

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 FIRST QUARTERLY REPORT OF 2013

Pursuant to the regulations of the China Securities Regulatory Commission (“CSRC”), 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 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Hong Kong Listing Rules”).

§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 44th meeting of the Eighth Session of the Board of Directors of the Company has approved the first quarterly report of 2013 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 Accounting Standards 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, accuracy and completeness of the financial statements contained in this quarterly report.

§2 GENERAL INFORMATION

2.1 Major accounting data & financial indicators of the Group

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

	At the end of the reporting period 31 March 2013	At the end of last year 31 December 2012	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
Total assets	3,513,426	3,408,219	3.09
Equity attributable to shareholders of the Bank	214,397	200,434	6.97
Net assets per share attributable to shareholders of the Bank <i>(in RMB Yuan)</i>	9.94	9.29	7.00
	Reporting period January to March 2013	Corresponding period of last year January to March 2012	Increase/decrease in the reporting period as compared to the corresponding period of last year (%)
Net cash flow from operating activities	2,783	2,765	0.65
Net cash flow from operating activities per share <i>(in RMB Yuan)</i>	0.13	0.13	–

	Reporting period January to March 2013	Corresponding period of last year January to March 2012	Increase/decrease in the reporting period as compared to the corresponding period of last year (%)
Net profit attributable to shareholders of the Bank	13,021	11,643	11.84
Basic earnings per share attributable to shareholders of the Bank (<i>in RMB Yuan</i>)	0.60	0.54	11.11
Diluted earnings per share attributable to shareholders of the Bank (<i>in RMB Yuan</i>)	0.60	0.54	11.11
Basic earnings per share attributable to shareholders of the Bank, net of non-recurring gains or losses (<i>in RMB Yuan</i>)	0.60	0.54	11.11
Annualized return on equity attributable to shareholders of the Bank – weighted average (%)	25.11	27.20	Decrease of 2.09 percentage points
Annualized return on equity attributable to shareholders of the Bank – weighted average, net of non-recurring gains or losses (%)	24.93	27.06	Decrease of 2.13 percentage points
Non-recurring gains or losses			January to March 2013
Non-operating income			139
Non-operating expense			(10)
Effect of income tax			(31)
Net non-operating income/expense			98

2.2 Our capital adequacy ratios as at the end of the reporting period

The Group continued to optimize its business structure and enhance capital management, and satisfied the minimum capital requirements, the reserve capital requirements and the counter-cyclical capital requirements under the transition arrangements of China Banking Regulatory Commission (“CBRC”) during the reporting period. The capital adequacy ratio remained stable with a balanced internal growth of capital.

As at the end of March 2013, the capital adequacy ratio of the Group was 11.41% which is the same as that at the beginning of the year, and its core tier 1 capital adequacy ratio was 8.60%, representing an increase of 0.26 percentage point as compared with the beginning of the year.

	At the end of the reporting period 31 March 2013	At the end of last year 31 December 2012	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
The Group			
	<i>(in millions of RMB, excluding percentages)</i>		

Our capital adequacy ratios

under the new Requirements⁽¹⁾

1. Net core tier 1 capital	203,825	189,555	7.53
2. Net tier 1 capital	203,825	189,555	7.53
3. Net capital	270,482	259,377	4.28
4. Risk-weighted assets	2,371,261	2,274,044	4.28
5. Core tier 1 capital adequacy ratio	8.60%	8.34%	Increase of 0.26 percentage point
6. Tier 1 capital adequacy ratio	8.60%	8.34%	Increase of 0.26 percentage point
7. Capital adequacy ratio	11.41%	11.41%	–

Our capital adequacy ratios

under the previous Requirements⁽²⁾

8. Core capital adequacy ratio	8.45%	8.49%	Decrease of 0.04 percentage point
9. Capital adequacy ratio	11.96%	12.14%	Decrease of 0.18 percentage point

Note 1: the “new Requirements” herein refers to the “Measures for the Management of Capital of Commercial Banks (Trial Version)” issued by CBRC on 7 June 2012. Under the new Requirements, the core tier 1 capital adequacy ratio and the tier 1 capital adequacy ratio of the Group and the Company remain consistent at present.

Note 2: the “previous Requirements” herein refers to the “Guidelines for the Revision of the Regulation Governing Capital Adequacy Ratio of Commercial Banks” issued by CBRC on 28 December 2006.

As at the end of March 2013, the capital adequacy ratio of the Company was 11.09%, representing an increase of 0.04 percentage point as compared with the beginning of the year; and its core tier 1 capital adequacy ratio was 8.30%, representing an increase of 0.30 percentage point as compared with the beginning of the year.

