

# China Minsheng Banking Corp., Ltd.

## 2019 Interim Results Announcement



# 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, expectation, or 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.

# Agenda

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**Overview**

2

**Operational Performance**

3

**Outlook**



# Overview of business operation



Adhering to the customer-centric principle and the three major strategic positionings of becoming “a bank for the NSOEs, a fintech-based bank and a bank of comprehensive services”, in 1H2019, the Group formulated the business strategies of “developing light-capital business, optimising liabilities, adjusting structure, promoting synergy and maintaining high quality”. Reforms and improvements were further promoted in order to support organic growth. Operating profits have been steadily increased with continuous enhancement of business structure and growth of capital. Quality of assets has maintained generally stable. The operation of all business lines has achieved healthy and stable development

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## Steady growth in profits and continuous improvement of operating efficiency

- ◆ Recorded net profit attributable to equity shareholders of the Company of RMB31,623 million, up by 6.77% yoy; Operating income was RMB87,083 million, up by 17.23% yoy; Net interest margin was 2.00%, up by 0.23 ppts yoy
- ◆ Annualised return on average assets was 1.04%, up by 0.04 ppts yoy; annualised return on weighted average equity was 14.86%
- ◆ Cost-to-income ratio was 21.12%, down by 3.23 ppts yoy

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## Strengthened capital base and coordinated growth of assets and liabilities

- ◆ Made full use of innovative capital instruments to replenish its capital. Tier-two capital bonds of RMB40 billion and undated capital bonds of RMB40 billion were issued successfully. Net capital base of the Group amounted to RMB623,388 million, representing an increase of 13.91% from the end of the previous year; Capital adequacy ratio was 12.81%, up by 1.06 ppts from the end of the previous year
- ◆ Total assets amounted to RMB6,340,658 million, up by 5.77% from the end of the previous year; total loans amounted to RMB3,183,961 million, up by 4.16% from the end of the previous year
- ◆ Total liabilities amounted to RMB 5,851,986 million, up by 5.18% from the end of the previous year; total deposits amounted to RMB3,427,515 million, up by 8.22% from the end of the previous year

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## New breakthrough in reforms and improvements and significant progress of major businesses

- ◆ **Focus on NSOEs and major customer groups<sup>1</sup>.** The total number of strategic NSOE customers was 650, representing an increase of 83.62% from the end of the previous year. The number of domestic corporate customers with deposits and domestic customers with general loans balance were 1.23 million and 9,094, respectively. The total number of retail customers with existing financial assets was 40,061.7 thousand, representing an increase of 1,667.2 thousand from the end of the previous year; financial assets under management amounted to RMB1,724,030 million, and total small business loans amounted to RMB246,050 million; net income from retail business amounted to RMB32,269 million
- ◆ **Strengthened innovation of products and business models with technologies<sup>1</sup>.** Core supply chain customers amounted to 184, up by 97.85% from the end of the previous year; direct bank customers reached 24,062.9 thousand, representing an increase of 4,891.6 thousand from the end of the previous year; personal e-banking customers reached 52,105.4 thousand, representing an increase of 4,201.5 thousand from the end of the previous year
- ◆ **Enhanced integrated operation with diversified services.** Total operating income and net profit of subsidiaries amounted to RMB2,339 million and RMB800 million, respectively. Net profit of CMBC International amounted to HKD226 million, representing a yoy increase of 36.97%; the Hong Kong Branch focused on the strategic opportunities from the development of Guangdong-Hong Kong-Macau Greater Bay Area and achieved rapid growth in various businesses, with total assets amounting to HKD177,739 million

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## Strengthening risk prevention and management and stable asset quality

- ◆ NPL ratio was 1.75%, down by 0.01 ppts from the end of the previous year. Allowance to NPLs was 142.27%, up by 8.22 ppts from the end of the previous year. Allowance to total loans was 2.49%, up by 0.13 ppts from the end of the previous year

Note:

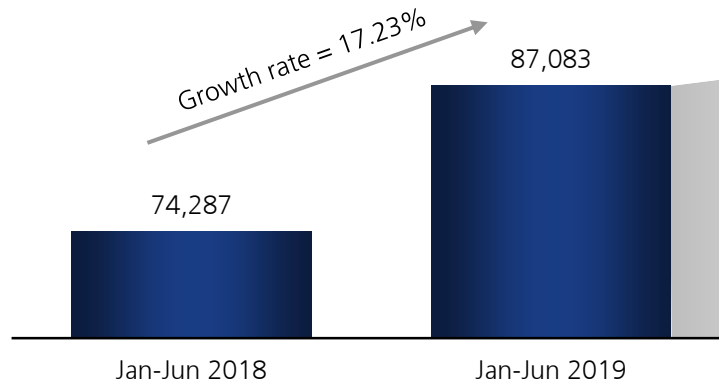
1 Bank standalone figures

# Operating income continued to grow with steadily enhanced profitability

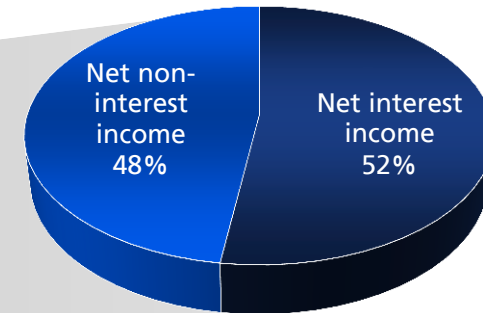


## Operating income

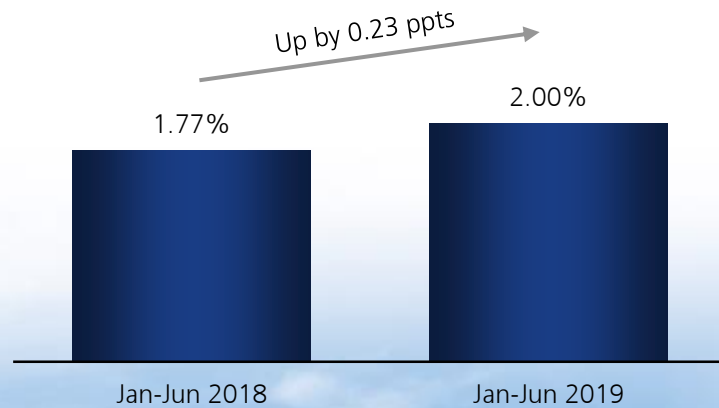
(RMB million)



## Breakdown of operating income 1H2019

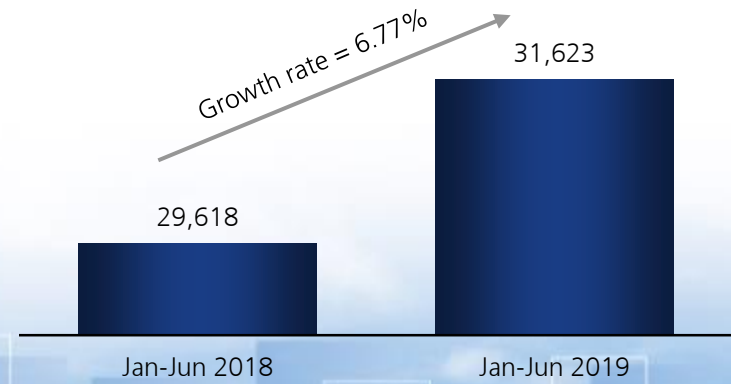


## Net interest margin



## Net profit attributable to equity shareholders of the Company

(RMB million)

