

China Minsheng Banking Corp., Ltd.

2018 Interim Results Announcement



Disclaimer



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Agenda



1

Overview

2

Operational Performance

3

Outlook

Overview of operations



During 1H2018, the Group took proactive measures in coping with the adjustments and changes in the internal and external operating environment. According to the three major strategic positionings of becoming “a bank for the non-state-owned enterprises (“NSOEs”), a fintech-based bank and a bank of comprehensive services”, implementation of reform and transformation policies have achieved preliminary results. Risk control and operation compliance have been strengthened, quality of assets has maintained generally stable and profitability has risen steadily. The operation of all business lines has achieved healthy and stable development

1

Steady growth in profits and continuous improvement of operating efficiency

- ◆ Net profit attributable to equity shareholders of the Company amounts to RMB29,618mn, up by 5.45% yoy
- ◆ Annualised return on weighted average equity and annualised return on average assets were 15.81% and 1.00%, down by 0.42 ppts and up by 0.02 ppts respectively
- ◆ Operating income amounted to RMB74,287mn, up 6.27% yoy; Basic earnings per share was RMB0.68, an increase of RMB0.04 yoy; and net assets per share attributable to ordinary shareholders of the Company was RMB8.84, an increase of RMB0.41 from the end of last year
- ◆ Cost-to-income ratio was 24.35% and operating expenses amounted to RMB18,870mn, up by 3.04% yoy

2

Coordinated growth of asset and liability and further optimisation of business structure

- ◆ Total assets amounted to RMB6,061,143mn, up by 2.69% from the end of last year
- ◆ Total loans and advances to customers amounted to RMB3,052,658mn, up by 8.86% from the end of last year. Total loans and advances to customers accounted for 50.36% of total assets, representing an increase of 2.85 ppts from the end of the previous year. Loans to small and micro enterprises amounted to RMB406,604mn, up 8.93% from the end of last year
- ◆ Total deposits from customers was RMB3,157,881mn, up by 6.46% from the end of last year. The proportion of personal deposits was 17.81%, up by 1.22 ppts from the end of last year; balance of interbank liabilities (including IBNCD) was RMB1,727,910 mn1, down by 2.22% from the end of last year

3

Full implementation of reform and good advancement of major businesses

- ◆ Outstanding balance of corporate loans amounted to RMB1,877,516 mn1, up by 10.46% from the end of last year; balance of corporate deposits amounted to RMB2,563,658 mn1, up by 5.29% from the end of last year
- ◆ Retail loans amounted to RMB1,159,172 mn1, up by 6.45% from the end of last year; financial assets of individual customers under management amounted to RMB1,578,087 mn1, up by 9.87% from the end of last year
- ◆ Balance of interbank liabilities amounted to RMB1,727,910 mn1; existing scale of wealth management products amounted to RMB1,385,081mn1; balance of assets under custody amounted to RMB8,223,737mn1
- ◆ The number of direct banking customers reached 15,114.7k1 and financial assets under management amounted to RMB147,976mn, up by 38.48% and 41.27% respectively from the end of last year. The number of personal e-banking customers reached 42,837.5k1, up by 11.52% from the end of last year
- ◆ The Company facilitated establishment of overseas branches. HK Branch recorded net profit of RMB677mn, up by 26.54% yoy, and CMBC International of RMB135mn, up by 75.32% yoy

4

Effective risk prevention and control and stable asset quality

- ◆ NPL ratio was 1.72%; allowance to NPLs was 162.74%; and allowance to total loans was 2.81%

Note:

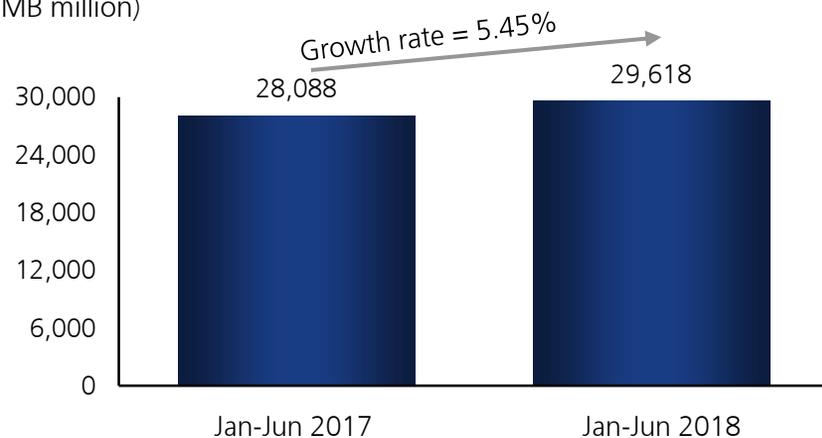
1 Bank standalone

Steady improvement in profitability and stable shareholder return

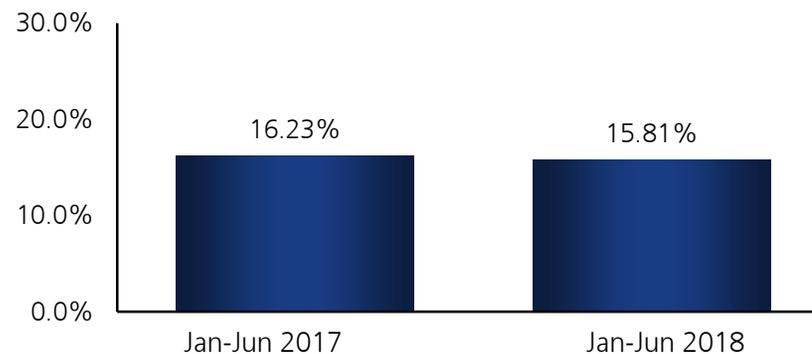


Net profit attributable to equity shareholders of the Company

(RMB million)

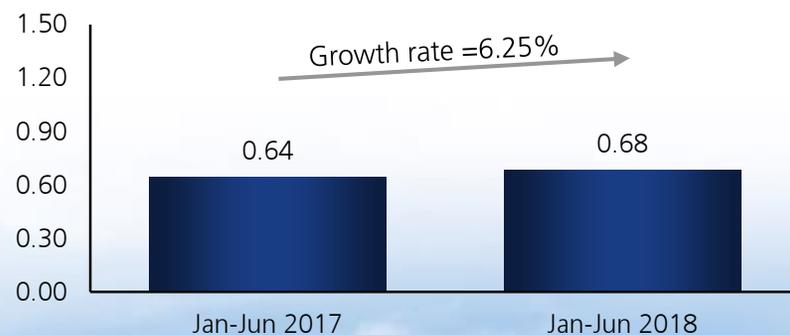


Return on weighted average equity (annualised)

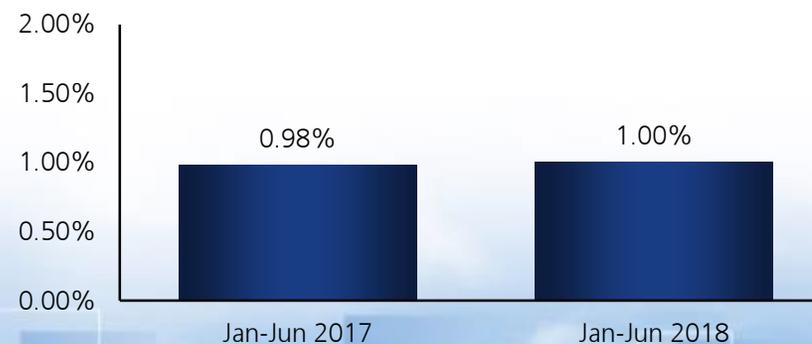


Basic earnings per share

(RMB)



