



China Merchants Bank Co., Ltd. 1H10 Results Announcement

August 2010



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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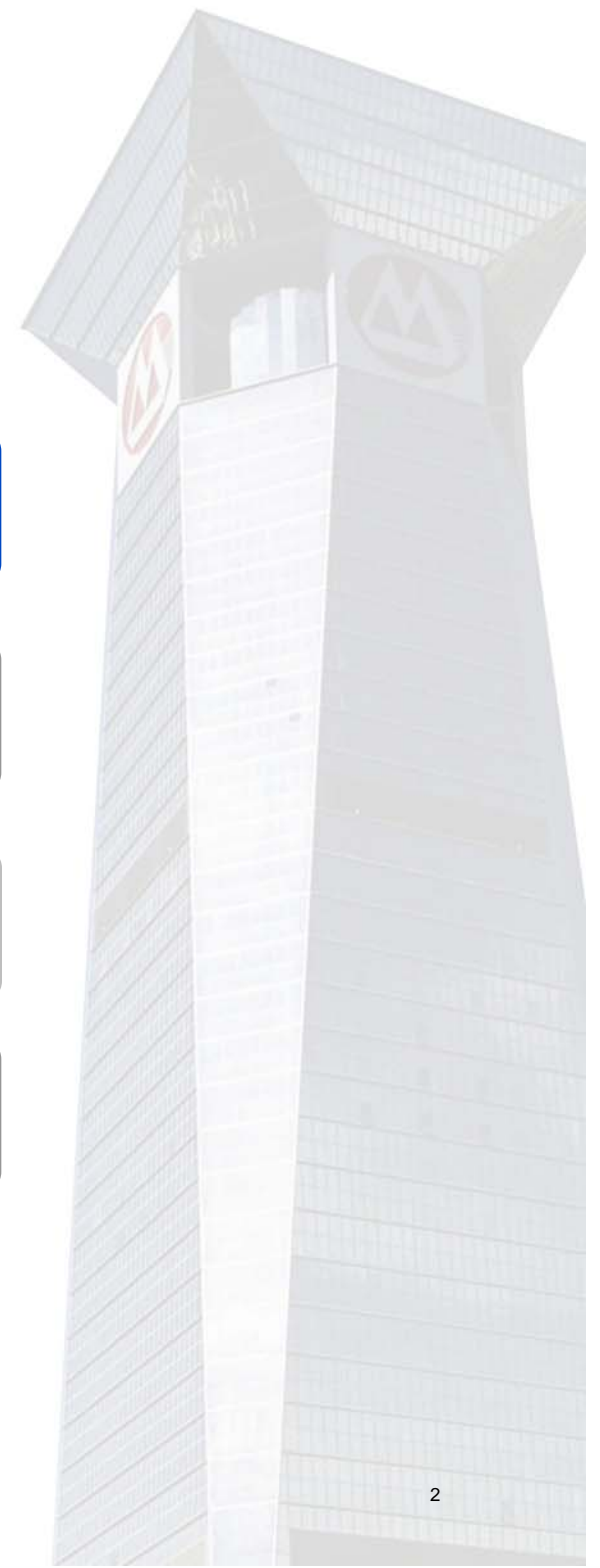
Business developments

3

Financial performance

4

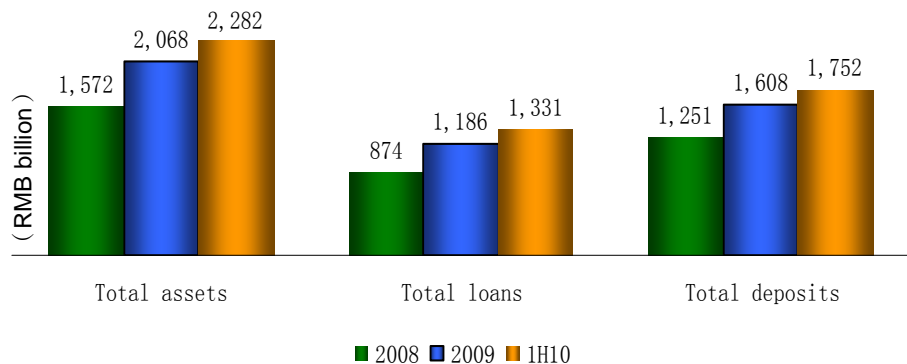
Outlook



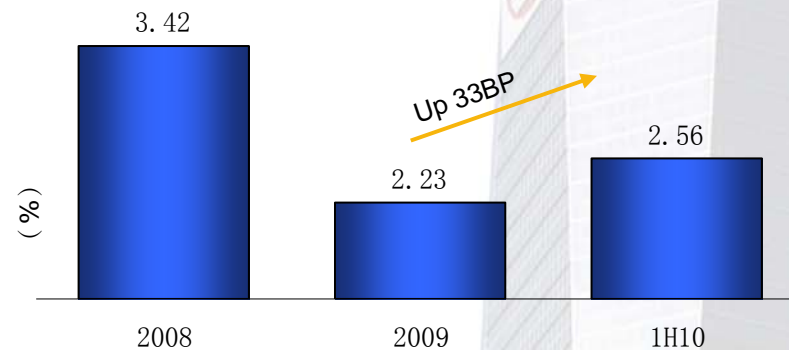
Operating efficiency in 1H10 increased significantly

ROAA grew at a rate faster than NIM, showing a faster improvement in consolidated profitability

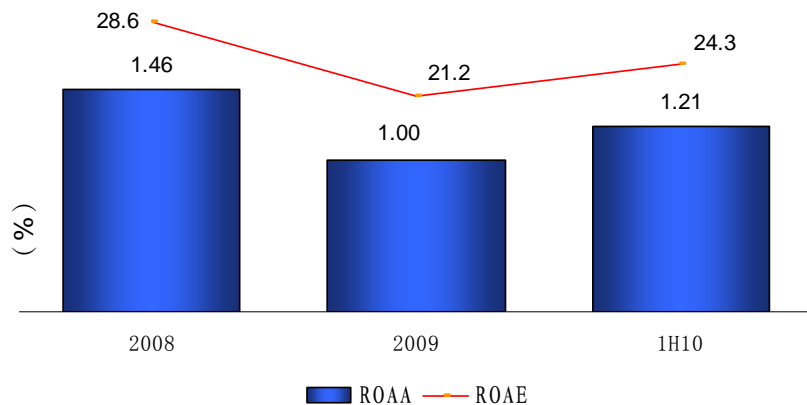
Steady growth of deposits and loans



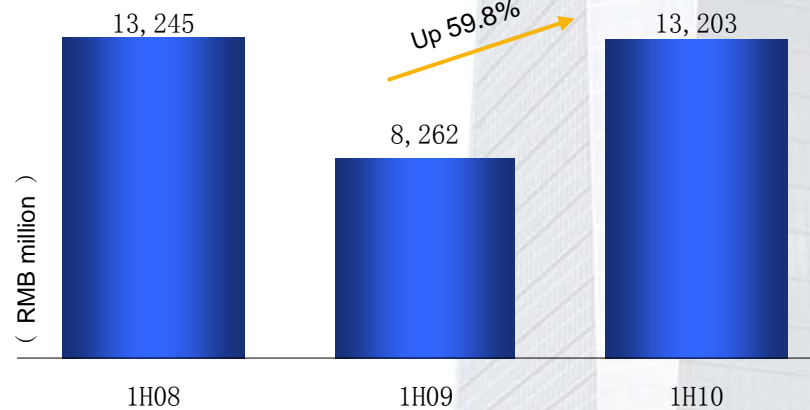
Rebounding NIM



ROAA and ROAE

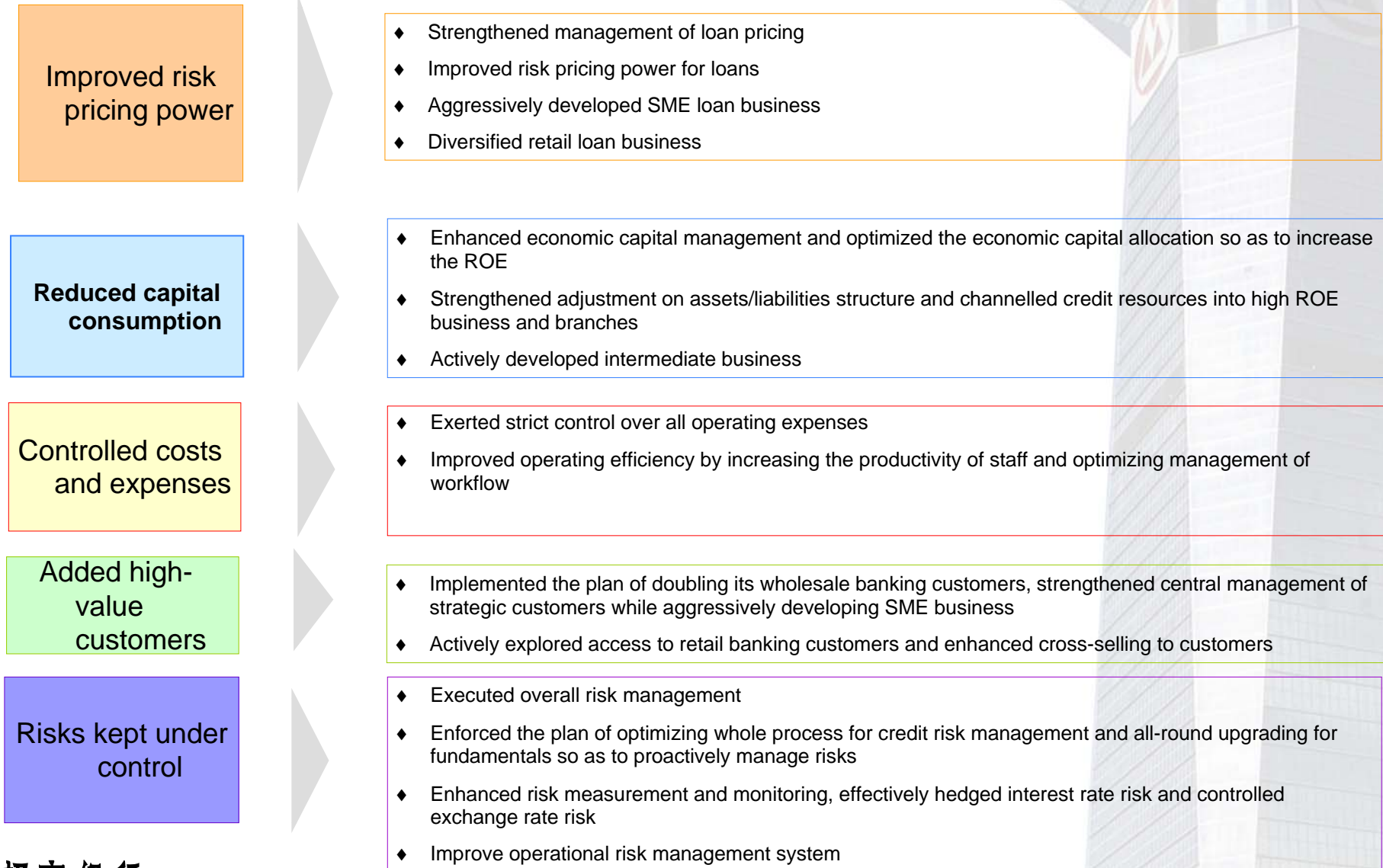


Significant YOY growth of net profits



Progress was made in the “second transformation”

