

China Minsheng Banking Corp., Ltd. 2011 Interim Results Announcement IFRS



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 H-shares.



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Business Review

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Financial performance

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Outlook



Business overview



Steadily developed strategic businesses and progressed with structural adjustments, resulting in satisfactory operating results

Operating objectives

"Distinctive" bank
+ "Efficient" bank

Strategic positioning

A bank for non-state-owned enterprises

A bank for small and micro enterprises

A bank for high-end customers

Guiding principle

Holding on to unique characteristics

Giving prominence to key businesses

Enhancing management effectiveness

Speeding up reform

1

Ongoing optimization of income structure, significant improvement in operating efficiency and continuing rise in profitability

- ◆ In 1H 2011, operating income and profit grew steadily
- ◆ NIS and NIM increased markedly over the same period last year
- ◆ Percentage of net fee and commission income in operating income increased by 3.12 pts compared with the same period last year

2

Deepened structure adjustment to strategic businesses and steady improvement of asset-liability business

- ◆ Gross loans and advances and customer deposits grew steadily
- ◆ "Shang Dai Tong" operations developed rapidly, with the loan balance exceeding RMB 200bn as of 30 June 2011

3

Stable quality of sizable asset resulted from risk management measures

- ◆ NPL ratio was 0.63%, representing a decrease of 6 bps over the end of last year
- ◆ NPL coverage ratio was 334.30%, representing an increase of 63.85 pts over the end of last year, hence the ability to withstand risk was further strengthened

Overview of key financials



Key data from income statement (RMB million, except per share data)	1H 2010	1H 2011	Growth rate (%)
Operating income	26,081	38,801	↑ 48.77
Inc.: Net interest income	21,165	29,545	↑ 39.59
Net non-interest income	4,916	9,256	↑ 88.28
Pre-tax profit	11,615	18,407	↑ 58.48
Net profit attributable to shareholders of the Bank	8,866	13,918	↑ 56.98

Key data from statement of financial position (RMB million)	31 Dec 2010	30 Jun 2011	Growth rate (%)
Total assets	1,823,737	2,161,005	↑ 18.49
Inc.: Gross loans and advances	1,057,571	1,142,274	↑ 8.01
Total liabilities	1,718,480	2,044,196	↑ 18.95
Inc.: Customer deposits	1,416,939	1,536,586	↑ 8.44
Equity attributable to shareholders of the Bank	104,108	115,269	↑ 10.72

Key profitability indicators	1H 2010	1H 2011	Changes (pts)
NIM	2.92	3.00	↑ 0.08
Cost-to-income ratio (ex. business tax)	39.83	34.08	↓ -5.75
Return on average assets (annualized)	1.17	1.41	↑ 0.24
Return on average equity (annualized)	19.28	25.38	↑ 6.10
EPS (RMB)	0.33	0.52	↑ 57.58

Key asset quality and capital adequacy indicators	31 Dec 2010	30 Jun 2011	Changes (pts)
NPL ratio	0.69	0.63	↓ -0.06
Coverage ratio	270.45	334.30	↑ 63.85
Credit cost (annualized)	0.55	0.77	↑ 0.22
Core capital adequacy ratio	8.07	7.75	↓ -0.32
Capital adequacy ratio	10.44	10.73	↑ 0.29

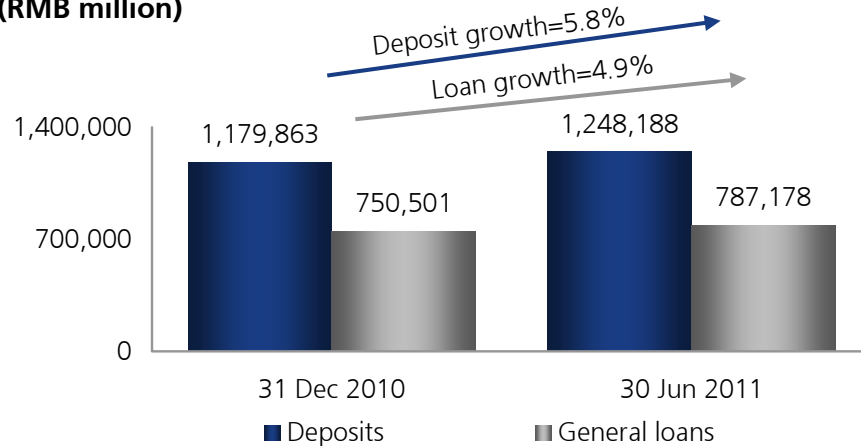
Source: Interim reports

Corporate banking - target on non-state-owned enterprises and promote “Financial Butler” service mode, resulting in initial success from strategic transformation



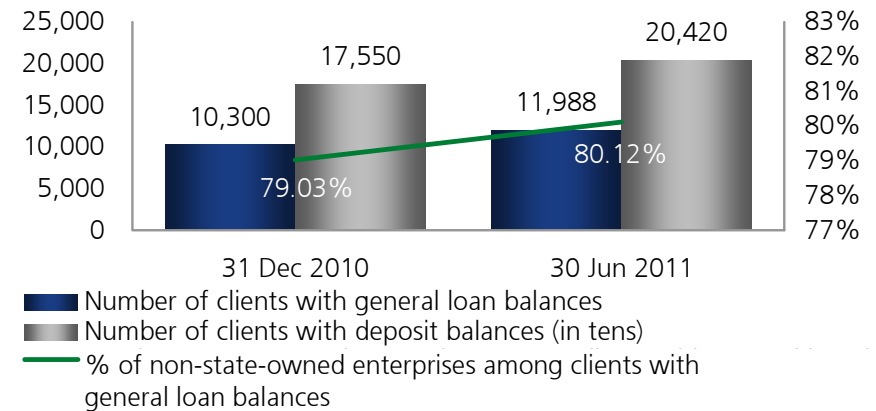
Continued to proactively optimize the business structure, customer structure and income structure, in light of a changing operating environment

Corporate deposits and general loans (RMB million)



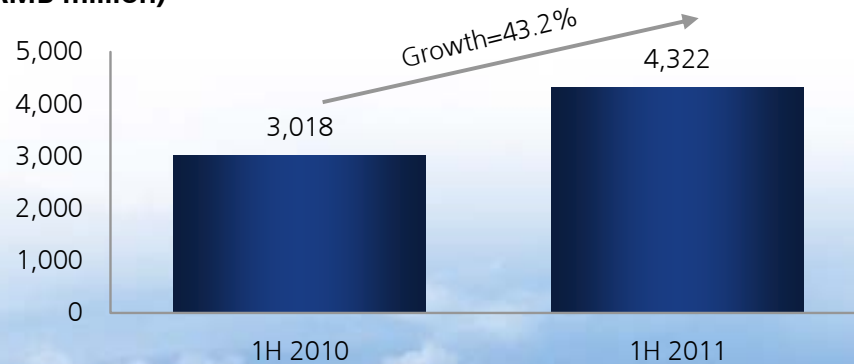
Source: Interim and annual reports

Client base



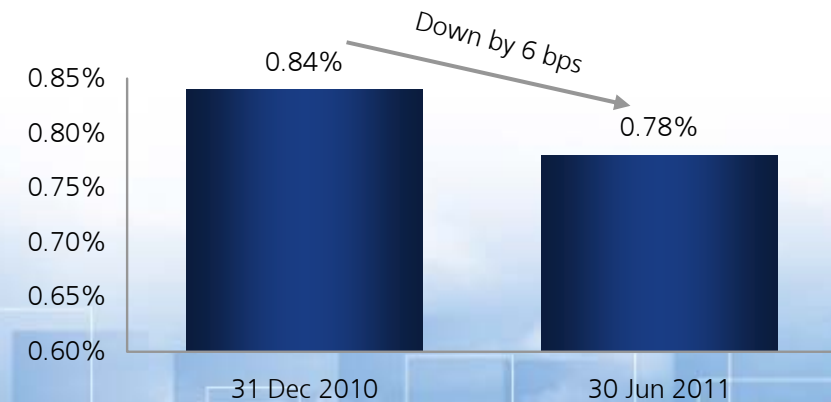
Source: Interim and annual reports

Net fee and commission income from corporate banking (RMB million)



