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招商銀行

CHINA MERCHANTS BANK

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)

CONTINUING CONNECTED TRANSACTIONS

On 28 December 2011, the Company has respectively entered into the Insurance Sales Co-operation Agreement, Investment Fund Agency Sales Agreement and Co-operation Pricing Agreement with CIGNA and CMC Life Insurance, China Merchants Fund Company and CM Securities, respectively, each for a term of 3 years, commencing from 1 January 2012 and expiring on 31 December 2014.

Since the annual caps of the service fees under the Insurance Sales Co-operation Agreement, Investment Fund Agency Sales Agreement and Co-operation Pricing Agreement for each of 2012, 2013 and 2014 exceed 0.1% but less than 5% of the relevant percentage ratio calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, the conduct of those transactions will accordingly be subject only to the reporting, annual review and announcement requirements, and are exempt from the independent shareholders' approval requirement under the Hong Kong Listing Rules.

CONTINUING CONNECTED TRANSACTIONS WHICH ARE EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT

(1) Services for sale of insurance products with CIGNA and CMC Life Insurance

Pursuant to a share transfer agreement entered into between Shenzhen Municipal Dingzun Investment Advisory Company, Ltd. and the Company, the Company agreed to acquire 50% equity interest in CIGNA & CMC Life Insurance (please refer to the Company's announcement dated 5 May 2008, the Company's circular dated 13 May 2008 and the Company's announcement dated 3 June 2011). The completion of the acquisition is subject to, inter alia, approvals being granted by relevant regulatory authorities including the China Banking Regulatory Commission and the China Insurance Regulatory Commission. After completion of the acquisition, CIGNA & CMC Life Insurance will become a non-wholly owned subsidiary of the Company and the future financial statements of CIGNA & CMC Life Insurance will be consolidated into the Company's financial statements. However, as at the date of this announcement, the relevant approvals have not yet been granted by the relevant regulatory authorities.

The existing Insurance Sales Co-operation Agreement will expire on 31 December 2011 (please refer to the Company's announcement dated 5 January 2009). In order to continue such transactions, the Company, as approved by the Board, entered into the Insurance Sales Co-operation Agreement with CIGNA and CMC for a term of 3 years commencing on 1 January 2012 and expiring on 31 December 2014. Pursuant to Rule 14A.56(9) of the Hong Kong Listing Rules, Messrs. Fu Yuning, Li Yinquan, Fu Gangfeng and Hong Xiaoyuan, all being directors connected with CM Group, and Mr. Ma Weihua, being director of CIGNA and CMC Life Insurance, had abstained from voting on the board resolution relating to the entering of the Insurance Sales Co-operation Agreement (and each of the caps thereof) in view of their position as connected directors. The relevant resolution was voted by directors who are not connected to the transactions.

CM Steam Navigation is a substantial shareholder of the Company. It currently holds 12.40% equity interest in the Company. CM Group in turn holds 100% equity interest in CM Steam Navigation. As at the date of this announcement, CM Group indirectly holds 18.63% equity interest in the Company (including those interests deemed to be held through connected companies). Prior to completion of the acquisition by the Company, CM Group through Shenzhen Municipal Dingzun Investment Advisory Company, Ltd. holds 50% equity interest in CIGNA and CMC Life Insurance. Pursuant to the Hong Kong Listing Rules, CIGNA and CMC Life Insurance is a connected person of the Company. The transactions contemplated under the Insurance Sales Co-operation Agreement will be carried out on an on-going basis, thus constituting continuing connected transactions of the Company for the purposes of the Hong Kong Listing Rules.

Pursuant to the Insurance Sales Co-operation Agreement (which is independent of the Investment Fund Agency Sales Agreement and the Co-operation Pricing Agreement), the Company will conduct the agency business relating to the sale of insurance products with CIGNA and CMC Life Insurance. The service fee for sale of the insurance products payable by CIGNA and CMC Life Insurance to the Company shall be reached in accordance with the following principles:

- (i) to follow the fee as prescribed by the PRC Government; or
- (ii) where there is no PRC Government prescribed fee but a Government guidance fee exists, to follow the Government guidance fee; or
- (iii) where there is neither a PRC Government prescribed fee nor a Government guidance fee, to follow the fees to be agreed between the parties based on arm's length negotiations.

