

## **China Merchants Bank Reports Results for the First Three Quarters of 2012**

**Further promotes “Second Transformation” and maintains a sound growth  
momentum**

**Net profit increases by 22.55 % year on year to RMB34.790 billion**

### **Results Highlights for the period of January to September 2012**

- Operating income was RMB85.181 billion
- Net profit attributable to the Bank’s shareholders rose 22.55% year on year to RMB34.790 billion
- Basic earnings per share attributable to the Bank’s shareholders for the third quarter increased by 17.78% year on year to RMB0.53
- Net interest margin was 3.04%
- Total assets grew by 12.51% to RMB3,144.618 billion from the beginning of the year
- Capital adequacy ratio increased by 0.03 percentage points to 11.56% from the beginning of the year
- Core capital adequacy ratio rose by 0.25 percentage points to 8.47% from the beginning of the year
- Non-performing loans increased by RMB1,744 million to RMB10.917 billion compared with the beginning of the year. Non-performing loan ratio increased by 0.03 percentage points to 0.59% compared with the beginning of the year
- Non-performing loan allowance coverage ratio decreased by 22.76 percentage points to 377.37% as compared with the end of the previous year

(Notice: China Merchants Bank Co., Ltd.’s results for the first three quarters of 2012 as an H share were prepared in accordance with the PRC Accounting Standards. Unless stated otherwise, all of the above data belong to the Group)

October 29, 2012 — 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 results for the first three quarters.

#### **1) Maintained sound growth momentum**

As at the end of September 2012, total assets of the Group amounted to RMB3,144.618 billion, representing an increase of 12.51% as compared with the beginning of the year; and its total liabilities amounted to RMB2,953.664 billion, representing an increase of 12.31% as compared with the beginning of the year. Total deposits from customers amounted to RMB2,412.732 billion, representing an increase of 8.68% as compared with the beginning of the year. Total loans and advances amounted to RMB1,836.045 billion, representing an increase of RMB194.970 billion or 11.88% as compared with the beginning of the year.

For the period from January to September 2012, the Group realized a net profit attributable to shareholders of the Bank of RMB34.790 billion, representing an increase of 22.55% as compared with the corresponding period of the previous year, but a decrease of 3.13 percentage points as compared with the first half of 2012 due to narrower net interest spreads caused by benchmark interest rate cuts. The Group recorded an operating income of RMB85.181 billion, among which, net interest income increased by 18.28% to RMB65.790 billion from that of the corresponding period of the previous year, mainly due to stable expansion of the volume of interest-earning assets. For the period from January to September 2012, net interest spread and net interest margin was 2.89% and 3.04% respectively, representing a decrease of 0.05 percentage point and 0.02 percentage point respectively as compared with the previous year. During the third quarter of 2012, net interest spread and net interest margin of the Group were 2.76% and 2.92% respectively, both representing a decrease of 0.11 percentage point as compared with the second quarter of 2012. The net interest income accounted for 77.24% of the operating income. The Group's net fee and commission income increased by 23.49% to RMB14.652 billion from that of the corresponding period of the previous year and accounted for 17.20% of the operating income. Other net income amounted to RMB4.739 billion, representing an increase of 69.19 % as compared with the corresponding period of the previous year. The Group's cost-to-income ratio (excluding business tax and surcharges) was 33.01%, representing a decrease of 0.24 percentage point as compared with the corresponding period of the previous year.

## 2) **Steady progress in second strategic transformation and optimized business structure**

During the period from January to September 2012, the Company, confronted with complexity and volatility in the global economy, overcame various adverse factors to further promote its "Second Transformation" and maintained its sound development momentum:

**Steady and healthy development of small-and-micro credit business.** The Company established a risk management system specifically tailored to small-and-micro business to ensure the healthy development of its small-and-micro credit business. According to the statistical standards issued by the China Banking Regulatory Commission, as at the end of

September 2012, small-and-micro loans granted by the Company's domestic outlets stood at RMB417.212 billion, representing an increase of RMB92.142 billion as compared with the end of the previous year, and accounting for 24.57% of the total loans granted by the Company, up by 3.32 percentage points as compared with the end of the previous year. The non-performing loan ratio was 0.90%, up by 0.19 percentage point as compared with the end of the previous year.

**Improved capital adequacy ratio.** As at the end of September 2012, the Company had a capital adequacy ratio of 11.26% and a core capital adequacy ratio of 8.86%, representing a decrease of 0.02 percentage point and an increase of 0.12 percentage point respectively as compared with the beginning of the year, but representing an increase of 0.07 percentage point and 0.15 percentage point respectively as compared with the end of June 2012.

**Sustained growth in profits.** During the period from January to September 2012, the Company realized a net profit of RMB33.020 billion, representing an increase of 21.67% as compared with the corresponding period of the previous year. The Company realized an operating income of RMB81.321 billion, among which, net interest income increased by 17.88% from that of the corresponding period of the previous year to RMB63.589 billion. Net fee and commission income of the Company increased by 20.62% from that of the corresponding period of the previous year to RMB13.707 billion, and accounted for 16.86% of the operating income. Affected by the re-pricing of the assets due to benchmark interest rate cuts, the Company's net interest spread and net interest margin gradually declined. During the period from January to September 2012, net interest margin of the Company was 3.12% respectively, representing a decrease of 0.03 percentage point as compared with the previous year.

**Effective cost management** During the period from January to September 2012, operating and administrative expenses of the Company amounted to RMB26.932 billion. Cost-to-income ratio (excluding business tax and surcharges) was 33.12%, representing a slight increase of 0.03 percentage point as compared with the corresponding period of the previous year.