Source: Interim reports

Corporate loan NPL ratio



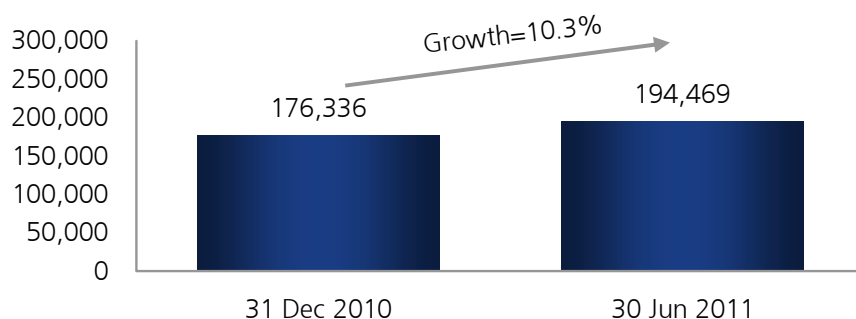
Source: Interim and annual reports

Steady growth in all SBU operations



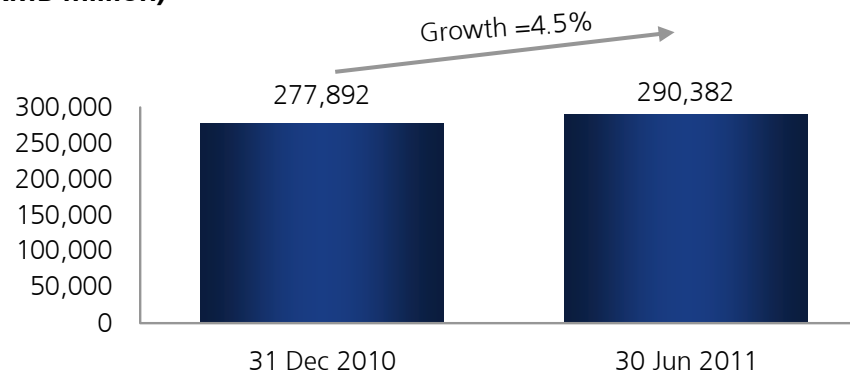
All SBUs proactively navigated the complex and evolving operating environment by taking the initiative to implement structural adjustments, strengthen risk prevention mechanisms, explore emerging business opportunities and implement the "Financial Butler" service mode. All business operations grew steadily, and asset quality remained healthy

Total deposits of industry SBUs
(RMB million)



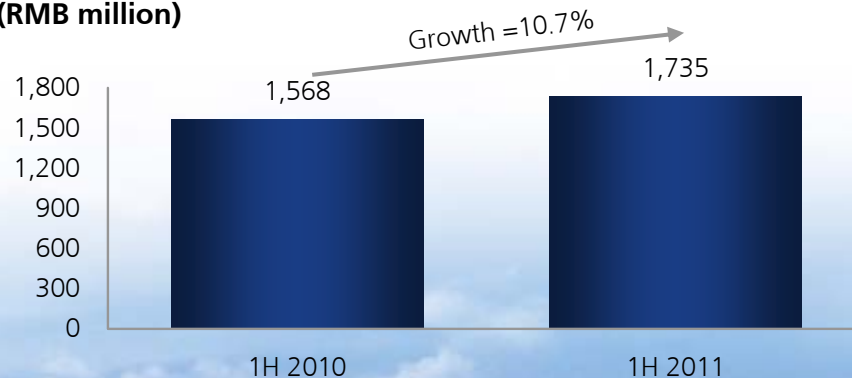
Source: Interim and annual reports

Gross loans of industry SBUs
(RMB million)



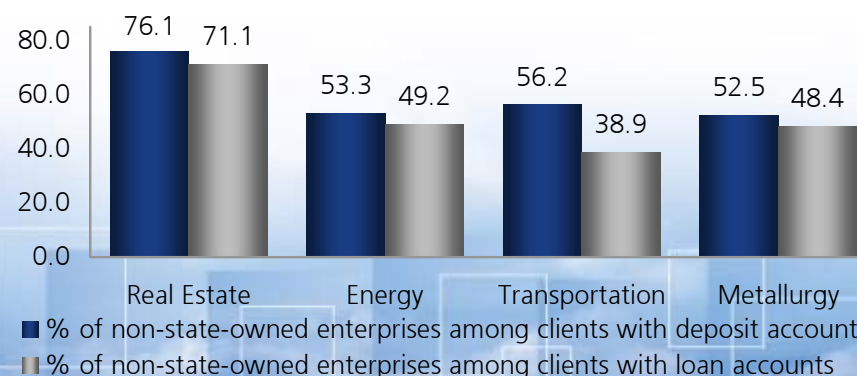
Source: Interim and annual reports

Net non-interest income of industry SBUs
(RMB million)



Source: Interim reports

% of non-state-owned enterprises among clients with deposit / loan accounts in industry SBUs¹



Source: Interim reports

Note:
1. As of June 30, 2011

Corporate banking – specialty business

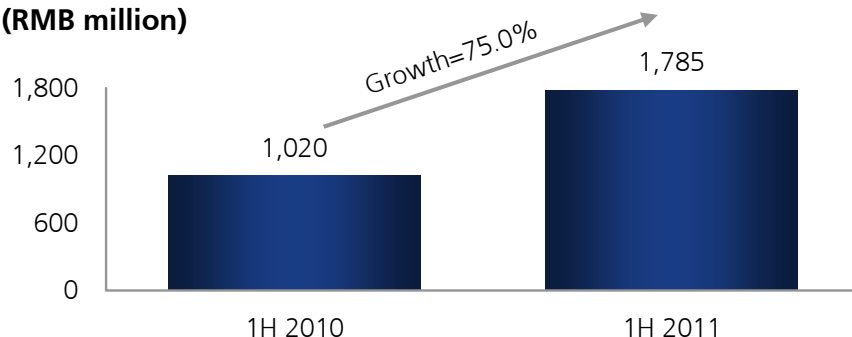


Trade Finance Business



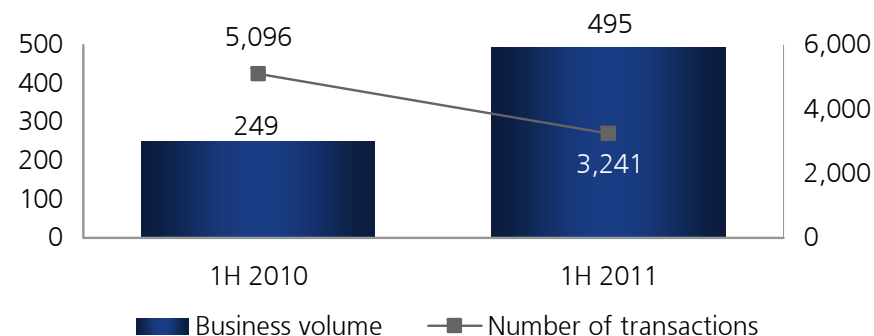
2011 Best Bank of Trade Finance Innovation in China – *Financial Times*, UK

Net non-interest income from trade finance (RMB million)



