



招商銀行
CHINA MERCHANTS BANK



China Merchants Bank Co.,
Ltd.

1H11 Results Announcement

August 31, 2011

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

1

Overview

2

Business development

3

Financial performance

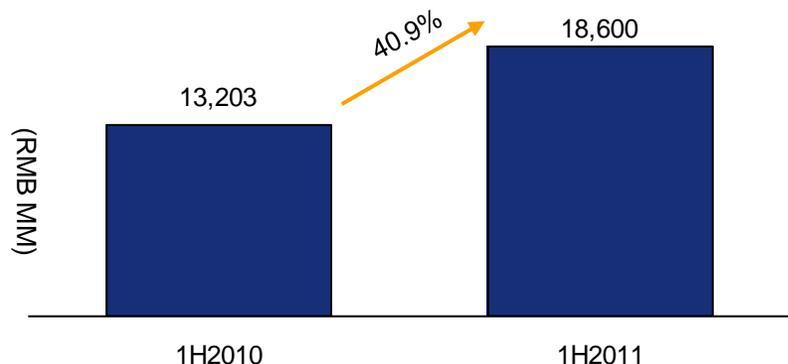
4

Outlook

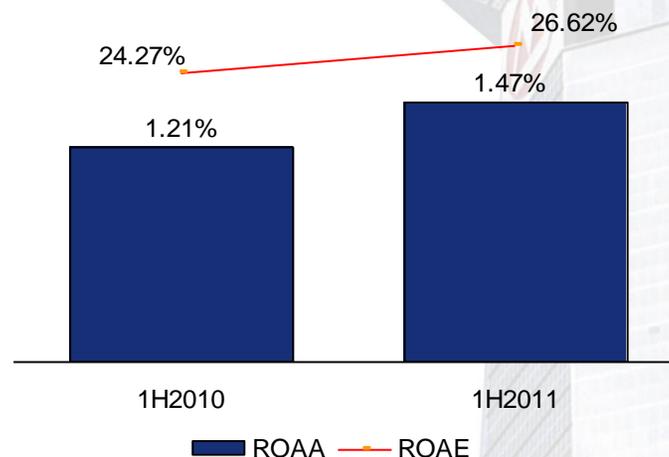


Balanced Development of Profitability, Quality and Scale in 1H 2011

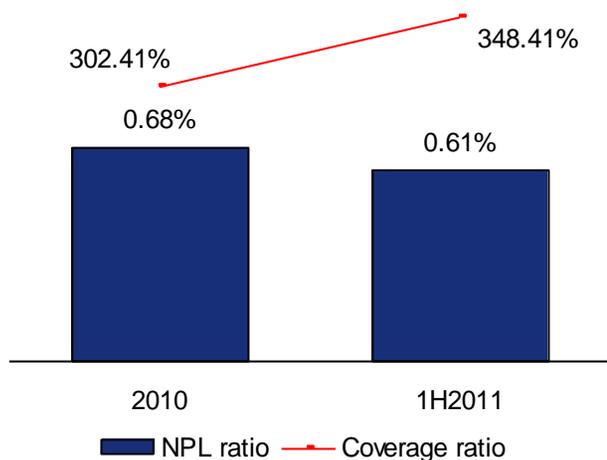
Rapid increase in profit



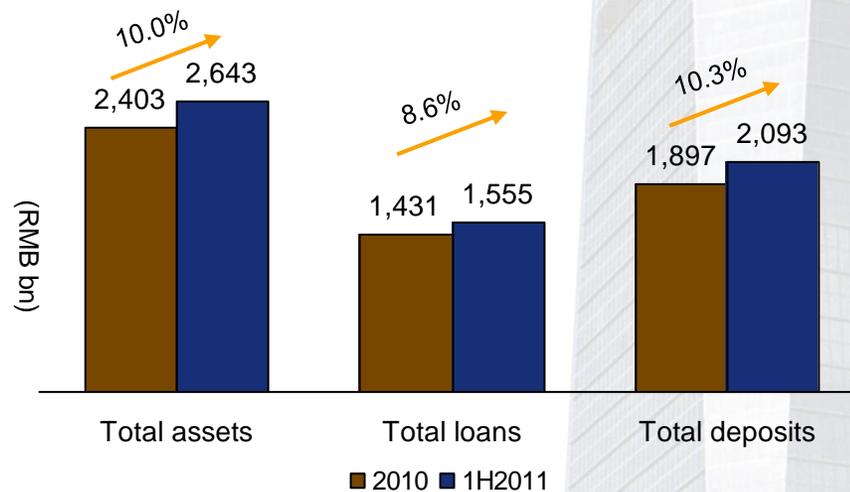
Continuous increase in ROAA and ROAE



Sound asset quality



Steady growth in deposits and loans



“Second Transformation” Has Received Preliminary Successes

Capital utilization efficiency continued to increase

- ◆ As of June 30, 2011, the Bank has recorded a ROAE of 24.2%, up by 3.82 percentage points YoY
- ◆ Risk-adjusted return on capital (RAROC, after-tax profits) is 22.68%, up by 2.45 percentage points YoY

Risk pricing power of loans improved notably

- ◆ As of the end of Jun. 2011, the average floating band of interest rates (weighted at actual amount) for newly-granted corporate loans has increased by 8.55 percentage points YoY; the average floating band of interest rates (weighted at actual amount) for newly-granted retail loans has increased by 14.02 percentage points YoY
- ◆ the Bank's NIM has reached 3.07%, up by 36 bps YoY primarily due to the enhanced assessment of loan pricing power and interest hike

“Second Transformation” Has Received Preliminary Successes (Cont'd)

Operating efficiency improved consistently

- ◆ As of the end of June 2011, the Bank's cost-to-income ratio is 32.43%, down by 7.36 percentage points YoY
- ◆ Per capita pre-tax profits recorded RMB 1.074 million, up by 40.2% comparing to full year 2010; pre-tax profits per outlet increased by RMB 14.2 million, up by 35.0% comparing to full year 2010

The proportion of high-net-worth customer increased steadily

- ◆ As of June 30, 2011, the Bank had 734,700 Sunflower clients and above, each having an average daily total assets per month of RMB 500,000 or above, up by 9.6% compared with the beginning of the year
- ◆ The number of Diamond Customers and Private Banking Customers has increased by 12.4% and 15.3%, respectively, and the profit contribution from those customers has increased by 5.9 percentage points YoY

The proportion of SME loans went up further

- ◆ The Bank's SME loans have reached RMB 433.8 bn, up by 11.7% compared with the beginning of the year, 3.7 percentage points more than the growth rate of total loans of the Bank. The domestic SME loans account for 51.2% of total domestic corporate loans, up by 1.5 percentage points compared with the end of the last year

Continue to Receive Widespread Recognition from the Business Community



FINANCIAL
TIMES

Financial Times

Top 100 in Global Brand Value, rank No. 97



The Asset

Best Professional Custody Bank in China for 3 times consecutively



FCI

Champion in Global Export Factor (2010)



The Asian Banker

**Best Retail Bank in China
Best Wealth Management Product in China
Best Credit Card in China**



The Economic Observer

Most Respected Enterprise 10-year Achievement



Adworld 2011

Best Innovation Case (Iphone mobile-banking case)



Private Banker

Best Private Bank in China



The Chinese Banker

**Best Corporate Image
Best Corporate Social Responsibility**



Securities Times

**Best Investment Banking for Banks in China
Best Bond Underwriting Bank in China
Best Financial Advisor Bank in China
Best Bond Deal in China**



Agenda

1

Overview

2

Business development

3

Financial performance

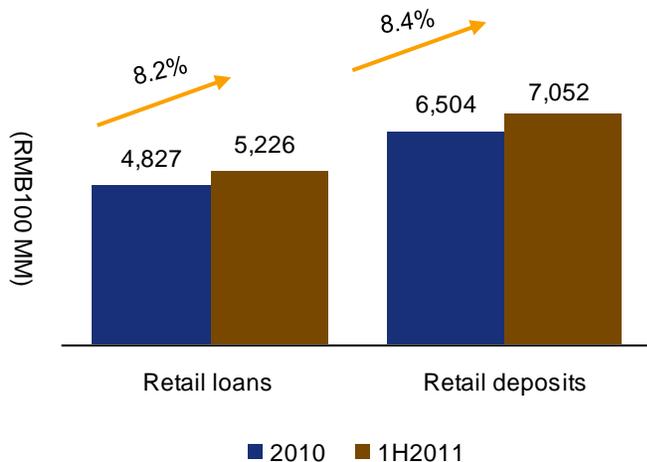
4

Outlook

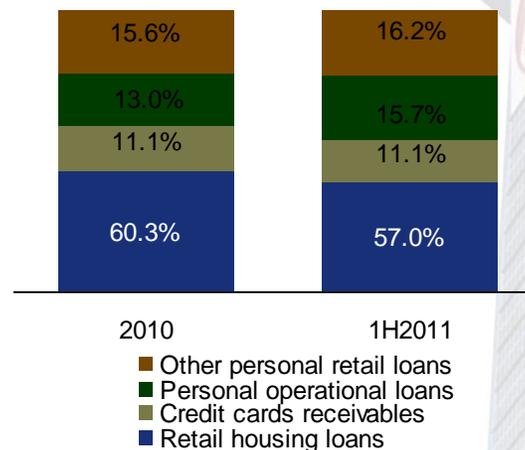


Enhanced Profitability and Competitiveness of Retail Banking with Industry Leading Wealth Management Franchise

