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招商銀行股份有限公司

**CHINA MERCHANTS BANK CO., LTD.**

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

**(Stock code: 03968)**

## **FIRST QUARTERLY REPORT OF 2015**

Pursuant to the regulations of the China Securities Regulatory Commission, the Company is required to publish a quarterly report for each of the first and third quarters.

All financial information set out in this quarterly report is unaudited and prepared in accordance with the International Financial Reporting Standards.

This announcement is made by the Company pursuant to Rule 13.09 and Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

### **§1 IMPORTANT NOTICE**

- 1.1 The Board of Directors, the Board of Supervisors, directors, supervisors and senior management of China Merchants Bank Co., Ltd. will individually and jointly accept full responsibility for the truthfulness, accuracy and completeness of the contents in this report, and confirm that there are no false representations, misleading statements, or material omissions contained herein.
- 1.2 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 33rd meeting of the Ninth Session of the Board of Directors of the Company has approved the first quarterly report of 2015 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 International Financial Reporting Standards and are unaudited. The unaudited quarterly report prepared by the Company in accordance with the PRC Accounting Standards has been published on the website of Shanghai Stock Exchange. Unless otherwise stated, all monetary sums stated in this report are expressed in RMB.
- 1.5 Hereinafter “the Company”, “the Bank” and “China Merchants Bank” 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. Li Jianhong, Chairman of the Board of Directors of the Company, Mr. Tian Huiyu, the President, Mr. Li Hao, the First Executive Vice President and Chief Financial Officer, and Mr. Wang Tao, who is in charge of the Finance and Accounting Department, hereby make representations in respect of the truthfulness, accuracy and completeness of the financial statements contained in this quarterly report.

## §2 GENERAL INFORMATION

### 2.1 Major accounting data and financial indicators of the Group

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

	<b>At the end of the reporting period 31 March 2015</b>	At the end of last year 31 December 2014	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
Total assets	<b>4,908,944</b>	4,731,829	3.74
Equity attributable to shareholders of the Bank	<b>331,315</b>	314,404	5.38
Net assets per share attributable to shareholders of the Bank <i>(in RMB Yuan)</i>	<b>13.14</b>	12.47	5.37
	<b>Reporting period January to March 2015</b>	Corresponding period of last year January to March 2014	Increase/decrease in the reporting period as compared to the corresponding period of last year (%)
Net cash flow from operating activities	<b>31,161</b>	60,242	(48.27)
Net cash flow from operating activities per share <i>(in RMB Yuan)</i>	<b>1.24</b>	2.39	(48.12)
	<b>Reporting period January to March 2015</b>	Corresponding period of last year January to March 2014	Increase/decrease in the reporting period as compared to the corresponding period of last year (%)
Net operating income	<b>50,842</b>	40,979	24.07
Net profit attributable to the Bank's shareholders	<b>17,220</b>	14,945	15.22
Basic earnings per share attributable to shareholders of the Bank <i>(in RMB Yuan)</i>	<b>0.68</b>	0.59	15.25
Diluted earnings per share attributable to shareholders of the Bank <i>(in RMB Yuan)</i>	<b>0.68</b>	0.59	15.25
Annualized return on equity attributable to shareholders of the Bank – weighted average (%)	<b>21.33</b>	21.79	Decrease of 0.46 percentage point

## 2.2 Explanation on the differences between the financial statements prepared in accordance with the PRC Accounting Standards and the International Financial Reporting Standards

In the financial statements prepared by the Group in accordance with the PRC Accounting Standards and the International Financial Reporting Standards, there is no difference between the net profit attributable to the Bank's shareholders for the reporting period ended 31 March 2015 and the equity attributable to shareholders of the Bank at the end of the reporting period.

## 2.3 Analysis of capital adequacy ratios as at the end of the reporting period

The Company continued to optimise its business structure and enhance capital management, and has satisfied various capital requirements of China Banking Regulatory Commission (the "CBRC") during the reporting period. The capital adequacy ratio of the Company generally remained stable and the Company has maintained a balanced growth of internal capital.

As at 31 March 2015, the capital adequacy ratio and the Tier 1 capital adequacy ratio of the Group under the advanced approach were 12.45% and 10.59%, respectively.

The Group	At the end of the reporting period 31 March 2015	At the end of last year 31 December 2014	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
<i>(in millions of RMB, except for percentages)</i>			
<b>Capital adequacy ratios under the advanced approach<sup>(1)</sup></b>			
1. Net core Tier 1 capital	319,450	301,977	5.79
2. Net Tier 1 capital	319,456	301,982	5.79
3. Net capital	375,592	358,334	4.82
4. Risk-weighted assets (without taking into consideration the floor requirements during the parallel run period) <sup>(2)</sup>	2,894,995	2,748,687	5.32
Of which: Credit risk weighted assets	2,611,234	2,471,180	5.67
Market risk weighted assets	28,864	22,610	27.66
Operational risk weighted assets	254,897	254,897	–
5. Risk-weighted assets (having taken into consideration the floor requirements during the parallel run period)	3,015,598	2,893,732	4.21
6. Core Tier 1 capital adequacy ratio	10.59%	10.44%	Increase of 0.15 percentage point
7. Tier 1 capital adequacy ratio	10.59%	10.44%	Increase of 0.15 percentage point
8. Capital adequacy ratio	12.45%	12.38%	Increase of 0.07 percentage point
<b>Information on leverage ratio<sup>(3)</sup></b>			
9. Total on and off balance sheet assets after adjustment	5,796,253	(Note 3)	(Note 3)
10. Leverage ratio	5.51%	4.96%	Increase of 0.55 percentage point