In any event, the service fees payable by CIGNA and CMC Life Insurance to the Company shall be on terms no less favourable than those granted to independent third parties for provision of similar services. The payment of the service fees will be settled in arrears by way of cash transfer, or in accordance with the payment terms to be mutually agreed to by the parties pursuant to the Insurance Sales Co-operation Agreement. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, there are no other continuing connected transactions between the Company and CIGNA and CMC Life Insurance or its beneficial owners which would be, together with the transactions contemplated under the Insurance Sales Co-operation Agreement, required to be aggregated under Rule 14A.25 of the Hong Kong Listing Rules.

There has been a steady demand for insurance products. For each of the three years ended 31 December 2010 and the ten months ended 31 October 2011, the service fees for sale of insurance products paid to us by CIGNA and CMC Life Insurance were approximately RMB77.23 million, RMB85.12 million, RMB99.07 million and RMB187.59 million (unaudited), respectively.

Until the completion of the acquisition, the Company proposes to set the annual cap for each of 2012, 2013 and 2014 in respect of the service fees for sale of insurance products to be received from CIGNA and CMC Life Insurance at RMB800 million, RMB800 million and RMB800 million, respectively. In setting of the annual caps of service fees for sale of insurance products under the Insurance Sales Co-operation Agreement, the Company has taken into account a number of factors, including the demand for insurance products which are primarily driven by customer demands that are beyond the control of the Company, the current and projected operation conditions for the continuing connected transactions between the Company and CIGNA and CMC Life Insurance, with reference to the prevailing market conditions, the underlying transaction volumes and the expected growth in service fee. Taking into account that the growth in the service fee for sale of insurance products is market-driven in nature which is considered to be difficult for the Company to estimate, it is therefore reasonable to set the annual cap for each of 2012, 2013 and 2014 at RMB800 million, RMB800 million and RMB800 million, respectively, so as to allow more room for further expansion of the transaction amounts between the Company and CIGNA and CMC Life Insurance, thus enabling the Company to take full benefit of the continued growth of the PRC economy and the insurance market, and to maximize the Company's revenue generated from such service fees.

CIGNA and CMC Life Insurance is an insurance company limited operated in sizeable scale jointly by sino-foreign entities, providing products for life insurance, accident and health insurance, etc.. It has an advantageous position in banking insurance in that it can model the successful experience and expertise of the CIGNA and CMC Life Insurance Group of the United States which operates throughout various places of the world.

The Directors (including the independent non-executive Directors) consider that the Insurance Sales Co-operation Agreement were entered into: (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms (in accordance with the terms on arm's length negotiation or terms no less favourable than the terms offered by the Company to independent third parties); and that the terms and the proposed caps are fair and reasonable. Further, having taking into consideration the fact that the transaction amounts for sale of insurance products may vary significantly depending on prevailing market conditions, the Directors (including the independent non-executive Directors) consider that the setting of the annual cap in respect of the service fees for sale of insurance products for each of 2012, 2013 and 2014 is in the interests of the Company and its shareholders as a whole.

Since the annual cap of the service fees for sale of insurance products for each of 2012, 2013 and 2014 shall be less than 5% of the relevant percentage ratio calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, the conduct of those transactions will accordingly be subject only to the reporting and announcement requirements pursuant to Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules, and are exempt from the independent shareholders' approval requirement. Until the completion of the acquisition, as regards the sale of insurance products service conducted between the Company and CIGNA and CMC Life Insurance, the Company will comply with the annual audit review on continuing connected transactions as required by Rules 14A.37 to 14A.41 of the Hong Kong Listing Rules.

(2) Services for sale of investment fund with China Merchants Fund Company

The existing Investment Fund Agency Sales Agreement will expire on 31 December 2011 (please refer to the Company's announcement dated 5 January 2009). In order to continue such transactions, the Company, as approved by the Board, entered into the Investment Fund Agency Sales Agreement with China Merchants Fund Company for a term of 3 years commencing on 1 January 2012 and expiring on 31 December 2014. Pursuant to Rule 14A.56(9) of the Hong Kong Listing Rules, Messrs. Fu Yuning, Li Yinquan, Fu Gangfeng and Hong Xiaoyuan, all being directors connected with CM Group, and Mr. Ma Weihua, being director of China Merchants Fund Company, had abstained from voting on the board resolution relating to the entering of the Investment Fund Agency sales Agreement (and each of the caps thereof) in view of their position as connected directors. The relevant resolution was voted by directors who are not connected to the transactions.

