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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)

PROPOSED ISSUE

OF

U.S.\$1,000,000,000 4.40% NON-CUMULATIVE PERPETUAL OFFSHORE PREFERENCE SHARES

Joint Global Coordinators

**CMB International
Capital Limited**

HSBC

**China Merchants
Securities (HK)**

Citigroup

Joint Bookrunners and Joint Lead Managers

**CMB International
Capital Limited**

HSBC

**China Merchants
Securities (HK)**

Citigroup

Wing Lung Bank Limited

J.P. Morgan

ICBC International

BOCI Asia

Wells Fargo Securities

The Company has entered into the Subscription Agreement with the Joint Global Coordinators and the Joint Lead Managers, pursuant to which the Joint Lead Managers have severally and not jointly agreed to subscribe for, or procure subscribers to subscribe for the Offshore Preference Shares to be issued by the Company on the terms of the Subscription Agreement. The Company acknowledges that CMB International Capital Limited, China Merchants Securities (HK) Co., Limited and Wing Lung Bank Limited only intend to procure purchasers or subscribers to subscribe for the Offshore Preference Shares, and will not subscribe for the same. The Offshore Preference Shares will have a par value of RMB100 each. Subject to the conditions stipulated in the Subscription Agreement, the Offshore Preference Shares will be subscribed at a price equal to 100% of the Liquidation Preference (U.S.\$20 each). The Offshore Preference Shares will be issued and fully paid in U.S. dollars.

The Offshore Preference Shares will be issued pursuant to the Articles of Association, the Shareholders Resolutions and the authorisation to the Board and its authorised persons relating to the Offshore Preference Shares. The Offshore Preference Shares when issued will qualify as Additional Tier 1 Capital of the Company pursuant to the Capital Management Rules.

Upon the Winding-Up of the Company, the Offshore Preference Shareholders shall rank: (a) junior to (i) holders of all liabilities of the Company (including holders of subordinated liabilities, and including depositors, general creditors, subordinated bondholders, convertible bondholders, Tier 2 capital bondholders and holders of the Tier 2 capital instruments) and (ii) holders of obligations issued or guaranteed by the Company that rank, or are expressed to rank, senior to the Offshore Preference Shares; (b) equally in all respects with each other and without preference among themselves and with the holders of Parity Obligations; and (c) in priority to Ordinary Shareholders. On such Winding-Up of the Company, any remaining assets of the Company shall, after the distributions in accordance with the Conditions have been made, be applied to the claims of the Shareholders so that the claims of the Offshore Preference Shareholders shall be *pari passu* with the claims of holders of any Parity Obligations and in priority to the claims of the Ordinary Shareholders.

The Offshore Preference Shares are perpetual and have no maturity date. The Company will only have the right to redeem the Offshore Preference Shares as described in the Conditions. The Offshore Preference Shares are not redeemable at the option of the Offshore Preference Shareholders, and the Offshore Preference Shareholders do not have the right to put back the Offshore Preference Shares to the Company. However, the Company may, subject to obtaining the CBRC Approval and compliance with the conditions to the distribution of dividends set out in the Conditions and the Redemption Preconditions, upon not less than 30 nor more than 60 days' notice to the Offshore Preference Shareholders and the Fiscal Agent, redeem in whole or in part of the Offshore Preference Shares on the First Reset Date and on any Dividend Payment Date thereafter. The redemption price for each Offshore Preference Share so redeemed shall be the aggregate of an amount equal to its Liquidation Preference plus any declared but unpaid dividends in respect of the period from (and including) the immediately preceding Dividend Payment Date to (but excluding) the date scheduled for redemption. Further details are described in the section headed "Principal Terms and Conditions of the Offshore Preference Shares" in this announcement.

Subject as provided in the Conditions, each Offshore Preference Share shall entitle the holder thereof to receive non-cumulative dividends which have not been otherwise cancelled payable annually in arrear. Each dividend will be payable annually in arrear on 25 October in each year subject as provided under the Conditions. Subject as provided in the Conditions, the first Dividend Payment Date will be 25 October 2018. The Offshore Preference Shares will accrue dividends on their Liquidation Preference: (a) from and including the Issue Date to but excluding the First Reset Date, at the rate of 4.40% per annum; and (b) thereafter, in respect of the period from and including the First Reset Date and each Reset Date falling thereafter to but excluding the immediately following Reset Date, at the relevant Reset Dividend Rate. Subject to a resolution to be passed at a Shareholders' general meeting of the Company on each such occasion, the Company may elect to cancel (in whole or in part) the dividends otherwise scheduled to be paid on a Dividend Payment Date in the manner set out in the Conditions.

If any Trigger Event occurs, subject to the conditions described in the Conditions, the Company shall (having notified and obtained the consent of the CBRC but without the need for the consent of the holders of the preference shares or the Ordinary Shareholders) (a) cancel any dividend in respect of the relevant Loss Absorption Amount that is unpaid accrued up to and including the Conversion Date, and (b) irrevocably and mandatorily convert with effect from the Conversion Date all or some only of the Offshore Preference Shares into such number of New H Shares as is equal to the Loss Absorption Amount held by the Offshore Preference Shareholders divided by the effective Conversion Price.

Based on the CNY Central Parity Rate published by the China Foreign Exchange Trading Centre on 19 October 2017, the gross proceeds from the offering of the Offshore Preference Shares will be approximately RMB6,609.3 million. The Company expects the net proceeds raised from the Offshore Preference Shares issuance, after deduction of the expenses relating to the issuance, to be approximately RMB6,578.2 million and, subject to applicable laws and regulations and the approvals by the relevant regulatory authorities such as the CBRC and the CSRC, will be used for replenishment of the Company's Additional Tier 1 Capital.

There are restrictions on the offer and sale of the Offshore Preference Shares in certain jurisdictions including, but not limited to, the United States, the PRC, Hong Kong, Japan, Singapore, Taiwan and the United Kingdom. The Offshore Preference Shares and the New H Shares issuable upon Conversion of the Offshore Preference Shares have not been, and will not be, registered under the Securities Act. Accordingly, the Offshore Preference Shares and the New H Shares issuable upon Conversion of the Offshore Preference Shares are not allowed to be offered or sold in the United States, except in those transactions where relevant exemption has been obtained or the registration requirements of the Securities Act are not applicable. The Offshore Preference Shares will be offered outside the United States in compliance with Regulation S.

The Offshore Preference Shares are not intended to be sold and should not be sold to retail clients in the European Economic Area, as defined in the rules set out in the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015 (as amended or replaced from time to time) other than in circumstances that do not and will not give rise to a contravention of those rules by any person. The Offshore Preference Shares are offered to professional investors only and are not suitable for retail investors. Investors should not purchase the Offshore Preference Shares in the primary or secondary markets unless they are professional investors. The Offshore Preference Shares will be issued and transferable only in minimum amounts of U.S.\$200,000 (or 10,000 Offshore Preference Shares) and integral multiples of U.S.\$1,000 (or 50 Offshore Preference Shares) in excess thereof.

An application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Offshore Preference Shares and the New H Shares issuable upon Conversion of the Offshore Preference Shares. A further announcement will be made before listing of and dealings in the Offshore Preference Shares commence.

Completion of the Subscription Agreement and issue of the Offshore Preference Shares is subject to the satisfaction or waiver of the conditions precedent therein. In addition, the Subscription Agreement and issue of the Offshore Preference Shares may be terminated in certain circumstances. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

The Company has entered into the Subscription Agreement with the Joint Global Coordinators and the Joint Lead Managers, pursuant to which the Joint Lead Managers have severally and not jointly agreed to subscribe, or procure subscribers to subscribe the Offshore Preference Shares to be issued by the Company on the terms of the Subscription Agreement. The Company acknowledges that CMB International Capital Limited, China Merchants Securities (HK) Co., Limited and Wing Lung Bank Limited only intend to procure purchasers or subscribers to subscribe for the Offshore Preference Shares, and will not subscribe for the same.

