



招商銀行

CHINA MERCHANTS BANK



China Merchants Bank Co., Ltd. 2006 Results Announcement

April 2007



Forward-Looking Statement Disclaimer

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Agenda

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Highlights

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Financial Analysis

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Summary and Outlook



Financial Highlights

Strong financial results with net profit of RMB6.79 billion, representing an increase of 81% as compared to 2005

(Rmb mn)

Balance Sheet	2006	2005		Growth %
Customer loans	565,702	472,185	↑	19.8%
Total assets	934,102	734,613	↑	27.2%
Investment securities	178,885	131,902	↑	35.6%
Customer deposits	773,757	634,404	↑	22.0%
Shareholders' equity	55,160	25,998	↑	112.2%

Income Statement	2006	2005		Growth %
Net interest income	21,509	16,642	↑	29.2%
Net fee income	2,514	1,567	↑	60.4%
Non-interest income	3,357	2,572	↑	30.5%
Pre-provision operating profits	13,775	10,099	↑	36.4%
Profit before tax	10,084	6,462	↑	56.1%
Net profit	6,794	3,749	↑	81.2%

Financial Highlights

Expanding net interest margin, rapidly growing fee income, improving asset quality and significant declining cost to income ratio

Key ratios	2006	2005		Changes %
ROAE	16.7%	15.6%	↑	1.11%
ROAA	0.81%	0.57%	↑	0.25%
Net interest margin	2.72%	2.69%	↑	0.03%
Net fee income as % of operating income	10.1%	8.2%	↑	1.95%
Non-interest income as % of operating income	13.5%	13.4%	↑	0.11%
Cost to income	44.6%	47.4%	↓	2.84%
Credit cost	0.68%	0.84%	↓	0.16%
NPL ratio	2.12%	2.58%	↓	0.45%
Special mention loans as % of total loans	2.03%	3.07%	↓	1.05%
NPL coverage ratio	135.6%	111.0%	↑	24.58%
Loan to deposit ratio	73.1%	74.4%	↓	1.30%
Capital adequacy ratio	11.40%	9.01%	↑	2.39%
Effective tax rate	32.6%	42.0%	↓	9.36%



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Summary of Income Statement

Net profit reached RMB6.79 billion, up 81% over 2005

(Rmb mn, except per share data)	2006	2005		Growth %
Net interest income	21,509	16,642	↑	29.2%
Net fee income	2,514	1,567	↑	60.4%
Non-interest income	3,357	2,572	↑	30.5%
Operating income	24,866	19,214	↑	29.4%
Operating expenses	(11,091)	(9,115)	↑	21.7%
Pre-provision operating profits	13,775	10,099	↑	36.4%
Provision for loan impairment losses	(3,691)	(3,637)	↑	1.5%
Profit before tax	10,084	6,462	↑	56.1%
Income tax	(3,290)	(2,713)	↑	21.3%
Net profit	6,794	3,749	↑	81.2%
EPS	0.53	0.34	↑	55.8%

Summary of Balance Sheet

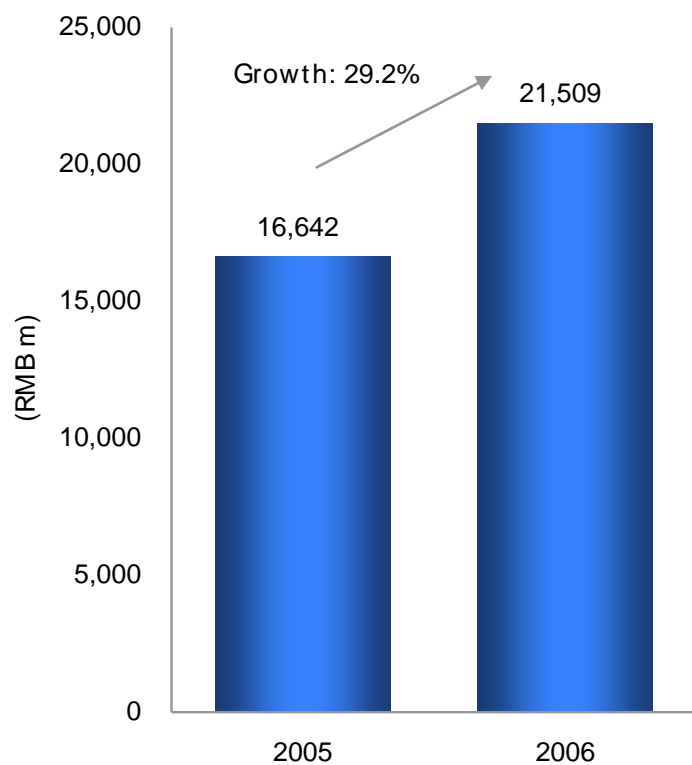
Maintain steady balance sheet growth while further strengthening our capital base

(Rmb mn)	2006	2005		Growth %
Total loans	565,702	472,185	↑	19.8%
Allowance for loan impairment losses	(16,282)	(13,510)	↑	20.5%
Investment securities	178,885	131,902	↑	35.6%
Total assets	934,102	734,613	↑	27.2%
Deposits and placements with banks and other financial institutions	76,603	43,247	↑	77.1%
Customer deposits	773,757	634,404	↑	22.0%
Convertible bonds	22	5,184	↓	99.6%
Other debts	9,987	9,982	↑	0.1%
Subordinated debts	3,500	3,500		—
Total liabilities	879,942	708,615	↑	38.1%
Shareholders' equity	55,160	25,998	↑	112.2%

