In accordance with Regulation 32 of the Overseas Companies Regulations 2009.

1005107 20

DON'T STAPLE

OS AA01

Statement of details of parent law and other information for an overseas company

Companies House

✓ **What this form is for**
You may use this form to accompany your accounts disclosed under parent law.

✗ **What this form is NOT**
You cannot use this form an alteration of manner with accounting require

THURSDAY

AB8PJI9U
A06 21/07/2022 #25
COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of overseas company ❶	CHINA MINSHENG BANKING CORP., LTD
UK establishment number	B R 0 1 8 7 9 5

→ **Filling in this form**
Please complete in typescript or in bold black capitals.

All fields are mandatory unless specified or indicated by *

❶ This is the name of the company in its home state.

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and audited.

Legislation ❷	COMPANY LAW OF THE P.R.CHINA

❷ This means the relevant rules or legislation which regulates the preparation of accounts.

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted accounting principles?

Please tick the appropriate box.

☐ **No.** Go to **Section A3.**

☑ **Yes.** Please enter the name of the organisation or other body which issued those principles below, and then go to **Section A3.**

Name of organisation or body ❸	China Accounting Standards of Business Enterprises

❸ Please insert the name of the appropriate accounting organisation or body.

OS AA01

Statement of details of parent law and other information for an overseas company

A3 Audited accounts

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box. ☐ **No.** Go to **Part 3 'Signature'**. ☑ **Yes.** Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**.	❶ Please insert the name of the appropriate accounting organisation or body.
Name of organisation or body ❶	CICPA . IFS	

Part 3 Signature

I am signing this form on behalf of the overseas company.

Signature

Signature

X [signature] X

This form may be signed by:
Director, Secretary, Permanent representative.

OS AA01

Statement of details of parent law and other information for an overseas company

Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name

Company name ALLIOTTS LLP

Address Imperial House, 8 Kean Street

London

Post town

County/Region

Postcode W C 2 B 4 A S

Country

DX

Telephone 020 7240 9971

Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.

Important information

Please note that all this information will appear on the public record.

Where to send

You may return this form to any Companies House address:

England and Wales:
The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.

Scotland:
The Registrar of Companies, Companies House,
Fourth floor, Edinburgh Quay 2,
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1

Northern Ireland:
The Registrar of Companies, Companies House,
Second Floor, The Linenhall, 32-38 Linenhall Street,
Belfast, Northern Ireland, BT2 8BG.
DX 481 N.R. Belfast 1.

Further information

For further information, please see the guidance notes on the website at www.gov.uk/companieshouse or email enquiries@companieshouse.gov.uk

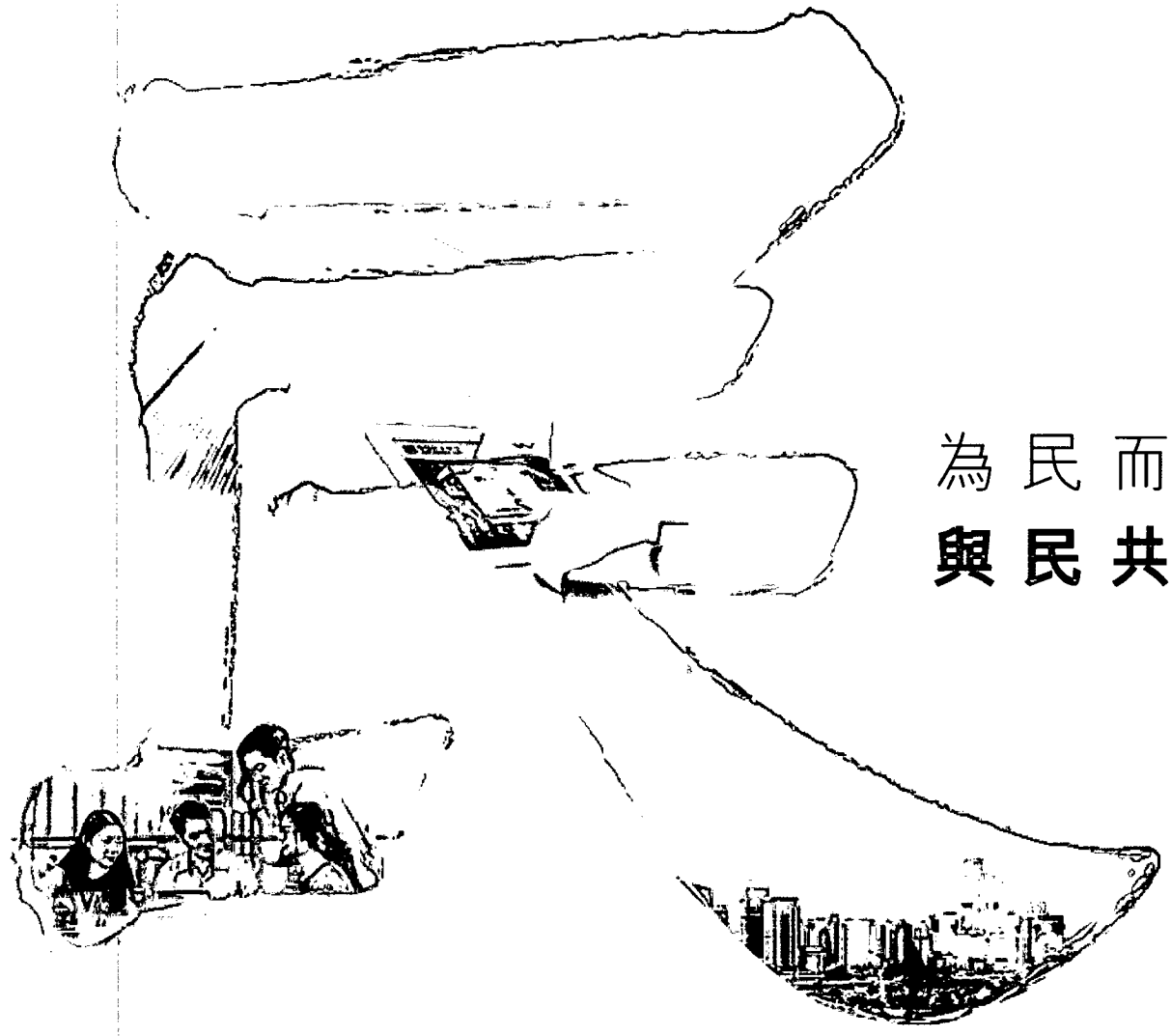
This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse

中国民生银行
CHINA MINSHENG BANK

与民共生
1996–2016

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

Stock Code：01988
USD Preference Shares Stock Code：04609



為民而生
與民共生

2016
ANNUAL REPORT

Important Notice

The Board, the Supervisory Board, and the Directors, Supervisors and Senior Management of the Company warrant that there are no misstatements, misleading representations or material omissions in this report, and shall assume several and joint liability for the truthfulness, accuracy and completeness of its contents.

This Annual Report was considered and approved on 30 March 2017 at the second meeting of the seventh session of the Board of the Company. Of the 18 Directors who were entitled to attend the meeting, 13 Directors attended the meeting in person, and five Directors, being the Vice Chairmen Zhang Hongwei and Liu Yonghao as well as the Directors Yao Dafeng, Cheng Hoi-chuen and Xie Zhichun, attended the meeting by teleconference. Of the nine Supervisors who were entitled to attend the meeting, eight Supervisors attended the meeting.

According to the profit distribution plan for the second half of 2016 passed by the Board, on the basis of the total share capital of the Company as at the record date for the purpose of profit distribution, a cash dividend of RMB1.65 (before tax) for every 10 shares will be distributed to shareholders of the Company. Such profit distribution plan shall be subject to the approval of the general meeting of the Company.

For the purpose of this Annual Report, China Minsheng Banking Corp., Ltd. shall be referred to as the "Company", the "Bank", "China Minsheng Bank" or "Minsheng Bank", whereas China Minsheng Banking Corp., Ltd. and its subsidiaries together shall be referred to as the "Group".

The financial data and indicators contained in this Annual Report are prepared according to the rules of the International Financial Reporting Standards ("IFRS"). Unless otherwise specified, all amounts are the consolidated data of the Group and denominated in RMB.

KPMG Huazhen LLP and KPMG Certified Public Accountants, auditors of the Company, have audited the financial reports of 2016 prepared in accordance with the Chinese Accounting Standard ("CAS") and the IFRS respectively, and issued standard and unqualified auditors' reports.

Board of Directors
China Minsheng Banking Corp., Ltd.

Hong Qi (Chairman), Zheng Wanchun (President), Bai Dan (Senior Management responsible for finance and accounting) and Li Wen (Person in charge of the accounting department) warrant the truthfulness, accuracy and completeness of the financial reports included in this Annual Report.

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Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below.

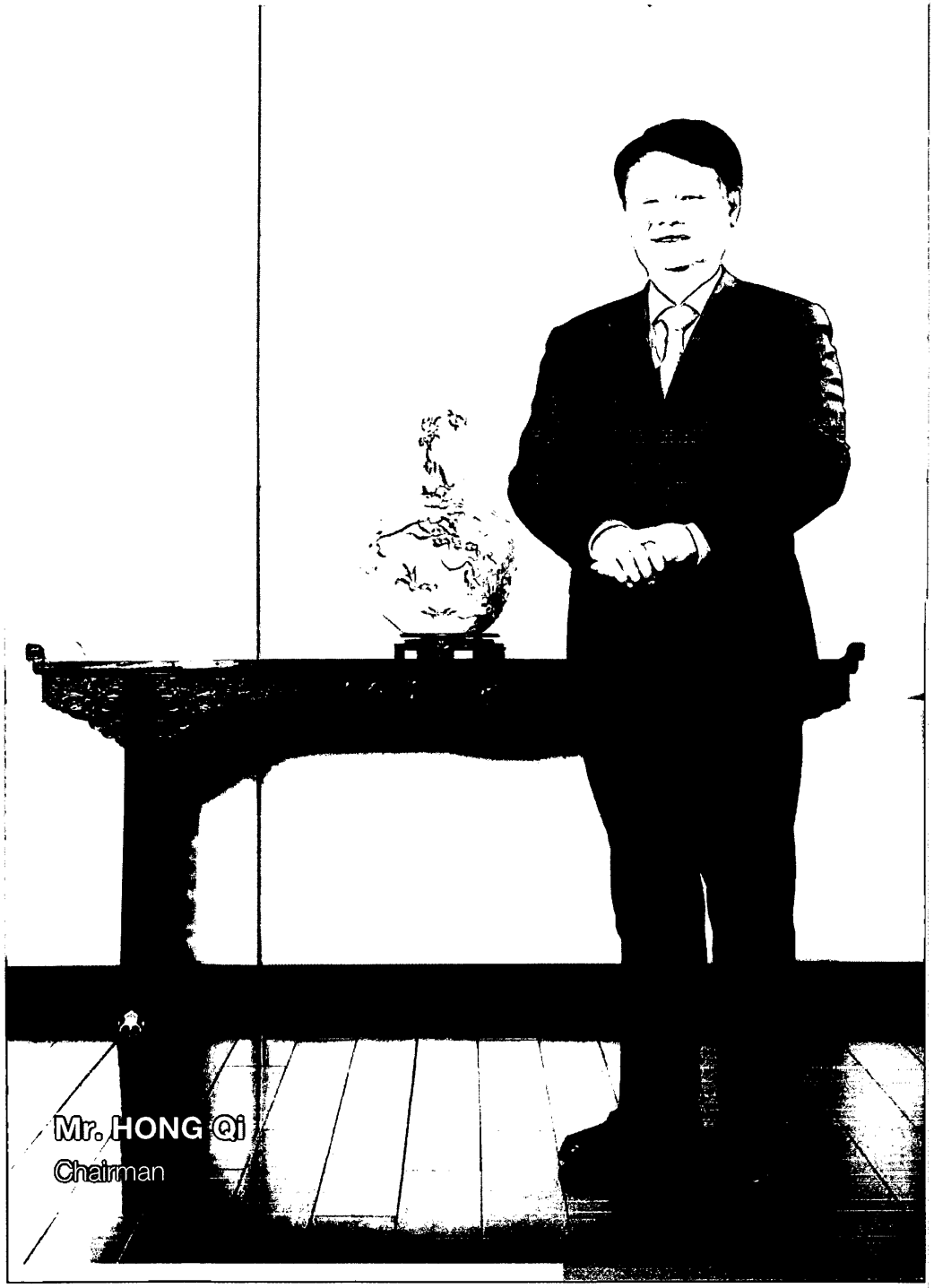
"ACFIC"	All-China Federation of Industry and Commerce (中華全國工商業聯合會)
"Bank" or "Company" or "China Minsheng Bank" or "Minsheng Bank"	China Minsheng Banking Corp., Ltd.
"Board"	board of directors of the Company
"CBRC"	China Banking Regulatory Commission
"CIRC"	China Insurance Regulatory Commission
"CMBC International"	CMBC International Holdings Limited
"Convertible Bond(s)" or "Minsheng Convertible Bond(s)" or "A Share Convertible Bond(s)"	A Share convertible bonds
"CPPCC"	The National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會)
"CSRC"	China Securities Regulatory Commission
"Director"	director of the Company
"Group"	the Company and its subsidiaries
"Hong Kong Listing Rules"	Rules Governing the Listing of Securities on SEHK
"Minsheng Financial Leasing"	Minsheng Financial Leasing Co., Ltd.
"Minsheng Jiashi"	Minsheng Jiashi Leasing Corporation
"Minsheng Royal Asset Management"	Minsheng Royal Asset Management Co., Ltd.

Definitions

"Minsheng Royal Fund"	Minsheng Royal Fund Management Co., Ltd.
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
"PBOC"	People's Bank of China
"Phoenix Project" (鳳凰計劃)	a comprehensive customer-oriented project for strategic transformation and restructuring of the Company in response to the liberalization of interest rate
"Reporting Period"	the period from 1 January 2016 to 31 December 2016
"SBU(s)"	strategic business unit(s)
"SEHK"	The Stock Exchange of Hong Kong Limited
"SZSE"	Shenzhen Stock Exchange
"Senior Management"	senior management of the Company
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SSE"	Shanghai Stock Exchange
"Supervisor"	supervisor of the Company
"Supervisory Board"	supervisory board of the Company

Material Risk Warning

The Company has no foreseeable material risks. For potential risks, please refer to the section headed "XI. Prospects and Measures — (III) Potential risks" in "Discussion and Analysis on Business Operation" of this report.



Mr. HONG Qi
Chairman

Message from the Chairman

In 2016, the global economy continued to experience significant adjustment and fluctuation during the course of recovery. Despite the complicated domestic and international environments as well as the continuous downward pressure, the general economic development in China maintained steady growth. Supply-side reform saw significant progress and the economic structure was further optimized, laying a good start for the 13th Five-Year Plan.

Under the "New Normal" of the Chinese economy, China's banking industry faced various challenges such as weak growth in income and profit, change of development mode, more intensive external challenges, emerging risks and tightening regulatory environment, as well as tremendous opportunities. The overall operating environment maintained stable. In 2016, the Company proactively adapted to the changing macro-economic situation and regulatory policies, implemented the Phoenix Project and accelerated the structural transformation. Sound development was achieved in the following aspects:

Steady growth of operating results. The Group achieved rapid business expansion with total assets of RMB5,895,877 million as at the end of 2016, representing an increase of RMB1,375,189 million or 30.42% as compared with the end of the previous year. The net profit attributable to equity shareholders of the Company for 2016 amounted to RMB47,843 million, representing an increase of 3.76% as compared with the corresponding period of the previous year. In 2016, return on average assets and return on weighted average equity were 0.94% and 15.13%, respectively, representing a slight decrease as compared with the corresponding period of the previous year. In 2016, basic earnings per share amounted to RMB1.31, representing an increase of RMB0.01 as compared with the corresponding period of the previous year. In 2016, net assets per share attributable to ordinary shareholders of the Company amounted to RMB9.12, representing an increase of RMB0.86 as compared with the end of the previous year.

Accelerated development of strategic businesses. In 2016, the Company accelerated the transformation of its business development mode by speeding up the adjustments to product and customer structures in order to strengthen its differentiated operation capabilities. As at the end of 2016, the number of domestic corporate customers that have deposits with the Company was 839.2 thousand, representing an increase of 147.2 thousand or 21.27% as compared with the end of the previous year. As at the end of 2016, the number of domestic customers with general loans of the Company was 11,896. The Company formulated development strategies and measures for retail business with a scientific approach, and the scale of our customer base and financial assets recorded sustainable growth. As at the end of 2016, the number of retail customers with existing deposits was 30,337.6 thousand, representing an increase of 4,723.7 thousand as compared with the end of the previous year. As at the end of 2016, financial assets of personal customers amounted to RMB1,262,013 million, representing an increase of RMB91,881 million as compared with the end of the previous year. As at the end of 2016, financial assets under the management of private banking amounted to RMB296,748 million, representing an increase of RMB23,740 million, as compared with the end of the previous year.

Optimized income structure. The Group promoted the organic development of "lighter capital" operation with focuses on key industries, regions and customers. Income contribution of intermediary business continued to improve. In 2016, the Group recorded net non-interest income of RMB59,367

million, of which net fee and commission income accounted for 33.92% of the total operating income, representing an increase of 0.62 percentage points as compared with the previous year. Income contribution of retail business also further increased. In 2016, operating income from retail business of the Company amounted to RMB49,659 million, accounting for 32.24% of the total operating income, representing an increase of 2.56 percentage points as compared with the corresponding period of the previous year.

In 2016, adhering to the major operating strategies of "strengthening corporate banking, expanding retail banking and optimizing financial markets business" set up at the beginning of 2016, the Group continued to deepen the reform on its operating systems and the management demonstrated significant improvement in the following aspects:

Firstly, the Company strengthened its differentiated operation through strategic transformation, and carried out various reforms under the Phoenix Project with satisfactory results. As at the end of 2016, 26 projects under the Phoenix Project were completed successfully in two phases, achieving preliminary progress in the change of growth pattern, enhancement of operating efficiency and consolidation of basic strengths. The asset and liability commission, risk commission, marketing and development commission, information technology committee and product and business innovation commission were established to consider, approve and decide on major issues in a more scientific and efficient manner. The reform and innovation of operating systems were further enhanced to motivate the operation vitality, which has significantly improved the differentiated business strength of the Company.

Secondly, the Company continued to strengthen its corporate banking business and reinforce its professional capabilities. By enhancing the categorized management of customers and refining the distribution by industries and regions, the Company proactively grasped the opportunities of investment banking and transaction banking businesses. In 2016, the Company issued a total of RMB21,351 million credit assets securitization products, ranking first in terms of the issuance size among all joint stock commercial banks in the interbank market. In addition, the Company achieved various breakthroughs in the development of corporate assets securitization and became the first issuer of such products in various markets. The Company also facilitated the transformation and development of transaction banking business through the development of new transaction banking platforms and promotion of new payment and settlement products such as "Tender Express (招標通)", "Market Express (市場通)", "Cross-Bank Service (跨行寶)" and "E-Payment (e支付)".

Thirdly, retail banking business has been expanded to proactively push forward the business transformation. Aiming to increase income, the Company endeavoured in expanding its customer group base and improving its financial management system, which supported the rapid and sound growth of the retail banking business. In 2016, operating income from the retail banking business amounted to RMB49,160 million, representing an increase of 8.02% as compared with the corresponding period of the previous year, accounting for 33.02% of the total operating income of the Company, representing an increase of 2.38 percentage points as compared with the previous year. In addition, the Company promoted the transformation and development of small business finance through enhancing cross-selling among customer groups. In 2016, total loans to small and micro enterprises amounted to RMB396,790 million. As at the end of 2016, the balance of loans and the average loan amount per account made to small and micro enterprises amounted to RMB327,136 million and RMB1,534.6 thousand, respectively.

Message from the Chairman

Fourthly, the financial markets business was optimized to continuously increase profitability. The Company continued to promote its platform construction and established interbank cooperation with 14 strategic interbank customers in 2016. In addition, the interbank liabilities structure was refined. As at the end of 2016, the balance of interbank deposits amounted to RMB255,345 million, representing an increase of 274.63%. Attributable to the innovation of the "Custody + (託管+)" model, the funds under custody of the Company as at the end of 2016 amounted to RMB7,071,366 million, representing an increase of 51.45%. With the strengthening of the brand building of "Apex Asset Management (非凡資產管理)", the scale of wealth management products grew by 34.89% to RMB1,427,816 million as at the end of 2016. The Company ranked top in the industry in terms of the growth rate of wealth management products.

Fifthly, the Company expanded its internet finance business and developed an internet finance ecological circle. Direct banking, mobile banking, WeChat banking, online banking and other online financial products and services were further innovated with increasing brand influence. The number of our direct banking customers and the scale of financial assets exceeded 5 million and RMB50 billion, respectively. As at the end of 2016, the number of mobile banking customers of the Company reached 24,751.4 thousand, representing an increase of 5,725.7 thousand as compared with the end of the previous year. Frequency of transactions conducted by the customers of the Company ranked top in the industry. As at the end of 2016, the number of the WeChat banking customers was 16,872.8 thousand, ranking top in the industry. The transaction replacement rate of personal online banking was 99.28%.

Sixthly, by deepening its international development strategy, the Company enhanced its cross-border financial services. The Company steadily expanded its overseas institutions. The Hong Kong Branch of the Company focused on the development of three major business segments, namely corporate banking, financial markets and private banking and wealth management, as well as the promotion of overseas mergers, acquisitions and privatization projects. In 2016, the Company completed the issuance of various large-scale bonds with a total amount of USD8 billion. Upon progressively obtaining relevant business licenses, CMBC International has become an important strategic platform for the diversified and international development of the Company, which enhanced the financial support for the overseas expansion of Chinese enterprises and development under the "Going Global" strategy and the "Belt and Road Initiative".

Seventhly, smart functions of outlets were enhanced through network optimization. The Company has established an efficient distribution network, which covered 118 cities in Mainland China and consisted of 124 branches and 1,119 sub-branches and outlets as at the end of 2016. In order to improve the operation and production capacity of the community market, the community financial business model was comprehensively refined. As at the end of 2016, a total of 1,694 community sub-branches have obtained licenses, representing an increase of 7.49%. Financial assets and the number of customers of community outlets amounted to RMB166,356 million and 4,620.6 thousand, representing an increase of 39.79% and 16.10%, respectively.

Eighthly, capital was replenished orderly and the brand image of the Company continued to improve. In 2016, the Company timely grasped the favorable opportunities to increase external financing, and issued RMB20,000 million tier-two capital bonds and USD1,439 million offshore

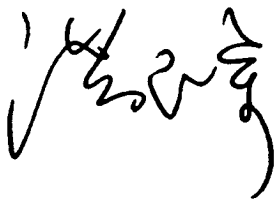
Message from the Chairman

preference shares, attaining a relative high capital adequacy rate. During the Reporting Period, the Company ranked 221st in the "Fortune Global 500" by Fortune magazine, significantly up by 60 positions as compared to the previous year. The Company also ranked 33rd in the "Top 1000 World Banks" by the Banker, a UK magazine, up by 5 positions as compared to the previous year.

The achievements above were made with the innovation and endeavour of the employees of the Company as well as the care and support from the customers, investors and the society. On behalf of the Company, I would like to express our heartfelt appreciation to all members of the society for their care and support for the development of China Minsheng Bank!

In 2017, the world economy will remain at bottom consolidation stage and lack growth momentum. Domestically, the year of 2017 will be an important year for the implementation of the 13th Five-Year Plan as well as the promotion of the supply-side structural reform. It is expected that the Chinese government will focus on adopting stable macro-economic policies to stabilize the market expectation and introducing key reforms to boost confidence in development in the near future. As China's banking industry has entered the critical period of reform and transformation, a bank with accurate strategies, efficient management and sound operation will surely speed up in achieving its transformation and breakthroughs.

To cope with changes to external conditions and needs for internal development, the Company has formulated its mid-to-long-term development strategy and three-year development plan, aiming to become a "distinctive and globally competitive platform-based financial service provider with cross-sector and win-win vision and intelligence", and to become a role-model bank with core competitiveness and sustainable development in the financial markets of China. As a Chinese proverb goes, "a long journey begins with a single step". Adhering to the principle of "From the People, For the People (為民而生・與民共生)", the Company is committed to developing an upgraded China Minsheng Bank featured with digitalization and internationalization with professional and integrated services. The Company will devote to improving the return of its shareholders, the satisfaction of customers as well as the market reputation, in order to develop China Minsheng Bank into a time-honoured brand with sustainable and sound business base.



HONG Qi
Chairman of the Board of Directors
China Minsheng Banking Corp., Ltd.
30 March 2017



Mr. ZHENG Wanchun

President

中国民生银行 CHINA MINSHENG BANK

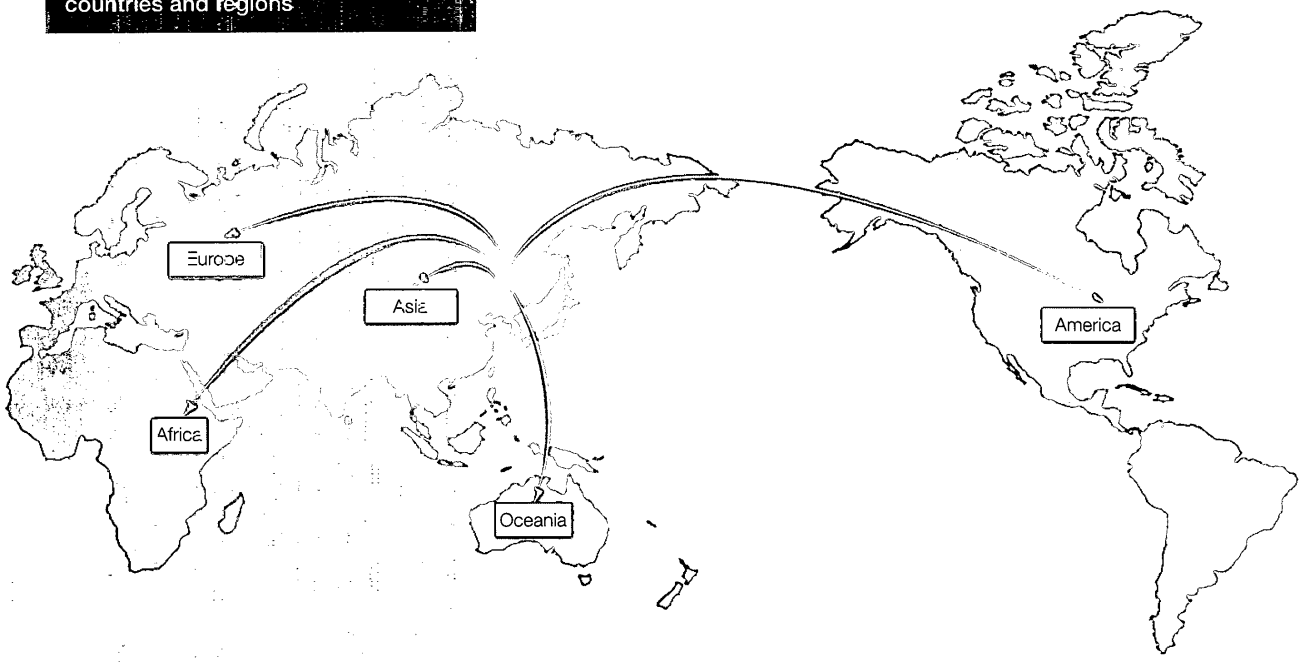
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Add.: No. 2, Fuxingmennei Avenue, Xicheng District,
Beijing, China
Tel. : (+86-10) 58560666
Fax. : (+86-10) 58560720
Zip Code: 100031
Website: www.cmbc.com.cn

This annual report is printed on environmental paper.

Statistics of Correspordent Banks of China Minsheng Bank Banking Corp., Ltd.

As at the end of 2016, the Bank had 1,456 correspondent banks in 112 countries and regions



■**Xining**

Entity:	**Xining Branch**
Address:	1–4/F, Annex Building of Telecom Industrial Tower, No.102 Kunlun Zhong Road, Chengzhong District, Xining
Postal Code:	810000
Telephone no:	0971-8257510
Fax no:	0971-8257573

■**Yinchuan**

Entity:	**Yinchuan Branch**
Address:	1–5/F, Block 19, Jinhaimingyue, No.106 Shanghai West Road, Jinfeng District, Yinchuan
Postal Code:	750002
Telephone no:	0951-8688818
Fax no:	0951-8688988

List of Entities

■Hohhot

Entity: **Hohhot Branch**
Address: China Minsheng Bank Tower, Block C, Oriental Jun Zuo, No.20 Chilechuan Avenue, Saihan District, Hohhot, Inner Mongolia
Postal code: 010010
Telephone no: 0471-3458081
Fax no: 0471-2849082

■Shenyang

Entity: **Shenyang Branch**
Address: No.65 Nanjing North Street, Heping District, Shenyang
Postal code: 110001
Telephone no: 024-22587777
Fax no: 024-22587714

■Hong Kong

Entity: **Hong Kong Branch**
Address: 40/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Postal code: —
Telephone no: 00852-22816800
Fax no: 00852-28992617

■Guiyang

Entity: **Guiyang Branch**
Address: No.28 Yangguan Avenue, Guanshanhu District, Guiyang
Postal Code: 550008
Telephone no: 0851-88508011
Fax no: 0851-88508012

■Sanya

Entity: **Sanya Branch**
Address: No.128 Xinfeng Street, Jiyang District, Sanya
Postal Code: 572000
Telephone no: 0898-88693333
Fax no: 0898-88986508

■Lhasa

Entity: **Lhasa Branch**
Address: Global Plaza, No.8 Beijing West Road, Lhasa
Postal Code: 850000
Telephone no: 0891-6853619
Fax no: 0891-6363808

■Shanghai

Entity: **Shanghai Pilot Free Trade Zone Branch**
Address: 40/F, No.100 Pudong Nan Road, Pudong New District, Shanghai
Postal Code: 201308
Telephone no: 021-68286103
Fax no: 021-68286191

■Harbin

Entity: **Harbin Branch**
Address: 1–6/F, Olympic Centre Area 1, No.11 Aijian Road, Daoli District, Harbin
Postal Code: 150000
Telephone no: 0451-58569000
Fax no: 0451-58569000

■Lanzhou

Entity: **Lanzhou Branch**
Address: 1–4/F, Gansu Daily Press Plaza, No.123 Baiyin Road, Chengguan District, Lanzhou
Postal Code: 730030
Telephone no: 0931-6116116
Fax no: 0931-6116100

■Urumqi

Entity: **Urumqi Branch**
Address: No.314 Yangzijiang Road, Saybagh District, Urumqi
Postal Code: 830000
Telephone no: 0991-5515044
Fax no: 0991-5515044

List of Entities

■Qingdao

Entity:	**Qingdao Branch**
Address:	No.195 Hong Kong East Road, Laoshan District, Qingdao
Postal code:	266000
Telephone no:	0532-85978689
Fax no:	0532-85978667

■Wenzhou

Entity:	**Wenzhou Branch**
Address:	Hengha Building, No.1707 Wenzhou Avenue, Wenzhou
Postal code:	325001
Telephone no:	0577-88903961
Fax no:	0577-88903777

■Xiamen

Entity:	**Xiamen Branch**
Address:	7/F, Lixin Plaza, No.90 Hubin Nan Road, Xiamen
Postal code:	361004
Telephone no:	0592-2383388
Fax no:	0592-2682826

■Zhengzhou

Entity:	**Zhengzhou Branch**
Address:	Minsheng Bank Tower, No.1 CBD Shangwu Waihuan Road, Zhengdong New District, Zhengzhou
Postal code:	450046
Telephone no:	0371-69166666
Fax no:	0371-69166916

■Changsha

Entity:	**Changsha Branch**
Address:	Minsheng Tower, No.189 Binjiang Road, Yuelu District, Changsha
Postal code:	410013
Telephone no:	0731-84907000
Fax no:	0731-84907010

■Changchun

Entity:	**Changchun Branch**
Address:	Minsheng Tower, No.500 Changchun Street, Nanguan District, Changchun
Postal code:	130041
Telephone no:	0431-88553293
Fax no:	0431-88553099

■Hefei

Entity:	**Hefei Branch**
Address:	Tian Qing Building, No.135 Bozhou Road, Hefei
Postal code:	230041
Telephone no:	0551-65682900
Fax no:	0551-65682901

■Nanchang

Entity:	**Nanchang Branch**
Address:	No.545 Huizhan Road, Honggutan New District, Nanchang
Postal code:	330008
Telephone no:	0791-86751227
Fax no:	0791-86761557

■Shantou

Entity:	**Shantou Branch**
Address:	1–3/F, Huajing Plaza, No.17 Hanjiang Road, Longhu District, Shantou
Postal code:	515041
Telephone no:	0754-88363056
Fax no:	0754-88363055

■Nanning

Entity:	**Nanning Branch**
Address:	1/F, 8–12/F, Guangxi Development Tower, No.111-1 Minzu Avenue, Nanning
Postal code:	530022
Telephone no:	0771-5772193
Fax no:	0771-5772168

List of Entities

■Chongqing

Entity:	**Chongqing Branch**
Address:	Tongjuyuanjing Building, No.9 Jianxin Bei Road, Jiangbei District, Chongqing
Postal code:	400020
Telephone no:	023-67695186
Fax no:	023-67695107

■Xi'an

Entity:	**Xi'an Branch**
Address:	China Minsheng Bank Tower, No.78 Erhuan Nanlu Xiduan, Xi'an
Postal code:	710065
Telephone no:	029-88266088
Fax no:	029-88266090

■Fuzhou

Entity:	**Fuzhou Branch**
Address:	No.282 Hudong Road, Fuzhou
Postal code:	350003
Telephone no:	0591-87875012
Fax no:	0591-87617310

■Jinan

Entity:	**Jinan Branch**
Address:	No.229 Luoyuan Street, Jinan
Postal code:	250001
Telephone no:	0531-86121673
Fax no:	0531-86121690

■Ningbo

Entity:	**Ningbo Branch**
Address:	No.815 Juxian Road, Gaoxin District, Ningbo
Postal code:	315040
Telephone no:	0574-87260600
Fax no:	0574-87270075

■Chengdu

Entity:	**Chengdu Branch**
Address:	Block 6, No.966 North Section of Tianfu Avenue, Gaoxin District, Chengdu
Postal code:	610042
Telephone no:	028-85102110
Fax no:	028-85102113

■Tianjin

Entity:	**Tianjin Branch**
Address:	China Minsheng Bank Tower, No.43 Jianshe Road, Heping District, Tianjin
Postal code:	300040
Telephone no:	022-58925555
Fax no:	022-58925000

■Kunming

Entity:	**Kunming Branch**
Address:	Chuntian Yinxiang Building, No.331 Huancheng Nan Road, Kunming
Postal code:	650011
Telephone no:	0871-63565666
Fax no:	0871-63565000

■Quanzhou

Entity:	**Quanzhou Branch**
Address:	No.689 Citong Road, Fengze District, Quanzhou
Postal code:	362000
Telephone no:	0595-28008199
Fax no:	0595-28008180

■Suzhou

Entity:	**Suzhou Branch**
Address:	Minsheng Finance Tower, Block 23, Times Square, Suzhou Industrial Park, Suzhou
Postal code:	215028
Telephone no:	0512-62569018
Fax no:	0512-62569005

List of Entities

■Beijing

Entity: **Beijing Branch**
Address: No.2 Fuxingmennei Avenue, Xicheng District, Beijing
Postal code: 100031
Telephone no: 010-58560088
Fax no: 010-58560001

■Shanghai

Entity: **Shanghai Branch**
Address: No.100 Pudong Nan Road, Pudong New District, Shanghai
Postal code: 200120
Telephone no: 021-61877000
Fax no: 021-61877001

■Guangzhou

Entity: **Guangzhou Branch**
Address: Minsheng Tower, No.68 Liede Avenue, Zhujiang New Town, Tianhe District, Guangzhou
Postal code: 510623
Telephone no: 020-38380111
Fax no: 020-38380000

■Shenzhen

Entity: **Shenzhen Branch**
Address: Minsheng Finance Tower, Haitian Road, Futian District, Shenzhen
Postal code: 518038
Telephone no: 0755-82806003
Fax no: 0755-82806555

■Wuhan

Entity: **Wuhan Branch**
Address: China Minsheng Bank Tower, No.396 Xinhua Road, Jianghan District, Wuhan
Postal code: 430022
Telephone no: 027-85735869
Fax no: 027-85735531

■Taiyuan

Entity: **Taiyuan Branch**
Address: No.2 Bingzhou Bei Road, Taiyuan
Postal code: 30001
Telephone no: 0351-8208620
Fax no: 0351-8208619

■Shijiazhuang

Entity: **Shijiazhuang Branch**
Address: Minsheng Bank Tower, No.197 Yuhua East Road, Chang'an District, Shijiazhuang
Postal code: 50011
Telephone no: 0311-66889003
Fax no: 0311-66889001

■Dalian

Entity: **Dalian Branch**
Address: No.4A Wuwu Road, Zhongshan District, Dalian
Postal code: 116001
Telephone no: 0411-82802661
Fax no: 0411-82819108

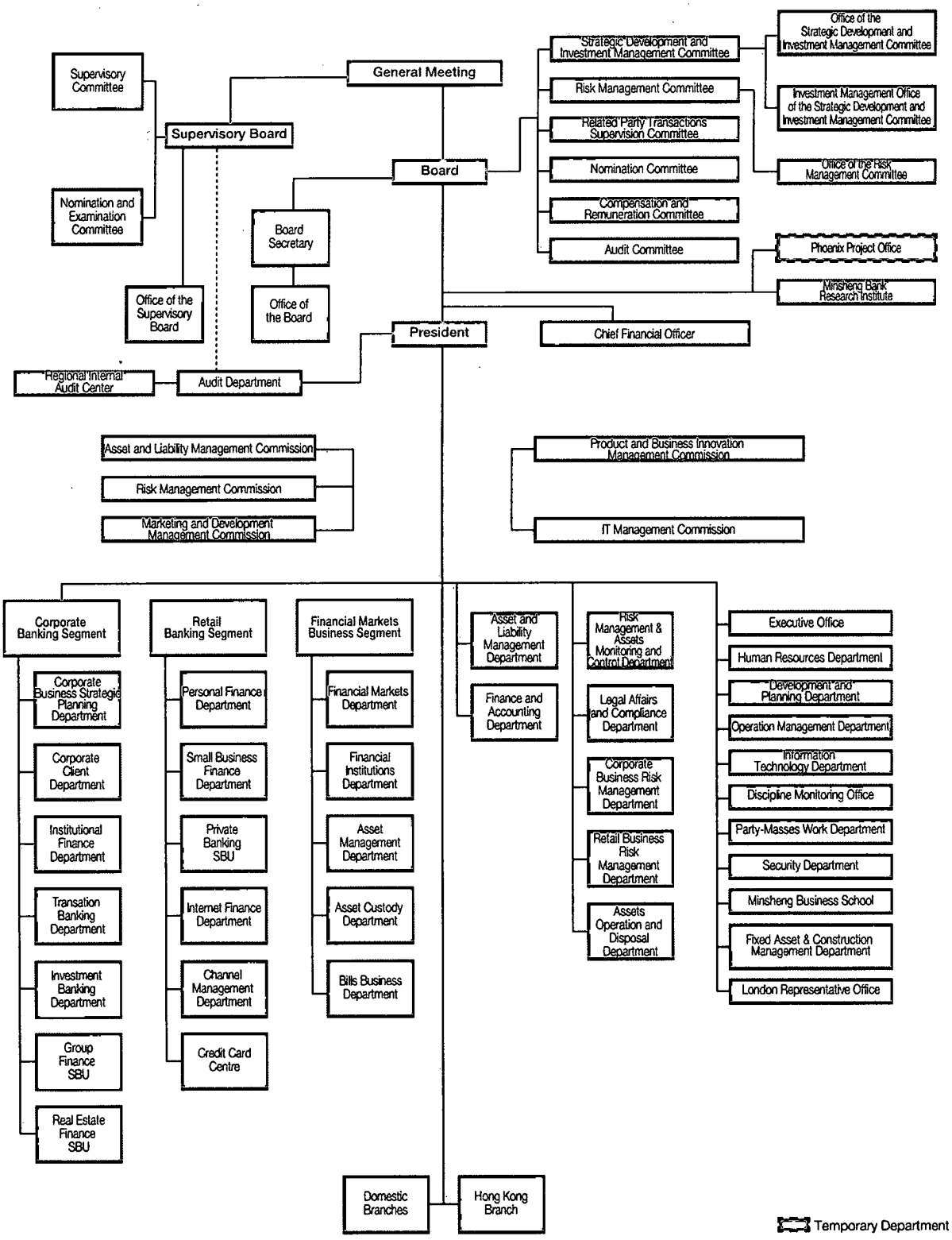
■Nanjing

Entity: **Nanjing Branch**
Address: No.20 Hongwu Bei Road, Nanjing
Postal code: 210005
Telephone no: 025-83279000
Fax no: 025-83279002

■Hangzhou

Entity: **Hangzhou Branch**
Address: Jinzun, Zunbao Mansion, No.98 Shimin Street, Qianjiang New Town, Jianggan District, Hangzhou
Postal code: 310016
Telephone no: 0571-87232682
Fax no: 0571-87239789

Organization Chart



List of Documents for Inspection

I. Financial statements bearing the seals of the Company and the signatures of the chairman, president and Directors

II. Original of the Independent Auditor's Report bearing the signatures of the certified public accountants

III. Annual Report duly signed by the Directors and Senior Management of the Company

IV. All originals of documents and announcements disclosed to the public by the Company during the Reporting Period in China Securities Journal, Shanghai Securities News and Securities Times

V. Articles of Association of the Company

Unaudited Supplementary Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

4 International claims

	2016				
	Asia pacific excluding mainland China	North America	Europe	Other Locations	Total
Banks and other financial institutions	50,704	18,775	10,745	7,011	87,235
Public sector entities	928	251	—	139	1,318
Others	121,986	16,019	2,811	15,394	156,210
Total	173,618	35,045	13,556	22,544	244,763

	2015				
	Asia pacific excluding mainland China	North America	Europe	Other Locations	Total
Banks and other financial institutions	58,540	8,517	2,399	1,561	71,017
Public sector entities	888	167	950	—	2,005
Others	64,831	2,352	99	19,067	86,349
Total	124,259	11,036	3,448	20,628	159,371

3 Loans and advances to customers (continued)

(2) Loans overdue for more than 3 months by geographical area

Group

	2016				
	Northern China	Eastern China	Southern China	Other Locations	Total
Overdue loans	28,958	13,063	5,860	14,840	62,721
Allowance for impairment losses					
— Individual assessment	6,366	2,177	697	1,304	10,544
— Collective assessment	8,069	3,832	1,632	4,077	17,610

	2015				
	Northern China	Eastern China	Southern China	Other Locations	Total
Overdue loans	20,383	11,143	5,665	11,501	48,692
Allowance for impairment losses					
— Individual assessment	3,348	1,215	591	1,334	6,488
— Collective assessment	4,549	2,931	1,337	2,790	11,607

Bank

	2016				
	Northern China	Eastern China	Southern China	Other Locations	Total
Overdue loans	28,938	12,768	5,784	14,466	61,956
Allowance for impairment losses					
— Individual assessment	6,366	2,143	697	1,295	10,501
— Collective assessment	8,064	3,730	1,610	3,966	17,370

	2015				
	Northern China	Eastern China	Southern China	Other Locations	Total
Overdue loans	20,366	10,886	5,633	11,260	48,145
Allowance for impairment losses					
— Individual assessment	3,348	1,173	591	1,328	6,440
— Collective assessment	4,549	2,845	1,329	2,717	11,440

Unaudited Supplementary Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Loans and advances to customers

(1) Impaired loans by geographical area

Group

	2016				
	Northern China	Eastern China	Southern China	Other Locations	Total
Impaired loans	19,448	9,396	3,736	8,855	41,435
Allowance for impairment losses					
— Individual assessment	6,562	2,356	726	1,498	11,142
— Collective assessment	6,085	2,989	1,139	2,802	13,015

	2015				
	Northern China	Eastern China	Southern China	Other Locations	Total
Impaired loans	14,505	7,544	3,585	7,187	32,821
Allowance for impairment losses					
— Individual assessment	3,372	1,294	599	1,460	6,725
— Collective assessment	2,890	1,704	748	1,548	6,890

Bank

	2016				
	Northern China	Eastern China	Southern China	Other Locations	Total
Impaired loans	19,435	9,213	3,719	8,691	41,058
Allowance for impairment losses					
— Individual assessment	6,564	2,321	726	1,488	11,099
— Collective assessment	6,079	2,892	1,129	2,721	12,821

	2015				
	Northern China	Eastern China	Southern China	Other Locations	Total
Impaired loans	14,504	7,376	3,577	7,056	32,513
Allowance for impairment losses					
— Individual assessment	3,372	1,249	599	1,454	6,674
— Collective assessment	2,890	1,631	743	1,481	6,745

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

1 Liquidity coverage ratio (%)

	As at 31 December 2016	Average for the year of 2016	As at 31 December 2015	Average for the year of 2015
Liquidity coverage ratio (RMB and foreign currency)	88.42%	87.98%	88.21%	87.48%

The above liquidity coverage ratio is calculated in accordance with the formula promulgated by the CBRC and based on the financial information prepared in accordance with PRC GAAP.

Pursuant to the Administrative Measures on Liquidity risk of Commercial Banks (Trial Implementation) (2015 Revision), the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018. During the transitional period, such ratio shall reach 60%, 70%, 80% and 90% by the end of 2014, 2015, 2016 and 2017, respectively.

2 Currency concentrations

	2016			
	USD	HKD	Others	Total
Spot assets	491,474	35,630	49,538	576,642
Spot liabilities	(253,651)	(23,220)	(49,858)	(326,729)
Forward purchases	216,120	23,302	145,393	384,815
Forward sales	(290,900)	(16,136)	(115,470)	(422,506)
Net long position*	163,043	10,576	29,603	212,222

	2015			
	USD	HKD	Others	Total
Spot assets	189,365	19,053	39,469	247,887
Spot liabilities	(139,327)	(18,944)	(51,534)	(209,805)
Forward purchases	156,007	13,887	226,979	396,873
Forward sales	(156,264)	(13,894)	(225,654)	(395,812)
Net long/(short) position*	49,781	102	(10,740)	39,143

* The net option position is calculated using the delta equivalent approach as required by the Hong Kong Monetary Authority.

The Group has no structural position in the reported periods.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

49 Bank statement of financial position (continued)

	2016	2015
EQUITY		
Share capital	**36,485**	**36,485**
Other equity instrument		
Including: Preference shares	**9,892**	**–**
Reserves:		
Capital reserve	**64,447**	**64,447**
Surplus reserve	**30,052**	**25,361**
General reserve	**71,982**	**55,467**
Other reserves	**(2,538)**	**1,251**
Retained earnings	**126,500**	**113,566**
Total equity	**336,820**	**296,577**
Total liabilities and equity	**5,716,579**	**4,357,468**

50 Subsequent events

Up to the approval date of the financial statements, other than the surplus reserve appropriation set out in Note 36(1) and the dividends distribution plan set out in Note 38, the Group had no material subsequent events for disclosure.

51 Comparative figures

For financial statements disclosure purpose, the Group made reclassification adjustments to some comparative figures.

49 Bank statement of financial position

	2016	2015
ASSETS		
Cash and balances with central bank	**520,471**	**429,493**
Balances with banks and other financial institutions	**178,072**	**94,362**
Precious metals	**22,880**	**18,425**
Financial assets at fair value through profit or loss	**86,288**	**26,166**
Positive fair value of derivatives	**7,759**	**5,055**
Placements with banks and other financial institutions	**184,819**	**230,579**
Financial assets held under resale agreements	**90,046**	**570,657**
Loans and advances to customers	**2,381,879**	**1,981,855**
Investment securities:		
— available-for-sale securities	**303,528**	**155,033**
— held-to-maturity securities	**661,362**	**278,364**
— loans and receivables	**1,146,340**	**449,565**
Property and equipment	**22,110**	**23,293**
Deferred income tax assets	**22,402**	**14,878**
Investment in subsidiaries	**5,385**	**5,364**
Other assets	**83,238**	**74,379**
Total assets	**5,716,579**	**4,357,468**
LIABILITIES		
Borrowings from central bank	**315,000**	**62,000**
Deposits from customers	**3,050,669**	**2,702,166**
Deposits and placements from banks and other financial institutions	**1,414,302**	**994,961**
Financial liabilities at fair value through profit or loss	**868**	**337**
Negative fair value of derivatives	**10,250**	**3,326**
Financial assets sold under repurchase agreements	**112,484**	**47,406**
Provisions	**1,075**	**1,925**
Debt securities issued	**398,376**	**181,232**
Current income tax liabilities	**7,986**	**5,798**
Other liabilities	**68,749**	**61,740**
Total liabilities	**5,379,759**	**4,060,891**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

48 Fair value of financial instruments (continued)

(4) Fair value of financial assets and liabilities not carried at fair value (continued)

The following table summarises the carrying amounts, the fair value and the analysis by level of the fair value hierarchy of held-to-maturity investments, loans and receivables, loans and advances to customers, debt securities issued and deposits from customers: (continued)

Bank

	2016					2015				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets										
Available-for-sale equity investments	125	125	–	–	125	125	125	–	–	125
Loans and receivables	1,146,340	1,145,683	–	1,145,683	–	449,565	448,785	–	448,785	–
Loans and advances to customers	2,381,879	2,697,174	–	2,697,174	–	1,981,855	2,116,520	–	2,116,520	–
Held-to-maturity investments	661,362	658,558	–	658,558	–	278,364	287,038	–	287,038	–
Total	4,189,706	4,501,540	–	4,501,415	125	2,709,909	2,852,468	–	2,852,343	125
Financial liabilities										
Deposits from customers	3,050,669	3,164,903	–	3,164,903	–	2,702,166	2,701,413	–	2,701,413	–
Debt securities issued	398,376	396,437	–	396,437	–	181,232	187,839	–	187,839	–
Total	3,449,045	3,561,340	–	3,561,340	–	2,883,398	2,889,252	–	2,889,252	–

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

48 Fair value of financial instruments (continued)

(4) Fair value of financial assets and liabilities not carried at fair value (continued)

The following table summarises the carrying amounts, the fair value and the analysis by level of the fair value hierarchy of held-to-maturity investments, loans and receivables, loans and advances to customers, debt securities issued and deposits from customers:

Group

	2016					2015				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets										
Available-for-sale equity investments	151	151	–	–	151	147	147	–	–	147
Loans and receivables	1,148,729	1,148,072	–	1,148,072	–	451,239	450,459	–	450,459	–
Loans and advances to customers	2,397,192	2,713,617	–	2,713,617	–	1,997,625	2,132,415	–	2,132,415	–
Held-to-maturity investments	661,362	658,558	–	658,558	–	278,364	287,038	–	287,038	–
Total	4,207,434	4,520,398	–	4,520,247	151	2,727,375	2,870,059	–	2,869,912	147
Financial liabilities										
Deposits from customers	3,082,242	3,196,776	–	3,196,776	–	2,732,262	2,731,487	–	2,731,487	–
Debt securities issued	398,376	396,437	–	396,437	–	181,233	187,839	–	187,839	–
Total	3,480,618	3,593,213	–	3,593,213	–	2,913,495	2,919,326	–	2,919,326	–

48 Fair value of financial instruments (continued)

(4) Fair value of financial assets and liabilities not carried at fair value

a Cash and balances with central bank, balances with banks and other financial institutions, placements with banks and other financial institutions, long-term receivables, deposits and placements from banks and other financial institutions, borrowings from banks and other financial institutions, and financial assets held under resale agreements and sold under repurchase agreements

Given that these financial assets and financial liabilities mainly mature within a year or adopt floating interest rates, their book values approximate their fair values.

b Loans and advances to customers, and investment securities — loans and receivables

Loans and advances to customers, and investment securities — loans and receivables are recorded net of allowance for impairment losses. Their estimated fair value represents the amount of estimated future cash flows expected to be received, discounted at current market rates.

c Held-to-maturity securities and available-for-sale equity investments which measured in cost

The fair value for held-to-maturity assets and available-for-sale equity investments which measured in cost are based on "bid" market prices or brokers'/dealers' price quotations. If relevant market information is not available, the fair value is based on quote price of security products with similar characteristics such as credit risk, materiality and yield.

d Deposits from customers

The fair value of checking, savings and short-term money market accounts is the amount payable on demand at the end of the reporting period. The fair value of fixed interest-bearing deposits without quoted market prices are estimated based on discounted cash flows using interest rates for new deposits with similar remaining maturities.

e Debt securities issued

Fair values of debt securities issued are based on quoted market prices. For debt securities where quoted market prices are not available, a discounted cash flow model is used to calculate their fair value using current market rates appropriate for debt securities with similar remaining maturities.