The Company entered into the conditional subscription agreement with COSCO Shipping Financial on 24 March 2017. Pursuant to the conditional subscription agreement, COSCO Shipping Financial proposes to subscribe for no more than 5 million Offshore Preference Shares under this issuance, with a total amount of no more than RMB500 million or its equivalent. COSCO Shipping Financial is a wholly-owned company of COSCO, and COSCO is a related party of the Company under the Listing Rules of the Shanghai Stock Exchange. The subscription of Offshore Preference Shares by COSCO Shipping Financial under this issuance constitutes a related party transaction of the Company under the Listing Rules of Shanghai Stock Exchange. Such related party transaction was approved by independent shareholders at the 2016 annual general meeting of the Company. After the completion of the offering of the Offshore Preference Shares, COSCO Shipping Financial will subscribe for 3,500,000 Offshore Preference Shares at a price of U.S.\$20 per share, which represents 7% of the total offer size of the Offshore Preference Shares.

The Offshore Preference Shares will be issued pursuant to the Articles of Association, the Shareholders Resolutions and the authorisation to the Board and its authorised persons relating to the Offshore Preference Shares. The Offshore Preference Shares when issued will qualify as Additional Tier 1 Capital of the Company pursuant to the Capital Management Rules.

There are restrictions on the offer and sale of the Offshore Preference Shares in certain jurisdictions including, but not limited to, the United States, the PRC, Hong Kong, Japan, Singapore, Taiwan and the United Kingdom. The Offshore Preference Shares and the New H Shares issuable upon Conversion of the Offshore Preference Shares have not been, and will not be, registered under the Securities Act. Accordingly, the Offshore Preference Shares and the New H Shares issuable upon Conversion of the Offshore Preference Shares are not allowed to be offered or sold in the United States, except in those transactions where relevant exemption has been obtained or the registration requirements of the Securities Act are not applicable. The Offshore Preference Shares will be offered outside the United States in compliance with Regulation S.

The Offshore Preference Shares are not intended to be sold and should not be sold to retail clients in the European Economic Area, as defined in the rules set out in the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015 (as amended or replaced from time to time) other than in circumstances that do not and will not give rise to a contravention of those rules by any person. The Offshore Preference Shares are offered to professional investors only and are not suitable for retail investors. Investors should not purchase the Offshore Preference Shares in the primary or secondary markets unless they are professional investors. The Offshore Preference Shares will be issued and transferable only in minimum amounts of U.S.\$200,000 (or 10,000 Offshore Preference Shares) and integral multiples of U.S.\$1,000 (or 50 Offshore Preference Shares) in excess thereof.

THE SUBSCRIPTION AGREEMENT

Date

19 October 2017

Parties

- (i) the Company (as issuer);
- (ii) CMB International Capital Limited, The Hongkong and Shanghai Banking Corporation Limited, China Merchants Securities (HK) Co., Limited and Citigroup Global Markets Limited (as Joint Global Coordinators); and
- (iii) CMB International Capital Limited, The Hongkong and Shanghai Banking Corporation Limited, China Merchants Securities (HK) Co., Limited, Citigroup Global Markets Limited, Wing Lung Bank Limited, J.P. Morgan Securities plc, ICBC International Securities Limited, BOCI Asia Limited and Wells Fargo Securities, LLC (as Joint Lead Managers).

Subscription

Subject to the fulfilment of the conditions set out below in the section headed “Conditions Precedent to the Subscription”, the Joint Lead Managers have severally and not jointly agreed to subscribe, or procure subscribers to subscribe the Offshore Preference Shares to be issued by the Company on the terms of the Subscription Agreement. The Company acknowledges that CMB International Capital Limited, China Merchants Securities (HK) Co., Limited and Wing Lung Bank Limited only intend to procure purchasers or subscribers to subscribe for the Offshore Preference Shares, and will not subscribe for the same. The Company expects that the issuance of the Offshore Preference Shares will be completed on the Closing Date.

The Offshore Preference Shares will have a par value of RMB100 each. Subject to the conditions described in the Subscription Agreement, the Offshore Preference Shares will be subscribed at a price equal to 100% of the Liquidation Preference (U.S.\$20 each).

Subscribers

To the best of the Company’s knowledge, information and belief, except for China Merchants Securities (HK) Co., Limited, none of the Joint Lead Managers is a connected person (as defined in the Hong Kong Listing Rules) of the Company. CMB International Capital Limited and Wing Lung Bank Limited are wholly-owned subsidiaries of the Company.

The Joint Lead Managers have informed the Company that no less than six qualified placees are intended to be procured by them for the Offshore Preference Shares but subject to a maximum limit of 200 qualified placees for the Offshore Preference Shares.

The Offshore Preference Shares are not intended to be initially placed and may not be initially placed to connected persons of the Company as defined in the Hong Kong Listing Rules. To the best of the Company’s knowledge, information and belief, each of the placees (and its respective ultimate beneficial owners) intended to be procured by the Joint Lead Managers for the Offshore Preference Shares are not connected persons (as defined in the Hong Kong Listing Rules) of the Company.

Conditions Precedent to the Subscription

The obligations of the Joint Lead Managers to subscribe, or procure subscribers to and pay for the Offshore Preference Shares are conditional upon:

1. **The Contracts:** the execution and delivery of the relevant contracts as specified in the Subscription Agreement for the Offshore Preference Shares and the Global Certificate by the parties thereto on or before the Closing Date;
2. **Auditors' Letter:** on each of the date of the Offering Circular and the Closing Date, there having been delivered to the Joint Lead Managers a letter, in the form agreed between the Company and the Joint Lead Managers, dated the date of the Offering Circular and the Closing Date respectively and addressed to the Joint Lead Managers from the current auditors of the Company and the former auditors of the Company;
3. **Internal Authorisations of the Company:** the delivery of certified copies of the constitutive documents of the Company and certified copies or certified extracts of internal authorisations and the resolution of the shareholders of the Company authorising the issue of the Offshore Preference Shares and the New H Shares and the execution of the relevant contracts as specified in the Subscription Agreement;
4. **Representations and Warranties:** (a) the representations and warranties of the Company in the Subscription Agreement being true, accurate and correct at, and as if made on, the Closing Date; and (b) on the Closing Date, the Company having performed all of its obligations under the Subscription Agreement to be performed on or before the Closing Date and there having been delivered to the Joint Lead Managers a certificate dated the Closing Date, signed by an authorised signatory of the Company to such effect;
5. **Legal Opinions:** on or before the Closing Date, there having been delivered to the Joint Lead Managers the relevant legal opinions, in form reasonably satisfactory to the Joint Lead Managers, dated the Closing Date to the Joint Lead Managers and, as the case may be, the Company;
6. **Listing:** the Hong Kong Stock Exchange having agreed, subject to any conditions reasonably satisfactory to the Joint Lead Managers, to list the Offshore Preference Shares, and upon conversion of any such Offshore Preference Shares to New H Shares, such New H Shares;
7. **Officer's Certificates:** on each of the date of the Offering Circular and the Closing Date, there having been delivered to the Joint Lead Managers certificates substantially in the form set out in the Subscription Agreement, dated the date of the Offering Circular and the Closing Date respectively, and signed by an authorised officer of the Company;
8. **NDRC Confirmation Certificate:** a certificate signed by an authorised signatory of the Company confirming that the Company is relying on an NDRC quota which is substantially in the form set out in the Subscription Agreement having been delivered to the Joint Lead Managers prior to launch of the Offshore Preference Shares and remains effective at the Issue Date; and
9. **Approvals:** the approvals from each of the CBRC, CSRC and NDRC having been obtained and remain in full force and effect,

provided, however, that the Joint Lead Managers may, at their discretion and upon such terms as they think fit, waive compliance with the whole or any part of the condition precedents specified in the paragraphs above other than paragraphs 1, 6 and 9.