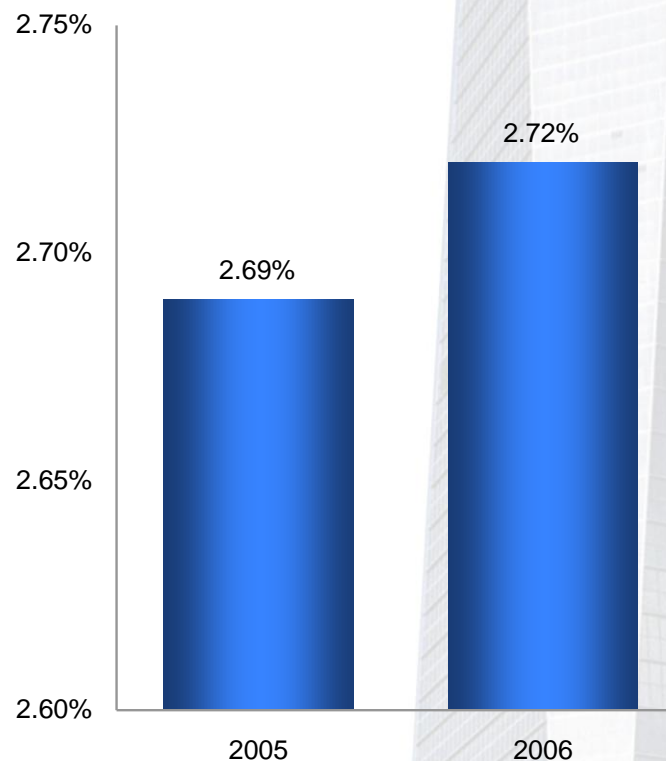
Strong Growth in Net Interest Income

Rapid growth in net interest income with widening net interest margin

Net interest income



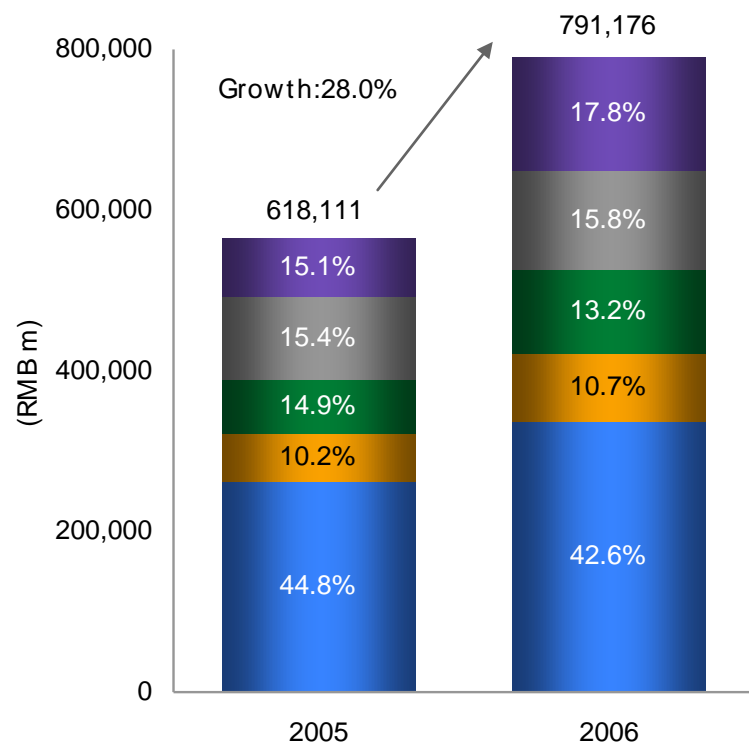
Net interest margin



Significant Increase in Asset Yields

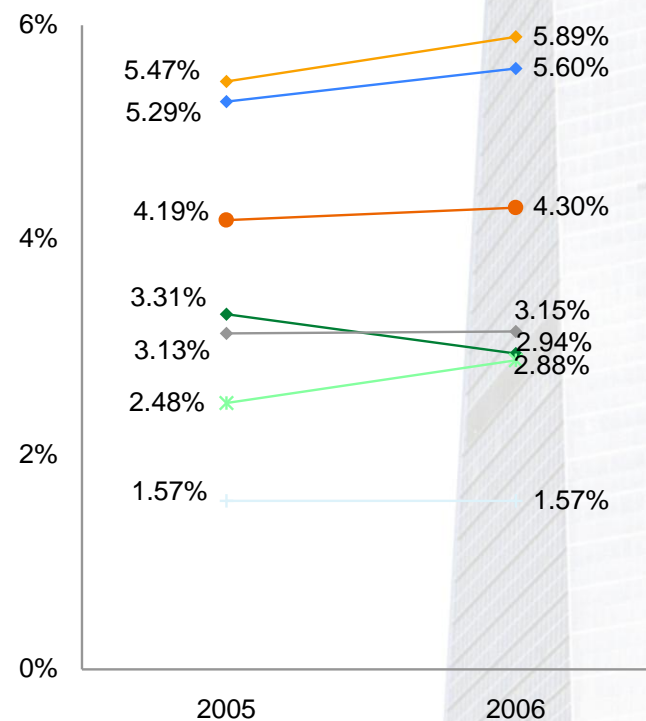
Significant increase in asset yields

Average interest-earning assets



- Corporate loans
- Retail loans
- Discounted bills
- Investment securities
- Other interest earning assets

Average yield

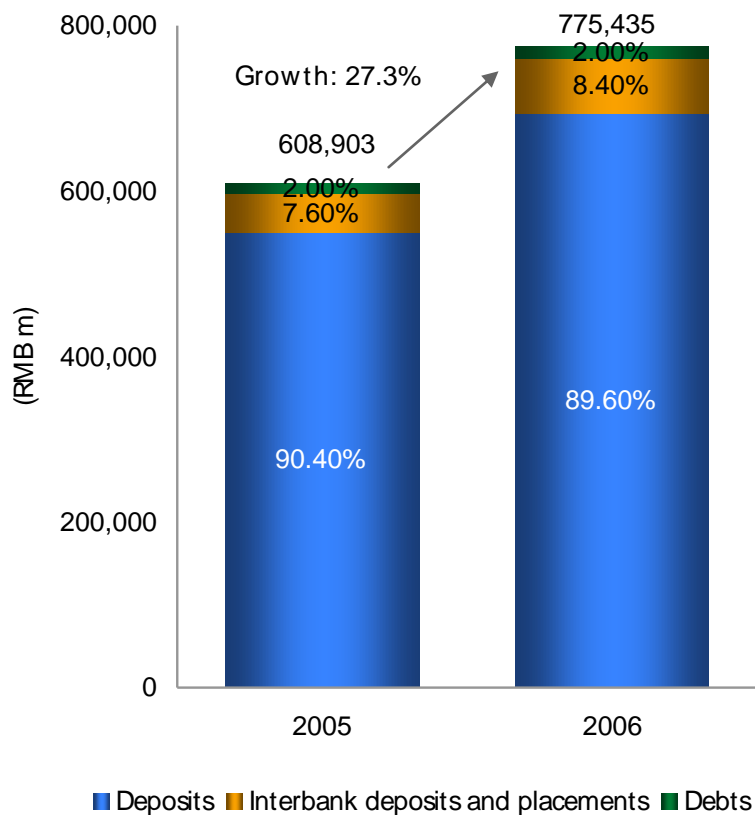


- ◆ Corporate loans
- ◆ Retail loans
- ◆ Discounted bills
- ◆ Investment securities
- ◆ Interbank loans
- ◆ Balance with central bank
- ◆ Total average interest earning assets

