



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: 3968)

OVERSEAS REGULATORY ANNOUNCEMENT FIRST QUARTERLY REPORT OF 2008

Pursuant to the regulations of the China Securities Regulatory Commission ("CSRC"), China Merchants Bank Co., Ltd. (the "Company" or "CMB") 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 PRC Accounting Standards ("PRC GAAP").

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

1 IMPORTANT NOTICE

- 1.1 The Board of Directors, the Board of Supervisors and the directors, supervisors and senior management of the Company hereby confirm that the information contained in this report does not contain any false representations, misleading statements or material omissions and individually and jointly accept full responsibilities for the truthfulness, accuracy and completeness of the information contained in this report.
- 1.2 None of the directors, supervisors and senior management has made any statement that he/she is unable to warrant or object to the truthfulness, accuracy and completeness of the information contained in the quarterly report.
- 1.3 The 19th meeting of the Seventh Session of the Board of Directors has approved the first quarterly report of 2008 of the Company through voting by correspondence. 18 out of the 18 Directors attended and voted at the meeting in person.
- 1.4 The financial statements for the reporting period are unaudited.
- 1.5 Mr. QIN Xiao, Chairman of the Company, Mr. MA Weihua, the President, Mr. LI Hao, the Executive Vice President and Chief Financial Officer, and Mr. YIN Xuwen, the person in charge of the Planning and Finance Department, hereby make representations in respect of the truthfulness and completeness of the financial statements contained in this quarterly report.

2 CORPORATE INFORMATION

2.1 Major accounting data & financial indicators (PRC GAAP) (unaudited)

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

	31 March 2008	31 December 2007	Increase/(decrease) at the end of the reporting period as compared to the end of last year (%)
Total assets	1,373,786	1,310,552	4.82
Shareholders Equity	74,762	67,984	9.97
Net assets per share attributable to shareholders of the Company (<i>in RMB Yuan</i>)	5.08	4.62	9.96
	January to March 2008		Increase/(decrease) as compared to the corresponding period of last year (%)
Net cash flow from operating activities	26,459		-10.05%
Net cash flow from operating activities per share (<i>in RMB Yuan</i>)	1.80		-10%
	January to March 2008	January to March 2007	Increase/(decrease) in this reporting period as compared to the corresponding period of last year (%)
Net profit attributable to shareholders of the Company	6,319	2,462	156.66
Basic earnings per share (<i>in RMB Yuan</i>)	0.43	0.17	152.94
Diluted earnings per share (<i>in RMB Yuan</i>)	0.43	0.17	152.94
Basic earnings per share, net of non-recurring gains or losses (<i>in RMB Yuan</i>)	0.43	0.17	152.94
Return on equity – fully diluted (%)	8.45	4.30	Increase by 4.15 percentage points
Return on equity – fully diluted, net of non-recurring gains or losses (%)	8.45	4.23	Increase by 4.22 percentage points
Non-recurring gains or losses	January to March 2008		
Non-operating income		16	
Non-operating expenses		15	
Net non-operating income/expense		1	

2.2 Management discussion and analysis

As at 31 March 2008, total assets of the Company amounted to RMB1,373.786 billion, representing an increase of 4.82% as compared with the beginning of the year. Total liabilities amounted to RMB1,299.024 billion, representing an increase of 4.54% as compared with the beginning of the year. Total loans and advances amounted to RMB703.461 billion, representing an increase of 4.50% as compared with the beginning of the year. Among which, corporate loans accounted for 66.93%, retail loans accounted for 25.12% and discounted bills accounted for 7.95%. Deposits from customers amounted to RMB997.301 billion, representing an increase of 5.70% as compared with the beginning of the year. Among which, demand deposits accounted for 56.73% and time deposits accounted for 43.27%. Among the demand deposits, corporate deposits accounted for 63.25% and retail deposits accounted for 36.75%; and among the time deposits, corporate deposits accounted for 64.43% and retail deposits accounted for 35.57%.

