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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you shall consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Merchants Bank Co., Ltd., you shall at once hand this circular and the related proxy form and reply slip to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities.

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**招商銀行股份有限公司**  
**CHINA MERCHANTS BANK CO., LTD.**

*(a joint stock company incorporated in the People's Republic of China with limited liability)*  
(Stock Code: 03968)

**PROPOSED NON-PUBLIC ISSUANCE OF DOMESTIC  
PREFERENCE SHARES  
PROPOSED NON-PUBLIC ISSUANCE OF OFFSHORE  
PREFERENCE SHARES  
RELATED PARTY TRANSACTION REGARDING SUBSCRIPTION OF  
NON-PUBLIC ISSUANCE OF OFFSHORE PREFERENCE SHARES  
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION  
GENERAL MANDATE TO ISSUE SHARES AND/OR  
DEAL WITH SHARE OPTIONS  
ANALYSIS OF IMPACT OF DILUTION  
OF CURRENT RETURNS BY NON-PUBLIC  
ISSUANCE OF PREFERENCE SHARES AND  
THE REMEDIAL MEASURES  
CAPITAL MANAGEMENT PLAN FOR 2017-2019  
SHAREHOLDERS' RETURN PLAN FOR 2017-2019  
REPORT ON THE USE OF PROCEEDS RAISED IN  
THE PREVIOUS ISSUANCE  
AND  
PROPOSAL ON ADJUSTING THE STATISTICAL CALIBRE  
OF THE ISSUE MANDATE GRANTED TO THE BOARD FOR  
THE ISSUANCE OF FINANCIAL BONDS**

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A letter from the Board is set out on pages 6 to 23 of this circular.

Notices for convening the 2016 AGM and the H Shareholders Class Meeting to be held at the Conference Room, 5/F, China Merchants Bank Tower, No. 7088 Shennan Boulevard, Shenzhen, the PRC, at 9:00 a.m. on Friday, 26 May 2017 together with the proxy forms for use at the 2016 AGM and the H Shareholders Class Meeting have been sent to H Shareholders separately.

Whether or not you are able to attend the 2016 AGM and/or the H Shareholders Class Meeting, you are requested to complete the proxy forms in accordance with the instructions printed thereon and return the same to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event by not later than 24 hours before the time appointed for holding such meetings or any adjournment thereof.

Completion and return of the proxy forms shall not preclude you from attending and voting in person at the 2016 AGM and the H Shareholders Class Meeting, respectively, or any adjournment thereof should you so wish.

19 April 2017

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## DEFINITIONS

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

“A Share(s)” or “Domestic Share(s)”	ordinary domestic share(s) in the Company’s ordinary share capital, with a nominal value of RMB1.00 each, which is (are) denominated in RMB and listed on the Shanghai Stock Exchange
“A Shareholder(s)”	holder(s) of the A Share(s)
“A Shareholders Class Meeting”	the first class meeting of the A Shareholders for 2017 to be convened at the Conference Room, 5/F., China Merchants Bank Tower, No. 7088 Shennan Boulevard, Shenzhen, the PRC on Friday, 26 May 2017 at 9:00 a.m. to consider and, if thought fit, approve, among other matters, the matters referred to in this circular
“Additional Tier 1 Capital”	has the meaning ascribed to it in the Capital Administrative Measures
“AGM”, “2016 AGM” or “General Meeting”	the 2016 Annual General Meeting of the Company (or any adjournment thereof) to be held at the Conference Room, 5/F., China Merchants Bank Tower, No. 7088 Shennan Boulevard, Shenzhen, the PRC on Friday, 26 May 2017 at 9:00 a.m. to consider and, if thought fit, approve, among other matters, the matters referred to in this circular
“Articles of Association”	the Articles of Association (including the Rules of Procedures for Shareholders’ General Meetings, the Rules of Procedures for the Meetings of the Board of Directors and the Rules of Procedures for Meeting of the Board of Supervisors) of the Company, as amended, modified or otherwise supplemented from time to time
“associate(s)”	has the meaning ascribed to it in the Hong Kong Listing Rules
“Board of Directors” or “Board”	the board of Directors of the Company
“Board of Supervisors”	the board of Supervisors of the Company

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## DEFINITIONS

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“Capital Administrative Measures”	the Administrative Measures for the Capital of Commercial Bank (Trial) promulgated by the CBRC and effective from 1 January 2013
“CBRC”	China Banking Regulatory Commission
“Class Meeting(s)”	the respective A Shareholders Class Meeting and the H Shareholders Class Meeting for holders of (1) Domestic Shares and (2) H Shares to separately consider and approve the proposed issuance of Domestic Preference Shares and the proposed issuance of Offshore Preference Shares of the Company respectively on the date of the 2016 AGM to be convened on 26 May 2017, or any adjourned meeting thereof
“Company” or “Bank” or “China Merchants Bank”	China Merchants Bank Co., Ltd., a joint stock limited company incorporated under the laws of the PRC, the A Shares of which are listed on the Shanghai Stock Exchange and the H Shares of which are listed on the main board of the Hong Kong Stock Exchange
“Company Law”	the Company Law of the People’s Republic of China (as amended from time to time)
“COSCO”	China COSCO Shipping Corporation Limited
“COSCO Shipping Financial”	COSCO SHIPPING Financial Holdings Co., Ltd.
“connected person(s)”	has the meaning ascribed to it in the Hong Kong Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	director(s) of the Company
“Domestic Issuance Plan”	the Plan for Non-public Issuance of Domestic Preference Shares of China Merchants Bank Co., Ltd., as set out in Appendix I to this circular
“Domestic Preference Shares”	the preference shares of an aggregate amount of not more than RMB27.5 billion, proposed to be issued by the Company in the domestic market pursuant to the Domestic Issuance Plan of the Company

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## DEFINITIONS

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“Domestic Preference Shareholder(s)”	holder(s) of the Domestic Preference Shares
“H Share(s)”	overseas listed foreign share(s) in the Company’s ordinary share capital with a nominal value of RMB1.00 each, which are listed on the main board of the Hong Kong Stock Exchange
“H Shareholder(s)”	the holder(s) of H Shares
“H Shareholders Class Meeting”	the first class meeting of the H Shareholders for 2017 to be convened at the Conference Room, 5/F., China Merchants Bank Tower, No. 7088 Shennan Boulevard, Shenzhen, the PRC on Friday, 26 May 2017 at 9:00 a.m. to consider and, if thought fit, approve, among other matters, matters referred to in this circular
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Non-executive Director(s)” or “Independent Director(s)”	independent non-executive director(s) of the Company
“Independent Shareholders”	Shareholder(s) other than those who have a material interest in the relevant resolutions to be proposed at the 2016 AGM and the class meetings
“Issuance”	the Preference Shares to be issued by the Company under the Domestic Issuance Plan and the Offshore Issuance Plan

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## DEFINITIONS

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“Joint Guidance Opinion”	the Guidance Opinion on Issuance of Preference Shares by Commercial Banks for Replenishing Tier 1 Capital jointly issued by the CBRC and the CSRC on April 3, 2014
“Latest Practicable Date”	6 April 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules of Shanghai Stock Exchange”	the Rules Governing the Listing of Securities on Shanghai Stock Exchange
“Offshore Issuance Plan”	Non-public Issuance of Offshore Preference Shares Plan by China Merchants Bank Co., Ltd., as set out in Appendix II to this circular
“Offshore Preference Shares”	the preference shares of an aggregate amount of not more than RMB7.5 billion or its equivalent, proposed to be issued by the Company in the offshore market pursuant to the Offshore Issuance Plan
“Offshore Preference Shareholder(s)”	holder(s) of Offshore Preference Shares
“PRC” or “China”	the People’s Republic of China, excluding, for the purpose of this circular only, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
“Preference Shares”	collectively, the Domestic Preference Shares and Offshore Preference Shares
“Preference Shareholder(s)”	collectively, Domestic Preference Shareholder(s) and Offshore Preference Shareholder(s)
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	The Securities Law of the People’s Republic of China
“Shanghai Stock Exchange”	Shanghai Stock Exchange
“Share(s)” or “Ordinary Share(s)”	the H Shares and Domestic Shares of the Company
“Shareholder(s)”	holder(s) of the Ordinary Share(s)

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## DEFINITIONS

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“State Council Guidance Opinion”	the Guidance Opinion on the Launch of Preference Shares Pilot Scheme promulgated by the State Council on 30 November 2013
“Subscription Agreement”	the share subscription agreement in relation to conditional subscription of Offshore Preference Shares entered into between China Merchants Bank Co., Ltd. and COSCO SHIPPING Financial Holdings Co., Limited on 24 March 2017
“Supervisor(s)”	supervisor(s) of the Company
“Trial Administrative Measures”	the Trial Administrative Measures on Preference Share promulgated by the CSRC on 21 March 2014
“%”	per cent.

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LETTER FROM THE BOARD OF DIRECTORS

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招商銀行股份有限公司  
**CHINA MERCHANTS BANK CO., LTD.**

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 03968)**

*Executive Directors:*

Tian Huiyu  
Li Hao

*Non-executive Directors:*

Li Jianhong  
Li Xiaopeng  
Sun Yueying  
Fu Gangfeng  
Hong Xiaoyuan  
Su Min  
Zhang Jian Wang Daxiong

*Independent Non-executive Directors:*

Leung Kam Chung, Antony  
Wong Kwai Lam  
Pan Chengwei  
Pan Yingli  
Zhao Jun  
Wong See Hong

*Registered address:*

China Merchants Bank Tower  
No. 7088 Shennan Boulevard  
Shenzhen 518040  
PRC

*Principal place of business  
in Hong Kong:*

21st Floor, Bank of America Tower  
12 Harcourt Road  
Central  
Hong Kong

19 April 2017

To the Shareholders

Dear Sir or Madam,

**PROPOSED NON-PUBLIC ISSUANCE OF DOMESTIC  
PREFERENCE SHARES  
PROPOSED NON-PUBLIC ISSUANCE OF OFFSHORE  
PREFERENCE SHARES  
RELATED PARTY TRANSACTION REGARDING SUBSCRIPTION OF  
NON-PUBLIC ISSUANCE OF OFFSHORE PREFERENCE SHARES  
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION  
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## LETTER FROM THE BOARD OF DIRECTORS

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### I. INTRODUCTION

Reference is made to (i) the Company's announcement dated 24 March 2017 (the "Announcement") regarding (among others) the proposed non-public issuance of Domestic Preference Shares, the proposed non-public issuance of Offshore Preference Shares, and proposed amendments to the Articles of Association and (ii) the Company's notice of the 2016 AGM and the H Shareholders Class Meeting dated 10 April 2017.

The purpose of this circular is, among other things, to provide you with further information regarding the proposal of aforementioned matters as set out in this circular, which will be submitted to the 2016 AGM, the A Shareholders Class Meeting and H Shareholders Class Meeting (where applicable) for consideration and approval in order to enable you to make an informed decision on whether to vote for or against such resolutions at the 2016 AGM and the H Shareholders Class Meeting (where applicable).

### II. PROPOSED NON-PUBLIC ISSUANCE OF DOMESTIC AND OFFSHORE PREFERENCE SHARES

In order to improve the capital structure of the Company, further enhance the overall competitiveness of the Company, continue to promote the business transformation and upgrading of the Company, enhance the Capital Adequacy Ratio level of the Company, and strengthen the sustainable development and risk resistance of the Company as well as provide financial support for the effective implementation of the strategies of the Company, the Board approved, among other things, the proposals on the non-public issuance of Domestic and Offshore Preference Shares on 24 March 2017 in accordance with the relevant provisions of the Company Law, the Securities Law, the State Council Guidance Opinion, the Trial Administrative Measures, the Administrative Measures for Capital of Commercial Banks and the Joint Guidance Opinion and other laws and regulations and normative documents.

The Company proposes to conduct a non-public issuance of Preference Shares in domestic and offshore markets with an aggregate size of not more than RMB35 billion or its equivalent to replenish its Additional Tier 1 Capital, of which, the value of Offshore Preference Shares proposed to be issued in the offshore market will not exceed RMB7.5 billion or its equivalent while the value of Domestic Preference Shares proposed to be issued in the domestic market will not exceed RMB27.5 billion.

#### **Proposed Non-Public Issuance of Domestic Preference Shares**

The aggregate number of Domestic Preference Shares on non-public issuance will not exceed 275 million, with an aggregate amount of the Domestic Preference Shares to be issued not exceeding RMB27.5 billion. The actual issue size is to be determined by the Board within the above scope in accordance with the authorization (subject to subsequent delegation) granted at the General Meeting. The issuance of Domestic Preference Shares will be conducted by way of non-public issuance to qualified investors and the Domestic Preference Shares shall be issued in a single or multiple tranches in accordance with the relevant procedures after being

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## LETTER FROM THE BOARD OF DIRECTORS

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approved by regulatory authorities including the CBRC and the CSRC. In respect of the Domestic Preference Shares issued in multiple tranches, the terms of issue of such Domestic Preference Shares (other than the dividend rates) will be the same. If the Domestic Preference Shares are to be issued in multiple tranches, no separate approval shall be required to be obtained from Shareholders of issued and outstanding Preference Shares for each such issuance. The Domestic Preference Shares upon its issuance may be transferred on the trading platform as designated by the Shanghai Stock Exchange and the investors' eligibility for the transfer shall comply with relevant rules of the CSRC. The Company shall have the right to mandatorily convert all or part of the Domestic Preference Shares into A Shares upon the occurrence of certain prescribed events.

### **Proposed Non-Public Issuance of Offshore Preference Shares**

The aggregate number of Offshore Preference Shares on non-public issuance will not exceed 75 million, with an aggregate amount of the Offshore Preference Shares to be issued not exceeding RMB7.5 billion or its equivalent. The actual issue size is to be determined by the Board within the above scope in accordance with the authorization (subject to subsequent delegation) granted at the General Meeting. The issuance of Offshore Preference Shares will be conducted by way of non-public placement in accordance with the issuance rules and the Offshore Preference Shares shall be issued in a single or multiple tranches in accordance with the relevant procedures after being approved by regulatory authorities such as the CBRC, the CSRC, and the Hong Kong Stock Exchange. In respect of the Offshore Preference Shares to be issued in multiple tranches, the terms of issue of such Offshore Preference Shares (other than the dividend rates) will be the same. If the Offshore Preference Shares are to be issued in multiple tranches, no separate approval shall be required to be obtained from Shareholders of issued and outstanding Preference Shares for each such issuance. Applications will be made for the listing of the Offshore Preference Shares on the Hong Kong Stock Exchange in accordance with the relevant regulatory rules and the Offshore Preference Shares will be transferred in accordance with the relevant trading and settlement rules. The Company shall have the right to mandatorily convert all or part of the Offshore Preference Shares into H Shares on the occurrence of certain prescribed events.

The issuance of Domestic and Offshore Preference Shares is subject to certain conditions precedent including, among other things, (i) the passing of relevant resolutions in respect of proposed non-public issuance of Domestic and Offshore Preference Shares by Shareholders at the General Meeting, by A Shareholders at the A Shareholders Class Meeting and by H Shareholders at the H Shareholders Class Meeting, in each case, as special resolution(s); and (ii) the approval(s) by or filing with competent regulators regarding the proposed issuance of Domestic and Offshore Preference Shares.

The Board has resolved to submit the proposals regarding (among others) the non-public issuance of Domestic Preference Shares and the non-public issuance of Offshore Preference Shares to the General Meeting, A Shareholders Class Meeting and H Shareholders Class Meeting for consideration. Full texts of the Domestic Issuance Plan and the Offshore Issuance Plan are set out Appendix I and Appendix II to this circular, respectively.

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## LETTER FROM THE BOARD OF DIRECTORS

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The non-public issuance of Offshore Preference Shares and non-public issuance of Domestic Preference Shares are independent from, and are not conditional upon, each other. If any of the Domestic Issuance Plan, relevant proposals (including but not limited to relevant sub-proposals) and other relevant matters is not approved by the General Meeting, the Class Meeting (if necessary) or the CBRC and/or the CSRC or other competent authorities, it shall not affect the approval and implementation of the Offshore Issuance Plan, relevant proposals (including but not limited to relevant sub-proposals) and other relevant matters and vice versa.

The initial mandatory conversion price of the Domestic Preference Shares shall be the average trading price of Ordinary A Shares of the Company in 20 trading days prior to the announcement date of the Board resolution on the proposal in respect of issuance of Domestic Preference Shares (i.e. 24 March 2017). The average trading price of Ordinary A Shares in 20 trading days prior to the announcement date of the Board resolution on the relevant issuance proposal = the total trading amount of Ordinary A Shares in these 20 trading days/the total trading volume of Ordinary A Shares in these 20 trading days (i.e. RMB19.02 per share). On the trading day prior to the date of the Board resolution on the Domestic Issuance Plan (i.e. 23 March 2017), the closing price of A Shares is RMB18.64 and the initial conversion price represents a premium of 2.04% to such price. The average closing price of A Shares in the five consecutive trading days immediately prior to the date of the Board resolution on the Domestic Issuance Plan (i.e. 24 March 2017) is RMB18.70 and the initial conversion price represents a premium of 1.71% to such price. The closing price of A Shares on the Latest Practicable Date is RMB19.04 and the initial conversion price represents a discount of 0.11% to such price.

The initial mandatory conversion price of the Offshore Preference Shares shall be the average trading price of Ordinary H Shares of the Company in 20 trading days prior to the announcement date of the Board resolution on the proposal in respect of issuance of Offshore Preference Shares (i.e. 24 March 2017). The average trading price of Ordinary H Shares in 20 trading days prior to the announcement date of the Board resolution on the relevant issuance proposal = the total trading amount of Ordinary H Shares in these 20 trading days/the total trading volume of Ordinary H Shares in these 20 trading days (i.e. HKD21.06 per share). On the trading day prior to the date of the Board resolution on the Offshore Issuance Plan (i.e. 23 March 2017), the closing price of H Shares is HK\$21.05 and the initial conversion price represents a premium of 0.05% to such price. The average closing price of H Shares in the five consecutive trading days immediately prior to the date of the Board resolution on the Offshore Issuance Plan (i.e. 24 March 2017) is HK\$21.28 and the initial conversion price represents a discount of 1.03% to such price. The closing price of H Shares on the Latest Practicable Date is HK\$20.60 and the initial conversion price represents a premium of 2.23% to such price.

Assuming that an issue size of RMB27.5 billion of the Domestic Preference Shares and the equivalent to RMB7.5 billion of Offshore Preference Shares were issued and all the Preference Shares were subject to conversion, on the basis of the above initial mandatory conversion price, the number of A Shares issued upon conversion of the Domestic Preference Shares would not exceed 1,445,846,477 A Shares and the number of H Shares issued upon conversion of the Offshore Preference Shares would not exceed 401,720,649 H Shares. As at the Latest Practicable Date, there were 20,628,944,429 A Shares in issue and 4,590,901,172 H Shares in issue. Assuming that the number of issued A Shares and issued H Shares remains as stated above on the date the proposed special resolutions regarding the Domestic Issuance Plan

## LETTER FROM THE BOARD OF DIRECTORS

and the Offshore Issuance Plan are passed at the 2016 AGM and the Class Meetings, (i) the maximum number of A Shares may be issued represents 7.01% of the total number of A Shares in issue of the Company and the maximum number of H Shares may be issued represents 8.75% of the total number of H Shares in issue of the Company, (ii) the maximum number of Shares that maybe issued represents 6.83% of the enlarged ordinary share capital of the Company and 7.33% of the current total issued share capital of the Company.

For illustrative purposes only, the table below sets forth the impact on the Company's share capital structure if all the Domestic Preference Shares and the Offshore Preference Shares under this Issuance were converted into A Shares and H Shares, respectively, pursuant to the conversion based on the above initial conversion price (assuming that there is no change in issued share capital after the Latest Practicable Date and before completion of this Issuance):

Share Capital	As at Latest Practicable Date		Immediately after issuance of the Preference Shares		After Conversion of all the Preference Shares <sup>(Note 1)</sup>	
	Shares	Percentage of share capital	Shares	Percentage of share capital	Shares	Percentage of share capital
<b>A Share</b>						
China Merchants Group Ltd. <sup>(Note 2)</sup>	6,752,746,952	26.78%	6,752,746,952	26.78%	6,752,746,952	24.95%
Anbang Property & Casualty Insurance Company Ltd. – traditional products <sup>(Note 2)</sup>	2,704,596,216	10.72%	2,704,596,216	10.72%	2,704,596,216	9.99%
COSCO <sup>(Note 2)</sup>	2,460,471,104	9.76%	2,460,471,104	9.76%	2,460,471,104	9.09%
Public Shareholders	8,711,130,157	34.54%	8,711,130,157	34.54%	10,156,976,634	37.52%
<b>H Share</b>						
China Merchants Group Ltd. <sup>(Note 2)</sup>	806,680,423	3.20%	806,680,423	3.20%	806,680,423	2.98%
COSCO <sup>(Note 2)</sup>	54,721,930	0.22%	54,721,930	0.22%	81,503,306	0.30%
Public Shareholders	3,729,498,819	14.79%	3,729,498,819	14.79%	4,104,438,092	15.16%
<b>Total</b>	<b>25,219,845,601</b>	<b>100%</b>	<b>25,219,845,601</b>	<b>100%</b>	<b>27,067,412,727</b>	<b>100%</b>

*Note 1:* If there is no trigger event for conversion, the issuance of the Preference Shares will not affect ordinary share capital of the Company.

*Note 2:* Shares were held in capacity as controlled corporation.

The effective period of the resolution of the issuance of Domestic Preference Shares will be 24 months from the date on which the resolution is passed at the AGM and Class Meetings. The authorisation concerning the issuance of Domestic Preference Shares shall be valid for 12 months from the date of approval at the AGM and Class Meetings. If the proposed issuance of Domestic Preference Shares as described above is not completed before the expiration of the validity period of such authorisation, then such authorisation will lapse, but the Board shall have the right to seek approval at the shareholders' general meeting and class meetings to extend or renew the validity period of such authorisation.

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## LETTER FROM THE BOARD OF DIRECTORS

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The effective period of the resolution of the issuance of Offshore Preference Shares will be 24 months from the date on which the resolution is passed at the AGM and Class Meetings. The authorisation concerning the issuance of Offshore Preference Shares shall be valid for 12 months from the date of approval at the AGM and Class Meetings. If the proposed issuance of Offshore Preference Shares as described above is not completed before the expiration of the validity period of such authorisation, then such authorisation will lapse, but the Board shall have the right to seek approval at the shareholders' general meeting and class meetings to extend or renew the validity period of such authorisation.

**Shareholders and potential investors should be aware that the proposed non-public issuance of Domestic and Offshore Preference Shares is subject to fulfillment of certain conditions. As the proposed non-public issuance of Domestic and Offshore Preference Shares may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

### **III. PROPOSED SUBSCRIPTION OF OFFSHORE PREFERENCE SHARES UNDER NON-PUBLIC ISSUANCE BY COSCO SHIPPING FINANCIAL**

#### **Basic information about the related party transaction**

The Company entered into the Subscription Agreement with COSCO Shipping Financial on 24 March 2017. Pursuant to the Subscription Agreement, COSCO Shipping Financial intends to subscribe for no more than 5 million Offshore Preference Shares under this issuance, with a total amount of no more than RMB500 million or its equivalent, and the final number of Preference Shares subscribed shall not exceed the total number of Offshore Preference Shares to be issued by the Company under the approval of competent authorities. COSCO Shipping Financial has undertaken not to participate in the price inquiry process for determining the dividend rate of the Offshore Preference Shares in this issuance and will accept the dividend rate to be determined by the Company and the lead underwriter by a book-building procedure or through other approaches recognized by the CSRC.

#### **Pricing policies and basis of the related party transaction**

##### ***(i) Pricing method***

The Offshore Preference Shares under this issuance have a nominal value of RMB100 each and the issuance price will be calculated in foreign currency and/or Renminbi. Such Offshore Preference Shares are proposed to be issued at nominal value or premium price.

The dividend rate of the Offshore Preference Shares will be adjusted in stages and an adjusted dividend rate period will be set from the closing day of issuance payment. During the adjusted dividend rate period, dividends shall be paid at the same agreed dividend rate and subsequently reset on a regular basis. The dividend rate at the time of issuance shall be determined by the Board as authorized by the general meeting (such authorization may be sub-delegated by the Board) through market pricing with reference to factors including market

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## LETTER FROM THE BOARD OF DIRECTORS

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conditions, the practical situation of the Company and investors' demands at the time of the issuance, and the dividend rate shall not be higher than the mean of annual return on weighted average net assets of the Company for the two most recent financial years<sup>1</sup>. For illustrative purpose and based on the mean of annual return on weighted average net assets of the Company for the two most recent financial years (i.e. the rate of the return on weighted average net assets for 2015 at 17.09% and for 2016 at 16.27%), the dividend rate of the Offshore Preference Shares shall not be more than 16.68%.

The dividend rate consists of the benchmark rate and the fixed premium. The fixed premium is determined by deducting the benchmark rate at the time of issuance of a tranche of the Offshore Preference Shares from the dividend rate determined at the time of issuance of such tranche of the Offshore Preference Shares. The fixed premium shall not be adjusted once determined.

On the benchmark rate adjustment date, the dividend rate level shall be determined for the next new adjusted dividend rate period, which is calculated by adding the benchmark rate on the benchmark rate adjustment date and the fixed premium as determined at the time of issuance pricing.

COSCO Shipping Financial has undertaken not to participate in the price inquiry process for determining the dividend rate of Offshore Preference Shares in this issuance and will accept the dividend rate to be determined by the Company and the lead underwriter by a book-building procedure or through other approaches recognized by the CSRC.

*(ii) Pricing and analysis of fairness and reasonableness*

The pricing principle of the Preference Shares under the non-public issuance is in compliance with the relevant provisions and requirements of the Company Law, Securities Law, Trial Administrative Measures and other laws and regulations. The pricing of this related party transaction will be determined at conditions that are not more favourable than those of comparable transactions of non-related parties and its trading conditions are fair and reasonable.

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1. As determined in accordance with the Rules for Preparation of Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Equity and Earnings Per Share (as amended in 2010), and calculated based on the return attributable to the holders of Ordinary Shares of the parent company included in the consolidated financial statements.

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## LETTER FROM THE BOARD OF DIRECTORS

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*(iii) Principal terms of the Subscription Agreement*

1. *Type of shares under this subscription*

The type of shares subscribed for by COSCO Shipping Financial is Offshore Preference Shares issued by the Company which comply with the relevant requirements of the State Council Guidance Opinion, Trial Administrative Measures, Administrative Measures for Capital of Commercial Banks, Joint Guidance Opinion and other laws, regulations and normative documents.

2. *Number of shares under this subscription*

COSCO Shipping Financial agrees to subscribe for no more than 5 million Offshore Preference Shares under this issuance, and the final number of Preference Shares subscribed shall not exceed the total number of Offshore Preference Shares to be issued by the Company under the approval of competent authorities. The specific number of shares subscribed shall be otherwise determined by both parties.

3. *Nominal value and price per share under this subscription*

The nominal value of the Preference Shares subscribed for by COSCO Shipping Financial is RMB100 per share, and the issuance price shall be calculated in foreign currency and/or Renminbi. The Preference Shares may be subscribed for at the nominal value or premium price.

4. *Subscription monies under this subscription*

COSCO Shipping Financial shall pay all subscription monies of no more than RMB500 million or its equivalent under this subscription (namely, the number of shares subscribed for by COSCO Shipping Financial multiplied by the subscription price per share) to the Company.

5. *Method of subscription and payment*

- (i) COSCO Shipping Financial agrees to subscribe for the Offshore Preference Shares under this issuance by the Company in cash as agreed in the Subscription Agreement.
- (ii) COSCO Shipping Financial agrees to remit the lump-sum subscription monies in cash into receiving account(s) designated in the transaction document at the time of participating in the issuance for a specific tranche of the Preference Share after the Subscription Agreement comes into effect.



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## LETTER FROM THE BOARD OF DIRECTORS

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### 6. *Formation and execution of the Subscription Agreement*

- (i) The Subscription Agreement shall be formed from the date of signing by the legal representative(s), director(s) or authorised representative(s) and affixed with the seals of both parties.
- (ii) The Subscription Agreement shall take effect immediately upon all of the following conditions are satisfied:
  - (1) the issuance of Offshore Preference Shares having been approved by the Board, General Meeting, A Shareholders Class Meeting, H Shareholders Class Meeting of the Company and the Subscription Agreement having been approved by the Board and General Meeting;
  - (2) the CBRC having approved the issuance of Offshore Preference Shares and other administrative matters involved in performing the issuance of Offshore Preference Shares;
  - (3) the CSRC having approved the issuance of Offshore Preference Shares;
  - (4) the National Development and Reform Commission of the state and its authorized authorities having issued the filing and registration certificate, approvals of the issuance of Offshore Preference Shares;
  - (5) the Hong Kong Stock Exchange having approved the issuance of Offshore Preference Shares.
- (iii) Upon the formation of the Subscription Agreement, both parties shall make proactive efforts to satisfy the conditions precedent for effecting the Subscription Agreement, and any party who fails to comply with the requirements of the Subscription Agreement and makes the other party suffers from any loss shall assume liability for such loss. Neither party shall assume any liability if the Subscription Agreement fails to come into effect due to reasons not arising from both parties.

### 7. *Liabilities for breach*

- (i) The Company shall not assume any liability for insufficient offering where there is any difference (insufficiency) between the final number subscribed for by COSCO Shipping Financial and the amount as agreed in the announcement of the Board resolutions of the Company or the Subscription Agreement due to the approval by competent authorities.
- (ii) If a party to the Subscription Agreement defaults or the Subscription Agreement is not performed or fully performed due to its mistake, the liability thereby incurred shall be borne by the party in default. If a party to the



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## LETTER FROM THE BOARD OF DIRECTORS

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Subscription Agreement breaches the representation or undertaking made in the Subscription Agreement which makes the other party suffer from any loss, the party in default shall assume corresponding liability for such damages. If both parties default the Subscription Agreement, they shall assume their respective liabilities incurred due to their own defaults.

- (iii) Neither party shall assume any legal liabilities for failing to perform the Subscription Agreement due to force majeure. However, the party who suffers the force majeure shall inform other party in a timely manner and take necessary measures to minimize the loss as much as possible.

### **Relationship between the Company and its related party**

COSCO Shipping Financial is wholly-owned company under COSCO Shipping. Up to now, COSCO and its associates (which directly or indirectly holding 2,515,193,034 Ordinary Shares or 9.97% of the Company in aggregate, of which 54,721,930 Ordinary Shares or 0.22% of the Company is held through COSCO Shipping Financial) do not constitute connected persons of the Company under the Rule 14A of the Hong Kong Listing Rules. However, COSCO is a related party of the Company under the Listing Rules of the Shanghai Stock Exchange and Mr. Wang Daxiong, the president of COSCO Shipping Financial, holds the position of non-executive Director of the Company. Pursuant to the Administrative Measures for the Related Party Transactions between the Commercial Banks and their Insiders or Shareholders issued by the CBRC, the Guidelines of Shanghai Stock Exchange on Related Party Transactions of Listed Companies, the Articles of Association, as well as relevant requirements as set out in Regulations on Related Party Transactions of the Company, the subscription of Offshore Preference Shares by COSCO Shipping Financial under this issuance constitutes a related party transaction of the Company under the Listing Rules of Shanghai Stock Exchange and shall be subject to relevant approval procedures.

### **Purpose of the related party transaction and its impact on the Company**

#### ***(I) Purpose of the related party transaction***

The Company intends to replenish its Additional Tier-1 Capital, meet the increasingly stringent capital regulatory requirements and optimize the capital structure of the Company, strengthen its capacity of risk resistance and provide support for the continued healthy development of various operations of the Company through this non-public issuance of Preference Shares.

#### ***(II) Impact on the operation and financial position of the Company***

Upon the completion of this Issuance, the capital structure of the Company will be improved and its overall competitiveness will be further enhanced. This Issuance will also help continue to promote the business transformation and upgrading of the Company, enhance the Capital Adequacy Ratio level of the Company, and strengthen its abilities in sustainable development and risk resistance as well as provide capital support for the effective implementation of the Company's strategies.

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## LETTER FROM THE BOARD OF DIRECTORS

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### *(III) Impact on related party transaction*

The pricing of this related party transaction will be determined at conditions that are not more favourable than those of comparable transactions of non-related parties, the determination procedures are in line with relevant regulatory requirements and the provisions of the Articles of Association and its trading conditions are fair and reasonable, which will not prejudice the interests of the Company and other Ordinary Shareholders, especially the minority shareholders or affect the independence of the Company.

In the unlikely event if the relevant resolutions regarding the non-public issuance of Offshore Preference Shares are approved by Independent Shareholders at the 2016 AGM and the Class Meetings but the resolution(s) regarding any or both of the resolution on the related party transaction regarding the non-public issuance of Offshore Preference Shares by the Company to COSCO Shipping Financial and the resolution regarding the share subscription agreement in relation to conditional subscription of Offshore Preference Shares entered into between the Company and COSCO Shipping Financial is/are not approved by Independent Shareholders at the 2016 AGM, the Company will proceed with the non-public issuance of Offshore Preference Shares but will not proceed with the related party transaction regarding subscription of non-public issuance of Offshore Preference Shares with COSCO Shipping Financial.

### **IV. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

Given the contemplated non-public issuance of Domestic and Offshore Preference Shares, the Company has proposed certain amendments to the current Articles of Association in accordance with the State Council Guidance Opinion, the Joint Guidance Opinion and relevant laws and regulations and other normative documents, and with reference to the Trial Administrative Measures and taking into account its actual situation.

Please refer to Appendix VIII to this circular for the details of the full terms of the proposed amendments to the Articles of Association. According to the Articles of Association and the relevant rules and regulations, the proposed amendments are subject to the approval of the Shareholders of the Company by way of special resolution at the 2016 AGM. Further, the proposed amendments will become effective after obtaining the approval from the relevant PRC authorities.

The Articles of Association are written in Chinese and the translation into English language is for reference only. In case of any inconsistency between the English and Chinese versions, the Chinese version shall prevail.

The Directors consider that the proposed amendments to the Articles of Associations are in the interest of the Company and its Shareholders as a whole. Advice has been obtained from independent legal advisers that the amended Articles of Association comply with the laws of the PRC and the Hong Kong Listing Rules requirements.

### **V. GENERAL MANDATE TO ISSUE SHARES AND/OR DEAL WITH SHARE OPTIONS**

The Company seeks to obtain approval from its Shareholders for the General Mandate to issue Shares and/or options.

Specific terms of the proposal are set out in Appendix III to this circular.

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## LETTER FROM THE BOARD OF DIRECTORS

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As at the Latest Practicable Date, the Company had in issue 25,219,845,601 Shares comprising 20,628,944,429 A Shares and 4,590,901,172 H Shares. Subject to the passing of the resolution for the approval of the 2016 AGM and in accordance with the terms therein, the Company will be allowed to allot, issue and deal with up to a maximum of 4,125,788,885 A Shares and/or 918,180,234 H Shares on the basis that no further A Shares and/or H Shares will be issued by the Company prior to the 2016 AGM.

The above resolution shall be submitted to the 2016 AGM for consideration and the passing of such resolution shall be by more than two-thirds of the votes of the Shareholders with voting rights (including their proxies) attending the 2016 AGM.

### **VI. ANALYSIS OF IMPACT OF DILUTION OF CURRENT RETURNS BY NON-PUBLIC ISSUANCE OF PREFERENCE SHARES AND THE REMEDIAL MEASURES**

In accordance with *Opinions of the General Office of the State Council on Further Strengthening the Protection of Legitimate Rights and Interests of Small and Medium Investors in Capital Market* (Guobanfa [2013] No. 110), *Certain Opinions of the General Office of the State Council on Further Promoting the Healthy Development of the Capital Market* (Guofa [2014] No.17) and the *Guidelines on the Impacts on Dilution of Current Returns of the Initial Offering and Refinancing and Major Asset Reorganization* (CSRC Notice [2015] No.31) issued by CSRC as well as other requirements, the Company has prepared the Analysis of Impact on Dilution of Current Returns by Non-Public Issuance of Preference Shares and the Remedial Measures of China Merchants Bank Co., Ltd..

Please refer to Appendix IV to this circular for details of the Analysis of Impact of Dilution of Current Returns by Non-public Issuance of Preference Shares and the Remedial Measures.

The above resolution shall be submitted to the 2016 AGM for consideration and the passing of such resolution shall be by way of ordinary resolution.

### **VII. CAPITAL MANAGEMENT PLAN FOR 2017-2019**

To constantly deepen “Light-operation Bank” strategy and improve dynamic balanced development on benefit, quality and scale of the Company and according to international financial regulatory reform trend and capital regulatory policy standards of Chinese banking industry, the Company has prepared the Capital Management Plan for 2017-2019 of China Merchants Bank Co., Ltd. by taking consideration of internal and external operation environment variations.

Please refer to Appendix V to this circular for details of the Capital Management Plans for 2017-2019.

The above resolution shall be submitted to the 2016 AGM for consideration and the passing of such resolution shall be by way of ordinary resolution.

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## LETTER FROM THE BOARD OF DIRECTORS

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### VIII. SHAREHOLDERS' RETURN PLAN FOR 2017-2019

In order to protect the rights and interests of shareholders of China Merchants Bank Co., Ltd. (hereinafter referred to as “the Company” or “the Bank”), provide the shareholders sustained, stable and reasonable investment return and further improve the mechanism of profit distribution, the Board of Directors of the Bank, taking into account the Bank’s actual operating conditions and requirements of long-term development, has formulated the Shareholders’ Return Plan for 2017-2019 of China Merchants Bank Co., Ltd. in accordance with the *Company Law of the People’s Republic China*, the *Security Law of the People’s Republic China*, the *Listed Companies Regulatory Guidance No. 3 – Cash Dividends Distribution of Listed Companies*, the *Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies issued by CSRC* and the *Articles of Association* as well as other stipulations and regulatory requirements.

Please refer to Appendix VI to this circular for details of the Shareholders’ Return Plan for 2017-2019.

The above resolution shall be submitted to the 2016 AGM for consideration and the passing of such resolution shall be by way of ordinary resolution.

### IX. REPORT ON THE USE OF PROCEEDS RAISED IN THE PREVIOUS ISSUANCE BY THE COMPANY

Pursuant to the Administrative Measures on the Issuance of Securities by Listed Companies issued by the CSRC, the Rules Governing the Utilization Report in respect of the Proceeds from the Previous Fund Raising Activity and other relevant requirements, the Company prepared the Report on the Use of Proceeds raised in the Previous Issuance by the Company.

Please refer to Appendix VII to this circular for details of the Report on the Use of Proceeds in the Previous Issuance by the Company.

The above resolution shall be submitted to the 2016 AGM for consideration and the passing of such resolution shall be by way of ordinary resolution.

### X. PROPOSAL ON ADJUSTING THE STATISTICAL CALIBRE OF THE ISSUE MANDATE GRANTED TO THE BOARD FOR THE ISSUANCE OF FINANCIAL BONDS

On 21 March 2017, the Company convened through written resolutions the Ninth Meeting of the Tenth Session of the Board pursuant to which, among others, the following proposal regarding the adjustment of the statistical calibre of the issue mandate granted to the Board for the issuance of financial bonds will be submitted to the 2016 AGM for consideration and approval.

1. to approve the plan on issuing financial bonds (excluding various certificates of deposit (CD)) of the Company: as of 30 June 2020 or before, the balance of the

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## LETTER FROM THE BOARD OF DIRECTORS

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financial bonds in issue (excluding various certificates of deposit (CD)) shall not exceed 10% of the balance of liabilities of the Company, which is determined based on the liabilities (denominated in RMB) as at the end of the previous year. The variety of financial bonds (excluding various certificates of deposit (CD)) shall include the bonds denominated in RMB and the bonds denominated in foreign currencies in issue in domestic, overseas and offshore markets.

2. to approve the plan on issuing various certificates of deposit (CD): as of 30 June 2020 or before, the Company may opt to issue certificates of deposit (CD) when it deems fit in its sole discretion to replenish liquidity to the extent permitted by regulatory requirements. The variety of certificates of deposit (CD) shall include the certificates of deposit denominated in RMB and the certificates of deposit denominated in foreign currencies in issue in domestic, overseas and offshore markets.
3. to authorize the management to decide on the types of markets, currencies, timing, issuing size, types of interest rates, duration, method of issue and use of proceeds from issuance of bonds and certificates of deposit (CD) in accordance with the need for assets/liabilities allocation of the Company and market conditions. The mandate shall remain valid until 30 June 2020.

The above proposal shall be submitted to the 2016 AGM for consideration and the passing of such proposal shall be by more than two-thirds of the Shareholders with voting rights (including their proxies) attending the 2016 AGM.

### **XI. EQUITY FUND-RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

The Company has not conducted any equity fund-raising activities during the past twelve months immediately preceding the Latest Practicable Date.

### **XII. VOTING BY THE BOARD**

On 24 March 2017, the Company convened the Tenth Meeting of the Tenth Session of the Board to consider and approve the resolutions, among others, regarding the issuance plans. The related Directors Ms. Sun Yueying and Mr. Wang Daxiong have abstained from voting on resolutions regarding the related party transaction involved in the Issuance when such resolutions were considered by the other members of the Board.

The issuance plans are subject to the approval at the General Meeting, A Shareholders Class Meeting and H Shareholders Class Meeting. The associates of COSCO (including COSCO Shipping Financial) will abstain from voting on, among others, resolutions regarding the related party transaction involved in the Issuance when such resolutions are considered at the General Meeting and the Class Meetings.

