

China Merchants Bank Co., Ltd.
2013 Tailored U.S. Resolution Plan
Public Section



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Introduction

This is the public section of the tailored resolution plan (the “Tailored U.S. Resolution Plan” or the “Plan”) of China Merchants Bank Co., Ltd. (“CMB”) is being prepared and filed to fulfill the requirements of Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) and its implementing regulations (the “Final Rule”)¹ promulgated by the Board of Governors of the Federal Reserve System (the “Federal Reserve”) and the Federal Deposit Insurance Corporation (the “FDIC”).

Section 165(d) of the Dodd-Frank Act and the Final Rule require any foreign bank or company that is a bank holding company or treated as a bank holding company under Section 8(a) of the International Banking Act of 1978 (the “IBA”) and that has \$50 billion or more in total consolidated assets (such company, a “covered company”) to submit to the Federal Reserve and the FDIC its plan for rapid and orderly resolution of its U.S. operations in the event of material financial distress or failure.

CMB is a foreign bank that is treated as a bank holding company pursuant to Section 8(a) of the IBA with total global consolidated assets of more than \$50 billion as of December 31, 2012. CMB is, therefore, a covered company and is required to submit periodically a resolution plan for its U.S. operations under Section 165(d) of the Dodd-Frank Act and the Final Rule.

The Final Rule permits certain eligible covered companies to file a “tailored” resolution plan. According to the Final Rule and the additional guidance through industry webcasts and materials provided in connection with the webcasts in February (the “February Webcast”) and in September, a tailored resolution plan filer may file a resolution plan that is focused only on the “nonbanking material entities and operations” of the covered company as well as the interconnections and interdependencies between its U.S. banking operations and its non-U.S. operations. CMB has been approved by the Federal Reserve and the FDIC to file a tailored resolution plan for its 2013 submission on or before December 31, 2013. Therefore, the scope of CMB’s tailored resolution plan is limited to its “nonbanking material entities and operations” that are domiciled in the United States or conducted in whole or material part in the United States (if any) as well as the interconnections and interdependencies between its U.S. banking operations and its non-U.S. operations. CMB recognizes, however, that it is in some cases necessary or helpful to provide information about its U.S. banking entities and operations and its other non-U.S. entities and operations in order to provide appropriate context to the information required in its Tailored U.S. Resolution Plan. The Tailored U.S. Resolution Plan, therefore, includes such additional information not required by the Final Rule for informational purposes only.

Overview of CMB

Headquartered in Shenzhen, China, CMB has been ranked among China’s top commercial banks according to the comprehensive assessment by China Banking Regulatory Commission (the “CBRC”) for many consecutive years. It was founded in Shenzhen, China in 1987, and was China’s first share-holding commercial bank wholly owned by corporate legal entities. The largest shareholder is China Merchants Group Ltd., a state-owned investment company, which held 18.8% of CMB’s shares through its subsidiaries China Merchants Steam Navigation Company Ltd., Shenzhen Yan Qing Investment and Development Company Ltd., Shenzhen Chu Yuan Investment and Development Company Ltd., China

¹ 12 C.F.R. §243 (2012) and 12 C.F.R. § 381 (2012).

Merchants Finance Investment Holdings Co. Ltd., and Bestwinner Investment Ltd., as of October 30, 2013. Additionally, seven of the ten largest shareholders are state-owned legal persons. CMB is a publicly listed company on Shanghai Stock Exchange and Hong Kong Stock Exchange.

CMB's principal activities include the provision of financial services, such as corporate and personal banking services, treasury services, and asset management and trustee services. It mainly focuses on the markets in China with its distribution network primarily covering China's more economically developed regions—such as Yangtze River Delta, Pearl River Delta, and Bohai Rim—and some large and medium cities in other regions. As of December 31, 2012, CMB had over 800 branches in China, a branch in Hong Kong, a branch in New York, several subsidiaries in Hong Kong, including Wing Lung Bank Limited (“WLB”), and representative offices around the world, including in London, New York, and Taipei.