The Company	At the end of the reporting period 31 March 2013	At the end of last year 31 December 2012	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
<i>(in millions of RMB, excluding percentages)</i>			
Our capital adequacy ratios under the new Requirements			
1. Net core tier 1 capital	182,132	168,848	7.87
2. Net tier 1 capital	182,132	168,848	7.87
3. Net capital	243,386	233,223	4.36
4. Risk-weighted assets	2,195,445	2,110,063	4.05
5. Core tier 1 capital adequacy ratio	8.30%	8.00%	Increase of 0.30 percentage point
6. Tier 1 capital adequacy ratio	8.30%	8.00%	Increase of 0.30 percentage point
7. Capital adequacy ratio	11.09%	11.05%	Increase of 0.04 percentage point
Our capital adequacy ratios under the previous Requirements			
8. Core capital adequacy ratio	8.79%	8.86%	Decrease of 0.07 percentage point
9. Capital adequacy ratio	11.55%	11.73%	Decrease of 0.18 percentage point

2.3 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 **527,091**

Top ten shareholders whose shares are not subject to trading moratorium			
No.	Name of shareholders	Number of shares held	Class of Shares
1	HKSCC Nominees Limited ⁽¹⁾	3,855,120,406	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	Sino Life Insurance Co., Ltd. – Universal Insurance H	1,006,217,921	A Shares not subject to trading moratorium
5	Shenzhen Yan Qing Investment and Development Company Limited	636,788,489	A Shares not subject to trading moratorium
6	Guangzhou Maritime Transport (Group) Company Limited	631,287,834	A Shares not subject to trading moratorium
7	An-Bang Insurance Group Co., Ltd. – Conventional insurance products	594,987,463	A Shares not subject to trading moratorium
8	Shenzhen Chu Yuan Investment and Development Company Limited	556,333,611	A Shares not subject to trading moratorium
9	China Communications Construction Company Limited	383,445,439	A Shares not subject to trading moratorium
10	SAIC Motor Corporation Limited	368,079,979	A Shares not subject to trading moratorium

Note 1: Shares held by HKSCC Nominees Limited are the total shares in the accounts of holders of H Shares of China Merchants Bank trading on the transaction platform of HKSCC Nominees Limited.

Note 2: Except that China Merchants Steam Navigation Company Limited, Shenzhen Yan Qing Investment and Development Company Limited and Shenzhen Chu Yuan Investment and Development Company Limited are subsidiaries of China Merchants Group Limited, the Company is not aware of any other related relationship among the above top ten shareholders.

2.4 Management discussion and analysis

2.4.1 Analysis of operating status of the Group

As at the end of March 2013, total assets of the Group amounted to RMB3,513.426 billion, representing an increase of 3.09% as compared with the beginning of the year; and its total liabilities amounted to RMB3,298.869 billion, representing an increase of 2.84% as compared with the beginning of the year. Total deposits from customers amounted to RMB2,729.347 billion, representing an increase of 7.78% as compared with the beginning of the year. Total loans and advances amounted to RMB1,990.667 billion, representing an increase of 4.53% as compared with the beginning of the year.

For the period from January to March 2013, the Group realized a net profit attributable to shareholders of the Bank of RMB13.021 billion, representing an increase of 11.84% as compared with the corresponding period of the previous year, and an operating income of RMB30.849 billion, among which, net interest income increased by 6.94% to RMB23.044 billion from that of the corresponding period of the previous year, accounting for 74.70% of the operating income. For the period from January to March 2013, net interest spread and net interest margin were 2.78% and 2.93% respectively, representing a decrease of 0.27 percentage point and 0.28 percentage point respectively as compared with the corresponding period of the previous year, and 0.03 percentage point and 0.04 percentage point respectively as compared with the fourth quarter of 2012, which were mainly due to the re-pricing of the loans. Net fee and commission income of the Group increased by 33.74% to RMB6.473 billion from that of the corresponding period of the previous year, and accounted for 20.98% of the operating income, representing an increase of 3.93 percentage points as compared with the corresponding period of the previous year. Other net income amounted to RMB1.332 billion, representing a decrease of 33.30% as compared with the corresponding period of the previous year. The cost-to-income ratio (excluding business tax and surcharges) of the Group decreased by 0.71 percentage point to 31.15% from that of the corresponding period of the previous year.

As at the end of March 2013, the balance of non-performing loans of the Group amounted to RMB13.050 billion, representing an increase of RMB1.356 billion as compared with the beginning of the year; the non-performing loan ratio was 0.66%, representing an increase of 0.05 percentage point as compared with the beginning of the year; and the allowance coverage ratio of our non-performing loans was 328.08%, representing a decrease of 23.71 percentage points as compared with the beginning of the year; the allowance-to-loan ratio was 2.15%, representing a slight decrease of 0.01 percentage point as compared with that at the beginning of the year.

