



China Merchants Bank Co., Ltd. 2009 Results Announcement

April 2010



Forward-Looking Statement Disclaimer

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Agenda

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Highlights

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Major developments

3

Financial performance

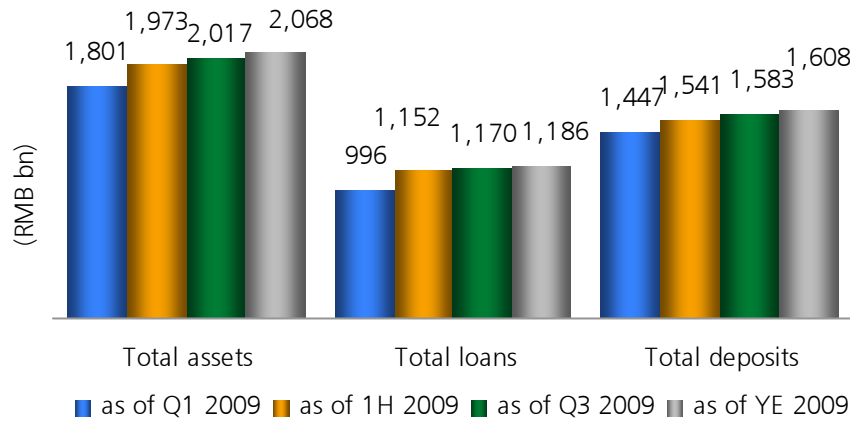
4

Outlook



Operating results outperformed expectation

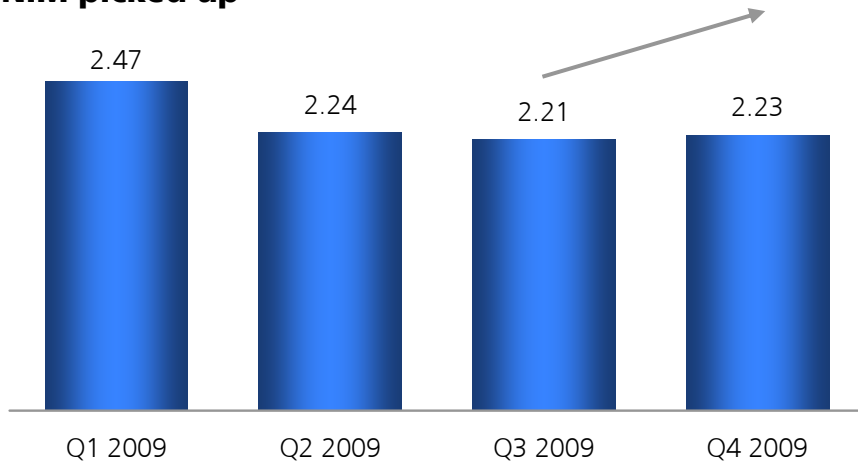
Solid scale expansion



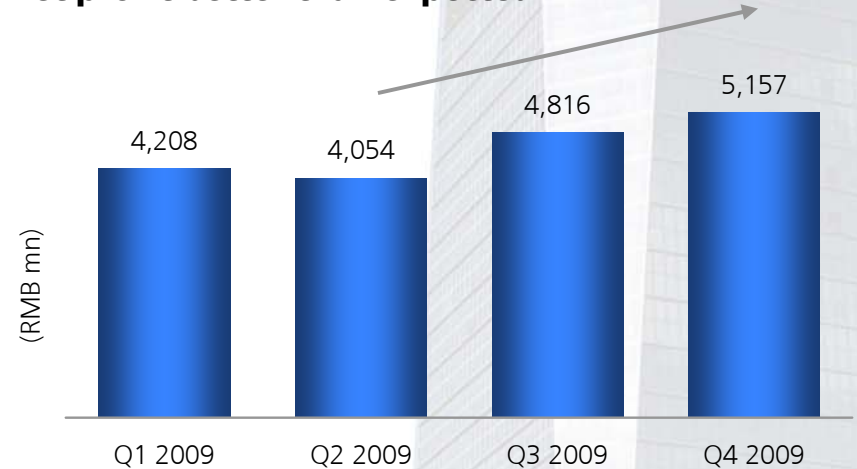
Significant progress achieved by strategic transformation

- ◆ Improved assets and liabilities structure
- ◆ Increased proportion of strategically-focused business areas such as retail banking, SME corporate loans and fee-based income
- ◆ Optimized customers composition

NIM picked up¹



Net profit better than expected



Note:

¹ Except 1Q NIM is calculated for the Bank, all data on this page is based on consolidated Group financials

Overall enhancement in operation and management

Strengthening of assets and liabilities, capital, financial cost and risk management to achieve overall enhancement in operation and management



Seized the opportunity to successfully complete A+H Rights Issue

The first Chinese bank to have successfully completed right issues. The largest rights issue in A-share market and the largest equity refinancing in the A share market since 2008.

Rights Issue Offering Ratio

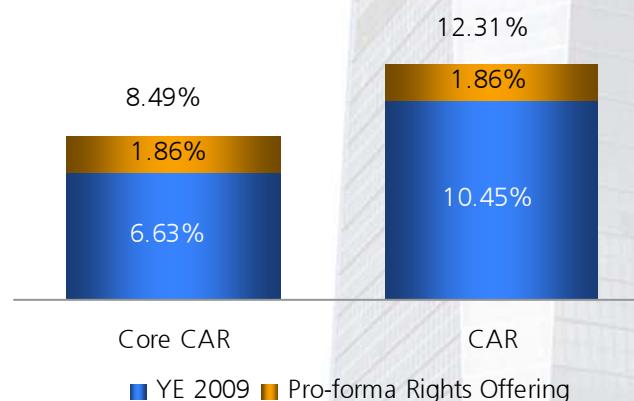
- ◆ 1.3 Rights Shares for every 10 existing Shares held by all Shareholders

Subscription rate

- ◆ A-shares: Rights issue completed on March 12 with a subscription rate of 98.6%, the highest subscription rate among all 21 completed rights issues since 2008
- ◆ H-shares: Rights issue completed on March 31 with an overall subscription rate of 426.2%, the highest overall subscription rate among the 9 completed international rights issue in the Asian financial services sector since 2000

Impact on capital

- ◆ The gross proceeds, approximately RMB 21.75 billion, are expected to enhance the Group's total capital adequacy ratio and core capital adequacy ratio by almost 2 percentage points, respectively, laying a solid foundation for future business expansion



Continued to receive high brand recognition



Financial Times

Bank with **highest price-to-book ratio, and highest growth in brand value in the world**, and nominated a world-class brand in China



Forbes

No. 24 among the "Global 600 Most Prestigious Enterprises"



Euromoney

Best Private Bank in China



The Wall Street Journal
Asia

No. 1 among "Most Esteemed Enterprises in China"



The Asian Banker

Best Retail Bank in China



Asia Risk

2009 Best Risk Managing Bank (China Region) Award



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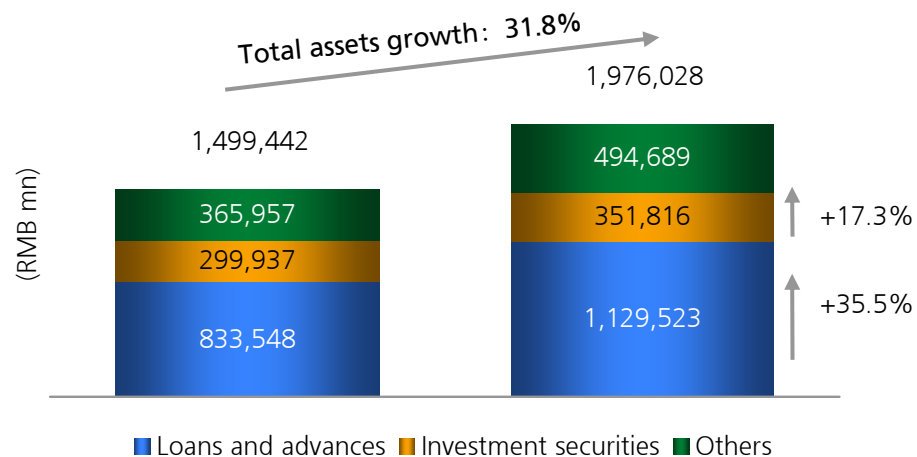
4

