

# China Minsheng Banking Corp., Ltd.

## 2016 Annual Results Announcement



# 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 reliable. Our actual results may be materially less favorable than those expressed or implied by these forward-looking statements which could affect the price of our shares.

# Agenda

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1

**Overview**

2

**Operational performance**

3

**Outlook**

# Overview of performance



In 2016, in order to actively respond to the adjustments and changes in macroeconomic environment and regulatory policies, the Group implemented "Phoenix Project" and continued to push forward operation system reform. The Group successfully maintained a relatively high assets growth, further optimized the business structure, strengthened risk management capability and steadily improved the operation results

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## Steady growth in profits and improvement in operating efficiency

- ◆ Net profit attributable to equity shareholders of the Company amounted to RMB47,843 million, representing a y-o-y increase of RMB1,732 million, or 3.76%
- ◆ ROAA was 0.94% and weighted average ROE was 15.13%, representing a decrease of 0.16 and 1.85 percentage points year-on-year respectively
- ◆ Operating income of the Group was RMB154,051 million, representing a y-o-y increase of RMB300 million, or 0.20%
- ◆ Net assets per share attributable to ordinary shareholders of the Company was RMB9.12, increased by RMB0.86 as compared with the end of the previous year
- ◆ Operating income contribution from the intermediary business increased, with net fee and commission income of RMB52,261 million, accounting for 33.92% of the operating income, representing a y-o-y increase of 0.62 percentage point
- ◆ Cost-to-income ratio was 31.21%, representing a y-o-y decrease of 0.14 percentage point

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## Rapid growth in business size and continuous optimization of business structure

- ◆ Total assets amounted to RMB5,895,877 million, representing an increase of RMB1,375,189 million, or 30.42%, as compared with the end of the previous year
- ◆ Gross loans and advances to customers amounted to RMB2,461,586 million, and total deposits amounted to RMB3,082,242 million, representing an increase of 20.19% and 12.81% respectively as compared with the end of the previous year
- ◆ Net investment balance of trading and banking books amounted to RMB2,206,909 million, accounting for 37.43% of the total assets, representing an increase of 17.22 percentage points as compared with the end of the previous year
- ◆ Demand deposits amounted to RMB1,308,783 million, accounting for 42.46% of the balance of deposits of the Group, representing an increase of 7.22 percentage points as compared with the end of the previous year

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## Significant improvement in operating performance through reform and transformation of business model

- ◆ A total of RMB21,351 million credit asset securitization products<sup>1</sup> were launched, ranking top among all joint stock commercial banks
- ◆ The number of retail customers with existing deposits<sup>1</sup> increased by 4,723.7 thousand to 30,337.6 thousand as compared with the end of the previous year
- ◆ The balance of wealth management products<sup>1</sup> amounted to RMB1,427,816 million, representing an increase of 34.89%, outperforming most of the industry peers
- ◆ The number of mobile banking customers<sup>1</sup> was 24,751.4 thousand, representing an increase of 5,725.7 thousand, or 30.09%, as compared with the end of the previous year; the number of users of the WeChat matrix service account of the Company<sup>1</sup> reached a leading high of 16,872.8 thousand, and the transaction replacement rate of personal online banking was 99.28%<sup>1</sup>

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## Enhanced risk management and integral controllability of asset quality

- ◆ The impaired loans ratio was 1.68%, the provision coverage ratio was 155.41%, and the provision for total loans ratio was 2.62%

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## Expansion of capital replenishment channels to diversify source of financing

- ◆ In 2016, the Group issued RMB20,000 million tier-two capital bonds of and USD1,439 million offshore preference shares of to effectively replenish its capital; The capital adequacy ratio of the Group was 11.73%, representing an increase of 0.24 percentage point as compared to the end of the previous year

Note:

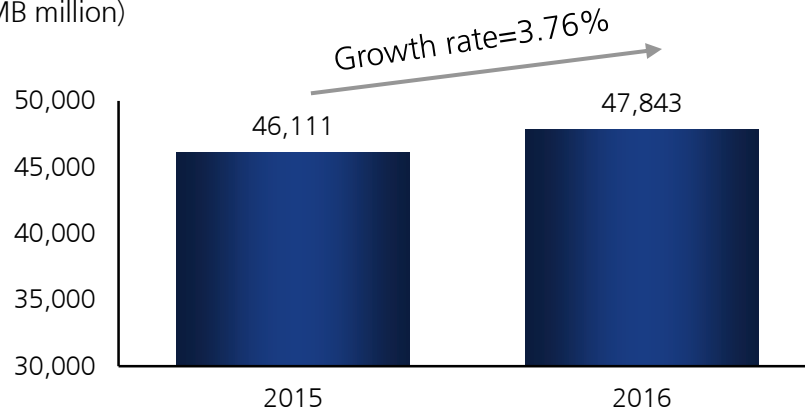
1 Bank standalone

# Continuously improving return to shareholders and stable profitability

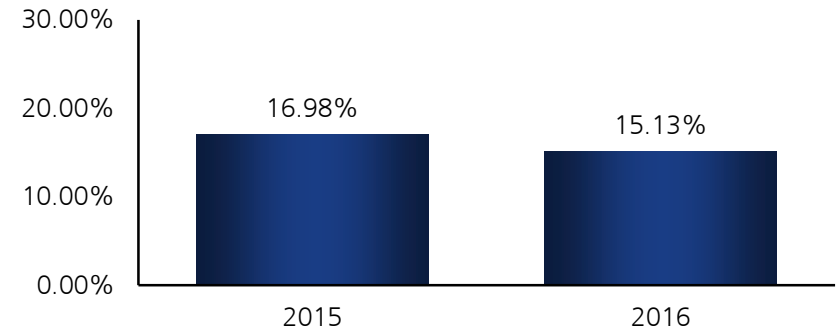


## Net profit attributable to equity shareholders of the Company

(RMB million)