Return on average assets (annualised)



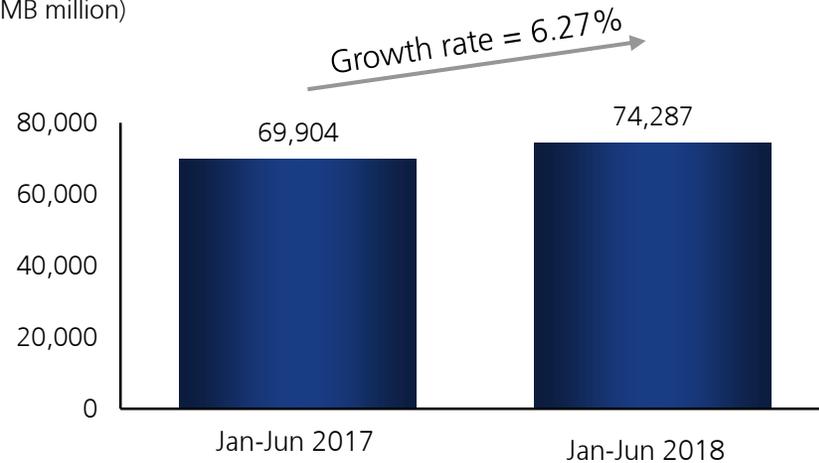
Source: Company's Interim Report

Continuous optimisation of revenue mix and improvement in operation efficiency

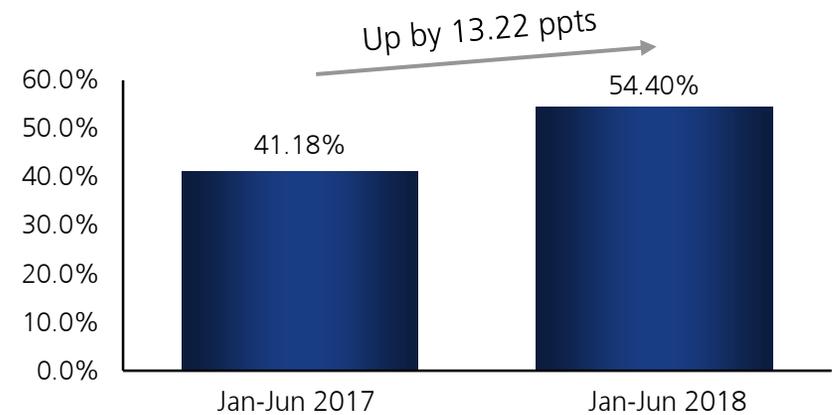


Operating income

(RMB million)



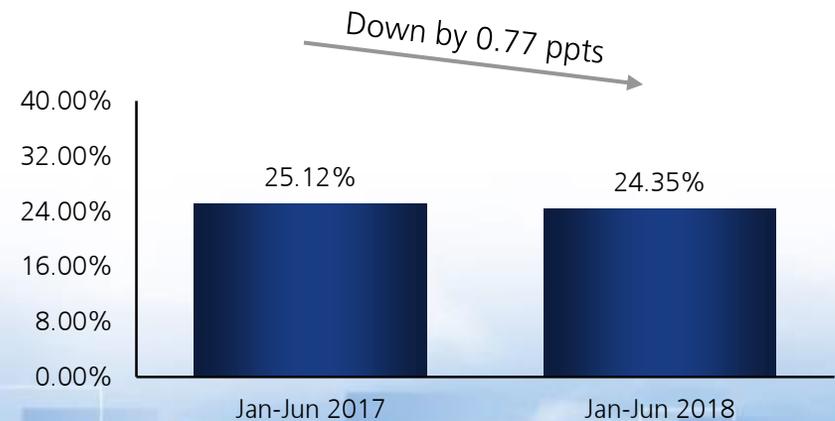
Net non-interest income as % of operating income



Net interest margin



Cost-to-income ratio¹



Source: Company's Interim Report

Note:

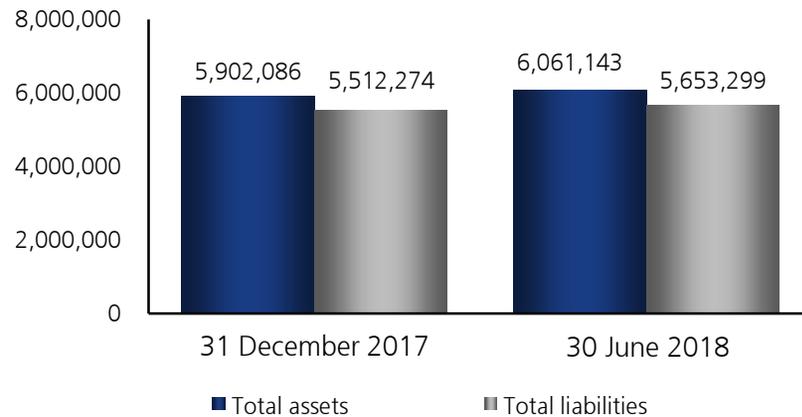
1 Cost-to-income ratio = (operating and other operating expenses - tax and surcharges)/operating income

Proactive adjustment in business size and continuous optimisation of business structure



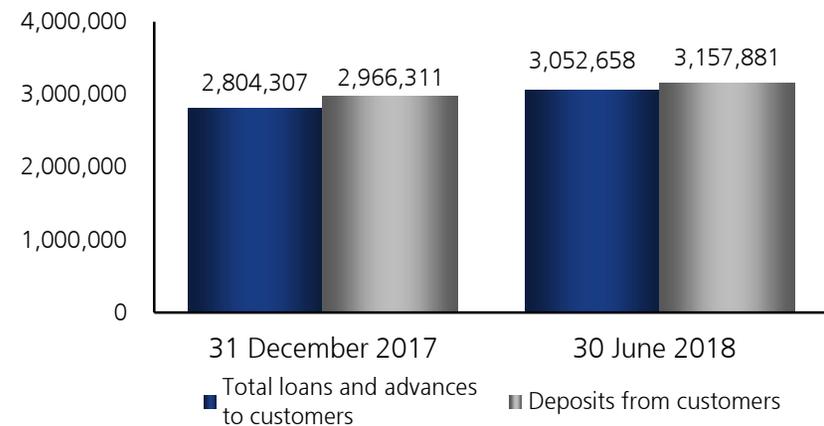
Total assets and total liabilities

(RMB million)



Total loans and advances to customers and deposits from customers

(RMB million)



Net investment in trading and banking books

(RMB million)



Total debt securities issued

(RMB million)



