

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

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

The Audit Committee under the Board of Directors of the Company has reviewed this report and agreed to submit the same to the Board of Directors for consideration. The 27th meeting of the Twelfth Session of the Board of Directors and the 21st meeting of the Twelfth Session of the Board of Supervisors of the Company had reviewed and unanimously approved the third 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 Co., Ltd. and its subsidiaries; “CMB Wing Lung Bank” refers to CMB Wing Lung Bank Limited; “CMB Financial Leasing” or “CMBFL” refers to CMB Financial Leasing Co., Ltd.; “CMB International Capital” or “CMBIC” refers to CMB International Capital Holdings Corporation Limited; “CMB Wealth Management” refers to CMB Wealth Management Company Limited; “China Merchants Fund” or “CMFM” refers to China Merchants Fund Management Co., Ltd.; and “CIGNA & CMAM” refers to CIGNA & CMB Asset Management Company Limited.

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

<i>(in millions of RMB, unless otherwise stated)</i>	At the end of the reporting period 30 September 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	10,668,009	10,138,912	5.22
Equity attributable to shareholders of the Bank	1,012,235	945,503	7.06
Net assets per share attributable to ordinary shareholders of the Bank <i>(in RMB Yuan)</i>	35.36	32.71	8.10

<i>(in millions of RMB, unless otherwise stated)</i>	January to September 2023	January to September 2022	Increase/decrease as compared to the corresponding period of last year (%)
Net cash generated from operating activities	53,648	146,494	-63.38

<i>(in millions of RMB, unless otherwise stated)</i>	July to September 2023	Increase/decrease during the period from July to September 2023 as compared to the corresponding period of last year (%)	January to September 2023	Increase/decrease during the period from January to September 2023 as compared to the corresponding period of last year (%)
Net operating income	81,766	-4.66	260,231	-1.74
Net profit attributable to shareholders of the Bank	38,138	1.70	113,890	6.52
Basic earnings per share attributable to ordinary shareholders of the Bank <i>(in RMB Yuan)</i>	1.51	2.72	4.44	6.99
Diluted earnings per share attributable to ordinary shareholders of the Bank <i>(in RMB Yuan)</i>	1.51	2.72	4.44	6.99
Annualised weighted average return on net assets attributable to ordinary shareholders of the Bank (%)	17.45	Decrease of 1.60 percentage points	17.38	Decrease of 0.84 percentage point

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 July 2020 and December 2021, both of which are classified as other equity instruments. 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, dividends on the preference shares and interests on perpetual bonds paid or accrued in current period shall be deducted from “net profit attributable to shareholders of the Bank”, while the balance of the preference shares and perpetual bonds shall be deducted from both the “average equity” and the “net assets”. The Company paid interests on perpetual bonds of RMB1.975 billion in current period.
- (2) For the period from January to September 2023, the Group’s net cash generated from operating activities amounted to RMB53.648 billion, representing a year-on-year decrease of 63.38%, which was mainly due to the year-on-year decrease in net increase 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 30 September 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 593,295, including 564,564 holders of A Shares and 28,731 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 shareholders	Type of shareholders	Shares held at the end of the period (share)	Percentage of 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	4,553,984,238	18.06	H Shares not subject to restrictions on sales	727,315	-	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	China Ocean Shipping Company Limited	State-owned legal person	1,574,729,111	6.24	A Shares not subject to restrictions on sales	-	-	-
4	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	-	-	-
5	Hong Kong Securities Clearing Company Limited	Offshore legal person	1,181,739,503	4.69	A Shares not subject to restrictions on sales	-325,051,683	-	-
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 China Merchants Bank trading on the transaction platform of HKSCC Nominees Ltd.. Hong Kong Securities Clearing Company Limited 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 shares of China Merchants Bank acquired by investors through Northbound Trading.
- (2) As at the end of the reporting period, among the aforesaid 10 shareholders, HKSCC Nominees Ltd. is a subsidiary of Hong Kong Securities Clearing Company Limited; 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.; and 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 relationship or action in concert among other shareholders.
- (3) As at the end of the reporting period, the holders of A shares listed in the above table 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, and all of them were holders of domestic preference shares. During the period from January to September 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 shareholders	Type of shareholders	Type of shares	Shares held at the end of the period (share)	Percentage of shareholdings (%)	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	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	-	-	-
5	BOC Asset - Bank of China - Bank of China Limited, Shenzhen Branch	Others	Domestic preference shares	16,000,000	5.82	-9,000,000	-	-
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	-	-	-
	BOCI Securities - Bank of China - BOCI Securities China Hong - Hui Zhong No. 32 Collective Asset Management Scheme	Others	Domestic preference shares	9,000,000	3.27	9,000,000	-	-
10	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	-	-	-

Notes:

- (1) The shareholdings of holders of domestic preference shares are presented under separate account according to the register of members of preference shares of the Company.
- (2) China National Tobacco (Henan Province) Company, China National Tobacco (Anhui Province) Company and China National Tobacco (Sichuan 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.; the managers of BOC Asset - Bank of China - Bank of China Limited, Shenzhen Branch and BOCI Securities - Bank of China - BOCI Securities China Hong - Hui Zhong No. 32 Collective Asset Management Scheme are related parties. 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 ten 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 September 2023, the Group realised net operating income of RMB260.231 billion, representing a year-on-year decrease of 1.74%; realised a net profit attributable to shareholders of the Bank of RMB113.890 billion, representing a year-on-year increase of 6.52%; realised the net interest income of RMB162.286 billion, representing a year-on-year increase of 0.10%; and realised the net non-interest income of RMB97.945 billion, representing a year-on-year decrease of 4.64%. 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 1.46% and 17.38%, respectively, down by a respective year-on-year percentage point of 0.04 and 0.84.

