



China Merchants Bank Co., Ltd. 2008 Results Announcement

April 2009



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.



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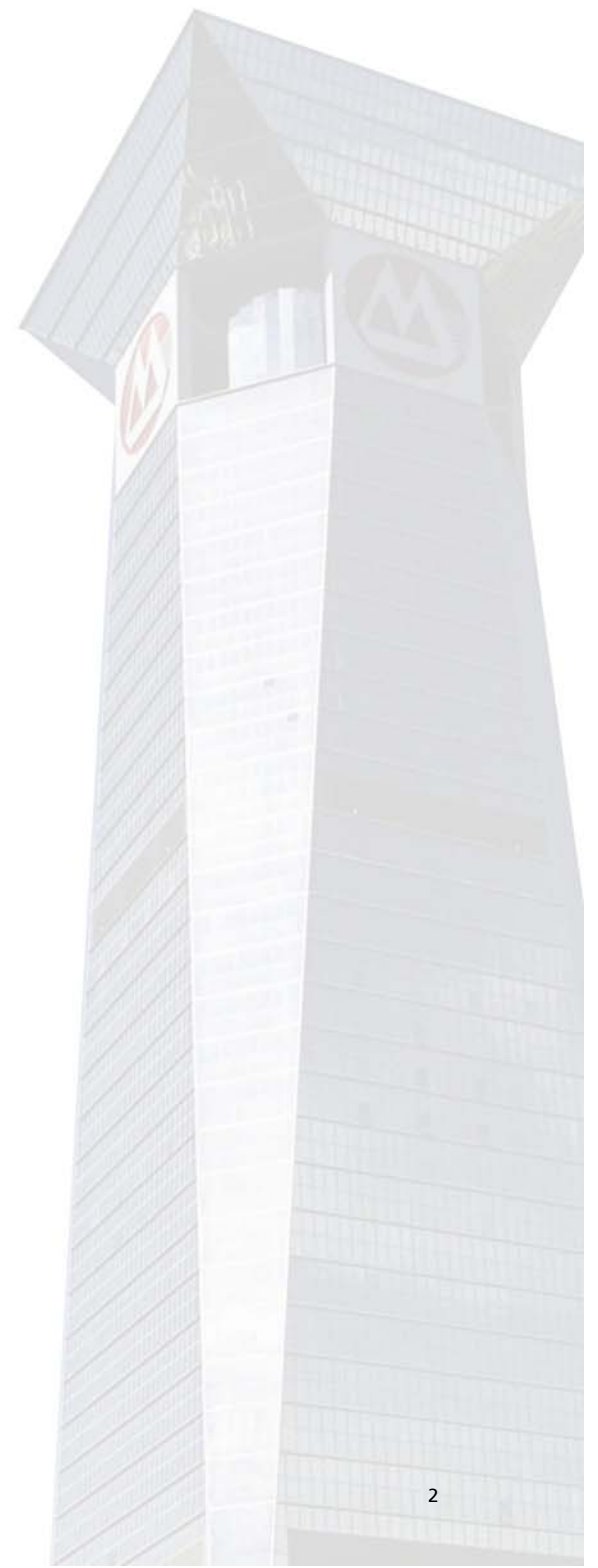
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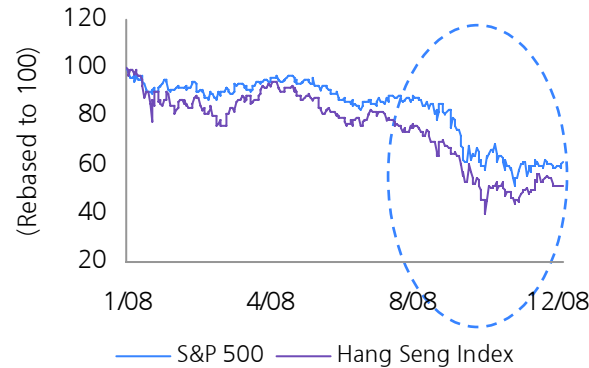
Outlook



2008 Review

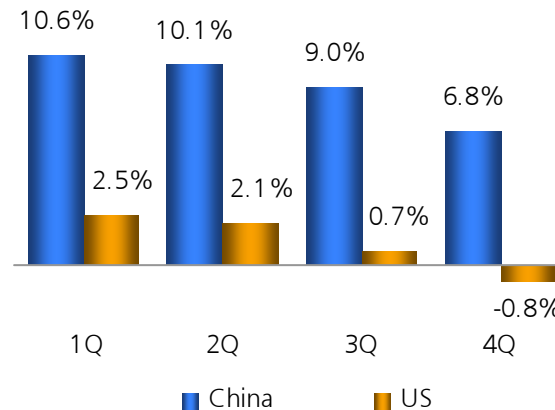
The global financial crisis escalated in 2008; the slowdown of domestic economic growth led to a declining interest rate cycle

Key equity indices



Source: Bloomberg

Quarterly real GDP growth

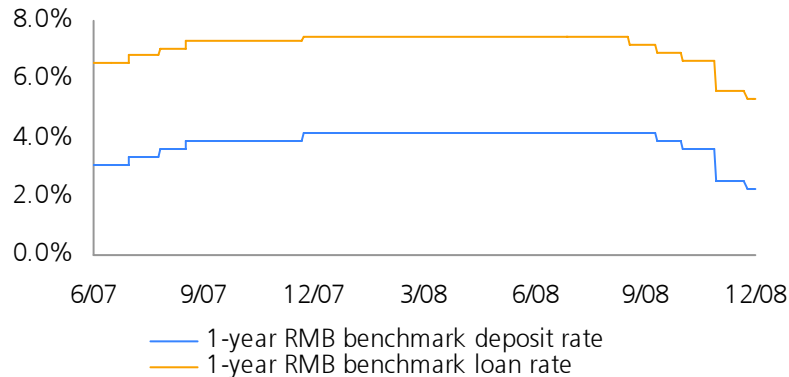


Source: CEIC

From tightening to stimulus

- ◆ Chinese government adopted fiscal stimulus measure and loosened monetary policies to boost economic growth
- ◆ Since September 2008, the People's Bank of China has cut interest rate for five consecutive times. As a result, the 1yr benchmark lending rate and 1yr deposit interest rate have been reduced by 216bps and 189bps to 5.31% and 2.25%, respectively
- ◆ "Ten measures" aiming to promote domestic demand and support economic growth were promulgated by the State Council. Several government expenditure stimulus packages were also introduced to boost domestic demand

PBOC benchmark rates



Source: PBOC

Monthly loan growth



Source: PBOC

Financial highlights

Strong financial performance with net profit of RMB 21.08 billion, an increase of 38.3% compared to 2007

(RMB mn)

Selected Balance Sheet data	Group			Bank		
	2008	2007	% Growth	2008	2007	% Growth
Gross loans	874,362	673,167	↑ 29.9%	833,548	673,167	↑ 23.8%
Investments securities	310,446	243,634	↑ 27.4%	300,339	243,626	↑ 23.3%
Total assets	1,571,797	1,310,964	↑ 19.9%	1,499,372	1,311,076	↑ 14.4%
Customer deposits	1,250,648	943,534	↑ 32.5%	1,178,240	943,769	↑ 24.8%
Total equity attributable to shareholders	79,515	67,984	↑ 17.0%	87,437	67,877	↑ 28.8%

Selected P&L data	Group			Bank ²		
	2008	2007	% Growth	2008	2007	% Growth
Net interest income	46,885	33,902	↑ 38.3%	46,570	33,897	↑ 37.4%
Non-interest income(adjusted ¹)	8,770	7,184	↑ 22.1%	8,875	7,162	↑ 23.9%
Operating income(adjusted ¹)	55,655	41,086	↑ 35.5%	55,445	41,059	↑ 35.0%
Pre-provision operating profit	31,913	24,348	↑ 31.1%	32,300	24,337	↑ 32.7%
Pre-tax profit	26,759	21,043	↑ 27.2%	26,327	21,032	↑ 25.2%
Net profit attributable to shareholders	21,077	15,243	↑ 38.3%	20,412	15,232	↑ 34.0%

Note:

1 Adjusted for gain from investment in associates

2 Except P&L data which are based on PRC GAAP, all financial data in this section are based on IFRS

Financial highlights

Net interest margin expanded, profitability continued to grow

Key ratios	Group			Bank ²		
	2008	2007	Change (percentage point)	2008	2007	Change (percentage point)
Return on average equities	28.6%	24.8%	3.82	26.3%	24.8%	1.52
Return on average assets	1.46%	1.36%	0.10	1.45%	1.36%	0.10
Net interest margin	3.42%	3.11%	0.30	3.44%	3.11%	0.33
Net fee income as % of operating income (adjusted ¹)	13.9%	15.7%	(1.76)	13.8%	15.7%	(1.89)
Non-interest income ratio (adjusted ¹)	15.8%	17.5%	(1.73)	16.0%	17.4%	(1.44)
Cost to income ratio (excluding business tax)	36.5%	34.9%	1.61	35.8%	34.9%	0.89
Credit cost	0.48%	0.49%	(0.01)	0.49%	0.49%	0.00
Non performing loan ratio	1.11%	1.54%	(0.44)	1.14%	1.54%	(0.40)
Special mentioned loan ratio	1.64%	2.13%	(0.49)	1.65%	2.13%	(0.48)
Coverage ratio	223.3%	180.4%	42.90	225.7%	180.4%	45.34
Loan to deposit ratio	69.9%	71.3%	(1.43)	70.7%	71.3%	(0.58)
Core capital adequacy ratio	6.56%	8.78%	(2.22)	7.15%	8.71%	(1.56)
Capital adequacy ratio	11.34%	10.40%	0.94	10.49%	10.29%	0.20
Effective tax rate	21.7%	27.6%	(5.84)	22.5%	27.6%	(5.11)

