

# China Minsheng Banking Corp., Ltd.

## 2013 Annual Results Announcement



March 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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1

**Business overview**

2

**Financial performance**

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**Outlook**

# Business overview



In 2013, our Group actively responded to the adjustments and changes in macro-economic environment and regulatory policies, pressed ahead with strategic transformation and delivered continuous improvement in profitability

## 1 Continuous improvement in profitability and stable return to shareholders

- ◆ Net profit attributable to equity shareholders of the Group amounted to RMB42,278 million, representing an increase of 12.55% Y-o-Y
- ◆ Operating income amounted to RMB116,102 million, representing an increase of 12.87% Y-o-Y
- ◆ Net assets per share attributable to equity shareholders of the parent company was RMB6.97, representing an increase of 21.22% over end of 2012
- ◆ Basic earnings per share was RMB1.49, representing an increase of 11.19% Y-o-Y

## 2 Optimized business structure and remarkable achievement of strategic businesses

- ◆ Total assets of the Group amounted to RMB3,226,210 million, representing an increase of 0.44% over end of 2012
- ◆ Total balance of loans and advances to customers and total deposits increased by 13.70% and 11.45% over end of 2012, respectively
- ◆ The balance of personal deposits grew fast, reaching RMB510,944 million at the end of this reporting period, representing an increase of RMB117,170 million, or 29.76%, over end of 2012. The balance of personal deposits accounted for 23.80% of total deposits, representing an increase of 3.36 percentage points over end of 2012
- ◆ Net non-interest income amounted to RMB33,069 million, representing an increase of 28.63% Y-o-Y, and the net non-interest income accounted for 28.48% of the operating income, representing an increase of 3.49 percentage points Y-o-Y
- ◆ Outstanding loans to small and micro enterprises (SMEs)<sup>1</sup> amounted to RMB404,722 million, representing an increase of 27.69% over end of 2012. The number of SME customers reached 1.90 million, representing an increase of 91.97% over end of 2012; the outstanding loans to SMEs accounted for 25.96% of the Company's total balance of loans and advances<sup>1</sup>, representing an increase of 2.89 percentage points over end of 2012
- ◆ By the end of 2013, 3,305 community branches and self-service outlets have been completed and commenced operations<sup>1</sup>
- ◆ The outstanding general loans to NSOEs<sup>1</sup> amounted to RMB585,241 million, and the number of NSOE customers with outstanding loan balances<sup>1</sup> reached 12,973, accounting for 64.91% and 86.52% of corporate banking segment<sup>1</sup>, respectively
- ◆ The Company had 12,900 private banking customers, representing an increase of 37.39% over end of 2012. The scale of financial assets under management<sup>1</sup> reached RMB191,941 million, representing an increase of 49.76% over end of 2012
- ◆ The number of mobile banking customers<sup>1</sup> reached 5,545.2 thousand with total transaction amount<sup>1</sup> up to RMB1,125,851 million

## 3 Improved operating efficiency with stringent cost control

- ◆ The cost-to-income ratio was 32.69%, representing a decrease of 1.40 percentage points Y-o-Y

## 4 Enhanced risk management and maintained stable asset quality

- ◆ The impaired loans ratio, provision coverage ratio and provision for total loans ratio were 0.85%, 259.74% and 2.21%, respectively

Note:

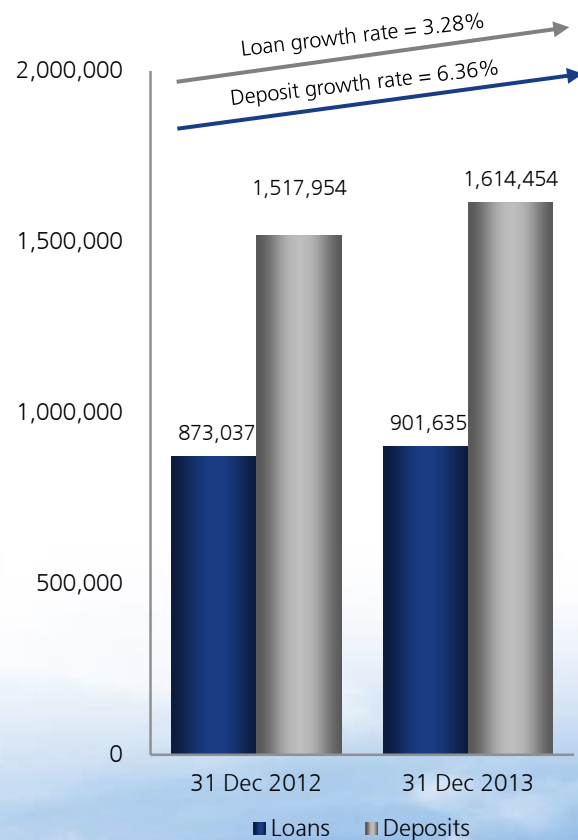
1 Bank standalone

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

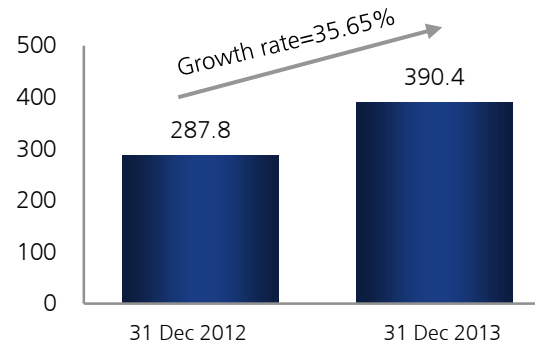


We took initiatives to respond to the changes of economic and financial environment to strengthen the reform of SBUs and corporate banking business development of its branches. We also strengthened our regional distinctive features and our "two chains" financial services, enhanced the innovation of corporate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

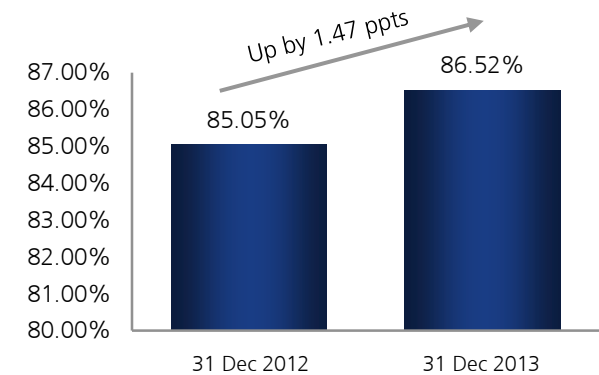
**Corporate deposits and loans (general corporate loans)<sup>1</sup>**  
(RMB million)