### **Voting and opinions of independent non-executive Directors**

Prior approval has been obtained from the independent non-executive Directors with respect to the above-mentioned related party transaction before it was submitted to the Board

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## LETTER FROM THE BOARD OF DIRECTORS

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for consideration. The independent non-executive Directors have voted in favor of such resolution and expressed independent opinions to approve such related party transaction:

- (i) This Issuance complies with the provisions of the relevant laws and regulations and normative documents as well as the requirements of the Articles of Association.
- (ii) The proceeds raised in this Issuance, after deducting the issuance expenses, will be used to replenish the Additional Tier-1 Capital of the Company. This Issuance will help the Company to further improve the capital supplement mechanism, optimize its capital structure, enhance the Capital Adequacy Ratio level, strengthen the continued and stable development of the Company, which is in the interest of the Company and all of its Ordinary Shareholders.
- (iii) After this Issuance, as the Preference Shareholders have priority rights to receive profits allocated by the Company than the Ordinary Shareholders, without taking into account the returns on use of proceeds raised, the net profit attributable to the Ordinary Shareholders and therefore the earnings per share attributable to the Ordinary Shareholders will be reduced, which will result in the risk of dilution of current returns attributable to the Ordinary Shareholders and also a reduction in dividends attributable to the Ordinary Shareholders. In addition, under the circumstance where the whole or part of dividends of Preference Shares are cancelled by the Company, it would not allocate any profit to the Ordinary Shareholders for a period starting from the following day when a resolution is passed at the General Meeting until the determination of restarting the full payment of dividends to the Preference Shareholders by the Company.
- (iv) When the mandatory conversion conditions are satisfied, the Preference Shares issued in this Issuance and subsisting will be wholly or partly converted into Ordinary Shares with the approval from the regulatory authority. As a result, the total share capital of Ordinary Shares will increase accordingly, and therefore there will be dilutive effect to a certain extent on the shareholding percentages and voting rights of the original Ordinary Shareholders as well as some of the financial indicators including earnings per share.
- (v) Except for circumstances as required in the issuance plans, the Preference Shareholders under this Issuance are not entitled to attend any general meeting and Preference Shares held by them shall have no voting right. However, under any special circumstances specified by laws and regulations and the resolutions, the Preference Shareholders are entitled to attend general meetings and exercise their voting rights the same way as the Ordinary Shareholders, which will affect the voting rights of the original Ordinary Shareholders to a certain extent.
- (vi) COSCO Shipping Financial entered into the Subscription Agreement with conditions precedent with the Company on 24 March 2017. Pursuant to the Administrative Measures for the Related Party Transactions between the



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## LETTER FROM THE BOARD OF DIRECTORS

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Commercial Banks and their Insiders or Shareholders and the relevant regulatory rules of the Shanghai Stock Exchange, COSCO Shipping Financial is a related party of the Company, and therefore its subscription of Preference Shares in this Issuance by the Company constitutes a related party transaction. COSCO Shipping Financial has undertaken not to participate in the price inquiry process for determining the dividend rate of Preference Shares in this Issuance and will accept the dividend rate determined based on the procedures and requirements as specified by competent authorities. The trading conditions of the related party transaction involved in this Issuance are fair and reasonable, and the terms and execution procedures of the Subscription Agreement are in legal compliance, which will not prejudice the interests of the Company and other Ordinary Shareholders, especially the minority shareholders.

- (vii) The Company informed the independent non-executive Directors of this Issuance and the related party transaction involved in advance, communicated with the independent non-executive Directors when necessary with the relevant information provided to them, and obtained the approval of the independent non-executive Directors with respect to the related party transaction plan. The independent non-executive Directors agreed unanimously to submit the relevant resolutions to the Board to consider. The related Directors have abstained from voting when such resolutions are considered at the Board of the Company. The convening, holding and voting procedures of the Board Meeting conform to the relevant requirements of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Guidelines of Shanghai Stock Exchange on Related Party Transactions of Listed Companies and the Articles of Association of the Company, and the resolution made at which is legal and valid.
- (viii) This Issuance and the related party transaction involved shall be still subject to approval by the General Meeting of the Company, of which, the Issuance Plans shall be still approved at the A Shareholders Class Meeting, the H Shareholders Class Meeting of the Company and by the relevant regulatory authorities. The related Shareholder(s) shall abstain from voting when such relevant resolutions are considered at the General Meeting and Class Meetings.

In conclusion, proceeds raised from this Issuance by the Company are proposed to replenish its Additional Tier-1 Capital in accordance with the relevant requirements, so as to improve its capital adequacy level, better meet the capital regulatory requirements and the Company's development needs, but also help the Company to further improve its ability of risk resistance. In the long term, this Issuance is conducive to the improvement of the Company's sound operation and continuous profitability, which is in line with the long-term interests of the Company and all Ordinary Shareholders and will be beneficial to better return the Ordinary Shareholders of the Company. This Issuance and the related party transaction involved are in line with the principles of openness, fairness and justice with fair pricing, which will not damage the interests of the minority shareholders. The voting procedures of the related party transaction involved in this Issuance comply with the relevant laws and the Company's related Directors have abstained from voting with respect to such relevant resolutions, which are in line with the relevant laws, regulations and the Articles of Association of the Company.

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## LETTER FROM THE BOARD OF DIRECTORS

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### **XIII. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular misleading.

### **XIV. 2016 AGM AND H SHAREHOLDERS CLASS MEETING**

The Company proposes to convene the 2016 AGM, A Shareholders Class Meeting and H Shareholders Class Meeting at the Conference Room, 5/F., China Merchants Bank Tower, No. 7088 Shennan Boulevard, Shenzhen, the PRC on Friday, 26 May 2017 at 9:00 a.m.. The Company has sent the notices of the 2016 AGM and H Shareholders Class Meeting together with the proxy forms for use at such meetings to H Shareholders separately.

As COSCO Shipping Financial is a related party of the Company under the Listing Rules of Shanghai Stock Exchange and its ultimate controlling shareholder, COSCO, has material interests in the proposed subscription of Offshore Preference Shares by COSCO Shipping Financial under this Issuance, the associates of COSCO (including COSCO Shipping Financial) will abstain from voting on resolutions on the proposed non-public issuance of Offshore Preference Shares, the related party transaction regarding non-public issuance of Offshore Preference Shares by the Company to COSCO Shipping Financial, and the Subscription Agreement between the Company and COSCO Shipping Financial for the conditional subscription of Offshore Preference Shares at the 2016 AGM, and will abstain from voting on the resolution on proposed non-public issuance of Offshore Preference Shares at the H Shareholders Class Meeting.

All votes of resolutions at the 2016 AGM and H Shareholders Class Meeting will be taken by poll pursuant to the Hong Kong Listing Rules.

### **XV. RECOMMENDATION**

The Directors consider that the resolutions set out in the Notices of 2016 AGM and H Shareholders Class Meeting are in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend that Shareholders to vote in favour of the resolutions to be proposed at the 2016 AGM and the H Shareholders Class Meeting as set out in the Notices of 2016 AGM and the H Shareholders Class Meeting.



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**LETTER FROM THE BOARD OF DIRECTORS**

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**XVI. ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
By order of the Board of Directors  
**China Merchants Bank Co., Ltd.**  
**Li Jianhong**  
*Chairman*

**NON-PUBLIC ISSUANCE OF DOMESTIC PREFERENCE SHARES PLAN OF  
CHINA MERCHANTS BANKS CO., LTD.**

**I. Type and amount of this issuance of Domestic Preference Shares**

The type of this issuance of Domestic Preference Shares (the “Domestic Preference Shares”) will comply with the requirements of relevant provisions of laws, regulations and normative documents, including the State Council Guidance Opinion on the Launch of Preference Shares, the Trial Administrative Measures on Preference Shares, the Administrative Measures for the Capital of Commercial Banks (Trial), and Guidance on Preference Shares Issuance of Commercial Banks to Replenish Tier-1 Capital by CBRC and CSRC.

**The number of the Domestic Preference Shares will not exceed 275 million, the proceeds of the Domestic Preference Shares will not exceed RMB27.5 billion. The number of preference shares shall be determined by the Board within the above scope in accordance with the authorization granted at the shareholders’ general meeting (such authorization may be sub-delegated by the Board).**

**II. Duration**

The duration of the Domestic Preference Shares to be issued is perpetual.

**III. Method of issuance**

All Domestic Preference Shares will be issued through private placement. The preference shares may be issued in one or several tranches pursuant to the approvals of the China Banking Regulatory Commission (“CBRC”), China Securities Regulatory Commission (“CSRC”) and other regulatory authorities and in accordance with relevant procedures. In the event that several tranches are opted, the first tranche of preference shares shall be issued within six months from the date of approval by the CSRC. The first tranche of preference shares shall be not less than 50% of the total number of preference shares proposed to be issued and the remaining preference shares shall be issued in 24 months thereafter. Except for dividend rates, the terms of Domestic Preference Shares issued in different tranches are identical.

In the event that the Domestic Preference Shares are to be issued in multiple tranches, no separate approval shall be required to be obtained from existing holders of preference shares for each such issuance.

**IV. Issue Target**

The Domestic Preference Shares will be issued to not more than 200 issue targets in compliance with the requirements of the Trial Administrative Measures on Preference Shares and other relevant laws and regulations. The aggregate number of issue targets of the preference shares with the same terms shall not be more than 200. The Domestic Preference Shares shall be subscribed by the issue targets in cash.

No preferential placement to existing shareholders will be arranged.

The Company shall determine the target investors in accordance with the full authorization to the Board of Directors obtained from the shareholders' general meeting (which authorization can be further delegated) and relevant regulations of CSRC, and in compliance with relevant procedures of the domestic market.

#### V. Nominal value and issue price

The nominal value (i.e. par value) of the Domestic Preference Shares will be RMB100 per share and the preference shares will be issued at par.

#### VI. Lock-up period

There will be no lock-up period for the Domestic Preference Shares.

#### VII. Dividend Distribution Terms

##### (1) Principles for determining the dividend rate

**The dividend rate** of the Domestic Preference Shares **shall be adjustable by stage** and shall be adjusted each five years from the end of payment date. During any adjusted dividend rate period, the dividend will be paid at the same agreed dividend rate. The dividend rate at the time of issuance is authorized by the shareholders' general meeting to authorize (which authorization can be further delegated) the Board, and determined in conjunction with the market condition period, the actual situation of the Company and investor's needs, through book-building process and other approaches allowed by the CSRC. The dividend rate shall not exceed the annual average of the weighted average return on equity of the Company for the two most recent financial years.<sup>1</sup>

The dividend rate shall be a benchmark rate plus a fixed premium. The benchmark rate shall be the average of the yields of the five-year PRC treasury bonds for the 20 trading days prior to (but excluding) the payment due date of the issuance of the Domestic Preference Shares or the adjustment date of the benchmark rate. The fixed premium shall be the difference between the dividend rate at the time of issuance of the Domestic Preference Shares and the benchmark rate at the time of the issuance of the Domestic Preference Shares. The fixed premium is not adjustable once determined.

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1. As determined in accordance with the Rules for Preparation of Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Equity and Earnings Per Share (as amended in 2010), and calculated based on the return attributable to the holders of Ordinary Shares of the parent company included in the consolidated financial statements.

On the adjustment date of the benchmark rate, the dividend rate of the new interest accrual period will be determined by adding the benchmark rate on the adjustment date to the fixed premium determined during the pricing of the issuance date. In the event that the yield of five-year PRC treasury bonds is not available at the adjustment date of benchmark rate, the Company and the holders of Domestic Preference Shares shall negotiate the new benchmark rate on the basis of the adjustment in compliance with the requirements of the regulatory authorities.

**(2) Conditions of dividend distribution**

1. The Company shall distribute dividends to holders of Domestic Preference Shares if there are distributable profits after tax<sup>1</sup> after making up losses and the contribution to statutory surplus fund and general provision according to laws subject to satisfaction of the regulatory requirement regarding capital adequacy. Prior to the distribution of dividends to holders of ordinary shares, both Domestic Preference Shares and Offshore Preference Shares of the Company shall have the same priority of distribution of dividends, which is above that of holders of ordinary shares. Dividend payment of the Domestic Preference Shares is not linked to the rating of the Company and does not vary with changes in such rating.
2. In order to satisfy the regulatory requirements regarding the eligibility criteria of additional Tier-1 capital instruments, the Company has the right to cancel the distribution of part or all of the dividends on Domestic Preference Shares. Such cancellation shall not constitute a breach of agreement. The Company shall make its best effort to consider the interests of the holders of preference shares during the execution of such right. The Company may use the cancelled dividend on Domestic Preference Shares to repay other debts when due at its sole discretion. Cancellation on part or all of the dividend distribution on Domestic Preference Shares shall not constitute any restriction on the Company other than the restriction on distribution of dividends on Ordinary Shares. Decisions on the declaration and payment of all of the dividends on Domestic Preference Shares shall be made by the Board pursuant to the authorization of the shareholders' general meeting or by relevant director(s) pursuant to the authorization of the Board. The cancellation of the distribution of part or all of the dividends on Domestic Preference Shares shall be reviewed and approved by the shareholders' general meeting. Where the Company resolves to cancel the distribution of part or all of the dividends on Domestic Preference Shares, the Company shall inform the investors at least 10 business days prior to dividend distribution date in compliance with the requirement of the relevant authorities.

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1. The distributable profits after tax derives from the retained earnings in the Parent Company's financial statements prepared in compliance with the PRC GAAP or IFRSs, whichever is lower.

3. In the event that the Company cancels the distribution of part or all of the dividends on Domestic Preference Shares, the Company will not distribute any profit to holders of Ordinary Shares during the period from the date when the shareholders' general meeting adopts relevant resolution to the restoration of full dividend payment<sup>1</sup> to the holders of Preference Shares.

**(3) Method of dividend payment**

Dividends on the Domestic Preference Shares shall be payable in cash. The dividend bearing principal amount shall be the aggregate value of the relevant tranche of Domestic Preference Shares then issued and outstanding. Dividends on the Domestic Preference Shares shall be paid annually, that is the dividends payable in compliance with the last dividend year. Dividends will accrue from the due date for payment for the issuance of the relevant tranche of Domestic Preference Shares.

Any tax payable on the dividends of Domestic Preference Shares shall be borne by holders of the Domestic Preference Shares in compliance with the relevant laws and regulations.

**(4) Method of dividend accumulation**

The dividends on the Domestic Preference Shares are non-cumulative, that is, the difference between the dividends actually paid to the holders of the Preference Shares and the dividends which shall have been paid will not be carried forward to the following year.

**(5) Distribution of remaining profit**

Once the holders of the Domestic Preference Shares have received dividends at the dividend rate, they shall not be entitled to the distribution of the remaining profit together with holders of Ordinary Shares.

**VIII. Terms of Conditional Redemption**

**(1) Subject of the redemption right**

The Domestic Preference Shares provide conditional redemption by the issuer. The Company shall have the right to redeem the Preference Shares subject to obtaining the approval of the CBRC. The Company does not have obligation to redeem preference shares. The holders of Preference Shares do not have the right to demand the Company to redeem the Preference Shares and shall not expect that the Preference Shares will be redeemed.

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1. As the dividend payments on the Domestic Preference Shares are non-cumulative; hence, the Company will not distribute dividends cancelled in previous years.

The Domestic Preference Shares will not contain any term allowing investors to sell back the Preference Shares to the Company and the holders of Preference Shares shall not have any right to demand redemption of their Preference Shares by the Company.

**(2) Redemption conditions and period**

From or in the fifth year following the date of issuance of the Domestic Preference Shares, and subject to obtaining the approval of the CBRC and the compliance with the relevant requirements, the Company shall have the right to redeem part or all of the Domestic Preference Shares. In case of partial redemption, the Domestic Preference Shares shall be redeemed on a pro rata basis and on the same conditions.

The redemption period for the Domestic Preference Shares begins on the date on which redemption begins and ends on the conversion or redemption of all the Domestic Preference Shares. The specific commencement date of redemption period shall be finally determined by the Board (which authorization can be further sub-delegated) in accordance with market conditions. The exercise by the Company of its right to redeem the Domestic Preference Shares shall be subject to the fulfillment of the following conditions:

1. the Company shall use capital instruments of the same or superior quality to replace the Preference Shares to be redeemed and such replacement shall only be made at a time at which the Company has a sustainable income generating capability; or
2. the capital position of the Company immediately after redemption will remain significantly higher than the regulatory capital requirements prescribed by the CBRC.

**(3) Redemption price and basis for determining the redemption price**

During the redemption period, the Company shall have the right to redeem part or all of the Domestic Preference Shares which have not been converted, at the par value of the Domestic Preference Shares plus the amount of dividend declared but not yet paid for the current period.

**IX. Terms of mandatory conversion****(1) Events triggering mandatory conversion**

1. Upon the occurrence of any Additional Tier-1 Capital Instrument Trigger Event, that is, the Core Tier-1 Capital Adequacy Ratio drops to 5.125% or below, the Company shall have the right to convert, without the approval of the holders of Preference Shares, part or all of the Domestic Preference Shares then issued and outstanding into Ordinary A Shares based on the total par value of such Domestic Preference Shares in order to restore the Core Tier-1 Capital Adequacy Ratio of the Company to above 5.125%. In case of partial conversion, the Domestic Preference Shares shall be converted on a pro rata basis and on identical conditions.
2. Upon the occurrence of a Tier-2 Capital Trigger Event, the Company shall have the right to convert, without the approval of the holders of Preference Shares, all of the Domestic Preference Shares then issued and outstanding into Ordinary A Shares based on the total par value of such Domestic Preference Shares. A Tier-2 Capital Trigger Event means the earlier of the following events: (1) the CBRC having concluded that without a conversion or write-off, the Company would become non-viable, and (2) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Company would become non-viable.

Upon the occurrence of the above mandatory conversion events, the Company shall report to the CBRC for review and determination and shall fulfill the relevant information disclosure obligations of the Securities Law of People's Republic of China, the CSRC and Hong Kong's laws and regulations such as making provisional reports or announcements in accordance with relevant regulatory requirements.

**(2) Mandatory conversion price and its basis**

The initial mandatory conversion price of the Domestic Preference Shares shall be the average trading price of Ordinary A Shares of the Company in 20 trading days prior to the announcement date of the Board resolution on the proposal in respect of issuance of Domestic Preference Shares.

The average trading price of Ordinary A Shares in 20 trading days prior to the announcement date of the Board resolution on the relevant issuance proposal = the total trading amount of Ordinary A Shares in these 20 trading days/the total trading volume of Ordinary A Shares in these 20 trading days (i.e. RMB19.02 per share).

**(3) Principles for determining the proportion and the number for mandatory conversion**

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

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

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

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



**(4) Mandatory conversion period**

The period for mandatory conversion of the Domestic Preference Shares commences on the first trading day immediately following the completion date of issuance and ends on the date of full redemption or conversion.

**(5) Method of adjustments of the mandatory conversion price**

Upon the occurrence of certain prescribed events relating to the Ordinary A Shares (e.g. bonus issuance, capital conversion or increase, issuance of new shares at a price lower than the market price (excluding any increase in the share capital as a result of conversion of certain financial instruments issued by the Company that are convertible into ordinary shares) and placement) after the date of passing the Board resolution in respect of the issuance plan of the Domestic Preference Shares, the mandatory conversion price shall be subject to cumulative adjustments in the same order of the occurrence of such events and in accordance with regulatory requirements for information disclosure. The distribution of cash dividend to the holders of Ordinary Shares shall not result in any adjustment to the mandatory conversion price. The mandatory conversion price will be adjusted based on the following:

Bonus issuance or capital conversion or increase:  $P_1 = P_0/(1+n)$ ;

Insurance of new shares at a price lower than the market price or placement:  $P_1 = P_0 \times (N+S \times (A/M))/(N+S)$

Where: “ $P_0$ ” denotes the effective mandatory conversion price before adjustment; “ $n$ ” denotes the ratio of the bonus issuance for Ordinary A Shares or the capital conversion or increase; “ $N$ ” denotes the total Ordinary Shares capital of the Company prior to the issuance of new A Shares or placement; “ $S$ ” denotes the amount of the issuance of new A Shares or placement; “ $A$ ” denotes the price for the issuance of the new A Shares or placement; “ $M$ ” denotes the closing price of Ordinary A Shares on the trading date immediately prior to the date of registration of issuance or placement of new A Share; and “ $P_1$ ” denotes the effective mandatory conversion price after adjustment.

In the event that the rights and benefits of the holders of the Domestic Preference Shares may be affected by the change in the class and number of shares and/or shareholders’ interests of the Company due to the cancellation of any repurchased ordinary shares by, or merger or division of the Company or any other circumstances, the Company shall have the right to adjust the mandatory conversion price based on the actual circumstances and in accordance with the principles of fairness, justice, equity and full protection and balance of the interests of the holders of Preference Share and the holders of Ordinary shares. The adjustment mechanism for the mandatory conversion price in those circumstances will be determined in compliance with the relevant regulations.

**(6) Entitlement to dividends of Ordinary Shares in the year of mandatory conversion**

The new Ordinary A Shares to be issued as a result of the mandatory conversion of the Domestic Preference Shares will rank pari passu with the existing Ordinary A Shares, and all holders of Ordinary Shares (including the holders of Ordinary A Shares due to the mandatory conversion of the Domestic Preference Shares) whose names appear on the register of members of the Company on the record date for dividend entitlement shall be entitled to receive the dividend for the current dividend period.

**(7) Other agreements**

Upon the mandatory conversion of Domestic Preference Shares to Ordinary A Shares, it cannot be restored to Preference Shares under any circumstances.

**X. Restrictions on voting rights**

Under normal circumstances, the holders of Preference Shares are not entitled to convene or attend any shareholders' general meetings of the Company nor do the Preference Shares carry voting rights in any shareholders' general meetings. In the event that any of the following matters occurs, the holders of Domestic Preference Shares (excluding holder of Preference Shares with restored voting rights) will be entitled to attend shareholders' general meetings and vote as a separate class. Under such circumstance, each Domestic Preference Share will be entitled to one vote, but the Preference Shares held by the Company do not entitle the Company to vote:

1. amendments to the Articles of Association of the Company that relate to Preference Shares;
2. reduction of the registered capital of the Company by more than 10% on a single or aggregate basis;
3. division, merger, dissolution or change of corporate form of the Company;
4. issuance of Preference Shares by the Company (excluding the issuance of Domestic Preference Shares approved at the shareholders' general meetings, within the validity period of the resolution for the issuance of Preference Shares, under the issuance of Preference Shares framework); and
5. other events specified in the laws, administrative rules and departmental regulations and the Articles of Association of the Company.

Resolution(s) relating to the above matters shall be approved by more than two-thirds of the votes held by the holders of Ordinary Shares of the Company present at the meeting (including holders of Preference Shares with restored voting rights) and by more than two-thirds of the votes held by the holders of Preference Shares present at the meeting (excluding holders of Preference Shares with restored voting rights).

**XI. Restoration of voting rights****(1) Terms of restoration of voting rights**

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

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

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

**(2) Cancellation of restoration of voting rights**

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

**XII. Order of distribution of residual assets and basis for liquidation**

Pursuant to the Articles of Association of the Company, the residual assets of the Company will be distributed in the order of liquidation expenses, employee salary, social insurance premiums and statutory compensatory amount, principal and interest of individual deposits, outstanding taxes, other debts of the Company and all such holders of preference shares will rank ahead of the holders of Ordinary Shares in terms of distribution of remaining assets.

The holders of Domestic Preference Shares of this Issuance will be entitled to an amount on liquidation equals to the total par value of the Domestic Preference Shares then issued and outstanding plus any declared but unpaid dividends for the current period. In the event that there are insufficient residual assets, the distribution will be made on a pro rata basis among the holders of the Domestic Preference Shares and the holders of Offshore Preference Shares.

Holders of Domestic Preference Shares will rank pari passu with the holders of Offshore Preference Shares in terms of distribution of remaining assets. All such holders of issuance of potential Preference Shares with the Company will rank pari passu in respect of distribution of residual assets. All holders of Preference Shares will be subordinated to the depositors, general creditors, holders of subordinated debts, holders of the Company's convertible debts, holders of Tier-2 capital debts and other holders of Tier-2 capital instruments in respect of distribution of residual assets, but will rank ahead of holders of Ordinary Shares.

Upon distribution to the foregoing items, the remaining assets of the Company will be distributed to the holders of Ordinary Shares in proportion to their corresponding shareholdings.

### **XIII. Rating arrangement**

The rating arrangement of the Domestic Preference Shares shall be determined in accordance with relevant domestic laws and regulations and financial market conditions.

### **XIV. Guarantee**

There is no guarantee arrangement in relation to the Domestic Preference Shares.

### **XV. Use of proceeds**

Upon the approval by relevant regulatory authorities, the proceeds from the issuance of Domestic Preference Shares deducting issuance expenses, will be fully used for replenishment of the Additional Tier-1 Capital of the Company.

### **XVI. Transferability**

Transfer of the Domestic Preference Shares will be made on a designated trading platform of the Shanghai Stock Exchange, and the suitability of investors in the process of transfer shall comply with the relevant regulatory requirements of the CSRC.

### **XVII. Compliance of latest regulatory requirements**

In the event that the regulatory authorities impose new capital requirements or make material changes to the existing capital requirements when there are outstanding Domestic Preference Shares, the Company has the right to modify the issuance of the Domestic Preference Shares and relevant documents, as permitted by relevant laws and regulations, and pursuant to the new regulatory requirements, in order to comply with the regulatory requirements of additional Tier-1 capital instruments.

Upon consideration of issuance of the Domestic Preference Shares by the Board and approval by shareholders' general meetings, this plan may be further amended by the Board under the authorization of the shareholders' general meetings (including the authority for the Board to sub-delegate) on the basis of the advice of the regulatory authorities.

#### **XVIII. Effective period of the resolution of the issuance of Domestic Preference Shares**

The resolution in respect of the issuance of Domestic Preference Shares shall be valid for 24 months from the date on which the resolution is passed at the shareholders' general meetings of the Company. Under the framework of the resolution of issuance of preference shares at the shareholders' general meetings, and within the effective period of the resolution, the issuance of Domestic Preference Shares in a multiple tranches shall not require the voting approval of the issued and outstanding holders of Preference Shares.

#### **XIX. Relationship between the Domestic and Offshore Preference Shares for this Issuance**

The non-public issuance of Domestic Preference Shares and non-public issuance of Offshore Preference Shares are independent from each other and are not conditional on each other. In the event that either of the non-public issuance of Offshore Preference Shares or its relevant proposal (including but not limited to relevant sub-proposals) or other relating matters fails to obtain the approval of the Board, the shareholders' general meetings, the class meeting (if necessary) or the CBRC and/or the CSRC, or fails to obtain the approval of other competent authorities, the non-public issuance of Domestic Preference Shares and its relevant proposal (including but not limited to relevant sub-proposals) shall not be affected.

#### **XX. Authorization Matters**

##### **(1) Authorization concerning the issuance of Domestic Preference Shares**

To ensure smooth implementation for the matters relating to the issuance of the Domestic Preference Shares, it will be proposed at the shareholders' general meeting to authorise the Board, and the Board will then delegate the authority to any two of the non-related directors namely Li Jianhong, Tian Huiyu, Sun Yueying, Li Hao, Hong Xiaoyuan, to jointly exercise the full power to handle matters relating to the issuance of the Domestic Preference Shares under the framework and principles as deliberated and adopted at the shareholders' general meeting and within the validity period of the resolution in respect of the issuance of the Domestic Preference Shares, including but not limited to those set out below:

1. to complete the review, registration, record, approval and agreement from relevant domestic and offshore government, regulatory authorities, organizations and exchanges for the issuance of the Domestic Preference Shares;

2. to complete the formulation, amendment and implementation of the issuance plan of the Domestic Preference Shares, based on the actual circumstances, including but not limited to the terms and conditions relating to the actual issuance time, issuance amount and the proceed scale, dividend rates (including the method to determine the dividend rates and the final dividend rates), the actual arrangements of redemption period, conversion arrangements, arrangements relating to issuance by tranches, issuance methods, issuance targets, rating arrangement, transfer arrangement, proceed saving account and other relevant matters of the issuance of the Domestic Preference Shares;
3. to make appropriate amendments, adjustments and supplements to the issuance plan and relative documents of Domestic Preference Shares within the scope permitted by laws and regulations, to reflect any new regulations by the competent authorities or policies by relevant regulatory authorities on Preference Shares or any changes to market conditions occurring prior to the issuance of Domestic Preference Shares, taking into account the actual situation of the Company, unless the amendments require a separate voting at the shareholders' general meeting according to relevant laws, regulations and the Articles and Association of the Company;
4. to sign, execute, amend, replenish, accomplish, deliver, and announce to relevant domestic and foreign regulatory authorities, institutions, exchange, organizations, personal documents and relevant agreements regarding the issuance of Domestic Preference Shares and other relevant documents, including but not limited to announcements, circulars, listing documents, prospectus, sponsorship and underwriting agreements, subscription agreements etc. and make the relevant information disclosures in accordance with the applicable laws and regulations;
5. to handle the application of the issuance of Domestic Preference Shares with relevant domestic and foreign regulatory authorities and make adjustment to the issuance of the Domestic Preference Shares in accordance with the amendment on opinions and supplement to relevant application documents of relevant domestic and foreign regulatory authorities;
6. to approve and sign the relevant regulatory documents regarding the issuance of Domestic Preference Shares and to make information disclosures;
7. to amend the relevant terms and conditions of the Articles of Association of the Company, review the amended articles of the CBRC and other regulatory authorities and handle the change of commercial registrations;
8. may at its discretion extend or earlier terminate the implementation of the Domestic Preference Shares issuance plans under force majeure or other situations make the issuance of Domestic Preference Shares impractical to implement, or under implementable situation but the interests of the Company as a whole being adversely affected;

9. to handle all the matters considered by them to be necessary, desirable or expedient regarding the issuance of Domestic Preference Shares under the approval of relevant laws and regulations;
10. the authorization shall be valid for 12 months from the date of approval of the shareholders' general meetings.

**(2) Matters authorised in respect of the Domestic Preference Shares that remain outstanding**

It will be proposed at the shareholders' general meeting to authorise the Board, and the Board will then delegate the authority to any two of the non-related directors namely Li Jianhong, Tian Huiyu, Sun Yueying, Li Hao, Hong Xiaoyuan, to jointly exercise the full power to handle related matters under the framework and principles as deliberated and adopted at the shareholders' general meeting and since the completion of the issuance of the Domestic Preference Shares, including but not limited to those set out below:

1. to declare and pay all dividends on the preference shares in accordance with the issuance plan. In the event that part or all of the dividends on the Preference Shares are cancelled, such cancellation shall be subject to the approval of the shareholders' general meetings;
2. to redeem the Domestic Preference Shares based on the market conditions during the redemption period of the preference shares under the issuance and to, at its sole discretion, deal with any matters relating to the redemption in accordance with the approval of the CBRC and other regulatory authorities;
3. to, at its sole discretion, deal with any matters relating to the conversion of Domestic Preference Shares upon the triggering of the mandatory conversion conditions, including but not limited to the conversion time, conversion proportion, issuing Ordinary Shares, revising the relevant provisions of the Articles of Association of the Company, completing relevant approval procedures of the CBRC and other regulatory authorities and completing the registration in respect of the change in the registered capital with the authority of industry and commerce in accordance with the provisions of mandatory conversion;
4. in the case of restoring the voting rights of Domestic Preference Shares, to handle, with full authority, the matters regarding the relevant shareholders are required to compliance with the review of the domestic and foreign regulatory authorities and the information disclosures as a result of subscribing to the restoration of voting rights of Domestic Preference Shares;

5. to determine the new benchmark rate and preference shares' dividend rate on the benchmark rate adjustment day in accordance with the shareholders' general meetings' principles;
  
6. in the event that the regulatory authorities impose new capital requirements or make material changes to the existing capital requirement, causing the Domestic Preference Shares being issued to be not qualified as additional Tier-1 capital, to modify the contractual terms of the Issuance so that the Domestic Preference Shares shall be qualified as additional Tier-1 capital instruments in compliance with the regulatory requirements.



**NON-PUBLIC ISSUANCE OF OFFSHORE PREFERENCE SHARES PLAN OF  
CHINA MERCHANTS BANKS CO., LTD.**

**I. Type and amount of this issuance of Offshore Preference Shares**

The type of this issuance of Offshore Preference Shares (the “Offshore Preference Shares”) will comply with the requirements of relevant provisions of laws, regulations and normative documents, including State Council Guidance Opinion on the Launch of Preference Shares, the Trial Administrative Measures on Preference Shares, the Administrative Measures for the Capital of Commercial Banks (Trial), and Guidance on Preference Shares Issuance of Commercial Banks to Replenish Tier-1 Capital by CBRC and CSRC.

**The number of the Offshore Preference Shares will not exceed 75 million, the proceeds of the Offshore Preference Shares will not exceed RMB7.5 billion or its equivalent. The number of preference shares shall be determined by the Board within the above scope in accordance with the authorization granted at the shareholders’ general meeting (such authorization may be sub-delegated by the Board).**

**II. Duration**

The duration of the Offshore Preference Shares to be issued is perpetual.

**III. Method of issuance**

All Offshore Preference Shares will be issued through private placement in compliance with relevant regulations on issuance. The preference shares may be issued in one or several tranches pursuant to the approvals of the China Banking Regulatory Commission (“CBRC”), China Securities Regulatory Commission (“CSRC”), The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Hong Kong Stock Exchange”) and other regulatory authorities and in accordance with relevant procedures. Except for dividend rates, the terms of Offshore Preference Shares issued in different tranches are identical.

In the event that the Offshore Preference Shares are to be issued in multiple tranches, no separate approval shall be required to be obtained from existing holders of preference shares for each such issuance.

**IV. Issue Target**

The Offshore Preference Shares will be issued in compliance with relevant regulations on issuance, to offshore investors whom are eligible and meet the regulatory stipulations and relevant laws and regulations. The Offshore Preference Shares shall be subscribed by the issue targets in cash.

COSCO SHIPPING Financial Holdings Co., Limited (“COSCO Shipping Financial”) intends to subscribe for Offshore Preference Shares under this issuance of no more than 5 million shares for a total amount not exceeding RMB500 million or its equivalent. COSCO Shipping Financial has undertaken not to participate in the price inquiry process for determining the dividend rate of Preference Shares in this Issuance and will accept the dividend rate to be determined by the Company and the lead underwriter by a book-building procedure or through other approaches recognized by the CSRC. COSCO Shipping Financial is a related party of the company and shall be subject to approval by non-connected shareholders at the shareholders’ general meeting of the Company for its subscription of the Offshore Preference Shares under this issuance.

In addition to COSCO Shipping Financial, the target investors will be determined by the Board of the Company in accordance with the authorization (such authorization may be sub-delegated by the Board) granted at the shareholders’ general meeting, the relevant requirements of regulatory authorities and the issuance rules in the offshore market.

#### **V. Nominal value and issue price**

The nominal value of the Offshore Preference Shares will be RMB100 per share and the issue price will be denominated in foreign currencies and/or RMB. The Offshore Preference Shares will be issued at or above par value. The actual issue price is proposed to be determined by the Board with reference to market conditions and in accordance with relevant laws, regulations and market practice, subject to the authorization at the shareholders’ general meeting (which authorization can be further sub-delegated).

#### **VI. Lock-up period**

There will be no lock-up period for the Offshore Preference Shares

#### **VII. Dividend Distribution Terms**

##### **(1) Principles for determining the dividend rate**

The dividend rate of the Offshore Preference Shares will be adjusted in stages and an adjusted dividend rate period will be set from the closing day of issuance payment. During the adjusted dividend rate period, dividends shall be paid at the same agreed dividend rate and subsequently reset on a regular basis. The dividend rate at the time of issuance shall be determined by the Board authorized by the shareholders’ general meeting through market pricing with reference to factors including market conditions, the practical situation of the Company and investors’ demands at the time of the issuance, and the dividend rate shall not be higher than the mean of annual return on weighted average net assets of the Company for the two most recent financial years<sup>1</sup>.

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1. As determined in accordance with the Rules for Preparation of Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Equity and Earnings Per Share (as amended in 2010), and calculated based on the return attributable to the holders of Ordinary Shares of the parent company included in the consolidated financial statements.

The dividend rate consists of the benchmark rate and the fixed premium. The fixed premium is determined by deducting the benchmark rate at the time of issuance of a tranche of the Offshore Preference Shares from the dividend rate determined at the time of issuance of such tranche of the Offshore Preference Shares. The fixed premium shall not be adjusted once determined.

On the benchmark rate adjustment date, the dividend rate level shall be determined for the next new adjusted dividend rate period, which is calculated by adding the benchmark rate on the benchmark rate adjustment date and the fixed premium as determined at the time of issuance pricing.

## **(2) Conditions of dividend distribution**

1. The Company shall distribute dividends to holders of Offshore Preference Shares if there are distributable profits after tax<sup>1</sup> after making up losses and contributing to statutory surplus fund and general provision according to laws subject to satisfaction of the regulatory requirement regarding capital adequacy. Prior to the distribution of dividends to holders of ordinary shares, both Offshore Preference Shares and Domestic Preference Shares of the Company shall have the same priority of distribution of dividends. Dividend payment of the Offshore Preference Shares is not linked to the rating of the Company and does not vary with changes in such rating.
2. In order to satisfy the regulatory requirements regarding the eligibility criteria of additional tier-1 capital instruments, the Company has the right to cancel the distribution of part or all of the dividends on Offshore Preference Shares. Such cancellation shall not constitute a breach of agreement. The Company shall make its best effort to consider the interests of the holders of preference shares during the execution of such right. The Company may use the cancelled dividend on Offshore Preference Shares to repay other debts when due at its sole discretion. Cancellation on part or all of the dividend distribution on Offshore Preference Shares shall not constitute any restriction on the Company other than the restriction on distribution of dividends on Ordinary Shares. Decisions on the declaration and payment of all of the dividends on Offshore Preference Shares shall be made by the Board pursuant to the authorization of the shareholders' general meeting or by relevant director(s) pursuant to the authorization of the Board. The cancellation of the distribution of part or all of the dividends on Offshore Preference Shares shall be reviewed and approved by the shareholders' general meeting. Where the Company resolves to cancel the distribution of part or all of the dividends on Offshore Preference Shares, the Company shall inform the investors at least 10 business days prior to dividend distribution date in compliance with the requirement of the relevant authorities.

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1. The distributable profits after tax derives from the retained earnings in the Parent Company's financial statements prepared in compliance with the PRC GAAP or IFRSs, whichever is lower.

3. In the event that the Company cancels the distribution of part or all of the dividends on Offshore Preference Shares, the Company will not distribute any profit to holders of Ordinary Shares during the period from the date when the shareholders' general meeting adopts relevant resolution to the restoration of full dividend payment<sup>1</sup> to the holders of Preference Shares.

**(3) Method of dividend payment**

Dividends on the Offshore Preference Shares shall be payable in cash. The dividend bearing principal amount shall be the aggregate value of the relevant tranche of Offshore Preference Shares then issued and outstanding, being the product of the issue price of the Offshore Preference Shares times the total number of Offshore Preference Shares of the relevant tranche issued and outstanding during the period, same as below. Dividends on the Offshore Preference Shares shall be paid annually and denominated and declared in RMB. Dividends will accrue from the due date for payment for the issuance of the relevant tranche of Offshore Preference Shares.

**(4) Method of dividend accumulation**

The dividends on the Offshore Preference Shares are non-cumulative, that is, the difference between the dividends actually paid to the holders of the Preference Shares and the dividends which shall have been paid will not be carried forward to the following year.

**(5) Distribution of remaining profit**

Once the holders of the Offshore Preference Shares have received dividends at the dividend rate, they shall not be entitled to the distribution of the remaining profit together with holders of Ordinary Shares.

## **VIII. Terms of Conditional Redemption**

**(1) Subject of the redemption right**

The Offshore Preference Shares provide conditional redemption by the issuer. The Company shall have the right to redeem the Preference Shares subject to obtaining the approval of the CBRC. The Company does not have obligation to redeem preference shares. The holders of Preference Shares do not have the right to demand the Company to redeem the Preference Shares and shall not expect that the Preference Shares will be redeemed.

The Offshore Preference Shares will not contain any term allowing investors to sell back the Preference Shares to the Company and the holders of Preference Shares shall not have any right to demand redemption of their Preference Shares by the Company.

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<sup>1</sup> As the dividend payments on the Domestic Preference Shares are non-cumulative; hence, the Company will not distribute dividends cancelled in previous years.

**(2) Redemption conditions and period**

From or in the fifth year following the date of issuance of the Offshore Preference Shares, and subject to obtaining the approval of the CBRC and the compliance with the relevant requirements, the Company shall have the right to redeem part or all of the Offshore Preference Shares. In case of partial redemption, the Offshore Preference Shares shall be redeemed on a pro rata basis and on the same conditions.

The redemption period for the Offshore Preference Shares begins on the date on which redemption begins and ends on the conversion or redemption of all the Offshore Preference Shares. The specific commencement date of redemption period shall be finally determined by the Board (which authorization can be further sub-delegated) in accordance with market conditions. The exercise by the Company of its right to redeem the Offshore Preference Shares shall be subject to the fulfillment of the following conditions:

1. the Company shall use capital instruments of the same or superior quality to replace the Preference Shares to be redeemed and such replacement shall only be made at a time at which the Company has a sustainable income generating capability; or
2. the capital position of the Company immediately after redemption will remain significantly higher than the regulatory capital requirements prescribed by the CBRC.

