

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.



招商銀行股份有限公司

CHINA MERCHANTS BANK CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 3968)

OVERSEAS REGULATORY ANNOUNCEMENT FIRST QUARTERLY REPORT OF 2009

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

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

§1 IMPORTANT NOTICE

- 1.1 The Board of Directors, the Board of Supervisors and the directors, supervisors and senior management of the Company hereby confirm that the information contained in this report does not contain any false representations, misleading statements or material omissions and individually and jointly accept full responsibilities for the truthfulness, accuracy and completeness of the information contained in this report.
- 1.2 None of the directors, supervisors and senior management has made any statement that he/she is unable to warrant or object to the truthfulness, accuracy and completeness of the information contained in the quarterly report.
- 1.3 The 38th meeting of the Seventh Session of the Board of Directors has approved the first quarterly report of 2009 of the Company through voting by correspondence. 18 out of the 18 Directors attended and voted at the meeting.
- 1.4 All financial statements set out in this report are prepared in accordance with the PRC Generally Accepted Accounting Principles (“PRC GAAP”) and are unaudited. Unless otherwise stated, all monetary sums stated in this report are expressed in RMB.
- 1.5 Mr. QIN Xiao, Chairman of the Company, Mr. MA Weihua, the President, Mr. LI Hao, the Executive Vice President and Chief Financial Officer, and Mr. ZHOU Song, the person in charge of the Planning and Finance Department, hereby make representations in respect of the truthfulness and completeness of the financial statements contained in this quarterly report.

§2. GENERAL INFORMATION

2.1 Major accounting data & financial indicators

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

	31 March 2009	31 December 2008	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
Total assets	1,800,839	1,571,797	14.57
Total equity attributable to Parent Company	82,171	79,515	3.34
Net assets per share attributable to Parent Company <i>(in RMB Yuan)</i>	5.59	5.41	3.33
			Increase/decrease as compared to the corresponding period of last year (%)
	January to March 2009		
Net cash flow from operating activities	25,509		-3.59
Net cash flow from operating activities per share <i>(in RMB Yuan)</i>	1.73		-3.89
			Increase/decrease in this reporting period as compared to the corresponding period of last year (%)
	January to March 2009	January to March, 2008	
Net profit attributable to shareholders of the Parent Company	4,208	6,319	-33.41
Basic earnings per share <i>(in RMB Yuan)</i>	0.29	0.43	-32.56
Diluted earnings per share <i>(in RMB Yuan)</i>	0.29	0.43	-32.56
Basic earnings per share, net of non-recurring gains or losses <i>(in RMB Yuan)</i>	0.28	0.43	-34.88
Return on equity – fully diluted (%)	5.12	8.45	Decrease 3.33 percentage points
Return on equity – fully diluted, net of non-recurring gains or losses (%)	5.08	8.45	Decrease 3.37 percentage points
Non-recurring gains or losses	January to March 2009		
Non-operating income		52	
Non-operating expense		(5)	
Effect of income tax		(11)	
Net non-operating income/expense		36	

2.2 Management discussion and analysis

The Group

As at the end of the reporting period, total assets of the Group (including the Company and its subsidiaries) amounted to RMB1,800.839 billion, representing an increase of 14.57% as compared with the beginning of the year; total liabilities amounted to RMB1,718.668 billion, representing an increase of 15.19% as compared with the beginning of the year; deposits from customers amounted to RMB1,446.683 billion, and total loans and advances amounted to RMB995.940 billion.

During the reporting period, the Company realized a net profit of RMB4.208 billion, representing a decrease of 33.41% as compared with the corresponding period of the previous year.

As at the end of the reporting period, the non-performing loans of the Group totaled RMB10.097 billion, representing an increase of RMB420 million as compared with the beginning of the year; the non-performing loan ratio was 1.01%, representing a decrease of 0.1 percentage point as compared with the beginning of the year; the allowance coverage ratio was 219.31%, representing a decrease of 3.98 percentage points as compared with the beginning of the year; the capital adequacy ratio was 10.95%, representing a decrease of 0.39 percentage point as compared with the beginning of the year; the core capital adequacy ratio was 6.54%, representing a slight decrease of 0.02 percentage point as compared with the beginning of the year.

