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**招商銀行**

CHINA MERCHANTS BANK

招商銀行股份有限公司

CHINA MERCHANTS BANK CO., LTD.

(H Share Stock Code: 03968)

(Preference Share Stock Code: 04614)

## THIRD QUARTERLY REPORT OF 2021

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, 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, Tian Huiyu, President, Wang Liang, First Executive Vice 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 33rd meeting of the Eleventh Session of the Board of Directors of the Company was held by way of written resolutions. 16 out of 16 eligible Directors attended the meeting. The third quarterly report of 2021 of the Company was unanimously approved at the meeting.

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” refer to CMB Financial Leasing Co., Ltd.; “CMB International Capital” or “CMBIC” refer to CMB International Capital Holdings Corporation Limited; “CMB Wealth Management” refers to CMB Wealth Management Company Limited; “China Merchants Fund” or “CMFM” refer 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 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<br>30 September 2021 | At the end of last year<br>31 December 2020 | Increase/decrease at the end of the reporting period as compared to the end of last year (%) |
|--|---|---|--|
| Total assets   | 8,917,440   | 8,361,448                                   | 6.65   |
| Equity attributable to shareholders of the Bank  | 788,967   | 723,750                                     | 9.01   |
| Net assets per share attributable to ordinary shareholders of the Bank <i>(in RMB Yuan)</i> <sup>(1)</sup> | 27.95   | 25.36                                       | 10.21  |

| <i>(in millions of RMB, unless otherwise stated)</i>        | January to September 2021 | January to September 2020 | Increase/decrease as compared to the corresponding period of last year (%) |
|---|---------------------------|---------------------------|--|
| Net cash generated from operating activities <sup>(2)</sup> | 82,382                    | 219,828                   | -62.52   |

| <i>(in millions of RMB, unless otherwise stated)</i>   | July to September 2021 | Increase/decrease during the period from July to September 2021 as compared to the corresponding period of last year (%) | January to September 2021 | Increase/ decrease during the period from January to September 2021 as compared to the corresponding period of last year (%) |
|--|------------------------|--|---------------------------|--|
| Net operating income   | 82,655                 | 13.03  | 251,485                   | 13.65  |
| Net profit attributable to shareholders of the Bank  | 32,465                 | 21.07  | 93,615                    | 22.21  |
| Basic earnings per share attributable to ordinary shareholders of the Bank <i>(in RMB Yuan)</i>        | 1.27                   | 20.95  | 3.62                      | 19.87  |
| Diluted earnings per share attributable to ordinary shareholders of the Bank <i>(in RMB Yuan)</i>      | 1.27                   | 20.95  | 3.62                      | 19.87  |
| Annualised weighted average return on net assets attributable to ordinary shareholders of the Bank (%) | 18.69                  | Increase of 1.29 percentage points   | 18.11                     | Increase of 1.11 percentage points   |

Notes:

- (1) The Company issued non-cumulative preference shares in 2017 and perpetual bonds in July 2020, both of which are classified as other equity instruments. The Company accrued interests payable on perpetual bonds of RMB1.975 billion in June 2021 and completed the distribution in July 2021. The Company accrued dividends payable on offshore preference shares of RMB316 million in September 2021. Therefore, when calculating basic earnings per share attributable to ordinary shareholders, return on average equity and net assets per share, the dividends on the offshore preference shares and interests on perpetual bonds shall be deducted from "net profit attributable to shareholders of the Bank" if they were accrued in the relevant period, while the balance of preference shares and the balance of perpetual bonds shall be deducted from both the "average equity" and the "net assets".
- (2) For the period from January to September 2021, the Group's net cash generated from operating activities amounted to RMB82.382 billion, representing a year-on-year decrease of 62.52%, which was mainly due to the relative reduction for the net increase in 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 2021 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 446,825, including 416,566 holders of A Shares and 30,259 holders of H Shares, whose shareholdings are all not subject to trading moratorium. 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 trading moratorium of the Company were as follows:

| No. | Name of shareholder  | Type of shareholder      | Shares held at the end of the period<br>(share) | Percentage of total share capital<br>(%) | Type of shares                             | Changes as compared to the end of last year<br>(share) | Shares subject to trading moratorium<br>(share) | Shares Pledged, marked or frozen<br>(share) |
|-----|--|--------------------------|---|--|--|--|---|---|
| 1   | HKSCC Nominees Ltd.  | Offshore legal person    | 4,552,020,971                                   | 18.05                                    | H Shares not subject to trading moratorium | 1,573,574  | –   | Unknown                                     |
| 2   | China Merchants Steam Navigation Co., Ltd.                                   | State-owned legal person | 3,289,470,337                                   | 13.04                                    | A Shares not subject to trading moratorium | –  | –   | –   |
| 3   | China Ocean Shipping Company Limited   | State-owned legal person | 1,574,729,111                                   | 6.24                                     | A Shares not subject to trading moratorium | –  | –   | –   |
| 4   | Hong Kong Securities Clearing Company Limited                                | Offshore legal person    | 1,432,844,091                                   | 5.68                                     | A Shares not subject to trading moratorium | 359,199,179  | –   | –   |
| 5   | Shenzhen Yan Qing Investment and Development Company Ltd.                    | State-owned legal person | 1,258,542,349                                   | 4.99                                     | A Shares not subject to trading moratorium | –  | –   | –   |
| 6   | China Merchants Finance Investment Holdings Co., Ltd.                        | State-owned legal person | 1,147,377,415                                   | 4.55                                     | A Shares not subject to trading moratorium | –  | –   | –   |
| 7   | Hexie Health Insurance Co., Ltd. – Traditional – Ordinary insurance products | Domestic legal person    | 1,130,991,537                                   | 4.48                                     | A Shares not subject to trading moratorium | –127,957,634   | –   | –   |
| 8   | Dajia Life Insurance Co., Ltd. – Universal products                          | Domestic legal person    | 976,132,435                                     | 3.87                                     | A Shares not subject to trading moratorium | –60,000,000  | –   | –   |
| 9   | Shenzhen Chu Yuan Investment and Development Company Ltd.                    | State-owned legal person | 944,013,171                                     | 3.74                                     | A Shares not subject to trading moratorium | –  | –   | –   |
| 10  | COSCO Shipping (Guangzhou) Co., Ltd.   | State-owned legal person | 696,450,214                                     | 2.76                                     | A Shares not subject to trading moratorium | –  | –   | –   |

Notes:

- (1) Shares held by HKSCC Nominees Ltd. are the total shares in the accounts of holders of H Shares of the Company trading on the transaction platform of HKSCC Nominees Ltd.. Hong Kong Securities Clearing Company Ltd. 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 A shares of China Merchants Bank acquired by investors through Shanghai-Hong Kong Stock Connect.
- (2) As at the end of the reporting period, of the aforesaid top 10 shareholders, HKSCC Nominees Ltd. is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Ltd.; China Merchants Steam Navigation Co., Ltd., Shenzhen Yan Qing Investment and Development Company Ltd., China Merchants Finance Investment Holdings Co. Ltd. and Shenzhen Chu Yuan Investment and Development Company Ltd. are all subsidiaries of China Merchants Group Ltd.; 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 relationships or action in concert among other shareholders.
- (3) The above shareholders of A shares 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 15 holders of preference shares (or their nominees), including 1 holder of offshore preference shares (or its nominee) and 14 holders of domestic preference shares. During the period from January to September 2021, 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 offshore preference shares (or their nominees) of the Company were as follows:

| No. | Name of shareholder                                | Type of shareholder   | Type of shares             | Shares held at the end of the period<br>(share) | Percentage of shareholding<br>(%) | Changes as compared to the end of last year<br>(share) | Shares subject to trading moratorium<br>(share) | Shares Pledged, marked or frozen<br>(share) |
|-----|--|-----------------------|----------------------------|---|-----------------------------------|--|---|---|
| 1   | The Bank of New York Depository (Nominees) Limited | Offshore legal person | Offshore preference shares | 50,000,000                                      | 100                               | -  | -   | Unknown                                     |

Notes:

- (1) The shareholding of holders of preference shares is calculated based on the information listed in the register of holders of preference shares maintained by the Company.
- (2) As the issuance is an offshore non-public issuance, the information listed in the register of holders of preference shares is the information on the nominees of the placees.
- (3) The Company is not aware of any affiliated relationship or action in concert among the above holders of preference shares and the top 10 holders of ordinary shares.
- (4) "Percentage of shareholding" represents the percentage of the number of offshore preference shares held by the holders of preference shares to the total number of offshore preference shares.