Improved risk pricing power, capital management, cost control, client development and risk management on the whole



Continued to be highly recognized in financial community



Financial Times

**Best Commercial Bank in
China and The Best Retail
Bank in China**



Euromoney

Best Private Bank in China



2010 ICMI ACCE Conference & Expo

Best Call Center in the World



The Asset

**Best Domestic Custody
Specialist –China**



Asia Money

**Best Bank in China and Best
Cash Management Bank in
China**



Forbes

**Ranked seventh in China's
Brand Value Rankings**



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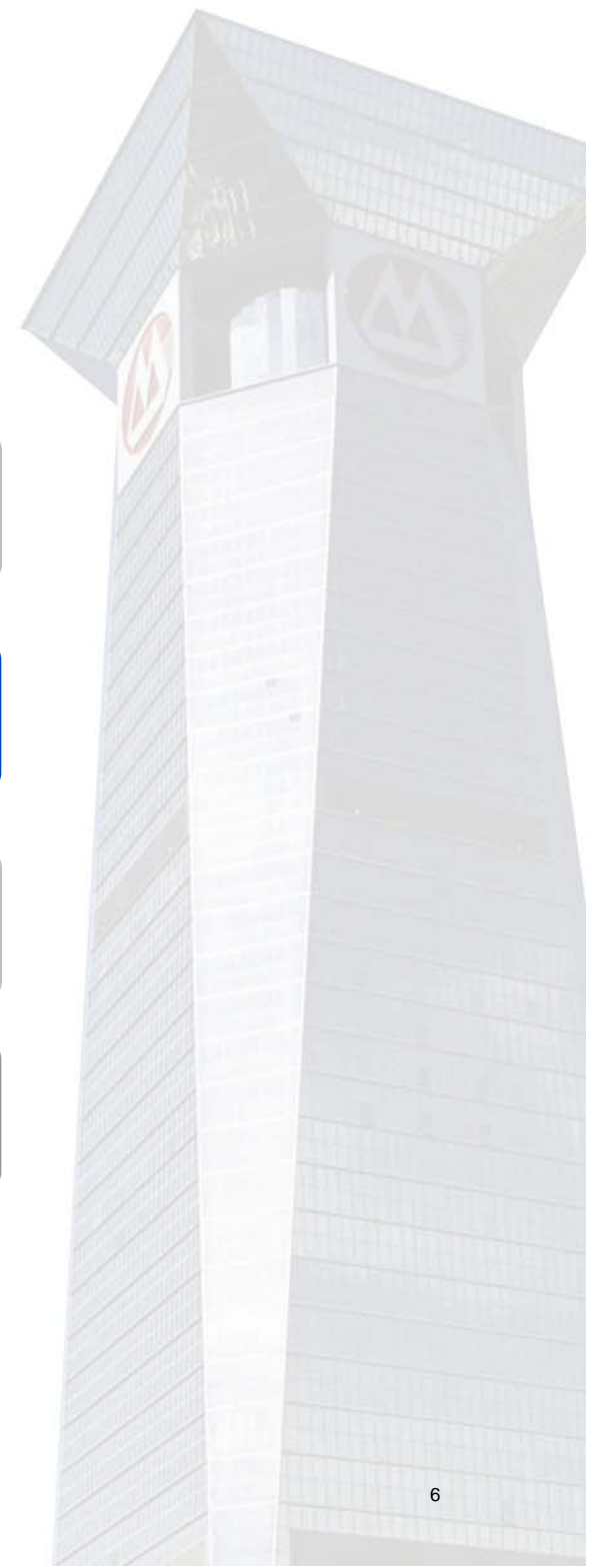
Business developments

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Financial performance

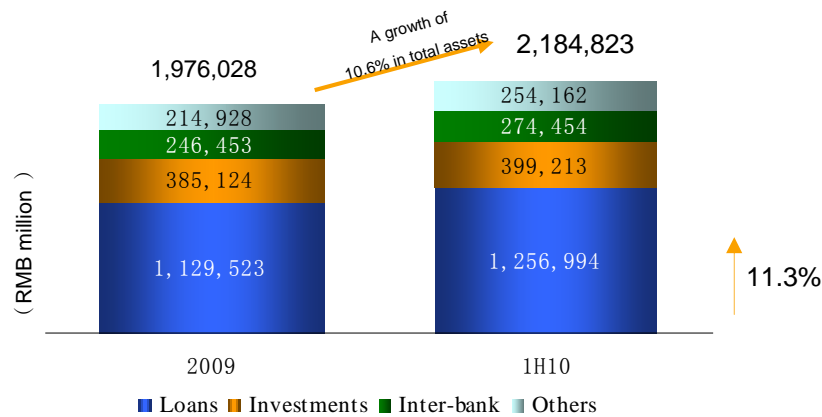
4

Outlook

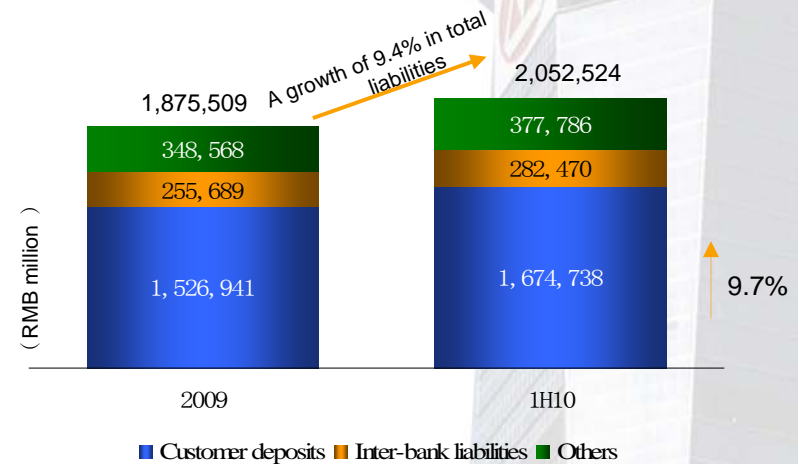


Business developed steadily, balance sheet structure further optimized

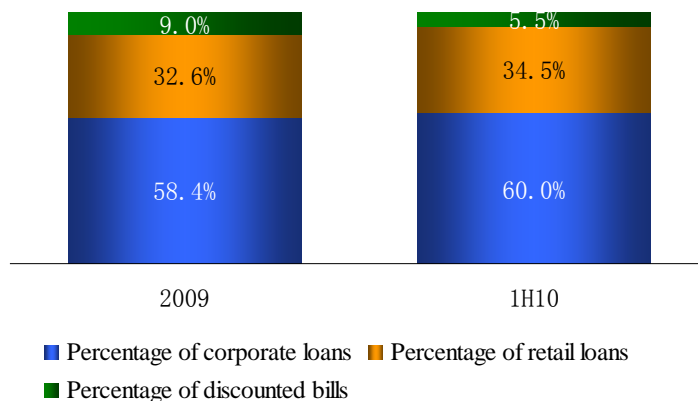
Steady growth of asset business



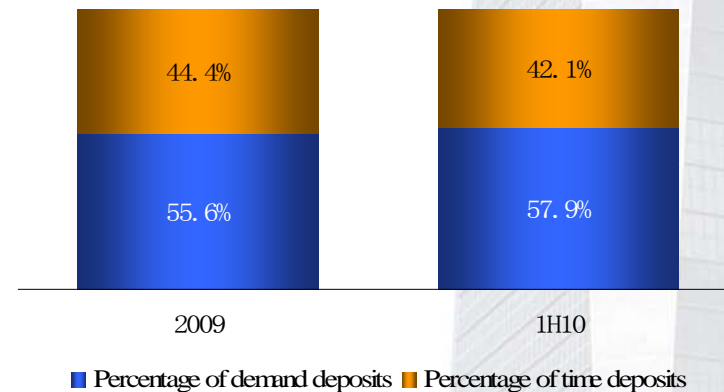
Steady growth in funding sources



Rising proportion of general loans



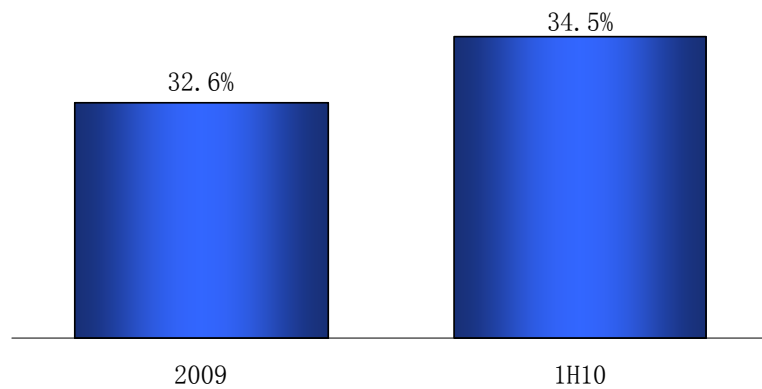
Growing percentage of demand deposits



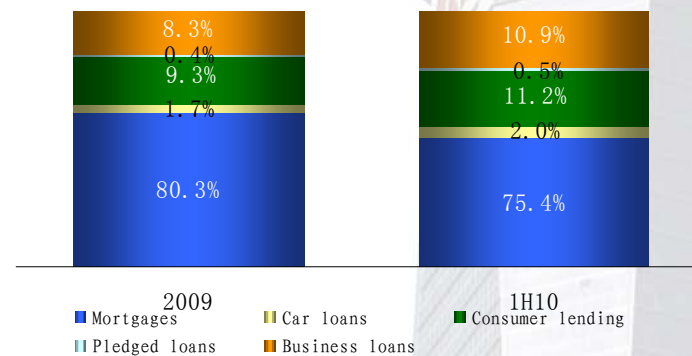
Note: Unless otherwise indicated, data shown in Business Developments are based on Bank financials