48 Fair value of financial instruments (continued)

(2) Movement in level 3 financial instruments measured at fair value (continued)

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets and liabilities which are recorded at fair value and the movement during the year: (continued)

Bank (continued)

	2015				
	Derivative financial assets	Financial assets at fair value through profit or loss	Available-for-sale securities		
			Debt securities	Equity securities	Total assets
At 1 January	–	–	**52**	–	**52**
– in profit or loss	–	–	**(18)**	–	**(18)**
– in other comprehensive income	–	–	**22**	–	**22**
Addition	–	–	–	**3,412**	**3,412**
At 31 December	–	–	**56**	**3,412**	**3,468**
Total gains for the year included in profit or loss for assets and liabilities held at end of the reporting period	–	–	**7**	–	**7**

(3) Transfers among levels

During the year, the transfers among level 1, level 2 and level 3 of the fair value hierarchy for financial assets and liabilities of the Group were immaterial.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

48 Fair value of financial instruments (continued)

(2) Movement in level 3 financial instruments measured at fair value (continued)

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets and liabilities which are recorded at fair value and the movement during the year: (continued)

Bank

	2016				
	Derivative financial assets	Financial assets at fair value through profit or loss	Available-for-sale securities		
			Debt securities	Equity securities	Total assets
At 1 January	–	–	56	3,412	3,468
– in profit or loss	–	–	(21)	–	(21)
– in other comprehensive income	–	–	(21)	(499)	(520)
Addition	–	–	–	395	395
At 31 December	–	–	14	3,308	3,322
Total gains for the year included in profit or loss for assets and liabilities held at end of the reporting period	–	–	1	–	1

48 Fair value of financial instruments (continued)

(2) Movement in level 3 financial instruments measured at fair value (continued)

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets and liabilities which are recorded at fair value and the movement during the year: (continued)

Group (continued)

	2015				
	Derivative financial assets	Financial assets designated at fair value through profit or loss	Available-for-sale securities		
			Debt securities	Equity securities	Total assets
At 1 January	–	–	52	–	52
– in profit or loss	–	–	(18)	–	(18)
– in other comprehensive income	–	–	22	–	22
Purchase	110	350	–	303	763
Addition	–	–	–	3,412	3,412
At 31 December	110	350	56	3,715	4,231
Total gains for the year included in profit or loss for assets and liabilities held at end of the reporting period	–	–	7	–	7

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

48 Fair value of financial instruments (continued)

(2) Movement in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets and liabilities which are recorded at fair value and the movement during the year:

Group

	2016				
	Derivative financial assets	Financial assets designated at fair value through profit or loss	Available-for-sale securities		
			Debt securities	Equity securities	Total assets
At 1 January	110	350	56	3,715	4,231
— in profit or loss	(4)	—	(21)	—	(25)
— in other comprehensive income	—	—	(21)	(499)	(520)
Purchase	—	122	—	—	122
Addition	93	—	—	695	788
Settlement	(115)	—	—	—	(115)
At 31 December	84	472	14	3,911	4,481
Total gains for the year included in profit or loss for assets and liabilities held at end of the reporting period	—	—	1	—	1

48 Fair value of financial instruments (continued)

(1) Financial instruments recorded at fair value (continued)

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy: (continued)

Bank (continued)

	31 December 2015			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	**71**	**24,032**	**–**	**24,103**
Financial assets designated at fair value through profit or loss				
Debt securities	**–**	**2,062**	**–**	**2,062**
Derivative financial assets				
Interest rate contracts	**–**	**456**	**–**	**456**
Exchange rate contracts	**–**	**3,445**	**–**	**3,445**
Others	**–**	**1,154**	**–**	**1,154**
Available-for-sale financial assets				
Debt securities	**979**	**149,325**	**56**	**150,360**
Equity investments	**677**	**459**	**3,412**	**4,548**
Total	**1,727**	**180,933**	**3,468**	**186,128**
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Interest rate contracts	**–**	**(447)**	**–**	**(447)**
Exchange rate contracts	**–**	**(2,754)**	**–**	**(2,754)**
Others	**–**	**(125)**	**–**	**(125)**
Financial liabilities at fair value through profit or loss	**(337)**	**–**	**–**	**(337)**
Total	**(337)**	**(3,326)**	**–**	**(3,663)**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

48 Fair value of financial instruments (continued)

(1) Financial instruments recorded at fair value (continued)

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy: (continued)

Bank

	31 December 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	7,601	62,761	–	70,362
Investment funds	10,000	–	–	10,000
Financial assets designated at fair value through profit or loss				
Debt securities	346	4,466	–	4,812
Investment funds	1,114	–	–	1,114
Derivative financial assets				
Interest rate contracts	–	104	–	104
Exchange rate contracts	–	4,875	–	4,875
Others	2	2,778	–	2,780
Available-for-sale financial assets				
Debt securities	39,472	242,669	14	282,155
Equity investments	298	265	3,308	3,871
Investment funds	17,377	–	–	17,377
Total	76,210	317,918	3,322	397,450
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Interest rate contracts	–	(114)	–	(114)
Exchange rate contracts	–	(8,158)	–	(8,158)
Others	–	(1,978)	–	(1,978)
Financial liabilities at fair value through profit or loss	(868)	–	–	(868)
Total	(868)	(10,250)	–	(11,118)

48 Fair value of financial instruments (continued)

(1) Financial instruments recorded at fair value (continued)

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy: (continued)

Group (continued)

	31 December 2015			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	**136**	**24,032**	**–**	**24,168**
Equity investments	**18**	**–**	**–**	**18**
Investment funds	**–**	**361**	**–**	**361**
Financial assets designated at fair value through profit or loss				
Debt securities	**–**	**2,062**	**–**	**2,062**
Investment funds	**–**	**–**	**350**	**350**
Derivative financial assets				
Interest rate contracts	**–**	**456**	**–**	**456**
Exchange rate contracts	**–**	**3,445**	**–**	**3,445**
Others	**10**	**1,154**	**110**	**1,274**
Available-for-sale financial assets				
Debt securities	**979**	**150,415**	**56**	**151,450**
Equity investments	**715**	**973**	**3,715**	**5,403**
Total	**1,858**	**182,898**	**4,231**	**188,987**
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Interest rate contracts	**–**	**(447)**	**–**	**(447)**
Exchange rate contracts	**–**	**(2,754)**	**–**	**(2,754)**
Others	**–**	**(125)**	**–**	**(125)**
Financial liabilities at fair value through profit or loss	**(337)**	**–**	**–**	**(337)**
Total	**(337)**	**(3,326)**	**–**	**(3,663)**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

48 Fair value of financial instruments (continued)

(1) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Group

	31 December 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	8,024	62,760	–	70,784
Equity investments	254	–	472	726
Investment funds	12,304	–	–	12,304
Financial assets designated at fair value through profit or loss				
Debt securities	346	4,466	–	4,812
Investment funds	1,114	–	–	1,114
Derivative financial assets				
Interest rate contracts	–	104	–	104
Exchange rate contracts	–	4,875	–	4,875
Others	2	2,778	84	2,864
Available-for-sale financial assets				
Debt securities	40,247	244,322	14	284,583
Equity investments	736	265	3,911	4,912
Investment funds	17,432	–	–	17,432
Total	80,459	319,570	4,481	404,510
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Interest rate contracts	–	(141)	–	(141)
Exchange rate contracts	–	(8,158)	–	(8,158)
Others	–	(1,978)	–	(1,978)
Financial liabilities at fair value through profit or loss	(868)	–	–	(868)
Total	(868)	(10,277)	–	(11,145)

48 Fair value of financial instruments

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the valuation date. This level includes listed equity securities and debt instruments on exchanges (e.g. London Stock Exchange, Frankfurt Stock Exchange, New York Stock Exchange) and derivatives traded in stock exchange like stock index futures (based on indexes including Nasdaq, S&P 500 etc.) etc.

Level 2: inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly. A majority of the debt securities classified as level 2 are RMB bonds. The fair value of these bonds are determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data. This level also includes a majority of OTC derivative contracts, trading loans and issued structured debt instruments. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. Input parameters like China Bond interbank yield curves, LIBOR yield curves or counterparty credit risk are sourced from Bloomberg and Reuters.

Level 3: inputs for assets or liabilities are unobservable. This level includes equity investments and debt instruments with one or more than one significant unobservable component. These financial instruments are valued by using cash flow discount model. The model incorporates various non-observable assumptions such as discount rate and market price volatilities.

As at 31 December 2016, the carrying amount of financial instrument valued with significant unobservable inputs were immaterial, and the effects of changes in significant unobservable assumptions to reasonably alternative unobservable assumptions were also immaterial.

This hierarchy requires the use of observable open market data wherever possible. The Group tries it best to consider relevant and observable market prices in valuations.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

47 Related party transactions (continued)

(2) Related party transactions (continued)

(vi) Transactions between the Bank and its subsidiaries

Balances outstanding as at the end of the reporting period:

	2016	2015
Balances with banks and other financial institutions	70	187
Placements with banks and other financial institutions	1,942	1,362
Loans and advances to customers	411	8
Other assets	439	450
Deposits from customers	89	928
Deposits and placements from banks and other financial institutions	6,584	6,668
Other liabilities	31	75

Amount of transactions for the reporting period:

	2016	2015
Interest income	30	118
Interest expense	112	124
Fee and commission income	398	327
Operating expenses	273	349
Other operating expenses	–	30

Balances of items off the statement of financial position outstanding as at the end of the reporting period:

	2016	2015
Guarantees	–	36

For the year ended 31 December 2016, the transactions between subsidiaries of the Group are mainly inter-bank deposits. As at 31 December 2016, the balance of the above transactions was RMB534 million (31 December 2015: RMB940 million).

The balances and amount with the subsidiary and inter-subsidiaries have been offset in the consolidated financial statements.

47 Related party transactions (continued)

(2) Related party transactions (continued)

(v) Transactions with key management personnel (continued)

Accrued salaries and other short-term benefits for the key management personnel before tax amounted to RMB110 million for the year ended 31 December 2016 (2015: RMB102 million, the related salaries and benefits were restated in accordance with the *Supplementary Announcement Regarding the Senior Management's Emoluments of China Minsheng Banking Crop., Ltd.*). Of which, pre-tax compensations for the executive directors, chairman of the supervisory board and executive officers included RMB56 million, to be paid in later years, accrued at no less than 50% of the performance-based compensations (2015: RMB47 million and no less than 50% respectively) in accordance with relevant state regulations. The exact amounts of these deferred payments shall be determined at the end of their respective tenure with the Bank based on their performance and shall be paid out over a period of three years. If losses are incurred in their tenure and attributable to them, the Bank withholds the right to stop payment and recover the paid amount. No post-employment benefits, termination benefits or other long-term benefits were provided to the key management personnel for the years ended 31 December 2016 and 31 December 2015.

The emoluments before tax of executive directors, the Chairman of the Supervisory Board and senior management are pending for the approval of the Compensation and Remuneration Committee of the Board of Directors, the Bank will make further disclosure upon approval. The amount of the emoluments not accrued is not expected to have a significant impact on the Group's and the Bank's 2016 financial statements.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

47 Related party transactions (continued)

(2) Related party transactions (continued)

(iii) Other transactions with related parties (continued)

Balances of other items outstanding as at the end of the reporting period:

	2016		2015	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Loans collateralised by related parties	13,106	0.55	6,565	0.33
Discounted bills under resale agreements, issued by related parties	17	0.04	535	0.10

None of the above related party transactions have a material impact on the Group's profit or loss for the years ended 31 December 2016 and 31 December 2015, and the Group's financial position as at 31 December 2016 and 31 December 2015.

(iv) Transactions with the annuity scheme

Apart from the obligation for defined contributions to the annuity scheme and normal banking transactions, no other significant transactions were conducted between the Group and the annuity scheme for the years ended 31 December 2016 and 31 December 2015.

(v) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the Bank's activities, directly or indirectly, including directors, supervisors and senior management.

The Bank enters into transactions with key management personnel under normal commercial terms. These include loans and deposits, which are carried out at rates similar to those offered to third parties. Outstanding loans to the key management amounted to RMB12 million as at 31 December 2016 (31 December 2015: RMB12 million), which have been included in the above loans granted to related parties.

46 Related party transactions (continued)

(2) Related party transactions (continued)

(iii) Other transactions with related parties (continued)

Amount of transactions for the reporting period:

	2016		2015	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Interest income	84	0.04	98	0.05
Interest expense	3,077	2.82	1,692	1.55
Fee and commission income	1,372	2.44	341	0.62
Operating expenses	380	0.72	227	0.39

Other related-party transactions have no material impact on the Group's income statement.

Balances of items off the consolidated statement of financial position outstanding as at the end of the reporting period:

	2016		2015	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Guarantees	5,238	2.57	3,825	1.43
Bank acceptances	4,788	0.78	1,245	0.18
Letters of credit	1,480	1.34	503	0.47

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

47 Related party transactions (continued)

(2) Related party transactions (continued)

(ii) Loans to related parties (continued)

Amount of transactions:

	2016	2015
Interest income from loans	223	281
Ratio to similar transactions (%)	0.11	0.14

As at 31 December 2016, none of the above loans are found to be impaired individually (31 December 2015: nil).

(iii) Other transactions with related parties

Balances outstanding as at the end of the reporting period:

	2016		2015	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Financial assets at fair value through the profit or loss	50	0.06	213	0.79
Precious metals	–	–	39	0.21
Investment securities:				
– available-for-sale securities	200	0.07	205	0.13
– held-to-maturity securities	–	–	25	0.01
– loans and receivables	2,024	0.18	3,300	0.73
Long-term receivables	95	0.10	544	0.59
Other assets	242	0.22	31	0.03
Deposits from customers	50,783	1.65	31,444	1.15
Deposits and placements from banks and other financial institutions	513	0.04	2,401	0.24
Other liabilities	1,853	2.22	2,998	4.01

47 Related party transactions (continued)

(2) Related party transactions (continued)

(ii) Loans to related parties

Balances outstanding as at the end of the reporting period:

	Types of collateral	2016	2015
Sinopharm Group Co., Ltd. and its subsidiaries	Guaranteed	5,344	3,449
Legend Holdings Ltd.	Guaranteed	1,500	1,500
Orient Group Incorporation Co., Ltd. and its subsidiaries	Pledged	1,440	820
Shanghai Fosun High Technology (Group) Co., Ltd.	Guaranteed	500	500
Cudeco Limited	Guaranteed	416	–
Good First Group Co., Ltd.	Collateralised	408	258
	Guaranteed	325	150
East Hope Group Co., Ltd.	Guaranteed	400	200
Minsheng Yanglao Co., Ltd.	Guaranteed	347	–
Bybo Dental Group and its subsidiaries	Guaranteed	250	–
Sichuan Hope Senlan Energy and Chemical Co., Ltd.	Guaranteed	80	80
HopeSenlan Science & Technology Co., Ltd.	Guaranteed	60	60
Shanghai Songjiang Water Company	Guaranteed	54	–
Chengdu Lvke Co., Ltd.	Collateralised	40	–
Oriental Hope Baotou Terrae Rare Aluminum Co., Ltd.	Guaranteed	–	200
Dongyang China Woodcarvings Center	Collateralised	–	68
	Guaranteed	–	80
Cspc Phamaceutical Group Company Ltd.	Guaranteed	Note	150
Southwest Jiaotong University Hope College	Collateralised	–	80
Sichuan Hope West Construction Co., Ltd.	Guaranteed	20	20
Gemdale Corporation	Guaranteed	20	150
Xiamen Rongyin Co., Ltd.	Pledged	14	–
Sichuan Tianyi University	Collateralised	–	20
Jinan Qilipu Market Co., Ltd.	Guaranteed	–	18
Jiangxi Xindi Investment Co., Ltd.	Guaranteed	–	46
Individuals	Collateralised	30	106
Total		11,248	7,955
Ratio to similar transactions (%)		0.47	0.40

Note: As at 31 December 2016, the entity was no longer related parties of the Group.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

46 Fiduciary activities

The Group commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of individuals, trusts and other institutions. These assets and any gains or losses arising thereon are not included in these financial statements as they are not the Group's assets.

The Group's balances of investment fund custodian operations were RMB293,286 million as at 31 December 2016 (31 December 2015: RMB223,526 million). The Group's balances of pensions custodian operations were RMB57,279 million as at 31 December 2016 (31 December 2015: RMB36,172 million). The Group's balances of credit assets entrusted management were RMB33,606 million as at 31 December 2016 (31 December 2015: RMB25,649 million). And the Group's balances of entrusted loans were RMB428,277 million as at 31 December 2016 (31 December 2015: RMB409,425 million).

47 Related party transactions

(1) Related parties

Related parties of the Group refer to entities controlled, or jointly controlled by or under significant influence of the Group; entities that control, jointly control or have significant influence over the Group; or entities with which the Group is under control, or joint control of another party. Related parties can be individuals or enterprises. Related parties that have significant influence on the Group include: members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; major shareholders with the power to influence the Bank's operating or financial policies, and entities controlled or jointly controlled by these major shareholders.

The detailed information of the Bank's subsidiaries is set out in Note 26.

(2) Related party transactions

(i) Pricing policy

Transactions between the Group and related parties are conducted in the normal course of its business and under normal commercial terms. The pricing policies are no more favourable than those offered to independent third parties.

45 Involvement with unconsolidated structured entities (continued)

(2) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest.

The types of unconsolidated structured entities sponsored by the Group include investment funds and non-principal-guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes investments in notes issued by these structured entities and fees charged by providing management services. As at 31 December 2016, the carrying amounts of the investments in the notes issued by these structured entities and management fee receivables being recognised were not material in the consolidated statement of financial positions.

As at 31 December 2016, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and investment funds, which are sponsored by the Group, was RMB1,177,113 million and RMB668,926 million respectively (31 December 2015: RMB770,362 million and RMB928,259 million).

(3) Structured entities sponsored by the Group during the year which the Group does not consolidate and holds an interest at 31 December 2016.

During the year of 2016, the amount of fee and commission income received from the abovementioned structured entities by the Group is RMB11,581 million (for the year ended 31 December 2015: RMB8,497 million).

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2016 but matured before 31 December 2016 is RMB1,246,412 million (for the year ended 31 December 2015: RMB1,130,907 million).

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

45 Involvement with unconsolidated structured entities (continued)

(1) Structured entities sponsored by third party institutions in which the Group holds an interest. (continued)

The following table sets out an analysis of the line items in the consolidated statement of financial position as at 31 December 2016 in which assets are recognised relating to the Group's interests in structured entities sponsored by third parties:

	Group 31 December 2016		
	Loans and receivables	Available-for-sale financial assets	Financial assets held under resale agreements
Trust beneficiary plans	**10,366**	**–**	**1,817**
Specialised asset management plans	**1,039,288**	**–**	**–**
Asset-backed financings	**30,062**	**3,014**	**–**
Total	**1,079,716**	**3,014**	**1,817**

	Group 31 December 2015		
	Loans and receivables	Available-for-sale financial assets	Financial assets held under resale agreements
Trust beneficiary plans	**27,441**	**–**	**10,974**
Specialised asset management plans	**359,775**	**–**	**–**
Asset-backed financings	**25,081**	**525**	**–**
Total	**412,297**	**525**	**10,974**

The maximum exposures to loss in the above trust beneficiary plan, segregated asset management plans are the amortised cost or fair value of the assets held by the Group at the reporting date in accordance with the line items of these assets recognised in the statement of financial positions.

45 Involvement with unconsolidated structured entities

(1) Structured entities sponsored by third party institutions in which the Group holds an interest.

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include trust beneficiary plan, specialised asset management plans and asset-backed financings and the Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors including the Group.

The following table sets out an analysis of the carrying amounts of interests held by the Group as at 31 December 2016 in the structured entities sponsored by third party institutions:

	Group 31 December 2016	
	Carrying amount	Maximum exposure
Trust beneficiary plans	**12,183**	**12,183**
Specialised asset management plans	**1,039,288**	**1,039,288**
Asset-backed financings	**33,076**	**33,076**
Total	**1,084,547**	**1,084,547**

	Group 31 December 2015	
	Carrying amount	Maximum exposure
Trust beneficiary plans	**38,415**	**38,415**
Specialised asset management plans	**359,775**	**359,775**
Asset-backed financings	**25,606**	**25,606**
Total	**423,796**	**423,796**

43 Contingent liabilities and commitments (continued)

(7) Redemption commitments

As an underwriting agent of certificated PRC government bonds, the Bank has the obligation to buy back those bonds sold by it should the holders decide to redeem the bonds early. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. The amount of redemption obligation, which represents the nominal value of government bonds underwritten and sold by the Bank, but not yet matured as at 31 December 2016 was RMB3,924 million (31 December 2015: RMB3,902 million). The original maturities of the bonds vary from one to five years.

(8) Outstanding litigation

A number of outstanding litigation matters against the Group had arisen in the normal course of its business as at 31 December 2016. With consideration of the professional advice, the Group's management believes such litigation will not have a significant impact on the Group.

44 Consolidated structured entities

The Group has consolidated certain structured entities which are asset management plans. When assessing whether to consolidate structured entities, the Bank reviews all facts and circumstances to determine whether the Bank, as manager, is acting as agent or principal. These factors considered include scope of the manager's decision-making authority, rights held by other parties. The group does not hold any shares of the consolidated asset management plans, however, the group has the authority to exercise the right of making investment decisions as a main administrator, and the proportion of group's total revenue in total investment income is high. The Group concludes that these structured entities shall be consolidated.

As at 31 December 2016, the asset management plans managed and consolidated by the Group amounted to RMB3,835 million (31 December 2015: RMB6,677 million), which were mainly included in deposits from customers. The financial impact of any individual asset management plan on the Group's financial performance is not significant.

43 Contingent liabilities and commitments (continued)

(5) Assets pledged

	Group		Bank	
	2016	2015	2016	2015
Discounted bills	72,201	8,068	71,695	7,245
Investment securities	40,365	40,684	40,365	40,684
Finance lease receivables	12,991	12,238	–	–
Property and equipment	8,838	8,100	–	–
Balance with banks and other financial institutions	–	301	–	–
Other assets	12	168	–	–
Total	134,407	69,559	112,060	47,929

Some of the Group's assets are pledged as collateral under repurchase agreements, loan agreements with other financial institutions and for obtaining credit quotas.

The Group maintains statutory deposit reserves with the PBOC as required (Note 15). These deposits are not available for the Group's daily operations.

The Group's pledged assets in relation to the purchase of bills under resale agreements can be sold or repledged. The fair value of such pledged assets was RMB40,674 million as at 31 December 2016 (31 December 2015: RMB517,341 million). As at 31 December 2016, the Group sold or repledged RMB1,854 million of pledged assets which it has an obligation to repurchase on due dates (31 December 2015: RMB197 million).

(6) Underwriting of securities

	Group and Bank	
	2016	2015
Medium- and short-term finance bills	224,561	142,156

43 Contingent liabilities and commitments (continued)

(2) Capital commitments

	Group		Bank	
	2016	2015	2016	2015
Contracted but not paid for	13,784	20,224	384	1,012
Authorised but not contracted for	7	38	7	38
Total	13,791	20,262	391	1,050

(3) Operating lease commitments

The future minimum lease payments under non-cancellable operating lease of the Group and the Bank are summarised as follows:

	Group		Bank	
	2016	2015	2016	2015
Within 1 year	5,199	3,559	5,140	3,503
After 1 year but within 5 years	8,602	9,213	8,486	9,085
After 5 years	2,770	4,144	2,722	4,093
Total	16,571	16,916	16,348	16,681

(4) Fulfilment of commitments of prior period

The Group had fulfilled the capital commitments and operating lease commitments as at 31 December 2016, in material respects, as specified in the contracts.

43 Contingent liabilities and commitments (continued)

(1) Credit commitments (continued)

The contractual amounts of loans and credit card commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties fail to fully perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

As the credit facilities may expire without being drawn upon, the contract amounts set out in the following table do not represent expected future cash outflows.

	Group		Bank	
	2016	2015	2016	2015
Bank acceptances	**612,583**	**694,294**	**611,705**	**692,974**
Letters of credit	**110,330**	**107,950**	**110,330**	**107,950**
Guarantees	**196,566**	**267,341**	**196,554**	**267,331**
Unused credit card commitments	**63,335**	**50,385**	**63,335**	**50,385**
Finance lease commitments	**6,821**	**5,142**	**—**	**—**
Irrevocable loan commitments				
— original maturity date within 1 year	**138**	**81**	**138**	**81**
— original maturity date over 1 year (inclusive)	**8,497**	**2,681**	**8,497**	**2,681**
Total	**998,270**	**1,127,874**	**990,559**	**1,121,402**

	Group		Bank	
	2016	2015	2016	2015
Credit risk weighted amounts of credit commitments	**326,966**	**405,314**	**324,648**	**404,335**

The credit risk weighted amounts are the amounts calculated in accordance with the guidelines issued by the CBRC and are dependent on, among other factors, the credit worthiness of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100%.

42 Transfer of financial assets (continued)

Credit asset-backed securities

The Group transfers credit assets to structured entities. After that, the structured entities issue asset-backed securities to investors.

Certain securitisations undertaken by the Group result in the Group derecognising transferred assets in their entirety. This is the case when the Group transfers substantially all of the risks and rewards of ownership of financial assets to an unconsolidated securitisation vehicle and retains a relatively small interest in the vehicle or a servicing arrangement in respect of the transferred financial assets. In 2016, loans with an original carrying amount of RMB56,607 million (2015: RMB44,346 million) have been securitized by the Group, and meanwhile, the Group purchased a certain ratio of the asset-backed securities issued by structured entities. As at 31 December 2016, the carrying amount of prime grade assets that the Group held were RMB585 million (31 December 2015: RMB761 million), and the subordinated grade assets were RMB235 million (31 December 2015: RMB131 million). These assets were classified as loans and receivables.

Besides the securitisation transaction above, in 2016, loans with an original carrying amount of RMB9,869 million (2015: RMB780 million) have been transferred to securitisation vehicles in which the Group does not retain or transfer substantially all of the risks and rewards. As at 31 December 2016, the carrying amount of assets that the Group continued to recognise was RMB1,038 million (31 December 2015: RMB40 million). The carrying amount of continuing involvement assets and liabilities that the Group continued to recognise was RMB1,038 million as at 31 December 2016 (31 December 2015: RMB40 million).

43 Contingent liabilities and commitments

(1) Credit commitments

Credit commitments take the form of approved loans with signed contracts, credit card limits, financial guarantees and letters of credit. The Group regularly assesses the contingent losses of its credit commitments and makes allowances where necessary.

41 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows consist of the following:

	Group	
	2016	2015
Cash (Note 15)	**8,986**	**9,282**
Surplus deposit reserve with central bank (Note 15)	**84,335**	**31,127**
Original maturity within 3 months:		
— Balances with banks and other financial institutions	**42,953**	**60,242**
— Placements with banks and other financial institutions	**35,029**	**25,809**
Total	**171,303**	**126,460**

42 Transfer of financial assets

Asset-backed securities

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to structured entities. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

40 Bank statement of changes in equity

	Share capital	Other equity instrument	Reserves							Retained earnings	Total
			Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow hedging reserve	Subtotal		
At 1 January 2015	34,153	–	49,652	17,077	48,445	(392)	(5)	–	114,777	87,400	236,330
Net profit	–	–	–	–	–	–	–	–	–	45,485	45,485
Other comprehensive income, net of tax	–	–	–	–	–	1,599	49	–	1,648	–	1,648
Total comprehensive income	–	–	–	–	–	1,599	49	–	1,648	45,485	47,133
Conversion of convertible bonds	2,332	–	18,146	–	–	–	–	–	18,146	–	20,478
Appropriation to surplus reserve	–	–	–	8,284	–	–	–	–	8,284	(8,284)	–
Appropriation to general reserve	–	–	–	–	7,022	–	–	–	7,022	(7,022)	–
Cash dividends	–	–	–	–	–	–	–	–	–	(4,013)	(4,013)
Equity component of convertible bonds	–	–	(3,351)	–	–	–	–	–	(3,351)	–	(3,351)
At 31 December 2015 and 1 January 2016	36,485	–	64,447	25,361	55,467	1,207	44	–	146,526	113,566	296,577
Net profit	–	–	–	–	–	–	–	–	–	46,910	46,910
Other comprehensive income, net of tax	–	–	–	–	–	(3,073)	5	(721)	(3,789)	–	(3,789)
Total comprehensive income	–	–	–	–	–	(3,073)	5	(721)	(3,789)	46,910	43,121
Capital injection by other equity holders	–	9,892	–	–	–	–	–	–	–	–	9,892
Appropriation to surplus reserve	–	–	–	4,691	–	–	–	–	4,691	(4,691)	–
Appropriation to general reserve	–	–	–	–	16,515	–	–	–	16,515	(16,515)	–
Cash dividends	–	–	–	–	–	–	–	–	–	(12,770)	(12,770)
At 31 December 2016	36,485	9,892	64,447	30,052	71,982	(1,866)	49	(721)	163,943	126,500	336,820

39 Investment revaluation reserve and cash flow hedging reserve

Group

Investment revaluation reserve and cash flow hedging reserve attributable to equity holders of the Bank in the consolidated statement of financial position:

	Investment revaluation reserve	Cash flow hedging reserve	Total
As at 1 January 2015	**(392)**	**–**	**(392)**
Changes in amount for the previous year	**1,683**	**–**	**1,683**
As at 1 January 2016	**1,291**	**–**	**1,291**
Changes in amount for the year	**(3,125)**	**(721)**	**(3,846)**
As at 31 December 2016	**(1,834)**	**(721)**	**(2,555)**

Bank

Investment revaluation reserve and cash flow hedging reserve in the statement of financial position:

	Investment revaluation reserve	Cash flow hedging reserve	Total
As at 1 January 2015	**(392)**	**–**	**(392)**
Changes in amount for the previous year	**1,599**	**–**	**1,599**
As at 1 January 2016	**1,207**		**1,207**
Changes in amount for the year	**(3,073)**	**(721)**	**(3,794)**
As at 31 December 2016	**(1,866)**	**(721)**	**(2,587)**

38 Dividends

The Board of Directors approved the profit distribution plan for the second half of 2016 in the Meeting held on 30 March 2017. The cash dividends declared was RMB1.65 (before tax) for every 10 shares. The total amount of cash dividends of RMB6,020 million is calculated based on the total number of shares in issue of 36,485 million as at 31 December 2016, while it is still subject to shareholders' approval.

The Board of Directors approved the profit distribution plan for the first half of 2016 in the Meeting held on 29 August 2016. The cash dividends declared was RMB1.15 (before tax) for every 10 shares. The total amount of cash dividends of RMB4,196 million is calculated based on the total number of shares in issue of 36,485 million as at 30 June 2016.

The shareholders approved the cash dividend distribution plan for the second half of 2015 during the 2015 annual general meeting held on 7 June 2016. The cash dividend declared was RMB1.60 (before tax) for every 10 shares, totaling RMB5,838 million. The cash dividend was based on the total number of A shares on 23 June 2016 and the total number of H shares on 19 June 2016.

The shareholders approved the cash dividend distribution plan for the first half of 2015 during the first extraordinary general meeting held on 1 February 2016. The cash dividend declared was RMB0.75 (before tax) for every 10 shares, totaling RMB2,736 million. The cash dividend was based on the total number of A shares on 25 February 2016 and the total number of H shares on 17 February 2016.

The shareholders approved the cash dividend distribution plan for the second half of 2014 during the 2014 annual general meeting held on 18 June 2015. The cash dividend declared was RMB1.10 (before tax) for every 10 shares, totaling RMB4,013 million. The cash dividend was based on the total number of A shares on 6 July 2015 and the total number of H shares on 30 June 2015.

The shareholders approved the cash dividend distribution plan for the first half of 2014 during the Second Extraordinary General Meeting held on 23 December 2014. The cash dividend declared was RMB0.75 (before tax) for every 10 shares, totaling RMB2,561 million. The cash dividend was based on the total number of A shares on 8 January 2015 and the total number of H shares on 6 January 2015.

36 Surplus reserve, general reserve and retained earnings (continued)

(2) General reserve

Pursuant to the *Measures for Managing the Appropriation of Provisions of Financial Enterprises* (Cai Jin [2012] No. 20) issued by the MOF, the Bank is required to provide for impairment losses of its assets and set aside a general reserve through the appropriation of net profits to cover potential losses against its assets. The general reserve is part of the equity shareholders' interests and should not be less than 1.5% of the year-end balance of risk-bearing assets.

The Bank's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

Pursuant to the resolution of the Meeting of Board of Directors on 29 August 2016, the Bank appropriated RMB8,043 million of profits to the general reserve for the first half of 2016.

Pursuant to the resolution of the Meeting of Board of Directors held on 30 March 2017, the Bank appropriated RMB8,472 million of profits to the general reserve for the second half of 2016, which is subject to shareholders' approval.

The Bank appropriated RMB7,022 million of profits to the general reserve in 2015.

(3) Retained earnings

As at 31 December 2016, retained earnings of the group included the statutory surplus reserve of RMB498 million appropriated by the subsidiaries and attributable to the Bank (31 December 2015: RMB407 million).

37 Non-controlling interests

As at 31 December 2016, the non-controlling interests of the subsidiaries are RMB9,437 million (31 December 2015: RMB8,565 million).

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

35 Preference shares (continued)

(2) Main Clauses (continued)

g Dividend setting mechanism

Non-cumulative dividend is a dividend on preference shares which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Group will not participate the distribution of residual profits with ordinary shareholders.

The Group shall distribute dividends for the Preference Shares in cash, based on the total amount of the issued and outstanding Preference Shares on the corresponding times (i.e. the product of the issue price of preference shares and the number of the issued and outstanding preference shares).

36 Surplus reserve, general reserve and retained earnings

(1) Surplus reserve

Under PRC laws, Articles of the Bank and the resolution of the Board of Directors, the Bank is required to appropriate 10% of its net profit, when the statutory surplus reserve reaches 50% of its registered capital, the Bank is still required to appropriate 10% of its net profit. Subject to the approval of the equity shareholders, the statutory surplus reserve can be used for replenishing the accumulated losses or increasing the Bank's share capital. The statutory surplus reserve amount used to increase the share capital is limited to a level where the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the share capital.

Pursuant to the resolution of the Meeting of Board of Directors on 29 August 2016, the Bank appropriated the statutory surplus reserve of RMB2,684 million for the first half of 2016.

Pursuant to the resolution of the Meeting of Board of Directors on 30 March 2017, the Board proposed the Bank to appropriate RMB2,007 million to statutory reserve for the second half of 2016, which is subject to shareholders' approval.

The Bank appropriated the statutory surplus reserve of RMB8,284 million for the year 2015.

The Bank did not make any appropriations to discretionary surplus reserve in 2016 and 2015.

35 Preference shares (continued)

(2) Main Clauses (continued)

d Order of distribution and liquidation method

The USD Preference Shareholders rank equally for payment. The Preference Shareholders will be subordinated to the depositors, ordinary creditors, holders of subordinated debt, holders of convertible bonds, holders of Tier 2 capital bonds and holders of other Tier 2 capital instruments of the Group, but will be senior to the ordinary shareholders.

e Mandatory conversion trigger events

Upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Group falling to 5.125% or below), the Group shall have the right to convert all or part of the Preference Shares into H shares, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Group to above 5.125%; If Preference Shares were converted to H shares, it could not be converted to Preference Shares again.

Upon the occurrence of a Non-Viability Trigger Event (Earlier of the two situations: (1) CBRC has determined that the Group would become non-viable if there is no conversion or write-down of capital; (2) the relevant authorities have determined that a public sector injection of capital or equivalent support is necessary, without which the Group would become non-viable), the Group shall have the right to convert all Preference Shares into H shares. If Preference Shares were converted to H shares, it could not be converted to Preference Shares again.

f Redemption

Under the premise of obtaining the approval of the CBRC and condition of redemption, the Group has right to redeem all or some of oversee preferred stocks in first call date and subsequent any dividend payment date. The first call date after issuance and subsequent any dividend payment date (redemption price is equal to issue price plus accrued dividend in current period).

The First Redemption Date of USD Preference Shares is five years after issuance.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

35 Preference shares

(1) Preference shares outstanding at the end of the year

Financial instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount million shares	In original currency million	In RMB million	Maturity	Conversion condition	Conversion
Overseas Preference Shares	14 Dec 2016	Equity	4.95%	20USD/ Share	72	1,439	9,933	None	Mandatory	No
Total							9,933			
Less: Issue fees							(41)			
Book value							9,892			

(2) Main Clauses

a Dividend

Fixed rate for a certain period after issuance. Dividend reset every 5 years thereafter to the sum of the benchmark rate and the Fixed Spread. The Fixed Spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate. The Fixed Spread will remain unchanged throughout the term of the Preference Shares. Dividends will be paid annually.

b Conditions to distribution of dividends

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Group's capital adequacy ratio meets regulatory requirements. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends. The Group may elect to cancel any dividend, but such cancellation will require a shareholder's resolution to be passed.

c Dividend stopper

If the Group cancels all or part of the dividends to the Preference Shareholders, the Group shall not make any dividend distribution to ordinary shareholders before the Group pays the dividends for the current dividend period to the Preference Shareholders in full.

33 Other liabilities (continued)

(3) Other tax payable

	Group		Bank	
	2016	2015	2016	2015
Value added tax	2,144	–	2,128	–
Business tax	–	2,015	–	1,961
Others	943	823	916	795
Total	3,087	2,838	3,044	2,756

34 Share capital and capital reserve

	Group and Bank	
	2016	2015
Ordinary shares listed in Mainland China (A share)	29,551	29,551
Ordinary shares listed in Hong Kong (H share)	6,934	6,934
Total shares	36,485	36,485

All A shares and H shares are with no selling restrictions and rank pari passu with the same rights and benefits.

The Group's capital reserve is RMB64,744 million as at 31 December 2016 (31 December 2015: RMB64,744 million), which mainly comprises capital premium.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

33 Other liabilities (continued)

(2) Employee benefits payable (continued)

Bank (continued)

	At 1 January 2015	Increase	Decrease	At 31 December 2015
Short-term employee benefits				
Salaries, bonuses and allowances	7,378	16,031	(15,030)	8,379
Staff welfare fees	–	2,215	(2,215)	–
Social insurance and supplementary insurance	28	1,234	(1,226)	36
Housing fund	109	986	(984)	111
Labour union fee, staff and workers' education fee	15	585	(586)	14
Subtotal	7,530	21,051	(20,041)	8,540
Post-employment benefits-defined contribution plans				
Basic pension insurance plans	58	894	(883)	69
Unemployment insurance	11	58	(58)	11
Annuity scheme	108	1,139	(1,143)	104
Subtotal	177	2,091	(2,084)	184
Total	7,707	23,142	(22,125)	8,724

33 Other liabilities (continued)

(2) Employee benefits payable (continued)

Bank

	At 1 January 2016	Increase	Decrease	At 31 December 2016
Short-term employee benefits				
Salaries, bonuses and allowances	8,379	16,660	(15,656)	9,383
Staff welfare fees	–	2,219	(2,219)	–
Social insurance and supplementary insurance	36	1,336	(1,325)	47
Housing fund	111	1,006	(1,000)	117
Labour union fee, staff and workers' education fee	14	569	(563)	20
Subtotal	8,540	21,790	(20,763)	9,567
Post-employment benefits-defined contribution plans				
Basic pension insurance plans	69	1,063	(1,044)	88
Unemployment insurance	11	54	(53)	12
Annuity scheme	104	1,128	(1,213)	19
Subtotal	184	2,245	(2,310)	119
Total	8,724	24,035	(23,073)	9,686

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

33 Other liabilities (continued)

(2) Employee benefits payable (continued)

Group (continued)

	At 1 January 2015	Increase	Decrease	At 31 December 2015
Short-term employee benefits				
Salaries, bonuses and allowances	7,661	16,849	(15,729)	8,781
Staff welfare fees	–	2,228	(2,228)	–
Social insurance and supplementary insurance	29	1,255	(1,247)	37
Housing fund	109	1,010	(1,008)	111
Labour union fee, staff and workers' education fee	20	597	(592)	25
Subtotal	7,819	21,939	(20,804)	8,954
Post-employment benefits-defined contribution plans				
Basic pension insurance plans	58	922	(910)	70
Unemployment insurance	11	60	(60)	11
Annuity scheme	108	1,153	(1,156)	105
Subtotal	177	2,135	(2,126)	186
Total	7,996	24,074	(22,930)	9,140

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

33 Other liabilities (continued)

(2) Employee benefits payable

Group

	At 1 January 2016	Increase	Decrease	At 31 December 2016
Short-term employee benefits				
Salaries, bonuses and allowances	8,781	17,509	(16,506)	9,784
Staff welfare fees	–	2,271	(2,271)	–
Social insurance and supplementary insurance	37	1,362	(1,352)	47
Housing fund	111	1,039	(1,033)	117
Labour union fee, staff and workers' education fee	25	593	(580)	38
Subtotal	8,954	22,774	(21,742)	9,986
Post-employment benefits-defined contribution plans				
Basic pension insurance plans	70	1,103	(1,084)	89
Unemployment insurance	11	56	(55)	12
Annuity scheme	105	1,149	(1,234)	20
Subtotal	186	2,308	(2,373)	121
Total	9,140	25,082	(24,115)	10,107

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

33 Other liabilities

	Note	Group		Bank	
		2016	2015	2016	2015
Interest payable	(1)	36,494	33,367	35,654	32,611
Items in the process of clearance and settlement		14,487	14,172	14,481	14,158
Receipt in advance		10,257	10,094	–	94
Employee benefits payable	(2)	10,107	9,140	9,686	8,724
Other tax payable	(3)	3,087	2,838	3,044	2,756
Accrued expenses		561	600	496	598
Payable for long-term assets		400	385	348	356
Deferred fee and commission income		348	699	348	698
Guarantee deposits for finance lease		319	376	–	–
Others		7,453	3,062	4,692	1,745
Total		83,513	74,733	68,749	61,740

(1) Interest payable

	Group		Bank	
	2016	2015	2016	2015
Deposits from customers	25,800	24,452	25,409	24,045
Debt securities issued	4,190	4,122	4,190	4,122
Deposits from banks and other financial institutions	2,751	3,800	2,754	3,795
Borrowings from banks and other financial institutions	450	344	–	–
Others	3,303	649	3,301	649
Total	36,494	33,367	35,654	32,611

32 Debt securities issued (continued)

(4) Hybrid capital bonds (continued)

The holders of the hybrid capital bonds are subordinated to holders of subordinated bonds and tier-two capital bonds, but have priority over shareholders. All holders of hybrid capital bonds enjoy the same priority of claim. According to the issuance terms, the Bank has an option to defer interest payment if the core capital adequacy ratio calculated based on its latest audited financial reports is below 4%. If the sum of surplus reserve plus retained earnings shown on the latest audited statement of financial position is negative and no cash dividend has been paid to ordinary equity shareholders in the last 12 months, the Bank must defer interest payment.

(5) Medium-term notes

	Group		Bank	
	2016	2015	2016	2015
USD0.6 billion — 3-year medium-term notes 2015	**4,146**	**3,872**	**4,146**	**3,871**

Medium-term notes with a nominal value of USD0.6 billion of medium-term notes were issued in 2015, with a term of 3 years. The coupon rate is 2.25%.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

32 Debt securities issued (continued)

(4) Hybrid capital bonds

	Note	Group and Bank 2016	2015
RMB3.325 billion — 15-year hybrid capital fixed rate bonds 2009	(i)	**3,320**	**3,319**
RMB1.675 billion — 15-year hybrid capital floating rate bonds 2009	(ii)	**1,672**	**1,672**
RMB3.3 billion — 15-year hybrid capital fixed rate bonds 2006	(iii)	**—**	**3,296**
RMB1.0 billion — 15-year hybrid capital floating rate bonds 2006	(iv)	**—**	**999**
		4,992	**9,286**

(i) Hybrid capital bonds with a nominal value of RMB3.325 billion, a term of 15 years and a fixed coupon rate is 5.70% per annum for the first 10 years, were issued in 2009. And if the Bank does not exercise the early redemption right from the 11th year onward, the coupon rate will increase to 8.70% per annum.

(ii) Hybrid capital bonds with a nominal value of RMB1.675 billion, a term of 15 years and of floating-rate, were issued in 2009. The floating rate is based on the one-year time deposit rate published by the PBOC plus a spread of 3.00% per annum for the first 10 years. If the Bank does not exercise the early redemption right from the 11th year onward, the spread will increase to 6.00% per annum.

(iii) Hybrid capital bonds with a nominal value of RMB3.3 billion, a term of 15 years and a fixed coupon rate is 5.05% per annum for the first 10 years, were issued in 2006. And if the Bank does not exercise the early redemption right from the 11th year onward, the coupon rate will increase to 8.05% per annum. As at 28 December 2016, the Bank redeemed all of the hybrid capital bonds with a term of 15 years and a fixed rate issued in 2006.

(iv) Hybrid capital bonds with a nominal value of RMB1.0 billion, a term of 15 years and of floating-rate, were issued in 2006. The floating rate is based on the one-year time deposit rate published by the PBOC plus a spread of 2.00% per annum for the first 10 years. If the Bank does not exercise the early redemption right from the 11th year onward, the spread will increase to 3.00% per annum. As at 28 December 2016, the Bank redeemed all of the hybrid capital bonds with a term of 15 years and a floating rate issued in 2006.

32 Debt securities issued (continued)

(3) Subordinated bonds

	Note	Group and Bank 2016	2015
RMB6.0 billion — 10-year subordinated fixed rate bonds 2011	(i)	—	**5,993**
RMB4.0 billion — 15-year subordinated fixed rate bonds 2011	(ii)	**3,994**	**3,993**
Total		**3,994**	**9,986**

(i) Subordinated bonds with a nominal value of RMB6.0 billion, a term of 10 years and a fixed coupon rate of 5.50% per annum, were issued in 2011. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date. As at 18 March 2016, the Bank redeemed all of the subordinated bonds at par value.

(ii) Subordinated bonds with a nominal value of RMB4.0 billion, a term of 15 years and a fixed coupon rate of 5.70% per annum, were issued in 2011. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the tenth year to the maturity date.

According to the issuance terms, these bonds are subordinated to all other claims against the Bank's assets, except those of the hybrid capital bond holders and shareholders.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

32 Debt securities issued (continued)

(2) Tier-two capital bonds

	Note	Group and Bank 2016	2015
RMB20.0 billion — 10-year fixed rate tier-two capital bonds 2014	(i)	**19,979**	**19,974**
RMB20.0 billion — 10-year fixed rate tier-two capital bonds 2015	(ii)	**19,979**	**19,975**
RMB20.0 billion — 10-year fixed rate tier-two capital bonds 2016	(iii)	**19,972**	**—**
Total		**59,930**	**39,949**

(i) Tier-two capital bonds with a nominal value of RMB20.0 billion, a term of 10 years, and a fixed coupon rate of 6.60% per annum, were issued in 2014. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.

(ii) Tier-two capital bonds with a nominal value of RMB20.0 billion, a term of 10 years, and a fixed coupon rate of 5.40% per annum, were issued in 2015. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.

(iii) Tier-two capital bonds with a nominal value of RMB20.0 billion, a term of 10 years, and a fixed coupon rate of 3.50% per annum, were issued in 2016. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.

