**China Merchants Bank Announces 2023 Interim Results**

**Net Profit Increased by 9.12%, Asset Quality Remained Stable**

**2023 Interim Results Highlights**

**Operating results achieved stable growth with profitability remaining at a high level**

* Net profit attributable to shareholders of the Bank was RMB75.752 billion, representing a year-on-year growth of 9.12%;
* Net interest income reached RMB108.996 billion, representing a year-on-year growth of 1.21%;
* Net operating income was RMB178.465 billion, representing a year-on-year decrease of 0.34%;
* ROAA and ROAE were 1.45% and 17.55%, down by 0.01 percentage point and 0.52 percentage point year-on-year, respectively, remaining at a high level;

**Asset quality remained stable with strong risk compensation capacity**

* Non-performing loan ratio was 0.95%, representing a decrease of 0.01 percentage point as compared with the end of the previous year, maintaining at a relatively low level;
* Allowance coverage ratio was 447.63%, representing a decrease of 3.16 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, maintaining at a relatively high level.

**Solid asset origination carried out and strength in liabilities sustained**

* Total assets amounted to RMB10,739.836 billion, representing an increase of 5.93% as compared with the end of the previous year. The total loans and advances to customers amounted to RMB6,355.439 billion, representing an increase of 5.02% as compared with the end of the previous year. Total bond investment amounted to 2,673 billion, representing an increase of 9.62% as compared with the end of the previous year;
* Total liabilities amounted to RMB9,753.923 billion, representing an increase of 6.20% as compared with the end of the previous year. Total deposits from customers amounted to RMB8,030.232 billion, representing an increase of 6.56% as compared with the end of the previous year. Average daily balance of core deposits was RMB6,560.759 billion, representing an increase of 12.00% as compared with the end of the previous year.

**Continued optimization of business mix and sustained resilience of non-interest income**

* Profit before tax of retail finance business of the Group amounted to RMB51.780 billion, up by 11.59% year-on-year, accounting for 56.97% of the profit before tax of the Group, representing a year-on-year increase of 1.48 percentage points; net operating income amounted to RMB98.959 billion, up by 1.42% year-on-year, accounting for 55.45% of the net operating income of the Group, representing a year-on-year increase of 0.96 percentage point.
* Net non-interest income was RMB69.469 billion, accounting for 38.93% of net operating income, maintaining at a relatively high level;
* Revenue contributed by extensive wealth management was RMB25.846 billion, accounting for 14.48% of the net operating income, upholding the resilience.

*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 interim results press release is unaudited and prepared in accordance with the International Financial Reporting Standards*

25 August, 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 2023 interim results.

In the first half of 2023, the Group adhered to the concept of dynamically and balanced development of “Quality, Efficiency and Scale”, took the strategic target of building a value creation bank and carried out various businesses in a sound manner. Both the scale of assets and liabilities and net profit grew steadily, and the overall asset quality is stable.

**1. Overall Operation**

In the first half of 2023, During the reporting period, the Group realised the net operating income of RMB178.465 billion, representing a year-on-year decrease of 0.34%; realised a net profit attributable to shareholders of the Bank of RMB75.752 billion, representing a year-on-year increase of 9.12%; realised the net interest income of RMB108.996 billion, representing a year-on-year increase of 1.21%; and realised the net non-interest income of RMB69.469 billion, representing ayear-on-year decrease of 2.68%. The annualised return on average asset (ROAA) attributable to shareholders of the Bank and the annualised return on average equity (ROAE) attributable to ordinary shareholders of the Bank were1.45% and 17.55%, down by 0.01 percentage point and 0.52 percentage point year-on-year, respectively.

As at the end of the reporting period, the Group’s total assets amounted to RMB10,739.836 billion, representing an increase of 5.93% as compared with the end of the previous year. The total loans and advances to customers amounted to RMB6,355.439 billion, representing an increase of 5.02% as compared with the end of the previous year. Total liabilities amounted to RMB9,753.923 billion, representing an increase of 6.20% as compared with the end of the previous year. Total deposits from customers amounted to RMB8,030.232 billion, representing an increase of 6.56% as compared with the end of the previous year. 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 13.09%, 14.99% and 17.09% respectively, representing a decrease of 0.59, 0.76 and 0.68 percentage point respectively as compared with the end of the previous year. 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 11.16%, 12.78% and 14.19%respectively, representing a decrease of 0.36, 0.47 and 0.49 percentage point respectively as compared with the end of the previous year. In the absence of dividend-related considerations, the capital adequacy ratios across all levels demonstrate a sustained upward trajectory.