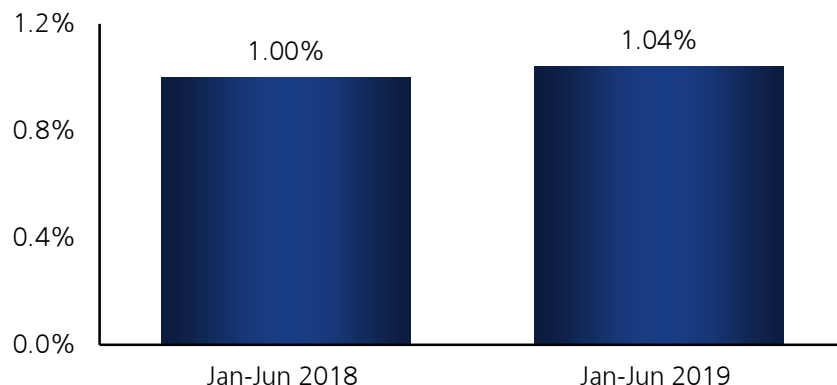


Source: Company's Interim Report

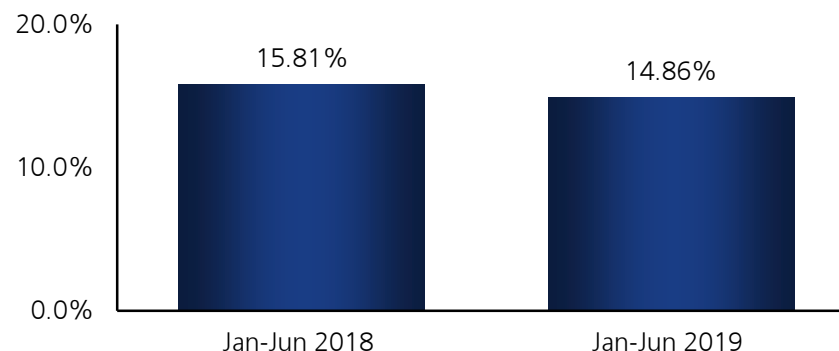
# Stable shareholder return and continuous improvement of operating efficiency



### Return on average assets (annualised)

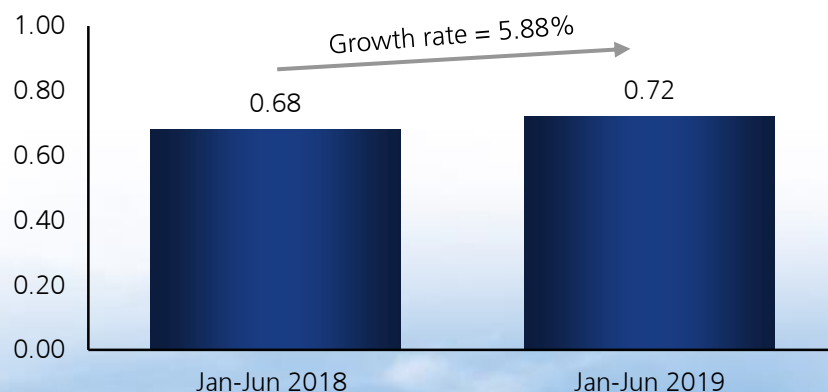


### Return on weighted average equity (annualised)

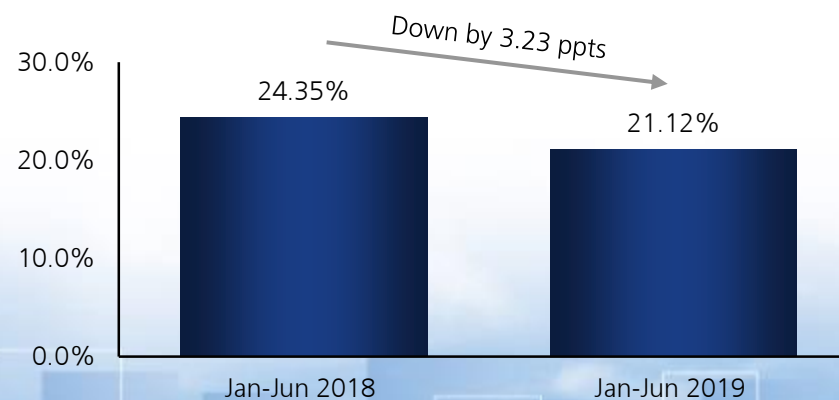


### Basic earnings per share

(RMB)



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



Source: Company's Interim Report

Note:

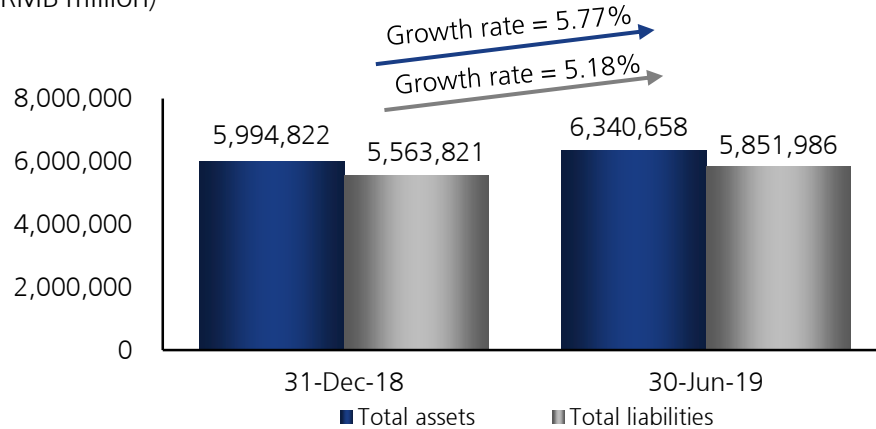
1  $\text{Cost-to-income ratio} = (\text{operating and other operating expenses} - \text{tax and surcharges}) / \text{operating income}$

# Coordinated growth of assets and liabilities and continuously optimised return/cost ratios



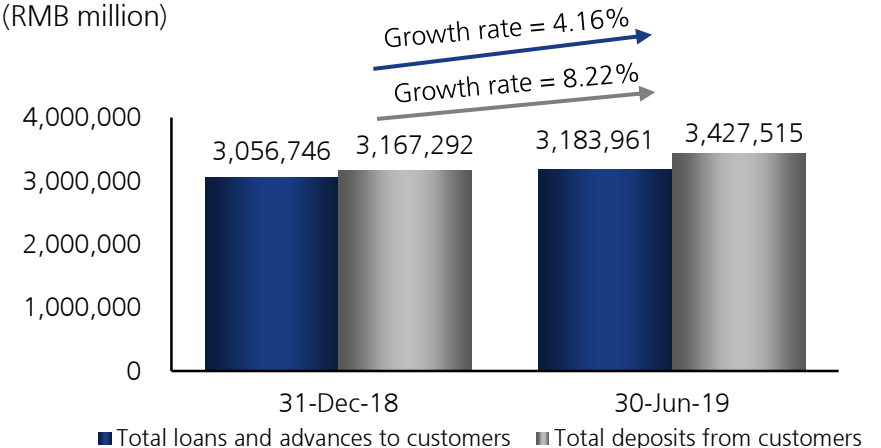
## Total assets and total liabilities

(RMB million)



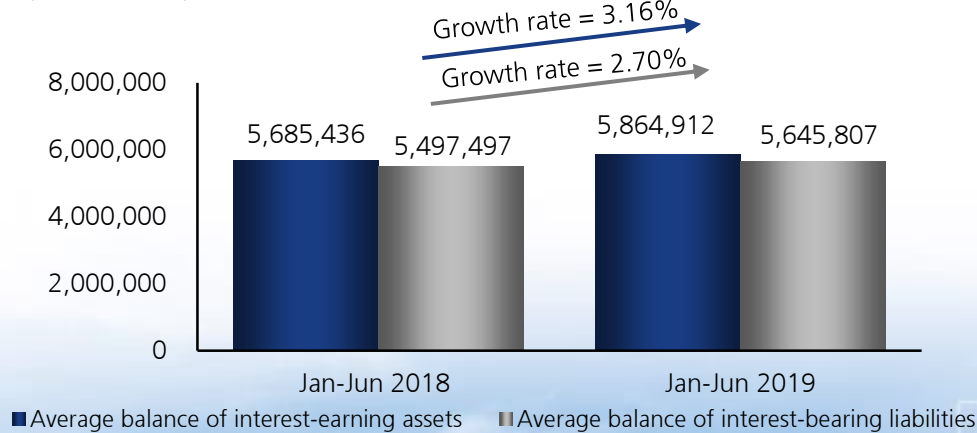
## Total loans and advances to customers and total deposits from customers