Source: Company's Interim Report and Annual Report

Continually enhanced risk management and stable asset quality

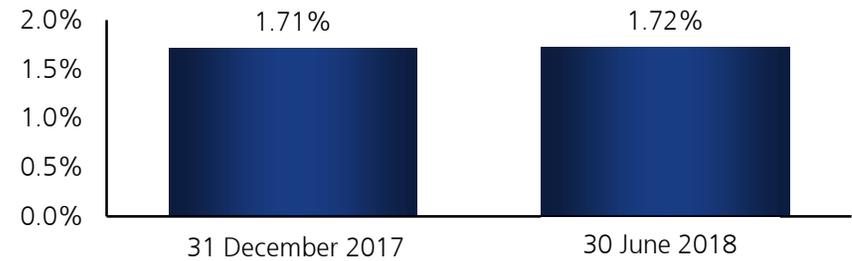


Take measures actively to manage asset quality

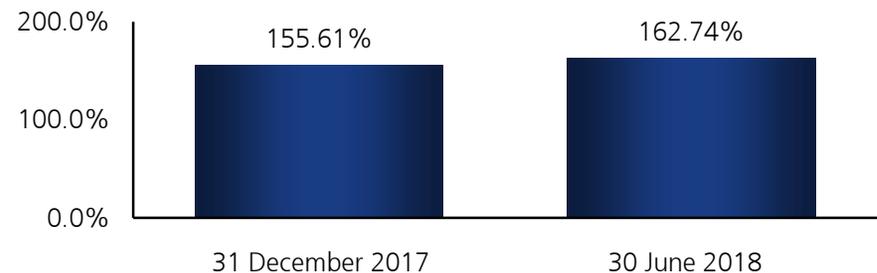
- ◆ Proactively adjusting loan distribution and continuously optimising asset structure in line with the national macro-economic policies, industrial policies and regional policies, the latest regulatory requirements, and development strategies and risk preferences determined by the Board
- ◆ Continuously improving management policies on asset portfolios by imposing multidimensional risk limit management and portfolio management for different industries, customers and products
- ◆ Strictly controlling risk of new credit facilities. Greater efforts were exerted to enhance screening of customers admittances, and set up stricter credit approval criteria in order to mitigate credit risks from the origins
- ◆ Enhancing risk early-warning and post-loan risk supervision. The Company established a risk early-warning system to realise an automatic and intelligent collecting, analysing and reporting of risk information. A new top-down alert management model of data-driven and active management was set up to further strengthen the risk management of the entire process. In addition, post-loan management was enhanced for existing loans. A management and supervision system for loan rating was established. A regular monitoring, inspection and reporting system was put in place to enhance supervision over major industries, regions and products and duly carry out proper risk prevention
- ◆ Further enhancing collection and disposal of NPLs. Through measures including carrying out dedicated collection and disposal activities, enhancing indicator monitoring and formulating special collection and disposal plans for particular customers and recovery and disposal measures such as repayment collection, restructuring, assignment, foreclosing, legal action and writing-off, the Company improved the efficiency of collection and disposal work
- ◆ Through improving the rules and regulations, strengthening accountability and prevention and control of key areas, commencing remedial plan for specific issues and compliance training, the Group achieved positive results in establishing the philosophy of law-compliant operation and in preventing and defusing risks, improving asset quality and promoting operation compliance

Source: Company's Interim Report and Annual Report

NPL ratio



Allowance to NPLs



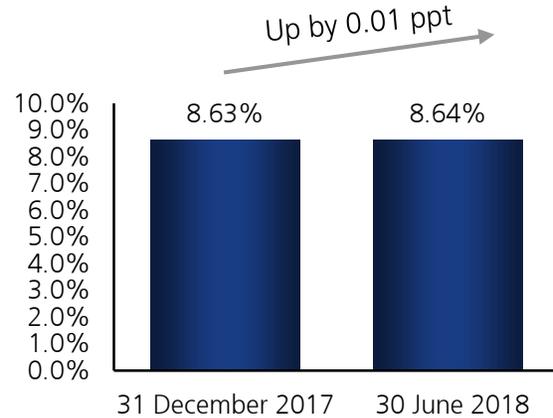
Allowance to total loans



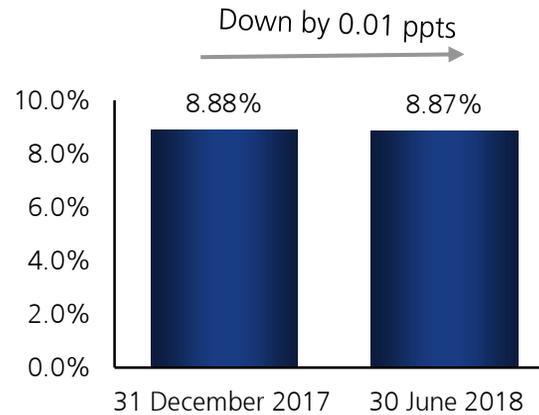
Capital adequacy ratio remains sound with improved liquidity



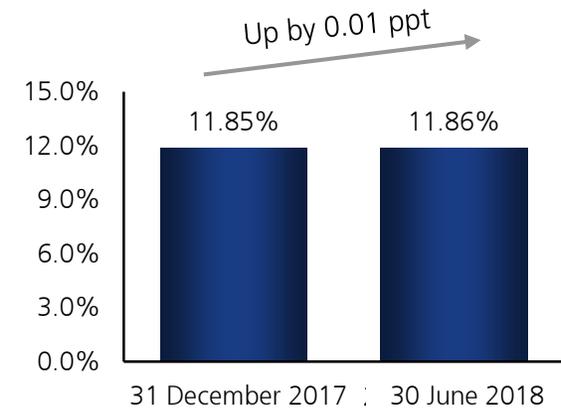
Core tier-one capital adequacy ratio¹



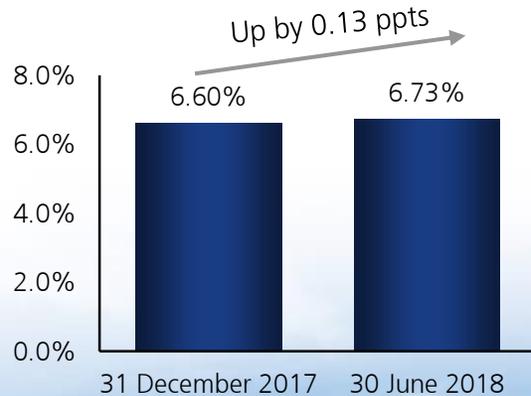
Tier-one capital adequacy ratio¹



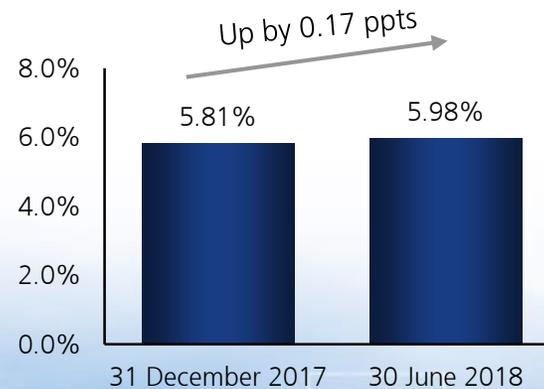
Capital adequacy ratio¹



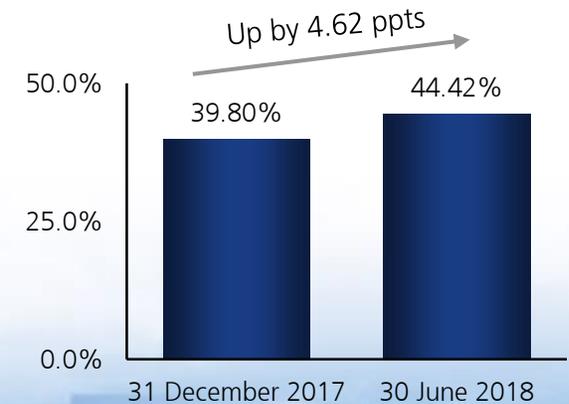
Total equity to total assets ratio



Leverage ratio²



Liquidity ratio^{1,3}



Source: Company IR and AR

Note:

- 1 Calculated in accordance with the Capital Rules for Commercial Banks (Provisional) (《商业银行资本管理办法(试行)》) coming in force from 1 Jan 2013 and other relevant regulatory provisions
- 2 Calculated in accordance with Measures for Administration of the Leverage Ratio of Commercial Banks (Revised) (《商业银行杠杆率管理办法(修订)》) (CBRC Order [2015] No. 1) coming in force from 4 Apr 2015
- 3 Bank standalone

Agenda



1

Overview

2

Operational Performance

3

Outlook

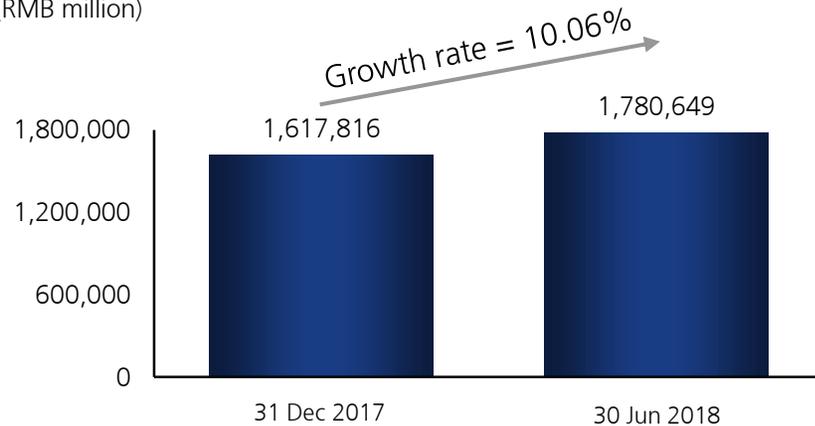
Strengthened corporate banking business with further improvement in professional abilities



In response to the new changes and new challenges in market and regulatory environment, the Company adopted reform and business development as two major strategies, implementing transformation so as to promote development. By implementing NSOE strategies, strengthening the stratified management of customers and focusing on quality liabilities, it optimised its assets business structure and accelerated its product innovation for further growth of its business

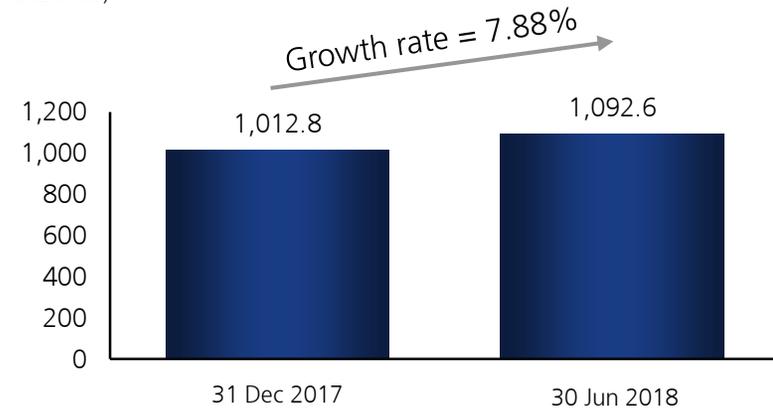
Balance of general corporate loans¹

(RMB million)



of corporate customers with deposits¹

(Thousands)



Further adoption of new investment banking business framework

- ✓ Expanded and optimised the multi-layered investment banking business to facilitate the change of business focus to investment banking business
- ✓ Focused on major segments of capital market business, namely healthcare, cultural tourism consumption, high-end manufacturing & information technology and governments & investment institutions, where the development had been gradually manifested
- ✓ Increased the market share of bond issuance to rank ninth among the peers¹
- ✓ Continued to introduce innovative products of asset securitization and successfully launched the first securitization of supply chain financing project under the "Belt and Road Initiative" in China and PPP asset-backed securitization project for tertiary education

Transformation and upgrading of corporate banking business driven by transaction banking

- ✓ Innovative service model of international business to enhance international business market competitiveness
- ✓ Modified settlement and cash management business according to changes in customers' needs with further improvement of product offering
- ✓ Enhanced scenarised product design and promotion of domestic trade finance and factoring products to consolidate the leading market position
- ✓ Continuous upgrading of digital services to effectively improve customers' experience

Source: Company's Interim Report and Annual Report

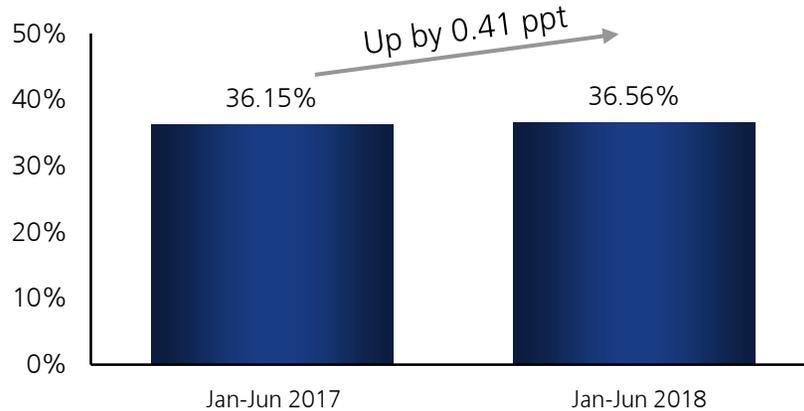
Note:
1 Bank standalone

Rapid growth of retail banking business and customer base

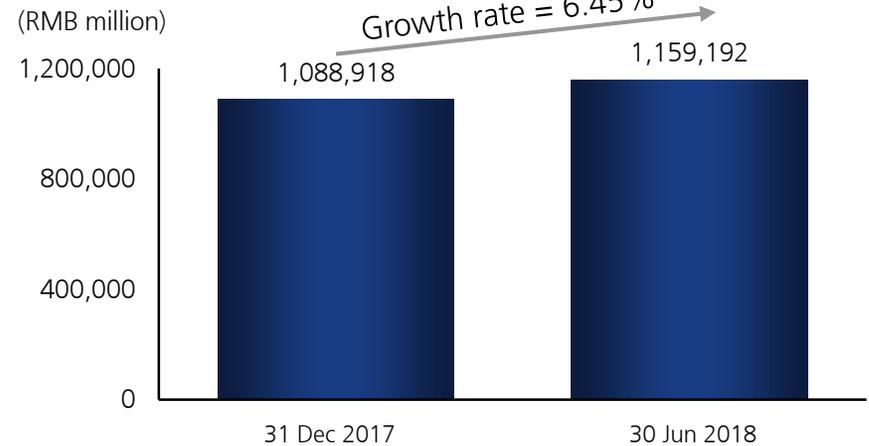


The Company began the reform of retail banking and various measures were implemented. It focused on the development of three major customer groups, including customers within NSOE ecosystem, small businesses and private banking entrepreneurs