Source: Interim reports

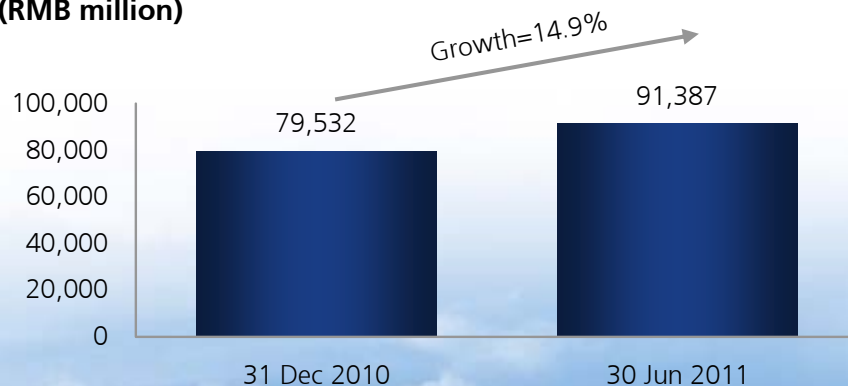
Volume of international dual factoring service (USD million)



Source: Interim reports

SME Finance SBU

General loan balance (RMB million)



Source: Interim and annual reports

Number of clients for asset business (clients)

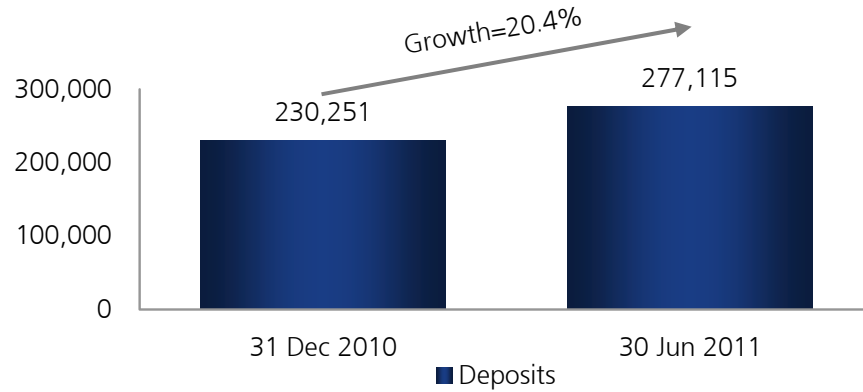


Source: Interim and annual reports

Retail banking – rapidly expanding scale with structural optimization

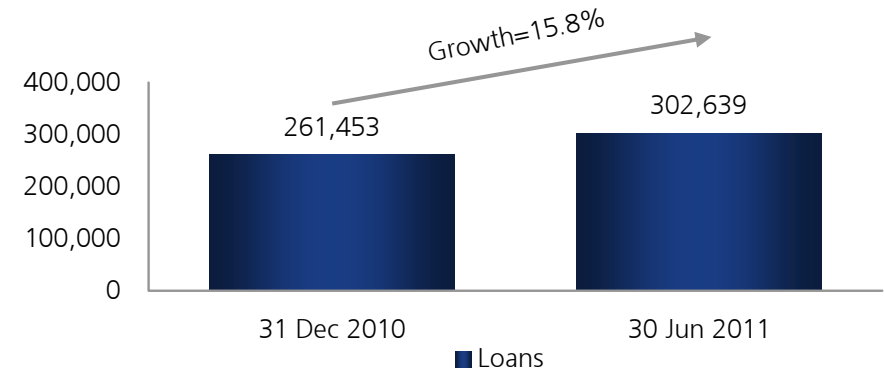


Retail deposits
(RMB million)



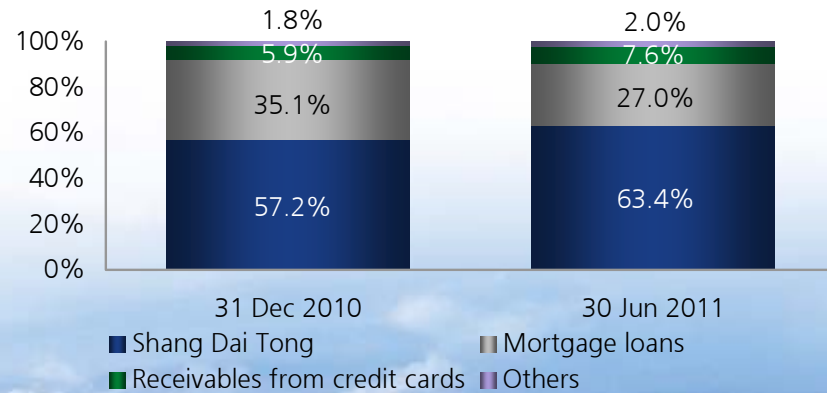
Source: Interim and annual reports

Retail loans (ex. credit cards)
(RMB million)



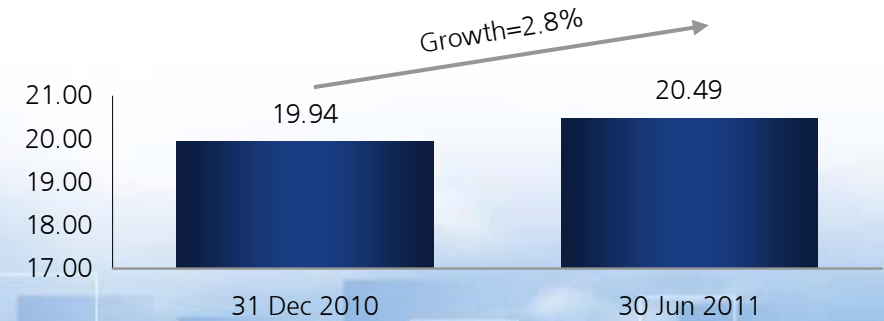
Source: Interim and annual reports

Improving structure of individual loans
(% of individual loans)



Source: Interim and annual reports

Expanding customer base
(Number of retail customers, million)



Source: Interim and annual reports



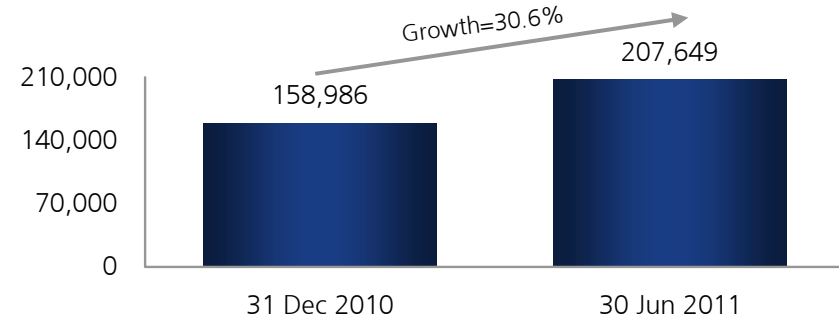
In 1H 2011, the Bank introduced version 2.0 of small and micro financial services. Small and micro financial services profitability continued to improve as the average interest rate of new loans increased by 1.7 pts compared with last year. The Bank also maintained healthy asset quality with the NPL ratio of “Shang Dai Tong” was merely 0.13% at the end of 1H 2011

5 major improvements in the small and micro financial services version 2.0

- 1** Broadened the scope of services and established a comprehensive financial product system framework
- 2** Further increased the proportion of loans without collateral in loan structure to expand the scope of credit extensions
- 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 new services like “Wealth Management Classes”
- 5** Adopting “factory method” to enhance operational efficiency and service quality

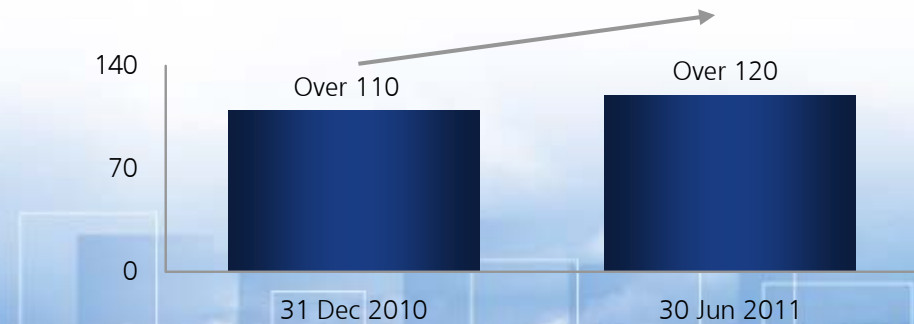
Expanding business scale

“Shang Dai Tong” outstanding loan balance (RMB million)



