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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)**

## **FIRST QUARTERLY REPORT OF 2016**

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

All financial information set out in this quarterly report is unaudited and prepared in accordance with the International Financial Reporting Standards.

This announcement is made by the Company pursuant to Rule 13.09 and Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

### **§1 IMPORTANT NOTICE**

- 1.1 The Board of Directors, the Board of Supervisors, directors, supervisors and senior management of China Merchants Bank Co., Ltd. will individually and jointly accept full responsibility for the truthfulness, accuracy and completeness of the contents in this report, and confirm that there are no false representations, misleading statements, or material omissions contained herein.
- 1.2 None of the directors, supervisors and senior management has made any statement that he/she is unable to warrant or object to the truthfulness, accuracy and completeness of the information contained in the quarterly report.
- 1.3 The 46th meeting of the Ninth Session of the Board of Directors of the Company has approved the first quarterly report of 2016 of the Company through voting by correspondence. 16 out of the 16 directors attended and voted at the meeting.
- 1.4 All financial statements set out in this report are prepared in accordance with the International Financial Reporting Standards and are unaudited. The unaudited quarterly report prepared by the Company in accordance with the PRC Accounting Standards has been published on the website of Shanghai Stock Exchange. 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. Li Jianhong, Chairman of the Board of Directors of the Company, Mr. Tian Huiyu, the President, Mr. Li Hao, the First Executive Vice President and Chief Financial Officer, and Mr. Wang Tao, who is in charge of the Finance and Accounting 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 and financial indicators of the Group

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

	<b>At the end of the reporting period 31 March 2016</b>	At the end of last year 31 December 2015	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
Total Assets	<b>5,432,042</b>	5,474,978	(0.78)
Equity attributable to shareholders of the Bank	<b>379,140</b>	360,806	5.08
Net assets per share attributable to shareholders of the Bank ( <i>in RMB Yuan</i> )	<b>15.03</b>	14.31	5.03
	<b>The reporting period January to March 2016</b>	The corresponding period of last year January to March 2015	Increase/Decrease of the reporting period as compared to the corresponding period of last year (%)
Net cash flow from operating activities	<b>(284,986)</b>	31,161	(1,014.56)
Net cash flow from operating activities per share ( <i>in RMB Yuan</i> )	<b>(11.30)</b>	1.24	(1,011.29)
	<b>The reporting period January to March 2016</b>	The corresponding period of last year January to March 2015	Increase/Decrease of the reporting period as compared to the corresponding period of last year (%)
Net operating income	<b>58,353</b>	50,842	14.77
Net profit attributable to shareholders of the Bank	<b>18,350</b>	17,220	6.56
Basic earnings per share attributable to shareholders of the Bank ( <i>in RMB Yuan</i> )	<b>0.73</b>	0.68	7.35
Diluted earnings per share attributable to shareholders of the Bank ( <i>in RMB Yuan</i> )	<b>0.73</b>	0.68	7.35
Annualized weighted average return on net assets attributable to shareholders of the Bank (%)	<b>19.84</b>	21.33	Decrease of 1.49 percentage points

## 2.2 Explanation on the differences between the financial statements prepared in accordance with the PRC Accounting Standards and the International Financial Reporting Standards

In the financial statements prepared by the Group in accordance with the PRC Accounting Standards and the International Financial Reporting Standards, there has been no difference in the net profit attributable to the Bank's shareholders for the reporting period ended 31 March 2016 and the equity attributable to shareholders of the Bank at the end of the reporting period.

## 2.3 Analysis of capital adequacy ratios as at the end of the reporting period

The Company continued to optimize its business structure and enhance capital management, and has satisfied all capital requirements of China Banking Regulatory Commission (the "CBRC") during the reporting period. The capital adequacy ratio of the Company generally remained stable and the Company has maintained a balanced growth of internal capital.

As at 31 March 2016, the capital adequacy ratio and the Tier 1 capital adequacy ratio of the Group under the advanced approach were 13.94% and 12.13%, respectively.

<b>The Group</b>	<b>At the end of the reporting period 31 March 2016</b>	At the end of last year 31 December 2015	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
<i>(in millions of RMB, except for percentages)</i>			
<b>Capital adequacy ratios under the advanced approach<sup>(1)</sup></b>			
1. Net core Tier 1 capital	<b>365,434</b>	347,434	5.18
2. Net Tier 1 capital	<b>365,446</b>	347,444	5.18
3. Net capital	<b>419,951</b>	403,409	4.10
4. Core Tier 1 capital adequacy ratio	<b>12.13%</b>	10.83%	Increase of 1.30 percentage points
5. Tier 1 capital adequacy ratio	<b>12.13%</b>	10.83%	Increase of 1.30 percentage points
6. Capital adequacy ratio	<b>13.94%</b>	12.57%	Increase of 1.37 percentage points
<b>Information on leverage ratio<sup>(2)</sup></b>			
7. Total on and off balance sheet assets after adjustment	<b>6,233,876</b>	6,275,592	(0.66)
8. Leverage ratio	<b>5.86%</b>	5.54%	Increase of 0.32 percentage point