2.4.2 Analysis of operating status of the Company

For the period from January to March 2013, the domestic economic growth slowed down. Under the complicated external economic and financial situations, the Company accelerated the promotion of its Second Transformation and maintained a steady development momentum as a whole:

Both our assets and liabilities grew steadily. As at the end of March 2013, total assets of the Company amounted to RMB3,326.225 billion, representing an increase of 2.74% as compared with the beginning of the year; and its total liabilities amounted to RMB3,108.559 billion, representing an increase of 2.48% as compared with the beginning of the year. Total loans and advances amounted to RMB1,834.291 billion, representing an increase of 4.19% as compared with the beginning of the year, among which, corporate loans accounted for 58.79%, while retail loans accounted for 37.89% and discounted bills accounted for 3.32%. Deposits from customers totalled at RMB2,619.293 billion, representing an increase of 7.95% as compared with the beginning of the year, among which, demand deposits accounted for 53.73% and time deposits accounted for 46.27%. Among the demand deposits, corporate deposits accounted for 61.27% while retail deposits accounted for 38.73%; and among the time deposits, corporate deposits accounted for 68.33% and retail deposits accounted for 31.67%.

Our profits continued to grow. For the period from January to March 2013, the Company realized a net profit of RMB12.304 billion, representing an increase of 10.64% as compared with the corresponding period of the previous year. The Company realized an operating income of RMB29.404 billion, among which, net interest income increased by 6.43% from that of the corresponding period of the previous year to RMB22.206 billion, accounting for 75.52% of the operating income. Net interest spread and net interest margin decreased to 2.85% and 3.00% respectively, representing a decrease of 0.29 percentage point and 0.30 percentage point respectively as compared with the corresponding period of the previous year, and both representing a decrease of 0.05 percentage point as compared with the fourth quarter of 2012, which were mainly due to the re-pricing of the loans. The Company's net fee and commission income increased by 32.26% from that of the corresponding period of the previous year to RMB6.080 billion, mainly due to the increase in agency services fees and commissions from custody and other trustee businesses. Net fee and commission income accounted for 20.68% of the operating income, representing an increase of 3.80 percentage points as compared with the corresponding period of the previous year. Other net income amounted to RMB1.118 billion, representing a decrease of RMB652 million as compared with the corresponding period of the previous year, mainly due to the year-on-year decrease in net gains arising from investments and net losses arising from foreign exchanges.

Our overall costs grew normally. For the period from January to March 2013, operating and administrative expenses of the Company amounted to RMB9.200 billion. Cost-to-income ratio (excluding business tax and surcharges) was 31.29%, representing a decrease of 0.56 percentage point as compared with the corresponding period of the previous year.

Our overall asset quality remained controllable. Under the complicated and tough economic situation, the Company continued to fully boost the construction of its comprehensive risk management system by improving the risk management, further applying the risk quantification and portfolio management tools and imposing stringent control over loan extension to “high pollution, high energy consumption and excess capacity” and other high risk sectors. As at the end of March 2013, the balance of non-performing loans of the Company was RMB12.886 billion, representing an increase of RMB1.498 billion as compared with the beginning of the year; and its non-performing loan ratio was 0.70%, representing an increase of 0.05 percentage point as compared with the beginning of the year.

Our risk-resisting capability remained relatively strong. The Company continued to adopt a stable and prudent policy for making provisions. As at the end of March 2013, balance of the Company’s allowances for impairment losses on loans amounted to RMB41.716 billion, representing an increase of RMB1.577 billion as compared with that at the beginning of the year. The allowance coverage ratio of non-performing loans was 323.73%, representing a decrease of 28.74 percentage points as compared with the beginning of the year. The allowance-to-loan ratio was 2.27%, representing a slight decrease of 0.01 percentage point as compared with the beginning of the year. The annualized credit cost was 0.44%, which was 0.13 percentage point higher as compared with the previous year.

Our small and micro enterprise businesses have developed healthily. The Company proactively adjusted the structure of credit assets and imposed strict control over loan extension in respect of its small and micro enterprise businesses. In order to reflect the business scale and risk-resisting capability of its corporate customers, the Company adjusted the classification standards for corporate customers from “annual sales + loan balance” to “annual sales + credit exposure limits”. According to the bank’s adjusted statistics, as at 31 March 2013, balance of the Company’s loans to small and micro enterprises totalled RMB442.733 billion, representing an increase of RMB65.183 billion or 17.26% over the beginning of the year, and accounted for 25.62% of our domestic general loans (excluding discounted bills), representing an increase of 3.03 percentage points over the beginning of the year, of which: balance of small enterprises loans amounted to RMB233.035 billion, representing an increase of 16.28% as compared with the beginning of the year, and accounted for 22.56% of our domestic corporate loans, representing an increase of 2.50 percentage points as compared with the beginning of the year. Balance of micro enterprises loans was RMB209.698 billion, representing an increase of 18.38% as compared with the beginning of the year, and accounted for 30.17% of its total retail loans, representing an increase of 3.81 percentage points as compared with the beginning of the year.