Source: Interim and annual reports

“Shang Dai Tong” customer base (thousand)



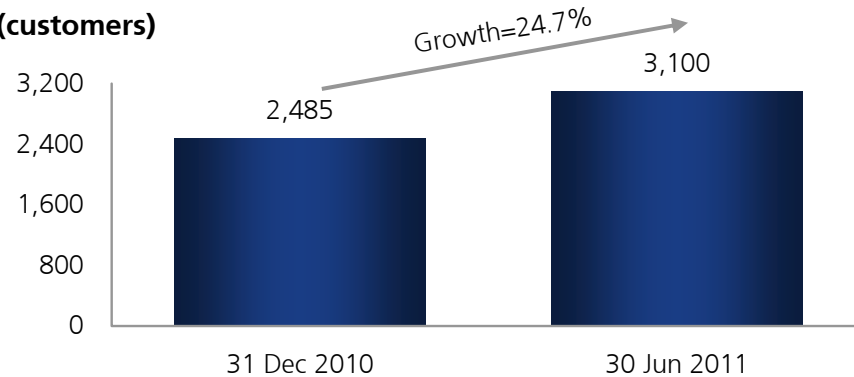
Source: Interim and annual reports

High-end customer base continued to grow and deliver increasing revenue contribution



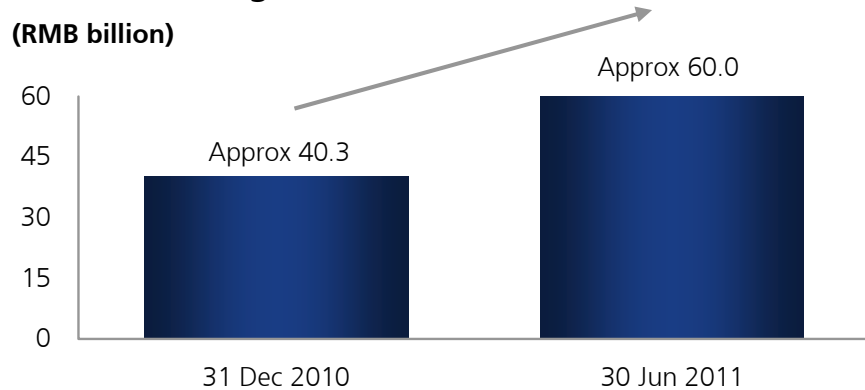
Continued strategic focus on high-end customers and achieved a significant increase in the number of high net worth clients

Number of private banking customers (customers)



Source: Interim and annual reports

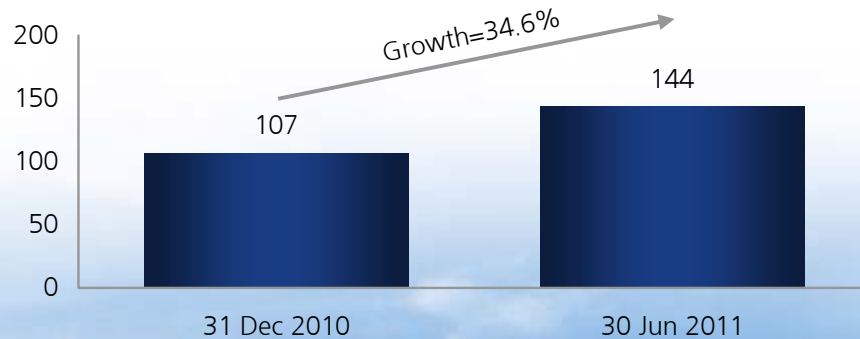
Private banking business AUM (RMB billion)



Source: Interim and annual reports

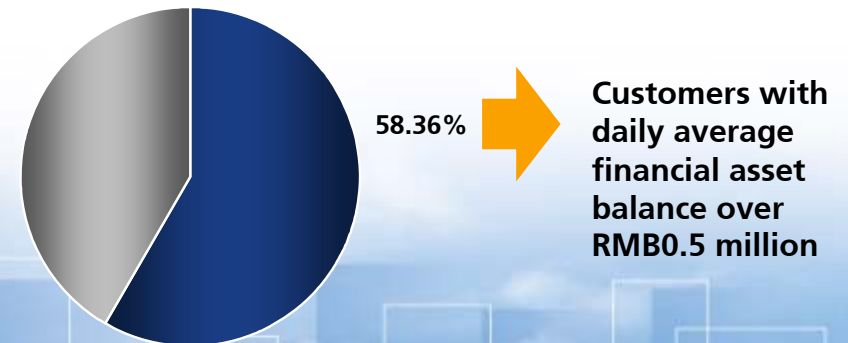
Customers with daily average financial asset balance over RMB0.5 million

(thousand)



Source: Interim and annual reports

Contribution of customers with daily average financial asset balance over RMB0.5 million to total retail deposits

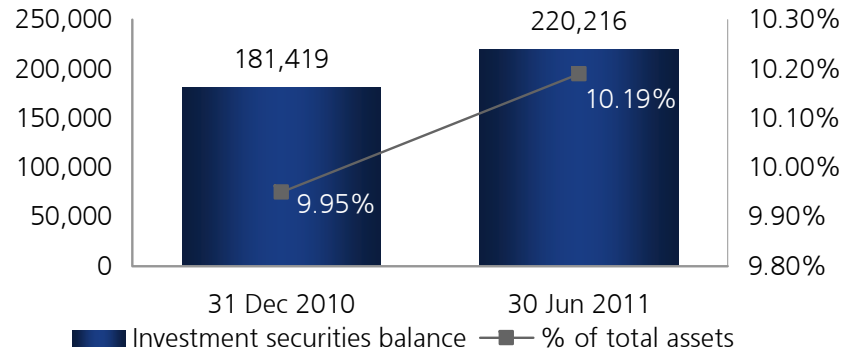


Source: Interim reports

Treasury business – continued pursuit of greater size and strength

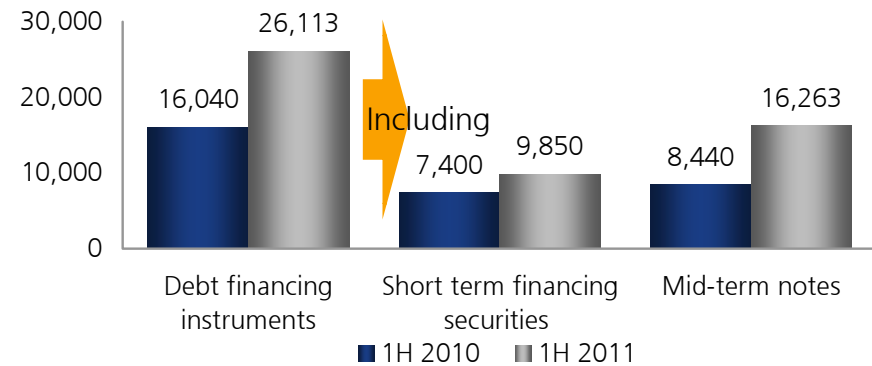


Investments (RMB million)