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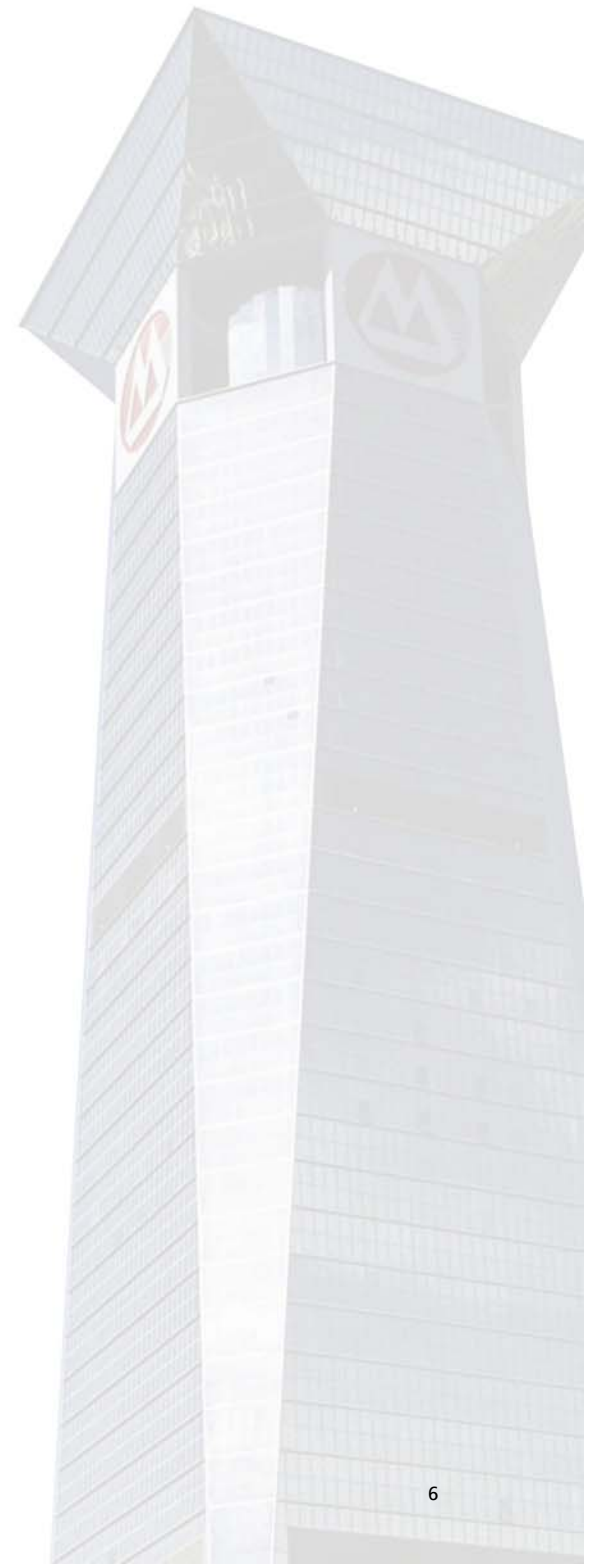
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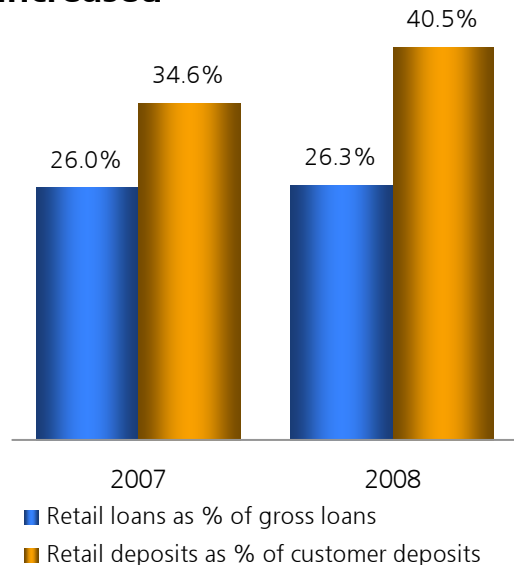
Outlook



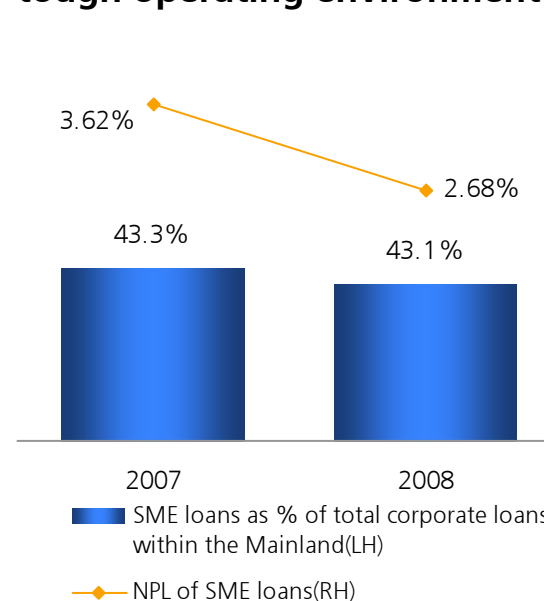
Business mix continued to improve, strategic change in business model started bearing fruit

- ◆ Through innovation, the development of retail banking business accelerated
- ◆ Marketing strategies for credit card business were adjusted to focus on customer segmentation
- ◆ Implemented a customer strategy that equally emphasized SME and large accounts, with a preference to quality industries and the SME customers
- ◆ Improved risk based pricing capability which helped development of SME business
- ◆ Wealth management business substantially boosted through a focus on AUM and product offerings
- ◆ Actively developed fee-based businesses, particularly in new business areas such as cash management, corporate annuity and corporate cards

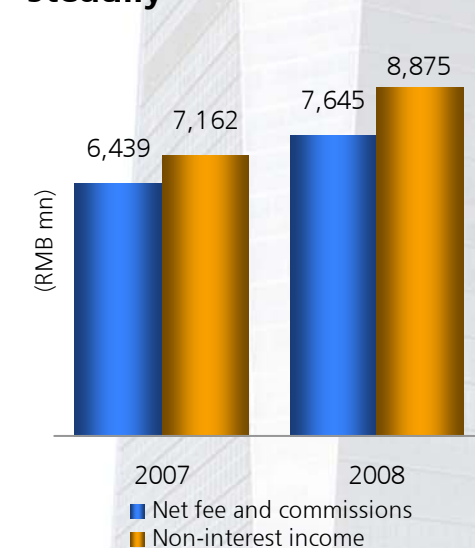
Contribution from retail banking increased



SME loans remained stable despite tough operating environment



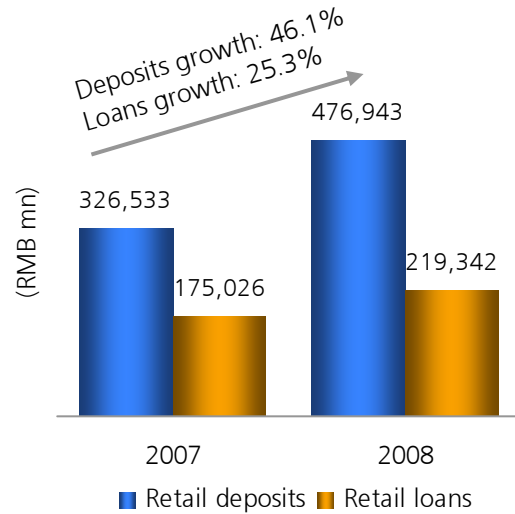
Non-interest income grew steadily



Retail banking business

Outstanding performance of retail banking business

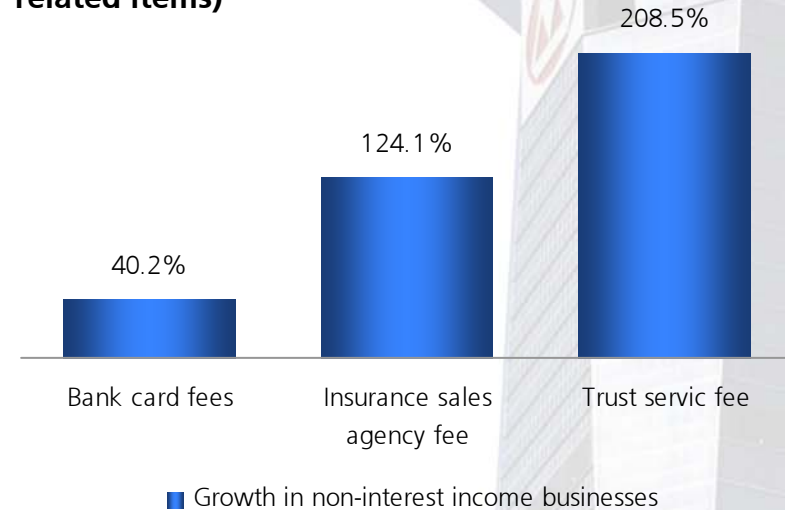
Retail deposits/loans growth



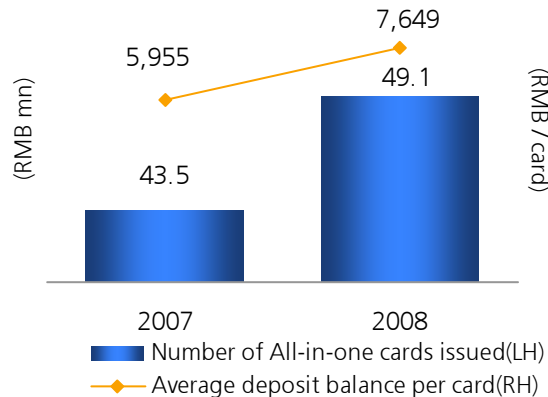
◆ PBOC data:

- RMB saving deposits balance ranked #6 among PRC peers, YoY growth ranked #5
- Retail loans balance ranked #5, YoY growth ranked #4

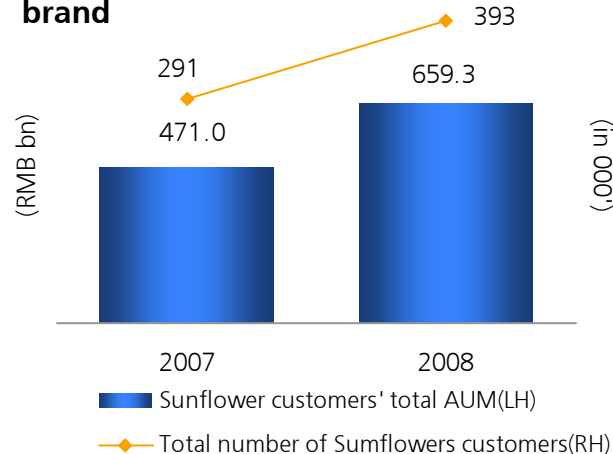
Non-interest income growth (Non capital market related items)



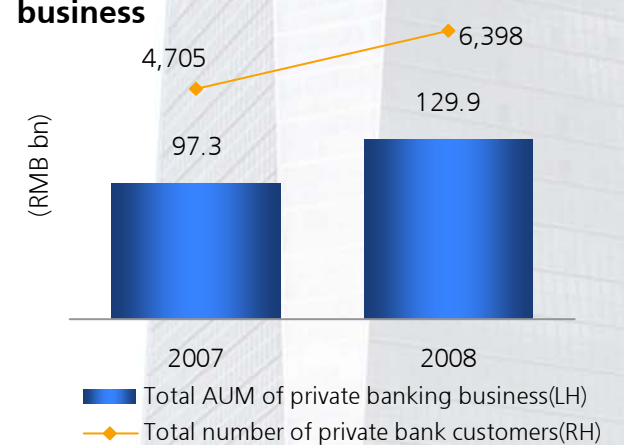
Contribution from All-in-one card customer



Increased recognition of Sunflower brand



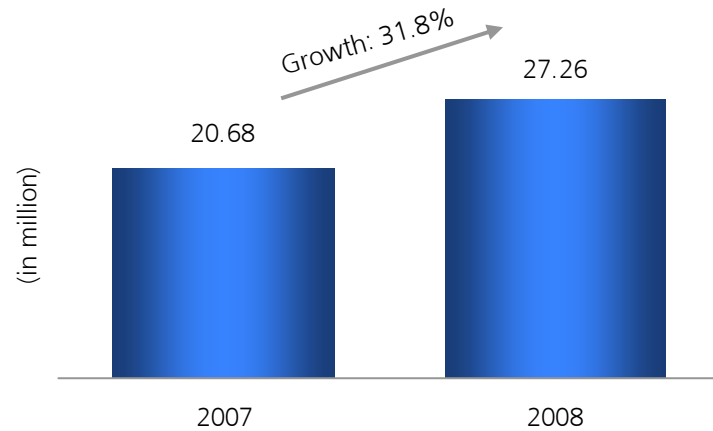
Rapid growth of private banking business