The Company

As at the end of the reporting period, total assets of the Company amounted to RMB1,723.197 billion, representing an increase of 14.92% as compared with the beginning of the year; total liabilities amounted to RMB1,632.691 billion, representing an increase of 15.63% as compared with the beginning of the year. Total loans and advances amounted to RMB952.716 billion, representing an increase of 14.30% as compared with the beginning of the year, among which, corporate loans accounted for 56.85%, retail loans accounted for 24.64% and discounted bills accounted for 18.51%. Deposits from customers amounted to RMB1,371.666 billion, representing an increase of 16.42% as compared with the beginning of the year, among which, demand deposits accounted for 48.92% and time deposits accounted for 51.08%. Among the demand deposits, corporate deposits accounted for 58.00%, retail deposits accounted for 42.00%; and among the time deposits, corporate deposits accounted for 61.59% and retail deposits accounted for 38.41%.

During the reporting period, the Company realized an operating income of RMB11.382 billion. Among which, net interest income decreased by 22.50% from that of the corresponding period of the previous year to RMB9.201 billion, and accounted for 80.84% of the operating income, mainly due to a relatively greater decline in net interest spread, with net interest spread of 2.40% and net interest margin of 2.47%; net fees and commission income decreased by 13.54% from that of the corresponding period of the previous year to RMB1.667 billion, and accounted for 14.65% of the operating income, mainly due to decrease in income from distribution of trust products of the third party; and other net income amounted to RMB514 million, representing an increase of RMB596 million as compared with the corresponding period of the previous year, mainly due to the increase in other net income from forex trading, foreign exchange settlement and bonds held for trading.

As at the end of the reporting period, the balance of the Company's non-performing loans totaled RMB9.849 billion, representing an increase of RMB350 million as compared with the beginning of the year; the non-performing loan ratio was 1.03%, representing a decrease of 0.11 percentage point as compared with the beginning of the year. As at the end of the reporting period, the balance of allowances for loan impairment losses amounted RMB21.923 billion, among which, RMB15.282 billion was made on a collective basis, accounted for 69.71% of the total allowances, and RMB6.641 billion was made on an individual basis, accounted for 30.29%. As at the end of the reporting period, the allowance coverage ratio was 222.59%, representing a decrease of 3.14 percentage points as compared with the beginning of the year.

During the reporting period, the Company's small-and-medium sized enterprises loans ("SME corporate loans") maintained a positive momentum of "increased quantity and improved quality". As at the end of the reporting period, the balance of domestic SME corporate loans amounted to RMB237.373 billion, representing an increase of RMB16.837 billion as compared with the beginning of the year. The SME corporate loans accounted for 44.41% of the total balance of domestic corporate loans, an increase of 1.31 percentage points from the beginning of the year. The non-performing loan ratio was 2.55%, decreased by 0.13 percentage point as compared with the beginning of the year.

2.3 Total number of 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 **539,580**

Top ten shareholders whose shares are not subject to trading moratorium

No.	Name of shareholders	Number of shares held	Class of Shares
1	HKSCC Nominees Limited ¹	2,614,334,674	H shares
2	China Merchants Steam Navigation Company Limited	1,818,912,594	A Shares not subject to trading moratorium
3	China Ocean Shipping (Group) Company	947,548,668	A Shares not subject to trading moratorium
4	Guangzhou Maritime Transport (Group) Company Limited	565,359,590	A Shares not subject to trading moratorium
5	Shenzhen Yan Qing Investment and Development Company Limited	433,484,335	A Shares not subject to trading moratorium
6	Shenzhen Chu Yuan Investment and Development Company Limited	378,715,868	A Shares not subject to trading moratorium
7	China Communications Construction Company Limited	261,024,805	A Shares not subject to trading moratorium
8	Shanghai Automotive Industry Corporation	250,564,996	A Shares not subject to trading moratorium
9	CNOOC Investment Co., Ltd.	205,305,070	A Shares not subject to trading moratorium
10	Qinhuangdao Port Group Company Limited	175,950,157	A Shares not subject to trading moratorium
10	Shandong State-owned Assets Investment Holdings Company Limited	175,950,157	A Shares not subject to trading moratorium
10	China Shipping (Group) Company	175,950,157	A Shares not subject to trading moratorium
10	Guangdong Provincial Highways Administration Bureau	175,950,157	A Shares not subject to trading moratorium

