招商銀行
CHINA MERCHANTS BANK

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

FIRST QUARTERLY REPORT OF 2023

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, Chief Executive Officer and Secretary of the Board of Directors, Peng Jiawen, Executive Assistant President and Chief Financial Officer 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 statements in this report.

The 16th meeting of the Twelfth Session of the Board of Directors and the 12th meeting of the Twelfth Session of the Board of Supervisors of the Company had reviewed and unanimously approved the first quarterly report of 2023 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 and its subsidiaries; "CMB Wing Lung Bank" refers to CMB Wing Lung Bank Limited; "CMB Financial Leasing" refers to CMB Financial Leasing Co., Ltd.; "CMB International Capital" refers to CMB International Capital Holdings Corporation Limited; "CMB Wealth Management" refers to CMB Wealth Management Company Limited; "China Merchants Fund" refers to China Merchants Fund Management Co., Ltd.; "CIGNA & CMAM" refers to CIGNA & CMB Asset Management Company Limited; and "CMB Europe S.A." refers to China Merchants Bank (Europe) Co., Ltd..

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

(in millions of RMB, unless otherwise stated)	At the end of the reporting period 31 March 2023	At the end of last year 31 December 2022	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
Total assets	**10,508,752**	10,138,912	3.65
Equity attributable to shareholders of the Bank	**981,087**	945,503	3.76
Net assets per share attributable to ordinary shareholders of the Bank *(in RMB Yuan)* (1)	**34.13**	32.71	4.34

(in millions of RMB, unless otherwise stated)	January to March 2023	January to March 2022	Increase/decrease as compared to the corresponding period of last year (%)
Net operating income	**90,625**	91,999	-1.49
Net profit attributable to shareholders of the Bank	**38,839**	36,022	7.82
Basic earnings per share attributable to ordinary shareholders of the Bank *(in RMB Yuan)* (1)	**1.54**	1.43	7.69
Diluted earnings per share attributable to ordinary shareholders of the Bank *(in RMB Yuan)* (1)	**1.54**	1.43	7.69
Annualised weighted average return on net assets attributable to ordinary shareholders of the Bank *(%)* (1)	**18.43**	19.24	Decrease of 0.81 percentage point
Net cash generated from operating activities (2)	**(12,618)**	5,551	N/A

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 2020 and 2021, both of which are classified as other equity instruments. The Company did not distribute dividends on preferred shares or interests on perpetual bonds in the first quarter of 2023. Therefore, 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, no dividend on preference shares or interest on perpetual bonds were involved to be deducted from "net profit attributable to shareholders of the Bank", while preference shares and perpetual bonds were deducted from both the "average equity" and the "net assets".

(2) The decrease in the net cash generated from operating activities was mainly due to the year-on-year decrease in cash inflow of 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 31 March 2023 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 624,706, including 595,628 holders of A Shares and 29,078 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 the 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	4,553,855,048	18.06	H Shares not subject to restrictions on sales	598,125	–	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	Hong Kong Securities Clearing Company Limited	Offshore legal person	1,590,122,316	6.31	A Shares not subject to restrictions on sales	83,331,130	–	–
4	China Ocean Shipping Company Limited	State-owned legal person	1,574,729,111	6.24	A Shares not subject to restrictions on sales	–	–	–
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	1,130,991,537	4.48	A Shares not subject to restrictions on sales	–	–	–
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	776,574,735	3.08	A Shares not subject to restrictions on sales	-28,333,100	–	–
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 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.; 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

As at the end of the reporting period, the Company had a total of 16 holders of preference shares, all of whom were holders of domestic preference shares. During the period from January to March 2023, 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 domestic preference shares of the Company were as follows.

No.	Name of shareholder	Type of shareholder	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	–	–	–
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 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.

4 Management Discussion and Analysis

4.1 Analysis of overall operation

Taking "building a value creation bank" as its strategic objective and adhering to the philosophy of achieving dynamically balanced development of "Quality, Efficiency and Scale", CMB carried out various businesses in a sound manner during the reporting period, whereby the scale of assets and liabilities and net profit have grown steadily, and the asset quality has been generally stable.

From January to March 2023, the Group realised a net operating income of RMB90.625 billion, representing a year-on-year decrease of 1.49%; a net profit attributable to the shareholders of the Bank of RMB38.839 billion, representing a year-on-year increase of 7.82%; a net interest income of RMB55.409 billion, representing a year-on-year increase of 1.74%; and a net non-interest income of RMB35.216 billion, representing a year-on-year decrease of 6.18%. 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 18.43%, respectively, representing a year-on-year decrease of 0.04 percentage point and a year-on-year decrease of 0.81 percentage point, respectively.

As at the end of the reporting period, the Group's total assets amounted to RMB10,508.752 billion, representing an increase of 3.65% as compared with the end of the previous year. The total loans and advances to customers amounted to RMB6,335.975 billion, representing an increase of 4.70% as compared with the end of the previous year. Total liabilities amounted to RMB9,518.990 billion, representing an increase of 3.64% as compared with the end of the previous year. Total deposits from customers amounted to RMB7,771.878 billion, representing an increase of 3.13% as compared with the end of the previous year (the amounts of deposits, loans and financial investments in the section headed "Management Discussion and Analysis" of this report exclude interest receivable or payable).

