



招商銀行
CHINA MERCHANTS BANK



China Merchants Bank Co., Ltd. 2007 Results Announcement

March 2008



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

2007 Snapshot

We achieved record results in 2007

Operating Environment

challenges

- ◆ Continued macroeconomic tightening policy
 - Restricted loan growth
 - 6 times interest rate hike in one year
 - Deposit reserve rate raised from 9% to 14.5%
- ◆ Accelerated disintermediation
 - Rapid development of direct financing
 - Deposits converted into investments
- ◆ Accelerated appreciation of RMB

Opportunities

- ◆ NIM expansion due to interest rate hikes
- ◆ Strong equity market
 - Non-interest income business
 - Inter-bank business



Measures

- ◆ Strategic change in business model bearing fruit
 - Retail business
 - Non-interest income business
 - SME business
- ◆ Further strengthened the management of
 - ALM
 - Credit risk
 - Liquidity risk
 - FX risk
- ◆ Breakthrough in business diversification
 - 33.4% stake in China Merchants Fund
 - Setting up financial leasing company
 - NY branch approved

Financial Highlights

Strong financial results with net profit of RMB15.2 billion, an increase of 124.4% compared to 2006

(RMB mn)

Selected Balance Sheet data	2007	2006		% Growth
Total loans	673,167	565,702	↑	19.0%
Investments securities	244,123	178,885	↑	36.5%
Total assets	1,310,552	934,102	↑	40.3%
Customer deposits	943,534	773,757	↑	21.9%
Shareholders' equity	67,984	55,160	↑	23.2%

Selected P&L data	2007	2006		% Growth
Net interest income	33,902	21,509	↑	57.6%
Non-interest income(adjusted)	7,184	3,357	↑	114.0%
Operating income(adjusted)	41,086	24,866	↑	65.2%
Pre-provision operating profit	24,348	13,775	↑	76.8%
Pre-tax profit	21,043	10,084	↑	108.7%
Net profit	15,243	6,794	↑	124.4%

Notes: adjusted by gain from investment in an associate

Financial Highlights

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

Key ratios	2007	2006	Change(percentage point)	
Return on average equities	24.8%	16.7%	↑	8.0%
Return on average assets	1.36%	0.81%	↑	0.54%
Net interest margin	3.11%	2.72%	↑	0.39%
Net fee income as % of operating income (adjusted)	15.7%	10.1%	↑	5.6%
Non-interest income ratio (adjusted)	17.5%	13.5%	↑	4.0%
Cost to income ratio (excluding business tax)	34.9%	38.3%	↓	3.3%
Credit cost	0.49%	0.68%	↓	0.20%
Non performing loan ratio	1.54%	2.12%	↓	0.58%
Special mentioned loan ratio	2.13%	2.03%	↓	0.11%
Coverage ratio	180.4%	135.6%	↑	44.8%
Loan to deposit ratio	71.3%	73.1%	↓	1.8%
Capital adequacy ratio	10.7%	11.4%	↓	0.7%
Effective tax rate	27.6%	32.6%	↓	5.1%
Number of branches	579	504	↑	—

Notes: adjusted by gain from investment in an associate



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Summary of Income Statement

(RMB mn except for EPS)	2007	2006		Growth %
Net interest income	33,902	21,509	↑	57.6%
Net fee and commissions	6,439	2,514	↑	156.1%
Non-interest income	7,184	3,357	↑	114.0%
Operating income	41,086	24,866	↑	65.2%
Operating expense	(16,738)	(11,091)	↑	50.9%
Pre-provision operating profit	24,348	13,775	↑	76.8%
Provisions	(3,305)	(3,691)	↓	(10.5%)
Pre-tax profit	21,043	10,084	↑	108.7%
Income tax	(5,800)	(3,290)	↑	76.3%
Net profit	15,243	6,794	↑	124.4%
EPS (fully diluted)	1.04	0.53	↑	96.2%

Summary of Balance Sheet

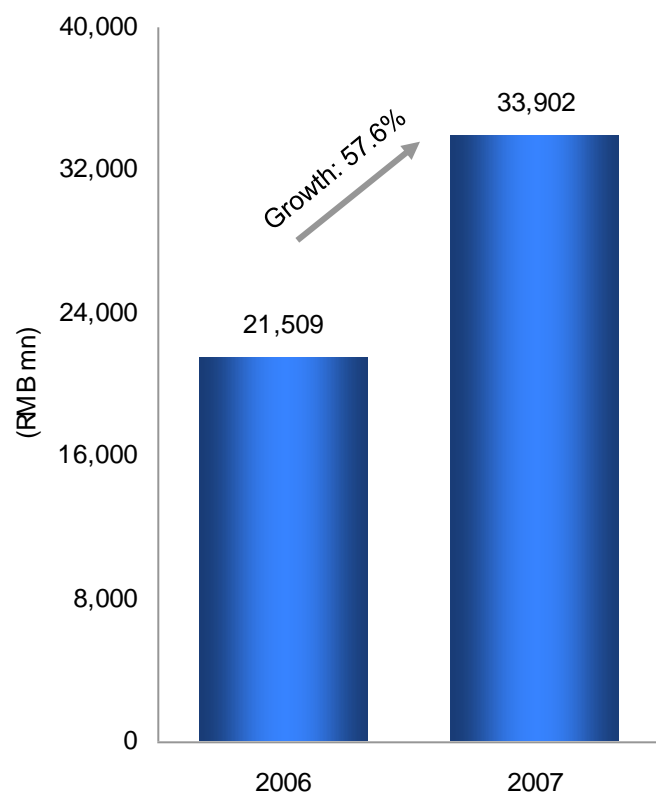
Balance sheet growth driven by inter-bank placement

(RMB mn)	2007	2006		Growth %
Total loans	673,167	565,702	↑	19.0%
Provisions for impairment loans	(18,750)	(16,282)	↑	15.2%
Investments securities	244,123	178,885	↑	36.5%
Placement with other banks	239,564	104,410	↑	129.4%
Total assets	1,310,552	934,102	↑	40.3%
Interbank deposits	265,123	76,603	↑	246.1%
Convertible bonds	13	22	↑	(40.9%)
Subordinated debts	3,500	3,500		–
Other debts	9,992	9,987	↑	0.1%
Total liabilities	1,242,568	878,942	↑	41.4%
Shareholders' equity	67,984	55,160	↑	23.2%

