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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)**

**CONNECTED TRANSACTION IN RELATION TO THE INTEGRATION  
OF CMB WING LUNG INSURANCE  
AND CM INSURANCE**

**BUSINESS ACQUISITION AND NEW ISSUE OF SHARES**

On 28 September 2022, CMB Wing Lung Insurance entered into the Business Transfer Agreement with CM Insurance. Pursuant to which, CM Insurance agreed to transfer its general insurance business (including assets and liabilities related to the business) to CMB Wing Lung Insurance, and CMB Wing Lung Insurance agreed to issue 9,856,066 of its new shares to CM Insurance as consideration. Upon completion of the Business Acquisition and New Issue of Shares, CM Insurance will directly hold 25.37% of the enlarged share capital of CMB Wing Lung Insurance, and the Company will indirectly hold 74.63% of the enlarged share capital of CMB Wing Lung Insurance.

To the best knowledge of the Company, upon completion of the Business Acquisition and New Issue of Shares, CM Insurance will distribute all of its shares in CMB Wing Lung Insurance to CM Insurance Holdings by way of distribution in specie. As general insurance business is the entire business of CM Insurance, CM Insurance will apply to the Insurance Authority of Hong Kong for withdrawal of authorization to carry on general insurance business upon the completion of the Business Acquisition and New Issue of Shares and distribution in specie.

**CAPITAL INCREASE**

On 28 September 2022, CMB Wing Lung Insurance entered into the Share Subscription Agreement with CM Insurance Holdings. Pursuant to which, CM Insurance Holdings agreed to subscribe for 25,590,806 shares newly issued by CMB Wing Lung Insurance at HKD1,171,000,000 in cash. Upon completion of the Capital Increase, as CM Insurance Holdings will directly hold 55% of the further enlarged share capital of CMB Wing Lung Insurance and the Company will indirectly hold 45% of the further enlarged share capital of CMB Wing Lung Insurance, CMB Wing Lung Insurance will cease to be a subsidiary of the Company.

## **HONG KONG LISTING RULES IMPLICATIONS**

In connection with the Business Acquisition under the Business Transfer Agreement, CMB Wing Lung Insurance will acquire the general insurance business (including assets and liabilities related to the business) of CM Insurance and therefore the transaction constitutes an acquisition transaction of the Company under Chapter 14 of the Hong Kong Listing Rules. In connection with the New Issue of Shares under the Business Transfer Agreement and the Capital Increase under the Share Subscription Agreement, the shareholding percentage of the Company in CMB Wing Lung Insurance will be diluted upon completion of the relevant transactions, and therefore such transactions constitute deemed disposal transactions under Chapter 14 of the Hong Kong Listing Rules. As each of the applicable percentage ratios in respect of the transaction contemplated under the Business Transfer Agreement and the transaction contemplated under the Share Subscription Agreement is less than 5%, the Business Acquisition and New Issue of Shares and the Capital Increase do not constitute notifiable transactions under Chapter 14 of the Hong Kong Listing Rules.

As at the date of this announcement, the Company indirectly holds 100% equity interest in CMB Wing Lung Insurance through CMB Wing Lung Bank, a wholly-owned subsidiary of the Company. CM Group directly holds 100% equity interest in CM Steam Navigation, a substantial shareholder of the Company, and indirectly holds 29.97% equity interest in the Company (including the shares of the Company controlled by way of equity interest, right of control or relationship of parties acting in concert). CM Group also indirectly holds 100% equity interest in CM Insurance Holdings and CM Insurance. CM Insurance Holdings and CM Insurance are associates of connected persons of the Company under the Hong Kong Listing Rules. The transaction between CMB Wing Lung Insurance and CM Insurance Holdings and the transaction between CMB Wing Lung Insurance and CM Insurance constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

In connection with the Business Acquisition and New Issue of Shares under the Business Transfer Agreement, as each of the applicable percentage ratios in respect of the transaction contemplated thereunder is less than 0.1%, the Business Acquisition and New Issue of Shares are exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. In connection with the Capital Increase under the Share Subscription Agreement, as the highest applicable percentage ratio (approximately 0.2%) in respect of the transaction contemplated thereunder is more than 0.1% but less than 5%, the Capital Increase is subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

### **I. INTRODUCTION**

On 28 September 2022, CMB Wing Lung Insurance entered into the Business Transfer Agreement with CM Insurance. Pursuant to which, CM Insurance agreed to transfer its general insurance business (including assets and liabilities related to the business) to CMB Wing Lung Insurance, and CMB Wing Lung Insurance agreed to issue 9,856,066 of its new shares to CM Insurance as consideration. Upon completion of the Business Acquisition and New Issue of Shares, CM Insurance will directly hold 25.37% of the enlarged share capital of CMB Wing Lung Insurance, and the Company will indirectly hold 74.63% of the enlarged share capital of CMB Wing Lung Insurance.

To the best knowledge of the Company, upon completion of the Business Acquisition and New Issue of Shares, CM Insurance will distribute all of its shares in CMB Wing Lung Insurance to CM Insurance Holdings by way of distribution in specie. As general insurance business is the entire business of CM Insurance, CM Insurance will apply to the Insurance Authority of Hong Kong for withdrawal of authorization to carry on general insurance business upon the completion of the Business Acquisition and New Issue of Shares and distribution in specie.

On 28 September 2022, CMB Wing Lung Insurance entered into the Share Subscription Agreement with CM Insurance Holdings. Pursuant to which, CM Insurance Holdings agreed to subscribe for 25,590,806 shares newly issued by CMB Wing Lung Insurance at HKD1,171,000,000 in cash. Upon completion of the Capital Increase, CM Insurance Holdings will directly hold 55% of the further enlarged share capital of CMB Wing Lung Insurance, and the Company will indirectly hold 45% of the further enlarged share capital of CMB Wing Lung Insurance. Accordingly, CMB Wing Lung Insurance will cease to be a subsidiary of the Company.

