



Financials and Business Performance *

Operating data as of 31 Dec 2017

Stock data as of 30 Mar 2018

Company Information

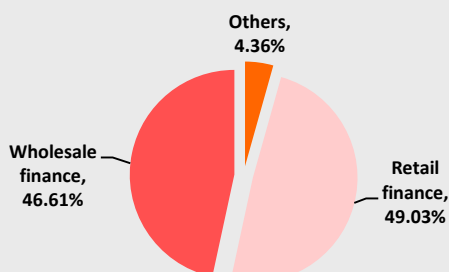


Founded on 8 April 1987, China Merchants Bank is the first share-holding commercial bank wholly owned by corporate legal entities. Headquartered in Shenzhen, the bank mainly focuses on the Chinese domestic market. As of 31 December 2017, the Company had 137 branches, 1,681 sub-branches, 1 dedicated branch-level operation center (credit card center), 1 representative office, 3,340 self-service centers, 11,382 self-service machines (including 1,610 automatic teller machines and 9,772 deposit-taking and cash withdrawal machines), 12,936 visual counters, 2 subsidiaries, namely CMB Financial Leasing and China Merchants Fund, and 1 joint venture, namely CIGNA & CMB Life Insurance, in more than 130 cities of Mainland China. The Company also has a number of subsidiaries including Wing Lung Bank, CMB International Capital, and a branch in Hong Kong; a branch and a representative office in New York; a branch and a representative office in London; a branch in Singapore; a branch in Luxembourg; a representative office in Taipei and a branch in Sydney.

Retail finance business

— The financial services to retail customers include lending and deposit taking activities, bank card business, wealth management services, private banking and other services. The net operating income from retail finance of the group amounted to RMB108.38 billion, representing a year-on-year increase of 8.18%, and accounting for 49.03% of the net operating income of the group. The profit before tax from retail finance of the company amounted to about RMB47.60 billion, representing a year-on-year increase of 7.94%. The Company had 106.63 million retail customers, representing an increase of 17.10% as compared with the end of the previous year. The balance of total AUM from our retail customers amounted to RMB6,164.34 billion, representing an increase of 11.46% as compared with the end of the previous year. The balance of deposits from retail customers amounted to RMB1,231.28 billion, representing an increase of 3.33% as compared with the end of the previous year. The Company had 67,417 private banking customers (retail customers with minimum daily average AUM of RMB10 million per month), representing an increase of 13.19% as compared with the end of the previous year; total AUM from private banking customers amounted to RMB1,905.27 billion, representing an increase of 14.81% as compared with the end of the previous year.

Operating income breakdown of the Group for 2017



Wholesale finance business

— The financial services to the corporate clients, government agency clients, and financial institutions include loan and deposit service, settlement and cash management service, trade finance and offshore business, investment banking business, inter-bank business comprised of lending and repurchase, asset custody business, financial market business, and other services. The net operating income from wholesale finance of the group was RMB103.02 billion, representing a year-on-year increase of 0.91%, and accounting for 46.61% of the net operating income of the group. The Company achieved profit before tax from wholesale finance of RMB36.62 billion, accounting for 43.48% of profit before tax for business lines of the Company. Net interest income from wholesale finance of the company was RMB72.73 billion, representing a year-on-year increase of 10.34%, and accounting for 71.36% of the net operating income of wholesale finance. Net non-interest income from wholesale finance of the company amounted to RMB29.18 billion, representing a year-on-year decrease of 12.54%, and accounting for 28.64% of the net operating income of wholesale finance and 44.12% of net non-interest income of the Company.

Corporate business

— The balance of corporate customer deposits amounted to RMB2,658.75 billion, representing an increase of 8.48% as compared with the end of the previous year. Its daily average balance amounted to RMB2,599.92 billion, representing an increase of 11.28% as compared with the previous year, among which the demand deposits accounted for 56.23% of total deposits from our corporate customers. In 2017, the average cost ratio of deposits from corporate customers was 1.51%, up by 0.03 percentage point as compared with the previous year.

