

China Merchants Bank Announces 2022 Interim Results

Stable Operation and Results Net Profit Achieved Double-digit Growth Non-performing Loan Ratio Below 1%

2022 Interim Results Highlights

Overall asset quality remained stable with sufficient risk provisioning and compensation capabilities

- Non-performing loan ratio was 0.95%, an increase of 0.04 percentage point as compared with the end of the previous year.
- Allowance coverage ratio was 454.06%, a decrease of 29.81 percentage points as compared with the end of the previous year.
- Balance of allowances for impairment losses on loans was RMB256.027 billion, an increase of RMB9.923 billion or 4.03% as compared with the end of the previous year.
- Allowance-to-loan ratio was 4.44%, a decrease of 0.11 percentage points as compared with the end of the previous year.

Sound liabilities' structure upheld with steady increase in asset scale

- Total liabilities increased 5.32% to RMB8,829.330 billion year-on-year; total deposits from customers increased 10.87% to RMB7,037.185 billion year-on-year.
- Average daily balance of core deposits increased 12.64% to RMB5,635.730 billion as compared with the previous year, accounting for 87.15% of the average daily balance of customer deposits; average daily balance of demand deposits increased by 8.68% to RMB4,048.856 billion as compared to the previous year.
- Total assets amounted to RMB9,724.996 billion, representing an increase of 5.15% as compared with the end of the previous year; total loans and advances to customers amounted to RMB5,931.807 billion, representing an increase of 6.49% as compared with the end of the previous year.

Operating income growth demonstrated resilience with operating efficiency maintaining a favourable trend

- Net operating income increased 6.07% to RMB179.077 billion.
- Net profit attributable to shareholders of the Bank increased 13.52% year-on-year to RMB69.420 billion.

- Net interest income increased 8.41% year-on-year to RMB107.692 billion; net interest margin was 2.44%, a year-on-year decrease of 0.05 percentage points.
- Net non-interest income increased 2.73% year-on-year to RMB71.385 billion.

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

19 August, 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 2022 interim results.

In the first half of 2022, 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 scale of assets and liabilities and net profit grew steadily, and the overall asset quality is stable.

1. Overall Operation

In the first half of 2022, the Group realised the net operating income of RMB179.077 billion, representing a year-on-year increase of 6.07%; realised a net profit attributable to shareholders of the Bank of RMB69.420 billion, representing a year-on-year increase of 13.52%; realised the net interest income of RMB107.692 billion, representing a year-on-year increase of 8.41%; and realised the net non-interest income of RMB71.385 billion, representing a year-on-year increase of 2.73%. The annualised return on average asset (ROAA) attributable to shareholders of the Bank and the annualised return on average equity (ROAE) attributable to ordinary shareholders of the Bank were 1.46% and 18.07%, up by 0.04 percentage point and 0.01 percentage point year-on-year, respectively.

As at the end of the reporting period, the Group’s total assets amounted to RMB9,724.996 billion, representing an increase of 5.15% as compared with the end of the previous year. The total loans and advances to customers amounted to RMB5,931.807 billion, representing an increase of 6.49% as compared with the end of the previous year. Total liabilities amounted to RMB8,829.330 billion, representing an increase of 5.32% as compared with the end of the previous year. Total deposits from customers amounted to RMB7,037.185 billion, representing an increase of 10.87% 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

RMB56.386 billion, representing an increase of RMB5.524 billion as compared with the end of the previous year. The non-performing loan ratio was 0.95%, up by 0.04 percentage point as compared with the end of the previous year. The allowance coverage ratio was 454.06%, representing a decrease of 29.81 percentage points as compared with the end of the previous year; the allowance-to-loan ratio was 4.32%, representing a decrease of 0.10 percentage point as compared with the end of the previous year. The balance of allowances for impairment losses on loans of the Group amounted to RMB256.027 billion, representing an increase of RMB9.923 billion or 4.03% as compared with the end of the previous year.

2. Operating status of the Company

During the reporting period, the Company followed the established strategic direction and goals to accelerate the creation of the 3.0 model, striving to enhance the three major capabilities of wealth management, risk management and Fintech, integrate the professional advantages of investment banking, commercial banking, private banking, technology and research, and form the unique integrated service characteristics of ICPTR.

