

## China Merchants Bank Announces 2021 Annual Results

### Net Profit Up 23.2%, Asset Quality Continues to Improve

#### 2021 Annual Results Highlights

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

- Net operating income amounted to RMB331.407 billion, a year-on-year increase of 14.17%, regaining double-digit growth;
- Net profit attributable to shareholders of the Bank amounted to RMB119.922 billion, a year-on-year increase of 23.20%, hitting a six-year high;
- Net interest income amounted to RMB203.919 billion, a year-on-year increase of 10.21%; net interest margin was 2.48%, a year-on-year decrease of 0.01 percentage point;
- Net non-interest income amounted to RMB127.488 billion, a year-on-year increase of 21.13% and accounting for 38.47% of net operating income, up by 2.21 percentage points year-on-year; income from the extensive wealth management business amounted to RMB52.130 billion, representing an increase of 33.91% and accounting for nearly 16% to net operating income.

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

- Non-performing loans was RMB50.862 billion, a decrease of RMB2.753 billion as compared with the end of the previous year; the non-performing loan ratio was 0.91%, down by 0.16 percentage point as compared with the end of the previous year;
- Non-performing loan formation ratio was 0.95%, down by 0.31 percentage point year-on-year. Year-on-year declines were seen across the amount of newly formed non-performing loan in corporate loans, retail loans and credit cards loans;
- Allowance coverage ratio was 483.87%, up by 46.19 percentage points from the end of the previous year.

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

- Total assets amounted to RMB9,249.021 billion, up by 10.62% from the end of the previous year; total loans and advances to customers amounted to RMB5,570.034 billion, up by 10.76% from the end of the previous year;
- Total liabilities amounted to RMB8,383.340 billion, up by 9.86% from the end of the previous year; total deposits from customers amounted to RMB6,347.078 billion, up by 12.77% from the end of the previous year;
- The proportion of retail loans was 53.64%, up by 0.33 percentage point from the end of the previous year;
- The balance of SME inclusive finance loans amounted to RMB601.100 billion, up by 18.22% from the beginning of 2021, 7.19 percentage points higher than the growth rate of overall loans of the Company.

Note 1: Unless stated otherwise, all of the above data belong to the Group and denominated in RMB.

*Note 2: The income of the extensive wealth management business 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*

18 March, 2022 - 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 annual results.

In 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. Both the net operating income and profit grew relatively rapidly, structure of assets and liabilities continued to be optimised, and asset quality was further improved.

## 1. Overall Operation

During the reporting period, the Group realised the net operating income of RMB331.407 billion, representing a year-on-year increase of 14.17%; realised a net profit attributable to shareholders of the Bank of RMB119.922 billion, representing a year-on-year increase of 23.20%; realised the net interest income of RMB203.919 billion, representing a year-on-year increase of 10.21%; and realised the net non-interest income of RMB127.488 billion, representing a year-on-year increase of 21.13%. 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 1.36% and 16.96%, up by 0.13 percentage point and 1.23 percentage points year-on-year, respectively.

As at the end of the reporting period, the Group’s total assets amounted to RMB9,249.021 billion, representing an increase of 10.62% as compared with the end of the previous year. The total loans and advances to customers amounted to RMB5,570.034 billion, representing an increase of 10.76% as compared with the end of the previous year. Total liabilities amounted to RMB8,383.340 billion, representing an increase of 9.86% as compared with the end of the previous year. Total deposits from customers amounted to RMB6,347.078 billion, representing an increase of 12.77% as compared with the end of the previous year.

As at the end of the reporting period, the Group had a total of non-performing loans of RMB50.862 billion, representing a decrease of RMB2.753 billion as compared with the end of the previous year. The non-performing loan ratio was 0.91%, down by 0.16 percentage point as compared with the end of the previous year. The allowance coverage ratio was 483.87%, representing an increase of 46.19 percentage points as compared with the end of the previous year; the allowance-to-loan ratio was 4.42%, representing a decrease of 0.25 percentage point as compared with the end of the previous

year.

