

China Merchants Bank Announces Results for the First Quarter of 2023

Net Profit Increased by 7.82% and Asset Quality Remained Sound

Results Highlights for the Three Months Ended 31 March, 2023

Revenue and net profit continued to grow with ROAA and ROAE remaining high

- Net operating income of RMB90.625 billion, representing a year-on-year decrease of 1.49%;
- Net profit attributable to shareholders of the Bank of RMB38.839 billion, representing a year-on-year increase of 7.82%;
- Net interest income of RMB55.409 billion, representing a year-on-year increase of 1.74%; net non-interest income of RMB35.216 billion, representing a year-on-year decrease of 6.18%;
- ROAA and ROAE was 1.50% and 18.43%, respectively, down by a respective year-on-year percentage point of 0.04 and 0.81.

Continued optimisation of asset-liability structure, maintained competitive edge in net interest margin

- Total assets amounted to RMB10,508.752 billion, representing an increase of 3.65% 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 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 deposits from customers amounted to RMB7,771.878 billion, representing an increase of 3.13% as compared with the end of the previous year; among the daily average balance of deposits from customers of the Group, demand deposits accounted for 60.10%, maintaining a relatively high level;
- Net interest spread and the net interest margin 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.

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

- 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%, down by 0.01 percentage point as compared with the end of the previous year;
- 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.

Extensive wealth management upheld resilient, retail AUM maintained sound growth

- 187 million retail customers, representing an increase of 1.63% as compared with the end of the previous year;
- Balance of total AUM from 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.

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

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

26 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 unaudited results for the first quarter of 2023.

Since 2023, 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.

1. Analysis of overall financial status

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.

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.

2. Analysis of key operating status

Continued to strengthen the organisation of assets and achieved stable increase in loans and advances to customers and financial investments. As at the end of March 2023, total assets of the Group amounted to RMB10,508.752 billion¹, 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. as the Group continued to strengthen 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 compare 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 steady 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.

The structure of liabilities continues to be optimized, customer deposits increased and

¹ 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 of 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.

were of good quality. As at the end of March 2023, 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.

Net interest income continued to grow and the structure of interest-earning assets and interest-bearing liabilities continues to be optimized. 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, the interest rates for 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.

Net non-interest income remained resilient, investment income from bonds and funds increased. 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-year² 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 billion³, 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 billion⁴, 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%.

Risk control of housing-related business was further strengthened, and the regional and customer structure of real estate financing remained sound. 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

² 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.

³ 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.

⁴ Fees and commissions from asset management mainly include the income from the issuance and management of various asset management products such as funds, wealth management and asset management plans of China Merchants Fund, CMB International Capital, CMB Wealth Management and CIGNA & CMAM.

the structure of customers and regional structure of the Company's real estate loans have remained sound, among which, the balance of loans with customers featuring high credit rating accounted for nearly 80%; in terms of regions where the projects were located, 85% of real estate development loan balance was in the urban areas of first-tier and second-tier cities. As at the end of the reporting period, the Company's non-performing loan ratio of 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 release of risks from some real estate customers with high liabilities.

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 some 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.

Further-tightened asset classification, the quality of the Company's retail loan assets displayed a stable performance with good momentum. 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.

During the reporting period, affected by the further exposure of risks from certain high-debt real estate customers, the 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. In addition, affected by the large exposure of risks from certain corporate customers with poor management, the non-performing loans and the non-performing loan ratios of transportation, warehousing and postal industries, mining industry, water conservancy, environment and public utility management

industries all increased slightly as compared with the end of the previous year.

From January to March 2023, the domestic economy showed resilient 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, 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.

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 nonperforming 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 10.486 billion, representing an increase of RMB1.718 billion year-on-year. The year-on-year increase in newly formed nonperforming 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 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.

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 remain. 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, 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 listbased 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.

Extensive wealth management remained steady, and total AUM from our retail customers continued to grow. 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 trillion⁵, 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 trillion⁶, 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.

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⁵ The total asset management business of China Merchants Fund and CMB International Capital include the data of their subsidiaries.

⁶ 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.

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