招商銀行
CHINA MERCHANTS BANK

招商銀行股份有限公司
CHINA MERCHANTS BANK CO., LTD.

(H Share Stock Code: 03968)
(Preference Share Stock Code: 04614)

FIRST QUARTERLY REPORT OF 2022

The financial information set out in this quarterly report is unaudited and prepared in accordance with the International Financial Reporting Standards.

This announcement is made by the Company pursuant to Rule 13.09 and Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

1 Important Notice

The Board of Directors, the Board of Supervisors, Directors, Supervisors and senior management of the Company confirm that the contents in this report are true, accurate, and complete and have no false representations, misleading statements or material omissions, and they will individually and collectively accept legal responsibility for such contents.

Miao Jianmin, Chairman of the Board of Directors of the Company, Wang Liang, First Executive Vice President (in charge of the works of China Merchants Bank), Chief Financial Officer and Secretary of the Board of Directors, and Li Li, the person in charge of the Finance and Accounting Department, hereby make representations in respect of the truthfulness, accuracy and completeness of the financial information in this report.

The 39th meeting of the Eleventh Session of the Board of Directors and the 29th meeting of the Eleventh Session of the Board of Supervisors of the Company had reviewed and approved the first quarterly report of 2022 of the Company, respectively.

All financial statements set out in this report are prepared in accordance with the International Financial Reporting Standards and are unaudited. The unaudited quarterly report prepared by the Company in accordance with the PRC Accounting Standards has been published on the website of Shanghai Stock Exchange. Unless otherwise stated, all monetary sums stated in this report are expressed in RMB. In the event of any discrepancies in interpretation between the English and Chinese versions, the Chinese version shall prevail.

"China Merchants Bank", "the Company" and "the Bank" mentioned in this report refer to China Merchants Bank Co., Ltd.; "the Group" refers to China Merchants Bank and its subsidiaries; "CMB Wing Lung Bank" refers to CMB Wing Lung Bank Limited; "CMB Financial Leasing" or "CMBFL" refer to CMB Financial Leasing Co., Ltd.; "CMB International Capital" or "CMBIC" refer to CMB International Capital Holdings Corporation Limited; "CMB Wealth Management" refers to CMB Wealth Management Company Limited; "China Merchants Fund" or "CMFM" refer to China Merchants Fund Management Co., Ltd.; and "CIGNA & CMAM" refers to CIGNA & CMB Asset Management Company Limited.

We have included in this report certain forward-looking statements with respect to the financial position, operating results and business development of the Group. We use words such as "will", "may", "expect", "try", "strive", "plan", "anticipate", "aim at", and similar expressions to indicate forward-looking statements. These statements are based on current plans, estimates and projections. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, the Group gives no assurance that these expectations will turn into reality or prove to be correct. Therefore they should not be deemed as the Group's commitments. Investors should not place undue reliance on such statements and should pay attention to investment risks. You are cautioned that such forward-looking statements are related to future events or future financial position, business, or other performances of the Group, and are subject to a number of uncertainties which may cause substantial differences from those in the actual results.

2 Major Financial Data

2.1 Major accounting data and financial indicators of the Group

(in millions of RMB, unless otherwise stated)	At the end of the reporting period 31 March 2022	At the end of last year 31 December 2021	Increase/ decrease at the end of the reporting period as compared to the end of last year (%)
Total assets	**9,415,379**	9,249,021	1.80
Equity attributable to shareholders of the Bank	**893,494**	858,745	4.05
Net assets per share attributable to ordinary shareholders of the Bank *(in RMB Yuan)* (1)	**30.39**	29.01	4.76

(in millions of RMB, unless otherwise stated)	January to March 2022	January to March 2021	Increase/ decrease as compared to the corresponding period of last year (%)
Net operating income	**91,999**	84,844	8.43
Net profit attributable to shareholders of the Bank	**36,022**	32,015	12.52
Basic earnings per share attributable to ordinary shareholders of the Bank *(in RMB Yuan)*(1)	**1.43**	1.27	12.60
Diluted earnings per share attributable to ordinary shareholders of the Bank *(in RMB Yuan)* (1)	**1.43**	1.27	12.60
Annualised weighted average return on net assets attributable to ordinary shareholders of the Bank *(%)* (1)	**19.24**	19.54	Decrease of 0.30 percentage point
Net cash generated from operating activities (2)	**5,551**	(32,388)	N/A

Notes:

(1) Such indicators are calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies Offering Securities to the Public No. 9--Calculation and Disclosure of Return on Net Assets and Earnings per Share. The Company issued non-cumulative preference shares in 2017 and perpetual bonds in 2020 and 2021, both of which are classified as other equity instruments. The Company did not distribute dividends on preferred shares and perpetual bonds in the first quarter of 2022.Therefore, when calculating basic and diluted earnings per share attributable to ordinary shareholders of the Bank, return on average equity, net assets per share and other indicators, no dividend on preference shares or interest on perpetual bonds were involved to be deducted from "net profit attributable to shareholders of the Bank", while preference shares and perpetual bonds were deducted from both the "average equity" and the "net assets".

(2) The increase in the net cash generated from operating activities was mainly due to the net increase in deposits from customers.

2.2 Explanation on the differences between the financial statements prepared in accordance with the PRC Accounting Standards and the International Financial Reporting Standards

In the financial statements prepared by the Group in accordance with the PRC Accounting Standards and the International Financial Reporting Standards, there has been no difference in the net profit attributable to shareholders of the Bank for the reporting period ended 31 March 2022 and the equity attributable to shareholders of the Bank as at the end of the reporting period.

3 Information on Shareholders

3.1 Information on the shareholders of ordinary shares

As at the end of the reporting period, the holders of ordinary shares of the Company are in a total of 497,144, including 467,333 holders of A Shares and 29,811 holders of H Shares, whose shareholdings are all not subject to restrictions on sales. As at the end of the reporting period, the top 10 ordinary shareholders and the top 10 ordinary shareholders whose shareholdings are not subject to restrictions on sales of the Company were as follows.

No.	Name of shareholder	Type of shareholder	Shares held at the end of the period *(share)*	Percentage of total share capital *(%)*	Type of shares	Changes as compared to the end of last year *(share)*	Shares subject to restrictions on sales *(share)*	Shares pledged, marked or frozen *(share)*
1	HKSCC Nominees Ltd.	Offshore legal person	4,552,885,976	18.05	H Shares not subject to restrictions on sales	479,661	–	Unknown
2	China Merchants Steam Navigation Co., Ltd.	State-owned legal person	3,289,470,337	13.04	A Shares not subject to restrictions on sales	–	–	–
3	Hong Kong Securities Clearing Company Limited	Offshore legal person	1,704,361,213	6.76	A Shares not subject to restrictions on sales	186,905,434	–	–
4	China Ocean Shipping Company Limited	State-owned legal person	1,574,729,111	6.24	A Shares not subject to restrictions on sales	–	–	–
5	Shenzhen Yan Qing Investment and Development Company Ltd.	State-owned legal person	1,258,542,349	4.99	A Shares not subject to restrictions on sales	–	–	–
6	China Merchants Finance Investment Holdings Co., Ltd.	State-owned legal person	1,147,377,415	4.55	A Shares not subject to restrictions on sales	–	–	–
7	Hexie Health Insurance Co., Ltd. – Traditional – Ordinary insurance products	Domestic legal person	1,130,991,537	4.48	A Shares not subject to restrictions on sales	–	–	–
8	Shenzhen Chu Yuan Investment and Development Company Ltd.	State-owned legal person	944,013,171	3.74	A Shares not subject to restrictions on sales	–	–	–
9	Dajia Life Insurance Co., Ltd. – Universal products	Domestic legal person	815,030,635	3.23	A Shares not subject to restrictions on sales	–	–	–
10	COSCO Shipping (Guangzhou) Co., Ltd.	State-owned legal person	696,450,214	2.76	A Shares not subject to restrictions on sales	–	–	–

Notes:

(1) Shares held by HKSCC Nominees Ltd. are the total shares in the accounts of holders of H Shares of the Company trading on the transaction platform of HKSCC Nominees Ltd.. Hong Kong Securities Clearing Company Ltd. is an institution designated by others to hold shares on behalf of them as a nominal holder, and the shares held by it are the A shares of China Merchants Bank acquired by investors through Shanghai-Hong Kong Stock Connect.