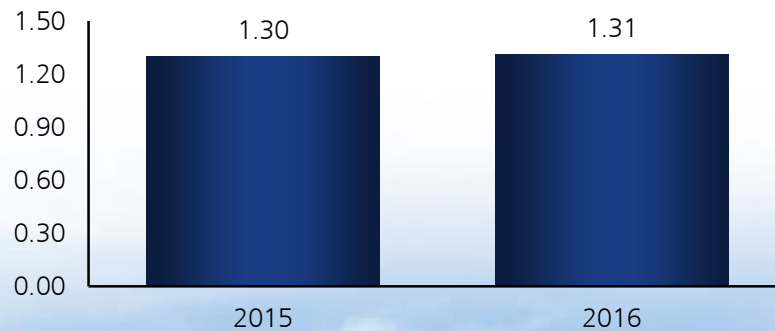


## Weighted average ROE

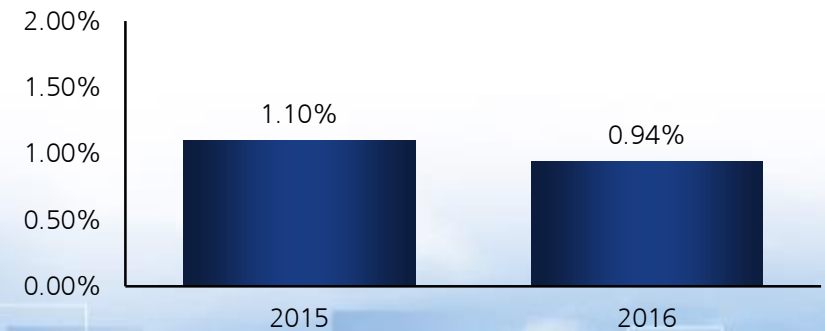


## Basic earnings per share

(RMB)



## ROAA



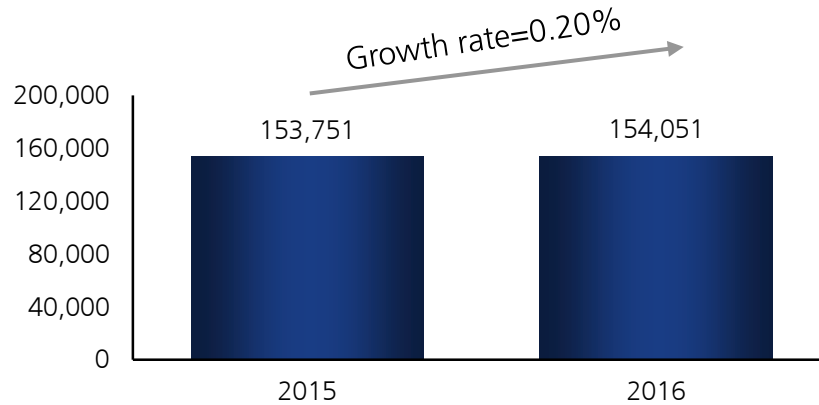
Source: Company annual report

# Further development of featured business edge and enhancement of operating efficiency



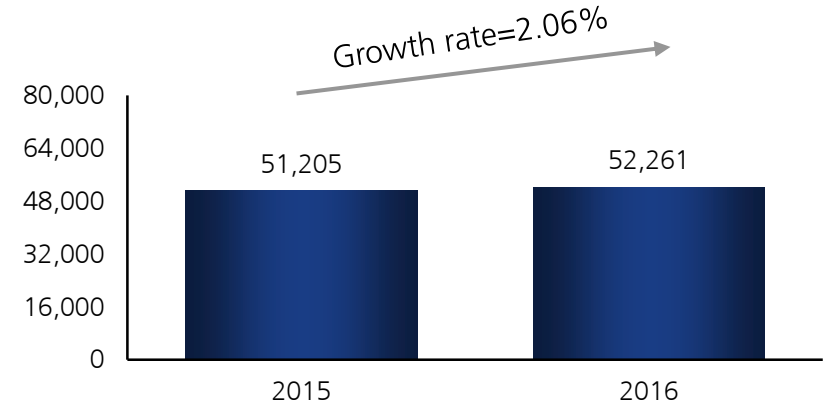
## Operating income

(RMB million)

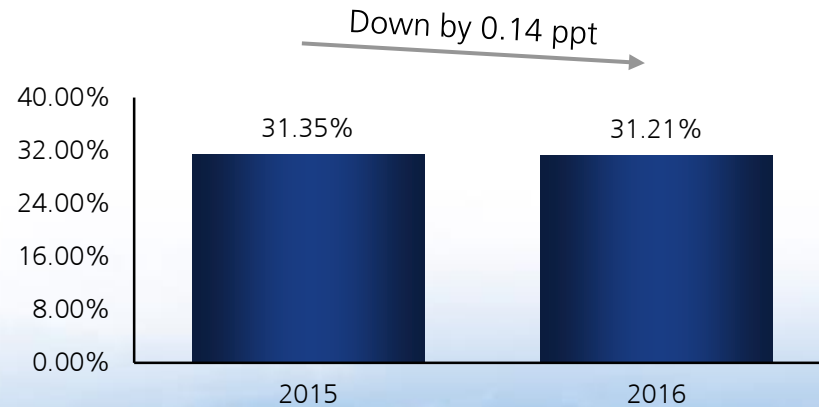


## Net fee and commission income

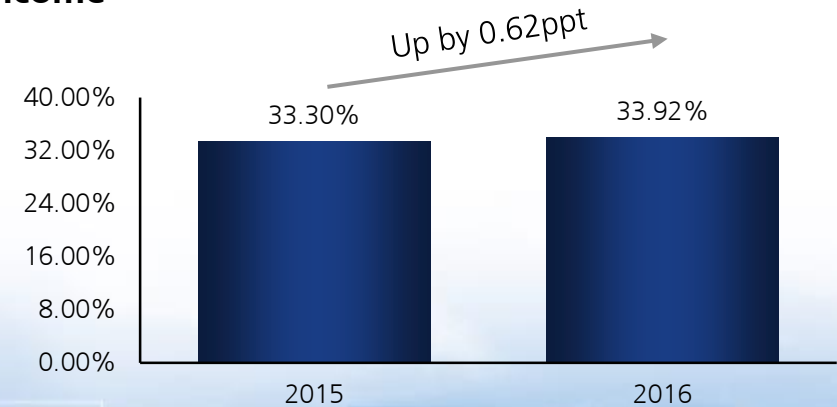
(RMB million)



