

China Minsheng Banking Corp., Ltd. 2011 Annual Results Announcement



Disclaimer



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



1

Business Review

2

Financial Performance

3

Outlook



Significant progress in implementing “second take-off” strategy



“Distinctive Bank”: progressive development in customer base, income sources and business structure

1

Customer base

- ◆ Number of non-state owned enterprises (NSOEs) represented 83.60% of total corporate customers; NSOEs’ outstanding general loans as a percentage of total outstanding loans reached 40.40%. **NSOEs has become the largest customer group of the Bank**
- ◆ Number of small and micro enterprises (MSEs) customers reached 458,000, of which **150,000 were Shang Dai Tong customers**
- ◆ Outstanding loans to MSEs reached RMB232.5 billion, representing **19.40% of the Bank’s total outstanding loans**. The Bank has become an industry leader in the provision of financial services for MSEs
- ◆ Number of private banking customers reached 4,650 with financial assets under management of RMB68.4 billion

2

Income sources

- ◆ Substantial improvement in professional management capabilities, risk management and control following the restructuring of the Bank’s Strategic Business Units (SBUs), **delivering improved loan pricing capabilities**
- ◆ Whilst net interest income recorded substantial growth, **the professionally-operated corporate banking business also experienced a broadened offering of comprehensive financial services for customers**, resulting in rapid growth of non-interest income
- ◆ In 2011 the Group’s non-interest income reached RMB17,375 million, representing a y-o-y growth of 97.58%. **Non-interest income as a percentage of total income reached 21.14%**, one of the highest amongst the Chinese joint stock banks

3

Business structure

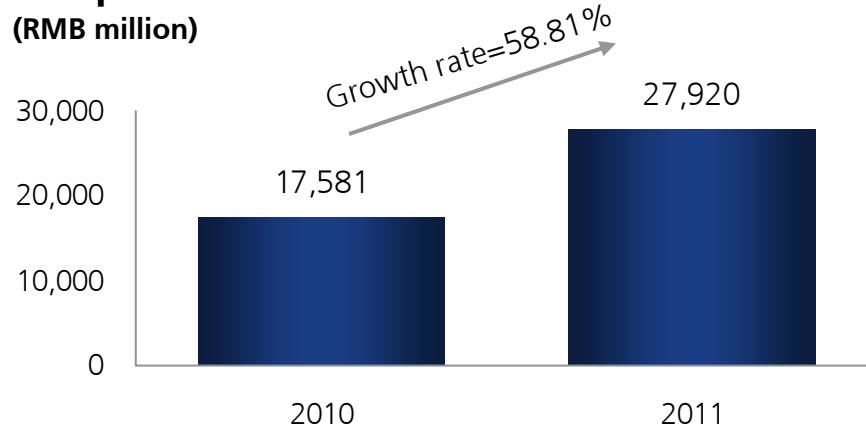
- ◆ The Bank has accelerated development in its new businesses such as investment banking, particularly the **“financial stewardship”** services which provide strategic NSOEs with comprehensive financial services including loans, wealth management, financial advisory, debt issue, listing etc.
- ◆ **A combination of innovative products and services in commercial banking and investment banking** received a high degree of customer recognition

Significant progress in implementing “second take-off” strategy

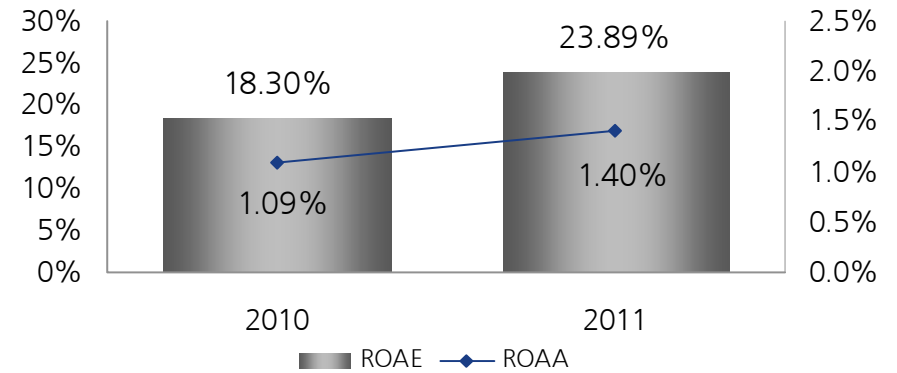


“Efficient Bank”: remarkable growth and improved profitability

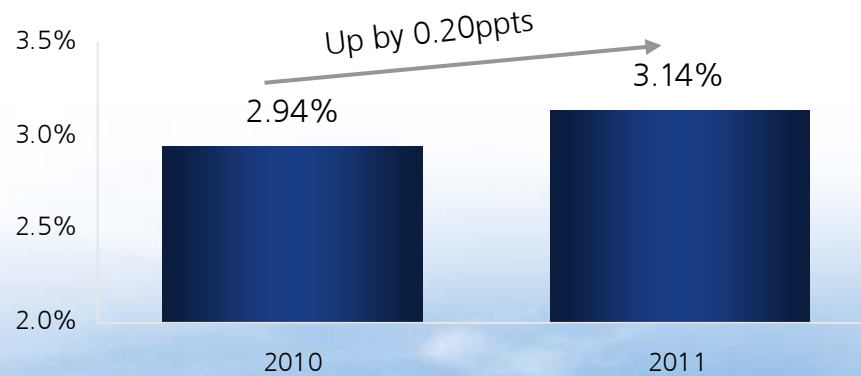
Net profit attributable to shareholders (RMB million)



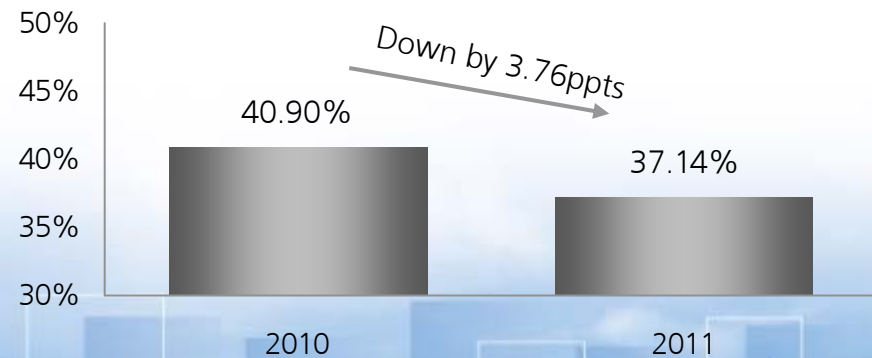
ROAA / ROAE



Net interest margin



Cost-to-income ratio



Overview of key financials



Key income statement items (RMB million, except EPS)	2011	2010	Growth (%)
Net interest income	64,821	45,873	↑ 41.31%
Non-interest income	17,375	8,794	↑ 97.58%
of which: net fee and commission income	15,101	8,289	↑ 82.18%
Operating income	82,196	54,667	↑ 50.36%
Operating expenses	(35,449)	(25,452)	↑ 39.28%
Impairment losses on assets	(8,376)	(5,504)	↑ 52.18%
Profit before tax	37,175	22,976	↑ 61.80%
Net profit attributable to equity shareholders of the Bank	27,920	17,581	↑ 58.81%
Earnings per share (RMB)	1.05	0.66	↑ 59.09%

Key profitability indicators	2011	2010	Change (ppt)
Net interest margin (NIM)	3.14%	2.94%	↑ 0.20%
Cost-to-income ratio ¹	37.14%	40.90%	↓ (3.76%)
ROAA	1.40%	1.09%	↑ 0.31%
ROAE	23.89%	18.30%	↑ 5.59%

