



# China Merchants Bank Co., Ltd. 2007 Interim Results Announcement

August 2007



# Forward-Looking Statement Disclaimer

This presentation and subsequent discussions may contain 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 may be expressed to be 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 reflect our belief only as of the date of this presentation. These forward-looking statements are based on our own information and on information from other sources we believe to be reliable. They relate to future events or our future financial, business or other performance and are subject to a number of uncertainties that may cause our actual results to differ materially.



# Agenda

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**Highlights**

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2007 Interim Results Analysis

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# Financial Highlights

Strong financial results with net profit of RMB 6.12 billion, representing an increase of 120.4% as compared to 1H 2006

(RMB million)

<b>Balance Sheet</b>	<b>1H 2007</b>	<b>2006</b>		<b>Growth</b>
Customer loans	629,553	565,702	↑	11.3%
Total assets	1,108,776	934,102	↑	18.7%
Investment securities	203,419	178,885	↑	13.7%
Customer deposits	844,571	773,757	↑	9.2%
Shareholder's equity	59,236	55,160	↑	7.4%

<b>Income Statement</b>	<b>1H 2007</b>	<b>1H 2006</b>		<b>Growth</b>
Net interest income	14,696	9,428	↑	55.9%
Net fee income	2,664	1,124	↑	137.0%
Non-interest income	2,858	1,513	↑	88.9%
Pre-provision operating profit	10,586	6,093	↑	73.7%
Profit before tax	9,007	4,395	↑	104.9%
Net profit	6,120	2,777	↑	120.4%

# Financial Highlights

Expanding net interest margin and non-interest income ratio, improving asset quality, and steadily declining cost to income ratio

Income statement ratios	1H 2007	1H 2006	Increase/decrease	
ROAE <sup>1</sup>	21.4%	18.9%	↑	2.5%
ROAA <sup>1</sup>	1.20%	0.71%	↑	0.49%
Net interest margin <sup>1</sup>	2.96%	2.56%	↑	0.40%
Net fee income as % of operating income	15.2%	10.3%	↑	4.90%
Non-interest income as % of operating income	16.3%	13.8%	↑	2.45%
Cost to income	39.7%	44.3%	↓	(4.62%)
Credit cost <sup>1</sup>	0.51%	0.64%	↓	(0.12%)
Effective tax rate	32.1%	36.8%	↓	(4.76%)

Balance sheet ratios and other	1H 2007	2006	Increase/decrease	
NPL ratio	1.66%	2.12%	↓	(0.47%)
NPL coverage ratio	170.0%	135.6%	↑	34.4%
Loans to deposits	74.5%	73.1%	↑	1.43%
Number of branches	528	504	↑	24
CAR	10.98%	11.40%	↓	(0.42%)

1. Annualized

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# Summary of Income Statement

Net profit increased 120.4% from 1H 2006, reaching RMB 6.12 billion

(RMB million, except per share)	1H 2007	1H 2006		Change
Net interest income	14,696	9,428	↑	55.9%
Net fee income	2,664	1,124	↑	137.1%
Non-interest income	2,858	1,513	↑	88.9%
Operating income	17,554	10,941	↑	60.4%
Operating expenses	(6,968)	(4,848)	↑	46.7%
Pre-provision operating profit	10,586	6,093	↑	73.7%
Provision for loan impairment losses	(1,579)	(1,698)	↓	(7.01)%
Profit before tax	9,007	4,395	↑	104.9%
Tax expenses	(2,887)	(1,618)	↑	78.4%
Net profit	6,120	2,777	↑	120.4%
Earnings per share	0.42	0.23	↑	82.6%

# Summary of Balance Sheet

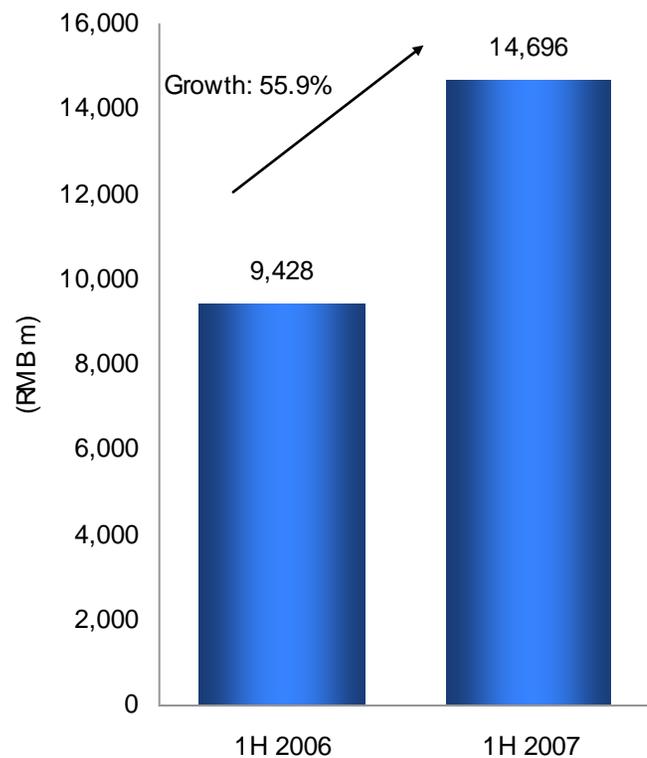
Maintaining steady balance sheet growth while further strengthening our capital base

(RMB million)	1H 2007	2006		Change
Total loans	629,553	565,702	↑	11.3%
Balances with central bank	135,461	82,372	↑	64.5%
Placement in other banks	123,033	88,171	↑	39.5%
Loan loss reserves	17,713	16,282	↑	8.79%
Investment securities	203,419	178,885	↑	13.7%
Total assets	1,108,776	934,102	↑	18.7%
Customers deposits	844,571	773,757	↑	9.15%
Interbank deposits	160,297	68,854	↑	132.8%
Total liabilities	1,049,540	878,942	↑	19.4%
Shareholder's equity	59,236	55,160	↑	7.4%