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<br>(share) | Percentage of shareholdings<br>(%) | Changes as compared to the end of last year<br>(share) | Shares subject to trading moratorium<br>(share) | Shares Pledged, marked or frozen<br>(share) |
|-----|--|--------------------------|----------------------------|---|------------------------------------|--|---|---|
| 1   | China Mobile Communications Group Co., Ltd.  | State-owned legal person | Domestic preference shares | 106,000,000                                     | 38.55                              | –  | –   | –   |
| 2   | CCB Capital—CCB “Qian Yuan—Si Xiang” (daily) Open-ended Private Banking RMB Wealth Management Product—CCB Capital An Xin Si Xiang No. 2 Specific Asset Management Plan | Others                   | Domestic preference shares | 30,000,000                                      | 10.91                              | 30,000,000   | –   | –   |
| 3   | Bank of China Asset Management—BOC—Bank of China Limited Shenzhen Branch (中國銀行股份有限公司 深圳市分行)  | Others                   | Domestic preference shares | 25,000,000                                      | 9.09                               | –  | –   | –   |
| 4   | 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                               | –  | –   | –   |
| 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   | China Construction Bank Corporation Guangdong Branch—“Qian Yuan—Ri Ji Li” (daily) Open-ended Wealth Management Product   | Others                   | Domestic preference shares | 10,000,000                                      | 3.64                               | –  | –   | –   |
| 9   | Everbright Securities Asset Management—CEB—Everbright Securities Asset Management Xinyou No.2 Collective Asset Management Plan   | Others                   | Domestic preference Shares | 9,000,000                                       | 3.27                               | 6,000,000  | –   | –   |
| 10  | Everbright Securities Asset Management—CEB—Everbright Securities Asset Management Xinyou Collective Asset Management Plan  | Others                   | Domestic preference shares | 8,000,000                                       | 2.91                               | 3,000,000  | –   | –   |

Notes:

- (1) Since this reporting period, the shareholdings of holders of domestic preference shares are listed by single account based on the information presented in the register of holders of preference shares maintained by the Company.
- (2) “CCB Capital—CCB ‘Qian Yuan—Si Xiang’ (daily) Open-ended Private Banking RMB Wealth Management Product—CCB Capital An Xin Si Xiang No. 2 Specific Asset Management Plan” is managed by CCB Capital Management Company, a subsidiary of China Construction Bank Corporation; China National Tobacco (Henan Province) Company, China National Tobacco (Anhui Province) Company and China National Tobacco (Sichuan Province) Company are all wholly-owned subsidiaries of China National Tobacco Corporation. “Everbright Securities Asset Management—CEB—Everbright Securities Asset Management Xinyou No.2 Collective Asset Management Plan” and “Everbright Securities Asset Management—CEB—Everbright Securities Asset Management Xinyou Collective Asset Management Plan” are both managed by Everbright Securities Asset Management Co. Ltd.. 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 10 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

The Group continued to adhere to the concept of dynamic and balanced development of “Quality, Efficiency and Scale”, and has always insisted on implementation of its strategic direction of “Light-model Bank” and the strategic positioning of “One Body with Two Wings”. From January to September 2021, by carrying out various businesses in a sound manner, the Group’s net operating income increased steadily, profit achieved relatively rapid growth, scale of assets and liabilities grew in a sound manner, and asset quality was generally stable.

From January to September 2021, the Group realised the net operating income of RMB251.485 billion, representing a year-on-year increase of 13.65%; realised a net profit attributable to shareholders of the Bank of RMB93.615 billion, representing a year-on-year increase of 22.21%; realised the net interest income of RMB150.638 billion, representing a year-on-year increase of 8.74%; and realised the net non-interest income of RMB100.847 billion, representing a year-on-year increase of 21.87%. 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 1.44% and 18.11%, respectively, up by a respective year-on-year percentage points of 0.13 and 1.11.

As at the end of the reporting period, the Group’s total assets amounted to RMB8,917.440 billion, representing an increase of 6.65% as compared with the end of the previous year. The total loans and advances to customers amounted to RMB5,501.177 billion, representing an increase of 9.39% as compared with the end of the previous year. Total liabilities amounted to RMB8,121.625 billion, representing an increase of 6.43% as compared with the end of the previous year. Total deposits from customers amounted to RMB6,011.965 billion, representing an increase of 6.82% as compared with the end of the previous year (the total amount of deposits or loans in sections 4.1 and 4.3 of this report does not include interest receivable or payable).

As at the end of the reporting period, the Group’s non-performing loans amounted to RMB51.302 billion, representing a decrease of RMB2.313 billion as compared with the end of the previous year. The non-performing loan ratio was 0.93%, down by 0.14 percentage point as compared with the end of the previous year. The allowance coverage ratio was 443.14%, representing an increase of 5.46 percentage points as compared with the end of the previous year. The allowance-to-loan ratio was 4.13%, representing a decrease of 0.54 percentage point as compared with the end of the previous year.

## 4.2 Analysis of statement of profit or loss

### Net interest income

From January to September 2021, the Group's net interest income amounted to RMB150.638 billion, representing a year-on-year increase of 8.74% and accounting for 59.90% of net operating income.

From January to September 2021, the net interest spread and the net interest margin of the Group were 2.39% and 2.48% respectively, representing a respective year-on-year decrease of 4 and 3 basis points, which was mainly due to the cumulative effect of numerous downward adjustments in Loan Prime Rate (LPR) last year, resulting in a year-on-year decrease in loan yields. In order to mitigate the impact of the above factors on the net interest margin, the Group further strengthened its control over the cost of liabilities. From January to September 2021, the Group achieved a year-on-year decrease in the cost ratio of deposits from customers and financial institution demand deposits. At the same time, the Group further optimised the structure of both assets and liabilities, and continued to increase the proportion of high-yield assets such as retail loans, as well as the proportion of low-cost liabilities such as deposits from customers and financial institution demand deposits.

The net interest spread of the Group was 2.37% in the third quarter of 2021, representing a decrease of 1 basis point from the previous quarter; the net interest margin of the Group was 2.47% in the third quarter of 2021, representing an increase of 1 basis point from the previous quarter. The increase from the previous quarter of the net interest margin was mainly due to the rapid growth of high-yield credit card loans coupled with the impact of the reduction of the reserve ratios, resulting in further optimisation of the structure of interest-earning assets.

| The Group   | January to September 2021 |                     |   | January to September 2020 |                     |   |
|---|---------------------------|---------------------|---|---------------------------|---------------------|---|
| <i>(in millions of RMB,<br/>except for percentages)</i>                   | Average<br>balance        | Interest<br>income  | Annualised<br>average<br>yield (%)      | Average<br>balance        | Interest<br>income  | Annualised<br>average yield<br>(%)      |
| <b>Interest-earning assets</b>  |                           |                     |   |                           |                     |   |
| Loans and advances to customers   | 5,301,843                 | 185,741             | 4.68                                    | 4,776,738                 | 177,597             | 4.97                                    |
| Investments   | 1,637,126                 | 41,157              | 3.36                                    | 1,474,028                 | 38,403              | 3.48                                    |
| Balances with the central bank  | 529,904                   | 5,813               | 1.47                                    | 486,033                   | 5,584               | 1.53                                    |
| Balances and placements with<br>banks and other financial<br>institutions | 652,261                   | 9,195               | 1.88                                    | 624,701                   | 9,167               | 1.96                                    |
| <b>Total</b>  | <b>8,121,134</b>          | <b>241,906</b>      | <b>3.98</b>                             | <b>7,361,500</b>          | <b>230,751</b>      | <b>4.19</b>                             |
|   |                           |                     |   |                           |                     |   |
| <i>(in millions of RMB,<br/>except for percentages)</i>                   | Average<br>balance        | Interest<br>expense | Annualised<br>average<br>cost ratio (%) | Average<br>balance        | Interest<br>expense | Annualised<br>average cost<br>ratio (%) |
| <b>Interest-bearing liabilities</b>                                       |                           |                     |   |                           |                     |   |
| Deposits from customers   | 5,894,100                 | 61,772              | 1.40                                    | 5,309,031                 | 62,308              | 1.57                                    |
| Deposits and placements from<br>banks and other financial<br>institutions | 1,087,453                 | 13,687              | 1.68                                    | 922,392                   | 11,309              | 1.64                                    |
| Debt securities issued  | 401,683                   | 9,230               | 3.07                                    | 480,620                   | 11,700              | 3.25                                    |
| Borrowings from the central bank  | 296,607                   | 6,161               | 2.78                                    | 285,937                   | 6,451               | 3.01                                    |
| Lease liabilities   | 14,194                    | 418                 | 3.94                                    | 14,258                    | 448                 | 4.20                                    |
| <b>Total</b>  | <b>7,694,037</b>          | <b>91,268</b>       | <b>1.59</b>                             | <b>7,012,238</b>          | <b>92,216</b>       | <b>1.76</b>                             |
| <b>Net interest income</b>  | /                         | 150,638             | /                                       | /                         | 138,535             | /                                       |
| <b>Net interest spread</b>  | /                         | /                   | 2.39                                    | /                         | /                   | 2.43                                    |
| <b>Net interest margin</b>  | /                         | /                   | 2.48                                    | /                         | /                   | 2.51                                    |