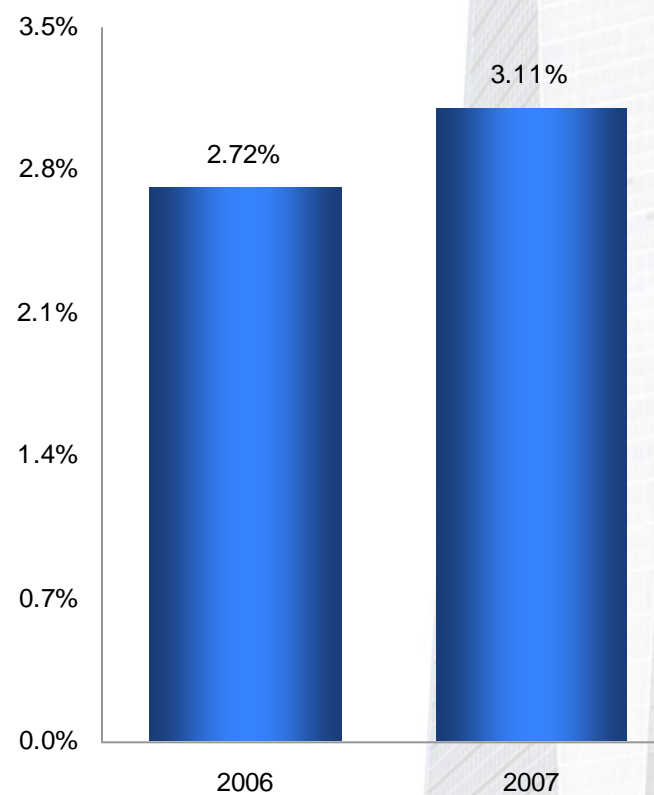
Strong Growth in Net Interest Income

Rapid growth in net interest income with widening net interest margin

Net interest income

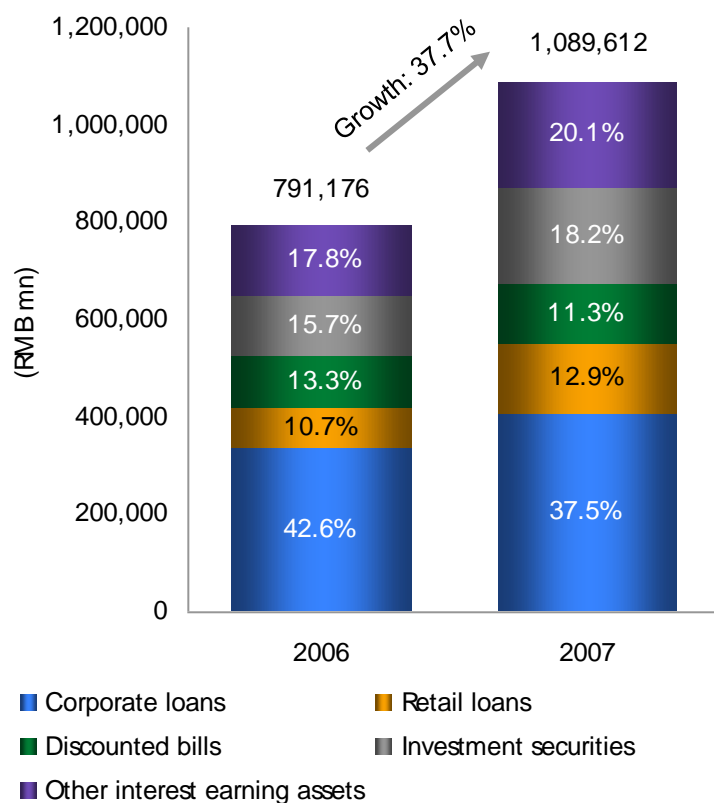


Net interest margin

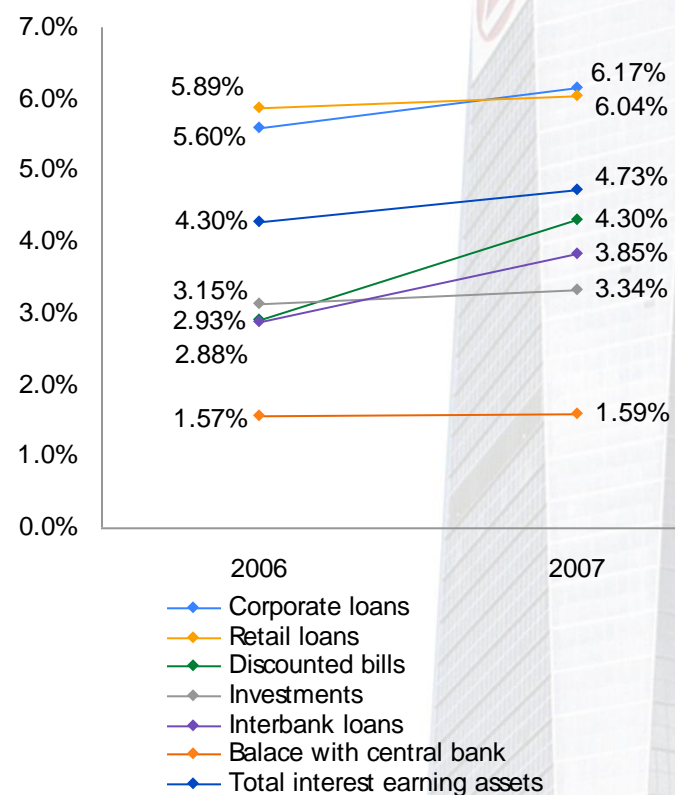


Significant Increase in Asset Yields

Average interest-earning assets



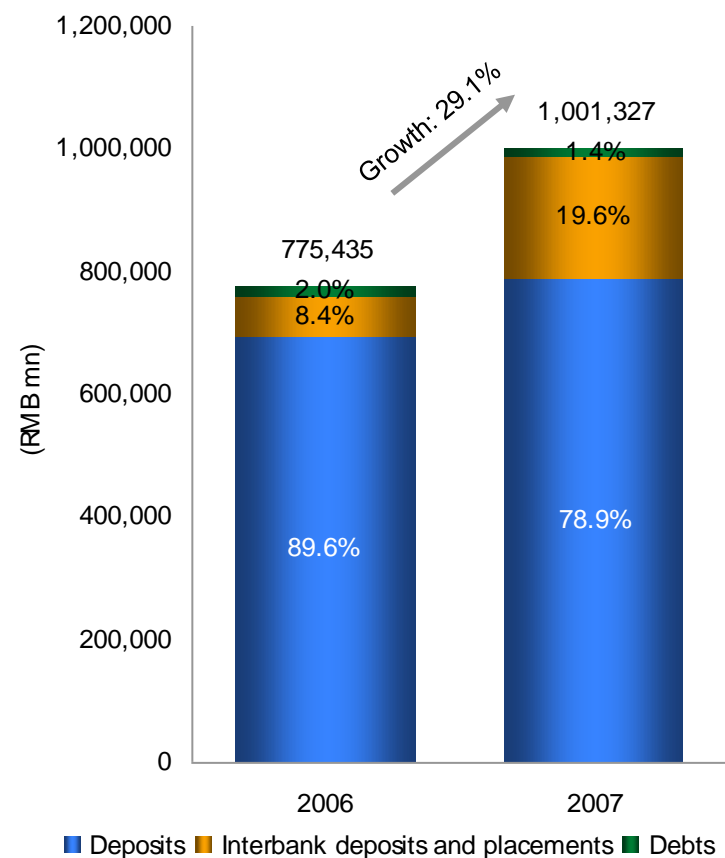
Average yield



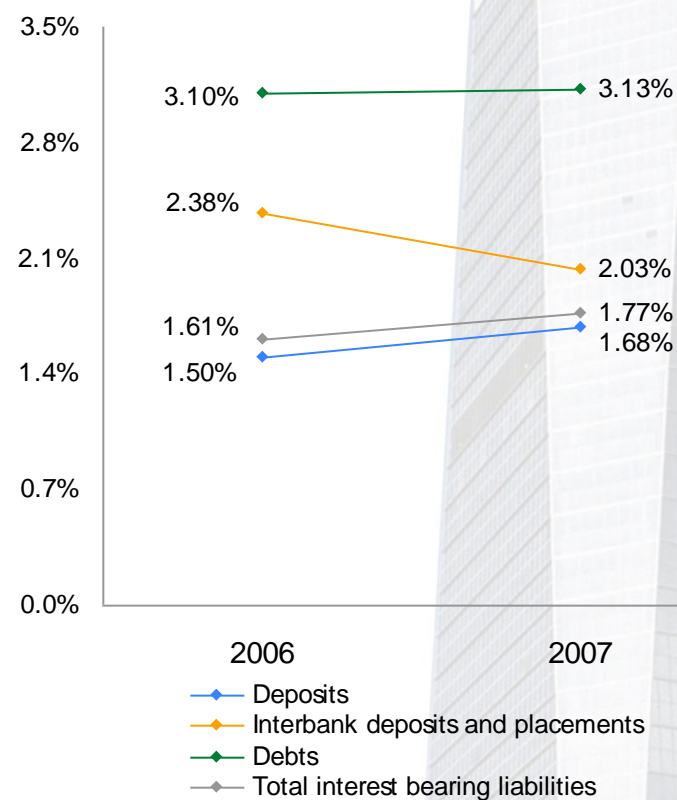
Cost of liabilities

Actively managing liabilities to control cost

Average interest-bearing liabilities



Average cost

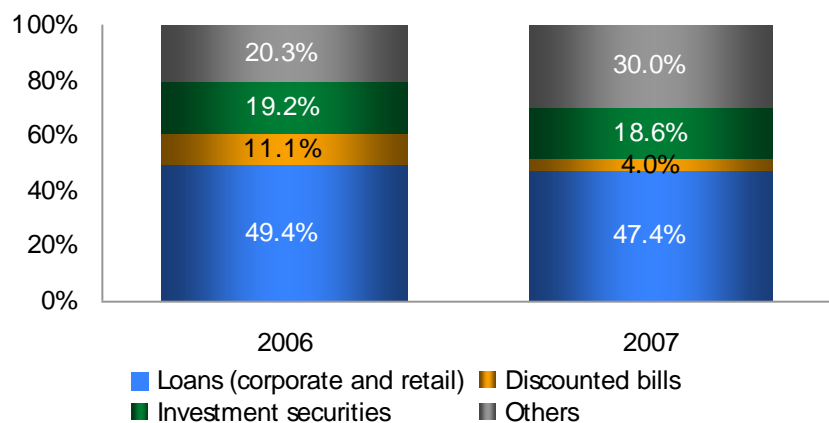


Source:

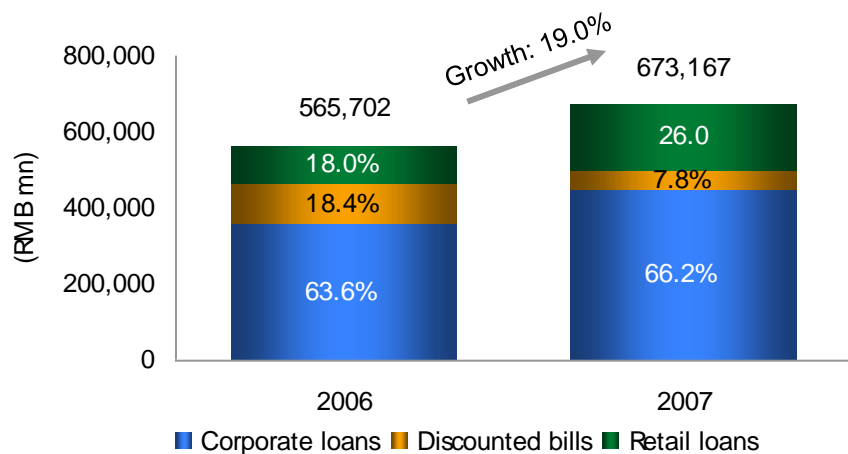
- 1 Debts included certificate of deposits, convertible bonds, financial bonds and subordinate debts