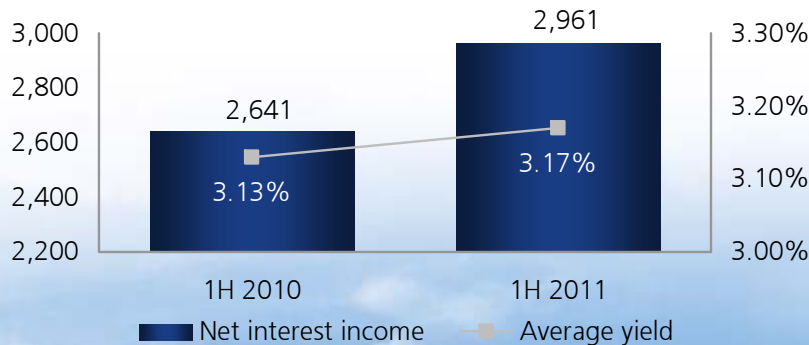
Source: Interim and annual reports

Underwriting of debt financing instruments (RMB million)



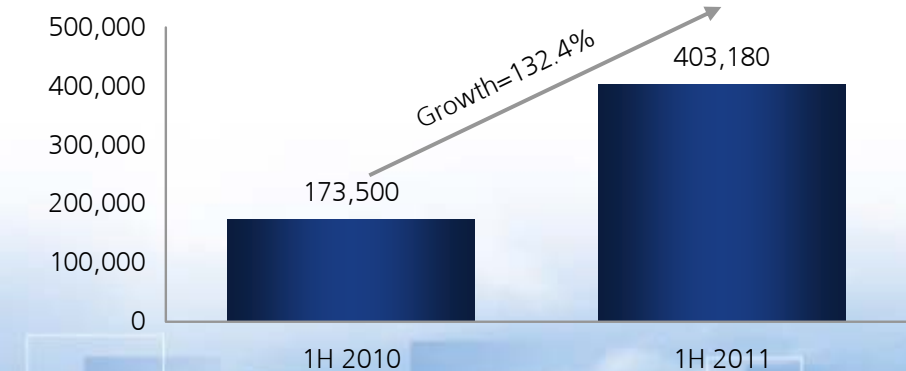
Source: Interim reports

Interest income of investment in debt securities (RMB million)



Source: Interim reports

Sales volume of wealth management products (RMB million)



Source: Interim reports



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Outlook



Income statement highlights



(RMB million, except per share data)	1H 2010	1H 2011	Growth rate(%)
Net interest income	21,165	29,545	39.59
Net non-interest income	4,916	9,256	88.28
Inc.: Net fee and commission income	4,509	7,919	75.63
Operating income	26,081	38,801	48.77
Operating expense	11,587	15,659	35.14
Pre-tax pre-provision operating profit	13,878	22,744	63.89
Impairment losses on assets	2,263	4,337	91.65
Pre-tax profit	11,615	18,407	58.48
Income tax expense	2,691	4,351	61.69
Net profit attributable to shareholders of the Bank	8,866	13,918	56.98
EPS (RMB)	0.33	0.52	57.58

Source: Interim reports

Statement of financial position highlights



(RMB million)	31 Dec 2010	30 Jun 2011	Growth rate (%)
Gross loans and advances	1,057,571	1,142,274	8.01
Investment securities	181,419	220,216	21.39
Total assets	1,823,737	2,161,005	18.49
Customer deposits	1,416,939	1,536,586	8.44
Debt securities in issue	21,048	31,026	47.41
Total liabilities	1,718,480	2,044,196	18.95
Equity attributable to shareholders of the Bank	104,108	115,269	10.72

