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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)

OVERSEAS REGULATORY ANNOUNCEMENT THIRD QUARTERLY REPORT OF 2012

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

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

§1 IMPORTANT NOTICE

- 1.1 The Board of Directors, the Board of Supervisors and the directors, supervisors and senior management of China Merchants Bank Co., Ltd. hereby confirm that the information contained in this report does not contain any false representations, misleading statements or material omissions and individually and jointly accept full responsibilities for the truthfulness, accuracy and completeness of the information contained in this report.
- 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 38th meeting of the Eighth Session of the Board of Directors of the Company has approved the third quarterly report of 2012 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 PRC Generally Accepted Accounting Principles and are unaudited. 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. FU Yuning, Chairman of the Company, Mr. MA Weihua, the President, Mr. LI Hao, the Executive Vice President and Chief Financial Officer, and Mr. ZHOU Song, who is in charge of the Planning and Finance Department, hereby make representations in respect of the truthfulness and completeness of the financial statements contained in this quarterly report.

§2 GENERAL INFORMATION

2.1 Major accounting data & financial indicators

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

	At the end of the reporting period 30 September 2012	At the end of last year 31 December 2011	Increase/ decrease at the end of the reporting period as compared to the end of last year (%)
Total assets	3,144,618	2,794,971	12.51
Equity attributable to shareholders of the Bank	190,883	164,997	15.69
Net assets per share attributable to shareholders of the Bank <i>(in RMB Yuan)</i>	8.85	7.65	15.69
		From the beginning of the year to the end of the reporting period January to September 2012	Increase/ decrease as compared to the corresponding period of last year (%)
Net cash flow from operating activities		10,831	(82.40)
Net cash flow from operating activities per share <i>(in RMB Yuan)</i>		0.50	(82.46)

	Reporting period July to September 2012	From the beginning of the year to the end of the reporting period January to September 2012	Increase/ decrease in the reporting period as compared to the corresponding period of last year (%) ^{Note} (July to September)
Net profit attributable to shareholders of the Bank	11,413	34,790	16.60
Basic earnings per share attributable to shareholders of the Bank (<i>in RMB Yuan</i>)	0.53	1.61	17.78
Diluted earnings per share attributable to shareholders of the Bank (<i>in RMB Yuan</i>)	0.53	1.61	17.78
Basic earnings per share attributable to shareholders of the Bank, net of non-recurring gains or losses (<i>in RMB Yuan</i>)	0.53	1.60	17.78
Annualized return on equity attributable to shareholders of the Bank – weighted average (%)	24.53	26.06	Decrease of 1.63 percentage points
Annualized return on equity attributable to shareholders of the Bank – weighted average, net of non-recurring gains or losses (%)	24.38	25.93	Decrease of 1.34 percentage points
Non-recurring gains or losses			From the beginning of the year to the end of the reporting period January to September 2012
Non-operating income			288
Non-operating expense			(56)
Effect of income tax			(56)
Net non-operating income/expense			176

Note: “Increase/decrease in the reporting period as compared to the corresponding period of last year” represents the comparison of the corresponding financial indicators for the period from July to September 2012 with those for the period from July to September 2011.

2.2 Total number of 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 **598,866**

Top ten shareholders whose shares are not subject to trading moratorium

No.	Name of shareholders	Number of shares held (Share)	Class of Shares
1	HKSCC Nominees Limited ^(Note 1)	3,854,684,675	H shares
2	China Merchants Steam Navigation Company Limited	2,675,612,600	A Shares not subject to trading moratorium
3	China Ocean Shipping (Group) Company	1,341,336,551	A Shares not subject to trading moratorium
4	Shenzhen Yan Qing Investment and Development Company Limited	636,788,489	A Shares not subject to trading moratorium
5	Guangzhou Maritime Transport (Group) Company Limited	631,287,834	A Shares not subject to trading moratorium
6	An-Bang Insurance Group Co., Ltd. – Conventional insurance products	602,568,437	A Shares not subject to trading moratorium
7	Shenzhen Chu Yuan Investment and Development Company Limited	556,333,611	A Shares not subject to trading moratorium
8	China Communications Construction Company Limited	383,445,439	A Shares not subject to trading moratorium
9	SAIC Motor Corporation Limited	368,079,979	A Shares not subject to trading moratorium
10	CNOOC Investment Co., Ltd.	301,593,148	A Shares not subject to trading moratorium

Note 1: Shares held by HKSCC Nominees Ltd. are the total shares in the accounts of holders of H Shares of the Company trading on the transaction platform of HKSCC Nominees Ltd.

