

## China Merchants Bank Announces Results for the Third Quarter of 2021

### Income and Profit Maintain Double-digit Growth While Extensive Wealth Management Achieved a Good Start

#### Results Highlights for the Nine Months Ended 30 September, 2021

##### **Income and profit maintained double-digit growth, ROAA and ROAE continued to rebound**

- Net operating income increased 13.65% year-on-year to RMB251.485 billion;
- Net profit attributable to the Bank's shareholders increased 22.21% year-on-year to RMB93.615 billion;
- Net operating income increased 8.74% year-on-year to RMB150.638 billion;
- Net non-interest income increased 21.87% year-on-year to RMB100.847 billion;
- The annualised return on average asset (ROAA) attributable to shareholders of the Bank and annualised return on average equity (ROAE) attributable to ordinary shareholders of the Bank was 1.44% and 18.11%, respectively, up by a respective year-on-year percentage points of 0.13 and 1.11.

##### **Structure of assets and liabilities were further optimised, net interest margin increased quarter-on-quarter**

- As at the end of September, total assets increased 6.65% to RMB8,917.440 billion from the end of the previous year; total liabilities increased 6.43% to RMB8,121.625 billion from the end of the previous year;
- Total loans and advances to customers increased 9.39% to RMB5,501.177 billion from the end of the previous year; total deposits from customers increased 6.82% to RMB6,011.965 billion from the end of the previous year;
- Net interest margin decreased 0.03 percentage point to 2.48% for the first three quarters of 2021; net interest margin increased 0.01 percentage point quarter-on-quarter to 2.47% in the third quarter of 2021.

##### **Asset quality remained generally stable, risk offset capacity was enhanced**

- As at the end of September, non-performing loans decreased RMB2.313 billion to RMB51.302 billion from the end of the previous year; the non-performing loan ratio was 0.93%, down by 0.14 percentage point as compared with the end of the previous year;
- Allowance coverage ratio was 443.14%, up by 5.46 percentage points as compared with the end of the previous year, allowance-to-loan ratio was 4.13%, up by 0.54 percentage point as compared with the end of the previous year.

*Note1: Unless stated otherwise, all of the above data belong to the Group and denominated in RMB.*

*Note2: All financial information set out in this quarterly results press release is unaudited and prepared in accordance with the International Financial Reporting Standards.*

22 October, 2021 - China Merchants Bank Co., Ltd. (HKEx: 3968; SSE: 600036; “China Merchants Bank” or “the Company” or “the Bank”) together with its subsidiaries (“the Group”) today announced its unaudited results for the third quarter of 2021.

From January to September 2021, 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” by carrying out various businesses in a sound manner. The Group’s net operating income increased steadily, profit achieved relatively rapid growth, scale of assets and liabilities grew in a sound manner, and asset quality was generally stable.

### 1. Analysis of overall financial status

From January to September 2021, the Group realised the net operating income of RMB251.485 billion, representing a year-on-year increase of 13.65%; realised a net profit attributable to shareholders of the Bank of RMB93.615 billion, representing a year-on-year increase of 22.21%; realised the net interest income of RMB150.638 billion, representing a year-on-year increase of 8.74%; and realised the net non-interest income of RMB100.847 billion, representing a year-on-year increase of 21.87%. The annualised return on average asset (ROAA) attributable to shareholders of the Bank and annualised return on average equity (ROAE) attributable to ordinary shareholders of the Bank was 1.44% and 18.11%, respectively, up by a respective year-on-year percentage points of 0.13 and 1.11.

As at the end of September 2021, the Group’s total assets amounted to RMB8,917.440 billion, representing an increase of 6.65% as compared with the end of the previous year. The total loans and advances to customers amounted to RMB5,501.177 billion, representing an increase of 9.39% as compared with the end of the previous year. Total liabilities amounted to RMB8,121.625 billion, representing an increase of 6.43% as compared with the end of the previous year. Total deposits from customers amounted to RMB6,011.965 billion, representing an increase of 6.82% as compared with the end of the previous year.

As at the end of September 2021, the Group’s non-performing loans amounted to RMB51.302 billion, representing a decrease of RMB2.313 billion as compared with the end of the previous year. The non-performing loan ratio was 0.93%, down by 0.14 percentage point as compared with the end of the previous year. The allowance coverage ratio was 443.14%, representing an increase of 5.46 percentage points as compared with the end of the previous year. The allowance-to-loan ratio was 4.13%, representing a decrease of 0.54 percentage point as compared with the end of the previous year.

