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招商銀行股份有限公司

CHINA MERCHANTS BANK CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 03968)

THIRD QUARTERLY REPORT OF 2014

Pursuant to the regulations of the China Securities Regulatory Commission, the Company is required to publish a quarterly report for each of the first and third quarters.

All 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 and 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

- 1.1 The Board of Directors, the Board of Supervisors, directors, supervisors and senior management of China Merchants Bank Co., Ltd. will individually and jointly accept full responsibility for the truthfulness, accuracy and completeness of the contents in this report, and confirm that there are no false representations, misleading statements, or material omissions contained herein.
- 1.2 None of the directors, supervisors and senior management has made any statement that he/she is unable to warrant or objects to the truthfulness, accuracy and completeness of the information contained in the quarterly report.
- 1.3 The 25th meeting of the Ninth Session of the Board of Directors of the Company has approved the third quarterly report of 2014 of the Company through voting by correspondence. 17 out of the 17 directors attended and voted at the meeting.
- 1.4 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 the Shanghai Stock Exchange. Unless otherwise stated, all monetary sums stated in this report are expressed in RMB.

1.5 Hereinafter “the Company”, “the Bank” and “China Merchants Bank” mentioned in this report are all referred to China Merchants Bank Co., Ltd.; and “the Group” is referred to China Merchants Bank Co., Ltd. and its subsidiaries.

1.6 Mr. Li Jianhong, Chairman of the Board of Directors of the Company, Mr. TIAN Huiyu, the President and Chief Executive Officer, Mr. LI Hao, the First Executive Vice President and Chief Financial Officer, and Mr. Wang Tao, who is in charge of the Planning and Finance Department, hereby make representations in respect of the truthfulness, accuracy and completeness of the financial statements contained in this quarterly report.

§2 GENERAL INFORMATION

2.1 Major accounting data and financial indicators

(Unless otherwise stated, amounts expressed in millions of RMB)

	At the end of the reporting period 30 September 2014	At the end of last year 31 December 2013	Increase/ decrease at the end of the reporting period as compared to the end of last year (%)
Total assets	4,722,648	4,016,399	17.58
Equity attributable to shareholders of the Bank	301,915	265,465	13.73
Net assets per share attributable to shareholders of the Bank <i>(in RMB Yuan)</i>	11.97	10.53	13.68
	From the beginning of the year to the end of the reporting period January to September 2014	From the beginning of last year to the end of the reporting period of last year January to September 2013	Increase/ decrease as compared to the corresponding period of last year (%)
Net cash flow from operating activities	161,689	17,501	823.88
Net cash flow from operating activities per share <i>(in RMB Yuan)</i>	6.41	0.69	828.99

	The reporting period July to September 2014	From the beginning of the year to the end of the reporting period January to September 2014	From the beginning of last year to the end of the reporting period of last year January to September 2013	Increase/ decrease as compared to the corresponding period of last year (%)
Net operating income	41,015	125,525	97,855	28.28
Net profit attributable to the Bank's shareholders	15,345	45,804	39,498	15.97
Basic earnings per share attributable to shareholders of the Bank (<i>in RMB Yuan</i>)	0.61	1.82	1.83	(0.55)
Diluted earnings per share attributable to shareholders of the Bank (<i>in RMB Yuan</i>)	0.61	1.82	1.83	(0.55)
Annualized return on equity attributable to shareholders of the Bank – weighted average (%)	20.80	21.33	24.59	Decrease of 3.26 percentage points

Note: Net operating income is the sum of net interest income, net fee and commission income, other net income and gains on investment in associates and joint ventures.

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 is no difference between the net profit attributable to the Bank's shareholders for the reporting period ended 30 September 2014 and the equity attributable to shareholders of the Bank at the end of the reporting period.

2.3 Our capital adequacy ratios as at the end of the reporting period

The Company continued to optimize its business structure and enhance capital management, and has satisfied various capital requirements of China Banking Regulatory Commission (the "CBRC") during the reporting period. The capital adequacy ratio of the Company generally remained stable and the Company has maintained a balanced growth of internal capital.

As at 30 September 2014, the capital adequacy ratio and the Tier 1 capital adequacy ratio of the Group under the advanced approaches were 12.28% and 10.35%, respectively.

The Group	At the end of the reporting period 30 September 2014 <i>(in millions of RMB, except for percentages)</i>
Capital adequacy ratios under the advanced approaches⁽¹⁾	
1. Net core Tier 1 capital	290,473
2. Net Tier 1 capital	290,476
3. Net capital	344,387
4. Risk-weighted assets (without taking into consideration the floor requirements during the parallel run period) ⁽²⁾	2,690,079
Of which: Credit risk weighted assets	2,458,179
Market risk weighted assets	17,823
Operational risk weighted assets	214,077
5. Risk-weighted assets (having taken into consideration the floor requirements during the parallel run period)	2,805,239
6. Core Tier 1 capital adequacy ratio	10.35%
7. Tier 1 capital adequacy ratio	10.35%
8. Capital adequacy ratio	12.28%

Note 1: The “advanced approaches” refer to the advanced measurement approach set out in the “Capital Rules for Commercial Banks (Provisional)” issued by CBRC on 7 June 2012. In accordance with the requirements of the advanced approaches, the scope of entities for calculating the capital adequacy ratio of the Group shall include China Merchants Bank Co., Ltd. and its subsidiaries. The scope of entities for calculating the capital adequacy ratio of the Company shall include all the domestic and overseas branches and sub-branches of China Merchants Bank Co., Ltd.. As at 30 September 2014, the Group’s subsidiaries for calculating its capital adequacy ratio include Wing Lung Bank, CMB International Capital, CMB Financial Leasing and China Merchants Fund.

