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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)

ANNOUNCEMENT IN RELATION TO THE CHANGES IN ACCOUNTING POLICIES

I. SUMMARY OF THE CHANGES IN ACCOUNTING POLICIES

The Resolution Regarding the Changes in Accounting Policies of China Merchants Bank was considered and approved at the 15th meeting of the Tenth Session of the Board of Directors of China Merchants Bank Co., Ltd. (hereinafter referred to as the “Company”). The changes in accounting policies are not subject to consideration and approval by shareholders at the general meeting of the Company.

The changes in accounting policies are implemented by the Company pursuant to the Notice on Issuing the Revised “Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instrument” (Cai Kuai [2017] No. 7), the Notice on Issuing the Revised “Accounting Standard for Business Enterprises No. 24 – Hedge Accounting” (Cai Kuai [2017] No. 9), the Notice on Issuing the Revised “Accounting Standard for Business Enterprises No. 37 – Presentation and Reporting of Financial Instrument” (Cai Kuai [2017] No. 14) and the Notice on Issuing the Revised “Accounting Standard for Business Enterprises No. 16 – Government Grants” (Cai Kuai [2017] No. 15) promulgated by the Ministry of Finance to change the accounting policies of the Company.

II. DETAILS OF THE CHANGES IN ACCOUNTING POLICIES AND THE IMPACT ON THE COMPANY

(I) Changes in accounting policies in relation to financial instrument

Pursuant to the newly revised “Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instrument”, “Accounting Standard for Business Enterprises No. 24 – Hedge Accounting” and “Accounting Standard for Business Enterprises No. 37 – Presentation and Reporting of Financial Instrument” issued by the Ministry of Finance, financial asset shall be classified in accordance with its characteristic of contracted cash flow and the business model it belongs to, its initial classification and nature of measurement is determined accordingly, and any financial asset shall be classified into three classes, namely, “financial asset measured at amortised cost”, “financial asset measured at fair value through other comprehensive income” and “financial asset measured at fair value through profit or loss”. The provision for impairment loss of financial asset shall change from the approach of “loss occurred” to “expected loss” and the scope of provision shall be enlarged. In respect of hedge accounting, the scope of qualified hedged items and hedging instrument shall be enlarged, and the quantitative standard for test of effectiveness and the requirement for retrospective test shall be abolished and replaced by the qualitative test focusing on economic relationship. The “re-balanced” mechanism on hedging relationship shall be introduced. The disclosure requirements for financial instrument shall be adjusted accordingly.

The implementation of the abovementioned new Standards will have impacts on various aspects of the Company’s financial statements. The revision and implementation of the Standards will both take place on 1 January 2018. To avoid discrepancy between the A share and H share financial statements of companies which are listed on both domestic and overseas stock markets, the Ministry of Finance specifically requested that such companies apply the new Standards from the beginning of 2018. According to the provisions for the transitional period, companies should retrospectively adjust the retained earnings or other comprehensive income at the beginning of the period instead of restating the comparable figures of the prior period. As such, the Company will change its accounting policies from the beginning of 2018 and the accounting statements will be disclosed in accordance with the new Standards since the first quarterly report of 2018. The Company will adjust the data of retained earnings and other comprehensive income at the beginning of 2018 in respect of the effects of the new Standards without restating the comparable figures at the end of 2017.

(2) Changes in accounting policies in relation to government grants

According to the revised “Accounting Standard for Business Enterprises No. 16 – Government Grants” issued by the Ministry of Finance, 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. CONCLUSIVE OPINIONS OF INDEPENDENT DIRECTORS AND BOARD OF SUPERVISORS

The independent directors and the board of supervisors of the Company agree with the changes of accounting policies of the Company and are of the view that:

The changes of accounting policies is reasonable according to the relevant documents stipulated by the Ministry of Finance. It conforms to the relevant requirements of the Ministry of Finance, China Securities Regulatory Commission, Shanghai Stock Exchange and other regulatory authorities, reflects the Company's financial conditions and operating results in a more objective and fair manner, and is in line with the interests of the Company and all of its shareholders. The procedures for the review of the changes in accounting policies are in compliance with the requirements of relevant laws and regulations and the Articles of Association of China Merchants Bank Co., Ltd..

By Order of the Board
China Merchants Bank Co., Ltd.
Joint Company Secretaries
Wang Liang Seng Sze Ka Mee Natalia

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.