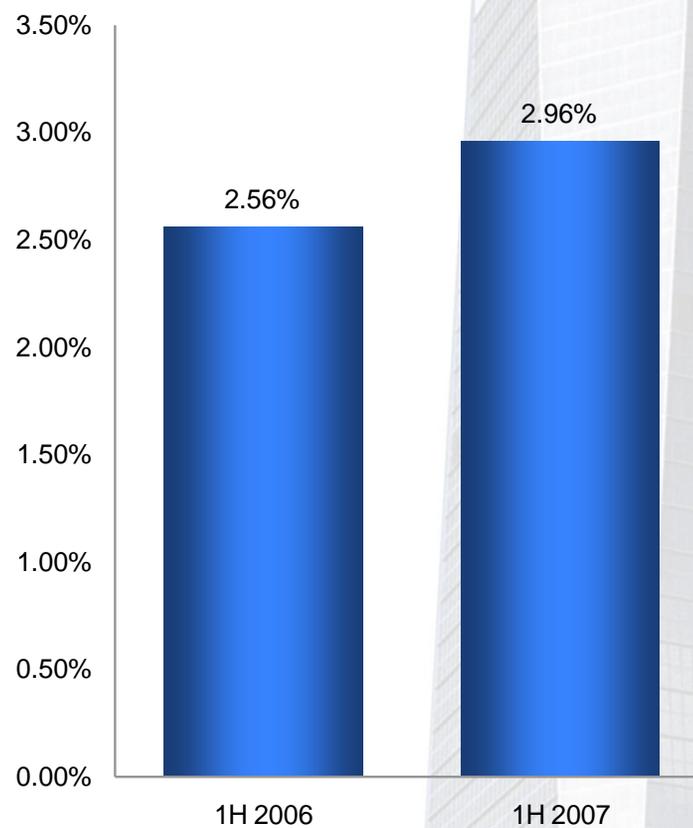
# Strong Growth in Net Interest Income

Rapid growth in net interest income with expanding net interest margin

### Net interest income



### Net interest margin<sup>1</sup>

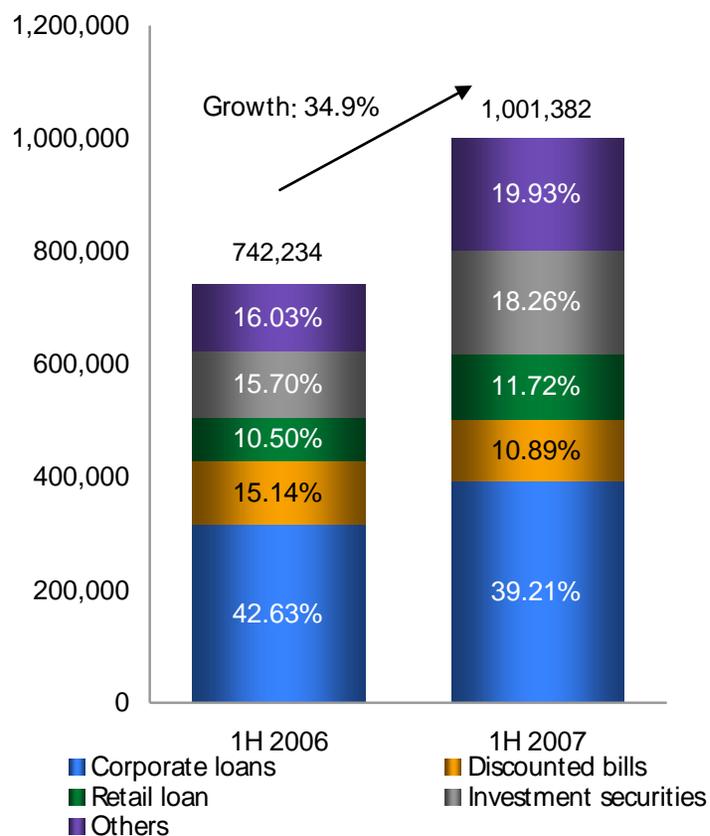


1. Annualized

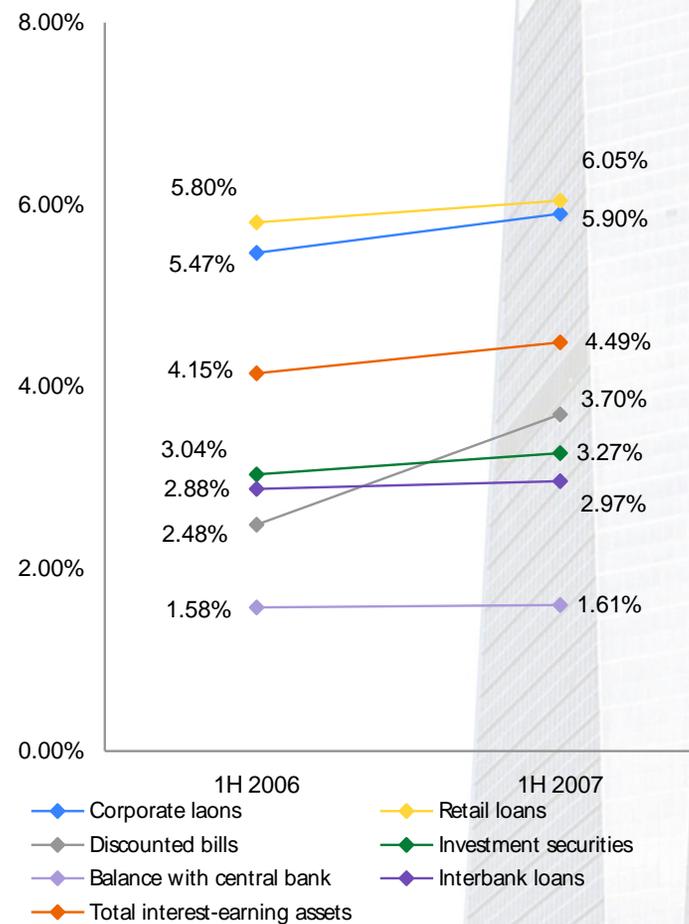
# Significant Increase in Asset Yields

Rapid growth in average interest earning-assets coupled with significant increase in asset yields

### Average interest earning-assets



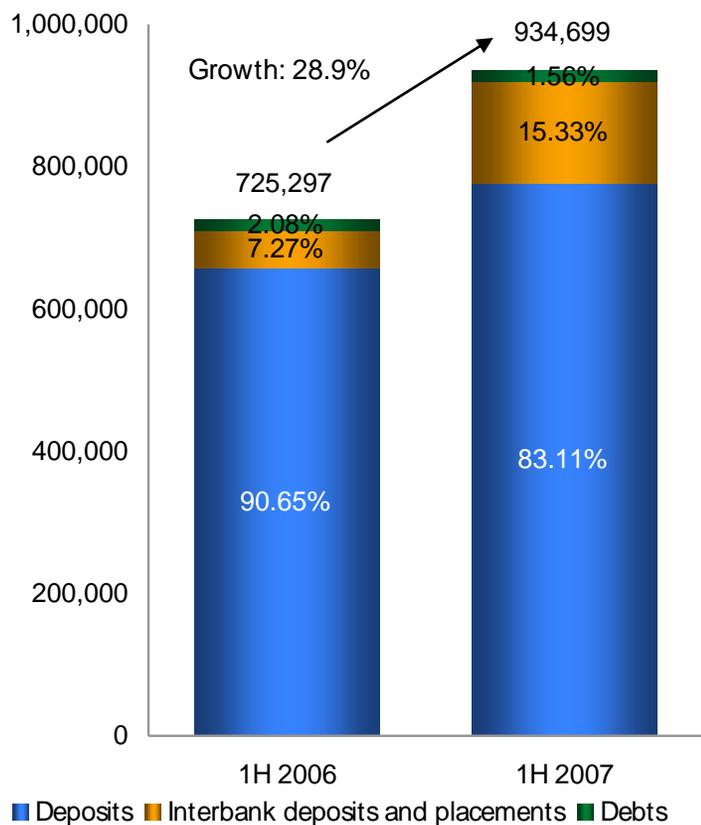
### Average yield



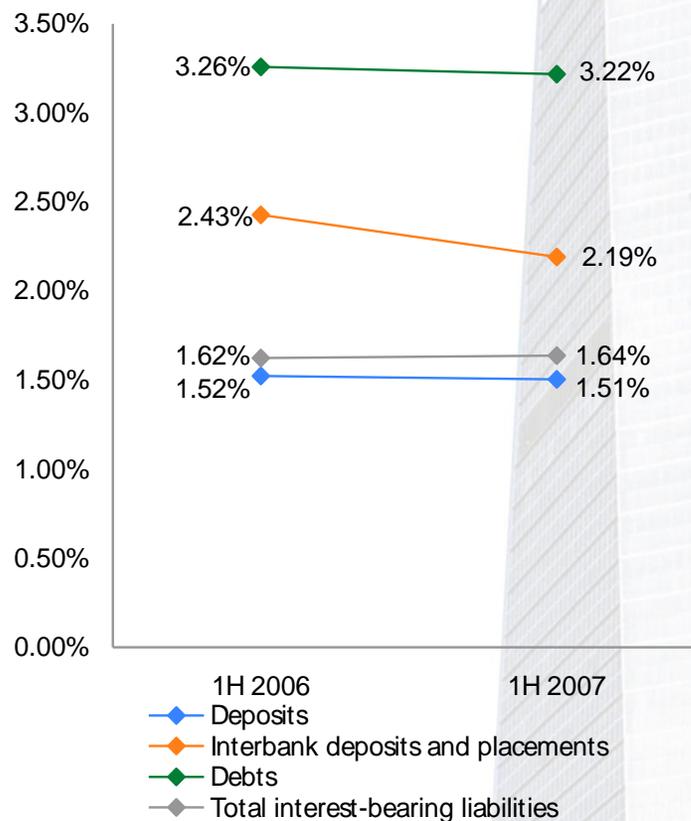
# Cost of Liabilities Remains Stable

Actively managing liabilities to control funding costs

### Average interest-bearing liabilities



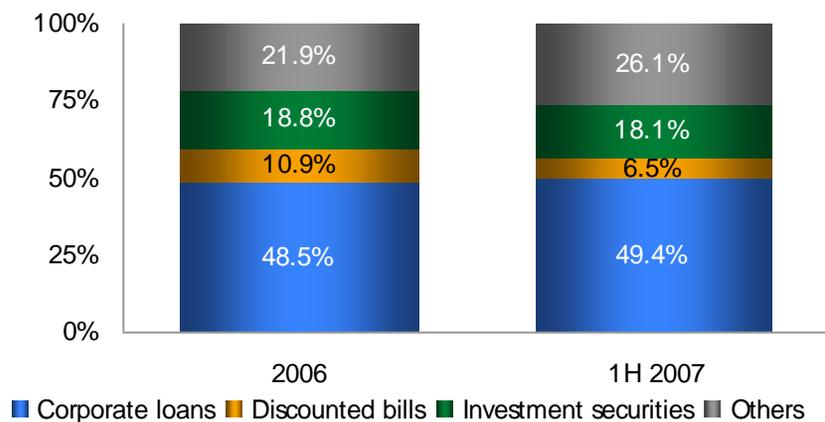
### Average cost



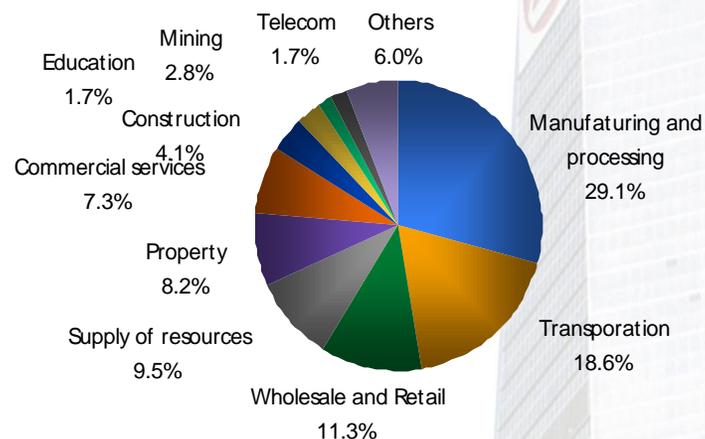
# Asset Composition and Loan Portfolio Breakdown

## Moderate loan growth

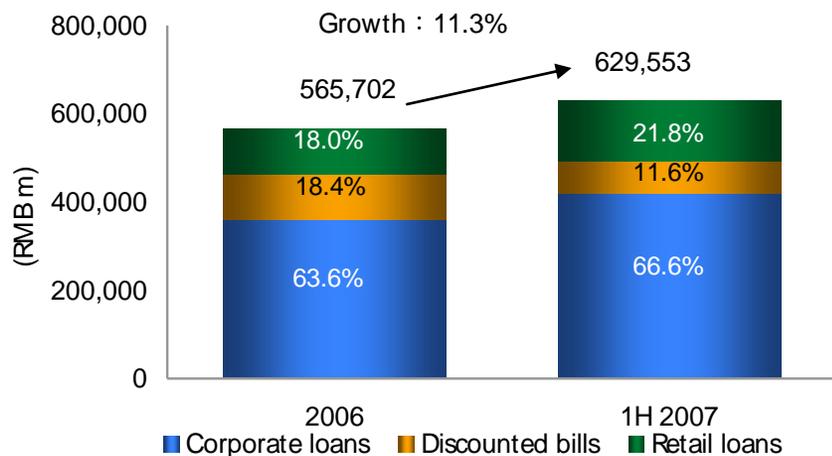
### Asset composition



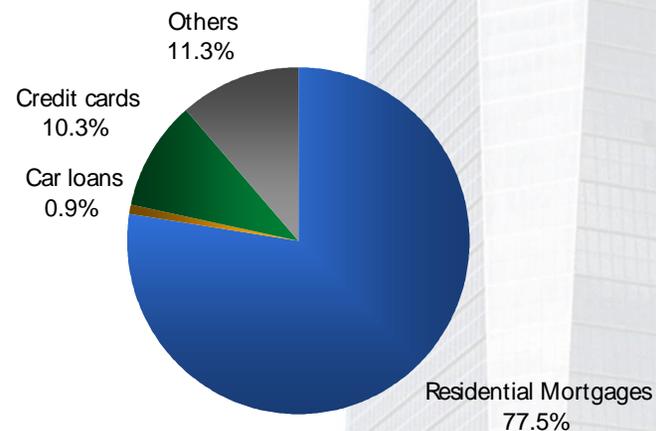
### Corporate loan breakdown ( 2007 1H )



