



**招商銀行**

CHINA MERCHANTS BANK

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  
THIRD 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 Generally Accepted Accounting Principles.

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 29th meeting of the Seventh Session of the Board of Directors has approved the third quarterly report of 2008 of the Company through voting by correspondence. 18 out of the 18 Directors attended and voted at the meeting.
- 1.4 All financial information set out in this report is prepared in accordance with the PRC Generally Accepted Accounting Principles (“PRC GAAP”) and is unaudited. Unless otherwise stated, all monetary sums stated in this report are expressed in RMB.
- 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. ZHOU Song, 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 GENERAL INFORMATION

### 2.1 Major accounting data & financial indicators

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

	At the end of the Reporting Period 30 September 2008	31 December 2007	Increase/ (decrease) at the end of the Reporting Period as compared to the end of last year (%)
Total assets	1,547,249	1,310,552	18.06
Shareholders Equity attributable to Parent Company	83,580	67,984	22.94
Net assets per share attributable to Parent Company (in RMB Yuan)	5.68	4.62	22.94
			Increase/ (decrease) as compared to the corresponding period of last year (%)
Net cash flow from operating activities	66,255		-41.73
Net cash flow from operating activities per share (in RMB Yuan)	4.50		-41.79
			Increase/ (decrease) in this Reporting Period as compared to the corresponding period of last year (%) <sup>Note</sup>
	This Reporting Period July to September, 2008	January to September, 2008	
Net profit attributable to shareholders of the Parent Company	5,754	18,999	49.45
Basic earnings per share (in RMB Yuan)	0.39	1.29	50.00
Diluted earnings per share (in RMB Yuan)	0.39	1.29	50.00
Basic earnings per share, net of non-recurring gains or losses (in RMB Yuan)	0.39	1.29	50.00
Return on equity – fully diluted (%)	6.88	22.73	Increase 0.76 percentage point
Return on equity – fully diluted, net of non-recurring gains or losses (%)	6.83	22.61	Increase 0.81 percentage point
<b>Non-recurring gains or losses</b>		<b>January to September, 2008</b>	
Non-operating income		171	
Non-operating expenses		(42)	
Effect of income tax		(30)	
Net non-operating income/expense		99	

Note: "Increase/(decrease) in this Reporting Period as compared to the corresponding period of last year" refers to the comparison between the relevant financial indicators for the period from July to September, 2008 and the financial indicators for the period from July to September, 2007.

## 2.2 Management discussion and analysis

For the nine months ended 30 September 2008, the key operating results of the Group (including the Company and its subsidiaries) were as follow: total assets amounted to RMB1,547.249 billion, representing an increase of 18.06% as compared with the beginning of the year; total liabilities amounted to RMB1,457.237 billion, representing an increase of 17.28% as compared with the beginning of the year; realized net profit amounted to RMB18.999 billion, representing an increase of 90.56% as compared with the corresponding period of the previous year; the capital adequacy ratio was 12.82%; the core capital adequacy ratio was 8.00%.

Excluding the effects arising out of the acquisition of Wing Lung Bank, Limited (“Wing Lung Bank”), then:

As at the end of the reporting period, total assets amounted to RMB1,461.402 billion, representing an increase of 11.51 % as compared with the beginning of the year; total liabilities amounted to RMB1,377.822 billion, representing an increase of 10.89% as compared with the beginning of the year. Total loans and advances amounted to RMB761.428 billion, representing an increase of 13.11% as compared with the beginning of the year. Among which, corporate loans accounted for 65.73%, retail loans accounted for 26.85% and discounted bills accounted for 7.42%. Deposits from customers amounted to RMB1,128.883 billion, representing an increase of 19.64% as compared with the beginning of the year. Among which, demand deposits accounted for 49.51% and time deposits accounted for 50.49%. Among the demand deposits, corporate deposits accounted for 60.60% and retail deposits accounted for 39.40%; and among the time deposits, corporate deposits accounted for 63.15% and retail deposits accounted for 36.85%.

The net profit amounted to RMB18.999 billion, representing an increase of 90.56% as compared with the corresponding period of the previous year. The principal factors attributable to the increase 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 53.23%; secondly, net fees and commission income continued to grow by 33.56%; thirdly, the effective income tax rate reduced to 22.95% due to the overall reduction in the statutory tax rates.