Financial institutions business

— The balance of interbank deposits of the Company amounted to RMB421.25 billion. Among them, the total amount of interbank demand deposits in the areas of fund clearing, settlement and depository service reported a balance of RMB288.64 billion, accounting for 68.52%. The number of financial institutions signed for our “Zhao Ying Tong” transaction platform for industry peers of the Company reached 1,338, the number of accounts opened by mutual fund management companies reached 288, the number of customers of online interbank deposits exceeded 100, the online business volume amounted to RMB1.36 trillion, and the online trading replacement ratio of the platform exceeded 80%.

Other businesses

— Other business covers investment properties, businesses in subsidiaries (except Wing Lung Bank), associates, and joint ventures, and other relevant businesses. None of these segments meets any of the quantitative thresholds so far for determining reportable segments.

Shares Overview

A shares as percentage of total share capital

81.80%

H shares as percentage of total share capital

18.20%

A Shares

SSE Stock Code: 600036

No. of Shares: 20.63 billion

A Share Market Capitalization:

RMB 600.10 billion (30 March 2018)

Share Price: RMB 29.09 (30 March 2018)

52-week Range

Low – RMB 18.39 (20 Apr 2017)

High – RMB 34.89 (5 Feb 2018)

H Shares

HKEx Stock Code: 3968

No. of Shares: 4.59 billion

H Share Market Capitalization:

HK\$147.60 billion (29 Mar 2018)

Share Price: HK\$32.15 (29 Mar 2018)

52-week Range

Low – HK\$19.84 (8 May 2017)

High – HK\$38.60 (24 Jan 2018)

* Data source: H share FY2016 and FY2017 reports

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Financial Summary of the Group

Consolidated income statement

(In millions of RMB, except EPS)	For the year ended 31 Dec 2017	For the year ended 31 Dec 2016
Net interest income	144,852	134,595
Net fee and commission income	64,018	60,865
Other net income	11,169	14,489
Operating income	220,039	209,949
Operating profit before impairment losses	149,608	144,801
Profit before taxation	90,680	78,963
Net Profit	70,628	62,380
Attributable to:		
Equity shareholders of the Bank	70,150	62,081
Non-controlling interests	488	299
Earnings per share (RMB)	2.78	2.46

Key ratios

	For the year ended 31 Dec 2017	For the year ended 31 Dec 2016
Return on average assets	1.15%	1.09%
Return on average equity	16.54%	16.27%
Net interest spread	2.29%	2.37%
Net interest margin	2.43%	2.50%
Cost-to-income ratio	30.21%	27.60%
Under the advanced measurement approach:		
Tier 1 capital adequacy ratio	13.02%	11.54%
Capital adequacy ratio	15.48%	13.33%
Under the weighted approach:		
Tier 1 capital adequacy ratio	10.81%	10.09%
Capital adequacy ratio	12.66%	12.00%

Consolidated balance sheet

(In millions of RMB)	As of 31 Dec 2017	As of 31 Dec 2016
Loans and advances to customers	3,414,612	3,151,649
Interest receivable	28,726	26,251
Cash, precious metal and balances with central bank	625,728	600,510
Balances with banks and other financial institutions	76,918	103,013
Inter-bank lending and financial assets purchased under repurchase agreements	407,178	478,950
Fixed assets	49,812	43,857
Deferred tax assets	50,120	31,010
Goodwill	9,954	9,954
Total assets	6,297,638	5,942,311
Deposits from customers	4,064,345	3,802,049
Deposits from bank and other financial institutions	439,118	555,607
Borrowings from the central bank	414,838	330,108
Placements from banks and other financial institutions	272,734	248,876
Financial liabilities at fair value through profit or loss	26,619	23,576
Amounts sold under repurchase agreement	125,620	162,942
Total liabilities	5,814,246	5,538,949
Total equity attributable to the shareholders of the Company	483,392	403,362

Asset quality indicators

	As of 31 Dec 2017	As of 31 Dec 2016
Non-performing loan ratio	1.61%	1.87%
Allowance coverage ratio of non-performing loans	262.11%	180.02%
Allowance ratio of loans	4.22%	3.37%