Note 2: Of the aforesaid top 10 shareholders whose shareholdings are not subject to trading moratorium, 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 co-relationship of the other shareholders.

2.3 Management discussion and analysis

2.3.1 Analysis of operating status of the Group

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 was 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.

As at the end of September 2012, the non-performing loans of the Group totaled RMB10.917 billion, representing an increase of RMB1,744 million as compared with the end of the previous year; the non-performing loan ratio was 0.59%, which was 0.03 percentage point up as compared with the end of the previous year; and the non-performing loan allowance coverage ratio was 377.37%, representing a decrease of 22.76 percentage points as compared with the end of the previous year; the allowance-to-loan ratio was 2.24%, almost unchanged as compared with the end of the previous year.

As at the end of September 2012, the capital adequacy ratio of the Group was 11.56%, representing an increase of 0.03 percentage point as compared with the beginning of the year; and the core capital adequacy ratio was 8.47%, representing an increase of 0.25 percentage point as compared with the beginning of the year.

2.3.2 Analysis of operating status of the Company

During the period from January to September 2012, the Company, in face of the complexity and volatility in external economic situation, overcame various adverse factors to further promote its “Second Transformation” and maintained a sound development momentum as a whole:

Steady growth in assets and liabilities. As at the end of September 2012, total assets of the Company amounted to RMB2,975.348 billion, representing an increase of 12.28% as compared with the beginning of the year; and its total liabilities amounted to RMB2,780.136 billion, representing an increase of 12.15% as compared with the beginning of the year. Total loans and advances amounted to RMB1,698.009 billion, representing an increase of 10.99% as compared with the beginning of the year, among which corporate loans accounted for 58.64%, while retail loans accounted for 37.32% and discounted bills accounted for 4.04%. Deposits from customers amounted to RMB2,312.600 billion, representing an increase of 8.73% as compared with the beginning of the year, among which, demand deposits accounted for 49.86% and time deposits accounted for 50.14%. Among the demand deposits, corporate deposits accounted for 59.88% while retail deposits accounted for 40.12%; and among the time deposits, corporate deposits accounted for 67.53% and retail deposits accounted for 32.47%.

Sustained growth in profits, but at a gradually decelerating pace. 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, 3.76 percentage points lower than that in the first half of 2012. 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, mainly due to the increase in the volume of interest-earning assets. 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, mainly due to the increase in commissions from custody and other trustee businesses. Net fee and commission income accounted for 16.86% of the operating income. Other net income amounted to RMB4.025 billion, representing an increase of RMB1.944 billion as compared with the corresponding period of the previous year, mainly due to the increase in bills spread 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 spread and net interest margin of the Company was 2.97% and 3.12% respectively, representing a decrease of 0.06 percentage point and 0.03 percentage point respectively as compared with the previous year. During the third quarter of 2012, net interest spread and net interest margin of the Company was 2.84% and 2.99% respectively, representing a decrease of 0.10 percentage point and 0.11 percentage point respectively as compared with the second quarter of the year.

Stable input in costs as a whole. 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.

Rising in Non-performing loan ratio. Non-performing loans of the Company increased as the repayment ability of certain small and medium enterprises deteriorated due to the downturn of macro-economy. As at the end of September 2012, balance of the Company's non-performing loans was 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. In face of a complicated external economic environment, the Company will continue to stringently control over 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 inspection and control on sectors such as steel, trade, photovoltaic and shipping so as to realize a stable operation of credit assets. As at the end of September 2012, the balance of our loans granted to local government financing platforms amounted to RMB95.126 billion, representing a decrease of RMB19.057 billion as compared with the end of the previous year, accounting for 5.60% of the total loans of the Company, representing a decrease of 1.86 percentage points as compared with the end of the previous year. The balance of non-performing loans was RMB157 million, down by RMB11 million as compared with the end of the previous year, and the non-performing loan ratio was 0.16%, representing an increase of 0.01 percentage point as compared with the end of the previous year.

Maintaining relatively strong capability to resist risks. The Company continued to adopt a stable and prudent policy for making 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. Non-performing loan allowance coverage ratio of the Company was 375.55%, representing a decrease of 29.16 percentage points as compared with the end of the previous year, mainly due to the increase in non-performing loans. 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.

Improvement in 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.

