



China Merchants Bank Co., Ltd.

# 2021 Annual Results Announcement





## Forward-Looking Statement Disclaimer

This presentation and subsequent discussions may contain forward-looking statements that involve risks and uncertainties. These statements are generally indicated by the use of forward-looking terminology such as believe, expect, anticipate, estimate, plan, project, target, may, will or may be expressed to be results of actions that may or are expected to occur in the future. You should not place undue reliance on these forward-looking statements, which reflect our belief only as of the date of this presentation. These forward-looking statements are based on our own information and on information from other sources we believe to be reliable. They relate to future events or our future financial, business or other performance and are subject to a number of uncertainties that may cause our actual results to differ materially.

Notes:

1. In this presentation, unless otherwise mentioned, all financial metrics are on consolidated group basis; all business metrics are on standalone bank basis
2. Certain financial metrics are subject to retroactive adjustment
3. Unless specified, all data shown in this presentation is based on IFRS and denominated in RMB
4. Some data shown may be subject to rounding

# Agenda





# 1. Performance Overview

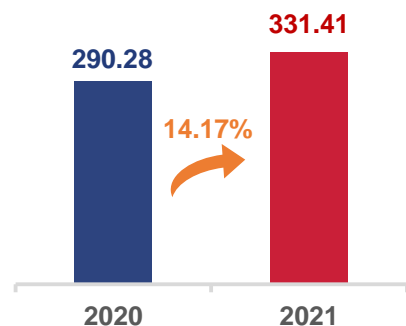
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- Operating income and profit growth accelerated, and operation efficiency improved significantly
- Asset quality continued to improve with enhanced risk provisioning and compensation capabilities
- Proactively supported the real economy with steady increase in asset scale
- Continued to increase investment in technology to promote the establishment of Digital Bank
- Thoroughly implemented ESG concepts and actively fulfilled social responsibilities

# Operating income and profit growth accelerated, and operation efficiency improved significantly

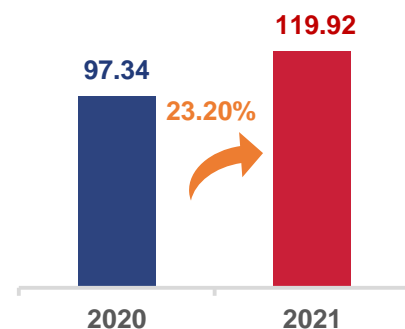
## Operating income regained double-digit growth

(RMB billion)



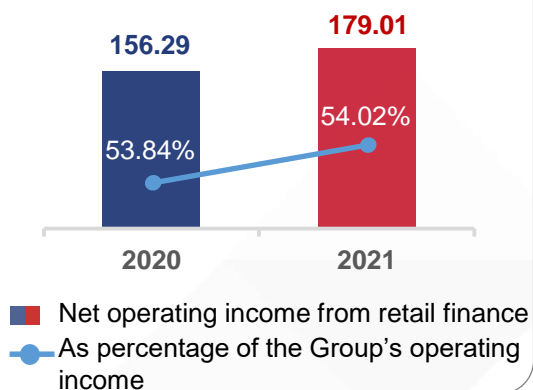
## Net profit growth hit six-year high

(RMB billion)

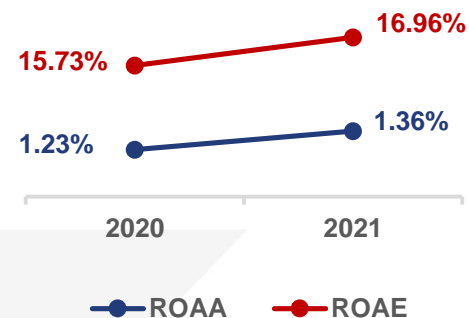


## Higher percentage of income from retail finance

(RMB billion)



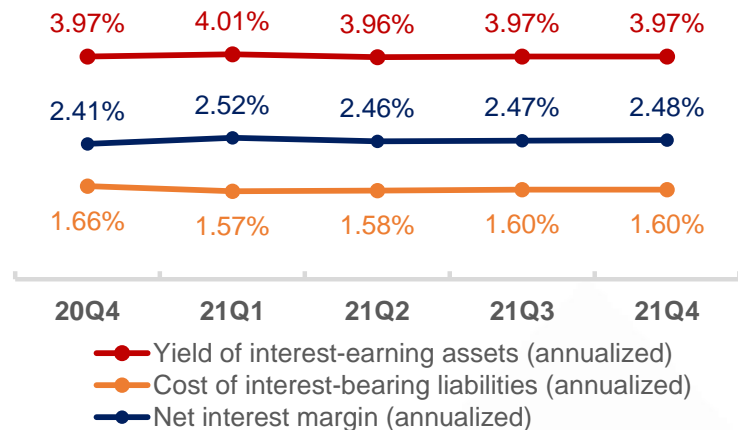
## ROAA and ROAE increased from a high base



