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招商銀行股份有限公司
CHINA MERCHANTS BANK CO., LTD.
(H Share Stock Code: 03968)

THIRD QUARTERLY REPORT OF 2022

The financial information set out in this quarterly report is unaudited and prepared in accordance with the International Financial Reporting Standards.

This announcement is made by the Company pursuant to Rule 13.09 and Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

1 Important Notice

The Board of Directors, the Board of Supervisors, Directors, Supervisors and senior management of the Company confirm that the contents in this report are true, accurate, and complete and have no false representations, misleading statements or material omissions, and they will individually and collectively accept legal responsibility for such contents.

Miao Jianmin, Chairman of the Board of Directors of the Company, Wang Liang, President and Chief Executive Officer, Chief Financial Officer and Secretary of the Board of Directors, and Li Li, the person in charge of the Finance and Accounting Department, hereby make representations in respect of the truthfulness, accuracy and completeness of the financial information in this report.

The 7th meeting of the Twelfth Session of the Board of Directors and the 4th meeting of the Twelfth Session of the Board of Supervisors of the Company had reviewed and unanimously approved the third quarterly report of 2022 of the Company, respectively.

All financial statements set out in this report are prepared in accordance with the International Financial Reporting Standards and are unaudited. The unaudited quarterly report prepared by the Company in accordance with the PRC Accounting Standards has been published on the website of Shanghai Stock Exchange. Unless otherwise stated, all monetary sums stated in this report are expressed in RMB. In the event of any discrepancies in interpretation between the English and Chinese versions, the Chinese version shall prevail.

“China Merchants Bank”, “the Company” and “the Bank” mentioned in this report refer to China Merchants Bank Co., Ltd.; “the Group” refers to China Merchants Bank Co., Ltd. and its subsidiaries; “CMB Wing Lung Bank” refers to CMB Wing Lung Bank Limited; “CMB Financial Leasing” or “CMBFL” refers to CMB Financial Leasing Co., Ltd.; “CMB International Capital” or “CMBIC” refers to CMB International Capital Holdings Corporation Limited; “CMB Wealth Management” refers to CMB Wealth Management Company Limited; “China Merchants Fund” or “CMFM” refers to China Merchants Fund Management Co., Ltd.; and “CIGNA & CMAM” refers to CIGNA & CMB Asset Management Company Limited.

We have included in this report certain forward-looking statements with respect to the financial position, operating results and business development of the Group. We use words such as “will”, “may”, “expect”, “try”, “strive”, “plan”, “anticipate”, “aim at”, and similar expressions in this report to indicate forward-looking statements. These statements are based on current plans, estimates and projections. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, the Group gives no assurance that these expectations will turn into reality or prove to be correct. Therefore, they should not be deemed as the Group’s commitments. Investors should not place undue reliance on such statements and should pay attention to investment risks. You are cautioned that such forward-looking statements are related to future events or future financial position, business, or other performances of the Group, and are subject to a number of uncertainties which may cause substantial differences from those in the actual results.

2 Major Financial Data

2.1 Major accounting data and financial indicators of the Group

<i>(in millions of RMB, unless otherwise stated)</i>	At the end of the reporting period 30 September 2022	At the end of last year 31 December 2021	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
Total assets	9,707,111	9,249,021	4.95
Equity attributable to shareholders of the Bank	919,582	858,745	7.08
Net assets per share attributable to ordinary shareholders of the Bank <i>(in RMB Yuan)</i>	31.69	29.01	9.24

<i>(in millions of RMB, unless otherwise stated)</i>	January to September 2022	January to September 2021	Increase/decrease as compared to the corresponding period of last year (%)
Net cash generated from operating activities	146,494	82,382	77.82

<i>(in millions of RMB, unless otherwise stated)</i>	July to September 2022	Increase/decrease during the period from July to September 2022 as compared to the corresponding period of last year (%)	January to September 2022	Increase/decrease during the period from January to September 2022 as compared to the corresponding period of last year (%)
Net operating income	85,765	3.76	264,842	5.31
Net profit attributable to shareholders of the Bank	37,502	15.52	106,922	14.21
Basic earnings per share attributable to ordinary shareholders of the Bank <i>(in RMB Yuan)</i>	1.47	15.75	4.15	14.64
Diluted earnings per share attributable to ordinary shareholders of the Bank <i>(in RMB Yuan)</i>	1.47	15.75	4.15	14.64
Annualised weighted average return on net assets attributable to ordinary shareholders of the Bank (%)	19.05	Increase of 0.36 percentage point	18.22	Increase of 0.11 percentage point

Notes:

- (1) Such indicators are calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies Offering Securities to the Public No. 9—Calculation and Disclosure of Return on Net Assets and Earnings per Share. The Company issued non-cumulative preference shares in 2017 and perpetual bonds in July 2020 and December 2021, both of which are classified as other equity instruments. When calculating basic and diluted earnings per share attributable to ordinary shareholders of the Bank, return on average equity, net assets per share and other indicators, dividends on the preference shares and interests on perpetual bonds paid or accrued in current period shall be deducted from “net profit attributable to shareholders of the Bank”, while the balance of the preference shares and perpetual bonds shall be deducted from both the “average equity” and the “net assets”. The Company paid interests on perpetual bonds of RMB1.975 billion and accrued dividends of preference shares of RMB352 million in current period.
- (2) In the third quarter of 2022, the Company has despatched the notice and relevant materials to shareholders of offshore preference shares and financial agents regarding the redemption of all offshore preference shares on 25 October 2022, which formed relevant current obligations at the end of the reporting period. According to the relevant requirements of “International Accounting Standard 32 – Financial Instruments: Presentation” on reclassification between financial liabilities and equity instruments, the Company reclassifies the relevant amount of offshore preference shares from equity to liabilities. Please refer to “3.2 Information on the shareholders of preference shares” for details on the redemption of relevant offshore preference shares.
- (3) For the period from January to September 2022, the Group’s net cash generated from operating activities amounted to RMB146.494 billion, representing a year-on-year increase of 77.82%, which was mainly due to the year-on-year increase in deposits from customers.

2.2 Explanation on the differences between the financial statements prepared in accordance with the PRC Accounting Standards and the International Financial Reporting Standards

In the financial statements prepared by the Group in accordance with the PRC Accounting Standards and the International Financial Reporting Standards, there has been no difference in the net profit attributable to shareholders of the Bank for the reporting period ended 30 September 2022 and the equity attributable to shareholders of the Bank as at the end of the reporting period.

3 Information on Shareholders

3.1 Information on the shareholders of ordinary shares

As at the end of the reporting period, the holders of ordinary shares of the Company are in a total of 637,594, including 608,183 holders of A Shares and 29,411 holders of H Shares. Neither the holders of A Shares nor the holders of H Shares are subject to restrictions on sales. As at the end of the reporting period, the top 10 ordinary shareholders and the top 10 ordinary shareholders whose shareholdings are not subject to restrictions on sales of the Company were as follows.

No.	Name of shareholder	Type of shareholder	Shares held at the end of the period (share)	Percentage of total share capital (%)	Type of shares	Changes as compared to the end of last year (share)	Shares subject to restrictions on sales (share)	Shares pledged, marked or frozen (share)
1	HKSCC Nominees Ltd.	Offshore legal person	4,553,007,721	18.05	H Shares not subject to restrictions on sales	601,406	-	Unknown
2	China Merchants Steam Navigation Co., Ltd.	State-owned legal person	3,289,470,337	13.04	A Shares not subject to restrictions on sales	-	-	-
3	China Ocean Shipping Company Limited	State-owned legal person	1,574,729,111	6.24	A Shares not subject to restrictions on sales	-	-	-
4	Hong Kong Securities Clearing Company Limited	Offshore legal person	1,415,800,792	5.61	A Shares not subject to restrictions on sales	-101,654,987	-	-
5	Shenzhen Yan Qing Investment and Development Company Ltd.	State-owned legal person	1,258,542,349	4.99	A Shares not subject to restrictions on sales	-	-	-
6	China Merchants Financial Holdings Co., Ltd.	State-owned legal person	1,147,377,415	4.55	A Shares not subject to restrictions on sales	-	-	-
7	Hexie Health Insurance Co., Ltd. – Traditional – Ordinary insurance products	Domestic legal person	1,130,981,537	4.48	A Shares not subject to restrictions on sales	-10,000	-	-
8	Shenzhen Chu Yuan Investment and Development Company Ltd.	State-owned legal person	944,013,171	3.74	A Shares not subject to restrictions on sales	-	-	-
9	Dajia Life Insurance Co., Ltd. – Universal products	Domestic legal person	804,907,835	3.19	A Shares not subject to restrictions on sales	-10,122,800	-	-
10	COSCO Shipping (Guangzhou) Co., Ltd.	State-owned legal person	696,450,214	2.76	A Shares not subject to restrictions on sales	-	-	-