## 2. Operating Status of the Company

2021 marked the first year of our commitment in developing the cyclic value chain of extensive wealth management. We have continued to adhere to the strategic direction of “Light-model Bank” and actively explore the opportunities under the 3.0 model. By focusing on “light assets” in the weak cycle, we have carried out various businesses in a sound manner and achieved quality development:

### 1. Prominent advantages of the business model of extensive wealth management

The core indicators of our extensive wealth management business maintained high growth. We adhere to the principle of “customer-centric” and promote the cyclic value chain of extensive wealth management. As at the end of the reporting period, the Company had 173 million retail customers, representing an increase of 9.49% as compared with the end of the previous year, among which, the number of Sunflower-level and above customers increased by 18.38% as compared with the end of the previous year. The balance of total assets under management from retail customers of the Company amounted to RMB10,759.170 billion, representing an increase of 20.33% as compared with the end of the previous year, the highest growth in the past 6 years. As at the end of the reporting period, the Company had 122,064 private banking customers, representing an increase of 22.09% as compared with the end of the previous year; total assets under management from private banking customers amounted to RMB3,393.904 billion, representing an increase of 22.32% as compared with the end of the previous year, ranking us No.1 in the industry. As at the end of the reporting period, the Company’s balance of aggregate financing products to corporate customers (FPA) was RMB4,898.714 billion, representing an increase of 16.44% over the beginning of the year. As at the end of the reporting period, the AUM scale of our asset management business, amounted to RMB4.31 trillion, representing an increase of 14.92% as compared with the end of the previous year. The balance of assets under custody of the Company was RMB19.46 trillion, representing an increase of 21.25% compared to the end of the previous year, and maintained second in the domestic custody industry in terms of scale of custody and ranked first in terms of increment. Income from the extensive wealth management business for the year amounted to RMB52.13billion, representing an increase of 33.91% and accounting for nearly 16% to net operation income.

Our customer deposits have grown in scale, improved in quality and had a declining cost. The Company responded to the pressure of slowing deposit growth and promoted the continuous optimisation of deposit structure through measures such as deposit classification management, assessment guidance and increased efforts in customer expansion. As at the end of the reporting period, total deposits from customers amounted to RMB6,347.078 billion, representing an increase of 12.77% as compared with the end of the previous year. Despite fast growth in scale,

the interest expense on deposits from customers only increased by 1.03%. During the reporting period, the Company's average daily balance of core deposits was RMB5,003.180 billion, representing an increase of 18.35% as compared with the previous year, and accounting for 87.26% of the average daily balance of customer deposits, representing an increase of 5.13 percentage points as compared with the previous year, the balance of low-cost core deposits continued to grow rapidly. The average daily balance of demand deposits accounted for 64.98% of the average daily balance of customer deposits, representing an increase of 4.11 percentage points as compared with the previous year. The average cost ratio of deposits from customers was 1.41%, down by 0.14 percentage points.

The loan structure continued to optimize. The balance of retail loans continued to grow steadily, accounting for an increasing proportion of total loans. The structure of retail loans is adjusting. Retail loans amounted to RMB2,941.020 billion, representing an increase of 11.24% as compared with the end of the previous year. The growth of personal housing mortgage loans slowed down, but the growth of micro-finance loans, consumer loans and credit card loans contributed to the continuous and steady growth of the Company's retail loans. The balance of retail loans accounted for 56% to total loans, up by 0.11 percentage point.

## **2. Improved customer base in both quantity and quality**

The Company expanded the "vast clientele" and built the "comprehensive platform". In response to the national call for common prosperity, the retail finance segment gave full play to its advantages of digital customer acquisition and service, and made wealth management accessible to ordinary people. As at the end of the reporting period, the Company had 173 million retail customers, increasing by 9.49%, among which, the number of customers holding wealth products increased by 29.68% as compared with the end of the previous year. During the reporting period, 52.21% of the wealth trading customers on the CMB APP were under 35 years old. The number of medium- and high-end customers, such as Sunflower-level and above customers and private banking customers, continued to grow rapidly from a high base.

