

China Merchants Bank Announces 2023 Annual Results

Net Profit Increased by 6.22% and NPL Ratio Remained Low at 0.95%

2023 Annual Results Highlights

Weathered through various challenges to deliver operating results in line with expectations

- Net operating income of RMB 339.078 billion, representing a year-on-year decrease of 1.64%;
- Net profit attributable to shareholders of the Bank of RMB146.602 billion, representing a year-on-year increase of 6.22%;
- ROAA and ROAE were 1.39% and 16.22% respectively, down by 0.03 percentage point and 0.84 percentage point year-on-year;
- Net interest income of RMB214.669 billion, representing a year-on-year decrease of 1.63%; net non-interest income of RMB124.409 billion, representing a year-on-year decrease of 1.66%;
- Net interest margin was 2.15%, representing a year-on-year decrease of 25 basis points and maintaining a relatively high level;
- Cost-to-income ratio was 32.97%, representing a slight increase of 0.08 percentage point as compared with the previous year.

Achieved robust asset growth and sustained liabilities strength

- Total assets amounted to RMB11,028.483 billion, representing an increase of 8.77% as compared with the end of the previous year; total loans and advances to customers amounted to RMB6,508.865 billion, representing an increase of 7.56% as compared with the end of the previous year;
- Total liabilities amounted to RMB9,942.754 billion, representing an increase of 8.25% as compared with the end of the previous year; total deposits from customers amounted to RMB8,155.438 billion, representing an increase of 8.22% as compared with the end of the previous year.

Asset quality remained stable with strong risk compensation capacity

- The balance of non-performing loans amounted to RMB61.579 billion, representing an increase of RMB3.575 billion as compared with the end of the previous year. The non-performing loan ratio was 0.95%, representing a decrease of 0.01 percentage point as compared with the end of the previous year;
- The credit cost ratio was 0.74%, representing a year-on-year decrease of 0.04 percentage point;
- Allowance coverage ratio was 437.70%, representing a decrease of 13.09 percentage points as compared with the end of the previous year. The allowance-to-loan ratio was 4.14%, representing a decrease of 0.18 percentage point as compared with the end of the previous year.

Continued optimizing business mix and maintained an endogenous growth of capital

- The retail finance business contributing more than half of net operating income and profit before tax to the Group. The retail finance business contributed 57.31% and 56.57% of the Group's net operating income and profit before tax, respectively;
- Net non-interest income accounted for 36.69% of net operating income, maintaining a relatively good level;
- The core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio under the Advanced Measurement Approach were 13.73%, 16.01% and 17.88% respectively, representing an increase of 0.05, 0.26 and 0.11 percentage point as compared with the end of the previous year; the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio under the Weighted Approach were 11.86%, 13.82% and 14.96% respectively, representing an increase of 0.34, 0.57 and 0.28 percentage point 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 annual results press release is unaudited and prepared in accordance with the International Financial Reporting Standards.

25 March, 2024 – China Merchants Bank Co., Ltd. (HKEx: 3968; SSE: 600036; “China Merchants Bank” or “the Company” or “the Bank”) together with its subsidiaries (“the Group”) today announced its 2023 annual results.

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

1. Financial Highlights

In 2023, the Group realized the net operating income of RMB339.078 billion, representing a year-on-year decrease of 1.64%; realized a net profit attributable to shareholders of the Bank of RMB146.602 billion, representing a year-on-year increase of 6.22%; realized the net interest income of RMB214.669 billion, representing a year-on-year decrease of 1.63%; and realized the net non-interest income of RMB124.409 billion, representing a year-on-year decrease of 1.66%. The return on average asset (ROAA) attributable to shareholders of the Bank and return on average equity (ROAE) attributable to ordinary shareholders of the Bank were 1.39% and 16.22%, down by 0.03 percentage point and 0.84 percentage point year-on-year, respectively.