During the reporting period, the Company realized a net profit of RMB6.319 billion, representing an increase of 156.66% as compared with the corresponding period of the previous year. The principal factors attributable to the increase in net profit of the Company during the reporting period included: firstly, there was an increase in the volume of interest-earning assets and an expansion of interest spread, which boosted the net interest income to increase by 73.96%; secondly, net fees and commission income continued to grow rapidly by 102.95%; thirdly, both non-performing loans and non-performing loan ratio reduced and the quality of credit assets continued to improve, with the balance of non-performing loans amounting to RMB10.023 billion, representing a decrease of RMB371 million as compared with the beginning of the year, meanwhile, the non-performing loan ratio was 1.42%, representing a decrease of 0.12 percentage points as compared with the beginning of the year, and credit costs continued to decrease, and the provision for impairment losses decreased by 55.92%; fourthly, the effective income tax rate reduced to 23.99% as a result of the overall reduction in the statutory tax rates as well as the increase in the proportion of taxable profits from low tax rate regions.

As at the end of the reporting period, the capital adequacy ratio of the Company was 10.79%, representing an increase of 0.12 percentage points as compared with the beginning of the year; the core capital adequacy ratio was 9.20%, representing an increase of 0.18 percentage points as compared with the beginning of the year.

2.3 Total number of 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 323,917

Top ten shareholders whose shares are not subject to trading moratorium			
No.	Name of shareholders	Number of shares held	Class of Shares
1	HKSCC Nominees Limited ⁽¹⁾	2,630,022,861	H Shares
2	Universal Balanced Growth Stock Investment Fund	60,297,662	Renminbi denominated ordinary shares
3	Jingshun Great Wall Selective Blue-Chip Stock Investment Fund	54,814,698	Renminbi denominated ordinary shares
4	Jiashi Stable Open Stock Investment Fund	51,401,935	Renminbi denominated ordinary shares
5	South Excellent Performance Growth Stock Investment Fund	50,071,671	Renminbi denominated ordinary shares
6	Huaxia BlueChip Core Mixed Stock Investment Fund (LOF)	50,031,688	Renminbi denominated ordinary shares
7	Rongtong New Blue-Chip Stock Investment Fund	47,596,690	Renminbi denominated ordinary shares
8	South Selective Stock Investment Fund	46,802,064	Renminbi denominated ordinary shares
9	Yifangda 50 Index Stock Investment Fund	45,923,623	Renminbi denominated ordinary shares
10	Boshi Mainstream Industry Stock Investment Fund	43,599,702	Renminbi denominated ordinary shares

Note:

1. Shares held by HKSCC Nominees Limited are the total shares in the accounts of holders of CMB H Shares trading on the transaction platform of HKSCC Nominees Limited.
2. Of the aforesaid top 10 shareholders whose shares are not subject to trading moratorium, South Excellent Performance Growth Stock Investment Fund and South Selective Stock Investment Fund are both managed by China Southern Fund Management Co., Ltd. The Company is not aware of any co-relationship of other shareholders who are not subject to trading moratorium.

3. SIGNIFICANT EVENTS

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

The table below sets out the major accounting items with change rate over 30% and their reasons (PRC GAAP) (unaudited):