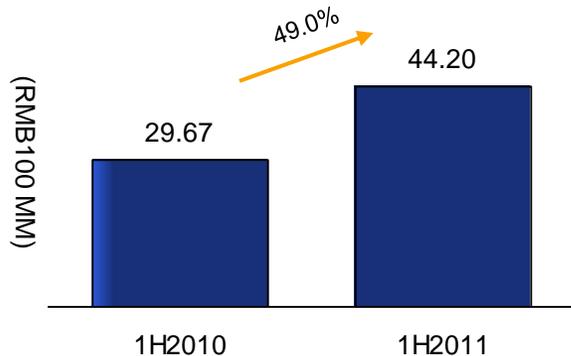
Steady Increase of Retail Loans and Deposits



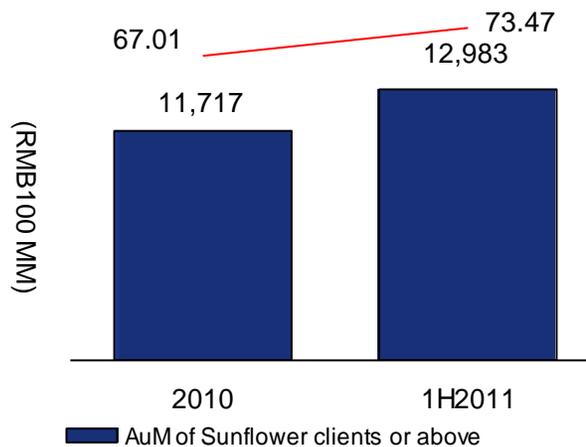
Balanced Structure of Retail Loans¹



Net fee and commission income of retail banking continues to grow



AuM of Sunflower clients or above grows steadily



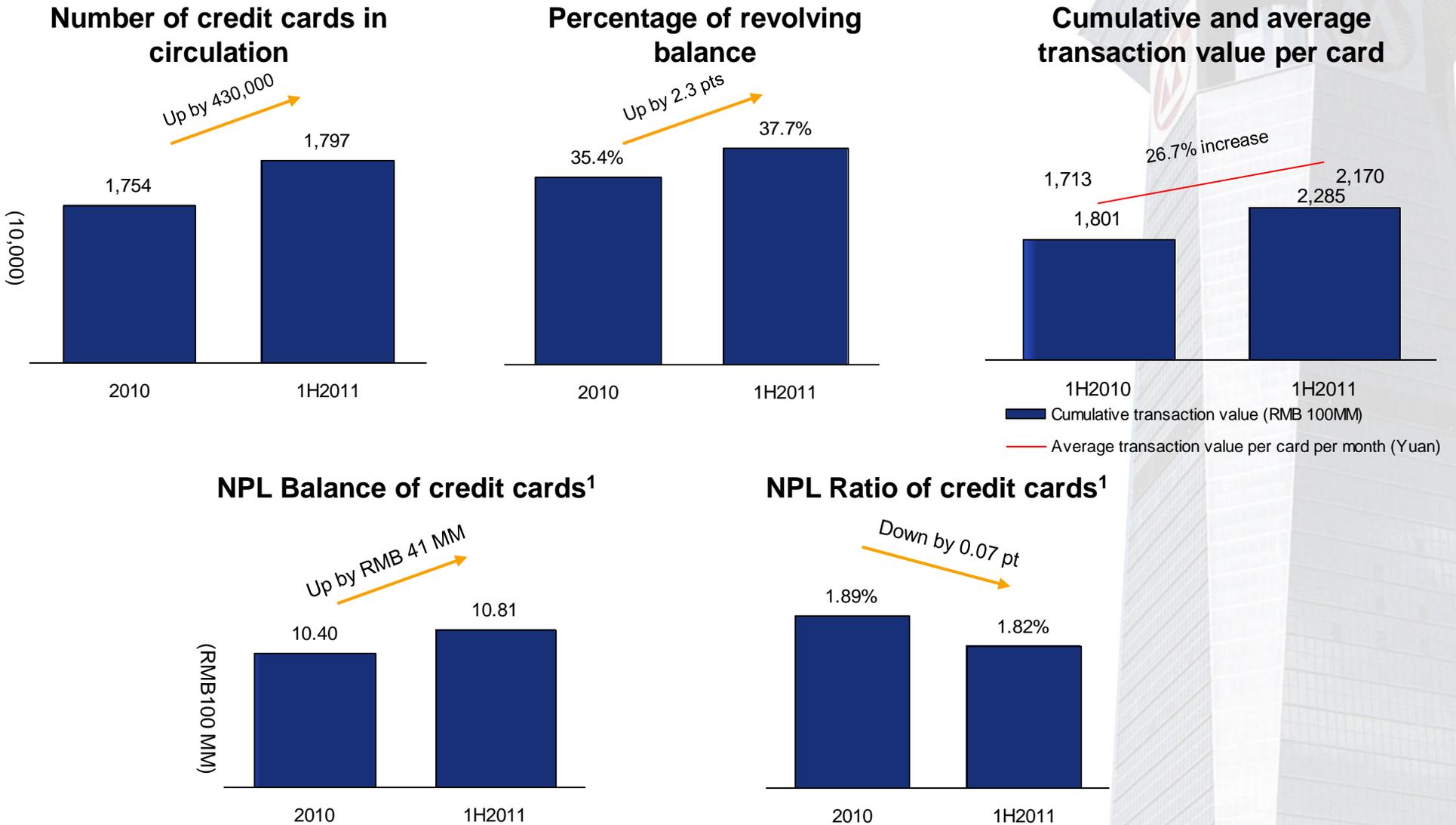
Private banking and wealth management centers

As of June 30th 2011, the Bank's private banking customers increased by 15.3% from beginning of the year, private banking assets under management increased by 16.8%; we have set up 22 private banking centers in 18 key cities nationwide.

Note: If not otherwise specified, the business data is based on bank financials

Note 1: Based on consolidated Group financials; other retail loans include retail loans collateralized by money assets, auto loans, housing decoration loans, education loans and consumer lending

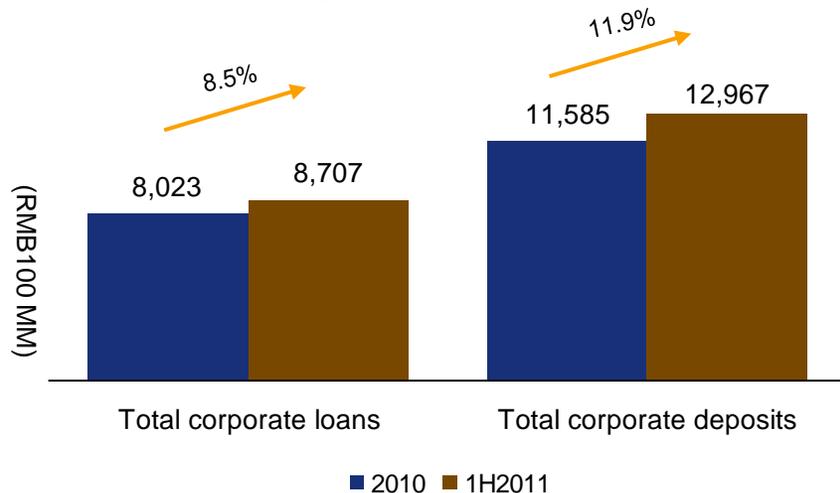
Refined Credit Card Business Strategy Has Yielded Results



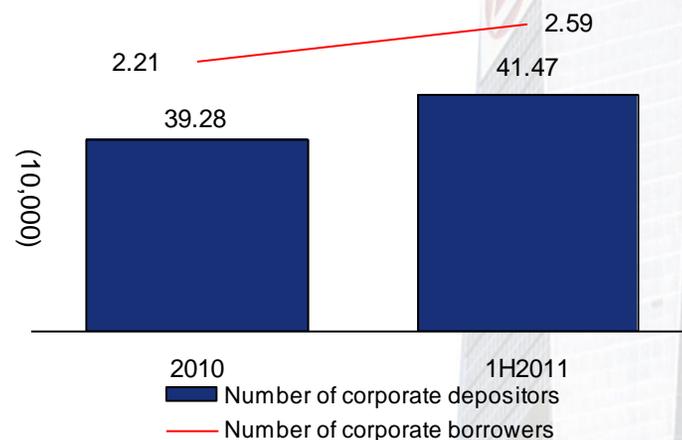
Note: Based on Bank financials
 Note 1: Based on consolidated Group financials

Steady Development of Corporate Banking Business with Increasing Proportion of SME loans

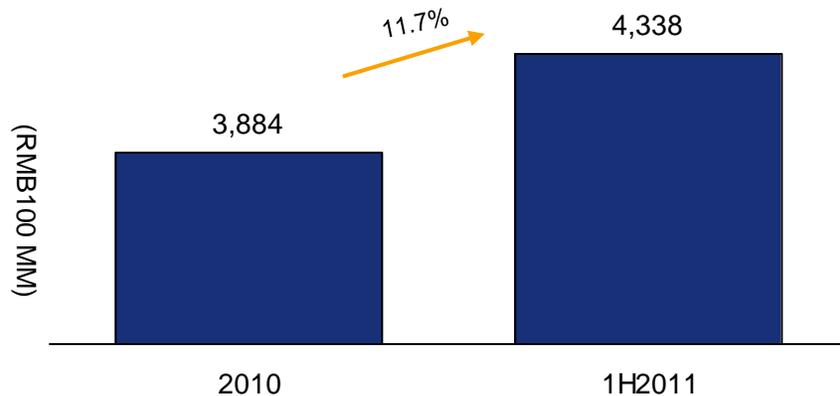
Steady growth in corporate deposits and loans