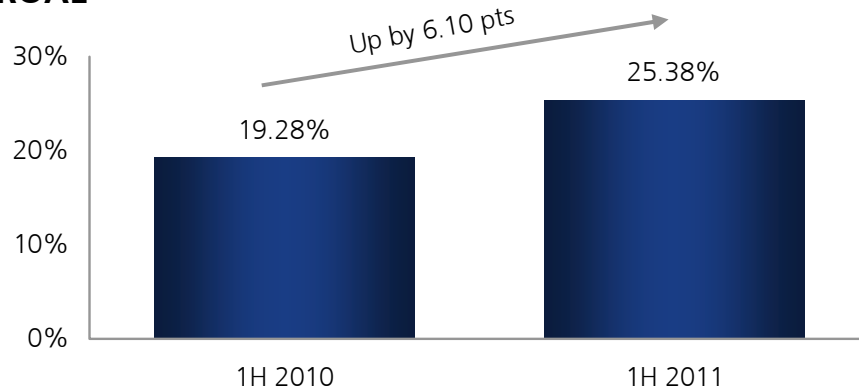
Source: Interim reports



Profitability

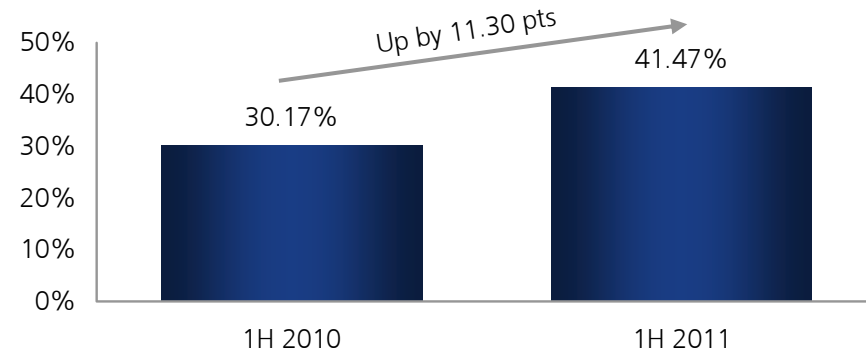


ROAE¹



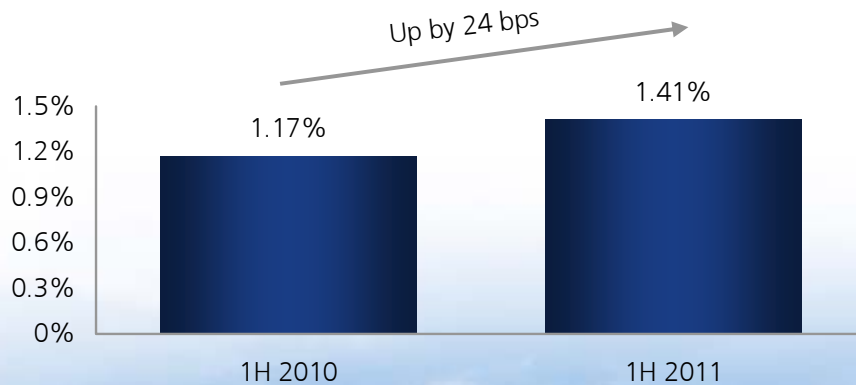
Source: Interim reports

PPOP/Average total equity¹



Source: Interim reports

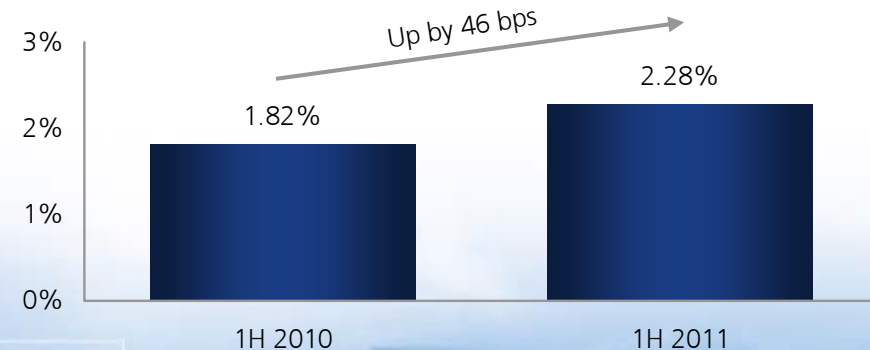
ROAA¹



Source: Interim reports

Note:
1 Annualized data

PPOP/Average total assets¹



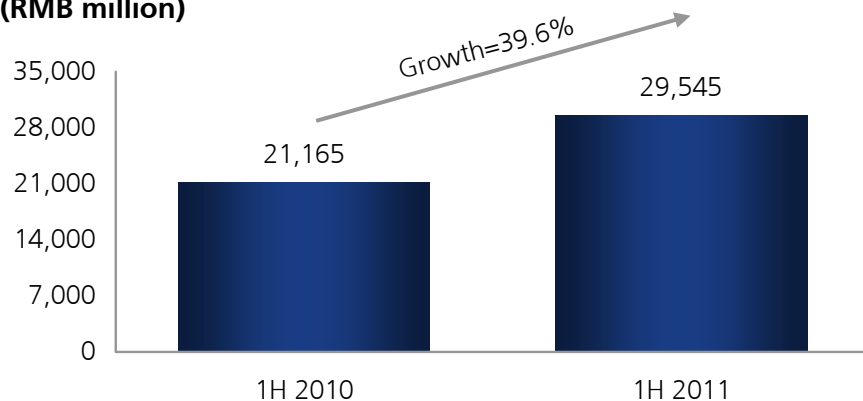
Source: Interim reports

Net interest income



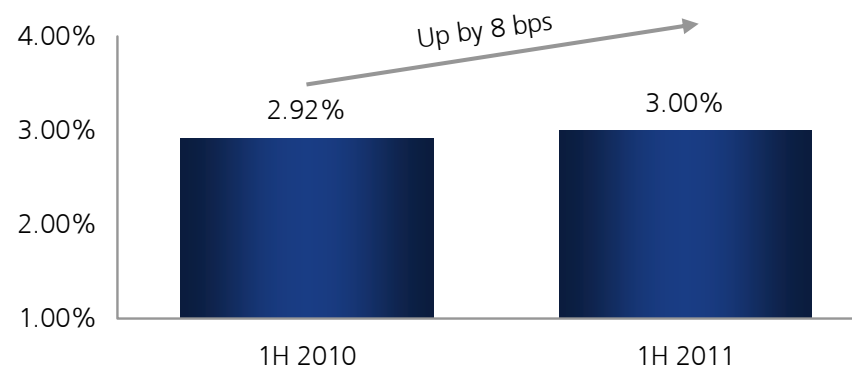
Significant year-on-year increase in net interest margin (NIM) for 1H 2011

Net interest income
(RMB million)



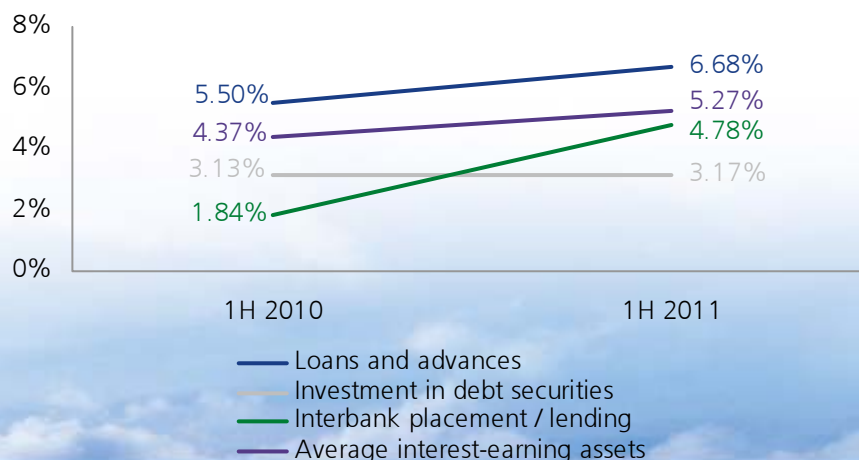
Source: Interim reports

Net interest margin



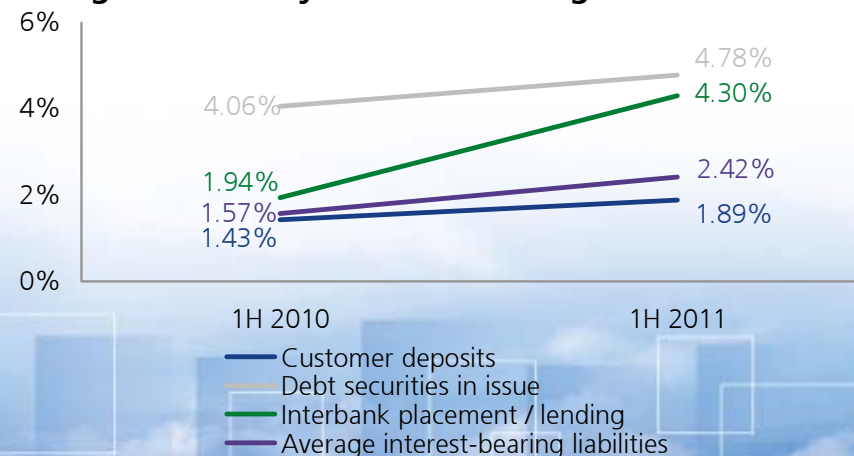
Source: Interim reports

Average yield of key interest-earning assets



Source: Interim reports

Average cost of key interest-bearing liabilities



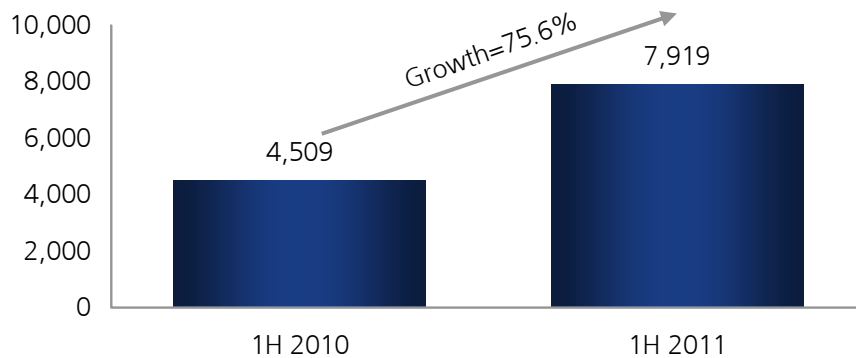
Source: Interim reports

Non-interest income



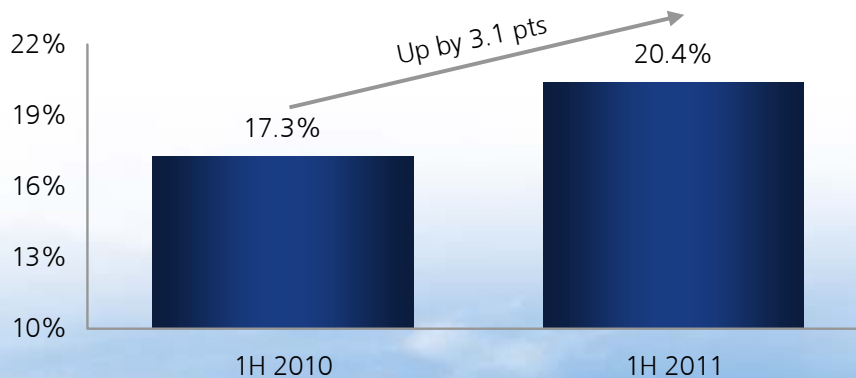
Significant growth in net fee and commission income with higher contribution and further improved revenue composition

Growth in net fee and commission income (RMB million)



