

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



Disclaimer



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Agenda



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Overview

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Operational performance

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Outlook

Overview of performance



In 1H17, the Company took proactive measures in coping with the adjustments and changes in the operating environment and regulatory policies, continued to push forward the implementation of "Phoenix Project" and business operational system reform, and strengthened the comprehensive risk management system, which further optimized the business structure with stable asset quality, results of operation grew steadily

1 Steady growth in profits and stable return for the shareholders

- ◆ Net profit attributable to equity shareholders amounted to RMB28,088 million, representing a y-o-y increase of 3.18%
- ◆ Weighted average ROE and ROAA was 16.23% and 0.98%, representing a decrease of 1.26 and 0.15 percentage points year-on-year respectively
- ◆ Operating income was RMB69,904 million, of which net non-interest income amounted to RMB28,789 million; Non-interest income accounted for 41.18% of operating income, representing a y-o-y increase of 2.48 percentage points
- ◆ Basic earning per share was RMB0.77, representing a y-o-y increase of RMB0.02. Net assets per share attributable to ordinary shareholders was RMB9.71, increased by RMB0.59 as compared with the end of the previous year
- ◆ Cost-to-income ratio was 25.12%, with operating expense of RMB18,314 million, representing a y-o-y decrease of 2.18% if excluding the impact of tax and surcharge

2 Proactive adjustment in business size and continuous optimization of business structure

- ◆ Total assets amounted to RMB5,767,209 million, representing a decrease of 2.18% as compared with the end of the previous year
- ◆ Gross loans and advances to customers amounted to RMB2,706,294 million, representing an increase of 9.94% as compared with the end of the previous year. It accounts for 46.93% of the total assets, representing an increase of 5.17 percentage points as compared with the end of the previous year
- ◆ Total deposit amounted to RMB3,023,127 million, representing a decrease of 1.92% as compared with the end of the previous year; of which savings deposit accounted for 18.10%, representing an increase of 0.56 percentage points as compared with the end of the previous year
- ◆ Net investment balance of trading and banking books amounted to RMB2,061,332 million, representing a decrease of 6.60% as compared with the end of the previous year
- ◆ The number of domestic corporate customers with deposits reached 914.4 thousand¹, representing an increase of 8.96% as compared with the end of the previous year

3 Proactive implementation of transformation and reforms and continuous breakthroughs in business innovation

- ◆ Total outstanding corporate loans (including discounted bills) amounted to RMB1,683,092 million¹ and corporate deposit balance amounted to RMB2,438,437 million¹
- ◆ Balance of financial assets of retail customers under management amounted to RMB1,368,573 million¹, representing an increase of 8.44% as compared with the end of the previous year; retail loans amounted to RMB1,007,119 million¹, representing an increase of 13.27% as compared with the end of the previous year
- ◆ Interbank liabilities amounted to RMB1,267,356 million¹, scale of wealth management products was RMB1,210,208 million¹, asset custody balance was RMB7,322,309 million¹
- ◆ The number of mobile banking transaction was 229 million¹, representing a y-o-y increase of 13.93%; transaction amount came in at RMB4.68 trillion¹, representing a y-o-y increase of 20.62%; the total subscription volume of Ru Yi Bao was RMB1,717,433 million¹
- ◆ Steadily expanded its overseas business platforms including Hong Kong Branch and CMBC International; total assets of the Hong Kong Branch amounted to HK\$183,764 million, and the net profit was HK\$751 million, representing a y-o-y increase of 35.32%; CMBC International had a total assets of RMB10,731 million, and the net profit amounted to RMB77 million, representing a y-o-y increase of RMB158 million

4 Enhanced awareness of risk control and stable asset quality

- ◆ The impaired loans ratio was 1.69%, the provision coverage ratio was 153.33%, and the provision for total loans ratio was 2.58%

Note:

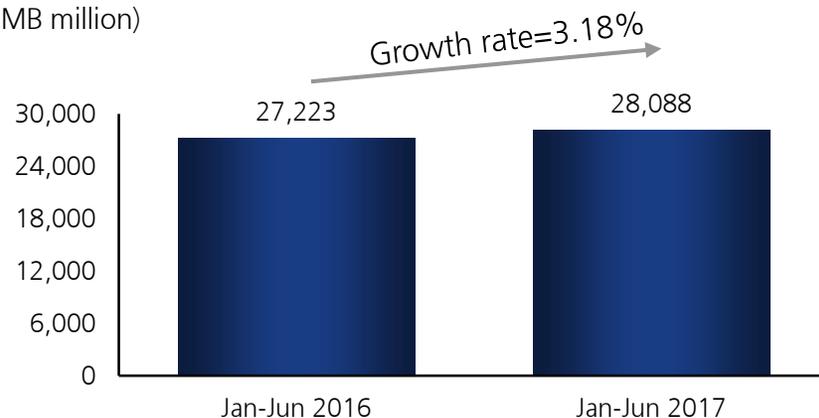
1 Bank standalone

Steady profit growth and stable return to shareholders

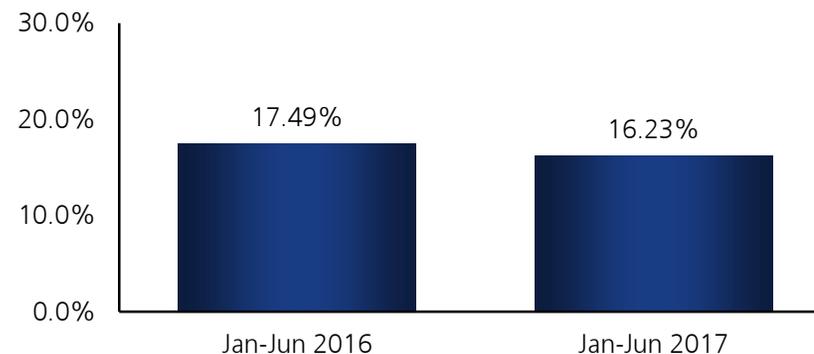


Net profit attributable to equity shareholders of the Company

(RMB million)



Weighted average ROE (annualized)



Basic earnings per share

(RMB)



ROAA (annualized)



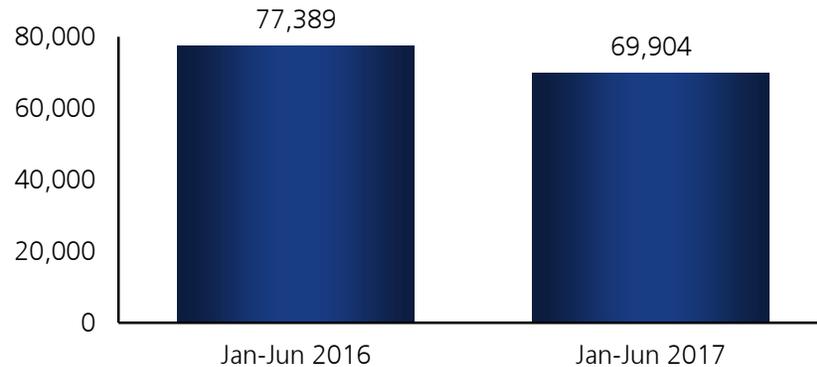
Source: Company interim report

Continuous optimization of revenue structure and stable operation efficiency

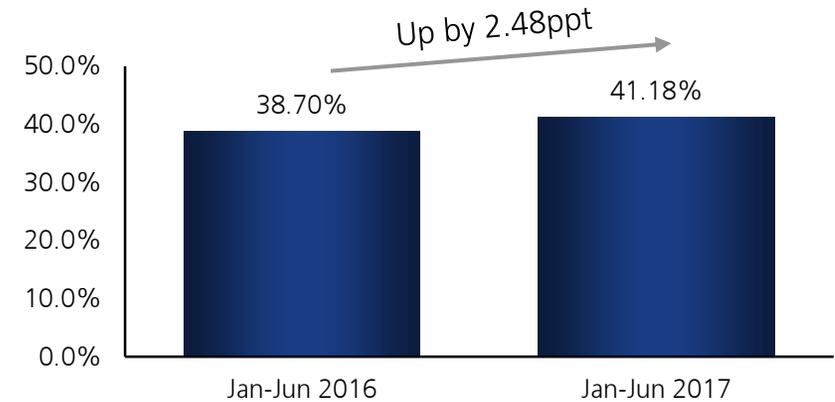


Operating income

(RMB million)

