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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 FIRST 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. (“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 object to the truthfulness, accuracy and completeness of the information contained in the quarterly report.
- 1.3 The 55th meeting of the Seventh Session of the Board of Directors has approved the first quarterly report of 2010 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 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. 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)

	At the end of the reporting period 31 March 2010	At the end of the reporting period 31 December 2009	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
Total assets	2,199,275	2,067,941	6.35
Total equity attributable to shareholders of Parent Company	118,214	92,783	27.41
Net assets per share attributable to Parent Company <i>(in RMB Yuan)</i>	5.60	4.85	15.46
		From the beginning of the year to the end of the reporting period January to March 2010	Increase/decrease as compared to the corresponding period of last year (%)
Net cash flow from operating activities		22,175	-13.07
Net cash flow from operating activities per share <i>(in RMB Yuan)</i>		1.05	-39.31
		Corresponding period of last year January to March, 2009	Increase/decrease in this reporting period as compared to the corresponding period of last year (%)
Net profit attributable to shareholders of the Parent Company	5,909	4,208	40.42
Basic earnings per share <i>(in RMB Yuan)</i>	0.30	0.22	36.36
Diluted earnings per share <i>(in RMB Yuan)</i>	0.30	0.22	36.36
Basic earnings per share, net of non-recurring gains or losses <i>(in RMB Yuan)</i>	0.30	0.22	36.36
Diluted earnings per share, net of non-recurring gains or losses <i>(in RMB Yuan)</i>	0.30	0.22	36.36
Return on equity – weighted average (%)	5.60	5.21	Increase 0.39 percentage points
Return on equity – weighted average, net of non-recurring gains or losses (%)	5.57	5.16	Increase 0.41 percentage points

Non-recurring gains or losses

January to March 2010

Non-operating income	66
Non-operating expense	(22)
Effect of income tax	(10)
Net non-operating income/expense	34

Note: The Company had implemented the profit appropriation plan for 2008 of a bonus issue of 3 bonus shares for every 10 shares held and a cash dividend of RMB1.00 (including tax) for every 10 shares held in July 2009. As such, earnings per share for the corresponding period of last year was restated based on the number of shares after the implementation of the profit appropriation plan.

2.2 Management discussion and analysis

The Group

As at the end of the reporting period, total assets of the Group amounted to RMB2,199.275 billion, representing an increase of 6.35% as compared with the beginning of the year; and its total liabilities amounted to RMB2,081.061 billion, representing an increase of 5.36% as compared with the beginning of the year. Deposits from customers amounted to RMB1,641.126 billion. Total loans and advances amounted to RMB1,271.684 billion.

During the reporting period, the Group realized a net profit of RMB5.909 billion, representing an increase of 40.42% as compared with the corresponding period of the previous year. The Company realized an operating income of RMB15.620 billion, among which, net interest income increased by 31.99% from that of the corresponding period of the previous year to RMB12.514 billion, mainly due to the increase in the volume of interest-earning assets, and the gradual return of net interest spread and net interest income, which was 2.40% and 2.49%, respectively for the first three months of 2010. The net interest income accounted for 80.12% of the operating income. The Group's net fees and commission income increased by 39.09% from that of the corresponding period of the previous year to RMB2.416 billion, and accounted for 15.47% of the operating income; and other net income amounted to RMB690 million, representing a decrease of RMB27 million 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 totalled RMB9.376 billion, representing a decrease of RMB356 million as compared with the beginning of the year; the non-performing loan ratio was 0.74%, representing a decrease of 0.08 percentage point as compared with the beginning of the year; and the allowance coverage ratio was 272.26%, representing an increase of 25.60 percentage points as compared with the beginning of the year.

As at the end of the reporting period, the capital adequacy ratio of the Group was 11.53%, representing an increase of 1.08 percentage point as compared with the beginning of the year; and the core capital adequacy ratio was 7.83%, representing an increase of 1.20 percentage point as compared with the beginning of the year. The increase of the capital adequacy ratio and the core capital adequacy ratio was primarily due to the successful rights issue of A share during the reporting period.