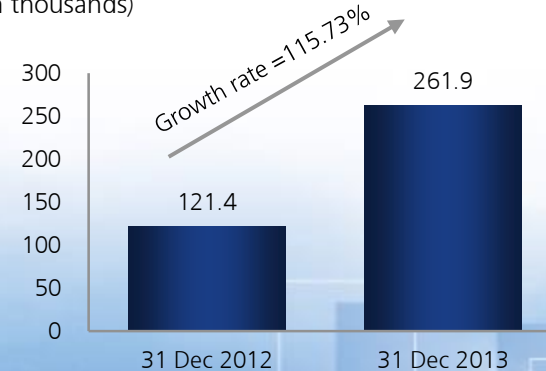
**No. of corporate deposit customers with outstanding balance<sup>1</sup>**  
(in thousands)



**% of NSOEs in total customers with outstanding loans<sup>1</sup>**  
(%)



**No. of cash management customers<sup>1</sup>**  
(in thousands)



**No. of trade finance customers<sup>1</sup>**



Source: Annual reports

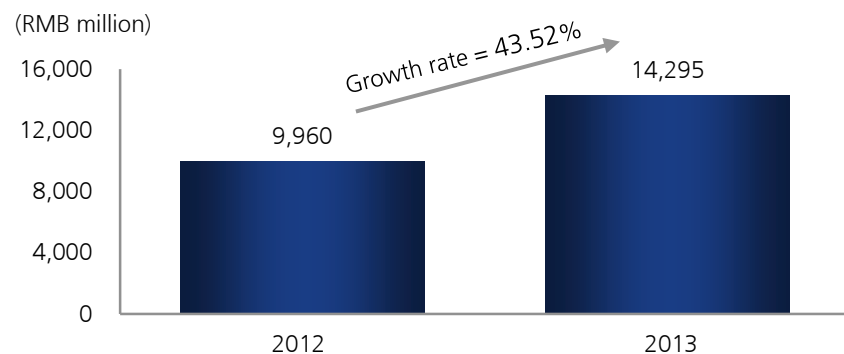
Note:  
1 Bank standalone

# Corporate banking – Achieving rapid growth in net non-interest income businesses



We promoted the integrated financial services model of “Financial Stewardship” in order to enhance the major contribution of commercial banks investment banking business to the revenue of the intelligence-based intermediary business. We also accelerated the development and innovation of investment banking model to improve the professional level and value-creating capability of the intermediary business services

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



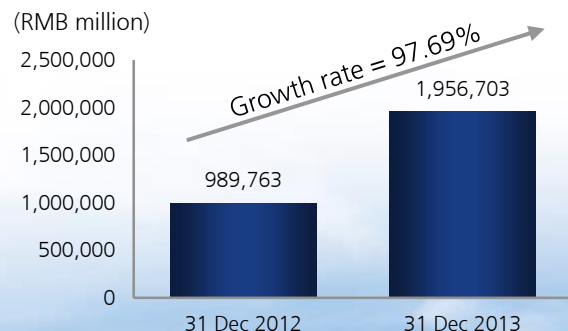
## Commercial bank investment banking business

- ✓ Further advanced on “commercial banking + investment banking” and “smart financing”, and become a distinctive and efficient investment bank providing comprehensive financial services
- ✓ Established seven business segments, including merger and acquisition, capital market, investment management, innovative financing, fixed income, issue of bonds and institutional wealth management
- ✓ Focused on the major industries of SBU and regional featured industries of branches, and promoted the development of investment banking business for enterprises to improve profitability
- ✓ Strived to develop innovative high-end investment banking business with a clear profit model to drive the upgrade of its investment banking business
- ✓ Through our strategic customers, thorough studies on businesses and industries were conducted and distinctive comprehensive financial services were provided

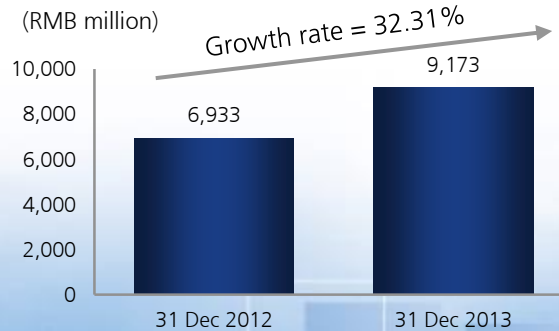
## Assets in custody (including safekeeping)<sup>1</sup>



**2013 Best Custodian Bank**  
— 21st century China Business Herald



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

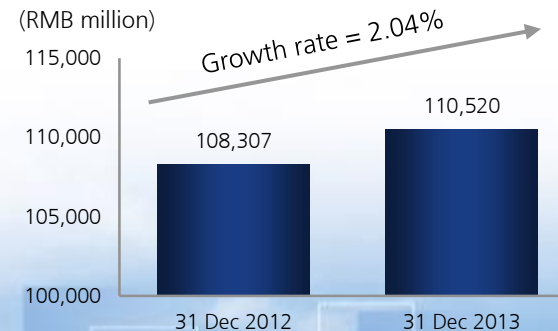


No. of accounts

121,315

138,640

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



Source: Annual reports

Note:

1 Bank standalone

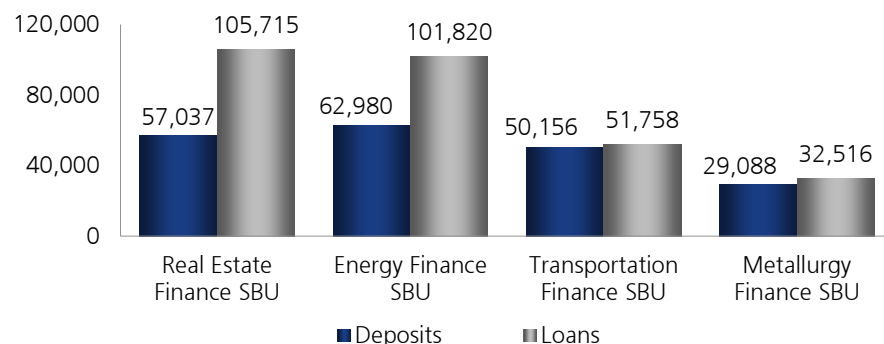
# Corporate banking – Launching SBUs reform version 2.0



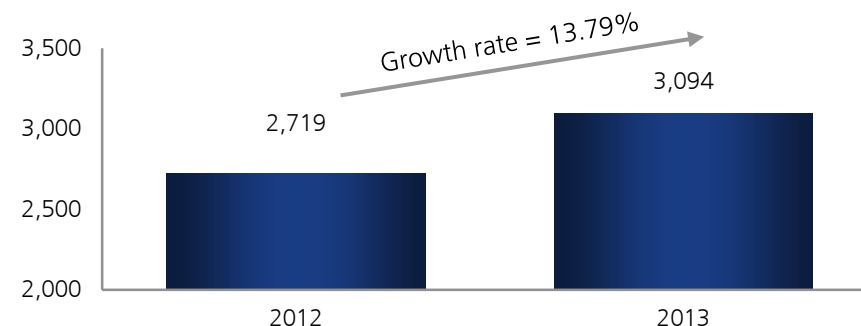
We comprehensively innovated and reformed the operation mode to facilitate the transformation of SBUs into a professional investment banking provider from the traditional deposit and loan model, aiming to realize structural transformation and increase our returns on capital