As at the end of the reporting period, the Group’s total assets amounted to RMB10,668.009 billion, representing an increase of 5.22% as compared with the end of the previous year. The total loans and advances to customers amounted to RMB6,455.546 billion¹, representing an increase of 6.68% as compared with the end of the previous year. Total liabilities amounted to RMB9,646.670 billion, representing an increase of 5.03% as compared with the end of the previous year. Total deposits from customers amounted to RMB7,980.492 billion, representing an increase of 5.90% as compared with the end of the previous year.

As at the end of the reporting period, the Group’s balance of non-performing loans amounted to RMB61.794 billion, representing an increase of RMB3.790 billion as compared with the end of the previous year. The non-performing loan ratio was 0.96%, remaining unchanged as compared with the end of the previous year. The allowance coverage ratio was 445.86%, representing a decrease of 4.93 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.

¹ The amount of deposits, loans and financial investments in the “Management Discussion and Analysis” of this report does not include interest receivable or payable.

4.2 Analysis of statement of profit or loss

Net interest income

From January to September 2023, the Group's net interest income amounted to RMB162.286 billion, representing a year-on-year increase of 0.10% and accounting for 62.36% of net operating income.

From January to September 2023, the net interest spread and the net interest margin of the Group were 2.07% and 2.19% respectively, representing a respective year-on-year decrease of 23 and 22 basis points. The year-on-year decrease in the yield on interest-earning assets was mainly because that, on the one hand, multiple downward adjustments to LPR (Loan Prime Rate), coupled with insufficient effective credit demands, led to the decline in loan yields; on the other hand, the market interest rates have been running at low levels, driving a decline in yields of marketised assets such as bond investments and discounted bills. The cost ratio of interest-bearing liabilities increased as compared with the corresponding period of last year, which was primarily due to the rising interest rates of the U.S. dollar, resulting in a significant increase in the cost ratio of foreign currency-denominated liabilities.

The Group	January to September 2023			January to September 2022		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
<i>(in millions of RMB, except for percentages)</i>						
Interest-earning assets						
Loans and advances to customers	6,254,431	202,070	4.32	5,798,250	198,116	4.57
Financial investments	2,475,548	59,685	3.22	1,969,063	47,764	3.24
Balances with the central bank	581,785	7,320	1.68	555,677	6,193	1.49
Balances and placements with banks and other financial institutions	606,302	12,100	2.67	659,428	9,718	1.97
Total	9,918,066	281,175	3.79	8,982,418	261,791	3.90
<i>(in millions of RMB, except for percentages)</i>						
Interest-bearing liabilities						
Deposits from customers	7,871,096	95,266	1.62	6,842,097	77,351	1.51
Deposits and placements from banks and other financial institutions	957,140	14,598	2.04	993,022	11,914	1.60
Debt securities issued	252,300	6,005	3.18	352,018	7,821	2.97
Borrowings from the central bank	165,144	2,655	2.15	123,378	2,172	2.35
Lease liabilities	12,881	365	3.79	13,571	403	3.97
Total	9,258,561	118,889	1.72	8,324,086	99,661	1.60
Net interest income	/	162,286	/	/	162,130	/
Net interest spread	/	/	2.07	/	/	2.30
Net interest margin	/	/	2.19	/	/	2.41

The Group	July to September 2023			April to June 2023		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
<i>(in millions of RMB, except for percentages)</i>						
Interest-earning assets						
Loans and advances to customers	6,317,543	67,478	4.24	6,261,059	67,313	4.31
Financial investments	2,555,495	20,487	3.18	2,448,336	19,669	3.22
Balances with the central bank	589,741	2,561	1.72	575,584	2,402	1.67
Balances and placements with banks and other financial institutions	555,602	3,315	2.37	647,903	4,606	2.85
Total	10,018,381	93,841	3.72	9,932,882	93,990	3.80
<i>(in millions of RMB, except for percentages)</i>						
Interest-bearing liabilities						
Deposits from customers	7,954,311	32,811	1.64	7,921,458	32,167	1.63
Deposits and placements from banks and other financial institutions	926,136	4,634	1.99	970,699	5,233	2.16
Debt securities issued	252,778	2,137	3.35	259,326	2,015	3.12
Borrowings from the central bank	157,011	853	2.16	160,072	870	2.18
Lease liabilities	12,877	116	3.57	12,836	118	3.69
Total	9,303,113	40,551	1.73	9,324,391	40,403	1.74
Net interest income	/	53,290	/	/	53,587	/
Net interest spread	/	/	1.99	/	/	2.06
Net interest margin	/	/	2.11	/	/	2.16

Net non-interest income

From January to September 2023, the Group recorded a net non-interest income of RMB97.945 billion, representing a year-on-year decrease of 4.64% and accounting for 37.64% of net operating income. In the face of the current difficulties in the growth of net non-interest income, the Group made every effort to consolidate its customer base and upgraded its customer services to consistently explore growth in segmented areas. Among the net non-interest income, net fee and commission income amounted to RMB67.027 billion, representing a year-on-year decrease of 11.52%; other net non-interest income amounted to RMB30.918 billion, representing a year-on-year increase of 14.68%, which was mainly due to the increase in the relevant income from bond investments and operating lease income.