Notes:

- (1) Shares held by HKSCC Nominees Ltd. are the total shares in the accounts of holders of H Shares of the Company trading on the transaction platform of HKSCC Nominees Ltd.. Hong Kong Securities Clearing Company Ltd. is an institution designated by others to hold shares on behalf of them as a nominal holder, and the shares held by it are the A shares of China Merchants Bank acquired by investors through Shanghai-Hong Kong Stock Connect.
- (2) As at the end of the reporting period, of the aforesaid top 10 shareholders, HKSCC Nominees Ltd. is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Ltd.; China Merchants Steam Navigation Co., Ltd., Shenzhen Yan Qing Investment and Development Company Ltd., China Merchants Financial Holdings Co., Ltd. and Shenzhen Chu Yuan Investment and Development Company Ltd. are all subsidiaries of China Merchants Group Ltd., among them, China Merchants Finance Investment Holdings Co., Ltd. officially changed its name to China Merchants Financial Holdings Co., Ltd. on 9 September 2022; China Ocean Shipping Company Limited and COSCO Shipping (Guangzhou) Co., Ltd. are both subsidiaries of China COSCO Shipping Corporation Limited. The Company is not aware of any affiliated relationships or action in concert among other shareholders.
- (3) The above shareholders of A shares did not hold the shares of the Company through credit securities accounts, neither were there cases of proxy, trustee nor waiver of voting rights.

3.2 Information on the shareholders of preference shares

Number of the shareholders of preference shares and their shareholdings

As at the end of the reporting period, the Company had a total of 20 holders of preference shares (or their nominees), including 1 holder of offshore preference shares (or its nominee) and 19 holders of domestic preference shares. During the period from January to September 2022, the Company did not restore any voting right of the preference shares. As at the end of the reporting period, the Company had no holder of preference shares with voting right restored.

As at the end of the reporting period, the shareholdings of the top 10 holders of offshore preference shares (or their nominees) of the Company were as follows.

No.	Name of shareholder	Type of shareholder	Type of shares	Shares held at the end of the period <i>(share)</i>	Percentage of shareholding <i>(%)</i>	Changes as compared to the end of last year <i>(share)</i>	Shares subject to restrictions on sales <i>(share)</i>	Shares pledged, marked or frozen <i>(share)</i>
1	The Bank of New York Depository (Nominees) Limited	Offshore legal person	Offshore preference shares	50,000,000	100	-	-	Unknown

Notes:

- (1) The shareholding of holders of preference shares is calculated based on the information listed in the register of holders of preference shares maintained by the Company.
- (2) As the issuance is an offshore non-public issuance, the information listed in the register of holders of preference shares is the information on the nominees of the places.
- (3) The Company is not aware of any affiliated relationship or action in concert among the above holders of preference shares and the top 10 holders of ordinary shares.
- (4) "Percentage of shareholding" represents the percentage of the number of offshore preference shares held by the holders of preference shares to the total number of offshore preference shares.

As at the end of the reporting period, the shareholdings of the top 10 holders of domestic preference shares of the Company were as follows:

No.	Name of shareholders	Type of shareholders	Type of shares	Shares held at the end of the period (share)	Percentage of shareholding (%)	Changes as compared to the end of last year (share)	Shares subject to restrictions on sales (share)	Shares pledged, marked or frozen (share)
1	China Mobile Communications Group Co., Ltd.	State-owned legal person	Domestic preference shares	106,000,000	38.55	-	-	-
2	CCB Capital – “Qianyuan – Private” (乾元 – 私享), an open private banking RMB wealth management product (daily calculated) of China Construction Bank –Anxin Private (安鑫私享) No.2 Special Asset Management Scheme of CCB Capital	Others	Domestic preference shares	40,000,000	14.55	-	-	-
3	BOC Asset – Bank of China – Bank of China Limited, Shenzhen Branch	Others	Domestic preference shares	25,000,000	9.09	-	-	-
4	China National Tobacco (Henan Province) Company	State-owned legal person	Domestic preference shares	20,000,000	7.27	-	-	-
	Ping An Property & Casualty Insurance Company of China, Ltd. – Traditional – Ordinary insurance products	Others	Domestic preference shares	20,000,000	7.27	-	-	-
6	China National Tobacco (Anhui Province) Company	State-owned legal person	Domestic preference shares	15,000,000	5.45	-	-	-
	China National Tobacco (Sichuan Province) Company	State-owned legal person	Domestic preference shares	15,000,000	5.45	-	-	-
8	Everbright Securities Asset Management – China Everbright Bank – Xinyou (鑫優) No.2 Collective Asset Management Scheme of Everbright Securities Asset Management	Others	Domestic preference shares	9,000,000	3.27	-	-	-
9	Everbright Securities Asset Management – China Everbright Bank – Xinyou (鑫優) Collective Asset Management Scheme of Everbright Securities Asset Management	Others	Domestic preference shares	7,200,000	2.62	-800,000	-	-
10	Changjiang Pension Insurance - Bank of China – China Pacific Life Insurance Co., Ltd.	Others	Domestic preference shares	5,000,000	1.82	-	-	-
	China National Tobacco (Liaoning Province) Company	State-owned legal person	Domestic preference shares	5,000,000	1.82	-	-	-

Notes:

- (1) The shareholdings of holders of domestic preference shares are listed by single account based on the information presented in the register of holders of preference shares maintained by the Company.
- (2) China National Tobacco (Henan Province) Company, China National Tobacco (Anhui Province) Company, China National Tobacco (Sichuan Province) Company and China National Tobacco (Liaoning Province) Company are all wholly-owned subsidiaries of China National Tobacco Corporation. “Everbright Securities Asset Management –China Everbright Bank – Xinyou (鑫優) No. 2 Collective Asset Management Scheme of Everbright Securities Asset Management” and “Everbright Securities Asset Management – China Everbright Bank – Xinyou (鑫優) Collective Asset Management Scheme of Everbright Securities Asset Management” are both managed by Everbright Securities Asset Management Co. Ltd.. Save for the above, the Company is not aware of any affiliated relationship or action in concert among the above holders of preference shares or between the above holders of preference shares and the Company’s top 10 holders of ordinary shares.
- (3) “Percentage of shareholdings” represents the percentage of the number of domestic preference shares held by the holders of preference shares to the total number of domestic preference shares.

Exercising redemption rights of offshore preference shares

On 20 May 2022, the “Resolution on the Full Redemption of US\$1.0 Billion Offshore Preference Shares of China Merchants Bank Co., Ltd.” was considered and approved at the 41st meeting of the Eleventh Session of the Board of Directors of the Company, and it was agreed that: Upon satisfying the prerequisites for the full redemption of the Offshore Preference Shares, the Company can fully redeem the offshore preference shares of the Company and pay the undistributed dividends at the same time. Later, the Company received a reply letter from the China Banking and Insurance Regulatory Commission (CBIRC) with no objections raised regarding the Company’s redemption of US\$1.0 billion Offshore Preference Shares. On 25 October 2022, the Company redeemed all offshore preference shares. Upon redemption and cancellation of the aforementioned offshore preference shares on the redemption date, the Company does not have any offshore preference shares in issue. Accordingly, the Company has applied to The Stock Exchange of Hong Kong Limited to withdraw the listing of the relevant Offshore Preference Shares. The Withdrawal of listing of the above offshore preference shares has taken effect after 4:00 p.m., 26 October 2022 (Beijing time). For details, please refer to the Company’s relevant announcements published on the websites of Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company on 20 May, 1 August, 29 August and 26 October 2022.

4 Management Discussion and Analysis

4.1 Analysis of overall operation

Since 2022, CMB continued to maintain stability in its strategies, corporate governance mechanism, operation and management as well as talent pool against the backdrop of complex operating environment in China and abroad. Keeping to the strategic plan of the “14th Five-Year Plan”, CMB forged ahead with the strategic vision of “being the best value-creating bank” along with the strategic direction of “Light-model Bank” to further advance the transformation of the 3.0 model. In terms of strategy implementation, CMB has continuously optimised its business tactics in alignment with the changes in macroeconomic environment and policies as well as its own operational needs, giving full play to the retail business edge and the comprehensive service advantages of investment banking, commercial banking, private banking, technology and research. By focusing on the acquisition of three major capacities of “wealth management, risk management and Fintech”, CMB fostered the improvement of operation and management, thus achieving a steady growth of its operating results.