## Balance of deposits and loans of industry SBUs<sup>1, 2</sup> (general corporate loans) Net non-interest income from industry SBUs<sup>1, 2</sup>

(RMB million)



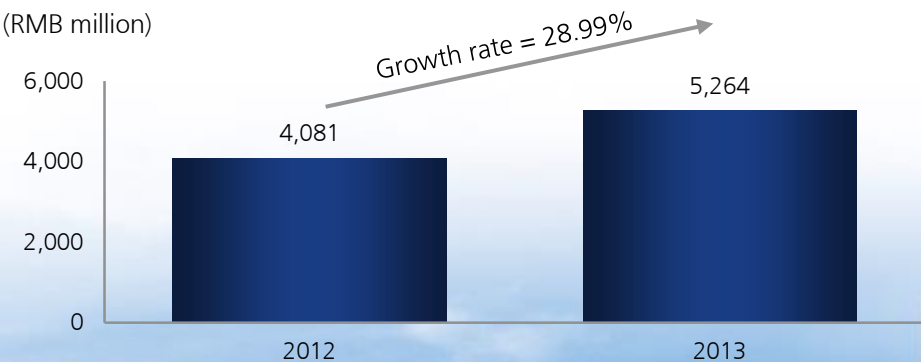
(RMB million)



## Continuous growth in trade finance business

### Net non-interest income<sup>1</sup> The Innovative Transaction Bank in China (2013) — *Financial Times*

(RMB million)



Source: Annual reports

Notes:

1 Bank standalone

2 Including Real Estate Finance SBU, Energy Finance SBU, Transportation Finance SBU and Metallurgy Finance SBU

## Rapid development of Modern Agriculture Industry Finance SBU and Culture Industry Finance SBU

Modern Agriculture Industry Finance SBU

- Initiated the establishment of a financial service platform for modern agricultural industries with adoption of a "full and partial outsourcing" model
- Active customers in marine fisheries and tea industry chains amounted to 5,613 and 1,270, representing increases of 127.15% and 248.90% over end of 2012, respectively
- The outstanding general loans to customers in marine fisheries and tea industry reached RMB13,258 million and RMB2,092 million, representing increases of 108.86% and 137.71% over end of 2012, respectively

Culture Industry Finance SBU

- Further explored new businesses and commercial models, formulated fundamental targeted customer base and enlarged financial assets rapidly
- The outstanding balance of financial assets of the Culture Industry Finance SBU amounted to RMB3,641 million, which included outstanding credit balance of RMB2,566 million and non-credit balances of RMB1,075 million, accounting for 29.52%. Deposit balance was RMB2,835 million

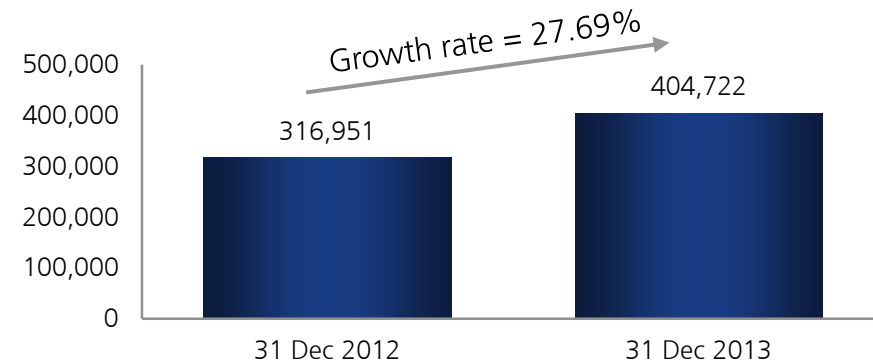
# Retail banking –Comprehensively expanding small business finance and community finance activities



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 its retail banking business to a whole new stage of development

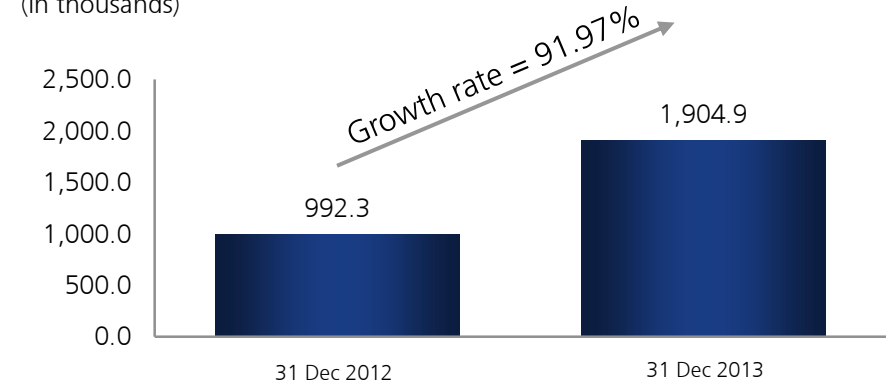
## Outstanding loans to small and micro enterprises<sup>1</sup>

(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. 3,305 community branches and self-service outlets have been completed and commenced operation in 2013
- ◆ Concentrated financial resources, logistic resources 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

Note:

<sup>1</sup> 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

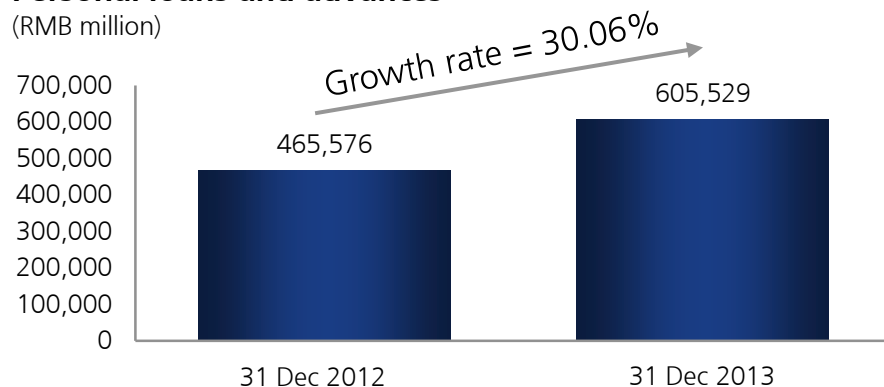


Best Domestic Private Banking Performance

—Hurun Report

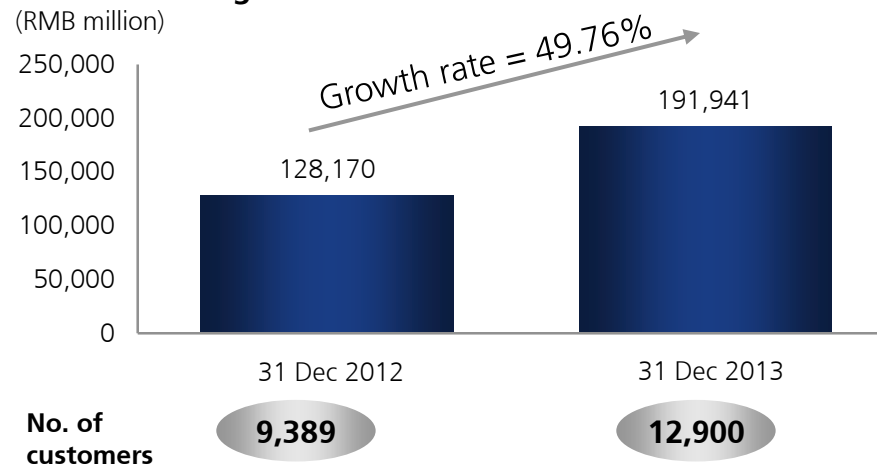
## Personal loans and advances

(RMB million)