Termination of the Subscription

Notwithstanding anything contained in the Subscription Agreement, the Joint Lead Managers may give a termination notice to the Company at any time prior to the payment of the net proceeds of the issue of the Offshore Preference Shares to the Company on the Closing Date if:

1. any of the warranties and representations by the Company in the Subscription Agreement is or proves to be untrue or incorrect on the date of the Subscription Agreement or on any date on which it is deemed to be repeated;
2. the Company fails to perform any of its obligations under the Subscription Agreement;
3. any of the conditions specified in the section headed “Conditions Precedent to the Subscription” above has not been satisfied or waived by the Joint Lead Managers on or prior to the Closing Date;
4. since the date of the Subscription Agreement there has been, in the opinion of the Joint Lead Managers, a change or any development involving a prospective change, in national or international financial, political or economic conditions or currency exchange rates or foreign exchange controls as would in their view, be likely to prejudice materially the success of the offering and distribution of the Offshore Preference Shares or dealings in the Offshore Preference Shares in the secondary market;
5. since the date of the Subscription Agreement there shall have occurred, in the opinion of the Joint Lead Managers, any of the following events:
 - a. a suspension or a material limitation in trading in securities generally on the New York Stock Exchange, the London Stock Exchange plc, the Shanghai Stock Exchange and/or the Hong Kong Stock Exchange;
 - b. a suspension or a material limitation in trading in the securities of the Company on the Hong Kong Stock Exchange or the Shanghai Stock Exchange;
 - c. a general moratorium on commercial banking activities in the United States, the PRC, Hong Kong and/or the United Kingdom declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States, the PRC, Hong Kong or the United Kingdom; or
 - d. a change or development involving a prospective change in taxation affecting the Company, the Offshore Preference Shares or the transfer thereof; and
6. if, in the opinion of the Joint Lead Managers, there shall have occurred any event or series of events (including the occurrence of any local, national or international outbreak or escalation of disaster, hostility, insurrection, armed conflict, act of terrorism, act of God or epidemic) as would in their view be likely to prejudice materially the success of the issue and distribution of the Offshore Preference Shares or dealings in the Offshore Preference Shares in the secondary market.

PRINCIPAL TERMS AND CONDITIONS OF THE OFFSHORE PREFERENCE SHARES

<i>Issuer</i>	China Merchants Bank Co., Ltd.
<i>Offering</i>	U.S.\$1,000,000,000 4.40% Non-Cumulative Perpetual Offshore Preference Shares
<i>Issue Price</i>	100%
<i>Liquidation Preference</i>	<p>The Offshore Preference Shares will be issued as fully paid-up capital in U.S. dollars so that the total issuance price of the Offshore Preference Shares will be U.S.\$20 each.</p> <p>The Offshore Preference Shares will have a par value of RMB100 each according to regulatory requirements. The Liquidation Preference amount has been set to enable minimum denomination and integral multiples to align more closely with market practice.</p>
<i>Issue Date</i>	25 October 2017
<i>Maturity Date</i>	<p>The Offshore Preference Shares are perpetual and have no maturity date. The Company will only have the right to redeem the Offshore Preference Shares as described in the Conditions. The Offshore Preference Shares are not redeemable at the option of the Offshore Preference Shareholders, and the Offshore Preference Shareholders do not have the right to put back the Offshore Preference Shares to the Company.</p>
<i>Book-entry and Denomination</i>	<p>While the Offshore Preference Shares are represented by the Global Certificate and the Global Certificate is held on behalf of the clearing systems, the Offshore Preference Shares will be recorded, transferred or converted on the basis of their Authorised Denomination (as defined below) and not number of Offshore Preference Shares.</p> <p>The Offshore Preference Shares will be issued in registered form and issued and transferable only in minimum amounts of U.S.\$200,000 (or 10,000 Offshore Preference Shares) and integral multiples of U.S.\$1,000 (or 50 Offshore Preference Shares) in excess thereof (each an “Authorised Denomination”).</p> <p>The Offshore Preference Shares will initially be represented by a Global Certificate which will be registered in the name of a nominee of, and deposited with a common depository for, Euroclear and Clearstream, Luxembourg.</p>

*Status and Rights upon
Liquidation*

Upon the Winding-Up of the Company, the Offshore Preference Shareholders shall rank: (a) junior to (i) holders of all liabilities of the Company (including holders of subordinated liabilities, and including depositors, general creditors, subordinated bondholders, convertible bondholders, Tier 2 capital bondholders and holders of the Tier 2 capital instruments) and (ii) holders of obligations issued or guaranteed by the Company that rank, or are expressed to rank, senior to the Offshore Preference Shares; (b) equally in all respects with each other and without preference among themselves and with the holders of Parity Obligations; and (c) in priority to the Ordinary Shareholders.

On such Winding-Up of the Company, any remaining assets of the Company shall, after the distributions in accordance with the Conditions have been made, be applied to the claims of the Shareholders so that the claims of the Offshore Preference Shareholders shall be *pari passu* with the claims of holders of any Parity Obligations and in priority to the claims of the Ordinary Shareholders.

Rights to Dividends

Subject as provided in the Conditions, each Offshore Preference Share shall entitle the holder thereof to receive non-cumulative dividends which have not been otherwise cancelled payable annually in arrear. Each dividend will be payable, subject as provided under the Conditions, annually in arrear on 25 October in each year. Subject as provided in the Conditions, the first Dividend Payment Date will be 25 October 2018.

Dividends in respect of the Offshore Preference Shares for a Dividend Period shall be calculated by multiplying the relevant Dividend Rate by the Liquidation Preference of the Offshore Preference Shares and rounding the resulting figure to the nearest U.S. cent (half a U.S. cent being rounded upwards).

Dividend Rate

The Offshore Preference Shares will accrue dividends on their Liquidation Preference at the relevant Dividend Rate below:

- (a) from and including the Issue Date to but excluding the First Reset Date, at the rate of 4.40% per annum; and
- (b) thereafter, in respect of the period from and including the First Reset Date and each Reset Date falling thereafter to but excluding the immediately following Reset Date, at the relevant Reset Dividend Rate.

Conditions to Distribution of Dividends Notwithstanding any other provision in the Conditions, the payment of any dividend on any Dividend Payment Date is subject to:

- (a) the Board (or Directors delegated by the Board) having passed a resolution to declare such dividend in accordance with the Articles of Association;
- (b) the Company having distributable profits after tax (which is derived from the retained earnings in the financial statements of the parent company prepared in accordance with PRC GAAP or IFRS, whichever amount is lower), after making up for losses and contributing amounts to the statutory reserve funds and general reserves in accordance with law; and
- (c) the relevant capital adequacy ratios of the Company meeting the requirements of the relevant regulatory authorities.

Further, subject to a resolution to be passed at a Shareholders' general meeting on each such occasion, the Company may elect to cancel (in whole or in part) the dividends otherwise scheduled to be paid on a Dividend Payment Date in the manner set out in the Conditions. The Company may at its discretion use the funds arising from the cancellation of such dividend to repay other indebtedness that are due.

The cancellation of any amount of dividend in accordance with the Conditions shall not constitute a default for any purpose by the Company. Dividend payments are non-cumulative and any amount of dividend cancelled by the Company in accordance with the Conditions in the then current Dividend Period will not be accumulated to the following Dividend Periods.