(RMB million)



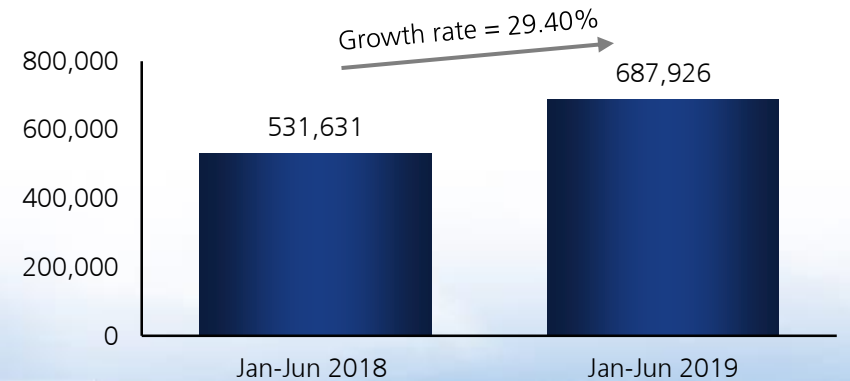
## Average balance of interest-earning assets and interest-bearing liabilities

(RMB million)



## Average balance of debt securities issued

(RMB million)



## Average return/cost ratio

Source:

Company's Interim Report

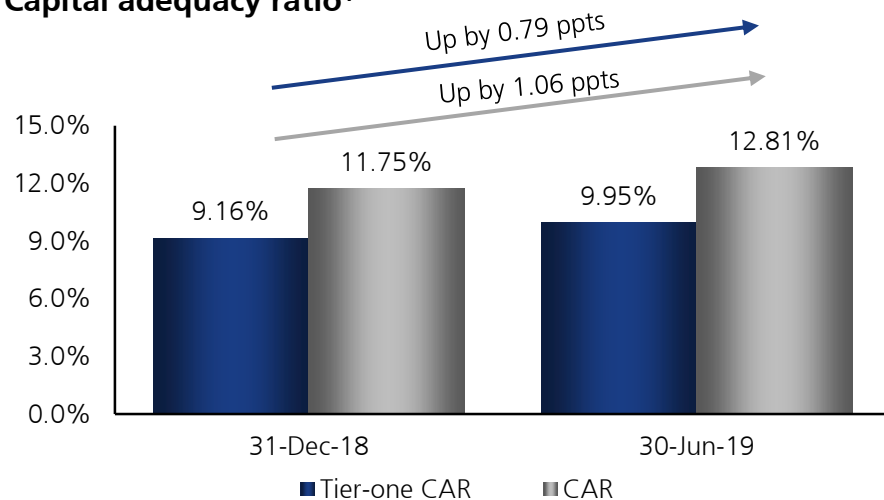


## Average cost ratio



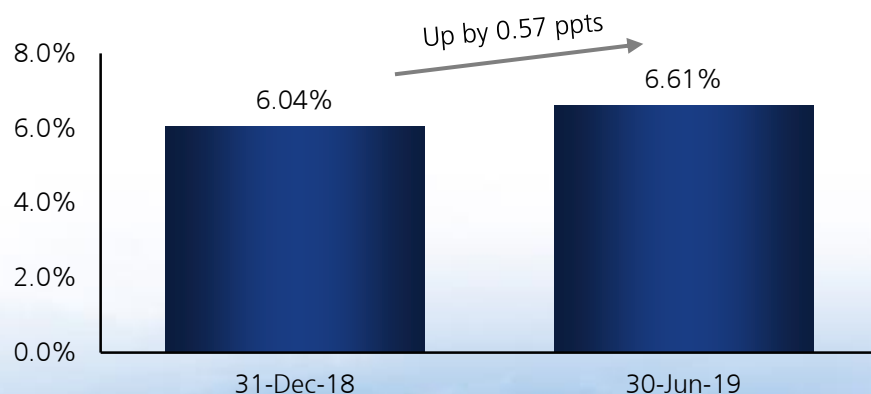
# Strengthened capital strength for business development

## Capital adequacy ratio<sup>1</sup>

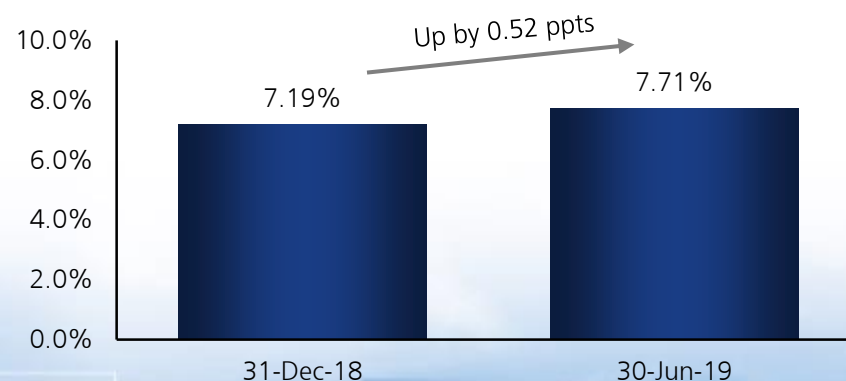


- ✓ Issued RMB40 billion Tier-two capital bonds
- ✓ Issued RMB40 billion undated capital bonds
- ✓ Capital constraints were significantly eased and capital increased, providing favourable support to the sustainable development of business

## Leverage ratio<sup>2</sup>



## Total equity to total assets ratio



Source: Company interim and annual reports

Notes:

- 1 Calculated in accordance with the Capital Rules for Commercial Banks (Provisional) which became effective on 1 January 2013 and other relevant regulatory provisions
- 2 Calculated in accordance with the Measures for the Administration of Leverage Ratio of Commercial Banks (《商业银行杠杆率管理办法(修订)》) (former CBRC Order [2015] No. 1) which became effective on 1 April 2015



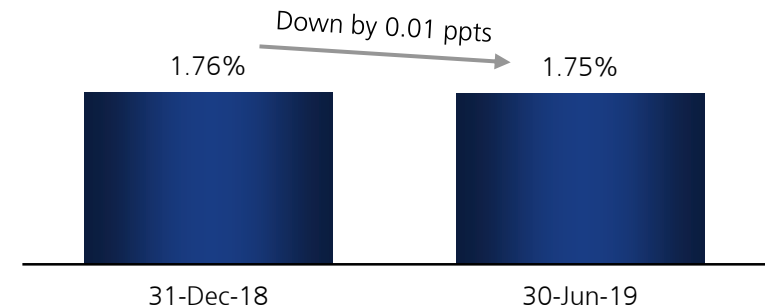
# Strengthened risk prevention and management and stable asset quality



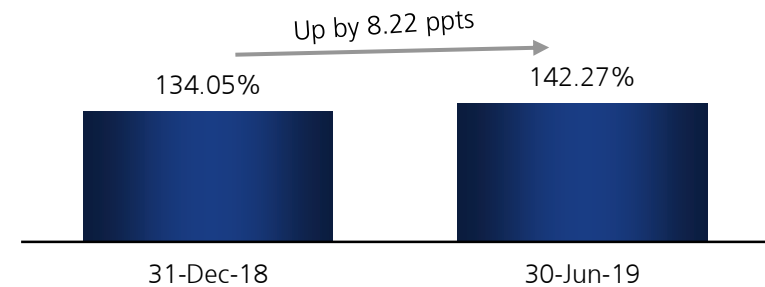
## Take measures actively to manage asset quality