**(3) Redemption price and basis for determining the redemption price**

During the redemption period, the Company shall have the right to redeem part or all of the Offshore Preference Shares which have not been converted, at the issuing price of the Offshore Preference Shares plus the amount of dividend declared but not yet paid for the current period.

**IX. Terms of mandatory conversion****(1) Events triggering mandatory conversion**

1. Upon the occurrence of any Additional Tier-1 Capital Instrument Trigger Event, that is, the Core Tier-1 Capital Adequacy Ratio drops to 5.125% or below, the Company shall have the right to convert, without the approval of the holders of Preference Shares, part or all of the Offshore Preference Shares then issued and outstanding into Ordinary H Shares based on the total value of such Offshore Preference Shares in order to restore the Core Tier-1 Capital Adequacy Ratio of the Company to above 5.125%. In case of partial conversion, the Offshore Preference Shares shall be converted on a pro rata basis and on identical conditions.

2. Upon the occurrence of a Tier-2 Capital Trigger Event, the Company shall have the right to convert, without the approval of the holders of Preference Shares, all of the Offshore Preference Shares then issued and outstanding into Ordinary H Shares based on the total value of such Offshore Preference Shares. A Tier-2 Capital Trigger Event means the earlier of the following events: (1) the CBRC having concluded that without a conversion or write-off, the Company would become non-viable, and (2) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Company would become non-viable.

Upon the occurrence of the above mandatory conversion events, the Company shall report to the CBRC for review and determination and shall fulfill the relevant information disclosure obligations such as making provisional reports or announcements in accordance with relevant regulatory requirements.

**(2) Mandatory conversion price and its basis**

The initial mandatory conversion price of the Offshore Preference Shares shall be the average trading price of Ordinary H Shares of the Company in 20 trading days prior to the announcement date of the Board resolution on the proposal in respect of issuance of Offshore Preference Shares.

The average trading price of Ordinary H Shares in 20 trading days prior to the announcement date of the Board resolution on the relevant issuance proposal = the total trading amount of Ordinary H Shares in these 20 trading days/the total trading volume of Ordinary H Shares in these 20 trading days (i.e. HKD21.06 per share).

**(3) Principles for determining the proportion and the number for mandatory conversion**

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

Where: “Q\*” denotes the number of Ordinary H Shares that shall be converted from the Offshore Preference Shares held by each holder of Offshore Preference Shares; “V\*” denotes the total par value of Offshore Preference Shares held by each holder of Offshore Preference Shares for the mandatory conversion as determined under the principle that the losses will be absorbed in equal proportion among the Offshore Preference Shares and the Offshore Preference Shares; “P\*” denotes the mandatory conversion price of the Offshore Preference Shares under the issuance; and the “exchange rate for calculation” denotes the exchange rates for Hong Kong dollar and the foreign currency in which the Offshore Preference Shares are denominated based on the RMB Central Parity Rate published by the China Foreign Exchange Trading Centre on the trading date immediately preceding the date of announcement of the Board resolution in respect of the issuance plan of the Offshore Preference Shares.

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

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

#### **(4) Mandatory conversion period**

The period for mandatory conversion of the Offshore Preference Shares commences on the first trading day immediately following the completion date of issuance and ends on the date of full redemption or conversion.



**(5) Method of adjustments of the mandatory conversion price**

Upon the occurrence of certain prescribed events relating to the Ordinary H Shares (e.g. bonus issuance, capital conversion or increase, issuance of new shares at a price lower than the market price (excluding any increase in the share capital as a result of conversion of certain financial instruments issued by the Company that are convertible into ordinary shares) and placement) after the date of passing the Board resolution in respect of the issuance plan of the Offshore Preference Shares, the mandatory conversion price shall be subject to cumulative adjustments in the same order of the occurrence of such events and in accordance with regulatory requirements for information disclosure. The distribution of cash dividend to the holders of Ordinary Shares shall not result in any adjustment to the mandatory conversion price. The mandatory conversion price will be adjusted based on the following:

Bonus issuance or capital conversion or increase:  $P_1^* = P_0^*/(1+n^*)$ ;

Insurance of new shares at a price lower than the market price or placement:  $P_1^* = P_0^* \times (N^*+S^* \times (A^*/M^*)) / (N^*+S^*)$

Where: “ $P_0^*$ ” denotes the effective mandatory conversion price before adjustment; “ $n^*$ ” denotes the ratio of the bonus issuance for Ordinary H Shares or the capital conversion or increase; “ $N^*$ ” denotes the total Ordinary Shares capital of the Company prior to the issuance of new H Shares or placement; “ $S^*$ ” denotes the amount of the issuance of new H Shares or placement; “ $A^*$ ” denotes the price for the issuance of the new H Shares or placement; “ $M^*$ ” denotes the closing price of Ordinary H Shares on the trading date immediately prior to the date of registration of issuance or placement of new H Share; and “ $P_1^*$ ” denotes the effective mandatory conversion price after adjustment.

In the event that the rights and benefits of the holders of the Offshore Preference Shares may be affected by the change in the class and number of shares and shareholders’ interests of the Company due to the cancellation of any repurchased ordinary shares by, or merger or division of the Company or any other circumstances, the Company shall have the right to adjust the mandatory conversion price based on the actual circumstances and in accordance with the principles of fairness, justice, equity and full protection and balance of the interests of the holders of Preference Share and the holders of Ordinary shares. The adjustment mechanism for the mandatory conversion price in those circumstances will be determined in compliance with the relevant regulations.

**(6) Entitlement to dividends of Ordinary Shares in the year of mandatory conversion**

The new Ordinary H Shares to be issued as a result of the mandatory conversion of the Offshore Preference Shares will rank pari passu with the existing Ordinary H Shares, and all holders of Ordinary Shares (including the holders of Ordinary H Shares due to the mandatory conversion of the Offshore Preference Shares) whose names appear on the register of members of the Company on the record date for dividend entitlement shall be entitled to receive the dividend for the current dividend period.



**(7) Other agreements**

Upon the mandatory conversion of Offshore Preference Shares to Ordinary H Shares, it cannot be restored to Preference Shares under any circumstances.

**X. Restrictions on voting rights**

Under normal circumstances, the holders of Preference Shares are not entitled to convene or attend any shareholders' general meetings of the Company nor do the Preference Shares carry voting rights in any shareholders' general meetings. In the event that any of the following matters occurs, the holders of Offshore Preference Shares (excluding holder of Preference Shares with restored voting rights) will be entitled to attend shareholders' general meetings and vote as a separate class. Under such circumstance, each Offshore Preference Share will be entitled to one vote, but the Preference Shares held by the Company do not entitle the Company to vote:

1. amendments to the Articles of Association of the Company that relate to Preference Shares;
2. reduction of the registered capital of the Company by more than 10% on a single or aggregate basis;
3. division, merger, dissolution or change of corporate form of the Company;
4. issuance of Preference Shares by the Company (excluding the issuance of Offshore Preference Shares approved at the shareholders' general meetings, within the validity period of the resolution for the issuance of Preference Shares, under the issuance of Preference Shares framework); and
5. other events specified in the laws, administrative rules and departmental regulations and the Articles of Association of the Company.

Resolution(s) relating to the above matters shall be approved by more than two-thirds of the votes held by the holders of Ordinary Shares of the Company present at the meeting (including holders of Preference Shares with restored voting rights) and by more than two-thirds of the votes held by the holders of Preference Shares present at the meeting (excluding holders of Preference Shares with restored voting rights).

**XI. Restoration of voting rights****(1) Terms of restoration of voting rights**

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

$R^* = W^*/P^* \times \text{exchange rate}$  in calculation, with any fractional restored voting right rounded down to the nearest whole number.

Where: "R\*" denotes the Ordinary H Shares voting rights restored from the Offshore Preference Shares held by each holder of Offshore Preference Shares; "W\*" denotes the value of the Offshore Preference Shares with restored voting rights held by each holder of Offshore Preference Shares; "P\*" denotes the conversion price, refers to the average trading price (i.e. HKD21.06 per share) of Ordinary H Shares of the Company on the trading date 20 days prior to the date of the announcement of the passing of the Board resolution in respect of the Offshore Preference Shares issuance plan; and the "exchange rate for calculation" denotes the exchange rates for Hong Kong dollar and the foreign currency in which the Offshore Preference Shares are denominated based on the RMB Central Parity Rate published by the China Foreign Exchange Trading Centre on the trading date immediately preceding the date of announcement of the Board resolution in respect of the issuance plan of the Offshore Preference Shares. The adjustment to conversion price shall be consistent with the adjustment method applicable to the mandatory conversion price as specified in "IX. Terms of mandatory conversion". Nevertheless, the relevant shareholders, associates and parties acting in concert obtain the voting rights of 30% or above of the Company as a result of restoring the voting rights of Preference Shares, the concerned voting rights shall be restored only when relevant shareholders have complied with the requirements of relevant laws and regulations and obtain exemption or agreement of all the competent regulatory authorities.

**(2) Cancellation of restoration of voting rights**

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

**XII. Order of distribution of residual assets and basis for liquidation**

Pursuant to the Articles of Association of the Company, the residual assets of the Company will be distributed in the order of liquidation expenses, employee salary, social insurance premiums and statutory compensatory amount, principal and interest of individual deposits, outstanding taxes, other debts of the Company and all such holders of preference shares will rank ahead of the holders of Ordinary Shares in terms of distribution of remaining assets.

The holders of Offshore Preference Shares of this issuance will be entitled to an amount on liquidation equals to the total par value of the Offshore Preference Shares then issued and outstanding plus any declared but unpaid dividends for the current period. In the event that there are insufficient residual assets, the distribution will be made on a pro rata basis among the holders of the Offshore Preference Shares and the holders of Offshore Preference Shares.

Holders of Offshore Preference Shares will rank pari passu with the holders of Offshore Preference Shares in terms of distribution of remaining assets. All such holders of issuance of potential Preference Shares with the Company will rank pari passu in respect of distribution of residual assets. All holders of Preference Shares will be subordinated to the depositors, general creditors, holders of subordinated debts, holders of the Company's convertible debts, holders of Tier-2 capital debts and other holders of Tier-2 capital instruments in respect of distribution of residual assets, but will rank ahead of holders of Ordinary Shares.

Upon distribution to the foregoing items, the remaining assets of the Company will be distributed to the holders of Ordinary Shares in proportion to their corresponding shareholdings.

**XIII. Rating arrangement**

The rating arrangement of the Offshore Preference Shares shall be determined in accordance with relevant foreign laws and regulations and financial market conditions.

**XIV. Guarantee**

There is no guarantee arrangement in relation to the Offshore Preference Shares.

**XV. Use of proceeds**

Upon the approval by relevant regulatory authorities, the proceeds from the issuance of Offshore Preference Shares deducting issuance expenses, will be fully used for replenishment of the Additional Tier-1 Capital of the Company.

**XVI. Transferability**

Applications will be made for the listing of the Offshore Preference Shares on the Hong Kong Stock Exchange in accordance with the relevant regulatory rules and will be transferred in accordance with the relevant trading and settlement rules.

**XVII. Compliance of latest regulatory requirements**

In the event that the regulatory authorities impose new capital requirements or make material changes to the existing capital requirements when there are outstanding Offshore Preference Shares, the Company has the right to modify the issuance of the Offshore Preference Shares and relevant documents, as permitted by relevant laws and regulations, and pursuant to the new regulatory requirements, in order to comply with the regulatory requirements of additional Tier-1 capital instruments.

Upon consideration of issuance of the Offshore Preference Shares by the Board and approval by shareholders' general meetings, this plan may be further amended by the Board under the authorization of the shareholders' general meetings (including the authority for the Board to sub-delegate) on the basis of the advice of the regulatory authorities.

**XVIII. Effective period of the resolution of the issuance of Offshore Preference Shares**

The resolution in respect of the issuance of Offshore Preference Shares shall be valid for 24 months from the date on which the resolution is passed at the shareholders' general meetings of the Company. Under the framework of the resolution of issuance of preference shares at the shareholders' general meetings, and within the effective period of the resolution, the issuance of Offshore Preference Shares in a multiple tranche shall not require the voting approval of the issued and outstanding holders of Preference Shares.

**XIX. Relationship between Offshore and Domestic Preference Shares for this Issuance**

The non-public issuance of Offshore Preference Shares and non-public issuance of Domestic Preference Shares are independent from each other and are not conditional on each other. In the event that either of the non-public issuance of Domestic Preference Shares or its relevant proposal (including but not limited to relevant sub-proposals) or other relating matters fails to obtain the approval of the Board, the shareholders' general meetings, the Class Meeting (if necessary) or the CBRC and/or the CSRC, or fails to obtain the approval of other competent authorities, the non-public issuance of Offshore Preference Shares and its relevant proposal (including but not limited to relevant sub-proposals) shall not be affected.

**XX. Authorization Matters****(1) Authorization concerning the issuance of Offshore Preference Shares**

To ensure smooth implementation for the matters relating to the issuance of the Offshore Preference Shares, it will be proposed at the shareholders' general meeting to authorise the Board, and the Board will then delegate the authority to any two of the non-related directors namely Li Jianhong, Tian Huiyu, Sun Yueying, Li Hao, Hong Xiaoyuan, to jointly exercise the full power to handle matters relating to the issuance of the Offshore Preference Shares under the framework and principles as deliberated and adopted at the shareholders' general meeting and within the validity period of the resolution in respect of the issuance of the Offshore Preference Shares, including but not limited to those set out below:

1. to complete the review, registration, record, approval and agreement from relevant domestic and offshore government, regulatory authorities, organizations and exchanges for the issuance of the Offshore Preference Shares;
2. to complete the formulation, amendment and implementation of the issuance plan of the Offshore Preference Shares, based on the actual circumstances, including but not limited to the terms and conditions relating to the actual issuance time, issuance amount and the proceed scale, dividend rates (including the method to determine the dividend rates and the final dividend rates), the actual arrangements of redemption period, conversion arrangements, arrangements relating to issuance by tranches, issuance methods, issuance targets, rating arrangement, transfer arrangement, proceed saving account and other relevant matters of the issuance of the Offshore Preference Shares;
3. to make appropriate amendments, adjustments and supplements to the issuance plan and relative documents of Offshore Preference Shares within the scope permitted by laws and regulations, to reflect any new regulations by the competent authorities or policies by relevant regulatory authorities on Preference Shares or any changes to market conditions occurring prior to the issuance of Offshore Preference Shares, taking into account the actual situation of the Company, unless the amendments require a separate voting at the shareholders' general meeting according to relevant laws, regulations and the Articles and Association of the Company;
4. to sign, execute, amend, replenish, accomplish, deliver, and announce to relevant domestic and foreign regulatory authorities, institutions, exchange, organizations, personal documents and relevant agreements regarding the issuance of Offshore Preference Shares and other relevant documents, including but not limited to announcements, circulars, listing documents, prospectus, sponsorship and underwriting agreements, subscription agreements etc. and make the relevant information disclosures in accordance with the applicable laws and regulations;

5. to handle the application of the issuance of Offshore Preference Shares with relevant domestic and foreign regulatory authorities and make adjustment to the issuance of the Offshore Preference Shares in accordance with the amendment on opinions and supplement to relevant application documents of relevant domestic and foreign regulatory authorities;
6. to approve and sign the relevant regulatory documents regarding the issuance of Offshore Preference Shares and to make information disclosures;
7. to amend the relevant terms and conditions of the Articles of Association of the Company, review the amended articles of the CBRC and other regulatory authorities and handle the change of commercial registrations;
8. may at its discretion extend or earlier terminate the implementation of the Offshore Preference Shares issuance plans under force majeure or other situations make the issuance of Offshore Preference Shares impractical to implement, or under implementable situation but the interests of the Company as a whole being adversely affected;
9. to handle all the matters considered by them to be necessary, desirable or expedient regarding the issuance of Offshore Preference Shares under the approval of relevant laws and regulations;
10. the authorization shall be valid for 12 months from the date of approval of the shareholders' general meetings.

**(2) Matters authorised in respect of the Offshore Preference Shares that remain outstanding**

It will be proposed at the shareholders' general meeting to authorise the Board, and the Board will then delegate the authority to any two of the non-related directors namely Li Jianhong, Tian Huiyu, Sun Yueying, Li Hao, Hong Xiaoyuan, to jointly exercise the full power to handle related matters under the framework and principles as deliberated and adopted at the shareholders' general meeting and since the completion of the issuance of the Offshore Preference Shares, including but not limited to those set out below:

1. to declare and pay all dividends on the preference shares in accordance with the issuance plan. In the event that part or all of the dividends on the Preference Shares are cancelled, such cancellation shall be subject to the approval of the shareholders' general meetings;
2. to redeem the Offshore Preference Shares based on the market conditions during the redemption period of the preference shares under the issuance and to, at its sole discretion, decide on any matters relating to the redemption in accordance with the approval of the CBRC and other regulatory authorities;

3. to, at its sole discretion, deal with any matters relating to the conversion of Offshore Preference Shares upon the triggering of the mandatory conversion conditions, including but not limited to the conversion time, conversion proportion, issuing Ordinary Shares, revising the relevant provisions of the Articles of Association of the Company, completing relevant approval procedures of the CBRC and other regulatory authorities and completing the registration in respect of the change in the registered capital with the authority of industry and commerce in accordance with the provisions of mandatory conversion;
4. in the case of restoring the voting rights of Offshore Preference Shares, to handle, with full authority, the matters regarding the relevant shareholders are required to compliance with the review of the domestic and foreign regulatory authorities and the information disclosures as a result of subscribing to the restoration of voting rights of Offshore Preference Shares;
5. to determine the new benchmark rate and preference shares' dividend rate on the benchmark rate adjustment day in accordance with the shareholders' general meetings' principles;
6. in the event that the regulatory authorities impose new capital requirements or make material changes to the existing capital requirement, causing the Offshore Preference Shares being issued to be not qualified as additional Tier-1 capital, to modify the contractual terms of the Issuance so that the Offshore Preference Shares shall be qualified as additional Tier-1 capital instruments in compliance with the regulatory requirements.

**GENERAL MANDATE TO ISSUE SHARES AND/OR DEAL  
WITH SHARE OPTIONS**

1. Subject to the conditions set out in (1), (2) and (3) under this paragraph and in accordance with all applicable laws and regulations of the PRC, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time) and the articles of association of the Company, the Company unconditionally approve the grant of a general mandate to the Board of Directors to allot, issue and/or deal with, separately or concurrently, additional Ordinary A Shares and/or H Shares, domestic and/or overseas Preference Shares convertible into Ordinary A shares and/or H Shares (together the “Shares”) and to make or grant offers, agreements and/or share options (including share warrants, convertible bonds and other securities which carry rights to subscribe for or are convertible into Shares) requiring or probably requiring the allotment of Shares during the Relevant Period (as defined below):
  - (1) Such mandate shall not extend beyond the Relevant Period save that the Board of Directors, during the Relevant Period, make or grant offers, agreements, share options and/or conversion rights which might require the exercise of such offers, agreements, share options and/or conversion rights upon or after the end of the Relevant Period;
  - (2) The number of Shares to be allotted, issued and/or dealt with or agreed conditionally or unconditionally to be allotted, issued and/or dealt with (Preference Shares are calculated at the number of Ordinary A Shares and/or H Shares upon full conversion at the mandatory conversion price) and the number of Shares underlying the offers, agreements and/or share options (including share warrants, convertible bonds and other securities which carry rights to subscribe for or are convertible into Shares) made or granted by the Board of Directors (the securities above are calculated at the number of allotted A Share and/or H Share upon conversion) shall not exceed 20% of the total number of each of Ordinary A Shares and/or H Shares of the Company in issuance as at the date of the proposal being passed at the general meeting, respectively;
  - (3) the Board of Directors will only exercise such mandate in accordance with the PRC Company Law (as amended from time to time), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or applicable laws, regulations and rules of any other government or regulatory bodies, and only if all necessary approvals from China Securities Regulatory Commission and/or other relevant PRC government authorities are obtained.



2. For the purpose of the proposal, “Relevant Period” means the period from the date of the proposal being passed at the general meeting until the earliest of:
  - (1) the conclusion of the next annual general meeting of the Company; or
  - (2) the date of expiration of twelve months following the date of the proposal being passed at the general meeting; or
  - (3) the date on which the mandate granted to the Board of Directors set out in the proposal is revoked or varied by the shareholders of the Company with a special resolution at a general meeting.
3. Contingent on the Board of Directors resolving to issue shares pursuant to paragraph 1 of the proposal, the Board of Directors is authorized to increase the registered capital of the Company to reflect the number of shares mandated to be issued under paragraph 1 of the proposal; and to make amendments to the articles of association of the Company it deems appropriate and necessary so as to reflect the increase in registered capital (if relevant); and to take all such actions and to complete all such procedures as necessary or expedient in order to give effect to the resolution on issuance of shares under paragraph 1 of the proposal and the increase of the registered capital of the Company.
4. For the purpose of enhancing efficiency of the decision making process and ensuring the success of any issuance, the Board of Directors may delegate such authorization to one or more directors to take charge of all matters related to the issuance of shares or share options (including share warrants, convertible bonds and other securities which carry rights to subscribe for or are convertible into Shares).

**IMPACT OF DILUTION OF CURRENT RETURNS BY NON-PUBLIC ISSUANCE OF  
PREFERENCE SHARES AND THE REMEDIAL MEASURES**

In accordance with the *Opinions of the General Office of the State Council on Further Strengthening the Protection of Legitimate Rights and Interests of Small and Medium Investors in Capital Market (Guo Ban Fa [2013] No. 110)*, *Certain Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market (Guo Fa [2014] No. 17)* and *the Guidelines on the Impacts on Dilution of Current Returns of the Initial Offering and Refinancing and Major Asset Reorganization (CSRC Notice [2015] No.31)* issued by China Securities Regulatory Commission as well as other requirements, the Company hereby prepares the following analysis on the impact on dilution of the Company's current returns by the proposed non-public issuance of preference shares (hereinafter referred to as "the Issuance") and provides explanations to the relevant remedial measures.

**I. Impact of the Issuance on Current Earnings per Share (EPS) of the Company**

The proceeds raised, after deducting the listing expenses, will be entirely used to supplement the Additional Tier-1 Capital to further consolidate the capital strength of the Company and to improve the risk resistance capacity and profitability of the Company. After the Issuance, as the holders of preference shares are entitled to receive their profit distribution of the Company in priority to the holders of ordinary shares at an agreed dividend rate, without taking into account of any return generated from the proceeds raised in this Issuance, the dividend payouts of the issuance of preference shares will reduce the net profit attributable to holders of ordinary shares of the Company. The probable change in trend of the current EPS of the Company after the issuance of preference shares is analyzed as follows:

**(I) Assumptions**

The following assumptions are only for calculating the impact of the Issuance on the current EPS of the Company, and they shall not be indicative of the judgment of the future operation situation and prospects of the Company, nor does it constitute a profit forecast. Investors shall not make any investment decisions based thereon. The Company shall not be responsible for any losses caused from the investment decision so made.

1. It is assumed that there would be no material and adverse change in the general economic situation, industrial development trend and the Company's operation.

2. The net profit (i.e. the net profit after deducting the non-recurring gains and losses, the same below) attributable to holders of ordinary shares of the parent company for 2016 was RMB61.142 billion. It is assumed that in 2017 the net profit attributable to holders of Ordinary Shares of the parent company would rise by 0%, 5%, 10% and 15% respectively compared with the same periods of the previous year. The above mentioned amount of the net profit shall not constitute a profit forecast of the future net profit of the Company and be only used for calculating the impact of the dilution of current returns by this Issuance on the main indicators. Investors shall not make any investment decisions based thereon. The Company shall not be responsible for any losses caused from the investment decision so made.
3. It is assumed that the total proceeds to be raised from this non-public issuance of Preference Shares would be RMB35 billion or its equivalent (without taking into account the effect of the Issuance expenses).
4. It is assumed that the impact on the operating and financial position of the Company after the receipt of proceeds raised from this Issuance would not be taken into account. The final amount of proceeds raised from this Issuance will be subject to the approval of the regulators, the Issuance and subscription situation and the Issuance expenses, etc.
5. It is assumed that Preference Shares in this Issuance had been existing at the beginning of 2017 (such assumption is for illustration only and shall not represent the actual issue time of the Preference Shares of the Company; the issue time will be subject to the actual time of the completion of this Issuance approved by the regulators), and the dividends would be paid in full for the full interest-bearing year of 2017 at a dividend rate of 5.0% (such assumption is for illustration only and shall not represent the expected dividend rate of the Preference Shares of the Company).
6. The anticipated total share capital of the Company is based on the total share capital of 25.22 billion shares immediately before this non-public issuance of Preference Shares (without taking into account changes in share capital resulting from any other factors).
7. The anticipation only takes account of the impact on dilution of current returns by this non-public issuance of Preference Shares, and no impact on other capital instruments issued or to be issued would be taken into consideration.

**(II) Analysis of Impacts on Current EPS of the Company by the Issuance**

Given the above-mentioned assumptions, upon completion of this Issuance, the impact on the current EPS of the Company in 2017 is as follows:

*Unit: RMB0.1 billion, unless otherwise specified*

Item	Year 2016		Year 2017							
			0%		5%		10%		15%	
Assumed net profit growth rate ( <i>Note 1</i> )										
Net profit attributable to holders of ordinary shares of the Company (after deducting the non-recurring gains and losses) (without considering this Issuance)	611.42	611.42	641.99	672.56	703.13					
Net profit attributable to holders of ordinary shares of the Company (after deducting the non-recurring gains and losses) (with considering this Issuance) ( <i>Note 2</i> )	–	593.92	624.49	655.06	685.63					
Whether or not has considered this Issuance		No	Yes	No	Yes	No	Yes	No	Yes	
Basic earnings per share after deducting the non-recurring gains and losses (RMB/share)	2.42	2.42	2.35	2.55	2.48	2.67	2.60	2.79	2.72	
Diluted earnings per share after deducting the non-recurring gains and losses (RMB/share)	2.42	2.42	2.35	2.55	2.48	2.67	2.60	2.79	2.72	

*Note 1:* Net profit growth rate refers to the year-on-year growth rate of the net profit attributable to holders of ordinary shares of the Company after deducting the non-recurring gains and losses in 2017;

*Note 2:* Net profit attributable to holders of ordinary shares of the Company (after deducting the non-recurring gains and losses) (without considering the Issuance) = Net profit attributable to holders of ordinary shares of the Company (after deducting the non-recurring gains and losses) (without considering the Issuance) – dividends declared in respect of preference shares for the current period;

*Note 3:* Basic and diluted earnings per share were calculated in accordance with the Rules on Disclosure and Reporting of Information of Public Listing Companies No. 9 – Calculation and Disclosure of ROE and Earnings per Share (revised in 2010).

**II. Risk Warning on the Impacts on Dilution of Current Returns of the Proposed Non-public Issuance of Preference Shares**

As the holders of preference shares are entitled to receive their profit distribution of the Company in priority to the holders of ordinary shares at an agreed dividend rate, without taking into account the benefits from the business development supported by the proceeds to be raised from the Issuance, the indicators of the Company including the basic EPS and diluted EPS may decline to a certain extent in the short term, and there will be dilutive effect on the current returns of the holders of ordinary shares after receipt of the proceeds raised.

The proceeds raised will be used to replenish the Additional Tier-1 Capital; under the premise that the Company maintains the current capital operating efficiency, the Company's revenue and net profit levels will be improved, which will bring positive effects to the return on equity of the holders of ordinary shares and EPS attributable to the ordinary equity holders. The Company will continue to disclose in periodical reports the completion status of remedial measures of dilution of current returns and the performance of the commitments of the relevant promisors.

**III. Necessity and Reasonableness of such Proposed Non-public Issuance of Preference Shares****(I) Further improving the level of Capital Adequacy Ratio and enhancing the ability in risk resistance**

In recent years, the China Banking Regulatory Commission has continued to strengthen the prudent supervision. According to *Administrative Measures for the Capital of Commercial Banks* (for Trial Implementation) and other regulatory requirements, by the end of 2018, the minimum requirements for Core Tier-1 Capital Adequacy Ratio, Tier-1 Capital Adequacy Ratio and capital adequacy ratio of non-systemically important banks are 7.5%, 8.5% and 10.5% respectively, and the countercyclical capital buffer will be also increased by no more than 2.5% as the case may be. There may also be additional capital requirements for systemically important banks and for the second pillar. In addition, international financial regulatory reform has significantly raised capital requirements, which puts pressure on the domestic commercial banks' satisfying the capital standards in the future. Meanwhile, there are still some contradictions and problems in the macroeconomic operation of our country; the objective situation also urges commercial banks to strengthen their own strength and improve the ability to resist risks. Therefore, in order to ensure to meet regulatory requirements, the Company needs to further enrich the capital base, to improve the capital strength and enhance the ability to resist risks.

**(II) Ensuring the sustainable development of the Company's business, and further supporting the real economy**

The current economic situation at home and abroad generally shows a slow but steady performance with strong momentum for growth, and the social economy maintains steady and healthy development, but there is obvious contradiction between the excess capacity and upgrade of demand structure and the endogenous power for driving the economic growth is insufficient. In the meanwhile, as interest rate liberalization has basically completed, the peer competition becomes fiercer, the domestic banks are facing more opportunities and greater challenges. Under this background, the Company adheres to service the real economy, to carry out the "Light-operation Bank" strategy and increase integrated layout to promote the overall service upgrading and reengineer differentiated competitive advantage so as to promote the sustainable development of each business, and consolidate and improve the market position and its core competitiveness. Therefore, this issuance will further enhance the Company's capital strength, enhance the ability of resisting substantial risks, reserve momentum for future development, and provide strong support for the sustainable development of the business to create good conditions for grasping the market opportunities in the future and further strengthening the ability to service the real economy.

**(III) Broadening the long-term capital replenishment channel and perfecting capital replenishment mechanism**

Preference share is an innovative financial instrument launched currently by the State Council and the domestic regulatory authority, which can satisfy a bank's requirements for replenishment of its Tier-1 Capital, and preference share is restricted in terms of the distribution of the rest of the profits and vote right, etc. at the same time, which can reduce the influence on the equity of the original holders of ordinary shares. Through the reasonable use of the proceeds raised from the preference shares of this Issuance, the capital operation efficiency of the Company will be improved, which can promote the market value and overall value of the Company. This Issuance will further enrich the market-oriented source of the long-term capital of the Company, contributing to the flexible and efficient implementation of capital replenishment of the Company by considering the future development demand of the Company as well as the market environment.

**(IV) Optimizing capital structure, maintaining the equity structure stability**

For a long time, the Company has been adhering to the principle of placing endogenous accumulation primarily assisted by exogenous supplement to raise capital through multi-channel and multimode, trying to maintain sufficient capital levels. According to Administrative Measures for the Capital of Commercial Banks (for Trial Implementation), compared with the advanced international peers, the Company's capital structure mainly consists of Core Tier-1 Capital and Tier-2 Capital at present, the capital structure is relatively single, and the cost of capital is relatively high. The preference shares under this Issuance will be accounted as the Additional Tier-1 Capital of the Company, which can replenish the capital and reasonably optimize the Company's capital structure as well, and reduce the cost of capital, which helps to enhance the value of the Company. Meanwhile, given the special nature of the preference shares (e.g., in general, the holders of preference shares do not have voting rights), this Issuance is conducive to keeping the stability of the Company's shareholding structure.

**IV. Connection between the Project to be Invested in with the Proceeds Raised and the Existing Businesses of the Company, and the Company's Reserve on the Aspects of Staff, Technology and Market for Engaging in the Project to be Invested in with the Proceeds Raised****(I) Connection between the proceeds raised in this Issuance and existing businesses of the Company**

The total proceeds raised in this non-public issuance of Preference Shares will not exceed RMB35 billion or its equivalent. According to the applicable laws and regulations, after deducting the issuance expenses, the proceeds raised in this Issuance will be entirely used to replenish the Additional Tier-1 Capital of the Company, which can help the Company to uplift the capital adequacy ratio and perform better in meeting the capital regulatory requirements, reinforce risk-resisting ability, and achieve stable and sustainable business development and strengthen the ability to serve the real economy, and is also beneficial for the Company to expand long-lasting channels for capital replenishment, improve the capital replenishment mechanism and reduce financing cost, conforming to the interests of the Company and the shareholders.

**(II) The Company's reserve on the aspects of staff, technology and market for engaging in the project to be invested in with the proceeds raised**

As of the end of 2016, the Company had set up service outlets in over 130 cities in mainland China and owned 5 overseas branches and 3 overseas representative offices, with over 70,000 employees. In addition, in China, the Company also wholly owned CMB Financial Leasing Co., Ltd., controlled China Merchants Fund Management Co., Ltd. and possessed 50% equity interests in both Cigna & CMB Life Insurance Co., Ltd. and Merchants Union Consumer Finance Company Limited; and wholly owned Wing Lung Bank Ltd. and CMB International Capital Corporation Limited in Hong Kong. It is a bank group owing various financial licenses for commercial banking, financial leasing, fund management, life insurance, overseas investment banking, etc.

The Company formulates different employee training plans for different levels of employees with full coverage on all the employees, and the contents focus on business and product knowledge, professional integrity and safety, management skills and leadership, highlighting the key training points for various employees according to the requirements of the transformation strategy on the post abilities and qualifications of all the employees, so as to strengthen the capabilities of all the employees as a whole from front-line grass-root employees and professional technicians to operation management employees.

Since its establishment, the Company has been persisting in continuous innovation, and has launched “All-in-one Card” (一卡通), which is the milestone and first domestic debit card managed based on customer numbers, “All in One Net”, which is the first 100% on-line bank, the first dual-currency credit card with international standards, and “Sunflower Wealth Management”, which is the first wealth management product for high-end customers. The Company also took the lead in offering offshore business, buyer’s credit business, domestic letter of credit business, enterprise annuity business, cash management business, banks and customs interconnection business, corporate wealth management and on-line bill acceptance business and so on in the domestic banking industry. In recent years, the Company has established the internet finance development strategy of “internal platform construction, external flow connection, flow operation”, and has taken the lead in launching innovative services such as Peer to Peer, withdrawal by face recognition, “Flash Pass” payment and Machine Gene Investment, pre-empting the new heights in the mobile Internet era. For years, the brand image has been widely recognized by the market, and the Company has become the benchmark for domestic commercial banks in multiple business fields and has won various honors such as “The Best Retail Bank in China”, “The Best Private Bank in China”, “The Best Cash Management Bank in China” from various authoritative media at home and abroad for consecutive years.

Supported by outstanding employees and innovative technologies, the Company has been standing at the front of the industry in various aspects, such as the proportion of retail profit, credit card and private banking customers and scale, assets under management, assets under custody as well as the proportion of revenue from financial market business and overseas business, earning itself a road of differentiated development towards “Light-operation Bank”.

#### **V. Remedial Measures for the Dilution of Current Returns caused by this Non-Public Issuance of Preference Shares**

##### **(I) Operation conditions and development trend of existing business segments of the Company, the main risks faced by the Company and the improvement measures**

The main businesses of the Company include retail finance business, corporate finance business, interbank business, as well as other businesses including overseas business and subsidiary business.



In terms of retail finance business, compared with other banks in China, the Company has been always keeping retail finance business as its key development area, has been continuously deepening the building of the retail finance business system, and has built a solid and broad and quality customer base of retail customers through the continuously optimized business management system, product system, service system and risk prevention system. As such, the Company has possessed outstanding competitive advantages on the core business areas such as wealth management, private banking, retail credit, consumer finance, etc. In terms of corporate finance business, the Company positively faces up to external challenges and opportunities, focuses on customer group building and strategic transformation, and continues to enhance differentiated competitive strengths. In terms of interbank business, the Company follows the main theme of deepening comprehensive interbank cooperation to strengthen channel construction and promote the value contributions by interbank customers; positively copes with the changes in the market and the regulatory policies to increase business revenue. The Company has recorded rapid growth in businesses such as the cross-border RMB interbank cooperation business and managed to maintain the leading position in the industry in terms of such businesses.

The Company has achieved a remarkable progress in overseas expansion, and the international business is growing fast. Furthermore, in terms of integrated operation, the framework of integrated operation of the Company has been basically formed, and the comprehensive financial service functions are being accomplished step by step. The Company owns subsidiaries in the non-banking finance field, including CMB Financial Leasing Co., Ltd., CMB International Capital Corporation Limited, China Merchants Fund Management Co., Ltd. and Cigna & CMB Life Insurance Co., Ltd., etc., and the strategic synergy has initially come into being, the integrated operation is being propelled continuously, the business scale is expanding stably and the quality of the assets is high.

The risks faced by the Company during business operation mainly comprise credit risk, country risk, market risk, operational risk, liquidity risk, reputational risk and compliance risk. Guided by the Basel New Capital Accord and overall risk management, the Company continues to improve the policies, regulations and processes related to risk management, and adheres to the principles of “comprehensiveness, professionalism, independence and balance” to begin to transform into a “Light-operation Bank”, speed up the establishment of risk management system with the core being risk-adjusted value creation. The Risk and Compliance Management Committee of the Head Office is the top decision-making organ for the risk management of the Company, and reviews and decides on the major risk management policies across the Bank under the preference, strategy, policy and authorization approved by the Board of Directors for risk management. In recent years, under the complex and changeable economic environment at home and abroad and the increasingly higher bank operating risk, the Company has improved the comprehensive risk management system continuously, and positively coped with and prevent various risks, thus ensuring the stable and healthy business development.

**(II) The detailed measures for increasing the daily operating efficiency, decreasing the operating costs, and improving the business performance of the Company**

1. To insist on the strategic plan of “Light-operation Bank” and create differentiated competitive advantages. To take prudent capital arrangement as the basic restraint, strengthen the control over the gross amount, set reasonable business growth rate, conduct flexible and prudent management on the increase of risky assets, coordinate and arrange internal and external resources, strive for the balance in the structure of assets and liabilities, and promote the harmonious development in terms of quality, effectiveness and scale.
2. To reinforce the awareness on capital constraint and capital return, strive to decrease capital consumption level, and increase the capital use efficiency. To keep EVA and RAROC as value assessment benchmarks, fully demonstrate the requirements of “Light-operation Bank” strategy on risk pricing, net interest and non-interest income, cost efficiency and etc., and continue to push the transformation of the profit model from scale-driving to value-digging. To increase risk pricing level, reinforce active interest rate management, keep the growth of net interest income; consolidate traditional advantages, expand the businesses in blue ocean area, strengthen portfolio marketing and valued-added services, increase the income contribution from intermediate business; increase the input-output ratio and keep relatively stable cost efficiency; reinforce consolidation management at the group level, increase profit contributions from subordinate entities step by step, give full play to the advantages in integrated operation, and increase the overall return.
3. To build the business system of “One Body with Two Wings” with the retail finance business as the main body, supported by corporate finance and interbank finance, promote the mutual unification, inter coordination, mutual promotion between the “One Body” and the “Two Wings”, and create three major profit-making pillars. To focus on the strategy of “mobile as the priority (移動優先)”, take full advantage of Fintech and boost the financial and technological strategy with the objective of becoming “internet-based, data-intensive and intelligent”. To reasonably adjust business structure, moderately decrease the percentage of businesses with high capital consumption, and invest more and more new added resources in businesses with low capital consumption, and provide focused support for the development of strategic, newly emerging and key businesses. To enhance the multiple dimensions and differentiated management for customer groups, and provide full life circle differentiated services for the customers by means of products, channels, service and technologies, so as to form a customer group structure with a large amount, reasonable structure, gradient growth and enough value.

4. To reinforce asset quality management, strictly control the new non-performing loans, and put more efforts in clearing and disposing of existing non-performing assets. To build the long-term risk management mechanism, and improve the ability to effectively prevent, identify, measure and manage the risks. To advance the allocation and management of asset groups, deepen the application of big data and quantitative tools, improve ability for the mitigation and compensation of risks and losses, set the pre-warning system for risk management, accomplish the three lines of defense for risk management, build an overall risk management system with a perfect structure, clear responsibilities, and uniform view. To take improving efficiency, supporting marketing, encouraging innovation and effective control as the core to effectively plan and coordinate the connection among risk management, customer service and business innovation, stabilize business risk and acquire the ability of risk management for value creation, and improve the risk return and capital return.
5. To insist on stable return policy for holders of Ordinary Shares. With the ultimate objective of creating the best return for stock holders, the Company, on the basis of stable development, develops the strong awareness of bring return to shareholders, continue to accomplish the dividend mechanism for holders of Ordinary Shares, and strive to keep the consistency, reasonability and stability of cash dividend policies.

**VI. Undertakings of the Company's Directors and Senior Management on the Implementation of Remedial Measures for the Dilution of Current Returns Caused by This Non-public Issuance of Preference Shares**

Directors and senior management of the Company will faithfully and diligently perform their duties, and safeguard the legitimate rights and interests of the Company and all shareholders. According to relevant regulations of the CSRC and in order to secure the implementation of the Company's remedial measures for the dilution of the returns, the Directors and senior management of the Company made the following undertakings:

- (1) Not to transfer any benefits to other entities or persons unconditionally or unfairly nor otherwise make any actions prejudicing the interests of the Company.
- (2) To restrict the expenditures of the Directors and senior management for performing their duties.
- (3) Not to use any assets of the Company for any investment or expenditure unrelated to the performance of their duties.
- (4) That the remuneration policy formulated by the Board of Directors or the Remuneration and Appraisal Committee shall be in line with the implementation of the Company's remedial measures for the dilution of returns.
- (5) That the conditions of the proposed share incentive plan of the Company in the future, if any, shall be in line with the implementation of the Company's remedial measures for the dilution of returns.