Note 2: The “floor requirements during the parallel run period” means that, during the parallel run period the advanced capital measurement approaches were implemented, a commercial bank shall use the capital floor adjustment co-efficients to adjust the result of its risk-weighted assets multiplying the sum of its minimum capital amount and reserve capital amount, total amount of capital deductions and the provision for excessive loan loss which can be included into capital, so as to obtain the required capital amount subject to the capital floor requirements. The capital floor adjustment co-efficients 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.

The capital adequacy ratio and the Tier 1 capital adequacy ratio of the Company under the advanced approaches were 11.93% and 10.01% respectively.

The Company	At the end of the reporting period 30 September 2014 <i>(in millions of RMB, except for percentages)</i>
Capital adequacy ratios under the advanced approaches	
1. Net core Tier 1 capital	259,725
2. Net Tier 1 capital	259,725
3. Net capital	309,512
4. Risk-weighted assets (without taking into consideration the floor requirements during the parallel run period)	2,482,984
Of which: Credit risk weighted assets	2,265,594
Market risk weighted assets	14,376
Operational risk weighted assets	203,014
5. Risk-weighted assets (having taken into consideration the floor requirements during the parallel run period)	2,595,302
6. Core Tier 1 capital adequacy ratio	10.01%
7. Tier 1 capital adequacy ratio	10.01%
8. Capital adequacy ratio	11.93%

As at 30 September 2014, the capital adequacy ratio of the Group under the weighted method was 11.64%, representing an increase of 0.50 percentage point as compared with the beginning of the year; and its tier 1 capital adequacy ratio was 9.48%, representing an increase of 0.21 percentage point as compared with the beginning of the year. The Group has a strong ability to maintain a balanced growth of internal capital.

The Group	At the end of the reporting period 30 September 2014	At the end of last year 31 December 2013	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
	<i>(in millions of RMB, except for percentages)</i>		

The capital adequacy ratios under the weighted method⁽¹⁾

1. Net core tier 1 capital	290,473	254,393	14.18
2. Net tier 1 capital	290,476	254,393	14.18
3. Net capital	356,735	305,704	16.69
4. Risk-weighted assets	3,065,283	2,744,991	11.67
5. Core tier 1 capital adequacy ratio	9.48%	9.27%	Increase of 0.21 percentage point
6. Tier 1 capital adequacy ratio	9.48%	9.27%	Increase of 0.21 percentage point
7. Capital adequacy ratio	11.64%	11.14%	Increase of 0.50 percentage point

	At the end of the reporting period 30 September 2014	At the end of last year 31 December 2013	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
The Group			
	<i>(in millions of RMB, except for percentages)</i>		

The capital adequacy ratios under the previous Requirements⁽²⁾

8. Core capital adequacy ratio	9.43%	9.14%	Increase of 0.29 percentage point
9. Capital adequacy ratio	11.98%	11.28%	Increase of 0.70 percentage point

Note 1: The “weighted method” refers to the weighted method for credit risk, the standardised method for market risk and the basic indicator method for operational risk adopted by the Group to calculate its risk-weighted assets in accordance with the provisions of the “Capital Rules for Commercial Banks (Provisional)” before the adoption of the advanced approaches. Same as below.

Note 2: the “previous Requirements” herein refers to the “Guidelines for the Revision of the Regulation Governing Capital Adequacy Ratio of Commercial Banks” issued by CBRC on 28 December 2006. Same as below.

As at 30 September 2014, the capital adequacy ratio of the Company under the weighted method was 11.25%, representing an increase of 0.40 percentage point as compared with the beginning of the year; and its tier 1 capital adequacy ratio was 9.07%, representing an increase of 0.03 percentage point as compared with the beginning of the year.

	At the end of the reporting period 30 September 2014	At the end of last year 31 December 2013	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
The Company			
	<i>(in millions of RMB, except for percentages)</i>		

The capital adequacy ratios under the weighted method

1. Net core tier 1 capital	259,725	231,379	12.25
2. Net tier 1 capital	259,725	231,379	12.25
3. Net capital	322,348	277,710	16.07
4. Risk-weighted assets	2,864,458	2,560,011	11.89
5. Core tier 1 capital adequacy ratio	9.07%	9.04%	Increase of 0.03 percentage point
6. Tier 1 capital adequacy ratio	9.07%	9.04%	Increase of 0.03 percentage point
7. Capital adequacy ratio	11.25%	10.85%	Increase of 0.40 percentage point

The capital adequacy ratios under the previous Requirements

8. Core capital adequacy ratio	9.71%	9.54%	Increase of 0.17 percentage point
9. Capital adequacy ratio	11.64%	11.01%	Increase of 0.63 percentage point

2.4 Total number of shareholders, the top ten shareholders and the top ten shareholders whose shares are not subject to trading moratorium as at the end of the reporting period

Total number of shareholders

481,727

Top ten shareholders and the top ten shareholders whose shares are not subject to trading moratorium