From January to September 2022, the Group realised net operating income of RMB264.842 billion, representing a year-on-year increase of 5.31%; realised a net profit attributable to shareholders of the Bank of RMB106.922 billion, representing a year-on-year increase of 14.21%; realised the net interest income of RMB162.130 billion, representing a year-on-year increase of 7.63%; and realised the net non-interest income of RMB102.712 billion, representing a year-on-year increase of 1.85%. The annualised return on average asset (ROAA) attributable to shareholders of the Bank and annualised return on average equity (ROAE) attributable to ordinary shareholders of the Bank was 1.50% and 18.22%, respectively, up by a respective year-on-year percentage point of 0.06 and 0.11.

As at the end of the reporting period, the Group’s total assets amounted to RMB9,707.111 billion, representing an increase of 4.95% as compared with the end of the previous year. The total loans and advances to customers amounted to RMB5,994.374 billion, representing an increase of 7.62% as compared with the end of the previous year. Total liabilities amounted to RMB8,779.344 billion, representing an increase of 4.72% as compared with the end of the previous year. Total deposits from customers amounted to RMB7,090.067 billion, representing an increase of 11.71% as compared with the end of the previous year (the amount of deposits, loans and financial investments in the “Management Discussion and Analysis” of this report does not include interest receivable or payable).

As at the end of the reporting period, the Group's balance of non-performing loans amounted to RMB57.088 billion, representing an increase of RMB6.226 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 455.67%, representing a decrease of 28.20 percentage points as compared with the end of the previous year. The allowance-to-loan ratio was 4.34%, representing a decrease of 0.08 percentage point as compared with the end of the previous year.

This year, the Group's operation is expected to be under pressure upon the impacts from the global economic downturn, the recurrence of the pandemic, the adjustment of the real estate industry, the decline in interest rates and the fluctuation of the capital market. The Group will continue to take a differentiated development path by adhering to the strategic direction, with a steadfast belief in the core value of "being customer-centric and creating value for customers". Focusing on the value creation chain of "increment-increasing revenue-increasing efficiency-increasing value", the Group will strengthen its management in an all-round way, utilise the business edge and enhance the internal capital sourcing capacity to achieve a stable growth of operating results on an annual basis.

4.2 Analysis of statement of profit or loss

Net interest income

From January to September 2022, the Group's net interest income amounted to RMB162.130 billion, representing a year-on-year increase of 7.63% and accounting for 61.22% of net operating income.

From January to September 2022, the net interest spread and the net interest margin of the Group were 2.30% and 2.41% respectively, representing a respective year-on-year decrease of 9 and 7 basis points, which was mainly due to the year-on-year decrease in the yield on interest-earning assets. On the one hand, multiple downward adjustments to LPR, coupled with weak financing demand led to the decrease in loan yields. On the other hand, in recent years, with the downward movement of interest rate, the yield on bond investments decreased at the same time.

The Group	January to September 2022			January to September 2021		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
<i>(in millions of RMB, except for percentages)</i>						
Interest-earning assets						
Loans and advances to customers	5,798,250	198,116	4.57	5,301,843	185,741	4.68
Financial investments	1,969,063	47,764	3.24	1,637,126	41,157	3.36
Balances with the central bank	555,677	6,193	1.49	529,904	5,813	1.47
Balances and placements with banks and other financial institutions	659,428	9,718	1.97	652,261	9,195	1.88
Total	8,982,418	261,791	3.90	8,121,134	241,906	3.98
<i>(in millions of RMB, except for percentages)</i>						
	Average balance	Interest expense	Annualised average cost ratio (%)	Average balance	Interest expense	Annualised average cost ratio (%)
Interest-bearing liabilities						
Deposits from customers	6,842,097	77,351	1.51	5,894,100	61,772	1.40
Deposits and placements from banks and other financial institutions	993,022	11,914	1.60	1,087,453	13,687	1.68
Debt securities issued	352,018	7,821	2.97	401,683	9,230	3.07
Borrowings from the central bank	123,378	2,172	2.35	296,607	6,161	2.78
Lease liabilities	13,571	403	3.97	14,194	418	3.94
Total	8,324,086	99,661	1.60	7,694,037	91,268	1.59
Net interest income	/	162,130	/	/	150,638	/
Net interest spread	/	/	2.30	/	/	2.39
Net interest margin	/	/	2.41	/	/	2.48

The Group <i>(in millions of RMB, except for percentages)</i>	July to September 2022			April to June 2022		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
Interest-earning assets						
Loans and advances to customers	5,928,303	66,912	4.48	5,781,135	65,604	4.55
Financial investments	2,067,350	16,742	3.21	1,965,576	15,864	3.24
Balances with the central bank	548,779	2,170	1.57	551,638	2,047	1.49
Balances and placements with banks and other financial institutions	604,711	3,106	2.04	691,180	3,060	1.78
Total	9,149,143	88,930	3.86	8,989,529	86,575	3.86
<i>(in millions of RMB, except for percentages)</i>	Average balance	Interest expense	Annualised average cost ratio (%)	Average balance	Interest expense	Annualised average cost ratio (%)
Interest-bearing liabilities						
Deposits from customers	7,081,701	27,560	1.54	6,843,575	25,981	1.52
Deposits and placements from banks and other financial institutions	990,687	3,954	1.58	988,477	3,885	1.58
Debt securities issued	279,947	2,176	3.08	355,266	2,616	2.95
Borrowings from the central bank	113,830	674	2.35	124,647	730	2.35
Lease liabilities	13,370	128	3.80	13,275	135	4.08
Total	8,479,535	34,492	1.61	8,325,240	33,347	1.61
Net interest income	/	54,438	/	/	53,228	/
Net interest spread	/	/	2.25	/	/	2.25
Net interest margin	/	/	2.36	/	/	2.37

Net non-interest income

From January to September 2022, the Group recorded a net non-interest income of RMB102.712 billion, representing a year-on-year increase of 1.85% and accounting for 38.78% of net operating income. Adhering to the core value of “being customer-centric and creating value for customers”, the Group continued to consolidate its customer base and upgrade its customer services, achieving a stable growth in various businesses, thus driving the steady increase in net non-interest income on a high base. Among the net non-interest income, net fee and commission income amounted to RMB75.752 billion, representing a year-on-year increase of 0.02%; other net non-interest income amounted to RMB26.960 billion, representing a year-on-year increase of 7.35%, which was mainly due to the increase in operating lease income from CMBFL.

Among the Group's net fee and commission income, from the perspective of major items¹: **Fee and commission income from wealth management** amounted to RMB25.590 billion, representing a year-on-year decrease of 13.10%, of which, income from agency distribution of insurance policies amounted to RMB10.784 billion, representing a year-on-year increase of 47.81%, mainly due to the fact that the Company intensified asset allocation and increased supply of protection insurance products amid the volatile and declining equity market; income from agency sales of wealth management products amounted to RMB5.323 billion, representing a year-on-year increase of 15.94%, mainly due to the fact that the sales volume of retail wealth management products of the Company experienced a steady increase; income from agency distribution of funds amounted to RMB5.291 billion, representing a year-on-year decrease of 46.89%, mainly due to the decrease in the sales scale of agency distribution of funds and the increase in the proportion of bond funds with low transaction cost; income from agency distribution of trust schemes amounted to RMB3.212 billion, representing a year-on-year decrease of 47.88%, mainly due to the decrease in the sales volume and product yield of agency distribution of trust schemes as a result of the continuous pressuring down on financing trust products by the Company; income from securities brokerage amounted to RMB721 million, representing a year-on-year decrease of 32.74%, mainly due to the decrease in trading volume of stocks as a result of the continued downturn in the capital market in Hong Kong. **Fee and commission income from asset management** amounted to RMB9.443 billion², representing a year-on-year increase of 22.32%, which was mainly driven by the growth in the scale of assets under management of subsidiaries. **Fee and commission income from custody business** amounted to RMB4.433 billion, representing a year-on-year increase of 6.59%, mainly due to the increase in the proportion of high-rate custodian business as a result of the increase in both the volume and quality of the custodian business. **Income from bank card fees** amounted to RMB15.924 billion, representing a year-on-year increase of 6.54%, which was mainly driven by the growth in credit card transaction volume. **Income from settlement and clearing fees** amounted to RMB11.500 billion, representing a year-on-year increase of 8.87%, which was primarily attributable to the increase in the income of online payment.