(2) As at the end of the reporting period, of the aforesaid top 10 shareholders, HKSCC Nominees Ltd. is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Ltd.; China Merchants Steam Navigation Co., Ltd., Shenzhen Yan Qing Investment and Development Company Ltd., China Merchants Finance Investment Holdings Co. Ltd. and Shenzhen Chu Yuan Investment and Development Company Ltd. are all subsidiaries of China Merchants Group Ltd.; China Ocean Shipping Company Limited and COSCO Shipping (Guangzhou) Co., Ltd. are both subsidiaries of China COSCO Shipping Corporation Limited. The Company is not aware of any affiliated relationships or action in concert among other shareholders.

(3) The above shareholders of A shares did not hold the shares of the Company through credit securities accounts, neither were there cases of proxy, trustee nor waiver of voting rights.

3.2 Information on the shareholders of preference shares

As at the end of the reporting period, the Company had a total of 16 holders of preference shares (or their nominees), including 1 holder of offshore preference shares (or its nominee) and 15 holders of domestic preference shares. During the period from January to March 2022, the Company did not restore any voting right of the preference shares. As at the end of the reporting period, the Company had no holder of preference shares with voting right restored.

As at the end of the reporting period, the shareholdings of the top 10 holders of offshore preference shares (or their nominees) of the Company were as follows.

No.	Name of shareholder	Type of shareholder	Type of shares	Shares held at the end of the period *(share)*	Percentage of shareholding *(%)*	Changes as compared to the end of last year *(share)*	Shares subject to restrictions on sales *(share)*	Shares pledged, marked or frozen *(share)*
1	The Bank of New York Depository (Nominees) Limited	Offshore legal person	Offshore preference shares	50,000,000	100	–	–	Unknown

Notes:

(1) The shareholding of holders of preference shares is calculated based on the information listed in the register of holders of preference shares maintained by the Company.

(2) As the issuance is an offshore non-public issuance, the information listed in the register of holders of preference shares is the information on the nominees of the placees.

(3) The Company is not aware of any affiliated relationship or action in concert among the above holders of preference shares and the top 10 holders of ordinary shares.

(4) "Percentage of shareholding" represents the percentage of the number of offshore preference shares held by the holders of preference shares to the total number of offshore preference shares.

As at the end of the reporting period, the shareholdings of the top 10 holders of domestic preference shares of the Company were as follows.

No.	Name of shareholders	Type of shareholders	Type of shares	Shares held at the end of the period *(share)*	Percentage of shareholding *(%)*	Changes as compared to the end of last year *(share)*	Shares subject to restrictions on sales *(share)*	Shares pledged, marked or frozen *(share)*
1	China Mobile Communications Group Co., Ltd.	State-owned legal person	Domestic preference shares	106,000,000	38.55	–	–	–
2	CCB Capital – "Qianyuan – Private" (乾元－私享), an open private banking RMB wealth management product (daily calculated) of China Construction Bank –Anxin Private (安鑫私享) No.2 Special Asset Management Scheme of CCB Capital	Others	Domestic preference shares	40,000,000	14.55	–	–	–
3	BOC Asset – Bank of China – Bank of China Limited, Shenzhen Branch	Others	Domestic preference shares	25,000,000	9.09	–	–	–
4	China National Tobacco (Henan Province) Company	State-owned legal person	Domestic preference shares	20,000,000	7.27	–	–	–
	Ping An Property & Casualty Insurance Company of China, Ltd. – Traditional – Ordinary insurance products	Others	Domestic preference shares	20,000,000	7.27	–	–	–
6	China National Tobacco (Anhui Province) Company	State-owned legal person	Domestic preference shares	15,000,000	5.45	–	–	–
	China National Tobacco (Sichuan Province) Company	State-owned legal person	Domestic preference shares	15,000,000	5.45	–	–	–
8	Everbright Securities Asset Management – China Everbright Bank – Xinyou (鑫優) No. 2 Collective Asset Management Scheme of Everbright Securities Asset Management	Others	Domestic preference shares	9,000,000	3.27	–	–	–
9	Everbright Securities Asset Management – China Everbright Bank – Xinyou (鑫優) Collective Asset Management Scheme of Everbright Securities Asset Management	Others	Domestic preference shares	7,200,000	2.62	-800,000	–	–
10	CITIC Securities Co., Ltd.	State-owned legal person	Domestic preference shares	5,000,000	1.82	–	–	–
	Changjiang Pension Insurance -Bank of China – China Pacific Life Insurance Co., Ltd.	Others	Domestic preference shares	5,000,000	1.82	–	–	–
	China National Tobacco (Liaoning Province) Company	State-owned legal person	Domestic preference shares	5,000,000	1.82	–	–	–

Notes:

(1) The shareholdings of holders of domestic preference shares are listed by single account based on the information presented in the register of holders of preference shares maintained by the Company.

(2) China National Tobacco (Henan Province) Company, China National Tobacco (Anhui Province) Company, China National Tobacco (Sichuan Province) Company and China National Tobacco (Liaoning Province) Company are all wholly-owned subsidiaries of China National Tobacco Corporation. "Everbright Securities Asset Management –China Everbright Bank – Xinyou (鑫優) No. 2 Collective Asset Management Scheme of Everbright Securities Asset Management" and "Everbright Securities Asset Management – China Everbright Bank – Xinyou (鑫優) Collective Asset Management Scheme of Everbright Securities Asset Management" are both managed by Everbright Securities Asset Management Co. Ltd.. Save for the above, the Company is not aware of any affiliated relationship or action in concert among the above holders of preference shares or between the above holders of preference shares and the Company's top 10 holders of ordinary shares.

(3) "Percentage of shareholdings" represents the percentage of the number of domestic preference shares held by the holders of preference shares to the total number of domestic preference shares.

4 Management Discussion and Analysis

4.1 Analysis of overall operation

The Group continued to adhere to the concept of dynamic and balanced development of "Quality, Efficiency and Scale", and has always insisted on implementation of its strategic direction of "Light-model Bank" and the strategic positioning of "One Body with Two Wings". From January to March 2022, the Group's businesses were carried out in a sound manner, with its operating income and profit increasing steadily, and asset quality remaining generally stable.