Key statement of financial position items (RMB million)	31 Dec 2011	31 Dec 2010	Growth (%)
Gross loans and advances	1,205,221	1,057,571	↑ 13.96%
Investments	212,072	181,419	↑ 16.90%
Total assets	2,229,064	1,823,737	↑ 22.23%
Deposits from customers	1,644,738	1,417,877	↑ 16.00%
Debt securities issued	31,030	21,048	↑ 47.42%
Equity attributable to equity shareholders of the Bank	129,597	104,108	↑ 24.48%

Asset quality indicators	31 Dec 2011	31 Dec 2010	Change (ppt)
Impaired loan ratio	0.63%	0.69%	↓ (0.06%)
Allowance to impaired loans	357.29%	270.45%	↑ 86.84%
Capital adequacy ratios			
Core capital adequacy ratio	7.87%	8.07%	↓ (0.20%)
Capital adequacy ratio	10.86%	10.44%	↑ 0.42%

Note:

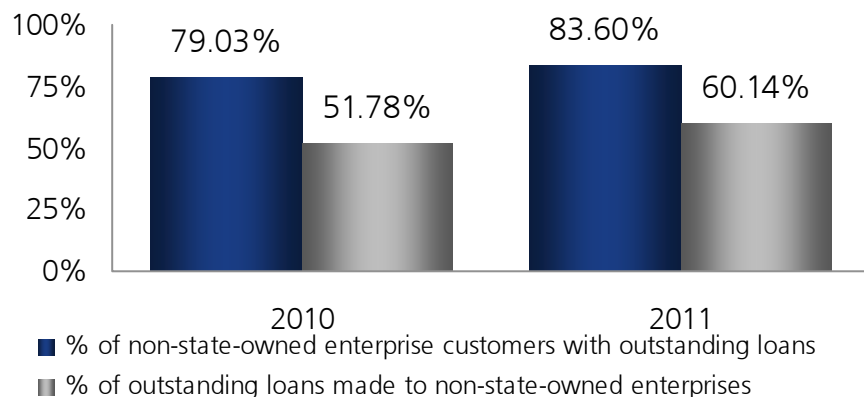
1. Cost-to-income ratio = (operating expenses + other operating expenses – business tax and surcharges) / operating income

Corporate banking—effective strategic repositioning



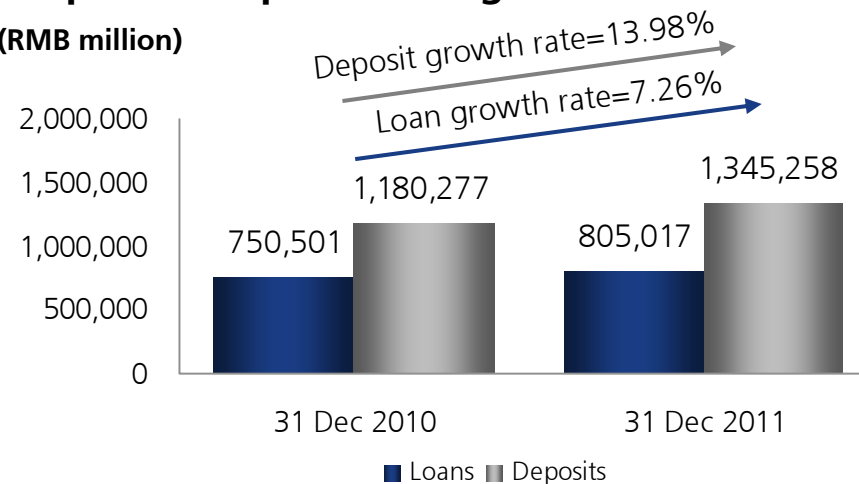
Targeting to become a distinctive and efficient bank, Minsheng focused on NSOEs strategy, promoted “Financial Stewardship” services and adopted capital efficient operation, continuing business structure, customer base and income sources optimization

% of non-state-owned enterprises

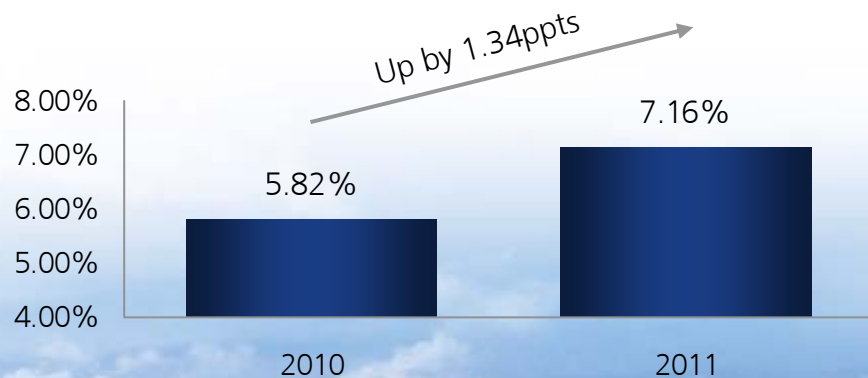


Corporate deposits and general loans¹

(RMB million)

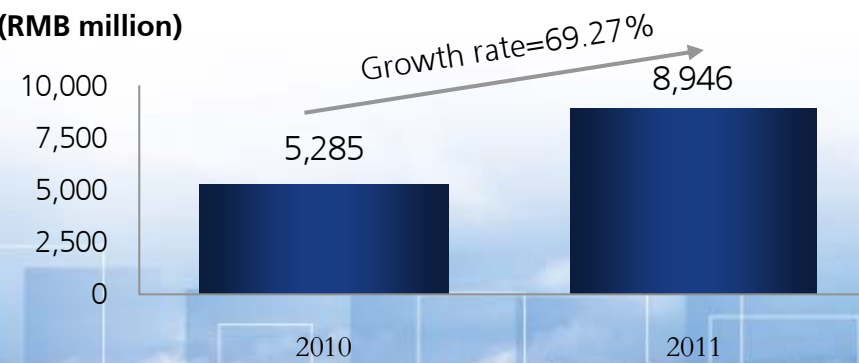


Average yield of corporate loans²



Net fee and commission income from corporate banking¹

(RMB million)



Note:

1 Bank standalone

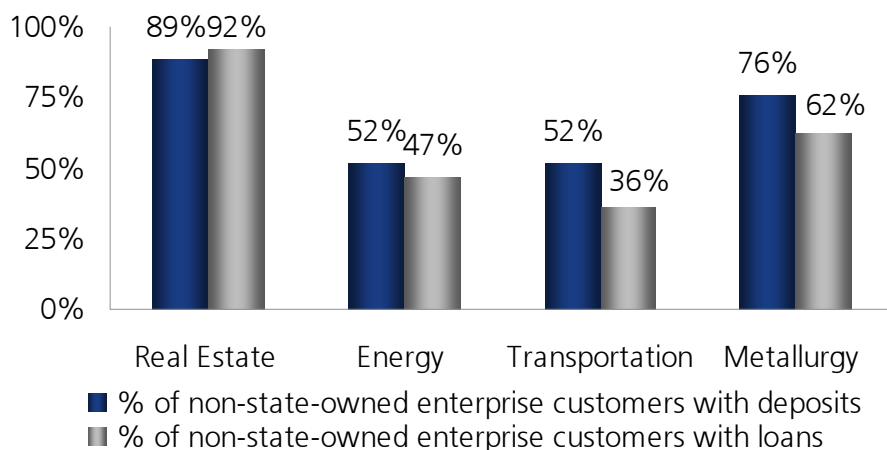
2 Group consolidated

Continued improvement in SBU specialized operations



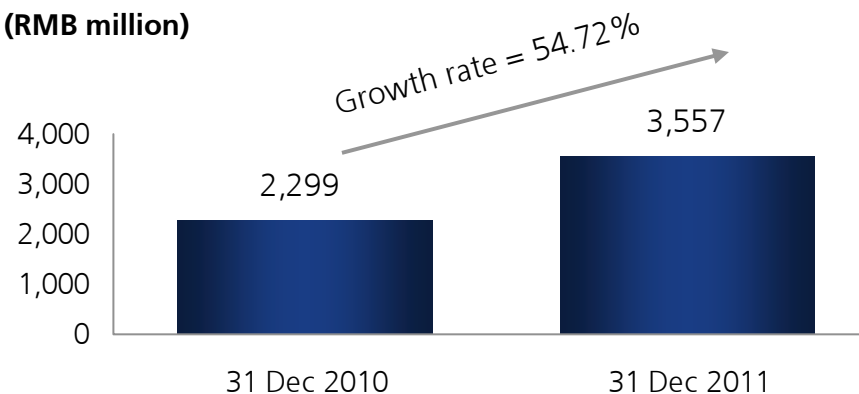
SBUs enhanced risk prevention, explored business opportunities in emerging areas, promoted "Financial Stewardship" service model and implemented NSOE strategies. All lines of business at SBUs achieved steady growth and asset quality continued to improve