- Note 1:* The “advanced approach” refer to the advanced measurement approach set out in the “Capital Rules for Commercial Banks (Provisional)” issued by CBRC on 7 June 2012 (same as below). Under the advanced approach, the core Tier 1 capital adequacy ratio and the Tier 1 capital adequacy ratio of the Group and the Company remain consistent at present. In accordance with the requirements of the advanced approach, the scope of entities for calculating the capital adequacy ratio of the Group shall include China Merchants Bank Co., Ltd. and its subsidiaries. The scope of entities for calculating the capital adequacy ratio of the Company shall include all the domestic and overseas branches and sub-branches of China Merchants Bank Co., Ltd.. As at 31 March 2015, the Group’s subsidiaries for calculating its capital adequacy ratio include Wing Lung Bank, CMB International Capital, CMB Financial Leasing and China Merchants Fund.
- Note 2:* The “floor requirements during the parallel run period” means that, during the parallel run period the advanced capital measurement approaches were implemented, a commercial bank shall use the capital floor adjustment co-efficients to adjust the result of its risk-weighted assets multiplying the sum of its minimum capital amount and reserve capital amount, total amount of capital deductions and the provision for excessive loan loss which can be included into capital, so as to obtain the required capital amount subject to the capital floor requirements. The capital floor adjustment co-efficients shall be 95%, 90% and 80% respectively in the first year, the second year, and the third and subsequent years during the parallel run period.
- Note 3:* Since the current quarter, the leverage ratio shall be calculated based on the “Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)” promulgated by CBRC on 12 February 2015. In 2014, the leverage ratio and total on and off balance sheet assets were still calculated based on the “Measures for the Administration of the Leverage Ratio of Commercial Banks” promulgated by CBRC on 1 June 2011. The leverage ratio of the Group were 4.96%, 4.66% and 4.49% respectively as at the end of 2014, the end of the third quarter and the end of the first half of 2014.

The capital adequacy ratio and the Tier 1 capital adequacy ratio of the Company under the advanced approach were 12.12% and 10.28% respectively.

The Company	At the end of the reporting period 31 March 2015	At the end of last year 31 December 2014	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
<i>(in millions of RMB, except for percentages)</i>			
<b>Capital adequacy ratios under the advanced approach</b>			
1. Net core Tier 1 capital	<b>286,779</b>	268,845	6.67
2. Net Tier 1 capital	<b>286,779</b>	268,845	6.67
3. Net capital	<b>338,348</b>	320,740	5.49
4. Risk-weighted assets (without taking into consideration the floor requirements during the parallel run period)	<b>2,674,991</b>	2,546,291	5.05
Of which: Credit risk weighted assets	<b>2,409,261</b>	2,285,300	5.42
Market risk weighted assets	<b>23,862</b>	19,123	24.78
Operational risk weighted assets	<b>241,868</b>	241,868	–
5. Risk-weighted assets (having taken into consideration the floor requirements during the parallel run period)	<b>2,790,504</b>	2,687,891	3.82
6. Core Tier 1 capital adequacy ratio	<b>10.28%</b>	10.00%	Increase of 0.28 percentage point
7. Tier 1 capital adequacy ratio	<b>10.28%</b>	10.00%	Increase of 0.28 percentage point
8. Capital adequacy ratio	<b>12.12%</b>	11.93%	Increase of 0.19 percentage point
<b>Information on leverage ratio<sup>(1)</sup></b>			
9. Total on and off balance sheet assets after adjustment	<b>5,490,126</b>	<i>(Note 1)</i>	<i>(Note 1)</i>
10. Leverage ratio	<b>5.22%</b>	4.65%	Increase of 0.57 percentage point

*Note 1:* Since the current quarter, the leverage ratio shall be calculated based on the “Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)” promulgated by CBRC on 12 February 2015. In 2014, the leverage ratio and total on and off balance sheet assets were still calculated based on the “Measures for the Administration of the Leverage Ratio of Commercial Banks” promulgated by CBRC on 1 June 2011. The leverage ratio of the Company were 4.65%, 4.47% and 4.25% respectively as at the end of 2014, the end of the third quarter and the end of the first half of 2014.

As at 31 March 2015, the capital adequacy ratio of the Group under the weighted approach was 11.81%, representing an increase of 0.07 percentage point as compared with the beginning of the year; and its tier 1 capital adequacy ratio was 9.71%, representing an increase of 0.11 percentage point as compared with the beginning of the year. The Group has a strong ability to maintain a balanced growth of internal capital.

<b>The Group</b>	<b>At the end of the reporting period 31 March 2015</b>	At the end of last year 31 December 2014	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
<i>(in millions of RMB, except for percentages)</i>			

**The capital adequacy ratios under the weighted approach<sup>(1)</sup>**

1. Net core tier 1 capital	<b>319,450</b>	301,977	5.79
2. Net tier 1 capital	<b>319,456</b>	301,982	5.79
3. Net capital	<b>388,197</b>	369,532	5.05
4. Risk-weighted assets	<b>3,288,295</b>	3,146,571	4.50
5. Core tier 1 capital adequacy ratio	<b>9.71%</b>	9.60%	Increase of 0.11 percentage point
6. Tier 1 capital adequacy ratio	<b>9.71%</b>	9.60%	Increase of 0.11 percentage point
7. Capital adequacy ratio	<b>11.81%</b>	11.74%	Increase of 0.07 percentage point

*Note 1:* The “weighted approach” refers to the weighted approach for credit risk, the standardised method for market risk and the basic indicator method for operational risk adopted by the Group to calculate its risk-weighted assets in accordance with the provisions of the “Capital Rules for Commercial Banks (Provisional)” before the adoption of the advanced approach. Same as below.