As at the end of the reporting period, the Group had a balance of non-performing loans of RMB60.641 billion, representing an increase of RMB2.637 billion as compared with the end of the previous year. The non-performing loan ratio was 0.95%, representing a decrease of 0.01 percentage point as compared with the end of the previous year. The allowance coverage ratio was 447.63%, representing a decrease of 3.16 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. Operating status of the Company**

During the reporting period, the Company focused on the strategic objective of “value creation bank”, and adhered to the principle of “quality-oriented, efficiency priority, appropriate scale and reasonable structure”, while focusing on value creation and enhancing core competitiveness with continuous efforts.

1. **Continuously consolidating advantages of retail finance systemization**

The Company has always adhered to its "customer-centric" values and has maintained steady growth in customer base and business scale of its retail business. As of the end of the reporting period, the Company had 190 million retail customers (including debit and credit card customers), representing an increase of 3.26% as compared with the end of the previous year, among which the number of Golden Sunflower and above customers (those with minimum daily average total assets of RMB500,000for each month) reached 4,441,500, representing an increase of 7.19% as compared with the end of the previous year. The balance of total assets under management for retail customers of the Company amounted to RMB12,838.179 billion, representing an increase of 5.90% as compared with the end of the previous year. Among them, the balance of total assets under management for the Golden Sunflower and above customers amounted to RMB10,468.170 billion, representing an increase of 6.10% as compared with the end of the previous year. As at the end of the reporting period, the balance of deposits from retail customers of the Company amounted to RMB3,138.072 billion, representing an increase of 6.17% as compared with the end of the previous year. During the reporting period, the demand deposits accounted for 61.12% of the daily average balance of deposits from retail customers of the Company. The Company had 143,177 private banking customers (retail customers of the Company with minimum total daily average assets of RMB10 million per month), representing an increase of 6.21% as compared with the end of the previous year; the balance of total assets under management for private banking customers increased by 5.89% as compared with the end of the previous year; the balance of total assets per account amounted to RMB28,049,100, representing a decrease of RMB84,700 as compared with the end of the previous year. The number of transactions of the family trust business exceeded 10,000, with the business scale increased by 22.79% as compared with the end of the previous year.

During the reporting period, the Company actively implemented the national and regional policy requirements for its residential mortgage loan business, adhered to the city-specific policy, supported the residents’ reasonable needs for purchasing their own homes, and achieved the sound development of this type of business. The scale of residential mortgage loans declined due to lower demand and prepayment of loans. In response to this, the Company intensified efforts to expand its presence in primary and secondary housing market. The Company recorded a balance of residential mortgage loans of RMB1,369.270 billion, representing a decrease of 0.76% as compared with the end of the previous year. With a strengthened focus on risk management, the Company increased the issuance of micro-finance loans and consumer loans. The balance of retail micro-finance loans amounted to RMB709.306billion, representing an increase of 12.65% as compared with the end of the previous year. The balance of consumer loans amounted to RMB272.351 billion, up by 34.68% as compared with the end of the previous year. Credit card business remained stable. The credit card transactions of the Company amounted to RMB2,371.981 billion, representing a decrease of 0.67% as compared with the same period of the previous year. Interest income from credit cards amounted to RMB31.326 billion, representing a decrease of 0.31% as compared with the same period of the previous year. Non-interest income from credit cards amounted to RMB13.909 billion, representing a decrease of 0.83% as compared with the same period of the previous year.

1. **Strengthened differentiated advantages of corporate finance**

**The Company continued to iterate and optimise the segmentation and classification service system to adjust customer mix and business structure.** As of the end of the reporting period, the total number of corporate customers of the Company was 2,648,500, representing an increase of 4.85% as compared with the end of the previous year. The number of newly acquired corporate customers during the reporting period was 229,000, contributing daily average deposits of RMB76.776 billion. Among them, 10,200 corporate depositors with daily average deposits of more than RMB500,000 were newly acquired. The Company’s balance of aggregate financing products to corporate customers (FPA) was RMB5,497.700 billion[[1]](#footnote-1), representing an increase of RMB409.573 billion as compared with the beginning of the year. Corporate customer deposit balance was RMB4,599.771 billion, representing an increase of 6.51% as compared with the end of the previous year. The daily average balance was RMB4,498.911 billion, representing an increase of 5.63% as compared with the previous year.