| The Group   | July to September 2021 |                     |   | April to June 2021 |                     |   |
|---|------------------------|---------------------|---|--------------------|---------------------|---|
| (in millions of RMB,<br>except for percentages)                           | Average<br>balance     | Interest<br>income  | Annualised<br>average yield<br>(%)      | Average<br>balance | Interest<br>income  | Annualised<br>average yield<br>(%)      |
| <b>Interest-earning assets</b>  |                        |                     |   |                    |                     |   |
| Loans and advances to customers   | 5,400,330              | 63,204              | 4.64                                    | 5,289,582          | 61,674              | 4.68                                    |
| Investments   | 1,702,824              | 14,357              | 3.35                                    | 1,615,199          | 13,501              | 3.35                                    |
| Balances with the central bank  | 518,982                | 1,919               | 1.47                                    | 533,765            | 1,952               | 1.47                                    |
| Balances and placements with<br>banks and other financial<br>institutions | 631,111                | 3,183               | 2.00                                    | 688,090            | 3,129               | 1.82                                    |
| <b>Total</b>  | <b>8,253,247</b>       | <b>82,663</b>       | <b>3.97</b>                             | <b>8,126,636</b>   | <b>80,256</b>       | <b>3.96</b>                             |
|   |                        |                     |   |                    |                     |   |
| (in millions of RMB,<br>except for percentages)                           | Average<br>balance     | Interest<br>expense | Annualised<br>average cost<br>ratio (%) | Average<br>balance | Interest<br>expense | Annualised<br>average cost<br>ratio (%) |
| <b>Interest-bearing liabilities</b>                                       |                        |                     |   |                    |                     |   |
| Deposits from customers   | 5,945,087              | 21,389              | 1.43                                    | 5,874,312          | 20,308              | 1.39                                    |
| Deposits and placements from<br>banks and other financial<br>institutions | 1,101,292              | 4,693               | 1.69                                    | 1,089,310          | 4,561               | 1.68                                    |
| Debt securities issued  | 426,539                | 3,183               | 2.96                                    | 431,561            | 3,355               | 3.12                                    |
| Borrowings from the central bank  | 282,004                | 1,974               | 2.78                                    | 299,922            | 2,070               | 2.77                                    |
| Lease liabilities   | 13,849                 | 127                 | 3.64                                    | 13,769             | 145                 | 4.22                                    |
| <b>Total</b>  | <b>7,768,771</b>       | <b>31,366</b>       | <b>1.60</b>                             | <b>7,708,874</b>   | <b>30,439</b>       | <b>1.58</b>                             |
| <b>Net interest income</b>  | /                      | 51,297              | /                                       | /                  | 49,817              | /                                       |
| <b>Net interest spread</b>  | /                      | /                   | 2.37                                    | /                  | /                   | 2.38                                    |
| <b>Net interest margin</b>  | /                      | /                   | 2.47                                    | /                  | /                   | 2.46                                    |

## Net non-interest income

From January to September 2021, the Group recorded a net non-interest income of RMB100.847 billion, representing a year-on-year increase of 21.87% and accounting for 40.10% of net operating income. Driven by the cyclic value chain of extensive wealth management, the total customer assets under management by the Group maintained a rapid growth, which had propelled the simultaneous operation of asset management, asset custody, investment banking and other businesses. Wealth management income, asset management income, and custody fee income flourished in their respective aspects and experienced synergy development. In addition, the expansion of channels for customer acquisition, the deepening of customer operations, and the enhanced synergy of extensive wealth management had also brought new growth opportunities for credit card business, trade financing business and supply chain finance. Among the net non-interest income, net fee and commission income amounted to RMB75.734 billion, representing a year-on-year increase of 19.69%; other net non-interest income amounted to RMB25.113 billion, representing a year-on-year increase of 28.94%, which was mainly due to the increase in profit from fair value change of investments in non-monetary funds.

Among the Group's net fee and commission income, from the perspective of major items: **Fee and commission income from wealth management** amounted to RMB29.674 billion, representing a year-on-year increase of 25.75%, of which income from agency distribution of funds amounted to RMB10.367 billion, representing a year-on-year increase of 24.92%, which was mainly attributable to the seized opportunities brought by sector rotation on the market, leading to the sustained improvement in the performance of equity funds and the expanded advantage of the agency distribution; income from agency distribution of insurance policies amounted to RMB7.296 billion, representing a year-on-year increase of 37.95%, which was mainly attributable to the fact that the Company proactively responded to regulatory calls, promoted the return of agency distribution of insurance policies to the protection origin, and focused on the development of protection insurance business; income from agency distribution of trust schemes amounted to RMB6.163 billion, representing a year-on-year increase of 5.78%; income from agency sales of wealth management products amounted to RMB4.594 billion<sup>1</sup>, representing a year-on-year increase of 42.41%, which was mainly attributable to the admirable expansion in the sales scale of retail wealth management products derived from the construction of an open platform and the offering of marketable products; income from securities brokerage amounted to RMB1.059 billion, representing a year-on-year increase of 41.77%, which was mainly attributable to the increase in securities brokerage income of CMB International Capital and CMB Wing Lung Bank along with the rising trading volume in the robust offshore capital market; income from agency distribution of precious metals amounted to RMB195 million. **Fee and commission income from asset management** amounted to RMB7.853 billion<sup>2</sup>, representing a year-on-year increase of 45.32%, which was mainly attributable to the growth in the income from fund management fees of China Merchants Fund and CMB International Capital and the management service fee income from wealth management products of CMB Wealth Management, all being subsidiaries of the Group. **Custodian fee income** amounted to RMB4.159 billion, representing a year-on-year increase of 28.76%, which was mainly attributable to the scale expansion and structural optimisation of custody businesses. **Income from bank card fees** amounted to RMB14.946 billion, representing a year-on-year increase of 5.71%, which was mainly attributable to the increase in the income from transaction fee of debit cards and credit cards. **Income from settlement and clearing fees** amounted to RMB10.563 billion, representing a year-on-year increase of 9.92%, which was primarily attributable to the increase in the income of e-payment.

1 Income from agency sales of wealth management products refers to the income related to sales services provided for wealth management products of banks by the Group.

2 Fee and commission income from asset management mainly includes 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.

## Operating expenses

From January to September 2021, the Group's operating expenses amounted to RMB78.555 billion, representing a year-on-year increase of 10.86%, among which staff costs amounted to RMB47.821 billion, increased by 12.02% as compared with the corresponding period of the previous year and other operating expenses amounted to RMB30.734 billion<sup>3</sup>, increased by 9.09% as compared with the corresponding period of the previous year. The Group's cost-to-income ratio was 29.15%, representing a decrease of 0.82 percentage point as compared with the corresponding period of the previous year. In order to accelerate the transformation to a "Digital Bank", the Group continued to increase its expense in Fintech, continuously reinforced its technology-based capability, and promoted the digital operation capabilities. At the same time, the Group focused on refined cost management, continued to improve the efficiency of resource allocation, persisted in researching and promoting the replacement of traditional costs with technological innovation while at the same time proactively optimising traditional expenses, as a result of which the cost efficiency was gradually improved.

## Expected credit losses

From January to September 2021, the expected credit losses of the Group were RMB56.274 billion, representing a year-on-year increase of 7.21%. Specifically, the expected credit losses of loans and advances to customers amounted to RMB11.241 billion, representing a year-on-year decrease of 72.64%, which was mainly due to the decreased allowances for loans as a result of a stable trend in the quality of loans since the beginning of this year along with the gradual ease of the pandemic in the domestic, while by comparison, the Group increased the allowances for loans during the pandemic period of last year. The expected credit losses of investments and others amounted to RMB45.033 billion with a significant increase as compared with the corresponding period of the previous year, which was mainly due to the lower base in the last year, and taking into account numerous uncertain factors associated with the global economic recovery and the development of the pandemic, coupled with the recovering domestic economy, and the cross-risk that may arise from cross-industry and cross-domain. Based on the overall risk judgment, the Group made allowances for credit commitments to corporate customers, inter-bank assets and debt investments in a prudent manner, so as to improve the risk offset capacity.

<sup>3</sup> Other operating expenses include depreciation, amortisation, rental, taxes and surcharges, allowances for insurance claims and other various administrative expenses.

### 4.3 Analysis of balance sheet

As at the end of the reporting period, total assets of the Group amounted to RMB8,917.440 billion, representing an increase of 6.65% 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 RMB5,501.177 billion, representing an increase of 9.39% as compared with the end of the previous year; total loans and advances to customers accounted for 61.69% of the total assets, representing an increase of 1.54 percentage points as compared with the end of the previous year. Among them, the retail loans of the Group amounted to RMB2,947.966 billion, representing an increase of RMB266.806 billion or 9.95% as compared with the end of the previous year, maintaining a relatively rapid growth, which was mainly attributable to the growth of credit card loan and personal consumption loan businesses driven by the recovery of consumption, and the increase of the Group's support to micro-finance loans. The corporate loans of the Group amounted to RMB2,093.782 billion, representing an increase of RMB76.550 billion or 3.79% as compared with the end of the previous year. The slowdown in the year-on-year growth rate was mainly due to the decline in the effective credit demand from corporate customers.

