

*Please note that these Rules of Procedures for Meetings of the Board of Directors are written in Chinese without an official English version. This English version is for reference only. In case of any inconsistency, the Chinese version shall prevail.*

## **Rules of Procedures for Meetings of the Board of Directors of China Merchants Bank Co., Ltd.**

**(Amended In 2017)**

### **Chapter 1 General Provisions**

- Rule 1 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”, the “State Council Guidance on the Implementation of Pilot Scheme of Preference Shares” 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.
- Rule 2 The Board of Directors is the permanent establishment for operation and decision making of the Bank, and shall be accountable to the shareholders’ general meeting. The Board of Directors performs its duties in accordance with the provisions of the Company Law, the Articles as well as other relevant laws, regulations and regulatory documents.

### **Chapter 2 Composition and Functions of the Board of Directors**

- Rule 3 The Bank shall establish a Board of Directors. The Board of Directors shall comprise of 11 to 19 directors and shall have one chairman and one or two vice chairman/chairmen.
- Rule 4 The chairman and vice chairman of the Board of Directors shall be appointed amongst the directors, and shall be elected and removed by more than one half of all the directors. The term of office of the chairman and vice chairman shall be three years and may be re-elected and re-appointed.
- Rule 5 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:
- (1) to be responsible for the convening of shareholders’ general meetings and shall report on the work to the shareholders’ general meetings;
  - (2) to implement the resolutions passed at the shareholders’ general meetings;
  - (3) to determine the Bank’s business plans, investment proposals and important asset disposal proposals;
  - (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;
  - (5) to formulate the Bank’s proposals on annual financial budgets and final accounts;
  - (6) to formulate the Bank’s profit distribution proposal and loss recovery proposal;

- (7) to formulate proposals on the increase or reduction of the Bank's registered capital, issuance of bonds or other securities and listing;
- (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;
- (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 related party transactions within the scope stipulated by the Articles and authorized by the shareholders' general meeting;
- (10) to decide on the establishment of the Bank's internal management organs;
- (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;
- (12) to decide the allocation ratio in proportion to the total profits in relation to the reward fund to the president;
- (13) to formulate the Bank's basic management system;
- (14) to formulate proposals on the amendments to the Articles of the Bank;
- (15) to formulate the vocational guidelines and value standards with which the Board of Directors and senior management members shall comply;
- (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;
- (17) to propose at a shareholders' general meeting to appoint or replace the accounting firm which undertakes auditing work for the Bank;
- (18) to hear the president's work report and inspect the president's work;
- (19) to regularly assess and improve the status of corporate governance of the Bank;
- (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;
- (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;
- (22) to consider and approve the management system for provision for losses on loans formulated by the management and its material changes;

- (23) to establish and improve the accountability mechanism for material losses of the Bank;
- (24) to establish the mechanism for identification, verification and management of the conflict of interest between the Bank and shareholders, in particular substantial shareholders;
- (25) to protect the legitimate interests of depositors and other interested parties;
- (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
- (27) to exercise any other duties and powers conferred by laws, regulations, the Articles and the shareholders' general meeting.

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.

**Rule 6** The Board of Directors of the Bank shall explain the qualified audit reports issued by registered accountants in respect of the Bank's financial reports at the shareholders' general meeting.

**Rule 7** 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.

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.

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.

Acquisition and disposal of fixed assets referred to in this Rule includes the transfer of interests of certain assets, but excludes the provision of fixed assets as pledges to any guarantees.

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 Rule.

Rule 8 The chairman shall be entitled to exercise the following powers:

- (1) to preside over shareholders' general meetings and to convene and preside over board meetings;
- (2) to supervise and examine the implementation of the resolutions of the board meeting;
- (3) to sign the share certificates, bonds and other marketable securities issued by the Bank;
- (4) to sign any material documents of the Board of Directors and other documents which shall be signed by the legal representative of the Bank;
- (5) to exercise the functions and powers of a legal representative;
- (6) in the event of an occurrence of any severe natural disaster or any other force majeure event, to exercise his/her special power of disposition in relation to the affairs of the Bank in compliance with the legal provisions and in the interests of Bank and, subsequently report such disposition to the Board of Directors and shareholders' general meeting; and
- (7) other powers conferred by the Board of Directors.

If the chairman cannot perform his/her duties or fails to perform his/her duties, the vice chairman shall perform the duties accordingly (if the Bank has two vice chairmen, the vice chairman selected by more than one half of the directors shall perform the relevant duties); if the vice chairman cannot perform his/her duties or fails to perform his/her duties, a director selected by more than one half of the directors shall perform the relevant duties.

### **Chapter 3 Meetings of the Board of Directors**

Rule 9 There are two types of board meeting: regular board meeting and extraordinary board meeting. The Board of Directors shall hold at least one regular board meeting on a quarterly basis, and the board meeting shall be convened by the Chairman of the Board of Directors. Notice of board meeting shall be sent to all directors and supervisors in writing at least fourteen days before the date of the meeting.

