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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 REGARDING COMPLETION OF NON-PUBLIC ISSUANCE OF DOMESTIC PREFERENCE SHARES

Reference is made to the announcement issued by China Merchants Bank Co., Ltd. (the "Company") on 6 December 2017 with a title of "ANNOUNCEMENT REGARDING THE APPROVAL FROM CSRC IN RELATION TO THE APPLICATION FOR THE NON-PUBLIC ISSUANCE OF DOMESTIC PREFERENCE SHARES". The capitalized terms used in this announcement shall have the same meanings as defined in the abovementioned announcement unless the context herein requires otherwise.

I. Summary of Issuance of the Preference Shares

(I) The approval from the CSRC in relation to the Issuance of the Preference Shares

On 6 November 2017, the Public Offering Review Committee of the China Securities Regulatory Commission (the "CSRC") reviewed the application for the non-public issuance of the Domestic Preference Shares of the Company. According to the review results, the Company's application for the non-public issuance of the Domestic Preference Shares of the Company was approved. On 30 November 2017, the CSRC issued the "Approval regarding the Non-public Issuance of Preference Shares by China Merchants Bank Co., Ltd." (Zheng Jian Xu Ke [2017] No. 2198), approving the Company to proceed with the non-public issuance of no more than 275 million Domestic Preference Shares in the domestic market (the "Issuance").

(II) Principal terms of the Issuance of the Preference Shares

1	Nominal value	RMB100
2	Issue price	Issued at nominal value
3	Number and amount of the Issuance	A total of 275 million Preference Shares will be issued to raise total proceeds of RMB27.5 billion

4	Issue target and the arrangement for placement to existing shareholders	<p>The Preference Shares will be issued to qualified investors in compliance with the requirements of the Trial Administrative Measures on Preference Shares and other relevant laws and regulations, including:</p> <ol style="list-style-type: none"> (1) financial institutions approved by the relevant financial regulatory authorities, including commercial banks, securities companies, fund management companies, trust companies and insurance companies; (2) wealth management products issued by the abovementioned financial institutions to investors, including but not limited to, the wealth management products of banks, trust products, investment-linked insurance products, fund products and the asset management products of securities companies; (3) enterprise legal person who has a total of paid-in capital or paid-in share capital of not less than RMB5 million; (4) partnership with total capital contribution of not less than RMB5 million; (5) qualified foreign institutional investors (QFII), Renminbi qualified foreign institutional investors (RQFII), overseas strategic investors that meet the requirements of the relevant governing authorities of the State Council; (6) individual investors who, other than the directors, senior management and spouse of the issuer, have total assets of not less than RMB5 million in various securities accounts, capital accounts and asset management accounts under their name; (7) other qualified investors recognized by the CSRC. <p>The Preference Shares will be issued on each issuance to not more than 200 issue targets. The aggregate number of issue targets of the Preference Shares with the same terms shall not be more than 200.</p> <p>No preferential placement to existing shareholders will be arranged.</p>
5	Method of issue	<p>The Preference Shares shall be issued on a one-off basis by way of the non-public issuance in accordance with the relevant procedures.</p>

6	Dividend accumulation	No
7	Participation in distribution of remaining profit	No
8	Dividend adjustment	No
9	Method of dividend payment	<p>Dividends on the Preference Shares shall be payable in cash. The dividend bearing principal amount shall be the aggregate value of the Preference Shares then issued and outstanding. Dividends on the Preference Shares shall be paid annually, and the dividends payable for the previous dividend year shall be paid on the dividend distribution date. The dividends will accrue from the due date for payment for the Issuance of the Preference Shares (i.e., 18 December 2017). The dividend distribution date shall be the date falling on each anniversary of the due date for payment for the Issuance of the Preference Shares. If any dividend distribution date falls on a statutory festival, a holiday or a rest day, it shall be postponed to the next working day.</p> <p>Any tax payable on the dividend income from the Preference Shares shall be borne by holders of the Preference Shares in compliance with the relevant laws and regulations.</p>
10	Principles for determining the dividend rate	<p>The dividend rate of the Preference Shares shall be adjustable by stage and shall be adjusted every five years from the end of the payment date. For the dividend rate adjustment period, the dividends shall be paid at the same agreed dividend rate. The dividend rate at the time of the Issuance is 4.81%, which was determined by the Board of Directors through book-building process in accordance with the market conditions at the time of the Issuance, the actual situation of the Company, investor's needs and other factors, as authorized by the shareholders' general meeting (which authorization can be further delegated). The dividend rate of the Preference Shares shall not exceed the annual average of the weighted average return on equity of the Company for the two most recent financial years.</p>

