

# China Minsheng Banking Corp., Ltd.

## 2012 Results Announcement



March, 2013

# 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, 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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1

**Business overview**

2

**Financial performance**

3

**Outlook**

# Business overview



## In 2012, our strategic businesses improved materially with stronger profitability

### Strategic positioning

A bank for non-state owned enterprises

A bank for small and micro enterprises

A bank for high-end retail customers

### Strategic objectives

"Distinctive bank"

"Efficient bank"

### General guiding principle

Accentuating characteristics

Resolving impediments

Solidifying foundation

Improving management

1

### Further enhanced profitability and markedly higher returns to shareholders

- ◆ The Group's net profit attributable to equity shareholders of the Bank was RMB37.563 billion, up by 34.54% from 2011
- ◆ ROAA and ROAE increased to 1.41% and 25.67%, respectively
- ◆ Basic EPS was RMB1.34, gaining 27.62% from last year

2

### Rapid growth of assets and liabilities business and successful results from strategic businesses

- ◆ Both total assets and total liabilities exceeded RMB3 trillion
- ◆ Gross balance of loans and advances to customers and deposits from customers grew steadily by 14.88% and 17.11%, respectively, as compared with the end of last year
- ◆ In the reporting period, retail deposits of the Company increased rapidly. The Company's balance of retail deposits amounted to RMB389,238 million, representing an increase of RMB102,882 million, or 35.93%, as compared with the end of last year
- ◆ Outstanding general loans to small and micro enterprises (MSEs)<sup>1</sup> were RMB316.951 billion, 36.33% more than those at the end of last year; the number of MSE customers reached 992,300
- ◆ Outstanding general loans to non-state owned enterprises (NSOEs)<sup>1</sup> were RMB537.505 billion, an increase of 11.02% as compared with the end of last year; the number of NSOE customers with outstanding loan balances were 13,680
- ◆ The number of private banking customers reached 9,389, a growth of 101.91% as compared with the end of last year; financial assets managed by the Company<sup>1</sup> was RMB128.17 billion, up by 87.38% over the end of last year

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### Further optimization of income structure and higher operation efficiency

- ◆ Operating income exceeded RMB100 billion, reflecting a growth of 24.99% compared with last year
- ◆ Net interest income and net fee and commission income increased 19.02% and 35.90%, respectively, as compared with 2011
- ◆ Cost-to-income ratio fell to 34.13%, 3.01 percentage points lower than last year

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### Enhanced risk management and control and consistently improved risk resilience

- ◆ Impaired loan ratio was 0.76%
- ◆ Allowance to impaired loans was 314.53%, allowance to total loans was 2.39%

Note:

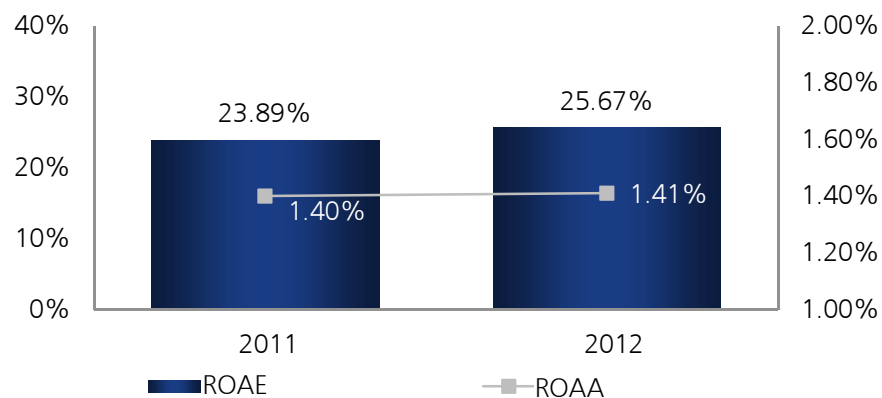
1 Bank standalone

# Business overview

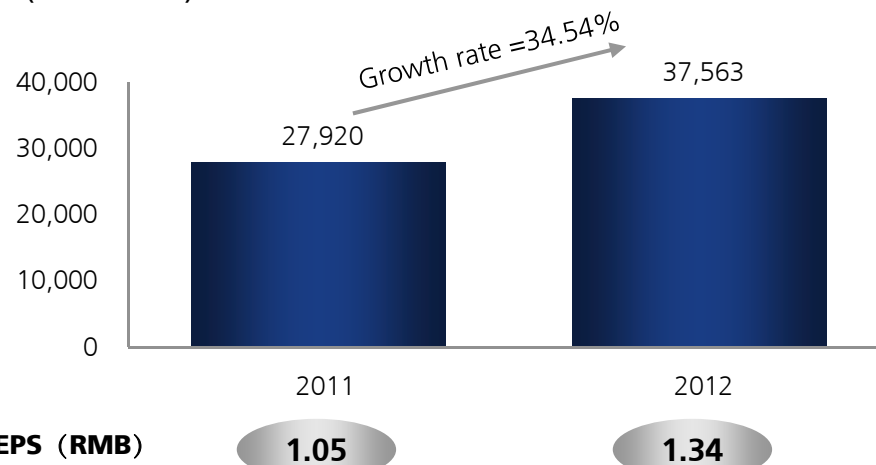


Profitability continued to improve, while income structure was further optimized

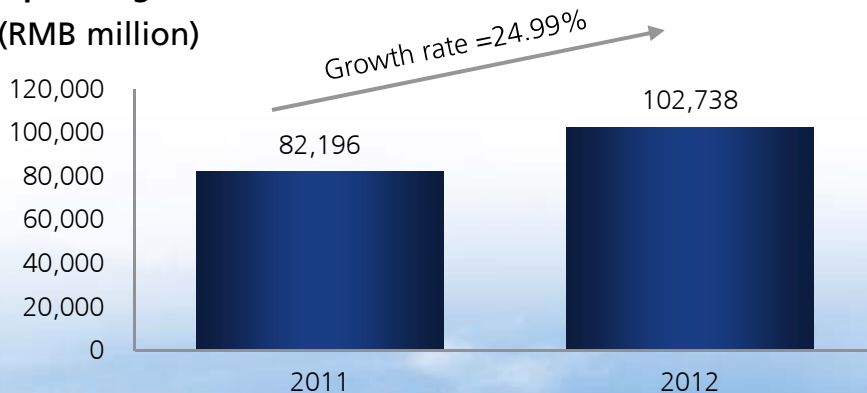
## ROAA /ROAE



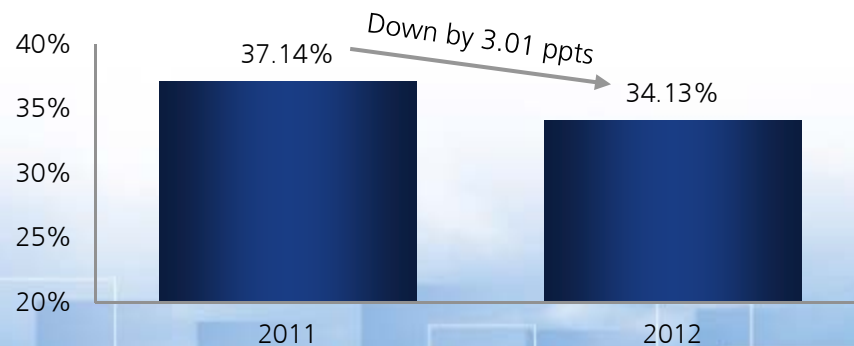
## Net profit attributable to equity shareholders of the Bank (RMB million)



## Operating income (RMB million)



## Cost-to-income ratio



Source: Annual reports

# Overview of major financial indicators



Key data from income statement (RMB million, except EPS)	2012	2011	Growth rate (%)	
Operating income	102,738	82,196	↑	24.99
of which: net interest income	77,153	64,821	↑	19.02
net non-interest income	25,585	17,375	↑	47.25
Profit before income tax	50,652	37,175	↑	36.25
Net profit attributable to equity shareholders of the Bank	37,563	27,920	↑	34.54
Basic earnings per share (RMB)	1.34	1.05	↑	27.62

Key data from balance sheet (RMB million)	31 Dec 2012	31 Dec 2011	Growth rate (%)	
Total assets	3,212,001	2,229,064	↑	44.10
of which: gross balance of loans and advances to customers	1,384,610	1,205,221	↑	14.88
Total liabilities	3,043,457	2,094,954	↑	45.28
Of which: deposits from customers	1,926,194	1,644,738	↑	17.11
Equity attributable to equity shareholders of the Bank	163,077	129,597	↑	25.83

