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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)**

## **FIRST QUARTERLY REPORT OF 2017**

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 The 11th meeting of the Tenth Session of the Board of Directors of the Company has approved the first quarterly report of 2017 of the Company through voting by correspondence. 16 out of the 16 eligible directors attended the meeting.
- 1.3 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.
- 1.4 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 and its subsidiaries.
- 1.5 Li Jianhong, Chairman of the Board of Directors of the Company, Tian Huiyu, the President, Li Hao, the First Executive Vice President and Chief Financial Officer, and Li Li, 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 of the Group

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

	At the end of the reporting period 31 March 2017	At the end of last year 31 December 2016	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
Total Assets	6,000,674	5,942,311	0.98
Equity attributable to shareholders of the Bank	420,634	402,350	4.54
Net assets per share attributable to shareholders of the Bank ( <i>in RMB Yuan</i> )	16.68	15.95	4.58
	The reporting period: January to March 2017	The corresponding period of last year: January to March 2016	Increase/decrease of the reporting period as compared to the corresponding period of last year (%)
Net cash (used in) generated from operating activities <sup>(note)</sup>	(212,898)	(284,986)	25.30
Net cash (used in) generated from operating activities per share ( <i>in RMB Yuan</i> )	(8.44)	(11.30)	25.31
	The reporting period: January to March 2017	The corresponding period of last year: January to March 2016	Increase/decrease of the reporting period as compared to the corresponding period of last year (%)
Net operating income	57,253	58,353	(1.89)
Net profit attributable to shareholders of the Bank	19,977	18,350	8.87
Basic earnings per share attributable to shareholders of the Bank ( <i>in RMB Yuan</i> )	0.79	0.73	8.22
Diluted earnings per share attributable to shareholders of the Bank ( <i>in RMB Yuan</i> )	0.79	0.73	8.22
Annualized weighted average return on net assets attributable to shareholders of the Bank (%)	19.42	19.84	Decrease of 0.42 percentage point

*Note:* In the annual report of 2016, the Group reclassified its liabilities on the repurchases of rediscounted bills and the bond repurchases made by the Central Bank in the open market from the “Amounts sold under repurchase agreements” to “Borrowings from the Central Bank”. As such, “Borrowings from the Central Bank” and “Placements from banks and other financial institutions” for the corresponding period in the cash flow statement were restated. The restatement has no effect on “Net cash (used in) generated from operating activities”.

## 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 shareholders of the Bank for the reporting period ended 31 March 2017 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 optimize its business structure and enhance capital management, and has satisfied all capital requirements of China Banking Regulatory Commission (hereinafter referred to as the “CBRC”) during the reporting period. The capital adequacy ratio of the Company generally remained stable.

As at 31 March 2017, the capital adequacy ratio and the Tier 1 capital adequacy ratio of the Group under the advanced approach were 14.43% and 12.40%, respectively.

	<b>At the end of the reporting period 31 March 2017</b>	At the end of last year 31 December 2016	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
<b>The Group</b>			
	<i>(in millions of RMB, except for percentages)</i>		
<b>Capital adequacy ratios under the advanced approach<sup>(1)</sup></b>			
1. Net core Tier 1 capital	<b>407,709</b>	388,762	4.87
2. Net Tier 1 capital	<b>407,727</b>	388,780	4.87
3. Net capital	<b>474,374</b>	449,116	5.62
4. Core Tier 1 capital adequacy ratio	<b>12.40%</b>	11.54%	Increase of 0.86 percentage point
5. Tier 1 capital adequacy ratio	<b>12.40%</b>	11.54%	Increase of 0.86 percentage point
6. Capital adequacy ratio	<b>14.43%</b>	13.33%	Increase of 1.10 percentage points
<b>Information on leverage ratio<sup>(2)</sup></b>			
7. Total on and off balance sheet assets after adjustment	<b>6,784,485</b>	6,758,093	0.39
8. Leverage ratio	<b>6.01%</b>	5.75%	Increase of 0.26 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 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 31 March 2017, 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 co-efficients to adjust the result of its risk-weighted assets multiplying the sum of its minimum capital amount and reserve capital amount, the total amount of capital deductions and the provision for excessive loan loss which can be included into capital. The capital floor adjustment co-efficients shall be 95%, 90% and 80% respectively in the first year, the second year, and the third and subsequent years during the transition period. 2017 is the third 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)” issued by CBRC on 12 February 2015. The leverage ratio of the Group were 5.75%, 5.99% and 5.80% respectively as at the end of 2016, the end of the third quarter of 2016 and for the first half of 2016.