% of non-state-owned enterprises of industry SBUs



Income from intermediary business of industry SBUs

(RMB million)



Total deposits of industry SBUs

(RMB million)



Total general loans of industry SBUs

(RMB million)

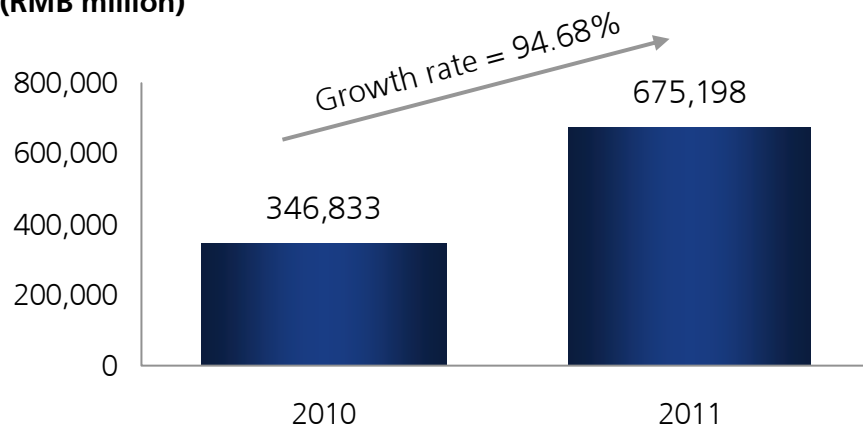


Robust emerging corporate banking businesses

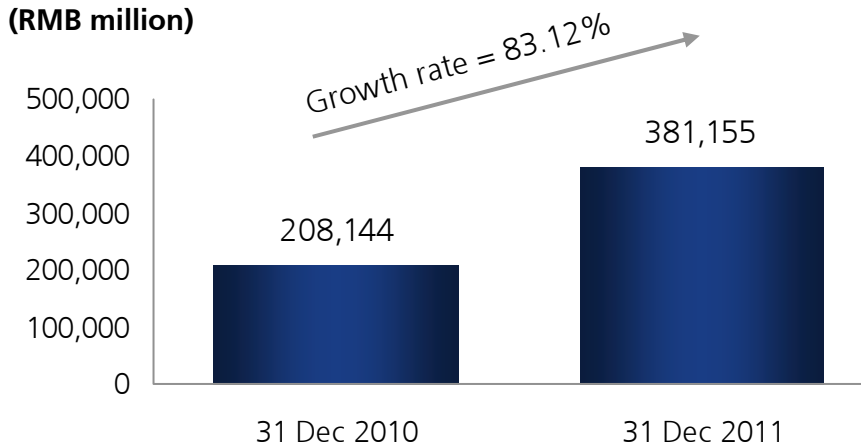


Emerging corporate banking products and services demonstrated strong growth

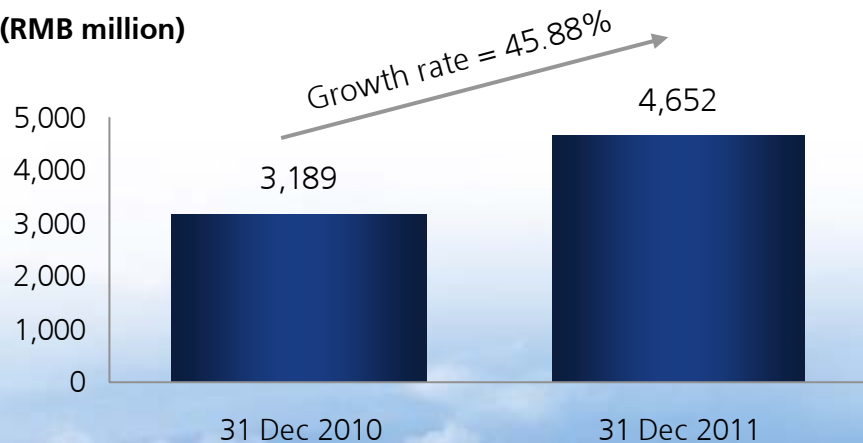
Transaction finance volume (RMB million)



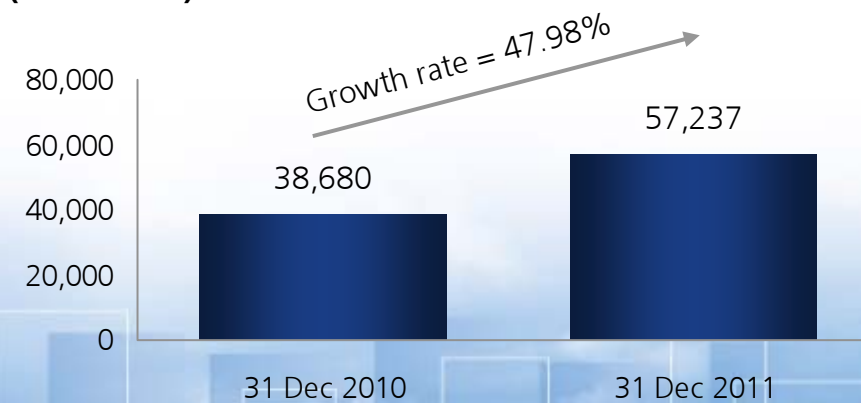
Assets in custody (RMB million)



Annuity funds in custody (RMB million)



Debt instrument underwriting (RMB million)