Restrictions Following Cancellation of Dividends

If the Company elects to cancel (in whole or in part) any dividend scheduled to be paid on a Dividend Payment Date (but not where such dividend has been cancelled pursuant to the Conditions upon the occurrence of a Trigger Event), the cancellation of such dividend (in whole or in part) on the Offshore Preference Shares will require a resolution to be passed at a Shareholders' general meeting. The Company undertakes that any resolution passed at a Shareholders' general meeting that cancels a dividend (in whole or in part) on the Offshore Preference Shares will be a Parity Obligation Dividend Cancellation Resolution and undertakes that it will not propose to any Shareholders' general meeting a resolution to cancel any dividend on the Offshore Preference Shares that is not a Parity Obligation Dividend Cancellation Resolution.

From the day immediately following the Parity Obligation Dividend Cancellation Resolution being approved at the Shareholders' general meeting, the Company shall not make any distribution or dividend in cash or otherwise on, and will procure that no distribution or dividend in cash or otherwise is made on, any Ordinary Shares or on any other class of shares or obligations that ranks or is expressed to rank junior to the Offshore Preference Shares, unless or until the earlier of: (i) the dividend scheduled to be paid on any subsequent Dividend Payment Date is paid in full to the Offshore Preference Shareholders; or (ii) the redemption or purchase and cancellation or the Conversion of all outstanding Offshore Preference Shares.

Mandatory Conversion

If any Trigger Event occurs, the Company shall (having notified and obtained the consent of the CBRC but without the need for the consent of the holders of preference shares or the Ordinary Shareholders):

- (a) cancel any dividend in respect of the relevant Loss Absorption Amount that is unpaid accrued up to and including the Conversion Date; and
- (b) irrevocably and mandatorily convert with effect from the Conversion Date all or some only of the Offshore Preference Shares into such number of New H Shares as is equal to (i) the Loss Absorption Amount held by the Offshore Preference Shareholders (as converted into Hong Kong dollars at the fixed exchange rate of U.S.\$1.00 to HK\$7.7672) divided by (ii) the effective Conversion Price rounded down (to the extent permitted by applicable laws and regulations) to the nearest whole number of New H Shares, and any fractional share less than one New H Share resulting from the Conversion will not be issued and no cash payment or other adjustment will be made in lieu thereof.

The New H Shares issuable upon Conversion shall be issued to a nominee appointed by the Company to hold on behalf of the Offshore Preference Shareholders in accordance with the Conditions.

Conversion Price

The initial conversion price for the Offshore Preference Shares is HK\$21.06 per New H Share, subject to adjustment as described in the Conditions.

The initial Conversion Price is equal to the average trading price of the H Shares for the 20 trading days preceding 24 March 2017, the date of announcement of the Board resolution in respect of the issuance plan of the Offshore Preference Shares.

The Conversion Price shall be adjusted if and whenever:

- (a) the Company issues any H Shares credited as fully paid up to the holders of H Shares by way of bonus issuance or capitalisation issue;
- (b) (i) the Company issues any new H Shares (other than any New H Shares issued on the exercise of any rights of conversion into, or exchange or subscription for, or purchase of, New H Shares) at a price per H Share which is less than the closing price per H Share (as published by the Hong Kong Stock Exchange) on the trading day immediately preceding the date of the first public announcement of such issuance of new shares (being the announcement containing the effective and irrevocable terms of such issuance), or (ii) the Company issues any H Shares by way of a rights issue; or
- (c) in the event that any rights and interests of the Offshore Preference Shareholders may be affected by any redemption and cancellation of the Ordinary Shares by, or merger or division of, the Company or any other circumstances that may cause changes in the Company's share class, number of shares and/or shareholders' equity.

<i>Optional Redemption</i>	The Company may, subject to obtaining CBRC Approval and compliance with the conditions to the distribution of dividends set out in the Conditions and the Redemption Preconditions, upon not less than 30 nor more than 60 days' notice to the Offshore Preference Shareholders and the Fiscal Agent, redeem in whole or in part of the Offshore Preference Shares on the First Reset Date and on any Dividend Payment Date thereafter. The redemption price for each Offshore Preference Share so redeemed shall be the aggregate of an amount equal to its Liquidation Preference plus any declared but unpaid dividends in respect of the period from (and including) the immediately preceding Dividend Payment Date to (but excluding) the date scheduled for redemption.
<i>Taxation and Withholding</i>	All payments of Liquidation Preference and/or dividends in respect of the Offshore Preference Shares will be made free and clear of, and without withholding or deduction for or on account of, any present or future tax, duty, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of the PRC or any political subdivision or any authority thereof or therein having power to levy tax in the PRC, unless such withholding or deduction is required by the law of the PRC.
<i>Limited Voting Rights</i>	<p>Pursuant to the Articles of Association and subject to the restoration of voting rights as described in the Conditions, Offshore Preference Shareholders shall not be entitled to convene, attend or vote at any Shareholders' general meeting of the Company, other than in the circumstances set out in the Conditions.</p> <p>Only under certain circumstances as specified in the Articles of Association and the Conditions may the Offshore Preference Shareholders be entitled to attend the Shareholders' general meeting and vote only upon the special resolutions as specified in the Conditions, and the Offshore Preference Shareholders will be entitled to one vote in respect of each outstanding Offshore Preference Share and vote together with other holders of preference shares as a separate class from the Ordinary Shareholders. The Offshore Preference Shares held by, or on behalf of, the Company shall have no voting rights.</p>
<i>Prescription</i>	Any dividend unclaimed after a period of six years from the date when it became due for payment shall be forfeited and shall revert to the Company, and the payment by the Board of any unclaimed dividend or other sum payable on or in respect of an Offshore Preference Share into a separate account shall not constitute the Company a trustee in respect of it. No dividend or other monies payable on or in respect of the Offshore Preference Shares shall bear interest as against the Company.
<i>Restoration of Voting Rights</i>	Subject to the cancellation of restored voting rights as described in the Conditions, if a voting rights restoration event as specified in the Conditions occurs, then, as from the day immediately after the date on which the Shareholders' general meeting resolves that the Company will not pay such dividend which triggers the voting rights restoration event in full, each Offshore Preference Shareholder shall, to the extent permitted under applicable shareholding law, be entitled to attend and vote upon any resolution proposed at any Shareholders' general meeting as if he or she was the holder of such number of Ordinary Shares.

Governing Law

The Offshore Preference Shares and the rights and obligations attached to them are governed by, and shall be construed in accordance with, the PRC law.

Arbitration

In the event of any dispute or claim arising between the Offshore Preference Shareholders and the Company, between the Offshore Preference Shareholders and the directors, supervisors, presidents or other senior management members of the Company, or between the Offshore Preference Shareholders and other shareholders of the Company, with respect to any rights or obligations by virtue of the Articles of Association, the Company Law and any rights or obligations stipulated by any other relevant laws and administrative regulations concerning the affairs of the Company, the parties concerned shall submit the said dispute or claim for arbitration.

Disputes with respect to the definition of the Offshore Preference Shareholders and disputes concerning the share register need not be resolved by arbitration.

APPLICATION FOR LISTING

An application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Offshore Preference Shares and the New H Shares issuable upon Conversion of the Offshore Preference Shares. A further announcement will be made before listing of and dealings in the Offshore Preference Shares commence.

PROPOSED DOMESTIC PREFERENCE SHARE OFFERING

A Board meeting and a general meeting of shareholders of the Company have been held respectively on 24 March 2017 and 26 May 2017, and approved, among others, the proposed offering of the Domestic Preference Shares with an aggregate amount not exceeding RMB27.5 billion.