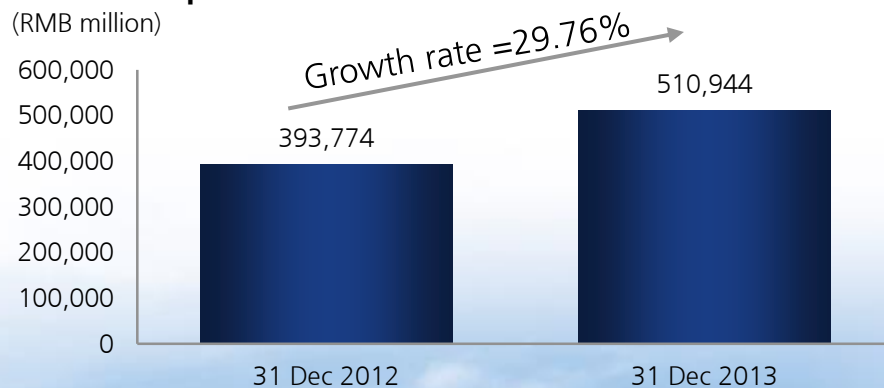
## Private banking AuM and number of customers<sup>1</sup>

(RMB million)



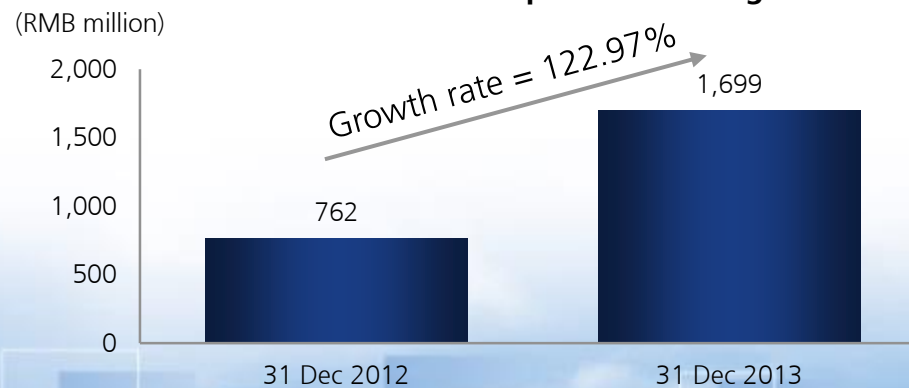
## Personal deposits

(RMB million)



## Fee and commission income from private banking business<sup>1</sup>

(RMB million)



Source: Annual reports

Note:

1 Bank standalone

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# Overview of key financial indicators



## Income statement highlights

(RMB million, except per share data)

	2013	2012	Growth rate (%)	
Operating income	116,102	102,861	↑	12.87
Of which: Net interest income	83,033	77,153	↑	7.62
Net non-interest income	33,069	25,708	↑	28.63
Profit before income tax	57,151	50,652	↑	12.83
Net profit attributable to equity shareholders of the Bank	42,278	37,563	↑	12.55
Basic earnings per share (RMB)	1.49	1.34	↑	11.19

## Key profitability indicators (%)

	2013	2012	Change (ppt)	
ROAA	1.34	1.41	↓	(0.07)
ROAE	23.44	25.67	↓	(2.23)
Net interest margin (NIM)	2.49	2.94	↓	(0.45)
Net fee and commission income to total operating income	25.80	19.95	↑	5.85
Cost to income ratio <sup>1</sup>	32.69	34.09	↓	(1.40)

Source: Annual reports

Notes:

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

2. The capital adequacy ratio and relevant indicators as at the end of the reporting period were 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. The capital adequacy ratios as at the end of other periods were calculated in accordance with the Administrative Measures for the Capital Adequacy Ratios of Commercial Banks

## Statement of financial position highlights

(RMB million)

	31 Dec 2013	31 Dec 2012	Growth rate (%)	
Total assets	3,226,210	3,212,001	↑	0.44
Of which: Gross balance of loans and advances to customers	1,574,263	1,384,610	↑	13.70
Total liabilities	3,021,923	3,043,457	↓	(0.71)
Of which: Deposits from customers	2,146,689	1,926,194	↑	11.45
Equity attributable to equity shareholders of the Bank	197,712	163,077	↑	21.24

## Asset quality indicators (%)

	31 Dec 2013	31 Dec 2012	Change (ppt)	
Impaired loans ratio	0.85	0.76	↑	0.09
Allowance to total loans ratio	2.21	2.39	↓	(0.18)

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

	31 Dec 2013	31 Dec 2012
Core tier-one capital adequacy ratio	8.72	na
Tier-one capital adequacy ratio	8.72	na
Capital adequacy ratio	10.69	10.75

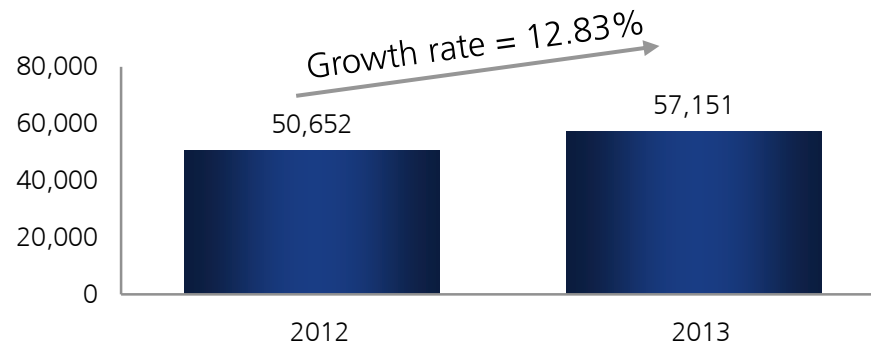
# Profitability



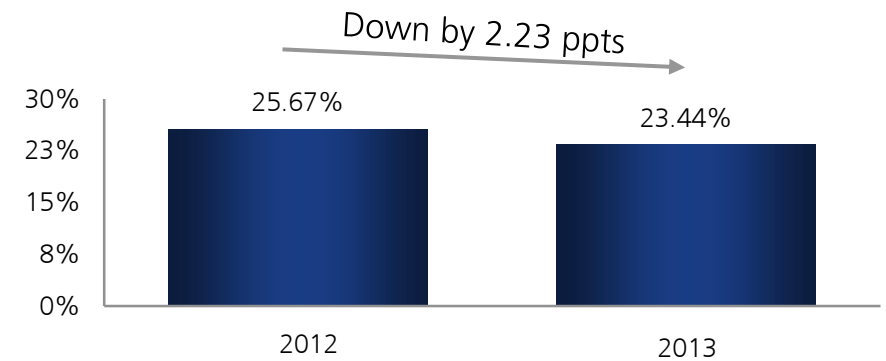
Our Group sustained good performance in terms of profitability and operating results. ROAA and ROAE recorded slight decreases as compared to end of last year primarily due to net interest margin compression

