China Merchants Bank Reports 2011 Interim Results

"Second strategic transformation" goes forward

Net profit rises by 40.88% year on year to RMB 18.6 billion

Highlights

- Net operating income increased by 40.02 % year on year to RMB 46.221 billion
- Net profit attributable to the Bank's shareholders rose 40.88% year on year to RMB18.6 billion
- Basic earnings per share attributable to the Bank's shareholders increased by 32.31 % year on year to RMB0.86
- Net interest margin increased by 0.43 percentage points year on year to 2.99%
- Total assets grew by 10.02% to RMB 2,643.205 billion from the beginning of 2011
- Capital adequacy ratio decreased by 0.42 percentage points to 11.05% from the beginning of 2011
- Core capital adequacy ratio rose by 0.23 percentage points to 7.81% from the beginning of 2011
- Net non-interest income increased by 57.57% year on year to RMB10.505 billion.
- Non-performing loans of RMB9.506 billion, down RMB180 million from the beginning of 2011, with non-performing loan ratio down 0.07 percentage points to 0.61% from the beginning of 2011.
- Allowances for impairment losses to non-performing loans ratio rose 46 percentage points to 348.41% from the beginning of 2011

(Notice：The 2011 interim results of China Merchants Bank Co., Ltd. as an H share were prepared in accordance with International Financial Reporting Standards (IFRS). Unless stated otherwise, all of the above data belong to the Group)

August 30, 2011 – China Merchants Bank Co., Ltd. (SSE: 600036; HKEx: 3968; "China Merchants Bank" or "the Company" or "the Bank" and its subsidiaries together "the Group") today announced unaudited interim results for the six months ended June 30, 2011.

In the first half of 2011, amidst the increase in uncertainties about the recovery of global economy as well as the steady growth of overall domestic economy, the Group continued to strengthen its assets and liabilities as well as its financial management, and pressed ahead with its second strategic transformation, maintaining a momentum of healthy development. As a result, the Group improved its profitability. In particular, non-interest income increased significantly, and quality of its assets remained good. The Group also effectively integrated Wing Lung Bank and achieved steady progress internationally.

1) Balanced Development in terms of Profitability, Quality and Scale

1. Profitability was raised consistently. In the first half of 2011, net profit attributable to shareholders of the Bank increased by RMB5.397 billion or 40.88% year on year to RMB18.6 billion. Net interest income was RMB35.716 billion, up by RMB9.373 billion or 35.58% year on year. Net non-interest income was RMB10.505 billion, up by RMB3.838 billion or 57.57% year on year. Annualized return on average asset (ROAA) and return on average equity (ROAE) attributable to the shareholders of the Bank were 1.47% and 26.62% respectively, up by 1.15% and 22.73% respectively year on year. Operating efficiency was steadily improved, which was due to the following factors i) a higher net interest income brought about by the significant increase in risk asset pricing due to the tightening monetary policy and continuous rise in interest rate; ii) a lower cost-to-income ratio achieved by the enhancement in standardized and refined management; and iii) a rapid growth in net fee and commission income due to enhanced efforts in developing fee-based businesses.

Net interest margin increased. In the first half of 2011, the net interest spread of the Group was 2.89%, up by 42 basis points year on year. The annualized average yield of the interest-earning assets increased by 80 basis points year on year to 4.61%, while the annualized average cost of interest-bearing liabilities was 1.72%, up by 38 basis points year on year. Net interest margin of the Group increased by 43 basis points year on year to 2.99%, mainly due to tightening monetary policy and continuous surge in interest rate, leading to a relatively fast growth in both the average yield of interest-earning assets and the net interest income.

Steady growth in non-interest income. In the first half of 2011, the Group has actively developed its non-interest income business, and net non-interest income increased by 57.57% year on year to RMB10.505 billion.Net fee and commission income was RMB 8.163 billion, up by 52.69% year on year. The Bank has further strengthened its wealth management business, which saw its income increase by 64.40% year on year, and account for 26.79% of total net non-interest income. As for other non-interest income, investment banking, bank card, custodian assets and international settlement businesses have all experienced rapid and stable growth.

Significant achievements in cost control. In the first half of 2011, the Group further enhanced its cost control in the aspects of expense management, recourses integration and process reengineering, and achieved significant results. Cost-to-income ratio was down by 2.46 percentage points year on year to 32.51%.

2. The scale of assets and liabilities expanded steadily. In the first half of 2011, the Group's credit assets steadily increased in scale with stable quality. As at the end of June 2011, the Group's total assets were RMB2,643.205 billion, up by RMB240.698 billion, or 10.02% compared with the beginning of the year. Total loans and advances were RMB1,554.792 billion, up by RMB123.341 billion, or 8.62% compared with the beginning of the year. Deposits from customers increased by RMB195.580 billion, or 10.31%, to RMB2,092.758 billion compared with the beginning of the year.

3. The quality of our assets remained good. As at the end of June 2011, the Group's total non-performing loans decreased by RMB180 million to RMB9.506 billion as compared with the beginning of the year. The non-performing loan ratio decreased by 0.07 percentage points to 0.61% as compared with the beginning of the year. The non-performing loan allowance coverage ratio increased by 46 percentage points to 348.41% as compared with the beginning of the year.