As at the end of the reporting period, total liabilities of the Group amounted to RMB8,121.625 billion, representing an increase of 6.43% 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, total deposits from customers amounted to RMB6,011.965 billion, representing an increase of 6.82% as compared with the end of the previous year and accounting for 74.02% of total liabilities of the Group, and were the major funding source of the Group. Among the Group's deposits from customers, demand deposits accounted for 64.34% while time deposits accounted for 35.66%. Among the demand deposits, corporate deposits accounted for 61.51% while retail deposits accounted for 38.49%. Among the time deposits, corporate deposits accounted for 69.12% while retail deposits accounted for 30.88%. From January to September 2021, among the daily average balance of deposits from customers of the Group, demand deposits accounted for 64.63%, up by 5.76 percentage points year-on-year.

As at the end of the reporting period, the equity attributable to shareholders of the Bank of the Group was RMB788.967 billion, representing an increase of 9.01% as compared with the end of the previous year, among which retained profits amounted to RMB430.897 billion, representing an increase of 16.38% as compared with the end of the previous year;

investment revaluation reserve amounted to RMB13.094 billion, representing an increase of 59.55% as compared with the end of the previous year, mainly due to the increase in the valuation of and allowances for expected credit losses of financial assets measured at fair value through other comprehensive income; exchange reserve amounted to RMB-1.496 billion, representing a decrease of RMB803 million as compared with the end of the previous year, mainly due to the fluctuations in RMB exchange rate.

#### 4.4 Risk management and control for real estate sector

The State currently continues to adhere to the positioning of “housing is for living in, not for speculation” in the real estate industry. Under the goal of “stabilising land price, housing price and market expectations”, a comprehensive and systematic new framework for real estate regulatory policy is being established. From the policy of “limits for three financial ratios (三道紅線)” for real estate corporate financing to the centralised management of real estate loans of the banks; from the pilot program of “centralised land supply” to accelerating the development of affordable rental housing, the long-term real estate mechanism is improved constantly. Meanwhile, in light of the supply and demand of the real estate market in various regions, the implementation of city-specific policy, and fulfillment of primary responsibility of the city, the real estate market generally maintained stable. Based on the requirements of the central bank and the CBIRC, the financial institutions shall cooperate with relevant authorities and local governments to safeguard the stable and healthy development of the real estate market as well as the legitimate rights of housing consumers in accordance with the law-based and market-based principles.

The Group attached great importance to the risk prevention in the real estate sector and optimised its internal credit policy in a dynamic manner according to the policies on adjustments to the real estate industry, regulatory requirements and industrial developments in active response to the guidance of national policy in accordance with the overall principle of “control on total volume, focus on customers and regions, adjustment of structure, and strict management”. As of 30 September 2021, the total balance of the businesses of which the Group assumes credit risks, such as actual and contingent credit, proprietary bond investments, and proprietary investment of non-standardised assets amounted to RMB520.392 billion, of which the Company’s corporate real estate loan balance was RMB358.874 billion, representing an increase of RMB16.554 billion as compared to the end of the previous year and accounting for 6.93% of the Company’s total loans and advances to customers with a decrease of 0.31 percentage point as compared to the end of the previous year, which were mainly granted to quality strategic customers; the total balance of the businesses of which the Group doesn’t assume credit risks, such as wealth management funds, entrusted loans, agency distribution of trust schemes under the active management by cooperative institutions, and debt financing instruments with the Group as the lead underwriter, amounted to RMB478.817 billion.

Affected by credit risk exposure of some real estate companies, as of 30 September 2021, the non-performing loan ratio of the Company's corporate real estate loans was 1.29%, representing an increase of 1.06 percentage points as compared to the end of the previous year, which was lower than the non-performing loan ratio of 0.18 percentage point of the Company's corporate loans. The asset quality of corporate real estate loans remained under control. The customer structure of real estate business, of which the Company assumes credit risks, has remained sound. Among which, the balance with customers featuring high credit rating accounted for 86.74%, and the balance with strategic real estate customers at Head Office and branches accounted for 64.78%.

In the future, the Group will continue to firmly implement relevant national policies on the real estate industry. With respect to the real estate credit business of which the Group assumes credit risks, the Group will continue to carry out industry credit limit and customer credit limit management, focus on central cities and strategic customers, constantly adjust the customer and region structure of real estate sector, and continue to conduct a comprehensive inspection and keep track of regulation of real estate business and project capital as well as the upstream and downstream industrial chain of real estate sector, and make adequate provision on a case-by-case basis according to specific risks; with respect to the real estate business of which the Group doesn't assume credit risks, the Group will adhere to the regulatory requirements to strengthen investor suitability management, regulate information disclosure of products, and earnestly perform its corresponding responsibilities. The Group will closely follow the real estate regulatory policies and reinforce the research and judgment of the real estate risks. It is expected that against the backdrop of the current macro environment and industry policies, the quality of real estate assets of the Group will remain stable in a whole.

## 4.5 Analysis of loan quality

As at the end of the reporting period, the Group's non-performing loans amounted to RMB51.302 billion, representing a decrease of RMB2.313 billion as compared with the end of the previous year, and non-performing loan ratio was 0.93%, representing a decrease of 0.14 percentage point as compared with the end of the previous year; affected by the adjustment<sup>4</sup> to timing of recognising credit card loans as overdue loans, special-mention loans amounted to RMB45.032 billion, representing an increase of RMB4.316 billion as compared with the end of the previous year, and the percentage of special-mention loans was 0.82%, representing an increase of 0.01 percentage point as compared with the end of the previous year; overdue loans amounted to RMB56.295 billion, representing a decrease of RMB273 million as compared with the end of the previous year, and percentage of overdue loans was 1.02%, representing a decrease of 0.10 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 1.42.

<sup>4</sup> According to regulatory requirements, the timing of recognising credit card loans as overdue loans shall be set earlier from the next billing date to the repayment date of the bill.

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

| The Company  | 30 September 2021                   |                                   |   |  | 31 December 2020                    |                                   |   |  |
|--|-------------------------------------|-----------------------------------|---|--|-------------------------------------|-----------------------------------|---|--|
| <i>(in millions of RMB,<br/>except for percentages)</i>      | Balance of<br>loans and<br>advances | Percentage<br>of the total<br>(%) | Balance of<br>non-<br>performing<br>loans | Non-<br>performing<br>loan ratio<br>(%) <sup>(1)</sup> | Balance of<br>loans and<br>advances | Percentage<br>of the total<br>(%) | Balance<br>of non-<br>performing<br>loans | Non-<br>performing<br>loan ratio<br>(%) <sup>(1)</sup> |
| <b>Corporate loans</b>                                       | <b>1,815,842</b>                    | <b>35.06</b>                      | <b>26,686</b>                             | <b>1.47</b>  | <b>1,758,951</b>                    | <b>37.19</b>                      | <b>29,767</b>                             | <b>1.69</b>  |
| Transportation, storage and postal services                  | 346,644                             | 6.69                              | 2,354                                     | 0.68   | 334,711                             | 7.08                              | 2,564                                     | 0.77   |
| Property development   | 358,874                             | 6.93                              | 4,623                                     | 1.29   | 342,320                             | 7.24                              | 790                                       | 0.23   |
| Manufacturing  | 290,055                             | 5.60                              | 8,805                                     | 3.04   | 274,680                             | 5.81                              | 9,991                                     | 3.64   |
| Production and supply of electric power, heat, gas and water | 132,047                             | 2.55                              | 742                                       | 0.56   | 130,305                             | 2.75                              | 783                                       | 0.60   |
| Leasing and commercial services                              | 154,143                             | 2.98                              | 4,161                                     | 2.70   | 145,114                             | 3.07                              | 6,227                                     | 4.29   |
| Wholesale and retail   | 137,119                             | 2.65                              | 3,382                                     | 2.47   | 144,068                             | 3.05                              | 6,099                                     | 4.23   |
| Finance  | 63,680                              | 1.23                              | 90  | 0.14   | 77,857                              | 1.65                              | 239                                       | 0.31   |
| Construction   | 116,807                             | 2.26                              | 546                                       | 0.47   | 100,810                             | 2.13                              | 890                                       | 0.88   |
| Information transmission, software and IT service            | 60,994                              | 1.18                              | 238                                       | 0.39   | 58,121                              | 1.23                              | 646                                       | 1.11   |
| Water conservancy, environment and public utilities          | 55,086                              | 1.06                              | 180                                       | 0.33   | 46,137                              | 0.98                              | 121                                       | 0.26   |
| Mining   | 35,006                              | 0.68                              | 1,008                                     | 2.88   | 34,690                              | 0.73                              | 682                                       | 1.97   |
| Others <sup>(2)</sup>  | 65,387                              | 1.25                              | 557                                       | 0.85   | 69,958                              | 1.47                              | 735                                       | 1.05   |
| Discounted bills   | 456,534                             | 8.82                              | –   | –  | 327,479                             | 6.92                              | –   | –  |
| <b>Retail loans</b>  | <b>2,905,655</b>                    | <b>56.12</b>                      | <b>22,648</b>                             | <b>0.78</b>  | <b>2,643,953</b>                    | <b>55.89</b>                      | <b>21,690</b>                             | <b>0.82</b>  |
| <b>Total loans and advances to customers</b>                 | <b>5,178,031</b>                    | <b>100.00</b>                     | <b>49,334</b>                             | <b>0.95</b>  | <b>4,730,383</b>                    | <b>100.00</b>                     | <b>51,457</b>                             | <b>1.09</b>  |

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 agriculture, forestry, animal husbandry, fishery, accommodation and catering, health and social work, etc.