As at the end of the reporting period, the Group's non-performing loans amounted to RMB60.302 billion, representing an increase of RMB2.298 billion as compared with the end of the previous year. The non-performing loan ratio was 0.95%, down by 0.01 percentage point as compared with the end of the previous year. The allowance coverage ratio was 448.32%, representing a decrease of 2.47 percentage points as compared with the end of the previous year. The allowance-to-loan ratio was 4.27%, representing a decrease of 0.05 percentage point as compared with the end of the previous year.

4.2 Analysis of statement of profit or loss

Net interest income

From January to March 2023, the Group's net interest income amounted to RMB55.409 billion, representing a year-on-year increase of 1.74% and accounting for 61.14% of net operating income.

From January to March 2023, the net interest spread and the net interest margin of the Group were 2.18% and 2.29% respectively, representing a respective year-on-year decrease of 21 and 22 basis points, and both down by 8 basis points as compared with the previous quarter. Affected by the repeated cuts of Loan Prime Rates (LPR) in 2022 and the downward movement of market interest rates, existing loans were repriced and the yield on new businesses declined, leading to a decrease in the yield on interest-earning assets. In addition, the rising costs for deposits from customers have pushed up the costs of interest-bearing liabilities. However, the Group has been optimising the structure of interest-earning assets and interest-bearing liabilities, which has partially offset the impact arising from the narrowed interest spread to some extent.

The Group	January to March 2023			January to March 2022		
(in millions of RMB, except for percentages)	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
Interest-earning assets						
Loans and advances to customers	6,183,215	67,279	4.41	5,682,612	65,600	4.68
Financial investments	2,421,339	19,529	3.27	1,872,118	15,158	3.28
Balances with the central bank	579,922	2,357	1.65	566,812	1,976	1.41
Balances and placements with banks and other financial institutions	616,065	4,179	2.75	683,256	3,552	2.11
Total	9,800,541	93,344	3.86	8,804,798	86,286	3.97

(in millions of RMB, except for percentages)	Average balance	Interest expense	Annualised average cost ratio (%)	Average balance	Interest expense	Annualised average cost ratio (%)
Interest-bearing liabilities						
Deposits from customers	7,735,110	30,288	1.59	6,595,673	23,810	1.46
Deposits and placements from banks and other financial institutions	975,123	4,731	1.97	1,000,005	4,075	1.65
Debt securities issued	244,707	1,853	3.07	422,407	3,029	2.91
Borrowings from the central bank	178,586	932	2.12	131,855	768	2.36
Lease liabilities	12,931	131	4.11	14,075	140	4.03
Total	9,146,457	37,935	1.68	8,164,015	31,822	1.58
Net interest income	/	55,409	/	/	54,464	/
Net interest spread	/	/	2.18	/	/	2.39
Net interest margin	/	/	2.29	/	/	2.51

Net non-interest income

From January to March 2023, the Group recorded a net non-interest income of RMB35.216 billion, representing a year-on-year decrease of 6.18% and accounting for 38.86% of net operating income. The year-on-year decrease in net non-interest income was mainly due to the drop in risk appetite and weak investment willingness of customers, which resulted in a decrease in fee and commission income. Among the net non-interest income, net fee and commission income amounted to RMB25.079 billion, representing a year-on-year decrease of 12.60%; other net non-interest income amounted to RMB10.137 billion, representing a year-on-year increase of 14.67%, which was mainly due to the increase in investment income from bonds and funds.

Among the Group's net fee and commission income, from the perspective of major items: **Fee and commission income from wealth management** amounted to RMB9.110 billion, representing a year-on-year[1] decrease of 13.25%, due to the low investment sentiment of customers, of which, income from agency distribution of insurance policies amounted to RMB5.076 billion, income from agency distribution of funds amounted to RMB1.524 billion, income from agency sales of wealth management products amounted to RMB1.351 billion[2], income from agency distribution of trust schemes amounted to RMB862 million, income from securities brokerage amounted to RMB215 million. **Fee and commission income from asset management** amounted to RMB3.335 billion[3], representing a year-on-year increase of 2.65%, mainly attributable to the increase in management fee income from its subsidiary CMB International Capital. **Commission income from custody businesses** amounted to RMB1.444 billion, representing a year-on-year decrease of 11.57%, mainly due to the decrease in the assets under custody from equity funds and the wealth management products of banks. **Income from bank card fees** amounted to RMB5.249 billion, representing a year-on-year decrease of 6.15%. **Income from settlement and clearing fees** amounted to RMB3.829 billion, representing a year-on-year decrease of 14.21%.

1 Since the 2022 interim report, the Group has optimised the disclosure calibre of breakdown of fee and commission income, and adjusted the comparative data for the first quarter of 2022 with the same calibre.

2 Income from agency sales of wealth management products is the income in relation to sale services from the sales of wealth management products of the Group.

3 Fee and commission income 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, all being subsidiaries of the Company.