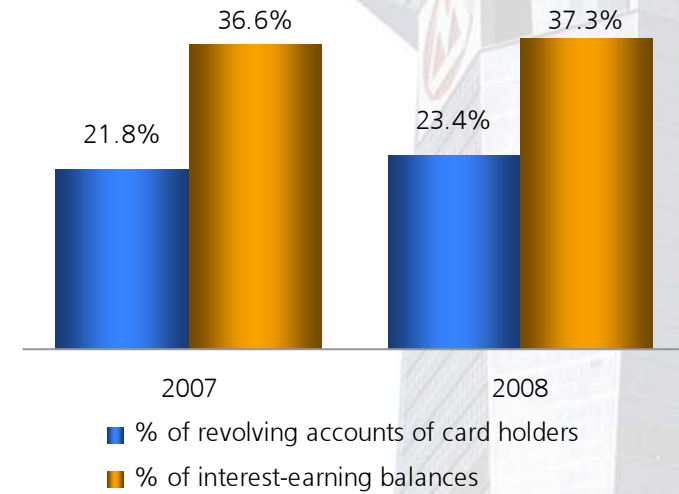
Leadership in credit card market maintained

Steady growth in credit card business

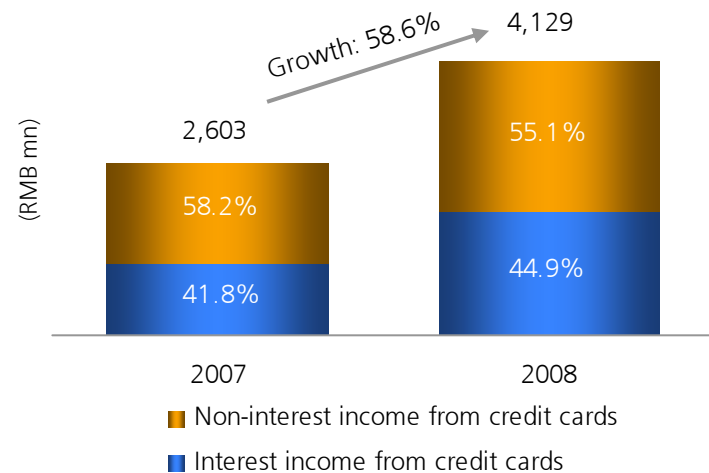
No. of credit card issued



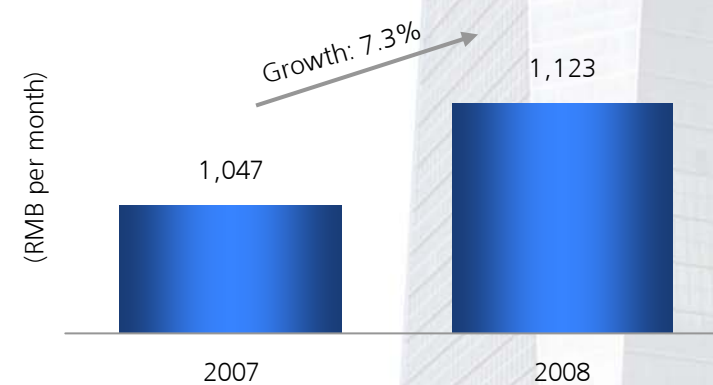
Credit card balance



Income from credit card business



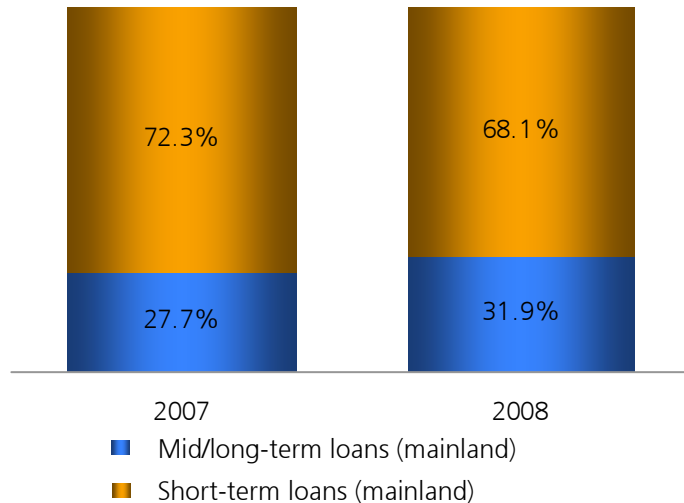
Transaction volume per card in circulation



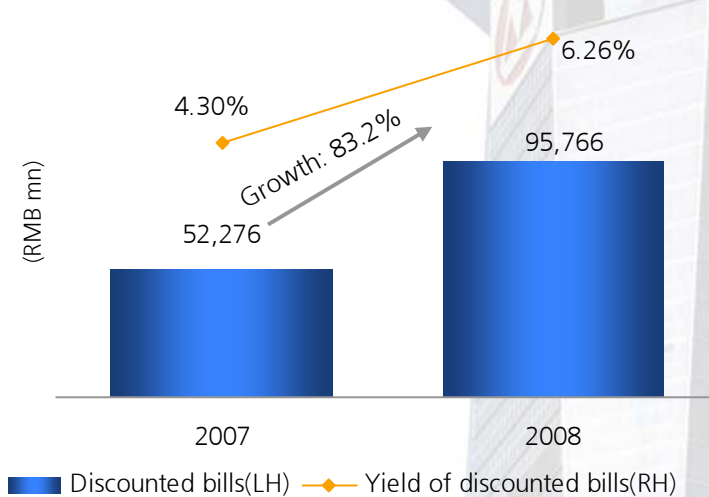
Steady growth in wholesale banking business

Improved the duration of corporate loan book, enhanced non-interest income and SME business

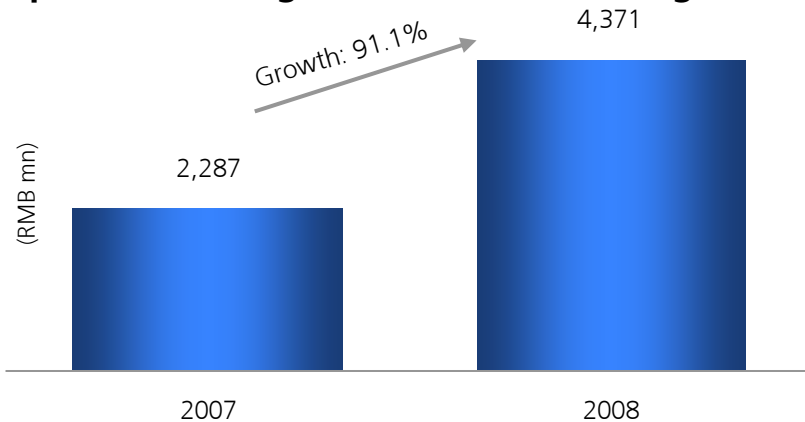
Corporate loan mix by maturity



Growth of discounted bill business



Corporate banking non-interest income growth



Breakthrough in corporate banking business

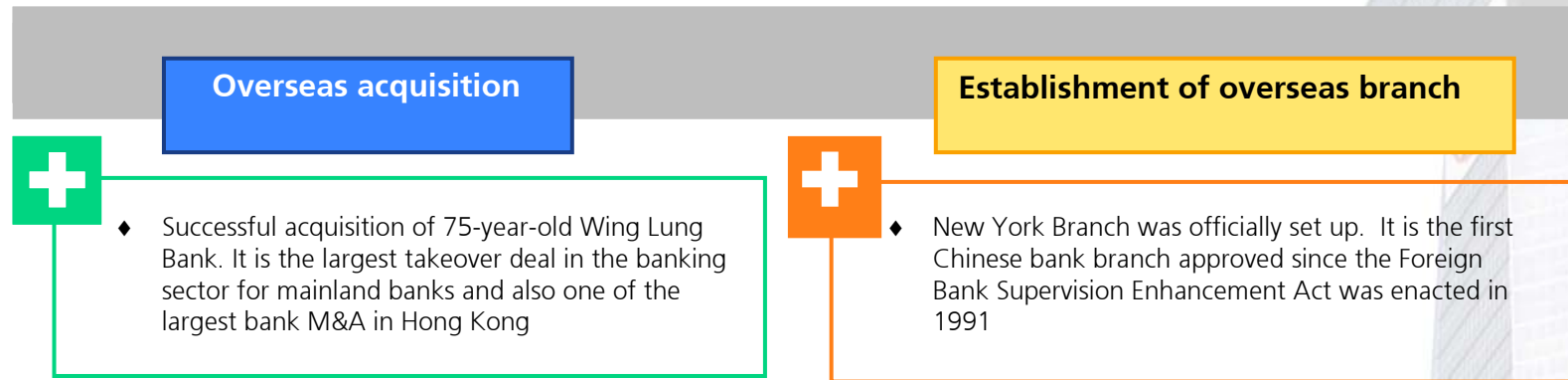
Product innovation	+	Brand building	+	Compliance management
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- ◆ The annual revenue from wealth management business reached RMB 345.5 bn, an increase of RMB 291.5 bn, representing 540% YoY growth
- ◆ Market leading position in offshore banking in terms of value and fee income
- ◆ Ranked 2nd among domestic banks in international factoring and 3rd in trade finance balance
- ◆ Ranked 4th in fixed income lead manager league table in terms of number of transactions