- ◆ The Group continued to implement its strategy to focus on NSOEs and actively provided support to strategic NSOE customer groups, supply chain niche customer groups, customer groups with growth potential and basic SME customer groups in order to achieve high-quality organic growth
- ◆ The portfolio management system was optimised, and a refined portfolio management based on customer rating and risk-adjusted return was established. Risk limits and portfolio management by industries, regions, customers and products were carried out to ensure the asset quality of new businesses. The assets structure was further improved
- ◆ The Group adopted a strict set of policies for customer admittance and credit appraisal in order to minimise potential credit risk from the source. Differentiated credit approval policy was implemented and guidance was provided to business units in order to acquire customers with high quality and dispose NPLs. The Group exited businesses with zombie companies and enterprises with insufficient production capacity and increased support for quality customers engaging in advanced manufacturing industry. The Group also continued to implement the "Dingmin Project (鼎民計劃)" and strengthened the comprehensive service system for strategic NSOEs at the Head Office and branch level. The Group conducted forward-looking prediction and issued business guidance and suggestions regularly
- ◆ The Company closely followed internal and external situations. Risk early warning and post-loan risk supervision was carried out
- ◆ The Company enhanced risk monitoring and screening of financial markets business. Dynamic supervision and early-warning management based on relevant information including the changes in capital market and regulatory policies as well as key risk projects were implemented, so as to prevent and reduce risks
- ◆ The Company further strengthened collection and disposal of NPLs. To improve the efficiency of collection and disposal, the Company took a couple of measures including innovating collection and disposal mechanisms, optimising appraisal systems, increasing resources investment, refining differentiated collection and disposal plans for different customers, centralising collection of retail loans and strengthening supervision on policy execution. The Company also adopted comprehensive collection and disposal measures such as repayment collection, restructuring, transferring, foreclosing, taking legal action and writing-off, to improve efficiency
- ◆ To foster and strengthen the law-abiding operation philosophy throughout the Bank, the Company strengthened rectification of banking market chaos, enhanced compliance inspection and accountability, tightened appraisal and increased trainings

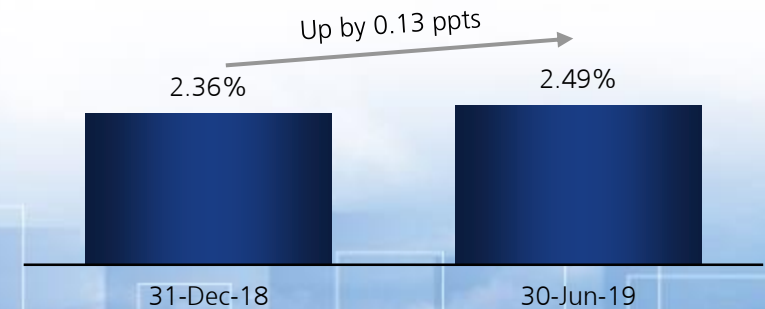
## Non-performing loan ("NPL") ratio



## Allowance to NPLs



## Allowance to total loans



Source: Company's Interim Report



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**Outlook**

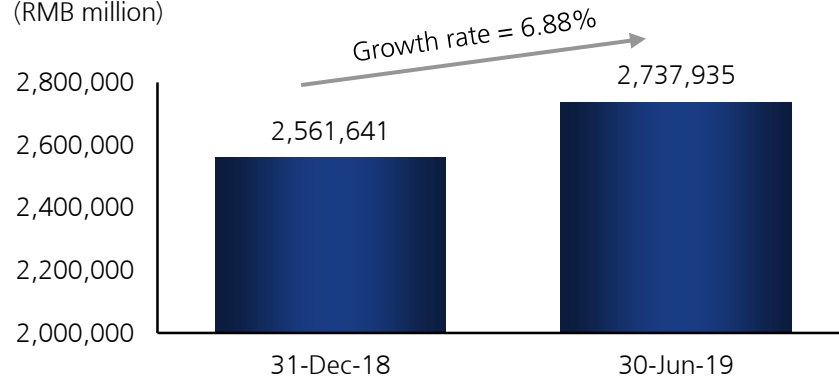
# Corporate banking business was continuously expanded with enhancing competitiveness



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 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 adopted the light-capital business development path. As a result, the corporate banking business was continuously expanded with enhancing competitiveness

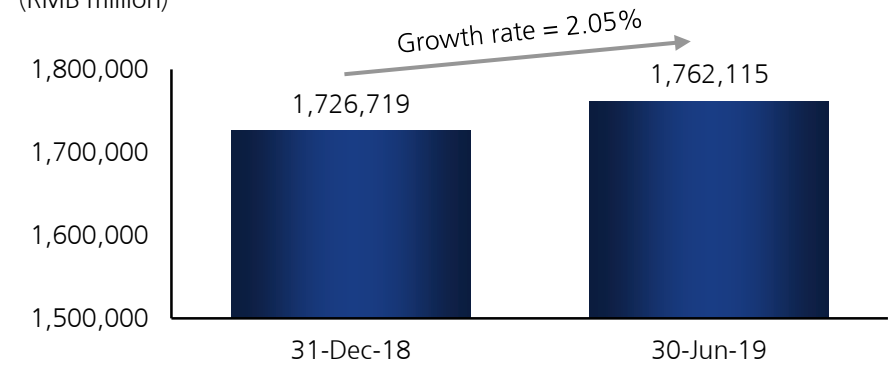
## Total corporate deposits<sup>1</sup>

(RMB million)



## Total general corporate loans<sup>1</sup>

(RMB million)



### Further adoption of new investment banking business framework

- ✓ Promoted and optimised the multi-layered investment banking business and product system
- ✓ Development has been witnessed in key areas as the fundamental customer base of investment banking was further consolidated while the management mechanism based on project categories was strengthened
- ✓ Ranking among all leading underwriters in the interbank bond market rose to the third<sup>1</sup>
- ✓ In respect of asset securitisation, the Company continued to introduce innovative products and successfully launched the first extensible logistic warehousing REITs project in China and the first highway public securitisation project in the intra-bank market.

### Enhanced transaction banking service capabilities

- ✓ Despite the adverse market environment, the international business maintained steady development with remarkably improving in market competitiveness
- ✓ Modified settlement and cash management business according to changes in customers' needs with further improvement of product offering
- ✓ The results of transformation of domestic trade financing and factoring business were remarkable
- ✓ Continuous upgrading of digital services to effectively improve customers' experience

### Accelerated deployment in the supply chain finance

- ✓ Continued to promote key business development
- ✓ Improved and refined supply chain product series
- ✓ Accelerated establishment of technology platforms
- ✓ Continuous efforts were made to enhance risk management

Source: Company interim and annual reports

Note:

1 Bank standalone figures

# Retail banking reforms and transformation began to generate sound results

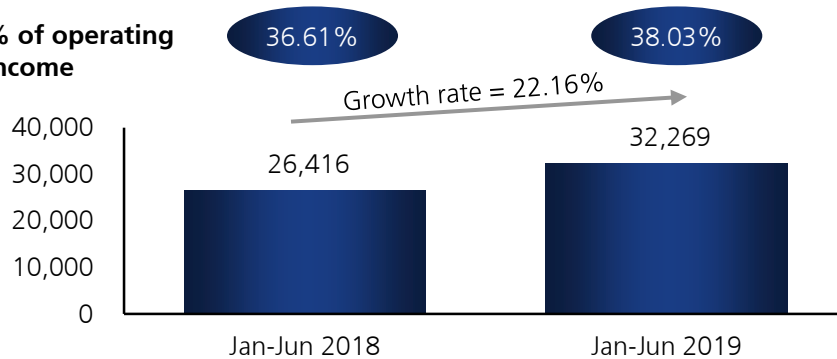


In accordance with the strategic deployment of reform and transformation for its retail banking, the Company strove for business development while carrying out its reform and transformation. Reform tasks were implemented in an orderly manner. The Company committed to customer group management, accelerated development of wealth management business and strengthened technologies-enabled development. With the successful implementation of various reforms, retail banking business recorded rapid income growth