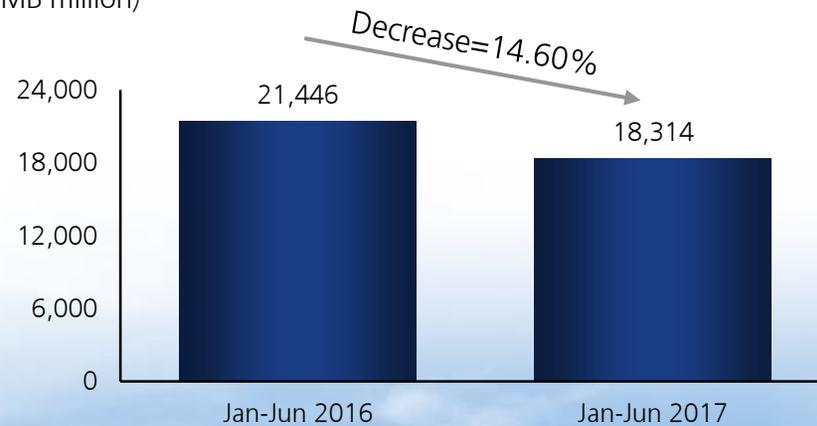


Net non-interest income as % of operating income



Operating expense

(RMB million)



Cost-to-income ratio¹



Source: Company interim report

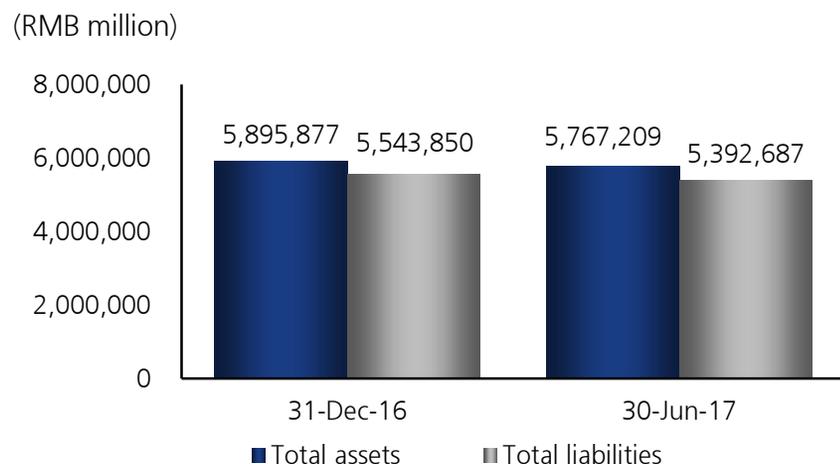
Note:

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

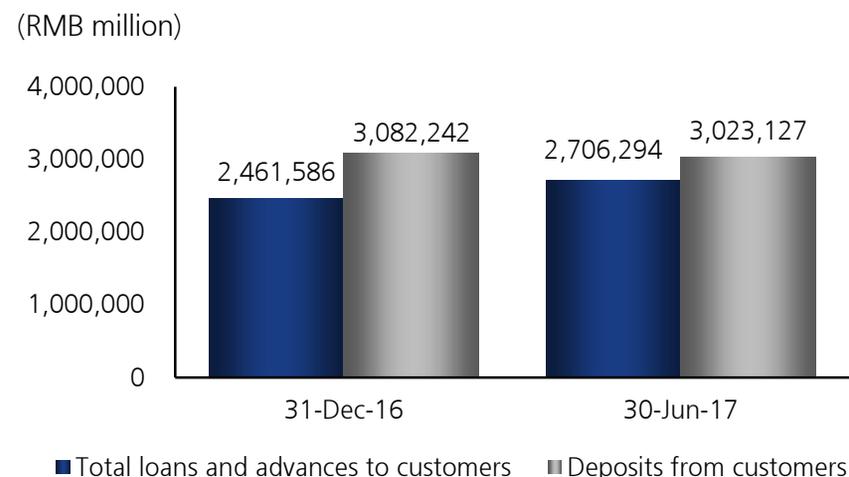
Proactive adjustment in business size and continuous optimization of business mix



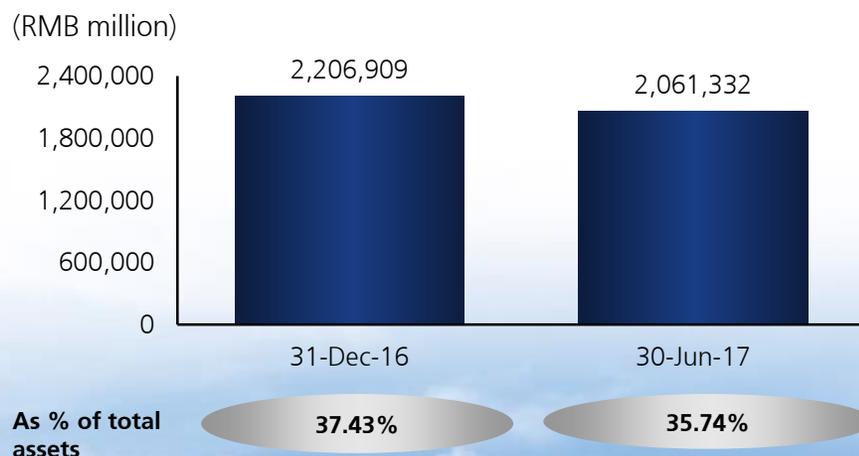
Total assets and total liabilities



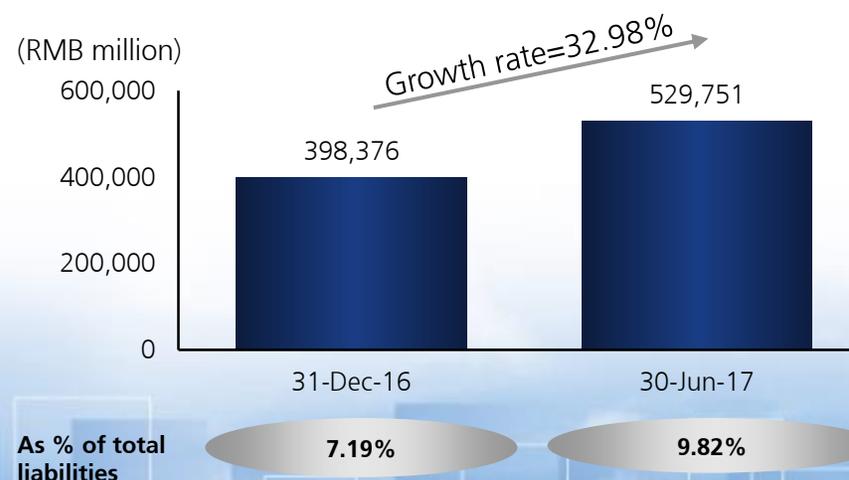
Total loans and advances to customers and deposits from customers



