招商局集團有限公司
CHINA MERCHANTS GROUP LIMITED

China Merchants Group Limited

2022 Reduced U.S. Resolution Plan

(Public Section)

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Introduction

This is the public section of the 2022 reduced U.S. resolution plan (the "**Reduced Plan**") of China Merchants Group Limited ("**CMG**"). The Reduced Plan was prepared and filed pursuant to implementing regulations (the "**Final Rule**") issued by the Board of Governors of the Federal Reserve System ("**FRB**") (12 C.F.R. Part 243) [1] and the Federal Deposit Insurance Corporation ("**FDIC**") (12 C.F.R. Part 381) under Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**"), as amended by the Economic Growth, Regulatory Relief, and Consumer Protection Act.

The Final Rule specify that any foreign bank or company that is treated as a bank holding company under Section 8(a) of the International Banking Act of 1978 (the "**IBA**") and has US$250 billion or more in global total consolidated assets is a "**Covered Company**" for purposes of the Final Rule. A foreign-based Covered Company is required to periodically submit to the FRB and the FDIC a plan for such company's rapid and orderly resolution of its subsidiaries and operations that are domiciled in the United States under the U.S. Bankruptcy Code in the event of material financial distress at or failure of the Covered Company.

CMG is organized under the laws of the People's Republic of China (the "**PRC**" or "**China**") and headquartered in the Hong Kong Special Administrative Region ("**Hong Kong**"). One of CMG's subsidiaries is China Merchants Bank Co., Ltd. ("**CMB**"), a bank organized under the laws of the PRC that maintains an uninsured state-licensed branch in New York. One of CMB's wholly owned subsidiaries is CMB Wing Lung Bank Limited ("**WLB**"), a bank organized under the laws of Hong Kong that maintains two uninsured federal branches in California. Therefore, CMG is treated as a bank holding company pursuant to Section 8(a) of the IBA. The global total consolidated assets of CMG exceeded US$250 billion as of December 31, 2021. As a result, CMG is a foreign-based Covered Company and is required to file a resolution plan under the Final Rule.

Under the Final Rule, any Covered Company that is not a globally systemic important bank holding company, nonbank financial company supervised by the FRB, or a Category II or III banking organization is a triennial reduced filer. A triennial reducer filer must submit a reduced resolution plan to the FRB and FDIC every three years, on or before July 1 of the year due. CMG meets the criteria for triennial reduced filers and is therefore filing a reduced resolution plan for 2022.

Under the Final Rule, the public section of a reduced resolution plan must include an executive summary that describes the business of the Covered Company and includes, to the extent material to an understanding of the Covered Company: (1) the names of material entities; (2) a description of core business lines; (3) the identities of the principal officers; and (4) a description, at a high level, of the Covered Company's resolution regimes for its material entities.[2]

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[1] Citations to the Final Rule in this Reduced Plan are to the Final Rule as promulgated by the FRB.

[2] *See* 12 C.F.R. § 243.11(c)(3).

As noted above, the resolution plan requirement is designed to require periodic reports on a Covered Company's rapid and orderly resolution under the U.S. Bankruptcy Code. In the case of a Covered Company incorporated or organized outside the United States, "rapid and orderly resolution" is defined as "a reorganization or liquidation of the subsidiaries and operations of such foreign company that are domiciled in the United States under the Bankruptcy Code that can be accomplished within a reasonable period of time and in a manner that substantially mitigates the risk that the failure of the covered company would have serious adverse effects on financial stability in the United States."[3] The scope of the Reduced Plan is accordingly limited to CMG's subsidiaries and operations domiciled in the United States. To provide context, this Reduced Plan may include additional content beyond the resolution plan requirements for informational purposes only.

Executive Summary

1. Overview of CMG

Headquartered in Hong Kong, CMG is a pioneer in China's national industry and commerce. As of December 31, 2021, CMG had US$394 billion[4] in global total consolidated assets. CMG's three core businesses include: transportation (ports and related services, toll roads, shipping, and logistics), finance (banking, securities, funds, and insurance), and property development.

One of CMG's indirect banking subsidiaries is CMB, a bank organized in the PRC with headquarters in Shenzhen, China. As of December 31, 2021, CMG held (through its subsidiaries) an aggregate of 29.97% of the total issued common shares of CMB.

CMB was founded in Shenzhen, China in 1987, and was China's first joint-stock commercial bank wholly owned by corporate legal entities. CMB's largest shareholder is CMG, which holds shares of CMB through various subsidiaries. CMB is a publicly listed company on the Shanghai Stock Exchange and the Hong Kong Stock Exchange. As of December 31, 2021, CMB had US$1,451 billion in global total consolidated assets.

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. CMB 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-sized cities in other regions. As of December 31, 2021, CMB had 143 branches and 1,770 sub-branches, one dedicated branch-level operation center (credit card center), one representative office, 2,812 self-service centers, 6,592 self-service machines and 14,746 visual counters in more than 130 cities of Mainland China. CMB also has a branch in Hong Kong; a branch in New York ("**CMBNY**") and a representative office in New

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3 12 C.F.R. § 243.11(c)(3).

