

China Minsheng Banking Corp., Ltd. 2018 Annual Results Announcement



Disclaimer

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Outlook

Operation Overview

During 2018, the Group took proactive measures in coping with the adjustments and changes in the internal and external operating environment. According to the three major strategic positionings of becoming “a bank for the non-state-owned enterprises (“NSOEs”), a fintech-based bank and a bank of comprehensive services”, the Company adhered to the customer-centric operation philosophy and provide substantial support to the real economy. It accelerated the implementation of reform and transformation and have achieved remarkable results. The Company actively grasp business opportunities in the market in a timely manner, continued to optimise operation structure and strengthened disposals of non-performing assets. All business lines have achieved stable and healthy development with generally stable asset quality and rising profitability

1

Steady growth in profits and continuous improvement of operating efficiency

- ◆ Net profit attributable to equity shareholders of the Company amounted to RMB50,327mn, up 1.03% yoy;
- ◆ Operating income amounted to RMB154,161mn, up 8.60% yoy;
- ◆ NIM was 1.73%, up 0.23 percentage points yoy;
- ◆ Cost-to-income ratio of the Group was 30.58% , decreased by 1.66 percentage points.

2

2. Coordinated growth of asset and liability and optimisation of business structure

- ◆ Total assets amounted to RMB5,994,822mn, up 1.57% from the end of last year
- ◆ Total loans and advances to customers amounted to RMB3,056,746mn, up 9.00% from the end of last year, accounting for 50.99% of total assets, increased by 3.48 ppts from the end of last year. Of which, Loans to small and micro enterprises amounted to RMB415,564mn, up 11.33% from the end of last year
- ◆ Total deposits from customers was RMB3,167,292mn, up 6.78% from the end of the previous year. Of which, deposits from retail banking sector accounted for 18.16% of total deposits, up 1.57 ppts from the end of last year; Total interbank liabilities (including IBNCD) accounted for 28.95%, decreased by 2.95 ppts from last year end

3

Full implementation of reform and solid progress of major businesses

- ◆ The Company continued to expand customer base and consolidate business foundation. Total number of strategic NSOE customers of the Company was 354 with average daily deposits of RMB193,263mn, up 8.92% from the end of last year. Total loans to NSOEs amounted to RMB204,910mn, up 12.09% from the end of last year; The number of core customers of supply chain finance increased by 121.43% from the end of last year; The number of VIP retail customers and private banking customers recorded 2,933.0 thousand and 19,250, up 12.15% and 16.97% from the end of last year, respectively;
- ◆ The Company continued to optimise product and service structure and improving integrated operation. Total assets under custody of the Company (including various types of fund under supervision) was RMB8,714,750 million, up 12.60% from the end of last year; The number of direct bank customers reached 19,171.3 thousand with financial assets of RMB132,291 million under the Company’s management; The Company had signed contracts with 1,161.8 thousand corporate online banking customers. During the Reporting Period, the number of transactions was 99,097.3 thousand and the transaction amount was RMB57.24 trillion; Total amount of Kua Hang Tong (跨行通) transactions was RMB230,560 million, and the total amount of online payment transactions was RMB6.20 trillion

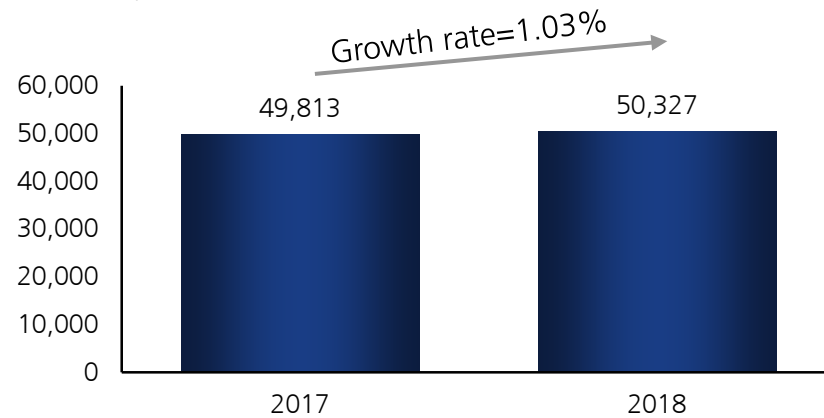
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Strengthened risk prevention and control and stable asset quality

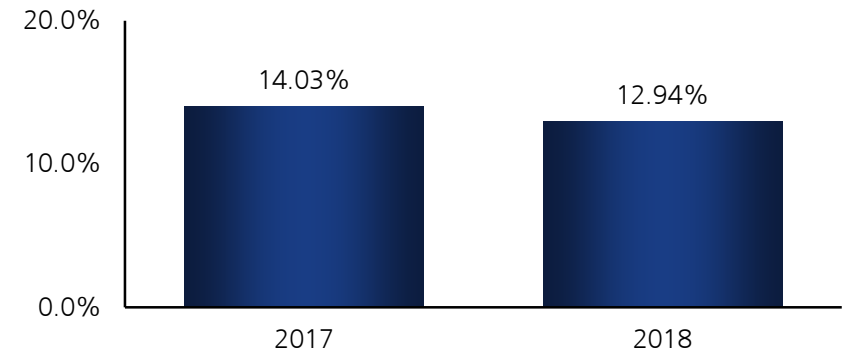
- ◆ NPL ratio was 1.76%, allowance to NPL was 134.05%; and allowance to total loans was 2.36%

Steady improvement in profitability and stable shareholder return

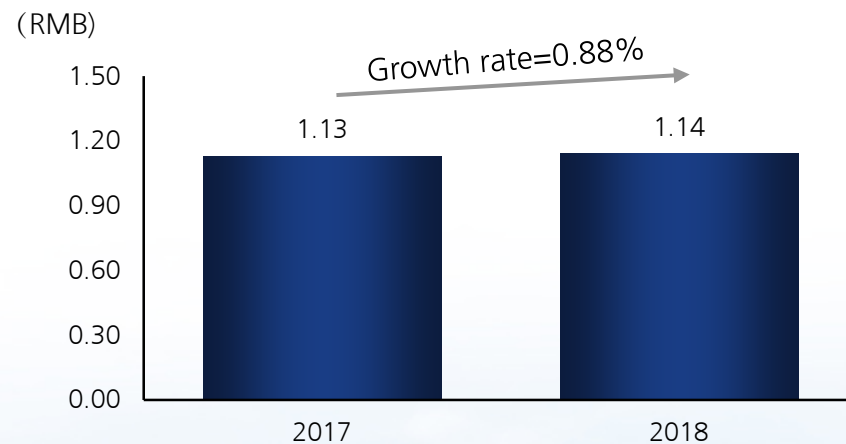
Net profit attributable to equity shareholders of the Company
(RMB million)