### Loan growth



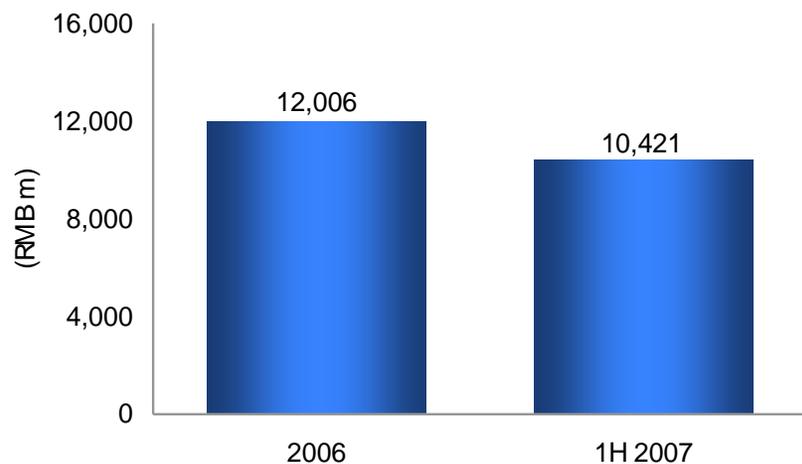
### Retail loans breakdown ( 2007 1H )



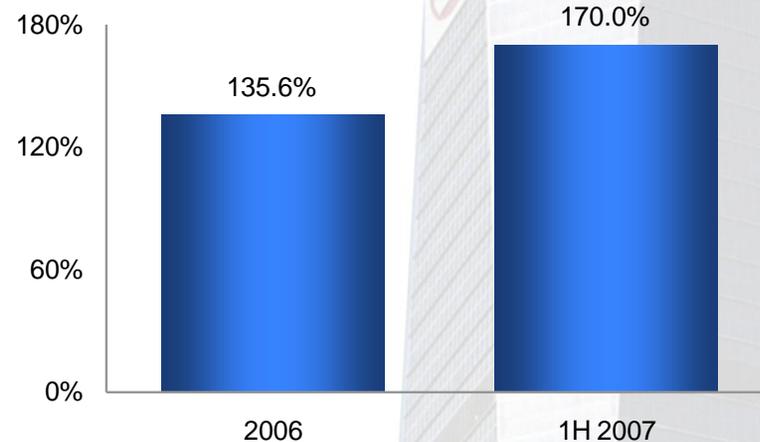
# Consistently Improving Asset Quality

Both NPL balance and NPL ratio fell while NPL coverage ratio increased, reflecting further strengthening asset quality

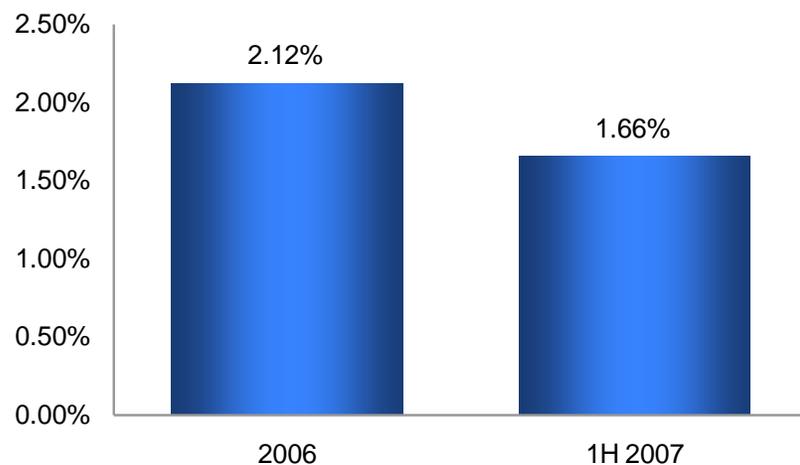
### NPL balance



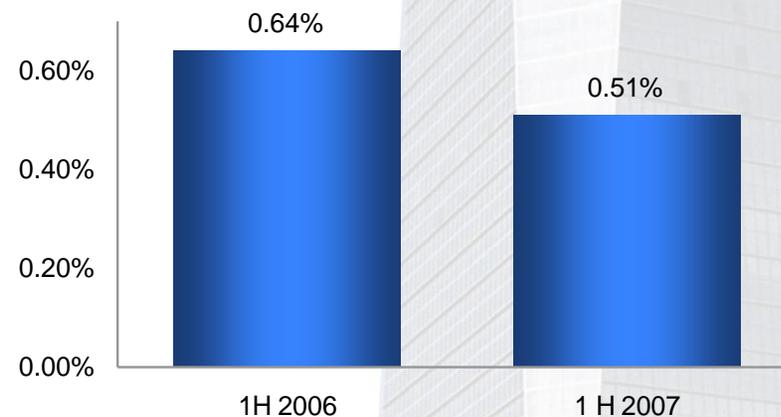
### NPL coverage ratio



### NPL ratio



### Credit costs<sup>1</sup>

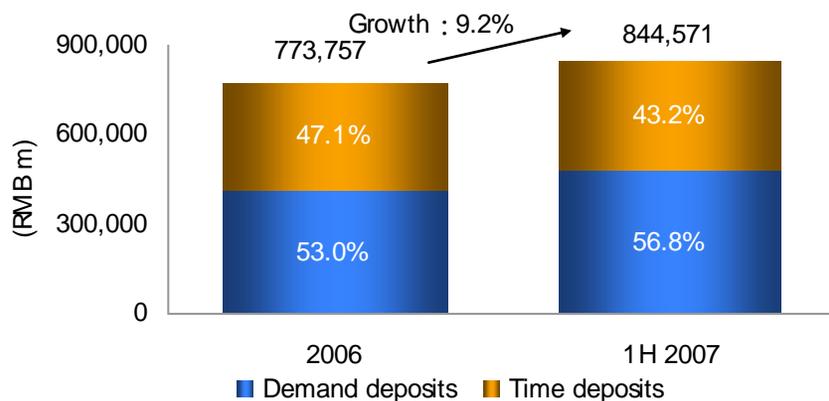


1. Annualized

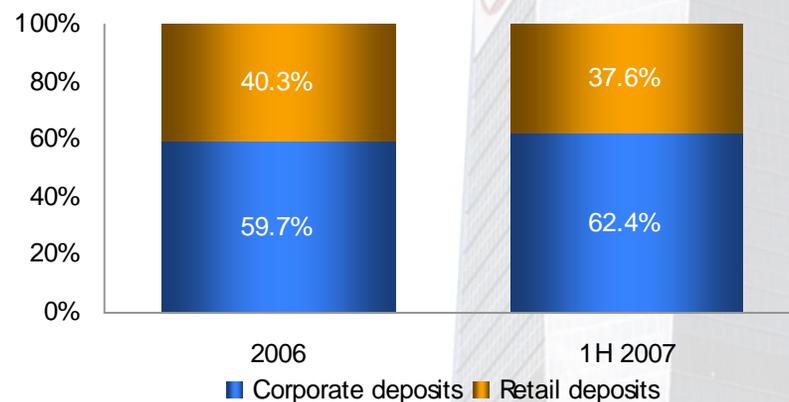
# Customer Deposits

The proportion of low-cost demand deposits increased significantly

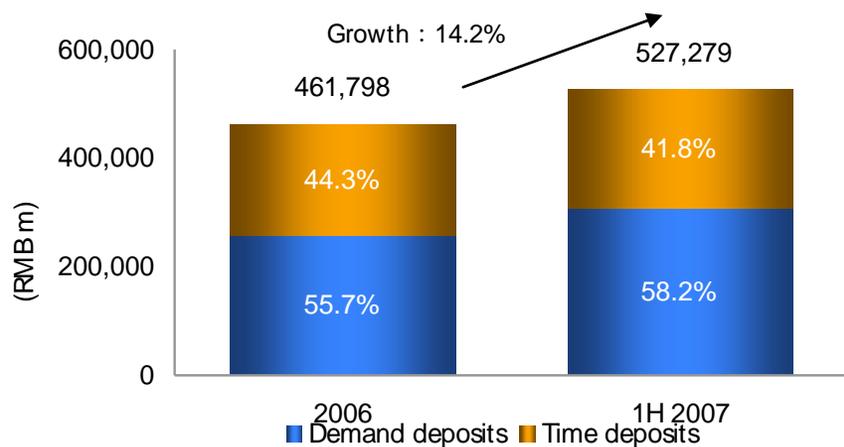
Customer deposits composition (by maturity term)



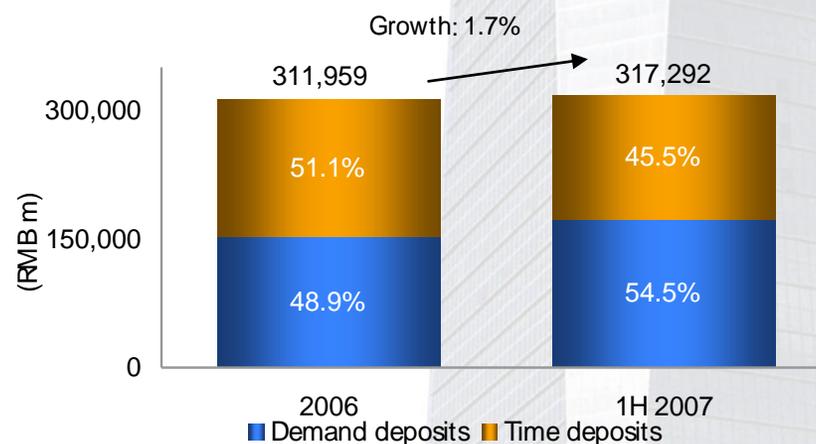
Customer deposits compositions (by customer type)



Corporate deposits composition (by maturity term)



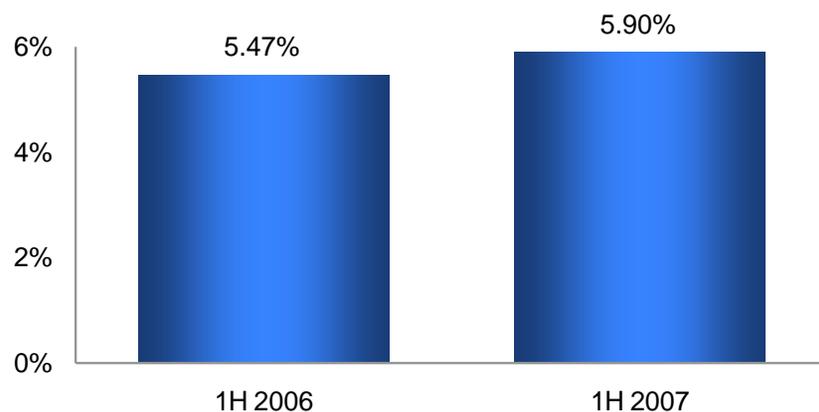
Retail deposits composition (by maturity term)