# Operating income and profit growth accelerated, and operation efficiency improved significantly

Net interest margin remained steady and slightly edged down

**2.49%** 2020 Down by 1BP **2.48%** 2021



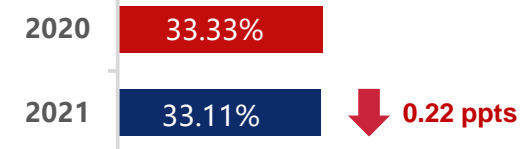
Fast growth in net non-interest income

Net non-interest income  
**↑ 21.13%** RMB127.49 billion

As percentage of net operating income

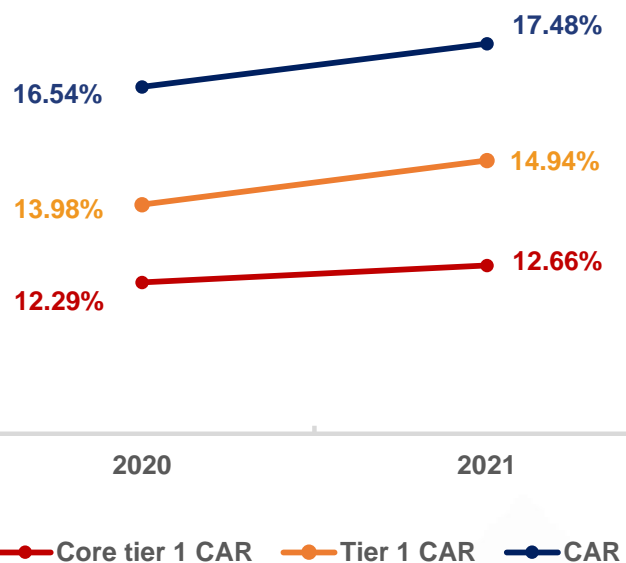
**↑ 2.21 pts** 38.47%

Cost-to-income ratio declined YoY

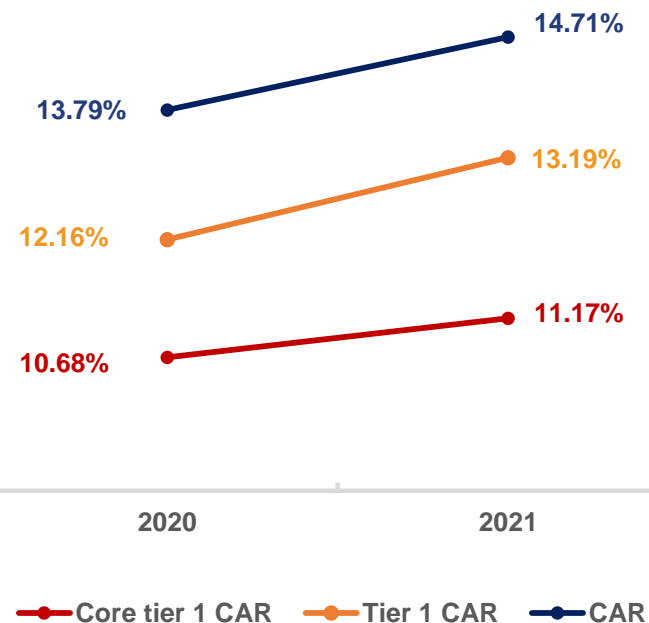


# Operating income and profit growth accelerated, and operation efficiency improved significantly

Capital adequacy ratios under  
Advanced Measurement Approach



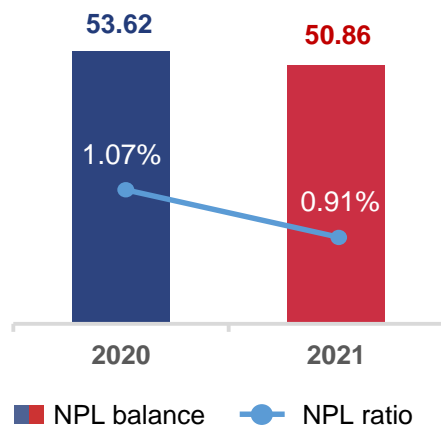
Capital adequacy ratios under  
Weighted Approach



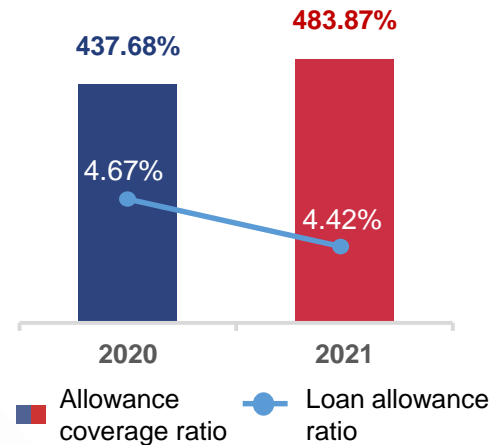
# Asset quality continued to improve with enhanced risk provisioning and compensation capabilities

## Decline in both NPL balance and ratio

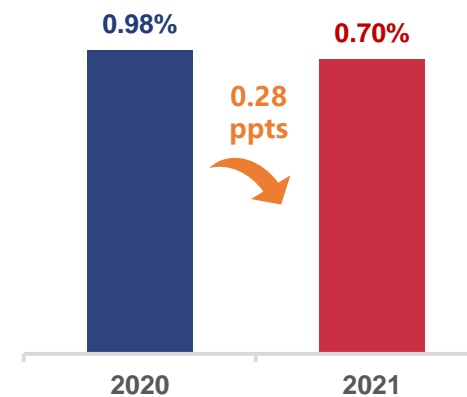
(RMB billion)



## Allowance coverage ratio and loan allowance ratio



## Decline in credit cost ratio





## Proactively supported the real economy with steady increase in asset scale



Total assets

10.62%



2020

RMB8.36 trillion



2021

RMB9.25 trillion



Total liabilities

9.86%



2020

RMB7.63 trillion



2021

RMB8.38 trillion



Total loans and advances to customers

2020

RMB5.03 trillion

2021

RMB5.57 trillion

10.76%



Percentage of retail loans 53.64%

↑ 0.33 pts



Total deposits from customers

2020

RMB5.63 trillion

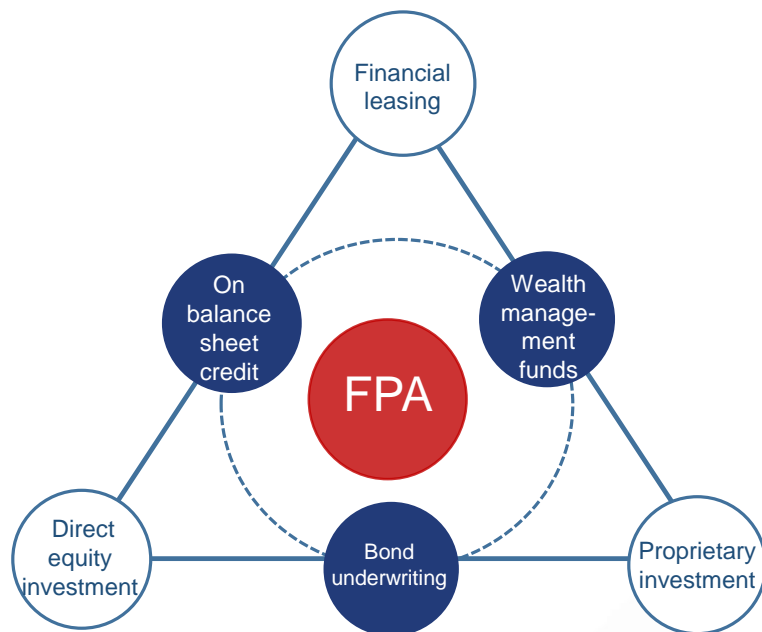
2021

RMB6.35 trillion

12.77%



## Proactively supported the real economy with steady increase in asset scale



### Satisfy comprehensive and multi-level financial demands of corporate customers

- Balance of FPA reached RMB **4.90** trillion, increasing by RMB **691.59** billion from the beginning of the year
- Balance of non-traditional financing accounted for **47.79%** of the total financing, representing an increase of **1.17** ppts from the beginning of the year

Note: FPA refers to Financing Products Aggregate.