**CAPITAL MANAGEMENT PLAN FOR 2017-2019 OF CHINA  
MERCHANTS BANK CO., LTD.**

To constantly deepen the “Light-operation Bank” strategy and improve dynamic balanced development on benefit, quality and scale of the China Merchants Bank Co., Ltd. (hereinafter referred to as the “Company” or the “Bank”) and according to international financial regulatory reform trend and capital regulatory policy standards of Chinese banking industry, the Company has prepared the Capital Management Plan for 2017-2019 of China Merchants Bank Co., Ltd. by taking consideration of internal and external operation environment variations.

**I. Considerations for capital planning**

**1. Complicated and volatile external operation situation**

Over the next few years, it will be difficult for the world economy to get over the pressure from profound adjustment, and the economic environment in China will become more complicated and volatile with overlapped structural contradictions and periodic dilemmas. The feature of “shifting the gears of the pace of economic development” of Chinese economy has been confirmed, the economic growth inclines to a downward tendency, and monetary policies tend to be more neutral, with the keynote gradually turning to “initiative structural adjustment, initiative deleveraging and initiative bubble prevention” and the long-term market interest rate beginning to rise. Meanwhile, impacted by such factors as the different economic growth in China and foreign countries and the expected overshooting in the market, short-term exchange rates and interest rates fluctuate more significantly, great challenges are faced for liquidity risk and interest rate risk management, and it will become more difficult to conduct asset and liability management. The credit risk that the banking industry is exposed to is becoming increasingly stable, but the industry remains under pressure in terms of the asset quality, and the profit growth speed remains relatively stable. Financial institutions compete fiercely and cooperate closely with each other, and have shown a noticeable trend of developing large asset management transaction platforms and striving for globalized business layout, which, together with the rapid development of Internet finance, are compelling traditional commercial banks to speed up the process of reform. The external operation situation is becoming increasingly complicated, which brings both opportunities and challenges for the development of domestic banks.

**2. Gradually tightened prudential regulation**

In recent years, the China Banking Regulatory Commission (“CBRC”) has been attaching increasing importance to operation compliance and prudential regulation, and more stringent requirements have been imposed via various policies and regulations and for on-site inspections to promote the deleveraging of commercial banks with the aid of monetary policies in the meantime. Various documents have been promulgated successively in recent years, including the Administrative Punishment Measures of the China Banking Regulatory Commission ([2015] No. 8) (《中國銀監會行政處罰辦法》

(2015年第8號)), Notice on Regulating the Inter-bank Business of Financial Institutions (Yin Fa [2014] No.127) (《關於規範金融機構同業業務的通知》(銀發[2014]127號)), Notice of the General Administration Department of the CBRC on Standardizing the Governance of Inter-bank Business of Commercial Banks (Yin Jian Ban Fa No.140, 2014) (《中國銀監會辦公廳關於規範商業銀行同業業務治理的通知》(銀監辦發[2014]140號)) and Notice on Regulating the Transfer of Usufruct for Credit Assets of the Financial Institutions in the Banking Industry (Yin Jian Ban Fa [2016] No.82) (《關於規範銀行業金融機構信貸資產收益權轉讓業務的通知》(銀監辦發[2016]82號)), to overhaul and standardize interbank business. In 2016, the CBRC step up efforts on the inspection of interbank, bill and other businesses, as a result of which, the uncertainty of capital charge was further increased. Simultaneously, the government has taken continuous measures to reduce corporate financing costs and relieve service charges, and introduced phased and unexpected policies to eliminate non-standard operations, which has also affected banks' earnings growth to a certain extent. In addition, the central bank introduced the Macro Prudential Assessment System (MPA) in 2016, in which, the macro prudential capital adequacy ratio, as the "one-vote veto" indicator, is one of the core indicators that determine the assessment results. Starting from 2017, the central bank will include off-balance-sheet wealth management assets in the statistical range of credit business in a broad sense to reinforce the requirements on macro prudential capital adequacy ratio. In order to ensure the satisfaction of the indicators, it is necessary for the banks to maintain a relatively high level of capital adequacy ratio.

### **3. Inevitable trend of integrated operation**

Recently, in line with the prudent monetary policy, the regulatory policies on mixed operation have been tightened to promote the deleveraging of the financial sector, as result of which, the mixed operation aiming at leverage expansion is suppressed to a certain degree. But in the long term, under the situation that the market-oriented reform of interest rate has been basically completed, the profitability of the traditional bank deposit and loan business will show a downward tendency, and expanding the layout of integrated operation will be a crucial method to satisfy the all-round financial needs of the customers and upgrade the capability in customer service, so as to drive value creation and improve overall performance. As such, financial integration has become inevitable. Integrated operation layout of the Bank was initiated at an earlier time, and in the future, it is necessary for the Bank to continue to seize strategic opportunities and select good opportunities to acquire other necessary non-banking financial licenses and optimize subsidiary framework to reinforce strategic collaboration functions at the group level. Meanwhile, during the period of post-financial crisis, global economic and financial turbulence as well as domestic economic downturn also can bring some opportunities for mergers and acquisitions, which can be captured by the Bank to enlarge the customer base and strengthen the advantaged business sectors. Integrated operation will result in direct consumption of the bank capital, so it is necessary for the Bank to prepare sufficient capital reserve in order to make timely investment decisions and seize opportunities.

#### 4. Upcoming new international capital rules

The Basel Committee on Banking Supervision (the “Basel Committee”) has never stopped promoting the reform on capital regulation. After tightening the standards for the numerator, the Basel Committee has mainly been focusing on the regulation of the denominator and global systemically important banks (“G-SIBs”) in recent years, aiming to enhance the prudence of the results of and the risk sensitivity of risk-weighted asset calculation, eliminate the defects on the measurements of internal models, establish the permanent bottom line for the internal model approach, reinforce the information disclosure and market discipline of the third pillar, and resolve the issue that systemically important financial institutions are too big to fail. The Basel Committee has published various drafts of capital regulation guidance for credit risk, market risk, operational risk, interest rate risk for bank accounts, liquidity risk, asset-backed securitization, counterparty credit risk, capital bottom line, information disclosure and total loss absorbing capacity (TLAC) to seek public opinions, most of which are expected to be finalized within 2017. Compared with current domestic regulatory standards, the amendment scope is extensive in the international regulatory reform, and the measurement rules are stricter and the capital charge standards are substantially lifted. The new regulatory standards as amended will produce profound impact on the operation model, business structure, risk management, internal control management of domestic commercial banks.

## II. Capital planning targets

The Company has set the capital planning targets based on the following principles: to take the minimum capital regulatory requirements as starting point to reserve space for capital buffer and set the optimal capital targets with consideration of the actual situations of the Bank. For the above reasons, the Bank mainly considered the following factors when setting the capital adequacy ratio targets:

1. **Minimum regulatory requirements.** According to the Administrative Measures for Capital of Commercial Banks (Trial) (《商業銀行資本管理辦法(試行)》), under normal circumstances, the minimum regulatory requirements on the Core Tier-1 Capital, Tier-1 Capital and total capital of non-systemically important banks are 7.5%, 8.5% and 10.5%, respectively, while those of systemically important banks are 8.5%, 9.5% and 11.5%, respectively, and the deadline for meeting such standards is the end of 2018. However, according to current regulatory requirements, within the period prior to such deadline, the Bank still needs to at least meet the regulatory standard requirements of non-systemically important banks before the capital surcharge requirements for systematically important banks are clarified, which means that, the Core Tier-1 Capital adequacy ratio, Tier-1 Capital adequacy ratio and total capital adequacy ratio of the Bank for each year within the transitional period shall not be below 7.5%, 8.5% and 10.5%, respectively.



2. **Capital buffer.** Reasonable capital buffer is a necessary guarantee for stable operation. With comprehensive consideration of the current regulatory practice and operation environment, the buffer space must be reserved for the following factors during the plan period of 2017-2019 (the “Plan Period”). Firstly, the capital surcharge requirements for domestic systemically important banks: up to now, although the CBRC has not provided a clear list of domestic systemically important banks yet, the Bank has been a bank that participates in the quantitative measurement of the Basel Committee for systemically important banks and needs to disclose systemically important indexes according to the domestic regulatory requirements. In the future, there is a possibility that the Bank will bear the capital requirements of one-percentage point higher because of the status of the Bank determined to be a domestic or global systemically important bank. Secondly, high capital requirements on the internal assessment procedures for capital adequacy: the CBRC will comprehensively decide how much higher the capital requirements will be according to the assessment on internal assessment procedures and reports of commercial banks for internal capital adequacy. Although there are uncertainties and individual differences as to how much higher the capital requirements will be and it is hard to predict accurately, it is also necessary to reserve capital buffer in this regard in advance. Thirdly, the uncertainties and pressure tests of the macro economy in the future: there are great uncertainties in the external operation environment of the banking industry, and pressure tests are needed to assess the risks and capital adequacy of banks under negative macroeconomic impact to establish and reserve capital buffer and take measures for management and response in advance.

**Taking the above requirements into consideration**, for 2017 to 2019, the Bank’s capital adequacy ratio targets are: by the end of 2018, Core Tier-1 Capital adequacy ratio, Tier-1 Capital adequacy ratio and Total Capital adequacy ratio shall reach and maintain at above 9.5%, 10.5% and 12.5% respectively. During the Plan Period, in case of continuous macroeconomic meltdown and the clarification of capital surcharge requirements for the second pillar and domestic systemically important banks, the Bank can maintain relatively stable capital adequacy ratios and meet the minimum regulatory requirements by reserving the capital buffer of 2.0 percentage points. After that, the Bank will continuously conduct back testing and dynamic assessment on the impact of risk situation, model adjustment or regulatory policies when preparing capital planning on a rolling basis, and adjust measurement standards and planning targets when it considers fit.

### **III. Capital replenishment planning**

The Bank always adheres to the principle of replenishing capital mainly through endogenous supply and through exogenous supply to a lesser extent to raise capital from multi-channels in multiple ways, so as to maintain capital adequacy. In the next few years, the Bank will continue to reinforce capital strength and optimize capital structure to promote balanced organic growth.

**(I) Endogenous supply**

1. **Enhancement of profitability.** Profit-making ability is the key factor for the accumulation of self-generated capital. During the Plan Period, the Bank will follow the strategy of becoming a “Light-operation Bank” and upgrading services to create differentiated competitive advantages and establish the business system of “One Body with Two Wings”, where “One Body” refers to retail finance and “Two Wings” refer with to corporate finance and interbank finance, and further optimize the business structure and customer structure. With importance attached to the further exploration on existing customers and the growth quality, the Bank exerts great efforts on the management and control of liabilities and costs, improves risk pricing ability and continuously increases the proportion of non-interest income to reasonably control financial costs and improve cost-effectiveness, maintain relatively sufficient provision and ensure the sustainable supply of self-generated capital.
2. **Sufficient provision for impairment.** Although the macroeconomic trend gradually becomes stable and banking industry credit risk tends to be stable, capital quality continues to be under stress. According to the prudential operation strategy, during the Plan Period, the Bank will continue to defend the bottom line for risk management, enhance the ability for and get better prepared for risk resistance, maintain relatively sufficient provision level and constantly meet regulatory standard requirements to further improve capital adequacy level in the meantime of enhancing risk resistance ability.
3. **Maintaining stable dividend distribution policy.** The Bank will formulate reasonable dividend policies to properly enhance capital accumulation, on the premise of ensuring maximum shareholders’ interests, to meet the need for maintaining capital adequacy. On the premise of complying with the then prevailing laws and regulations as well as the regulatory authorities’ requirements on capital adequacy ratio, the Company’s annual cash dividend will, in principle, not be lower than 30% of net profit after tax attributable to holders of ordinary shares after audited pursuant to Chinese Accounting Standards in the same year to practically enhance the reasonable investment returns of shareholders and keep the consistency and stability of the dividend distribution policy.



**(II) Exogenous supply**

While keeping the existing gross capital amount and structure, the Bank also needs to conduct proper external financing for the gap that cannot be settled by endogenous capital. In addition to endogenous supply, the Bank plans to take the following measures to replenish capital:

1. **To take comprehensive consideration of various capital instruments for capital replenishment.** The Bank always takes advantage of diversified ways of capital replenishment mainly represented by endogenous profits, and makes efforts to broaden capital financing channels to constantly promote continuous enlargement of gross capital amount of the Bank as a whole as well as the optimization and improvement of capital structure. During the Plan Period, according to the regulatory requirements and capital market situations, the Bank will continue to closely follow up policies and practices related to capital instruments at home and abroad, and consider to take opportunities to implement various financing modes, including but not limited to common shares, preference shares, perpetual bonds, Tier-2 Capital debentures and other Tier-1 Capital or Tier-2 Capital instruments, to form a diversified capital replenishment mechanism for enhancing the capacity for absorbing capital losses.
2. **Seeking major shareholders' promises on and support for capital replenishment.** According to regulatory requirements and the Articles of Association of the Bank, shareholders, especially major shareholders, shall support the Board of Directors to prepare a reasonable capital planning to make the Bank's capital constantly meet the regulatory requirements. When the Bank's capital adequacy ratio is below the statutory standards, shareholders shall support the measures that the Board of Directors proposed for improving the capital adequacy ratios, to make the capital adequacy ratios meet the regulatory requirements within the time limit by increasing Tier-1 Capital and other ways of capital replenishment.

**IV. Capital management strategy**

During the Plan Period, the Bank will continue to take "Light-operation Bank" as the strategic orientation, the capital constraints as the premise and increasing capital return as the target, to reasonably set medium-term business growth speed and actively optimize business structure and promote the transformation of operation models and the enhancement of professional capabilities, for the overall embodiment of strategic orientation on "Light-operation Bank" and realization of dynamic and balanced development in terms of effectiveness, quality and scale. The specific capital management strategies are as follows:

**Firstly, to prepare medium-term capital planning on a rolling basis, and reinforce the connection mechanism between capital planning and comprehensive budget management.** According to the changes in external business environment and business management practice, to prudently assess asset quality, profit growth and the volatility of the capital market, and prepare and implement medium-term planning of capital management on

a rolling basis, and dynamically balance capital demand and capital supply and enhance risk-resisting ability by leveraging on capital. To reinforce the connection mechanism between capital planning and comprehensive budget management, and realize optimized capital allocation and maximum cost efficiency, by the guidance and regulation on, controlling over and restraint on the allocation of assets and liabilities and financial resources through comprehensive budget management, and ensure the realization of annual capital management targets.

**Secondly, to optimize economic capital management, and take full advantage of the critical role of capital management in strategy implementation.** To adhere to the strategic orientation of “Light-operation Bank”, maintain reasonable growth speed for risk-weighted assets and follow the constraint on gross amount; apply the advanced measurement approach method in depth to study and improve the application value of risk parameters; flexibly prepare capital allocation strategy with full use of capital resources to promote optimization and adjustment of structure; combine and optimize business structure and exploit potentialities of capital saving to drive development of business with consumption of low capital or no capital and fully promote the capital use efficiency; urge subsidiaries to improve the level of capital management to propel the optimization of resource allocation across the Group.

**Thirdly, to reinforce capital performance examination and effectively spread the concepts of capital return and risk pricing in depth.** To center on customers, continue to improve capital return management mechanism and reinforce the concept of value creation; adhere to the comprehensive customer contribution assessment system focused on EVA and RAROC and the performance examination mechanism, accelerate value exploration and potential demonstration of the management resources as a whole; improve the comprehensive pricing mechanism based on customer relationships and pay attention to the long-term mechanism and the refinement degree of risk-based pricing to promote the comprehensive financial service level and non-price factor competitiveness.

**Fourthly, to master the essence of regulation and strengthen and perfect the internal capital adequacy assessment mechanism.** To closely follow up the progress of international and domestic capital regulatory reform and accurately master the standards and directions of regulatory policies; deploy and adopt responsive measures in advance to guarantee the smoothness of capital adequacy ratio; compact the basic works for capital measurement, and maintain accuracy and high efficiency of monitoring and analysis of capital adequacy ratio; regulate and perfect the management process and mechanism of the second pillar, optimize internal capital adequacy assessment procedures, fully identify, meter and assess various major risks and regularly assess the capital adequacy situation and the risk-resistant ability, and monitor risks, capital and liquidity situation on a timely basis.

**Fifthly, to promote asset-backed securitization and capital instrument innovation, and establish diversified capital replenishment and asset operation mechanism.** To adhere to the market-oriented, branded and internationalized development strategy, escalate the size of issuance of asset-backed securitization, innovate and explore varieties and structures, promote and expand issuing market and scale of investors, improve internal process, reinforce team construction; take advantage of the critical role of asset-backed securitization in the aspects of capital, liquidity as well as asset and liability management, provide larger space for strategic transformation; persist in the main body status of endogenous capital replenishment, broaden diversified financing channels at home and abroad and closely follow up the policies and market development of innovative capital instruments, take opportunities to make use of debts, equity and various other capital instruments properly to continuously reinforce capital strength and optimize capital structure.

**CHINA MERCHANTS BANK CO., LTD.****Shareholders' Return Plan for 2017-2019**

In accordance with the *Company Law of the People's Republic of China*, the *Security Law of the People's Republic of China*, the *Listed Companies Regulatory Guidance No. 3 – Cash Dividends Distribution of Listed Companies*, the *Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies issued by CSRC and the Articles of Association of China Merchants Bank Co., Ltd. (hereinafter referred to as “Articles of Association of the Company”)* as well as other stipulations and regulatory requirements, the Board of Directors of the Bank formulated the *China Merchants Bank Co., Ltd. Shareholders' Return Plan for 2017-2019* (hereinafter referred to as “the Plan”) in conjunction with the Bank's actual operating conditions and requirements of long-term development to protect the rights and interests of shareholders of China Merchants Bank Co., Ltd. (hereinafter referred to as “the Company” or “the Bank”), provide sustained, stable and rational investment return and further improve the mechanism of profit distribution.

**I. Background and principles of the Plan**

1. Proactively adapting to new normal of economic transformation and deepening of financial reforms, seizing new opportunities where necessary on the premise of keeping sustained and stable operation. In recent years, the operating environment of China's banking industry has experienced profound changes: China implemented supply reform and reform of interest rate and exchange rate, financial disintermediation was aggravated; fierce fluctuation in capital market, overcapacity to be cleared; pressure from downward growth of profit of banking industry, prominence of risk of asset quality. Complicated domestic and international economic and financial situation will bring the Company more challenge and uncertainty in the future, thus the Company will take the protection of shareholders' long-term benefits as our principle, react to the challenge actively and flexibly and pursue prudent and stable business operation.
2. Effectively implementing industry regulatory standards, promote balanced growth of endogenous capital and paying attention to new capital instrument. We will effectively implement the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation), persist in the operation concept of Light-operation Bank, increase asset-light business, maintain rational growth of risk weighted assets, continue to focus on new capital instrument and improve capital structure.
3. Fulfilling legal obligation and social responsibility pursuant to law and making the elevation of shareholders' return our value orientation. Pursuant to relevant requirements of the Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies issued by CSRC, we will take elevating shareholders' return as our core objective and value orientation of business operation and management, and on the premise of meeting capital adequacy ratio stipulated by regulators, balance the Company's long-term benefits, all the shareholders' overall benefits and the Company's sustainable development.

4. Profit distribution policy will be formulated based on the opinions of the shareholders (especially small shareholders) of the Company, institutional investors and Independent Directors; we will enhance transparency of cash dividends and protect the legitimate rights and interests of investors.
5. Any related parties is not allowed to damage the legitimate rights and interests of the Company and public shareholders by means such as profit distribution.

## **II. Considerations of Shareholders' Return Plan**

Based on comprehensive analysis of operation environment of banking industry, requirements and desire of the shareholders, cost of social fund, external financial environment, regulatory policies and other factors, for the long-term and sustainable development of the Company, we will take consideration of capital, business development, profitability, development stage, demand for investment fund and the needs for normal operation, balance the sustained and sound development of business and comprehensive return for shareholders and formulate the Plan.

## **III. Cash dividends policy and decision-making procedure of the Company**

**As for the cash dividends policy of the Company**, provisions of Article 260 of the Articles of Association regulate that: The profit distribution of the Bank shall focus on rational investment return for investors and the policy on profit distribution shall maintain its consistency and stability; the Bank may distribute profit to its shareholders in cash or in shares or in a combination of both cash and shares, the Bank will mainly adopt the mode of cash dividends. On the premise of complying with the provisions of current laws and regulations, capital adequacy ratio stipulated by regulators and meeting our capital needs for daily operation, business development, major investments and mergers and acquisition opportunities, the Bank's principle of distributing cash dividends each year for the holders of ordinary shares is that the cash dividends will not be less than 30% of net profit after tax attributable to holders of ordinary shares after audited pursuant to Chinese Accounting Standards. The bank may pay semiannual cash dividends. Unless otherwise stipulated by the Shareholders' General Meeting, the Shareholders' General Meeting authorizes the Board of Directors to approve semiannual profit distribution plan. If the Bank makes profit in the last financial year during last accounting year but Board of Directors does not propose cash dividend distribution plan, the Bank shall explain in details the reason of not distributing dividend and the purpose of reserved fund, and Independent Directors shall express their independent opinions on the Plan.

As for the decision-making procedure on profit distribution policy of the Company, provisions of Article 259 of the Articles of Association regulate that: the profit distribution policy and profit distribution proposal of the Bank are formulated by the Board of Directors and are approved by the Shareholders' General Meeting. On formulating dividend distribution plan, the Board of Directors and the Shareholders' General Meeting shall accept the opinions from Independent Directors, Supervisors and public investors, communicate with public investors via various channels and accept supervision from Independent Directors, Supervisors and public investors. Independent Directors shall review the profit distribution policy and profit distribution proposal to be submitted to the Shareholders' General Meeting and present written opinions.

If it is necessary for the Bank to adjust profit distribution policy in accordance with the needs of industry regulatory policy, change of external regulatory environment, business operation and long-term development, the adjusted profit distribution policy shall not infringe laws, regulations and relevant provisions from regulators at places where the Bank's shares are listed. For the proposal of profit distribution policy, the Bank shall gather opinions from Independent Directors and Board of Supervisors in advance. After reviewed by the Board of Directors, the Plan shall be submitted to the Shareholders' General Meeting for review and shall be approved by more than two thirds of voting rights represented by the voting shareholders present at the Shareholders' General Meeting. During the period of review of the amendment of the profit distribution policy, the Bank provides online voting.

#### IV. 2017-2019 shareholders' return plan

Based on the prediction of market situation in the next three years, the Company's strategy and operation and capital, the Company formulated 2017-2019 (hereinafter referred to as "Plan Period") Shareholders' Return Plan as follow:

##### 1. Maintaining stable profit distribution policy

In accordance with the spirit of profit distribution of the *Proposal Regarding Increase of Proportion of Cash Dividends Distribution from 2012* reviewed and approved at the 28th meeting of the eighth session of the Board of Directors of the Company convened on March 28, 2012, under the premise of complying with the provisions of current laws and regulations, capital adequacy ratio stipulated by regulators, the Company's principle of distributing cash dividends each year for the shareholders is that the cash dividends will not be less than 30% of the net profit after tax attributable to holders of ordinary shares after audited pursuant to Chinese Accounting Standards since 2017. Within the Plan Period, on the premise of meeting the required capital adequacy ratio, **for the net profit after tax realized in each year, after used to cover losses, provide for statutory surplus reserve and regulatory general reserve, distribute dividends to holders of preference shares (if any) and discretionary reserve in line with the proposal of the Shareholders' General Meeting, be distributed in proportion to shares held by holders of ordinary shares.** The bank will effectively improve rational investment return for all investors and maintain the consistency and stability of dividend distribution policy.

**2. Maintain rational level of investment return**

Within the Plan Period, the Company will, on the premise of pursuing sound and lawful business operation and improving the quality of development, making the forging of light-operation bank its strategic direction, facilitate overall service upgrading, rational development speed, make great efforts to promote sustainable development, improve capital use efficiency and consolidate capital foundation through adjustment of business system, improvement of customer structure, change of business model and improvement of professional capacity to secure the completion of profit target and development objectives and constantly improve core competitiveness.

Within the Plan Period, if there is no major change in internal or external environment, the Company will maintain rational and stable investment return level.

**V. Formulation of profit distribution plan and the decision-making procedure**

The Bank may make appropriate adjustment to the profit distribution policy according to the operation conditions, cash flow and other factors and make new Shareholders' Return Plan and submit it to the Shareholders' General Meeting for review.

The Shareholders' Return stated in this plan is for holders of ordinary shares' return and the holders of preference shares' return will be subject to the Articles of Association of the Company and relevant content in its issuance plan. For the matters not covered in this plan, they will be subject to relevant provisions of laws, regulations, regulatory documents and Articles of Association of the Company. The Board of Directors of the Company will be responsible for the explanation of the Plan and it will take effect from the date when being approved at the Shareholders' General Meeting of the Company.



## CHINA MERCHANTS BANK CO., LTD.

**Report on the Use of Proceeds Raised in the Previous Issuance by the Company  
(As at 31 December 2016)****I. Amount, Time of Receipt, Allocation of the Proceeds from the Previous Issuance**

Upon obtaining the approval by the China Banking Regulatory Commission on Approval on Relevant Matters relating to the Rights Issue of China Merchants Bank (CBRC[2011] No. 395), China Securities Regulatory Commission on Approval on Relevant Matters relating to the Rights Issue of Shares by China Merchant Bank Company Limited (Zheng Jian Xu Ke (2013) No. 950) and Approval on Relevant Matters relating to the Rights Issue of Foreign Listed Shares by China Merchant Bank Company Limited (Zheng Jian Xu Ke (2013) No. 1072), and the Hong Kong Stock Exchange, China Merchant Bank Company Limited (herein referred to as “the Company”) placed its share, in proportionally, to the Shareholders whose names appear in the register of members for the A Shareholders on Shanghai Stock Exchange at the close of business on the record date on 27 August 2013 and whose names appear in the register of members for the H Shareholders at the close of business on the record date on 27 August 2013, distributing at 1.74 share of every 10 shares. The Company’s actual final Placing amounted to 2,962,813,544 A shares and 680,423,172 H shares.

The Company raised total proceeds of RMB27,524,537,823.76 on the rights issue of A Shares. The net proceeds of the rights issue A Shares whereby after deducting charges of commission, transaction taxes, banking fees and other issuance costs of RMB81,481,186.92, amounted to RMB27,443,056,636.84. The Company also raised total proceed of HKD7,947,530,217.86 (equivalent to RMB6,301,278,829.18) on the rights issue of H Shares. The net proceeds of the rights issue of H Shares, after deducting commission, transaction taxes, banking charges and other issuance expenses of HKD108,195,369.10 (equivalent to RMB85,784,862.30), amounted to HKD7,839,334,848.76 (equivalent to RMB6,215,493,966.88) on the Placing of H Shares. The above exchange rate of Hong Kong Dollar to RMB was calculated based on the RMB middle remittance rate of the date on which the proceeds were received.

As at 3 September 2013, the Company received in full the above proceeds raised by the aforementioned issuance of A Shares. The proceeds were deposited into bank account No. 910051020629040010, which is a bank account opened by the Company designated for fund raising proceeds. After deducting the issuance charges, the above net proceeds from A Shares placement have been verified by KPMG Huazhen Special General Partnership, who issued a capital verification report (KPMG Huazhen Yan Zi No. 1300211) on 5 September 2013.

As at 30 September 2013, the Company received in full the above proceeds raised by the aforementioned issuance of H Shares. The proceeds were deposited into bank account No. 20529776, which is a bank account opened by the Company designated for fund raising proceeds. After deducting the issuance charges, the above net proceeds from H Shares placement have been verified by KPMG Huazhen Special General Partnership, who issued a capital verification report (KPMG Huazhen Yan Zi No. 1400444) on 10 March 2014.



**II. The Use of the Proceeds from the Previous Issuance**

As at 31 December 2016, consistent with the disclosure made at the placement on the use of the proceeds, the aforementioned proceeds from the previous issuance were used, after the deduction of issuance fees, to replenish the capital base of the Company and put into operation together with other capital of the Company and support of the business development of the Company. The following table on the “Breakdown of the Use of Proceeds from the Previous Issuance (A Shares and H Shares)” shows the use of the proceeds from the previous issuance.



**III. Conclusion**

This report was prepared in accordance with the requirements of the *Rules Governing the Utilization Report in respect of the Proceeds from the Previous Fund Raising Activity and the Listed Companies Regulatory Guidance No.2 – Regulatory Requirements on the Management and Use of Proceeds of Listed Companies* issued by the China Securities Regulatory Commission and the *Administrative Measures for Raising Proceeds by Companies Listed on the Shanghai Stock Exchange (2013 Revision)* issued by the Shanghai Stock Exchange. The Company has performed an itemised cross-checking on the actual use of the aforementioned proceeds from the previous issuance against the relevant information disclosed in annual reports and interim reports and other disclosure documents since 2013 and concludes that the actual usage is consistent with the relevant information disclosed.

China Merchants Bank Co., Ltd.  
24 March 2017

**Articles of Association of China  
Merchants Bank Co., Ltd.  
Table of Comparison for Main Amended Articles**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
Article 1	<p>In order to protect the lawful interests of China Merchants Bank Co., Ltd. (“the Bank”), shareholders and creditors, and to regulate the organization and acts of the Bank, these articles of association (“Articles”) are formulated according to the “Company Law of the People’s Republic of China” (“Company Law”), the “Securities Law of the People’s Republic of China” (“Securities Law”), the “Commercial Banking Law of the People’s Republic of China” (the “Commercial Banking Law”) and the provisions of other relevant laws and regulations.</p>	<p>In order to protect the lawful interests of China Merchants Bank Co., Ltd. (“the Bank”), shareholders and creditors, and to regulate the organization and acts of the Bank, these articles of association (“Articles”) are formulated according to the “Company Law of the People’s Republic of China” (“Company Law”), the “Securities Law of the People’s Republic of China” (“Securities Law”), the “Commercial Banking Law of the People’s Republic of China” (the “Commercial Banking Law”), the <b>“State Council Guidance on the Implementation of Pilot Scheme of Preference Shares”</b>, and the provisions of other relevant laws and regulations.</p>	<p>To supplement the basis of formulation for the Articles</p>
Article 2	<p>The Bank was previously a comprehensive bank established on 31 March 1987 upon approval of the People’s Bank of China Document Yin Fu [1986] No.175. Following the approval obtained from Shenzhen Securities Administration Office Document Shen Zheng Ban Fu (1994) No.90, the Bank was restructured to become a joint stock commercial bank. The Bank has duly performed the re-registration formalities according to the Company Law, Commercial Banking Law and other relevant regulations. The Bank was registered at the State Administration of Industry and Commerce on 5 September 1994 and obtained a business license. The Bank is currently registered with Shenzhen Market Supervision and Administration Bureau, and holds the “Enterprise Legal Person Business License” (the registration number: 440301104433862) issued by Shenzhen Market Supervision and Administration Bureau.</p> <p>The promoters of the Bank were: China Merchants Steam Navigation Company Limited, China Ocean Shipping (Group) Company, Guangzhou Maritime Transport (Group) Company Limited, China National Offshore Oil Nanhai East Corporation, Guangdong Highways Administrative Bureau, Shandong Province Transport Development and Investment Company, Qinhuangdao Port Affairs Bureau of the Ministry of Communications, Shenzhen Shekou Zhaoyin Investment Services Company.</p>	<p>The Bank was previously a comprehensive bank established on 31 March 1987 upon approval of the People’s Bank of China Document Yin Fu [1986] No.175. Following the approval obtained from Shenzhen Securities Administration Office Document Shen Zheng Ban Fu (1994) No.90, the Bank was restructured to become a joint stock commercial bank. The Bank has duly performed the re-registration formalities according to the Company Law, Commercial Banking Law and other relevant regulations. The Bank was registered at the State Administration of Industry and Commerce on 5 September 1994 and obtained a business license. The Bank is currently registered with Shenzhen Market Supervision and Administration Bureau, and holds the “Enterprise Legal Person Business License” issued by Shenzhen Market Supervision and Administration Bureau, with <b>the unified social credit code: 9144030010001686XA.</b></p> <p>The promoters of the Bank were: China Merchants Steam Navigation Company Limited, China Ocean Shipping (Group) Company, Guangzhou Maritime Transport (Group) Company Limited, China National Offshore Oil Nanhai East Corporation, Guangdong Highways Administrative Bureau, Shandong Province Transport Development and Investment Company, Qinhuangdao Port Affairs Bureau of the Ministry of Communications, Shenzhen Shekou Zhaoyin Investment Services Company.</p>	<p>To amend according to facts</p>

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
<b>Article 3</b>	<p>The Bank first issued 1.5 billion RMB ordinary shares to the public on 15 March 2002 upon approval of China Securities Regulatory Commission (“CSRC”) Document Fa Xing Zi [2002] No. 33 and was listed on the Shanghai Stock Exchange on 9 April 2002.</p> <p>On 10 August 2006, the Bank received from CSRC the “Approval Regarding China Merchants Bank Co., Ltd.’s Issuing Overseas Listed Foreign Shares (Zheng Jian Guo He Zi [2006] No.12)”, approving the Bank’s issuance of not more than 2.53 billion overseas listed foreign shares (including 330 million shares issued in over-allotment) of RMB1 each. With the approval of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”), the Bank increased its share capital by issuing 2.2 billion H Shares, with 220 million H shares issued in over-allotment, which together with the 242 million H Shares converted from the corresponding reduction of the state-owned shares, made up the Bank’s total issued H shares to 2.662 billion.</p>	<p>The Bank first issued 1.5 billion RMB ordinary shares to the public on 15 March 2002 upon approval of China Securities Regulatory Commission (“CSRC”) Document Fa Xing Zi [2002] No. 33 and was listed on the Shanghai Stock Exchange on 9 April 2002.</p> <p>On 10 August 2006, the Bank received from CSRC the “Approval Regarding China Merchants Bank Co., Ltd.’s Issuing Overseas Listed Foreign Shares (Zheng Jian Guo He Zi [2006] No.12)”, approving the Bank’s issuance of not more than 2.53 billion overseas listed foreign shares (including 330 million shares issued in over-allotment) of RMB1 each. With the approval of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”), the Bank increased its share capital by issuing 2.2 billion H Shares, with 220 million H shares issued in over-allotment, which together with the 242 million H Shares converted from the corresponding reduction of the state-owned shares, made up the Bank’s total issued H shares to 2.662 billion.</p> <p><b>On [-], the Bank issues [-] domestic preference shares at a par value of RMB100 each non-publicly upon approval pf CSRC Document (Zheng Jian Xu Ke No.[-]) and such shares are listed for transfer on the integrated service platform of Shanghai Stock Exchange on [-]; on [-], the Bank issued [-] overseas preference shares at a par value of RMB100 each non-publicly upon approval of CSRC Document (Zheng Jian Xu Ke No.[-]) and such shares are listed for transfer on [Hong Kong Stock Exchange] subject to applicable settlement rules.</b></p>	<p>Article 3 of the “Guidelines for Articles of Association of Listed Companies (2016 Revision)”</p>
<b>Article 8</b>	<p>The entire capital of the Bank is divided into shares of equal par value. Shareholders’ liability shall be limited to the shares subscribed by them. The Bank shall assume liability for all the liabilities of the Bank by way of all its properties.</p>	<p><b>Shares of the Bank falls into ordinary and preference shares, and shares of the same class have same par value.</b> Shareholders’ liability shall be limited to the shares subscribed by them. The Bank shall assume liability for all the liabilities of the Bank by way of all its properties.</p>	<p>Article 126 of the Company Law Article 7 of the “Administrative Guidelines on the Pilot Scheme of Preference Shares” Article 15 of the “Guidelines for Articles of Association of Listed Companies (2016 Revision)”</p>

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
<p><b>Article 16</b></p>	<p>All the shares issued by the Bank are ordinary shares and the shares of the Bank shall adopt the form of share certificates. According to its needs and upon the approval by the examination and approval authorities authorized by the State Council, the Bank may issue other classes of shares according to the provisions of the relevant laws and administrative regulations.</p> <p>Issuance of the shares of the Company shall adopt the principles of openness, fairness and impartiality.</p> <p>As regards shares of the same class issued at the same time, the issuing conditions and price of each share shall be the same. As regards the shares subscribed by any unit or individual, the amount paid for each share shall be the same.</p>	<p>The Bank issues <b>ordinary shares and preference shares</b>. According to its needs and upon the approval by the examination and approval authorities authorized by the State Council, the Bank may issue other classes of shares according to the provisions of the relevant laws and administrative regulations. <b>Ordinary shares refer to the shares of ordinary class generally defined in the Company Law issued by the Bank. Preference shares refer to the shares other than the issued ordinary shares issued by the Bank, the shareholders of which are preferred in the distribution of profits and remaining assets by the Bank over shareholders of ordinary shares, though their rights to participate in the decision-making and management of the Bank are restricted.</b></p> <p>Issuance of the shares of <b>the Bank</b> shall adopt the principles of openness, fairness and impartiality.</p> <p>As regards shares of the same class issued at the same time, the issuing conditions and price of each share shall be the same. As regards the shares subscribed by any unit or individual, the amount paid for each share shall be the same.</p>	<p>To define preference shares pursuant to the “State Council Guidance on the Implementation of Pilot Scheme of Preference Shares”, article 2 of the “Administrative Guidelines on the Pilot Scheme of Preference Shares” and article 3 of the “Guidelines for Articles of Association of Listed Companies (2016 revision)”.</p>
<p><b>Article 17</b></p>	<p>The shares issued by the Bank shall have a par value of RMB1 per share.</p> <p>Renminbi referred to in the preceding paragraph shall mean the lawful currency of the People’s Republic of China.</p>	<p>The shares issued by the Bank shall have a par value, <b>among which the ordinary shares shall have a par value of RMB1 per share and the preference shares shall have a par value of RMB100 per share.</b></p> <p>Renminbi referred to in the preceding paragraph shall mean the lawful currency of the People’s Republic of China.</p>	<p>To specify the par value of preference shares per share pursuant to article 32 of the “Administrative Guidelines on the Pilot Scheme of Preference Shares”.</p>
<p><b>Article 19</b></p>	<p>The shares issued by the Bank to domestic investors and subscribed for in Renminbi are known as domestic shares. The shares issued by the Bank to overseas investors and subscribed for in foreign currencies are known as foreign shares. Foreign shares which are listed outside the PRC shall be known as overseas listed foreign shares.</p> <p>Foreign currencies referred to in the preceding paragraph shall mean the lawful currencies of other countries or regions, other than Renminbi, which are recognized by the State’s foreign exchange competent department and which may be used for payment of shares to the Bank.</p>	<p>The shares issued by the Bank to domestic investors and subscribed for in Renminbi are known as domestic shares. The shares issued by the Bank to overseas investors and subscribed for in foreign currencies are known as foreign shares. <b>Domestic ordinary shares which are listed within the PRC shall be known as domestically listed domestic shares; while foreign ordinary shares which are listed outside the PRC shall be known as overseas listed foreign shares.</b></p> <p>Foreign currencies referred to in the preceding paragraph shall mean the lawful currencies of other countries or regions, other than Renminbi, which are recognized by the State’s foreign exchange competent department and which may be used for payment of shares to the Bank.</p>	<p>To sort out certain definitions with respect to shares in the Articles according to facts after the issuance of preference shares.</p>

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
	<p>Overseas listed foreign shares listed in Hong Kong issued by the Bank shall be known as H shares. H shares mean the shares which are approved to be listed on the Hong Kong Stock Exchange, whose par value is denominated in Renminbi and which are subscribed for and traded in Hong Kong dollars.</p> <p>Upon approval by the securities supervisory organ of the State Council, shareholders of domestic shares of the Bank may transfer the shares held by them to overseas investors and such shares may be listed and traded overseas. If the transferred shares are listed and traded on overseas stock exchanges, the regulatory procedures, provisions and requirements of the overseas stock markets shall also be complied with. No voting in shareholders' general meeting will be required for the listing and trading of the transferred shares on overseas stock exchanges.</p>	<p>Overseas listed foreign shares listed in Hong Kong issued by the Bank shall be known as H shares. H shares mean the shares which are approved to be listed on the Hong Kong Stock Exchange, whose par value is denominated in Renminbi and which are subscribed for and traded in Hong Kong dollars.</p> <p>Upon approval by the securities supervisory organ of the State Council, shareholders of domestic <b>ordinary shares</b> of the Bank may transfer the shares held by them to overseas investors and such shares may be listed and traded overseas. If the transferred shares are listed and traded on overseas stock exchanges, the regulatory procedures, provisions and requirements of the overseas stock markets shall also be complied with. No voting in shareholders' general meeting will be required for the listing and trading of the transferred shares on overseas stock exchanges.</p>	
<p><b>Article 22</b></p>	<p>As at 31 December 2013, the shareholding structure of the Bank was as follows: total share capital of 25,219,845,601 shares, including 20,628,944,429 domestic shares, representing 81.80% of the total number of ordinary shares which can be issued by the Bank, 4,590,901,172 H shares, representing 18.20% of the total number of ordinary shares issued by the Bank. Calculation of the share capital referred to above had taken into account the bonus shares issued in the previous years, shares transferred from the capital reserve and the shares issued as a result of the exercise of the conversion rights of the convertible bonds by bond holders.</p>	<p>As at 31 December <b>2016</b>, the shareholding structure <b>for ordinary shares</b> of the Bank was as follows: total share capital of 25,219,845,601 shares, including 20,628,944,429 domestic shares, representing 81.80% of the total number of ordinary shares which can be issued by the Bank, 4,590,901,172 H shares, representing 18.20% of the total number of ordinary shares issued by the Bank. Calculation of the share capital referred to above had taken into account the bonus shares issued in the previous years, shares transferred from the capital reserve and the shares issued as a result of the exercise of the conversion rights of the convertible bonds by bond holders. <b>On [-], upon approval by the examination and approval departments authorized by the State Council, the Bank non-publicly issued [-] shares of preference shares within the PRC; and on [-], upon approval by the examination and approval departments authorized by the State Council, the Bank non-publicly issued [-] shares of preference shares outside the PRC.</b></p>	<p>To explain on other class of shares (preference shares) pursuant to the "Guidance on Preference Shares Issuance of Commercial Banks to Replenish Tier-1 Capital" and article 19 of the "Guidelines for Articles of Associations of Listed Companies (2016 revision)"</p>