## **II. INFORMATION ON THE PARTIES**

### **CMB Wing Lung Insurance**

Established in 1981, CMB Wing Lung Insurance is a general insurance company incorporated in Hong Kong. CMB Wing Lung Insurance has been authorised to carry out all types of general insurance business other than Type 5 (Aircraft) and Type 11 (Aircraft Liability), primarily selling general liability insurance, motor vehicle insurance, property damage insurance and accident insurance to local customers in Hong Kong.

As at the date of this announcement, the Company indirectly holds 100% equity interest in CMB Wing Lung Insurance through CMB Wing Lung Bank, a wholly-owned subsidiary of the Company.

### **CM Insurance Holdings**

Established in 1995, CM Insurance Holdings is a holding company incorporated in Hong Kong.

As at the date of this announcement, CM Group directly holds 100% equity interest in CM Steam Navigation, a substantial shareholder of the Company, and indirectly holds 29.97% equity interest in the Company (including shares in the Company controlled by way of equity interest, right of control or relationship of parties acting in concert). CM Group also indirectly holds 100% equity interest in CM Insurance Holdings. CM Insurance Holdings is an associate of a connected person of the Company under the Hong Kong Listing Rules.

### **CM Insurance**

Established in 1986, CM Insurance is a general insurance company incorporated in Hong Kong. CM Insurance has been authorised to carry out all types of general insurance business other than Type 4 (Railway Rolling Stock), Type 5 (Aircraft) and Type 17 (Legal Expenses), mainly selling general liability insurance, marine hull insurance, property damage insurance and accident insurance to local customers in Hong Kong.

As at the date of this announcement, CM Group directly holds 100% equity interest in CM Steam Navigation, a substantial shareholder of the Company, and indirectly holds 29.97% equity interest in the Company (including shares in the Company controlled by way of equity interest, right of control or relationship of parties acting in concert). CM Group also indirectly holds 100% equity interest in CM Insurance through CM Insurance Holdings. CM Insurance is an associate of a connected person of the Company under the Hong Kong Listing Rules.

### III. BUSINESS ACQUISITION AND NEW ISSUE OF SHARES

On 28 September 2022, CMB Wing Lung Insurance entered into the Business Transfer Agreement with CM Insurance. Pursuant to which, CM Insurance agreed to transfer its general insurance business (including assets and liabilities related to the business) to CMB Wing Lung Insurance, and CMB Wing Lung Insurance agreed to issue 9,856,066 of its new shares to CM Insurance as consideration. The principal terms of the Business Transfer Agreement are set out below:

- Date:** 28 September 2022
- Parties:** CM Insurance (as transferor); and  
CMB Wing Lung Insurance (as transferee)
- Subject matter:** CM Insurance to transfer its general insurance business (including assets and liabilities related to the business) to CMB Wing Lung Insurance.
- Consideration and payment method:** CMB Wing Lung Insurance to issue 9,856,066 new shares to CM Insurance as consideration.
- Condition precedent:** The transfer of the general insurance business by CM Insurance to CMB Wing Lung Insurance being approved by Insurance Authority of Hong Kong in accordance with Hong Kong Insurance Ordinance.
- As at the date of this announcement, the above condition precedent has not been fulfilled.
- Completion:** Completion of the Business Acquisition and New Issue of Shares will take place within 60 natural days upon satisfaction of the condition precedent.

Upon completion of the Business Acquisition and New Issue of Shares, CM Insurance will directly hold 25.37% of the enlarged share capital of CMB Wing Lung Insurance, and the Company will indirectly hold 74.63% of the enlarged share capital of CMB Wing Lung Insurance.

To the best knowledge of the Company, upon completion of the Business Acquisition and New Issue of Shares, CM Insurance will distribute all of its shares in CMB Wing Lung Insurance to CM Insurance Holdings by way of distribution in specie. As general insurance business is the entire business of CM Insurance, CM Insurance will apply to the Insurance Authority of Hong Kong for withdrawal of authorization to carry on general insurance business upon the completion of the Business Acquisition and New Issue of Shares and distribution in specie.

## Basis of determination of consideration

The consideration under the Business Transfer Agreement was determined after arm's length negotiations between the parties based on the principle of fairness and taking into account a number of factors, including:

- (i) the company value of the 100% equity interest in CMB Wing Lung Insurance in the amount of HKD1,327 million as at the Valuation Date (excluding the carrying value of the distribution in specie in respect of the six commercial properties in Hong Kong by CMB Wing Lung Insurance to CMB Wing Lung Bank in the amount of HKD511 million as at the Valuation Date) and the company value of the 100% equity interest in CM Insurance in the amount of HKD451 million as at the Valuation Date, which were appraised by Ernst & Young Transactions Limited (“**EY Transactions**”) using the economic value added approach;
- (ii) historical data and actuarial experience of CMB Wing Lung Insurance and CM Insurance; and
- (iii) factors such as the outlook of the Hong Kong insurance market in which CMB Wing Lung Insurance and CM Insurance operate.

Based on the above, the Directors (including the independent non-executive Directors) consider that the consideration under the Business Transfer Agreement is fair and reasonable.