The proposed issuance of Domestic Preference Shares will be conducted by way of a non-public issuance and the Domestic Preference Shares shall be issued in a single or multiple series after being approved by regulatory authorities such as the CBRC and the CSRC. This offering of Domestic Preference Shares will be issued to no more than 200 qualified investors who meet the relevant qualification requirements under the Trial Administrative Measures on Preference Shares (《優先股試點管理辦法》) issued by the CSRC on 21 March 2014. The issuance of preference shares with the same terms and conditions shall not be issued to more than 200 qualified investors. Such kind of qualified investors will be determined by the Board in accordance with the relevant laws and regulations of the CSRC and domestic listing rules.

The proposed issuance of Domestic Preference Shares and the proposed issuance of Offshore Preference Shares (as mentioned in the Offering Circular) are independent from each other and are not conditional on each other. If either of the issuances does not proceed, the other issuance shall not be affected.

Completion of the proposed offering of Domestic Preference Shares is subject to approvals from various regulatory authorities and the satisfaction or waiver of certain conditions precedent. Shareholders and potential investors are advised to exercise caution when considering the above information.

REASONS FOR THE ISSUANCE AND USE OF PROCEEDS

Founded in 1987 with its head office in Shenzhen, China, the Company mainly focuses on the Chinese market. The Company's distribution network primarily covers China's more economically developed regions such as the Yangtze River Delta, Pearl River Delta and Bohai Rim, and some large and medium cities in other regions. As at the end of 2016, the Company had established 1,921 domestic and overseas correspondent banks in 113 countries (including China) and regions. According to PBOC statistics, the Company ranked the sixth among China's commercial banks by total loans as of 31 December 2016.

In order to improve the capital structure of the Company, further enhance the overall competitiveness of the Company, continue to promote the business transformation and upgrading of the Company, enhance the Capital Adequacy Ratio level of the Company, and strengthen the sustainable development and risk resistance of the Company as well as provide financial support for effective implementation of the corporate strategy, the Company proposes to conduct, among others, a non-public issuance of not more than 75 million Offshore Preference Shares in the offshore markets to raise proceeds of not exceeding RMB7.5 billion or its equivalent.

Based on the CNY Central Parity Rate published by the China Foreign Exchange Trade System on 19 October 2017, the gross proceeds from the offering of the Offshore Preference Shares will be approximately RMB6,609.3 million. The Company expects the net proceeds raised from the Offshore Preference Shares issuance, after deduction of the expenses relating to the issuance, to be approximately RMB6,578.2 million and, subject to applicable laws and regulations and the approvals by the relevant regulatory authorities such as the CBRC and the CSRC, will be used to replenish the Company's Additional Tier 1 Capital.

The Board considers that the proposed issuance of the Offshore Preference Shares is in the interests of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not carried out any issue of equity securities for fund-raising purposes during the 12 months immediately preceding the date of this announcement.

CAPITAL POSITION OF THE COMPANY

Impact on the Company's Share Capital

If there is no Trigger Event for Conversion, the issuance of the Offshore Preference Shares will not affect the ordinary share capital of the Company. However, if Conversion is triggered, the Company's ordinary share capital will be increased.

Assuming that an issue size equivalent to RMB7.5 billion of Offshore Preference Shares as approved by the Shareholders Resolutions were issued, and the simulated Conversion Price of the Conversion and voting right recovery were HK\$21.06 per share (which is equivalent to RMB18.66 per share, being the average trading price of the H Shares in 20 trading days prior to the announcement date of the Board resolution on the proposal in respect of the Offshore Preference Shares on 24 March 2017, which shall be converted at the median rate of exchange of Renminbi to Hong Kong dollars (being RMB0.8865 to HK\$1.00) used by the interbank foreign exchange market as published by the China Foreign Exchange Trade System on 23 March 2017 (i.e. the trading day immediately prior to the announcement date of the Board resolution on the Offshore Preference Share issuance plan) and denominated in Hong Kong dollars, and also assuming that all the Offshore Preference Shares were subject to Conversion, the Offshore Preference Shares to be converted to New H Shares would not exceed 401,720,649 New H Shares.

For illustrative purposes only, the table below sets forth the impact on the Company's share capital structure if all the Offshore Preference Shares under the proposed issuance were converted into New H Shares pursuant to the Conversion:

Share Capital	As at 30 June 2017		After issuance of the Offshore Preference Shares ⁽¹⁾		After conversion of all the Offshore Preference Shares	
	Number of Shares	Percentage of share capital	Number of Shares	Percentage of share capital	Number of Shares	Percentage of share capital
A Shares	20,628,944,429	81.80%	20,628,944,429	81.80%	20,628,944,429	80.51%
H Shares	4,590,901,172	18.20%	4,590,901,172	18.20%	4,992,621,821	19.49%
Total	<u>25,219,845,601</u>	<u>100.00%</u>	<u>25,219,845,601</u>	<u>100.00%</u>	<u>25,621,566,250</u>	<u>100.00%</u>

Note:

- (1) If there is no Trigger Event for Conversion, the issuance of the Offshore Preference Shares will not affect the ordinary share capital of the Company.

Impact on Net Assets

The Offshore Preference Shares are considered as equity instruments. Upon completion of the issuance of the Offshore Preference Shares, the net assets of the Company will increase.

Impact on Return on Equity and Earnings Per Share Attributable to Ordinary Shareholders of the Company

As the dividend payments to the Offshore Preference Shareholders will reduce the net profit after tax attributable to the Ordinary Shareholders of the Company, based on the above calculation, the return on equity to the Ordinary Shareholders of the Company and the earnings per share attributable to the Ordinary Shareholders of the Company will decrease. However, the issuance of the Offshore Preference Shares will support the growth of interest generating assets of the Company and increase revenue for the Company. Therefore, since the proceeds from the offering of the Offshore Preference Shares are classified as Additional Tier 1 Capital, if the Company maintains the current level of capital management efficiency, the issuance of the Offshore Preference Shares may have a positive impact on the return on equity to the equity holders of the Company and the earnings per ordinary share attributable to the equity holders of the Company.

Impact of the Issuance of the Offshore Preference Shares on the Company's Regulatory Capital Indicators

The Capital Management Rules were implemented on 1 January 2013, which required commercial banks to satisfy the stipulated regulatory requirements on Capital Adequacy Ratio, including the minimum capital requirement, the reserve capital requirement, the countercyclical capital requirement, the supplementary capital requirement on systemically important banks and the pillar 2 capital requirement, as detailed in the following table:

Regulatory Requirements	Minimum capital requirement
Core Tier 1 Capital Adequacy Ratio	5%
Tier 1 Capital Adequacy Ratio	6%
Capital Adequacy Ratio	8%
Reserve capital requirement	The reserve capital requirement will be gradually introduced during the transition period, which is 0.5% at the end of 2013, 0.9% at the end of 2014, 1.3% at the end of 2015, 1.7% at the end of 2016, 2.1% at the end of 2017 and 2.5% at the end of 2018. It is satisfied through Core Tier 1 Capital.
Countercyclical capital requirement	In certain circumstances, commercial banks are required to set aside funds for the account of the countercyclical capital beyond the minimum capital requirement and the reserve capital requirement. The countercyclical capital requirement is equal to 0-2.5% of the risk-weighted assets and it is satisfied through Core Tier 1 Capital.
Supplementary capital requirement on PRC systemically important banks	1% of the risk-weighted assets and to be satisfied through Core Tier 1 Capital.
Pillar 2 capital requirement	To be determined by the CBRC under the pillar 2 framework.