Net investment balance of trading and banking books



Total debt securities issued



Source: Company interim report and annual report

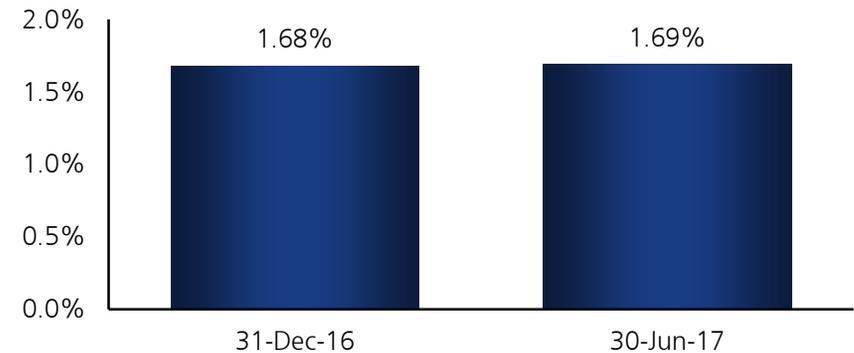
Continually enhanced risk awareness and stable asset quality



Adopt measures actively to control asset quality

- ◆ Proactively adjusting loan distribution, and continuously optimizing asset structure in line with the national macroeconomic policies and industrial policies and latest regulatory requirements
- ◆ Greater efforts were exerted to direct the distribution of loans, enhance screening of customer admittances, and set up stricter credit approval criteria in order to mitigate credit risks from the origins
- ◆ Strictly controlling the risk of new credit extension. Increasing the guidance for credit extension, developing the foundation for client access and strictly carrying out the credit approval work
- ◆ Further enhancing collection and disposal of impaired loans by concurrently implementing various measures, and actively exploring and implementing new recovery methods, in order to improve the efficiency of collection and disposal
- ◆ Enhancing risk early-warning and post-loan risk supervision, promoted the construction of a risk early-warning system, and established a regular monitoring and inspection system
- ◆ Strengthening training programs to improve the professional skills and comprehensive qualities of the risk management team and foster the philosophy of compliant operation

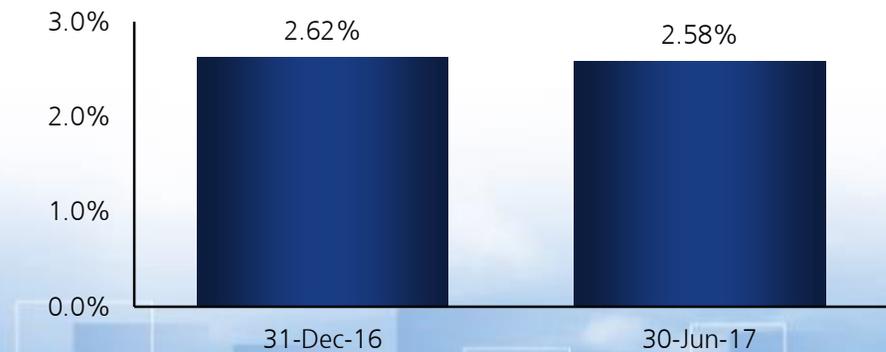
Impaired loans ratio



Provision coverage ratio



Provision for total loans ratio

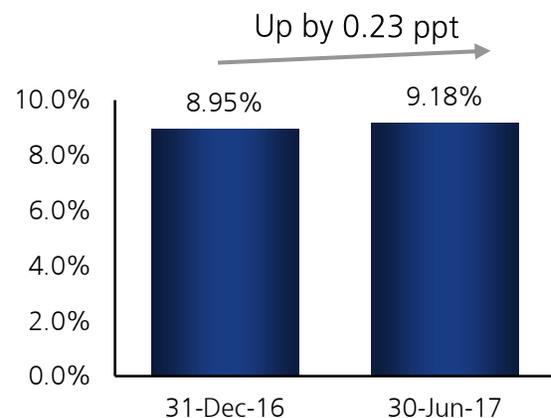


Source: Company interim report and annual report

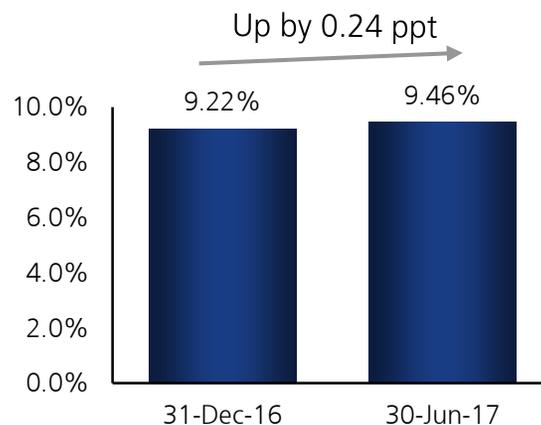
Continuous replenishment of capital and improvement in liquidity



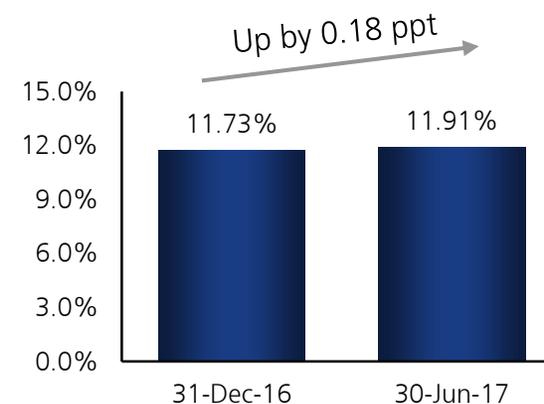
Core tier-one capital adequacy ratio¹



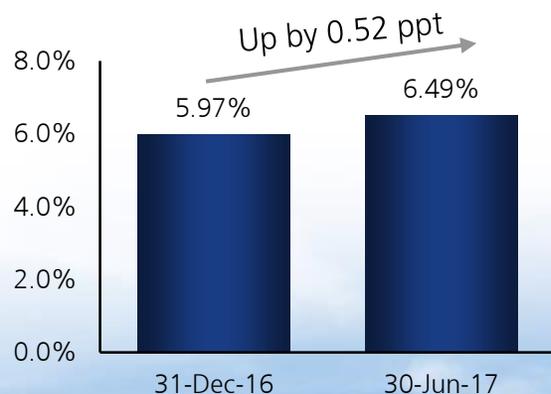
Tier-one capital adequacy ratio¹



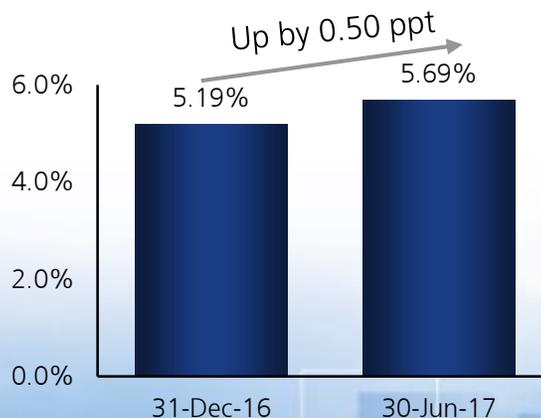
Capital adequacy ratio¹



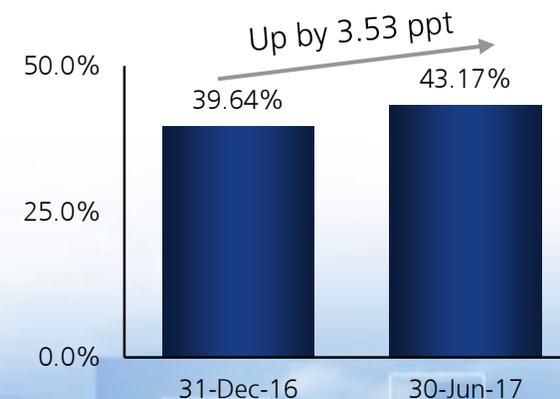
Total equity to total assets ratio



Leverage ratio²



Liquidity ratio^{1,3}



Source: Company interim report and annual report

Note:

