

Implementing Rules for the Audit Committee under the Board of Directors

Chapter 1 General Provisions

Rule 1 In order to ensure effective supervision of the senior management by the Board of Directors (the “Board”) and to enhance the corporate governance structure of the Bank, the Board of the Bank has set up the Audit Committee and formulated these Implementing Rules (the “Rules”) pursuant to the “Company Law of the People’s Republic of China”, the “Corporate Governance Guidelines for Banking and Insurance Institutions”, the “Code of Corporate Governance for Listed Companies”, the “Self-regulatory Guidelines for Listed Companies on the Shanghai Stock Exchange No. 1 – Regulation of Operations”, the “Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited”, the “Articles of Association of China Merchants Bank Co., Ltd.” (the “Articles of Association”) and other relevant regulations.

Rule 2 The Audit Committee shall be mainly responsible for examining the accounting policies and financial position of the Bank; conducting annual audit work of the Bank; making recommendations for the engagement and replacement of the external auditing firms; examining the internal audit and internal control conditions of the Bank, and assisting the Board in carrying out relevant work within the scope of its responsibilities.

Chapter 2 Composition

Rule 3 The Audit Committee shall comprise three to nine directors, the majority of whom shall be independent directors. At least one of the independent directors among the Committee members shall be an accounting professional.

Any director and executive director nominated by the controlling shareholders shall not serve as a member of the Audit Committee. The former partner of the existing external auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of two years from the date of his ceasing to be the partner of the firm or ceasing to have any financial interest in the firm (whichever is later).

Rule 4 The members of the Audit Committee shall be nominated by the Chairman of the Board or more than half of the independent directors or more than one-third of all directors, and shall be elected by the Board. The members of the Audit Committee shall have the expertise and work experience in the aspect of finance, auditing, accounting or law, and in principle shall be independent of the Bank’s daily business management issues.

Rule 5 The Audit Committee shall have a chairman who shall be an independent director and shall be responsible for leading the work of the Committee. The chairman of the Committee shall be an accounting professional and possess relevant professional experience in accounting or financial management; the chairman of the Committee shall be appointed by the Board after consideration. The chairman of a specialised committee in principle shall not serve as the chairman of other specialised committees.

Rule 6 The term of office of a member of the Audit Committee shall be the same as that of his/her directorship. A member may serve consecutive terms if re-elected upon expiry of his/her term. If any member resigns from the position of director of the Bank during his/her term of office, he/she shall automatically lose his/her eligibility as a Committee member, and the vacancy shall be filled by the Board in accordance with the provisions of these Rules.

Chapter 3 Duties and Authorities

Rule 7 The major duties of the Audit Committee are:

- (1) review the financial information and its disclosure, be responsible for the annual audit work, and make a judgment report on the authenticity, accuracy, completeness and timeliness of the information set out in the audited financial report;
- (2) inspect accounting policies, financial reporting procedures and financial position;
- (3) propose to engage or replace an accounting firm for regular audit of financial reports, and supervise and evaluate its audit work;
- (4) monitor the internal audit system and its implementation, and evaluate the work procedures and work effectiveness of the internal audit department;
- (5) coordinate the communications between internal auditors and external auditors;
- (6) examine the internal control system and put forward suggestions on the improvement of internal control;
- (7) review and supervise the mechanism for 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;
- (8) any other tasks delegated by the Board.

Rule 8 The Audit Committee shall be accountable to the Board. The Committee shall submit its proposals to the Board for consideration and decision.

Chapter 4 Rules of Procedures

Rule 9 The Audit Committee shall meet at least four times every year (and meet with external auditing firms at least twice every year) and a notice of meeting shall be given to all members at a reasonable time prior to the meeting. The meetings shall be convened and chaired by the chairman of the Committee. If the chairman of the Committee cannot convene and chair the meeting, he/she may appoint another member to do so on his/her behalf. If the chairman of the Audit Committee becomes vacant or is unable to perform his/her duties due to his/her resignation as a director of the Bank, and a meeting of the Audit Committee needs to be held, then an independent director may be appointed by more than half of the members of the Committee to convene and chair the meeting.

Rule 10 The meetings of the Audit Committee shall be held only with the presence of more than two-thirds of the members. Each member shall be entitled to one vote. Related members shall abstain from voting. Resolutions adopted by a meeting shall be approved by more than half of the non-related members present at the meeting. If no valid opinions are formed after consideration due to abstention from voting of members, the relevant matter shall be considered by the Board directly.

Rule 11 The Audit Committee shall vote by a show of hands or vote by a poll in registered form. Meetings may be convened by members attending in person (including on-site, video or telephone conferences to ensure instant communication and discussion among participants) or by way of signature in written form.

Rule 12 The Audit Committee may invite other persons who are not Committee members to attend its meeting, if necessary.

Rule 13 The Bank shall provide the Audit Committee with sufficient resources to perform its duties. If necessary, the Audit Committee may engage an intermediary institution to provide professional advice on its decision. The cost shall be borne by the Bank.

Rule 14 The procedures for convening a meeting, the method of voting and the resolutions passed at a meeting of the Audit Committee shall comply with the provisions of the relevant laws, regulations, the Articles of Association of the Bank and these Rules.

Rule 15 The office of the Board shall be responsible for carrying out preliminary preparation work for study and decision by the Audit Committee, including but not limited to collecting meeting materials, liaising day-to-day work and organizing meetings. The relevant function departments of the Bank shall support with active cooperation.

Rule 16 The Audit Committee shall keep minutes of its meetings. Members present at a meeting shall sign the minutes of the meeting, the full version of which shall be kept by the Secretary of the Board of the Bank.

Rule 17 Any resolution passed and the result of any poll taken at a meeting of the Audit Committee shall be reported in writing to the Board of the Bank.

Rule 18 All persons present at a meeting shall be obliged to keep all matters discussed in such meeting confidential, and shall not disclose any relevant information without authorization.

Chapter 5 Supplementary Provisions

Rule 19 These Rules shall be implemented with effect from the date on which the relevant resolution is passed by the Board.

Rule 20 These Rules shall not be in conflict with the provisions of the Articles of Association of the Bank. Any matters not covered by the Articles of Association of the Bank and these Rules shall be implemented in accordance with the relevant laws and regulations of the PRC, the listing rules of the stock exchanges where the shares of the Bank are listed and actual circumstances of the Bank.

Rule 21 Unless otherwise specified or unless the context otherwise requires, the abbreviations used herein shall have the same meanings as those defined in the Articles of Association of the Bank.

Rule 22 The power of interpretation of, and amendments to, these Rules shall be vested in the Board of the Bank.