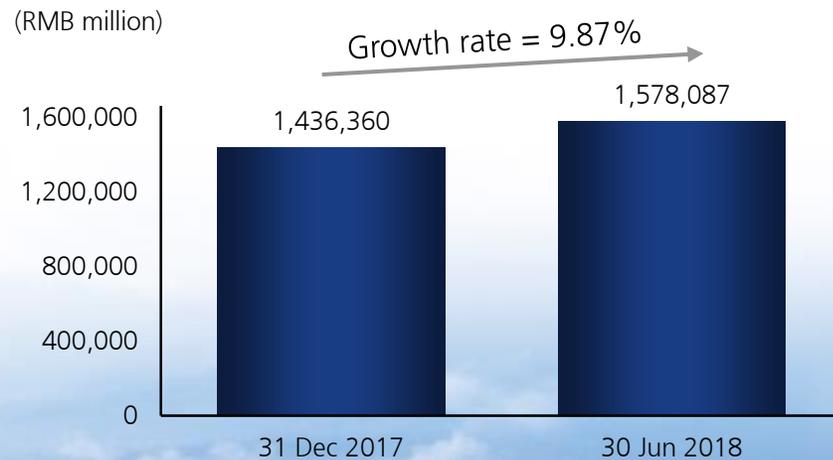
Net operating income from retail business as % of operating income of the Company¹



Balance of retail loans¹



Financial assets of retail customers¹



of retail customers with deposits¹



Source: Company's Interim Report and Annual Report

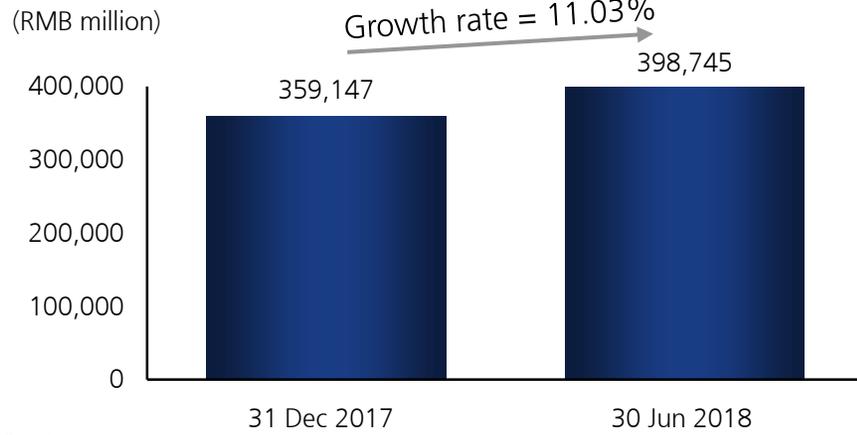
Note:
1 Bank standalone

Rapid expansion in small business finance activities with further promotion of new business model



The Company further promoted the new business model of small business finance, enhanced product and service innovation, consolidated customer base and further enhanced comprehensive financial services. Loans increased significantly and sources of income were diversified. Fintech support was strengthened to improve smart services and digital management

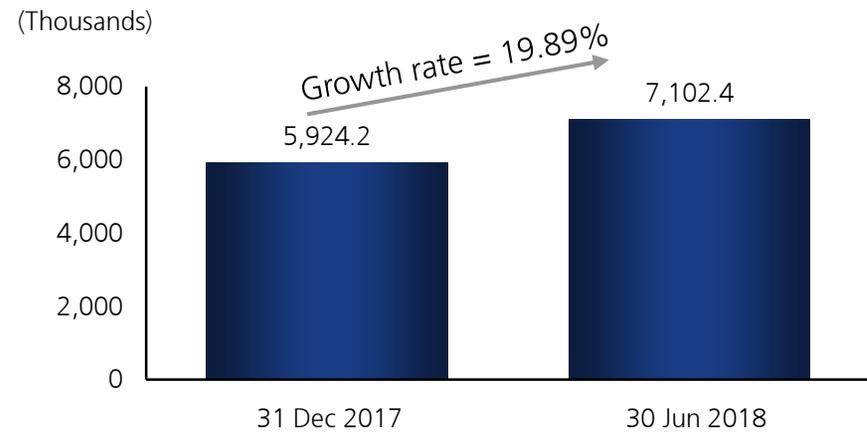
Loans to small and micro enterprises¹



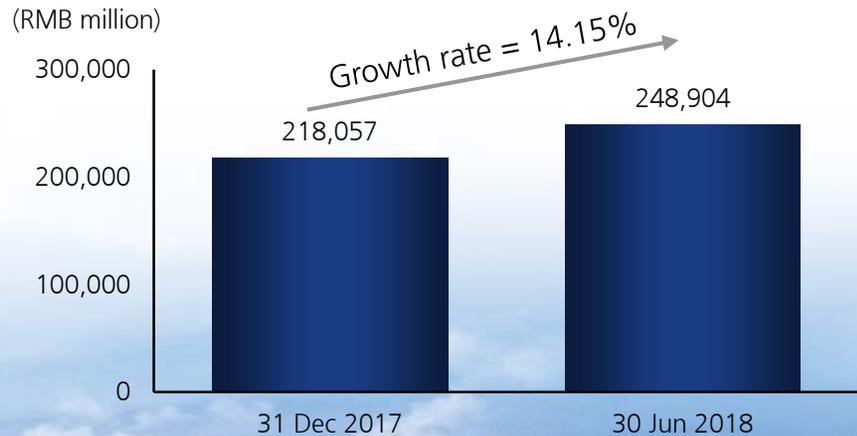
% of pledged and secured loans to small and micro enterprises¹

Period	% of pledged and secured loans
31 Dec 2017	75.64%
30 Jun 2018	81.62%

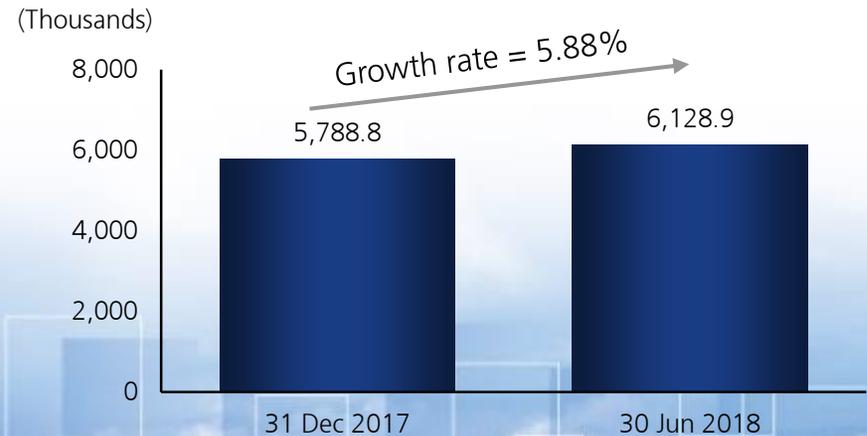
Number of small and micro enterprises customers¹



Balance of financial assets of community outlets¹



of customers of community outlets¹



Source: Company's Interim Report and Annual Report

Note:

1 Bank standalone

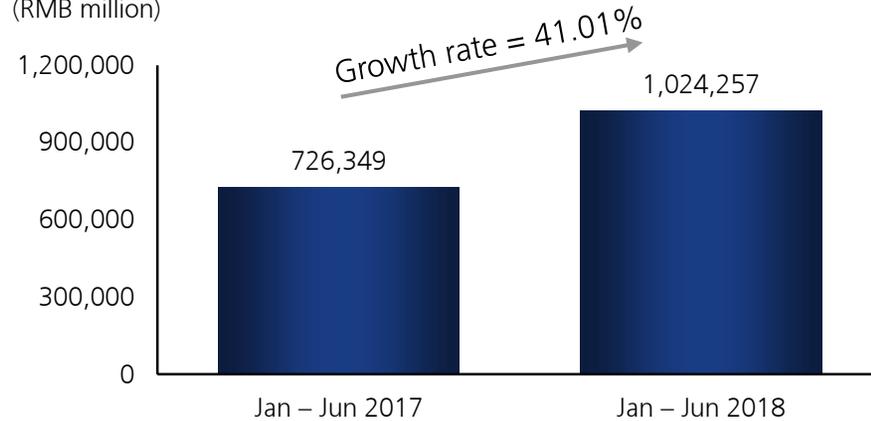
Innovative development of credit card and private banking businesses