Note:

1. Shares held by HKSCC Nominees Limited are the total shares in the accounts of holders of H Shares of the Company trading on the transaction platform of HKSCC Nominees Limited.
2. Except that China Merchants Steam Navigation Company Limited, Shenzhen Yan Qing Investment and Development Company Limited and Shenzhen Chu Yuan Investment and Development Company Limited are subsidiaries of China Merchants Group Limited; and Guangzhou Maritime Transport (Group) Company Limited is a wholly-owned subsidiary of China Shipping (Group) Company, the Company is not aware of any related relationship among the top ten shareholders.

§3 SIGNIFICANT EVENTS

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

Applicable Not applicable

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

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

Major items	As at 31 March 2009	Change comparing to the end of last year	Major reasons
Balances with banks and other financial institutions	83,456	177.37%	Increase in financing business
Financial assets purchased under agreements to resell	102,261	37.19%	Increase in notes purchased under agreements to resell
Placements	25,893	-31.58%	Decrease in placements from commercial banks
Financial liabilities held for trading	2,040	289.31%	Increase in exchange fund short positions of subsidiaries
Financial liabilities designated as at fair value through profit or loss	1,197	-34.52%	Maturity of such debts of subsidiaries
Financial assets sold under agreements to repurchase	27,539	124.22%	Increase in notes and bonds sold under agreements to repurchase
Other liabilities	25,507	76.00%	Increase in funds payable
Investment revaluation reserve	1,719	-39.77%	Change in unrealised gain or loss in available-for-sale financial assets
Minority interests	0	-100.00%	Complete the acquisition of minority interests in subsidiaries

Major items	January to March 2009	Change comparing to last year	Major reasons
Net gain arising from change in fair value	247	96.03%	Increase in gain from bonds held for trading
Net foreign exchange gain	309	–	Increase in gain from forex trading and foreign exchange settlement
Income from insurance business	97	–	Increase in revenue items from acquisition of Wing Lung Bank
Provision for impairment of assets	790	81.19%	Increase in provisions for impairment of loans and investments
Provision for insurance claims	83	–	Increase in revenue items from acquisition of Wing Lung Bank
Non-operating income	52	225.00%	Increase in income from operating lease, and etc.
Non-operating expense	5	-66.67%	Decrease in expenses arising from penalties and defaults, and etc.
Income tax expense	1,217	-38.97%	Decrease in total profit

3.2 The progress of significant events, their impacts and the analysis and explanations for the solutions

3.2.1 Information of Wing Lung Bank Limited (“WLB” or “Wing Lung Bank”)

Financial information (calculated on HKAS basis)

Entering into 2009, Wing Lung Bank Limited and its subsidiaries (hereinafter referred to as “WL Group”) received a smooth development of operations. As at 31 March 2009, the total assets of WL Group amounted to HK\$105.5 billion and net assets amounted to HK\$10.6 billion. During the reporting period, WL Group recorded an unaudited consolidated profit after tax of HK\$238 million, representing an increase of HK\$320 million as compared with the corresponding period of the previous year. As at 31 March 2009, the total deposits of WL Group, including structured deposits, increased by 2.7% to HK\$85.4 billion as compared with that at the end of 2008; and total loans to customers (excluding trade bills) grew by 2.3% to HK\$44.4 billion as compared with that at the end of 2008; and the non-performing loans ratio was 0.63%, the overall loan quality remained sound.

Acquisition progress

On 15 January 2009, the Company completed the compulsory acquisition of Wing Lung Bank which then became a wholly-owned subsidiary of the Company. Wing Lung Bank withdrew the listing of its shares on the Hong Kong Stock Exchange effective from 16 January 2009.