## Cost-to-income ratio



## % of net fee and commission income to operating income

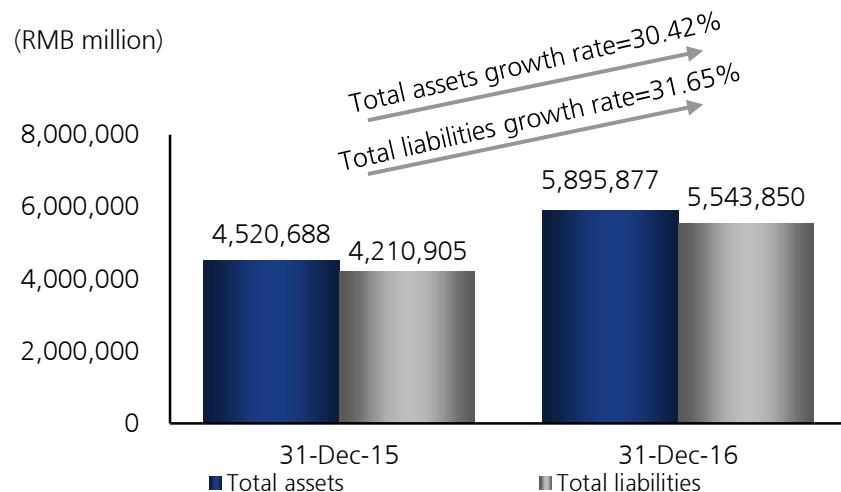


Source: Company annual report

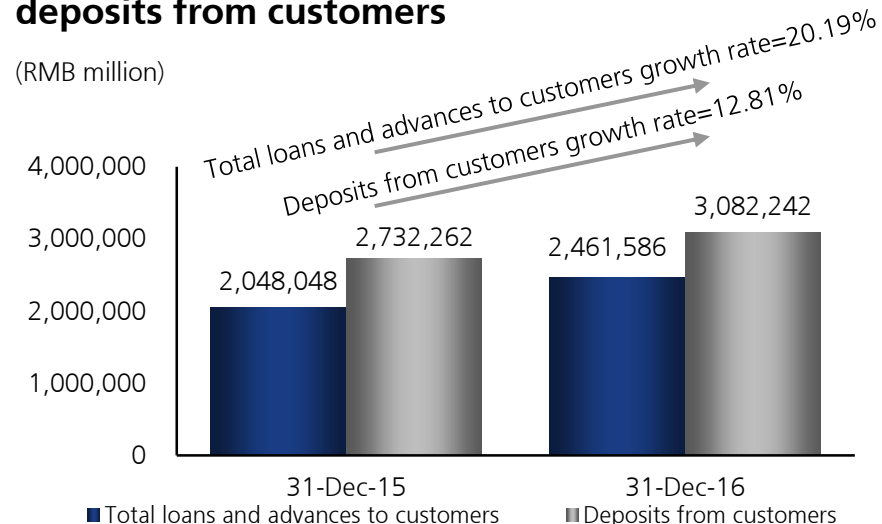
# Rapid growth of business size and further optimization in business structure



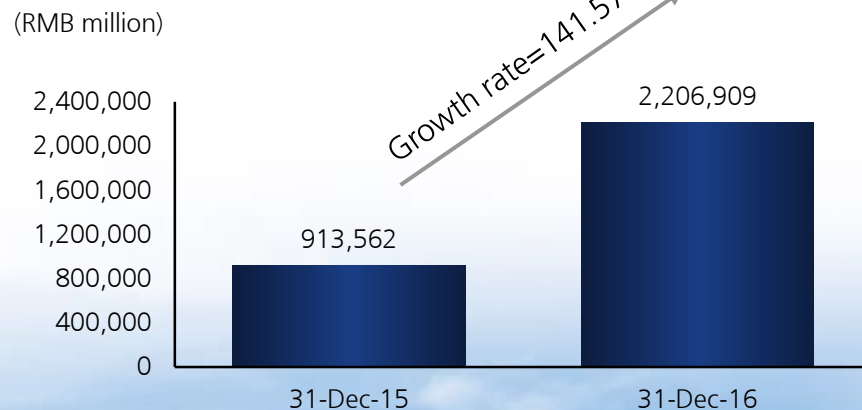
## Total assets and total liabilities



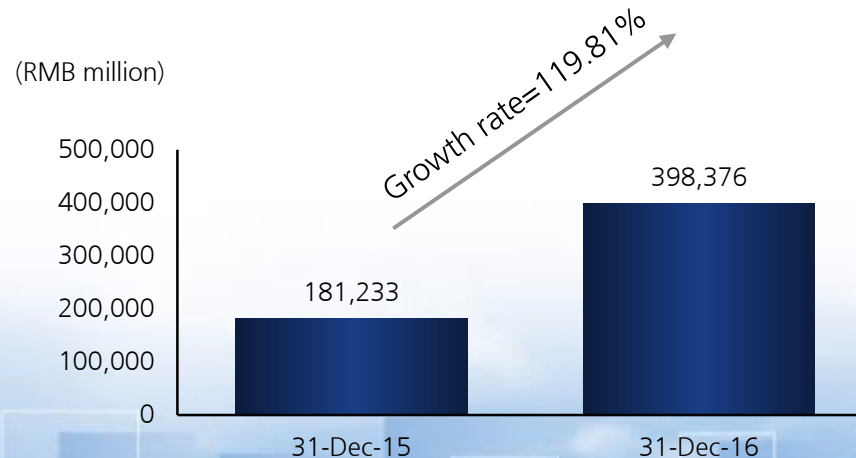
## Total loans and advances to customers and deposits from customers



## Net investment balance of trading and banking books



## Total debt securities issued



As % of total assets

20.21%

37.43%

Source: Company annual report

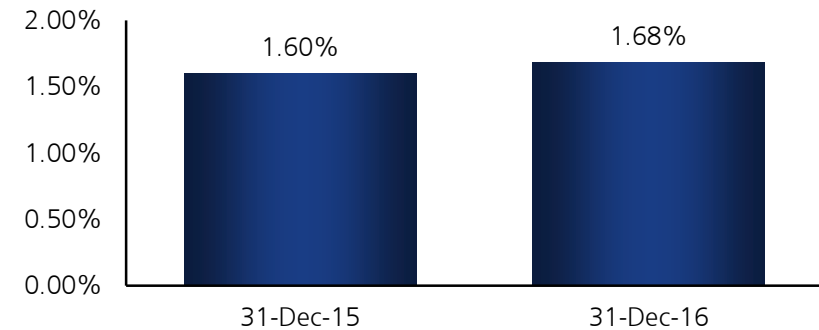
# Strengthened risk management and overall controllable asset quality



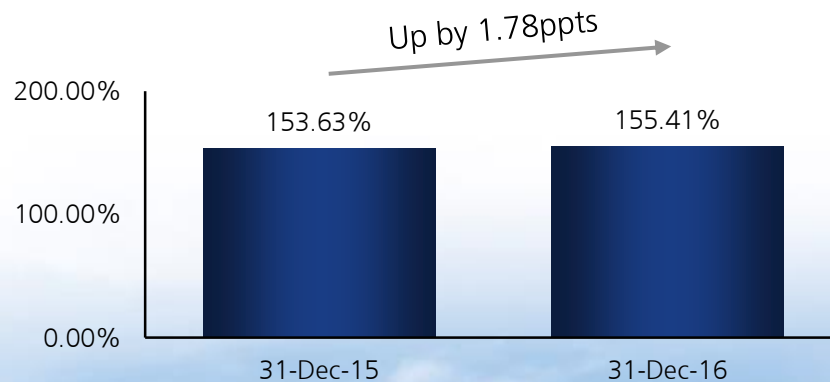
## Adopt measures actively to control asset quality