Steady Loan Growth

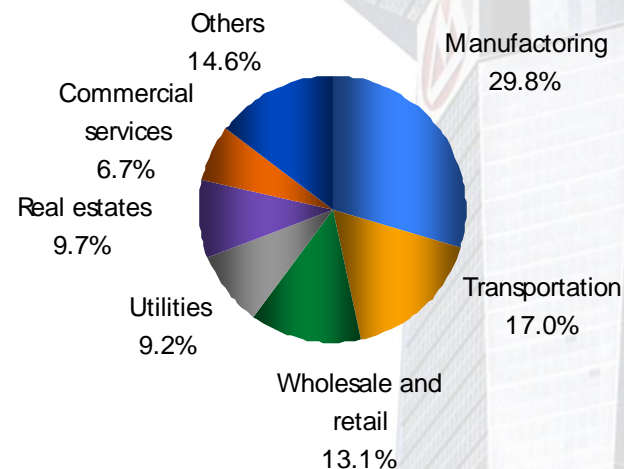
Asset allocation



Loan growth

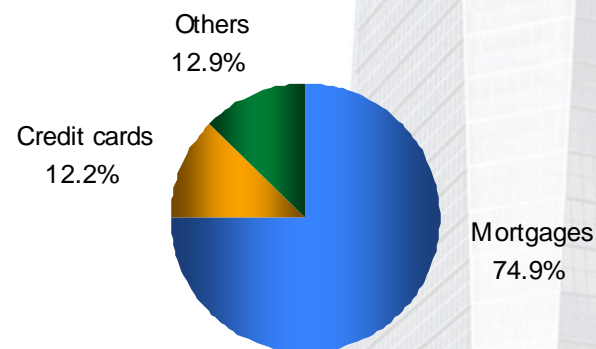


Corporate loans breakdown(2007)



Source: Others include construction, mining, education, IT and software and other industries

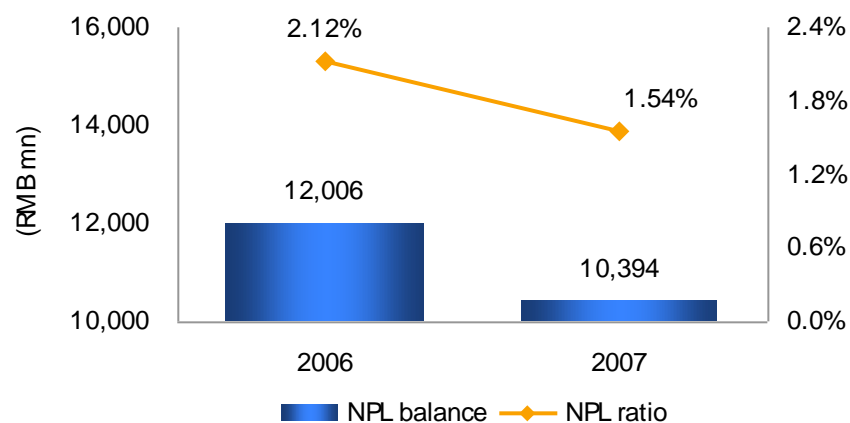
Retail loans breakdown(2007)