¹ Starting from the 2022 interim report, the statistical calibre of key items of the Group's fee and commission income have been consistent with the notes to the financial statements. Therefore, the data of the corresponding period of the previous year was adjusted on the same basis.

² Fees and commissions from asset management mainly include 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.

Operating expenses

From January to September 2022, the Group's operating expenses amounted to RMB84.769 billion, representing a year-on-year increase of 7.91%, of which staff expenses amounted to RMB51.738 billion, representing a year-on-year increase of 8.19%, and other operating expenses amounted to RMB33.031 billion³, representing a year-on-year increase of 7.47%. The Group's cost-to-income ratio was 29.56%, representing an increase of 0.41 percentage point as compared with the corresponding period of the previous year. Aiming to build "the best Fintech Bank", the Group maintains the scale of investment in Fintech construction, continuously consolidates the technology foundation, and accelerates the pace of digital transformation. At the same time, the Group is fully engaged in refined cost management. On the one hand, it continues to promote the transformation of technological innovation into productivity, and strengthens the monitoring and control of input and output. On the other hand, the Group takes the initiatives to optimise costs and expenses to reduce traditional fixed expenses including office leasing and operating expenses, which refines the allocation of expenses and resources.

Expected credit losses

From January to September 2022, the Group's expected credit losses amounted to RMB50.167 billion, representing a year-on-year decrease of 10.85%. Specifically, credit losses of loans and advances to customers amounted to RMB34.044 billion, representing a year-on-year increase of RMB22.803 billion, which was mainly due to the increase in credit loss allowances for loans by the Group as a result of the risk exposure of real estate customers and the impact of the pandemic on the retail business since the beginning of this year. The total expected credit losses of other types of assets other than loans and advances to customers amounted to RMB16.123 billion, representing a year-on-year decrease of RMB28.910 billion, which was mainly due to the following reasons: firstly, the scale of the business under resale agreements decreased significantly as compared with the end of the previous year, resulting in the corresponding reversal of the allowances for expected credit losses; secondly, certain financial institutions performed well, resulting in the partial reversal of the allowances for expected credit losses in light of their actual risk situations; thirdly, the allowances for expected credit losses of the off-balance sheet contingent business and credit commitments had been made previously in a looking-forward and prudent manner and made in light of actual risk situations during the reporting period, resulting in the year-on-year decrease in expected credit losses.

³ Other operating expenses include depreciation, amortisation, rental, taxes and surcharges, allowances for insurance claims and other various administrative expenses.

4.3 Analysis of balance sheet

As at the end of the reporting period, total assets of the Group amounted to RMB9,707.111 billion, representing an increase of 4.95% as compared with the end of the previous year, which was mainly attributable to the increase in loans and advances to customers and financial investments of the Group. As at the end of the reporting period, the Group's total loans and advances to customers amounted to RMB5,994.374 billion, representing an increase of 7.62% as compared with the end of the previous year; total loans and advances to customers accounted for 61.75% of the total assets, representing an increase of 1.53 percentage points as compared with the end of the previous year. In particular, the retail loans of the Group amounted to RMB3,163.669 billion, representing an increase of RMB175.878 billion or 5.89% as compared with the end of the previous year, while its growth rate slowing down, which was mainly due to the decrease in demand for residential mortgage loans as well as the weakened demand for credit loans from small and micro customers as a result of the recurring impact of the COVID-19 pandemic; the corporate loans of the Group amounted to RMB2,285.454 billion, representing an increase of RMB134.516 billion or 6.25% as compared to the end of the previous year, which was mainly driven by the Group's continued strengthening of support for the real economy. From January to September 2022, in accordance with the overall principle of matching risks and returns, the Group continued to promote the steady growth of loan scale and increased its allocation of interest rate bonds such as PRC government bonds and policy bank bonds and medium-to-high rating quality debenture bonds at the same time with the backdrop of insufficient demand on effective credit loans. As at the end of the reporting period, the balance of the Group's financial investments amounted to RMB2,532.288 billion, representing an increase of 17.61% as compared with the end of the previous year.

As at the end of the reporting period, total liabilities of the Group amounted to RMB8,779.344 billion, representing an increase of 4.72% as compared with the end of the previous year, which was mainly attributable to the increase in deposits from customers. As at the end of the reporting period, the Group's total deposits from customers amounted to RMB7,090.067 billion, representing an increase of 11.71% as compared with the end of the previous year and accounting for 80.76% of total liabilities of the Group, and were the major funding source of the Group. Among which, the balance of the deposits from corporate customers amounted to RMB4,388.194 billion, representing an increase of 8.11% as compared with the end of the previous year; and the balance of deposits from retail customers amounted to RMB2,701.873 billion, representing an increase of 18.08% as compared with the end of the previous year. Among the Group's deposits from customers, demand deposits accounted for 61.11% while time deposits accounted for 38.89%. Among the demand deposits, corporate deposits accounted for 60.49% while retail deposits accounted for 39.51%. Among the time deposits, corporate deposits accounted for 64.10% while retail deposits accounted for 35.90%. From January to September 2022, among the daily average balance of deposits from customers of the Group, demand deposits accounted for 61.83%, down by 2.62 percentage points as compared with the previous year.

As at the end of the reporting period, the equity attributable to shareholders of the Bank of the Group was RMB919.582 billion, representing an increase of 7.08% as compared with the end of the previous year, among which retained earnings amounted to RMB493.451 billion, representing an increase of 15.13% as compared with the end of the previous year; investment revaluation reserve amounted to RMB13.395 billion, representing a decrease of 10.98% as compared with the end of the previous year, mainly due to the decrease in the valuation of those classified as financial assets measured at fair value through other comprehensive income; exchange reserve was RMB2.660 billion, representing an increase of RMB4.804 billion as compared with the end of the previous year, which was mainly due to the effect of change in exchange rates.

4.4 Risk management and control for real estate sector

The Group has always adhered to the positioning of “Houses are for living in and not for speculative investment”, resolutely implemented the requirements of the long-term real estate mechanism, and closely focused on the goal of stabilising land prices and housing prices as well as the stable expectation. Through adjusting measures to local conditions and implementing specific policies for specific cities, the Group provides financial services to real estate enterprises in an orderly manner to promote a virtuous cycle and healthy development of the real estate industry.

From January to September 2022, the Group adhered to the overall tactics of “stabilising scale, improving access, focusing on regions, adjustment of structure, and strict management” in the real estate sector. The Group focused on high-quality customers and high-quality projects, reduced the proportion of assets of high-leverage and high-debt real estate customers with lower ratings and poor qualifications, strictly investigated the cash flow of real estate enterprises, selected housing projects with capacity to cover their debts and commercial sustainability, focused on products such as housing projects for buyers with rigid demand and upgraders, and further strengthened post-investment and post-loan management. 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 RMB473.727 billion, representing a decrease of 7.38% 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 RMB314.103 billion, representing a decrease of 23.78% 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 RMB347.035 billion, representing a decrease of RMB8.942 billion as compared with the end of the previous year, accounting for 6.13% of the Company’s total loans and advances to customers, representing a decrease of 0.65 percentage point as compared with the end of the previous year. As at the end of the reporting period, both the structure of customers and regional structure of the Company’s real estate loans have remained sound, among which, the balance of loans with customers featuring high credit rating accounted for nearly 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 3.32%, representing an increase of 1.93 percentage points as compared with the end of the previous year. From January to September 2022, the amount of newly formed non-performing corporate real estate loans of the Company decreased quarter by quarter. Due to the decline in the scale of real estate loans and the long disposal cycle of non-performing real estate loans, the non-performing loan ratio of corporate real estate loans increased, however the risks of real estate loans are generally controllable.

In the future, the Group will continue to firmly implement the relevant national policies on the real estate industry, strengthen the forward-looking prediction of the real estate risk situation and continue to adjust the structure of real estate customers, regions, businesses and products while focusing on key cities and strategic customers. The Group will carry out the loan business related to real estate project M&A in a stable and orderly manner; further optimise risk management measures, strengthen project risk monitoring and analysis, strictly implement the requirements for post-investment and post-loan management of real estate loans, and make adequate allowances on a case-by-case basis based on risk situation of specific projects. The Group will promote the marketisation of risk mitigation and disposal of real estate enterprises in accordance with the principles of compliance with laws and regulations, controllable risks and sustainable business.