- ◆ Proactively adjusting loan distribution, and continuously optimizing and adjusting assets business structure in line with the changes of macroeconomic policies and environment
- ◆ Further improving the risk management policies, strengthening limit management and coordinating customer structure upgrade
- ◆ Optimizing post loan management, conducting various risk identification and special examination as well as improving the system of risk monitoring and early-warning, preventing potential risks and promptly formulate collection and disposal plans so as to strictly control impaired and overdue loans
- ◆ Further enhancing collection and disposal of impaired loans by various recovery and disposal measures such as repayment collection, restructuring, assignment, foreclosing, legal action and writing-off, and conducting specific recovery and disposal activities
- ◆ Actively exploring and implementing innovative recovery methods, establishing and improving platforms for centralized disposal in order to improve the efficiency of collection and disposal
- ◆ Further speeding up the optimization and application of monitoring and management systems to effectively improve the asset monitoring and management ability, strengthening training programs to improve the professional skills and the comprehensive qualities of risk management team and foster the philosophy of compliant operation

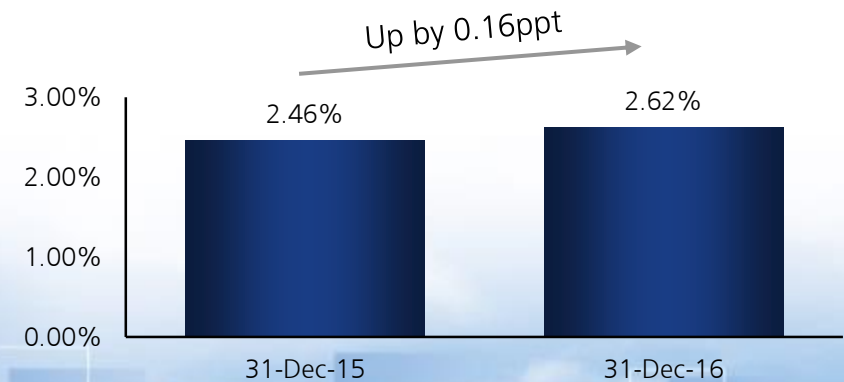
## Impaired loans ratio



## Provision coverage ratio



## Provision for total loans ratio



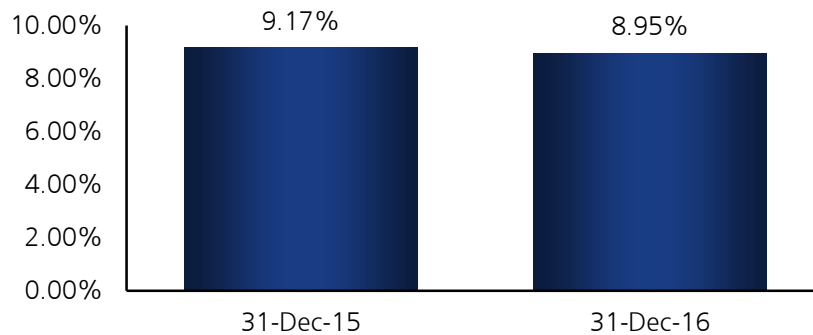
Source: Company annual report



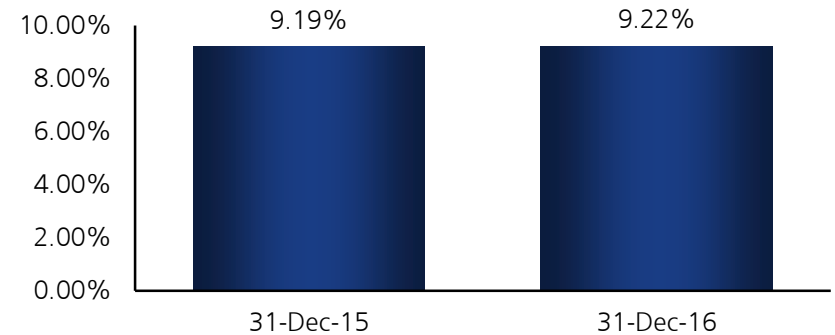
# Effective capital replenishment and solid capital adequacy maintained



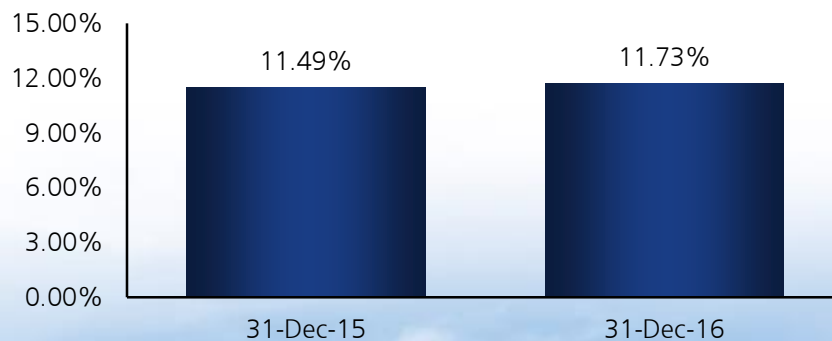
## Core tier-one capital adequacy ratio<sup>1</sup>



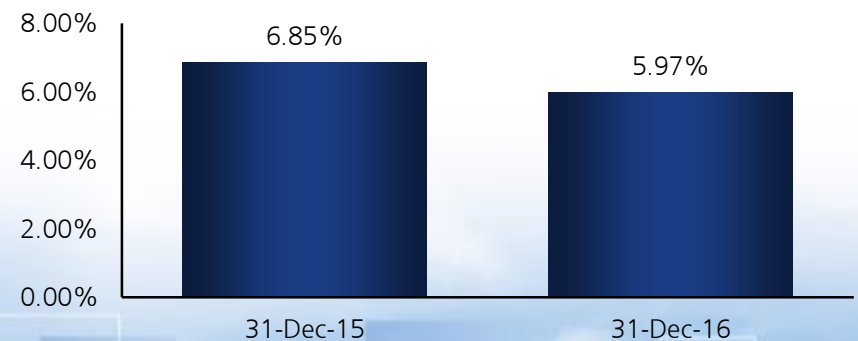
## Tier-one capital adequacy ratio<sup>1</sup>



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



## Total equity to total assets ratio



Source: Company annual report

Note:

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

# Outstanding brand influence



《The Economic Observer》  
"The 14th Most Respected Companies of China"  
"Most Outstanding Innovative Bank of Strategic Innovation of the Year"  
"Most Outstanding Direct Bank of the Year"



China Financial Certification Authority  
"Best Mobile Banking Award for 2016"



China Central Depository & Clearing Co., Ltd. - China Bond Market Excellent Member Ranking  
"Outstanding Underwriting Institution Award"  
"Outstanding Financial Bonds Issuer"



《21st Century Business Herald》  
"Internet Finance Business Innovation Award for 2016"  
"2016 Most Competitive Financial Leasing Award"  
"Golden Shell Award — 2016 Most Competitive Fund Subsidiary"



China Banking Association  
"Best Green Finance Award of Social Responsibility"  
"Best Manager of Social Responsibility"  
"Best Outlet with Special Contribution to Social Responsibility"



VISA  
"Most Innovative Product Design Award for 2016"



China Foundation for Poverty Alleviation  
"Outstanding Contribution to Charity in 2016"



《Asiamoney》  
"Best Wealth Management Award in China" for 2016

Source: Company annual report

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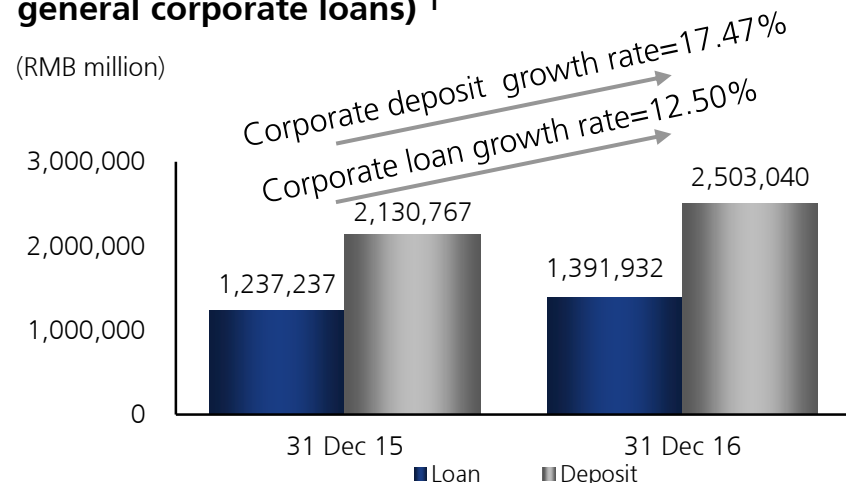
# Strengthened corporate banking business and reinforced professional capabilities



The Company focused on serving strategic customers and further expanded targeted customer base through three major customer development channels, namely platform, industry chain and wealth management by offering customized payment and settlement services and all-round comprehensive services; The investment banking business reported strong growth momentum and completed a number of significant projects

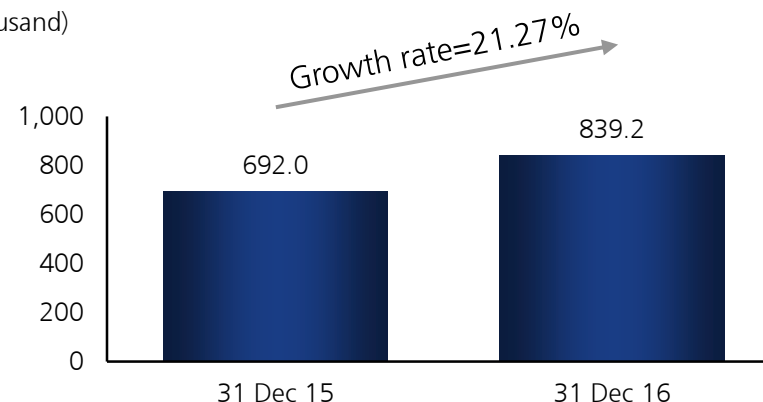
## Corporate deposits and loans (loans are outstanding general corporate loans) <sup>1</sup>

(RMB million)



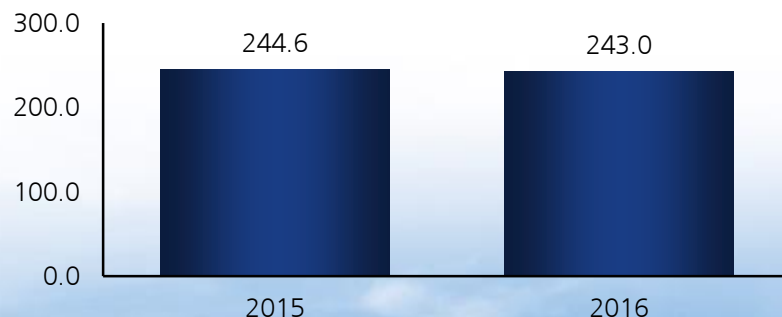
## The number of domestic corporate customers with deposits<sup>1</sup>

(thousand)



## Debt financing instrument issuance through investment banking business<sup>1</sup>

(RMB billion)



## Four focused areas of investment banking business

- ✓ Comprehensive financial services for the multi-layered capital market
- ✓ Bond issuance, underwriting, investment and transaction
- ✓ Mergers and acquisitions relating to integration of industries, regions and enterprises as well as reforms of mixed-ownership
- ✓ Structured finance pillared by securitization
- ✓ Focus on the expansion of merger and acquisition finance, listing finance, structured finance, cross-border finance, investment management, asset securitization and bonds financing of these four areas

Source: Company annual report

Note:

1 Bank standalone

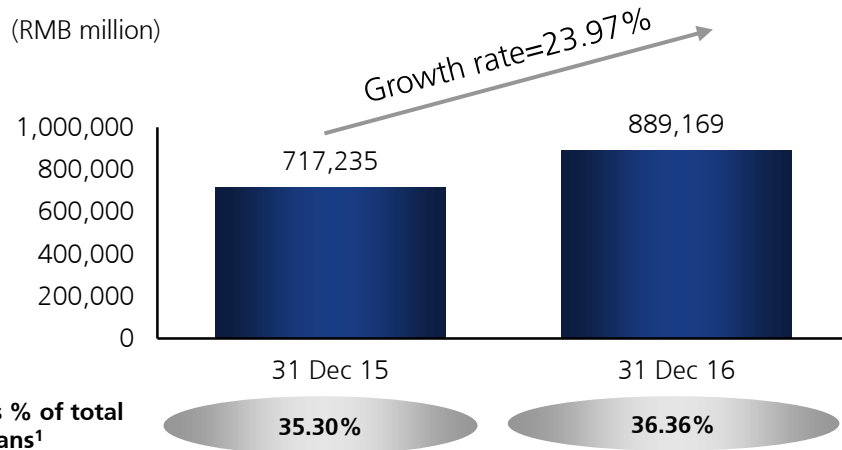
# Expanded retail banking business and proactively promoted business transformation



