

China Merchants Bank Announces 2022 Annual Results

Net Profit Increased by 15.08% and NPL Ratio Remained Low at 0.96%

2022 Annual Results Highlights

Effective response to various challenges and steady improvement in operation

- Net operating income of RMB344.740 billion, representing a year-on-year increase of 4.02%;
- Net profit attributable to shareholders of the Bank of RMB138.012 billion, representing a year-on-year increase of 15.08%;
- Net interest income of RMB218.235 billion, representing a year-on-year increase of 7.02%; net non-interest income of RMB126.505 billion, representing a year-on-year decrease of 0.77%;
- ROAA and ROAE was 1.42% and 17.06%, up by 0.06 percentage point and 0.10 percentage point year-on-year, respectively.
- Net interest margin was 2.40%, representing a decrease of 8 basis points year-on-year. In the fourth quarter of 2022, net interest margin was 2.37%, representing an increase of 1 basis point, as compared to the previous quarter
- Cost-to-income ratio of the Group was 32.89%, representing a decrease of 0.22 percentage point as compared with the previous year and achieving two consecutive years of decline.

Total assets reached new benchmark, advantage in liabilities maintained

- Total assets amounted to RMB10,138.912 billion, representing an increase of 9.62% as compared with the end of the previous year; total liabilities amounted to RMB9,184.674 billion, representing an increase of 9.56% as compared with the end of the previous year.
- Total loans and advances to customers amounted to RMB6,051.459 billion, representing an increase of 8.64% as compared with the end of the previous year;
- Total deposits from customers amounted to RMB7,535.742 billion, representing an increase of 18.73% as compared with the end of the previous year, incremental value exceeded RMB1 trillion for the first time.

Asset quality remained sound with solid and effective asset-liability management

- The average of liquidity coverage ratio was 164.92% in the fourth quarter of 2022, and the net stable funding ratio at the end of the fourth quarter of 2022 was 131.83%, both of which were higher than regulatory requirements and left a great margin of safety.
- Non-performing loans amounted to RMB58.044 billion, RMB7.142 billion as compared with the end of the previous year, and non-performing loan ratio was 0.96%, representing an increase of 0.05 percentage point as compared with the end of the previous year.
- Allowance coverage ratio was 450.79%, representing a decrease of 33.08 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.

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 annual results press release is unaudited and prepared in accordance with the International Financial Reporting Standards.

24 March, 2023 - China Merchants Bank Co., Ltd. (HKEx: 3968; SSE: 600036; “China Merchants Bank” or “the Company” or “the Bank”) together with its subsidiaries (“the Group”) today announced its 2022 annual results.

In 2022, adhering to the philosophy of achieving dynamic and balanced development of “Quality, Efficiency and Scale”, the Group carried out various businesses in a sound manner, whereby the scale of assets and liabilities and net profit have grown steadily, and the asset quality has been generally stable.

1. Financial Highlights

In 2022, the Group realised the net operating income of RMB344.740 billion, representing a year-on-year increase of 4.02%; realised a net profit attributable to shareholders of the Bank of RMB138.012 billion, representing a year-on-year increase of 15.08%; realised the net interest income of RMB218.235 billion, representing a year-on-year increase of 7.02%; and realised the net non-interest income of RMB126.505 billion, representing a year-on-year decrease of 0.77%. The return on average asset (ROAA) attributable to shareholders of the Bank and return on average equity (ROAE) attributable to ordinary shareholders of the Bank were 1.42% and 17.06%, up by 0.06 percentage point and 0.10 percentage point year-on-year, respectively.

As at the end of the reporting period, the Group’s total assets amounted to RMB10,138.912 billion, representing an increase of 9.62% as compared with the end of the previous year. The total loans and advances to customers amounted to RMB6,051.459 billion, representing an increase of 8.64% as compared with the end of the previous year. Total liabilities amounted to RMB9,184.674 billion, representing an increase of 9.56% as compared with the end of the previous year. Total deposits from customers amounted to RMB7,535.742 billion, representing an increase of 18.73% as compared with the end of the previous year.