## Profit before income tax

(RMB million)

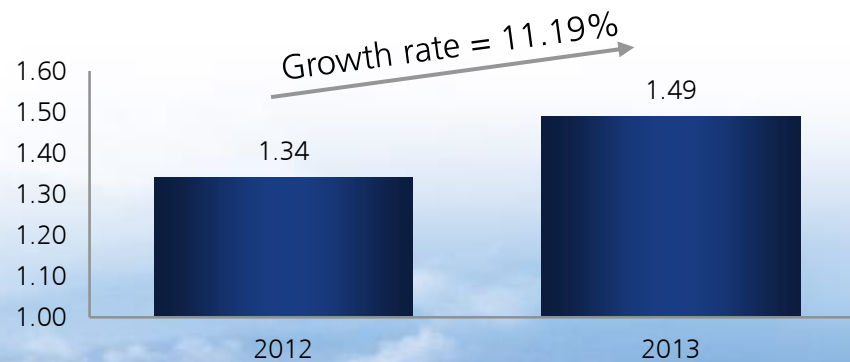


## ROAE



## Basic earnings per share

(RMB)



## ROAA



Source: Annual reports

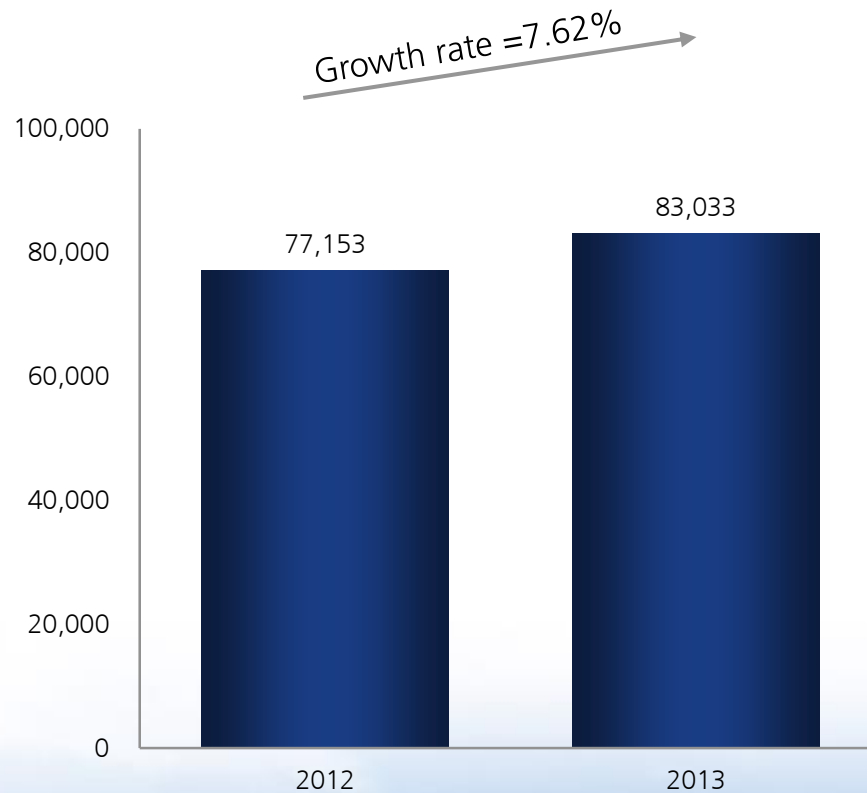
# Net interest income



The expansion of interest earning assets fuelled the growth in net interest income

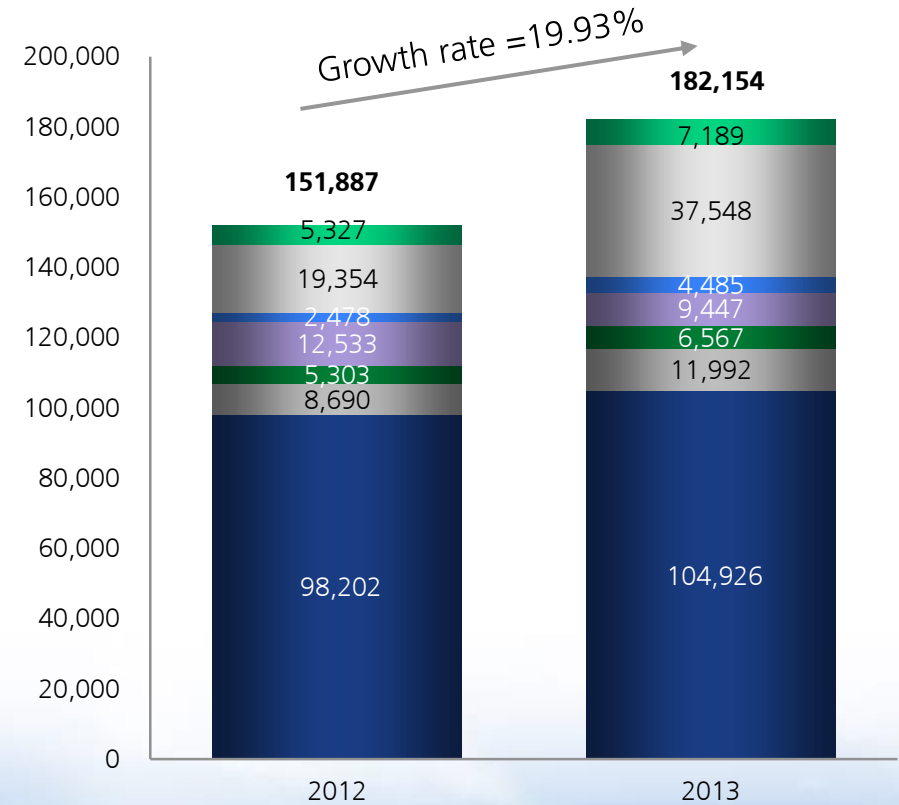
## Net interest income

(RMB million)



## Growth and composition of interest income

(RMB million)



- Total balance of loans and advances to customers
- Securities and other investments
- Balances with the central bank
- Balances with banks and other financial institutions
- Placements with banks and other financial institutions
- Financial assets held under resale agreements
- Finance lease receivables