From January to March 2022, the Group realised a net operating income of RMB91.999 billion, representing a year-on-year increase of 8.43%; a net profit attributable to the shareholders of the Bank of RMB36.022 billion, representing a year-on-year increase of 12.52%; a net interest income of RMB54.464 billion, representing a year-on-year increase of 9.97%; and a net non-interest income of RMB37.535 billion, representing a year-on-year increase of 6.27%. The annualised return on average asset (ROAA) attributable to the shareholders of the Bank and annualised return on average equity (ROAE) attributable to the ordinary shareholders of the Bank was 1.54% and 19.24%, respectively, representing a year-on-year increase of 0.04 percentage point and a year-on-year decrease of 0.30 percentage point, respectively.

As at the end of the reporting period, the Group's total assets amounted to RMB9,415.379 billion, representing an increase of 1.80% as compared with the end of the previous year. The total loans and advances to customers amounted to RMB5,758.105 billion, representing an increase of 3.38% as compared with the end of the previous year. Total liabilities amounted to RMB8,514.645 billion, representing an increase of 1.57% as compared with the end of the previous year. Total deposits from customers amounted to RMB6,680.094 billion, representing an increase of 5.25% as compared with the end of the previous year (the amount of deposits and loans in the section headed "Management Discussion and Analysis" of this report does not include interest receivable or payable).

As at the end of the reporting period, the Group's non-performing loans amounted to RMB54.138 billion, representing an increase of RMB3.276 billion as compared with the end of the previous year. The non-performing loan ratio was 0.94%, up by 0.03 percentage point as compared with the end of the previous year. The allowance coverage ratio was 462.68%, representing a decrease of 21.19 percentage points as compared with the end of the previous year. The allowance-to-loan ratio was 4.35%, representing a decrease of 0.07 percentage point as compared with the end of the previous year.

4.2 Analysis of statement of profit or loss

Net interest income

From January to March 2022, the Group's net interest income amounted to RMB54.464 billion, representing a year-on-year increase of 9.97% and accounting for 59.20% of net operating income.

From January to March 2022, the net interest spread and the net interest margin of the Group were 2.39% and 2.51% respectively, representing a year-on-year decrease of 5 basis points and 1 basis point, respectively, which was mainly due to the cumulative effect of downward trend in market interest rate in recent years, resulting in a decrease in the yields on interest-earning assets. At the same time, the Group continued to increase the proportion of deposits from customers to interest-bearing liabilities, which to a certain extent compensated for the impact of declined yields on interest-earning assets.

The Group	January to March 2022			January to March 2021		
(in millions of RMB, except for percentages)	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
Interest-earning assets						
Loans and advances to customers	5,682,612	65,600	4.68	5,213,564	60,863	4.73
Investments	1,872,118	15,158	3.28	1,592,140	13,299	3.39
Balances with the central bank	566,812	1,976	1.41	537,166	1,942	1.47
Balances and placements with banks and other financial institutions	683,256	3,552	2.11	637,653	2,883	1.83
Total	8,804,798	86,286	3.97	7,980,523	78,987	4.01

(in millions of RMB, except for percentages)	Average balance	Interest expense	Annualised average cost ratio (%)	Average balance	Interest expense	Annualised average cost ratio (%)
Interest-bearing liabilities						
Deposits from customers	6,595,673	23,810	1.46	5,861,988	20,075	1.39
Deposits and placements from banks and other financial institutions	1,000,005	4,075	1.65	1,071,427	4,433	1.68
Debt securities issued	422,407	3,029	2.91	346,065	2,692	3.15
Borrowings from the central bank	131,855	768	2.36	308,182	2,117	2.79
Lease liabilities	14,075	140	4.03	14,978	146	3.95
Total	8,164,015	31,822	1.58	7,602,640	29,463	1.57
Net interest income	/	54,464	/	/	49,524	/
Net interest spread	/	/	2.39	/	/	2.44
Net interest margin	/	/	2.51	/	/	2.52

Net non-interest income

From January to March 2022, the Group recorded a net non-interest income of RMB37.535 billion, representing a year-on-year increase of 6.27% and accounting for 40.80% of net operating income. The Group upgraded its services comprehensively based on its customers' needs, driving steady growth in total assets under management from retail customers, enabling coordinated operation of its asset management and asset custody businesses. Amid the downturn of the capital market, fee and commission income from wealth management declined, but demonstrated strong resilience, with fee and commission income from asset management and commission income from custody businesses continuing to grow. At the same time, the promotion of the digital operation model and the deepening of our investment banking, commercial banking, private banking, technology, and research services also generated new growth opportunities for our bank card business, investment banking business and supply chain finance business. Among the net non-interest income, net fee and commission income amounted to RMB28.695 billion, representing a year-on-year increase of 5.49%; other net non-interest income amounted to RMB8.840 billion, representing a year-on-year increase of 8.89%, which was mainly due to the increase in income from operating leases.

Among the Group's net fee and commission income, from the perspective of major items: **Fee and commission income from wealth management** amounted to RMB10.429 billion, representing a year-on-year decrease of 11.11%, which was mainly due to the effect of a downturn in the capital market. Among those incomes, income from agency distribution of insurance policies amounted to RMB5.471 billion, income from agency sales of wealth management products amounted to RMB1.765 billion[1], income from agency distribution of funds amounted to RMB1.727 billion, income from agency distribution of trust schemes amounted to RMB1.228 billion, income from securities brokerage amounted to RMB236 million and income from agency distribution of precious metals amounted to RMB2 million. **Fee and commission income from asset management** amounted to RMB3.249 billion[2], representing a year-on-year increase of 47.55%, which was mainly attributable to the growth in the management fee income from wealth management products of CMB Wealth Management and the income from fund management fees of China Merchants Fund, all being subsidiaries of the Company; **commission income from custody businesses** amounted to RMB1.633 billion, representing a year-on-year increase of 11.32%, which was mainly attributable to the scale expansion and structural optimisation of custody businesses; **income from bank card fees** and **settlement and clearing fees** amounted to RMB5.593 billion and RMB4.463 billion, respectively.

1 Income from agency sales of wealth management products represents the income from the sales of wealth management products by the Group that related to its sales service.

2 Fee and commission income from asset management mainly includes the income from the issuance and management of various asset management products such as funds, wealth management and asset management plans of China Merchants Fund, CMB International Capital, CMB Wealth Management and CIGNA & CMAM, all being subsidiaries of the Company.

Operating expenses

From January to March 2022, the Group's operating expenses amounted to RMB26.109 billion, representing a year-on-year increase of 7.86%, among which staff costs amounted to RMB17.094 billion, increased by 9.89% as compared with the corresponding period of the previous year and other operating expenses amounted to RMB9.015 billion[3], increased by 4.22% as compared with the corresponding period of the previous year; the Group's cost-to-income ratio was 26.10%, representing a decrease of 0.41 percentage point as compared with the corresponding period of the previous year. The Group continued to promote the substitution of traditional costs with technological innovation, with its resource efficiency gradually improving.

Expected credit losses

From January to March 2022, the expected credit losses of the Group were RMB21.523 billion, representing a year-on-year increase of 4.76%. Specifically, the expected credit losses of loans and advances to customers amounted to RMB11.060 billion, representing a year-on-year increase of RMB4.990 billion, which was mainly due to the Group's increased prudent provision for the risky real estate customers during the reporting period; the expected credit losses of other categories of assets other than loans and advances totalled RMB10.463 billion, representing a year-on-year decrease of RMB4.012 billion, mainly due to the quality of other categories of assets remaining stable and the decline in the scale of certain categories of assets being greater than that for the same period of the previous year, for which we made less provision for credit losses correspondingly.

