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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 2016**

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 object to the truthfulness, accuracy and completeness of the information contained in the quarterly report.
- 1.3 The 4th meeting of the Tenth Session of the Board of Directors of the Company has approved the third quarterly report of 2016 of the Company through voting by correspondence. 14 out of the 14 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 Shanghai Stock Exchange. Unless otherwise stated, all monetary sums stated in this report are expressed in RMB.
- 1.5 Hereinafter "China Merchants Bank", "the Company", and "the 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, Mr. Li Hao, the First Executive Vice President and Chief Financial Officer, and Mr. Wang Tao, who is in charge of the Finance and Accounting 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 <b>30 September 2016</b>	At the end of last year 31 December 2015	Increase/ decrease at the end of the reporting period as compared to the end of last year (%)
	From the beginning of the year to the end of the reporting period <b>January to September 2016</b>	From the beginning of last year to the end of the reporting period of last year January to September 2015	Increase/ decrease as compared to the corresponding period of last year (%)
Total Assets	<b>5,563,990</b>	5,474,978	1.63
Equity attributable to shareholders of the Bank	<b>396,411</b>	360,806	9.87
Net assets per share attributable to shareholders of the Bank ( <i>in RMB Yuan</i> )	<b>15.72</b>	14.31	9.85
Net cash flow from operating activities	<b>(339,521)</b>	194,420	N/A
Net cash flow from operating activities per share ( <i>in RMB Yuan</i> )	<b>(13.46)</b>	7.71	N/A
Net operating income	<b>47,818</b>	161,212	2.93
Net profit attributable to shareholders of the Bank	<b>16,911</b>	52,142	7.51
Basic earnings per share attributable to shareholders of the Bank ( <i>in RMB Yuan</i> )	<b>0.67</b>	2.07	7.81
Diluted earnings per share attributable to shareholders of the Bank ( <i>in RMB Yuan</i> )	<b>0.67</b>	2.07	7.81
Annualised weighted average return on net assets attributable to shareholders of the Bank (%)	<b>17.47</b>	18.36	Decrease of 1.14 percentage points

## **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 has been no difference in the net profit attributable to the Bank's shareholders for the reporting period ended 30 September 2016 and the equity attributable to shareholders of the Bank at the end of the reporting period.

## **2.3 Analysis of capital adequacy ratios as at the end of the reporting period**

The Company continued to optimise its business structure and enhance capital management, and has satisfied various capital requirements of China Banking Regulatory Commission (hereinafter referred as the “CBRC”) during the reporting period. The capital adequacy ratio of the Company generally remained stable.

As at 30 September 2016, the capital adequacy ratio and the Tier 1 capital adequacy ratio of the Group under the advanced approach were 14.16% and 12.44%, respectively.

The Group	<b>At the end of the reporting period 30 September 2016</b>	At the end of last year 31 December 2015	(in millions of RMB, except for percentages)	Increase/ decrease at the end of the reporting period as compared to the end of last year (%)			
				2016	2015	last year (%)	
<b>The capital adequacy ratios under the advanced approach<sup>(1)</sup></b>							
1. Net core Tier 1 capital	<b>382,369</b>	347,434		10.06			
2. Net Tier 1 capital	<b>382,383</b>	347,444		10.06			
3. Net capital	<b>435,509</b>	403,409		7.96			
4. Core Tier 1 capital adequacy ratio	<b>12.43%</b>	10.83%		Increase of 1.60 percentage points			
5. Tier 1 capital adequacy ratio	<b>12.44%</b>	10.83%		Increase of 1.61 percentage points			
6. Capital adequacy ratio	<b>14.16%</b>	12.57%		Increase of 1.59 percentage points			
<b>Information on leverage ratio<sup>(2)</sup></b>							
7. Total on and off balance sheet assets after adjustment	<b>6,387,770</b>	6,275,592		1.79			
8. Leverage ratio	<b>5.99%</b>	5.54%		Increase of 0.45 percentage point			

*Notes:*

1. The “advanced approach” refers to the advanced measurement approach set out in the “Capital Rules for Commercial Banks (Provisional)” issued by CBRC on 7 June 2012 (same as below). In accordance with the requirements of the advanced approach, 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. As at 30 September 2016, the Group’s subsidiaries for calculating its capital adequacy ratio included Wing Lung Bank Limited, CMB International Capital Holdings Corporation Limited, CMB Financial Leasing Co., Ltd. and China Merchants Fund Management Co., Ltd.. During the transition period when the advanced capital measurement approaches were implemented, a commercial bank shall use the capital floor adjustment coefficients to adjust the amount of its risk-weighted assets multiplying the sum of its minimum capital requirement and reserve capital requirement, total amount of capital deductions and the provision for excessive loan loss which can be included into capital. The capital floor adjustment coefficients shall be 95%, 90% and 80% respectively in the first year, the second year, and the third and subsequent years during the transition period. 2016 is the second year since implementation of the transition period.
2. Since 2015, the leverage ratio shall be calculated based on the “Measures for Management of the Leverage Ratio of Commercial Banks (Revised)” promulgated by CBRC on 12 February 2015. The leverage ratio of the Group were 5.80%, 5.86% and 5.54% respectively for the first half of 2016, as at the end of the first quarter of 2016 and the end of 2015.

As at 30 September 2016, the capital adequacy ratio and the Tier 1 capital adequacy ratio of the Company under the advanced approach were 13.89% and 12.16%, respectively.