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

Major accounting items	At the end of the reporting period	Percentage of increase or decrease	Major reasons
Financial assets at fair value through profit or loss	14,480	33.60%	Increase in business volume of derivatives
Other assets	6,547	48.12%	Increase in funds to be liquidated
Financial liabilities at fair value through profit or loss	5,567	89.03%	Increase in business volume of derivatives
Other liabilities	13,812	195.51%	Increase in funds to be liquidated
Investment revaluation reserve	-24	-94.90%	Changes in valuation of available-for-sale financial assets
Retained profits	18,412	52.25%	Increase in net profit during the reporting period
Net interest income	11,873	73.96%	Increase in interest-earning assets and expansion of interest spread
Net fees and commission income	1,928	102.95%	Increase in intermediate business
Other net income	-89	-387.10%	Exchange differences
Business tax and other surcharges	795	64.94%	Increase in taxable operating income
Operating and administrative expense	4,169	54.64%	Increase in administrative expenses due to business development
Provision for impairment losses	436	-55.92%	Improvement in asset quality and reduction in credit costs
Non-operating income	16	-58.97%	Decrease in non-operating income
Non-operating expenses	15	275.00%	Increase in non-operating expenses
Income tax	1,994	64.52%	Increase in taxable income driven by increase in earnings

3.2 The progress of significant events and their impact as well as the analysis and explanations for the solutions

3.2.1 *Expiration of the Lock-up Period in relation to shares which were perviously subject to trading moratorium*

As at 27 February 2008, the Company had 2,532,396,325 shares subject to trading moratorium in respect of which the lock-up period had expired and therefore these shares became tradable. For details on the listing of the shares subject to trading moratorium, please refer to the announcement of the Company published on 22 February 2008.

3.2.2 *Phase I of the Restricted “A” Shares Share Incentive Scheme*

On 18 March 2008, the Board of the Company considered and approved the Proposal on Implementation of the Phase I of the Share Incentive Scheme (Restricted A Shares) (Draft). For details on the Share Incentive Scheme (Restricted A Shares) (Draft), please refer to the announcement of the Company published on 19 March 2008. The Company would convene a shareholders’ meeting in accordance with proper procedures to consider the Share Incentive Scheme upon obtaining an approval from the State-owned Assets Supervision and Administration Commission of the State Council and issuing of a no-objection letter by the CSRC.

3.2.3 *Approval of CMB Financial Leasing Co., LTD to commence operation*

Pursuant to the “Approval of the China Banking Regulatory Commission on Commencement of Operation of CMB Financial Leasing Co., LTD” (Yin Jian Fu No. (2008)110) issued by the China Banking Regulatory Commission (the “CBRC”), CMB Financial Leasing Co., LTD, which is wholly owned by the Company, was given an approval to commence operation. CMB Financial Leasing Co., LTD was incorporated with a registered capital of RMB2 billion and is mainly engaged in finance leases, receiving lease margin from the lessees, transferring lease receivables to commercial banks, issuing financial bonds with proper approval, inter-bank lending and borrowing, borrowing from financial institutions and borrowing foreign exchange from abroad, etc..

3.2.4 *Branches establishment*

During the reporting period, the Company was approved to establish the Weifang Branch pursuant to the “Approval of the China Banking Regulatory Commission on the establishment of CMB Weifang Branch” (Yin Jian Fu No. (2008)58) issued by the CBRC, and the establishment of the CMB Weifang Branch is in progress.

Pursuant to the “Approval of the Jiangsu Banking Regulatory Bureau on Commencement of Operation of CMB Nantong Branch” (Su Yin Jian Fu No. (2008)133) issued by the CBRC Jiangsu Bureau, the CMB Nantong Branch was given an approval to commence operation.

3.3 Status of performance of undertakings given by the Company, shareholders and de facto controllers

☐ Applicable ☒ Not applicable

3.4 Disclosure as to, and reason for, the warning in respect of forecast of a probable loss in respect of the accumulated net profit from the beginning of the financial year to the end of the next reporting period or any significant changes in profit as compared with that of the corresponding period of last year

☐ Applicable ☒ Not applicable

3.5 Investments in securities

☐ Applicable ☒ Not applicable

UNAUDITED CONSOLIDATED BALANCE SHEET
(Expressed in millions of Renminbi unless otherwise stated)