The wholesale finance segment followed the transformation and upgrading of the national economy, focusing on the directions of new growth engines, green economy, high-quality track manufacturing industries, regional advantageous and characteristic industries, as well as self-controllable industries to solidly improve the quality of customer base and build ecological customer acquisition and operation capabilities around customers from core enterprises and their industrial chains and investment chains. As at the end of the reporting period, the total number of corporate customers of the Company reached 2,317,100, representing an increase of 85,500. During the reporting period, the number of newly acquired corporate customers during the reporting period was 381,600, contributing daily average deposits of RMB200.514 billion, among them, 22,900 newly acquired corporate depositors contributed daily average deposit of more

than RMB500,000, and such increase achieved a new high. The number of high-value corporate customers grew fast. The number of active customers for corporate collection and the collection amount increased by 16.20% and 21.50%, respectively. Meanwhile, we further deepened layered management of wholesale customers and the integrated transformation of investment banking and commercial banking business and continued to create differentiated competitive advantages. As at the end of the reporting period, the number of the strategic customers under the Head Office of the Company was 326; the balance of daily average proprietary deposits amounted to RMB979.145 billion, increasing by 19.71% as compared with the beginning of the year; the Company had 6,874 branch-level strategic customers, and the daily average balance of the proprietary deposits amounted to RMB594.515 billion. During the reporting period, the Company had 43,100 institutional customers, increasing by 3.86%, with an average daily deposit balance of RMB967.570 billion, up by 5.82%. Our supply chain business model has been upgraded to “providing services to one enterprise and its industry chain in a national scale”. We cumulatively served 222 core enterprises and covered 16,149 suppliers.

### 3. Openness and integration reinforced flywheel effect

As for Retail “integrated” flywheel, we launched “Zhao Zhao Bao (朝朝寶)”, a wealth management service that allows users to subscribe using one cent, to meet customers’ demands for daily payment and value-appreciation wealth management. As of the end of the reporting period, the number of customers subscribing “Zhao Zhao Bao” reached 15,403,000, with a position amount of RMB135.442 billion at the end of the period. Among them, the percentage of customers who purchased wealth management products for the first time in two years reached 51.70%. We thoroughly promoted the integration of debit card and credit card in respect of customer acquisition and operation. Among the credit card customers, those who also held debit cards of the Company accounted for 62.61%, representing an increase of 1.91 percentage points as compared with the end of the previous year.

As for “One Body with Two Wings” flywheel, first, the wholesale and retail business lines collaborated to facilitate the expansion of payroll services, and built Xin Fu Tong (薪福通) 3.0, a one-stop enterprise digital service comprehensive platform. As at the end of the reporting period, Xin Fu Tong 3.0 had 339,000 newly registered and certified enterprises in the year, with 148,100 new payroll enterprises, representing an increase of 16.42%. Second, we explored a new model of private banking services integrating public and private sectors to provide more diversified “individual, family, enterprise and society” comprehensive services to private banking customers and the enterprises behind them. Third, we expanded and strengthened our custody business by synergizing business lines. We managed 253 newly issued mutual funds under custody with a custody scale of RMB406.8 billion, ranking No.1 in the market in terms of number and scale of newly issued mutual funds under custody. Fourth, focusing on the complex business needs of

the capital market, the Company implemented 200 M&A financing projects throughout the year, and achieved M&A financing of RMB203.636 billion, representing a year-on-year increase of 28.53%.

As for The Group's flywheel, during the reporting period, the Company recommended bond assets of RMB198.397 billion for CMB Wealth Management, while all subsidiaries in aggregate contributed AUM of RMB2.48 trillion and FPA of RMB780.445 billion to the Company. CMB International Capital launched 122 new projects linked to the Company, representing a year-on-year increase of 23%, with an account opening rate of 100% for lead investment projects and 77% for co-investment projects. The Company and China Merchants Fund further strengthened the cooperation on agency distribution of funds. As at the end of the reporting period, the management scale of China Merchants Fund's non-monetary mutual funds leaped to the seventh in the industry ranking.

#### **4. Technology-driven approach upgraded our customer service capability**

In terms of retail customer service, we continued to improve the "talent + digitalisation" capability, and upgraded the operation model from mainly focusing on account management by account manager to the dual model of "account management + traffic". During the reporting period, the number of monthly active users of CMB APP and CMB Life APP reached 111 million, and the number of MAU in 28 scenarios exceeded ten million. The Company's relationship managers established online business relationships with Golden Card Holder customers, Sunflower customers and other customers through the accessing functions of the APPs, serving 12,640,000 customers, representing a year-on-year increase of 35.52%. The transaction amounts were RMB561.190 billion, representing a year-on-year increase of 18.76%. We enhanced the digital service capability of private banking business, which shortened the approval cycle of family trusts by 92%, with 89% of orders placed online.