As at 31 March 2015, the capital adequacy ratio of the Company under the weighted approach was 11.44%, representing an increase of 0.17 percentage point as compared with the beginning of the year; and its tier 1 capital adequacy ratio was 9.33%, representing an increase of 0.21 percentage point as compared with the beginning of the year.

<b>The Company</b>	<b>At the end of the reporting period 31 March 2015</b>	At the end of last year 31 December 2014	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
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*(in millions of RMB, except for percentages)*

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

1. Net core tier 1 capital	<b>286,779</b>	268,845	6.67
2. Net tier 1 capital	<b>286,779</b>	268,845	6.67
3. Net capital	<b>351,422</b>	331,937	5.87
4. Risk-weighted assets	<b>3,072,813</b>	2,946,283	4.29
5. Core tier 1 capital adequacy ratio	<b>9.33%</b>	9.12%	Increase of 0.21 percentage point
6. Tier 1 capital adequacy ratio	<b>9.33%</b>	9.12%	Increase of 0.21 percentage point
7. Capital adequacy ratio	<b>11.44%</b>	11.27%	Increase of 0.17 percentage point

## 2.4 Total number of shareholders, the top ten shareholders and the top ten shareholders whose shares are not subject to trading moratorium as at the end of the reporting period

Total number of shareholders **462,576**

### Top ten shareholders and the top ten shareholders whose shares are not subject to trading moratorium

No.	Name of shareholder	Nature of shareholder	Percentage of shareholding (%)	Number of shares held (Share)	Class of Shares	Number of shares subject to trading moratorium (Share)	Shares pledged or frozen (Share)
1	HKSCC Nominees Limited <sup>(1)</sup>	/	17.98	4,534,522,574	H Shares	-	-
2	China Merchants Steam Navigation Company Ltd.	State-owned legal person	12.54	3,162,424,323	A Shares not subject to trading moratorium	-	-
3	Anbang Property & Casualty Insurance Company Ltd. – conventional products	Domestic non-state-owned legal person	10.72	2,704,596,216	A Shares not subject to trading moratorium	-	-
4	China Ocean Shipping (Group) Company	State-owned legal person	6.24	1,574,729,111	A Shares not subject to trading moratorium	-	-
5	Shenzhen Yan Qing Investment and Development Company Ltd.	State-owned legal person	2.96	747,589,686	A Shares not subject to trading moratorium	-	-
6	Shenzhen Chu Yuan Investment and Development Company Ltd.	State-owned legal person	2.59	653,135,659	A Shares not subject to trading moratorium	-	-
7	Guangzhou Maritime Transport (Group) Company Ltd. <sup>(2)</sup>	State-owned legal person	2.65	668,649,167	A Shares not subject to trading moratorium	-	-
8	China Communications Construction Company Ltd.	State-owned legal person	1.78	450,164,945	A Shares not subject to trading moratorium	-	-
9	SAIC Motor Corporation Limited	Domestic non-state-owned legal person	1.71	432,125,895	A Shares not subject to trading moratorium	-	-
10	Hong Kong Securities Clearing Company Ltd. <sup>(3)</sup>	/	1.26	316,833,262	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.

*Note 2:* As at the end of the reporting period, the number of shares held by Guangzhou Maritime Transport (Group) Company Ltd. in the Company is 668,649,167, among which 23,506,300 shares were lent to China Securities Finance Corporation Limited.

*Note 3:* Hong Kong Securities Clearing Company Ltd. is a wholly-owned subsidiary of The Stock Exchange of Hong Kong Limited. It is the nominal holder of shares held by Hong Kong investors who participate in the Northbound Trading Link. The shares of such investors are deposited in concentration in Hong Kong Securities Clearing Company Ltd..

*Note 4:* Of the aforesaid top 10 shareholders, China Merchants Steam Navigation Company Ltd., Shenzhen Yan Qing Investment and Development Company Ltd. and Shenzhen Chu Yuan Investment and Development Company Ltd. are subsidiaries of China Merchants Group Ltd. The Company is not aware of any affiliated relationships among other shareholders. As at 31 March 2015, China Merchants Group Ltd. indirectly held an aggregate of 20.00% of the total issued shares of the Company, consisting of 19.38% of the A shares of the Company and 0.62% of the H shares of the Company, respectively.

*Note 5:* The above shareholders do not hold the shares of the Company through securities accounts.

## **2.5 Management discussion and analysis**

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

As at the end of March 2015, total assets of the Group amounted to RMB4,908.944 billion, representing an increase of 3.74% as compared with the beginning of the year; and its total liabilities amounted to RMB4,576.829 billion, representing an increase of 3.62% as compared with the beginning of the year. Total deposits from customers amounted to RMB3,332.170 billion, representing an increase of 0.84% as compared with the beginning of the year. Total loans and advances amounted to RMB2,622.736 billion, representing an increase of 4.33% as compared with the beginning of the year.