Pursuant to the aforesaid requirements, the Core Tier 1 Capital Adequacy Ratio, the Tier 1 Capital Adequacy Ratio and the Capital Adequacy Ratio requirements for PRC commercial banks are 7.5%, 8.5% and 10.5%, respectively, at the end of 2018. As at 30 June 2017, the Company achieved a Core Tier 1 Capital Adequacy Ratio, Tier 1 Capital Adequacy Ratio and Capital Adequacy Ratio under the advanced approach of 12.42%, 12.42% and 14.59%, respectively on the group level.

The following table sets out, for illustrative purposes only, information on certain of the Company's regulatory capital indicators on an actual basis and as adjusted to give effect to the following assumptions: (i) that the Offshore Preference Shares have been issued on 1 January 2016 with an issue size equivalent to RMB7.5 billion and (ii) that dividends at (a) an indicative dividend rate of 5% and 7% (such indicative dividend rate is only for the purpose of illustrative calculation and is not the Company's expected Dividend Rate of the Offshore Preference Shares to be issued) or (b) the actual Dividend Rate of 4.40% were fully paid, without taking into account any gains that may be generated from the use of proceeds or deducting any dividends paid to Offshore Preference Shareholders before tax.

As at 31 December 2016			
Actual	Adjusted		
Group	Based on Indicative Dividend Rate of 5% Group	Based on Indicative Dividend Rate of 7% Group	Based on Actual Dividend Rate Group
<i>(in RMB millions, unless otherwise specified)</i>			

Capital adequacy ratios under
the weighted approach ⁽¹⁾

Net Core Tier 1 Capital ⁽²⁾	388,762	388,387	388,237	388,432
Net Tier 1 Capital ⁽³⁾	388,780	395,905	395,755	395,950
Net total capital ⁽³⁾	462,493	469,618	469,468	469,663
Core Tier 1 Capital Adequacy Ratio	10.09%	10.08%	10.08%	10.08%
Tier 1 Capital Adequacy Ratio	10.09%	10.28%	10.27%	10.28%
Capital Adequacy Ratio	12.00%	12.19%	12.18%	12.19%

Notes:

- (1) The "weighted approach" refers to the weighted approach for credit risk, the standardised approach for market risk and the basic indicator approach for operational risk in accordance with the relevant provisions of Capital Management Rules.
- (2) The calculation of net Core Tier 1 Capital (as adjusted) has taken into account the dividends paid on the Offshore Preference Shares and the corresponding reduction in capital reserves but does not take into account the increase in risk-weighted assets, or the financial return/loss, from the use of proceeds raised from the issuance of the Offshore Preference Shares.
- (3) The calculation of net Tier 1 Capital (as adjusted) and net capital base (as adjusted) has taken into account the dividends paid on the Offshore Preference Shares and the corresponding reduction in capital reserves as well as the increase in Additional Tier 1 Capital from the issuance of the Offshore Preference Shares but does not take into account the increase in risk-weighted assets, or the financial return/loss, from the use of proceeds raised from the issuance of the Offshore Preference Shares.

As calculated based on the financial information of the Company as at 31 December 2016, after the issuance of the Offshore Preference Shares, both Tier 1 Capital Adequacy Ratio and Capital Adequacy Ratio of the Group will increase by 0.19 percentage points to 10.28% and 12.19%, respectively (on the basis the Dividend Rate is 5%), or both Tier 1 Capital Adequacy Ratio and Capital Adequacy Ratio of the Group will increase by 0.18 percentage points to 10.27% and 12.18%, respectively (on the basis the Dividend Rate is 7%).

Overall, the issuance of the Offshore Preference Shares should assist the Company in continuing to meet the minimum capital requirements and raise its Tier 1 Capital Adequacy Ratio and Capital Adequacy Ratio. In addition, the issuance of the Offshore Preference Shares helps the Company develop supplementary sources of funds to replenish its Additional Tier 1 Capital as opposed to satisfying the Tier 1 Capital Adequacy Ratio requirement solely through the Core Tier 1 Capital of the Company. Moreover, the issuance of the Offshore Preference Shares is conducive to alleviating the dilution effect on the equity interests of the Shareholders from funds raised through the issuance of Ordinary Shares, thereby optimising the capital structure of the Company.

WAIVERS FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

In connection with the listing of the Offshore Preference Shares, the Company has applied to, and has been granted applicable waivers by, the Hong Kong Stock Exchange from strict compliance with a number of provisions of the Hong Kong Listing Rules.

Those waivers are applied on the following basis:

- The Offshore Preference Shares are more akin to fixed income products such as quasi-debt securities in nature and they have more characteristics in common with debt securities than with equity securities. In particular, the Offshore Preference Shares have a fixed dividend rate and in the event of a redemption, the Offshore Preference Shares will be redeemed at 100% of their issue price. The Offshore Preference Shares may be converted to New H Shares but such conversion will be mandatory and will only occur when there is an Additional Tier 1 Capital Instrument Trigger Event or if the Company reaches a point of financial non-viability.
- The Offshore Preference Shares will be offered to institutional and professional investors only by way of a private placement and will not be made accessible to retail investors. The Offshore Preference Shares are structured in a way that they will not be “Eligible Securities” under the Hong Kong Listing Rules and will not be admitted to the Central Clearing and Settlement System for clearance and settlement. Trading of the Offshore Preference Shares is not expected to take place on the Hong Kong Stock Exchange either on issue or in the secondary market. Instead, the Offshore Preference Shares will be cleared and settled through Euroclear and Clearstream, Luxembourg which is similar to other professionals-only debt securities listed under Chapter 37 of the Hong Kong Listing Rules. The Offshore Preference Shares are therefore designed never to trade on, or otherwise use the facilities of, the Hong Kong Stock Exchange.

The waivers being sought by and granted to the Company are broadly classified into the following categories:

- those waivers in relation to qualifications of listing that are required due to the fact that the Offshore Preference Shares are fixed income securities offered only to professional investors;
- those waivers that are required to enable the Offshore Preference Shares to be offered only to institutional and professional investors and not retail investors;

- those waivers that are required to enable the Offshore Preference Shares to be structured to meet the expectations of institutional and professional investors for these types of securities and therefore allow for an offering of such securities; and
- those waivers that are required in order to enable the Company to not be subject to compliance obligations that are not commensurate with the offering and listing of securities similar to debt securities that are offered only to institutional and professional investors.

The waivers being sought by and granted to the Company are listed below:

- Rule 2.07A(2): Requirements for an express, positive confirmation in writing from each Offshore Preference Shareholder that corporate communications may be made available using electronic means, and all corporate communications be sent to the Offshore Preference Shareholders
- Rule 2.07A(3): Requirement for providing the right of the Offshore Preference Shareholders to request corporation communications in printed hardcopy form
- Rules 2.07C(1)(b)(i), 2.07C(4)(b), 2.07C(6) and 11.14: Requirements that the listing document should be made available to the public and be accompanied by a Chinese translation
- Rule 7.10: Placing guidelines in respect of placements of the Offshore Preference Shares to the general public
- First part of paragraph 3 and paragraphs 4, 5, 6, 8 and 10 of Appendix 6: Placing guidelines in respect of placements of the Offshore Preference Shares to the general public
- Rule 8.07: Requirement of adequate market and sufficient public interest for the Offshore Preference Shares
- Rule 8.08: Requirement of an open market for the Offshore Preference Shares
- Rules 8.13A and 9.21(2): Admission of the Offshore Preference Shares as Eligible Securities (as defined in the Hong Kong Listing Rules) by Hong Kong Securities Clearing Company Limited
- Rules 8.16 and 19A.13(3)(a): Appointment of an approved share registrar to maintain the register of members for the Offshore Preference Shares in Hong Kong
- Rule 9.23(2)(a): Requirement for marketing statements from the lead broker, any distributors and every Exchange Participant (as defined in the Hong Kong Listing Rules) with the Offshore Preference Shares to be placed
- Rule 9.23(2)(b) and paragraph 11 of Appendix 6: Submission of placee lists in respect of placements of the Offshore Preference Shares
- Rules 11.12, 19A.26(1) and paragraph 2 of Appendix 1B: Requirement for a directors' statement of responsibility in respect of information contained in the listing document