*Note 1:* The “advanced approach” refers to the advanced measurement approach set out in the “Capital Rules for Commercial Banks (Provisional)” issued by CBRC on 7 June 2012 (same as below). Under the advanced approach, the core Tier 1 capital adequacy ratio and the Tier 1 capital adequacy ratio of the Group and the Company remain consistent. In accordance with the requirements of the advanced approach, the scope of entities for calculating the capital adequacy ratio of the Group shall include China Merchants Bank Co., Ltd. and its subsidiaries. The scope of entities for calculating the capital adequacy ratio of the Company shall include all the domestic and overseas branches and sub-branches of China Merchants Bank. As at 31 March 2016, the Group’s subsidiaries for calculating its capital adequacy ratio included Wing Lung Bank Limited, CMB International Capital Corporation Limited, CMB Financial Leasing Co., Ltd. and China Merchants Fund Management Co., Ltd. During the parallel run period when the advanced capital measurement approaches were implemented, a commercial bank shall use the capital floor adjustment co-efficients to adjust the amount of its risk-weighted assets multiplying the sum of its minimum capital requirement and reserve capital requirement, total amount of capital deductions and the provision for excessive loan loss which can be included into capital. The capital floor adjustment co-efficients shall be 95%, 90% and 80% respectively in the first year, the second year, and the third and subsequent years during the parallel run period. 2016 is the second year since implementation of the parallel run period.

*Note 2:* Since 2015, the leverage ratio shall be calculated based on the “Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)” promulgated by CBRC on 12 February 2015. In 2014, the leverage ratio and total on and off balance sheet assets were still calculated based on the “Measures for the Administration of the Leverage Ratio of Commercial Banks” promulgated by CBRC on 1 June 2011.

As at 31 March 2016, the capital adequacy ratio and the Tier 1 capital adequacy ratio of the Company under the advanced approach were 13.66% and 11.85% respectively.

	<b>At the end of the reporting period 31 March 2016</b>	At the end of last year 31 December 2015	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
<b>The Company</b>			
	<i>(in millions of RMB, except for percentages)</i>		

**Capital adequacy ratios under  
the advanced approach**

1. Net core Tier 1 capital	<b>325,387</b>	307,888	5.68
2. Net Tier 1 capital	<b>325,387</b>	307,888	5.68
3. Net capital	<b>375,121</b>	360,460	4.07
4. Core Tier 1 capital adequacy ratio	<b>11.85%</b>	10.38%	Increase of 1.47 percentage points
5. Tier 1 capital adequacy ratio	<b>11.85%</b>	10.38%	Increase of 1.47 percentage points
6. Capital adequacy ratio	<b>13.66%</b>	12.15%	Increase of 1.51 percentage points

As at 31 March 2016, the capital adequacy ratio of the Group under the weighted approach was 12.51%, and its Tier 1 capital adequacy ratio was 10.48%.

	<b>At the end of the reporting period 31 March 2016</b>	At the end of last year 31 December 2015	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
<b>The Group</b>			
<b>The capital adequacy ratios under the weighted approach<sup>(1)</sup></b>			
1. Tier 1 capital adequacy ratio	<b>10.48%</b>	9.93%	Increase of 0.55 percentage point
2. Capital adequacy ratio	<b>12.51%</b>	11.91%	Increase of 0.60 percentage point

*Note 1:* The “weighted approach” refers to the weighted approach for credit risk, the standardised method for market risk and the basic indicator method for operational risk adopted by the Group to calculate its risk-weighted assets in accordance with the provisions of the “Capital Rules for Commercial Banks (Provisional)” before the adoption of the advanced approach. Same as below.

As at 31 March 2016, the capital adequacy ratio of the Company under the weighted approach was 12.12%, and its Tier 1 capital adequacy ratio was 10.08%.

	<b>At the end of the reporting period 31 March 2016</b>	At the end of last year 31 December 2015	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
<b>The Company</b>			
<b>The capital adequacy ratios under the weighted approach</b>			
1. Tier 1 capital adequacy ratio	<b>10.08%</b>	9.44%	Increase of 0.64 percentage point
2. Capital adequacy ratio	<b>12.12%</b>	11.46%	Increase of 0.66 percentage point