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
<p><b>Article 23</b></p>	<p>Subject to approval or verification of the Bank’s plan to issue overseas listed foreign shares and domestic shares by the securities supervisory organ of the State Council, the Board of Directors of the Bank may implement arrangement regarding the issuance of the shares respectively.</p> <p>The Bank may separately implement its plan to issue overseas listed foreign shares and domestic shares pursuant to the preceding paragraph within 15 months from the date of approval or verification by the securities regulatory organ of the State Council.</p>	<p>Subject to approval or verification of the Bank’s plan to issue overseas listed foreign shares and <b>domestically listed</b> domestic shares by the securities supervisory organ of the State Council, the Board of Directors of the Bank may implement arrangement regarding the issuance of the shares respectively.</p> <p>The Bank may separately implement its plan to issue overseas listed foreign shares and <b>domestically listed</b> domestic shares pursuant to the preceding paragraph within 15 months from the date of approval or verification by the securities regulatory organ of the State Council. <b>When issuing preference shares to replenish tier-1 capital, the Bank shall comply with relevant eligibility criteria for capital instruments issued by the banking regulatory authority of State Council.</b></p>	<p>The “Guidance on Preference Shares Issuance of Commercial Banks to Replenish Tier-1 Capital”</p>
<p><b>Article 24</b></p>	<p>In the event that there are overseas listed foreign shares and domestic shares included in the total number of shares stated in the said plan, such shares shall be fully subscribed for at their respective offerings; should the shares cannot be fully subscribed for due to special circumstances, such shares may be issued in separate tranches upon approval or verification by the securities regulatory organ of the State Council.</p>	<p>In the event that there are overseas listed foreign shares and <b>domestically listed</b> domestic shares included in the total number of shares stated in the said plan, such shares shall be fully subscribed for at their respective offerings; should the shares cannot be fully subscribed for due to special circumstances, such shares may be issued in separate tranches upon approval or verification by the securities regulatory organ of the State Council.</p> <p><b>In compliance with relevant regulations issued by the banking regulatory authority of State Council, the Bank hereby provides the article on the mandatory conversion of preference shares into ordinary shares that upon the occurrence of a trigger event, the Bank may convert a certain class and number of preference shares into corresponding ordinary shares subject to the conversion price and number confirmed by methods agreed in the issuance plan of preference shares.</b></p> <p><b>The ordinary shares converted from preference shares due to the implementation of mandatory conversion shall rank pari passu with the original ordinary shares of the Bank.</b></p>	<p>The “Guidance on Preference Shares Issuance of Commercial Banks to Replenish Tier-1 Capital” Article 33 of the “Administrative Guidelines on the Pilot Scheme of Preference Shares” Article 21 of the “Guidelines for Articles of Association of Listed Companies (2016 revision)”</p>



**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
Article 26	<p>The Bank may, depending on the operating and development requirements, approve an increase in its capital pursuant to the relevant provisions of these Articles. The Bank may increase its capital by way of:</p> <ol style="list-style-type: none"> <li>(1) offering new shares to unspecified investors for subscription;</li> <li>(2) placing new shares to existing shareholders;</li> <li>(3) allotting new shares to existing shareholders;</li> <li>(4) issuing new shares to specified targets;</li> <li>(5) converting capital reserve into share capital; and</li> <li>(6) other means as permitted by law and administrative regulations.</li> </ol> <p>After the increase in capital and issuance of new shares are approved according to the provisions of these Articles, the Bank shall comply with the procedures set forth in the relevant laws and administrative regulations of the State.</p> <p>Share conversion in relation to the Convertible Bonds issued by the Bank will result in the increase of the registered capital of the Bank. Share conversion of the Convertible Bonds shall be implemented according to the provisions of the laws and administrative regulations of the State, department rules and the relevant documents including the explanatory statements regarding the Convertible Bonds.</p>	<p>The Bank may, depending on the operating and development requirements, approve an increase in its capital pursuant to the relevant provisions of these Articles. The Bank may increase its capital by way of:</p> <ol style="list-style-type: none"> <li>(1) offering <b>ordinary</b> shares to unspecified investors for subscription;</li> <li>(2) placing <b>ordinary</b> shares to existing shareholders;</li> <li>(3) allotting <b>ordinary</b> shares to existing shareholders;</li> <li>(4) allotting <b>ordinary</b> shares to specific targets;</li> <li>(5) converting capital reserve to <b>ordinary shares</b>;</li> <li><b>(6) converting preference shares into ordinary shares; and</b></li> <li>(7) other means as permitted by law and administrative regulations.</li> </ol> <p>After the increase in capital and issuance of new shares are approved according to the provisions of these Articles, the Bank shall comply with the procedures set forth in the relevant laws and administrative regulations of the State.</p> <p>Share conversion in relation to the Convertible Bonds issued by the Bank will result in the increase of the registered capital of the Bank. Share conversion of the Convertible Bonds shall be implemented according to the provisions of the laws and administrative regulations of the State, department rules and the relevant documents including the explanatory statements regarding the Convertible Bonds.</p> <p><b>The number of preference shares issued by the Bank shall not exceed 50% of the total number of ordinary shares, while the proceeds of issuance shall not exceed 50% of the net assets before such issuance, provided that the repurchased and converted preference shares shall not be included in the calculation.</b></p>	<p>To specify preference shares that may be mandatorily converted into ordinary shares by commercial banks upon the occurrence of trigger events pursuant to the “Guidance on Preference Shares Issuance of Commercial Banks to Replenish Tier-1 Capital”, article 33 of the “Administrative Guidelines on the Pilot Scheme of Preference Shares” and article 21 of the “Guidelines for Articles of Association of Listed Companies (2016 Revision)”</p> <p>To limit the number of preference shares pursuant to article 21 of the “Guidelines for Articles of Association of Listed Companies (2016 Revision)”.</p>

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
<b>Article 29</b>	<p>Directors, supervisors and other senior management members shall report to the Bank in relation to the number of shares held by them and the relevant changes. The number of shares transferred each year during their term of office shall not exceed 25% of the total number of shares of the Bank held by them and the shares of the Bank held by them shall not be transferable within one year from the date of listing and trading of the shares of the Bank. The persons referred to above shall not transfer shares of the Bank held by them within six months after they cease to be employed except under the circumstances enforced by courts.</p>	<p>Directors, supervisors and other senior management members shall report to the Bank in relation to the number of shares held by them and the relevant changes. The number of <b>ordinary shares or preference shares</b> transferred each year during their term of office shall not exceed 25% of the total number of <b>the same class</b> of shares of <b>the Bank</b> held by them and the <b>ordinary</b> shares of the Bank held by them shall not be transferable within one year from the date of listing and trading of <b>such ordinary</b> shares of the Bank. The persons referred to above shall not transfer shares of the Bank held by them within six months after they cease to be employed except under the circumstances enforced by courts.</p>	<p>Article 14 of the “Administrative Guidelines on the Pilot Scheme of Preference Shares”</p> <p>Article 28 of the “Guidelines for Articles of Association of Listed Companies (2016 Revision)”</p>
<b>Article 30</b>	<p>If any director, supervisor or member of the senior management members of the Bank holding more than 5% of the domestic shares of the Bank sells shares of the Bank within 6 months after purchase; or purchases shares of the Bank within 6 months after selling, the profits obtained therefrom shall belong to the Bank and the Board of Directors of the Bank shall confiscate the profits. If a securities company holds more than 5% of the shares as a result of underwriting and purchasing the remaining shares, the sale of such shares shall not be subject to the 6-month period restriction.</p> <p>If the Board of Directors of the Bank does not perform according to the provisions of the preceding paragraph, shareholders shall have the right to demand the Board of Directors to perform the provisions within 30 days. If the Board of Directors of the Bank fails to perform the provisions within the above period, shareholders shall have the right to initiate legal proceedings at the people’s court directly in their own names for the benefit of the Bank.</p> <p>If the Board of Directors of the Bank does not perform according to the provisions in paragraph 1, the directors who are held accountable shall be jointly liable according to law.</p>	<p>If any director, supervisor or member of the senior management members of the Bank holding more than 5% of the <b>ordinary</b> shares of the Bank sells shares of the Bank within 6 months after purchase; or purchases shares of the Bank within 6 months after selling, the profits obtained therefrom shall belong to the Bank and the Board of Directors of the Bank shall confiscate the profits. If a securities company holds more than 5% of the <b>ordinary</b> shares as a result of underwriting and purchasing the remaining shares, the sale of such shares shall not be subject to the 6-month period restriction.</p> <p>If the Board of Directors of the Bank does not perform according to the provisions of the preceding paragraph, shareholders shall have the right to demand the Board of Directors to perform the provisions within 30 days. If the Board of Directors of the Bank fails to perform the provisions within the above period, shareholders shall have the right to initiate legal proceedings at the people’s court directly in their own names for the benefit of the Bank.</p> <p>If the Board of Directors of the Bank does not perform according to the provisions in paragraph 1, the directors who are held accountable shall be jointly liable according to law.</p>	<p>To amend according to facts after the issuance of preference shares.</p>

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
<b>Article 34</b>	<p>Subject to approval of the relevant government authority, the Bank may repurchase its shares in one of the following ways:</p> <p>(1) making an offer to repurchase from all shareholders on a pro rata basis;</p> <p>(2) repurchasing of shares in open market on a stock exchange;</p> <p>(3) repurchasing by means of a contractual agreement outside a stock exchange; or</p> <p>(4) by other means as permitted by the applicable laws and regulations or as approved by the securities authority of the State Council.</p>	<p>Subject to approval of the relevant government authority, the Bank may repurchase its shares in one of the following ways:</p> <p>(1) making an offer to repurchase from all shareholders <b>of the same class</b> on a pro rata basis;</p> <p>(2) repurchasing of shares in open market on a stock exchange;</p> <p>(3) repurchasing by means of a contractual agreement outside a stock exchange; or</p> <p>(4) by other means as permitted by the applicable laws and regulations or as approved by the securities authority of the State Council.</p>	<p>To stipulate that ordinary shares and preference shares shall be calculated separately when computing the number of shareholders and the shareholding ratio, pursuant to article 15 of the “Administrative Guidelines on the Pilot Scheme of Preference Shares”.</p> <p>To stipulate that that share of the same class shall carry the same rights, pursuant to article 15 of the “Guidelines for Articles of Association of Listed Companies (2016 Revision)”.</p>
<b>Article 36</b>	<p>Shares repurchased by the Bank shall be canceled or transferred within the period prescribed by the applicable laws or administrative regulations and the canceled shares shall be filed with the Bank’s registry for registration of the change of its registered capital. The total par value of the shares so canceled shall be deducted from the registered capital of the Bank.</p>	<p>Shares repurchased by the Bank shall be canceled or transferred within the period prescribed by the applicable laws or administrative regulations and <b>any changes to the registered capital arising therefrom</b> shall be filed with the Bank’s registry for registration of the change of its registered capital. The total par value of the shares so canceled shall be deducted from the registered capital of the Bank.</p>	<p>To stipulate that change of registered capital shall be registered, pursuant to article 7 of the Company Law and article 177 of the “Guidelines for Articles of Association of Listed Companies (2016 Revision)”. To stipulate that the total number of issued preference shares shall be correspondingly written down after repurchase of preference shares, pursuant to article 13 of the “Administrative Guidelines on the Pilot Scheme of Preference Shares” and article 25 of the “Guidelines for Articles of Association of Listed Companies (2016 Revision)”.</p>

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
Article 37	<p>Unless the Bank is undergoing liquidation process, it shall comply with the following requirements with respect to a repurchase of its issued shares:</p> <p>(1) for repurchases of shares by the Bank at their par value, payment shall be made from the book balance of its distributable profits or from the proceeds of a new issue for that purpose;</p> <p>(2) for repurchases of shares by the Bank at a premium to its par value, payment up to the par value shall be made from the book balance of its distributable profits or from the proceeds of a new issue for that purpose. Payment of the portion which is in excess of the par value shall be effected as follows:</p> <p>(i) if the shares being repurchased are issued at par value, payment shall be made from the surplus of its distributable profits; and</p> <p>(ii) if the shares being repurchased were issued at a premium to its par value, payment shall be made from the book balance of its distributable profits or from the proceeds of a new issue for that purpose. However, the amount deducted from the proceeds of such new issue shall not exceed the aggregate amount of the premiums received by the Bank on issuance of the shares so repurchased, nor shall it exceed the amount in the Bank's premium account or capital reserve fund account (including the premiums on the new issue) at the time of such repurchase.</p> <p>(3) The Bank shall make the following payment from the Bank's distributable profits:</p> <p>(i) payment for acquisitions of rights to repurchase its own shares;</p> <p>(ii) payment for the variation of any contract for the repurchase of its shares; and</p> <p>(iii) payment for release from its obligations under any repurchase contract.</p>	<p>Unless the Bank is undergoing liquidation process, it shall comply with the following requirements with respect to a repurchase of its issued shares:</p> <p>(1) for repurchases of shares by the Bank at their par value, payment shall be made from the book balance of its distributable profits or from the proceeds of a new issue for that purpose;</p> <p>(2) for repurchases of shares by the Bank at a premium to its par value, payment up to the par value shall be made from the book balance of its distributable profits or from the proceeds of a new issue for that purpose. Payment of the portion which is in excess of the par value shall be effected as follows:</p> <p>(i) if the shares being repurchased are issued at par value, payment shall be made from the surplus of its distributable profits; and</p> <p>(ii) if the shares being repurchased were issued at a premium to its par value, payment shall be made from the book balance of its distributable profits or from the proceeds of a new issue for that purpose. However, the amount deducted from the proceeds of such new issue shall not exceed the aggregate amount of the premiums received by the Bank on issuance of the shares so repurchased, nor shall it exceed the amount in the Bank's premium account or capital reserve fund account (including the premiums on the new issue) at the time of such repurchase.</p> <p>(3) The Bank shall make the following payment from the Bank's distributable profits:</p> <p>(i) payment for acquisitions of rights to repurchase its own shares;</p> <p>(ii) payment for the variation of any contract for the repurchase of its shares; and</p> <p>(iii) payment for release from its obligations under any repurchase contract.</p>	

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
	<p>(4) After the aggregate par value of the canceled shares is deducted from the Bank's registered capital according to relevant provisions, the amount deducted from the distributable profits for payment of said aggregate par value of the shares shall be credited to the Bank's premium account or capital common reserve account.</p>	<p>(4) After the aggregate par value of the canceled shares is deducted from the Bank's registered capital according to relevant provisions, the amount deducted from the distributable profits for payment of said aggregate par value of the shares shall be credited to the Bank's premium account or capital common reserve account.</p> <p><b>The provisions above in this chapter are only applicable to ordinary shares, and with respect to the repurchase of preference shares by the Bank, relevant provisions in laws, administrative regulations, rules, the Articles and the issuance plan of preference shares of the Bank shall be applicable.</b></p>	
<p><b>Article 47</b></p>	<p>All fully paid H shares are freely transferable in accordance with these Articles. Unless the following conditions are satisfied, the Board of Directors may refuse to recognize any instrument(s) of transfer without stating any reasons:</p> <p>(1) any instrument of transfer or other documents which are related to or will affect the ownership of shares shall be subject to registration, and a fee thereupon shall be paid to the Bank at a rate to be stipulated according to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules");</p> <p>(2) the instrument of transfer only relates to the H shares;</p> <p>(3) the stamp duty payable on the instrument(s) of transfer has been paid;</p> <p>(4) provision of the relevant share certificates and any other evidence which the Board of Directors may reasonably require to prove that the transferor has the right to transfer the shares;</p> <p>(5) should it be intended that the shares are to be transferred to joint owners, the maximum number of joint owners shall not exceed four; and</p> <p>(6) the relevant shares shall be free from any encumbrances.</p>	<p>All fully paid H shares are freely transferable in accordance with these Articles. Unless the following conditions are satisfied, the Board of Directors may refuse to recognize any instrument(s) of transfer without stating any reasons:</p> <p>(1) any instrument of transfer or other documents which are related to or will affect the ownership of shares shall be subject to registration, and a fee thereupon shall be paid to the Bank at a rate to be stipulated according to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules");</p> <p>(2) the instrument of transfer only relates to the H shares;</p> <p>(3) the stamp duty payable on the instrument(s) of transfer has been paid;</p> <p>(4) provision of the relevant share certificates and any other evidence which the Board of Directors may reasonably require to prove that the transferor has the right to transfer the shares;</p> <p>(5) should it be intended that the shares are to be transferred to joint owners, the maximum number of joint owners shall not exceed four; and</p> <p>(6) the relevant shares shall be free from any encumbrances.</p>	

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
	<p>H shares of the Bank shall be transferred in written form by way of ordinary or usual forms of the instrument of transfer or in other forms which are acceptable to the Board of Directors. Such instrument of transfer shall only be signed under hand, or if the transferor or the transferee is a clearing organ or its agent, it may be signed under hand or by machine printed signatures. All instruments of transfer must be placed at the registered place of the Bank or other places designated by the Board of Directors from time to time.</p>	<p>H shares of the Bank shall be transferred in written form by way of ordinary or usual forms of the instrument of transfer or in other forms which are acceptable to the Board of Directors. Such instrument of transfer shall only be signed under hand, or if the transferor or the transferee is a clearing organ or its agent, it may be signed under hand or by machine printed signatures. All instruments of transfer must be placed at the registered place of the Bank or other places designated by the Board of Directors from time to time.</p> <p><b>Overseas preference shares shall be transferred in accordance with relevant trading and settlement rules.</b></p>	
<p><b>Article 54</b></p>	<p>Shareholders of the Bank shall be the persons who lawfully hold the shares of the Bank and whose names are registered in the register of shareholders.</p> <p>Shareholders shall enjoy rights and assume obligations according to the class and number of shares held by them. Shareholders who hold the same class of shares shall enjoy the same rights and assume the same obligations.</p> <p>In the case of shareholding by joint shareholders, if any one of such joint shareholders passes away, the other surviving shareholder(s) shall be deemed as the owners of the relevant shares. The Board of Directors may require the provision of death certificates acceptable to it for the purpose of amending the register of shareholders. As regards joint shareholders of any shares, only the shareholder whose name stands first in the register of shareholders shall be entitled to receive the share certificate of the relevant shares, receive notices of the Bank and attend and vote at any shareholders' general meeting. Any notice received by such shareholder shall be deemed as having served on all joint shareholders of the relevant shares.</p>	<p>Shareholders of the Bank shall be the persons who lawfully hold the shares of the Bank and whose names are registered in the register of shareholders.</p> <p><b>Shareholders of ordinary shares shall enjoy the same rights and assume the same obligations; shareholders of preference shares shall enjoy rights and assume obligations in accordance with laws, administrative regulations, departmental rules or the provisions herein and the agreements in specific terms of issuance. Shareholders holding preference shares issued in the same batch under same terms shall enjoy the same rights and assume the same obligations.</b></p> <p>In the case of shareholding by joint shareholders, if any one of such joint shareholders passes away, the other surviving shareholder(s) shall be deemed as the owners of the relevant shares. The Board of Directors may require the provision of death certificates acceptable to it for the purpose of amending the register of shareholders. As regards joint shareholders of any shares, only the shareholder whose name stands first in the register of shareholders shall be entitled to receive the share certificate of the relevant shares, receive notices of the Bank and attend and vote at any shareholders' general meeting. Any notice received by such shareholder shall be deemed as having served on all joint shareholders of the relevant shares.</p>	<p>Article 126 of the Company Law</p> <p>Article 7 of the "Administrative Guidelines on the Pilot Scheme of Preference Shares"</p> <p>Article 15 of the "Guidelines for Articles of Association of Listed Companies (2016 Revision)"</p>

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
Article 55	<p>Shareholders of the Bank's ordinary shares shall be entitled to enjoy the following rights:</p> <p>(1) receiving dividends and other forms of benefits on the basis of the number of shares held by them;</p> <p>(2) requesting to convene, chairing or attending or appointing proxies to attend shareholders' general meeting according to law;</p> <p>(3) exercising voting rights in proportion to the shares held;</p> <p>(4) supervising business operation of the Bank and submitting proposals or inquiries;</p> <p>(5) transferring, bestowing, pledging or otherwise dealing with the shares held in accordance with laws, administrative regulations, the relevant regulations of the securities regulatory organs in the place where shares of the Bank are listed as well as these Articles;</p> <p>(6) obtaining the relevant information in accordance with laws and these Articles, including:</p> <p>(i) obtaining the Articles after paying the relevant cost;</p> <p>(ii) reviewing and making copies of the following documents after paying reasonable costs:</p> <p>(A) any parts of the register of shareholders;</p> <p>(B) personal information of the directors, supervisors, president and other senior management members of the Bank, including:</p> <p>(a) current and previous name and alias;</p> <p>(b) principal address (residence);</p> <p>(c) nationality;</p> <p>(d) full-time and all other part-time occupations and duties; and</p> <p>(e) their identification documents and the numbers thereof.</p>	<p>Shareholders of the Bank's ordinary shares shall be entitled to enjoy the following rights:</p> <p>(1) receiving <b>distributable profit</b> and other forms of benefits on the basis of the number of shares held by them;</p> <p>(2) requesting to convene, chairing or attending or appointing proxies to attend shareholders' general meeting according to law;</p> <p>(3) exercising voting rights in proportion to the shares held;</p> <p>(4) supervising business operation of the Bank and submitting proposals or inquiries;</p> <p>(5) transferring, bestowing, pledging or otherwise dealing with the shares held in accordance with laws, administrative regulations, the relevant regulations of the securities regulatory organs in the place where shares of the Bank are listed as well as these Articles;</p> <p>(6) obtaining the relevant information in accordance with laws and these Articles, including:</p> <p>(i) obtaining the Articles after paying the relevant cost;</p> <p>(ii) reviewing and making copies of the following documents after paying reasonable costs:</p> <p>(A) any parts of the register of shareholders;</p> <p>(B) personal information of the directors, supervisors, president and other senior management members of the Bank, including:</p> <p>(a) current and previous name and alias;</p> <p>(b) principal address (residence);</p> <p>(c) nationality;</p> <p>(d) full-time and all other part-time occupations and duties; and</p> <p>(e) their identification documents and the numbers thereof.</p>	<p>Provisions with respect to the exercise of rights by shareholders of preference shares and article 11 of the "Administrative Guidelines on the Pilot Scheme of Preference Shares"</p> <p>Provisions with respect to the rights of shareholders of preference shares in article 32 and other articles of the "Guidelines for Articles of Association of Listed Companies (2016 Revision)"</p>

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
	<p>(C) status of the share capital of the Bank;</p> <p>(D) report on the aggregate par value, quantity, the highest price and the lowest price of each class of shares repurchased by the Bank since the last accounting year, as well as all the expenses paid by the Bank therefor;</p> <p>(E) minutes of shareholders' general meeting, resolutions of board meetings and resolutions of meetings of the Board of Supervisors;</p> <p>(F) counterfoils of the bonds; and</p> <p>(G) financial and accounting reports.</p> <p>(7) participating in the distribution of the Bank's remaining property in proportion to the number of shares held by the shareholders upon cessation of the Bank's business or liquidation of the Bank;</p> <p>(8) shareholders objecting to resolutions on merger or division passed at the shareholders' general meeting can request the Bank to acquire their shares; and</p> <p>(9) other rights conferred by laws, administrative regulations as well as the Articles.</p>	<p>(C) status of the share capital of the Bank;</p> <p>(D) report on the aggregate par value, quantity, the highest price and the lowest price of each class of shares repurchased by the Bank since the last accounting year, as well as all the expenses paid by the Bank therefor;</p> <p>(E) minutes of shareholders' general meeting, resolutions of board meetings and resolutions of meetings of the Board of Supervisors;</p> <p>(F) counterfoils of the bonds; and</p> <p>(G) financial and accounting reports.</p> <p>(7) participating in the distribution of the Bank's remaining property in proportion to the number of shares held by the shareholders upon cessation of the Bank's business or liquidation of the Bank;</p> <p>(8) shareholders objecting to resolutions on merger or division passed at the shareholders' general meeting can request the Bank to acquire their shares; and</p> <p>(9) other rights conferred by laws, administrative regulations as well as the Articles.</p> <p><b>Shareholders of preference shares of the Bank shall be entitled to the following rights:</b></p> <p>(1) <b>rights of class voting on specific matters at shareholders' general meetings;</b></p> <p>(2) <b>preference in profit distribution;</b></p> <p>(3) <b>preference in the distribution of remaining assets;</b></p> <p>(4) <b>the right of shareholders of preference shares with recovered voting rights to request to convene, chair and attend or appoint proxies to attend shareholders' general meeting;</b></p> <p>(5) <b>other rights provided by laws, administrative regulations, departmental rules or the Articles.</b></p>	



**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
		<p><b>Notwithstanding matters to be approved by shareholders of preference shares required by laws or the Articles, the shareholders of preference shares shall have neither the right to request to convene, chair and attend or appoint proxies to attend shareholders' general meeting nor the right to vote at it.</b></p> <p><b>However, when the Bank fails to pay dividends on preference shares as agreed for a total of three accounting years or for two consecutive accounting years, shareholders of preference shares shall recover their voting rights and have the right to attend shareholders' general meeting and vote together with shareholders of ordinary shares from the date following the approval by the shareholders' general meeting that the agreed dividends on preference shares would not be paid for the year. Each preference share shall carry pro rata voting right agreed in specific terms of issuance.</b></p> <p><b>The recovery of voting rights owned by shareholders of preference shares said in the preceding paragraph shall stay valid until the Bank pays the dividends for the year in full.</b></p>	
<b>Article 58</b>	<p>If any director(s) or senior management members in the course of execution of the Bank's duties violate(s) the laws or administrative regulations or the provision of these Articles thus causing any loss to the Bank, shareholders holding more than 1% of the shares of the Bank individually or jointly for a continuous period of 180 days shall have the right to request the Board of Supervisors in writing to institute proceedings at the people's court (against such director(s) or senior management members); if the Board of Supervisors in the course of execution of the Bank's duties violates the laws or administrative regulations or the provision of these Articles thus causing any loss to the Bank, shareholders may in writing request the Board of Directors to institute proceedings at the people's court against the Board of Supervisors.</p>	<p>If any director(s) or senior management members in the course of execution of the Bank's duties violate(s) the laws or administrative regulations or the provision of these Articles thus causing any loss to the <b>Bank</b>, shareholders holding more than 1% of the <b>voting</b> shares of the Bank individually or jointly for a continuous period of 180 days shall have the right to request the Board of Supervisors in writing to institute proceedings at the people's court (against such director(s) or senior management members); if the Board of Supervisors in the course of execution of the Bank's duties violates the laws or administrative regulations or the provision of these Articles thus causing any loss to the Bank, shareholders may in writing request the Board of Directors to institute proceedings at the people's court against the Board of Supervisors.</p>	<p>To stipulate that ordinary shares and preference shares shall be calculated separately when computing the number of shareholders and the shareholding ratio, pursuant to article 15 of the "Administrative Guidelines on the Pilot Scheme of Preference Shares"</p> <p>To include shareholders of preference shares with recovered voting rights in the shareholders of ordinary shares, pursuant to article 37 and other articles of the "Administrative Guidelines on the Pilot Scheme of Preference Shares".</p>

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
	<p>If the Board of Supervisors or the Board of Directors refuses to institute proceedings upon receipt of the written shareholders' request referred to above or fails to institute proceedings within 30 days after receipt of the request or in case of emergency so that the Bank may suffer irrecoverable loss if proceedings are not instituted immediately, the shareholders referred to above shall have the right to directly institute proceedings at the people's court in their own names for the benefit of the Bank.</p> <p>If a person infringing the lawful interest of the Bank thus causing loss to the Bank, the shareholders stipulated in the first paragraph may institute proceedings at the people's court according to the provisions of the preceding two paragraphs.</p>	<p>If the Board of Supervisors or the Board of Directors refuses to institute proceedings upon receipt of the written shareholders' request referred to above or fails to institute proceedings within 30 days after receipt of the request or in case of emergency so that the Bank may suffer irrecoverable loss if proceedings are not instituted immediately, the shareholders referred to above shall have the right to directly institute proceedings at the people's court in their own names for the benefit of the Bank.</p> <p>If a person infringing the lawful interest of the Bank thus causing loss to the Bank, the shareholders stipulated in the first paragraph may institute proceedings at the people's court according to the provisions of the preceding two paragraphs.</p>	
<b>Article 60</b>	<p>Shareholders of ordinary shares of the Bank shall assume the following obligations:</p> <ol style="list-style-type: none"> <li>(1) abide by the laws, administrative regulations and the Articles;</li> <li>(2) pay subscription fees according to the number of shares subscribed by them and the method of capital injection;</li> <li>(3) shall not withdraw their shareholdings unless otherwise provided by laws and regulations;</li> <li>(4) shall not abuse the shareholders' rights thus damaging the interests of the Bank or other shareholders; shall not abuse the independent legal person status of the Bank and the limited liability of shareholders thus damaging the interests of creditors of the Bank;</li> </ol> <p>If any of the shareholders of the Bank abuse the shareholders' rights thus causing loss to the Bank or other shareholders, they shall assume the liability of compensation according to law.</p> <p>If any of the shareholders of the Bank abuse the independent legal person status of the Bank and the limited liability of shareholders and evade repayment of debts thus seriously damaging the interests of the creditors of the Bank, they shall assume joint liability for the debts of the Bank.</p> <ol style="list-style-type: none"> <li>(5) the shareholders of the Bank shall perform their duties of fidelity lawfully to ensure the truth, completeness and effectiveness of the information provided by them;</li> </ol>	<p><b>Shareholders of the Bank shall assume the following obligations, unless otherwise required with respect to shareholders of preference shares by the Articles or applicable laws and regulations or the listing rule:</b></p> <ol style="list-style-type: none"> <li>(1) abide by the laws, administrative regulations and the Articles;</li> <li>(2) pay subscription fees according to the number of shares subscribed by them and the method of capital injection;</li> <li>(3) shall not withdraw their shareholdings unless otherwise provided by laws and regulations;</li> <li>(4) shall not abuse the shareholders' rights thus damaging the interests of the Bank or other shareholders; shall not abuse the independent legal person status of the Bank and the limited liability of shareholders thus damaging the interests of creditors of the Bank;</li> </ol> <p>If any of the shareholders of the Bank abuse the shareholders' rights thus causing loss to the Bank or other shareholders, they shall assume the liability of compensation according to law.</p> <p>If any of the shareholders of the Bank abuse the independent legal person status of the Bank and the limited liability of shareholders and evade repayment of debts thus seriously damaging the interests of the creditors of the Bank, they shall assume joint liability for the debts of the Bank.</p>	<p>To specify that the rights of shareholders of preference shares to participate in decision-making and management of the Bank are restricted, and they are entitled to attend and vote at shareholders' general meeting only in respect of prescribed matters, pursuant to article 10 of the "State Council Guidance on the Implementation of Pilot Scheme of Preference Shares" and article 32 of the "Guidelines for Articles of Association of Listed Companies (2016 Revision)"</p>

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
	<p>(6) other obligations imposed by laws and administrative regulations as well as these Articles.</p> <p>Shareholders of ordinary shares shall not be liable to any further contribution of the share capital other than such terms as agreed by the subscriber(s) of the relevant shares at the time of subscription.</p>	<p>(5) the shareholders of the Bank shall perform their duties of fidelity lawfully to ensure the truth, completeness and effectiveness of the information provided by them;</p> <p>(6) other obligations imposed by laws and administrative regulations as well as these Articles.</p> <p><b>Shareholders</b> shall not be liable to any further contribution of the share capital other than such terms as agreed by the subscriber(s) of the relevant shares at the time of subscription.</p>	
<b>Article 61</b>	<p>In addition to the obligations that the common shareholders shall assume, the substantial shareholders shall disclose the information of related parties truthfully, accurately and completely, and undertake to report any change of association relationship to the Board of Directors in a timely manner whenever it occurs.</p> <p>The “Substantial Shareholders” as mentioned in those Articles refer to the shareholders who, directly or indirectly, jointly hold or control more than 5% of the shares or voting rights of the Bank and can make significant influence on the Bank’s decision.</p>	<p>In addition to the obligations that the common shareholders shall assume, the substantial shareholders shall disclose the information of related parties truthfully, accurately and completely, and undertake to report any change of association relationship to the Board of Directors in a timely manner whenever it occurs.</p> <p>The “Substantial Shareholders” as mentioned in those Articles refer to the shareholders who, directly or indirectly, jointly hold or control more than 5% of the <b>voting</b> shares of the Bank and can make significant influence on the Bank’s decision.</p>	<p>To stipulate that ordinary shares and preference shares shall be calculated separately when computing the number of shareholders and the shareholding ratio, pursuant to article 15 of the “Administrative Guidelines on the Pilot Scheme of Preference Shares”.</p> <p>To include shareholders of preference shares with recovered voting rights in the shareholders of ordinary shares, pursuant to article 37 and other articles of the “Administrative Guidelines on the Pilot Scheme of Preference Shares”.</p>
<b>Article 69</b>	<p>The term “controlling shareholders” herein shall refer to the persons satisfying any of the following conditions:</p> <p>(1) has the right to elect more than half of the directors when acting alone or in concert with others;</p> <p>(2) has the right to exercise or control the exercise of more than 30% of the voting rights of the Bank when acting alone or in concert with others;</p> <p>(3) holding more than 30% of the shares of the Bank when acting alone or in concert with others; and</p> <p>(4) can effectively control the Bank in any other manner when acting alone or in concert with others.</p>	<p>The term “controlling shareholders” herein shall refer to the persons satisfying any of the following conditions:</p> <p>(1) has the right to elect more than half of the directors when acting alone or in concert with others;</p> <p>(2) has the right to exercise or control the exercise of more than 30% of the voting rights of the Bank when acting alone or in concert with others;</p> <p>(3) holding more than 30% of the <b>voting</b> shares of the Bank when acting alone or in concert with others; and</p> <p>(4) can effectively control the Bank in any other manner when acting alone or in concert with others.</p>	<p>To stipulate that ordinary shares and preference shares shall be calculated separately when computing the number of shareholders and the shareholding ratio, pursuant to article 15 of the “Administrative Guidelines on the Pilot Scheme of Preference Shares”.</p> <p>To include shareholders of preference shares with recovered voting rights in the shareholders of ordinary shares, pursuant to article 37 and other articles of the “Administrative Guidelines on the Pilot Scheme of Preference Shares”.</p>

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
	<p>The term “acting in concert” herein shall mean the act where two or more persons reaching an agreement (verbal or written), pursuant to which one of them obtains the voting rights of the Bank in order to gain or strengthen control over the Bank.</p> <p>The term “effective controllers” referred herein shall mean a person who can effectively control the acts of the Bank through investment relationship, agreement or other arrangements even though he is not a shareholder of the Bank.</p>	<p>The term “acting in concert” herein shall mean the act where two or more persons reaching an agreement (verbal or written), pursuant to which one of them obtains the voting rights of the Bank in order to gain or strengthen control over the Bank.</p> <p>The term “effective controllers” referred herein shall mean a person who can effectively control the acts of the Bank through investment relationship, agreement or other arrangements even though he is not a shareholder of the Bank.</p>	
<p><b>Article 73</b></p>	<p>The place for convening a shareholders’ general meeting shall be the registered office of the Bank.</p> <p>The Bank shall arrange for a venue and the meeting shall be held in the form of on-the-spot meeting. The Bank may provide facilities to the shareholders attending the shareholders’ general meeting by adopting safe, economic and expedient networks or other methods. Shareholders attending the meeting by way of the above methods shall be deemed as to have attended the meeting.</p>	<p>The place for convening a shareholders’ general meeting shall be the registered office of the Bank.</p> <p>The Bank may provide facilities to the shareholders attending the shareholders’ general meeting by adopting safe, economic and expedient networks or other methods <b>required by laws, administrative regulations, the CSRC and the Articles.</b> Shareholders attending the meeting by way of the above methods shall be deemed as to have attended the meeting.</p>	<p>To clarify the legal basis for the adoption of online method or otherwise in convening a shareholders’ general meeting, so that the meeting is convened in stricter compliance with laws and regulations.</p>
<p><b>Article 78</b></p>	<p>If the Board of Supervisors or shareholders decide(s) to convene a shareholders’ general meeting on their own, a written notice shall be sent to the Board of Directors and filed with the banking regulatory organ of the State Council and the securities regulatory organ of the State Council in the place where the Bank is situated and the relevant stock exchange. Prior to publication of the announcement on the resolutions passed at the shareholders’ general meeting, the shareholding ratio of the shareholders convening the meeting shall not be less than 10%.</p> <p>When issuing the notice of shareholders’ general meeting and the announcement on the resolutions passed at the shareholders’ general meeting, the shareholders convening the meeting shall submit the relevant evidence materials to the securities regulatory organ of the State Council in the place where the Bank is situated and the relevant stock exchanges.</p>	<p>If the Board of Supervisors or shareholders decide(s) to convene a shareholders’ general meeting on their own, a written notice shall be sent to the Board of Directors and filed with the banking regulatory organ of the State Council and the securities regulatory organ of the State Council in the place where the Bank is situated and the relevant stock exchange. Prior to publication of the announcement on the resolutions passed at the shareholders’ general meeting, the ratio of the <b>voting shares</b> held by shareholders convening the meeting to <b>total voting shares</b> shall not be less than 10%.</p> <p>When issuing the notice of shareholders’ general meeting and the announcement on the resolutions passed at the shareholders’ general meeting, the shareholders convening the meeting shall submit the relevant evidence materials to the securities regulatory organ of the State Council in the place where the Bank is situated and the relevant stock exchanges.</p>	<p>To include shareholders of preference shares with recovered voting rights in the shareholders of ordinary shares, pursuant to article 37 and other articles of the “Administrative Guidelines on the Pilot Scheme of Preference Shares”.</p>

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
<b>Article 84</b>	<p>The notice of the shareholders' general meeting shall satisfy the following conditions:</p> <ol style="list-style-type: none"> <li>(1) be in writing;</li> <li>(2) specifying the venue, date and time and duration of the meeting;</li> <li>(3) describing the matters to be discussed at the meeting;</li> <li>(4) providing the information and explanations necessary for shareholders to make informed decisions regarding the matters to be discussed, including (but are not limited to) specific terms and contract (if any) of a proposed transaction and a detailed explanation of the causes and consequences where the Bank proposes a merger, repurchase of shares, capital reorganization or other form of restructuring;</li> <li>(5) where any director(s), supervisor(s), president and other senior management member(s) has/have a material interest in the matters to be discussed, then the nature and extent of that interest should be disclosed. If the impact of the matters to be discussed on such director(s), supervisor(s), president and other senior management member(s) who is/are shareholders is different from the impact on other shareholders of the same class, that difference shall be illustrated;</li> <li>(6) containing the full text of any special resolution(s) proposed to be passed at the shareholders' general meeting;</li> <li>(7) providing a clear description stating that the shareholders having the right to attend and vote at the shareholders' general meeting shall have the right to appoint one or more proxies to attend and vote on their behalf and such proxy needs not be a shareholder of the Bank;</li> <li>(8) setting out the deadline and address for the delivery of proxy form for the shareholders' general meeting;</li> <li>(9) the shareholding registration date for shareholders who have the right to attend the shareholders' general meeting;</li> <li>(10) name and telephone number of the contact person in relation to the shareholders' general meeting; and</li> </ol>	<p>The notice of the shareholders' general meeting shall satisfy the following conditions:</p> <ol style="list-style-type: none"> <li>(1) be in writing;</li> <li>(2) specifying the venue, date and time and duration of the meeting;</li> <li>(3) describing the matters to be discussed at the meeting;</li> <li>(4) providing the information and explanations necessary for shareholders to make informed decisions regarding the matters to be discussed, including (but are not limited to) specific terms and contract (if any) of a proposed transaction and a detailed explanation of the causes and consequences where the Bank proposes a merger, repurchase of shares, capital reorganization or other form of restructuring;</li> <li>(5) where any director(s), supervisor(s), president and other senior management member(s) has/have a material interest in the matters to be discussed, then the nature and extent of that interest should be disclosed. If the impact of the matters to be discussed on such director(s), supervisor(s), president and other senior management member(s) who is/are shareholders is different from the impact on other shareholders of the same class, that difference shall be illustrated;</li> <li>(6) containing the full text of any special resolution(s) proposed to be passed at the shareholders' general meeting;</li> <li>(7) providing a clear description stating that the shareholders <b>of ordinary shares (including shareholders of preference shares with recovered voting rights)</b> having the right to attend and vote at the shareholders' general meeting shall have the right to appoint one or more proxies to attend and vote on their behalf and such proxy needs not be a shareholder of the Bank;</li> <li>(8) setting out the deadline and address for the delivery of proxy form for the shareholders' general meeting;</li> <li>(9) the shareholding registration date for shareholders who have the right to attend the shareholders' general meeting;</li> <li>(10) name and telephone number of the contact person in relation to the shareholders' general meeting; and</li> </ol>	