As of December 31, 2012, CMB's total consolidated assets were RMB 3,408.2 billion (\$560.2 billion).² Its net operating income for the year ended December 31, 2012 was RMB 113.8 billion (\$18.7 billion).³

In the United States, CMB maintains an uninsured state-licensed branch (“CMBNY”) and a representative office in New York City. CMB's Hong Kong bank subsidiary, WLB, maintains an uninsured Federal branch in Los Angeles (“WLBLA”). In addition, WLB has a wholly owned subsidiary, Wingspan Incorporated (“Wingspan”), in Los Angeles, which holds the title to, and manages, the property used by WLBLA. Except for these operations, each of which is further described below, CMB and its subsidiaries have no other U.S. operations.

CMBNY

CMBNY is an uninsured branch licensed under the laws of New York State by the New York Department of Financial Services (“NYDFS”). CMBNY is a very small component of CMB, with assets of \$1.16 billion as of December 31, 2012, representing only 0.30% of CMB's total consolidated assets.

WLBLA

WLBLA is an uninsured Federal branch licensed by the Office of the Comptroller of the Currency (“OCC”) under the IBA. WLBLA is significantly smaller in terms of size of operations and assets as compared with CMBNY, with assets of \$264.1 million as of December 31, 2012, representing only 0.05% of CMB's total consolidated assets.

Wingspan

CMB does not have any significant nonbank operations in the United States. Its only nonbank operations in the U.S. consist of the operations of Wingspan. The only business activities of Wingspan are to hold the title to, and manage, the property used by WLBLA. As of December 31, 2012, Wingspan

² Where applicable, financial data as of December 31, 2012 have been converted from RMB to USD using a conversion rate of RMB/USD 0.16436.

³ Unless otherwise noted, all financial information provided in this Tailored U.S. Resolution Plan refers to the year ended December 31, 2012, or to the values as of that date, as the context requires, and has been prepared in accordance with International Financial Reporting Standards and its interpretations promulgated by the International Accounting Standards Board.

had total assets of \$1.5 million, representing only 0.11% of CMB's U.S. total consolidated assets and much less than 0.001% of CMB's total consolidated assets.

1. Material Entities

Under the Final Rule, a "Material Entity" means a subsidiary or foreign office of the covered company that is significant to the activities of a "Critical Operation"⁴ or "Core Business Line" (as described below). For a tailored resolution plan filer, it may limit its tailored resolution plan to any U.S. nonbanking Material Entities.

Because CMB did not identify any Core Business Lines or Critical Operations that are domiciled in the United States or conducted in whole or material part in the United States, it did not have any Material Entities, banking or nonbanking, for purposes of this Tailored U.S. Resolution Plan. As part of CMB's ongoing resolution planning process, this determination of Material Entities will be subject to ongoing evaluation and updates.

2. Core Business Lines

The Final Rule defines "Core Business Lines" as "those business lines of the covered company, including associated operations, services, functions and support, that, in the view of the covered company, upon failure would result in a material loss of revenue, profit, or franchise value."

Based on the Final Rule and the February Webcast, the resolution plans for foreign-based covered companies should focus on "any core business lines conducted in whole or in material part in the United States that are "important to the global organization." Accordingly, CMB has determined that the most appropriate approach for determining whether a particular business line is a Core Business Line for purposes of the Final Rule is to assess whether the failure of the business line would represent a material loss of revenue, profit or franchise value to the global operations of CMB. Furthermore, for a foreign covered company such as CMB, the Final Rule only requires such foreign covered company to include those Core Business Lines that are conducted in whole or material part in the United States. Finally, even if CMB determines that it has a Core Business Line that is conducted in whole or material part in the United States, CMB, as a tailored resolution plan filer, is only required to cover such Core Business Line if the Core Business Line is a nonbanking Core Business Line.

CMB has determined that it had no Core Business Lines, banking or nonbanking, that are conducted in whole or material part in the United States as of December 31, 2012. As part of CMB's ongoing resolution planning process, this determination of Core Business Lines will be subject to ongoing evaluation and updates.

⁴ For these purposes, "Critical Operations" are defined in the Final Rule as "those operations of the covered company, including associated services, functions and support, the failure or discontinuance of which, in the view of the covered company or as jointly directed by the [Federal Reserve] and the [FDIC], would pose a threat to the financial stability of the United States.

3. Financial Information Regarding Assets, Liabilities, Capital and Major Funding Sources

Figure 1 depicts CMB's balance sheet as of December 31, 2011 and December 31, 2012.