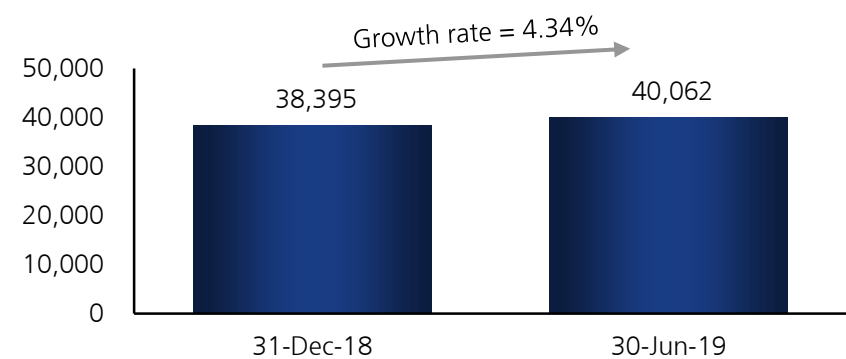
## Net operating income from retail business as % of operating income of the Company<sup>1</sup> # of retail customers with deposits<sup>1</sup>

(RMB million)

### % of operating income

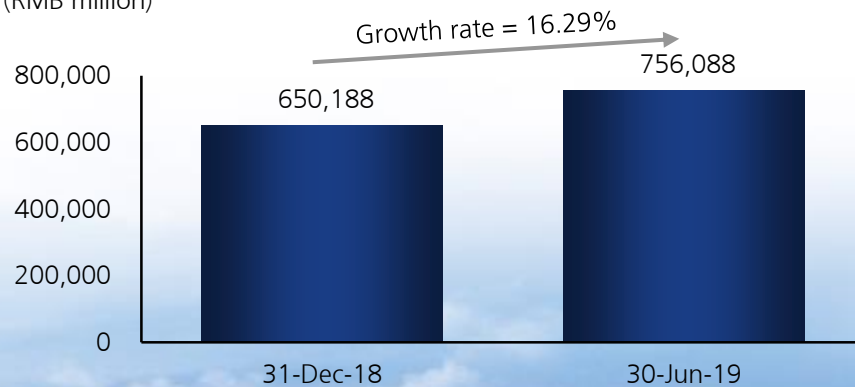


(thousands)



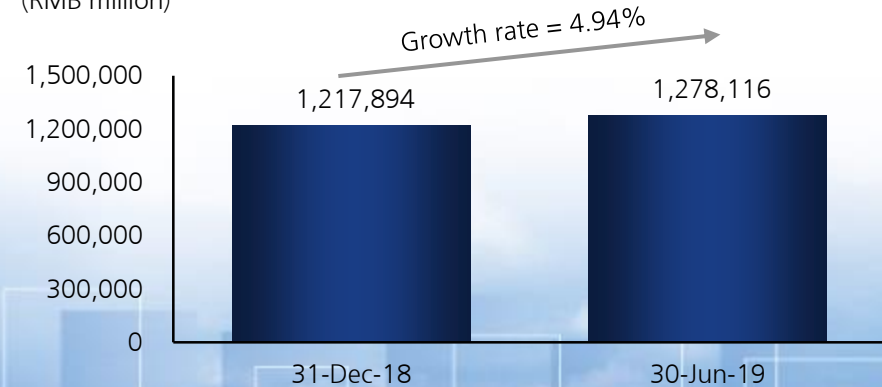
### Balance of retail deposits<sup>1</sup>

(RMB million)



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

(RMB million)



Source: Company interim and annual reports

Note:

1 Bank standalone figures



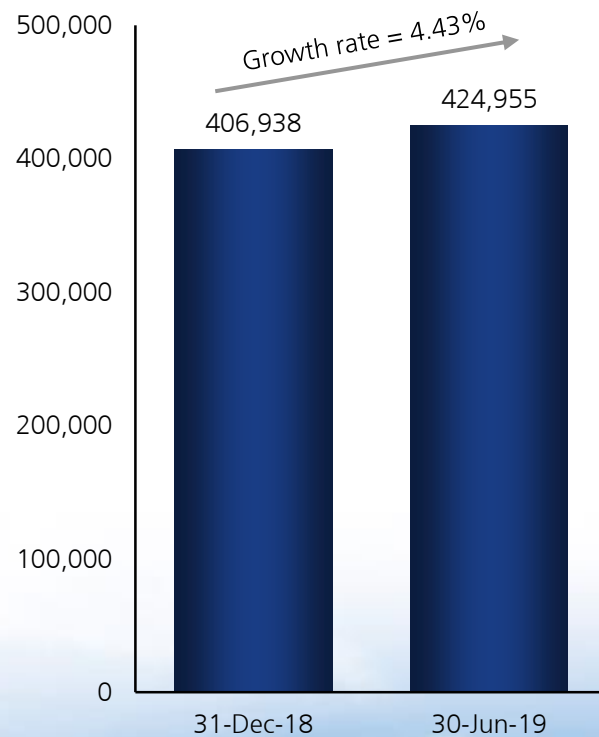
# Further promoting upgrading of small business finance and community finance business



The Company promoted the new development path of small business finance and improved its online and comprehensive services. Based on the steady growth of small business finance, the Company broadened its scope of services to diversify its income sources; the Company pressed ahead with the upgrading of community finance business model and regulated management of community finance so as to achieve sustainable and healthy operation of community outlets

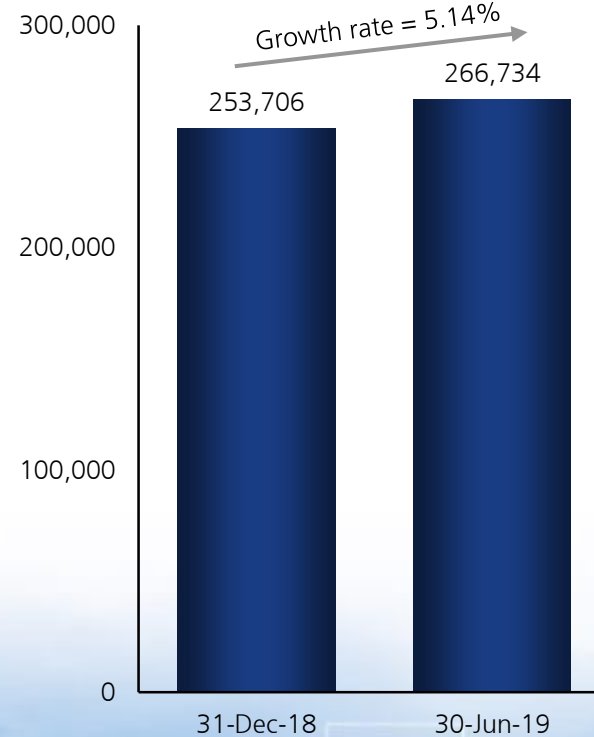
## Loans to small and micro enterprises<sup>1</sup>

(RMB million)



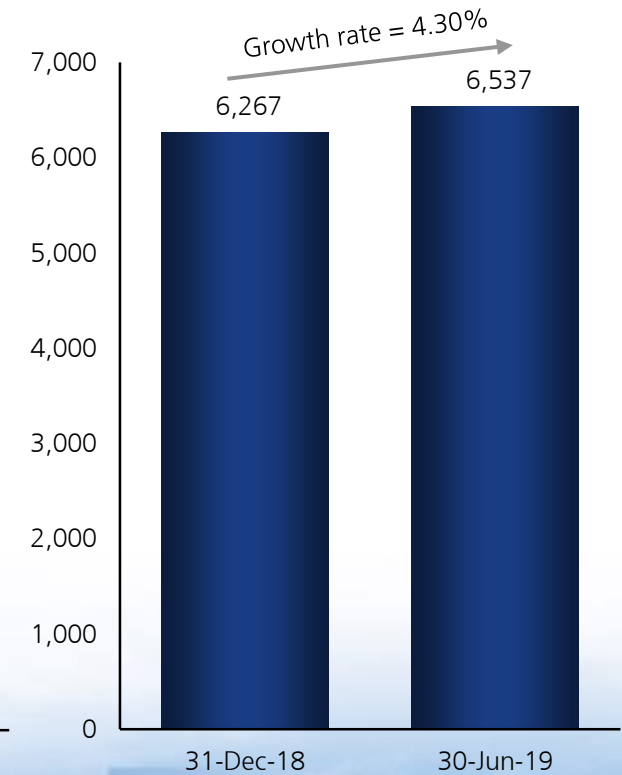
## Total financial assets of the community (small business) outlets<sup>1</sup>

