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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)*

**(H Share Stock Code: 03968)**

**(Preference Share Stock Code: 04614)**

## **THIRD QUARTERLY REPORT OF 2017**

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 the Company confirm that the contents in this report are true, accurate, and complete and have no false representations, misleading statements or material omissions, and they will individually and collectively accept legal responsibility for such contents.
- 1.2 The 15th meeting of the Tenth Session of the Board of Directors of the Company has approved the third quarterly report of 2017 of the Company through voting by correspondence. 16 out of 16 eligible directors attended the meeting.
- 1.3 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.

1.4 Hereinafter “China Merchants Bank” and “the Company” 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.

1.5 Li Jianhong, Chairman of the Board of Directors of the Company, Tian Huiyu, President, Li Hao, First Executive Vice President and Chief Financial Officer, and Li Li, the person in charge of the Finance and Accounting Department, hereby make representations in respect of the truthfulness, accuracy and completeness of the financial statements in this 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 30 September 2017</b>	At the end of last year 31 December 2016	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
Total Assets	<b>6,169,239</b>	5,942,311	3.82
Equity attributable to shareholders of the Bank	<b>438,035</b>	402,350	8.87
Net assets per share attributable to shareholders of the Bank <i>(in RMB Yuan)</i>	<b>17.37</b>	15.95	8.90
	<b>From the beginning of the year to the end of the reporting period January to September 2017</b>	Corresponding period of last year January to September 2016	Increase/decrease during the period from January to September 2017 as compared to the corresponding period of last year (%)
Net cash used in operating activities <sup>note</sup>	<b>(167,794)</b>	(339,521)	50.58
Net cash used in operating activities per share <i>(in RMB Yuan)</i>	<b>(6.65)</b>	(13.46)	50.59

	<b>The reporting period July to September 2017</b>	From the beginning of the year to the end of the reporting period January to September 2017	From the beginning of last year to the end of the reporting period of last year January to September 2016	Increase/ decrease during the period of January to September 2017 as compared to the corresponding period of last year (%)
Net operating income	<b>53,329</b>	166,361	161,212	3.19
Net profit attributable to shareholders of the Bank	<b>19,546</b>	58,805	52,142	12.78
Basic earnings per share attributable to shareholders of the Bank ( <i>in RMB Yuan</i> )	<b>0.78</b>	2.33	2.07	12.56
Diluted earnings per share attributable to shareholders of the Bank ( <i>in RMB Yuan</i> )	<b>0.78</b>	2.33	2.07	12.56
Annualised weighted average return on net assets attributable to shareholders of the Bank (%)	<b>18.24</b>	18.66	18.36	Increase of 0.30 percentage point

*Note:* In the 2016 Annual Report, the Group reclassified its liabilities on the repurchases of rediscounted bills and the bond repurchases made by the Central Bank in the open market from the “Amounts sold under repurchase agreements” to “Borrowing from Central Bank”. The comparative figures of “Borrowing from Central Bank” and “Deposits and placements from banks and other financial institutions” in the cash flow statement were restated accordingly. The restatement has no effect on “Net cash used in operating activities”.

## **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 shareholders of the Bank for the reporting period ended 30 September 2017 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 optimise its business structure and enhance capital management, and has satisfied various capital requirements of China Banking Regulatory Commission (hereinafter referred as the “CBRC”) during the reporting period. The capital adequacy ratio of the Company generally remained stable.

As at 30 September 2017, the capital adequacy ratio and the Tier 1 capital adequacy ratio of the Group under the advanced approach were 15.01% and 12.72%, respectively.

<b>The Group</b>	<b>At the end of the reporting period 30 September 2017</b>	At the end of last year 31 December 2016	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>The capital adequacy ratios under the advanced approach<sup>(1)</sup></b>			
1. Net core Tier 1 capital	<b>425,963</b>	388,762	9.57
2. Net Tier 1 capital	<b>425,983</b>	388,780	9.57
3. Net capital	<b>502,667</b>	449,116	11.92
4. Core Tier 1 capital adequacy ratio	<b>12.72%</b>	11.54%	Increase of 1.18 percentage points
5. Tier 1 capital adequacy ratio	<b>12.72%</b>	11.54%	Increase of 1.18 percentage points
6. Capital adequacy ratio	<b>15.01%</b>	13.33%	Increase of 1.68 percentage points
<b>Information on leverage ratio<sup>(2)</sup></b>			
7. Total on and off balance sheet assets after adjustment	<b>6,923,331</b>	6,758,093	2.45
8. Leverage ratio	<b>6.15%</b>	5.75%	Increase of 0.40 percentage point

### Notes:

- 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). 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 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 30 September 2017, the Group’s subsidiaries for calculating its capital adequacy ratio included Wing Lung Bank Limited, CMB International Capital Holdings Corporation Limited, CMB Financial Leasing Co., Ltd. and China Merchants Fund Management Co., Ltd.. During the transition period when the advanced capital measurement approaches were implemented, a commercial bank shall use the capital floor adjustment coefficients 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 coefficients shall be 95%, 90% and 80% respectively in the first year, the second year, and the third and subsequent years during the transition period. 2017 is the third year since implementation of the transition period.