**2.4 Total number of shareholders, the top ten 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      262,669**

Top ten shareholders and the top ten shareholders whose shares are not subject to trading moratorium							
No.	Name of shareholder	Nature of shareholder	Percentage of shareholding (%)	Number of shares held (share)	Class of Shares	Number of shares subject to trading moratorium (share)	Shares pledged or frozen (share)
1	HKSCC Nominees Limited	/	18.00	4,538,810,266	H Shares	–	–
2	China Merchants Steam Navigation Company Ltd.	State-owned legal person	13.04	3,289,470,337	A Shares not subject to trading moratorium	–	–
3	Anbang Property & Casualty Insurance Company Ltd. – conventional products	Domestic legal person	10.72	2,704,596,216	A Shares not subject to trading moratorium	–	–
4	China Ocean Shipping (Group) Company	State-owned legal person	6.24	1,574,729,111	A Shares not subject to trading moratorium	–	–
5	Shenzhen Yan Qing Investment and Development Company Ltd.	State-owned legal person	4.99	1,258,542,349	A Shares not subject to trading moratorium	–	–
6	China Merchants Finance Investment Holdings Co., Ltd.	State-owned legal person	4.55	1,147,377,415	A Shares not subject to trading moratorium	–	–
7	Shenzhen Chu Yuan Investment and Development Company Ltd.	State-owned legal person	3.74	944,013,171	A Shares not subject to trading moratorium	–	–
8	China Securities Finance Corporation Limited	Domestic legal person	3.31	835,608,894	A Shares not subject to trading moratorium	–	–
9	Guangzhou Maritime Transport (Group) Co., Ltd.	State-owned legal person	2.76	696,450,214	A Shares not subject to trading moratorium	–	–
10	China Communications Construction Company Limited	State-owned legal person	1.78	450,164,945	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:* Of the aforesaid top 10 shareholders, China Merchants Steam Navigation Company Ltd., Shenzhen Yan Qing Investment and Development Company Ltd., Shenzhen Chu Yuan Investment and Development Company Ltd. and China Merchants Finance Investment Holdings Co., Ltd. are subsidiaries of China Merchants Group Ltd. As at 31 March 2016, China Merchants Group Ltd. held an aggregate of 29.97% of the total issued shares of the Company by way of equity interest/right of control/companies controlled by the parties acting in concert (please refer to section 3.2 of this report for details of the update on the progress in the application by China Merchants Group Ltd. for a waiver from the obligation to make a general offer). Guangzhou Maritime Transport (Group) Company Ltd. is a wholly-owned subsidiary of China Shipping (Group) Company. The former China Ocean Shipping (Group) Company and China Shipping (Group) Company were reorganised and merged into China COSCO Shipping Corporation Limited under the direction of the State Council. China COSCO Shipping Corporation Limited was established on 18 February 2016. Up to now, the relevant reorganisation are still in progress and the asset consolidation of the two companies has not been completed. Further announcement(s) will be made by the Company in accordance with the relevant requirements upon completion of such matters. The Company is not aware of any affiliated relationships among other shareholders.

*Note 3:* The above shareholders did not hold the shares of the Company through credit securities accounts.

## **2.5 Management discussion and analysis**

### ***2.5.1 Analysis of operating status of the Group***

As at the end of March 2016, total assets of the Group amounted to RMB5,432.042 billion, representing a decrease of 0.78% as compared with the beginning of the year; and its total liabilities amounted to RMB5,051.991 billion, representing a decrease of 1.20% as compared with the beginning of the year. Total deposits from customers amounted to RMB3,579.090 billion, representing an increase of 0.21% as compared with the beginning of the year. Total loans and advances amounted to RMB2,932.746 billion, representing an increase of 3.84% as compared with the beginning of the year.

For the period from January to March 2016, the Group realized a net profit attributable to shareholders of the Bank of RMB18.350 billion, representing a year-on-year increase of 6.56%, and net operating income of RMB58.353 billion, among which, net interest income amounted to RMB34.306 billion, representing a year-on-year increase of 2.17%, and accounting for 58.79% of the net operating income. For the period from January to March 2016, net interest spread and net interest margin were 2.49% and 2.62%, respectively, representing a year-on-year decrease of 0.23 percentage point and 0.28 percentage point, respectively and a quarter-on-quarter decrease of 0.13 percentage point and 0.15 percentage point, respectively. Net fee and commission income increased rapidly by 28.34% to RMB19.824 billion from that of the corresponding period of the previous year, accounting for 33.97% of the net operating income, up by 3.59 percentage points from that of the corresponding period of the previous year, and other net income amounted to RMB4.144 billion, representing a year-on-year increase of 136.53%, primarily due to increase in bills spread income and investment income in precious metals. The cost-to-income ratio (excluding business tax and surcharges) of the Group was 21.64%, representing a year-on-year decrease of 2.46 percentage points. Since 2016, the Group has reclassified the income from precious metal leasing from net non-interest income to net interest income and the relevant data has been restated.

As at the end of March 2016, the balance of non-performing loans of the Group amounted to RMB53.066 billion, representing an increase of RMB5.656 billion as compared with the beginning of the year; the non-performing loan ratio was 1.81%, up by 0.13 percentage point as compared with the beginning of the year; and the allowance coverage ratio of our non-performing loans was 183.26%, up by 4.31 percentage points as compared with the beginning of the year; the allowance-to-loan ratio was 3.32%, up by 0.32 percentage point as compared with the beginning of the year.

### ***2.5.2 Analysis of operating status of the Company***

During the period from January to March 2016, the Company maintained steady business development as a whole:

**Both our assets and liabilities decreased moderately.** As at the end of March 2016, total assets of the Company amounted to RMB5,151.308 billion, representing a decrease of 1.09% as compared with the beginning of the year; while total liabilities amounted to RMB4,781.765 billion, representing a decrease of 1.53% as compared with the beginning of the year. Total loans and advances amounted to RMB2,696.425 billion, representing an increase of 4.14% as compared with the beginning of the year, among which, corporate loans, retail loans and discounted bills accounted for 47.16%, 46.96% and 5.88%, respectively. Total deposits from customers amounted to RMB3,434.111 billion, representing an increase of 0.37% as compared with the beginning of the year, among which, demand deposits and time deposits accounted for 60.31% and 39.69%, respectively. Among the demand deposits, corporate deposits accounted for 61.09% while retail deposits accounted for 38.91%; and among the time deposits, corporate deposits accounted for 77.93% while retail deposits accounted for 22.07%.