As at the end of the reporting period, the Group's total assets amounted to RMB11,028.483 billion, representing an increase of 8.77% as compared with the end of the previous year. The

total loans and advances to customers amounted to RMB6,508.865 billion, representing an increase of 7.56% as compared with the end of the previous year. Total liabilities amounted to RMB9,942.754 billion, representing an increase of 8.25% as compared with the end of the previous year. Total deposits from customers amounted to RMB8,155.438 billion, representing an increase of 8.22% as compared with the end of the previous year.

As at the end of the reporting period, the Group had a balance of non-performing loans of RMB61.579 billion, representing an increase of RMB3.575 billion as compared with the end of the previous year. The non-performing loan ratio was 0.95%, representing a decrease of 0.01 percentage point as compared with the end of the previous year. The allowance coverage ratio was 437.70%, representing a decrease of 13.09 percentage points as compared with the end of the previous year; the allowance-to-loan ratio was 4.14%, representing a decrease of 0.18 percentage point as compared with the end of the previous year.

2. Operational Information

In 2023, the Chinese economy sought progress while maintaining stability, with high-quality development being solidly promoted. However, it still faced numerous difficulties and challenges, including insufficient effective demand, excess capacity in certain industries, relatively weak market expectations, and a variety of potential risks. Confronting these challenges head-on, CMB built a fortress-style balance sheet, continuously strengthened the management and control of all costs and all risks, and maintained dynamically balanced development focusing on “quality, efficiency, and scale”, thereby ensuring steady growth of profits and maintaining the high-quality development momentum.

1. Improved origination of high-quality assets and kept optimizing asset allocation

The Group continued to build the capability of asset origination and took various measures to promote the steady growth of loans while appropriately increasing the allocation of interest rate bonds and quality debenture bonds in light of interest rate trends, and increased the comprehensive return of our asset allocation.

As at the end of the reporting period, total loans and advances to customers of the Group amounted to RMB6,508.865 billion, representing an increase of 7.56% as compared with the end of the previous year; total loans and advances to customers accounted for 59.02% of the total assets, representing a decrease of 0.67 percentage point as compared with the end of the previous year. Among them, the balance of the Group’s corporate loans amounted to RMB2,599.855 billion, representing an increase of 9.44% as compared to the end of the previous year, with a proportion of corporate loans of 39.94%; the balance

of the Group's retail loans amounted to RMB3,437.883 billion, representing an increase of 8.73% as compared to the end of the previous year, with a proportion of retail loans of 52.82%, of which micro-finance loans amounted to RMB751.297 billion, representing an increase of 19.06% as compared with the end of the previous year. The total investment securities and other financial assets were up by 15.16%, accounting for 29.10% of the total assets, representing an increase of 1.61 percentage points.

2. Strengthened liability management to balance between deposit scale and cost

As at the end of the reporting period, total deposits from customers of the Group amounted to RMB8,155.438 billion, representing an increase of 8.22% as compared with the end of the previous year, accounting for 82.02% of the total liabilities of the Group, which was the major funding source of the Group. Facing the challenges of changes in the external environment, the Company coped with the pressure of slowdown in deposit growth by taking various measures such as strengthening customer orientation, enhancing customer base expansion, reinforcing deposit classification management and cost control. During the reporting period, the Company's average daily balance of core deposits¹ was RMB6,615.946 billion, representing an increase of RMB758.195 billion or 12.94% as compared with the previous year, accounting for 86.63% of the average daily balance of customer deposits, representing a decrease of 0.87 percentage point as compared with the previous year. The average daily balance of demand deposits was RMB4,430.730 billion, representing an increase of RMB268.196 billion or 6.44% as compared with the previous year, accounting for 58.02% of the average daily balance of customer deposits, representing a decrease of 4.16 percentage points as compared with the previous year. As at the end of the reporting period, the balance of structured deposits of the Company amounted to RMB262.934 billion, representing an increase of RMB20.170 billion as compared with the end of the previous year, accounting for 3.34% of the balance of deposits from customers, which was the same as compared to that at the end of the previous year. The average cost rate of customer deposits was 1.62%, representing a year-on-year increase of 10 basis points, but the growth was narrowed on a quarter-on-quarter basis. Among which, the average cost rate of customer deposits denominated in RMB was up 1.56%, representing a year-on-year decrease of 4 basis points.

