

## China Merchants Bank Co., Ltd. - Hong Kong Branch

(Incorporated in China with Limited Liability)  
 ANNUAL FINANCIAL DISCLOSURE STATEMENT

As at 31 Dec 2020

### SECTION A - HONG KONG BRANCH INFORMATION

#### I. Profit and Loss Information

	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
	<i>HKD '000</i>	<i>HKD '000</i>
Interest income	3,087,504	5,403,348
Interest expense	(1,607,545)	(3,086,841)
Other operating Income		
- Gains less losses arising from trading in foreign currencies	31,893	44,431
- Gains less losses arising from non-trading activities in foreign currencies	24,902	23,115
- Gains less losses on securities held for trading purposes	1,917	9,264
- Gains less losses from other trading activities	93,240	168,825
- Fees and commission income	670,137	582,789
- Commission expenses	(62,223)	(44,721)
- Other operating income	(128,781)	(79,467)
Staff expenses	(271,131)	(308,986)
Other operating expenses	(197,449)	(208,600)
Impairment losses and provisions for impaired loans and receivables	(114,482)	46,781
Gains less losses from the disposal of property, plant and equipment and investment properties	0	0
Profit before taxation	1,527,982	2,549,938
Taxation	(211,443)	(415,000)
Profit after taxation	<u>1,316,539</u>	<u>2,134,938</u>

#### II. Balance Sheet Information

	<u>31 Dec 2020</u>	<u>30 Jun 2020</u>
	<i>HKD '000</i>	<i>HKD '000</i>
<b>Assets</b>		
(i) Cash and balances with banks	23,708,463	24,031,730
(ii) Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	3,217,759	9,599,713
(iii) Amount due from overseas offices of CMB	51,891,848	24,185,298
(iv) Trade bills	0	0
(v) Certificates of deposit held	4,783,993	6,393,411
(vi) Held-to-maturity investments	154,784	309,741
(vii) Securities measured at fair value which is designated	630,055	611,402
(viii) Loans and receivables		
(A) Loans and advances to customers	65,800,390	81,367,774
(B) Loans and advances to banks	0	0
(C) Other accounts	2,042,167	2,076,749
(D) Provisions for impaired loans and receivables	(498,402)	(495,235)
(ix) Investment securities	20,800,343	18,725,643
(x) Other investments	0	0
(xi) Property, plant and equipment and investment property	91,631	99,790
(xii) Fair value of derivatives	315,280	407,785
(xiii) Other assets	329,076	536,361
(xiv) <b>Total assets</b>	<u>173,357,387</u>	<u>167,850,162</u>
<b>Liabilities</b>		
(i) Deposits and balances from banks	2,916,131	15,810,386
(ii) Demand deposits and current accounts	67,202,766	56,868,006
(iii) Savings accounts	742,492	387,514
(iv) Time, call and notice deposits	35,460,893	48,184,941
(v) Amount due to overseas offices of CMB	41,668,193	21,153,213
(vi) Certificates of deposit issued	4,381,444	10,956,774
(vii) Debt securities issued	16,282,634	10,077,776
(viii) Other liabilities	4,560,646	3,806,552
(ix) Provision for profits tax	142,188	605,000
(x) <b>Total liabilities</b>	<u>173,357,387</u>	<u>167,850,162</u>

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**III. Additional Balance Sheet Information**

	31 Dec 2020 HKD '000	30 Jun 2020 HKD '000
<b>(i) Loans and receivables</b>		
Loans and advances to customers	65,800,390	81,367,774
Loans and advances to banks	0	0
Other accounts		
- Accrued interest	372,464	499,313
- Other receivables	1,669,703	1,577,437
Provisions for impaired loans and receivables to customers		
- Collectively assessed	(117,639)	(136,440)
- Individually assessed	(52,857)	(66,083)
Provisions for impaired loans and receivables to banks		
- Collectively assessed	0	0
- Individually assessed	0	0

No impairment allowance made on other accounts.

	31 Dec 2020		30 Jun 2020	
	HKD '000	% to Total Advances to customers	HKD '000	% to Total Advances to customers
Gross impaired/non-performing loans and advances to customers	289,923	0.44%	264,205	0.32%
Impairment allowances - individually assessed/specific provision	52,857		66,083	
Market value of collateral in respect of impaired loans and advances	217,233		214,205	

The impaired loans and advances to customers are individually determined to be impaired.  
 There is no loans and advances to banks as at 31 December 2020 and 30 June 2020.

