

Press Release

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The Asian Banker Excellence in Retail Financial Services Awards 2009

China Merchants Bank named China's Best Retail Bank and Best Joint Stock Retail Bank for 2008

- *China Merchants Bank wins Best Retail Bank in China and Best Joint Stock Retail Bank in China awards for its sound 2008 performance amid significant market downturn.*
- *The bank was notable for its strength in several key business areas and broader signs of a maturing and sustainable retail franchise.*
- *Over 120 banks and financial institutions from 22 countries across the Asia Pacific, Gulf and Central Asian regions were evaluated as part of the Excellence in Retail Financial Services Programme.*

Singapore, 20 March 2009 – China Merchants Bank has been named China's Best Retail Bank and Best Joint Stock Retail Bank in the eighth Asian Banker Excellence in Retail Financial Services Awards Programme. The bank received the awards at The Asian Banker Excellence in Retail Financial Services Awards 2009 ceremony, held in conjunction with the region's foremost retail banking event, the Excellence in Retail Financial Services Convention. The ceremony was held at the Grand Hyatt in Singapore on the evening of March 19th, 2009.

About 120 senior bankers from award winning banks in 22 countries across the Asia Pacific, the Gulf and Central Asian regions attended the formal gala dinner, the industry's celebration of the region's best retail bankers that recognizes their efforts in bringing superior products and services to their customers.

The awards programme, administered by The Asian Banker and refereed by prominent global bankers, consultants and academics, is the most prestigious of its kind.

A stringent three month-long evaluation process, based on a balanced and transparent scorecard, determined the winners and the position of the different retail banks in the region. A full list of winners is attached.

China Merchants Bank wins China's Best Retail Bank and Best Joint Stock Retail Bank awards for its sound 2008 performance, despite significant market downturn.

China Merchants Bank (CMB) has been named the Best Retail Bank in China and Best Joint Stock Retail Bank in China for 2008, led by its solid yearly performance at a time when many

banks in China grappled with downturn in the domestic and international economic and financial landscape.

While nearly all banks in China saw a retail deposit taking increase in 2008 due to the falling off of the country's investment climate, CMB's 45% jump was the highest of the ten largest domestic banks by assets and liabilities, and translated into the industry's largest year-on-year retail deposit market share increase.

Like players across the industry, CMB's annual financial results in 2008 declined significantly compared to the meteoric returns witnessed the last several years. Nonetheless, the bank's operating income growth remained buoyant and included a modest rise in retail non-interest income when peers such as Industrial and Commercial Bank of China (ICBC) reported a precipitous drop in retail fee income growth.

CMB's key business line inroads underscored the development of a maturing and sustainable retail banking franchise.

CMB's relative maturity and sustainability as a franchise was further illustrated by the bank's standing in several key business areas. Its financial product sales growth, for example, was second only to ICBC which has only begun to reposition itself towards upmarket clients and builds on a lower base sales figure. CMB meanwhile held an edge with its proportionately higher mid and high-end client numbers, dominate cross selling rate and relatively few loss stricken-products.

On the retail lending front, CMB reported important growth inroads but maintained general loan quality. Notably, the bank's personal loan balance topped the joint stock bank segment and even exceeded Big Four player Agricultural Bank of China in 2008, yielding the sector's biggest yearly market share increase. Yet, overall, CMB's retail non-performing loan (NPL) rate, already among the lowest of domestic banks, remained unchanged for the year.

CMB's credit card business, which has proven to be uniquely profitable in China, sustained its high market share in terms of cards issued, strong active user rate and relatively low NPL ratio in 2008. At the same time, CMB's retail lending operation benefited from faster new client end-to-end processing and improved credit scoring, giving it an advantage within the industry that is magnified as China's lending environment sours further.

Across the country's joint stock players, cost-to-income ratios typically increased in 2008 and the situation for CMB was no different, a trend driven largely by the segment's strategic focus on rapid network expansion. However, CMB's channel investment garnered impressive results for the year. In 2008, the bank reported comparatively high new e-channel user growth, a dominate branch to alternative channel substitution rate and lower per transaction costs.

CMB also showed itself better positioned to deal with the inevitable rise in client queries and compliants as the market suffers. In 2008, the bank's call centre problem resolution rate was the highest among China's largest banks. Its investment in retail staff training also led the industry and should yield particular dividends as employee attrition rates continue to drop on account of deepening industry instability.

Over 120 banks and financial institutions from 22 countries across the Asia Pacific, Gulf and Central Asian regions were evaluated as part of the Excellence in Retail Financial Services Programme

“This year over 120 banks and financial institutions in 22 countries across Asia were evaluated as part of the Excellence in Retail Financial Services Programme. It has become the single most prestigious, comprehensive and anticipated awards programme that recognises the pursuit of excellence amongst retail financial institutions available almost anywhere in the world today,” said Philip Strause, Chairman of The Asian Banker Excellence in Retail Financial Services Programme.

The transparent award evaluation process uses a balanced scorecard approach and a comprehensive methodology to evaluate the strength of individual banks’ retail banking businesses that involves extensive research and probing interviews, and taps the combined experience of a team of experienced researchers.

Strause, who has over 30 years experience as a principal consultant to leading financial institutions in North America and the Asia Pacific, added, “The Asian Banker Excellence in Retail Financial Services Programme was instituted in 2001 on the premise that an outstanding player in the retail financial services industry should build business franchises that are sustainable, competitive and profitable over a period of time.”

About The Asian Banker

The Asian Banker is the foremost provider of strategic business intelligence on the financial services industry in the Asia Pacific and Middle East regions. The organization has offices in Singapore, Kuala Lumpur, Beijing and Dubai as well as representatives in Shanghai, London and New York. With a business that revolves around publications, research services, training and forums, the organization is highly regarded in the financial services community for its incisive and independent commentaries on developments in the industry. The company’s website is www.theasianbanker.com

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