1 Calculated in accordance with the Administrative Measures for Capital of Commercial Banks (Provisional) which became effective on 1 January 2013 and other relevant regulatory requirements

2 Calculated in accordance with the Administrative Measures for Leverage Ratio of Commercial Banks (Amended) (Order of CBRC [2015] No.1)

3 Bank standalone

Outstanding brand influence



China Securitization Forum
Investment Banking — “Emerging Enterprises
Award of the Year”
“Top 10 Transaction of the Year”



The Chinese Banker
Transaction Bank —
“Top 10 Innovative Financial Products”



China Banking Association
Transaction Bank —
“Best Supply Chain Financial Bank”



JCB
Transaction Bank —
“The Most Creative Award of 2016”



Credit Card —
“Industry Influence Brand of China Consumer
Market”



VISA
Credit Card Center—
“The Best Innovative Product Design
Award”

Source: Company interim report

Agenda



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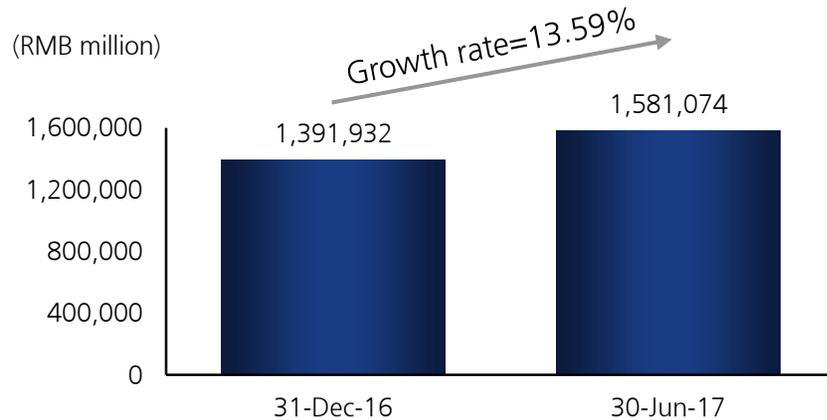
Outlook

Strengthened corporate banking business and reinforced professional capabilities

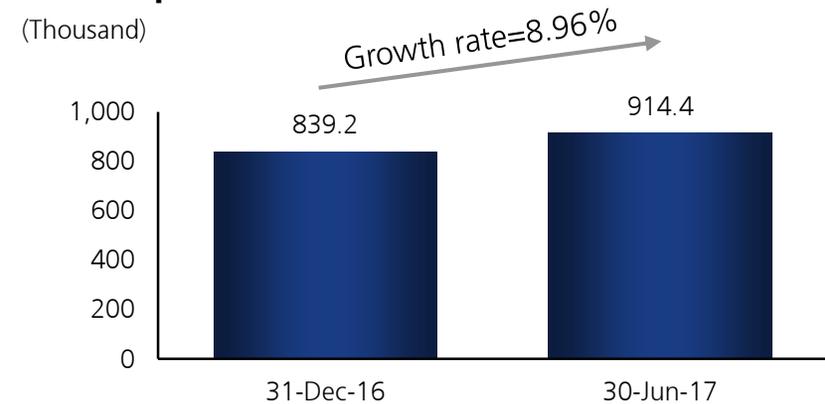


We adopted “one hand on operational development and the other on transformation and improvement” as the two major strategies, strove to build up “a scenarized commercial bank”, “a user-friendly transaction bank” and “a customized investment bank” as the three business characteristics, and further strengthened its corporate banking business

Balance of general corporate loans¹



The number of domestic corporate customers with deposits¹



Four focused areas of investment banking business

- ✓ Streamlined organizational structure and management system were established to fulfill the requirements of investment banking business
- ✓ Focusing on four major segments including the medical and healthcare industry, cultural, entertainment and consumption segment, , high-end manufacturing and information technology as well as government and investment institutions
- ✓ Established four major business lines, including private placement, mergers, acquisitions and restructuring, pre-IPO investment and financing, and industry (government) funds
- ✓ Developed an investment banking business system featuring debt financing and asset securitization as the core products

Transformation and upgrade of integrated development model of transaction banking business

- ✓ Developed the innovative supply-chain financial service model and rapidly expanded its online corporate financing business
- ✓ Enhanced innovation on customized settlement and cash management products, which effectively expanded the customer base
- ✓ Optimized the performance of deposit value-added products and enhanced quality of online services
- ✓ Adapted to the changes to the external environment, and encourage rapid expansion of international business
- ✓ Progressively innovated products covering the whole value chain to push forward the transformation and development of its trade finance and factoring business

Source: Company interim report and annual report

Note:

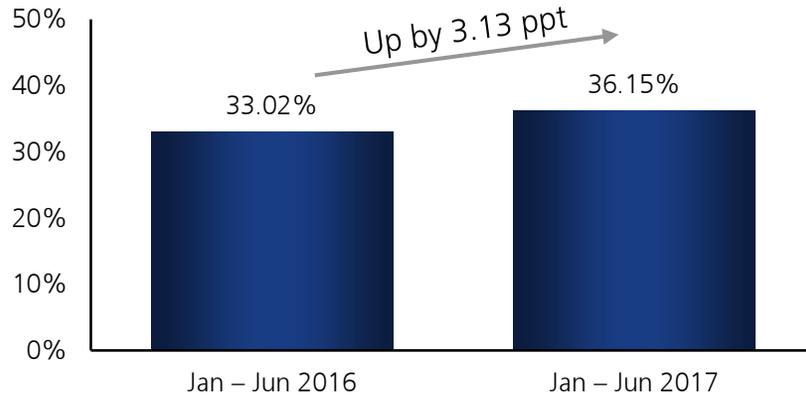
1 Bank standalone

Rapid growth in retail banking business and customer size

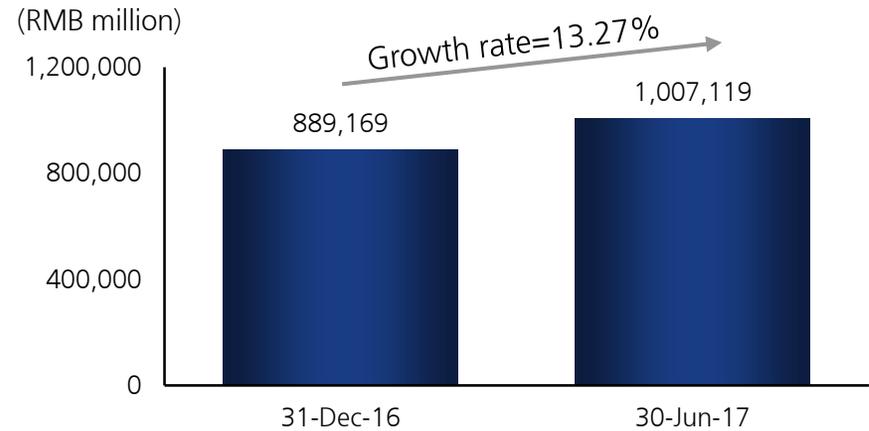


We enhanced the analysis and studies on the economic situation and market environments to timely adjust the strategies and measures for retail operation, adhered to the principle of income growth and focused on establishing an operating system and wealth management system for its customers