No.	Name of shareholder	Nature of shareholder	Percentage of shareholding (%)	Number of shares held (Share)	Class of Shares	Number of shares subject to trading moratorium (Share)	Shares pledged or frozen (Share)
1	HKSCC Nominees Limited (Note 1)	/	17.97	4,532,422,696	H Shares	-	-
2	China Merchants Steam Navigation Company Limited	State-owned legal person	12.54	3,162,424,323	A Shares not subject to trading moratorium	-	-
3	Anbang Property & Casualty Insurance Company Ltd. – conventional products	Domestic non-State-owned legal person	7.36	1,856,605,092	A Shares not subject to trading moratorium	-	-
4	China Ocean Shipping (Group) Company	State-owned legal person	6.24	1,574,729,111	A Shares not subject to trading moratorium	-	-
5	Sino Life Insurance Co., Ltd. –Universal Insurance H	Domestic non-State-owned legal person	4.01	1,011,075,427	A Shares not subject to trading moratorium	-	-
6	Shenzhen Yan Qing Investment and Development Company Ltd.	State-owned legal person	2.96	747,589,686	A Shares not subject to trading moratorium	-	-
7	Guangzhou Maritime Transport (Group) Company Ltd.	State-owned legal person	2.65	668,649,167	A Shares not subject to trading moratorium	-	-
8	Shenzhen Chu Yuan Investment and Development Company Ltd.	State-owned legal person	2.59	653,135,659	A Shares not subject to trading moratorium	-	-
9	China Communications Construction Company Ltd.	State-owned legal person	1.78	450,164,945	A Shares not subject to trading moratorium	-	-
10	SAIC Motor Corporation Limited	Domestic non-State-owned legal person	1.71	432,125,895	A Shares not subject to trading moratorium	-	-

Note 1: Shares held by HKSCC Nominees Limited are the total shares in the accounts of holders of H Shares of China Merchants Bank trading on the transaction platform of HKSCC Nominees Limited.

Note 2: Except that China Merchants Steam Navigation Company Limited, Shenzhen Yan Qing Investment and Development Company Limited and Shenzhen Chu Yuan Investment and Development Company Limited are subsidiaries of China Merchants Group Limited, the Company is not aware of any other related relationship among the above top ten shareholders not subject to trading moratorium.

Note 3: The above shareholders do not hold the shares of the Company through margin transaction securities accounts.

2.5 Management discussion and analysis

2.5.1 Analysis of operating status of the Group

As at the end of September 2014, total assets of the Group amounted to RMB4,722.648 billion, representing an increase of 17.58% as compared with the beginning of the year; and its total liabilities amounted to RMB4,420.250 billion, representing an increase of 17.86% as compared with the beginning of the year. Total deposits from customers amounted to RMB3,265.520 billion, representing an increase of 17.66% as compared with the beginning of the year. Total loans and advances amounted to RMB2,445.504 billion, representing an increase of 11.31% as compared with the beginning of the year.

For the period from January to September 2014, the Group realized a net profit attributable to shareholders of the Bank of RMB45.804 billion, representing an increase of 15.97% as compared with the corresponding period of the previous year, and a net operating income of RMB125.525 billion, among which, net interest income increased by 13.36% to RMB82.267 billion from that of the corresponding period of the previous year, accounting for 65.54% of the net operating income. For the period from January to September 2014, net interest spread and net interest margin were 2.30% and 2.50% respectively, representing a decrease of 0.36 percentage point and 0.33 percentage point respectively as compared with the corresponding period of the previous year. For the third quarter of 2014, the net interest spread and net interest margin of the Group were 2.20% and 2.39% respectively, representing a decrease of 0.10 percentage point and 0.11 percentage point respectively as compared with the second quarter of 2014. Net fee and commission income of the Group increased by 57.77% to RMB34.246 billion from that of the corresponding period of the previous year, and accounted for 27.28% of the operating income. Other net income amounted to RMB8.882 billion, representing an increase of 151.40% as compared with the corresponding period of the previous year. The cost-to-income ratio (excluding business tax and surcharges) of the Group decreased by 3.30 percentage points to 27.98% from that of the corresponding period of the previous year.

As at the end of September 2014, the balance of non-performing loans of the Group amounted to RMB26.923 billion, representing an increase of RMB8.591 billion as compared with the beginning of the year; the non-performing loan ratio was 1.10%, representing an increase of 0.27 percentage point as compared with the beginning of the year; and the allowance coverage ratio of our non-performing loans was 227.99%, representing a decrease of 38.01 percentage points as compared with the beginning of the year; the allowance-to-loan ratio was 2.51%, representing an increase of 0.29 percentage point as compared with that at the beginning of the year.

2.5.2 Analysis of operating status of the Company

During the period from January to September 2014, the Company geared up structural adjustment, deepened business transformation and maintained healthy development as a whole:

Both our assets and liabilities grew rapidly. As at the end of September 2014, total assets of the Company amounted to RMB4,478.500 billion, representing an increase of 17.79% as compared with the beginning of the year; while total liabilities amounted to RMB4,179.344 billion, representing an increase of 18.20% as compared with the beginning of the year. Total loans and advances amounted to RMB2,217.857 billion, representing an increase of 10.38% as compared with the beginning of the year, among which, corporate loans accounted for 57.04%, retail loans accounted for 39.63% and discounted bills accounted for 3.33%. Total deposits from customers amounted to RMB3,118.133 billion, representing an increase of 17.45% as compared with the beginning of the year, among which, demand deposits accounted for 46.63%, representing a decrease of 5.34 percentage points as compared with the beginning of the year, and time deposits accounted for 53.37%. Among the demand deposits, corporate deposits accounted for 58.47% while retail deposits accounted for 41.53%; and among the time deposits, corporate deposits accounted for 75.02% and retail deposits accounted for 24.98%.