32 Debt securities issued (continued)

(1) Financial bonds

	Note	Group and Bank 2016	2015
RMB30.0 billion — 5-year fixed rate financial bonds 2012	(i)	**29,999**	**29,989**
RMB20.0 billion — 5-year fixed rate financial bonds 2012	(ii)	**19,998**	**19,992**
RMB20.0 billion — 3-year fixed rate financial bonds 2016	(iii)	**19,972**	**—**
Total		**69,969**	**49,981**

(i) RMB30.0 billion worth of fixed-rate financial bonds were issued in 2012, with a term of five years, and a fixed coupon rate of 4.30% per annum.

(ii) RMB20.0 billion worth of fixed-rate financial bonds were issued in 2012, with a term of five years, and a fixed coupon rate of 4.39% per annum.

(iii) RMB20.0 billion worth of fixed-rate financial bonds were issued in 2016, with a term of three years, and a fixed coupon rate of 2.95% per annum.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

31 Borrowings from banks and other financial institutions

	Group	
	2016	2015
Credit borrowings	**105,743**	**92,533**
Secured borrowings		
— by tangible assets other than monetary assets	**16,731**	**16,005**
Total	**122,474**	**108,538**

As at 31 December 2016, the secured borrowings of RMB16,731 million (31 December 2015: RMB16,005 million) were secured by property and equipment of RMB8,838 million (31 December 2015: RMB8,100 million) the assets under financial lease of RMB12,976 million (31 December 2015: RMB11,338 million); there was no other assets as collateral (31 December 2015: RMB168 million). As at 31 December 2016, there was no unused borrowing limit under secured borrowings (31 December 2015: None).

32 Debt securities issued

	Note	Group		Bank	
		2016	2015	2016	2015
Certificates of interbank deposit		**255,345**	**68,159**	**255,345**	**68,159**
Financial bonds	(1)	**69,969**	**49,981**	**69,969**	**49,981**
Tier-two capital bonds	(2)	**59,930**	**39,949**	**59,930**	**39,949**
Subordinated bonds	(3)	**3,994**	**9,986**	**3,994**	**9,986**
Hybrid capital bonds	(4)	**4,992**	**9,286**	**4,992**	**9,286**
Medium-term notes	(5)	**4,146**	**3,872**	**4,146**	**3,871**
Total		**398,376**	**181,233**	**398,376**	**181,232**

There were no overdue principal and interest or other defaults with respect to these bonds. None of these bonds are secured.

29 Deposits and placements from banks and other financial institutions

	Group		Bank	
	2016	2015	2016	2015
Mainland China				
— Banks	516,434	428,122	522,244	430,017
— Other financial institutions	848,768	534,801	848,768	536,041
Overseas				
— Banks	29,639	19,044	29,639	19,044
— Other financial institutions	13,178	8,808	13,651	9,859
Total	1,408,019	990,775	1,414,302	994,961

30 Financial assets sold under repurchase agreements

	Group		Bank	
	2016	2015	2016	2015
Discounted bills	72,201	8,099	71,695	7,276
Investment securities	40,789	40,130	40,789	40,130
Long-term receivables	265	900	—	—
Total	113,255	49,129	112,484	47,406

As at 31 December 2016, the Group's balances under repurchase agreements include bills transactions with the PBOC amounting to RMB5,247 million (31 December 2015: RMB8,099 million).

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

28 Deposits from customers

	Group		Bank	
	2016	2015	2016	2015
Demand deposits				
— Corporate deposits	1,141,097	803,352	1,129,063	794,023
— Personal deposits	167,686	159,682	166,125	158,181
Time deposits (including call and notice deposits)				
— Corporate deposits	1,381,135	1,344,807	1,373,977	1,336,744
— Personal deposits	372,862	412,371	362,072	401,193
Certificates of deposit	12,792	6,185	12,792	6,185
Outward remittance and remittance payables	6,670	5,865	6,640	5,840
Total	3,082,242	2,732,262	3,050,669	2,702,166

The pledged deposits included in deposits from customers are analysed as follows:

	Group		Bank	
	2016	2015	2016	2015
Pledged deposits for bank acceptances	177,867	218,026	177,433	217,433
Pledged deposits for letters of credit and guarantees	28,793	38,940	28,783	38,927
Other pledged deposits	84,125	57,496	83,832	56,955
Total	290,785	314,462	290,048	313,315

27 Other assets (continued)

(4) Intangible assets (continued)

Bank

	Software	Other	Total
Cost			
Balance at 1 January 2015	**1,056**	**1,328**	**2,384**
Increase	**445**	**—**	**445**
Balance at 31 December 2015	**1,501**	**1,328**	**2,829**
Increase	**309**	**—**	**309**
Decrease	**(2)**	**—**	**(2)**
Balance at 31 December 2016	**1,808**	**1,328**	**3,136**
Accumulated amortization			
Balance at 1 January 2015	**(703)**	**(756)**	**(1,459)**
Increase	**(269)**	**(158)**	**(427)**
Balance at 31 December 2015	**(972)**	**(914)**	**(1,886)**
Increase	**(300)**	**(38)**	**(338)**
Balance at 31 December 2016	**(1,272)**	**(952)**	**(2,224)**
Net value			
Balance at 31 December 2015	**529**	**414**	**943**
Balance at 31 December 2016	**536**	**376**	**912**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

27 Other assets (continued)

(2) Prepayments for leased assets

They represented the prepayments made by the Group for acquiring leased assets under finance leases and operating leases.

(3) Repossessed assets

Repossessed assets include buildings, machinery and equipment. The Group disposed repossessed assets with a total cost of RMB2,560 million during the year of 2016 (2015: RMB5 million).

(4) Intangible assets

Group

	Software	Other	Total
Cost			
Balance at 1 January 2015	**1,116**	**1,329**	**2,445**
Increase	**454**	**—**	**454**
Balance at 31 December 2015	**1,570**	**1,329**	**2,899**
Increase	**318**	**—**	**318**
Decrease	**(2)**	**—**	**(2)**
Balance at 31 December 2016	**1,886**	**1,329**	**3,215**
Accumulated amortization			
Balance at 1 January 2015	**(730)**	**(757)**	**(1,487)**
Increase	**(276)**	**(158)**	**(434)**
Balance at 31 December 2015	**(1,006)**	**(915)**	**(1,921)**
Increase	**(308)**	**(38)**	**(346)**
Balance at 31 December 2016	**(1,314)**	**(953)**	**(2,267)**
Net value			
Balance at 31 December 2015	**564**	**414**	**978**
Balance at 31 December 2016	**572**	**376**	**948**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

27 Other assets (continued)

Bank

	Note	2016 Gross balance	2016 Allowance for impairment losses (Note (i))	2016 Carrying amount	2015 Gross balance	2015 Allowance for impairment losses (Note (i))	2015 Carrying amount
Interest receivable	(1)	31,047	–	31,047	18,889	–	18,889
Items in the process of clearance and settlement		27,945	–	27,945	29,374	–	29,374
Repossessed assets	(3)	11,484	(57)	11,427	12,964	(57)	12,907
Commission receivable		3,282	–	3,282	1,743	–	1,743
Land use right		2,891	–	2,891	3,006	–	3,006
Prepayment		1,853	–	1,853	4,375	–	4,375
Claims and legal fees recoverable		1,304	(603)	701	1,294	(345)	949
Intangible assets	(4)	912	–	912	943	–	943
Long-term deferred expenses		126	–	126	221	–	221
Others		3,054	–	3,054	1,972	–	1,972
Total		83,898	(660)	83,238	74,781	(402)	74,379

(i) Changes in allowance for impairment losses of other assets are as follows:

	Group		Bank	
	2016	2015	2016	2015
At 1 January	578	394	402	251
Charge for the year	336	187	303	154
Transfer out	(45)	(3)	(45)	(3)
At 31 December	869	578	660	402

(1) Interest receivable

	Group		Bank	
	2016	2015	2016	2015
Debt and other securities	15,444	8,627	15,419	8,564
Loans and advances to customers	13,518	8,776	13,482	8,730
Others	2,554	1,761	2,146	1,595
Total	31,516	19,164	31,047	18,889

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

27 Other assets

Group

	Note	2016 Gross balance	2016 Allowance for impairment losses (Note (i))	2016 Carrying amount	2015 Gross balance	2015 Allowance for impairment losses (Note (i))	2015 Carrying amount
Interest receivable	(1)	31,516	–	31,516	19,164	–	19,164
Items in the process of clearance and settlement		28,871	–	28,871	29,418	–	29,418
Prepayments for leased assets	(2)	14,254	(178)	14,076	12,768	(145)	12,623
Repossessed assets	(3)	12,114	(81)	12,033	13,221	(81)	13,140
Investment properties		6,523	–	6,523	6,173	–	6,173
Land use right		4,164	–	4,164	4,315	–	4,315
Commission receivable		3,474	–	3,474	1,743	–	1,743
Prepayment		1,883	–	1,883	4,401	–	4,401
Claims and legal fees recoverable		1,312	(603)	709	1,297	(345)	952
Intangible assets	(4)	948	–	948	978	–	978
Long-term deferred expenses		168	–	168	292	–	292
Others		6,247	(7)	6,240	8,970	(7)	8,963
Total		111,474	(869)	110,605	102,740	(578)	102,162

26 Investment in subsidiaries (continued)

Name	Place of incorporation and operation	Principal activities	Registered capital	Nature of legal entity	% of ownership held by the Bank	% of voting rights held by the Bank
Minsheng Financial Leasing	Tianjin China	Leasing	RMB 5,095 million	Joint stock limited	51.03	51.03
CMBC International	Hongkong China	Invest bank	HKD 2,000 million	Limited liability	100.00	100.00
Minsheng Royal Fund	Guangdong China	Fund management	RMB300 million	Limited liability	63.33	63.33
Pengzhou Rural Bank	Sichuan China	Commercial bank	RMB55 million	Limited liability	36.36	36.36
Cixi Rural Bank	Zhejiang China	Commercial bank	RMB100 million	Joint stock limited	35	35
Songjiang Rural Bank	Shanghai China	Commercial bank	RMB150 million	Joint stock limited	35	35
Qijiang Rural Bank	Chongqing China	Commercial bank	RMB60 million	Joint stock limited	50	50
Tongnan Rural Bank	Chongqing China	Commercial bank	RMB50 million	Joint stock limited	50	50
Meihekou Rural Bank	Jilin China	Commercial bank	RMB50 Million	Joint stock limited	51	51
Ziyang Rural Bank	Sichuan China	Commercial bank	RMB80 million	Joint stock limited	51	51
Jiangxia Rural Bank	Hubei China	Commercial bank	RMB80 million	Joint stock limited	51	51
Changyuan Rural Bank	Henan China	Commercial bank	RMB50 million	Joint stock limited	51	51
Yidu Rural Bank	Hubei China	Commercial bank	RMB50 million	Joint stock limited	51	51
Jiading Rural Bank	Shanghai China	Commercial bank	RMB200 million	Joint stock limited	51	51
Zhongxiang Rural Bank	Hubei China	Commercial bank	RMB70 million	Joint stock limited	51	51
Penglai Rural Bank	Shandong China	Commercial bank	RMB100 million	Joint stock limited	51	51
Anxi Rural Bank	Fujian China	Commercial bank	RMB100 million	Joint stock limited	51	51
Funing Rural Bank	Jiangsu China	Commercial bank	RMB85 million	Joint stock limited	51	51
Taicang Rural Bank	Jiangsu China	Commercial bank	RMB135 million	Joint stock limited	51	51
Ningjin Rural Bank	Hebei China	Commercial bank	RMB40 million	Joint stock limited	51	51
Zhangpu Rural Bank	Fujian China	Commercial bank	RMB50 million	Joint stock limited	51	51
Puer Rural Bank	Yunnan China	Commercial bank	RMB30 million	Joint stock limited	51	51
Jinghong Rural Bank	Yunnan China	Commercial bank	RMB30 million	Joint stock limited	51	51
Zhidan Rural Bank	Shaanxi China	Commercial bank	RMB15 million	Joint stock limited	51	51
Ningguo Rural Bank	Anhui China	Commercial bank	RMB40 million	Joint stock limited	51	51
Yuyang Rural Bank	Shaanxi China	Commercial bank	RMB50 million	Joint stock limited	51	51
Guichi Rural Bank	Anhui China	Commercial bank	RMB50 million	Joint stock limited	51	51
Tiantai Rural Bank	Zhejiang China	Commercial bank	RMB60 million	Joint stock limited	51	51
Tianchang Rural Bank	Anhui China	Commercial bank	RMB40 million	Joint stock limited	51	51
Tengchong Rural Bank	Yunnan China	Commercial bank	RMB40 million	Joint stock limited	51	51
Xiang'an Rural Bank	Fujian China	Commercial bank	RMB70 million	Joint stock limited	51	51
Linzhi Rural Bank	Tibet China	Commercial bank	RMB25 million	Joint stock limited	51	51

All interests in subsidiaries are directly held by the Bank.

Although the Bank holds half or less than half of the voting rights in some rural banks, it has the majority of the seats in their boards of directors, which enables it to govern their operating policies. These companies are treated as the Bank's subsidiaries and have been consolidated in these financial statements.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

26 Investment in subsidiaries

	2016	2015
Minsheng Financial Leasing	2,600	2,600
CMBC International	1,614	1,614
Minsheng Royal Fund	190	190
Pengzhou Rural Bank	20	20
Cixi Rural Bank	35	35
Songjiang Rural Bank	70	70
Qijiang Rural Bank	30	30
Tongnan Rural Bank	25	25
Meihekou Rural Bank	26	26
Ziyang Rural Bank	41	41
Jiangxia Rural Bank	41	41
Changyuan Rural Bank	26	26
Yidu Rural Bank	26	26
Jiading Rural Bank	102	102
Zhongxiang Rural Bank	36	36
Penglai Rural Bank	51	51
Anxi Rural Bank	51	51
Funing Rural Bank	52	31
Taicang Rural Bank	76	76
Ningjin Rural Bank	20	20
Zhangpu Rural Bank	25	25
Puer Rural Bank	15	15
Jinghong Rural Bank	15	15
Zhidan Rural Bank	7	7
Ningguo Rural Bank	20	20
Yuyang Rural Bank	25	25
Guichi Rural Bank	26	26
Tiantai Rural Bank	31	31
Tianchang Rural Bank	20	20
Tengchong Rural Bank	20	20
Xiang'an Rural Bank	36	36
Linzhi Rural Bank	13	13
Total	5,385	5,364

25 Deferred income tax assets and liabilities (continued)

(4) Deferred income tax assets and liabilities taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

Group

	2016		2015	
	Net deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences after offsetting	Net deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences after offsetting
Deferred income tax assets	23,366	93,466	15,863	63,451
Deferred income tax liabilities	–	–	–	–

Bank

	2016		2015	
	Net deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences after offsetting	Net deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences after offsetting
Deferred income tax assets	22,402	89,610	14,878	59,511
Deferred income tax liabilities	–	–	–	–

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

25 Deferred income tax assets and liabilities (continued)

(2) Movements in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows: (continued)

Bank

	Asset impairment allowance	Fair value losses	Others	Gross deferred income tax assets	Fair value gains	Gross deferred income tax liabilities
At 1 January 2016	13,491	1,290	2,261	17,042	(2,164)	(2,164)
Recognised in profit or loss	5,414	1,318	160	6,892	(633)	(633)
Recognised in other comprehensive income	–	481	–	481	784	784
At 31 December 2016	18,905	3,089	2,421	24,415	(2,013)	(2,013)
At 1 January 2015	9,094	1,040	2,002	12,136	(1,076)	(1,076)
Recognised in profit or loss	4,397	149	259	4,805	(454)	(454)
Recognised in other comprehensive income	–	101	–	101	(634)	(634)
At 31 December 2015	13,491	1,290	2,261	17,042	(2,164)	(2,164)

(3) Offsetting of balances within the same tax jurisdiction of deferred income tax assets and liabilities are as follows:

	Group		Bank	
	2016	2015	2016	2015
Deferred income tax assets	–	–	–	–
Deferred income tax liabilities	(2,038)	(2,217)	(2,013)	(2,164)

25 Deferred income tax assets and liabilities (continued)

(2) Movements in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

Group

	Asset impairment allowance	Fair value losses	Others	Gross deferred income tax assets	Fair value gains	Gross deferred income tax liabilities
At 1 January 2016	14,219	1,300	2,561	18,080	(2,217)	(2,217)
Recognised in profit or loss	5,541	1,308	(6)	6,843	(633)	(633)
Recognised in other comprehensive income	–	401	–	481	812	812
At 31 December 2016	19,760	3,080	2,555	25,404	(2,038)	(2,038)
At 1 January 2015	9,710	1,040	2,090	12,840	(1,076)	(1,076)
Recognised in profit or loss	4,509	159	471	5,139	(454)	(454)
Recognised in other comprehensive income	–	101	–	101	(687)	(687)
At 31 December 2015	14,219	1,300	2,561	18,080	(2,217)	(2,217)

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

25 Deferred income tax assets and liabilities (continued)

(1) Deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows: (continued)

Bank

	2016		2015	
	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences
Deferred income tax assets				
Asset impairment allowance	18,905	75,620	13,491	53,964
Employee benefits payable	2,421	9,686	2,178	8,712
Fair value losses of				
— derivatives	2,347	9,389	831	3,326
— available-for-sale securities	697	2,786	456	1,824
— financial assets at fair value through profit or loss	45	180	3	12
Others	—	—	83	332
Subtotal	24,415	97,661	17,042	68,170
Deferred income tax liabilities				
Fair value gains of				
— derivatives	(1,940)	(7,759)	(1,263)	(5,055)
— available-for-sale securities	(73)	(292)	(857)	(3,428)
— financial assets at fair value through profit or loss	—	—	(44)	(176)
Subtotal	(2,013)	(8,051)	(2,164)	(8,659)
Deferred income tax assets, net	22,402	89,610	14,878	59,511

25 Deferred income tax assets and liabilities

(1) Deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

Group

	2016		2015	
	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences
Deferred income tax assets				
Asset impairment allowance	**19,760**	**79,040**	**14,219**	**56,876**
Employee benefits payable	**2,456**	**9,824**	**2,216**	**8,864**
Fair value losses of				
— derivatives	**2,347**	**9,389**	**831**	**3,326**
— available-for-sale securities	**697**	**2,788**	**456**	**1,824**
— financial assets at fair value through profit or loss	**45**	**180**	**13**	**52**
Others	**99**	**396**	**345**	**1,380**
Subtotal	**25,404**	**101,617**	**18,080**	**72,322**
Deferred income tax liabilities				
Fair value gains of				
— derivatives	**(1,940)**	**(7,759)**	**(1,263)**	**(5,055)**
— available-for-sale securities	**(98)**	**(392)**	**(910)**	**(3,640)**
— financial assets at fair value through profit or loss	**—**	**—**	**(44)**	**(176)**
Subtotal	**(2,038)**	**(8,151)**	**(2,217)**	**(8,871)**
Deferred income tax assets, net	**23,366**	**93,466**	**15,863**	**63,451**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

24 Property and equipment (continued)

The carrying value of buildings and leasehold improvements is analysed by the remaining terms of the leases as follows:

	Group		Bank	
	2016	2015	2016	2015
Held in mainland China				
on medium-term lease				
(10–50 years)	**11,471**	**10,596**	**11,082**	**10,193**
on short-term lease				
(less than 10 years)	**2,953**	**3,428**	**2,896**	**3,362**
Total	**14,424**	**14,024**	**13,978**	**13,555**

As at 31 December 2016, the process of obtaining certificates of ownership for the Group's properties and buildings with an aggregate carrying value of RMB1,108 million (31 December 2015: RMB865 million) was still in progress. Management is of the view that the aforesaid matter would not affect the Group's rights to these assets nor have any significant impact on the Group's operations.

24 Property and equipment (continued)

Bank

	Buildings	Leasehold improvement	Office equipment	Motor vehicles	Construction in progress	Total
Original cost						
Balance at 1 January 2015	12,062	7,186	7,646	456	4,584	31,934
Increase	375	1,266	1,166	56	1,046	3,909
CIP transfers	71	–	–	–	(71)	–
Decrease	–	–	(578)	(37)	(124)	(739)
Balance at 31 December 2015	12,508	8,452	8,234	475	5,435	35,104
Increase	601	827	603	43	1,979	4,083
CIP transfers	790	–	–	–	(790)	–
Decrease	(95)	–	(311)	(29)	(2,080)	(2,515)
Balance at 31 December 2016	13,834	9,279	8,526	489	4,544	36,672
Accumulated depreciation						
Balance at 1 January 2015	(1,888)	(3,718)	(3,431)	(268)	–	(9,305)
Increase	(424)	(1,375)	(1,224)	(59)	–	(3,082)
Decrease	–	–	543	33	–	576
Balance at 31 December 2015	(2,312)	(5,093)	(4,112)	(294)	–	(11,811)
Increase	(430)	(1,326)	(1,272)	(61)	–	(3,089)
Decrease	26	–	291	21	–	338
Balance at 31 December 2016	(2,716)	(6,419)	(5,093)	(334)	–	(14,562)
Net value						
Balance at 31 December 2015	10,196	3,359	4,122	181	5,435	23,293
Balance at 31 December 2016	11,118	2,860	3,433	155	4,544	22,110

As at 31 December 2016 and 31 December 2015, the Group and the Bank did not have any property and equipment which were acquired by means of finance leasing or temporarily idle or held for sale.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

24 Property and equipment

Group

	Buildings	Leasehold improvement	Office equipment	Motor vehicles	Operating lease fixed assets	Construction in progress	Total
Original cost							
Balance at 1 January 2015	12,487	7,357	7,789	487	14,328	4,654	47,102
Increase	403	1,278	1,199	57	4,597	1,058	8,592
CIP transfers	71	–	–	–	–	(71)	–
Decrease	–	–	(579)	(37)	(127)	(124)	(867)
Balance at 31 December 2015	12,961	8,635	8,409	507	18,798	5,517	54,827
Increase	633	838	625	46	8,852	1,979	12,973
CIP transfers	790	–	–	–	–	(790)	–
Decrease	(95)	–	(319)	(29)	(1,816)	(2,080)	(4,339)
Balance at 31 December 2016	14,289	9,473	8,715	524	25,834	4,626	63,461
Accumulated depreciation							
Balance at 1 January 2015	(1,905)	(3,796)	(3,508)	(285)	(592)	–	(10,086)
Increase	(457)	(1,414)	(1,282)	(64)	(832)	–	(4,049)
Decrease	–	–	543	33	50	–	626
Balance at 31 December 2015	(2,362)	(5,210)	(4,247)	(316)	(1,374)	–	(13,509)
Increase	(446)	(1,346)	(1,296)	(64)	(971)	–	(4,123)
Decrease	26	–	299	22	184	–	531
Balance at 31 December 2016	(2,782)	(6,556)	(5,244)	(358)	(2,161)	–	(17,101)
Impairment losses							
Balance at 1 January 2015	–	–	–	–	(80)	–	(80)
Increase	–	–	–	–	(88)	–	(88)
Decrease	–	–	–	–	1	–	1
Balance at 31 December 2015	–	–	–	–	(167)	–	(167)
Increase	–	–	–	–	(3)	–	(3)
Decrease	–	–	–	–	–	–	–
Balance at 31 December 2016	–	–	–	–	(170)	–	(170)
Net value							
Balance at 31 December 2015	10,599	3,425	4,162	191	17,257	5,517	41,151
Balance at 31 December 2016	11,507	2,917	3,471	166	23,503	4,626	46,190

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

23 Long-term receivables (continued)

Finance lease receivables, unearned finance lease income and minimum finance lease receivables analysed by remaining period are listed as follows:

Group

	2016			2015		
	Finance lease receivables	Unearned finance lease income	Minimum finance lease receivables	Finance lease receivables	Unearned finance lease income	Minimum finance lease receivables
Less than 1 year	**30,684**	**(2,776)**	**27,908**	**27,730**	**(2,373)**	**25,357**
1 year to 2 years	**23,164**	**(2,700)**	**20,464**	**26,695**	**(2,788)**	**23,907**
2 years to 3 years	**17,487**	**(2,232)**	**15,255**	**18,391**	**(2,402)**	**15,989**
3 years to 5 years	**19,546**	**(3,442)**	**16,104**	**19,901**	**(3,274)**	**16,627**
More than 5 years	**15,004**	**(4,843)**	**10,161**	**8,972**	**(2,777)**	**6,195**
Indefinite[1]	**7,107**	**(796)**	**6,311**	**5,826**	**(525)**	**5,301**
	112,992	**(16,789)**	**96,203**	**107,515**	**(14,139)**	**93,376**

(1) The indefinite period amount represents the balances being impaired or overdue for more than one month.

(2) Changes in allowance for impairment losses of long-term receivables:

	Group	
	2016	2015
At 1 January	**2,773**	**2,353**
Charge for the year	**711**	**551**
Transfer out	**(50)**	**(27)**
Write-offs	**—**	**(104)**
Recoveries	**7**	**—**
At 31 December	**3,441**	**2,773**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

22 Investment securities (continued)

(i) Changes in allowance for impairment losses of loans and receivables are as follows:

	Group		Bank	
	2016	2015	2016	2015
At 1 January	(1,722)	(943)	(1,497)	(943)
Charge for the year	(117)	(779)	(117)	(554)
Release during the year	151	–	–	–
At 31 December	(1,688)	(1,722)	(1,614)	(1,497)

23 Long-term receivables

	Group	
	2016	2015
Finance lease receivables	112,992	107,515
Less: unearned finance lease income	(16,789)	(14,139)
Present value of minimum finance lease receivables	96,203	93,376
Others	2,029	1,976
Less: allowance for impairment losses		
Collective assessment	(2,263)	(2,184)
Individual assessment	(1,178)	(589)
Net balance	94,791	92,579

22 Investment securities (continued)

(2) Held-to-maturity securities (continued)

During the year of 2016, the Group reclassified held-to-maturity debt securities with a total par value of RMB26,244 million (for the year ended 31 December 2015: nil) to available-for-sale debt securities. The aggregate amount of these held-to-maturity securities reclassified was insignificant relative to the total amount of the Group's held-to-maturity securities.

(i) Changes in allowance for impairment losses of held-to-maturity securities are as follows:

	Group and Bank	
	2016	2015
At 1 January	(105)	—
Charge for the year	(7)	(105)
Release during the year	30	—
At 31 December	(82)	(105)

(3) Loans and receivables

	Group		Bank	
	2016	2015	2016	2015
Bond				
Government				
— unlisted	51,394	19,971	51,394	19,971
Policy banks				
— listed outside Hong Kong	500	500	500	500
Banking and non-banking financial institution				
— listed outside Hong Kong	13,566	24,870	13,566	24,870
— unlisted	1,168	1,939	805	1,939
Other corporates				
— listed outside Hong Kong	15,409	2,361	15,409	2,361
— unlisted	17,038	14,382	16,373	14,293
Asset management plans	1,040,867	361,464	1,039,432	359,654
Trust beneficiary rights	10,475	27,474	10,475	27,474
Total	1,150,417	452,961	1,147,954	451,062
Less: allowance for impairment losses (Note (i))	(1,688)	(1,722)	(1,614)	(1,497)
Net value	1,148,729	451,239	1,146,340	449,565

Note: All of the trust beneficiary rights and asset management plans above are unlisted.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

22 Investment securities (continued)

(1) Available-for-sale securities (continued)

(i) Changes in allowance for impairment losses of available-for-sale financial assets are as follows: (continued)

Group and Bank

	2015		
	Available-for-sale debt instruments	Available-for-sale equity instruments	Total
At 1 January	(291)	(564)	(855)
Charge for the year	(70)	–	(70)
Exchange gain or loss	(18)	–	(18)
At 31 December	(379)	(564)	(943)

(2) Held-to-maturity securities

	Group and Bank	
	2016	2015
Government		
– listed outside Hong Kong	610,045	226,122
Policy banks		
– listed outside Hong Kong	25,613	35,447
Banking and non-banking financial institution		
– listed outside Hong Kong	17,321	12,136
– unlisted	2,584	284
Other corporates		
– listed outside Hong Kong	5,881	4,480
Less: allowance for impairment losses (Note (i))	(82)	(105)
Total	661,362	278,364
Fair value of securities	658,558	287,038

22 Investment securities (continued)

(1) Available-for-sale securities (continued)

The book value of the Bank's impaired available-for-sale financial assets amounted to RMB1,066 million as at 31 December 2016 (31 December 2015: RMB1,151 million) and the provision amounted to RMB953 million (31 December 2015: RMB943 million).

The Group did not reclassify any investment securities in 2016 and 2015.

(i) Changes in allowance for impairment losses of available-for-sale financial assets are as follows:

Group

	2016		
	Available-for-sale debt instruments	Available-for-sale equity instruments	Total
At 1 January	(379)	(564)	(943)
Charge for the year	(36)	–	(36)
Release during the year	42	–	42
Exchange gain or loss	(21)	–	(21)
At 31 December	(394)	(564)	(958)

Bank

	2016		
	Available-for-sale debt instruments	Available-for-sale equity instruments	Total
At 1 January	(379)	(564)	(943)
Charge for the year	(31)	–	(31)
Release during the year	42	–	42
Exchange gain or loss	(21)	–	(21)
At 31 December	(389)	(564)	(953)

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

22 Investment securities (continued)

(1) Available-for-sale securities

	Group		Bank	
	2016	2015	2016	2015
Debt securities at fair value				
Government				
— listed in Hong Kong	52	18	52	18
— listed outside Hong Kong	65,440	28,749	65,440	28,749
— unlisted	894	838	894	838
Policy banks				
— listed in Hong Kong	108	32	108	32
— listed outside Hong Kong	26,292	36,738	26,292	36,738
Banking and non-banking financial institution				
— listed in Hong Kong	15,097	462	15,083	462
— listed outside Hong Kong	94,868	46,886	93,390	46,886
— unlisted	26,847	480	26,247	480
Other corporates				
— listed in Hong Kong	5,182	119	5,042	119
— listed outside Hong Kong	48,449	36,417	48,344	36,417
— unlisted	1,748	—	1,652	—
Less: allowance for impairment losses (Note (i))	(394)	(379)	(389)	(379)
Subtotal	284,583	150,360	282,155	150,360
Equity investments				
— listed in Hong Kong	71	319	71	319
— listed outside Hong Kong	930	1,369	492	817
— unlisted	4,626	4,426	3,997	4,101
Less: allowance for impairment losses (Note (i))	(564)	(564)	(564)	(564)
Subtotal	5,063	5,550	3,996	4,673
Investment Funds				
— unlisted	17,432	1,090	17,377	—
Total	307,078	157,000	303,528	155,033

The book value of the Group's impaired available-for-sale financial assets amounted to RMB1,199 million as at 31 December 2016 (31 December 2015: RMB1,151 million) and the provision amounted to RMB958 million (31 December 2015: RMB943 million).

21 Loans and advances to customers (continued)

(5) Changes in allowance for impairment losses: (continued)

Bank (continued)

	2015			
	Corporate loans and advances		Personal loans and advances	Total
	Individual assessment	Collective assessment	Collective assessment	
At 1 January	**3,834**	**18,281**	**15,836**	**37,951**
Charge for the year	**9,712**	**6,509**	**18,934**	**35,155**
Release during the year	**(2,485)**	**–**	**–**	**(2,485)**
Reclassification	**1,275**	**(1,275)**	**–**	**–**
Transfer out	**(2,070)**	**–**	**(6,935)**	**(9,005)**
Write-offs	**(3,344)**	**–**	**(8,682)**	**(12,026)**
Recoveries	**433**	**–**	**717**	**1,150**
Unwinding of discount	**(681)**	**–**	**(351)**	**(1,032)**
Exchange gain or loss	**–**	**74**	**–**	**74**
At 31 December	**6,674**	**23,589**	**19,519**	**49,782**

22 Investment securities

	Note	Group		Bank	
		2016	2015	2016	2015
Available-for-sale securities	(1)	**307,078**	**157,000**	**303,528**	**155,033**
Held-to-maturity securities	(2)	**661,362**	**278,364**	**661,362**	**278,364**
Loans and receivables	(3)	**1,148,729**	**451,239**	**1,146,340**	**449,565**
Total		**2,117,169**	**886,603**	**2,111,230**	**882,962**
Analysed as follows:					
– Listed in Hong Kong		**20,510**	**950**	**20,356**	**950**
– Listed outside Hong Kong		**924,232**	**455,900**	**922,211**	**455,347**
– Unlisted		**1,172,427**	**429,753**	**1,168,663**	**426,665**
Total		**2,117,169**	**886,603**	**2,111,230**	**882,962**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers (continued)

(5) Changes in allowance for impairment losses: (continued)

Group (continued)

	2015			
	Corporate loans and advances		Personal loans and advances	Total
	Individual assessment	Collective assessment	Collective assessment	
At 1 January	3,864	18,415	16,228	38,507
Charge for the year	9,983	6,533	19,012	35,528
Release during the year	(2,499)	–	–	(2,499)
Reclassification	1,280	(1,280)	–	–
Transfer out	(2,130)	–	(6,935)	(9,065)
Write-offs	(3,538)	–	(8,717)	(12,255)
Recoveries	446	–	719	1,165
Unwinding of discount	(681)	–	(351)	(1,032)
Exchange gain or loss	–	74	–	74
At 31 December	6,725	23,742	19,956	50,423

Bank

	2016			
	Corporate loans and advances		Personal loans and advances	Total
	Individual assessment	Collective assessment	Collective assessment	
At 1 January	6,674	23,589	19,519	49,782
Charge for the year	15,082	7,359	20,476	42,917
Release during the year	(1,937)	–	–	(1,937)
Reclassification	2,730	(2,730)	–	–
Transfer out	(6,020)	–	(4,681)	(10,701)
Write-offs	(5,517)	–	(11,829)	(17,346)
Recoveries	682	–	1,160	1,842
Unwinding of discount	(595)	–	(375)	(970)
Exchange gain or loss	–	88	–	88
At 31 December	11,099	28,306	24,270	63,675

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers (continued)

(4) Overdue loans analysed by overdue period (continued)

Group (continued)

	2015				
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Unsecured loans	**4,213**	**4,601**	**3,277**	**–**	**12,091**
Guaranteed loans	**16,012**	**14,137**	**5,610**	**18**	**35,777**
Loans secured by					
– tangible assets other than monetary assets	**8,179**	**11,033**	**4,743**	**347**	**24,302**
– monetary assets	**3,236**	**1,888**	**2,491**	**–**	**7,615**
Total	**31,640**	**31,659**	**16,121**	**365**	**79,785**
% of total loans and advances	**1.56%**	**1.56%**	**0.79%**	**0.02%**	**3.93%**

Overdue loans represent loans of which the whole or part of the principal or interest are overdue for 1 day or more.

(5) Changes in allowance for impairment losses:

Group

	2016			
	Corporate loans and advances		Personal loans and advances	Total
	Individual assessment	Collective assessment	Collective assessment	
At 1 January	**6,725**	**23,742**	**19,956**	**50,423**
Charge for the year	**15,154**	**7,359**	**20,649**	**43,162**
Release during the year	**(1,937)**	**(11)**	**–**	**(1,948)**
Reclassification	**2,732**	**(2,732)**	**–**	**–**
Transfer out	**(6,029)**	**–**	**(4,681)**	**(10,710)**
Write-offs	**(5,590)**	**–**	**(11,910)**	**(17,500)**
Recoveries	**682**	**–**	**1,167**	**1,849**
Unwinding of discount	**(595)**	**–**	**(375)**	**(970)**
Exchange gain or loss	**–**	**88**	**–**	**88**
At 31 December	**11,142**	**28,446**	**24,806**	**64,394**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers (continued)

(4) Overdue loans analysed by overdue period (continued)

Group (continued)

	2015				
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Unsecured loans	**4,214**	**4,601**	**3,277**	**—**	**12,092**
Guaranteed loans	**16,254**	**14,340**	**5,687**	**18**	**36,299**
Loans secured by					
— tangible assets other than monetary assets	**8,310**	**11,182**	**4,859**	**348**	**24,699**
— monetary assets	**3,245**	**1,889**	**2,491**	**—**	**7,625**
Total	**32,023**	**32,012**	**16,314**	**366**	**80,715**
% of total loans and advances	**1.56%**	**1.56%**	**0.80%**	**0.02%**	**3.94%**

Bank

	2016				
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Unsecured loans	**3,122**	**5,989**	**1,892**	**455**	**11,458**
Guaranteed loans	**12,291**	**17,865**	**10,834**	**123**	**41,113**
Loans secured by					
— tangible assets other than monetary assets	**5,829**	**8,383**	**10,895**	**366**	**25,473**
— monetary assets	**2,014**	**2,520**	**2,611**	**23**	**7,168**
Total	**23,256**	**34,757**	**26,232**	**967**	**85,212**
% of total loans and advances	**0.95%**	**1.42%**	**1.07%**	**0.04%**	**3.48%**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers (continued)

(3) Loans and advances to customers analysed by types of collateral

	Group				Bank			
	2016		2015		2016		2015	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Unsecured loans	493,658	20.05	378,198	18.47	493,788	20.19	377,998	18.61
Guaranteed loans	632,487	25.69	601,837	29.38	625,867	25.59	594,741	29.27
Loans secured by								
– tangible assets other than monetary assets	972,097	39.50	789,273	38.54	964,846	39.46	783,548	38.57
– monetary assets	363,344	14.76	278,740	13.61	361,053	14.76	275,350	13.55
Total	2,461,586	100.00	2,048,048	100.00	2,445,554	100.00	2,031,637	100.00

(4) Overdue loans analysed by overdue period

Group

	2016				
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Unsecured loans	3,123	5,990	1,893	455	11,461
Guaranteed loans	12,372	18,082	11,062	134	41,650
Loans secured by					
– tangible assets other than monetary assets	5,915	8,513	11,059	369	25,856
– monetary assets	2,023	2,529	2,612	23	7,187
Total	23,433	35,114	26,626	981	86,154
% of total loans and advances	0.95%	1.43%	1.08%	0.04%	3.50%

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers (continued)

(2) Loans and advances to customers analysed by industries

	Group				Bank			
	2016		2015		2016		2015	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Corporate loans and advances								
Manufacturing	321,246	13.05	257,157	12.56	319,437	13.06	255,295	12.58
Real estate	226,944	9.22	243,983	11.91	226,941	9.28	243,977	12.01
Wholesale and retail	221,161	8.98	181,659	8.87	220,500	9.02	180,667	8.89
Leasing and commercial services	199,841	8.12	164,557	8.03	199,413	8.15	164,198	8.08
Mining	128,243	5.21	115,682	5.65	128,238	5.24	115,657	5.69
Financial services	110,836	4.50	58,564	2.86	111,247	4.55	58,504	2.88
Transportation, storage and postal service	79,753	3.24	72,867	3.56	79,723	3.26	72,832	3.58
Construction	66,678	2.71	54,000	2.64	66,460	2.72	53,510	2.63
Water, environment and public utilities management	61,187	2.49	52,502	2.56	61,162	2.50	52,326	2.58
Production and supply of electric power, heat, gas and water	46,569	1.89	30,588	1.49	46,508	1.90	30,588	1.51
Public administration, social security and social organisations	24,886	1.01	26,235	1.28	24,886	1.02	26,215	1.29
Agriculture, forestry, animal husbandry and fishery	15,905	0.65	12,393	0.61	15,459	0.63	11,547	0.57
Accommodation and catering	8,277	0.34	9,411	0.46	8,226	0.34	9,393	0.46
Others	49,138	1.99	40,422	1.97	48,185	1.97	39,693	1.95
Subtotal	1,560,664	63.40	1,320,020	64.45	1,556,385	63.64	1,314,402	64.70
Personal loans and advances	900,922	36.60	728,028	35.55	889,169	36.36	717,235	35.30
Total	2,461,586	100.00	2,048,048	100.00	2,445,554	100.00	2,031,637	100.00

21 Loans and advances to customers (continued)

(1) Loans and advances to customers analysed by methods for assessing allowances for impairment losses (continued)

(i) Loans and advances for which allowance is collectively assessed include those graded pass or special mention.

(ii) Impaired loans and advances include those with objective evidence of impairment and are assessed:

— individually (including corporate loans and advances which are graded substandard, doubtful or loss); or

— collectively; these are portfolios of homogeneous loans (including personal loans and advances which are graded substandard, doubtful or loss).

(iii) The definitions of the loan classifications stated in Notes (i) and (ii) above are set out in Note 3(2)(i).

(iv) As at 31 December 2016, impaired loans and advances of the Group for which the impairment allowances were individually assessed amounted to RMB22,198 million (31 December 2015: RMB19,710 million). The covered portion and uncovered portion of these loans and advances were RMB10,088 million (31 December 2015: RMB8,034 million) and RMB12,110 million (31 December 2015: RMB11,676 million) respectively. The fair value of collateral held against these loans and advances amounted to RMB5,052 million (31 December 2015: RMB5,538 million). As at 31 December 2016, the individual impairment allowances made for these loans and advances were RMB11,142 million (31 December 2015: RMB6,725 million).

As at 31 December 2016, the loans and advances of the Bank for which the impairment allowances were individually assessed amounted to RMB22,134 million (31 December 2015: RMB19,651 million). The covered portion and uncovered portion of these loans and advances were RMB10,040 million (31 December 2015: RMB7,990 million) and RMB12,094 million (31 December 2015: RMB11,661 million) respectively. The fair value of collateral held against these loans and advances amounted to RMB5,040 million (31 December 2015: RMB5,537 million). As at 31 December 2016, the individual impairment allowances made for these loans and advances were RMB11,099 million (31 December 2015: RMB6,674 million).

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers (continued)

(1) Loans and advances to customers analysed by methods for assessing allowances for impairment losses (continued)

Bank

	2016				
	Loans and advances for which allowances are collectively assessed (Note (i))	Impaired loans and advances (Note (ii))			
		for which allowances are collectively assessed	for which allowances are individually assessed	Subtotal	Total
Gross balance of loans and advances to customers					
– Corporate loans and advances	1,534,251	–	22,134	22,134	1,556,385
– Personal loans and advances	870,245	18,924	–	18,924	889,169
Allowance for impairment losses	(39,755)	(12,821)	(11,099)	(23,920)	(63,675)
Net balance of loans and advances to customers	2,364,741	6,103	11,035	17,138	2,381,879

	2015				
	Loans and advances for which allowances are collectively assessed (Note (i))	Impaired loans and advances (Note (ii))			
		for which allowances are collectively assessed	for which allowances are individually assessed	Subtotal	Total
Gross balance of loans and advances to customers					
– Corporate loans and advances	1,294,751	–	19,651	19,651	1,314,402
– Personal loans and advances	704,373	12,862	–	12,862	717,235
Allowance for impairment losses	(36,363)	(6,745)	(6,674)	(13,419)	(49,782)
Net balance of loans and advances to customers	1,962,761	6,117	12,977	19,094	1,981,855

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers (continued)

(1) Loans and advances to customers analysed by methods for assessing allowances for impairment losses

Group

	2016				
	Loans and advances for which allowances are collectively assessed (Note (i))	Impaired loans and advances (Note (ii))			
		for which allowances are collectively assessed	for which allowances are individually assessed	Subtotal	Total
Gross balance of loans and advances to customers					
– Corporate loans and advances	1,538,466	–	22,198	22,198	1,560,664
– Personal loans and advances	881,685	19,237	–	19,237	900,922
Allowance for impairment losses	(40,237)	(13,015)	(11,142)	(24,157)	(64,394)
Net balance of loans and advances to customers	2,379,914	6,222	11,056	17,278	2,397,192

	2015				
	Loans and advances for which allowances are collectively assessed (Note (i))	Impaired loans and advances (Note (ii))			
		for which allowances are collectively assessed	for which allowances are individually assessed	Subtotal	Total
Gross balance of loans and advances to customers					
– Corporate loans and advances	1,300,310	–	19,710	19,710	1,320,020
– Personal loans and advances	714,917	13,111	–	13,111	728,028
Allowance for impairment losses	(36,808)	(6,890)	(6,725)	(13,615)	(50,423)
Net balance of loans and advances to customers	1,978,419	6,221	12,985	19,206	1,997,625

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers

	Group		Bank	
	2016	2015	2016	2015
Corporate loans and advances				
— Corporate loans	1,394,864	1,240,936	1,391,932	1,237,237
— Discounted bills	165,800	79,084	164,453	77,165
Subtotal	1,560,664	1,320,020	1,556,385	1,314,402
Personal loans and advances				
— Micro lending *	335,074	378,177	327,136	371,224
— Residential mortgage	295,875	114,328	295,201	114,059
— Credit cards	207,372	170,910	207,372	170,910
— Others	62,601	64,613	59,460	61,042
Subtotal	900,922	728,028	889,169	717,235
Gross balance	2,461,586	2,048,048	2,445,554	2,031,637
Less: allowance for impairment losses				
— Individual assessment	(11,142)	(6,725)	(11,099)	(6,674)
— Collective assessment	(53,252)	(43,698)	(52,576)	(43,108)
Subtotal	(64,394)	(50,423)	(63,675)	(49,782)
Net balance	2,397,192	1,997,625	2,381,879	1,981,855

* Micro lending is a loan product offered to the small and micro enterprise owners and proprietors.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

19 Placements with banks and other financial institutions

	Group		Bank	
	2016	2015	2016	2015
Mainland China				
— Banks	23,400	89,176	23,400	89,176
— Other financial institutions	118,364	113,094	120,306	114,456
Overseas				
— Banks	37,768	26,244	37,768	26,244
— Other financial institutions	3,374	703	3,374	703
Less: Allowance for impairment losses	(29)	—	(29)	—
Total	182,877	229,217	184,819	230,579

20 Financial assets held under resale agreements

	Group		Bank	
	2016	2015	2016	2015
Bonds	47,711	42,498	47,711	42,498
Discounted bills	40,674	517,341	40,674	517,341
Others*	2,317	10,974	1,817	10,974
Gross balance	90,702	570,813	90,202	570,813
Less: allowance for impairment losses	(156)	(156)	(156)	(156)
Net balance	90,546	570,657	90,046	570,657

* Others mainly represent financial assets held under resale agreements of which the underlying assets were the beneficiary rights of trusts, beneficiary oriented asset management or finance lease receivables.

18 Derivatives (continued)

Credit risk weighted amount

	Group	
	2016	2015
Exchange rate contracts	**3,133**	**4,647**
Precious metal contracts	**1,851**	**1,319**
Interest rate contracts	**152**	**302**
Other derivative contracts	**87**	**94**
Total	**5,223**	**6,362**

	Bank	
	2016	2015
Exchange rate contracts	**3,133**	**4,647**
Precious metal contracts	**1,851**	**1,319**
Interest rate contracts	**145**	**302**
Other derivative contracts	**1**	**68**
Total	**5,130**	**6,336**

The credit risk weighted amount represents the counterparty credit risk associated with derivative transactions and is calculated with reference to the guidelines issued by the CBRC. The amount calculated is dependent on, among other factors, the credit worthiness of the counterparty and the maturity characteristics of each type of contract.

The credit risk weighted amounts stated above have taken the effects of netting arrangements into account.

18 Derivatives (continued)

Bank (continued)

	2015		
	Notional amount	Fair value	
		Assets	Liabilities
Currency swaps	**355,851**	**3,235**	**(2,657)**
Interest rate swaps	**287,842**	**456**	**(447)**
Precious metal derivatives	**36,906**	**1,154**	**(125)**
Credit derivatives	**22,275**	**–**	**–**
Currency options	**21,694**	**112**	**(64)**
Foreign exchange forwards	**9,159**	**98**	**(33)**
Extension options	**8,300**	**–**	**–**
Total		**5,055**	**(3,326)**

Cash flow hedges

The Group's cash flow hedges consist of currency swap contracts that are used to hedge against exposures to variability of future cash flows.

Among the above derivative financial instruments, those designated as hedging instruments in cash flow hedges are set out below.

Group and Bank

	2016		
	Notional amount	Fair value	
		Assets	Liabilities
Currency swap	**35,880**	**–**	**(1,821)**
Total		**–**	**(1,821)**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

18 Derivatives (continued)

Group (continued)

	2015		
	Notional amount	Fair value	
		Assets	Liabilities
Currency swaps	**355,851**	**3,235**	**(2,657)**
Interest rate swaps	**287,842**	**456**	**(447)**
Precious metal derivatives	**36,906**	**1,154**	**(125)**
Credit derivatives	**22,275**	**–**	**–**
Currency options	**21,694**	**112**	**(64)**
Foreign exchange forwards	**9,159**	**98**	**(33)**
Extension options	**8,300**	**–**	**–**
Others	**265**	**120**	**–**
Total		**5,175**	**(3,326)**

Bank

	2016		
	Notional amount	Fair value	
		Assets	Liabilities
Currency swaps	**467,061**	**4,350**	**(7,045)**
Interest rate swaps	**309,546**	**104**	**(114)**
Precious metal derivatives	**90,504**	**2,775**	**(1,978)**
Foreign exchange forwards	**39,093**	**354**	**(968)**
Currency options	**22,748**	**171**	**(145)**
Extension options	**5,000**	**–**	**–**
Credit derivatives	**139**	**1**	**–**
Others	**21**	**4**	**–**
Total		**7,759**	**(10,250)**

18 Derivatives

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instrument mainly including forwards, swaps and options.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between market participates at measured date.

The notional amount and fair value of unexpired derivative financial instruments held by the Group and the Bank are set out in the following tables:

Group

	2016		
	Notional amount	Fair value	
		Assets	Liabilities
Currency swaps	467,061	4,350	(7,045)
Interest rate swaps	312,133	104	(141)
Precious metal derivatives	90,504	2,775	(1,978)
Foreign exchange forwards	39,093	354	(968)
Currency options	22,748	171	(145)
Extension options	5,000	—	—
Credit derivatives	139	1	—
Others	21	88	—
Total		7,843	(10,277)

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

17 Financial assets at fair value through profit or loss

	Group		Bank	
	2016	2015	2016	2015
Held for trading purpose				
Debt securities				
Government				
— Listed outside Hong Kong	605	953	605	953
Policy banks				
— Listed outside Hong Kong	3,039	1,997	3,039	1,997
Banking and non-banking financial institution bonds				
— Listed in Hong Kong	2,232	32	2,232	32
— Listed outside Hong Kong	19,234	5,553	19,213	5,553
Other corporates				
— Listed in Hong Kong	6,314	103	5,913	39
— Listed outside Hong Kong	39,360	15,530	39,360	15,530
Equity investments				
— Listed in Hong Kong	726	18	—	—
Investment funds				
— Unlisted	12,304	361	10,000	—
Designated at fair value through profit or loss				
Debt securities				
Other corporates				
— Unlisted	4,812	2,062	4,812	2,062
Investment funds				
— Unlisted	1,114	350	1,114	—
Total	89,740	26,959	86,288	26,166

The financial statements classified debt securities traded on China Domestic Interbank Bond Market as listed bonds.