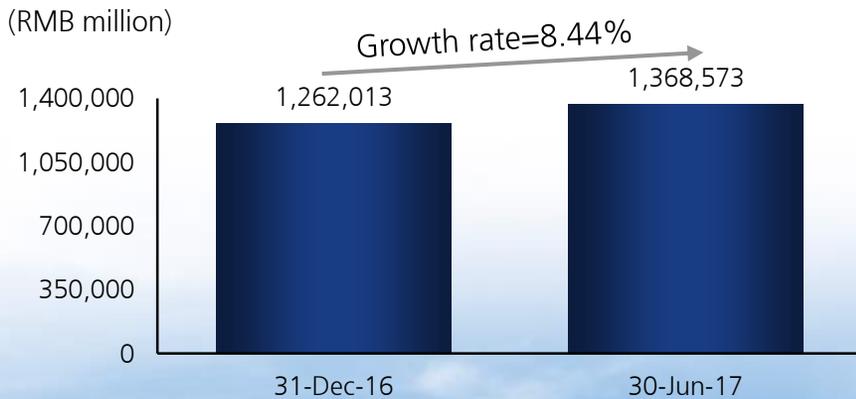
Net operating income from retail business as % of operating income of the Company¹



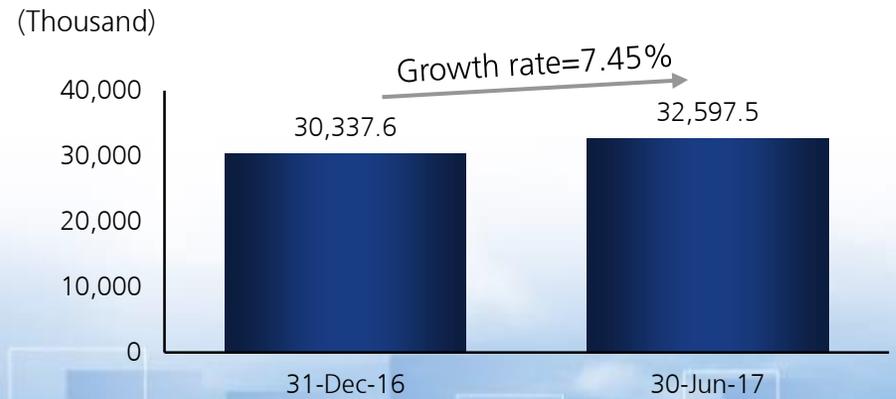
Balance of retail loan¹



Financial assets of retail customers¹



Number of retail customers with existing deposits¹



Source: Company interim report and annual report

Note:

1 Bank standalone

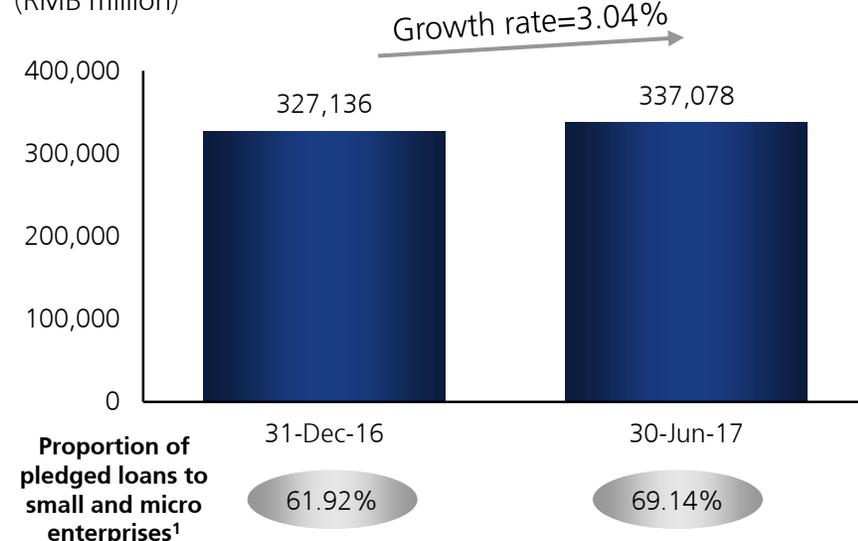
Transformation and upgrade of development model of small business finance, and push forward the upgrade of community financial business model



Continued to implement its "small business finance strategy", enhanced the operation for classified groups of customers, optimized structure of its asset business; improved distribution of the community outlets and focused on efficiency management of the outlets in order to improve the quality of its community financial services

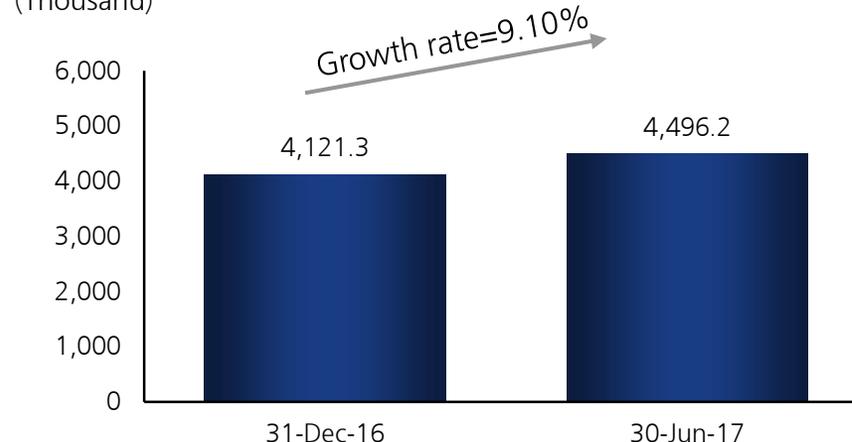
Loans to small and micro enterprises¹

(RMB million)



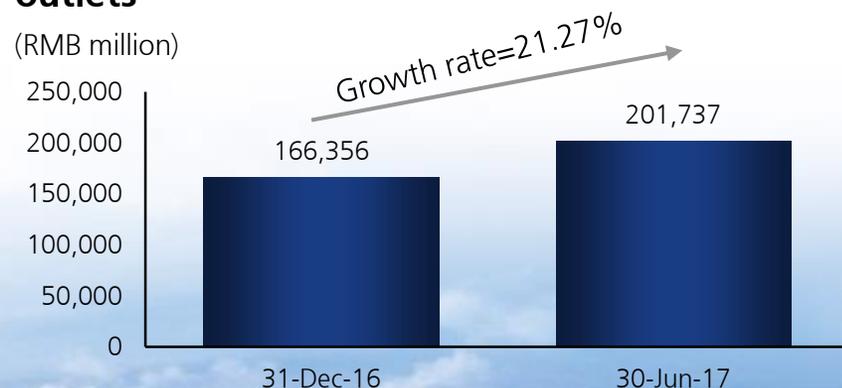
Number of small and micro enterprises customers¹

(Thousand)



Financial assets balance of the community outlets¹

(RMB million)



Number of customers of community outlets¹

(thousand)