As at 30 September 2014, the balance of the Company's proprietary funds invested in non-standard debt assets amounted to RMB380.279 billion, representing an increase of 79.26% as compared with the beginning of the year. Among which, the balance of our proprietary funds invested in non-standard debt assets under the credit category amounted to RMB208.502 billion, accounted for 54.83%, representing an increase of 59.40% as compared with the beginning of the year. For the proprietary funds invested in non-standard debt assets under the credit category, the Company established a capital reserve in accordance with the proprietary lending standards and made provisions in the form of reserve for loan supplemental risks. As at 30 September 2014, the balance of the Company's reverse repurchase businesses such as trust beneficiary rights, asset management plans and creditor beneficiary rights amounted to RMB141.475 billion, representing a decrease of 9.02% as compared with the beginning of the year. The Company therefore provided a capital reserve based on the risk exposure of corresponding financial institutions.

Our profits continued to grow steadily. During the period from January to September 2014, the Company realized a net profit of RMB42.536 billion, representing an increase of 14.66% as compared with the corresponding period of the previous year. The Company realized net operating income of RMB118.757 billion, among which, net interest income increased by 13.34% from that of the corresponding period of the previous year to RMB79.262 billion, mainly due to the increase in the volume of interest-earning assets. Affected by the growing capital cost, the Company's net interest spread and net interest margin gradually declined. During the period from January to September 2014, net interest spread and net

interest margin of the Company were 2.36% and 2.55% respectively, representing a decrease of 0.38 percentage point and 0.36 percentage point respectively as compared with the corresponding period of the previous year. During the third quarter of 2014, net interest spread and net interest margin of the Company were 2.26% and 2.45% respectively, representing a decrease of 0.10 percentage point and 0.09 percentage point respectively as compared with the second quarter of 2014. Net non-interest income amounted to RMB39.495 billion, representing an increase of 72.31% as compared with the corresponding period of the previous year.

The risk of our asset quality was generally controllable with provisions made in a prudent manner.

In response to the risk of macroeconomic downturn, the Company dynamically adjusted its lending policies, intensified the prevention of risks associated with key areas, industries, customers and businesses, facilitated the recovery of loans from four major risk areas, including overcapacity industries, large borrowers with high risks, small enterprises with high risks and private guarantee companies, prevented potential risk pertaining to the real estate industry and local government financing platforms, improved the comprehensiveness and consistency of risk management of emerging financing businesses, formulated differentiated regional credit lending policies, enhanced regional risk monitoring and pre-warning capabilities, steadily stabilized and lowered regional asset risk, stepped up the disposal of non-performing assets and conducted review of non-performing assets and demanded accountability on a timely basis, thereby effectively prevented the deterioration of asset quality. As at the end of September 2014, the balance of the Company's non-performing loans amounted to RMB26.534 billion, representing an increase of RMB8.465 billion as compared with the beginning of the year, and the non-performing loan ratio was 1.20%, representing an increase of 0.30 percentage point as compared with the beginning of the year.

The Company continued to adopt its prudent provision-making policy. In the first three quarters of the year, the Company increased the provisions for loans granted to overcapacity industries. As at the end of September 2014, the balance of the Company's provisions for impairment loss on loans amounted to RMB59.463 billion, representing an increase of RMB12.241 billion as compared with that at the beginning of the year. The non-performing loan allowance coverage ratio was 224.10%, representing a decrease of 37.24 percentage points as compared with the beginning of the year. The allowance-to-loan ratio was 2.68%, representing an increase of 0.33 percentage point as compared with the beginning of the year.

Our wealth management business maintained stable development. From January to September 2014, the total value of the Company's wealth management products amounted to RMB5,415.319 billion, representing an increase of 51.32% as compared with the corresponding period of the previous year. As at the end of the reporting period, the balance of wealth management products under operation by the Company amounted to RMB806.600 billion, representing an increase of 22.41% (calculated on the same statistical calibres) as compared with the beginning of the year. Among which, the balance of off-balance-sheet wealth

management products under operation by the Company amounted to RMB791.403 billion, representing an increase of 35.86% as compared with the beginning of the year. As at the end of the reporting period, the balance of the Company's wealth management funds invested in non-standard debt assets amounted to RMB144.623 billion, accounting for 13.70% of the balance of our wealth management products and 3.80% of the Company's total assets at the end of the previous year, which are both lower than the upper limit calculated in accordance with the relevant requirements of CBRC. Therefore, the Company continued to comply with CBRC's regulatory requirements.

