



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 FIRST QUARTERLY REPORT OF 2007

Pursuant to the regulations of the China Securities Regulatory Commission (“CSRC”), China Merchants Bank Co., Ltd. (the “Company”) is required to publish a quarterly report for each of the first and third quarters.

All financial information sets 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(2) 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 jointly and severally 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 41st meeting of the Sixth Session of the Board has approved the first quarterly report of 2007 of the Company through voting by correspondence.
- 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.
- 1.6 For the unaudited consolidated balance sheet, consolidated income statement and consolidated cash flow statement as at 31 March 2007, please visit the website of Shanghai Stock Exchange: www.sse.com.cn.

2 COMPANY INFORMATION

2.1 Major accounting data and financial ratios (PRC GAAP) (unaudited)

(Expressed in millions of RMB unless otherwise stated)

	31 March 2007	31 December 2006 (restated)	Increase/(decrease) at the end of the reporting period as compared with the end of the previous year (%)	
Total assets	984,693	934,102	5.42	
Shareholders' equity	57,311	55,160	3.90	
Net assets per share (<i>in RMB Yuan</i>)	3.90	3.75	4.00	
	January–March 2007		Increase/(decrease) as compared with the corresponding period of the previous year (%)	
Net cash inflow from operating activities		29,415	–	
Net cash inflow from operating activities per share (<i>in RMB Yuan</i>)		2.00	–	
	Reporting period	From beginning of the year to the end of the reporting period	Corresponding period of the previous year (restated)	Increase/(decrease) of this reporting period as compared with the corresponding period of the previous year (%)
Net profit	2,462	2,462	1,432	71.93
Basic earnings per share (<i>in RMB Yuan</i>)	0.17	0.17	0.12	41.67
Diluted earnings per share (<i>in RMB Yuan</i>)	0.17	0.17	0.12	41.67
Return on equity	4.30	4.30	4.39	decreased by 0.09 percentage points
Return on equity, net of non-recurring gains or losses	4.23	4.23	4.35	decreased by 0.12 percentage points

Non-recurring gains or losses**January–March 2007**

Non-operating income	39
Non-operating expenses	4
Net non-operating income/(expenses)	35

Note:

1. Return on equity is calculated on fully diluted method in accordance with “Information Disclosure Rule No.9 for Companies Which Have Publicly Offered Securities – Calculation and Disclosure of Return on Net Assets and Earnings Per Share (revised 2007)”.
2. In accordance with the “Accounting Standards for Business Enterprises 2006” promulgated by the Ministry of Finance and the rules governing the disclosure of information required by CSRC, Shanghai Stock Exchange, the Company made a retrospective adjustment on the balance sheet at the beginning of the period and consolidated income statement for the corresponding period last year. Net profit in the reporting period was RMB2,462 million, representing an increase of 87.51% as compared to the net profit before retrospective adjustments of RMB1,313 million in the corresponding period of previous year.

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

Total number of shareholders in A Shares and H Shares 274,925

Ten largest shareholders whose shares are not subject to trading moratorium

No.	Name of shareholders	Number of shares held	Class of shares
1	HKSCC Nominees Limited	2,618,904,000	H share
2	China Life Insurance Company Limited – Discretionary Participation – Discretionary Participation for Individual Insurance Business	77,020,275	A share
3	Jiashi Strategic Growth Hybrid Securities Investment Fund	74,628,603	A share
4	Bank of Communications Shiluode Best Selected Stock Securities Investment Fund	68,904,239	A share
5	Dacheng Affirmative Growth Stock-type Securities Investment Fund	62,499,404	A share
6	Southern Sustaining Growth Stock-type Securities Investment Fund	52,507,524	A share
7	ICBC Credit Suisse Stable Growth Stock Securities Investment Fund	48,725,331	A share
8	Huitianfu Growing Focus Stock-type Securities Investment Fund	48,268,805	A share
9	China Life Insurance Company Limited – Traditional-Common Insurance Product	47,248,821	A share
10	Morgan Stanley & Co. International limited	43,248,599	A share

Note:

1. Of the 10 largest shareholders whose shares are not subject to trading moratorium, only China Life Insurance Company Limited – Discretionary Participation – Discretionary Participation for Individual Insurance Business and China Life Insurance Company Limited – Traditional-Common Insurance Product are connected. The Company is not aware of any connected relationship among the remaining shareholders whose shares are not subject to trading moratorium.
2. Shares held by HKSCC (Nominees) Limited are the total number of H Shares of China Merchants Bank held by shareholders which are traded on the trading platform of HKSCC Nominees Limited on behalf of H Share shareholders.