Outlook

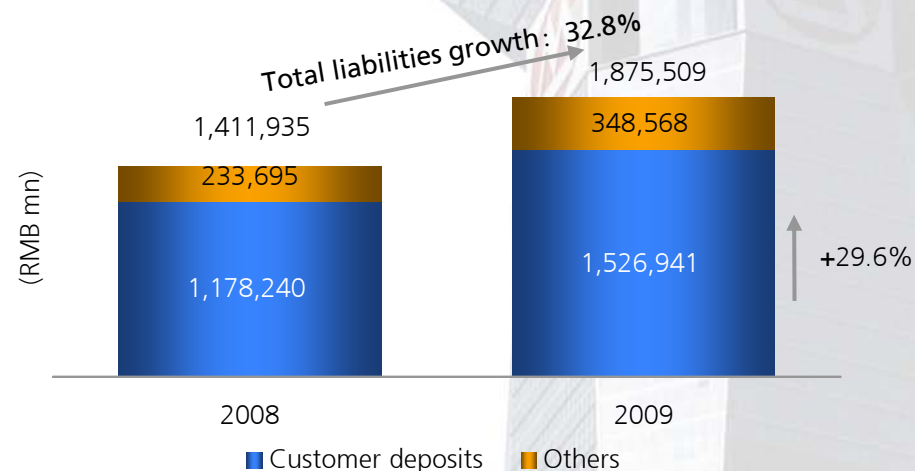


Strengthened marketing effort, business developed steadily, and customer base further expanded

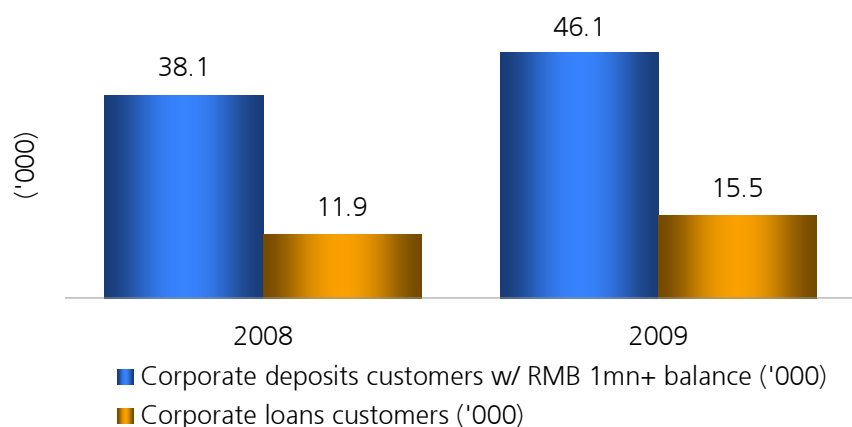
Steady and moderately fast growth of assets business



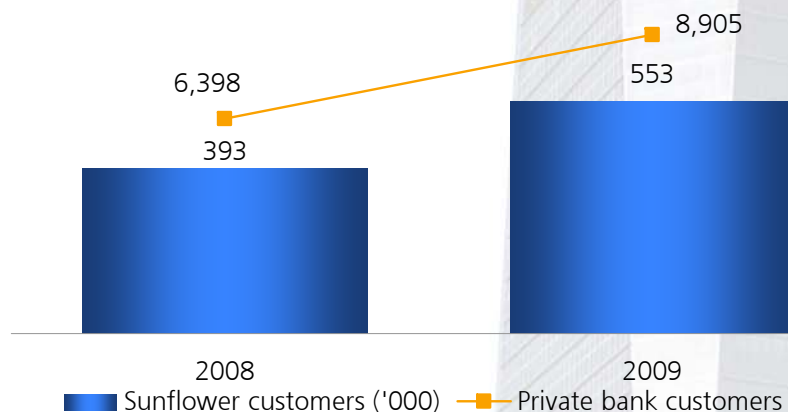
Continuously growing and stable funding source



Corporate customer base increased



High-end retail customer base continued to expand

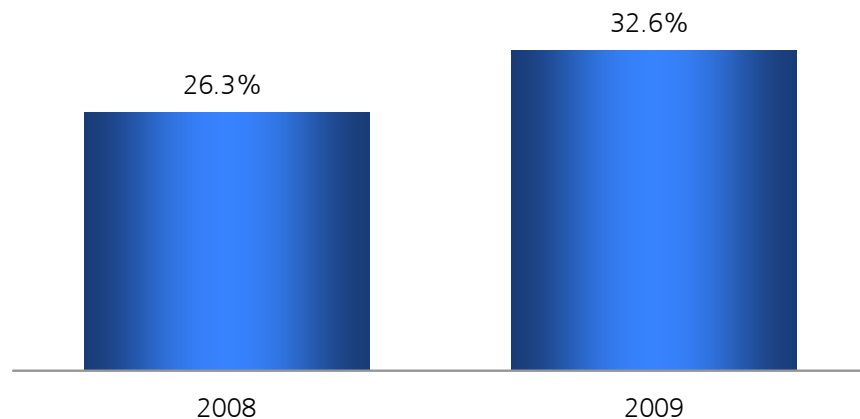


Note: Bank data

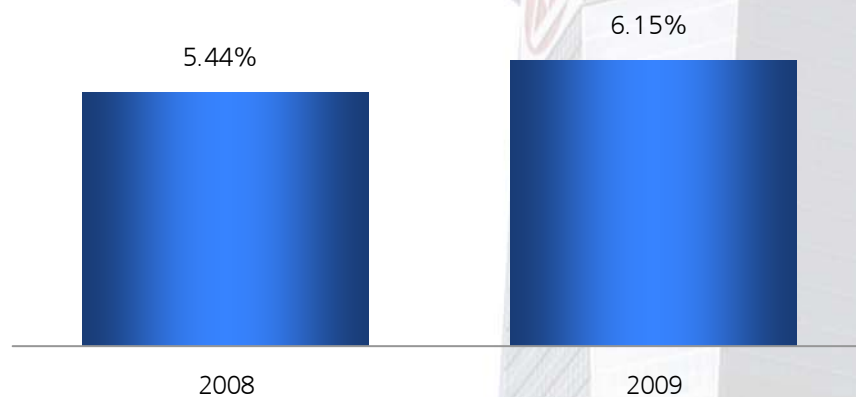
Further deepened strategic transformation and achieved structural optimization

Proportion of retail business continued to grow

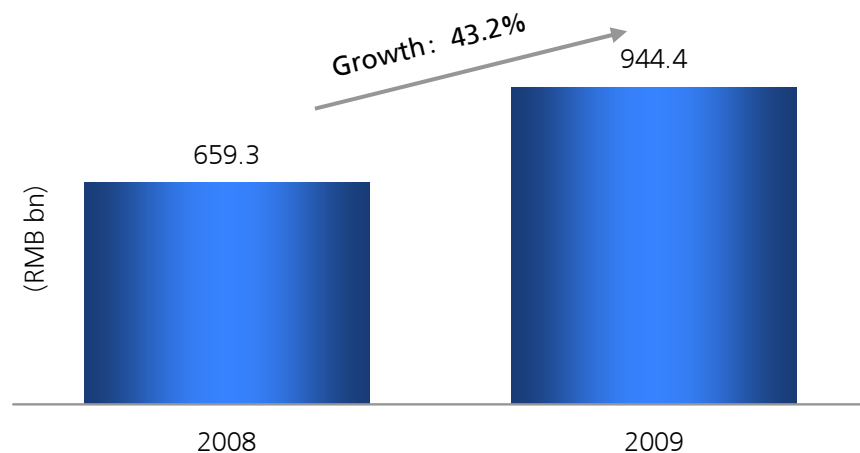
Proportion of retail loans



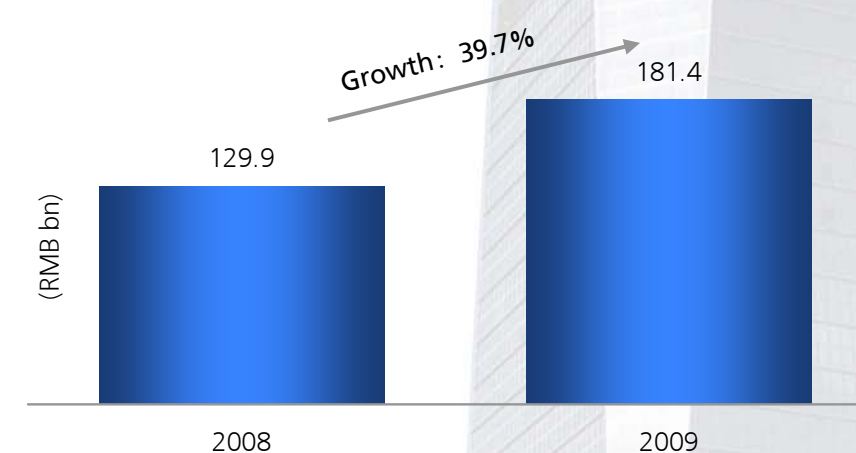
Retail loan market share continued to grow¹



