

China Merchants Bank Reports 2011 Annual Results

“Second strategic transformation” yields further success with operating efficiency continuously improved

Highlights

- Net profit attributable to the Bank's shareholders rose 40.20% year on year to RMB36.129 billion
- Basic earnings per share attributable to the Bank's shareholders increased by 35.77% year on year to RMB1.67
- Net interest margin increased by 0.41 percentage points year on year to 3.06%
- Total assets grew by 16.34% to RMB 2,794.971 billion from the end of 2010
- Capital adequacy ratio increased by 0.06 percentage points to 11.53% from the end of 2010
- Core capital adequacy ratio rose by 0.18 percentage points to 8.22% from the end of 2010
- Non-performing loans of RMB 9.173 billion, down RMB513 million from the end of the 2010, with non-performing loan ratio down 0.12 percentage points to 0.56% from the end of 2010.
- Allowances for impairment losses to non-performing loans ratio rose by 97.72 percentage points to 400.13% from the end of 2010

(Notice: The 2011 annual 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)

March 28, 2012 — China Merchants Bank Co., Ltd. (SSE: 600036; HKEx: 3968; “China Merchants Bank” or “the Company” or “the Bank”) together with its subsidiaries (“the Group”) today announced annual results for the year ended December 31, 2011.

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

In 2011, as the global economy was highly uncertain and complicated while China's economy grew at a slightly slower pace, the Group continued to implement its with the Second Strategic Transformation, which lead to steady growth in profit and continued improvement in operating efficiency. The Group achieved balanced development with its profitability, size and asset quality.

1. Profitability was steadily improved. In 2011, the Group's profit attributable to shareholders of the Bank increased by RMB10.360 billion or 40.20% to RMB36.129 billion. Net interest income

increased by RMB19.231 billion or 33.69% to RMB76.307 billion. Net non-interest income increased by RMB5.679 billion or 38.69% to RMB20.359 billion. Return on average asset (ROAA) and return on average equity (ROAE) attributable to the shareholders of the Bank were 1.39% and 24.17%, up by 0.24 percentage points and 1.44 percentage points from 2010 respectively. Our operating efficiency was steadily improved, due to (i) increase in net interest income brought about by better risk pricing and higher re-pricing of assets as a result of rising interest rates; (ii) lower cost-to-income ratio achieved by better operating efficiency, tightened budget control, and more standardized and refined financial management; and (iii) a rapid growth in net fee and commission income due to efforts in fee-based businesses in view of the market trend.

2. The Asset quality remained sound. The Group optimized the overall risk management procedure with enhanced capability for managing interest rate risk, liquidity risk and operational risk. As at the end of 2011, non-performing loans of the Group decreased by RMB513 million from the beginning of the year to RMB9.173 billion. Non-performing loan ratio decreased by 0.12 percentage points to 0.56%. Non-performing loan coverage ratio increased by 97.72 percentage points from the beginning of the year to 400.13%. Loan balance to local government financing platforms of the Company decreased and the growth in loans to real estate sector slowed down. The percentage of both types of the loans to our total loans and the non-performing ratios of both types of the loans decreased.

3. The scale of assets and liabilities expanded steadily. As at the end of 2011, the Group's total assets rose by 16.34% from the beginning of the year to RMB2,794.971 billion. Loans and advances grew by 14.64% from the beginning of the year to RMB1,641.075 billion. Deposits from customers grew by 17.02% to RMB2,220.060 billion, as compared with the beginning of the year. Excluding the impact of adjustments in the regulatory policies, the growth rate of risk-weighted assets was lower than that of total assets, reflecting our further enhanced capability for organic growth in capital.

2) Operating indicators continuously improved as a result of integrated management

Capital efficiency continued to increase. As at 31 December 2011, the capital adequacy ratio of the Group rose by 0.06 percentage points to 11.53%, core capital adequacy ratio rose by 0.18 percentage points to 8.22% as compared with the beginning of the year. In 2011, although influenced by adjustments in the regulatory policies such as the new requirements of China Banking Regulatory Commission on loans extended through local government financing platforms and the regulations on the unused credit card commitment, the capital adequacy ratio and the core capital adequacy ratio of the Group and the Bank achieved slight increases as

compared with the beginning of the year because of the effective control on the rate of capital consumption as well as the gradual improvement on the capital accumulation ability. To meet the tightened regulatory requirements on the capital of the bank industry, the bank proposed and smoothly proceeded with the rights issue of A shares and H shares in the second half of 2011 to enhance its financial strength, so as to support the Bank's healthy development and steady progress in the future.

Continuous improvement in operating efficiency. The Company started an all-round workflow optimization and improved the workflows in business lines such as credit, accounting and retail banking on the basis of thorough compliance and risk management. Operating efficiency was raised.

Continuous increase in management efficiency. The Group standardized expense control and refined its management process. As at the end of 2011, cost-to-income ratio of the Group decreased by 3.69 percentage points to 36.00%.