4.3 Analysis of balance sheet

As at the end of the reporting period, total assets of the Group amounted to RMB9,415.379 billion, representing an increase of 1.80% as compared with the end of the previous year, which was mainly attributable to the increase in loans and advances to customers and financial investments of the Group. As at the end of the reporting period, the Group's total loans and advances to customers amounted to RMB5,758.105 billion, representing an increase of 3.38% as compared with the end of the previous year; total loans and advances to customers accounted for 61.16% of the total assets, representing an increase of 0.94 percentage point as compared with the end of the previous year. In particular, the retail loans of the Group amounted to RMB3,025.461 billion, representing an increase of RMB37.670 billion or 1.26% as compared with the end of the previous year, while its growth rate slowing down, which was mainly due to the weakened willingness of the residents to consume and the reduced effective demand for loans from small and micro customers as a result of the recurring impact of the COVID-19 pandemic; the corporate loans of the Group amounted to RMB2,236.745 billion, representing an increase of RMB85.807 billion or 3.99% as compared to the end of the previous year, with a rapid growth mainly driven by the Group's continued strengthening of support for the real economy.

3 Other operating expenses include depreciation, amortisation, rental, taxes and surcharges, allowances for insurance claims and other various administrative expenses.

As at the end of the reporting period, total liabilities of the Group amounted to RMB8,514.645 billion, representing an increase of 1.57% as compared with the end of the previous year, which was mainly attributable to the increase in deposits from customers. As at the end of the reporting period, the Group's total deposits from customers amounted to RMB6,680.094 billion, representing an increase of 5.25% as compared with the end of the previous year and accounting for 78.45% of total liabilities of the Group, and were the major funding source of the Group. Among the Group's deposits from customers, demand deposits accounted for 63.65% while time deposits accounted for 36.35%. Among the demand deposits, corporate deposits accounted for 62.59% while retail deposits accounted for 37.41%. Among the time deposits, corporate deposits accounted for 65.23% while retail deposits accounted for 34.77%. From January to March 2022, among the daily average balance of deposits from customers of the Group, demand deposits accounted for 63.41%, down by 0.93 percentage point year-on-year.

As at the end of the reporting period, the equity attributable to shareholders of the Bank of the Group was RMB893.494 billion, representing an increase of 4.05% as compared with the end of the previous year, among which retained earnings amounted to RMB463.849 billion, representing an increase of 8.23% as compared with the end of the previous year; investment revaluation reserve amounted to RMB14.035 billion, representing a decrease of 6.73% as compared with the end of the previous year, mainly due to the decrease in the valuation of those classified as financial assets measured at fair value through other comprehensive income; exchange reserve was RMB-2.466 billion, representing a decrease of RMB322 million as compared with the end of the previous year, which was mainly due to the effect of change in exchange rates.

4.4 Risk management and control for real estate sector

The Chinese government currently continues to adhere to the positioning that "housing is for living in, not for speculation" in the real estate industry, while actively exploring new development models with equal emphasis on housing rental and purchase, accelerating the development of long-term rental housing market, and promoting the construction of government-subsidized housing, so as to support the commodity housing market in better meeting the reasonable needs of homebuyers. Meanwhile, it will strive to keep land costs, housing prices and market expectations stable, and adopt city-specific measures to facilitate a virtuous cycle and sound development in the real estate sector. The Chinese government's policy guidance and principles on the real estate sector remain unchanged, as a result of which the real estate industry will gradually return to the origin of residential properties, and the regulation policies will tend to stabilize. In addition, the People's Bank of China and the China Banking and Insurance Regulatory Commission encourage banks to extend loans for the M&A of real estate projects in a prudent and orderly manner under the principles of legal compliance, risk control and commercial sustainability, so as to promote the real estate enterprises to address risks in a market-based manner.

The Group attached great importance to the risk prevention in the real estate sector and optimised its internal credit policy in a dynamic manner according to the regulatory policies, regulatory requirements on real estate industry and industrial developments in active response to the guidance of national policy in accordance with the overall strategy of "control over total volume, prudent access, focus on regions, adjustment of structure, and strict management". As at the end of the reporting period, the total balance of the businesses related to the real estate sector for which the Group is exposed to credit risks, such as actual and contingent credit, proprietary bond investments, and proprietary investment of non-standardised assets amounted to RMB517.459 billion, representing an increase of 1.17% as compared to the end of the previous year, of which the Company's corporate real estate loan balance was RMB365.266 billion, representing an increase of RMB9.289 billion as compared to the end of the previous year and accounting for 6.74% of the Company's total loans and advances to customers with a decrease of 0.04 percentage point as compared to the end of the previous year, which were mainly granted to quality projects and customers; the total balance of the businesses of which the Group doesn't assume credit risks, such as wealth management funds, entrusted loans, agency distribution of trust schemes under the active management by cooperative institutions, and debt financing instruments with the Group as the lead underwriter, amounted to RMB378.365 billion, representing a decrease of 8.18% as compared to the end of the previous year. During the reporting period, as the market expectations of the real estate industry were restoring, there may still need a certain period of time before the market being stabilized. Meanwhile, the risks in the industry were being released, the funding tension and challenges faced by the real estate enterprises with high debt level and those with financial difficulties were yet to be alleviated, and certain real estate enterprise would continue to be exposed to credit risks. As at the end of the reporting period, the non-performing loan ratio of the Company's corporate real estate loans was 2.57%, representing an increase of 1.18 percentage points as compared to the end of the previous year. The customer structure of the real estate business for which the Company assumes credit risks remained sound, among which, the balance of customers with high credit rating accounted for 83.10%.

In the long run, the operating mode of the real estate industry featuring "high debt, high leverage, and high turnover" is hardly sustainable, and the industry-wide "shrinkage" has been a general trend. In the future, the Group will continue to implement the relevant national policies on the real estate industry, strengthen market research and forward-looking forecasts, as well as make structural adjustments to its real estate customers, regions, businesses and products. Furthermore, it will focus on central cities and strategic customers with priority given to M&A financing for top-tiered enterprises, and further consolidate post-investment and lending management, while strictly implementing the real estate loan management requirements, and enhancing risk monitoring and analysis of key customers, making adequate provision for projects on a case-by-case basis according to the specific risks, so as to optimize our risk management measures in a timely manner, and continue to promote risk-dissolving and handling in the real estate sector. Therefore, the Group's risks in relation to the real estate sector are generally controllable.

4.5 Analysis of Loan Quality

During the reporting period, the Group further identified asset classification in a strict manner to fully expose risks. Due to increasing risks from customers of real estate sector and the impacts of pandemic outbreaks in certain areas on retail loans, both the balance and percentage of the Group's non-performing loans, special-mentioned loans and overdue loans increased as compared with the end of the previous year. As at the end of the reporting period, the Group's non-performing loans amounted to RMB54.138 billion, representing an increase of RMB3.276 billion as compared with the end of the previous year, and non-performing loan ratio was 0.94%, representing an increase of 0.03 percentage point as compared with the end of the previous year; special-mention loans amounted to RMB55.165 billion, representing an increase of RMB8.556 billion as compared with the end of the previous year, and the percentage of special-mention loans was 0.96%, representing an increase of 0.12 percentage point as compared with the end of the previous year; overdue loans amounted to RMB62.647 billion, representing an increase of RMB5.221 billion as compared with the end of the previous year, and the percentage of overdue loans was 1.09%, representing an increase of 0.07 percentage point as compared with the end of the previous year. As at the end of the reporting period, the ratio of the Group's non-performing loans to the loans overdue for more than 90 days was 1.71, and the ratio of the Company's non-performing loans to the loans overdue for more than 60 days was 1.34.