Source: Annual reports

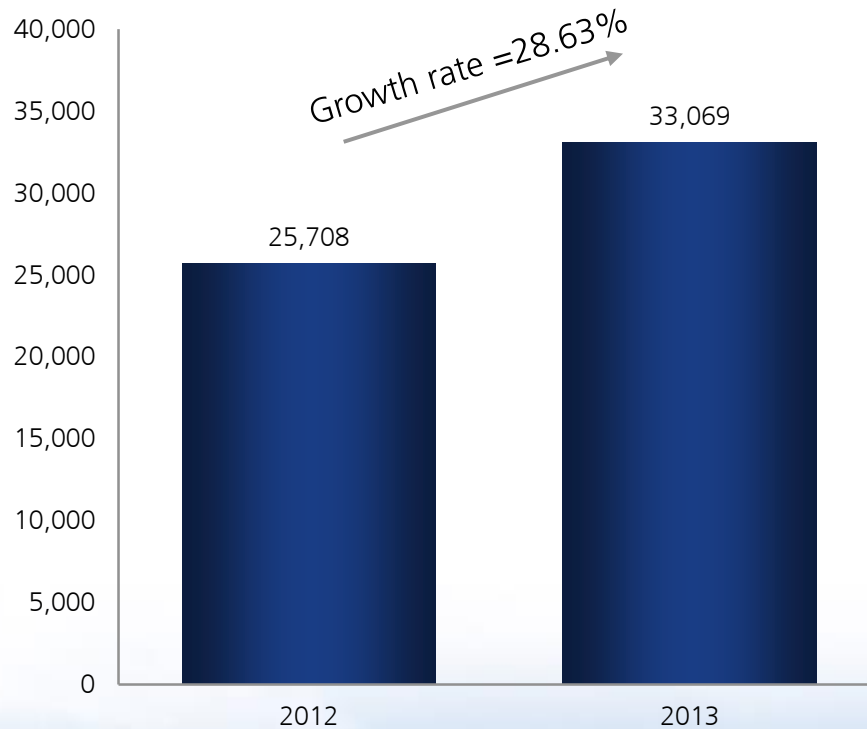
# Net non-interest income



Fast growing fee and commission income further diversified the company's income sources

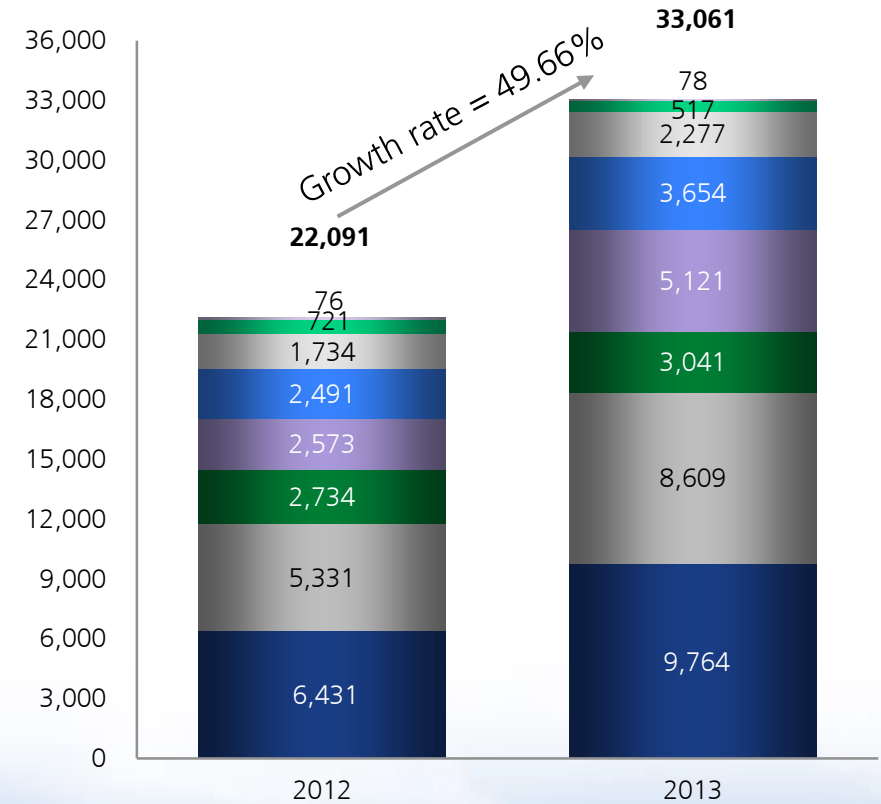
## Net non-interest income

(RMB million)



## Growth and composition of fee and commission income

(RMB million)



- Trust and other fiduciary services
- Bank card services
- Settlement services
- Agency services
- Fee and commission of credit commitments
- Financial advisory services
- Finance lease services
- Others

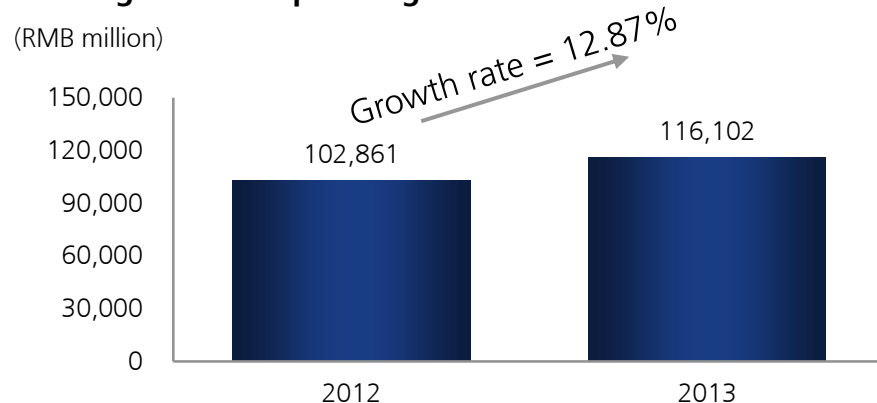
Source: Annual reports

# Operating efficiency

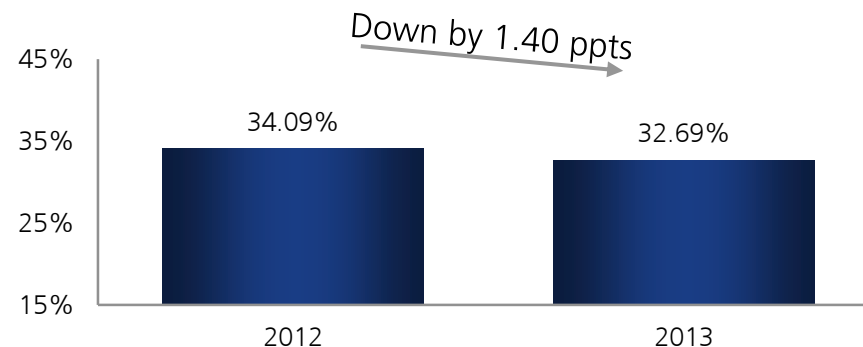


The growth in operating income and successful cost control measures led to a decrease in cost-to-income ratio, while net profit per employee further increased