Operating expenses

From January to March 2023, the Group's operating expenses amounted to RMB27.323 billion, representing a year-on-year increase of 4.65%, among which staff costs amounted to RMB17.593 billion, increased by 2.92% as compared with the corresponding period of the previous year and other operating expenses amounted to RMB9.730 billion[4], increased by 7.93% as compared with the corresponding period of the previous year. The increase in operating expenses was mainly because the Group maintained input in Fintech development, continuously consolidated the technology foundation, maintained input in digital infrastructure construction and R&D personnel, and accelerated the pace of digital transformation. The Group's cost-to-income ratio was 27.59%, representing an increase of 1.49 percentage points as compared with the corresponding period of the previous year.

Expected credit losses

From January to March 2023, the Group's expected credit losses amounted to RMB16.421 billion, representing a year-on-year decrease of 23.70%. Specifically, expected credit losses of loans and advances to customers amounted to RMB16.550 billion, representing a year-on-year increase of RMB5.490 billion, which was mainly due to the increase in allowances for loan losses as a result of the higher growth in loans in the first quarter as compared with the same period of the previous year. The total expected credit losses of other types of businesses other than loans and advances to customers amounted to RMB-129 million, representing a year-on-year decrease of RMB10.592 billion. The reversal of the expected credit losses of other types of businesses other than loans and advances to customers during the reporting period was mainly due to the decrease in the scale of amounts held under resale agreements as compared with the end of the previous year.

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

4.3 Analysis of balance sheet

Assets

As at the end of the reporting period, total assets of the Group amounted to RMB10,508.752 billion[5], representing an increase of 3.65% as compared with the end of the previous year, which was mainly attributable to the stable increase in loans and advances to customers, financial investments, etc. driven by the Group's continued strengthening of the organisation of assets during the reporting period. As at the end of the reporting period, the Group's total loans and advances to customers amounted to RMB6,335.975 billion, representing an increase of 4.70% as compared with the end of the previous year; total loans and advances to customers accounted for 60.29% of the total assets, representing an increase of 0.60 percentage point as compared with the end of the previous year. In particular, the retail loans of the Group amounted to RMB3,237.444 billion, representing an increase of RMB75.655 billion or 2.39% as compared with the end of the previous year, indicating a higher growth rate as compared with the corresponding period of the previous year, which was mainly due to the rising demands for personal operating loans and consumer loans with the recovery of consumer spending; the corporate loans of the Group amounted to RMB2,552.869 billion, representing an increase of RMB177.253 billion or 7.46% as compared to the end of the previous year, which was mainly driven by the increasing corporate financing demands with domestic economic recovery and the Group's continued strengthening of support for the real economy at the same time. As at the end of the reporting period, the balance of the Group's financial investments amounted to RMB2,941.360 billion, representing an increase of 7.17% as compared with the end of the previous year.

5 Pursuant to the relevant provisions in the "Interim Measures for the Administration of Gold Leasing Business" (Yin Ban Fa [2022] No. 88) (《黃金租借業務管理暫行辦法》(銀辦發[2022] 88 號)) issued by the General Office of the People's Bank of China in July 2022, with respect to the gold leasing business of the Group with financial institutions since 2023, leasing of gold by the Group to other financial institutions was adjusted from "precious metals" to "placements with banks and other financial institutions", and leasing of gold by the Group from other financial institutions was adjusted from" financial liabilities at fair value through profit or loss" to "placements from banks and other financial institutions". The comparative data at the end of 2022 was adjusted to the same statistical calibre accordingly.

Liabilities

As at the end of the reporting period, total liabilities of the Group amounted to RMB9,518.990 billion, representing an increase of 3.64% 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 RMB7,771.878 billion, representing an increase of 3.13% as compared with the end of the previous year and accounting for 81.65% of total liabilities of the Group, and were the major funding source of the Group. Among the demand deposits, corporate deposits accounted for 58.96% while retail deposits accounted for 41.04%. Among the time deposits, corporate deposits accounted for 58.39% while retail deposits accounted for 41.61%. From January to March 2023, among the daily average balance of deposits from customers of the Group, demand deposits accounted for 60.10%, down by 3.31 percentage points year-on-year, mainly due to customers' increased investment in time deposit products as impacted by the volatile capital market and investment preferences of customers, which led to a decrease in the percentage of demand deposits.

Owners' equity

As at the end of the reporting period, the equity attributable to shareholders of the Bank of the Group was RMB981.087 billion, representing an increase of 3.76% as compared with the end of the previous year, among which retained earnings amounted to RMB531.592 billion, representing an increase of 7.83% as compared with the end of the previous year; investment revaluation reserve amounted to RMB9.460 billion, representing a decrease of 19.93% as compared with the end of the previous year; exchange reserve was RMB1.145 billion, representing a decrease of RMB864 million as compared with the end of the previous year.

4.4 Risk management and control for real estate sector

During the reporting period, the Group closely followed the national policies and regulatory requirements and persisted in the overall tactics of "clear positioning, stabilising scale, improving access, focusing on regions, adjustment of structure and strict management" in the real estate sector.

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 RMB463.173 billion, representing a decrease of 0.03% 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 RMB273.815 billion, representing a decrease of 8.84% as compared with the end of the previous year. In addition, as at the end of the reporting period, the Company's real estate loan balance was RMB335.305 billion, representing an increase of RMB1.590 billion as compared with the end of the previous year, accounting for 5.61% of the Company's total loans and advances to customers, representing a decrease of 0.22 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, over 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 real estate loans was 4.55%, representing an increase of 0.56 percentage point as compared with the end of the previous year, mainly due to the further exposure of risks from certain high-debt real estate customers.

