

## China Merchants Bank Announces 2021 Interim Results

### Balanced Development of Quality, Efficiency, and Scale Moving Forward with Strategic Model 3.0

#### 2021 Interim Results Highlights

##### Overall asset quality improved steadily

- Non-performing loan ratio was 1.01%, down by 0.06 percentage point as compared with the end of the previous year;
- Percentage of special-mention loans was 0.70%, a decrease of 0.11 percentage point as compared with the end of the previous year;
- Allowance coverage ratio was 439.46%, an increase of 1.78 percentage points as compared with the end of the previous year.

##### Operating efficiency continued to show a favorable trend

- Net operating income increased 13.95% year-on-year to RMB168.830 billion
- Net interest income increased 9.32% year-on-year to RMB99.341 billion; net interest margin was 2.49%, a year-on-year decrease of 0.01 percentage points.
- Net non-interest income increased 21.29% year-on-year to RMB69.489 billion; net non-interest income accounted for 41.16% of the net operating income, a year-on-year increase of 2.49 percentage points.
- Net profit attributable to shareholders of the Bank increased 22.82% year-on-year to RMB61.150 billion.

##### Business scale made achievements in both quality and quantity

- Retail customers grew steadily, with the number of Sunflower-level and above customers increased 10.79% to 3,436,600 as compared with the end of the previous year;
- Private banking developed quickly, with the number of private banking customers increased 11.97% to 111,947 as compared with the end of the previous year; total assets under management from private banking customers increased 12.78% to RMB3,129.247 billion as compared with the end of the previous year;
- Achieved high-quality growth of deposits from customers and continued optimisation of the deposit structure. Core deposits up by 6.89% to RMB5,035.263 billion compared with the end of the previous

year, growing faster than the deposits from customers. Average daily balance of demand deposits accounted for 65.45%, representing an increase of 4.59 percentage points as compared with 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 interim results press release is unaudited and prepared in accordance with the International Financial Reporting Standards*

13 August, 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 2021 interim results.

In the first half of 2021, the Group adhered to the concept of dynamic and balanced development of “Quality, Efficiency and Scale”, and continued to implement 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 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. Overall Operation

In the first half of 2021, the Group realised the net operating income of RMB168.830 billion, representing a year-on-year increase of 13.95%; realised a net profit attributable to shareholders of the Bank of RMB61.150 billion, representing a year-on-year increase of 22.82%; realised the net interest income of RMB99.341 billion, representing a year-on-year increase of 9.32%; and realised the net non-interest income of RMB69.489 billion, representing a year-on-year increase of 21.29%. The return on average asset (ROAA) attributable to shareholders of the Bank and return on average equity (ROAE) attributable to ordinary shareholders of the Bank were 1.42% and 18.06%, up by 0.13 percentage point and 1.12 percentage points year-on-year, respectively.

As at the end of the reporting period, the Group’s total assets amounted to RMB8,885.886 billion, representing an increase of 6.27% as compared with the end of the previous year. The total loans and advances to customers amounted to RMB5,382.998 billion, representing an increase of 7.04% as compared with the end of the previous year. Total liabilities amounted to RMB8,124.318 billion, representing an increase of 6.46% as compared with the end of the previous year. Total deposits from customers amounted to RMB5,980.165 billion, representing an increase of 6.25% as compared with the end of the previous year.

As at the end of the reporting period, the Group had balance of non-performing loans of RMB54.542 billion, representing an increase of RMB927 million as compared with the end of the previous year.

The non-performing loan ratio was 1.01%, down by 0.06 percentage point as compared with the end of the previous year. The allowance coverage ratio was 439.46%, representing an increase of 1.78 percentage points as compared with the end of the previous year; the loan allowance ratio was 4.45%, representing a decrease of 0.22 percentage point as compared with the end of the previous year.

## 2. Operating status of the Company

During the reporting period, the Company continued the transformation into “Light-model Bank”, actively explored the 3.0 model of the digital era, continued to make innovations in business, technology and culture, and created a business model of extensive wealth management, a digital operation model and an organisational model of openness and integration.

### 1. Outline the shape of extensive wealth management business model

#### **Expanded the vast clientele, and consolidated the foundation of extensive wealth management.**

During the reporting period, the Company further focused on high-quality key customer groups to strengthen customer acquisition, and achieved high-quality growth of retail customers. The Company had 165 million retail customers (including debit and credit card customers), representing an increase of 4.43% as compared with the end of the previous year, among which the number of Sunflower-level and above customers (those with minimum daily average total assets of RMB500,000 for each month) reached 3,436,600, representing an increase of 10.79% as compared with the end of the previous year. The balance of total assets under management from our retail customers amounted to RMB9,985.038 billion (daily average calibre by month, with a scale of RMB10 trillion at the end of the reporting period), representing an increase of 11.67% as compared with the end of the previous year. Among which, the balance of total assets under management from the Sunflower-level and above customers amounted to RMB8,220.664 billion, representing an increase of 11.91% as compared with the end of the previous year, and accounting for 82.33% of the balance of total assets under management from retail customers of the Bank. The Company had 111,947 private banking customers (retail customers of the Company with minimum total daily average assets of RMB10 million per month), representing an increase of 11.97% as compared with the end of the previous year; total assets under management from private banking customers amounted to RMB3,129.247 billion, representing an increase of 12.78% as compared with the end of the previous year; total assets per account amounted to RMB27.9529 million, representing an increase of RMB200,200 as compared with the end of the previous year. The number of corporate customers with a daily average deposit of more than RMB500,000 reached 217,700, representing an increase of 18,300 or 9.18% as compared with the end of the previous year.