15 Cash and balances with central bank

	Group		Bank	
	2016	2015	2016	2015
Cash	8,986	9,282	8,766	9,083
Balances with central bank				
Statutory deposit reserves	427,603	387,270	425,156	385,165
Surplus deposit reserves	84,335	31,127	83,234	30,093
Fiscal deposits and others	3,315	5,152	3,315	5,152
Total	524,239	432,831	520,471	429,493

The Group places statutory deposit reserves with the PBOC or local regulator. The statutory deposit reserves are not available for use in the Group's daily business.

As at 31 December 2016 the statutory deposit reserve rate applicable to domestic branches of the Bank for RMB deposits is 15.0% and the reserve rate for foreign currency deposits is 5.0% (31 December 2015: 15.0% of RMB deposits and 5.0% of foreign currency deposits). The amount of statutory deposit reserves of the subsidiaries and overseas branches of the Group are determined by local jurisdiction.

Surplus deposit reserves maintained with the PBOC is for the purposes of clearing interbank transactions.

16 Balances with banks and other financial institutions

	Group		Bank	
	2016	2015	2016	2015
Mainland China				
— Banks	171,645	75,449	162,592	69,092
— Other financial institutions	6,141	2,476	5,941	2,276
Overseas				
— Banks	10,310	23,503	9,221	22,994
— Other financial institutions	318	—	318	—
Total	188,414	101,428	178,072	94,362

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

14 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of the Bank by the weighted average number of ordinary shares in issue during the year.

	2016	2015
Net profit attributable to equity shareholders of the Bank	**47,843**	**46,111**
Weighted average number of ordinary shares in issue (in millions)	**36,485**	**35,453**
Basic earnings per share (in RMB)	**1.31**	**1.30**

Diluted earnings per share is calculated by dividing the adjusted profit attributable to equity shareholders of the Bank for the period by the adjusted weighted average number of ordinary shares in issue. The Bank had the convertible corporate bonds as dilutive potential ordinary shares.

	2016	2015
Net profit attributable to equity shareholders of the Bank	**47,843**	**46,111**
Add: interest expense on convertible corporate bonds, net of tax, outstanding as at 31 December	**–**	**291**
Net profit used to determine diluted earnings per share	**47,843**	**46,402**
Weighted average number of ordinary shares in issue (in millions)	**36,485**	**35,453**
Add: weighted average number of ordinary shares for diluted earnings per share (in millions)	**–**	**1,032**
Weighted average number of ordinary shares for diluted earnings per share (in millions)	**36,485**	**36,485**
Diluted earnings per share (in RMB)	**1.31**	**1.27**

12 Directors and Supervisors' emoluments (continued)

For the year ended 31 December 2016, the five individuals with the highest emoluments are directors or supervisors whose emoluments are disclosed above.

The Group had not paid any emoluments to the directors or supervisors or any of the five highest-paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13 Income tax expense

	2016	2015
Current tax for the year	**17,832**	**18,661**
Adjustment for prior years	**(151)**	**(224)**
Subtotal	**17,681**	**18,437**
Changes in deferred tax (Note 25)	**(6,210)**	**(4,685)**
Total	**11,471**	**13,752**

Reconciliation between income tax expense and accounting profit of the Group is listed as follows:

	Note	2016	2015
Profit before income tax		**60,249**	**60,774**
Income tax at the tax rate of 25%		**15,062**	**15,194**
Effect of non-taxable income	(i)	**(4,176)**	**(1,656)**
Effect of non-deductible expenses		**428**	**388**
Others		**157**	**(174)**
Income tax expense		**11,471**	**13,752**

(i) The non-taxable income mainly represents interest income arising from PRC government bonds and municipal bonds, which are exempted from income tax.

The applicable income tax rate for mainland China is 25% for the year ended 31 December 2016 (for the year ended 31 December 2015: 25%). The applicable income tax rate for Hong Kong branch and CMBC International is 16.5% (for the year ended 31 December 2015: 16.5%).

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

12 Directors and Supervisors' emoluments (continued)

For the year ended 31 December 2015 (in thousands of RMB)

	2015			
	Basic salaries, allowances and benefits	Contributions to pension schemes	Discretionary bonus	Total
Hong Qi[1] [3]	**3,746**	**429**	**2,687**	**6,862**
Liang Yutang[1] [3]	**3,449**	**322**	**2,473**	**6,244**
Duan Qingshan[1] [3]	**3,201**	**322**	**1,680**	**5,203**
Wang Jiazhi[1] [3]	**2,799**	**322**	**1,540**	**4,661**
Cheng Hoi Chuen	**930**	**–**	**–**	**930**
Han Jianmin	**1,060**	**–**	**–**	**1,060**
Zhang Hongwei	**895**	**–**	**–**	**895**
Lu Zhiqiang	**840**	**–**	**–**	**840**
Wang Hang	**845**	**–**	**–**	**845**
Wang Lihua	**1,020**	**–**	**–**	**1,020**
Liu Yonghao	**845**	**–**	**–**	**845**
Guo Guangchang	**775**	**–**	**–**	**775**
Wang Yugui	**810**	**–**	**–**	**810**
Wu Di	**780**	**–**	**–**	**780**
Wang Junhui	**705**	**–**	**–**	**705**
Zhang Ke	**645**	**–**	**–**	**645**
Lu Zhongnan	**670**	**–**	**–**	**670**
Zhang Disheng	**615**	**–**	**–**	**615**
Wang Liang	**625**	**–**	**–**	**625**
Li Yuan	**625**	**–**	**–**	**625**
Yao Dafeng	**795**	**–**	**–**	**795**
Ba Shusong[2]	**–**	**–**	**–**	**–**
Qin Rongsheng[2]	**–**	**–**	**–**	**–**
You Lantian[2]	**–**	**–**	**–**	**–**

(1) The Bank defers part of the performance-based compensations to the executive directors, the Chairman and Vice Chairman of the Supervisory Board, which are not included in the above disclosure. For details of the deferred payments, please refer to Note 47.

(2) Ba Shusong, Qin Rongsheng, You Lantian waived emoluments for the year ended 31 December 2015. The amount of the emoluments not accrued is not expected to have a significant impact on the Group's and the Bank's 2015 financial statements.

(3) The emoluments before tax of executive directors, the Chairman and Vice Chairman of the Supervisory Board were approved by the Compensation and Remuneration Committee of the Board of Directors. The Bank made further disclosure in *the Supplementary Announcement Regarding the Senior Management's Emoluments of China Minsheng Banking Corp., Ltd. of 2015*, and the related emoluments were restated accordingly.

12 Directors and Supervisors' emoluments

For the year ended 31 December 2016 (in thousands of RMB)

	2016			
	Basic salaries, allowances and benefits	Contributions to pension schemes	Discretionary bonus	Total
Hong Qi[1][2]	3,729	442	403	4,574
Zheng Wanchun[1][2]	3,503	405	392	4,300
Liang Yutang[1][2]	3,459	331	386	4,176
Duan Qingshan[1][2]	3,377	331	363	4,071
Wang Jiazhi[1][2]	3,196	331	330	3,857
Guo Dong[1][2]	1,741	229	215	2,185
Cheng Hoi Chuen	950	—	—	950
Han Jianmin	1,070	—	—	1,070
Zhang Hongwei	925	—	—	925
Lu Zhiqiang	890	—	—	890
Wang Hang	990	—	—	990
Wang Lihua	1,175	—	—	1,175
Liu Yonghao	855	—	—	855
Guo Guangchang	805	—	—	805
Wang Yugui	1,000	—	—	1,000
Wu Di	875	—	—	875
Wang Junhui	740	—	—	740
Zhang Ke	685	—	—	685
Lu Zhongnan	785	—	—	785
Zhang Disheng	655	—	—	655
Wang Liang	685	—	—	685
Yao Dafeng	830	—	—	830
Liu Jipeng	110	—	—	110
Li Hancheng	110	—	—	110

(1) The Bank defers part of the performance-based compensations to the executive directors, the Chairman and Vice Chairman of the Supervisory Board, which are not included in the above disclosure. For details of the deferred payments, please refer to Note 47.

(2) The emoluments before tax of executive directors, the Chairman and Vice Chairman of the Supervisory Board are pending for the approval of the Compensation and Remuneration Committee of the Board of Directors, the Bank will make further disclosure upon approval. The amount of the emoluments not accrued is not expected to have a significant impact on the Group's and the Bank's 2016 financial statements.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

10 Impairment losses on assets

	2016	2015
Loans and advances to customers	**41,214**	**33,029**
Long-term receivables	**711**	**551**
Placements with banks and other financial institutions	**29**	**—**
Investment securities		
— loans and receivables	**(34)**	**779**
— held-to-maturity securities	**(23)**	**105**
— available-for-sale securities	**(6)**	**70**
Others	**(513)**	**267**
Total	**41,378**	**34,801**

11 Operating expenses

	2016	2015
Staff costs, including directors' emoluments		
— Short-term employee benefits	**22,774**	**21,939**
— Post-employment benefits-defined contribution plans	**2,308**	**2,135**
Rental and property management expenses	**4,466**	**4,787**
Tax and surcharges	**4,338**	**9,968**
Depreciation and amortisation	**3,535**	**3,781**
Office expenses	**2,214**	**2,656**
Business expenses and others	**12,789**	**12,910**
Total	**52,424**	**58,176**

Auditors' remuneration included in the operating expenses of the Group for the year ended 31 December 2016 was RMB16 million (for the year ended 31 December 2015: RMB16 million).

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

7 Net fee and commission income

	2016	2015
Fee and commission income		
— Bank card services	**16,807**	**15,266**
— Agency services	**15,651**	**15,926**
— Trust and other fiduciary services	**15,072**	**11,800**
— Credit commitments	**4,501**	**5,502**
— Settlement services	**2,403**	**2,529**
— Finance lease services	**1,056**	**861**
— Financial advisory services	**617**	**2,839**
— Others	**159**	**384**
Subtotal	**56,266**	**55,107**
Fee and commission expense	**(4,005)**	**(3,902)**
Net fee and commission income	**52,261**	**51,205**

8 Net trading gain

	2016	2015
Gain on exchange rate instruments	**3,491**	**949**
(Loss)/gain on interest rate instruments	**(338)**	**368**
Loss on precious metals and other products	**(1,520)**	**(53)**
Total	**1,633**	**1,264**

9 Net gain arising from disposals of securities and discounted bills

	2016	2015
Net gain arising from disposals of securities	**1,846**	**936**
Net gain arising from disposals of discounted bills	**625**	**3,648**
Total	**2,471**	**4,584**

Disposal gain of discounted bills represents the difference between the discounted interest income unamortised and rediscounted interest cost.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

6 Net interest income

	2016	2015
Interest income arising from:		
— Loans and advances to customers		
— corporate loans and advances	**65,919**	**68,418**
— personal loans and advances	**44,600**	**46,554**
— discounted bills	**4,775**	**2,622**
— Investment securities	**56,669**	**34,463**
— Of which:		
Financial assets at fair value through profit or loss	**1,488**	**1,216**
— Financial assets held under resale agreements	**8,776**	**22,335**
— Balances with central bank	**6,961**	**6,818**
— Placements with banks and other financial Institutions	**6,587**	**12,015**
— Long-term receivables	**5,543**	**6,157**
— Balances with banks and other financial Institutions	**4,088**	**4,000**
Subtotal	**203,918**	**203,382**
Interest expense arising from:		
— Deposits from customers	**(51,305)**	**(58,370)**
— Deposits and placements from banks and other financial institutions	**(35,324)**	**(34,387)**
— Debt securities issued	**(10,547)**	**(8,417)**
— Borrowings from central bank	**(5,689)**	**(1,670)**
— Financial assets sold under repurchase agreements	**(2,392)**	**(1,606)**
— Borrowings from banks and other financial institutions and others	**(3,977)**	**(4,664)**
Subtotal	**(109,234)**	**(109,114)**
Net interest income	**94,684**	**94,268**
Of which: Interest income from impaired financial assets identified	**970**	**1,032**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment information (continued)

Business segments: (continued)

Group (continued)

	2015				
	Corporate banking	Personal banking	Treasury	Others	Total
Net interest income	49,564	24,921	17,914	1,869	94,268
Of which: inter-segment net interest income/(expense)	5,187	(10,323)	5,019	117	–
Net fee and commission income	22,901	20,655	5,927	1,722	51,205
Of which: inter-segment net fee and commission (expense)/income	(50)	–	–	50	–
Operating expenses	(28,773)	(17,306)	(10,640)	(1,457)	(58,176)
Impairment losses on assets	(13,737)	(19,101)	(938)	(1,025)	(34,801)
Other net income	3,637	53	1,932	2,656	8,278
Total profit	33,592	9,222	14,195	3,765	60,774
Depreciation and amortisation	1,706	1,010	572	1,414	4,702
Capital expenditure	1,797	1,064	603	3,722	7,186
Segment assets	1,841,262	730,090	1,778,918	154,555	4,504,825
Deferred income tax assets					15,863
Total assets					4,520,688
Segment liabilities/total liabilities	(2,138,499)	(632,213)	(1,304,544)	(135,649)	(4,210,905)
Credit commitments	1,072,347	50,385	–	5,142	1,127,874

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment information (continued)

Business segments: (continued)

The Group's management report is based on a measure of operating profit comprising net interest income, loan impairment losses, net fee and commission income, other income and non-interest expenses. Non-recurring gains and losses are excluded in the measure of operating profit. Non-recurring gains and losses should be allocated to other business lines.

Segment assets include all tangible and intangible assets, other long-term assets, receivables and other assets with the exception of deferred income tax assets. Segment liabilities include all the liabilities attributable to the segments.

Group

	2016				
	Corporate banking	Personal banking	Treasury	Others	Total
Net interest income	51,445	27,019	14,445	1,775	94,684
Of which: inter-segment net interest income/(expense)	16,915	(8,492)	(8,440)	17	–
Net fee and commission income	19,641	22,597	7,803	2,220	52,261
Of which: inter-segment net fee and commission (expense)/income	(323)	–	–	323	–
Operating expenses	(24,454)	(17,111)	(9,545)	(1,314)	(52,424)
Impairment losses on assets	(20,401)	(20,012)	(106)	(859)	(41,378)
Other net income	1,290	43	3,879	1,894	7,106
Total profit	27,521	12,536	16,476	3,716	60,249
Depreciation and amortisation	1,647	1,128	579	1,346	4,700
Capital expenditure	1,027	703	362	8,513	10,605
Segment assets	1,600,607	889,907	3,220,636	161,361	5,872,511
Deferred income tax assets					23,366
Total assets					5,895,877
Segment liabilities/total liabilities	(2,578,464)	(616,229)	(2,204,088)	(145,069)	(5,543,850)
Credit commitments	928,114	63,335	–	6,821	998,270

5 Segment information (continued)

Business segments:

The Group provides services through four business segments: corporate banking, personal banking, treasury and others.

Corporate banking — providing banking products and services for corporate customers, government agencies and financial institutions. These products and services include deposits, loans, trust, trade-related products and other credit services and foreign currency.

Personal banking — providing banking products and services for individual clients. These products and services include savings deposits, investment savings products, credit and debit cards, micro lending, residential mortgage and consumer credit.

Treasury — including foreign exchange trading, interest rate and foreign exchange derivatives transactions, money market transactions, proprietary trading, and asset-liability management. This segment's operating results include gains and losses from foreign currency translation and the impact of interest-bearing assets and liabilities on internal fund flows and profit and loss.

Others — the Group's other businesses including the Group's investments and any other business which cannot form a single reportable segment.

As the total revenue of the Group's business segments is mainly derived from interest and the Group's senior management relies primarily on net interest income to assess each segment's performance, the total interest income and expense for all reportable segments is disclosed on a net basis.

The revenue from external parties reported to the Group's senior management is reported in a manner consistent with that in the consolidated income statement. Inter-segment transactions are eliminated.

Funds are normally allocated among segments, and inter-segment net interest income is based on the Group's capital cost. There are no other material items of income or expense between the business segments.

Internal transfer pricing is adjusted based on the nature of each transaction. Revenues from external customers are allocated to each business segment on a reasonable basis.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment information (continued)

Geographical segments: (continued)

Group (continued)

	2015					
	Northern China	Eastern China	Southern China	Other locations	Inter-segment elimination	Total
External net interest income	51,853	14,994	3,439	23,982	–	94,268
Inter-segment net interest (expense)/income	(14,962)	8,644	8,533	(2,215)	–	–
Net interest income	36,891	23,638	11,972	21,767	–	94,268
Fee and commission income	42,660	4,631	3,856	3,960	–	55,107
Fee and commission expense	(1,310)	(873)	(1,137)	(582)	–	(3,902)
Net fee and commission income	41,350	3,758	2,719	3,378	–	51,205
Operating expenses	(24,595)	(13,983)	(7,536)	(12,062)	–	(58,176)
Impairment losses on assets	(16,239)	(9,771)	(2,262)	(6,529)	–	(34,801)
Net other income	3,628	2,167	686	1,797	–	8,278
Total profit	41,035	5,809	5,579	8,351	–	60,774
Depreciation and amortization	2,572	894	458	778	–	4,702
Capital expenditure	6,417	328	149	292	–	7,186
Segment assets	3,097,436	1,202,523	654,656	967,318	(1,417,108)	4,504,825
Deferred income tax assets						15,863
Total assets						4,520,688
Segment liabilities/total liabilities	(2,866,488)	(1,181,963)	(637,044)	(942,518)	1,417,108	(4,210,905)
Credit commitments	400,907	350,911	125,340	250,716	–	1,127,874

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment information (continued)

Geographical segments: (continued)

Group

	2016					
	Northern China	Eastern China	Southern China	Other locations	Inter-segment elimination	Total
External net interest income	63,310	10,131	2,933	18,280	–	94,684
Inter-segment net interest (expense)/income	(27,026)	13,166	10,804	3,056	–	–
Net interest income	36,314	23,297	13,737	21,336	–	94,684
Fee and commission income	42,734	4,760	4,137	4,635	–	56,266
Fee and commission expense	(2,046)	(663)	(720)	(576)	–	(4,005)
Net fee and commission income	40,688	4,097	3,417	4,059	–	52,261
Operating expenses	(22,219)	(12,177)	(7,250)	(10,778)	–	(52,424)
Impairment losses on assets	(21,366)	(10,481)	(2,584)	(6,947)	–	(41,378)
Net other income	4,832	1,124	618	532	–	7,106
Total profit	38,249	5,860	7,938	8,202	–	60,249
Depreciation and amortization	2,739	757	423	781	–	4,700
Capital expenditure	7,842	1,321	606	836	–	10,605
Segment assets	4,795,197	1,521,038	827,041	1,077,414	(2,348,179)	5,872,511
Deferred income tax assets						23,366
Total assets						5,895,877
Segment liabilities/total liabilities	(4,523,616)	(1,504,305)	(808,695)	(1,055,413)	2,348,179	(5,543,850)
Credit commitments	344,163	323,375	99,029	231,403	–	998,270

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment information (continued)

Operating segments are presented as the following geographical and business segments:

Geographical segments:

(1) Northern China: including Minsheng Financial Leasing, Ningjin Minsheng Rural Bank Co., Ltd. ("Ningjin Rural Bank"), Headquarters and the branches in Beijing, Taiyuan, Shijiazhuang and Tianjin.

(2) Eastern China: including Cixi Minsheng Rural Bank Co., Ltd. ("Cixi Rural Bank"), Shanghai Songjiang Minsheng Rural Bank Co., Ltd. ("Songjiang Rural Bank"), Shanghai Jiading Minsheng Rural Bank Co., Ltd. ("Jiading Rural Bank"), Penglai Minsheng Rural Bank Co., Ltd. ("Penglai Rural Bank"), Funing Minsheng Rural Bank Co., Ltd. ("Funing Rural Bank"), Taicang Minsheng Rural Bank Co., Ltd. ("Taicang Rural Bank"), Ningguo Minsheng Rural Bank Co., Ltd. ("Ningguo Rural Bank"), Guichi Minsheng Rural Bank Co., Ltd. ("Guichi Rural Bank"), Tiantai Minsheng Rural Bank Co., Ltd. ("Tiantai Rural Bank"),Tianchang Minsheng Rural Bank Co., Ltd. ("Tianchang Rural Bank") and the branches in Shanghai, Hangzhou, Ningbo, Nanjing, Jinan, Suzhou, Wenzhou, Qingdao, Hefei, Nanchang and China (Shanghai) Pilot Free Trade Zone.

(3) Southern China: including Minsheng Royal Fund Management Co., Ltd. ("Minsheng Royal Fund"), Anxi Minsheng Rural Bank Co., Ltd. ("Anxi Rural Bank"), Zhangpu Minsheng Rural Bank Co., Ltd. ("Zhangpu Rural Bank"), Xiang'an Minsheng Rural Bank Co., Ltd. ("Xiang'an Rural Bank") and the branches in Fuzhou, Guangzhou, Shenzhen, Quanzhou, Shantou, Xiamen, Nanning and Sanya.

(4) Others: including CMBC International, Pengzhou Minsheng Rural Bank Co., Ltd. ("Pengzhou Rural Bank"), Qijiang Minsheng Rural Bank Co., Ltd. ("Qijiang Rural Bank"), Tongnan Minsheng Rural Bank Co., Ltd. ("Tongnan Rural Bank"), Meihekou Minsheng Rural Bank Co., Ltd. ("Meihekou Rural Bank"), Ziyang Minsheng Rural Bank Co., Ltd. ("Ziyang Rural Bank"), Wuhan Jiangxia Minsheng Rural Bank Co., Ltd. ("Jiangxia Rural Bank"), Changyuan Minsheng Rural Bank Co., Ltd. ("Changyuan Rural Bank"), Yidu Minsheng Rural Bank Co., Ltd. ("Yidu Rural Bank"), Zhongxiang Minsheng Rural Bank Co., Ltd. ("Zhongxiang Rural Bank"), Puer Minsheng Rural Bank Co., Ltd. ("Puer Rural Bank"), Jinghong Minsheng Rural Bank Co., Ltd. ("Jinghong Rural Bank"), Zhidan Minsheng Rural Bank Co., Ltd. ("Zhidan Rural Bank"), Yulin Yuyang Minsheng Rural Bank Co., Ltd. ("Yuyang Rural Bank"), Tengchong Minsheng Rural Bank Co., Ltd. ("Tengchong Rural Bank"), Linzhi Minsheng Rural Bank Co., Ltd. ("Linzhi Rural Bank") and the branches in Xi'an, Dalian, Chongqing, Chengdu, Kunming, Wuhan, Changsha, Zhengzhou, Changchun, Hohhot, Shenyang, Hong Kong, Gui Yang, Lhasa, Lanzhou, Harbin, Urumqi, Xining and Yinchuan.

5 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's senior management, which is responsible for allocating resources to the reportable segments and assessing their performance.

The Group manages its businesses from the perspectives of geography and business lines. The geographical segment can be divided into four regions, including Northern China, Eastern China, Southern China and others. The business segment can be divided into four business lines including corporate banking, personal banking, treasury and others. The Group primarily provides financial services through these four business lines.

Segment assets, liabilities, revenues, operating results and capital expenditures are measured in accordance with the Group's accounting policies and internal management rules. The items of each segment include those which can be directly attributable to the segment or can be assigned to the segment based on reasonable criteria. As part of the management of assets and liabilities, the Group's capital resources and uses are allocated to various business segments through the treasury business. The Group's internal transfer pricing mechanism uses deposit and loan interest rates and market interest rates as the benchmark, and determines transfer prices with reference to different products and their maturity. The impact of internal trading has been offset when preparing the consolidated statements.

4 Significant accounting estimates and judgements (continued)

(3) Impairment of available-for-sale securities and held-to-maturity securities

The Group follows the guidance of IAS 39 in determining impairment of available-for-sale securities and held-to-maturity securities. The determination of impairment requires a high level of management judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, the financial health and perspective of the investee, including industry status, technological changes, credit ratings, delinquency rates, loss provision coverage and counterparty risk.

(4) Held-to-maturity securities

The Group classifies certain non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity securities. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. Other than in specific circumstances (e.g. sale of an insignificant amount of held-to-maturity securities at a time close to maturity), if the Group fails to hold these securities to maturity or reclassifies some of the securities to available-for-sale securities, the Group shall have to reclassify any of the remaining held-to-maturity securities as available-for-sale securities, and measure them at fair value rather than amortised cost.

(5) Taxation

In the ordinary course of business, many transactions and calculations involve uncertainties in the ultimate tax determination, and significant estimates are required in determining the provision for business tax and income tax. The Group recognises liabilities for anticipated tax inspection issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the business tax, income tax and deferred income tax provisions in the period during which such a determination is made.

(6) Structured entities

When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as agent or principal. The Group is deemed to be a principal, and hence controls and consolidates the structured entity, when it acts as manager and cannot be removed without cause, and is able to influence the returns of the structured entities by exercising its power.

4 Significant accounting estimates and judgements

In the process of applying the Group's accounting policies, management has used its judgements and made assumptions of the effects of uncertain future events on the financial statements. The most significant use of judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below.

(1) Impairment allowances on loans and advances

Besides impairment assessment for individually impaired loans, the Group reviews its loan portfolios to assess impairment regularly. In determining whether a provision for loan impairments should be recorded in the income statement, the Group judges whether there is any observable data indicating that there is a decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or national or local economic conditions that correlate with defaults of borrowers. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(2) Fair value of derivative and other financial instruments

The Group establishes fair value of financial instruments with reference to quoted market prices in an active market or, if there is no active market, using valuation techniques. These valuation techniques include the use of recent arm's length transactions, observable prices for similar instruments, discounted cash flow analysis using risk-adjusted interest rates, and commonly used market pricing models. Whenever possible these models use observable market inputs and data including, for example, interest rate yield curves, foreign currency rates and option volatilities. The results of using valuation techniques are calibrated against industry practice and observable current market transactions in the same or similar instruments.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(6) Capital management (continued)

The Group calculates the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with the *Measures for Administration of Capital of Commercial Banks (Trial Implementation)* and relevant requirements promulgated by the CBRC as below:

	Note	2016	2015
Core tier-one capital adequacy ratio		**8.95%**	**9.17%**
Tier-one capital adequacy ratio		**9.22%**	**9.19%**
Capital adequacy ratio		**11.73%**	**11.49%**
Components of capital base			
Core tier-one capital:			
Share capital		**36,485**	**36,485**
Valid portion of capital reserve		**64,744**	**64,744**
Surplus reserve		**30,052**	**25,361**
General reserve		**72,929**	**56,351**
Retained earnings		**130,630**	**116,826**
Valid portion of non-controlling interests		**7,011**	**6,821**
Others	(1)	**(2,142)**	**1,451**
Total core tier-one capital		**339,709**	**308,039**
Total core tier-one capital		**339,709**	**308,039**
Core tier-one capital deductions		**(1,035)**	**(1,166)**
Net core tier-one capital		**338,674**	**306,873**
Other tier-one capital		**10,589**	**487**
Net tier-one capital		**349,263**	**307,360**
Tier-two capital:			
Valid portion of tier-two capital instruments issued and share premium		**68,916**	**57,570**
Surplus provision for loan impairment		**24,442**	**18,592**
Valid portion of non-controlling interests		**1,409**	**869**
Tier-two capital deductions		**—**	**—**
Net tier-two capital		**94,767**	**77,031**
Net capital base		**444,030**	**384,391**
Credit risk-weighted assets		**3,468,749**	**3,070,856**
Market risk-weighted assets		**42,638**	**23,997**
Operational risk-weighted assets		**274,686**	**251,379**
Total risk-weighted assets		**3,786,073**	**3,346,232**

(1) Pursuant to the *Measures for Administration of Capital of Commercial Banks (Trial Implementation)* issued by the CBRC, others represent the balance of investment revaluation reserve, exchange reserve and cash flow hedging reserve at the year end.

3 Financial risk management (continued)

(6) Capital management (continued)

Capital adequacy and the use of regulatory capital are monitored regularly by the Group's management based on regulations issued by the CBRC. The required information is submitted to the CBRC by the Group and the Bank semi-annually and quarterly.

On 1 January 2013, the Group started computing the capital adequacy ratios in accordance with the *Measures for Administration of Capital of Commercial Banks (Trial Implementation)* and other relevant regulations promulgated by the CBRC.

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with the *Measures for Administration of Capital of Commercial Banks (Trial Implementation)*. For systemically important banks, each bank is required to maintain the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio not below the minimum of 8.50%, 9.50% and 11.50%, respectively. For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively. In addition, those individual banking subsidiaries or branches incorporated outside Mainland China are also directly regulated and supervised by their local banking supervisors. There are certain differences in the capital adequacy requirements of different countries.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the contingent nature of any potential losses. The counterparty credit risk-weighted assets for OTC derivatives are the summation of default risk-weighted assets and credit value adjustment ("CVA"). Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using basic indicator approach.

The Group calculates the following core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with the *Measures for Administration of Capital of Commercial Banks (Trial Implementation)* and relevant requirements promulgated by the CBRC. The requirements pursuant to these regulations may have certain differences comparing to those applicable in Hong Kong and other countries.

The capital adequacy ratios and related components of the Group are calculated in accordance with the statutory financial statements of the Group prepared under Accounting Standards for Business Enterprises ("ASBE"). During the year, the Group has complied in full with all its externally imposed capital requirements.

3 Financial risk management (continued)

(5) Operational risk

Operational risk refers to the risk of loss due to deficient and flawed internal procedures, personnel and information technology ("IT") system, or external events. The operational risk of the Group mainly comprises internal and external fraud, employment system, safety of working places, events related to customers, products and operation, damages of tangible assets, interruption of business, failure of IT system, implementation, delivery and process management.

The Bank devoted to promoting the implementation of the three major operational risk management tools in the Bank and the establishment of operational risk management information system, according to the regulatory requirements of operational risk. The Bank has carried out Risk Control Self Assessment (RCSA), established key risk indicator monitoring system and internal loss issue management system regarding operational risk. Besides, the Bank conducted operational risk cost measurement and enhanced the outsourcing risk management, and promoted the establishment of business continuity management. Furthermore, the Bank focused on investigation of the risk on business field systematically.

(6) Capital management

In managing capital, the Group aims to ensure compliance with regulatory requirements, continuously improve its ability to mitigate risks and enhance the return on its capital. On this basis, the Group has set its capital adequacy objectives, and taken a range of measures, including budgeting/planning and performance measurement and limit management, to ensure the realisation of management objectives. This helps meet the requirements for regulatory compliance, credit rating, risk compensation and shareholder return; promote the Group's risk management; ensure an orderly expansion of asset bases; and improve business structures and models.

In recent years, the Group increased capital utilisation. To ensure the capital adequacy ratio ("CAR") is in line with regulatory requirements etc., the Group commits itself to establishing and fostering discipline for economically efficient capital management. There is continuous improvement of locked-in capital accounting and an introduction of planning and performance assessments that have return on capital as a primary performance indicator. At the same time, the use of capital is better managed, and management policies have been implemented to guide coordinated asset growth with reduced capital requirements in business entities.

3 Financial risk management (continued)

(4) Liquidity risk (continued)

(v) Analysis on contractual undiscounted cash flows of commitments (continued)

Bank

	2016			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Bank acceptances	611,705			611,705
Letters of credit	110,330	–	–	110,330
Guarantees	140,193	53,418	2,943	196,554
Unused credit card commitments	63,335	–	–	63,335
Capital commitments	135	239	17	391
Operating lease commitments	5,140	8,486	2,722	16,348
Irrevocable loan commitments	138	7,287	1,210	8,635
Total	930,976	69,430	6,892	1,007,298

	2015			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Bank acceptances	692,974	–	–	692,974
Letters of credit	107,872	78	–	107,950
Guarantees	185,894	74,067	7,370	267,331
Unused credit card commitments	50,385	–	–	50,385
Capital commitments	781	269	–	1,050
Operating lease commitments	3,503	9,085	4,093	16,681
Irrevocable loan commitments	81	2,159	522	2,762
Total	1,041,490	85,658	11,985	1,139,133

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(4) Liquidity risk (continued)

(v) Analysis on contractual undiscounted cash flows of commitments

Management treats contractual maturity as the best estimate for analysing liquidity risk of off-balance sheet items, unless an objective evidence of default is identified.

Group

	2016			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Bank acceptances	**612,583**	**—**	**—**	**612,583**
Letters of credit	**110,330**	**—**	**—**	**110,330**
Guarantees	**140,193**	**53,430**	**2,943**	**196,566**
Unused credit card commitments	**63,335**	**—**	**—**	**63,335**
Capital commitments	**2,682**	**11,092**	**17**	**13,791**
Operating lease commitments	**5,199**	**8,602**	**2,770**	**16,571**
Irrevocable loan commitments	**138**	**7,287**	**1,210**	**8,635**
Finance lease commitments	**4,722**	**2,099**	**—**	**6,821**
Total	**939,182**	**82,510**	**6,940**	**1,028,632**

	2015			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Bank acceptances	**694,294**	**—**	**—**	**694,294**
Letters of credit	**107,872**	**78**	**—**	**107,950**
Guarantees	**185,904**	**74,067**	**7,370**	**267,341**
Unused credit card commitments	**50,385**	**—**	**—**	**50,385**
Capital commitments	**6,873**	**13,389**	**—**	**20,262**
Operating lease commitments	**3,559**	**9,213**	**4,144**	**16,916**
Irrevocable loan commitments	**81**	**2,159**	**522**	**2,762**
Finance lease commitments	**4,264**	**878**	**—**	**5,142**
Total	**1,053,232**	**99,784**	**12,036**	**1,165,052**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(4) Liquidity risk (continued)

(iv) Analysis on contractual undiscounted cash flows of derivatives (continued)

b Derivatives settled on a gross basis (continued)

Bank

	2016					
	Less than 1 months	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Foreign exchange derivatives						
– Cash outflow	(197,179)	(75,479)	(239,967)	(2,535)	–	(515,160)
– Cash inflow	199,718	77,114	245,207	2,588	–	524,627
Precious metal derivatives						
– Cash outflow	(21,476)	(31,925)	(38,824)	–	–	(92,225)
– Cash inflow	20,298	30,661	38,507	–	–	89,466
Others						
– Cash outflow	–	–	(11)	–	–	(11)
– Cash inflow	–	–	23	–	–	23
Total cash outflow	(218,655)	(107,404)	(278,802)	(2,535)	–	(607,396)
Total cash inflow	220,016	107,775	283,737	2,588	–	614,116

	2015					
	Less than 1 months	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Foreign exchange derivatives						
– Cash outflow	(67,923)	(67,675)	(245,358)	(1,082)	–	(382,038)
– Cash inflow	68,199	67,604	244,920	1,284	–	382,007
Precious metal derivatives						
– Cash outflow	(7,316)	(8,230)	(21,393)	–	–	(36,939)
– Cash inflow	7,435	8,645	21,978	–	–	38,058
Total cash outflow	(75,239)	(75,905)	(266,751)	(1,082)	–	(418,977)
Total cash inflow	75,634	76,249	266,898	1,284	–	420,065

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(4) Liquidity risk (continued)

(iv) Analysis on contractual undiscounted cash flows of derivatives (continued)

b Derivatives settled on a gross basis (continued)

Group (continued)

	2015					
	Less than 1 months	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Foreign exchange derivatives						
– Cash outflow	(67,923)	(67,675)	(245,358)	(1,082)	–	(382,038)
– Cash inflow	68,199	67,604	244,920	1,284	–	382,007
Precious metal derivatives						
– Cash outflow	(7,316)	(8,230)	(21,393)	–	–	(36,939)
– Cash inflow	7,435	8,645	21,978	–	–	38,058
Others						
– Cash outflow	–	–	–	–	–	–
– Cash inflow	69	–	–	196	–	265
Total cash outflow	(75,239)	(75,905)	(266,751)	(1,082)	–	(418,977)
Total cash inflow	75,703	76,249	266,898	1,480	–	420,330

3 Financial risk management (continued)

(4) Liquidity risk (continued)

(iv) Analysis on contractual undiscounted cash flows of derivatives (continued)

b Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis include:

— Foreign exchange derivatives: currency forwards, currency swaps and currency options;

— Precious metal derivatives: precious metal forwards & swaps;

— Other derivatives: futures and equity derivatives.

The following tables analyse the Group's and the Bank's contractual undiscounted cash flows of derivatives to be settled on a gross basis as at the end of the reporting period.

Group

	2016					
	Less than 1 months	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Foreign exchange derivatives						
— Cash outflow	(197,179)	(75,479)	(239,967)	(2,535)	—	(515,160)
— Cash inflow	199,710	77,114	245,207	2,588	—	524,627
Precious metal derivatives						
— Cash outflow	(21,476)	(31,925)	(38,824)	—	—	(92,225)
— Cash inflow	20,298	30,661	38,507	—	—	89,466
Others						
— Cash outflow	—	—	(13)	—	—	(13)
— Cash inflow	—	—	109	—	—	109
Total cash outflow	(218,655)	(107,404)	(278,804)	(2,535)	—	(607,398)
Total cash inflow	220,016	107,775	283,823	2,588	—	614,202

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(4) Liquidity risk (continued)

(iv) Analysis on contractual undiscounted cash flows of derivatives

a Derivatives settled on a net basis

The Group's derivatives that will be settled on a net basis include:

— Interest rate derivatives: interest rate swaps;

— Credit derivatives: credit default swaps.

The following tables analyse the Group's and the Bank's contractual undiscounted cash flows of derivatives to be settled on a net basis as at the end of the reporting period.

Group and Bank

	2016					
	Less than 1 months	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest rate derivatives	–	2	3	3	–	8
Credit derivatives	–	–	–	–	–	–
Total	–	2	3	3	–	8

	2015					
	Less than 1 months	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest rate derivatives	(4)	5	(2)	(12)	–	(13)
Credit derivatives	–	–	–	–	–	–
Total	(4)	5	(2)	(12)	–	(13)

3 Financial risk management (continued)

(4) Liquidity risk (continued)

(iii) Analysis on contractual undiscounted cash flows of non-derivative financial assets and liabilities (continued)

Bank (continued)

	2015					
	Less than 1 months	1 to 6 months	6 to 12 months	1 to 5 years	More than 5 years and indefinite	Total
Financial assets:						
Cash and balances with central bank	39,177	–	–	–	390,334	429,511
Balances with banks and other financial institutions	60,041	13,909	20,851	6	–	94,807
Financial assets at fair value through profit or loss	1,466	3,730	13,384	8,448	1,045	28,073
Placements with banks and other financial institutions	41,378	71,213	108,777	10,363	–	231,731
Financial assets held under resale agreements	345,964	109,460	115,639	2,310	23	573,396
Loans and advances to customers	328,099	185,772	919,933	541,447	297,603	2,272,854
Investment securities	74,056	162,820	209,330	373,521	156,912	976,639
Other financial assets	30,069	10,426	15,568	1,191	5,605	62,859
Total financial assets (expected maturity date)	920,250	557,330	1,403,482	937,286	851,522	4,669,870
Financial liabilities:						
Borrowings from central bank	–	17,580	45,027	–	–	62,607
Deposits from customers	1,461,012	346,286	686,119	283,583	65	2,777,065
Deposits and placements from banks and other financial institutions	486,023	240,788	273,922	–	–	1,000,733
Financial assets sold under repurchase agreements	26,240	18,889	2,403	–	–	47,532
Debt securities issued	10,999	19,703	43,440	70,578	72,748	217,468
Other financial liabilities	13,194	392	2,397	478	135	16,596
Total financial liabilities (contractual maturity date)	1,997,468	643,638	1,053,308	354,639	72,948	4,122,001

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(4) Liquidity risk (continued)

(iii) Analysis on contractual undiscounted cash flows of non-derivative financial assets and liabilities (continued)

Bank

	2016					
	Less than 1 months	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years and indefinite	Total
Financial assets:						
Cash and balances with central bank	92,001	–	–	–	428,490	520,491
Balances with banks and other financial institutions	42,806	12,890	121,532	2,164	–	179,392
Financial assets at fair value through profit or loss	2,261	20,190	30,072	24,272	14,539	91,334
Placements with banks and other financial institutions	43,158	21,835	113,753	9,597	–	188,343
Financial assets held under resale agreements	46,565	39,666	4,133	–	12	90,376
Loans and advances to customers	381,664	243,672	1,004,254	596,687	666,004	2,892,281
Investment securities	119,857	226,591	753,166	741,637	476,996	2,318,247
Other financial assets	30,212	8,873	18,409	1,530	6,523	65,547
Total financial assets (expected maturity date)	758,524	573,717	2,045,319	1,375,887	1,592,564	6,346,011
Financial liabilities:						
Borrowings from central bank	15,029	80,356	223,634	–	–	319,019
Deposits from customers	1,752,390	146,920	905,176	359,872	544	3,164,902
Deposits and placements from banks and other financial institutions	427,030	439,991	563,637	737	–	1,431,395
Financial assets sold under repurchase agreements	42,787	39,256	31,600	–	–	113,643
Debt securities issued	23,553	72,349	208,848	31,831	98,409	434,990
Other financial liabilities	14,299	961	2,117	1,063	1,080	19,520
Total financial liabilities (contractual maturity date)	2,275,088	779,833	1,935,012	393,503	100,033	5,483,469

3 Financial risk management (continued)

(4) Liquidity risk (continued)

(iii) Analysis on contractual undiscounted cash flows of non-derivative financial assets and liabilities (continued)

Group (continued)

	2015					
	Less than 1 months	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years and indefinite	Total
Financial assets:						
Cash and balances with central bank	40,410	–	–	–	392,439	432,849
Balances with banks and other financial institutions	64,340	14,837	22,466	359	–	102,002
Financial assets at fair value through profit or loss	1,827	3,730	13,384	8,518	1,412	28,871
Placements with banks and other financial institutions	40,379	71,010	108,611	10,363	–	230,363
Financial assets held under resale agreements	345,964	109,460	115,639	2,310	23	573,396
Loans and advances to customers	330,081	187,817	930,197	542,550	297,978	2,288,623
Investment securities	75,145	162,820	209,513	373,621	159,181	980,280
Long-term receivables	5,520	4,223	17,987	67,154	14,798	109,682
Other financial assets	33,844	12,461	22,254	1,794	6,842	77,195
Total financial assets (expected maturity date)	937,510	566,358	1,440,051	1,006,669	872,673	4,823,261
Financial liabilities:						
Borrowings from central bank	–	17,756	45,035	–	–	62,791
Deposits from customers	1,476,299	349,231	695,536	286,899	79	2,808,044
Deposits and placements from banks and other financial institutions	483,300	241,488	271,799	–	–	996,587
Financial assets sold under repurchase agreements	26,554	19,303	2,501	980	–	49,338
Borrowings from banks and other financial institutions	8,864	28,197	49,054	15,291	12,272	113,678
Debt securities issued	10,999	19,703	43,440	70,578	72,748	217,468
Other financial liabilities	13,219	418	2,758	1,587	350	18,332
Total financial liabilities (contractual maturity date)	2,019,235	676,096	1,110,123	375,335	85,449	4,266,238

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(4) Liquidity risk (continued)

(iii) Analysis on contractual undiscounted cash flows of non-derivative financial assets and liabilities

The following tables analyse the Group's and the Bank's contractual undiscounted cash flows of non-derivative financial assets and liabilities as at the end of the reporting period. The Group manages inherent liquidity risk based on its estimation of expected future cash flows.

Group

	2016					
	Less than 1 months	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years and indefinite	Total
Financial assets:						
Cash and balances with central bank	93,322	–	–	–	430,937	524,259
Balances with banks and other financial institutions	49,585	16,787	122,629	2,179	–	191,180
Financial assets at fair value through profit or loss	2,261	20,190	30,072	24,703	17,560	94,786
Placements with banks and other financial institutions	42,117	20,928	113,753	9,597	–	186,395
Financial assets held under resale agreements	46,565	39,666	4,647	–	12	90,890
Loans and advances to customers	383,709	245,879	1,013,334	597,869	667,214	2,908,005
Investment securities	120,803	227,361	754,832	743,292	478,790	2,325,078
Long-term receivables	4,111	4,629	21,944	62,449	22,112	115,245
Other financial assets	32,766	11,458	23,515	1,974	8,892	78,605
Total financial assets (expected maturity date)	775,239	586,898	2,084,726	1,442,063	1,625,517	6,514,443
Financial liabilities:						
Borrowings from central bank	15,029	80,468	223,945	–	–	319,442
Deposits from customers	1,766,905	150,951	915,177	363,139	604	3,196,776
Deposits and placements from banks and other financial institutions	422,230	438,546	563,591	737	–	1,425,104
Financial assets sold under repurchase agreements	42,960	39,524	31,860	86	–	114,430
Borrowings from banks and other financial institutions	19,900	31,696	42,625	21,254	12,547	128,022
Debt securities issued	23,553	72,349	208,848	31,831	98,409	434,990
Other financial liabilities	14,621	1,542	2,519	2,426	1,550	22,658
Total financial liabilities (contractual maturity date)	2,305,198	815,076	1,988,565	419,473	113,110	5,641,422

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(4) Liquidity risk (continued)

(ii) Maturity analysis (continued)

Bank (continued)

		2015							
	Note	Indefinite (i)	Repayable on demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Assets:									
Cash and balances with central bank		390,317	39,176	–	–	–	–	–	429,493
Balances with banks and other financial institutions		–	28,960	31,063	13,848	20,485	6	–	94,362
Financial assets at fair value through profit or loss		–	–	1,436	3,642	12,643	7,512	933	26,166
Placements with banks and other financial institutions		–	–	41,234	70,760	108,291	10,294	–	230,579
Financial assets held under resale agreements		23	–	345,656	108,744	114,084	2,150	–	570,657
Loans and advances to customers	(ii)	46,704	13,361	248,963	169,300	866,033	451,249	186,245	1,981,855
Investment securities									
– available-for-sale securities		4,832	–	9,237	22,393	44,866	54,278	19,427	155,033
– held-to-maturity securities		82	–	3,352	3,062	20,114	151,386	100,368	278,364
– loans and receivables		448	56	59,426	133,201	122,059	118,929	15,446	449,565
Other assets		44,808	32,555	12,418	16,600	30,271	3,653	1,089	141,394
Total assets		487,214	114,108	752,785	541,550	1,338,846	799,457	323,508	4,357,468
Liabilities:									
Borrowings from central bank		–	–	–	17,500	44,500	–	–	62,000
Deposits from customers		–	958,044	499,626	339,671	659,875	244,895	55	2,702,166
Deposits and placements from banks and other financial institutions		–	236,774	248,100	238,856	271,231	–	–	994,961
Financial assets sold under repurchase agreements		–	–	26,227	18,793	2,386	–	–	47,406
Debt securities issued		–	–	10,983	17,726	38,950	54,352	59,221	181,232
Other liabilities		1,967	27,304	19,269	5,468	13,210	4,363	1,545	73,126
Total liabilities		1,967	1,222,122	804,205	638,014	1,030,152	303,610	60,821	4,060,891
Net position		485,247	(1,108,014)	(51,420)	(96,464)	308,694	495,847	262,687	296,577
Notional amount of derivatives		–	–	100,631	189,180	400,200	52,016	–	742,027

(i) For cash and balances with central bank, the indefinite period amount represents statutory deposit reserves and fiscal deposits maintained with the PBOC. For investments represent the balances being impaired or overdue for more than one month. Equity investments are also reported under indefinite period.

(ii) For loans and advances to customers and long-term receivables, the "indefinite" period amount represents the balance being impaired or overdue for more than one month. The balance not impaired and overdue within one month is included in "repayable on demand".