In respect of its credit card business, the Company strategically focused on the core target customer group, the "millennium generation" with comprehensive support from brand positioning, product design, rights and interests and business scenarios. Its establishment of private banking wealth management system has achieved remarkable results, and its professional operation was strengthened. It also further utilised the effects of its entrepreneur customers as value pivots and strove to provide one-stop integrated financial services to these customers to become their first choice of private banking

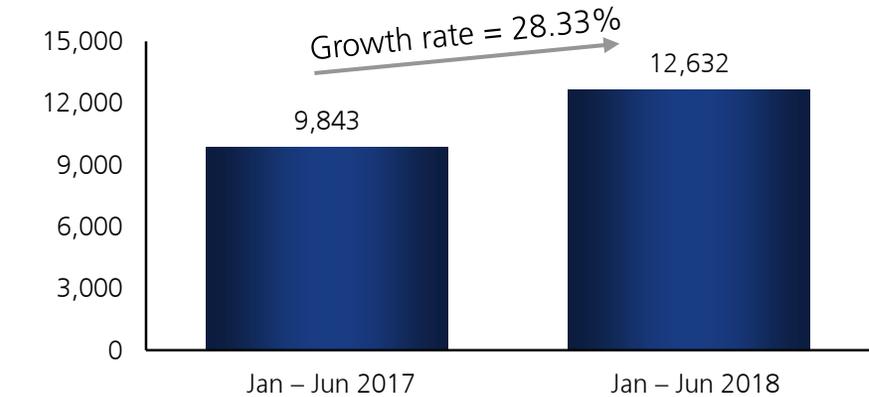
Transaction volume of credit card business¹

(RMB million)



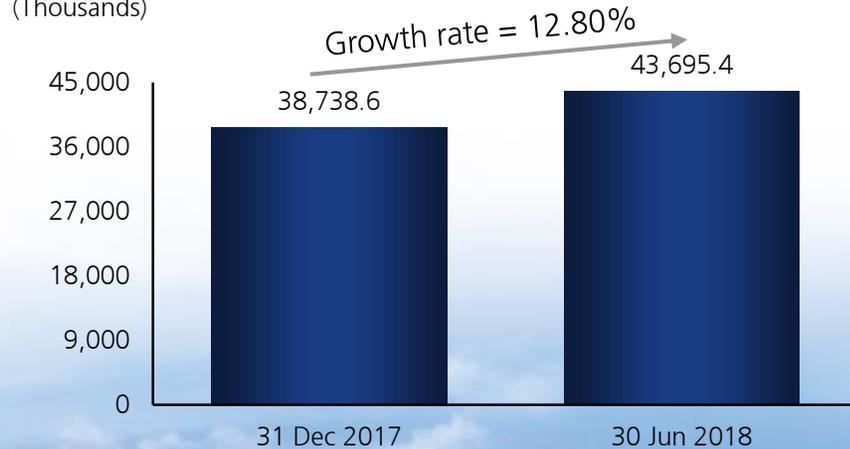
Fee and commission income from credit card business¹

(RMB million)



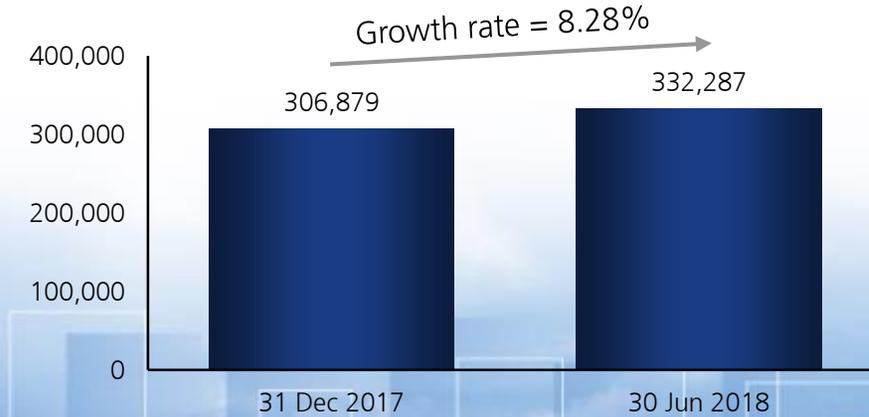
of credit cards issued¹

(Thousands)



Private banking financial assets under management¹

(RMB million)



Source: Company's Interim Report and Annual Report

Note:
1 Bank standalone

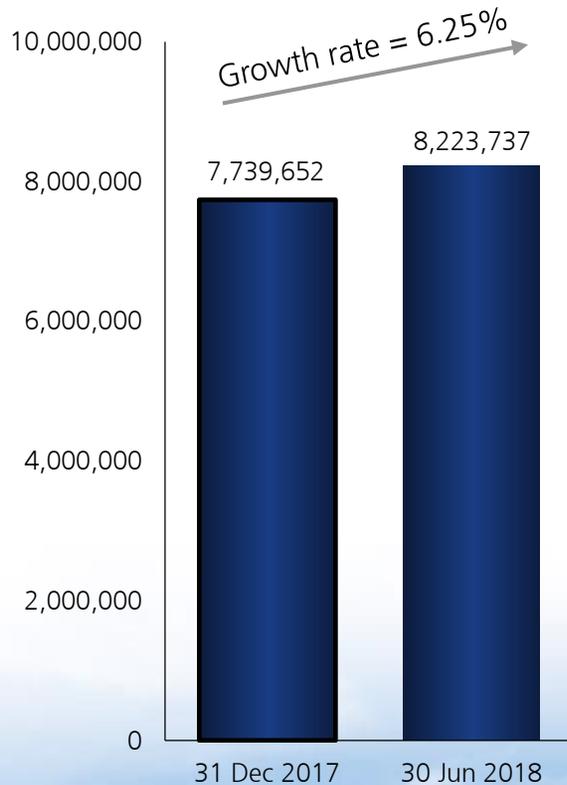
Optimised financial markets business with continuous improvement in profitability



The Company continued with the transformation from product-orientated to customer-orientated for interbank business. It strengthened the management of interbank customers, optimised the interbank business structure, and achieved stable and healthy development of the business. The management and control of risk and quality was satisfactory