**Our profits grew steadily.** During the period from January to March 2016, the Company realized a net profit of RMB17.273 billion, representing a year-on-year increase of 7.25%. The Company realized net operating income of RMB55.756 billion, among which, net interest income amounted to RMB33.399 billion, representing a year-on-year increase of 3.06%, and accounting for 59.90% of the net operating income. Since the effect of five interest rate cuts in 2015 was materialized upon the re-pricing of the assets and liabilities of the Company, net interest spread and net interest margin of the Company during the period from January to March 2016 were 2.55% and 2.68%, respectively, representing a year-on-year decrease of 0.23 percentage point and 0.28 percentage point, respectively, and a quarter-on-quarter decrease of 0.13 percentage point and 0.15 percentage point, respectively. As retail finance business continued to increase its contribution, the net operating income from retail finance business amounted to RMB27.250 billion, representing a year-on-year increase of 26.43%, and accounting for 48.87% of the Company's net operating income.



**Net non-interest income grew rapidly.** During the period from January to March 2016, the Company continued to aggressively expand its wealth management services and sales of third party insurance policies among other businesses, leading to a relatively rapid growth in non-interest income. During the period from January to March 2016, the Company realised a net non-interest income of RMB22.357 billion, representing a year-on-year increase of 39.76%. The proportion of the net non-interest income to our operating income was 40.10%, representing a year-on-year increase of 7.05 percentage points. Fee and commission income amounted to RMB19.795 billion, representing a year-on-year increase of 28.56%, among which, fees and commission income from wealth management services amounted to RMB11.079 billion, representing a year-on-year increase of 72.81% (specifically, income from entrusted wealth management services amounted to RMB5.060 billion, representing a year-on-year increase of 101.03%; income from sales of third party insurance policies amounted to RMB2.874 billion, representing a year-on-year increase of 221.12%; income from sales of mutual fund amounted to RMB2.159 billion, representing a year-on-year increase of 13.75%; income from sales of third-party trust programmes amounted to RMB906 million, representing a year-on-year decrease of 13.63%; income from trading in precious metals on behalf of customers amounted to RMB80 million).

**The operational efficiency was kept at a satisfactory level.** During the period from January to March 2016, the operating expenses of the Company amounted to RMB15.112 billion, representing a year-on-year increase of 4.01%. Cost-to-income ratio (excluding business tax and surcharges) was 21.20%, representing a year-on-year decrease of 2.61 percentage points. The Company further increased control on expenses, and as a result, our operating cost grew slower than our operating income.

**The capital utilisation efficiency remained stable.** As at the end of the reporting period, the capital adequacy ratio and Tier 1 capital adequacy ratio of the Company measured under the advanced approach were 13.66% and 11.85%, respectively; up by 1.51 percentage point and 1.47 percentage point respectively as compared with the end of the previous year. The risk adjusted return on capital (RAROC) before tax was 29.87%, maintaining at a level which was significantly higher than the capital cost.

**The risk of our asset quality was generally controllable.** As at the end of March 2016, the balance of the Company's non-performing loans amounted to RMB51.262 billion, representing an increase of RMB4.564 billion as compared with the beginning of the year, and the non-performing loan ratio was 1.90%, up by 0.10 percentage point as compared with the beginning of the year. The Company actively responded to the macroeconomic downturn risk by adhering to the steady development and curbing the rise of risks, sticking to innovation and reform and aggressively disposing of risky assets. For credit grants, the Company attached importance to structural adjustment, and implemented the control list system which focused on the regional advantaged industries and leading enterprises to acquire customers. The Company adopted the Iron-Triangle Mechanism of which the customer manager, product manager and risk manager were all involved in the marketing at the same time to fortify the first risk defense line, and implemented a primary-responsible-person system for credit business; continued to tighten control over asset quality by increasing investigation of risks associated with a single client, strengthening screening of portfolio risks based on the centralised risk management and firmly carrying out the policy of reducing exposure to high-risk sectors, namely overcapacity industries, private groups with high-amount risks, small enterprises, and private guarantee companies; enhanced

risk-prevention capability for emerging financing business by identifying risks associated with underlying assets, and incorporating them in the centralised risk management. The Company accelerated collection of non-performing assets, innovated disposal approaches and improved its capability to dispose of non-performing assets in market-oriented and diversified manners in order to ensure the asset quality is stable and kept under control.

**The provisions for risk-bearing loans were sufficient.** The Company continued to adopt a stable and adequate policy and further increased provisions for risks associated with overcapacity industries. As at the end of March 2016, the balance of allowance for impairment losses on loans of the Company amounted to RMB94.863 billion, representing an increase of RMB12.167 billion as compared with the beginning of the year. The non-performing loan allowance coverage ratio was 185.06%, representing an increase of 7.97 percentage points as compared with the beginning of the year; the allowance-to-loan ratio was 3.52%, representing an increase of 0.33 percentage point as compared with the beginning of the year.