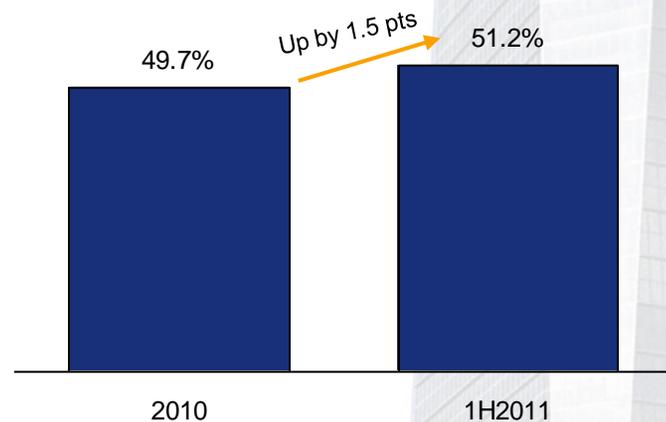
Expansion of customer base of corporate deposits and loans



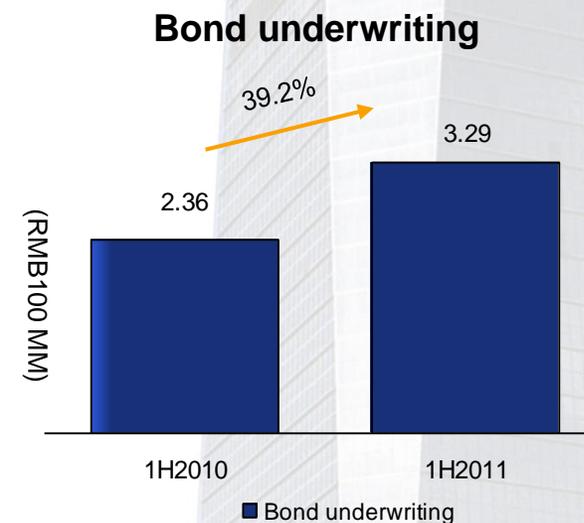
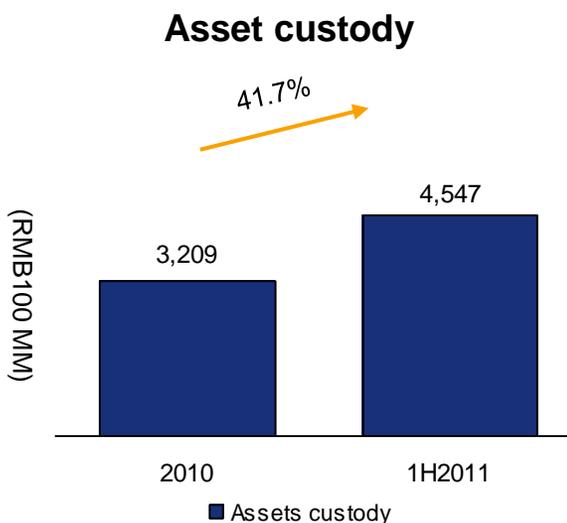
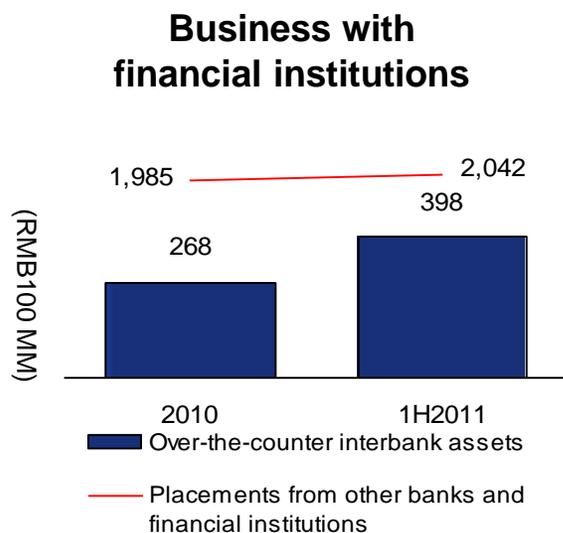
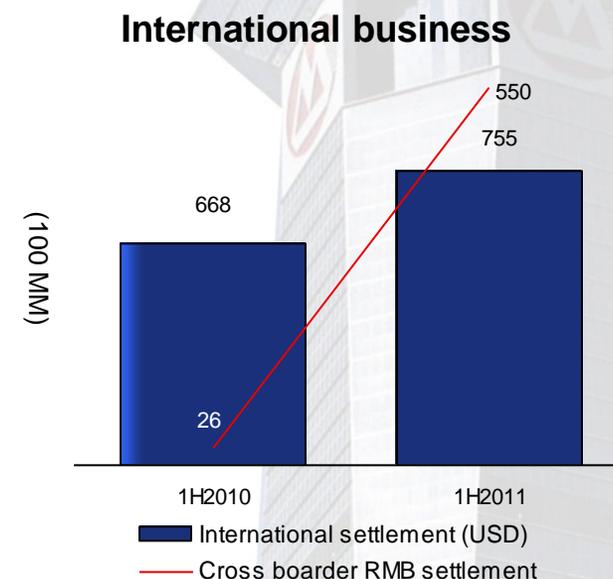
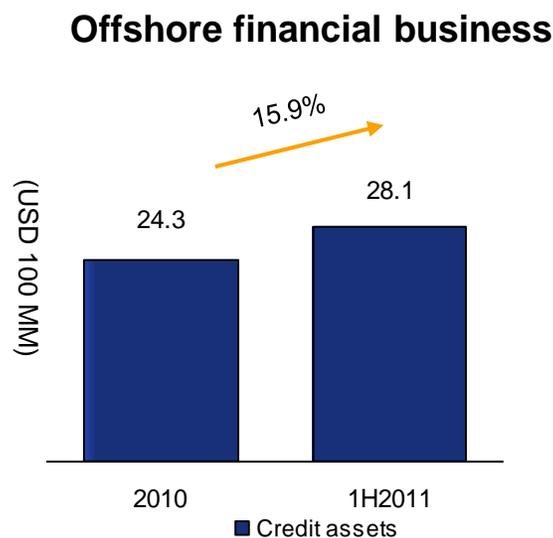
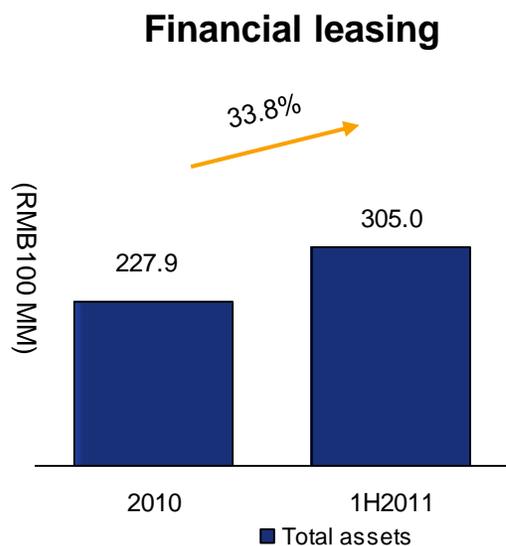
Rapid growth of SME loan business¹