1. Strengthened effectiveness of extensive wealth management

Adhering to the core values of “being customer-centric and creating values for customers”, the Company has continued to build the cyclic value chain of extensive wealth management and expand the size of customer base, resulting in rapid development of the extensive wealth management business. As at the end of the reporting period, the Company had 178 million retail customers (including debit and credit card customers), among which, the number of customers holding wealth products was 40,748,6002, representing an increase of 7.84% as compared with the end of the previous year. Mid-to-high-end customer base continues to grow at a faster pace on a high base, among which, the number of Sunflower-level and above customers (those with minimum daily average total assets of RMB500,000 for each month) was 4,023,600, representing an increase of 9.58% as compared with the end of the previous year. The number of private banking customers (retail customers of the Company with minimum total daily average assets of RMB10 million per month) was 130,029, representing an increase of 6.53% as compared with the end of the previous year. There were 70.4835 million active credit card users, representing an increase of 1.07% as compared with the end of the previous year.

The balance of total assets under management from retail customers of the Company amounted to RMB11,717.713 billion (daily average for each month, scale exceeded RMB10 10,000 billion as at the end of the reporting period), representing an increase of 8.91% as compared with the end of the previous year. Among them, the balance of total assets under management from the Sunflower-level and above customers amounted to



RMB9,571.351 billion, representing an increase of 8.32% as compared with the end of the previous year. Total assets under management from private banking customers amounted to RMB3,647.877 billion, representing an increase of 7.48% as compared with the end of the previous year, ranking first in the industry in terms of size.

The wholesale finance segment continued to iterate and optimise the segmentation and classification service system, focusing on building ecological customer acquisition and operation capabilities around customers from the inner ring, the middle ring and the outer ring of core enterprises and their industrial chains and investment chains, with the aim to accelerate the adjustment of the customer structure. As at the end of the reporting period, the total number of corporate customers of the Company reached 2,410,100. Among them, the number of corporate customers with a daily average deposit of more than RMB500,000 reached 242,800, representing an increase of 5.66% over the end of the previous year.

As at the end of the reporting period, the Company's balance of aggregate financing products to corporate customers (FPA) was RMB5,147.800 billion, representing an increase of RMB411.931 billion over the beginning of the year. As at the end of the reporting period, the total asset management business of CMB Wealth Management, China Merchants Fund, CIGNA & CMAM and CMB International Capital, all being subsidiaries of the Company, amounted to RMB4.60 trillion, representing an increase of 6.73% as compared with the end of the previous year. As at the end of the reporting period, the balance of assets under custody of the Company increased 5.76% to RMB20.58 trillion as compared with the end of the previous year, ranking first in the industry in terms of size. The income from extensive wealth management of the Group was RMB28.257 billion, representing a year-on-year increase of 0.30%. The asset management and custody business strengthened its advantages, with fee and commission income increasing by 32.84% and 6.58% respectively.

2. Strengthened strategy implementation in the retail finance segment

The retail finance segment built an open product platform and operation platform. The "TREE Asset Allocation System of CMB" was upgraded, providing retail customers with a professional allocation solution that includes four types of wealth management products: active money management, security management, prudent investment and aggressive investment. As at the end of the reporting period, the number of customers who carry out asset allocation under this system reached 7,968,000. The scale of management of family offices and family trusts both exceeded RMB100 billion, with the new management scale of family trusts in the first half of the year exceeding that of the previous year. The Company introduced the wealth management products of peer banks into the retail product system and built a "one-stop" agency sales of wealth management products



platform. As at the end of the reporting period, CMB Wealth Management and a total of 9 peer bank wealth management subsidiaries were introduced to retail customers. The Bank also introduced asset management institutions to settle on the “Zhao Cai Hao (招財號)” open platform through market-oriented screening, a total of 126 asset management institutions were introduced, providing wealth information services to customers for more than 221 million times during the reporting period.

Retail loans business has continued to grow in scale as the company have strengthened asset marketing to weather the challenges. In the first half of 2022, retail loans amounted to RMB3,041.089 billion, representing an increase of RMB100.069 billion or 3.40% as compared with the end of the previous year, maintaining its leading position in the industry and further increasing its market share. The Company continued to deepen the transformation of its credit card business and laid a solid foundation for business growth. The credit card transactions of the Company increased 4.88% to RMB2,387.983 billion as compared with the corresponding period of the previous year, ranking first in industry in terms of growth rate.

3. Deepened transformation of the wholesale finance business

The Company took advantage of the Digital Bank and upgrade its customer service model with the integration of ICPTR to enhance customer experience, so as to realise industry-based professional operation and integrated customer service.