**We continued to build up distinctive advantages to proactively serve customers in an efficient manner.** In terms of transaction banking business, as at the end of the reporting period, the number of customers of Treasury Management Cloud services reached 254,800, representing an increase of 41.34% as compared with the end of the previous year. The letters and certificates issuance business transactions of the Company amounted to RMB250.464 billion, representing a year-on-year increase of 59.04%. The domestic trade financing business volume amounted to RMB584.647 billion, representing a year-on-year increase of 56.17%. In terms of cross-border business, the Company’s goods trade of corporate finance in respect of international settlement amounted to USD81.303 billion, representing a year-on-year increase of 10.45%. In terms of supply chain finance business, the Company has launched a total of 261 projects of ““One Entire Bank for One Customer”, extended its services to 28,271 small- and medium-sized enterprises, of which 23,783 enterprises were granted financing support, with the total amount of loans granted of RMB313.198 billion.

1. **Improving professionalism of investment banking and financial markets business**

The Company continuously improved its business capabilities in terms of bond underwriting and M&A financing. The self-operated investment and research systems of the financial markets business were continuously improved, and the advantages of the tradings on behalf of customers were further consolidated. In terms of investment banking business, the debt financing instruments with the Company as the lead underwriter amounted to RMB321.464 billion, ranked third among its industry peers (based on the data from the National Association of Financial Market Institutional Investors), representing a year-on-year increase of 4.26%. Among them, the size of perpetual bonds ranked first among its industry peers, the size of green bonds and science and technology innovation notes ranked second among its industry peers, and the size of Asset-Backed Note (ABN) ranked third among its industry peers. The Company’s M&A financing amounted to RMB133.380 billion, representing a year-on-year increase of 14.13%. Many major projects with market influence were implemented, which enhanced the brand influence of the Company in the M&A market. In terms of bill business, affected by a decline in the overall business volume of the bill market, the volume of direct bill discounting business was RMB701.441 billion, representing a year-on-year decrease of 16.88%, still ranking second (data from the China Banking Association), of which the volume of commercial acceptance bill discounting business was RMB82.637 billion, ranking first (data from the Commercial Bank Bill Business Association). In terms of finance markets business, the transaction volume of RMB bond investments amounted to RMB1.38 trillion, representing a year-on-year increase of 15.76%. The Company provided hedging services to 3,019 companies with a total transaction volume of USD29.639 billion. The Company provided online derivative trading services to 2,596 corporate clients, with a total transaction volume of USD11.976 billion. The Company’s online sales of third-party asset management products through “Zhao Ying Tong (招贏通)”, an interbank online service platform, amounted to RMB429.831 billion, representing a year-on-year increase of 8.78%.

1. **Steady development of the extensive wealth management business**

**The balance of AUM for retail customers grew steadily.** As at the end of the reporting period, the balance of total assets under management (AUM) for retail customers of the Company amounted to RMB12.84 trillion, representing an increase of 5.90% as compared with the end of the previous year. The Company’s balance of retail wealth management products amounted to RMB3,239.238 billion, representing an increase of 3.21% as compared with the end of the previous year. The Company achieved the sales of agency insurance premiums of RMB57.394 billion, representing an increase of 54.88% year-on-year. the number of customers holding our wealth management products reached 46,633,400, representing an increase of 8.12% as compared with the end of the previous year. The number of customers[[2]](#footnote-2) who conducted asset allocation under the “CMB TREE Asset Allocation Service System” reached 8,651,400, representing an increase of 6.45% as compared with the end of the previous year. The number of transactions of the family trust business exceeded 10,000, with the business scale increased by 22.79% as compared with the end of the previous year. CMB APP “Zhao Cai Hao(招財號)” had a total of 22,120,000 followers. 144 asset management agencies with industrial representativeness settled in “Zhao Cai Hao(招財號)”.

**The percentage of the balance of non-traditional financing to the balance of FPA to corporate customers remained stable.** As of the end of the reporting period, the balance of non- traditional financing[[3]](#footnote-3) in the Company’s balance of aggregate financing products to corporate customers (FPA) was RMB2,448.406 billion, representing an increase of RMB158.523 billion as compared with the beginning of the year. The balance of non-traditional financing accounted for 44.54% of the balance of FPA, representing a decrease of 0.46 percentage point as compared with the beginning of the year.

