

# China Minsheng Banking Corp., Ltd.

## Q1 2014 Results Announcement



April 2014

# 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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# Business overview



During Q1 2014, the Group took proactive measures in response to the adjustment and changes in macroeconomic environment and regulatory policies, focusing on strategic transformation and strengthening risk control. Our profitability has continued to improve this quarter

## 1 Higher profitability and steady return to shareholders

- ◆ The Group's net profit attributable to equity shareholders of the Bank amounted to RMB12,676 million, representing an increase of 15.08% Y-o-Y
- ◆ Operating income amounted to RMB31,231 million, representing an increase of 8.15% Y-o-Y
- ◆ Net assets per share attributable to equity shareholders of the Bank was RMB7.44, representing an increase of 6.74% over end of 2013; basic earnings per share was RMB0.45, representing an increase of 15.38% Y-o-Y
- ◆ Net interest margin<sup>1</sup> was 2.62%, representing an increase of 0.17 percentage points Y-o-Y

## 2 Continuous strategic transformation and optimized operating structure

- ◆ Total assets of the Group amounted to RMB3,282,119 million, representing an increase of 1.73% over end of 2013
- ◆ Total balance of loans and advances to customers amounted to RMB1,635,254 million, and total deposits from customers amounted to RMB2,256,429 million, representing an increase of 3.87% and 5.11% over end of 2013, respectively
- ◆ Balance of personal deposits was RMB555,556 million, representing an increase of RMB44,612 million, or 8.73%, over end of 2013, and accounted for 24.62% of total deposits from customers, representing an increase of 0.82 percentage point over end of 2013
- ◆ Net non-interest income amounted to RMB10,036 million, representing an increase of 14.53% Y-o-Y, and accounted for 32.13% of operating income, representing an increase of 1.78 percentage points Y-o-Y
- ◆ Outstanding loans to small and micro enterprises<sup>1</sup> amounted to RMB405,025 million; and the number of small and micro customers<sup>1</sup> was 2,100.5 thousands, representing an increase of 10.27% over end of 2013
- ◆ As at 31 March 2014, the number of community sub-branches and self-service outlets in operation reached 3,715<sup>1</sup>
- ◆ The outstanding general loans to NSOEs<sup>1</sup> amounted to RMB609,926 million, and the number of NSOE customers with outstanding loan balances<sup>1</sup> reached 12,577, accounting for 64.09% and 84.47% of corporate banking segment<sup>1</sup>, respectively
- ◆ The number of private banking customers<sup>1</sup> was recorded at 13,467, and the financial assets under management<sup>1</sup> amounted to RMB209,081 million, representing increases of 4.40% and 8.93% over end of 2013, respectively
- ◆ The mobile banking customer base<sup>1</sup> was further expanded with 1,408.3 thousands new customers as compared with the end of the previous year, totaling the number of mobile banking customers to 6,953.5 thousands

## 3 Strengthened cost control and improved operating efficiency

- ◆ The cost-to-income ratio was 26.78%, representing a decrease of 0.14 percentage points Y-o-Y

## 4 Enhanced risk management and stable asset quality

- ◆ Impaired loan ratio of the Group was 0.87%; provision coverage ratio and provision for total loans ratio were 256.63% and 2.22%, respectively

Note:

<sup>1</sup> Bank standalone

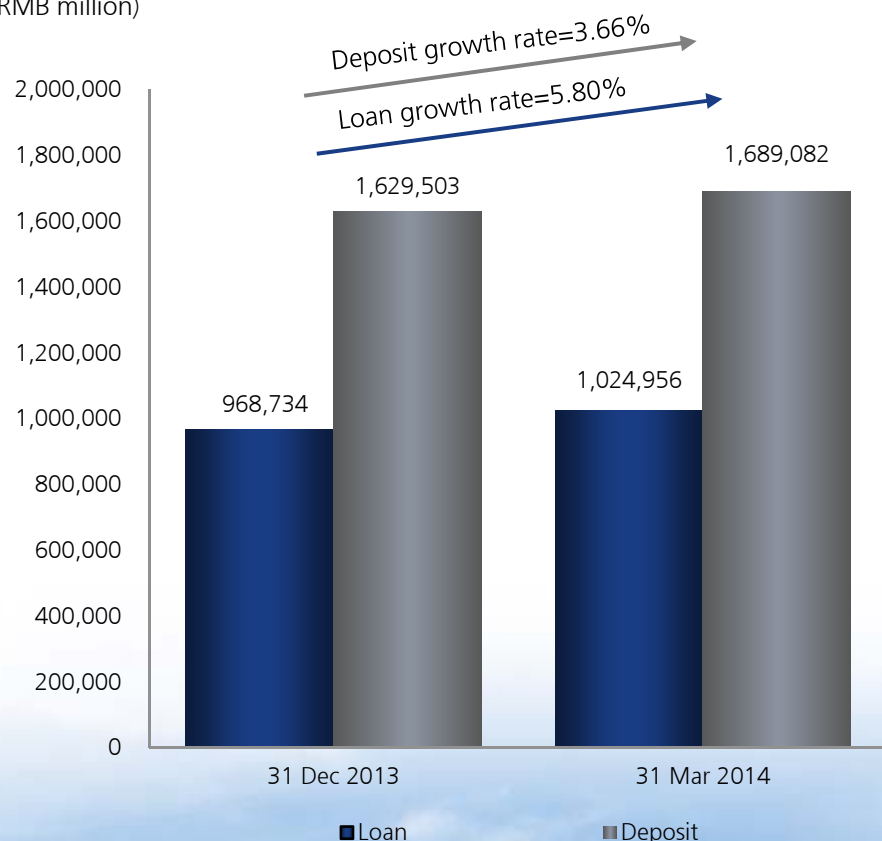
# Corporate banking – Consolidating existing customer base and enlarging scale of financial assets