2) "Second Transformation" yielded preliminary success

In the first half of 2011, the Company steadily executed its second strategic transformation. Since its implementation in 2010, the strategy has yielded preliminary success, which is reflected in the following aspects:

1. **Continuous improvement of capital efficiency.** As at 30 June 2011, the return on average equity ("ROAE") of the Company increased by 3.79 percentage points to 24.20% as compared to 2010; the RAROC increased by 2.45 percentage points to 22.68% compared to the 2010.

2. **Significant improvement in risk-based loan pricing.** The weighted average floating band of interest rates of new granted general corporate loans (weighted at actual amounts, same as below) increased by 8.55 percentage points as compared to 2010. The weighted average floating band of interest rates of newly granted retail loans increased by 14.02 percentage points as compared to 2010.

3. **Continuous improvement in operational efficiency.** The Company's cost management yielded results as its cost-to-income ratio decreased by 7.23 percentage points to 32.40% as compared to 2010. Profit before tax per person increased by 40.2% to RMB1.074 million compared to the previous whole year. Profit before tax per branch increased by RMB14.20 million, or 35.0% as compared to the previous whole year.

4. **Continuous increase in proportion of high net-worth customers.** For retail business, as at 30 June 2011, the number of our Sunflower and higher grade customers (retail customers having average daily total asset per month of RMB500,000 or above) grew by 9.64% to 734,700 compared to the beginning of the year; the number of our Diamond customers and private banking customers increased by 12.4% and 15.32% respectively, whose combined contribution to the profit of the retail sector increased by 5.9 percentage points as compared to the whole year of 2010. As to corporate loans, the Company's domestic SME (small and medium-sized enterprises) loans accounted for 51.19% of its total domestic corporate loans,

reflecting an increase compared to beginning of the year

3) Wing Lung Bank reported consistently good results and steady progress internationally

In the first half of 2011, the Company continued to integrate Wing Lung Bank. The Company further strengthened the implementation of various integration measures, which led to rapid growth in coordinated business and synergies. It effectively facilitated the sustainable and healthy development of all businesses of Wing Lung Bank and improvement in its operating results.

For the period ended 30 June 2011, Wing Lung Group's unaudited consolidated profit after tax increased by 52.78% year on year to HK$973 million, mainly due to the increase in the net interest income. Non-interest income also increased substantially. As at 30 June 2011, the total assets of Wing Lung Group increased by 11.48% to HK$152.808 billion when compared to the beginning of 2011, while its net asset increased by 7.52% to HK$13.708 billion when compared to the beginning of 2011.

For international business, the New York Branch has been in operation for the third year. Its services were improved, and business operation has also become more mature with reinforced risk management. With the increasing diversification of business categories and services, income of this year has significantly increased. The Hong Kong Branch firmly and fully implemented the second strategic transformation of the Head Office and achieved satisfactory results in the first half of the year. Moreover, The Company's Taipei Representative Office was opened on 15 March 2011.

4) A shares and H shares rights issue plan

As at 30 June 2011, the capital adequacy ratio of the Group decreased by 0.42 percentage points to 11.05% compared to the beginning of the year, while core capital adequacy ratio decreased by 0.23 percentage points to 7.81% compared to the beginning of the year. Such decreases were mainly due to the changes in regulatory policies such as the new requirements of China Banking Regulatory Commission on loans extended through the government's financing platforms and the regulations on the unused credit card commitment. To meet the tightened regulatory requirements on the capital of the bank industry, the seventeenth meeting of the eighth session of the board of directors has approved the A shares and H shares rights issue plan on 18 July 2011. A general meeting of shareholders will be held on 9 September to vote over the rights issue plan. According to the rights issue plan, the subscription price for the A rights shares will be the same as that for the H rights shares in RMB based on the relevant exchange rate. The rights issue will be conducted on the basis of no more than 2.2 Rights Shares for every 10 existing A shares and H shares. The gross proceeds of the rights issue will be not more than RMB 35 billion.

Dr. Ma Weihua, President and CEO of China Merchants Bank said, “In the second half of this year, while facing new developing opportunities, the Company will also encounter severe challenges such as continually tightening macro-economic control measures and more stringent regulatory controls on the banking sector. The Bank will press ahead with the second strategic transformation for growth by accelerating the development of SME business, growing its lending business and optimizing its loan structure. It will also strengthen capital management and wealth management business, and continue to develop its fee-based businesses and foster customer relations. Meanwhile, the Group will also enhance its risk management, consolidate and integrate its resources as well as enhance human resources management with an aim to ensure the Bank’s healthy development in the second decade of the new century.

END

Investor and Media Enquiries

Mr. Winston Yau
Christensen
Tel: 852-2232-3986
Fax: 852-2117-0869
E-mail: wyau@ChristensenIR.com

Mr. Renee Chen
Christensen
Tel: 852-2232-3982
Fax: 852-2117-0869
E-mail: rchen@ChristensenIR.com