Distribution of the Company's loans and non-performing loans by industry

The Company	31 March 2022				31 December 2021			
(in millions of RMB, except for percentages)	Balance of loans and advances	Percentage of the total (%)	Balance of non-performing loans	Non-performing loan ratio (%) [(1)]	Balance of loans and advances	Percentage of the total (%)	Balance of non-performing loans	Non-performing loan ratio (%) [(1)]
Corporate loans	1,958,315	36.11	26,036	1.33	1,882,161	35.84	24,666	1.31
Transportation, storage and postal services	382,790	7.06	977	0.26	365,707	6.96	2,335	0.64
Property development	365,266	6.74	9,404	2.57	355,977	6.78	4,961	1.39
Manufacturing	338,759	6.24	6,400	1.89	320,060	6.09	6,790	2.12
Production and supply of electric power, heat, gas and water	142,738	2.63	404	0.28	147,319	2.80	599	0.41
Leasing and commercial services	162,322	2.99	3,552	2.19	158,416	3.02	4,054	2.56
Wholesale and retail	152,401	2.81	2,762	1.81	142,738	2.72	3,324	2.33
Finance	65,332	1.20	90	0.14	60,026	1.14	90	0.15
Construction	125,076	2.31	547	0.44	119,265	2.27	569	0.48
Information transmission, software and IT service	66,599	1.23	66	0.10	60,612	1.15	67	0.11
Water conservancy, environment and public utilities	55,248	1.02	183	0.33	55,005	1.05	152	0.28
Mining	33,109	0.61	750	2.27	32,174	0.61	785	2.44
Others [(2)]	68,675	1.27	901	1.31	64,862	1.25	940	1.45
Discounted bills	487,215	8.99	–	–	429,105	8.17	–	–
Retail loans	2,977,007	54.90	24,309	0.82	2,941,020	55.99	24,082	0.82
Total loans and advances to customers	5,422,537	100.00	50,345	0.93	5,252,286	100.00	48,748	0.93

Notes:

(1) Represents the percentage of the non-performing loans in a certain category to the total loans of that category.

(2) Consists primarily of agriculture, forestry, animal husbandry, fishery, accommodation and catering, health and social work, etc.

During the reporting period, affected by the risk exposure of high-debt real estate companies and certain corporate customers with poor management, the Company's non-performing loan ratios in the property development and water conservancy, environment and public utilities were on the rise, while the non-performing loan ratios in other industries decreased.

Asset quality of the Company's loans and advances by product type

The Company *(in millions of RMB, except for percentages)*	31 March 2022 Balance of loans and advances	Balance of non-performing loans	Non-performing loan ratio (%)	Balance of special-mentioned loans	Percentage of special-mentioned loans (%)	Balance of overdue loans	Percentage of overdue loans (%)
Corporate loans	1,958,315	26,036	1.33	15,275	0.78	21,908	1.12
Discounted bills	487,215	–	–	6	–	–	–
Retail loans	2,977,007	24,309	0.82	35,261	1.18	37,566	1.26
Micro-finance loans	590,721	3,362	0.57	2,158	0.37	3,352	0.57
Residential mortgage loans	1,374,205	3,693	0.27	7,525	0.55	4,056	0.30
Credit card loans	823,768	14,161	1.72	24,910	3.02	26,895	3.26
Consumer loans	171,040	1,768	1.03	547	0.32	1,921	1.12
Others (Note)	17,273	1,325	7.67	121	0.70	1,342	7.77
Total loans and advances to customers	5,422,537	50,345	0.93	50,542	0.93	59,474	1.10

The Company *(in millions of RMB, except for percentages)*	31 December 2021 Balance of loans and advances	Balance of non-performing loans	Non-performing loan ratio (%)	Balance of special-mentioned loans	Percentage of special-mentioned loans (%)	Balance of overdue loans	Percentage of overdue loans (%)
Corporate loans	1,882,161	24,666	1.31	10,456	0.56	18,912	1.00
Discounted bills	429,105	–	–	9	–	–	–
Retail loans	2,941,020	24,082	0.82	33,075	1.12	36,761	1.25
Micro-finance loans	560,565	3,488	0.62	1,792	0.32	3,076	0.55
Residential mortgage loans	1,364,518	3,806	0.28	4,928	0.36	3,782	0.28
Credit card loans	840,253	13,844	1.65	25,700	3.06	26,818	3.19
Consumer loans	155,984	1,595	1.02	502	0.32	1,727	1.11
Others (Note)	19,700	1,349	6.85	153	0.78	1,358	6.89
Total loans and advances to customers	5,252,286	48,748	0.93	43,540	0.83	55,673	1.06

Note: Others consist primarily of commercial housing loans, automobile loans, house decoration loans, education loans, internet joint consumer loans and other personal loans pledged by monetary assets.

From January to March 2022, with sporadic pandemic outbreaks in China, the operation of small- and micro-sized enterprises and private industrial and commercial businesses as well as the employment and income of residents were significantly affected. The retail loan risks of the Company rose periodically. As at the end of the reporting period, the balance of non-performing retail loans amounted to RMB24.309 billion, representing an increase of RMB227 million as compared with the end of the previous year, and the non-performing loan ratio was 0.82%, which was basically the same as that at the end of the previous year; the balance of special-mentioned loans amounted to RMB35.261 billion, representing an increase of RMB2.186 billion as compared with the end of the previous year, and the percentage of special-mentioned loans was 1.18%, up by 0.06 percentage point as compared with the end of the previous year; and the balance of overdue loans amounted to RMB37.566 billion, representing an increase of RMB805 million as compared with the end of the previous year, and the percentage of overdue loans was 1.26%, up by 0.01 percentage point as compared with the end of the previous year.

The Company will continue to guarantee financial services for small- and micro-sized enterprises and individuals, focus on the management of valuable customers, deepen the adjustment of customer structure and asset structure, so as to further improve risk management measures, strengthen allowances to enhance the risk offset capacity and strive to maintain relative stability of the asset quality of retail loans.

The formation and disposal of non-performing loans of the Company

During the reporting period, the Company recorded new non-performing loans of RMB15.436 billion, representing a year-on-year increase of RMB3.870 billion, with a formation ratio (annualised) of non-performing loans of 1.16%, up by 0.21 percentage point year-on-year. Among them, the formation amount of non-performing corporate loans was RMB5.233 billion, representing an increase of RMB1.845 billion year-on-year, which was mainly because the increase in the formation amount of new non-performing loans of property development; the formation amount of non-performing retail loans (excluding credit cards) was RMB1.435 billion, representing an increase of RMB426 million year-on-year; and the formation amount of new non-performing loans of credit cards was 8.768 billion, representing an increase of RMB1.599 billion year-on-year, mainly due to the adjustment to timing of recognising credit card loans as overdue loans, downgrading loans overdue for more than 60 days to non-performing loans, and the impacts of the pandemic.