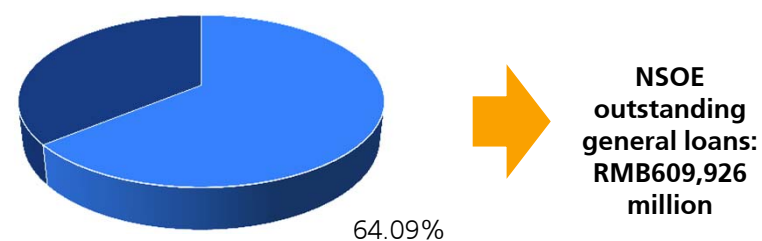
We took initiatives to respond to the changes of economic and financial environment to strengthen the reform of SBUs and corporate banking business development of our branches. We also strengthened our regional distinctive features and our "two chains" financial services and enhanced the innovation of corporate banking products in order to continuously facilitate the transformation and development of our corporate banking business

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

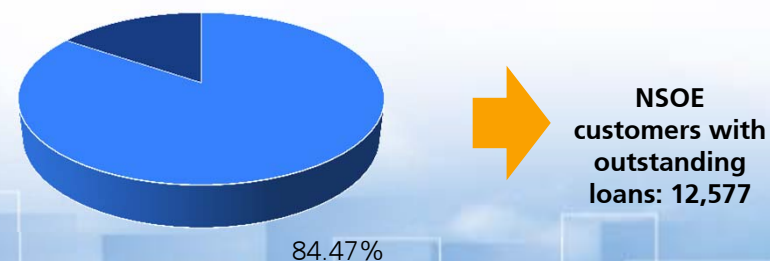
(RMB million)



## NSOE general loan balance and % of corporate banking segment<sup>2</sup>



## NSOE loan customer base and % of corporate banking segment<sup>2</sup>



Source: Company's Q1 Report and Annual Report

Notes:

- 1 Group consolidated
- 2 Bank standalone

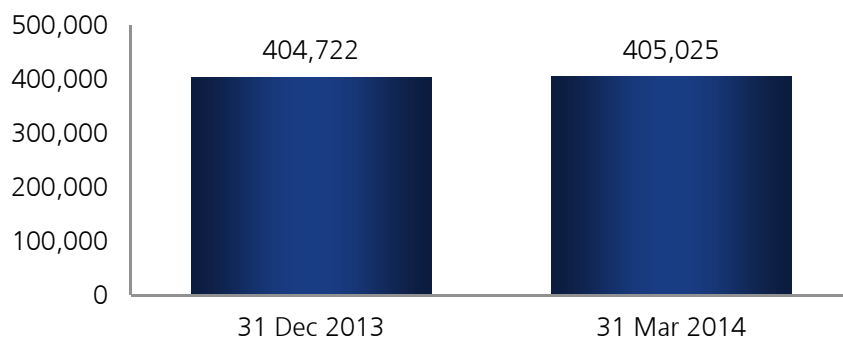
# Retail banking – Comprehensively expanding small business finance and community finance activities



We comprehensively carried out the transformation focusing on small business finance and community finance in all branches. Apart from further enhancing small business finance, we officially launched community finance. We gathered pace in development through transformation, promoting the retail banking business to a whole new stage of development

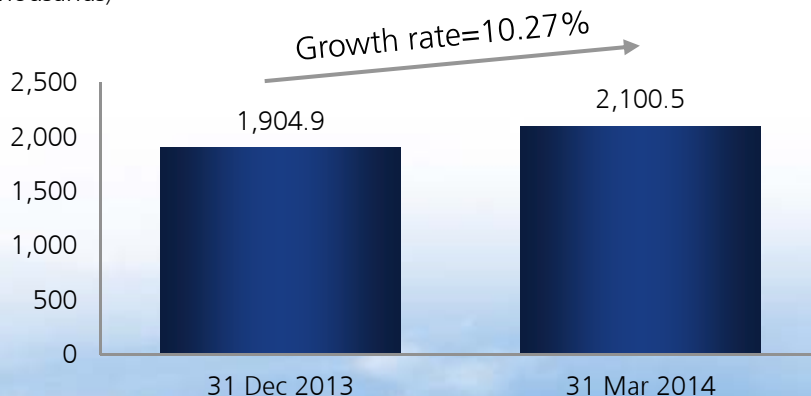
## Outstanding loans to small and micro enterprises<sup>1</sup>

(RMB million)



## No. of small and micro enterprise customers<sup>1</sup>

(in thousands)



## The official launch of community finance business and continuous innovations on micro-loan products

The launch of community finance

- ◆ Promoted the construction of product portfolio, channel network and supporting system of community finance to become the leading service provider of small business finance and community finance in the industry. As of 31 March 2014, we had put 3,715 community branches and self-service outlets into operation
- ◆ Concentrated financial, logistic and human resources to expedite the establishment of the community financial service system; launched Smart Family product series and accelerated the establishment of software supporting platform and non-financial platform
- ◆ Persisted in the community finance strategy and expedited the upgrade and improvement of the marketing management model for community finance; further strengthened the regional planning of community finance, optimized channel and network distribution, strengthened the head office-to-head office marketing and implemented distinctive marketing model

Innovations on micro-loan products

- ◆ Upgraded micro-loan products to "Micro-Loan 2.0", introduced five key series of products, namely "recurring loan, loan for freight bill, loan for sales volume, loan for tax bills and collection loan" and launched "Xiaowei Bao" which offered multi-channel acceptance and counter services through mobile operation and sales

Source: Company's Q1 Report and Annual Report

Note:

1 Bank standalone

# Retail banking and private banking businesses continued to expand



China's Best Private Bank with High Net Worth Customer Services

—Euromoney



Best Private Bank with Integrated Services

—21st Century Business Herald



The Private Bank of 2013

—Economic Observer

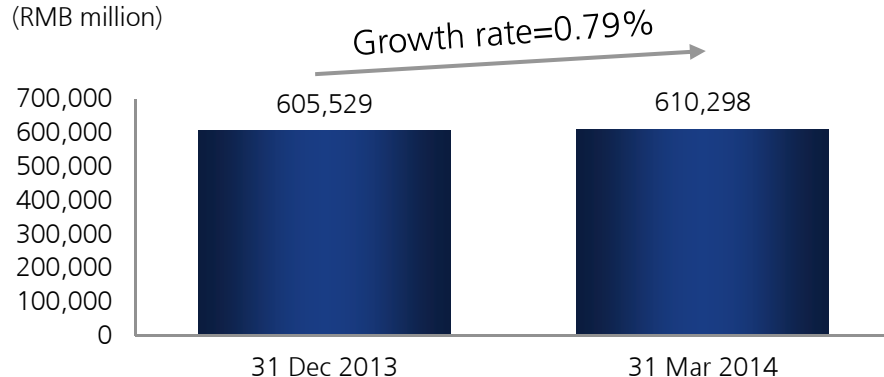


Best Domestic Private Banking Performance

—Hurun Report

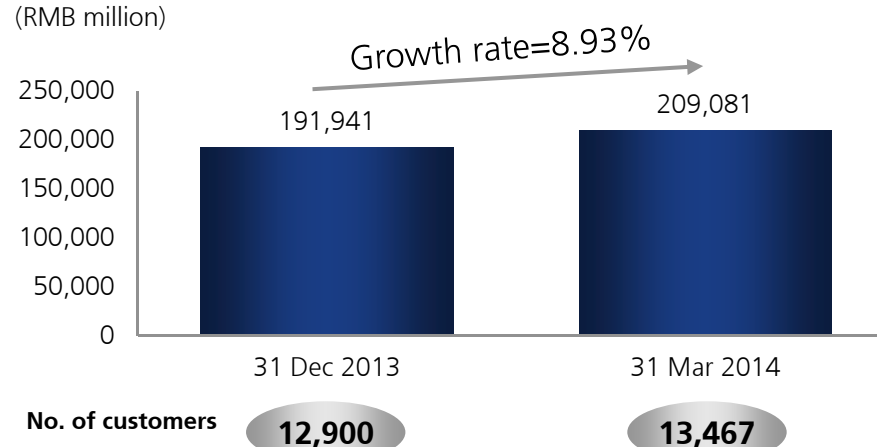
## Personal loans and advances

(RMB million)



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

(RMB million)



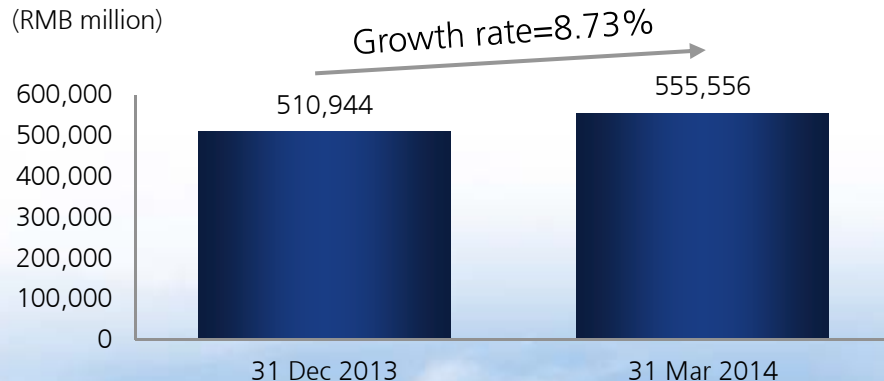
No. of customers

12,900

13,467

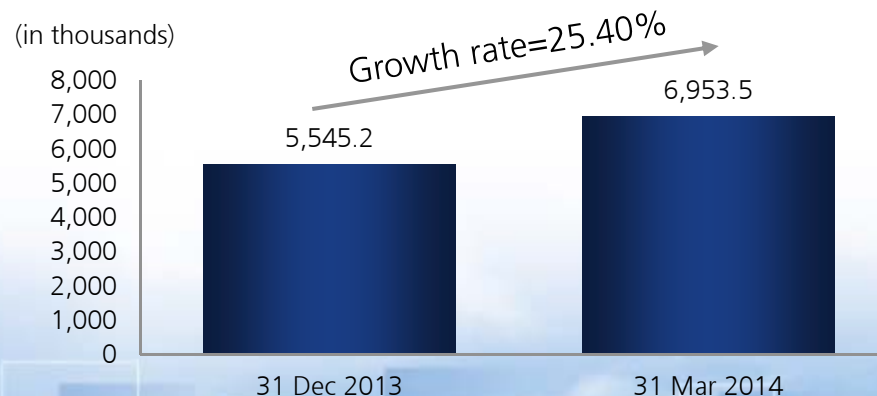
## Personal deposits

(RMB million)



## No. of mobile banking customers<sup>1</sup>

(in thousands)



Source: Company's Q1 Report and Annual Report

Note:

1 Bank standalone

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# Overview of key financial indicators



## Income statement highlights

(RMB million, except per share data)

	Jan-Mar 2014	Jan-Mar 2013	Growth(%)	
Operating income	31,231	28,877	↑	8.15
Of which: Net interest income	21,195	20,114	↑	5.37
Net non-interest income	10,036	8,763	↑	14.53
Profit before tax	17,050	14,920	↑	14.28
Net profit attributable to equity shareholders of the Bank	12,676	11,015	↑	15.08
Basic earnings per share (RMB)	0.45	0.39	↑	15.38