No. of accounts **61,541**

106,693

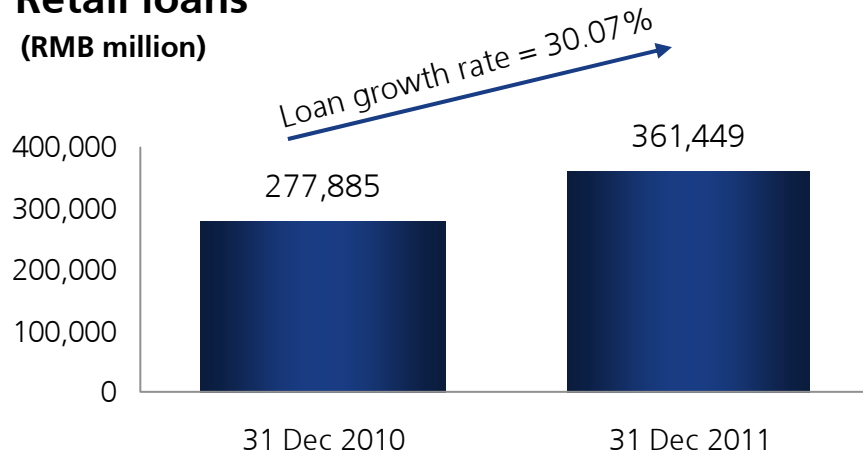
No. of issues **44**

81

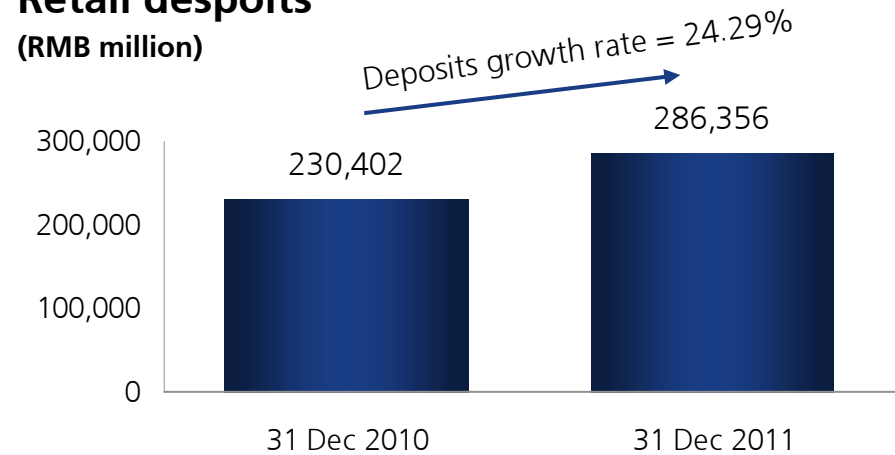
Retail banking—rapid expansion in scale with optimized portfolio

Deposits and loans grew rapidly while loan portfolio further optimized. Driven by wealth management product sales, customers' financial assets showed substantial growth

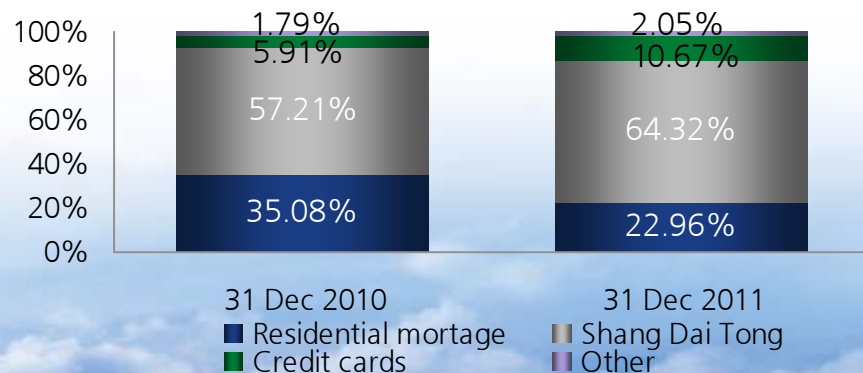
Retail loans¹
(RMB million)



Retail deposits¹
(RMB million)



Improving retail loan portfolio¹
(% in total retail loans)



Expanding customer base and financial assets¹
Financial assets of retail customers
(RMB million)



Note:
1 Bank standalone

Upgraded small and micro finance service and substantial growth in “Shang Dai Tong” business



Small and micro finance service has been greatly enhanced in 2011



Distinctive financing product for small enterprises
CBRC



2011 Best bank for small and micro enterprises
CBN Financial Value Ranking



2011 Best lender to small enterprises
Global Finance

Five major upgrades in Small and Micro Finance v2.0

1

Broadened the service scope by providing more choices in financing options, and launching innovative services in settlement, channel and wealth management that formed a diversified framework of MSE financial products, transforming from simple credit to comprehensive financial services

2

Further increased the proportion of loans without collateral in the portfolio, such as guaranteed loans and credit facilities, to enable more MSE owners and individual industrial and commercial customers who were not able to provide collateral to access credit

3

Improved the credit pricing system and realized the unification of customer value and risk identification to build long-term relationship with the customers

4

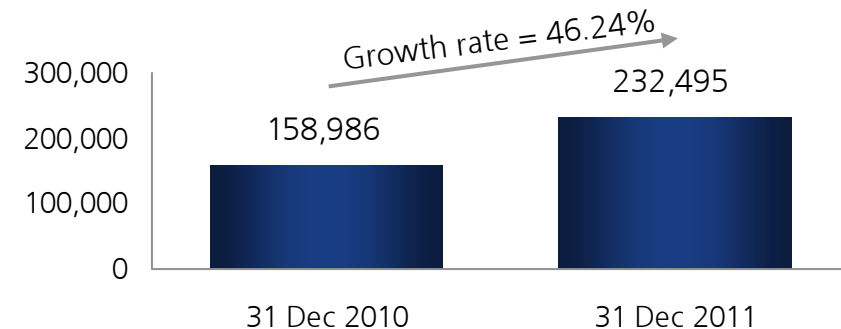
Enhanced after-sale services and organized “Wealth Management Classes” to introduce knowledge on modern financial services to MSE owners and individual industrial and commercial customers

5

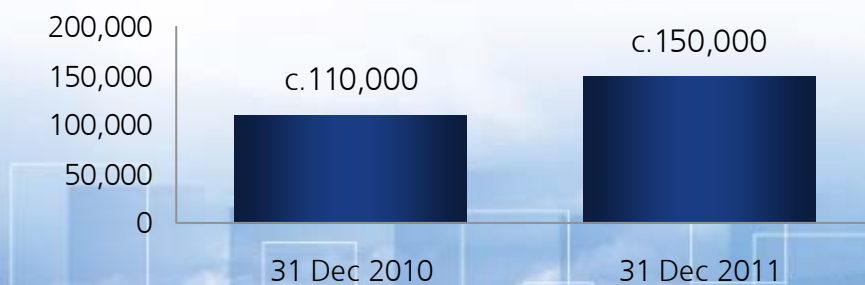
Optimized the operation mode by adopting “factory method” to enhance operational efficiency and service quality

Expanding business and improving product pricing

“Shang Dai Tong” outstanding loans (RMB million)



No. of “Shang Dai Tong” customers



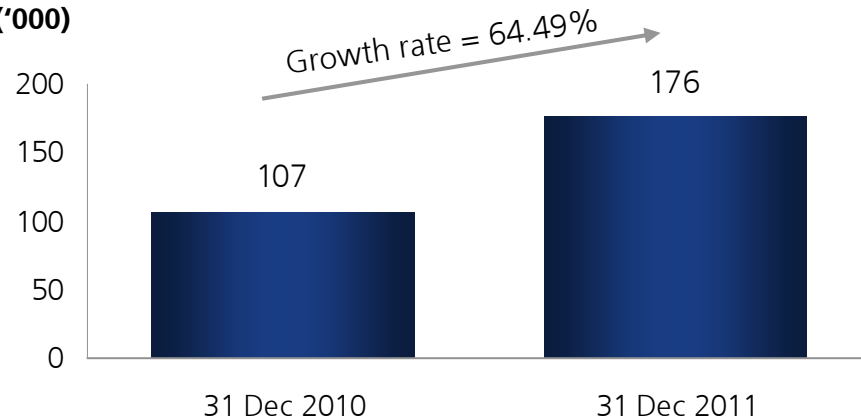
Expanding high-end customer base with increasing contribution



Continued to strategically focus on high-end customers and achieved a material increase in the number of high-end customers

Customers with personal financial assets over RMB500,000

('000)



Contribution of deposits from customers with personal financial assets over RMB500,000 to total deposits

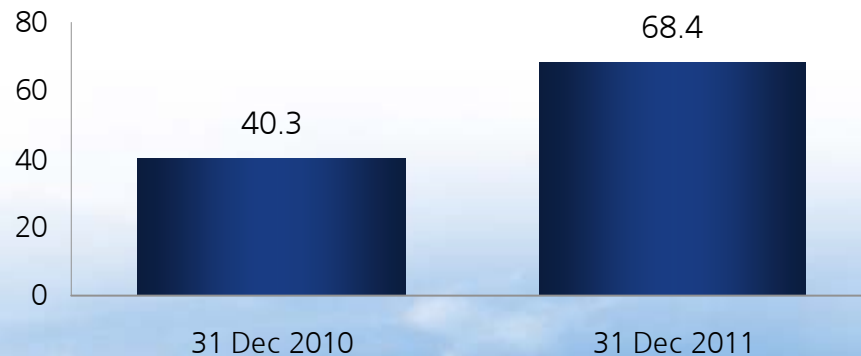


59.75%



Customers with over RMB500,000 (daily average) financial assets

Private banking AuM and no. of customers (RMB billion)