Our operation transformation achieved satisfactory results

Our retail business maintained steady growth. As at the end of September 2014, the balance of total assets under management (AUM) from our retail customers reached RMB3,296.1 billion, representing an increase of 16.67% as compared with that at the beginning of the year. Among which, the balance of AUM of the Company from its sunflower-level and above customers (retail customers of the Company with minimum total daily average assets of RMB500,000 and above per month) amounted to RMB2,461.0 billion, an increase of 19.90% from the beginning of the year, and the balance of AUM of the Company from its private banking customers (retail customers of the Company with minimum total daily average assets of RMB10 million and above per month) amounted to RMB704.3 billion, an increase of 23.26% from the beginning of the year. The balance of retail deposits amounted to RMB1,019.564 billion, an increase of 13.41% from the beginning of the year, and the balance of retail loans amounted to RMB878.890 billion, an increase of 11.89% from the beginning of the year.

Our non-interest income increased rapidly. During the period from January to September 2014, the Company realized a net non-interest income of RMB39.495 billion, representing an increase of 72.31% as compared with the corresponding period of the previous year. Among which, net fee and commission income of the Company increased by 56.34% from that for the corresponding period of the previous year to RMB31.818 billion, which was mainly due to the increase in commissions from custody and other trustee businesses and bank card fees and agency fees. Net fee and commission income accounted for 26.79% of the operating income. Other net income amounted to RMB7.677 billion, representing an increase of RMB5.108 billion as compared with the corresponding period of the previous year, which was mainly due to the increase in bills spread income and net gain arising from foreign exchanges.

Our small and micro enterprise businesses continued to grow. The Company continued to adopt the "Small and Micro Enterprises" development strategies, and gradually improved its professional operation system. The data of our small and micro enterprise businesses was different from that at the end of the previous year due to the change of the Bank's caliber after further growth of certain enterprises at the beginning of the year, which requires elimination of relevant data, and the fact that the Company has adjusted the classification of certain products. As at 30 September 2014, the balance of the Company's loans to small and micro enterprises totalled RMB606.585 billion, representing an increase of RMB41.561

billion or 7.36% over the beginning of the year (calculated on the Bank's calibers), and accounted for 29.27% of domestic general loans (excluding discounted bills), representing a decrease of 0.52 percentage point over the beginning of the year. Of which: the balance of the small enterprises loans amounted to RMB275.749 billion, down by 2.57% as compared with the beginning of the year, and the proportion of small enterprises loans to domestic corporate loans reached 23.10%, representing a decrease of 2.37 percentage points as compared with the beginning of the year. The growth rate and proportion decreased mainly because the Company proactively recovered loans from existing customers with high risks, decreased granting of general loans and increased the use of alternative facilities such as acceptance, letter of guarantee and letter of credits due to the current economic downturn; the balance of micro enterprises loans amounted to RMB330.836 billion, up by 17.31% as compared with the beginning of the year, and the proportion of micro enterprises loans to total retail loans reached 37.64%, representing an increase of 1.74 percentage points as compared with the beginning of the year. The non-performing loan ratios of loans granted to small enterprises and micro enterprises were 2.58% and 0.92% respectively, up by 0.65 and 0.34 percentage point over the end of the previous year.

Our capability in risk pricing of loans remained stable. During the period from January to September 2014, the floating range of weighted average interest rates of newly granted corporate loans in RMB (weighted at actual amounts, same as below) was 13.84%, up by 1.15 percentage points as compared with the previous year. among which, the floating range of weighted average interest rate of newly granted small enterprises loans was 23.28%, up by 0.50 percentage point as compared with the previous year. The floating range of weighted average interest rates of newly granted retail loans in RMB was 29.39%, down by 0.10 percentage point as compared with the previous year, among which, the floating range of weighted average interest rate of newly granted micro enterprises loans was 33.06%, up by 0.43 percentage point as compared with the previous year.

Our high-net-worth customers increased steadily. As at the end of September 2014, the number of sunflower-level and above customers increased by 16.23% as compared with the beginning of the year; and the number of private banking customers increased by 21.28% as compared with the beginning of the year.

Our overall costs remained stable. For the period from January to September 2014, operating expenses of the Company amounted to RMB41.039 billion. Cost-to-income ratio (excluding business tax and surcharges) was 28.15%, representing a decrease of 3.42 percentage points as compared with the corresponding period of the previous year. We target to keep the annual cost-to-income ratio within our budget.

§3 SIGNIFICANT EVENTS

3.1 Disclosure as to, and reason for, material changes in major accounting items and financial indicators of the Group

Applicable Not applicable

The table below sets out the major accounting items with change rate over 30% and their reasons:

(Unless otherwise stated, amounts expressed in millions of RMB)

Major items	As at 30 September 2014	Increase/ decrease as compared to the end of last year	Major reasons
Placements with banks and other financial institutions	87,416	125.01%	Increase in placements with banks and other financial institutions in China as a result of improved yields
Interest receivables	23,892	34.99%	Increase in interest on liabilities receivable
Derivative financial assets	8,963	51.27%	Increase in floating earnings from option business
Interest in joint ventures	1,407	85.38%	Increase in investment in joint ventures
Investment receivables	413,633	75.70%	Increase in investment in trust beneficiary rights
Other assets	13,555	41.14%	Increase in amounts to be settled from sales of bonds
Deposits from banks and other financial institutions	740,768	44.07%	Increase in deposits from banks and other financial institutions
Financial assets sold under agreements to repurchase	48,179	(68.54%)	Decrease in bonds sold under repurchase agreement
Financial liabilities at fair value through profit or loss	11,007	(49.72%)	Decrease in paper precious metals from other banks designated at fair value through profit or loss
Derivative financial liabilities	11,101	34.80%	Increase in floating loss on swap business
Bonds payables	101,047	46.58%	Issuance of subordinated bonds and the interbank fixed-term certificates of deposits
Salaries and welfare payable	10,250	100.23%	Increase in salaries payable
Interest payables	44,766	44.46%	Increase in interest on liabilities payable
Investment revaluation reserve	(214)	96.14%	Increase in valuation of available-for-sale financial assets
Hedge reserve	(235)	75.29%	Increase in the value of hedge instruments