As at 31 March 2017, the capital adequacy ratio and the Tier 1 capital adequacy ratio of the Company under the advanced approach were 14.20% and 12.10%, respectively.

	<b>At the end of the reporting period 31 March 2017</b>	At the end of last year 31 December 2016	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 Company</b>			
<b>Capital adequacy ratios under the advanced approach</b>			
1. Net core Tier 1 capital	<b>356,801</b>	339,976	4.95
2. Net Tier 1 capital	<b>356,801</b>	339,976	4.95
3. Net capital	<b>418,504</b>	397,649	5.24
4. Core Tier 1 capital adequacy ratio	<b>12.10%</b>	11.11%	Increase of 0.99 percentage point
5. Tier 1 capital adequacy ratio	<b>12.10%</b>	11.11%	Increase of 0.99 percentage point
6. Capital adequacy ratio	<b>14.20%</b>	12.99%	Increase of 1.21 percentage points

As at 31 March 2017, the capital adequacy ratio and the Tier 1 capital adequacy ratio of the Group under the weighted approach were 12.08% and 10.20%, respectively.

	<b>At the end of the reporting period 31 March 2017</b>	At the end of last year 31 December 2016	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
<b>The Group</b>			
<b>Capital adequacy ratios under the weighted approach<sup>(note)</sup></b>			
1. Tier 1 capital adequacy ratio	<b>10.20%</b>	10.09%	Increase of 0.11 percentage point
2. Capital adequacy ratio	<b>12.08%</b>	12.00%	Increase of 0.08 percentage point

*Note:* The “weighted approach” refers to the standardised approach for credit risk, the standardised approach for market risk and the basic indicator approach for operational risk in accordance with the provisions of the “Capital Rules for Commercial Banks (Provisional)” issued by CBRC on 7 June 2012. Same as below.

As at 31 March 2017, the capital adequacy ratio and the Tier 1 capital adequacy ratio of the Company under the weighted approach were 11.68% and 9.76%, respectively.

	<b>At the end of the reporting period 31 March 2017</b>	At the end of last year 31 December 2016	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
<b>The Company</b>			
<b>Capital adequacy ratios under the weighted approach</b>			
1. Tier 1 capital adequacy ratio	<b>9.76%</b>	9.63%	Increase of 0.13 percentage point
2. Capital adequacy ratio	<b>11.68%</b>	11.59%	Increase of 0.09 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                      205,206**

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	4,539,779,789	H Shares	–	unknown
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. – traditional products	Domestic 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 legal person	3.34	842,709,001	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., 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.. As at 31 March 2017, China Merchants Group Ltd. indirectly held in aggregate 29.97% of the total share capital of the Company by way of equity interest, right of control or relationship of parties acting in concert; 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 March 2017, total assets of the Group amounted to RMB6,000.674 billion, representing an increase of 0.98% as compared with the beginning of the year; and its total liabilities amounted to RMB5,578.85 billion, representing an increase of 0.72% as compared with the beginning of the year. Total deposits from customers amounted to RMB3,929.544 billion, representing an increase of 3.35% as compared with the beginning of the year. Total loans and advances amounted to RMB3,434.526 billion, representing an increase of 5.30% as compared with the beginning of the year.