2. Since 2015, the leverage ratio shall be calculated based on the “Measures for Management of the Leverage Ratio of Commercial Banks (Revised)” promulgated by CBRC on 12 February 2015 by the Group. The leverage ratio of the Group were 5.83%, 6.01% and 5.75% respectively as at the end of the first half of 2017, the end of the first quarter of 2017 and the end of 2016.

As at 30 September 2017, the capital adequacy ratio and the Tier 1 capital adequacy ratio of the Company under the advanced approach were 14.72% and 12.31%, respectively.

	<b>At the end of the reporting period 30 September 2017</b>	At the end of last year 31 December 2016	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>		

**The capital adequacy ratios under  
the advanced approach**

1. Net core Tier 1 capital	<b>366,809</b>	339,976	7.89
2. Net Tier 1 capital	<b>366,809</b>	339,976	7.89
3. Net capital	<b>438,473</b>	397,649	10.27
4. Core Tier 1 capital adequacy ratio	<b>12.31%</b>	11.11%	Increase of 1.20 percentage points
5. Tier 1 capital adequacy ratio	<b>12.31%</b>	11.11%	Increase of 1.20 percentage points
6. Capital adequacy ratio	<b>14.72%</b>	12.99%	Increase of 1.73 percentage points

As at 30 September 2017, the capital adequacy ratio and the Tier 1 capital adequacy ratio of the Group under the weighted approach were 12.26% and 10.39%, respectively.

	<b>At the end of the reporting period 30 September 2017</b>	At the end of last year 31 December 2016	Increase/decrease at the end of the reporting period as compared to the end of last year
<b>The Group</b>			

**The capital adequacy ratios under  
the weighted approach<sup>(Note)</sup>**

1. Tier 1 capital adequacy ratio	<b>10.39%</b>	10.09%	Increase of 0.30 percentage point
2. Capital adequacy ratio	<b>12.26%</b>	12.00%	Increase of 0.26 percentage point

*Note:* The “weighted approach” refers to the weighed 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 30 September 2017, the capital adequacy ratio and the Tier 1 capital adequacy ratio of the Company under the weighted approach were 11.69% and 9.79%, respectively.

	<b>At the end of the reporting period 30 September 2017</b>	At the end of last year 31 December 2016	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>9.79%</b>	9.63%	Increase of 0.16 percentage point
2. Capital adequacy ratio	<b>11.69%</b>	11.59%	Increase of 0.10 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** **218,770**

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	/	18.01	4,542,544,680	H Shares	-	Unknown
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	-	-

**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)
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	3.26	821,035,623	A Shares not subject to trading moratorium	-	-
9	COSCO Shipping (Guangzhou) 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., China Merchants Finance Investment Holdings Co., Ltd. and Shenzhen Chu Yuan Investment and Development Company Ltd. are subsidiaries of China Merchants Group Ltd.. As at 30 September 2017, China Merchants Group Ltd. indirectly held in aggregate 29.97% of the total share capital of the Company by way of equity interest, right of control or relationship of parties acting in concert. China Ocean Shipping (Group) Company and COSCO Shipping (Guangzhou) Co., Ltd. are controlled by China COSCO Shipping Corporation Limited. The Company is not aware of any affiliated relationships among other shareholders.

*Note 3:* The above shareholders of A shares 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 September 2017, total assets of the Group amounted to RMB6,169.239 billion, representing an increase of 3.82% as compared with the end of the previous year; and its total liabilities amounted to RMB5,728.599 billion, representing an increase of 3.42% as compared with the end of the previous year. Total deposits from customers amounted to RMB3,974.219 billion, representing an increase of 4.53% as compared with the end of the previous year. Total loans and advances to customers amounted to RMB3,633.581 billion, representing an increase of 11.40% as compared with the end of the previous year.