Increased % of SME loans in total loans

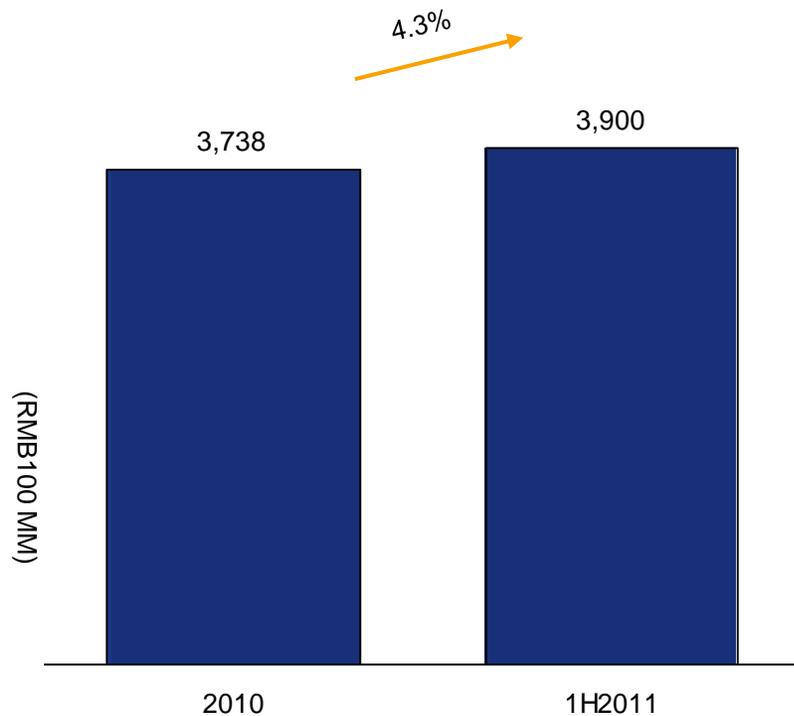


Other Corporate Banking Business Maintained Steady Development

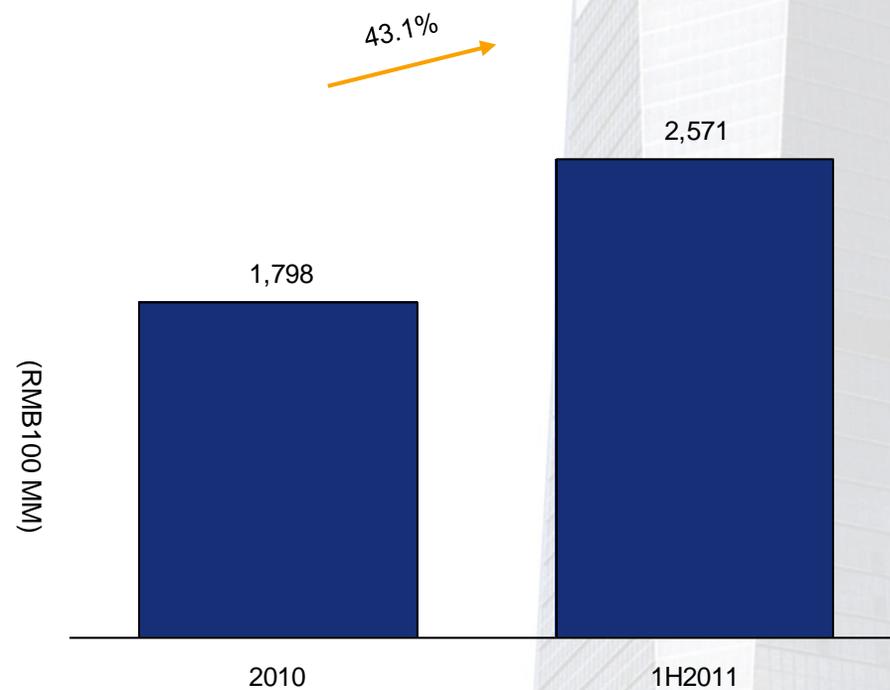


Progressive Development of Financial Market Business

Proprietary investment

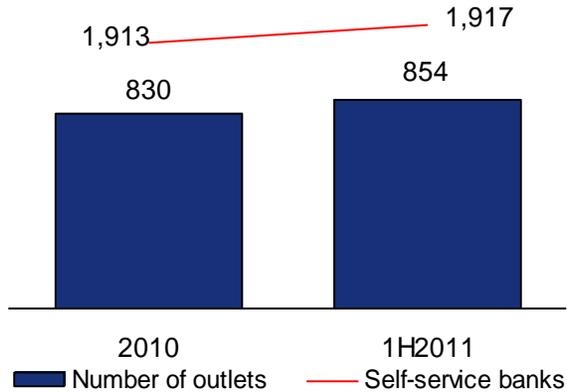


Entrusted wealth management



Optimized Network and Enhanced Comprehensive Service Capacity

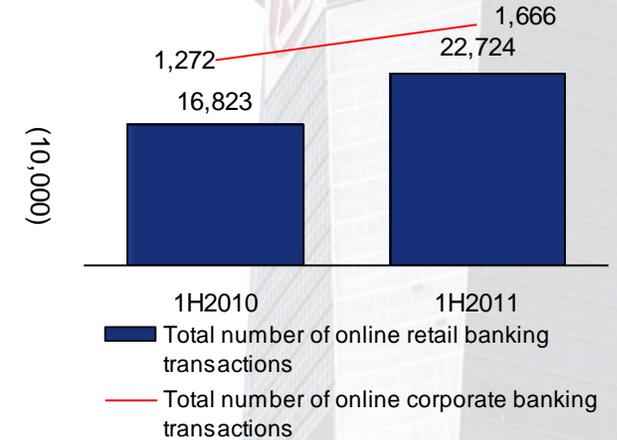
Branch network



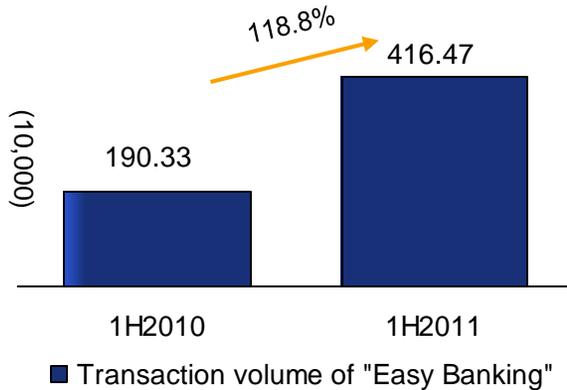
Private banking and wealth management centers

As of June 30th 2011, we have set up 22 private banking centers in 18 key cities nationwide. Built upon the existing Sunflower wealth management centers and VIP offices, we have set up 54 wealth management centers

Online banking transactions



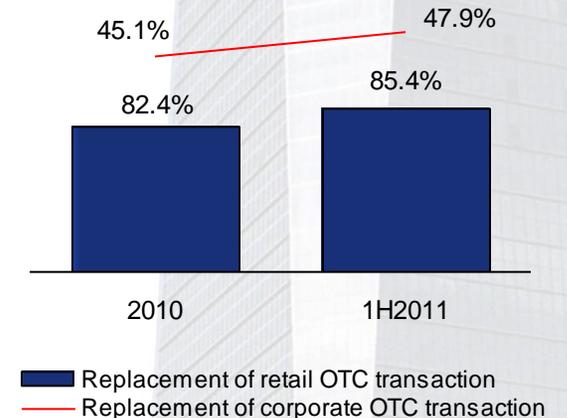
Direct banking



Mobile banking

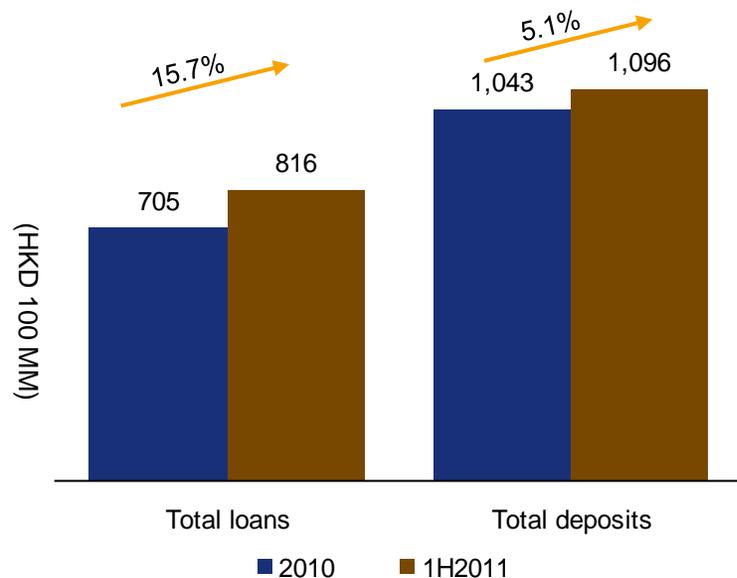
As of June 30th 2011, our contracted clients for mobile banking have reached 2.111 million, with 709,400 accumulative transactions (excluding mobile payment), an increase of 237.8%, and accumulative transaction value of RMB 44.947 bn, an increase of 574.2%

Replacement rate of over-the-counter transactions by e-banking

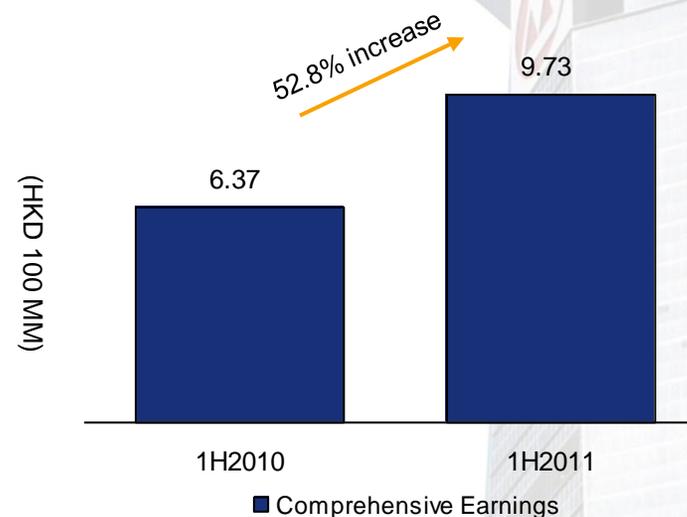


Steady Improvement of Wing Lung Bank's Business Performance

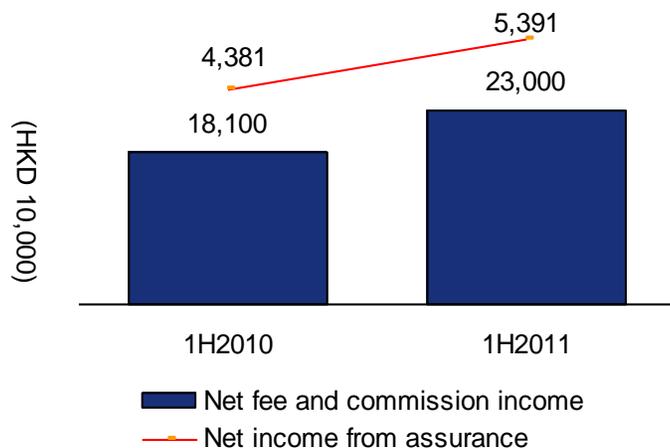
Expansion of loan and deposit business



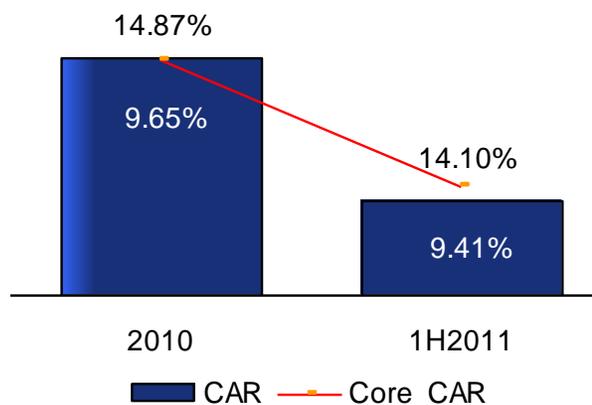
Significant increase of earnings after tax