For the period from January to March 2017, the Group realised a net profit attributable to shareholders of the Bank of RMB19.977 billion, representing a year-on-year increase of 8.87%, and net operating income of RMB57.253 billion, among which, net interest income amounted to RMB34.914 billion, representing a year-on-year increase of 1.77%, and accounting for 60.98% of the net operating income. Since the segregation of price and tax had not been implemented in respect of the income for the first quarter of 2016, for the period from January to March 2017, net interest spread and net interest margin were 2.30% and 2.43%, respectively, both representing a year-on-year decrease of 0.19 percentage point, and a quarter-on-quarter increase of 0.03 percentage point and 0.04 percentage point, respectively. Net non-interest income amounted to RMB22.339 billion, representing a year-on-year decrease of 7.10%, among which, net fee and commission income decreased by 5.97% year-on-year to RMB18.64 billion, accounting for 32.56% of the net operating income, down by 1.41 percentage points as compared with the corresponding period of the previous year, and other net income amounted to RMB3.473 billion, representing a year-on-year decrease of 16.19%, primarily due to a sharp decrease in net investment income. During the reporting period, the cost-to-income ratio (excluding tax and surcharges) of the Group was 24.22%, representing a year-on-year increase of 2.58 percentage points, which was mainly due to the fact that the Company's net operating income for the period was affected by the segregation of price and tax for our income as a result of the implementation of the "Change from Business Tax to Value-Added Tax" policy.

As at the end of March 2017, the balance of non-performing loans of the Group amounted to RMB60.504 billion, representing a decrease of RMB617 million as compared with the end of the previous year; the non-performing loan ratio was 1.76%, down by 0.11 percentage point as compared with the end of the previous year; and the allowance coverage ratio of our non-performing loans was 208.67%, up by 28.65 percentage points as compared with the end of the previous year; the allowance-to-loan ratio was 3.68%, up by 0.31 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 March 2017, the Company maintained steady business development as a whole:

**Both our assets and liabilities grew moderately.** As at the end of March 2017, total assets of the Company amounted to RMB5,665.379 billion, representing an increase of 0.94% as compared with the beginning of the year; total liabilities amounted to RMB5,261.795 billion, representing an increase of 0.69% as compared with the beginning of the year. Total loans and advances amounted to RMB3,173.794 billion, representing an increase of 5.28% as compared with the beginning of the year, among which, corporate loans, retail loans and discounted bills accounted for 45.24%, 50.15% and 4.61%, respectively. Total deposits from customers amounted to RMB3,760.892 billion, representing an increase of 3.25% as compared with the beginning of the year, among which, demand deposits and time deposits accounted for 62.61% and 37.39%, respectively. Among the demand deposits, corporate deposits accounted for 61.61% while retail deposits accounted for 38.39%; and among the time deposits, corporate deposits accounted for 80.31% while retail deposits accounted for 19.69%.

**Our profits grew steadily.** During the period from January to March 2017, the Company realised a net profit of RMB18.419 billion, representing a year-on-year increase of 6.63%. The Company realised net operating income of RMB53.842 billion, among which, net interest income amounted to RMB33.882 billion, representing a year-on-year increase of 1.45%, and accounting for 62.93% of the net operating income. Since the segregation of price and tax had not been implemented in respect of the income for the first quarter of 2016, net interest spread and net interest margin of the Company during the period from January to March 2017 were 2.36% and 2.49%, respectively, both representing a year-on-year decrease of 0.19 percentage point, and a quarter-on-quarter increase of 0.03 percentage point and 0.04 percentage point, respectively. As retail finance business continued to increase its contribution, the net operating income from retail finance business amounted to RMB27.688 billion, representing a year-on-year increase of 1.61%, and accounting for 51.42% of the Company's net operating income.