**Prudent risk management.** As at the end of September 2012, the Company's non-performing loans amounted to RMB10.725 billion, representing an increase of RMB1.835 billion as compared with the end of the previous year; and the non-performing loan ratio was 0.63%, representing an increase of 0.05 percentage point as compared with the end of the previous year. The Company continued its stable and prudent policy for bad loan provisions. As at the end of September 2012, the Company's allowances for impairment losses on loans amounted to

RMB40.278 billion, representing an increase of RMB4.299 billion as compared with the end of the previous year. Its non-performing loan allowance coverage ratio was 375.55%. Allowance-to-loan ratio was 2.37%, representing an increase of 0.02 percentage point as compared with the end of the previous year. Annualized credit cost was 0.43%, which was 0.12 percentage point lower as compared with the previous year. The Company will continue to stringently control loan extension to local government financing platforms, real estate, “high pollution, high energy consumption and overcapacity” and other high risk sectors, press forward with proactive risk warning management and renew its efforts to strengthen risk control in sectors such as steel, trade, photovoltaic and shipping.

**Steady increase in the proportion of high-net-worth customers.** The Company has been constantly increasing the proportion of its high-net-worth customers and their aggregate contribution through better resource integration and streamlined customer management, vigorous business coordination and cross-selling and expanded customer relations. As at the end of September 2012, the number of retail customers with daily average total assets per month of at least RMB500,000 was 891,400. The proportion of high-net-worth retail customers increased from 1.56% to 1.70% as compared with the beginning of the year. The number of wholesale customers contributing annualized total revenue of at least RMB100,000 was 62,395. High-net-worth wholesale customers increased by 7,561 or 13.79% as compared with the beginning of the year, and their proportion of contribution increased to 97.13%.

**Steady branch expansion.** During the reporting period, the Company has made steady progress in establishing branches. During the third quarter of 2012, three domestic branches commenced operations with the approval of the regulatory authorities, namely, Baoji Branch, Haikou Branch and Zhanjiang Branch. In addition, the Yancheng Branch was approved to begin preparatory work.

### **3) Further integration with Wing Lung Bank continued to yield synergy (based on Hong Kong Accounting Standards)**

During the period under review, the Company continued to make steady progress in coordinating its businesses with those of Wing Lung Bank, yielding synergies. For the period from January to September 2012, Wing Lung Bank Limited and its subsidiaries (hereinafter referred to as “WL Group”) recorded an unaudited consolidated profit after tax of HK\$1.521 billion, representing an increase of 12.22% as compared with the restated consolidated profit after tax for the corresponding period of the previous year. As at 30 September 2012, WL Group had total assets of HK\$173.911 billion, representing an increase of 6.14% as compared with the end of 2011; net assets amounted to HK\$16.502 billion, representing an increase of 10.42% as compared with the

restated net assets at the end of 2011.

#### **4) Significant events during the period under review**

Pursuant to the “Resolution on Acquisition of Additional Equity Interest in China Merchants Fund Management Company Limited” considered and passed at the 37th Meeting of the Eighth Session of the Board of Directors of the Company on 28 September 2012, the Company and ING Asset Management B.V. executed an Equity Transfer Agreement on 24 October 2012, pursuant to which the Company proposed to acquire a 21.6% equity interest in China Merchants Fund Management Company Limited (hereinafter referred to as “China Merchants Fund”) from ING Asset Management B.V. at a consideration of €63,567,567.57. Following the acquisition, the Company’s equity interest in China Merchants Fund will be increased from 33.4% to 55%. The acquisition is still pending for approval from China Banking Regulatory Commission, China Securities Regulatory Commission, the Ministry of Commerce of the PRC and other governing authorities.

The “Proposal on the Rights Issue of A Shares and H Shares by China Merchants Bank Co., Ltd.” was considered and passed at the 2011 First Extraordinary General Meeting, the 2011 First A Shareholders Class Meeting and the 2011 First H Shareholders Class Meeting of the Company. To ensure the Rights Issue to be compliant with the relevant laws and regulations, the Company considered and approved the extension of the validity period of the resolutions of the Rights Issue for one year at the 33rd Meeting of the Eighth Session of the Board of Directors held on 20 July 2012, and the 2012 First Extraordinary General Meeting, the 2012 First A Shareholders Class Meeting and the 2012 First H Shareholders Class Meeting held on 7 September 2012. Up to present, the Company has obtained approval from China Banking Regulatory Commission in respect of the Rights Issue, and the proposal on the Rights Issue of A Shares was considered and passed by the Review Committee under China Securities Regulatory Commission. However, the Rights Issue is still subject to the final approval from China Securities Regulatory Commission and Hong Kong Stock Exchange.

#### **Prospects**

Dr. Ma Weihua, President and CEO of China Merchants Bank said, “We expect that we will face renewed challenges during the second half of this year as a result of continued volatility in the global financial system and prolonged softness in the domestic economy. We will carefully monitor these developments and proactively respond to potential changes in the global and domestic markets. We will continue to build our business with small-and-micro enterprises, providing more extensive and diversified financial products and services to those enterprises, while also focusing on innovative and technology oriented fast growing enterprises. We will further promote the ‘Second Transformation’ and further enhance our pricing power. We will also enhance the development of wholesale banking, optimize the assets-liabilities structure and capital management of the bank, as well as continue to control cost and lower capital consumption. All these measures are aimed at effectively managing various risks and hence

maximize return on capital.”

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**Investor and Media Enquiries**

**Mr. Chen Yuanyuan**

Christensen

Tel: 852-2232-3918

Fax: 852-2117-0869

E-mail: [ychen@ChristensenIR.com](mailto:ychen@ChristensenIR.com)

**Ms. Wei Wei**

Christensen

Tel: 852-2232-3966

Fax: 852-2117-0869

E-mail: [weiwei@ChristensenIR.com](mailto:weiwei@ChristensenIR.com)