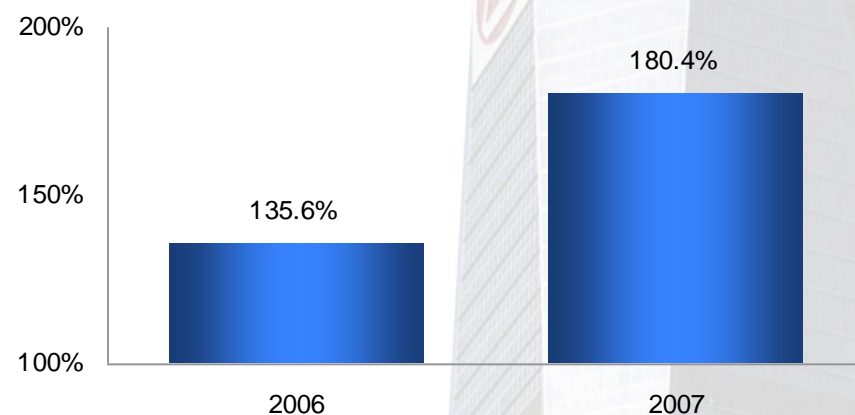
Improving Asset Quality

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

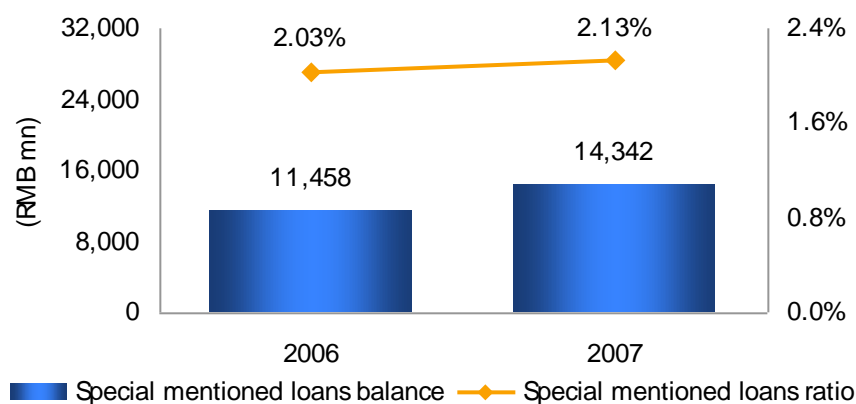
NPL balance and NPL ratio



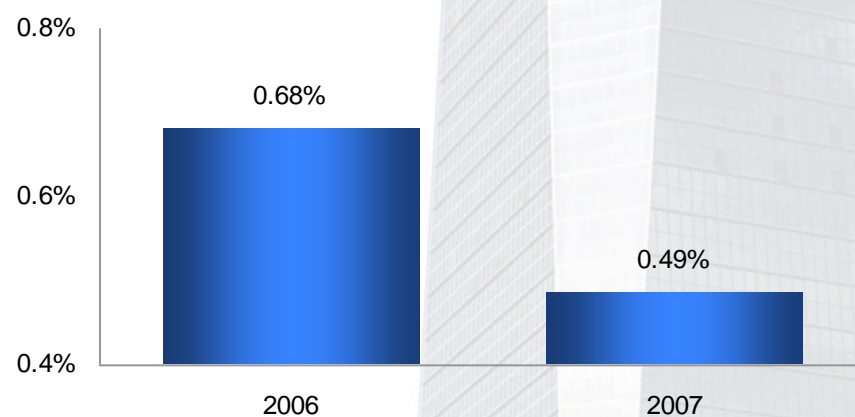
NPL coverage ratio



Special mention loan balance and ratio



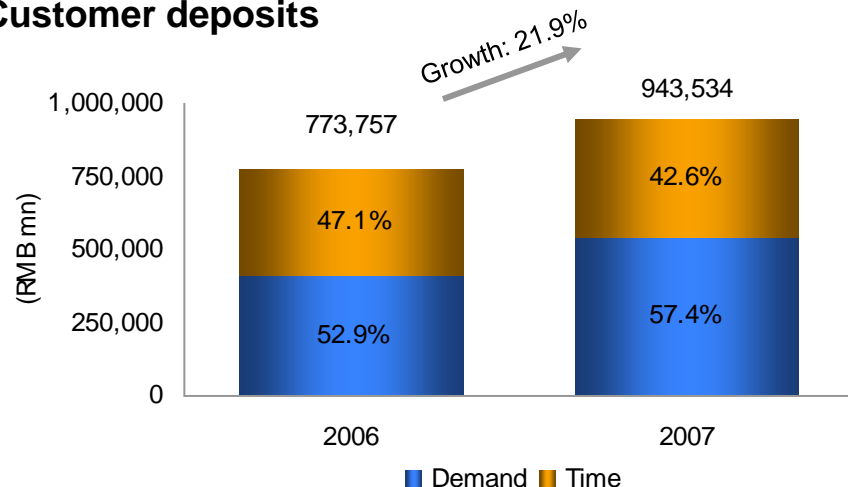
Credit costs



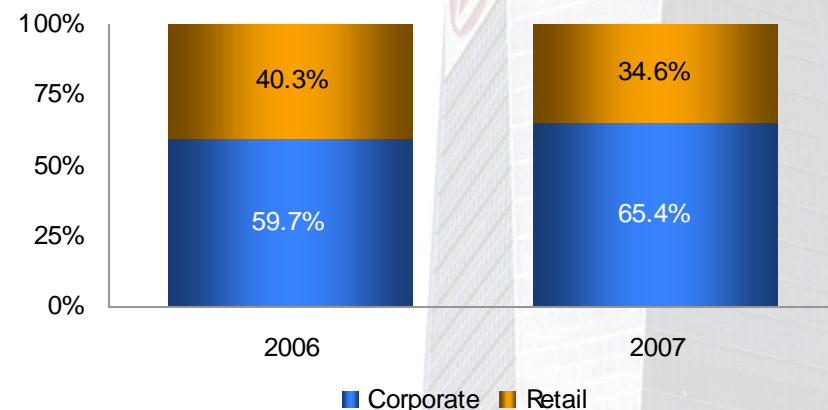
Customer Deposits

Customer deposits grew 21.9%. Deposit composition remained stable

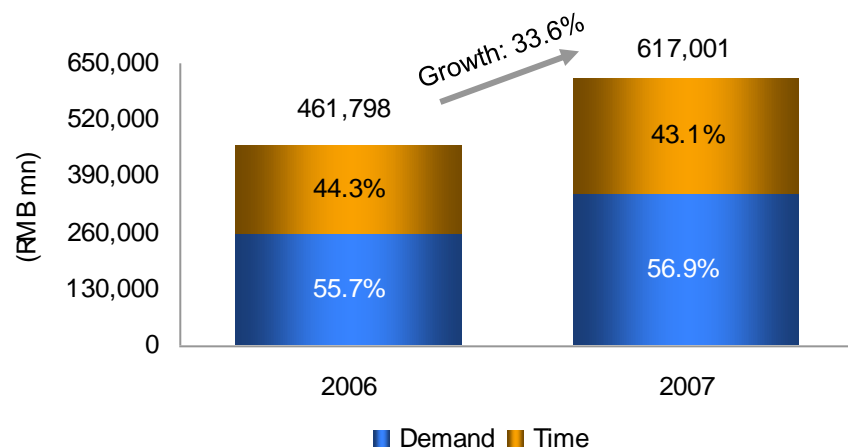
Customer deposits



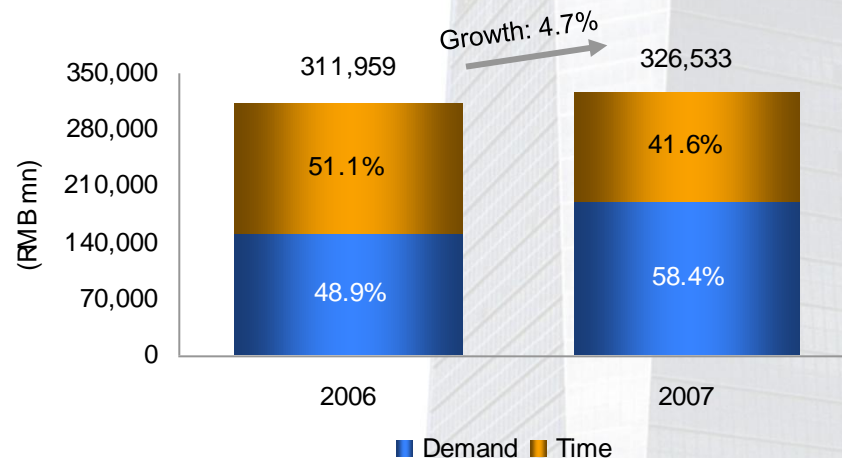
Customer deposits composition (by customer type)



Corporate deposits composition (by maturity term)



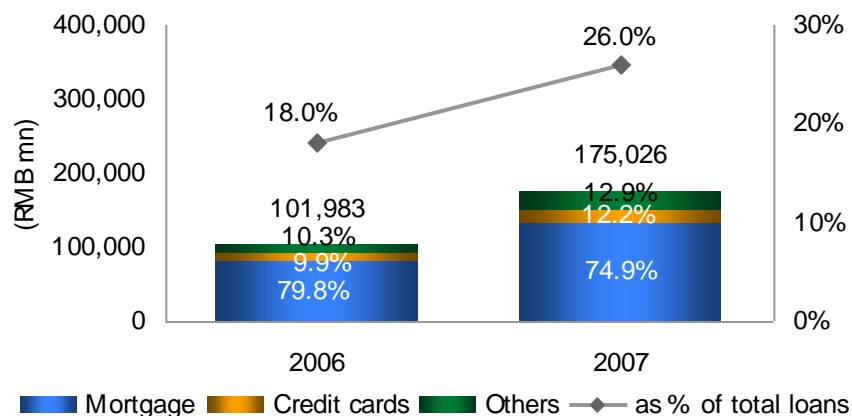
Retail deposits composition (by maturity term)



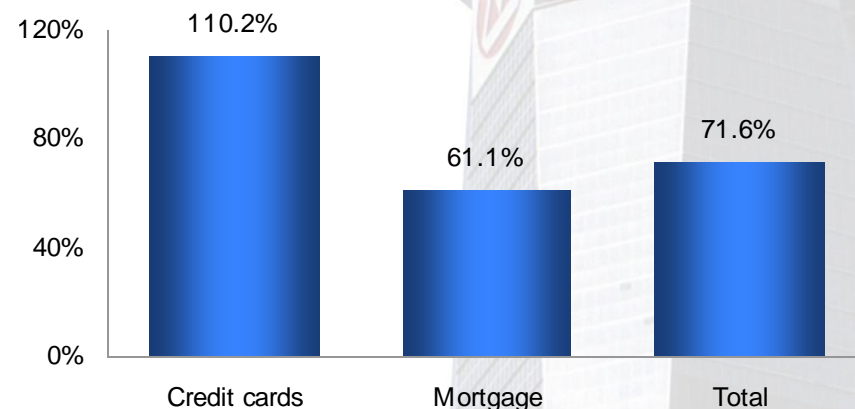
Strong Growth of Retail Banking

Significant growth in retail business

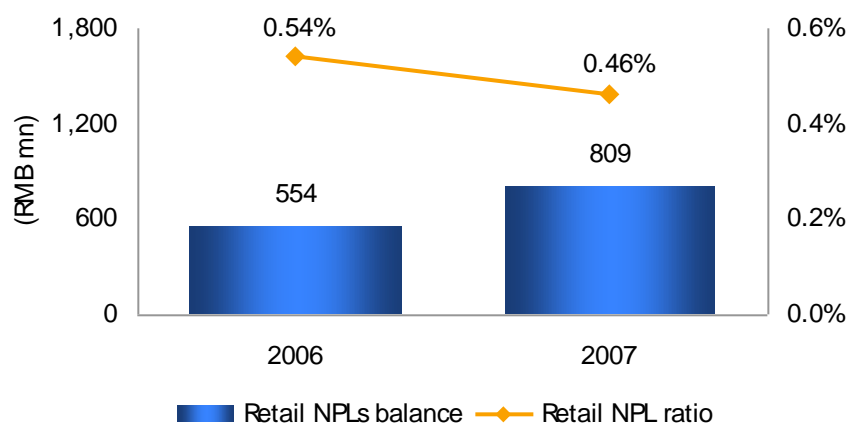
Retail loans



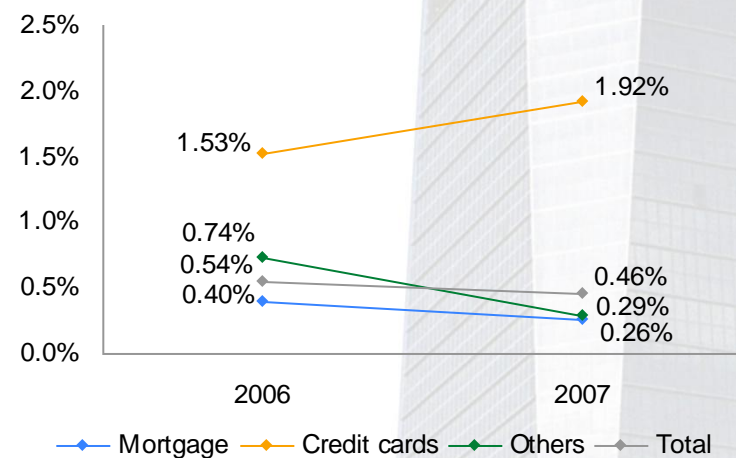
Retail loan YoY growth



Retail NPL balances and ratio

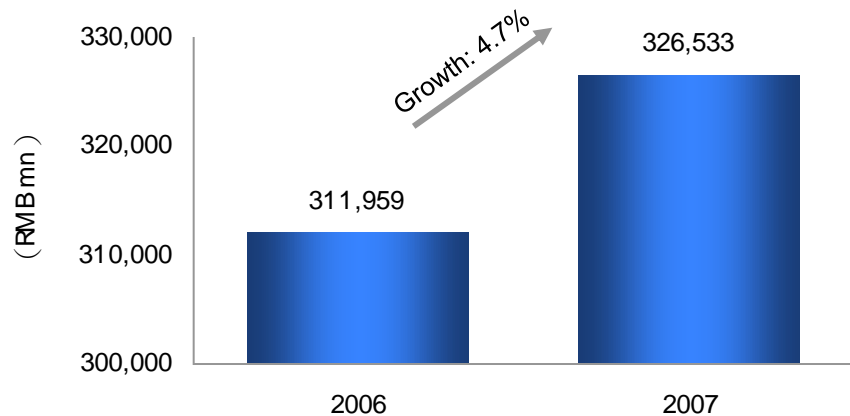


Detailed retail NPL ratios (To come)