4 For purposes of this Reduced Plan, unless otherwise noted, RMB are converted to US$ using an exchange rate of 6.3726 RMB to 1 US$, which was the noon buying rate for December 30, 2021 in New York for cable transfers payable in foreign currencies certified by the Federal Reserve Bank of New York, *available at*: https://www.federalreserve.gov/releases/h10/20220103/.

York; a branch in London; a branch in Singapore; a branch in Luxembourg; a representative office in Taipei and a branch in Sydney.

In 2008, CMB acquired 100% of the shares of WLB**,** a bank organized under the laws of Hong Kong. WLB was founded in 1933 and is among the oldest local Chinese banks in Hong Kong. As of December 31, 2021, WLB had US$49.9 billion in global total consolidated assets.[5] WLB maintains federal branches in Newport Beach ("**WLBLA**") and San Francisco ("**WLBSF**").

<u>CMG's Banking Operations in the United States</u>

CMG's U.S. banking operations consist of CMBNY, WLBLA, and WLBSF (together, the "**U.S. branches**."). CMBNY is an uninsured state-licensed branch in New York City, New York. As of December 31, 2021, CMBNY had US$11.2 billion in total assets. WLBLA is an uninsured federal branch located in Newport Beach, California. As of December 31, 2021, WLBLA had US$103 million in total assets. WLBSF is an uninsured federal branch located in San Francisco, California. As of December 31, 2021, WLBSF had US$100 million in total assets.

<u>CMG's Nonbanking Subsidiaries[6] in the United States</u>

CMG has very few nonbanking subsidiaries in the United States each with limited operations.

One of CMG's indirect subsidiaries, a wholly owned subsidiary of WLB, is Wingspan Incorporated ("**Wingspan**"), a California corporation. The sole business of Wingspan is to own the premises used by WLBLA.

In addition to its indirect ownership of Wingspan, CMG controls several nonbanking subsidiaries in the United States that engage in activities permissible under Section 2(h)(2) of the Bank Holding Company Act of 1956, as amended ("**Section 2(h)(2) Subsidiaries**") as described below.

Section 2(h)(2) Subsidiaries Held Through China Merchants Port Holdings Company Limited

One of CMG's majority-owned subsidiaries is China Merchants Port Holdings Company Limited ("**CM Port**"), a Hong Kong corporation that is a global-leading, port developer, investor, and operator, with a comprehensive ports network at hub locations along coastal China as well as in South Asia, Africa, Europe, and Mediterranean countries, among others. CM Port is listed on the Hong Kong Stock Exchange.

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5 For purposes of this Reduced Plan, HKD are converted to USD using an exchange rate of 7.7996 HK$ to 1 USD, which was the noon buying rate for December 30, 2021 in New York for cable transfers payable in foreign currencies certified by the Federal Reserve Bank of New York, *available at*: https://www.federalreserve.gov/releases/h10/20220103/.

6 For purposes of the Final Rule, a subsidiary is defined as "a company that is controlled by another company." 12 C.F.R. § 243.2. Under the Final Rule, a "company controls another company when the first company, directly or indirectly, owns, or holds with power to vote, 25 percent or more of any class of the second company's outstanding voting securities." 12 C.F.R. § 243.2.

In 2013, CM Port acquired a 49% interest in Terminal Link SAS ("**Terminal Link**"), a French company. Terminal Link operates a network of container terminals and stevedores with a global reach, including the Far East, Northern Europe, Mediterranean countries, West Africa, and North America. Terminal Link operates in the United States through the following two entities.

- South Florida Container Terminal, LLC, a Florida limited liability company engaged in container terminal logistics activities. Terminal Link owns 51% of South Florida Container Terminal, LLC.

- Terminal Link Texas, LLC, a Texas limited liability company engaged in container terminal logistics activities. Terminal Link owns 51% of Terminal Link Texas, LLC.

Section 2(h)(2) Subsidiary Held Through Sinotrans & CSC Holdings Co., Ltd.

Sinotrans & CSC Holdings Co., Ltd. ("**Sinotrans**"), a PRC corporation, is a wholly-owned subsidiary of CMG.

Sinotrans indirectly controls Sinotrans Air Transportation Development Co. Ltd. ("**Sinotrans Air**"), a company organized in the PRC. Sinotrans Air provides international air freight forwarding, express delivery, and domestic cargo transportation and logistics services, primarily in the PRC market. Sinotrans Air owns 100% of China Interocean Transport Inc. ("**China Interocean**"), a New Jersey company. China Interocean engages in freight forwarding and logistics activities. China Interocean owns 100% of Sino-Am Marine Company, Inc. ("**Sino-Am**"), which is based in California. Sino-Am engages in ocean freight transportation, air freight services, customs brokerage, cargo insurance, logistics services, document services, and packing.