		<p>The dividend rate shall be a benchmark rate plus a fixed premium. The benchmark rate shall be the arithmetic average of the yields of the five-year PRC treasury bonds for the 20 trading days prior to (but excluding) the payment due date of the Issuance (i.e., 18 December 2017) or the adjustment date of the benchmark rate as contained in the PRC treasury bond yield curves (i.e., the previous inter-bank fixed rate treasury bond yield curves) published on the website of China Bond (http://www.chinabond.com.cn) and any other websites recognized by China Government Securities Depository Trust & Clearing Co., Ltd. (the initial benchmark rate is 3.87% which was rounded to 0.01%). The fixed premium shall be 0.94%, which is the difference between the dividend rate of 4.81% determined at the time of the Issuance of the Preference Shares and the initial benchmark rate of 3.87% at the time of the Issuance of the Preference Shares. The fixed premium is not adjustable once determined.</p> <p>On the adjustment date of the benchmark rate, the dividend rate of the new interest accrual period will be determined by adding the benchmark rate on the adjustment date to the fixed premium determined at the time of the pricing for the Issuance. In the event that the yield of the five-year PRC treasury bonds is not available at the adjustment date of benchmark rate, the Company and the holders of Preference Shares shall negotiate the new benchmark rate on the basis of the adjustment in compliance with the requirements of the regulatory authorities.</p>
11	Conditions of dividend distribution	<p>1. The Company shall distribute dividends to holders of the Preference Shares if there are distributable profits after tax after making up losses and making the contribution to statutory surplus fund and general provision according to laws subject to satisfaction of the regulatory requirement regarding capital adequacy. Prior to the distribution of dividends to holders of ordinary shares, both the Preference Shares of this issuance and the Offshore Preference Shares of the Company shall have the same priority of distribution of dividends, which is above that of holders of ordinary shares. Dividend payment of the Preference Shares of this issuance is not linked to the rating of the Company and does not vary with changes in such rating.</p>

		<p>2. In order to satisfy the regulatory requirements regarding the eligibility criteria of additional Tier-1 capital instruments, the Company has the right to cancel the distribution of part or all of the dividends on the Preference Shares of this issuance. Such cancellation shall not constitute a breach of agreement. The Company shall make its best effort to consider the interests of the holders of Preference Shares during the execution of such right. The Company may use the cancelled dividend on the Preference Shares to repay other debts when due at its sole discretion. Cancellation on part or all of the dividend distribution on the Preference Shares shall not constitute any restriction on the Company other than the restriction on distribution of dividends on Ordinary Shares. Decisions on the declaration and payment of all of the dividends on the Preference Shares shall be made by the Board of Directors pursuant to the authorization of the shareholders' general meeting or by relevant director(s) pursuant to the authorization of the Board of Directors. The cancellation of the distribution of part or all of the dividends on the Preference Shares shall be reviewed and approved by the shareholders' general meeting. Where the Company resolves to cancel the distribution of part or all of the dividends on the Preference Shares, the Company shall inform the investors at least 10 business days prior to dividend distribution date in compliance with the requirement of the relevant authorities.</p> <p>3. In the event that the Company cancels the distribution of part or all of the dividends on the Preference Shares, the Company will not distribute any profit to holders of Ordinary Shares during the period from the date when the shareholders' general meeting adopts relevant resolution to the restoration of full dividend payment to the holders of Preference Shares.</p>
12	Method of dividend accumulation	The dividends on the Preference Shares are non-cumulative, that is, the difference between the dividends actually paid to the holders of the Preference Shares and the dividends which shall have been paid will not be carried forward to the following year.
13	Distribution of remaining profit	Once the holders of the Preference Shares have received dividends at the dividend rate, they shall not be entitled to the distribution of the remaining profit together with holders of Ordinary Shares.