The Company

As at the end of the reporting period, total assets of the Company amounted to RMB2,103.589 billion, representing an increase of 6.46% as compared with the beginning of the year; total liabilities amounted to RMB1,977.859 billion, representing an increase of 5.46% as compared with the beginning of the year. Total loans and advances amounted to RMB1,206.079 billion, representing an increase of 6.78% as compared with the beginning of the year, among which, corporate loans accounted for 59.80%, retail loans accounted for 33.32% and discounted bills accounted for 6.88%. Deposits from customers amounted to RMB1,562.001 billion, representing an increase of 2.30% as compared with the beginning of the year, among which, demand deposits accounted for 56.13% and time deposits accounted for 43.87%. Among the demand deposits, corporate deposits accounted for 63.92%, retail deposits accounted for 36.08%; and among the time deposits, corporate deposits accounted for 64.08% and retail deposits accounted for 35.92%.

During the reporting period, the Company realized an operating income of RMB14.961 billion, among which, net interest income increased by 32.31% from that of the corresponding period of the previous year to RMB12.174 billion, mainly due to the increase in the volume of interest-earning assets, and the gradual return of net interest spread and net interest income, which was 2.46% and 2.55%, the net interest income accounted for 81.37% of the operating income. The Group's net fees and commission income increased by 39.41% from that of the corresponding period of the previous year to RMB2.324 billion, mainly due to the increase of agency services fees, which accounted for 15.53% of its operating income; and other net income amounted to RMB463 million, representing a decrease of RMB51 million as compared with the corresponding period of the previous year, mainly due to the decrease of net gain arising from investments.

As at the end of the reporting period, the balance of the Company's non-performing loans totalled RMB9.030 billion, representing a decrease of RMB331 million as compared with the beginning of the year; and the non-performing loan ratio was 0.75%, representing a decrease of 0.08 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 to RMB25.179 billion, among which, RMB19.415 billion was made on a collective basis, accounted for 77.11% of the total allowances, and RMB5.764 billion was made on an individual basis, accounted for 22.89%. As at the end of the reporting period, the allowance coverage ratio was 278.84%, representing an increase of 25.59 percentage points as compared with the beginning of the year. Annualized credit cost was 0.52%, which was 0.22 percentage point higher when compared with 2009.

As at the end of the reporting period, the capital adequacy ratio of the Company was 11.15%, representing an increase of 1.10 percentage point as compared with the beginning of the year; the core capital adequacy ratio was 8.51%, representing an increase of 1.15 percentage point as compared with the beginning of the year. The increase of the capital adequacy ratio and the core capital adequacy ratio was primarily due to the successful completion of the A Share Rights Issue during the reporting period.

During the reporting period, the Company managed to keep a relatively rapid growth in its small-and-medium sized enterprises loans ("SME corporate loans"), and therefore the ratio of its non-performing loans dropped as compared with the beginning of the year. As at the end of the reporting period, the balance of domestic SME corporate loans amounted to RMB349.516 billion, representing an increase of RMB41.146 billion as compared with the beginning of the year. The SME corporate loans accounted for 49.43% of the total balance of domestic corporate loans, an increase of 1.75 percentage points from the beginning of the year. The non-performing loan ratio was 1.55%, decreased by 0.28 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 711,102

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	3,416,996,338	H shares
2	China Merchants Steam Navigation Company Limited	2,671,982,600	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	Qinhuangdao Port Group Company Limited	258,470,781	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	Guangdong Provincial Highways Administration Bureau	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 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 2010	Changes over the end of last year	Major reasons
Financial assets held for trading	15,773	42.36%	Increase in investments held for trading
Other assets	9,856	46.43%	Increase in amounts receivable
Deposits from banks and other financial institutions	269,239	44.60%	Increase in deposits from banks
Financial liabilities held for trading	357	1,090.00%	Increase in financial liabilities held for trading of subsidiaries
Capital reserve	35,703	96.51%	Funds raised from the rights issue
Investment revaluation reserve	1,627	N/A	Change in unrealised gains or losses in available-for-sale financial assets
Foreign currency translation differences	(41)	86.36%	Increase in foreign currency translation differences of subsidiaries

Major items	January to March 2010	Changes over last year	Major reasons
Fee and commission income	2,625	32.38%	Increase in agency service fees
Net gain arising from changes in fair value	32	-67.01%	Decrease in gains from the financial assets held for trading
Net foreign exchange gain	413	33.66%	Increase in net gain from forex trading
Impairment losses	1,557	97.09%	Increase in provision for impairment of loans
Non-operating expense	22	340.00%	Increase in non-operating expense
Income tax expense	1,738	42.81%	Increase in total profit

