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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)

OVERSEAS REGULATORY ANNOUNCEMENT THIRD QUARTERLY REPORT OF 2010

Pursuant to the regulations of the China Securities Regulatory Commission, China Merchants Bank Co., Ltd. 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 China Merchants Bank Co., Ltd. (the “Company” or “CMB”) 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 objects to the truthfulness, accuracy and completeness of the information contained in the quarterly report.
- 1.3 The Sixth meeting of the Eighth Session of the Board of Directors has approved the third quarterly report of 2010 of the Company through voting by correspondence. 17 out of the 17 Directors attended and voted at the meeting.
- 1.4 All financial statements set out in this report are prepared in accordance with the PRC Accounting Standards and are unaudited. Unless otherwise stated, all monetary sums stated in this report are expressed in RMB.

- 1.5 Hereinafter the “Company” and “CMB” mentioned in this report are all referred to China Merchants Bank Co., Ltd.; and the “Group” is referred to China Merchants Bank Co., Ltd. and its subsidiaries.
- 1.6 Mr. FU Yuning, Chairman of the Company, Mr. MA Weihua, the President, Mr. LI Hao, the Executive Vice President and Chief Financial Officer, and Mr. ZHOU Song, who is 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)

	At the end of the reporting period 30 September 2010	At the end of last year 31 December 2009	Increase/decrease at the end of the reporting period as compared with the end of last year (%)
Total assets	2,359,564	2,067,941	14.10
Total equity attributable to shareholders of the Bank	133,108	92,783	43.46
Net assets per share attributable to shareholders of the Bank <i>(in RMB Yuan)</i>	6.17	4.85	27.22
		January to September 2010	Increase/decrease as compared with the corresponding period of last year (%)
Net cash flow from operating activities		30,098	-42.83
Net cash flow from operating activities per share <i>(in RMB Yuan)</i>		1.39	-49.45

	Reporting period July to September 2010	January to September 2010	Increase/decrease in this reporting period as compared with the corresponding period of last year (%) ^{note}
Net profit attributable to shareholders of the Bank	7,382	20,585	53.28
Basic earnings per share attributable to shareholders of the Bank (<i>in RMB Yuan</i>)	0.34	0.99	36.00
Diluted earnings per share attributable to shareholders of the Bank (<i>in RMB Yuan</i>)	0.34	0.99	36.00
Basic earnings per share attributable to shareholders of the Bank, net of non-recurring gains or losses (<i>in RMB Yuan</i>)	0.33	0.98	32.00
Diluted earnings per share attributable to shareholders of the Bank, net of non-recurring gains or losses (<i>in RMB Yuan</i>)	0.33	0.98	32.00
Return on equity attributable to shareholders of the Bank – weighted average (%)	5.72	17.61	Increased by 0.11 percentage point
Return on equity attributable to shareholders of the Bank – weighted average, net of non-recurring gains or losses (%)	5.60	17.42	Same as that of the corresponding period of last year
Non-recurring gains or losses		January to September 2010	
Non-operating income		338	
Non-operating expense		(50)	
Effect of income tax		(65)	
Net non-operating income/expense		223	

Note: “Increase/decrease in this reporting period as compared with the corresponding period of last year” refers to the comparison between the relevant financial indicators for the period from July to September 2010 and the relevant financial indicators for the period from July to September 2009.

2.2 Management discussion and analysis

2.2.1 Analysis of operating status of the Group

As at the end of September 2010, total assets of the Group amounted to RMB2,359.564 billion, representing an increase of 14.10% as compared with the beginning of the year; and its total liabilities amounted to RMB2,226.456 billion, representing an increase of 12.72% as compared with the beginning of the year. Deposits from customers amounted to RMB1,874.924 billion, representing an increase of 16.59% as compared with the beginning of the year. Total loans and advances amounted to RMB1,381.950 billion, representing an increase of 16.54% as compared with the beginning of the year.

For the period from January to September 2010, the Group realized a net profit of RMB20.585 billion, representing an increase of 57.40% as compared with the corresponding period of the previous year. The Company realized an operating income of RMB51.298 billion, among which, net interest income increased by 40.89% to RMB40.869 billion from that of the corresponding period of the previous year, mainly due to the increase in the volume of interest-earning assets, and the gradual improvement of net interest spread and net interest margin, which was 2.49% and 2.58%, respectively for the period from January to September 2010. The net interest income accounted for 79.67% of the operating income. The Group's net fee and commission income increased by 31.81% to RMB8.143 billion from that of the corresponding period of the previous year, and accounted for 15.87% of the operating income. Other net income amounted to RMB2.286 billion, representing a decrease of RMB361 million as compared with the corresponding period of the previous year, mainly due to the decrease of net gain from changes in fair value. For the period from January to September 2010, the cost-to-income ratio (excluding business tax and surcharges) of the Group income decreased by 6.34 percentage points to 36.68% from that of the corresponding period of the previous year.