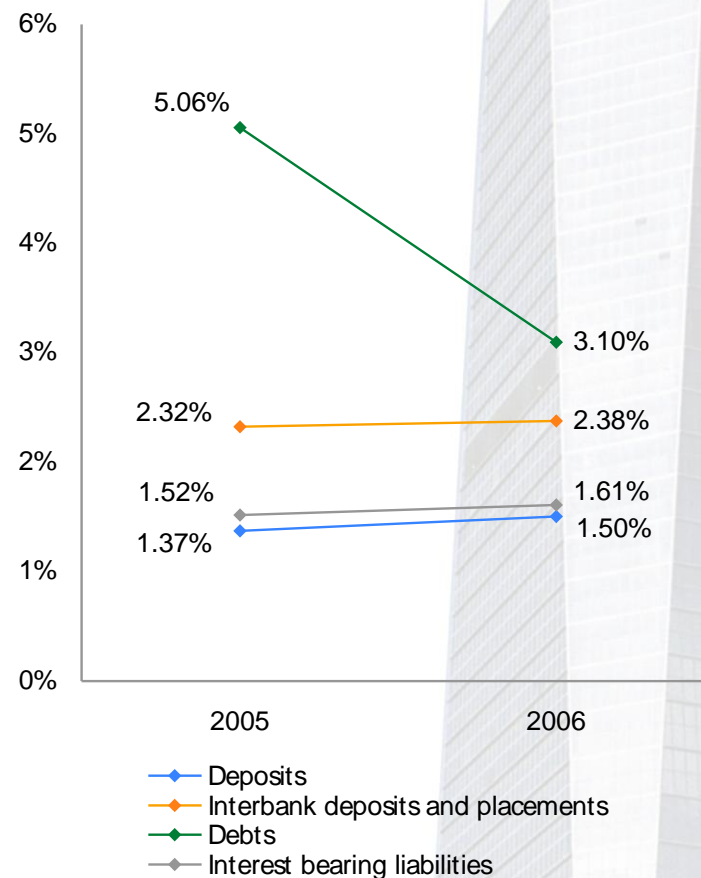
Cost of liabilities

Actively managing liabilities to control cost

Average interest-bearing liabilities



Average cost



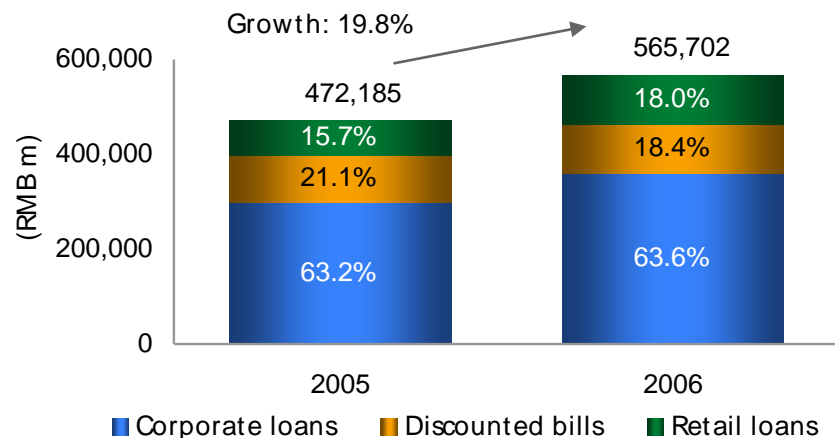
Source:

- 1 Debts included certificate of deposits, convertible bonds, financial bonds and subordinate debts

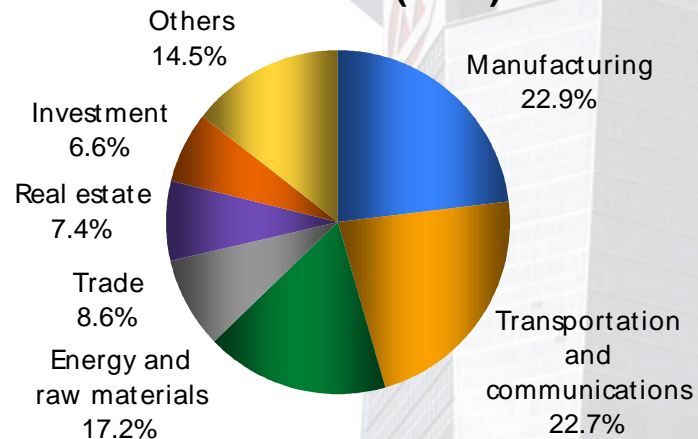
Steady Loan Growth

Moderate loan growth with increased exposure to inter-bank market

Loan growth

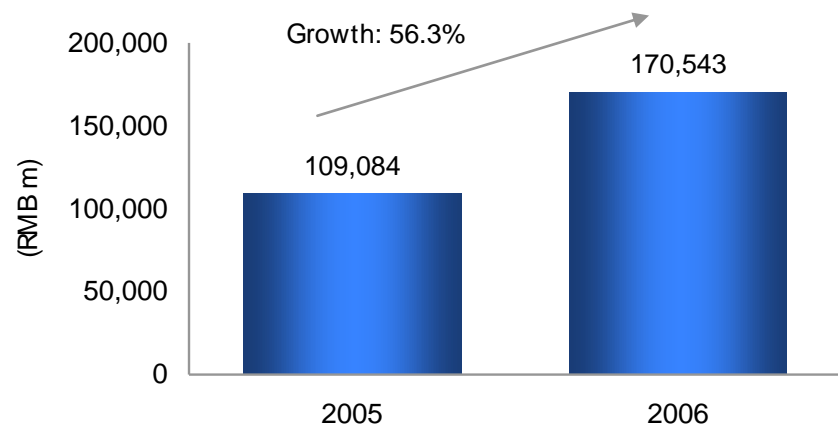


Corporate loans breakdown(2006)

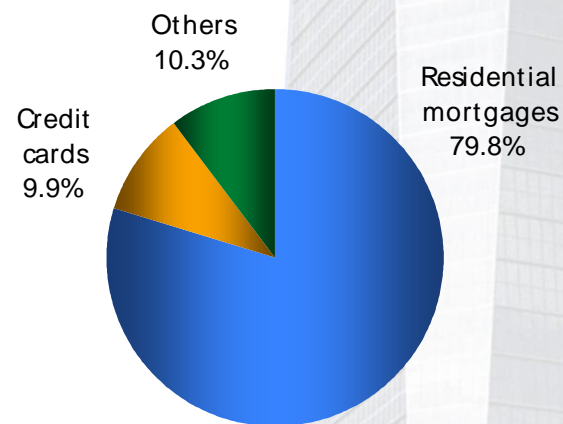


Source: Others include construction, tourism and other industry

Placements with central banks, banks and other financial institutions



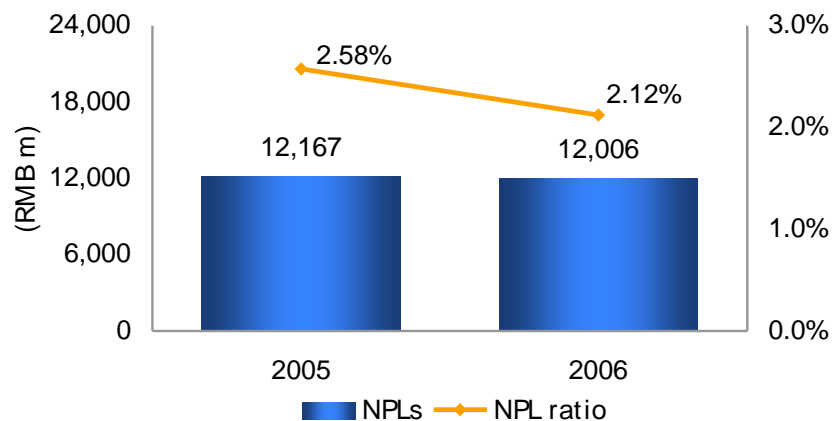
Retail loans breakdown(2006)