## Proactively supported the real economy with steady increase in asset scale

### Enhanced support for inclusive SME finance

- Balance of for inclusive SME finance loans of the company was RMB**601.1** billion, increasing by **18.22%** from the beginning of the year, which was **7.19 ppts** higher than the growth rate of overall loans of the Company
- Newly granted for inclusive SME finance loans had an average interest rate of **5.28%**

### Effectively implemented moratorium loan policy

- Cumulative amount of loans granted to the customers who applied for deferment of repayment of the principal and interest from 2020 to 2021 was RMB**195.68** billion
- Amount of loans granted to the customers who applied for deferment of repayment of the principal and interest in 2021 was RMB**43.11** billion

Note: data on this page is on standalone basis

## Continued to increase investment in technology to promote the establishment of Digital Bank



**RMB13.29 billion** invested in IT,

Up by **11.58%** YoY

Accounted for **4.37%** of net operating income

Mainly invested in **Fintech innovation projects, digital infrastructure construction, expenses of R&D staff, system operations, etc.**



Cumulatively **2,665** Fintech innovation projects confirmed

Cumulatively **1,961** projects launched



R&D personnel reached **10,043**,

Up by **13.07%** YoY



Note: Investment in IT data on this page is on standalone basis.

# Thoroughly implemented ESG concepts and actively fulfilled social responsibilities

- **ESG governance framework**

Green finance and ESG-related responsibilities included in the terms of reference of the **“Strategy Committee under the Board of Directors”**

- **Green finance**

Balance of green loans was **RMB263.84 billion**

Up by **26.49%** as compared with the beginning of the year, 19.49 pts higher than the growth of corporate loans

Accounted for **14.02%** of the total corporate loans

- **Philanthropy**

Won the 11<sup>th</sup> **“China Charity Award”** from the Ministry of Civil Affairs for the outstanding contributions in fighting against the pandemic

- **ESG international rating**

MSCI-ESG rating **upgraded to A**



# Agenda





## 2.Operational Information

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- Adhered to strategic orientation with advantages of business model highlighted
- Adhered to value creation with improving customer base in both quantity and quality
- Adhered to openness and integration with reinforcing flywheel effect
- Adhered to technology-driven approach, offering convenient and efficient customer services
- Adhered to prudent operation with comprehensive risk management and control

Adhered to strategic orientation with advantages of business model highlighted

**Total assets under management (AUM)  
from retail customers**

**AUM from retail customers**

2020

RMB **8.94** trillion

2021

RMB **10.76** trillion **↑ 20.33%**

Increased by **RMB1.82 trillion**,  
the highest growth in the past 6 years

**AUM from private banking  
customers**

2020

RMB **2.77** trillion

2021

RMB **3.39** trillion **↑ 22.32%**

Ranked No.1 by AUM among peers

**Financing products aggregate for  
corporate customers (FPA)**

2020

RMB **4.21** trillion

2021

RMB **4.90** trillion **↑ 16.44%**

Increased by **RMB 691.59 billion**



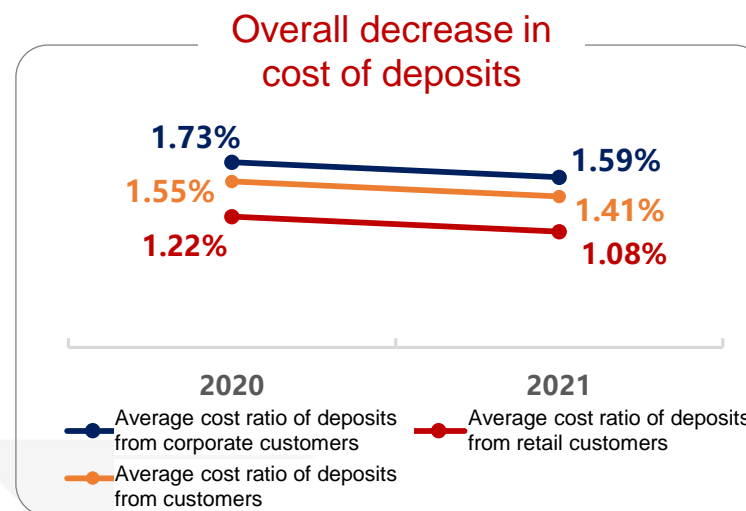
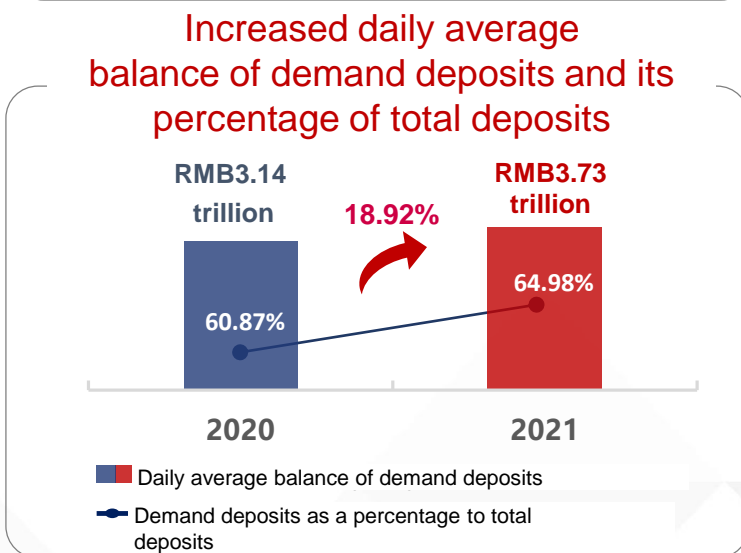
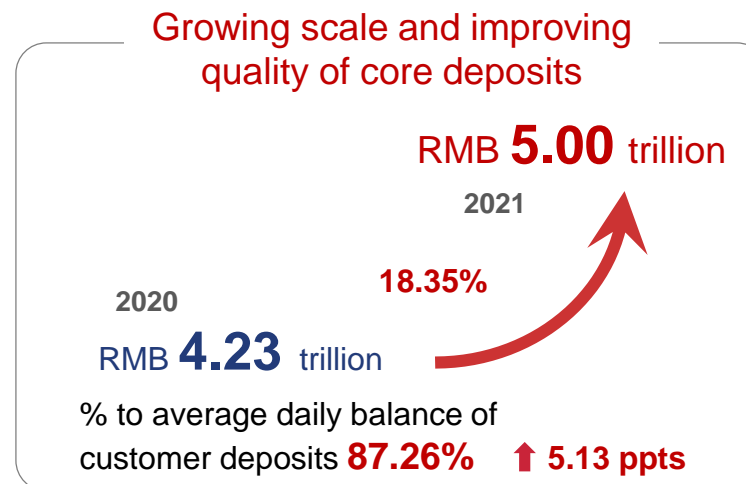
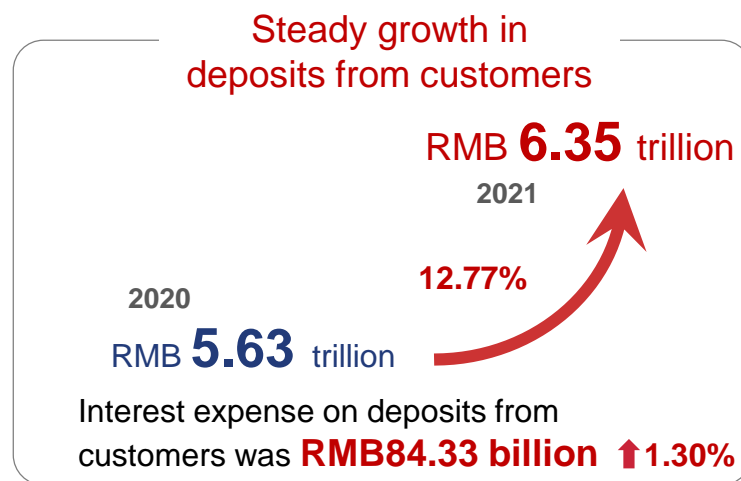
## Adhered to strategic orientation with advantages of business model highlighted