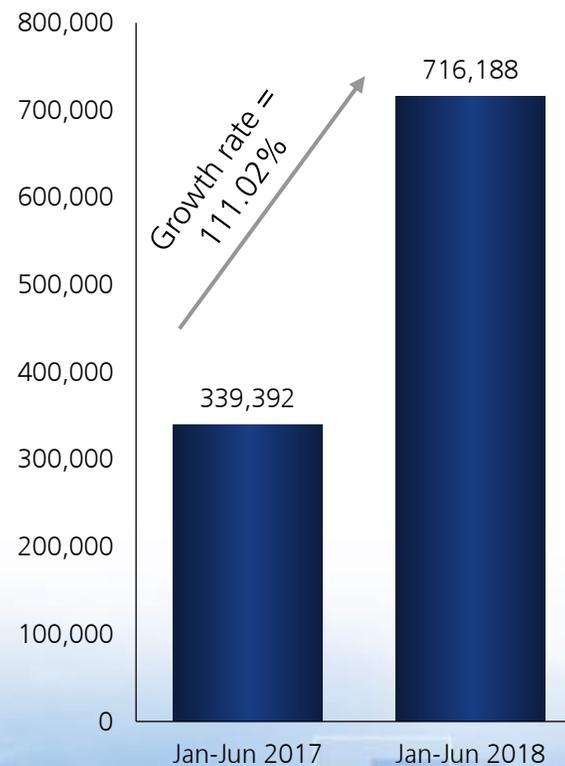
Balance of assets under custody¹

(RMB million)



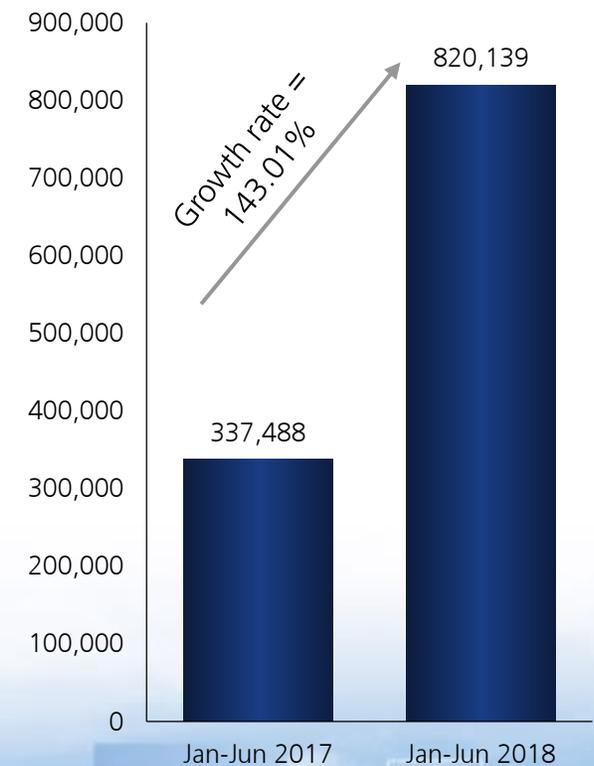
Transaction volume of forward settlement & RMB exchange swap¹

(USD million)



Trading value of precious metals^{1, 2}

(RMB million)



Source: Company's Interim Report and Annual Report

Notes:

1 Bank standalone

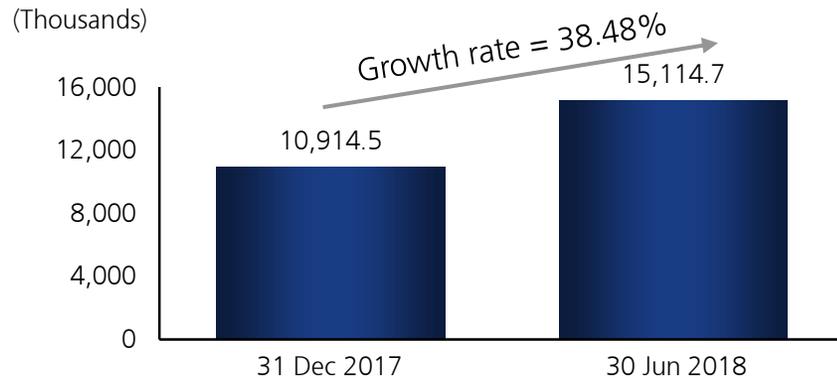
2 Represent the on-floor trading volume of gold and silver (including agency sales for legal persons and individuals) in the precious metals market (Shanghai Gold Exchange and Shanghai Futures Exchange)

Promoting Internet finance business to build an Internet finance ecosystem

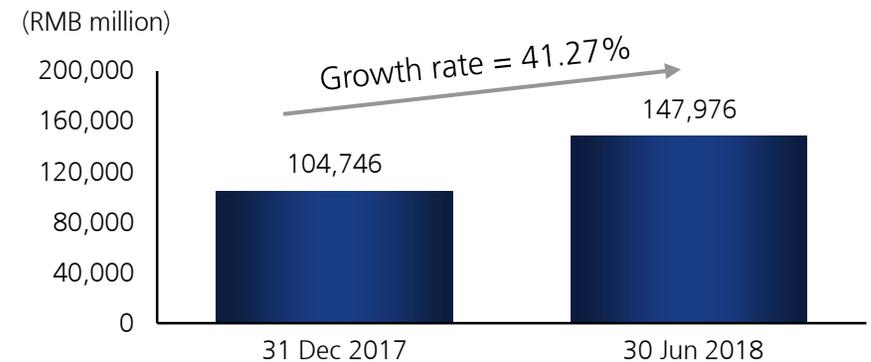


The Company seized the market opportunities by actively applying cutting-edge fintech based on customers' diversified needs. By actively testing on the new financing model, it focused on innovation of financial platforms, products and services such as direct banking, Internet finance for retail and corporate customers and online payment, which further enhanced customers' experience and consolidated its position as one of the top commercial banks in terms of market share

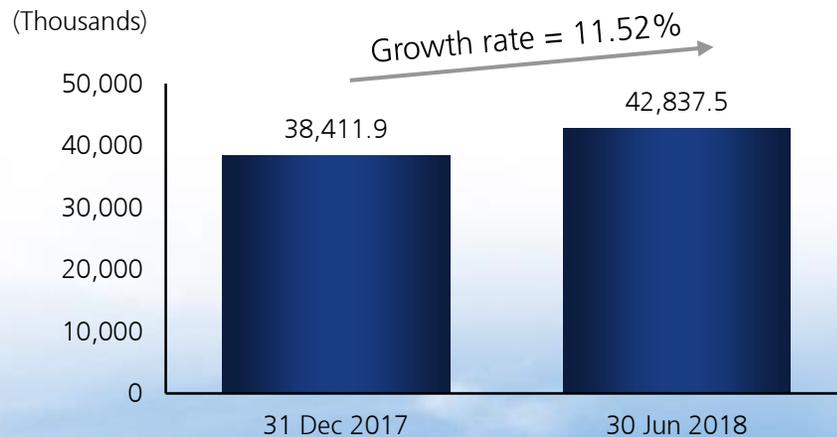
of direct banking customers¹



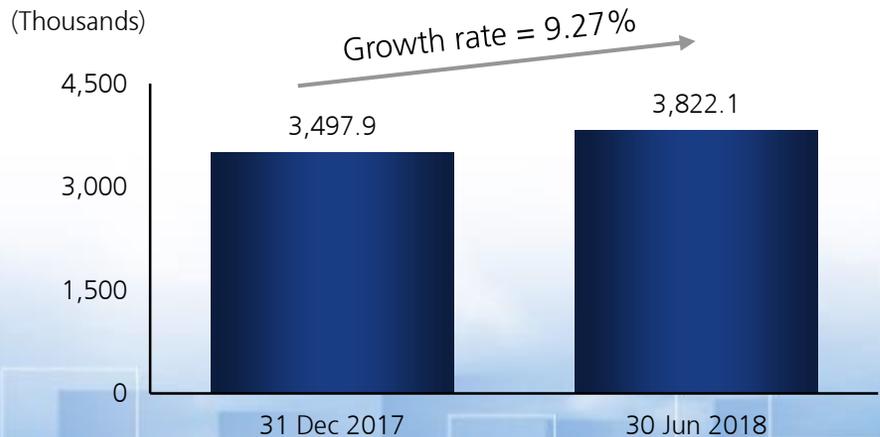
Direct banking financial assets under management¹



of individual e-banking customers¹



of Kua Hang Tong customers¹



Source: Company's Interim Report and Annual Report

Note:

1 Bank standalone

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

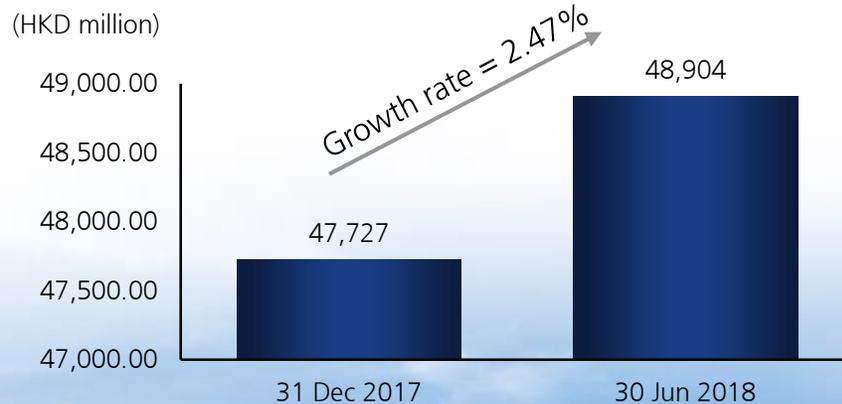


The Hong Kong Branch actively followed the Company's development strategy of "strengthening corporate banking, expanding retail banking and optimising financial markets business", implemented reform and transformation as well as the three-year plan and continued to strengthen the three major businesses, namely the corporate banking business, financial markets business and private banking and wealth management business. Serving as an effective overseas business platform, the Branch maintained steady business growth with continuous improvement in efficiency

Steady business growth of the Hong Kong Branch with continuous improvement in efficiency

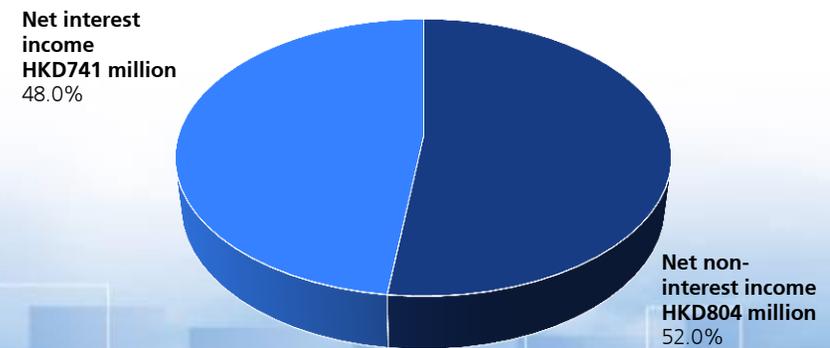
- ◆ Focused on providing professional cross-border financial solutions for quality customers targeting to "Going Global" in compliance with China's overseas investment policies by capitalising on the cross-border synergy with the Head Office and seizing the strategic opportunities arising from the "Belt and Road Initiative" and "Development of the Guangdong-Hong Kong-Macau Bay Area"
- ◆ Successfully launched cooperation projects with Xiaomi, Sougou, JD.com and Qutoutiao and other enterprises with high influence in the industry, strengthened its featured businesses consisting of privatisation of listed companies and cross-border merger and acquisition and cooperated with professional brands in selected sectors such as healthcare, education and new economy; also improved its ability in initiating syndicate business and organised a number of syndicated loans with market recognition and significance to Belle International, China New Higher Education, Logan Property and others, which further enhanced the competitiveness and influence of the Company in the international market
- ◆ Successfully issued medium-term notes of USD1 billion, improved the international ranking in terms of its underwriting scale of US dollar-denominated bonds issued by Chinese companies and significantly increased the transactions of bond underwriting business by 130% YoY
- ◆ Maintained a rapid growth of its personal business with over 30,000 customers who had opened accounts for personal wealth management; and reported 83 transactions of the high-end retail banking product series "Minsheng Insurance" and a total insurance premium of effective policies of HKD869 million, which had driven up the number of high-end private banking customers to 461, representing an increase of 19% as compared with the end of the previous year

Bond investment balance of Hong Kong Branch



Source: Company's Interim Report and Annual Report

Hong Kong Branch operating income split (1H 2018)



Agenda



1

Overview

2

Operational Performance

3

Outlook

1H 2018 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 with 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
- ◆ Strive to become the host bank and preferred bank of NSOEs

A fintech-based bank

- ◆ Vigorously develop direct banking, small business online credit, and credit card online customer acquisition
- ◆ Set up technology companies to enhance its scientific and technological capability
- ◆ Build an Internet banking business with the best customer experience in China

A bank with 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

"3+3+5" strategy deployment

- ◆ Strengthen three primary businesses, namely direct banking, small business finance and investment banking
- ◆ Consolidate three leading businesses, namely credit card, supply chain finance and asset management
- ◆ Enhance five major business segments, namely corporate finance, retail finance, financial markets, Internet finance and comprehensive operation
- ◆ 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-oriented 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



Income statement highlights

(RMB million, except per share data)	Jan-Jun 2018	Jan-Jun 2017	Growth (%)	
Operating income	74,287	69,904	↑	6.27
Of which: Net interest income	33,874	41,115	↓	(17.61)
Net non-interest income	40,413	28,789	↑	40.38
Profit before income tax	35,886	34,451	↑	4.17
Net profit attributable to equity shareholders of the Company	29,618	28,088	↑	5.45
Basic earnings per share (RMB)	0.68	0.64	↑	6.25

Balance sheet highlights

(RMB million)	30 Jun 2018	31 Dec 2017	Growth (%)	
Total assets	6,061,143	5,902,086	↑	2.69
Of which: Total loans and advances to customers	3,052,658	2,804,307	↑	8.86
Total liabilities	5,653,299	5,512,274	↑	2.56
Of which: deposits from customers	3,157,881	2,966,311	↑	6.46
Total equity attributable to equity shareholders of the Company	397,042	378,970	↑	4.77

Key profitability indicators (%)

	Jan-Jun 2018	Jan-Jun 2017	Change (ppt)	
ROAA (annualised)	1.00	0.98	↑	0.02
Weighted ROAE (annualised)	15.81	16.23	↓	(0.42)
Net interest margin	1.64	1.40	↑	0.24
Net fee and commission income to operating income ratio	32.75	35.02	↓	(2.27)
Cost-to-income ratio ¹	24.35	25.12	↓	(0.77)

Asset quality indicators (%)

	30 Jun 2018	31 Dec 2017	Change (ppt)	
NPL ratio	1.72	1.71	↑	0.01
Allowance to total loans	2.81	2.66	↑	0.15
Capital adequacy ratio indicators (%)²				
Core tier-one capital adequacy ratio	8.64	8.63	↑	0.01
Tier-one capital adequacy ratio	8.87	8.88	↓	(0.01)
Capital adequacy ratio	11.86	11.85	↑	0.01

Source: Company's Interim Report and Annual Report

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