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

3.2.1 Rights issue of A Shares and H Shares of the Company

Pursuant to the “Proposal on the Rights Issue of A Shares and H Shares by China Merchants Bank Co., Ltd. (Revised)” which was considered and passed at the 2009 Second Extraordinary General Meeting, the 2009 First A shareholders Meeting and the 2009 First H shareholders Meeting of the Company, the resolutions regarding the A Share Rights Issue and H Share Rights Issue were carried out smoothly, and A Shares and H Shares issued under the Rights Issue were listed and traded on 19 March 2010 and 9 April 2010 respectively. Total proceeds raised under the A Share Rights Issue and the H Share Rights Issue were RMB17,764,081,690.65 and HK\$4,525,772,680 (equivalent to approximately RMB3,980,417,072) respectively. The expenses in connection with the A Share Rights Issue and the H Share Rights Issue, including fees on the financial advisory, underwriting commission, legal and accounting charges, printing, registration, translation, amounted to RMB82,654,295.77 and HK\$108,233,784.48 (equivalent to approximately RMB95,191,613.45) respectively. The net proceeds after deducting the issuing expenses from the total proceeds were fully used to replenish the working capital of the Company for further business development.

As at 9 April 2010, upon completion of rights issue of A Shares and H Shares of the Company, the Company had a total of 21,576,608,885 shares, with 17,666,130,885 A Shares and 3,910,478,000 H Shares.

3.2.2 Major financial indicators of WL Group during the reporting period (calculated based on Hong Kong Accounting Standards)

As at 31 March 2010, Wing Lung Bank Limited and its subsidiaries (hereinafter referred to as “WL Group”) recorded total assets of HK\$119.027 billion, net assets of HK\$11.719 billion and a capital adequacy ratio of 15.84%.

For the first three months of 2010, WL Group recorded an unaudited consolidated net profit after tax of HK\$329 million, representing an increase of 38.47% as compared with the corresponding period of the last year.

As at 31 March 2010, the total deposits of WL Group (including structured deposits) decreased by 2.46% to HK\$90.031 billion as compared with that at 2009 year-end. Total loans (including trade bills) grew by 9.38% to HK\$57.825 billion as compared with that at 2009 year-end; the non-performing loan balance (including trade bills) and ratio were HK\$393 million and 0.68% respectively, showing its overall loan quality remained sound.

3.2.3 Establishment of branches

According to Wan Yin Jian Fu [2010] No.10 dated 19 January 2010, our Huainan Branch commenced operations with the approval of China Banking Regulatory Commission (“CBRC”) Anhui Bureau; According to Su Yin Jian Fu [2010] No.37 dated 25 January 2010, our Zhenjiang Branch commenced operations with the approval of CBRC Jiangsu Bureau. According to Li Yin Jian Fu [2010] No.17 dated 8 February 2010, our Lijiang Branch commenced operations with the approval of CBRC Yunnan Bureau. According to Yin Jian Lu Zhun [2010] No.50 dated 12 March 2010, our Zibo Branch commenced operations with the approval of CBRC Shandong Bureau.

During the reporting period, according to the Yin Jian Fu [2010] No.3 dated 4 January 2010 issued by the China Banking Regulatory Commission, the Company obtained the approval to establish its Yinchuan Branch and the branch is currently under preparation.

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

28 April 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 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, 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)