For the period from January to September 2017, the Group realised a net profit attributable to shareholders of the Bank of RMB58.805 billion, representing a year-on-year increase of 12.78%, and net operating income of RMB166.361 billion, representing a year-on-year increase of 3.19%, among which, net interest income amounted to RMB107.385 billion, representing a year-on-year increase of 6.62% and accounting for 64.55% of the net operating income. For the period from January to September 2017, net interest spread and net interest margin were 2.29% and 2.42%, respectively, both representing a year-on-year decrease of 0.14 percentage point. For the third quarter of 2017, the Group's net interest spread and net interest margin were 2.26% and 2.40%, respectively, representing a decrease of 0.05 percentage point and 0.04 percentage point, respectively, as compared with the second quarter of 2017. For the period from January to September 2017, the Group realised net non-interest income of RMB58.976 billion, representing a year-on-year decrease of 2.50% and accounting for 35.45% of the net operating income, among which, net fee and commission income increased by 0.20% to RMB49.334 billion from that of the corresponding period of the previous year, accounting for 29.65% of the net operating income, and other net operating income amounted to RMB9.642 billion, representing a year-on-year decrease of 14.32%, mainly attributable to the decrease in net investment income. For the period from January to September 2017, the cost-to-income ratio (excluding tax and surcharges) of the Group was 27.79%, representing a year-on-year increase of 2.72 percentage points, mainly due to a slowdown in the increase of net operating income and the impact of the change from business tax to value-added tax during the reporting period.

As at the end of September 2017, the balance of non-performing loans of the Group amounted to RMB60.224 billion, representing a decrease of RMB897 million as compared with the end of the previous year; the non-performing loan ratio was 1.66%, down by 0.21 percentage point as compared with the end of the previous year; and the allowance coverage ratio of our non-performing loans was 235.15%, up by 55.13 percentage points as compared with the end of the previous year; the allowance-to-loan ratio was 3.90%, up by 0.53 percentage point as compared with the end of the previous year.



## 2.5.2 Analysis of operating status of the Company

During the period from January to September 2017, the Company maintained steady business development as a whole:

**Both our assets and liabilities grew slightly.** As at the end of September 2017, total assets of the Company amounted to RMB5,816.867 billion, representing an increase of 3.64% as compared with the end of the previous year; total liabilities amounted to RMB5,397.444 billion, representing an increase of 3.29% as compared with the end of the previous year. Total loans and advances amounted to RMB3,367.851 billion, representing an increase of 11.72% as compared with the end of the previous year, among which, corporate loans, retail loans and discounted bills accounted for 42.55%, 52.45% and 5.00%, respectively. Total deposits from customers amounted to RMB3,797.978 billion, representing an increase of 4.26% as compared with the end of the previous year, among which, demand deposits and time deposits accounted for 61.04% and 38.96%, respectively. Among the demand deposits, corporate deposits accounted for 60.49% while retail deposits accounted for 39.51%; and among the time deposits, corporate deposits accounted for 81.85% while retail deposits accounted for 18.15%.

**Our profits grew steadily.** During the period from January to September 2017, the Company realised a net profit of RMB54.432 billion, representing a year-on-year increase of 12.50%. The Company realised net operating income of RMB156.239 billion, representing a year-on-year increase of 2.43%. Among which, net interest income amounted to RMB104.515 billion, representing a year-on-year increase of 7.07%, and accounting for 66.89% of the net operating income. Net interest spread and net interest margin of the Company during the period from January to September 2017 were 2.36% and 2.50%, respectively, representing a year-on-year decrease of 0.10 percentage point and 0.09 percentage point, respectively. Net interest spread and net interest margin of the Company in the third quarter of 2017 were 2.34% and 2.48%, respectively, both representing a quarter-on-quarter decrease of 0.03 percentage point. The Company realised a net operating income of RMB75.266 billion from retail finance business during the period from January to September 2017, accounting for 48.17% of net operating income of the Company.

**Net non-interest income recorded a year-on-year decrease.** During the period from January to September 2017, the Company realised a net non-interest income of RMB51.724 billion, representing a year-on-year decrease of 5.82%, which was mainly due to the diminishing wealth effect of capital markets, the rising market interest rates, the tightening regulatory policies, the adjustments in the bill-related taxation policies and other factors. The proportion of the net non-interest income in our net operating income was 33.11%, representing a year-on-year decrease of 2.90 percentage points. Net fee and commission income amounted to RMB45.603 billion, representing a year-on-year decrease of 0.96%, among which, fee and commission income from wealth management services amounted to RMB20.459 billion (specifically, income from entrusted wealth management services amounted to RMB9.323 billion; income from agency distribution of insurance policies amounted to RMB4.441 billion; income from agency distribution of funds amounted to RMB3.816 billion; income from agency distribution of trust schemes amounted to RMB2.744 billion; income from agency distribution of precious metals amounted to RMB135 million).

