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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)*

**(H Share Stock Code: 03968)**

**(Preference Share Stock Code: 04614)**

## **FIRST QUARTERLY REPORT OF 2018**

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.

The 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 the Company confirm that the contents in this report are true, accurate, and complete and have no false representations, misleading statements or material omissions, and they will individually and collectively accept legal responsibility for such contents.
- 1.2 The 23<sup>rd</sup> meeting of the Tenth Session of the Board of Directors of the Company has approved the first quarterly report of 2018 of the Company through voting by correspondence. 15 out of 15 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 “China Merchants Bank” and “the Company” mentioned in this report refer to China Merchants Bank Co., Ltd.; and “the Group” refers to China Merchants Bank Co., Ltd. and its subsidiaries.
- 1.5 Li Jianhong, Chairman of the Board of Directors of the Company, Tian Huiyu, President, Li Hao, First Executive Vice President and Chief Financial Officer, and Li Li, the person in charge of the Finance and Accounting Department, hereby make representations in respect of the truthfulness, accuracy and completeness of the financial statements in this report.

## 2 GENERAL INFORMATION

### 2.1 Major accounting data and financial indicators of the Group<sup>1</sup>

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

	<b>At the end of the reporting period 31 March 2018</b>	At the end of last year 31 December 2017	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
Total Assets	<b>6,252,238</b>	6,297,638	(0.72)
Equity attributable to shareholders of the Bank	<b>496,146</b>	480,210	3.32
Net assets per share attributable to ordinary shareholders of the Bank <i>(in RMB Yuan)</i>	<b>18.32</b>	17.69	3.56
	<b>The reporting period January to March 2018</b>	Corresponding period of last year January to March 2017	Increase/decrease of the reporting period as compared to the corresponding period of last year (%)
Net cash used in operating activities	<b>(48,487)</b>	(212,898)	77.23
Net cash used in operating activities per share <i>(in RMB Yuan)</i>	<b>(1.92)</b>	(8.44)	77.25
	<b>The reporting period January to March 2018</b>	Corresponding last year January to March 2017	Increase/decrease of the reporting period as compared to the corresponding period of last year (%)
Net operating income	<b>61,310</b>	57,253	7.09
Net profit attributable to shareholders of the Bank	<b>22,674</b>	19,977	13.50
Basic earnings per share attributable to ordinary shareholders of the Bank <i>(in RMB Yuan)</i>	<b>0.90</b>	0.79	13.92
Diluted earnings per share attributable to ordinary shareholders of the Bank <i>(in RMB Yuan)</i>	<b>0.90</b>	0.79	13.92
Annualised weighted average return on net assets attributable to ordinary shareholders of the Bank (%)	<b>19.97</b>	19.42	Increase of 0.55 percentage point

<sup>1</sup> Pursuant to the requirements of the “International Financial Reporting Standard 9 – Financial Instruments”, starting from 2018, the Group measured its financial instruments in accordance with the new standard and did not restate the comparable figures as at the end of the previous year and for the previous period, therefore, the statistical calibre of relevant financial indicators at the end of the current period was different from that at the end of the previous year, and the statistical calibre for the current period was also different from that for the previous period. For ease of understanding, this table and subsequent analysis still show the increase and decrease of the related data. An explanation was given if the changes in the relevant indicators were reversed due to the impact of the adoption of the new standard.

## 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 shareholders of the Bank for the reporting period ended 31 March 2018 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 Group continued to optimise its business structure and enhance capital management, and has satisfied various capital requirements of Chinese banking regulatory institution during the reporting period.

As at 31 March 2018, the capital adequacy ratio and the Tier 1 capital adequacy ratio of the Group under the advanced approach were 15.51% and 12.91%, respectively.

	<b>At the end of the reporting period 31 March 2018</b>	At the end of last year 31 December 2017	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>The capital adequacy ratios under the advanced approach <sup>(1)</sup></b>			
1. Net core Tier 1 capital	<b>439,388</b>	425,689	3.22
2. Net Tier 1 capital	<b>473,481</b>	459,782	2.98
3. Net capital	<b>568,753</b>	546,534	4.07
4. Core Tier 1 capital adequacy ratio	<b>11.98%</b>	12.06%	Decrease of 0.08 percentage point
5. Tier 1 capital adequacy ratio	<b>12.91%</b>	13.02%	Decrease of 0.11 percentage point
6. Capital adequacy ratio	<b>15.51%</b>	15.48%	Increase of 0.03 percentage point
<b>Information on leverage ratio <sup>(2)</sup></b>			
7. Total on and off balance sheet assets after adjustment	<b>7,262,770</b>	7,309,756	(0.64)
8. Leverage ratio	<b>6.52%</b>	6.29%	Increase of 0.23 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 offshore branches and sub-branches of China Merchants Bank. As at 31 March 2018, 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. 2018 is the fourth year since implementation of the transition period.
2. Since 2015, the Group has calculated the leverage ratio in accordance with 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 6.29%, 6.15% and 5.83% as at the end of 2017, the end of the third quarter of 2017 and the end of the first half of 2017, respectively.

As at 31 March 2018, the capital adequacy ratio and the Tier 1 capital adequacy ratio of the Company under the advanced approach were 15.32% and 12.62%, respectively.

