

REPORT OF THE BOARD OF SUPERVISORS

The Board of Supervisors has 9 members, including 2 external supervisors, 4 shareholder representative supervisors and 3 employee representative supervisors. The Board of Supervisors fulfills supervisory duties pursuant to *Company Law* and *Articles of Association* of the Company, and inspects and supervises the business operations and financial activities of the Company by holding regular meetings, reviewing various documents submitted by the Company, listening to the work reports and special reports of the management, making questionnaire surveys, etc.

In 2006, the Board of Supervisors held 6 meetings, which reviewed and approved four regular reports, financial budgets and final accounts, proposed profit appropriations plan, and 15 proposals including *Proposal Concerning Amendment of the Articles of Association of China Merchants Bank Co., Ltd.*, *Proposal Concerning Change of Members of the Board of Supervisors*, etc.

In 2006, the former chairman of the Board of Supervisors Wang Qiyang and external supervisor Zhang Yuqing fulfilled their terms of office and upon discussion and approval of the general meeting, Shi Jiliang and Shao Ruiqing were elected as external supervisors of the sixth session of Board of Supervisors. The Board of Supervisors elected Shi Jiliang as its chairman who concurrently serves as chairman of Nomination Committee of Board of Supervisors, and elected Shao Ruiqing as chairman of Audit Committee of Board of Supervisors.

In 2006, the Board of Supervisors intensified investigation, focusing on implementation of credit policy and credit system given by the Head Office to branches, quality of credit assets and execution of credit management procedure. In respect of the problems identified during the investigation, the Board of Supervisors presented a series of proposals to the management of the Head Office.

In 2006, the Board of Supervisors studied ways to supervise the work performance of directors and senior management and made questionnaire survey on the work performance of directors at the end of the year.

In 2006, the Board of Supervisors stepped up communications and dialogues with the regulatory authorities to learn about the general opinion of the regulatory authorities about China Merchants Bank and their suggestions on the works of the Board of Supervisors of the Company.

The Nomination Committee of the Board of Supervisors made preliminary examination on the qualifications of the candidate supervisors; the Audit Committee consulted with KPMG on the audit work in 2005, and analyzed the interim financial position of the Company in 2006.

In 2006, the Company convened 4 general meetings and 15 meetings of the Board of Directors. Supervisors attended the general meetings and were present at the meetings of the Board of Directors as non-voting delegates, and supervised the law and regulation compliance and voting procedure of the general meetings and meetings of the Board of Directors, as well as the work performance of the directors.

The Board of Supervisors was of the view that the business activities of China Merchants Bank in 2006 complied with *Company Law*, *Commercial Banks Law* and *Articles of Association*, and the decision making procedure was lawful and valid. No director or senior executive was found to have violated the relevant laws, regulations or the *Articles of Association* or having done anything detrimental to the interests of the Company or shareholders; KPMG audited the financial reports of the year in accordance with the international audit standard and produced standard unqualified audit report, stating that the financial reports gave a true, objective and accurate view of the financial position and operating results of the Company; the projects actually funded with the capital raised were consistent with the undertakings in the Capital Raising Description; the connected transactions were fair and reasonable, not running against the spirit of fairness or detrimental to the interests of the Company or shareholders. The Board of Supervisors lodged no objections to the reports and proposals submitted by the Board of Directors to the general meetings for 2006, and concluded that the board had duly implemented relevant resolutions of the general meetings.

By Order of the Board of Supervisors

Shi Jiliang

Chairman of the Board of Supervisors
16 April, 2007