For the period from January to March 2015, the Group realized a net profit attributable to shareholders of the Bank of RMB17.220 billion, representing a year-on-year increase of 15.22%, and net operating income of RMB50.842 billion, among which, net interest income amounted to RMB33.389 billion, representing a year-on-year increase of 22.22%, and accounting for 65.67% of the net operating income. Affected by the increased proportion of low-cost retail deposits on demand which was attributable to the active capital market, and the falling cost ratio of inter-bank transaction of funds which was due to the relatively adequate market liquidity, for the period from January to March 2015, net interest spread and net interest margin were 2.72% and 2.90%, respectively, representing a year-on-year increase of 0.17 percentage point and 0.14 percentage point, respectively, and an increase of 0.20 percentage point and 0.18 percentage point as compared with the fourth quarter of 2014, respectively. Thanks to the great effort to expand its wealth management, mutual funds and other businesses, net fee and commission income of the Group increased rapidly by 49.23% to RMB15.633 billion from that of the corresponding period of the previous year, accounting for 30.75% of the net operating income, and representing a year-on-year increase of 5.19 percentage points. Other net income amounted to RMB1.755 billion, representing a year-on-year decrease of 44.05%, which was primarily due to a decrease in revenue from foreign exchange settlements as a result of the two-direction fluctuations in the RMB exchange rate during the reporting period. The cost-to-income ratio (excluding business tax and surcharges) of the Group was 24.10%, representing a year-on-year decrease of 3.11 percentage points. Since 2015, the Group has reclassified the income from credit card repayment by instalments from fee income to interest income and the relevant data above has been restated.

As at the end of March 2015, the balance of non-performing loans of the Group amounted to RMB32.587 billion, representing an increase of RMB4.670 billion as compared with the beginning of the year; the non-performing loan ratio was 1.24%, representing an increase of 0.13 percentage point as compared with the beginning of the year; and the allowance coverage ratio of our non-performing loans was 223.77%, representing a decrease of 9.65 percentage points as compared with the beginning of the year; the allowance-to-loan ratio was 2.78%, representing an increase of 0.19 percentage point as compared with that at the beginning of the year.

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

During the period from January to March 2015, the Company continued to promote strategic transformation and maintained steady business development as a whole:

**Both our assets and liabilities grew moderately.** As at the end of March 2015, total assets of the Company amounted to RMB4,636.499 billion, representing an increase of 3.25% as compared with the beginning of the year; while total liabilities amounted to RMB4,310.350 billion, representing an increase of 3.12% as compared with the beginning of the year. Total loans and advances amounted to RMB2,382.491 billion, representing an increase of 4.24% as compared with the beginning of the year, among which, corporate loans, retail loans and discounted bills accounted for 54.67%, 42.34% and 2.99%, respectively. Total deposits from customers amounted to RMB3,169.980 billion, representing an increase of 0.36% as compared with the beginning of the year, among which, demand deposits and time deposits accounted for 50.71% and 49.29%, respectively. Among the demand deposits, corporate deposits accounted for 58.91% while retail deposits accounted for 41.09%; and among the time deposits, corporate deposits accounted for 76.08% while retail deposits accounted for 23.92%.

**Our profits grew steadily.** During the period from January to March 2015, the Company realized a net profit of RMB16.046 billion, representing a year-on-year increase of 14.87%. The Company realized net operating income of RMB48.343 billion, among which, net interest income amounted to RMB32.216 billion, representing a year-on-year increase of 22.32%, and accounting for 66.64% of the net operating income. Affected by the increased proportion of low-cost retail deposits on demand which was attributable to the active capital market, and the falling cost ratio of inter-bank transaction of funds which was due to the relatively adequate market liquidity, the Company's net interest spread and net interest margin grew gradually. Net interest spread and net interest margin of the Company were 2.78% and 2.96%, respectively, representing a year-on-year increase of 0.15 percentage point and 0.12 percentage point, respectively, and both of which increased by 0.18 percentage point as compared with the fourth quarter of 2014. The value contribution of the retail finance business grew steadily, with its profit before tax reached RMB10.164 billion, representing a year-on-year increase of 30.16%, and its proportion to the Company's pre-tax profit reached 48.11%, representing a year-on-year increase of 5.88 percentage points. The net operating income from retail finance amounted to RMB21.554 billion, representing a year-on-year increase of 35.38%, and accounting for 44.59% of the Company's net operating income.

**Net non-interest income grew rapidly.** During the period from January to March 2015, the domestic capital market became increasingly active, the Company continued its effort to expand its wealth management, mutual funds and other businesses, leading to a rapid growth in non-interest income. During the period from January to March 2015, the Company realised a net non-interest income of RMB16.127 billion, representing a year-on-year increase of 28.13%. The proportion of the net non-interest income to our net operating income was 33.36%, representing a year-on-year increase of 1.02 percentage points. Fee and commission income amounted to RMB15.684 billion, representing a year-on-year increase of 50.04%, among which, fees and commission income from wealth management services amounted to RMB6.411 billion, representing an increase of 82.60% on the same statistical calibre as compared with the period from January to March of 2014. Specifically, income from entrusted wealth management services amounted to RMB2.517 billion, representing a year-on-year increase of 55.75%; income from sales of mutual fund amounted to RMB1.898 billion, representing a year-on-year increase of 250.83%; income from sales of third-party trust programmes amounted to RMB1.049 billion, representing a year-on-year increase of 51.81%; income from sales of third party insurance policies amounted to RMB895 million, representing a year-on-year increase of 44.59%; income from precious metals custody amounted to RMB52 million.

**The operational efficiency was kept at a satisfactory level.** During the period from January to March 2015, the operating expenses of the Company amounted to RMB14.529 billion, representing a year-on-year increase of 10.42%. Cost-to-income ratio (excluding business tax and surcharges) was 23.84%, representing a year-on-year decrease of 3.54 percentage points. The Company made significant achievements in cost control, thanks to its persistent effort in promoting the itemised management of expenses, the standardization of financial expenses and other management initiatives. As a result, our operating cost grew slower than our operating income.

**The capital utilisation efficiency remained stable.** As at the end of the reporting period, the capital adequacy ratio and Tier 1 capital adequacy ratio of the Company measured under the advanced approach were 12.12% and 10.28%, respectively; up by 0.19 percentage point and 0.28 percentage point respectively as compared with those as at the end of the previous year. The risk adjusted return on capital (RAROC) before tax was 29.38%, maintaining at a level which was significantly higher than the capital cost.