Sunflower AuM



Private banking AuM



Note:

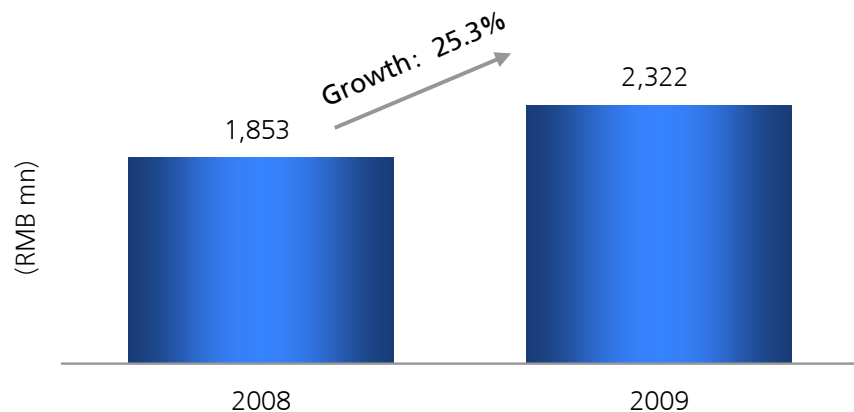
1 Representing the consumer loans, PBOC statistics

2 Bank data

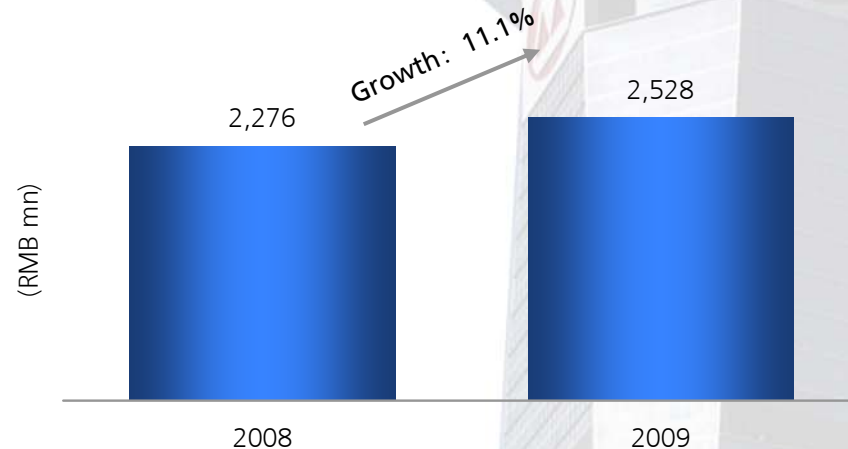
Further deepened strategic transformation and achieved structural optimization (continued)

Optimization of credit card business has made progress, enhancing the value per card

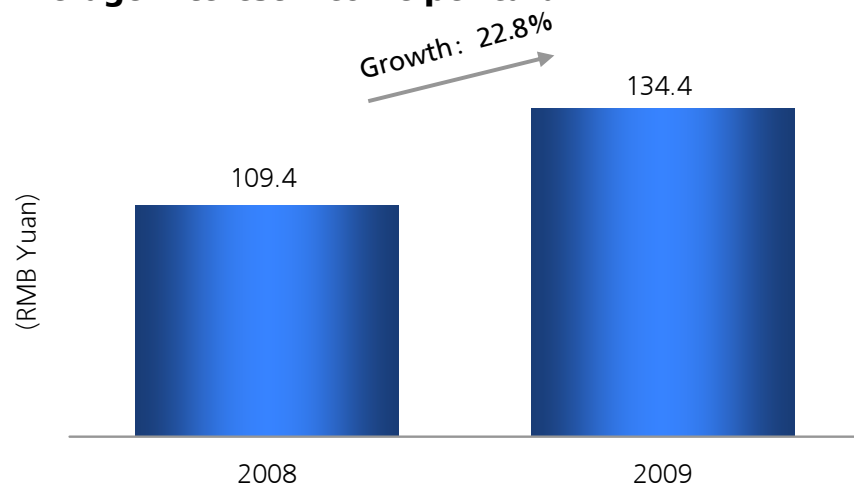
Interest income



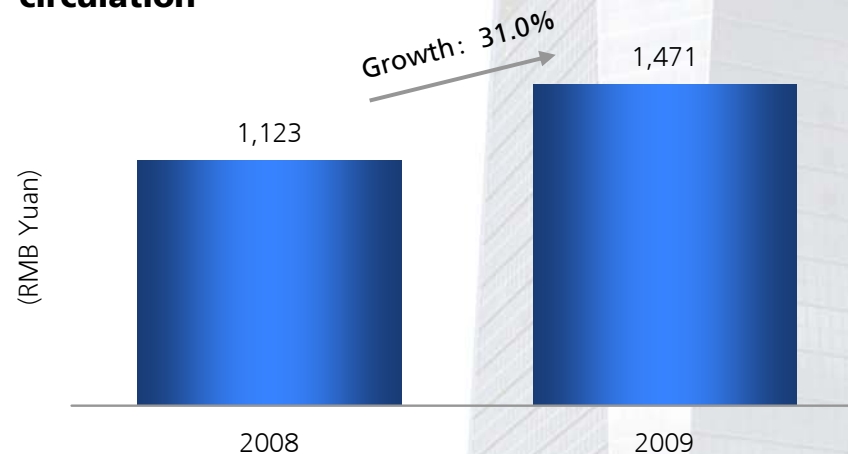
Non-interest income



Average interest income per card



Average monthly transaction volume per card in circulation

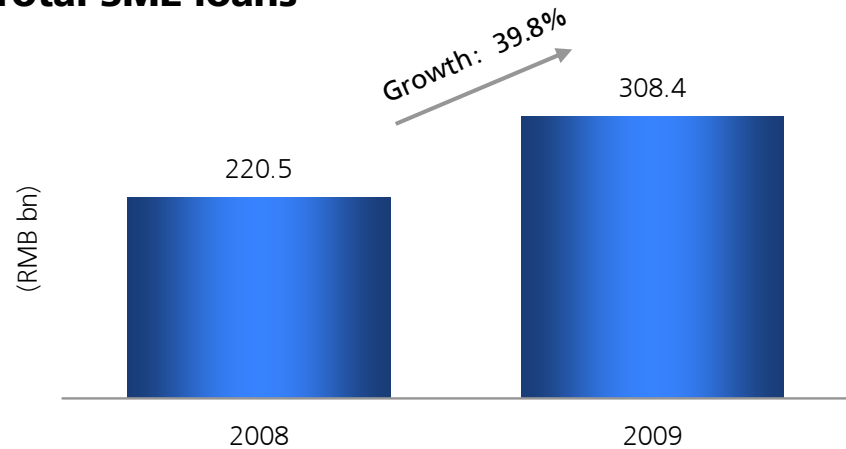


Note: Bank data

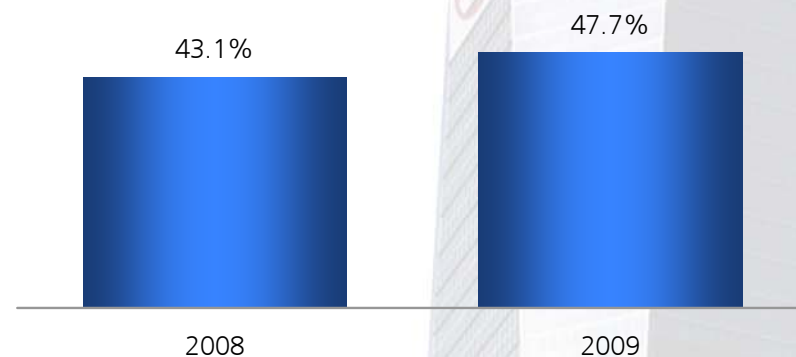
Further deepened strategic transformation and achieved structural optimization (continued)