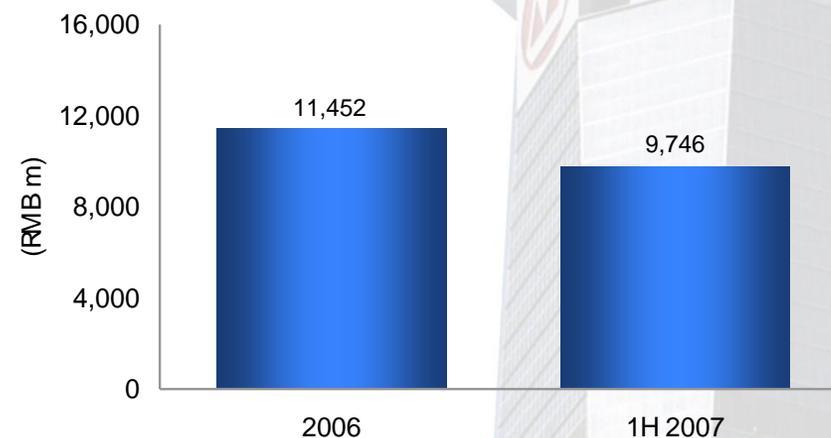
# Improving Corporate Banking Loan Yield

Increase corporate loan yield while improving asset quality

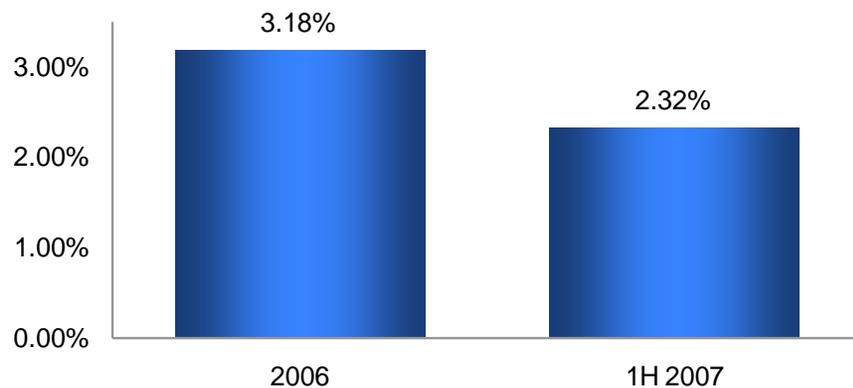
### Corporate loan yield



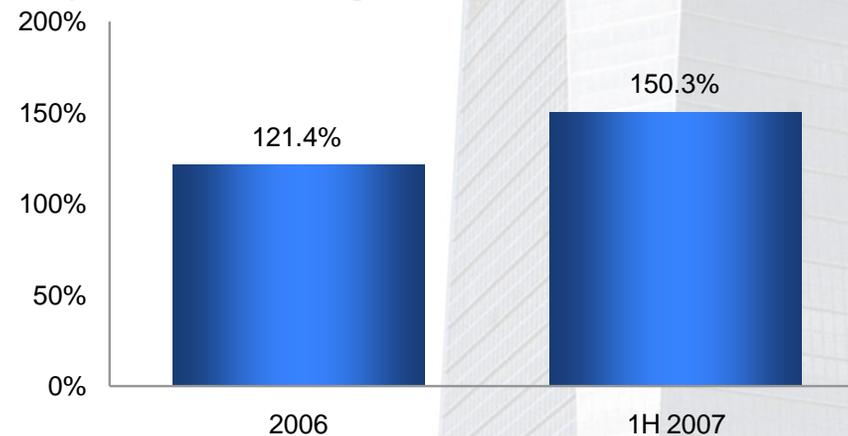
### Corporate NPL balance



### Corporate NPL ratio



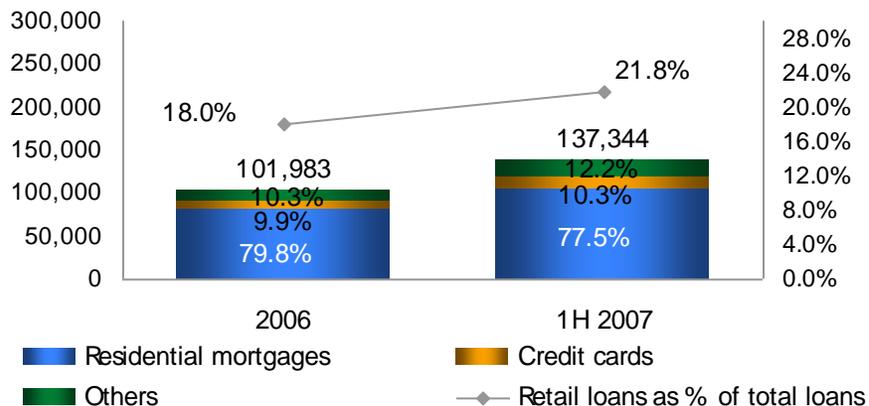
### Corporate NPL coverage ratio



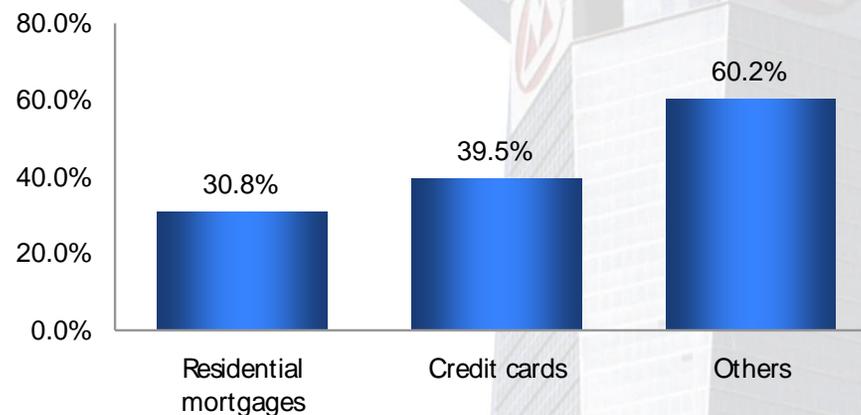
# Strong Growth in Retail Banking

Significant growth in both retail loans and retail deposits

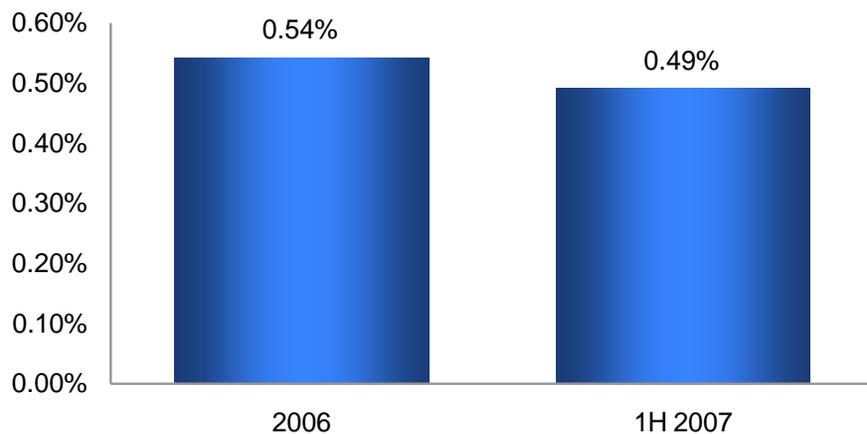
## Retail loans



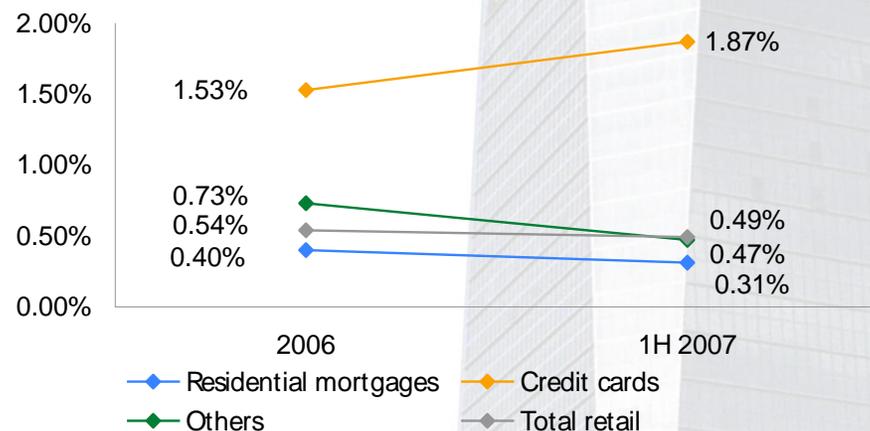
## Retail loans growth (1H 2007 vs. 2006)