The capital adequacy ratio was 12.12%, representing an increase of 1.83 percentage points as compared with the beginning of the year; the core capital adequacy ratio was 7.96%, representing a decrease of 0.75 percentage point as compared with the beginning of the year.

The balances of non-performing loans amounted to RMB9.149 billion, representing a decrease of RMB1.245 billion as compared with the beginning of the year; the non-performing loan ratio was 1.2%, representing a decrease of 0.34 percentage points as compared with the beginning of the year, and the coverage ratio of provision for non-performing loans was 220.72%, representing an increase of 40.33 percentage points as compared with the beginning of the year.

As at the end of the reporting period, the balances of domestic small-and medium-sized enterprises loans of the Company amounted to RMB216.48 billion, representing 44.09% of the total loans to domestic companies and an increase of 0.8 percentage points as compared with the beginning of the year; non-performing loan ratio was 2.67%, representing a decrease of 0.95 percentage points as compared with that of the beginning of the year. The Company's small-and medium-sized enterprises loans maintained a positive momentum of "increased quantity and improved quality".

As at the end of the reporting period, balances of bond investments denominated in foreign currencies held by the Company amounted to US\$3.522 billion. The categorization of these bonds in terms of issuers was: 44.23% issued by the Chinese government and Chinese companies, 22.93% issued by G7 governments and institutions, 28.54% issued by overseas banks, and 4.30% issued by overseas companies.

As at the end of the reporting period, the bonds of Fannie Mae and Freddie Mac previously held by the Company had been fully sold with some gains. The Company did not hold any relevant securities products relating to subprime mortgage bonds. Balances of the bonds issued by Lehman Brothers held by the Company amounted to US\$70 million.

Due to the recent turbulence in the global financial market, the Company recorded an expected loss of US\$70.1 million for its bond investments denominated in foreign currencies, representing 1.99% of its total bond investments denominated in foreign currencies. The Company had already made a provision of US\$78.04 million for the impairment loss from its investments in the bonds issued by overseas financial institutions (including Lehman Brothers).

## 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 417,896

<b>Top ten shareholders whose shares are not subject to trading moratorium</b>			
<b>No.</b>	<b>Name of shareholders</b>	<b>Number of shares held</b>	<b>Class of Shares</b>
1	HKSCC Nominees Limited <sup>1</sup>	2,617,781,555	H shares
2	Shanghai Automotive Industry Corporation	250,564,996	RMB denominated ordinary shares
3	CNOOC Investment Co., Ltd.	205,305,070	RMB denominated ordinary shares
4	Guangdong Provincial Highways Administration Bureau	175,950,157	RMB denominated ordinary shares
5	Shandong State-owned Assets Investment Holdings Company Limited	175,950,157	RMB denominated ordinary shares
6	Qinhuangdao Port Group Company Limited	175,950,157	RMB denominated ordinary shares
7	Huaneng Capital Service Co., Ltd.	141,650,000	RMB denominated ordinary shares
8	China International Marine Containers (Group) Co., Ltd.	137,109,861	RMB denominated ordinary shares
9	China Merchants Industry Development (Shenzhen) Co., Ltd	120,623,078	RMB denominated ordinary shares
10	Shanghai Stock Exchange 50 Trading Open-end Index Securities Investment Fund	112,511,308	RMB denominated ordinary shares

*Note:*

1. Shares held by HKSCC Nominees Limited are the total shares in the accounts of holders of H Shares of the Company trading on the transaction platform of HKSCC Nominees Limited.
2. The Company is not aware of any co-relationship among the above top ten shareholders whose shares 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