## Financial Information of CMB Wing Lung Insurance

Set out below is a summary of the audited financial information of CMB Wing Lung Insurance for the two financial years ended 31 December 2020 and 2021 and the unaudited financial information for the six months ended 30 June 2022:

*Unit: HKD'000*

	For the year ended 31 December		For the six months ended 30 June
	2020	2021	2022
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Operating income	581,489	610,158	331,459
Profit before tax	157,479	139,285	67,669
Profit after tax	133,054	120,249	60,472

As at 30 June 2022, the unaudited net asset value of CMB Wing Lung Insurance was HKD1,591 million (including the carrying value of the distribution in specie in respect of the six commercial properties in Hong Kong by CMB Wing Lung Insurance to CMB Wing Lung Bank in the amount of HKD501 million as at 30 June 2022).

## Financial Information of CM Insurance

Set out below is a summary of the audited financial information of CM Insurance for the two financial years ended 31 December 2020 and 2021 and the unaudited financial information for the six months ended 30 June 2022:

	For the year ended 31 December		For the six months ended 30 June
	2020	2021	2022
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Operating income	122,411	122,708	58,649
Profit before tax	13,754	29,110	14,029
Profit after tax	13,754	29,110	14,029

As at 30 June 2022, the unaudited net asset value of CM Insurance was HKD371 million.

#### IV. CAPITAL INCREASE

On 28 September 2022, CMB Wing Lung Insurance entered into the Share Subscription Agreement with CM Insurance Holdings. Pursuant to which, CM Insurance Holdings agreed to subscribe for 25,590,806 shares newly issued by CMB Wing Lung Insurance at HKD1,171,000,000 in cash. The principal terms of the Share Subscription Agreement are set out below:

- Date:** 28 September 2022
- Parties:** CMB Wing Lung Insurance (as issuer of new shares); and  
CM Insurance Holdings (as subscriber)
- Subject matter:** CM Insurance Holdings to subscribe for 25,590,806 shares newly issued by CMB Wing Lung Insurance.
- Consideration and payment method:** CM Insurance Holdings subscribed for 25,590,806 shares newly issued by CMB Wing Lung Insurance at HKD1,171,000,000 in cash.
- Condition precedent:** The approval for CM Insurance Holdings to obtain control over CMB Wing Lung Insurance being approved by Insurance Authority of Hong Kong in accordance with Hong Kong Insurance Ordinance.
- As at the date of this announcement, the above condition precedent has not been fulfilled.
- Completion:** Completion of the Capital Increase will take place within 60 natural days upon satisfaction of the condition precedent.
- Upon completion of the Capital Increase, as CM Insurance Holdings will directly hold 55% of the further enlarged share capital of CMB Wing Lung Insurance and the Company will indirectly hold 45% of the further enlarged share capital of CMB Wing Lung Insurance, CMB Wing Lung Insurance will cease to be a subsidiary of the Company.

## **Basis of determination of consideration**

The consideration under the Share Subscription Agreement was determined after arm's length negotiations between the parties based on the principle of fairness and taking into account a number of factors, including:

- (i) the company value of the 100% equity interest in CMB Wing Lung Insurance in the amount of HKD1,327 million as at the Valuation Date (excluding the carrying value of the distribution in specie in respect of the six commercial properties in Hong Kong by CMB Wing Lung Insurance to CMB Wing Lung Bank in the amount of HKD511 million as at the Valuation Date) and the company value of the 100% equity interest in CM Insurance in the amount of HKD451 million as at the Valuation Date, which were appraised by EY Transactions using the economic value added approach;
- (ii) historical data and actuarial experience of CMB Wing Lung Insurance and CM Insurance; and
- (iii) factors such as the outlook of the Hong Kong insurance market in which CMB Wing Lung Insurance and CM Insurance operate.

Based on the above, the Directors (including the independent non-executive Directors) consider that the consideration under the Share Subscription Agreement is fair and reasonable.

## **V. REASONS FOR AND BENEFITS OF THE INTEGRATION**

CMB Wing Lung Insurance and CM Insurance are local general insurance companies in Hong Kong with a market size in the midstream. Through the Integration, CM Group will inject additional capital to further enhance the capital strength of CMB Wing Lung Insurance after the Integration and significantly improve its underwriting capacity. On this basis, CM Group will also invest high-quality business resources to strengthen the advantages and characteristics of CMB Wing Lung Insurance after the Integration, achieving the synergy effect of "1 + 1 > 2" in terms of scale, quality and efficiency, and enhancing the overall influence of CMB Wing Lung Insurance after the Integration in the Hong Kong insurance market. In the long run, the Company will record a further increase in revenue through the Integration. At the same time, by integrating the resources and teams of the two insurance institutions, it will improve professional service capabilities and resource utilisation efficiency, better connect with banking channels, improve the ability to provide one-stop financial solutions for the Company's customers, and effectively support the Company's comprehensive financial business. In addition, the Company wishes to strengthen, optimise and expand its insurance business through the Integration, so as to contribute to the development of the insurance industry in Hong Kong.

The Directors (including the independent non-executive Directors) have confirmed that the terms of the Business Transfer Agreement and the Share Subscription Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

## **VI. FINANCIAL IMPACT OF THE INTEGRATION AND USE OF PROCEEDS**

Upon completion of the Integration, the Group will hold 45% equity interest in CMB Wing Lung Insurance after the Integration, and accordingly, CMB Wing Lung Insurance will no longer be included in the consolidation scope of the financial statements of the Group. CMB Wing Lung Insurance, as an associate of the Group, will be accounted for in the consolidated financial statements of the Group under the equity method of accounting.

Upon completion of the Integration, it is expected that the Group's total assets will decrease by approximately HKD1,451 million, total liabilities will decrease by approximately HKD1,745 million and net assets will increase by HKD294 million. The above change in net assets is based on the difference between the net assets attributable to the 45% equity interest in CMB Wing Lung Insurance held by the Group upon completion of the Integration and the net assets attributable to the 100% equity interest in CMB Wing Lung Insurance held by the Group before the Integration.