**The asset management business showed resilience.** As at the end of the reporting period, the total asset management business of CMB Wealth Management, China Merchants Fund, CIGNA & CMAM, and CMB International Capital all being subsidiaries of the Company, amounted to RMB4.41 trillion[[4]](#footnote-4), basically remained the same level as compared with the end of the previous year and maintained a leading position in the market, among which the balance of wealth management products under management by CMB Wealth Management amounted to RMB2.53 trillion, representing a decrease of 5.24% as compared with the end of the previous year, but an increase of RMB72.622 billion as compared with the end of the first quarter, mainly due to the increased issuance of cash, short-term closed low-volatility products, and medium- and long-term maturity matching products. The scale of assets management business of China Merchants Fund amounted to RMB1.55 trillion, representing an increase of 4.73% as compared with the end of the previous year; the scale of asset management business of CIGNA & CMAM amounted to RMB223.725 billion, representing an increase of 35.81% as compared with the end of the previous year; the scale of asset management business of CMB International Capital amounted to RMB109.993 billion, representing an increase of 5.44% as compared with the end of the previous year.

**The custody business maintained its leadership.** As of the end of the reporting period, the balance of assets under custody of the Company was RMB20.86 trillion, representing an increase of 3.99% as compared with the end of the previous year. The total scale of custody was the largest in the industry (WIND data), and its market share expanded since the end of the previous year.

1. **Comprehensively promoting the construction of “digital bank”**

The Company continued to improve the service level of “people + digitalisation” by focusing on online, data-based, intelligent, platform-based and ecological operation. In terms of expenditure, during the reporting period, the information technology input amounted to RMB5.206 billion. The ratio of information technology expenses to the Company’s net operating income was 3.21%. In terms of digital services for retail finance, the number of monthly active users (MAU) of CMB APP and CMB Life APP reached 111 million. Through the intelligent wealth assistant ”AI Xiao Zhao (AI小招)”, the Company provided more convenient and diversified services to retail customers. During the reporting period, the Company served 11,728,800 users via “AI Xiao Zhao (AI小招)”, representing a year-on-year increase of 140.84%. In terms of wholesale financial digital services, the coverage rate of online basic services provided by the Company to corporate customers reached 95.65%. The percentage of online financing business was 89.88%, representing an increase of 7.74 percentage points as compared with the end of the previous year, and the percentage of online foreign exchange business was 73.57%, representing an increase of 8.08 percentage points as compared with the end of the previous year. In terms of risk management, the percentage of fraud and account takeover amounts by non-cardholders was lowered to 0.1 in ten millionths with the help of “Libra”. In terms of internal operation, by leveraging the intelligent applications in scenarios such as Conch RPA, AI intelligent customer service, AI digital people, voice quality inspection, our staff were relieved from repetitive, time-consuming work equivalent to a workload of over 14,000 individuals. In terms of digital infrastructure, the overall availability[[5]](#footnote-5) of the cloud platform reached 99.999%.

1. **Enhancing overall risk management capability**

**We continued to heighten asset classification, fully expose risks and stepped-up efforts to dispose non-performing assets to stabilize asset quality.** As at the end of the reporting period, the balance of non-performing retail loans amounted to RMB27.975 billion, representing a decrease of RMB68 million as compared with the end of the previous year, with a non-performing loan ratio of 0.84%, down by 0.05 percentage point as compared with the end of the previous year. Among which, the balance of non-performing credit card loans amounted to RMB15.201 billion, representing a decrease of RMB449 million as compared with the end of the previous year; and the non-performing loan ratio of credit card loans was 1.68%, down by 0.09 percentage point as compared with the end of the previous year. As affected by risk exposure of some high-debt real estate enterprises and individual corporate customers with poor management, the balance of non-performing corporate loans amounted to RMB32.666 billion, representing an increase of RMB2.705 billion as compared with the end of the previous year; and the non-performing loan ratio of corporate loans was 1.27%, up by 0.01 percentage point as compared with the end of the previous year. The Group adopted prudent classification criteria for overdue loans, and the ratio of non-performing loans to the loans overdue for more than 90 days was 1.29, and the Company’s ratio of non-performing loans to the loans overdue for more than 60 days was 1.08.

During the reporting period, the Company formed new non-performing loans of RMB30.509 billion, representing a year-on-year decrease of RMB193 million; the formation ratio of non-performing loans was 1.04% (annualised), representing a year-on-year decrease of 0.09 percentage point. During the reporting period, the Company played an active role in the disposal of non-performing loans, taking various approaches to reduce and dispose of risk assets. During the reporting period, the disposal of non-performing loans by the Company amounted to RMB28.278 billion, of which RMB11.051 billion was written off, RMB11.376 billion was securitised, RMB5.637 billion was recovered by collection, and RMB214 million was disposed of by other means such as repossession, transfer, restructuring, upward migration and remission.