	31 March 2008	31 December 2007
Assets		
Cash and balances with central bank	146,093	152,647
Balances with banks and other financial institutions	14,436	13,895
Placements with banks	38,527	42,941
Financial assets at fair value through profit or loss	14,480	10,838
Financial assets purchased under agreements to resell	193,390	182,728
Interest receivables	5,439	4,893
Loans and advances	684,475	654,417
Available-for-sale financial assets	168,517	142,070
Long term equity investments	292	271
Held-to-maturity investments	74,946	74,632
Investment receivables	16,157	16,537
Fixed assets	8,068	7,707
Investment properties	353	394
Deferred income tax assets	2,066	2,162
Other assets	6,547	4,420
Total assets	<u>1,373,786</u>	<u>1,310,552</u>

	31 March 2008	31 December 2007
Liabilities		
Deposits from banks and other financial institutions	212,356	218,520
Placements from banks	5,022	5,555
Financial liabilities at fair value through profit or loss	5,567	2,945
Financial assets sold under agreements to repurchase	36,651	41,048
Deposits from customers	997,301	943,534
Staff cost	4,145	3,599
Taxes payable	4,135	3,665
Interests payable	5,038	4,428
Bonds payable	14,997	14,600
Other liabilities	13,812	4,674
	<hr/>	<hr/>
Total liabilities	1,299,024	1,242,568
	<hr/>	<hr/>
Shareholders' equity		
Share capital	14,707	14,705
Capital reserve	27,531	27,074
Among which: investment revaluation reserve	(24)	(471)
Surplus reserve	4,612	4,612
Regulatory general reserve	9,500	9,500
Retained profits	18,412	12,093
Among which: proposed dividend appropriations	4,117	4,117
	<hr/>	<hr/>
Total shareholders' equity	74,762	67,984
	<hr/>	<hr/>
Total shareholders' equity and liabilities	1,373,786	1,310,552
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UNAUDITED BALANCE SHEET*(Expressed in millions of Renminbi unless otherwise stated)*

	31 March 2008	31 December 2007
Assets		
Cash and balances with central bank	145,889	152,639
Balances with banks and other financial institutions	12,436	13,895
Placements with banks	38,527	42,941
Financial assets at fair value through profit or loss	14,480	10,830
Financial assets purchased under agreements to resell	193,390	182,728
Interest receivables	5,439	4,893
Loans and advances	684,475	654,417
Available-for-sale financial assets	168,517	142,070
Long term equity investments	2,543	522
Held-to-maturity investments	74,946	74,632
Investment receivables	16,157	16,537
Fixed assets	8,053	7,691
Investment properties	322	363
Deferred income tax assets	2,066	2,162
Other assets	6,483	4,378
Total assets	1,373,723	1,310,698
Liabilities		
Deposits from banks and other financial institutions	212,356	218,520
Placements from banks	5,022	5,555
Financial liabilities at fair value through profit or loss	5,567	2,945
Financial assets sold under agreements to repurchase	36,651	41,048
Deposits from customers	997,301	943,769
Staff cost	4,145	3,599
Taxes payable	4,135	3,665
Interests payable	5,038	4,428
Bonds payable	14,997	14,600
Other liabilities	13,806	4,658
Total liabilities	1,299,018	1,242,787
Shareholders' equity		
Share capital	14,707	14,705
Capital reserve	27,531	27,074
Among which: investment revaluation reserve	(24)	(471)
Surplus reserve	4,612	4,612
Regulatory general reserve	9,500	9,500
Retained profits	18,355	12,020
Among which: proposed dividend appropriations	4,117	4,117
Total shareholders' equity	74,705	67,911
Total shareholders' equity and liabilities	1,373,723	1,310,698

UNAUDITED CONSOLIDATED INCOME STATEMENTS

(Expressed in millions of Renminbi unless otherwise stated)