3. Continued growing capital-light business with non-interest income remaining resilient

¹ The core deposits represent the internal management indicator for the Company's deposits, excluding large-denomination certificates of deposit, structured deposits and other high-cost deposits.

During the reporting period, the Company steadily optimised and expanded the capital-light business, promoted the development of extensive wealth management business, constantly improving the capabilities of the wealth management and asset management.

As of the end of the reporting period, the balance of total assets under management (AUM) for retail customers amounted to RMB13.32 trillion, representing an increase of 9.88% as compared with the end of the previous year. The number of customers holding our wealth management products reached 51,379,500, representing an increase of 19.13% as compared with the end of the previous year. On the product-side, the Company carefully selected diversified products for customers in the whole market, and enhanced the exploration of high-quality products. On the service-side, the Company further promoted the “CMB TREE Asset Allocation Service System”. The number of customers² who conducted asset allocation under the system reached 9,114,500, representing an increase of 12.15% as compared with the end of the previous year. The Company continued to build the service ecosystem with partners and accompanied customers throughout their investment journey. As at the end of the reporting period, 152 asset management institutions have been introduced to the “Zhao Cai Hao (招財號)”, an open platform of wealth management business of the Company.

The Group’s asset management subsidiaries continued to strengthen the six major capabilities of investment research, asset origination, risk management, technology support, business innovation and talent team. As at the end of the reporting period, the scale of assets management business amounted to RMB4.48 trillion³.

The Company accelerated the exploration of the service model of asset custody business of “service + technology + collaboration”. As at the end of the reporting period, the total asset under custody business reached RMB21.12 trillion, ranking first in the industry (data from the Custody Business Professional Committee under China Banking Association).

Net non-interest income maintained resilient. During the reporting period, faced with challenges such as insufficient effective demand and the continued downturn in the capital market, the Group implemented high-quality development requirements, focused on customer needs, made efforts to support the real economy, and continuously improved the quality and efficiency of intermediary business services. In light of the impact of short-

² Refers to the Golden card and Golden Sunflower card holders who have two or more types of wealth management products out of the four types of wealth management products, namely, active money management, security management, prudent investment and aggressive investment.

³ The total volume of asset management business of China Merchants Fund and CMB International Capital both included the data of their respective subsidiaries.

term adverse factors, the Group actively built differentiated competitiveness in an effort to explore growth points in segmented areas. During the reporting period, the Group realised net non-interest income of RMB124.409 billion, representing a decrease of 1.66% year-on-year, accounting for 36.69% of net operating income, maintaining at a high level. Among the Group's net non-interest income, net fee and commission income was RMB84.108 billion, representing a decrease of 10.78% year-on-year, accounting for 67.61% of the net non-interest income; other net non-interest income was RMB40.301 billion, representing an increase of 25.04% year-on-year.

During the reporting period, the Group's revenue contributed by extensive wealth management was RMB45.268 billion⁴, representing a decrease of 7.90% as compared with the previous year. Among the Group's revenue contributed by extensive wealth management, fee and commission income from wealth management amounted to RMB28.466 billion, representing a year-on-year decrease of 7.89%; income from asset management amounted to RMB11.474 billion, representing a year-on-year decrease of 7.89%, which was mainly due to the year-on-year decrease in the daily average scale of products under the management of CMB Wealth Management; commission income from custody business was RMB5.328 billion, representing a year-on-year decrease of 8.00%, which was mainly due to the decrease in income from equity mutual funds and wealth management custody; income from bank card fees amounted to RMB19.525 billion, representing a year-on-year decrease of 8.76%, which was mainly due to the decrease in fee income from offline transaction of credit cards; income from settlement and clearing fees amounted to RMB15.492 billion, representing a year-on-year increase of 2.93%, mainly due to the increase in e-payment income.