**Net non-interest income recorded a decrease.** During the period from January to March 2017, the Company realised a net non-interest income of RMB19.96 billion, representing a year-on-year decrease of 10.72%, which was mainly due to the fact that the segregation of price and tax had not been implemented in respect of the income for the first quarter of 2016, the higher base amount of net non-interest income for the corresponding period of the previous year and other factors. The proportion of the net non-interest income in our net operating income was 37.07%, representing a year-on-year decrease of 3.03 percentage points. Fee and commission income amounted to RMB18.758 billion, representing a year-on-year decrease of 5.24%, among which, fees and commission income from wealth management services amounted to RMB8.482 billion (specifically, income from entrusted wealth management services amounted to RMB2.965 billion; income from agency distribution of insurance policies amounted to RMB2.526 billion; income from agency distribution of funds amounted to RMB1.88 billion; income from agency distribution of trust schemes amounted to RMB1.06 billion; income from agency distribution of precious metal amounted to RMB51 million).

**The operational efficiency was kept at a satisfactory level.** During the period from January to March 2017, the operating expenses of the Company amounted to RMB13.208 billion, representing a year-on-year decrease of 12.60%. Cost-to-income ratio (excluding tax and surcharges) was 23.62%, representing a year-on-year increase of 2.42 percentage points.

**The 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 weighted approach were 11.68% and 9.76%, respectively; up by 0.09 and 0.13 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 weighted approach was 24.80%, maintaining at a level which was significantly higher than the capital cost.

**Asset quality was maintained and improved.** As at the end of March 2017, the balance of the Company's non-performing loans amounted to RMB59.373 billion, representing a decrease of RMB376 million as compared with the end of the previous year, and the non-performing loan ratio was 1.87%, down by 0.11 percentage point as compared with the end of the previous year. The Company, through transforming itself into a "Light-operation Bank", stepped up the construction of a risk management system focusing on risk-adjusted value creation under the principles of "Comprehensive, Professional, Independent and Balanced Management". In accordance with the regulatory requirements, the Company continued to promote the "penetration principle", gradually geared back onto the original track of business, pushed forward portfolio and quota management, and prevented crossed-over financial risks. The Company optimised asset portfolio allocation and actively adjusted asset structure. The Company enhanced efforts to depart from customers in overcapacity industries, with high risks, but low value, as well as "zombie enterprises", and implemented the "customer list management" that identified customers as strategic customers and customers that should be reduced and declined. Moreover, the Company streamlined its procedure for credit approval in a comprehensive manner, optimised the credit management system, reformed the business system, and promoted the network-based, digitised and synergistic credit approval procedure. The Company also optimised the pre-warning model, enhanced asset quality monitoring, and prevented and controlled risks in a proactive manner, thereby maintaining stable and improved 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 quarter of 2017, the Company continued to increase the amount of provision for its risk-bearing loans granted to overcapacity industries. As at the end of March 2017, the balance of allowance for impairment losses on loans of the Company amounted to RMB123.107 billion, representing an increase of RMB16.136 billion as compared with the end of the previous year. The non-performing loan allowance coverage ratio was 207.35%, representing an increase of 28.32 percentage points as compared with the end of the previous year; the allowance-to-loan ratio was 3.88%, representing an increase of 0.33 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 of the Group

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

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

<b>Major items</b>	<b>As at 31 March 2017</b>	<b>Changes as compared to the end of last year</b>	<b>Major reasons</b>
Balances with banks and other financial institutions	60,055	(41.70%)	Decrease in balances with overseas financial institutions
Amounts held under resale agreements	114,398	(58.95%)	Decrease in balances of off-balance-sheet wealth management funds under reverse repurchase agreements
Derivative financial assets	5,979	(31.18%)	Relatively more foreign exchange and precious metals derivative transactions came to maturity during the reporting period
Other assets	40,263	38.99%	Increase in amounts pending settlement
Deposits from banks and other financial institutions	354,540	(36.19%)	Decrease in placements with non-deposit-taking financial institutions
Derivative financial liabilities	6,265	(43.82%)	Relatively more foreign exchange and precious metals derivative transactions came to maturity during the reporting period
Tax payable	27,870	42.75%	Increase in enterprise income tax payable
Other comprehensive income	1,258	(57.37%)	Decrease in valuation of investments in available-for-sale bonds due to the rising market yields