In the future, the Group will continue to firmly implement the relevant national policies for the real estate sector, support the rigid housing demands and upgraders and offer more financial support to the housing rental market. Meanwhile, the Company will keep a close eye on the market developments, strengthen the forward-looking predictions on the risks of the real estate sector, reasonably distinguish risks associated with a project subsidiary from risks associated with its group holding company, focus on selecting self-liquidating and commercially sustainable housing projects on top of strict review of cash flow and continued strengthening of post-investment and post-loan management, so as to keep the real estate financing in a stable and orderly position and support the stable and healthy development of the real estate market.

4.5 Analysis of loan quality

During the reporting period, the Group insisted on strict classification of assets to truly reflect the asset quality. On the one hand, affected by the further exposure of risks from certain high-debt real estate customers, the balance of non-performing loans of the Group increased as compared with the end of the previous year. On the other hand, as the economic activities became stable and the foundation has been consolidating, the balance and proportion of the special-mentioned loans and overdue loans of the Group decreased 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 RMB60.302 billion, representing an increase of RMB2.298 billion as compared with the end of the previous year, and non-performing loan ratio was 0.95%, representing a decrease of 0.01 percentage point as compared with the end of the previous year; special-mentioned loans amounted to RMB70.748 billion, representing a decrease of RMB2.722 billion as compared with the end of the previous year, and the special-mentioned loan ratio was 1.12%, representing a decrease of 0.09 percentage point as compared with the end of the previous year; overdue loans amounted to RMB77.870 billion, representing a decrease of RMB415 million as compared with the end of the previous year, and the overdue loan ratio was 1.23%, representing a decrease of 0.06 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 1.30, and the ratio of the Company's non-performing loans to the loans overdue for more than 60 days was 1.13.

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

The Company	31 March 2023				31 December 2022			
(in millions of RMB, except for percentages)	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	2,264,705	37.92	28,293	1.25	2,097,114	36.66	26,205	1.25
Transportation, storage and postal services	431,048	7.22	628	0.15	412,064	7.20	479	0.12
Real estate	335,305	5.61	15,244	4.55	333,715	5.83	13,307	3.99
Manufacturing	508,741	8.52	4,742	0.93	443,852	7.76	4,764	1.07
Production and supply of electric power, heat, gas and water	180,210	3.02	360	0.20	167,550	2.93	393	0.23
Leasing and commercial services	154,469	2.59	1,703	1.10	143,376	2.51	1,760	1.23
Wholesale and retail	191,889	3.21	1,707	0.89	175,615	3.07	1,748	1.00
Finance	93,903	1.57	89	0.09	75,671	1.32	89	0.12
Construction	114,358	1.91	453	0.40	103,067	1.80	435	0.42
Information transmission, software and IT service	84,368	1.41	226	0.27	80,219	1.40	222	0.28
Water conservancy, environment and public utility management	57,977	0.97	156	0.27	55,838	0.98	76	0.14
Mining	40,129	0.67	602	1.50	38,635	0.68	521	1.35
Others[2]	72,308	1.22	2,383	3.30	67,512	1.18	2,411	3.57
Discounted bills	523,272	8.76	–	–	513,857	8.98	–	–
Retail loans	3,185,164	53.32	28,277	0.89	3,109,737	54.36	28,009	0.90
Total loans and advances to customers	5,973,141	100.00	56,570	0.95	5,720,708	100.00	54,214	0.95

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 scientific research and technical services industries, sanitation and social work industries, culture, sports and entertainment industries and other industries.

During the reporting period, affected by the further exposure of risks from certain high-debt real estate customers, the Company's non-performing loans and the non-performing loan ratio of the real estate industry all increased as compared with the end of the previous year.

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

The Company	31 March 2023						
(in millions of RMB, except for percentages)	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	2,264,705	28,293	1.25	21,262	0.94	30,108	1.33
Discounted bills	523,272	–	–	103	0.02	–	–
Retail loans	3,185,164	28,277	0.89	41,677	1.31	41,940	1.32
Micro-finance loans	678,353	4,233	0.62	2,322	0.34	4,451	0.66
Residential mortgage loans	1,365,049	4,899	0.36	10,491	0.77	6,113	0.45
Credit card loans	881,931	15,514	1.76	27,886	3.16	27,442	3.11
Consumer loans	247,423	2,400	0.97	877	0.35	2,697	1.09
Others (Note)	12,408	1,231	9.92	101	0.81	1,237	9.97
Total loans and advances to customers	5,973,141	56,570	0.95	63,042	1.06	72,048	1.21

The Company	31 December 2022						
(in millions of RMB, except for percentages)	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	2,097,114	26,205	1.25	21,515	1.03	25,852	1.23
Discounted bills	513,857	–	–	8	–	–	–
Retail loans	3,109,737	28,009	0.90	44,097	1.42	46,731	1.50
Micro-finance loans	629,628	4,027	0.64	2,515	0.40	4,567	0.73
Residential mortgage loans	1,379,812	4,898	0.35	10,409	0.75	6,956	0.50
Credit card loans	884,394	15,648	1.77	30,201	3.41	31,408	3.55
Consumer loans	202,225	2,191	1.08	862	0.43	2,544	1.26
Others(Note)	13,678	1,245	9.10	110	0.80	1,256	9.18
Total loans and advances to customers	5,720,708	54,214	0.95	65,620	1.15	72,583	1.27

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.