Pursuant to the share transfer agreement signed in June 2006, the Company acquired 33.4% of the equity interest in China Merchants Fund Company. Each of CM Securities and ING Asset Management B.V. holds 33.3% of the equity interest in China Merchants Fund Company after the acquisition (please refer to the Company's announcement dated 6 July 2007). The Company's acquisition of the 33.4% equity interest in China Merchants Fund Company completed on 28 August 2007. In accordance with the Hong Kong Listing Rules, China Merchants Fund Company became a connected person to the Company. The transactions contemplated under the Investment Fund Agency Sales Agreement will be carried out on an on-going basis, thus constituting continuing connected transactions of the Company for the purposes of the Hong Kong Listing Rules. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, there are no other continuing connected transactions between the Company and China Merchants Fund Company or its beneficial owners which would be, together with the transactions contemplated under the Investment Fund Agency Sales Agreement, required to be aggregated under Rule 14A.25 of the Hong Kong Listing Rules.

Pursuant to the Investment Fund Agency Sales Agreement (which is independent of the Insurance Sales Co-operation Agreement and the Co-operation Pricing Agreement), the Company will conduct the agency business relating to the sale of investment fund with China Merchants Fund Company in accordance with the relevant funds offering documents and offering prospectus. The service fees for sale of the investment funds payable to the Company by China Merchants Fund Company will be on an arm's length basis and calculated on normal commercial terms, having regard to the fees and charges specified in the funds offering documents and/or the offering prospectus. The payment of the service fees will be settled in arrears by way of cash transfer, or in accordance with the payment terms to be mutually agreed to by the parties pursuant to the Investment Fund Agency Sales Agreement.

With the gradual acceptance of fund investment by the general public, there has been an increasing demand for fund investment services. For each of the three years ended 31 December 2010 and the ten months ended 31 October 2011, the service fees for sale of investment fund paid to us by China Merchants Fund Company were approximately RMB63.26 million, RMB106.46 million, RMB97.15 million and RMB82.97 million (unaudited), respectively. The Company proposes to set the annual cap for each of 2012, 2013 and 2014 in respect of service fees for sale of investment fund to be received from China Merchants Fund Company at RMB500 million, RMB500 million and RMB500 million, respectively. In setting of the annual caps of the service fees for the transactions under the

Investment Fund Agency Sales Agreement, the Company has taken into account a number of factors, including the Investment Fund Agency Sales Agreement involve activities that may vary from year to year due to a number of external reasons, including the unexpected fluctuations of the financial markets, the decision on fund investment transactions is market-driven, largely determined by customers' decision on their wealth management portfolio which is not within the Company's control, the current and projected operation conditions for the continuing connected transactions between the Company and China Merchants Fund Company, with reference to the prevailing market conditions, the underlying transaction volumes and the expected growth in service fee. Taking into account that the growth in the service fee for sale of the investment funds is market-driven in nature which is considered to be difficult for the Company to estimate, it is reasonable to set the annual cap for each of 2012, 2013 and 2014 at RMB500 million, RMB500 million and RMB500 million, respectively, so as to allow more room for further expansion of the transaction amounts between the Company and China Merchants Fund Company, thus enabling the Company to take full benefit of the growth of the PRC economy and the fund investment market, and to maximize the Company's revenue generated from such service fees.

China Merchants Fund Company is the first sino-foreign joint venture company approved by the China Securities Regulatory Commission for fund management and investment, providing various kinds of mutual funds and investment products. It has to-date established its own brandname and occupies a considerable share in the market. The Directors (including the independent non-executive Directors) consider that the Investment Fund Agency Sales Agreement were entered into: (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms (in accordance with the terms on arm's length negotiation or terms no less favourable than the terms offered by the Company to independent third parties); and that the terms and the proposed caps are fair and reasonable. Further, having taking into consideration the fact that the transaction amounts for sale of investment funds may vary significantly depending on the prevailing market conditions and the unexpected fluctuations of the financial markets, the Directors (including the independent non-executive Directors) consider that the setting of the annual cap in respect of service fees for sale of the investment funds for each of 2012, 2013 and 2014 is in the interests of the Company and its shareholders as a whole.

Since the annual cap of the service fees for sale of investment fund to be received from China Merchants Fund Company for each of 2012, 2013 and 2014 shall be less than 5% of the relevant percentage ratio calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, the conduct of those transactions will accordingly be subject only to the reporting and announcement requirements pursuant to Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules, and are exempt from the independent shareholders' approval requirement. In addition, as regards the sale of investment fund service conducted between the Company and China Merchants Fund Company, the Company will comply with the annual audit review on continuing connected transactions as required by Rules 14A.37 to 14A.41 of the Hong Kong Listing Rules.