With respect to bill business, the Company had 110,154 customers of bill business, representing a year-on-year increase of 5.14%; and its bills direct discounting business volume amounted to RMB843.923 billion, representing a year-on-year increase of 20.29%, ranking second in the market. With respect to transaction banking business, the Company provided services of billing, investment and wealth management, budget management, financing management, international business, etc. through its CBS+ treasury management open platform, serving 4,154 group customers, with 160,400 companies under management, representing an increase of 10.70% as compared with the end of the previous year. With respect to investment banking business, the Company continued to enhance its ability to provide systemized services in the capital market. the bonds with the Company as the lead underwriter amounted to RMB343.095 billion, ranking third in the industry in terms of the size of debt financing instruments. Meanwhile, the Company continued to expand services for listed companies and achieved M&A business value of RMB116.871 billion, representing a year-on-year increase of 15.72%. With regards to institutional business, as at the end of the reporting period, the Company had provided entrusted enterprise annuity and account management services to 7,708 corporate customers across the country, and provided entrusted occupational annuity services to

27 provinces (regions and municipalities). Entrusted enterprise and occupational annuities amounted to RMB152.998 billion. On the other hand, the Company's international settlement in respect of corporate customers amounted to US\$214.674 billion, representing a year-on-year increase of 21.39%. The trading volumes of transaction services to the corporate customers amounted to US\$134.003 billion, representing a year-on-year increase of 25.48%.

4. Continuously enhanced Fintech capabilities

Focusing on the mainstay of building the cyclic extensive wealth management value chain, the Company deeply promoted the digital transformation and development of the Bank and the upgrade of the 3.0 business model. During the reporting period, the information technology expenses amounted to RMB5.360 billion, up by 6.03% year-on-year, and the ratio of the information technology expenses to the Company's net operating income was 3.26%. The Company continued to promote the migration of hosts and applications to cloud, laying a solid foundation for agile business development. As at the end of the reporting period, the overall cloud migration rate exceeded 90%, the overall development in respect of the migration of hosts to cloud was largely completed, and retail business completed "experience intact" migration to cloud, thus fully entering the era of cloud services.

The Company continued to increase efforts to introduce Fintech talents, and recruit digital talents to help the Bank build the cyclic extensive wealth management value chain from the basics of the team building. At the same time, the Company has established an internal training and cultivation system for Fintech talents, driving for the building of personnel teams such as product managers, operation managers and data analysts, so as to continuously promote a stronger product mindset of the technology team, and strengthen the awareness of digital transformation for all employees of the Bank to foster their digital thinking of all employees of the Bank. As at the end of the reporting period, the number of R&D personnel of the Group reached 10,392, representing an increase of 3.48% as compared with the end of the previous year, accounting for 10.00% of total number of employees of the Group.

Leveraging on Fintech, the Company will connect to the digital society and the digital economy in an all-round way to build a "Digital CMB" by focusing on online, data, intelligence, platform and ecology. As at the end of the reporting period, 98% of the non-cash business of retail customers could be handled through CMB APP and 96% of the basic services of corporate customers were available online. In terms of data, the Bank has access to an aggregate of 300 external data sources which have been widely used in retail, wholesale, risk-related and other business sectors. In terms of intelligentisation,



smart AI customer service, the Conch RPA and other smart application achieved the replacement of a total of more than 10,000 staff. The intelligent risk control platform named “Libra” lowered the percentage of fraud and account takeover amounts by non-cardholders to 0.4 in ten millionths, down by 54.50% as compared with the previous year. Focusing on platforms, the Company opened 2,078 API interfaces to corporate customers, representing an increase of 63% as compared with the end of the previous year, and served 12,001 corporate customers in total. In terms of ecology, empowering the extensive wealth management ecosystem with technology, the Company built a “one-stop” agency sales platform of wealth management products. “Zhao Ying Tong (招贏通)” platform had provided customers with a total of 6,658 asset management products from 87 asset management institutions.

5. Demonstrated prominent flywheel effect gradually

Through business integration, the Company realised the “flywheel effect” of mutual promotion across business lines and business units to create rich ecological scenarios for customers.