No provision for loans and advances or other exposures of China Merchants Bank, Hong Kong Branch is maintained at China Merchants Bank, Head Office.

**(iii) Analysis of Loans and Advances to Customers in Industry Categories**  
 Gross amount of loans and advances for use in Hong Kong SAR

	31 Dec 2020 HKD '000		30 Jun 2020 HKD '000	
	Gross loans	Collateral	Gross loans	Collateral
Civil engineering works				
Industrial, commercial and financial				
- Property development	8,048,960	0	9,382,026	0
- Property investment	180,907	0	118,547	0
- Civil engineering works	784,973			
- Hotels, boarding houses & catering	14,731,907	0	14,729,056	0
- Financial concerns	4,385,837	0	4,354,074	0
- Stock Brokers	0	0	819,143	0
- Non-stockbroking companies & individuals for the purchase of shares	0	0	0	0
- Wholesale and retail trade	1,148,897	0	1,626,501	0
- Manufacturing	5,862,981	0	2,836,043	0
- Transport and transport equipment	2,946,420	116,667	985,286	271,709
- Electricity and gas	436,500	436,500	4,853,213	450,000
- Recreational Activities	0	0	0	0
- Information Technology	0	0	1,550,427	0
- Others	2,328,807	0	7,588,003	3,612,899
Individuals				
- Others	2,101,324	0	1,996,889	0
Trade finance	5,530	0	18,027	0
Loans for use outside Hong Kong SAR	22,837,347	818,364	30,510,539	732,167
Total customer advances	65,800,390	1,371,531	81,367,774	5,066,775

Collateral includes deposits, shares, mortgages over properties and charges over fixed and movable assets.  
 Where collateral values are greater than the gross loan amount, only the amount of collateral up to the gross loan is included.

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(iv) **International Claims by Countries or Geographical Segments**

Breakdown of the international claims by countries where it constitutes 10% or more of the total international claims after taking into consideration of transfer of risks, according to the location of the counterparties and the type of counterparties.

	31 Dec 2020					
	HKD Million					
	Non-Bank private sector					
	Banks	Official Sectors	Non-Bank		Others	Total
Financial Institutions			Non-financial Private Sector			
<i>Offshore Centres</i>						
Hong Kong	25,711	7,948	18,310	14,995	0	66,964
<i>Developing Asia and Pacific</i>						
China	48,815	334	6,311	23,398	0	78,858

	30 Jun 2020					
	HKD Million					
	Non-Bank private sector					
	Banks	Official Sectors	Non-Bank		Others	Total
Financial Institutions			Non-financial Private Sector			
<i>Offshore Centres</i>						
Hong Kong	33,122	3,464	389	44,699	0	81,674
<i>Developing Asia and Pacific</i>						
China	36,575	359	331	33,363	0	70,628

(v) **Gross Loans and Advances to Customers by Countries or Geographical Segments**

The analysis of loans and advances to customers by major countries or geographical segments in accordance with the location of the counterparties, to which not less than 10% of total loans and advances to customers are attributable after taking into account any recognized risk transfer is as follows:

	31 Dec 2020	30 Jun 2020
	HKD Million	HKD Million
Gross amount of loans and advances to customers		
- China	47,144	33,355
- Hong Kong	18,104	44,523
Total	<u>65,248</u>	<u>77,878</u>
Overdue loans and impaired loans and advances which are individually determined to be impaired		
- China	218	215
- Hong Kong	73	50
Total	<u>291</u>	<u>265</u>

(vi) **Foreign Currency Exposures**

The foreign currency exposures, of which the net positions (in absolute terms) constitute not less than 10% of the total net position in all foreign currencies, are shown as follows:

	31 Dec 2020			30 Jun 2020		
	HKD Million			HKD Million		
	USD	CNY	Total	USD	CNY	Total
Spot assets	100,150	10,868	111,018	98,887	13,327	112,214
Spot liabilities	116,913	13,903	130,816	105,235	12,342	117,577
Forward purchases	78,646	62,842	141,488	45,368	27,785	73,153
Forward sales	60,796	60,590	121,386	37,460	30,045	67,505
Net option position	1,087	(783)	304	(76)	76	0
Net long/(short) position	1,244	(940)	304	1,484	(1,199)	285
Net structural position	0	0	0	0	0	0

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**(vii) Analysis of Gross Amount of Overdue or Rescheduled Loans and Advances to Customers**