## 2. Analysis of key operating status

**Structure of assets and liabilities were further optimised, net interest margin increased quarter-on-quarter.** As at the end of September 2021, total assets of the Group amounted to RMB8,917.440 billion, representing an increase of 6.65% 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 September 2021, the Group's total loans and advances to customers amounted to RMB5,501.177 billion, representing an increase of 9.39% as compared with the end of the previous year; total loans and advances to customers accounted for 61.69% of the total assets, representing an increase of 1.54 percentage points as compared with the end of the previous year. Among them, the retail loans of the Group amounted to RMB2,947.966 billion, representing an increase of RMB266.806 billion or 9.95% as compared with the end of the previous year, maintaining a relatively rapid growth, which was mainly attributable to the growth of credit card loan and personal consumption loan businesses driven by the recovery of consumption, and the increase of the Group's support to micro-finance loans. The corporate loans of the Group amounted to RMB2,093.782 billion, representing an increase of RMB76.550 billion or 3.79% as compared with the end of the previous year. The slowdown in the year-on-year increase rate was mainly due to the decline in the effective credit demand from corporate customers. From January to September 2021, among the daily average balance of deposits from customers of the Group, demand deposits accounted for 64.63%, up by 5.76 percentage points year-on-year.

As at the end of September 2021, total liabilities of the Group amounted to RMB8,121.625 billion, representing an increase of 6.43% 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 September 2021, total deposits from customers amounted to RMB6,011.965 billion, representing an increase of 6.82% as compared with the end of the previous year and accounting for 74.02% 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 64.34%.

From January to September 2021, the net interest spread and the net interest margin of the Group were 2.39% and 2.48% respectively, representing a respective year-on-year decrease of 4 and 3 basis points, which was mainly due to the cumulative effect of numerous downward adjustments in Loan Prime Rate (LPR) last year, resulting in a year-on-year decrease in loan yields. In order to mitigate the impact of the above factors on the net interest margin, the Group further strengthened its control over the cost of liabilities. From January to September 2021, the Group achieved a decrease in the cost ratio of customer deposits and financial institution demand deposits. At the same time, the Group further optimised the structure of both assets and liabilities,

and continued to increase the proportion of high-yield assets such as retail loans, as well as the proportion of low-cost liabilities such as deposits from customers and financial institution demand deposits.

The net interest spread of the Group was 2.37% in the third quarter of 2021, representing a decrease of 1 basis point from the previous quarter; the net interest margin was 2.47% in the third quarter of 2021, representing an increase of 1 basis point from the previous quarter. The principal reason for the increase from the previous quarter of the net interest margin was due to the rapid growth of high-yield credit card loans coupled with the impact of the reduction of the reserve ratios, resulting in further optimisation of the structure of interest-bearing assets.

**Asset quality remained generally stable, risk offset capacity was enhanced.** As at the end of September 2021, the Group's non-performing loans amounted to RMB51.302 billion, representing a decrease of RMB2.313 billion as compared with the end of the previous year, and non-performing loan ratio was 0.93%, representing a decrease of 0.14 percentage point as compared with the end of the previous year; affected by the adjustment to timing recognition of overdue loans of credit cards, special-mention loans amounted to RMB45.032 billion, representing an increase of RMB4.316 billion as compared with the end of the previous year, and the percentage of special-mention loans was 0.82%, representing an increase of 0.01 percentage point as compared with the end of the previous year; overdue loans amounted to RMB56.295 billion, representing a decrease of RMB273 million as compared with the end of the previous year, and percentage of overdue loans was 1.02%, representing a decrease of 0.10 percentage point as compared with the end of the previous year. As at the end of September 2021, the ratio of the Group's non-performing loans to the loans overdue for more than 90 days was 1.42.

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 RMB220.645 billion, representing a decrease of RMB7.571 billion as compared with the end of the previous year, which was mainly due to the year-on-year decrease in the formation amount of non-performing loans and the corresponding reduction in the allowances for loan losses. At the same time, the Company continued to actively dispose of non-performing loans, resulting in the decrease of the balance of allowances for loan losses. The allowance coverage ratio of the Company was 447.25%, representing an increase of 3.74 percentage points as compared with the end of the previous year. The allowance-to-loan ratio of the Company was 4.26%, representing a decrease of 0.56 percentage point as compared with the end of the previous year.