The Company continued to dispose of non-performing assets actively. During the reporting period, the Company disposed of non-performing loans amounting to RMB13.854 billion, of which RMB5.942 billion was written off; RMB3.022 billion was recovered by collection; RMB3.575 billion was securitised; and RMB1.315 billion was disposed of by repossession, transfer, upward migration after restructuring, remission and other means.

The allowances for loan losses of the Company

The Company continued to adopt a stable and prudent policy in respect of making allowances. As at the end of the reporting period, the balance of allowances for impairment losses on loans of the Company amounted to RMB243.237 billion, representing an increase of RMB4.052 billion as compared with the end of the previous year. The allowance coverage ratio of the Company was 483.14%, representing a decrease of 7.52 percentage points as compared with the end of the previous year. The allowance-to-loan ratio of the Company was 4.49%, representing a decrease of 0.06 percentage point as compared with the end of the previous year. During the reporting period, credit cost ratio (annualised) of the Company was 0.81%, up by 0.32 percentage point year-on-year, which was mainly because the Company had made forward-looking and prudent provisions for the expected credit losses on loans and advances to customers to enhance its ability to withstand risks during the reporting period.

Outlook of asset quality and countermeasures

With continuing pandemic overseas and escalating geopolitical conflicts, the external environment is becoming more complicated, severe and uncertain. Amid an increase in frequency of pandemic outbreaks in China, economic development is facing triple pressures of shrinking demand, disrupted supply and weakening expectations. Specifically, as the recovery of consumption and investment has been slow, it is more difficult to stabilise exports; with energy and raw materials in short supply, the pressure of imported inflation has increased; and with difficulties in the production and operation of medium-, small- and micro-sized enterprises and private industrial and commercial businesses, there is great pressure in employment. Due to the sharp local fiscal revenue and expenditure contradiction in certain place, there are more hidden risks in economic and financial sector. Affected by multiple internal and external factors, some industries and regions are exposed to rising risks, and the Company's asset quality will be confronted with certain challenges. The Company will closely follow the changes in the macroeconomic situation, continue to adjust the customer structure and credit structure, and strengthen risk monitoring and pre-warning in key areas such as real estate, local government credit and group customers with large credit amount. The Company will formulate targeted management and control plans and strengthen the management of special-mentioned loans and overdue loans, so as to effectively prevent and resolve potential risks. By making adequate provisions and taking various measures to increase the disposal of non-performing assets, the Company strives to maintain the overall stability on asset quality.

4.6 Information on capital adequacy ratios

The Group continued to optimise its business structure and enhance capital management, and has satisfied various capital requirements of the Chinese banking regulatory authorities constantly till the end of the reporting period, namely that the capital adequacy ratio, the Tier 1 capital adequacy ratio and the core Tier 1 capital adequacy ratio of the Group and the Company shall be no less than 10.5%, 8.5% and 7.5%, respectively, and that the leverage ratio shall be no less than 4%. In addition, the Group is in the third group on the list of domestic systematically important banks in China, facing requirements of 0.75% of supplementary capital and 0.375% of supplementary leverage ratio according to the requirements of "Ancillary Regulatory Provision for Systematically Important Banks (Trial) (《系統重要性銀行附加監管規定（試行）》", which will take effect on 1 January 2023. As at the end of the reporting period, both the Group and the Company satisfied the supplementary capital and leverage ratio requirements for domestic systematically important banks.

Capital adequacy ratios under the Advanced Measurement Approach

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Group under the Advanced Measurement Approach were 12.71%, 14.89% and 17.29%, respectively.

The Group *(in millions of RMB, except for percentages)*	31 March 2022	31 December 2021	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
The capital adequacy ratios under the Advanced Measurement Approach [(1)]			
Net core Tier 1 capital	**739,165**	704,337	4.94
Net Tier 1 capital	**866,208**	831,380	4.19
Net capital	**1,005,266**	972,606	3.36
Core Tier 1 capital adequacy ratio	**12.71%**	12.66%	Increase of 0.05 percentage point
Tier 1 capital adequacy ratio	**14.89%**	14.94%	Decrease of 0.05 percentage point
Capital adequacy ratio	**17.29%**	17.48%	Decrease of 0.19 percentage point
Information on leverage ratio [(2)]			
Total on and off balance sheet assets after adjustment	**10,728,500**	10,394,899	3.21
Leverage ratio	**8.07%**	8.00%	Increase of 0.07 percentage point

Notes:

(1) The "Advanced Measurement Approach" refers to the advanced measurement approach set out in the "Capital Rules for Commercial Banks (Provisional)" issued by the former China Banking Regulatory Commission ("CBRC") on 7 June 2012 (same as below). In accordance with the requirements of the aforementioned rules, the scope of entities for calculating the capital adequacy ratio of the Group shall include China Merchants Bank and its subsidiaries. The scope of entities for calculating the capital adequacy ratio of the Company shall include all the domestic and offshore branches and sub-branches of China Merchants Bank. As at the end of the reporting period, the Group's subsidiaries for calculating its capital adequacy ratio included CMB Wing Lung Bank, CMB International Capital, CMB Financial Leasing, CMB Wealth Management, China Merchants Fund, CIGNA & CMAM and China Merchants Bank (Europe) Co., Ltd.. During the parallel run period when the Advanced Measurement Approach for capital measurement is implemented, a commercial bank shall use the capital floor adjustment coefficients to adjust the amount of its risk-weighted assets multiplying the sum of its minimum capital requirement and reserve capital requirement, total amount of capital deductions and the allowances for excessive loan loss which can be included into capital. The capital floor adjustment coefficients shall be 95%, 90% and 80% in the first year, the second year, and the third and subsequent years, respectively, during the parallel run period. 2022 is the eighth year since the implementation of the parallel run period.

(2) Since 2015, the leverage ratio shall be calculated based on the "Measures for Management of the Leverage Ratio of Commercial Banks (Revised)" promulgated by former CBRC on 12 February 2015. The leverage ratio of the Group was 8.00%, 7.42% and 7.15% as at the end of 2021, the end of the third quarter of 2021 and the end of the second quarter of 2021, respectively.

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Company under the Advanced Measurement Approach were 12.24%, 14.55% and 17.03%, respectively. The Company's risk-adjusted return on capital (RAROC, before tax) under the Advanced Measurement Approach was 29.32%, continuing to maintain at a high level.

The Company *(in millions of RMB, except for percentages)*	**31 March 2022**	31 December 2021	Increase/ decrease at the end of the reporting period as compared to the end of last year (%)
The capital adequacy ratios under the Advanced Measurement Approach			
Net core Tier 1 capital	**650,401**	617,403	5.34
Net Tier 1 capital	**773,351**	741,627	4.28
Net capital	**905,082**	875,859	3.34
Core Tier 1 capital adequacy ratio	**12.24%**	12.15%	Increase of 0.09 percentage point
Tier 1 capital adequacy ratio	**14.55%**	14.59%	Decrease of 0.04 percentage point
Capital adequacy ratio	**17.03%**	17.23%	Decrease of 0.20 percentage point

Capital adequacy ratios under the Weighted Approach

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Group under the Weighted Approach were 11.15%, 13.06% and 14.50%, respectively.