The Company	<b>At the end of the reporting period</b> <b>30 September 2016</b>	At the end of last year 31 December 2015	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>
<b>The capital adequacy ratios under the advanced approach</b>				
1. Net core Tier 1 capital	<b>336,475</b>	307,888	9.28	
2. Net Tier 1 capital	<b>336,475</b>	307,888	9.28	
3. Net capital	<b>384,371</b>	360,460	6.63	
4. Core Tier 1 capital adequacy ratio	<b>12.16%</b>	10.38%	Increase of 1.78 percentage points	
5. Tier 1 capital adequacy ratio	<b>12.16%</b>	10.38%	Increase of 1.78 percentage points	
6. Capital adequacy ratio	<b>13.89%</b>	12.15%	Increase of 1.74 percentage points	

As at 30 September 2016, the capital adequacy ratio of the Group under the standardised approach was 12.73%, and its Tier 1 capital adequacy ratio was 10.73%.

The Group	<b>At the end of the reporting period</b> <b>30 September 2016</b>	At the end of last year 31 December 2015	Increase/ decrease at the end of the reporting period as compared to the end of last year (%)
			At the end of last year 31 December 2015
<b>The capital adequacy ratios under the standardised approach <sup>(Note)</sup></b>			
1. Tier 1 capital adequacy ratio	<b>10.73%</b>	9.93%	Increase of 0.80 percentage point
2. Capital adequacy ratio	<b>12.73%</b>	11.91%	Increase of 0.82 percentage point

*Note:* The “standardised approach” refers to the standardised approach 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 approach. Same as below.

As at 30 September 2016, the capital adequacy ratio of the Company under the standardised approach was 12.35%, and its Tier 1 capital adequacy ratio was 10.32%.

The Company	<b>At the end of the reporting period</b> <b>30 September 2016</b>	At the end of last year 31 December 2015	Increase/ decrease at the end of the reporting period as compared to the end of last year (%)
			At the end of last year 31 December 2015
<b>The capital adequacy ratios under the standardised approach</b>			
1. Tier 1 capital adequacy ratio	<b>10.32%</b>	9.44%	Increase of 0.88 percentage point
2. Capital adequacy ratio	<b>12.35%</b>	11.46%	Increase of 0.89 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** **215,532**

**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	/	18.00	4,539,045,568	H Shares	-	-
2	China Merchants Steam Navigation Company Ltd.	State-owned legal person	13.04	3,289,470,337	A Shares not subject to trading moratorium	-	-
3	Anbang Property & Casualty Insurance Company Ltd. - conventional products	Domestic non-state-owned legal person	10.72	2,704,596,216	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	Shenzhen Yan Qing Investment and Development Company Ltd.	State-owned legal person	4.99	1,258,542,349	A Shares not subject to trading moratorium	-	-
6	China Merchants Finance Investment Holdings Co., Ltd.	State-owned legal person	4.55	1,147,377,415	A Shares not subject to trading moratorium	-	-
7	Shenzhen Chu Yuan Investment and Development Company Ltd.	State-owned legal person	3.74	944,013,171	A Shares not subject to trading moratorium	-	-
8	China Securities Finance Corporation Limited	Domestic non-state-owned legal person	3.35	844,670,934	A Shares not subject to trading moratorium	-	-
9	COSCO Shipping (Guangzhou) Co., Ltd.	State-owned legal person	2.76	696,450,214	A Shares not subject to trading moratorium	-	-
10	China Communications Construction Company Limited	State-owned legal person	1.78	450,164,945	A Shares not subject to trading moratorium	-	-

*Notes:*

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.
2. Of the aforesaid top 10 shareholders, China Merchants Steam Navigation Company Ltd. (hereinafter referred to as “China Merchants Steam Navigation”), Shenzhen Yan Qing Investment and Development Company Ltd., China Merchants Finance Investment Holdings Co., Ltd. and Shenzhen Chu Yuan Investment and Development Company Ltd. are subsidiaries of China Merchants Group Ltd. (hereinafter referred to as “China Merchants Group”). As at 30 September 2016, China Merchants Group held in aggregate 29.97% of the total share capital of the Company by way of equity interest, right of control or companies controlled by the parties acting in concert; Guangzhou Maritime Transport (Group) Company Ltd. was the predecessor of COSCO Shipping (Guangzhou) Co., Ltd.. China Ocean Shipping (Group) Company and COSCO Shipping (Guangzhou) Co., Ltd. are controlled by China COSCO Shipping Corporation Limited. The Company is not aware of any affiliated relationships among other shareholders.
3. The above shareholders did not hold the shares of the Company through credit securities accounts.

## **2.5 Management discussion and analysis**

### ***2.5.1 Analysis of operating status of the Group***

As at the end of September 2016, total assets of the Group amounted to RMB5,563.990 billion, representing an increase of 1.63% as compared with the end of the previous year; and its total liabilities amounted to RMB5,166.556 billion, representing an increase of 1.04% as compared with the end of the previous year. Total loans and advances to customers amounted to RMB3,173.088 billion, representing an increase of 12.35% as compared with the end of the previous year. Total deposits from customers amounted to RMB3,615.989 billion, representing an increase of 1.24% as compared with the end of the previous year.