Major items	January to September 2014	Increase/ decrease as compared to the corresponding period of last year	Major reasons
Interest income	165,345	31.56%	Increase in interest-earning assets
Interest expense	(83,078)	56.44%	Increase in interest-bearing liabilities and cost ratio
Fee and commission income	36,800	58.55%	Increase in commissions from custody and other trustee businesses
Fee and commission expense	(2,554)	69.70%	Increase in commission expense from clearing and credit card businesses
Other net income	8,882	151.40%	Bills spread income and gains on various foreign currency transactions
Gains on investment in associates	3	(88.89%)	Change in the corporate nature of China Merchants Fund from an associate into a subsidiary
Gains on investment in joint ventures	127	647.06%	Addition of a new joint venture, namely CIGNA & CMB Life Insurance
Impairment losses on assets	(21,998)	169.52%	Increase in provision for impairment losses on loans

3.2 Performance of undertakings given by the Company, shareholders and de facto controllers

In the course of the rights issue of A shares and H shares in 2013, China Merchants Group Limited (hereinafter referred to as “China Merchants Group”), China Merchants Steam Navigation Co., Ltd. and China Ocean Shipping (Group) Company had individually undertaken that, they will not seek for related-party transactions on terms more favourable than those given to other shareholders; they will repay the principal and interest thereon to the Company when falling due; they will not intervene the ordinary operations of the Company; if they participate in the subscription of the rights shares, they will neither transfer or entrust others to manage the rights shares within five years from the transfer of such shares, nor will they seek for a repurchase by the Company of the rights shares held by them; upon expiration of the lock-up period of the rights shares, they will not transfer their rights shares until they obtain approval from the regulatory authorities on the share transfer and the shareholder qualification of transferees; they will continue to supplement the reasonable capital demand of the Company if an approval is granted by the Board of Directors and the shareholders’ general meeting; they will not impose improper performance indicators on the Company. In the course of the rights issue of H shares, China Merchants Group had also made a number of undertakings to the Company and joint global coordinators. For details of the aforesaid undertakings, please refer to the A Share Rights Issue prospectus dated 22 August 2013 and the H Share Rights Issue prospectus dated 5 September 2013 on the website of the Company (www.cmbchina.com). As far as the Company is aware, as at the date of the report, the above shareholders did not violate the aforesaid undertakings.

3.3 Warning in respect of forecast of a probable loss or a significant change in the accumulated net profit from the beginning of the financial year to the end of the next reporting period or as compared with that of the corresponding period of last year and the reasons therefor

Applicable Not applicable

3.4 Implementation of the cash-based dividends policy during the reporting period

The Board of Directors of the Company has implemented the 2013 dividend distribution plan. For details of the implementation, please refer to the Company's announcement published on the websites of Shanghai Stock Exchange, The Stock Exchange of Hong Kong Limited and the Company on 2 July 2014.

The Board of Directors of
China Merchants Bank Co., Ltd.

29 October 2014

As at the date of this announcement, the executive directors of the Company are Tian Huiyu, Zhang Guanghua and Li Hao; the non-executive directors of the Company are Li Jianhong, Ma Zehua, Li Yinquan, Fu Gangfeng, Sun Yueying, Su Min, Fu Junyuan and Hong Xiaoyuan; and the independent non-executive directors of the Company are Xu Shanda, Wong Kwai Lam, Pan Chengwei, Pan Yingli, Guo Xuemeng and Xiao Yuhuai.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to September ended 30 September		For the period from July to September ended 30 September	
	2014	2013	2014	2013
Interest income	165,345	125,679	59,068	45,296
Interest expense	(83,078)	(53,107)	(30,659)	(20,165)
Net interest income	82,267	72,572	28,409	25,131
Fee and commission income	36,800	23,211	11,465	8,128
Fee and commission expense	(2,554)	(1,505)	(921)	(586)
Net fee and commission income	34,246	21,706	10,544	7,542
Other net income	8,882	3,533	2,025	952
Total operating income	125,395	97,811	40,978	33,625
Operating expense	(42,910)	(37,023)	(15,148)	(12,785)
Provision for insurance claims	(245)	(256)	(82)	(89)
Operating profit before impairment losses	82,240	60,532	25,748	20,751
Impairment losses on assets	(21,998)	(8,162)	(5,678)	(3,203)
Gains on investment in associates	3	27	1	10
Gains on investment in joint ventures	127	17	36	8
Profit before tax	60,372	52,414	20,107	17,566
Less: income tax expense	(14,453)	(12,923)	(4,707)	(4,341)
Net profit	45,919	39,491	15,400	13,225
Attributable to:				
Equity shareholders of the Bank	45,804	39,498	15,345	13,227
Non-controlling interests	115	(7)	55	(2)