4. Kept enlarging customer base and improving comprehensive service capability

During the reporting period, the Company adhered to our customer-centric concept and enhanced our customer service capability, creating a good momentum in growing our customer base. As of the end of the reporting period, the Company had 197 million retail customers (including debit and credit card customers), representing an increase of 7.07% as compared with the end of the previous year. Among which, the number of Golden Sunflower and above customers (those with minimum daily average total assets of RMB500,000 for each month) reached 4,640,600, representing an increase of 12.00% as compared with the end of the previous year; and the number of private banking customers surpassed 140,000. As of the end of the reporting period, there were 69.7404 million active credit card users, representing a decrease of 0.37% as compared with the end of the

⁴ The income from extensive wealth management includes the fee and commission income from wealth management, asset management and custody business.

previous year, mainly due to the decrease in newly-acquired customers as the Company placed more emphasis on premium customer acquisition. During the reporting period, the credit card transactions of the Company amounted to RMB4,814.967 billion, representing a decrease of 0.44% as compared with the corresponding period of the previous year, maintaining the first position in the market.

The Company expanded its corporate customer coverage. The Company kept on focusing on the industry specialised operation for strategic customers of the Head Office and local branches, acquisition of high-quality corporate customers and in-depth operations of existing customers. As of the end of the reporting period, the total number of corporate customers of the Company came in at 2,820,600, representing an increase of 11.66% as compared with the end of the previous year. The number of newly acquired corporate customers during the reporting period was 481,900, contributing daily average deposits of RMB172.744 billion. During the reporting period, the Company had 1,197,800 corporate customers for withholding transactions, representing a year-on-year increase of 11.36%.

The Company enhanced innovation in products to enhance competitiveness and better serve its customers. As of the end of the reporting period, the Company's balance of aggregate financing products to corporate customers (FPA) exceeded RMB5.5 trillion, representing an increase 8.44% over the beginning of the year.

The Company continued to consolidate its business strengths in various segments, delivering breakthroughs in key products. In terms of pension finance business, as of the end of the reporting period, the pension funds under custody amounted to RMB1.05 trillion. In terms of investment banking business, during the reporting period, the debt financing instruments with the Company as the lead underwriter amounted to RMB591.813 billion, representing a year-on-year decrease of 5.28%, ranked third among its industry peers (based on the data from the National Association of Financial Market Institutional Investors); the Company's M&A financing business volume amounted to RMB193.348 billion, representing a year-on-year increase of 3.71%, ranking first in both book runner and lead arranger in the Asia Pacific M&A syndicate ranking published by Bloomberg. In terms of bill business, the volume of direct bill discounting business was RMB1,895.076 billion during the reporting period, representing a year-on-year increase of 24.78%, still ranking second in the market (data from the China Banking Association). In terms of transaction banking business, as of the end of the reporting period, the number of customers of Treasury Management Cloud services reached 477,600, representing an increase of 62.15% as compared with the end of the previous year; the customers of corporate collection products reached 87,100, representing a year-on-year increase of 38.92%. In terms of cross-border finance business, the goods trade of corporate finance

in respect of international settlement amounted to USD173.814 billion, representing a year-on-year increase of 9.92%. In terms of financial markets business, during the reporting period, the Company provided hedging services to 6,285 companies with a total transaction volume of derivatives to corporate customers amounting to USD64.783 billion.