Rule 10 An extraordinary meeting of the Board of Directors may be held by the chairman within 10 days, if:

- (1) it is deemed necessary by the chairman;
- (2) it is proposed by more than one-third of the directors;
- (3) it is proposed by the Board of Supervisors;
- (4) it is proposed by the president;
- (5) it is proposed by shareholders (including shareholders of ordinary shares and shareholders of preference shares with recovered voting rights) representing more than one-tenth of the voting rights; and
- (6) other circumstances stipulated by laws, administrative regulations, departmental rules or the Articles.

Rule 11 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 shall be delivered to the directors and supervisor within a reasonable time prior to the meeting.

Rule 12 Notice of meeting of the Board of Directors shall contain:

- (1) date and place of the meeting;
- (2) duration of the meeting;
- (3) reasons for and discussion topics of the meeting;
- (4) date of issuance of the notice.

#### **Chapter 4 Voting and Resolutions at Meetings of the Board of Directors**

Rule 13 A meeting of the Board of Directors shall only be held if it has a quorum of more than one half of the directors. Each director shall have one vote. Resolutions adopted at the board meeting must be approved by more than one half of the directors. Where there is an equality of votes for and against a particular resolution, the chairman shall be entitled to have a casting vote.

When a director and the enterprises involved in the resolutions of the board meeting have connected relations, such director shall not exercise his/her voting rights on such proposal nor can he/she exercise any voting rights on behalf of others directors. The meeting may be held if it is quorated by more than one half of the unconnected directors. The resolutions of the board meeting shall be passed by more than one half of unconnected directors. If the number of unconnected directors attending the board meeting is less than three, such matter shall be put forward to the shareholders' general meeting for discussion.

Rule 14 Voting of resolutions of the Board of Directors shall proceed by the following methods: voting by a show of hands or voting by poll.

Rule 15 The meetings of the Board of Directors may be convened by members attending in person (including video and telephone conferences) or by way of written resolution(s). If the meeting is convened by way of written resolution(s), the information on the issues for voting and relevant background shall be delivered to all the Directors of the Bank at least three days before such voting. The Board of Directors shall explain the reasons for convening a meeting by way of written resolution(s). Extraordinary meetings of the Board of Directors may be convened by way of written resolution(s) provided that the directors have fully expressed their views and comprehended the matters and topics for discussion at the meeting and the directors attending the meeting shall sign accordingly.

Important matters including profit distribution proposals, proposals on significant investment and significant asset disposal, appointment or removal of senior management members, capital replenishment plans, significant changes in equity and financial restructuring shall not adopt the voting by written resolutions and such matters shall be approved by more than two-thirds of the directors of the Board of Directors.

Rule 16 Directors shall attend the board meeting in person. If a director cannot attend the meeting due to certain reasons, he/she may appoint another director in writing to attend on his/her behalf.

The proxy form shall state the name of the proxy, the relevant matters, scope of authorization and validity period and shall be signed by the appointor or a chop shall be affixed.

The director attending the meeting on other's behalf shall exercise the director's rights within the scope of authorisation. If a director does not attend the board meeting and fails to appoint a proxy to attend the meeting, the same shall be deemed as a waiver of his/her voting right at such meeting.

Rule 17 Minutes shall be taken for the matters discussed at the meeting and the directors attending the meeting and the person taking the minutes shall sign on the minutes. Directors attending the meeting shall have the right to request to record in the minutes details of the speech made by them at the meeting. The minutes of the board meeting shall be kept as the Bank's files for a period of not less than ten years.

Rule 18 The minutes of the meeting of the Board of Directors shall include the following:

- (1) date and place of the meeting and the name of the convener;
- (2) names of the directors attending the meeting and names of the directors (proxies) appointed by others to attend the board meeting;
- (3) agenda of the meeting;
- (4) main points of the speeches of the directors;
- (5) method and results of the voting for each proposal (the voting results shall state the numbers of votes for or against the proposal or abstention).

Rule 19 Directors shall sign on the board resolutions and shall be responsible for the board resolutions. If the board resolutions violate the relevant laws, regulations, the Articles or resolutions of the shareholders' general meeting thus causing losses to the Bank, the directors participating in the resolutions shall be liable to compensate the Bank for the losses. However, on verification that a director had stated his/her objection when voting and the same was recorded in the minutes, such director may be exempted from such liability.