Our capability in risk pricing of loans continued to improve. During the period from January to March 2013, the floating range of weighted average interest rates of newly granted corporate loans in RMB (weighted at actual amounts, same as below) increased by 0.60 percentage point to 12.40% as compared with the previous year. The floating range of weighted average interest rates of newly granted retail loans in RMB increased by 5.58 percentage points to 28.53% as compared with the previous year.

The proportion of our high-net-worth customers grew steadily. As at the end of March 2013, the number of our retail customers with minimum total daily average assets of RMB500,000 per month was 971,800. The proportion of high-net-worth retail customers increased from 1.69% at the beginning of the year to the current 1.76%.

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

For the period from January to March 2013, Wing Lung Bank Limited and its subsidiaries (hereinafter referred to as “WL Group”) recorded an unaudited consolidated profit attributable to its shareholders of HK\$514 million, representing an increase of 0.12% as compared with the restated consolidated profit attributable to its shareholders for the corresponding period of the previous year.

As at 31 March 2013, WL Group had total assets of HK\$191.763 billion, representing an increase of 7.26% as compared with the restated total assets at the end of 2012; the equity attributable to its shareholders amounted to HK\$17.559 billion, representing an increase of 3.38% as compared with the restated equity attributable to its shareholders at the end of 2012; total loans (including trade bills) rose by 9.05% to HK\$108.315 billion as compared with the end of 2012; total deposits increased by 4.39% to HK\$137.899 billion as compared with the end of 2012.

As at the end of March 2013, core capital adequacy ratio and capital adequacy ratio of WL Group were 9.95% and 14.98% respectively, representing a decrease of 0.02 percentage point and an increase of 0.06 percentage point respectively as compared with the beginning of the year. The average liquidity ratio for the period from January to March 2013 was 40.93%. All were above statutory requirements. As at the end of March 2013, the balance of non-performing loans (including trade bills) was HK\$134 million, and the non-performing loan ratio decreased by 0.17 percentage point to 0.12% as compared with the beginning of the year due to the decrease in non-performing loans. 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 31 March 2013	Changes over the end of last year	Major reasons
Placements with banks and other financial institutions	105,421	(62.47%)	Decrease in scale of placements with other banks
Financial assets purchased under agreements to resell	255,042	138.44%	Increase in scale of bills and trust assets purchased under agreements to resell
Derivative financial assets	2,802	41.87%	Increase in estimated gains from certain precious metal swaps and the swaps of settlement and sale of foreign exchanges
Other assets	19,933	100.27%	Increase in amounts to be settled arising from sales of bonds
Financial liabilities at fair value through profit or loss	26,136	281.32%	Increase in precious metals from other banks designated at fair value through profit or loss
Derivative financial liabilities	4,266	55.41%	Increase in estimated losses from certain precious metal swaps and the swaps of settlement and sale of foreign exchanges
Financial assets sold under repurchase agreement	51,432	(67.44%)	Decrease in scale of bonds sold under repurchase agreement

Major items	As at 31 March 2013	Changes over the end of last year	Major reasons
Investment revaluation reserve	1,272	3,337.84%	Increase in value of available-for-sale financial assets
Hedging reserve	(371)	(42.15%)	Decrease in the value of hedge instruments arising from changes in interest rates
Minority interests	160	119.18%	Increase in minority interests of non-wholly owned subsidiaries of Wing Lung Bank

Major items	January to March 2013	Changes over the corresponding period of last year	Major reasons
Net fee and commission income	6,473	33.74%	Increase in agent services fees and commissions from custody and other trustee businesses
Net gain arising from changes in fair value	471	1,371.88%	Increase in investment income of financial instruments designated at fair value through profit or loss
Net gain/(loss) arising from foreign exchanges	(286)	(165.60%)	Increase in losses from foreign exchange swaps
Insurance operating income	137	42.71%	Increase in insurance operating income of Wing Lung Bank
Non-operating income	139	61.63%	Increase in rental income

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 Implementation of the cash-based dividends policy during the reporting period

During the reporting period, as approved at the 43rd meeting of the Eighth Session of the Board of Directors of the Company, the Company intends to make to the statutory surplus reserve an appropriation of 10% of its profit after tax of RMB42.933 billion, which is equal to RMB4.293 billion, in the 2012 audited PRC financial statements. 1.5% of the balance of the increased risk assets which is equal to RMB20.278 billion, was appropriated to the general reserve. Based on the total share capital of A Shares and H Shares on the record date for implementation of the profit appropriation, the Company proposed to declare a cash dividend of RMB6.30 (tax included) for every 10 shares to all shareholders of the Company, payable in RMB for A Share holders and in HKD for H Share holders. The retained profits would be carried forward to the next year. In 2012, the Company proposed not to convert its capital reserve into share capital. Implementation of the above-mentioned dividend distribution scheme is subject to approval at the 2012 Annual General Meeting of the Company.

