

China Merchants Bank Announces Results for the Third Quarter of 2022

Net Profit Increased by 14.21% and NPL Ratio Remained Low at 0.95%

Results Highlights for the Nine Months Ended 30 September, 2022

Revenue and net profit continued growing with ROAA and ROAE maintaining a high level.

- Net operating income of RMB264.842 billion, representing a year-on-year increase of 5.31%;
- Net profit attributable to shareholders of the Bank of RMB106.922 billion, representing a year-on-year increase of 14.21%, representing a year-on-year increase of 1.85%;
- Net interest income of RMB162.130 billion, representing a year-on-year increase of 7.63%; net non-interest income of RMB102.712 billion;
- ROAA and ROAE was 1.50% and 18.22%, respectively, up by a respective year-on-year percentage point of 0.06 and 0.11.

Continued adjustment of asset-liability structure, net interest margin decline narrowed significantly from the previous quarter

- Total assets amounted to RMB9,707.111 billion, representing an increase of 4.95% 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 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 deposits from customers amounted to RMB7,090.067 billion, representing an increase of 11.71% as compared with the end of the previous year; among the daily average balance of deposits from customers of the Group, demand deposits accounted for 61.83%, still maintaining a relatively high level;
- Net interest margin decreased 7 basis points to 2.41% for the first three quarters of 2022; net interest margin decreased 1 basis point quarter-on-quarter to 2.36% in the third quarter of 2022, which is a significant reduction in the rate of decline.

Asset quality remained sound with sufficient and stable risk provisioning and compensation capabilities

- 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;
- 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 nonperforming loans to the loans overdue for more than 60 days was 1.21;
- 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.

Extensive wealth management upheld resilient, retail AUM maintained sound growth

- 182 million retail customers, representing an increase of 5.20% as compared with the end of the previous year;
- Balance of total AUM from 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;
- Total asset management business amounted to RMB4.72 trillion, representing an increase of 9.26% as compared with the beginning of the year.

Note1: Unless stated otherwise, all of the above data belong to the Group and denominated in RMB.

Note2: All financial information set out in this quarterly results press release is unaudited and prepared in accordance with the International Financial Reporting Standards.

28 October, 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 unaudited results for the third quarter of 2022.

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.

1. Analysis of overall financial status

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.

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.

2. Analysis of key operating status

The size of loans grew steadily, with consumer and credit card loans showing a faster recovery. As at the end of September 2022, 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 Group adhered to the strategic positioning of "One Body with Two Wings" and actively seized the opportunity of the gradual recovery of consumption after the COVID-19 pandemic in the second quarter. The new loans in the third quarter were mainly from retail business, and consumer loans and credit card loans with relatively higher yields showed a

relatively faster recovery, with a total increase of nearly RMB50 billion in the third quarter. 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 RMB2,530.429 billion, representing an increase of 17.61% as compared with the end of the previous year.

Customer deposits increased and were of good quality, and the cost of deposits remained stable overall. As at the end of September 2022, 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. 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. 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. The Group continues to adhere to its strategy of focusing on core deposits, with increased efforts in driving and accumulating more low-cost customer settlement funds, while strengthening the volume and price management of high-cost deposits. Demand deposits accounted for 61.83%, maintaining at a relatively high level. In the first three quarters, the cost of customer deposits was 1.51%, up 11 basis points year-on-year. In the third quarter, the cost of customer deposits was 1.54%, up 2 basis points from the second quarter, narrowing the increase from the previous quarter.

Net interest income continued to grow and net interest margin decline decreased significantly from the previous quarter. 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. Net interest margin of the Group were 2.41%, representing a year-on-year decrease of 7 basis points. On one hand, multiple downward adjustments to LPR, coupled with weak financing demand led to the decrease in loan yields. Meanwhile, in recent years, with the downward movement of interest rate, the yield on bond investments decreased at the same time. In order to maintain the relative stability of net interest margin, the asset-liability management was further strengthened in the third quarter. From the performance of the third quarter, the yield on interest-bearing asset was 3.86% and the cost ratio of interest-bearing liabilities was 1.61%, both remained at the same level as in the second quarter;

the net interest margin was 2.36%, down 1 basis point from the second quarter, and the decline was significantly narrower than that of the previous quarter.

Net non-interest income improved steadily from a high base. 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%. 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. Fee and commission income from asset management amounted to RMB9.443 billion¹, representing a year-on-year increase of 22.32%. Fee and commission income from custody business amounted to RMB4.433 billion, representing a year-on-year increase of 6.59%. Income from bank card fees amounted to RMB15.924 billion, representing a year-on-year increase of 6.54%. Income from settlement and clearing fees amounted to RMB11.500 billion, representing a year-on-year increase of 8.87%. 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.

Effectively-controlled housing-related business with a focus on high-quality customers and projects, actively satisfying rigid and upgrade housing demand. 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,

¹ 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.

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.

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.

Further-tightened asset classification to enhance risk management measurements, safeguarding sufficient and stable risk provisioning and compensation capabilities. 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. 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. 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 nonperforming loans to the loans overdue for more than 60 days was 1.21.

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.

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 nonperforming 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.

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.

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.

Extensive wealth management achieved a good start, driving a rapid growth of net non-interest income. Driven by the cyclic value chain of extensive wealth management, the total customer assets under management by the Group maintained a rapid growth. 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. 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. 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 trillion², representing an increase of 9.26% as compared with the beginning of the year

² 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.

3. Outlook

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.

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Investor Relations

China Merchants Bank H.O.

Tel: 86-755-2269 9082

Fax: 86-755-8319 5109

E-mail: IR@cmbchina.com

Media Contact

Ms. Vivian Wang

Christensen

Tel: 852-2232-3978

Fax: 852-2117-0869

Email: vivian.wang@christensencomms.com