#### **Chapter 5 Special Committees under the Board of Directors**

Rule 20 The Board of Directors of the Bank has established specialised committees, i.e. the Strategy Committee, the Audit Committee, the Related Party Transactions Control Committee, the Risk and Capital Management Committee, the Remuneration and Appraisal Committee and the Nomination Committee. Each of the specialised committees is responsible directly to the Board of Directors. They provide professional opinions to the Board of Directors, or make decisions in respect of professional issues in accordance with the authorization of the Board of Directors, and regularly discuss with senior management and relevant departments on the operation and risk status of the Bank and put forward opinions and advices. All specialised committees comprise of directors, and each committee shall have at least three members. In particular, the Audit Committee, the Related Party Transactions Control Committee and the Nomination Committee shall not consist of directors nominated by controlling shareholders. The majority of the members of the Audit Committee, the Related Party Transactions Control Committee, the Remuneration and Appraisal Committee and the Nomination Committee shall be independent directors, and they shall act as the chairman of meetings. Among the members of the Audit Committee and the Related Party Transactions Control Committee who are independent directors, at least one of them shall have professional expertise in accounting. The Risk and Capital Management Committee shall have at least one independent director, and its chairman shall have experience in identification and management of various risks. The chairman of a specialised committee in principle shall not serve as the chairman of another committee.

Rule 21 The major duties of the Strategy Committee under the Board of Directors include:

- (1) formulate the operational goals and medium-to-long term development strategies of the Bank, and make an overall assessment on its strategic risk;
- (2) consider material investment and financing projects and make proposals to the Board of Directors;
- (3) supervise and review the implementation of the annual operation and investment plans;
- (4) evaluate and monitor the implementation of Board resolutions;
- (5) put forward proposals and plans on important issues for discussion and determination by the Board of Directors.

Rule 22 The major duties of the Audit Committee under the Board of Directors include:

- (1) propose the appointment or replacement of external auditors;
- (2) monitor the internal audit system of the Bank and its implementation, and evaluate the work procedures and work effectiveness of the internal audit department;
- (3) coordinate the communications between internal auditors and external auditors;
- (4) audit the financial information of the Bank and its disclosure, take charge of annual audit of the Bank, prepare a report of judgments on the truthfulness, accuracy, completeness and timeliness of the audited financial reports of the Bank and submit the same to the Board of Directors for consideration;
- (5) examine the internal control system of the Bank, and put forward the advices to improve the internal control of the Bank;
- (6) review and supervise the mechanism for the Bank's employees to whistleblow any misconducts in respect of financial reports, internal control or other aspects, so as to ensure that the Bank always handles the whistleblowing issues in a fair and independent manner and takes appropriate actions;
- (7) inspect the accounting policies, financial reporting procedures and financial position of the Bank; and
- (8) any other tasks delegated by the Board of Directors.

Rule 23 The major duties of the Related-Party Transactions Control Committee under the Board of Directors include:

- (1) identify related parties of the Bank pursuant to relevant laws and regulations;
- (2) examine, monitor and review material Related-Party Transactions and Continuing Related-Party Transactions and control the risks associated with Related-Party Transactions;
- (3) review the measures on the management of the Bank's Related-Party Transactions and supervise the establishment and improvement of the relevant management system of Related-Party Transactions of the Bank;
- (4) review the announcement(s) in respect of the Bank's Related-Party Transaction(s).

Rule 24 The major duties of the Risk and Capital Management Committee under the Board of Directors include:

- (1) supervise the status of risk control by the senior management members of the Bank in relation to credit risk, market risk, operation risk, liquidity risk, strategic risk, compliance risk, reputation risk, country risk and other risks;
- (2) make regular assessment on the risk policies, management status, risk-withstanding ability and capital status of the Bank;
- (3) perform the relevant duty of the advanced capital measurement method under the authorization of the Board of Directors;
- (4) submit proposals on perfecting the management of risks and capital of the Bank;
- (5) arrange and instruct risk prevention works in accordance with the authorization of the Board of Directors; and
- (6) any other matters authorized by the Board of Directors.

Rule 25 The major duties of the Remuneration and Appraisal Committee under the Board of Directors include:

- (1) study the standards for assessment of directors and senior management members and make assessment and put forward proposals depending on the actual conditions of the Bank;
- (2) study and review the remuneration policies and proposals in respect of directors and senior management members, put forward proposals to the Board of Directors and supervise the implementation of such proposals;
- (3) review the remuneration management system and policies of the Bank;
- (4) any other matters authorized by the Board of Directors.

Rule 26 The major duties of the Nomination Committee under the Board of Directors include:

- (1) review the structure, number of directors and composition (including their skills, knowledge and experience) of the Board of Directors at least once a year according to the business activities, asset scale and shareholding structure of the Bank, and put forward proposals in respect of any intended changes to the Board of Directors in line with the strategies of the Bank;
- (2) study the standards and procedures for selection of directors and senior management members and put forward proposals to the Board of Directors;
- (3) search extensively for qualified candidates for directors and senior management members;
- (4) conduct preliminary examination on candidates for directors and senior management members, and make relevant proposals to the Board of Directors;
- (5) any other matters authorized by the Board of Directors.

Rule 27 The special committees may appoint intermediary institutions to provide professional advice and the relevant costs shall be borne by the Bank.

### **Chapter 6 Supplementary Provisions**

Rule 28 The Rules shall be implemented on the date the Articles become effective after approval at the shareholders' general meeting.

Rule 29 The interpretation power of the Rules of Procedure belongs to the Board of Directors.