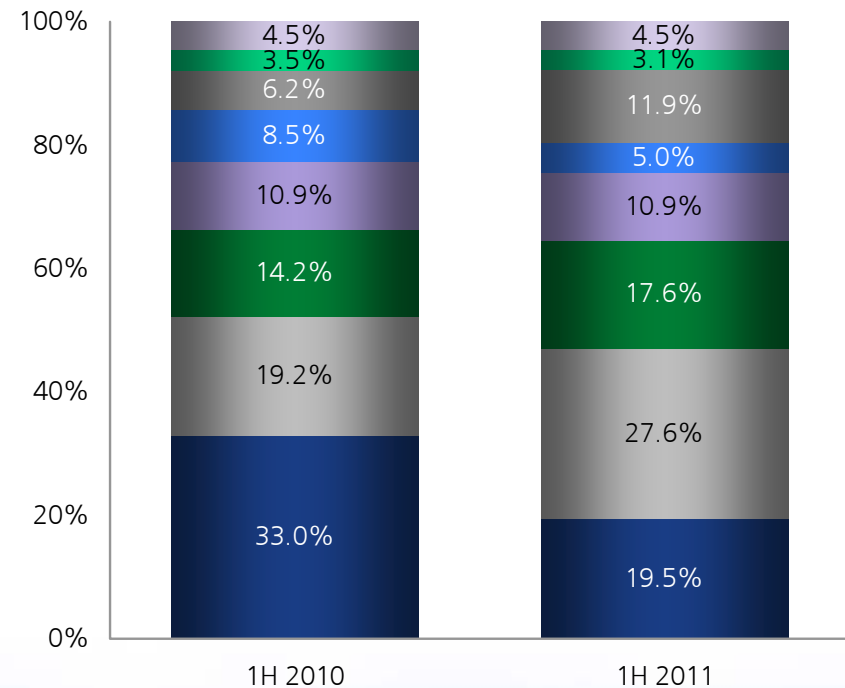
Source: Interim reports

Contribution of net fee and commission income to operating income



Source: Interim reports

Net fee and commission income composition



- Others
- Securities underwriting service fees
- Bank card service charges
- Financial leasing service fees
- Settlement and clearing services fees
- Credit commitment fees and commissions
- Custodian and other fiduciary service commissions
- Financial advisory service fees

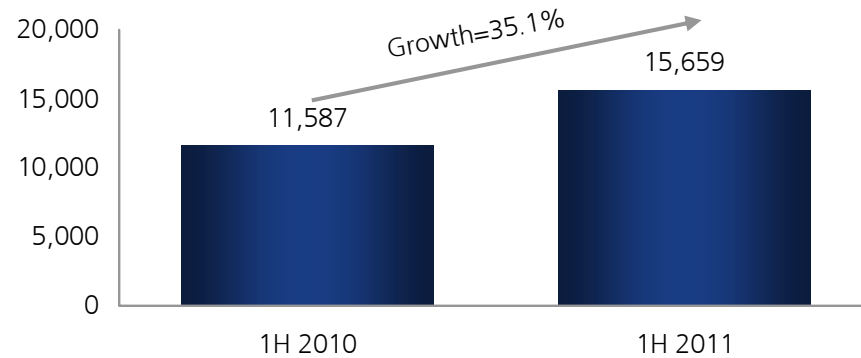
Source: Interim reports

Operating efficiency



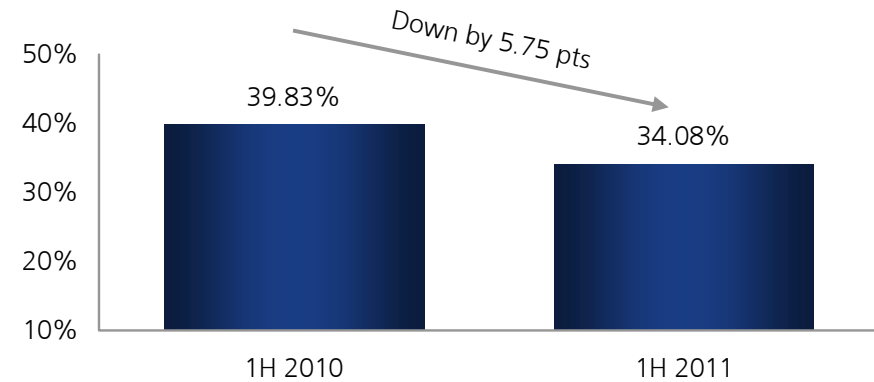
Effectively controlled costs, further improved cost-to-income ratio, and continued to increase contribution per outlet /employee

Operating expenses
(RMB million)



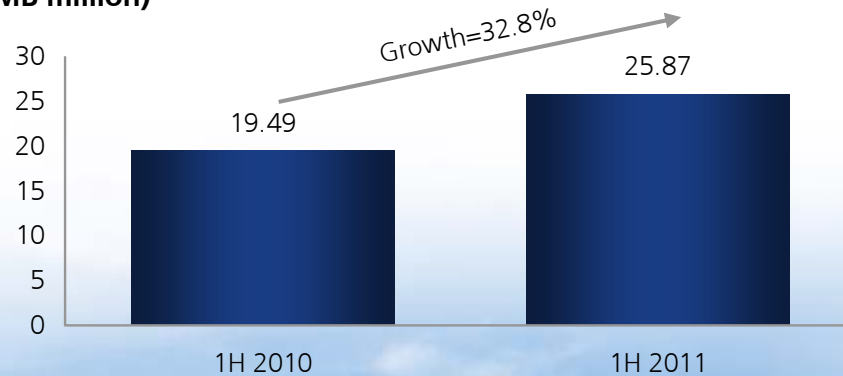
Source: Interim reports

Cost-to-income ratio (ex. business tax)¹



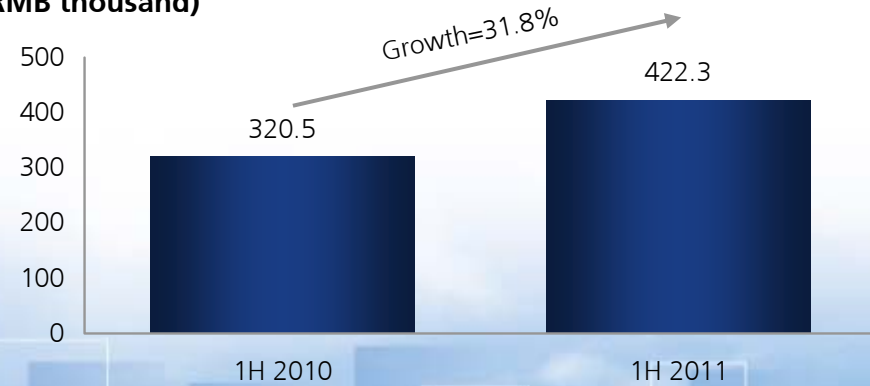
Source: Interim reports

Net profit per outlet
(RMB million)



Source: Interim reports

Net profit per employee
(RMB thousand)



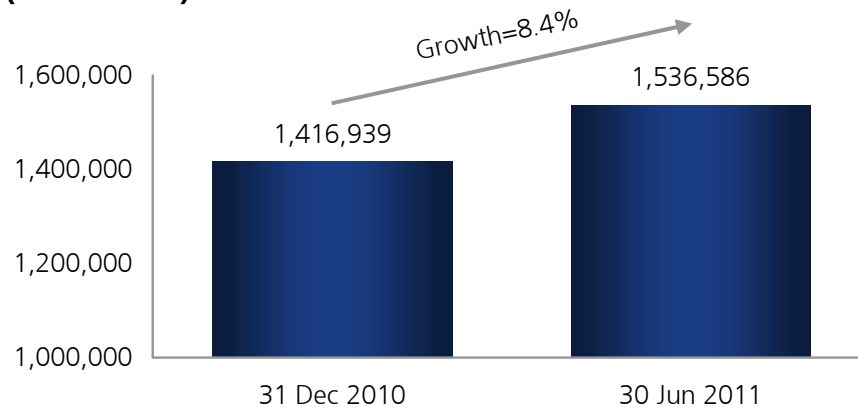
Source: Interim reports

Notes:
1. Cost-to-income ratio = (operating expense + other operating expense – business tax and surcharge) / operating income