	<b>At the end of the reporting period 31 March 2018</b>	At the end of last year 31 December 2017	Increase/ decrease at the end of the reporting period as compared to the end of last year (%)
<b>The Company</b>			
	<i>(in millions of RMB, except for percentages)</i>		

**The capital adequacy ratios under  
the advanced approach**

1. Net core Tier 1 capital	<b>385,461</b>	371,416	3.78
2. Net Tier 1 capital	<b>416,914</b>	402,869	3.49
3. Net capital	<b>506,029</b>	483,546	4.65
4. Core Tier 1 capital adequacy ratio	<b>11.67%</b>	11.70%	Decrease of 0.03 percentage point
5. Tier 1 capital adequacy ratio	<b>12.62%</b>	12.69%	Decrease of 0.07 percentage point
6. Capital adequacy ratio	<b>15.32%</b>	15.24%	Increase of 0.08 percentage point

As at 31 March 2018, the capital adequacy ratio and the Tier 1 capital adequacy ratio of the Group under the weighted approach were 12.79% and 10.98%, respectively.

	<b>At the end of the reporting period 31 March 2018</b>	At the end of last year 31 December 2017	Increase/ decrease at the end of the reporting period as compared to the end of last year
<b>The Group</b>			
<b>The capital adequacy ratios under the weighted approach <sup>(Note)</sup></b>			
1. Tier 1 capital adequacy ratio	<b>10.98%</b>	10.81%	Increase of 0.17 percentage point
2. Capital adequacy ratio	<b>12.79%</b>	12.66%	Increase of 0.13 percentage point

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

As at 31 March 2018, the capital adequacy ratio and the Tier 1 capital adequacy ratio of the Company under the weighted approach were 12.34% and 10.53%, respectively.

	<b>At the end of the reporting period 31 March 2018</b>	At the end of last year 31 December 2017	Increase/ decrease at the end of the reporting period as compared to the end of last year
<b>The Company</b>			
<b>The capital adequacy ratios under the weighted approach</b>			
1. Tier 1 capital adequacy ratio	<b>10.53%</b>	10.30%	Increase of 0.23 percentage point
2. Capital adequacy ratio	<b>12.34%</b>	12.16%	Increase of 0.18 percentage point

## 2.4 Information on shareholders

### 2.4.1 Information on the shareholders of ordinary shares

**Total number of shareholders as at the end of the reporting period 254,334**

**Shareholdings of Top 10 shareholders and the top 10 shareholders  
whose shares are not subject to trading moratorium as at the end of the reporting period**

Serial No.	Name of Shareholder	Nature of shareholder	Percentage of shareholding (%)	Number of shares held (share)	Type of Shares	Number of shares subject to trading moratorium (share)	Shares pledged or frozen (share)
1	HKSCC Nominees Ltd.	/	18.03	4,545,888,064	H Shares	–	Unknown
2	China Merchants Steam Navigation Co., 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 Company Limited	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	3.28	828,262,660	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 Ltd. are the total shares in the accounts of holders of H Shares of the Company trading on the transaction platform of HKSCC Nominees Ltd.
2. Of the aforesaid top 10 shareholders, China Merchants Steam Navigation Co., 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 all subsidiaries of China Merchants Group Ltd.. As at 31 March 2018, China Merchants Group Ltd. indirectly held in aggregate 29.97% of the share capital of the Company by way of equity interest, right of control or relationship of parties acting in concert. China Ocean Shipping Company Limited 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 of A shares did not hold the shares of the Company through credit securities accounts.

#### 2.4.2 Information on the shareholders of preference shares

As at the end of the reporting period, the Company had a total of 13 shareholders of preference shares (or nominee), including 1 shareholder of offshore preference shares (or nominee), and 12 shareholders of domestic preference shares. During the reporting period, the Company did not restore any voting right of the preference shares.

As at the end of the reporting period, the shareholdings of the top 10 shareholders of offshore preference shares (or nominee) of the Company were as follows:

Serial No.	Name of shareholder	Nature of shareholder	Type of shares	Changes in the reporting period (share)	Shares held at the end of the period (share)	Percentage of shareholding (%)	Number of shares subject to trading moratorium (share)	Shares pledged or frozen (share)
1	The Bank of New York Depository (Nominees) Limited	Offshore legal person	Offshore preference shares	-	50,000,000	100	-	Unknown

Notes:

1. The shareholdings of shareholders of preference shares (or nominee) are calculated based on the information listed in the register of shareholders of offshore preference shares of the Company as at 31 March 2018.
2. As the issuance is an offshore non-public issuance, the information listed in the register of shareholders of preference shares is the information on the nominee of the placees.
3. The Company is not aware of any affiliated relationship or party acting in concert among the above shareholders of preference shares (or nominee) and the top 10 shareholders of ordinary shares.
4. "Percentage of shareholding" represents the percentage of the number of offshore preference shares held by shareholders of preference shares (or nominee) to the total number of offshore preference shares.