An analysis of the key items of the Group's net fee and commission income is as follows. **Fee and commission income from wealth management** amounted to RMB24.049 billion, representing a year-on-year decrease of 6.02%, of which, income from agency distribution of insurance policies amounted to RMB12.611 billion, representing a year-on-year increase of 16.94%, mainly due to the year-on-year increase in the sales volume and proportion of protection insurance products; income from agency distribution of funds amounted to RMB4.084 billion, representing a year-on-year decrease of 22.81%, mainly due to the decrease in the holding and proportion of equity funds with higher fee rate; income from agency sales of wealth management products amounted to RMB4.029 billion, representing a year-on-year decrease of 24.31%, mainly due to the year-on-year decrease in the scale of wealth management products and a decline in fee rate; income from agency distribution of trust schemes amounted to RMB2.501 billion, representing a year-on-year decrease of 22.14%, mainly due to the decrease in the scale of agency distribution of trust schemes; income from securities brokerage amounted to RMB576 million, representing a year-on-year decrease of 20.11%, mainly due to the decrease in trading volume of stocks as a result of the continued downturn of Hong Kong's capital market. **Fee and commission income from asset management** amounted to RMB8.674 billion², representing a year-on-year decrease of 8.14%, which was mainly due to the year-on-year decrease in the scale of products under management of CMB Wealth Management. **Commission income from custody business** amounted to RMB4.132 billion, representing a year-on-year decrease of 6.79%, mainly due to the decrease in the scale of equity mutual funds and wealth management custody business. **Income from bank card fees** amounted to RMB14.551 billion, representing a year-on-year decrease of 8.62%, which was mainly due to the decrease in the offline transaction fee of credit cards. **Income from settlement and clearing fees** amounted to RMB11.749 billion, representing a year-on-year increase of 2.17%, which was primarily attributable to the increase in the income of online payment.

Operating expenses

From January to September 2023, the Group's operating expenses amounted to RMB85.151 billion, representing a year-on-year increase of 0.45%, of which staff expenses amounted to RMB51.761 billion, representing a year-on-year increase of 0.04%; and other operating expenses amounted to RMB33.390 billion³, representing a year-on-year increase of 1.09%. The Group maintained the input in Fintech development, continuously consolidated the technology foundation, and consistently advanced the digital transformation. At the same time, the Group strengthened the cost management and insisted on optimising costs and expenses to refine the allocation of expenses and resources. During the reporting period, the Group's cost-to-income ratio was 30.09%, representing a year-on-year increase of 0.53 percentage point.

² 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 by our subsidiaries, China Merchants Fund, CMB International Capital, CMB Wealth Management and CIGNA & CMAM.

³ Other operating expenses include depreciation, amortisation, leases, taxes and surcharges and other various administrative expenses.

Expected credit losses

From January to September 2023, the Group's expected credit losses amounted to RMB39.743 billion, representing a year-on-year decrease of 20.78%, of which expected credit losses of loans and advances to customers amounted to RMB41.466 billion, representing a year-on-year increase of RMB7.422 billion, which was mainly due to the increase in the scale of the loans and the change in risk exposure of some customers. The total expected credit losses of other types of assets other than loans and advances to customers amounted to RMB-1.723 billion, representing a year-on-year decrease of RMB17.846 billion. The reversal of expected credit losses of other types of assets other than loans and advances to customers from January to September 2023 was mainly due to the decrease in the scale of amounts held under resale agreements as compared with the end of the previous year, reduced risk exposure of certain customers and settlement of assets, which reversed its allowances for expected credit losses made previously.

4.3 Analysis of balance sheet

Assets

As at the end of the reporting period, total assets of the Group amounted to RMB10,668.009 billion, representing an increase of 5.22% as compared with the end of the previous year, which was mainly attributable to the increase in loans and advances to customers and financial investments of the Group. As at the end of the reporting period, the Group's total loans and advances to customers amounted to RMB6,455.546 billion, representing an increase of 6.68% as compared with the end of the previous year; total loans and advances to customers accounted for 60.51% of the total assets, representing an increase of 0.82 percentage point as compared with the end of the previous year. In particular, the retail loans of the Group amounted to RMB3,388.636 billion, representing an increase of RMB226.847 billion or 7.17% as compared with the end of the previous year, while its growth rate was higher than that in the same period of the previous year, which was mainly due to the increase in demand for personal operating loans and consumer loans amid the recovery of residents' consumption; the corporate loans of the Group amounted to RMB2,543.865 billion, representing an increase of RMB168.249 billion or 7.08% as compared with the end of the previous year. As at the end of the reporting period, the balance of the Group's financial investments amounted to RMB3,056.293 billion, representing an increase of 11.36% as compared with the end of the previous year.

Liabilities

As at the end of the reporting period, total liabilities of the Group amounted to RMB9,646.670 billion, representing an increase of 5.03% 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 RMB7,980.492 billion, representing an increase of 5.90% as compared with the end of the previous year and accounting for 82.73% of total liabilities of the Group, and were the major funding source of the Group. Among them, the balance of the deposits from corporate customers amounted to RMB4,614.675 billion, representing an increase of 4.13% as compared with the end of the previous year; and the balance of deposits from retail customers amounted to RMB3,365.817 billion, representing an increase of 8.43% as compared with the end of the previous year. Among the Group's deposits from customers, demand deposits accounted for 55.47% while time deposits accounted for 44.53%. Among the demand deposits, the deposits from corporate customers accounted for 59.05% while the deposits from retail customers accounted for 40.95%. Among the time deposits, the deposits from corporate customers accounted for 56.29% while the deposits from retail customers accounted for 43.71%. From January to September 2023, among the daily average balance of deposits from customers of the Group, demand deposits accounted for 58.03%, down by 3.60 percentage points as compared with the previous year.

Owner's equity

As at the end of the reporting period, the equity attributable to shareholders of the Bank of the Group was RMB1,012.235 billion, representing an increase of 7.06% as compared with the end of the previous year, among which retained earnings amounted to RMB560.687 billion, representing an increase of 13.74% as compared with the end of the previous year; investment revaluation reserve amounted to RMB8.169 billion, representing a decrease of 30.86% as compared with the end of the previous year, mainly due to the decrease in the valuation of bond investments measured at fair value through other comprehensive income; exchange reserve was RMB4.316 billion, representing an increase of RMB2.307 billion as compared with the end of the previous year, which was mainly due to changes in RMB exchange rate.