**Extensive wealth management achieved a good start, driving a rapid growth of net non-interest income.** Driven by the cyclic value chain of extensive wealth management, the total

customer assets under management by the Group maintained a rapid growth. As at the end of the reporting period, the Company had 169 million retail customers (including debit and credit card customers), representing an increase of 6.96% as compared with the end of the previous year. The balance of total assets under management (AUM) from our retail customers amounted to RMB10,374.061 billion, representing an increase of RMB1,432.304 billion or 16.02% as compared with the end of the previous year. As of the end of the reporting period, the balance of wealth management products managed by CMB Wealth Management amounted to RMB2.79 trillion, representing an increase of 13.88% as compared with the end of the previous year. Specifically, the balance of new products amounted to RMB2.41 trillion, accounting for 86.38% of the balance of wealth management products, portraying a steady upward trend over the year.

Driven by the cyclic value chain of extensive wealth management, the total customer assets under management by the Group maintained a rapid growth, which had propelled the simultaneous operation of asset management, asset custody, investment banking and other businesses. Wealth management income, asset management income, and custody fee income flourished in their respective aspects and experienced synergy development. From January to September 2021, the Group recorded a net non-interest income of RMB100.847 billion, representing a year-on-year increase of 21.87% and accounting for 40.10% of net operating income. Among the net non-interest income, net fee and commission income amounted to RMB 75.734 billion, representing a year-on-year increase of 19.69%. From the perspective of major items: fee and commission income from wealth management amounted to RMB29.674 billion, representing a year-on-year increase of 25.75%; fee and commission income from asset management amounted to RMB7.853 billion, representing a year-on-year increase of 45.32%; which was mainly attributable to the growth in the income from fund management fees of China Merchants Fund and CMB International Capital and the management service fee income from wealth management products of CMB Wealth Management, all being subsidiaries of the Group; custodian fee income amounted to RMB4.159 billion, representing a year-on-year increase of 28.76%, which was mainly attributable to the scale expansion and structural optimisation of custody businesses.

**Prudent risk management and control for real estate sector.** 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 policies on adjustments to the real estate industry, regulatory requirements and industrial developments in active response to the guidance of national policy in accordance with the overall principle of “control on total volume, focus on customers and regions, adjustment of structure, and strict management”. As of 30 September 2021, the total balance of the businesses of which the Group assumes credit risks, such as actual and contingent credit, proprietary bond investments, and proprietary investment of non-standardised assets amounted to RMB520.392 billion, of which the Company’s corporate real estate loan balance was



RMB358.874 billion, representing an increase of RMB16.554 billion as compared to the end of the previous year and accounting for 6.93% of the Company's total loans and advances to customers with a decrease of 0.31 percentage point as compared to the end of the previous year, which were mainly granted to quality strategic 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 RMB478.817 billion.

Affected by policy regulation and credit risk exposure of some real estate companies, as of 30 September 2021, the non-performing loan ratio of the Company's corporate real estate loans was 1.29%, representing an increase of 1.06 percentage points as compared to the end of the previous year, which was lower than the non-performing loan ratio of 0.18 percentage point of the Company's corporate loans. The asset quality of corporate real estate loans remained under control. The customer structure of real estate business, of which the Company assumes credit risks, has remained sound. Among which, the balance with customers featuring high credit rating accounted for 86.74%, and the balance with strategic real estate customers at Head Office and branches accounted for 64.78%.

In the future, the Group will continue to firmly implement relevant national policies on the real estate industry. With respect to the real estate credit business of which the Group assumes credit risks, the Group will continue to carry out industry credit limit and customer credit limit management, focus on central cities and strategic customers, constantly adjust the customer and region structure of real estate sector, and continue to conduct a comprehensive inspection and keep track of regulation of real estate business and project capital as well as the real estate upstream and downstream industrial chain, and make adequate provision on a case-by-case basis according to specific risks; with respect to the real estate business of which the Group doesn't assume credit risks, the Group will adhere to the regulatory requirements to strengthen investor suitability management, regulate information disclosure of products, and earnestly perform its corresponding responsibilities. The Group will closely follow the real estate regulatory policies and reinforce the research and judgment of the real estate risks. It is expected that against the backdrop of the current macro environment and industry policies, the quality of real estate assets of the Group will remain stable in a whole.

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