| Total AUM of asset management business          | Balance of assets under custody                      | Income from extensive wealth management and its percentage of total |
|---|--|---|
| 2020<br>RMB <b>3.74</b> trillion                | 2020<br>RMB <b>16.05</b> trillion                    | 2020<br>RMB <b>38.93</b> billion                                    |
| 2021<br>RMB <b>4.31</b> trillion <b>↑14.92%</b> | 2021<br>RMB <b>19.46</b> trillion <b>↑21.25%</b>     | 2021<br>RMB <b>52.13</b> billion <b>↑33.91%</b>                     |
|   | No.2 in terms of scale<br>No.1 in terms of increment | Accounted for <b>15.73%</b> of net operation income                 |

### Note

1. Total AUM of asset management businesses represents the sum of asset management AUM of CMB Wealth Management, China Merchants Fund, CMB International Capital and CIGNA & CM AM as of the end of the reporting period
2. The income of the extensive wealth management business is on a consolidated group basis, which includes fee and commission income from the wealth management business, fee and commission income from the asset management business and the commission income from the custody business

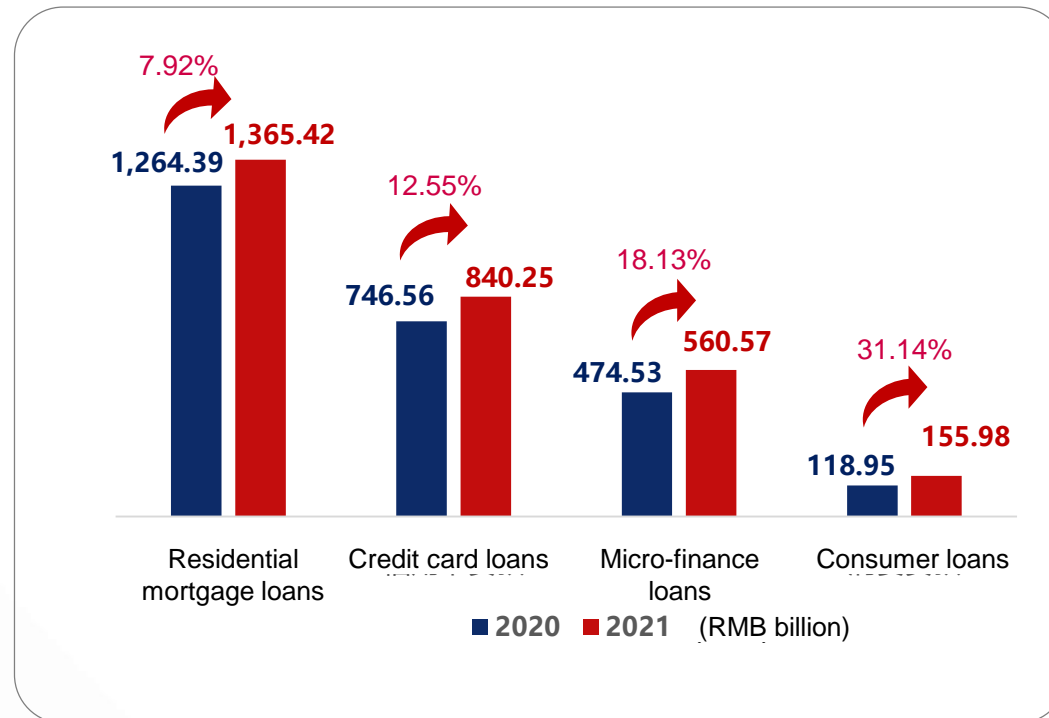
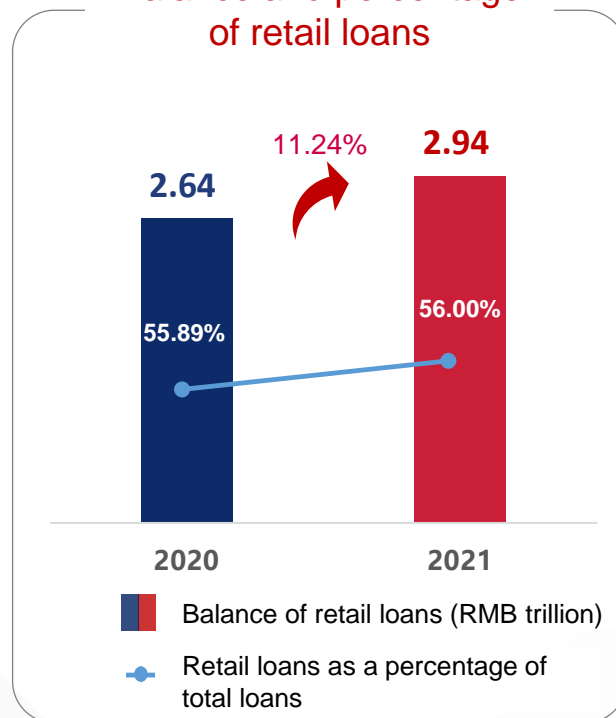
## Adhered to strategic orientation with advantages of business model highlighted