SME business grew rapidly

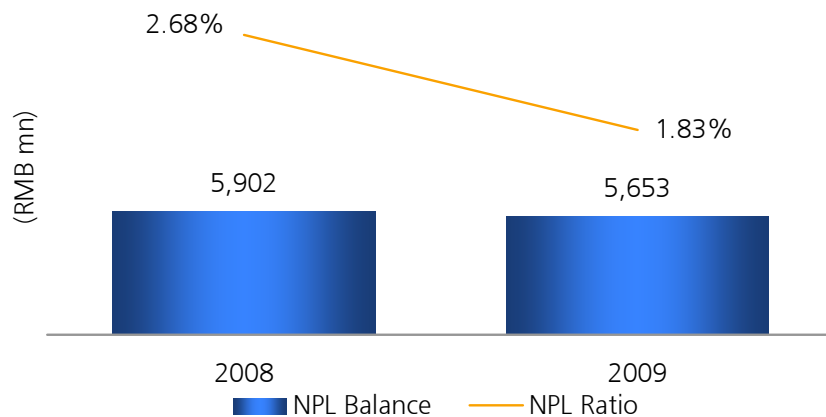
Total SME loans



SME loan as a % of domestic corporate loans



SME NPL



Vigorously promote SME strategic initiatives



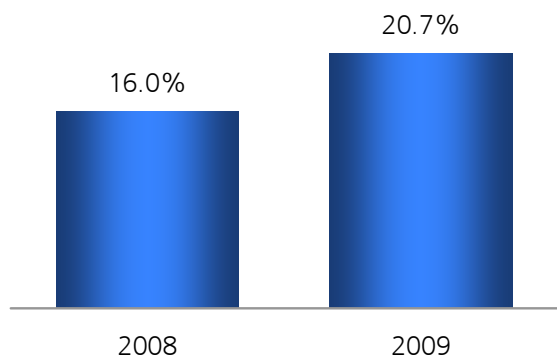
- ◆ First, continue to implement organizational construction and reform for SME business, established SME banking departments in seven branches in 2009, and complete construction of 20 off-site sub-centers of small business finance centers
- ◆ Second, actively carried on product innovation and exerted more efforts on product management
- ◆ Third, improved pricing ability for SME loans
- ◆ Fourth, strengthened risk management for SME loans

Note: National classification standard for SME, Bank data

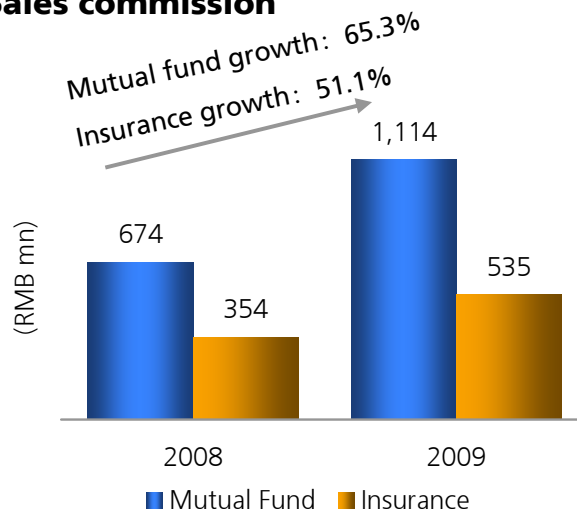
Further deepened strategic transformation and achieved structural optimization (continued)

Proportion of non-interest income continued to climb with highlights in new fee and commission income products

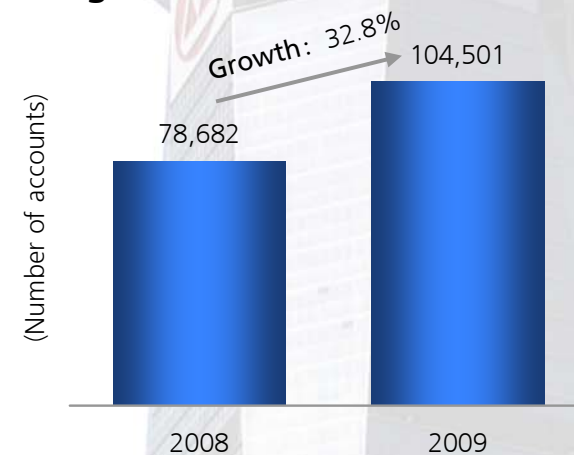
Net non-interest income/operating income¹



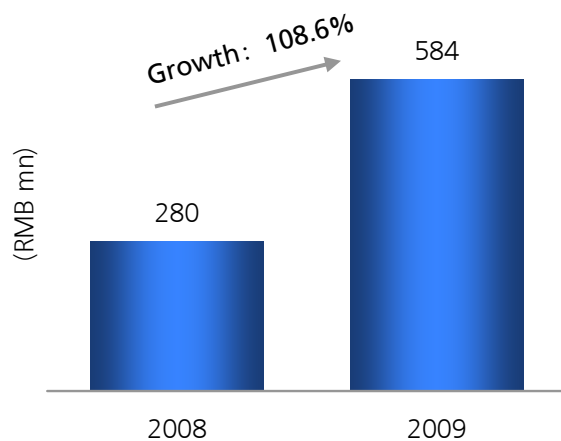
Sales commission



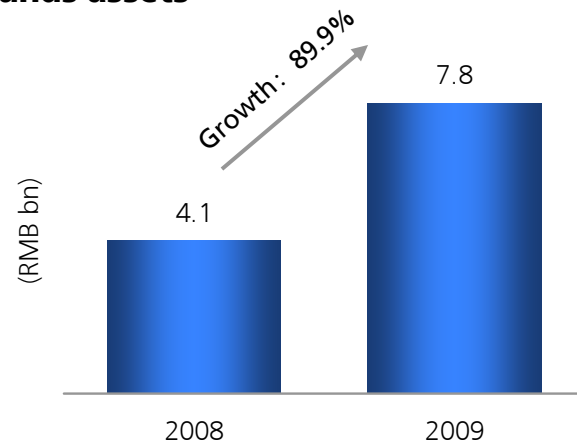
Total number of corporate cash management clients



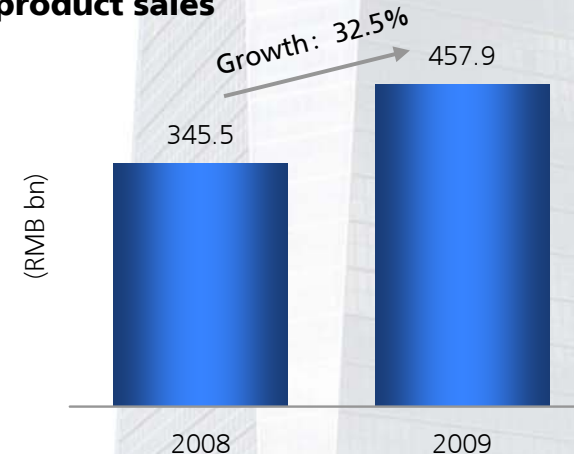
Investment banking revenue



New entrusted corporate pension funds assets



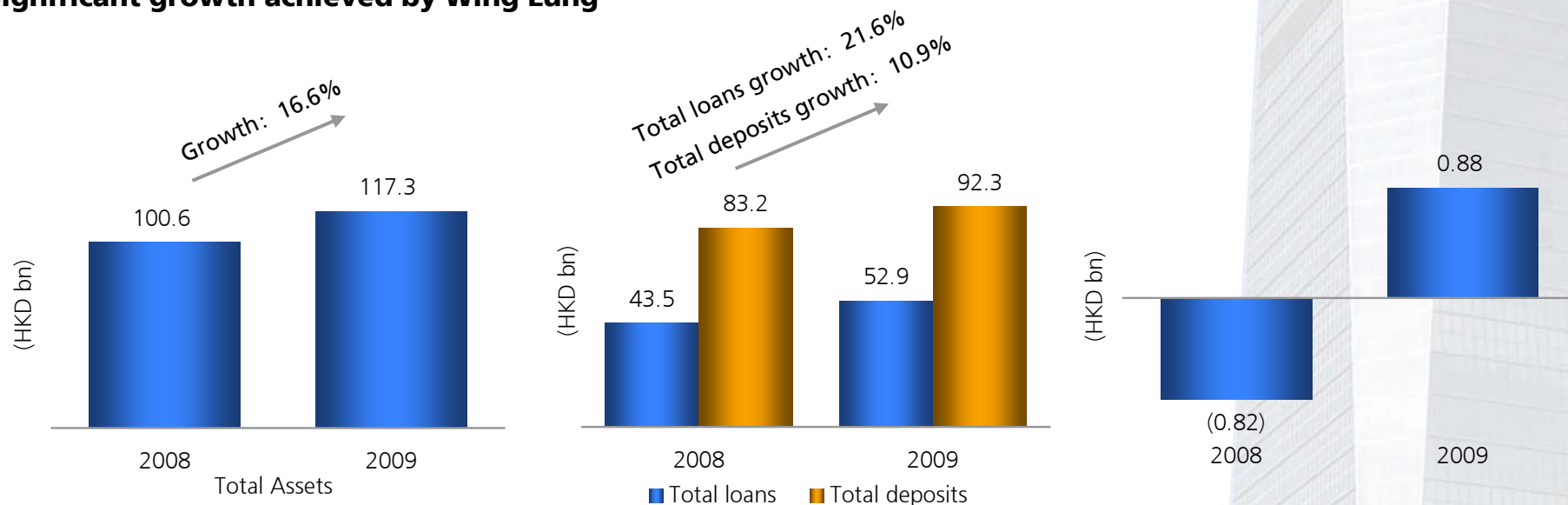
Corporate wealth management product sales