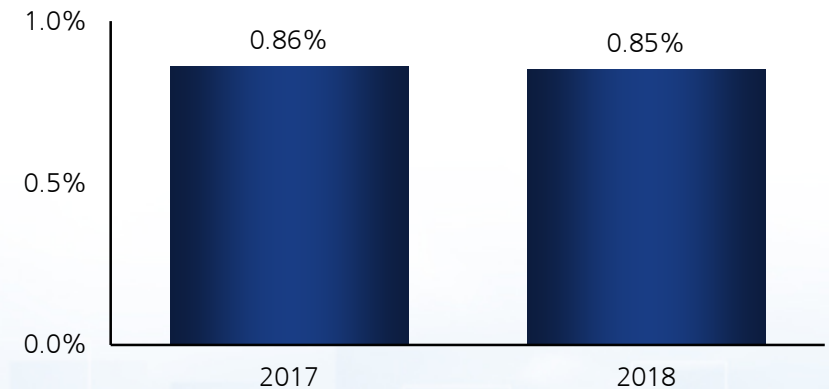
Return on weighted average equity



Basic earnings per share



Return on average assets

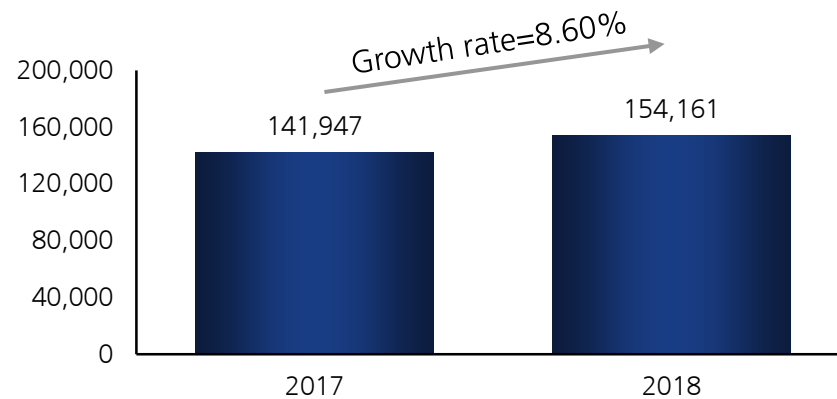


Source: Company's Annual Report

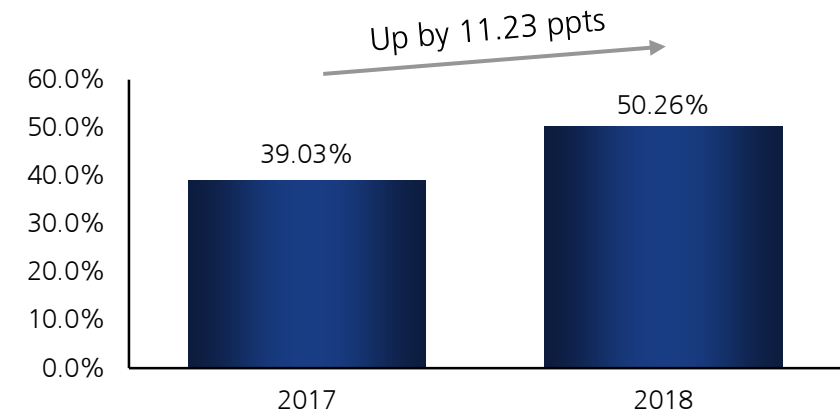
Continuous optimisation of revenue mix and improvement in operation efficiency

Operating income

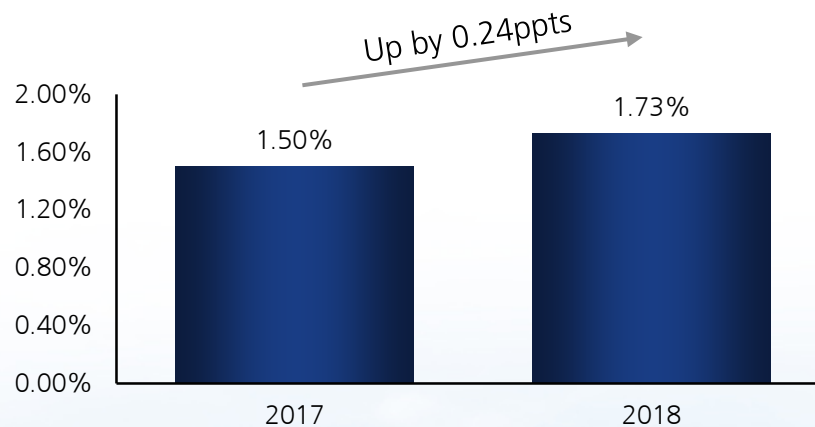
(RMB million)



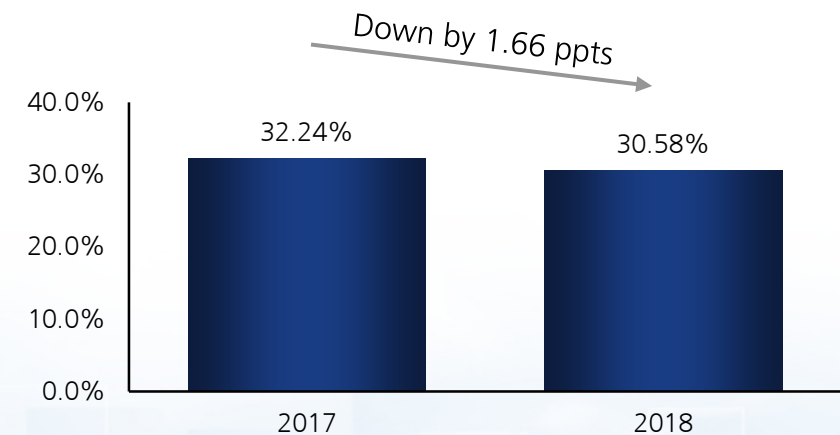
Net non-interest income as % of operating income



Net interest margin



Cost-to-income ratio¹



Source: Company's Annual Report

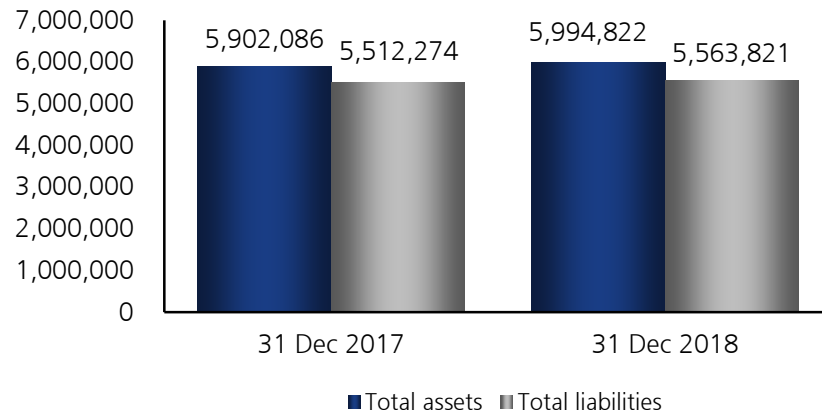
Note:

1 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

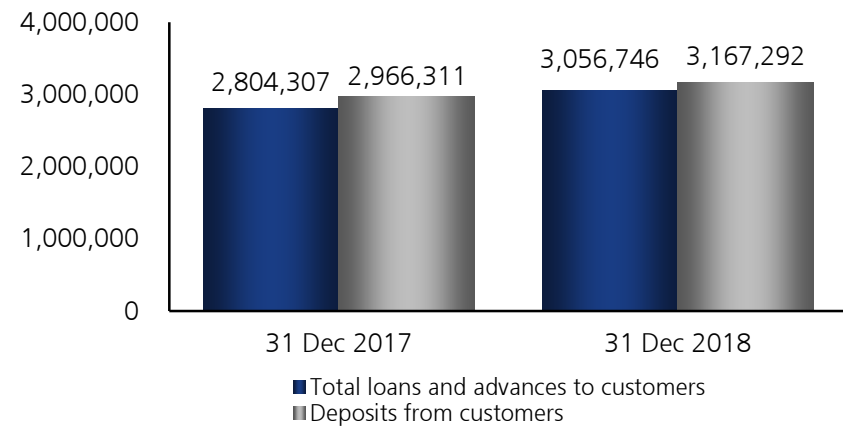
Total assets and total liabilities

(RMB million)



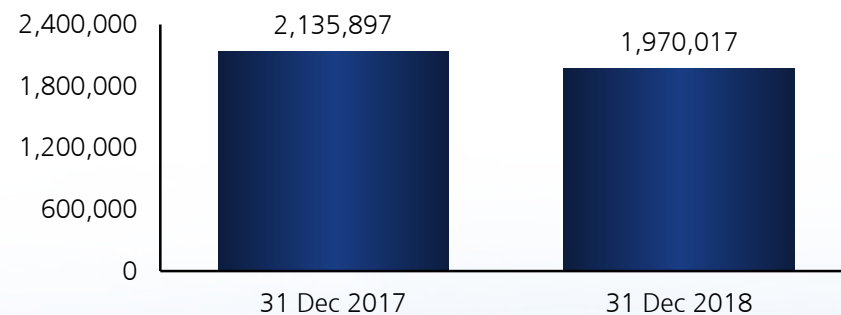
Total loans and advances to customers and deposits from customers