As at the end of the reporting period, the Group had a total of non-performing loans of RMB58.004 billion, representing an increase of RMB7.142 billion as compared with the end of the previous year. The non-performing loan ratio was 0.96%, representing an increase of 0.05 percentage point as compared with the end of the previous year. The allowance coverage ratio was 450.79%, representing a decrease of 33.08 percentage points as compared with the end of the previous year; the allowance-to-loan ratio was 4.32%, representing a decrease of

0.10 percentage point as compared with the end of the previous year.

2. Analysis of the Company's Overall Operation

In 2022, in the face of the complicated international and domestic business environment, China Merchants Bank has withstood the internal and external tests and withstood the market pressure test. CMB steadily fulfilled the requirements of “maintaining stability in four areas” (strategy, corporate governance mechanism, operation management and talent team) under the general keynote of making steady progress. We maintained our strategic determination by building our “Malik Curve”. We achieved a stable operation by stabilising our strategies, mechanisms and workforce” while maintaining the dynamic balance development of “quality, efficiency and scale”. We increased efforts to enhance the three major capabilities of “wealth management, Fintech and risk management” and forged our sustainable development capability, achieving a reasonable growth in volume and effective quality improvement. The advantages of our fortress-style balance sheet continued to be consolidated.

1. Dynamically adjusted assets allocation with steady growth in loan scale

The Group allocated assets flexibly under the general principle of proper match between risk and return. In accordance with the general requirement for a dynamic and balanced development featured with “quality, efficiency and scale”, the Group has taken a number of initiatives to make progress in a stable manner and to promote coordinated stable growth of corporate loans and retail loans by taking into account the internal and external conditions. In addition, the Group has appropriately increased the allocation for bonds issued by the PRC government, bonds issued by policy banks and medium to high grade credit bonds, constantly optimising the asset structure and improving the efficiency of assets allocation.

As at the end of the reporting period, total loans and advances to customers of the Group amounted to RMB6,051.459 billion, representing an increase of 8.64% as compared with the end of the previous year; total loans and advances to customers accounted for 59.69% of the total assets, representing a decrease of 0.53 percentage point as compared with the end of the previous year. Among them, retail loans were RMB3,161.789 billion, representing an increase of 5.82% as compared with the end of the previous year, accounting for 52.25% of the loans and advances to customers of the Group, representing a decrease of 1.39 percentage points as compared with the end of the previous year. Affected by the macroeconomic and market factors, the growth of residential mortgage loans and credit card loans slowed down. The growth of micro-finance loans and consumer loans both drove the steady growth of retail loans. Corporate loans amounted to

RMB2,375.616 billion, representing an increase of 10.45% as compared with the end of the previous year, accounting for 39.26% of the loans and advances to customers of the Group, representing an increase of 0.64 percentage point as compared with the end of the previous year, which was mainly due to the Group's deep exploration of customer credit demands and the continual enhancement of the financial support to the real economy under the premise of adhering to risk pricing. The Group's investment securities and other financial assets amounted to RMB2,787.066 billion, representing an increase of 26.68% as compared with the end of the previous year, accounting for 27.49% of the total assets of the Company, representing an increase of 3.7 percentage points as compared with the end of the previous year.

2. Further optimized liability structure with increased balance and improved quality of customer deposits.

As at the end of the reporting period, total deposits from customers amounted to RMB7,535.742 billion, representing an increase of 18.73% as compared with the end of the previous year, represents 82.05% of the Group's total liabilities and a record high increase in deposits. The Company maintained a relatively outstanding level of deposit structure by taking various measures such as strengthening customer orientation, extending the deposit classification management mindset, optimising assessment rules and increasing capital retention through integrated operation. During the reporting period, the Company's average daily balance of core deposits was RMB5,857.751 billion, representing an increase of RMB854.571 billion or 17.08% as compared with the previous year, accounting for 87.50% of the average daily balance of customer deposits, an increase of 0.24 percentage point as compared with the previous year. The average daily balance of demand deposits was RMB4,162.534 billion, representing an increase of RMB437.187 billion or 11.74% as compared with the previous year, accounting for 62.18% of the average daily balance of customer deposits, representing a decrease of 2.80 percentage points as compared with the previous year. As at the end of the reporting period, the balance of structured deposits of the Company amounted to RMB242.764 billion, representing a decrease of RMB23.553 billion as compared with the end of the previous year, accounting for 3.34% of the balance of deposits from customers and representing a decrease of 1.02 percentage points as compared with the end of the previous year. The rise in the cost of deposits from customers narrowed quarter by quarter, with the annualized average cost ratio of deposits from customers at 1.55% in the fourth quarter of 2022.

