

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

(Incorporated in China with Limited Liability)  
 ANNUAL FINANCIAL DISCLOSURE STATEMENT  
 As at 31 Dec 2021

### SECTION A - HONG KONG BRANCH INFORMATION

#### I. Profit and Loss Information

	31 Dec 2021	31 Dec 2020
	<i>HKD '000</i>	<i>HKD '000</i>
Interest income	1,796,472	3,087,504
Interest expense	-931,974	-1,607,545
Other operating Income		
- Gains less losses arising from trading in foreign currencies	110,698	31,893
- Gains less losses arising from non-trading activities in foreign currencies	22,748	24,902
- Gains less losses on securities held for trading purposes	-248	1,917
- Gains less losses from other trading activities	-135,050	93,240
- Fees and commission income	549,269	670,137
- Commission expenses	-66,158	-62,223
- Other operating income	412,315	-128,781
Staff expenses	-286,420	-271,131
Other operating expenses	-186,080	-197,449
Impairment losses and provisions for impaired loans and receivables	-17,152	-114,482
Gains less losses from the disposal of property, plant and equipment and investment properties	0	0
Profit before taxation	1,268,420	1,527,982
Taxation	-262,601	-211,443
Profit after taxation	1,005,819	1,316,539

#### II. Balance Sheet Information

	31 Dec 2021	30 Jun 2021
	<i>HKD '000</i>	<i>HKD '000</i>
<b>Assets</b>		
(i) Cash and balances with banks	17,853,233	20,834,154
(ii) Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	17,782,782	3,535,793
(iii) Amount due from overseas offices of CMB	42,873,359	39,091,374
(iv) Trade bills	0	0
(v) Certificates of deposit held	2,861,993	2,850,318
(vi) Held-to-maturity investments	155,795	155,094
(vii) Securities measured at fair value through profit or loss which is designated upon initial recognition	128,587	271,999
(viii) Loans and receivables		
(A) Loans and advances to customers	42,783,345	58,130,349
(B) Loans and advances to banks	0	0
(C) Other accounts	1,585,153	2,251,023
(D) Provisions for impaired loans and receivables	-416,356	-461,692
(ix) Investment securities	27,321,575	26,368,113
(x) Other investments	0	0
(xi) Property, plant and equipment and investment property	70,489	81,203
(xii) Fair value of derivatives	205,963	224,967
(xiii) Other assets	224,017	499,151
(xiv) <b>Total assets</b>	153,429,935	153,831,846
<b>Liabilities</b>		
(i) Deposits and balances from banks	616,909	793,814
(ii) Demand deposits and current accounts	81,368,445	72,569,309
(iii) Savings accounts	926,576	922,944
(iv) Time, call and notice deposits	30,577,399	35,977,575
(v) Amount due to overseas offices of CMB	26,071,861	25,798,502
(vi) Certificates of deposit issued	1,408,743	2,032,485
(vii) Debt securities issued	9,290,836	12,426,456
(viii) Other liabilities	2,957,166	2,999,667
(ix) Provision for profits tax	212,000	311,094
(x) <b>Total liabilities</b>	153,429,935	153,831,846

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### III. Additional Balance Sheet Information

	31 Dec 2021 HKD '000	30 Jun 2021 HKD '000
<b>(i) Loans and receivables</b>		
Loans and advances to customers	42,783,345	58,130,349
Loans and advances to banks	0	0
Other accounts		
- Accrued interest	410,849	429,784
- Other receivables	1,174,304	1,821,240
Provisions for impaired loans and receivables to customers		
- Collectively assessed	-223,222	-304,405
- Individually assessed	-28,331	-48,450
Provisions for impaired loans and receivables to banks		
- Collectively assessed	0	0
- Individually assessed	0	0

No impairment allowance made on other accounts.

### (ii) Impaired/Non-performing Loans and Advances to Customers

	31 Dec 2021		30 Jun 2021	
	HKD '000	% to Total Advances to customers	HKD '000	% to Total Advances to customers
Gross impaired/non-performing loans and advances to customers	83,336	0.19%	283,801	0.49%
Impairment allowances - individually assessed/specific provision	28,331		48,450	
Market value of collateral in respect of impaired loans and advances	0		0	

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 2021 and 30 June 2021.