Sources: Company interim reports and annual reports

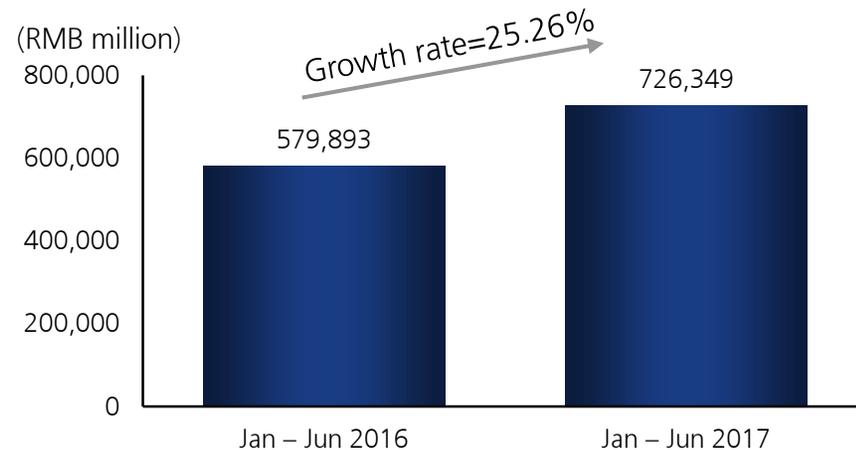
Note:
1 Bank standalone

Innovatively developing the credit card business and private banking business of its own features

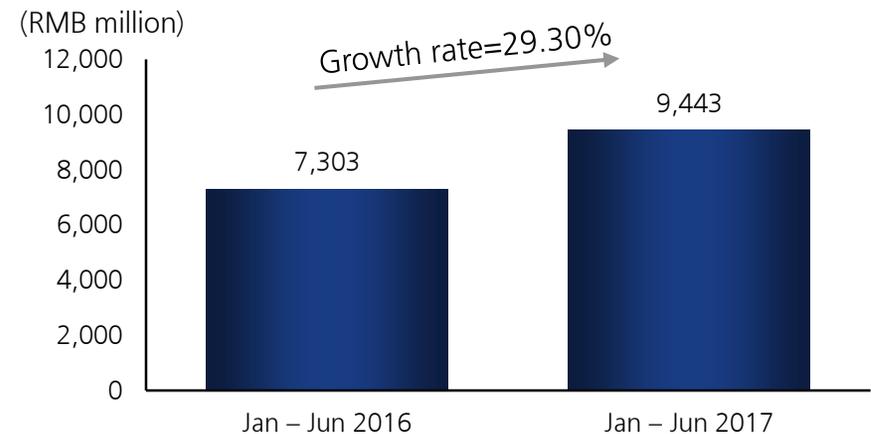


Adhering to its philosophy to maintain market-oriented operation and pursue innovation, we recorded stable growth in the business of credit cards; the private banking business established the service philosophy of "One Major and Three Accessibility", majored in the wealth management business, and supported by "investment banking +", globalization-oriented and "Internet +"

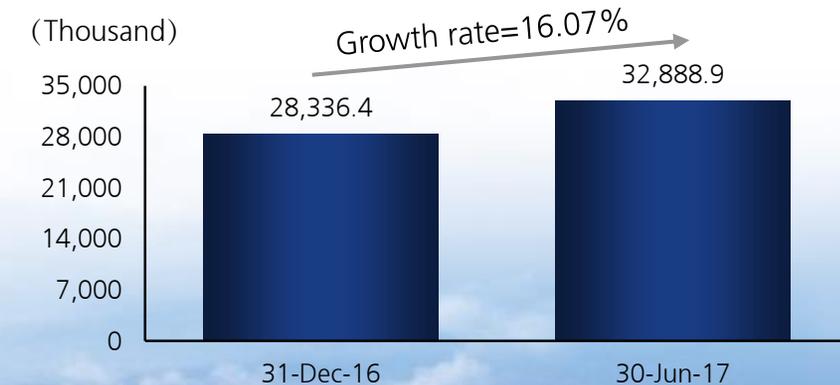
Transaction volume of credit card business¹



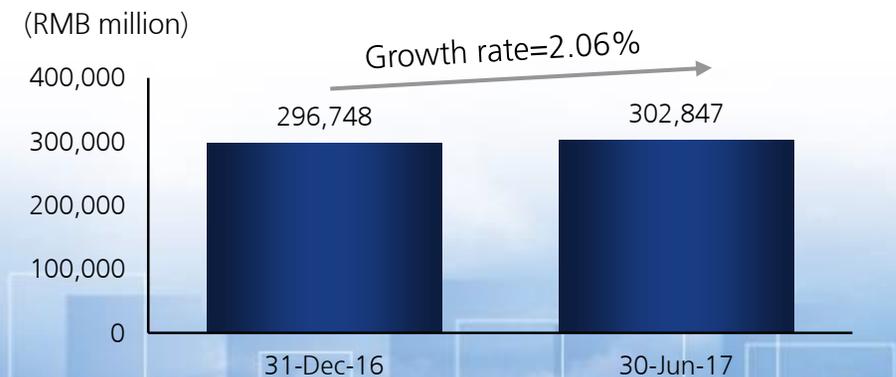
Net non-interest income from credit card business¹



Number of credit cards issued¹



Private banking financial assets under management¹



Sources: Company interim reports and annual reports

Note:
1 Bank standalone

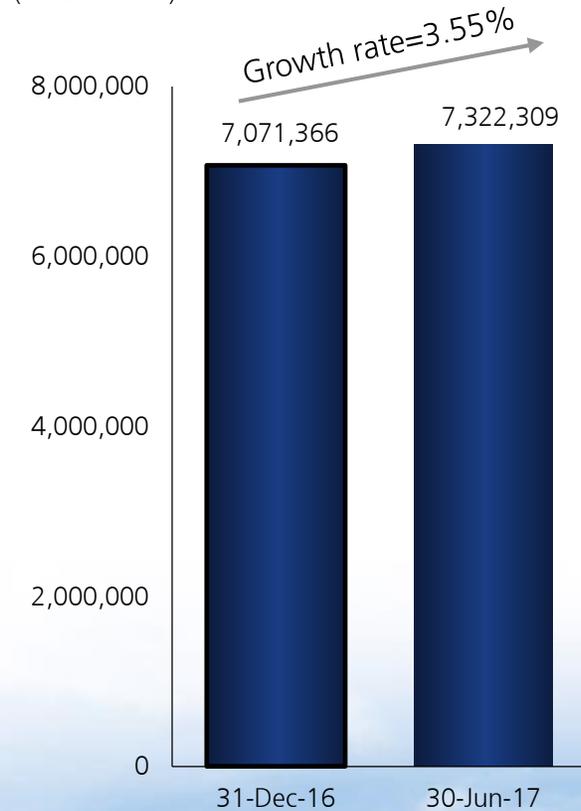
Optimized financial markets business to continuously increase profitability



For interbank business, we targeted on core customers and enhanced management on customer marketing plans; for wealth management business, we expanded the customer bases of retail banking and corporate banking with more diversified product offerings of wealth management; high attention was paid to asset custody business by continuing to develop business cooperation platform in response to the market changes