(RMB million)



Net investment in trading and banking books

(RMB million)



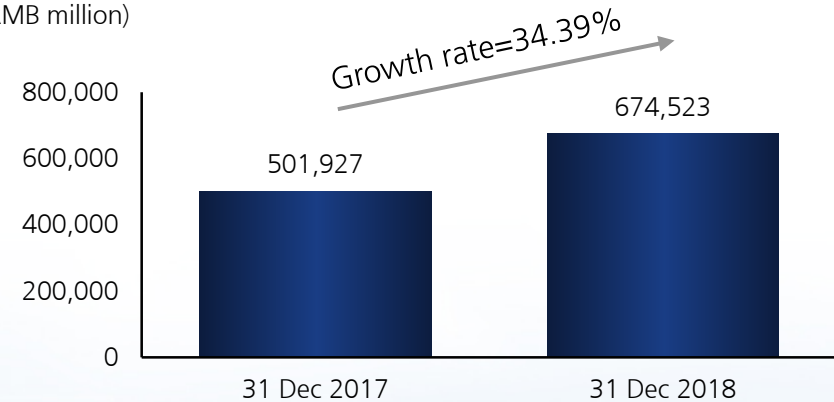
As % of total assets

36.19%

32.86%

Total debt securities issued

(RMB million)



As % of total liabilities

9.11%

12.12%

Source: Company's Annual Report

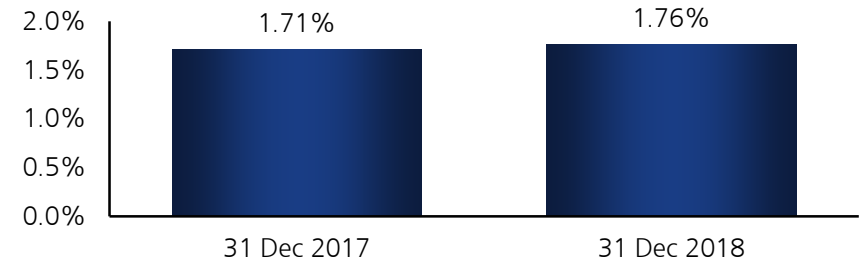
Enhanced risk management and stable asset quality

Take measures actively to consolidate asset quality

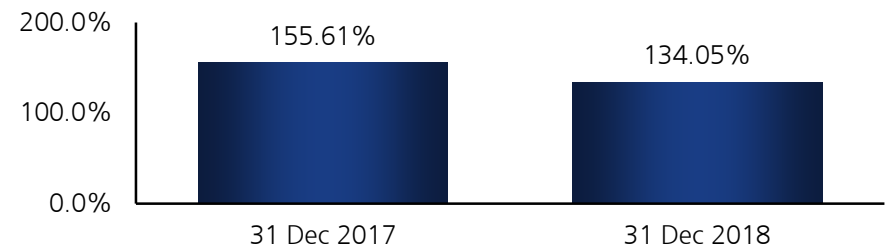
- ◆ In line with the government policies concerning macroeconomy, industries and regions, special policies to support the development of real economy as well as the latest regulatory requirements, the Company proactively adjusted loans distribution to support the development of real economy and increased financing support to NSOEs, and small and micro enterprises with risks under control.
- ◆ The Company continuously improved management policies on asset portfolios by adopting multi-dimensional risk limit management and portfolio management for different industries, customers and products and further optimised asset structure to increase the risk-adjusted return.
- ◆ Risks of new credit facilities were strictly controlled. 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.
- ◆ Risk early-warning and post-loan risk supervision were enhanced. The Company established a risk early-warning system to realise an automatic and intelligent collection, analysis and reporting of risk information. A new data-driven top-down early-warning management model with active management was set up to further strengthen the risk management of the entire process of credit risk management. Refined post-loan management was enhanced through improving differentiated post-loan management for different customers. By establishing regular risk monitoring and risk evaluation and classification mechanism for different customers and leveraging on system upgrading and technology advancements,, the capability of monitoring the implementation of post-loan management was enhanced. The Company continued to monitor risks in relation to major industries, institutions, customers and products, so as to duly carry out proper risk prevention in major aspects.
- ◆ Collection and disposal of NPLs were strengthened. Through measures including carrying out dedicated collection and disposal activities, enhancing indicator monitoring and formulating special collection and disposal plans for particular customers, the Company enhanced the efficiency of collection and disposal of NPLs by comprehensively adopting measures such as repayment collection, restructuring, transferring, foreclosing, legal action and writing-off.
- ◆ Through optimising governance and organization structure and strengthening the capability of teams, the rules and regulations have been tightened and the mechanism and procedures have been improved. The Company improved governance on irregularities in the banking industry through putting efforts in compliance inspection and rectifying problems and enhancing accountability and appraisals. In addition, the Company also took various measures to introduce and deepen the understanding of law-abiding operation and compliance management to all employees, such as strictly carrying out appraisals and providing trainings. The Company achieved remarkable results in risk prevention and mitigation, enhancing asset quality and promoting the law-abiding and compliance operation.