	31 March 2010	31 December 2009
Assets		
Cash and balances with central bank	223,900	216,167
Balances with banks and other financial institutions	44,722	48,931
Placements with banks	58,926	62,397
Financial assets held for trading	15,773	11,080
Financial assets designated as at fair value through profit or loss	3,775	4,776
Derivative financial assets	1,204	999
Financial assets purchased under agreements to resell	192,732	158,797
Interest receivables	7,650	6,012
Loans and advances	1,246,157	1,161,817
Available-for-sale financial assets	244,251	244,229
Long term equity investments	1,173	1,153
Held-to-maturity investments	84,027	80,201
Investment receivables	36,172	35,100
Fixed assets	12,532	12,519
Intangible assets	2,488	2,477
Goodwill	9,598	9,598
Investment properties	2,112	2,171
Deferred income tax assets	2,227	2,786
Other assets	9,856	6,731
	<hr/>	<hr/>
Total assets	2,199,275	2,067,941
	<hr/> <hr/>	<hr/> <hr/>
Liabilities		
Deposits from banks and other financial institutions	269,239	186,201
Placements from banks	39,614	44,321
Financial liabilities held for trading	357	30
Financial liabilities designated as at fair value through profit or loss	993	1,173
Derivative financial liabilities	1,454	1,474
Financial assets sold under agreements to repurchase	26,350	34,597
Deposits from customers	1,641,126	1,608,146
Salaries and welfare payable	2,331	3,290
Taxes payable	2,933	2,565
Interests payable	9,443	8,298
Bonds payable	40,529	40,731
Deferred income tax liabilities	976	941
Other liabilities	45,716	43,391
	<hr/>	<hr/>
Total liabilities	2,081,061	1,975,158
	<hr/> <hr/>	<hr/> <hr/>

	31 March 2010	31 December 2009
Shareholders' equity		
Share capital	21,127	19,119
Capital reserve	35,703	18,169
Among which: investment revaluation reserve	1,627	(230)
Surplus reserve	8,418	8,418
Statutory general reserve	15,018	14,976
Retained profits	37,989	32,123
Among which: proposed dividend appropriations	4,531	4,531
Foreign currency translation reserve	(41)	(22)
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Total equity attributable to shareholders of the parent company	118,214	92,783
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Total shareholders' equity	118,214	92,783
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities and shareholders' equity	2,199,275	2,067,941
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UNAUDITED BALANCE SHEET

(Expressed in millions of Renminbi unless otherwise stated)

	31 March 2010	31 December 2009
Assets		
Cash and balances with central bank	223,073	215,108
Balances with banks and other financial institutions	43,018	47,109
Placements with banks	43,556	40,547
Financial assets held for trading	13,543	8,888
Financial assets designated as at fair value through profit or loss	1,478	1,597
Derivative financial assets	1,131	896
Financial assets purchased under agreements to resell	192,752	158,797
Interest receivables	7,448	5,854
Loans and advances	1,180,900	1,105,816
Available-for-sale financial assets	230,374	233,618
Long term equity investments	33,321	33,308
Held-to-maturity investments	74,944	70,397
Investment receivables	37,489	36,420
Fixed assets	9,624	9,589
Intangible assets	1,174	1,149
Investment properties	271	277
Deferred income tax assets	2,152	2,710
Other assets	7,341	3,948
Total assets	2,103,589	1,976,028
Liabilities		
Deposits from banks and other financial institutions	267,721	185,536
Placements from banks	27,101	35,556
Derivative financial liabilities	1,096	974
Financial liabilities designated at fair value through profit or loss	817	819
Financial assets sold under agreements to repurchase	26,349	34,597
Deposits from customers	1,562,001	1,526,941
Salaries and welfare payable	2,465	3,154
Taxes payable	2,881	2,524
Interests payable	9,343	8,207
Bonds payable	37,668	37,667
Other liabilities	40,417	39,534
Total liabilities	1,977,859	1,875,509

	31 March 2010	31 December 2009
Shareholders' equity		
Share capital	21,127	19,119
Capital reserve	44,752	27,205
Among which: investment revaluation reserve	1,518	(352)
Surplus reserve	8,418	8,418
Statutory general reserve	15,000	15,000
Retained profits	36,433	30,777
Among which: proposed dividend appropriations	4,531	4,531
Foreign currency translation reserve	—	—
	<hr/>	<hr/>
Total shareholders' equity	125,730	100,519
	<hr/> <hr/>	<hr/> <hr/>
Total liabilities and shareholders' equity	2,103,589	1,976,028
	<hr/> <hr/>	<hr/> <hr/>

UNAUDITED CONSOLIDATED INCOME STATEMENTS

(Expressed in millions of Renminbi unless otherwise stated)