**The risk of our asset quality was generally controllable.** The Company actively responded to the risk of macroeconomic downturn. With regard to loan extension, the Company focused on the expansion of its core customer base, strategically launched product portfolio for emerging industries and controlled the growth of risk-bearing assets at a reasonable pace. By strengthening the risk accountability of its defence line, stepping up its single-customer risk screening and synergised pre-warning efforts, and establishing its three-layered pre-warning mechanism involving the Head Office, branches and sub-branches, the Company improved perspectiveness and effectiveness of risk control, constantly pushed forward the exit from major risks associated with overcapacity industries and the private groups and small and micro-enterprises with high risks, increased efforts in cash collection, expedited the debts restructure of customers with high risks and developed innovative methods for handling of non-performing loans, so as to ensure the quality of assets is stable and controllable. As at the end of March 2015, the balance of the Company's non-performing loans amounted to RMB32.171 billion, representing an increase of RMB4.706 billion as compared with the beginning of the year, and the non-performing loan ratio was 1.35%, representing an increase of 0.15 percentage point as compared with the beginning of the year.

**The provisions for risk-bearing loans were made in a prudent manner.** The Company continued to adopt a stable and prudent policy in respect of making provisions. In the first quarter of 2015, the Company further increased provisions for its risk-bearing loans granted to overcapacity industries. As at the end of March 2015, the balance of allowance for impairment losses on loans of the Company amounted to RMB70.860 billion, representing an increase of RMB7.693 billion as compared with the beginning of the year. The non-performing loan allowance coverage ratio was 220.26%, representing a decrease of 9.73 percentage points as compared with the beginning of the year; the allowance-to-loan ratio was 2.97%, representing an increase of 0.21 percentage point as compared with the beginning of the year.

**The business of proprietary funds invested in non-standard debt assets and the reverse repurchase businesses of the Company delivered a good performance.**

As at 31 March 2015, the balance of the Company's proprietary funds invested in non-standard debt assets amounted to RMB485.452 billion, representing an increase of 32.85% as compared with the beginning of the year. Among which, the balance of our proprietary funds invested in non-standard debt assets under the credit category amounted to RMB281.543 billion, accounting for 58.00%, and representing an increase of 17.86% as compared with the beginning of the year, and the non-performing ratio was 0.001%. At the same time, the Company has been and will continue to be in strict compliance with the requirements of the "Notice on Regulating the Interbank Business of Financial Institutions" (Yin Fa [2014] No. 127), enhanced risk review and compliance review in the use of funds, accurately measured risks and made adequate capital provision based on the nature of its investment assets. As at 31 March 2015, the balance of provision for our proprietary funds invested in non-standard debt assets under the credit category amounted to RMB4.146 billion, representing an allowance ratio of 1.47%, and an increase of 0.04 percentage point as compared with the beginning of the year. As at 31 March 2015, the balance of the Company's reverse repurchase businesses such as trust beneficiary rights, asset management plans and creditor beneficiary rights amounted to RMB79.517 billion, representing a decrease of 27.81% as compared with the beginning of the year, and there was no non-performing asset. The Company therefore provided a capital reserve based on the risk exposure of corresponding financial institutions.

**Our wealth management business maintained stable development.** During the first quarter of 2015, the Company launched a total of 2,788 wealth management products, representing a year-on-year increase of 121.62%, and recorded total sales value of RMB2.05 trillion in respect of wealth management products. As at the end of the reporting period, the balance of wealth management products under operation by the Company amounted to RMB906.859 billion, representing a decrease of 0.13% as compared with the beginning of the year. Among which, the balance of off-balance-sheet wealth management products under operation by the Company amounted to RMB854.522 billion, representing an increase of 2.77% as compared with the beginning of the year. As at the end of the reporting period, the balance of the Company's wealth management funds invested in non-standard debt assets amounted to RMB156.304 billion, accounting for 17.69% of the balance of our wealth management products and 3.48% of the Company's total assets at the end of the previous year, which are both lower than the upper limit calculated in accordance with the relevant requirements of CBRC. Therefore, the Company continued to comply with CBRC's regulatory requirements. During the reporting period, our wealth management business realized RMB284.811 billion in the distribution of open-ended funds, representing a year-on-year increase of 49.31%, RMB90.069 billion in the distribution of third-party trust plans, representing a year-on-year increase of 12.31%, and RMB23.424 billion in the distribution of third-party insurance policies, representing a year-on-year increase of 75.74%.

### §3 SIGNIFICANT EVENTS

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

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

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

Major items	As at 31 March 2015	Increase/ decrease as compared to the end of last year	Major reasons
Precious metals	19,988	31.31%	Increase in leasing out of physical gold
Placements with banks	174,666	40.76%	Increase in placement with domestic banks and financial institutions
Interest in joint ventures	2,522	72.15%	Investment in joint ventures by Wing Lung Bank
Borrowings from central bank	32,500	62.50%	Increase in borrowings from central bank through the Standing Lending Facility (SLF)
Proceeds from disposal of financial assets repurchased	114,509	70.94%	Increase in proceeds from disposal of bonds and notes repurchased
Bonds payable	161,569	52.20%	Increase in issue of interbank deposit certificates
Taxes payable	15,327	31.49%	Increase in enterprise income tax payable
Other liabilities	57,491	44.89%	Increase in amounts pending for settlement