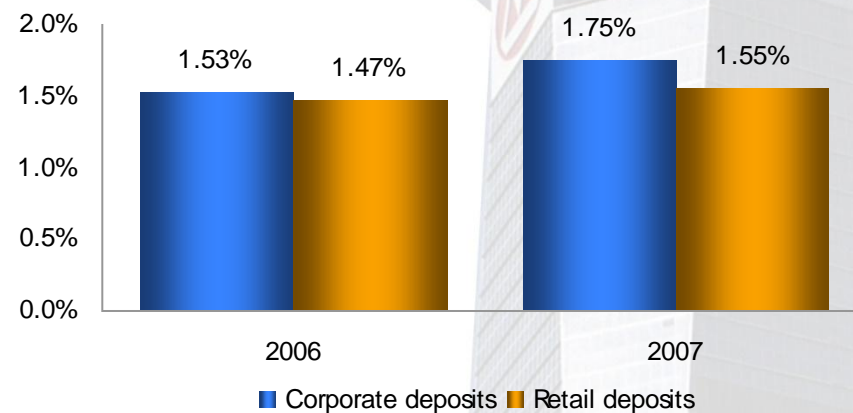


Retail Deposits

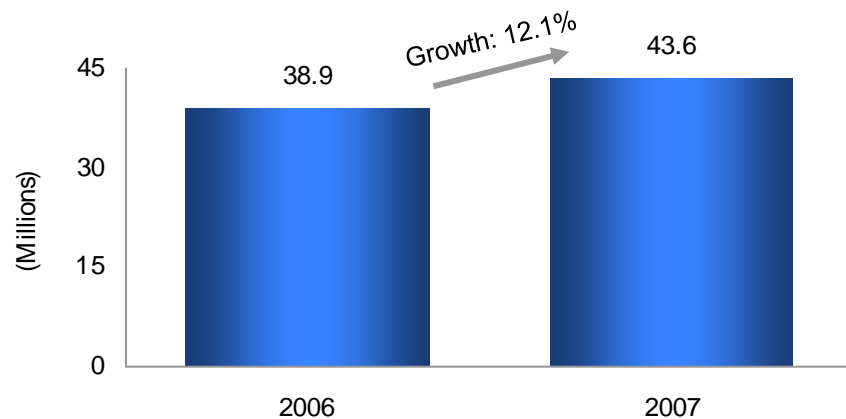
Retail deposits



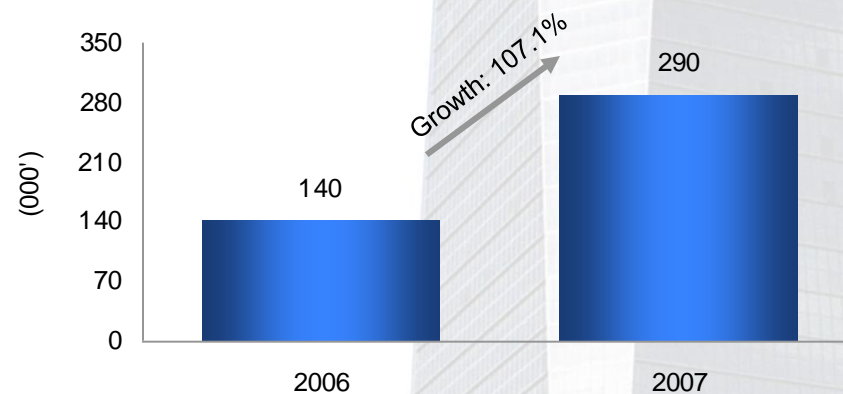
Deposit costs



Number of All-in-one cards issued



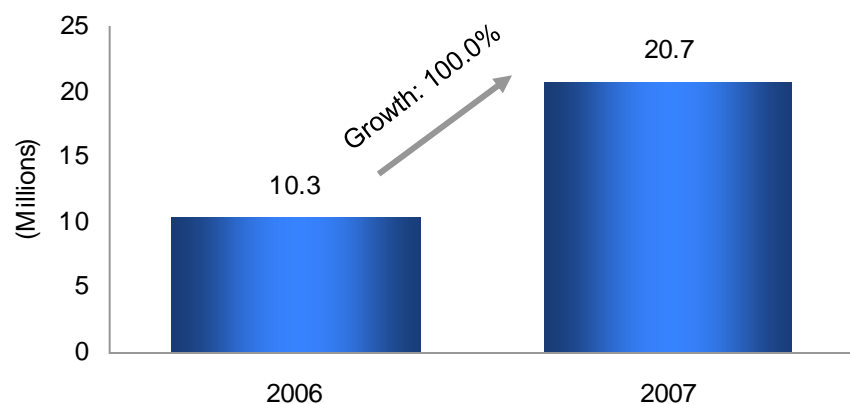
Number of Sunflower customers



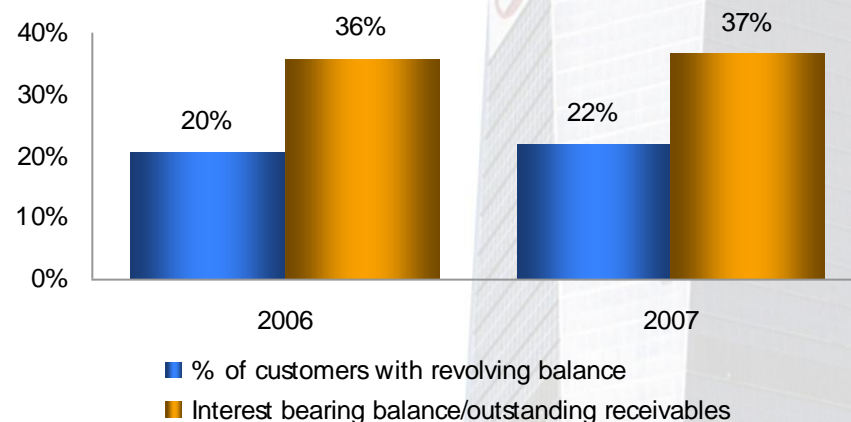
Leading Credit Card Business

Strong growth in credit card business

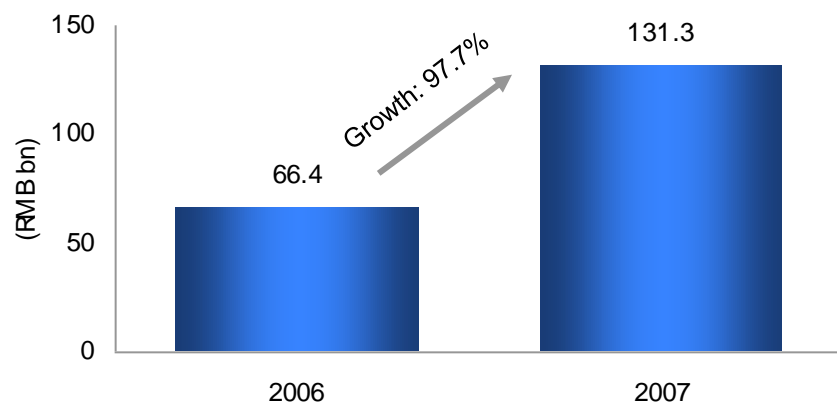
Number of credit cards issued



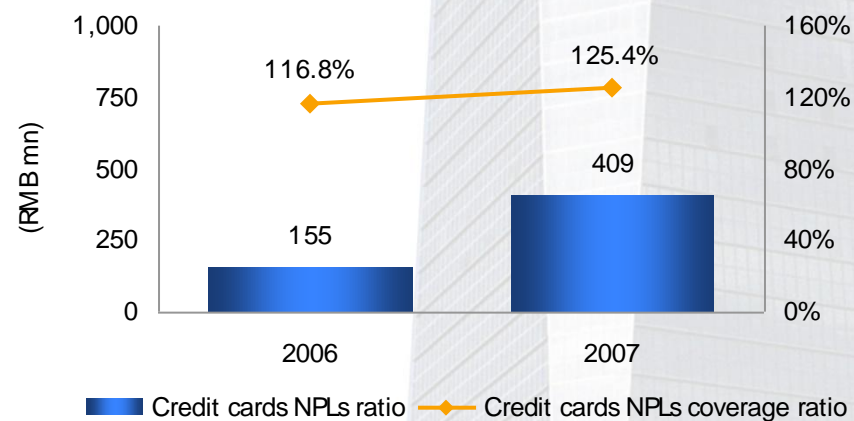
Credit card revolvers



Credit card transaction volumes



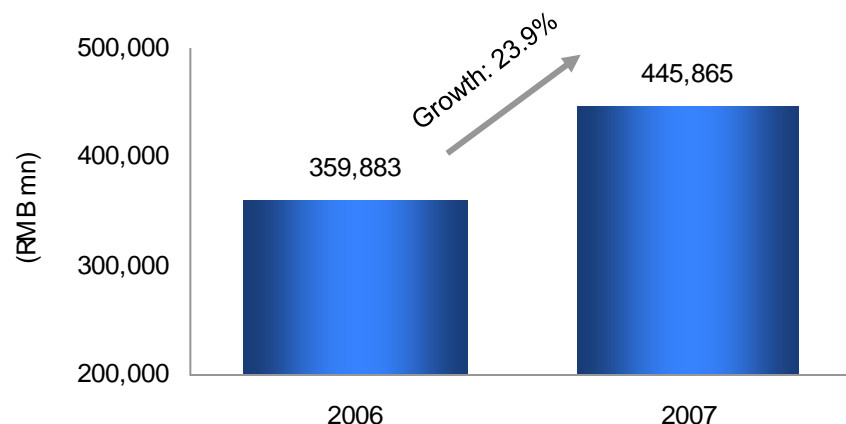
Credit card NPLs and coverage ratio



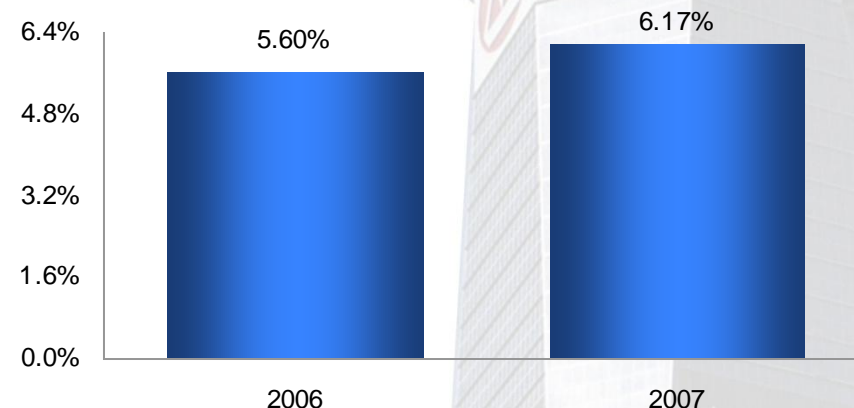