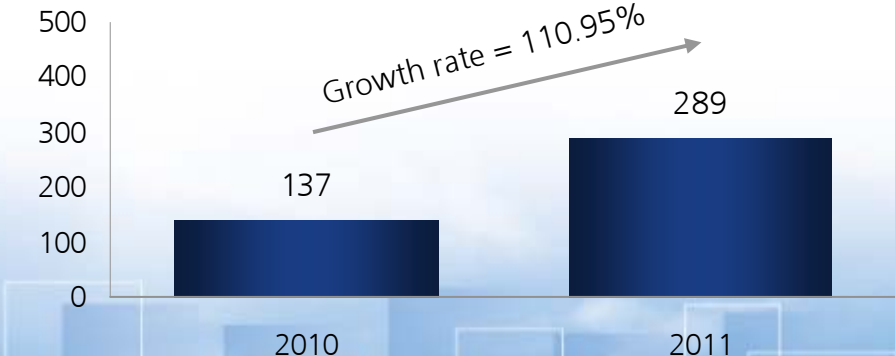


No. of customers

2,485

4,650

Private banking intermediary business income (RMB million)





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Outlook



Key income statement items



(RMB million, except per share data)	2011	2010	Growth (%)
Net interest income	64,821	45,873	41.31%
Non-interest income	17,375	8,794	97.58%
of which: net fee and commission income	15,101	8,289	82.18%
Operating income	82,196	54,667	50.36%
Operating expenses	(35,449)	(25,452)	39.28%
Pre-tax pre-provision operating profit	45,551	28,480	59.94%
Impairment losses on assets	(8,376)	(5,504)	52.18%
Profit before income tax	37,175	22,976	61.80%
Income tax expenses	(8,732)	(5,288)	65.13%
Net profit attributable to equity shareholders of the Bank	27,920	17,581	58.81%
Earnings per share (RMB)	1.05	0.66	59.09%

Key statement of financial position items



(RMB million)	31 Dec 2011	31 Dec 2010	Growth (%)
Gross loans and advances	1,205,221	1,057,571	13.96%
Investments	212,072	181,419	16.90%
Total assets	2,229,064	1,823,737	22.23%

	31 Dec 2011	31 Dec 2010	Growth (%)
Customer deposits	1,644,738	1,417,877	16.00%
Debt securities in issue	31,030	21,048	47.42%
Total liabilities	2,094,954	1,718,480	21.91%
Equity attributable to equity shareholders of the Bank	129,597	104,108	24.48%