Further diversified retail banking business and broadened high-value customer base

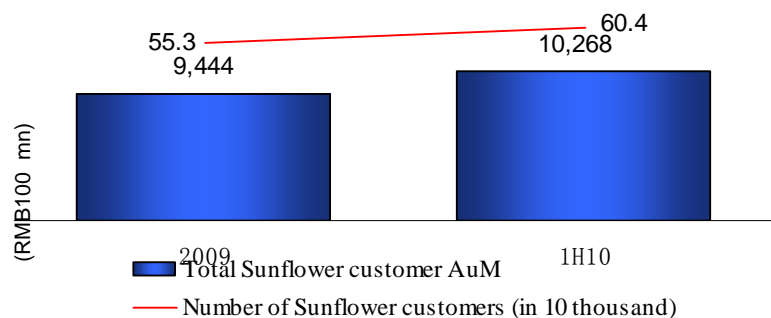
Proportion of retail loans on an upward trend



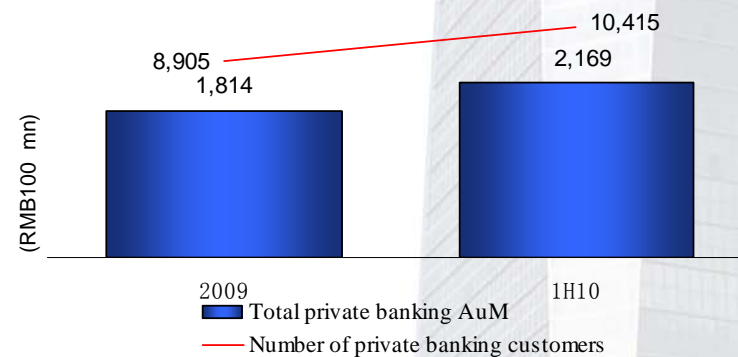
A more diversified portfolio of retail loans¹



Sunflower AuM



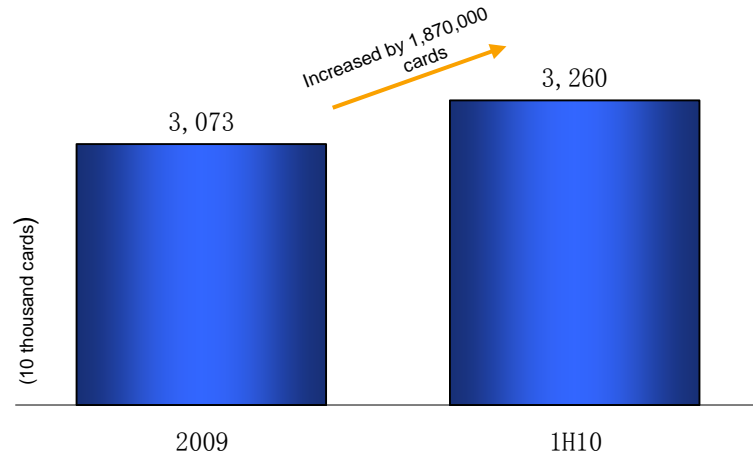
Private banking AuM



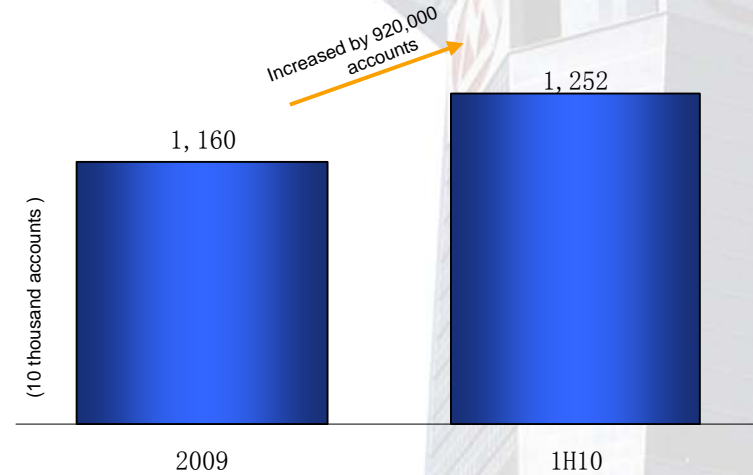
Note: 1 The above retail loans do not include credit card loans

Successful strategic transformation of credit card business

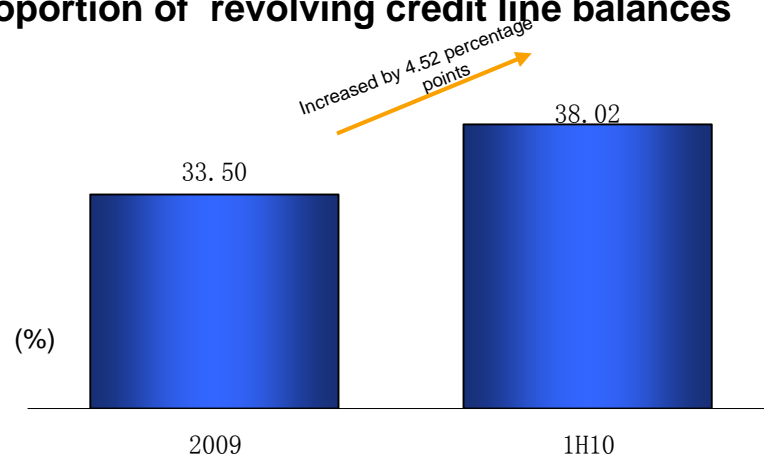
No. of credit cards issued



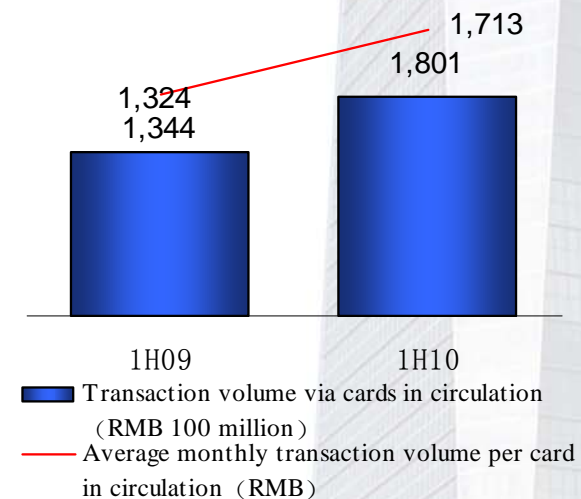
Accounts of cards in circulation



Proportion of revolving credit line balances

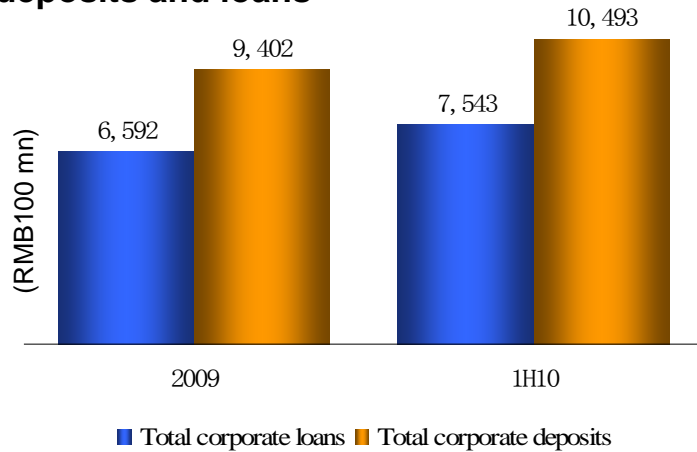


Total transaction value and average transaction value per card

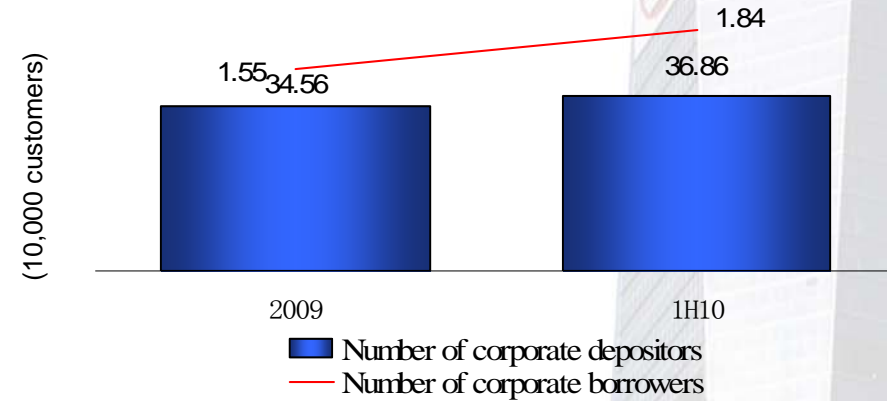


Steady development of wholesale banking business and speeding up of transformation

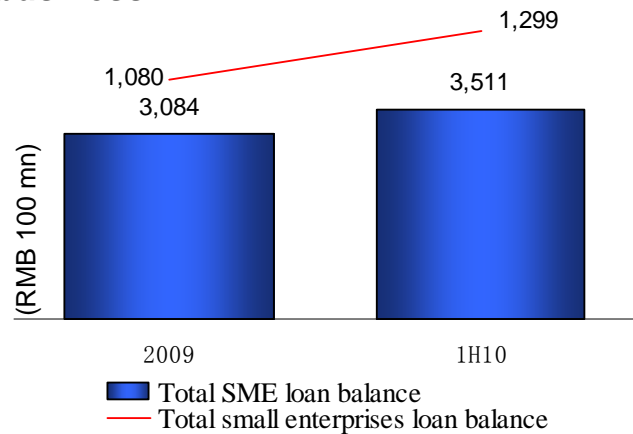
Steady growth in corporate deposits and loans