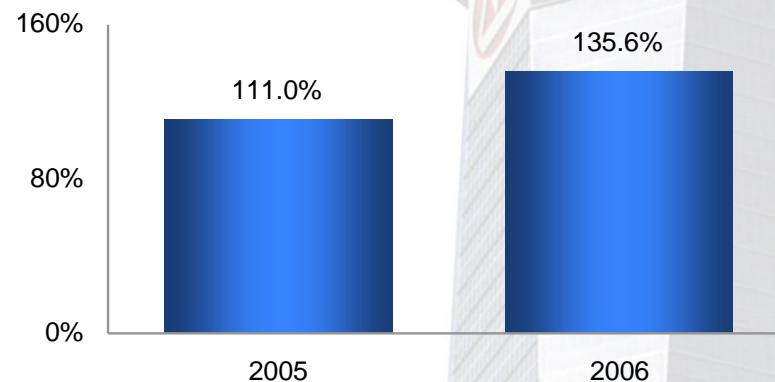
Improving Asset Quality

Both NPL balance and NPL ratio fell. NPL coverage ratio continued to increase

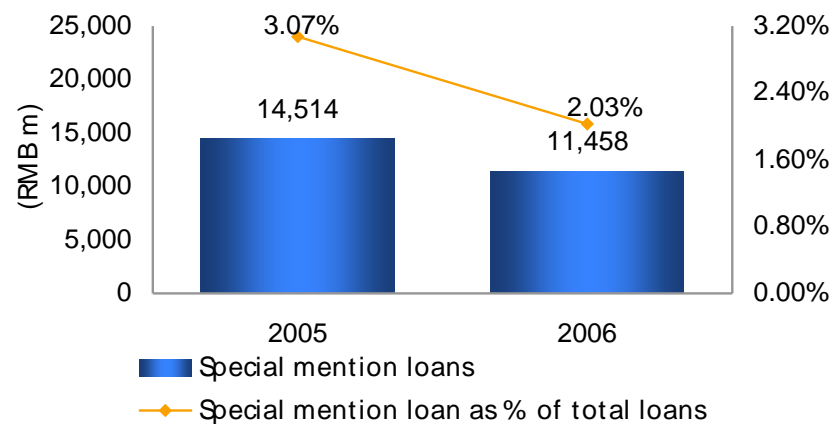
NPL balance and NPL ratio



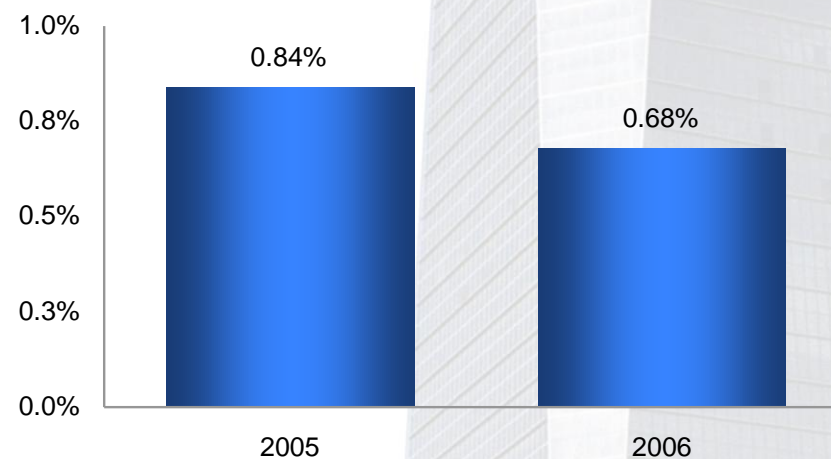
NPL coverage ratio



Special mention loan balance and ratio



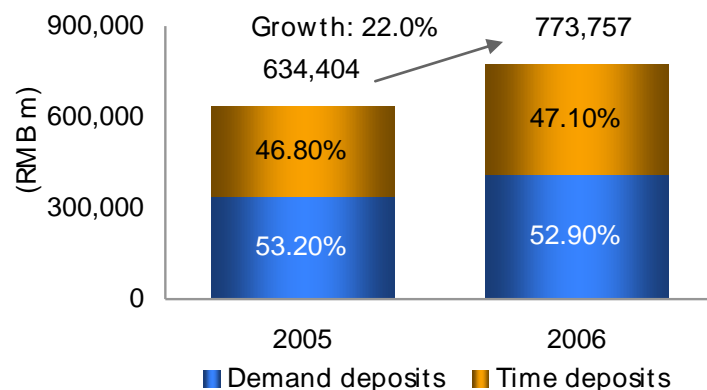
Credit costs



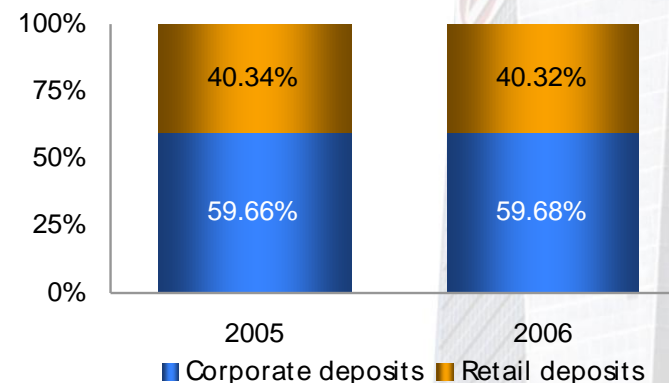
Customer Deposits

Customer deposits grew 22%. Deposit composition remained stable

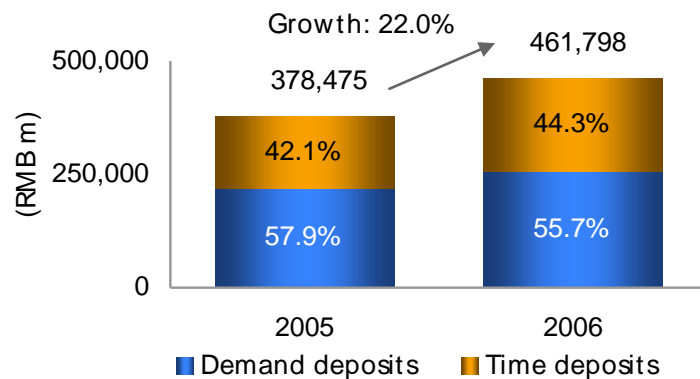
Customer deposits



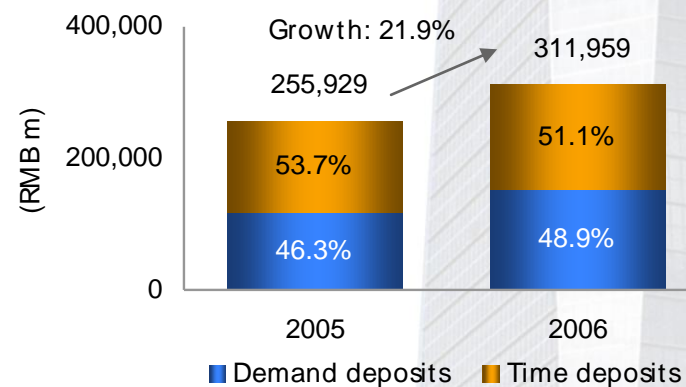
Customer deposits composition (by customer type)



Corporate deposits composition (by maturity term)



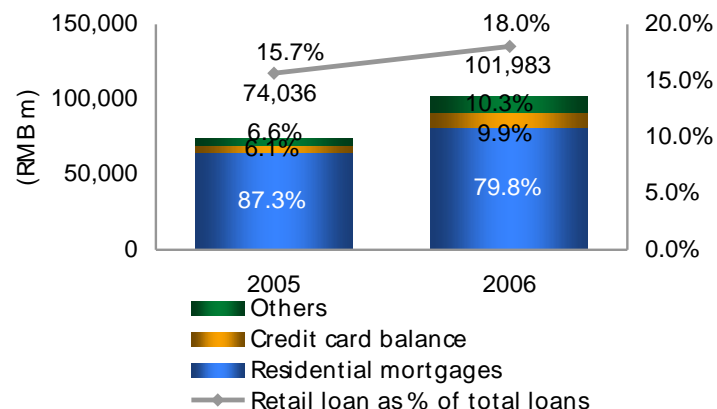
Retail deposits composition (by maturity term)