Major items	January- March 2015	Increase/ decrease as compared to the corresponding period of last year	Major reasons
Fee and commission income	16,654	47.79%	Increase in commissions from custody and other trustee businesses as well as fees from agency services
Other net income	1,755	(44.05%)	Decrease in income from foreign currency settlements and tradings as a result of two-direction fluctuations of Renminbi exchange rate during the reporting period
Impairment losses on assets	(12,744)	71.57%	Increase in provision for impairment losses on loans

### **3.2 Performance of undertakings given by shareholders holding more than 5% of our shares**

In the course of the rights issue of A shares and H shares in 2013, China Merchants Group Limited (hereinafter referred to as “China Merchants Group”), China Merchants Steam Navigation Company Ltd. and China Ocean Shipping (Group) Company had individually undertaken that, they will not seek for related-party transactions on terms more favourable than those given to other shareholders; they will repay the principal and interest thereon to the Company when falling due; they will not intervene the ordinary operations of the Company; if they participate in the subscription of the rights shares, they will neither transfer or entrust others to manage the rights shares within five years from the transfer of such shares, nor will they seek for a repurchase by the Company of the rights shares held by them; upon expiration of the lock-up period of the rights shares, they will not transfer their rights shares until they obtain approval from the regulatory authorities on the share transfer and the shareholder qualification of transferees; they will continue to supplement the reasonable capital demand of the Company if an approval is granted by the Board of Directors and the shareholders’ general meeting; they will not impose improper performance indicators on the Company. For details, please refer to the A Share Rights Issue prospectus dated 22 August 2013 on the website of the Company (www.cmbchina.com). As far as the Company is aware, as at the date of the report, the above shareholders did not violate the aforesaid undertakings.

### **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 dividends policy during the reporting period**

During the reporting period, upon approval at the 30th meeting of the Ninth Session of the Board of Directors of the Company, as stated in the audited PRC financial statements of the Company for 2014, 10% of the profit after tax of RMB51.877 billion, equivalent to RMB5.188 billion, was transferred to the statutory surplus reserve, while 1.5% of the total balance of risk-bearing assets in this reporting period, equivalent to RMB7.446 billion, was appropriated to the general reserve. Based on the total share capital of A Shares and H Shares on the record date for implementation of the profit appropriation, the Company proposed to declare a cash dividend of RMB6.70 (tax inclusive) for every 10 shares to all shareholders of the Company. The cash dividend will be denominated and declared in RMB, payable in RMB for holders of A Shares and in HKD for holders of H Shares. The actual distribution amount in HKD will be calculated based on the average RMB/HKD benchmark rates to be released by the People’s Bank of China for the week before the date of the general meeting (inclusive of the day of the general meeting). The retained profit will be carried forward to the next year. In 2014, the Company did not transfer any capital reserve into share capital. The above proposal of profit appropriation is subject to consideration and approval at the 2014 Annual General Meeting of the Company.

### **3.5 Implementation of the employee stock ownership scheme by way of private placement**

At the 31st meeting of the Ninth Session of the Board of Directors and 20th meeting of the Ninth Session of the Board of Supervisors of the Company respectively held on 10 April 2015 as well as the 32nd meeting of the Ninth Session of the Board of Directors and 21st meeting of the Ninth Session of the Board of Supervisors of the Company respectively held on 22 April 2015, the resolution on the implementation of the employee stock ownership scheme by way of private placement of A Shares was considered and approved. For details, please refer to the relevant announcement published by the Company on the website of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) and the website of Hong Kong Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)). Further announcement(s) will be made by the Company in due course regarding subsequent development on this issue.

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

28 April 2015

*As at the date of this announcement, the executive directors of the Company are Tian Huiyu, Zhang Guanghua and Li Hao; the non-executive directors of the Company are Li Jianhong, Ma Zehua, Li Xiaopeng, Li Yinquan, Fu Gangfeng, Sun Yueying, Su Min, Fu Junyuan and Hong Xiaoyuan; and the independent non-executive directors of the Company are Leung Kam Chung, Antony, Wong Kwai Lam, Pan Chengwei, Pan Yingli, Guo Xuemeng and Zhao Jun.*

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

	<b>2015</b>	2014 (restated)
Interest income	<b>59,719</b>	51,626
Interest expense	<b>(26,330)</b>	(24,308)
<b>Net interest income</b>	<b>33,389</b>	27,318
Fee and commission income	<b>16,654</b>	11,269
Fee and commission expense	<b>(1,021)</b>	(793)
<b>Net fee and commission income</b>	<b>15,633</b>	10,476
<b>Other net income</b>	<b>1,755</b>	3,137
<b>Total operating income</b>	<b>50,777</b>	40,931
Operating expense	<b>(15,327)</b>	(13,707)
Provision for insurance claims	<b>(75)</b>	(83)
<b>Operating profit before impairment losses</b>	<b>35,375</b>	27,141
Impairment losses on assets	<b>(12,744)</b>	(7,428)
Gains on investment in associates	<b>1</b>	–
Gains on investment in joint ventures	<b>64</b>	48
<b>Profit before tax</b>	<b>22,696</b>	19,761
Less: income tax expense	<b>(5,393)</b>	(4,794)
<b>Net profit</b>	<b>17,303</b>	14,967
Attributable to:		
Equity shareholders of the Bank	<b>17,220</b>	14,945
Non-controlling interests	<b>83</b>	22
	<b>RMB</b>	RMB
<b>Earnings per share</b>		
Basic earnings per share	<b>0.68</b>	0.59
Diluted earnings per share	<b>0.68</b>	0.59

