

China Merchants Bank Reports 2009 Third Quarter Results

Results increases over second quarter Strategic transformation yields results

Results Highlights

- Net profit attributable to the Bank's shareholders increased by 18.80% quarter on quarter to RMB4.816 billion for the third quarter, but decreased 31.16% year on year to RMB13.078 billion for the first nine months to September 30, 2009
- Basic earnings per share attributable to the Bank's shareholders were RMB0.68 for the first nine months
- Total assets grew by 28.32% to RMB2,016.901 billion when compared to the end of 2008
- Core capital adequacy ratio was 6.61%, up 0.05 percentage points when compared to the beginning of 2009
- Capital adequacy ratio was 10.54%, up 0.80 percentage points when compared to the beginning of 2009
- Non-performing loan ratio was 0.83%, down 0.28 percentage point when compared to the beginning of 2009
- Allowances for impairment losses to non-performing loans ratio rose by 21.81 percentage points to 245.10% when compared to the beginning of 2009

(Notice: The 2009 third quarter results of China Merchants Bank Co., Ltd. as an H share were prepared in accordance with PRC Generally Accepted Accounting Principle. Unless stated otherwise, all of the above data belong to the Group and are in RMB)

October 30, 2009 — China Merchants Bank Co., Ltd. (SSE: 600036; HKEx: 3968; "China Merchants Bank" or "the Company" or "the Bank" or "CMB") and its subsidiaries together ("the Group") today announced unaudited results for the third quarter and the first three quarters ended September 30, 2009.

Results Overview

Pressing ahead with strategic transformation

Assets-liabilities structure further optimized

For the third quarter, China Merchants Bank pressed ahead with its strategic transformation against the backdrop of the economic recovery. As a result, CMB's development strategy and optimization of assets-liabilities structure yielded results, leading to enhanced operational

efficiency and better-than-expected financial results. During the period, net interest margin rebounded on the back of renegotiated pricing for loans, increased interest rate, optimization of loan structure and enhanced management of discounted bills business. The Group booked a net interest income of RMB10.38 billion. Net profit was RMB4.816 billion. The steady rebound in net interest income in the third quarter also resulted in an increase in the Group's profit. Operating income rose quarter on quarter. Pre-tax profit was RMB6.279 billion. For the first three quarters to September 30, 2009, the Group's total assets increased by 28.32% from the beginning of the year to RMB2,016.901 billion. Total liabilities increased by 29.31% from the beginning of the year to RMB1,929.396 billion. Total loans and advances grew by 33.78% from the beginning of the year to RMB1,169.765 billion. Deposits from customers totaled RMB1,583.494 billion, representing an increase of 26.61% as compared with the beginning of the year. Shareholder's equity increased by 10.05% from the beginning of the year to RMB87.505 billion by September 30, 2009.

Profitability rose steadily

On the back of gradual increase in net interest income by quarters, quality of the assets improved and provision for impairment of assets decreased. As a result, the Group's profitability rebounded in the third quarter. Net profit increased by 18.80% quarter on quarter to RMB4.816 billion. Return on average assets and return on average equity also increased.

Both net interest income and net interest margin rebounded

Despite the decrease of three basis points in net interest margin for the first three quarters when compared with the first half of the year, net interest margin already bottomed during June and July and was going up in August and September. Particularly, net interest margin in September rose noticeably over August and the increase was larger than expected. The stabilizing of return rate on loans has established the trend for CMB's net interest margin rebound.

Quality of assets remained good

Allowance coverage ratio continued to rise

The Group stepped up efforts to manage the risks of lending, which resulted in continuous improvement of asset quality. As at the end of the reporting period, the Group's non-performing loan ratio was 0.83%, down 0.28 percentage point when compared with the beginning of the year. Non performing loans totaled RMB9.733 billion, up RMB56 million when compared with the beginning of the year. Allowances for impairment losses to non-performing loans ratio rose by 21.81 percentage points to 245.10% when compared to the beginning of the year.

Core capital adequacy ratio increased steadily



Strategic transformation has enhanced the Bank's ability to generate capital and its efficiency of capital utilization. This effect was especially pronounced in the third quarter. Due to the increase in profit in the third quarter, the Group's core capital adequacy ratio was 6.61%, up 0.05 percentage point when compared with that at the beginning of the year. The Group's capital adequacy ratio was 10.54% in the third quarter, up 0.80 percentage point when compared with that at the beginning of the year. Moreover, CMB's proposal on rights issue of A Shares and H Shares was approved by almost 100% of votes in the extraordinary general meeting and class meetings for holders of A Shares and H shares on October 19, 2009. CMB has secured approval from China Banking Regulatory Commission for the proposal, and has applied to China Securities Regulatory Commission for approval.

Pressing ahead with strategic transformation, which begins to yield results

Dr. Ma Weihua, President and CEO of China Merchants Bank said, "We coped with the challenges posed by the dramatic changes in the operating environment by pressing ahead with strategic transformation. We focused on the retail banking, lending to small and medium enterprises (SME) and fee-based businesses. We aimed to develop our businesses with low capital consumption and expand businesses with low risks but high return. We also strived to enhance our pricing power in lending business and increase the proportion of non-interest income."

In the third quarter, CMB optimized its assets-liabilities structure and increased its asset turnover and thus raised the return rate of its assets. As a result, the Bank took full advantage of its low-cost capital. It also actively controlled the growth of the high-cost term deposits and at the same time stepped up efforts to sell wealth management products. Demand deposits accounted for 52.7% of total deposits by the end of September. The Bank maintained its leading position among its peers in terms of keeping its liabilities at low cost.