From January to March 2023, the domestic economy showed reviving growth as the policy for restoring and expanding consumption continued to gain momentum, and the quality of the Company's retail loan assets displayed a stable performance with good momentum. As at the end of the reporting period, with regard to retail loans of the Company, the balance of non-performing loans amounted to RMB28.277 billion, representing an increase of RMB268 million as compared with the end of the previous year, and the non-performing loan ratio was 0.89%, down by 0.01 percentage point as compared with the end of the previous year; the balance of special-mentioned loans amounted to RMB41.677 billion, representing a decrease of RMB2.420 billion as compared with the end of the previous year, and the special-mentioned loan ratio was 1.31%, down by 0.11 percentage point as compared with the end of the previous year; and the balance of overdue loans amounted to RMB41.940 billion, representing a decrease of RMB4.791 billion as compared with the end of the previous year, and the overdue loan ratio was 1.32%, down by 0.18 percentage point as compared with the end of the previous year.

During the reporting period, the amount of residential mortgage loans newly granted by the Company in the first-tier and second-tier cities accounted for 88.13% of the total amount of residential mortgage loans newly granted by the Company, and the balance of residential mortgage loans as at the end of the period in the first-tier and second-tier cities accounted for 86.59% of the balance of residential mortgage loans as at the end of the period of the Company, up by 0.09 percentage point as compared with the end of the previous year.

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

During the reporting period, the Company recorded newly formed non-performing loans of RMB16.023 billion, representing a year-on-year increase of RMB587 million, with a non-performing loans formation ratio (annualised) of 1.09%, down by 0.07 percentage point year-on-year. Among them, the amount of newly formed non-performing corporate loans was RMB3.070 billion, representing a decrease of RMB2.163 billion year-on-year, which was mainly due to the slowdown in the formation of non-performing loans in the real estate industry; the amount of newly formed non-performing retail loans (excluding credit cards) was RMB2.467 billion, representing an increase of RMB1.032 billion year-on-year, and the amount of newly formed non-performing loans of credit cards was RMB10.486 billion, representing an increase of RMB1.718 billion year-on-year. The year-on-year increase in newly formed non-performing retail loans was mainly due to the lagging impact of the relatively weak economic performance in late 2022, which was overall controllable.

The Company continued to dispose of non-performing assets actively. During the reporting period, the Company disposed of non-performing loans amounting to RMB13.663 billion, of which RMB4.458 billion was written off; RMB2.802 billion was recovered by collection; RMB6.096 billion was securitised; and RMB307 million was disposed of by repossession, transfer, upward migration after restructuring, remission and other means.

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 risk 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 RMB262.027 billion, representing an increase of RMB8.614 billion as compared with the end of the previous year. The allowance coverage ratio of the Company was 463.19%, representing a decrease of 4.24 percentage points as compared with the end of the previous year. The allowance-to-loan ratio of the Company was 4.39%, representing a decrease of 0.04 percentage point as compared with the end of the previous year. From January to March 2023, credit cost ratio (annualised) of the Company was 1.04%, up by 0.23 percentage point year-on-year, primarily due to the increase in allowance for loans because of the expanded scale of loans in the first quarter.

Outlook of asset quality and countermeasures

At current stage, against the backdrop of slowing international economic growth, high inflation and intensified volatility of financial market, the economic recovery in China is showing a positive trend. However, the foundation for recovery is not solid, and risks in some industries and regions still exist. The Company will closely follow the changes in the macro situation, continuously enhance the awareness of the industry, improve credit policies and guide to form a reasonable customer structure. By implementing a list-based operation of "one branch, one policy" for asset business, the Company will spare no effort to promote the allocation of high-quality assets, rigorously prevent the risk of key areas, strengthen the monitoring and pre-warning of risks in key areas such as real estate, local government credit and group customers with large credit amount. The Company will formulate countermeasures on management and control, and will make efforts to dispose non-performing loans with various measures, implement a list-based management for key projects and improve the quality and efficiency of collection and disposal. The Company will strengthen the management on special-mentioned loans and overdue loans, make adequate provisions to effectively prevent and mitigate potential risks, therefore maintaining the overall stability on asset quality.

4.6 Capital adequacy ratios

The Group continued to optimise its business structure and enhance capital management. In accordance with various capital requirements of the China banking regulatory authorities as well as the supplementary capital and leverage ratio requirements under the "Ancillary Regulatory Provision for Systematically Important Banks (Trial)" 《系統重要性銀行附加監管規定(試行)》, the capital adequacy ratio, Tier 1 capital adequacy ratio and core Tier 1 capital adequacy ratio of the Group and the Company should not be less than 11.25%, 9.25% and 8.25%, respectively, and that the leverage ratio shall not be less than 4.375%. As of the end of the reporting period, the Group and the Company have been meeting the various capital and leverage ratio regulatory requirements.

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 13.41%, 15.34% and 17.39%, respectively. The decrease in capital adequacy ratios at all tiers under the Advanced Measurement Approach and the Weighted Approach was mainly due to the faster growth of risk-weighted assets as a result of the acceleration of asset grant in the first quarter of 2023.