As at the end of the reporting period, the shareholdings of the top 10 shareholders of domestic preference shares (or their nominees) of the Company were as follows:

Serial No.	Name of shareholders	Nature of shareholders	Type of shares	Changes in the reporting period (share)	Shares held at the end of the period (share)	Percentage of shareholding (%)	Number of shares subject to trading moratorium (share)	Shares pledged or frozen (share)
1	China Mobile Communications Corporation	State-owned legal person	Domestic preference shares	-	106,000,000	38.55	-	-
2	CCB Trust Co., Ltd.	State-owned legal person	Domestic preference shares	-	30,000,000	10.91	-	-
3	BOC Asset Management Co., Ltd. (中銀資產管理有限公司)	Other	Domestic preference shares	-	25,000,000	9.09	-	-
4	China National Tobacco Company (Henan Province)	State-owned legal person	Domestic preference shares	-	20,000,000	7.27	-	-
	Ping An Property & Casualty Insurance Company of China, Ltd.	Other	Domestic preference shares	-	20,000,000	7.27	-	-
6	China Everbright Bank Company Limited	Other	Domestic preference shares	-	19,000,000	6.91	-	-
7	China National Tobacco Company (Sichuan Province)	State-owned legal person	Domestic preference shares	-	15,000,000	5.45	-	-
	China National Tobacco Company (Anhui Province)	State-owned legal person	Domestic preference shares	-	15,000,000	5.45	-	-
9	China Construction Bank Corporation, Guangdong Branch	State-owned legal person	Domestic preference shares	-	10,000,000	3.64	-	-
10	China National Tobacco Company (Liaoning Province)	State-owned legal person	Domestic preference shares	-	5,000,000	1.82	-	-
	Changjiang Pension Insurance Co., Ltd.	State-owned legal person	Domestic preference shares	-	5,000,000	1.82	-	-
	China Resources SZITIC Trust Co., Ltd.	State-owned legal person	Domestic preference shares	-	5,000,000	1.82	-	-

Notes:

- The shareholdings of shareholders of preference shares are calculated based on the information listed in the register of shareholders of domestic preference shares maintained by the Company as at 31 March 2018.

2. China National Tobacco (Henan Province) Company, China National Tobacco (Sichuan Province) Company, China National Tobacco (Anhui Province) Company and China National Tobacco (Liaoning Province) Company are wholly-owned subsidiaries of China National Tobacco Corporation. Save for the above, the Company is not aware of any affiliated relationship or party acting in concert among the above shareholders of preference shares or between the above shareholders of preference shares and the top 10 shareholders of ordinary shares.
3. “Percentage of shareholding” represents the percentage of the number of domestic preference shares held by shareholders of preference shares to the total number of domestic preference shares.

## **2.5 Management discussion and analysis**

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

As at the end of March 2018, total assets of the Group amounted to RMB6,252.238 billion, representing a decrease of 0.72% as compared with the end of the previous year; and its total liabilities amounted to RMB5,752.755 billion, representing a decrease of 1.06% as compared with the end of the previous year. Total loans and advances to customers amounted to RMB3,716.153 billion, representing an increase of 4.24% as compared with the end of the previous year. Total deposits from customers amounted to RMB4,066.894 billion, representing an increase of 0.06% as compared with the end of the previous year.

For the first quarter of 2018, the Group realised a net profit attributable to shareholders of the Bank of RMB22.674 billion, representing a year-on-year increase of 13.50%, and net operating income of RMB61.310 billion, representing a year-on-year increase of 7.09%. During the reporting period, net interest income of the Group amounted to RMB37.939 billion, representing a year-on-year increase of 8.66% and accounting for 61.88% of the net operating income. For the first quarter of 2018, net interest spread and net interest margin were 2.43% and 2.55%, respectively, representing a year-on-year increase of 0.13 percentage point and 0.12 percentage point, and a quarter-on-quarter increase of 0.15 percentage point and 0.11 percentage point, respectively, which was mainly attributable to an improvement in the structure of assets and liabilities. During the reporting period, the Group realised net non-interest income of RMB23.371 billion, representing a year-on-year increase of 4.62%. Affected by the adoption of the new standard, the classification of fund investments and part of the non-standardised bond investments was adjusted to be accounted for as investments at fair value through profit or loss from 2018, and the corresponding income was re-accounted for as non-interest income instead of interest income. If not taking into account such impact, the net non-interest income would decrease by 5.89% as compared with the corresponding period of the previous year. Among the net non-interest income, net fee and commission income increased by 1.51% to RMB18.921 billion from that for the corresponding period of the previous year, accounting for 30.86% of the net operating income, and representing a year-on-year decrease of 1.70 percentage points; and other net income amounted to RMB4.126 billion, representing a year-on-year increase of 18.80%, or a year-on-year decrease of 51.95% if not taking into account the impact of the adoption of the new standard mentioned above, which was mainly due to a decrease in net exchange gains. During the reporting period, the cost-to-income ratio of the Group was 26.75%, representing a year-on-year increase of 3.09 percentage points on the same statistical calibre, which was mainly due to the faster growth in operating expenses.

As at the end of March 2018, the balance of non-performing loans of the Group amounted to RMB54.958 billion, representing a decrease of RMB2.435 billion as compared with the end of the previous year; the non-performing loan ratio was 1.48%, down by 0.13 percentage point as compared with the end of the previous year; and the allowance coverage ratio of non-performing loans was 295.93%, up by 33.82 percentage points as compared with the end of the previous year; the allowance-to-loan ratio was 4.38%, up by 0.16 percentage point as compared with the end of the previous year.