CMB continued its long-term strategic transformation and increased its efforts in developing the following major businesses:

Retail banking

CMB continued to take great effort to develop its retail banking business in the third quarter. During the review period, retail loans continued to grow rapidly, and their proportion in total loans increased from 25% in the end of June to 29.5% in the end of September. In particular, its home mortgage loan business was the key growth driver, and its growth was one of the fastest in the banking sector. CMB also accelerated the transformation of its credit card business by shifting its focus to increasing revenue per card from increasing the number of cards in issue.

Small and medium-sized enterprises (SME) lending

CMB took great effort to develop SME lending business and enhanced its pricing power in lending during the review period. The development of SMEs loan business was developing well with the SME loans totaling RMB 302.037 billion at the end of September, up 36.96% compared with the beginning of the year. The growth was higher than that in overall corporate loans. The SME loans accounted for 46.82% of the total domestic corporate loans as at the end of September, up from the 44.7% at the end of June. CMB's small business lending center has undergone rapid development. The lending centre's average lending rate was approximately 20% higher than the benchmark interest rate.

Non-interest income business

For the first three quarters to September 30, 2009, CMB took great effort to develop non-interest income businesses, especially the new fee-based businesses such as wealth management, cash management and trustee business. This enabled CMB to reduce capital consumption and increase the return on equity. The proportion of non-interest income decreased when compared to the first half of the year, but was substantially higher than that in 2008. Net fee and commission income was 6.178 billion, up 5.46% year on year. Other net income was 2.647 billion, up 1.781 billion year on year, principally due to a considerable increase in net gain arising from change in fair value, foreign exchange gain and net investment gain. The net fee and commission income grew although it was being affected by the decline in export and import. The key factors for the growth are: 1) the continuous transformation of credit card business with improved return per card and the substantial quarter-on-quarter growth in non-interest income business; 2) fast growth in income of fund sales agent business and the third-party depository service for the third quarter because of the recovery in the capital market and the resumption of initial public offerings; 3) acceleration of the asset turnover which led to more income from trustee business and wealth management in the third quarter.

Smooth progress in integration with Wing Lung Bank

As at end of the period under review, it was the first anniversary of CMB's acquisition of Wing Lung Bank. The banks have achieved synergy which enables CMB to serve existing corporate clients of mainland China who are expanding businesses overseas, and at the same time provide services to Wing Lung Bank's existing Hong Kong corporate clients who are expanding business into mainland China. This has expanded CMB's customer base. The two banks have also been able to enhance their customer value and help to increase profitability through cross-selling of various financial products and services. Wing Lung Bank has achieved good financial results through its own effort as well as cooperation with CMB. According to the Hong Kong Accounting Standards, Wing Lung bank recorded an unaudited consolidated net profit after tax of HK\$689 million, representing an increase of HK\$782 million year on year. During the review period, Wing Ling Bank set up two branches in Hong Kong. It also launched CMB's Sunflower Wealth Management services and invited high-end retail clients from CMB to Hong Kong to gain



actual experience. Meanwhile, Wing Lung Bank succeeded in transacting the first Guangdong-Hong Kong cross-boarder RMB trade settlement service and providing receiving bank service for two IPOs.

Prospects

Dr. Qin Xiao, Chairman of China Merchants Bank, said, “With the shareholders’ approval for the rights issue for A share and H share at the extraordinary general meeting, CMB will be able to enhance its financial strength to support its healthy development and steady progress in the future. CMB will continue its strategic transformation, and increase its profitability on the back of a rebound in net interest margin. The synergy of CMB and Wing Lung Bank will be fully realized as the integration of the two banks deepens. This will enable the two banks to capitalize on the ongoing economic integration of Hong Kong and mainland China, boosting their profitability. Meanwhile, the development of CMB’s international business will allow the Bank to seize the opportunities in generated by Chinese enterprises’ participation in globalization. CMB will serve its Chinese corporate clients better through Wing Lung Bank and its New York branch, paving the way for further development in the future. We will work hard to develop into one of the best commercial banks in China and thus bring better return to shareholders.”

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About China Merchants Bank Co., Ltd.

Founded in 1987 with its head office in Shenzhen, China, the Company mainly focuses on the China market. As at 31 December 2008, the Company had 47 branches, 648 sub-branches (including offices), one representative office in Beijing, one credit card center, one credit center for small-sized enterprises, 1,622 self-service banking centers and over 1,500 off-bank self-service machines (ATM & CDM) in mainland China, and a wholly owned subsidiary CMB Financial Leasing Company Limited. The efficiently operated outlets of the Company are primarily located in China's more economically developed regions such as Yangtze River Delta, Pearl River Delta and Bohai Rim, and some large cities in other regions. The Company owns two subsidiaries, namely, Wing Lung Bank Limited and CMB International Capital Corporation Limited, and a branch in Hong Kong. It has a branch and a representative office in New York.

The growth of the Company from a regional bank into a large national commercial bank of China is primarily attributable to its own resources and efforts. The Company was listed on Shanghai Stock Exchange in April 2002 and on SEHK in September 2006.

The Company provides customers with various corporate and retail banking products and services, and conducts treasury activities for proprietary purpose and on behalf of customers. The innovative products and services of the Company, such as "All-in-one Card," a multi-function debit card, "All-in-one Net," a comprehensive online banking service, dual currency credit card, the "Sunflower Wealth Management" services and private banking services, have become widely accepted in China.

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