**The operational efficiency was kept at a satisfactory level.** During the period from January to September 2017, the operating expenses of the Company amounted to RMB44.090 billion, representing a year-on-year increase of 2.38%. Cost-to-income ratio (excluding tax and surcharges) was 27.27%, representing a year-on-year increase of 2.59 percentage points.

**Capital utilisation efficiency remained stable.** As at the end of September 2017, the capital adequacy ratio and Tier 1 capital adequacy ratio of the Company measured under the advanced approach were 14.72% and 12.31% respectively, up by 1.73 percentage points and 1.20 percentage points respectively as compared with those as at the end of the previous year. The risk adjusted return on capital (RAROC) before tax under the advanced approach was 28.91%, maintaining at a high level which was significantly higher than the capital cost.

**Asset quality was maintained and improved.** As at the end of September 2017, the balance of the Company's non-performing loans amounted to RMB58.529 billion, representing a decrease of RMB1,220 million as compared with the end of the previous year, and the non-performing loan ratio was 1.74%, down by 0.24 percentage point as compared with the end of the previous year. The Company kept abreast of the macroeconomic and financial development, and steadily promoted the improvement of risk management from seeking "temporary treatments" to imposing "final solutions" through overall planning and major breakthroughs while adhering to the management philosophy of "Quality Goes First Based on Compliance and Risk Control", aiming to build itself into a leading risk management bank. The Company has improved the risk management organisational structure, strengthened the penetration management principles, refocused on business origin and further enhanced overall risk management. Guided by the national industrial policies, the Company actively adjusted the asset portfolios to realise its asset portfolio allocation goal. The Company strictly implemented the customer list management at the Head Office and its branches for strategic customers and the industrial customers which are subject to reduction and withdrawal, and adopted the differential management strategy. The Company further optimised the loan granting procedures to consolidate management fundamentals, and improved the credit-rating and early-warning model. The Company enhanced asset quality monitoring, strengthened the risk early-warning, inspection and monitoring and steadily promoted the disposal of non-performing assets, thereby improving its asset quality steadily.

**The provisions for risk-bearing loans were made in a prudent manner.** The Company continued to adopt a stable and prudent policy in respect of making provisions. In the third quarter of 2017, the Company increased the amount of provision for its risk-bearing loans granted to high-risk customers. As at the end of September 2017, the balance of allowance for impairment losses on loans of the Company amounted to RMB138.120 billion, representing an increase of RMB31.149 billion as compared with the end of the previous year. The non-performing loan allowance coverage ratio was 235.99%, representing an increase of 56.96 percentage points as compared with the end of the previous year; the allowance-to-loan ratio was 4.10%, representing an increase of 0.55 percentage point as compared with the end of the previous year.

### 3 SIGNIFICANT EVENTS

#### 3.1 Significant changes in major financial statements items and financial indicators and the reasons thereof

Applicable     Not Applicable

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

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

<b>Major items in the consolidated statement of financial position</b>	<b>30 September 2017</b>	<b>Changes over the end of last year</b>	<b>Major reasons</b>
Precious metals	5,648	89.47%	Increase in leasing out of precious metals
Amounts held under resale agreements	169,067	-39.34%	Decrease in the business of securities purchased under agreements to resell
Derivative financial assets	13,870	59.65%	Increase in assets in valuation of currency derivatives during the reporting period
Deferred tax assets	44,125	42.29%	Increase in deductible temporary differences
Derivative financial liabilities	20,355	82.52%	Increase in liabilities in valuation of currency derivatives during the reporting period
Debt securities issued	384,780	39.88%	Increase in issuance of interbank deposits and bonds
Salaries and welfare payable	10,867	54.19%	Increase in salaries payable
Investment revaluation reserve	(1,322)	N/A	Decrease in valuation of investments in available-for-sale bonds due to the rising market yields
Hedging reserve	(83)	-336.84%	Decrease in fair value of hedging instruments
Exchange reserve	(101)	N/A	Movements in foreign exchange rates
Non-controlling interests	2,605	157.41%	The perpetual debts newly issued by Wing Lung Bank during the reporting period were held by external entities of the Group