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

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

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

	<b>2015</b>	2014
<b>Net profit for the period</b>	<b>17,303</b>	14,967
Net profit attributable to equity shareholders of the Bank	17,220	14,945
Net profit attributable to the non-controlling interests	83	22
<b>Other consolidated income that may be subsequently reclassified to profit or loss (after tax and reclassification adjustments)</b>		
Exchange differences	28	240
Equity-accounted investees-share of other comprehensive income	9	5
Net movement in fair value reserve of available-for-sale financial assets	(346)	2,480
Effective portion of movements in fair value of cash flow hedge	–	200
<b>Total other comprehensive income for the period</b>	<b>(309)</b>	2,925
<b>Total comprehensive income for the period</b>	<b>16,994</b>	17,892
Total comprehensive income attributable to equity shareholders of the Bank	16,911	17,870
Total comprehensive income attributable to the non-controlling interests	83	22

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

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

	<b>2015</b>	2014 (restated)
Interest income	<b>57,416</b>	49,253
Interest expense	<b>(25,200)</b>	(22,916)
<b>Net interest income</b>	<b>32,216</b>	26,337
Fee and commission income	<b>15,684</b>	10,453
Fee and commission expense	<b>(992)</b>	(723)
<b>Net fee and commission income</b>	<b>14,692</b>	9,730
<b>Other net income</b>	<b>1,435</b>	2,856
<b>Total operating income</b>	<b>48,343</b>	38,923
Operating expense	<b>(14,529)</b>	(13,158)
<b>Operating profit before impairment losses</b>	<b>33,814</b>	25,765
Impairment losses on assets	<b>(12,686)</b>	(7,275)
<b>Profit before tax</b>	<b>21,128</b>	18,490
Less: income tax expense	<b>(5,082)</b>	(4,521)
<b>Net profit</b>	<b>16,046</b>	13,969

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

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to March ended 31 March	
	2015	2014
<b>Net profit for the period</b>	<b>16,046</b>	<b>13,969</b>
<b>Other consolidated income that may be subsequently reclassified to profit or loss (after tax and reclassification adjustments)</b>		
Exchange differences	9	3
Net movement in fair value reserve of available-for-sale financial assets	(406)	2,438
Effective portion of movements in fair value of cash flow hedge	—	200
<b>Total other comprehensive income for the period</b>	<b>(397)</b>	<b>2,641</b>
<b>Total comprehensive income for the period</b>	<b>15,649</b>	<b>16,610</b>

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

	<b>31 March 2015</b>	31 December 2014
<b>Assets</b>		
Cash	16,319	14,793
Precious metals	19,988	15,222
Balances with central bank	587,072	639,992
Balances with banks and other financial institutions	53,633	55,986
Placements with banks	174,666	124,085
Financial assets purchased under agreements to resell	267,908	344,980
Loans and advances	2,549,815	2,448,754
Interest receivables	26,268	23,560
Financial assets at fair value through profit or loss	40,005	40,190
Derivative financial assets	9,403	9,315
Available-for-sale financial assets	298,190	278,526
Held-to-maturity investments	266,610	259,434
Investment receivables	525,370	408,752
Interest in joint ventures	2,522	1,465
Interest in associates	20	19
Fixed assets	29,357	27,445
Investment properties	1,646	1,684
Intangible assets	3,289	3,292
Goodwill	9,953	9,953
Deferred income tax assets	10,423	10,291
Other assets	16,487	14,091
	<hr/>	<hr/>
<b>Total assets</b>	<b>4,908,944</b>	<b>4,731,829</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities</b>		
Borrowings from the central bank	32,500	20,000
Deposits from banks and other financial institutions	694,449	697,448
Placements from banks	96,370	94,603
Financial assets sold under agreements to repurchase	114,509	66,988
Deposits from customers	3,332,170	3,304,438
Interests payable	41,890	45,349
Financial liabilities as at fair value through profit or loss	12,769	13,369
Derivative financial liabilities	10,511	10,246
Bonds payable	161,569	106,155
Salaries and welfare payable	6,514	6,068
Taxes payable	15,327	11,656
Deferred income tax liabilities	760	771
Other liabilities	57,491	39,678
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>4,576,829</b>	<b>4,416,769</b>
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>31 March 2015</b>	31 December 2014
<b>Shareholders' equity</b>		
Share capital	<b>25,220</b>	25,220
Capital reserve	<b>67,523</b>	67,523
Investment revaluation reserve	<b>1,565</b>	1,902
Hedging reserve	<b>(163)</b>	(163)
Surplus reserve	<b>28,690</b>	28,690
Regulatory general reserve	<b>54,043</b>	53,979
Retained profits	<b>138,821</b>	121,665
Proposed profit appropriations	<b>16,897</b>	16,897
Exchange differences	<b>(1,281)</b>	(1,309)
	<hr/>	<hr/>
Total equity attributable to equity shareholders of the Bank	<b>331,315</b>	314,404
Non-controlling interests	<b>800</b>	656
	<hr/>	<hr/>
<b>Total shareholders' equity</b>	<b>332,115</b>	315,060
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total liabilities and shareholders' equity</b>	<b>4,908,944</b>	4,731,829
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**UNAUDITED STATEMENT OF FINANCIAL POSITION***(Expressed in millions of Renminbi unless otherwise stated)*