## Retail NPL ratio



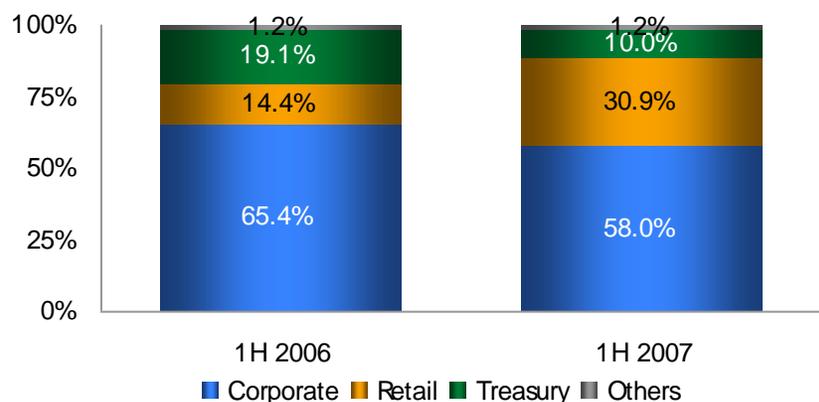
## Detailed NPL ratios



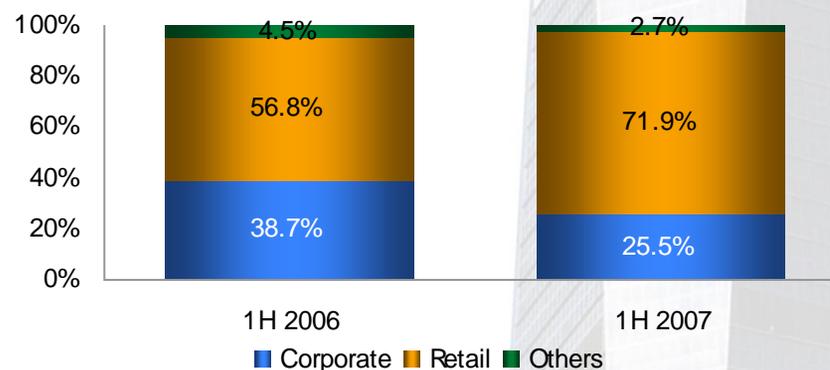
# Strong Growth in Retail Banking

Wealth management and fee income business lead to substantial increase in profitability in retail banking

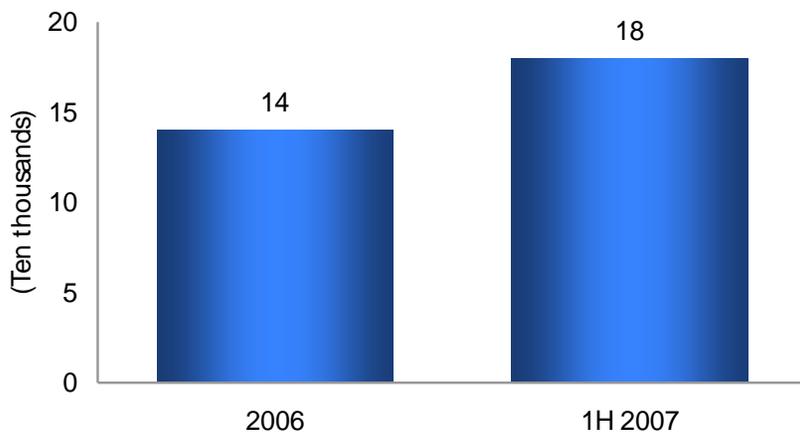
Pre-tax Profit breakdown



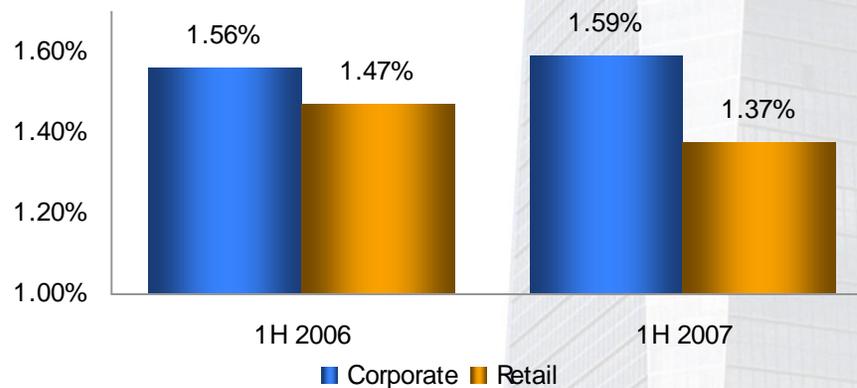
Net fee income breakdown



Number of Sunflower customers



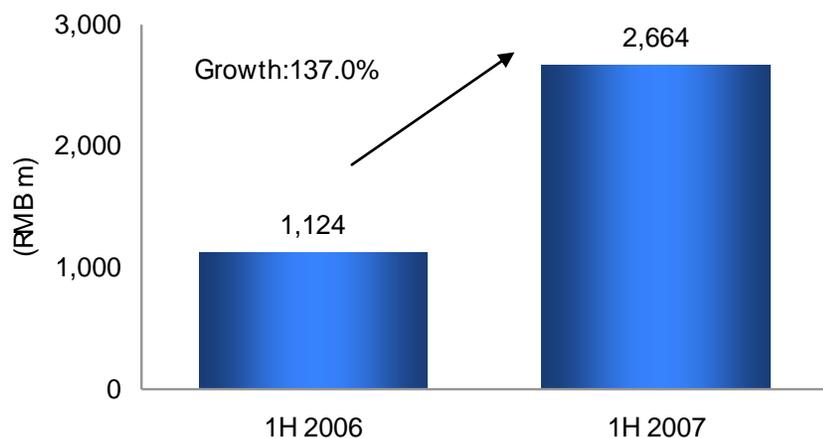
Comparison of retail/corporate cost ratios



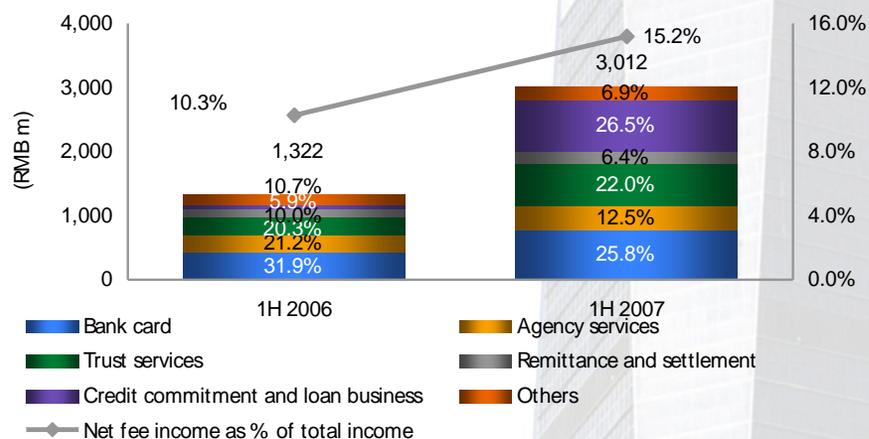
# Strong Growth in Fee Income Business

Rapid growth in non-interest income and fee income

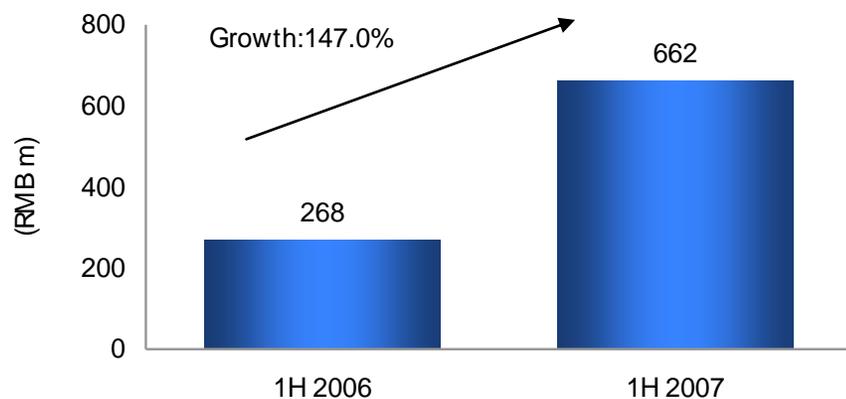
## Net fee income



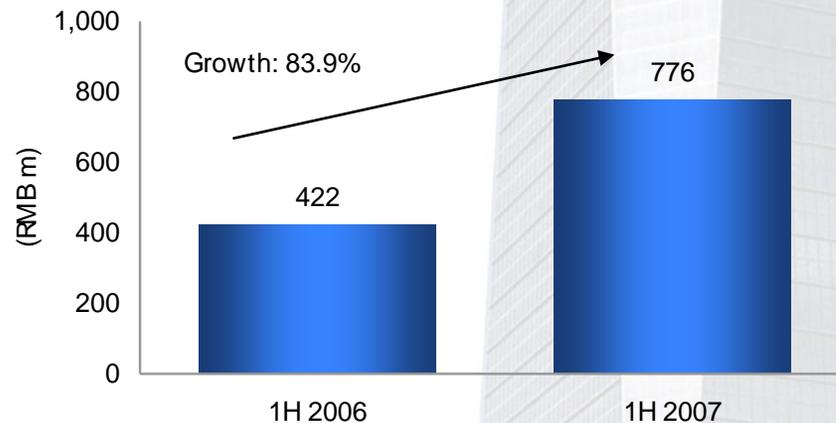
## Fee income breakdown and net fee income as % of total income



## Agency service fee income



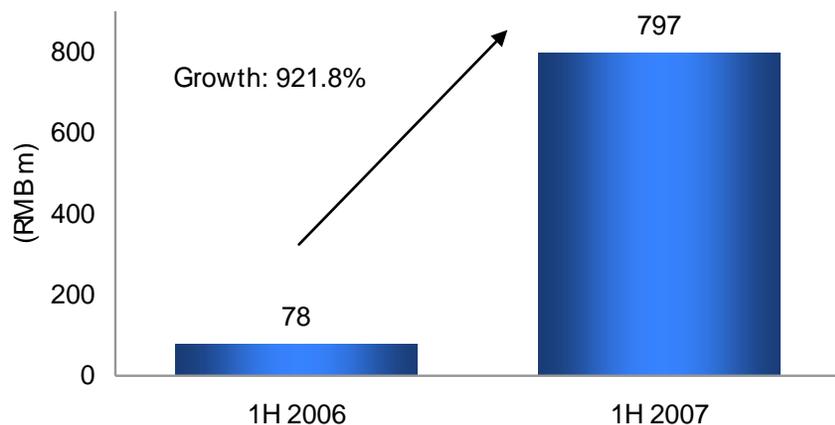
## Bank card business fee income



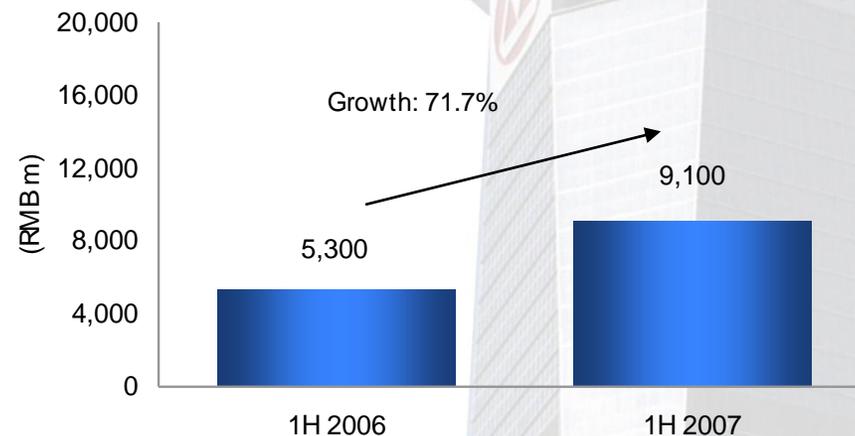
# Strong Growth in Fee Income Business

Strong fee income growth powered by growth in retail banking, wealth management, and settlement business