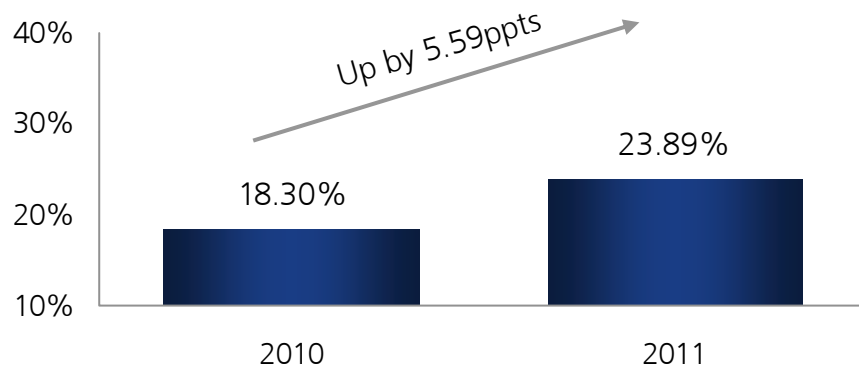


Continuous rise in profitability

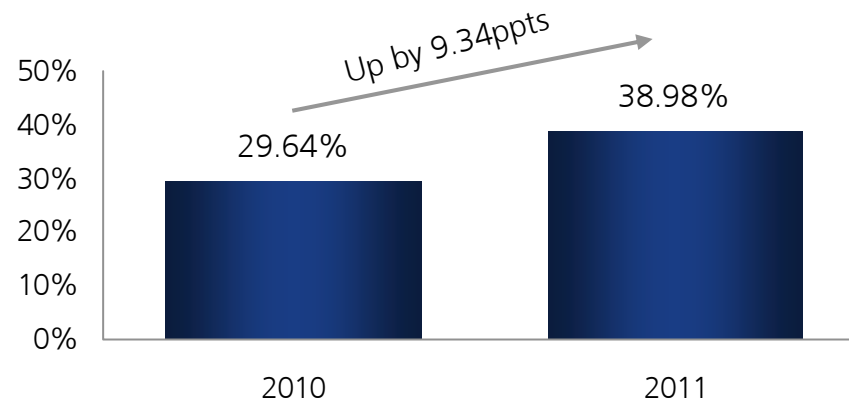


Continuous rise in profitability with strong financial results

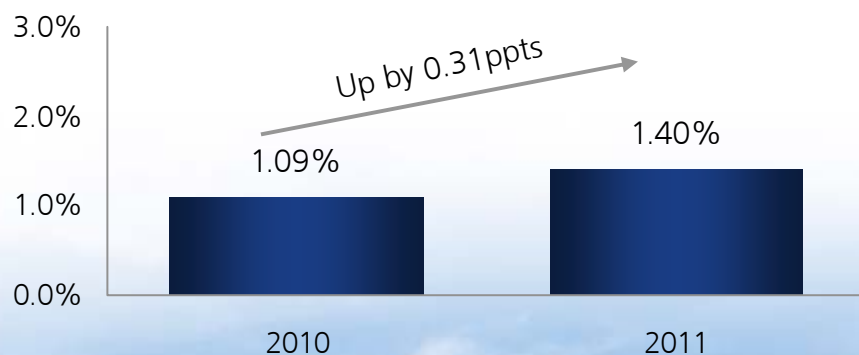
ROAE



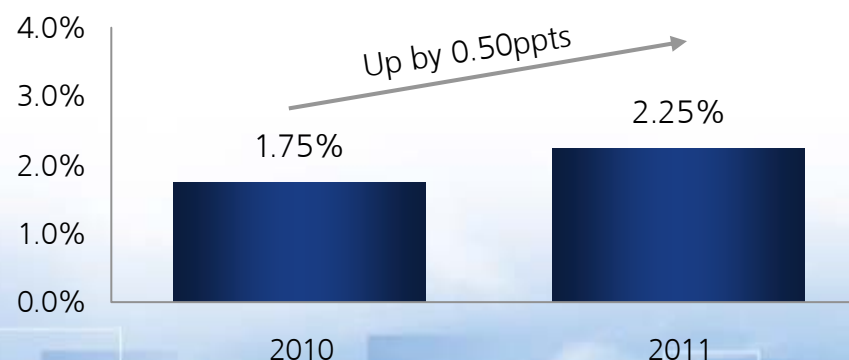
PPOP/Average shareholders' equity



ROAA



PPOP/Average total assets

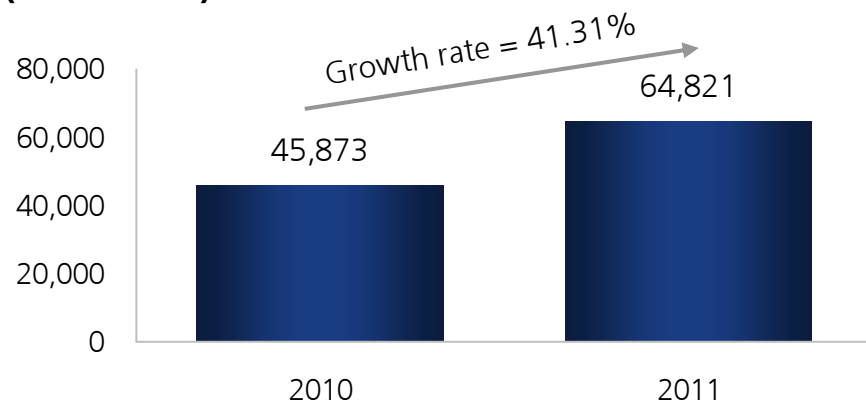


Net interest income

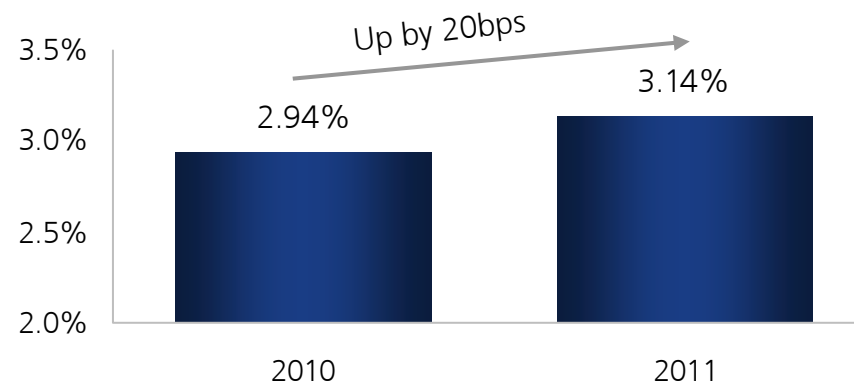


Significant increase in net interest income driven by margin expansion

Net interest income (RMB million)



Net interest margin



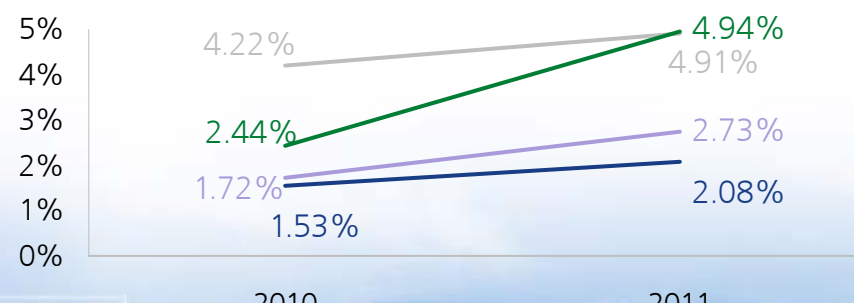
Return on average interest-earning assets



- Loans and advances
- Investment in debt securities
- Balances and placements with other banks and financial institutions

Average interest-earning assets

Cost of average interest-bearing liabilities



- Customer deposits
- Debt securities in issue
- Deposits and placements from other banks and financial institutions

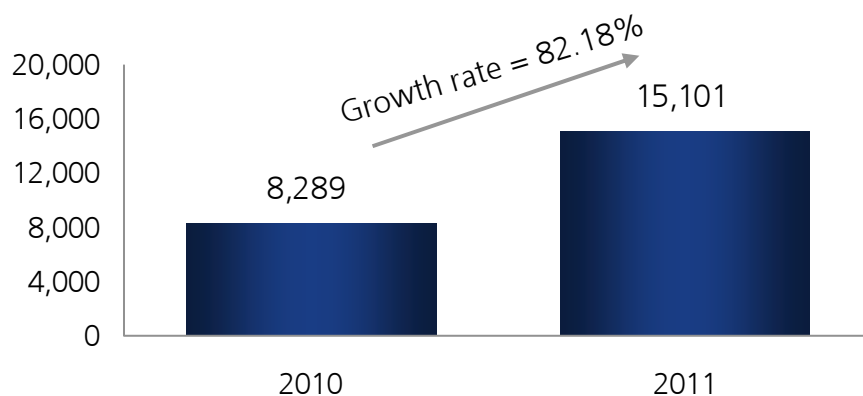
Average interest-bearing liabilities



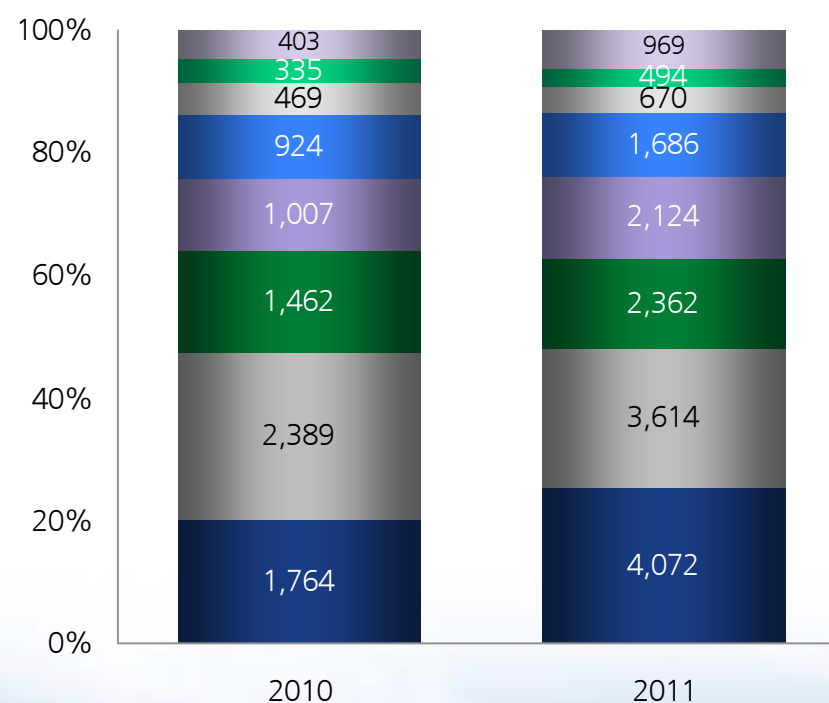
Non-interest income

Strong growth and increasing contribution of fee and commission income further diversify revenue sources. Major increases were recorded in wealth management, bank card, advisory and trade finance businesses

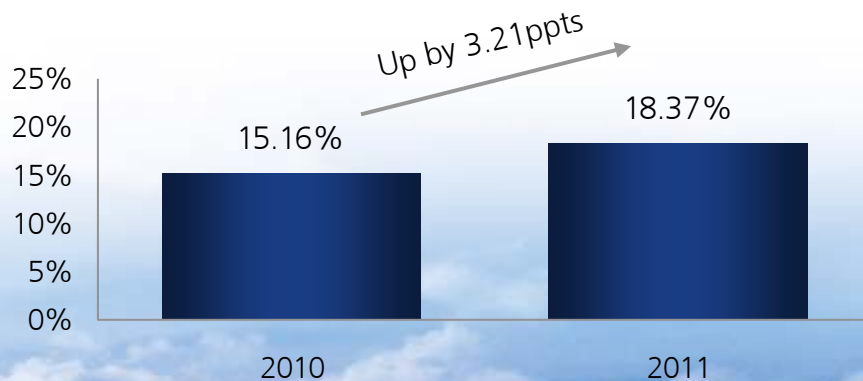
Growth in net fee and commission income (RMB million)



Net fee and commission income composition (RMB million)