For the period from January to September 2016, the Group realised a net profit attributable to shareholders of the Bank of RMB52.142 billion, representing a year-on-year increase of 7.51%, and net operating income of RMB161.212 billion, representing a year-on-year increase of 2.93%, among which, net interest income amounted to RMB100.722 billion, accounting for 62.48% of the net operating income and representing a year-on-year decrease of 1.05%, mainly affected by the segregation of price and tax for interest income as a result of implementation of the “Change from Business Tax to Value-Added Tax” policy in May and the re-pricing of interest-earning assets following interest rate cuts in 2015. Meanwhile, there was a decrease in both net interest spread and net interest margin of the Group. For the period from January to September 2016, net interest spread and net interest margin were 2.43% and 2.56%, respectively, representing a year-on-year decrease of 0.17 percentage point and 0.20 percentage point, respectively. For the third quarter of 2016, the Group’s net interest spread and net interest margin were 2.39% and 2.52%, respectively, both representing a decrease of 0.02 percentage point as compared with the second quarter of 2016. Net fee and commission income increased by 10.51% to RMB49.236 billion from that of the corresponding period of the previous year, accounting for 30.54% of the net operating income, and other net income amounted to RMB11.254 billion, representing a year-on-year increase of 9.39%. For the period from January to September 2016, the Group realised net non-interest income of RMB60.490 billion, representing a year-on-year increase of 10.30% and accounting for 37.52% of the net operating income. For the period from January to September 2016, the cost-to-income ratio (excluding turnover tax and surcharges) of the Group was 25.07%, representing a year-on-year increase

of 0.04 percentage point, mainly due to an increase in the cost-to-income ratio of its subsidiaries. Since 2016, the Group has reclassified the income from precious metal leasing from net non-interest income to net interest income, and relevant financial data has been restated.

As at the end of September 2016, the balance of non-performing loans of the Group amounted to RMB59.275 billion, representing an increase of RMB11.865 billion as compared with the end of the previous year; the non-performing loan ratio was 1.87%, up by 0.19 percentage point as compared with the end of the previous year; and the allowance coverage ratio of our non-performing loans was 186.39%, up by 7.44 percentage points as compared with the end of the previous year; the allowance-to-loan ratio was 3.48%, up by 0.48 percentage point as compared with the end of the previous year.

### ***2.5.2 Analysis of operating status of the Company***

During the period from January to September 2016, the Company continued to proceed with strategic transformation and maintained steady business development as a whole:

**Both our assets and liabilities grew moderately.** As at the end of September 2016, total assets of the Company amounted to RMB5,246.700 billion, representing an increase of 0.74% as compared with the end of the previous year; while total liabilities amounted to RMB4,863.526 billion, representing an increase of 0.16% as compared with the end of the previous year. The slower growth rate was mainly due to a slight decline in corporate deposits in the third quarter. Total loans and advances to customers amounted to RMB2,931.627 billion, representing an increase of 13.22% as compared with the end of the previous year, among which, corporate loans, retail loans and discounted bills accounted for 45.06%, 48.47% and 6.47%, respectively. Total deposits from customers amounted to RMB3,461.035 billion, representing an increase of 1.16% as compared with the end of the previous year, among which, demand deposits and time deposits accounted for 61.64% and 38.36%, respectively. Among the demand deposits, corporate deposits accounted for 60.31% while retail deposits accounted for 39.69%; and among the time deposits, corporate deposits accounted for 78.39% while retail deposits accounted for 21.61%.

**Our profits grew steadily.** During the period from January to September 2016, the Company realised a net profit of RMB48.385 billion, representing a year-on-year increase of 7.38%. The Company realised net operating income of RMB152.531 billion, representing a year-on-year increase of 2.33%, among which, net interest income amounted to RMB97.611 billion, accounting for 63.99% of the net operating income and representing a year-on-year decrease of 1.07%, which was mainly affected by the segregation of price and tax for interest income as a result of implementation of the “Change from Business Tax to Value-Added Tax” policy in May and the re-pricing of interest-earning assets following interest rate cuts in 2015. Meanwhile, there was a decrease in both net interest spread and net interest margin of the Company. During the period from January to September 2016, net interest spread and net interest margin of the Company were 2.46% and 2.59%, respectively, representing a year-on-year decrease of 0.21 percentage point and 0.24 percentage point, respectively, while they were 2.39% and 2.51% respectively.

for the third quarter of 2016, both representing a decrease of 0.07 percentage point as compared with the second quarter of 2016. The retail finance business grew steadily. During the period from January to September 2016, the net operating income from retail finance of the Company amounted to RMB76.052 billion, representing a year-on-year increase of 11.10%, and accounting for 49.86% of the Company's net operating income.

**Net non-interest income continued to grow.** During the period from January to September 2016, the Company continued to aggressively expand its wealth management services and other businesses, leading to a growth in net non-interest income. During the period from January to September 2016, the Company realised a net non-interest income of RMB54.920 billion, representing a year-on-year increase of 8.98%, the slower growth rate was mainly due to the segregation of price and tax after implementation of the "Change from Business Tax to Value-Added Tax" policy, and a decrease in revenue from agency distribution of funds and agency distribution of trust schemes. The proportion of the net non-interest income to our net operating income was 36.01%, representing a year-on-year increase of 2.20 percentage points. Net fee and commission income amounted to RMB46.046 billion, representing a year-on-year increase of 11.52%, among which, fee and commission income from wealth management services amounted to RMB24.651 billion, representing a year-on-year increase of 18.05% (specifically, income from entrusted wealth management services amounted to RMB12.119 billion, representing a year-on-year increase of 58.75%; income from sales of mutual fund amounted to RMB4.995 billion, representing a year-on-year decrease of 29.91%; income from sales of third party insurance policies amounted to RMB4.736 billion, representing a year-on-year increase of 105.91%; income from agency distribution of trust schemes amounted to RMB2.641 billion, representing a year-on-year decrease of 29.02%; income from trading in precious metals on behalf of customers amounted to RMB160 million).