Key profitability indicators (%)	Jan-Mar 2014	Jan-Mar 2013	Change (ppt)	
Return on weighted average shareholders' equity (annualized)	24.80	26.00	↓	(1.20)
Net interest margin (NIM) <sup>3</sup>	2.62	2.45	↑	0.17
Net fee and commission income to total operating income	27.90	24.93	↑	2.97
Cost to income ratio <sup>1</sup>	26.78	26.92	↓	(0.14)

## Balance sheet highlights

(RMB million)

	31 Mar 2014	31 Dec 2013	Growth(%)	
Total assets	3,282,119	3,226,210	↑	1.73
Of which: Gross balance of loans and advances to customers	1,635,254	1,574,263	↑	3.87
Total liabilities	3,064,238	3,021,923	↑	1.40
Of which: Deposits from customers	2,256,429	2,146,689	↑	5.11
Equity attributable to equity shareholders of the Bank	211,045	197,712	↑	6.74

Asset quality indicators (%)	31 Mar 2014	31 Dec 2013	Change (ppt)	
Impaired loans ratio	0.87	0.85	↑	0.02
Provision coverage ratio	256.63	259.74	↓	(3.11)
Provision for total loans ratio	2.22	2.21	↑	0.01
<b>Capital adequacy ratio indicators (%)<sup>2</sup></b>				
Core tier-one capital adequacy ratio	8.50	8.72	↓	(0.22)
Tier-one capital adequacy ratio	8.51	8.72	↓	(0.21)
Capital adequacy ratio	11.03	10.69	↑	0.34

Source: Company's Q1 Report and Annual Report

Note:

1. Cost to income ratio = Operating and administrative expenses / operating income

2. Calculated in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional) (Decree of the CBRC 2012 No. 1) which became effective on 1 January 2013 and other relevant regulatory requirements

3. Bank standalone

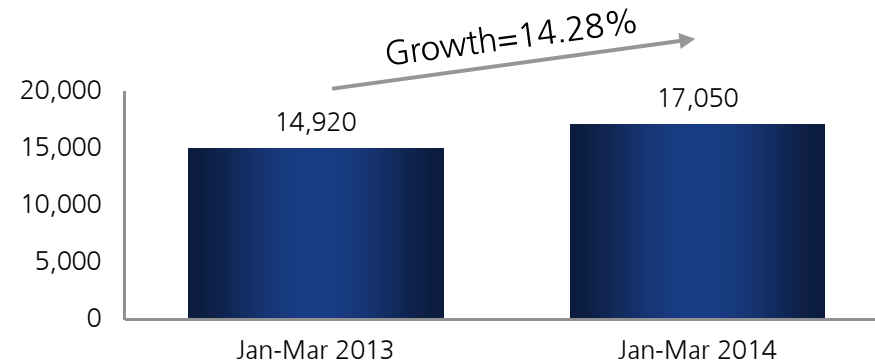
# Profitability



The Group maintained good profitability in Q1 2014. Earnings per share grew steadily, and operating efficiency was further improved

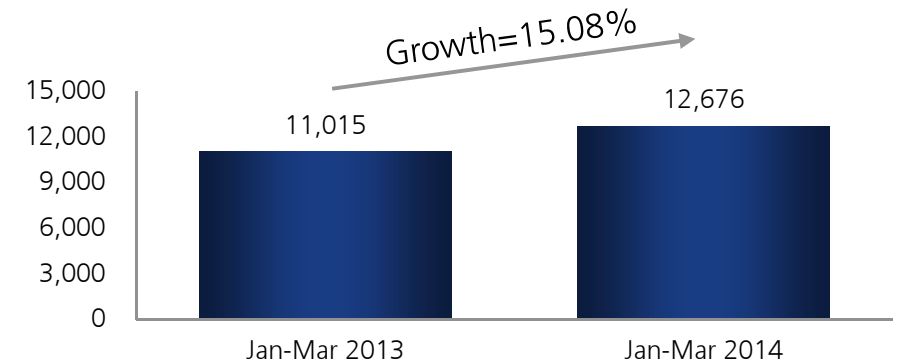
## Profit before tax

(RMB million)



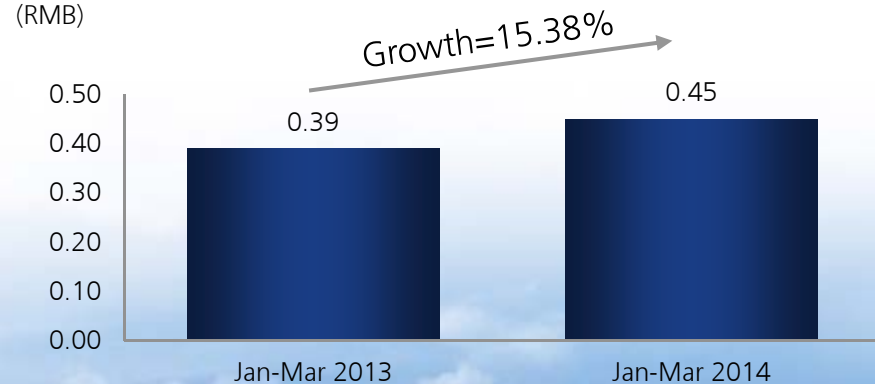
## Net profit attributable to equity shareholders of the Bank

(RMB million)