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

**Both our deposits and loans grew steadily.** As at the end of March 2018, total assets of the Company amounted to RMB5,896.530 billion, representing a decrease of 0.79% as compared with the end of the previous year; total liabilities amounted to RMB5,419.272 billion, representing a decrease of 1.15% as compared with the end of the previous year. Total loans and advances to customers amounted to RMB3,445.232 billion, representing an increase of 4.20% as compared with the end of the previous year, among which, corporate loans, retail loans and discounted bills accounted for 43.06%, 52.00% and 4.94%, respectively. Total deposits from customers amounted to RMB3,897.458 billion, representing an increase of 0.19% as compared with the end of the previous year, among which, demand deposits and time deposits accounted for 62.00% and 38.00%, respectively. Among the demand deposits, corporate deposits accounted for 61.46% while retail deposits accounted for 38.54%; and among the time deposits, corporate deposits accounted for 77.70% while retail deposits accounted for 22.30%.

**Our profits grew steadily.** For the first quarter of 2018, the Company realised a net profit of RMB21.055 billion, representing a year-on-year increase of 14.31%. The Company realised net operating income of RMB57.902 billion, representing a year-on-year increase of 7.54%. Among which, the value contribution from the retail finance business continued to enhance, and net operating income from the retail finance business amounted to RMB29.311 billion, representing a year-on-year increase of 13.66% on the same statistical calibre, and accounting for 50.62% of the net operating income of the Company. During the reporting period, net interest income of the Company amounted to RMB36.923 billion, representing a year-on-year increase of 8.98% and accounting for 63.77% of the net operating income. Net interest spread and net interest margin of the Company for the first quarter of 2018 were 2.50% and 2.62%, respectively, representing a year-on-year increase of 0.14 percentage point and 0.13 percentage point, or a quarter-on-quarter increase of 0.17 percentage point and 0.13 percentage point, respectively. During the reporting period, the Company realised a net non-interest income of RMB20.979 billion, representing a year-on-year increase of 5.11%, or a year-on-year decrease of 6.66% if not taking into account the impact of the adoption of the new standard mentioned above, which was mainly due to a decrease in net exchange gains. Net fee and commission income amounted to RMB17.786 billion, representing a year-on-year increase of 1.67%, among which, fee and commission income from wealth management services amounted to RMB8.295 billion (specifically, income from entrusted wealth management services amounted to RMB2.813 billion; income from agency distribution of insurance policies amounted to RMB1.980 billion; income from agency distribution of funds amounted to RMB2.509 billion; income from agency distribution of trust schemes amounted to RMB963 million; and income from agency distribution of precious metals amounted to RMB30 million). During the reporting period, operating expenses of the Company amounted to RMB15.864 billion, representing a year-on-year increase of 20.11%; the cost-to-income ratio was 26.66%, representing a year-on-year increase of 3.07 percentage points on the same statistical calibre.

**Capital adequacy ratio and utilisation efficiency remained at a relatively satisfactory level.** As at the end of March 2018, the capital adequacy ratio and Tier 1 capital adequacy ratio of the Company measured under the advanced approach were 15.32% and 12.62% respectively, up by 2.98 percentage points and 2.09 percentage points respectively as compared with those under the weighted approach. The risk adjusted return on capital (RAROC) before tax under the advanced approach was 32.11%, maintaining at a high level.

**Asset quality was maintained and improved.** As at the end of March 2018, the balance of the Company's non-performing loans amounted to RMB52.901 billion, representing a decrease of RMB2,438 million as compared with the end of the previous year, and the non-performing loan ratio was 1.54%, down by 0.13 percentage point as compared with the end of the previous year. The Company kept abreast of the macroeconomic and financial development, and steadily promoted the improvement of risk management from seeking "temporary treatments" to imposing "final solutions" through overall planning and major breakthroughs while adhering to the management philosophy of "Quality Goes First Based on Compliance and Risk Control", aiming to build itself into a leading risk management bank. The Company has improved the risk management organisational structure, strengthened cross-risk management, standardised product innovation activities, reinforced the principle of "penetration", refocused on business origin and further enhanced overall risk management. Guided by the national industrial policies, the Company has been making dynamic adjustment to its regional credit policy and actively supporting the national major strategies and key projects. The Company implemented the customer list management for strategic customers and the industrial customers which are subject to reduction so as to constantly consolidate its customer base. The Company further optimised the loan granting procedures to reinforce the whole-process of risk management and control. The Company deepened the application of Fintech, continually developed the Big Data risk control platform and pushed forward the application of Artificial Intelligence in risk management. The Company improved risk-rating and early-warning model and made provision for expected losses under IFRS9, thereby boosting its risk management expertise. The Company enhanced asset quality monitoring and strengthened risk control in a forward-looking way so that asset quality has been effectively controlled.