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(4) Liquidity risk (continued)

(ii) Maturity analysis (continued)

Bank

		2016							
	Note	Indefinite (i)	Repayable on demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Assets:									
Cash and balances with central bank		428,471	92,000	–	–	–	–	–	520,471
Balances with banks and other financial institutions		–	25,533	17,260	12,835	120,396	2,048	–	178,072
Financial assets at fair value through profit or loss		11,114	–	2,172	19,773	28,424	21,756	3,049	86,288
Placements with banks and other financial institutions		–	–	43,125	21,714	111,116	8,864	–	184,819
Financial assets held under resale agreements		12	–	46,522	39,466	4,046	–	–	90,046
Loans and advances to customers	(ii)	46,511	9,709	300,571	225,016	940,749	465,618	393,705	2,381,879
Investment securities									
– available-for-sale securities		22,980	–	22,221	37,899	57,086	132,618	30,724	303,528
– held-to-maturity securities		–	33	2,990	5,985	10,817	304,483	337,054	661,362
– loans and receivables		–	57	92,459	173,247	640,899	201,568	38,110	1,146,340
Other assets		51,490	28,305	6,855	13,383	37,169	20,360	6,212	163,774
Total assets		560,578	155,637	534,175	549,318	1,950,702	1,157,315	808,854	5,716,579
Liabilities:									
Borrowings from central bank		–	–	15,000	80,000	220,000	–	–	315,000
Deposits from customers		–	1,436,258	258,802	146,322	890,622	318,378	287	3,050,669
Deposits and placements from banks and other financial institutions		–	234,711	192,013	436,287	550,611	680	–	1,414,302
Financial assets sold under repurchase agreements		–	–	42,738	38,967	30,779	–	–	112,484
Debt securities issued		–	–	23,512	71,937	204,482	29,529	68,916	398,376
Other liabilities		1,077	27,655	16,255	17,515	20,450	4,170	1,806	88,928
Total liabilities		1,077	1,698,624	548,320	791,028	1,916,944	352,757	71,009	5,379,759
Net position		559,501	(1,542,987)	(14,145)	(241,710)	33,758	804,558	737,845	336,820
Notional amount of derivatives		–	–	253,856	188,308	422,194	69,754	–	934,112

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(4) Liquidity risk (continued)

(ii) Maturity analysis (continued)

Group (continued)

		2015							
	Note	Indefinite (i)	Repayable on demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Assets:									
Cash and balances with central bank		392,422	40,409	–	–	–	–	–	432,831
Balances with banks and other financial institutions		–	30,896	33,367	14,766	22,069	330	–	101,428
Financial assets at fair value through profit or loss		368	–	1,796	3,642	12,643	7,577	933	26,959
Placements with banks and other financial institutions		–	–	40,235	70,560	108,128	10,294	–	229,217
Financial assets held under resale agreements		23	–	345,656	108,744	114,084	2,150	–	570,657
Loans and advances to customers	(ii)	47,217	13,534	250,260	171,345	876,297	452,352	186,620	1,997,625
Investment securities									
– available-for-sale securities		5,710	–	10,326	22,393	44,866	54,278	19,427	157,000
– held-to-maturity securities		82	–	3,352	3,062	20,114	151,386	100,368	278,364
– loans and receivables		1,623	56	59,426	133,201	122,331	119,156	15,446	451,239
Long-term receivables		4,507	855	4,148	3,780	16,079	57,103	6,107	92,579
Other assets		68,361	32,599	16,930	19,289	39,552	4,568	1,490	182,789
Total assets		520,313	118,349	765,496	550,782	1,376,163	859,194	330,391	4,520,688
Liabilities:									
Borrowings from central bank		–	–	–	17,650	44,827	–	–	62,477
Deposits from customers		–	971,620	501,324	342,560	668,932	247,759	67	2,732,262
Deposits and placements from banks and other financial institutions		–	236,412	245,464	239,445	269,454	–	–	990,775
Financial assets sold under repurchase agreements		–	–	26,541	19,204	2,484	900	–	49,129
Borrowings from banks and other financial institutions		–	–	8,845	27,970	48,114	14,147	9,462	108,538
Debt securities issued		–	–	10,983	17,726	38,950	54,353	59,221	181,233
Other liabilities		2,291	28,112	19,189	6,130	16,045	11,735	2,989	86,491
Total liabilities		2,291	1,236,144	812,346	670,685	1,088,806	328,894	71,739	4,210,905
Net position		518,022	(1,117,795)	(46,850)	(119,903)	287,357	530,300	258,652	309,783
Notional amount of derivatives		–	–	100,700	189,180	400,200	52,212	–	742,292

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(4) Liquidity risk (continued)

(ii) Maturity analysis

The following tables analyse the Group's and the Bank's assets and liabilities based on remaining periods to repayment as at the end of the reporting period.

Group

	Note	2016							
		Indefinite (i)	Repayable on demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Assets:									
Cash and balances with central bank		430,918	93,321	–	–	–	–	–	524,239
Balances with banks and other financial institutions		–	29,051	19,603	16,323	121,374	2,063	–	188,414
Financial assets at fair value through profit or loss		14,135	–	2,172	19,773	28,424	22,187	3,049	89,740
Placements with banks and other financial institutions		–	–	42,084	20,813	111,116	8,864	–	182,877
Financial assets held under resale agreements		12	–	46,522	39,466	4,546	–	–	90,546
Loans and advances to customers	(ii)	47,104	9,779	301,953	226,813	949,829	466,799	394,915	2,397,192
Investment securities									
– available-for-sale securities		24,181	79	22,710	38,659	57,666	133,059	30,724	307,078
– held-to-maturity securities		–	33	2,990	5,985	10,817	304,483	337,054	661,362
– loans and receivables		–	57	92,908	173,247	641,765	202,642	38,110	1,148,729
Long-term receivables		4,980	383	3,222	4,123	19,538	52,489	10,056	94,791
Other assets		81,235	28,546	15,692	15,659	42,428	20,847	6,502	210,909
Total assets		602,565	161,249	549,856	560,861	1,987,503	1,213,433	820,410	5,895,877
Liabilities:									
Borrowings from central bank		–	–	15,000	80,109	220,329	–	–	315,438
Deposits from customers		–	1,447,825	261,739	150,345	900,527	321,465	341	3,082,242
Deposits and placements from banks and other financial institutions		–	231,399	190,527	434,847	550,566	680	–	1,408,019
Financial assets sold under repurchase agreements		–	–	42,911	39,233	31,033	78	–	113,255
Borrowings from banks and other financial institutions		–	–	19,874	31,521	41,893	19,485	9,701	122,474
Debt securities issued		–	–	23,512	71,937	204,482	29,529	68,916	398,376
Other liabilities		1,164	27,665	17,489	28,626	21,616	5,345	2,141	104,046
Total liabilities		1,164	1,706,889	571,052	836,618	1,970,446	376,582	81,099	5,543,850
Net position		601,401	(1,545,640)	(21,196)	(275,757)	17,057	836,851	739,311	352,027
Notional amount of derivatives		–	–	254,280	188,308	422,194	70,929	988	936,699

3 Financial risk management (continued)

(4) Liquidity risk (continued)

(i) Liquidity risk management policy

The Bank and its subsidiaries separately and independently develop their liquidity risk management policies.

The Bank's senior management is responsible for formulating liquidity risk management policies according to the development strategy of the Bank. The Assets and Liabilities Management Department is responsible for the daily liquidity risk management through the following procedures:

- To manage the day-to-day position through monitoring the future cash flow to ensure it meets the required fund position, including matured deposits and replenishment of funds for loan demand. The Bank actively participates in global money market transactions to ensure that the Bank's funding requirements are satisfied;

- To set ratio requirements and transactions limits to help monitor and manage liquidity risks. The ratios include but are not limited to loan to deposit ratios, deposit reserve ratios, liquidity ratios, liquidity gap ratios;

- To monitor liquidity ratios and liquidity gap ratios through the Bank's asset and liabilities management system, and perform liquidity scenario analyses and stress testing on overall assets and liabilities to satisfy internal and external requirements. Various techniques are used to estimate the Bank's liquidity requirements, and liquidity risk management decisions are made based on the estimated liquidity requirements and within respective terms of reference. A periodical reporting system is established to promptly update senior management on latest liquidity risk information;

- To monitor the maturity concentration risk of financial assets and hold an appropriate quantity of high-liquidity and high-market-value assets to ensure the Bank is well positioned to fund its repayment obligations and business growth in the event of an interruption of cash flows due to whatever causes.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(4) Liquidity risk

Liquidity risk is the risk that the Group is unable to provide funds for maturing liabilities through timely asset realisation at reasonable prices.

The Bank and its subsidiaries manage their respective liquidity risks separately and independently, and the Bank manages the liquidity risk of all its branches.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, demand deposits, maturing time deposits, loan drawdowns, guarantees and other calls on cash-settled derivatives. The Bank does not maintain cash resources to meet all these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Bank sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

According to the Commercial Bank Law, the RMB loan-to-deposit ratio is required to be within 75%. The Bank's RMB loan-to-deposit ratio complies with the Commercial Bank Law and the CBRC requirements.

As at 31 December 2016, the Bank was required to maintain 15% of the total RMB denominated deposits and 5% of the total foreign currency denominated balances as statutory reserves with the PBOC.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the full amounts under commitments, because the Bank does not generally expect the third party to fully draw funds under those agreements. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

3 Financial risk management (continued)

(3) Market risk (continued)

(iii) Interest rate risk (continued)

If yield curves for respective currencies move in parallel for 100 basis points on 1 January 2016, their potential impact on the Group's and the Bank's net interest income and shareholders' equity for the following year is as follows:

	Group		Bank	
	2016 (Loss)/gain	2015 Gain/(loss)	2016 (Loss)/gain	2015 Gain/(loss)
Up 100 bps parallel shift in yield curves	**(1,558)**	**1,076**	**(1,894)**	**752**
Down 100 bps parallel shift in yield curves	**1,558**	**(1,076)**	**1,894**	**(752)**

In performing the interest rate sensitivity analysis, the Group and the Bank have made general assumptions in defining business terms and financial parameters, but have not considered the following:

a business changes after the end of the reporting period, as the analysis is performed based on the static gap at the end of the reporting period;

b the impact of interest rate fluctuations on customers' behaviour;

c the complicated relationship between complex structured products (e.g. embedded call options and other derivative financial instruments) and interest rate fluctuations;

d the impact of interest rate fluctuations on market prices;

e the impact of interest rate fluctuations on off-balance sheet products;

f the impact of interest rate fluctuations on fair value of financial instruments;

g other variables (including foreign exchange rate); and

h other risk management measures in the Group.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(3) Market risk (continued)

(iii) Interest rate risk (continued)

Bank (continued)

		2015					
	Note	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing	Total
Assets:							
Cash and balances with central bank		420,410	–	–	–	9,083	429,493
Balances with banks and other financial institutions		73,871	20,485	–	–	6	94,362
Financial assets at fair value through profit or loss		5,270	12,754	7,310	832	–	26,166
Placements with banks and other financial institutions		111,994	108,291	10,294	–	–	230,579
Financial assets held under resale agreements		454,423	114,084	2,150	–	–	570,657
Loans and advances to customers	(i)	1,585,580	292,212	88,735	15,328	–	1,981,855
Investment securities		249,253	199,167	300,362	129,507	4,673	882,962
Other assets		–	–	–	–	141,394	141,394
Total assets		2,900,801	746,993	408,851	145,667	155,156	4,357,468
Liabilities:							
Borrowings from central bank		17,500	44,500	–	–	–	62,000
Deposits from customers		1,868,228	626,950	206,933	55	–	2,702,166
Deposits and placements from banks and other financial institutions		723,730	271,231	–	–	–	994,961
Financial assets sold under repurchase agreements		45,020	2,386	–	–	–	47,406
Debt securities issued		28,709	41,621	54,352	56,550	–	181,232
Other liabilities		337	–	–	–	72,789	73,126
Total liabilities		2,683,524	986,688	261,285	56,605	72,789	4,060,891
Total interest sensitivity gap		217,277	(239,695)	147,566	89,062	82,367	296,577

(i) For loans and advances to customers of the Bank, the "less than 3 months" category includes overdue amounts (net of allowances for impairment losses) of RMB55,762 million as at 31 December 2016 (31 December 2015: RMB59,862 million).

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(3) Market risk (continued)

(iii) Interest rate risk (continued)

Bank

	Note	2016					
		Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing	Total
Assets:							
Cash and balances with central bank		511,705	–	–	–	8,766	520,471
Balances with banks and other financial institutions		55,628	120,396	2,048	–	–	178,072
Financial assets at fair value through profit or loss		33,515	28,424	21,300	3,049	–	86,288
Placements with banks and other financial institutions		64,839	111,116	8,864	–	–	184,819
Financial assets held under resale agreements		86,000	4,046	–	–	–	90,046
Loans and advances to customers	(i)	1,797,728	396,751	156,593	30,807	–	2,381,879
Investment securities		366,115	710,729	626,327	401,915	6,144	2,111,230
Other assets		–	–	–	–	163,774	163,774
Total assets		2,915,530	1,371,462	815,132	435,771	178,684	5,716,579
Liabilities:							
Borrowings from central bank		95,000	220,000	–	–	–	315,000
Deposits from customers		1,041,382	890,622	318,378	287	–	3,050,669
Deposits and placements from banks and other financial institutions		863,011	550,611	680	–	–	1,414,302
Financial assets sold under repurchase agreements		81,705	30,779	–	–	–	112,484
Debt securities issued		97,121	204,482	29,529	67,244	–	398,376
Other liabilities		868	–	–	–	88,060	88,928
Total liabilities		2,979,087	1,896,494	348,587	67,531	88,060	5,379,759
Total interest sensitivity gap		(63,557)	(525,032)	466,545	368,240	90,624	336,820

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(3) Market risk (continued)

(iii) Interest rate risk (continued)

Group (continued)

		2015					
	Note	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing	Total
Assets:							
Cash and balances with central bank		423,549	–	–	–	9,282	432,831
Balances with banks and other financial institutions		79,208	22,014	200	–	6	101,428
Financial assets at fair value through profit or loss		5,696	12,754	7,310	831	368	26,959
Placements with banks and other financial institutions		110,795	108,128	10,294	–	–	229,217
Financial assets held under resale agreements		454,423	114,084	2,150	–	–	570,657
Loans and advances to customers	(i)	1,596,638	296,821	88,835	15,331	–	1,997,625
Investment securities		252,016	199,167	300,362	129,507	5,551	886,603
Long-term receivables		92,579	–	–	–	–	92,579
Other assets		10,123	–	–	–	172,666	182,789
Total assets		3,025,027	752,968	409,151	145,669	187,873	4,520,688
Liabilities:							
Borrowings from central bank		17,650	44,827	–	–	–	62,477
Deposits from customers		1,886,391	636,007	209,797	67	–	2,732,262
Deposits and placements from banks and other financial institutions		721,374	269,401	–	–	–	990,775
Financial assets sold under repurchase agreements		45,745	2,484	900	–	–	49,129
Borrowings from banks and other financial institutions		36,815	48,114	14,147	9,462	–	108,538
Debt securities issued		28,709	41,621	54,353	56,550	–	181,233
Other liabilities		337	–	–	–	86,154	86,491
Total liabilities		2,737,021	1,042,454	279,197	66,079	86,154	4,210,905
Total interest sensitivity gap		288,006	(289,486)	129,954	79,590	101,719	309,783

(i) For loans and advances to customers of the Group, the "less than 3 months" category includes overdue amounts (net of allowances for impairment losses) of RMB56,420 million as at 31 December 2016 (31 December 2015: RMB60,544 million).

3 Financial risk management (continued)

(3) Market risk (continued)

(iii) Interest rate risk (continued)

The following tables present the Group's and the Bank's exposure to interest rate risk, indicating net carrying amounts of assets and liabilities based on their contractual repricing dates (or maturity dates whichever are earlier).

Group

		2016					
	Note	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing	Total
Assets:							
Cash and balances with central bank		515,253	–	–	–	8,986	524,239
Balances with banks and other financial institutions		64,977	121,374	2,063	–	–	188,414
Financial assets at fair value through profit or loss		35,600	28,424	21,919	3,071	726	89,740
Placements with banks and other financial institutions		62,897	111,116	8,864	–	–	182,877
Financial assets held under resale agreements		86,000	4,546	–	–	–	90,546
Loans and advances to customers	(i)	1,811,163	398,240	156,672	31,117	–	2,397,192
Investment securities		368,568	711,849	627,546	401,997	7,209	2,117,169
Long-term receivables		94,791	–	–	–	–	94,791
Other assets		12,413	–	–	–	198,496	210,909
Total assets		3,051,662	1,375,549	817,064	436,185	215,417	5,895,877
Liabilities:							
Borrowings from central bank		95,109	220,329	–	–	–	315,438
Deposits from customers		1,850,009	900,527	321,465	341	–	3,082,242
Deposits and placements from banks and other financial institutions		856,773	550,566	680	–	–	1,408,019
Financial assets sold under repurchase agreements		82,144	31,033	78	–	–	113,255
Borrowings from banks and other financial institutions		51,395	41,893	19,485	9,701	–	122,474
Debt securities issued		97,121	204,482	29,529	67,244	–	398,376
Other liabilities		868	–	–	–	103,178	104,046
Total liabilities		3,043,319	1,948,830	371,237	77,286	103,178	5,543,850
Total interest sensitivity gap		8,343	(573,281)	445,827	350,000	112,239	352,027

3 Financial risk management (continued)

(3) Market risk (continued)

(ii) Foreign exchange risk (continued)

e Other variables (including interest rates) remained unchanged; and

f The analysis does not take into account the effect of risk management measures taken by the Group.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by the increase or decrease in exchange rates might vary from the estimated results of this sensitivity analysis.

(iii) Interest rate risk

Interest rate risk refers to the adverse changes of the level of interest rate, term structure and other factors, which lead to loss on bank revenue and the economic value. Interest rate include basic risk, re pricing risk, yield curve risk and option risk, and the basis risk and re pricing risk is the mainly sources of risk for the Group.

The primary techniques applied by the Group in measuring and analysing interest rate risk are mainly scenario analyses; re pricing gap analyses; duration analyses and stress testing. The Group manage the interest rate risk in the frame of the exposure limit by daily monitoring and reporting.

The Group closely monitors trends of interest rate changes for both RMB and foreign currencies, follows market interest rate changes, performs proper scenario analyses, and adjusts interest rates of deposits and loans in both RMB and foreign currencies to manage interest rate risk.

3 Financial risk management (continued)

(3) Market risk (continued)

(ii) Foreign exchange risk (continued)

The Group conducts sensitivity analysis on the net foreign currency position to identify the impact on the income statement of potential movements in foreign currency exchange rates against the RMB. As at 31 December 2016, assuming other variables remain unchanged, an appreciation of one hundred basis points of the US dollar against the RMB would increase both the Group's net profit and equity by RMB362 million (31 December 2015: increase by RMB9 million); a depreciation of one hundred basis points of the US dollar against the RMB would decrease both the Group's net profit and equity by RMB362 million (31 December 2015: decrease by RMB9 million).

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities that makes the following assumptions:

a The sensitivity of each type of exchange rate refers to the exchange gain or loss caused by a fluctuation in the absolute value of closing foreign currency rate by one hundred basis points against the RMB's average rate on the reporting date;

b The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement from the current reporting date to the next reporting date;

c The fluctuation of exchange rates for all foreign currencies represents the fluctuation of exchange rates in US dollars and other foreign currencies against RMB in the same direction simultaneously. Due to the immaterial proportion of the Group's total assets and liabilities denominated in currencies other than US dollars, other foreign currencies are converted into US dollars through sensitivity analysis;

d The foreign exchange exposures calculated includes spot and forward foreign exchange exposures and swaps;

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(3) Market risk (continued)

(ii) Foreign exchange risk (continued)

Bank (continued)

	2015				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	393,094	35,765	416	218	429,493
Balances with banks and other financial institutions	60,635	20,821	9,421	3,485	94,362
Financial assets at fair value through profit or loss	25,389	777	–	–	26,166
Placements with banks and other financial institutions	190,894	31,973	2,161	5,551	230,579
Financial assets held under resale agreements	570,657	–	–	–	570,657
Loans and advances to customers	1,895,699	74,896	4,952	6,308	1,981,855
Investment securities	870,550	6,703	888	4,821	882,962
Other assets	117,068	3,179	2,217	18,930	141,394
Total assets	4,123,986	174,114	20,055	39,313	4,357,468
Liabilities:					
Borrowings from central bank	62,000	–	–	–	62,000
Deposits from customers	2,561,507	80,029	15,550	45,080	2,702,166
Deposits and placements from banks and other financial institutions	967,465	21,287	2,399	3,810	994,961
Financial assets sold under repurchase agreements	47,406	–	–	–	47,406
Debt securities issued	177,361	3,871	–	–	181,232
Other liabilities	70,132	1,466	670	858	73,126
Total liabilities	3,885,871	106,653	18,619	49,748	4,060,891
Net position	238,115	67,461	1,436	(10,435)	296,577
Foreign currency derivatives	1,516	126	87	–	1,729
Off-balance sheet credit commitments	1,068,065	49,805	1,473	2,059	1,121,402

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(3) Market risk (continued)

(ii) Foreign exchange risk (continued)

Bank

	2016				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	478,584	41,443	211	233	520,471
Balances with banks and other financial institutions	29,423	144,507	507	3,635	178,072
Financial assets at fair value through profit or loss	72,973	13,315	–	–	86,288
Placements with banks and other financial institutions	128,156	48,075	7,955	633	184,819
Financial assets held under resale agreements	90,046	–	–	–	90,046
Loans and advances to customers	2,241,805	118,492	11,570	10,012	2,381,879
Investment securities	2,026,647	75,784	1,667	7,132	2,111,230
Other assets	118,869	4,083	13,061	27,761	163,774
Total assets	5,186,503	445,699	34,971	49,406	5,716,579
Liabilities:					
Borrowings from central bank	315,000	–	–	–	315,000
Deposits from customers	2,888,010	120,231	16,054	26,374	3,050,669
Deposits and placements from banks and other financial institutions	1,308,206	78,335	5,377	22,384	1,414,302
Financial assets sold under repurchase agreements	112,484	–	–	–	112,484
Debt securities issued	394,230	4,146	–	–	398,376
Other liabilities	82,865	3,658	1,439	966	88,928
Total liabilities	5,100,795	206,370	22,870	49,724	5,379,759
Net position	85,708	239,329	12,101	(318)	336,820
Foreign currency derivatives	6,862	422	2,183	–	9,467
Off-balance sheet credit commitments	928,894	43,619	14,108	3,938	990,559

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(3) Market risk (continued)

(ii) Foreign exchange risk (continued)

Group (continued)

	2015				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	396,432	35,765	416	218	432,831
Balances with banks and other financial institutions	66,959	21,555	9,426	3,488	101,428
Financial assets at fair value through profit or loss	25,749	1,192	18	–	26,959
Placements with banks and other financial institutions	189,694	31,811	2,161	5,551	229,217
Financial assets held under resale agreements	570,657	–	–	–	570,657
Loans and advances to customers	1,911,469	74,896	4,952	6,308	1,997,625
Investment securities	874,102	6,792	888	4,821	886,603
Long-term receivables	80,631	11,948	–	–	92,579
Other assets	159,968	3,179	712	18,930	182,789
Total assets	4,275,661	187,138	18,573	39,316	4,520,688
Liabilities:					
Borrowings from central bank	62,477	–	–	–	62,477
Deposits from customers	2,591,603	80,029	15,550	45,080	2,732,262
Deposits and placements from banks and other financial institutions	963,279	21,287	2,399	3,810	990,775
Financial assets sold under repurchase agreements	49,129	–	–	–	49,129
Borrowings from banks and other financial institutions	78,315	28,591	–	1,632	108,538
Debt securities issued	177,361	3,872	–	–	181,233
Other liabilities	81,463	3,447	722	859	86,491
Total liabilities	4,003,627	137,226	18,671	51,381	4,210,905
Net position	272,034	49,912	(98)	(12,065)	309,783
Foreign currency derivatives	1,516	126	207	–	1,849
Off-balance sheet credit commitments	1,069,784	54,558	1,473	2,059	1,127,874

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(3) Market risk (continued)

(ii) Foreign exchange risk (continued)

The following tables present the Group's and the Bank's foreign exchange risk exposures as at the end of the reporting period. The carrying values of assets and liabilities denominated in foreign currencies have been converted into RMB.

Group

	2016				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	482,352	41,443	211	233	524,239
Balances with banks and other financial institutions	38,040	146,231	507	3,636	188,414
Financial assets at fair value through profit or loss	74,451	14,812	477	–	89,740
Placements with banks and other financial institutions	128,156	46,133	7,955	633	182,877
Financial assets held under resale agreements	90,546	–	–	–	90,546
Loans and advances to customers	2,257,530	118,492	11,158	10,012	2,397,192
Investment securities	2,031,355	76,503	2,179	7,132	2,117,169
Long-term receivables	82,558	12,233	–	–	94,791
Other assets	136,866	33,078	13,204	27,761	210,909
Total assets	5,321,854	488,925	35,691	49,407	5,895,877
Liabilities:					
Borrowings from central bank	315,438	–	–	–	315,438
Deposits from customers	2,919,583	120,231	16,054	26,374	3,082,242
Deposits and placements from banks and other financial institutions	1,301,923	78,335	5,377	22,384	1,408,019
Financial assets sold under repurchase agreements	113,255	–	–	–	113,255
Borrowings from banks and other financial institutions	79,162	42,867	445	–	122,474
Debt securities issued	394,230	4,146	–	–	398,376
Other liabilities	94,575	6,921	1,581	969	104,046
Total liabilities	5,218,166	252,500	23,457	49,727	5,543,850
Net position	103,688	236,425	12,234	(320)	352,027
Foreign currency derivatives	6,862	422	2,183	–	9,467
Off-balance sheet credit commitments	932,013	48,211	14,108	3,938	998,270

3 Financial risk management (continued)

(3) Market risk (continued)

(i) Market risk measurement techniques (continued)

The Bank is fully aware of the pros and cons of different methods for measurement of market risks, and therefore adopts other methods, such as stress tests, for complementation. Stress-testing scenarios include concentration risk, illiquidity in stressed market conditions, single trend market, event risk, non-linear products, and other risks that may not be reflected in the internal model.

(ii) Foreign exchange risk

Foreign exchange risk refers to the foreign exchange and foreign exchange derivatives positions, the risk of losses of banks arise from adverse changes of exchange rate. The Group uses RMB as its bookkeeping currency, and the group's assets and liabilities are denominated in RMB, and the rest mainly US dollars and Hong Kong dollars.

The Group manage the foreign exchange risk by controlling each currency exposure limits and total exposure.

The primary techniques applied by the Group in analysing foreign exchange risk are mainly foreign exchange exposure analyses; scenario analyses; stress testing; and value at risk (VaR) method. The Group manage the foreign exchange risk in the frame of the exposure limit by daily monitoring; reporting and analysing.

3 Financial risk management (continued)

(3) Market risk (continued)

(i) Market risk measurement techniques

The Bank selects appropriate and generally accepted measurement methods for the different types of market risks in its banking books and trading books based on actual needs of the business.

In accordance with regulatory requirements and in response to interest rate risk of the banking books, the Bank develops measurement methods that are appropriate for the size and structure of its assets and liabilities, and performs quantitative assessment of the impact of interest rate changes on the Bank's net interest income and economic value by adopting methods such as gap analysis, net interest income simulation analysis, and economic value simulation analysis.

Interest rate risk of the trading books are measured by using methods such as duration analysis, scenario analysis, and value at risk (VaR). As a result of its impact on capital, interest rate risk of the available-for-sale portfolio in banking books are monitored by referring to the methods used for measurement of the interest rate risk of the trading books.

Exchange rate risks of the banking books include exposure in foreign exchange settlement and sales, foreign currency capital funds, loss in foreign currency profits due to settlement of foreign exchange, and shrinking of foreign currency assets compared to the local currency. The Bank assesses the impact of future foreign exchange risks based on the exchange rate tendency and the future changes in the Bank's asset and liability portfolios.

Measurement of the exchange rate risks of the trading books includes monitoring of foreign exchange exposure, and use of methods including sensitivity analysis, scenario analysis and value at risk (VaR) to measure the potential impact of exchange rate fluctuations on the trading profits.

3 Financial risk management (continued)

(3) Market risk

The Group is exposed to market risk, which is the risk of loss to its on- and off-balance sheet businesses caused by unfavourable changes in market prices (interest rates, exchange rates, and stock and commodity prices). Market risk includes interest rate risk, exchange rate (including gold bullion) risk, equity price risk and commodity price risk, arising from adverse movements in interest rates, exchange rates, stock prices and commodity price, respectively.

The market risk faced by the Group mainly arises from the Bank's business activities. The Bank's subsidiaries are exposed to an insignificant level of market risk. The Bank and its subsidiaries independently manage their own market risk.

The Bank distinguishes between banking books and trading books in accordance with requirements of regulatory authorities and the general practices of the banking industry, and adopts different methods to identify, measure, monitor and control their respective market risks based on the nature and characteristics of banking and trading books.

Trading books refer to the financial instruments and commodities positions which could be traded freely. They are held by the Bank for trading or hedging against other risks in the trading book. Positions in the trading book must not be subject to any trading restrictions, or be able to fully hedged against the risks. These positions must also be valued accurately and managed proactively as well. In contrast, the Bank's other businesses are included in the banking books.

At present, the Risk Management Department oversees the Bank's market risk management and is responsible for managing the Bank's market risk policies, market risk limit setting, and daily monitoring and reporting. The Asset and Liability Management Department is responsible for management of various market risks associated with the banking books.

The Financial and Planning Department of Minsheng Financial Leasing is responsible for monitoring and controlling market risks on fund positions at Minsheng Financial Leasing.

3 Financial risk management (continued)

(2) Credit risk (continued)

(ix) Credit risk concentration of financial assets (continued)

b Industry concentration (continued)

Bank (continued)

	2015						
	Governments and quasi-governments	Financial institutions	Manufacturing	Real estate	Others	Individuals	Total
Balances with central bank	420,410	–	–	–	–	–	420,410
Balances with banks and other financial institutions	–	94,362	–	–	–	–	94,362
Placements with banks and other financial institutions	–	230,579	–	–	–	–	230,579
Financial assets held under resale agreements	–	570,657	–	–	–	–	570,657
Corporate loans and advances	–	57,923	246,758	240,552	738,906	–	1,284,139
– of which: balance secured by collateral	–	47,114	92,034	208,552	357,963	–	705,663
Personal loans and advances	–	–	–	–	–	697,716	697,716
– of which: balance secured by collateral	–	–	–	–	–	338,178	338,178
Investment securities							
– debt securities	275,698	545,096	8,606	4,032	44,857	–	878,289
Other financial assets	4,530	19,076	6,750	5,250	52,917	–	88,523
Total	700,638	1,517,693	262,114	249,834	836,680	697,716	4,264,675

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

(ix) Credit risk concentration of financial assets (continued)

b Industry concentration (continued)

Bank

	2016						
	Governments and quasi-governments	Financial institutions	Manufacturing	Real estate	Others	Individuals	Total
Balances with central bank	511,705	–	–	–	–	–	511,705
Balances with banks and other financial institutions	–	178,072	–	–	–	–	178,072
Placements with banks and other financial institutions	–	184,819	–	–	–	–	184,819
Financial assets held under resale agreements	–	90,046	–	–	–	–	90,046
Corporate loans and advances	–	109,919	307,008	223,579	876,474	–	1,516,980
– of which: balance secured by collateral	–	77,061	122,826	186,806	391,381	–	778,074
Personal loans and advances	–	–	–	–	–	864,899	864,899
– of which: balance secured by collateral	–	–	–	–	–	529,424	529,424
Investment securities – debt securities	754,623	862,253	68,559	56,485	347,937	–	2,089,857
Other financial assets	6,258	44,458	9,935	5,231	84,933	–	150,815
Total	1,272,586	1,469,567	385,502	285,295	1,309,344	864,899	5,587,193

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

(ix) Credit risk concentration of financial assets (continued)

b Industry concentration (continued)

Group (continued)

	2015						
	Governments and quasi-governments	Financial institutions	Manufacturing	Real estate	Others	Individuals	Total
Balances with central bank	423,549	–	–	–	–	–	423,549
Balances with banks and other financial institutions	–	101,428	–	–	–	–	101,428
Placements with banks and other financial institutions	–	229,217	–	–	–	–	229,217
Financial assets held under resale agreements	–	570,657	–	–	–	–	570,657
Corporate loans and advances	–	57,982	248,535	240,558	742,478	–	1,289,553
– of which: balance secured by collateral	–	47,173	93,288	208,552	359,686	–	708,699
Personal loans and advances	–	–	–	–	–	708,072	708,072
– of which: balance secured by collateral	–	–	–	–	–	344,128	344,128
Investment securities							
– debt securities	275,698	546,681	8,606	4,032	46,036	–	881,053
Long-term receivables	–	210	27,204	4,201	60,964	–	92,579
Other financial assets	4,545	19,300	6,765	5,361	73,409	–	109,380
Total	703,792	1,525,475	291,110	254,152	922,887	708,072	4,405,488

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

(ix) Credit risk concentration of financial assets (continued)

b Industry concentration

Group

	2016						
	Governments and quasi-governments	Financial institutions	Manufacturing	Real estate	Others	Individuals	Total
Balances with central bank	515,253	–	–	–	–	–	515,253
Balances with banks and other financial institutions	–	188,414	–	–	–	–	188,414
Placements with banks and other financial institutions	–	182,877	–	–	–	–	182,877
Financial assets held under resale agreements	–	90,546	–	–	–	–	90,546
Corporate loans and advances	–	109,508	308,742	223,582	879,244	–	1,521,076
– of which: balance secured by collateral	–	77,061	125,285	186,910	397,998	–	787,254
Personal loans and advances	–	–	–	–	–	876,116	876,116
– of which: balance secured by collateral	–	–	–	–	–	529,424	529,424
Investment securities – debt securities	754,623	864,710	68,638	56,485	350,218	–	2,094,674
Long-term receivables	–	720	21,891	2,431	69,726	23	94,791
Other financial assets	6,338	45,042	12,448	5,955	100,425	–	170,208
Total	1,276,214	1,481,817	411,719	288,453	1,399,613	876,139	5,733,955

3 Financial risk management (continued)

(2) Credit risk (continued)

(ix) Credit risk concentration of financial assets (continued)

a Geographical concentration (continued)

Financial assets — securities (by location of issuers) (continued)

Bank

	2016				
	Mainland China	North America	Europe	Others	Total
Financial assets at fair value through profit or loss	65,087	5,449	740	3,898	75,174
Available-for-sale debt securities	261,533	13,894	647	6,081	282,155
Held-to-maturity investments	655,188	6,018	156	—	661,362
Loans and receivables	1,146,340	—	—	—	1,146,340
Total	2,128,148	25,361	1,543	9,979	2,165,031

	2015				
	Mainland China	North America	Europe	Others	Total
Financial assets at fair value through profit or loss	25,538	102	—	526	26,166
Available-for-sale debt securities	148,098	187	454	1,621	150,360
Held-to-maturity investments	278,080	138	146	—	278,364
Loans and receivables	449,565	—	—	—	449,565
Total	901,281	427	600	2,147	904,455

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

(ix) Credit risk concentration of financial assets (continued)

a Geographical concentration (continued)

Financial assets — securities (by location of issuers)

Group

	2016				
	Mainland China	North America	Europe	Others	Total
Financial assets at fair value through profit or loss	65,087	5,849	762	3,898	75,596
Available-for-sale debt securities	263,723	13,994	668	6,198	284,583
Held-to-maturity investments	655,188	6,018	156	—	661,362
Loans and receivables	1,148,729	—	—	—	1,148,729
Total	2,132,727	25,861	1,586	10,096	2,170,270

	2015				
	Mainland China	North America	Europe	Others	Total
Financial assets at fair value through profit or loss	25,955	102	350	534	26,941
Available-for-sale debt securities	149,188	187	454	1,621	151,450
Held-to-maturity investments	278,080	138	146	—	278,364
Loans and receivables	451,239	—	—	—	451,239
Total	904,462	427	950	2,155	907,994

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

(ix) Credit risk concentration of financial assets (continued)

a Geographical concentration (continued)

Financial assets other than securities (by location of business units) (continued)

Bank (continued)

	2015				
	Northern China	Eastern China	Southern China	Overseas and other PRC regions	Total
Balances with central bank	**406,965**	**3,935**	**4,922**	**4,588**	**420,410**
Balances with banks and other financial institutions	**25,885**	**32,312**	**13,379**	**22,786**	**94,362**
Placements with banks and other financial institutions	**197,371**	**790**	**1,110**	**31,308**	**230,579**
Financial assets held under resale agreements	**114,641**	**159,662**	**92,232**	**204,122**	**570,657**
Gross loans and advances to customers	**624,138**	**601,393**	**246,092**	**560,014**	**2,031,637**
Less: allowance for impairment losses	**(17,214)**	**(13,169)**	**(6,129)**	**(13,270)**	**(49,782)**
Other financial assets	**49,511**	**4,008**	**2,398**	**6,440**	**62,357**
Total	**1,401,297**	**788,931**	**354,004**	**815,988**	**3,360,220**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

(ix) Credit risk concentration of financial assets (continued)

a Geographical concentration (continued)

Financial assets other than securities (by location of business units) (continued)

Bank

	2016				
	Northern China	Eastern China	Southern China	Overseas and other PRC regions	Total
Balances with central bank	510,826	198	380	301	511,705
Balances with banks and other financial institutions	29,742	26,032	50,644	71,654	178,072
Placements with banks and other financial institutions	142,099	1,411	–	41,309	184,819
Financial assets held under resale agreements	49,908	13,257	10,895	15,986	90,046
Gross loans and advances to customers	765,488	729,408	325,015	625,643	2,445,554
Less: allowance for impairment losses	(25,705)	(15,539)	(7,158)	(15,273)	(63,675)
Other financial assets	59,653	6,614	3,045	6,329	75,641
Total	1,532,011	761,381	382,821	745,949	3,422,162

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

(ix) Credit risk concentration of financial assets (continued)

a Geographical concentration (continued)

Financial assets other than securities (by location of business units) (continued)

Group (continued)

	2015				
	Northern China	Eastern China	Southern China	Overseas and other PRC regions	Total
Balances with central bank	**407,026**	**5,590**	**5,169**	**5,764**	**423,549**
Balances with banks and other financial institutions	**28,020**	**34,203**	**14,157**	**25,048**	**101,428**
Placements with banks and other financial institutions	**196,171**	**790**	**1,110**	**31,146**	**229,217**
Financial assets held under resale agreements	**114,641**	**159,662**	**92,232**	**204,122**	**570,657**
Gross loans and advances to customers	**624,249**	**610,632**	**247,295**	**565,872**	**2,048,048**
Less: allowance for impairment losses	**(17,217)**	**(13,531)**	**(6,165)**	**(13,510)**	**(50,423)**
Long-term receivables	**84,590**	**–**	**–**	**7,989**	**92,579**
Other financial assets	**62,763**	**4,364**	**8,520**	**6,792**	**82,439**
Total	**1,500,243**	**801,710**	**362,318**	**833,223**	**3,497,494**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

(ix) Credit risk concentration of financial assets

Credit risk increases when counterparties are concentrated in same industries or geographical regions. The Group conducts its credit business predominantly within mainland China, with major customers concentrated in a number of key industries. In China, different regions and different industries have their own unique characteristics in economic development. This has consequently exposed the Group's operations to different credit risks.

a Geographical concentration

Financial assets other than securities (by location of business units)

Group

	2016				
	Northern China	Eastern China	Southern China	Overseas and other PRC regions	Total
Balances with central bank	510,873	1,723	1,014	1,643	515,253
Balances with banks and other financial institutions	33,605	29,706	51,654	73,449	188,414
Placements with banks and other financial institutions	140,157	1,411	–	41,309	182,877
Financial assets held under resale agreements	50,408	13,257	10,895	15,986	90,546
Gross loans and advances to customers	765,655	738,275	326,378	631,278	2,461,586
Less: allowance for impairment losses	(25,718)	(15,923)	(7,212)	(15,541)	(64,394)
Long-term receivables	94,791	–	–	–	94,791
Other financial assets	75,599	6,687	5,750	6,576	94,612
Total	1,645,370	775,136	388,479	754,700	3,563,685

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

(viii) Debt securities (continued)

RMB-denominated debt securities (continued)

The following tables show Standard & Poor's ratings on foreign currency debt securities of the Group and the Bank. (continued)

Bank

	2016				
	Financial assets at fair value through profit or loss	Available for-sale securities	Held-to-maturity securities	Loans and receivables	Total
AAA	–	1,260	–	–	1,260
AA- to AA+	297	10,205	156	–	10,658
A- to A+	1,248	34,878	4,733	–	40,859
Lower than A-	5,873	8,770	4,878	–	19,521
Unrated	5,898	1,811	170	17,722	25,601
Total	13,316	56,924	9,937	17,722	97,899

	2015				
	Financial assets at fair value through profit or loss	Available for-sale securities	Held-to-maturity securities	Loans and receivables	Total
AAA	102	609	–	–	711
AA- to AA+	–	1,463	–	–	1,463
A- to A+	45	623	–	–	668
Lower than A-	91	85	–	–	176
Unrated	539	–	284	9,348	10,171
Total	777	2,780	284	9,348	13,189

The Group's impaired debt securities which are individually assessed for impairment are valued at RMB1,139 million as at 31 December 2016 (31 December 2015: RMB2,124 million), incurring an impairment loss of RMB477 million (31 December 2015: RMB709 million).

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

(viii) Debt securities (continued)

RMB-denominated debt securities (continued)

The following tables show Standard & Poor's ratings on foreign currency debt securities of the Group and the Bank.

Group

	2016				
	Financial assets at fair value through profit or loss	Available for-sale securities	Held-to-maturity securities	Loans and receivables	Total
AAA	–	1,260	–	–	1,260
AA- to AA+	297	10,205	156	–	10,658
A- to A+	1,248	34,878	4,733	–	40,859
Lower than A-	6,110	8,882	4,878	–	19,870
Unrated	6,083	1,968	170	18,684	26,905
Total	13,738	57,193	9,937	18,684	99,552

	2015				
	Financial assets at fair value through profit or loss	Available for-sale securities	Held-to-maturity securities	Loans and receivables	Total
AAA	102	609	–	–	711
AA- to AA+	–	1,463	–	–	1,463
A- to A+	109	623	–	–	732
Lower than A-	91	85	–	–	176
Unrated	889	–	284	9,437	10,610
Total	1,191	2,780	284	9,437	13,692

3 Financial risk management (continued)

(2) Credit risk (continued)

(viii) Debt securities (continued)

RMB-denominated debt securities (continued)

Bank (continued)

	2015				
	Financial assets at fair value through profit or loss	Available for-sale securities	Held-to-maturity securities	Loans and receivables	Total
Debt securities					
Neither past due nor impaired	**25,389**	**147,477**	**277,998**	**441,182**	**892,046**
Past due but not impaired	**–**	**–**	**–**	**507**	**507**
Impaired	**–**	**173**	**187**	**–**	**360**
Subtotal	**25,389**	**147,650**	**278,185**	**441,689**	**892,913**
Less: allowance for impairment loss					
Neither past due nor impaired	**–**	**–**	**–**	**(1,469)**	**(1,469)**
Past due but not impaired	**–**	**–**	**–**	**(3)**	**(3)**
Impaired	**–**	**(70)**	**(105)**	**–**	**(175)**
Total	**25,389**	**147,580**	**278,080**	**440,217**	**891,266**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

(viii) Debt securities (continued)

RMB-denominated debt securities (continued)

Bank

	2016				
	Financial assets at fair value through profit or loss	Available-for-sale securities	Held-to-maturity securities	Loans and receivables	Total
Debt securities					
Neither past due nor impaired	61,858	225,132	651,313	1,130,175	2,068,478
Impaired	–	158	187	57	402
Subtotal	61,858	225,290	651,500	1,130,232	2,068,880
Less: allowance for impairment loss					
Neither past due nor impaired	–	–	–	(1,612)	(1,612)
Impaired	–	(59)	(75)	(2)	(136)
Total	61,858	225,231	651,425	1,128,618	2,067,132

3 Financial risk management (continued)

(2) Credit risk (continued)

(viii) Debt securities (continued)

RMB-denominated debt securities (continued)

Group (continued)

	2015				
	Financial assets at fair value through profit or loss	Available for-sale securities	Held-to-maturity securities	Loans and receivables	Total
Debt securities					
Neither past due nor impaired	**25,750**	**148,567**	**277,998**	**441,592**	**893,907**
Past due but not impaired	**–**	**–**	**–**	**507**	**507**
Impaired	**–**	**173**	**187**	**1,400**	**1,760**
Subtotal	**25,750**	**148,740**	**278,185**	**443,499**	**896,174**
Less: allowance for impairment loss					
Neither past due nor impaired	**–**	**–**	**–**	**(1,469)**	**(1,469)**
Past due but not impaired	**–**	**–**	**–**	**(3)**	**(3)**
Impaired	**–**	**(70)**	**(105)**	**(225)**	**(400)**
Total	**25,750**	**148,670**	**278,080**	**441,802**	**894,302**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

(viii) Debt securities

RMB-denominated debt securities

Group

	2016				
	Financial assets at fair value through profit or loss	Available for-sale securities	Held-to-maturity securities	Loans and receivables	Total
Debt securities					
Neither past due nor impaired	61,858	227,162	651,313	1,131,425	2,071,758
Impaired	–	292	187	308	787
Subtotal	61,858	227,454	651,500	1,131,733	2,072,545
Less: allowance for impairment loss					
Neither past due nor impaired	–	–	–	(1,612)	(1,612)
Impaired	–	(64)	(75)	(76)	(215)
Total	61,858	227,390	651,425	1,130,045	2,070,718

3 Financial risk management (continued)

(2) Credit risk (continued)

(vi) Amounts due from banks and other financial institutions (continued)

Amounts neither past due nor impaired are analysed above according to the Group and the Bank's internal credit rating. Unrated amounts due from banks and non-bank financial institutions include amounts due from a number of domestic banks and non-bank financial institutions involved only in low-risk businesses, for which the Group and the Bank have not assigned an internal credit rating.

(vii) Long-term receivables

	Group	
	2016	2015
Long-term receivables		
Neither past due nor impaired	**91,478**	**87,421**
Past due but not impaired	**4,796**	**6,346**
Impaired	**1,958**	**1,585**
	98,232	**95,352**
Less: allowance for impairment loss		
Neither past due nor impaired	**(2,050)**	**(1,816)**
Past due but not impaired	**(769)**	**(566)**
Impaired	**(622)**	**(391)**
Subtotal	**(3,441)**	**(2,773)**
Net balance	**94,791**	**92,579**

3 Financial risk management (continued)

(2) Credit risk (continued)

(v) Loans and advances to customers (continued)

(d) Loans and advances rescheduled (continued)

Among impaired loans and advances, rescheduled loans and advances which were not past due or past due for no more than 90 days are as follows:

	Group and Bank	
	2016	2015
Loans and advances to customers	**951**	**230**
% of total loans and advances	**0.04%**	**0.01%**

(vi) Amounts due from banks and other financial institutions

Amounts due from banks and other financial institutions include balances with banks and other financial institutions, placements with banks and other financial institutions and financial assets held under resale agreements of which counterparties are banks and non-bank financial institutions.

	Group		Bank	
	2016	2015	2016	2015
Individually assessed and impaired gross amount	**168**	**179**	**168**	**179**
Allowances for impairment losses	**(156)**	**(156)**	**(156)**	**(156)**
Subtotal	**12**	**23**	**12**	**23**
Grade A to AAA	**352,671**	**465,226**	**343,771**	**459,522**
Grade B to BBB	**55,592**	**310,589**	**55,592**	**310,589**
Unrated	**53,562**	**125,464**	**53,562**	**125,464**
Subtotal	**461,825**	**901,279**	**452,925**	**895,575**
Total	**461,837**	**901,302**	**452,937**	**895,598**

3 Financial risk management (continued)

(2) Credit risk (continued)

(v) Loans and advances to customers (continued)

(c) Impaired loans (continued)

Impaired loans and advances by type of collateral:

	Group		Bank	
	2016	2015	2016	2015
Unsecured loans	**6,213**	**7,247**	**6,212**	**7,247**
Guaranteed loans	**20,729**	**15,370**	**20,511**	**15,193**
Loans secured by				
— tangible assets other than monetary assets	**11,624**	**7,631**	**11,467**	**7,502**
— monetary assets	**2,869**	**2,573**	**2,868**	**2,571**
Total	**41,435**	**32,821**	**41,058**	**32,513**
Fair value of collateral held against impaired loans	**9,396**	**7,656**	**9,334**	**7,620**

The above collateral mainly includes land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

(d) Loans and advances rescheduled

Rescheduling is a voluntary or, to a limited extent, court-supervised procedure, through which the Group and a borrower and/or its guarantor, if any, reschedule credit terms generally as a result of deterioration in the borrower's financial condition or of the borrower's inability to make payments when due. The Group reschedules a non-performing loan only if the borrower has good prospects. In addition, prior to approving the rescheduling of loans, the Group typically requires additional guarantees, pledges and/or collateral, or assumption of the loans by a borrower with better repayment ability. Rescheduled loans amounted to RMB8,461 million as at 31 December 2016 (31 December 2015: RMB5,568 million).

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

(v) Loans and advances to customers (continued)

(c) Impaired loans

	Group		Bank	
	2016	2015	2016	2015
Corporate loans and advances	**22,198**	**19,710**	**22,134**	**19,651**
Personal loans and advances	**19,237**	**13,111**	**18,924**	**12,862**
Total	**41,435**	**32,821**	**41,058**	**32,513**
% of total loans and advances	**1.68%**	**1.60%**	**1.68%**	**1.60%**
Allowance for impairment losses				
— Corporate loans and advances	**(11,142)**	**(6,725)**	**(11,099)**	**(6,674)**
— Personal loans and advances	**(13,015)**	**(6,890)**	**(12,821)**	**(6,745)**
Total	**(24,157)**	**(13,615)**	**(23,920)**	**(13,419)**

All of the secured personal loans past due for more than 90 days as well as unsecured personal loans and guaranteed personal loans (excluding credit card and micro lending) past due for more than 30 days are identified as impaired loans. All of the secured micro lending past due for more than 180 days, guaranteed micro lending past due for more than 90 days, and unsecured micro lending past due for more than 30 days are identified as impaired loans. All the credit card past due for more than 90 days are identified as impaired loans by the Group.

3 Financial risk management (continued)

(2) Credit risk (continued)

(v) Loans and advances to customers (continued)

(b) Past due but not impaired (continued)

Bank

	2016				
	Less than 30 days	30 to 60 days	60 to 90 days	More than 90 days	Total
Corporate loans and advances	6,161	2,264	2,814	21,146	32,385
Personal loans and advances	4,577	2,959	3,663	1,355	12,554
Total	10,738	5,223	6,477	22,501	44,939

	2015				
	Less than 30 days	30 to 60 days	60 to 90 days	More than 90 days	Total
Corporate loans and advances	8,271	2,809	3,317	15,159	29,556
Personal loans and advances	6,524	4,951	4,980	1,654	18,109
Total	14,795	7,760	8,297	16,813	47,665

As at 31 December 2016, the balance of loans and advances past due but not impaired which were covered by collateral was RMB18,924 million (31 December 2015: RMB34,325 million). The fair value of collateral held against these loans and advances was amounted to RMB46,293 million (31 December 2015: RMB55,739 million).

The above collateral mainly includes land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

(v) Loans and advances to customers (continued)

(b) Past due but not impaired

In general, loans that are past due for less than 90 days are not identified as impaired loans unless there is evidence of impairment.

At the inception of loan drawdown, the Group requires independent asset valuation agencies to perform valuation assessments of the corresponding collateral. When there is evidence that indicates the collateral is impaired, the Group will review whether the collateral is sufficient to cover the credit risk of the corresponding loans.

The following table presents the ageing analysis of each type of loans and advances to customers of the Group and the Bank which were past due but not impaired as at the end of the reporting period.