**Operational efficiency was kept at a satisfactory level.** During the period from January to September 2016, the operating expenses of the Company amounted to RMB43.066 billion, representing a year-on-year decrease of 6.25%. Cost-to-income ratio (excluding turnover tax and surcharges) was 24.68%, representing a year-on-year decrease of 0.09 percentage point. The Company further enhanced cost control. As a result, the increase in operating cost was slower than the growth in net operating income.

**Capital utilisation efficiency remained stable.** As at the end of the reporting period, the capital adequacy ratio and Tier 1 capital adequacy ratio of the Company measured under the standardised approach were 12.35% and 10.32%, respectively; up by 0.89 percentage point and 0.88 percentage point respectively as compared with those as at the end of the previous year. The risk adjusted return on capital (RAROC) before tax under the standardised approach was 24.31%, maintaining at a level which was significantly higher than the capital cost.

**The risk of our asset quality was generally controllable.** As at the end of September 2016, the balance of the Company's non-performing loans amounted to RMB57.865 billion, representing an increase of RMB11.167 billion as compared with the end of the previous year, and the non-performing loan ratio was 1.97%, up by 0.17 percentage point as compared with the end of the previous year. In response to changes in the external macroeconomic environment, the Company, adhering to the risk culture of "Prudence, Soundness and Accountability", constantly improved its overall risk management system and implemented the accountability system, thus fortifying the first risk management defense line. In order to segregate from customers either in the industries with overcapacity or with high risks but low value, as well as the "zombie enterprises", the Company initiated the "name list" system to facilitate management of strategic customers as well as customers that should be reduced and segregated from. In addition, the Company optimised the risk pre-warning model, strengthened risk mitigation of customers with risk pre-warning, proactively prevented risks, broadened the channels for disposal of non-performing assets, and expedited the disposal of risk assets, thereby effectively controlling the risk of deterioration of asset quality.

**The provisions for risk-bearing loans were made in a prudent manner.** The Company continued to adopt a stable and prudent policy in respect of making provisions. In the first three quarters of 2016, the Company increased the amount of provision for its risk-bearing loans granted to the industries with overcapacity. As at the end of September 2016, the balance of allowance for impairment losses on loans of the Company amounted to RMB107.839 billion, representing an increase of RMB25.143 billion as compared with the end of the previous year. The non-performing loan allowance coverage ratio was 186.36%, representing an increase of 9.27 percentage points as compared with the end of the previous year; the allowance-to-loan ratio was 3.68%, representing an increase of 0.49 percentage point as compared with the end of the previous year.

## §3 SIGNIFICANT EVENTS

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

Applicable       Not applicable

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

Major items	As at 30 September 2016	Increase/ decrease as compared to the end of last year		Major reasons
Precious metals	4,555	-71.71%		Decrease in leasing out of physical gold
Financial assets purchased under agreements to resell	128,924	-62.51%		Decrease in the business of assets purchased under agreements to resell

<b>Major items</b>	<b>As at 30 September 2016</b>	<b>Increase/ decrease as compared to the end of last year</b>	<b>Major reasons</b>
Held-to-maturity investments	466,028	31.97%	Increase in investment in held-to-maturity bonds
Investment in joint-ventures	3,649	33.57%	Increase in investment in joint-ventures
Deferred tax assets	26,618	66.15%	Increase in deductible temporary differences
Other assets	31,647	146.32%	Increase in receivables pending for settlement
Borrowings from the central bank	94,000	50.16%	Increase in borrowings from the central bank
Deposits from banks and other financial institutions	421,596	-40.75%	Decrease in funds from securities depositary and deposits from other non-bank financial institutions
Financial assets sold under agreements to repurchase	321,829	73.35%	Increase in proceeds from bonds and bills sold under agreements to repurchase
Accrued payroll	10,662	63.43%	Increase in salaries and welfare payable
Taxes payable	19,571	52.66%	Increase in enterprise income tax payable

<b>Major items</b>	<b>January to September 2016</b>	<b>Increase/ decrease as compared to the corresponding period of last year</b>	<b>Major reasons</b>
Share of profits of associates	1	-50.00%	Decrease in share of profits of associates by subsidiaries
Share of profits of joint ventures	223	63.97%	Increase in share of profits of joint ventures

### **3.2 Update on the progress of China Merchants Steam Navigation's application for a waiver from the obligation to make a general offer**

On 28 December 2015, the State-owned Assets Supervision and Administration Commission (hereinafter referred to as "SASAC") issued an approval letter, approving that Sinotrans & CSC Holdings Co., Ltd. (hereinafter referred to as "Sinotrans & CSC"), in its entirety, be transferred into China Merchants Group at nil consideration (hereinafter referred to as "Transfer of Sinotrans & CSC") as approved by the State Council. As Sinotrans & CSC and its subsidiary Wuhan Changjiang Shipping Company (武漢長江輪船公司) hold in aggregate 0.09% of the total share capital of the Company, China Merchants Group will, upon completion of the Transfer of Sinotrans & CSC, hold more than 30% of the share capital of the Company by way of equity interest, right of control or relationship of parties acting in concert, triggering the obligation to make a general offer. China Merchants Steam Navigation and parties acting in concert with it made an application to the China Securities Regulatory Commission (hereinafter referred to as "CSRC") for a waiver from the obligation to make a general offer in respect of the Transfer of Sinotrans & CSC.