In terms of cooperate customer service, we integrated the customer demand scenarios in the whole process of business and continuously promoted online migration and automation of the operation system. The Company realized that only a one-time visit to the counter for account opening is required and the regular business can be handled online in a one-stop manner subsequently. The active rate of basic customers increased by 5.27 percentage points from the beginning of the year. The online migration rate of the whole process of corporate finance business reached 67.26%, representing an increase of 28.41 pts as compared with the end of the previous year.

We deepened the transformation of technology structure and built digital technology system that adapts to the cyclic extensive wealth management value chain. On the one hand, we fully promoted the cloud structure transformation. The project of host cloud and application cloud has

been 75% completed. The service capabilities of the data middle-office were further improved. About 40% of employees bank-wide could use big data to provide services, significantly boosting their working efficiency. On the other hand, we continued to promote the application of AI and RPA to reduce cost and enhance efficiency. Smart AI customer service, voice quality inspection, intelligent reviewing and other services have achieved a total of more than 6,000 staff replacement.

#### **5. Adhered to prudent operation with comprehensive risk management and control**

We accelerated the construction of the “six all” risk management system under the extensive wealth management model, continued to strictly manage customer accessibility, heightened asset classification standards, and stepped up efforts to dispose non-performing assets, leading to improved asset quality. The ratio of non-performing loans to the loans overdue for more than 90 days was 1.45, up by 0.14ppts as compared with the end of the previous year. The NPL formation ratio was 0.95%, down by 0.31 percentage point. Year-on-year declines were seen across the amount of newly formed NPL in corporate loans, retail loans and credit cards loans.

We continued to adopt a stable and prudent policy in respect of making allowances and stepped up efforts to dispose non-performing loans. In 2021, the expected credit losses of the Group were RMB65,962 million, representing a year-on-year increase of 1.68%. The expected credit losses from loans and advances to customers were RMB37.02 billion. Given the global pandemic and the uncertain and unstable economic situations domestically and abroad, we made forward-looking and prudent provisions for the expected credit losses. The expected credit losses from other assets amounted to RMB28.94 billion. The expected credit losses of certain assets increased year-on-year to enhance the our risk offsetting and compensation ability. We played an active role in the disposal of non-performing loans with a total disposal amount for the year of RMB50.03 billion. Amongst, RMB23.58 billion were written off, and RMB13.16 billion was recovered by collection.

We emphasized the risk prevention in key areas such as the real estate sector and local government financing platforms and continued to strengthen risk investigation and early-warning management. The overall asset quality was stable. For the real estate sector, the Company continued with the overall strategy of “total volume control, focus on customers and regions, adjustment of structure, and strict management” and conducted comprehensive risk investigation in a timely manner. As of the end of 2021, the customer structure of real estate business, of which the Company assumed credit risks, has remained sound. Among which, the balance with customers featuring high credit rating accounted for 86.62%. For local government financing platforms, the Company upheld commercial principles to carry out business in selective areas, placing emphasis on self-compensation. The balance of risk exposure of our businesses with local government financing platforms (calculated on the broad statistical caliber) amounted to

RMB261.68 billion, with a non-performing loan ratio of 0.63%. In the future, we will continue to strengthen risk prevention in key areas and maintain stable overall asset quality.

### 3. Outlook

Looking ahead to 2022, under the impact of the pandemic unseen in a century, the changes unseen in a century will evolve at an accelerated pace, and the external environment will become more complicated, severe and uncertain. The domestic economic development faced triple pressures of shrinking demand, disrupted supply and weakening expectations. Against the backdrop, the Company will maintain its strategic determination, stick to the “three constants” principles of the President assuming full responsibility under the leadership of the Board of Directors, the market-oriented incentive and restraint mechanism and the stability of the cadre team and talents, and adhere to the core value of “customer-centric and creating value for customers”. We will continue to strengthen the implementation of strategies, take the enhancement of the “three capabilities in wealth management, Fintech and risk management” and building the 3.0 model as major tasks in implementing the “14th Five-Year Plan”, and uphold quality development which integrates innovation, coordination, green finance, openness and shared development. The specific business strategies are as follows: Firstly, insist on model transformation and focus on building wealth management capabilities. Secondly, insist on innovative development and focus on building Fintech capabilities. Thirdly, insist on quality development and focus on building risk management capabilities. Fourthly, Insist on openness and integration and focus on strengthening the integrated service of “ICPT”. Fifthly, insist on serving the real economy and focus on fulfilling social responsibilities.

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