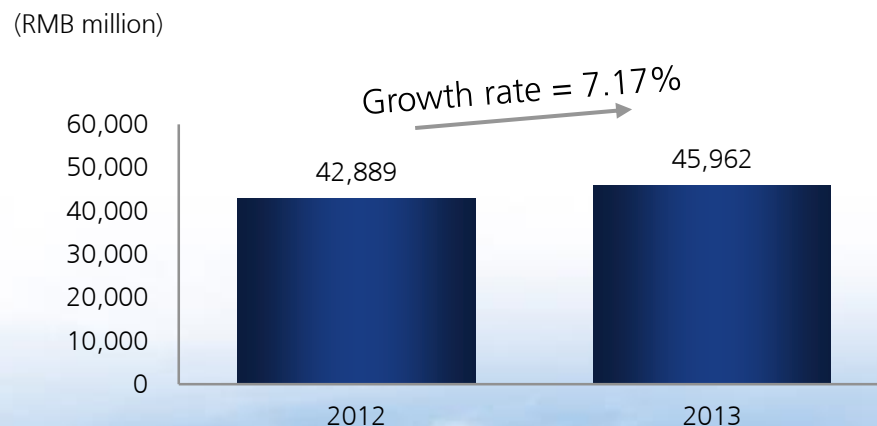
## Stable growth in operating income



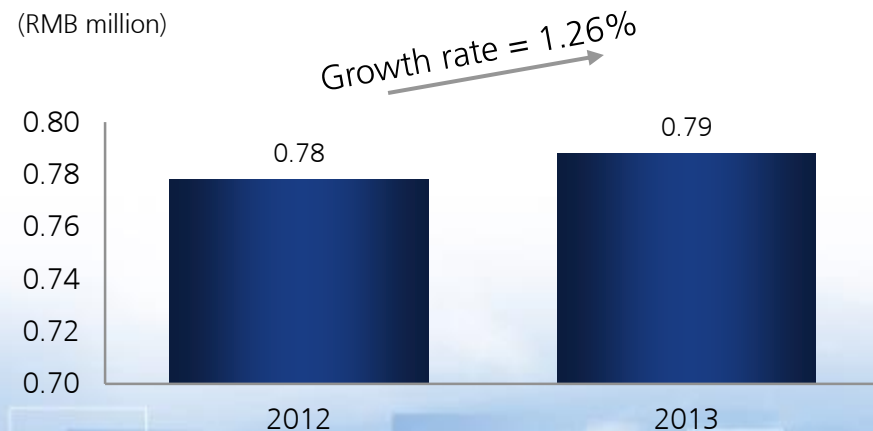
## Further decrease of cost-to-income ratio<sup>1</sup>



## Successful control over operating expenses



## Net profit per employee<sup>2</sup>



Source: Annual reports

Notes:

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

2 Net profit per employee = net profit / the number of employees

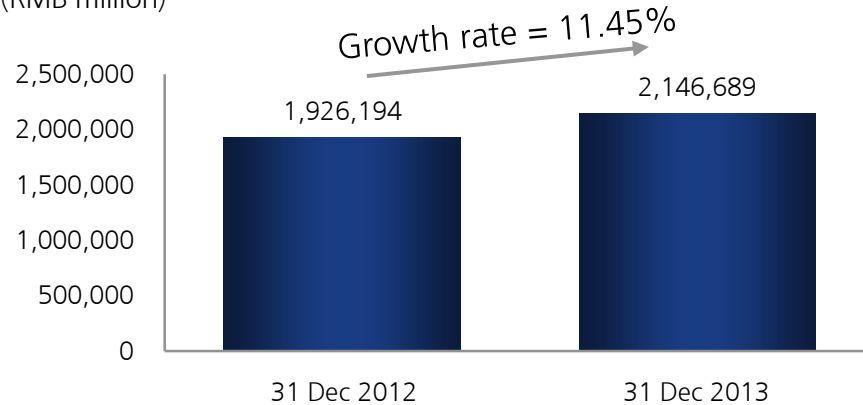
# Deposit and loan portfolios



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

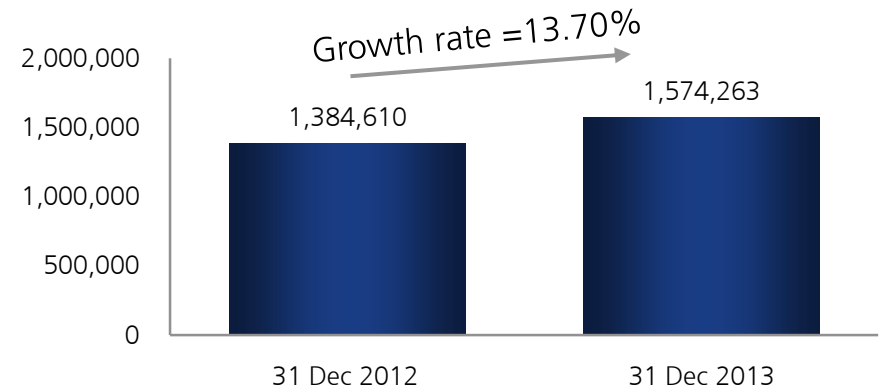
## Deposits from customers

(RMB million)

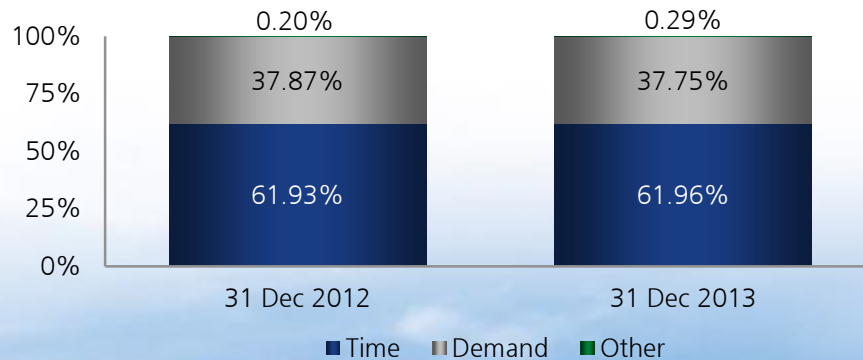


## Gross balance of loans and advances to customers

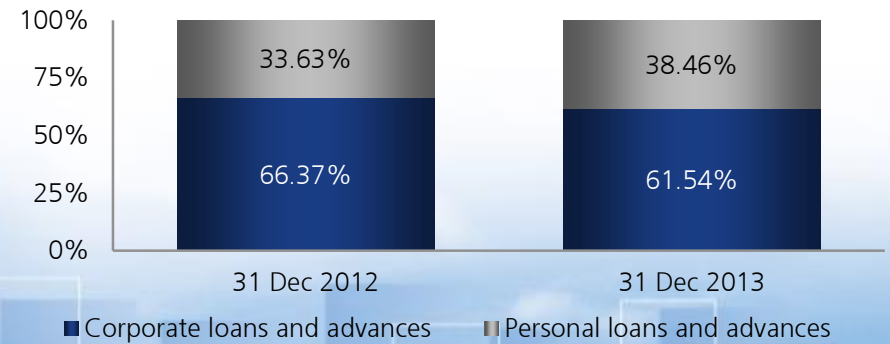
(RMB million)