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)*

<b>Major items</b>	<b>As at 30 September 2008</b>	<b>Change comparing to the end of last year</b>	<b>Major reasons</b>
Cash and balances with central bank	210,424	37.85%	Upward adjustment of the statutory deposit reserve ratio and increase of reserves with the Central Bank
Balances with banks and other financial institutions	28,107	102.28%	Increase in balances with commercial banks
Placements with banks	89,540	108.52%	Increase in placements with banks and takeover of Wing Lung Bank
Financial assets at fair value through profit or loss	19,005	75.36%	Increase in the investment in trading bonds and takeover of Wing Lung Bank
Financial assets purchased under agreements to resell	91,845	-49.74%	Decrease in resale business with banks
Available-for-sale financial assets	193,783	36.40%	Increase in investment in available-for-sale bonds
Long term equity investments	832	207.01%	Investment in Taizhou Commercial Bank and etc
Investment properties	2,412	512.18%	Takeover of Wing Lung Bank
Fixed asset	12,016	55.91%	Takeover of Wing Lung Bank
Intangible Assets	1,926	271.81%	Takeover of Wing Lung Bank
Goodwill	9,717	–	No such item in last year's consolidated statement
Other assets	9,245	136.93%	Increase of other assets and takeover of Wing Lung Bank
Balances with banks and other financial institutions	126,457	-42.13%	Decrease in deposits from securities companies due to the downturn of stock market
Placements from banks	12,795	130.33%	Increase in the inter-bank lending and borrowing
Financial liabilities at fair value through profit or loss	5,174	75.69%	Takeover of Wing Lung Bank

<b>Major items</b>	<b>As at 30 September 2008</b>	<b>Change comparing to the end of last year</b>	<b>Major reasons</b>
Staff cost	6,341	76.19%	Increase in staff costs
Interest payable	7,222	63.10%	Increase in liabilities and change in interest rates
Bonds payable	46,430	218.01%	Issue of subordinated bonds
Deferred income tax liabilities	333	–	No such item in last year's consolidated statement
Other liabilities	16,575	254.62%	Increase in other liabilities and takeover of Wing Lung Bank
Investment revaluation reserve	234	149.68%	Changes in valuation of available-for-sale financial assets
Undistributable profits	26,975	123.06%	Increase in net profits
Minority interests	6,432	–	No such item in last year's consolidated statement

<b>Major items</b>	<b>January to September 2008</b>	<b>Change comparing to last year</b>	<b>Major reasons</b>
Interest income	54,146	52.33%	Expansion of interest-earning assets and interest spread
Interest expense	18,346	50.60%	Expansion of interest – bearing liabilities
Fees and commission income	6,567	33.48%	Expansion of fees for business such as bank cards and trust service
Fees and commission expense	709	32.77%	Increase in bank cards fee expense
Net investment gain	–8	–166.67%	Loss in disposal of available-for-sale financial assets
Net foreign exchange gain	594	350.00%	Increase in gain from forex trading and foreign exchange
Business tax and surcharges	2,451	46.50%	Increases in taxable income
Business and management fees	13,395	35.65%	Increase and remodification in branches and increase in headcounts
Non-operating expenses	42	61.54%	Increase in donation



## **3.2 The progress of significant events and their impact and the analysis and explanations for the solutions**

### ***3.2.1 The progress of acquisition of Wing Lung Bank***

On 30 September 2008, the Company acquired approximately 53.12% shareholdings in Wing Lung Bank from the Wu family and issued a joint announcement on the same day. Upon completion of the above acquisition, the Company and parties acting in concert with it held an aggregate of 123,336,170 shares in Wing Lung Bank. On 6 October 2008, the Company despatched to the shareholders of Wing Lung Bank a Composite Offer Document, and the General Offer closed on 27 October 2008. As at 27 October 2008, the Company received acceptances in respect of 103,794,637 valid shares in Wing Lung Bank under the General Offer, representing more than 90% of the acquisition shares in Wing Lung Bank which are subject to the General Offer. The Company will exercise the rights conferred under Section 168 of, and the Ninth Schedule to, the Hong Kong Companies Ordinance, to make a compulsory offer for the remaining shares in Wing Lung Bank which are yet to be acquired upon closing of the General Offer in accordance with Rule 2.11 of the Hong Kong Code on Takeovers and Mergers. Upon completion of the compulsory acquisition, Wing Lung Bank will become a wholly-owned subsidiary of the Company. Wing Lung Bank will apply to the Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) for withdrawal of listing of shares of Wing Lung Bank on the Hong Kong Stock Exchange in accordance with Rule 6.15 of the Hong Kong Listing Rules. For further details, please refer to the relevant announcements published by the Company on the websites of the Hong Kong Stock Exchange, Shanghai Stock Exchange and the Company on 30 September 2008, 6 October 2008 and 27 October 2008, respectively.