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 2021		30 Jun 2021	
	HKD '000		HKD '000	
	Gross loans	Collateral	Gross loans	Collateral
Civil engineering works				
Industrial, commercial and financial				
- Property development	7,008,705	15,045	8,048,713	0
- Property investment	148,432	148,432	206,111	153,777
- Civil engineering works	843,582		842,444	0
- Hotels, boarding houses & catering	300,000	0	5,736,575	0
- Financial concerns	3,968,586	0	5,918,810	0
- Stock Brokers	0	0	0	0
- Non-stockbroking companies & individuals for the purchase of shares	0	0	0	0
- Wholesale and retail trade	981,810	0	1,447,315	0
- Manufacturing	5,472,328	1,303,000	7,116,519	1,303,000
- Transport and transport equipment	5,200,790	116,667	4,616,034	116,667
- Electricity and gas	155,967		155,331	0
- Recreational Activities	0		0	0
- Information Technology	0		1,553,307	0
- Others	1,216,924	359,064	2,164,842	0
Individuals				
- Others	2,651,182		2,126,340	0
Trade finance	0		0	0
Loans for use outside Hong Kong SAR	14,835,039	109,138	18,198,008	287,260
Total customer advances	42,783,345	2,051,346	58,130,349	1,860,704

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 2021					
	HKD Million					
	Non-Bank private sector					
		Non-Bank				
<i>Offshore Centres</i>	Banks	Official Sectors	Financial Institutions	Non-financial Private Sector	Others	Total
Hong Kong	39,314	0	319	18,112	0	57,745
<i>Developing Asia and Pacific</i>						
China	46,903	273	33	21,506	0	68,715

  

	30 Jun 2021					
	HKD Million					
	Non-Bank private sector					
		Non-Bank				
<i>Offshore Centres</i>	Banks	Official Sectors	Financial Institutions	Non-financial Private Sector	Others	Total
Hong Kong	32,266	0	389	25,166	0	57,821
<i>Developing Asia and Pacific</i>						
China	48,806	217	0	28,633	0	77,656

(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 2021	30 Jun 2021
	HKD Million	HKD Million
Gross amount of loans and advances to customers		
- China	21,499	28,629
- Hong Kong	18,188	25,031
Total	39,687	53,660
Overdue loans and impaired loans and advances which are individually determined to be impaired		
- China	21	221
- Hong Kong	63	63
Total	84	284

(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 2021			30 Jun 2021		
	HKD Million			HKD Million		
	USD	CNY	Total	USD	CNY	Total
Spot assets	82,247	21,995	104,242	81,385	22,215	103,600
Spot liabilities	90,708	20,905	111,613	95,363	22,360	117,723
Forward purchases	85,667	78,440	164,107	107,048	95,311	202,359
Forward sales	76,198	80,258	156,456	92,803	95,131	187,934
Net option position	0	0	0	0	0	0
Net long/(short) position	1,008	-728	280	267	35	302
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 2021		30 Jun 2021	
	HKD '000	% to Total Advances to customers	HKD '000	% to Total Advances to customers
Overdue loans and advances to customers				
- More than 1 month but not more than 3 months	0	0.00%	0	0.00%
- 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%	0	0.00%
- More than one year	20,692	0.05%	220,570	0.38%
Rescheduled loans and advances to customers (excluding those which have been overdue for more than 3 months)	62,644		63,231	
Gross overdue and rescheduled loans and advances to customers	83,336		283,801	
Current market value of collateral held against the covered portion of overdue loans and advances	0		0	
Covered portion of overdue loans and advances	0		0	
Uncovered portion of overdue loans and advances	20,692		220,570	
Impairment allowances made on overdue loans and advances	2,202		22,089	

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 2021 and 30 June 2021.

(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 2021			30 Jun 2021		
	On-balance sheet exposure	Off-balance sheet exposure	Total	On-balance sheet exposure	Off-balance sheet exposure	Total
- Central government, central government-owned entities and their subsidiaries and JVs	4,352	0	4,352	10,076	0	10,076
- Local governments, local government-owned entities and their subsidiaries and JVs	11,954	0	11,954	13,876	0	13,876
- PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	20,431	265	20,696	25,284	260	25,544
- Other entities of central government not reported in the 1st item above	469	0	469	469	0	469
- Other entities of local government not reported in the 2nd item above	142	0	142	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	980	220	1,200	768	1,199	1,967
- Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	3,122	199	3,321	5,421	162	5,583
Total	41,450	684	42,134	55,894	1,621	57,515
Total assets after provisions	153,430			153,832		
On-balance sheet exposures as % of total assets	27.02%			36.33%		

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#### IV. Off Balance Sheet Exposures