Source: Company's Annual Report

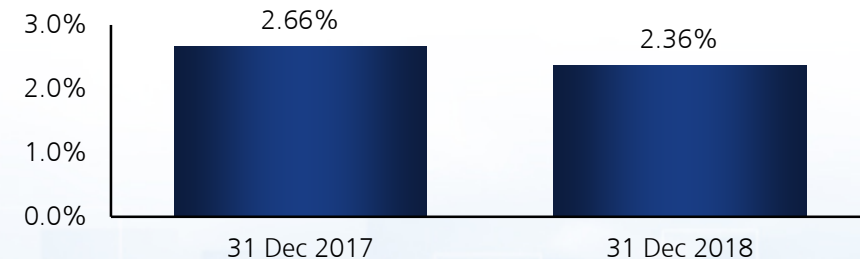
NPL ratio



Allowance to NPLs

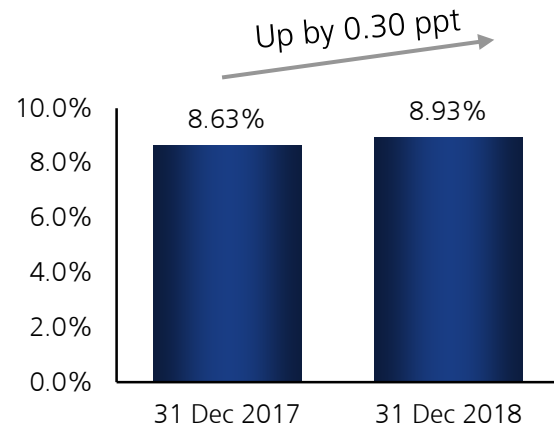


Allowance to total loans

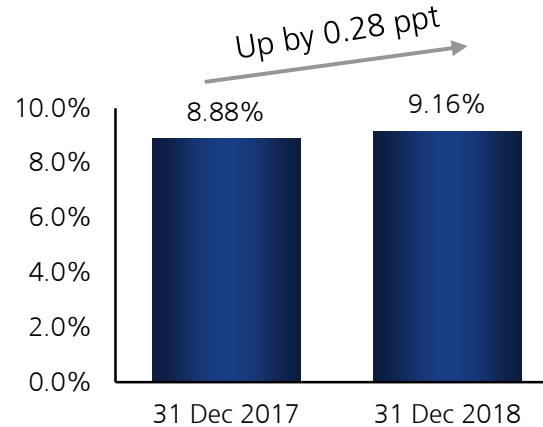


Capital adequacy ratio remains sound with improved liquidity

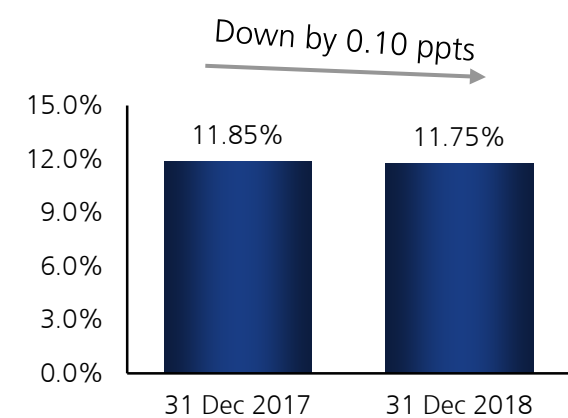
Core tier-one capital adequacy ratio¹



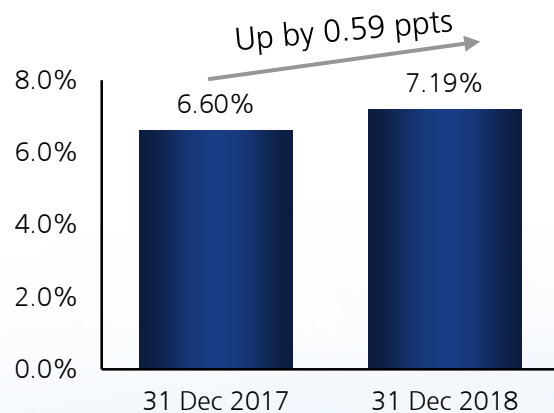
Tier-one capital adequacy ratio¹



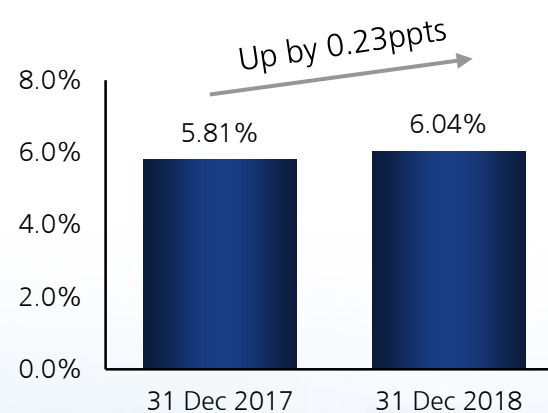
Capital adequacy ratio¹



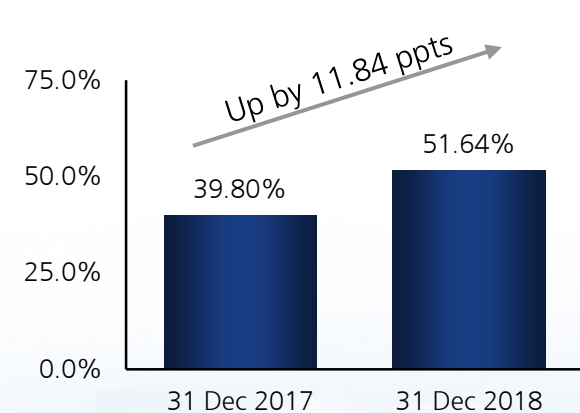
Total equity to total assets ratio



Leverage ratio²



Liquidity ratio^{1,3}



Source: Company AR

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)》) coming in force from 1 Jan 2013 and other relevant regulatory provisions
- 2 Calculated in accordance with Measures for Administration of the Leverage Ratio of Commercial Banks (Revised) (《商业银行杠杆率管理办法(修订)》) (Former CBRC Order [2015] No. 1) coming in force from 4 Apr 2015
- 3 Bank standalone

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Overview

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Operational Performance

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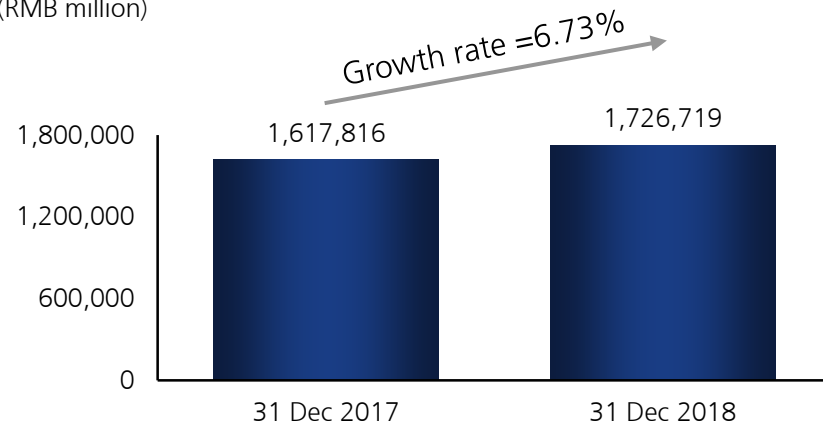
Outlook

Strengthened corporate banking business with improvement professionalism

In response to the new changes and new challenges in the 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 the NSOE strategy, strengthened differentiated management of different customers segments, improved the quality and structure of liabilities and assets, accelerated product innovation and upgrading as well as adopted the capital-effective business development path. As a result, the corporate banking business was continuously expanded with enhancing competitiveness.

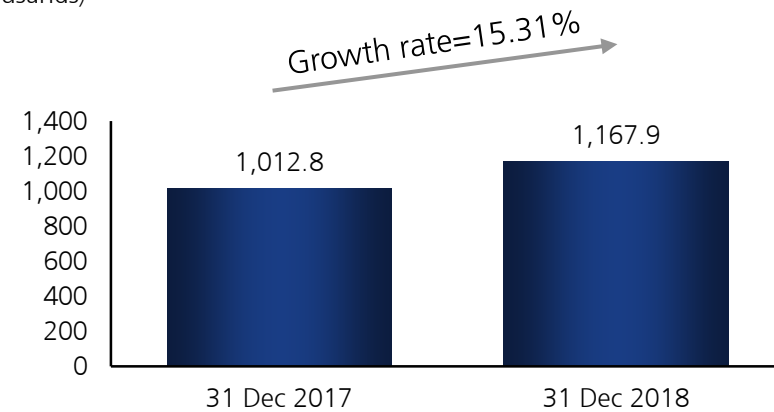
Outstanding balance of general corporate loans¹

(RMB million)



Number of domestic corporate customers with deposits¹

(Thousands)



Adoption of new investment banking business model

- ✓ The Company efficiently reformed investment banking business promoted the adoption of new investment banking business models.
- ✓ Achievements have been witnessed in key areas with the establishment of a fundamental customer base and strengthened management based on project classifications.
- ✓ Ranking of the Company among all leading underwriters in the interbank bond market rose to ninth.
- ✓ In respect of the asset securitisation, the Company continued to introduce innovative products and successfully launched the first securitisation of supply chain financing project under the "Belt and Road Initiative" in China and PPP asset-backed securitisation project for tertiary education.

Transformation and upgrading of corporate banking business driven by transaction banking

- ✓ The Company focused on the financial demands from daily production and operation of customers, improved and optimised the new transaction banking service solutions.
- ✓ The Company modified settlement and cash management business according to changes in customers' demands and further enriched its product offering.
- ✓ The international business maintained sound development with remarkable improvements in market competitiveness.
- ✓ The Company continued the upgrading of digital services to effectively improve customers' experience.