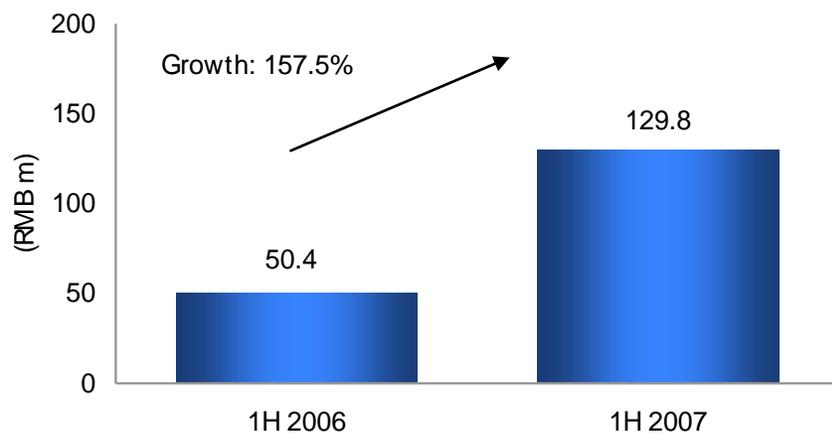
### Trust service fee income



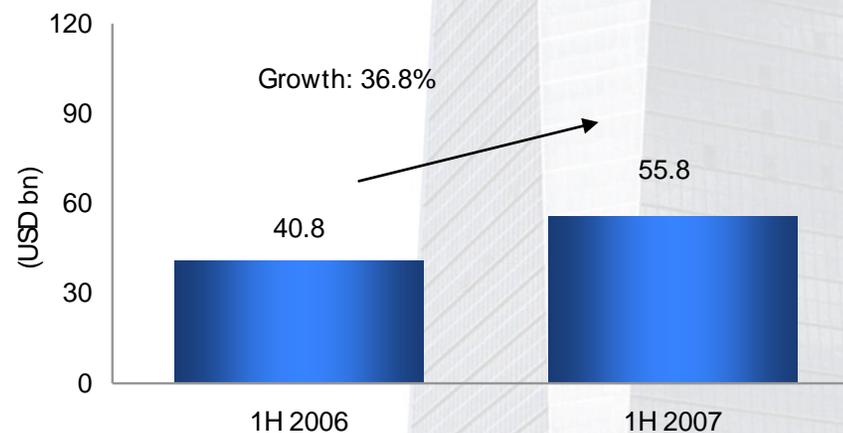
### Fund distribution volume



### Bank Fund Express transaction volume



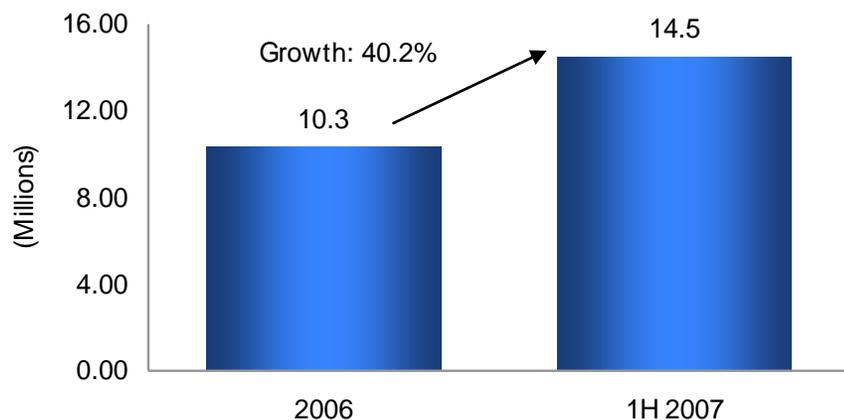
### International settlement transaction volume



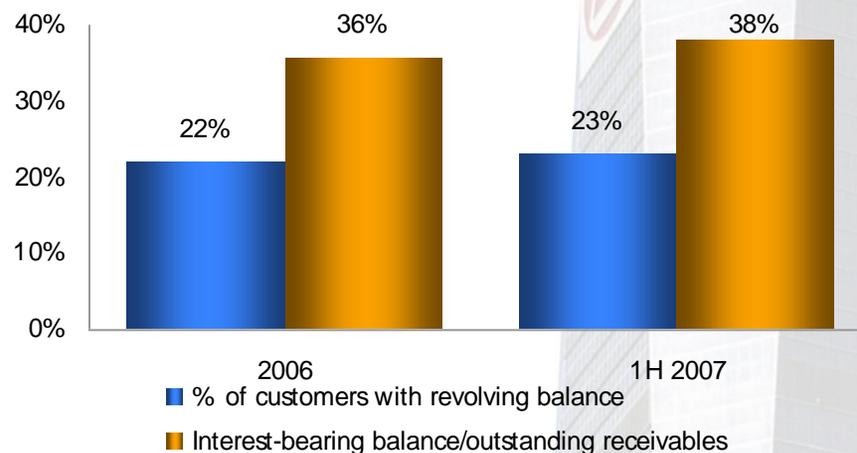
# Leading Credit Card Business

Strong growth in credit cards business

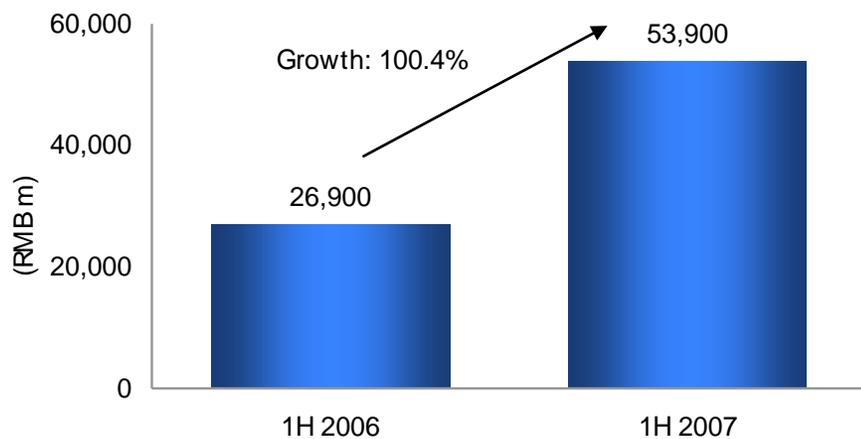
### Total cards issued



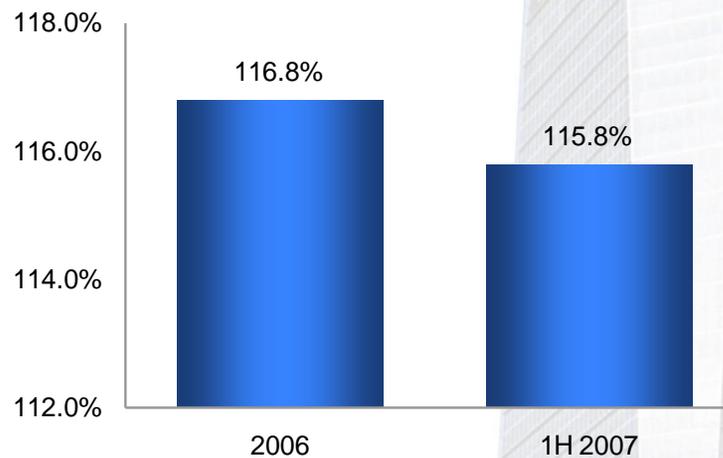
### Credit cards revolvers



### Credit cards transaction volume



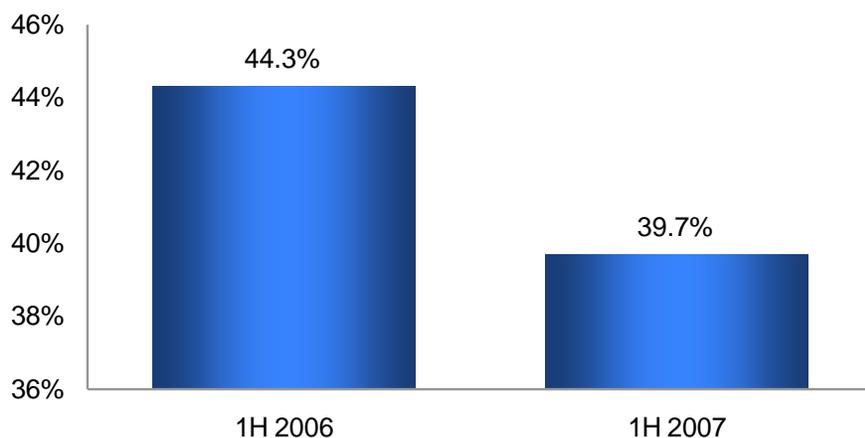
### Credit cards NPL coverage ratio



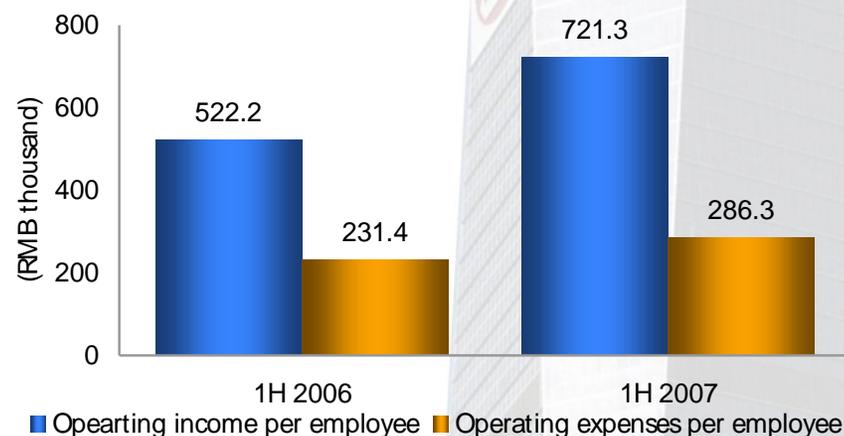
# Improving Operating Efficiency

Cost to income ratio steadily declines, operating income per branch and per employee continues to increase