4.4 Risk management and control for real estate sector

During the reporting period, the Group closely followed the national policy guidances and regulatory requirements, accurately comprehended the principles in the “Sixteen Financial Articles (金融十六條)”, and adhered to the overall strategy of “defining positioning, stabilising scale, improving access, focusing on regions, adjustment of structure, and strict management” in the real estate sector. Under the premise of controllable risks, the Group focused on high-quality enterprises and high-quality regions, and selected high-quality businesses and projects that can be covered by project cash flow, especially high-quality residential projects and housing leasing projects, for business expansion. At the same time, the Group continued to promote the harmonisation of risk appetite of on- and off-balance sheet businesses, implemented centralised risk management of customers granted with large credit facility, strictly examined cash flows, and consistently strengthened post-investment and post-loan management.

As at the end of the reporting period, the Group’s total balance of real estate related businesses which were subject to credit risks, such as the actual and contingent credit, proprietary bond investments, and proprietary investment of non-standardised assets amounted to RMB414.714 billion, representing a decrease of 10.49% as compared with the end of the previous year. 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 RMB256.938 billion, representing a decrease of 14.46% as compared with the end of the previous year. As at the end of the reporting period, the Company’s balance of loans granted to the real estate industry was RMB299.543 billion, representing a decrease of RMB34.172 billion as compared with the end of the previous year, accounting for 4.92% of the Company’s total loans and advances to customers, representing a decrease of 0.91 percentage point as compared with the end of the previous year. As at the end of the reporting period, the customer structure and regional structure of the Company in respect of real estate related loans have remained stable in general, 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. As at the end of the reporting period, the Company’s non-performing loan ratio of real estate loans was 5.31%, representing an increase of 1.32 percentage points as compared with the end of the previous year, which was mainly due to the combined effect of the further exposure of risks associated with particular highly indebted real estate customers, slow progress of risk disposal and the decrease in the balance of real estate loans.

In the future, the Group will continue to firmly implement relevant national policies on the real estate industry. Under the backdrop of deepened differentiation in the real estate enterprises, the Group will carry out strict access, support rigid and improvement demand for housing, enhance financial support for housing leasing, and at the same time continue to reinforce the centralised risk management of customers granted with large credit facility, strengthen risk monitoring and analysis of projects, reasonably identify risks of project's subsidiaries and the holding companies of the group, and strictly implement post-investment and post-loan management requirements. Looking into the fourth quarter and next year, the real estate industry is expected to gradually enter into a new mode and a new normal, and the Group will continue to pay close attention to the real estate industry, while strengthening forward-looking prediction on the risk situation of the real estate industry and reinforce the risk management, the Group will consistently promote the disposal of non-performing real estate loans to maintain the overall stability on the real estate asset quality.

4.5 Analysis of loan quality

During the reporting period, the Group insisted on identifying asset classification in a strict manner to truly reflect the quality of assets. On the one hand, due to the exposure of risks associated with some highly indebted real estate customers, the balance of the Group's non-performing loans and overdue loans increased as compared with the end of the previous year; on the other hand, as the overall domestic economy is showing a positive trend, both the balance and proportion of the Group's special-mentioned loans 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 RMB61.794 billion, representing an increase of RMB3.790 billion as compared with the end of the previous year, and non-performing loan ratio was 0.96%, remaining unchanged as compared with the end of the previous year; special-mentioned loans amounted to RMB65.196 billion, representing a decrease of RMB8.274 billion as compared with the end of the previous year, and the special-mentioned loan ratio was 1.01%, representing a decrease of 0.20 percentage point as compared with the end of the previous year; overdue loans amounted to RMB80.477 billion, representing an increase of RMB2.192 billion as compared with the end of the previous year, and the overdue loan ratio was 1.25%, representing a decrease of 0.04 percentage point as compared with the end of the previous year. As at the end of the reporting period, the ratio of the Group's non-performing loans to the loans overdue for more than 90 days was 1.27, and the ratio of the Company's non-performing loans to the loans overdue for more than 60 days was 1.15.

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

The Company <i>(in millions of RMB, except for percentages)</i>	30 September 2023				31 December 2022			
	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	2,250,479	36.93	28,440	1.26	2,097,114	36.66	26,205	1.25
Transportation, storage and postal services	424,505	6.97	1,464	0.34	412,064	7.20	479	0.12
Property development	299,543	4.92	15,911	5.31	333,715	5.83	13,307	3.99
Manufacturing	521,348	8.56	3,607	0.69	443,852	7.76	4,764	1.07
Production and supply of electric power, heat, gas and water	198,741	3.26	452	0.23	167,550	2.93	393	0.23
Leasing and commercial services	166,661	2.73	1,480	0.89	143,376	2.51	1,760	1.23
Wholesale and retail	177,065	2.91	1,485	0.84	175,615	3.07	1,748	1.00
Finance	97,598	1.60	87	0.09	75,671	1.32	89	0.12
Construction	113,806	1.87	450	0.40	103,067	1.80	435	0.42
Information transmission, software and IT service	97,881	1.61	553	0.56	80,219	1.40	222	0.28
Water conservancy, environment and public utilities	35,540	0.58	82	0.23	55,838	0.98	76	0.14
Mining	40,976	0.67	570	1.39	38,635	0.68	521	1.35
Others ⁽²⁾	76,815	1.25	2,299	2.99	67,512	1.18	2,411	3.57
Discounted bills	520,526	8.54	–	–	513,857	8.98	–	–
Retail loans	3,322,933	54.53	28,548	0.86	3,109,737	54.36	28,009	0.90
Total loans and advances to customers	6,093,938	100.00	56,988	0.94	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 technological service industries, sanitation and social work industries, agriculture, forestry, animal husbandry and fishery industries and other industries.

