

## China Merchants Bank Announces its 2007 Interim Results

### Net profit jumped 120.38% to RMB 6.12 billion

**Core customer loan business grew on  
the back of China's thriving economy**

**Improved revenue structure through  
expansion of non-interest income business**

### Results Highlights

- Net profit surged 120.38 % to RMB 6.120 billion (2006 1H: RMB 2.777 billion)
- Profit before tax rose 104.94 % to about RMB 9.007 billion (2006 1H: RMB 4.395 billion)
- Basic earnings per share increased by 82.61% to RMB 0.42 (2006 1H: RMB 0.23)
- Net assets per share rose 50.94% to RMB 4.03 (2006 1H: RMB 2.67)
- Total assets increased by 18.70% to about RMB 1,108.776 billion (December 31, 2006: RMB 934.102 billion)

(Notice: The 2007 interim results of China Merchants Bank Co., Ltd. as an H share were prepared in accordance with International Financial Reporting Standard (IFRS) and are unaudited, but have been reviewed by KPMG. The Board of Directors and all the Directors of China Merchants Bank Co., Ltd. hereby confirm that the information contained in this report does not contain false representations, misleading statements or material omissions. The Directors jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this report.)

**Hong Kong, August 9, 2007** — China Merchants Bank Co., Ltd. (SSE: 600036; HKEx: 3968; “China Merchants Bank” or “the Company”) today announced its interim results for the six months ended June 30, 2007. Business scale expanded during the period under review as demand for corporate and retail loans surged on the back of China's rapid economic growth. This coupled with the increase in interest spread helped drive up profits. The Company also actively developed its non-interest income

businesses to improve its revenue mix. Other factors which contributed to profit growth are: improved efficiency in business and cost management, good asset quality, and the decrease in the effective tax rate due to a change in the tax policy.

For the six months ended June 30, 2007, net profit increased 120.38% year on year to RMB 6.120 billion. As of June 30, 2007, total assets reached RMB 1,108.776 billion, an 18.70% increase from RMB 934.102 billion as of December 31, 2006. Total deposits were RMB 844.571 billion as of June 30, 2007, up 9.15% from the end of 2006. Total loans reached RMB 629.553 billion, up 11.29% from the end of 2006. Basic earnings per share grew 82.61% year on year to RMB 0.42. The Board of Directors has resolved that no interim dividend will be paid.

Dr. Qin Xiao, Chairman of China Merchants Bank, said, “During the period under review, China Merchants Bank benefited from China’s fast economic growth. Corporate loans, residential mortgage loans and the credit card business expanded rapidly. Meanwhile, we stepped up our efforts to develop the corporate banking non-interest income businesses such as cash management, treasury operation, asset custody, corporate annuity, financial advisory and investment banking. As a result, we raised the proportion of fees and commissions in income derived from corporate banking. Non-interest income operations in our retail banking business already took off.”

As of June 30, 2007, corporate loans totaled RMB 419.477 billion, a 16.56% increase from the end of 2006 and accounted for 66.63% of total loans. Most of the corporate loans were lent to three sectors: 1) manufacturing; 2) the transportation, warehousing and postal industries; and 3) wholesale and retail. A total amount of RMB 246.996 billion, or 58.88% of the Company’s total corporate loans, was lent to these three sectors. The Company also increased lending to small and medium-sized enterprises and trade finance loans in order to improve its loan structure.

As of June 30, 2007, retail loans were RMB 137.344 billion, a 34.67% increase compared to the end of 2006. The growth in retail loans was mainly attributable to the fast growth in residential mortgage loans and in credit cards. Retail loans accounted for 21.82% of total loans, up 3.79 percentage points from the end of last year. The growing proportion of retail loans in the Company’s loan portfolio is due to the Company’s constant efforts to expand retail loans in recent years.

Interest income rose 45.93% year on year to RMB 22.284 billion in the first half of 2007. The increase was primarily attributable to the increase in the size of and the average return on loans to customers, bond investments and deposits at other banks and financial institutions. Loans and advances to customers remained the largest source of the Company's interest income.

Net interest income was RMB 14.696 billion for the first half of 2007, up 55.88% over the same period in 2006, exceeding the growth rate of 34.90% in interest-earning assets. The growth was primarily attributable to the expansion of interest-earning assets and their improved average yield.

For the first half of 2007, net interest spread was 2.85%, or 32 basis points higher than that of the same period in 2006. The average yield of the interest-earning assets rose by 34 basis points to 4.49% in the first half of 2007 from 4.15% in the first half of 2006. Meanwhile, the average rate paid on the liabilities only rose by 2 basis points to 1.64% in the first half of 2007 from 1.62% in the same period of 2006.

Net interest margin was 2.96% for the first half of 2007, which was 24 basis points higher than that of the whole year of 2006 and 40 basis points higher than that of the same period of 2006.

While accelerating its business expansion, the Company continued to improve risk management. Both non-performing loans balance and the non-performing loan ratio declined in the first half of 2007. Non-performing loans totaled RMB 10.421 billion, a decrease of RMB 1.585 billion or 13.2% from those at the beginning of this year. The non-performing loan ratio decreased by 0.46 percentage points to 1.66% from the beginning of this year.