Steady and healthy development in small-and-micro credit business. The Company established a risk management system based on the characteristics of small-and-micro customers to push for the healthy development of small-and-micro credit business. According to the statistical standards issued by China Banking Regulatory Commission, as at the end of September 2012, balance of small-and-micro loans granted by our domestic outlets was 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. Non-performing loan ratio was 0.90%, up by 0.19 percentage point as compared with the end of the previous year.

Stabilizing the risk pricing of loans. During the period from January to September 2012, the weighted average floating band of interest rates (weighted at actually granted amounts, same as below) of our newly granted retail loans in RMB rose by 0.26 percentage point as compared with the previous year. However, due to the depressive economic situation and the reduced demand for loans, the weighted average floating band of interest rates of our newly granted general corporate loans in RMB declined by 0.40 percentage point as compared with the previous year.

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 enhancing resources integration and streamlined customer management, vigorously promoting business coordination and cross-selling and deepening customer cultivation. As at the end of September 2012, the number of our retail customers with daily average total assets per month of RMB500,000 and above 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 an annualized total revenue of RMB100,000 and above was 62,395. The 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 progress on establishment of branches. During the reporting period, the Company has made steady progress in establishing its branches. During the third quarter of 2012, the Company had three domestic branches commencing operations with the approval of the regulatory authorities, namely, Baoji Branch, Haikou Branch and Zhanjiang Branch. In addition, our Yancheng Branch was approved to begin the preparatory work.

2.3.3 Major financial indicators of WL Group (calculated based on Hong Kong Accounting Standards)

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; total loans (including trade bills) rose by 8.48% to HK\$92.549 billion as compared with the end of 2011; total deposits increased by 7.50% to HK\$123.777 billion as compared with the end of 2011.

As at the end of September 2012, core capital adequacy ratio and capital adequacy ratio of WL Group were 9.89% and 13.52% respectively, representing an increase of 0.26 percentage point and a decrease of 0.34 percentage point respectively as compared with the beginning of the year. The average liquidity ratio from January to September 2012 was 45.50%. All were above statutory requirements. As at the end of September 2012, non-performing loan balance (including trade bills) and non-performing loan ratio were HK\$236 million and 0.25% respectively, representing a decrease of 0.16 percentage point as compared with the end of 2011 mainly due to the decrease in non-performing loans, showing that its overall loan quality remained satisfactory.

§3 SIGNIFICANT EVENTS

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

Applicable Not applicable

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 30 September 2012	Changes over the end of last year	Major reasons
Financial assets purchased under agreements to resell	146,141	97.55%	Increase in bills purchased under agreements to resell
Financial assets at fair value through profit or loss	22,752	46.50%	Increase in financial assets held for trading
Derivative financial assets	2,580	36.72%	Increase in derivative financial assets
Investment receivables	30,201	36.75%	Increase in investments in the bonds issued by unlisted financial institutions
Other assets	15,073	110.93%	Increase in amounts to be settled arising from sales of bonds
Placements from banks and other financial institutions	100,263	48.57%	Increase in placements from banks and other financial institutions
Financial assets sold under repurchase agreement	126,105	199.79%	Increase in bonds sold under repurchase agreement
Interest payable	22,102	37.45%	Increase in the interest payable of issued bonds

Major items	As at 30 September 2012	Changes over the end of last year	Major reasons
Debt issued	65,441	41.75%	Issuance of financial bonds with a principal sum of RMB20 billion during the year
Salaries and welfare payable	5,635	69.73%	Increase in salaries payable
Other liabilities	28,964	94.15%	Increase in amounts to be settled arising from purchase of bonds
Investment revaluation reserve	84	(46.50%)	Change in unrealized gains or losses in available-for-sale financial assets
Hedging reserve	504	81.29%	Increase in the valuation of hedging items
Retained profits	99,168	34.91%	Increase in profit for the year
Minority interests	71	446.15%	Establishment of a non-wholly owned subsidiary by Wing Lung Bank

Major items	January to September 2012	Changes over the corresponding period of last year	Major reasons
Interest expense	(46,264)	46.49%	Increase in the size of interest-bearing liabilities and cost
Net gain arising from changes in fair value	151	Not applicable	Increase in unrealized gains from the valuation of investments in bonds held for trading
Net gain arising from investments	2,959	91.52%	Increase in bills spread income
Non-operating expense	(56)	69.70%	Increase in non-operating expense

3.2 Performance of undertakings given by the Company, shareholders and de facto controllers

Applicable Not applicable

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 The formulation and implementation of the cash-based dividends policy during the reporting period

Applicable Not applicable

The Board of Directors of the Company has already implemented the dividend appropriation plan for 2011. For further information relating to the implementation, please refer to the announcement published by the Company on the websites of Shanghai Stock Exchange, The Stock Exchange of Hong Kong Limited (hereinafter referred to as “Hong Kong Stock Exchange”) and the Company on 1 June 2012.