**Transformation of corporate customer services accelerated.** The Company facilitated the development of the real economy with the service concept of integrating investment banking and



commercial banking, accelerated the transformation of services for corporate customers, and made a number of achievements. As at the end of the reporting period, the Company's balance of aggregate financing products to customers (FPA) was RMB4,600.582 billion, representing an increase of RMB393.462 billion over the beginning of the year.

**Asset custody business maintains its advantages.** The balance of assets under custody of the Company was RMB18.23 trillion, representing an increase of 13.58% compared to the end of the previous year, and maintained second in the domestic custody industry in terms of balance of custody and ranked first in terms of increment according to the data released by China Banking Association. During the reporting period, the Company realised a custodian fee income of RMB2.836 billion, representing a year-on-year increase of 30.15%. The Company ranked third in terms of revenue in the domestic custody industry, representing a rise of one place as compared with the previous year, according to the data released by China Banking Association.

**Remained a market leader for asset management business.** As at the end of the reporting period, the balance of wealth management products under management (excluding structured deposits) amounted to RMB2.64 trillion, representing an increase of 7.76% as compared with the end of the previous year. Among them, the balance of new products (wealth management products in compliance with the relevant provisions of the New Regulation on Asset Management) amounted to RMB2.13 trillion, representing an increase of 28.31% as compared with the end of the previous year, accounting for 80.68% of the balance of wealth management products, up by 12.92 percentage points as compared with the end of the previous year.

**Net fee and commission income increased significantly.** During the reporting period, 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 investment management, asset custody, investment banking and other businesses. As a result, the Group realised the generation of income from multiple sources such as wealth management income, asset management income and custodian fee income, demonstrating the coordinated development of various services. In addition, the deepening of customer operation and the enhanced synergy of extensive wealth management had also brought new growth opportunities for trade finance, international businesses and supply chain finance. During the reporting period, the Group achieved net non-interest income of RMB69.489 billion, representing a year-on-year increase of 21.29%, accounting for 41.16% of net operating income, up by 2.49 percentage points year-on-year. Among the Group's net non-interest income, net fee and commission income was RMB52.254 billion, representing a year-on-year increase of 23.62%, and accounting for 75.20% of net non-interest income, up by 1.42 percentage points year-on-year; other net non-interest income amounted to RMB17.235 billion, representing a year-on-year increase of 14.74%. Among the Group's net fee and commission income during the reporting

period, from the perspective of major items: fee and commission income from wealth management amounted to RMB20.612 billion, representing a year-on-year increase of 33.60%, of which income from agency distribution of funds amounted to RMB6.719 billion, representing a year-on-year increase of 39.75%; income from agency distribution of insurance amounted to RMB5.559 billion, representing a year-on-year increase of 32.51%; income from agency distribution of trust schemes amounted to RMB4.528 billion, representing a year-on-year increase of 23.85%; income from agency sales of wealth management products<sup>1</sup> amounted to RMB2.874 billion, representing a year-on-year increase of 32.56%; income from securities brokerage amounted to RMB757 million, representing a year-on-year increase of 66.39%; income from agency distribution of precious metals amounted to RMB175 million, representing a year-on-year increase of 19.86%. Fee and commission income from asset management<sup>2</sup> amounted to RMB4.860 billion, representing a year-on-year increase of 37.60%. Custodian fee income amounted to RMB2.857 billion, representing a year-on-year increase of 29.80%. Income from bank card fees amounted to RMB9.396 billion, representing a year-on-year decrease of 0.23%; income from settlement and clearing fees amounted to RMB7.277 billion, representing a year-on-year increase of 14.38%.

## 2. Begin to demonstrate the benefit from digital operation model

During the reporting period, CMB APP and CMB Life APP had an aggregate MAU of 105 million. In 19 scenarios, the MAU exceeds 10 million; the number of wealth management customers using CMB APP reached 15,639,200, up by 29.17% year-on-year; the wealth management transactions via CMB APP amounted to RMB6.12 trillion, up by 26.85% year-on-year. The number of clients served by Corporate Treasury Management (CBS) reached 121,500, representing a year-on-year increase of 44.13%, and the number of transactions reached 17.4975 million, representing a year-on-year increase of 70.26%; the number of contracted customers of the invoice cloud was 31,932, representing an increase of 183.64% as compared with the end of the previous year.