During the reporting period, the Company recommended bond assets of RMB63.8 billion for CMB Wealth Management. The number of customers subscribing “Zhao Zhao Bao” reached 20,082,000, an increase of 30.38% as compared with the end of the previous year, with a position amount of RMB186.266 billion at the end of the period, representing an increase of 37.52%. As at the end of the reporting period, subsidiaries totally contributed RMB2.61 trillion in AUM (total assets under management from retail customers) balance and RMB745.652 billion in FPA (aggregate financing products to corporate customers) balance to the Company.

The balance of wealth management products managed by CMB Wealth Management was RMB2.88 trillion¹⁹, representing an increase of 3.60% as compared with the end of the previous year, maintained first in ranking in terms of size. the balance of its new products²¹ amounted to RMB2.74 trillion, representing an increase of 5.38% as compared with the end of the previous year, accounting for 95.14% of the balance of the total wealth management products, while the remaining old products were used to take up case assets that had been approved by the regulatory authorities.

China Merchants Fund maintained a stable growth in the scale of capital management, of which the scale of non-monetary mutual funds reached RMB586.8 billion, representing an increase of 7.01% as compared with the end of the previous year, ranking top 5 in the industry for the first time.



Total assets of CMB Financial Leasing amounted to RMB266.216 billion and realise a net profit of RMB1.966 billion during the reporting period, representing an increase of 23.40% and 24.35% respectively.

Total assets of Merchants Union Consumer Finance amounted to RMB142.971 billion and realised a net profit of RMB1.937 billion during the reporting period, representing an increase of 10.11% and 25.62% respectively.

6. Effectively managed major business risks

The Company managed to maintain a stable asset quality for retail loans by constantly optimising its strategies for risk management. The non-performing rate fluctuates at a low level. The balance of non-performing retail loans amounted to RMB25.211 billion with a non-performing loan ratio of 0.82%, up by 0.01 percentage point as compared with the end of the previous year. The non-performing loan ratio of credit card loans was 1.67%, up by 0.02 percentage point as compared with the end of the previous year. The special-mention retail loan ratio was 1.19%, up by 0.07 percentage point as compare with the end of the previous year. The increase in the special-mentioned loan ratio was mainly due to the increase in non-overdue loans as a result of external risk signals affected by the pandemic, and the downgrade rate of special-mentioned loans into non-performing loans remained in a downward trend.

In terms of corporate loan, the non-performing loan ratio of the Group in terms of other industries decreased steadily except for real estate industry and construction industry. The non-performing loan ratio of the Group in terms of real estate industry and construction industry increased due to the risk exposure of high-debt real estate enterprises and individual corporate customers with poor management. The balance of our corporate loans amounted to RMB2,301.082 billion, representing an increase of 6.98% as compared to the end of the previous year. The balance of non-performing corporate loans amounted to RMB31.175 billion, an increase of RMB4.443 billion as compared with the end of the previous year; and the non-performing loan ratio of corporate loans was 1.35%, up by 0.11 percentage point as compared with the end of the previous year.

The Group has always adhered to the positioning of “Houses are for living in and not for speculative investment”, closely focused on the expected goal of stabilising land prices and housing prices, followed the national guidelines to provide financial support for “guaranteeing the delivery of housing, people’s livelihood and stability (保交樓、保民生、保穩定)”. As at the end of the reporting period, the total balance of the businesses relating to real estate of which the Group assumed credit risks, such as actual and contingent credit, proprietary bond investments, and proprietary investment of non-standardised



assets amounted to RMB493.712 billion, representing a decrease of 3.48% as compared with the end of the previous year. The total balance of the businesses of which the Group did not 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 RMB316.381 billion, representing a decrease of 23.22% as compared with the end of the previous year. In addition, as at the end of the reporting period, the Company's corporate real estate loan balance was RMB355.206 billion, representing a decrease of RMB771 million as compared with the end of the previous year, accounting for 6.35% of the Company's total loans and advances to customers, representing a decrease of 0.43 percentage point as compared with the end of the previous year. As at the end of the reporting period, the structure of real estate loan customers and regional structure of the Company have remained sound, among which, the balance of loans with customers featuring high credit rating accounted for more than 80%; in terms of regions where the projects were located, 85% of real estate development loan balance was in the urban areas of first-tier and second-tier cities. As at the end of the reporting period, the Company's non-performing loan ratio of corporate real estate loans was 2.95%, representing an increase of 1.56 percentage points as compared with the end of the previous year.