	For the three-month period ended March 31	
	2008	2007
Operating income	13,712	7,806
Interest income	17,478	10,611
Interest expense	(5,605)	(3,786)
Net interest income	11,873	6,825
Fee and commission income	2,119	1,107
Fee and commission expense	(191)	(157)
Net fee and commission income	1,928	950
Net gain arising from change in fair value	126	(112)
Net gain arising from investments	87	7
Net gain arising from foreign exchange	(302)	136
Other net income	(89)	31
Operating expense	(5,400)	(4,167)
Business tax and other surcharges	(795)	(482)
Operating and administrative expense	(4,169)	(2,696)
Provision for impairment of assets	(436)	(989)
Operating profit	8,312	3,639
Add: non-operating income	16	39
Less: non-operating expense	(15)	(4)
Total profit	8,313	3,674
Less: income tax expense	(1,994)	(1,212)
Net profit	6,319	2,462
	<i>In RMB Yuan</i>	<i>In RMB Yuan</i>
Earnings per share		
Basic earnings per share	0.43	0.17
Diluted earnings per share	0.43	0.17

UNAUDITED INCOME STATEMENTS*(Expressed in millions of Renminbi unless otherwise stated)***For the three-month period
ended March 31**

	2008	2007
Operating income	13,718	7,805
Interest income	17,478	10,611
Interest expense	(5,606)	(3,786)
Net interest income	11,872	6,825
Fee and commission income	2,119	1,107
Fee and commission expense	(191)	(157)
Net fee and commission income	1,928	950
Net gain arising from change in fair value	133	(113)
Net gain arising from investments	87	7
Net gain arising from foreign exchange	(302)	136
Other net income	(82)	30
Operating expense	(5,392)	(4,163)
Business tax and other surcharges	(795)	(482)
Operating and administrative expense	(4,161)	(2,692)
Provision for impairment of assets	(436)	(989)
Operating profit	8,326	3,642
Add: non-operating income	16	34
Less: non-operating expense	(13)	(4)
Total profit	8,329	3,672
Less: income tax expenses	(1,994)	(1,212)
Net profit	6,335	2,460

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

**For the three-month period
ended March 31**

2008 2007

Cash flow from operating activities

Net increase in deposits from customers	53,767	16,698
Net increase in balances with banks and other financial institutions	-	28,979
Net increase in placements from banks and financial assets sold under agreements to repurchase	-	1,153
Net decrease in balances with central bank	-	5,466
Net decrease in balances with banks and other financial institutions	-	3,070
Net decrease in capital lent and financial assets purchased under resale agreement	8,245	24,390
Net recoveries of loans and advances previously written off	1	5
Cash received from interest, fee and commission	16,973	11,420
Cash received from other operating activities	9,538	1,446

Sub-total of cash inflow from operating activities

88,524 92,627

Net increase in loans and advances	(30,501)	(50,805)
Net decrease in balances with banks and other financial institutions	(6,164)	-
Net decrease in placements from banks and financial assets sold under agreements to repurchase	(4,930)	-
Net increase in balances with central bank	(9,057)	-
Net decrease in balances with banks and other financial institutions	(409)	-
Cash paid for interest, fee and commission	(5,071)	(5,703)
Cash payments to and for employees	(2,149)	(1,531)
Income taxes paid and other taxes	(2,678)	(1,315)
Other cash payments relating to operating activities	(1,106)	(3,858)

Sub-total of cash outflow from operating activities

(62,065) (63,212)

Net cash flow from operating activities

26,459 29,415

Cash flow from investing activities

Cash received from recovery of investments	195,769	84,362
Cash received from return on investments	2,078	1,411
Cash received from disposal of fixed assets and other assets	21	1