As at the end of September 2010, the non-performing loans of the Group totaled RMB8.824 billion, representing a decrease of RMB908 million as compared with the beginning of the year; the non-performing loan ratio was 0.64%, representing a decrease of 0.18 percentage point as compared with the beginning of the year; and the non-performing loan allowance coverage ratio was 304.02%, representing an increase of 57.36 percentage points as compared with the beginning of the year.

As at the end of September 2010, the capital adequacy ratio of the Group was 11.47%, representing an increase of 1.02 percentage points as compared with the beginning of the year; and the core capital adequacy ratio was 8.03%, representing an increase of 1.40 percentage points as compared with the beginning of the year.

2.2.2 Analysis of operating status of the Company

During the period from January to September 2010, the Company took good advantage of the macro-economic recovery and steadily pushed on its second transformation, which resulted in smooth operation of all of its businesses and fruitful results, as described below:

Steady growth of assets and liabilities. As at the end of September 2010, total assets of the Company amounted to RMB2,247.247 billion, representing an increase of 13.73% as compared with the beginning of the year; and its total liabilities amounted to RMB2,106.921 billion, representing an increase of 12.34% as compared with the beginning of the year. Total loans and advances amounted to RMB1,297.503 billion, representing an increase of 14.87% as compared with the beginning of the year, among which corporate loans accounted for 60.19%, retail loans accounted for 35.42% and discounted bills accounted for 4.39%. Deposits from customers amounted to RMB1,786.816 billion, representing an increase of 17.02% as compared with the beginning of the year, among which demand deposits accounted for 54.54% and time deposits accounted for 45.46%. Among the demand deposits, corporate deposits accounted for 57.87%, retail deposits accounted for 42.13%; and among the time deposits, corporate deposits accounted for 66.87% and retail deposits accounted for 33.13%.

Profits kept rising. During the period from January to September 2010, the Company realized a net profit of RMB19.772 billion, representing an increase of 56.78% as compared with the corresponding period of the previous year. The Company realized an operating income of RMB49.124 billion, among which, net interest income increased by 41.13% from that of the corresponding period of the previous year to RMB39.610 billion, mainly due to the increase in the volume of interest-earning assets, and the gradual improvement of net interest spread and net interest margin, which was 2.55% and 2.64% respectively. The net interest income accounted for 80.63% of the operating income. The Company's net fee and commission income increased by 31.52% from that of the corresponding period of the previous year to RMB7.766 billion, mainly due to the increase of bank card fees and agency services fees. Net fees and commission income accounted for 15.81% of the operating income; and other net income amounted to RMB1.748 billion, representing a decrease of RMB209 million as compared with the corresponding period of the previous year, mainly due to the decrease in net gains from changes in fair value.

Effective cost management. The Company effectively managed its costs through harsh measures in budget management, resource integration and work flow adjustments. During the period from January to September 2010, operating and management expenses of the Company amounted to RMB17.889 billion. Cost-to-income ratio (excluding business tax and surcharges) was 36.42%, representing a decrease of 6.12 percentage points as compared with the corresponding period of the previous year.

Capital adequacy ratio maintained at appropriate level. As at the end of September 2010, the capital adequacy ratio of the Company was 11.16%, representing an increase of 1.11 percentage points as compared with the beginning of the year; and the core capital adequacy ratio was 8.65%, representing an increase of 1.29 percentage points as compared with the beginning of the year.

Asset quality continued to improve. As at the end of September 2010, the balance of the Company's non-performing loans totaled RMB8.522 billion, representing a decrease of RMB839 million as compared with the beginning of the year; and the non-performing loan ratio was 0.66%, representing a decrease of 0.17 percentage point as compared with the beginning of the year. Annualized NPL formation rate was 0.08%, which was 0.19 percentage point lower as compared with the corresponding period of 2009. As at the end of September 2010, the balance of allowances for loan impairment losses amounted to RMB26.422 billion, among which, RMB20.824 billion was made on a collective basis, accounting for 78.81% of the total allowances, and RMB5.598 billion was made on an individual basis, accounting for 21.19% of the total allowances. As at the end of September 2010, the non-performing loan allowance coverage ratio was 310.04%, representing an increase of 56.79 percentage points as compared with the beginning of the year. Annualized credit cost was 0.32%, which was 0.02 percentage point higher when compared with 2009.