Under the circumstance of sluggish real estate sales and credit risk exposure of real estate enterprises in some cities, the residential mortgage loan business of the Company was further tilted in favor to the first-tier and second-tier cities with rapid economic development, relatively stable housing prices and strong consumer demand from buyers. During the reporting period, the amount of residential mortgage loans newly granted by the Company in the first-tier and second-tier cities accounted for 88.44% of the total amount of residential mortgage loans newly granted by the Company, up by 4.22 percentage points year-on-year. The balance of residential mortgage loans in the first-tier and second-tier cities as at the end of the reporting period accounted for 86.29% of the balance of residential mortgage loans of the Company as at the end of the reporting period, representing an increase of 0.25 percentage point as compared with the end of the previous year. At the same time, the weighted average loan-to-value ratio of residential mortgage loans as at the end of the reporting period was 33.28%, which represented a better ratio with 1.10 percentage points lower than that of the end of the previous year and sufficient collaterals as well as a stable and favorable trend, the overall risk of residential mortgage loan business was controllable.

7. Actively implemented the concepts of ESG

With the sustainable development goal of “committing to sustainable finance, enhancing



sustainable value and promoting sustainable development”, the Company proactively improved the social responsibility management mechanism, efficiently communicated with stakeholders, and earnestly fulfilled its corporate social responsibilities, thereby continuously contributing to sustainable economic and social development.

As at the end of the reporting period, the balance of green loans was RMB312.183 billion, representing an increase of RMB48.341 billion or 18.32% as compared with the end of the previous year, 10.87 percentage points higher than the growth rate of corporate loans. Green loans were mainly granted to the fields of energy conservation and environmental protection, clean production, clean energy, ecological environment, green upgrade of infrastructure and green services. With respect to green bonds, during the reporting period, the Company assisted a total of 13 enterprises in issuing 19 green bonds with a total issuance size of RMB42.538 billion. Specifically, the Company underwrote RMB19.312 billion in those bonds as the leading underwriter, including RMB16.062 billion in 10 carbon neutrality bonds, with the funds from which having been invested in rail transportation, renewable energy and other fields, which strongly fortified the direct financing of green and low-carbon enterprises. With regard to green investment, the Company completed the agency sales of 63 new energy and photovoltaic funds. As at the end of the reporting period, the balance of investments in green bonds was RMB24.603 billion. there were 6 existing ESG-related products with an existing fund size of RMB2.668 billion.

The Company integrated its own development strategies with national policies, adhered to the origin of financial institutions serving the real economy, and constantly enhanced overall services to corporate customers. As at the end of the reporting period, the Company’s balance of loans to manufacturing industry was RMB363.527 billion, and its balance of loans to strategic emerging industries was RMB254.812 billion. The balance of SME inclusive finance loans of the Company amounted to RMB650.795 billion⁸, representing an increase of RMB49.695 billion or 8.27% as compared with the end of the previous year, which was 1.73 percentage points higher than the growth rate of overall loans of the Company. The number of accounts with SME inclusive finance loan balance were 1,061,400, representing an increase of 148,100 as compared with the end of the previous year. During the reporting period, newly granted SME inclusive finance loans amounted to RMB242.683 billion and had an average interest rate of 5.31%.

During the reporting period, the Company strengthened financial support for the enterprises that are in industries most seriously affected by the pandemic. The total amount of loan principal and interest repayment deferred by the Company for customers suffered in difficulties were RMB15.528 billion, it is expected that most of the borrowers

may repay the principal and interest normally in the future and the effect on asset quality is overall controllable.

3. Outlook

In the second half of the year, China's economy will be in the recovery stage after hitting the bottom for the second time in the three-year pandemic. Investment in infrastructure and manufacturing industry will become the main force of the policy to stabilise growth, increasing its contribution to economic growth. 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. The Company will adhere to the core value of "customer-centric and create value for customers" and by focusing on the value creation chain of "increment-increasing revenue- increasing efficiency-increasing value", comprehensively strengthen management and promote the development of various key tasks, accelerating the establishment of the "Malik Curve" of CMB.

The specific business strategies are as follows: Firstly, the Company will adhere to established strategies and continue to build the 3.0 model of extensive wealth management. Secondly, the Company will improve overall internal management to ensure high-quality development. Thirdly, the Company will facilitate faster development in key regions and create new growth engines for high-quality development. Fourthly, the Company will leverage on Fintech to accelerate the establishment of "Digital CMB". Fifthly, the Company will build a fortress-style risk compliance management system to maintain a stable asset quality.

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