Key profitability indicators (%)	2012	2011	Change (ppts)	
ROAA	1.41	1.40	↑	0.01
ROAE	25.67	23.89	↑	1.78
Net interest margin (NIM)	2.94	3.14	↓	(0.20)
Cost-to-income ratio <sup>1</sup>	34.13	37.14	↓	(3.01)

Asset quality indicators (%)	31 Dec 2012	31 Dec 2011	Change (ppts)	
Impaired loan ratio	0.76	0.63	↑	0.13
Allowance to total loans	2.39	2.23	↑	0.16
<b>Capital adequacy ratios (%)</b>				
Core capital adequacy ratio	8.13	7.87	↑	0.26
Capital adequacy ratio	10.75	10.86	↓	(0.11)

Source: Annual reports

Note:

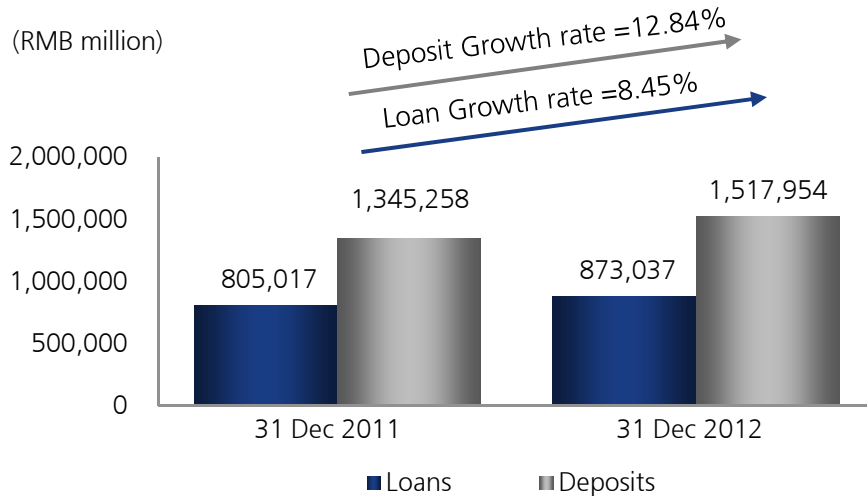
1. Cost-to-income ratio = (operating expenses + other operating expenses – business tax and surcharges) / operating income



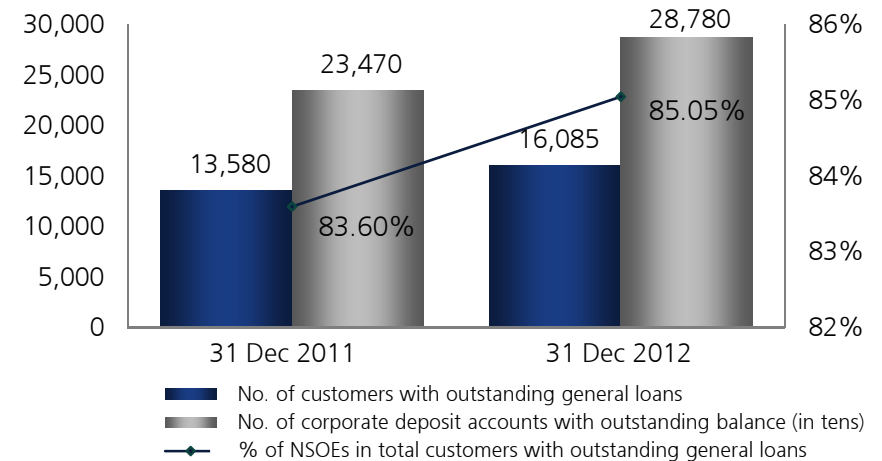
# Corporate banking—further enhanced NSOE customer base

Targeting to become a distinctive and efficient bank, Minsheng focused on the implementation of NSOE strategies and promotion of the Financial Stewardship services, adopted intensive management under capital restraint, and continued to promote structural adjustment and growth method transformation

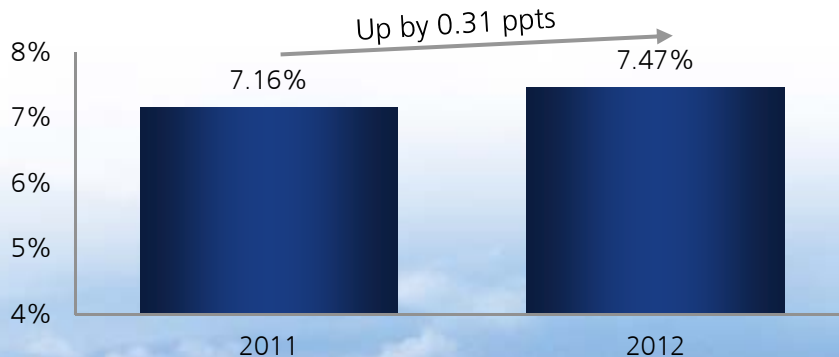
**Corporate deposits and loans (general corporate loans)<sup>1</sup>**



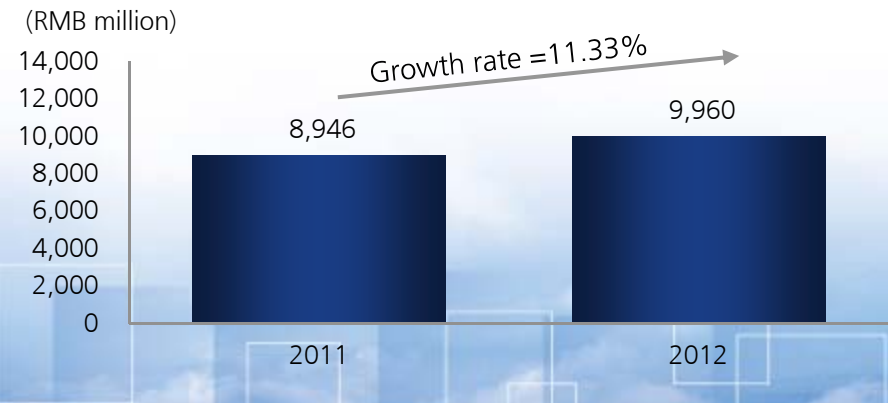
**Customer base<sup>1</sup>**



**Average return rate of corporate loans and advances<sup>2</sup>**



**Net fee and commission income from corporate banking business<sup>1</sup>**



Source: Annual reports

Notes:

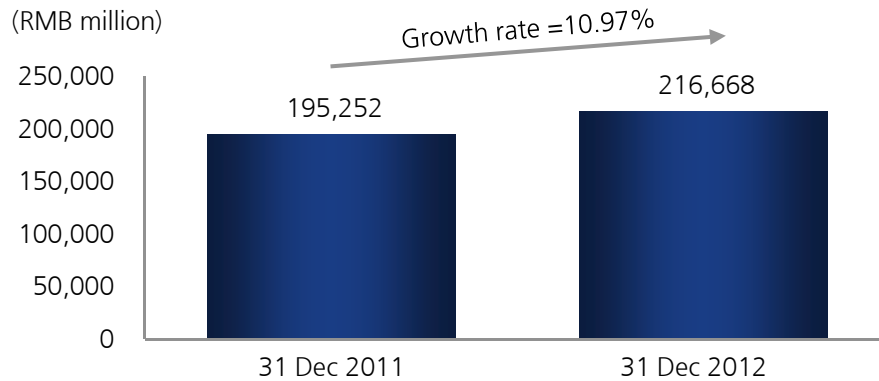
- 1 Bank standalone
- 2 Group consolidated