Continued Growth in Corporate Banking

Significant increase in corporate loan yield, asset quality further improved

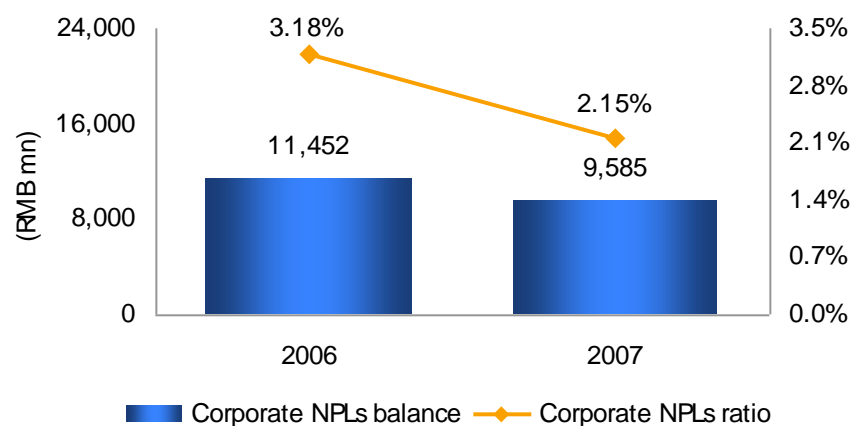
Corporate loan



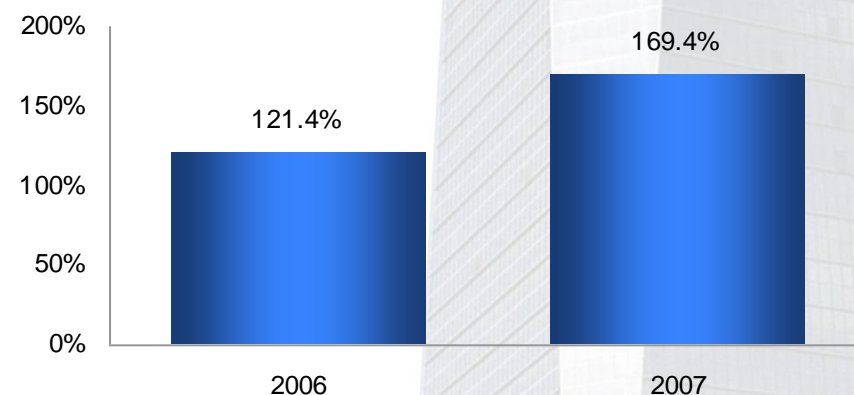
Corporate loan yield



Corporate NPL balance and ratio



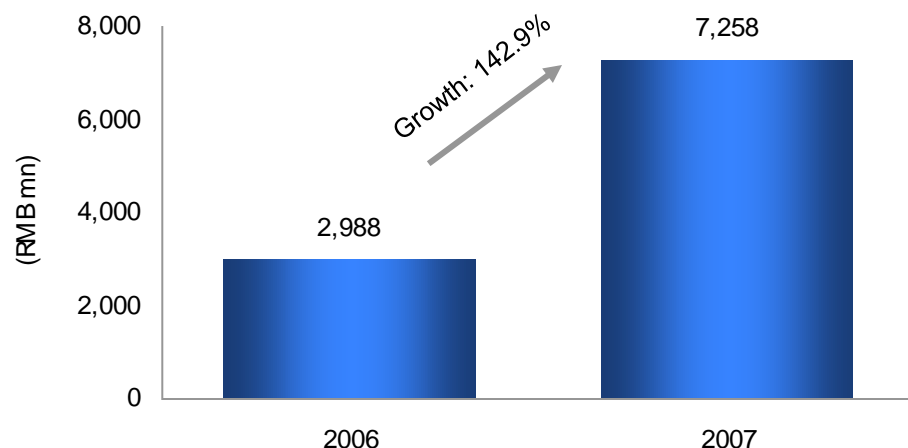
Corporate NPL coverage ratio



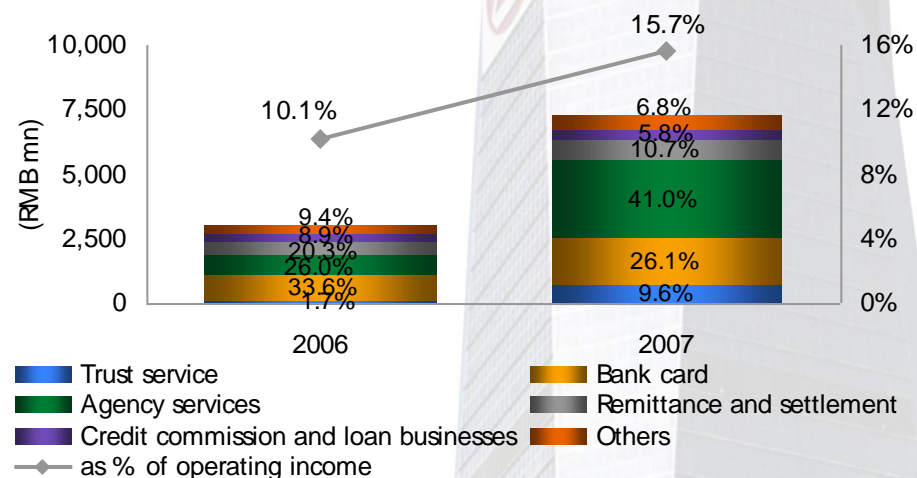
Strong Growth in Fee Income Business

Agency revenue for mutual fund and asset management product distribution drive the growth of fee income

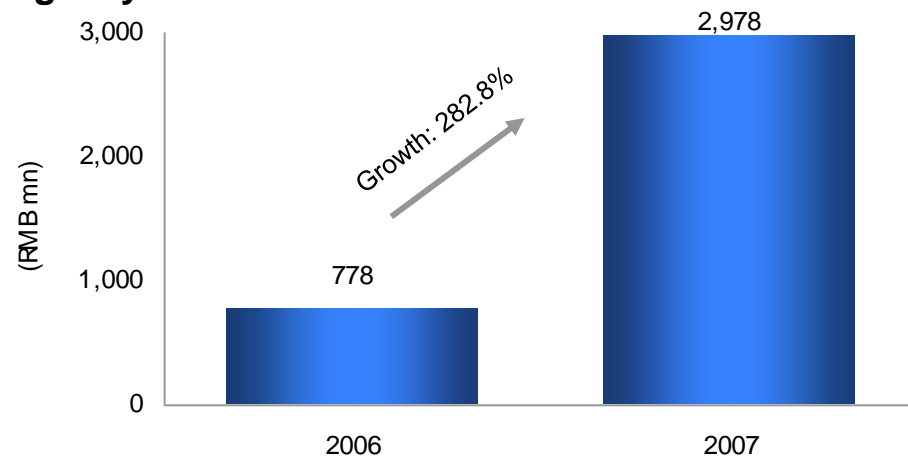
Total fee income



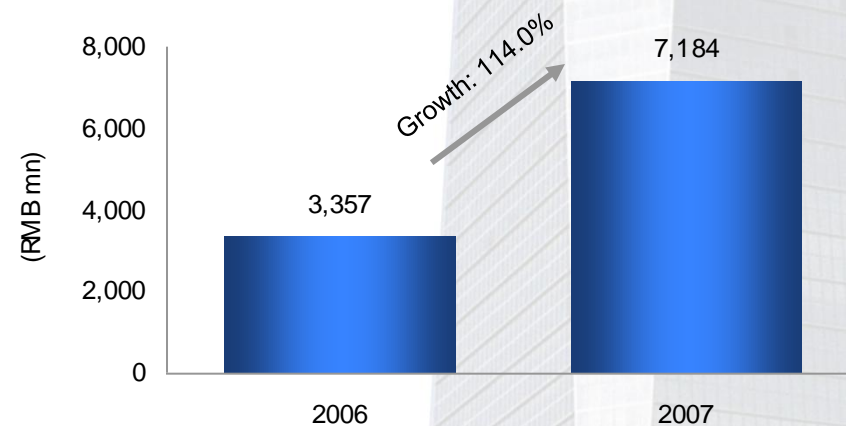
Fee income breakdown and net fee income as % of total income