During the reporting period, affected by the risk exposure of highly indebted real estate companies and certain corporate customers with poor management, the non-performing loan ratio of loans granted to property development industry, information transmission, software and IT service industries as well as transportation, storage and postal services industries increased.

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

The Company <i>(in millions of RMB, except for percentages)</i>	30 September 2023						
	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	2,250,479	28,440	1.26	15,672	0.70	26,444	1.18
Discounted bills	520,526	–	–	33	0.01	–	–
Retail loans	3,322,933	28,548	0.86	43,001	1.29	42,474	1.28
Micro-finance loans	735,273	4,026	0.55	2,484	0.34	4,670	0.64
Residential mortgage loans	1,359,174	4,884	0.36	11,532	0.85	6,844	0.50
Credit card loans	919,760	15,576	1.69	27,726	3.01	26,407	2.87
Consumer loans	298,095	2,877	0.97	1,176	0.39	3,358	1.13
Others ^(Note)	10,631	1,185	11.15	83	0.78	1,195	11.24
Total loans and advances to customers	6,093,938	56,988	0.94	58,706	0.96	68,918	1.13

The Company <i>(in millions of RMB, except for percentages)</i>	31 December 2022						
	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 September 2023, the asset quality of retail loans of the Company remained stable. As at the end of the reporting period, the balance of non-performing retail loans amounted to RMB28.548 billion, representing an increase of RMB539 million as compared with the end of the previous year, and the non-performing loan ratio was 0.86%, down by 0.04 percentage point as compared with the end of the previous year; the balance of special-mentioned loans amounted to RMB43.001 billion, representing a decrease of RMB1.096 billion as compared with the end of the previous year, and the special-mentioned loan ratio was 1.29%, down by 0.13 percentage point as compared with the end of the previous year; and the balance of overdue loans amounted to RMB42.474 billion, representing a decrease of RMB4.257 billion as compared with the end of the previous year, and the overdue loan ratio was 1.28%, down by 0.22 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 90.21% of the total amount of residential mortgage loans newly granted by the Company, representing an increase of 1.22 percentage points year-on-year. As at the end of the reporting period, the Company's balance of residential mortgage loans in the first-tier and second-tier cities accounted for 86.75% of the balance of residential mortgage loans of the Company, representing an increase of 0.25 percentage point as compared with the end of the previous year. Meanwhile, the Company had always been insisted on regularly monitoring and revaluating the value of the existing collaterals and adjusting the value of mortgaged assets in a timely manner. As of the end of the reporting period, the weighted average loan-to-value ratio of residential mortgage loans was 32.80%, and the collaterals were sufficient and stable. Therefore, the overall risk of residential mortgage loans was controllable.

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

During the reporting period, the Company recorded newly formed non-performing loans of RMB45.495 billion, representing a year-on-year decrease of RMB674 million, with a non-performing loans formation ratio (annualised) of 1.03%, down by 0.10 percentage point year-on-year. Among them, the amount of newly formed non-performing corporate loans was RMB9.208 billion, representing a decrease of RMB4.274 billion year-on-year, which was mainly due to the year-on-year decrease in the amount of newly formed non-performing loans of property development; the amount of newly formed non-performing retail loans (excluding credit cards) was RMB6.569 billion, representing an increase of RMB956 million year-on-year; and the amount of newly formed non-performing loans of credit cards was RMB29.718 billion, representing an increase of RMB2.644 billion year-on-year. The year-on-year increase of newly formed non-performing retail loans was mainly due to the lagging impact of 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 RMB42.962 billion, of which RMB16.880 billion was written off; RMB8.279 billion was recovered by collection; RMB17.713 billion was securitised; and RMB90 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 RMB267.250 billion, representing an increase of RMB13.837 billion as compared with the end of the previous year; the allowance coverage ratio of the Company was 468.96%, representing an increase of 1.53 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 September 2023, credit cost ratio (annualised) of the Company was 0.90%, up by 0.09 percentage point year-on-year.

Outlook of asset quality and countermeasures

Since the beginning of this year, the global economic recovery remained sluggish, while the domestic economic recovery showed a “wave-like” development and “zigzag” progress as the domestic economic operation was affected by various internal and external factors. The Company will pay close attention to the changes in the macroeconomic situation, actively respond to the changes and take a number of initiatives, so as to ensure overall stable asset quality. The Company will continue to strengthen risk management and control in key areas, conducting differentiated management of key industries and key customer groups, carrying out risk screening for real estate sector, customers granted with large amount of credit facility and other key areas, strengthening post-loan early warning management, and improving risk management standard in key areas. The Company will improve policy adaptability according to the strategy of “dynamic rebalancing” of industries, regions and customer bases, focusing on new energy, green economy and other industries with national key support, improve industry understanding, and steadily implement the “one branch, one policy” principle of list-based customer management system, so as to optimise the customer structure. The Company will enhance its efforts in disposal of non-performing assets and expand the channels for disposal of non-performing assets, implement list-based management on key projects, improve the quality and efficiency of collection and disposal. The Company will strengthen the management of special-mentioned loans and overdue loans, make adequate allowances, and effectively prevent and mitigate potential risks.