During the reporting period, the Company proactively responded to the nation's major regional development strategy and industrial cluster development strategy, and accelerated the release of development potential of the key branches among the Yangtze River Delta, the Pearl River Delta, Chengdu-Chongqing Region and the Western Taiwan Straits Economic Zone in combination with the regional layout and business structure of the Company's branches and subsidiaries so as to adapt to local economic development. The Company carried out the "deep and intensive cultivation" centring on regional advantageous and characteristic industries as well as customer needs, strengthened its core competitiveness and enhanced the operating efficiency of branches in key regions by "creating local characteristics of CMB and regional characteristics within CMB" to develop new growth engines for high-quality development. The development strategy of key regions has achieved initial results. As at the end of the reporting period, the growth rates of core deposits, AUM and corporate loans of 17 branches of the Company in key regions were higher than the average level of the Bank. As at the end of the reporting period, the balance of corporate loans of the above 17 branches in the key regions amounted to RMB867.679 billion, representing an increase of RMB124.941 billion as compared with the end of the previous year, accounting for 37.37% of the total corporate loans of the Company. The increased loans accounted for 55.66% of the total incremental corporate loans of the Company.

The Company further moved ahead with comprehensive operation and achieved positive outcome. The subsidiaries further enhanced their competitiveness, contributing more to the Company's profits and further demonstrating the potential of synergies. As of the end of the reporting period, the balance of wealth management products under management by CMB Wealth Management amounted to RMB2.55 trillion, representing a decrease of 4.49% as compared with the end of the previous year, maintaining the first position in the industry; the total assets of CMB Financial Leasing were RMB290.794 billion; the scale of asset management business of China Merchants Fund amounted to RMB1.55 trillion, representing an increase of 4.73% as compared with the end of the previous year, the total size of non-monetary mutual funds stayed at RMB575.568 billion, representing an increase of 2.62% as compared with the end of the previous year; CMB International Capital completed a total of 30 Hong Kong IPO projects during the reporting period, maintaining its leading position in terms of Hong Kong IPO underwriting business.

5. Further enhanced risk management to prevent risks in key areas

During the reporting period, the Group maintained stable asset quality. As at the end of the reporting period, the Group's non-performing loan ratio was 0.89%, the same as the end of the previous year; the non-performing loan ratio of corporate loans was 1.19%, down by 0.07 percentage point as compared with the end of the previous year. The Group's special mention loan ratio and overdue loan ratio were both on a downward trend as compared to the end of the previous year, with the special mention loan ratio of 1.10%, down by 0.11 percentage point as compared with the end of the previous year, and the overdue loan ratio of 1.26%, down by 0.03 percentage point as compared with the end of the previous year.

The Group adopted prudent asset classification criteria for overdue loans, and the ratio of non-performing loans to the loans overdue for more than 90 days was 1.34, and the Company's ratio of non-performing loans to the loans overdue for more than 60 days was 1.19. During the reporting period, the Company formed new non-performing loans of RMB60.997 billion, representing a year-on-year decrease of RMB1.978 billion; the formation ratio of non-performing loans was 1.03%, representing a year-on-year decrease of 0.12 percentage point. During the reporting period, the Company played an active role in the disposal of non-performing loans, taking various approaches to reduce and dispose of risk assets. During the reporting period, the disposal of non-performing loans by the Company amounted to RMB58.113 billion, of which RMB22.652 billion was written off, RMB22.589 billion was securitised, RMB11.204 billion was recovered by cash collection, and RMB1.668 billion was disposed of by other means such as repossession, transfer, restructuring, upward migration and remission.

The Group effectively managed risks in key areas. With regard to the real estate sector, as at the end of the reporting period, the Company's balance of loans granted to the real estate industry was RMB290.742 billion, representing a decrease of RMB42.973 billion as compared with the end of the previous year, accounting for 4.71% of the Company's total loans and advances to customers, representing a decrease of 1.12 percentage points as compared with the end of the previous year; 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 5.01%, representing an increase of 1.02 percentage points as compared with the end of the previous year. The total balance of the businesses for which the Group did not assume 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 RMB249.448 billion, representing a decrease of 16.95% as compared with the end of the previous year.