Agency services fee



Non-interest income

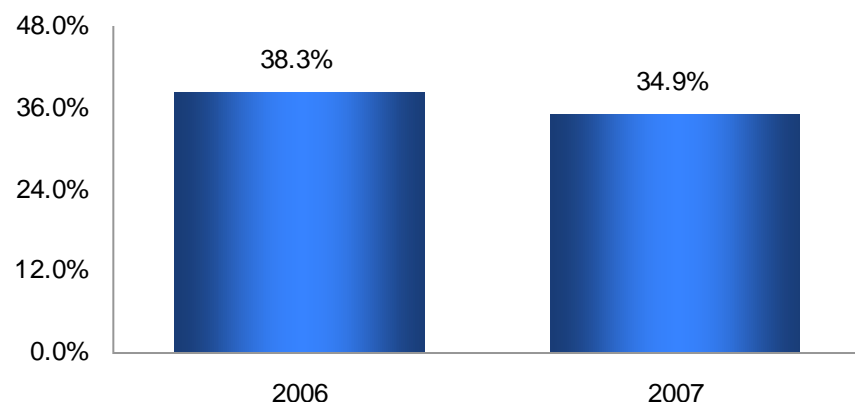


Notes: adjusted by gain from investment in associate

Improving Operating Efficiency

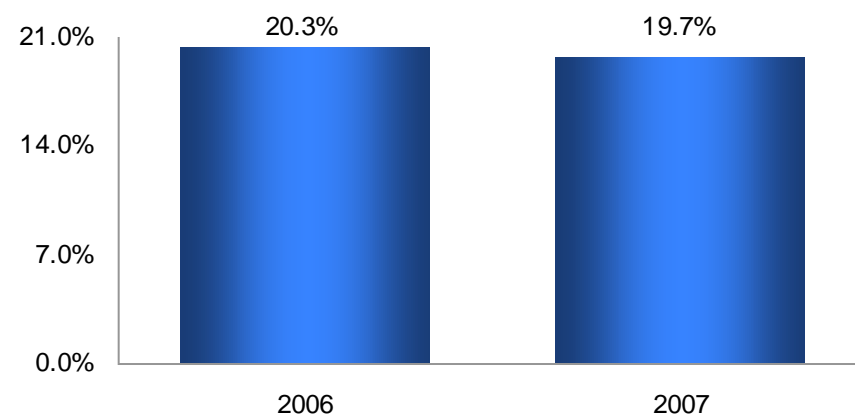
Cost to income ratio fell steadily while operating income per staff and per branch continued to increase

Cost to income ratio (excluding business tax)

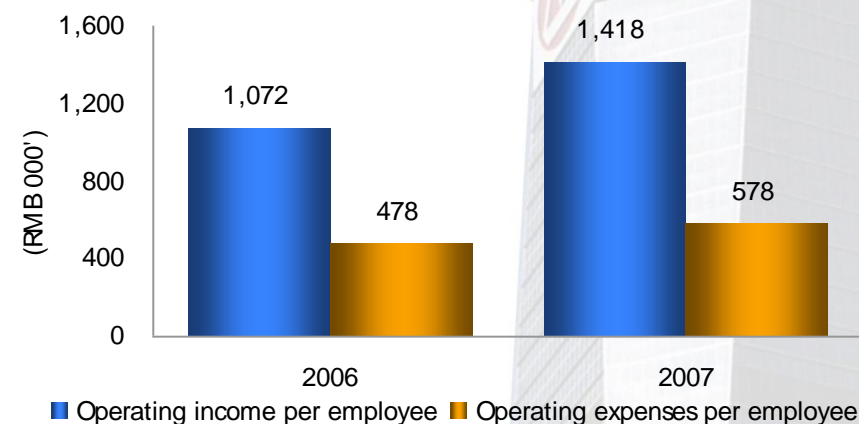


Notes: adjusted by gain from investment in associate

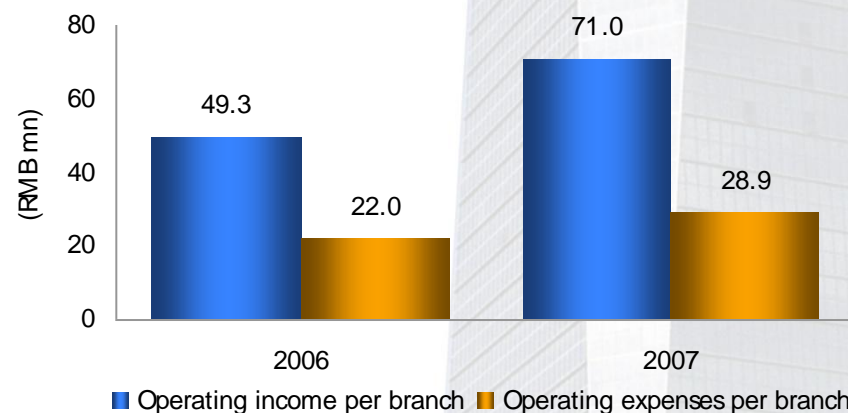
Staff expenses as a % operating income



Income and cost per staff



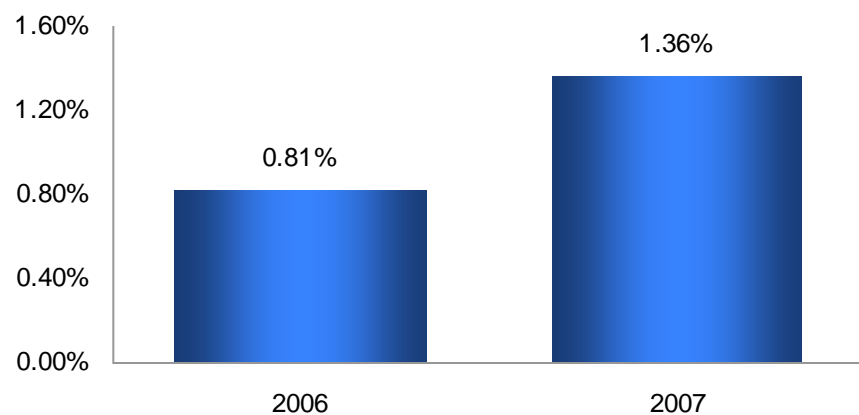
Income and cost per branch



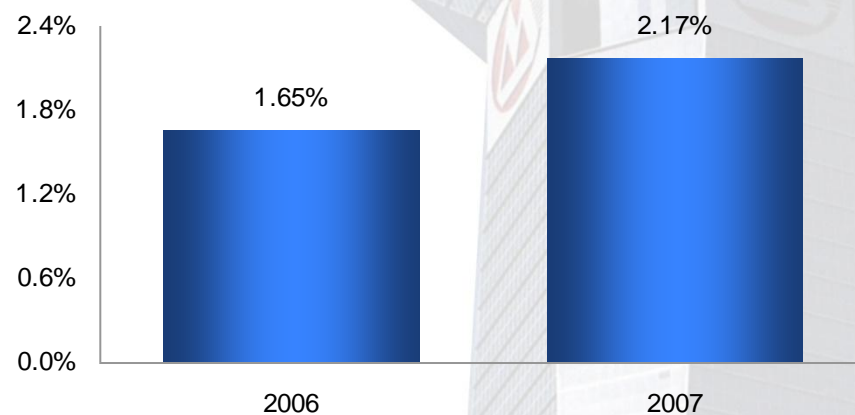
Profitability

Profitability continued to improve

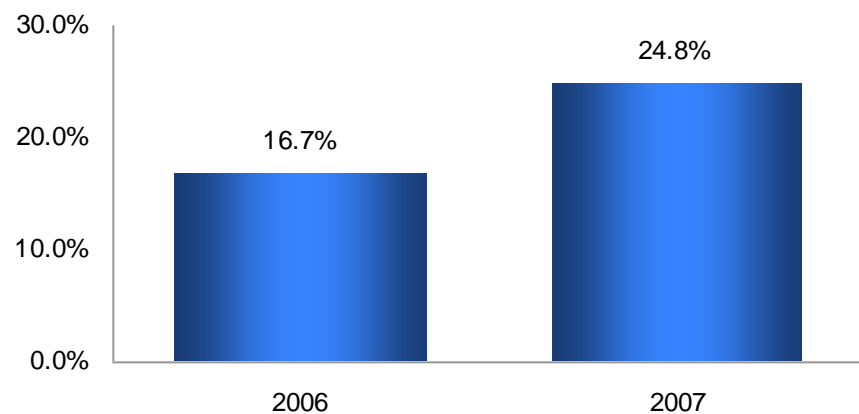
ROAA



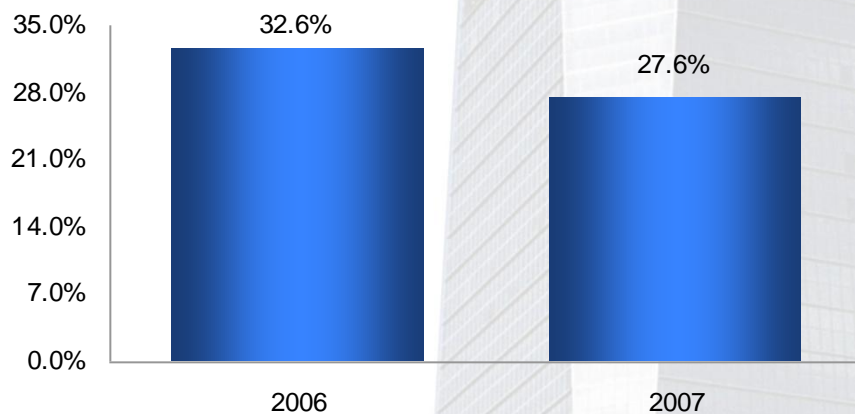
ROAA (pre-provision operating profits)