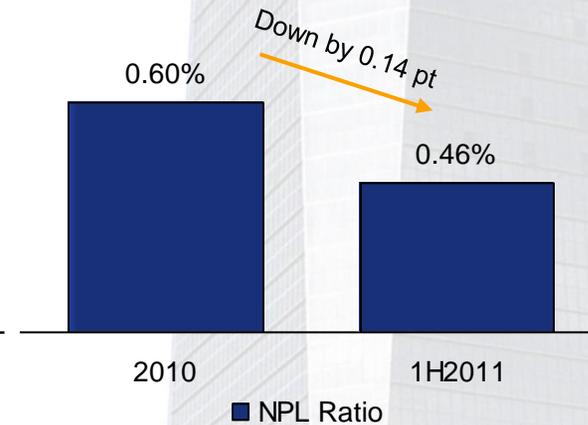
Increase in non-interest income



Stable capital adequacy ratios



Sound asset quality





Agenda

1

Overview

2

Business development

3

Financial performance

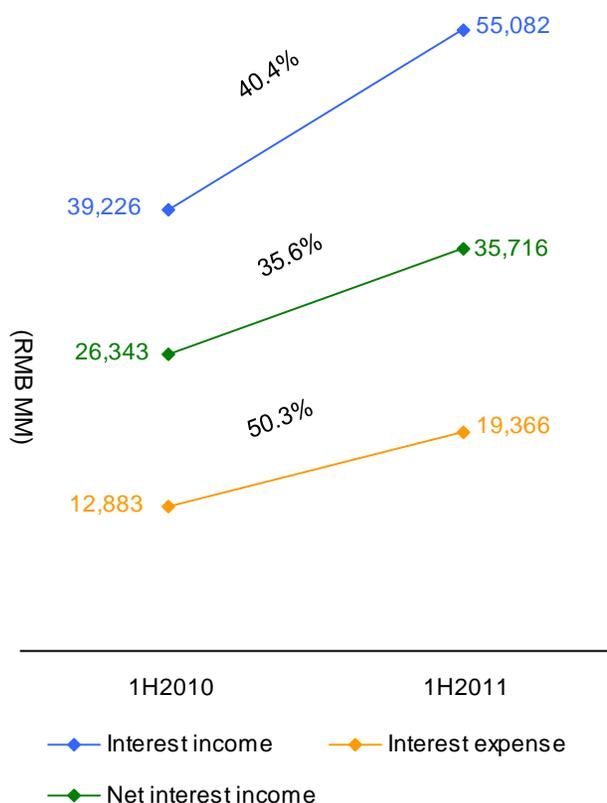
4

Outlook

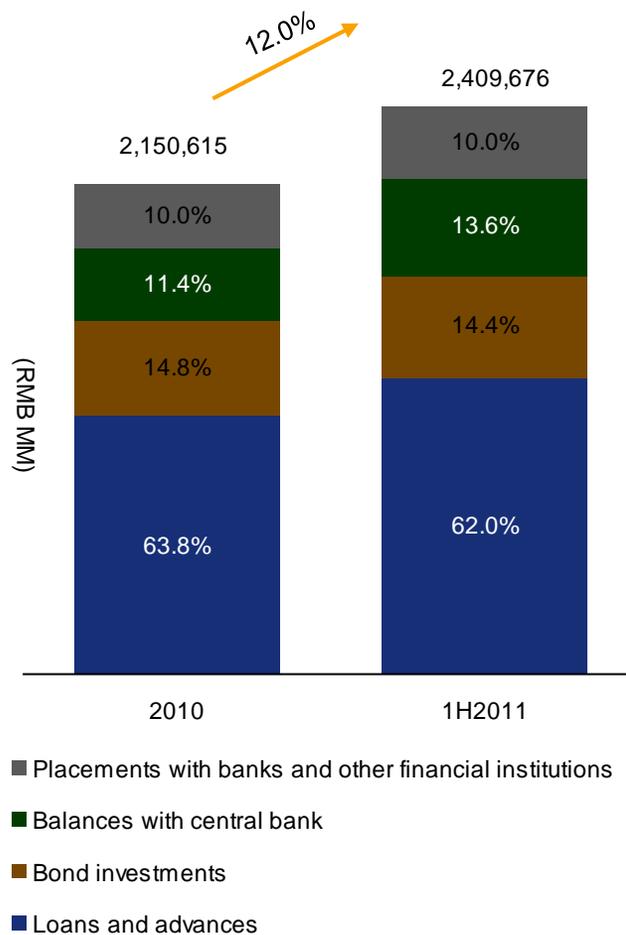


Steady and Rapid Growth of Interest Income

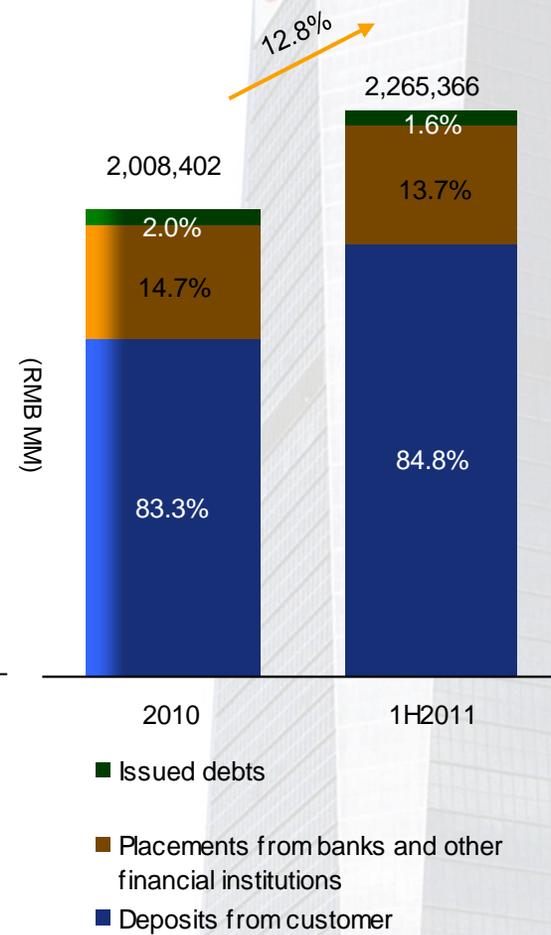
Interest income



Average interest-earning assets

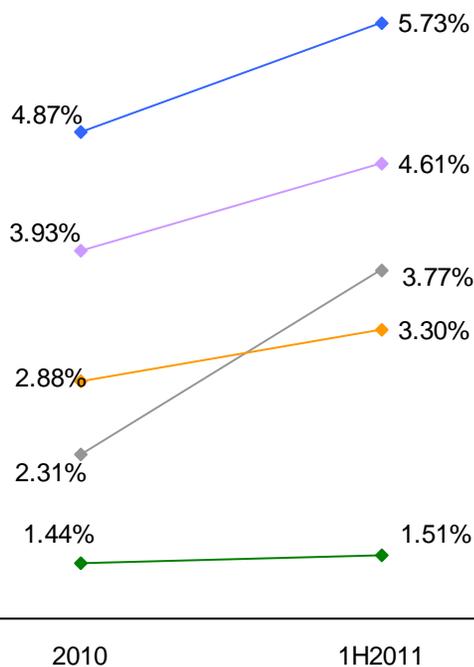


Average interest-bearing liabilities

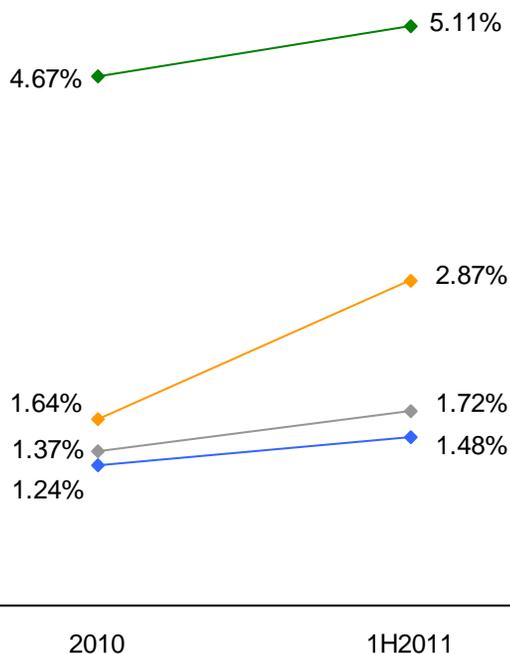


NIM Increased Rapidly

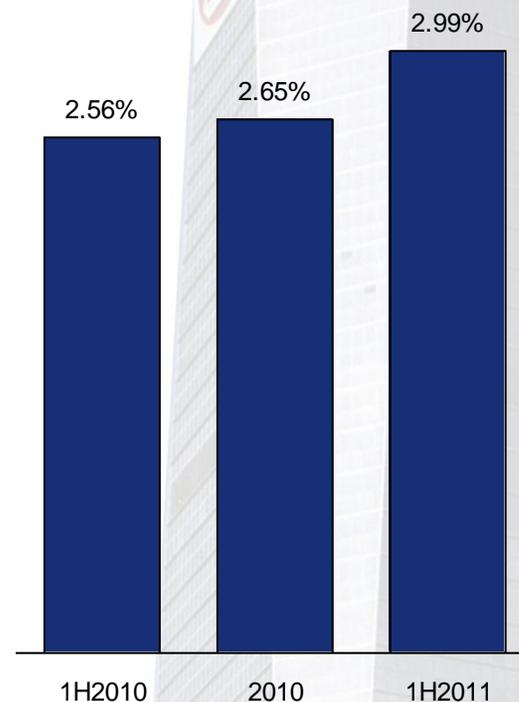
Average yield of interest-earning assets