Figure 1: CMB Balance Sheet

<i>As of December 31</i>		
<i>(RMB in millions)</i>		
CMB Balance Sheet		
Assets	2012	2011
Corporate loans	1,152,837	994,041
Discounted bills	64,842	75,826
Retail loans	686,784	571,208
Total loans and advances to customers	1,904,463	1,641,075
Provision for impairment losses on loans	-41,138	-36,704
Net loans and advances to customers	1,863,325	1,604,371
Investments	520,446	460,948
Cash	12,742	10,725
Balances with the central bank	458,673	397,579
Balances with banks and other financial institutions	280,870	63,046
Capital lent and financial assets purchased under resale agreement	210,385	205,356
Interest receivable	13,009	10,852
Investment in subsidiaries	0	0
Investment in associates and joint ventures	455	456
Fixed assets	20,392	17,500
Investment properties	1,638	1,710
Intangible assets	2,851	2,605
Deferred tax assets	4,987	4,337
Goodwill	9,598	9,598
Other assets	8,848	5,888
Total assets	3,408,219	2,794,971

Source: 2012 CMB Annual Report

<i>As of December 31</i>		
<i>(RMB in millions)</i>		
CMB Balance Sheet		
Liabilities & Equity	2012	2011
Deposits from customers	2,532,444	2,220,060
Deposits from banks and other financial institutions	258,692	205,699
Placements from banks and other financial institutions	109,815	67,484
Financial liabilities at fair value through profit or loss	6,854	4,724
Derivative financial liabilities	2,745	1,469
Financial assets disposed for repurchase	157,953	42,064
Payroll payable	4,056	3,320
Taxes payable	6,679	7,112
Interest payable	24,065	16,080
Bonds payable	77,111	46,167
Deferred income tax liabilities	827	864
Other liabilities	26,471	14,918
Total liabilities	3,207,712	2,629,961
Paid-up share capital	21,577	21,577
Capital reserve	37,508	37,508
Investment revaluation reserve	37	157
Hedge reserve	-261	278
Surplus reserve	18,618	14,325
Regulatory general reserve	39,195	18,794
Retained profits	71,432	64,446
Proposed profit appropriations	13,593	9,062
Difference arising from converting financial statements denominated in foreign currency	-1,265	-1,150
Non-controlling shareholder's equity	73	13
Total shareholders' equity	200,507	165,010
Total liabilities and shareholder's equity	3,408,219	2,794,971

Source: 2012 CMB Annual Report

As of December 31, 2012, deposits from customers accounted for 78.95% of the total liabilities of CMB and its subsidiaries were the major funding source. The following table sets forth deposits from customers by product type and customer type as of December 31, 2012.

Figure 2: CMB Major Funding Sources

<i>As of December 31, 2012</i>			
<i>(RMB in millions)</i>			
CMB Major Funding Sources	Amount	% of Total Deposits	% of Total Liabilities
Deposits from Customers			
<u>Deposits from Corporate Customers</u>			
Demand Deposits	797,577	31.49%	24.86%
Time Deposits	809,364	31.96%	25.23%
Total Deposits from Corporate Customers	1,606,941	63.45%	50.10%
<u>Deposits from Retail Customers</u>			
Demand Deposits	524,970	20.73%	16.37%
Time Deposits	400,533	15.82%	12.49%
Total Deposits from Retail Customers	925,503	36.55%	28.85%
Total Deposits from Customers	2,532,444	100.00%	78.95%

Source: 2012 CMB Annual Report

4. Derivatives Activities and Hedging Activities

As discussed above, CMB does not have any nonbanking Material Entities, Core Business Lines, or Critical Operations that are domiciled in the United States or conducted in whole or material part in the United States. Accordingly, this section requiring information about derivatives and hedging activities of CMB's nonbanking Material Entities and operations is not applicable to CMB for purposes of this Tailored U.S. Resolution Plan.

5. Memberships in Material Payment, Clearing and Settlement Systems

As discussed above, CMB does not have any nonbanking Material Entities, Core Business Lines, or Critical Operations that are domiciled in the United States or conducted in whole or material part in the United States. Accordingly, this section requiring information about derivatives and hedging activities of CMB's nonbanking Material Entities and operations is not applicable to CMB for purposes of this Tailored U.S. Resolution Plan.

However, for informational purposes only, CMB is providing the following description regarding CMBNY's participation in material payment, clearing and settlement systems.