Integration progress

The year 2009 is the first implementing year of WLB integration project, and also the most crucial year for the integration project. Detailed working schedule has been made by the integration team to ensure the full and well implementation of every measure. Currently, 20 business development projects involving wholesale, retail and financial market trading business, and 21 core competence enhancing projects including distribution channel improvement, capability enhancement on brand conversion, culture integration, operation management and risk exposure management, IT construction, organization and performance management, are in full swing, and progressing smoothly.

3.2.2 The establishment of branches

According to “the Approval Letter from CBRC on the Establishment of Wuhu Branch of China Merchants Bank” (Yin Jian Fu[2008] No. 452) issued by the China Banking Regulatory Commission, the Company obtained the approval to establish its Wuhu Branch. As a consequence of its meticulous preparation work, Wuhu Branch of the Company officially commenced business on 1 April 2009 with the approval from Anhui Banking Regulatory Bureau.

During the reporting period, according to “the Approval Letter from CBRC on the Establishment of Qujing Branch of China Merchants Bank” (Yin Jian Fu[2009] No. 92) issued by the China Banking Regulatory Commission, the Company obtained the approval to establish its Qujing Branch and the branch is currently under construction.

3.2.3 Expiration of the Lock-up Period in relation to shares which were previously subject to trading moratorium

On 27 February 2009, the lock-up period in respect of the 4,799,233,254 shares held by the 13 shareholders including China Merchants Steam Navigation Company Limited which were subject to trading moratorium became expired. However, as the Company held an extraordinary general meeting on the same day, the actual date of floating was postponed to the next trading day, being 2 March 2009. So far, all of the Company’s shares are free for trading. For further details about the lifting of the moratorium, please refer to the announcement published by the Company on 23 February 2009.

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

Applicable Not applicable

3.4 Disclosure as to, and reason for, the warning in respect of forecast of a probable loss in respect of the accumulated net profit from the beginning of the financial year to the end of the next Reporting Period or any significant changes in profit as compared with that of the corresponding period of last year

Applicable Not applicable

3.5 Status of implementation of the cash-based bonus policy for the reporting period

Applicable Not applicable

Board of Directors,
China Merchants Bank Co., Ltd

29 April 2009

As at the date of this announcement, the executive directors of the Company are Ma Weihua, Zhang Guanghua and Li Hao; the non-executive directors of the Company are Qin Xiao, Wei Jiafu, Fu Yuning, Li Yinquan, Hong Xiaoyuan, Ding An Hua Edward, Sun Yueying, Wang Daxiong and Fu Junyuan; and the independent non-executive directors of the Company are Wu Jiesi, Yan Lan, Yi Xiqun, Chow Kwong Fai, Edward, Liu Yongzhang and Liu Hongxia.

UNAUDITED CONSOLIDATED BALANCE SHEET
(Expressed in millions of Renminbi unless otherwise stated)

	31 March 2009	31 December 2008
Assets		
Cash and balances with central bank	188,436	181,601
Balances with banks and other financial institutions	83,456	30,088
Placements with banks	80,740	81,836
Financial assets held for trading	14,816	12,967
Financial assets designated as at fair value through profit or loss	1,977	2,445
Derivative financial assets	2,127	2,287
Financial assets purchased under agreements to resell	102,261	74,542
Interest receivables	6,778	5,685
Loans and advances	973,797	852,754
Available-for-sale financial assets	223,779	206,332
Long term equity investments	1,054	1,029
Held-to-maturity investments	70,794	70,373
Investment receivables	15,191	15,415
Fixed assets	11,734	11,676
Intangible assets	2,395	2,381
Goodwill	9,598	9,598
Investment properties	2,348	2,406
Deferred income tax assets	2,786	2,521
Other assets	6,772	5,861
	<hr/>	<hr/>
Total assets	<u>1,800,839</u>	<u>1,571,797</u>
Liabilities		
Deposits from banks and other financial institutions	130,905	115,792
Placements from banks	25,893	37,842
Financial liabilities held for trading	2,040	524
Financial liabilities designated as at fair value through profit or loss	1,197	1,828
Derivative financial liabilities	2,072	2,266
Financial assets sold under agreements to repurchase	27,539	12,282
Deposits from customers	1,446,683	1,250,648
Staff cost	2,932	2,980
Taxes payable	4,064	4,096
Interests payable	9,429	8,139
Bonds payable	39,537	40,278
Deferred income tax liabilities	870	848
Other liabilities	25,507	14,493
	<hr/>	<hr/>
Total liabilities	<u>1,718,668</u>	<u>1,492,016</u>