	January to March 2010	January to March 2009
Operating income		
Interest income	18,794	15,978
Interest expense	<u>(6,280)</u>	<u>(6,497)</u>
Net interest income	<u>12,514</u>	<u>9,481</u>
Fee and commission income	2,625	1,983
Fee and commission expense	<u>(209)</u>	<u>(246)</u>
Net fee and commission income	<u>2,416</u>	<u>1,737</u>
Net gain arising from change in fair value	32	97
Net gain arising from investments	159	214
Net gain arising from foreign exchange	413	309
Insurance operating income	<u>86</u>	<u>97</u>
Other net income	<u>690</u>	<u>717</u>
Operating expense		
Business tax and surcharges	(910)	(723)
Operating and administrative expense	(5,481)	(4,961)
Impairment losses	(1,557)	(790)
Provision for insurance claims	<u>(69)</u>	<u>(83)</u>
	<u>(8,017)</u>	<u>(6,557)</u>
Operating profit	7,603	5,378
Add: non-operating income	66	52
Less: non-operating expense	<u>(22)</u>	<u>(5)</u>
Total profit	7,647	5,425
Less: income tax expense	<u>(1,738)</u>	<u>(1,217)</u>
Net profit	<u>5,909</u>	<u>4,208</u>
	In RMB Yuan	In RMB Yuan
Earnings per share		
Basic earnings per share	0.30	0.22
Diluted earnings per share	<u>0.30</u>	<u>0.22</u>
Other comprehensive income for the year	<u>1,838</u>	<u>(1,119)</u>
Total comprehensive income for the year	<u>7,747</u>	<u>3,089</u>

UNAUDITED INCOME STATEMENTS

(Expressed in millions of Renminbi unless otherwise stated)

	January to March 2010	January to March 2009
Operating income		
Interest income	18,252	15,527
Interest expense	<u>(6,078)</u>	<u>(6,326)</u>
Net interest income	<u>12,174</u>	<u>9,201</u>
Fee and commission income	2,519	1,900
Fee and commission expense	<u>(195)</u>	<u>(233)</u>
Net fee and commission income	<u>2,324</u>	<u>1,667</u>
Net gain arising from change in fair value	5	56
Net gain arising from investments	95	173
Net gain arising from foreign exchange	<u>363</u>	<u>285</u>
Other net income	<u>463</u>	<u>514</u>
Operating expense		
Business tax and surcharges	(904)	(721)
Operating and administrative expense	(5,188)	(4,669)
Impairment losses	<u>(1,529)</u>	<u>(762)</u>
	<u>(7,621)</u>	<u>(6,152)</u>
Operating profit	7,340	5,230
Add: non-operating income	24	22
Less: non-operating expense	<u>(22)</u>	<u>(5)</u>
Total profit	7,342	5,247
Less: income tax expense	<u>(1,684)</u>	<u>(1,180)</u>
Net profit	<u>5,658</u>	<u>4,067</u>
Other comprehensive income for the year	<u>1,870</u>	<u>(1,068)</u>
Total comprehensive income for the year	<u>7,528</u>	<u>2,999</u>

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

	For the three-month period ended March 31	
	2010	2009
Cash flow from operating activities		
Net increase in deposits from customers	32,980	196,035
Net decrease in balances with banks and other financial institutions	2,691	–
Net increase in deposits from banks and other financial institutions	83,425	15,113
Net increase in placements from banks and financial assets sold under agreements to repurchase	–	3,308
Net decrease in placements with banks and financial assets purchased under resale agreement	11,003	–
Net recoveries of loans and advances previously written off	14	12
Cash received from interest, fee and commission	19,604	14,547
Cash received from other operating activities	2,080	7,400
	<hr/>	<hr/>
Sub-total of cash inflow from operating activities	151,797	236,415
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net increase in loans and advances	(84,319)	(121,578)
Net decrease in placements from banks and financial assets sold under agreements to repurchase	(13,673)	–
Net increase in balances with central bank	(15,609)	(16,322)
Net increase in balances with banks and other financial institutions	–	(34,576)
Net increase in placements with banks and financial assets purchased under resale agreement	–	(27,336)
Cash paid for interest, fee and commission	(5,319)	(5,451)
Cash payments to and for employees	(3,911)	(2,952)
Income tax and other taxes and fees paid	(2,512)	(1,814)
Other cash payments relating to operating activities	(4,279)	(877)
	<hr/>	<hr/>
Sub-total of cash outflow from operating activities	(129,622)	(210,906)
	<hr/>	<hr/>
Net cash flow from operating activities	22,175	25,509
Cash flow from investing activities		
Cash received from recovery of investments	356,341	332,061
Cash received from return on investments	2,088	2,256
Cash received from disposal of fixed assets and other assets	36	460
	<hr/>	<hr/>
Sub-total of cash inflow from investing activities	358,465	334,777
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