Major items	January to March 2017	Changes as compared to the corresponding period of last year	Major reasons
Fee and commission expense	(1,361)	30.61%	Substantial increase in expense on credit card service due to an increase in the transaction volume of credit cards, the price reform of UnionPay and other factors
Share of profits of joint ventures	225	188.46%	Increase in net profit of joint ventures
Net profit attributable to the non-controlling interests	115	66.67%	Increase in net profit of China Merchants Fund for the period and profit and loss of minority interests of other subsidiaries of the Company
Exchange difference on translation of financial statements of overseas subsidiaries	(304)	(38.96%)	Movements in foreign exchange rates
Equity-accounted investees share of other comprehensive (expense) income	14	N/A	Increase in other comprehensive income of investees
Available-for-sale financial assets: net movement in fair value reserve	(1,329)	N/A	Decrease in valuation of investments in available-for-sale bonds due to the rising market yields
Cash flow hedge: net movement in hedging reserve	(74)	362.50%	Decrease in fair value of hedging instruments

**3.2 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

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

During the reporting period, as considered and approved by the 10th meeting of the Tenth Session of the Board of Directors of the Company, the Company proposed to transfer 10% of the profit after tax of RMB56.99 billion (as shown in the audited financial statements of the Company for 2016 prepared under the PRC GAAP), (equivalent to RMB5.699 billion) to the statutory surplus reserve, and 1.5% of the total amount of the increased risk assets (equivalent to RMB3.102 billion) to the general reserve. Based on the then total share capital of A Shares and H Shares on the record date for implementation of the profit appropriation, the Company proposes to declare a cash dividend of RMB0.74 (tax included) for every share, denominated and declared in RMB, to all shareholders of the Company whose names appear on the register, payable in Renminbi for holders of A Shares and in Hong Kong Dollars for holders of H Shares. The actual appropriation amount in HKD will be calculated based on the average RMB/HKD benchmark rates to be released by the PBOC for the week before the date of the general meeting (inclusive of the day of the general meeting). The retained profit will be carried forward to the next year. In 2016, the Company did not transfer any capital reserve into share capital. The above proposal of profit appropriation is subject to consideration and approval at the 2016 Annual General Meeting of the Company.

### **3.4 Non-public issuance of Preference Shares**

To enhance the capital adequacy ratio of the Company, improve the capital structure of the Company, strengthen the Company's capability in sustainable development and risk resilience, further enhance the Company's overall competitive strength and continuously promote the business transformation and upgrading of the Company, the Company proposes to conduct a non-public issuance of Preference Shares in domestic and offshore markets with an aggregate size of not more than RMB35 billion to replenish its additional Tier-1 capital. Of which, the value of Preference Shares proposed to be issued in the domestic market will not exceed RMB27.5 billion while the value of Preference Shares proposed to be issued in the offshore market will not exceed RMB7.5 billion or its equivalent. The resolutions regarding the abovementioned non-public issuance of Domestic and Offshore Preference Shares were approved at the Tenth Meeting of the 10th Session of the Board of Directors of the Company. For details, please refer to the announcements and circular published by the Company on the website of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)), the website of The Stock Exchange of Hong Kong Limited ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company ([www.cmbchina.com](http://www.cmbchina.com)). The above non-public issuance is still subject to approval at the general meeting, the A Shareholders Class Meeting, the H Shareholders Class Meeting of the Company and by the CBRC and the China Securities Regulatory Commission, and the implementation of which will be based on the finally approved proposal.