The Group *(in millions of RMB, except for percentages)*	31 March 2023	31 December 2022	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	**836,054**	799,352	4.59
Net Tier 1 capital	**956,500**	919,798	3.99
Net capital	**1,084,290**	1,037,942	4.47
Core Tier 1 capital adequacy ratio	**13.41%**	13.68%	Decrease of 0.27 percentage point
Tier 1 capital adequacy ratio	**15.34%**	15.75%	Decrease of 0.41 percentage point
Capital adequacy ratio	**17.39%**	17.77%	Decrease of 0.38 percentage point
Information on leverage ratio(2)			
Balance of on- and off-balance sheet assets after adjustment	**12,013,884**	11,569,842	3.84
Leverage ratio	**7.96%**	7.95%	Increase of 0.01 percentage point

Notes:

(1) The "Advanced Measurement Approach" refers to the advanced measurement approach set out in the "Capital Rules for Commercial Banks (Provisional)" issued by the former CBRC on 7 June 2012 (same as below). In accordance with the requirements of the Advanced Measurement Approach, 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 overseas 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 CMB Europe S.A.. During the parallel run period when the Advanced Measurement Approach for capital measurement is implemented, a commercial bank shall use both the Advanced Measurement Approach and other approaches to calculate capital adequacy ratios, and comply with the capital floor requirements. The capital floor adjustment coefficients shall be 95%, 90% and 80% respectively in the first year, the second year, and the third year (i.e. 2017) and subsequent years during the parallel run period.

(2) Since 2015, the leverage ratio shall be calculated based on the "Measures for Management of the Leverage Ratio of Commercial Banks (Revised)" promulgated by the former CBRC on 12 February 2015. The leverage ratios of the Group were 7.95%, 8.00% and 7.64% respectively as at the end of 2022, the end of the third quarter and the end of the second quarter of 2022.

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 12.98%, 15.03% and 17.15%, respectively. The Company's risk-adjusted return on capital (RAROC, before tax) under the Advanced Measurement Approach was 29.62%, continuing to maintain at a high level.

The Company *(in millions of RMB, except for percentages)*	**31 March 2023**	31 December 2022	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	**735,333**	701,033	4.89
Net Tier 1 capital	**851,687**	817,387	4.20
Net capital	**971,381**	927,881	4.69
Core Tier 1 capital adequacy ratio	**12.98%**	13.23%	Decrease of 0.25 percentage point
Tier 1 capital adequacy ratio	**15.03%**	15.42%	Decrease of 0.39 percentage point
Capital adequacy ratio	**17.15%**	17.51%	Decrease of 0.36 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 11.36%, 12.99% and 14.41%, respectively.

The Group	31 March 2023	31 December 2022	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	**11.36%**	11.52%	Decrease of 0.16 percentage point
Tier 1 capital adequacy ratio	**12.99%**	13.25%	Decrease of 0.26 percentage point
Capital adequacy ratio	**14.41%**	14.68%	Decrease of 0.27 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 10.85%, 12.56% and 13.98%, respectively.

The Company	31 March 2023	31 December 2022	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	**10.85%**	10.97%	Decrease of 0.12 percentage point
Tier 1 capital adequacy ratio	**12.56%**	12.79%	Decrease of 0.23 percentage point
Capital adequacy ratio	**13.98%**	14.22%	Decrease of 0.24 percentage point

4.7 Other significant business metrics

As at the end of the reporting period, the Company had 187 million retail customers (including debit and credit card customers), representing an increase of 1.63% as compared with the end of the previous year. The balance of total assets under management (AUM) from our retail customers amounted to RMB12,535.430 billion, representing an increase of RMB412.417 billion or 3.40% 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 4,329,600, representing an increase of 4.49% as compared with the end of the previous year. The balance of AUM from the Sunflower-level and above customers amounted to RMB10,189.471 billion, representing an increase of 3.27% as compared with the end of the previous year.

As at the end of the reporting period, the Company had 138,588 private banking customers (retail customers of the Company with minimum total daily average assets of RMB10 million per month), representing an increase of 2.81% as compared with the end of the previous year; the balance of AUM from private banking customers amounted to RMB3,886.403 billion, representing an increase of 2.48% as compared with the end of the previous year; AUM per account amounted to RMB28.0429 million, representing a decrease of RMB90,900 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, CMB International Capital and CIGNA & CMAM, all being subsidiaries of the Company, amounted to RMB4.28 trillion[6], which was affected by the decrease of the balance of wealth management products under the management of CMB Wealth Management, representing a decrease of 2.95% 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 RMB2.46 trillion[7], representing a decrease of 7.87% as compared with the end of the previous year; the scale of asset management business of China Merchants Fund amounted to RMB1.50 trillion, representing an increase of 1.35% as compared with the end of the previous year; the scale of asset management business of CIGNA & CMAM amounted to RMB210.100 billion, representing an increase of 27.54% as compared with the end of the previous year; the scale of asset management business of CMB International Capital amounted to RMB108.911 billion, representing an increase of 4.41% as compared with the end of the previous year.

6 The total asset management business of China Merchants Fund and CMB International Capital include the data of their subsidiaries.

7 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.