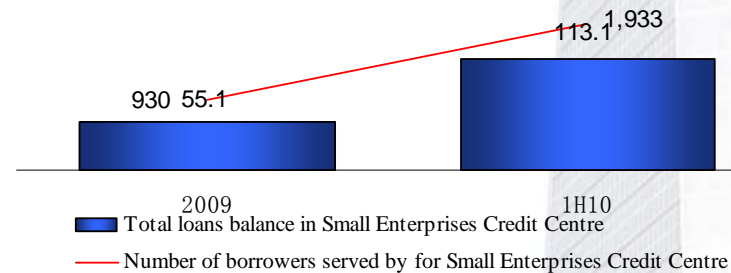
Expansion of customer base of corporate deposits and loans



Proactively developed SME loan business¹



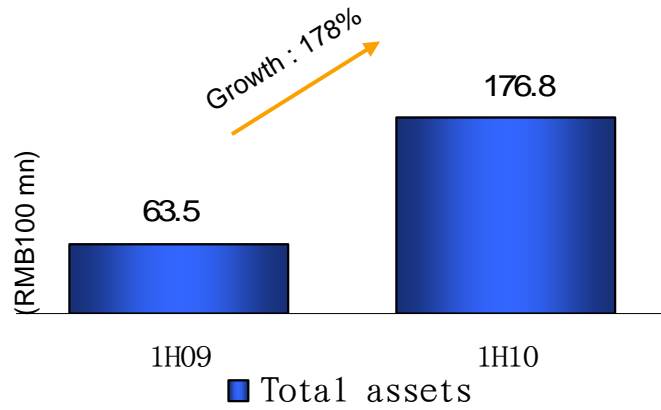
Rapid growth in loans extended through Small Enterprises Credit Centre



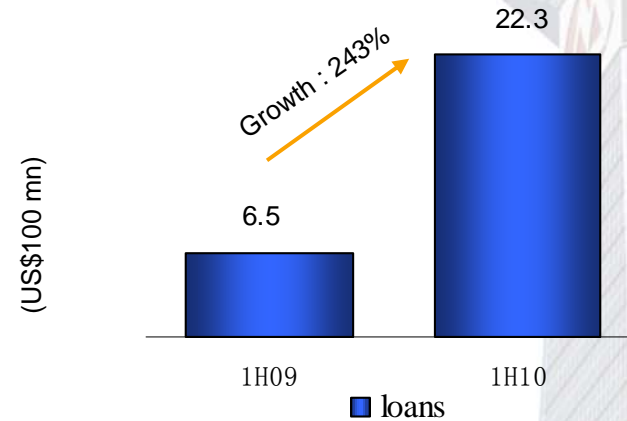
Note: Based on consolidated Group financials

Diversification of wholesale banking business delivered remarkable results

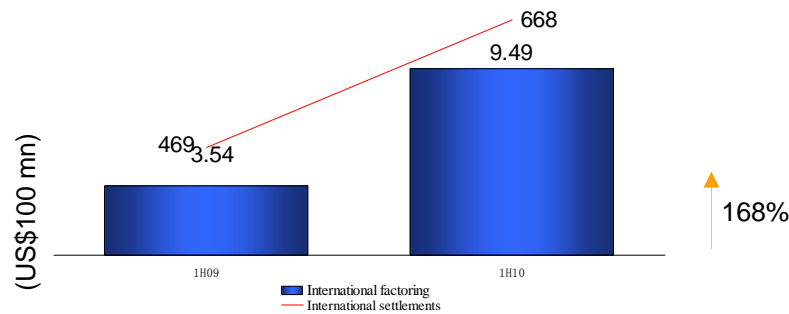
Financial leasing business



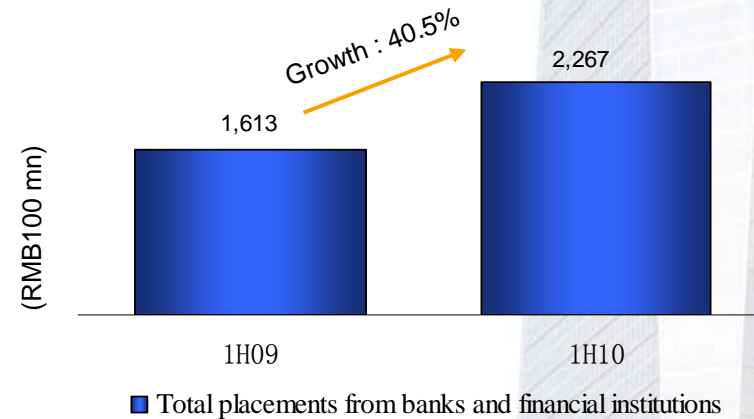
Offshore banking business



International business

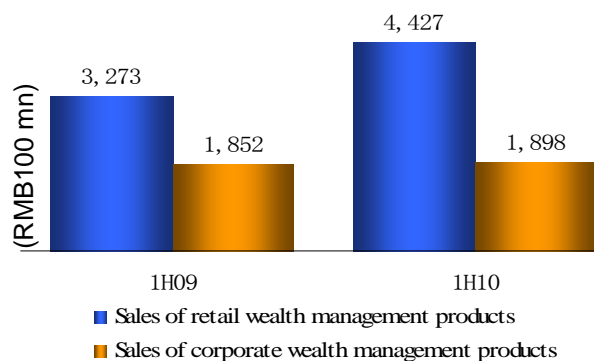


Businesses with financial institutions

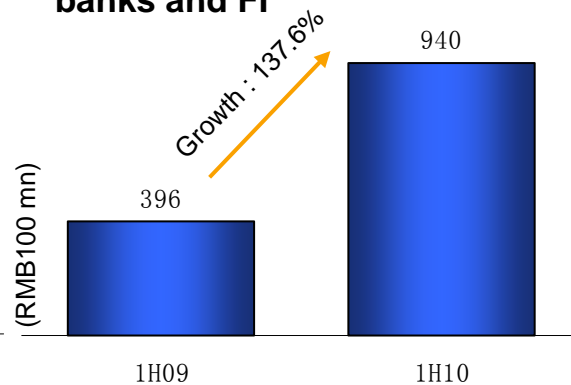


Developed intermediary business through multiple channels

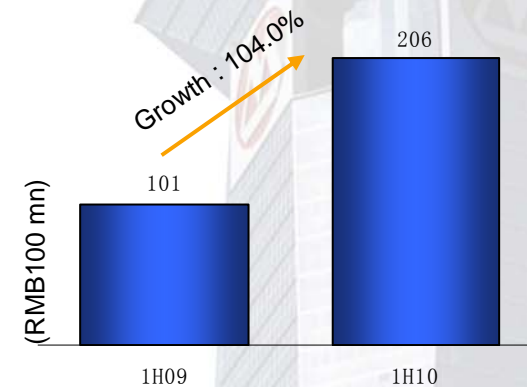
Retail and corporate wealth management products



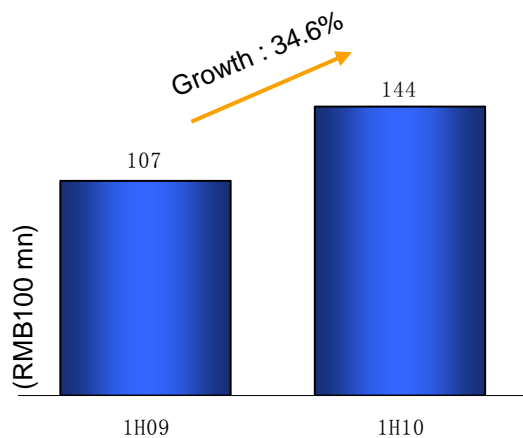
Wealth management products for banks and FI



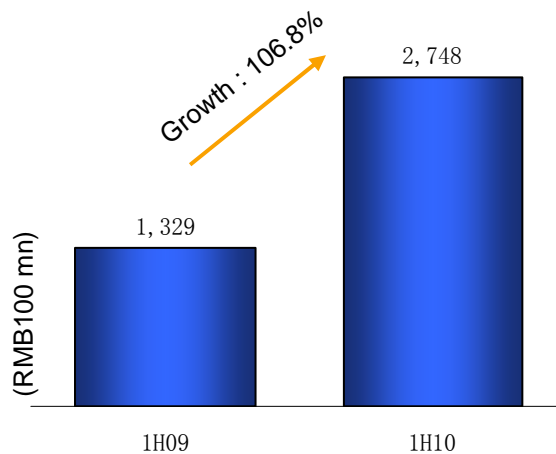
mutual funds distributed



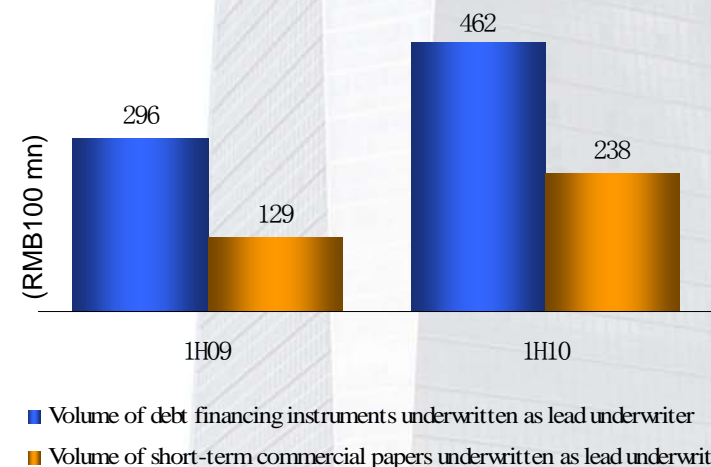
Agency sale of insurance



Assets under custodian

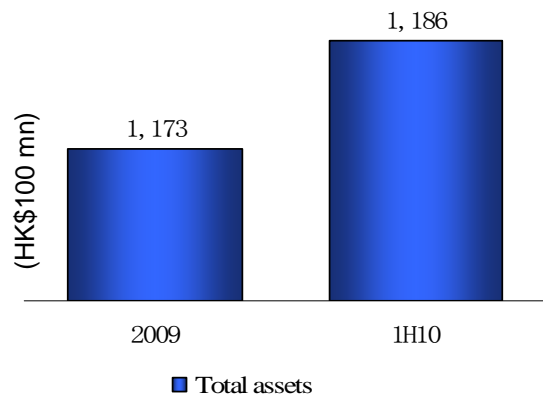


Bonds underwriting

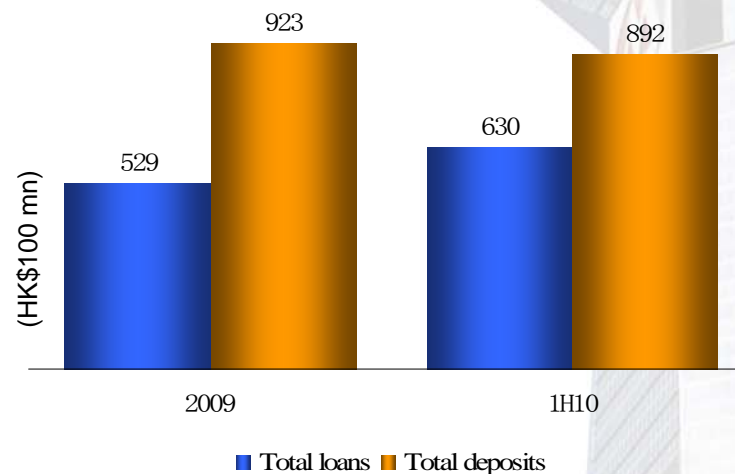


Integration of Wing Lung Bank progressed smoothly, continuous improvement in operation and management