Note:
1 financial and operational data of the Bank is shown on this page

Breakthrough in international expansion

Developed overseas business through both organic growth and M&A

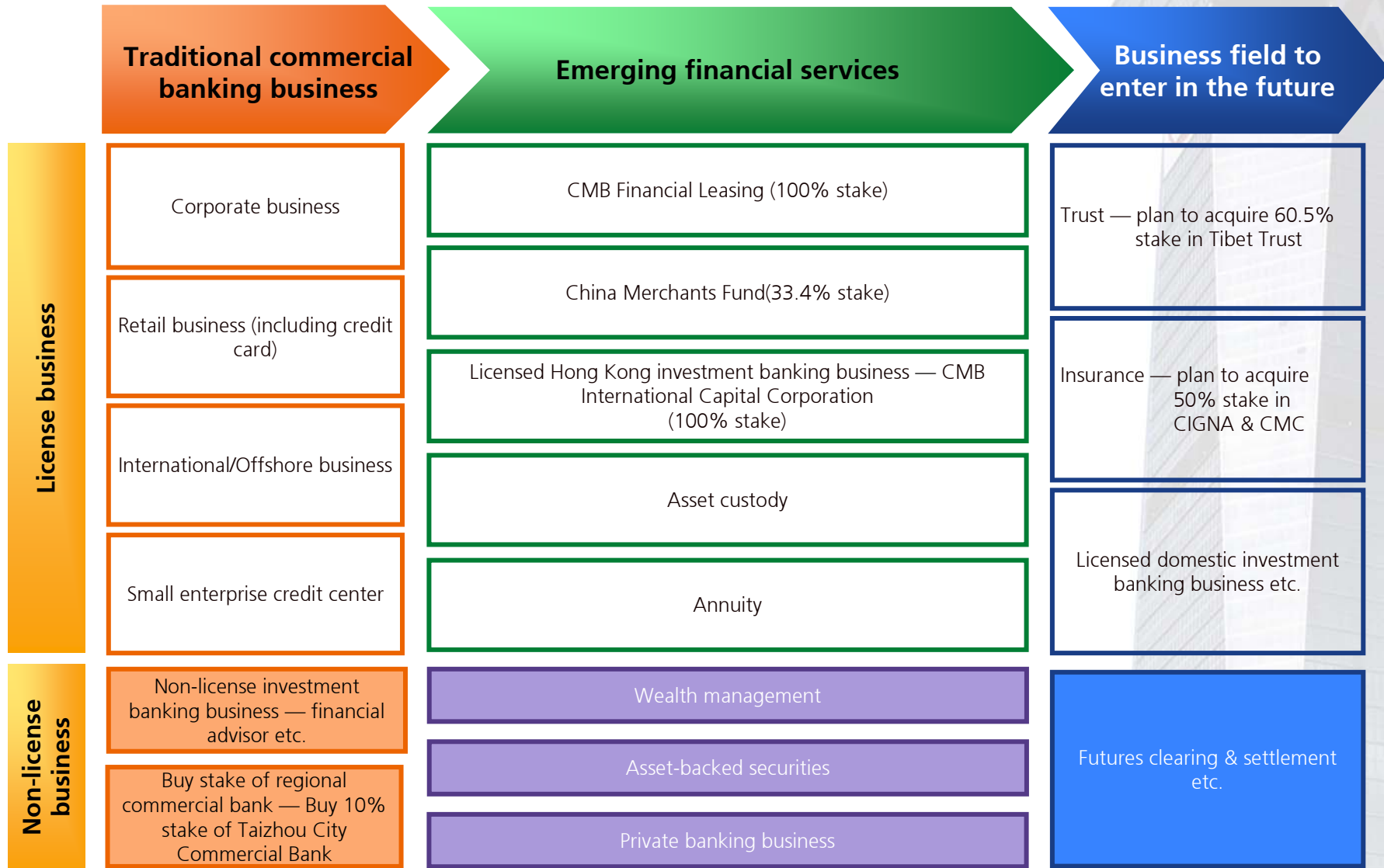


“Customer following” strategy provides domestic customers with extended financial services

Acquisition and Integration of Wing Lung Bank

- ◆ Expanded the Hong Kong and overseas business, adjusted operating strategy and provided customers with more comprehensive, better-quality and integrated financial service in both China and abroad
 - Customer base: A Chinese-founded bank with a long operating history in Hong Kong
 - Branch network: 37 branches in Hong Kong, 3 branches on Mainland China, 1 branch in Los Angeles and 1 in Cayman Islands
- ◆ Hong Kong operation license: futures and securities brokerage, investment and wealth management, insurance business etc.
- ◆ Progress of integration:
 - Maintained operating continuity and stability of Wing Lung Bank; clearly defined future strategy
 - Outstanding results from the Rapid Win Plan
 - Launch of 20 business development projects and 21 key capability enhancement projects

Gradually entering into other financial service areas





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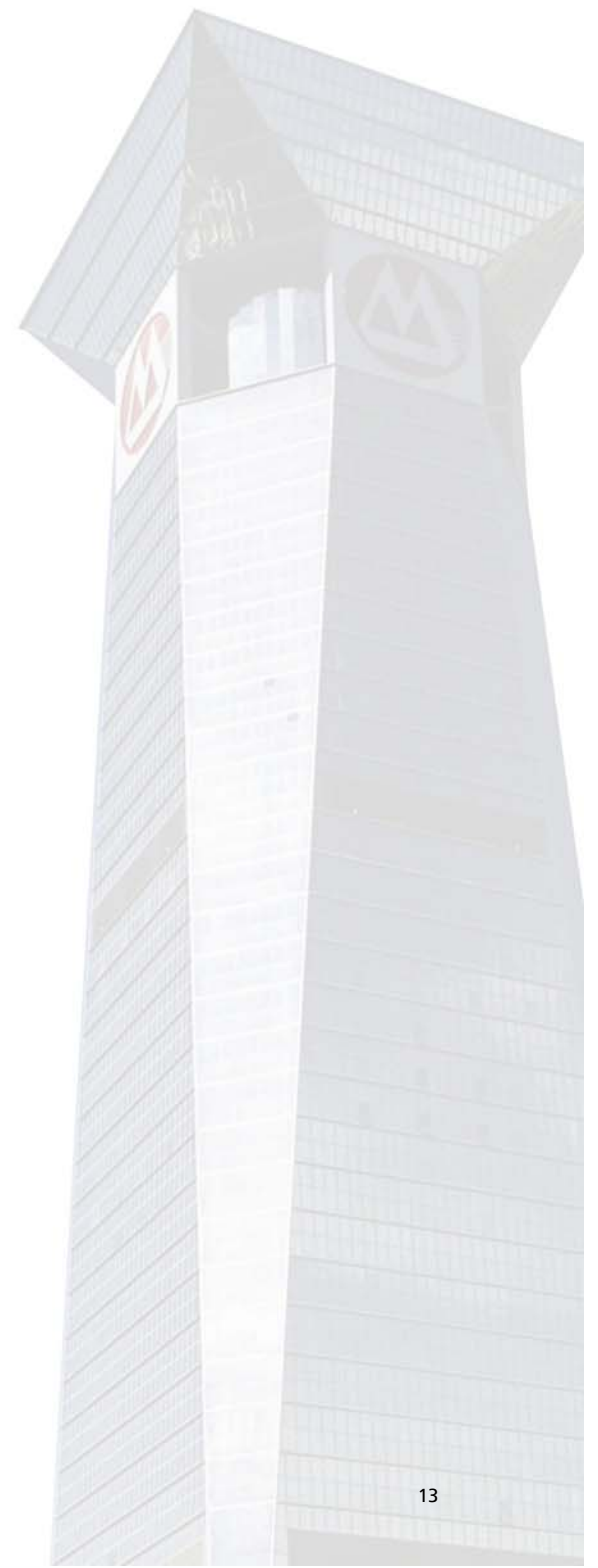
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Outlook



Summary income statement

(RMB mn except for EPS)	Group			Bank ²		
	2008	2007	% Growth	2008	2007	% Growth
Net interest income	46,885	33,902	↑ 38.3%	46,570	33,897	↑ 37.4%
Net fee and commissions income	7,744	6,439	↑ 20.3%	7,645	6,439	↑ 18.7%
Non-interest income (adjusted ¹)	8,770	7,184	↑ 22.1%	8,875	7,162	↑ 23.9%
Operating income (adjusted ¹)	55,655	41,086	↑ 35.5%	55,445	41,059	↑ 35.0%
Operating expense	(23,636)	(16,738)	↑ 41.2%	(23,145)	(16,722)	↑ 38.4%
Pre-provision operating profit	31,913	24,348	↑ 31.1%	32,300	24,337	↑ 32.7%
Provisions	(5,154)	(3,305)	↑ 55.9%	(5,973)	(3,305)	↑ 80.7%
Profit before tax	26,759	21,043	↑ 27.2%	26,327	21,032	↑ 25.2%
Income tax	(5,813)	(5,800)	↑ 0.2%	(5,915)	(5,800)	↑ 2.0%
Net profit attributable to shareholders	21,077	15,243	↑ 38.3%	20,412	15,232	↑ 34.0%
EPS	1.43	1.04	↑ 37.5%	1.39	1.04	↑ 34.0%

Note:

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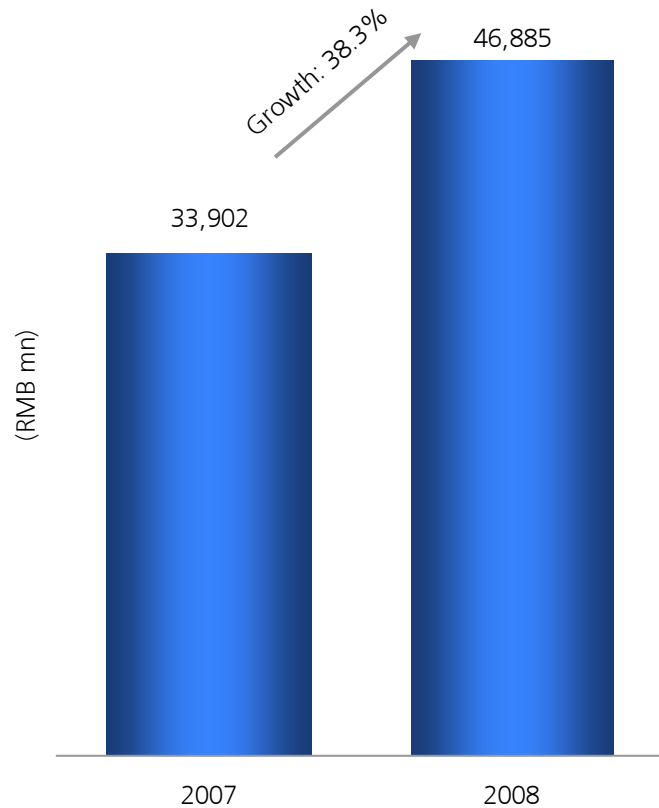
Summary balance sheet

(RMB mn)	Group			Bank		
	2008	2007	% Growth	2008	2007	% Growth
Gross loans	874,362	673,167	↑ 29.9%	833,548	673,167	↑ 23.8%
Allowances for loan impairment loss	(21,608)	(18,750)	↑ 15.2%	(21,442)	(18,750)	↑ 14.4%
Investments securities	310,446	243,634	↑ 27.4%	300,339	243,626	↑ 23.3%
Placement with other banks	186,466	239,564	↓ (22.2%)	151,040	239,564	↓ (37.0%)
Total assets	1,571,797	1,310,964	↑ 19.9%	1,499,372	1,311,076	↑ 14.4%
Interbank deposits	165,916	265,123	↓ (37.4%)	165,020	265,123	↓ (37.8%)
Customer deposits	1,250,648	943,534	↑ 32.5%	1,178,240	943,769	↑ 24.8%
Subordinated debts	33,440	3,500	↑ 855.4%	33,440	3,500	↑ 855.4%
Other debts	4,996	9,992	↓ (50.0%)	4,996	9,992	↓ (50.0%)
Total liabilities	1,492,016	1,242,980	↑ 20.0%	1,411,935	1,243,199	↑ 13.6%
Total equity	79,515	67,984	↑ 17.0%	87,437	67,877	↑ 28.8%