14	Transfer arrangements	<p>1. Events triggering mandatory conversion</p> <p>(1) Upon the occurrence of any Additional Tier-1 Capital Instrument Trigger Event, that is, the Core Tier-1 Capital Adequacy Ratio drops to 5.125% or below, the Company shall have the right to convert, without the approval of the holders of Preference Shares, part or all of the Preference Shares then issued and outstanding into Ordinary A Shares based on the total par value of the Preference Shares in order to restore the Core Tier-1 Capital Adequacy Ratio of the Company to above 5.125%. In case of partial conversion, the Preference Shares shall be converted on a pro rata basis and on identical conditions.</p> <p>(2) Upon the occurrence of a Tier-2 Capital Trigger Event, the Company shall have the right to convert, without the approval of the holders of Preference Shares, all of the Preference Shares then issued and outstanding into Ordinary A Shares based on the total par value of the Preference Shares. A Tier-2 Capital Trigger Event means the earlier of the following events: 1) the China Banking Regulatory Commission (“CBRC”) having concluded that without a conversion or write-off, the Company would become non-viable, and 2) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Company would become non-viable.</p> <p>Upon the occurrence of the above mandatory conversion events, the Company shall report to the CBRC for review and determination and shall fulfill the relevant information disclosure obligations of the Securities Law, the CSRC and Hong Kong’s laws and regulations such as making provisional reports or announcements in accordance with relevant regulatory requirements.</p> <p>2. Mandatory conversion price and its basis</p> <p>The initial mandatory conversion price of the Preference Shares shall be the average trading price of Ordinary A Shares of the Company in 20 trading days prior to the announcement date of the Board resolution on the proposal in respect of issuance of the Preference Shares.</p> <p>The average trading price of Ordinary A Shares in 20 trading days prior to the announcement date of the Board resolution on the relevant issuance proposal = the total trading amount of Ordinary A Shares in these 20 trading days/the total trading volume of Ordinary A Shares in these 20 trading days (i.e., RMB19.02 per share).</p>
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3. Principles for determining the proportion and the number for mandatory conversion

Upon the occurrence of a trigger event, the Board of Directors will, in accordance with the approval of the CBRC and the authorization given by the shareholders' general meetings (which authorization can be further delegated), confirm the total par value of the Preference Shares for mandatory conversion and implement mandatory conversion of the Preference Shares then issued and outstanding in whole or in part, and the formula for determining the number of shares to be converted shall be: $Q = V/P$. Any fractional of the Preference Share will be dealt with by the Company in compliance with relevant regulatory requirements. Where it is not specified in the regulatory requirements, any fractional share will be rounded down to the nearest integral number.

Where: "Q" denotes the number of Ordinary A Shares that shall be converted from the Preference Shares held by each holder of the Preference Shares; "V" denotes the total par value of the Domestic Preference Shares held by each holder of the Preference Shares for the mandatory conversion as determined under the principle that the losses will be absorbed in equal proportion among the Domestic Preference Shares and the Offshore Preference Shares; "P" denotes the mandatory conversion price of the Preference Shares under the Issuance.

Upon the occurrence of a trigger event, the Preference Shares then issued and outstanding will be converted into corresponding number of Ordinary A Shares based on the above formula in whole or in part on a pro rata basis.

If the control of the Company changes as a result of the conversion of the Preference Shares to the Ordinary A Shares, or relevant shareholders of the Company, its associates and parties acting in concert obtain a total percentage of the issued Ordinary Shares of 30% or above (or other percentage in accordance with the effective securities regulations from time to time) as a result of the conversion of the Preference Shares held by them to the Ordinary Shares resulting in the relevant shareholders are liable for any mandatory general offer, or the conversion of the Preference Shares to the Ordinary A Shares results in the public float of the Company's Shares at any time less than the minimum requirements of the listing rules in the place where the Company's shares are listed, or the conversion of the Preference Shares to the Ordinary A Shares results in the number of the Ordinary Shares of the Company held by the shareholders reaching the proportion required for approval under the domestic and foreign laws and regulations or other regulatory requirements, the conversion shall be in compliance with the relevant provisions of CSRC, CBRC and the domestic and foreign laws and regulations and other regulatory authorities.