3.5 Progress of the acquisition of Tibet Trust

Pursuant to the “Resolution on Acquisition of Controlling Interest in Tibet Autonomous Region Trust and Investment Corporation (“Tibet Trust”)” passed at the 27th meeting of the Seventh Session of the Board of Directors of the Company on 18 August 2008, the Company entered into an agreement in relation to the transfer of equity interest in Tibet Autonomous Region Trust and Investment Corporation (hereinafter referred to as the “Equity Transfer Agreement”) with Tibet Autonomous Region Finance Bureau and Tibet Ai Wo Rui Feng Investment Development Co., Ltd. (西藏愛沃瑞峰投資發展有限公司) on 3 August 2009, pursuant to which the Company intended to acquire 60.5% equity interest in Tibet Trust for a consideration of RMB363,707,028.34.

The Equity Transfer Agreement had been signed for a long time, and it was still pending the approval of the relevant regulatory authorities. In order to end the status of uncertainty in the rights and obligations of the relevant parties to the Equity Transfer Agreement as soon as possible, and to promote the continuous healthy development of Tibet Trust, the relevant parties unanimously agreed to terminate the Equity Transfer Agreement through friendly negotiation as proposed by Tibet Autonomous Region Finance Bureau, and entered into the “Termination Agreement Regarding the Transfer of Equity Interest in Tibet Autonomous Region Trust and Investment Corporation” on 2 July 2012, pursuant to which the Company formally terminated the acquisition of 60.5% equity interest in Tibet Trust. The relevant details were set out in the announcement published on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company on 4 July 2012.

3.6 Progress of the acquisition of China Merchants Fund

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.

For details of the acquisition, please refer to the announcement published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company on 8 October 2012.

3.7 Progress on Rights Issue

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.

3.8 Internal control status during the reporting period

During the reporting period, putting additional efforts to the preliminary work, the Company continued to promote the improvement and optimization of the internal control system in accordance with the arrangements under the “2012 Working Program for Continued Internal Control Improvement”.

- I. **Further clarify the organizational structure and the division of responsibilities for the purpose of internal control management.** In accordance with the requirements of the mechanism for normal operation of internal control, the Company systematically optimized the procedures for routine works related to the organization and coordination of internal control. The Executive Office of the President determined that the Legal and Compliance Department of Head Office should assume the role as a “leading unit responsible for internal control” and an executive office for internal control should be established to take charge of the relevant works.

- II. **Organize and conduct review on 2012 internal control.** According to the principle of comprehensiveness and prioritizing important issues which can satisfy the requirements of internal control management at the current stage, the Company identified the scope of the 2012 internal control review, and officially started the internal control review in August. The internal control review shall be divided into three stages, namely the preparation stage, the review stage and the rectification stage. In the preparation stage, the main task is to identify the persons in charge of various aspects of the review and to organize trainings on review methods and review requirements. In the review stage, the main task is to complete the updates and maintenance of glossary and matrix of internal control, list of risks and surveys, and conduct walk-through test on the updates. In the rectification stage, the Company will focus on the rectification of defects in internal control identified during the review stage. At the end of the reporting period, the Company has basically completed the major tasks of the preparation stage and the review stage, and the entire review process is expected to be completed before the end of November.
- III. **Proactively explore effective approaches and methods of implementing internal control standards in the subsidiaries.** To effectively promote the implementation of internal control standards in its subsidiaries, the Company took the internal control review as a breakthrough, and organized and conducted internal control review on certain selected major businesses of its subsidiaries. Leveraging on the trainings courses for internal control review and the implementation of specific review, the Company disseminated the basic concepts and ideas of internal control standards in its subsidiaries, improved their awareness and level of internal control management, and gradually consolidated the management and monitoring of major businesses of its subsidiaries into the scope of internal control management and monitoring of the Group.

By order of the Board of Directors of
China Merchants Bank Co., Ltd.