Thereafter, in order to implement the overall deployment of the Central Party Committee and the State Council for further deepening the reform of state-owned enterprises, Sinotrans & CSC and Wuhan Changjiang Shipping Company transferred the above-mentioned 0.09% shares in the Company held by them (hereinafter referred to as "Transferred Shares") to Guoxin Investment Co., Ltd. (國新投資有限公司), a subsidiary of China Reform Holdings Corporation Ltd., at nil consideration (hereinafter referred to as "Transfer at Nil Consideration") in accordance with the relevant working arrangements of the SASAC. As a result of the Transfer at Nil Consideration, Sinotrans & CSC and Wuhan Changjiang Shipping Company will cease to hold the Transferred Shares. Therefore, the implementation of the Transfer of Sinotrans & CSC will not increase the proportion of the Company's shares controlled by China Merchants Group and will no longer trigger the obligation to make a general offer. In view of this, China Merchants Steam Navigation has submitted an application to the CSRC to terminate the examination review of its application for a waiver from the obligation to make a general offer, and has received the "Notice on CSRC's Administrative Permission to the Application for Terminating the Examination Review" ([2016] No. 482), in which the CSRC has decided to terminate the examination review of such application for administrative approval. After the Transfer at Nil Consideration, China Merchants Group still holds in aggregate 29.97% of the total share capital of the Company by way of equity interest, right of control or companies controlled by the parties acting in concert. China Merchants Steam Navigation is still the largest shareholder of the Company and there was no significant change in the shareholding structure of the Company.

For details, please refer to the relevant announcements published by the Company on the websites of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)), Hong Kong Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.cmbchina.com](http://www.cmbchina.com)) on 1 March, 23 April, 9 June, 21 September and 25 October 2016, respectively.

### **3.3 Performance of undertakings given by shareholders holding more than 5% of our shares**

In the course of the rights issue of A shares and H shares in 2013, China Merchants Group, China Merchants Steam Navigation and China Ocean Shipping (Group) Company had individually undertaken that they will not seek for related-party transactions on terms more favorable than those given to other shareholders; they will repay the principal and interest thereon to the Company when the same falls due; they will not intervene with 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 replenish funds to the Company according to its reasonable needs 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. For details, please refer to the A Share Rights Issue prospectus dated 22 August 2013 on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company.

In order to facilitate the steady and healthy development of the capital market, China Merchants Group and its subsidiaries have undertaken not to reduce but to take opportunities to increase their shareholdings in the Company during abnormal fluctuations in the stock market. For details, please refer to the announcement dated 10 July 2015 on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company.

As far as the Company is aware, as at the date of the report, the above shareholders had not violated the aforesaid undertakings.

### **3.4 Warning in respect of forecast of a probable loss or a significant change in the accumulated net profit from the beginning of the 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

### **3.5 Implementation of the cash dividend payment policy during the reporting period**

The Board of Directors of the Company has implemented the 2015 dividend distribution plan. For details of the implementation, please refer to the relevant announcements of the Company published on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company.

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

28 October 2016

*As at the date of this announcement, the executive directors of the Company are Tian Huiyu and Li Hao; the non-executive directors of the Company are Li Jianhong, Li Xiaopeng, Sun Yueying, Fu Gangfeng, Hong Xiaoyuan and Su Min; and the independent non-executive directors of the Company are Leung Kam Chung, Antony, Wong Kwai Lam, Pan Chengwei, Pan Yingli, Guo Xuemeng and Zhao Jun.*

## APPENDIX I FINANCIAL STATEMENTS

### UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to September ended 30 September 2016	2015 (restated)	For the period from July to September ended 30 September 2016	2015 (restated)
Interest income	<b>161,930</b>	177,847	<b>53,073</b>	58,788
Interest expense	<b>(61,208)</b>	(76,060)	<b>(19,828)</b>	(23,551)
<b>Net interest income</b>	<b>100,722</b>	101,787	<b>33,245</b>	35,237
Fee and commission income	<b>52,640</b>	47,465	<b>12,649</b>	14,766
Fee and commission expense	<b>(3,404)</b>	(2,913)	<b>(1,192)</b>	(961)
<b>Net fee and commission income</b>	<b>49,236</b>	44,552	<b>11,457</b>	13,805
<b>Other net income</b>	<b>11,030</b>	10,150	<b>3,044</b>	3,200
<b>Operating income</b>	<b>160,988</b>	156,489	<b>47,746</b>	52,242
Operating expenses	<b>(45,944)</b>	(48,472)	<b>(14,348)</b>	(16,792)
Charge for insurance claims	<b>(190)</b>	(213)	<b>(57)</b>	(67)
<b>Operating profit before impairment losses</b>	<b>114,854</b>	107,804	<b>33,341</b>	35,383
Impairment losses	<b>(47,640)</b>	(43,952)	<b>(11,470)</b>	(14,781)
Share of profits of associates	<b>1</b>	2	<b>1</b>	–
Share of profits of joint ventures	<b>223</b>	136	<b>71</b>	4
<b>Profit before tax</b>	<b>67,438</b>	63,990	<b>21,943</b>	20,606
Less: income tax	<b>(15,094)</b>	(15,204)	<b>(4,931)</b>	(4,989)
<b>Net profit</b>	<b>52,344</b>	48,786	<b>17,012</b>	15,617
Attributable to:				
Equity shareholders of the Bank	<b>52,142</b>	48,500	<b>16,911</b>	15,524
Non-controlling interests	<b>202</b>	286	<b>101</b>	93