4.6 Information on capital adequacy ratios

The Group continued to optimise its business structure and enhance its capital management. In accordance with the capital requirements of the PRC banking regulatory authorities and additional capital and leverage ratio requirements under the Supplementary Regulatory Rules for Systemically Important Banks (Trial), the capital adequacy ratio, Tier 1 capital adequacy ratio and core Tier 1 capital adequacy ratio of the Group and the Company shall be no less than 11.25%, 9.25% and 8.25% respectively, and the leverage ratio shall be no less than 4.375%. As at the end of the reporting period, the Group and the Company have consistently met the regulatory requirements for capital and leverage ratio.

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 13.37%, 15.23% and 17.38% respectively, representing a decrease of 0.31, 0.52 and 0.39 percentage point respectively, as compared with the end of the previous year. The decrease in capital adequacy ratios at all levels was mainly attributable to the effect of annual cash dividends.

The Group <i>(in millions of RMB, except for percentages)</i>	30 September 2023	31 December 2022	Increase/decrease at the end of the reporting period as compared with the end of the previous year (%)
Capital adequacy ratios under the Advanced Measurement Approach⁽¹⁾			
Net core Tier 1 capital	865,850	799,352	8.32
Net Tier 1 capital	986,296	919,798	7.23
Net capital	1,126,040	1,037,942	8.49
Core Tier 1 capital adequacy ratio	13.37%	13.68%	Decrease of 0.31 percentage point
Tier 1 capital adequacy ratio	15.23%	15.75%	Decrease of 0.52 percentage point
Capital adequacy ratio	17.38%	17.77%	Decrease of 0.39 percentage point
Information on leverage ratio⁽²⁾			
Balance of adjusted on- and off-balance sheet assets	12,435,024	11,569,842	7.48
Leverage ratio	7.93%	7.95%	Decrease of 0.02 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 on 7 June 2012 (same as below). 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 (i.e. 2017) and subsequent years during the parallel run period.
- (2) The leverage ratio shall be calculated based on the “Measures for Management of the Leverage Ratio of Commercial Banks (Revised)” promulgated on 12 February 2015. The leverage ratios of the Group were 7.70%, 7.96% and 7.95% respectively as at the end of the first half and the end of the first quarter of 2023 as well as the end of the year 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 12.86%, 14.83% and 17.06% respectively. The Company’s risk-adjusted return on capital (RAROC, before tax) under the Advanced Measurement Approach was 27.86%, continuing to maintain at a high level.

The Company <i>(in millions of RMB, except for percentages)</i>	30 September 2023	31 December 2022	Increase/decrease at the end of the reporting period as compared with the end of the previous year (%)
Capital adequacy ratios under the Advanced Measurement Approach			
Net core Tier 1 capital	757,509	701,033	8.06
Net Tier 1 capital	873,863	817,387	6.91
Net capital	1,005,057	927,881	8.32
Core Tier 1 capital adequacy ratio	12.86%	13.23%	Decrease of 0.37 percentage point
Tier 1 capital adequacy ratio	14.83%	15.42%	Decrease of 0.59 percentage point
Capital adequacy ratio	17.06%	17.51%	Decrease of 0.45 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 11.48%, 13.07% and 14.48% respectively.

The Group	30 September 2023	31 December 2022	Increase/decrease at the end of the reporting period as compared with the end of the previous year
Capital adequacy ratios under the Weighted Approach^(Note)			
Core Tier 1 capital adequacy ratio	11.48%	11.52%	Decrease of 0.04 percentage point
Tier 1 capital adequacy ratio	13.07%	13.25%	Decrease of 0.18 percentage point
Capital adequacy ratio	14.48%	14.68%	Decrease of 0.20 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 (Provisional)" issued 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 10.91%, 12.58% and 13.99% respectively.

The Company	30 September 2023	31 December 2022	Increase/decrease at the end of the reporting period as compared with the end of the previous year
Capital adequacy ratios under the Weighted Approach			
Core Tier 1 capital adequacy ratio	10.91%	10.97%	Decrease of 0.06 percentage point
Tier 1 capital adequacy ratio	12.58%	12.79%	Decrease of 0.21 percentage point
Capital adequacy ratio	13.99%	14.22%	Decrease of 0.23 percentage point

4.7 Other Significant Business Metrics

As at the end of the reporting period, the Company had 194 million retail customers (including debit and credit card customers), representing an increase of 5.43% as compared with the end of the previous year. The balance of total assets under management (AUM) from our retail customers amounted to RMB13,080.392 billion, representing an increase of RMB957.379 billion or 7.90% 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 4,529,200, representing an increase of 9.31% as compared with the end of the previous year. AUM from the Sunflower-level and above customers amounted to RMB10,663.812 billion, representing an increase of 8.08% as compared with the end of the previous year.

As at the end of the reporting period, the Company had 146,090 private banking customers (retail customers of the Company with minimum total daily average assets of RMB10 million per month), representing an increase of 8.38% as compared with the end of the previous year. Balance of AUM from private banking customers increased by 8.36% as compared with the end of the previous year. AUM per account amounted to RMB28.1309 million, representing a decrease of RMB2,900 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, CIGNA & CMAM and CMB International Capital, all being subsidiaries of the Company, amounted to RMB4.53 trillion⁴, representing an increase of 2.72% 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 RMB2.58 trillion⁵, representing a decrease of 3.37% as compared with the end of the previous year; the scale of asset management business of China Merchants Fund amounted to RMB1.58 trillion, representing an increase of 6.76% as compared with the end of the previous year; the scale of asset management business of CIGNA & CMAM amounted to RMB258.058 billion, representing an increase of 56.65% as compared with the end of the previous year; the scale of asset management business of CMB International Capital amounted to RMB111.386 billion, representing an increase of 6.78% as compared with the end of the previous year.

⁴ The total asset management business of China Merchants Fund and CMB International Capital include the data of their subsidiaries.