As % of total operating income



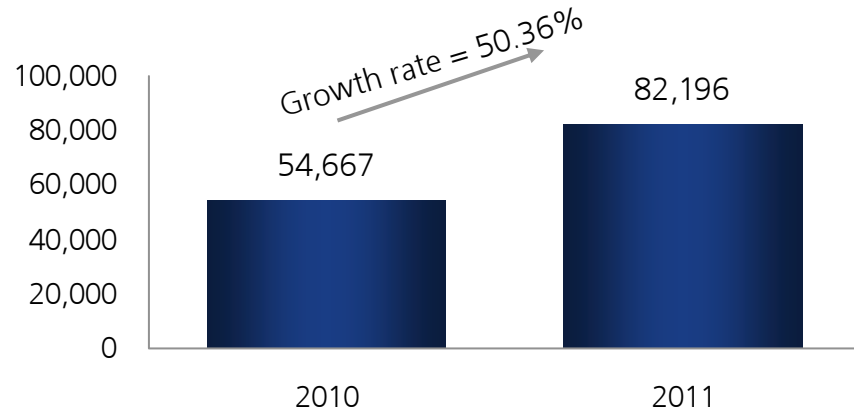
- Other
- Securities underwriting fees
- Financial leasing fees
- Settlement and clearing fees
- Bank card service fees
- Credit commitment fees
- Financial advisory service fees
- Custodian and other fiduciary service fees

Operating efficiency

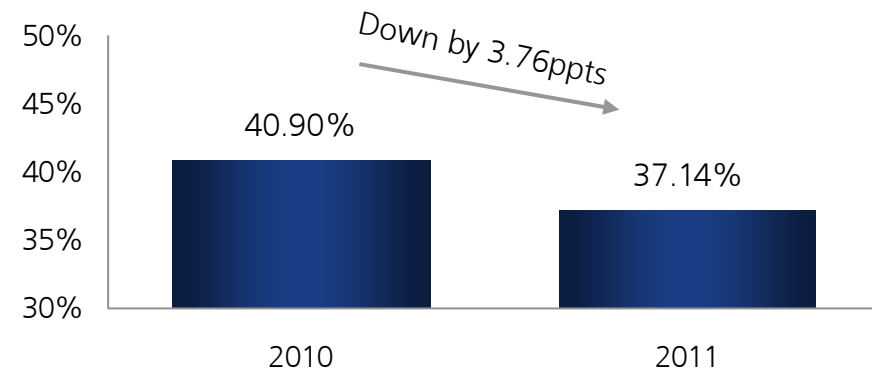


Contribution per branch / employee further increased and cost-to-income ratio, driven by operating income growth and effective cost control, dropped markedly

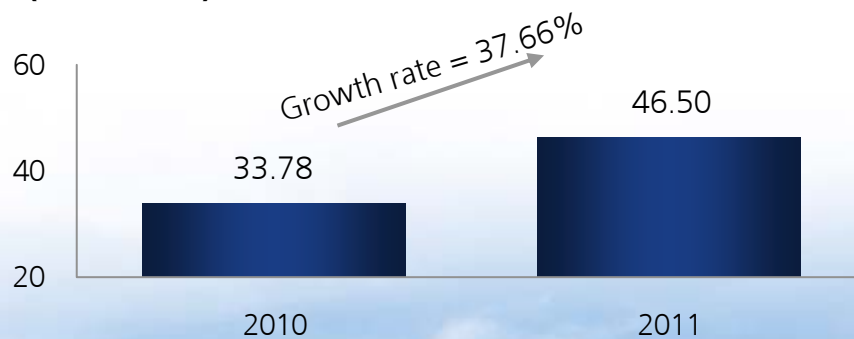
Rapid increase in operating income



Cost-to-income ratio



Net income per branch¹ (RMB million)



Net income per employee¹ (RMB million)



Note:
1 Bank standalone

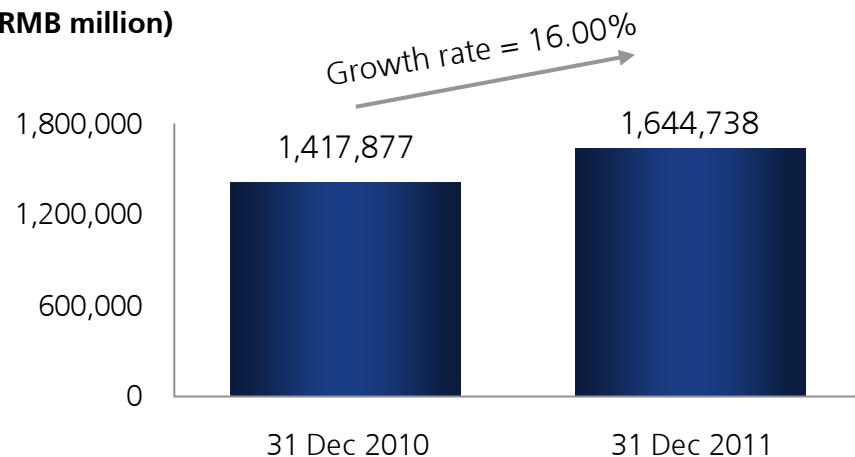
Deposit and loan portfolios



Deposits outgrew loans and retail loans currently account for 30% of total loans

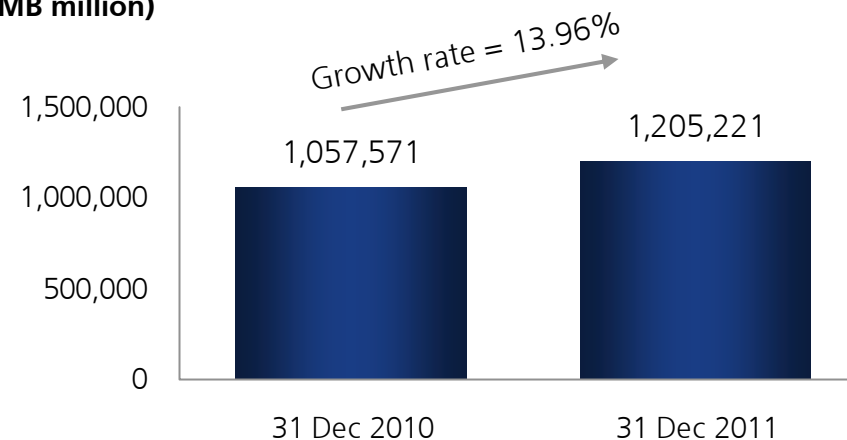
Scale of customer deposits

(RMB million)

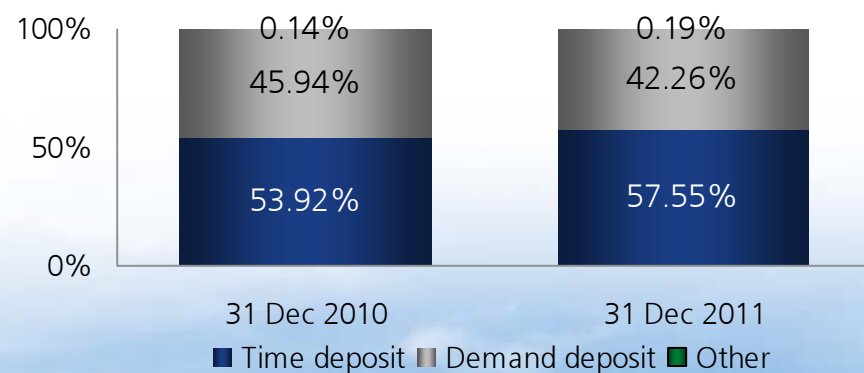


Scale of loans and advances

(RMB million)



Deposit composition (by duration)



Loan composition



Asset quality

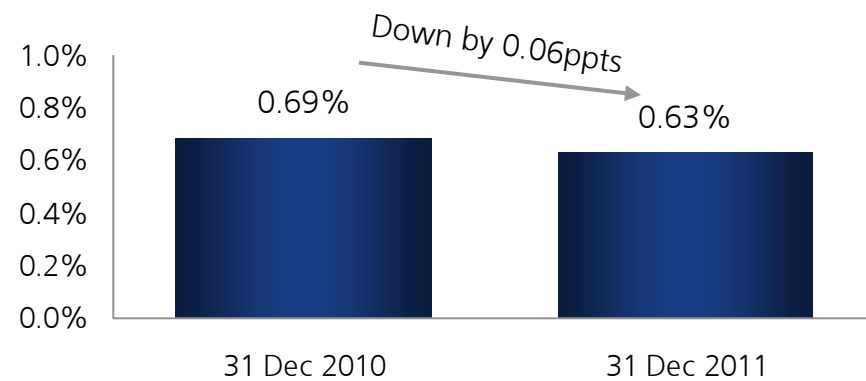


Comprehensive risk management has been fully implemented, resulting in reduced impaired loan ratio and enhanced provision coverage ratio