Since the Company has become the controlling shareholder of Wing Lung Bank, the Company has enhanced its corporate governance in accordance with the relevant law and regulations. The Company has re-selected and replaced some of the directors and appointed a new chairman of the board of directors and CEO for Wing Lung Bank. Meanwhile, the Company has implemented schedules for the integration of Wing Lung Bank and the progress of which was better than expectation. Notwithstanding the turbulence of global financial market, the current business development and employee team of Wing Lung Bank remained stable. Facing the circumstances similar to other banks, it is expected that the profit of Wing Lung Bank in 2008 will be, to a certain extent, lower than anticipated. However, the recent market rumours of Wing Lung Bank being suffered a great loss from foreign currency bonds investment and guarantee were materially inconsistent with the actual situation of Wing Lung Bank. We will give full consideration of external operating environments, unique features of management and operation of, and complementary advantages between, the Company and Wing Lung Bank. The Company will further refine the initiatives for integrating the competitive edges of Wing Lung Bank, in order to expedite the integration project and gradually realize the synergies between the Company and Wing Lung Bank so as to stably increase the market share and the profitability of Wing Lung Bank.



### ***3.2.2 Brief description on consolidation of the financial statements of Wing Lung Bank***

On 30 September 2008, the Company completed the acquisition of the controlling interests in Wing Lung Bank. The Company has prepared the consolidated financial statements as at the acquisition date in accordance with the relevant requirements of the Accounting Standard for Business Enterprises No. 33 – Consolidated Financial Statement. The Company has appointed a renowned asset appraiser to evaluate the identifiable net assets of Wing Lung Bank as at the acquisition date. As the appraisal is still being conducted, the Company has calculated the goodwill arising from the acquisition as at the end of the reporting period based on its own evaluation results. Upon completion of the formal appraisal, the Company will make adjustments to the goodwill arising from the acquisition according to the formal appraisal result.

### ***3.2.3 The establishment of branches***

During the reporting period, according to “the Approval Letter from CBRC on the Establishment of Changchun Branch of China Merchants Bank” (Yin Jian Fu [2008] No. 171) issued by the China Banking Regulatory Commission, the Company obtained the approval to establish its Changchun Branch and the branch is in the course of being constructed.

During the reporting period, the Weifang Branch of the Company was approved to commence business according to “the Approval Letter from Shandong Banking Regulatory Bureau for the Commencement of Business of Weifang Branch of China Merchants Bank Co., Ltd.” (Yin Jian Lu Zhun [2008] No. 202) issued by the Shandong Banking Regulatory Bureau under the China Banking Regulatory Commission.

The New York Branch of the Company has officially commenced business on 8 October 2008 (Eastern time of the United States). The branch is engaged in wholesale deposit-taking, lending, trade finance and other banking services.

### **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 Other significant events requiring disclosure

#### 3.5.1 Shareholding in other listed companies

Applicable       Not applicable

Name of investee company held	Stock code	Short name	Initial investment (million)	No. of Shares held at the end of Reporting Period	Carrying amount at the end of Reporting Period (In millions of RMB)	Carrying amount at the beginning of Reporting Period (In millions of RMB)	Accounting items
Wing Lung Bank Ltd.0096(HK)		Wing Lung Bank	HK\$19,321	123,336,170	17,005	-	Long-term shareholding investment

#### 3.5.2 Shareholding in non-listed financial institutions and companies proposed to be listed

Applicable       Not applicable

Name of investee company held	Initial investment (million)	Number of shares held (million)	Proportion of equity held	Carrying amount at the end of Reporting Period (In millions of RMB)
CMB International Capital Corporation Limited	HK\$250	250	100%	251
CMB Financial Leasing Co., Ltd	RMB2,000	NA	100%	2,000
China Merchants Fund Management Co., Ltd.	RMB191	70	33.4%	283
Taizhou Commercial Bank	RMB307	30	10%	307
China Union Pay Co., Ltd.	RMB80	100	3.5%	88
EPS Company (Hong Kong) Limited	HK\$8	1	0.7%	8