⁵ 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)

	For the period from January to September ended 30 September		For the period from July to September ended 30 September	
	2023	2022	2023	2022
Interest income	281,175	261,791	93,841	88,930
Interest expense	(118,889)	(99,661)	(40,551)	(34,492)
Net interest income	162,286	162,130	53,290	54,438
Fee and commission income	73,406	82,380	22,068	24,766
Fee and commission expense	(6,379)	(6,628)	(2,132)	(2,419)
Net fee and commission income	67,027	75,752	19,936	22,347
Other net income	28,820	25,236	7,998	8,712
Operating income	258,133	263,118	81,224	85,497
Operating expenses	(85,151)	(84,769)	(28,779)	(30,793)
Operating profit before impairment losses	172,982	178,349	52,445	54,704
Expected credit losses	(39,743)	(50,167)	(8,684)	(8,690)
Impairment losses on other assets	(152)	(522)	(2)	(522)
Share of profits of joint ventures	1,460	1,291	374	257
Share of profits of associates	638	433	168	11
Profit before taxation	135,185	129,384	44,301	45,760
Income tax	(20,215)	(21,405)	(5,768)	(7,783)
Profit for the period	114,970	107,979	38,533	37,977
Attributable to:				
Equity holders of the Bank	113,890	106,922	38,138	37,502
Non-controlling interests	1,080	1,057	395	475
Earnings per share				
Basic and diluted (RMB Yuan)	4.44	4.15	1.51	1.47

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to September ended 30 September		For the period from July to September ended 30 September	
	2023	2022	2023	2022
Profit for the period	114,970	107,979	38,533	37,977
Other comprehensive income for the period after tax				
Items that may be reclassified subsequently to profit or loss	(1,419)	3,929	(2,959)	2,069
– Net fair value change on financial assets measured at fair value through other comprehensive income	(1,444)	(3,869)	(3,159)	(133)
– Net changes in expected credit losses of financial assets measured at fair value through other comprehensive income	(2,445)	3,353	359	(207)
– Net movement in cash flow hedge reserve	(10)	137	5	34
– Share of other comprehensive income from equity-accounted investees	84	(789)	(442)	(464)
– Exchange difference on translation of financial statements of foreign operations	2,441	5,097	278	2,839
– Other	(45)	–	–	–
Items that will not be reclassified to profit or loss	208	(325)	(53)	(314)
– Fair value change on equity instruments measured at fair value through other comprehensive income	205	(323)	(53)	(314)
– Remeasurement of defined benefit scheme	3	(2)	–	–
Other comprehensive income for the period, net of tax	(1,211)	3,604	(3,012)	1,755
Attributable to:				
Equity holders of the Bank	(1,351)	3,312	(3,029)	1,596
Non-controlling interests	140	292	17	159
Total comprehensive income for the period	113,759	111,583	35,521	39,732
Attributable to:				
Equity holders of the Bank	112,539	110,234	35,109	39,098
Non-controlling interests	1,220	1,349	412	634

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in millions of Renminbi unless otherwise stated)

Item	30 September 2023	31 December 2022
Assets		
Cash	14,262	15,209
Precious metals	2,792	2,329
Balances with central bank	585,707	587,818
Balances with banks and other financial institutions	77,689	91,346
Placements with banks and other financial institutions	285,309	264,209
Amounts held under resale agreements	69,838	276,676
Loans and advances to customers	6,194,118	5,807,154
Financial investments at fair value through profit or loss	489,479	423,467
Derivative financial assets	22,573	18,671
Debt investments at amortised cost	1,695,522	1,555,457
Debt investments at fair value through other comprehensive income	879,957	780,349
Equity investments designated at fair value through other comprehensive income	18,508	13,416
Interests in joint ventures	15,241	14,247
Interests in associates	11,160	9,597
Investment properties	1,200	1,268
Property and equipment	111,701	99,919
Right-of-use assets	17,175	17,553
Intangible assets	2,814	3,402
Goodwill	9,954	9,999
Deferred tax assets	96,766	90,848
Other assets	66,244	55,978
Total assets	10,668,009	10,138,912

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(Expressed in millions of RMB unless otherwise stated)

Item	30 September 2023	31 December 2022
Liabilities		
Borrowing from central bank	224,347	129,745
Deposits from banks and other financial institutions	474,564	645,674
Placements from banks and other financial institutions	247,497	207,027
Financial liabilities at fair value through profit or loss	48,788	49,144
Derivative financial liabilities	22,963	18,636
Amounts sold under repurchase agreements	121,821	107,093
Deposits from customers	8,057,712	7,590,579
Salaries and welfare payable	33,065	23,866
Tax payable	17,739	19,458
Contract liabilities	6,047	6,679
Lease liabilities	12,805	13,013
Provisions	23,459	22,491
Debt securities issued	240,161	223,821
Deferred tax liabilities	1,566	1,510
Other liabilities	114,136	125,938
Total liabilities	9,646,670	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	8,169	11,815
Hedging reserve	141	151
Surplus reserve	94,985	94,985
General reserve	132,836	132,471
Retained earnings	560,687	449,139
Proposed profit appropriation	–	43,832
Exchange reserve	4,316	2,009
Total equity attributable to shareholders of the Bank	1,012,235	945,503
Non-controlling interests	9,104	8,735
Including: Non-controlling interest	6,187	5,948
Perpetual debt capital	2,917	2,787
Total equity	1,021,339	954,238
Total liabilities and equity	10,668,009	10,138,912

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

(Expressed in millions of RMB unless otherwise stated)