3.5 Acquisition of CIGNA & CMC Life Insurance

In order to further optimise revenue structure, broaden operation channels and enhance comprehensive competitive edge, the Company and Shenzhen Dingzun Investment Advisory Company Ltd. (“Dingzun”) entered into a share transfer agreement on 5 May 2008, pursuant to which the Company agreed to acquire from Dingzun its 50% equity interest in CIGNA & CMC Life Insurance Co., Ltd. (“CIGNA & CMC Life Insurance”) for a consideration of RMB141,865,000.

China Merchants Steam Navigation Company Limited, a wholly owned subsidiary of China Merchants Group, is a substantial shareholder of the Company. China Merchants Group is an indirect controlling shareholder of Dingzun which in turn holds 50% equity interest in CIGNA & CMC Life Insurance. Dingzun is therefore a connected person of the Company under the Hong Kong Listing Rules. The transaction contemplated by the Share Transfer Agreement constituted a disclosable and connected transaction of the Company, which was subject to Independent Shareholders’ approval pursuant to Rule 14A.18 of the Hong Kong Listing Rules.

The resolution regarding the acquisition was passed at the 2007 Annual General Meeting held by the Company on 27 June 2008. The CBRC and China Insurance Regulatory Commission have granted their approvals for the acquisition. The Company will complete relevant subsequent matters in accordance with relevant regulatory requirements, and will publish an announcement upon the completion of the acquisition and settlement.

Further details of the above acquisition were set out in the announcements published on the websites of the Shanghai Stock Exchange, The Stock Exchange of Hong Kong Limited (“the Hong Kong Stock Exchange”) and the Company on 6 May 2008, 28 June 2008, 4 June 2011 and 29 March 2013 respectively.

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 Co., Ltd. (China Merchants Fund)” 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 from ING Asset Management B.V. at a consideration of €63,567,567.57. After 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 CBRC, CSRC, the Ministry of Commerce of the PRC and other governing authorities. Relevant details were set out in the Announcement in respect of the Resolutions passed at the 37th Meeting of the Eighth Session of the Board of Directors published on newspapers and websites designated for disclosure of the information 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 on 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. As at the reporting date, the Company has obtained approval from CBRC 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 CSRC. However, the Rights Issue is still subject to the final approval from CSRC and the Hong Kong Stock Exchange.

3.8 Internal control status during the reporting period

During the reporting period, the Company organized and conducted the internal control evaluation for the year 2012, and prepared and disclosed the “2012 Report on the Assessment of Internal Control of China Merchants Bank Co., Ltd.”. During the evaluation process, the Company did not identify any material and serious defects. The Company appointed KPMG Huazhen Certified Public Accountants (Special General Partnership) to conduct an audit on the effectiveness of internal control related to financial reporting and disclosed its “Audit Report on Internal Control”. The audit results showed that the Company has maintained effective internal control on financial reporting in all material aspects according to “Basic Principles for Internal Control of Enterprises” and relevant provisions. As at the end of the reporting period, the Company completed all the relevant tasks according to the progress arrangements in the “Working Plan for Continuous Improvement of Internal Control of China Merchants Bank in 2012”, and made a general arrangement for the internal control management work in 2013.

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

26 April 2013

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)

31 March 2013 31 December 2012

Assets

Cash	12,686	12,742
Balances with central bank	449,678	458,673
Balances with banks and other financial institutions	105,421	280,870
Placements with banks	107,391	103,420
Financial assets purchased under agreements to resell	255,042	106,965
Loans and advances	1,947,853	1,863,325
Interest receivables	15,782	13,009
Financial assets at fair value through profit or loss	23,935	25,489
Derivative financial assets	2,802	1,975
Available-for-sale financial assets	300,884	284,696
Long term equity investments	1,114	1,103
Held-to-maturity investments	200,589	175,417
Receivables	31,491	32,221
Fixed assets	19,482	19,287
Investment properties	1,654	1,638
Intangible assets	2,773	2,851
Goodwill	9,598	9,598
Deferred income tax assets	5,318	4,987
Other assets	19,933	9,953
	<hr/>	<hr/>
Total assets	3,513,426	3,408,219
	<hr/> <hr/>	<hr/> <hr/>

Liabilities

Deposits from banks and other financial institutions	243,711	258,692
Placements from banks	98,470	109,815
Financial assets sold under agreements to repurchase	51,432	157,953
Deposits from customers	2,729,347	2,532,444
Interests payable	24,780	24,065
Financial liabilities as at fair value through profit or loss	26,136	6,854
Derivative financial liabilities	4,266	2,745
Bonds payable	78,854	77,111
Salaries and welfare payable	3,449	4,056
Taxes payable	7,850	6,679
Deferred income tax liabilities	817	827
Other liabilities	29,757	26,471
	<hr/>	<hr/>
Total liabilities	3,298,869	3,207,712
	<hr/> <hr/>	<hr/> <hr/>