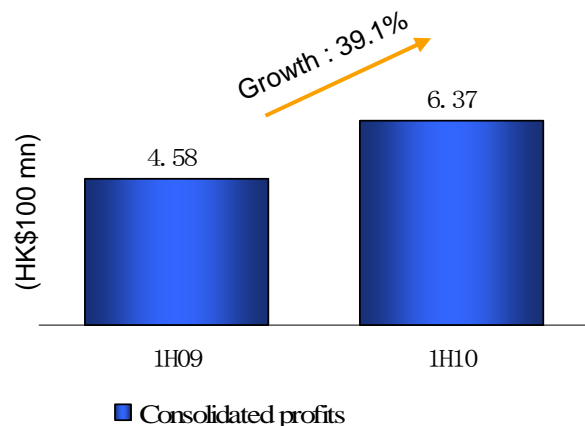
Steady increase in total assets



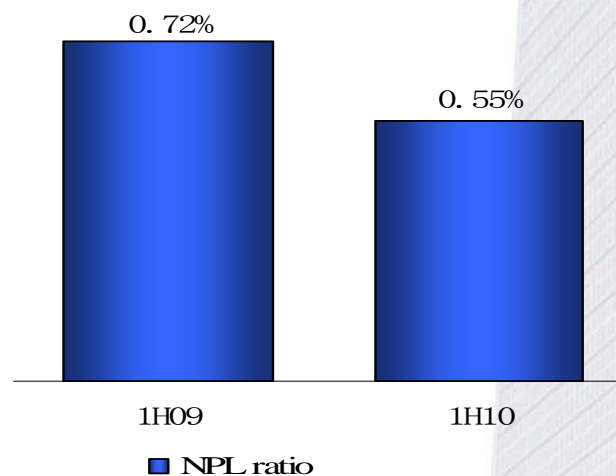
Businesses of deposits and loans expanded



Further improvement in profitability



Sound Asset quality





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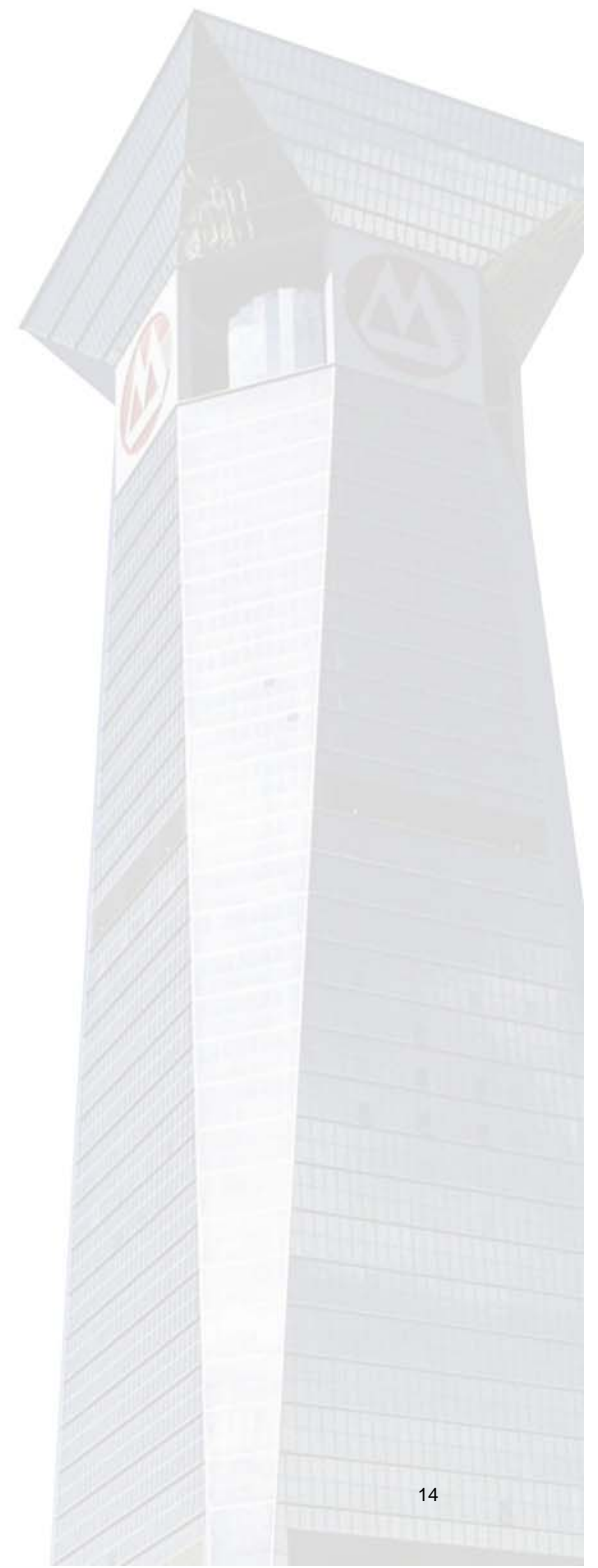
Business Developments

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Outlook



Summary income statement

(RMB mn, except for the figure per share)	Group			Bank ²		
	1H10	1H09	Growth	1H10	1H09	Growth
Net interest income	26,343	18,623	41.5%	25,548	18,025	41.7%
Net fee and commission income	5,346	4,042	32.3%	5,109	3,875	31.8%
Non-interest income (adjusted ¹)	6,837	6,198	10.3%	5,991	5,542	8.1%
Operating income (adjusted ¹)	33,180	24,821	33.7%	31,539	23,567	33.8%
Operating expenses	13,454	11,880	13.2%	12,820	11,197	14.5%
Operating profit before provisions	19,424	12,781	52.0%	18,719	12,370	51.3%
Impairment loss on assets	2,394	2,603	(8.0%)	2,334	2,549	(8.4%)
Profit before tax	17,030	10,178	67.3%	16,385	9,821	66.8%
Income tax	3,827	1,916	99.7%	3,704	1,857	99.5%
Net profit attributable to shareholders	13,203	8,262	59.8%	12,681	7,964	59.2%

Notes: 1. Adjusted to include share of profit of associates in other non-interest income

2. The financial data of the Bank are based on PRC GAAP, and unless otherwise indicated, all other figures are based on IAS

3. Unless otherwise indicated, data shown in Financial Performance are based on consolidated Group financials

Summary balance sheet

(RMB mn)	Group			Bank		
	1H10	2009	Growth	1H10	2009	Growth
Gross loans	1,330,765	1,185,822	12.2%	1,256,994	1,129,523	11.3%
Allowances for loan impairment	(26,337)	(24,005)	9.7%	(25,960)	(23,707)	9.5%
Investments	389,160	377,072	3.2%	399,213	385,124	3.7%
Placement with banks and other financial institutions	290,302	270,125	7.5%	274,454	246,453	11.4%
Total assets	2,282,482	2,067,941	10.4%	2,184,823	1,976,028	10.6%
Placement from banks and other financial institutions	301,784	265,119	13.8%	282,470	255,689	10.5%
Customers deposits	1,752,400	1,608,146	9.0%	1,674,738	1,526,941	9.7%
Total liabilities	2,157,641	1,975,158	9.2%	2,052,524	1,875,509	9.4%
Shareholders' equity	124,841	92,783	34.6%	132,299	100,519	31.6%