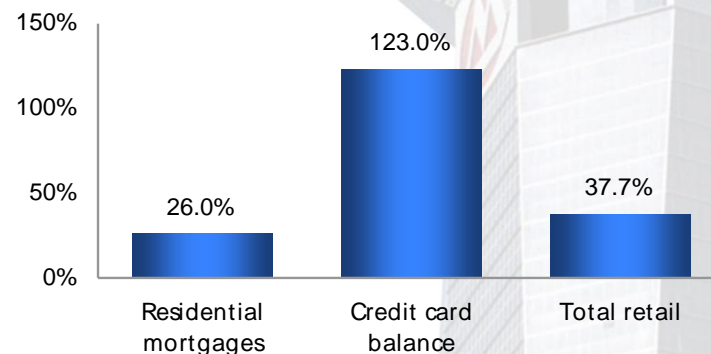
Strong Growth of Retail Banking

Significant growth in retail business

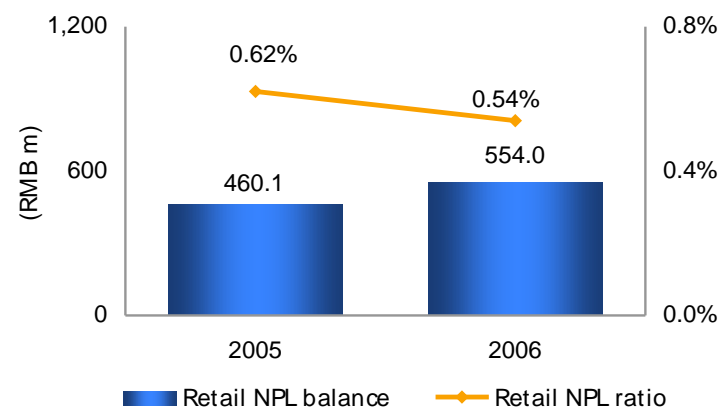
Retail loans



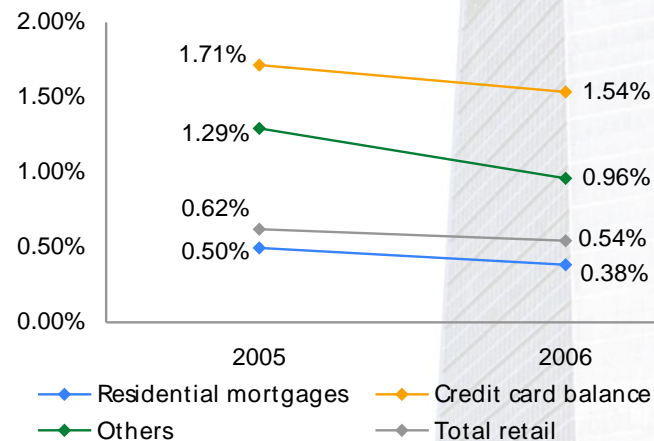
Retail loan YoY growth



Retail NPL balances and ratio



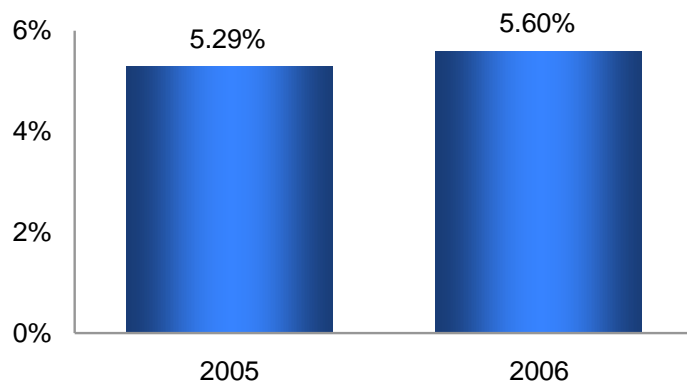
Detailed retail NPL ratios



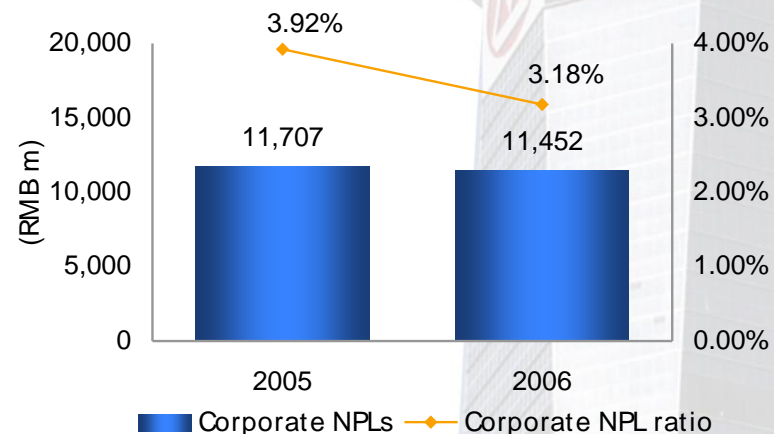
Continued Growth in Corporate Banking

Significant increase in corporate loan yield, asset quality further improved

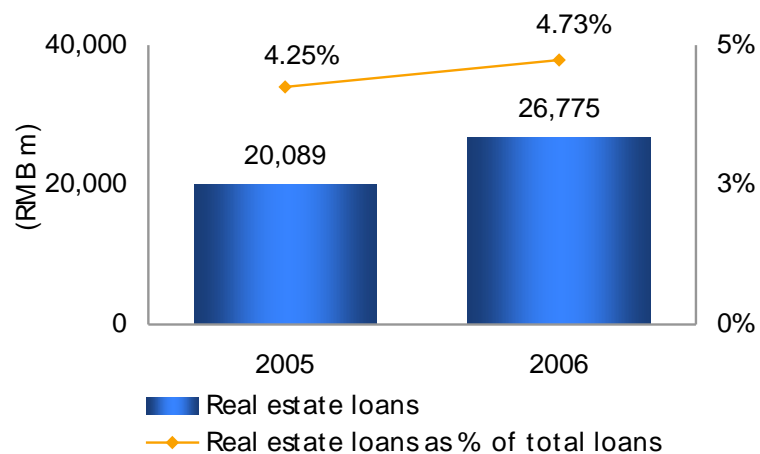