# Corporate banking—specialized SBU operations continued to improve

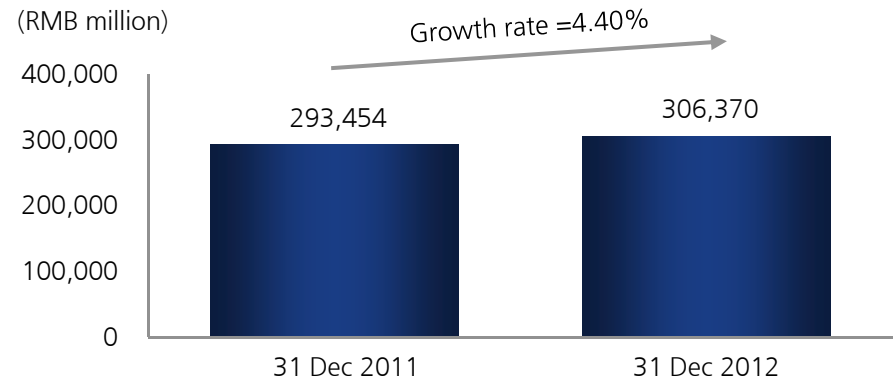


SBUs enhanced risk prevention, explored business opportunities in emerging markets, promoted the application of the Financial Stewardship service model and implemented NSOE strategies. All lines of business at SBUs achieved steady growth and asset quality continued to be healthy

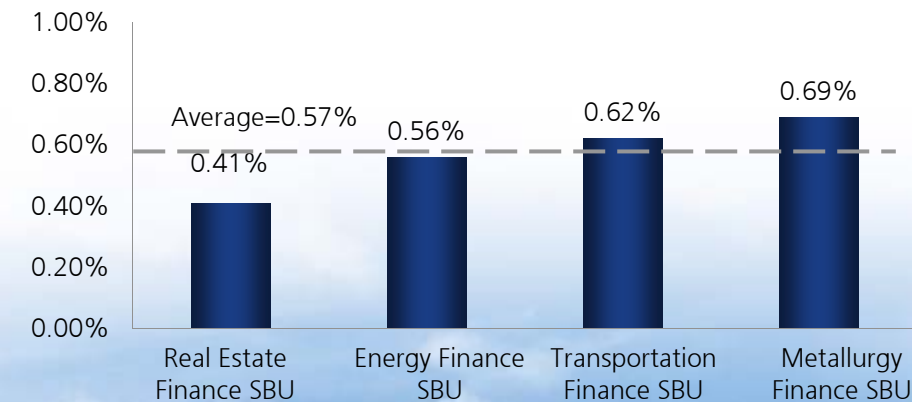
**Balance of deposits of industry SBUs<sup>1</sup>**



**Outstanding general loans of industry SBUs<sup>1</sup>**



**NPL ratios of industry SBUs maintained at relatively low levels**

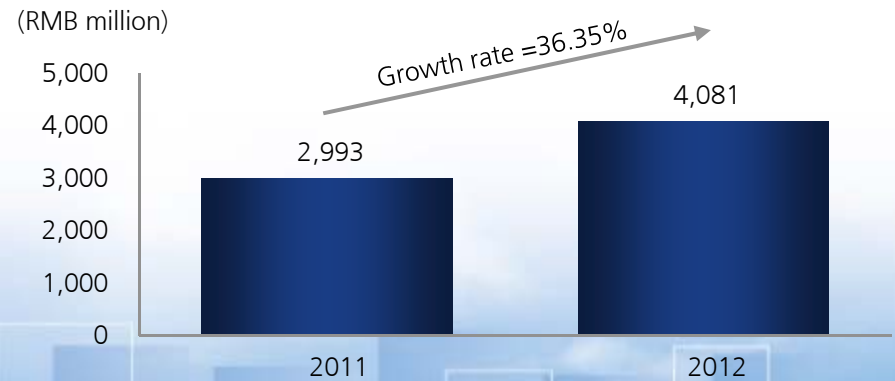


**Rapid growth of trade finance business**



2012 Best Trade Finance Bank of China  
— *Financial Times*

**Net non-interest income<sup>1</sup>**



Source: Annual reports

Note:

1 Bank standalone



# Corporate banking—rapid growth of non-interest income business



2012 Best VC/PE Custodian Bank  
—21st century China Business Herald



2012 Best Custodian Services Bank  
—Financial Money



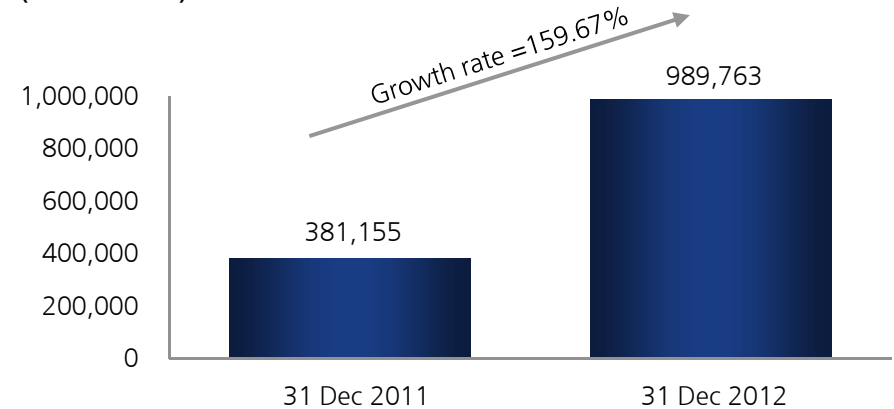
2012 Top 5 VC/PE Custodian Bank in  
the PRC  
—Zero2IPO

## Commercial bank investment banking operation

- ✓ Offering customers, particularly strategic NSOEs, comprehensive financial services focusing on investment and financing
- ✓ Continuing to improve and carry out innovation of its product and services system, focusing on broadening varieties of direct financing and asset management products in the capital market
- ✓ Enriching consultation and financial advisory services, improving the professional teams
- ✓ Further standardizing business management and operating model, while accelerating the replication of well-developed business models and relevant marketing efforts
- ✓ Focusing on the trial operation of "Listing Express" business to establish new financial service models

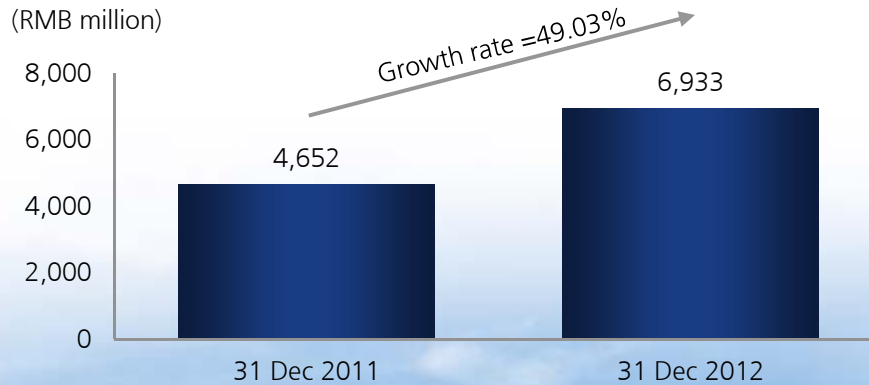
## Assets in custody (including safekeeping)<sup>1</sup>

(RMB million)



## Corporate annuity funds in custody<sup>1</sup>

(RMB million)



## Debt financing instruments in issue<sup>1</sup>

(RMB million)



No. of accounts **106,693**

**121,315**

No. of issues **81**

**153**

Source: Annual reports

Note:  
1 Bank standalone

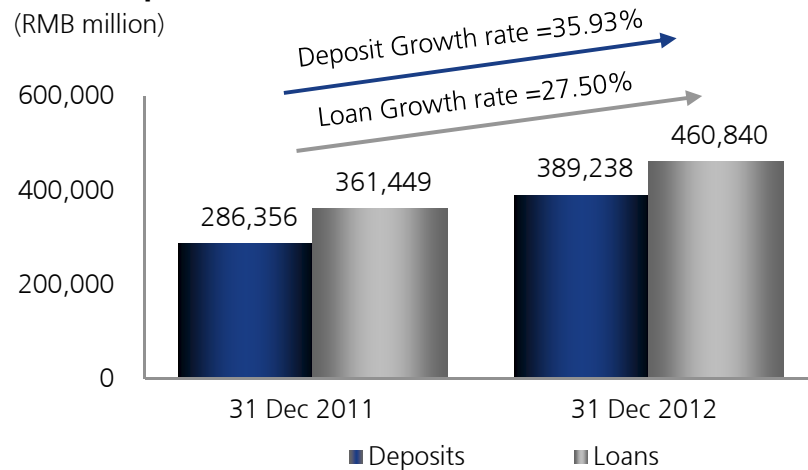
# Retail banking—rapidly expanding scale with optimized structure