<b>Major items in the consolidated statement of profit or loss and other comprehensive income</b>	<b>January to September 2017</b>	<b>Changes over the same period of last year</b>	<b>Major reasons</b>
Share of profits of joint ventures	652	192.38%	Increase in share of profits of joint ventures
Net profit attributable to non-controlling interests	359	77.72%	Increase in net profit of China Merchants Fund for the period and profit and loss of minority interests of other subsidiaries of the Company
Exchange difference on translation of financial statements of overseas subsidiaries	(1,617)	N/A	Movements in foreign exchange rates
Equity-accounted investees share of other comprehensive (expense) income	45	N/A	Increase in other comprehensive income of investees
Available-for-sale financial assets: net movement in fair value reserve	(2,815)	N/A	Decrease in valuation of investments in available-for-sale bonds due to the rising market yields
Cash flow hedge: net movement in hedging reserve	(64)	40.19%	Decrease of movement in fair value of hedging instruments

### **3.2 Non-public issuances of Preference Shares**

To enhance the capital adequacy ratio of the Company, optimise the capital structure, strengthen the Company's capability in sustainable development and risk resilience, further enhance the Company's overall competitive strength and continuously promote the business transformation and upgrading of the Company, the Company proposes to conduct a non-public issuance of Preference Shares in domestic and offshore markets with an aggregate size of not more than RMB35 billion to replenish its additional Tier-1 capital. Of which, the value of Preference Shares proposed to be issued in the domestic market will not exceed RMB27.5 billion while the value of Preference Shares proposed to be issued in the offshore market will not exceed RMB7.5 billion or its equivalent. The resolutions regarding the abovementioned non-public issuances of Domestic and Offshore Preference Shares were approved at the Tenth Meeting of the 10th Session of the Board of Directors, 2016 Annual General Meeting, the First Class Meeting of the A Shareholders for 2017 and the First Class Meeting of the H Shareholders for 2017 of the Company. The Company has obtained approval from the CBRC for non-public issuance of Domestic and Offshore Preference Shares and approval from the China Securities Regulatory Commission (hereinafter referred to as the "CSRC") for non-public issuance of Offshore Preference Shares. Pursuant to which, the Company completed the non-public issuance of Offshore Preference Shares on 25 October 2017. For details, please refer to the relevant announcements published by the Company on the "China Securities Journal", "Shanghai Securities News" and "Securities Times" as well as the website of Shanghai Stock Exchange, the website of The Stock Exchange of Hong Kong Limited and the website of the Company. The Board will continue to deal with the relevant matters in respect of the Domestic and Offshore Preference Shares in accordance with the requirements of the relevant laws and regulations, the requirements set out in the relevant approvals from the regulatory authorities including the CSRC and the authorisations granted by the shareholders' general meetings of the Company.

### **3.3 Update on Changes in Accounting Policy**

During the reporting period, the Company made changes in the accounting policy in relation to government grants based on the requirements of the Ministry of Finance. According to the Accounting Standard for Business Enterprises No. 16 – Government Grants, government grants related to assets can offset the carrying amount of such assets. For government grants related to income, those related to the daily activities of enterprises can be included in other income or offset relevant cost based on the nature of business. Accordingly, the Company's government grants existed on 1 January 2017 are subject to prospective application method and the new government grants received between 1 January 2017 and the date of implementation of the Standard (12 June 2017) will be adjusted pursuant to the revised Standard. The changes will not have any significant impact on the Company's current and previous net profit, total assets and net assets.

### **3.4 Uncompleted Performance of Overdue Undertakings for the Reporting Period**

Applicable  Not applicable

### **3.5 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 therefore**

Applicable  Not applicable

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

27 October 2017

*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, Li Xiaopeng, Sun Yueying, Fu Gangfeng, Hong Xiaoyuan, Su Min, Zhang Jian and Wang Daxiong; and the independent non-executive directors of the Company are Leung Kam Chung, Antony, Wong Kwai Lam, Pan Chengwei, Pan Yingli, Zhao Jun and Wong See Hong.*

## UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to September ended 30 September		For the period from July to September ended 30 September	
	2017	2016	2017	2016
Interest income	178,008	161,930	61,615	53,073
Interest expense	(70,623)	(61,208)	(25,126)	(19,828)
<b>Net interest income</b>	<b>107,385</b>	100,722	<b>36,489</b>	33,245
Fee and commission income	53,599	52,640	16,073	12,649
Fee and commission expense	(4,265)	(3,404)	(1,489)	(1,192)
<b>Net fee and commission income</b>	<b>49,334</b>	49,236	<b>14,584</b>	11,457
<b>Other net income</b>	<b>8,989</b>	11,030	<b>2,005</b>	3,044
<b>Operating income</b>	<b>165,708</b>	160,988	<b>53,078</b>	47,746
Operating expenses	(47,771)	(45,944)	(17,449)	(14,348)
Charge for insurance claims	(175)	(190)	(55)	(57)
<b>Operating profit before impairment losses</b>	<b>117,762</b>	114,854	<b>35,574</b>	33,341
<b>Impairment losses</b>	<b>(43,838)</b>	(47,640)	<b>(11,190)</b>	(11,470)
Share of profits of associates	1	1	–	1
Share of profits of joint ventures	652	223	251	71
<b>Profit before tax</b>	<b>74,577</b>	67,438	<b>24,635</b>	21,943
Less: income tax	(15,413)	(15,094)	(4,937)	(4,931)
<b>Net profit</b>	<b>59,164</b>	52,344	<b>19,698</b>	17,012
<b>Attributable to:</b>				
Equity shareholders of the Bank	58,805	52,142	19,546	16,911
Non-controlling interests	359	202	152	101
<b>Earnings per share</b>				
Basic earnings per share (RMB)	2.33	2.07	0.78	0.67
Diluted earnings per share (RMB)	2.33	2.07	0.78	0.67