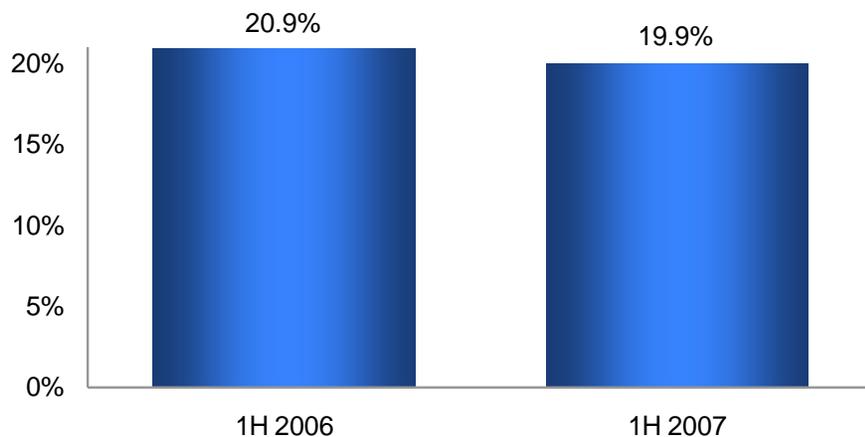
### Cost to income ratio



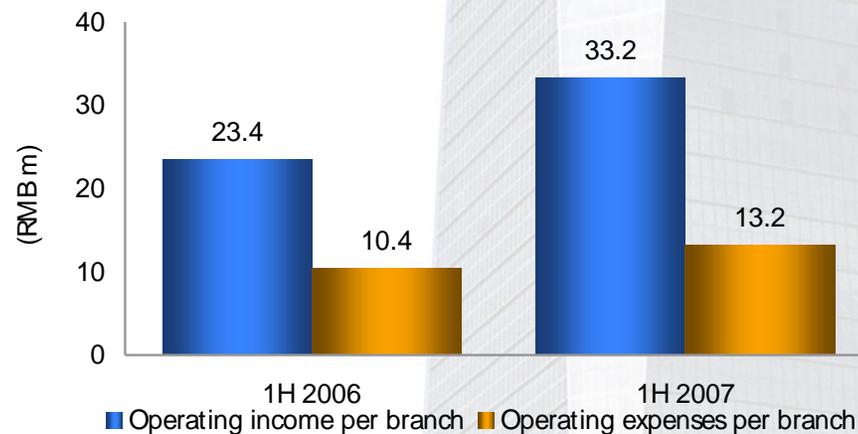
### Operating income and operating expenses per employee



### Employee cost as % of operating income



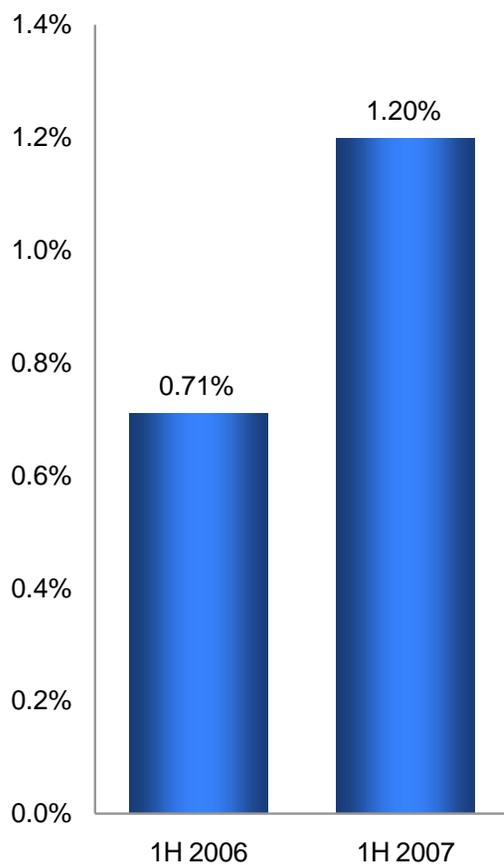
### Operating income and operating expenses per branch