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

<b>No. of original articles</b>	<b>Text of original articles</b>	<b>Text of new articles</b>	<b>Basis of amendment</b>
	(1) the time and procedures for voting through Internet or by other methods shall be clarified in the notice of convening the shareholders' general meeting if any shareholders attend the shareholders' general meeting through Internet or by another methods.	(1) the time and procedures for voting through Internet or by other methods shall be clarified in the notice of convening the shareholders' general meeting if any shareholders attend the shareholders' general meeting through Internet or by another methods.	
<b>Article 86</b>	<p>The notice of the shareholders' general meeting and relevant documents shall be delivered by hand or prepaid post to all the shareholders (whether or not such shareholders have a voting right at the shareholders' general meeting). The address of the receiving party shall be the address recorded in the register of shareholders. For domestic shareholders, the delivery of the notice of shareholders' general meeting, the circular to shareholders and relevant documents may also be made by way of announcement; for holders of overseas listed foreign shares, the notice of shareholders' general meeting, the circular to shareholders and relevant documents may, in accordance with laws, administrative regulations, and the listing rules in the place where the Bank's shares are listed, be delivered on the Bank's website and the website of the Hong Kong Stock Exchange.</p> <p>Announcements referred to in the preceding paragraph shall be published on one or more newspapers designated by the securities regulatory organ of the State Council within 45 to 50 days before the meeting. All shareholders of domestic shares shall be deemed as having received that notice of shareholders' general meeting upon the publication of that announcement.</p>	<p>The notice of the shareholders' general meeting and relevant documents shall be delivered by hand or prepaid post to all the shareholders (whether or not such shareholders have a voting right at the shareholders' general meeting). The address of the receiving party shall be the address recorded in the register of shareholders. For domestic shareholders, the delivery of the notice of shareholders' general meeting, the circular to shareholders and relevant documents may also be made by way of announcement; for holders of overseas listed foreign shares, the notice of shareholders' general meeting, the circular to shareholders and relevant documents may, in accordance with laws, administrative regulations, and the listing rules in the place where the Bank's shares are listed, be delivered on the Bank's website and the website of the Hong Kong Stock Exchange.</p> <p>Announcements referred to in the preceding paragraph shall be published on one or more newspapers designated by the securities regulatory organ of the State Council within 45 to 50 days before the meeting. All shareholders of domestic shares shall be deemed as having received that notice of shareholders' general meeting upon the publication of that announcement.</p> <p><b>Where the matters regarding the notice of preference shareholders' general meeting are otherwise provided by the Articles, applicable laws and regulations and the listing rules, such provisions shall prevail.</b></p>	

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No. of original articles	Text of original articles	Text of new articles	Basis of amendment
<p><b>Article 90</b></p>	<p>All shareholders recorded in the register on the record date shall have the right to attend the shareholders' general meetings and exercise the voting rights in accordance with relevant laws, regulations and the Articles of Association. Shareholders may attend a shareholders' general meeting in person, and also may appoint a proxy to attend and vote on their behalf.</p> <p>Any shareholder who has the right to attend and vote at a shareholders' general meeting shall have the right to appoint one or more persons (not necessarily a shareholder) as his/her proxy to attend the meeting and vote. Such proxy may exercise the following rights in accordance with the shareholder's authorization:</p> <p>(1) such shareholder's right of speech at the shareholders' general meetings; and</p> <p>(2) the voting right. In the event that a shareholder is a recognized clearing house (as defined in the Hong Kong Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) (or its nominee(s)), it may, as it sees fit, appoint one or more persons as its proxy to attend and vote at any shareholders' general meeting or class meeting. However, in the event that more than one person is so appointed, the proxy form shall specify the number and class of the shares relating to each of such proxies. Such proxy may exercise the rights of such recognized clearing house (or its nominee(s)) on its behalf in the same manner as if it was an individual shareholder of the Bank.</p>	<p>All shareholders of the Bank's <b>ordinary shares and those of preference shares whose voting rights are resumed</b> recorded in the register on the record date shall have the right to attend the shareholders' general meetings and exercise the voting rights in accordance with relevant laws, regulations and the Articles of Association. <b>Such</b> shareholders may attend a shareholders' general meeting in person, and also may appoint a proxy to attend and vote on their behalf.</p> <p>Any shareholder who has the right to attend and vote at a shareholders' general meeting shall have the right to appoint one or more persons (not necessarily a shareholder) as his/her proxy to attend the meeting and vote. Such proxy may exercise the following rights in accordance with the shareholder's authorization:</p> <p>(1) such shareholder's right of speech at the shareholders' general meetings; and</p> <p>(2) the voting right.</p> <p>In the event that a shareholder is a recognized clearing house (as defined in the Hong Kong Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) (or its nominee(s)), it may, as it sees fit, appoint one or more persons as its proxy to attend and vote at any shareholders' general meeting or class meeting. However, in the event that more than one person is so appointed, the proxy form shall specify the number and class of the shares relating to each of such proxies. Such proxy may exercise the rights of such recognized clearing house (or its nominee(s)) on its behalf in the same manner as if it was an individual shareholder of the Bank.</p>	
<p><b>Article 96</b></p>	<p>The register of the persons attending the meeting shall be prepared by the Bank. The register shall set out the names of the persons attending the meeting (or names of the entity he/she is from), their identity card numbers, residential addresses, numbers of shares held or representing voting rights, names of the proxied (or names of the entity he/she is from).</p>	<p>The register of the persons attending the meeting shall be prepared by the Bank. The register shall set out the names of the persons attending the meeting (or names of the entity he/she is from), their identity card numbers, residential addresses, numbers of shares held or representing voting rights, <b>class of shares</b>, names of the proxied (or names of the entity he/she is from).</p>	<p>To add matters of registration for meetings given the existence of shares of different classes.</p>



**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
<p><b>Article 108</b></p>	<p>Shareholders (including their proxies) shall exercise their voting rights according to the number of shares held with voting rights. Each share shall have one voting right. The shares of the Bank held by the Bank do not have any voting right and such shares shall not be counted in the total number of shares with voting rights at the shareholders' general meeting.</p>	<p>Shareholders of <b>ordinary shares</b> (including their proxies) shall exercise their voting rights according to the number of shares held with voting rights. Each share shall have one voting right. <b>The voting rights of shareholders of preference shares with recovered voting rights shall be calculated as agreed in specific terms of issuance. Unless otherwise required by the Articles in respect of class voting with preference shares, the shares held by the shareholders of preference shares shall not carry any voting rights.</b></p> <p><b>In the event of class voting with preference shares, each preference share (excluding preference shares with recovered voting rights) shall have one voting right.</b></p> <p><b>Ordinary and preference shares</b> of the Bank held by the Bank do not have any voting right and such shares shall not be counted in the total number of shares of <b>different classes</b> with voting rights at the shareholders' general meeting.</p> <p><b>When the shareholders' general meeting considers material matters that may influence the interests of minority investors (excluding investors holding preference shares), the votes of minority investors shall be calculated separately. The result of such separate calculation shall be disclosed promptly.</b></p>	<p>To stipulate that each preference share with recovered voting right shall have pro rata voting right provided by the Articles, pursuant to article 11 of the "Administrative Guidelines on the Pilot Scheme of Preference Shares". Article 78 of the "Guidelines for Articles of Association of Listed Companies (2016 Revision)"</p>
<p><b>Article 109</b></p>	<p>Resolutions of shareholders' general meeting shall be divided into ordinary resolutions and special resolutions.</p> <p>To adopt an ordinary resolution, votes representing more than one half of the voting rights represented by the shareholders (including shareholders' proxies) present at the meeting must be exercised in favor of the resolution.</p> <p>To adopt a special resolution, votes representing two-thirds or more of the voting rights represented by the shareholders (including shareholders' proxies) present at the meeting must be exercised in favor of the resolution.</p>	<p>Resolutions of shareholders' general meeting shall be divided into ordinary resolutions and special resolutions.</p> <p>To adopt an ordinary resolution, votes representing more than one half of the voting rights represented by the shareholders <b>with voting rights</b> (including shareholders' proxies) present at the meeting must be exercised in favor of the resolution.</p> <p>To adopt a special resolution, votes representing two-thirds or more of the voting rights represented by the shareholders <b>with voting rights</b> (including shareholders' proxies) present at the meeting must be exercised in favor of the resolution.</p>	<p>To specify that the rights of shareholders of preference shares to participate in decision-making and management of the Bank are restricted, and they are entitled to attend and vote at shareholders' general meeting only in respect of prescribed matters, pursuant to article 10 of the "State Council Guidance on the Implementation of Pilot Scheme of Preference Shares" and article 32 of the "Guidelines for Articles of Association of Listed Companies (2016 Revision)".</p>



**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
<p><b>Article 111</b></p>	<p>The following matters shall be approved by a special resolution at a shareholders' general meeting:</p> <p>(1) the increase or decrease of registered capital and the issuance of shares of any class, warrants for share subscription and other similar securities;</p> <p>(2) the issue of debentures of the Bank;</p> <p>(3) the separation, merger, change of corporate form, dissolution or liquidation of the Bank;</p> <p>(4) amendments to the Articles of Association;</p> <p>(5) share incentive plans;</p> <p>(6) any purchase or sale of our material assets within one year, or provision of guaranty within one year where the amount exceeds 30% of the total amount of the Bank's assets as audited in the latest period;</p> <p>(7) any other matters prescribed by the Articles of Association, or resolved by the shareholders at a shareholders' general meeting, by an ordinary resolution, to be of a nature that may have a material impact on the Bank and should be adopted by a special resolution.</p>	<p>The following matters shall be approved by a special resolution at a shareholders' general meeting:</p> <p>(1) the increase or decrease of registered capital and the issuance of shares of any class, warrants for share subscription and other similar securities;</p> <p>(2) the issue of debentures of the Bank;</p> <p>(3) the separation, merger, change of corporate form, dissolution or liquidation of the Bank;</p> <p>(4) amendments to the Articles of Association;</p> <p>(5) share incentive plans;</p> <p>(6) any purchase or sale of our material assets within one year, or provision of guaranty within one year where the amount exceeds 30% of the total amount of the Bank's assets as audited in the latest period;</p> <p><b>(7) deciding or authorizing the Board of Directors to decide on matters relating to the issuance of preference shares and the issued preference shares of the Bank, including but not limited to making decisions on whether to conduct relevant repurchase, conversion or dividend distribution (but the Board of Directors shall not be authorized to decide on matters of cancellation of part or all of the dividend distribution) thereof; and</b></p> <p>(8) any other matters prescribed by the Articles of Association, or resolved by the shareholders at a shareholders' general meeting, by an ordinary resolution, to be of a nature that may have a material impact on the Bank and should be adopted by a special resolution.</p>	<p>Articles 11, 37 and 55 of the "Administrative Guidelines on the Pilot Scheme of Preference Shares" Article 107 of the "Guidelines for Articles of Association of Listed Companies (2016 Revision)"</p>

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
<b>Article 115</b>	The Bank shall, on the premise of ensuring the lawfulness and validity of the shareholders' general meeting, provide various means or channels including the provision of up-to-date information technology such as on-line voting platforms to facilitate the shareholders' participation in the shareholders' general meeting.	<p>The Bank shall, on the premise of ensuring the lawfulness and validity of the shareholders' general meeting, provide various means or channels including the provision of up-to-date information technology such as on-line voting platforms to facilitate the shareholders' participation in the shareholders' general meeting.</p> <p><b>In the event that shareholders' general meeting is convened with respect to the issuance of preference shares, the Bank shall allow on-line voting and adopt other channels recognized by the CSRC to facilitate the shareholders' participation in the shareholders' general meeting.</b></p>	Article 80 of the "Guidelines for Articles of Association of Listed Companies (2016 Revision)"
<b>Article 117</b>	Except for cumulative polling, each of the proposals of the shareholders' general meeting shall be voted in sequence, and different proposals concerning the same matter shall be voted in order when the proposals are submitted. Except in the event of force majeure or other special reasons resulting in the termination of the shareholders' general meeting or that the failure of reaching the resolutions, any proposals proposed at the shareholders' general meeting shall not be set aside or reserve for voting.	<p>Except for cumulative polling, each of the proposals of the shareholders' general meeting shall be voted in sequence, and different proposals concerning the same matter shall be voted in order when the proposals are submitted. Except in the event of force majeure or other special reasons resulting in the termination of the shareholders' general meeting or that the failure of reaching the resolutions, any proposals proposed at the shareholders' general meeting shall not be set aside or reserve for voting.</p> <p><b>When considering the issuance of preference shares, the shareholders' general meeting shall vote on the following matters item by item:</b></p> <ol style="list-style-type: none"> <li><b>(1) class and number of preference shares in such issuance;</b></li> <li><b>(2) issuance targets, issuance methods and arrangement of placement to the existing shareholders;</b></li> <li><b>(3) par value, issuance price or pricing range and the determining basis;</b></li> <li><b>(4) methods for shareholders of preference shares to participate in profit distribution, including dividend rate and the determining basis thereof, conditions of dividend distribution, methods of dividend payment, any accumulation of dividends and any entitlement to the distribution of remaining profits;</b></li> <li><b>(5) terms of repurchase, including conditions, period, price and pricing principles of such repurchase and the entity to exercise the repurchase option (if any);</b></li> </ol>	<p>"State Council Guidance on the Implementation of Pilot Scheme of Preference Shares" Articles 10 and 37 of the "Administrative Guidelines on the Pilot Scheme of Preference Shares"</p> <p>Articles 32 and 77 of the "Guidelines for Articles of Association of Listed Companies (2016 Revision)"</p>

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
		<p>(6) use of proceeds;</p> <p>(7) conditional share subscription contract entered into between the Company and issuance targets (if any);</p> <p>(8) validity period of the resolution;</p> <p>(9) proposed amendments to the relevant terms hereof in relation to the profit distribution policy for shareholders of preference shares and shareholders of ordinary shares;</p> <p>(10) authorization to the Board to deal with specific matters of the issuance; and</p> <p>(11) other matters.</p> <p>Shareholders of preference shares are not entitled to attend the shareholders' general meeting of the Bank and their preference shares do not carry any voting rights. However, the Bank shall notify the shareholders of preference shares about the convening of shareholders' general meeting upon occurrence of any of the following circumstances. Whereby, shareholders of preference shares are entitled to attend shareholders' general meeting and exercise class voting on the following matters together with shareholders of ordinary shares, with each preference share having one voting right save that the preference shares of the Bank held by the Bank do not have any voting rights:</p> <p>(1) amendment to contents relating to preference shares hereof;</p> <p>(2) reduction of registered capital of the Bank by over 10% at one time or multiple times together;</p> <p>(3) merger, division, dissolution or change of the corporate form of the Bank;</p> <p>(4) issuance of preference shares;</p> <p>(5) other circumstances stipulated by laws, regulations or the Articles.</p>	

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
		<p>According to special procedures for voting by shareholders of different classes under chapter 9 of the Articles, resolution on above matters is not only subject to the approval with over two-thirds of voting rights held by shareholders of ordinary shares (including shareholders of preference shares with recovered voting rights) attending the meeting, but also subject to the approval with over two-thirds of voting rights held by shareholders of preference shares (excluding shareholders of preference shares with recovered voting rights, yet including shareholders in person and its proxies) attending the meeting.</p> <p>There is neither the need of notification to shareholders of preference shares nor the need of class voting thereof, when a plan on cancellation of part or all of the dividend distribution to shareholders of preference shares or a resolution on issuance of ordinary shares is considered at the shareholders' general meeting.</p>	
<p><b>Article 126</b></p>	<p>Shareholders present at the shareholders' general meeting shall give one of the following comments to the proposals put forward for voting: for, against or abstention.</p> <p>If the voting slip has not been completed or has been completed incorrectly or that the writing is illegible or that the voting slip has not been cast, it shall be treated that the voter has renounced his/her voting rights and the voting results of the relevant number of shares held by him/her shall be counted as "abstain".</p>	<p>Shareholders present at the shareholders' general meeting shall give one of the following comments to the proposals put forward for voting: for, against or abstention.</p> <p><b>Securities registration and clearing service providers serve as nominal shareholders of shares under the transactions in stock connect mechanisms between mainland China and Hong Kong, save those declare the intent of reporting as actual holders.</b></p> <p>If the voting slip has not been completed or has been completed incorrectly or that the writing is illegible or that the voting slip has not been cast, it shall be treated that the voter has renounced his/her voting rights and the voting results of the relevant number of shares held by him/her shall be counted as "abstain".</p>	<p>Article 89 of the "Guidelines for Articles of Association of Listed Companies (2016 Revision)"</p>
<p><b>Article 131</b></p>	<p>Public announcement of the voting results of a shareholders' general meeting, containing the number of shareholders and proxies attending the meeting, the total number of voting shares held by them and its proportion to the total number of voting shares of the Bank, the form of voting, result of each resolution and the detailed content of each resolution, shall be issued in time.</p>	<p>Public announcement of the voting results of a shareholders' general meeting, containing the number of shareholders and proxies of <b>each class</b> attending the meeting, the total number of voting shares held by them and its proportion to the total number of voting shares of the Bank, the form of voting, result of each resolution and the detailed content of each resolution, shall be issued in time.</p>	<p>To clarify the original article given the existence of shares of different classes.</p>

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
<b>Article 134</b>	If the Bank intends to change or abrogate the rights of shareholders of different classes, it may do so only after such change or abrogation has been approved by way of a special resolution of the shareholders' general meeting and by a separate class meeting convened by the affected shareholders of that class in accordance with Article 135 to Article 139 hereof.	If the Bank intends to change or abrogate the rights of shareholders of different classes, it may do so only after such change or abrogation has been approved by way of a special resolution of the shareholders' general meeting and by a separate class meeting convened by the affected shareholders of that class in accordance with <b>Article 136 to Article 140</b> hereof.	For consistency with regulatory rules.
<b>Article 135</b>	<p>Under the following circumstances, rights of shareholders of a certain class shall be deemed to have been changed or abrogated:</p> <p>(1) an increase or decrease in the number of shares of such class or an increase or decrease in the number of shares of such classes in the number of shares of a class having voting rights, distribution rights or other privileges equal or superior to those of the shares of such class, except the circumstance as contemplated under Article 19 hereof when shareholders of domestic shares of the Bank transfer their shares to overseas investors and that such shares are listed and traded overseas;</p> <p>(2) a re-classification of all or part of the shares of such class into the shares of another class, a conversion of all or part of the shares of another class into the shares of such class or the grant of a conversion right for such shares, except the circumstance as contemplated under Article 19 hereof when shareholders of domestic shares of the Bank transfer their shares to overseas investors and that such shares are listed and traded overseas;</p> <p>(3) cancellation or reduction of rights attached to such class of shares in relation to the accrued dividends or cumulative dividends;</p> <p>(4) a reduction or cancellation of rights attached to such class of shares in relation to the priority to dividends or property distribution during liquidation of the Bank;</p> <p>(5) increase, cancellation or reduction of share conversion rights, options, voting rights, transfer rights, pre-emptive rights to rights issues or rights to acquire securities of the Bank attached to that class of shares;</p>	<p>Under the following circumstances, rights of shareholders of a certain class shall be deemed to have been changed or abrogated:</p> <p>(1) an increase or decrease in the number of shares of such class or an increase or decrease in the number of shares of a class having voting rights, distribution rights or other privileges equal or superior to those of the shares of such class, except the circumstance as contemplated under Article 19 hereof when shareholders of domestic <b>ordinary shares</b> of the Bank transfer their shares to overseas investors and that such shares are listed and traded overseas;</p> <p>(2) a re-classification of all or part of the shares of such class into the shares of another class, a conversion of all or part of the shares of another class into the shares of such class or the grant of a conversion right for such shares, except the circumstance as contemplated under Article 19 hereof when shareholders of domestic <b>ordinary shares</b> of the Bank transfer their shares to overseas investors and that such shares are listed and traded overseas;</p> <p>(3) cancellation or reduction of rights attached to such class of shares in relation to the accrued <b>distributable profits</b> or cumulative <b>distributable profits</b>;</p> <p>(4) a reduction or cancellation of rights attached to such class of shares in relation to the priority to <b>distributable profits</b> or property distribution during liquidation of the Bank;</p> <p>(5) increase, cancellation or reduction of share conversion rights, options, voting rights, transfer rights, pre-emptive rights to rights issues or rights to acquire securities of the Bank attached to that class of shares;</p>	<p>Shareholders of preference shares also represent a class of shareholders. Unless otherwise stipulated hereof on class voting of shareholders of preference shares, special procedures for voting by shareholders of different classes are also applicable to shareholders of preference shares.</p>

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
	<p>(6) cancellation or reduction of rights attached to the class of shares to receive amounts payable by the Bank in a specified currency;</p> <p>(7) a creation of a new class of shares with voting rights, distribution rights or other privileges equal or superior to the shares of that class;</p> <p>(8) an imposition of restrictions or additional restrictions on the transfer or ownership of shares of such class;</p> <p>(9) issue of rights to subscribe for, or convert into, the shares of such class or another class;</p> <p>(10) an increase in the rights and privileges of the shares of another class;</p> <p>(11) the restructuring plan of the Bank may result in disproportionate liabilities to be borne by shareholders of different classes during the restructuring; and</p> <p>(12) an amendment to or abrogation of the terms stipulated in these Articles.</p>	<p>(6) cancellation or reduction of rights attached to the class of shares to receive amounts payable by the Bank in a specified currency;</p> <p>(7) a creation of a new class of shares with voting rights, distribution rights or other privileges equal or superior to the shares of that class;</p> <p>(8) an imposition of restrictions or additional restrictions on the transfer or ownership of shares of such class;</p> <p>(9) issue of rights to subscribe for, or convert into, the shares of such class or another class;</p> <p>(10) an increase in the rights and privileges of the shares of another class;</p> <p>(11) the restructuring plan of the Bank may result in disproportionate liabilities to be borne by shareholders of different classes during the restructuring; and</p> <p>(12) an amendment to or abrogation of the terms stipulated in these Articles.</p> <p><b>The change or abrogation of the rights of shareholders of preference shares is limited to the circumstances set forth in the paragraph 3 under Article 117 hereof.</b></p>	
<b>Article 140</b>	<p>Except shareholders of other classes of shares, shareholders of domestic shares and shareholders of overseas listed foreign shares shall be regarded as shareholders of different classes.</p> <p>Special procedures for voting by shareholders of different classes shall not be applicable to the following circumstances:</p> <p>(i) after approval by the shareholders' general meeting by special resolution(s), the Bank issues domestic shares and overseas listed foreign shares every twelve months, whether separately or jointly, and the domestic shares and overseas listed foreign shares to be issued shall not exceed 20% of the issued share capital of respective class of shares;</p>	<p>Except shareholders of other classes of shares, shareholders of <b>domestically listed</b> domestic shares and shareholders of overseas listed foreign shares shall be regarded as shareholders of different classes.</p> <p><b>Shareholders of ordinary shares and shareholders of preference shares shall also be regarded as shareholders of different classes.</b></p> <p>Special procedures for voting by shareholders of different classes shall not be applicable to the following circumstances:</p> <p>(i) after approval by the shareholders' general meeting by special resolution(s), the Bank issues <b>domestically listed</b> domestic shares and overseas listed foreign shares every twelve months, whether separately or jointly, and the <b>domestically listed</b> domestic shares and overseas listed foreign shares to be issued shall not exceed 20% of the issued share capital of respective class of shares;</p>	

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
	<p>(ii) the plan to issue domestic shares and overseas listed foreign shares upon establishment of the Bank was completed within fifteen months from the date of approval by the securities regulatory organ of the State Council; and</p> <p>(iii) shareholders of domestic shares of the Bank transfer their shares to overseas investors and the shares are listed and traded overseas as referred to in Article 19.</p>	<p>(ii) the plan to issue domestic shares and overseas listed foreign shares upon establishment of the Bank was completed within fifteen months from the date of approval by the securities regulatory organ of the State Council; and</p> <p>(iii) shareholders of <b>ordinary</b> domestic shares of the Bank transfer their shares to overseas investors and the shares are listed and traded overseas as referred to in Article 19.</p>	
<b>Article 153</b>	<p>The following persons shall not act as an independent director of the Bank:</p> <p>(1) any person and any of his/her close relatives holding more than 1% of the Bank's shares or holding a position in the shareholders' units;</p> <p>(2) a natural person among the Bank's top ten shareholders or holding a position in the units owned by any of the Bank's top five shareholders;</p> <p>(3) any person or any of his/her close relatives who holds a position in any companies which are controlled or effectively controlled by the Bank;</p> <p>(4) any person or any of his/her close relatives who holds a position in any entity which is unable to repay loans to the Bank when falling due;</p> <p>(5) any person who held a position in the Bank or any companies which are controlled or effectively controlled by the Bank within three years prior to the assumption of his/her office;</p> <p>(6) any person who provides such services as financial, legal and consultancy services to the Bank or its subsidiaries, or any person or any of his close relatives who holds a position in any entity which has a relationship of business, liabilities or debts with, or any interests in the Bank by providing such services as legal, accounting, auditing, management consultancy and guarantee cooperation services to the Bank, thus impeding his/her independence in the performance of duties;</p>	<p>The following persons shall not act as an independent director of the Bank:</p> <p>(1) any person and any of his/her close relatives holding more than 1% of the Bank's <b>voting</b> shares or holding a position in the shareholders' units;</p> <p>(2) a natural person among the Bank's top ten shareholders with <b>voting rights</b> or holding a position in the units owned by any of the Bank's top five shareholders with <b>voting rights</b>;</p> <p>(3) any person or any of his/her close relatives who holds a position in any companies which are controlled or effectively controlled by the Bank;</p> <p>(4) any person or any of his/her close relatives who holds a position in any entity which is unable to repay loans to the Bank when falling due;</p> <p>(5) any person who held a position in the Bank or any companies which are controlled or effectively controlled by the Bank within three years prior to the assumption of his/her office;</p> <p>(6) any person who provides such services as financial, legal and consultancy services to the Bank or its subsidiaries, or any person or any of his close relatives who holds a position in any entity which has a relationship of business, liabilities or debts with, or any interests in the Bank by providing such services as legal, accounting, auditing, management consultancy and guarantee cooperation services to the Bank, thus impeding his/her independence in the performance of duties;</p>	<p>To stipulate that only ordinary shares and preference shares with recovered voting rights are counted in determining the top 10 shareholders and shareholders with 5% or above shareholding for the calculations relevant to shareholding, pursuant to the "State Council Guidance on the Implementation of Pilot Scheme of Preference Shares".</p> <p>To stipulate that ordinary shares and preference shares shall be calculated separately when computing the number of shareholders and the shareholding ratio, pursuant to article 15 of the "Administrative Guidelines on the Pilot Scheme of Preference Shares". To include shareholders of preference shares with recovered voting rights in the shareholders of ordinary shares, pursuant to articles 37 and other articles of the "Administrative Guidelines on the Pilot Scheme of Preference Shares".</p>

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
	<p>(7) any other person or any of his/her close relatives upon whom the Bank, its substantial shareholders or senior management members may control or exercise significant influence through various means, thus impeding his/her independence in the performance of duties;</p> <p>(8) the immediate or major relatives of the above-mentioned persons (immediate relatives refer to spouse, father/mother, children, etc.; major relatives refer to brothers/sisters, father/mother-in-law, son/daughter-in-law, spouse of brothers/sisters, brother/sister of spouse, etc.);</p> <p>(9) any person who is within any of the above categories within the past one year;</p> <p>(10) any other person who is prohibited to act as independent director as prescribed by the relevant regulatory authorities or pursuant to the Articles of Association of the Bank; and</p> <p>(11) any other person as prescribed by laws and regulations.</p> <p>Close relatives set out in the Articles of Association refer to spouses, parents, children, brothers, sisters, grandparents, grandparents-in-law, grandchildren and grandchildren-in-law.</p>	<p>(7) any other person or any of his/her close relatives upon whom the Bank, its substantial shareholders or senior management members may control or exercise significant influence through various means, thus impeding his/her independence in the performance of duties;</p> <p>(8) the immediate or major relatives of the above-mentioned persons (immediate relatives refer to spouse, father/mother, children, etc.; major relatives refer to brothers/sisters, father/mother-in-law, son/daughter-in-law, spouse of brothers/sisters, brother/sister of spouse, etc.);</p> <p>(9) any person who is within any of the above categories within the past one year;</p> <p>(10) any other person who is prohibited to act as independent director as prescribed by the relevant regulatory authorities or pursuant to the Articles of Association of the Bank; and</p> <p>(11) any other person as prescribed by laws and regulations.</p> <p>Close relatives set out in the Articles of Association refer to spouses, parents, children, brothers, sisters, grandparents, grandparents-in-law, grandchildren and grandchildren-in-law.</p>	
<b>Article 155</b>	<p>Nomination, election and replacement of independent directors</p> <p>(1) The Nomination Committee under the Board of Directors, the Board of Supervisors or any shareholder who individually or in aggregate holds more than 1% of the issued shares of the Bank may nominate candidate(s) for independent director(s), and the shareholders who have already nominated the candidate(s) for director(s) shall not nominate the candidate(s) for independent director(s). The same shareholder may only nominate one candidate for independent director and shall not nominate candidates for both independent director and external supervisor.</p>	<p>Nomination, election and replacement of independent directors</p> <p>(1) The Nomination Committee under the Board of Directors, the Board of Supervisors or any shareholder who individually or in aggregate holds more than 1% of the issued <b>voting</b> shares of the Bank may nominate candidate(s) for independent director(s), and the shareholders who have already nominated the candidate(s) for director(s) shall not nominate the candidate(s) for independent director(s). The same shareholder may only nominate one candidate for independent director and shall not nominate candidates for both independent director and external supervisor.</p>	<p>To stipulate that ordinary shares and preference shares shall be calculated separately when computing the number of shareholders and the shareholding ratio, pursuant to article 15 of the “Administrative Guidelines on the Pilot Scheme of Preference Shares”</p> <p>To include shareholders of preference shares with recovered voting rights in the shareholders of ordinary shares, pursuant to articles 37 and 45 and other articles of the “Administrative Guidelines on the Pilot Scheme of Preference Shares”.</p>



**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
	<p>(2) The person nominating a candidate for independent director shall obtain the consent of the person being nominated before the nomination. The person nominating such candidate shall fully understand the occupation, education, position, detailed working experience and all part-time jobs of the person being nominated and shall express opinion on his/her qualifications of acting as an independent director and his/her independence. The person being nominated shall make a public declaration stating that there is no relationship between him/her and the Bank which may hinder his/her independent and objective judgment.</p> <p>Before convening the shareholders' general meeting for election of independent directors, the Board of Directors of the Bank shall publish an announcement incorporating the above in accordance with the relevant provisions.</p> <p>(3) The qualification of candidates nominated for serving as independent directors shall be verified by the Nomination Committee under the Board of Directors, with a focus on their independence, professional knowledge, experience and capability.</p> <p>(4) The election and appointment of independent directors shall mainly follow market principles, and an independent director shall not concurrently hold positions in two commercial banks.</p> <p>(5) Before convening the shareholders' general meeting for election of independent directors, the Bank shall submit the materials relating to all the persons being nominated to the banking regulatory organ and securities regulatory organ of the State Council and the securities regulatory organ of the State Council and the stock exchange in the place where the Bank is situated. If the Board of Directors of the Bank has any disagreement on the relevant circumstances in which the person is nominated, written opinions of the Board of Directors shall be submitted at the same time.</p>	<p>(2) The person nominating a candidate for independent director shall obtain the consent of the person being nominated before the nomination. The person nominating such candidate shall fully understand the occupation, education, position, detailed working experience and all part-time jobs of the person being nominated and shall express opinion on his/her qualifications of acting as an independent director and his/her independence. The person being nominated shall make a public declaration stating that there is no relationship between him/her and the Bank which may hinder his/her independent and objective judgment.</p> <p>Before convening the shareholders' general meeting for election of independent directors, the Board of Directors of the Bank shall publish an announcement incorporating the above in accordance with the relevant provisions.</p> <p>(3) The qualification of candidates nominated for serving as independent directors shall be verified by the Nomination Committee under the Board of Directors, with a focus on their independence, professional knowledge, experience and capability.</p> <p>(4) The election and appointment of independent directors shall mainly follow market principles, and an independent director shall not concurrently hold positions in two commercial banks.</p> <p>(5) Before convening the shareholders' general meeting for election of independent directors, the Bank shall submit the materials relating to all the persons being nominated to the banking regulatory organ and securities regulatory organ of the State Council and the securities regulatory organ of the State Council and the stock exchange in the place where the Bank is situated. If the Board of Directors of the Bank has any disagreement on the relevant circumstances in which the person is nominated, written opinions of the Board of Directors shall be submitted at the same time.</p>	

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
	<p>If a person being nominated is objected to by the banking regulatory organ of the State Council and the securities regulatory organ of the State Council, such person may become candidate for director of the Bank but in no event can he/she become a candidate for independent director.</p> <p>(6) Independent directors are appointed for the same term as that of the Bank's directors. The term of office of the independent directors of the Bank shall not be more than an aggregate of six years.</p>	<p>If a person being nominated is objected to by the banking regulatory organ of the State Council and the securities regulatory organ of the State Council, such person may become candidate for director of the Bank but in no event can he/she become a candidate for independent director.</p> <p>(6) Independent directors are appointed for the same term as that of the Bank's directors. The term of office of the independent directors of the Bank shall not be more than an aggregate of six years.</p>	
<b>Article 156</b>	<p>In addition to the duties and powers as those of a director of the Bank, independent directors shall have the following duties and powers:</p> <p>(1) significant connected transactions (as so determined in accordance with the relevant requirements of the banking regulatory authority and the securities regulatory authority under the State Council and the stock exchange in the jurisdictions where the Bank's shares are listed) shall be approved by independent directors before submitting to the Board of Directors for discussion. Before the independent directors make a judgment, they may appoint an intermediary committee to issue the report of independent financial adviser as the basis for their judgment;</p> <p>(2) propose to the Board of Directors to appoint or remove an accounting firm;</p> <p>(3) propose to the Board of Directors to convene an extraordinary shareholders' general meeting;</p> <p>(4) propose to convene a board meeting;</p> <p>(5) independently appoint an external auditing organ and advisory organ to conduct auditing and consultancy on the specific matters of the Bank;</p>	<p>In addition to the duties and powers as those of a director of the Bank, independent directors shall have the following duties and powers:</p> <p>(1) significant connected transactions (as so determined in accordance with the relevant requirements of the banking regulatory authority and the securities regulatory authority under the State Council and the stock exchange in the jurisdictions where the Bank's shares are listed) shall be approved by independent directors before submitting to the Board of Directors for discussion. Before the independent directors make a judgment, they may appoint an intermediary committee to issue the report of independent financial adviser as the basis for their judgment;</p> <p>(2) propose to the Board of Directors to appoint or remove an accounting firm;</p> <p>(3) propose to the Board of Directors to convene an extraordinary shareholders' general meeting;</p> <p>(4) propose to convene a board meeting;</p> <p>(5) independently appoint an external auditing organ and advisory organ to conduct auditing and consultancy on the specific matters of the Bank;</p>	<p>Article 36 of the "Administrative Guidelines on the Pilot Scheme of Preference Shares"</p>

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
	<p>(6) publicly solicit voting rights from shareholders before the shareholders' general meeting convenes.</p> <p>The exercise of the above duties and powers (except (5)) by the independent directors shall obtain the consent of more than one-half of all the independent directors. The exercise of the duties and powers referred to in (5) above by the independent directors shall obtain the consent of all the independent directors. If the above proposal is not accepted or the above duties and powers cannot be normally exercised, the Bank shall disclose the relevant circumstances.</p>	<p><b>(6) independently give opinions in respect of the influence of issuance of preference shares on the interests of shareholder of different classes; and</b></p> <p>(7) publicly solicit voting rights from shareholders before the shareholders' general meeting convenes.</p> <p>The exercise of the above duties and powers (except (5)) by the independent directors shall obtain the consent of more than one-half of all the independent directors. The exercise of the duties and powers referred to in (5) above by the independent directors shall obtain the consent of all the independent directors. If the above proposal is not accepted or the above duties and powers cannot be normally exercised, the Bank shall disclose the relevant circumstances.</p>	
<b>Article 163</b>	<p>The Board of Directors shall be accountable to the shareholders' general meeting, take ultimate responsibility for the operation and management of the Bank and shall exercise the following functions and powers:</p> <p>(1) to be responsible for the convening of shareholders' general meetings and shall report on the work to the shareholders' general meetings;</p> <p>(2) to implement the resolutions passed at the shareholders' general meetings;</p> <p>(3) to determine the Bank's business plans, investment proposals and important asset disposal proposals;</p> <p>(4) to formulate the development strategy and capital management strategy of the Bank, pay special attention to such ancillary strategies as the talent strategy and the IT strategy and supervise the implementation of such strategies;</p> <p>(5) to formulate the Bank's proposals on annual financial budgets and final accounts;</p> <p>(6) to formulate the Bank's profit distribution proposal and loss recovery proposal;</p> <p>(7) to formulate proposals on the increase or reduction of the Bank's registered capital, issuance of bonds or other securities and listing;</p>	<p>The Board of Directors shall be accountable to the shareholders' general meeting, take ultimate responsibility for the operation and management of the Bank and shall exercise the following functions and powers:</p> <p>(1) to be responsible for the convening of shareholders' general meetings and shall report on the work to the shareholders' general meetings;</p> <p>(2) to implement the resolutions passed at the shareholders' general meetings;</p> <p>(3) to determine the Bank's business plans, investment proposals and important asset disposal proposals;</p> <p>(4) to formulate the development strategy and capital management strategy of the Bank, pay special attention to such ancillary strategies as the talent strategy and the IT strategy and supervise the implementation of such strategies;</p> <p>(5) to formulate the Bank's proposals on annual financial budgets and final accounts;</p> <p>(6) to formulate the Bank's profit distribution proposal and loss recovery proposal;</p> <p>(7) to formulate proposals on the increase or reduction of the Bank's registered capital, issuance of bonds or other securities and listing;</p>	<p>Articles 11, 37 and 55 of the "Administrative Guidelines on the Pilot Scheme of Preference Shares" Article 107 of the "Guidelines for Articles of Association of Listed Companies (2016 Revision)"</p>

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
	<p>(8) to draw up plans for significant acquisition, purchase of the Bank's shares or merger, division or dissolution or change of mode of the Bank;</p> <p>(9) to decide on matters including equity investment and other external investments, acquisitions and disposals of fixed assets and other assets, assets pledge, external guarantees and connected transactions within the scope stipulated by the Articles and authorised by the shareholders' general meeting;</p> <p>(10) to decide on the establishment of the Bank's internal management organs;</p> <p>(11) to appoint or remove the Bank's president and secretary of the Board of Directors; and to appoint or remove the Bank's senior management members including the executive vice presidents and the financial controller in accordance with the recommendations of the president; to decide on their remunerations, rewards and punishment; and to monitor and ensure the effective performance of their management duties by the senior management of the Bank;</p> <p>(12) to decide the allocation ratio in proportion to the total profits in relation to the reward fund to the president;</p> <p>(13) to formulate the Bank's basic management system;</p> <p>(14) to formulate proposals on the amendments to the Articles of the Bank;</p> <p>(15) to formulate the vocational guidelines and value standards with which the Board of Directors and senior management members shall comply;</p> <p>(16) to take charge of information disclosure of the Bank and take ultimate responsibility for the truthfulness, accuracy, completeness and timeliness of the accounting and financial reports of the Bank;</p> <p>(17) to propose at a shareholders' general meeting to appoint or replace the accounting firm which undertakes auditing work for the Bank;</p> <p>(18) to hear the president's work report and inspect the president's work;</p>	<p>(8) to draw up plans for significant acquisition, purchase of the Bank's shares or merger, division or dissolution or change of mode of the Bank;</p> <p>(9) to decide on matters including equity investment and other external investments, acquisitions and disposals of fixed assets and other assets, assets pledge, external guarantees and connected transactions within the scope stipulated by the Articles and authorised by the shareholders' general meeting;</p> <p>(10) to decide on the establishment of the Bank's internal management organs;</p> <p>(11) to appoint or remove the Bank's president and secretary of the Board of Directors; and to appoint or remove the Bank's senior management members including the executive vice presidents and the financial controller in accordance with the recommendations of the president; to decide on their remunerations, rewards and punishment; and to monitor and ensure the effective performance of their management duties by the senior management of the Bank;</p> <p>(12) to decide the allocation ratio in proportion to the total profits in relation to the reward fund to the president;</p> <p>(13) to formulate the Bank's basic management system;</p> <p>(14) to formulate proposals on the amendments to the Articles of the Bank;</p> <p>(15) to formulate the vocational guidelines and value standards with which the Board of Directors and senior management members shall comply;</p> <p>(16) to take charge of information disclosure of the Bank and take ultimate responsibility for the truthfulness, accuracy, completeness and timeliness of the accounting and financial reports of the Bank;</p> <p>(17) to propose at a shareholders' general meeting to appoint or replace the accounting firm which undertakes auditing work for the Bank;</p> <p>(18) to hear the president's work report and inspect the president's work;</p>	