In the Integration, CMB Wing Lung Insurance is expected to record an inflow of HKD1,171 million in cash from the Capital Increase, which will be used for the development of core businesses of CMB Wing Lung Insurance. In the Integration, it is expected that the Group will record a non-cash gain of HKD283 million. The actual gain of the Group as a result of the Integration is subject to final audit by the auditors of the Company.

## **VII. HONG KONG LISTING RULES IMPLICATIONS**

In connection with the Business Acquisition under the Business Transfer Agreement, CMB Wing Lung Insurance will acquire the general insurance business (including assets and liabilities related to the business) of CM Insurance and therefore the transaction constitutes an acquisition transaction of the Company under Chapter 14 of the Hong Kong Listing Rules. In connection with the New Issue of Shares under the Business Transfer Agreement and the Capital Increase under the Share Subscription Agreement, the shareholding percentage of the Company in CMB Wing Lung Insurance will be diluted upon completion of the relevant transactions, and therefore such transactions constitute deemed disposal transactions under Chapter 14 of the Hong Kong Listing Rules. As each of the applicable percentage ratios in respect of the transaction contemplated under the Business Transfer Agreement and the transaction contemplated under the Share Subscription Agreement is less than 5%, the Business Acquisition and New Issue of Shares and the Capital Increase do not constitute notifiable transactions under Chapter 14 of the Hong Kong Listing Rules.

As at the date of this announcement, the Company indirectly holds 100% equity interest in CMB Wing Lung Insurance through CMB Wing Lung Bank, a wholly-owned subsidiary of the Company. CM Group directly holds 100% equity interest in CM Steam Navigation, a substantial shareholder of the Company, and indirectly holds 29.97% equity interest in the Company (including the shares of the Company controlled by way of equity interest, right of control or relationship of parties acting in concert). CM Group also indirectly holds 100% equity interest in CM Insurance Holdings and CM Insurance. CM Insurance Holdings and CM Insurance are associates of connected persons of the Company under the Hong Kong Listing Rules. The transaction between CMB Wing Lung Insurance and CM Insurance Holdings and the transaction between CMB Wing Lung Insurance and CM Insurance constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.



In connection with the Business Acquisition and New Issue of Shares under the Business Transfer Agreement, as each of the applicable percentage ratios in respect of the transaction contemplated thereunder is less than 0.1%, the Business Acquisition and New Issue of Shares are exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. In connection with the Capital Increase under the Share Subscription Agreement, as the highest applicable percentage ratio (approximately 0.2%) in respect of the transaction contemplated thereunder is more than 0.1% but less than 5%, the Capital Increase is subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

The Board has considered and approved the Resolution on the Integration Project of CMB Wing Lung Insurance and CM Insurance (《關於招商永隆保險與招商局保險整合項目的議案》). By virtue of interests in the Integration, the Directors dispatched by CM Group (including Miao Jianmin, Zhou Song, Hong Xiaoyuan, Zhang Jian and Su Min, the non-executive Directors) have abstained from voting on the Board resolution approving the Integration. Wang Liang, an executive Director, has abstained from voting on the Board resolution approving the Integration due to his position of directorship of China Merchants Financial Holdings Co., Ltd. (招商局金融控股有限公司). All of the remaining Directors (including Fu Gangfeng, a non-executive Director and Wang See Hong, Li Menggang, Liu Qiao, Tian Hongqi, Li Chaoxian and Shi Yongdong, the independent non-executive Directors) voted in favour of the resolution by way of a poll.

## VIII. DIRECTORS' CONFIRMATION ON PROFIT FORECAST

As disclosed in this announcement, EY Transactions was engaged as an independent actuarial valuation adviser to assess the market value of each of CMB Wing Lung Insurance and CM Insurance. EY Transactions has adopted the economic value added approach as the valuation methodology, which took into account the present value of the enterprise's future operating profit after tax less the cost of capital requirements. Accordingly, the actuarial valuation of CMB Wing Lung Insurance and CM Insurance in the actuarial valuation report prepared by EY Transactions constitute profit forecasts (the “**CMB Wing Lung Insurance Profit Forecast**” and the “**CM Insurance Profit Forecast**”) under Rule 14.61 of the Hong Kong Listing Rules, respectively. Accordingly, the requirements under Rules 14A.68(7) and 14.62 of the Hong Kong Listing Rules are applicable.

Deloitte Touche Tohmatsu, the auditor of the Company (the “**Auditor**”), has examined the respective accounting policies and calculation relating to the discounted economic value added on which the valuation of CMB Wing Lung Insurance and the valuation of CM Insurance are based. The Auditor has reported to the Directors in respect of the respective calculation of the discounted economic value added and the accounting policies adopted in the projections of profits therein upon which the valuation of 100% equity interest in CMB Wing Lung Insurance and 100% equity interest in CM Insurance prepared by EY Transactions are based, and whether they are properly prepared in accordance with the respective bases and assumptions in all material respects.

The Directors have reviewed the respective bases and assumptions upon which the actuarial valuation of CMB Wing Lung Insurance and CM Insurance in the actuarial valuation report prepared by EY Transactions are based. The Directors have also considered the assurance reports issued by the Auditor. Based on the above, the Directors have confirmed and satisfied that the valuation of the respective shareholders' interests of CMB Wing Lung Insurance and CM Insurance has been made after due and careful enquiry.

The bases and assumptions of the CMB Wing Lung Insurance Profit Forecast and the CM Insurance Profit Forecast are set out in Appendix I and Appendix II to this announcement, respectively.

The full text of the Auditor's assurance report on the CMB Wing Lung Insurance Profit Forecast and the letter from the Board on the CMB Wing Lung Insurance Profit Forecast are set out in Appendix III and Appendix IV to this announcement, respectively.