Note: 1.Except for the balance of core deposits, demand deposits and their respective ratios, all other metrics on this page are on consolidated group basis  
2.Core deposit is the Company's internal KPI for deposit business, and is calculated based on the size of deposits from customers excluding high-cost deposits such as large-denomination certificates of deposit and structured deposits

## Adhered to strategic orientation with advantages of business model highlighted

Balance and percentage of retail loans



Note: Data on this page are on a standalone basis.

## Adhered to strategic orientation with advantages of business model highlighted

### Total corporate loans

2020

RMB **1.76** trillion

2021

RMB **1.88** trillion

7.00% ↑

### Balance of loans to manufacturing industry

2021

RMB **320.06** billion

16.52% ↑

2020

RMB **274.68** billion

Accounted for **17.00%** of  
the total corporate loans    ↑ 1.38ppts

### Balance of loans to strategic emerging industries

2021

RMB **219.15** billion

27.85% ↑

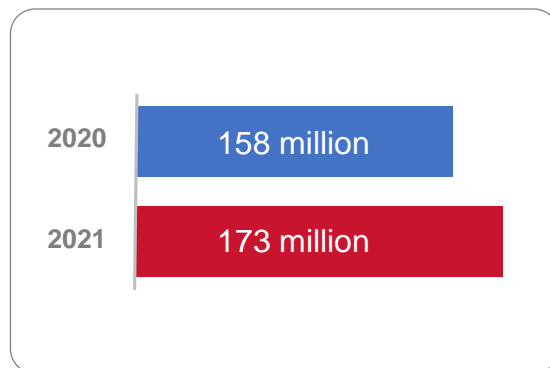
2020

RMB **171.42** billion

Accounted for **11.64%** of  
the total corporate loans    ↑ 1.89ppts

Adhered to value creation with improving customer base in both quantity and quality

**No. of retail customers**      ↑ 9.49%



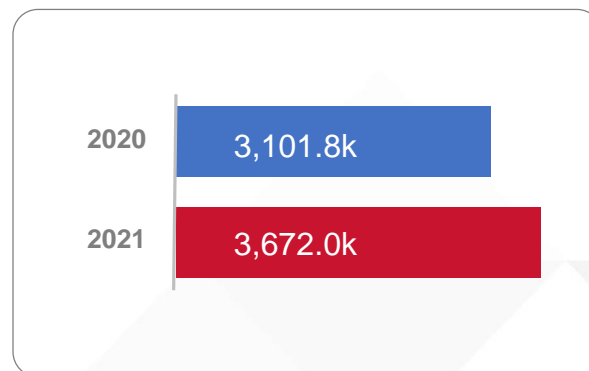
**No. of customers holding wealth products**      ↑ 29.68%



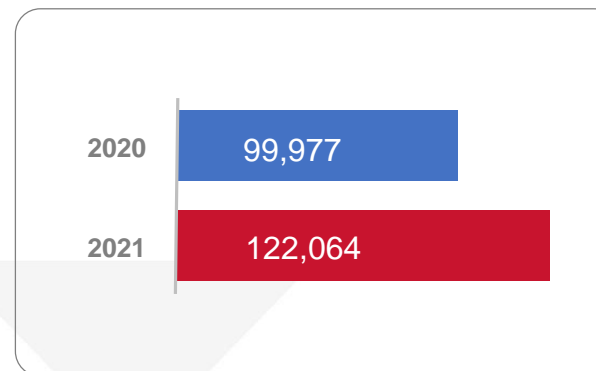
**Percentage of the wealth trading customers under 35 years' old on CMB APP**