- Rules 12.03, 12.04, 12.05 and 12.07: Requirements in respect of the timing, publication format and information to be disclosed in the formal notice for placing of the Offshore Preference Shares, and that the formal notice should be made available to the public and be made in both English and Chinese language
- Paragraphs 6(1), 6(3), 13, 30, 32, 39, 40(1) and 40(2) of Appendix 1B: Certain specific disclosure requirements in the listing document:
 - Paragraphs 6(1) and 6(3): details of the exchanges on which other debt securities are listed, and particulars of the dealing and settlement arrangements on each such exchange and between such exchanges
 - Paragraph 13: a statement of the net tangible asset backing for the Offshore Preference Shares
 - Paragraph 30: a working capital statement by the directors in respect of a period of at least 12 months
 - Paragraph 32: a statement of no material adverse change provided by the directors
 - Paragraph 39: particulars of directors' service contracts
 - Paragraphs 40(1) and 40(2): particulars of interests of directors in assets of the Company and contracts or arrangements of significance
- Paragraph 5 of Appendix 8: Payment of transaction levy on the issuance of the Offshore Preference Shares
- Paragraph 6 of Appendix 8: Payment of trading fee on the issuance of the Offshore Preference Shares

Completion of the Subscription Agreement and issue of the Offshore Preference Shares is subject to the satisfaction or waiver of the conditions precedent therein. In addition, the Subscription Agreement and issue of the Offshore Preference Shares may be terminated in certain circumstances. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings when used herein:

“A Share(s)”	ordinary domestic share(s) in the Company’s ordinary share capital, with a nominal value of RMB1.00 each, which is (are) denominated in RMB and listed on the Shanghai Stock Exchange
“Additional Tier 1 Capital”	has the meaning given to Additional Tier 1 Capital (其他一級資本) (or any equivalent or successor term) in the Capital Management Rules

“Additional Tier 1 Capital Instrument Trigger Event”	if at any time, the Core Tier 1 Capital Adequacy Ratio of the Company has fallen to 5.125% or below
“Articles of Association”	the articles of association of the Company
“Benchmark Rate”	the rate per annum (expressed as a percentage) as determined by the Calculation Agent that is equal to the yield (under the heading that represents the average for the week immediately prior to the relevant Reset Determination Date) appearing in the most recently published statistical release designated “H.15 (519)” or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption “Treasury constant maturities” for the maturity corresponding to the Comparable Treasury Issue. If there is no Comparable Treasury Issue with a maturity within three months before or after the next succeeding Reset Date, yields for the two published maturities most closely corresponding to such next succeeding Reset Date will be determined and the Benchmark Rate will be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month). If such release (or any successor release) is not published during the week preceding the relevant Reset Determination Date or does not contain such yields, “Benchmark Rate” shall mean the rate per annum (expressed as a percentage) notified by the Company to the Calculation Agent equal to the yield to maturity of the Comparable Treasury Issue calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the relevant Reset Determination Date. If there is no Comparable Treasury Price for the relevant Reset Determination Date, “Benchmark Rate” means the rate in per cent. per annum notified by the Calculation Agent to the Company and the holders of the preference shares equal to the yield, under the heading that represents the average for the week that was most recently available prior to the relevant Reset Determination Date, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption “Treasury constant maturities” for the maturity corresponding to the Comparable Treasury Issue. The Benchmark Rate will be calculated on the relevant Reset Determination Date
“Board”	the board of directors of the Company
“Calculation Agent”	The Bank of New York Mellon, London Branch

“Calculation Business Day”	a day, excluding a Saturday and a Sunday, on which banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York City and the city in which the specified office of the Calculation Agent is located
“Capital Adequacy Ratio”	has the meaning given to it in the Capital Management Rules
“Capital Management Rules”	the Measures on Capital Management of Commercial Banks (Trial) (商業銀行資本管理辦法(試行)) issued by the CBRC on 7 June 2012 and which became effective on 1 January 2013 (as amended from time to time)
“CBRC”	the China Banking Regulatory Commission or its China banking regulatory affiliates or any successor entity
“CBRC Approval”	such approval, consent or non-objection from, or notification required to, the CBRC, or such waiver required in relation to the Capital Management Rules from the CBRC, as is required under the Capital Management Rules
“Clearstream, Luxembourg”	Clearstream Banking, S.A.
“Closing Date”	25 October 2017 or such later date, not being later than 9 November 2017, as the Company and the Joint Lead Managers may agree to postpone
“Company”	China Merchants Bank Co., Ltd. (Stock code: 03968)
“Comparable Treasury Issue”	the U.S. Treasury security selected by the Company as having a maturity of five years that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity of five years
“Comparable Treasury Price”	with respect to the relevant Reset Determination Date, the average of three Reference Treasury Dealer Quotations (or such lesser number as is received by the Company) for such Reset Determination Date
“Conditions”	the terms and conditions of the Offshore Preference Shares
“Conversion” or “Converted”	irrevocable and mandatory conversion with effect from the Conversion Date of all or some only of the Offshore Preference Shares into such number of New H Shares as is equal to the Loss Absorption Amount in respect of that holder’s Offshore Preference Shares (as converted into Hong Kong dollars at the fixed exchange rate of U.S.\$1.00 to HK\$7.7672), divided by the effective Conversion Price rounded down (to the extent permitted by applicable laws and regulations) to the nearest whole number of New H Shares

“Conversion Date”	<p>the day immediately following:</p> <p>(a) in respect of any Additional Tier 1 Capital Instrument Trigger Event, the date (whichever occurs later) on or by which (i) the CBRC has decided such Additional Tier 1 Capital Instrument Trigger Event has occurred and notified the Company of such Additional Tier 1 Capital Instrument Trigger Event (the Company shall make a public announcement of the Additional Tier 1 Capital Instrument Trigger Event timely after the receipt of such notice) and (ii) any of the CBRC or the Company has made a public announcement of such Additional Tier 1 Capital Instrument Trigger Event; or</p> <p>(b) in respect of any Non-Viability Trigger Event, the date (whichever occurs later) on or by which (i) the CBRC or the relevant authorities (as the case may be) has decided such Non-Viability Trigger Event has occurred and notified the Company of such Non-Viability Trigger Event (the Company shall make a public announcement of the Non-Viability Trigger Event timely after the receipt of such notice) and (ii) any of the CBRC, the relevant authorities or the Company (as the case may be) has made a public announcement of such Non-Viability Trigger Event</p>
“Conversion Price”	the initial conversion price for the Offshore Preference Shares is HK\$21.06 per New H Share, subject to adjustment as described in the Conditions
“Core Tier 1 Capital”	has the meaning given to Core Tier 1 Capital (核心一級資本) (or any equivalent or successor term) in the Capital Management Rules
“Core Tier 1 Capital Adequacy Ratio”	as at any date has the meaning given to Core Tier 1 Capital Adequacy Ratio (核心一級資本充足率) (or any equivalent or successor term) in the Capital Management Rules, being the ratio of Core Tier 1 Capital of the Company as of such date to the risk weighted assets of the Company as of the same date, expressed as a percentage
“COSCO”	China COSCO Shipping Corporation Limited
“COSCO Shipping Financial”	COSCO SHIPPING Financial Holdings Co., Ltd.
“CSRC”	the China Securities Regulatory Commission or any successor entity
“Dividend Payment Date”	25 October in each year