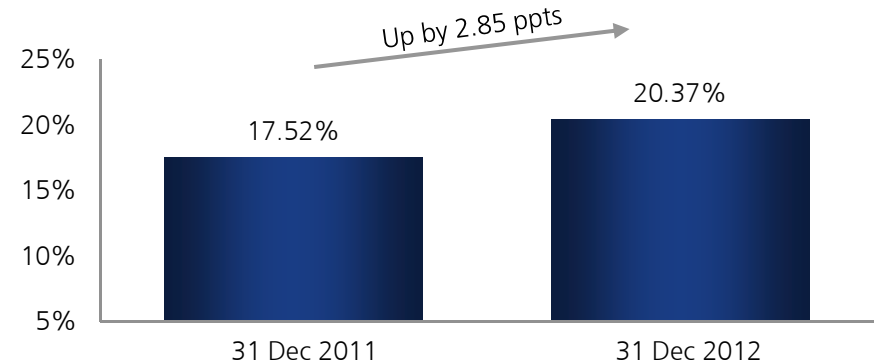
MSE loans as percentage of total loans further increased to 69%, while retail deposits as percentage of total loans rapidly grew to 20%

## Retail deposits and loans<sup>1</sup>

(RMB million)

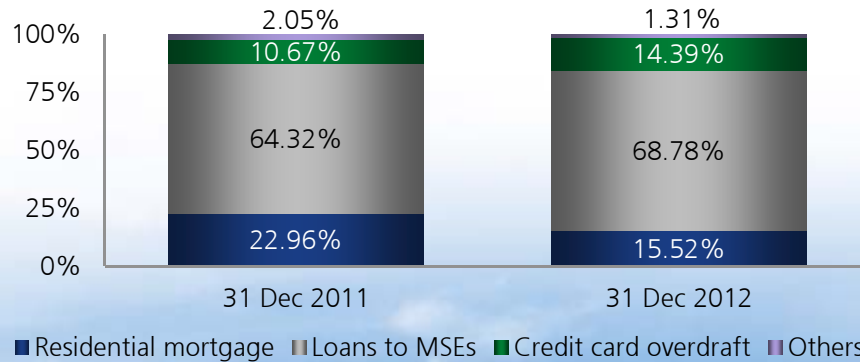


## Rapidly increasing retail deposits as percentage of total deposits<sup>1</sup>



## Optimized retail loan portfolio<sup>1</sup>

(% in total retail loans and advances)



Source: Annual reports

Note:

1. Bank standalone

## Expanding customer base and financial assets<sup>1</sup>

### Financial assets of retail customers

(RMB million)



No. of retail customers (in thousands)

21,976

24,906



# Retail banking – Strengthened MSE financial services

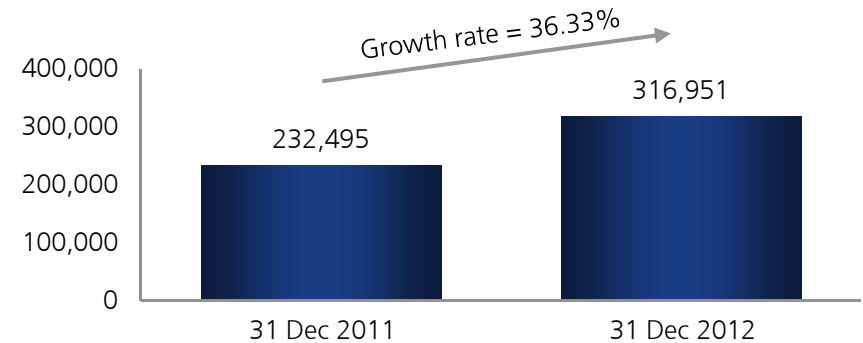
In 2012, MSE loan business continued to boost the rapid growth of retail loans and structural adjustment; balance of MSE loans and total number of the MSE customers continued to increase; new processes, products and features were created to meet the needs of MSE customers

Breakthroughs were made in MSE financial services and customer organization

- 1** Fully implemented the upgraded MSE Finance V2.0 and established over 2000 township commercial cooperatives, which serve as a national platform for the communication, sharing and collaboration among MSEs
- 2** Initiated establishment of special MSE finance sub-branches, and granted licenses to the first 50 special MSE finance sub-branches
- 3** Following the principle of “Law of Large Numbers” to estimate the risk probabilities of specific industries and implement targeted risk control

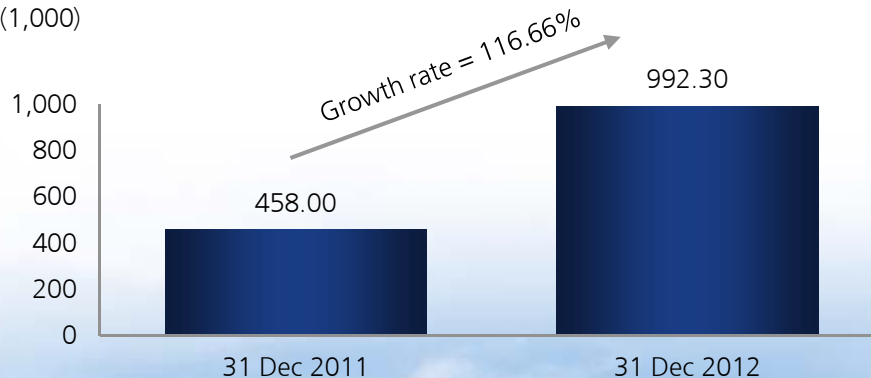
Balance of MSE loans<sup>1</sup>

(RMB million)



Number of MSE customers<sup>1</sup>

(1,000)



Outstanding MSE loans as % of total retail loans<sup>1</sup>



Source: Annual reports

Note:

1 Bank standalone

# High-end retail and private banking businesses continued to expand



**China's Best Private Bank with HNW Customer Services**  
—*Euromoney*



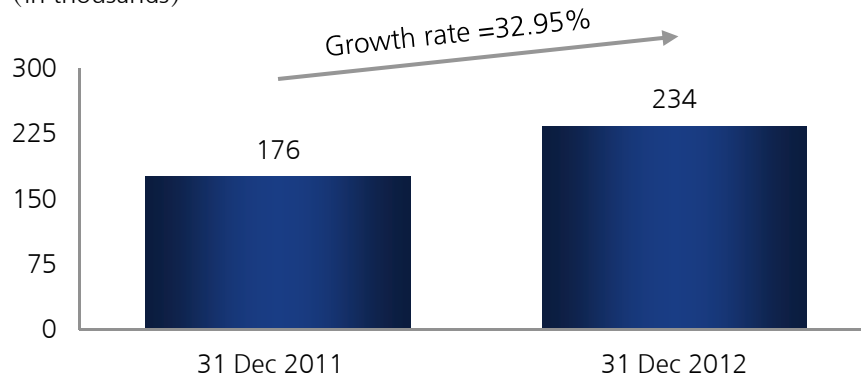
**2011-2012 Most Potential Chinese Private Bank**  
—*Golden Shell Award, 21<sup>st</sup> Century Business Herald*



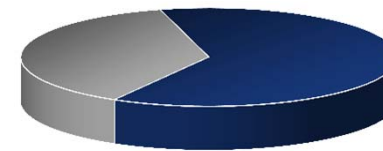
**Annual Private Bank with the Best Brand Influence**  
—*China Business News*

## Number of retail customers with individual financial assets of more than RMB0.5 million<sup>1</sup>

(in thousands)



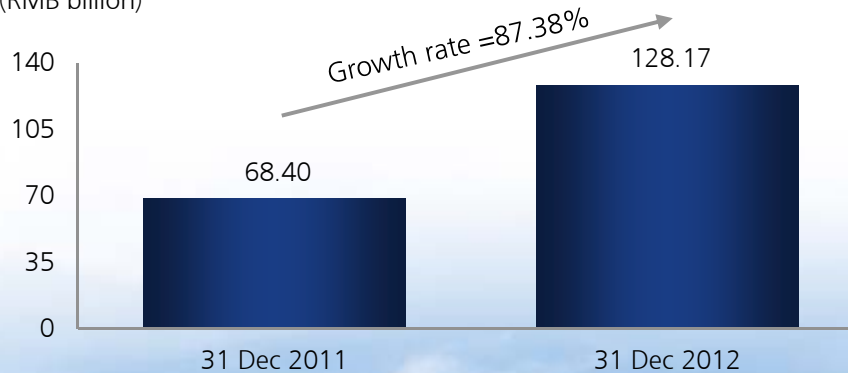
## Contribution of retail customers with individual financial assets of more than RMB0.5 million to total retail deposits<sup>1</sup>



