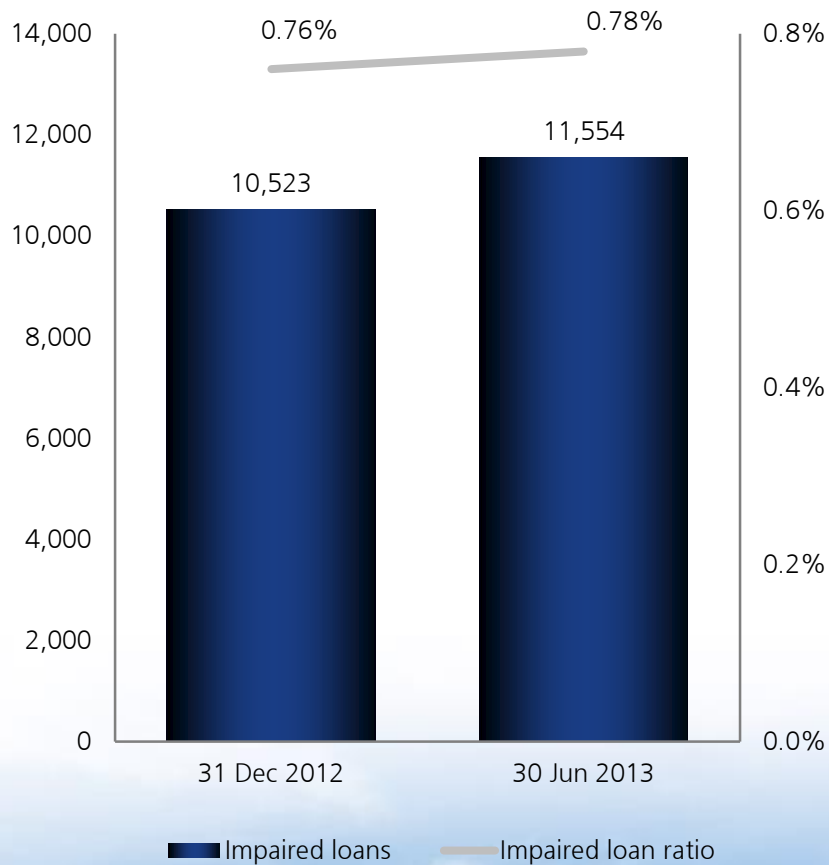
1-  $\text{Cost-to-income ratio} = (\text{operating expense} + \text{other operating expense} - \text{business tax and surcharge}) / \text{operating income}$

# Asset quality remains stable with enhanced risk management capability

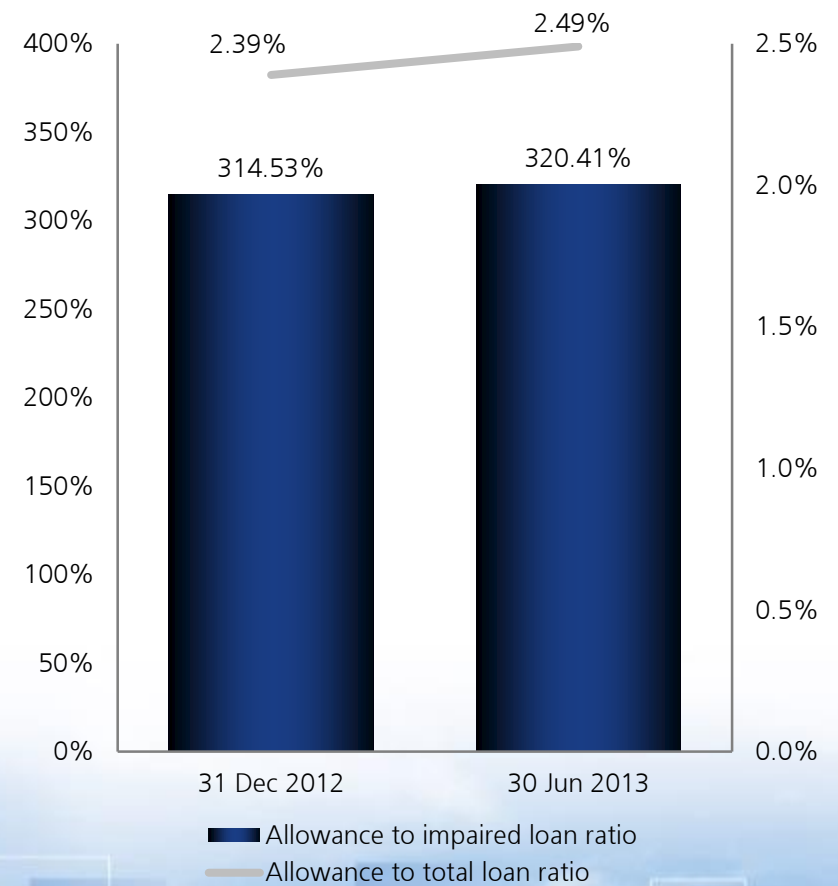


## Impaired loans and impaired loan ratio

(RMB million)



## Allowance to impaired loan ratio and allowance to total loan ratio



Source: Interim report



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# 2H2013 Outlook



In 2H2013, the Company will fully implement the Second Five-Year Development Outline of the Board by restructuring, planning for transformation, strengthening management and achieving upgrades, targeting at MSEs, freeing up two wings, further promoting the SBU reform and improving the SBU management

- 1 Focus on promoting MSE finance and implementing industry chain and supply chain services
- 2 Focus on the key points and optimize the structure of major business rationally
- 3 Strengthen overall risk management with effective control on major areas
- 4 Continue to deepen the SBU reform and optimize the SBU system
- 5 Steadily establish direct sales banking, transaction banking and E-banking, as well as promoting other key programs as set out in the strategies of the Board
- 6 Enhanced brand building and continue to establish new institutions in unison with the ongoing strategic transformation



# Q&A