ROAE



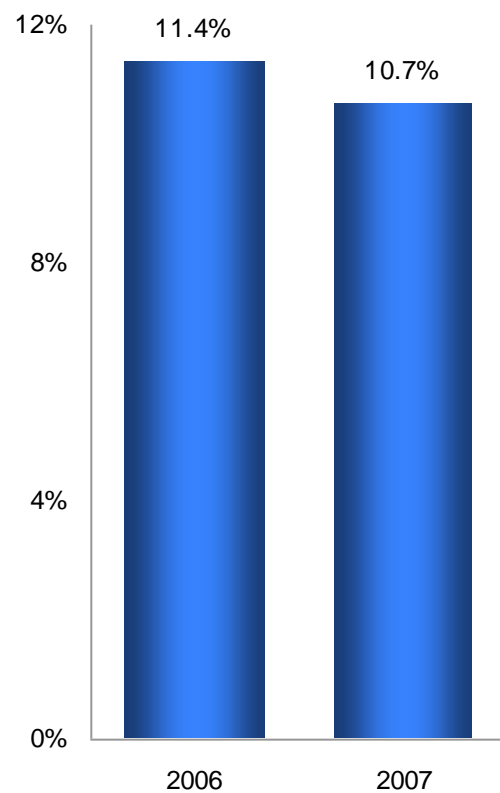
Effective tax rate



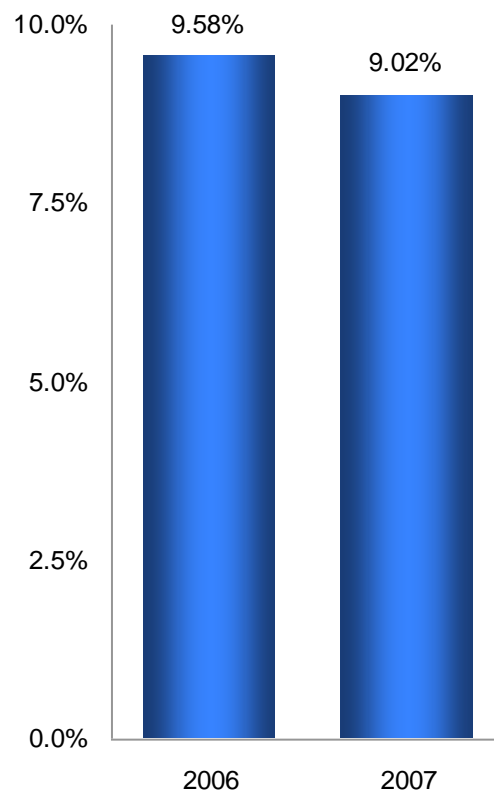
Capital Adequacy Ratios

Capital adequacy ratios remain stable

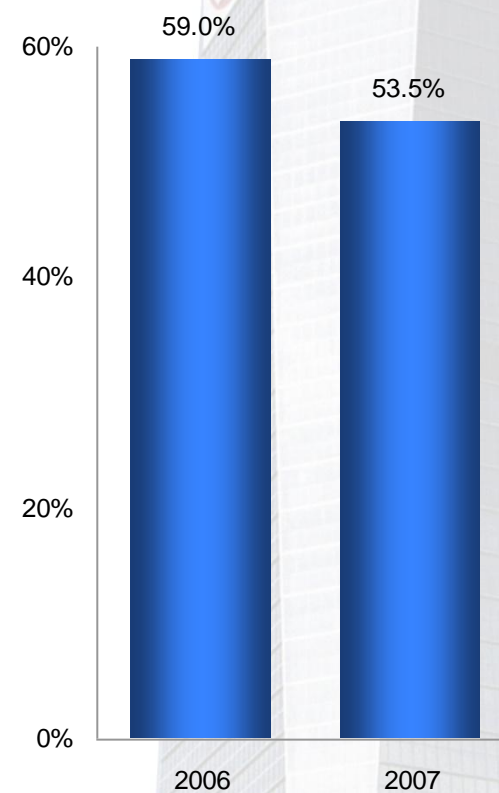
Capital adequacy ratio



Core capital adequacy ratio



RWA as % of total assets





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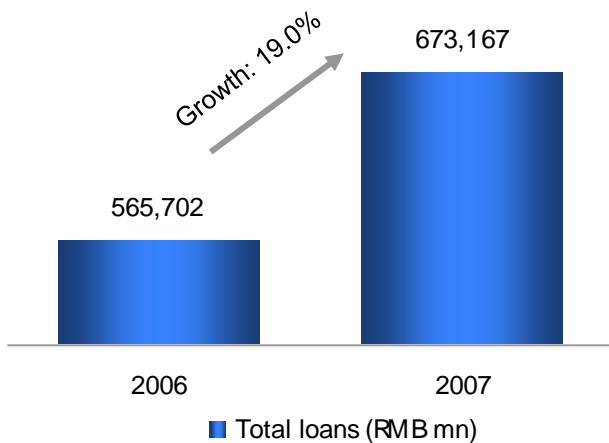
Financial Analysis

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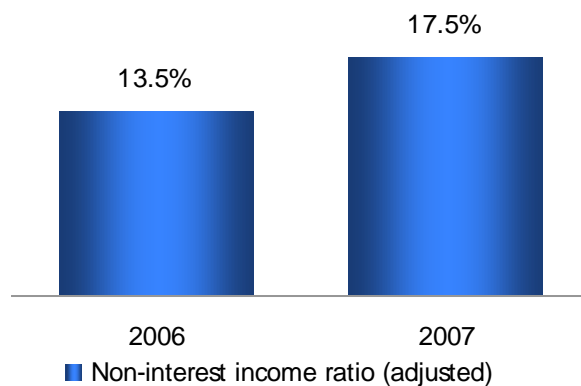
Summary

2007 performance highlight

Moderate loan growth

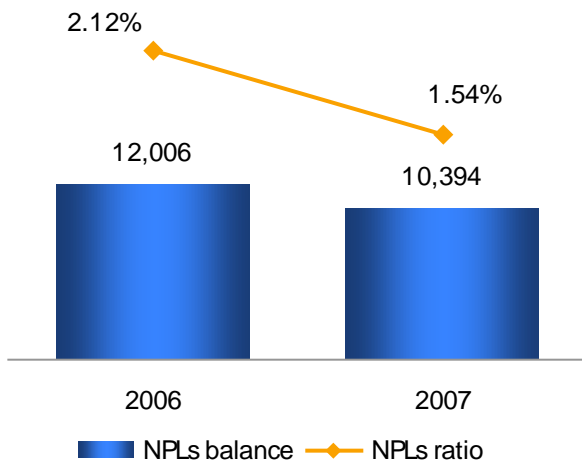


Improved business mix

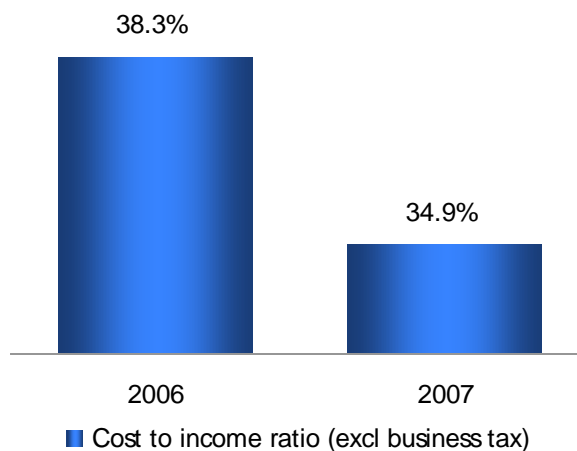


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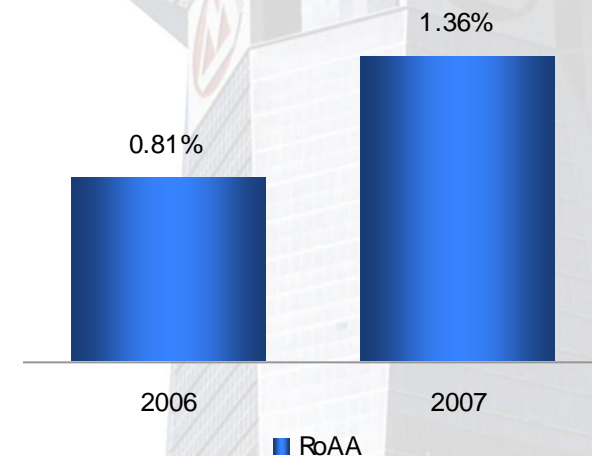
Enhanced asset quality



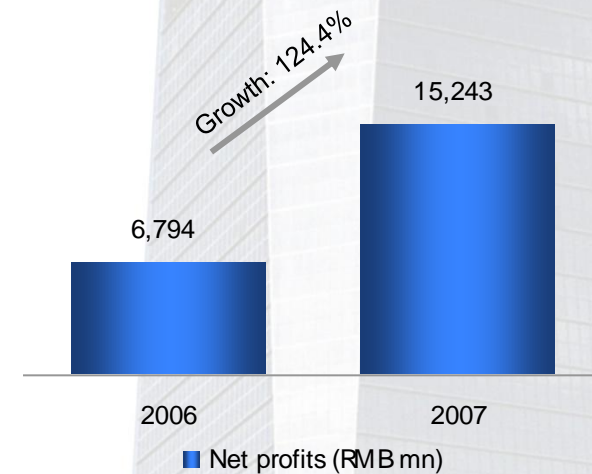
Reduced cost to income ratio



Significant increase in profitability



Substantial bottom line growth





Q&A