**Retail customers with financial asset balance over RMB0.5 million**

## Private banking AuM and number of customers<sup>1</sup>

(RMB billion)



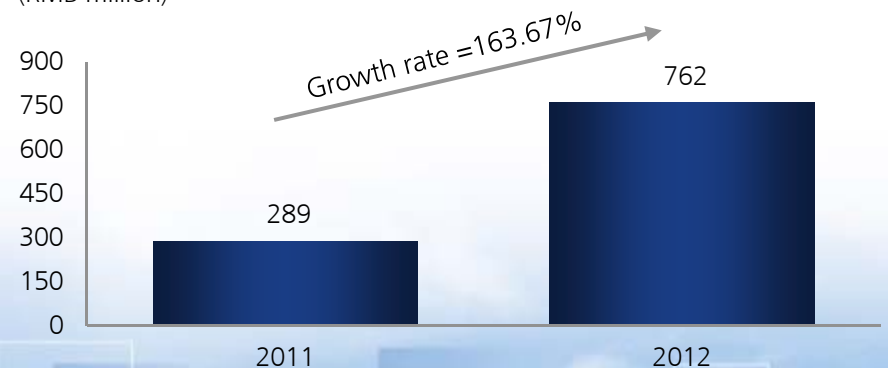
**No. of customers<sup>2</sup>**

**4,650**

**9,389**

## Income from private banking intermediary business<sup>1</sup>

(RMB million)



Source: Annual reports

Note:

1 Bank standalone

2 Individuals with RMB8 million or more net financial assets

# Agenda

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**Business review**

2

**Financial performance**

3

**Outlook**

# Income statement highlights



<b>(RMB million, except per share data)</b>	<b>2012</b>	<b>2011</b>	<b>Growth rate (%)</b>
Net interest income	77,153	64,821	19.02%
Net non-interest income	25,585	17,375	47.25%
Of which: net fee and commission income	20,523	15,101	35.90%
Operating income	102,738	82,196	24.99%
Operating expenses	(42,889)	(35,449)	20.99%
Pre-tax pre-provision operating profit ("PPOP")	59,849	45,551	31.39%
Impairment losses on assets	(9,197)	(8,376)	9.80%
Profit before income tax	50,652	37,175	36.25%
Income tax expense	(12,344)	(8,732)	41.37%
Net profit attributable to equity shareholders of the Bank	37,563	27,920	34.54%
Basic earnings per share (RMB)	1.34	1.05	27.62%

Source: Annual reports

# Balance sheet highlights



<b>(RMB million)</b>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>	<b>Growth rate (%)</b>
Gross balance of loans and advances to customers	1,384,610	1,205,221	14.88%
Investments	243,520	212,072	14.83%
Total assets	3,212,001	2,229,064	44.10%

<b>(RMB million)</b>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>	<b>Growth rate (%)</b>
Deposits from customers	1,926,194	1,644,738	17.11%
Debt securities issued	74,969	31,030	141.60%
Total liabilities	3,043,457	2,094,954	45.28%
Equity attributable to equity shareholders of the Bank	163,077	129,597	25.83%