The full text of the Auditor's assurance report on the CM Insurance Profit Forecast and the letter from the Board on the CM Insurance Profit Forecast are set out in Appendix V and Appendix VI to this announcement, respectively.

## **Experts and Consent**

The following is the qualification of the experts who have given opinion and advice contained in this announcement.

<b>Name</b>	<b>Qualification</b>
Ernst & Young Transactions Limited Deloitte Touche Tohmatsu	Independent actuarial valuation adviser Hong Kong Certified Public Accountants

To the best knowledge and belief of the Directors of the Company, as at the date of this announcement, the above experts were not beneficially interested in the share capital of the Company and its subsidiaries and did not have any right, whether legally enforceable or not, to subscribe for or to nominate other persons to subscribe for securities in the Company and its subsidiaries.

As at the date of this announcement, the above experts did not have any direct or indirect interest in any assets which have been, since 31 December 2021 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to the Company and its subsidiaries, or are proposed to be acquired or disposed of by or leased to the Company and its subsidiaries.

Each of the above experts has given and has not withdrawn its written consent to the issue of this announcement with the inclusion herein of its letters, reports or statements and references to its names and logos in the form and context in which they respectively appear.

## **IX. DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules;
“Board”	the board of directors of the Company;

“Business Acquisition and New Issue of Shares”	the transfer of its general insurance business (including assets and liabilities related to the business) by CM Insurance to CMB Wing Lung Insurance and the issue of 9,856,066 new shares by CMB Wing Lung Insurance to CM Insurance as consideration under the Business Transfer Agreement;
“Business Transfer Agreement”	the business transfer agreement dated 28 September 2022 entered into between CMB Wing Lung Insurance and CM Insurance;
“Capital Increase”	the issue of 25,590,806 new shares by CMB Wing Lung Insurance to CM Insurance Holdings under the Share Subscription Agreement and CM Insurance Holdings shall pay HKD1,171,000,000 in cash to CMB Wing Lung Insurance as consideration;
“CM Group”	China Merchants Group Ltd. 招商局集團有限公司；
“CM Insurance”	China Merchants Insurance Company Limited 招商局保險有限公司；
“CM Insurance Holdings”	China Merchants Insurance Holdings Company Limited 招商局保險控股有限公司；
“CM Steam Navigation”	China Merchants Steam Navigation Co., Ltd. 招商局輪船有限公司；
“CMB Wing Lung Bank”	CMB Wing Lung Bank Limited 招商永隆銀行有限公司；
“CMB Wing Lung Insurance”	CMB Wing Lung Insurance Company Limited 招商永隆保險有限公司；
“Company”	China Merchants Bank Co., Ltd. 招商銀行股份有限公司；
“connected person”	has the meaning ascribed to it under the Hong Kong Listing Rules;
“Director(s)”	the director(s), including the independent non-executive directors, of the Company;
“Group”	the Company and its subsidiaries;
“HKD”	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;

“Integration”	the integration arrangements between CMB Wing Lung Insurance and CM Insurance, which include the Business Acquisition and New Issue of Shares and the Capital Increase;
“PRC” or “China”	the People’s Republic of China;
“Share Subscription Agreement”	the share subscription agreement dated 28 September 2022 entered into between CMB Wing Lung Insurance and CM Insurance Holdings;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Hong Kong Listing Rules;
“substantial shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules;
“Valuation Date”	30 September 2021;
“%”	per cent.

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

28 September 2022

*As at the date of this announcement, the Executive Director of the Company is Wang Liang; the Non-executive Directors of the Company are Miao Jianmin, Fu Gangfeng, Zhou Song, Hong Xiaoyuan, Zhang Jian and Su Min; and the Independent Non-executive Directors of the Company are Wang See Hong, Li Menggang, Liu Qiao, Tian Hongqi, Li Chaoxian and Shi Yongdong.*

**APPENDIX I:  
BASES AND ASSUMPTIONS SET OUT IN THE CMB  
WING LUNG INSURANCE PROFIT FORECAST**

**Bases:**

- 1) It is assumed that the accounting policies adopted in the profit forecast of CMB Wing Lung Insurance Company Limited (the “**target company**”) after the Valuation Date only take into account the accounting policies that are effective on the Valuation Date and are consistent with the accounting policies already adopted by the target company on the Valuation Date in all material aspects;
- 2) In this valuation, the economic value added approach is adopted to appraise the target company. This approach is based on the target company’s net assets plus the discounted economic value added. Economic value added is the expected future operating profit after tax less the cost of capital requirements.

**Basic Assumptions:**

- 1) Transaction assumption: It is assumed that all assets to be appraised are in the course of transaction, and the valuation conducted by EY Transactions is based on a simulated market according to the transaction conditions of the assets to be appraised;
- 2) Open market assumption: It is assumed that for assets traded on the market or assets to be traded on the market, both parties to the asset transaction have equal status with each other, each has the opportunity and time to obtain sufficient market information, and both parties are fair and consistent in terms of valuation methods and material accounting policies, so as to make sensible and fair judgments on the functions, purposes and transaction prices of the assets;
- 3) Going-concern assumption: It is assumed that the target company is in full compliance with all relevant laws and regulations and will operate on a going-concern basis in the foreseeable future.