5 Financial Statements

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Expressed in millions of Renminbi unless otherwise stated)

	January to March 2023	January to March 2022
Interest income	93,344	86,286
Interest expense	(37,935)	(31,822)
Net interest income	55,409	54,464
Fee and commission income	27,317	30,845
Fee and commission expense	(2,238)	(2,150)
Net fee and commission income	25,079	28,695
Other net income	9,344	8,256
Operating income	89,832	91,415
Operating expenses	(27,323)	(26,109)
Operating profit before impairment losses	62,509	65,306
Expected credit losses	(16,421)	(21,523)
Share of profits of joint ventures	529	397
Share of profits of associates	264	187
Profit before tax	46,881	44,367
Income tax	(7,655)	(8,058)
Net Profit	39,226	36,309
Attributable to:		
Shareholders of the Bank	38,839	36,022
Non-controlling interests	387	287
Earnings per share		
Basic and diluted earnings per share (RMB Yuan)	1.54	1.43

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in millions of RMB unless otherwise stated)

	January to March 2023	January to March 2022
Net profit for the period	39,226	36,309
Other comprehensive income, net of tax		
Items that will be reclassified subsequently to profit or loss:		
Share of other comprehensive income from equity-accounted investees that will be reclassified subsequently to profit or loss	466	(794)
Fair value change on financial assets measured at fair value through other comprehensive income	(1,473)	(3,226)
Net changes in expected credit losses of financial assets measured at fair value through other comprehensive income	(1,626)	2,955
Cash flow hedge: net movement in hedging reserve	(36)	62
Exchange difference on translation of financial statements of foreign operations	(935)	(355)
Items that may not be reclassified subsequently to profit or loss:		
Fair value gain on equity instruments measured at fair value through other comprehensive income	277	50
Other comprehensive income for the period, net of tax	(3,327)	(1,308)
Attributable to:		
Shareholders of the Bank	(3,255)	(1,273)
Non-controlling interests	(72)	(35)
Total comprehensive income for the period	35,899	35,001
Attributable to:		
Shareholders of the Bank	35,584	34,749
Non-controlling interests	315	252

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in millions of Renminbi unless otherwise stated)

Item	31 March 2023	31 December 2022
Assets		
Cash	12,171	15,209
Precious metals	2,233	2,329
Balances with central bank	585,469	587,818
Balances with banks and other financial institutions	102,385	91,346
Placements with banks and other financial institutions	265,788	264,209
Amounts held under resale agreements	153,641	276,676
Loans and advances to customers	6,080,449	5,807,154
Financial investments at fair value through profit or loss	520,659	423,467
Derivative financial assets	12,677	18,671
Debt investments at amortised cost	1,611,527	1,555,457
Debt investments at fair value through other comprehensive income	821,288	780,349
Equity investments designated at fair value through other comprehensive income	18,255	13,416
Interest in joint ventures	14,737	14,247
Interest in associates	10,021	9,597
Investment properties	1,255	1,268
Property and equipment	104,736	99,919
Right-of-use assets	17,175	17,553
Intangible assets	3,152	3,402
Goodwill	9,999	9,999
Deferred tax assets	92,925	90,848
Other assets	68,210	55,978
Total assets	10,508,752	10,138,912

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(Expressed in millions of RMB unless otherwise stated)

Item	31 March 2023	31 December 2022
Liabilities		
Borrowing from central bank	**195,122**	129,745
Deposits from banks and other financial institutions	**572,043**	645,674
Placements from banks and other financial institutions	**245,488**	207,027
Financial liabilities at fair value through profit or loss	**51,294**	49,144
Derivative financial liabilities	**11,641**	18,636
Amounts sold under repurchase agreements	**128,654**	107,093
Deposits from customers	**7,832,912**	7,590,579
Salaries and welfare payable	**23,476**	23,866
Tax payable	**23,111**	19,458
Contract liabilities	**6,621**	6,679
Lease liabilities	**12,700**	13,013
Provisions	**22,303**	22,491
Debt securities issued	**265,472**	223,821
Deferred tax liabilities	**1,480**	1,510
Other liabilities	**126,673**	125,938
Total liabilities	**9,518,990**	9,184,674
Equity		
Share capital	**25,220**	25,220
Other equity instruments	**120,446**	120,446
Including: Preference shares	**27,468**	27,468
Perpetual bonds	**92,978**	92,978
Capital reserve	**65,435**	65,435
Investment revaluation reserve	**9,460**	11,815
Hedging reserve	**115**	151
Surplus reserve	**94,985**	94,985
Regulatory general reserve	**132,689**	132,471
Retained profits	**487,760**	449,139
Proposed profit appropriations	**43,832**	43,832
Exchange reserve	**1,145**	2,009
Total equity attributable to shareholders of the Bank	**981,087**	945,503
Non-controlling interest	**8,675**	8,735
Including: Non-controlling interest	**5,952**	5,948
Perpetual debt capital	**2,723**	2,787
Total equity	**989,762**	954,238
Total liabilities and equity	**10,508,752**	10,138,912

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

(Expressed in millions of RMB unless otherwise stated)