Integration of Wing Lung Bank better than expected, began to deliver synergy

- ◆ Together with HQ, arranged syndicated loans for a number of large-scale local conglomerate clients in Hong Kong
- ◆ Provided express remittance service. Jointly introduced innovative services such as RMB settlement for cross-border trade, investment immigration, RMB NDF, and cross-region account opening service
- ◆ Growing mutual referral of clearing business, documentation business, foreign exchange trading, inter-banking lending, retail customers and preferred marchants
- ◆ Granted status as approved IPO sub-receiving bank
- ◆ Completed new logo replacement, opened three new outlets during the year
- ◆ Launched "Sunflower" financial services in Hong Kong

Significant growth achieved by Wing Lung





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Summary income statement

(RMB mn except for EPS)	Group			Bank ²		
	2009	2008	% growth	2009	2008	% growth
Net interest income	40,364	46,885	(13.9%)	39,045	46,570	(16.2%)
Net fee and commissions income	7,993	7,744	3.2%	7,609	7,645	(0.5%)
Non-interest income (adjusted ¹)	11,553	8,770	31.7%	10,217	8,875	15.1%
Operating income (adjusted ¹)	51,917	55,655	(6.7%)	49,262	55,445	(11.2%)
Operating expense	(26,207)	(23,636)	10.9%	(24,797)	(23,145)	7.1%
Pre-provision operating profit	25,355	31,913	(20.5%)	24,465	32,300	(24.3%)
Provisions	(2,971)	(5,154)	(42.4%)	(2,826)	(5,973)	(52.7%)
Profit before tax	22,384	26,759	(16.3%)	21,639	26,327	(17.8%)
Income tax	(4,149)	(5,813)	(28.6%)	(3,988)	(5,915)	(32.6%)
Net profit attributable to shareholders	18,235	21,077	(13.5%)	17,651	20,412	(13.5%)
EPS	0.95	1.10	(13.6%)	0.92	1.39	(33.5%)

Note:

1 Adjusted for gain from investment in associates

2 Except Bank income statement data which is based on PRC GAAP, all financial data in "summary income statement", "summary balance sheet" and "key ratios" is based on IFRS

Summary balance sheet

(RMB mn)	Group			Bank		
	2009	2008	% growth	2009	2008	% growth
Gross loans	1,185,822	874,362	35.6%	1,129,523	833,548	35.5%
Allowances for loan impairment loss	(24,005)	(21,608)	11.1%	(23,707)	(21,442)	10.6%
Investments securities	377,072	310,446	21.5%	352,258	300,339	17.3%
Placement with other banks	270,125	186,466	44.9%	246,453	151,040	63.2%
Total assets	2,067,941	1,571,797	31.6%	1,975,917	1,499,372	31.8%
Interbank deposits	265,119	165,916	59.8%	255,689	165,020	54.9%
Customer deposits	1,608,146	1,250,648	28.6%	1,526,941	1,178,240	29.6%
Total liabilities	1,975,158	1,492,016	32.4%	1,875,509	1,411,935	32.8%
Total equity	92,783	79,515	16.7%	100,408	87,437	14.8%

Key ratios

Key ratios	Group			Bank		
	2009	2008	Change (percentage points)	2009	2008	Change (percentage points)
Return on average equities	21.2%	28.6%	(7.41)	18.8%	26.3%	(7.49)
Return on average assets	1.00%	1.46%	(0.46)	1.02%	1.45%	(0.44)
Net interest margin	2.23%	3.42%	(1.19)	2.28%	3.44%	(1.16)
Net fee income as % of operating income (adjusted ¹)	15.4%	13.9%	1.48	15.4%	13.8%	1.66
Non-interest income ratio (adjusted ¹)	22.3%	15.8%	6.50	20.7%	16.0%	4.73
Cost to income ratio (excluding business tax)	44.5%	36.5%	7.90	44.0%	35.8%	8.22
Credit cost	0.30%	0.48%	(0.18)	0.30%	0.49%	(0.19)
Non performing loan ratio	0.82%	1.11%	(0.29)	0.83%	1.14%	(0.31)
Special mentioned loan ratio	1.19%	1.64%	(0.45)	1.21%	1.65%	(0.44)
Coverage ratio	246.7%	223.3%	23.4	253.3%	225.7%	27.6
Loan to deposit ratio	73.7%	69.9%	3.83	74.0%	70.7%	3.23
Core capital adequacy ratio	6.63%	6.56%	0.07	7.36%	7.15%	0.21
Capital adequacy ratio	10.45%	11.34%	(0.89)	10.05%	10.49%	(0.44)
Effective tax rate	18.5%	21.7%	(3.19)	18.4%	22.5%	(4.04)

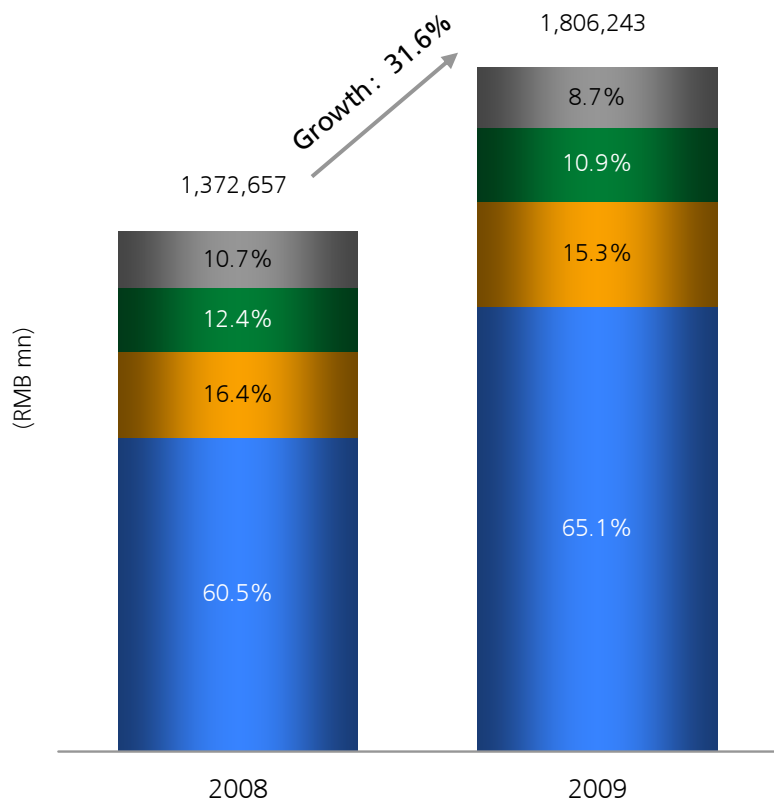
Note:

1 Adjusted for gain from investment in associates

Assets yields

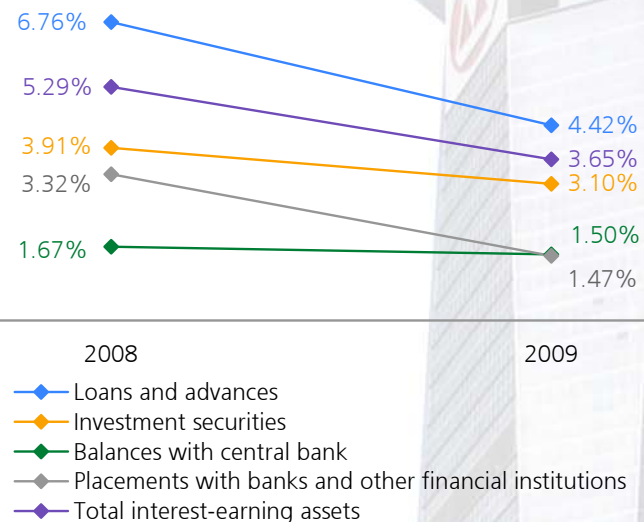
Interest-bearing assets enjoyed steady growth, while yields on interest-earning assets declined, due to central bank's rate cuts