From January to September 2021, the recovery of operation in certain industries remained unstable. Affected by the risk exposure of certain small- and medium-sized enterprises and high-debt real estate companies with poor development prospects, the Company's non-performing loan ratio in the property development and mining industries was on the rise.

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

| The Company                                     | 30 September 2021                   |   |                                      |  |   |                                |                                       |
|---|-------------------------------------|---|--------------------------------------|--|---|--------------------------------|---------------------------------------|
| (in millions of RMB,<br>except for percentages) | Balance of<br>loans and<br>advances | Balance<br>of non-<br>performing<br>loans | Non-<br>performing<br>loan ratio (%) | Balance<br>of special-<br>mention<br>loans | Percentage<br>of special-<br>mention<br>loans (%) | Balance of<br>overdue<br>loans | Percentage<br>of overdue<br>loans (%) |
| Corporate loans                                 | 1,815,842                           | 26,686                                    | 1.47                                 | 7,223                                      | 0.40  | 19,172                         | 1.06                                  |
| Discounted bills                                | 456,534                             | –   | –                                    | 10   | –   | –                              | –                                     |
| Retail loans                                    | 2,905,655                           | 22,648                                    | 0.78                                 | 35,169                                     | 1.21  | 35,453                         | 1.22                                  |
| Micro-finance loans                             | 555,898                             | 3,290                                     | 0.59                                 | 2,070                                      | 0.37  | 3,510                          | 0.63                                  |
| Residential mortgage loans                      | 1,335,382                           | 3,224                                     | 0.24                                 | 5,022                                      | 0.38  | 3,591                          | 0.27                                  |
| Credit card loans                               | 839,489                             | 12,930                                    | 1.54                                 | 27,414                                     | 3.27  | 25,017                         | 2.98                                  |
| Consumer loans                                  | 151,979                             | 1,804                                     | 1.19                                 | 476  | 0.31  | 1,950                          | 1.28                                  |
| Others <sup>(note)</sup>                        | 22,907                              | 1,400                                     | 6.11                                 | 187  | 0.82  | 1,385                          | 6.05                                  |
| Total loans and advances<br>to customers        | 5,178,031                           | 49,334                                    | 0.95                                 | 42,402                                     | 0.82  | 54,625                         | 1.05                                  |

| The Company                                     | 31 December 2020                    |   |                                      |  |   |                                |                                       |
|---|-------------------------------------|---|--------------------------------------|--|---|--------------------------------|---------------------------------------|
| (in millions of RMB,<br>except for percentages) | Balance of<br>loans and<br>advances | Balance<br>of non-<br>performing<br>loans | Non-<br>performing<br>loan ratio (%) | Balance<br>of special-<br>mention<br>loans | Percentage<br>of special-<br>mention<br>loans (%) | Balance of<br>overdue<br>loans | Percentage<br>of overdue<br>loans (%) |
| Corporate loans                                 | 1,758,951                           | 29,767                                    | 1.69                                 | 11,389                                     | 0.65  | 25,096                         | 1.43                                  |
| Discounted bills                                | 327,479                             | –   | –                                    | 459  | 0.14  | –                              | –                                     |
| Retail loans                                    | 2,643,953                           | 21,690                                    | 0.82                                 | 25,710                                     | 0.97  | 29,562                         | 1.12                                  |
| Micro-finance loans                             | 474,528                             | 3,013                                     | 0.63                                 | 1,014                                      | 0.21  | 2,836                          | 0.60                                  |
| Residential mortgage loans                      | 1,264,388                           | 3,736                                     | 0.30                                 | 1,516                                      | 0.12  | 3,833                          | 0.30                                  |
| Credit card loans                               | 746,559                             | 12,421                                    | 1.66                                 | 22,554                                     | 3.02  | 20,059                         | 2.69                                  |
| Consumer loans                                  | 118,945                             | 1,458                                     | 1.23                                 | 385  | 0.32  | 1,702                          | 1.43                                  |
| Others <sup>(note)</sup>                        | 39,533                              | 1,062                                     | 2.69                                 | 241  | 0.61  | 1,132                          | 2.86                                  |
| Total loans and advances<br>to customers        | 4,730,383                           | 51,457                                    | 1.09                                 | 37,558                                     | 0.79  | 54,658                         | 1.16                                  |

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, and the data of consumer loans and other loans at the beginning of the year were adjusted in accordance with the same statistical calibre.

Subject to the regulatory requirements, the Company made adjustments to the timing of recognising credit card loans as overdue loans. Affected by this, the balance of special-mention loans, the percentage of special-mention loans, the balance of overdue loans and the percentage of overdue loans in relation to the Company's credit card business have all experienced an upward trend as compared with the end of the previous year. The Company will prudently push forward the development of credit card business, continue to focus on the management of valuable customers, proactively pinpoint the continuous optimisation of its own customer base and asset structure, so as to further improve risk management and strengthen allowances and risk offset capacity, as a result of which the quality of credit card assets is expected to remain relatively stable.

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

From January to September 2021, the Company recorded new non-performing loans of RMB35.198 billion, representing a year-on-year decrease of RMB8.258 billion, with a formation ratio (annualised) of non-performing loans of 0.95%, down by 0.36 percentage point year-on-year. Among them, the formation amount of non-performing corporate loans was RMB9.527 billion, representing a decrease of RMB3.498 billion year-on-year; the formation amount of retail loans (excluding credit cards) was RMB4.355 billion, representing a decrease of RMB2.001 billion year-on-year; and the formation amount of new non-performing loans of credit cards was 21.316 billion, representing a decrease of RMB2.759 billion year-on-year.

The Company continued to dispose of non-performing assets actively and took various approaches to reduce the risky assets. From January to September 2021, the Company disposed of non-performing loans amounting to RMB37.315 billion, of which RMB18.066 billion was written off; RMB9.862 billion was recovered by collection; RMB7.496 billion was securitised; and RMB1.891 billion was disposed of by repossession, transfer, restructuring, upward migration, remission and other means.

The Company will steadily push forward the rectification of wealth management business and the disposal of existing assets according to the regulatory policies regarding the adjustments of the transitional period of the New Regulation on Asset Management. In terms of risky assets associated with its wealth management business following the back-to-balance sheet arrangement, the Company will strengthen the management upon the back-to-balance sheet arrangement, and vigorously carry out the collection and disposal in an orderly manner.

## Implementation of the policy for temporary deferment of repayment of the principal and interest of the Company

The Company continued to implement the policy for temporary deferment of repayment of the principal and interest. Throughout 2020 and for the period from January to September 2021, the Company handled a cumulative amount of RMB187.147 billion in the loans granted to the customers who applied for deferment of repayment of the principal and interest, of which RMB34.575 billion took place in the loans granted to the customers who applied for deferment of repayment of the principal and interest from January to September 2021. As at the end of the reporting period, the balance of the loans granted to the customers who applied for deferment of repayment of the principal and interest amounted to RMB9.610 billion. The Company will effectively prevent ethics risk and credit risk in policy implementation, strengthen the monitoring of the use of loans, ensure the authenticity and compliance of capital granting, continue to track, monitor, analyse and judge the quality of the loans granted to the customers who applied for deferment of repayment of the principal and interest, and proactively make countermeasures for the exit of the policy, striving to maintain the stability of asset quality.

## The allowances for loan losses of the Company

The Company continued to adopt a stable and prudent policy in respect of making allowances. As at the end of the reporting period, the balance of allowances for impairment losses on loans of the Company amounted to RMB220.645 billion, representing a decrease of RMB7.571 billion as compared with the end of the previous year, which was mainly due to the year-on-year decrease in the formation amount of non-performing loans and the corresponding reduction in the allowances for loan losses. At the same time, the Company continued to actively dispose of non-performing loans, resulting in the decrease of the balance of allowances for loan losses. The allowance coverage ratio of the Company was 447.25%, representing an increase of 3.74 percentage points as compared with the end of the previous year. The allowance-to-loan ratio of the Company was 4.26%, representing a decrease of 0.56 percentage point as compared with the end of the previous year.