UNAUDITED CONSOLIDATED BALANCE SHEET (CONTINUED)*(Expressed in millions of Renminbi unless otherwise stated)***31 March 2013** 31 December 2012**Shareholders' equity**

Share capital	21,577	21,577
Capital reserve	38,780	37,545
Among which: investment revaluation reserve	1,272	37
Hedge reserve	(371)	(261)
Surplus reserve	18,618	18,618
Statutory general reserve	39,263	39,195
Retained profits	97,853	85,025
Among which: proposed dividend appropriations	13,593	13,593
Foreign currency translation reserve	(1,323)	(1,265)
	<hr/>	<hr/>
Total equity attributable to the Bank's shareholders	214,397	200,434
Minority interests	160	73
	<hr/>	<hr/>
Total shareholders' equity	214,557	200,507
	<hr/>	<hr/>
Total liabilities and shareholders' equity	3,513,426	3,408,219
	<hr/> <hr/>	<hr/> <hr/>

This financial statement was approved by the Board of Directors on 26 April 2013.

UNAUDITED BALANCE SHEET

(Expressed in millions of Renminbi unless otherwise stated)

31 March 2013 31 December 2012

Assets

Cash	12,186	12,145
Balances with central bank	447,450	454,498
Balances with banks and other financial institutions	101,761	274,614
Placements with banks	84,971	85,981
Financial assets purchased under agreements to resell	255,042	106,965
Loans and advances	1,792,574	1,720,403
Interest receivables	15,014	12,346
Financial assets as at fair value through profit or loss	19,980	22,058
Derivative financial assets	2,687	1,866
Available-for-sale financial assets	288,421	274,370
Long term equity investments	35,299	35,292
Held-to-maturity investments	197,586	172,994
Receivables	32,691	33,426
Fixed assets	15,874	15,592
Investment properties	367	325
Intangible assets	1,698	1,760
Deferred income tax assets	5,171	4,838
Other assets	17,453	8,171
Total assets	3,326,225	3,237,644

Liabilities

Deposits from banks and other financial institutions	239,069	253,134
Placements from banks	42,556	66,431
Financial assets sold under repurchase agreement	51,432	157,753
Deposits from customers	2,619,293	2,426,474
Interests payable	23,863	23,281
Financial liabilities at fair value through profit or loss	25,630	6,355
Derivative financial liabilities	4,157	2,673
Bonds payable	71,412	69,083
Salaries and welfare payable	3,146	3,766
Taxes payable	7,386	6,401
Other liabilities	20,615	18,009
Total liabilities	3,108,559	3,033,360

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

31 March 2013 31 December 2012

Shareholders' equity

Share capital	21,577	21,577
Capital reserve	47,808	46,620
Among which: investment revaluation reserve	1,142	(46)
Hedge reserve	(371)	(261)
Surplus reserve	18,618	18,618
Statutory general reserve	38,849	38,849
Retained profits	91,185	78,881
Among which: proposed dividend appropriations	13,593	13,593
	<hr/>	<hr/>
Total shareholders' equity	217,666	204,284
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities and shareholders' equity	3,326,225	3,237,644
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

This financial statement was approved by the Board of Directors on 26 April 2013.

UNAUDITED CONSOLIDATED INCOME STATEMENTS*(Expressed in millions of Renminbi unless otherwise stated)***For the period from January to
March ended 31 March**

	2013	2012
Operating income	30,849	28,385
Interest income	38,584	36,006
Interest expense	(15,540)	(14,458)
Net interest income	23,044	21,548
Fee and commission income	6,903	5,152
Fee and commission expense	(430)	(312)
Net fee and commission income	6,473	4,840
Net gain arising from change in fair value	471	32
Net gain arising from investments	1,010	1,433
Net gain/(loss) arising from foreign exchange	(286)	436
Insurance operating income	137	96
Other net income	1,332	1,997
Operating expense		
Business tax and surcharges	(2,015)	(1,873)
Operating and administrative expense	(9,610)	(9,044)
Impairment losses on assets	(2,062)	(1,982)
Provision for insurance claims	(86)	(76)
	(13,773)	(12,975)
Operating profit	17,076	15,410
<i>Add:</i> non-operating income	139	86
<i>Less:</i> non-operating expense	(10)	(9)