CMBNY is a direct participant in Fedwire Funds Service ("Fedwire"), the Clearing House Interbank Payments System ("CHIPS"), and the Society for Worldwide Interbank Financial Telecommunication ("SWIFT").

Fedwire is a real-time gross settlement system owned and operated by the Federal Reserve Bank in which participants initiate payment orders that are individually processed and settled in central bank money in real time upon receipt. Once settled, Fedwire funds transfers are final and irrevocable.

CMBNY accesses Fedwire via FedLine Direct, which allows participants to create and submit Fedwire funds messages, as well as view messages via a web-based tool.

CHIPS is the largest private-sector U.S.-dollar funds-transfer system in the world. CHIPS operates on a global business day and utilizes a sophisticated liquidity savings mechanism to provide fast, final payments while maximizing liquidity efficiency for participating banks. CHIPS is operated by The Clearing House.

SWIFT relays secure messages amongst financial institutions to automate and standardize financial transactions. SWIFT messages utilize specific letters and numbers to indicate specific institutions and branches, the category of the financial instruments, and other information about the transaction.

On a very limited, non-material basis, CMBNY indirectly accesses the Depository Trust and Clearing Corporation through Citibank for security settlement services and uses Deutsche Bank to process large volume USD payments to Asian beneficiary banks.

6. Description of Foreign Operations

CMBNY, WLBLA, and Wingspan represent all of the U.S. operations of CMB. None of these entities has any foreign operations. For an overview of CMB's non-U.S. operations, please refer to "Overview of CMB" above.

7. Identities of Material Supervisory Authorities

As discussed above, CMB does not have any nonbanking Material Entities, Core Business Lines, or Critical Operations that are domiciled in the United States or conducted in whole or material part in the United States. Accordingly, this section requiring information about material supervisory authorities of CMB's nonbanking Material Entities and operations is not applicable to CMB for purposes of this Tailored U.S. Resolution Plan.

However, for informational purposes only, CMB is providing the following description of CMB's and its U.S. operations' material supervisory authorities.

The People's Bank of China ("PBOC") is China's central bank, which administers monetary policy and regulates financial institutions in China to ensure overall financial stability. It manages payment, clearing, and settlement systems of the banking sector and oversees foreign exchange policies. PBOC supervises CMB via on-site examinations, such as CMB's compliance with anti-money laundering laws and regulations, and off-site monitoring.

The CBRC is authorized by the State Council of the People's Republic of China to regulate and supervise financial institutions. It has authority over CMB and its Material Entities. The overseas financial operations of CMB are under supervision of the applicable local authorities.

China Securities Regulatory Commission ("CSRC") is authorized by the State Council of the People's Republic of China to oversee China's centralized securities supervisory system. It has the power to regulate and supervise securities issuers, as well as to investigate and impose penalties for illegal activities relating to securities and futures. The CSRC was created in 1992 and is headquartered in

Beijing. CMB is subject to the regulations of CSRC as it is a publicly listed company on Shanghai Stock Exchange.

Hong Kong Securities and Future Commission (“SFC”) is an independent statutory body responsible for regulating the securities and futures markets in Hong Kong. CMB is subject to the regulations of SFC as it is a publicly traded company on the Hong Kong Stock Exchange.

The Hong Kong Monetary Authority (“HKMA”) is the government authority in Hong Kong responsible for maintaining monetary and banking stability. It is responsible for regulating and supervising banking business and the business of taking deposits in Hong Kong. CMB has a branch and a subsidiary bank, WLB, in Hong Kong and is, therefore, subject to the regulations of HKMA.

The NYSDFS is responsible for regulating financial services and products, including the financial institutions that are subject to the New York Insurance and Banking Laws. CMBNY, as a state-licensed branch in New York, is subject to the supervision of NYSDFS.

The OCC is responsible for regulating and supervising all national banks, federal savings associations and federal branches and agencies of foreign banks. WLBLA, as a federally-licensed branch, is subject to the supervision of the OCC.

The Board of Governors of the Federal Reserve System is responsible for regulating a wide range of financial institutions and activities, working with both federal and state supervisory authorities to ensure the safety and soundness of financial institutions, stability in the financial markets, and fair and equitable treatment of consumers in their financial transactions. The Federal Reserve has primary supervisory authority for state banks that elect to become members of the Federal Reserve System. It also supervises branches of foreign banking organizations in the United States, such as CMBNY and WLBLA.