Enhanced risk management and control. The Company continued to improve its credit risk management capability through closely controlling the volume and speed of loan extension, actively promoting and optimizing the whole process of credit risk management and infrastructure enhancement plan. During the period from January to September 2010, the Company managed to keep a relatively rapid growth in its small-and-medium sized enterprises loans ("SME corporate loans") while both the amount and ratio of its non-performing loans dropped as compared with the beginning of the year. As at the end of September 2010, the balance of domestic SME corporate loans amounted to RMB367.652 billion, representing an increase of RMB59.282 billion as compared with the beginning of the year. The SME corporate loans accounted for 48.49% of the total balance of domestic corporate loans, an increase of 0.81 percentage point from the beginning of the year. The non-performing loan ratio was 1.37%, decreased by 0.46 percentage point as compared with the beginning of the year. As at the end of September 2010, a balance of domestic corporate loans granted to the real estate industry of RMB82.412 billion, with a non-performing loan ratio of 0.84%, representing a decrease of 0.59 percentage point as compared with the beginning of the year; a balance of domestic residential mortgage loans of RMB293.497 billion, with a non-performing loan ratio of 0.12%, representing a decrease of 0.02 percentage point as compared with the beginning of the year. In view of the persisting adjustments and control measures directed towards the real estate market, the Company continued to improve its asset quality through enhanced risk management in housing loans. In addition, the structure and the quality of loans granted by the Company to government financing platforms remained sound.

Our loan risk pricing remarkably improved. The Company significantly raised its loan pricing levels through a batch of effective approaches, such as clearly defining loan pricing policies, strengthening evaluation of loan pricing, deepening its product innovation as well as enhancing its integrated services, etc. For the period from January to September 2010, the weighted average floating band of interest rates (weightings given as per granted amount, the same hereinafter) of our newly granted corporate loans in RMB rose by 3.3 percentage points as compared with the whole year of 2009, the weighted average floating band of interest rates of our newly granted mortgage retail loans in RMB rose by 13.51 percentage points as compared with the whole year of 2009 and the weighted average floating band of interest rates of our newly granted non-mortgage retail loans in RMB rose by 8.14 percentage points as compared with the whole year of 2009.

Steady increase in the proportion of high net worth customers. The Company has been constantly increasing the share of its high net worth customers and their aggregate contribution through enhancing resources integration and streamlined customer management, vigorously promoting business coordination and cross-selling and deepening customer cultivation. As at the end of September 2010, the Company had 81,900 new retail customers each having a total asset of RMB500,000 or above and 8,070 new corporate customers each having an aggregate contribution of RMB100,000 or above.

Steady progress on construction of branches. In the third quarter of 2010, 3 of our branches commenced business. Specifically, on 13 July 2010, the Company's Guiyang Branch was approved by CBRC Guizhou Office to commence business; on 10 August 2010, the Company's Yinchuan Branch was approved by CBRC Ningxia Office to commence business; and on 13 August 2010, the Company's Taizhou Branch was approved by CBRC Jiangsu Office to commence business. Besides, 7 branches of the Company, including Huizhou Branch, Anyang Branch, Xiangfan Branch, Honghe Branch, Shangrao Branch, Jincheng Branch and Binhai Branch, received approval for establishment from regulatory authorities and are under the process of setting up.

2.2.3 Major financial indicators of WL Group (calculated based on Hong Kong Accounting Standards)

As at 30 September 2010, Wing Lung Bank Limited and its subsidiaries (hereinafter referred to as "WL Group") recorded total assets of HK\$132.897 billion, representing an increase of 13.29% as compared with the beginning of the year; net assets of HK\$12.335 billion, representing an increase of 8.16% as compared with the beginning of the year; and a capital adequacy ratio of 14.28%, representing a decrease of 1.92 percentage points as compared with the beginning of the year.

For the period from January to September 2010, WL Group recorded an unaudited consolidated net profit after tax of HK\$958 million, representing an increase of 39.04% as compared with the corresponding period of the last year.