3. Promote the business development of extensive wealth management, maintaining resilient in non-interest income.

In line with the explosive growth of residents' demand for wealth management and the long-term narrowing down of return on net interest, the Company accelerated model transformation, actively promoted wealth management capacity building for the entire customer base, benchmarked against world-class banks, and expanded and strengthened the wealth management business.

The Company strived to become the main wealth management account for customers, and comprehensively promoted the “CMB TREE Asset Allocation Services System” by carrying out the “Original Aspiration Plan (初心計劃)” to improve customers' and employees' experience and systematically improve wealth management ability. As at the end of the reporting period, the Company's retail customers reached 184 million in total, an increase of 6.36% as compared with the end of the previous year; AUM (total assets under management for retail customers) balance amounted to RMB12.12 trillion, representing an increase of 12.68% as compared with the end of the previous year; the number of customers holding our wealth management products reached 43,129,300, representing an increase of 14.14% as compared with the end of the previous year; the number of private banking customers exceeded 130,000, and total assets under management for private banking customers reached RMB3.79 trillion, representing an increase of 11.74% as compared with the end of the previous year.

Asset management business steadily grew. As of the end of the reporting period, the total asset management business ranked among the top in the market, reaching RMB4.41 trillion¹, representing an increase of 2.32% as compared with the end of the previous year, among which the balance of wealth management products under management by CMB Wealth Management amounted to RMB2.67 trillion², representing a decrease of 3.96% as compared with the end of the previous year; the scale of assets management business of China Merchants Fund amounted to RMB1.48 trillion³, representing an increase of 10.40% as compared with the beginning of the year; the scale of asset management business of CIGNA & CMAM amounted to RMB164.733 billion⁴, representing an increase of 78.47% as compared with the beginning of the year; the scale of asset management business of CMB International Capital amounted to RMB104.315 billion, representing an increase of 7.10% as compared with the end of the previous year.

¹ The size of assets management business of China Merchants Fund and CMB International Capital all included the data of their subsidiaries.

² The balance refers to the sum of the principal of wealth management products and the changes in net value of the net-value products of customers as at the end of the reporting period.

³ The statistical calibre has been changed, and the figures of the previous year have been adjusted in accordance with the same statistical calibre.

⁴ Comparable data was adjusted according to the regulatory reporting calibre and same statistical calibre.

The Company realised the synergetic “flywheel effect” through business integration. As of the end of the reporting period, the customers holding both our debit cards and credit cards accounted for 64.10% of our credit card customers, up by 1.49 percentage points as compared with the end of the previous year. By deepening the integration of wholesale and retail finance, the Company acquired 155,000 new enterprise customers in its payroll business during the reporting period. As of the end of the reporting period, the coverage rate of private banking services for key enterprises⁵ reached 33.55%. The Company relied on the extensive wealth management to effectively match the mutual needs of funds allocation and assets organisation among customer bases and gave full play to its driving effect on the Group’s other segments. As of the end of the reporting period, the total asset management business ranked among the top in the market, reaching RMB4.41 trillion, representing an increase of 2.32% as compared with the end of the previous year; the asset custody business historically broke through the RMB20 trillion benchmark, representing an increase of 3.08% as compared with the end of the previous year; and subsidiaries totally contributed RMB2.42 trillion in AUM balance to the Company.

The ratio of net non-interest income to net operating income remained high. During the reporting period, when faced with multiple shocks such as severe volatility in the financial markets, sluggish consumption and the continued weakening of external demands, the Group continued to consolidate its customer base, upgrade customer services, actively explore new growth in segments on the premise of improving its existing advantages, and strive to maintain the stability of net non-interest income. During the reporting period, the Group realised net non-interest income of RMB126.505 billion, representing a decrease of 0.77% year-on-year, accounting for 36.70% of net operating income, a decrease of 1.77 percentage points year-on-year. Among the Group’s net non-interest income, net fee and commission income was RMB94.275 billion, representing a decrease of 0.18% year-on-year, accounting for 74.52% of the net non-interest income; other net non-interest income was RMB32.230 billion, representing a decrease of 2.45% year-on-year.