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
	<p>(19) to regularly assess and improve the status of corporate governance of the Bank;</p> <p>(20) to formulate the overall strategy for the management of consolidated financial accounts of the Bank, approve and supervise the formulation and implementation of the specific implementation plan on the management of consolidated financial accounts, and establish a mechanism of regular review (including the review of internal transactions) and assessment;</p> <p>(21) to perform the Bank’s primary duty for capital management and leverage ratio management, set limits on risk exposure and the capital adequacy objective, approve and supervise the implementation of capital planning, consider and approve the implementation of the advanced capital measurement method, and perform the duty of capital management required by the banking regulatory authority under the State Council;</p> <p>(22) to consider and approve the management system for provision for losses on loans formulated by the management and its material changes;</p> <p>(23) to establish and improve the accountability mechanism for material loss of the Bank;</p> <p>(24) to establish the mechanism for identification, verification and management of the conflict of interest between the Bank and shareholders, in particular substantial shareholders;</p> <p>(25) to protect the legitimate interests of depositors and other interested parties; and</p> <p>(26) to exercise any other duties and powers conferred by laws, regulations, these Articles and the shareholders’ general meeting.</p> <p>Items (6), (7), (8), (11) and (14) and other issues set out in Rule 174 of these Rules of Procedures shall be voted for by two-thirds of the directors and the remaining items shall be voted for by more than one half of the directors. The Board of Directors shall fully take into consideration the opinions of external auditors when performing its duties.</p>	<p>(19) to regularly assess and improve the status of corporate governance of the Bank;</p> <p>(20) to formulate the overall strategy for the management of consolidated financial accounts of the Bank, approve and supervise the formulation and implementation of the specific implementation plan on the management of consolidated financial accounts, and establish a mechanism of regular review (including the review of internal transactions) and assessment;</p> <p>(21)to perform the Bank’s primary duty for capital management and leverage ratio management, set limits on risk exposure and the capital adequacy objective, approve and supervise the implementation of capital planning, consider and approve the implementation of the advanced capital measurement method, and perform the duty of capital management required by the banking regulatory authority under the State Council;</p> <p>(22) to consider and approve the management system for provision for losses on loans formulated by the management and its material changes;</p> <p>(23) to establish and improve the accountability mechanism for material loss of the Bank;</p> <p>(24) to establish the mechanism for identification, verification and management of the conflict of interest between the Bank and shareholders, in particular substantial shareholders;</p> <p>(25) to protect the legitimate interests of depositors and other interested parties;</p> <p><b>(26) to decide on matters relating to the issuance of preference shares and the issued preference shares of the Bank, including but not limited to making decisions on whether to conduct relevant repurchase, conversion or dividend distribution (but the Board of Directors shall not be authorized to decide on matters of cancellation of part or all of the dividend distribution) thereof within the scope authorized by the shareholders’ general meeting; and</b></p>	

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
		<p>(27) to exercise any other duties and powers conferred by laws, regulations, these Articles and the shareholders' general meeting.</p> <p>Items (6), (7), (8), (11), (14) and (26) and other issues set out in Rule 174 of these Rules of Procedures shall be voted for by two-thirds of the directors and the remaining items shall be voted for by more than one half of the directors. The Board of Directors shall fully take into consideration the opinions of external auditors when performing its duties.</p>	
<p><b>Article 166</b></p>	<p>The Board of Directors shall define its authority in relation to investment and disposals of the Bank's assets and establish strict examination and policy making procedures; shall arrange for the relevant experts and professionals to assess and examine significant investment projects and asset disposals and submit a report of the same to the shareholders' general meeting for approval.</p> <p>The equity investments or other external investments and the acquisition or disposal of fixed assets or other assets each involving an amount not exceeding 10% (inclusive) of the net asset value based on the latest published audited accounts of the Bank shall be approved by the Board of Directors; and any single acquisition or disposal involving an amount which is in excess of the aforementioned limit shall be approved at the shareholders' general meeting. Any assets investment and disposal by the senior management shall be authorized by the Board of Directors.</p> <p>For disposal of any fixed assets by the Board of Directors, if the aggregate of the expected value of the fixed assets proposed to be disposed of and the value of the fixed assets which had been disposed of within four months immediately preceding such proposal for disposal exceeds 33% of the fixed assets value shown in the most recent balance sheet reviewed by the shareholders' general meeting, the Board of Directors shall not dispose or approve the disposal of such fixed assets before obtaining the approval of the shareholders' general meeting.</p> <p>Disposal of fixed assets referred to in this Article includes the transfer of interests of certain assets, but excludes the provision of fixed assets as pledges to any guarantees.</p>	<p>The Board of Directors shall define its authority in relation to investment and disposals of the Bank's assets and establish strict examination and policy making procedures; shall arrange for the relevant experts and professionals to assess and examine significant investment projects and asset disposals and submit a report of the same to the shareholders' general meeting for approval.</p> <p>The equity investments or other external investments and the acquisition or disposal of fixed assets or other assets each involving an amount not exceeding 10% (inclusive) of the net asset value based on the latest published audited accounts of the Bank shall be approved by the Board of Directors; and any single acquisition or disposal involving an amount which is in excess of the aforementioned limit shall be approved at the shareholders' general meeting. Any assets investment and disposal by the senior management shall be authorized by the Board of Directors.</p> <p>For disposal of any fixed assets by the Board of Directors, if the aggregate of the expected value of the fixed assets proposed to be disposed of and the value of the fixed assets which had been disposed of within four months immediately preceding such proposal for disposal exceeds 33% of the fixed assets value shown in the most recent balance sheet reviewed by the shareholders' general meeting, the Board of Directors shall not dispose or approve the disposal of such fixed assets before obtaining the approval of the shareholders' general meeting</p> <p><b>Acquisition and</b> disposal of fixed assets referred to in this Article includes the transfer of interests of certain assets, but excludes the provision of fixed assets as pledges to any guarantees.</p>	<p>To amend according to actual needs.</p>

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
	The validity of transactions conducted by the Bank in relation to the disposal of fixed assets shall not be affected notwithstanding any violation of the requirements set out in the first paragraph of this Article.	The validity of transactions conducted by the Bank in relation to the disposal of fixed assets shall not be affected notwithstanding any violation of the requirements set out in the first paragraph of this Article.	
<b>Article 169</b>	<p>An extraordinary meeting of the Board of Directors may be held by the chairman within 10 days, if:</p> <p>(1) it is deemed necessary by the chairman;</p> <p>(2) it is proposed by more than one-third of the directors;</p> <p>(3) it is proposed by the Board of Supervisors;</p> <p>(4) it is proposed by the president;</p> <p>(5) it is proposed by shareholders representing more than one-tenth of the voting rights; and</p> <p>(6) other circumstances stipulated by laws, administrative regulations, departmental rules or the Articles.</p>	<p>An extraordinary meeting of the Board of Directors may be held by the chairman within 10 days, if:</p> <p>(1) it is deemed necessary by the chairman;</p> <p>(2) it is proposed by more than one-third of the directors;</p> <p>(3) it is proposed by the Board of Supervisors;</p> <p>(4) it is proposed by the president;</p> <p>(5) it is proposed by shareholders <b>(including shareholders of ordinary shares and shareholders of preference shares with recovered voting rights)</b> representing more than one-tenth of the voting rights; and</p> <p>(6) other circumstances stipulated by laws, administrative regulations, departmental rules or the Articles.</p>	<p>To stipulate that ordinary shares and preference shares shall be calculated separately when computing the number of shareholders and the shareholding ratio, pursuant to article 15 of the “Administrative Guidelines on the Pilot Scheme of Preference Shares”</p> <p>To include shareholders of preference shares with recovered voting rights in the shareholders of ordinary shares, pursuant to articles 37 and other articles of the “Administrative Guidelines on the Pilot Scheme of Preference Shares”.</p>
<b>Article 170</b>	<p>Mode of notification of extraordinary meetings of the Board of Directors: by notice in writing, including sending it by registered mail, telegram, telex, email and facsimile (with acknowledgment of receipt). Time limit for sending the notification: such notice shall be delivered to the directors and supervisors at least one day prior to the meeting.</p>	<p>Mode of notification of extraordinary meetings of the Board of Directors: by notice in writing, including sending it by registered mail, telegram, telex, email and facsimile (with acknowledgment of receipt). Such notice <b>shall</b> be delivered to the directors and supervisor <b>within a reasonable time</b> prior to the meeting.</p>	To amend for flexibility in practices and operations.
<b>Article 256</b>	<p>The profit after taxation of the Bank shall be allocated according to the following order and sequence:</p> <p>(1) make up for the losses of the previous year;</p> <p>(2) allocate 10% of the profits to the statutory common reserve fund;</p> <p>(3) allocate general reserve;</p>	<p>The profit after taxation of the Bank shall be allocated according to the following order and sequence:</p> <p>(1) make up for the losses of the previous year;</p> <p>(2) allocate 10% of the profits to the statutory common reserve fund;</p> <p>(3) allocate general reserve;</p>	



**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
	<p>(4) allocate discretionary common reserve fund; and</p> <p>(5) pay shareholder’s dividend.</p> <p>When the accumulated amount of the statutory common reserve fund reaches 50% or above of the registered capital of the Bank, allocation is no longer required. After making allocation to the statutory common reserve fund and general reserve, making allocation to the discretionary common reserve fund is subject to approval at a shareholders’ general meeting.</p> <p>After making up for the losses and making allocation to the common reserve fund, the remaining profit after taxation shall be distributed according to the shareholding ratios of shareholders, except those allocations to be made not in accordance with the shareholding ratios as stipulated in these Articles.</p> <p>The Bank’s shares held by the Bank shall not participate in profit distribution.</p> <p>Before making up for the losses, making allocation to the statutory common reserve fund and general reserve, the distribution of dividend or other distribution by way of bonus shall be prohibited. If the shareholders’ general meeting distributes profits to the shareholders in violation of preceding provisions of the Article, the shareholders shall return to the Bank the profits which are distributed in violation of the provisions.</p>	<p><b>(4) distribute dividends on preference shares;</b></p> <p>(5) allocate discretionary common reserve fund; and</p> <p><b>(6) distribute dividends to shareholders of ordinary shares.</b></p> <p>When the accumulated amount of the statutory common reserve fund reaches 50% or above of the registered capital of the Bank, allocation is no longer required.</p> <p>After making allocation to the statutory common reserve fund and general reserve <b>from profits after taxation, the Bank distributes dividends on preference shares according to the decision of the Board of Directors with authority from the shareholders’ general meeting or the decision of relevant director with authority delegated from the Board of Directors.</b></p> <p><b>After making up for the losses, making allocation to the statutory common reserve fund and general reserve and distributing dividends on preference shares, the Bank may also allocate discretionary common reserve fund from profits after taxation.</b></p> <p>After making up for the losses, making allocation to the common reserve fund and general reserve <b>and distributing dividends on preference shares</b>, the remaining profit after taxation shall be distributed according to the shareholding ratios of shareholders of <b>ordinary shares</b>, except those allocations to be made not in accordance with the shareholding ratios as stipulated in these Articles.</p> <p>The Bank’s shares held by the Bank shall not participate in profit distribution.</p> <p>Before making up for the losses, making allocation to the statutory common reserve fund and general reserve, the distribution of dividend or other distribution by way of bonus shall be prohibited. If the shareholders’ general meeting distributes profits to the shareholders in violation of preceding provisions of the Article, the shareholders shall return to the Bank the profits which are distributed in violation of the provisions.</p>	<p>“Article 152 of the Guidelines for the Articles of Association of Listed Companies (2016 Revision)”</p>



**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
<p><b>Article 259</b></p>	<p>The Bank’s policies and plans for profit distribution shall be prepared by the Board of Directors and approved by the shareholders’ general meeting. In the course of making specific dividend distribution plans, the Board of Directors and the shareholders’ general meeting shall fully consider the views of independent directors, the Board of Supervisors and public investors, communicate with public investors through a variety of channels and accept the inspections on the Bank’s profit distribution by independent directors, the Board of Supervisors and public investors.</p> <p>Independent directors shall review the policies and plans for profit distribution presented for consideration and approval at the shareholders’ general meeting and form a written opinion.</p> <p>After the resolution on profit distribution has been passed at a shareholder’s general meeting of the Bank, the Bank’s Board of Directors shall complete the distribution of dividends (or shares) within 2 months after convening of the shareholders’ general meeting.</p> <p>Any share monies of any shares paid before the call shall be entitled to dividends. However, shareholders shall not have any right to receive the dividend declared thereafter in relation to the pre-paid share monies.</p> <p>The Bank shall adjust its profit distribution policies in accordance with the industry regulatory policies, changes in the external regulatory environment, its operation status and long-term development. The adjusted profit distribution policies shall not violate the laws, regulations and the relevant provisions of the regulatory authority in the place where the Bank is listed. Any resolution regarding adjustments to the profit distribution policy is subject to the prior review of independent directors and the Board of Supervisors, shall be presented at the shareholders’ general meeting of the Bank for approval after consideration by the Board of Directors and approved by more than two-thirds of the votes of the Shareholders attending the shareholders’ general meeting of the Bank. In considering the adjustments to its profit distribution policy, the Bank shall make online voting accessible to its shareholders.</p>	<p>The Bank’s policies and plans for profit distribution shall be prepared by the Board of Directors and approved by the shareholders’ general meeting. In the course of making specific dividend distribution plans, the Board of Directors and the shareholders’ general meeting shall fully consider the views of independent directors, the Board of Supervisors and public investors, communicate with public investors through a variety of channels and accept the inspections on the Bank’s profit distribution by independent directors, the Board of Supervisors and public investors.</p> <p>Independent directors shall review the policies and plans for profit distribution presented for consideration and approval at the shareholders’ general meeting and form a written opinion.</p> <p>After the resolution on profit distribution has been passed at a shareholder’s general meeting of the Bank, the Bank’s Board of Directors shall complete the distribution of cash profits (or shares) paid to ordinary shareholders within 2 months after convening of the shareholders’ general meeting. The Board of Directors shall complete the distribution of <b>cash profits</b> (or shares) <b>to shareholders of ordinary shares</b> within two months after the date of shareholders’ general meeting in which the resolution of distribution and conversion of capital reserve to share capital is passed.</p> <p>Any share monies of any shares paid before the call shall be entitled to dividends. However, shareholders shall not have any right to receive the dividend declared thereafter in relation to the pre-paid share monies.</p> <p>The Bank shall adjust its profit distribution policies in accordance with the industry regulatory policies, changes in the external regulatory environment, its operation status and long-term development. The adjusted profit distribution policies shall not violate the laws, regulations and the relevant provisions of the regulatory authority in the place where the Bank is listed. Any resolution regarding adjustments to the profit distribution policy is subject to the prior review of independent directors and the Board of Supervisors, shall be presented at the shareholders’ general meeting of the Bank for approval after consideration by the Board of Directors and approved by more than two-thirds of the votes of the Shareholders with <b>right to vote</b> attending the shareholders’ general meeting of the Bank. In considering the adjustments to its profit distribution policy, the Bank shall make online voting accessible to its shareholders.</p>	<p>To stipulate that shareholders of preference shares are preferred in profit distribution of the Bank over shareholders of ordinary shares at an agreed coupon dividend rate, pursuant to the “State Council Guidance on the Implementation of Pilot Scheme of Preference Shares”. To include shareholders of preference shares with recovered voting rights in the shareholders of ordinary shares, pursuant to articles 37 and other articles of the “Administrative Guidelines on the Pilot Scheme of Preference Shares”.</p>

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
		<p><b>Provisions in preceding paragraphs herein only apply to the profit distribution to shareholders of ordinary shares by the Bank, and matters relating to dividend payment to shareholders of preference shares by the Bank shall be dealt with pursuant to the paragraph 2 under Article 260 hereof and other relevant provisions.</b></p>	
<p><b>Article 260</b></p>	<p>The profit distribution policies of the Bank are:</p> <p>(1) Profit distribution of the Bank shall focus on reasonable returns to investment of the investors, and such policies shall maintain continuity and stability;</p> <p>(2) The Bank may distribute dividends in cash, shares or a combination of cash and shares, and the Bank shall distribute dividends mainly in the form of cash. Subject to compliance with prevailing laws, regulations and the requirements of relevant regulatory authority on the capital adequacy ratio, as well as the requirements of general working capital, business development and the need for substantial investment, merger and acquisition plans of the Bank, the cash dividends to be distributed by the Bank each year in principle shall not be less than 30% of the net profit after taxation audited in accordance with PRC accounting standards for that year. The Bank may pay interim cash dividend. Unless another resolution is passed at the shareholders' general meeting, the Board of Directors shall be authorized at the shareholders' general meeting to approve the interim dividend distribution policy;</p> <p>(3) If the Bank generated profits in the previous accounting year but the Board of Directors did not made any cash profit distribution proposal after the end of the previous accounting year, the Bank shall state the reasons for not distributing the profit and the usage of the profit retained in the periodic report and the independent directors shall give an independent opinion in such regard;</p>	<p>The profit distribution policies for <b>ordinary shares</b> of the Bank are:</p> <p>(1) Profit distribution of the Bank shall focus on reasonable returns to investment of the investors, and such policies shall maintain continuity and stability;</p> <p>(2) The Bank may distribute profits in cash, shares or a combination of cash and shares, and the Bank shall distribute <b>profits</b> mainly in the form of cash. Subject to compliance with prevailing laws, regulations and the requirements of relevant regulatory authority on the capital adequacy ratio, as well as the requirements of general working capital, business development and the need for substantial investment, merger and acquisition plans of the Bank, the cash dividends to be distributed by the Bank to <b>shareholders of ordinary shares</b> each year in principle shall not be less than 30% of the net profit after taxation <b>attributable to shareholders of ordinary shares</b>, audited in accordance with PRC accounting standards for that year. The Bank may pay interim cash dividend. Unless another resolution is passed at the shareholders' general meeting, the Board of Directors shall be authorized at the shareholders' general meeting to approve the interim <b>profit</b> distribution policy;</p> <p>(3) If the Bank generated profits in the previous accounting year but the Board of Directors did not made any cash profit distribution proposal after the end of the previous accounting year, the Bank shall state the reasons for not distributing the profit and the usage of the profit retained in the periodic report and the independent directors shall give an independent opinion in such regard;</p>	<p>To stipulate that shareholders of preference shares are preferred in profit distribution of the Bank over shareholders of ordinary shares at an agreed coupon rate, pursuant to the "State Council Guidance on the Implementation of Pilot Scheme of Preference Shares". Article 15 of the "Guidelines for Articles of Association of Listed Companies (2016 Revision)"</p>

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
	<p>(4) In the event the Board of Directors considers that the share price of the Bank no longer matches the scale of its share capital or it is deemed necessary by the Board of Directors, subject to the satisfaction of the aforesaid conditions in respect of dividend distribution in cash, the Bank may propose the dividend distribution plan, and implement it after consideration and approval by the shareholders' general meeting;</p> <p>(5) The Bank shall pay cash dividends and other amounts to holders of H shares and such sums shall be calculated and declared in Renminbi and be paid in Hong Kong dollars. The Bank shall pay cash dividends and other amounts to holders of H shares and such sums shall be calculated and declared in Renminbi and be paid in Hong Kong dollars. The foreign currencies required by the Bank for the payment of cash dividends and other sums to shareholders of overseas listed foreign shares shall be handled according to the relevant provisions on foreign exchange administration of the State;</p> <p>(6) Where fund appropriation to a shareholder is found to be in violation of relevant rules, the Company shall make deduction against the cash dividend to be paid to the shareholder, and such amount shall be used to repay the funds appropriated; and</p> <p>(7) The Bank shall disclose its implementation of the cash dividend policy and other relevant matters in its periodic report in accordance with the relevant requirements.</p>	<p>(4) In the event the Board of Directors considers that the share price of the Bank no longer matches the scale of its share capital or it is deemed necessary by the Board of Directors, subject to the satisfaction of the aforesaid conditions in respect of <b>profit</b> distribution in cash, the Bank may propose the <b>profit</b> distribution plan <b>in shares</b>, and implement it after consideration and approval by the shareholders' general meeting;</p> <p>(5) The Bank shall pay cash <b>profits</b> and other amounts to holders of domestically listed <b>domestic shares</b> and such sums shall be calculated, declared and paid in Renminbi. The Bank shall pay cash <b>profits</b> and other amounts to holders of H shares and such sums shall be calculated and declared in Renminbi and be paid in Hong Kong dollars. The foreign currencies required by the Bank for the payment of cash <b>profits</b> and other sums to shareholders of overseas listed foreign shares shall be handled according to the relevant provisions on foreign exchange administration of the State;</p> <p>(6) Where fund appropriation to a shareholder is found to be in violation of relevant rules, the <b>Bank</b> shall make deduction against the cash dividend to be paid to the shareholder, and such amount shall be used to repay the funds appropriated; and</p> <p>(7) The Bank shall disclose its implementation of the cash dividend policy and other relevant matters in its periodic report in accordance with the relevant requirements.</p> <p><b>The dividend distribution policies for preference shares of the Bank are:</b></p> <p>(1) <b>Fixed dividend rate or floating dividend rate may apply to the preference shares issued by the Bank, which shall be calculated according to agreements in the issuance documents of preference shares;</b></p> <p><b>Unless otherwise provided by laws and regulations or otherwise resolved at the shareholders' general meeting of shareholders, a dividend rate adjustable by stage is adopted for the issued and surviving preference shares of the Bank, that is, the dividend shall be paid at fixed dividend rate for each adjustable stage.</b></p>	

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
		<p>(2) The Company shall distribute dividends to shareholders of preference shares if there are distributable profits after taxation, provided that the Bank has the right to cancel the distribution of part or all of the dividends on preference shares and such cancellation shall not constitute a breach of agreement. In the event that the Company cancels the distribution of part or all of the dividends on Offshore Preference Shares, the Bank will not distribute any profit to shareholders of ordinary shares during the period from the date following the adoption of relevant resolution at the shareholders' general meeting to the restoration of full dividend payment to the shareholders of preference shares;</p> <p>(3) Where the Bank does not distribute dividend to shareholders of preference shares in full for a particular year, the difference will not be carried forward to the following year;</p> <p>(4) Where the dividend is distributed to shareholders of preference shares by Bank as agreed, they shall not be entitled to the distribution of the remaining profit;</p> <p>(5) The Bank shall pay dividends and other amounts to shareholders of domestic preference shares and such sums shall be calculated, declared and paid in Renminbi. The Bank shall pay dividends and other amounts to shareholders of overseas preference shares and such sums shall be calculated and declared in Renminbi, and paid in foreign currencies. The payment shall be handled according to the relevant provisions on foreign exchange administration of the State.</p>	

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

<b>No. of original articles</b>	<b>Text of original articles</b>	<b>Text of new articles</b>	<b>Basis of amendment</b>
<b>Article 283</b>	<p>Following the disposal of the Bank’s assets and the preparation of a balance sheet and an inventory of assets, the liquidation committee shall formulate a liquidation proposal and present it to the shareholders’ general meeting or to the relevant governing authorities for confirmation.</p> <p>The Bank’s assets shall be distributed according to the following order:</p> <p>(1) to pay the liquidation costs;</p> <p>(2) to pay the wages of staff and workers, social insurance premiums and statutory compensation monies;</p> <p>(3) to pay all outstanding taxes;</p> <p>(4) to settle the Bank’s debts; and</p> <p>(5) to make allocation according to the shareholding ratio of the shareholders.</p> <p>Allocations shall not be made to the shareholders before the Bank’s assets are settled according to the provisions stipulated in (1) to (4) above.</p> <p>Any remaining assets of the Bank subsequent to the settlement of its debts in accordance with the foregoing provisions shall be distributed to the shareholders on the basis of the class of shares and in the proportion of shares being held.</p> <p>During liquidation, after settlement of liquidation costs, outstanding staff wages and labour insurance premiums, payment shall firstly be made in relation to the principals and interests of personal savings deposits.</p> <p>After establishment of the liquidation committee, the duties and powers of the Board of Directors and president shall cease immediately. During liquidation, the Bank shall not commence any new business activities.</p>	<p>Following the disposal of the Bank’s assets and the preparation of a balance sheet and an inventory of assets, the liquidation committee shall formulate a liquidation proposal and present it to the shareholders’ general meeting or to the relevant governing authorities for confirmation.</p> <p>The Bank’s assets shall be distributed according to the following order:</p> <p>(1) to pay the liquidation costs;</p> <p>(2) to pay the wages of staff and workers, social insurance premiums and statutory compensation monies;</p> <p>(3) to pay all outstanding taxes;</p> <p>(4) to settle the Bank’s debts; and</p> <p>(5) to make allocation according to the <b>class and ratio of shares</b> held by shareholders.</p> <p>Allocations shall not be made to the shareholders before the Bank’s assets are settled according to the provisions stipulated in (1) to (4) above.</p> <p>Any remaining assets of the Bank subsequent to the settlement of its debts in accordance with the foregoing provisions shall be distributed to the shareholders on the basis of the class of shares and in the proportion of shares being held.</p> <p><b>Shareholders of preference shares are preferred in the distribution of remaining assets of the Bank over shareholders of ordinary shares, at a sum of principal and dividend that is resolved to be paid but not yet paid for the current period, and in the event that the remaining assets are not sufficient to satisfy these payments, such assets will be distributed among shareholders of domestic preference shares and shareholders of overseas preference shares on a pro rata basis.</b></p> <p>During liquidation, after settlement of liquidation costs, outstanding staff wages and labour insurance premiums, <b>the assets of the Bank</b> shall be firstly used to pay the principals and interests of personal savings deposits.</p> <p>After establishment of the liquidation committee, the duties and powers of the Board of Directors and president shall cease immediately. During liquidation, the Bank shall not commence any new business activities.</p>	<p>Article 183 of the “Guidelines for the Articles of Association of Listed Companies (2016 Revision)”</p>

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
Article 306	(Additional article)	Unless otherwise specified by the Articles, only ordinary shares and preference shares with recovered voting rights shall be counted in the calculations herein for requesting to convene extraordinary shareholders' general meeting, convening and chairing shareholders' general meeting, submitting interim proposal to shareholders' general meeting and determining the shareholding ratio of relevant shareholders.	"State Council Guidance on the Implementation of Pilot Scheme of Preference Shares" Article 37 of the "Administrative Guidelines on the Pilot Scheme of Preference Shares" Articles 43, 48, 49, 53 and 192 of the "Guidelines for the Articles of Association of Listed Companies (2016 Revision)
Articles 40, 48, 49, 55, 135, 259, 260 and 261	The term "dividend" involved in these articles.	Revised to such terms as "profit", "distributable profit", "cash profit attributable to shareholders of ordinary shares".	To disambiguate "dividend (股利)" in the said articles where it refers to "profit to shareholders of ordinary shares" which is easy to be confused with the added expression of "dividend on preference shares".
Articles 48, 75, 58, 76, 77, 157 and 240	The terms of "bank", "commercial bank" and "company" involved in these articles.	Revised to the "Bank".	For accuracy.
Articles 51 and 277	The sequence number of specific articles in the "Company Law of the People's Republic of China" quoted in these articles.	Adjusted in line with the sequence number of relevant articles in the current "Company Law of the People's Republic of China".	To amend given the sequence numbers of articles of the Company Law quoted in the original Articles are not consistent with the current Company Law.

**Rules of Procedures for Shareholders’ General Meetings of China**

**Merchants Bank Co., Ltd.**

**(Applicable after issuance of preference shares)**

**Table of Comparison for Main Amended Articles**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
Article 1	<p>In order to protect the lawful interests of China Merchants Bank Co., Ltd. (the “Bank”), its shareholders and creditors and regulate the organization and acts of the shareholders’ general meetings of the Bank, the Bank has formulated these rules of procedures (the “Rules”) according to the “Company Law of the People’s Republic of China” (the “Company Law”), the “Commercial Banking Law of the People’s Republic of China”, the “Rules of General Meetings Convened by Shareholders of Listed Companies” promulgated by China Securities Regulatory Commission, the “Mandatory Provisions of the Articles of Association of Companies Listed Overseas”, the “Guidelines for Articles of Association of Listed Companies (2006 Revision)” and other pertinent laws, regulations and normative documents as well as the “Articles of Association of China Merchants Bank Co., Ltd.” (the “Articles”).</p>	<p>In order to protect the lawful interests of China Merchants Bank Co., Ltd. (the “Bank”), its shareholders and creditors and regulate the organization and acts of the shareholders’ general meetings of the Bank, the Bank has formulated these rules of procedures (the “Rules”) according to the “Company Law of the People’s Republic of China” (the “Company Law”), the “Commercial Banking Law of the People’s Republic of China”, the “Rules of General Meetings Convened by Shareholders of Listed Companies (2016 Revision)” promulgated by China Securities Regulatory Commission, <b>the “State Council Guidance on the Implementation of Pilot Scheme of Preference Shares”</b>, the “Mandatory Provisions of the Articles of Association of Companies Listed Overseas”, the “Guidelines for Articles of Association of Listed Companies (2016 Revision)” and other pertinent laws, regulations and normative documents as well as the “Articles of Association of China Merchants Bank Co., Ltd.” (the “Articles”).</p>	<p>To amend the basis of formulation for the “Rules of Procedures for Shareholders’ General Meeting” pursuant to the “Guidelines for the Articles of Association of Listed Companies (2016 Revision)”, the “Rules of General Meetings Convened by Shareholders of Listed Companies (2016 Revision)” and the Articles.</p>
Article 5	<p>The place for convening a shareholders’ general meeting shall be the registered office of the Bank.</p> <p>The Bank shall arrange for a venue and the meeting shall be held in the form of on-the-spot meeting. The Bank may provide facilities to the shareholders attending the shareholders’ general meeting by adopting safe, economic and expedient networks or other methods. Shareholders who attend the meeting by the aforesaid means shall be deemed as attending the on-site meeting.</p>	<p>The place for convening a shareholders’ general meeting shall be the registered office of the Bank.</p> <p>The Bank shall arrange for a venue and the meeting shall be held in the form of on-the-spot meeting. The Bank may provide facilities to the shareholders attending the shareholders’ general meeting by adopting safe, economic and expedient networks or other methods <b>in accordance with laws, administrative regulations and provisions of China Securities Regulatory Commission or the Articles</b>. Shareholders attending the meeting by way of the above methods shall be deemed as to have attended the meeting.</p>	<p>To clarify the legal basis for the online voting method pursuant to article 44 of the “Guidelines for the Articles of Association of Listed Companies (2016 Revision)”, article 20 of the “Rules of General Meetings Convened by Shareholders of Listed Companies (2016 Revision)”, article 73 of the Articles and article 20 of the “Rules of General Meetings Convened by Shareholders of Listed Companies (2016 Revision)”.</p>



**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
<p><b>Article 9</b></p>	<p>The following procedures shall be complied with when shareholders request to convene an extraordinary general meeting or class meeting:</p> <p>(1) two or more shareholders holding more than 10% of the voting shares at the proposed general meeting may sign one or several same written requests proposing to the Board of Directors to convene an extraordinary general meeting or class meeting and stating the subjects to be considered at the meeting. The number of shares held referred to above shall be calculated on the date the shareholders submit their written request. The Board of Directors shall give written replies as to whether it agrees or disagrees to the convening of the extraordinary general meeting or class meeting within 10 days after receiving the request according to the provisions of laws, administrative regulations and the Articles.</p> <p>If the Board of Directors agrees to convene an extraordinary general meeting or class meeting, it shall issue a notice on convening the shareholders' general meetings or class meeting within 5 days after passing the board resolution. Any changes to the original proposal as stated in the notice shall be approved by the relevant shareholders. However, if otherwise prescribed in laws, regulations, rules and regulations of local securities regulatory authorities where shares of the bank are listed, relevant provisions shall be observed.</p> <p>(2) If the Board of Directors does not agree to convene an extraordinary general meeting or class meeting or it does not reply within 10 days after receiving the request, shareholders individually or jointly holding more than 10% of the voting shares at the proposed meeting shall have the right to propose in writing to the Board of Supervisors to convene an extraordinary general meeting or class meeting.</p>	<p>The following procedures shall be complied with when shareholders request to convene an extraordinary general meeting or class meeting:</p> <p>(1) two or more shareholders holding more than 10% of the voting shares at the proposed general meeting may sign one or several same written requests proposing to the Board of Directors to convene an extraordinary general meeting or class meeting and stating the subjects to be considered at the meeting. The number of shares held referred to above shall be calculated on the date the shareholders submit their written request. The Board of Directors shall give written replies as to whether it agrees or disagrees to the convening of the extraordinary general meeting or class meeting within 10 days after receiving the request according to the provisions of laws, administrative regulations and the Articles.</p> <p>If the Board of Directors agrees to convene an extraordinary general meeting or class meeting, it shall issue a notice on convening the shareholders' general meetings or class meeting within 5 days after passing the board resolution. Any changes to the original proposal as stated in the notice shall be approved by the relevant shareholders. However, if otherwise prescribed in laws, regulations, rules and regulations of local securities regulatory authorities where shares of <b>the Bank</b> are listed, relevant provisions shall be observed.</p> <p>(2) If the Board of Directors does not agree to convene an extraordinary general meeting or class meeting or it does not reply within 10 days after receiving the request, shareholders individually or jointly holding more than 10% of the voting shares at the proposed meeting shall have the right to propose in writing to the Board of Supervisors to convene an extraordinary general meeting or class meeting.</p>	



**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
	<p>If the Board of Supervisors agrees to convene an extraordinary general meeting or class meeting, it shall issue a notice on convening the shareholders' general meetings or class meeting within 5 days after passing the board resolution. Any changes to the original proposal as stated in the notice shall be approved by the relevant shareholders. However, if otherwise prescribed in laws, regulations, rules and regulations of local securities regulatory authorities where shares of the Bank are listed, relevant provisions shall be observed.</p> <p>If the Board of Supervisors fails to give notice of the shareholders' general meetings or class meeting within the specified time limit, it shall be deemed as not convening or presiding over the meeting, in which case, the shareholders individually or jointly holding more than 10% of the shares of the Bank for more than 90 consecutive days may convene and preside over the meeting on their own.</p> <p>Reasonable expenses incurred from the aforesaid case where shareholders convene the meeting by themselves due to the failure of the Board of Directors or Board of Supervisors to convene the meeting shall be borne by the Bank, and the same shall be deducted from the payment to those directors or supervisors who failed to perform their duties.</p>	<p>If the Board of Supervisors agrees to convene an extraordinary general meeting or class meeting, it shall issue a notice on convening the shareholders' general meetings or class meeting within 5 days after passing the board resolution. Any changes to the original proposal as stated in the notice shall be approved by the relevant shareholders. However, if otherwise prescribed in laws, regulations, rules and regulations of local securities regulatory authorities where shares of <b>the Bank</b> are listed, relevant provisions shall be observed.</p> <p>If the Board of Supervisors fails to give notice of the shareholders' general meetings or class meeting within the specified time limit, it shall be deemed as not convening or presiding over the meeting, in which case, <b>the shareholders of ordinary shares (including shareholders of preference shares with recovered voting rights)</b> individually or jointly holding more than 10% of the shares of the Bank (such shares shall have voting rights at such proposed meeting) for more than 90 consecutive days may convene and preside over the meeting on their own.</p> <p>Reasonable expenses incurred from the aforesaid case where shareholders convene the meeting by themselves due to the failure of the Board of Directors or Board of Supervisors to convene the meeting shall be borne by the Bank, and the same shall be deducted from the payment to those directors or supervisors who failed to perform their duties.</p>	

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
<b>Article 10</b>	<p>If the Board of Supervisors or shareholders decide(s) to convene a shareholders' general meeting on their own, a written notice shall be sent to the Board of Directors and filed with the banking regulatory organ of the State Council and the securities regulatory organ of the State Council in the place where the Bank is situated and the relevant stock exchange. Prior to publication of the announcement on the resolutions passed at the shareholders' general meeting, the shareholding ratio of the shareholders convening the meeting shall not be less than 10%.</p> <p>When issuing the notice of shareholders' general meeting and the announcement on the resolutions passed at the shareholders' general meeting, the shareholders convening the meeting shall submit the relevant evidence materials to the securities regulatory organ of the State Council in the place where the Bank is situated and the relevant stock exchanges.</p>	<p>If the Board of Supervisors or shareholders decide(s) to convene a shareholders' general meeting on their own, a written notice shall be sent to the Board of Directors and filed with the banking regulatory organ of the State Council and the securities regulatory organ of the State Council in the place where the Bank is situated and the relevant stock exchange. Prior to publication of the announcement on the resolutions passed at the shareholders' general meeting, the <b>ratio of voting shares held by</b> the shareholders convening the meeting <b>to total voting shares</b> shall not be less than 10%.</p> <p>When issuing the notice of shareholders' general meeting and the announcement on the resolutions passed at the shareholders' general meeting, the shareholders convening the meeting shall submit the relevant evidence materials to the securities regulatory organ of the State Council in the place where the Bank is situated and the relevant stock exchanges.</p>	<p>Article 49 of "Guidelines for Articles of Association of Listed Companies (2016 Revision)", article 78 of the Articles, and article 10 of the "Rules for General Meetings Convened by Shareholders of Listed Companies (2016 Revision)"</p>
<b>Article 17</b>	<p>The notice of the shareholders' general meeting shall satisfy the following conditions:</p> <ol style="list-style-type: none"> <li>(1) be in writing;</li> <li>(2) specifying the venue, date and time and duration of the meeting;</li> <li>(3) describing the matters to be discussed at the meeting;</li> <li>(4) providing the information and explanations necessary for shareholders to make informed decisions regarding the matters to be discussed, including (but are not limited to) specific terms and contract (if any) of a proposed transaction and a detailed explanation of the causes and consequences where the Bank proposes a merger, repurchase of shares, capital reorganization or other form of restructuring;</li> <li>(5) where any director(s), supervisor(s), president and other senior management member(s) has/have a material interest in the matters to be discussed, then the nature and extent of that interest should be disclosed. If the impact of the matters to be discussed on such director(s), supervisor(s), president and other senior management member(s) who is/are shareholders is different from the impact on other shareholders of the same class, that difference shall be illustrated;</li> </ol>	<p>The notice of the shareholders' general meeting shall satisfy the following conditions:</p> <ol style="list-style-type: none"> <li>(1) be in writing;</li> <li>(2) specifying the venue, date and time and duration of the meeting;</li> <li>(3) describing the matters to be discussed at the meeting;</li> <li>(4) providing the information and explanations necessary for shareholders to make informed decisions regarding the matters to be discussed, including (but are not limited to) specific terms and contract (if any) of a proposed transaction and a detailed explanation of the causes and consequences where the Bank proposes a merger, repurchase of shares, capital reorganization or other form of restructuring;</li> <li>(5) where any director(s), supervisor(s), president and other senior management member(s) has/have a material interest in the matters to be discussed, then the nature and extent of that interest should be disclosed. If the impact of the matters to be discussed on such director(s), supervisor(s), president and other senior management member(s) who is/are shareholders is different from the impact on other shareholders of the same class, that difference shall be illustrated;</li> </ol>	<p>Article 54 of the "Guidelines for Articles of Association of Listed Companies (2016 Revision)", and article 84 of the Articles</p>

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
	<p>(6) containing the full text of any special resolution(s) proposed to be passed at the shareholders' general meeting;</p> <p>(7) providing a clear description stating that the shareholders having the right to attend and vote at the shareholders' general meeting shall have the right to appoint one or more proxies to attend and vote on their behalf and such proxy needs not be a shareholder of the Bank;</p> <p>(8) setting out the deadline and address for the delivery of proxy form for the shareholders' general meeting;</p> <p>(9) the shareholding registration date for shareholders who have the right to attend the shareholders' general meeting;</p> <p>(10) name and telephone number of the contact person in relation to the shareholders' general meeting; and</p> <p>(11) the time and procedures for voting through Internet or by other methods shall be clarified in the notice of convening the shareholders' general meeting if any shareholders attend the shareholders' general meeting through Internet or by another method.</p>	<p>(6) containing the full text of any special resolution(s) proposed to be passed at the shareholders' general meeting;</p> <p>(7) providing a clear description stating that the shareholders of <b>ordinary shares (including shareholders of preference shares with recovered voting rights)</b> having the right to attend and vote at the shareholders' general meeting shall have the right to appoint one or more proxies to attend and vote on their behalf and such proxy needs not be a shareholder of the Bank;</p> <p>(8) setting out the deadline and address for the delivery of proxy form for the shareholders' general meeting;</p> <p>(9) the shareholding registration date for shareholders who have the right to attend the shareholders' general meeting;</p> <p>(10) name and telephone number of the contact person in relation to the shareholders' general meeting; and</p> <p>(11) the time and procedures for voting through Internet or by other methods shall be clarified in the notice of convening the shareholders' general meeting if any shareholders attend the shareholders' general meeting through Internet or by another method.</p>	
<b>Article 19</b>	<p>The notice of the shareholders' general meeting and relevant documents shall be delivered by hand or prepaid post to all the shareholders (whether or not such shareholders have a voting right at the shareholders' general meeting). The address of the receiving party shall be the address recorded in the register of shareholders. For domestic shareholders, the delivery of the notice of shareholders' general meeting, the circular to shareholders and relevant documents may also be made by way of announcement; for shareholders of overseas listed foreign shares, the notice of shareholders' general meeting, the circular to shareholders and relevant documents may, in accordance with laws, administrative regulations and the listing rules in the place where the Bank's shares are listed, be delivered on the Bank's website and the website of the Hong Kong Stock Exchange.</p>	<p>The notice of the shareholders' general meeting and relevant documents shall be delivered by hand or prepaid post to all the shareholders (whether or not such shareholders have a voting right at the shareholders' general meeting). The address of the receiving party shall be the address recorded in the register of shareholders. For domestic shareholders, the delivery of the notice of shareholders' general meeting, the circular to shareholders and relevant documents may also be made by way of announcement; for shareholders of overseas listed foreign shares, the notice of shareholders' general meeting, the circular to shareholders and relevant documents may, in accordance with laws, administrative regulations and the listing rules in the place where the Bank's shares are listed, be delivered on the Bank's website and the website of the Hong Kong Stock Exchange.</p>	