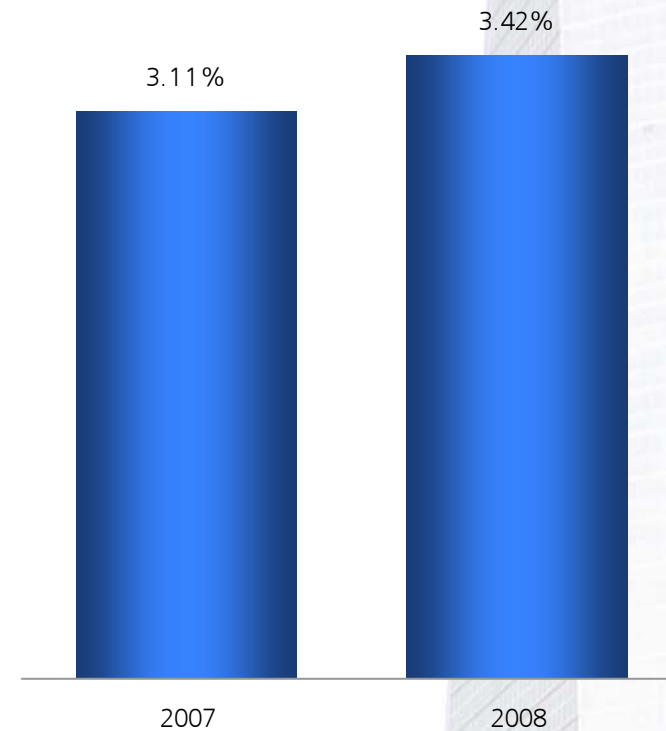
Rapid net interest income growth

Net interest income continued to grow while net interest margin further expanded

Net interest income



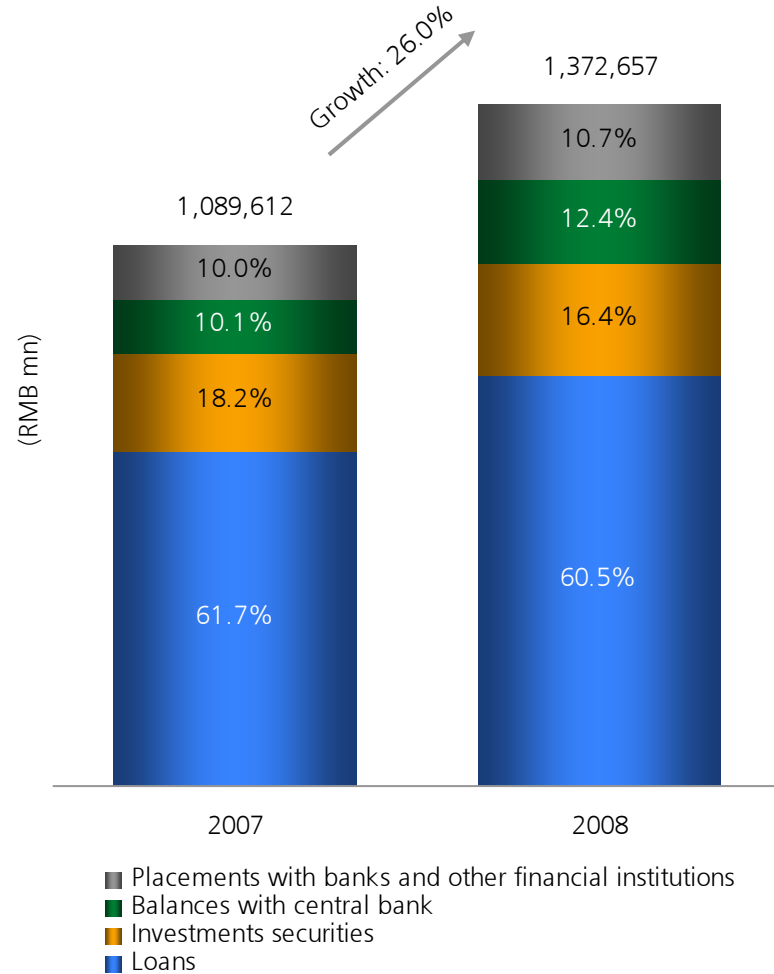
Net interest margin



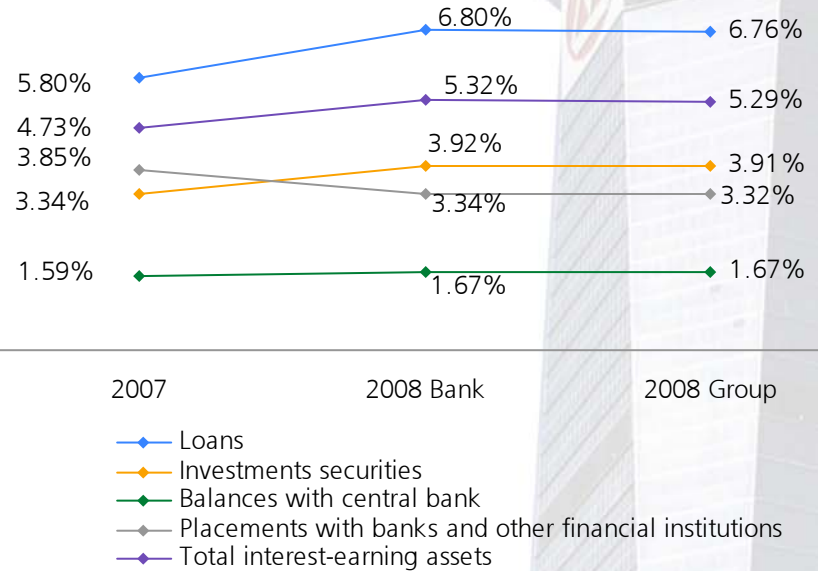
Significant increase in asset yields

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

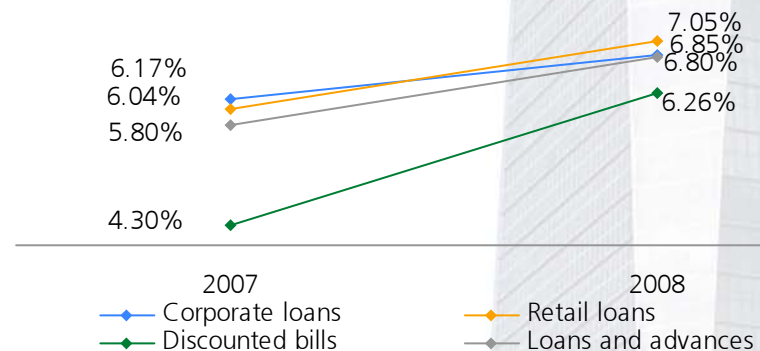
Average interest-earning assets



Average yields



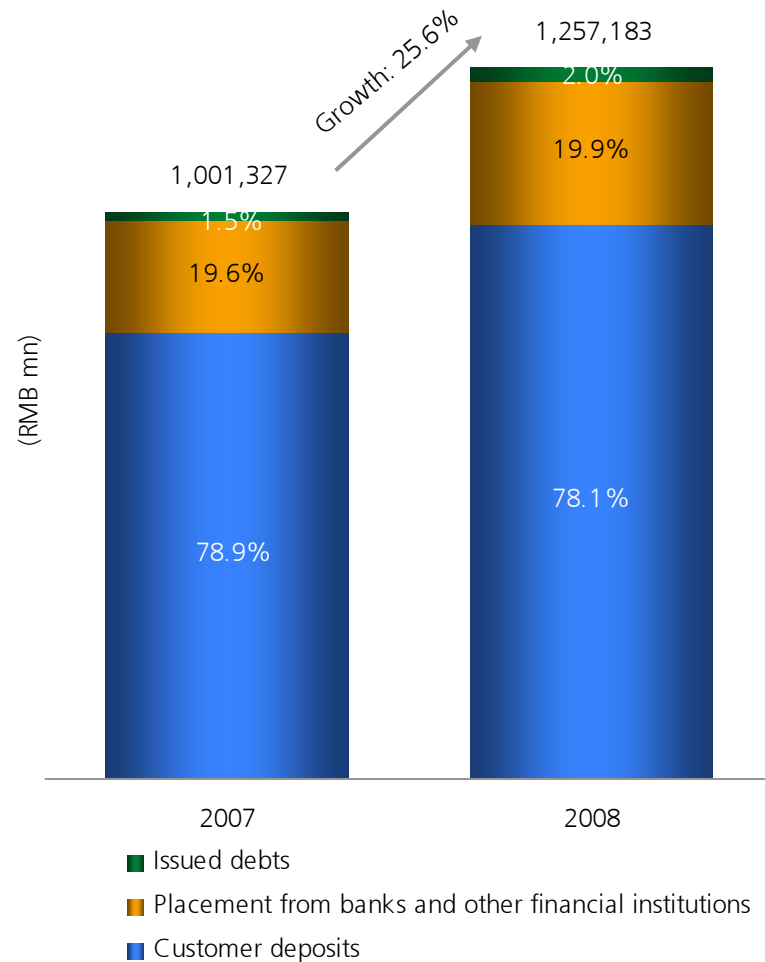
Average yields of loans and advances (Bank)



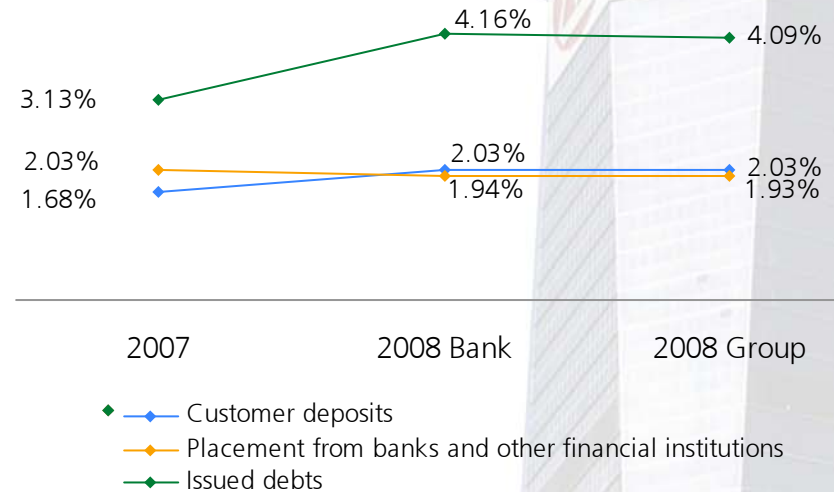
Funding cost

Actively managing liabilities to control cost

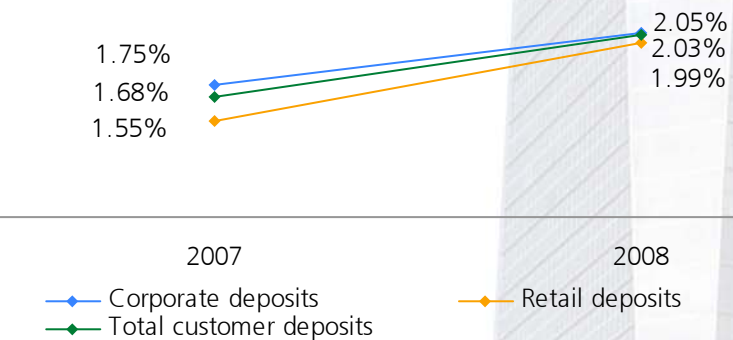
Average interest-bearing liabilities



Average cost



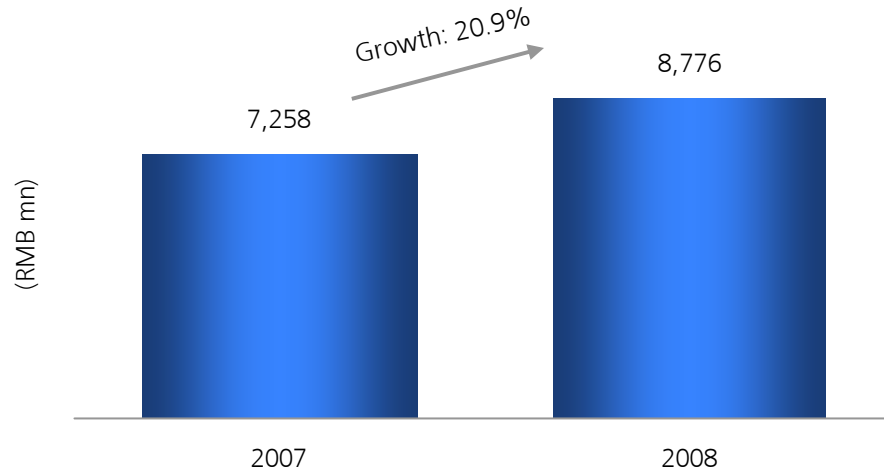
Average cost for corporate and retail deposits (Bank)