Group

	2016				
	Less than 30 days	30 to 60 days	60 to 90 days	More than 90 days	Total
Corporate loans and advances	6,161	2,266	2,819	21,197	32,443
Personal loans and advances	4,653	3,008	3,698	1,717	13,076
Total	10,814	5,274	6,517	22,914	45,519

	2015				
	Less than 30 days	30 to 60 days	60 to 90 days	More than 90 days	Total
Corporate loans and advances	8,274	2,815	3,326	15,218	29,633
Personal loans and advances	6,708	5,062	5,035	1,855	18,660
Total	14,982	7,877	8,361	17,073	48,293

3 Financial risk management (continued)

(2) Credit risk (continued)

(v) Loans and advances to customers (continued)

(a) Neither past due nor impaired

Credit risk of loans and advances to customers neither past due nor impaired was analysed as follows:

	Group		Bank	
	2016	2015	2016	2015
Corporate loans and advances	**1,506,023**	**1,270,677**	**1,501,866**	**1,265,195**
Personal loans and advances	**868,609**	**696,257**	**857,691**	**686,264**
Total	**2,374,632**	**1,966,934**	**2,359,557**	**1,951,459**

Loans and advances to customers neither past due nor impaired were analysed by types of collateral as follows:

	Group		Bank	
	2016	2015	2016	2015
Unsecured loans	**482,196**	**365,994**	**482,326**	**365,795**
Guaranteed loans	**590,411**	**565,381**	**584,337**	**558,810**
Loans secured by				
— tangible assets other than monetary assets	**945,956**	**764,451**	**939,095**	**759,124**
— monetary assets	**356,069**	**271,108**	**353,799**	**267,730**
Total	**2,374,632**	**1,966,934**	**2,359,557**	**1,951,459**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

(v) Loans and advances to customers

	Group		Bank	
	2016	2015	2016	2015
Gross balance of loans and advances to customers				
Neither past due nor impaired	2,374,632	1,966,934	2,359,557	1,951,459
Past due but not impaired	45,519	48,293	44,939	47,665
Impaired	41,435	32,821	41,058	32,513
	2,461,586	2,048,048	2,445,554	2,031,637
Less: allowance for impairment loss				
Neither past due nor impaired	(34,323)	(30,060)	(33,898)	(29,669)
Past due but not impaired	(5,914)	(6,748)	(5,857)	(6,694)
Impaired	(24,157)	(13,615)	(23,920)	(13,419)
	(64,394)	(50,423)	(63,675)	(49,782)
Net balance				
Neither past due nor impaired	2,340,309	1,936,874	2,325,659	1,921,790
Past due but not impaired	39,605	41,545	39,082	40,971
Impaired	17,278	19,206	17,138	19,094
	2,397,192	1,997,625	2,381,879	1,981,855

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

(iv) Maximum credit risk exposure

The following table presents the Group's and the Bank's maximum exposure to credit risk as at the end of the reporting period without considering any collateral held or other credit enhancements, which is represented by the carrying amount of each type of financial assets after deducting any impairment allowance.

	Group		Bank	
	2016	2015	2016	2015
Balances with central bank	**515,253**	**423,549**	**511,705**	**420,410**
Balances with banks and other financial institutions	**188,414**	**101,428**	**178,072**	**94,362**
Financial assets at fair value through profit or loss				
— Debt securities	**75,596**	**26,941**	**75,174**	**26,166**
Positive fair value of derivatives	**7,843**	**5,175**	**7,759**	**5,055**
Placements with banks and other financial institutions	**182,877**	**229,217**	**184,819**	**230,579**
Financial assets held under resale agreements	**90,546**	**570,657**	**90,046**	**570,657**
Loans and advances to customers				
— Corporate loans and advances	**1,521,076**	**1,289,553**	**1,516,980**	**1,284,139**
— Personal loans and advances	**876,116**	**708,072**	**864,899**	**697,716**
Investment securities				
— Debt securities	**2,094,674**	**881,053**	**2,089,857**	**878,289**
Long-term receivables	**94,791**	**92,579**	**—**	**—**
Other financial assets	**86,769**	**77,264**	**67,882**	**57,302**
Total	**5,733,955**	**4,405,488**	**5,587,193**	**4,264,675**
Off-balance sheet credit commitments	**998,270**	**1,127,874**	**990,559**	**1,121,402**
Maximum credit risk exposure	**6,732,225**	**5,533,362**	**6,577,752**	**5,386,077**

3 Financial risk management (continued)

(2) Credit risk (continued)

(iii) Impairment allowance policies

In accordance with accounting policies and regulations, if there is objective evidence that indicates the cash flow for a particular loan is expected to decrease, and the amount can be estimated, the loan is recorded as an impaired loan and the impairment loss is recognised in the income statement.

Note 2(5) illustrates the criteria that the Group uses to determine that there is an objective evidence of impairment loss.

The Group's policy requires regular review of the quality of individually significant financial assets. For assets for which an allowance for impairment loss is provided individually, the amount is determined by an evaluation of the incurred loss at reporting date on a case-by-case basis. In making such assessments, the Group considers the value of collateral held and expected future cash flows from the asset.

Impairment allowances are provided for the following portfolios according to historical data, experience and statistical techniques: (i) those consisting of homogenous assets that are individually below materiality thresholds; and (ii) those where losses that have been incurred but have not yet been individually identified with any specific asset within the portfolio.

3 Financial risk management (continued)

(2) Credit risk (continued)

(ii) Risk limit control and mitigation policies (continued)

b Derivative instruments

Only the Bank is authorised to engage in financial derivative transactions. The Bank maintains strict net exposure limits in its financial derivative transactions with counterparties and monitors the activities through daily summary reports on the use of exposure limits. The Bank's exposure to credit risk of derivative instruments is limited to derivative instruments with positive fair value. The Bank sets credit limits for counterparties in its management system to monitor the credit position of derivative transactions and mitigates credit risk associated with derivative instruments by requiring margin deposits from counterparties.

c Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer when required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. In some cases, such as those situations where the amount of credit commitment exceeds the original credit limit, guarantee deposits are received by the Group to lessen the credit risks related to such commitments. The Group's potential amount of credit risk exposure is equivalent to the total amount of credit commitments.

Loan commitments and financial leasing commitments represent unused portions of authorisations to extend credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

3 Financial risk management (continued)

(2) Credit risk (continued)

(ii) Risk limit control and mitigation policies (continued)

Other specific control and mitigation measures include:

a Collateral

The Group and its subsidiaries have individually established a range of risk management policies and adopted different methods to mitigate credit risk. A critical method for the Group's control of its credit risks is to acquire collateral, security deposits and guarantees from enterprises or individuals. The Group has specified acceptable types of collaterals, mainly including the following:

— Real estate and land use rights

— Machinery and equipment

— Right to receive payments and accounts receivable

— Financial instruments such as time deposits, debt securities and equities.

In order to minimise its credit risk, once an indication of impairment has been identified with an individual loan, the Group will seek additional collateral from counterparties or require additional guarantors.

Collateral held as security for financial assets other than loans and accounts receivable is determined by the instruments' nature. Debt securities are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

3 Financial risk management (continued)

(2) Credit risk (continued)

(i) Credit risk measurement (continued)

b Debt securities and other bills

The Group manages its credit risk exposure of debt securities and other bills by including issuers' credit exposures into the unified credit-grant management and control processes. The Group continues to optimise its exposure structure by requiring a minimum external rating of the debt securities of investment access management and by setting investment structure concentration requirements of portfolio management. In addition, the risk control staff will regularly analyse the credit profile of issuers of debt securities, and the operational staff will continue to optimise and adjust the investment portfolio based on the risk-mitigation recommendations.

(ii) Risk limit control and mitigation policies

The Group exercises risk concentration management and controls over its counterparties, whether individuals or groups, and industries and geographical regions.

The Group has established relevant mechanisms to apply tiered management of credit risks, and set limits to acceptable risks for different individual or group counterparties, different industries and geographical regions. The Bank monitors the risk status of these customers regularly and reviews their risk positions at least once a year.

Risk exposures to borrowers, including banks, are further classified into on- and off-balance sheet risk exposures, and controls have been applied to daily risk limits of each trading account. The Bank also monitors basis actual risk exposures daily in relation to corresponding risk limits.

The Group controls its credit risks through, among other necessary measures, regular analyses of a customer's ability to repay interest and principal, and making appropriate adjustments to credit lines.

3 Financial risk management (continued)

(2) Credit risk (continued)

(i) Credit risk measurement

a Loans and credit commitments

The Group measures and manages the quality of its credit assets in accordance with the *CBRC Guidelines for Risk Classification of Loans* (the "Guidelines"). The Guidelines require financial institutions to classify their credit assets into five categories, namely pass, special mention, sub-standard, doubtful and loss, of which the last three categories are non-performing loans. At the same time, the Group includes its off-balance sheet credit commitments as part of its overall credit extension, applies credit limit management, and classifies key on-balance sheet and off-balance sheet items in accordance with the Guidelines. The Bank has also developed the *Administrative Measures for Risk Classification of Credit Assets of China Minsheng Banking Corporation Limited* to guide its daily risk management of credit assets, following classification principles fully consistent with the Guidelines.

The core definitions of credit asset classifications in the Guidelines are as follows:

Pass:	The borrower can fulfill contracts, and there is no sufficient reason to suspect that the principal and interest of loans cannot be repaid in full on time.
Special-mention:	The borrower can make current payments, but there may be some potential issues that could adversely impact future payments.
Substandard:	The borrower's repayment ability has been impaired and its normal income is insufficient to repay the loan principal and interest in full. Even with the enforcement of the related guarantee (if any), there may be a certain level of loss.
Doubtful:	The borrower can't repay the principal plus the interest in full. Even with the enforcement of guarantee (if any), there will be a significant loss.
Loss:	After taking all possible actions or resorting to all necessary legal proceedings, the loan principal and interest cannot be recovered or only a small portion of them can be recovered.

3 Financial risk management (continued)

(1) Financial risk management overview (continued)

The Group's risk management policies are designed to set appropriate risk limits and controls, and to monitor risks and limit compliance through reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems in line with changes in markets, products and the industry's best practices.

The Bank has a Risk Management Committee under the Board of Directors, and the committee is responsible for setting the Bank's overall risk management strategies, monitoring the Bank's risk management and internal controls and assessing the Bank's overall risk position. In accordance with the risk management strategies set by the committee, the Bank's senior management formulates and promotes compliance of risk management policies, practices and procedures.

The Bank has a Strategic Development and Investment Management Committee under the Board of Directors. The committee is responsible for the daily management of subsidiaries, with a comprehensive risk management framework in the pipeline at the Group level.

The most significant types of risks to the Group are credit risk, market risk, liquidity risk and operational risk. Market risk comprises currency risk, interest rate risk and other price risk.

(2) Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk is the most important risk for the Group's operating activities; management therefore carefully manages its exposure to it. Credit exposures arise principally from lending, trade finance, credit debt securities and leasing activities. There is also credit risk in off-balance sheet financial instruments, such as credit commitments and derivatives.

Currently, the Bank's Risk Management Committee is responsible for decision-making and centralised coordination in credit risk prevention. The committee manages credit risk through a number of methods, including specialised credit assessment, centralised quality monitoring, and centralised management and collection of stressed assets.

2 Basis of preparation and accounting policies (continued)

(24) Operating segment

The Group determines its operating segments on the basis of its internal organisational structure, management requirements and internal reporting practices.

An operating segment is a component of the Group that meets all the following requirements: (i) it engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group; (ii) its operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and (iii) separate financial information is available. The operating segments that meet the specified criteria have been aggregated, and the operating segment that meets quantitative thresholds have been reported separately.

The reports on an operating segment are consistent with those internal reports submitted to the chief operating decision maker.

3 Financial risk management

(1) Financial risk management overview

The Group's activities expose it to a variety of financial risks, which entails analyses, evaluations, acceptance and management of risks of varying degrees or combinations. The core characteristic of the financial business is taking risk; risks are inevitable in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

As at 31 December 2016, the Group provides commercial banking, leasing, fund raising and sales and other financial services through the Bank and its subsidiaries, Minsheng Financial Leasing Co., Ltd. ("Minsheng Financial Leasing"), Minsheng Royal Fund Management Co., Ltd. ("Minsheng Royal Fund") and CMBC International Holding Ltd. ("CMBC International"), and 29 Rural banks. Its subsidiaries as separate entities, are responsible for financial risk management in their respective businesses. In 2016, the financial risk arising from commercial banking was the most significant risk for the Group's operations.

2 Basis of preparation and accounting policies (continued)

(23) Related parties (continued)

(ii) An entity is related to the Group if any of the following conditions applies:

a The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

b One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

c Both entities are joint ventures of the same third party;

d One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

e The entity is controlled or jointly controlled by a person identified in (i);

f A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 Basis of preparation and accounting policies (continued)

(21) Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, unrestricted balances held with central banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

(22) Financial guarantees contracts

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable. The estimation for impairment allowance is based on similar transaction, historical experience and management judgment.

(23) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

a has control or joint control over the Group;

b has significant influence over the Group; or

c is a member of the key management personnel of the Group.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and accounting policies (continued)

(19) Hedge accounting

Hedge accounting is a method which recognises in profit or loss the offsetting effect of changes in the fair value of the hedging instrument and the hedged item in the same accounting period(s).

Hedged items are the items that expose the Group to risks of changes in fair value or future cash flows and that are designated as being hedged.

A hedging instrument is a designated derivative whose changes in fair value or cash flows are expected to offset changes in the fair value or cash flows of the hedged item.

The hedge is assessed by the Group for effectiveness on an ongoing basis and judged whether it was highly effective throughout the accounting periods for which the hedging relationship was designated. Group only adopts cash flow hedging accounting.

A cash flow hedge is a hedge of the exposure to variability in cash flows. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income as a separate component. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in profit or loss.

When the hedged cash flow affects profit or loss, the gain or loss on the hedging instrument recognised directly in other comprehensive income from the period when the hedge was effective is recycled in the corresponding income or expense line of the statement of profit or loss. When a hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting, the Group will discontinue the hedge accounting treatments prospectively. In this case, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income until the hedged forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss.

(20) Profit distribution

Proposed dividends which are declared and approved after the end of each reporting period are not recognised as a liability in the statement of financial position and are instead disclosed as a subsequent event after the end of each reporting period in the notes to the financial statements. Dividends payable are recognised as liabilities in the period in which they are approved.

2 Basis of preparation and accounting policies (continued)

(17) Contingent liabilities

A potential obligation arising from a past transaction or event whose existence can only be confirmed by the occurrence or non-occurrence of future uncertain events; or a present obligation that arises from past transactions or events where it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as a contingent liability unless the probability of outflow of economic benefit is remote.

Contingent liabilities which are not recognised as a liability are expected to be disclosed in the notes only. If the situation changes, the contingent liabilities are recognised as liability when it is probable that an outflow of economic resources will be required and the amount of obligation can be measured reliably.

(18) Fiduciary activities

The Group's fiduciary business refers to the management of assets for customers in accordance with custody agreements signed by the Group and securities investment funds, insurance companies, annuity plans and other organisations. The Group fulfils its fiduciary duty and receives relevant fees in accordance with these agreements, and does not take up any risks and rewards related to the assets under custody, which are recorded as off-balance sheet items.

The Group conducts entrusted lending business, whereby it enters into entrusted loan agreements with customers. Under the terms of these agreements, the customers provide funding (the "entrusted funds") to the Group, and the Group grants loans to third parties (the "entrusted loans") according to the instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, entrusted loans and funds are recorded as off-balance sheet items at their principal amounts and no impairment assessments are made for these entrusted loans.

2 Basis of preparation and accounting policies (continued)

(16) Leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred or not. An operating lease is a lease other than a finance lease.

(i) Operating leases

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss, using the straight-line method, over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(ii) Finance leases

When the Group is a lessor under financial lease, at the leasing commencement date, the minimum lease payments receivables and initial direct costs are recognised as finance lease receivables and any unguaranteed residual value is recognised at the same time. The difference between the sum of minimum lease payments receivables, initial direct costs, the unguaranteed residual value and their present value is accounted for as unearned finance income.

The unearned finance income is amortised using the effective interest method over the lease period.

Impairment losses on lease receivables are accounted for in accordance with the accounting policies set out in Note 2(5)(iv).

2 Basis of preparation and accounting policies (continued)

(14) Employee benefits

(i) Short-term employee benefits

In the reporting period in which an employee has rendered services, the Group recognises the short-term employee benefits payable for those services as a liability with a corresponding increase in the expenses in the consolidated statement of profit or loss. Short-term employee benefits include salaries, bonuses, allowance, staff welfare, medical insurance, employment injury insurance, maternity insurance, housing funds as well as labour union fee and staff and workers' education fee.

(ii) Post-employment benefits-defined contribution plans

The Group's post-employment benefits are primarily the payments for basic pension fund and unemployment insurance related to government mandated social welfare programs, as well as the annuity scheme established. All these post-employment benefits are defined contribution plans, under which, the Group makes fixed contributions into a separate fund and will have no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods.

Contributions to the post-employment benefits plans are recognised in the consolidated statement of profit or loss for the period in which the related payment obligation is incurred.

(15) Provisions

A provision is recognised in the statement of financial position if, as the result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

2 Basis of preparation and accounting policies (continued)

(13) Income tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax also arises from unused tax losses and unused tax credits. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

At the end of each reporting period, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled according to the requirements of tax laws. The Group also considers the possibility of realisation and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. Otherwise, the balances of deferred tax assets and deferred tax liabilities, and movements therein, are presented separately from each other and are not offset.

Current income tax and movements in deferred tax balances are recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

2 Basis of preparation and accounting policies (continued)

(12) Impairment of non-financial assets (continued)

The recoverable amount of an asset (or CGU, group of CGUs) is the higher of its fair value less costs to sell and the present value of the expected future cash flows. The Group considers all relevant factors in estimating the present value of future cash flows, such as the expected future cash flows, the useful life and the discount rate.

(i) Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to the profit or loss.

For a CGU or a group of CGUs, the amount of impairment loss firstly reduces the carrying amount of any goodwill allocated to the CGU or group of CGUs, and then reduces the carrying amount of other assets (other than goodwill) within the CGU or group of CGUs, pro rata on the basis of the carrying amount of each asset.

(ii) Reversing an impairment loss

If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

An impairment loss in respect of goodwill is not reversed.

2 Basis of preparation and accounting policies (continued)

(10) Property and equipment (continued)

Gains or losses arising from the retirement or disposal of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the assets are recognised in profit or loss on the date of retirement or disposal.

(11) Intangible assets

Intangible assets include land use rights and computer software, and they are measured at cost.

The cost less estimated net residual values of the intangible assets is amortised in profit or loss on a straight-line basis over their useful lives. Impaired intangible assets are amortised net of accumulated impairment losses.

If purchase costs of land use rights and the buildings located thereon cannot be reliably allocated between the land use rights and the buildings, all of the purchase costs are recognised as properties.

At the end of each reporting period, the Group analyses the estimated useful lives and the amortisation method of the intangible assets, and adjusts if appropriate.

(12) Impairment of non-financial assets

At the end of each reporting period, the Group assesses whether there is any indication that a non-financial asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired and it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and accounting policies (continued)

(10) Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of an asset.

The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item, if it is probable that the future economic benefits associated with the item will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. Expenditures relating to ordinary maintenance of property and equipment are recognised in profit or loss.

Depreciation is amortised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation rates of the investment properties are as follows:

	Estimated useful lives	Estimated net residual value	Annual depreciation rates
Buildings	15–40 years	5%	2.38%–6.33%
Leasehold improvements	5–10 years	0%	10%–20%
Office equipment	5–10 years	5%	9.5%–19%
Transportation equipment	5–24 years	5%	3.96%–19%

No depreciation is provided on construction work in progress.

At the end of each reporting period, the Group analyses the estimated useful lives, net residual value and depreciation method of property and equipment, and adjusts if appropriate.

Impairment losses on property and equipment are accounted for in accordance with the accounting policies as set out in Note 2(12).

2 Basis of preparation and accounting policies (continued)

(9) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property. Investment properties are measured initially at cost. Subsequent costs are recognised in the carrying amount of the item if the recognition criteria are satisfied. Expenditures related to ordinary maintenance are recognised in profit or loss.

The Group adopts the cost model for subsequent measurement of the investment properties. Depreciation is calculated to write off to profit or loss the cost of investment properties, less their estimated residual value, if any, using the straight line method over their estimated useful lives. The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation rates of the investment properties are as follows:

	Estimated useful lives	Estimated net residual value	Annual depreciation rate
Buildings	40 years	5%	2.38%

When an investment property is transferred to an owner-occupied property, it is reclassified as property at its carrying amount at the transfer date. When an owner-occupied property is transferred to earn rentals or for capital appreciation, the property is reclassified as investment property at its carrying amount at the transfer date.

At the end of each reporting period, the Group analyses the estimated useful lives, net residual value and depreciation method of the investment property, and adjusts if appropriate.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the retirements or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the assets, and is recognised in profit or loss in the period of the retirement or disposal.

2 Basis of preparation and accounting policies (continued)

(7) Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under repurchase agreements in the statement of financial position. Assets held under resale agreements are not recognised. Assets sold under repurchase agreements continue to be recognised in the statement of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses respectively.

(8) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Repossessed assets are recognised and reported in "other assets" in the statement of financial position when the Group intends to achieve an orderly realization of the impaired assets and the Group is no longer seeking repayment from the borrower.

Repossessed assets are initially recognised at fair value plus related costs when they are obtained as compensation for loan principal and interest. Subsequently, the repossessed collateral assets are measured at the lower of their carrying amount and fair value less costs to sell. Repossessed assets do not carry depreciation and amortization. The impairment losses of initial measurement and subsequent revaluation are charged to the income statement.

2 Basis of preparation and accounting policies (continued)

(5) Financial instruments (continued)

(x) Preference share

Such preference shares or their components are initially recognised as financial assets, financial liabilities or equity instruments according to the terms and the economic substance combined with the definition of financial assets, financial liabilities and equity instruments.

When the issued preference shares contain equity and liability components, the Group follows the same accounting policy as for convertible bonds with equity components. For the issued preference shares which do not contain equity component, the Group follows the accounting policy as accounting for the convertible bonds only with liability component.

For the issued preference shares that should be classified as equity instruments, will be recognised as equity in actual amount received. Dividends payables are recognised as distribution of profits. Redemption before maturity will write down equity as redemption price.

(6) Precious metals

Precious metals comprise gold and other precious metals. Precious metals that are acquired by the Group principally for trading purpose are initially recognised at fair value and re-measured at fair value with changes in fair value included in "net trading gain/(loss)" in the statement of comprehensive income. Precious metals that are not acquired by the Group principally for trading purpose are carried at lower of cost and net realisable value.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and accounting policies (continued)

(5) Financial instruments (continued)

(viii) Derivative financial instruments and embedded derivative financial instruments (continued)

If an embedded derivative is separated, the host contract shall be accounted for as financial assets or liabilities, if it is a financial instrument.

Gains and losses from changes in fair value of derivatives, including the contractual interest, that do not qualify for hedge accounting are reported in profit or loss. The Group has no derivative positions that are accounted for as hedges.

(ix) Asset-backed securities

The Group securitises various corporate loans, which generally results in the sale of these assets to special purpose entity, which, in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of senior or subordinated tranches, or other residual interests (retained interests). Retained interests are carried at fair value on inception date on the Group's statement of financial position. Gains or losses on asset-backed securities depend in part on the carrying amount of the transferred financial assets, allocated between the financial assets derecognised and the retained interests based on their relative fair values at the date of the transfer. Gains or losses on asset-backed securities are recorded in other operating income.

In applying its policies on securitised financial assets, the Group has considered both the degree of transfer of risks and rewards on assets transferred and the degree of control exercised by the Group over the financial assets:

- when the Group transfers substantially all the risks and rewards of ownership of the financial assets, the Group shall derecognise the financial assets;

- when the Group retains substantially all the risks and rewards of ownership of the financial assets, the Group shall continue to recognise the financial assets; and

- when the Group neither transfers nor retains substantially all the risk and rewards of ownership of the financial assets, the Group would determine whether it has retained control of the financial assets. If the Group has not retained control, it shall derecognise the financial assets and recognise separately as assets.

2 Basis of preparation and accounting policies (continued)

(5) Financial instruments (continued)

(viii) Derivative financial instruments and embedded derivative financial instruments

The Group uses derivative financial instruments such as forward, futures, swap and option contracts to hedge its risks associated with foreign currency and interest rate fluctuation respectively. A derivative financial instrument has all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable;

- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;

- it is settled at a future date.

Derivatives are recognised at fair value upon initial recognition. The positive fair value is recognised as an asset while the negative fair value is recognised as a liability. The gain or loss on re-measurement to fair value is recognised in profit or loss.

An embedded derivative financial instrument is a component of a hybrid contract that includes a non-derivative host contract (the "host contract"), and the derivative financial instrument causes some or all of the cash flows that otherwise would be required by the contract to be modified, according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or interest rate index, credit rating or credit index, or other variables such as the conversion option of a convertible bond. The embedded derivative is separated from the host contract and accounted for as a separate derivative when (i) the economic characteristics and risks of the embedded derivative are not closely related to the host contract; (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (iii) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss.

2 Basis of preparation and accounting policies (continued)

(5) Financial instruments (continued)

(vi) Fair value measurement

If there is an active market for financial instruments, the fair value of financial instruments is based on quoted market prices without any deduction for transaction costs that may occur on sale or other disposal. The appropriate quoted price in an active market for a financial asset held or liability to be issued is usually the current bid price and, for an asset to be acquired or liability held, the asking price. Quoted prices from an active market are prices that are readily and regularly available from an exchange, dealer, broker, industry group or pricing service agency, etc, and represent prices of actual and regularly occurring market transactions on an arm's length basis.

If a quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include recent arm's length market transactions between knowledgeable and willing parties, reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The Group selects valuation techniques that are commonly accepted by market participants for pricing the instruments and these techniques have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. Periodically, the Group reviews the valuation techniques and tests them for validity.

(vii) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

2 Basis of preparation and accounting policies (continued)

(5) Financial instruments (continued)

(v) Financial liabilities

a Classification, recognition and measurement

The Group classifies its financial liabilities into the following two categories at inception: financial liabilities at fair value through profit or loss and other financial liabilities.

— *Financial liabilities at fair value through profit or loss*

A financial liability is classified as financial liabilities at fair value through profit or loss if it is incurred principally for the purpose of repurchasing it in the near term.

— *Other financial liabilities*

Other financial liabilities are recognised initially at fair value net of transaction costs incurred. Other financial liabilities are subsequently carried at amortised cost using the effective interest method.

b Derecognition

The financial liability is derecognised only when: (i) the underlying present obligation specified in the contracts is discharged, cancelled or expired, or (ii) an agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

2 Basis of preparation and accounting policies (continued)

(5) Financial instruments (continued)

(iv) Impairment of financial assets (continued)

b Available-for-sale financial assets

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognised in other comprehensive income is reclassified to the profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from equity is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. For available-for-sale financial assets in equity instruments measured at cost, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognised in profit or loss.

If, in a subsequent period, the fair value of available-for-sale financial assets increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss shall be treated in accordance with the following principles: (i) the impairment loss on debt instruments classified as available-for-sale shall be reversed, with the amount of the reversal recognised in profit or loss; (ii) the impairment loss on equity instruments classified as available-for-sale shall not be reversed through the profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income; or (iii) the impairment loss in respect of available-for-sale equity investments carried at cost shall not be reversed. The impairment losses recognised in an interim period in respect of such financial assets are not reversed in a subsequent period. This is the case even if no loss or a smaller loss would have been recognised had the impairment been assessed only at the end of the year to which the interim period relates.

2 Basis of preparation and accounting policies (continued)

(5) Financial instruments (continued)

(iv) Impairment of financial assets (continued)

a Loans and receivables and held-to-maturity investments (continued)

Collective assessment (continued)

Impairment losses recognised on a collective basis represent an interim step pending the identification of impairment losses on individual assets (which are subject to individual assessment) in the pool of financial assets that are collectively assessed for impairment.

At the end of each reporting period, collective assessment covers those loans and receivables that were impaired but was not individually identified as such until some time in the future. As soon as information is available to specifically identify objective evidence of impairment on individual assets in a pool, those assets are removed from the pool of collectively assessed financial assets.

Impairment reversal and loan write-off

If, in a subsequent period, the amount of the impairment loss on loans and receivables and held-to-maturity investments decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The amount of the reversal is recognised in profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortised cost at the date of the reversal had the impairment not been recognised.

When the Group determines that a loan has no reasonable prospect of recovery after the Group has completed all the necessary legal or other proceedings, the loan is written off against its allowance for impairment losses. If in a subsequent period the loan written off is recovered, the amount recovered will be recognised in profit or loss through impairment losses.

2 Basis of preparation and accounting policies (continued)

(5) Financial instruments (continued)

(iv) Impairment of financial assets (continued)

a Loans and receivables and held-to-maturity investments (continued)

Collective assessment

Homogeneous groups of loans and advances to customers not considered individually significant and individually assessed loans and receivables with no objective evidence of impairment on an individual basis are assessed for impairment losses on a collective basis. If there is observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those financial assets, the impairment is recognised and recorded in profit or loss.

For homogeneous groups of loans and advances that are not considered individually significant, the Group adopts a flow rate methodology to assess impairment losses on a collective basis. This methodology utilises a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic conditions.

Loans and receivables investments which are individually significant and therefore have been individually assessed but for which no impairment can be identified, are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. The collective impairment loss is assessed after taking into account: (i) historical loss experience in portfolios of similar risk characteristics; (ii) the emergence period between a loss occurring and that loss being identified; and (iii) the current economic and credit environments and whether in management's experience these indicate that the actual level of inherent losses is likely to be greater or less than that suggested by historical experience.

The emergence period between a loss occurring and its identification is determined by management based on the historical experience of the markets where the Group operates.

2 Basis of preparation and accounting policies (continued)

(5) Financial instruments (continued)

(iv) Impairment of financial assets (continued)

— observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot be identified with the individual financial assets in the Group, including: adverse changes in the payment status of borrowers in the Group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the Group;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer of an equity instrument;

— a significant (the decline of fair value over 50%) or prolonged decline (the continued decline of fair value over one year) in the fair value of an investment in an equity instrument below its cost; and

— other objective evidence indicating there is an impairment of the financial asset.

a Loans and receivables and held-to-maturity investments

Individual assessment

Loans and receivables and held-to-maturity investments, which are considered individually significant, are assessed individually for impairment. If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred on an individual basis, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate, and recognised in profit or loss.

Cash flows relating to short-term loans and receivables and held-to-maturity investments are not discounted if the effect of discounting is immaterial. The calculation of the present value of the estimated future cash flows of a collateralised loan or receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

2 Basis of preparation and accounting policies (continued)

(5) Financial instruments (continued)

(iv) Impairment of financial assets

At the end of each reporting period, the Group assesses the carrying amount of financial assets (except for those at fair value through profit or loss). If there is any objective evidence that a financial asset is impaired, the Group will recognise the impairment loss in profit or loss. Losses expected as a result of future events, no matter how likely, are not recognised as impairment losses.

Objective evidence that a financial asset is impaired includes one or more events that occurred after the initial recognition of the asset where the event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Objective evidence includes the following loss event:

— significant financial difficulty of the borrower or issuer;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;

— it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

— disappearance of an active market for financial assets because of financial difficulties;

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and accounting policies (continued)

(5) Financial instruments (continued)

(ii) Recognition and measurement of financial assets (continued)

Dividend income from the available-for-sale equity instruments is recognised in profit or loss when the investee declares the dividends. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss.

(iii) Derecognition of financial assets

The Group derecognises a financial asset if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of transfer of cash flows and transfers substantially all the risks and rewards of ownership of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset. If the Group has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.

2 Basis of preparation and accounting policies (continued)

(5) Financial instruments (continued)

(ii) Recognition and measurement of financial assets

All financial assets are recognised in the statement of financial position, when and only when, the Group becomes a party to the contractual provisions of the instrument.

Financial assets are measured initially at fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the instrument. Transaction costs for financial assets at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, held-to-maturity investments and loans and receivables are measured at amortised cost, while other categories of financial assets are measured at fair value, without any deduction for transaction costs that may occur on sale or other disposal. Investments in available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment losses.

Gains and losses from changes in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss.

Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated separately in equity, except for impairment losses and foreign exchange gains and losses on monetary items such as debt securities which are recognised in profit or loss.

When the available-for-sale financial assets are sold, gains or losses on disposal are recognised in profit or loss. Gains or losses on disposal include those previously recognised in other comprehensive income and reclassified into the profit or loss.

2 Basis of preparation and accounting policies (continued)

(5) Financial instruments (continued)

(i) Classification of financial assets (continued)

c Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Group has the positive intention and ability to hold to maturity, other than (i) those that the Group upon initial recognition designates as at fair value through profit or loss; (ii) those that the Group designates as available-for-sale and; (iii) those that meet the definition of loans and receivables.

The Group shall reclassify any remaining held-to-maturity investments as available-for-sale and shall not classify any financial assets as held-to-maturity during the current financial year or during the two preceding financial years, if the Group has sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity (more than insignificant in relation to the total amount of held-to-maturity investments) except for sale or reclassification that:

— is so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;

— occurs after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or

— is attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

d Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as: (i) financial assets at fair value through profit or loss; (ii) held-to-maturity investments; or (iii) loans and receivables.

2 Basis of preparation and accounting policies (continued)

(5) Financial instruments (continued)

(i) Classification of financial assets (continued)

a Financial assets at fair value through profit or loss (continued)

Financial assets are designated at fair value through profit or loss upon initial recognition when: (i) the financial assets are managed, evaluated and reported internally on a fair value basis; (ii) the designation eliminates or significantly reduces an accounting mismatch in the gain and loss recognition arising from the difference in measurement basis of the financial assets; or (iii) if a contract contains one or more embedded derivatives, an entity may designate the entire hybrid (combined) contract as a financial asset at fair value through profit or loss unless: the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets designated at fair value through profit or loss of the Group are reported in "financial assets at fair value through profit or loss" in the statement of financial position.

b Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (i) those that the Group intends to sell immediately or in the near term; (ii) those that the Group upon initial recognition designates as at fair value through profit or loss or as available-for-sale; or (iii) those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale.

2 Basis of preparation and accounting policies (continued)

(4) Income recognition (continued)

(ii) Fee and commission income

Fee and commission income is recognised in profit or loss when the corresponding service is provided. Origination or commitment fees received by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. If the commitment expires without the Group making a loan, the fee is recognised as revenue on expiry.

(5) Financial instruments

(i) Classification of financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Management determines the classification of the Group's investments at initial recognition.

a Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include those classified as held for trading, and those designated as at fair value through profit or loss.

A financial asset is classified as held for trading if it is: (i) acquired principally for the purpose of selling it in the near term; (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative (except for a derivative that is a designated and effective hedging instrument or a financial guarantee contract).

2 Basis of preparation and accounting policies (continued)

(3) Foreign currency translation (continued)

The effect of exchange rate changes on cash is presented separately in the statement of cash flows.

(4) Income recognition

Provided it is probable that economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Interest income

Interest income from interest-bearing financial instruments is recognised in profit or loss based on the effective interest method. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest on the impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the related impairment loss.

When the future cash flow or the expected life of financial assets or financial liabilities could not be estimated reliably, the Group adopted the contractual cash flow over the full contractual term of the financial assets or financial liabilities.

2 Basis of preparation and accounting policies (continued)

(2) Consolidated financial statements (continued)

(ii) Structured entities

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entities, for example when any voting rights relate to administrative tasks only, and key activities are directed by contractual agreement. Involvement with consolidated and unconsolidated structured entities is disclosed in Note 44 and 45.

(3) Foreign currency translation

These financial statements are presented in RMB, unless otherwise stated, rounded to the nearest million, which is the functional currency of domestic branches and subsidiaries of the Group. The functional currencies of overseas entities are determined in accordance with the primary economic environment in which they operate.

Transactions in foreign currencies are translated into the respective functional currencies of the operations at the spot exchange rates at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at that date. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the spot exchange rates at the dates of the transactions. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rates at the dates the fair values are determined; exchange differences are recognised in profit or loss, except for the differences arising from the translation of available-for-sale equity instruments, which are recognised in other comprehensive income.

Foreign currency financial statements of overseas entities are translated into RMB for the preparation of consolidated financial statements. At the end of each reporting period, the assets and liabilities in the financial statements denominated in foreign currencies are translated into RMB at the spot exchange rates ruling at that date. The income and expenses of foreign operations are translated into RMB at the spot exchange rates or the rates that approximate the spot exchange rates on the transaction dates. Foreign exchange differences arising from foreign operations are recognised as "exchange reserve" in the shareholder's equity in the statement of financial position.

2 Basis of preparation and accounting policies (continued)

(2) Consolidated financial statements

The Group's consolidated financial statements comprise the Bank, its subsidiaries and structured entities controlled by the Group.

The Bank controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Bank has power, only substantive rights (held by the Bank and other parties) are considered.

(i) Subsidiaries

For the separate financial statements of the Bank, investments in subsidiaries are accounted for at cost. At initial recognition, investment in subsidiaries is measured at: the cost of acquisition determined at the acquisition date when the subsidiaries are acquired through business combination; or the cost of capital injected into the subsidiaries set up by the Group. Impairment losses on investments in subsidiaries are accounted for in accordance with the accounting policies as set out in Note 2(12).

The results and affairs of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. When preparing the consolidated financial statements, the Bank shall make necessary adjustments on the accounting period and accounting policies of subsidiaries to comply with those of the Bank.

Intragroup balances and transactions, and any profits or losses arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements.

The portion of a subsidiary's net assets that is attributable to equity interests that are not owned by the Bank, whether directly or indirectly through subsidiaries, is treated as non-controlling interests and presented as "non-controlling interests" in the consolidated statement of financial position within total equity. The portion of net profit or loss and other comprehensive income of subsidiaries for the year attributable to non-controlling interests is separately presented in the consolidated statement of comprehensive income as a component of the Group's net profit.

2 Basis of preparation and accounting policies (continued)

(1) Basis of preparation (continued)

Changes in accounting policies (continued)

Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2016

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements.

Standard	Effective for accounting periods beginning on or after
Amendments to IAS 12, *Income taxes*	
"Recognition of deferred tax assets for unrealised losses"	1 January 2017
Amendments to IAS 7, *Statement of cash flows "disclosure initiative"*	1 January 2017
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRS 9, *Financial Instruments*	1 January 2018
Amendments to IFRS 2, *Share-based payment*	
"classification and measurement of share-based payment transactions"	1 January 2018
IFRS 16, *Leases*	1 January 2019

So far the Group has concluded that the adoption of other standards is unlikely to have a significant impact on its operating results and financial position, except for IFRS 9 "Financial instruments". Since the Group is in the process of making an assessment on overall impact of IFRS 9, the Group cannot quantify the impact on its operating results and financial position.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and accounting policies (continued)

(1) Basis of preparation (continued)

Changes in accounting policies (continued)

Amendments to IAS 1 Presentation of financial statements "disclosure initiative"

The amendments clarify various presentation issues relating to:

- assessment of materiality versus minimum disclosure requirements of a standard;
- order of notes;
- disaggregation and aggregation;
- presentation of sub-totals; and
- presentation of other comprehensive income items arising from equity-accounted associates and joint ventures.

The adoption of the above standards does not have any material impact on the financial position and the financial result of the Group.

The Group does not adopt any issued but not yet effective international financial reporting standards, interpretation and amendments.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and accounting policies (continued)

(1) Basis of preparation (continued)

Changes in accounting policies

The IASB has issued the following amendments to IFRSs (including International Accounting Standards ("IASs")) that are effective in 2016 and relevant to the Group's operation:

Annual Improvements to IFRSs 2012–2014 Cycle

Amendments to IAS 27 Separate financial statements "Equity method in separate financial statements"

Amendments to IAS 1 Presentation of financial statements "Disclosure initiative"

The principal effects of adopting these amended IFRSs are as follows:

Annual Improvements to IFRSs 2012–2014 Cycle

The 2012–2014 cycle of annual improvement contains amendments to four standards including IFRS 5 Non-current assets held for sale and discontinued operations, IFRS 7 Financial instruments: disclosures, IFRS 19 Employee Benefits, and IAS 34 Interim financial reporting.

Amendments to IAS 27 Separate financial statements "Equity method in separate financial statements"

The amendments allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. As a result of the amendments, the entity can choose to account for these investments either at cost; in accordance with IFRS 9 (or IAS 39); or using the equity method as described in IAS 28.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and accounting policies

The accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

(1) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared on the historical cost basis except that: (i) available-for-sale securities are measured at fair value; (ii) financial assets and financial liabilities at fair value through profit or loss (including derivative instruments) are measured at fair value; and (iii) precious metals that acquired principally for trading purpose are measured at fair value.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 4.

Notes to the Consolidated Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

1 General information

China Minsheng Banking Corp., Ltd. (the "Bank") is a national joint-stock commercial bank established in the People's Republic of China ("PRC") on 7 February 1996 with the approval of the State Council of the PRC and the People's Bank of China ("PBOC").

The Bank obtained the financial service certificate No. B0009H111000001 as approved by the China Banking Regulatory Commission ("CBRC"), and the business licence as approved by the Beijing Administration for Industry and Commerce, the uniform social credit code is No. 91110000100018988F.

The Bank's A Shares and H Shares are listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited and the stock codes are 600016 and 01988, respectively.

For the purpose of these financial statements, mainland China refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and Taiwan. Overseas refers to Hong Kong, Macau, Taiwan and other countries and regions.

The Bank and its subsidiaries (collectively the "Group") mainly provide corporate and personal banking, treasury business, finance leasing, fund and asset management, investment banking and other financial services in the PRC.

As at 31 December 2016, the Bank has 42 tier-one branches and 32 directly controlled subsidiaries.

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2016 (Expressed in millions of Renminbi, unless otherwise stated)

	Note	2016	2015
Cash flows from investing activities:			
Proceeds from sale and redemption of investments		1,467,663	661,742
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		3,852	295
Cash payment for purchase of investment securities		(2,651,273)	(941,003)
Cash payment for purchase of property and equipment, intangible assets and other long-term assets		(10,681)	(7,490)
Cash payment for investment in associates		(14)	(13)
Net cash from investing activities		(1,190,453)	(286,469)
Cash flows from financing activities:			
Proceeds from issue of preference shares		9,933	—
Capital contribution from non-controlling interests to subsidiaries		20	28
Proceeds from issue of debt securities		573,214	226,127
Repayments of debt securities issued		(360,809)	(161,276)
Interest paid on debt securities issued		(5,741)	(3,687)
Dividends paid		(12,961)	(6,704)
Net cash from financing activities		203,656	54,488
Net increase/(decrease) in cash and cash equivalents		42,058	(6,860)
Cash and cash equivalents at 1 January		126,460	132,132
Effect of foreign exchange rate changes		2,785	1,188
Cash and cash equivalents at 31 December	41	171,303	126,460

The notes on pages 249 to 452 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016 (Expressed in millions of Renminbi, unless otherwise stated)

	2016	2015
Cash flows from operating activities:		
Profit before income tax	**60,249**	**60,774**
Adjustments for:		
— Impairment losses on assets	**41,378**	**34,801**
— Depreciation and amortisation	**4,700**	**4,702**
— Changes in provisions	**(850)**	**(6)**
— (Gains)/losses on disposal of property and equipment and other long-term assets	**(8)**	**27**
— Losses/(gains) from changes in fair value	**2,699**	**(1,347)**
— Net gains on disposal of investment securities	**(1,361)**	**(933)**
— Interest expense on debt securities issued and other financing activities	**10,547**	**8,417**
— Interest income from investment securities	**(55,151)**	**(33,247)**
	62,203	**73,188**
Changes in operating assets:		
Net (increase)/decrease in balances with central bank, banks and other financial institutions	**(142,771)**	**3,996**
Net decrease/(increase) in placements with banks and other financial institutions	**54,939**	**(49,743)**
Net decrease in financial assets held under resale agreements	**478,510**	**104,179**
Net increase in loans and advances to customers	**(439,952)**	**(259,288)**
Net increase in other operating assets	**(74,657)**	**(22,083)**
	(123,931)	**(222,939)**
Changes in operating liabilities:		
Net increase in deposits from customers	**349,980**	**298,452**
Net increase in deposits and placements from banks and other financial institutions	**417,244**	**99,056**
Net increase/(decrease) in financial assets sold under repurchase agreements	**63,933**	**(34,160)**
Income tax paid	**(15,535)**	**(15,293)**
Net increase in borrowings from central bank	**252,961**	**11,732**
Net increase in other operating liabilities	**22,000**	**15,085**
	1,090,583	**374,872**
Net cash from operating activities	**1,028,855**	**225,121**

The notes on pages 249 to 452 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016 (Expressed in millions of Renminbi, unless otherwise stated)

		Attributable to equity shareholders of the Bank												
				Reserves										
	Note	Share capital 34	Other equity instrument 35	Capital reserve 34	Surplus reserve 36	General reserve 36	Investment revaluation reserve 39	Exchange reserve	Cash flow hedging reserve 39	Subtotal	Retained earnings 36	Total	Non-controlling interests 37	Total equity
At 1 January 2016		36,485	–	64,744	25,361	56,351	1,291	160	–	147,907	116,826	301,218	8,565	309,783
Net profit		–	–	–	–	–	–	–	–	–	47,843	47,843	935	48,778
Other comprehensive income, net of tax		–	–	–	–	–	(3,125)	253	(721)	(3,593)	–	(3,593)	108	(3,485)
Total comprehensive income		–	–	–	–	–	(3,125)	253	(721)	(3,593)	47,843	44,250	1,043	45,293
Capital injection by non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	20	20
Capital injection by other equity holders		–	9,892	–	–	–	–	–	–	–	–	9,892	–	9,892
Appropriation to surplus reserve	36	–	–	–	4,691	–	–	–	–	4,691	(4,691)	–	–	–
Appropriation to general reserve	36	–	–	–	–	16,578	–	–	–	16,578	(16,578)	–	–	–
Cash dividends	38	–	–	–	–	–	–	–	–	–	(12,770)	(12,770)	(191)	(12,961)
At 31 December 2016		36,485	9,892	64,744	30,052	72,929	(1,834)	413	(721)	165,583	130,630	342,590	9,437	352,027

		Attributable to equity shareholders of the Bank												
				Reserves										
	Note	Share capital 34	Other equity instrument 35	Capital reserve 34	Surplus reserve 36	General reserve 36	Investment revaluation reserve 39	Exchange reserve	Cash flow hedging reserve 39	Subtotal	Retained earnings 36	Total	Non-controlling interests 37	Total equity
At 1 January 2015		34,153	–	49,949	17,077	49,344	(392)	(8)	–	115,970	90,019	240,142	7,614	247,756
Net profit		–	–	–	–	–	–	–	–	–	46,111	46,111	911	47,022
Other comprehensive income, net of tax		–	–	–	–	–	1,683	168	–	1,851	–	1,851	141	1,992
Total comprehensive income		–	–	–	–	–	1,683	168	–	1,851	46,111	47,962	1,052	49,014
Capital injection by non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	28	28
Conversion of convertible bonds		2,332	–	18,146	–	–	–	–	–	18,146	–	20,478	–	20,478
Appropriation to surplus reserve	36	–	–	–	8,284	–	–	–	–	8,284	(8,284)	–	–	–
Appropriation to general reserve	36	–	–	–	–	7,007	–	–	–	7,007	(7,007)	–	–	–
Cash dividends	38	–	–	–	–	–	–	–	–	–	(4,013)	(4,013)	(129)	(4,142)
Equity component of convertible bonds		–	–	(3,351)	–	–	–	–	–	(3,351)	–	(3,351)	–	(3,351)
At 31 December 2015		36,485	–	64,744	25,361	56,351	1,291	160	–	147,907	116,826	301,218	8,565	309,783

The notes on pages 249 to 452 form part of these financial statements.

Statement of Financial Position (Continued)

As at 31 December 2016 (Expressed in millions of Renminbi, unless otherwise stated)

	Note	2016	2015
EQUITY			
Share capital	34	**36,485**	**36,485**
Other equity instrument			
Including: Preference shares	35	**9,892**	**—**
Reserves			
Capital reserve	34	**64,447**	**64,447**
Surplus reserve	36	**30,052**	**25,361**
General reserve	36	**71,982**	**55,467**
Other reserves		**(2,538)**	**1,251**
Retained earnings	36	**126,500**	**113,566**
Total equity		**336,820**	**296,577**
Total liabilities and equity		**5,716,579**	**4,357,468**

Approved and authorised for issue by the Board of Directors on 30 March 2017.



Hong Qi
Chairman



Zheng Wanchun
Director and President



Liu Ningyu
Director



(Company Chop)

The notes on pages 249 to 452 form part of these financial statements.

Statement of Financial Position

As at 31 December 2016 (Expressed in millions of Renminbi, unless otherwise stated)

	Note	2016	2015
ASSETS			
Cash and balances with central bank	15	**520,471**	**429,493**
Balances with banks and other financial institutions	16	**178,072**	**94,362**
Precious metals		**22,880**	**18,425**
Financial assets at fair value through profit or loss	17	**86,288**	**26,166**
Positive fair value of derivatives	18	**7,759**	**5,055**
Placements with banks and other financial institutions	19	**184,819**	**230,579**
Financial assets held under resale agreements	20	**90,046**	**570,657**
Loans and advances to customers	21	**2,381,879**	**1,981,855**
Investment securities:			
— available-for-sale securities	22	**303,528**	**155,033**
— held-to-maturity securities	22	**661,362**	**278,364**
— loans and receivables	22	**1,146,340**	**449,565**
Property and equipment	24	**22,110**	**23,293**
Deferred income tax assets	25	**22,402**	**14,878**
Investment in subsidiaries	26	**5,385**	**5,364**
Other assets	27	**83,238**	**74,379**
Total assets		**5,716,579**	**4,357,468**
LIABILITIES			
Borrowings from central bank		**315,000**	**62,000**
Deposits from customers	28	**3,050,669**	**2,702,166**
Deposits and placements from banks and other financial institutions	29	**1,414,302**	**994,961**
Financial liabilities at fair value through profit or loss		**868**	**337**
Negative fair value of derivatives	18	**10,250**	**3,326**
Financial assets sold under repurchase agreements	30	**112,484**	**47,406**
Provisions		**1,075**	**1,925**
Debt securities issued	32	**398,376**	**181,232**
Current income tax liabilities		**7,986**	**5,798**
Other liabilities	33	**68,749**	**61,740**
Total liabilities		**5,379,759**	**4,060,891**

The notes on pages 249 to 452 form part of these financial statements.