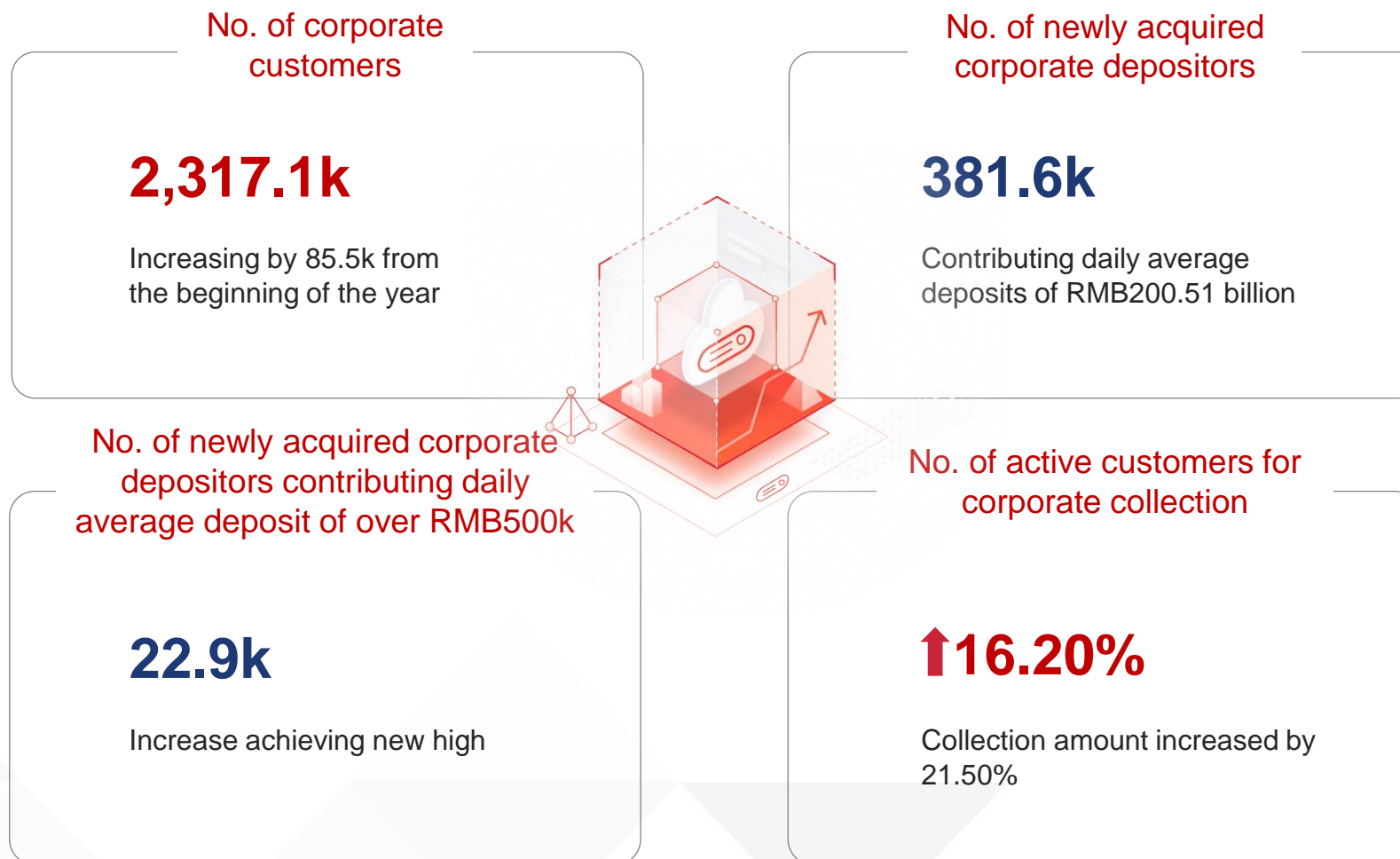
**No. of Sunflower-level and above customers**      ↑ 18.38%



**No. of private banking customers**      ↑ 22.09%



Adhered to value creation with improving customer base in both quantity and quality



## Adhered to value creation with improving customer base in both quantity and quality

### Head Office/branch-level strategic customers and balance of daily average proprietary deposits

No. of Head Office-level strategic customers

**326**

Balance of daily average proprietary deposits

RMB**979.15** billion

↑ 19.71%

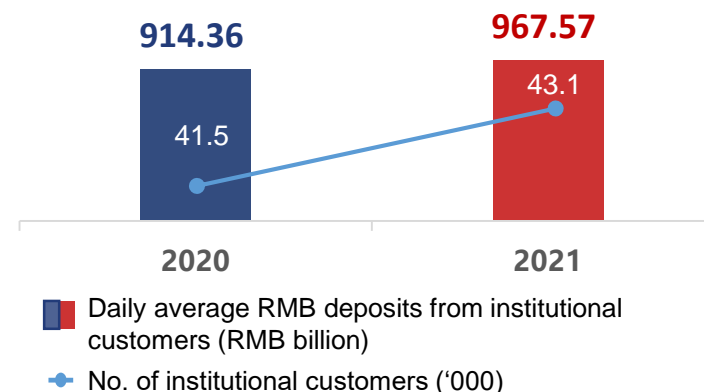
No. of branch-level strategic customers

**6,874**

Balance of daily average proprietary deposits

RMB**594.52** billion

### No. of institutional customers & balance of daily average RMB deposits from institutional customers



### Supply chain business

- Upgraded the supply chain business model, by “providing services to one enterprise and its industry chain in a national scale”
- Served **222** core enterprises
- Covered **16,149** suppliers

### Basic customers

- Created an online and offline integrated service model based on “AI + manual”
- 978.4k** corporate customers for withholding tax- and utility payment-related transactions, representing an increase of **118.4k** customers over the end of the previous year
- Transaction amount of **RMB1.50 trillion**, representing a YoY increase of **42.83%**

Adhered to value creation with improving customer base in both quantity and quality

### Transaction banking business

“CBS+” treasury management open platform

- Served **3,815** group customers, with **144.9k** member companies under the treasury management, increasing by **41.78%**
- **42.19 million** transactions, increasing by **58.96%**

### Investment banking business

- Achieved M&A financing of **RMB 203.64 billion**, increasing by **28.53%**
- Completed **200** M&A financing projects throughout the year

### Bill business

- The number of customers of bill business reached **140.9k**, increasing by **20.80%** YoY
- Bills direct discounting business amounted to **RMB1.25 trillion**, increasing by **6.14%** YoY, ranking No.2 in the market

### Financial markets business

- The volume of trading on behalf of corporate customers amounted to **USD 217.22 billion**, increasing by **27.88%** YoY



## Adhered to openness and integration with reinforcing flywheel effect

### Opened up to external - building a platform and enriching service contents

#### Retail finance

- **8** wealth management subsidiaries of peer banks were introduced to the retail product system
- **87** asset management institutions were introduced to the “Zhaocaihao” open platform with a total of **2,097.4k** monthly active customers, providing **140 million** times of wealth information service to **9.51 million** retail customers

#### Wholesale finance

- Strove to shift toward the direct financing market and established **institutional peer circles** such as brokerages, funds and PE
- The “Zhao Ying Tong” interbank online service platform connected **94** asset management institutions including funds, securities companies and insurance companies, and provided customers with **4,865** third-party asset management products, with a trading value of **RMB634.27 billion**