Average cost of interest-bearing liabilities



NIM

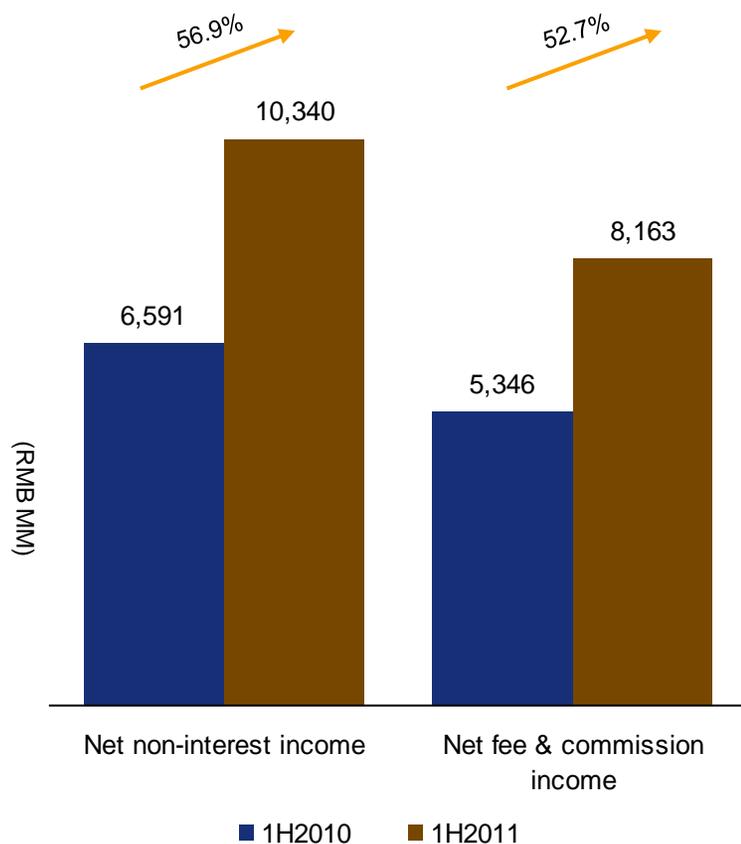


- ◆ Loans and advances
- ◆ Total interest-earning assets
- ◆ Placements with banks and other financial institutions
- ◆ Bond investments
- ◆ Balances with central bank

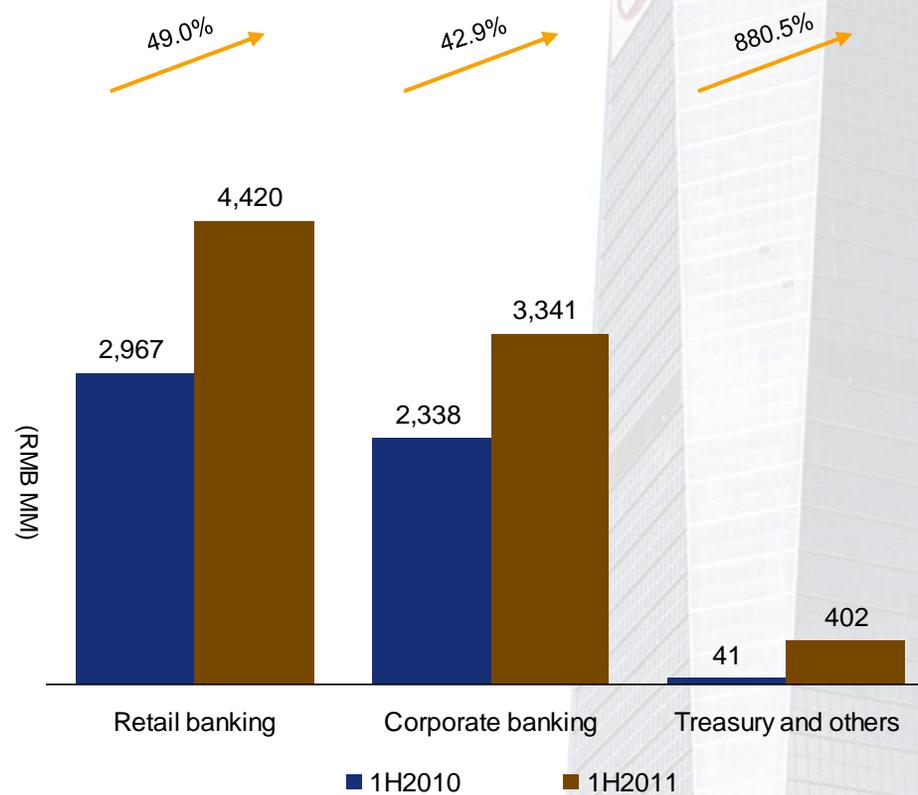
- ◆ Customer deposits
- ◆ Placements from banks and other financial institutions
- ◆ Issued debts¹
- ◆ Total interest-bearing liabilities

Continuous growth of non-interest income

Non-interest income

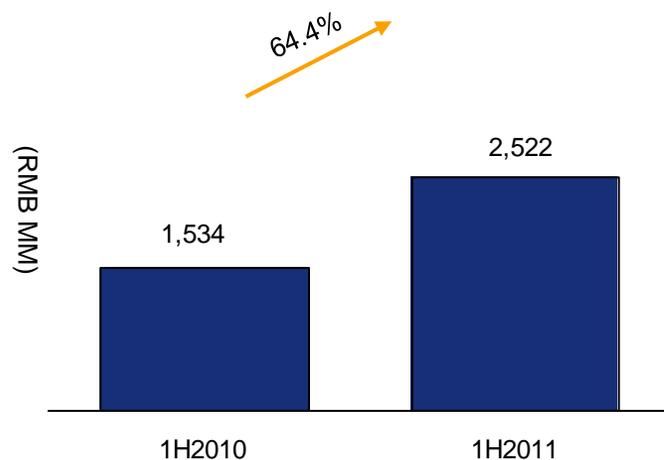


Net fee & commission income by segment

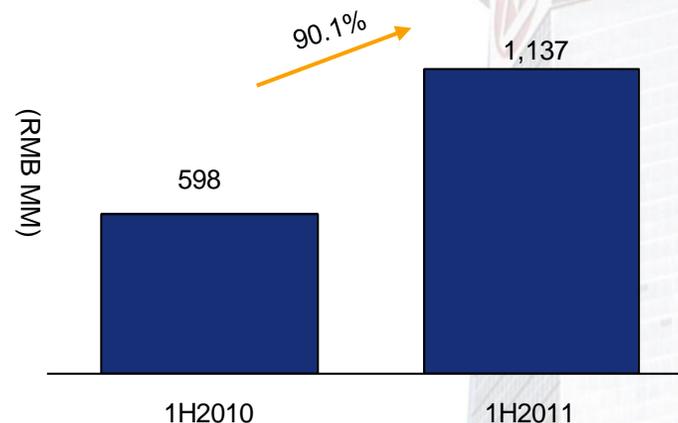


Continuous Growth of Wealth Management Income

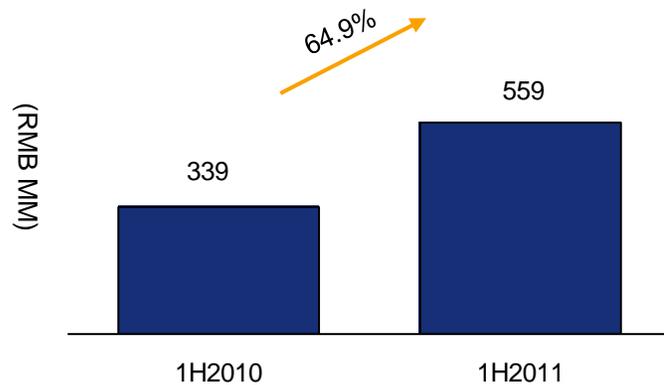
Income from wealth management



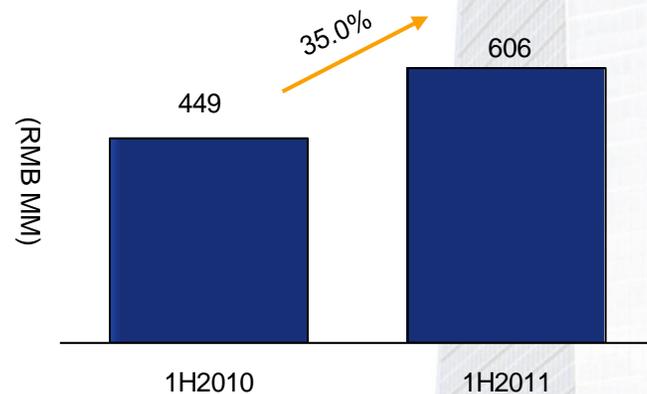
Income from agency funds and agency trust plans