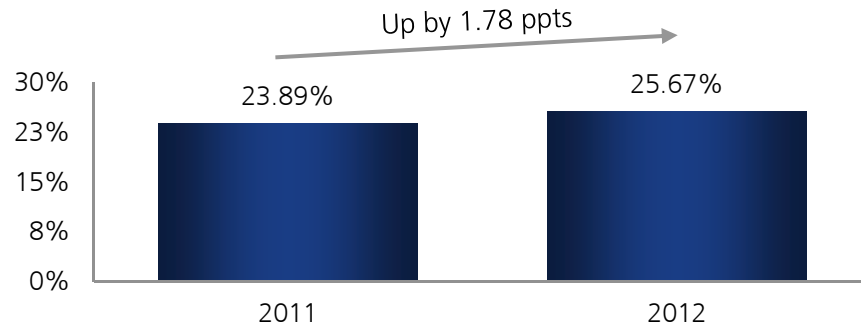
Source: Annual reports

# Profitability

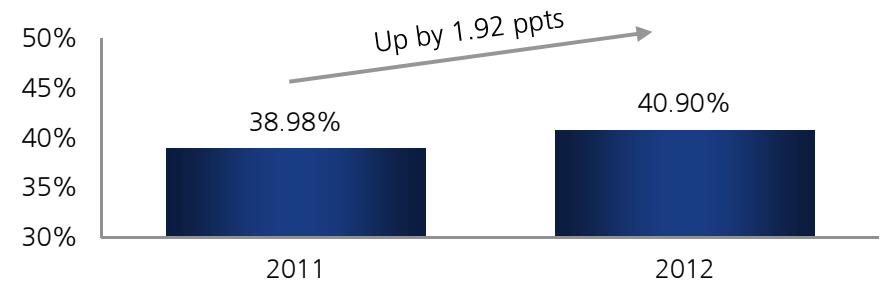


In 2012, profitability and operating results remained healthy

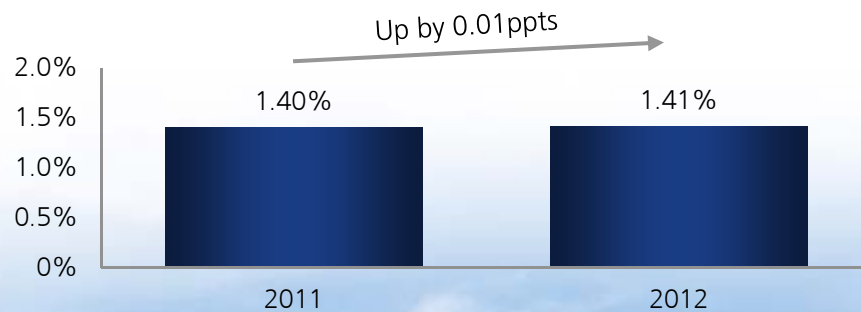
## ROAE



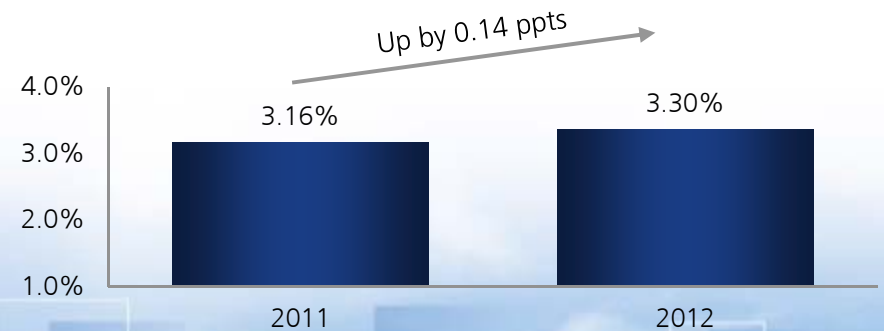
## Pre tax pre provision ROAE



## ROAA



## Pre tax pre provision return of average risk weighted assets



Source: Annual reports



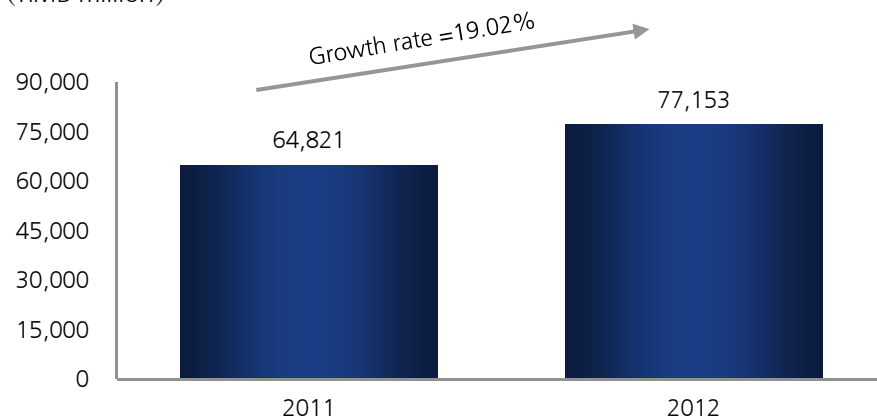
# Net interest income



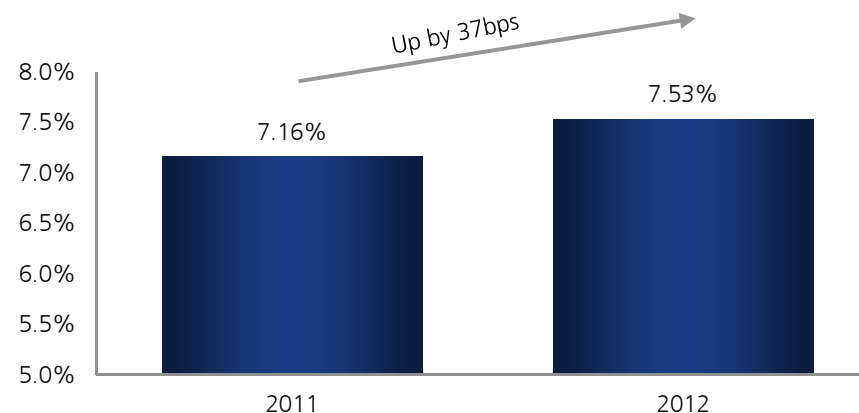
Increase in net interest income driven by interest earning assets and margin expansion

## Net interest income

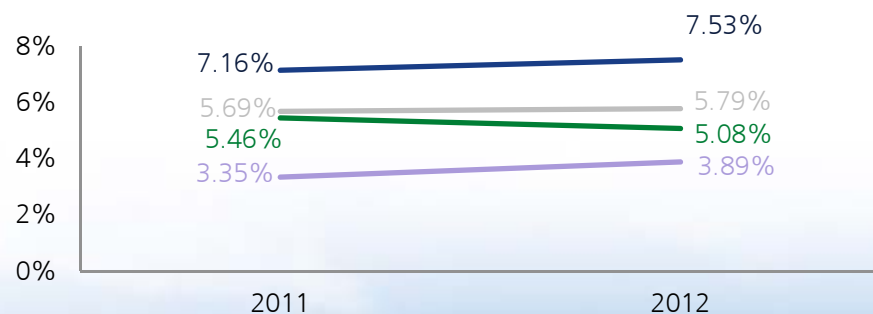
(RMB million)



## Average return on loans and advances to customers

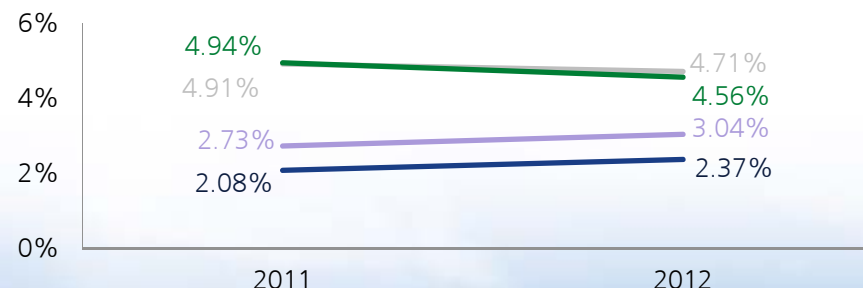


## Average return on key interest-earning assets



- Loans and advances to customers
- Investment in debt securities
- Balance and placements with banks and other institutions<sup>1</sup>
- Interest-earning assets

## Average cost of key interest-bearing liabilities



- Deposits from customers
- Debt securities issued
- Deposits and placements from banks and other financial institutions<sup>2</sup>
- Interest-bearing liabilities

Source: Annual reports

Note:

- 1 Including financial assets held under resale agreement
- 2 Including financial assets sold under repurchase agreement

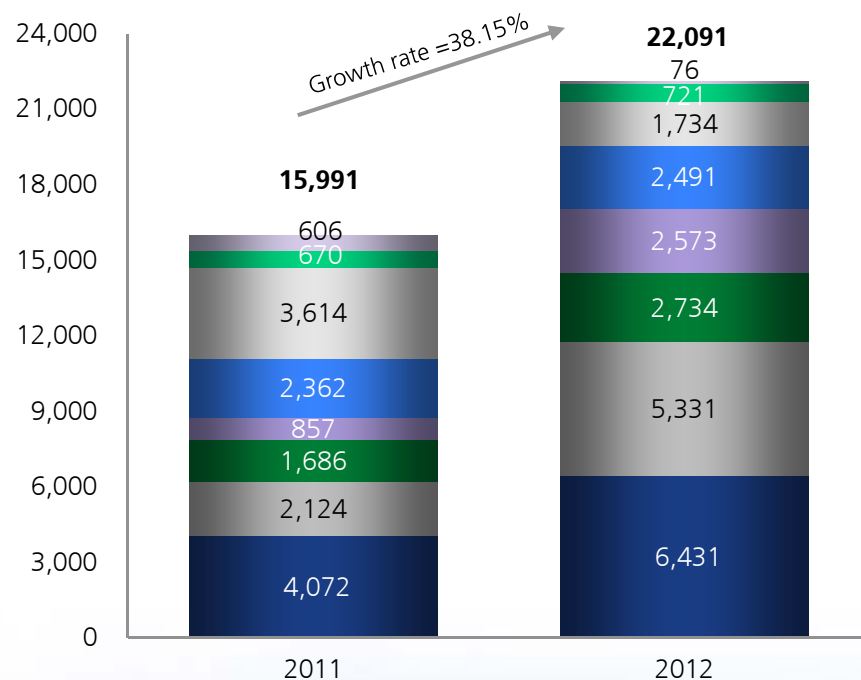
# Non-interest income



## Significant growth in net non-interest income and further optimized income sources

### Growth and composition of fee and commission income

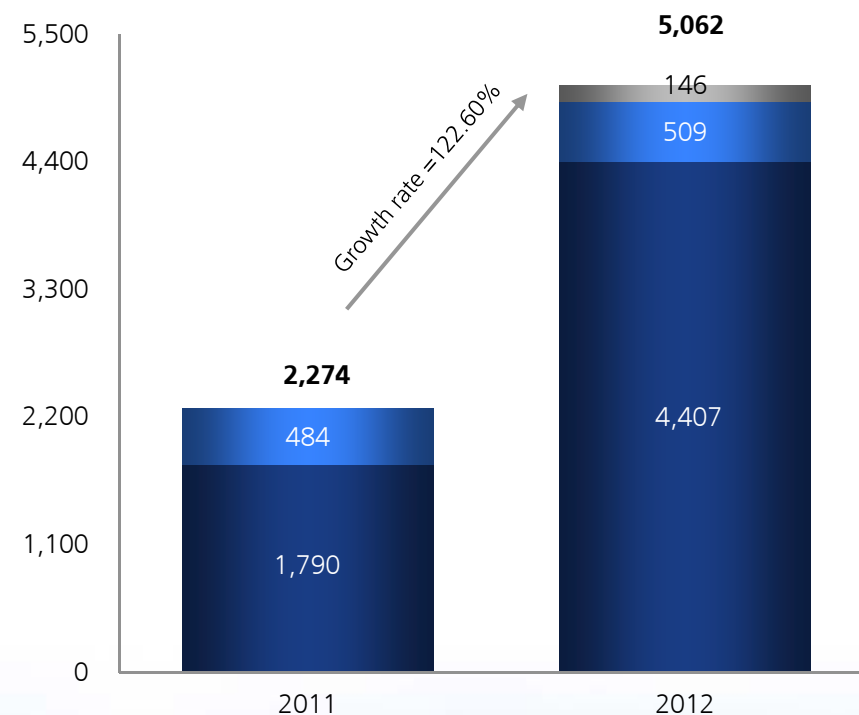
(RMB million)



- Custody and other fiduciary services
- Credit commitments
- Settlement services
- Finance lease services
- Financial advisory services
- Bank card services
- Agency services
- Others

### Growth and composition of other net non-interest income

(RMB million)



- Net gain arising from disposals of securities and bills
- Net trading gain
- Other operating income