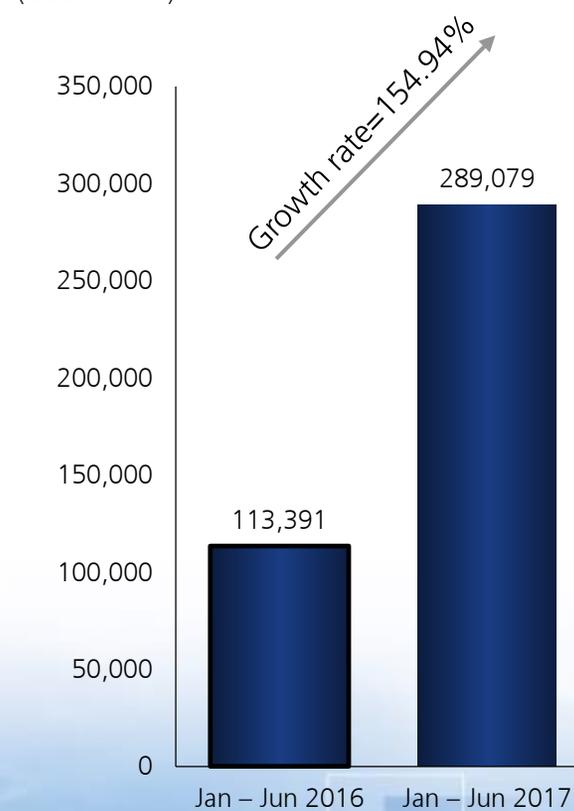
Asset custody balance¹

(RMB million)



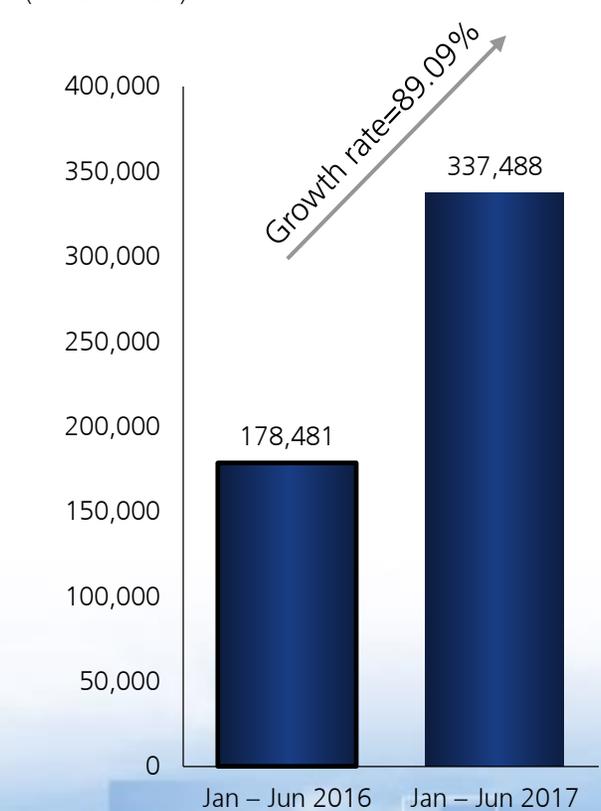
Transaction volume of domestic spot settlement¹

(USD million)



Trading value of precious metals¹

(RMB million)



Sources: Company interim reports and annual reports

Note:
1 Bank standalone

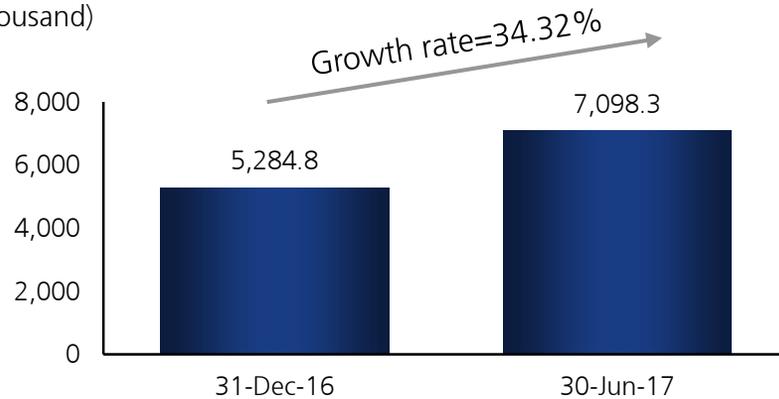
Expanded internet finance business and developed an internet finance ecological circle



We seized the market opportunities and applied cutting-edge financial technologies. Through focusing on the innovation of internet financial platforms, products and services such as direct banking, mobile banking, online payment, WeChat banking and online banking according to the customers' needs, we further enhanced customers' experience

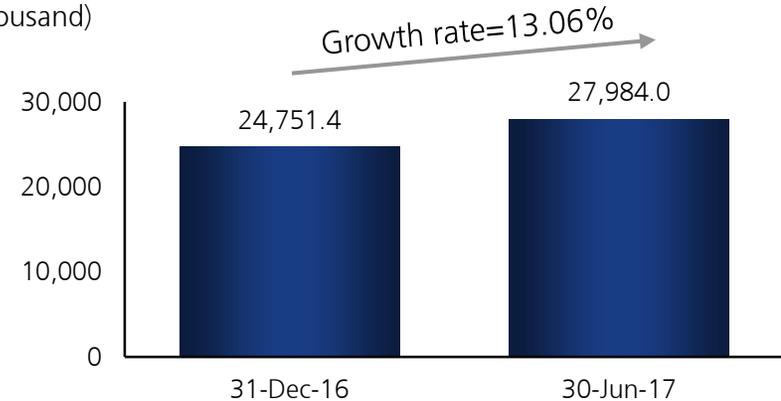
Number of direct banking customers¹

(Thousand)



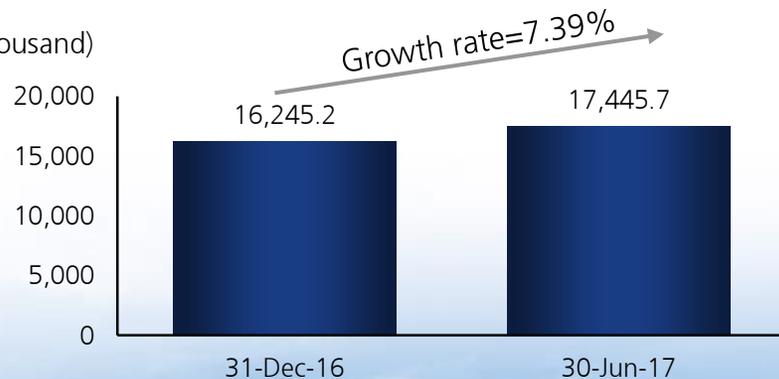
Number of mobile banking customers¹

(Thousand)



Number of personal online banking customers¹

(Thousand)



WeChat banking business further improved

- ✓ Continued to optimize the functions of WeChat banking and provided its customers with three major financial and life circle services
- ✓ Upgraded the functions of instant account update and developed cloud accounts
- ✓ An official WeChat account of the Bank was set up to serve as the integrated operation and management platform, forming the social circle and customer referral system
- ✓ The number of customers using the Company's WeChat banking service amounted to 21,588.6 thousand, ranking top among all peers

Sources: Company interim reports and annual reports
 Note: 1 Bank standalone

Steadily promoted international development strategy and expanded overseas layout