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

	<b>30 September 2008</b>	31 December 2007
<b>Assets</b>		
Cash and balances with central bank	<b>210,424</b>	152,647
Balances with banks and other financial institutions	<b>28,107</b>	13,895
Placements with banks	<b>89,540</b>	42,941
Financial assets at fair value through profit or loss	<b>19,005</b>	10,838
Financial assets purchased under agreements to resell	<b>91,845</b>	182,728
Interest receivables	<b>5,956</b>	4,893
Loans and advances	<b>779,903</b>	654,417
Available-for-sale financial assets	<b>193,783</b>	142,070
Long term equity investments	<b>832</b>	271
Held-to-maturity investments	<b>75,446</b>	74,632
Investment receivables	<b>15,126</b>	16,537
Fixed assets	<b>12,016</b>	7,707
Investment properties	<b>2,412</b>	394
Deferred income tax assets	<b>1,966</b>	2,162
Intangible assets	<b>1,926</b>	518
Goodwill	<b>9,717</b>	0
Other assets	<b>9,245</b>	3,902
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<b>Total assets</b>	<b><u>1,547,249</u></b>	<b><u>1,310,552</u></b>

**30 September**      31 December  
**2008**                      2007

**Liabilities**

Balances with banks and other financial institutions	<b>126,457</b>	218,520
Placements from banks	<b>12,795</b>	5,555
Financial liabilities at fair value through profit or loss	<b>5,174</b>	2,945
Financial assets sold under agreements to repurchase	<b>34,799</b>	41,048
Deposits from customers	<b>1,197,362</b>	943,534
Staff cost	<b>6,341</b>	3,599
Taxes payable	<b>3,749</b>	3,665
Interests payable	<b>7,222</b>	4,428
Bonds payable	<b>46,430</b>	14,600
Deferred income tax liabilities	<b>333</b>	0
Other liabilities	<b>16,575</b>	4,674

<b>Total liabilities</b>	<b>1,457,237</b>	1,242,568
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**Shareholders' equity**

Share capital	<b>14,707</b>	14,705
Capital reserve	<b>27,786</b>	27,074
Among which: investment revaluation reserve	<b>234</b>	(471)
Surplus reserve	<b>4,612</b>	4,612
Regulatory general reserve	<b>9,500</b>	9,500
Retained profits	<b>26,975</b>	12,093
Among which: proposed dividend appropriations	<b>0</b>	4,117

<b>Total equity attributable to equity shareholders of the parent company</b>	<b>83,580</b>	67,984
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<b>Minority interests</b>	<b>6,432</b>	0
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<b>Total shareholders' equity</b>	<b>90,012</b>	67,984
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<b>Total shareholders' equity and liabilities</b>	<b>1,547,249</b>	1,310,552
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## UNAUDITED BALANCE SHEET

(Expressed in millions of RMB unless otherwise stated)

	30 September 2008	31 December 2007
<b>Assets</b>		
Cash and balances with central bank	209,869	152,639
Balances with banks and other financial institutions	26,626	13,895
Placements with banks	59,246	42,941
Financial assets at fair value through profit or loss	14,296	10,830
Financial assets purchased under agreements to resell	91,845	182,728
Interest receivables	5,778	4,893
loans and advances	739,730	654,417
Available-for-sale financial assets	192,292	142,070
Long term equity investments	19,941	522
Held-to-maturity investments	70,571	74,632
Investment receivables	14,546	16,537
Fixed assets	8,783	7,691
Investment properties	316	363
Deferred income tax assets	1,911	2,162
Intangible Assets	550	518
Other assets	5,107	3,860
<b>Total assets</b>	<b>1,461,407</b>	<b>1,310,698</b>

**30 September**      31 December  
**2008**                      2007

**Liabilities**

Balances with banks and other financial institutions	<b>126,247</b>	218,520
Placements from banks	<b>11,686</b>	5,555
Financial liabilities at fair value through profit or loss	<b>2,469</b>	2,945
Financial assets sold under agreements to repurchase	<b>34,799</b>	41,048
Deposits from customers	<b>1,129,057</b>	943,769
Staff cost	<b>6,296</b>	3,599
Taxes payable	<b>3,705</b>	3,665
Interest payable	<b>7,061</b>	4,428
Bonds payable	<b>45,095</b>	14,600
Other liabilities	<b>11,484</b>	4,658

<b>Total liabilities</b>	<b>1,377,899</b>	1,242,787
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**Shareholders' equity**

Share capital	<b>14,707</b>	14,705
Capital reserve	<b>27,786</b>	27,074
Among which: investment revaluation reserve	<b>234</b>	(471)
Surplus reserve	<b>4,612</b>	4,612
Regulatory general reserve	<b>9,500</b>	9,500
Retained profits	<b>26,903</b>	12,020
Among which: proposed dividend appropriations	<b>0</b>	4,117