The Group	**31 March 2022**	31 December 2021	Increase/ decrease at the end of the reporting period as compared to the end of last year (%)
The capital adequacy ratios under the Weighted Approach(Note)			
Core Tier 1 capital adequacy ratio	**11.15%**	11.17%	Decrease of 0.02 percentage point
Tier 1 capital adequacy ratio	**13.06%**	13.19%	Decrease of 0.13 percentage point
Capital adequacy ratio	**14.50%**	14.71%	Decrease of 0.21 percentage point

Note: The "Weighted Approach" refers to the Weighted Approach for credit risk, the Standardised Measurement Approach for market risk and the Basic Indicator Approach for operational risk in accordance with the relevant provisions of the "Capital Rules for Commercial Banks (Provisional)" issued by the former CBRC on 7 June 2012. Same as below.

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Company under the Weighted Approach were 10.61%, 12.62% and 14.06%, respectively.

The Company	31 March 2022	31 December 2021	Increase/ decrease at the end of the reporting period as compared to the end of last year (%)
The capital adequacy ratios under the Weighted Approach			
Core Tier 1 capital adequacy ratio	10.61%	10.60%	Increase of 0.01 percentage point
Tier 1 capital adequacy ratio	12.62%	12.73%	Decrease of 0.11 percentage point
Capital adequacy ratio	14.06%	14.26%	Decrease of 0.20 percentage point

4.7 Other Significant Business Metrics

As at the end of the reporting period, the Company had 176 million retail customers (including debit and credit card customers), representing an increase of 1.73% as compared with the end of the previous year. The balance of total assets under management (AUM) from our retail customers amounted to RMB11,339.250 billion, representing an increase of RMB580.080 billion or 5.39% as compared with the end of the previous year.

As at the end of the reporting period, the number of Sunflower-level and above customers of the Company (retail customers of the Company with minimum total daily average assets of RMB500,000 per month) reached 3,894,500, representing an increase of 6.06% as compared with the end of the previous year. AUM from the Sunflower-level and above customers amounted to RMB9,256.259 billion, representing an increase of 4.75% as compared with the end of the previous year.

As at the end of the reporting period, the Company had 125,183 private banking customers (retail customers of the Company with minimum total daily average assets of RMB10 million per month), representing an increase of 2.56% as compared with the end of the previous year; balance of AUM from private banking customers amounted to RMB3,500.828 billion, representing an increase of 3.15% as compared with the end of the previous year; AUM per account amounted to RMB27.9657 million, representing an increase of RMB161,400 as compared with the end of the previous year.

As at the end of the reporting period, the total asset management business of CMB Wealth Management, China Merchants Fund, CMB International Capital and CIGNA & CMAM, all being subsidiaries of the Company, amounted to RMB4.41 trillion[4], representing an increase of 2.32% as compared with the end of the previous year, among which the balance of wealth management products under management by CMB Wealth Management amounted to RMB2.82 trillion[5], including the balance of new products of RMB2.66 trillion[6], accounting for 94.33% of the balance of wealth management products; the scale of asset management business of China Merchants Fund amounted to RMB1.39 trillion; the scale of asset management business of CIGNA & CMAM amounted to RMB101.668 billion; the scale of asset management business of CMB International Capital amounted to RMB98.357 billion.

4 The total asset management business of China Merchants Fund and CMB International Capital include the data of their subsidiaries.

5 The balance is the sum of customers' principal in the off-balance sheet wealth management products and the changes in net value of net-value products as at the end of the reporting period.

6 New products are wealth management products in compliance with the relevant provisions of the New Regulation on Asset Management.

5 Financial Statements

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Expressed in millions of RMB unless otherwise stated)

	January to March 2022	January to March 2021
Interest income	86,286	78,987
Interest expense	(31,822)	(29,463)
Net interest income	54,464	49,524
Fee and commission income	30,845	29,074
Fee and commission expense	(2,150)	(1,872)
Net fee and commission income	28,695	27,202
Other net income	8,256	7,464
Operating income	91,415	84,190
Operating expenses	(26,109)	(24,206)
Operating profit before impairment losses	65,306	59,984
Expected credit losses	(21,523)	(20,545)
Share of profits of joint ventures	397	662
Share of profits of associates	187	(8)
Profit before tax	44,367	40,093
Income tax	(8,058)	(7,844)
Net Profit	36,309	32,249
Attributable to:		
Shareholders of the Bank	36,022	32,015
Non-controlling interests	287	234
Earnings per share		
Basic and diluted earnings per share (RMB)	1.43	1.27

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in millions of RMB unless otherwise stated)

	January to March 2022	January to March 2021
Net profit for the period	36,309	32,249
Other comprehensive income, net of tax		
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income from equity-accounted investees that will be reclassified subsequently to profit or loss	(794)	(301)
Fair value change on debt instruments measured at fair value through other comprehensive income	(3,226)	(861)
Net changes in expected credit losses of debt instruments measured at fair value through other comprehensive income	2,955	661
Cash flow hedge: net movement in hedging reserve	62	46
Exchange difference on translation of financial statements of foreign operations	(355)	(211)
Items that will not be reclassified subsequently to profit or loss:		
Fair value gain on equity instruments measured at fair value through other comprehensive income	50	3
Other comprehensive income for the period, net of tax	(1,308)	(663)
Attributable to:		
Shareholders of the Bank	(1,273)	(658)
Non-controlling interests	(35)	(5)
Total comprehensive income for the period	35,001	31,586
Attributable to:		
Shareholders of the Bank	34,749	31,357
Non-controlling interests	252	229

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in millions of RMB unless otherwise stated)

Item	31 March 2022	31 December 2021
Assets		
Cash	11,484	13,310
Precious metals	4,680	4,639
Balances with central bank	603,615	553,898
Balances with banks and other financial institutions	120,671	80,350
Placements with banks and other financial institutions	269,543	194,421
Amounts held under resale agreements	196,558	524,601
Loans and advances to customers	5,519,265	5,335,391
Financial investments at fair value through profit or loss	442,788	348,123
Derivative financial assets	23,715	23,390
Debt investments at amortised cost	1,232,026	1,185,841
Debt investments at fair value through other comprehensive income	686,895	636,038
Equity investments designated at fair value through other comprehensive income	7,806	6,995
Interest in joint ventures	14,460	14,779
Interest in associates	9,101	8,875
Investment properties	1,350	1,372
Property and equipment	89,245	80,415
Right-of-use assets	18,147	18,403
Intangible assets	3,825	4,066
Goodwill	9,954	9,954
Deferred tax assets	85,066	81,639
Other assets	65,185	122,521
Total assets	9,415,379	9,249,021

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(Expressed in millions of RMB unless otherwise stated)