		<p>4. Mandatory conversion period</p> <p>The period for mandatory conversion of the Preference Shares commences on the first trading day immediately following the completion date of issuance and ends on the date of full redemption or conversion.</p> <p>5. Method of adjustments of the mandatory conversion price</p> <p>Upon the occurrence of certain prescribed events relating to the Ordinary A Shares (e.g. bonus issuance, capital conversion or increase, issuance of new shares at a price lower than the market price (excluding any increase in the share capital as a result of conversion of certain financial instruments issued by the Company that are convertible into ordinary shares) and placement) after the date of passing the Board resolution in respect of the issuance plan of the Preference Shares, the mandatory conversion price shall be subject to cumulative adjustments in the same order of the occurrence of such events and in accordance with regulatory requirements for information disclosure. The distribution of cash dividend to the holders of Ordinary Shares shall not result in any adjustment to the mandatory conversion price. The mandatory conversion price will be adjusted based on the following:</p> <p>Bonus issuance or capital conversion or increase: $P_1 = P_0 / (1 + n)$;</p> <p>Issuance of new shares at a price lower than the market price or placement: $P_1 = P_0 \times (N + S \times (A/M)) / (N + S)$;</p> <p>Where: “P₀” denotes the effective mandatory conversion price before adjustment; “n” denotes the ratio of the bonus issuance for Ordinary A Shares or the capital conversion or increase; “N” denotes the total Ordinary Shares capital of the Company prior to the issuance of new A Shares or placement; “S” denotes the amount of the issuance of new A Shares or placement; “A” denotes the price for the issuance of the new A Shares or placement; “M” denotes the closing price of Ordinary A Shares on the trading date immediately prior to the date of registration of issuance or placement of new A Share; and “P₁” denotes the effective mandatory conversion price after adjustment.</p>
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15	Repurchase arrangement	<p>1. Subject of the redemption right</p> <p>The Preference Shares provide conditional redemption by the issuer. The Company shall have the right to redeem the Preference Shares subject to obtaining the approval of the CBRC. The Company does not have obligation to redeem preference shares. The holders of Preference Shares do not have the right to demand the Company to redeem the Preference Shares and shall not expect that the Preference Shares will be redeemed.</p> <p>The Preference Shares will not contain any term allowing investors to sell back the Preference Shares to the Company and the holders of Preference Shares shall not have any right to demand redemption of their Preference Shares by the Company.</p>

		<p>2. Redemption conditions and period</p> <p>From or in the fifth year following the date of issuance of the Preference Shares, and subject to obtaining the approval of the CBRC and the compliance with the relevant requirements, the Company shall have the right to redeem part or all of the Preference Shares. In case of partial redemption, the Preference Shares shall be redeemed on a pro rata basis and on the same conditions.</p> <p>The redemption period for the Preference Shares begins on the date on which redemption begins and ends on the conversion or redemption of all the Preference Shares. The specific commencement date of redemption period shall be finally determined by the Board of Directors (which authorization can be further sub-delegated) in accordance with market conditions. The exercise by the Company of its right to redeem the Preference Shares shall be subject to the fulfillment of the following conditions: (1) the Company shall use capital instruments of the same or superior quality to replace the 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 (2) the capital position of the Company immediately after redemption will remain significantly higher than the regulatory capital requirements prescribed by the CBRC.</p> <p>3. Redemption price and basis for determining the redemption price</p> <p>During the redemption period, the Company shall have the right to redeem part or all of the Preference Shares which have not been converted, at the price of the nominal value of the Preference Shares plus the amount of dividend declared but not yet paid for the current period.</p>
16	Rating arrangement	According to the Credit Rating Report (Lian He No. [2017]1256) issued by the United Ratings, the Company's issuer credit rating is "AAA", with stable outlook. The Preference Shares are rated "AA+".
17	Guarantee arrangement	There is no guarantee arrangement in relation to the Preference Shares.
18	Transferability	Transfer of the Preference Shares will be made on a designated trading platform of the Shanghai Stock Exchange, and the suitability of investors in the process of transfer shall comply with the relevant regulatory requirements of the CSRC.

19	Arrangement of restoration of voting rights	<p>1. Restrictions on voting rights</p> <p>Under normal circumstances, the holders of Preference Shares are not entitled to convene or attend any shareholders' general meetings of the Company nor do the Preference Shares carry voting rights in any shareholders' general meetings. In the event that any of the following matters occurs, the holders of Preference Shares (excluding holder of Preference Shares with restored voting rights) will be entitled to attend shareholders' general meetings and vote as a separate class. Under such circumstance, each Preference Share will be entitled to one vote, but the Preference Shares held by the Company do not entitle the Company to vote:</p> <ol style="list-style-type: none"> (1) Amendments to the Articles of Association of the Company that relate to Preference Shares; (2) Reduction of the registered capital of the Company by more than 10% on a single or aggregate basis; (3) Division, merger, dissolution or change of corporate form of the Company; (4) Issuance of Preference Shares by the Company (excluding the issuance of Preference Shares approved at the shareholders' general meetings, within the validity period of the resolution for the issuance of Preference Shares, under the issuance of Preference Shares framework); and (5) Other events specified in the laws, administrative rules and departmental regulations and the Articles of Association of the Company. <p>Resolution(s) relating to the above matters shall be approved by more than two-thirds of the votes held by the holders of Ordinary Shares of the Company present at the meeting (including holders of Preference Shares with restored voting rights) and by more than two-thirds of the votes held by the holders of Preference Shares present at the meeting (excluding holders of Preference Shares with restored voting rights).</p>
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2. Terms of restoration of voting rights