As at 30 September 2010, the total deposits of WL Group (including structured deposits) increased by 10.80% to HK\$102.267 billion as compared with the beginning of the year. Total loans (including trade bills) grew by 34.92% to HK\$71.331 billion as compared with the beginning of the year; the non-performing loan balance (including trade bills) and ratio were HK\$350 million and 0.49% respectively, representing a decrease of 16.86% and 0.31 percentage point as compared with the beginning of the year, respectively, showing its overall loan quality remained sound.

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 **730,710**

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 <i>(Note 1)</i>	3,845,839,883	H shares
2	China Merchants Steam Navigation Company Limited	2,675,612,600	A Shares not subject to trading moratorium
3	China Ocean Shipping (Group) Company	1,284,140,156	A Shares not subject to trading moratorium
4	Shenzhen Yan Qing Investment and Development Company Limited	636,788,489	A Shares not subject to trading moratorium
5	Guangzhou Maritime Transport (Group) Company Limited	631,287,834	A Shares not subject to trading moratorium
6	Shenzhen Chu Yuan Investment and Development Company Limited	556,333,611	A Shares not subject to trading moratorium
7	China Communications Construction Company Limited	383,445,439	A Shares not subject to trading moratorium
8	Shanghai Automotive Industry Corporation	368,079,979	A Shares not subject to trading moratorium
9	CNOOC Investment Co., Ltd.	301,593,148	A Shares not subject to trading moratorium
10	Shandong State-owned Assets Investment Holdings Company Limited	258,470,781	A Shares not subject to trading moratorium
10	China Shipping (Group) Company	258,470,781	A Shares not subject to trading moratorium
10	Hebei Port Group Co., Ltd. <i>(Note 2)</i>	258,470,781	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 China Merchants Bank trading on the transaction platform of HKSCC Nominees Limited.
2. Qinhuangdao Port Group Company Limited has been renamed to Hebei Port Group Co., Ltd..
3. 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 other related relationship among the above 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 item(s)	As at 30 September 2010	Changes over the end of last year	Major reason(s)
Financial assets held for trading	15,712	41.81%	Increase in investments held for trading
Derivative financial assets	2,012	101.40%	Higher growth of currency derivative financial assets
Interest receivable	8,001	33.08%	Increase of interest receivable on loans and bond investment
Investment receivables	7,392	-78.94%	Decrease of investment receivables
Financial liabilities held for trading	784	2,513.33%	Increase in financial liabilities held for trading of subsidiaries
Financial assets sold under agreements to repurchase	15,777	-54.40%	Decrease of bonds sold under agreements to repurchase
Salaries and welfare payable	5,003	52.07%	Increase of salaries and welfare payable
Taxes payable	3,743	45.93%	Increase in taxable income
Capital reserve	40,255	121.56%	Funds raised from the rights issue and change in unrealised gains or losses in available-for-sale financial assets
Investment revaluation reserve	2,747	N/A	Change in unrealised gains or losses in available-for-sale financial assets
Retained profits	48,026	49.51%	Increase of net profit
Foreign currency translation reserve	(295)	1,240.91%	Greater changes in exchange rate
Shareholders' equity	133,108	43.46%	Increase of both funds raised from the rights issue and net profit

Major item(s)	January to September 2010	Changes over the corresponding period of last year	Major reason(s)
Net interest income	40,869	40.89%	Growth in interest-earning assets and increase of net interest margin
Net fee and commission income	8,143	31.81%	Increase of income from bank cards and agency service fees
Net gain arising from changes in fair value	23	-95.37%	Decrease in net gains from the financial assets held for trading
Business tax and surcharges	(2,983)	30.89%	Increase in operating income
Non-operating expense	338	60.95%	Increase in non-operating expense of subsidiaries
Income tax expense	(6,024)	78.28%	Increase in total profit

3.2 Performance of undertakings given by the Company, shareholders and de facto controllers

Applicable Not applicable

3.3 Warning in respect of forecast of a probable loss or a significant change in the accumulated net profit from the beginning of the financial 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

3.4 Implementation of the cash-based bonus policy during the reporting period

On 23 June 2010, the proposed profit appropriation plan for 2009 was considered and approved at the 2009 Annual General Meeting convened by the Company, pursuant to which the Company declared a cash dividend (tax included) of RMB2.10 for every 10 shares or a total cash dividend of approximately RMB4.531 billion to all shareholders of the Company based on the total share capital of A Shares and H Shares on the record date for implementation of the profit appropriation, payable in RMB for A Share-shareholders and in HKD for H Share-shareholders. The above dividend distribution was completed by the Company during the reporting period.