Consolidated Statement of Financial Position (Continued)

As at 31 December 2016 (Expressed in millions of Renminbi, unless otherwise stated)

	Note	2016	2015
EQUITY			
Share capital	34	**36,485**	**36,485**
Other equity instrument			
Including: Preference shares	35	**9,892**	**–**
Reserves			
Capital reserve	34	**64,744**	**64,744**
Surplus reserve	36	**30,052**	**25,361**
General reserve	36	**72,929**	**56,351**
Other reserves		**(2,142)**	**1,451**
Retained earnings	36	**130,630**	**116,826**
Total equity attributable to equity shareholders of the Bank		**342,590**	**301,218**
Non-controlling interests	37	**9,437**	**8,565**
Total equity		**352,027**	**309,783**
Total liabilities and equity		**5,895,877**	**4,520,688**

Approved and authorised for issue by the Board of Directors on 30 March 2017.

Hong Qi
Chairman

Zheng Wanchun
Director and President

Liu Ningyu
Director

(Company Chop)

The notes on pages 249 to 452 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2016 (Expressed in millions of Renminbi, unless otherwise stated)

	Note	2016	2015
ASSETS			
Cash and balances with central bank	15	**524,239**	**432,831**
Balances with banks and other financial institutions	16	**188,414**	**101,428**
Precious metals		**22,880**	**18,425**
Financial assets at fair value through profit or loss	17	**89,740**	**26,959**
Positive fair value of derivatives	18	**7,843**	**5,175**
Placements with banks and other financial institutions	19	**182,877**	**229,217**
Financial assets held under resale agreements	20	**90,546**	**570,657**
Loans and advances to customers	21	**2,397,192**	**1,997,625**
Investment securities:			
— available-for-sale securities	22	**307,078**	**157,000**
— held-to-maturity securities	22	**661,362**	**278,364**
— loans and receivables	22	**1,148,729**	**451,239**
Long-term receivables	23	**94,791**	**92,579**
Property and equipment	24	**46,190**	**41,151**
Deferred income tax assets	25	**23,366**	**15,863**
Investments in associates		**25**	**13**
Other assets	27	**110,605**	**102,162**
Total assets		**5,895,877**	**4,520,688**
LIABILITIES			
Borrowings from central bank		**315,438**	**62,477**
Deposits from customers	28	**3,082,242**	**2,732,262**
Deposits and placements from banks and other financial institutions	29	**1,408,019**	**990,775**
Financial liabilities at fair value through the profit or loss		**868**	**337**
Negative fair value of derivatives	18	**10,277**	**3,326**
Financial assets sold under repurchase agreements	30	**113,255**	**49,129**
Borrowings from banks and other financial institutions	31	**122,474**	**108,538**
Provisions		**1,075**	**1,925**
Debt securities issued	32	**398,376**	**181,233**
Current income tax liabilities		**8,313**	**6,170**
Other liabilities	33	**83,513**	**74,733**
Total liabilities		**5,543,850**	**4,210,905**

The notes on pages 249 to 452 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016 (Expressed in millions of Renminbi, unless otherwise stated)

	2016	2015
Net profit	**48,778**	**47,022**
Other comprehensive income:		
Items that may be reclassified subsequently to profit:		
Change in fair value of available-for-sale securities	**(3,054)**	**2,464**
Transfer to profit or loss	**(1,171)**	**(116)**
Less: income tax relating to available-for-sale securities	**1,056**	**(586)**
Effective hedging portion of gains or losses arising from cash flow hedging instruments	**(961)**	**—**
Less: income tax relating to cash flow hedging instruments	**240**	**—**
Exchange difference on translating foreign operations	**405**	**230**
Other comprehensive income, net of tax	**(3,485)**	**1,992**
Total comprehensive income	**45,293**	**49,014**
Total comprehensive income attributable to:		
Equity shareholders of the Bank	**44,250**	**47,962**
Non-controlling interests	**1,043**	**1,052**
	45,293	**49,014**

The notes on pages 249 to 452 form part of these financial statements.

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016 (Expressed in millions of Renminbi, unless otherwise stated)

	Note	2016	2015
Interest income		**203,918**	**203,382**
Interest expense		**(109,234)**	**(109,114)**
Net interest income	6	**94,684**	**94,268**
Fee and commission income		**56,266**	**55,107**
Fee and commission expense		**(4,005)**	**(3,902)**
Net fee and commission income	7	**52,261**	**51,205**
Net trading gain	8	**1,633**	**1,264**
Net gain arising from disposals of securities and discounted bills	9	**2,471**	**4,584**
Impairment losses on assets	10	**(41,378)**	**(34,801)**
Operating expenses	11	**(52,424)**	**(58,176)**
Other operating income		**3,002**	**2,430**
Profit before income tax		**60,249**	**60,774**
Income tax expense	13	**(11,471)**	**(13,752)**
Net profit		**48,778**	**47,022**
Net profit attributable to:			
Equity shareholders of the Bank		**47,843**	**46,111**
Non-controlling interests		**935**	**911**
		48,778	**47,022**
Earnings per share (expressed in RMB)	14		
Basic earnings per share		**1.31**	**1.30**
Diluted earnings per share		**1.31**	**1.27**

The notes on pages 249 to 452 form part of these financial statements.

Independent Auditor's Report (Continued)

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lee Lok Man.



Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

30 March 2017

Independent Auditor's Report (Continued)

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

Independent Auditor's Report (Continued)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Independent Auditor's Report (Continued)

Information other than the consolidated financial statements and auditor's report thereon

The Directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Independent Auditor's Report (Continued)

Key audit matters (Continued)

Consolidation of structured entities (continued)

Refer to note 44 and note 45 to the consolidated financial statements and the accounting policies on page 255.

The Key Audit Matter	How the matter was addressed in our audit
	— inspecting the risk and reward structure of the structured entities, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns, to assess management's judgement as to exposure, or rights, to variable returns from the Group's involvement in such entities; — evaluating management's analyses of the structured entities including qualitative analyses and calculations of the magnitude and variability associated with the Group's economic interests in the structured entities to assess management's judgement over the Group's ability to influence its own returns from the structured entities; — assessing management's judgement over whether the structured entities should be consolidated or not; and • assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.

Independent Auditor's Report (Continued)

Key audit matters (Continued)

Consolidation of structured entities

Refer to note 44 and note 45 to the consolidated financial statements and the accounting policies on page 255.

The Key Audit Matter	How the matter was addressed in our audit
Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity through issuing a wealth management product, an investment fund, an asset management plan, a trust plan or an asset-backed security. In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the power the Group is able to exercise over the activities of the entity and its ability to influence its own returns from the entity. These factors are not purely quantitative and need to be considered collectively. We identified the consolidation of structured entities as a key audit matter because of the complex nature of certain of these structured entities.	Our audit procedures to assess the consolidation of structured entities included the following: • making enquiries of management and inspecting documents relating to the judgement process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard; • performing the following procedures for structured entities on a sample basis: — inspecting selected contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entities and the involvement the Group has with the structured entities and to assess management's judgement over whether the Group has the ability to exercise power over the structured entities;

Independent Auditor's Report (Continued)

Key audit matters (Continued)

Fair value of financial instruments

Refer to note 48 to the consolidated financial statements and the accounting policies on page 268.

The Key Audit Matter	How the matter was addressed in our audit
The valuation of the Group's financial instruments is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data for liquid markets. Where such observable data is not readily available, as in the case of level 3 financial instruments, estimates need to be developed which can involve significant management judgement. The Group has developed its own models to value certain level 2 and level 3 financial instruments, which also involves significant management judgement. We have identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and the degree of judgement exercised by management in determining the inputs used in the valuation models.	Our audit procedures to assess the fair value of financial instruments included the following: • assessing the design, implementation and operating effectiveness of management's key internal controls over the valuation, independent price verification, front office/back office reconciliations and valuation model approval for financial instruments; • assessing the fair values of level 1 financial instruments, on a sample basis, by comparing the fair values applied by the Group with publicly available market data; • performing, on a sample basis, independent valuations of level 2 and level 3 financial instruments and comparing these valuations with the Group's valuations. This included comparing the Group's valuation models with our knowledge of current and emerging practice, testing inputs to the fair value calculations and establishing our own valuation models to perform revaluations; and • assessing whether the financial statement disclosures appropriately reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.

Independent Auditor's Report (Continued)

Key audit matters (Continued)

Impairment of loans and receivables (continued)

Refer to note 21 and note 22(3) to the consolidated financial statements and the accounting policies on pages 262–265.

The Key Audit Matter	How the matter was addressed in our audit
	• performing credit review procedures for the sample of loans and receivables selected as mentioned above, which included making enquiries of credit managers about customers' business operations, reviewing customers' financial information, researching market information about customers' businesses and evaluating management's assessment of the value of any collateral held, assessing the forecast cash flows for impaired loans and receivables, challenging the viability of the Group's recovery plans, comparing management's valuation of collateral to market prices, evaluating the timing and means of realisation of collateral and considering other sources of repayment asserted by management; and • assessing the disclosures in relation to impairment of loans and receivables in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

Key audit matters (Continued)

Impairment of loans and receivables (continued)

Refer to note 21 and note 22(3) to the consolidated financial statements and the accounting policies on pages 262–265.

The Key Audit Matter	How the matter was addressed in our audit
Individual impairment allowances are estimated by management once objective evidence of impairment becomes apparent. Management exercises judgement in determining the quantum of loss based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, collateral valuation, the seniority of the claim and the existence and cooperativeness of other creditors. Whilst the Group appoints external valuers for the valuation of property and other illiquid collateral, enforceability, timing and means of realisation also affect the ultimate collectability and thereby the amount of impairment allowances as at the reporting date. We identified impairment of loans and receivables as a key audit matter because of the inherent uncertainty and management judgement involved and because of its significance to the financial results and capital of the Group.	• evaluating the validity of the models used and assumptions adopted in the Group's calculation of collective impairment allowances by critically assessing input parameters involving subjective judgement, seeking collaborative evidence from external sources and comparing the historical losses against the Group's other internal records and our prior year records. As part of these procedures, we challenged the Group's revisions to estimates and input parameters, the consistency of judgement applied in the use of economic factors, the loss emergence period and the observation period for historical losses. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development. We also assessed the emergence period by tracing the lifecycle of overdue accounts from the specific credit event to downgrading the account to a non-performing loan. Having considered the above, we performed re-calculations to assess the amount of collective impairment allowances; • assessing the impairment allowances for individually impaired loans and receivables by selecting a risk-based sample for credit review. We analysed the loan portfolio by industry sector to select samples for credit review in industries more vulnerable to the current economic situation. We also selected samples based on other risk criteria, including but not limited to borrowers with adverse press coverage and from the Group's overdue report. We involved our internal IT specialists to assess the logic and compilation of the overdue report;

Independent Auditor's Report (Continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and receivables

Refer to note 21 and note 22(3) to the consolidated financial statements and the accounting policies on pages 262–265.

The Key Audit Matter	How the matter was addressed in our audit
Loans and receivables include both loans and advances to customers and investment securities classified as loans and receivables. Impairment of loans and receivables is a subjective area due to the level of judgement applied by management in determining allowances. From the Group's perspective, the portfolios which gave rise to the greatest uncertainty in determining impairment allowances were those where impairments were derived from collective assessment models and individual cash flow assessments, where the loans and receivables were unsecured or where the loans and receivables were subject to potential collateral shortfalls. The determination of collective impairment allowances is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The Group's collective impairment allowances are derived from estimates including the Group's historical losses for loans and receivables, the loss emergence period (i.e. the time lapse between the occurrence of the event causing eventual default to the actual recording of a loss) and other adjustment factors.	Our audit procedures to assess impairment of loans and receivables included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the approval, recording, monitoring and restructuring of loans and receivables, the credit grading process and the measurement of impairment allowances for individually assessed loans and receivables; • comparing the total balance of the loan grading report used by management to assess the allowances for impairment with the general ledger and comparing individual loan information, on a sample basis, with underlying loan agreements and other related documentation to assess the presentation of the information in the loan grading report;

Independent Auditor's Report

Independent auditor's report to the shareholders of China Minsheng Banking Corp., Ltd.

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

Opinion

We have audited the consolidated financial statements of China Minsheng Banking Corp., Ltd. (the "Bank") and its subsidiaries (the "Group") set out on pages 240 to 452, which comprise the consolidated statements of financial position as at 31 December 2016, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of the consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the requirements of the code of Ethics for Professional Accountants issued by International Ethics Standards Board for Accountants ("Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Financial Reports

I. Independent Auditor's Report

II. Financial Statements (Consolidated Statement of Profit or Loss, Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated and the Bank's Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows)

III. Notes to the Consolidated Financial Statements for the Year 2016

IV. Unaudited Supplementary Information of Financial Statements for the Year 2016

XVI. Other Major Events

The Company received the Approval on the Qualification of Zheng Wanchun of Minsheng Bank (Yin Jian Fu [2016] No. 5) (《中國銀監會關於民生銀行鄭萬春任職資格的批覆》(銀監覆[2016]5號)) from the CBRC. The qualification of Zheng Wanchun as the President of China Minsheng Banking Corp., Ltd. was approved. For details, please refer to the announcement published on the website of the Company (www.cmbc.com.cn) and the HKEXnews website of the SEHK (www.hkexnews.hk) on 12 January 2016.

The Company received the Approval on the Qualification of Zheng Wanchun of Minsheng Bank (Yin Jian Fu [2016] No. 78) (《中國銀監會關於民生銀行鄭萬春任職資格的批覆》(銀監覆[2016]78號)) from the CBRC. The qualification of Zheng Wanchun as a Director of China Minsheng Banking Corp., Ltd. was approved. For details, please refer to the announcement published on the website of the Company (www.cmbc.com.cn) and the HKEXnews website of the SEHK (www.hkexnews.hk) on 24 March 2016.

The Company received the Approval on the Operation of Xining Branch of China Minsheng Bank (Qing Yin Jian Fu [2016] No. 26) (《關於中國民生銀行西寧分行開業的批覆》(青銀監覆[2016]26號)) from the Qinghai Branch of the CBRC. The operation of the Xining Branch of the Company was approved. For details, please refer to the announcement published on the website of the Company (www.cmbc.com.cn) and the HKEXnews website of the SEHK (www.hkexnews.hk) on 20 May 2016.

The Company received the Approval on the Operation of Yinchuan Branch of China Minsheng Banking Corp., Ltd. (Ning Yin Jian Fu [2016] No. 29) (《寧夏銀監局關於中國民生銀行股份有限公司銀川分行開業的批覆》(寧銀監覆[2016]29號)) from the Ningxia Branch of the CBRC. The operation of the Yinchuan Branch of the Company was approved. For details, please refer to the announcement published on the website of the Company (www.cmbc.com.cn) and the HKEXnews website of the SEHK (www.hkexnews.hk) on 16 June 2016.

The Company changed its investor hotline. For details, please refer to the announcement published on the website of the Company (www.cmbc.com.cn) and the HKEXnews website of the SEHK (www.hkexnews.hk) on 12 July 2016.

The principal place of business in Hong Kong of the Company was changed to 40/F, Phase Two International Finance Centre, 8 Finance Street, Central, Hong Kong since 19 July 2016. For details, please refer to the announcement published on the website of the Company (www.cmbc.com.cn) and the HKEXnews website of the SEHK (www.hkexnews.hk) on 18 July 2016.

Major Events

Indicators	Amount and progress
II. Itemized input (continued)	
3. Education	
Of which:	
3.1 Amount of subsidies to poor students	208.3
3.2 Number of poor students subsidized (person)	1,107
3.3 Amount invested for the improvement of educational resources in poor areas	454
4. Medical care	
Of which:	
4.1 Amount invested for the medical and health care resources in poor areas	397.9342
5. Public welfare	
Of which:	
5.1 Amount invested for poverty alleviation projects in Eastern and Western China	370
5.2 Amount invested for targeted poverty alleviation works	1,564.04
5.3 Public charity foundation for poverty alleviation	1,500
III. Awards (details and grades)	
Award of Outstanding Contribution for Poverty Alleviation in Fengqiu County for 2016 (封丘縣2016年度脱貧攻堅工作奉獻獎) "Outstanding Poverty Alleviation Case by Enterprise (2016企業扶貧優秀案例)" in the Blue Book of Enterprise Poverty Alleviation (2016) published by China Foundation for Poverty Alleviation and Chinese Academy of Social Sciences "Excellent Contribution to Public Welfare in 2016 (2016年度傑出公益勛章)" by China Foundation for Poverty Alleviation	

For more details regarding poverty alleviation, please refer to the section headed "Targeted Poverty Alleviation for Happy Life" in Chapter 4 of the 2016 Social Responsibility Report of the Company.

Indicators		Amount and progress
I. General information (continued)		
2. Number of poor people helped to be removed from administrative record for poverty registering (person)		79,605
II. Itemized input		
1. Industrial development		
Of which:		
1.1 Type of industrial development projects		√ Sharing of property income
1.2 Number of industrial development projects		4
1.3 Amount invested for industrial development projects	Amount	11,702.0658
	Of which:	
	Poverty alleviation loans to enterprises for the year	11,000
	Donation for equity investment projects	702.0658
1.4 Number of poor people helped to be removed from administrative record for poverty registering (person)		742
2. Vocational development		
Of which:		
2.1 Amount invested for vocational training		0
2.2 Number of people received vocational training (person/time)		95
2.3 Number of poor people helped to be removed from administrative record for poverty registering (person)		11

Industry Machinery Co., Ltd. (河南中兵重工機械有限公司) with an agreed annual dividend of RMB322,000. Through the sharing of investment income, 322 poor households were benefited with an annual subsidy of RMB1,000 for each household. In addition, 100 poor households were benefitted from the recruitment of work force. Third, diversified and targeted poverty alleviation measures were implemented. The Company actively collaborated with China Foundation for Poverty Alleviation and other organizations to organize free training program of post-natal care workers for 95 local women. The Company also assisted in improving people's livelihood by sponsoring road hardening projects and installation of solar lights.

In 2017, adhering to the principle of "diligence generates wealth (民生在勤、勤則不匱)", the Company will continue to contribute for poverty alleviation through organic development and facilitate the development of financial services for poverty alleviation. First, the Company will further expand the scale and coverage of poverty alleviation resources in addition to the existing finance-based alleviation works. Second, in order to enhance efficiency, the Company will improve the effectiveness of its financial services and increase financial support for more specific targets by strengthening the due diligence investigation and estimation so as to enhance efficiency of its poverty alleviation works. Third, the Company will develop new services and conduct research on the combination of different financial products for poverty alleviation, and strengthen the supervision on the utilization of interest-free loans for poverty alleviation. Fourth, systems and mechanisms will be improved by integrating and streamlining the internal organizations in charge of poverty alleviation in order to enhance the quality and handling efficiency of information collected.

4. The table below sets out the breakdown of the targeted poverty alleviation works of the Company in 2016:

Unit: RMB 10 thousand

Indicators		Amount and progress	
I. General information			
1. Funds		**Amount for the year**	**Balance**
	Amount	410,573.3539	155,439.1314
	Of which:		
	Poverty alleviation loans to individuals	396,139.3139	141,005.0914
	Poverty alleviation loans to enterprises	11,000	11,000
	Donations for the year	3,434.04	3,434.04

2. Continuous enhancement of coverage and scale of finance-based poverty alleviation works

First, more interest-free loans were provided for the purpose of poverty alleviation. In response to the government's encouragement and based on the principles of poverty alleviation through financial support with interest-free loans for the benefits of the poor, the Company developed a policy to offer interest-free loans and guided the branch offices to cooperate with local PBOC branches, government poverty alleviation departments and financial departments to develop specific projects with supports complementary to the local poverty alleviation projects. Second, more innovative financial products and services were provided for the purpose of poverty alleviation. The Company put greater efforts in the research and development of financial products for poverty alleviation through keeping track of the modern agricultural products market and distinctive agricultural industries and enhancing collaboration with competent government authorities and synergies among bank-securities accounts. By exploring diversified financial product portfolios for poverty alleviation, the Company developed an integrated finance-based poverty alleviation system and a risk management model with diverse functions. Third, a pilot scheme for mortgage loans pledged by rural land contracted management right and rural housing and property ownership title was laid out. The Company issued and started the trial implementation of the Interim Management Measures for Loans Pledged by Rural Land Contracted Management Right of China Minsheng Bank (《中國民生銀行農村土地承包經營權抵押貸款管理細則(暫行)》) and the Interim Management Measures for Loans Pledged by Rural Housing and Property Ownership Title of China Minsheng Bank (《中國民生銀行農民住房財產權抵押貸款管理細則(暫行)》), which have specified the principles, pilot areas and organizations, targets, purposes and conditions for the grant of loans, maturity, interest rate, limit and forms of loans, as well as the distribution of funds and post-disbursement management.

3. Breakthroughs and new milestones in targeted poverty alleviation

First, poverty alleviation in terms of education and medical care was strengthened. According to the comprehensive and systematic educational alleviation plan, the Company repaired and rebuilt schools, provided subsidies to students in need and incentives for teacher training. In order to enhance the support to education, the Company contributed RMB2.80 million and RMB1.74 million to establish the Education Foundation of Hua County (滑縣教育扶貧基金) and Education Foundation of Fengqiu County (封丘縣教育扶貧資金), respectively, which have subsidized 1,107 poor students and 721 teachers, and sponsored the construction of a primary school in each of the two counties. The Company also contributed approximately RMB4 million to set up medical salvation foundations for both counties, and purchased medical insurance for 52,667 recorded poor households. Second, poverty alleviation through industrial development was driven by finance. The Company donated RMB3 million to Hua County for the establishment of equity relief fund (股權扶貧基金), and sponsored the construction of photovoltaic generators, benefitting 375 poor households in 40 villages with an investment made for each household amounting to RMB8,000. The project is expected to realize a total income of RMB450,000 per year, and each poor household is expected to receive an annual income of RMB1,200. The Company also donated over RMB4.02 million for the establishment of equity relief fund in Fengqiu County, and invested in Henan Zhong Bing Heavy

Banking Industry (中國銀行業社會責任發展指數) and third in the Social Responsibility Development Index of Top 100 Private Enterprises (民營企業100強社會責任發展指數) in the Bluebook for the Corporate Social Responsibility (2016)(企業社會責任藍皮書(2016)) published by the Chinese Academy of Social Sciences.

For details of the Social Responsibility Report for 2016《2016年度社會責任報告》of the Company, please visit the websites of the Company (www.cmbc.com.cn) and the SSE (www.sse.com.cn).

(II) Performance of poverty alleviation work

During the Reporting Period, based on ideology of the poverty alleviation meeting of the central government of China and a series of deployment requirements for poverty alleviation as stipulated by the State Council Leading Group Office of Poverty Alleviation and Development, the PBOC, the CBRC and the CSRC, the Company capitalized on the develop strategy under the Phoenix Project and its competitive edges in human resources to further optimize its poverty alleviation service and system with clearer focus, more effective initiatives, stronger team work and greater efforts. As such, new breakthrough was made in its services for facilitating the economic and social development of the impoverished areas. Its efforts were well recognized by the people in the impoverished areas with a significant increase in customer satisfaction. During the year, the Company donated RMB34,340.4 thousand for poverty alleviation and set aside RMB4,071 million as targeted poverty alleviation loans of which RMB3,961 million was for individuals and RMB110 million was for institutions. Hua County in Henan Province, a targeted poverty alleviation county, has got rid of its predicament.

1. Maximizing effectiveness of the poverty alleviation work plan and management system

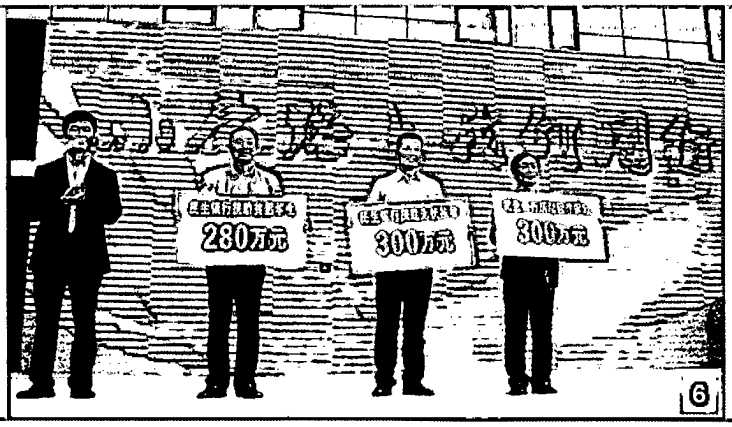
First, efforts were made to enhance guidance. A finance-based poverty alleviation working team was established and presided over by Mr. Zheng Wanchun, the secretary of the Party Committee and the President, to take ultimate responsibility of management. A poverty alleviation office was established to form and maintain a business liaison system. Several cadres were sent to take up temporary positions in targeted poverty alleviation counties, namely as vice county magistrates and first secretaries of villages. Second, specific plans were formulated. The China Minsheng Bank Finance-based Poverty Alleviation Plan for the 13th Five-Year Plan Period (《中國民生銀行"十三五"金融扶貧工作規劃》) was formulated to further define the overall targets, major supporting measures and assistances. Guiding opinions were provided for the implementation of the plans in 2016 and enhancement of inspection on poverty alleviation through financial services. Third, investigations and researches were conducted. Mr. Zheng Wanchun, the secretary of the Party Committee and the President, led a tour to Henan Province for a comprehensive inspection of the poverty alleviation works in Fengqiu County and Hua County. Cadres were sent to high-poverty areas to conduct on-site research on the assistance projects for poor students and schools, insurance plans and industry bailout projects in order to establish an information database categorized by village, household and individual.

as well as art institutions. In addition, the Company actively organized bank-wide poverty alleviation through offering of financial services and carried out targeted poverty alleviation projects in two counties of Henan Province. In 2016, the Company further promoted the targeted poverty alleviation projects and achieved sound progress. Meanwhile, the Company proactively upgraded its image as a responsible corporate mainly through the issue of social responsibility report, organization of the second round of "Power of Minsheng's Love — ME Charity Innovation Funding Scheme" ("我決定民生愛的力量 — ME 公益創新資助計劃") and improvement in relevant rules administering the art institutions.

The Company's social responsibility practices in 2016 were highly recognized by the third parties such as relevant government authorities, charity organizations and mainstream media, and was awarded the Best Green Financial Award of Social Responsibility of the Year (年度社會責任最佳綠色金融獎), the Best Social Responsibility Manager of the Year (年度最佳社會責任管理者獎) and the Outlet Making Special Contribution to Fulfilling Social Responsibilities of the Year (年度最佳社會責任特殊貢獻網點獎) by China Banking Association, as well as the Best Corporate Social Responsibility (最佳責任企業獎) by Southern Weekly. The Company ranked first in the Social Responsibility Development Index of China's







4. Beijing Minsheng Art Museum

5. Shanghai Poetry Festival at Shanghai Minsheng Art Museum

6. A Poverty Alleviation Activity at Hua County

Major Events

XV. Performance of Social Responsibilities and Poverty Alleviation Work

(I) Performance of social responsibilities

Adhering to its principle of "From the People, For the People (為民而生，與民共生)", the Company was committed to reformation in upholding lawful and sustainable development diligently, creating values for customers through innovation, pursuing mutual benefits and growth through collaboration, creating harmonious working environment for staff based on their needs, striving for environmental protection to safeguard the natural beauty of China, and contributing to the society to build beautiful homes, which led to development of the Company, advancement of the society and improvement in people's livelihood. The Company's performance of social responsibility has marked a new milestone.

During the Reporting Period, the Company refined the management rules regarding social responsibilities and the art institutions, and established the Charity Decision-making Committee (公益事業決策委員會) to develop sound system for regulating the implementation of charity and donation

1. Donation ceremony of the first round of the ME project
2. Opening ceremony of the second round of the ME project
3. Yi Ting, a volunteer teacher from the Credit Card Centre, with students







the Board was five with Liu Ningyu as the chairman and Tian Zhiping, Weng Zhenjie, Cheng Hoi-chuen and Peng Xuefeng as members. The main responsibilities of the Audit Committee include reviewing and supervising the financial reporting procedures and internal control system of the Company and providing advices to the Board. The Audit Committee of the Company reviewed and confirmed the Annual Report for the year ended 31 December 2016 and the Results Announcement for 2016.

X. Restriction Commitments regarding Additional Shares for Shareholders with Shareholding of 5% or More in the Company

Not applicable.

XI. Administrative Penalties Imposed on the Company and Directors, Supervisors, Senior Management and Controlling Shareholders of the Company

During the Reporting Period, the Company was not aware of the Company or any of its incumbent Directors, Supervisors or Senior Management being subject to any investigation by the competent authorities or mandatory measures imposed by the judicial authorities or commission for discipline inspection, or handled over to judicial authorities for criminal liabilities, nor any of them being a subject to examination or administrative penalty by the CSRC, or prohibited from the securities market or deemed as ineligible persons, or subject to any material administrative penalty imposed by the environmental protection, safety, taxation and other administrative authorities or publicly censured by any stock exchanges.

XII. Incentive Share Option Scheme and its Implementation during the Reporting Period

The employee share ownership scheme was considered and approved at the 21st meeting of the sixth session of the Board. Up to date, the employee share ownership scheme of the Company has not been implemented.

XIII. Integrity of the Company, Controlling Shareholders and Ultimate Controller

The Company does not have any controlling shareholder or ultimate controller. During the Reporting Period, the Company did not have any effective court ruling which was not implemented or any overdue debt in large amounts.

XIV. Non-operating Fund Occupation by Controlling Shareholders and Other Related Parties

The Company does not have any controlling shareholder and does not have any non-operating fund occupation by other related parties.

Minsheng Jiashi is mainly engaged in the provision of finance lease and the transaction will increase its incomes. The transaction also facilitates a stronger cooperation with Gulfstream Aerospace with a view to securing more favorable terms in future business so as to strengthen the advantage of the Group in the finance lease of business jets. Furthermore, the transaction will be jointly and severally guaranteed by Oceanwide Group and carries low risks. The interest rate of the lease and rate of fees of the transaction are determined in accordance with the pricing policies of the Company and are not lower than that of its peers. Therefore, the transaction is in the interests of the Company and its shareholders as a whole.

As at the date of the transaction, Mr. Lu Zhiqiang, a Vice Chairman and Non-executive Director of the Company, indirectly held all shares of Oceanwide Group, and thus Oceanwide Group and its subsidiary, China Oceanwide International Investment Co., Ltd., are the associates of Mr. Lu Zhiqiang and therefore the connected persons of the Company. Accordingly, such transaction constitutes connected party transaction under the Hong Kong Listing Rules. In addition, as the highest applicable percentage ratio of the transaction exceeds 0.1% but is less than 5%, the entering of such transaction constitutes non-exempted connected transaction of the Company, and is subject to the reporting and announcement requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of Hong Kong Listing Rules. For details, please refer to the connected transaction announcement of the Company dated 8 June 2016 on the website of the SEHK and the website of the Company.

Save as disclosed in this Annual Report, during the Reporting Period, the Company did not have any discloseable connected transaction or continuing connected transaction pursuant to provisions in relation to connected transactions under Chapter 14A of the Hong Kong Listing Rules.

VIII. Repurchase, Sale or Redemption of Securities

During the 12 months ended 31 December 2016, the Group has neither sold any securities of the Company nor purchased or redeemed any securities of the Company.

IX. Audit Committee

As at the end of the Reporting Period, the members of Audit Committee of the Company included Han Jianmin (chairman), Cheng Hoi-chuen and Wu Di. On 15 January 2016, the resolution on changing the chairman of the Audit Committee of the sixth session of the Board of Directors of the Company was considered and approved at the 14th extraordinary meeting of the sixth session of the Board. Han Jianmin became the new chairman of the Audit Committee of the Company, and the members of the Audit Committee comprised Wu Di and Cheng Hoi-chuen. On 20 February 2017, the Resolution on the Composition of the Special Committees of the Seventh Session of the Board (《關於第七屆董事會專門委員會組成成員的決議》) was considered and approved at the first meeting of the seventh session of the Board, pursuant to which, the number of members of the Audit Committee of the seventh session of

3. Opinions of the auditors

Pursuant to Rule 14A.56 of the Hong Kong Listing Rules, the Board engaged KPMG Certified Public Accountants, the international auditor of the Company, to perform relevant procedures on the continuing connected transactions regarding the business cooperation with Anbang Insurance for agency sale services of financial products according to Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to the Practice Note 740 "Auditor's Letter on Continuing Connected Transaction under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board confirmed that the auditor has reported the results of its procedures to the Board. Regarding the disclosed continuing connected transactions, nothing has come to the attention of the auditor that:

1) the disclosed continuing connected transactions have not been approved by the Board;

2) for transactions involving the provision of goods or services by the Group, the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

3) the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;

4) the aggregate amount of each of the continuing connected transactions have exceeded the aggregate annual caps in the continuing connected transaction announcement of the Company disclosed on the website of the SEHK and the website of the Company on 31 March 2016.

(II) Connected transaction between Minsheng Jiashi and China Oceanwide International Investment Co., Ltd. for aircraft leasing

The Board of the Company considered and passed the Resolution on the Aircraft Leasing between a Subsidiary of Minsheng Financial Leasing and China Oceanwide International Investment Co., Ltd. on 7 June 2016, pursuant to which, the direct leasing of Gulfstream G650 between Minsheng Jiashi, a subsidiary of the Company, and China Oceanwide International Investment Co., Ltd., a connected party of the Company, was approved. The term of leasing was five years from the leasing date of the finance lease agreement. The lease principal payments were approximately USD51.60 million, to be paid in equal installments on a quarterly basis during the lease. Interest shall be charged at LIBOR plus 3.50% during the lease (3-month LIBOR + 350 BPS). The annual interests are estimated to be approximately USD1 million and shall be settled quarterly during the lease.

On 10 January 2017, the Company and Anbang Insurance renewed the business cooperation framework agreement for the agency sale services of financial products with an expiry date on 31 December 2017. For the year ending 31 December 2017, the annual cap of service fees is RMB6 billion.

The cooperation between the Company and Anbang Insurance is beneficial for both parties to achieve sharing of resources and synergy effects which in turn further increases the Company's incomes from its retail banking intermediary business. In addition, entering into the business cooperation framework agreement can simplify the disclosure procedure and reduce compliance cost of the Company.

As at the date of the transaction, Anbang Insurance held approximately 17.84% equity interests of the Company, and was therefore a substantial shareholder of the Company. Thus, Anbang Insurance constitutes a connected person of the Company and the transactions between the Group and Anbang Insurance constitute connected party transactions under the Hong Kong Listing Rules. As the highest applicable percentage ratio for the annual cap of the service fees receivable from Anbang Insurance and its subsidiaries under the business cooperation framework agreement for the agency sale services of financial products exceeds 0.1% but is less than 5%, the transactions constitute non-exempted continuing connected transactions of the Company, and are subject to the reporting and announcement requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of Hong Kong Listing Rules.

For details, please refer to the continuing connected transaction announcements of the Company published on 31 March 2016 and 10 January 2017, respectively, on the website of the SEHK and the website of the Company.

2. Opinions of the Independent Non-executive Directors

The Independent Non-executive Directors have reviewed the continuing connected transaction regarding the business cooperation with Anbang Insurance for agency sale services of financial products, and confirmed that the transactions were:

1) entered into in the ordinary and usual course of business of the Company;

2) based on normal or more favorable commercial terms; and

3) based on the terms of agreement governing the relevant transactions, which are fair and reasonable, and without prejudicing the legal interests of other shareholders.

According to the terms of contracts, the total remuneration agreed between the Company and the above auditors in respect of their audit services for the year, including audit of the 2016 financial statements, review of the 2016 interim financial statements and audit of internal control for 2016, was RMB10.60 million, including fees for internal control audit of RMB1.10 million.

As at the end of the Reporting Period, KPMG Huazhen LLP and KPMG Certified Public Accountants have been providing audit services to the Company for six consecutive years. Dou Youming, the signing accountant, provided services for the Company for the first time. Jin Naiwen, the signing accountant, has provided services for the Company for two consecutive years.

VII. Major Related Party Transactions

The Company did not have any controlling related party nor any major related party transaction with its accumulated total transaction amount accounting for more than 5% of the audited net asset value of the Company during the Reporting Period. During the Reporting Period, the related party transactions of the Company were mainly loans to shareholders and related parties. All loans to related parties were extended in compliance with the relevant laws and regulations and according to the credit terms and approval procedures of the Company, and the principal and interests were fully repaid on time, which did not have any adverse impacts on the operating results and financial position of the Company. Details of related party transactions based on the relevant accounting standards during the Reporting Period are set out in Note 47 to the consolidated financial statements.

In accordance with the requirements of Rules 14A.49 and 14A.71 under Chapter 14A of the Hong Kong Listing Rules, the connected transactions and continuing connected transactions of the Company during the Reporting Period were as follows:

(I) Continuing connected transactions between the Company and Anbang Insurance for the agency sale services of financial products

1. Details of transactions

On 30 March 2016, the Company and Anbang Insurance, a connected party, entered into the business cooperation framework agreement for the agency sale services of financial products. Pursuant to the agreement, the Company shall provide agency sale services of financial products to Anbang Insurance and its subsidiaries, including but not limited to insurance products, asset management products, funds products and securities products, and charge service fees in return. For the year ended 31 December 2016, the annual cap of the service fees was RMB6 billion, and the actual service fees for the connected transactions were RMB1.372 billion. The agreement expired on 31 December 2016.

The Company participated in and won the bid for the land use right of Plot G at the Strait Financial Business District on the south of Aofeng Road and the east of Aofeng Side road in Taijiang District, Fuzhou. Currently, the general project is in the progress of plan designing.

The construction of Shunyi Headquarter Base in Beijing has been completed and put into operation. The settlement and audit have been completed and the audit conclusion has been approved by the competent authority.

The Company participated in and won the bid for the land use right of the granted parcel of land of Plot Zheng Zheng Dong Chu (2013) No. 4 on the south of Baifo Road and the east of Xuzhuang Street in Zhengdong New District, Zhengzhou, and has completed the excavation and pile foundation construction. The construction is currently suspended and the design adjustment is in process.

The Company participated in and won the bid for the land use right of the granted parcel of land of Plot Zheng Zheng Dong Chu (2014) No. 1 on the west of East Fourth Ring Road and the south of Lianhu Road in Zhengdong New District, Zhengzhou. Currently, the general project is in the progress of plan designing.

The Company participated in and won the bid for the land use right of the granted parcel of land of Plot Zheng Zheng Dong Chu (2014) No. 3 on the south of Shangding Road and the west of Mingli Road in Zhengdong New District, Zhengzhou. Currently, the general project is in the progress of plan designing.

IV. Major Guarantees

During the Reporting Period, no major guarantees were required to be disclosed except for the financial guarantees provided in the course of business operation and approved by the PBOC.

V. Commitments by the Company

During the Reporting Period, the Company had no commitment requiring disclosure.

VI. Appointment of Accountants

The general meeting of the Company resolved to continue to engage KPMG Huazhen LLP and KPMG Certified Public Accountants as the domestic and international auditors of the Company for 2016, respectively.

I. Material Litigation and Arbitration Proceedings

During the Reporting Period, the Company had no litigation or arbitration proceedings that had significant impact on its operations. As of the end of the Reporting Period, there were 7,162 outstanding pending litigations with disputed amounts of over RMB1 million involving the Company as plaintiff for approximately RMB31,437.2029 million and 290 pending litigations involving the Company as defendant for approximately RMB6,013.2072 million.

II. Purchase and Disposal of Assets and Mergers and Acquisitions

The Company has strictly complied with the Articles of Association, the Basic Accounting Rules (《基本財務規則》) and the Administrative Measures for Fixed Assets (《固定資產管理辦法》) of the Company. The Company has made arrangements for writing off residual value and account treatment of fixed assets that satisfied the conditions for disposal. The shareholders' interest has not been prejudiced and the Company has not experienced any loss of assets.

III. Material Contracts and Their Performances

The Company participated in and won the bid for the land use right of Plot Z4 at Core Area of Beijing CBD in East Third Ring Road, Chaoyang District, Beijing, and has obtained approval for the project, prepared the special report for energy saving, obtained the approval for the traffic impact assessment and environmental impact assessment and the construction land planning permit, and preliminarily calculated the construction volume of foundation pit integration on the north side. Currently, the general project is in the progress of plan designing.

The Company participated in and won the bid for the land use right of Plot 2010P26 at the intersection of Douzaiwei Road and Hubin South Road in Xiamen, and has completed all construction projects of the main body (except for renovation), including roof sealing, roof cladding, masonry works, construction of common areas, installation of fire services, air conditioning, water and electricity supply, power substation and lifts and exterior wall construction. The construction contract for the main body has been completed and the building has full access to water and electricity. The construction of units has passed the completion inspection, and the specific inspection regarding fire services, planning and lifts at the end of 2016. It is planned to be put into operation upon decoration to be completed in 2017.

The Company participated in and won the bid for the land use right of the granted parcel of land of Plot 2012-8 on the north of Headquarters Economic Zone in Donghai Sub-district, Quanzhou, and obtained the permits for commencement of construction works on 6 May 2016. As at the end of the Reporting Period, foundation works, including 361 engineering piles, 260 soldier piles, 49 upright post piles and 30 trestle piles, were completed. The static load testing of compressive piles, foundation pit support and groundwater lowering works and earthworks are in process.

(II) Authenticity of the financial statements

The annual financial statements of the Company have been audited by KPMG Huazhen LLP and KPMG Certified Public Accountants in accordance with the CAS and the IFRS, respectively. Standard unqualified auditors' reports have been issued accordingly. The Supervisory Board considered that the financial statements of the Company for the year truthfully, accurately and completely reflected the Company's financial position and business performance.

(III) Use of proceeds from fund-raising activities

During the Reporting Period, the Company successfully issued tier-two capital bonds with an aggregate amount of RMB20 billion in the interbank bond market in China on 30 August 2016, financial bonds with an aggregate amount of RMB20 billion in the interbank bond market in China on 27 October 2016, and USD1.439 billion non-cumulative perpetual offshore preference shares subscribed in US dollar in Hong Kong on 14 December 2016. The proceeds were used to replenish other tier-one capital of the Company and were in compliance with the undertakings on the use of proceeds of the Company.

(IV) Acquisition and disposal of assets

During the Reporting Period, there was no new acquisition and disposal of assets of the Company.

(V) Related party transactions

During the Reporting Period, the management of related party transactions was in compliance with the relevant national laws, regulations and the Articles of Association. There was no act which would harm the interests of the Company and its shareholders.

(VI) Implementation of resolutions adopted at general meetings

The Supervisory Board raised no objection to the reports and proposals submitted by the Board to the general meetings in 2016 and supervised the implementation of the resolutions adopted at general meetings. The Supervisory Board is convinced that the Board implemented the resolutions in real earnest.

(VII) Internal control

The Company continued to strengthen and improve its internal control. The Supervisory Board raised no objection to the Self-evaluation Report of Internal Control for 2016 of the Company. During the Reporting Period, no material defects were found in respect of the completeness, reasonability and effectiveness of the internal control mechanism and system.

2. Actively participating in activities and events for supervisory board committees organized by regulatory authorities. In accordance with the requirements of CSRC and China Association for Public Companies, the Supervisory Board had actively participated in and assisted activities organized by the supervisory board committee of China Association for Public Companies, such as the "Best Supervisory Board Practice" selection. The Supervisory Board helped to refine the establishment of the system and mechanism of the supervisory board committee and participated in the "Best Supervisory Board Practice", including the studying and formulation of its proposal, selection criteria and application of results. In this selection, the Supervisory Board passed the preliminary evaluation, professional evaluation and public selection. It finally ranked the third among more than 3,000 supervisory boards of listed companies in China and awarded as the "Top 20 Best Practice of Supervisory Board of Listed Companies (上市公司監事會最佳實踐20強)".

3. Carrying out special studies on the most concerned business of the Bank. Based on the duty performance requirements, the Supervisory Board conducted special studies on shareholding structure and corporate governance, corporate governance and asset securitization of financial groups.

4. Preparing for the re-election of members of the Supervisory Board. In accordance with the overall arrangement of the re-elections of the Company, the Supervisory Board carried out relevant preparations. During the Reporting Period, the Supervisory Board formulated the proposal regarding the re-election of members of the new session of Supervisory Board and the nomination of Supervisors, convened meetings of the Nomination and Examination Committee and held special discussion. The Supervisory Board will follow up the overall arrangement of the Company and complete the change of session of the Supervisory Board accordingly.

II. Independent Opinion of the Supervisory Board

(I) Legal operation of the Company

During the Reporting Period, the Company maintained legal operation and all decision-making procedures were in compliance with the applicable laws, regulations and the Articles of Association. There was no breach of the applicable laws and regulations and the Articles of Association nor any act which would harm the interests of the Company and its shareholders by any Directors or Senior Management in performing their duties.

7. Investigation on the establishment of the overall risk management system. In order to understand the establishment of the overall risk management system, and to facilitate the sustainable and steady development of business, in November 2016, the Supervisory Board conducted a special investigation and received the reporting of relevant departments under the Head Office based on the requirements regarding the performance of responsibilities of the Supervisory Board on the establishment and implementation of the overall risk management of commercial banks specified by regulatory authorities and Basel III. By conducting investigations, the Supervisory Board further understood and confirmed the definitions and contents of the overall risk management, management framework, responsibilities of departments, system and mechanism, and performed its responsibilities in the supervision on risk management.

(III) Supervision on duty performance

During the Reporting Period, according to the Articles of Association and the relevant working rules of the Supervisory Board, the Supervisory Board carried out the supervision on the duty performance of the Board, Directors and Supervisors on a regular basis, and carried out the supervision and assessment with the Board on the duty performance of the Senior Management for 2015. Routine and ongoing supervision on the duty performance of Directors and the Senior Management was conducted through attending meetings of the Board and the Senior Management, recording the discussion of meetings, reviewing the materials of meetings of the Board and the Senior Management and completing the duty performance records of Directors. During the Reporting Period, the Supervisory Board assessed and reviewed the duty performance of Directors and Supervisors in the first half of 2016 and issued notices to remind Directors and Supervisors of their performance. At the end of 2016, based on the requirements of the system, the Supervisory Board conducted annual evaluation on the duty performance of Directors, Supervisors and the Senior Management for 2016. In addition, in order to refine the duty performance records of Directors and Supervisors and the relevant regulations, the Supervisory Board improved the transparency and standardized management of the performance evaluation of Directors and Supervisors.

(IV) Performance ability-building of the Supervisory Board

1. Enhancing learning and communications with other financial institutions. During the year, the Supervisory Board continued to increase the exchanges and communications with the supervisory boards of other financial institutions. The Supervisory Board visited following financial institutions, such as CITIC Bank, China Orient Asset Management, Bank of China, Zhejiang Tailong Commercial Bank, Fubon Bank (China) Co., Ltd. and several new non-state-owned banks including WeBank, MYbank, SHRB, KCB and Wenzhou Minshang Bank, and exchanged working experiences and opinions on the operation of supervisory board, which provided a constructive and valuable reference and assistance for the improvement of the work quality of the Supervisory Board.

4. Investigation on the implementation of Basel III. In view of the assessment and acceptance check of FSAP and the regulatory authorities on the Company's implementation of Basel III, and in order to improve the overall risk management and to meet the requirements of Basel III, the Supervisory Board conducted a special investigation based on the standards specified in Basel III and the requirements of the working team of FSAP in June 2016. Detailed investigations and communication were conducted on the implementation of Basel III by the Management Centre of the Implementation of Basel III under the Head Office and Ernst and Young, the key risk evaluation of the Supervisory Board and major related tasks. Overall objectives, plans and contents of the implementation of Basel III and the responsibilities, methods and requirements of risk supervision of the Supervisory Board in the risk evaluation were clearly defined accordingly.

5. Investigation on reputation risk management. In order to meet the requirements of Basel III and preform the responsibilities of the Supervisory Board, the Supervisory Board conducted investigation on reputation risk management in August 2016. The Supervisory Board received the special reporting of the designated department on reputation risk management under the Head Office in order to fully understand the basic structure, system, module and effectiveness of the reputation risk management as well as the performance of responsibilities of the Board and Senior Management in the reputation risk management. The performance of responsibilities of the Supervisory Board in the reputation risk supervision was also facilitated.

6. Investigation on the formulation of the General Regulations. In accordance with the General Regulations of China Minsheng Bank (draft) (《中國民生銀行基本法(徵求意見稿)》) submitted by relevant departments of the Company, the Supervisory Board arranged the External Supervisors to visit the branches of the Company and conduct investigation on their understanding and recognition of the General Regulations. External supervisors visited four branches and held meetings with more than 100 basic officers and staffs to receive the reporting of related departments and collect constructive advices and recommendations. The above advices were provided to the relevant leaders and the drafting team in the form of investigation report.

Report of the Supervisory Board

(II) Major investigation results

1. Investigation on the management of the debt securities business. In order to understand the current situation of the debt securities business, the Supervisory Board conducted investigation on the management and operation of the debt securities business by arranging interviews, collecting operating information and data of the debt securities business, and conducting sample inspection of contracts and agreements of major businesses. In respect of the issues identified during the investigation, the Supervisory Board provided advices on three aspects, including the enhancement of the risk management of business lines, the establishment of overall risk management and refining of the approval of off-balance sheet debt securities investments.

2. Special investigation on problem and non-performing assets of the Company. In order to understand the scale of the problem and non-performing assets, their management and disposal and trend of development, the Supervisory Board organized three investigation teams to visit 24 branches and SBUs and conducted special investigations on the management of the problem and non-performing assets. In order to fully understand the basic situation of the non-performing and problem assets, the investigation teams organized 24 branch reporting meetings, held 45 meetings with core management members, arranged interviews with more than 500 persons in total and conducted on-site visits on 13 key customers. Investigation reports were prepared and specific advices were provided in respect of the circumstances and issues identified during the investigations.