## Outlook of asset quality and countermeasures

Since the beginning of the year, the national economy has continued to recover, but the foundation for economic recovery is unstable. In particular, the increasing uncertainties in the international environment, sporadic pandemic outbreaks in China and rising commodity prices created disturbance to economic rehabilitation to an extent. Some industries and small and medium-sized enterprises are still facing certain difficulties in relation to the production and operation. Some corporate customers with high leverage ratio, poor performance on earnings and cash flow are gradually exposed to risks, thereby the Company's asset quality management and control will still be confronted with certain challenges.

The Company will conduct an in-depth research on risk situation, continue to follow up and analyse risk dynamics to consistently make adjustments to customer and business structures, strengthen risk screening in key areas and consolidate the foundation of risk management. By stringently classifying assets, fully exposing risks, making adequate provisions, and effectively employing methods such as collection, write-off and transfer to promote undiminished disposal of non-performing assets, the Company strives to maintain the overall stability on asset quality.

## 4.6 Information on capital adequacy ratios

The Group continued to optimise its business structure and enhance capital management, and has satisfied various capital requirements of the Chinese banking regulatory authorities constantly till the end of the reporting period, namely that the capital adequacy ratio, the Tier 1 capital adequacy ratio and the core Tier 1 capital adequacy ratio of the Group and the Company shall be no less than 10.5%, 8.5% and 7.5%, respectively.

## 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 12.31%, 13.86% and 16.36%, respectively.

| The Group<br>(in millions of RMB, except for percentages)                                | 30 September<br>2021 | 31 December<br>2020 | Increase/decrease at<br>the end of the<br>reporting period<br>as compared<br>to the end of<br>last year (%) |
|--|----------------------|---------------------|---|
| <b>The capital adequacy ratios under the Advanced Measurement Approach<sup>(1)</sup></b> |                      |                     |   |
| Net core Tier 1 capital  | 670,789              | 610,092             | 9.95  |
| Net Tier 1 capital   | 754,843              | 694,184             | 8.74  |
| Net capital  | 891,142              | 821,290             | 8.51  |
| Core Tier 1 capital adequacy ratio   | 12.31%               | 12.29%              | Increase of 0.02<br>percentage point  |
| Tier 1 capital adequacy ratio  | 13.86%               | 13.98%              | Decrease of 0.12<br>percentage point  |
| Capital adequacy ratio   | 16.36%               | 16.54%              | Decrease of 0.18<br>percentage point  |
| <b>Information on leverage ratio<sup>(2)</sup></b>                                       |                      |                     |   |
| Total on and off balance sheet assets after adjustment                                   | 10,167,111           | 9,395,026           | 8.22  |
| Leverage ratio   | 7.42%                | 7.39%               | Increase of 0.03<br>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 by the former CBRC on 7 June 2012 (same as below). In accordance with the requirements of the aforementioned rules, the scope of entities for calculating the capital adequacy ratio of the Group shall include China Merchants Bank and its subsidiaries. The scope of entities for calculating the capital adequacy ratio of the Company shall include all the domestic and offshore branches and sub-branches of China Merchants Bank. As at the end of the reporting period, the Group's subsidiaries for calculating its capital adequacy ratio included CMB Wing Lung Bank, CMB International Capital, CMB Financial Leasing, CMB Wealth Management, China Merchants Fund, CIGNA & CMAM and China Merchants Bank (Europe) Co., Ltd.. During the parallel run period when the Advanced Measurement Approach for capital measurement is implemented, a commercial bank shall use the capital floor adjustment coefficients to adjust the amount of its risk-weighted assets multiplying the sum of its minimum capital requirement and reserve capital requirement, total amount of capital deductions and the allowances for excessive loan loss which can be included into capital. The capital floor adjustment coefficients shall be 95%, 90% and 80% respectively in the first year, the second year, and the third and subsequent years during the parallel run period. 2021 is the seventh year since the implementation of the parallel run period.
- (2) Since 2015, the leverage ratio shall be calculated based on the "Measures for Management of the Leverage Ratio of Commercial Banks (Revised)" promulgated by former CBRC on 12 February 2015. The leverage ratio of the Group was 7.15%, 7.40% and 7.39% as at the end of the second quarter of 2021, the end of the first quarter of 2021 and the end of 2020, respectively.

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 11.84%, 13.48% and 16.08%, respectively. The Company's risk-adjusted return on capital (RAROC, before tax) under the Advanced Measurement Approach was 28.10%, continuing to maintain at a high level.

| The Company<br>(in millions of RMB, except for percentages)                    | 30 September<br>2021 | 31 December<br>2020 | Increase/decrease<br>at the end of<br>the reporting period<br>as compared to the<br>end of last year (%) |
|--|----------------------|---------------------|--|
| <b>The capital adequacy ratios under the<br/>Advanced Measurement Approach</b> |                      |                     |  |
| Net core Tier 1 capital  | 588,669              | 532,209             | 10.61  |
| Net Tier 1 capital   | 669,904              | 613,444             | 9.20   |
| Net capital  | 799,218              | 734,022             | 8.88   |
| Core Tier 1 capital adequacy ratio   | 11.84%               | 11.81%              | Increase of 0.03<br>percentage point   |
| Tier 1 capital adequacy ratio  | 13.48%               | 13.62%              | Decrease of 0.14<br>percentage point   |
| Capital adequacy ratio   | 16.08%               | 16.29%              | Decrease of 0.21<br>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 10.77%, 12.12% and 13.65%, respectively.

| The Group  | 30 September<br>2021 | 31 December<br>2020 | Increase/decrease at<br>the end of the<br>reporting period<br>as compared to the<br>end of last year (%) |
|--|----------------------|---------------------|--|
| <b>The capital adequacy ratios under the<br/>Weighted Approach <sup>(Note)</sup></b> |                      |                     |  |
| Core Tier 1 capital adequacy ratio   | 10.77%               | 10.68%              | Increase of 0.09<br>percentage point   |
| Tier 1 capital adequacy ratio  | 12.12%               | 12.16%              | Decrease of 0.04<br>percentage point   |
| Capital adequacy ratio   | 13.65%               | 13.79%              | Decrease of 0.14<br>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 by the former CBRC 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 10.24%, 11.66% and 13.20%, respectively.

| The Company  | 30 September<br>2021 | 31 December<br>2020 | Increase/decrease at<br>the end of the<br>reporting period as<br>compared to the<br>end of last year (%) |
|--|----------------------|---------------------|--|
| <b>The capital adequacy ratios under the Weighted Approach</b> |                      |                     |  |
| Core Tier 1 capital adequacy ratio                             | 10.24%               | 10.12%              | Increase of 0.12 percentage point  |
| Tier 1 capital adequacy ratio                                  | 11.66%               | 11.67%              | Decrease of 0.01 percentage point  |
| Capital adequacy ratio   | 13.20%               | 13.31%              | Decrease of 0.11 percentage point  |

## 4.7 Other Significant Business Metrics

As at the end of the reporting period, the Company had 169 million retail customers (including debit and credit card customers), representing an increase of 6.96% as compared with the end of the previous year. The balance of total assets under management (AUM) from our retail customers amounted to RMB10,374.061 billion, representing an increase of RMB1,432.304 billion or 16.02% 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 3,547,900, representing an increase of 14.38% as compared with the end of the previous year. AUM from the Sunflower-level and above customers amounted to RMB8,528.900 billion, representing an increase of 16.11% as compared with the end of the previous year and accounting for 82.21% of the balance of AUM from retail customers of the Bank.

As at the end of the reporting period, the Company had 117,109 private banking customers (retail customers of the Company with minimum total daily average assets of RMB10 million per month), representing an increase of 17.14% as compared with the end of the previous year; balance of AUM from private banking customers amounted to RMB3,265.526 billion, representing an increase of 17.69% as compared with the end of the previous year; AUM per account amounted to RMB27.8845 million, representing an increase of RMB131,800 as compared with the end of the previous year.

As at the end of the reporting period, the balance of wealth management products managed by CMB Wealth Management amounted to RMB2.79 trillion<sup>5</sup>, representing an increase of 13.88% as compared with the end of the previous year. Specifically, the balance of new products amounted to RMB2.41 trillion<sup>6</sup>, accounting for 86.38% of the balance of wealth management products, portraying a steady upward trend over the year. Investments in non-standardised assets were made within the limit in strict compliance with regulatory guidance, and the balance of wealth management funds invested in non-standardised assets amounted to RMB368.222 billion, representing a decrease of 15.77% as compared with the end of the previous year. As at the end of the reporting period, the volume of asset management of China Merchants Fund (including its subsidiaries) amounted to RMB1,281.383 billion, representing an increase of 10.77% as compared with the end of the previous year.