4.5 Analysis of Loan Quality

From January to September 2022, the Group further identified asset classification in a strict manner to fully expose risks. Due to increasing risks from customers of real estate sector and the impacts of pandemic outbreaks in certain areas on retail loans, both the balance and percentage of the Group's non-performing loans, special-mentioned loans and overdue loans increased as compared with the end of the previous year. As at the end of the reporting period, the Group's non-performing loans amounted to RMB57.088 billion, representing an increase of RMB6.226 billion as compared with the end of the previous year, and non-performing loan ratio was 0.95%, representing an increase of 0.04 percentage point as compared with the end of the previous year; special-mentioned loans amounted to RMB68.315 billion, representing an increase of RMB21.706 billion as compared with the end of the previous year, and the special-mentioned loan ratio was 1.14%, representing an increase of 0.30 percentage point as compared with the end of the previous year; overdue loans amounted to RMB72.292 billion, representing an increase of RMB14.866 billion as compared with the end of the previous year, and the overdue loan ratio was 1.21%, representing an increase of 0.19 percentage point as compared with the end of the previous year. As at the end of the reporting period, the ratio of the Group's non-performing loans to the loans overdue for more than 90 days was 1.40, and the ratio of the Company's non-performing loans to the loans overdue for more than 60 days was 1.21.

Distribution of the Company's loans and non-performing loans by industry

The Company <i>(in millions of RMB, except for percentages)</i>	30 September 2022				31 December 2021			
	Balance of loans and advances	Percentage of the total (%)	Balance of non- performing loans	Non- performing loan ratio (%) ⁽¹⁾	Balance of loans and advances	Percentage of the total (%)	Balance of non- performing loans	Non- performing loan ratio (%) ⁽¹⁾
Corporate loans	2,007,207	35.47	27,665	1.38	1,882,161	35.84	24,666	1.31
Transportation, storage and postal services	403,895	7.14	960	0.24	365,707	6.96	2,335	0.64
Property development	347,035	6.13	11,521	3.32	355,977	6.78	4,961	1.39
Manufacturing	387,663	6.85	5,654	1.46	320,060	6.09	6,790	2.12
Production and supply of electric power, heat, gas and water	148,462	2.62	449	0.30	147,319	2.80	599	0.41
Leasing and commercial services	150,335	2.66	4,063	2.70	158,416	3.02	4,054	2.56
Wholesale and retail	153,023	2.70	1,837	1.20	142,738	2.72	3,324	2.33
Finance	67,689	1.20	89	0.13	60,026	1.14	90	0.15
Construction	110,305	1.95	566	0.51	119,265	2.27	569	0.48
Information transmission, software and IT service	77,197	1.36	87	0.11	60,612	1.15	67	0.11
Water conservancy, environment and public utilities	54,031	0.95	94	0.17	55,005	1.05	152	0.28
Mining	38,793	0.69	583	1.50	32,174	0.61	785	2.44
Others ⁽²⁾	68,779	1.22	1,762	2.56	64,862	1.25	940	1.45
Discounted bills	539,724	9.53	–	–	429,105	8.17	–	–
Retail loans	3,112,476	55.00	25,747	0.83	2,941,020	55.99	24,082	0.82
Total loans and advances to customers	5,659,407	100.00	53,412	0.94	5,252,286	100.00	48,748	0.93

Notes:

- (1) Represents the percentage of the non-performing loans in a certain category to the total loans of that category.
- (2) Consists primarily of agriculture, forestry, animal husbandry, fishery, accommodation and catering, health and social work, etc.

As at the end of the reporting period, affected by the risks arising from certain high-debt real estate companies that are subject to gradual exposure, the non-performing loan ratio of real estate loans of the Company increased. In addition, in light of the large risk exposures of certain corporate customers with poor management, the non-performing loan ratio of loans granted to agriculture, forestry, animal husbandry and fishery sectors increased.

Asset quality of the Company's loans and advances by product type

The Company (in millions of RMB, except for percentages)	30 September 2022						
	Balance of loans and advances	Balance of non- performing loans	Non- performing loan ratio (%)	Balance of special- mentioned loans	Special- mentioned loan ratio (%)	Balance of overdue loans	Overdue loan ratio (%)
Corporate loans	2,007,207	27,665	1.38	23,771	1.18	26,604	1.33
Discounted bills	539,724	–	–	14	–	–	–
Retail loans	3,112,476	25,747	0.83	39,265	1.26	40,721	1.31
Micro-finance loans	625,997	3,739	0.60	2,300	0.37	4,018	0.64
Residential mortgage loans	1,383,373	4,017	0.29	9,903	0.72	5,588	0.40
Credit card loans	891,481	14,879	1.67	26,232	2.94	27,731	3.11
Consumer loans	196,758	1,860	0.95	715	0.36	2,125	1.08
Others ^(Note)	14,867	1,252	8.42	115	0.77	1,259	8.47
Total loans and advances to customers	5,659,407	53,412	0.94	63,050	1.11	67,325	1.19

The Company (in millions of RMB, except for percentages)	31 December 2021						
	Balance of loans and advances	Balance of non- performing loans	Non- performing loan ratio (%)	Balance of special- mentioned loans	Special- mentioned loan ratio (%)	Balance of overdue loans	Overdue loan ratio (%)
Corporate loans	1,882,161	24,666	1.31	10,456	0.56	18,912	1.00
Discounted bills	429,105	–	–	9	–	–	–
Retail loans	2,941,020	24,082	0.82	33,075	1.12	36,761	1.25
Micro-finance loans	560,565	3,488	0.62	1,792	0.32	3,076	0.55
Residential mortgage loans	1,364,518	3,806	0.28	4,928	0.36	3,782	0.28
Credit card loans	840,253	13,844	1.65	25,700	3.06	26,818	3.19
Consumer loans	155,984	1,595	1.02	502	0.32	1,727	1.11
Others ^(Note)	19,700	1,349	6.85	153	0.78	1,358	6.89
Total loans and advances to customers	5,252,286	48,748	0.93	43,540	0.83	55,673	1.06

Note: Others consist primarily of commercial housing loans, automobile loans, house decoration loans, education loans, internet joint consumer loans and other personal loans secured by monetary assets. The increase in the non-performing loan ratio of other retail loans from the end of the previous year was mainly due to the suppressing in the scale of internet joint consumer loans.

From January to September 2022, with sporadic pandemic outbreaks in China, the operation of small- and micro-sized enterprises and private industrial and commercial businesses as well as the employment and income of residents were affected. The retail loan risks of the Company rose. As at the end of the reporting period, the balance of non-performing retail loans amounted to RMB25.747 billion, representing an increase of RMB1.665 billion as compared with the end of the previous year, and the non-performing loan ratio was 0.83%, up by 0.01 percentage point as compared with the end of the previous year; the balance of special-mentioned loans amounted to RMB39.265 billion, representing an increase of RMB6.190 billion as compared with the end of the previous year, and the special-mentioned loan ratio was 1.26%, up by 0.14 percentage point as compared with the end of the previous year; and the balance of overdue loans amounted to RMB40.721 billion, representing an increase of RMB3.960 billion as compared with the end of the previous year, and the overdue loan ratio was 1.31%, up by 0.06 percentage point as compared with the end of the previous year.

The residential mortgage loans of the Company are mainly granted in the first-tier and second-tier cities. From January to September 2022, the amount of residential mortgage loans newly granted by the Company in the first-tier and second-tier cities accounted for 88.99% of the total amount of residential mortgage loans newly granted by the Company. As at the end of the reporting period, the balance of residential mortgage loans in the first-tier and second-tier cities accounted for 86.43% of the balance of residential mortgage loans of the Company. At the same time, the weighted average loan-to-value ratio of the Company's residential mortgage loans has been maintained below 35% for a long time, showing strong risk resistance ability. As at the end of the reporting period, the special-mentioned loan ratio of residential mortgage loans of the Company was 0.72%, representing an increase as compared to the end of the previous year, which was mainly due to the increase in non-overdue loans as a result of external risk signals (the proportion of non-overdue residential mortgage loans in the balance of special-mentioned residential mortgage loans being more than 70%). However, the overall risk of residential mortgage loans business is still controllable, with a non-performing loan ratio of 0.29%, which remained relatively low.