**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(CONTINUED)**

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to September ended 30 September		For the period from July to September ended 30 September	
	2014	2013	2014	2013
Earnings per share				
Basic earnings per share <i>(in RMB Yuan)</i>	1.82	1.83	0.61	0.61
Diluted earnings per share <i>(in RMB Yuan)</i>	1.82	1.83	0.61	0.61
Other comprehensive income for the period (after adjustments for tax and reclassification)				
Exchange differences	220	(300)	(265)	(38)
Equity-accounted investees-share of other comprehensive income	21	–	5	–
Net movement in revaluation reserve of available-for-sale financial assets	5,325	(2,128)	653	(1,764)
Cash flow hedge	716	(294)	241	(257)
Total other comprehensive income for the period	6,282	(2,722)	634	(2,059)
Total comprehensive income for the period	52,201	36,769	16,034	11,166
Total comprehensive income attributable to equity shareholders of the Bank	52,086	36,776	15,979	11,168
Total comprehensive income attributable to minority equity shareholders of the Bank	115	(7)	55	(2)

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to September ended 30 September		For the period from July to September ended 30 September	
	2014	2013	2014	2013
Interest income	158,189	119,991	56,839	43,274
Interest expense	<u>(78,927)</u>	<u>(50,057)</u>	<u>(29,470)</u>	<u>(19,064)</u>
Net interest income	79,262	69,934	27,369	24,210
Fee and commission income	34,296	21,782	10,658	7,672
Fee and commission expense	<u>(2,478)</u>	<u>(1,430)</u>	<u>(941)</u>	<u>(559)</u>
Net fee and commission income	31,818	20,352	9,717	7,113
Other net income	7,677	2,569	1,456	647
Total operating income	118,757	92,855	38,542	31,970
Operating expense	<u>(41,039)</u>	<u>(35,622)</u>	<u>(14,479)</u>	<u>(12,306)</u>
Operating profit before impairment losses	77,718	57,233	24,063	19,664
Impairment losses on assets	<u>(21,626)</u>	<u>(7,875)</u>	<u>(5,524)</u>	<u>(3,151)</u>
Profit before tax	56,092	49,358	18,539	16,513
Less: income tax expense	<u>(13,556)</u>	<u>(12,260)</u>	<u>(4,385)</u>	<u>(4,120)</u>
Net profit	<u>42,536</u>	<u>37,098</u>	<u>14,154</u>	<u>12,393</u>

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)*(Expressed in millions of Renminbi unless otherwise stated)*

	For the period from January to September ended 30 September		For the period from July to September ended 30 September	
	2014	2013	2014	2013
Other comprehensive income for the period (after adjustments for tax and reclassification)				
Exchange differences	(11)	–	(42)	–
Net movement in revaluation reserve of available-for-sale financial assets	5,247	(2,119)	639	(1,796)
Cash flow hedge	716	(294)	241	(257)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total other comprehensive income for the period	5,952	(2,413)	838	(2,053)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total comprehensive income for the period	48,488	34,685	14,992	10,340
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*(Expressed in millions of Renminbi unless otherwise stated)***30 September 2014** 31 December 2013**Assets**

Cash	13,820	15,662
Precious metals	8,449	6,633
Balances with central bank	576,773	501,577
Balances with banks and other financial institutions	87,416	38,850
Placements with banks	188,210	148,047
Financial assets purchased under agreements to resell	371,451	318,905
Loans and advances	2,384,121	2,148,330
Interest receivables	23,892	17,699
Financial assets at fair value through profit or loss	40,880	23,223
Derivative financial assets	8,963	5,925
Available-for-sale financial assets	288,167	289,911
Held-to-maturity investments	252,213	208,927
Investment receivables	413,633	235,415
Interest in associates	20	19
Interest in joint ventures	1,407	759
Fixed assets	24,999	24,199
Investment properties	1,674	1,701
Intangible assets	3,178	2,996
Goodwill	9,953	9,953
Deferred income tax assets	9,874	8,064
Other assets	13,555	9,604
Total assets	4,722,648	4,016,399

Liabilities

Deposits from banks and other financial institutions	740,768	514,182
Placements from banks	125,874	125,132
Financial assets sold under agreements to repurchase	48,179	153,164
Deposits from customers	3,265,520	2,775,276
Interests payable	44,766	30,988
Financial liabilities at fair value through profit or loss	11,007	21,891
Derivative financial liabilities	11,101	8,235
Bonds payable	101,047	68,936
Salaries and welfare payable	10,250	5,119
Taxes payable	12,376	8,722
Deferred income tax liabilities	759	770
Other liabilities	48,603	38,028
Total liabilities	4,420,250	3,750,443

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
(Expressed in millions of Renminbi unless otherwise stated)

30 September 2014 31 December 2013

Shareholders' equity

Share capital	25,220	25,220
Capital reserve	67,536	67,515
Investment revaluation reserve	(214)	(5,539)
Hedge reserve	(235)	(951)
Surplus reserve	23,502	23,502
Statutory general reserve	46,473	46,347
Retained profits	141,149	95,471
Proposed dividend appropriations	–	15,636
Foreign currency translation reserve	(1,516)	(1,736)
	<hr/>	<hr/>
Total equity attributable to the Bank's shareholders	301,915	265,465
Minority interests	483	491
	<hr/>	<hr/>
Total shareholders' equity	302,398	265,956
	<hr/>	<hr/>
Total shareholders' equity and liabilities	4,722,648	4,016,399
	<hr/> <hr/>	<hr/> <hr/>