In respect of consumer loans and micro-finance loans, the Company continued to improve its risk management and control strategies. The Company insisted on selecting high-quality customers and continued to strengthen its quantitative risk control capabilities while keeping a close on changes in the external environment and actively working on strict classification to keep the overall asset quality at a stable level. As of the end of the reporting period, the non-performing loan ratio of the Company's retail micro-finance loans was 0.61%, representing a decrease of 0.03 percentage point as compared with the end of the previous year, the special-mentioned loan ratio was 0.35%, representing a decrease of 0.05 percentage point as compared with the end of the previous year and the overdue loan ratio was 0.70%, representing a decrease of 0.03 percentage point as compared with the end of the previous year; the nonperforming loan ratio of credit card loans was 1.75%, representing a decrease of 0.02 percentage point from the end of the previous year; the nonperforming loan ratio of consumer loans was 1.09%, representing an increase of 0.01 percentage point from the end of the previous year.

6. Drove business innovation with “AI+” to shift towards “Smart CMB”

The Company promoted the construction of digital finance around the transformation direction of “online, databased, intelligent, platform-based and ecological operation”, thereby shifting from “Online CMB” towards “Smart CMB”.

In terms of retail customer service, the Company accelerated the transformation and upgrading from “online retail (線上零售)” to “digital and intelligent retail (數智零售)”, so as to construct the intelligent wealth engine and intelligent customer service engine, and consolidate our digital capabilities. CMB APP further integrated artificial intelligence, intelligent customer service and remote consultancy capabilities to launch the brand-new intelligent wealth assistant “Xiao Zhao (小招)”, which provided one-stop wealth management services such as financial analysis, product selection strategies, market views and income analysis, as well as personalised and customised consulting services. As of the end of reporting period, the monthly active users (MAU) of the CMB APP and the CMB Life APP reached 117 million. During the reporting period, the micro-finance loans granted through online approval accounted for 66.74% of the loans granted through omnichannel service system, representing a year-on-year increase of 7.13 percentage points. With the upgrading of “Wealth Alpha+” platform in respect of wealth management, the Company realised digital and intelligent operation of the whole process in terms of

investment research, product selection and post-investment management, and deepened the empowerment to improve the professionalism of key positions.

In terms of wholesale customer service, digital customer acquisition has become an important portal. Based on online operation, the Company used digital tools to improve the quality and efficiency of services of relationship manager, and facilitated the digital and integrated transformation of business and finance of enterprises with products such as Treasury Management Cloud (財資管理雲). During the reporting period, the Company achieved list-based high-quality customer acquisition of 112,600 customers, representing a year-on-year increase of 28.85%; the service volume via WeCom exceeded 17 million times. As at the end of the reporting period, the percentage of financing business conducted online was 92.28%, representing an increase of 10.14 percentage points as compared with the end of the previous year, and the percentage of foreign exchange business conducted online was 75.34%, representing an increase of 9.85 percentage points as compared with the end of the previous year. As at the end of the reporting period, Treasury Management Cloud (財資管理雲) accumulatively served 477,600 corporate customers, representing an increase of 62.15% as compared with the end of the previous year.

In terms of risk management, the Company constructed the intelligent risk control engine, and comprehensively utilised internal and external data to continuously enhance its digital risk control capability and efficiency. During the reporting period, the intelligent pre-warning coverage rate of on- and off-balance sheet “all businesses” reached 100%. “Libra (天秤)” guarded transaction security, effectively helping customers block telecommunications fraud, and the percentage of fraud and account takeover amounts by non-cardholders was lowered to 0.1 in ten millionths. The corporate loans newly granted through the online risk control platform amounted to RMB303.560 billion, representing a year-on-year increase of 53.58%. By applying digital processes, the Company reduced the average time taken for the granting of an inclusive finance mortgage loan from one month to 2.7 days.