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

27 April 2017

*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, Su Min, Zhang Jian and Wang Daxiong; and the independent non-executive directors of the Company are Leung Kam Chung, Antony, Wong Kwai Lam, Pan Chengwei, Pan Yingli, Zhao Jun and Wong See Hong.*

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS***(Expressed in millions of Renminbi unless otherwise stated)***For the period from January  
to March ended 31 March**  
2017                      2016

Interest income	<b>57,060</b>	55,881
Interest expense	<b>(22,146)</b>	(21,575)
<b>Net interest income</b>	<b>34,914</b>	34,306
Fee and commission income	<b>20,001</b>	20,866
Fee and commission expense	<b>(1,361)</b>	(1,042)
<b>Net fee and commission income</b>	<b>18,640</b>	19,824
<b>Other net income</b>	<b>3,473</b>	4,144
<b>Total operating income</b>	<b>57,027</b>	58,274
Operating expense	<b>(14,373)</b>	(15,974)
Charge for insurance claims	<b>(63)</b>	(67)
<b>Operating profit before impairment losses</b>	<b>42,591</b>	42,233
Impairment losses	<b>(17,315)</b>	(18,516)
Share of profits of associates	<b>1</b>	1
Share of profits of joint ventures	<b>225</b>	78
<b>Profit before taxation</b>	<b>25,502</b>	23,796
Income tax	<b>(5,410)</b>	(5,377)
<b>Net profit</b>	<b>20,092</b>	18,419
Attributable to:		
Equity shareholders of the Bank	<b>19,977</b>	18,350
Non-controlling interests	<b>115</b>	69
	<b>RMB</b>	<b>RMB</b>
<b>Earnings per share</b>		
Basic earnings per share	<b>0.79</b>	0.73
Diluted earnings per share	<b>0.79</b>	0.73

**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 March ended 31 March**  
2017                      2016

<b>Net profit for the period</b>	<b>20,092</b>	18,419
Net profit attributable to the Bank's shareholders	19,977	18,350
Net profit attributable to the non-controlling interests	115	69
<b>Other comprehensive income that will be reclassified subsequently to profit or loss (after tax and reclassification adjustments)</b>		
Exchange difference on translation of financial statements of overseas subsidiaries	(304)	(498)
Equity-accounted investees share of other comprehensive (expense) income	14	(41)
Available-for-sale financial assets: net movement in fair value reserve	(1,329)	539
Cash flow hedge: net movement in hedging reserve	(74)	(16)
<b>Total other comprehensive income for the period</b>	<b>(1,693)</b>	(16)
<b>Total comprehensive income for the period</b>	<b>18,399</b>	18,403
Total comprehensive income attributable to shareholders of the Bank	18,284	18,334
Total comprehensive income attributable to the non-controlling interests	115	69

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

**For the period from January  
to March ended 31 March**

	2017	2016
Interest income	54,651	53,817
Interest expense	<u>(20,769)</u>	<u>(20,418)</u>
<b>Net interest income</b>	<b>33,882</b>	<b>33,399</b>
Fee and commission income	18,758	19,795
Fee and commission expense	<u>(1,265)</u>	<u>(933)</u>
<b>Net fee and commission income</b>	<b>17,493</b>	<b>18,862</b>
<b>Other net income</b>	<b>2,423</b>	<b>3,434</b>
<b>Total operating income</b>	<b>53,798</b>	<b>55,695</b>
Operating expense	<u>(13,208)</u>	<u>(15,112)</u>
<b>Operating profit before impairment losses</b>	<b>40,590</b>	<b>40,583</b>
Impairment losses	(17,174)	(18,245)
Share of profits of joint ventures	44	61
<b>Profit before taxation</b>	<b>23,460</b>	<b>22,399</b>
Income tax	<u>(5,041)</u>	<u>(5,126)</u>
<b>Net profit</b>	<b><u>18,419</u></b>	<b><u>17,273</u></b>

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

(Expressed in millions of Renminbi unless otherwise stated)