The Company will continue to ensure smooth operation of financial services for small- and micro-sized enterprises and individuals, focus on the management of valuable customers, deepen the adjustment of customer structure and asset structure, so as to further improve risk management measures, strengthen allowances to enhance the risk offset capacity and strive to maintain relative stability of the asset quality of retail loans.

The formation and disposal of non-performing loans of the Company

From January to September 2022, the Company recorded newly formed non-performing loans of RMB46.169 billion, representing a year-on-year increase of RMB10.971 billion, with a non-performing loans formation ratio (annualised) of 1.13%, up by 0.18 percentage point year-on-year. Among them, the amount of newly formed non-performing corporate loans was RMB13.482 billion, representing an increase of RMB3.955 billion year-on-year, which was mainly due to the increase in the formation amount of new non-performing loans of property development; the amount of newly formed non-performing retail loans (excluding credit cards) was RMB5.613 billion, representing an increase of RMB1.258 billion year-on-year; and the amount of newly formed non-performing loans of credit cards was 27.074 billion, representing an increase of RMB5.758 billion year-on-year, mainly due to the adjustment to timing of recognising credit card loans as overdue loans, downgrading loans overdue for more than 60 days to non-performing loans, and the impacts of the pandemic.

The Company continued to dispose of non-performing assets actively. From January to September 2022, the Company disposed of non-performing loans amounting to RMB42.026 billion, of which RMB17.412 billion was written off; RMB9.538 billion was recovered by collection; RMB10.423 billion was securitised; and RMB4.653 billion was disposed of by repossession, transfer, upward migration after restructuring, remission and other means.

Implementation of the policy for temporary deferment of repayment of the principal and interest of the Company

From January to September 2022, the Company earnestly adhered to implementation of national macroeconomic policy and was committed to helping enterprises to alleviate their difficulties, strengthened financial supports for the enterprises and individuals that are in industries most seriously effected by the pandemic, continued to negotiate with eligible medium-, small- and micro-sized enterprises (including owners of medium-, small- and micro-sized enterprises) and private industrial and commercial businesses in accordance with market principles, carried out deferment of repayment of loan principal and interests, and flexibly adjusted repayment plans for loans such as credit cards in areas heavily affected by the pandemic, reasonably deferring repayment time. From January to September 2022, the total amount of loan principal and interest repayment deferred by the Company for customers suffered in difficulties were RMB27.316 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. The Company will strengthen the review on the utilisation of funds and cash flow management, pay close attention to the production and operation status of enterprises that are in the temporarily struggling industries due to the pandemic, strengthen asset quality monitoring, proactively conduct risk early warning and formulate mitigation and disposal plan, and strive to keep asset quality stable.

The allowances for loan losses of the Company

The Company continued to adopt a prudent and stable policy in respect of making allowances. In accordance with the Financial Instruments Standards, the Company made adequate allowances for credit losses by using the expected credit loss model and the risk quantification parameters such as the probability of customer defaults and the loss given defaults, after taking into consideration the adjustments in macro perceptiveness, so as to continuously enhance the risk compensation capacity in key areas. As at the end of the reporting period, the balance of allowances for impairment losses on loans of the Company amounted to RMB251.802 billion, representing an increase of RMB12.617 billion as compared with the end of the previous year. The allowance coverage ratio of the Company was 471.43%, representing a decrease of 19.23 percentage points as compared with the end of the previous year. The allowance coverage ratio is expected to remain at a high level during the year. The allowance-to-loan ratio of the Company was 4.45%, representing a decrease of 0.10 percentage point as compared with the end of the previous year. From January to September 2022, credit cost ratio (annualised) of the Company was 0.81%, up by 0.32 percentage point year-on-year, which was mainly because the Company had made forward-looking and prudent provisions for the expected credit losses on loans and advances to customers.

Outlook of asset quality and countermeasures

At present, the international and domestic situation is still complex and severe. Affected by a series of factors such as the pandemic, inflation and geopolitical situation, the global economic recovery continues to slow down, and the risks are further rising. Affected by multiple internal and external factors, risks in some industries and regions have increased, and the Company's asset quality will be confronted with certain challenges. The Company will closely follow the changes in the macro situation, adjust the customer structure and credit structure based on "one branch, one policy", improve research on key regions and key business areas, and strengthen risk monitoring and pre-warning in key areas such as real estate, local government credit, small- and medium-sized financial institutions and group customers with large credit amount. The Company will formulate targeted management and control plans and strengthen the management of special-mentioned loans and overdue loans, so as to actively prevent and resolve potential risks. By making adequate provisions and taking various measures to increase the disposal of non-performing assets, the Company strives to maintain the overall stability on asset quality.

4.6 Information on capital adequacy ratios

The Group continued to optimise its business structure and enhance capital management, and has satisfied various capital requirements of the China banking regulatory authorities constantly till the end of the reporting period, namely that the capital adequacy ratio, the Tier 1 capital adequacy ratio and the core Tier 1 capital adequacy ratio of the Group and the Company shall be no less than 10.5%, 8.5% and 7.5%, respectively, and that the leverage ratio shall be no less than 4%. In addition, the Group is in the third group on the list of domestic systematically important banks in China, facing requirements of 0.75% of supplementary capital and 0.375% of supplementary leverage ratio according to the requirements of "Ancillary Regulatory Provision for Systematically Important Banks (Trial) 《系統重要性銀行附加監管規定(試行)》", which will take effect on 1 January 2023. As at the end of the reporting period, both the Group and the Company satisfied the supplementary capital and leverage ratio requirements for domestic systematically important banks.

Capital adequacy ratios under the Advanced Measurement Approach

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Group under the Advanced Measurement Approach were 12.85%, 14.85% and 17.17%, respectively.

The Group <i>(in millions of RMB, except for percentages)</i>	30 September 2022	31 December 2021	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
The capital adequacy ratios under the Advanced Measurement Approach⁽¹⁾			
Net core Tier 1 capital	771,436	704,337	9.53
Net Tier 1 capital	891,882	831,380	7.28
Net capital	1,031,192	972,606	6.02
Core Tier 1 capital adequacy ratio	12.85%	12.66%	Increase of 0.19 percentage point
Tier 1 capital adequacy ratio	14.85%	14.94%	Decrease of 0.09 percentage point
Capital adequacy ratio	17.17%	17.48%	Decrease of 0.31 percentage point
Information on leverage ratio⁽²⁾			
Balance of on- and off-balance sheet assets after adjustment	11,153,981	10,394,899	7.30
Leverage ratio	8.00%	8.00%	-

Notes:

- (1) The “Advanced Measurement Approach” refers to the advanced measurement approach set out in the “Capital Rules for Commercial Banks (Trial)” issued by the former China Banking Regulatory Commission (“CBRC”) on 7 June 2012 (same as below). In accordance with the requirements of the aforementioned rules, the scope of entities for calculating the capital adequacy ratio of the Group shall include China Merchants Bank and its subsidiaries. The scope of entities for calculating the capital adequacy ratio of the Company shall include all the domestic and offshore branches and sub-branches of China Merchants Bank. As at the end of the reporting period, the Group’s subsidiaries for calculating its capital adequacy ratio included CMB Wing Lung Bank, CMB International Capital, CMB Financial Leasing, CMB Wealth Management, China Merchants Fund, CIGNA & CMAM and China Merchants Bank (Europe) Co., Ltd.. During the parallel run period when the Advanced Measurement Approach for capital measurement is implemented, a commercial bank shall use the capital floor adjustment coefficients to adjust the amount of its risk-weighted assets multiplying the sum of its minimum capital requirement and reserve capital requirement, total amount of capital deductions and the allowances for excessive loan loss which can be included into capital. The capital floor adjustment coefficients shall be 95%, 90% and 80% in the first year, the second year, and the third year (i.e. 2017) and the subsequent years, respectively, during the parallel run period.
- (2) The leverage ratio was calculated according to the “Measures for Management of the Leverage Ratio of Commercial Banks (Revised)” promulgated by former CBRC on 12 February 2015. The leverage ratio of the Group was 7.64%, 8.07% and 8.00% as at the end of the first half of 2022, the end of the first quarter of 2022 and the end of 2021, respectively.

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Company under the Advanced Measurement Approach were 12.30%, 14.43% and 16.83%, respectively. The Company’s risk-adjusted return on capital (RAROC, before tax) under the Advanced Measurement Approach was 28.34%, continuing to maintain at a high level.

