

China Merchants Bank Announces Results for the Third Quarter of 2023

Net Profit Increased by 6.52% and Asset Quality Remained Sound

Results Highlights for the Nine Months Ended 30 September, 2023

Net profit remained stable, ROAA and ROAE remained high

- Net operating income was RMB260.231 billion, a year-on-year decrease of 1.74%;
- Net profit attributable to shareholders of the Bank was RMB113.890 billion, a year-on-year increase of 6.52%;
- Net interest income was RMB162.286 billion, a year-on-year increase of 0.10%; net non-interest income was RMB97.945 billion, a year-on-year decrease of 4.64%;
- ROAA and ROAE were 1.46% and 17.38%, respectively, down 0.04 and 0.84 percentage point year-on-year.

Steady growth in assets and liabilities, maintained competitive edge in net interest margin

- Total assets amounted to RMB10,668.009 billion, an increase of 5.22% as compared with the end of the previous year; total liabilities amounted to RMB9,646.670 billion, an increase of 5.03% as compared with the end of the previous year;
- Total loans and advances to customers amounted to RMB6,455.546 billion, an increase of 6.68% as compared with the end of the previous year; total deposits from customers amounted to RMB7,980.492 billion, an increase of 5.90% as compared with the end of the previous year;
- The net interest margin was 2.19%, a year-on-year decrease of 22 basis points; the net interest margin was 2.11% in the third quarter, a decrease of 5 basis points from the second quarter, with the decline slowing down in the third quarter;

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

- Non-performing loans amounted to RMB61.794 billion, an increase of RMB3.790 billion as compared with the end of the previous year, and non-performing loan ratio was 0.96%, unchanged as compared with the end of the previous year;
- The Company's non-performing loan ratio of real estate loans was 5.31%, representing a decrease of 0.14 percentage point as compared to the end of the previous quarter;
- Allowance coverage ratio was 445.86%, a decrease of 4.93 percentage points as compared with the end of the previous year. The allowance-to-loan ratio was 4.27%, a decrease of 0.05 percentage point as compared with the end of the previous year.

Foundation of extensive wealth management further strengthened, retail AUM maintained solid growth

- Number of retail customers reached 194 million, an increase of 5.43% as compared with the end of the previous year;

- Balance of total AUM from retail customers amounted to RMB13,080.392 billion, an increase of RMB957.379 billion or 7.90% as compared with the end of the previous year.

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

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

27 October, 2023 - China Merchants Bank Co., Ltd. (HKEx: 3968; SSE: 600036; “China Merchants Bank” or “the Company” or “the Bank”) together with its subsidiaries (“the Group”) today announced its unaudited results for the third quarter of 2023.

Since 2023, taking “building a value creation bank” as its strategic objective and adhering to the philosophy of achieving dynamically balanced development of “Quality, Efficiency and Scale”, CMB carried out various businesses in a sound manner during the reporting period, whereby the scale of assets and liabilities and net profit have grown steadily, and the asset quality has been generally stable.

1. Analysis of overall financial status

From January to 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 billion, 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.

2. Analysis of key operating status

Continued to strengthen the organisation of assets and achieved stable increase in loans and advances to customers and financial investments. As at the end of September 2023, 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 individual operating loans and consumption loans amid the recovery of consumer spending; 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.

Customer deposits increased, competitive advantages in liabilities maintained. As at the end of September 2023, 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.

Net interest income maintained steady growth. 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, and the other hand, the market interest rates has been running at low levels, driving a decline in yields of marketised asset such as bond investments and bill discounting. 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 significant increase in the cost ratio of foreign currencies-denominated liabilities. In this respect, the Group continued to optimise the structure of interest-earning assets and interest-bearing liabilities, with the growth of relatively high-yielding retail loans outpacing that of corporate loans in the third quarter, while at the same time strengthening the refined management of high-cost deposits. The cost of interest-bearing liabilities decreased by 1 basis point in the third quarter compared to the previous quarter, offsetting to some extent the impact of the narrowing net interest margin. The net interest margin was 2.11% in the third quarter, down 5 basis points from the second quarter, with the rate of decline slowing in the third quarter.

Net non-interest income remained resilient, investment income from bond investment and operating lease 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. Among the key items of the Group's net fee and commission income, Fee and commission income from wealth management amounted to RMB24.049 billion, representing a year-on-year decrease of

6.02%; Fee and commission income from asset management amounted to RMB8.674 billion¹, 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; fee and 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; 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 fee income from offline transactions 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.

Risk control of real estate related businesses was further strengthened and the real estate asset quality maintained its overall stability. During the reporting period, the Group closely followed the national policy guidance 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 unify the 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

¹ Fees and commissions from asset management mainly include the income from the issuance and management of various asset management products such as funds, wealth management and asset management plans of China Merchants Fund, CMB International Capital, CMB Wealth Management and CIGNA & CMAM.

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 and a decrease of 0.14 percentage point compared to the end of the previous quarter, which was mainly due to the combined effect of the further exposure of risks associated with individual 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 upgrading 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.

Insisted on identifying asset classification in a strict manner to truly reflect the quality of assets, loan quality remained stable. 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.

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 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 at the end of 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 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. From January to September 2023, credit cost ratio

(annualised) of the Company was 0.90%, up by 0.09 percentage point year-on-year.

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 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 improve 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.

Extensive wealth management remained steady, and total AUM from our retail customers continued to grow. As at the end of the reporting period, the Company had 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; 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; 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 trillion, 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 trillion, 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.

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