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER 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	
	2016	2015	2016	2015
<b>Earnings per share</b>				
Basic earnings per share (RMB)	2.07	1.92	0.67	0.62
Diluted earnings per share (RMB)	2.07	1.92	0.67	0.62
<b>Other comprehensive income for the period (after tax and reclassification adjustments)</b>				
Exchange difference on translation of financial statements of overseas subsidiaries	279	494	(282)	456
Equity-accounted investees-share of other comprehensive income	(3)	(1)	62	(22)
Net movement in fair value reserve of available-for-sale financial assets	696	2,095	1,549	809
Effective portion of changes in fair value of cash flow hedge	(107)	367	(6)	96
<b>Total other comprehensive income for the period</b>	<b>865</b>	<b>2,955</b>	<b>1,323</b>	<b>1,339</b>
<b>Total comprehensive income for the period</b>	<b>53,209</b>	<b>51,741</b>	<b>18,335</b>	<b>16,956</b>
Total comprehensive income attributable to equity shareholders of the Bank	53,007	51,455	18,234	16,863
Total comprehensive income attributable to minority shareholders	202	286	101	93

**UNAUDITED STATEMENT OF PROFIT OR LOSS**  
*(Expressed in millions of Renminbi unless otherwise stated)*

	<b>For the period from January to September ended 30 September 2016</b>	<b>2015</b>	<b>For the period from July to September ended 30 September 2016</b>	<b>2015</b>
	(restated)		(restated)	
Interest income	<b>155,354</b>	171,167	<b>50,681</b>	56,855
Interest expense	<b>(57,743)</b>	(72,505)	<b>(18,574)</b>	(22,601)
<b>Net interest income</b>	<b>97,611</b>	98,662	<b>32,107</b>	34,254
Fee and commission income	<b>49,157</b>	44,104	<b>11,499</b>	13,625
Fee and commission expense	<b>(3,111)</b>	(2,813)	<b>(1,145)</b>	(987)
<b>Net fee and commission income</b>	<b>46,046</b>	41,291	<b>10,354</b>	12,638
<b>Other net income</b>	<b>8,774</b>	8,977	<b>2,262</b>	2,847
<b>Operating income</b>	<b>152,431</b>	148,930	<b>44,723</b>	49,739
Operating expenses	<b>(43,066)</b>	(45,937)	<b>(13,356)</b>	(15,953)
<b>Operating profit before impairment losses</b>	<b>109,365</b>	102,993	<b>31,367</b>	33,786
Impairment loss	<b>(47,030)</b>	(43,839)	<b>(11,287)</b>	(14,745)
Share of profits of joint ventures	<b>100</b>	128	<b>14</b>	18
<b>Profit before tax</b>	<b>62,435</b>	59,282	<b>20,094</b>	19,059
Less: income tax	<b>(14,050)</b>	(14,223)	<b>(4,566)</b>	(4,666)
<b>Net profit</b>	<b>48,385</b>	45,059	<b>15,528</b>	14,393

**UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to September ended 30 September 2016		For the period from July to September ended 30 September 2016	
	2016	2015	2016	2015
<b>Other comprehensive income for the period (after tax and reclassification adjustments)</b>				
Exchange differences on translation of financial statements of overseas subsidiaries	–	(1)	–	(6)
Equity-accounted investees-share of other comprehensive income	(27)	(1)	34	(22)
Net movement in fair value reserve of available-for-sale financial assets	284	2,202	957	1,021
Effective portion of changes in fair value of cash flow hedge	(107)	367	(6)	96
<b>Total other comprehensive income for the period</b>	<b>150</b>	<b>2,567</b>	<b>985</b>	<b>1,089</b>
<b>Total comprehensive income for the period</b>	<b>48,535</b>	<b>47,626</b>	<b>16,513</b>	<b>15,482</b>

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*(Expressed in millions of Renminbi unless otherwise stated)*

	30 September 2016	31 December 2015
<b>Assets</b>		
Cash	<b>14,546</b>	14,381
Precious metals	<b>4,555</b>	16,099
Balances with central bank	<b>546,655</b>	569,961
Balances with banks and other financial institutions	<b>80,131</b>	63,779
Placements with banks and other financial institutions	<b>188,797</b>	185,693
Amounts held under resale agreements	<b>128,924</b>	343,924
Loans and advances to customers	<b>3,062,607</b>	2,739,444
Interest receivable	<b>25,109</b>	24,934
Financial assets at fair value through profit or loss	<b>60,141</b>	59,081
Derivative financial assets	<b>7,605</b>	10,176
Available-for-sale financial assets	<b>344,407</b>	299,559
Held-to-maturity investments	<b>466,028</b>	353,137
Debt securities classified as receivables	<b>520,739</b>	716,064
Interests in joint ventures	<b>3,649</b>	2,732
Interests in associates	<b>54</b>	54
Property and equipment	<b>36,590</b>	31,835
Investment properties	<b>1,626</b>	1,708
Intangible assets	<b>3,608</b>	3,595
Goodwill	<b>9,954</b>	9,954
Deferred tax assets	<b>26,618</b>	16,020
Other assets	<b>31,647</b>	12,848
 <b>Total assets</b>	 <b>5,563,990</b>	 <b>5,474,978</b>