During the reporting period, the Group’s revenue contributed by extensive wealth management was RMB49.151 billion⁶, representing a decrease of 6.10% on the same calibre as compared with the previous year. The major items under the Group’s net fee

⁵ Including strategic customers at Head Office and branches, listed company clients, and corporate customers such as new growth engines, green economy, high-quality track manufacturing industries, regional advantageous and characteristic industries, as well as self-controllable industries.

⁶ The income from extensive wealth management includes the fee and commission income from wealth management, asset management and custody business.

and commission income during the reporting period are analysed as follows. Fee and commission income from wealth management amounted to RMB30.903 billion, representing a year-on-year decrease of 14.28%. Fee and commission income from asset management amounted to RMB12.457 billion, representing a year-on-year increase of 14.75%, which was mainly driven by the growth in the asset management business scale of subsidiaries of the Group. Commission income from custody business was RMB5.791 billion, representing a year-on-year increase of 6.59%, mainly due to the growth of custody business size and the continuous structural optimisation.

4. Persistently cemented customer base with distinctive advantages in featured businesses.

As at the end of the reporting period, the Company's retail customers reached 184 million in total, an increase of 6.36% as compared with the end of the previous year, among which, the number of Sunflower-level and above customers (those with minimum daily average total assets of RMB500,000 for each month) reached 4,143,400, representing an increase of 12.84% as compared with the end of the previous year. As at the end of the reporting period, the Company had 43,129,300 customers who held our wealth products, representing an increase of 14.14% as compared with the end of the previous year. As at the end of the reporting period, the Company had 8.127 million customers who conducted asset allocation under "CMB TREE Asset Allocation Service System", representing an increase of 16.08% as compared with the end of the previous year.

Private banking business continued to grow. As at the end of the reporting period, the Company had 134,800 private banking customers (retail customers of the Company with minimum total daily average assets of RMB10 million per month), representing an increase of 10.43% as compared with the end of the previous year; total assets under management for private banking customers amounted to RMB3,792.436 billion, representing an increase of 11.74% as compared with the end of the previous year; total assets per account amounted to RMB28,133,800, representing an increase of RMB329,500 as compared with the end of the previous year. As of the end of the reporting period, the Company had 184 private banking centres in 92 domestic cities and 6 overseas cities, and the Company has established a three-dimensional service network for high-net-worth customers.

Credit card business optimized. As of the end of the reporting period, the Company had issued an aggregate of 102.7093 million active credit cards, and there were 70.0016

million active credit card users⁷. The balance of credit card loans was RMB884.430 billion, representing an increase of 5.25% as compared with the end of previous year. During the reporting period, the credit card transactions of the Company amounted to RMB4,836.239 billion, representing an increase of 1.52% as compared with the previous year. Interest income from credit cards amounted to RMB63.974 billion, representing an increase of 7.26% as compared with the previous year. Non-interest income from credit cards amounted to RMB28.076 billion, representing an increase of 3.57% as compared with the previous year.

Investment banking business progressed steadily. During the reporting period, the bonds with the Company as the lead underwriter amounted to RMB675.001 billion, and debt finance instruments ranked third in the market in terms of scale (based on the data from the National Association of Financial Market Institutional Investors). With respect to its M&A financing business, the Company overcame the unfavourable factors of the shrinking M&A transaction market, further improved the business system, and strengthened the ability to organise high quality assets. During the reporting period, the Company achieved M&A financing of RMB186.424 billion, and the proportion of the balance of M&A loans to the corporate loan balance hit a record high. Many major projects with market influence were implemented, which enhanced the brand influence of the Company in the M&A market.

Bill business realized comprehensive transformation. During the reporting period, the Company actively responded to market changes, and realized a comprehensive transformation from product-oriented to customer-oriented comprehensive services. During the reporting period, the number of customers of bill business the Company was 143,369 with a year-on-year increase of 1.77%, among which over 100,000 were micro, small- and middle-sized customers, accounting for over 70% of the total. The volume of bill direct discounting business was RMB1,518.742 billion, representing a year-on-year increase of 21.42%, ranking second in the market (data from the China Banking Association).