29 October 2012

As at the date of this announcement, the executive directors of the Company are Ma Weihua, Zhang Guanghua and Li Hao; the non-executive directors of the Company are Fu Yuning, Wei Jiafu, Li Yinquan, Fu Gangfeng, Hong Xiaoyuan, Xiong Xianliang, Sun Yueying, Wang Daxiong and Fu Junyuan; and the independent non-executive directors of the Company are Yi Xiqun, Wong Kwai Lam, Yan Lan, Pan Chengwei, Pan Yingli and Guo Xuemeng.

UNAUDITED CONSOLIDATED BALANCE SHEET
(Expressed in millions of Renminbi unless otherwise stated)

	30 September 2012	31 December 2011
Assets		
Cash	11,901	10,725
Balances with central bank	420,085	397,579
Balances with banks and other financial institutions	58,967	63,046
Placements with banks	120,412	131,381
Financial assets purchased under agreements to resell	146,141	73,975
Loans and advances	1,794,847	1,604,371
Interest receivables	13,211	10,852
Financial assets at fair value through profit or loss	22,752	15,530
Derivative financial assets	2,580	1,887
Available-for-sale financial assets	303,815	275,173
Long term equity investments	1,130	1,143
Held-to-maturity investments	167,471	145,586
Investment receivables	30,201	22,085
Fixed assets	16,974	16,242
Investment properties	1,672	1,710
Intangible assets	2,783	2,605
Goodwill	9,598	9,598
Deferred income tax assets	5,005	4,337
Other assets	15,073	7,146
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Total assets	3,144,618	2,794,971
	<hr/> <hr/>	<hr/> <hr/>
Liabilities		
Deposits from banks and other financial institutions	177,903	205,699
Placements from banks	100,263	67,484
Financial assets sold under agreements to repurchase	126,105	42,064
Deposits from customers	2,412,732	2,220,060
Interests payable	22,102	16,080
Financial liabilities at fair value through profit or loss	4,415	4,724
Derivative financial liabilities	1,811	1,469
Bonds payable	65,441	46,167
Salaries and welfare payable	5,635	3,320
Taxes payable	7,448	7,112
Deferred income tax liabilities	845	864
Other liabilities	28,964	14,918
	<hr/>	<hr/>
Total liabilities	2,953,664	2,629,961
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UNAUDITED CONSOLIDATED BALANCE SHEET (CONTINUED)*(Expressed in millions of Renminbi unless otherwise stated)*

	30 September 2012	31 December 2011
Shareholders' equity		
Share capital	21,577	21,577
Capital reserve	37,592	37,665
Among which: investment revaluation reserve	84	157
Hedge reserve	504	278
Surplus reserve	14,325	14,325
Statutory general reserve	18,861	18,794
Retained profits	99,168	73,508
Among which: proposed dividend appropriations	–	9,062
Foreign currency translation reserve	(1,144)	(1,150)
	<hr/>	<hr/>
Total equity attributable to the Bank's shareholders	190,883	164,997
Minority interests	71	13
	<hr/>	<hr/>
Total shareholders' equity	190,954	165,010
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Total shareholders' equity and liabilities	3,144,618	2,794,971
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This financial statement was approved by the Board of Directors on 29 October 2012.

UNAUDITED BALANCE SHEET

(Expressed in millions of Renminbi unless otherwise stated)

	30 September 2012	31 December 2011
Assets		
Cash	11,382	10,186
Balances with central bank	418,063	394,119
Balances with banks and other financial institutions	54,502	59,657
Placements with banks	93,276	109,387
Financial assets purchased under agreements to resell	146,141	73,975
Loans and advances	1,657,731	1,493,913
Interest receivables	12,487	10,363
Financial assets at fair value through profit or loss	19,642	11,067
Derivative financial assets	2,444	1,664
Available-for-sale financial assets	294,542	262,015
Long term equity investments	35,289	33,300
Held-to-maturity investments	165,209	143,398
Investment receivables	31,416	23,300
Fixed assets	13,249	12,508
Investment properties	329	298
Intangible assets	1,674	1,466
Deferred income tax assets	4,875	4,207
Other assets	13,097	5,203
Total assets	2,975,348	2,650,026
Liabilities		
Deposits from banks and other financial institutions	173,923	203,614
Placements from banks	51,885	34,896
Financial assets sold under repurchase agreement	125,905	39,064
Deposits from customers	2,312,600	2,126,937
Interests payable	21,262	15,422
Financial liabilities at fair value through profit or loss	3,898	3,558
Derivative financial liabilities	1,715	1,310
Bonds payable	56,268	35,535
Salaries and welfare payable	5,413	3,085
Taxes payable	7,074	6,849
Other liabilities	20,193	8,628
Total liabilities	2,780,136	2,478,898