Corporate loan yield



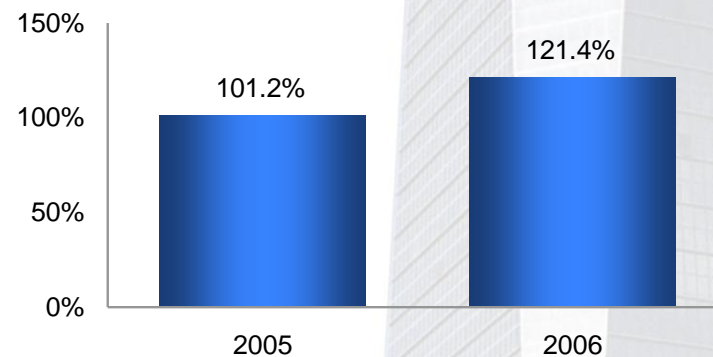
Corporate NPL balance and ratio



Real estate loan balance and ratio



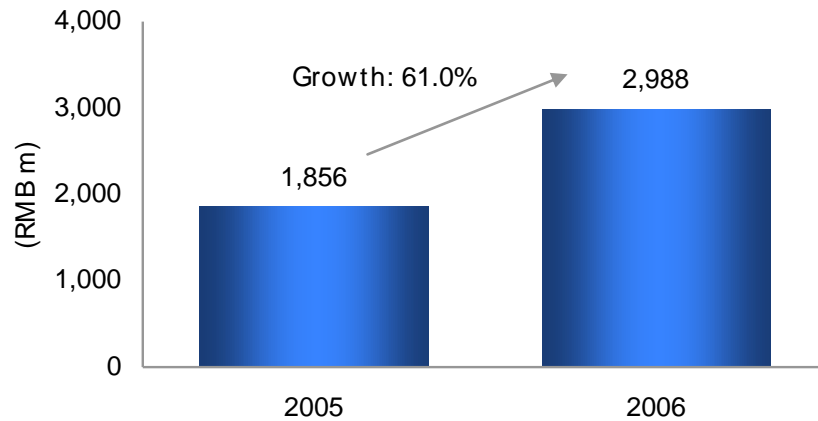
Corporate NPL coverage ratio



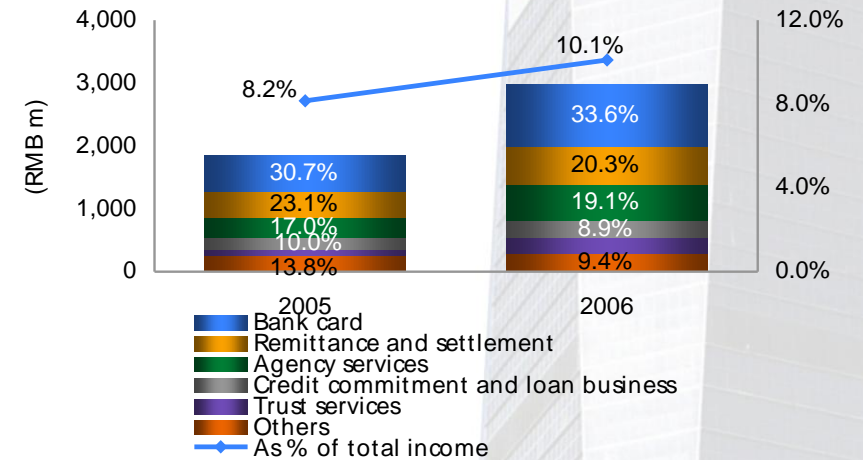
Strong Growth in Fee Income Business

Bank card business drives the growth of fee income

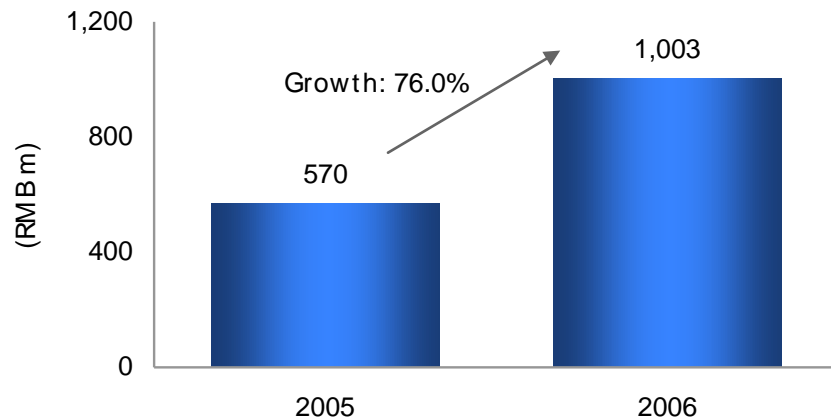
Total fee income



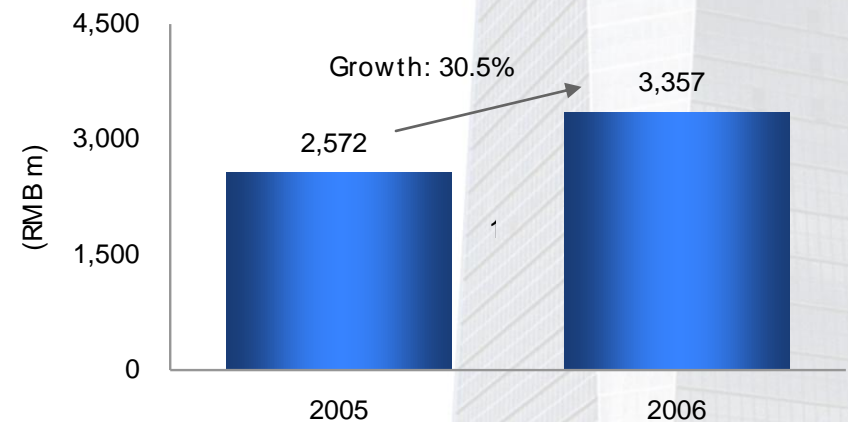
Fee income breakdown and net fee income as % of total income