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

	For the period from January to March ended 31 March	
	2013	2012
Total profit	17,205	15,487
<i>Less: income tax expense</i>	<u>(4,187)</u>	<u>(3,845)</u>
Net profit	<u>13,018</u>	<u>11,642</u>
Net profit attributable to the Bank's shareholders	13,021	11,643
Minority interests	<u>(3)</u>	<u>(1)</u>
	<i>In RMB Yuan</i>	<i>In RMB Yuan</i>
Earnings per share		
Basic earnings per share	0.60	0.54
Diluted earnings per share	<u>0.60</u>	<u>0.54</u>

This financial statement was approved by the Board of Directors on 26 April 2013.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*(Expressed in millions of Renminbi unless otherwise stated)*

	For the period from January to March ended 31 March	
	2013	2012
Net profit for the period	13,018	11,642
Net profit attributable to the Bank's shareholders	13,021	11,643
Net profit attributable to the minority shareholders	(3)	(1)
Other comprehensive income for the period (after tax and reclassification adjustments)		
Exchange differences	(58)	8
Net movement in fair value reserve of available-for-sale financial assets	1,235	401
Effective portion of movements in fair value of cash flow hedge	(110)	(161)
Total other comprehensive income for the period	1,067	248
Total comprehensive income for the period	14,085	11,890
Total comprehensive income attributable to the Bank's shareholders	14,088	11,891
Total comprehensive income attributable to the minority shareholders	(3)	(1)

This financial statement was approved by the Board of Directors on 26 April 2013.

UNAUDITED INCOME STATEMENTS

(Expressed in millions of Renminbi unless otherwise stated)

For the period from January to
March ended 31 March

	2013	2012
Operating income	29,404	27,232
Interest income	36,820	34,453
Interest expense	(14,614)	(13,588)
Net interest income	22,206	20,865
Fee and commission income	6,487	4,888
Fee and commission expense	(407)	(291)
Net fee and commission income	6,080	4,597
Net gain arising from change in fair value	470	5
Net gain arising from investments	988	1,390
Net gain/(loss) arising from foreign exchange	(340)	375
Other net income	1,118	1,770
Operating expense		
Business tax and surcharges	(1,976)	(1,830)
Operating and administrative expense	(9,200)	(8,673)
Provision for impairment of assets	(1,973)	(1,921)
	(13,149)	(12,424)

UNAUDITED INCOME STATEMENTS (CONTINUED)*(Expressed in millions of Renminbi unless otherwise stated)***For the period from January to
March ended 31 March**

	2013	2012
Operating profit	16,255	14,808
<i>Add: non-operating income</i>	45	28
<i>Less: non-operating expense</i>	(10)	(9)
	<hr/>	<hr/>
Total profit	16,290	14,827
<i>Less: income tax expense</i>	(3,986)	(3,706)
	<hr/>	<hr/>
Net profit	12,304	11,121
	<hr/> <hr/>	<hr/> <hr/>

This financial statement was approved by the Board of Directors on 26 April 2013.

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME*(Expressed in millions of Renminbi unless otherwise stated)*

	For the period from January to March ended 31 March	
	2013	2012
Net profit for the period	12,304	11,121
Other comprehensive income for the period (after tax and reclassification adjustments)		
Net movement in fair value reserve of available-for-sale financial assets	1,188	323
Effective portion of movements in fair value of cash flow hedge	(110)	(161)
Total other comprehensive income for the period	1,078	162
Total comprehensive income for the period	13,382	11,283

This financial statement was approved by the Board of Directors on 26 April 2013.

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT*(Expressed in millions of Renminbi unless otherwise stated)***For the period from January to
March ended 31 March**

	2013	2012
Cash flow from operating activities		
Net increase in deposits from customers	196,903	39,434
Net increase in placements from banks and financial assets sold under agreements to repurchase	–	35,493
Net increase in deposits from banks and other financial institutions	–	42,315
Net decrease in placements with banks and other financial institutions	145,044	–
Net recoveries of loans and advances previously written off	15	6
Cash received from interest, fee and commission	37,723	34,320
Cash received from other operating activities	3,028	16,130
Sub-total of cash inflow from operating activities	382,713	167,698
Net increase in loans and advances	(86,204)	(61,255)
Net increase in placements with banks and financial assets purchased under agreements to resell	(118,413)	(63,979)
Net increase in balances with central bank	(7,020)	(8,253)
Net decrease in placements from banks and financial assets sold under agreements to repurchase	(117,866)	–
Net decrease in placements from banks and other financial institutions	(14,981)	–
Net increase in balances with banks and other financial institutions	–	(3,959)
Cash paid for interest, fee and commission	(14,126)	(13,306)
Cash payments to and for employees	(6,819)	(4,547)
Income taxes and other taxes and fees paid	(4,995)	(3,747)
Other cash payments relating to operating activities	(9,506)	(5,887)
Sub-total of cash outflow from operating activities	(379,930)	(164,933)
Net cash flow from operating activities	2,783	2,765
Cash flow from investing activities		
Cash received from recovery of investments	384,399	247,590
Cash received from return on investments	4,060	3,716
Cash received from disposal of fixed assets and other assets	2	3
Sub-total of cash inflow from investing activities	388,461	251,309