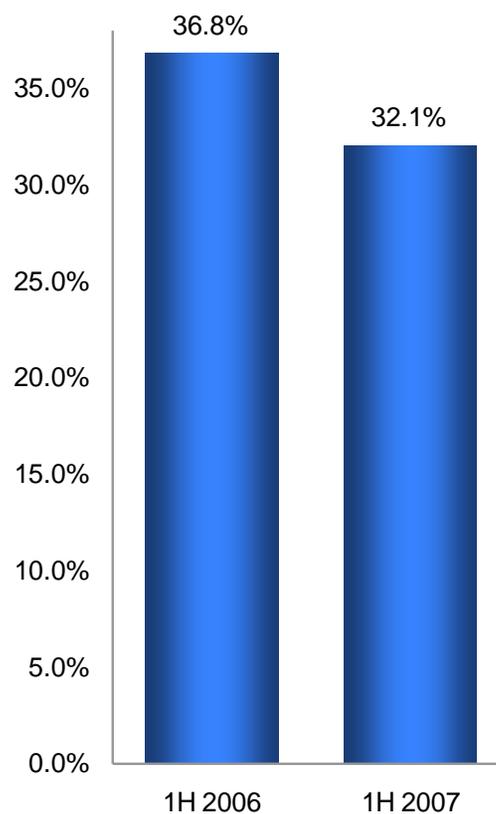
# Profitability

Increasing profitability

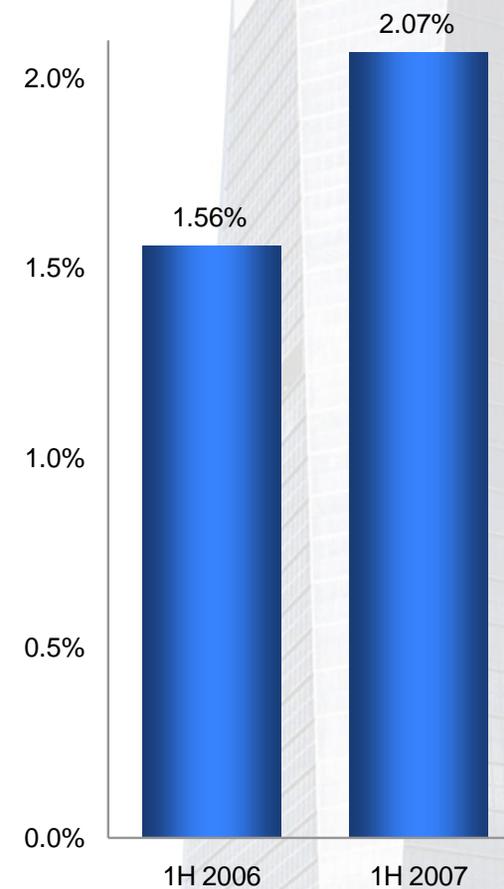
ROAA<sup>1</sup>



Effective tax rate



ROAA (pre-provision operating profit)<sup>1</sup>

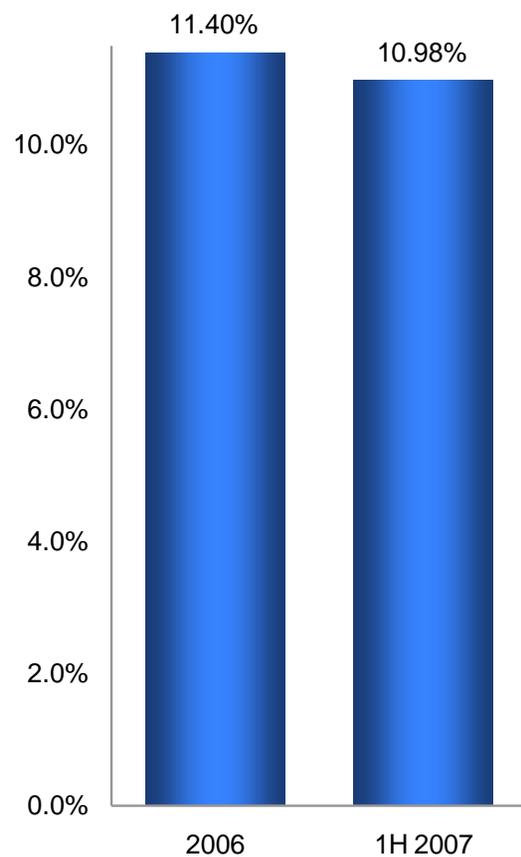


1. Annualized

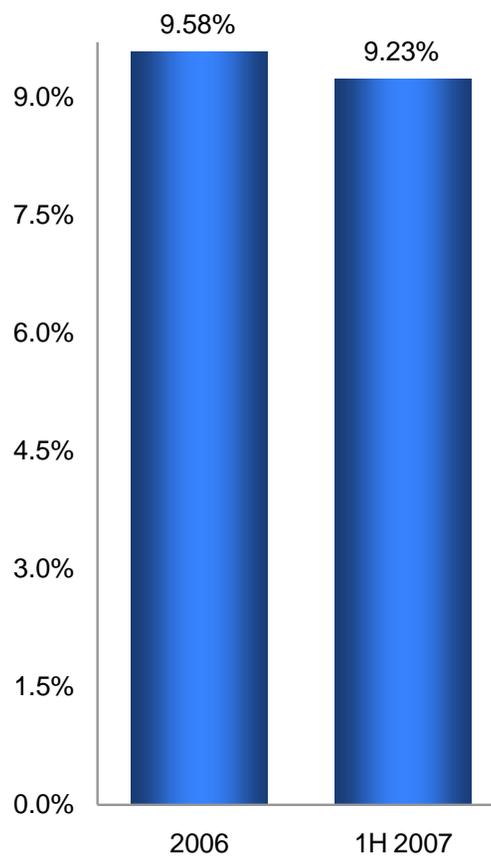
# Capital Adequacy Ratios

Capital adequacy ratios remain stable

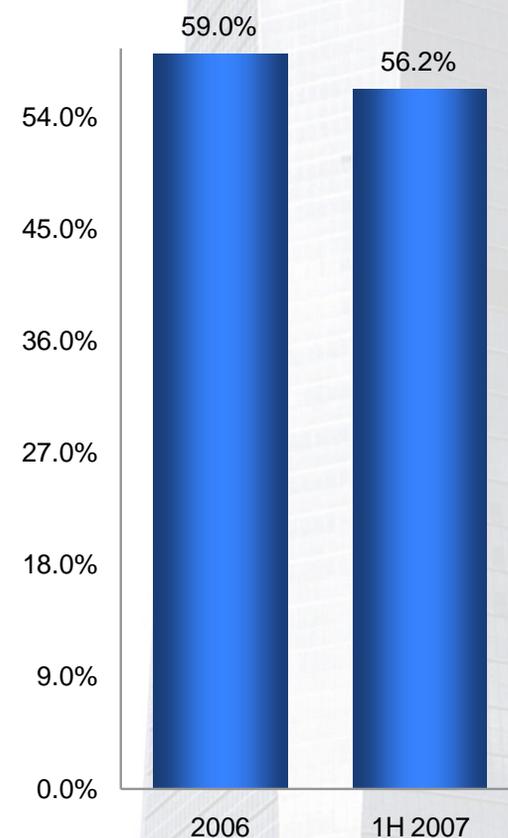
Capital adequacy ratio



Core capital adequacy ratio



Risk-weighted assets to total assets





1

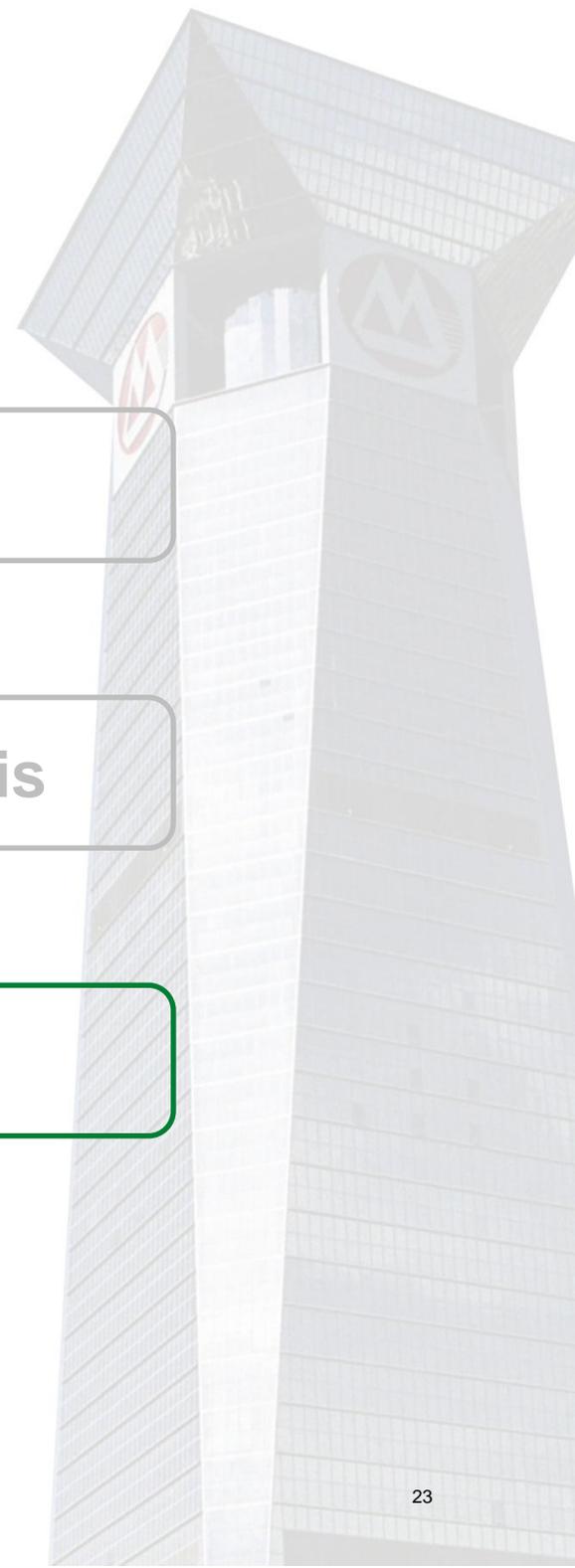
Highlights

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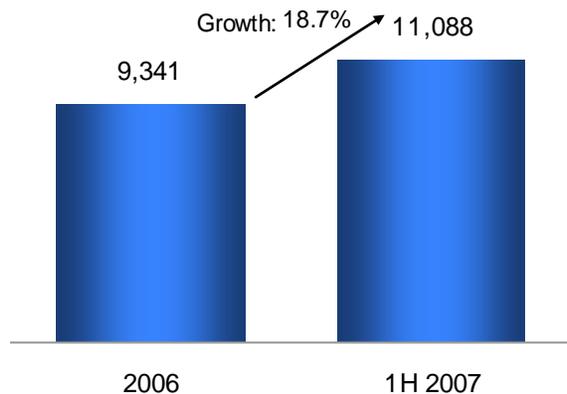
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**2007 Outlook**

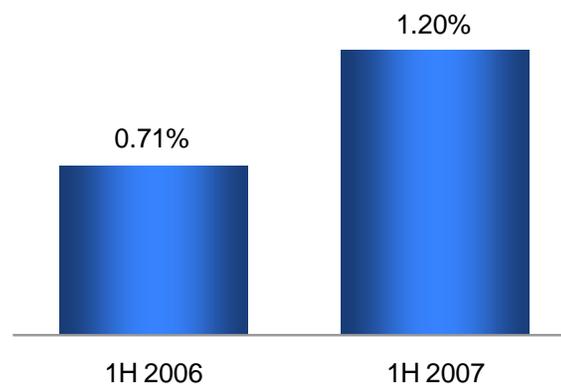


# Summary of 1H 2007 performance

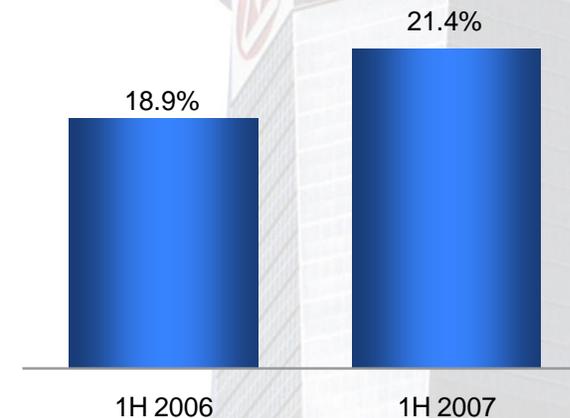
**Total assets**



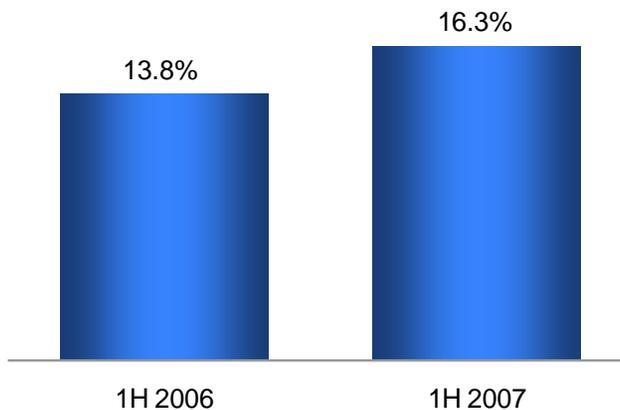
**ROAA<sup>1</sup>**



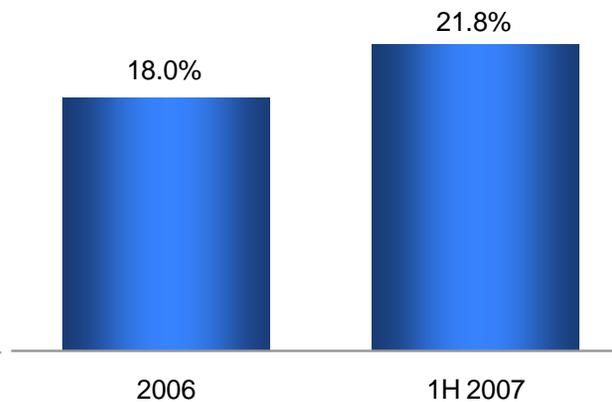
**ROAE<sup>1</sup>**



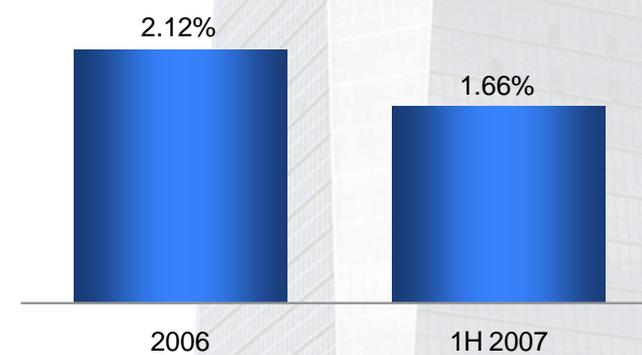
**Non-interest income/operating income**



**Retail loans/total loans**



**NPL ratio**



# 2007 Full Year Outlook

## Opportunities

- ◆ Favorable economic environment in China
- ◆ Rapid growth in retail banking
- ◆ Proliferation in new product and service offerings in corporate banking
- ◆ Rising interest rate favoring net interest margin expansion
- ◆ Tax reform will substantially lower corporate tax burden

## Challenges

- ◆ Chinese economy demonstrating signs of overheating, more austerity measures on the way
- ◆ Rising interest rate will adversely affect repayment ability of corporate borrowers
- ◆ Domestic and overseas banks have been endeavor to develop retail banking business and non-interest income business. In particular credit card and wealth management business will face intense competition

## Strategies

- ◆ Continue to follow the principle of balanced development and transform our business
- ◆ Further increase contribution from non-interest income business
- ◆ Optimize asset structure
- ◆ Diversify our business mix
- ◆ Maintain our leading position in credit card and wealth management



## Q&A