资料来源: 公司年报

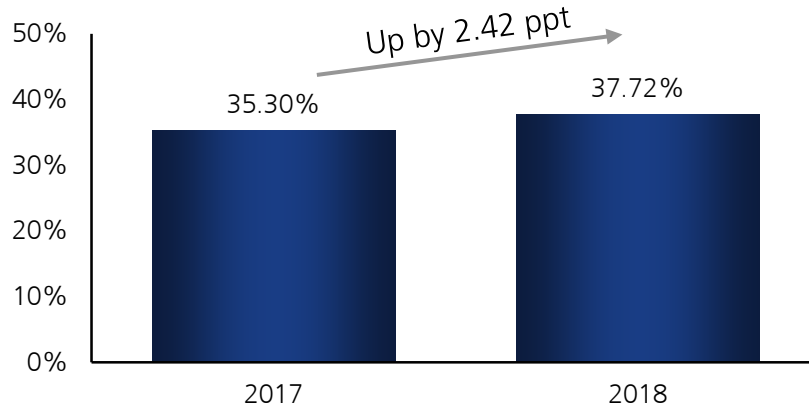
注:

1 银行口径

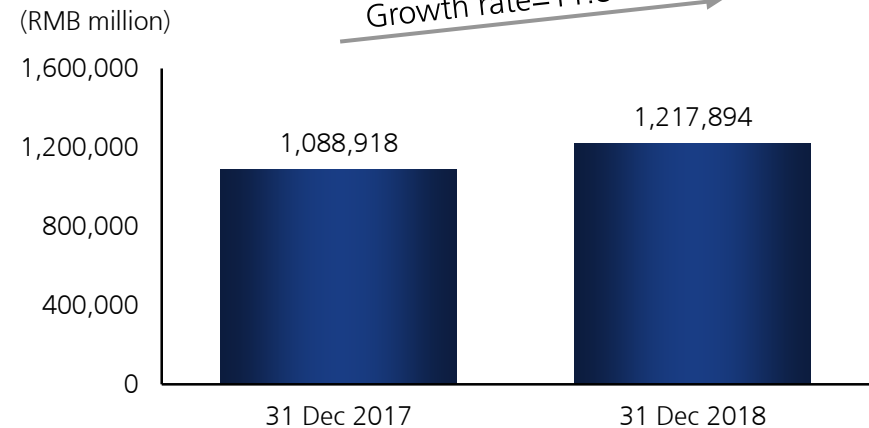
Rapid growth of retail banking business and customer base

In accordance with the strategic plan of reform and transformation, the Company steadily pressed ahead the implementation of various reforms in retail banking. Rapid increase in operating incomes from retail banking came along with high-quality development, which exemplified the effectiveness of the reform and transformation.

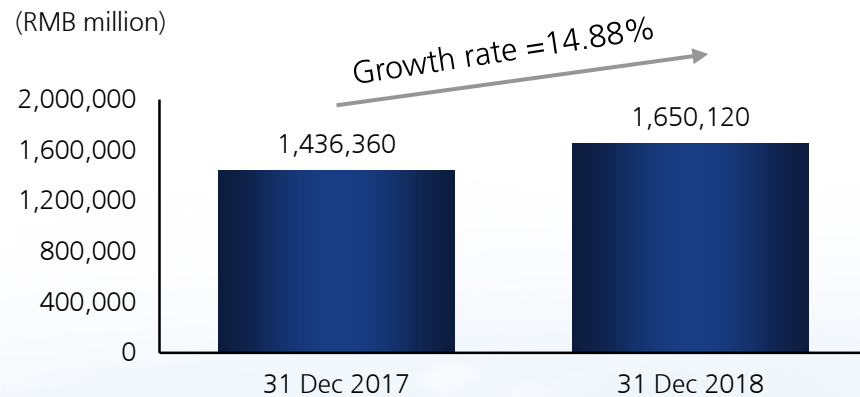
Net operating income from retail business as % of operating income of the Company¹



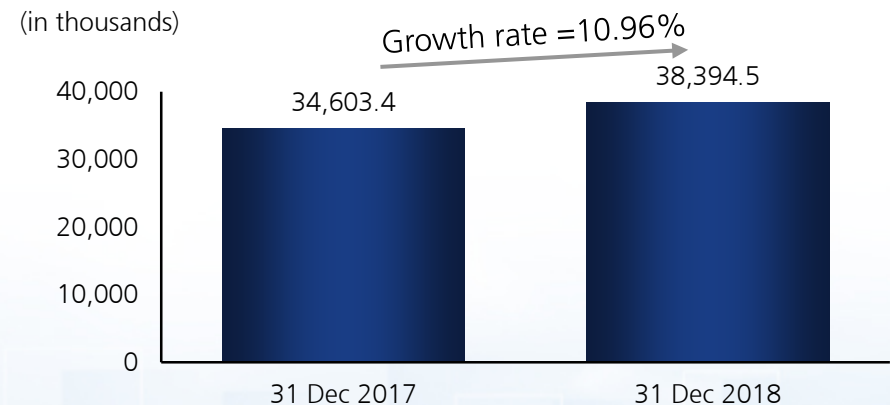
Balance of retail loans¹



Financial assets of retail customers¹



of retail customers with deposits¹



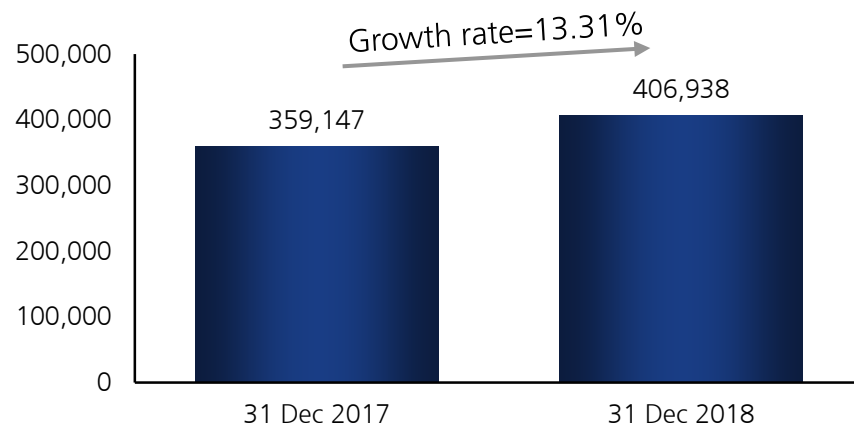
Source: Company's Annual Report
Note: 1 Bank standalone

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

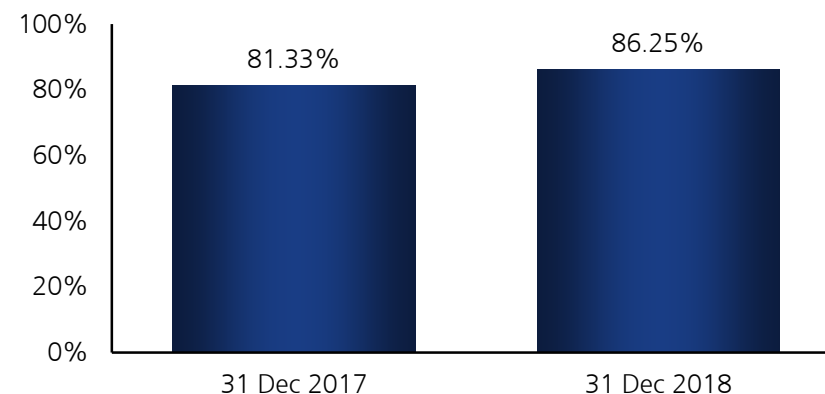
The Company further promoted the new business model of small business finance, enhanced product and service innovation, consolidated customer base and further enhanced comprehensive financial services. Loans increased significantly and sources of income were diversified. Fintech support was strengthened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

Loans to small and micro enterprises¹

(RMB million)

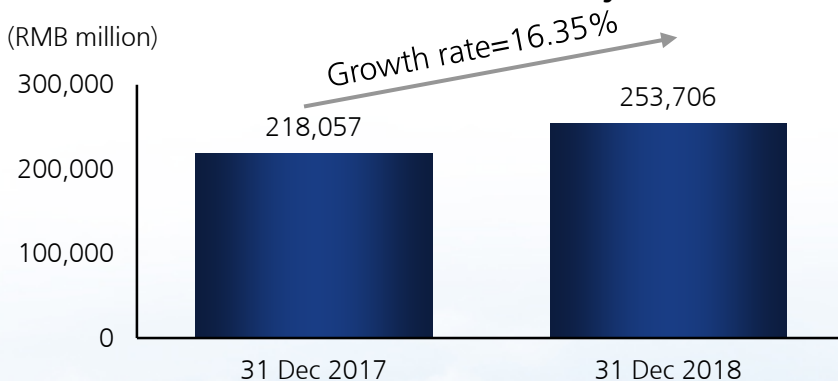


Percentage of total loans to small and micro enterprises rated grade 5 or above¹



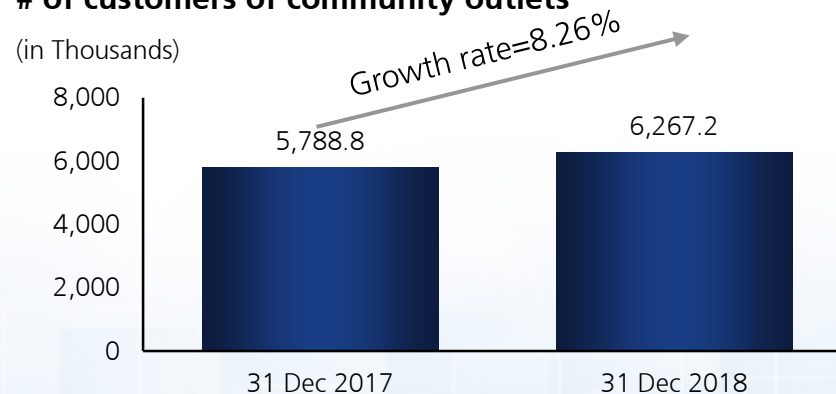
Balance of financial assets of community outlets¹