## **General Assumptions:**

- 1) In this valuation, the specific valuation purposes stated in the valuation report of the target company represent the basic assumptions of the valuation;
- 2) There are no material changes to the prevailing relevant laws and regulations of the PRC and the macroeconomic conditions of the PRC, and there are no unforeseeable material changes to the external economic environment such as interest rates, exchange rates, tax bases and tax rates, and policy-based levies;
- 3) In this valuation, it is assumed that the target company will continue to operate with the diligent work of its future management team and continue to maintain the existing operating management mode, and the operation scope and patterns are basically consistent with the current direction;
- 4) In this valuation, it is assumed that the appraised assets of the target company will be put into continuous use in a manner consistent with their current use and manner, scale, frequency and environment of use without taking into account the best use of each assets;
- 5) It is assumed that based on the current method and level of management of the target company, there are no other factors of force majeure or unforeseeable factors that may have material adverse impact on the entity;
- 6) The relevant underlying information and financial information provided by the target company are true, accurate and complete;
- 7) The financial reports, transaction information of the comparables relied upon by the appraisers are true and reliable;
- 8) The scope of valuation is only based on the audited financial report and valuation declaration form provided by the target company, without considering the contingent assets and contingent liabilities that may exist beyond the list provided by the target company;
- 9) In this valuation, it is assumed that the target company will continue to obtain legal operating qualifications to conduct business in the future;
- 10) In this valuation, it is assumed that there is no obvious seasonal fluctuation in the company's operation.

## Key Commercial Assumptions:

- 1) In this valuation, the actuarial assumptions are selected based on the business scale, historical data and actuarial experience of the company, and it is assumed that there will be no unforeseeable material changes in the insurance business scale, underwriting and claim settlement, and characteristics of claim of the target company in the future. The main actuarial assumptions include: premium and premium growth rate, loss ratio and expense ratio, invested asset allocation ratio, expected rate of return on investment (discount rate), investment yield, minimum capital requirements, tax rate, etc.;
- 2) Premium and premium growth rate: In the first five years, the estimated premium growth rate in the future business plan provided by the company was adopted. Since then, taking into account the company development scale and market conditions, the premium growth rate is estimated by type of insurance;
- 3) Loss ratio and expense ratio: Selected mainly with reference to the company's loss ratio and expense ratio experience in historical financial years and gross ultimate loss ratio in actuarial report;
- 4) Investment asset allocation ratio: Estimated mainly based on the company's asset allocation in the next three years in the own risk and solvency assessment report;
- 5) Expected rate of return on investment (discount rate): The discount rate is the investors' expectation of long-term after-tax investment return, which is related to various risk factors such as politics and economy, and usually reflects the income of the corresponding capital market. It consists of risk-free return, average capital market return and specific company risk premium return. The selection of the risk-adjusted discount rate in the valuation has taken into account the selection of discount rate recommended by China Banking and Insurance Regulatory Commission in the relevant regulations, the selection of discount rate for embedded value calculation by a number of listed insurance companies and the recent low interest rate environment;
- 6) Investment yield: The investment yield of CMB Wing Lung Insurance is analysed by using the individual assessment of invested assets and taking into account the market trend analysis to choose the investment yield. The overall long-term average investment yield of the company is selected after comprehensively considering the respective investment yields of each type of invested assets and the transfer of six properties;
- 7) Minimum capital requirements: For 2021 to 2023, the minimum capital requirements are based on Hong Kong Insurance Ordinance (the "HKIO"). For 2024 and thereafter, such requirements are based on the requirements of the Hong Kong Risk-Based Capital (the "HKRBC") regime;
- 8) Tax rate: The standard tax rate is used as the tax rate in the financial forecast;
- 9) In this valuation, it is assumed that the claims are made by policyholders in the normal course of business and in accordance with the terms of the policies, and any other claims will not have any additional impact on the appraised results of the target company.

**APPENDIX II:  
BASES AND ASSUMPTIONS SET OUT IN THE CM INSURANCE PROFIT FORECAST**

**Bases:**

- 1) It is assumed that the accounting policies adopted in the profit forecast of China Merchants Insurance Company Limited (the “**target company**”) after the Valuation Date only take into account the accounting policies that are effective on the Valuation Date and are consistent with the accounting policies already adopted by the target company on the Valuation Date in all material aspects;
- 2) In this valuation, the economic value added approach is adopted to appraise the target company. This approach is based on the target company’s net assets plus the discounted economic value added. Economic value added is the expected future operating profit after tax less the cost of capital requirements.

**Basic Assumptions:**

- 1) Transaction assumption: It is assumed that all assets to be appraised are in the course of transaction, and the valuation conducted by EY Transactions is based on a simulated market according to the transaction conditions of the assets to be appraised;
- 2) Open market assumption: It is assumed that for assets traded on the market or assets to be traded on the market, both parties to the asset transaction have equal status with each other, each has the opportunity and time to obtain sufficient market information, and both parties are fair and consistent in terms of valuation methods and material accounting policies, so as to make sensible and fair judgments on the functions, purposes and transaction prices of the assets;
- 3) Going-concern assumption: It is assumed that the target company is in full compliance with all relevant laws and regulations and will operate on a going-concern basis in the foreseeable future.



## **General Assumptions:**

- 1) In this valuation, the specific valuation purposes stated in the valuation report of the target company represent the basic assumptions of the valuation;
- 2) There are no material changes to the prevailing relevant laws and regulations of the PRC and the macroeconomic conditions of the PRC, and there are no unforeseeable material changes to the external economic environment such as interest rates, exchange rates, tax bases and tax rates, and policy-based levies;
- 3) In this valuation, it is assumed that the target company will continue to operate with the diligent work of its future management team and continue to maintain the existing operating management mode, and the operation scope and patterns are basically consistent with the current direction;
- 4) In this valuation, it is assumed that the appraised assets of the target company will be put into continuous use in a manner consistent with their current use and manner, scale, frequency and environment of use without taking into account the best use of each assets;
- 5) It is assumed that based on the current method and level of management of the target company, there are no other factors of force majeure or unforeseeable factors that may have material adverse impact on the entity;
- 6) The relevant underlying information and financial information provided by the target company are true, accurate and complete;
- 7) The financial reports, transaction information of the comparables relied upon by the appraisers are true and reliable;
- 8) The scope of valuation is only based on the audited financial report and valuation declaration form provided by the target company, without considering the contingent assets and contingent liabilities that may exist beyond the list provided by the target company;
- 9) In this valuation, it is assumed that the target company will continue to obtain legal operating qualifications to conduct business in the future;
- 10) In this valuation, it is assumed that there is no obvious seasonal fluctuation in the company's operation.