Average interest-earning assets

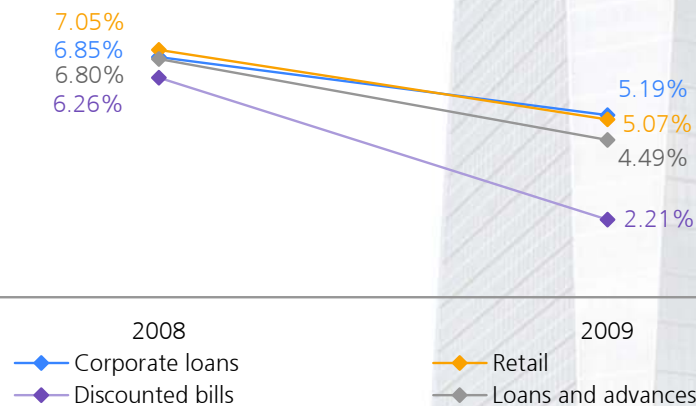


- Placements with banks and other financial institutions
- Balances with central bank
- Investment securities
- Loans and advances

Average yields



Average yields on loans and advances (Bank)

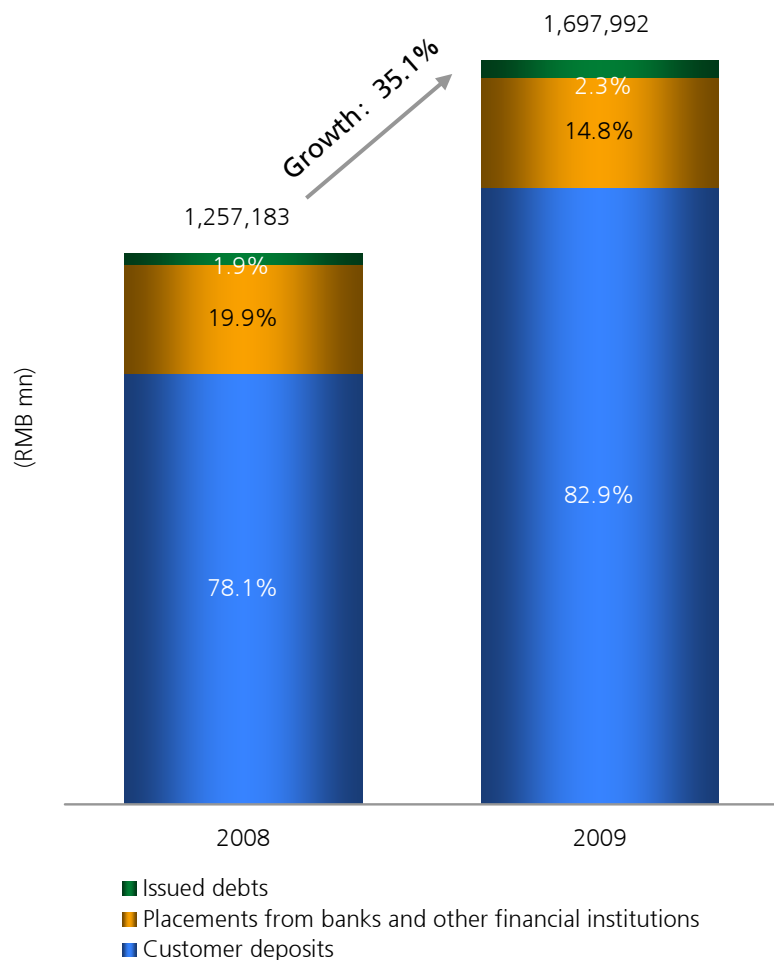


Note: Based on consolidated Group financials, unless otherwise stated

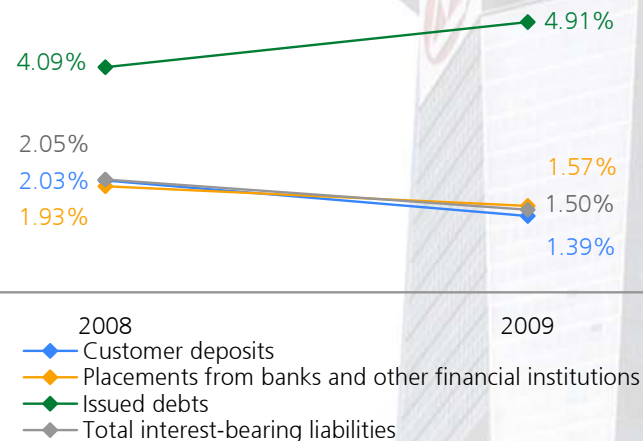
Funding cost

Actively managed liabilities to better control funding cost

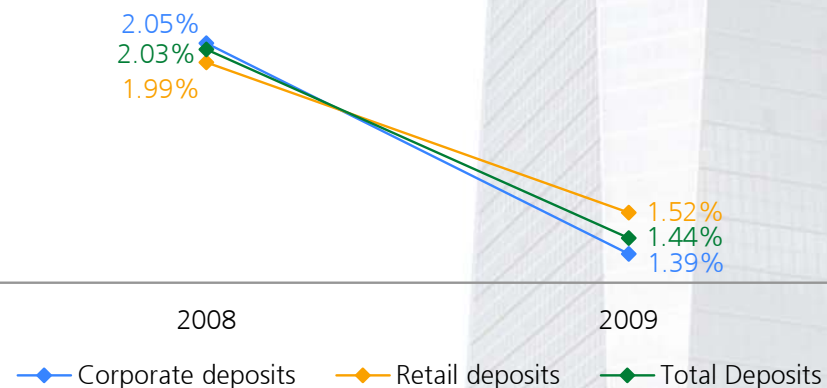
Average interest-bearing liabilities¹



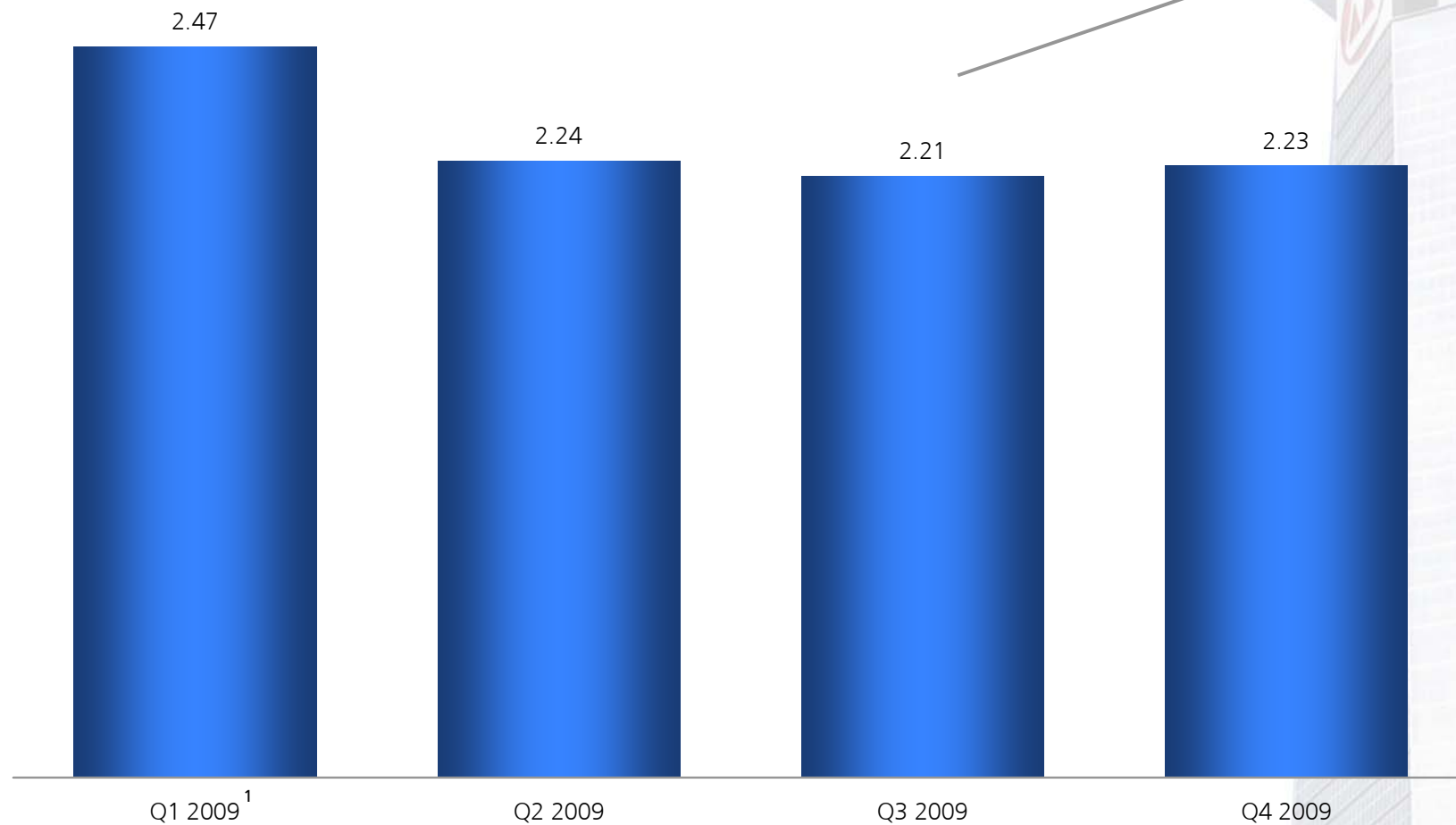
Average costs



Average costs of customer deposits (the Bank)