<b>Total shareholders' equity</b>	<b>83,508</b>	67,911
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<b>Total shareholders' equity and liabilities</b>	<b>1,461,407</b>	1,310,698
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**UNAUDITED CONSOLIDATED INCOME STATEMENTS***(Expressed in millions of Renminbi unless otherwise stated)*

	<b>For the nine-month period ended September 30</b>		<b>For the three-month period ended September 30</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
<b>Operating income</b>				
Interest income	<b>54,146</b>	35,546	<b>18,369</b>	13,262
Interest expense	<b>(18,346)</b>	(12,182)	<b>(6,693)</b>	(4,594)
<b>Net interest income</b>	<b>35,800</b>	23,364	<b>11,676</b>	8,668
Fee and commission income	<b>6,567</b>	4,920	<b>2,033</b>	1,908
Fee and commission expense	<b>(709)</b>	(534)	<b>(269)</b>	(186)
<b>Net fee and commission income</b>	<b>5,858</b>	4,386	<b>1,764</b>	1,722
Net gain arising from change in fair value	<b>280</b>	294	<b>102</b>	193
Net gain arising from investments	<b>(8)</b>	(3)	<b>(74)</b>	(12)
Net gain arising from foreign exchange	<b>594</b>	132	<b>306</b>	114
<b>Other net income</b>	<b>866</b>	423	<b>334</b>	295



	For the nine-month period ended September 30		For the three-month period ended September 30	
	2008	2007	2008	2007
<b>Operating expense</b>				
Business tax and other surcharges	(2,451)	(1,673)	(832)	(621)
Operating and administrative expense	(13,395)	(9,875)	(4,709)	(3,959)
Provision for impairment of assets	<u>(2,148)</u>	<u>(2,287)</u>	<u>(755)</u>	<u>(708)</u>
	<u>(17,994)</u>	<u>(13,835)</u>	<u>(6,296)</u>	<u>(5,288)</u>
<b>Operating profit</b>	<b>24,530</b>	14,338	<b>7,478</b>	5,397
Add: non-operating income	171	151	74	71
Less: non-operating expense	<u>(42)</u>	<u>(26)</u>	<u>(15)</u>	<u>(12)</u>
<b>Total profit</b>	<b>24,659</b>	14,463	<b>7,537</b>	5,456
Less: income tax expense	<u>(5,660)</u>	<u>(4,493)</u>	<u>(1,783)</u>	<u>(1,606)</u>
<b>Net profit</b>	<b><u>18,999</u></b>	<b><u>9,970</u></b>	<b><u>5,754</u></b>	<b><u>3,850</u></b>
	<i>In RMB Yuan</i>	<i>In RMB Yuan</i>		
Earnings per share				
Basic earnings per share	1.29	0.68		
Diluted earnings per share	<u>1.29</u>	<u>0.68</u>		

**UNAUDITED INCOME STATEMENTS***(Expressed in millions of Renminbi unless otherwise stated)*

	<b>For the nine-month period ended September 30</b>		<b>For the three-month period ended September 30</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Operating income</b>				
Interest income	<b>54,132</b>	35,546	<b>18,354</b>	13,262
Interest expense	<b>(18,370)</b>	(12,182)	<b>(6,694)</b>	(4,594)
<b>Net interest income</b>	<b>35,762</b>	23,364	<b>11,660</b>	8,668
Fee and commission income	<b>6,547</b>	4,920	<b>2,016</b>	1,908
Fee and commission expense	<b>(709)</b>	(534)	<b>(269)</b>	(186)
<b>Net fee and commission income</b>	<b>5,838</b>	4,386	<b>1,747</b>	1,722
Net gain arising from change in fair value	<b>290</b>	278	<b>103</b>	177
Net gain arising from investments	<b>(8)</b>	(3)	<b>(74)</b>	(12)
Net gain arising from foreign exchange	<b>594</b>	132	<b>307</b>	114
<b>Other net income</b>	<b>876</b>	407	<b>336</b>	279
<b>Operating expense</b>				
Business tax and other surcharges	<b>(2,451)</b>	(1,673)	<b>(832)</b>	(621)
Operating and administrative expense	<b>(13,345)</b>	(9,862)	<b>(4,690)</b>	(3,955)
Provision for impairment of assets	<b>(2,133)</b>	(2,287)	<b>(743)</b>	(708)
	<b>(17,929)</b>	(13,822)	<b>(6,265)</b>	(5,284)
<b>Operating profit</b>	<b>24,547</b>	14,335	<b>7,478</b>	5,385
Add: non-operating income	<b>152</b>	118	<b>108</b>	64
Less: non-operating expense	<b>(42)</b>	(26)	<b>(15)</b>	(12)
<b>Total profit</b>	<b>24,657</b>	14,427	<b>7,571</b>	5,437
Less: income tax expense	<b>(5,657)</b>	(4,493)	<b>(1,781)</b>	(1,606)
<b>Net profit</b>	<b>19,000</b>	9,934	<b>5,790</b>	3,831

## UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

(Expressed in millions of Renminbi unless otherwise stated)

	<b>For the nine-month period ended September 30</b>	
	<b>2008</b>	<b>2007</b>
<b>Cash flow from operating activities</b>		
Net increase in deposits from customers	185,349	123,861
Net decrease in capital lent and financial assets purchased under resale agreement	72,146	–
Net increase in balances with banks and other financial institutions	–	124,561
Net increase in placements from banks and financial assets sold under agreements to repurchase	–	20,070
Net decrease in balances with banks and other financial institutions	–	4,292
Net recoveries of loans and advances previously written off	62	39
Cash received from interest, fee and commission	53,376	35,021
Cash received from other operating activities	3,982	5,937
<b>Sub-total of cash inflow from operating activities</b>	<b>314,915</b>	<b>313,781</b>
Net increase in loans and advances	(88,691)	(86,781)
Net increase in capital lent and financial assets purchased under resale agreement	–	(60,618)
Net increase in balances with central bank	(33,948)	(26,954)
Net decrease in balances with banks and other financial institutions	(92,314)	–
Net decrease in placements from banks and financial assets sold under agreements to repurchase	(118)	–
Net increase in balances with banks and other financial institutions	(3,205)	–
Cash paid for interest, fee and commission	(15,934)	(11,578)
Cash payments to and for employees	(5,416)	(4,550)
Income tax paid	(4,494)	(3,716)
Other taxes and fees paid	(2,522)	(1,732)
Other cash payments relating to operating activities	(2,018)	(4,153)
<b>Sub-total of cash outflow from operating activities</b>	<b>(248,660)</b>	<b>(200,082)</b>
<b>Net cash flow from operating activities</b>	<b>66,255</b>	<b>113,699</b>
<b>Cash flow from investing activities</b>		
Cash received from recovery of bond investments	1,570,374	111,395
Cash received from return on investments	6,452	4,634
Cash received from disposal of fixed assets and other assets	302	61
<b>Sub-total of cash inflow from investing activities</b>	<b>1,577,128</b>	<b>116,090</b>

	<b>For the nine-month period ended September 30</b>	
	<b>2008</b>	<b>2007</b>
Cash paid for bond investments	(1,616,663)	(157,568)
Cash paid for equity investments	(17,312)	–
Cash paid for purchase and construction of fixed assets and other assets	<u>(2,193)</u>	<u>(1,480)</u>
<b>Sub-total of cash outflow from investing activities</b>	<u>(1,636,168)</u>	<u>(159,048)</u>
<b>Net cash flow from investing activities</b>	<u>(59,040)</u>	<u>(42,958)</u>
<b>Cash flow from fund raising activities</b>		
Issuance of certificates of deposit	662	–
Issuance of long-term subordinated bonds	<u>30,000</u>	<u>–</u>
<b>Sub-total of cash inflow from fund raising activities</b>	<u>30,662</u>	<u>–</u>
Fees arising from issuance of long-term subordinated bonds	(63)	–
Cash paid on distribution of dividends or profits	(4,118)	(1,764)
Interest paid for issuance of long-term bonds	(39)	(31)
Cash paid for debt repayment	<u>–</u>	<u>(1,171)</u>
<b>Sub-total of cash outflow from fund raising activities</b>	<u>(4,220)</u>	<u>(2,966)</u>
<b>Net cash flow from fund raising activities</b>	<u>26,442</u>	<u>(2,966)</u>
Effect of exchange differences on cash	<u>(1,734)</u>	<u>(969)</u>
<b>Net increase in cash and cash equivalents</b>	<u>31,923</u>	<u>66,806</u>
Add: balance of cash and cash equivalents at the beginning of the period	<u>167,031</u>	<u>118,246</u>
<b>Balance of cash and cash equivalents at the end of the period</b>	<u><u>198,954</u></u>	<u><u>185,052</u></u>