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<sup>5</sup> All of which are off-balance sheet wealth management products, excluding structured deposits, and the balance is the sum of customers' principal in wealth management products and the changes in net value of net-value products as at the end of the reporting period.

<sup>6</sup> New products are wealth management products in compliance with the relevant provisions of the New Regulation on Asset Management.

## 5 Financial Statements

### UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Expressed in millions of Renminbi unless otherwise stated)

|   | For the period from January to<br>September ended 30 September |                | For the period from July to<br>September ended 30 September |               |
|---|--|----------------|---|---------------|
|   | 2021   | 2020           | 2021  | 2020          |
| Interest income   | 241,906  | 230,751        | 82,663  | 77,066        |
| Interest expense  | (91,268)   | (92,216)       | (31,366)  | (29,404)      |
| <b>Net interest income</b>  | <b>150,638</b>   | <b>138,535</b> | <b>51,297</b>   | <b>47,662</b> |
| Fee and commission income   | 81,512   | 68,501         | 25,507  | 22,890        |
| Fee and commission expense  | (5,778)  | (5,224)        | (2,027)   | (1,882)       |
| <b>Net fee and commission income</b>                              | <b>75,734</b>  | <b>63,277</b>  | <b>23,480</b>   | <b>21,008</b> |
| <b>Other net income</b>   | <b>22,355</b>  | <b>17,623</b>  | <b>7,305</b>  | <b>3,784</b>  |
| <b>Operating income</b>   | <b>248,727</b>   | <b>219,435</b> | <b>82,082</b>   | <b>72,454</b> |
| Operating expenses  | (78,555)   | (70,862)       | (27,943)  | (25,980)      |
| <b>Operating profit before impairment<br/>losses and taxation</b> | <b>170,172</b>   | <b>148,573</b> | <b>54,139</b>   | <b>46,474</b> |
| Expected credit losses  | (56,274)   | (52,491)       | (14,379)  | (12,048)      |
| Impairment losses on other assets                                 | –  | (30)           | –   | (30)          |
| Share of profits of joint ventures                                | 2,136  | 1,516          | 468   | 586           |
| Share of profits of associates                                    | 622  | 337            | 105   | 85            |
| <b>Profit before tax</b>  | <b>116,656</b>   | <b>97,905</b>  | <b>40,333</b>   | <b>35,067</b> |
| Income tax  | (22,300)   | (20,835)       | (7,625)   | (8,075)       |
| <b>Net Profit</b>   | <b>94,356</b>  | <b>77,070</b>  | <b>32,708</b>   | <b>26,992</b> |
| Attributable to:  |  |                |   |               |
| Shareholders of the Bank  | 93,615   | 76,603         | 32,465  | 26,815        |
| Non-controlling interests   | 741  | 467            | 243   | 177           |
| <b>Earnings per share</b>   |  |                |   |               |
| Basic and diluted earnings per share (RMB)                        | 3.62   | 3.02           | 1.27  | 1.05          |

## 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<br>September ended 30 September |         | For the period from July to<br>September ended 30 September |         |
|---|--|---------|---|---------|
|   | 2021   | 2020    | 2021  | 2020    |
| Net profit  | 94,356   | 77,070  | 32,708  | 26,992  |
| Other comprehensive income for the period,<br>net of tax  |  |         |   |         |
| Items that may be reclassified subsequently<br>to profit or loss:   |  |         |   |         |
| Fair value change on debt instruments<br>measured at fair value through other<br>comprehensive income                     | 2,381  | (4,259) | 2,591   | (4,117) |
| Net changes in expected credit losses of debt<br>instruments measured at fair value through<br>other comprehensive income | 2,978  | 845     | (500)   | –       |
| Cash flow hedge: net movement in hedging<br>reserve   | 55   | (40)    | 8   | 10      |
| Share of other comprehensive income from<br>equity-accounted investees  | (210)  | –       | (68)  | (250)   |
| Exchange difference on translation of financial<br>statements of foreign operations                                       | (866)  | (879)   | (122)   | (1,705) |
| Items that will not be reclassified<br>subsequently to profit or loss:  |  |         |   |         |
| Fair value gain on equity instruments measured<br>at fair value through other comprehensive<br>income                     | 1,076  | 310     | 31  | 202     |
| Remeasurement of defined benefit scheme<br>redesigned through reserve   | 26   | (46)    | –   | –       |
| Other comprehensive income for the period,<br>net of tax  | 5,440  | (4,069) | 1,940   | (5,860) |
| Attributable to:  |  |         |   |         |
| Shareholders of the Bank  | 5,494  | (3,994) | 1,943   | (5,699) |
| Non-controlling interests   | (54)   | (75)    | (3)   | (161)   |
| Total comprehensive income for the period   | 99,796   | 73,001  | 34,648  | 21,132  |
| Attributable to:  |  |         |   |         |
| Shareholders of the Bank  | 99,109   | 72,609  | 34,408  | 21,116  |
| Non-controlling interests   | 687  | 392     | 240   | 16      |

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in millions of Renminbi unless otherwise stated)

| Item   | 30 September<br>2021 | 31 December<br>2020 |
|--|----------------------|---------------------|
| <b>Assets</b>  |                      |                     |
| Cash   | 11,758               | 13,088              |
| Precious metals  | 4,100                | 7,970               |
| Balances with central bank   | 541,874              | 525,358             |
| Balances with banks and other financial institutions                           | 80,913               | 103,335             |
| Placements with banks and other financial institutions                         | 231,090              | 226,919             |
| Amounts held under resale agreements   | 249,519              | 286,262             |
| Loans and advances to customers  | 5,284,395            | 4,804,361           |
| Derivative financial assets  | 23,509               | 47,272              |
| Investments at fair value through profit or loss                               | 483,611              | 495,723             |
| Debt investments at amortised cost   | 1,151,373            | 1,049,280           |
| Debt investments at fair value through other comprehensive income              | 577,852              | 516,553             |
| Equity investments designated at fair value through other comprehensive income | 6,984                | 7,139               |
| Interest in joint ventures   | 13,834               | 12,403              |
| Interest in associates   | 8,313                | 2,519               |
| Investment properties  | 1,497                | 1,623               |
| Property and equipment   | 80,400               | 69,470              |
| Right-of-use assets  | 18,373               | 19,104              |
| Intangible assets  | 4,168                | 4,763               |
| Goodwill   | 9,954                | 9,954               |
| Deferred tax assets  | 81,847               | 72,893              |
| Other assets   | 52,076               | 85,459              |
| <b>Total assets</b>  | <b>8,917,440</b>     | <b>8,361,448</b>    |

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(Expressed in millions of Renminbi unless otherwise stated)

| Item   | 30 September<br>2021 | 31 December<br>2020 |
|--|----------------------|---------------------|
| <b>Liabilities</b>   |                      |                     |
| Borrowing from central bank                                  | 329,170              | 331,622             |
| Deposits from banks and other financial institutions         | 690,208              | 723,402             |
| Placements from banks and other financial institutions       | 171,526              | 143,517             |
| Financial liabilities at fair value through profit or loss   | 68,908               | 60,351              |
| Derivative financial liabilities                             | 28,924               | 50,061              |
| Amounts sold under repurchase agreements                     | 151,274              | 142,927             |
| Deposits from customers                                      | 6,051,682            | 5,664,135           |
| Salaries and welfare payable                                 | 27,873               | 15,462              |
| Tax payable  | 25,025               | 18,648              |
| Contract liabilities   | 6,537                | 6,829               |
| Lease liabilities  | 13,792               | 14,242              |
| Provisions   | 38,469               | 8,229               |
| Debt securities issued                                       | 416,877              | 346,141             |
| Deferred tax liabilities                                     | 1,216                | 1,073               |
| Other liabilities  | 100,144              | 104,455             |
| <b>Total liabilities</b>                                     | <b>8,121,625</b>     | <b>7,631,094</b>    |
| <b>Equity</b>  |                      |                     |
| Share capital  | 25,220               | 25,220              |
| Other equity instruments                                     | 84,054               | 84,054              |
| Including: Preference shares                                 | 34,065               | 34,065              |
| Perpetual bonds  | 49,989               | 49,989              |
| Capital reserve  | 67,523               | 67,523              |
| Investment revaluation reserve                               | 13,094               | 8,207               |
| Hedging reserve  | (12)                 | (66)                |
| Surplus reserve  | 71,158               | 71,158              |
| Regulatory general reserve                                   | 98,529               | 98,082              |
| Retained profits   | 430,897              | 338,664             |
| Proposed profit appropriations                               | —                    | 31,601              |
| Exchange reserve   | (1,496)              | (693)               |
| <b>Total equity attributable to shareholders of the Bank</b> | <b>788,967</b>       | <b>723,750</b>      |
| Non-controlling interests                                    | 6,848                | 6,604               |
| Including: Non-controlling interest                          | 3,157                | 2,851               |
| Perpetual debt capital                                       | 3,691                | 3,753               |
| <b>Total equity</b>  | <b>795,815</b>       | <b>730,354</b>      |
| <b>Total liabilities and equity</b>                          | <b>8,917,440</b>     | <b>8,361,448</b>    |

## UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

(Expressed in millions of Renminbi unless otherwise stated)

|   | For the period<br>from January to<br>September 2021 | For the period from<br>January to<br>September 2020 |
|---|---|---|
| <b>Cash flows from operating activities</b>   |   |   |
| Profit before tax   | 116,656   | 97,905  |
| <b>Adjustments for:</b>   |   |   |
| – Impairment losses on loans and advances   | 11,241  | 41,088  |
| – Impairment losses on investments and others   | 45,033  | 11,433  |
| – Unwinding of discount on the allowances of loans and advances   | (158)   | (158)   |
| – Depreciation of property and equipment and investment properties  | 3,125   | 2,922   |
| – Depreciation of right-of-use assets   | 3,127   | 3,109   |
| – Amortisation of other assets  | 1,002   | 1,022   |
| – Net gain on debt securities and equity investments  | (3,274)   | (3,304)   |
| – Interest income on investments  | (41,157)  | (38,403)  |
| – Interest expense on issued debt securities  | 9,230   | 11,700  |
| – Share of profits of associates  | (622)   | (337)   |
| – Share of profits of joint ventures  | (2,136)   | (1,516)   |
| – Net gains on disposal of property and equipment and other assets  | (65)  | (16)  |
| – Interest expense on lease liabilities   | 418   | 448   |
| <b>Changes in:</b>  |   |   |
| Balances with central bank  | (11,638)  | 8,746   |
| Loans and advances to customers   | (469,032)   | (609,782)   |
| Other assets  | 2,069   | (122,090)   |
| Deposits from customers   | 383,629   | 650,707   |
| Deposits and placements from banks and other financial institutions   | 3,425   | 163,028   |
| Balances and placements with banks and other financial institutions with<br>original maturity over 3 months | 36,332  | 8,615   |
| Borrowings from central bank  | (5,035)   | (53,751)  |
| Other liabilities   | 25,688  | 72,581  |
| <b>Net cash generated from operating activities before income tax payment</b>                               | <b>107,858</b>                                      | <b>243,947</b>                                      |
| <b>Income tax paid</b>  | <b>(25,476)</b>                                     | <b>(24,119)</b>                                     |
| <b>Net cash generated from operating activities</b>   | <b>82,382</b>                                       | <b>219,828</b>                                      |

## UNAUDITED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(Expressed in millions of Renminbi unless otherwise stated)

|  | For the period<br>from January to<br>September 2021 | For the period from<br>January to<br>September 2020 |
|--|---|---|
| <b>Cash flows from investing activities</b>                              |   |   |
| Payment for the purchase of investments                                  | (862,404)   | (832,228)   |
| Payment for the purchases of property and equipment and other assets     | (19,122)  | (10,771)  |
| Payment for investments in subsidiaries, associates or joint venture     | (4,935)   | (157)   |
| Proceeds from the disposal of investments                                | 762,823   | 636,172   |
| Investment gains received from investments                               | 53,685  | 55,374  |
| Proceeds from disposals of subsidiaries, associates or joint venture     | 264   | 328   |
| Proceeds from the disposal of properties and equipment and other assets  | 1,316   | 1,732   |
| <b>Net cash flows used in investing activities</b>                       | <b>(68,373)</b>                                     | <b>(149,550)</b>                                    |
| <b>Cash flows from financing activities</b>                              |   |   |
| Proceeds from the issue of debt securities                               | 57,986  | 23,508  |
| Proceeds from the issue of negotiable interbank certificates of deposits | 255,660   | 158,832   |
| Proceeds from the issue of certificates of deposits                      | 19,752  | 19,637  |
| Proceeds from the issue of perpetual bonds                               | –   | 49,989  |
| Proceeds from other financing activities                                 | 11,019  | 2,374   |
| Repayment of debt securities   | (47,502)  | (46,873)  |
| Repayment of negotiable interbank certificates of deposits               | (197,710)   | (312,485)   |
| Repayment of certificates of deposit                                     | (24,754)  | (25,416)  |
| Repayment of lease liabilities   | (3,328)   | (3,196)   |
| Distribution paid on perpetual bonds                                     | (2,174)   | (208)   |
| Distribution paid on appropriations                                      | (31,845)  | (30,264)  |
| Interest paid on the issue of debt securities                            | (10,246)  | (15,915)  |
| Repayments for other financing activities                                | (126)   | –   |
| <b>Net cash generated from (used in) financing activities</b>            | <b>26,732</b>                                       | <b>(180,017)</b>                                    |
| <b>Increase/(decrease) in cash and cash equivalents</b>                  | <b>40,741</b>                                       | <b>(109,739)</b>                                    |
| Cash and cash equivalents as of 1 January                                | 552,790   | 589,675   |
| Effects of foreign exchange rate changes on cash and cash equivalents    | (1,612)   | (1,228)   |
| <b>Cash and cash equivalents as of 30 September</b>                      | <b>591,919</b>                                      | <b>478,708</b>                                      |
| <b>Cash flows from operating activities include:</b>                     |   |   |
| Interest received  | 199,483   | 191,114   |
| Interest paid  | 75,800  | 75,980  |

## 6 Information on Liquidity Coverage Ratio

The Group prepared and disclosed 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 and other regions. The average liquidity coverage ratio of the Group was 144.11% in the third quarter of 2021, representing an increase of 5.87 percentage points as compared with the previous quarter, which was mainly due to the increase of qualified high-quality assets. The Group’s liquidity coverage ratio at the end of the third quarter of 2021 was 140.53%, which was in line with the 2021 regulatory requirements of China Banking and Insurance Regulatory Commission. The breakdown of the Group’s average value of each item of liquidity coverage ratio in the third quarter of 2021 is set out below:

(Unit: in millions of RMB, except for percentages)

| No.  |  | Unweighted<br>amount | Weighted<br>amount    |
|--|--|----------------------|-----------------------|
| <b>Stock of high quality liquid assets</b> |  |                      |                       |
| 1  | Total stock of high quality liquid assets  | /                    | 1,209,449             |
| <b>Cash outflows</b>                       |  |                      |                       |
| 2  | Retail and small business customers deposits, of which:  | 2,296,808            | 202,776               |
| 3  | Stable deposits  | 538,084              | 26,904                |
| 4  | Less stable deposits   | 1,758,724            | 175,872               |
| 5  | Unsecured wholesale funding, of which:   | 3,842,075            | 1,290,881             |
| 6  | Operational deposits (excluding correspondent banks)   | 2,485,351            | 618,486               |
| 7  | Non-operational deposits (including all counterparties)  | 1,326,407            | 642,078               |
| 8  | Unsecured debt issuance  | 30,317               | 30,317                |
| 9  | Secured funding  | /                    | 12,198                |
| 10   | Additional requirements, of which:   | 1,678,697            | 408,484               |
| 11   | Cash outflows arising from derivative contracts and<br>other transactions arising from related collateral requirements | 333,588              | 333,588               |
| 12   | Cash outflows arising from secured debt instruments funding  | –                    | –                     |
| 13   | Undrawn committed credit and liquidity facilities  | 1,345,109            | 74,896                |
| 14   | Other contractual obligations to extend funds  | 78,907               | 78,907                |
| 15   | Other contingent funding obligations   | 7,023,540            | 101,410               |
| 16   | <b>Total cash outflows</b>   | <b>/</b>             | <b>2,094,656</b>      |
| <b>Cash inflows</b>                        |  |                      |                       |
| 17   | Secured lending (including reverse repo and securities borrowing)  | 264,284              | 263,729               |
| 18   | Contractual inflows from fully performing loans  | 1,020,944            | 655,420               |
| 19   | Other cash inflows   | 342,852              | 336,231               |
| 20   | <b>Total cash inflows</b>  | <b>1,628,080</b>     | <b>1,255,380</b>      |
|  |  |                      | <b>Adjusted value</b> |
| 21   | Total stock of high quality liquid assets  |                      | 1,209,449             |
| 22   | Net cash outflows  |                      | 839,276               |
| 23   | Liquidity coverage ratio   |                      | 144.11%               |

*Notes:*

- (1) Data from domestic operation was a simple arithmetic average of the 92-day value in the latest quarter and the monthly average in the latest quarter was used for 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 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.**

**22 October 2021**

*As at the date of this announcement, the executive directors of the Company are Tian Huiyu and Wang Liang; the non-executive directors of the Company are Miao Jianmin, Fu Gangfeng, Zhou Song, Hong Xiaoyuan, Zhang Jian, Su Min, Wang Daxiong and Luo Sheng; and the independent non-executive directors of the Company are Wong See Hong, Li Menggang, Liu Qiao, Tian Hongqi, Li Chaoxian and Shi Yongdong.*