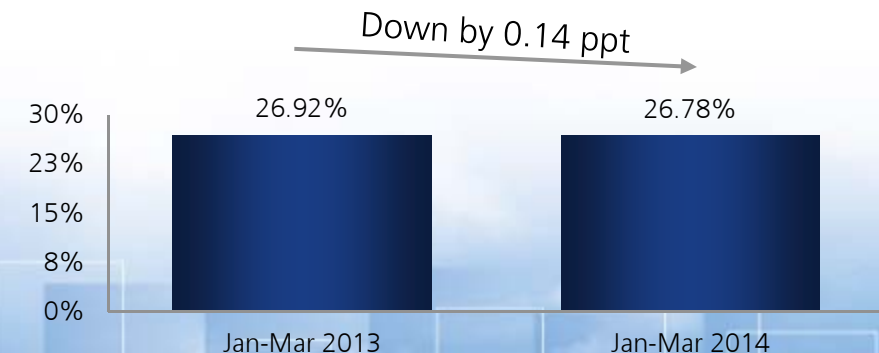


## Basic earnings per share

(RMB)



## Cost to income ratio



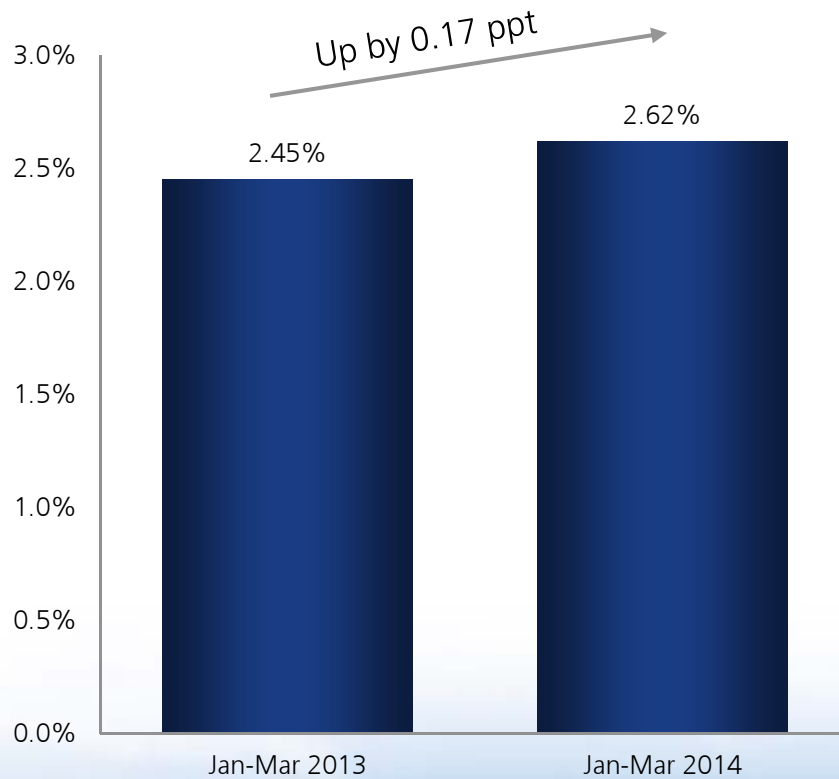
Source: Company's Q1 Report

# Net interest income



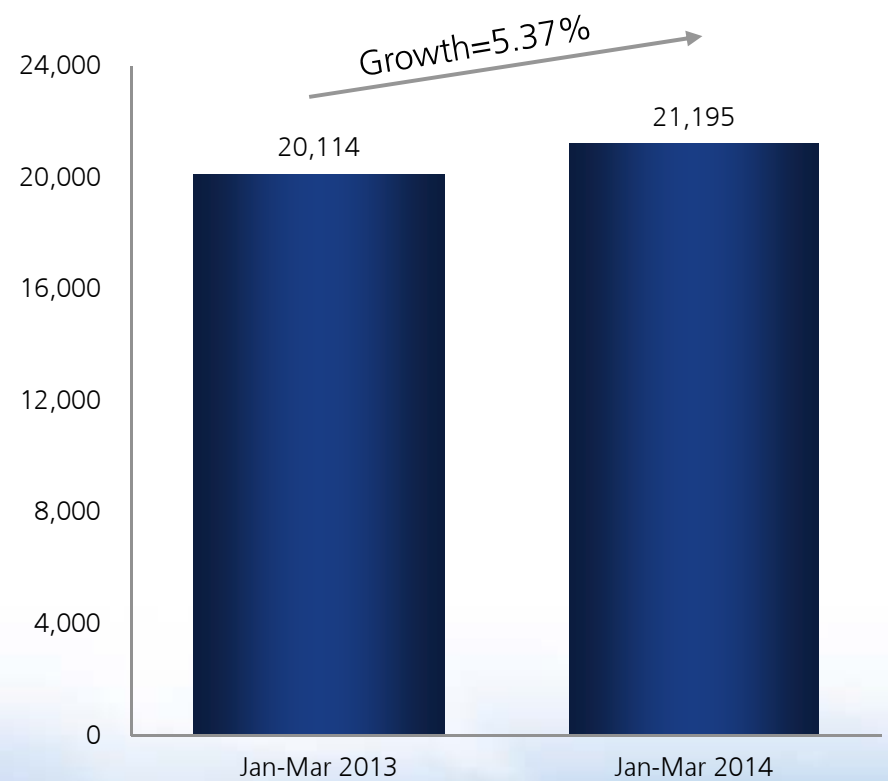
The Y-o-Y increase in NIM drove the growth in net interest income

## NIM<sup>1</sup>



## Net interest income

(RMB million)



Source: Company's Q1 Report

Note:

1. Bank standalone

# Net non-interest income

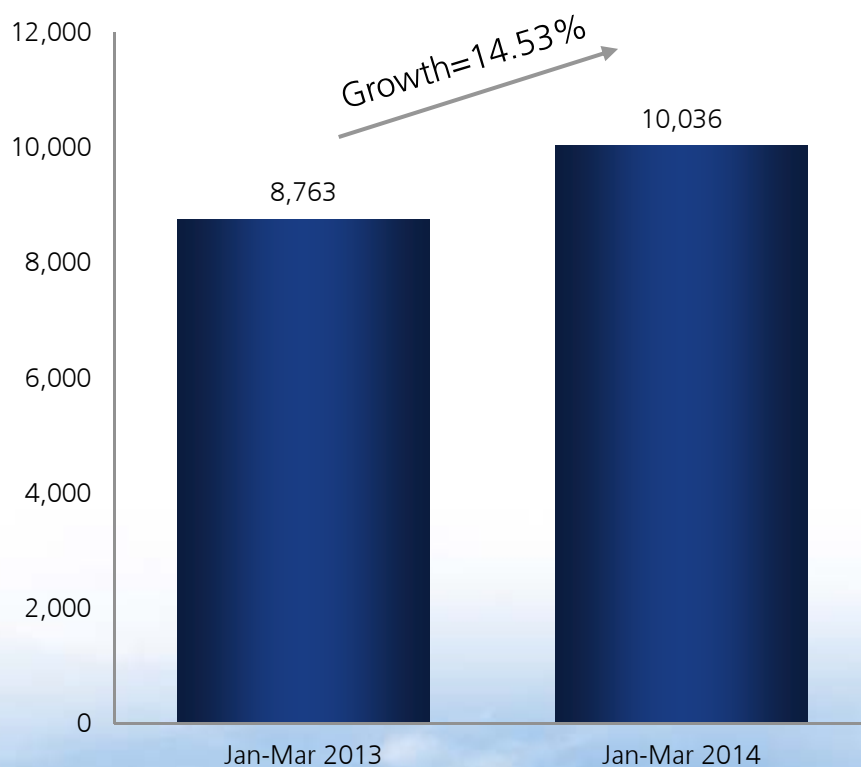


Net non-interest income and net fee and commission income continued to grow fast

## Net non-interest income

(RMB million)

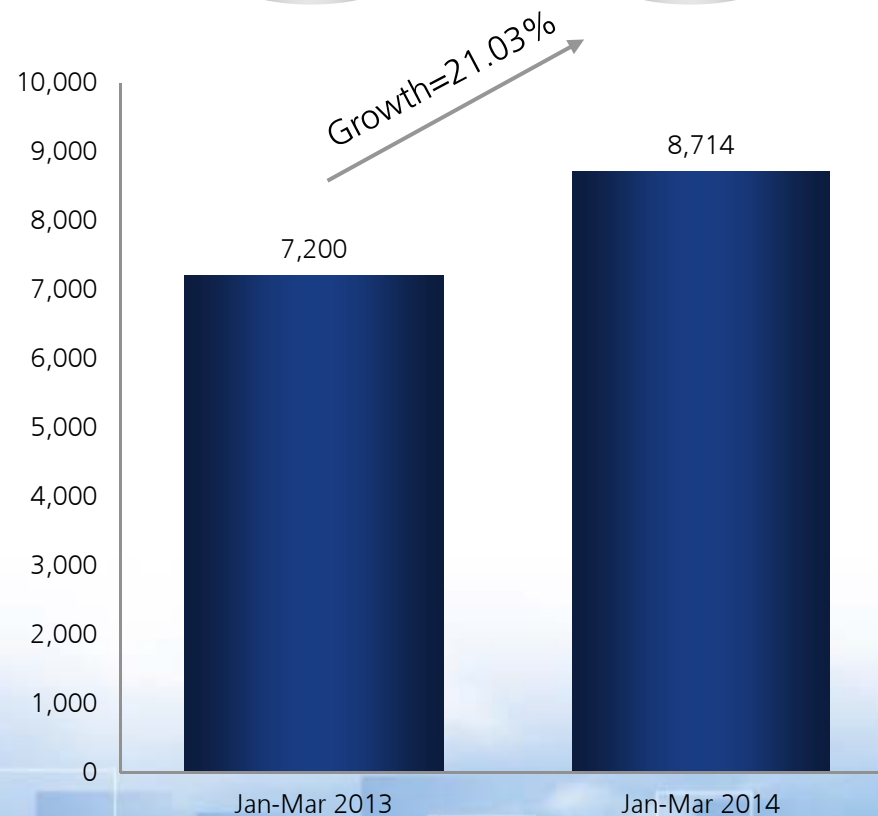
% of operating income **30.35%** **32.13%**



## Net fee and commission income

(RMB million)

% of operating income **24.93%** **27.90%**



Source: Company's Q1 Report

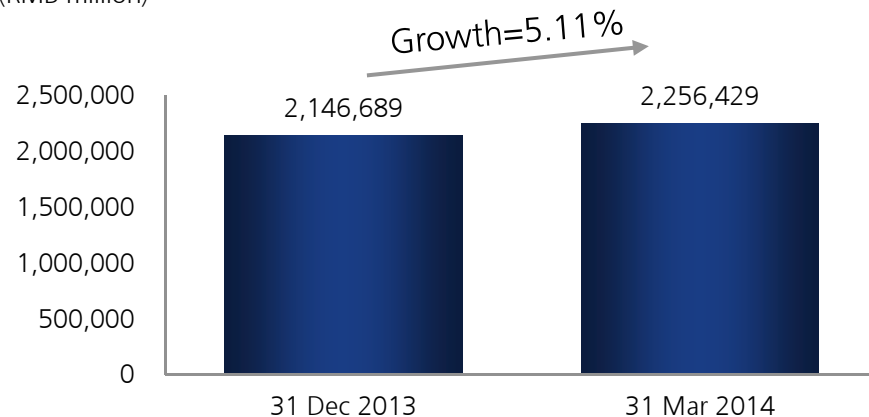
# Deposit and loan portfolios



The balance of deposits and loans continued to grow steadily. The loan mix remained stable while the percentage of personal deposits further increased