UNAUDITED BALANCE SHEET (CONTINUED)
(Expressed in millions of Renminbi unless otherwise stated)

	30 September 2012	31 December 2011
Shareholders' equity		
Share capital	21,577	21,577
Capital reserve	46,696	46,796
Among which: investment revaluation reserve	30	130
Hedge reserve	504	278
Surplus reserve	14,325	14,325
Statutory general reserve	18,571	18,571
Retained profits	93,539	69,581
Among which: proposed dividend appropriations	–	9,062
	<hr/>	<hr/>
Total shareholders' equity	195,212	171,128
	<hr/> <hr/>	<hr/> <hr/>
Total shareholders' equity and liabilities	2,975,348	2,650,026
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This financial statement was approved by the Board of Directors on 29 October 2012.

UNAUDITED CONSOLIDATED INCOME STATEMENTS

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to September ended 30 September		For the period from July to September ended 30 September	
	2012	2011	2012	2011
Operating income				
Interest income	112,054	87,206	38,235	32,124
Interest expense	(46,264)	(31,582)	(16,086)	(12,216)
Net interest income	<u>65,790</u>	<u>55,624</u>	<u>22,149</u>	<u>19,908</u>
Fee and commission income	15,686	12,756	5,275	4,010
Fee and commission expense	(1,034)	(891)	(355)	(308)
Net fee and commission income	<u>14,652</u>	<u>11,865</u>	<u>4,920</u>	<u>3,702</u>
Net gain arising from change in fair value	151	(106)	(114)	(137)
Net gain arising from investments	2,959	1,545	564	344
Net gain arising from foreign exchange	1,238	1,086	402	322
other operating income	391	276	141	95
Other net income	<u>4,739</u>	<u>2,801</u>	<u>993</u>	<u>624</u>
Operating expense				
Business tax and surcharges	(5,637)	(4,397)	(1,888)	(1,578)
Operating and administrative expense	(28,119)	(23,374)	(9,726)	(8,348)
Impairment losses on assets	(5,478)	(5,573)	(1,334)	(1,509)
Provision for insurance claims	(233)	(212)	(83)	(76)
	<u>(39,467)</u>	<u>(33,556)</u>	<u>(13,031)</u>	<u>(11,511)</u>
Operating profit	<u>45,714</u>	<u>36,734</u>	<u>15,031</u>	<u>12,723</u>
Add: non-operating income	288	427	121	243
Less: non-operating expense	(56)	(33)	(31)	(14)

UNAUDITED CONSOLIDATED INCOME STATEMENTS (CONTINUED)*(Expressed in millions of Renminbi unless otherwise stated)*

	For the period from January to September ended 30 September		For the period from July to September ended 30 September	
	2012	2011	2012	2011
Total profit	45,946	37,128	15,121	12,952
<i>Less: income tax expense</i>	<u>(11,157)</u>	<u>(8,740)</u>	<u>(3,708)</u>	<u>(3,164)</u>
Net profit	<u>34,789</u>	<u>28,388</u>	<u>11,413</u>	<u>9,788</u>
Net profit attributable to the Bank's shareholders	34,790	28,388	11,413	9,788
Profit or loss attributable to the minority shareholders	<u>(1)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Earnings per share				
Basic earnings per share <i>(in RMB)</i>	1.61	1.32	0.53	0.45
Diluted earnings per share <i>(in RMB)</i>	<u>1.61</u>	<u>1.32</u>	<u>0.53</u>	<u>0.45</u>

This financial statement was approved by the Board of Directors on 29 October 2012.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to September ended 30 September		For the period from July to September ended 30 September	
	2012	2011	2012	2011
Net profit for the period	34,789	28,388	11,413	9,788
Other comprehensive income for the period (after tax and reclassification adjustments)				
Exchange differences	6	(517)	(158)	(238)
Net movement in revaluation reserve of available-for-sale financial assets	(73)	(1,854)	(1,991)	(1,210)
Cash flow hedge	226	83	273	77
Total other comprehensive income for the period	159	(2,288)	(1,876)	(1,371)
Total comprehensive income for the period	34,948	26,100	9,537	8,417
Total comprehensive income attributable to the Bank's shareholders	34,949	26,100	9,537	8,417
Total comprehensive income attributable to the minority shareholders	(1)	–	–	–

This financial statement was approved by the Board of Directors on 29 October 2012.