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

29 October 2010

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 Fu Yuning, Wei Jiafu, Li Yinquan, Fu Gangfeng, Hong Xiaoyuan, Sun Yueying, Wang Daxiong and Fu Junyuan; and the independent non-executive directors of the Company are Wu Jiesi, Yi Xiqun, Yan Lan, Chow Kwong Fai, Edward, Liu Yongzhang and Liu Hongxia.

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

	30 September 2010	31 December 2009
Assets		
Cash and balances with central bank	262,700	216,167
Balances with banks and other financial institutions	37,485	48,931
Placements with banks	64,998	62,397
Financial assets held for trading	15,712	11,080
Financial assets designated as at fair value through profit or loss	3,758	4,776
Derivative financial assets	2,012	999
Financial assets purchased under agreements to resell	180,140	158,797
Interest receivables	8,001	6,012
Loans and advances	1,355,123	1,161,817
Available-for-sale financial assets	293,571	244,229
Long term equity investments	1,119	1,153
Held-to-maturity investments	91,053	80,201
Investment receivables	7,392	35,100
Fixed assets	12,691	12,519
Intangible assets	2,557	2,477
Goodwill	9,598	9,598
Investment properties	1,997	2,171
Deferred income tax assets	2,669	2,786
Other assets	6,988	6,731
	<hr/>	<hr/>
Total assets	<u>2,359,564</u>	<u>2,067,941</u>
Liabilities		
Deposits from banks and other financial institutions	186,521	186,201
Placements from banks	39,359	44,321
Financial liabilities held for trading	784	30
Financial liabilities designated as at fair value through profit or loss	1,374	1,173
Derivative financial liabilities	1,586	1,474
Financial assets sold under agreements to repurchase	15,777	34,597
Deposits from customers	1,874,924	1,608,146
Salaries and welfare payable	5,003	3,290
Taxes payable	3,743	2,565
Interests payable	9,648	8,298
Bonds payable	40,525	40,731
Deferred income tax liabilities	934	941
Other liabilities	46,278	43,391
	<hr/>	<hr/>
Total liabilities	<u>2,226,456</u>	<u>1,975,158</u>

	30 September 2010	31 December 2009
Shareholders' equity		
Share capital	21,577	19,119
Capital reserve	40,255	18,169
Among which: investment revaluation reserve	2,747	(230)
Surplus reserve	8,418	8,418
Statutory general reserve	15,127	14,976
Retained profits	48,026	32,123
Among which: proposed dividend appropriations	-	4,531
Foreign currency translation reserve	(295)	(22)
	<hr/>	<hr/>
Total equity attributable to shareholders of the Bank	133,108	92,783
Total shareholders' equity	<u>133,108</u>	<u>92,783</u>
Total liabilities and shareholders' equity	<u>2,359,564</u>	<u>2,067,941</u>

UNAUDITED BALANCE SHEET

(Expressed in millions of Renminbi unless otherwise stated)

	30 September 2010	31 December 2009
Assets		
Cash and balances with central bank	261,647	215,108
Balances with banks and other financial institutions	33,639	47,109
Placements with banks	47,249	40,547
Financial assets held for trading	13,709	8,888
Financial assets designated as at fair value through profit or loss	2,135	1,597
Derivative financial assets	1,630	896
Financial assets purchased under agreements to resell	180,140	158,797
Interest receivables	7,731	5,854
Loans and advances	1,271,081	1,105,816
Available-for-sale financial assets	280,050	233,618
Long term equity investments	33,280	33,308
Held-to-maturity investments	86,862	70,397
Investment receivables	8,685	36,420
Fixed assets	9,891	9,589
Intangible assets	1,291	1,149
Investment properties	278	277
Deferred income tax assets	2,605	2,710
Other assets	5,344	3,948
Total assets	2,247,247	1,976,028
Liabilities		
Deposits from banks and other financial institutions	184,540	185,536
Placements from banks	18,996	35,556
Derivative financial liabilities	1,358	974
Financial liabilities designated as at fair value through profit or loss	1,227	819
Financial assets sold under agreements to repurchase	15,777	34,597
Deposits from customers	1,786,816	1,526,941
Salaries and welfare payable	4,844	3,154
Taxes payable	3,607	2,524
Interests payable	9,463	8,207
Bonds payable	38,577	37,667
Other liabilities	41,716	39,534
Total liabilities	2,106,921	1,875,509