Transaction banking business continued to improve. As at the end of the reporting period, the number of active users of Cloud-based Direct Connect reached 128,700, representing an increase of 27.80% as compared with the end of the previous year. During the reporting period, the customers of corporate collection products reached 62,700, representing a year-on-year increase of 71.69%; The accumulated transaction amount of

⁷ After the upgrade of the Company's credit card core system, in order to further standardise account management, improve risk control and ensure the safety of customers' use of cards, the Company cleaned up some accounts and cards and adjusted the statistical criteria of credit cards and active credit card users.

corporate collection products was RMB4.25 trillion⁸, representing an increase of 17.06% as calculated on the same basis of the previous year.

Advantages of cross-border finance business continue to strengthen. As at the end of the reporting period, the Company's corporate international settlement amounted to USD408.236 billion, representing a year-on-year increase of 10.38%. During the reporting period, the number of corporate cross-border online remittances of the Company was 631,700 times, representing a year-on-year increase of 75.62% and accounting for 75.61% of the total number of corporate cross-border remittances, representing a year-on-year increase of 23.59 percentage points.

Financial markets business continued to advance. During the reporting period, the interbank trading volumes of RMB exchange swaps amounted to USD759.425 billion. The trading volumes of transaction services to the corporate customers amounted to USD221.980 billion, representing a year-on-year increase of 2.19%.

Financial institution business continued to expand. Through the interbank online service platform “Zhao Ying Tong (招赢通)”, the Company provided financial institutions with online sales and trading services of various products and assets throughout the market, and positive progress has been made in business operations during the reporting period. As at the end of the reporting period, the number of financial institution clients on the “Zhao Ying Tong” platform of the Company reached 3,067, and during the reporting period, the online business volume amounted to RMB1,737.904 billion, increasing by 9.39% as compared with the end of the previous year. Among them, the online sales volume of third-party asset management products amounted to RMB774.243 billion, representing a year-on-year increase of 24.78% in accordance with the same calibre.

5. Enhanced risk management capabilities with stable assets quality.

During the reporting period, the Company upheld prudent risk preference. The Company unified the risk management of businesses on and off balance sheet, strengthened the risk exposure management for customers, proactively enhanced the risk prevention and solution in key areas and strengthened the collection of non-performing loans, keeping on consolidating the foundation of risk management.

As at the end of the reporting period, the non-performing loan ratio of retail loans was 0.89%, up by 0.08 percentage point as compared with the end of the previous year; the

⁸ Due to the increase in the withholding business of water, electricity and gas for corporate collection products in the current period, the year-on-year data were adjusted based on the same calibre.

non-performing loan ratio of credit card loans was 1.77%, up by 0.12 percentage point as compared with the end of the previous year. The non-performing loan ratio of corporate loans was 1.26%, up by 0.02 percentage point as compared with the end of the previous year, as affected by significant risk exposure of some high-debt real estate enterprises.

During the reporting period, the Company paid high attention to the risk prevision and control in key areas, such as real estate related business and local government financing platforms, and the asset quality of the Company was generally controllable. As at the end of the reporting period, the Group's total balance of real estate related businesses which were subject to credit risks, such as the actual and contingent credit, proprietary bond investments, and proprietary investment of non-standardised assets amounted to RMB463.334 billion, representing a decrease of 9.41% as compared with the end of the previous year. The total balance of the businesses for which the Group did not assume credit risks, such as wealth management fund financing, 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 RMB300.355 billion, representing a decrease of 27.11% as compared with the end of the previous year. In addition, as at the end of the reporting period, the Company's balance of loans granted to the real estate industry was RMB333.715 billion, representing a decrease of RMB22.262 billion as compared with the end of the previous year, accounting for 5.83% of the Company's total loans and advances to customers. In terms of regions where the projects were located, over 85% of the Company's balance of loans for real estate development was located 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 real estate loans was 3.99%, representing an increase of 2.60 percentage points as compared with the end of the previous year. As of the end of the reporting period, the balance of the Company's local government financing platform business (calculated on the broad statistical calibre) was RMB263.639 billion (including businesses such as actual and contingent credit, bond investment, proprietary investments and fund investment of wealth management products), representing an increase of RMB1.958 billion as compared with the end of the previous year. Among them, the balance of loans from domestic companies was RMB132.564 billion, representing an increase of RMB9.038 billion as compared with the end of the previous year, accounting for 2.32% of the total loans and advances of the Company, representing a decrease of 0.03 percentage point as compared with the end of the previous year. The non-performing loan ratio was 0.14%, representing a decrease of 0.49 percentage point as compared with the end of the previous year.