(RMB million)



of customers of community outlets¹

(in Thousands)



Source: Company's Annual Report

Note:

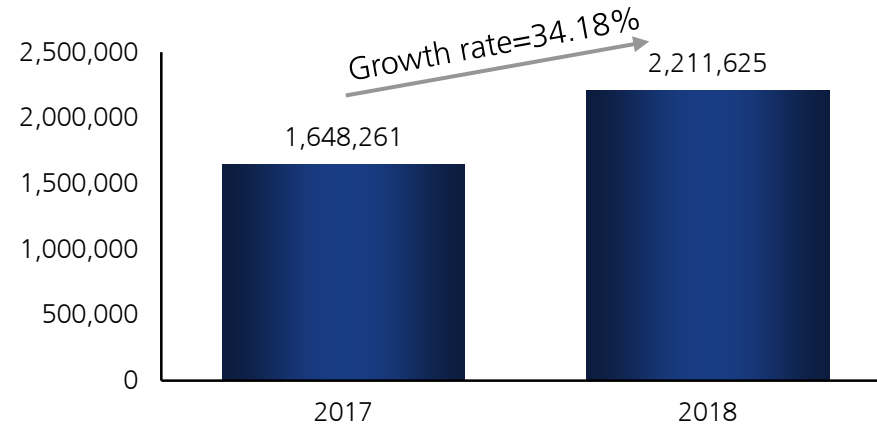
1 Bank standalone

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.

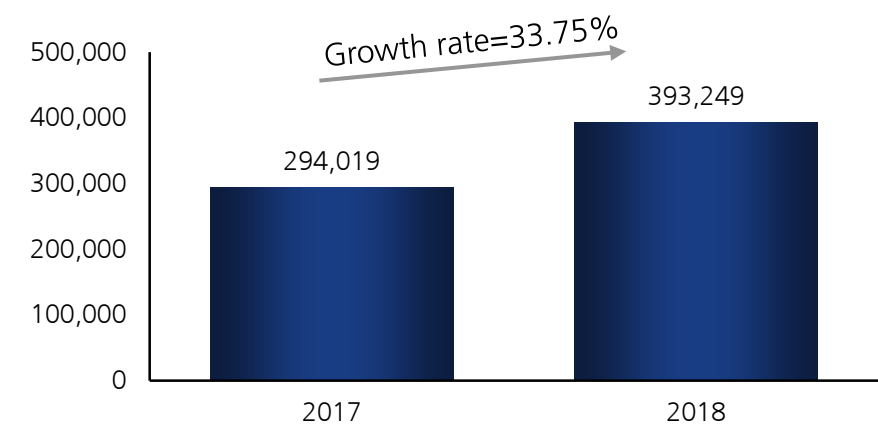
Transaction volume of credit card business¹

(RMB million)



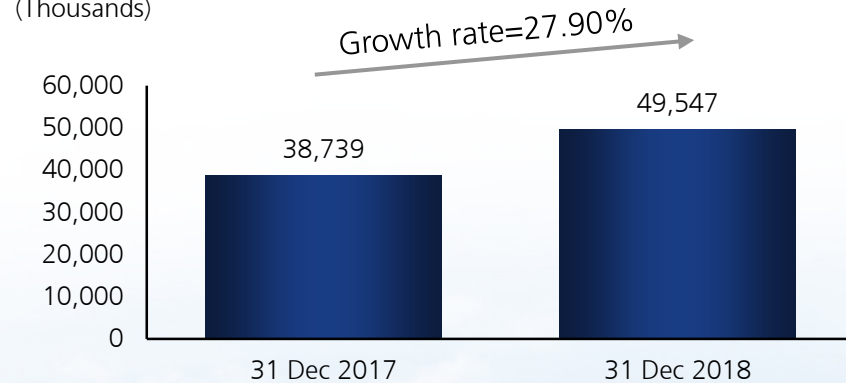
Total account receivables from credit card business¹

(RMB million)



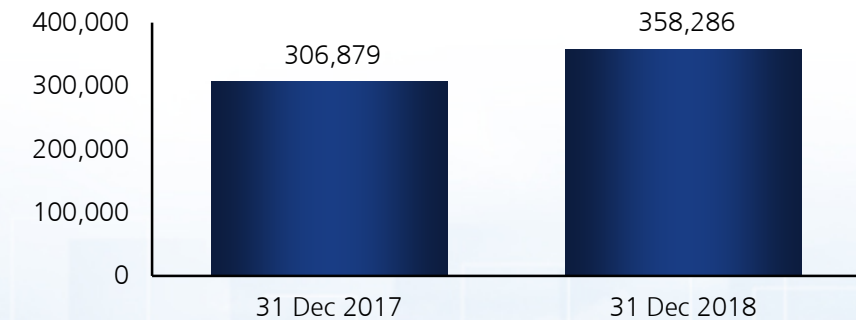
of credit cards issued¹

(Thousands)



Private banking financial assets under management^{1,2}

(RMB million)



Source: Company's Annual Report

Note:

1 Bank standalone

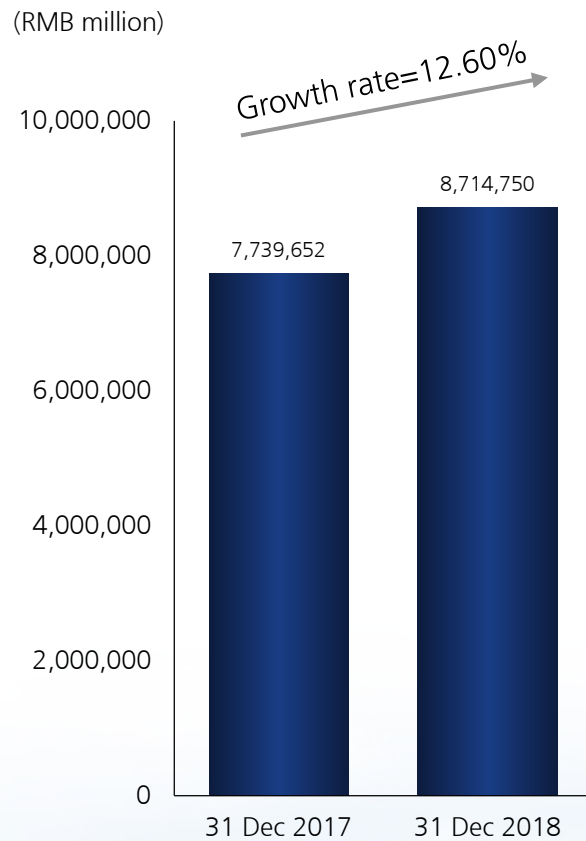
2 Assets under management shown here might be slightly different from actual data due to difference the statistic method in the two different reporting periods

Optimised financial markets business with continuous improvement in profitability