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
	<p>Announcements referred to in the preceding paragraph shall be published on one or more newspapers designated by the securities regulatory organ of the State Council within 45 to 50 days before the meeting. All shareholders of domestic shares shall be deemed as having received that notice of shareholders' general meeting upon the publication of that announcement.</p>	<p>Announcements referred to in the preceding paragraph shall be published on one or more newspapers designated by the securities regulatory organ of the State Council within 45 to 50 days before the meeting. All shareholders of domestic shares shall be deemed as having received that notice of shareholders' general meeting upon the publication of that announcement.</p> <p><b>Where the matters regarding the notice of preference shareholders' general meeting are otherwise provided by the Articles, the Rules or applicable laws and regulations and the listing rules, such provisions shall prevail.</b></p>	
<p><b>Article 23</b></p>	<p>All shareholders recorded in the register on the record date shall have the right to attend the shareholders' general meetings and exercise the voting rights in accordance with relevant laws, regulations and the Articles of Association. Shareholders may attend a shareholders' general meeting in person, and also may appoint a proxy to attend and vote on their behalf.</p> <p>Any shareholder who has the right to attend and vote at a shareholders' general meeting shall have the right to appoint one or more persons (not necessarily a shareholder) as his/her proxy to attend the meeting and vote. Such proxy may exercise the following rights in accordance with the shareholder's authorization:</p> <p>(1) such shareholder's right of speech at the shareholders' general meetings; and</p> <p>(2) the voting right.</p> <p>In the event that a shareholder is a recognized clearing house (as defined in the Hong Kong Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) (or its nominee(s)), it may, as it sees fit, appoint one or more persons as its proxy to attend and vote at any shareholders' general meeting or class meeting. However, in the event that more than one person is so appointed, the proxy form shall specify the number and class of the shares relating to each of such proxies. Such proxy may exercise the rights of such recognized clearing house (or its nominee(s)) on its behalf in the same manner as if it was an individual shareholder of the Bank.</p>	<p>All shareholders of <b>ordinary shares</b> and shareholders of <b>preference shares with recovered voting rights</b> recorded in the register on the record date shall have the right to attend the shareholders' general meetings and exercise the voting rights in accordance with relevant laws, regulations and the Articles. <b>Such</b> shareholders may attend a shareholders' general meeting in person, and also may appoint a proxy to attend and vote on their behalf.</p> <p>Any shareholder who has the right to attend and vote at a shareholders' general meeting shall have the right to appoint one or more persons (not necessarily a shareholder) as his/her proxy to attend the meeting and vote. Such proxy may exercise the following rights in accordance with the shareholder's authorization:</p> <p>(1) such shareholder's right of speech at the shareholders' general meetings; and</p> <p>(2) the voting right.</p> <p>In the event that a shareholder is a recognized clearing house (as defined in the Hong Kong Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) (or its nominee(s)), it may, as it sees fit, appoint one or more persons as its proxy to attend and vote at any shareholders' general meeting or class meeting. However, in the event that more than one person is so appointed, the proxy form shall specify the number and class of the shares relating to each of such proxies. Such proxy may exercise the rights of such recognized clearing house (or its nominee(s)) on its behalf in the same manner as if it was an individual shareholder of the Bank.</p>	

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
Article 29	The register of the persons attending the meeting shall be prepared by the Bank. The register shall set out the names of the persons attending the meeting (or names of the entity he/she is from), their identity card numbers, residential addresses, numbers of shares held or representing voting rights, names of the proxied (or names of the entity he/she is from).	The register of the persons attending the meeting shall be prepared by the Bank. The register shall set out the names of the persons attending the meeting (or names of the entity he/she is from), their identity card numbers, residential addresses, numbers of shares held or representing voting rights, <b>class of shares</b> and names of the proxied (or names of the entity he/she is from).	Article 96 of the Articles
Article 40	Shareholders (including their proxies) shall exercise their voting rights according to the number of shares held with voting rights. Each share shall have one voting right. The shares of the Bank held by the Bank do not have any voting right and such shares shall not be counted in the total number of voting shares at the shareholders' general meeting.	<p><b>Shareholders of ordinary shares</b> (including their proxies) shall exercise their voting rights according to the number of shares held with voting rights. Each share shall have one voting right. <b>Unless otherwise required by the Articles or the Rules in respect of class voting with preference shares, the shares held by the shareholders of preference shares do not have any voting rights, and the voting rights of shareholders of preference shares with recovered voting rights shall be calculated as agreed in specific terms of issuance. In the event of class voting with preference shares, each preference share (excluding preference shares with recovered voting rights) shall have one voting right. Ordinary and preference shares of the Bank held by the Bank do not have any voting right and such shares shall not be counted in the total number of each class of voting shares at the shareholders' general meeting.</b></p> <p><b>When the shareholders' general meeting considers material matters that may influence the interests of minority investors (excluding investors holding preference shares), the votes of minority investors shall be calculated separately. The result of such separate calculation shall be disclosed promptly.</b></p>	Article 78 of the "Guidelines for Articles of Association of Listed Companies (2016 Revision)", articles 23 and 31 of the "Rules of General Meetings Convened by Shareholders of Listed Companies (2016 Revision)" and article 108 of the Articles
Article 41	<p>Resolutions of shareholders' general meeting shall be divided into ordinary resolutions and special resolutions.</p> <p>To adopt an ordinary resolution, votes representing more than one half of the voting rights represented by the shareholders (including shareholders' proxies) present at the meeting must be exercised in favor of the resolution.</p> <p>To adopt a special resolution, votes representing two-thirds or more of the voting rights represented by the shareholders (including shareholders' proxies) present at the meeting must be exercised in favor of the resolution.</p>	<p>Resolutions of shareholders' general meeting shall be divided into ordinary resolutions and special resolutions.</p> <p>To adopt an ordinary resolution, votes representing more than one half of the voting rights represented by the shareholders <b>who have voting rights</b> (including shareholders' proxies) present at the meeting must be exercised in favor of the resolution.</p> <p>To adopt a special resolution, votes representing two-thirds or more of the voting rights represented by the shareholders <b>who have voting rights</b> (including shareholders' proxies) present at the meeting must be exercised in favor of the resolution.</p>	Article 109 of the Articles

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No. of original articles	Text of original articles	Text of new articles	Basis of amendment
<p><b>Article 43</b></p>	<p>The following matters shall be approved by a special resolution at a shareholders' general meeting:</p> <p>(i) the increase or decrease of registered capital and the issuance of shares of any class, warrants for share subscription and other similar securities;</p> <p>(ii) the issuance of debentures of the Bank;</p> <p>(iii) the separation, merger, change of corporate form, dissolution or liquidation of the Bank;</p> <p>(iv) amendments to the Articles of Association;</p> <p>(v) share incentive plans;</p> <p>(vi) any purchase or sale of our material assets within one year, or provision of guaranty within one year where the amount exceeds 30% of the total amount of the Bank's assets as audited in the latest period; and</p> <p>(vii) any other matters prescribed by the Articles of Association, or resolved by the shareholders at a shareholders' general meeting, by an ordinary resolution, to be of a nature that may have a material impact on the Bank and should be adopted by a special resolution.</p>	<p>The following matters shall be approved by a special resolution at a shareholders' general meeting:</p> <p>(i) the increase or decrease of registered capital and the issuance of shares of any class, warrants for share subscription and other similar securities;</p> <p>(ii) the issuance of debentures of the Bank;</p> <p>(iii) the separation, merger, change of corporate form, dissolution or liquidation of the Bank;</p> <p>(iv) amendments to the Articles of Association;</p> <p>(v) share incentive plans;</p> <p>(vi) any purchase or sale of our material assets within one year, or provision of guaranty within one year where the amount exceeds 30% of the total amount of the Bank's assets as audited in the latest period;</p> <p>(vii) <b>deciding or authorizing the Board of Directors to decide on matters relating to the issuance of preference shares and the issued preference shares of the Bank, including but not limited to making decisions on whether to conduct relevant repurchase, conversion or dividend distribution (but the Board of Directors shall not be authorized to decide on matters of cancellation of part or all of the dividend distribution) thereof; and</b></p> <p>(viii) any other matters prescribed by the Articles of Association, or resolved by the shareholders at a shareholders' general meeting, by an ordinary resolution, to be of a nature that may have a material impact on the Bank and should be adopted by a special resolution.</p>	<p>Articles 11, 37 and 55 of the "Administrative Guidelines on the Pilot Scheme of Preference Shares", article 107 of the "Guidelines for the Articles of Association of Listed Companies (2016 Revision)", and article 110 of the Articles</p>
<p><b>Article 47</b></p>	<p>The Bank shall, on the premise of ensuring the lawfulness and validity of the shareholders' general meeting, provide various means or channels including the provision of up-to-date information technology such as on-line voting platforms to facilitate the shareholders' participation in the shareholders' general meeting.</p>	<p>The Bank shall, on the premise of ensuring the lawfulness and validity of the shareholders' general meeting, provide various means or channels including the provision of up-to-date information technology such as on-line voting platforms to facilitate the shareholders' participation in the shareholders' general meeting.</p> <p><b>In the event that shareholders' general meeting is convened with respect to the issuance of preference shares, the Bank shall allow on-line voting and adopt other channels recognized by the CSRC to facilitate the shareholders' participation in the shareholders' general meeting.</b></p>	<p>Article 80 of the "Guidelines for the Articles of Association of Listed Companies (2016 Revision)" Article 115 of the Articles of Association</p>

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No. of original articles	Text of original articles	Text of new articles	Basis of amendment
Article 49	<p>Except for cumulative polling, each of the proposals of the shareholders' general meeting shall be voted in sequence, and different proposals concerning the same matter shall be voted in order when the proposals are submitted. Except in the event of force majeure or other special reasons resulting in the termination of the shareholders' general meeting or that the failure of reaching the resolutions, any proposals proposed at the shareholders' general meeting shall not be set aside or reserve for voting.</p>	<p>Except for cumulative polling, each of the proposals of the shareholders' general meeting shall be voted in sequence, and different proposals concerning the same matter shall be voted in order when the proposals are submitted. Except in the event of force majeure or other special reasons resulting in the termination of the shareholders' general meeting or that the failure of reaching the resolutions, any proposals proposed at the shareholders' general meeting shall not be set aside or reserve for voting.</p> <p><b>When considering the issuance of preference shares, the shareholders' general meeting shall vote on the following matters item by item: When considering the issuance of preference shares, the shareholders' general meeting shall vote on the following matters item by item:</b></p> <ul style="list-style-type: none"> <li>(i) class and number of preference shares in such issuance;</li> <li>(ii) issuance targets, issuance methods and arrangement of placement to the existing shareholders;</li> <li>(iii) par value, issuance price or pricing range and the determining basis;</li> <li>(iv) methods for shareholders of preference shares to participate in profit distribution, including dividend rate and the determining basis thereof, conditions of dividend distribution, methods of dividend payment, any accumulation of dividends and any entitlement to the distribution of remaining profits;</li> <li>(v) terms of repurchase, including conditions, period, price and pricing principles of such repurchase and the entity to exercise the repurchase option (if any);</li> <li>(vi) use of proceeds;</li> <li>(vii) conditional share subscription contract entered into between the Company and issuance targets (if any);</li> <li>(viii) validity period of the resolution;</li> <li>(ix) proposed amendments to the relevant terms in the Articles in relation to the profit distribution policy for shareholders of preference shares and shareholders of ordinary shares;</li> </ul>	<p>Article 37 of the "Administrative Guidelines on the Pilot Scheme of Preference Shares", article 117 of the Articles and article 33 of the "Rules of General Meetings Convened by Shareholders of Listed Companies (2016 Revision)"</p>



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No. of original articles	Text of original articles	Text of new articles	Basis of amendment
		<p>(x) authorization to the Board to deal with specific matters of the issuance; and</p> <p>(vi) other matters.</p> <p>Shareholders of preference shares are not entitled to attend the shareholders' general meeting of the Bank and their preference shares do not carry any voting rights. However, the Bank shall notify the shareholders of preference shares about the convening of shareholders' general meeting upon the occurrence of any circumstances of class voting stipulated in the paragraph 3 under article 117 of the Articles, subject to the procedures of notification to shareholders of ordinary shares as well as the rules on special procedures for the voting by class shareholders stipulated in chapter 9 of the Articles, provided that there is neither the need of notification to shareholders of preference shares nor the need of class voting thereof, when a plan on cancellation of part or all of the dividend distribution to shareholders of preference shares or a resolution on issuance of ordinary shares is considered at the shareholders' general meeting.</p>	
<p><b>Article 58</b></p>	<p>Shareholders present at the shareholders' general meeting shall give one of the following comments to the proposals put forward for voting: for, against or abstention.</p> <p>If the voting slip has not been completed or has been completed incorrectly or that the writing is illegible or that the voting slip has not been cast, it shall be treated that the voter has renounced his/her voting rights and the voting results of the relevant number of shares held by him/her shall be counted as "abstain".</p>	<p>Shareholders present at the shareholders' general meeting shall give one of the following comments to the proposals put forward for voting: for, against or abstention. <b>Securities registration and clearing service providers serve as nominal shareholders of shares under the transactions in stock connect mechanisms between mainland China and Hong Kong, save those declare the intent of reporting as actual holders.</b></p> <p>If the voting slip has not been completed or has been completed incorrectly or that the writing is illegible or that the voting slip has not been cast, it shall be treated that the voter has renounced his/her voting rights and the voting results of the relevant number of shares held by him/her shall be counted as "abstain".</p>	<p>Article 89 of the "Guidelines for the Articles of Association of Listed Companies (2016 Revision)", article 36 of the "Rules of General Meetings Convened by Shareholders of Listed Companies (2016 revision)" and article 126 of the Articles.</p>
<p><b>Article 63</b></p>	<p>Public announcement of the voting results of a shareholders' general meeting, containing the number of shareholders and proxies attending the meeting, the total number of voting shares held by them and its proportion to the total number of voting shares of the Bank, the form of voting, result of each resolution and the detailed content of each resolution, shall be issued in time.</p>	<p>Public announcement of the voting results of a shareholders' general meeting, containing the number of shareholders and proxies of <b>each class</b> attending the meeting, the total number of voting shares held by them and its proportion to the total number of voting shares of the Bank, the form of voting, result of each resolution and the detailed content of each resolution, shall be issued in time.</p>	<p>Article 131 of the Articles</p>



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No. of original articles	Text of original articles	Text of new articles	Basis of amendment
Article 67	<p>Under the following circumstances, rights of shareholders of a certain class shall be deemed to have been changed or abrogated:</p> <p>(i) an increase or decrease in the number of shares of such class or an increase or decrease in the number of shares of a class having voting rights, distribution rights or other privileges equal or superior to those of the shares of such class, except the following circumstance: shareholders of domestic shares of the Bank referred to in article 19 of the Articles transfer the shares held by them to overseas investors and such shares are listed and traded overseas;</p> <p>(ii) a re-classification of all or part of the shares of such class into the shares of another class, a conversion of all or part of the shares of another class into the shares of such class or the grant of a conversion right for such shares, except the circumstance as contemplated under article 19 hereof when shareholders of domestic shares of the Bank transfer their shares to overseas investors and that such shares are listed and traded overseas;</p> <p>(iii) cancellation or reduction of rights attached to such class of shares in relation to the accrued dividends or cumulative dividends;</p> <p>(iv) a reduction or cancellation of rights attached to such class of shares in relation to the priority to dividends or property distribution during liquidation of the Bank;</p> <p>(v) increase, cancellation or reduction of share conversion rights, options, voting rights, transfer rights, pre-emptive rights to rights issues or rights to acquire securities of the Bank attached to that class of shares;</p> <p>(vi) cancellation or reduction of rights attached to the class of shares to receive amounts payable by the Bank in a specified currency;</p> <p>(vii) a creation of a new class of voting shares, distribution rights or other privileges equal or superior to the shares of that class;</p> <p>(viii) an imposition of restrictions or additional restrictions on the transfer or ownership of shares of such class;</p>	<p>Under the following circumstances, rights of shareholders of a certain class shall be deemed to have been changed or abrogated:</p> <p>(i) an increase or decrease in the number of shares of such class or an increase or decrease in the number of shares of a class having voting rights, distribution rights or other privileges equal or superior to those of the shares of such class, except the following circumstance: shareholders of domestic <b>ordinary</b> shares of the Bank referred to in article 19 of the Articles transfer the shares held by them to overseas investors and such shares are listed and traded overseas;</p> <p>(ii) a re-classification of all or part of the shares of such class into the shares of another class, a conversion of all or part of the shares of another class into the shares of such class or the grant of a conversion right for such shares, except the circumstance as contemplated under Article 19 hereof when <b>ordinary</b> shareholders of domestic shares of the Bank transfer their shares to overseas investors and that such shares are listed and traded overseas;</p> <p>(iii) cancellation or reduction of rights attached to such class of shares in relation to the accrued <b>distributable profits</b> or cumulative <b>distributable profits</b>;</p> <p>(iv) a reduction or cancellation of rights attached to such class of shares in relation to the priority to <b>distributable profits</b> or property distribution during liquidation of the Bank;</p> <p>(v) increase, cancellation or reduction of share conversion rights, options, voting rights, transfer rights, pre-emptive rights to rights issues or rights to acquire securities of the Bank attached to that class of shares;</p> <p>(vi) cancellation or reduction of rights attached to the class of shares to receive amounts payable by the Bank in a specified currency;</p> <p>(vii) a creation of a new class of voting shares, distribution rights or other privileges equal or superior to the shares of that class;</p> <p>(viii) an imposition of restrictions or additional restrictions on the transfer or ownership of shares of such class;</p>	<p>To amend in consistence with the amendment to the Articles.</p>

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
	<p>(ix) issue of rights to subscribe for, or convert into, the shares of such class or another class;</p> <p>(x) an increase in the rights and privileges of the shares of another class;</p> <p>(xi) the restructuring plan of the Bank may result in disproportionate liabilities to be borne by shareholders of different classes during the restructuring; and</p> <p>(xii) an amendment to or abrogation of the terms stipulated in these Articles.</p>	<p>(ix) issue of rights to subscribe for, or convert into, the shares of such class or another class;</p> <p>(x) an increase in the rights and privileges of the shares of another class;</p> <p>(xi) the restructuring plan of the Bank may result in disproportionate liabilities to be borne by shareholders of different classes during the restructuring; and</p> <p>(xii) an amendment to or abrogation of the terms stipulated in these Articles.</p> <p><b>The change or abrogation of the rights of shareholders of preference shares is limited to the circumstances set forth in the paragraph 3 under article 117 of the Articles.</b></p>	
<b>Article 68</b>	<p>Shareholders of the affected class, whether they originally have voting right at shareholders' general meeting or not, shall enjoy voting rights at class meeting of shareholders upon occurrence of events contemplated under article 67 (2) to (8), (11) to (12). However, interested shareholders shall not have voting rights at class meeting of shareholders.</p> <p>Interested shareholders referred to in this Article shall have the following meaning:</p> <p>(i) where the Bank has made a repurchase offer to all shareholders on a pro rata basis or made repurchase by means of an open offer at the stock exchange in accordance with article 34 hereof, "interested shareholders" refer to the controlling shareholders defined in article 67 hereof;</p> <p>(ii) where the Bank has made repurchases by means of agreement off the stock exchange in accordance with article 34 hereof, "interested shareholders" refer to the shareholders who are connected with that agreement; or</p> <p>(iii) for the purpose of the Bank's restructuring plan, "interested shareholders" refer to those shareholders who assume less responsibilities than other shareholders of the same class or those shareholders who enjoy different rights and interests from other shareholders of the same class.</p>	<p>Shareholders of the affected class, whether they originally have voting right at shareholders' general meeting or not, shall enjoy voting rights at class meeting of shareholders upon occurrence of events contemplated under article 67 (2) to (8), (11) to (12). However, interested shareholders shall not have voting rights at class meeting of shareholders.</p> <p>Interested shareholders referred to in this Article shall have the following meaning:</p> <p>(i) where the Bank has made a repurchase offer to all shareholders on a pro rata basis or made repurchase by means of an open offer at the stock exchange in accordance with article 34 hereof, "interested shareholders" refer to the controlling shareholders defined in article <b>69</b> hereof;</p> <p>(ii) where the Bank has made repurchases by means of agreement off the stock exchange in accordance with article 34 hereof, "interested shareholders" refer to the shareholders who are connected with that agreement; or</p> <p>(iii) for the purpose of the Bank's restructuring plan, "interested shareholders" refer to those shareholders who assume less responsibilities than other shareholders of the same class or those shareholders who enjoy different rights and interests from other shareholders of the same class.</p>	For consistence with the Articles.

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
Article 72	<p>Except shareholders of other classes of shares, shareholders of domestic shares and shareholders of overseas listed foreign shares shall be regarded as shareholders of different classes.</p> <p>Special procedures for voting by shareholders of different classes shall not be applicable to the following circumstances:</p> <p>(i) after approval by the shareholders' general meeting by special resolution(s), the Bank issues domestic shares and overseas listed foreign shares every twelve months, whether separately or jointly, and the domestic shares and overseas listed foreign shares to be issued shall not exceed 20% of the issued share capital of respective class of shares;</p> <p>(ii) the plan to issue domestic shares and overseas listed foreign shares upon establishment of the Bank was completed within fifteen months from the date of approval by the securities regulatory organ of the State Council; and</p> <p>(iii) shareholders of domestic shares of the Bank transfer their shares to overseas investors and the shares are listed and traded overseas as referred to in article 19.</p>	<p>Except shareholders of other classes of shares, shareholders of <b>domestically listed domestic</b> shares and shareholders of overseas listed foreign shares shall be regarded as shareholders of different classes. <b>Shareholders of ordinary shares and shareholders of preference shares shall also be regarded as shareholders of different classes.</b></p> <p>Special procedures for voting by shareholders of different classes shall not be applicable to the following circumstances:</p> <p>(i) after approval by the shareholders' general meeting by special resolution(s), the Bank issues <b>domestically listed</b> domestic shares and overseas listed foreign shares every twelve months, whether separately or jointly, and the <b>domestically listed</b> domestic shares and overseas listed foreign shares to be issued shall not exceed 20% of the issued share capital of respective class of shares;</p> <p>(ii) the plan to issue domestic shares and overseas listed foreign shares upon establishment of the Bank was completed within fifteen months from the date of approval by the securities regulatory organ of the State Council; and</p> <p>(iii) shareholders of <b>ordinary</b> domestic shares of the Bank transfer their shares to overseas investors and the shares are listed and traded overseas as referred to in article 19.</p>	
Article 76	<p>The Board of Directors shall complete the distribution or conversion of dividends (or shares) within two months after the date of shareholders' general meeting in which the resolution of distribution and conversion of capital reserve to share capital is passed.</p>	<p>The Board of Directors shall complete the distribution of <b>cash profits</b> (or shares) to <b>shareholders of ordinary shares</b> within two months after the date of shareholders' general meeting in which the resolution of distribution and conversion of capital reserve to share capital is passed.</p>	<p>For consistence with the amendments to the Articles.</p>
The additional article as the new article 78		<p><b>Articles regarding the notification procedures for shareholders' general meeting in the Rules are applicable when shareholders of preference shares attend a shareholders' general meeting for matters subject to class voting.</b></p> <p><b>Relevant notice of a shareholders' general meeting is only required to be delivered to the shareholders entitled to vote at such meeting.</b></p>	<p>To specify that the voting rights of shareholders of preference shares and the restrictions thereupon pursuant to article 10 of the "State Council Guidance on the Implementation of Pilot Scheme of Preference Shares" and the "Administrative Guidelines on the Pilot Scheme of Preference Shares" and article 117 of the Articles.</p>

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No. of original articles	Text of original articles	Text of new articles	Basis of amendment
		<p>The class meeting of shareholders of preference shares shall be convened in a procedure as similar to that of shareholders' general meeting as possible. Articles regarding the notifying and convening procedures of shareholders' general meeting in the Rules are applicable to the class meeting of shareholders of preference shares, and the articles regarding the voting procedures of class shareholders' general meeting are applicable to the class meeting of shareholders of preference shares.</p> <p>The "recovery of voting rights" stated in the Rules refers to the recovery of rights owned by the shareholders of preference shares in requesting to convene, chairing or attending (sit in) or appointing proxies to attend shareholders' general meeting, whereby they are entitled to vote with shareholders of ordinary shares, under the circumstances prescribed by the Articles.</p> <p>Shareholders of preference shares with recovered voting rights shall attend shareholders' general meeting pursuant to laws, administrative regulations, departmental rules, the Articles and the applicable procedures same as that for shareholders of ordinary shares as stipulated in the Rules.</p> <p>The calculation of the proportion of voting rights entitled by the shareholders of preference shares with recovered voting rights and the time limit on recovery will be determined by the Board in accordance with effective laws, administrative regulations, departmental rules, the Articles and specific terms of issuance at the time, and will be announced to shareholders of preference shares promptly.</p> <p>Only ordinary shares and preference shares with recovered voting rights shall be counted in calculations herein for requesting to convene extraordinary shareholders' general meeting, convening and chairing shareholders' general meeting, submitting interim proposal to shareholders' general meeting and determining the shareholding ratio of relevant shareholders.</p>	<p>To clarify that the procedures of notification to shareholders of ordinary shares are applicable to the notification to shareholders of preference shares in convening shareholders' general meeting, pursuant to article 10 of the "State Council Guidance on the Implementation of Pilot Scheme of Preference Shares" and article 23 of the "Rules of General Meetings Convened by Shareholders of Listed Companies (2016 Revision)".</p> <p>Article 10 of the "Administrative Guidelines on the Pilot Scheme of Preference Shares"</p> <p>The "State Council Guidance on the Implementation of Pilot Scheme of Preference Shares" and article 10 of the "Administrative Guidelines on the Pilot Scheme of Preference Shares"</p> <p>The "State Council Guidance on the Implementation of Pilot Scheme of Preference Shares", article 11 of the "Administrative Guidelines on the Pilot Scheme of Preference Shares" and article 32 of the "Guidelines for the Articles of Association of Listed Companies (2016 Revision)"</p>
Articles 7, 8 and 9	The expression of "where shares of the bank are listed"	The expression of "where shares of the Bank are listed"	For accuracy.
The sequence number of original articles 78 and 79		Re-sequenced as the new articles 79, 80 accordingly.	

**Rules of Procedures for Meetings of the Board of Directors of China  
Merchants Bank Co., Ltd.  
(Applicable after issuance of preference shares)  
Table of Comparison for Main Amended Articles**

<b>No.</b>	<b>Text of original articles</b>	<b>Text of new articles</b>	<b>Basis of amendment</b>
<b>Article 1</b>	In order to ensure the Board of Directors of China Merchants Bank Co., Ltd. (the “Bank”) may exercise its authority and power in an independent, standardized and effective manner, work efficiently and make scientific decisions, the Bank has formulated the Rules of Procedures for meetings by the Board of Directors in accordance with the provisions of the “Company Law of the People’s Republic of China” (the “Company Law”), the “Rules of General Meetings Convened by Shareholders of Listed Companies”, the “Mandatory Provisions of the Articles of Association of Companies Listed Overseas” and the “Articles of Association of China Merchants Bank Co., Ltd.” (the “Articles”) as well as other relevant laws and regulations and regulatory documents, combined with the Bank’s actual situation.	In order to ensure the Board of Directors of China Merchants Bank Co., Ltd. (the “Bank”) may exercise its authority and power in an independent, standardized and effective manner, work efficiently and make scientific decisions, the Bank has formulated the Rules of Procedures for meetings by the Board of Directors in accordance with the provisions of the “Company Law of the People’s Republic of China” (the “Company Law”), the “Mandatory Provisions of the Articles of Association of Companies Listed Overseas”, <b>the “State Council Guidance on the Implementation of Pilot Scheme of Preference Shares”</b> and the “Articles of Association of China Merchants Bank Co., Ltd.” (the “Articles”) as well as other relevant laws and regulations and regulatory documents, combined with the Bank’s actual situation.	To amend the basis of formulation for the “Rules of Procedures for Meetings of the Board of Directors” is amended pursuant to the “Guidelines for the Articles of Association of Listed Companies (2016 Revision)” and the Articles.

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

<b>No.</b>	<b>Text of original articles</b>	<b>Text of new articles</b>	<b>Basis of amendment</b>
<b>Article 5</b>	<p>The Board of Directors shall be accountable to the shareholders' general meeting, take ultimate responsibility for the operation and management of the Bank and shall exercise the following functions and powers:</p> <ol style="list-style-type: none"> <li>(1) to be responsible for the convening of shareholders' general meetings and shall report on the work to the shareholders' general meetings;</li> <li>(2) to implement the resolutions passed at the shareholders' general meetings;</li> <li>(3) to determine the Bank's business plans, investment proposals and important asset disposal proposals;</li> <li>(4) to formulate the development strategy and capital management strategy of the Bank, pay special attention to such ancillary strategies as the talent strategy and the IT strategy and supervise the implementation of such strategies;</li> <li>(5) to formulate the Bank's proposals on annual financial budgets and final accounts;</li> <li>(6) to formulate the Bank's profit distribution proposal and loss recovery proposal;</li> <li>(7) to formulate proposals on the increase or reduction of the Bank's registered capital, issuance of bonds or other securities and listing;</li> <li>(8) to draw up plans for significant acquisition, purchase of the Bank's shares or merger, division or dissolution or change of mode of the Bank;</li> <li>(9) to decide on matters including equity investment and other external investment, acquisitions and disposals of fixed assets and other assets, assets pledge, external guarantees and connected transactions within the scope stipulated by this Articles and authorized by the shareholders' general meeting;</li> <li>(10) to decide on the establishment of the Bank's internal management organs;</li> <li>(11) to appoint or remove the Bank's president and secretary of the Board of Directors; and to appoint or remove the Bank's senior management members including the executive vice presidents and the financial controller in accordance with the recommendations of the president; to decide on their remunerations, rewards and punishment; and to monitor and ensure the effective performance of their management duties by the senior management of the Bank;</li> </ol>	<p>The Board of Directors shall be accountable to the shareholders' general meeting, take ultimate responsibility for the operation and management of the Bank and shall exercise the following functions and powers:</p> <ol style="list-style-type: none"> <li>(1) to be responsible for the convening of shareholders' general meetings and shall report on the work to the shareholders' general meetings;</li> <li>(2) to implement the resolutions passed at the shareholders' general meetings;</li> <li>(3) to determine the Bank's business plans, investment proposals and important asset disposal proposals;</li> <li>(4) to formulate the development strategy and capital management strategy of the Bank, pay special attention to such ancillary strategies as the talent strategy and the IT strategy and supervise the implementation of such strategies;</li> <li>(5) to formulate the Bank's proposals on annual financial budgets and final accounts;</li> <li>(6) to formulate the Bank's profit distribution proposal and loss recovery proposal;</li> <li>(7) to formulate proposals on the increase or reduction of the Bank's registered capital, issuance of bonds or other securities and listing;</li> <li>(8) to draw up plans for significant acquisition, purchase of the Bank's shares or merger, division or dissolution or change of mode of the Bank;</li> <li>(9) to decide on matters including equity investment and other external investment, acquisitions and disposals of fixed assets and other assets, assets pledge, external guarantees and connected transactions within the scope stipulated by the Articles and authorized by the shareholders' general meeting;</li> <li>(10) to decide on the establishment of the Bank's internal management organs;</li> <li>(11) to appoint or remove the Bank's president and secretary of the Board of Directors; and to appoint or remove the Bank's senior management members including the executive vice presidents and the financial controller in accordance with the recommendations of the president; to decide on their remunerations, rewards and punishment; and to monitor and ensure the effective performance of their management duties by the senior management of the Bank;</li> </ol>	<p>Article 11, 37 and 55 of the "Administrative Guidelines on the Pilot Scheme of Preference Shares" Article 107 of the "Guidelines for the Articles of Association of Listed Companies (2016 Revision)"</p>

**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No.	Text of original articles	Text of new articles	Basis of amendment
	<p>(12) to decide the allocation ratio in proportion to the total profits in relation to the reward fund to the president;</p> <p>(13) to formulate the Bank's basic management system;</p> <p>(14) to formulate proposals on the amendments to the Articles of the Bank;</p> <p>(15) to formulate the vocational guidelines and value standards with which the Board of Directors and senior management members shall comply;</p> <p>(16) to take charge of information disclosure of the Bank and take ultimate responsibility for the truthfulness, accuracy, completeness and timeliness of the accounting and financial reports of the Bank;</p> <p>(17) to propose at a shareholders' general meeting to appoint or replace the accounting firm which undertakes auditing work for the Bank;</p> <p>(18) to hear the president's work report and inspect the president's work;</p> <p>(19) to regularly assess and improve the status of corporate governance of the Bank;</p> <p>(20) to formulate the overall strategy for the management of consolidated financial accounts of the Bank, approve and supervise the formulation and implementation of the specific implementation plan on the management of consolidated financial accounts, and establish a mechanism of regular review (including the review of internal transactions) and assessment;</p> <p>(21) to perform the Bank's primary duty for capital management and leverage ratio management, set limits on risk exposure and the capital adequacy objective, approve and supervise the implementation of capital planning, consider and approve the implementation of the advanced capital measurement method, and perform the duty of capital management required by the banking regulatory authority under the State Council;</p> <p>(22) to consider and approve the management system for provision for losses on loans formulated by the management and its material changes;</p> <p>(23) to establish and improve the accountability mechanism for material losses of the Bank;</p>	<p>(12) to decide the allocation ratio in proportion to the total profits in relation to the reward fund to the president;</p> <p>(13) to formulate the Bank's basic management system;</p> <p>(14) to formulate proposals on the amendments to the Articles of the Bank;</p> <p>(15) to formulate the vocational guidelines and value standards with which the Board of Directors and senior management members shall comply;</p> <p>(16) to take charge of information disclosure of the Bank and take ultimate responsibility for the truthfulness, accuracy, completeness and timeliness of the accounting and financial reports of the Bank;</p> <p>(17) to propose at a shareholders' general meeting to appoint or replace the accounting firm which undertakes auditing work for the Bank;</p> <p>(18) to hear the president's work report and inspect the president's work;</p> <p>(19) to regularly assess and improve the status of corporate governance of the Bank;</p> <p>(20) to formulate the overall strategy for the management of consolidated financial accounts of the Bank, approve and supervise the formulation and implementation of the specific implementation plan on the management of consolidated financial accounts, and establish a mechanism of regular review (including the review of internal transactions) and assessment;</p> <p>(21) to perform the Bank's primary duty for capital management and leverage ratio management, set limits on risk exposure and the capital adequacy objective, approve and supervise the implementation of capital planning, consider and approve the implementation of the advanced capital measurement method, and perform the duty of capital management required by the banking regulatory authority under the State Council;</p> <p>(22) to consider and approve the management system for provision for losses on loans formulated by the management and its material changes;</p> <p>(23) to establish and improve the accountability mechanism for material losses of the Bank;</p>	



**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No.	Text of original articles	Text of new articles	Basis of amendment
	<p>(24) to establish the mechanism for identification, verification and management of the conflict of interest between the Bank and shareholders, in particular substantial shareholders;</p> <p>(25) to protect the legitimate interests of depositors and other interested parties;</p> <p>(26) to exercise any other duties and powers conferred by laws, regulations, these Articles and the shareholders' general meeting.</p> <p>Items (6), (7), (8), (11) and (14) and other issues set out in Rule 15 of these Rules of Procedures shall be voted for by two-thirds of the directors and the remaining items shall be voted for by more than one half of the directors. The Board of Directors shall fully take into consideration the opinions of external auditors when performing its duties.</p>	<p>(24) to establish the mechanism for identification, verification and management of the conflict of interest between the Bank and shareholders, in particular substantial shareholders;</p> <p>(25) to protect the legitimate interests of depositors and other interested parties;</p> <p><b>(26) to decide on matters relating to the issuance of preference shares and the issued preference shares of the Bank, including but not limited to making decisions on whether to conduct relevant repurchase, conversion or dividend distribution (but the Board of Directors shall not be authorized to decide on matters of partial or full cancellation of the dividend distribution) thereof within the scope authorized by the shareholders' general meeting; and</b></p> <p>(27) to exercise any other duties and powers conferred by laws, regulations, these Articles and the shareholders' general meeting.</p> <p>Items (6), (7), (8), (11), (14) and (26) and other issues set out in Rule 15 of these Rules of Procedures shall be voted for by two-thirds of the directors and the remaining items shall be voted for by more than one half of the directors. The Board of Directors shall fully take into consideration the opinions of external auditors when performing its duties.</p>	
<b>Article 7</b>	<p>The Board of Directors shall define its authority in relation to investment and disposals of the Bank's assets and establish strict examination and policy making procedures; shall arrange for the relevant experts and professionals to assess and examine significant investment projects and asset disposals and submit a report of the same to the shareholders' general meeting for approval.</p> <p>The equity investments or other external investments and the acquisition or disposal of fixed assets or other assets each involving an amount not exceeding 10% (inclusive) of the net asset value based on the latest published audited accounts of the Bank shall be approved by the Board of Directors; and any single acquisition or disposal involving an amount which is in excess of the aforementioned limit shall be approved at the shareholders' general meeting. Any assets investment and disposal by the senior management shall be authorized by the Board of Directors.</p>	<p>The Board of Directors shall define its authority in relation to investment and disposals of the Bank's assets and establish strict examination and policy making procedures; shall arrange for the relevant experts and professionals to assess and examine significant investment projects and asset disposals and submit a report of the same to the shareholders' general meeting for approval.</p> <p>The equity investments or other external investments and the acquisition or disposal of fixed assets or other assets each involving an amount not exceeding 10% (inclusive) of the net asset value based on the latest published audited accounts of the Bank shall be approved by the Board of Directors; and any single acquisition or disposal involving an amount which is in excess of the aforementioned limit shall be approved at the shareholders' general meeting. Any assets investment and disposal by the senior management shall be authorized by the Board of Directors.</p>	To amend according to actual needs.



**APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No.	Text of original articles	Text of new articles	Basis of amendment
	<p>For disposal of any fixed assets by the Board of Directors, if the aggregate of the expected value of the fixed assets proposed to be disposed of and the value of the fixed assets which had been disposed of within four months immediately preceding such proposal for disposal exceeds 33% of the fixed assets value shown in the most recent balance sheet reviewed by the shareholders' general meeting, the Board of Directors shall not dispose or approve the disposal of such fixed assets before obtaining the approval of the shareholders' general meeting.</p> <p>Disposal of fixed assets referred to in this Article includes the transfer of interests of certain assets, but excludes the provision of fixed assets as pledges to any guarantees.</p> <p>The validity of transactions conducted by the Bank in relation to the disposal of fixed assets shall not be affected notwithstanding any violation of the requirements set out in the first paragraph of this Article.</p>	<p>For disposal of any fixed assets by the Board of Directors, if the aggregate of the expected value of the fixed assets proposed to be disposed of and the value of the fixed assets which had been disposed of within four months immediately preceding such proposal for disposal exceeds 33% of the fixed assets value shown in the most recent balance sheet reviewed by the shareholders' general meeting, the Board of Directors shall not dispose or approve the disposal of such fixed assets before obtaining the approval of the shareholders' general meeting.</p> <p><b>Acquisition and</b> disposal of fixed assets referred to in this Article includes the transfer of interests of certain assets, but excludes the provision of fixed assets as pledges to any guarantees.</p> <p>The validity of transactions conducted by the Bank in relation to the disposal of fixed assets shall not be affected notwithstanding any violation of the requirements set out in the first paragraph of this Article.</p>	
<b>Article 10</b>	<p>An extraordinary meeting of the Board of Directors may be held by the chairman within 10 days, if:</p> <p>(1) it is deemed necessary by the chairman;</p> <p>(2) it is proposed by more than one-third of the directors;</p> <p>(3) it is proposed by the Board of Supervisors;</p> <p>(4) it is proposed by the president;</p> <p>(5) it is proposed by shareholders representing more than one-tenth of the voting rights.</p> <p>(6) other circumstances stipulated by laws, administrative regulations, departmental rules or the Articles.</p>	<p>An extraordinary meeting of the Board of Directors may be held by the chairman within 10 days, if:</p> <p>(1) it is deemed necessary by the chairman;</p> <p>(2) it is proposed by more than one-third of the directors;</p> <p>(3) it is proposed by the Board of Supervisors;</p> <p>(4) it is proposed by the president;</p> <p>(5) it is proposed by shareholders <b>(including shareholders of ordinary shares and shareholders of preference shares with recovered voting rights)</b> representing more than one-tenth of the voting rights.</p> <p>(6) other circumstances stipulated by laws, administrative regulations, departmental rules or the Articles.</p>	<p>To stipulate that ordinary shares and preference shares shall be calculated separately when computing the number of shareholders and the shareholding ratio, pursuant to article 15 of the "Administrative Guidelines on the Pilot Scheme of Preference Shares" To include shareholders of preference shares with recovered voting rights in the shareholders of ordinary shares, pursuant to article 37 and other articles of the "Administrative Guidelines on the Pilot Scheme of Preference Shares".</p>
<b>Article 11</b>	<p>Mode of notification of extraordinary meetings of the Board of Directors: by notice in writing, including sending it by registered mail, telegram, telex, email and facsimile (with acknowledgement of receipt). Time limit for sending the notification: such notice shall be delivered to the directors and supervisors at least one day prior to the meeting.</p>	<p>Mode of notification of extraordinary meetings of the Board of Directors: by notice in writing, including sending it by registered mail, telegram, telex, email and facsimile (with acknowledgement of receipt). Such notice <b>shall</b> be delivered to the directors and supervisor <b>within a reasonable time</b> prior to the meeting.</p>	<p>To amend for flexibility in practices and operations.</p>