NIM bottomed out and picked up



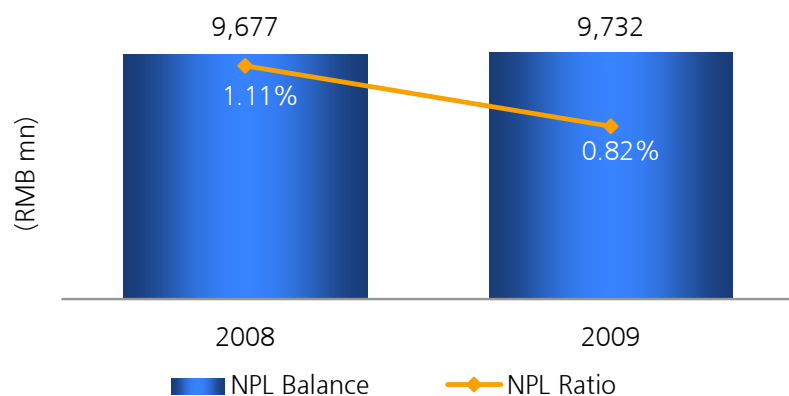
Note:

1 Except 1Q figure is for the Bank, all other figures are for the Group

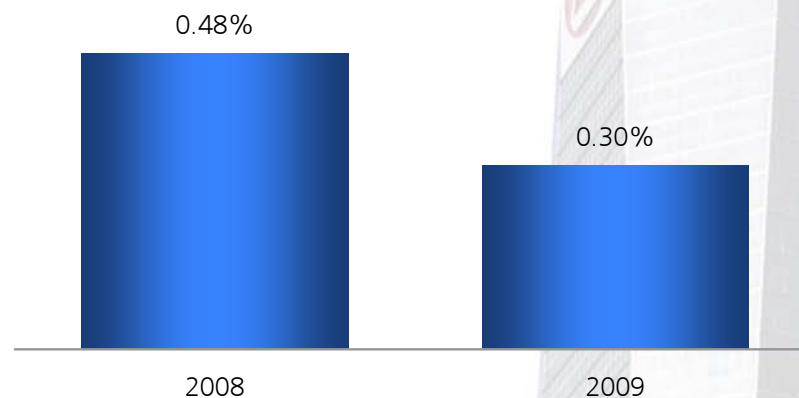
Credit cost decreased, and asset quality further improved

Credit cost and NPL ratio continued to decline, while NPL coverage continued to increase

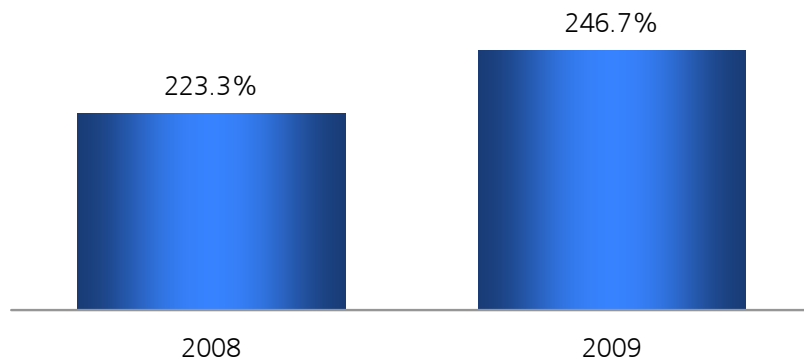
NPL balance and ratio



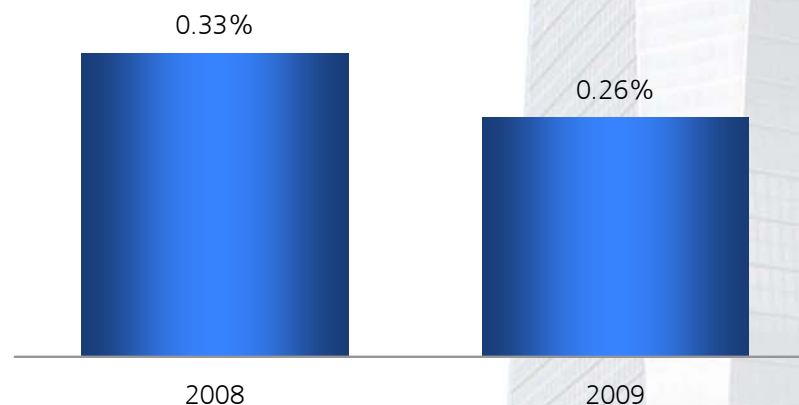
Credit cost



NPL coverage



NPL formation¹



Note: Based on consolidated Group financials unless otherwise stated

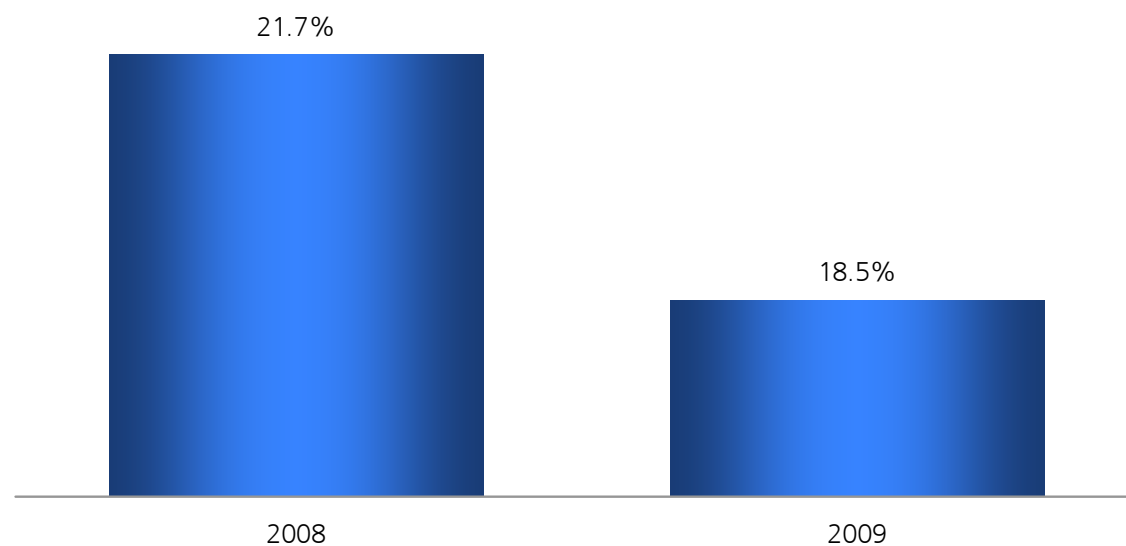
¹ NPL formation ratio = (downgrades and new NPL) / average balance of total loans, data of the Bank

Effective tax rate

Took tax planning initiative to achieve lower effective tax rate

- ◆ Benefited from the changes in the “PRC Settlement and Payment of Enterprise Income Tax”
- ◆ Increase the proportion of tax-free income such as interest from investment in treasury bonds