In terms of internal operation, the Company relieved its staff from repetitive, time-consuming work by leveraging technology and consolidated experience with data to construct the intelligent operation engine and achieve a high-quality balance of experience, efficiency, risk and cost. During the reporting period, “Kaiyang Portal (開陽門戶)”, a new generation of open operation service platform, completed the intelligent transformation and application of over 400 operation processes, and the processing efficiency of key businesses increased by 27%. By leveraging the intelligent application in scenarios such as the intelligent customer service, intelligent process, quality inspection and the Conch RPA (Robot Process Automation), our staff were relieved from

repetitive, time-consuming work equivalent to a workload of over 17,000 full-time individuals.

In terms of digital infrastructure, the Company has entered into a more stable, agile and resilient “post-cloud era”. The technology middle office strengthened component governance and accelerated the establishment and promotion of low-threshold development platform; the data middle office pushed forward the import of external data and enterprise-level data governance and application. As of the end of the reporting period, the overall availability of the cloud services exceeded 99.999%, while the “Project of Full-scale Cloud Deployment of CMB Banking System” winning the first prize of Fintech Development Award of the People’s Bank of China. The Company supported on-demand application expansion with minute-level flexibility, which could adjust the flexible allocation of resources according to business needs and strategies to achieve the optimal use of resources. The technology middle office had launched over 5,100 components, among which 1,254 components passed the quality certification in the industry, representing an increase of 146.85% as compared with the end of the previous year. The Company launched 5,646 applications on the low-code development platform, of which the business operators accounted for more than 53% of all developers. The data middle office introduced nearly 400 data sources, and the big data services covered 60% of the employees in the Bank.

The Company grasped the definite opportunities of the large language model, and actively carried out the construction and application of the large language model. On the one hand, the Company actively strengthened the construction of large models, introduced large models with hundreds of billions of parameters, used its own corpus to optimise, train and adapt to industry scenarios, and actively followed up the technological development of open-source large models, and the Company self-developed the large models with tens of billions of parameters in professional scenarios. On the other hand, the Company actively explored the application of large models in retail, wholesale, middle and back office. At the same time, the Company established the large model experience platform, with the access of various mainstream large models in China.

7. Proactively implemented the ESG concepts and served the real economy

The Company adheres to the concept of social responsibility of “originating from society and repaying society”, takes “being committed to sustainable finance, promoting sustainable value and contributing to sustainable development” as the sustainable development goal, integrates the concept of Environmental, Social and Governance (ESG) into the daily operation and management of the Company, constantly improves the

sustainable development management mechanism, fully communicates with stakeholders, effectively fulfils corporate social responsibility and continuously promotes high-quality financial development.

Environmental Information: In terms of green finance, the Company launched innovative green deposit products. During the reporting period, the Company's green deposits transaction amount was RMB917 million with a closing balance of RMB420 million. As of the end of the reporting period, the Company's balance of green loans was RMB447.765 billion, representing an increase of 26.00% as compared with the end of the previous year. During the reporting period, the Company granted RMB370 million of carbon emission-linked loans. During the reporting period, CMB Financial Leasing, a subsidiary of the Company, granted loans of RMB54.721 billion in green leasing, accounting for 49.67% of the total loans granted by CMB Financial Leasing, with a closing balance for green leasing of RMB121.500 billion, representing an increase of 15.31% as compared with the end of the previous year. The Company issued the world's first blue floating-rate bond overseas with an issuing scale of USD400 million. The proceeds raised will be applied to support sustainable water resources management and offshore wind power projects, contributing to water ecological protection, marine renewable energy and marine economic construction. In terms of green operation, starting with sorting out its carbon footprint to identify carbon emission sources, the Company conducted a comprehensive inventory of all carbon emission sources of over 1,900 organisations across the Bank over the past three years against general international standards, in order to define the energy management mechanism and consumption of each organisation, and assess the potential for carbon emission reduction based on the results of the inventory, so as to formulate carbon emission reduction measures, effectively promoting the green transformation of its operations.