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

**30 September  
2016**      **31 December  
2015**

**Liabilities**

Borrowing from central bank	<b>94,000</b>	62,600
Deposits from banks and other financial institutions	<b>421,596</b>	711,561
Placements from banks and other financial institutions	<b>231,908</b>	178,771
Amounts sold under repurchase agreements	<b>321,829</b>	185,652
Deposits from customers	<b>3,615,989</b>	3,571,698
Interest payable	<b>35,750</b>	39,073
Financial liabilities at fair value through profit or loss	<b>22,924</b>	20,227
Derivative financial liabilities	<b>7,503</b>	7,575
Debt securities issued	<b>306,636</b>	251,507
Salaries and welfare payable	<b>10,662</b>	6,524
Tax payable	<b>19,571</b>	12,820
Deferred tax liabilities	<b>853</b>	867
Other liabilities	<b>77,335</b>	64,345
<b>Total liabilities</b>	<b>5,166,556</b>	5,113,220

**Equity**

Share capital	<b>25,220</b>	25,220
Capital reserve	<b>67,523</b>	67,523
Investment revaluation reserve	<b>6,881</b>	6,188
Hedging reserve	<b>134</b>	241
Surplus reserve	<b>34,009</b>	34,009
Regulatory general reserve	<b>64,689</b>	64,679
Retained profits	<b>198,019</b>	145,887
Proposed profit appropriations	<b>–</b>	17,402
Exchange reserve	<b>(64)</b>	(343)

Total equity attributable to equity shareholders of the Bank	<b>396,411</b>	360,806
Non-controlling interests	<b>1,023</b>	952

<b>Total equity</b>	<b>397,434</b>	361,758
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<b>Total equity and liabilities</b>	<b>5,563,990</b>	5,474,978
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**UNAUDITED STATEMENT OF FINANCIAL POSITION**  
*(Expressed in millions of Renminbi unless otherwise stated)*

**30 September  
2016**      **31 December  
2015**

**Assets**

Cash	<b>13,832</b>	13,783
Precious metals	<b>4,502</b>	16,099
Balances with central bank	<b>538,190</b>	543,228
Balances with banks and other financial institutions	<b>60,594</b>	55,927
Placements with banks and other financial institutions	<b>178,426</b>	202,534
Amounts held under resale agreements	<b>128,421</b>	342,928
Loans and advances to customers	<b>2,823,788</b>	2,506,618
Interest receivable	<b>23,653</b>	23,648
Financial assets at fair value through profit or loss	<b>53,603</b>	54,960
Derivative financial assets	<b>7,032</b>	9,607
Available-for-sale financial assets	<b>309,040</b>	276,846
Held-to-maturity investments	<b>464,589</b>	351,704
Debt securities classified as receivables	<b>520,427</b>	715,864
Interests in subsidiaries	<b>43,296</b>	40,664
Interests in joint ventures	<b>2,139</b>	1,391
Property and equipment	<b>22,728</b>	24,091
Investment properties	<b>498</b>	535
Intangible assets	<b>2,619</b>	2,596
Deferred tax assets	<b>26,191</b>	15,626
Other assets	<b>23,132</b>	9,388
<b>Total assets</b>	<b>5,246,700</b>	5,208,037

**Liabilities**

Borrowing from the central bank	<b>94,000</b>	62,600
Deposits from banks and other financial institutions	<b>408,131</b>	702,862
Placements from banks and other financial institutions	<b>135,143</b>	112,659
Amounts sold under repurchase agreements	<b>319,223</b>	185,285
Deposits from customers	<b>3,461,035</b>	3,421,403
Interest payable	<b>34,670</b>	37,559
Financial liabilities at fair value through profit or loss	<b>21,461</b>	19,786
Derivative financial liabilities	<b>7,216</b>	7,084
Debt securities issued	<b>289,615</b>	235,854
Salaries and welfare payable	<b>9,505</b>	5,363
Tax payable	<b>18,789</b>	12,100
Other liabilities	<b>64,738</b>	53,441
<b>Total liabilities</b>	<b>4,863,526</b>	4,855,996

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

	<b>30 September 2016</b>	31 December 2015
<b>Equity</b>		
Share capital	<b>25,220</b>	25,220
Capital reserve	<b>76,681</b>	76,681
Investment revaluation reserve	<b>6,026</b>	5,769
Hedging reserve	<b>134</b>	241
Surplus reserve	<b>34,009</b>	34,009
Regulatory general reserve	<b>63,928</b>	63,928
Retained profits	<b>177,176</b>	128,791
Proposed profit appropriations	<b>—</b>	17,402
<b>Total equity</b>	<b>383,174</b>	352,041
<b>Total equity and liabilities</b>	<b>5,246,700</b>	5,208,037

## UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

*(Expressed in millions of Renminbi unless otherwise stated)*

	For the period from January to September ended 30 September 2016	2015
<b>Cash generated from operating activities</b>		
<b>Profit before tax</b>	<b>67,438</b>	63,990
Adjustments for:		
– Impairment losses on loans and advances	46,212	43,258
– Provisions for/(reversals of) impairment losses on investments and other assets	1,428	694
– Unwind of interest income on impaired loans	(882)	(660)
– Depreciation of properties and equipments and investment properties	2,786	2,393
– Amortization of other assets	387	424
– Net gain on debt securities and equity investments	(6,172)	(1,850)
– Interest income on investments	(34,234)	(36,101)
– Interest expense on issued debt securities	7,452	5,055
– Share of profits of joint ventures	(223)	(136)
– Share of profits of associates	(1)	(2)
– Net (gains) on disposal of properties and equipment	(17)	–
<b>Changes in:</b>		
Balances with central bank	(13,136)	(42,893)
Balances and placements with banks and other financial institutions with original maturity over 3 months	(12,446)	27,591
Loans and advances to customers	(367,966)	(205,531)
Other assets	(25,975)	(9,671)
Deposits from customers	44,291	163,220
Deposits and placements from banks and other financial institutions	(100,651)	145,600
Borrowings from the central bank	31,400	–
Other liabilities	20,788	39,039
<b>Net cash generated from operating activities</b>	<b>(339,521)</b>	194,420
<b>Income tax paid</b>	<b>(19,855)</b>	(18,360)

## UNAUDITED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

*(Expressed in millions of Renminbi unless otherwise stated)*

	For the period from January to September ended 30 September	
	2016	2015
<b>Cash generated from investing activities</b>		
Proceeds from the disposal of investments	505,602	573,869
Gains received from investments	52,003	43,663
Proceeds from the disposal of properties and equipments and other assets	422	59
Proceeds of loans from joint venture	5	2
Payment for the purchase of investments	(474,736)	(908,880)
Payment for the purchase of properties and equipments and other assets	(6,669)	(2,316)
Acquisition of interest in joint ventures	(675)	(1,000)
 <b>Net cash generated from investing activities</b>	<b>75,952</b>	<b>(294,603)</b>
 <b>Cash generated from financing activities</b>		
Proceeds from minority shareholders	-	83
Proceeds from the issue of debt securities	7,910	3,138
Proceeds from the issue of negotiable interbank certificates of deposits	443,293	118,960
Proceeds from the issue of certificates of deposits	12,298	23,477
Repayment of debts due	(404,233)	(46,936)
Interest paid on issued debt securities	(12,250)	(2,596)
Repayment of redemption of non-controlling equity	(55)	-
Payment for distribution of dividends or profits	(17,402)	(16,897)
 <b>Net cash generated from financing activities</b>	<b>29,561</b>	<b>79,229</b>
Effect of foreign exchange rate changes	2,619	(3,075)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(251,244)</b>	<b>(42,389)</b>
Add: balance of cash and cash equivalents at the beginning of the period	635,843	471,471
<b>Balance of cash and cash equivalents at the end of the period</b>	<b>384,599</b>	<b>429,082</b>
 <b>Cash flows from operating activities include:</b>		
Interest received	115,924	172,569
Interest paid	(56,420)	(79,087)

## APPENDIX II INFORMATION DISCLOSURE OF LIQUIDITY COVERAGE RATIO

According to the relevant requirements of the “Measures for the Information Disclosure of Liquidity Coverage Ratio of Commercial Banks”, the Group disclosed the information of liquidity coverage ratio. The monthly average liquidity coverage ratio of the Group for the third quarter of 2016 was 96.51%. The average amount of various accounting items at the end of three months in the third quarter of the year is listed below:

In RMB millions

No.		Unweighted value	Weighted value
<b>HIGH-QUALITY LIQUID ASSETS</b>			
1	Total high-quality liquid assets (HQLA)		647,097
<b>CASH OUTFLOWS</b>			
2	Retail deposits and deposits from small business customers, of which:	1,470,276	146,926
3	Stable deposits	2,022	101
4	Less stable deposits	1,468,253	146,825
5	Unsecured wholesale funding, of which:	2,412,483	1,070,064
6	Operational deposits (excluding those generated from correspondent banking activities)	1,030,625	256,487
7	Non-operational deposits (all counterparties)	1,380,105	811,824
8	Unsecured debt	1,753	1,753
9	Secured funding		52,369
10	Other liabilities, of which:	539,500	57,414
11	Outflows related to derivative exposures and other collateral requirements	29,328	29,139
12	Outflows due to decrease of secured debt instruments	-	-
13	Credit and liquidity facilities	510,173	28,274
14	Other contractual funding obligations	41,152	40,823
15	Other contingent funding obligations	884,291	17,598
16	<b>TOTAL CASH OUTFLOWS</b>		1,385,194
<b>CASH INFLOWS</b>			
17	Secured lending (including reverse repos and securities borrowing)	168,028	168,028
18	Contractual inflows from fully performing assets	869,613	511,877
19	Other cash inflows	33,085	32,107
20	<b>TOTAL CASH INFLOWS</b>	1,070,726	712,011
			<b>Total adjusted value</b>
21	<b>TOTAL HQLA</b>		647,097
22	<b>TOTAL NET CASH OUTFLOWS</b>		673,183
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>		96.51%