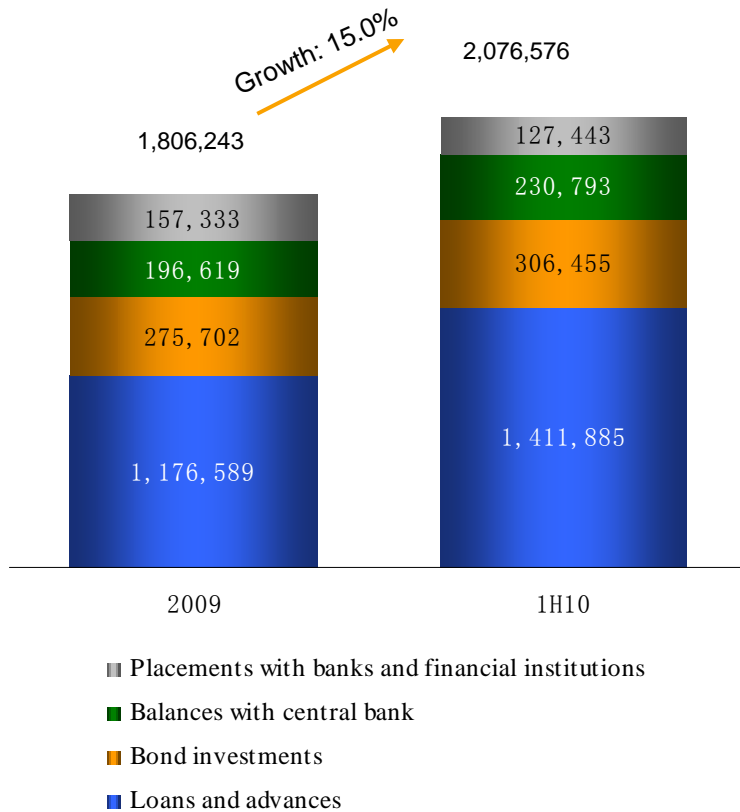
Financial highlights

Key ratios	Group			Bank		
	1H10	2009	Change (percentage point)	1H10	2009	Change (percentage point)
Return on average equity	24.3%	21.2%	3.07	21.8%	18.8%	2.99
Return on average asset	1.21%	1.00%	0.21	1.21%	1.02%	0.19
NIM	2.56%	2.23%	0.33	2.61%	2.28%	0.33
Net fee & commission income as % of operating income (adjusted ¹)	16.1%	15.4%	0.71	16.2%	15.4%	0.80
Non-interest income as % of operating income (adjusted ¹)	20.6%	22.3%	(1.69)	19.0%	20.7%	(1.70)
Cost income ratio (excl. business tax)	34.97%	44.50%	(9.53)	34.57%	44.00%	(9.43)
Credit cost	0.39%	0.30%	0.09	0.40%	0.30%	0.10
Non-performing loans ratio	0.67%	0.82%	(0.15)	0.68%	0.83%	(0.15)
Proportion of special-mention loans to total loans	1.06%	1.19%	(0.13)	1.07%	1.21%	(0.14)
Non-performing loans coverage ratio	297.6%	246.7%	50.93	303.7%	253.3%	50.48
Loans-to-deposits ratio	75.94%	73.70%	2.24	74.07%	73.69%	0.38
Core capital adequacy ratio	8.05%	6.63%	1.42	8.68%	7.36%	1.32
Capital adequacy ratio	11.60%	10.45%	1.15	11.27%	10.05%	1.22
Effective tax rate	22.5%	18.5%	3.97	22.6%	18.4%	4.21

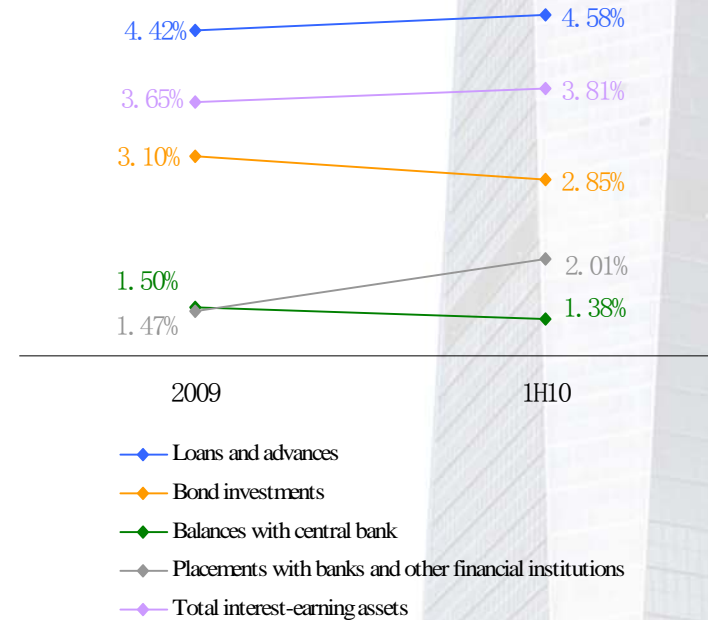
Note: 1. Adjusted to include share of profit of associates in other non-interest income

Increase in asset yields

Average interest-earning assets



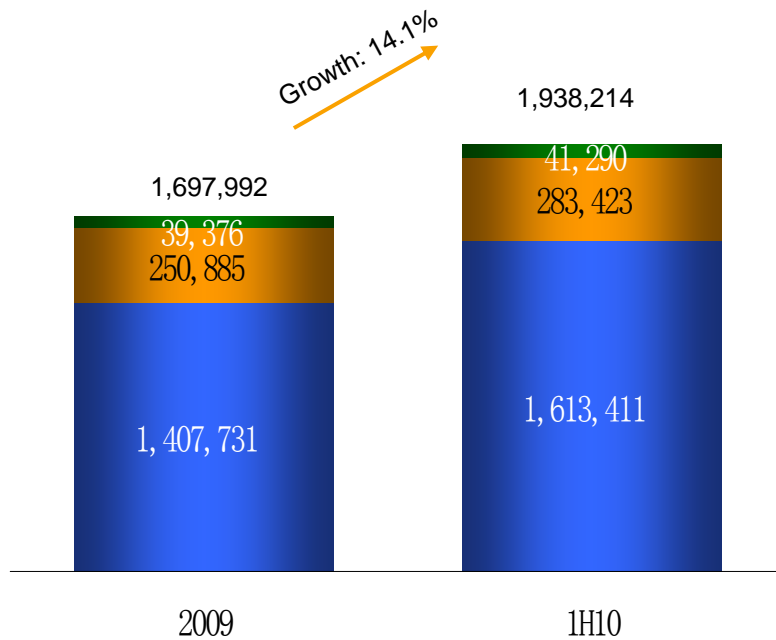
Average yield



Notes: Based on consolidated Group financials

Reduced fund costs

Average interest-bearing liabilities¹

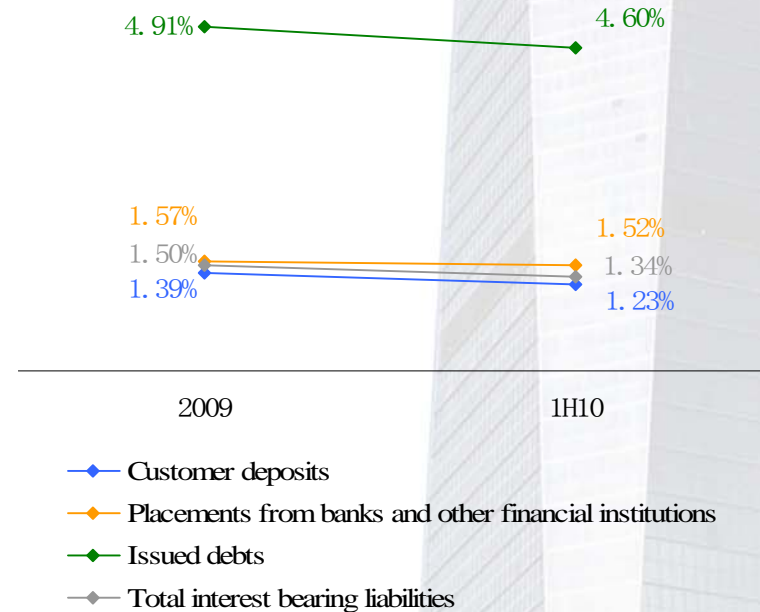


- Issued debts
- Placements from banks and other financial institutions
- Customer deposits

Note: 1 Issued debts include certificates of deposit, convertible bonds, financial debts and subordinated notes

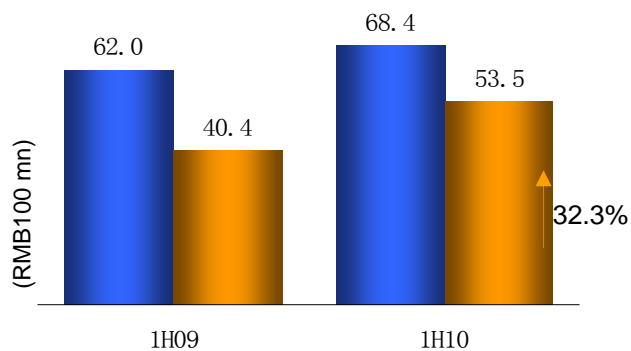
2. Based on consolidated Group financials

Interest rate of interest-bearing liabilities



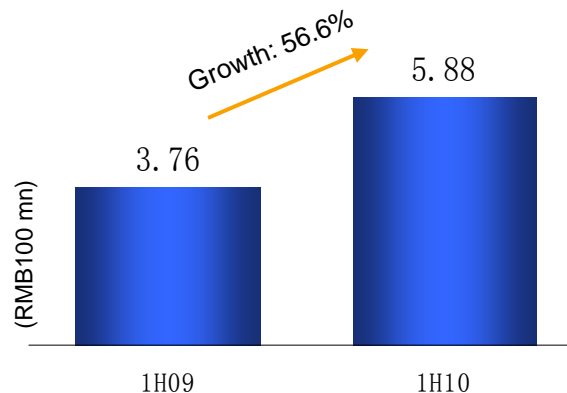
Continuous growth in non-interest income

Net fee & commission income

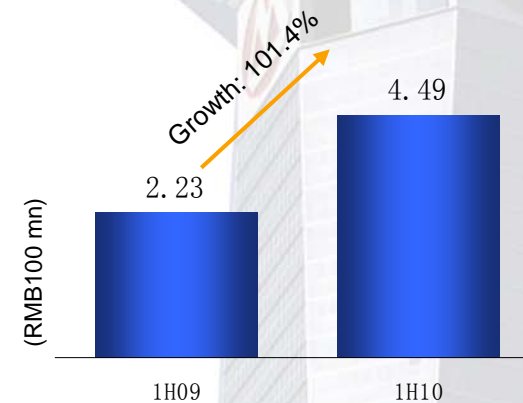


■ Non-interest income ■ Net fee & commission income

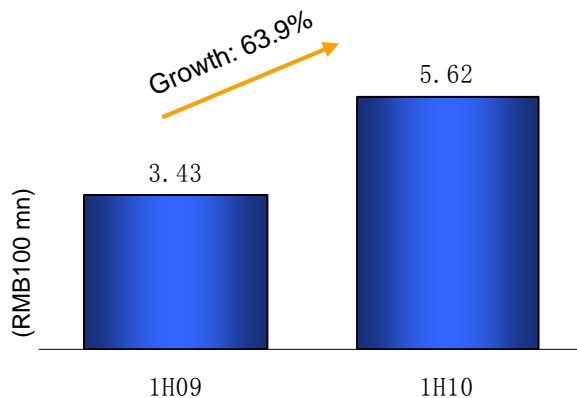
Fee income from mutual fund distribution



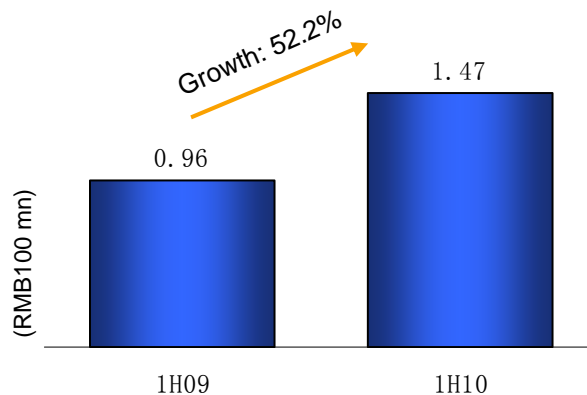
Fee income from agency sale of insurance