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

	For the period from January to March ended 31 March	
	2013	2012
Cash paid for investments	(446,644)	(264,854)
Cash paid for purchase and construction of fixed assets and other assets	(209)	(199)
Sub-total of cash outflow from investing activities	(446,853)	(265,053)
Net cash flow from investing activities	(58,392)	(13,744)
Cash flow from financing activities		
Cash received from minority shareholders	89	–
Cash received from issue of financial bills	–	20,000
Cash received from issue of certificates of deposits	6,802	7,354
Sub-total of cash inflow from financing activities	6,891	27,354
Repayment of certificates of deposit issued	(3,770)	(6,813)
Interest paid for issuance of debt securities	(925)	(33)
Expenses paid for issue of financial bills	–	(3,013)
Sub-total of cash outflow from financing activities	(4,695)	(9,859)
Net cash flow from financing activities	2,196	17,495
Effect of exchange differences on cash	(28)	(200)
Net increase in cash and cash equivalents	(53,441)	6,316
<i>Add:</i> balance of cash and cash equivalents at the beginning of the period	452,855	219,151
Balance of cash and cash equivalents at the end of the period	399,414	225,467

This financial statement was approved by the Board of Directors on 26 April 2013.

UNAUDITED CASH FLOW STATEMENT

(Expressed in millions of Renminbi unless otherwise stated)

For the period from January to
March ended 31 March

	2013	2012
Cash flow from operating activities		
Net increase in deposits from customers	192,819	37,852
Net increase in placements from banks and financial assets sold under agreements to repurchase	–	39,213
Net increase in deposits from banks and other financial institutions	–	40,260
Net decrease in placements with banks and other financial institutions	134,704	–
Net recoveries of loans and advances previously written off	5	6
Cash received from interest, fee and commission	36,677	33,399
Cash received from other operating activities	865	11,647
Sub-total of cash inflow from operating activities	365,070	162,377
Net increase in loans and advances	(73,749)	(57,968)
Net increase in placements with banks and financial assets purchased under resale agreement	(101,426)	(62,873)
Net increase in balances with central bank	(7,073)	(8,174)
Net decrease in placements from banks and financial assets sold under agreements to repurchase	(130,196)	–
Net decrease in placements from banks and other financial institutions	(14,065)	–
Net increase in balances with banks and other financial institutions	–	(4,126)
Cash paid for interest, fee and commission	(13,737)	(12,337)
Cash payments to and for employees	(6,647)	(4,400)
Income tax and other taxes and fees paid	(4,820)	(3,671)
Other cash payments relating to operating activities	(9,186)	(5,677)
Sub-total of cash outflow from operating activities	(360,899)	(159,226)
Net cash flow from operating activities	4,171	3,151

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

	For the period from January to March ended 31 March	
	2013	2012
Cash flow from investing activities		
Cash received from recovery of investments	382,737	242,312
Cash received from return on investments	3,962	3,594
Cash received from disposal of fixed assets and other assets	<u>2</u>	<u>3</u>
Sub-total of cash inflow from investing activities	386,701	245,909
Cash paid for bond investments	(443,610)	(263,126)
Capital increase in subsidiaries	–	(2,000)
Cash paid for purchase and construction of fixed assets and other assets	<u>(205)</u>	<u>(193)</u>
Sub-total of cash outflow from investing activities	(443,815)	(265,319)
Net cash flow from investing activities	(57,114)	(19,410)
Cash flow from financing activities		
Cash received from issue of financial bills	–	20,000
Cash received from issue of certificates of deposits	<u>4,653</u>	<u>1,524</u>
Sub-total of cash inflow from financing activities	4,653	21,524
Repayment of certificates of deposits issued	(1,047)	(2,222)
Expenses paid for issue of financial bills	–	(3,013)
Interest paid for issuance of debt securities	<u>(890)</u>	<u>(22)</u>
Sub-total of cash outflow from financing activities	(1,937)	(5,257)

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

	For the period from January to March ended 31 March	
	2013	2012
Net cash flow from financing activities	<u>2,716</u>	<u>16,267</u>
Effect of exchange differences on cash	<u>(102)</u>	<u>(233)</u>
Net decrease in cash and cash equivalents	<u>(50,329)</u>	<u>(225)</u>
<i>Add:</i> balance of cash and cash equivalents at the beginning of the period	<u>436,259</u>	<u>200,941</u>
Balance of cash and cash equivalents at the end of the period	<u><u>385,930</u></u>	<u><u>200,716</u></u>

This financial statement was approved by the Board of Directors on 26 April 2013.