	31 March 2009	31 December 2008
Shareholders' equity		
Share capital	14,707	14,707
Capital reserve	20,108	21,677
Among which: investment revaluation reserve	1,719	2,854
Surplus reserve	6,658	6,653
Regulatory general reserve	10,806	10,793
Retained profits	29,910	25,719
Among which: proposed dividend appropriations	5,883	5,883
Foreign currency translation reserve	(18)	(34)
	<hr/>	<hr/>
Total equity attributable to shareholders of the parent company	82,171	79,515
Minority interests	<hr/> —	<hr/> 266
Total equity	<hr/> 82,171	<hr/> 79,781
Total liabilities and equity	<hr/> 1,800,839	<hr/> 1,571,797

UNAUDITED BALANCE SHEET

(Expressed in millions of Renminbi unless otherwise stated)

	31 March 2009	31 December 2008
Assets		
Cash and balances with central bank	187,941	181,119
Balances with banks and other financial institutions	81,431	27,548
Placements with banks	47,720	48,950
Financial assets held for trading	10,708	10,494
Financial assets designated as at fair value through profit or loss	368	370
Derivative financial assets	2,099	2,252
Financial assets purchased under agreements to resell	102,261	74,542
Interest receivables	6,642	5,511
Loans and advances	930,793	812,106
Available-for-sale financial assets	221,955	205,189
Long term equity investments	33,246	32,537
Held-to-maturity investments	64,882	66,217
Investment receivables	15,191	15,415
Fixed assets	8,799	8,728
Intangible assets	1,041	1,017
Investment properties	305	310
Deferred income tax assets	2,708	2,443
Other assets	5,107	4,694
Total assets	<u>1,723,197</u>	<u>1,499,442</u>

31 March 31 December
2009 2008

Liabilities

Deposits from banks and other financial institutions	130,916	115,742
Placements from banks	23,778	37,296
Derivative financial liabilities	1,944	2,092
Financial assets sold under agreements to repurchase	27,094	11,982
Deposits from customers	1,371,666	1,178,240
Staff cost	2,857	2,906
Taxes payable	4,051	4,074
Interests payable	9,338	7,985
Bonds payable	38,943	39,379
Other liabilities	22,104	12,239

Total liabilities	1,632,691	1,411,935
--------------------------	------------------	------------------

Shareholders' equity

Share capital	14,707	14,707
Capital reserve	29,320	30,388
Among which: investment revaluation reserve	1,764	2,832
Surplus reserve	6,653	6,653
Regulatory general reserve	10,900	10,900
Retained profits	28,941	24,874
Among which: proposed dividend appropriations	5,883	5,883
Foreign currency translation reserve	(15)	(15)

Total equity	90,506	87,507
---------------------	---------------	---------------

Total liabilities and equity	1,723,197	1,499,442
-------------------------------------	------------------	------------------

UNAUDITED CONSOLIDATED INCOME STATEMENTS

(Expressed in millions of Renminbi unless otherwise stated)