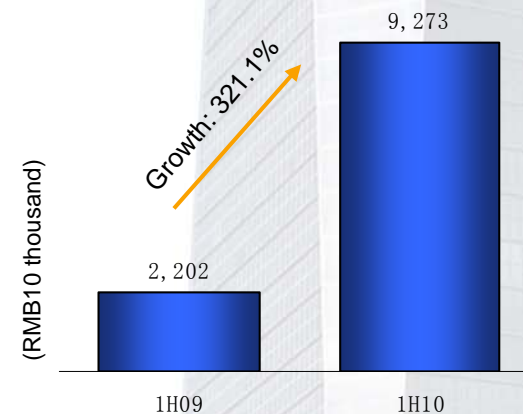
Income from investment banking business



Income from assets under custodian

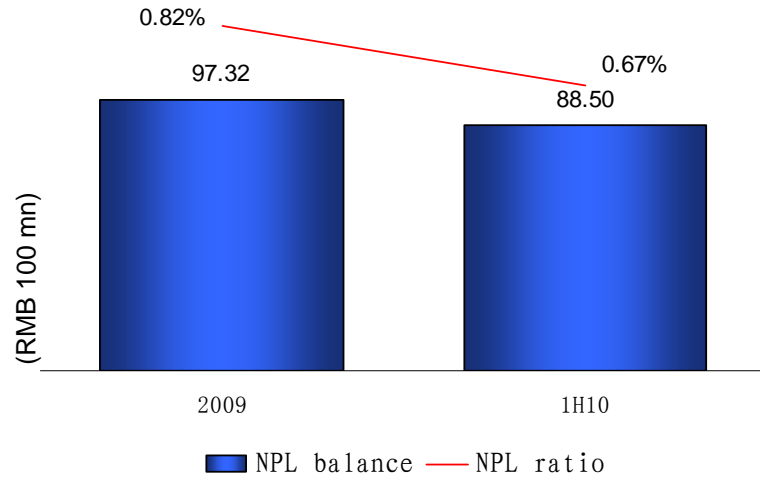


Non-interest income from cash management

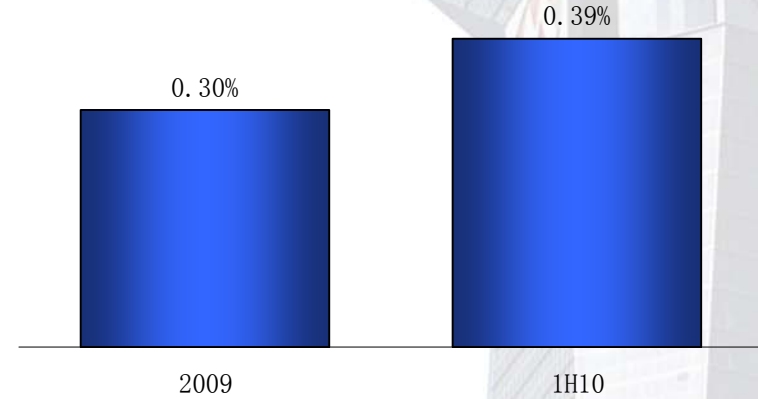


Steady improvement in asset quality

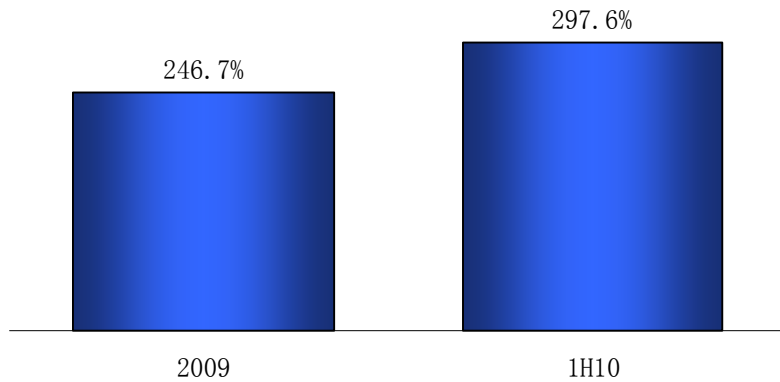
NPL balance and NPL ratio



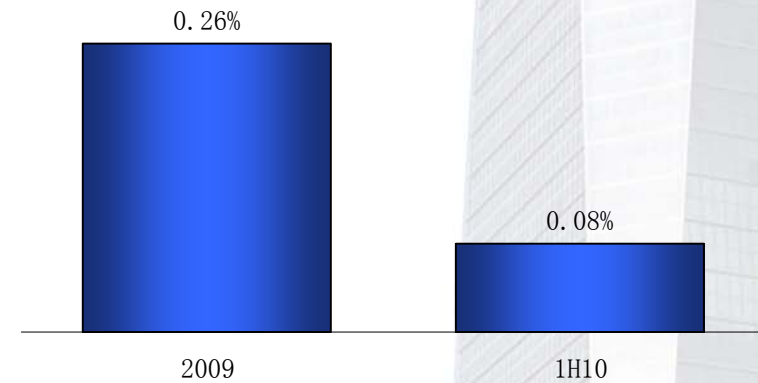
Credit costs



NPL coverage ratio



NPL generation rate¹

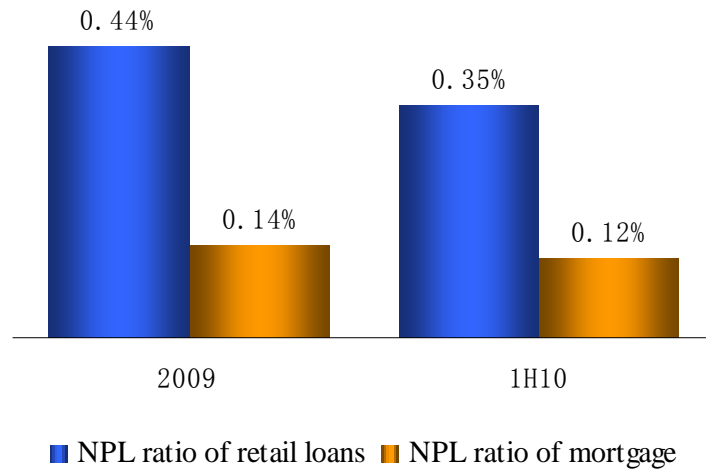


Note: 1 NPL generation rate = (downgraded and new NPL during the year)/total loan balance at the beginning of the year, all data are bank level figures and annualized

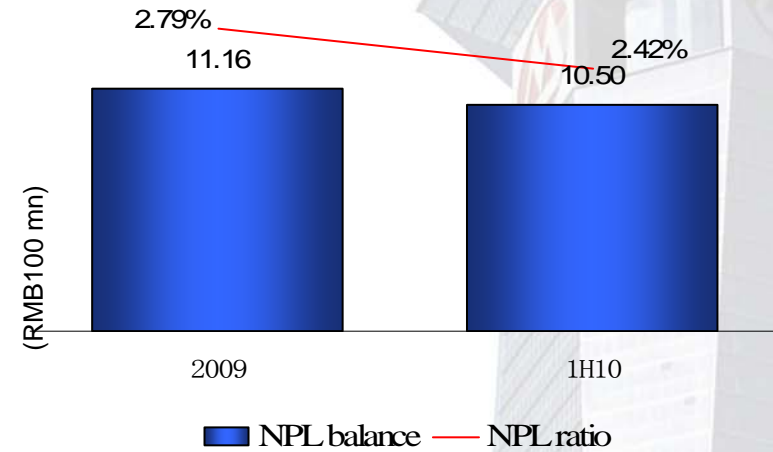
2. The above figures are based on consolidated Group financials, unless otherwise stated

Steady improvement in asset quality (continued)