During the reporting period, the Company continued to classify assets in a strict manner to fully expose risks and strengthened the disposal of non-performing loans. As at the end

of the reporting period, the Company's ratio of non-performing loans to the loans overdue for more than 60 days was 1.25. During the reporting period, the Company formed new non-performing loans of RMB62.975 billion, representing a year-on-year increase of RMB15.656 billion; the formation ratio of non-performing loans was 1.15%, representing a year-on-year increase of 0.20 percentage point. During the reporting period, the disposal of non-performing loans by the Company amounted to RMB57.986 billion, of which RMB24.252 billion was written off, RMB15.862 billion was securitised, RMB12.846 billion was recovered by cash collection, and RMB5.026 billion was disposed of by other means such as repossession, transfer, restructuring, upward migration and remission.

6. Accelerated Fintech applications and focused on building “Digital CMB”.

Focusing on the target of “online, data, intelligence, platform and ecology”, the Company continued to promote the establishment of “Digital CMB” in terms of customer service, risk management, operational management and internal operation. During the reporting period, the information technology expenses amounted to RMB14.168 billion, up by 6.60% year-on-year and the ratio of the information technology expenses to the Company's net operating income was 4.51%. The Company continued to support construction of new capabilities and exploration of new models with the Fintech Innovation Project Fund. During the reporting period, 577 new Fintech innovation projects were launched, and 489 new projects were put into operation. As of the end of the reporting period, the number of the Bank's Fintech innovation projects launched and put into operation reached an aggregate of 3,242 and 2,450, respectively. Meanwhile, the talent structure was continuously improved to establish a talent system adaptable to a Fintech bank. As of the end of the reporting period, the number of R&D personnel of the Group reached 10,846, representing an increase of 8.00% as compared with the end of the previous year and accounting for 9.60% of total number of employees of the Group.

In terms of retail customer service, the Company continued to improve service quality and efficiency in terms of products, platforms and channels. The monthly active users (MAU) of the CMB APP and the CMB Life APP reached 111 million. 24.3942 million customers purchased “Zhao Zhao Bao (朝朝寶)”, with a position amount of RMB205.568 billion at the end of the period. The digitalisation of private banking business accelerated, and the coverage rate of online family trust business process reached 94.30%. The “Wealth Alpha+” platform, as an investment and research platform empowering the wealth management business across the Bank, has empowered 21,800 employees as of the end of the reporting period, benefiting tens of millions of users on average per month.

In terms of wholesale customer service, the Company accelerated the online migration.

The coverage rate of online basic services provided by the Company to corporate customers reached 95.65%. The percentage of online financing business increased from 67.26% to 82.14% and the percentage of online foreign exchange business increased from 33.30% to 65.49%. The Company facilitated industrial digitalisation with products such as treasury management cloud, Xin Fu Tong(薪福通), Invoice Cloud (發票雲) and Sale Cloud (銷售雲). The Company released Xin Fu Tong (薪福通) version 4.0 which accumulatively served 695,000 enterprises in total; the number of Invoice Cloud customers was 278,900, representing an increase of 162.00% as compared with the end of the previous year.

In terms of risk management, the Company has made extensive use of Fintech to enhance its digital risk control capability. The intelligent risk control platform named “Libra” enhanced transaction risk management and control capabilities and guarded the asset security of customers with the digital technology. During the reporting period, the percentage of fraud and account takeover amounts by non-cardholders was lowered to 0.57 in ten millionths. During the reporting period, corporate loans newly granted through the “online risk control platform” amounted to RMB197.650 billion.

In terms of operation management, the Company empowered its employees via data in various operational analysis tasks. The Company improved the employees’ ability and experience of data access. The data application barrier has been further lowered, and the coverage rate of big data services has reached more than 50% of all employees in the Bank, efficiently empowering the employees to do various operation analysis. The Company continuously integrated and optimised the existing data products to create the “digital and intelligent retail (數智零售)”, a scenario-based data platform for unified retail lines which conducts real-time monitoring of key businesses.