8. Identities of Principal Officers

CMB’s senior management is composed of:

- Tian Huiyu – Executive Director, President and Chief Executive Officer
- Zhang Guanghua – Executive Director and Vice Chairman
- Li Hao – Executive Director, Executive Vice President and Chief Financial Officer
- Tang Zhihong – Executive Vice President
- Ding Wei – Executive Vice President
- Zhu Qi – Executive Vice President
- Tang Xiaoqing – Executive Vice President
- Wang Qingbin – Executive Vice President
- Liu Jianjun – Executive Vice President
- Xu Shiqing – Secretary of Board of Directors

9. Description of Corporate Governance Structure and Processes Related to Resolution Planning

As discussed above, CMB does not have any nonbanking Material Entities, Core Business Lines, or Critical Operations that are domiciled in the United States or conducted in whole or material part in the United States. Accordingly, this section requiring information about corporate governance structure and processes related to resolution planning with respect to CMB's nonbanking Material Entities and operations is not applicable to CMB for purposes of this Tailored U.S. Resolution Plan.

However, for informational purposes only, CMB is providing the following description of CMB's corporate governance structure and processes related to resolution planning.

Recovery and resolution planning involves several levels of CMB's corporate structure. Ultimate responsibility for all corporate governance of CMB resides with the CMB Board of Directors ("CMB Board"), but it may delegate its authority and oversight responsibilities. Regarding resolution planning for all of the U.S. operations of CMB, the CMB Board has expressly delegated its authority to approve this Tailored U.S. Resolution Plan to Mr. Tang Xiaoqing. Mr. Tang Xiaoqing has approved this Tailored U.S. Resolution Plan on December 25, 2013.

CMBNY Management Committee

CMBNY is governed by its General Manager, Chengyue Jiao. While the daily management of CMBNY is the responsibility of the General Manager, he is supported by several committees, which review and evaluate the different areas relating to CMBNY's business, tasks, and responsibilities. CMBNY's key committee is the Management Committee. The Management Committee is responsible for providing ongoing oversight of the development, implementation, and maintenance of CMBNY's resolution planning. Oversight of resolution planning is a regular agenda item at the monthly meetings.

WLBLA Branch Risk Management Committee

WLBLA is a very small branch with a very flat leadership structure. The Head of U.S. Operations, Branch Manager, and Deputy Branch Manager are very involved in the day-to-day operations of WLBLA. The six total departments are composed of between one and three employees. The only standing committee is the Branch Risk Management Committee ("BRMC"), which does not meet regularly, but on an ad-hoc, as needed basis. The BRMC is responsible for providing ongoing oversight of the development, implementation, and maintenance of WLBLA's resolution planning. The Committee holds meetings to discuss resolution planning when necessary.

Creation and Filing of the Plan

The initial creation of the Plan was discussed by the CMBNY Management Committee in September 2013. At that meeting, the Management Committee assumed the responsibility to handle all matters related to the development, implementation, and maintenance of the Plan. After several drafts, the Plan was sent to the CMB Board on December 20, 2013 in order for board members to review and comment prior to the December 24, 2013 board meeting. At that meeting, the CMB Board decided that the Plan reflected the objectives it was created to address and delegated the final approval authority to

Vice President, Mr. Tang Xiaoqing. On December 25, 2013 (Beijing Time), Mr. Tang Xiaoqing approved the Plan and Michael Kan filed it with the Federal Reserve and the FDIC.

10. Description of Material Management Information Systems

As discussed above, CMB does not have any nonbanking Material Entities, Core Business Lines, or Critical Operations that are domiciled in the United States or conducted in whole or material part in the United States. Accordingly, this section requiring information about the material management information systems of CMB's nonbanking Material Entities and operations is not applicable to CMB for purposes of this Tailored U.S. Resolution Plan.

11. Summary of the Resolution Strategy

As discussed above, CMB does not have any nonbanking Material Entities, Core Business Lines, or Critical Operations that are domiciled in the United States or conducted in whole or material part in the United States. Accordingly, this section requiring information about summary of the resolution strategy of CMB's nonbanking Material Entities and operations is not applicable to CMB for purposes of this Tailored U.S. Resolution Plan.