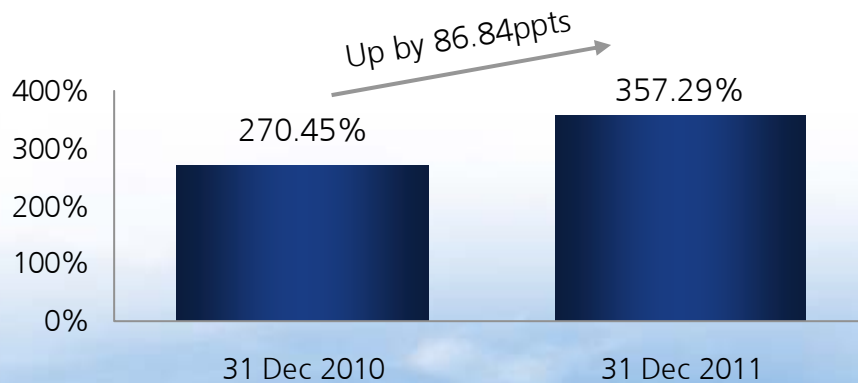
Proactive measures to improve asset quality

- ◆ Enhancing credit planning, proactively adjusting loan distribution, and continuously optimizing asset structure;
- ◆ Continuing to optimize the risk management system, improving the risk management policies and imposing multidimensional risk limit management for various industries and regions;
- ◆ Proactively developing and optimizing the system of risk monitoring and early-warning and strengthen routine post-loan management;
- ◆ Formulate contingency plans in an early and timely manner on loans with potential risk factors and problems;
- ◆ Comprehensively utilizing all available recovery measures and improve the efficiency and effectiveness of recovery.

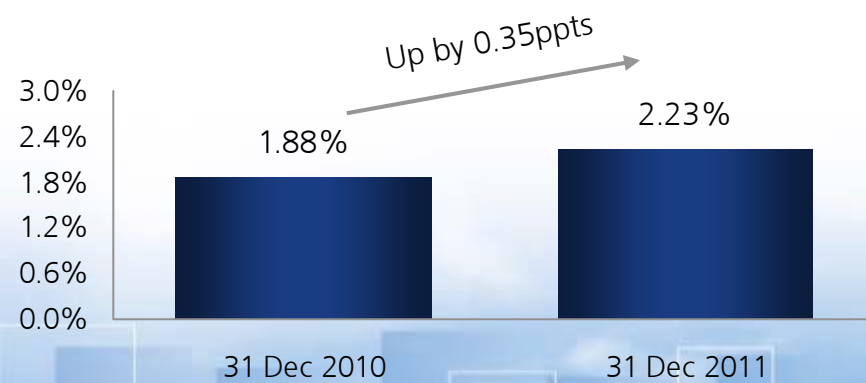
Impaired loan ratio



Allowance to impaired loans



Allowance to total loans

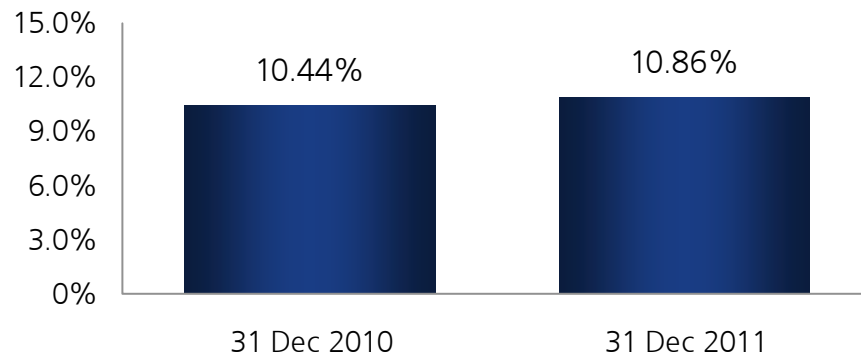


Capital adequacy ratio

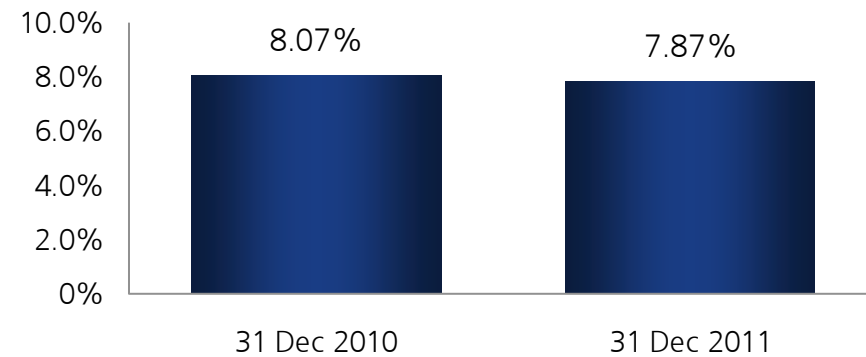


Stronger capital adequacy ratio achieved through internal capital replenishment and subordinated debt offerings

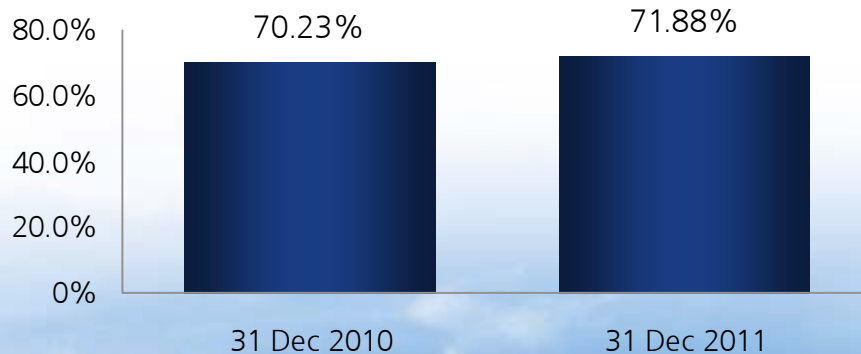
CAR



Core CAR



Total RWA and market risk adjustment / total assets



Total equity / total assets





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By enhancing reforms and innovation and speeding up resources integration, Minsheng, with its accentuated characteristics, problem-solving capacity and solid foundation, will improve management with an aim to develop into a “distinctive bank” and “efficient bank” to ensure the successful implementation of the “Second Take-off” strategy

1

Reinforce strategic businesses and effectively promote NSOEs, MSEs and high-end customers strategies to enlarge strategic customer base. Enhance liability management to maintain a healthy balance sheet.

2

Carry out extensive enhancement of MSE financial services to further increase customers’ satisfaction. Fulfill the needs of MSEs by product innovation, sales channel extension, and effective risk control to provide all-round modern financial services for MSEs.

3

Improve the model of “Financial Stewardship” to provide comprehensive services for NSOEs. Provide customers with professional financial services characterized by its smart financing management and its competitive edges of commercial and investment banking.

4

Optimize the service model of private banking and expand high-end retail business. Coordinate internal and external resources to launch innovative and exclusive private banking products to high-end customers in order to satisfy the wealth management needs of private banking customers.

5

Carry out comprehensive service upgrade and facilitate the growth of intermediary business. Improve the quality of featured products and services to strengthen the competitive edge of the brand for sustainable and stable revenue growth of its intermediary business.



Q&A