## Adhered to openness and integration with reinforcing flywheel effect

### Internal integration with reinforcing flywheel effect

#### Retail “integrated” flywheel

- **To connect customers principal accounts for payment and for wealth management**
  - ✓ The number of customers subscribing “Zhao Zhao Bao” reached **15.40** million
  - ✓ Total position **RMB135.44** billion
  - ✓ The percentage of customers who purchased wealth management products for the first time in two years reached **51.70%**
- **Integration of debit card and credit card in respect of customer acquisition and operation**
  - ✓ **62.61%** of the credit card customers also held debit cards, up by **1.91** pts

#### “One Body with Two Wings” flywheel

##### Payroll services

- **148.1k** new payroll enterprises, increasing by **16.42%**

##### Private banking

- Explored a new model of private banking services by integrating retail and corporate offerings
- Provided more diversified **“individual, family, enterprise and society”** comprehensive services to private banking customers and the enterprises behind them

##### Asset custody

- Managed **253** newly issued mutual funds under custody with a custody scale of **RMB406.8** billion
- **No.1** in the market in terms of the numbers and scale of newly issued mutual funds under custody

## Adhered to openness and integration with reinforcing flywheel effect

### Internal integration with reinforcing flywheel effect

#### The Group's flywheel

##### The Company → Asset management

- Bond assets **RMB198.40** billion

##### CMB Wealth Management

- Balance of wealth management products **RMB2.78** trillion ↑ 13.47%
- Balance of new products **RMB2.60** trillion ↑ 56.63%
- Accounting for **93.53%** of the balance of wealth management products ↑ 25.77ppts

##### China Merchants Fund

- AUM of China Merchants Fund's non-monetary mutual funds leaped to the **No.7** in the industry ranking

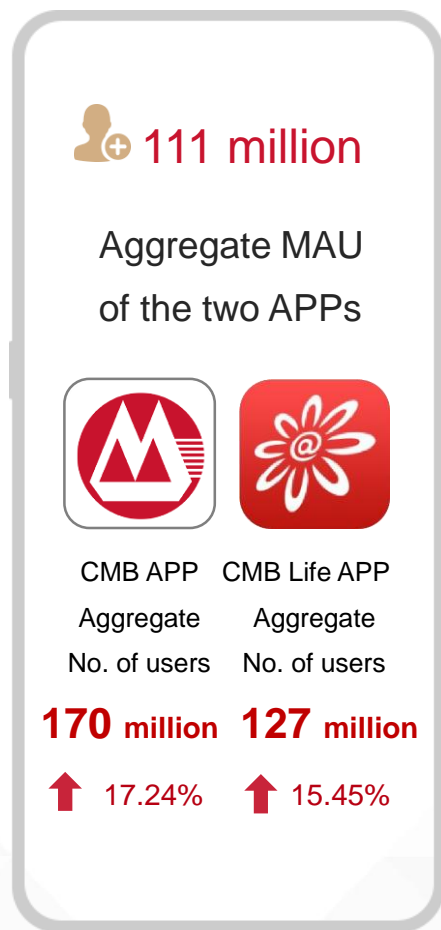
##### Asset management → The Company

- AUM **RMB2.48** trillion ↑ 6.60%
- FPA **RMB780.45** billion ↑ 9.49%

##### CMB International Capital

- **122** new projects in cooperation with the parent Company ↑ 23%
- Account opening rate of **100%** for lead investment projects and **77%** for co-investment projects

Adhered to technology-driven approach, offering convenient and efficient customer services



### Dual-model of “account management + traffic”

- Intelligent wealth management assistant “AI Xiao Zhao” to create **24/7** wealth management services
- Intelligent customer service “Advisor Xiao Zhao” provided **19.23 million times** of online consultations **↑ 85.85%**
- Relationship managers established online business relationships with Golden Card Holder customers and Sunflower customers through the conversation functions of the APPs
  - Customers served **12.63 million** **↑ 35.52%**
  - Transaction amounts **RMB561.19 billion** **↑ 18.76%**
- The approval cycle of family trusts was shortened by **92%** to as short as **3 working days**, with **89%** of orders placed online

Note: Golden Card Holder customers and Sunflower customers are referred to as “Shuangjin (双金)” customers

## Adhered to technology-driven approach, offering convenient and efficient customer services



### Whole-process integration of customer demand scenarios

- One visit to the counter for account opening is enough and all follow-up regular business can be handled online in a one-stop manner, increasing the active rate of base customers by **5.27 ppts**
- Online migration rate of the whole process of corporate finance business reached **67.26%**, up by **28.41 ppts**



### Enhancing risk management capabilities through digitalization

#### Transaction risk

- The intelligent risk control platform “Libra” helped lower the percentage of non-cardholders’ counterfeited and embezzled amounts to **0.90 in ten millionths**, with a compound drop of **62.46%** in the recent three years

#### Credit risk

- Early-warning accuracy rate of **75.68%** for potentially risky corporate customers

#### Market risk

- Early-warning platform for default risk in the credit bond, with an accuracy rate of **86%** for early warning of significant credit events



Adhered to technology-driven approach, offering convenient and efficient customer services



### Cloud computing

Build an open IT infrastructure

Accelerate the promotion of the **host cloud**  
and **application cloud**

The project's progress exceeded **75%**



### AI-powered automation

A total of more than **6,000 manpower** replaced  
with AI simulating, assisting and substituting human  
**2,000+** business scenarios covered by Conch RPA  
**Nearly 60%** of the personnel who use Conch RPA  
for self-development are business personnel