During the duration of the Preference Shares, if the Company fails to pay the prescribed dividend to holder of Preference Shares for three financial years in aggregate or two consecutive financial years, the holders of the Preference Shares shall have the right to attend and vote at the shareholders' general meetings as if they are holders of Ordinary Shares from the day immediately after the shareholders' general meetings resolves that the Company will not pay the prescribed dividend for the current dividend period, and each preference share shall be entitled to the voting rights as provided in the Articles of Association of the Company. The formula for calculating the voting rights of the Preference Shares with restored voting rights is as follows:

$R=W/P$, with any fractional restored voting right rounded down to the nearest whole number.

Where: "R" denotes the Ordinary A Shares voting rights restored from the Preference Shares held by each holder of the Preference Shares; "W" denotes the total par value of the Preference Shares with restored voting rights held by each holder of the Preference Shares; "P" denotes the conversion price, refers to the average trading price (i.e., RMB19.02 per share) of Ordinary A Shares of the Company on the trading date 20 days prior to the date of the announcement of the passing of the Board resolution in respect of the Preference Shares issuance plan; the adjustment to conversion price shall be consistent with the adjustment method applicable to the mandatory conversion price as specified in "Terms of mandatory conversion".

3. Cancellation of restoration of voting rights

Upon the full payment of the dividends on the Preference Shares for the current dividend period, the voting rights granted to holders of the Preference Shares in accordance with the terms of restoration of voting rights will be cancelled commencing on the date of full payment of such dividends. Upon such cancellation, in the event that the terms for the restoration of voting rights are triggered again, holders of the Preference Shares may be re-granted with voting rights.

20	Use of proceeds	Upon the approval by relevant regulatory authorities, the proceeds from the issuance of the Preference Shares deducting issuance expenses, will be fully used for replenishment of the Additional Tier-1 Capital of the Company.
21	Explanations on other special terms	None

(III) Issue targets of the Issuance

The preference shares have been issued to 12 issue targets in aggregate, which were in compliance with the requirements of the relevant laws and regulations such as the Administration Measures for the Issuance of Securities by Listed Companies, the Trial Administrative Measures on Preference Shares, the Trial Administrative Measures of the Shanghai Stock Exchange on Preference Shares Business and the Trial Implementing Rules for the Registration and Clearing Business of Preference Shares.

II. General Information on the Proceeds

As of 19 December 2017, the Company has received the total proceeds from the Issuance of RMB27,500,000,000 (before issuance expenses of RMB32,250,000). After deducting issuance expenses, the actual net proceeds from the Issuance will be RMB27,467,750,000.

Deloitte Touche Tohmatsu Certified Public Accountants LLP conducted verification in respect of the receipt of proceeds from the Issuance and issued the “Verification Report in respect of the Actual Receipt of Proceeds from the Non-public Issuance of Domestic Preference Shares by China Merchants Bank Co., Ltd.” (De Shi Bao (Yan) Zi (17) No. 00581).

III. Compliance of the Process of the Issuance and the Issue Targets

Junhe LLP, the issuer’s legal advisor for the Issuance is of the view that: the Issuance has obtained the necessary internal approvals from the issuer and has obtained the approvals from the CBRC and the CSRC; the legal documents (including the Subscription Invitations and the Application and Quotation Sheets) produced and signed in respect of the Issuance are legal and valid; the process of the Issuance is fair and equal; the offering results, including the issue targets, the dividend rate, the number of preference shares, the allotment results for all issue targets, determined by the Issuance process are fair, equal and in compliance with the Trial Administrative Measures on Preference Shares and other relevant laws and regulations; the application for the trading of preference shares under the Issuance on the Shanghai Stock Exchange is subject to the approval of the Shanghai Stock Exchange.

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

26 December 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.