For the period from January  
to March ended 31 March  
2017 2016

Net profit for the period	<u>18,419</u>	<u>17,273</u>
<b>Other comprehensive income that will be reclassified subsequently to profit or loss (after tax and reclassification adjustments)</b>		
Exchange difference on translation of financial statements of overseas subsidiaries	-	2
Equity-accounted investees share of other comprehensive (expense) income	(7)	(41)
Available-for-sale financial assets: net movement in fair value reserve	(1,535)	284
Cash flow hedge: net movement in hedging reserve	<u>(99)</u>	<u>(16)</u>
<b>Total other comprehensive income for the period</b>	<u>(1,641)</u>	<u>229</u>
<b>Total comprehensive income for the period</b>	<u>16,778</u>	<u>17,502</u>

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

	<b>31 March 2017</b>	31 December 2016
<b>Assets</b>		
Cash	14,754	16,373
Precious metals	3,160	2,981
Balances with central bank	584,347	581,156
Balances with banks and other financial institutions	60,055	103,013
Placements with banks and other financial institutions	176,104	200,251
Amounts held under resale agreements	114,398	278,699
Loans and advances to customers	3,308,271	3,151,649
Interest receivable	28,524	26,251
Financial assets at fair value through profit or loss	56,702	55,972
Derivative financial assets	5,979	8,688
Available-for-sale financial assets	395,667	389,138
Held-to-maturity investments	486,687	477,064
Debt securities classified as receivables	626,831	528,748
Interest in joint ventures	3,833	3,630
Interest in associates	82	82
Property and equipment	44,975	43,857
Investment properties	1,655	1,701
Intangible assets	4,024	3,914
Goodwill	9,954	9,954
Deferred tax assets	35,145	31,010
Other assets	39,527	28,180
<b>Total assets</b>	<b>6,000,674</b>	<b>5,942,311</b>
<b>Liabilities</b>		
Borrowings from central bank	274,978	330,108
Deposits from banks and other financial institutions	354,540	555,607
Placements from banks and other financial institutions	280,124	248,876
Amounts sold under repurchase agreements	203,742	162,942
Deposits from customers	3,929,544	3,802,049
Interests payable	34,500	36,246
Financial liabilities at fair value through profit or loss	26,349	23,576
Derivative financial liabilities	6,265	11,152
Debt securities issued	355,577	275,082
Salaries and welfare payable	5,377	7,048
Tax payable	27,870	19,523
Deferred tax liabilities	910	897
Other liabilities	79,074	65,843
<b>Total liabilities</b>	<b>5,578,850</b>	<b>5,538,949</b>

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

	<b>31 March 2017</b>	31 December 2016
<b>Equity</b>		
Share capital	25,220	25,220
Capital reserve	67,523	67,523
Investment revaluation reserve	139	1,454
Hedging reserve	(93)	(19)
Surplus reserve	39,708	39,708
Regulatory general reserve	67,957	67,838
Retained profits	200,305	180,447
Proposed profit appropriations	18,663	18,663
Exchange reserve	1,212	1,516
	<hr/>	<hr/>
Total equity attributable to shareholders of the Bank	420,634	402,350
Non-controlling interests	1,190	1,012
	<hr/>	<hr/>
<b>Total equity</b>	<b>421,824</b>	403,362
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<b>Total equity and liabilities</b>	<b>6,000,674</b>	5,942,311
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**UNAUDITED STATEMENT OF FINANCIAL POSITION***(Expressed in millions of Renminbi unless otherwise stated)*