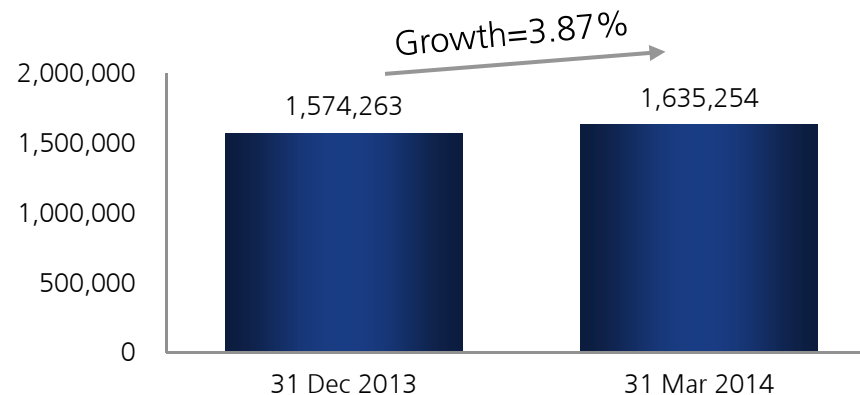
## Deposits from customers

(RMB million)

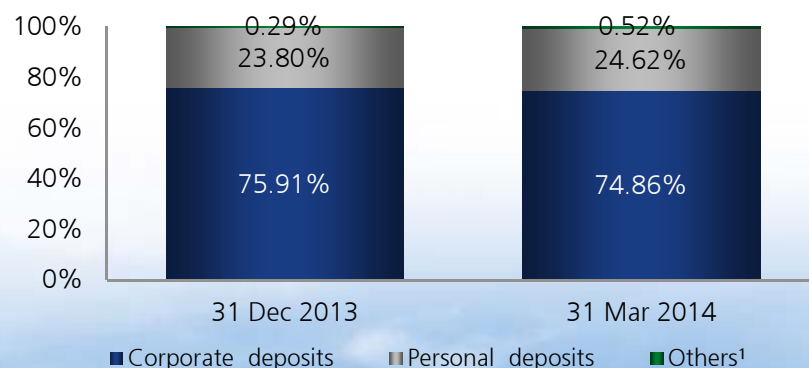


## Gross balance of loans and advances to customers

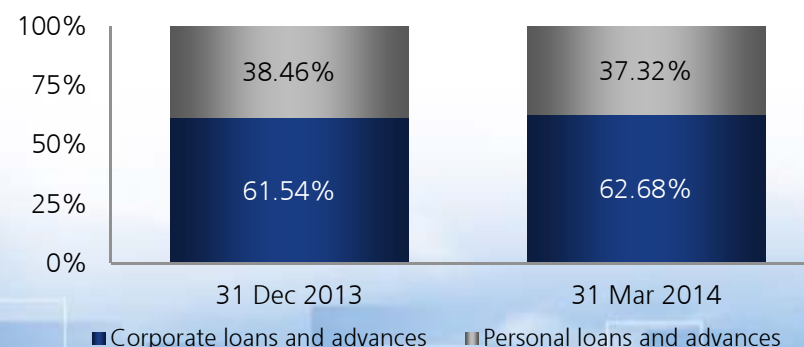
(RMB million)



## Deposit mix



## Loan mix



Source: Company's Q1 Report and Annual Report

Note:

1. Others include outward remittance and remittance payable and certificates of deposits<sup>1</sup>

# Asset quality

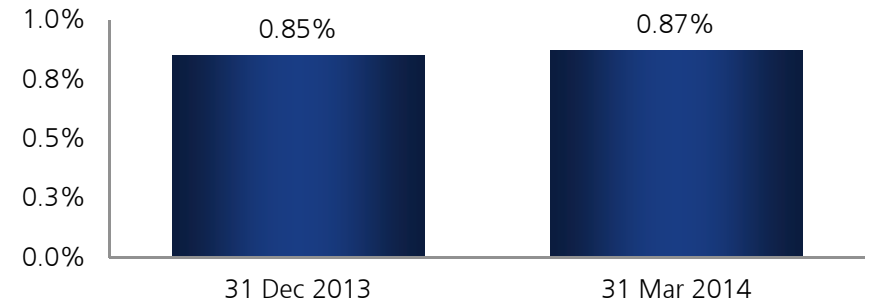


Comprehensive risk management system has been fully implemented to ensure the stability of asset quality

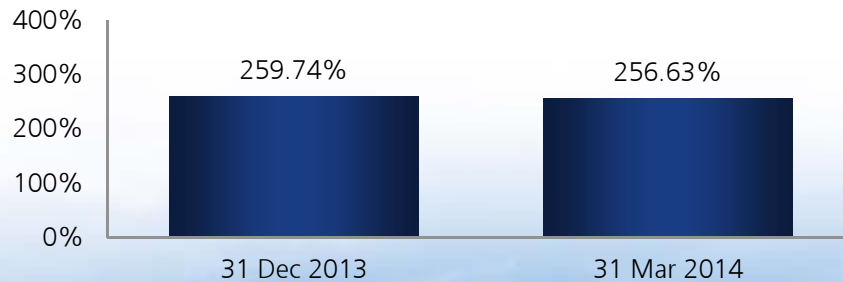
## Proactive measures to control asset quality

- ◆ Enhancing credit planning, proactively adjusting loan distribution, and continuously optimizing asset structure
- ◆ Continuing to improve risk management policies and imposing multidimensional risk limit management for various industries and regions
- ◆ Strengthening risk monitoring, early-warning and 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