## Key Commercial Assumptions:

- 1) In this valuation, the actuarial assumptions are selected based on the business scale, historical data and actuarial experience of the company, and it is assumed that there will be no unforeseeable material changes in the insurance business scale, underwriting and claim settlement, and characteristics of claim of the target company in the future. The main actuarial assumptions include: premium and premium growth rate, loss ratio and expense ratio, invested asset allocation ratio, expected rate of return on investment (discount rate), investment yield, minimum capital requirements, tax rate, etc.;
- 2) Premium and premium growth rate: In the first five years, the estimated premium growth rate in the future business plan provided by the company was adopted. Since then, taking into account the company development scale and market conditions, the premium growth rate is estimated by type of insurance;
- 3) Loss ratio and expense ratio: Selected mainly with reference to the company's loss ratio and expense ratio experience in historical financial years and gross ultimate loss ratio in actuarial report;
- 4) Investment asset allocation ratio: Estimated mainly based on the company's asset allocation in the next three years in the own risk and solvency assessment report;
- 5) Expected rate of return on investment (discount rate): The discount rate is the investors' expectation of long-term after-tax investment return, which is related to various risk factors such as politics and economy, and usually reflects the income of the corresponding capital market. It consists of risk-free return, average capital market return and specific company risk premium return. The selection of the risk-adjusted discount rate in the valuation has taken into account the selection of discount rate recommended by China Banking and Insurance Regulatory Commission in the relevant regulations, the selection of discount rate for embedded value calculation by a number of listed insurance companies and the recent low interest rate environment;
- 6) Investment yield: The investment yield of CM Insurance is analysed by using the individual assessment of invested assets and taking into account the market trend analysis to choose the investment yield. The overall long-term average investment yield of the company is selected after comprehensively considering the respective investment yields of each type of invested assets;
- 7) Minimum capital requirements: For 2021 to 2023, the minimum capital requirements are based on Hong Kong Insurance Ordinance (the "HKIO"). For 2024 and thereafter, such requirements are based on the requirements of the Hong Kong Risk-Based Capital (the "HKRBC") regime;
- 8) Tax rate: The standard tax rate is used as the tax rate in the financial forecast;
- 9) In this valuation, it is assumed that the claims are made by policyholders in the normal course of business and in accordance with the terms of the policies, and any other claims will not have any additional impact on the appraised results of the target company.

## APPENDIX III:

### AUDITOR'S REPORT ON THE CMB WING LUNG INSURANCE PROFIT FORECAST



#### INDEPENDENT ASSURANCE REPORT ON THE ACCOUNTING POLICIES AND CALCULATION RELATING TO THE DISCOUNTED ECONOMIC VALUE ADDED IN THE VALUATION OF 100% EQUITY INTEREST IN CMB WING LUNG INSURANCE COMPANY LIMITED

#### TO THE DIRECTORS OF CHINA MERCHANTS BANK CO., LTD

We have examined the accounting policies and calculation relating to the Discounted Economic Value Added of CMB Wing Lung Insurance Company Limited (“**CMB Wing Lung Insurance**”) as at 30 September 2021, on which the valuation prepared by Ernst & Young Transactions Limited dated 6 May 2022, of 100% equity interest in CMB Wing Lung Insurance as at 30 September 2021 (the “**Valuation**”) is based. CMB Wing Lung Insurance is a company incorporated in Hong Kong whose principal activity is underwriting of general insurance business. The Valuation based on the Discounted Economic Value Added, which is based on projections of profits and other components, is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and is included in an announcement dated 28 September 2022 issued by China Merchants Bank Co., Ltd (the “**Company**”) in connection with the connected transaction in relation to the integration of CMB Wing Lung Insurance and China Merchants Insurance Company Limited (the “**Announcement**”).

#### Directors' Responsibilities for the Discounted Economic Value Added

The directors of the Company are responsible for the preparation of the Discounted Economic Value Added in accordance with the bases (the “**Bases**”) and assumptions (the “**Assumptions**”) determined by the directors of the Company and set out in the Announcement (the “**Bases and Assumptions**”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the Discounted Economic Value Added for the Valuation and applying appropriate bases of preparation; selecting appropriate and consistent accounting policies for projections of profits therein; and making estimates that are reasonable in the circumstances.

#### Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## **Practitioner’s Responsibility**

Our responsibility is to express an opinion on the accounting policies and calculation relating to the Discounted Economic Value Added based on our procedures and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether, as far as the accounting policies and calculation are concerned, the directors of the Company have properly prepared the Discounted Economic Value Added, in all material respects, in accordance with the Bases and Assumptions. Our work was limited primarily to making inquiries of the Company’s management, considering the Bases and Assumptions on which the Discounted Economic Value Added is based, considering the appropriateness and consistency of the accounting policies adopted for the projections of profits therein and checking the arithmetic accuracy of the compilation of the Discounted Economic Value Added. Our work does not constitute any valuation of CMB Wing Lung Insurance.