### §3 SIGNIFICANT EVENTS

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

The table below sets out the major accounting items with a change rate over 30% and their reasons:

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

Major items	As at 31 March 2016	Changes as compared to the end of last year	Major reasons
Financial assets purchased under agreements to resell	186,510	(45.77%)	Bills purchased under agreements to resell, the decrease in bond business
Derivative financial assets	13,408	31.76%	Increase in currency-related derivative financial assets held for trading
Other assets	19,025	48.08%	Increase in amounts pending for settlement
Borrowings from the central bank	101,600	62.30%	Increase in borrowings from central bank through “standing lending facilities”
Placements from banks	110,669	(38.09%)	Decrease in placements from domestic banks and other financial institutions
Financial assets sold under agreements to repurchase	117,371	(36.78%)	Decrease in proceeds from disposal of bonds under agreements to repurchase
Derivative financial liabilities	10,969	44.81%	Increase in currency-related derivative financial liabilities held for trading
Bonds payable	353,156	40.42%	Increase in the issuance of certificates of interbank deposits
Taxes payable	21,314	66.26%	Increase in enterprise income tax payable

<b>Major items</b>	<b>January to March 2016</b>	<b>Changes as compared to the corresponding period of last year</b>	<b>Major reasons</b>
Other net income	4,144	136.53%	Increases in spread income of bills and investment income from precious metals
Impairment losses on assets	(18,516)	45.29%	Increase in the allowance made for loan impairment losses

### **3.2 Update on the progress in the application by China Merchants Group for a waiver from the obligation to make a general offer**

On 28 December 2015, the State-owned Assets Supervision and Administration Commission of the State Council (“SASAC of the State Council”) issued the Notice Regarding the Reorganization Between China Merchants Group Ltd. (“China Merchants Group”) and Sinotrans & CSC Holdings Co., Ltd. (Guo Zi Fa Gai Ge [2015] No. 181) (《關於招商局集團有限公司和中國外運長航集團有限公司重組的通知》(國資發改革[2015]181號)), pursuant to which the State Council approved the SASAC of the State Council to allocate the entirety of Sinotrans & CSC Holdings Co., Ltd. into China Merchants Group at nil consideration. On 24 February 2016, the Enterprise Property Right Registration Form (《企業產權登記表》) of Sinotrans & CSC Holdings Co., Ltd. was confirmed by the SASAC of the State Council, and China Merchants Group is registered as the capital contributor of Sinotrans & CSC Holdings Co., Ltd.. The 22,207,847 shares in China Merchants Bank (representing approximately 0.09% of the total share capital of the Company) held by Sinotrans & CSC Holdings Co., Ltd. and its subsidiary Wuhan Changjiang Shipping Company (武漢長江輪船公司) are indirectly held by China Merchants Group (the “Change in Shareholding”). Upon completion of the Change in Shareholding, the aggregate number of shares in the Company which will be effectively controlled by China Merchants Group (including those held by Sinotrans & CSC Holdings Co., Ltd. and Wuhan Changjiang Shipping Company) will be 7,581,635,222, accounting for approximately 30.06% of the total share capital of the Company (hereinafter referred to as the “Acquisition”).

The Acquisition would trigger an obligation to make a general offer, and China Merchants Steam Navigation Co., Ltd. as the applicant has applied to the China Securities Regulatory Commission (the “CSRC”) for a waiver from the obligation to make a general offer. Matters relevant to the change in equity interest of major shareholders incidental to the Change in Shareholding are subject to review by the China Banking Regulatory Commission. As regards the Change in Shareholding, the Executive of the Securities and Futures Commission of Hong Kong has granted a waiver to China Merchants Group from the obligation to make a general offer to acquire the shares of China Merchants Bank under Rule 26 of The Codes on Takeovers and Mergers and Share Buy-backs as a result of the Change in Shareholding.

As at the date of the report, the approval procedures for the Change in Shareholding have not been completed yet. The Company will make announcements in respect of the progress in a timely manner according to relevant regulations.

For details, please refer to the Indicative Announcement Regarding Important Notice from a Shareholder, Indicative Announcement Regarding Disclosure of Acquisition Report (Summary) by Shareholder(s) and the Acquisition Report (Summary) of China Merchants Bank Co., Ltd. and Announcement on Delay in Responding to the Feedback Opinions of CSRC published by the Company on the websites of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)), The Stock Exchange of Hong Kong Limited ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.cmbchina.com](http://www.cmbchina.com)) on 29 February 2016 and 22 April 2016 respectively.

### **3.3 Performance of undertakings given by shareholders holding more than 5% of our shares**

In the course of the rights issue of A shares and H shares in 2013, China Merchants Group, China Merchants Steam Navigation Company Ltd. and China Ocean Shipping (Group) Company had individually undertaken that they will not seek for related-party transactions on terms more favorable than those given to other shareholders; they will repay the principal and interest thereon to the Company when the same falls due; they will not intervene with the ordinary operations of the Company; if they participate in the subscription of the rights shares, they will neither transfer or entrust others to manage the rights shares within five years from the transfer of such shares, nor will they seek for a repurchase by the Company of the rights shares held by them; upon expiration of the lock-up period of the rights shares, they will not transfer their rights shares until they obtain approval from the regulatory authorities on the share transfer and the shareholder qualification of transferees; they will continue to supplement the reasonable capital demand of the Company if an approval is granted by the Board of Directors and the shareholders' general meeting; they will not impose improper performance indicators on the Company. For details, please refer to the A Share Rights Issue prospectus dated 22 August 2013 on the website of Shanghai Stock Exchange and of the Company.