	31 Dec 2020		30 Jun 2020	
	<i>HKD '000</i>	% to Total Advances to customers	<i>HKD '000</i>	% to Total Advances to customers
Overdue loans and advances to customers				
- More than 1 month but not more than 3 months	0	0.00%	525,180	0.65%
- More than 3 months but not more than 6 months	0	0.00%	0	0.00%
- More than 6 months but not more than one year	0	0.00%	214,205	0.26%
- More than one year	217,233	0.33%	50,000	0.06%
Rescheduled loans and advances to customers (excluding those which have been overdue for more than 3 months)	<u>72,690</u>		<u>0</u>	
Gross overdue and rescheduled loans and advances to customers	289,923		789,385	
Current market value of collateral held against the covered portion of overdue loans and advances	0		0	
Covered portion of overdue loans and advances	217,233		739,385	
Uncovered portion of overdue loans and advances	0		50,000	
Impairment allowances made on overdue loans and advances	18,770		70,441	

Except the above-mentioned, no other asset is overdue or rescheduled.

**(viii) Repossessed Assets**

The Bank did not have any repossessed assets as at 31 December 2020 and 30 June 2020.

**(ix) Non-bank Mainland Exposures**

Non-bank counterparties are identified in accordance with the method set out in the return of "Quarterly Analysis of Loans & Advances and Provisions" issued by the HKMA.

	31 Dec 2020			30 Jun 2020		
	<i>On-balance sheet exposure</i>	<i>Off-balance sheet exposure</i>	<i>Total</i>	<i>On-balance sheet exposure</i>	<i>Off-balance sheet exposure</i>	<i>Total</i>
- Central government, central government-owned entities and their subsidiaries and JVs	20,961	0	20,961	26,857	0	26,857
- Local governments, local government-owned entities and their subsidiaries and JVs	12,398	2	12,400	11,789	6	11,795
- PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	23,277	257	23,534	23,562	262	23,824
- Other entities of central government not reported in the 1st item above	752	0	752	945	0	945
- Other entities of local government not reported in the 2nd item above	0	0	0	0	0	0
- PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	1,333	1,227	2,560	2,430	471	2,901
- Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	<u>5,851</u>	<u>119</u>	<u>5,970</u>	<u>14,492</u>	<u>321</u>	<u>14,813</u>
Total	64,572	1,605	66,177	80,075	1,060	81,135
Total assets after provisions	173,357			167,850		
On-balance sheet exposures as % of total assets	37.25%			47.71%		



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### IV. Off Balance Sheet Exposures

	31 Dec 2020	30 Jun 2020
	<i>HKD '000</i>	<i>HKD '000</i>
<b>(i) Contractual Amount of Contingent Liabilities and Commitments</b>		
- Direct credit substitutes	1,520,744	756,864
- Transaction related contingencies	0	0
- Trade related contingencies	121,131	327,415
- Note issuance and revolving underwriting facilities	0	0
- Other commitments	1,054,897	826,835
- Others	0	0
<b>(ii) Contractual Amount of Derivatives</b>		
- Exchange rate-related derivative contracts	147,542,399	90,415,735
- Interest rate derivative contracts	9,358,853	9,357,263
- Others	0	0
<b>(iii) Fair Value of Derivatives</b>		
- Exchange rate-related derivative contracts	3,082,100	376,169
- Interest rate derivative contracts	304,610	616,822
- Others	0	0

The amount of exchange rate-related derivative contracts does not include any forward foreign exchange contracts arising from swap deposit arrangements.

Fair value represents the cost of replacing all contracts which have a positive value when marked to market. The fair values of derivatives do not take into account the effects of bilateral netting arrangements.

### V. Liquidity Information Disclosure

#### (i) Liquidity Ratios

The Branch complies with the minimum requirement of Liquidity Maintenance Ratio ("LMR") and Core Funding Ratio ("CFR") in accordance with the Banking (Liquidity) Rules issued by the Hong Kong Monetary Authority ("HKMA").

	For the quarter ended 31 Dec 2020	For the quarter ended 31 Dec 2019
Average LMR (%)	54.75%	47.46%
	For the quarter ended 31 Dec 2020	For the quarter ended 31 Dec 2019
Average CFR (%)	277.05%	197.09%

The average LMR and CFR are calculated as the simple average of each month's average corresponding ratio.

#### (ii) Governance of liquidity risk management

Liquidity risk is the risk that the Branch is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend. This may be caused by market disruption or liquidity squeeze whereby the Branch may only unwind specific exposures at significantly discounted values.

The Branch adopts a prudent risk appetite in setting liquidity risk tolerance. Risk appetite is set in the form of liquidity risk limit and metric framework.