The Company <i>(in millions of RMB, except for percentages)</i>	30 September 2022	31 December 2021	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
The capital adequacy ratios under the Advanced Measurement Approach			
Net core Tier 1 capital	674,575	617,403	9.26
Net Tier 1 capital	790,928	741,627	6.65
Net capital	922,695	875,859	5.35
Core Tier 1 capital adequacy ratio	12.30%	12.15%	Increase of 0.15 percentage point
Tier 1 capital adequacy ratio	14.43%	14.59%	Decrease of 0.16 percentage point
Capital adequacy ratio	16.83%	17.23%	Decrease of 0.40 percentage point

Capital adequacy ratios under the Weighted Approach

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Group under the Weighted Approach were 11.18%, 12.93% and 14.36%, respectively.

The Group	30 September 2022	31 December 2021	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
The capital adequacy ratios under the Weighted Approach^(Note)			
Core Tier 1 capital adequacy ratio	11.18%	11.17%	Increase of 0.01 percentage point
Tier 1 capital adequacy ratio	12.93%	13.19%	Decrease of 0.26 percentage point
Capital adequacy ratio	14.36%	14.71%	Decrease of 0.35 percentage point

Note: The "Weighted Approach" refers to the Weighted Approach for credit risk, the Standardised Measurement Approach for market risk and the Basic Indicator Approach for operational risk in accordance with the relevant provisions of the "Capital Rules for Commercial Banks (Trial)" issued by the former CBRC on 7 June 2012 (same as below).

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Company under the Weighted Approach were 10.59%, 12.41% and 13.85%, respectively.

The Company	30 September 2022	31 December 2021	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
The capital adequacy ratios under the Weighted Approach			
Core Tier 1 capital adequacy ratio	10.59%	10.60%	Decrease of 0.01 percentage point
Tier 1 capital adequacy ratio	12.41%	12.73%	Decrease of 0.32 percentage point
Capital adequacy ratio	13.85%	14.26%	Decrease of 0.41 percentage point

4.7 Other Significant Business Metrics

As at the end of the reporting period, the Company had 182 million retail customers (including debit and credit card customers), representing an increase of 5.20% as compared with the end of the previous year. The balance of total assets under management (AUM) from our retail customers amounted to RMB11,959.583 billion, representing an increase of RMB1,200.413 billion or 11.16% as compared with the end of the previous year.

As at the end of the reporting period, the number of Sunflower-level and above customers of the Company (retail customers of the Company with minimum total daily average assets of RMB500,000 per month) reached 4,094,500, representing an increase of 11.51% as compared with the end of the previous year. The balance of AUM from the Sunflower-level and above customers amounted to RMB9,760.388 billion, representing an increase of 10.46% as compared with the end of the previous year.

As at the end of the reporting period, the Company had 133,388 private banking customers (retail customers of the Company with minimum total daily average assets of RMB10 million per month), representing an increase of 9.28% as compared with the end of the previous year; the balance of AUM from private banking customers amounted to RMB3,740.985 billion, representing an increase of 10.23% as compared with the end of the previous year; AUM per account amounted to RMB28.0459 million, representing an increase of RMB241,600 as compared with the end of the previous 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 RMB4.72 trillion⁴, representing an increase of 9.26% as compared with the beginning of the year, among which the balance of wealth management products under management by CMB Wealth Management amounted to RMB2.96 trillion⁵, representing an increase of 6.47% as compared with the end of the previous year, including the balance of new products of RMB2.84 trillion⁶, accounting for 95.95% of the balance of wealth management products; the scale of asset management business of China Merchants Fund amounted to RMB1.51 trillion, representing an increase of 11.85% as compared with the end of the previous year; the scale of asset management business of CIGNA & CMAM amounted to RMB153.573 billion, representing an increase of 66.38% as compared with the beginning of the year; the scale of asset management business of CMB International Capital amounted to RMB99.918 billion, representing an increase of 2.59% as compared with the end of the previous year.

⁴ The total asset management business of China Merchants Fund and CMB International Capital include the data of their subsidiaries. The data of CIGNA & CMAM was adjusted according to the regulatory reporting calibre and same statistical calibre.

⁵ The balance is the sum of customers' principal of the wealth management products and the changes in net value of net-value products as at the end of the reporting period.

⁶ New products are wealth management products in compliance with the relevant provisions of the New Regulation on Asset Management.

5 Financial Statements

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to September ended 30 September		For the period from July to September ended 30 September	
	2022	2021	2022	2021
Interest income	261,791	241,906	88,930	82,663
Interest expense	(99,661)	(91,268)	(34,492)	(31,366)
Net interest income	162,130	150,638	54,438	51,297
Fee and commission income	82,380	81,512	24,766	25,507
Fee and commission expense	(6,628)	(5,778)	(2,419)	(2,027)
Net fee and commission income	75,752	75,734	22,347	23,480
Other net income	25,236	22,355	8,712	7,305
– Disposal of financial instrument at amortised cost	156	10	(2)	9
Operating income	263,118	248,727	85,497	82,082
Operating expenses	(84,769)	(78,555)	(30,793)	(27,943)
Operating profit before impairment losses and taxation	178,349	170,172	54,704	54,139
Expected credit losses	(50,167)	(56,274)	(8,690)	(14,379)
Impairment losses on other assets	(522)	–	(522)	–
Share of profits of joint ventures	1,291	2,136	257	468
Share of profits of associates	433	622	11	105
Profit before tax	129,384	116,656	45,760	40,333
Less: income tax	(21,405)	(22,300)	(7,783)	(7,625)
Net Profit	107,979	94,356	37,977	32,708
Attributable to:				
Shareholders of the Bank	106,922	93,615	37,502	32,465
Non-controlling interests	1,057	741	475	243
Earnings per share				
Basic and diluted earnings per share (RMB Yuan)	4.15	3.62	1.47	1.27

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in millions of RMB unless otherwise stated)

	For the period from January to September ended 30 September		For the period from July to September ended 30 September	
	2022	2021	2022	2021
Net profit	107,979	94,356	37,977	32,708
Other comprehensive income, net of tax				
Items that will be reclassified subsequently to profit or loss:	3,929	4,338	2,069	1,909
– Fair value change on financial assets measured at fair value through other comprehensive income	(3,869)	2,381	(133)	2,591
– Net changes in expected credit losses of financial assets measured at fair value through other comprehensive income	3,353	2,978	(207)	(500)
– Effective portion of gains or losses on hedging instruments in cash flow hedges	137	55	34	8
– Share of other comprehensive income from equity-accounted investees	(789)	(210)	(464)	(68)
– Exchange difference on translation of financial statements of foreign operations	5,097	(866)	2,839	(122)
Items that may not be reclassified subsequently to profit or loss:	(325)	1,102	(314)	31
– Fair value gain on equity instruments measured at fair value through other comprehensive income	(323)	1,076	(314)	31
– Remeasurement of changes in liabilities or net assets of defined benefit scheme	(2)	26	–	–
Other comprehensive income for the period, net of tax	3,604	5,440	1,755	1,940
Attributable to:				
Shareholders of the Bank	3,312	5,494	1,596	1,943
Non-controlling interests	292	(54)	159	(3)
Total comprehensive income for the period	111,583	99,796	39,732	34,648
Attributable to:				
Shareholders of the Bank	110,234	99,109	39,098	34,408
Non-controlling interests	1,349	687	634	240

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in millions of Renminbi unless otherwise stated)

Item	30 September 2022	31 December 2021
Assets		
Cash	11,722	13,310
Precious metals	2,851	4,639
Balances with central bank	586,756	553,898
Balances with banks and other financial institutions	100,338	80,350
Placements with banks and other financial institutions	296,539	194,421
Amounts held under resale agreements	76,032	524,601
Loans and advances to customers	5,745,942	5,335,391
Derivative financial assets	32,828	23,390
Financial investments at fair value through profit or loss	472,252	348,123
Debt investments at amortised cost	1,371,382	1,185,841
Debt investments at fair value through other comprehensive income	700,539	636,038
Equity investments designated at fair value through other comprehensive income	11,219	6,995
Interest in joint ventures	14,545	14,779
Interest in associates	9,065	8,875
Investment properties	1,351	1,372
Property and equipment	100,872	80,415
Right-of-use assets	17,657	18,403
Intangible assets	3,497	4,066
Goodwill	9,954	9,954
Deferred tax assets	89,499	81,639
Other assets	52,271	122,521
Total assets	9,707,111	9,249,021

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(Expressed in millions of Renminbi unless otherwise stated)