In order to facilitate the steady and healthy development of the capital market, China Merchants Group and its subsidiaries have undertaken not to reduce but to take opportunities to increase their shareholdings in the Company during abnormal fluctuations in the stock market. For details, please refer to the announcement dated 10 July 2015 on the website of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and of the Company.

As far as the Company is aware, as at the date of the report, the above shareholders had not violated the aforesaid undertakings.

### **3.4 Warning in respect of forecast of a probable loss or a significant change in the accumulated net profit from the beginning of the 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

### **3.5 Implementation of the cash dividend payment policy during the reporting period**

During the reporting period, as considered and approved by the 45th meeting of the ninth session of the Board of Directors of the Company, the Company proposed to transfer 10% of the profit after tax of RMB53.189 billion (as shown in the audited financial statements of the Company for 2015 prepared under the PRC GAAP), (equivalent to RMB5.319 billion) to the statutory surplus reserve, and 1.5% of the total amount of the increased risk assets (equivalent to RMB10.720 billion) to the general reserve. Based on the total number of A Shares and H Shares issue on the record date for implementation of the profit appropriation, the Company proposed to declare a cash dividend (tax inclusive) of RMB6.90 for every 10 Shares, denominated and declared in RMB, to all shareholders of the Company, payable in RMB for holders of A Shares and in HKD for holders of H Shares. The retained profit will be carried forward to the next year. The Company will not transfer any capital reserve into share capital in respect of 2015. The implementation of the proposed profit appropriation is subject to consideration and approval at the 2015 Annual General Meeting.

**The Board of Directors of  
China Merchants Bank Co., Ltd.**

28 April 2016

*As at the date of this announcement, the executive directors of the Company are Tian Huiyu and Li Hao; the non-executive directors of the Company are Li Jianhong, Ma Zehua, Li Xiaopeng, Li Yinquan, Sun Yueying, Fu Gangfeng, Hong Xiaoyuan and Su Min; and the independent non-executive directors of the Company are Leung Kam Chung, Antony, Wong Kwai Lam, Pan Chengwei, Pan Yingli, Guo Xuemeng and Zhao Jun.*

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS***(Expressed in millions of Renminbi unless otherwise stated)***For the period from January  
to March ended 31 March**

	<b>2016</b>	2015 (restated)
Interest income	<b>55,881</b>	60,042
Interest expense	<b>(21,575)</b>	(26,463)
<b>Net interest income</b>	<b>34,306</b>	33,579
Fee and commission income	<b>20,866</b>	16,367
Fee and commission expense	<b>(1,042)</b>	(921)
<b>Net fee and commission income</b>	<b>19,824</b>	15,446
<b>Other net income</b>	<b>4,144</b>	1,752
<b>Total operating income</b>	<b>58,274</b>	50,777
Operating expense	<b>(15,974)</b>	(15,327)
Provision for insurance claims	<b>(67)</b>	(75)
<b>Operating profit before impairment losses</b>	<b>42,233</b>	35,375
Impairment losses on assets	<b>(18,516)</b>	(12,744)
Gains on investment in associates	<b>1</b>	1
Gains on investment in joint ventures	<b>78</b>	64
<b>Profit before tax</b>	<b>23,796</b>	22,696
Less: income tax expense	<b>(5,377)</b>	(5,393)
<b>Net profit</b>	<b>18,419</b>	17,303
Attributable to:		
Shareholders of the Bank	<b>18,350</b>	17,220
Non-controlling interests	<b>69</b>	83
	<b>RMB</b>	RMB
<b>Earnings per share</b>		
Basic earnings per share	<b>0.73</b>	0.68
Diluted earnings per share	<b>0.73</b>	0.68

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*(Expressed in millions of Renminbi unless otherwise stated)*

	<b>For the period from January to March ended 31 March</b>	
	<b>2016</b>	2015
<b>Net profit for the period</b>	<b>18,419</b>	17,303
Net profit attributable to the Bank's shareholders	<b>18,350</b>	17,220
Net profit attributable to the Non-controlling interests	<b>69</b>	83
<b>Other comprehensive income that will be reclassified subsequently to profit or loss (after tax and reclassification adjustments)</b>		
	<b>(498)</b>	28
Exchange differences		
Equity-accounted investees-share of other comprehensive income	<b>(41)</b>	9
Net movement in fair value reserve of available-for-sale financial assets	<b>539</b>	(346)
Effective portion of changes in fair value of cash flow hedge	<b>(16)</b>	–
<b>Total other comprehensive income for the period</b>	<b>(16)</b>	(309)
<b>Total comprehensive income for the period</b>	<b>18,403</b>	16,994
Total comprehensive income attributable to shareholders of the Bank	<b>18,334</b>	16,911
Total comprehensive income attributable to the non-controlling interests	<b>69</b>	83