	January to March 2009	January to March 2008
Operating income		
Interest income	15,978	17,478
Interest expense	<u>(6,497)</u>	<u>(5,605)</u>
Net interest income	----- 9,481	----- 11,873
Fee and commission income	1,983	2,119
Fee and commission expense	<u>(246)</u>	<u>(191)</u>
Net fee and commission income	----- 1,737	----- 1,928
Net gain arising from change in fair value	247	126
Net gain arising from investments	64	87
Net gain arising from foreign exchange	309	(302)
Insurance operating income	<u>97</u>	<u>—</u>
Other net income	----- 717	----- (89)
Operating expense		
Business tax and other surcharges	(723)	(795)
Operating and administrative expense	(4,961)	(4,169)
Provision for impairment of assets	(790)	(436)
Provision for insurance claims	<u>(83)</u>	<u>—</u>
	----- (6,557)	----- (5,400)
Operating profit	5,378	8,312
Add: non-operating income	52	16
Less: non-operating expense	<u>(5)</u>	<u>(15)</u>
Total profit	5,425	8,313
Less: income tax expense	<u>(1,217)</u>	<u>(1,994)</u>
Net profit	<u><u>4,208</u></u>	<u><u>6,319</u></u>
	In RMB Yuan	In RMB Yuan
Earnings per share		
Basic earnings per share	0.29	0.43
Diluted earnings per share	<u><u>0.29</u></u>	<u><u>0.43</u></u>

UNAUDITED INCOME STATEMENTS

(Expressed in millions of Renminbi unless otherwise stated)

	January to March 2009	January to March 2008
Operating income		
Interest income	15,527	17,478
Interest expense	<u>(6,326)</u>	<u>(5,606)</u>
Net interest income	<u>9,201</u>	<u>11,872</u>
Fee and commission income	1,900	2,119
Fee and commission expense	<u>(233)</u>	<u>(191)</u>
Net fee and commission income	<u>1,667</u>	<u>1,928</u>
Net gain arising from change in fair value	206	133
Net gain arising from investments	23	87
Net gain arising from foreign exchange	<u>285</u>	<u>(302)</u>
Other net income	<u>514</u>	<u>(82)</u>
Operating expense		
Business tax and other surcharges	(721)	(795)
Operating and administrative expense	(4,669)	(4,161)
Provision for impairment of assets	<u>(762)</u>	<u>(436)</u>
	<u>(6,152)</u>	<u>(5,392)</u>
Operating profit	5,230	8,326
Add: non-operating income	22	16
Less: non-operating expense	<u>(5)</u>	<u>(13)</u>
Total profit	5,247	8,329
Less: income tax expense	<u>(1,180)</u>	<u>(1,994)</u>
Net profit	<u>4,067</u>	<u>6,335</u>

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

	For the three-month period ended March 31	
	2009	2008
Cash flow from operating activities		
Net increase in deposits from customers	196,035	53,767
Net increase in balances with banks and other financial institutions	15,113	–
Net increase in placements from banks and financial assets sold under agreements to repurchase	3,308	–
Net decrease in capital lent and financial assets purchased under resale agreement	–	8,245
Net recoveries of loans and advances previously written off	12	1
Cash received from interest, fee and commission	14,547	16,973
Cash received from other operating activities	7,400	9,538
Sub-total of cash inflow from operating activities	236,415	88,524
Net increase in loans and advances	(121,578)	(30,501)
Net decrease in balances with banks and other financial institutions	–	(6,164)
Net decrease in placements from banks and financial assets sold under agreements to repurchase	–	(4,930)
Net increase in balances with central bank	(16,322)	(9,057)
Net increase in balances with banks and other financial institutions	(34,576)	(409)
Net increase in capital lent and financial assets purchased under resale agreement	(27,336)	–
Cash paid for interest, fee and commission	(5,451)	(5,071)
Cash payments to and for employees	(2,952)	(2,149)
Income tax and other taxes and fees paid	(1,814)	(2,678)
Other cash payments relating to operating activities	(877)	(1,106)
Sub-total of cash outflow from operating activities	(210,906)	(62,065)
Net cash flow from operating activities	25,509	26,459
Cash flow from investing activities		
Cash received from recovery of investments	332,061	195,769
Cash received from return on investments	2,256	2,078
Cash received from disposal of fixed assets and other assets	460	21
Sub-total of cash inflow from investing activities	334,777	197,868