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

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to September ended 30 September		For the period from July to September ended 30 September	
	2017	2016	2017	2016
Net profit	<b>59,164</b>	52,344	<b>19,698</b>	17,012
Other comprehensive income for the period (after tax)				
Items will be reclassified subsequently to profit or loss:				
Exchange difference on translation of financial statements of overseas subsidiaries	<b>(1,617)</b>	279	<b>(666)</b>	(282)
Equity-accounted investees share of other comprehensive (expense) income	<b>45</b>	(3)	<b>24</b>	62
Available-for-sale financial assets: net movement in fair value reserve	<b>(2,815)</b>	696	<b>(262)</b>	1,549
Cash flow hedge: net movement in hedging reserve	<b>(64)</b>	(107)	<b>19</b>	(6)
<b>Total other comprehensive income for the period</b>	<b><u>(4,451)</u></b>	<b><u>865</u></b>	<b><u>(885)</u></b>	<b><u>1,323</u></b>
<b>Total comprehensive income for the period</b>	<b><u>54,713</u></b>	<b><u>53,209</u></b>	<b><u>18,813</u></b>	<b><u>18,335</u></b>
Total comprehensive income attributable to:				
Equity shareholders of the Bank	<b>54,348</b>	53,007	<b>18,658</b>	18,234
Non-controlling interests	<b>365</b>	202	<b>155</b>	101



## UNAUDITED STATEMENT OF PROFIT OR LOSS

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to September ended 30 September		For the period from July to September ended 30 September	
	2017	2016	2017	2016
Interest income	170,463	155,354	58,955	50,681
Interest expense	(65,948)	(57,743)	(23,357)	(18,574)
<b>Net interest income</b>	<b>104,515</b>	97,611	<b>35,598</b>	32,107
Fee and commission income	49,610	49,157	14,568	11,499
Fee and commission expense	(4,007)	(3,111)	(1,414)	(1,145)
<b>Net fee and commission income</b>	<b>45,603</b>	46,046	<b>13,154</b>	10,354
<b>Other net income</b>	<b>5,950</b>	8,774	<b>915</b>	2,262
<b>Operating income</b>	<b>156,068</b>	152,431	<b>49,667</b>	44,723
Operating expenses	(44,090)	(43,066)	(16,141)	(13,356)
<b>Operating profit before impairment losses</b>	<b>111,978</b>	109,365	<b>33,526</b>	31,367
Impairment loss	(43,386)	(47,030)	(11,166)	(11,287)
Share of profits of joint ventures	171	100	64	14
<b>Profit before tax</b>	<b>68,763</b>	62,435	<b>22,424</b>	20,094
Less: income tax	(14,331)	(14,050)	(4,561)	(4,566)
<b>Net profit</b>	<b>54,432</b>	48,385	<b>17,863</b>	15,528

## UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to September ended 30 September		For the period from July to September ended 30 September	
	2017	2016	2017	2016
<b>Net profit</b>	<b>54,432</b>	48,385	<b>17,863</b>	15,528
<b>Other comprehensive income for the period (after tax)</b>				
Items will be reclassified subsequently to profit or loss:				
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	–
Equity-accounted investees share of other comprehensive (expense) income	<b>39</b>	(27)	<b>21</b>	34
Available-for-sale financial assets: net movement in fair value reserve	<b>(3,127)</b>	284	<b>(264)</b>	957
Cash flow hedge: net movement in hedging reserve	<b>(64)</b>	(107)	<b>19</b>	(6)
<b>Total other comprehensive income for the period</b>	<b>(3,152)</b>	150	<b>(224)</b>	985
<b>Total comprehensive income for the period</b>	<b>51,280</b>	48,535	<b>17,639</b>	16,513