Scale and mix of deposits and loans

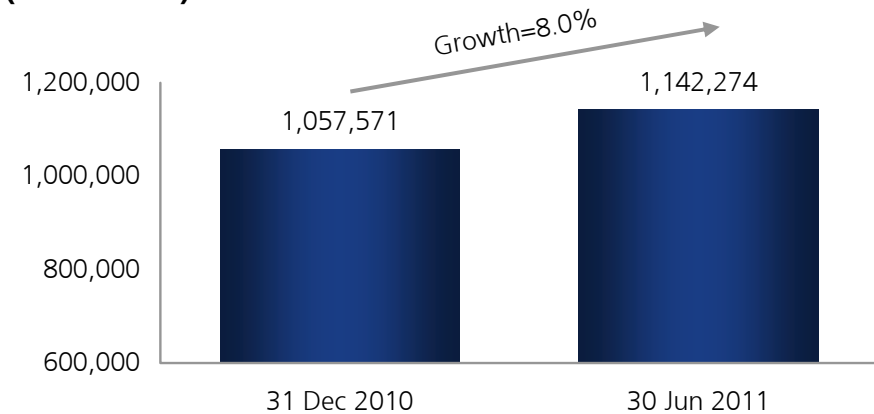


Deposits (RMB million)



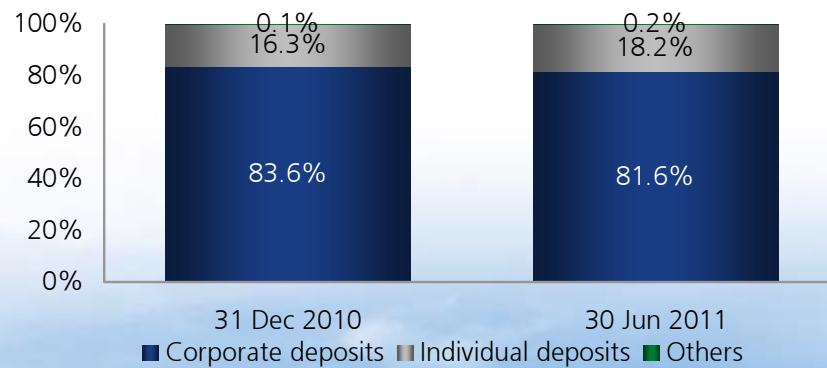
Source: Interim and annual reports

Loans (RMB million)



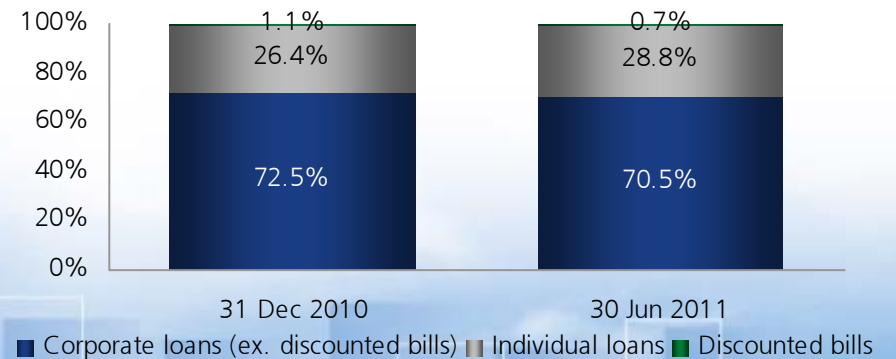
Source: Interim and annual reports

Deposit mix



Source: Interim and annual reports

Loan mix



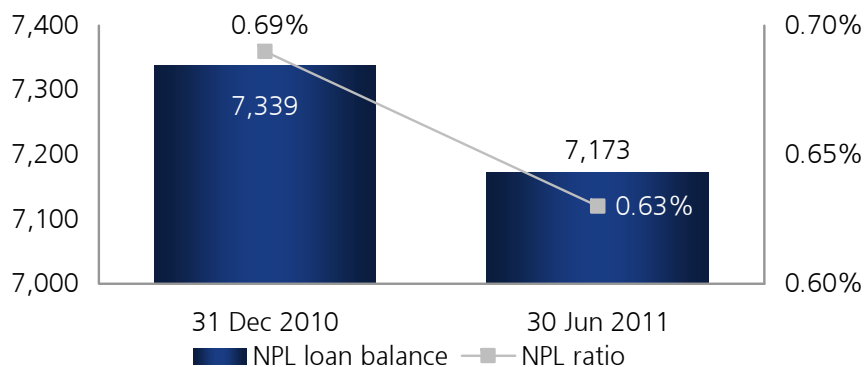
Source: Interim and annual reports

Asset Quality



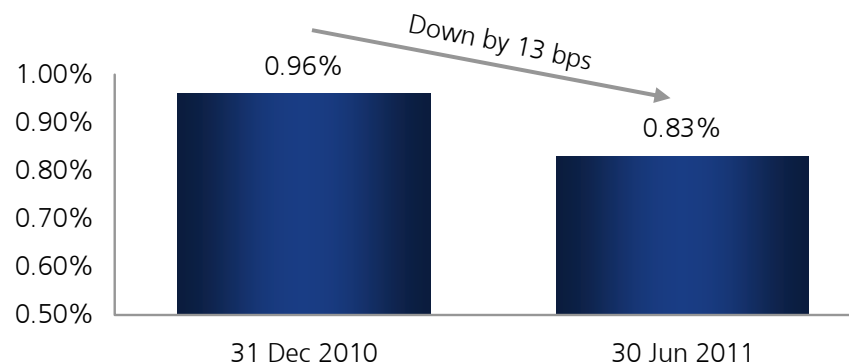
Continued to optimize risk control system, perfect risk management policies and strengthen post-loan management; NPL ratio declined along with further improvement in NPL coverage, demonstrating prudent operations

NPL loan balance and ratio
(RMB million)



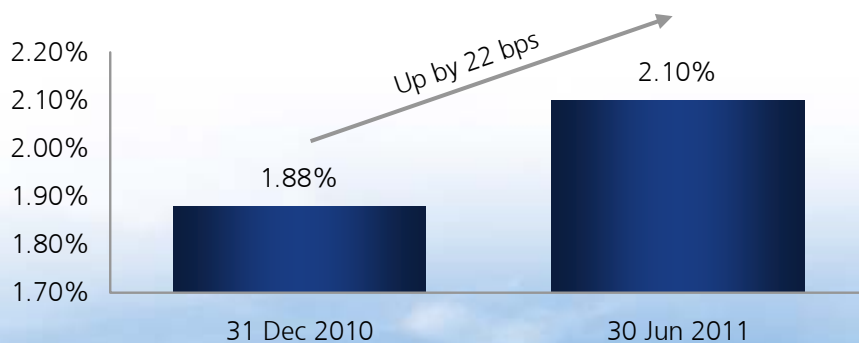
Source: Interim and annual reports

Special-mentioned loan ratio



Source: Interim and annual reports

Allowance to total loans



Source: Interim and annual reports

NPL coverage ratio



Source: Interim and annual reports



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Outlook



Outlook for 2H2011



Capitalize on market opportunities to achieve stable growth and structural improvement in business, and to attain full-year business targets

In 2H 2011, the Bank will accelerate reform and innovation, exert more efforts to transform and upgrade the Bank and promote scientific development, so as to lay a solid foundation for the implementation of the “second take-off” strategy

1 Continue to focus on the strategic development targets of “non-state-owned enterprises”, “small and micro enterprises” and “high-end retail customers”

2 Consistently promote loan business and exert greater efforts to construct channels for retail business

3 Endeavor to enhance risk prevention and overall risk management