**UNAUDITED STATEMENT OF PROFIT OR LOSS**  
*(Expressed in millions of Renminbi unless otherwise stated)*

**For the period from January  
to March ended 31 March**

	<b>2016</b>	2015 (restated)
Interest income	<b>53,817</b>	57,739
Interest expense	<b>(20,418)</b>	(25,333)
<b>Net interest income</b>	<b>33,399</b>	32,406
Fee and commission income	<b>19,795</b>	15,397
Fee and commission expense	<b>(933)</b>	(892)
<b>Net fee and commission income</b>	<b>18,862</b>	14,505
<b>Other net income</b>	<b>3,434</b>	1,432
<b>Total operating income</b>	<b>55,695</b>	48,343
Operating expense	<b>(15,112)</b>	(14,529)
<b>Operating profit before impairment losses</b>	<b>40,583</b>	33,814
Impairment losses on assets	<b>(18,245)</b>	(12,686)
Gains on investment in joint ventures	<b>61</b>	60
<b>Profit before tax</b>	<b>22,399</b>	21,188
Less: income tax expense	<b>(5,126)</b>	(5,082)
<b>Net profit</b>	<b>17,273</b>	16,106



**UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
*(Expressed in millions of Renminbi unless otherwise stated)*

	<b>For the period from January to March ended 31 March</b>	
	<b>2016</b>	<b>2015</b>
<b>Net profit for the period</b>	<b>17,273</b>	<b>16,106</b>
<b>Other comprehensive income that will be reclassified subsequently to profit or loss (after tax and reclassification adjustments)</b>		
Exchange differences	2	9
Equity-accounted investees-share of other comprehensive income	(41)	9
Net movement in fair value reserve of available-for-sale financial assets	284	(406)
Effective portion of changes in fair value of cash flow hedge	(16)	–
<b>Total other comprehensive income for the period</b>	<b>229</b>	<b>(388)</b>
<b>Total comprehensive income for the period</b>	<b>17,502</b>	<b>15,718</b>

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***(Expressed in millions of Renminbi unless otherwise stated)*

	<b>31 March 2016</b>	31 December 2015
<b>Assets</b>		
Cash	13,805	14,381
Precious metals	13,457	16,099
Balances with central bank	581,484	569,961
Balances with banks and other financial institutions	67,288	63,779
Placements with banks	152,117	185,693
Financial assets purchased under agreements to resell	186,510	343,924
Loans and advances	2,835,496	2,739,444
Interest receivables	26,994	24,934
Financial assets at fair value through profit or loss	56,510	59,081
Derivative financial assets	13,408	10,176
Available-for-sale financial assets	319,865	299,559
Held-to-maturity investments	389,766	353,137
Investment receivables	686,317	716,064
Interest in joint ventures	2,738	2,732
Interest in associates	55	54
Fixed assets	31,739	31,835
Investment properties	1,737	1,708
Intangible assets	3,608	3,595
Goodwill	9,954	9,954
Deferred income tax assets	20,169	16,020
Other assets	19,025	12,848
	<hr/>	<hr/>
<b>Total assets</b>	<b>5,432,042</b>	<b>5,474,978</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities</b>		
Borrowings from central bank	101,600	62,600
Deposits from banks and other financial institutions	623,765	711,561
Placements from banks	110,669	178,771
Financial assets sold under agreements to repurchase	117,371	185,652
Deposits from customers	3,579,090	3,571,698
Interests payable	37,818	39,073
Financial liabilities as at fair value through profit or loss	18,617	20,227
Derivative financial liabilities	10,969	7,575
Bonds payable	353,156	251,507
Salaries and welfare payable	6,135	6,524
Taxes payable	21,314	12,820
Deferred income tax liabilities	822	867
Other liabilities	70,665	64,345
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>5,051,991</b>	<b>5,113,220</b>
	<hr/> <hr/>	<hr/> <hr/>

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
*(Expressed in millions of Renminbi unless otherwise stated)*

	<b>31 March 2016</b>	31 December 2015
<b>Shareholders' equity</b>		
Share capital	25,220	25,220
Capital reserve	67,523	67,523
Investment revaluation reserve	6,686	6,188
Hedging reserve	225	241
Surplus reserve	34,009	34,009
Regulatory general reserve	64,666	64,679
Retained profits	164,250	145,887
Proposed profit appropriations	17,402	17,402
Exchange differences	(841)	(343)
	<hr/>	<hr/>
Total equity attributable to shareholders of the Bank	379,140	360,806
Non-controlling interests	911	952
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<b>Total shareholders' equity</b>	<b>380,051</b>	361,758
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<b>Total liabilities and shareholders' equity</b>	<b>5,432,042</b>	5,474,978
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**UNAUDITED STATEMENT OF FINANCIAL POSITION***(Expressed in millions of Renminbi unless otherwise stated)*