In terms of internal operation, the Company continued to enhance the automation and intelligence of business processing. The Company promoted the optimisation of the credit process, which was reflected by an average of six hours per transaction saved for account managers through the remote loan granting, increasing the efficiency by 32% as compared to the traditional process. By leveraging the intelligent application in scenarios such as the intelligent customer service, intelligent process, voice quality inspection and the Conch RPA (Robot Process Automation), the Company achieved a total replacement of more than 12,000 full-time staff during the reporting period.

Further upgrading the new digital infrastructure for the future. During the reporting period, the Company has completed the smooth and intact migration to the cloud for all retail customers and wholesale customers, and realised the full transition from “traditional

technology architecture” to “cloud architecture”. The Company further deepened the construction of data middle-office and technology middle-office, and lowered the barriers to application development and data access, allowing technology to become the underlying capabilities well used by the Company’s employees. The Company continuously optimised the data access environment and improved data access experience. The Company accelerated the promotion of open and shared technology, built a low-code development system, improved research and development efficiency, so as to quickly respond to business needs. As of the end of the reporting period, there were 4,655 shared components in the technology middle-office of the Company, and the cumulative number of applications released under the low-code development system exceeded 6,500.

7. Conscientiously implemented ESG concepts and proactively served the real economy

Following the transformation and upgrading of the national economy, the Company turned to focus on directions such as green economy, manufacturing, technological innovation, inclusive finance, etc., to continuously innovate in systems and mechanisms, product systems and service models. The Company also improved the quality and efficiency of serving the real economy. The growth rates of green loans, manufacturing loans, loans extended to technology enterprises and SME inclusive finance loans all exceeded the overall growth rate of the loans of the Company. As at the end of the reporting period, the total number of corporate customers reached 2,526,100, representing an increase of 9.02% as compared with the end of the previous year; the balance of green loans was RMB355.357 billion, representing an increase of RMB91.515 billion or 34.69% as compared with the end of the previous year; the balance of manufacturing loans was RMB443.852 billion, representing an increase of RMB123.792 billion or 38.68% compared with the end of the previous year, of which medium- and long-term loans increased by 54.81%. The balance of loans extended to technology enterprises⁹ was RMB295.608 billion, representing an increase of RMB91.547 billion or 44.86% as compared with the end of the previous year; the balance of SME inclusive finance loans was RMB678.349 billion¹⁰, representing an increase of RMB77.249 billion or 12.85% as compared with the end of the previous year.

Our MSCI ESG rating for 2022 was “A”, maintaining the best level among publicly listed

⁹ Refers to the loans granted by the Company to technology enterprises recognised as “specialised, competitive, distinguished, and innovative (專精特新)” enterprises, high-tech companies, and technology-based small- and medium-sized enterprises.

¹⁰ Refers to the small- and micro-sized enterprise loans + private industrial and commercial business operating loans + small- and micro-sized enterprise operating loans with a single account credit limit of RMB10 million, according to the appraisal calibre of the CBIRC, which is expressed in RMB on the domestic calibre and excludes bill financing.

banks in China. We kept giving back to society with a loving heart and donated a total of RMB94.76 million to society in the year.

3. Outlook

Looking forward to 2023, as for the international conditions, the main contradiction between the US and European economies is expected to gradually transit from inflation to recession, with monetary policy stance shifting from tightening to easing. China's pressure in capital outflow and exchange rate depreciation will ease correspondingly in 2023, but the contraction of external demand may become the main risk confronted by the Chinese economy. In terms of domestic environment, full restart will be the theme of the Chinese economy in 2023. In the context of weakening external demand, the recovery of domestic demand will become the main driving force for economic growth. Firstly, along with the recovery of scenarios of offline economic activity, consumption will become the biggest driver of economic growth, especially service consumption. Secondly, investment in infrastructure and manufacturing is expected to grow steadily with the active support of policies, and it is hopeful to see that the decline in real estate investment is notably narrowed. Benefiting from the factors above, China's economic growth is expected to gain increasingly more momentum quarter by quarter in 2023.

According to the current policies and economic expectations analysis, the Company plans to increase loans and advances by 10% approximately and customer deposits by 11% around in 2023, thereby maintaining steady growth trend of overall loans and deposits.

In 2023, the Company will, under the strategic target of building a value creation bank, create more and greater value for customers, employees, shareholders, partners and the society, thus achieving the high-quality development of symbiosis, win-win and results sharing.

END

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
Email: Vivian.wang@Christensencomms.com