**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. As at the end of March 2018, the balance of allowance for impairment losses on loans of the Company amounted to RMB158.684 billion, representing an increase of RMB12.015 billion as compared with the end of the previous year. The non-performing loan allowance coverage ratio was 299.96%, representing an increase of 34.92 percentage points as compared with the end of the previous year; the allowance-to-loan ratio was 4.61%, representing an increase of 0.17 percentage point as compared with the end of the previous year.

### 3 SIGNIFICANT EVENTS

#### 3.1 Significant changes in major financial statements items and financial indicators and the reasons thereof

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

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

Major items	31 March 2018	Changes over the end of last year (%)	Major reasons
Investments at fair value through profit or loss	255,019	293.57	Expansion of the scope of these assets under IFRS 9
Derivative financial assets	26,055	37.74	Increase in assets in valuation of currency derivatives during the reporting period
Loans and advances at fair value through other comprehensive income	193,619	N/A	New item under IFRS 9
Loans and advances at amortised cost	3,360,053	N/A	New item under IFRS 9
Investments at amortised cost	950,806	N/A	New item under IFRS 9
Debt investments at fair value through other comprehensive income	334,616	N/A	New item under IFRS 9
Equity investments designated at fair value through other comprehensive income	3,495	N/A	New item under IFRS 9
Available-for-sale financial assets	N/A	N/A	Abolished item under IFRS 9
Held-to-maturity investments	N/A	N/A	Abolished item under IFRS 9
Investments classified as receivables	N/A	N/A	Abolished item under IFRS 9
Intangible assets	10,171	40.19	Increase in land use rights
Placements from banks and other financial institutions	172,672	(36.69)	Decrease in placements from banks during the reporting period
Amounts sold under repurchase agreements	210,732	67.75	Increase in business volume of bills and bonds sold under repurchase agreements
Derivative financial liabilities	30,809	40.96	Increase in liabilities in valuation of currency derivatives during the reporting period
Investment revaluation reserve	(279)	92.68	Impact of the adoption of IFRS 9 and increase in bond valuation
Hedging reserve	(52)	39.53	Increase in fair value of hedging instruments
Exchange reserve	(2,240)	(165.72)	Fluctuation of the Hong Kong dollar exchange rates

Major items	January to March 2018	Changes over the same period of last year (%)	Major reasons
Share of profits of joint ventures	318	41.33	Increase in net profit of joint ventures
Share of profits of associates	6	500	Increase in net profit of associates
Net profit attributable to non-controlling interests	34	(70.43)	Decrease in profit and loss of minority interests of the subsidiaries of the Company
Exchange difference on translation of financial statements of overseas subsidiaries	(1,397)	(359.54)	Effect of changes in foreign exchange rates
Available-for-sale financial assets: net movement in fair value reserve	N/A	N/A	Abolished item under IFRS 9
Equity-accounted investees share of other comprehensive income that will be reclassified subsequently to profit or loss	(139)	N/A	Decrease in other comprehensive income of investees
Change in fair value of debt investments at fair value through other comprehensive income	991	N/A	New item under IFRS 9
Change in fair value of equity investments designated at fair value through other comprehensive income	27	N/A	New item under IFRS 9
Cash flow hedge: net movement in hedging reserve	34	N/A	Increase 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 thereof**

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 22<sup>nd</sup> meeting of the Tenth Session of the Board of Directors of the Company, the Company proposed to allocate 10% of the audited net profit of the Company for 2017 of RMB64.510 billion, equivalent to RMB6.451 billion, to the statutory surplus reserve, and 1.5% of the total amount of the increased risk assets (equivalent to RMB2.760 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 RMB0.84 (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 People's Bank of China 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 2017, 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 2017 Annual General Meeting of the Company.

### **3.4 Progress of issuance of preference shares during the reporting period**

During the reporting period, pursuant to the approval by Shang Zheng Han [2018] No. 42 issued by Shanghai Stock Exchange, the domestic preference shares issued by the Company on 22 December 2017 were listed and traded on the integrated business platform of Shanghai Stock Exchange on 12 January 2018, with the stock abbreviation of “招銀優1” (Zhao Yin You 1) and stock code of 360028, and the number of shares listed were 275 million. For details, please refer to the relevant announcements dated 8 January 2018 published on the websites of Shanghai Stock Exchange, The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) and the Company.

### **3.5 Update on changes in accounting policy**

Pursuant to the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments and other standards issued by the Ministry of Finance in 2017, the Group has changed its accounting policies for financial instruments according to the new standards since 2018. A resolution on changes in accounting policies has been reviewed and approved at the 15<sup>th</sup> meeting of the Tenth Session of the Board of Directors of the Company. For details, please refer to the relevant announcements dated 27 October 2017 published on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company. The financial statements will be disclosed by the Company in accordance with the new standards since the current period. According to the provisions for the transitional period, companies should adjust the retained earnings and other comprehensive income at the beginning of 2018 instead of restating the comparable figures as at the end of 2017 and those for the corresponding period of the previous year.