Social Responsibility Information: In terms of serving the real economy, the balance of the loans extended to the manufacturing industry of the Company was RMB555.102 billion, representing an increase of RMB111.250 billion as compared with the end of the previous year, accounting for 23.91% of the total corporate loans, representing an increase of 2.75 percentage points as compared with the end of the previous year. The balance of loans to strategic emerging industries was RMB375.097 billion, representing an increase of RMB72.774 billion as compared with the end of the previous year, accounting for 16.16% of the total corporate loans, representing an increase of 1.74 percentage points as compared with the end of the previous year. As of the end of the reporting period, the Company served 140,800 customers of technology enterprises, with the balance of loans to technology enterprises amounting to RMB428.477 billion, representing an increase of 44.95% as compared with the end of the previous year. The balance of the Company's

inclusive small- and micro-sized enterprises loans was RMB804.279 billion, representing an increase of 18.56% as compared with the end of the previous year; and the number of inclusive small- and micro-enterprises with loan balance was 1,004,500, representing an increase of 13,800 as compared with the end of the previous year. In terms of information security and privacy protection, the Company attaches great importance to customer privacy protection and data security management. In terms of the acquisition and use of personal information, the Company adheres to the principles of legal compliance, minimum necessity, openness and transparency, honesty and good faith, quality assurance and safety protection, and further improves the security protection system covering the whole life cycle of personal information processing, standardising the approval management of personal information use. In terms of consumer rights protection, the Company extended the concept of consumer rights protection to the design stage of products and services. Throughout the year, a total of 144,500 consumer rights protection reviews were completed, with a coverage rate of products and services of 100% and an adoption rate of consumer rights protection review opinions of 99.47%.

Governance Information: the Board of Directors of the Company proactively performed its relevant duties in inclusive finance, green finance, data governance, human resources, consumer rights protection and social responsibilities. The Board of Directors officially renamed the “Strategy Committee of the Board of Directors” to the “Strategy and Sustainable Development Committee of the Board of Directors” to strengthen its role in coordinating the fulfilment of ESG responsibilities.

In 2023, the Company’s MSCI ESG rating remained grade A for the third consecutive year. In 2023, the Company achieved the social contribution value of RMB17.04 per share⁵ (calculated on the Group’s statistical calibre), and the total amount of external donations of the Company was RMB115 million.

3. Outlook

Looking forward to 2024, the economic growth of the Europe and the U.S. may slow down slightly as compared with 2023. Among which, the U.S. economy will still remain resilient, leading to a marginal fall in the inflation, and the end of interest rate hike cycle of the U.S. dollar whereas limited rate cuts. On the domestic front, the economic growth momentum is expected to improve and stabilise in 2024. The growth rate of fixed assets investment is expected to further increase, consumption will be steadily restored, and the momentum will return to the potential level. The export is expected to grow moderately. Macroeconomic

⁵ Social contribution value per share = basic earnings per share + (taxes paid + employee expenses + interest expenses + total external donations)/total share capital of ordinary shares at the end of the period.

policies will intensify counter-cyclical and cross-cyclical adjustments. Fiscal policies will be moderately strengthened and improved in terms of quality and efficiency. Monetary policies will be flexible, appropriate, accurate and effective. The innovation and coordination of policy tools will be strengthened to stabilise expectations, growth and employment, thereby bringing development opportunities to the banking industry.

According to the current policies and economic expectations analysis, the Company plans to increase loans and advances to customers by 8% approximately and customer deposits by around 10% in 2024.

In 2024, challenges and opportunities in the external environment coexist. The Company will maintain its strategic development focus, while accurately identifying changes, scientifically making response, and proactively seeking transformation. The Company will continue to promote the strategy of building a value creation bank with adherence to the development goal of creating greater value for customers, employees, shareholders, partners and the society, insist on the development philosophy of “quality-oriented, efficiency priority, appropriate scale and reasonable structure” as well as differentiated and characteristic development path, accelerate the establishment of a new high-quality development model driven by strict management and securing growth with integrity and innovation, so as to strive for a world-class value creation bank, and make contribution to the development of financial industry with Chinese characteristics.

END

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