Source: Annual reports

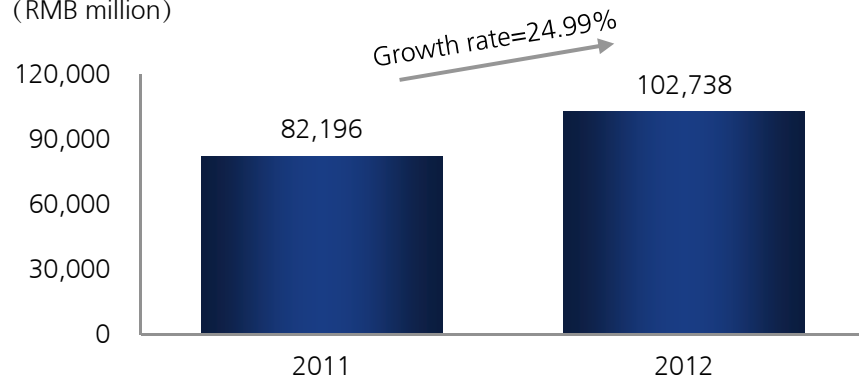
# Operating efficiency



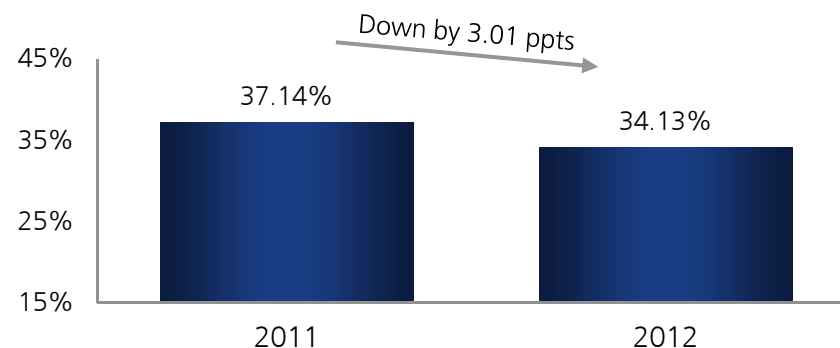
Contribution per unit/employee further increased and cost-to-income ratio dropped due to operating income growth and effective cost control

## Significant increase in operating income

(RMB million)

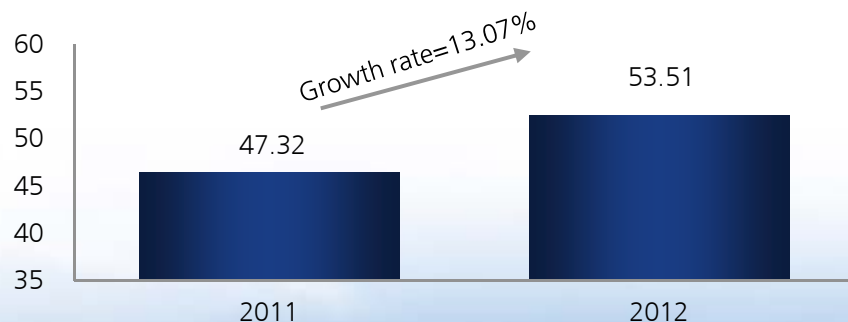


## Cost-to-income ratio<sup>1</sup>



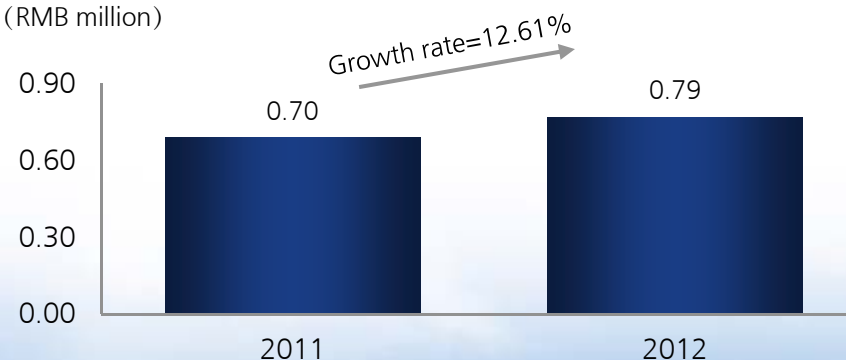
## Net income per unit<sup>2</sup>

(RMB million)



## Net income per employee<sup>3</sup>

(RMB million)



Source: Annual reports

Notes:

<sup>1</sup> Cost-to-income ratio=(operating expense + other operating expense – business tax and surcharge) / operating income

<sup>2</sup> Net income per unit= Net profit attributable to equity shareholders of the Bank / total number of business units of the Bank

<sup>3</sup> Net income per employee= Net profit attributable to equity shareholders of the Bank / total number of employees of the Bank

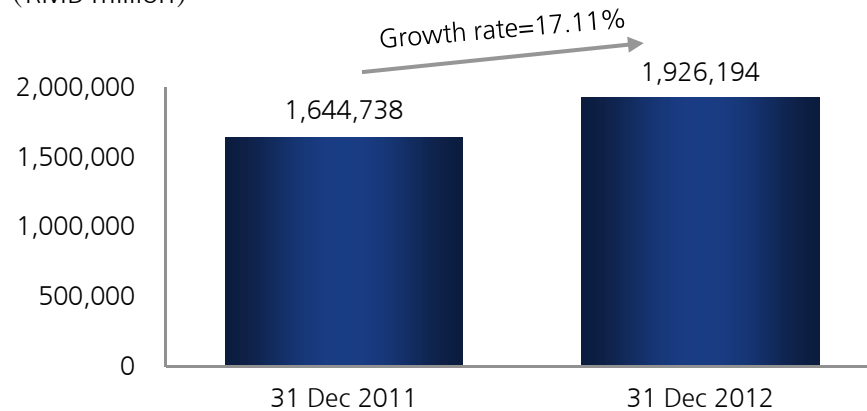
# Deposit and loan portfolios



Deposits outgrew loans while retail loans accounting for over 30%

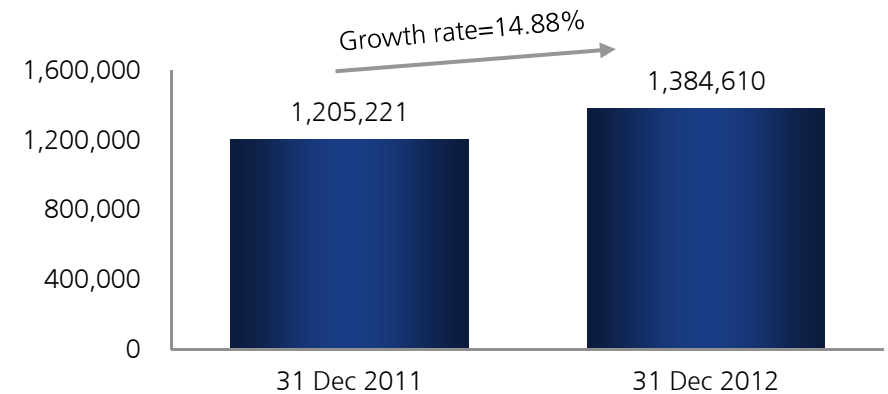
## Deposits from customers

(RMB million)

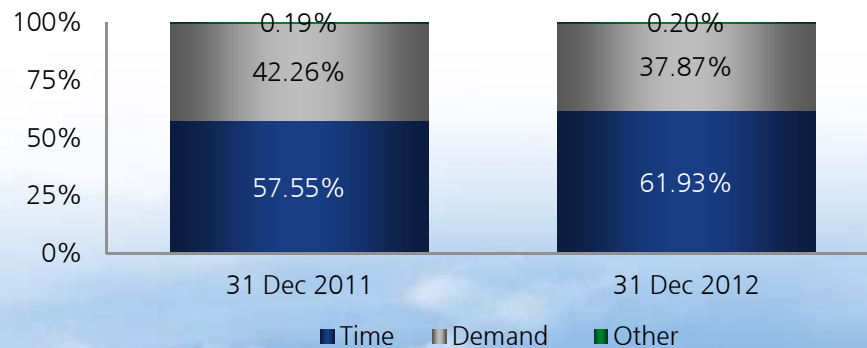


## Gross balance of loans and advances to customers

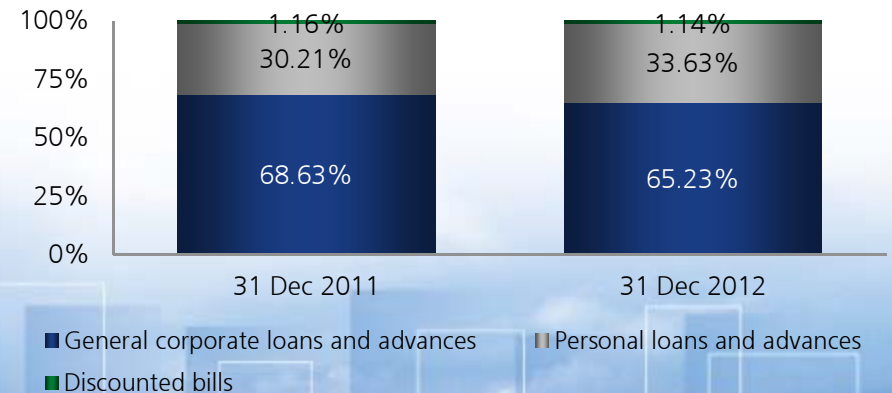
(RMB million)