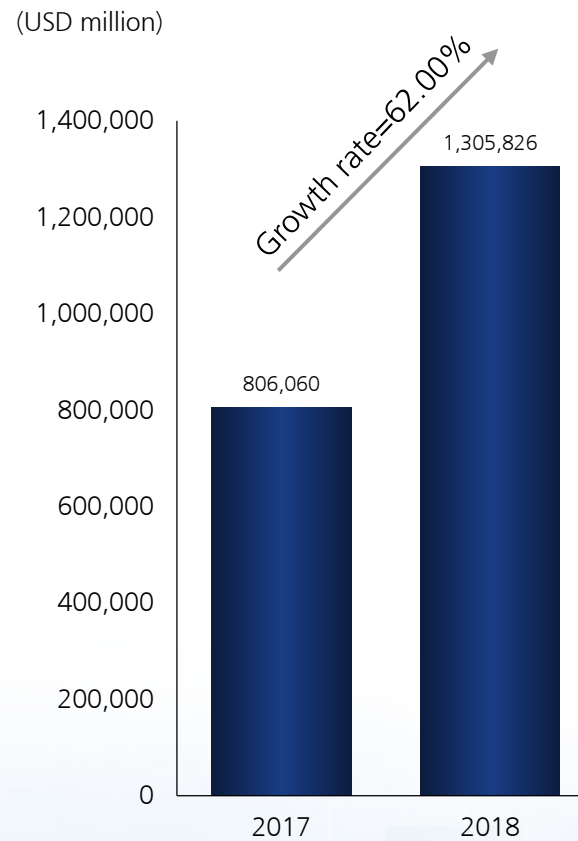


The Company focused on the customers groups and products, the two driving forces, strengthened the management of interbank customers, optimised interbank business structure, and achieved stable and healthy development of the business with enhanced management and control of risk and quality.

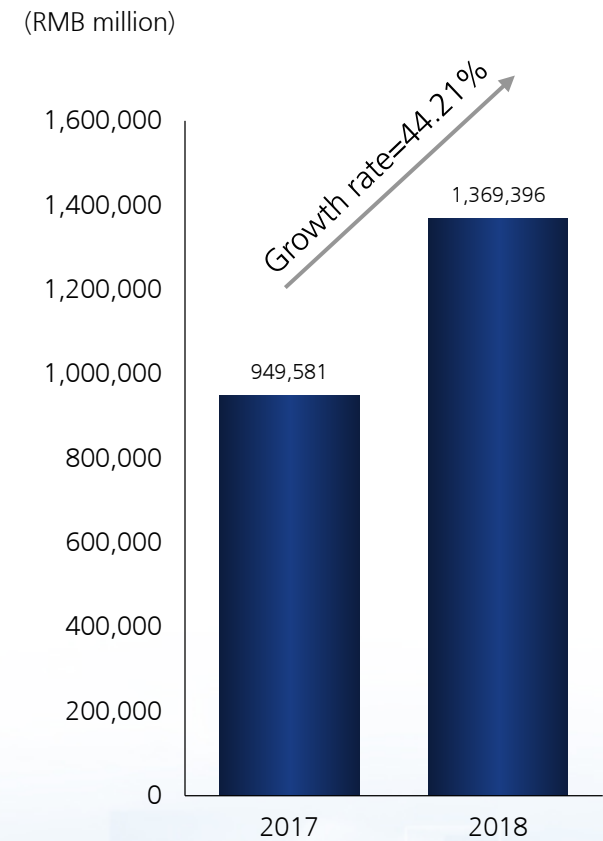
Balance of assets under custody¹



Transaction volume of forward settlement & RMB exchange swap¹



Trading value of precious metals^{1, 2}



Source: Company's Annual Report

Notes:

1 Bank standalone

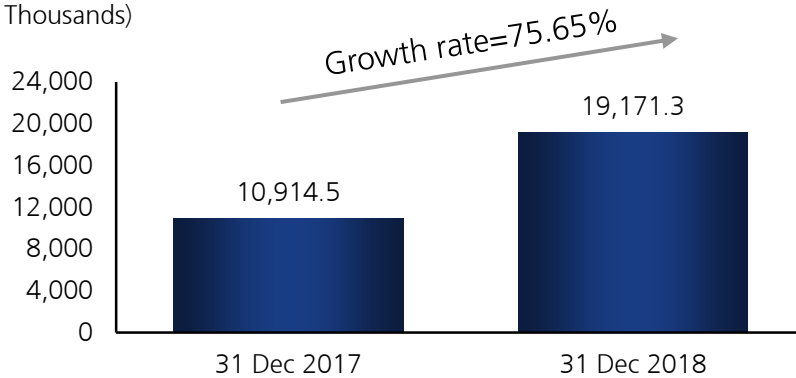
2 Represent the on-floor trading volume of gold and silver (including agency sales for legal persons and individuals) in the precious metals market (Shanghai Gold Exchange and Shanghai Futures Exchange)

Promoting Internet finance business to build an Internet finance ecosystem

The Company seized the market opportunities by actively applying cutting-edge fintech based on customers' diversified needs. By actively testing on the new financing model, it focused on innovation of financial platforms, products and services such as direct banking, Internet finance for retail and corporate customers and online payment, which further enhanced customers' experience and consolidated its position as one of the top commercial banks in terms of market share

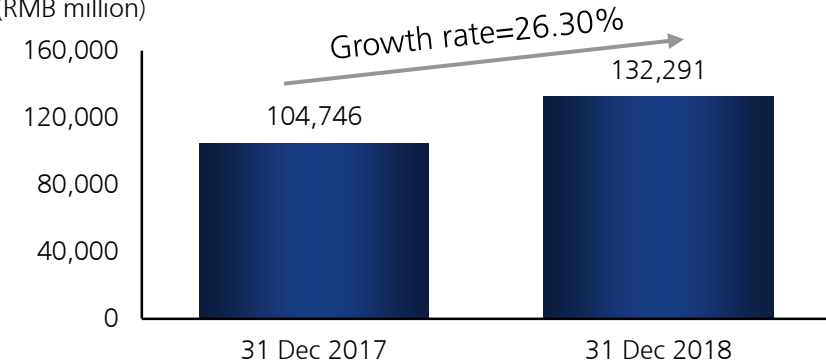
of direct banking customers¹

(in Thousands)



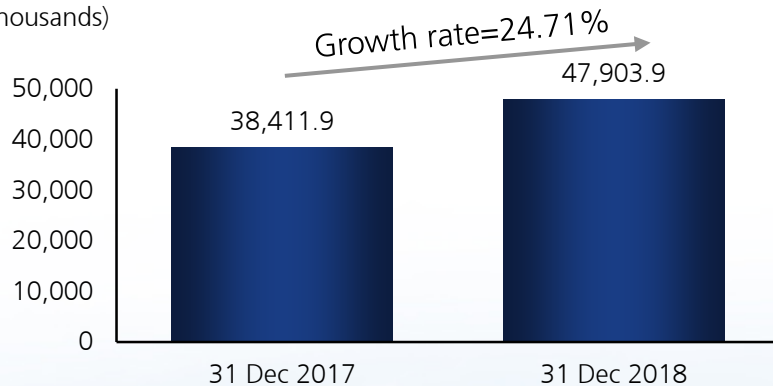
Direct banking financial assets under management¹

(RMB million)



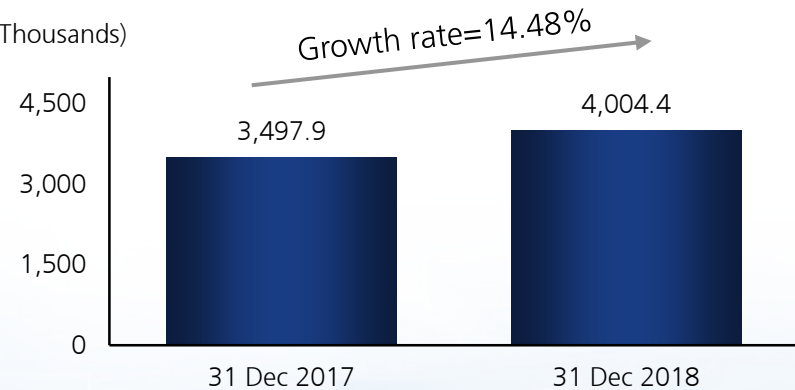
of individual e-banking customers¹

(in Thousands)



of Kua Hang Tong customers¹

(in Thousands)