	30 September 2010	31 December 2009
Shareholders' equity		
Share capital	21,577	19,119
Capital reserve	49,313	27,205
Among which: investment revaluation reserve	2,647	(352)
Surplus reserve	8,418	8,418
Statutory general reserve	15,000	15,000
Retained profits	46,018	30,777
Among which: proposed dividend appropriations	–	4,531
Foreign currency translation reserve	–	–
	<hr/>	<hr/>
Total shareholders' equity	<u>140,326</u>	<u>100,519</u>
Total liabilities and shareholders' equity	<u><u>2,247,247</u></u>	<u><u>1,976,028</u></u>

UNAUDITED CONSOLIDATED INCOME STATEMENTS

(Expressed in millions of Renminbi unless otherwise stated)

	For the nine-month period ended 30 September		For the three-month period ended 30 September	
	2010	2009	2010	2009
Operating income				
Interest income	60,847	48,333	21,621	16,831
Interest expense	(19,978)	(19,326)	(7,095)	(6,447)
Net interest income	40,869	29,007	14,526	10,384
Fee and commission income	8,944	7,038	3,108	2,450
Fee and commission expense	(801)	(860)	(311)	(314)
Net fee and commission income	8,143	6,178	2,797	2,136
Net gain arising from change in fair value	23	497	41	109
Net gain arising from investments	1,086	895	637	58
Net gain arising from foreign exchange	921	888	277	354
Insurance operating income	256	276	86	89
Others	0	91	0	29
Other net income	2,286	2,647	1,041	639
Operating expense				
Business tax and surcharges	(2,983)	(2,279)	(1,073)	(822)
Operating and administrative expense	(18,818)	(16,277)	(7,274)	(5,854)
Impairment loss of assets	(2,979)	(2,735)	(585)	(132)
Insurance claims expense	(197)	(246)	(65)	(86)
	(24,977)	(21,537)	(8,997)	(6,894)

	For the nine-month period ended 30 September		For the three-month period ended 30 September	
	2010	2009	2010	2009
Operating profit	26,321	16,295	9,367	6,265
<i>Add: non-operating income</i>	338	210	225	33
<i>Less: non-operating expense</i>	(50)	(48)	(13)	(19)
Total profit	26,609	16,457	9,579	6,279
<i>Less: income tax expense</i>	(6,024)	(3,379)	(2,197)	(1,463)
Net profit	<u>20,585</u>	<u>13,078</u>	<u>7,382</u>	<u>4,816</u>
	<i>In RMB Yuan</i>	<i>In RMB Yuan</i>	<i>In RMB Yuan</i>	<i>In RMB Yuan</i>
Earnings per share				
Basic earnings per share	0.99	0.68	0.34	0.25
Diluted earnings per share	<u>0.99</u>	<u>0.68</u>	<u>0.34</u>	<u>0.25</u>

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*(Expressed in millions of Renminbi unless otherwise stated)*

	For the nine-month period ended 30 September 2010		For the three-month period ended 30 September 2010	
	2009	2009	2009	2009
Net profit for the period	20,585	13,078	7,382	4,816
Other comprehensive income for the period (after tax and reclassification adjustments)				
Exchange differences	(273)	4	(134)	(7)
Net change in revaluation reserve of available-for-sale financial assets	<u>2,977</u>	<u>(3,197)</u>	<u>1,019</u>	<u>(1,490)</u>
Total other comprehensive income for the period	<u>2,704</u>	<u>(3,193)</u>	<u>885</u>	<u>(1,497)</u>
Total comprehensive income for the period	<u>23,289</u>	<u>9,885</u>	<u>8,267</u>	<u>3,319</u>

UNAUDITED INCOME STATEMENTS

(Expressed in millions of Renminbi unless otherwise stated)