## UNAUDITED CASH FLOW STATEMENT

(Expressed in millions of Renminbi unless otherwise stated)

	For the nine-month period ended September 30	
	2008	2007
<b>Cash flow from operating activities</b>		
Net increase in deposits from customers	185,288	123,861
Net decrease in capital lent and financial assets purchased under resale agreement	72,146	–
Net increase in balances with banks and other financial institutions	–	124,561
Net increase in placements from banks and financial assets sold under agreements to repurchase	–	20,070
Net decrease in balances with banks and other financial institutions	–	4,292
Net recoveries of loans previously written off	62	39
Cash received from interest, fee and commission	53,522	35,021
Cash received from other operating activities	3,874	5,964
<b>Sub-total of cash inflow from operating activities</b>	<b>314,892</b>	<b>313,808</b>
Net increase in loans and advances	(87,171)	(86,781)
Net increase in capital lent and financial assets purchased under resale agreement	–	(60,618)
Net increase in balances with central bank	(33,948)	(26,954)
Net decrease in balances with banks and other financial institutions	(92,273)	–
Net decrease in placements from banks and financial assets sold under agreements to repurchase	(118)	–
Net increase in balances with banks and other financial institutions	(3,205)	–
Cash paid for interest, fee and commission	(15,958)	(11,578)
Cash payments to and for employees	(5,402)	(4,550)
Income tax paid	(4,494)	(3,716)
Other income taxes and fees paid	(2,522)	(1,732)
Other cash payments relating to operating activities	(2,028)	(4,218)
<b>Sub-total of cash outflow from operating activities</b>	<b>(247,119)</b>	<b>(200,147)</b>

	<b>For the nine-month period ended September 30</b>	
	<b>2008</b>	<b>2007</b>
<b>Net cash flow from operating activities</b>	<u>67,773</u>	<u>113,661</u>
<b>Cash flow from investing activities</b>		
Cash received from recovery of bond investments	1,570,312	111,182
Cash received from return on investments	6,452	4,634
Cash received from disposal of fixed assets and other assets	<u>302</u>	<u>61</u>
<b>Sub-total of cash inflow from investing activities</b>	<u>1,577,066</u>	<u>115,877</u>
Cash paid for bond investments	(1,616,263)	(157,568)
Cash paid for equity investments	(19,312)	-
Cash paid for purchase and construction of fixed assets and other assets	<u>(2,157)</u>	<u>(1,483)</u>
<b>Sub-total of cash outflow from investing activities</b>	<u>(1,637,732)</u>	<u>(159,051)</u>
<b>Net cash flow from investing activities</b>	<u>(60,666)</u>	<u>(43,174)</u>
<b>Cash flow from fund raising activities</b>		
Issuance of certificates of deposit	662	-
Issuance of long-term subordinated bonds	<u>30,000</u>	<u>-</u>
<b>Sub-total of cash inflow from fund raising activities</b>	<u>30,662</u>	<u>-</u>
Fees arising from issuance of long-term subordinated bonds	(63)	-
Cash paid on distribution of dividends or profits	(4,118)	(1,764)
Interest paid for issuance of long-term bonds	(39)	(31)
Cash paid for debt repayment	<u>-</u>	<u>(1,171)</u>
<b>Sub-total of cash outflow from fund raising activities</b>	<u>(4,220)</u>	<u>(2,966)</u>

	<b>For the nine-month period ended September 30</b>	
	<b>2008</b>	<b>2007</b>
<b>Net cash flow from fund raising activities</b>	<u>26,442</u>	<u>(2,966)</u>
Effect of exchange differences on cash	<u>(1,628)</u>	<u>(935)</u>
<b>Net increase in cash and cash equivalents</b>	<u>31,921</u>	<u>66,586</u>
Add: balance of cash and cash equivalents at the beginning of the period	<u>167,023</u>	<u>118,216</u>
<b>Balance of cash and cash equivalents at the end of the period</b>	<u><u>198,944</u></u>	<u><u>184,802</u></u>

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

29 October 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.*