## 3. Further advance the organisational model of openness and integration

During the reporting period, the Company deepened scenario construction and customer operation, connected the G2B2C service chain, with 241 new public service scenarios included. Meanwhile, the Company built an open product platform and operation platform to exert the network effect. Particularly, the Company released the “Zhaoyang Plan”, built a growth platform for potential fund managers, 55 partners settled in CMB APP to directly serve customers. CMB

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<sup>1</sup> Income from agency sales of wealth management products refers to the income related to sales services provided for wealth management products of banks by the Group.

<sup>2</sup> 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.

took the advantages of multilicense services, and realised the performance of full coverage of investment in the first batch of 9 projects issued in the market, with 7 in custody, 7 in agency sales, and 2 in M&A loans for underlying projects. The Company continued to create an organisation with openness and integration, realized integrated customer service through flexible post mechanism, and light-model culture of “openness, integration, equality and inclusiveness” became increasingly popular.

### 3. Sustainable development

#### 1. Continued dedication to green finance

During the reporting period, while steadily promoting the grant of corporate loans, the Company actively followed national policy guidance and continued to deepen loan organisations and customer services in areas such as green finance. As at the end of the reporting period, the balance of green loans<sup>3</sup> of the Company was RMB238.743 billion, representing an increase of RMB30.155 billion as compared with the beginning of the year. With respect to its bonds underwriting business, the Company actively responded to the national energy conservation and emission reduction requirements and supported rural development and construction, assisting 15 enterprises in issuing RMB22.615 billion of green bonds. Among them, the bonds with the Company as the lead underwriter amounted to RMB9.536 billion, which strongly supported the direct financing of environmental protection and low-carbon enterprises.

#### 2. Active support for industrial upgrading

During the reporting period, the Company paid attention to high-quality manufacturing and agriculture-related fields, effectively optimising the corporate loan structure. By actively focusing on business opportunities such as state-owned enterprise mixed ownership reform, refinancing of listed companies and capital market privatisation, the Company strictly followed regulatory guidelines to manage and control loans in areas such as real estate industry and the local government financing platforms. The balance of loans to strategic emerging industries was RMB193.785 billion, representing an increase of RMB22.370 billion as compared with the end of the previous year and accounting for 10.67% of the total corporate loans of the Company.

#### 3. Enhanced coverage and support for financial inclusion

In terms of inclusive finance, as at the end of the reporting period, the number of inclusive small- and micro-sized enterprise customers of the Company was 620,200, representing an increase of 32.09% as compared with the beginning of the year; and the balance of inclusive small- and micro-

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<sup>3</sup> Calculated in accordance with the special statistical system of the PBOC for green loans, and the data at the beginning of the year was adjusted on the same statistical calibre.

enterprise loans<sup>4</sup> amounted to RMB575.183 billion, representing an increase of RMB66.722 billion or 13.12% as compared with the beginning of the year, which was 6.19 percentage points higher than the growth rate of overall loans of the Company. During the reporting period, the Company newly granted inclusive small- and micro-enterprise loans of RMB234.372 billion. The newly granted inclusive small- and micro-enterprise loans had an average interest rate of 4.79%, representing a decrease of 21 basis points as compared with the previous year on the same calibre, which had strongly supported the development of real economy. Supply chain finance has extended from pure financing services to a comprehensive financial ecosystem, the number of core customers along with their upstream and downstream supply chain customers increased by 98.22% and 150.36% year-on-year, respectively.

#### 4. Outlook

In the second half of the year, as the COVID-19 vaccination rate is further enhanced, the impact of the pandemic on economic activities will gradually weaken. The global economy is expected to pick up its recovery, the production is recovering gradually, and the service sector will continue to rebound. Economies will enter the accelerated recovery phase in stages. The Chinese economy will maintain its recovery in the second half of the year, with year-on-year GDP growth rate returning to its potential level.

Faced with the current macroeconomic situation and the competitive landscape of extensive wealth Management, the Company will continue to march firmly towards the 3.0 model, increasing key capabilities and building core competencies with perseverance. The following specific strategies will be applied: Firstly, we will promote the upgrading of our service model and enhance our ability to create customer value in extensive wealth management. Secondly, we will quicken customer structural adjustments and enhance our asset and product management capabilities for extensive wealth management. Thirdly, we will enhance our risk management capabilities and safeguard the ecological safety of our extensive wealth management. Fourthly, we will enhance our digital capabilities and improve the technology construction of our extensive wealth management system. Fifthly, we will enhance openness and integration and accelerate the evolving of organisational culture.

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<sup>4</sup> Refers to the small- and micro-sized enterprise loans + private industrial and commercial business operating loans + small- and micro-sized enterprise operating loans with a single account credit limit of RMB10 million, according to the appraisal calibre of “increase in both total loans and number of loan customers, and control of both loan quality and overall costs” of the CBIRC, which is the full-scale RMB domestic calibre, excluding bill financing for the current period as compared with the calibre of the previous periods, with corresponding adjustments made to the comparable figures at the beginning of the period.

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