Item	31 March 2022	31 December 2021
Liabilities		
Borrowing from central bank	169,366	159,987
Deposits from banks and other financial institutions	647,331	753,018
Placements from banks and other financial institutions	169,357	170,650
Financial liabilities at fair value through profit or loss	71,106	63,761
Derivative financial liabilities	29,140	27,282
Amounts sold under repurchase agreements	110,482	157,660
Deposits from customers	6,721,946	6,385,154
Salaries and welfare payable	19,480	19,761
Tax payable	29,809	22,491
Contract liabilities	8,042	7,536
Lease liabilities	13,544	13,812
Provisions	20,490	14,660
Debt securities issued	377,879	446,645
Deferred tax liabilities	1,357	1,353
Other liabilities	125,316	139,570
Total liabilities	8,514,645	8,383,340
Equity		
Share capital	25,220	25,220
Other equity instruments	127,043	127,043
Including: Preference shares	34,065	34,065
Perpetual bonds	92,978	92,978
Capital reserve	67,523	67,523
Investment revaluation reserve	14,035	15,047
Hedging reserve	100	39
Surplus reserve	82,137	82,137
Regulatory general reserve	116,053	115,288
Retained earnings	425,464	390,207
Proposed profit appropriations	38,385	38,385
Exchange reserve	(2,466)	(2,144)
Total equity attributable to shareholders of the Bank	893,494	858,745
Non-controlling interests	7,240	6,936
Including: Non-controlling interest	3,636	3,300
Perpetual debt capital	3,604	3,636
Total equity	900,734	865,681
Total liabilities and equity	9,415,379	9,249,021

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

(Expressed in millions of RMB unless otherwise stated)

	January to March 2022	January to March 2021
Operating activities		
Profit before tax	44,367	40,093
Adjustments for:		
– Impairment losses on loans and advances	11,060	6,070
– Impairment losses on investments and others	10,463	14,475
– Unwinding of discount on the allowances of loans and advances	(62)	(53)
– Depreciation of property and equipment and investment properties	1,064	1,029
– Depreciation of right-of-use assets	1,003	1,058
– Amortisation of other assets	320	335
– Net gain on investments in debt securities and equity instruments	(2,336)	(1,064)
– Interest income on investments	(15,158)	(13,299)
– Interest expense on issued debt securities	3,029	2,692
– Share of profits of associates	(187)	8
– Share of profits of joint ventures	(397)	(662)
– Net gains on disposal of property and equipment and other assets	(139)	(13)
– Interest expense on lease liabilities	140	146
Changes in:		
Balances with central bank	(12,198)	(9,454)
Loans and advances to customers	(186,503)	(283,401)
Other assets	(7,757)	765
Deposits from customers	333,016	198,878
Deposits and placements from banks and other financial institutions	(153,871)	29,822
Balances and placements with banks and other financial institutions with original maturity over 3 months	(25,528)	22,511
Borrowings from central bank	9,290	(25,193)
Other liabilities	1,057	(12,858)
Net cash generated from operating activities before income tax payment	10,673	(28,115)
Income tax paid	(5,122)	(4,273)
Net cash generated from operating activities	5,551	(32,388)

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(Expressed in millions of RMB unless otherwise stated)

	January to March 2022	January to March 2021
Investing activities		
Payment for the purchase of investments	(287,863)	(268,516)
Proceeds from the disposal of investments	114,264	210,958
Investment gains received from investments	19,014	16,313
Payment for the purchases of property and equipment and other assets	(9,013)	(3,850)
Proceeds from the disposal of properties and equipment and other assets	208	364
Net cash flows used in investing activities	(163,390)	(44,731)
Financing activities		
Proceeds from the issue of debt securities	5,343	23,071
Proceeds from the issue of negotiable interbank certificates of deposits	17,339	142,873
Proceeds from the issue of certificates of deposits	742	11,286
Proceeds from other financing activities	6,021	–
Repayment of negotiable interbank certificates of deposits	(88,000)	(89,833)
Repayment of certificates of deposit	(2,465)	(14,496)
Repayment of debt securities	(1,500)	–
Repayment of lease liabilities	(1,190)	(1,133)
Distribution paid on perpetual debt capital	(83)	–
Interest paid on financing activities	(908)	(631)
Repayments for other financing activities	(65)	–
Net cash generated from (used in) financing activities	(64,766)	71,137
Decrease in cash and cash equivalents	(222,605)	(5,982)
Cash and cash equivalents as of 1 January	801,754	552,790
Effects of foreign exchange rate changes on cash and cash equivalents	(726)	(87)
Cash and cash equivalents as of 31 March	578,423	546,721
Cash flows from operating activities include:		
Interest received	70,670	64,746
Interest paid	25,215	24,263

6 Information on Liquidity Coverage Ratio

The Group prepared and disclosed information on liquidity coverage ratio in accordance with the "Measures for the Disclosure of Information on Liquidity Coverage Ratio by Commercial Banks". The basis used herein may differ from those adopted in Hong Kong and other regions. The average liquidity coverage ratio of the Group was 175.32% in the first quarter of 2022, representing an increase of 10.50 percentage points as compared with the previous quarter, which was mainly due to the increase of qualified high-quality assets. The Group's liquidity coverage ratio at the end of the first quarter of 2022 was 153.77%, which was in compliance with the regulatory requirements of the China Banking and Insurance Regulatory Commission. The breakdown of the Group's average value of each item of liquidity coverage ratio in the first quarter of 2022 is set out below.

(Unit: in millions of RMB, except for percentages)

No.		Unweighted amount	Weighted amount
Stock of high quality liquid assets			
1	**Total stock of high quality liquid assets**	/	**1,547,672**
Cash outflows			
2	Retail and small business customers deposits, of which:	2,571,277	225,271
3	Stable deposits	637,128	31,856
4	Less stable deposits	1,934,149	193,415
5	Unsecured wholesale funding, of which:	4,201,598	1,385,416
6	Operational deposits (excluding correspondent banks)	2,640,973	656,626
7	Non-operational deposits (including all counterparties)	1,528,396	696,561
8	Unsecured debt issuance	32,229	32,229
9	Secured funding	/	2,915
10	Additional requirements, of which:	1,747,244	391,886
11	Cash outflows arising from derivative contracts and other transactions arising from related collateral requirements	310,540	310,540
12	Cash outflows arising from secured debt instruments funding	–	–
13	Undrawn committed credit and liquidity facilities	1,436,704	81,346
14	Other contractual obligations to extend funds	66,977	66,977
15	Other contingent funding obligations	2,879,650	100,091
16	**Total cash outflows**	/	**2,172,556**
Cash inflows			
17	Secured lending (including reverse repo and securities borrowing)	294,289	294,032
18	Contractual inflows from fully performing loans	1,069,101	682,843
19	Other cash inflows	322,118	312,894
20	**Total cash inflows**	**1,685,508**	**1,289,769**
			Adjusted value
21	**Total stock of high quality liquid assets**		**1,547,672**
22	**Net cash outflows**		**882,787**
23	**Liquidity coverage ratio**		**175.32%**

Notes:

(1) Data from domestic operation was a simple arithmetic average of the 90-day value in the latest quarter and the monthly average in the latest quarter was used for subsidiaries in the above table.

(2) The high quality liquid assets in the above table comprise cash, central bank reserve available under stress conditions, as well as the bonds that meet the definition of Tier 1 and Tier 2 assets set out by China Banking and Insurance Regulatory Commission on the "Measures for the Liquidity Risk Management of Commercial Banks".s

The Board of Directors of China Merchants Bank Co., Ltd.

22 April 2022

As at the date of this announcement, the executive directors of the Company are Wang Liang and Tian Huiyu; the non-executive directors of the Company are Miao Jianmin, Fu Gangfeng, Zhou Song, Hong Xiaoyuan, Zhang Jian, Su Min, Wang Daxiong and Luo Sheng; and the independent non-executive directors of the Company are Wong See Hong, Li Menggang, Liu Qiao, Tian Hongqi, Li Chaoxian and Shi Yongdong.