Bank card business fee income



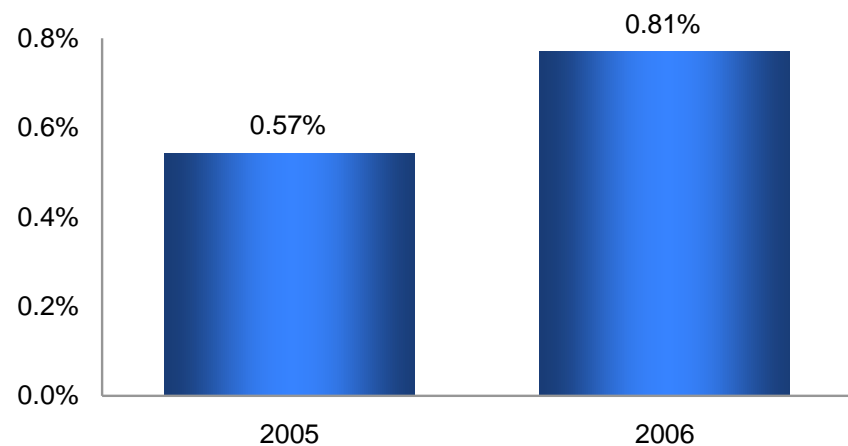
Non-interest income



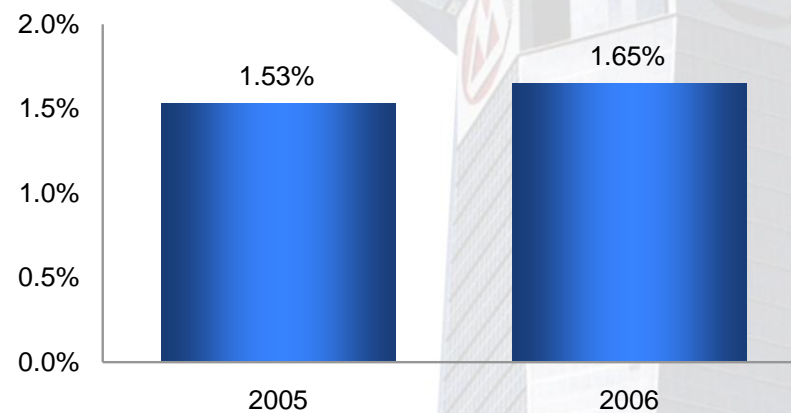
Profitability

Profitability continued to improve

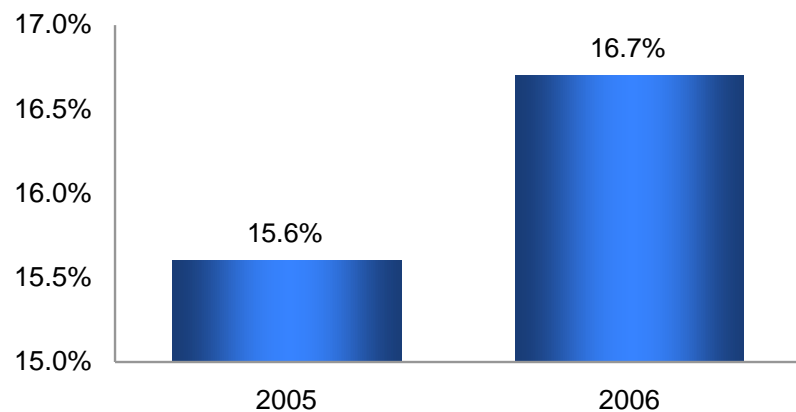
ROAA



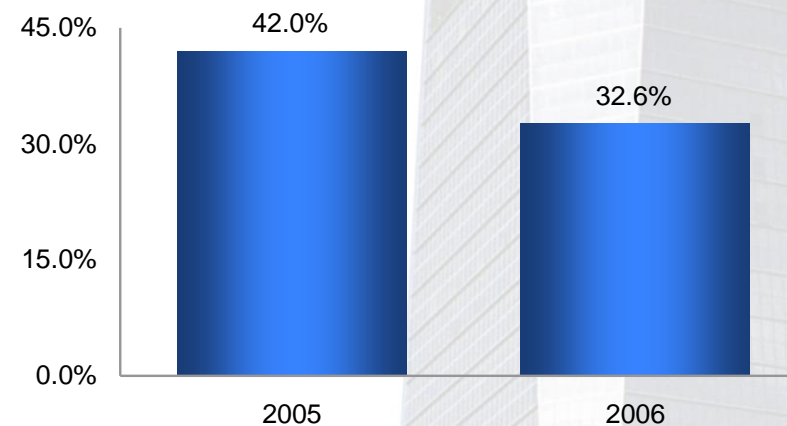
ROAA (pre-provision operating profits)



ROAE



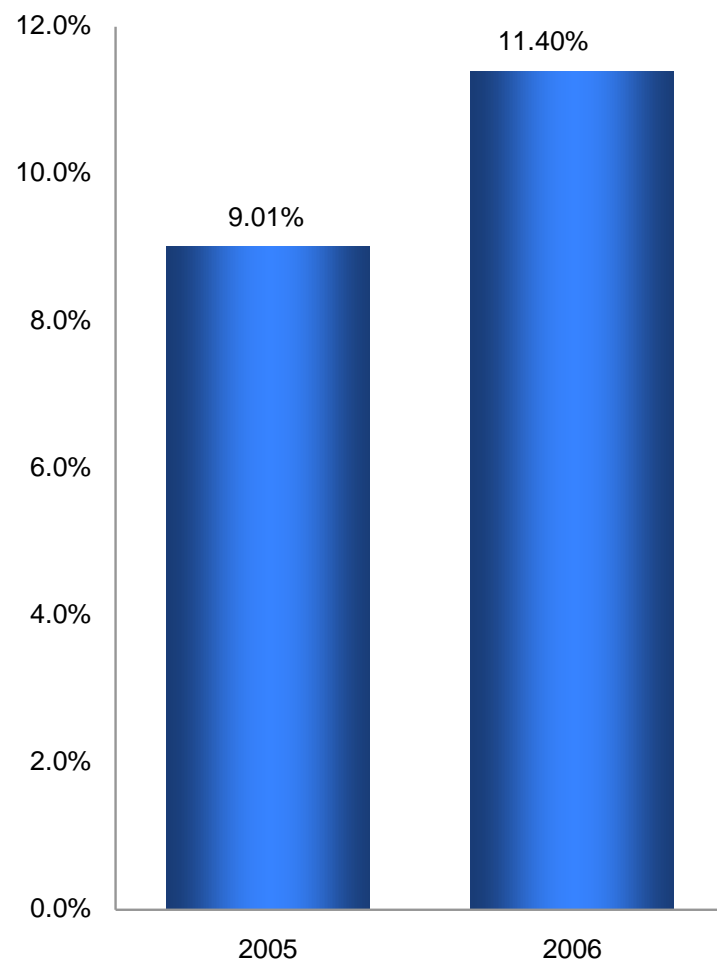
Effective tax rate



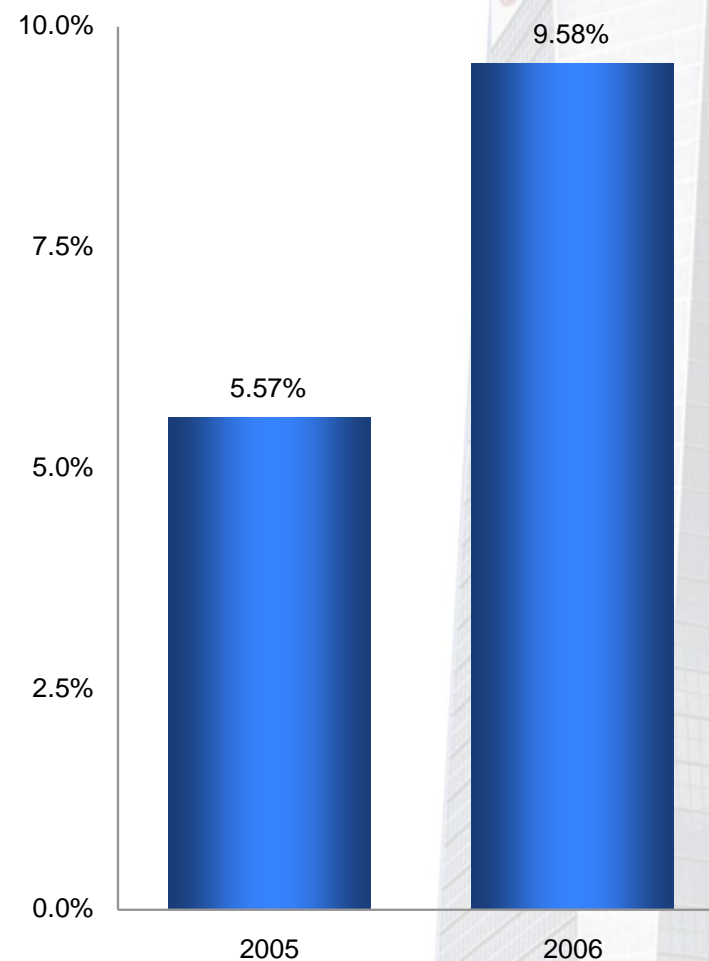
Capital Adequacy Ratios

Post H share IPO, our capital adequacy ratios increased substantially

Capital adequacy ratio



Core capital adequacy ratio





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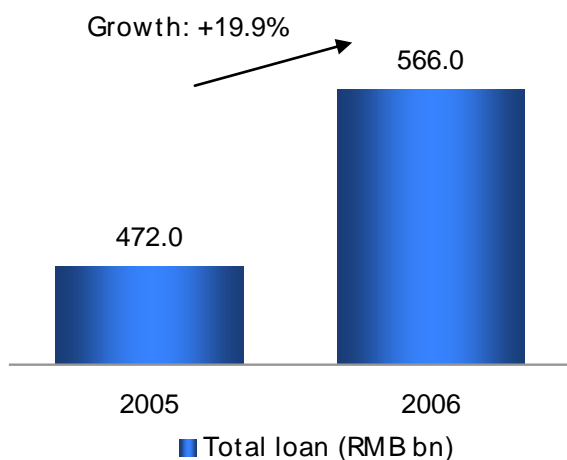
Financial Analysis