**We effectively managed the risks in real estate-related businesses and local government financing platforms, with overall quality of assets under control.** As at the end of the reporting period, the Company’s balance of loans granted to the real estate industry was RMB315.011 billion, representing a decrease of RMB18.704 billion as compared with the end of the previous year, accounting for 5.26% of the Company’s total loans and advances to customers, representing a decrease of 0.57 percentage point as compared with the end of the previous year. The customer structure and regional structure of the Company in respect of real estate related loans have remained stable, among which the balance of loans granted to customers featuring high credit-rating accounted for over 70%; in terms of regions where the projects were located, over 85% of the Company’s balance of loans for real estate development was located in the urban areas of first-tier and second-tier cities. The Company’s non-performing loan ratio of real estate loans was 5.45%, representing an increase of 1.46 percentage points as compared with the end of the previous year, which was mainly due to the combined effect of the further release of risks associated with individual highly indebted real estate customers, slower progress of risk disposal and the decrease in the balance of real estate loans. The Group’s total balance of businesses which were not subject to credit risks, such as wealth management fund financing, entrusted loans, agency distribution of trust schemes under the active management by cooperative institutions, and debt financing instruments with the Group as the lead underwriter amounted to RMB247.547 billion, representing a decrease of 17.58% as compared with the end of the previous year.

As of the end of the reporting period, the balance of the local government financing platform business involved in the Company and CMB Wealth Management was RMB248.573 billion (including businesses such as actual and contingent credit, bond investment, proprietary investments and fund investment of wealth management products), representing a decrease of RMB15.066 billion as compared with the end of the previous year. Among them, the balance of loans from domestic companies was RMB137.289 billion, representing an increase of RMB4.725 billion as compared with the end of the previous year, accounting for 2.29% of the total loans and advances of the Company, representing a decrease of 0.03 percentage point as compared with the end of the previous year. As of the end of the reporting period, the non-performing loan ratio of the local government financing platform business was 0.14%, which proved that the asset quality remained at a good level.

**3. Outlook and Coping Tactics**

Looking forward to the second half of the year, on the overseas front, after the interest negotiation meeting in July, the cycle of current round of Fed’s rate hike has been nearing its peak. However, due to the resilience of inflation and employment, the cycle of current round of rate hike in the U.S. may last longer at high level. As the spot and lagged effects of monetary tightening gradually emerge, the growth momentum of the U.S. economy witnesses a tendency towards decline. On the domestic front, recovery and transformation will become the main line of the economy in the second half of the year, and growth momentum is expected to strengthen marginally under the policy support, and it is expected that the annual GDP growth rate will realise the target of 5%. At present, the driving role of science and technology as the primary productive force is becoming more prominent, the driving force of economic growth is changing rapidly, and the balance sheet of customers is shifting from “expansion” to “adjustment”, and the risk environment is becoming increasingly complex. These changes are profoundly affecting the development of the banking industry, bringing both new significant challenges and opportunities, and have strengthened the Company’s determination to advance its strategy of building a value creation bank, develop new advantages in differentiated competition and shape Malik growth curve.

In terms of the Company, the following specific strategies for the second half of the year will be applied: The first is to promote the four major sectors to form a balanced and coordinated business pattern with distinctive features. The second is to accelerate the transformation of wealth management. The third is to strengthen the development of asset origination capabilities. The fourth is to comprehensively promote the construction of the “Digital CMB”. The fifth is to keep on developing a fortress-style overall risk and compliance management system. The sixth is to thoroughly implement its development strategy in key regions. The seventh is to build a management system in line with the value creation bank.

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1. Since the financing wealth management and matching transactions included in the scope of FPA were adjusted in this period, the same-calibre adjustment was made to the data at the beginning of the period, with the opening balance of the adjusted FPA of RMB5,088.127 billion, of which amount of traditional financing amounted to RMB2,798.244 billion and amount of non-traditional financing amounted to RMB2,289.883 billion. [↑](#footnote-ref-1)
2. Refers to the Golden card and Golden Sunflower card holders who have two or more types of wealth management products out of the four types of wealth management products, namely, active money management, security management, prudent investment and aggressive investment. [↑](#footnote-ref-2)
3. The eight compositions of non-traditional financing include: asset operation, proprietary non-standardised corporate investments, financing wealth management, debt financing instruments with the Company as the lead underwriter, matching transactions, financial leasing, cross-border coordination financing and leading syndicated loans. [↑](#footnote-ref-3)
4. The total volume of asset management business of China Merchants Fund and CMB International Capital both included the data of their respective subsidiaries. [↑](#footnote-ref-4)
5. Availability refers to the proportion of normal working conditions in a given period of time. The overall availability of the cloud platform is the arithmetic average of the availability of each important system running on the cloud platform. [↑](#footnote-ref-5)