	<b>31 March 2016</b>	31 December 2015
<b>Assets</b>		
Cash	13,177	13,783
Precious metals	13,408	16,099
Balances with central bank	555,809	543,228
Balances with banks and other financial institutions	56,765	55,927
Placements with banks	163,568	202,534
Financial assets purchased under agreements to resell	186,205	342,928
Loans and advances	2,601,562	2,506,618
Interest receivables	25,687	23,648
Financial assets at fair value through profit or loss	52,027	54,960
Derivative financial assets	12,360	9,607
Available-for-sale financial assets	290,437	276,846
Held-to-maturity investments	388,358	351,704
Investment receivables	686,030	715,864
Interest in subsidiaries	43,296	40,664
Interest in joint ventures	1,411	1,391
Fixed assets	23,431	24,091
Investment properties	528	535
Intangible assets	2,638	2,596
Deferred income tax assets	19,769	15,626
Other assets	14,842	9,388
	<hr/>	<hr/>
<b>Total assets</b>	<b>5,151,308</b>	<b>5,208,037</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities</b>		
Borrowings from the central bank	101,600	62,600
Deposits from banks and other financial institutions	607,656	702,862
Placements from banks	36,216	112,659
Financial assets sold under agreements to repurchase	115,036	185,285
Deposits from customers	3,434,111	3,421,403
Interests payable	36,443	37,559
Financial liabilities as at fair value through profit or loss	18,074	19,786
Derivative financial liabilities	10,407	7,084
Bonds payable	337,619	235,854
Salaries and welfare payable	5,120	5,363
Taxes payable	20,682	12,100
Other liabilities	58,801	53,441
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>4,781,765</b>	<b>4,855,996</b>
	<hr/> <hr/>	<hr/> <hr/>

**UNAUDITED STATEMENT OF FINANCIAL POSITION (CONTINUED)***(Expressed in millions of Renminbi unless otherwise stated)*

	<b>31 March 2016</b>	31 December 2015
<b>Shareholders' equity</b>		
Share capital	25,220	25,220
Capital reserve	76,681	76,681
Investment revaluation reserve	6,012	5,769
Hedging reserve	225	241
Surplus reserve	34,009	34,009
Regulatory general reserve	63,928	63,928
Retained profits	146,064	128,791
Proposed profit appropriations	17,402	17,402
Exchange differences	2	—
	<hr/>	<hr/>
<b>Total shareholders' equity</b>	<b>369,543</b>	352,041
	<hr/>	<hr/>
<b>Total liabilities and shareholders' equity</b>	<b>5,151,308</b>	5,208,037
	<hr/> <hr/>	<hr/> <hr/>

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

	2016	2015
<b>Cash flows from operating activities</b>		
<b>Profit before tax</b>	<b>23,796</b>	22,696
Adjustments for:		
– Impairment losses on loans and advances	<b>18,273</b>	12,691
– Provisions for impairment losses on investments	<b>134</b>	9
– Provisions for impairment losses on other assets	<b>109</b>	44
– Unwind of discount on impaired loans	<b>(300)</b>	(206)
– Depreciation of fixed assets and investment properties	<b>822</b>	802
– Amortization of other assets	<b>260</b>	232
– Share of profits of joint ventures	<b>(78)</b>	(64)
– Share of profits of associates	<b>(1)</b>	(1)
– Net gains on debt and share investments	<b>(3,720)</b>	(1,651)
– Interest income on investments	<b>(12,116)</b>	(11,258)
– Interest expense on issued debts	<b>2,708</b>	1,441
<b>Changes in:</b>		
Balances with central bank	<b>453</b>	4,565
Borrowings from central bank	<b>39,000</b>	12,500
Balances and placements with banks and other financial institutions with original maturity over 3 months	<b>(31,445)</b>	28,611
Loans and advances	<b>(114,414)</b>	(108,817)
Other assets	<b>(2,714)</b>	(14,437)
Deposits from customers	<b>7,392</b>	27,732
Deposits and placements from banks and other financial institutions	<b>(224,179)</b>	46,289
Other liabilities	<b>11,034</b>	9,983
	-----	-----
<b>Net cash inflow from operating activities</b>	<b>(284,986)</b>	31,161
<b>Income tax paid</b>	<b>(2,053)</b>	(2,387)

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

	2016	2015
<b>Cash flows from investing activities</b>		
Cash received from recovery of investments	168,485	458,665
Cash received from return on investments	8,336	10,485
Cash received from disposal of fixed assets and other assets	16	8
Cash received due to collection of loans from joint ventures	5	–
Cash paid for investments	(207,445)	(639,058)
Acquisition of interest in joint ventures	–	(1,000)
Cash paid for purchase and construction of fixed assets and other assets	(212)	(871)
	-----	-----
<b>Net cash outflow from investing activities</b>	<b>(30,815)</b>	<b>(171,771)</b>
	-----	-----
<b>Cash flows from financing activities</b>		
Cash received by subsidiaries from minority shareholders	–	13
Proceeds from issuance of bonds	3,800	–
Proceeds from issuance of interbank deposits	200,296	53,700
Proceeds from issuance of certificates of deposit	2,076	15,587
Cash paid for repayment of interbank deposits due	(94,529)	–
Cash paid for repayment of certificates of deposit	(8,402)	(10,969)
Interest paid on issued debts	(1,300)	(1,101)
Payment made in cash to minority interests	(37)	(24)
	-----	-----
<b>Net cash inflow from financing activities</b>	<b>101,904</b>	<b>57,206</b>
	-----	-----
Effect of exchange differences on cash	(431)	344
<b>Net decrease in cash and cash equivalents</b>	<b>(216,381)</b>	<b>(85,447)</b>
	-----	-----
Add: balance of cash and cash equivalents at the beginning of the period	635,843	471,471
<b>Balance of cash and cash equivalents at the end of the period</b>	<b>419,462</b>	<b>386,024</b>
	=====	=====
<b>Cash flows from operating activities include:</b>		
Interest received	54,507	56,749
Interest paid	27,851	29,309
	=====	=====