### **3.6 Uncompleted performance of overdue undertakings for the reporting period**

Applicable       Not applicable

### **3.7 Other significant events requiring explanations and progress thereof**

During the reporting period, the Company intended to invest RMB5 billion to initiate the establishment of an asset management subsidiary, Zhaoyin Asset Management Co., Ltd. (招銀資產管理有限責任公司). CMB Financial Leasing Company Limited, a wholly-owned subsidiary of the Company intended to increase its capital contribution by RMB4.5 billion to its wholly-owned subsidiary, Zhaoyin Aviation and Shipping Financial Leasing Co., Ltd. (招銀航空航運金融租賃有限公司). The relevant resolutions have been considered and approved at the 22<sup>nd</sup> meeting of the Tenth Session of the Board of Directors of the Company. For details, please refer to the relevant announcements dated 23 March 2018 published on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company. At present, the above matters remain subject to the approval of relevant regulatory authorities.

By order of the Board of Directors  
**China Merchants Bank Co., Ltd.**  
**Li Jianhong**  
Chairman

27 April 2018

*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, Fu Gangfeng, Sun Yueying, 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)*

	<b>For the period from January to March ended 31 March</b>	
	<b>2018</b>	<b>2017</b>
Interest income	<b>64,589</b>	57,060
Interest expense	<b>(26,650)</b>	(22,146)
<b>Net interest income</b>	<b>37,939</b>	34,914
Fee and commission income	<b>20,363</b>	20,001
Fee and commission expense	<b>(1,442)</b>	(1,361)
<b>Net fee and commission income</b>	<b>18,921</b>	18,640
<b>Other net income</b>	<b>4,126</b>	3,473
<b>Operating income</b>	<b>60,986</b>	57,027
Operating expenses	<b>(17,265)</b>	(14,436)
<b>Operating profit before impairment losses</b>	<b>43,721</b>	42,591
<b>Impairment losses on assets</b>	<b>(14,759)</b>	(17,315)
Share of profits of associates	<b>6</b>	1
Share of profits of joint ventures	<b>318</b>	225
<b>Profit before tax</b>	<b>29,286</b>	25,502
Less: income tax	<b>(6,578)</b>	(5,410)
<b>Net Profit</b>	<b>22,708</b>	20,092
<b>Attributable to:</b>		
Equity shareholders of the Bank	<b>22,674</b>	19,977
Non-controlling interests	<b>34</b>	115
	<b>RMB</b>	<b>RMB</b>
<b>Earnings per share</b>		
Basic earnings per share	<b>0.90</b>	0.79
Diluted earnings per share	<b>0.90</b>	0.79

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

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

	<b>For the period from January to March ended 31 March</b>	
	<b>2018</b>	<b>2017</b>
<b>Net profit for the period</b>	<b>22,708</b>	<b>20,092</b>
Net profit attributable to shareholders of the Bank	22,674	19,977
Net profit attributable to non-controlling interests	34	115
<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	(1,397)	(304)
Equity-accounted investees share of other comprehensive income that will be reclassified subsequently to profit or loss	(139)	14
Available-for-sale financial assets: net movement in fair value reserve	N/A	(1,329)
Change in fair value of debt investments at fair value through other comprehensive income	991	N/A
Cash flow hedge: net movement in hedging reserve	34	(74)
<b>Other comprehensive income that will not be reclassified subsequently to profit or loss</b>		
Change in fair value of equity investments designated at fair value through other comprehensive income	27	N/A
<b>Total other comprehensive income for the period</b>	<b>(484)</b>	<b>(1,693)</b>
<b>Total comprehensive income for the period</b>	<b>22,224</b>	<b>18,399</b>
Total comprehensive income attributable to the shareholders of the Bank	22,189	18,284
Total comprehensive income attributable to non-controlling interests	35	115

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

	<b>For the period from January to March ended 31 March</b>	
	2018	2017
Interest income	61,821	54,651
Interest expense	<u>(24,898)</u>	<u>(20,769)</u>
<b>Net interest income</b>	<b>36,923</b>	<b>33,882</b>
Fee and commission income	19,149	18,758
Fee and commission expense	<u>(1,363)</u>	<u>(1,265)</u>
<b>Net fee and commission income</b>	<b>17,786</b>	<b>17,493</b>
<b>Other net income</b>	<b>2,990</b>	<b>2,423</b>
<b>Operating income</b>	<b>57,699</b>	<b>53,798</b>
Operating expenses	<u>(15,864)</u>	<u>(13,208)</u>
<b>Operating profit before impairment losses</b>	<b>41,835</b>	<b>40,590</b>
Impairment losses on assets	(14,739)	(17,174)
Share of profits of joint ventures	203	44
<b>Profit before tax</b>	<b>27,299</b>	<b>23,460</b>
Less: income tax	<u>(6,244)</u>	<u>(5,041)</u>
<b>Net Profit</b>	<b><u>21,055</u></b>	<b><u>18,419</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	
	2018	2017
<b>Net profit for the period</b>	<b><u>21,055</u></b>	<b><u>18,419</u></b>
<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	49	–
Equity-accounted investees share of other comprehensive income that will be reclassified subsequently to profit or loss	(13)	(7)
Available-for-sale financial assets: net movement in fair value reserve	N/A	(1,535)
Change in fair value of debt investments at fair value through other comprehensive income	888	N/A
Cash flow hedge: net movement in hedging reserve	34	(99)
<b>Other comprehensive income that will not be reclassified subsequently to profit or loss</b>		
Change in fair value of equity investments designated at fair value through other comprehensive income	<u>27</u>	<u>N/A</u>
<b>Total other comprehensive income for the period</b>	<b><u>985</u></b>	<b><u>(1,641)</u></b>
<b>Total comprehensive income for the period</b>	<b><u>22,040</u></b>	<b><u>16,778</u></b>