	January to March 2023	January to March 2022
Operating activities		
Profit before tax	46,881	44,367
Adjustments for:		
– Impairment losses on loans and advances	16,550	11,060
– Impairment losses on investments and others	(129)	10,463
– Unwinding of discount on the allowances of loans and advances	(53)	(62)
– Depreciation of property and equipment and investment properties	2,446	1,064
– Depreciation of right-of-use assets	1,026	1,003
– Amortisation of other assets	290	320
– Net gain on investments in debt securities and equity instruments	(2,460)	(2,336)
– Interest income on investments	(19,529)	(15,158)
– Interest expense on issued debt securities	1,853	3,029
– Share of profits of associates	(264)	(187)
– Share of profits of joint ventures	(529)	(397)
– Net gains on disposal of property and equipment and other assets	(82)	(139)
– Interest expense on lease liabilities	131	140
Changes in:		
Balances with central bank	11,021	(12,198)
Loans and advances to customers	(267,788)	(186,503)
Other assets	(53,704)	(7,757)
Deposits from customers	236,136	333,016
Deposits and placements from banks and other financial institutions	(13,512)	(153,871)
Balances and placements with banks and other financial institutions with original maturity over 3 months	(26,497)	(25,528)
Borrowings from central bank	65,216	9,290
Other liabilities	(4,735)	1,057
Net cash generated from operating activities before income tax payment	(7,732)	10,673
Income tax paid	(4,886)	(5,122)
Net cash generated from operating activities	(12,618)	5,551

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(Expressed in millions of RMB unless otherwise stated)

	January to March 2023	January to March 2022
Investing activities		
Payment for the purchase of investments	(449,172)	(287,863)
Proceeds from the disposal of investments	340,191	114,264
Investment gains received from investments	25,584	19,014
Payment for the purchases of property and equipment and other assets	(9,313)	(9,013)
Proceeds from the disposal of properties and equipment and other assets	835	208
Net cash flows used in investing activities	(91,875)	(163,390)
Financing activities		
Proceeds from the issue of negotiable interbank certificates of deposits	49,322	17,339
Proceeds from the issue of certificates of deposits	9,859	742
Proceeds from the issue of debt securities	31,127	5,343
Proceeds from other financing activities	5,350	6,021
Repayment of negotiable interbank certificates of deposits	(22,210)	(88,000)
Repayment of certificates of deposit	(8,124)	(2,465)
Repayment of debt securities	(19,189)	(1,500)
Repayment of lease liabilities	(1,127)	(1,190)
Distribution paid on perpetual debt capital	(90)	(83)
Interest paid on financing activities	(974)	(908)
Repayments for other financing activities	–	(65)
Net cash generated from/(used in) financing activities	43,944	(64,766)
Decrease in cash and cash equivalents	(60,549)	(222,605)
Cash and cash equivalents as of 1 January	567,198	801,754
Effects of foreign exchange rate changes on cash and cash equivalents	(1,709)	(726)
Cash and cash equivalents as of 31 March	504,940	578,423
Cash flows from operating activities include:		
Interest received	73,496	70,670
Interest paid	29,794	25,215

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 or other regions. The average liquidity coverage ratio of the Group was 168.17% in the first quarter of 2023, representing an increase of 3.25 percentage points as compared with the previous quarter, which basically remained stable. The Group's liquidity coverage ratio at the end of the first quarter of 2023 was 161.68%, which was in compliance with the regulatory requirements of China Banking and Insurance Regulatory Commission. The breakdown of the Group's average value of each item of liquidity coverage ratio in the first quarter of 2023 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**	/	**1,869,327**
Cash outflows			
2	Retail and small business customers deposits, of which:	3,387,790	299,600
3	Stable deposits	783,592	39,180
4	Less stable deposits	2,604,198	260,420
5	Unsecured wholesale funding, of which:	4,285,218	1,401,126
6	Operational deposits (excluding correspondent banks)	2,721,004	674,090
7	Non-operational deposits (including all counterparties)	1,553,852	716,674
8	Unsecured debt issuance	10,362	10,362
9	Secured funding	/	25,642
10	Additional requirements, of which:	1,805,373	332,076
11	Cash outflows arising from derivative contracts and other transactions arising from related collateral requirements	238,226	238,226
12	Cash outflows arising from secured debt instruments funding	–	–
13	Undrawn committed credit and liquidity facilities	1,567,147	93,850
14	Other contractual obligations to extend funds	82,860	82,860
15	Other contingent funding obligations	4,313,180	94,067
16	**Total cash outflows**	/	**2,235,371**
Cash inflows			
17	Secured lending (including reverse repo and securities borrowing)	215,121	214,607
18	Contractual inflows from fully performing loans	1,067,768	668,179
19	Other cash inflows	249,049	241,037
20	**Total cash inflows**	**1,531,938**	**1,123,823**

		Adjusted value
21	**Total stock of high quality liquid assets**	**1,869,327**
22	**Net cash outflows**	**1,111,548**
23	**Liquidity coverage ratio**	**168.17%**

Notes:

(1) Data from the Bank was a simple arithmetic average of the 90-day value in the latest quarter and the month-end 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 pressure conditions, as well as the bonds in line with the definition of Tier 1 and Tier 2 assets set out by China Banking and Insurance Regulatory Commission on the "Measures for the Liquidity Risk Management of Commercial Banks".

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

26 April 2023

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, Sun Yunfei, Zhou Song, Hong Xiaoyuan, Zhang Jian 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.