2. Material Entities

Under the Final Rule, "**Material Entity**" means a subsidiary or foreign office of the covered company that is significant to the activities of an "Identified Critical Operation" [7] or "Core Business Line,"[8] or is financially or operationally significant to the resolution of the covered company.

The Reduced Plan is required to include an executive summary that includes the names of Material Entities domiciled in the United States. Because CMG did not identify any Critical Operations or Core Business Lines domiciled in the United States, and has no Identified Critical Operations domiciled in the United States, CMG determined that it did not have any Material

[7] "Identified Critical Operations" are defined in the Final Rule as "the critical operations of the covered company identified by the covered company or jointly identified by the [FRB] and the Corporation under §243.3(b)(2)." "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 would pose a threat to the financial stability of the United States." 12 C.F.R. § 243.2.

[8] "Core Business Lines" are defined in the Final Rule 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." 12 C.F.R. § 243.2.

Entities for the purposes of this Reduced Plan. As part of CMG's ongoing resolution planning process, this determination will be subject to ongoing evaluation and updates.

3. Core Business Lines

The Reduced Plan is required to include an executive summary that includes a description of Core Business Lines domiciled in the United States. Accordingly, to determine if a business line is a Core Business Line under the Final Rule, CMG assessed whether the failure of any of its business lines domiciled in the United States would represent a material loss of revenue, profit, or franchise value to the global operations of CMG.

CMG determined that it had no Core Business Lines domiciled in the United States for the purposes of this Reduced Plan. As part of CMG's ongoing resolution planning process, this determination will be subject to ongoing evaluation and updates.

4. Identities of Principal Officers

The Reduced Plan is required to include an executive summary that includes the identities of the principal officers of the Covered Company. The table below sets forth CMG's Board of Directors and Senior Management.

Name	Title
Jianmin MIAO	Chairman
Jianhua HU	Director & President
Hong WANG	Director
Xianghui DUAN	Director
Dongjiang LUO	Director
Kerwei PEI	Director
Binyan REN	Director
Andi WU	Director
Zuofu CHEN	Director
Zongsheng CHU	Secretary of the Board
Renjie DENG	Executive Vice President
Baian LI	Executive Vice President
Boming FENG	Executive Vice President
Song ZHOU	Chief Financial Officer

5. Summary of the Resolution Strategy

Under the Final Rule, a reduced resolution plan is required to have an executive summary that includes a high-level description of the Covered Company's resolution regimes for its material entities in the event of material financial distress at or failure of CMG. Because CMG does not have any U.S. Material Entities, Core Business Lines, or Critical Operations, CMG respectfully submits that the requirement of providing a description of CMG's resolution plan in the executive summary of this Reduced Plan is not applicable. However, for informational purposes only, CMG is providing the following high-level strategic analysis of the resolution of its U.S. subsidiaries and operations.

CMG expects that, in the event of material financial distress at or failure of CMG, its U.S. subsidiaries or substantially all of their assets will be sold as a going concern or, if not sold, will be resolved under the appropriate resolution regime applicable to each subsidiary consistent with the fiduciary duties of the board of directors of such subsidiary and other applicable laws and/or rules (*e.g.*, a proceeding or a jointly administered proceeding, if one or more nonbanking U.S. subsidiaries of CMG enter into such proceeding, under Chapter 11 of the U.S. Bankruptcy Code).

While highly unlikely, the Reduced Plan assumes that resolution of the U.S. banking operations of CMG would be triggered by a set of extreme financial stress events that affect CMB and prompt a restructuring of CMB by Chinese regulators, involving both the People's Bank of China ("**PBOC**") and the China Banking and Insurance Regulatory Commission ("**CBIRC**"). Because CMB's U.S. banking operations are a very small portion of CMB's overall business, it is unlikely that an event unique to CMB's U.S. operations could trigger the resolution of the U.S. branches.

CMG believes that in the event of material financial distress at CMB, the CBIRC will inform and coordinate with the PBOC and the Ministry of Finance of the PRC (the "**MOF**") to most likely recapitalize CMB by transferring bad assets off of the balance sheet at book value or attracting new shareholders. If that were not effective, we believe the CBIRC, the PBOC and the MOF would resort to a more official restructuring of CMB in accordance with the laws and regulations of the State Council. This restructuring would likely include a reorganization of CMB's management and business lines, as well as a capital injection to keep the bank afloat. Regardless of the option chosen by the CBIRC, the PBOC and the MOF, if CMB encountered extreme financial distress, the Chinese regulators would undoubtedly choose to handle an orderly resolution of CMB's U.S. operations on their own, without the need for U.S. regulators to place the U.S. branches into receivership.

This Reduced Plan is required to assume that material financial distress at CMB would trigger formal receivership proceedings of the U.S. branches. In that scenario, CMG expects the resolution of CMBNY to be governed by Article XIII of the New York Banking Law. CMG expects the resolution of WLBLA and WLBSF to be governed by the International Banking Act of 1978 in conjunction with the receivership provisions of The National Bank Act.