	<b>31 March 2017</b>	31 December 2016
<b>Assets</b>		
Cash	14,097	15,632
Precious metals	3,088	2,937
Balances with central bank	574,715	562,305
Balances with banks and other financial institutions	46,985	82,361
Placements with banks and other financial institutions	177,821	204,197
Amounts held under resale agreements	112,889	277,997
Loans and advances to customers	3,050,687	2,907,561
Interest receivable	27,244	24,695
Financial assets at fair value through profit or loss	50,939	50,305
Derivative financial assets	5,531	8,029
Available-for-sale financial assets	350,728	346,090
Held-to-maturity investments	485,900	475,924
Debt securities classified as receivables	626,671	528,533
Interest in subsidiaries	43,295	43,296
Interest in joint ventures	2,081	2,043
Property and equipment	22,939	23,186
Investment properties	527	534
Intangible assets	3,029	2,897
Deferred tax assets	34,533	30,399
Other assets	31,680	23,638
	<hr/>	<hr/>
<b>Total assets</b>	<b>5,665,379</b>	<b>5,612,579</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities</b>		
Borrowings from central bank	274,978	330,108
Deposits from banks and other financial institutions	333,631	536,868
Placements from banks and other financial institutions	204,356	155,378
Amounts sold under repurchase agreements	202,954	162,275
Deposits from customers	3,760,892	3,642,640
Interests payable	33,111	34,873
Financial liabilities at fair value through profit or loss	25,381	23,561
Derivative financial liabilities	5,878	10,344
Debt securities issued	323,409	250,523
Salaries and welfare payable	4,198	5,694
Tax payable	27,013	18,851
Other liabilities	65,994	54,658
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>5,261,795</b>	<b>5,225,773</b>
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>31 March 2017</b>	31 December 2016
<b>Equity</b>		
Share capital	<b>25,220</b>	25,220
Capital reserve	<b>76,681</b>	76,681
Investment revaluation reserve	<b>(336)</b>	1,206
Hedging reserve	<b>(118)</b>	(19)
Surplus reserve	<b>39,708</b>	39,708
Regulatory general reserve	<b>67,030</b>	67,030
Retained profits	<b>176,736</b>	158,317
Proposed profit appropriations	<b>18,663</b>	18,663
Exchange reserve	—	—
	<hr/>	<hr/>
<b>Total equity</b>	<b>403,584</b>	386,806
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total equity and liabilities</b>	<b>5,665,379</b>	5,612,579
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**UNAUDITED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)***(Expressed in millions of Renminbi unless otherwise stated)***For the period from January to  
March ended 31 March**

	<b>2017</b>	2016 (restated)
<b>Investing activities</b>		
Proceeds from the disposal of investments	<b>144,029</b>	168,485
Investments and net gains received from investments	<b>13,662</b>	8,336
Proceeds from the disposal of properties and equipment and other assets	–	16
Loans repaid by joint ventures	–	5
Cash received from disposal of joint ventures by subsidiaries	<b>2</b>	–
Payment for the purchase of investments	<b>(251,173)</b>	(207,445)
Payment for the purchase of properties and equipment and other assets	<b>(1,820)</b>	(212)
	-----	-----
<b>Net cash generated from (used in) investing activities</b>	<b>(95,300)</b>	(30,815)
	-----	-----
<b>Financing activities</b>		
Proceeds from the issue of debt securities	<b>8,350</b>	3,800
Proceeds from the issue of negotiable interbank certificates of deposits	<b>181,876</b>	200,296
Proceeds from the issue of certificates of deposits	<b>5,964</b>	2,076
Repayment of certificates of deposit	<b>(4,257)</b>	(8,402)
Repayment of issued debt securities	<b>(21,940)</b>	–
Repayment of negotiable interbank certificates of deposits	<b>(89,480)</b>	(94,529)
Interest paid on issued debt securities	<b>(1,363)</b>	(1,300)
Payment made in cash to minority interests	<b>(2)</b>	(37)
	-----	-----
<b>Net cash (used in) generated from financing activities</b>	<b>79,148</b>	101,904
	-----	-----
Effect of foreign exchange rate changes	<b>(421)</b>	(431)
<b>Net decrease in cash and cash equivalents</b>	<b>(230,923)</b>	(216,381)
Add: Cash and cash equivalents as at 1 January	<b>532,112</b>	635,843
<b>Balance of cash and cash equivalents at the end of the period</b>	<b>301,189</b>	419,462
	=====	=====
<b>Cash flows from operating activities include:</b>		
Interest received	<b>43,656</b>	54,507
Interest paid	<b>20,165</b>	27,851
	=====	=====