

Announcement on Changes in Accounting Policies

27 April 2018

Important notice:

- The changes of the new accounting standards for financial instruments became effective on 1 January, 2018, the adoption of which have a relatively general impact on the financial reports of the Company.
- The changes of the new accounting standards for revenue became effective on 1 January, 2018, the adoption of which have no significant impact on the profits and losses, total assets and net assets of the Company for the current and previous periods.

1. Summary of the Changes in Accounting Policies

In 2017, the Ministry of Finance of the People's Republic of China (the "MOF") promulgated five modified accounting standards for business enterprises, namely the "Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments", the "Accounting Standards for Business Enterprises No. 23 — Transfer of Financial Assets", the "Accounting Standards for Business Enterprises No. 24 — Hedge Accounting", the "Accounting Standards for Business Enterprises No. 37 — Presentation of Financial Instruments" (hereinafter referred to as "New Accounting Standards for Financial Instruments") and the "Accounting Standards for Business Enterprises No. 14 — Revenue" (hereinafter referred to as "New Accounting Standards for Revenue"), requiring enterprises which are concurrently listed on domestic and foreign stock exchanges to adopt such accounting standards with effect from 1 January 2018. The Company has adopted the above mentioned standards for the preparation of its financial statements for the first quarter of 2018.

The Resolution Regarding the Changes in Accounting Policies of China Minsheng Banking Corp., Ltd. for the First Quarter of 2018 was considered and approved at the eighth meeting of the seventh session of the board of directors of the Company held on 27 April 2018, pursuant to which the changes in accounting policies in accordance with the above mentioned standards were approved. The changes in accounting policies are not subject to the consideration and approval at the shareholders' general meeting of the Company.

2. Details of the Changes in Accounting Policies and their Impacts on the Company

(1) Amendments to the Accounting Standards for Financial Instruments

The New Accounting Standards for Financial Instruments simplify the classification of financial assets by reducing the categories of financial assets and improve the objectivity of

classification and the consistency of accounting treatment of financial assets. The “expected credit loss” model is introduced to replace the “credit loss incurred” model as the basis of provisions for impairment of financial instruments. The applicability of the hedge accounting is enhanced. As compared with the previous accounting standards, the New Accounting Standards for Financial Instruments make no substantial change to the recognition and de-recognition of financial instruments and the classification of financial liabilities. The adoption of the New Accounting Standards for Financial Instruments has a relatively general impact on the financial statements of the Company.

i. Classification and measurement of financial assets

According to the New Accounting Standards for Financial Instruments, financial assets are classified into three categories, namely financial assets measured at (1) amortised cost, (2) fair value through other comprehensive income (FVOCI) and (3) fair value through profit or loss (FVTPL), based on an enterprise’s “business model” for holding of the financial assets and the contractual cash flow characteristics of the assets. As compared with the previous accounting standards, three previous categories, namely loans and receivables, held-to-maturity investments and available-for-sale financial assets, were abolished, while the category of financial assets at fair value through profit or loss has been retained.

ii. Impairment of financial assets

The New Accounting Standards for Financial Instruments replace the “incurred loss” model with the “expected credit loss” model in respect of the provision for impairment of financial assets. If the credit risk of a financial asset increases significantly after initial recognition, a provision for impairment loss shall be made based on the expected credit loss of such financial asset during its entire lifetime. If there is no significant increase in the credit risk of the financial asset after initial recognition, a provision for impairment loss shall be made based on the expected credit loss of such financial asset in the next 12 months and the coverage of provision shall be enlarged.

iii. Hedge accounting

The New Accounting Standards for Financial Instruments simplify the requirements of hedge accounting to accept more items and instruments for hedge. The effectiveness of hedge is assessed by qualitative test instead of quantitative test.

iv. Disclosure of financial instruments

The New Accounting Standards for Financial Instruments introduce a number of new disclosure requirements, in particular about hedge accounting, credit risk and expected credit loss.

In accordance with the transition provision of the New Accounting Standards for Financial Instruments, an enterprise is not required to restate the comparable financial data for the

previous period, but shall make retrospective adjustments to retained earnings and other comprehensive income at the beginning of the period. The Company disclosed its financial statements in accordance with the new accounting standards in its first quarterly report of 2018. The comparable financial data of 2017 was not restated while retained earnings and other comprehensive income as at the beginning of 2018 were adjusted. Due to such adjustments, net assets attributable to equity shareholders of the Company of the group as at the beginning of 2018 decreased by 2.65% as compared with that as at the end of 2017.

(2) Amendments to the Accounting Standards for Revenue

In accordance with the New Accounting Standards for Revenue, the existing standards for revenue and construction contract are incorporated into a unified revenue recognition model. The risk-and-reward approach is replaced by the transfer-of-control approach as the criteria for the time of revenue recognition. A more specific guideline has been introduced in respect of the accounting treatment of contracts involving various trading arrangements. Specific requirements have been imposed on the recognition and measurement of revenue from certain transactions (or items).

In accordance with the transition provision of the new accounting standards, the retained earnings and other relevant items of the financial statements as at the beginning of the year in which the new accounting standards are initially adopted shall be adjusted to reflect the net effects of the adoption. No adjustment of the comparative data is required. The Company has adopted the accounting standards for the financial statements of the first quarter of 2018. Such changes in accounting policies have no material effect on the recognition of revenue of the Company, and have no significant impact on the net profits, total assets and net assets of the Company for the current and previous periods.

3. Conclusion of Independent Directors and Supervisory Board

The independent directors and the supervisory board of the Company have agreed the changes in accounting policies of the Company and are of the view that the changes are reasonably made based on the relevant documents stipulated by the MOF. The changes conform to the relevant requirements of the MOF, China Securities Regulatory Commission, Shanghai Stock Exchange and other regulatory authorities, reflect an objective and fair view of the financial conditions and operating results of the Company and are in the interests of the Company and its shareholders. The procedures for the consideration of the changes in accounting policies are in compliance with the relevant laws and regulations and the articles of association of the Company.

4. Documents for Reference

- (I) Resolutions of the Board of Directors of the Company
- (II) Resolutions of the Supervisory Board of the Company

(III) Independent Opinions on the Changes in Accounting Policies of the Independent Directors of the Company

Board of Directors
China Minsheng Banking Corporation Limited