	<b>31 March 2015</b>	31 December 2014
<b>Assets</b>		
Cash	15,764	14,290
Precious metals	19,945	15,176
Balances with central bank	582,252	630,661
Balances with banks and other financial institutions	36,794	47,015
Placements with banks	173,279	137,848
Financial assets purchased under agreements to resell	267,383	343,955
Loans and advances	2,311,631	2,222,388
Interest receivables	25,195	22,411
Financial assets at fair value through profit or loss	36,853	37,218
Derivative financial assets	8,522	8,346
Available-for-sale financial assets	281,096	262,942
Held-to-maturity investments	263,813	254,708
Investment receivables	525,042	408,504
Interest in subsidiaries	40,482	39,490
Interest in joint ventures	646	646
Fixed assets	23,414	23,510
Investment properties	564	581
Intangible assets	2,288	2,279
Deferred income tax assets	10,097	9,962
Other assets	11,439	8,434
<b>Total assets</b>	<b>4,636,499</b>	<b>4,490,364</b>
<b>Liabilities</b>		
Borrowings from the central bank	32,500	20,000
Deposits from banks and other financial institutions	694,517	700,042
Placements from banks	38,415	40,059
Financial assets sold under agreements to repurchase	112,439	66,075
Deposits from customers	3,169,980	3,158,746
Interests payable	40,537	43,873
Financial liabilities as at fair value through profit or loss	12,553	12,929
Derivative financial liabilities	9,456	9,266
Bonds payable	135,352	84,559
Salaries and welfare payable	5,797	5,367
Taxes payable	14,552	11,105
Other liabilities	44,252	27,843
<b>Total liabilities</b>	<b>4,310,350</b>	<b>4,179,864</b>

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

	<b>31 March 2015</b>	31 December 2014
<b>Shareholders' equity</b>		
Share capital	<b>25,220</b>	25,220
Capital reserve	<b>76,681</b>	76,681
Investment revaluation reserve	<b>1,240</b>	1,646
Hedging reserve	<b>(163)</b>	(163)
Surplus reserve	<b>28,690</b>	28,690
Regulatory general reserve	<b>53,208</b>	53,208
Retained profits	<b>124,365</b>	108,319
Proposed profit appropriations	<b>16,897</b>	16,897
Exchange differences	<b>11</b>	2
	<hr/>	<hr/>
<b>Total shareholders' equity</b>	<b>326,149</b>	310,500
	<hr/>	<hr/>
<b>Total liabilities and shareholders' equity</b>	<b>4,636,499</b>	4,490,364
	<hr/> <hr/>	<hr/> <hr/>

**UNAUDITED CONSOLIDATED CASH FLOW STATEMENT***(Expressed in millions of Renminbi unless otherwise stated)***For the period from January  
to March ended 31 March**

	2015	2014
<b>Cash flows from operating activities</b>		
<b>Profit before tax</b>	<b>22,696</b>	19,761
Adjustments for:		
– Impairment losses on loans and advances	<b>12,691</b>	7,352
– Impairment losses on investments	<b>9</b>	6
– Impairment losses on other assets	<b>44</b>	70
– Unwinding of discount on impaired loans	<b>(206)</b>	(150)
– Fixed assets and investment properties depreciation	<b>802</b>	834
– Amortization of other assets	<b>232</b>	116
– Share of profits of joint ventures	<b>(64)</b>	(48)
– Share of profits of associates	<b>(1)</b>	–
– Net gains on debt and equity investments	<b>(1,651)</b>	(1,853)
– Interest income on investments	<b>(11,258)</b>	(7,962)
– Interest expenses on issued debts	<b>1,441</b>	632
<b>Changes in:</b>		
Balances with central bank	<b>4,565</b>	(33,970)
Balances and placements with banks and other financial institutions with original maturity over 3 months	<b>28,611</b>	(119,117)
Loans and advances to customers	<b>(108,817)</b>	(162,088)
Other assets	<b>(1,937)</b>	(1,609)
Deposits from customers	<b>27,732</b>	282,084
Deposits and placements from banks and other financial institutions	<b>46,289</b>	69,001
Other liabilities	<b>9,983</b>	7,183
	-----	-----
<b>Net cash inflow from operating activities</b>	<b>31,161</b>	60,242
<b>Income tax paid</b>	<b>(2,387)</b>	(3,593)

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

	<b>For the period from January to March ended 31 March</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash flows from investing activities</b>		
Cash received from recovery of investments	<b>458,665</b>	345,279
Cash received from return on investments	<b>10,485</b>	7,959
Cash received from disposal of fixed assets and other assets	<b>8</b>	2
Cash paid for investments	<b>(639,058)</b>	(458,636)
Acquisition of interest in joint ventures	<b>(1,000)</b>	–
Cash paid for purchase and construction of fixed assets and other assets	<b>(871)</b>	(375)
	-----	-----
<b>Net cash flow from investing activities</b>	<b>(171,771)</b>	(105,771)
	-----	-----
<b>Cash flow from financing activities</b>		
Cash received from minority shareholders	<b>13</b>	–
Proceeds from issuance of interbank deposits	<b>53,700</b>	2,797
Proceeds from issuance of certificates of deposit	<b>15,587</b>	18,510
Repayment of certificates of deposit issued	<b>(10,969)</b>	(7,854)
Interest paid on issued debts	<b>(1,101)</b>	(966)
Paid in cash to minority interests	<b>(24)</b>	(21)
	-----	-----
<b>Net cash flow from financing activities</b>	<b>57,206</b>	12,466
	-----	-----
Effect of exchange differences on cash	<b>344</b>	394
<b>Net decrease in cash and cash equivalents</b>	<b>(85,447)</b>	(36,262)
	-----	-----
Add: balance of cash and cash equivalents at the beginning of the period	<b>471,471</b>	349,949
<b>Balance of cash and cash equivalents at the end of the period</b>	<b>386,024</b>	313,687
	=====	=====
<b>Cash flows from operating activities include:</b>		
Interest received	<b>56,749</b>	46,761
Interest paid	<b>29,309</b>	20,584
	=====	=====