Effective Tax Rate

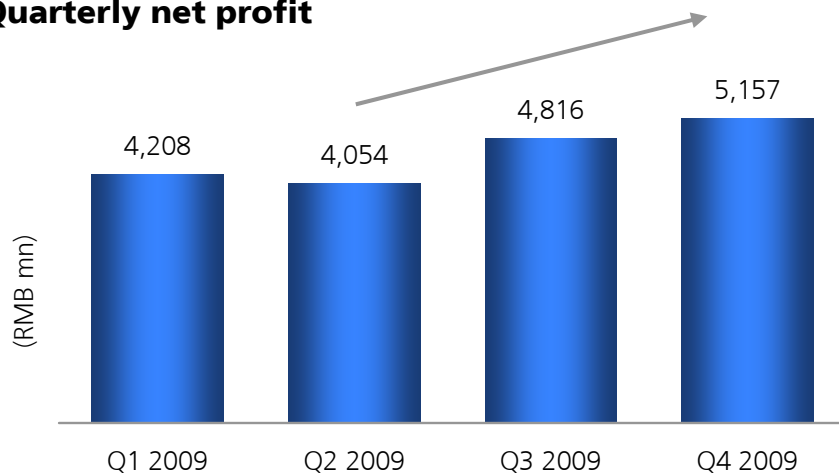


Note: Based on consolidated Group financials

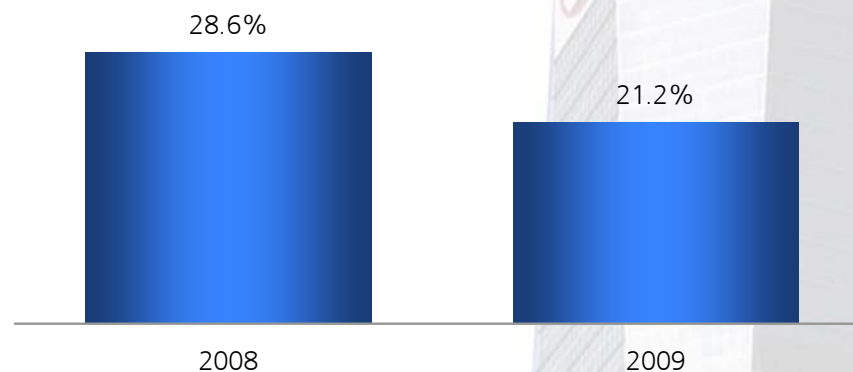
Profitability

Despite decline in earnings, improvement realized on a quarter by quarter basis in 2H, and full year performance better than expected for the full year

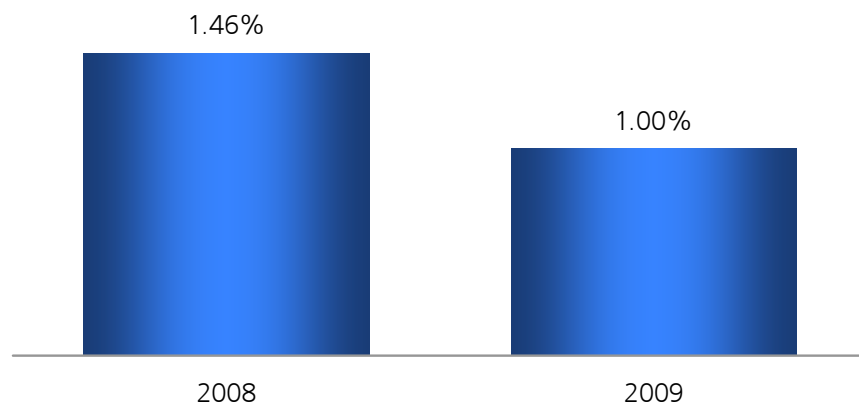
Quarterly net profit



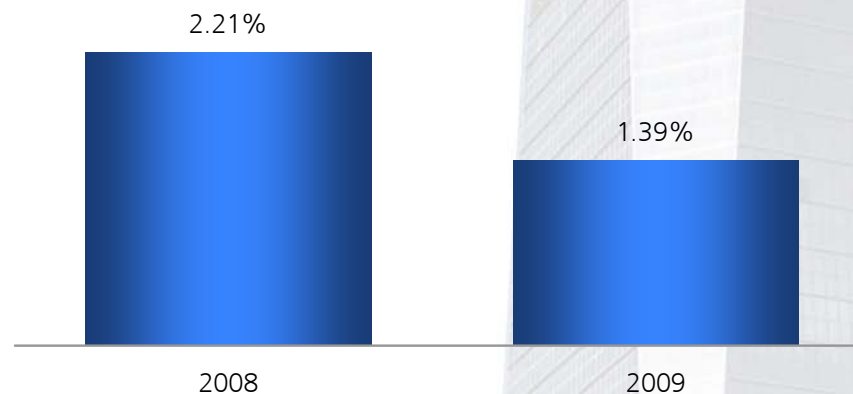
ROAE



ROAA



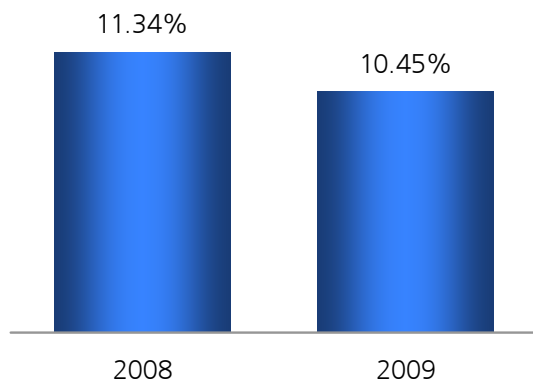
PPOP/ROAA



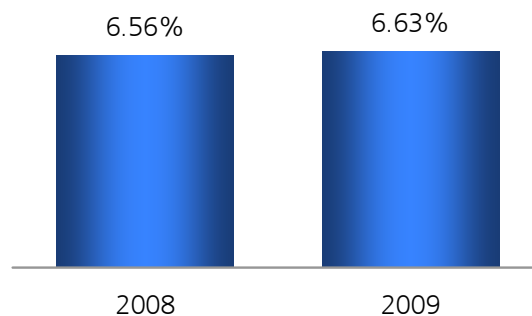
Note: Based on consolidated Group financials

Capital adequacy ratios

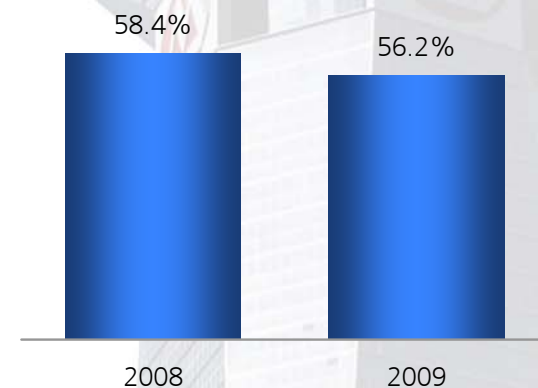
Group capital adequacy ratio



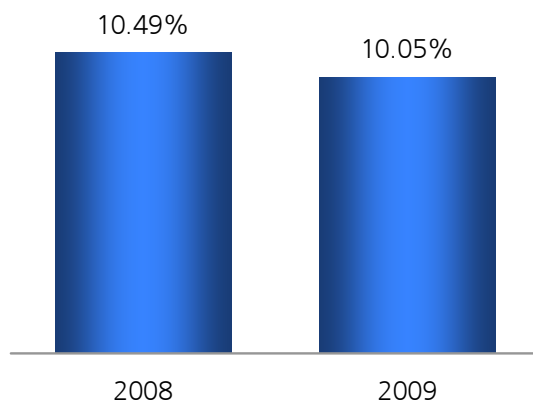
Group core capital adequacy ratio



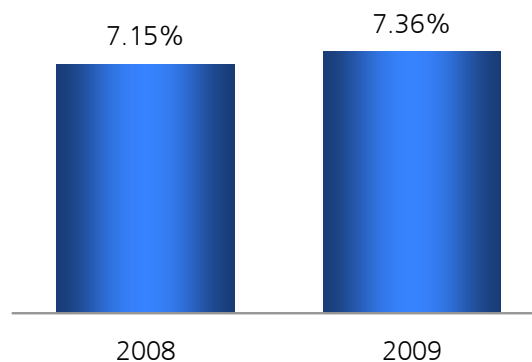
Group RWA as % of total assets



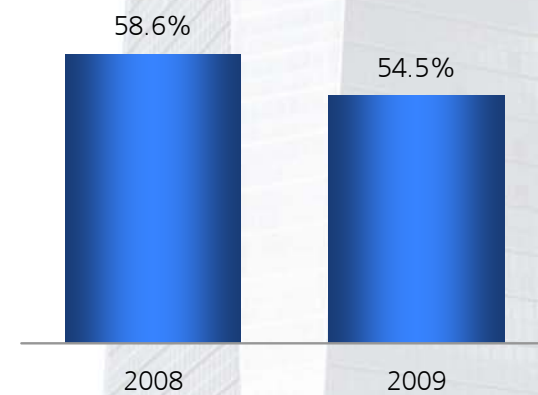
Bank capital adequacy ratio



Bank core capital adequacy ratio



Bank RWA as % of total assets





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2010 Outlook

Continue the adjustment of business model, improve capital efficiency, improve input-output ratio of various businesses, maximize operational efficiency, and create more value and returns for shareholders





Q & A