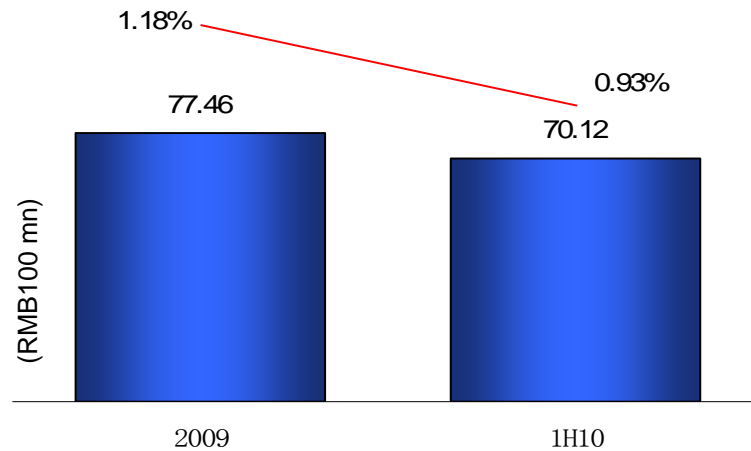
Retail loans



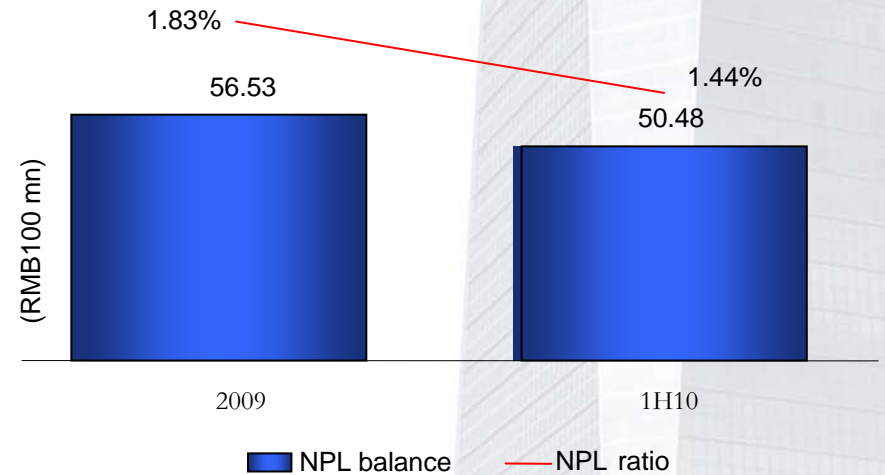
Credit card loans



Corporate loans

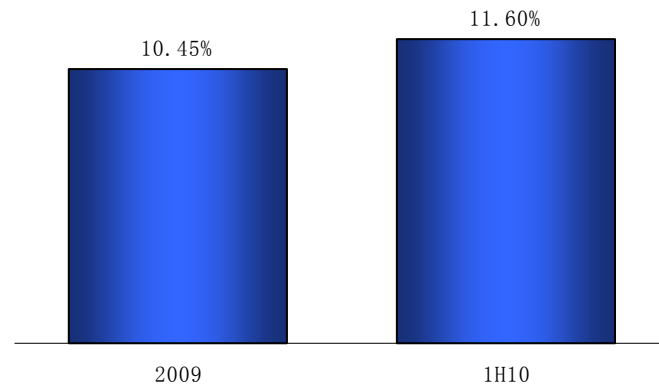


SME loans

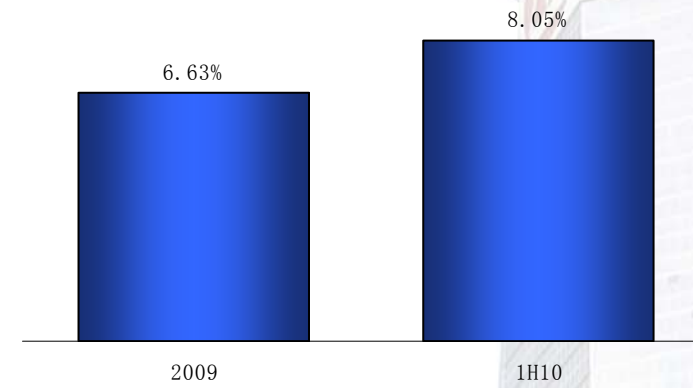


Capital adequacy ratios

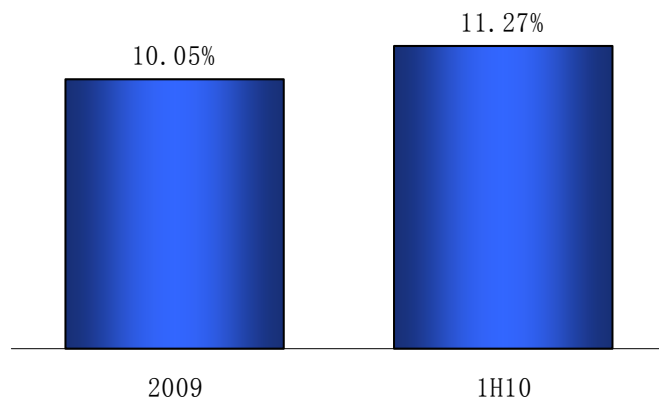
Group capital adequacy ratio



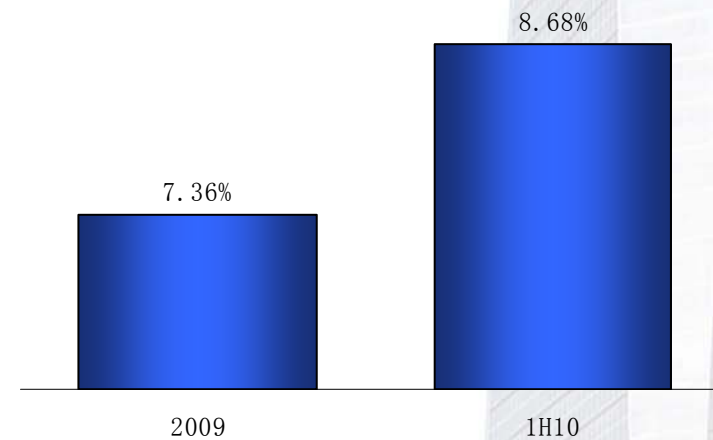
Group core capital adequacy ratio



Bank capital adequacy ratio

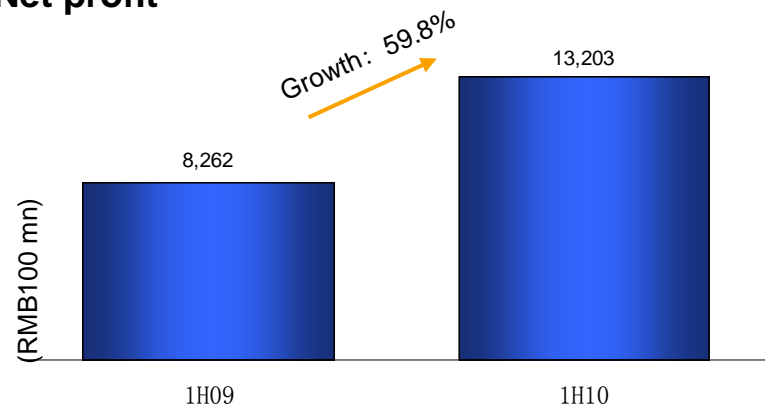


Bank core capital adequacy ratio

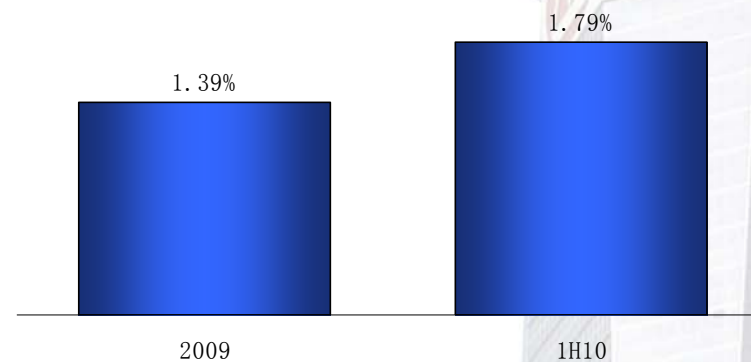


Significantly improved profitability

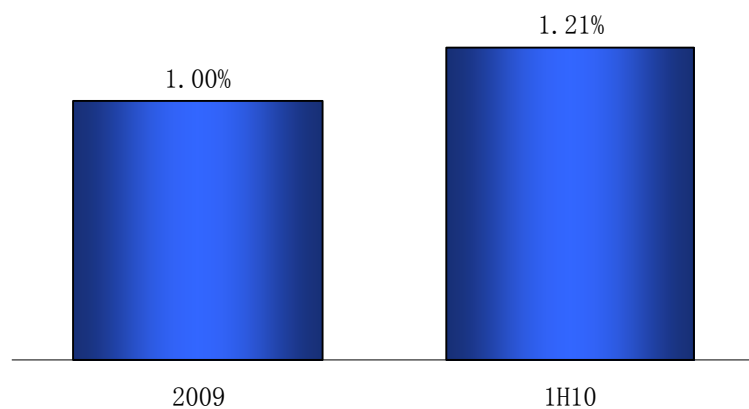
Net profit



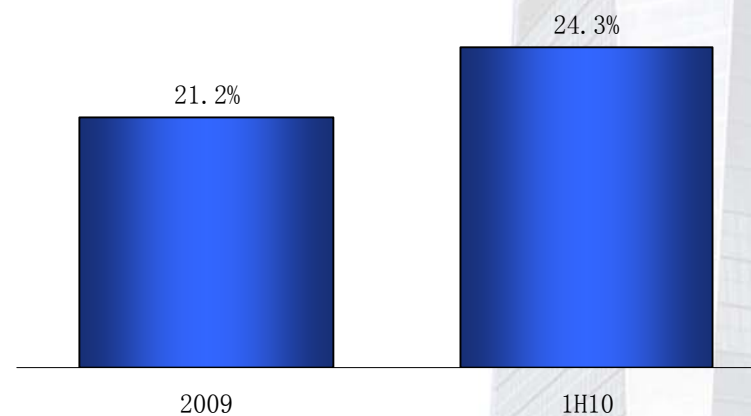
PPOP/ROAA



Return on average assets



Return on average equity





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Outlook



Challenges and Opportunities

Challenges

- ◆ As the problem behind today's global economic imbalance remains unsettled, recovery of of global economy remains uncertain.
- ◆ China's economic transformation has become impending and arduous
- ◆ The macro-control policies have shown their combined impact on the growth of our economy which is now decelerating gradually
- ◆ The credit expansion continues to slow down
- ◆ The expansion of the liability business is becoming more difficult
- ◆ The regulatory efforts are continuously strengthened

Opportunities

- ◆ As China is gathering pace for economic transformation, the industries with structural advantage will be able to enjoy better opportunities for development
- ◆ The per capita income is increasing, the urbanization is accelerating, and the resident consumption level is improving
- ◆ The demand for SME corporate loans has huge potential
- ◆ The demand for wealth management keeps increasing

Outlook for the Second Half of the year

CMB will continue to push forward the Second Transformation, endeavor to strike an optimal balance between the risk pricing and capital management, further enhance the profitability and create higher value and return for shareholders

Further improve the risk pricing ability

- ◆ Strengthen the assessment and guidance of loan pricing
- ◆ Enhance the ability of loan pricing towards big customers by improving product innovation, professional services and loan assessment efficiency
- ◆ Further uplift the proportion of SME loans
- ◆ Adjust and optimize the structure of retail loans

Increase profit contribution from retail banking

- ◆ Deepen the resources integration of retail banking, exploit retail-value customers
- ◆ Proactively expand the wealth management business
- ◆ Continue to promote the transformation of the credit card business

Improve the production capacity of wholesale banking

- ◆ Concentrate more efforts on the marketing of corporate lending and deposit business, and enlarge the customer base of wholesale banking
- ◆ Accelerate the development of wholesale fee-based business, especially the new fee-based businesses

Continue to improve the operating efficiency

- ◆ Control costs
- ◆ Further improve the employees' work efficiency

Ensure the risk control

- ◆ Strengthen the management of credit risk, market risk, liquidity risk, operational risk and reputation risk
- ◆ Steadily promote the implementation of the rules of the New Basel Capital Accord

Focus on promoting the coordination of domestic and overseas business

- ◆ Accelerate the integration with Wing Lung Bank
- ◆ Support the healthy development of New York Branch and Hong Kong Branch



Q & A