**For the three-month
period ended March 31**

	2009	2008
Cash paid for investments	(349,776)	(223,813)
Cash paid for purchase and construction of fixed assets and other assets	<u>(929)</u>	<u>(725)</u>
Sub-total of cash outflow from investing activities	<u>(350,705)</u>	<u>(224,538)</u>
Net cash flow from investing activities	<u>(15,928)</u>	<u>(26,670)</u>
Cash flow from fund raising activities		
Issuance of certificates of deposit	<u>—</u>	<u>460</u>
Sub-total of cash inflow from fund raising activities	<u>—</u>	<u>460</u>
Repayment of issued certificates of deposit	(306)	—
Interest paid for issuance of long-term bonds	<u>(6)</u>	<u>(115)</u>
Sub-total of cash outflow from fund raising activities	<u>(312)</u>	<u>(115)</u>
Net cash flow from fund raising activities	<u>(312)</u>	<u>345</u>
Effect of exchange differences on cash	<u>(278)</u>	<u>(602)</u>
Net increase in cash and cash equivalents	<u>8,991</u>	<u>(468)</u>

UNAUDITED CASH FLOW STATEMENT

(Expressed in millions of Renminbi unless otherwise stated)

	For the three-month period ended March 31	
	2009	2008
Cash flow from operating activities		
Net increase in deposits from customers	193,426	53,532
Net decrease in balances with banks and other financial institutions	–	1,591
Net increase in balances with banks and other financial institutions	15,174	–
Net increase in placements from banks and financial assets sold under agreements to repurchase	1,594	–
Net decrease in capital lent and financial assets purchased under resale agreement	–	8,245
Net recoveries of loans previously written off	11	1
Cash received from interest, fee and commission	14,068	16,973
Cash received from other operating activities	6,642	9,773
Sub-total of cash inflow from operating activities	230,915	90,115
Net increase in loans and advances	(119,176)	(30,501)
Net decrease in balances with banks and other financial institutions	–	(6,164)
Net decrease in placements and financial assets sold under agreements to repurchase	–	(4,930)
Net increase in balances with central bank	(16,322)	(9,057)
Net increase in balances with banks and other financial institutions	(34,714)	–
Net increase in capital lent and financial assets purchased under resale agreement	(26,411)	–
Cash paid for interest, fee and commission	(5,206)	(5,072)
Cash payments to and for employees	(2,834)	(2,145)
Income tax and other taxes and fees paid	(1,791)	(2,678)
Other cash payments relating to operating activities	(386)	(1,082)
Sub-total of cash outflow from operating activities	(206,840)	(61,629)

**For the three-month
period ended March 31**

	2009	2008
Net cash flow from operating activities	<u>24,075</u>	<u>28,486</u>
Cash flow from investing activities		
Cash received from recovery of investments	326,491	195,769
Cash received from return on investments	2,228	2,078
Cash received from disposal of fixed assets and other assets	<u>460</u>	<u>21</u>
Sub-total of cash inflow from investing activities	<u>329,179</u>	<u>197,868</u>
Cash paid for investments	(341,769)	(223,813)
Cash paid for purchase and construction of fixed assets and other assets	(928)	(725)
Purchase of equity investments in subsidiaries	<u>—</u>	<u>(2,000)</u>
Sub-total of cash outflow from investing activities	<u>(342,697)</u>	<u>(226,538)</u>
Net cash flow from investing activities	<u>(13,518)</u>	<u>(28,670)</u>
Cash flow from fund raising activities		
Issuance of certificates of deposit	<u>—</u>	<u>460</u>
Sub-total of cash inflow from fund raising activities	<u>—</u>	<u>460</u>
Interest paid for issuance of long-term bonds	<u>—</u>	<u>(115)</u>
Sub-total of cash outflow from fund raising activities	<u>—</u>	<u>(115)</u>
Net cash flow from fund raising activities	<u>—</u>	<u>345</u>
Effect of exchange differences on cash	<u>(230)</u>	<u>(602)</u>
Net increase in cash and cash equivalents	<u>10,327</u>	<u>(441)</u>