The Company timely captured favourable opportunities in retail business development and to cope with various challenges of economic slowdown, risk pressure and market competition effectively. It adhered to income-oriented approach, established customer base operating system and wealth management system, while further promoted the transformation of small business finance and private banking. The Company also exerted great efforts in developing consumer credit service, and optimized the asset structure

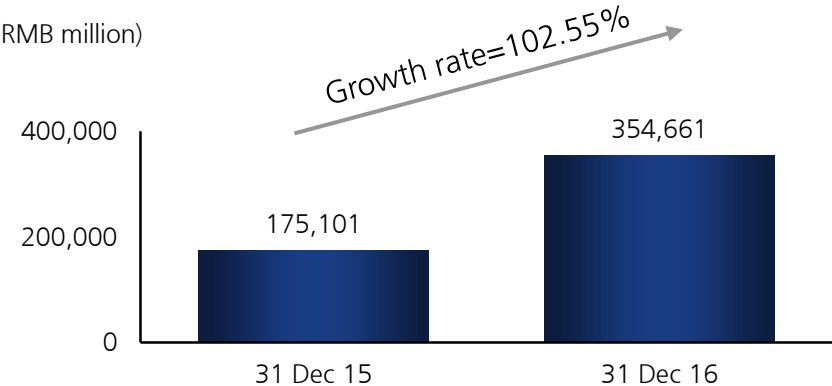
## Balance of retail loan<sup>1</sup>

(RMB million)



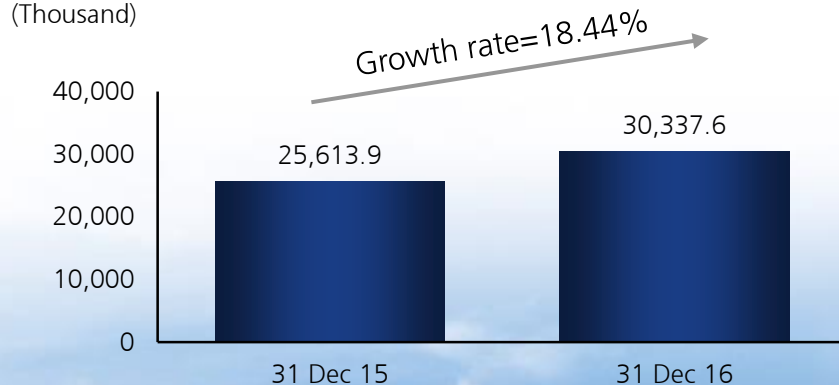
## Balance of consumer loan (including residential mortgage)<sup>1</sup>

(RMB million)



## Number of retail customers having existing deposits<sup>1</sup>

(Thousand)



## Fast growth achieved in each lines of retail banking business

- ✓ Operating income from retail banking business: **grew by 8.83%**
- ✓ Operating income from retail banking business as % of total operating income: **32.24%, 2.56 ppts increase**
- ✓ Balance of financial assets of retail customers under management<sup>1</sup>: **increased by RMB91,881 million**
- ✓ Transaction volume of credit card business<sup>1</sup>: **grew by 10.26%**
- ✓ Balance of private banking financial assets under management<sup>1</sup>: **increased by RMB23,740 million**

Source: Company annual report

Note:

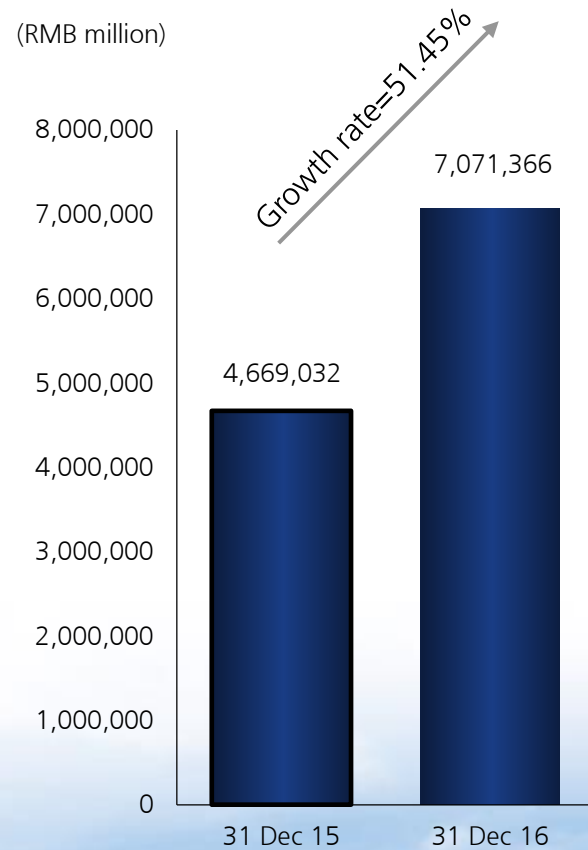
1 Bank standalone

# Optimized financial markets business to continuously increase profitability

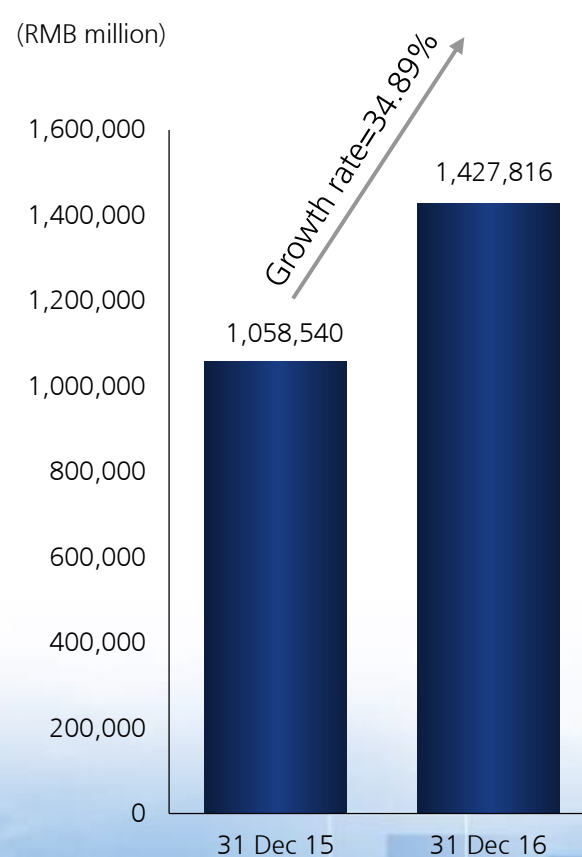


The Company established special organization to promote the operation and growth of interbank business. Leveraging on its "Custody+" services platform, the Company established the first fund custody system for internet transaction and achieved competitive advantage in asset securitization. The Company also built the brand of "Apex Asset Management" in full strength and promoted the healthy and sound growth of wealth management business. The Company satisfied the needs of customer with various precious metals related products. The outlook of further progress in the market is bright