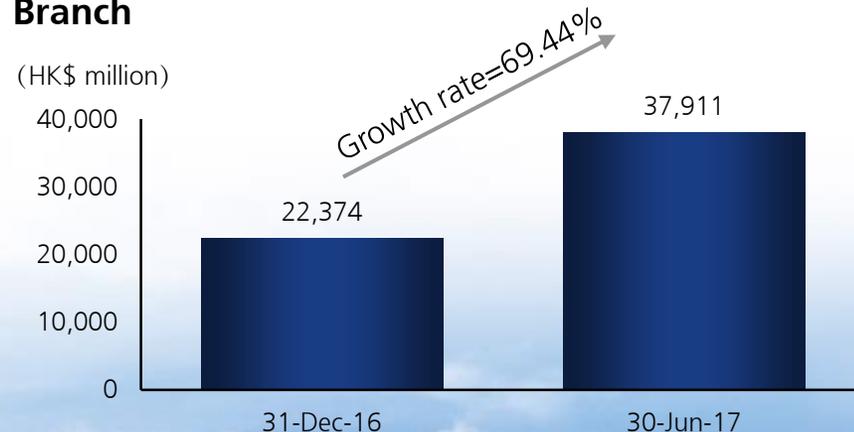


As an important overseas platform, CMBC Hong Kong Branch proactively implemented the strategy of “strengthening corporate banking, expanding retail banking and optimizing financial markets business” by focusing on three major business segments, seized market opportunities and favorable conditions to build the brand of cross-border investment banking financial services

Further improvement of overseas platform

- ◆ The synergetic benefits from the structural adjustment of the Hong Kong Branch of the Company has been revealing progressively that all of the three major business segments, have maintained strong growth momentum with increasing asset size and operational efficiency
- ◆ Taking advantage of the high liquidity, stable assets quality and clear risk grading of the bond market, the Hong Kong Branch further expanded the investment business in bonds. During the past 12 months, the Hong Kong Branch of the Company has completed 20 underwriting projects for overseas bond issuance for customers including China Construction Bank, China Huarong Asset Management Co., Ltd., China Cinda Asset Management Co., Ltd, etc.
- ◆ The private banking and wealth management centre of the Hong Kong Branch has significantly extended the scope of services from private banking to middle- to high-end wealth management. Furthermore, the Hong Kong Branch has further capitalized its domestic and international collaborations and established an effective integrated customer service system, in order to provide its customers with various integrated financial services
- ◆ As of the first half of 2017, the Hong Kong Branch of the Company had total assets of HKD183,764 million, among which, deposits and placements with other banks amounted to HKD71,682 million, corporate loans amounted to HKD70,927 million and investment bonds amounted to HKD37,911 million, respectively. It had total liabilities of HKD183,272 million, among which deposits and placements from other banks and financial institutions amounted to HKD94,018 million, corporate deposits amounted to HKD59,449 million, issuance of certificates of deposit amounted to HKD14,280 million and medium term notes amounted to HKD8,563 million, respectively

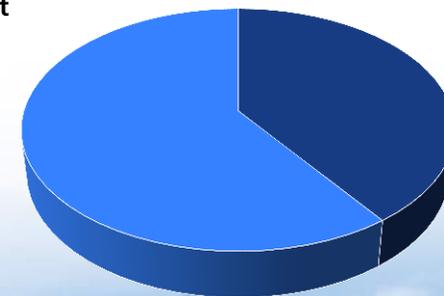
Balance of bond investment and business related to the standard structural bills of the Hong Kong Branch



Sources: Company interim reports and annual reports

Hong Kong Branch 2017 H1 operating income breakdown

Net interest income
HK\$669m
60.2%



Net non-interest income
HK\$442m
39.8%

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2017 H2 outlook



We will adhere to our major principles and formulate strategic plans, take actions and work according to the actual situations. In pursuit of serving the real economy, we will focus on enhancing quality and efficiency of business development, keep abreast of economic and financial situations when accelerating its strategic transformation and business restructuring. We will also proactively develop new businesses, strengthen fundamental management and implement reform and innovation to foster an integrated corporate culture under its new blueprint of sustainable and stable development. Specific measures are as below:



- 1 Taking asset and liability management as the leading role, we will endeavor to promote coordination of its three segments including corporate banking, retail banking and financial markets business as well as synergy between the Company and its subsidiaries
- 2 The corporate banking business will be strengthened by optimizing the customer base and classified customer management. The composition of sectors and geographical distribution will also be refined by seizing business opportunities in investment banking and transaction banking
- 3 We will expand its retail banking business by building up a collaborative development mechanism and creating a new pan-retail system, foster a financial ecosystem to boost the channel efficiency
- 4 Great effort will be made to optimize the financial markets business by establishing a first-class cross-market, cross-industry and cross-border platform that provides integrated services for financial markets in order to accelerate the transformation into an integrated bank with high efficiency and low costs
- 5 To promote the internet finance business, we will promote the implementation of internet strategies, accelerate digitalization, develop the Minsheng internet finance ecological circle which combines traditional vertical businesses with emerging horizontal businesses and become a "future bank (未來的銀行)"
- 6 We will promote an integrated operation, aiming to develop as a banking group with full set of licenses covering trust, insurance, securities, asset management and investment banking businesses with deeply rooted "One Minsheng (一個民生)" strategy
- 7 In accordance with the strategy of following market trend, the Company will endeavour to expand its global network in terms of institutions, businesses and talents to enhance global competitiveness
- 8 Adhering to the core mission, we will continue to focus on serving non-state-owned enterprises with featured and differentiated services in order to build its unique competitive advantages. Branches with distinctive characteristics will also be established to consolidate its core strengths in the regional market
- 9 Intelligent financing services will be developed as new and unique core competitiveness. Risk management will be implemented prudently to improve the comprehensive risk management system

Appendix: Overview of key financial indicators



Income statement highlights (RMB million, except per share data)	January to June 2017	January to June 2016	Growth rate (%)	
Operating income	69,904	77,389	↓	(9.67)
Of which: Net interest income	41,115	47,438	↓	(13.33)
Net non-interest income	28,789	29,951	↓	(3.88)
Profit before income tax	34,451	35,181	↓	(2.07)
Net profit attributable to equity shareholders of the bank	28,088	27,223	↑	3.18
Basic earnings per share (RMB)	0.77	0.75	↑	2.67

Key profitability indicators (%)	January to June 2017	January to June 2016	Change (ppt)	
ROAA (annualized)	0.98	1.13	↓	(0.15)
Weighted average ROE (annualized)	16.23	17.49	↓	(1.26)
Net interest margin (NIM)	1.40	2.01	↓	(0.61)
Net fee and commission income to total operating income	35.02	36.26	↓	(1.24)
Cost-to-income ratio ¹	25.12	23.20	↑	1.92

Balance sheet highlights (RMB million)	30 June 2017	30 June 2016	Growth rate (%)	
Total assets	5,767,209	5,895,877	↓	(2.18)
Of which: Total balance of loans and advances to customers	2,706,294	2,461,586	↑	9.94
Total liabilities	5,392,687	5,543,850	↓	(2.73)
Of which: Deposits from customers	3,023,127	3,082,242	↓	(1.92)
Equity attributable to equity shareholders of the bank	364,195	342,590	↑	6.31

Asset quality indicators (%)	30 June 2017	30 June 2016	Change (ppt)	
Impaired loans ratio	1.69	1.68	↑	0.01
Provision for total loans ratio	2.58	2.62	↓	(0.04)
Capital adequacy ratio indicators (%)²				
Core tier-one capital adequacy ratio	9.18	8.95	↑	0.23
Tier-one capital adequacy ratio	9.46	9.22	↑	0.24
Capital adequacy ratio	11.91	11.73	↑	0.18

Sources: Company interim reports and annual reports

Notes:

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

2 Calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* which became effective on 1 January 2013 and other relevant regulatory requirements



Thank You