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in millions of Renminbi unless otherwise stated)

	31 March 2018	31 December 2017
<b>Assets</b>		
Cash	15,442	16,412
Precious metals	9,004	9,309
Balances with central bank	497,973	600,007
Balances with banks and other financial institutions	64,195	76,918
Placements with banks and other financial institutions	150,750	154,628
Amounts held under resale agreements	203,646	252,550
Loans and advances to customers	3,553,672	3,414,612
Including: loans and advances at fair value through other comprehensive income	193,619	N/A
Loans and advances at amortised cost	3,360,053	N/A
Investments at amortised cost	950,806	N/A
Debt investments at fair value through other comprehensive income	334,616	N/A
Investments at fair value through profit or loss	255,019	64,796
Derivative financial assets	26,055	18,916
Interest receivable	31,252	28,726
Equity investments designated at fair value through other comprehensive income	3,495	N/A
Interest in joint ventures	5,276	5,059
Interest in associates	31	20
Available-for-sale financial assets	N/A	383,101
Held-to-maturity investments	N/A	558,218
Investments classified as receivables	N/A	572,241
Property and equipment	48,917	49,812
Investment properties	1,496	1,612
Intangible assets	10,171	7,255
Goodwill	9,954	9,954
Deferred tax assets	53,558	50,120
Other assets	26,910	23,372
<b>Total assets</b>	<b>6,252,238</b>	<b>6,297,638</b>
<b>Liabilities</b>		
Borrowings from central bank	367,471	414,838
Deposits from banks and other financial institutions	428,313	439,118
Placements from banks and other financial institutions	172,672	272,734
Amounts sold under repurchase agreements	210,732	125,620
Deposits from customers	4,066,894	4,064,345
Interest payable	36,574	36,501
Financial liabilities at fair value through profit or loss	29,658	26,619
Derivative financial liabilities	30,809	21,857
Debt securities issued	279,462	296,477
Salaries and welfare payable	6,913	8,020
Tax payable	29,480	26,701
Deferred tax liabilities	1,038	1,070
Other liabilities	92,739	80,346
<b>Total liabilities</b>	<b>5,752,755</b>	<b>5,814,246</b>

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

	<b>31 March 2018</b>	31 December 2017
<b>Equity</b>		
Share capital	25,220	25,220
Other equity instruments	34,065	34,065
Including: Preference shares	34,065	34,065
Capital reserve	67,523	67,523
Investment revaluation reserve	(279)	(3,812)
Hedging reserve	(52)	(86)
Surplus reserve	46,159	46,159
Regulatory general reserve	70,751	70,921
Retained profits	233,814	219,878
Proposed profit appropriations	21,185	21,185
Exchange reserve	(2,240)	(843)
	<hr/>	<hr/>
<b>Total equity attributable to shareholders of the Bank</b>	<b>496,146</b>	480,210
Non-controlling interests	3,337	3,182
Including: Non-controlling interests	2,056	2,012
Perpetual debt capital	1,281	1,170
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<b>Total equity</b>	<b>499,483</b>	483,392
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total equity and liabilities</b>	<b>6,252,238</b>	6,297,638
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**UNAUDITED STATEMENT OF FINANCIAL POSITION***(Expressed in millions of Renminbi unless otherwise stated)*

	<b>31 March 2018</b>	31 December 2017
<b>Assets</b>		
Cash	14,614	15,724
Precious metals	8,950	9,243
Balances with central bank	488,829	583,692
Balances with banks and other financial institutions	33,663	43,189
Placements with banks and other financial institutions	158,321	165,511
Amounts held under resale agreements	203,626	252,464
Loans and advances to customers	3,286,703	3,159,655
Including: loans and advances at fair value through other comprehensive income	179,114	N/A
Loans and advances at amortised cost	3,107,589	N/A
Investments at amortised cost	949,668	N/A
Debt investments at fair value through other comprehensive income	302,793	N/A
Investments at fair value through profit or loss	241,397	57,902
Derivative financial assets	24,688	17,691
Interest receivable	29,491	27,216
Equity investments designated at fair value through other comprehensive income	2,553	N/A
Available-for-sale financial assets	N/A	341,571
Held-to-maturity investments	N/A	557,942
Investments classified as receivables	N/A	570,175
Interests in subsidiaries	43,901	43,901
Interests in joint ventures	3,285	3,095
Property and equipment	22,714	23,145
Investment properties	570	621
Intangible assets	9,317	6,354
Deferred tax assets	52,170	48,734
Other assets	19,277	15,550
<b>Total assets</b>	<b>5,896,530</b>	<b>5,943,375</b>
<b>Liabilities</b>		
Borrowings from central bank	367,471	414,838
Deposits from banks and other financial institutions	410,112	421,251
Placements from banks and other financial institutions	90,288	189,825
Amounts sold under repurchase agreements	210,546	125,585
Deposits from customers	3,897,458	3,890,024
Interest payable	34,425	34,398
Financial liabilities at fair value through profit or loss	29,528	26,437
Derivative financial liabilities	30,122	21,194
Debt securities issued	238,677	260,560
Salaries and welfare payable	5,394	6,245
Tax payable	28,137	25,942
Other liabilities	77,114	65,802
<b>Total liabilities</b>	<b>5,419,272</b>	<b>5,482,101</b>