UNAUDITED INCOME STATEMENTS

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to September ended 30 September		For the period from July to September ended 30 September	
	2012	2011	2012	2011
Operating income				
Interest income	107,173	83,846	36,520	30,812
Interest expense	(43,584)	(29,901)	(15,122)	(11,541)
Net interest income	63,589	53,945	21,398	19,271
Fee and commission income	14,688	12,196	4,928	3,828
Fee and commission expense	(981)	(832)	(337)	(290)
Net fee and commission income	13,707	11,364	4,591	3,538
Net gain arising from change in fair value	131	(77)	(116)	(70)
Net gain arising from investments	2,842	1,278	511	278
Net gain arising from foreign exchange	1,052	880	347	284
Other net income	4,025	2,081	742	492
Operating expense				
Business tax and surcharges	(5,520)	(4,340)	(1,845)	(1,557)
Operating and administrative expense	(26,932)	(22,296)	(9,306)	(7,999)
Provision for impairment of assets	(5,239)	(5,427)	(1,283)	(1,448)
	(37,691)	(32,063)	(12,434)	(11,004)

UNAUDITED INCOME STATEMENTS (CONTINUED)*(Expressed in millions of Renminbi unless otherwise stated)*

	For the period from January to September ended 30 September		For the period from July to September ended 30 September	
	2012	2011	2012	2011
Operating profit	43,630	35,327	14,297	12,297
<i>Add: non-operating income</i>	121	256	53	187
<i>Less: non-operating expense</i>	(55)	(33)	(31)	(15)
Total profit	43,696	35,550	14,319	12,469
<i>Less: income tax expense</i>	(10,676)	(8,411)	(3,533)	(3,056)
Net profit	<u>33,020</u>	<u>27,139</u>	<u>10,786</u>	<u>9,413</u>

This financial statement was approved by the Board of Directors on 29 October 2012.

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to September ended 30 September		For the period from July to September ended 30 September	
	2012	2011	2012	2011
Net profit for the period	33,020	27,139	10,786	9,413
Other comprehensive income for the period (after tax and reclassification adjustments)				
Exchange differences	–	–	–	–
Net movement in revaluation reserve of available-for-sale financial assets	(100)	(1,697)	(1,973)	(1,066)
Cash flow hedge	226	83	273	77
Total other comprehensive income for the period	126	(1,614)	(1,700)	(989)
Total comprehensive income for the period	33,146	25,525	9,086	8,424

This financial statement was approved by the Board of Directors on 29 October 2012.

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

	For the period from January to September ended 30 September	
	2012	2011
Cash flow from operating activities		
Net increase in deposits from customers	192,672	192,826
Net decrease in placements with banks and financial assets purchased under agreements to resell	–	86,306
Net increase in placements from banks and financial assets sold under agreements to repurchase	116,820	4,379
Net recoveries of loans and advances previously written off	51	59
Cash received from interest, fee and commission	111,107	87,150
Cash received from other operating activities	7,040	3,435
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Sub-total of cash inflow from operating activities	427,690	374,155
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Net increase in loans and advances	(194,970)	(166,636)
Net increase in balances with central bank	(21,320)	(75,665)
Net decrease in deposits from banks and other financial institutions	(27,796)	(2,426)
Net increase in placements with banks and financial assets purchased under agreements to resell	(77,959)	–
Net increase in balances with banks and other financial institutions	(12,012)	(1,373)
Cash paid for interest, fee and commission	(40,640)	(27,580)
Cash payments to and for resell	(14,884)	(11,048)
Income taxes and other taxes and fees paid	(17,184)	(10,164)
Other cash payments relating to operating activities	(10,094)	(17,716)
	<hr/>	<hr/>
Sub-total of cash outflow from operating activities	(416,859)	(312,608)
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Net cash flow from operating activities	10,831	61,547
	<hr/>	<hr/>
Cash flow from investing activities		
Cash received from recovery of investments	710,264	682,892
Cash received from return on investments	11,847	8,983
Cash received from disposal of fixed assets and other assets	455	65
Repayment of loans from joint ventures	19	3
	<hr/>	<hr/>
Sub-total of cash inflow from investing activities	722,585	691,943
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UNAUDITED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)*(Expressed in millions of Renminbi unless otherwise stated)*