	For the nine-month period ended 30 September 2010		For the three-month period ended 30 September 2010	
	2009	2009	2009	2009
Operating income				
Interest income	58,806	46,945	20,823	16,359
Interest expense	(19,196)	(18,879)	(6,761)	(6,318)
Net interest income	39,610	28,066	14,062	10,041
Fee and commission income	8,530	6,723	2,958	2,329
Fee and commission expense	(764)	(818)	(301)	(299)
Net fee and commission income	7,766	5,905	2,657	2,030
Net gain arising from change in fair value	4	339	38	54
Net gain arising from investments	955	804	604	41
Net gain arising from foreign exchange	789	814	232	333
Other net income	1,748	1,957	874	428
Operating expense				
Business tax and surcharges	(2,953)	(2,267)	(1,061)	(817)
Operating and administrative expense	(17,889)	(15,282)	(6,961)	(5,535)
Impairment loss of assets	(2,860)	(2,657)	(526)	(108)
	(23,702)	(20,206)	(8,548)	(6,460)
Operating profit	25,422	15,722	9,045	6,039
Add: non-operating income	239	192	195	25
Less: non-operating expense	(49)	(48)	(13)	(19)
Total profit	25,612	15,866	9,227	6,045
Less: income tax expense	(5,840)	(3,255)	(2,136)	(1,398)
Net profit	19,772	12,611	7,091	4,647

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME*(Expressed in millions of Renminbi unless otherwise stated)*

	For the nine-month period ended 30 September		For the three-month period ended 30 September	
	2010	2009	2010	2009
Net profit for the period	19,772	12,611	7,091	4,647
Other comprehensive income for the period (after tax and reclassification adjustments)				
Exchange differences	–	–	2	–
Net change in revaluation reserve of available-for-sale financial assets	<u>2,999</u>	<u>(3,282)</u>	<u>934</u>	<u>(1,571)</u>
Total other comprehensive income for the period	<u>2,999</u>	<u>(3,282)</u>	<u>936</u>	<u>(1,571)</u>
Total comprehensive income for the period	<u>22,771</u>	<u>9,329</u>	<u>8,027</u>	<u>3,076</u>

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

(Expressed in millions of Renminbi unless otherwise stated)

	For the nine-month period ended 30 September	
	2010	2009
Cash flow from operating activities		
Net increase in deposits from customers	266,778	332,846
Net decrease in placements with banks and other financial institutions and financial assets purchased under resale agreement	8,007	–
Net increase in deposits from banks and other financial institutions	–	57,911
Net increase in placements from banks and financial assets sold under agreements to repurchase	–	29,866
Net decrease in balances with banks and other financial institutions	9,956	–
Net recoveries of loans and advances previously written off	36	19
Cash received from interest, fee and commission	60,540	47,921
Cash received from other operating activities	3,013	15,404
Sub-total of cash inflow from operating activities	348,330	483,967
Net increase in loans and advances	(194,754)	(295,404)
Net increase in placements with banks and other financial institutions and financial assets purchased under resale agreement	–	(42,935)
Net increase in balances with central bank	(51,108)	(40,105)
Net decrease in balances with banks and other financial institutions	(37)	–
Net decrease in placements from banks and financial assets sold under agreements to repurchase	(24,678)	–
Net increase in balances with banks and other financial institutions	–	(14,022)
Cash paid for interest, fee and commission	(17,725)	(20,245)
Cash payments to and for employees	(9,280)	(7,727)
Income tax paid	(4,766)	(4,244)
Other taxes and fees paid other than income tax	(3,055)	(2,373)
Other cash payments relating to operating activities	(12,829)	(4,265)
Sub-total of cash outflow from operating activities	(318,232)	(431,320)
Net cash flow from operating activities	30,098	52,647
Cash flow from investing activities		
Cash received from recovery of investments	1,239,348	659,245
Cash received from return on investments	6,674	6,382
Cash received from disposal of fixed assets and other assets	115	153
Repayment of loan to jointly controlled entity	8	–
Sub-total of cash inflow from investing activities	1,246,145	665,780

	For the nine-month period ended 30 September	
	2010	2009
Cash paid for investments	(1,282,989)	(723,165)
Purchase of other long-term equity investments	–	(39)
Cash paid for purchase and construction of fixed assets and other assets	<u>(1,789)</u>	<u>(1,780)</u>
Sub-total of cash outflow from investing activities	<u>(1,284,778)</u>	<u>(724,984)</u>
Net cash flow from investing activities	<u>(38,633)</u>	<u>(59,204)</u>
Cash flow from fund raising activities		
Issuance of certificates of deposit	2,060	3,285
Issuance of shares	<u>21,744</u>	<u>–</u>
Sub-total of cash inflow from fund raising activities	<u>23,804</u>	<u>3,285</u>
Fees arising from issuance of shares	(177)	–
Cash paid on distribution of dividends or profits	(4,528)	(1,471)
Interest paid for issuance of bonds	(1,744)	(1,744)
Cash paid for repayment of debts at maturity	<u>(3,233)</u>	<u>(4,487)</u>
Sub-total of cash outflow from fund raising activities	<u>(9,682)</u>	<u>(7,702)</u>
Net cash flow from fund raising activities	<u>14,122</u>	<u>(4,417)</u>
Effect of exchange differences on cash	<u>(1,913)</u>	<u>206</u>
Net increase in cash and cash equivalents	<u>3,674</u>	<u>(10,768)</u>
<i>Add:</i> balance of cash and cash equivalents at the beginning of the period	<u>183,631</u>	<u>186,671</u>
Balance of cash and cash equivalents at the end of the period	<u>187,305</u>	<u>175,903</u>