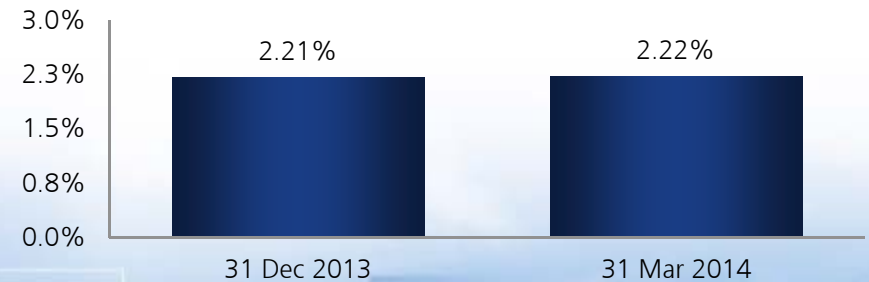
## Impaired loans ratio



## Provision coverage ratio



## Provision for total loans ratio



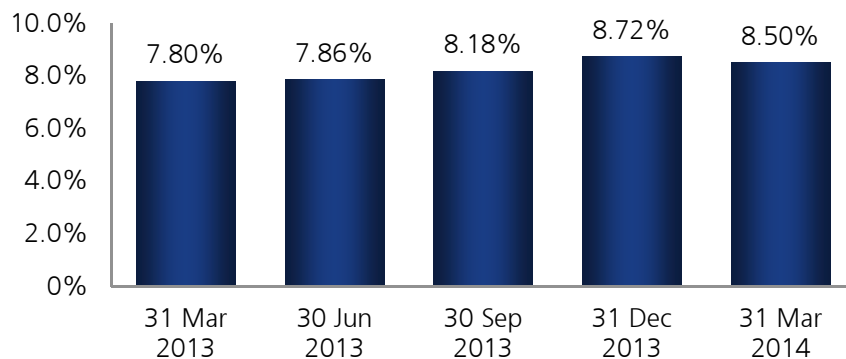
Source: Company's Q1 Report and Annual Report

# Capital adequacy ratio

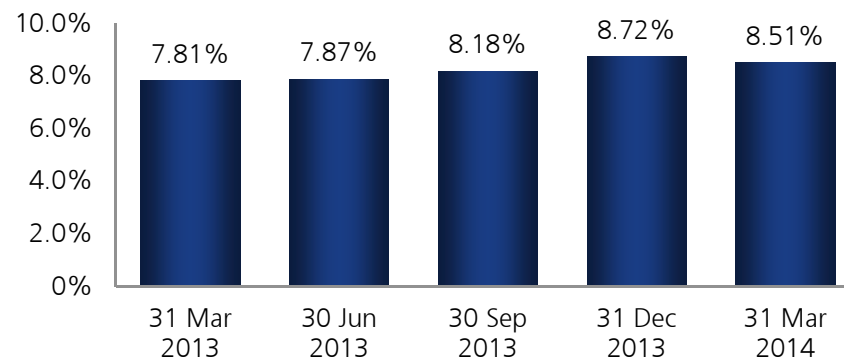


All capital adequacy indicators of the Group have met the regulatory requirements for the transition period under the new measures issued by the CBRC, while total equity to total assets ratio further increased

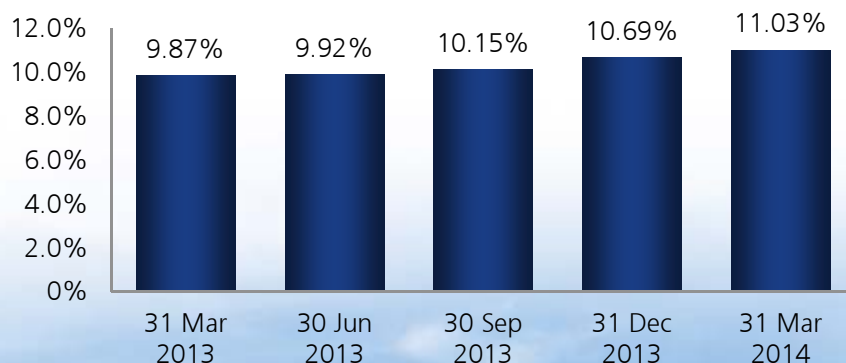
**Core tier-one capital adequacy ratio<sup>1</sup>**



**Tier-one capital adequacy ratio<sup>1</sup>**



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



**Total equity to total assets ratio**



Source: Company's quarterly and annual reports

Note:

1. Calculated in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional) which became effective on 1 January 2013 and other relevant regulatory requirements

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# 2014 Outlook



In 2014, in order to fully realize the objectives under the “New Three-Year Plan”, our Group will strive to ensure sustainable development across all businesses and achieve the “Second Take-off”. We will devote to position ourselves as the best commercial bank in China with core competitiveness and unique business characteristics. Specific measures are as follows:



- 1 Further refine the structure of corporate governance and provide clear guidelines for the comprehensive risk management, so as to further improve and regulate the corporate governance system
- 2 With focus on regional distinctive services and services for small business finance and community finance as well as the industry chains and supply chains, transformation of branches will be implemented to strengthen the growth of branches and sub-branches
- 3 Further enhance risk control, strengthen the collection and disposal of impaired loans and maintain the stability of asset quality
- 4 Push forward reform and innovation by implementing of the results of major reforms in SBUs, small business financing and private banking version 2.0
- 5 Continue to optimize the management system of e-banking business and improve traditional counter services to better serve customers
- 6 Streamline and optimize the procedures of mid-and-back office to further enhance internal operation efficiency and lower operation cost



# Q&A