	For the period from January to September ended 30 September	
	2012	2011
Cash paid for investments	(765,694)	(739,206)
Cash paid for purchase and construction of fixed assets and other assets	(2,138)	(1,238)
Cash paid for acquisition of minority interests	(57)	–
Sub-total of cash outflow from investing activities	(767,889)	(740,444)
Net cash flow from investing activities	(45,304)	(48,501)
Cash flow from financing activities		
Issuance of certificates of deposits	14,432	22,365
Issuance of long term bonds	20,000	–
Cash received from disposal of minority interests	3	–
Sub-total of cash inflow from financing activities	34,435	22,365
Cash paid for repayment of debt due	(15,351)	(9,099)
Interest paid for issuance of debt securities	(1,903)	(1,764)
Expenses paid for issuance of long term bonds	(31)	–
Cash paid for dividends or profit distribution	(9,062)	(6,249)
Sub-total of cash outflow from financing activities	(26,347)	(17,112)
Net cash flow from financing activities	8,088	5,253
Effect of exchange differences on cash	(183)	361
Net increase/(decrease) in cash and cash equivalents	(26,568)	18,660
<i>Add:</i> balance of cash and cash equivalents at the beginning of the period	219,151	177,220
Balance of cash and cash equivalents at the end of the period	192,583	195,880

This financial statement was approved by the Board of Directors on 29 October 2012.

UNAUDITED CASH FLOW STATEMENT

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to September ended 30 September	
	2012	2011
Cash flow from operating activities		
Net increase in deposits from customers	185,663	191,412
Net decrease in placements with banks and financial assets purchased under agreements to resell	–	87,303
Net increase in placements from banks and financial assets sold under agreements to repurchase	103,830	–
Net recoveries of loans and advances previously written off	50	56
Cash received from interest, fee and commission	108,185	85,109
Cash received from other operating activities	3,551	623
Sub-total of cash inflow from operating activities	401,279	364,503
Net increase in loans and advances	(168,067)	(146,681)
Net increase in balances with central bank	(21,034)	(74,931)
Net increases in placements with banks and financial assets purchased under agreements to resell	(74,302)	–
Net decrease in balances with banks and other financial institutions	(29,691)	(2,347)
Net decrease in placements from banks and financial assets sold under agreements to repurchase	–	(5,962)
Net increase in deposits from banks and other financial institutions	(10,210)	(1,593)
Cash paid for interest, fee and commission	(38,023)	(26,132)
Cash payments to and for employees	(14,345)	(10,597)
Income tax and other taxes and fees paid	(16,589)	(9,968)
Other cash payments relating to operating activities	(8,029)	(17,244)
Sub-total of cash outflow from operating activities	(380,290)	(295,455)
Net cash flow from operating activities	20,989	69,048
Cash flow from investing activities		
Cash received from recovery of investments	693,383	672,921
Cash received from return on investments	11,552	8,626
Cash received from disposal of fixed assets and other assets	4	65
Sub-total of cash inflow from investing activities	704,939	681,612

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

	For the period from January to September ended 30 September	
	2012	2011
Cash paid for investments	(758,978)	(727,316)
Cash paid for purchase and construction of fixed assets and other assets	(1,198)	(1,210)
Cash paid for additional investment in subsidiaries	(2,000)	–
Sub-total of cash outflow from investing activities	(762,176)	(728,526)
Net cash flow from investing activities	(57,237)	(46,914)
Cash flow from financing activities		
Issuance of long term bonds	20,000	–
Issuance of certificates of deposits	4,074	4,667
Sub-total of cash inflow from financing activities	24,074	4,667
Cash paid for repayment of debt due	(3,455)	(2,324)
Interest paid for issuance of debt securities	(1,783)	(1,680)
Expenses paid for issuance of long term bonds	(31)	–
Cash paid for dividends or profit distribution	(9,062)	(6,249)
Sub-total of cash outflow from financing activities	(14,331)	(10,253)
Net cash flow from financing activities	9,743	(5,586)
Effect of exchange differences on cash	(135)	(235)
Net increase/(decrease) in cash and cash equivalents	(26,640)	16,313
<i>Add:</i> balance of cash and cash equivalents at the beginning of the period	200,941	159,085
Balance of cash and cash equivalents at the end of the period	174,301	175,398

This financial statement was approved by the Board of Directors on 29 October 2012.