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

	<b>31 March 2018</b>	31 December 2017
<b>Equity</b>		
Share capital	25,220	25,220
Other equity instruments	34,065	34,065
Including: Preference shares	34,065	34,065
Capital reserve	76,681	76,681
Investment revaluation reserve	(461)	(4,093)
Hedging reserve	(52)	(86)
Surplus reserve	46,159	46,159
Regulatory general reserve	69,790	69,790
Retained profits	204,700	192,431
Proposed profit appropriations	21,185	21,185
Exchange reserve	(29)	(78)
	<hr/>	<hr/>
<b>Total equity</b>	<b>477,258</b>	461,274
	<hr/>	<hr/>
<b>Total equity and liabilities</b>	<b>5,896,530</b>	5,943,375
	<hr/> <hr/>	<hr/> <hr/>

**UNAUDITED CONSOLIDATED CASH FLOW STATEMENT***(Expressed in millions of Renminbi unless otherwise stated)*

	<b>For the period from January to March ended 31 March</b>	
	2018	2017
<b>Cash flows from operating activities</b>		
<b>Profit before tax</b>	<b>29,286</b>	25,502
Adjustments for:		
– Impairment losses on loans and advances	<b>14,878</b>	18,275
– (Reversals of)/provisions for impairment losses on investments	<b>213</b>	(1,129)
– (Reversals of)/provisions for impairment losses on other assets	<b>(332)</b>	169
– Unwind of discount on impaired loans	<b>(96)</b>	(250)
– Depreciation of properties and equipments and investment properties	<b>1,219</b>	1,218
– Amortisation of other assets	<b>219</b>	122
– Share of profits of joint ventures	<b>(318)</b>	(225)
– Share of profits of associates	<b>(6)</b>	–
– Net gain on debt securities and equity investments	<b>(2,005)</b>	(1,439)
– Interest income on investments	<b>(11,965)</b>	(11,709)
– Interest expense on issued debt securities	<b>3,353</b>	2,837
– Net gains on disposal of properties and equipment	<b>(22)</b>	–
<b>Changes in:</b>		
Balances with central bank	<b>50,422</b>	89
Borrowings from central bank	<b>(47,367)</b>	(55,130)
Balances and placements with banks and other financial institutions with original maturity over 3 months	<b>4,066</b>	(21,767)
Loans and advances to customers	<b>(151,548)</b>	(175,236)
Other assets	<b>60,833</b>	(2,291)
Deposits from customers	<b>2,549</b>	127,495
Deposits and placements from banks and other financial institutions	<b>(25,755)</b>	(129,019)
Other liabilities	<b>23,889</b>	9,590
<b>Net cash (used in) generated from operating activities</b>	<b>(48,487)</b>	(212,898)
<b>Income tax paid</b>	<b>(5,164)</b>	(1,452)
<b>Cash flows from investing activities</b>		
Proceeds from the disposal of investments	<b>160,985</b>	144,029
Gains received from investments	<b>12,369</b>	13,662
Proceeds from the disposal of properties and equipments and other assets	<b>221</b>	–
Cash received from disposal of joint ventures by subsidiaries	<b>–</b>	2
Payment for the purchase of investments	<b>(170,642)</b>	(251,173)
Payment for the purchase of properties and equipments and other assets	<b>(5,204)</b>	(1,820)
<b>Net cash (used in) generated from investing activities</b>	<b>(2,271)</b>	(95,300)

**UNAUDITED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)***(Expressed in millions of Renminbi unless otherwise stated)*

	<b>For the period from January to March ended 31 March</b>	
	2018	2017
<b>Cash flows from financing activities</b>		
Proceeds from the issue of debt securities	3,966	8,350
Proceeds from the issue of negotiable interbank certificates of deposits	104,958	181,876
Proceeds from the issue of certificates of deposits	7,071	5,964
Repayment of certificates of deposits	(4,381)	(4,257)
Repayment of debt securities	(1,034)	(21,940)
Repayment of negotiable interbank certificates of deposits	(127,323)	(89,480)
Interest paid on issued debt securities	(1,882)	(1,363)
Payment made by subsidiaries to minority interests	(4)	(2)
	-----	-----
<b>Net cash (used in) generated from financing activities</b>	<b>(18,629)</b>	<b>79,148</b>
	-----	-----
Effect of foreign exchange rate changes	2,107	(421)
<b>Net decrease in cash and cash equivalents</b>	<b>(72,444)</b>	<b>(230,923)</b>
Add: balance of cash and cash equivalents at the beginning of the period	460,425	532,112
<b>Balance of cash and cash equivalents at the end of the period</b>	<b>387,981</b>	<b>301,189</b>
	=====	=====
<b>Cash flows from operating activities include:</b>		
Interest received	51,210	43,656
Interest paid	21,404	20,165
	=====	=====