### Technology middle-office

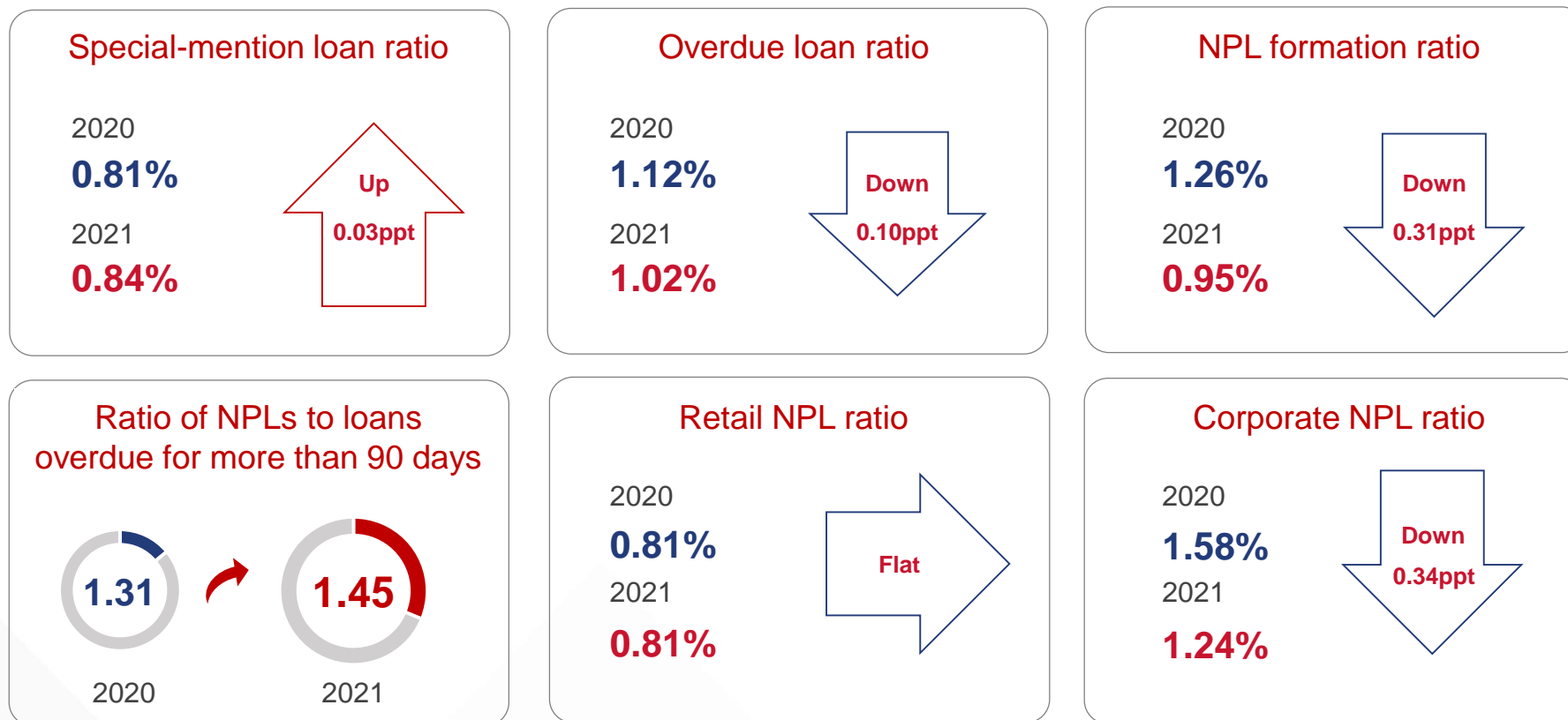
Enhance the openness and multiplexity of  
business components and technology  
components mainly through API, launching a  
total of **2,811** shared components



### Data middle-office

The number of personnel using big data independently  
accounted for about **40%** of total number of employees  
bank-wide

## Adhered to prudent operation with comprehensive risk management and control



Note: The NPL formation ratio on this page is on standalone bank basis, and all other metrics are on consolidated group basis

## Adhered to prudent operation with comprehensive risk management and control

- Expected credit losses

**RMB65.96 billion**

↑ 1.68%

- Expected credit losses from loans and advances to customers

**RMB37.02 billion**

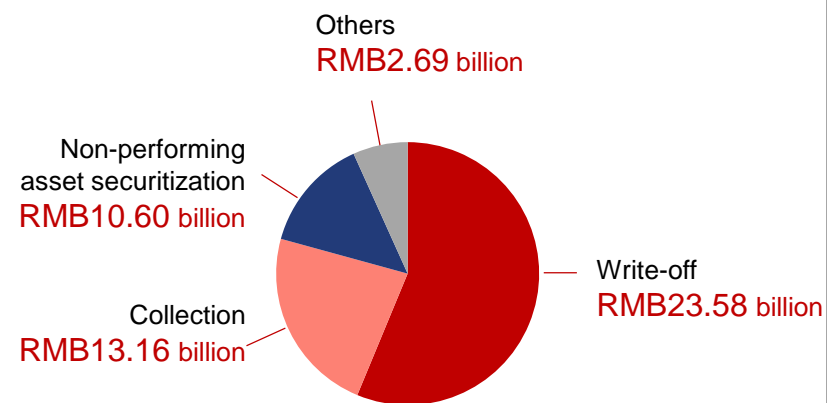
↓ 21.04%

- Expected credit losses from other assets

**RMB28.94 billion**

↑ 60.89%

Disposal of NPLs



Total disposal of NPLs: **RMB50.03 billion**

Note: Data for disposal of NPLs on this page are on standalone bank basis, and all other metrics are on consolidated group basis



## Adhered to prudent operation with comprehensive risk management and control

### Risk management and control for real estate sector

- Continued to follow the overall strategy of “**total volume control, prudent access, focus on regions, adjustment of structure, and strict management**”
- Total balance of the businesses of which the Group assumed credit risks

**RMB511.49 billion** ↑ 3.48%

Percentage of the balance with customers featuring high credit rating accounted for **86.62%**

- Corporate real estate loan balance accounted for **6.78%** of the Group’s total loans and advances to customers ↓ 0.46ppt
- Total balance of the businesses of which the Group did not assume credit risks

**RMB412.08 billion** ↓ 20.61%

### Local government financing platform business

- Balance of risk exposure of businesses with local government financing platforms (calculated on the broad statistical caliber)

**RMB261.68 billion** ↑ **RMB13.38 billion**

- Balance of loans to domestic companies **RMB123.53 billion** ↑ 7.51%
- As percentage of the total loans and advances **2.35%** ↓ 0.08ppt
- NPL ratio **0.63%** ↑ 0.08ppt

Note: Data on this page are on the Company basis except for total balance of the businesses of which the Group assumed credit risks and did not assume credit risks.

# Agenda





### 3. Outlook and Strategies

## Outlook and strategies



Continuously insist on model transformation and focus on building wealth management capabilities



Continuously insist on innovative development and focus on building Fintech capabilities



Continuously insist on quality development and focus on building risk management capabilities



Continuously insist on openness and integration and focus on strengthening the integrated service of “ICPT”



Continuously insist on serving the real economy and focus on fulfilling social responsibilities

Thank You!  
Q&A