UNAUDITED STATEMENT OF FINANCIAL POSITION

(Expressed in millions of Renminbi unless otherwise stated)

30 September 2014 31 December 2013

Assets

Cash	13,288	14,918
Precious metals	8,408	6,633
Balances with central bank	573,284	496,469
Balances with banks and other financial institutions	72,187	28,660
Placements with banks	195,064	144,968
Financial assets purchased under agreements to resell	370,661	318,023
Loans and advances	2,158,394	1,962,035
Interest receivables	22,747	16,819
Financial assets at fair value through profit or loss	37,981	20,394
Derivative financial assets	8,418	5,515
Available-for-sale financial assets	273,599	273,923
Held-to-maturity investments	246,902	203,503
Investment receivables	414,665	236,585
Interest in subsidiaries	37,878	35,273
Interest in joint ventures	615	171
Fixed assets	21,343	20,653
Investment properties	560	507
Intangible assets	2,169	1,973
Deferred income tax assets	9,633	7,820
Other assets	10,642	7,152

Total assets	4,478,500	3,801,994
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Liabilities

Deposits from banks and other financial institutions	739,193	509,640
Placements from banks	72,766	69,828
Financial assets sold under agreements to repurchase	45,895	151,861
Deposits from customers	3,118,133	2,654,881
Interests payable	43,263	29,779
Financial liabilities at fair value through profit or loss	10,899	21,360
Derivative financial liabilities	10,431	7,802
Bonds payable	80,632	50,143
Salaries and welfare payable	9,746	4,634
Taxes payable	11,508	8,219
Other liabilities	36,878	27,543

Total liabilities	4,179,344	3,535,690
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UNAUDITED STATEMENT OF FINANCIAL POSITION (CONTINUED)*(Expressed in millions of Renminbi unless otherwise stated)***30 September 2014** 31 December 2013**Shareholders' equity**

Share capital	25,220	25,220
Capital reserve	76,681	76,681
Investment revaluation reserve	(394)	(5,641)
Hedge reserve	(235)	(951)
Surplus reserve	23,502	23,502
Statutory general reserve	45,762	45,762
Retained profits	128,635	86,099
Proposed dividend appropriations	–	15,636
Foreign currency translation reserve	(15)	(4)
	<hr/>	<hr/>
Total shareholders' equity	299,156	266,304
	<hr/>	<hr/>
Total shareholders' equity and liabilities	4,478,500	3,801,994
	<hr/>	<hr/>

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to September ended 30 September	
	2014	2013
Cash flows from operating activities		
Profit before tax	60,372	52,414
Adjustments for:		
– Impairment losses on loans and advances	23,158	9,011
– Provisions for/(reversals of) impairment losses on investments and other assets	131	18
– Unwind of interest income on impaired loans	(491)	(304)
– Depreciation of fixed assets and investment properties	2,117	1,841
– Depreciation of fixed assets under operating lease	56	29
– Amortization of other assets	270	255
– Net gains on debt and share investments	(3,557)	(544)
– Interest income on investments	(28,440)	(14,265)
– Interest expense on issued debts	2,239	2,332
– Share of profits of joint ventures	(127)	(17)
– Share of profits of associates	(3)	(27)
Changes in:		
Balances with central bank	(47,544)	(32,073)
Balances and placements with banks and other financial institutions with original maturity over 3 months	(166,245)	(145,289)
Loans and advances	(257,535)	(268,743)
Other assets	(45,988)	(10,189)
Deposits from customers	490,244	272,247
Deposits and placements from banks and other financial institutions	122,343	110,615
Other liabilities	10,689	40,190
Net cash inflow from operating activities	161,689	17,501
Income tax paid	(10,519)	(11,027)

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)*(Expressed in millions of Renminbi unless otherwise stated)*

	For the period from January to September ended 30 September	
	2014	2013
Cash flows from investing activities		
Cash received from recovery of investments	350,803	601,804
Cash received from return on investments	29,022	12,472
Cash received from disposal of fixed assets and other assets	20	31
Repayment of loans from joint ventures	2	2
Cash paid for investments	(546,108)	(787,543)
Cash paid for purchase and construction of fixed assets and other assets	(2,970)	(2,973)
	-----	-----
Net cash outflow from investing activities	(169,231)	(176,207)
	-----	-----
Cash flow from financing activities		
Cash received by subsidiaries from minority shareholders	31	88
Issuance of bonds	15,397	4,000
Proceeds from issuance of interbank deposits	21,344	-
Proceeds from issuance of certificates of deposit	25,494	23,765
Issuance of shares	-	33,826
Cash paid for repayment of debts due	(29,803)	(33,366)
Interest paid on issued debts	(1,481)	(2,748)
Cash paid for distribution of dividends or profits	(15,636)	(13,593)
Payment made in cash to minority interests	(132)	-
	-----	-----
Net cash inflow from financing activities	15,214	11,972
	-----	-----
Effect of exchange differences on cash	8,494	(994)
Net increase/(decrease) in cash and cash equivalents	5,647	(158,755)
	-----	-----
Add: balance of cash and cash equivalents at the beginning of the period	349,949	452,855
Balance of cash and cash equivalents at the end of the period	355,596	294,100
	=====	=====
Cash flows from operating activities include:		
Interest received	159,152	122,020
Interest paid	(66,270)	(41,874)
	=====	=====