(3) Services relating to provision of the third parties custodian account, agency sales services for financial products and collective investment products with CM Securities

The existing Co-operation Agreement will expire on 31 December 2011 (please refer to the Company's announcement dated 5 January 2009). In order to continue such transactions, the Company, as approved by the Board, entered into the Co-operation Pricing Agreement with CM Securities for a term of 3 years commencing on 1 January 2012 and expiring on 31 December 2014. Pursuant to Rule 14A.56(9) of the Hong Kong Listing Rules, Messrs. Fu Yuning, Li Yinquan, Fu Gangfeng and Hong Xiaoyuan, all being directors connected with CM Group, and Ms. Sun Yueying, being director of CM Securities, had abstained from voting on the board resolution relating to the entering of the Co-operation Pricing Agreement (and each of the caps thereof) in view of their position as connected directors. The relevant resolution was voted by directors who are not connected to the transactions.

CM Steam Navigation is a substantial shareholder of the Company. It currently holds 12.40% equity interest in the Company. CM Group in turn holds 100% and 45.88% equity interest in CM Steam Navigation and CM Securities, respectively. As at the date of this announcement, CM Group indirectly holds 18.63% equity interest in the Company (including those interests deemed to be held through connected companies). Pursuant to the Hong Kong Listing Rules, CM Securities is a connected person of the Company as it is an associate of a connected person. The transactions contemplated under the Co-operation Pricing Agreement will be carried out on an on-going basis, thus constituting continuing connected transactions of the Company for the purposes of the Hong Kong Listing Rules.

Pursuant to the Co-operation Pricing Agreement (which is independent of the Insurance Sales Co-operation Agreement and the Investment Fund Agency Sales Agreement), the Company will conduct services relating to provision of the third parties custodian account, agency sales services for financial products and collective investment products with CM Securities. The service fees for provision of the third parties custodian account, agency sales services for financial products and collective investment products shall be reached in accordance with the following principles:

- (i) to follow the fee as prescribed by the PRC Government; or
- (ii) where there is no PRC Government prescribed fee but a Government guidance fee exists, to follow the Government guidance fee; or
- (iii) where there is neither a PRC Government prescribed fee nor a Government guidance fee, to follow the fees to be agreed between the parties based on arm's length negotiations.

In any event, the service fees payable by CM Securities to the Company under the Co-operation Pricing Agreement shall be on terms no less favourable than those granted to independent third parties for provision of similar services. The payment of the service fees will be settled in arrears by way of cash transfer, or in accordance with the payment terms to be mutually agreed to by the parties pursuant to the Co-operation Pricing Agreement. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, there are no other continuing connected transactions which would be, together with the transactions contemplated under the Co-operation Pricing Agreement, required to be aggregated under Rule 14A.25 of the Hong Kong Listing Rule.

The Company has been working closely with CM Securities to expand the agency sales of financial services and products. CM Securities has specialized teams to analyse the market trends, thus enabling it to devise diversified and enhanced financial services and products to capture the market growth. Given the background of the Company with CM Group, the Company has over the years established a good and quality co-operation relationship with CM Securities. For each of the three years ended 31 December 2010 and the ten months ended 31 October 2011, the service fees for services relating to the third party custodian account, agency sales services for financial products and collective investment products were approximately RMB217.45 million, RMB189.22 million, RMB71.22 million and RMB46.91 million (unaudited), respectively. The Company proposes to set the annual cap for each of 2012, 2013 and 2014 in respect of service fees for provision of the third parties custodian account, agency sales services for financial products and collective investment products to be received from CM Securities at RMB300 million, RMB300 million and RMB300 million, respectively. In setting of the annual caps for the transactions under the Co-operation Pricing Agreement, the Company has taken into account a number of factors, including service fees is based on the internal assessment according to the prevailing operation conditions and the anticipated uprising demands for financial services in the PRC market, with reference to the prevailing market conditions, the external factors that may give rise to unexpected fluctuations of the financial markets which is beyond the control of the Company and the underlying transaction volumes. Taking into account that the growth in the service fee for the third parties custodian account, agency sales services for financial products and collective investment products is market-driven in nature which is considered to be difficult for the Company to estimate, it is therefore reasonable to set the annual cap for each of 2012, 2013 and 2014 at RMB300 million, RMB300 million and RMB300 million, respectively so as to allow more room for further expansion of the transaction amounts between the Company and CM Securities, thus enabling the Company to take full benefit of the continued growth of the PRC economy and the financial markets, and to maximize the Company's revenue generated from such service fees.