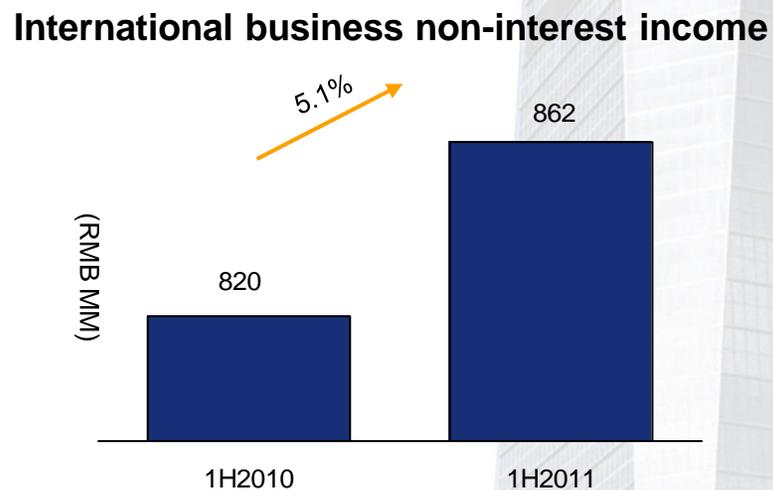
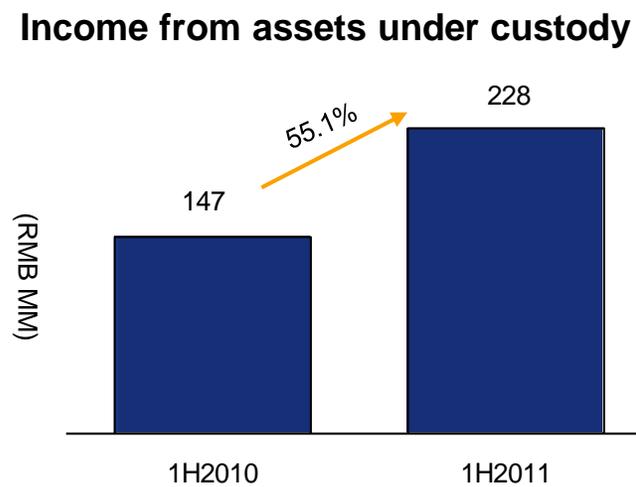
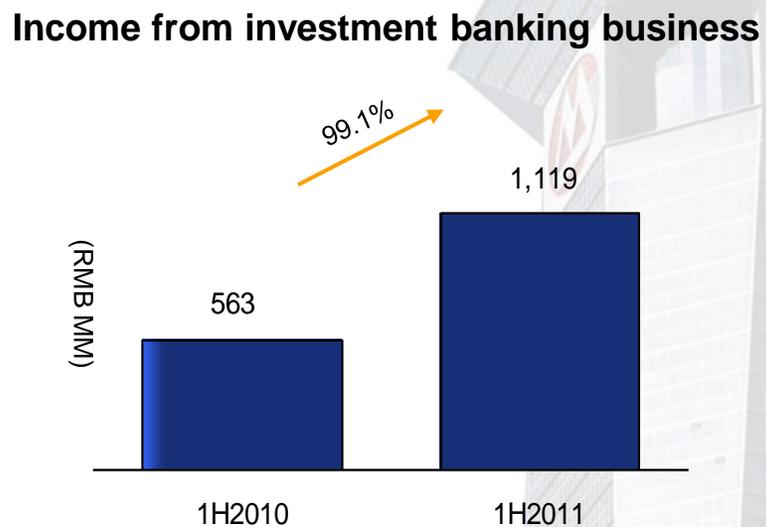
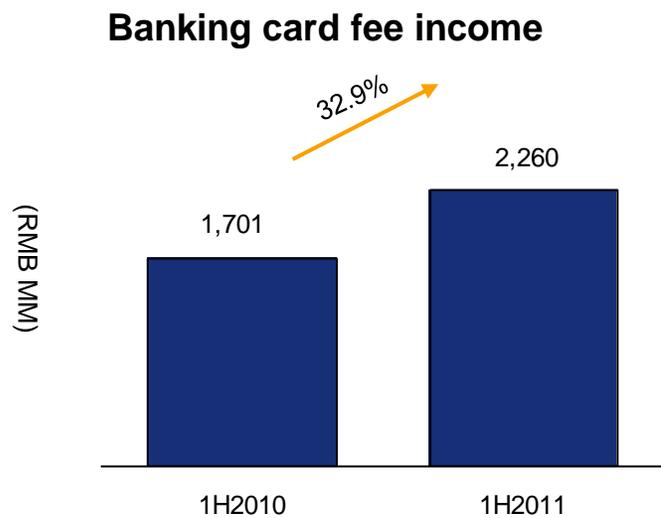
Income from entrusted wealth management