Dr. Ma Weihua, President and CEO of China Merchants Bank said, "China's economy grew rapidly and showed signs of overheating in the first half of 2007. There were growing concerns over the possible introduction of more macro-economic control measures. Direct financing accelerated and asset prices continued to soar. The amplitude of the interest rate fluctuation widened and the RMB was under great pressure to appreciate. As such, there were higher requirements for liquidity management, identification and management of market risks. The Company took a number of measures to address these issues. For example, we minimized the adverse impact of policies by

enhancing policy analysis and reacting promptly to changes; we made great efforts to develop fee and commission businesses and continue our efforts to adjust revenue, business and customer mix. We also enhanced our risk management.”

During the period under review, the Company was named “the Best Bank in China”, “the Best Retail Bank in China”, “China's Best Local Cash Management Bank”, one of “China’s Most Respected Enterprises” and the “Enterprise with Greatest Development Potential”. The awards demonstrated that the achievements of the Company were widely recognized and helped promote the brand of the Company.

Of the prospects for the second half of 2007, Dr. Qin Xiao, Chairman of China Merchants Bank, said, “The Company is expected to benefit from steady growth in the economy and the financial markets. Nevertheless, we will be facing challenges with increasing risks in financial markets and intensifying competition. The Company will continue to stick to the principles of ‘updating mindset, deepening reforms, strengthening innovation and minimizing risk’. We will make breakthroughs by adjusting operational strategy, enhancing management standards and delivering increasing returns to our shareholders.”

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## Consolidated Income Statement (Unaudited)

(Expressed in millions of RMB unless otherwise stated)

	For six months ended 30 June 2007	For six months ended 30 June 2006
Interest income	22,284	15,270
Interest expense	(7,588)	(5,842)
Net interest income	14,696	9,428
Fee and commission income	3,012	1,322
Fee and commission expense	(348)	(198)
Net fee and commission income	2,664	1,124
Other net income	194	389
Operating income	17,554	10,941
Operating expenses	(6,968)	(4,848)
Operating profit before impairment	10,586	6,093
Impairment losses	(1,579)	(1,698)
Profit before tax	9,007	4,395
Income tax	(2,887)	(1,618)
Net profit attributable to equity holders of the Company	6,120	2,777
Dividends		
Declared and paid	1,764	983
Proposed special dividend	-	2,210
	RMB	RMB
Earnings per share		
Basic	0.42	0.23
Diluted	0.42	0.23

## Consolidated Balance Sheet (Unaudited)

(Expressed in millions of RMB unless otherwise stated)

	As at 30 June 2007	As at 31 Dec 2006
<b>Assets</b>		
Cash and balances with banks and other financial institutions	17,962	20,861
Balances with central bank	135,461	82,372
Placements with banks and other financial institutions	123,033	88,171
Loans and advances to customers	611,840	549,420
Investments	203,419	178,885
Fixed assets	7,572	7,376
Deferred tax assets	1,955	2,260
Other assets	7,534	4,757
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Total assets	1,108,776	934,102
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<b>Liabilities</b>		
Deposits from banks and other financial institutions	160,297	68,854
Placements from banks and other financial institutions	8,360	7,749
Deposits from customers	844,571	773,757
Financial liabilities at fair value through profit or loss	1,023	106
Certificates of deposit issued	-	1,170
Convertible bonds issued	20	22
Other debts issued	9,989	9,987
Current taxation	2,421	2,652
Other liabilities	19,359	11,145
Subordinated notes issued	3,500	3,500
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Total liabilities	1,049,540	878,942
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<b>Shareholders' equity</b>		
Share capital	14,704	14,703
Capital reserve	27,538	27,536
Surplus reserve	3,088	2,377
Investment revaluation reserve	(88)	195
Regulatory general reserve	6,500	6,500
Retained profits	7,494	1,374
Proposed profit appropriations	-	2,475
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Total shareholders' equity	59,236	55,160
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Total shareholders' equity and liabilities	1,108,776	934,102
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## About China Merchants Bank Co., Ltd.

China Merchants Bank was founded on April 8, 1987. It is headquartered in Shenzhen and mainly focuses on the Chinese domestic market. It has been listed on the Shanghai Stock Exchange since April 9, 2002 under the stock code 600036. Since A share listing, China Merchants Bank has adopted both PRC GAAP and IFRS when preparing its financial statements. China Merchants Bank started trading on the main board of the Hong Kong Stock Exchange under stock code 3968 on September 22, 2006.

China Merchants Bank provides a broad range of corporate and retail banking products and services. It also conducts treasury operations for its own account and on behalf of its customers. China Merchants Bank has been successfully providing innovative products and services which are widely accepted in China. They include the “All-in-one Card”- a multi-function debit card, “All-in-one Net”, which provides comprehensive online banking services, a dual-currency credit card, wealth management services under the Sunflower brand, and “Bank-Customs Express”, which provides electronic tariff payment services.

Over the last 20 years, China Merchants Bank has set up 38 branches, 485 sub-branches, a branch level franchise (credit card center) and a representative office in 38 cities in China, a branch in Hong Kong and a representative office in the U.S..

China Merchants Bank is constantly improving the quality of its assets and is keenly focused on risk control. Today, China Merchants Bank is one of the best Chinese commercial banks in terms of asset quality, and manages its assets according to the People’s Bank of China’s (PBOC) “5-category” loan classification system.

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