	January to September 2023	January to September 2022
Operating activities		
Profit before tax	135,185	129,384
Adjustments for:		
– Impairment losses on loans and advances	41,466	34,044
– Impairment losses on investments and other	(1,571)	16,645
– Unwinding of discount on the allowances of loans and advances	(191)	(208)
– Depreciation of property and equipment and investment properties	8,185	7,551
– Depreciation of right-of-use assets	3,026	3,038
– Amortisation of other assets	851	941
– Net gains on debt securities and equity investments	(4,412)	(7,845)
– Interest income on investments	(59,685)	(47,764)
– Interest expense on issued debt securities	6,005	7,821
– Share of profits of associates	(638)	(433)
– Share of profits of joint ventures	(1,460)	(1,291)
– Net gains on disposal of property and equipment and other assets	(27)	(215)
– Interest expense on lease liabilities	365	403
Changes in:		
Balances with central bank	15,266	(33,638)
Loans and advances to customers	(356,634)	(428,926)
Other assets	(88,516)	(20,154)
Deposits from customers	444,750	742,989
Amounts due to banks and other financial institutions	(116,039)	(161,691)
Amounts due from banks and other financial institutions with original maturity over 3 months	(41,707)	(78,601)
Borrowing from central bank	93,732	(12,762)
Other liabilities	1,797	25,672
Net cash generated from operating activities before income tax payment	79,748	174,960
Income tax paid	(26,100)	(28,466)
Net cash generated from operating activities	53,648	146,494

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT (Continued)

(Expressed in millions of RMB unless otherwise stated)

	January to September 2023	January to September 2022
Investing activities		
Proceeds from the disposals and redemptions of investments	924,638	584,567
Investment income received	72,381	59,599
Proceeds from the disposals of subsidiaries, joint ventures or associates	205	233
Proceeds from the disposals of property and equipment and other assets	1,600	5,157
Payment for the purchases of investments	(1,170,154)	(897,272)
Payment for the purchases of property and equipment and other assets	(20,617)	(25,326)
Payment for the acquisition of subsidiaries, associates or joint ventures	(7)	(154)
Net cash flows used in investing activities	(191,954)	(273,196)
Financing activities		
Proceeds from the issuance of debt securities	18,892	29,356
Proceeds from the issuance of negotiable interbank certificates of deposit	54,396	27,218
Proceeds from the issuance of certificates of deposits and other debt securities	60,385	7,870
Proceeds from non-controlling interests of subsidiaries	–	2,667
Proceeds from other financing activities	5,560	92
Repayment of debt securities	(11,547)	(70,979)
Repayment of negotiable interbank certificates of deposit	(62,871)	(198,552)
Repayment of certificates of deposit and other debt securities	(46,409)	(10,258)
Payment for redemption of perpetual debt capital	–	(1,104)
Payment for lease liabilities	(3,404)	(3,443)
Distribution paid on perpetual bonds	(2,157)	(2,181)
Payment for dividends distribution	(44,118)	(38,664)
Interest paid on the issuance of debt securities	(4,787)	(7,300)
Repayment for other financing activities	–	(4,594)
Net cash used in financing activities	(36,060)	(269,872)
Net decrease in cash and cash equivalents	(174,366)	(396,574)
Cash and cash equivalents as at 1 January	567,198	801,754
Effect of foreign exchange rate changes	5,808	8,113
Cash and cash equivalents as at 30 September	398,640	413,293
Cash flows from operating activities include:		
Interest received	220,958	213,173
Interest paid	89,477	78,713

6 Information on Liquidity Coverage Ratio

The Group prepares and discloses 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 countries and regions. The average liquidity coverage ratio of the Group was 159.65% in the third quarter of 2023, a decrease of 12.93 percentage points over the previous quarter, which was mainly due to the decrease in cash inflows from financial institutions. The Group’s liquidity coverage ratio at the end of the third quarter of 2023 was 150.80%, which was in line with the regulatory requirements. The breakdown of the Group’s average value of each item of liquidity coverage ratio in the third 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	/	1,985,764
Cash outflows			
2	Retail and small business customers deposits, of which:	3,607,466	319,426
3	Stable deposits	826,407	41,320
4	Less stable deposits	2,781,059	278,106
5	Unsecured wholesale funding, of which:	4,331,792	1,427,123
6	Operational deposits (excluding correspondent banks)	2,699,462	667,866
7	Non-operational deposits (including all counterparties)	1,612,877	739,804
8	Unsecured debt issuance	19,453	19,453
9	Secured funding	/	6,817
10	Additional requirements, of which:	1,912,749	367,628
11	Cash outflows arising from derivative contracts and other transactions arising from related collateral requirements	268,053	268,053
12	Cash outflows arising from secured debt instruments funding	–	–
13	Undrawn committed credit and liquidity facilities	1,644,696	99,575
14	Other contractual obligations to extend funds	98,682	98,682
15	Other contingent funding obligations	3,524,076	107,818
16	Total cash outflows	/	2,327,494
Cash inflows			
17	Secured lending (including reverse repo and securities borrowing)	140,808	140,027
18	Contractual inflows from fully performing loans	1,048,328	677,872
19	Other cash inflows	266,499	265,745
20	Total cash inflows	1,455,635	1,083,644
			Adjusted value
21	Total stock of high quality liquid assets		1,985,764
22	Net cash outflows		1,243,850
23	Liquidity coverage ratio		159.65%

Notes:

- (1) Data from the Bank was a simple arithmetic average of the 92-day value in the latest quarter and the month-end average in the latest quarter is used for the subsidiaries in the above table.
- (2) The high quality liquid assets in the above table comprise cash, central bank reserve available under stress conditions, as well as the bonds that meet the definition of Tier 1 and Tier 2 assets set out by the former 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.

27 October 2023

As at the date of this announcement, the executive directors of the Company are Wang Liang and Zhu Jiangtao; 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.