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

	2010	2009
Cash paid for investments	(372,665)	(349,776)
Cash paid for purchase and construction of fixed assets and other assets	<u>(169)</u>	<u>(929)</u>
Sub-total of cash outflow from investing activities	----- (372,834) -----	----- (350,705) -----
Net cash flow from investing activities	<u>(14,369)</u>	<u>(15,928)</u>
Cash flow from fund raising activities		
Cash received from rights issue	<u>17,764</u>	<u>—</u>
Sub-total of cash inflow from fund raising activities	----- 17,764 -----	----- — -----
Repayment of issued certificates of deposit	(202)	(306)
Interest paid for issuance of long-term bonds	(27)	(6)
Expenses paid for rights issue	<u>(83)</u>	<u>—</u>
Sub-total of cash outflow from fund raising activities	----- (312) -----	----- (312) -----
Net cash flow from fund raising activities	<u>17,452</u>	<u>(312)</u>
Effect of exchange differences on cash	<u>(47)</u>	<u>(278)</u>
Net increase in cash and cash equivalents	<u>----- 25,211 -----</u>	<u>----- 8,991 -----</u>

UNAUDITED CASH FLOW STATEMENT

(Expressed in millions of Renminbi unless otherwise stated)

	For the three-month period ended March 31	
	2010	2009
Cash flow from operating activities		
Net increase in deposits from customers	35,060	193,426
Net decrease in balances with banks and other financial institutions	2,555	–
Net increase in deposits from banks and other financial institutions	82,185	15,174
Net increase in placements from banks and financial assets sold under agreements to repurchase	–	1,594
Net decrease in placements with banks and financial assets purchased under resale agreement	10,160	–
Net recoveries of loans previously written off	14	11
Cash received from interest, fee and commission	19,177	14,068
Cash received from other operating activities	377	6,642
Sub-total of cash inflow from operating activities	149,528	230,915
Net increase in loans and advances	(76,630)	(119,176)
Net decrease in placements from banks and financial assets sold under agreements to repurchase	(16,703)	–
Net increase in balances with central bank	(15,553)	(16,322)
Net increase in balances with banks and other financial institutions	–	(34,714)
Net increase in placements with banks and financial assets purchased under resale agreement	–	(26,411)
Cash paid for interest, fee and commission	(5,127)	(5,206)
Cash payments to and for employees	(3,801)	(2,834)
Income tax and other taxes and fees paid	(2,499)	(1,791)
Other cash payments relating to operating activities	(3,369)	(386)
Sub-total of cash outflow from operating activities	(123,682)	(206,840)

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

	2010	2009
Net cash flow from operating activities	<u>25,846</u>	<u>24,075</u>
Cash flow from investing activities		
Cash received from recovery of investments	350,446	326,491
Cash received from return on investments	2,012	2,228
Cash received from disposal of fixed assets and other assets	<u>35</u>	<u>460</u>
Sub-total of cash inflow from investing activities	<u>352,493</u>	<u>329,179</u>
Cash paid for investments	(364,198)	(341,769)
Cash paid for purchase and construction of fixed assets and other assets	<u>(163)</u>	<u>(928)</u>
Sub-total of cash outflow from investing activities	<u>(364,361)</u>	<u>(342,697)</u>
Net cash flow from investing activities	<u>(11,868)</u>	<u>(13,518)</u>
Cash flow from fund raising activities		
Cash received from rights issue	<u>17,764</u>	<u>–</u>
Sub-total of cash inflow from fund raising activities	<u>17,764</u>	<u>–</u>
Expenses relating to the rights issue	<u>(83)</u>	<u>–</u>
Sub-total of cash outflow from fund raising activities	<u>(83)</u>	<u>–</u>
Net cash flow from fund raising activities	<u>17,681</u>	<u>–</u>
Effect of exchange differences on cash	<u>(187)</u>	<u>(230)</u>
Net increase in cash and cash equivalents	<u>31,472</u>	<u>10,327</u>