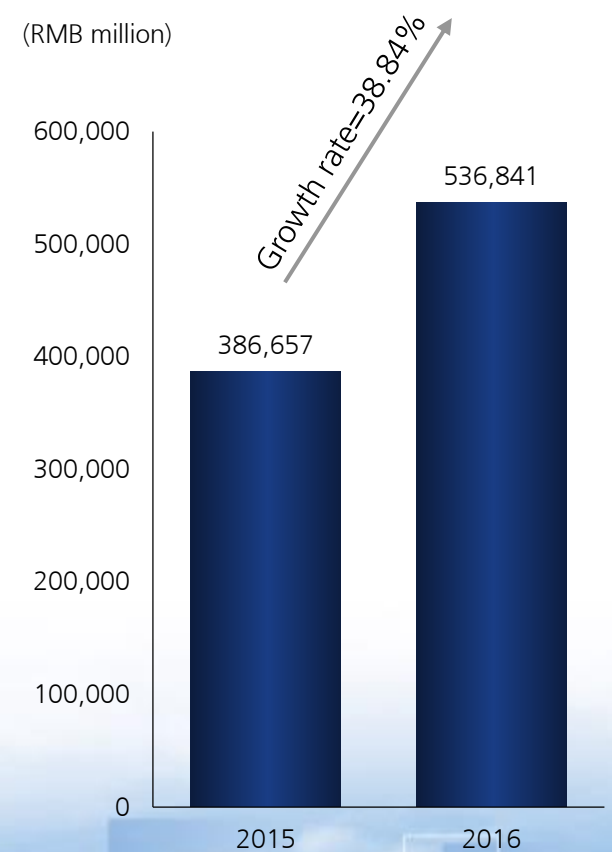
**Asset custody balance<sup>1</sup>**



**Scale of wealth management products<sup>1</sup>**



**Trading volume of precious metals<sup>1</sup>**



Source: Company annual report

Note:

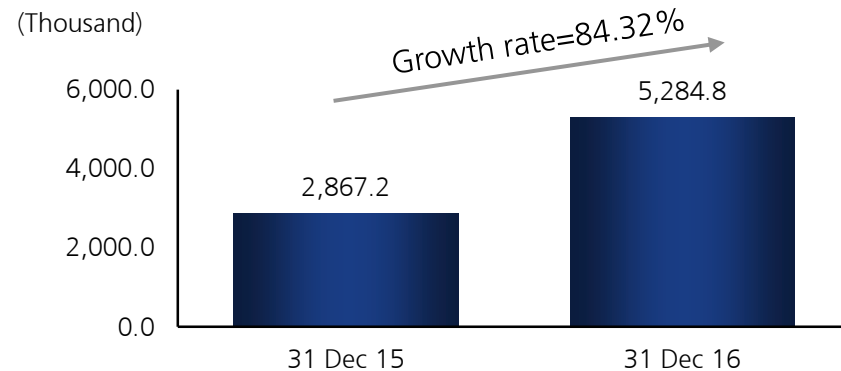
1 Bank standalone

# Expanded internet finance business and developed an internet finance ecological circle

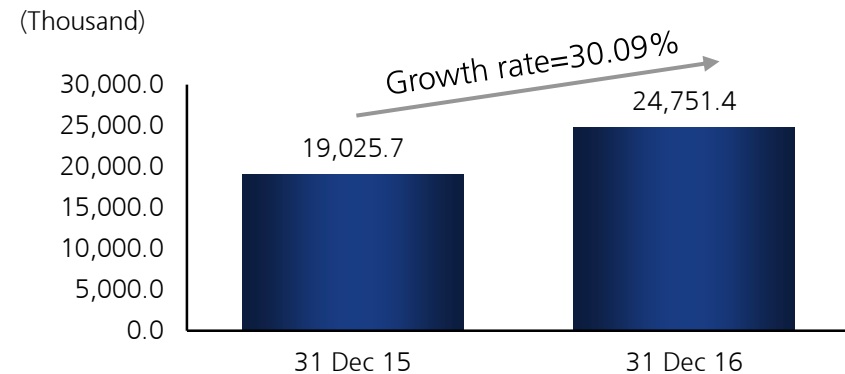


Direct banking, mobile banking, WeChat banking, online banking and other online financial products and services were further innovated with increasing brand influence

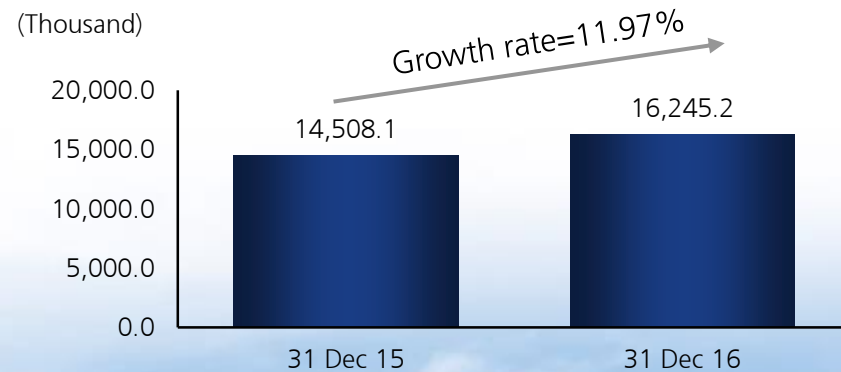
## Number of direct banking customers<sup>1</sup>



## Number of mobile banking customers<sup>1</sup>



## Number of personal online banking customers<sup>1</sup>



## WeChat banking 2.0 launched

- ✓ Further enrich offerings of financial and daily services through the addition of new functions that provide financial service, investment and wealth management and daily service
- ✓ Provided featured services in its official WeChat account such as instant account message update, intelligent customer services, fast premium mortgage loans and convenient services
- ✓ Established an official WeChat account as the integrated operation and management platform to create a “we media” matrix and a customer recommendation system
- ✓ Number of matrix users of the official WeChat service account of the Company amounted to 16,872.8 thousand<sup>1</sup>, ranking top among all peers