The Directors (including the independent non-executive Directors) consider that the terms of the Co-operation Pricing Agreement were entered into: (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms (in accordance with the terms on arm's length negotiation or terms no less favourable than the terms offered by the Company to independent third parties); and that the terms and the proposed caps are fair and reasonable. Further, having taking into consideration the fact that the transaction amounts relating to provision of the third parties custodian account, agency sales services for financial products and collective investment products may vary significantly depending on the prevailing market conditions and the unexpected fluctuations of the financial markets, the Directors (including the independent non-executive Directors) consider that the setting of the annual cap in respect of the service fees for provision of the third parties custodian account, agency sales services for financial products and collective investment products for each of 2012, 2013 and 2014 is in the interests of the Company and its shareholders as a whole.

Since the annual cap of the service fees for provision of the third parties custodian account, agency sales services for financial products and collective investment products to be received from CM Securities for each of 2012, 2013 and 2014 shall be less than 5% of the relevant percentage ratio calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, the conduct of those transactions will accordingly be subject only to the reporting and announcement requirements pursuant to Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules, and are exempt from the independent shareholders' approval requirement. In addition, as regards the services for provision of the third parties custodian account, agency sales services for financial products and collective investment products conducted between the Company and CM Securities, the Company will comply with the annual audit review on continuing connected transactions as required by Rules 14A.37 to 14A.41 of the Hong Kong Listing Rules.

General information relating to the Company, CIGNA and CMC Life Insurance, China Merchants Fund Company and CM Securities

The Company is a joint stock company incorporated in the PRC with limited liability, the A Shares and the H Shares of which are listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange respectively. The Company is principally engaged in the position of banking and related financial services. The Company provides customers with various corporate and retail banking products and services and conducts treasury activities for proprietary purposes and on behalf of customers.

CIGNA and CMC Life Insurance is a company incorporated in the PRC on 8 September 2003. Its principal business includes the life insurance, accidents and health insurance products.

China Merchants Fund Company is a company incorporated in the PRC on 27 December 2002, of which the Company holds 33.4% of its equity interests. Its principal business includes the establishment and management of investment fund.

CM Securities is a company incorporated in the PRC. Its principal business includes dealing in securities, provision of financial products and advisory services.

DEFINITIONS

“associates”	has the meaning ascribed to it in the Hong Kong Listing Rules;
“China Merchants Fund Company”	means 招商基金管理有限公司 (China Merchants Fund Management Company Limited) and its subsidiaries and associates from time to time;
“CIGNA and CMC Life Insurance”	means 招商信諾人壽保險有限公司 (CIGNA and CMC Life Insurance Company Limited) and its subsidiaries and associates from time to time;
“CM Group”	means 招商局集團有限公司 (China Merchants Group Limited) and its subsidiaries and associates;
“CM Securities”	means 招商證券股份有限公司 (China Merchants Securities Co. Ltd.) and its subsidiaries and associates from time to time;

“CM Steam Navigation”	means 招商局輪船股份有限公司 (China Merchants Steam Navigation Co., Ltd.), a substantial shareholder of the Company;
“Company”	means 招商銀行股份有限公司 (China Merchants Bank Co., Ltd.) and its subsidiaries from time to time;
“Co-operation Pricing Agreement”	means the business co-operation pricing agreement entered into between the Company and CM Securities on 28 December 2011;
“Directors”	the director(s), including the independent non-executive directors of the Company;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Hong Kong Listing Rules”	means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
“Insurance Sales Co-operation Agreement”	means the business co-operation agreement for 2012 to 2014 entered into between the Company and CIGNA and CMC Life Insurance on 28 December 2011;
“Investment Fund Agency Sales Agreement”	means the securities investment fund sales agency agreement entered into between the Company and China Merchants Fund Company on 28 December 2011;
“PRC” or “China”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited; and
“subsidiaries”	has the meaning ascribed to it in the Hong Kong Listing Rules.

By order of the Board of Directors of
China Merchants Bank Co., Ltd.
Fu Yuning
Chairman

28 December 2011

As at the date of this announcement, the executive directors of the Company are Ma Weihua, Zhang Guanghua and Li Hao; the non-executive directors of the Company are Fu Yuning, Wei Jiafu, Li Yinquan, Fu Gangfeng, Hong Xiaoyuan, Sun Yueying, Wang Daxiong and Fu Junyuan; and the independent non-executive directors of the Company are Yi Xiqun, Wong Kwai Lam, Yan Lan, Chow Kwong Fai, Edward, Pan Yingli and Liu Hongxia.