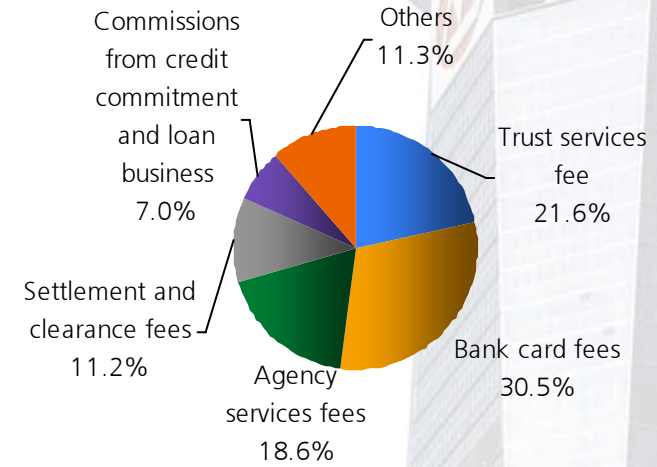
Steady growth in fee and commission income

Growth in fee and commission income was driven by trust services fees, while agency service fees declined

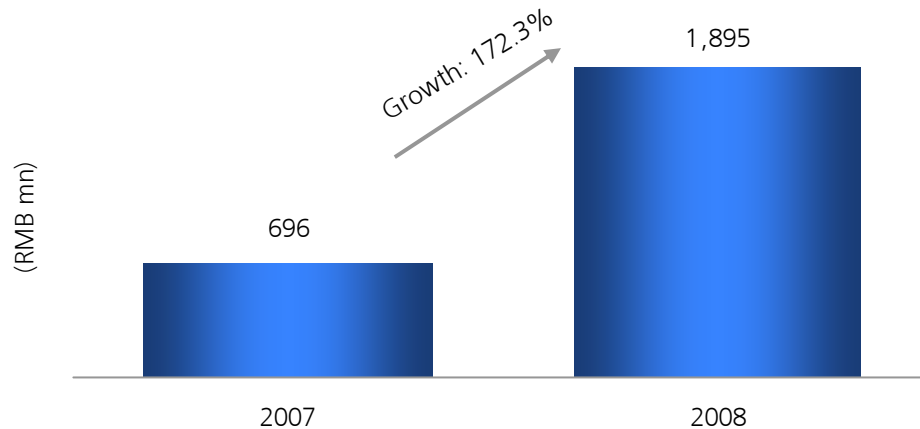
Fee and commission income



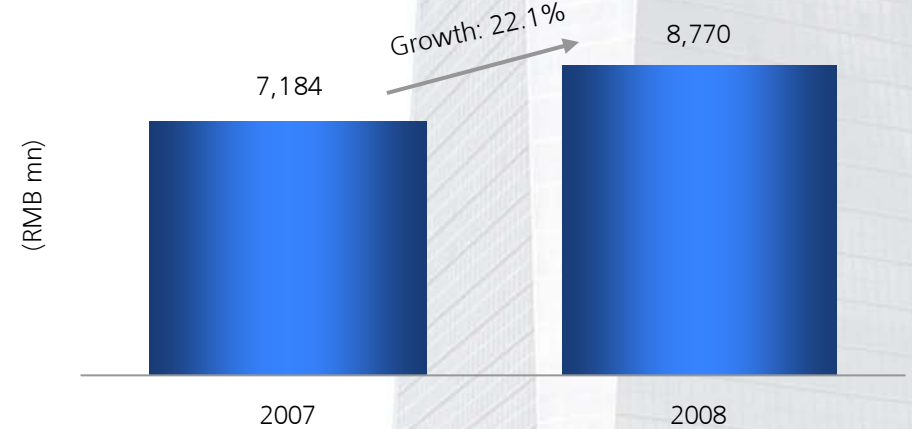
Fee and commission income mix



Trust service fee



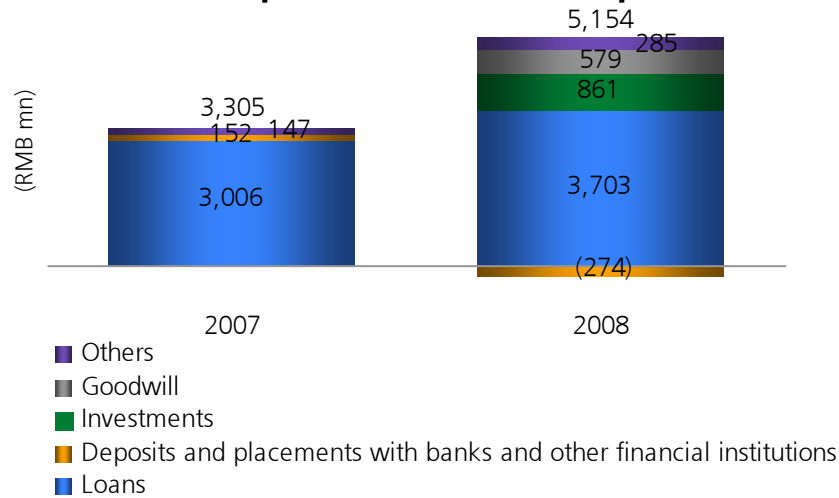
Non-interest income



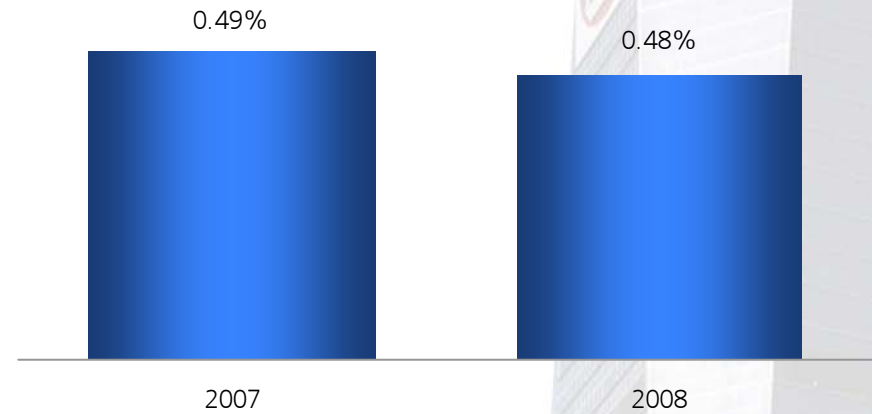
Credit cost and asset quality

Impairment loss for investments and good will increased. Credit cost declined slightly. Improving asset quality was evident through declining NPL ratio and increased NPL coverage

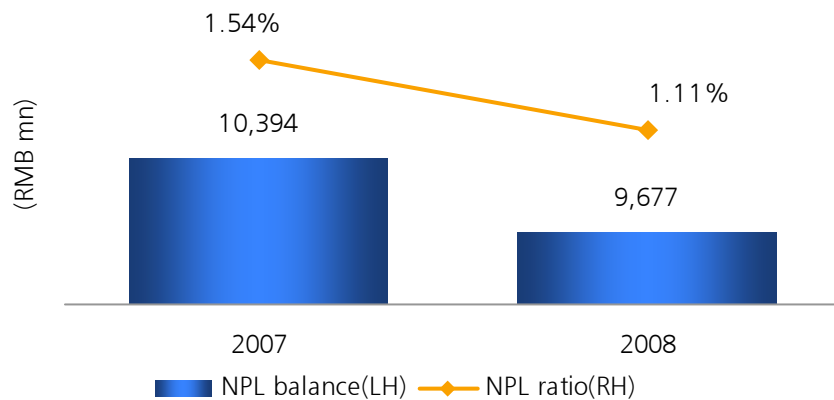
Provision for impairment losses composition



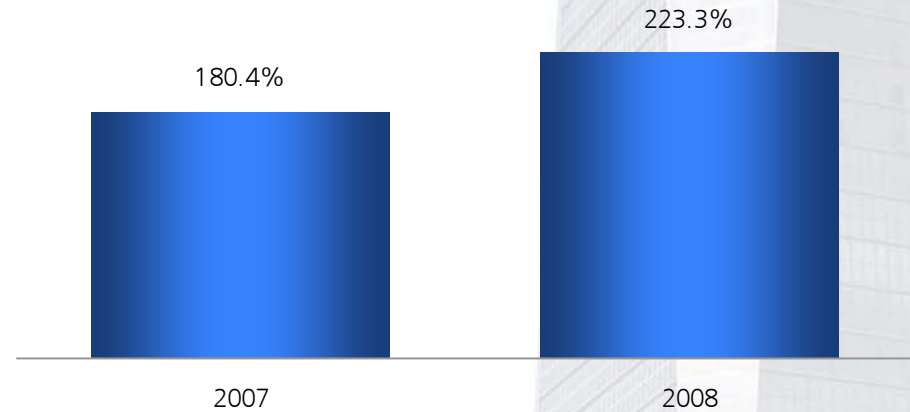
Credit cost



NPL balance and NPL ratio



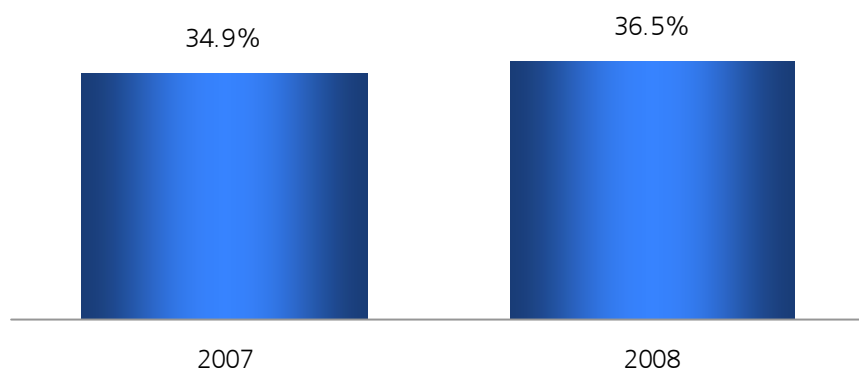
Coverage ratio



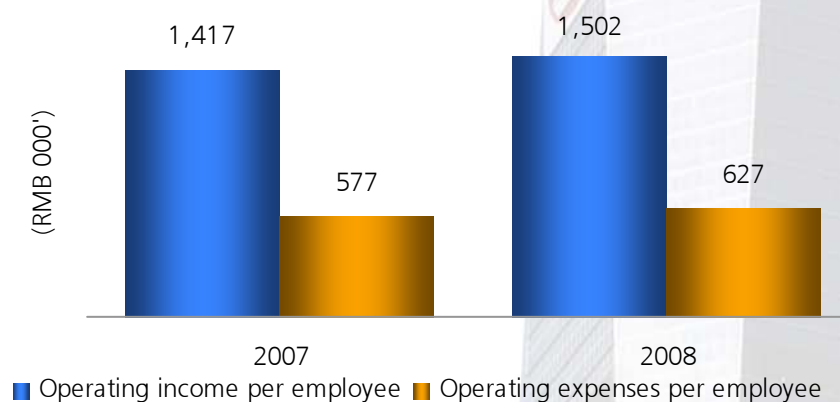
Improving operating efficiency

Cost to income ratio slightly higher, while income per staff/branch continued to increase