3 SIGNIFICANT EVENTS

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

Applicable Not applicable

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

(Expressed in millions of RMB unless otherwise stated)

Major financial ratios	At the end of the reporting period	Percentage of increase or decrease	Major reasons
Placements with banks and other financial institutions	27,681	-43.71%	Decrease in short term foreign currency deposits or placements
Trading financial assets	10,446	31.21%	Increase in foreign exchange and debenture transaction
Other assets	2,640	35.32%	Increase in local bills clearing and advances
Deposits from banks and other financial institutions	97,833	42.09%	Increase in deposits to and placements with banks and other financial institutions driven by the stock market
Placements from banks and other financial institutions	7,634	404.89%	Increase in deposits from banks driven by the stock market
Trading financial liability	261	146.23%	Increase in currency swaps and other derivative business
Reserve for investment revaluation	-117	-160.00%	Decrease in reserve for investment revaluation
Retained profits	5,600	78.46%	Increase in net profit for the reporting period
Interest income	10,611	46.54%	Increase in size of interest-generating assets and higher yield
Interest expenses	3,786	34.49%	Increase in size of interest-bearing liabilities and higher cost

Fee and commission income	1,107	98.38%	Increase in fee and commission income driven by intermediate business development and the stock market
Fee and commission expenses	157	87.33%	Increase in fee and commission expenses driven by intermediate business development and stock market
Net gains on financial instruments at fair value through profit or loss	-112	-360.47%	Changes in fair value of trading financial assets
Net gains arising from investment	7	-131.87%	Changes of net profit or loss arising from the sales of financial assets available for sale
Business tax and other surcharges	482	48.39%	Increase in taxable revenue
Operating and administrative expense	2,696	40.20%	Increase in outlets and staff
Non-operating income	39	161.57%	Increase in non-operating income
Non-operating expenses	4	33.33%	Increase in non-operating expenses
Provision for impairment losses	989	68.51%	Increase in provision for increased loan scale portfolio
Income tax expenses	1,212	52.44%	Increase in taxable incomes

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

Applicable Not applicable

Additional investment of HK\$0.2 billion in CMB International Capital Corporation Limited, a wholly owned subsidiary of the Company, has been approved by the China Banking Regulatory Commission and the State Administration of Foreign Exchange. Following the new investment, the capital of CMB International Capital Corporation Limited will be increased to HK\$250 million from previous level of HK\$50 million.

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

Applicable Not applicable

In February 2006, the Company implemented the Share Reform. During the process of this implementation, the relevant shareholders of shares subject to trading moratorium had given the following undertakings: the Company's shareholders who did not agree to undertake the obligation of the put warrants would not deal or transfer any of their shares within 24 months from the tradable date of the shares; while the shareholders who had undertaken the obligation of the put warrants would not deal or transfer any of their shares within 36 months from the tradable date of the shares. In addition, China Merchants Steam Navigation Company Limited, Shenzhen Yan Qing Investment Development Company Limited and Shenzhen Chuyuan Investment Development Company Limited further undertook not to deal or transfer any of their shares for an additional 12 months after the expiration of the 36-month lock-up period unless the price of A Shares first reaches RMB8.48 or more (ex-right or ex-dividend, as the case may be) for the first time.

Upon completion of the Share Reform, shareholders who had undertaken the obligation of the put warrants would recommend the Board to set up a long-term incentive plan involving share options incentives, which would be implemented by the Board either according to related national regulations, or after being put to the Board for consideration and approval by shareholders in the general meeting. The related long-term incentive plan is now under the process of approval by the competent authority of the State.

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

Board of Directors of China Merchants Bank Co., Ltd.
26 April 2007

As at the date of this announcement, the executive director of the Company is Ma Weihua; the non-executive directors of the Company are Qin Xiao, Wei Jiafu, Fu Yuning, Li Yinquan, Huang Dazhan, Tan Yueheng, Sun Yueying, Wang Daxiong and Fu Junyuan; and the independent non-executive directors of the Company are Wu Jiesi, Lin Chuxue, Austin Hu Chang Tau, Chow Kwong Fai, Edward, Liu Yongzhang and Liu Hongxia.

“Please also refer to the published version of this announcement in South China Morning Post”