Item	30 September 2022	31 December 2021
Liabilities		
Borrowing from central bank	147,619	159,987
Deposits from banks and other financial institutions	522,589	753,018
Placements from banks and other financial institutions	217,061	170,650
Financial liabilities at fair value through profit or loss	78,852	63,761
Derivative financial liabilities	33,706	27,282
Amounts sold under repurchase agreements	179,379	157,660
Deposits from customers	7,141,484	6,385,154
Salaries and welfare payable	31,376	19,761
Tax payable	22,744	22,491
Contract liabilities	7,679	7,536
Lease liabilities	13,150	13,812
Provisions	23,601	14,660
Debt securities issued	235,789	446,645
Deferred tax liabilities	1,336	1,353
Other liabilities	122,979	139,570
Total liabilities	8,779,344	8,383,340
Equity		
Share capital	25,220	25,220
Other equity instruments	120,446	127,043
Including: Preference shares	27,468	34,065
Perpetual bonds	92,978	92,978
Capital reserve	65,435	67,523
Investment revaluation reserve	13,395	15,047
Hedging reserve	176	39
Surplus reserve	82,137	82,137
Regulatory general reserve	116,662	115,288
Retained profits	493,451	390,207
Proposed profit appropriations	–	38,385
Exchange reserve	2,660	(2,144)
Total equity attributable to shareholders of the Bank	919,582	858,745
Non-controlling interest	8,185	6,936
Including: Non-controlling interest	5,360	3,300
Perpetual debt capital	2,825	3,636
Total equity	927,767	865,681
Total liabilities and equity	9,707,111	9,249,021

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

(Expressed in millions of RMB unless otherwise stated)

	January to September 2022	January to September 2021
Operating activities		
Profit before tax	129,384	116,656
Adjustments for		
– Impairment losses on loans and advances	34,044	11,241
– Impairment losses on investments and others	16,645	45,033
– Unwinding of discount on the allowances of loans and advances	(208)	(158)
– Depreciation of property and equipment and investment properties	7,551	3,125
– Depreciation of right-of-use assets	3,038	3,127
– Amortisation of other assets	941	1,002
– Net gain on investments in debt securities and equity instruments	(7,845)	(3,274)
– Interest income on investments	(47,764)	(41,157)
– Interest expense on debt securities issued	7,821	9,230
– Share of profits of associates	(433)	(622)
– Share of profits of joint ventures	(1,291)	(2,136)
– Net gains on disposal of property and equipment and other assets	(215)	(65)
– Interest expense on lease liabilities	403	418
Changes in:		
Balances with central bank	(33,638)	(11,638)
Loans and advances to customers	(428,926)	(469,032)
Other assets	(20,154)	2,069
Deposits from customers	742,989	383,629
Deposits and placements from banks and other financial institutions	(161,691)	3,425
Balances and placements with banks and other financial institutions with original maturity over 3 months	(78,601)	36,332
Borrowing from central bank	(12,762)	(5,035)
Other liabilities	25,672	25,688
Net cash generated from operating activities before income tax payment	174,960	107,858
Income tax paid	(28,466)	(25,476)
Net cash generated from operating activities	146,494	82,382

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(Expressed in millions of RMB unless otherwise stated)

	January to September 2022	January to September 2021
Investing activities		
Payment for the purchase of investments	(897,272)	(862,404)
Payment for the purchases of property and equipment and other assets	(25,326)	(19,122)
Payment for investments in subsidiaries, associates or joint venture	(154)	(4,935)
Proceeds from the disposal of investments	584,567	762,823
Investment gains received from investments	59,599	53,685
Proceeds from disposals of subsidiaries, associates or joint venture	233	264
Proceeds from the disposal of property and equipment and other assets	5,157	1,316
Net cash flows used in investing activities	(273,196)	(68,373)
Financing activities		
Proceeds from the issue of debt securities	29,356	57,986
Proceeds from the issue of negotiable interbank certificates of deposits	27,218	255,660
Proceeds from the issue of certificates of deposits	7,870	19,752
Proceeds from the non-controlling shareholders of subsidiaries	2,667	–
Proceeds from other financing activities	92	11,019
Repayment of debt securities	(70,979)	(47,502)
Repayment of negotiable interbank certificates of deposits	(198,552)	(197,710)
Repayment of certificates of deposit	(10,258)	(24,754)
Redemption of perpetual debt capital	(1,104)	–
Payment of lease liabilities	(3,443)	(3,328)
Distribution paid on perpetual bonds	(2,181)	(2,174)
Distribution paid on appropriations	(38,664)	(31,845)
Interest paid on the issue of debt securities	(7,300)	(10,246)
Repayments for other financing activities	(4,594)	(126)
Net cash (used in)/generated from financing activities	(269,872)	26,732
(Decrease)/increase in cash and cash equivalents	(396,574)	40,741
Cash and cash equivalents as of 1 January	801,754	552,790
Effects of foreign exchange rate changes on cash and cash equivalents	8,113	(1,612)
Cash and cash equivalents as of 30 September	413,293	591,919
Cash flows from operating activities include:		
Interest received	213,173	199,483
Interest paid	78,713	75,800

6 Information on Liquidity Coverage Ratio

The Group prepared and disclosed information on liquidity coverage ratio in accordance with the “Measures for the Disclosure of Information on Liquidity Coverage Ratio by Commercial Banks”. The basis used herein may differ from those adopted in Hong Kong and other regions. The average liquidity coverage ratio of the Group was 150.46% in the third quarter of 2022, representing a decrease of 17.19 percentage points as compared with the previous quarter, which was mainly due to the increase in cash outflows from unsecured funding and the decrease in cash inflows from financial institutions. The Group’s liquidity coverage ratio at the end of the third quarter of 2022 was 132.43%, which was in compliance with the 2022 regulatory requirements of the CBIRC. The breakdown of the Group’s average value of each item of liquidity coverage ratio in the third quarter of 2022 is set out below:

(Unit: in millions of RMB, except for percentages)

No.		Unweighted amount	Weighted amount
Stock of high quality liquid assets			
1	Total stock of high quality liquid assets	/	1,640,368
Cash outflows			
2	Retail and small business customers deposits, of which:	2,834,496	248,891
3	Stable deposits	691,179	34,559
4	Less stable deposits	2,143,317	214,332
5	Unsecured wholesale funding, of which:	4,341,324	1,435,379
6	Operational deposits (excluding correspondent banks)	2,734,522	678,247
7	Non-operational deposits (including all counterparties)	1,571,277	721,607
8	Unsecured debt issuance	35,525	35,525
9	Secured funding	/	9,981
10	Additional requirements, of which:	1,794,169	343,318
11	Cash outflows arising from derivative contracts and other transactions arising from related collateral requirements	253,668	253,668
12	Cash outflows arising from secured debt instruments funding	–	–
13	Undrawn committed credit and liquidity facilities	1,540,501	89,650
14	Other contractual obligations to extend funds	81,879	81,879
15	Other contingent funding obligations	3,094,869	107,394
16	Total cash outflows	/	2,226,842
Cash inflows			
17	Secured lending (including reverse repo and securities borrowing)	206,467	205,957
18	Contractual inflows from fully performing loans	1,069,199	676,559
19	Other cash inflows	261,233	254,074
20	Total cash inflows	1,536,899	1,136,590
			Adjusted value
21	Total stock of high quality liquid assets		1,640,368
22	Net cash outflows		1,090,252
23	Liquidity coverage ratio		150.46%

Notes:

- (1) Data from domestic operation was a simple arithmetic average of the 92-day value in the latest quarter and the monthly average in the latest quarter was used for subsidiaries in the above table.
- (2) The high quality liquid assets in the above table comprise cash, central bank reserve available under stress conditions, as well as the bonds that meet the definition of Tier 1 and Tier 2 assets set out by the CBIRC on the “Measures for the Liquidity Risk Management of Commercial Banks”.

The Board of Directors of China Merchants Bank Co., Ltd.

28 October 2022

As at the date of this announcement, the Executive Director of the Company is Wang Liang; the Non-executive Directors of the Company are Miao Jianmin, Hu Jianhua, Fu Gangfeng, Zhou Song, Hong Xiaoyuan, Zhang Jian, Su Min, Sun Yunfei and Chen Dong; and the Independent Non-executive Directors of the Company are Wong See Hong, Li Menggang, Liu Qiao, Tian Hongqi, Li Chaoxian and Shi Yongdong.