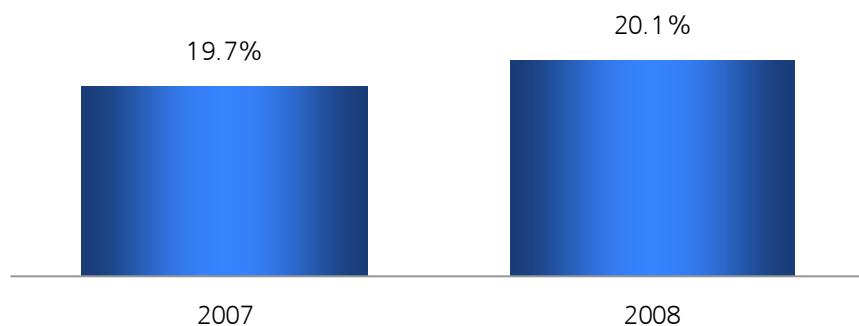
Cost to income ratio (excluding business tax)



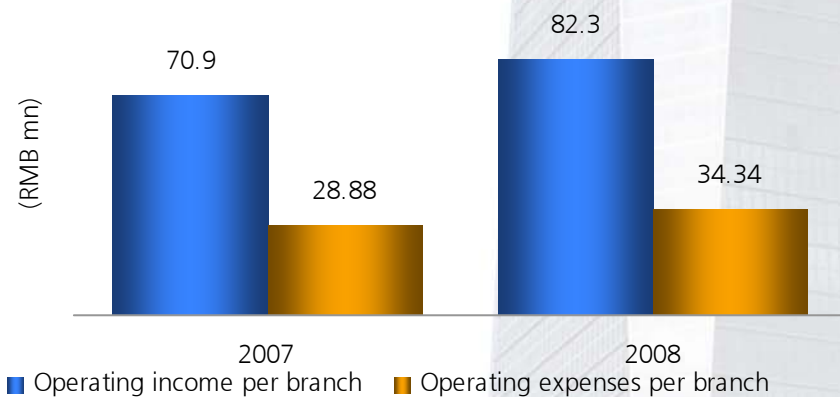
Income and cost per staff (Bank)



Staff expenses as a % of operating income



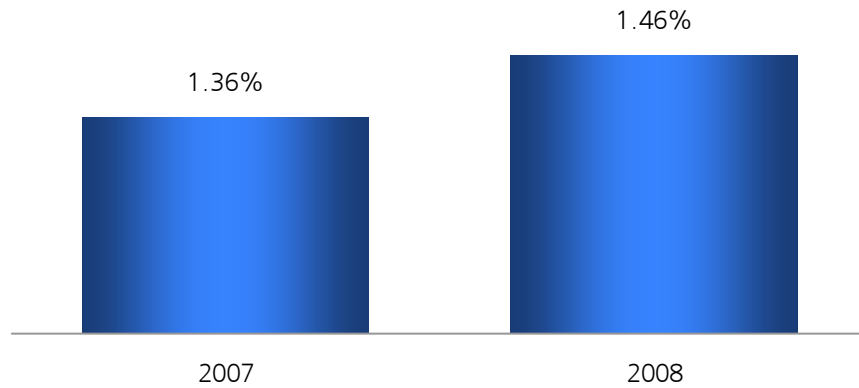
Income and cost per branch (Bank)



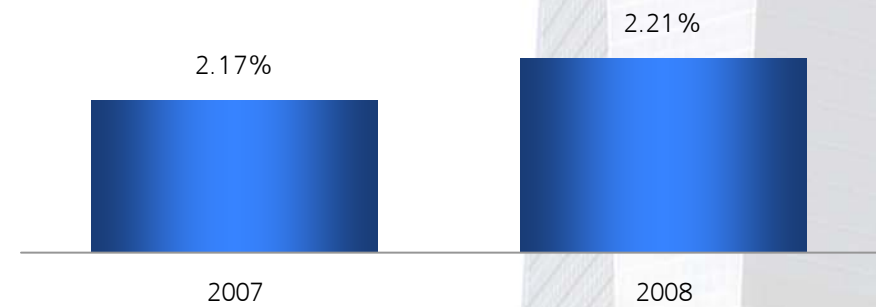
Profitability

Profitability continued to improve

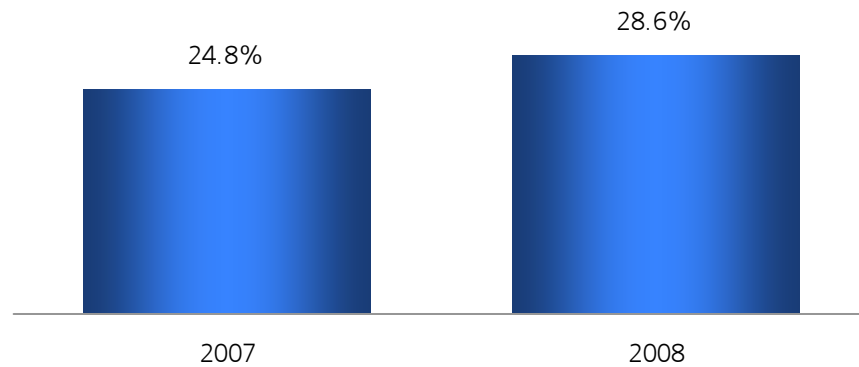
ROAA



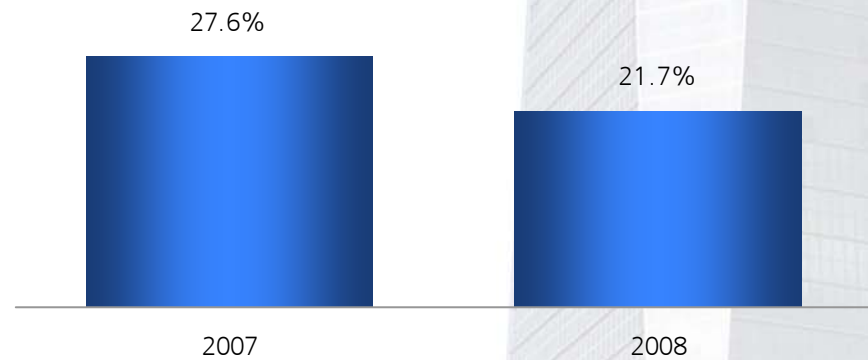
ROAA (pre-provision operating profits)