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in millions of Renminbi unless otherwise stated)

	30 September 2017	31 December 2016
<b>Assets</b>		
Cash	15,395	16,373
Precious metals	5,648	2,981
Balances with central bank	554,526	581,156
Balances with banks and other financial institutions	78,804	103,013
Placements with banks and other financial institutions	149,314	200,251
Amounts held under resale agreements	169,067	278,699
Loans and advances to customers	3,491,964	3,151,649
Interest receivable	27,670	26,251
Financial assets at fair value through profit or loss	55,876	55,972
Derivative financial assets	13,870	8,688
Available-for-sale financial assets	395,487	389,138
Held-to-maturity investments	541,930	477,064
Debt securities classified as receivables	521,241	528,748
Interests in joint ventures	4,236	3,630
Interests in associates	18	82
Property and equipment	48,487	43,857
Investment properties	1,699	1,701
Intangible assets	4,181	3,914
Goodwill	9,954	9,954
Deferred tax assets	44,125	31,010
Other assets	35,747	28,180
<b>Total assets</b>	<b>6,169,239</b>	<b>5,942,311</b>
<b>Liabilities</b>		
Borrowing from central bank	330,822	330,108
Deposits from banks and other financial institutions	406,501	555,607
Placements from banks and other financial institutions	280,770	248,876
Amounts sold under repurchase agreements	163,597	162,942
Deposits from customers	3,974,219	3,802,049
Interest payable	35,815	36,246
Financial liabilities at fair value through profit or loss	25,202	23,576
Derivative financial liabilities	20,355	11,152
Debt securities issued	384,780	275,082
Salaries and welfare payable	10,867	7,048
Tax payable	22,575	19,523
Deferred tax liabilities	890	897
Other liabilities	72,206	65,843
<b>Total liabilities</b>	<b>5,728,599</b>	<b>5,538,949</b>

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

	<b>30 September 2017</b>	31 December 2016
<b>Equity</b>		
Share capital	25,220	25,220
Capital reserve	67,523	67,523
Investment revaluation reserve	(1,322)	1,454
Hedging reserve	(83)	(19)
Surplus reserve	39,708	39,708
Regulatory general reserve	68,039	67,838
Retained profits	239,051	180,447
Proposed profit appropriations	–	18,663
Exchange reserve	(101)	1,516
	<hr/>	<hr/>
Total equity attributable to equity shareholders of the Bank	438,035	402,350
Non-controlling interests	2,605	1,012
	<hr/>	<hr/>
<b>Total equity</b>	440,640	403,362
	-----	-----
<b>Total equity and liabilities</b>	<u><u>6,169,239</u></u>	<u><u>5,942,311</u></u>

## UNAUDITED STATEMENT OF FINANCIAL POSITION

(Expressed in millions of Renminbi unless otherwise stated)

	30 September 2017	31 December 2016
<b>Assets</b>		
Cash	14,798	15,632
Precious metals	5,567	2,937
Balances with central bank	544,663	562,305
Balances with banks and other financial institutions	53,465	82,361
Placements with banks and other financial institutions	163,329	204,197
Amounts held under resale agreements	168,867	277,997
Loans and advances to customers	3,229,731	2,907,561
Interest receivable	26,102	24,695
Financial assets at fair value through profit or loss	49,705	50,305
Derivative financial assets	12,762	8,029
Available-for-sale financial assets	342,459	346,090
Held-to-maturity investments	541,612	475,924
Debt securities classified as receivables	520,986	528,533
Interests in subsidiaries	43,296	43,296
Interests in joint ventures	2,254	2,043
Property and equipment	22,205	23,186
Investment properties	664	534
Intangible assets	3,254	2,897
Deferred tax assets	43,085	30,399
Other assets	28,063	23,638
<b>Total assets</b>	<b>5,816,867</b>	<b>5,612,579</b>
<b>Liabilities</b>		
Borrowing from central bank	330,822	330,108
Deposits from banks and other financial institutions	389,634	536,868
Placements from banks and other financial institutions	196,120	155,378
Amounts sold under repurchase agreements	163,417	162,275
Deposits from customers	3,797,978	3,642,640
Interest payable	33,910	34,873
Financial liabilities at fair value through profit or loss	25,118	23,561
Derivative financial liabilities	19,772	10,344
Debt securities issued	350,245	250,523
Salaries and welfare payable	9,639	5,694
Tax payable	21,646	18,851
Other liabilities	59,143	54,658
<b>Total liabilities</b>	<b>5,397,444</b>	<b>5,225,773</b>