Sub-total of cash inflow from investing activities

197,868 85,774

**For the three-month period
ended March 31**

	2008	2007
Cash paid for investments	(223,813)	(115,650)
Cash paid for purchase and construction of fixed assets and other assets	<u>(725)</u>	<u>(349)</u>
Sub-total of cash outflow from investing activities	<u>(224,538)</u>	<u>(115,999)</u>
Net cash flow from investing activities	<u>(26,670)</u>	<u>(30,225)</u>
Cash flow from fund raising activities		
Proceeds from issuance of certificates of deposit	<u>460</u>	<u>-</u>
Sub-total of cash inflow from fund raising activities	<u>460</u>	<u>-</u>
Interest paid for issuance of long-term bonds	<u>(115)</u>	<u>(116)</u>
Sub-total of cash outflow from fund raising activities	<u>(115)</u>	<u>(116)</u>
Net cash flow from fund raising activities	<u>345</u>	<u>(116)</u>
Effect of exchange differences on cash	<u>(602)</u>	<u>(173)</u>
Net increase in cash and cash equivalents	<u>(468)</u>	<u>(1,099)</u>

UNAUDITED CASH FLOW STATEMENT*(Expressed in millions of Renminbi unless otherwise stated)***For the three-month period
ended March 31**

	2008	2007
Cash flow from operating activities		
Net increase in deposits from customers	53,532	16,698
Net decrease in balances with banks and other financial institutions	1,591	3,078
Net increase in balances with banks and other financial institutions	-	28,979
Net increase in placements from banks and financial assets sold under agreements to repurchase	-	1,153
Net decrease in balances with central bank	-	5,466
Net decrease in capital lent and financial assets purchased under resale agreement	8,245	24,390
Net of recoveries of loans and advances previously written off	1	5
Cash received from interest, fee and commission	16,973	11,420
Cash received from other operating activities	9,773	1,444
Sub-total of cash inflow from operating activities	90,115	92,633
Net increase in loans and advances	(30,501)	(50,805)
Net decrease in balances with banks and other financial institutions	(6,164)	-
Net decrease in placements from banks and financial assets sold under agreements to repurchase	(4,930)	-
Net increase in balances with central bank	(9,057)	-
Cash paid for interest, fee and commission	(5,072)	(5,703)
Cash payment to and for employees	(2,145)	(1,531)
Income tax paid and other taxes	(2,678)	(1,315)
Other cash payments relating to operating activities	(1,082)	(3,844)
Sub-total of cash outflow from operating activities	(61,629)	(63,198)
Net cash flow from operating activities	28,486	29,435
Cash flow from investing activities		
Cash received from recovery of investments	195,769	84,362
Cash received from return on investments	2,078	1,411
Cash received from disposal of fixed assets and other assets	21	1
Sub-total of cash inflow from investing activities	197,868	85,774

**For the three-month period
ended March 31**

	2008	2007
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Cash paid for investments	(223,813)	(115,650)
Cash paid for purchase and construction of fixed assets and other assets	(725)	(300)
Purchase of equity investments from subsidiaries	(2,000)	-
Sub-total of cash outflow from investing activities	(226,538)	(115,950)
Net cash flow from investing activities	(28,670)	(30,176)
Cash flow from fund raising activities		
Proceeds from issuance of certificates of deposit	460	-
Sub-total of cash inflow from fund raising activities	460	-
Interest paid for issuance of long-term bonds	(115)	(116)
Sub-total of cash outflow fund raising activities	(115)	(116)
Net cash flow from fund raising activities	345	(116)
Effect of exchange differences on cash	(602)	(173)
Net increase in cash and cash equivalents	(441)	(1,030)

Board of Directors
China Merchants Bank Co., Ltd.

22 April 2008

As at the date of this announcement, the executive directors of the Company are Ma Weihua, Zhang Guanghua and Li Hao; the non-executive directors of the Company are Qin Xiao, Wei Jiafu, Fu Yuning, Li Yinquan, Hong Xiaoyuan, Ding An Hua Edward, Sun Yueying, Wang Daxiong and Fu Junyuan; and the independent non-executive directors of the Company are Wu Jiesi, Yan Lan, Yi Xiqun, Chow Kwong Fai Edward, Liu Yongzhang and Liu Hongxia.