	31 Dec 2021	30 Jun 2021
	<i>HKD '000</i>	<i>HKD '000</i>
<b>(i) Contractual Amount of Contingent Liabilities and Commitments</b>		
- Direct credit substitutes	620,693	1,494,957
- Transaction related contingencies	0	0
- Trade related contingencies	160,671	161,890
- Note issuance and revolving underwriting facilities	0	0
- Other commitments	729,762	1,182,020
- Others	0	0
<b>(ii) Contractual Amount of Derivatives</b>		
- Exchange rate-related derivative contracts	164,186,353	204,341,088
- Interest rate derivative contracts	3,927,280	8,418,033
- Others	0	0
<b>(iii) Fair Value of Derivatives</b>		
- Exchange rate-related derivative contracts	1,796,033	3,510,339
- Interest rate derivative contracts	135,805	215,436
- 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 2021	For the quarter ended 31 Dec 2020
Average LMR (%)	59.88%	54.75%
	For the quarter ended 31 Dec 2021	For the quarter ended 31 Dec 2020
Average CFR (%)	460.36%	277.05%

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 2021				31 Dec 2020			
	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	24,923	8,447	5,309	-38,657	13,149	17,289	9,218	-38,682
Cumulative mismatch	24,923	33,370	38,679	22	13,149	30,438	39,656	974

- (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 2021		31 Dec 2020	
	HKD Million	% to Total	HKD Million	% to Total
Wholesale Funding	37,388	25%	65,248	39%
Customer Deposits	112,872	75%	103,406	61%
	<u>150,261</u>		<u>168,655</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 2021											
	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	10,053	10,053	-	-	-	-	-	-	-	-	-	-
Amount receivable arising from derivative contracts	153	-	12,919	15,428	32,479	42,638	47,933	253	154	-	-	-
Due to banks	68,484	22,043	7,001	17,013	18,949	3,477	2	-	-	-	-	-
Debt securities	30,738	29,636	-	1	1	79	257	662	57	46	-	-
Loans and advances to customers	42,847	242	324	4,255	5,835	9,047	11,327	3,718	4,181	3,897	-	21
Other assets	1,548	15	359	13	14	20	39	106	77	155	148	602
<b>Total on-balance sheet assets</b>	<b>153,823</b>	<b>61,989</b>	<b>20,602</b>	<b>36,710</b>	<b>57,278</b>	<b>55,260</b>	<b>59,558</b>	<b>4,739</b>	<b>4,468</b>	<b>4,097</b>	<b>148</b>	<b>623</b>
Total off-balance sheet claims	2,399	0	122	191	427	736	923	-	-	-	-	-
	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	112,963	83,848	2,491	6,557	8,712	8,567	2,373	383	32	-	-	-
Amount payable arising from derivative contracts	9	-	12,955	15,425	32,432	42,651	47,923	244	159	-	-	-
Due to banks	26,713	4,482	2,452	16,533	1,305	1,111	629	-	-	-	200	-
Debt securities issued	10,768	-	-	1	65	-	237	4,041	234	6,190	-	-
Other liabilities	2,994	106	362	7	1,019	20	264	230	138	300	206	343
<b>Total on-balance sheet liabilities</b>	<b>153,448</b>	<b>88,436</b>	<b>18,259</b>	<b>38,524</b>	<b>43,532</b>	<b>52,350</b>	<b>51,426</b>	<b>4,898</b>	<b>563</b>	<b>6,490</b>	<b>406</b>	<b>343</b>
Total off-balance sheet obligations	3,872	737	93	225	530	1,067	1,195	2	-	22	-	-

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

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

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

	31 Dec 2021	30 Jun 2021
	<i>RMB Million</i>	<i>RMB Million</i>
Capital adequacy ratio	14.71%	13.38%
Aggregate amount of shareholders funds	858,745	754,875

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 2021	30 Jun 2021
	<i>RMB Million</i>	<i>RMB Million</i>
- Total assets	9,249,021	8,885,886
- Total liabilities	8,383,340	8,124,318
- Total advances	5,570,034	5,382,998
- Total customer deposits	6,347,078	5,980,165
	31 Dec 2021	31 Dec 2020
	<i>RMB Million</i>	<i>RMB Million</i>
- Pre-tax profit	119,922	97,342

1 RMB = 1.223346 HKD at 31/12/2021

1 RMB = 1.201728 HKD at 30/06/2021

1 RMB = 1.185312 HKD at 31/12/2020

#### Statement of Compliance

This 2021 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