Income from agency sale of insurance

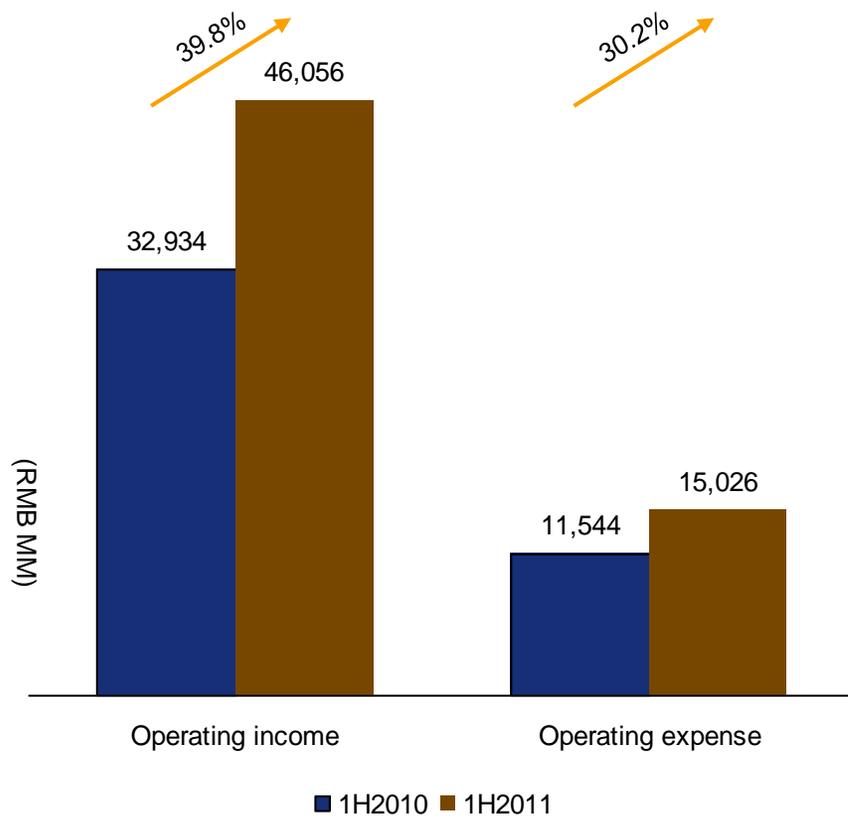


Stable Growth of Other Non-interest Income

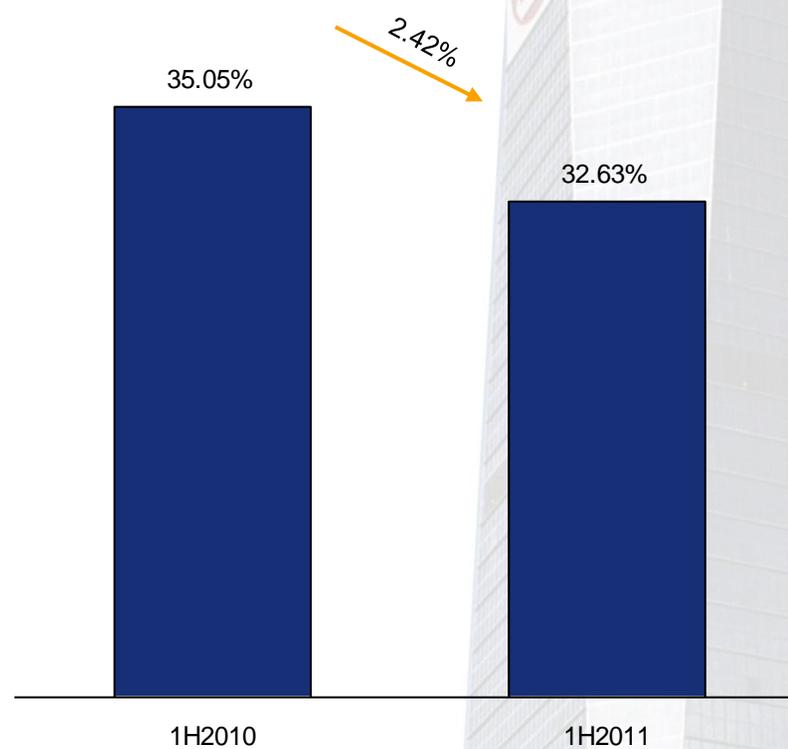


Significant Achievements in Cost Control

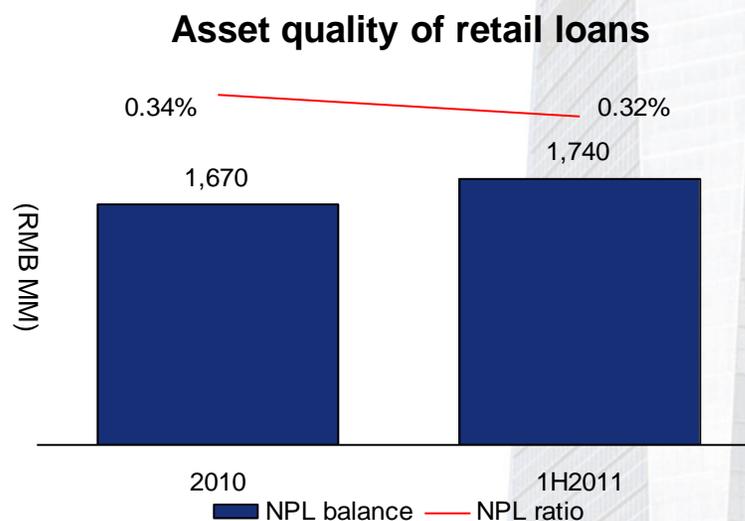
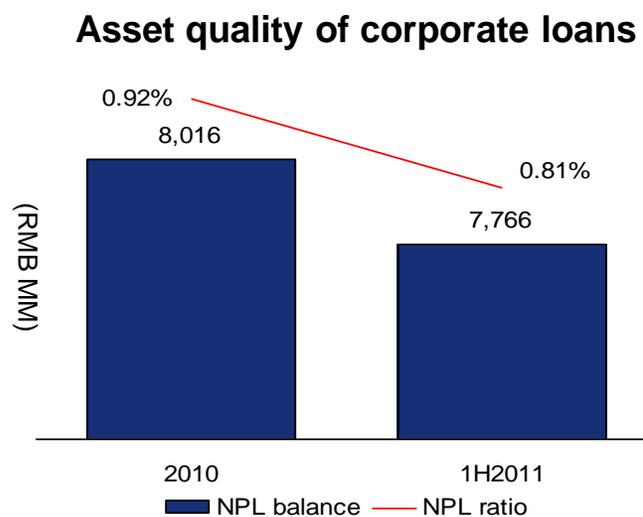
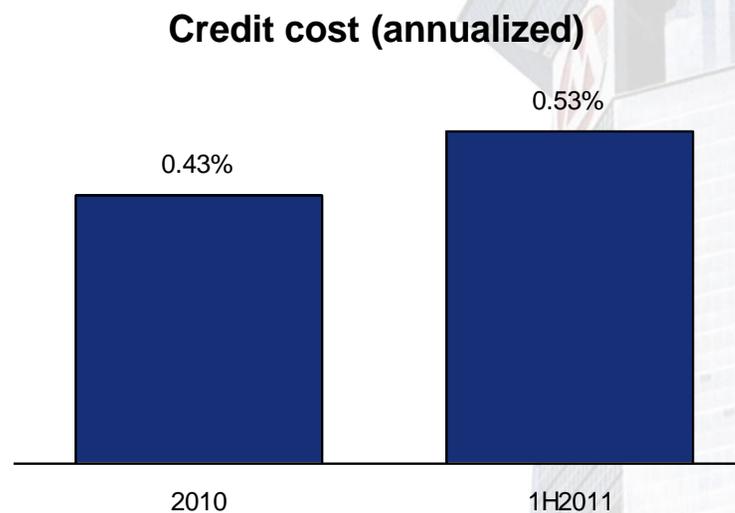
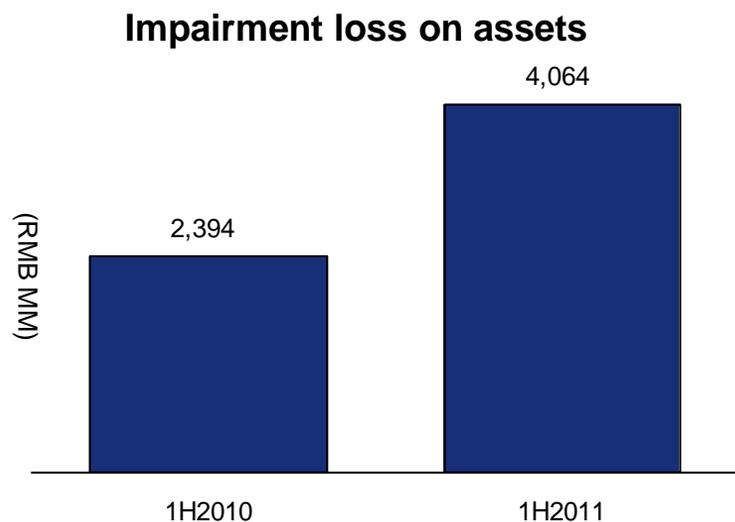
Operating income and expense



Cost-to-income ratio¹

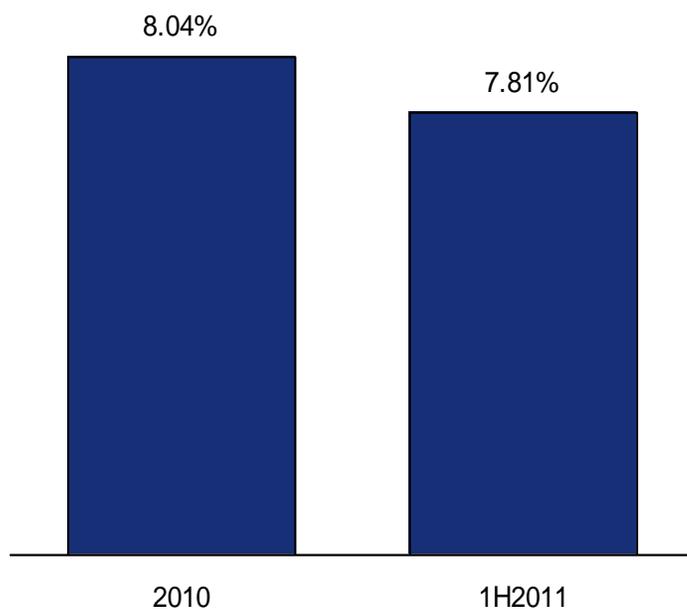


Stable Asset Quality

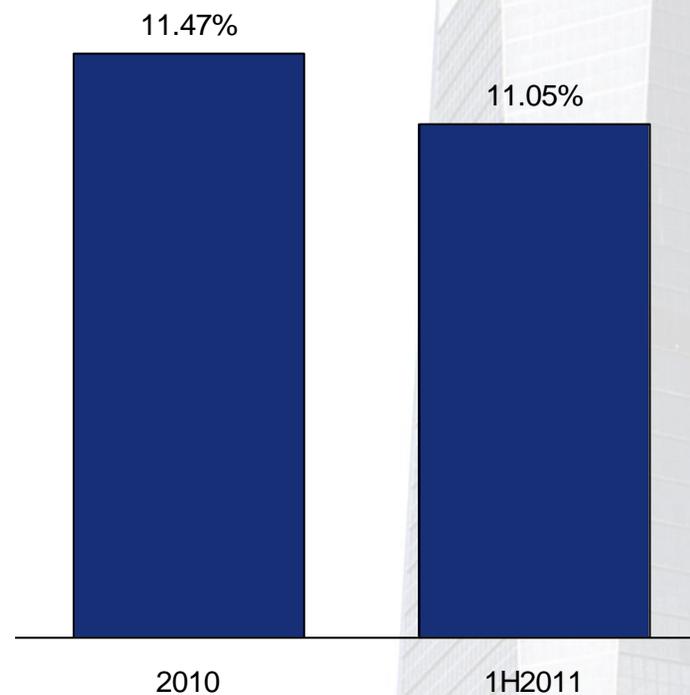


Stable Capital Adequacy Ratio in Line with Regulatory Requirements

Core capital adequacy ratio



Capital adequacy ratio





Agenda

1

Overview

2

Business development

3

Financial performance

4

Outlook



Outlook

2H 2011

Challenges

- ◆ Tightening macro control policies
- ◆ More stringent regulatory restrictions and higher regulation standard
- ◆ Tightening liquidity and intensified competition for deposits among peers

Opportunities

- ◆ Rebound of NIM due to interest hike expectation
- ◆ Higher household income and enhanced awareness of wealth management
- ◆ Great potential for specialized SME financial services
- ◆ New opportunities for expanding the market of non-interest income business



Mitigants

- ◆ Strengthen capital management
- ◆ Enhance risk-pricing capability
- ◆ Accelerate SME business
- ◆ Promote sound development of wealth management business
- ◆ Enhance origination and coverage for medium to high-end retail clients
- ◆ Expedite the integration of Wing Lung Bank to push forward international business operation

A+H Rights Issue

More stringent capital requirements by regulatory authorities

Asset quality risk due to uncertainties of macro economy

Capital adequacy of CMB is lower than industry average

Proposal for A+H Rights Issue

- ◆ The Rights Issue will be conducted on the basis of up to 2.2 Rights Shares for every ten (10) existing Shares; the Subscription Price shall be the same after exchange rate adjustment for A+H shareholders
- ◆ Subscription Price: to be determined based on a discount to market price having regard to the trading prices of the A Shares and the H Shares on the secondary markets before the publication of the Rights Issue announcement, provided that the Subscription Price will not be lower than the most recent audited net asset value per Share of the Company before the Rights Issue as determined by a domestic auditor in accordance with the PRC GAAP. The final Subscription Price shall be determined by the Board (or its authorized delegates) pursuant to the authorization of the shareholders' meeting in consultation with the sponsor(s)/lead underwriter(s) on the Price Determination Date
- ◆ It is expected that the gross proceeds of the Rights Issue will be not more than RMB 35 bn
- ◆ Use of proceeds: all proceeds will be used to strengthen the capital base of the Bank and improve capital adequacy ratio
- ◆ Mid-term capital management plan: as of the end of 2015, it is expected that Tier 1 CAR will reach 9.5% and CAR will reach at least 11.5%



Q&A