(RMB million)



## # of customers of the community (small business) outlets<sup>1</sup>

(thousands)



Source: Company interim and annual reports

Note:

1 Bank standalone figures

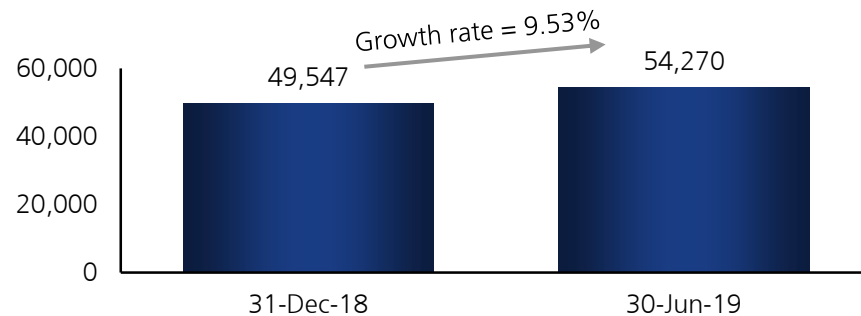
# Solid progress in credit card business; transforming private banking business with improved efficiency



The Company enhanced both of the development and quality of its credit card business to improve quality of its customers and facilitate business innovations, in response to the needs of small and micro enterprises and business owners, car owners and millennial customers; in respect of the private banking business, a solid customer management system was established, and the growth rate of new customers, retention rate of customers and profitability were continuously improved. The customer group structure was further optimised and the sustainability of the business model was secured

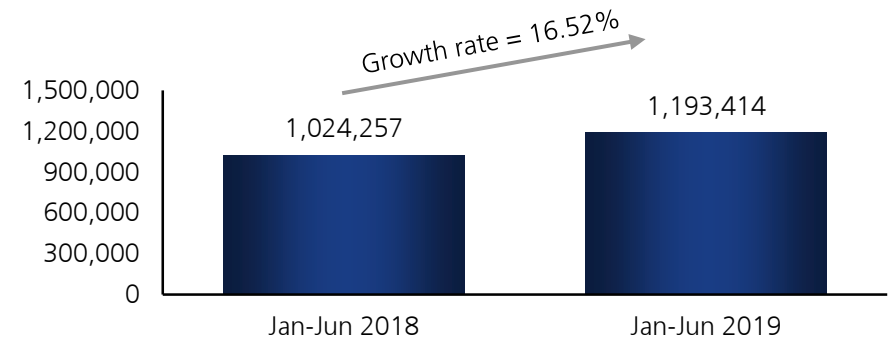
## # of credit cards issued<sup>1</sup>

(Thousands)

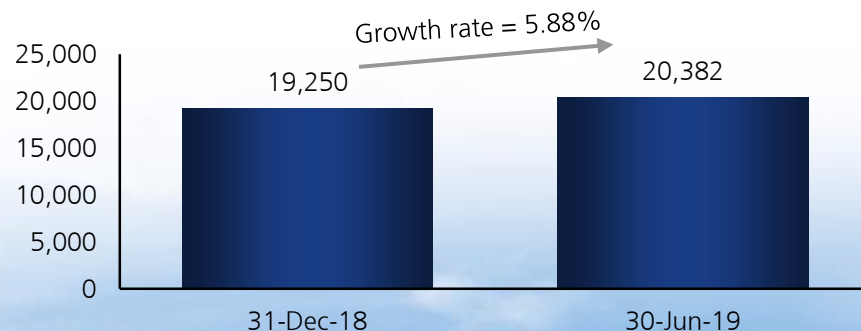


## Transaction volume of credit card business<sup>1</sup>

(RMB million)

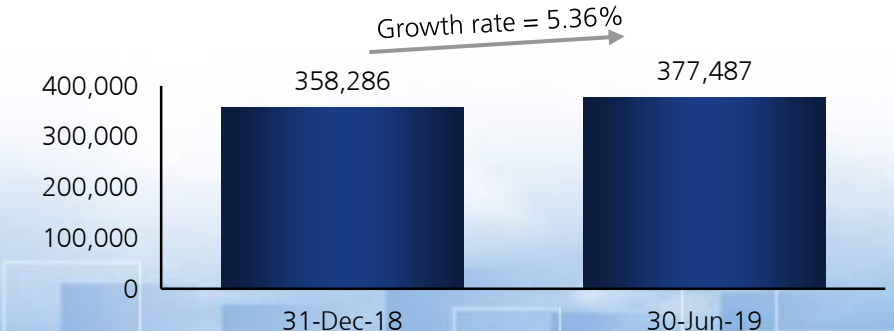


## Eligible private banking customers<sup>1,2</sup>



## Financial assets of eligible private banking customers under the Company's management<sup>1</sup>

(RMB million)



Source: Company interim and annual reports

Notes:

- 1 Bank standalone figures
- 2 Eligible customers refer to those with financial assets of more than RMB8 million

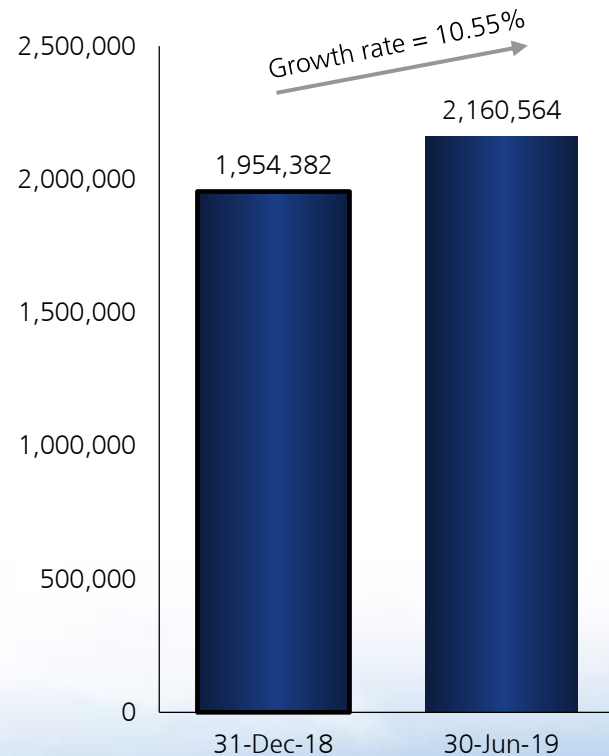
# Optimising treasury business with continuous improvement in profitability



The Company was prudent in maintaining the growth of its investment business in order to achieve higher efficiency, optimised the interbank business structure, deepened the reform of its custody and wealth management business, facilitated the sound development of wealth management business and steadily grew its precious metals and foreign exchange trading business