ROAE

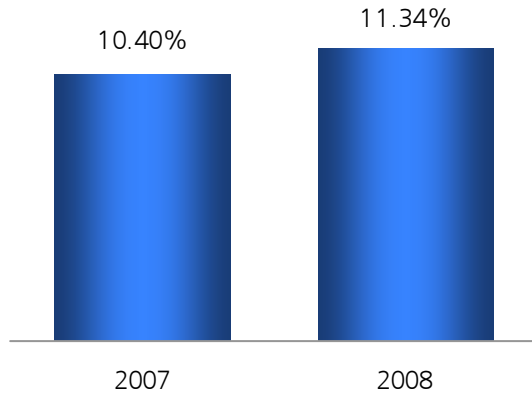


Effective tax rate

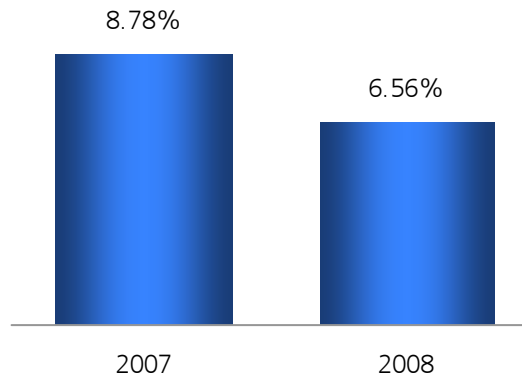


Capital adequacy ratios

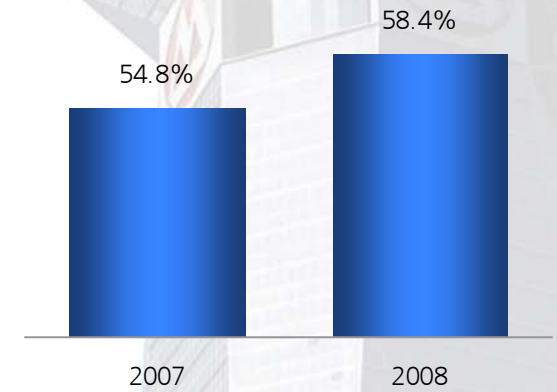
Group capital adequacy ratio



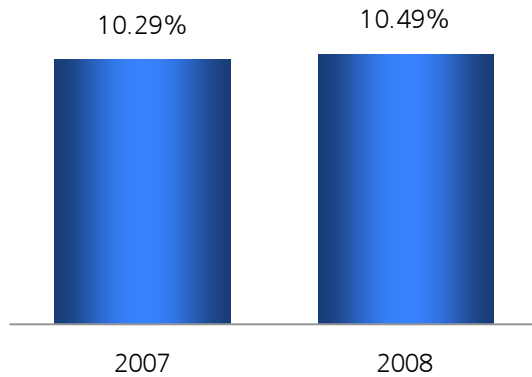
Group core capital adequacy ratio



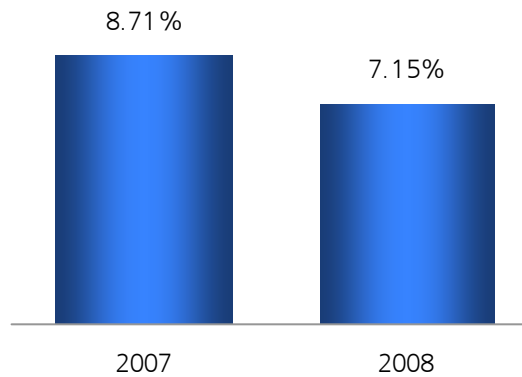
Group RWA as % of total assets



Bank capital adequacy ratio



Bank core capital adequacy ratio



Bank RWA as % of total assets





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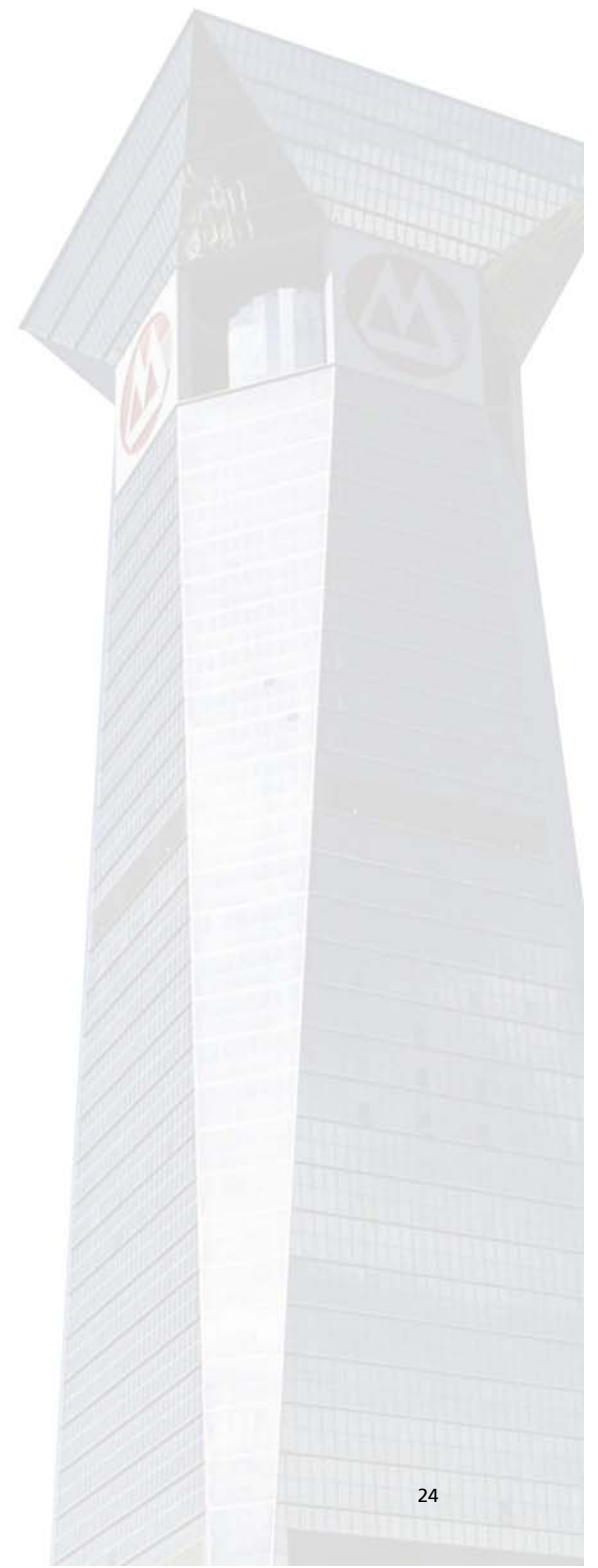
Financial performance

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Summary financials of Wing Lung Bank

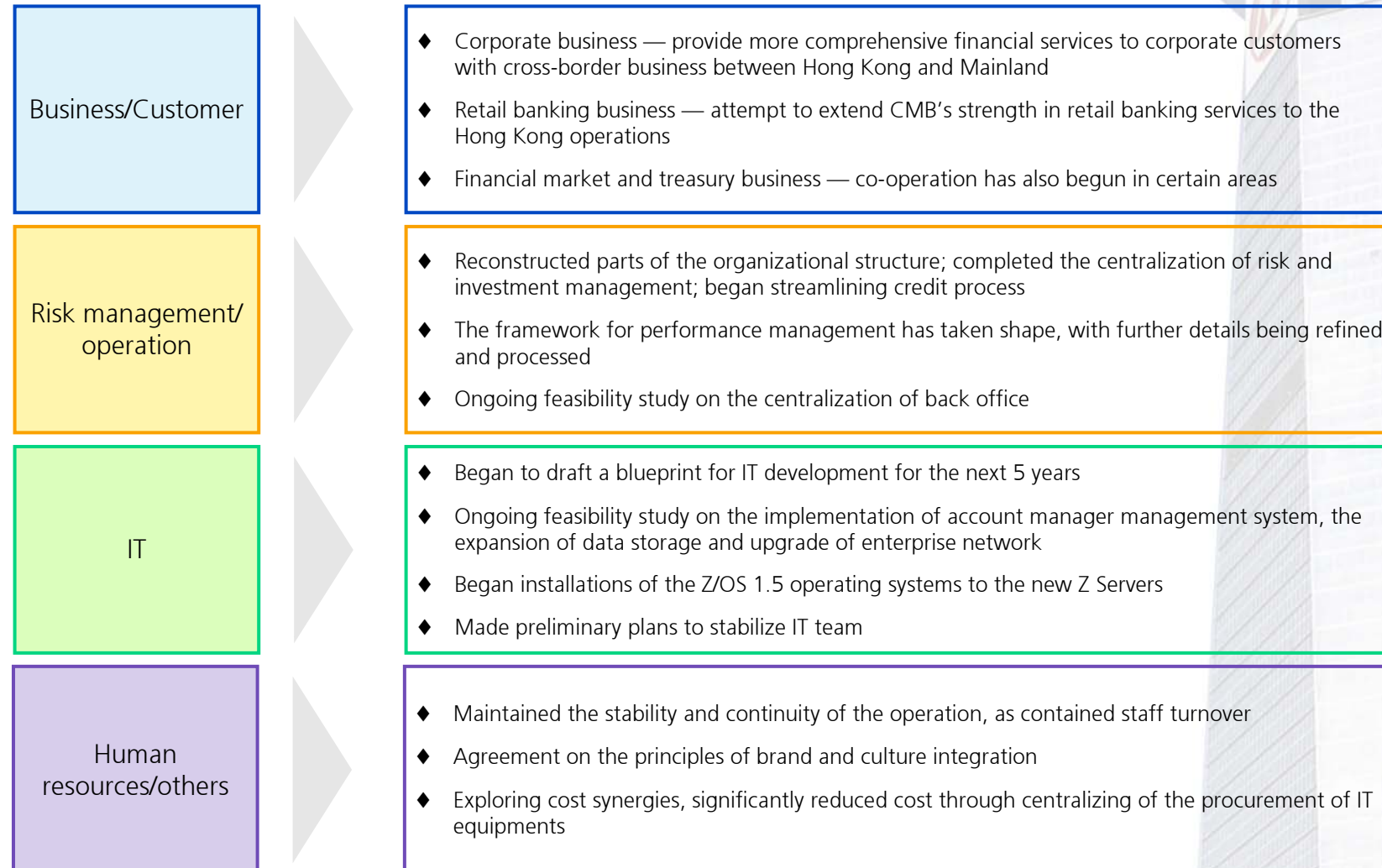
(HKD bn)

Selected P&L data	2008	YoY % Growth	Commentary
Net interest income	1.28	↓ (14.4%)	
Net fee and commission income	0.34	↓ (31.3%)	
Income from insurance businesses	0.44	↑ 2.0%	
Operating expenses	(1.05)	↑ 41.7%	
Profit/loss after tax	(0.82)	n.m.	

Selected Balance Sheet data	2008	YoY % Growth	Commentary
Total loans	43.5	↑ 3.3%	NPL ratio at 0.47%
Of which: Mortgage loans	9.6	↓ (5.2%)	
Syndicated loans	11.2	↑ 7.5%	
Corporate loans	4.7	↑ 5.6%	
Debt securities	10.9	↓ (20.1%)	
Of which: Foreign currency bonds	10.6		Over 72.5% of foreign currency bonds (including HKD) have credit ratings of A3 or above
Total assets	100.6	↑ 7.7%	
Total deposits	83.2	↑ 17.0%	
Net assets	10.4		

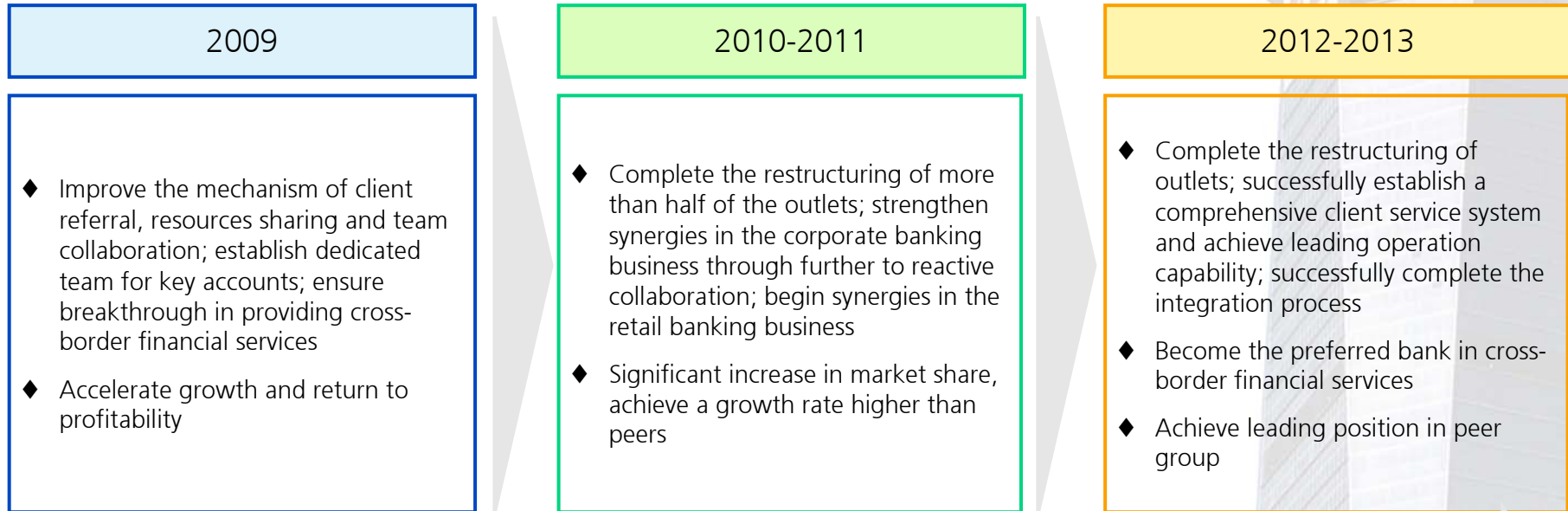
Progress of Wing Lung integrations

The integration with Wing Lung Bank is progressing smoothly, and has achieved good initial results



Progress of Wing Lung integration

Goals in next several years — “build solid foundations in one year; achieve notable results in three years; successful completion in five years”. We have also established a clear “Three Steps” plan, which will be implemented in an orderly manner to ensure the success of integration



Strategic goal and vision

- ◆ Become a commercial bank providing comprehensive services, both leading in Hong Kong local market and clear advantaging cross-border business between Hong Kong and China. Establish an internationally competitive platform that will support our international expansion in key overseas markets



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Outlook

In 2009

Operational environment

Challenges

- ◆ Contraction of global economy and the risk of the slowdown in Chinese economy
- ◆ Risk management
- ◆ Insufficient effective demand
- ◆ Further effect of the spread compression
- ◆ Uncertainty in capital markets
- ◆ Intensified competition

Opportunities

- ◆ Positive effects from fiscal stimulus package
- ◆ Loosening monetary policy
- ◆ Central and local governments encouraging investment in infrastructure, public facility, health care system
- ◆ Accelerating upgrade of certain industries such as machinery & equipment, boats and textiles
- ◆ Market demand including consumer demand will stabilize and rebound



Responses

- ◆ Continue the adjustment of business model
 - Further develop the retail business
 - Improve private banking service
 - Maintain growth momentum of wholesale banking fee income business
 - Expedite the development of SMB business
- ◆ Achieve the effective growth of lending business
- ◆ Improve asset liability management
- ◆ Further control cost
- ◆ Accelerate the implementation of comprehensive products management system
- ◆ Achieve success of Wing Lung integration. Gradually expand into other international markets and business areas



Q&A