Source: Company's Annual Report

Note:

1 Bank standalone

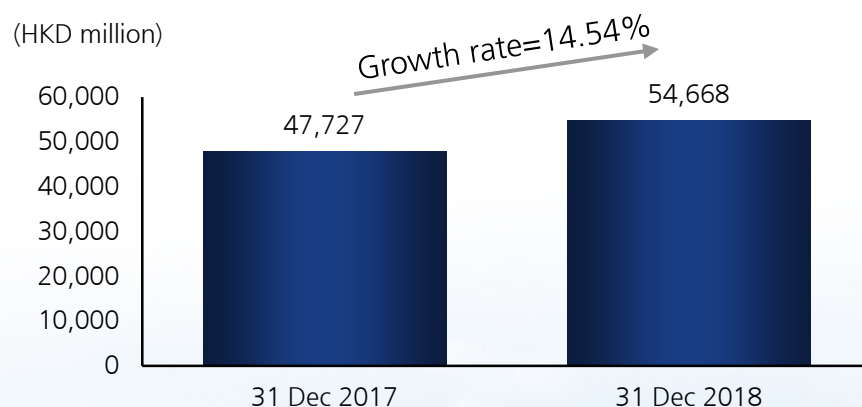
Promotion of international development strategy and stable expansion of global network

Hong Kong Branch actively followed the Company's development strategy of "strengthening corporate banking, expanding retail banking and optimising financial markets business", implemented reform and transformation as well as the three-year plan and continued to strengthen the three major businesses, namely the corporate banking business, financial markets business and private banking and wealth management business. Serving as an effective overseas business platform, the Branch maintained steady business growth with continuous improvement in efficiency

Steady business development of overseas platform with continuous improvement in profitability

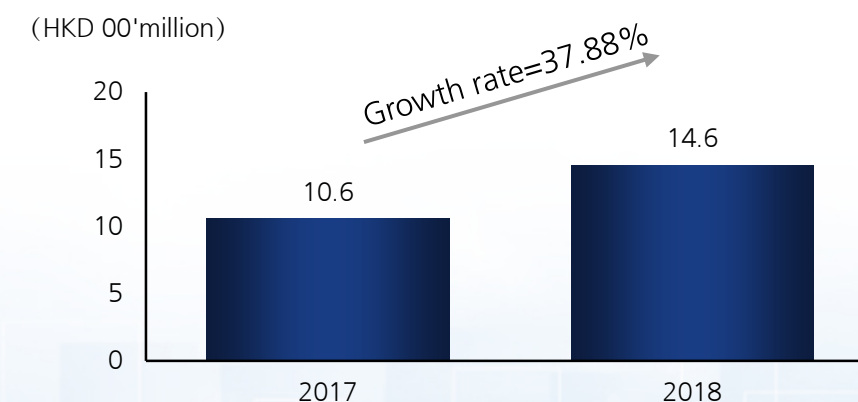
- ◆ Capitalising on the cross-border synergy with the Head Office and seizing the strategic opportunities arising from the "Belt and Road Initiative" and "the development of the Guangdong-Hong Kong-Macau Greater Bay Area", Hong Kong Branch focused on providing professional cross-border financial solutions for high-quality "Going Global" customers in compliance with the overseas investment policies of China
- ◆ Hong Kong Branch expanded its featured business and cooperation projects with Xiaomi, JD.com, Ctrip.com, China Renaissance and other enterprises with high influence in the industry were successfully launched, which strengthened its services in capital market and new economic sectors. The Company strengthened the ability in initiating syndicate business and undertook a number of syndicated loans projects with high market recognition and significance, including Belle International, China New Higher Education and others. The competitiveness and influence of the Company in the international market were further enhanced
- ◆ Hong Kong Branch successfully issued medium-term notes of USD1,000 million. On the other hand, the international ranking of the Hong Kong Branch in terms of underwriting scale of US dollar-denominated bonds issued by Chinese companies was further improved. The number of bond underwriting business significantly increased by 92% as compared with the corresponding period of the previous year
- ◆ Personal business of the Hong Kong Branch continued to increase rapidly. The number of customers who had opened accounts for personal wealth management exceeded 40,000 with total deposits of HKD2,900 million. In respect of private banking business, the sales performance of "Minsheng Insurance (民生保)", a high-end retail banking product series, was satisfactory. 210 transactions were made and the total insurance premium of effective policies amounted to HKD3,067 million, which had driven up the number of high-end private banking customers.

Bond investment balance of Hong Kong Branch



Source: Company's Annual Report

Hong Kong branch 2018 net profit



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Prospects

In the coming three years, the Company will be committed 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 of comprehensive services.

A bank for NSOEs

- Focus on large and medium 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 NSOE customers and their senior management with integrated, customised and comprehensive financial services as well as become the host bank and preferred bank of the NSOE customers.

A fintech-based bank

- Vigorously develop businesses including direct bank, small business online credit and credit card online customer acquisition and strengthen technology finance;
- Set up technology company to enhance scientific and technological capacity and improve intelligent level in finance service to build China's internet bank with the best customer experience.

A bank with comprehensive services

- Establish a cross-selling and business synergy system under "One Minsheng" strategy;
- Provide customers with comprehensive financial services with the integration of commercial, investment and transaction banking and the combination of capital, intelligence and commerce;
- Prioritise customers and provide integrated and comprehensive services through the cooperation of front, middle and back offices.

Implementation of "3+3+5" strategy

- Strengthen three primary businesses, namely direct bank, 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 itself into a benchmark bank of the industry principally engaging in a digitalised, light-capital and comprehensive business in addition to the traditional business;
- Strengthen reform and innovations, innovate mechanisms and systems of its major management aspects, revitalise its structure, establish a customer-oriented operation and management system and extensively enhance its professional management to facilitate and support the implementation of its business development strategies.

Appendix: Overview of key financial indicators



Income statement highlights

(RMB million, except per share data)

	2018	2017	Growth (%)	
Operating income	154,161	141,947	↑	8.60
Of which: Net interest income	76,680	86,552	↓	-11.41
Net non-interest income	77,481	55,395	↑	39.87
Profit before income tax	58,785	60,562	↓	-2.93
Net profit attributable to equity shareholders of the Company	50,327	49,813	↑	1.03
Basic earnings per share (RMB)	1.14	1.13	↑	0.88

Balance sheet highlights

(RMB million)

	31 Dec 2018	31 Dec 2017	Growth (%)	
Total assets	5,994,822	5,902,086	↑	1.57
Of which: Total loans and advances to customers	3,056,746	2,804,307	↑	9.00
Total liabilities	5,563,821	5,512,274	↑	0.94
Of which: deposits from customers	3,167,292	2,966,311	↑	6.78
Total equity attributable to equity shareholders of the Company	420,074	378,970	↑	10.85

Key profitability indicators (%)

	2018	2017	Change (ppt)	
ROAA	0.85	0.86	↓	-0.01
Weighted ROAE	12.94	14.03	↓	-1.09
Net interest margin	1.73	1.50	↑	0.23
Net fee and commission income to operating income ratio	31.22	33.63	↓	-2.41
Cost-to-income ratio ¹	30.58	32.24	↓	-1.66

Asset quality indicators (%)

	31 Dec 2018	31 Dec 2017	Change (ppt)	
NPL ratio	1.76	1.71	↑	0.05
Allowance to total loans	2.36	2.66	↓	-0.30
Capital adequacy ratio indicators (%)²				
Core tier-one capital adequacy ratio	8.93	8.63	↑	0.30
Tier-one capital adequacy ratio	9.16	8.88	↑	0.28
Capital adequacy ratio	11.75	11.85	↓	-0.10

Source: Company's Annual Report

Notes:

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) which became effective on 1 January 2013 and other relevant regulatory provisions

Thank you