## Deposit mix (by duration)



## Loan mix



Source: Annual reports



# Asset quality

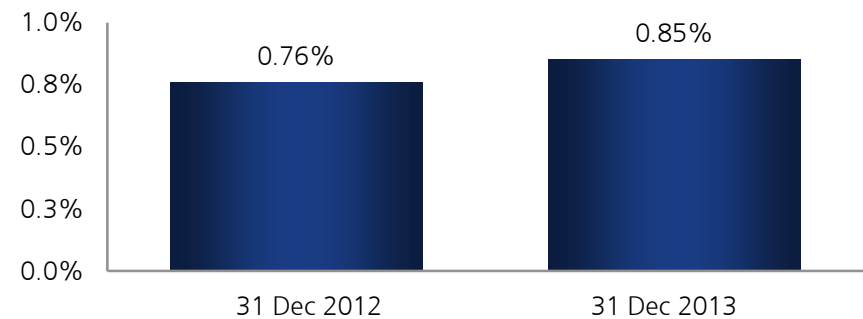


Comprehensive risk management system has been fully implemented to ensure the stability of asset quality

## 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

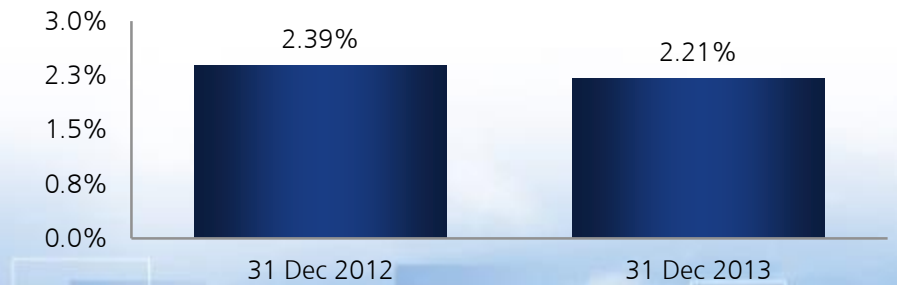
## Impaired loans ratio



## Provision coverage ratio



## Provision for total loans ratio



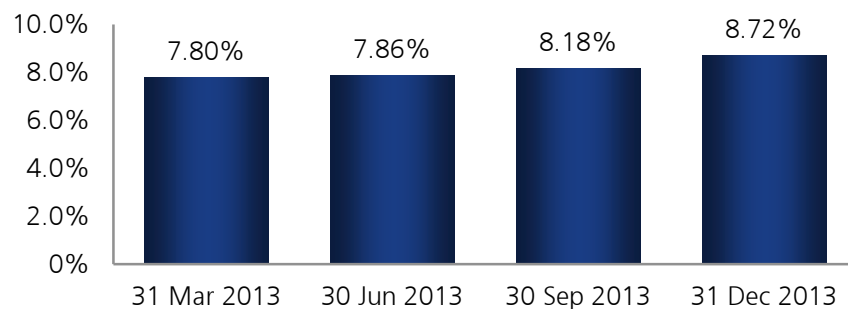
Source: Annual reports

# Capital adequacy ratio

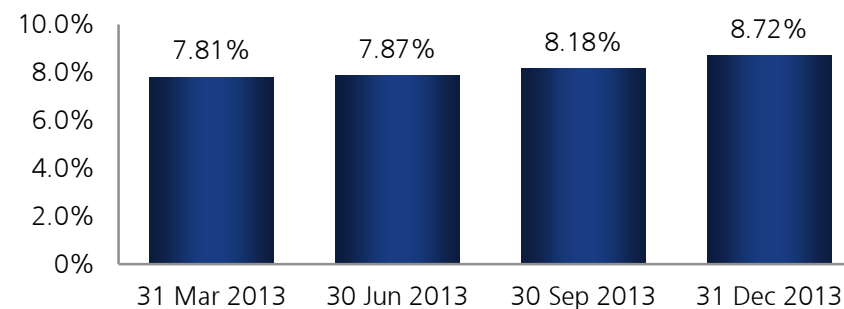


All capital adequacy indicators of the Group have met the regulatory requirements for the transition period under the new measures issued by the CBRC, while total equity to total assets ratio further increased

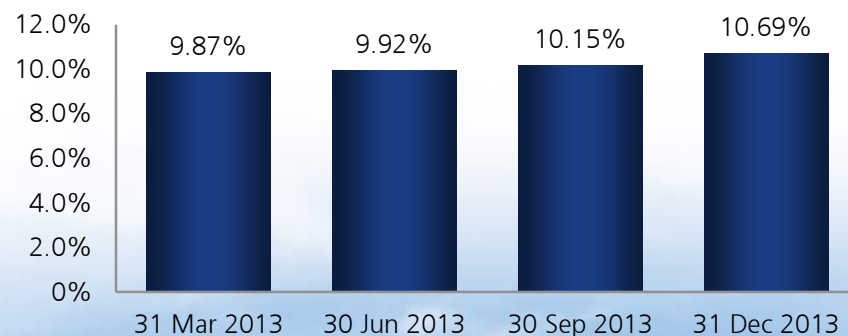
### Core tier-one capital adequacy ratio<sup>1</sup>



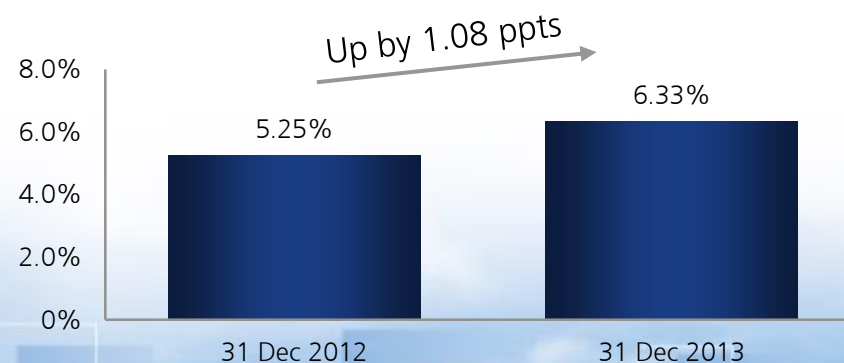
### Tier-one capital adequacy ratio<sup>1</sup>



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



### Total equity to total assets ratio



Source: 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 realise the objectives under the “New Three-Year Plan”, our Group will strive to ensure sustainable development across all businesses and achieved 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 non-performing 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 optimise 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