Dr. Fu Yuning, Chairman of China Merchants Bank said, "The board is delighted to witness that, despite various unfavorable factors such as higher inflation, tighter monetary policy, liquidity squeeze and tougher regulatory requirements, CMB reacted promptly to grasp opportunities, and steadily implemented the "Second Transformation" strategies. Thanks to all these efforts, we achieved good annual results with the capital efficiency, operating efficiency and management efficiency significantly improved. We also took the first firm step forward for future development in the new decade."

3) "Second Transformation" yielded preliminary success, business structure continued to optimize

Given the tougher economic environment in 2011, the Company continued to implement its Second Transformation steadily and achieved positive results:

Remarkable increase in the proportion of profit from retail banking business, and finer segmentation of the credit card business. In 2011, the bank steadily diversified the personal loans and carried out finer segmentation of credit card businesses to enhance our business with high-value customers and increase the profit contribution from retail banking. The retail banking's profit before tax was RMB14.088 billion, representing 29.90% of the total profit before tax, up by 10.71 percentage points year on year. At the same time, cost-to-income ratio of the retail banking business (excluding business tax and surcharges) decreased to 53.81% in 2011 from 63.05% in 2010. As at the end of 2011, the accumulated number of credit cards in circulation was 18.89 million. The average transaction value per month of each card in circulation increased by 24% year on year to RMB2,305. Non-performing loan ratio of credit cards decreased by 0.5 percentage points to 1.38%.

Continued rapid growth in non-interest income, huge growth potential for wealth management business. In 2011, the net non-interest income of the Group grew by 38.69% year on year to RMB20.359 billion. Net fee and commission income of the Group rose by 37.93% to RMB15.628 billion. Wealth management business had the highest growth potential among the non-interest income businesses. In 2011, fee and commission income from wealth management business of the Company grew by 48.67% to RMB4.71 billion. In particular, income from trust plan agency services grew by 333.85% and income from entrusted wealth management grew by 61.66%. The Company maintained its competitiveness in fund agency services, insurance agency services and credit cards, and proactively expanded businesses in financial market, cash management, assets custody, investment banking and pension finance.

Steady growth in wholesale banking business, rapid development of SME business. As at 31 December 2011, the total corporate loans of the Company rose by 12.67% to RMB903.991 billion over the end of the previous year, accounting for 59.09% of the total customer loans of the Company. Total corporate customer deposits grew by 18.74% to RMB1,375.643 billion, accounting for 64.68% of the total customer deposits. The Company focused on the development of SME loan business. As at 31 December 2011, the total balance of its domestic SME corporate loans grew by RMB79.864 billion over the previous year to RMB468.282 billion. The Company's SME corporate loans accounted for 53.22% of the bank's total domestic corporate loans, up by 3.50 percentage points over that at the end of the previous year. As at the end of 2011, loans granted to small and micro enterprises rose by 25.52% over the end of the previous year to RMB325.07 billion by the new national standards. Meanwhile, the quality of our SME corporate loans was further improved. The relevant non-performing loan ratio decreased by 0.29 percentage points to 1.17% when compared to the end of 2010.

Wing Lung Bank reported consistently good results and made steady progress on the path to internationalization. The company made a further progress in integrating Wing Lung Bank, reinforcing the two banks' business coordination. As a result, Wing Lung's key competencies were continuously improved and net earnings grew rapidly. In 2011, Wing Lung Group recorded a consolidated profit after tax of HK\$1.857 billion, up by 37.71% over 2010. At the end of 2011, the total assets of Wing Lung Group increased by 19.53% to HK\$163.851 billion and net assets grew by 13.69% to HK\$14.495 billion, when compared to the end of 2010. Meanwhile, the Bank proceeded well on the path to internationalization and comprehensive operations. The New York Branch obtained the qualification to manage custody accounts under the U.S. Immigrant Investor Program and recorded profit after making provision for a potential loss for the year. The HK Branch seized the opportunities of cross-border Renminbi business and constantly improved its management and product innovation. The U.S. and London Representative Offices started their survey and liaison work. The Taipei Office was opened on 15 March.

Dr. Ma Weihua, President and CEO of China Merchants Bank said, “In 2012, economic situations and operating environment will remain complex and will be subject to great changes. Tightened monetary policies and regulatory requirements will mean more challenges to the banking sector. Faced with the challenges, the bank will continue the second strategic transformation and change its traditional operational mode. The Bank will consolidate the leading edge in retail banking, highlight the development focuses of wholesale banking, and continue to enhance the asset and liability management and capital management. It will also enhance the all-round standards of risk management, strengthen the human resources management and employee training, accelerate the building of new IT advantages and deepen the integration and transformation of Wing Lung Bank. All these measures are aimed at developing the Bank into the best commercial bank in China with internationally competitive strength.”

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