UNAUDITED CASH FLOW STATEMENT

(Expressed in millions of Renminbi unless otherwise stated)

	For the nine-month period ended 30 September	
	2010	2009
Cash flow from operating activities		
Net increase in deposits from customers	259,875	323,565
Net decrease in placements with banks and other financial institutions and financial assets purchased under resale agreement	5,539	–
Net increase in deposits from banks and other financial institutions	–	57,004
Net increase in placements from banks and financial assets sold under agreements to repurchase	–	23,722
Net decrease in balances with banks and other financial institutions	9,823	–
Net recoveries of loans and advances previously written off	33	16
Cash received from interest, fee and commission	59,140	46,544
Cash received from other operating activities	749	13,702
	<hr/>	<hr/>
Sub-total of cash inflow from operating activities	335,159	464,553
	<hr/>	<hr/>
Net increase in loans and advances	(168,191)	(284,006)
Net increase in placements with banks and other financial institutions and financial assets purchased under resale agreement	–	(40,454)
Net increase in balances with central bank	(50,902)	(40,115)
Net decrease in balances with banks and other financial institutions	(996)	–
Net decrease in placements from banks and financial assets sold under agreements to repurchase	(35,380)	–
Net increase in balances with banks and other financial institutions	–	(14,734)
Cash paid for interest, fee and commission	(17,042)	(19,732)
Cash payments to and for employees	(8,875)	(7,389)
Income tax paid	(4,757)	(4,198)
Other taxes and fees paid other than income tax	(3,052)	(2,368)
Other cash payments relating to operating activities	(13,537)	(2,125)
	<hr/>	<hr/>
Sub-total of cash outflow from operating activities	(302,732)	(415,121)
	<hr/>	<hr/>
Net cash flow from operating activities	32,427	49,432

**For the nine-month period
ended 30 September**

	2010	2009
Cash flow from investing activities		
Cash received from recovery of investments	1,225,350	635,947
Cash received from return on investments	6,319	6,268
Cash received from disposal of fixed assets and other assets	<u>113</u>	<u>153</u>
Sub-total of cash inflow from investing activities	<u>1,231,782</u>	<u>642,368</u>
Cash paid for investments	(1,271,295)	(686,669)
Purchase of other long-term equity investments	-	(39)
Cash paid for purchase and construction of fixed assets and other assets	<u>(1,767)</u>	<u>(1,749)</u>
Sub-total of cash outflow from investing activities	<u>(1,273,062)</u>	<u>(688,457)</u>
Net cash flow from investing activities	<u>(41,280)</u>	<u>(46,089)</u>
Cash flow from fund raising activities		
Issuance of certificates of deposit	1,486	1,831
Issuance of shares	<u>21,744</u>	<u>-</u>
Sub-total of cash inflow from fund raising activities	<u>23,230</u>	<u>1,831</u>
Fees arising from issuance of shares	(177)	-
Cash paid on distribution of dividends or profits	(4,528)	(1,471)
Interest paid for issuance of bonds	(1,662)	(1,733)
Cash paid for debt repayment	<u>(1,593)</u>	<u>(4,010)</u>
Sub-total of cash outflow from fund raising activities	<u>(7,960)</u>	<u>(7,214)</u>
Net cash flow from fund raising activities	<u>15,270</u>	<u>(5,383)</u>
Effect of exchange differences on cash	<u>(1,962)</u>	<u>135</u>
Net increase in cash and cash equivalents	<u>4,455</u>	<u>(1,905)</u>
<i>Add:</i> balance of cash and cash equivalents at the beginning of the period	<u>163,217</u>	<u>151,990</u>
Balance of cash and cash equivalents at the end of the period	<u>167,672</u>	<u>150,085</u>