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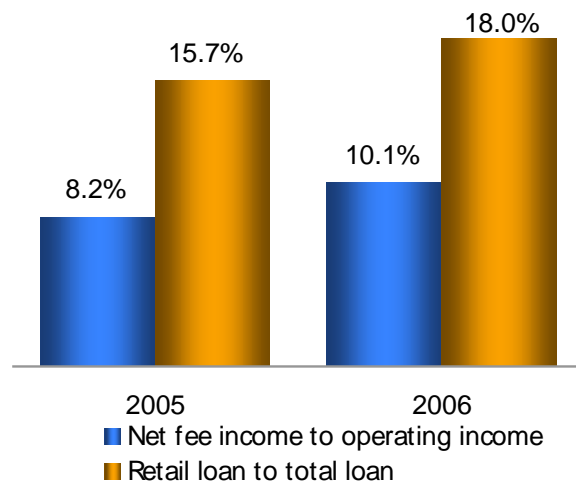
Summary and Outlook

Summary of 2006 Results

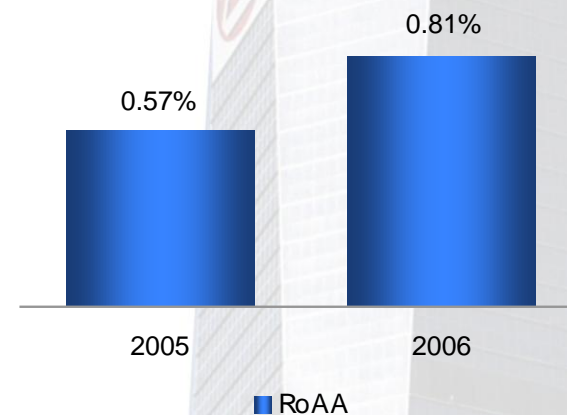
Moderate loan growth



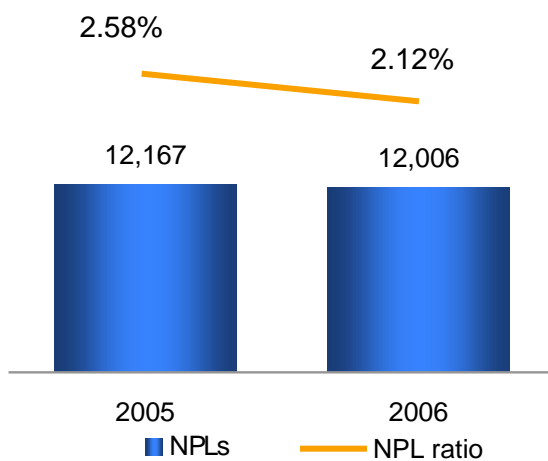
Improved business mix



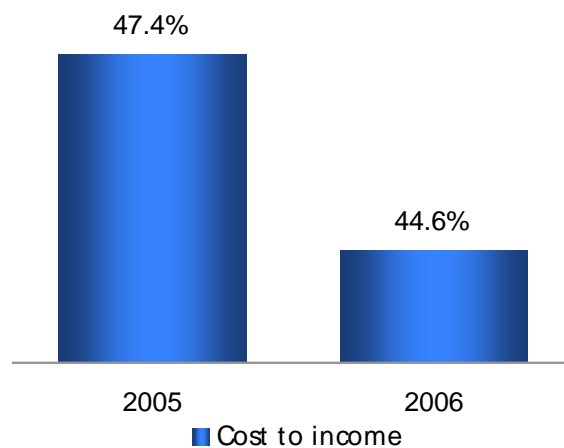
Significant increase in profitability



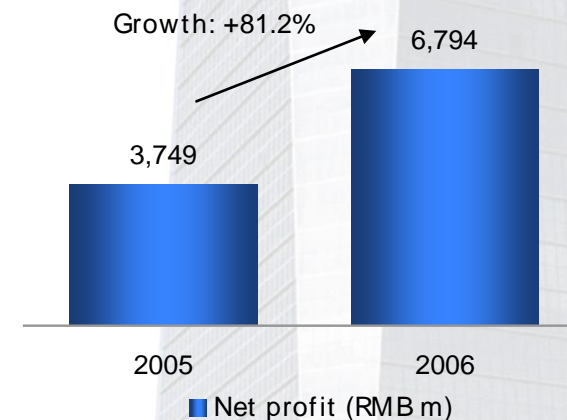
Enhanced asset quality



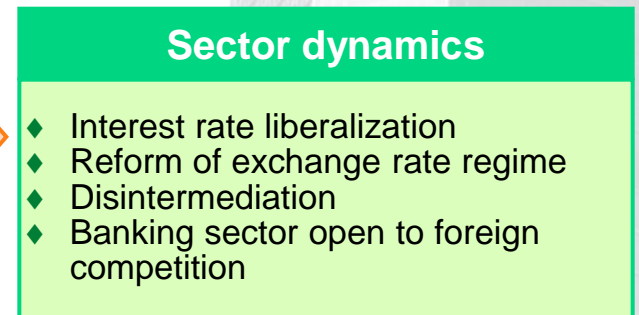
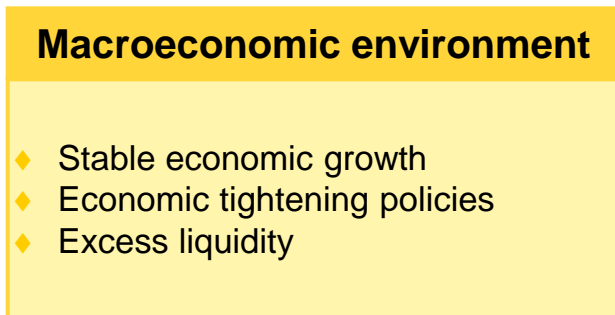
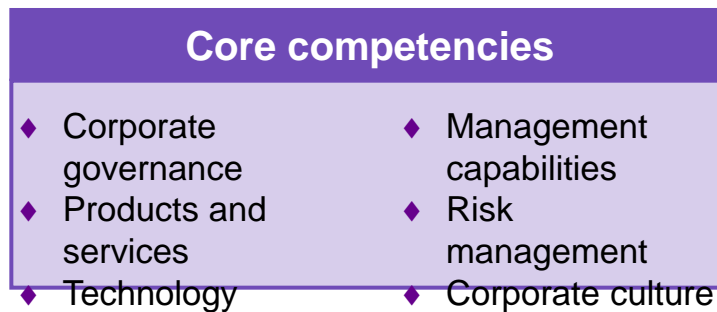
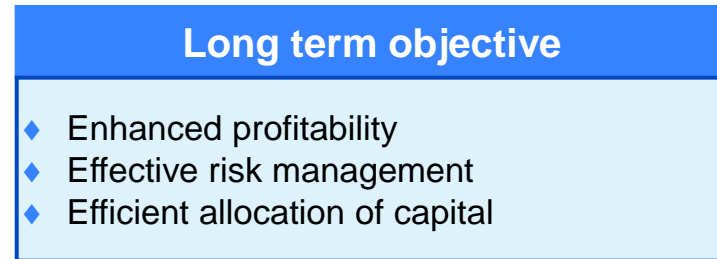
Reduced cost to income ratio



Substantial bottom line growth



Strategy and Outlook





Q&A