“Dividend Period”	the period beginning on and including the Issue Date and ending on but excluding the next succeeding Dividend Payment Date and each successive period beginning on and including a Dividend Payment Date and ending on but excluding the next succeeding Dividend Payment Date
“Dividend Rate”	4.40% per annum and/or the applicable Reset Dividend Rate, as the case may be
“Domestic Preference Shares”	the aggregate amount of up to RMB27.5 billion domestic preference shares proposed to be issued by the Company in the PRC domestic market
“Euroclear”	Euroclear Bank SA/NV
“First Reset Date”	25 October 2022
“Fiscal Agent”	The Bank of New York Mellon, London Branch
“Global Certificate”	the global certificate representing the Offshore Preference Shares which will be registered in the name of a nominee of, and deposited with a common depository for, Euroclear and Clearstream, Luxembourg
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) in the Company’s ordinary share capital with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange and traded in Hong Kong dollars
“HK\$” or “Hong Kong dollars”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	the International Financial Reporting Standards issued by the International Accounting Standards Board, as amended from time to time
“Issue Date”	25 October 2017
“Joint Global Coordinators”	CMB International Capital Limited, The Hongkong and Shanghai Banking Corporation Limited, China Merchants Securities (HK) Co., Limited and Citigroup Global Markets Limited

“Joint Lead Managers”	CMB International Capital Limited, The Hongkong and Shanghai Banking Corporation Limited, China Merchants Securities (HK) Co., Limited, Citigroup Global Markets Limited, Wing Lung Bank Limited, J.P. Morgan Securities plc, ICBC International Securities Limited, BOCI Asia Limited and Wells Fargo Securities, LLC
“Liquidation Preference”	the total issuance price of each Offshore Preference Share, which will be U.S.\$20
“Loss Absorption Amount”	<p>the aggregate Liquidation Preference of the Offshore Preference Shares to be Converted, with such aggregate number of Offshore Preference Shares to be Converted being:</p> <p>(a) in respect of an Additional Tier 1 Capital Instrument Trigger Event:</p> <p style="padding-left: 40px;">(i) the number of Offshore Preference Shares that (together with the write-off and/or conversion of any loss absorbing capital instruments) would be sufficient to restore the Company’s Core Tier 1 Capital Adequacy Ratio to above 5.125%; or</p> <p style="padding-left: 40px;">(ii) if the Conversion of all the Offshore Preference Shares (together with the write-off and/or conversion of any loss absorbing capital instruments) would be insufficient to restore the Company’s Core Tier 1 Capital Adequacy Ratio to above 5.125%, all of the Offshore Preference Shares; and</p> <p>(b) in respect of a Non-Viability Trigger Event, all of the Offshore Preference Shares</p>
“NDRC”	the National Development and Reform Commission or any successor entity
“New H Share(s)”	H Shares issuable upon conversion of the Offshore Preference Shares on the occurrence of a Trigger Event
“Non-Viability Trigger Event”	<p>the earlier of:</p> <p>(a) the CBRC having decided that without a conversion or write-off, the Company would become non-viable; and</p> <p>(b) the relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which the Company would become non-viable</p>
“Offering Circular”	an offering circular dated 19 October 2017 for use in connection with the offer of the Offshore Preference Shares and the listing of the Offshore Preference Shares on the Hong Kong Stock Exchange

“Offshore Preference Share(s)”	the U.S.\$1,000,000,000 4.40% Non-Cumulative Perpetual Offshore Preference Share(s) to be issued by the Company outside the PRC to investors on or about the Issue Date
“Offshore Preference Shareholder(s)”	holder(s) of any Offshore Preference Shares
“Ordinary Share(s)”	the H Shares and any other class of ordinary shares of the Company
“Ordinary Shareholder(s)”	the holders of the Ordinary Shares
“Parity Obligation Dividend Cancellation Resolution”	a resolution of the Shareholders that resolves irrevocably to cancel payment (and if in part, then in proportion to the full amounts payable) of each dividend or distribution falling due or scheduled for payment on the Offshore Preference Shares and any Parity Obligations outstanding on the date the resolution is passed, in each case for a period of 12 months (or such longer period as such resolution specifies which is in integral multiples of 12 months in excess thereof) following the date of such resolution
“Parity Obligations”	any other class of preference shares in the capital of the Company from time to time and any other obligations that rank, or are expressed to rank equally, with the Offshore Preference Shares (either issued directly by the Company or by a subsidiary where the terms of such obligations benefit from a guarantee or support agreement whereby obligations therein rank, or are expressed to rank equally, to the Offshore Preference Shares), whether issued in or outside the PRC
“PBOC”	the People’s Bank of China
“PRC”	the People’s Republic of China, excluding, for purposes of this announcement, the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC, or Macau, and the region of Taiwan
“PRC GAAP”	the Chinese Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC, as amended from time to time

“Redemption Preconditions”	in relation to any redemption of the Offshore Preference Shares, the Company’s compliance of the following conditions: <ul style="list-style-type: none"> (a) the Company shall use capital instruments of the same or superior quality to replace the Offshore Preference Shares to be redeemed and such replacement shall only be made at a time at which the Company has a sustainable income generating capability; or (b) the capital position of the Company immediately after redemption of the Offshore Preference Shares will remain significantly higher than the regulatory capital requirements prescribed by the CBRC
“Reference Treasury Dealer”	means each of the three nationally recognised investment banking firms selected by the Company that are primary U.S. Government securities dealers
“Reference Treasury Dealer Quotations”	with respect to each Reference Treasury Dealer and a Reset Determination Date, the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Company by such Reference Treasury Dealer at or around 5:00 p.m. (New York City time) on such Reset Determination Date
“Regulation S”	Regulation S under the Securities Act
“Reset Date”	the First Reset Date and each date that falls five, or a multiple of five, years following the First Reset Date
“Reset Determination Date”	in relation to a Reset Period, the day falling two Calculation Business Days prior to the Reset Date on which such Reset Period commences
“Reset Dividend Rate”	the dividend rate per annum (expressed as a percentage) representing the sum of the Benchmark Rate as at the relevant Reset Determination Date in relation to that Reset Period and a fixed margin of 2.443% per annum, as determined by the Calculation Agent
“Reset Period”	the period from and including the First Reset Date to but excluding the next succeeding Reset Date, and each successive period from and including a Reset Date to but excluding the next succeeding Reset Date
“RMB”, “CNY” or “Renminbi”	the lawful currency of the PRC
“Securities Act”	the U.S. Securities Act of 1933, as amended from time to time

“Shareholders”	holders of any class of share of the Company from time to time
“Shareholders Resolutions”	the resolutions relating to the issuance of the Offshore Preference Shares and related matters thereto adopted by the Shareholders of the Company passed on 26 May 2017
“Subscription Agreement”	the subscription agreement in respect of the Offshore Preference Shares entered into between the Company and the Joint Global Coordinators and the Joint Lead Managers on 19 October 2017
“Tier 1 Capital Adequacy Ratio”	has the meaning given to Tier 1 Capital Adequacy Ratio (一級資本充足率) (or any equivalent or successor term) in the Capital Management Rules
“Trigger Event”	an Additional Tier 1 Capital Instrument Trigger Event or a Non-Viability Trigger Event, as the case may be
“U.S.” or “United States”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“U.S.\$” or “U.S. dollars”	the lawful currency of the United States of America
“Winding-Up”	proceedings in respect of the Company for liquidation, dissolution, insolvency or other similar proceeding in respect of the Company (except for the purposes of a reconstruction, consolidation, amalgamation, merger or reorganisation the terms of which have previously been approved by a special resolution of the Offshore Preference Shareholders)

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

19 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.