Source: Company annual report

Note:

1 Bank standalone

# Steadily promoted international development strategy and expanded overseas layout



As an important overseas platform, CMBC Hong Kong Branch adjusted its business structure and implemented a strategic transformation by focusing on three major business segments, seized market opportunities and favorable conditions and actively responded to China's "Belt and Road" initiative to build the brand of Minsheng's cross-border investment banking financial services

## Further improvement of overseas platform

- ◆ Under international development strategy, Hong Kong Branch focused on three major businesses, namely corporate business, financial markets business as well as private banking and wealth management business
- ◆ More emphasis was put on overseas bond issuance business. The Branch successfully launched several landmark bond issuances and closed an aggregate amount of US\$8,000 million deals in 2016, which demonstrated its professional capability in issuing and underwriting bonds amidst intensive international competition
- ◆ Capitalizing on market opportunities, the Branch agilely established a cross-border wealth management platform to provide customers with integrated financial services covering both domestic and overseas businesses such as cross-border account settlement, investment and wealth management, global asset allocation, financial security and inheritance
- ◆ In 2016, the Hong Kong Branch had total assets of HK\$159,157 million, among which, balances and placements with other banks, corporate loans and investment bonds amounted to HK\$76,948 million, HK\$58,646 million and HK\$22,374 million, respectively. It had total liabilities of HK\$157,916 million, among which balances and placements from other banks and financial institutions, corporate deposits, issuance of certificates of deposit and medium term notes amounted to HK\$80,582 million, HK\$52,772 million, HK\$14,300 million and HK\$4,636 million, respectively. The net non-interest income and net interest income amounted to HK\$953 million and HK\$581 million, respectively

## Awards from internationally renowned financial media



IFR Asia

——"Loan of the Year"



FinanceAsia

——"Best Leveraged Loan"



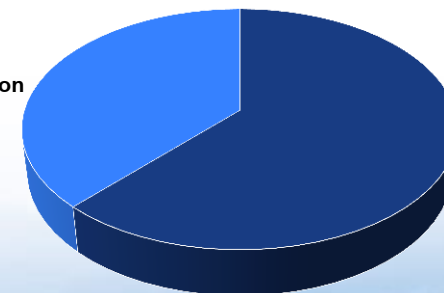
Bloomberg Businessweek

——"2016 Corporate Finance Project"

Source: Company annual report

## Hong Kong Branch 2016 operating income breakdown

Net interest income  
HK\$581 million  
38%



Net non-interest income  
HK\$953 million  
62%



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# 2017 outlook



China Minsheng Bank is committed to becoming a "distinctive and globally competitive platform-based modern financial service group with cross-sector and win-win vision and intelligence". Moreover, it also strives to become an iconic bank with core competitiveness and sustainable prospect in the financial market of China. Adhering to its development philosophies of "continuous innovation, excellence, global networking and intelligence", the Company will develop a new business model that combines financing, strategic consultation, commercial advisory and internet financing, in order to create a brand new Minsheng Bank featuring digitalization, professionalism, comprehensiveness and global networking and having enduring appeal in the industry



- 1 Taking asset and liability management as the leading role, the Company will endeavour to promote a sustainable business development by coordinating six segments and establishing strategic asset and liability management model and lead the stable growth of the industry
- 2 The corporate banking business will be strengthened by optimizing the customer base. The composition of sectors and geographical distribution will also be refined by seizing business opportunities in investment banking and transaction banking so as to improve the professionalism of the Company
- 3 The Company will expand its retail banking business by building up a collaborative development mechanism and creating a new pan-retail system. The Company will foster a financial ecosystem to boost the channel efficiency
- 4 To optimize the financial markets business by establishing a first-class cross-market, cross-industry and cross-border platform that provides integrated services for financial markets in order to accelerate the transformation into an integrated bank with high efficiency and low costs
- 5 In order to grow the internet finance business, the Company will establish "E-Minsheng", develop "I-Minsheng", promote "Minsheng+" and accelerate the development of the Minsheng Internet finance ecological circle
- 6 The Company will promote an integrated operation based on development trends and obtain licenses in key business lines to create a group-based comprehensive financial service platform with deeply rooted "One Minsheng" strategy
- 7 In accordance with the strategy of following market trend, the Company will endeavor to expand its global network to enhance global competitiveness
- 8 Branches with distinctive features will be established to build regional core competitiveness. Intelligence financing business will be developed as new and unique core competitiveness
- 9 Risk management will be implemented prudently to improve the comprehensive risk management system and defend the risk bottom line

# Appendix: Overview of key financial indicators



## Income statement highlights

(RMB million, except per share data)

	FY 2016	FY 2015	Growth rate (%)	
Operating income	154,051	153,751	↑	0.20
Of which: Net interest income	94,684	94,268	↑	0.44
Net non-interest income	59,367	59,483	↓	(0.20)
Profit before income tax	60,249	60,774	↓	(0.86)
Net profit attributable to equity shareholders of the bank	47,843	46,111	↑	3.76
Basic earnings per share (RMB)	1.31	1.30	↑	0.77

## Key profitability indicators (%)

	FY 2016	FY 2015	Change (ppt)	
ROAA	0.94	1.10	↓	(0.16)
Weighted average ROE	15.13	16.98	↓	(1.85)
Net interest margin (NIM)	1.86	2.26	↓	(0.40)
Net fee and commission income to total operating income	33.92	33.30	↑	0.62
Cost-to-income ratio <sup>1</sup>	31.21	31.35	↓	(0.14)

## Balance sheet highlights

(RMB million)

	31 Dec 2016	31 Dec 2015	Growth rate (%)	
Total assets	5,895,877	4,520,688	↑	30.42
Of which: Total balance of loans and advances to customers	2,461,586	2,048,048	↑	20.19
Total liabilities	5,543,850	4,210,905	↑	31.65
Of which: Deposits from customers	3,082,242	2,732,262	↑	12.81
Equity attributable to equity shareholders of the bank	342,590	301,218	↑	13.73

## Asset quality indicators (%)

	31 Dec 2016	31 Dec 2015	Change (ppt)	
Impaired loans ratio	1.68	1.60	↑	0.08
Provision for total loans ratio	2.62	2.46	↑	0.16

## Capital adequacy ratio indicators (%)<sup>2</sup>

Core tier-one capital adequacy ratio	8.95	9.17	↓	(0.22)
Tier-one capital adequacy ratio	9.22	9.19	↑	0.03
Capital adequacy ratio	11.73	11.49	↑	0.24

Source: Company annual report

Notes:

1 Cost to income ratio = (Operating and other 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 requirements



**Thank You**