The management of the Branch's liquidity risk is governed by the liquidity risk management policies and principles which are set by the Group. Management Committee is one of the committees set up under the Branch. The duties of Management Committee are to approve the risk management framework that is in line with the Group's business objectives and risk profile. The Asset and Liability Management Committee ("ALCO") is a committee formed by the Management Committee on behalf of the Branch. ALCO is responsible for overseeing the Group's overall liquidity management. Its main responsibility is to develop the strategy, policy and limits for managing liquidity risk. Regular meetings are held to review the compliance status of the risk matrix established and the needs for change in strategy and policy. Daily liquidity management is managed by the Treasury Department. Finance Department monitors the risk matrix and submits regular reports of the liquidity profile to ALCO. Internal Audit periodically performs independent reviews on liquidity management framework to ensure the validity and effectiveness of the Branch's liquidity risk management functions.

#### (iii) Funding Strategy

The Branch sets its liquidity funding strategy according to the size and sophistication of its business, as well as the nature and complexity of its activities.

The objective of the Branch's funding strategy is to strive for a balance between business growth opportunities and funding stability. The Branch seeks to maintain diversified and stable funding sources with an appropriate mix of liabilities including customer deposits, interbank borrowings, issuance of negotiable certificates of deposit and debt instruments.

In setting the Branch's annual budget, the diversity and stability of various funding sources is considered so that the appropriate mix of liabilities is maintained.

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### (iv) Liquidity Stress Testing

Liquidity stress testing is regularly conducted to project the Branch's cash flows under stress scenarios and to evaluate the sufficiency of liquidity cushion. The stress scenarios cover institution-specific crisis scenario, general market crisis scenario and combined scenario. The stress test results are regularly reported to ALCO. It is the Branch's policy that the liquidity cushion should be able to cover projected cash outflows under various prescribed stress scenarios.

### (v) Contingency Funding Plan

Contingency Funding Plan (CFP) of the Group (including the Branch) clearly defines a set of triggering events that will activate the Plan. The mechanisms of CFP incorporate:

- 1) A set of early warning indicators that helps to identify any emerging liquidity risks at an early stage.
- 2) A list of potential funding sources, with due consideration of their reliability, priority and the expected available time during liquidity crisis.
- 3) Detailed action steps and properly assigned responsibilities for implementing the CFP in case of need.

### (vi) Cash Flow Maturity Mismatch Analysis \*

	31 Dec 2020				31 Dec 2019			
	HKD Million				HKD Million			
	1 to 7 Days	8 Days to 1 month	1 to 3 months	Over 3 months	1 to 7 Days	8 Days to 1 month	1 to 3 months	Over 3 months
Net liquidity mismatch	13,149	17,289	9,218	-38,682	10,289	13,209	-5,289	-16,871
Cumulative mismatch	13,149	30,438	39,656	974	10,289	23,498	18,209	1,338

- (i) Positive indicates a position of liquidity surplus. Negative indicates a liquidity shortfall that has to be funded.
- (ii) As the behavioural assumptions used to determine the maturity mismatch between assets and liabilities are updated from time to time, the information presented above may not be directly comparable across past balance sheet dates.

\*The cash flow maturity mismatch analysis has already taken into account limitations on the transferability of liquidity.

### (vii) Sources of Funding

The Branch's source of funding is from customer deposits and wholesale funding comprising intragroup borrowings, interbank borrowings, issuance of negotiable certificates of deposit and debt instruments:

	31 Dec 2020		31 Dec 2019	
	HKD Million	% to Total	HKD Million	% to Total
Wholesale Funding	65,248	39%	57,998	35%
Customer Deposits	103,406	61%	105,440	65%
	<u>168,655</u>		<u>163,439</u>	

### (viii) Liquidity Gap

The table below analyses the on- and off-balance sheet items, broken down into maturity buckets\* of the Branch:

	31 Dec 2020											
	HKD Million											
	Total amount	Next day	2 to 7 days	8 days to 1 month	> 1 month up to 3 months	> 3 months up to 6 months	> 6 months up to 1 years	> 1 year up to 2 years	> 2 years up to 3 years	> 3 years up to 5 years	Over 5 years	Balancing amount
Cash and balances with central bank	4,957	4,957	-	-	-	-	-	-	-	-	-	-
Amount receivable arising from derivative contracts	316	9	6,563	21,604	17,557	23,031	62,048	709	251	153	-	-
Due from banks	73,924	19,918	15,845	28,966	5,491	3,240	464	-	-	-	-	-
Debt securities	26,493	24,396	-	1	355	334	453	335	619	-	-	-
Loans and advances to customers	65,903	-	540	2,892	4,818	17,313	16,422	14,395	3,953	4,680	672	218
Other assets	2,107	24	685	12	19	30	42	567	-	-	-	728
Total on-balance sheet assets	<u>173,699</u>	<u>49,303</u>	<u>23,634</u>	<u>53,473</u>	<u>28,240</u>	<u>43,948</u>	<u>79,428</u>	<u>16,005</u>	<u>4,823</u>	<u>4,833</u>	<u>672</u>	<u>946</u>
Total off-balance sheet claims	3,746	-	132	374	217	820	2,203	-	-	-	-	-
	Total amount	Next day	2 to 7 days	8 days to 1 month	> 1 month up to 3 months	> 3 months up to 6 months	> 6 months up to 1 years	> 1 year up to 2 years	> 2 years up to 3 years	> 3 years up to 5 years	Over 5 years	Balancing amount
Deposits from customers	103,535	67,967	3,322	9,178	5,849	10,306	5,932	835	144	1	-	-
Amount payable arising from derivative contracts	71	-	6,581	21,820	17,492	23,154	61,983	758	263	172	-	-
Due to banks	44,620	23,600	1,551	14,106	775	3,053	1,336	-	-	-	200	-
Debt securities issued	20,767	-	-	2,145	306	3,877	3,733	233	4,038	6,436	-	-
Other liabilities	4,343	141	708	5	1,340	26	217	701	3	155	-	1,046
Total on-balance sheet liabilities	<u>173,335</u>	<u>91,709</u>	<u>12,162</u>	<u>47,253</u>	<u>25,763</u>	<u>40,416</u>	<u>73,201</u>	<u>2,527</u>	<u>4,448</u>	<u>6,763</u>	<u>200</u>	<u>1,046</u>
Total off-balance sheet obligations	6,168	1,055	125	193	339	930	3,233	271	3	-	22	-

\* The maturity buckets mainly follow information provided to the HKMA MA(BS)23 - Liquidity Monitoring Tools return.

## China Merchants Bank Co., Ltd. - Hong Kong Branch

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### SECTION B - CHINA MERCHANTS BANK CO., LTD. INFORMATION

#### I. Consolidated Capital Adequacy Ratio and Shareholders Funds

	31 Dec 2020	30 Jun 2020
	<i>RMB Million</i>	<i>RMB Million</i>
Capital adequacy ratio	13.79%	12.49%
Aggregate amount of shareholders funds	723,750	632,530

The capital adequacy ratio is prepared in accordance with the guideline "Measures for the Management of Capital of Commercial Banks (Trial Version)" issued by the China Banking Regulatory Commission in 2012 and other relevant requirements.

#### II. Other Consolidated Financial Information

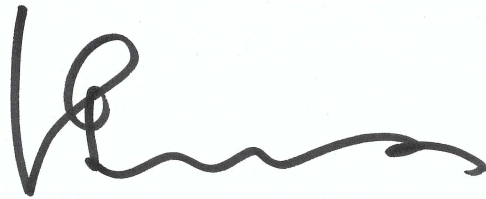
	31 Dec 2020	30 Jun 2020
	<i>RMB Million</i>	<i>RMB Million</i>
- Total assets	8,361,448	8,031,826
- Total liabilities	7,631,094	7,392,805
- Total advances	5,029,128	4,851,715
- Total customer deposits	5,628,336	5,440,050

	31 Dec 2020	31 Dec 2019
	<i>RMB Million</i>	<i>RMB Million</i>
- Pre-tax profit	97,342	92,867

1 RMB = 1.185312 HKD at 31/12/2020  
 1 RMB = 1.095574 HKD at 30/06/2020  
 1 RMB = 1.117856 HKD at 31/12/2019

#### Statement of Compliance

This 2020 Annual Financial Disclosure Statement contains all disclosures required by the Banking (Disclosure) Rules and Supervisory Policy Manual:  
 - Guideline on the Application of the Banking (Disclosure) Rules issued by the HKMA.  
 The information contained in the disclosure statement is not false or misleading in any respect, and that the operations of the Branch are clearly explained.  
 The information is also available at China Merchants Bank Company Limited Hong Kong Branch and the Public Registry of the Hong Kong Monetary Authority.



Chen Jianghe, River  
 Chief Executive