The Assumptions include hypothetical assumptions about future events and the Company’s management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

## **Opinion**

Based on the foregoing, in our opinion, so far as the accounting policies and calculation are concerned, the Discounted Economic Value Added has been properly prepared, in all material respects, in accordance with the Bases and Assumptions.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
28 September 2022

APPENDIX IV:  
LETTER FROM THE BOARD IN RELATION TO THE CMB WING LUNG INSURANCE  
PROFIT FORECAST



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)**

28 September 2022

The Listing Division  
The Stock Exchange of Hong Kong Limited  
12/F, Two Exchange Square  
8 Connaught Place, Central, Hong Kong

Dear Sir/Madam,

**Re: Profit Forecast – Confirmation Letter under the Requirements of the Rule 14.62(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”)**

Reference is made to the announcement of the Company dated 28 September 2022 in relation to the actuarial valuation report (the “**Valuation Report**”) of CMB Wing Lung Insurance Company Limited (“**CMB Wing Lung Insurance**”) dated 6 May 2022 prepared by Ernst & Young Transactions Limited (“**EY Transactions**”) using the economic value added approach.

The board of directors of the Company (the “**Board**”) has reviewed and discussed with EY Transactions and Deloitte Touche Tohmatsu, the auditor of the Company (the “**Auditor**”) on the bases and assumptions of the Valuation Report. The Board has also considered the assurance report of the Auditor dated 28 September 2022 on the accounting policies and calculation relating to the discounted economic value added in the Valuation Report.

Pursuant to the requirements of Rule 14.62(3) of the Listing Rules, the Board confirms that the profit forecast used in the above Valuation Report has been prepared after due and careful enquiry.

Yours faithfully,

By Order of the Board  
**China Merchants Bank Co., Ltd.**  
**Miao Jianmin**  
*Chairman*

**APPENDIX V:  
AUDITOR'S REPORT ON THE CM INSURANCE PROFIT FORECAST**



**INDEPENDENT ASSURANCE REPORT ON THE ACCOUNTING POLICIES AND CALCULATION RELATING TO THE DISCOUNTED ECONOMIC VALUE ADDED IN THE VALUATION OF 100% EQUITY INTEREST IN CHINA MERCHANTS INSURANCE COMPANY LIMITED**

**TO THE DIRECTORS OF CHINA MERCHANTS BANK CO., LTD**

We have examined the accounting policies and calculation relating to the Discounted Economic Value Added of China Merchants Insurance Company Limited (“**CM Insurance**”) as at 30 September 2021, on which the valuation prepared by Ernst & Young Transactions Limited dated 6 May 2022, of 100% equity interest in CM Insurance as at 30 September 2021 (the “**Valuation**”) is based. CM Insurance is a company incorporated in Hong Kong whose principal activity is underwriting of general insurance business. The Valuation based on the Discounted Economic Value Added, which is based on projections of profits and other components, is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and is included in an announcement dated 28 September 2022 issued by China Merchants Bank Co., Ltd (the “**Company**”) in connection with the connected transaction in relation to the integration of CMB Wing Lung Insurance Company Limited and CM Insurance (the “**Announcement**”).

**Directors’ Responsibilities for the Discounted Economic Value Added**

The directors of the Company are responsible for the preparation of the Discounted Economic Value Added in accordance with the bases (the “**Bases**”) and assumptions (the “**Assumptions**”) determined by the directors of the Company and set out in the Announcement (the “**Bases and Assumptions**”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the Discounted Economic Value Added for the Valuation and applying appropriate bases of preparation; selecting appropriate and consistent accounting policies for projections of profits therein; and making estimates that are reasonable in the circumstances.

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## **Practitioner’s Responsibility**

Our responsibility is to express an opinion on the accounting policies and calculation relating to the Discounted Economic Value Added based on our procedures and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether, as far as the accounting policies and calculation are concerned, the directors of the Company have properly prepared the Discounted Economic Value Added, in all material respects, in accordance with the Bases and Assumptions. Our work was limited primarily to making inquiries of the Company’s management, considering the Bases and Assumptions on which the Discounted Economic Value Added is based, considering the appropriateness and consistency of the accounting policies adopted for the projections of profits therein and checking the arithmetic accuracy of the compilation of the Discounted Economic Value Added. Our work does not constitute any valuation of CM Insurance.

The Assumptions include hypothetical assumptions about future events and the Company’s management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

## **Opinion**

Based on the foregoing, in our opinion, so far as the accounting policies and calculation are concerned, the Discounted Economic Value Added has been properly prepared, in all material respects, in accordance with the Bases and Assumptions.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
28 September 2022

APPENDIX VI:  
LETTER FROM THE BOARD IN RELATION TO THE CM INSURANCE PROFIT  
FORECAST



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)**

28 September 2022

The Listing Division  
The Stock Exchange of Hong Kong Limited  
12/F, Two Exchange Square  
8 Connaught Place, Central, Hong Kong

Dear Sir/Madam,

**Re: Profit Forecast – Confirmation Letter under the Requirements of the Rule 14.62(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”)**

Reference is made to the announcement of the Company dated 28 September 2022 in relation to the actuarial valuation report (the “**Valuation Report**”) of China Merchants Insurance Company Limited (“**CM Insurance**”) dated 6 May 2022 prepared by Ernst & Young Transactions Limited (“**EY Transactions**”) using the economic value added approach.

The board of directors of the Company (the “**Board**”) has reviewed and discussed with EY Transactions and Deloitte Touche Tohmatsu, the auditor of the Company (the “**Auditor**”) on the bases and assumptions of the Valuation Report. The Board has also considered the assurance report of the Auditor dated 28 September 2022 on the accounting policies and calculation relating to the discounted economic value added in the Valuation Report.

Pursuant to the requirements of Rule 14.62 (3) of the Listing Rules, the Board confirms that the profit forecast used in the above Valuation Report has been prepared after due and careful enquiry.

Yours faithfully,

By Order of the Board  
**China Merchants Bank Co., Ltd.**  
**Miao Jianmin**  
*Chairman*