## Deposit mix (by duration)



## Loan mix



Source: Annual reports

# Asset quality

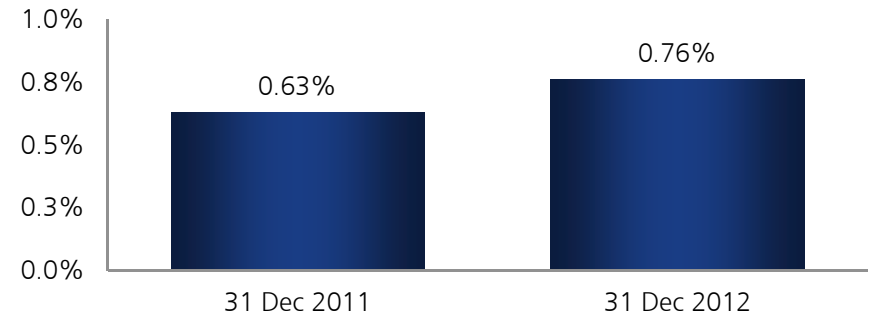


Comprehensive risk management system has been fully implemented to ensure the stability of asset quality. Impaired loan ratio increased slightly while allowance to total loans was enhanced

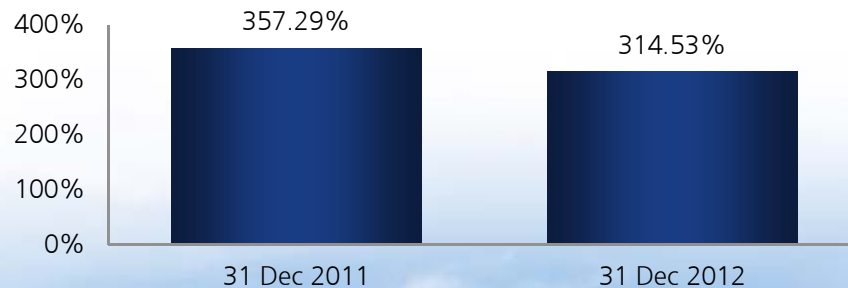
## Proactive measures to control asset quality

- ◆ Enhancing credit planning, timely adjusting loan allocation, 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
- ◆ Developing and optimizing the system of risk monitoring and early-warning in order to strengthen routine post-loan management
- ◆ Closely monitoring loans with potential risk factors and problems in an early and timely manner
- ◆ Comprehensively utilizing all available recovery and disposal measures to improve efficiency and effectiveness of recovery
- ◆ Strengthening training programs to improve the professional skills and the comprehensive qualities of the risk management team

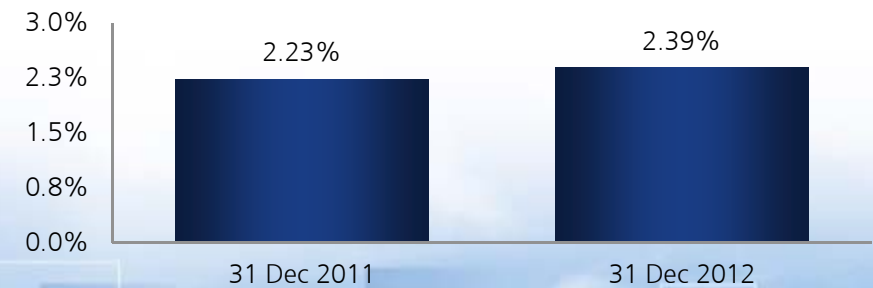
## Impaired loan ratio



## Allowance to impaired loans



## Allowance to total loans



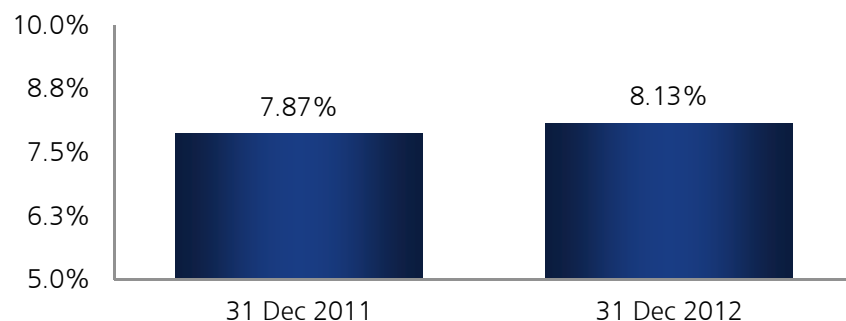
Source: Annual reports

# Capital adequacy ratio

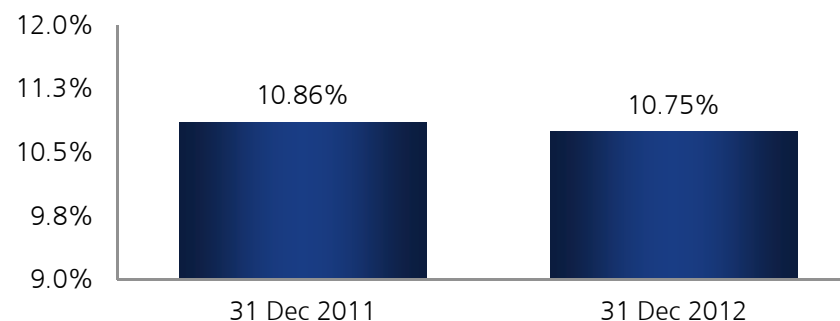


Stronger core capital adequacy ratio achieved through internal capital replenishment and HKD11.2 billion (equivalent to approx. RMB 9.1 billion) H-share placement in Apr 2012

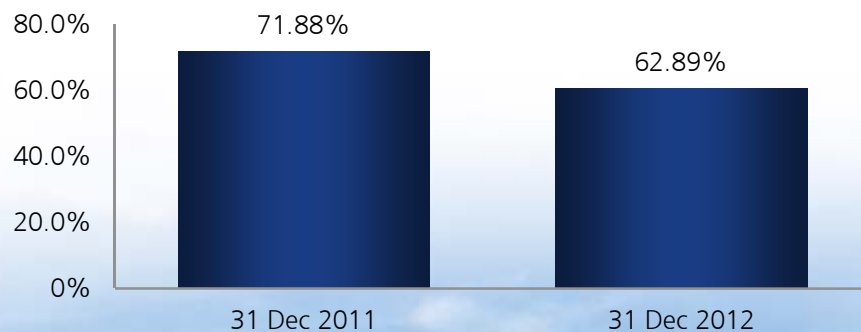
Core capital adequacy ratio



Capital adequacy ratio



Total risk-weighted assets and adjustment to market risk/ total assets



Total equity to total assets ratio



Source: Annual reports

# Agenda



1

**Business Review**

2

**Financial Performance**

3

**Outlook**

# 2013 Outlook



In 2013, the Group will ensure the healthy development of each business and lay a solid foundation for the strategic transformation under its "Second Take-Off". Specific measures are as follows:

- 1 Improve corporate governance by optimizing governance structure and operation mechanism**
- 2 Focus on MSEs and create a distinctive financial services model through the combination of industry chain and traditional retail business**
- 3 Proactively comply with regulatory requirements to prevent risk and enhance risk management through the strengthening of overall RM system**
- 4 Prudently carry out reform programs to further enhance the process-based banking establishment**
- 5 Strengthen management and coordination to further improve resource allocation efficiency**
- 6 Improve refined-management capability and strengthen the building of soft strength to establish an efficient implementation system for strategies**







# Q&A