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

	<b>30 September 2017</b>	31 December 2016
<b>Equity</b>		
Share capital	<b>25,220</b>	25,220
Capital reserve	<b>76,681</b>	76,681
Investment revaluation reserve	<b>(1,882)</b>	1,206
Hedging reserve	<b>(83)</b>	(19)
Surplus reserve	<b>39,708</b>	39,708
Regulatory general reserve	<b>67,030</b>	67,030
Retained profits	<b>212,749</b>	158,317
Proposed profit appropriations	–	18,663
	<hr/>	<hr/>
<b>Total equity</b>	<b>419,423</b>	386,806
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total equity and liabilities</b>	<b>5,816,867</b>	5,612,579
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## UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to September ended 30 September	
	2017	2016 (restated)
<b>Cash flows from operating activities</b>		
<b>Profit before tax</b>	<b>74,577</b>	67,438
Adjustments for:		
– Impairment losses on loans and advances	<b>44,038</b>	46,212
– Provisions for/(reversals of) impairment losses on investments	<b>(723)</b>	1,050
– Provisions for impairment losses on other assets	<b>523</b>	378
– Unwind of discount on impaired loans	<b>(589)</b>	(882)
– Depreciation of properties and equipments and investment properties	<b>3,758</b>	2,786
– Amortization of other assets	<b>408</b>	387
– Net gain on debt securities and equity investments	<b>(4,532)</b>	(6,172)
– Interest income on investments	<b>(34,651)</b>	(34,234)
– Interest expense on issued debt securities	<b>9,776</b>	7,452
– Share of profits of joint ventures	<b>(652)</b>	(223)
– Share of profits of associates	<b>(1)</b>	(1)
– Net gains on disposal of properties and equipment	<b>–</b>	(17)
<b>Changes in:</b>		
Balances with central bank	<b>11</b>	(13,136)
Balances and placements with banks and other financial institutions with original maturity over 3 months	<b>41,770</b>	(12,446)
Loans and advances to customers	<b>(383,518)</b>	(367,966)
Other assets	<b>5,559</b>	(25,975)
Deposits from customers	<b>172,170</b>	44,291
Deposits and placements from banks and other financial institutions	<b>(116,557)</b>	(99,309)
Borrowing from central bank	<b>714</b>	30,058
Other liabilities	<b>20,125</b>	20,788
<b>Net cash used in operating activities</b>	<b>(167,794)</b>	(339,521)
<b>Income tax paid</b>	<b>(24,881)</b>	(19,855)

## UNAUDITED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to September ended 30 September	
	2017	2016 (restated)
<b>Cash flows from investing activities</b>		
Payment for the purchase of investments	(499,943)	(474,736)
Proceeds from the disposal of investments	482,205	505,602
Gains received from investments	48,093	52,003
Payment for the purchase of properties and equipments and other assets	(8,457)	(6,669)
Proceeds from the disposal of properties and equipments and other assets	96	422
Cash received from disposal of joint ventures	2	–
Loans repaid by joint ventures	–	5
Acquisition of interest in joint ventures	–	(675)
	-----	-----
<b>Net cash generated from investing activities</b>	<b>21,996</b>	<b>75,952</b>
	-----	-----
<b>Cash flows from financing activities</b>		
Proceeds from the issue of debt securities	51,996	7,910
Proceeds from the issue of negotiable interbank certificates of deposits	472,004	443,293
Proceeds from the issue of certificates of deposits	21,717	12,298
Proceeds from the issue of perpetual debt securities	1,170	–
Repayment of negotiable interbank certificates of deposits	(392,622)	(387,042)
Repayment of certificates of deposit	(14,900)	(13,582)
Repayment of issued debt securities	(25,214)	(3,609)
Repayment of redemption of non-controlling equity	–	(55)
Payment for distribution of dividends	(18,663)	(17,402)
Interest paid on issued debt securities	(6,025)	(12,250)
	-----	-----
<b>Net cash generated from financing activities</b>	<b>89,463</b>	<b>29,561</b>
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Decrease in cash and cash equivalents	(81,216)	(253,863)
Effect of foreign exchange rate changes	1,720	2,619
<b>Net decrease in cash and cash equivalents</b>	<b>(79,496)</b>	<b>(251,244)</b>
Add: balance of cash and cash equivalents at the beginning of the period	532,112	635,843
<b>Balance of cash and cash equivalents at the end of the period</b>	<b>452,616</b>	<b>384,599</b>
	=====	=====
<b>Cash flows from operating activities include:</b>		
Interest received	139,976	115,924
Interest paid	(59,792)	(56,420)
	=====	=====