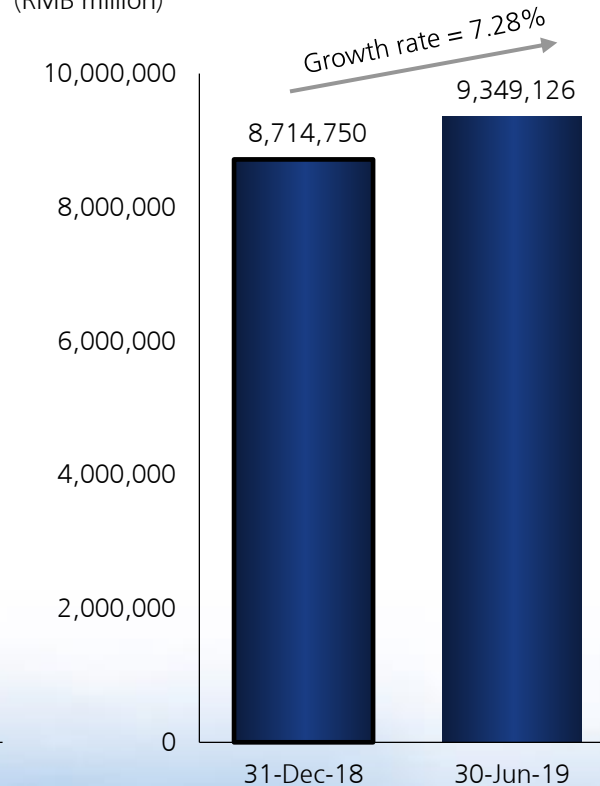
## Net investment in trading and banking books<sup>1</sup>

(RMB million)



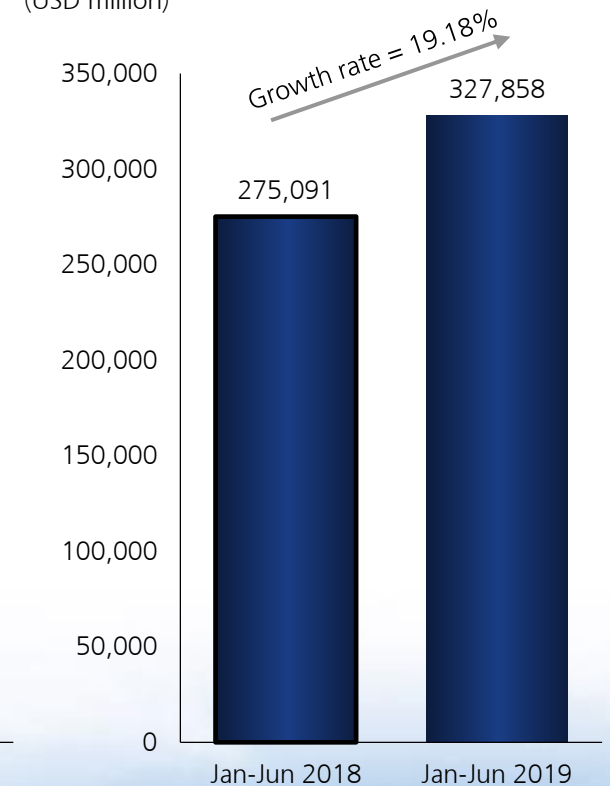
## Balance of assets under custody<sup>1</sup>

(RMB million)



## Transaction volume of domestic spot settlement<sup>1</sup>

(USD million)



Source: Company interim and annual reports

Note:

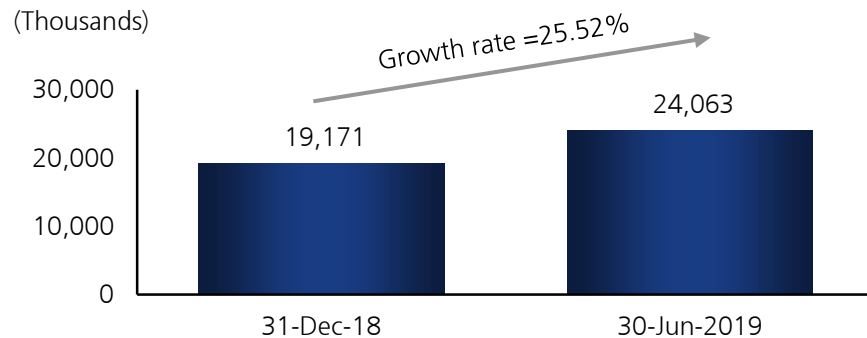
1 Bank standalone figures

# Promoting internet finance business to build an fintech ecosystem

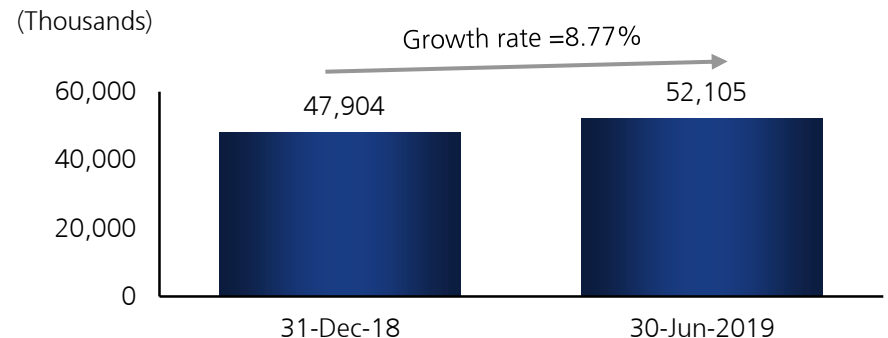


Further consolidating the strategic positioning to become “a fintech-based bank”, the Company actively explored cutting-edge fintech and upgraded its internet financial platform. Continuous innovations were made in products and services in relation to direct bank, retail internet finance, corporate internet finance and online payment, which greatly improved the services of internet finance. The Company remained one of the top commercial banks in terms of market share and brand influence

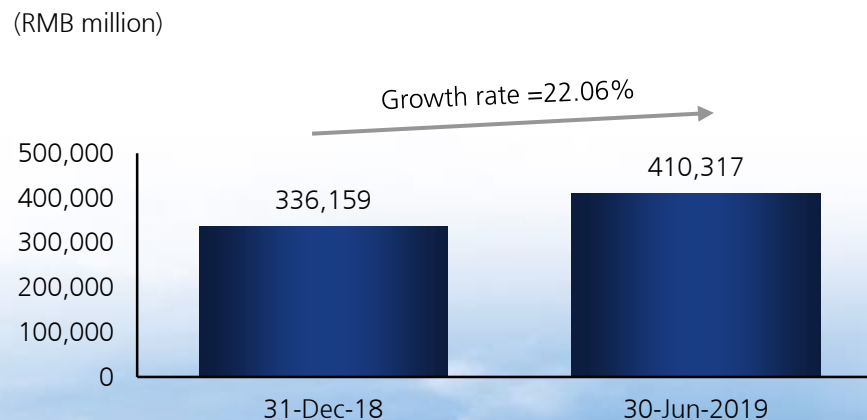
## # of direct banking customers<sup>1</sup>



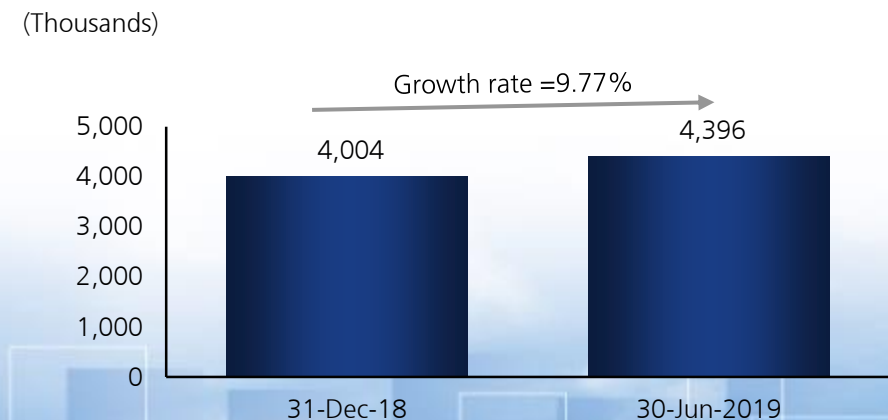
## # of individual e-banking customers<sup>1</sup>



## Average daily deposits of EPIC customers<sup>1</sup>



## # of Kua Hang Tong customers<sup>1</sup>



Source: Company interim and annual reports

Note:

1 Bank standalone figures



# Further promoted the international development strategy to facilitate establishment of overseas branches



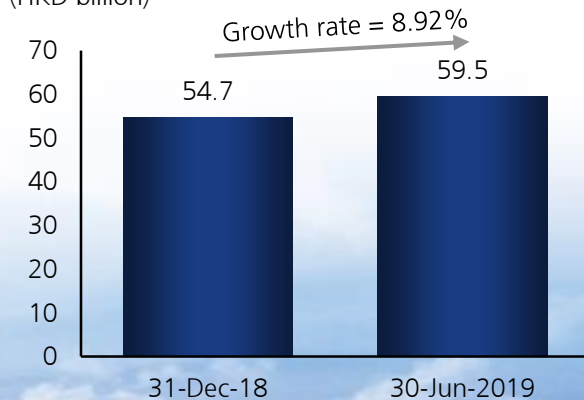
Under the tough market environment and regulatory requirements, Hong Kong Branch actively followed the Company's development strategy, implemented reform and transformation as well as the three-year development plan and continued to strengthen the three major businesses, namely the corporate banking business, financial markets business and private banking and wealth management business. Serving as an effective overseas business platform of the Company, Hong Kong Branch maintained steady business growth with 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", Hong Kong Branch focused on providing professional cross-border financial solutions for quality "going global" customers in compliance with the overseas investment policies of China. Hong Kong Branch focused on the capital market, expanded its featured business and recorded a remarkable income from investment banking business, such as syndicated loans, loans for merger and acquisition and structured financing. Cooperation with State Grid Corporation, Mutual Fund of Greater Bay Area, Yashili and other enterprises with high influence in the industry were successfully launched, which strengthened its services in capital market and new economic sectors
- ◆ Capitalising on the strategic position of Hong Kong as an international financial centre, Hong Kong Branch actively expanded its financial markets business. Hong Kong Branch actively developed bond investment and trading and structured notes investment, achieving the growth in return rate. Bond issuance business achieved record high. As of June 2019, the global ranking of the Company in terms of underwriting scale of foreign bonds issued by Chinese companies rose to the 16<sup>th</sup> and the underwriting scale of US dollar-denominated bonds for urban investment ranked first in the market. The custody business of Hong Kong branch maintained a rapid growth. Meanwhile, a custody sub-brand, "Cross-border+", was released in China in line with the strategy of the Head Office
- ◆ Individual business of Hong Kong Branch continued to grow rapidly. During the Reporting Period, the Hong Kong Branch promoted the launch of online fund service platform in an orderly manner and became one of the few PRC-owned joint stock commercial banks with online fund management platform in Hong Kong. As at the end of the Reporting Period, the number of customers who had opened accounts for personal wealth management exceeded 50,000, with total deposits of HKD4,080 million. The sales of "Minsheng Insurance (民生保)", a high-end retail banking product series, recorded 212 transactions in total and the total insurance premium amounted to HKD3,121 million

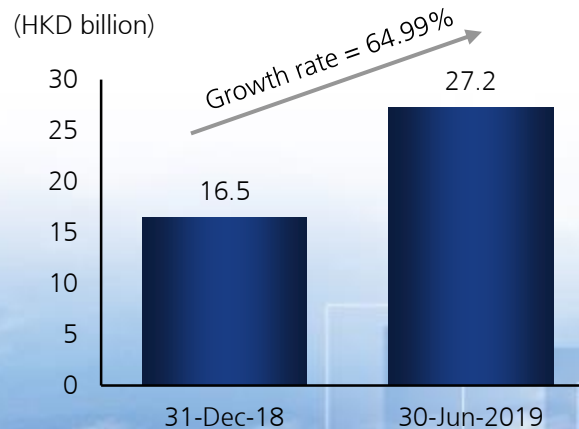
### Bond investment balance of Hong Kong Branch

(HKD billion)



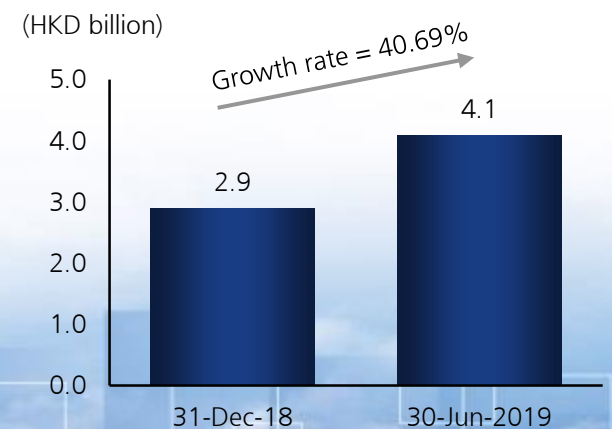
### Custody business scale

(HKD billion)



### Deposits of wealth management customers

(HKD billion)



Source: Company interim and annual reports



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# Development 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 of comprehensive services

## A bank for NSOEs

- ◆ Focus on large and medium NSOEs with high quality, upstream and downstream of the supply chain for core enterprises and small and micro enterprises
- ◆ Serve as a financial butler of NSOEs and their senior management with integrated, customised and comprehensive financial services
- ◆ Further improve mechanism and business model so as to further professionalise its NSOE services and strive to become the host bank and preferred bank of NSOEs

## A fintech-based bank

- ◆ Vigorously develop direct bank, small business online credit, and credit card online customer acquisition
- ◆ Set up technology subsidiaries to provide customers with comprehensive services of "technology + finance" by financial cloud
- ◆ Build an Internet banking business with the best customer experience in China

## A bank of comprehensive services

- ◆ Expedite its business layout diversification and establish a cross-selling and business synergy system under "One Minsheng"
- ◆ 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

## "Light capital, optimized liabilities, adjusted structure, promoted coordination and secured quality"

- ◆ 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
- ◆ 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-centric 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



<b>Statement of profit and loss highlights</b> (RMB million, except per share data)	<b>Jan-Jun 2019</b>	<b>Jan-Jun 2018 (restated)</b>	<b>Growth (%)</b>	
Operating income	87,083	74,287	↑	17.23
Of which: Net interest income	45,523	33,874	↑	34.39
Net non-interest income	41,560	40,413	↑	2.84
Profit before income tax	38,423	35,886	↑	7.07
Net profit attributable to equity shareholders of the Company	31,623	29,618	↑	6.77
Basic earnings per share (RMB)	0.72	0.68	↑	5.88

<b>Statement of financial position highlights</b> (RMB million)	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>	<b>Growth (%)</b>	
Total assets	6,340,658	5,994,822	↑	5.77
Of which: Total loans and advances to customers	3,183,961	3,056,746	↑	4.16
Total liabilities	5,851,986	5,563,821	↑	5.18
Of which: Deposits from customers	3,427,515	3,167,292	↑	8.22
Total equity attributable to equity shareholders of the Company	477,333	420,074	↑	13.63
Total equity attributable to ordinary shareholders of the Company	427,449	410,182	↑	4.21

<b>Key profitability indicators (%)</b>	<b>Jan-Jun 2019</b>	<b>Jan-Jun 2018 (restated)</b>	<b>Change (ppt)</b>	
ROAA (annualised)	1.04	1.00	↑	0.04
Weighted ROAE (annualised)	14.86	15.81	↓	(0.95)
Net interest margin	2.00	1.77	↑	0.23
Net fee and commission income to operating income ratio	31.33	32.75	↓	(1.42)
Cost-to-income ratio <sup>1</sup>	21.12	24.35	↓	(3.23)

<b>Asset quality indicators (%)</b>	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>	<b>Change (ppt)</b>	
NPL ratio	1.75	1.76	↓	(0.01)
Allowance to NPLs	142.27	134.05	↑	8.22
Allowance to total loans	2.49	2.36	↑	0.13
<b>Capital adequacy ratio indicators (%)<sup>2</sup></b>	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>	<b>Change (ppt)</b>	
Core tier-one capital adequacy ratio	8.90	8.93	↓	(0.03)
Tier-one capital adequacy ratio	9.95	9.16	↑	0.79
Capital adequacy ratio	12.81	11.75	↑	1.06

Source: Company interim and annual reports

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!**