3. Special investigation on certain customers with early warning of corporate loans. During the Reporting Period, based on the recommendation of the External Supervisors, the Supervisory Board conducted special investigation on certain customers with early warning of corporate loans, including the review of pre-loan and post-loan audit reports, qualification certificates, loan contracts, repayment records and material evidences of relevant companies, and certain original papers of accounting firms. The Supervisory Board collected six reports, convened nine meetings, conducted on-site investigations and visits on eight production bases and factories of four companies and exchanged opinions with more than 100 representatives of relevant companies. Based on the investigation results, the Supervisory Board identified potential risks on the abovementioned loans, conducted comprehensive analysis on the corporate loans to customers with early warning and reminded the Board and Senior Management of monitoring the risk management of such corporate loans.

Report of the Supervisory Board

I. Activities of the Supervisory Board

(I) Special examinations and investigations

1. In January 2016, the Supervisory Board conducted special investigation on debt securities business.

2. In May, June and December 2016, the Supervisory Board conducted investigation on the management of the problem and non-performing assets.

3. In May 2016, the Supervisory Board conducted special investigation on customers with early warning of corporate loans.

4. In June 2016, the Supervisory Board conducted investigation on the implementation of Basel III.

5. In August 2016, the Supervisory Board conducted investigation on reputation risk management.

6. In October 2016, the Supervisory Board conducted investigation on the formulation of the General Regulations (draft).

7. In November 2016, the Supervisory Board conducted investigation on the establishment of the overall risk management system.

XII. Charity and Other Donations

As at the end of the Reporting Period, the total amount of charitable donations of the Company was RMB319 million.

XIII. Directors, Supervisors and Senior Management

For details of the list, profiles, contract arrangements and remunerations of Directors, Supervisors and Senior Management of the Company, please refer to "Directors, Supervisors, Senior Management and Employees" in this report.

Details of retirement benefits provided by the Company to its employees, including annuities and additional pension benefits, during the Reporting Period are set out in Note 12 and Note 33(2) to the Financial Statements, respectively.

XIV. Contracts of Management and Administrative Management

As of the date of this report, the Company has not entered into any administrative management contract relating to all businesses or major businesses of the Company.

XV. Indemnity and Insurance of Directors, Supervisors and Senior Management

During the Reporting Period, the Company has maintained effective liability insurance for the Directors, Supervisors and Senior Management in respect of potential legal proceedings arising from the business operation of the Company.

XVI. Customer Relationship

The Group considers that it is important to maintain good relationship with its customers and strives to provide more efficient and convenient services to customers so as to maximize the value and return. In 2016, there was no significant or material disputes between the Group and its customers.

XVII. Interests of Directors and Supervisors in Major Contracts

The Directors and Supervisors of the Company had no material interests in any major contracts entered into by the Company or its subsidiaries during the Reporting Period.

In the event that adjustments are required to be made to the Company's profit distribution policy due to the needs of operation and long-term development of the Company, any proposal regarding adjustments to the profit distribution policy shall be subject to the prior review of the Independent Non-executive Directors and the Supervisory Board and, after consideration by the Board, be proposed to the general meeting of the Company for approval. Any proposal regarding the adjustments to the Company's cash dividend policy shall be approved by more than two-thirds of the votes of the shareholders attending the general meeting of the Company. Online voting shall be provided when such proposal is voted on a general meeting.

The profit distribution policy of the Company complies with the Articles of Association and procedures of consideration. The policy is intended to fully protect the legal interests of minority shareholders with clearly specified criteria and proportion of profit distribution. The conditions and procedures of adjustment or change to the profit distribution policy are in compliance with the relevant requirements and principle of transparency.

VIII. Substantial Shareholders

For details of substantial shareholders of the Company, please refer to "Changes in Share Capital and Information on Shareholders" in this report.

IX. Share Capital and Issuance of Shares and Debentures

For details of share capital and issuance of shares and securities of the Company as at 31 December 2016, please refer to "Changes in Share Capital and Information on Shareholders" in this report.

X. Auditing Opinions Issued by the Accounting Firm

The 2016 annual financial statements of the Company had been audited by KPMG Certified Public Accountants in accordance with the IFRS. Standard unqualified auditors' report had been issued accordingly.

XI. Pre-emptive Rights

Pre-emptive rights are not prescribed in the Articles of Association and the Company Law of the PRC, and the Company is not required to issue new shares to the current shareholders based on the holding proportion of the shareholders. In accordance with the Articles of Association, the Company may increase its capital by public offering of ordinary shares, issuance of ordinary shares to its existing shareholders, distribution of new ordinary shares to its existing shareholders, private placing of ordinary shares, conversion of preference shares to ordinary shares, and any other methods permitted by the applicable laws and administrative regulations. There is no compulsory rule in relation to pre-emptive rights in the Articles of Association.

- Shenzhen-Hong Kong Stock Connect: Pursuant to the relevant requirements under the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Caishui [2016] No. 27), (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2016]127號)》), for dividends received by domestic individual investors from investing in H shares listed on the SEHK through Shenzhen-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the SEHK through Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

Shareholders are suggested to consult their tax consultants regarding the tax impacts in China, Hong Kong and other countries (regions) for holding and selling the Company's H Shares.

VI. Distribution of Cash Dividends of the Company during the Past Three Consecutive Years (including the Reporting Period)

(Unit: RMB million)

	2016	2015	2014
Cash dividends	10,216	8,574	6,574
Net profit attributable to equity shareholders of the Company	47,843	46,111	44,546
Cash dividend payout ratio (%)	21.35	18.59	14.76

VII. Cash Dividends Policy of the Company

According to Article 298 of the Articles of Association, the distribution of profits of the Company emphasizes on reasonable investment returns to investors and shall be sustainable and stable. The Company shall distribute dividends in profit-making years. To the extent that the normal working capital requirement is fulfilled, the Company shall distribute dividends primarily in cash. The profit distributed in the form of cash dividends for each year shall not be less than 10% of the distributable profit of the Company of the year. The Company may distribute interim cash dividends.

If the Company generated profits in the previous accounting year but the Board did not make any cash profit distribution proposal after the end of the previous accounting year, the reasons thereof and the use of proceeds retained by the Company not used for distribution shall be explained in detail in its periodic reports and the Independent Non-executive Directors shall give an independent opinion in such regard. Online voting shall be made available, when such proposal is voted on a general meeting.

Profit Distribution to Investors of Northbound Trading

For investors of the SEHK (including enterprises and individuals) investing in the A shares of the Company listed on the SSE (the "Northbound Trading"), their dividends will be distributed in RMB by the Company through the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to the account of the nominee holding such shares. The Company will withhold and pay income taxes at the rate of 10% on behalf of those investors and will report to the tax authorities for the withholding. For investors of Northbound Trading who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authorities for the entitlement of the rate under such tax treaty. Upon approval by the tax authorities, the paid amount in excess of the tax payable based on the tax rate according to such tax treaty will be refunded. The record date and the date of distribution of cash dividends and other arrangements for the investors of Northbound Trading will be the same as those for the holders of A shares of the Company.

Profit Distribution to Investors of Southbound Trading

For investors of the SSE and Shenzhen Stock Exchange (including enterprises and individuals) investing in the H shares of the Company listed on the SEHK (the "Southbound Trading"), the cash dividends for the investors of H shares of Southbound Trading will be paid in RMB. The record date and the date of distribution of cash dividends and other arrangements for the investors of Southbound Trading will be the same as those for the holders of H shares of the Company. Below are relevant taxation policies:

- Shanghai-Hong Kong Stock Connect: Pursuant to the relevant requirements under the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Caishui [2014] No. 81), (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2014]81號)》), for dividends received by domestic individual investors from investing in H shares listed on the SEHK through Shanghai-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the SEHK through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

Taxation

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) and its implementation regulations (the "EIT Law"), the tax rate of the enterprise income tax applicable to the income of a non-resident enterprise deriving from the PRC is 10%. For this purpose, any H shares registered under the name of non-individual enterprise, including the H shares registered under the name of HKSCC Nominees Limited, other nominees or trustees, or other organizations or entities, shall be deemed as shares held by non-resident enterprise shareholders (as defined under the EIT Law).

The Company will distribute the dividend to those non-resident enterprise shareholders subject to a deduction of 10% enterprise income tax withheld and paid by the Company on their behalf. Any resident enterprise (as defined under the EIT Law) which has been legally incorporated in the PRC or which was established pursuant to the laws of foreign countries (regions) but has established effective administrative entities in the PRC, and whose name appears on the Company's H share register should deliver a legal opinion ascertaining its status as a resident enterprise furnished by a qualified PRC lawyer (with the official chop of the law firm issuing the opinion affixed thereon) and relevant documents to Company's H share register, Computershare Hong Kong Investor Services Limited, in due course, if they do not wish to have the 10% enterprise income tax withheld and paid on their behalf by the Company. Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guoshuifa (1993) No. 045 Document (《關於國税發(1993)045號文件廢止後有關個人所得税徵管問題的通知》) (the "Notice") issued by the State Administration of Taxation on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprise which has issued shares in Hong Kong to the overseas resident individual shareholders, is subject to the individual income tax with a tax rate of 10% in general. However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries of their residence and Mainland China. Thus, 10% individual income tax will be withheld from the dividend payable to any individual shareholders of H Shares whose names appear on the H share register of members of the Company on the record date, unless otherwise stated in the relevant taxation regulations, tax treaties or the Notice.

The Company will not be liable for any claim arising from any delay in, or inaccurate determination of the status of the shareholders or any disputes over the mechanism of withholding.

V. Profit Distribution Plan

The audited profit after taxation of the Company for 2016 was RMB46,910 million, of which net profit for the first half of the year was RMB26,841 million. A cash dividend of RMB4,196 million, or RMB1.15 for every 10 shares, was distributed in the interim profit distribution plan. The net profit for the second half of 2016 was RMB20,069 million. The profit distribution plan for the second half of 2016 is proposed as follows:

According to the relevant requirement, 10% of the net profit of the Company for the second half of 2016, being RMB2,007 million, was allocated to the statutory surplus reserve. A general provision for risks of RMB8,472 million was made at a rate of 1.5% of the balance of the risky assets as at the end of December 2016. The profits distributable to shareholders as at 31 December 2016 was RMB126.5 billion.

According to relevant provisions of the Articles of Association in respect of profit distribution, having considered such factors as the capital adequacy required by the regulatory authorities and the sustainable development of the Company, the Company proposed to distribute to holders of A shares and H shares whose names appear on the registers as at the record date a cash dividend of RMB1.65 (tax inclusive) for every 10 shares being held. Based on 36,485 million shares of the Company in issue as at 31 December 2016, the total cash dividend is RMB6.02 billion.

The cash dividend is expected to be paid to holders of H shares on 28 July 2017.

The cash dividend will be denominated and declared in RMB and will be paid in RMB to the holders of A shares and in Hong Kong dollar to holders of H shares. The actual amount of dividend to be paid in Hong Kong dollars shall be determined based on the benchmark exchange rate of RMB against Hong Kong dollars at the day of the annual general meeting as announced by the PBOC.

The formulation and implementation of the cash dividend policy by the Company are in compliance with the stipulations of the Articles of Association and the requirements stated in the resolutions approved by the general meeting of the Company. The basis and proportion of profit distribution are clearly specified. Effective determination and approval procedures and mechanisms are in place. The said distribution has been examined and approved by the Independent Non-executive Directors. Legitimate rights and interests of minority shareholders are well protected by being entitled to attend general meetings to exercise their voting rights and make proposals or enquiries on the operations of the Company.

The table below sets out the comparison of environmental protection performance indicators of the Company between this year and the previous years:

Environmental Protection Performance Indicators	Units	2016	2015	2014
Green procurement amount	RMB10,000	90,440	96,380	84,678
Ratio of qualified environment assessment of project loans	%	100	100	100
Ratio of loans for excessive production capacity	%	3.20	3.08	3.46
Video conference	Time	388	184	211

The Company has published the Environmental, Social and Governance Report in accordance with Rule 13.91 of the Hong Kong Listing Rules and the Environmental, Social and Governance Reporting Guide contained in Appendix 27 of the Hong Kong Listing Rules. Please refer to the website of the SSE, the website of the SEHK and the website of the Company.

III. Compliance of Relevant Laws and Regulations

The Board is of the view that during the Reporting Period, the Company legally operated its business and its decision-making procedure was in compliance with relevant laws, regulations and the Articles of Association. The Company is not aware of any breach of laws and regulations and the Articles of Association of the Company or any act which would prejudice the interests of the Company and its shareholders by any Directors, Supervisors or Senior Management when performing their duties during the Reporting Period.

IV. Subsequent Events

Save as disclosed above, from the end of the financial year to the date of this report, the Company had no material events.

I. Performance of Principal Business, Financial Results and Business Development

For details of the principal business, key indicators and analysis of financial results and business development of the Company, please refer to "Summary of Financial Data and Indicators" and "Discussion and Analysis on Business Operation" in this report.

II. Environmental Policy and Performance of the Company

During the Reporting Period, in accordance with the Environmental, Social and Governance Reporting Guide, the Company was committed to developing a quality environmental, social and governance management system. It also strove to perform its environmental, social and governance responsibilities and continuously improved its environmental, social and corporate governance. The Company duly performed its responsibilities of environmental protection through various actions. The Company strongly supported green loans by formulating strategies to strengthen the environmental and social risk management and clearly define the key development areas of green loans so as to give priority to the industries meeting the requirements of energy-saving and environmental protection. The Company encouraged the use of green loans by implementing differentiated resource allocation policy, including prioritizing the development of green credit products and services. As at the end of the Reporting Period, the outstanding balance of green loans of the Company was RMB13,823 million in total. In respect of creating environment-friendly offices, the Company strictly implemented the Measures on Supplier Management (《供應商管理辦法》) to enhance the management of price, quality, supply and services of centralized procurement from nearly 100 suppliers of ten types of equipment, including self-service equipment, safe deposit boxes and teller machines, in order to raise the integrated procurement efficiency. In 2016, the total green procurement amount of the Head Office of the Company was RMB904.40 million, accounting for 32.3% of total procurement. In respect of green office, aiming to save costs and increase efficiency, the Company focused on the efficient management of fixed assets, establishment of environmentally-friendly branches and promotion of environmental protection awareness of employees. As at the end of the Reporting Period, the original value of durable fixed assets of the Company which remained in normal operation upon the expiry of useful life was RMB1,128.67 million, representing cost savings of RMB214.45 million during the year. As at the end of the Reporting Period, two tons of outdated computers and 850 obsolete cartridges were recycled and procurement cost and the consumption of natural resources reduced significantly. In respect of the charitable activities related to environmental protection, the Company actively organized a variety of charitable activities with the theme of environmental protection by leveraging the advantages of its principal business, to reinforce the communication with stakeholders and promote environmental protection awareness to society so as to facilitate sustainable development.



董事會報告

Report of the Board of Directors

(IV) Procedures and internal controls for the handling and dissemination of inside information

In accordance with its information disclosure management system, the Company has adopted control measures to monitor its business and corporate development and events, including insider registration and management pursuant to the Rules for Insider Registration and Management (《內幕信息知情人登記管理規定》) formulated by the Company. Departments, branches (sub-branches), subsidiaries of the Company shall submit written reports to the Office of the Board of the Company before disclosure of inside information. They shall also submit and supplement the information of insiders and report to the regulatory authorities in accordance with relevant regulations. Internal investigation shall be conducted on trading of shares and derivatives of the Company by insiders. In case of discovery of any insider transaction, inside information leakage or suggestion to other parties to use inside information for transaction, relevant parties shall be held accountable, and the relevant situation and results shall be timely reported to regulatory authorities. If any inside information of the Company is circulated in the market before being disclosed in accordance with laws resulting in abnormal change in the share price of the Company, the Board Secretary of the Company shall promptly report to the Board so that the Company can timely clarify and report to regulatory authorities.

The 2017 Guidelines have optimized the top-level design of risk management for commercial banks, strengthened the risk management system with the Board as the core and defined the risk management duties between the Board and management, so as to enhance the risk management structure, improve the efficiency of risk management, and further strengthen risk control capacity of the Bank. The 2017 Guidelines have ensured the safe and stable operation, effectively implemented the development strategies of the Board and safeguarded the long-term sustainable development of the Company.

The Board has strived to establish effective risk management and internal control systems and is responsible for risk management, internal control and compliance management of the Company as well as the review of the effectiveness of such systems. Since the purpose of the above risk management and internal control systems is managing but not eliminating risks of failing to meet business objectives, the Board may only be able to guarantee reasonably (but not absolutely) that the above systems and internal controls may prevent any material misrepresentation or loss.

(III) Procedures for identification, evaluation and management of material risks

The Risk Management Committee of the Board is responsible for the research and evaluation of risk management of the Company. According to the risk profile and risk management of the Company as well as the implementation progress of 2017 Guidelines, the Office of the Risk Management Committee of the Board organizes risk assessment on regular basis (once every half year) or based on the needs of risk management, and submits the risk assessment report to the Risk Management Committee of the Board, which will be an important basis for decision-making on risk management of the Board. In addition, the Risk Management Committee of the Board keeps abreast of the risk management of the Company through various forms such as special risk investigation, risk inspection, studies of relevant information and organization of seminars and presentations. Through issuing risk alerts and risk management rectification notices, organizing meetings and interviews and implementing accountability system, opinions of the Board on risk management are circulated to the management in order to reveal the major issues of risk management.

XVIII. Risk Management

(I) Implementation of the Guidelines on Risk Management by the Board of Directors in 2016

The Guidelines on Risk Management by the Board of Directors in 2016 of China Minsheng Banking Corp., Ltd. (《中國民生銀行董事會2016年風險管理指導意見》) (the "2016 Guidelines") is a guiding document for risk management for the Company and an important document for the strategy, preference, policy and culture of risk management of the Company.

According to the 2016 Guidelines, the management is required to formulate specific and practicable risk management policies and plans based on the risk management targets set by the Board. The Risk Management Committee under the Board is responsible for the guidance and supervision of the implementation of the 2016 Guidelines.

According to the 2016 Guidelines, the management coordinates the performance of risk management targets and tasks by formulating specified plans and measures. The management reports the risk management strategies and policies, risk limits and risk emergency plans to the Risk Management Committee under the Board, and issues regular reports on the implementation of the Guidelines, achievement of risk preference indicators, as well as monthly, quarterly, interim and annual risk management reports.

The Risk Management Committee under the Board and its Office conduct onsite evaluation and investigation on the risks and reviews risk reports and management information to supervise, inspect and evaluate the implementation of 2016 Guidelines and the overall risk management of the Company. In addition, the Risk Management Committee keeps abreast of and assesses the effectiveness of the risk management of the Company. It also provides opinions and requirement of the Board regarding risk management to the management.

(II) Guidelines on Risk Management by the Board of Directors in 2017

In compliance with the regulatory requirements and taking into account of the changes in the economic and financial environments as well as the operation and management of the Company, the Risk Management Committee of the Board of the Company formulated the Guidelines on Risk Management by the Board of Directors in 2017 of China Minsheng Banking Corp., Ltd. (《中國民生銀行董事會2017年風險管理指導意見》) (the "2017 Guidelines"). The 2017 Guidelines mainly analyze the economic and financial trends, identify the key issues in business development, operation and risk management and specify the principles, preferences, recommendations and requirement on risk management, which primarily sets out the risk culture, risk strategies, risk preference, risk policies, risk management structure, requirement on overall risk management and management of specific risks, policies and procedures of risk management, quality of data and construction of information system.

XVII. Internal Control

The Company has set up a comprehensive corporate governance structure with clear division of responsibilities among the Board, the Supervisory Board and the management team and maintained an effective internal control management system. In compliance the Law on Commercial Banks of PRC (《中華人民共和國商業銀行法》), Guidelines for Internal Control of Commercial Banks (《商業銀行內部控制指引》), the Basic Standard for Corporate Internal Control (《企業內部控制基本規範》) and other laws and regulations and regulatory rules, the Company established and effectively implemented comprehensive internal control policies and evaluated their effectiveness.

The Board has entrusted the Audit Department of the Company to evaluate the effectiveness of internal control. The Audit Department conducts preliminary identification of internal control deficiencies in accordance with the deficiency identification standards, and gives rectification requirements to the evaluated departments and carries out follow-up measures on the rectification. In respect of major deficiencies in internal control, the Audit Department communicates and confirms with the Senior Management of the Company, and suggests improvement measures. For major issues identified in the audit and the decisions of the Senior Management on whether rectification measures should be taken, the Audit Department reports to the Audit Committee which shall make the final decision on major control deficiencies and hold the relevant units or persons responsible.

The Board has entrusted the Audit Department of the Company to evaluate the effectiveness of the internal control of the Company as of 31 December 2016, being the benchmark date of self-evaluation report on internal control, based on both daily and specialized supervision of internal control. The Audit Department issued the Self-Evaluation Report of Internal Control for 2016 of China Minsheng Banking Corp., Ltd. (《中國民生銀行2016年度內部控制評價報告》), according to which, no material defects were found in the internal control on financial and non-financial reports. For details of the Self-evaluation Report of Internal Control for 2016 of China Minsheng Banking Corp., Ltd., please visit the Company's website (www.cmbc.com.cn) or the website of the SSE (www.sse.com.cn).

KPMG Huazhen LLP engaged by the Company has conducted review and issued the Auditing Report on Internal Control of China Minsheng Banking Corp., Ltd. for 2016 (《中國民生銀行2016年度內部控制審計報告》) which confirmed that the Company maintained effective internal control of financial report in all material aspects as of 31 December 2016 in accordance with the relevant regulations, and no material defect was identified in all material aspects of internal control on non-financial items. For details of the Auditing Report on Internal Control of China Minsheng Banking Corp., Ltd. for 2016, please visit the Company's website (www.cmbc.com.cn) or the website of the SSE (www.sse.com.cn).

XIV. Training of Company Secretaries

During the financial year ended 31 December 2016, both Wan Qingyuan and Soon Yuk Tai, the Joint Company Secretaries (both resigned on 20 February 2017), had attended no less than 15 hours of relevant professional trainings organized by the SSE, the SEHK or other professional institutions.

XV. Contact with Company Secretary

During the Reporting Period, Ms. Soon Yuk Tai of Tricor Services Limited, an external service provider, has been engaged by the Company as its Joint Company Secretary. Mr. Wang Honggang, the Representative of Securities Affairs of the Company, is the primary contact person of the Company.

XVI. Compliance with the Corporate Governance Code Set Out in Appendix 14 of the Hong Kong Listing Rules

At the second extraordinary general meeting for 2016 held on 28 October 2016, Mr. Liu Jipeng, Mr. Li Hancheng and Mr. Xie Zhichun were appointed as the Independent Non-executive Directors of the Company. In order to fill up the vacancies of the members of the special committees under the Board, the Company carried out appointment process shortly and appointed Mr. Li Hancheng and Mr. Xie Zhichun as members of the Nomination Committee of the Company and Mr. Liu Jipeng and Mr. Li Hancheng as members of the Compensation and Remuneration Committee of the Company on 21 November 2016. Please refer to the announcements regarding the poll results and the appointments of members of the special committees under the Board dated 30 October 2016 and 21 November 2016, respectively, published on the website of the SEHK and the website of the Company for details. Upon the effective date of such appointments, the Company has complied with the requirements under the Hong Kong Listing Rules in respect of the number of members and composition of the Nomination Committee and the Compensation and Remuneration Committee.

Save as described above, during the Reporting Period, the Company has fully complied with the code provisions of the Corporate Governance Code set out in Appendix 14 of the Hong Kong Listing Rules and most of the recommended best practices contained therein.

Corporate Governance

During the Reporting Period, the Company won the award of "Best Investor Relation Management of Listed Companies (最佳投資者關係管理上市公司)" in the "China Securities Golden Bauhinia Awards" competition, and Silver Award of 2015 Annual Report in "US LACP Awards".

XII. Amendments to Articles of Association in 2016

On 1 February 2016, the first extraordinary general meeting of the Company for 2016 considered and approved the Resolution on the Amendments to the Articles of Association of China Minsheng Banking Corp., Ltd. (《關於修訂<中國民生銀行股份有限公司章程>的決議》). Such amendments became effective upon the Approval of CBRC on the Private Offering of Preference Shares and Amendments on Articles of Association of China Minsheng Bank (Yin Jian Fu [2016] No. 168) (《關於民生銀行非公開發行優先股及修改公司章程的批覆》) (銀監覆[2016]168號), among which, the terms of preference shares became effective from the date of completion of the initial issue of preference shares by the Company. Please refer to the circulars dated 8 January 2016 in relation to the first extraordinary general meeting for 2016, the first A share class meeting for 2016 and the first H share class meeting for 2016 of the Company published on the website of the Company (www.cmbc.com.cn) and the website of the SEHK (www.hkexnews.hk) for details of the amendments.

XIII. Continuous Professional Development Training of Directors

All Directors of the Company abided by their obligations and duties in the Company and kept abreast of the business operation and development of the Company. The Company encouraged its Directors to take part in various continuous professional development programs for the improvement and enhancement of their knowledge and expertise. The Director, Wu Di, attended the briefing sessions and training programs of business organized by the Company and financial or corporate governance seminars organized by professional institutions and studied the relevant publications. The Chairman, Hong Qi, vice Chairman, Liang Yutang, and Directors, Guo Guangchang and Han Jianmin, attended financial or corporate governance seminars organized by domestic and overseas professional institutions and studied the relevant publications. The Directors, Zhang Hongwei, Liu Yonghao, Wang Lihua and Zheng Wanchun, attended financial or corporate governance seminars organized by professional institutions, and the Directors, Lu Zhiqiang, Wang Yugui, Wang Hang, Wang Junhui, Yao Dafeng, Cheng Hoi-chuen, Liu Jipeng, Xie Zhichun and Li Hancheng, studied relevant publications.

and coherent remuneration policy for Senior Management with reasonable structure and market competitiveness; set up incentive and discipline mechanism for Senior Management with simpler and clearer classification, assessment procedures and duties and performance management system; and determined remuneration of Senior Management according to their duties, capability and contribution to operating results.

(II) Remuneration policy for Directors of the Company

The Company paid remuneration to all Directors in accordance with the Rules on Remuneration of Directors and Supervisors (《董事、監事薪酬制度》). The remuneration of Directors comprises annual fee, allowances for special committees, reimbursement for attending meetings and reimbursement for research and investigation.

XI. Information Disclosure and Investor Relations

(I) Information disclosure

The Company discloses its information in strict compliance with the regulations of the securities regulatory authorities, and publishes all sorts of regular reports and interim reports in accordance with laws to ensure the timeliness, accuracy, truthfulness and integrity of its information disclosure and to ensure equal access to information for all shareholders. During the Reporting Period, the Company published four regular reports and 67 interim announcements on SSE. The Company also published over 140 announcements on the SEHK.

(II) Investor relations management

In respect of investor relations management, the Company adhered to its strategic targets and put great emphasis on its market positioning. The Company regularly held results presentations and actively participated in large-scale investment strategy seminars, so as to show the latest results and potential of the Company to investors.

During the Reporting Period, the Company enhanced the connection with its investors through various communication channels, such as its website, investor hotlines, investor journals and investment strategy conferences with securities companies. During the Reporting Period, the Company organized three press conferences for the results and attracted a total of 291 participants. The Company took part in 15 large-scale institutional investment strategy seminars and met over 300 investors. It also hosted seven joint research visits by domestic or overseas large institutions and 40 conferences with investors, meeting 280 investors. 12 special issues of Investors were published.

Bank (KCB) and Wenzhou Minshang Bank. Through visits to other banks and financial institutions and interviews and exchange of opinions with personnel of relevant authorities, the committee was able to understand their characteristics and business model, analyzed their advantages and eventually prepared research and investigation reports and provided advices and suggestions which were favorable to the business development of the Company.

IX. The Decision-making System of the Company

The highest authority of the Company is the general meeting, which manages and supervises the operations of the Company through the Board of Directors and the Supervisory Board. The President is appointed by the Board of Directors and is fully responsible for the daily operations and management of the Company. The Company adopts a single-level legal person system. Branches are all non-independent accounting entities, operating under the authorization of the Head Office and reporting to the Head Office.

The Company has no controlling shareholders and is completely independent from its major shareholders in terms of business, personnel, assets, organizations and finance. The Company maintains independence and integrity in managing its own businesses and operations, and its Board, the Supervisory Board and internal departments also operate independently.

X. Establishment and Implementation of the Performance Evaluation and Incentive Mechanism for Members of the Senior Management

In accordance with the Administrative Rules on Remuneration of Senior Management (《高級管理人員薪酬管理制度》), the performance remuneration of the Senior Management is pegged to their KPIs. With reference to the 2016 Financial Budget Report (《2016年度財務預算報告》), the Compensation and Remuneration Committee under the Board set the benchmarks of the KPIs for 2016 and the Board determined to evaluate the Senior Management for 2016 based on their six KPI results, including the net profit, so as to determine their annual remuneration. In accordance with the regulatory requirements, the Company has set up venture funds for Senior Management since 2009, which were accrued by a certain proportion of Senior Management's annual performance bonus.

(I) Remuneration policy for Senior Management of the Company

The remuneration policy for Senior Management of the Company is implemented to facilitate the accomplishment of development strategies and business objectives, and at the same time reflects the principles of human resources management strategy and guidelines of the Company. The Company evaluated performance on the basis of the operating results of Senior Management so as to encourage the Senior Management to press ahead along with the Company. The Company formulated a fair

1. Organizing and conducting major researches

During the Reporting Period, according to the arrangement of the Supervisory Board and the development situation of the Company, the Supervisory Committee assisted the Supervisory Board in completing several major researches, including research on the management of problem and non-performing assets and investigations on the management of debt securities business. For the status of problem and non-performing assets and deficiencies of the development and operation management of debt securities business, opinions and recommendations were provided as references to further improve the management mechanism of debt recovery, the management of non-performing assets and facilitate the healthy development of the debt securities business.

2. Reinforcing the financial monitoring

During the Reporting Period, the Supervisory Committee reinforced the monitoring of key financial issues of the Company based on regulatory requirements and information disclosure requirements. Through receiving internal and external auditing reports regularly, attending relevant Board meetings and reviewing regular reports of the Company, the committee enhanced the supervision of the truthfulness, accuracy and completeness of the financial reports of the Company. The committee paid timely attention to the changes in major operational data and indicators and analyzed profitability, growth rate, asset quality, regulatory indicators, development and efficiency. The committee prepared quarterly, semi-annual and annual analysis report of the operation of other banks and financial institutions and provided management recommendations on supervision to the Board and management.

3. Strengthening internal control and the monitoring of risk

Based on the changes in internal and external environment and regulatory requirements, the committee continued to strengthen the monitoring of internal control and risks management of the Company, mainly including the monitoring of the internal control system, the overall risk management structure, risk management and control of important aspects and major contingency incidents. For instance, the committee followed up the implementation of Basel III, strengthened the monitoring of the capital management and carried out the research and analysis on the reputation risks of the Company and the business and reputation risks of bills business, so as to further improve the overall risk management system and risk control capability.

4. Actively conducting researches and investigations on particular topics

In response to the situation and challenges that the Company faced, the committee conducted researches and investigation on selected hot button topics and issues such as the transformation of business models and internet finance. The committee also carried out researches and investigation on five non-state-owned banks, such as WeBank, MYbank, Shanghai Huarui Bank (SHRB), Kincheng

Corporate Governance

The major duties of the Supervisory Committee under the Supervisory Board include: formulating proposals on the examination and supervision on the financial activities of the Company; formulating proposals on the examination and supervision on the operational decisions, risk management and internal control of the Company; evaluating the compliance and implementation of significant decisions of the Company; organizing visits, researches, and investigations on business units of the Company and supervising the rectification of relevant deficiencies; carrying out specific investigation on key projects as required by regulatory authorities and submitting investigation report in a timely manner; and performing other duties conferred by the Supervisory Board.

During the Reporting Period, the Supervisory Committee under the sixth session of the Supervisory Board convened five meetings and reviewed five proposals. The attendance record of each member is as follows:

Member	Attendance/Number of Meetings
Supervisory Committee under the sixth session of the Supervisory Board	
Duan Qingshan *(chairman of the committee during the Reporting Period)*	4/5
Wang Jiazhi	5/5
Guo Dong	4/4
Zhang Ke	4/5
Lu Zhongnan	5/5

Note: Mr. Guo Dong was appointed within the Reporting Period, and therefore shall not be counted as the quorum of all meetings.

During the Reporting Period, based on the work plan of the Supervisory Board, the Supervisory Committee under the sixth session of the Supervisory Board actively performed the duties and functions conferred by the Articles of Association and the Terms of Reference of Supervisory Committee under the Supervisory Board (《監事會監督委員會工作細則》). The Supervisory Committee carried out supervision in a prudent manner, assisted the Supervisory Board in completing major researches and enhanced financial, internal control and risk supervision. Through carrying out special investigation and other tasks, the committee duly performed its duties. The major achievements of Supervisory Committee under the Supervisory Board in 2016 are as follows:

3. Organizing training programs for Supervisors

During the Reporting Period, the Nomination and Examination Committee arranged Supervisors to participate in the training courses for Directors and Supervisors sponsored by the CSRC, Beijing Branch. The committee also invited the industry experts to hold special training programs for Supervisors on hot issues of domestic economic development, regulatory policies, business operation of the Company and the duties of Supervisors in order to enhance competence and skills of Supervisors.

4. Organizing and arranging the re-election of members of the Supervisory Board

According to the overall arrangement regarding the re-election of members of the Supervisory Board, the Nomination and Examination Committee formulated the proposal of the re-election of members of new session of the Supervisory Board and nomination of Supervisors, and convened the meeting of the Nomination and Examination Committee under the Supervisory Board to discuss and determine the candidates of Supervisors.

(II) Supervisory Committee

During the Reporting Period, the Supervisory Committee under the sixth session of the Supervisory Board comprised four members. The members of the Supervisory Committee included Duan Qingshan (chairman of the committee), Wang Jiazhi, Zhang Ke and Lu Zhongnan.

On 30 March 2016, Guo Dong was by-elected as a member of the Supervisory Committee under the sixth session of the Supervisory Board through the resolution of the 23rd meeting of the sixth session of the Supervisory Board. After such, the number of members of the Supervisory Committee under the Supervisory Board was five, namely Duan Qingshan (chairman of the committee), Wang Jiazhi, Guo Dong, Zhang Ke and Lu Zhongnan.

On 20 February 2017, according to the Resolution on the Composition of the Special Committees of the Seventh Session of the Supervisory Board of the Company (《關於公司第七屆監事會專門委員會組成成員的決議》) approved at the first meeting of the seventh session of the Supervisory Board, the number of members of the Supervisory Committee of the seventh session of the Supervisory Board was seven with Zhang Juntong as the chairman and Wang Jiazhi, Guo Dong, Wang Hang, Lu Zhongnan, Wang Yugui and Cheng Guoqi as members.

Corporate Governance

During the Reporting Period, based on the work plan of the Supervisory Board, the Nomination and Examination Committee under the sixth session of the Supervisory Board actively performed its duties and functions conferred by the Articles of Association and Terms of Reference of Nomination and Examination Committee under the Supervisory Board. It carried out the performance appraisal, reviewed and approved the remuneration distribution plan for the Supervisors, organized and arranged training programs for Supervisors, and initiated the change of members of the Supervisory Board. All tasks in 2016 were successfully completed and the functions of the committee were performed in a relatively effective way. The major achievements of the Nomination and Examination Committee under the Supervisory Board in 2016 are as follows:

1. Carrying out performance appraisal

During the Reporting Period, the Nomination and Examination Committee carried out performance appraisal of the Board, Directors, Supervisors, Senior Management and senior executives in 2015. During the year, the committee reviewed and supervised the performance of Directors and members of Senior Management through different ways on a regular and on-going basis, including attending meetings of the Board and Senior Management, reviewing meeting minutes of the Board, examining the meeting documents of the Board and the Senior Management and refined the performance supervision files of Directors. During the year, the committee circulated a supervision report on the statistics and appraisal of performance of Directors for the first half of the year to regulate their performance. The committee carried out the annual performance appraisal of Directors and Supervisors and appraised the performance of Senior Management with the Board based on the supervision information of performance during the year. The committee also formulated the Performance Appraisal Report on the Board of Directors and Directors in 2015 (Draft) (《2015年度董事會及董事履職評價報告(草案)》) and the Performance Appraisal Report on Supervisors in 2015 (Draft) (《2015年度監事履職評價報告(草案)》).

2. Discussing and approving Supervisors' remuneration distribution plan

In accordance with the Articles of Association, the duties of the Nomination and Examination Committee of the Supervisory Board include discussing and approving on remuneration policies and plans for Supervisors. During the Reporting Period, the Nomination and Examination Committee conducted review and examination of the remuneration distribution in 2015 based on researches and submitted the results to the Supervisory Board for consideration, approval and disclosure along with the 2015 Annual Report.

On 20 February 2017, according to the Resolution on the Composition of the Special Committees of the Seventh Session of the Supervisory Board of the Company (《關於公司第七屆監事會專門委員會組成成員的決議》) approved at the first meeting of the seventh session of the Supervisory Board, the number of members of the Nomination and Examination Committee of the seventh session of the Supervisory Board was seven with Wang Yugui as the chairman and Zhang Juntong, Wang Hang, Zhang Bo, Lu Zhongnan, Bao Jiming and Cheng Guoqi as members.

The major duties of the Nomination and Examination Committee under the Supervisory Board include: making recommendations to the Supervisory Board on the size and composition of the Supervisory Board; reviewing standards and procedures for election of Supervisors and making recommendations to the Supervisory Board; extensively identifying qualified candidates for Supervisors or accepting recommendations on candidates of Supervisors by other persons as authorized under the Articles of Association; carrying out preliminary examination on qualification and conditions of the candidates of Supervisors nominated by shareholders and making recommendations; supervising the selection and appointment processes of Directors; supervising and evaluating the performance of Directors, Supervisors and members of Senior Management during the year; studying and formulating remuneration policy and budget of Supervisors and submitting reports to the general meeting for approval after being considered and approved by the Supervisory Board; ensuring the remuneration management system and policy of the Company and the remuneration plan of Senior Management are efficient and reasonable; conducting departure auditing in respect of Senior Management when necessary; formulating training plans and organizing training activities for Supervisors; and performing other duties conferred by the Supervisory Board.

During the Reporting Period, the Nomination and Examination Committee under the sixth session of the Supervisory Board convened eight meetings and reviewed 10 proposals. The attendance record of each member is as follows:

Members	Attendance/ Number of meetings
Nomination and Examination Committee under the sixth session of the Supervisory Board	
Zhang Ke *(chairman of the committee during the Reporting Period)*	8/8
Duan Qingshan	8/8
Zhang Disheng	8/8
Lu Zhongnan	8/8
Wang Liang	8/8

(IV) The attendance record of Supervisors of the Company at meetings of the Supervisory Board in 2016

Supervisors	Attendance/ Number of meetings
Duan Qingshan	5/5
Wang Jiazhi	5/5
Guo Dong	5/5
Zhang Ke	5/5
Zhang Disheng	5/5
Lu Zhongnan	5/5
Wang Liang	5/5

(V) The attendance record of Supervisors of the Company at general meetings in 2016

The following table sets out the attendance of Supervisors of the Company at the general meetings in 2016:

Supervisors	Attendance/ Number of meetings
Duan Qingshan	3/3
Wang Jiazhi	3/3
Guo Dong	2/2
Zhang Ke	3/3
Zhang Disheng	3/3
Lu Zhongnan	2/3
Wang Liang	3/3

Note: Mr. Guo Dong was appointed within the Reporting Period, and therefore, he shall not be counted as the quorum of all meetings.

VIII. Special Committees under the Supervisory Board

The Supervisory Board of the Company has Nomination and Examination Committee and Supervisory Committee. Members, rights and functions of such committees and their works in 2016 are as follows:

(I) Nomination and Examination Committee

Since 1 January 2016, the Nomination and Examination Committee of the sixth session of the Supervisory Board comprised five members, including Zhang Ke (chairman of the committee), Duan Qingshan, Zhang Disheng, Lu Zhongnan and Wang Liang.

(III) The Supervisory Board meetings and contents of resolutions

During the Reporting Period, five meetings have been held by the Supervisory Board of the Company. The details are as follows:

Meetings	Date	Publication	Date of Disclosure
23rd meeting of the sixth session of the Supervisory Board	30 March 2016	Shanghai Securities News, China Securities Journal and Securities Times	31 March 2016
24th meeting of the sixth session of the Supervisory Board	29 April 2016	Exempt from announcement in accordance with relevant provisions	
25th meeting of the sixth session of the Supervisory Board	28 August 2016	Exempt from announcement in accordance with relevant provisions	
26th meeting of the sixth session of the Supervisory Board	28 October 2016	Exempt from announcement in accordance with relevant provisions	
7th extraordinary meeting of the sixth session of the Supervisory Board	30 December 2016	Shanghai Securities News, China Securities Journal and Securities Times	31 December 2016

The Supervisory Board of the Company reviewed and approved 11 proposals of the Company, including the 2015 Annual Report, First Quarterly Report, Interim Report and Third Quarterly Report for 2016, 2015 Working Report of the Supervisory Board, Performance Assessment Report of Directors and Supervisors for 2015 by the Supervisory Board, and the list of candidates of Shareholders Supervisors and External Supervisors of the seventh session of the Supervisory Board at the above meetings. During the Reporting Period, the Supervisory Board had no objection towards the supervision matters.

5. to conduct auditing over the issues in connection with the operation and decision making, risk management and internal control of the Company as and when necessary;

6. to make a departure auditing, if required, in respect of any resigning director or member of Senior Management;

7. to issue opinions on the engagement of the accounting firm by the Company;

8. to propose to convene extraordinary general meetings, and, if the Board fails to convene or chair such a meeting as required under the Company Law of the PRC, to convene or chair the general meetings;

9. to propose to convene an extraordinary board meeting and submit proposals to the general meeting;

10. to file lawsuits against Directors and member of Senior Management according to Article 152 of the Company Law of the PRC;

11. to investigate any irregularities in the operations of the Company and, if necessary, may engage accounting firms, law firms or other professional firms to assist its work at the costs of the Company; and

12. to exercise other rights prescribed by the Articles of Association or conferred by the general meeting.

Members of the Supervisory Board may attend meetings of the Board and are entitled to voice their opinions at the meetings.

On 20 February 2017, the change of session of the Supervisory Board of the Company was completed. After the elections of the general meeting of the Company and meeting of the representatives of employees, the members of the seventh session of the Supervisory Board was nine, including three Shareholder Supervisors, three External Supervisors and three Employee Supervisors.

The Supervisory Board is well-structured, with high degree of specialty and independence, which ensures that the Supervisory Board brings its supervisory functions into full play.

The list of Supervisors and their profiles are set out in the section "Directors, Supervisors, Senior Management and Employees" of this report. The members of the Supervisory Board are not related to each other in terms of finance, business, family or other material or relevant relations.

(II) The functions and duties of the Supervisory Board

According to the Articles of Association, the Supervisory Board of the Company shall exercise the following rights:

1. to review the regular reports of the Company prepared by the Board and propose opinions on the reports in writing;

2. to examine financial activities of the Company and may (if necessary) engage another accounting firm to conduct independent auditing on financial status in the name of the Company;

3. to oversee the compliance of Directors, President, Vice Presidents, Chief Financial Officer and Board Secretary of the Company in performing their duties;

4. to demand any Directors, President, Vice Presidents, Chief Financial Officer and Board Secretary of the Company to rectify his/her conduct when such conduct is detrimental to the interests of the Company, and to report such conduct to general meetings or relevant national regulatory authorities if necessary; and to make proposals to remove any Director and/or member of Senior Management if they breach any applicable laws, administrative regulations, the Company's Articles of Association or resolutions of general meetings;

(2) Re-organization of list of related parties

According to the listing rules of SSE and Hong Kong Listing Rules, the database of related parties was maintained through regularly collecting update of data from related parties by mail, and the list of related parties was managed dynamically with prompt update in order to effectively notify shareholders, Directors, Supervisors and Senior Management, and subsidiaries of the Company of the importance and management requirements of related party transactions and internal transactions. As such, a solid foundation was laid to enhance the management of related party transactions of the Company.

(3) Recognition and approval of related party transactions

During the Reporting Period, the Related Party Transactions Supervision Committee confirmed several related party transactions, completed the filing, approval and disclosure of the credit related party loans and non-credit related party transactions.

(4) Effective management of internal transactions of the Group

During the Reporting Period, management of internal transactions remained in line with the Administrative Measures on Internal Transactions of China Minsheng Bank (《中國民生銀行內部交易管理辦法》) with continuous standardization of supervision, review, report, control and evaluation of internal transactions.

VII. The Supervisory Board

The Supervisory Board is the supervisory organization of the Company, which executes its powers and functions in accordance with the laws and regulations, such as the Company Law of the PRC, applicable regulatory provisions and the Articles of Associations to promote the compliance of operations and stable development of the Company and safeguard interests of the Company and investors. The Supervisory Board shall be accountable for the general meetings.

(I) Composition of the Supervisory Board

In 2016, the Supervisory Board of the Company comprised seven members, including two Shareholder Supervisors, two External Supervisors and three Employee Supervisors. Two External Supervisors were experts in finance and management; two Shareholder Supervisors were key persons in charge of renowned companies in the PRC with extensive management experience, sufficient knowledge in finance and accounting; and three Employee Supervisors have been engaged in policy analysis and banking operation and management for a long time, possessing extensive professional experiences. During the Reporting Period, Mr. Guo Dong was elected as Employee Supervisor through the by-election in the meeting of the representatives of employees on 18 March 2016.

The members of the Related Party Transactions Supervision Committee and their profiles are set out in the section "Directors, Supervisors, Senior Management and Employees" in this report. The members of the committee are not related to each other in terms of finance, business, family or other material relations or relevant relations.

On 20 February 2017, according to the Resolution on the Composition of the Special Committees of the Seventh Session of the Board (《第七屆董事會專門委員會組成成員的決議》) approved at the first meeting of the seventh session of the Board, the number of members of the Related Party Transactions Supervision Committee of the seventh session of the Board was five with Li Hancheng as the chairman and Liang Yutang, Song Chunfeng, Liu Jipeng and Liu Ningyu as members.

The Related Party Transactions Supervision Committee under the Board convened 10 meetings and reviewed 23 proposals in 2016. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-executive Directors	
Wang Junhui	9/10
Wu Di	10/10
Executive Directors	
Liang Yutang	10/10
Independent Non-executive Directors	
Han Jianmin *(chairman of the committee during the Reporting Period)*	10/10
Wang Lihua	10/10
Xie Zhichun	2/2

Note: Xie Zhichun, the Director, was elected as Independent Non-executive Directors of the Company at the second extraordinary general meeting for 2016 on 28 October 2016. Therefore, Xie Zhichun, the Director, shall not be counted as the quorum of all meetings.

2. Major achievements of the Related Party Transactions Supervision Committee in 2016

(1) Completion of significant integrated credit granting for related party groups

During the Reporting Period, the Related Party Transactions Supervision Committee of the Board put forward the integrated credit granting. It approved the integrated credit granting for each of the related party groups, including Fosun related groups (復星系集團) and Good First Group (福信集團), and submitted integrated credit granting exceeding its granting limit to the Board for approval, so as to enhance the efficiency of the management of related party transactions of the Company and to better control the risks.

(4) Completion of assessment and appointment of external auditors

In accordance with the Articles of Association, Terms of Reference of Audit Committee (《審計委員會工作細則》), Administrative Measures on Appointment of Accounting Firm of China Minsheng Bank (《中國民生銀行會計師事務所聘任管理辦法》) and requirements of regulatory authorities, the Audit Committee completed the assessment regarding the auditing work of external auditors for 2015. According to the assessment results, the Company confirmed the re-appointment of KPMG Huazhen LLP and KPMG Certified Public Accountants as the auditors for the external auditing of the Company. The Audit Committee also completed the consideration and discussion on the remuneration of the external accounting firm.

(VI) Related Party Transactions Supervision Committee

1. Composition of the Related Party Transactions Supervision Committee and meetings in 2016

The Related Party Transactions Supervision Committee of the sixth session of the Board comprised seven members. The chairman of the committee was Qin Rongsheng, and the members were Liang Yutang, Wang Junhui, Wu Di, Ba Shusong, Wang Lihua and Han Jianmin.

On 15 January 2016, since Qin Rongsheng, the chairman of the Related Party Transactions Supervision Committee, resigned as an Independent Non-executive Director, the number of members of the Related Party Transactions Supervision Committee of the sixth session of the Board was changed to five with Han Jianmin as the chairman and Liang Yutang, Wang Junhui, Wu Di and Wang Lihua as members.

At the 21st extraordinary meeting of the sixth session of the Board held on 21 November 2016, Xie Zhichun was appointed as a member of the Related Party Transactions Supervision Committee. After the addition, the number of members of the Related Party Transactions Supervision Committee of the sixth session of the Board was changed to six with Han Jianmin as the chairman and Liang Yutang, Wang Junhui, Wu Di, Wang Lihua and Xie Zhichun as members.

The Related Party Transactions Supervision Committee of the sixth session of the Board had three Independent Non-executive Directors and all of them are experts in auditing, finance, laws and management. Two Non-executive Directors are key persons in charge of renowned companies in China and have extensive experience in management and sufficient knowledge in finance and accounting. The composition of the Related Party Transactions Supervision Committee of the Company is rational, with professional and independent nature, which is capable to ensure the committee to perform its duties effectively.

The Audit Committee convened eight meetings, reviewed 18 proposals and listened to six reports in 2016. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-executive Directors	
Wu Di	8/8
Independent Non-executive Directors	
Han Jianmin *(chairman of the committee during the Reporting Period)*	8/8
Cheng Hoi-chuen	8/8

2. Major achievements of the Audit Committee in 2016

(1) Internal control inspections to and work guidance for branches

During the year, the Audit Committee investigated the internal control of branches in Wenzhou and Qingdao and profoundly understood the basic situation of operation management, the construction of internal control system as well as administrative measures for internal control of branches. The committee put forward concrete demands in respect of internal control management and risk management of branches and provided guidance on the work plan and layout of major works of branches.

(2) Review of financial statements of the Company

Based on the disclosure requirements of the regulatory authorities for annual financial statements and the review plan of the Audit Committee, the Audit Committee organized the preparation and auditing of the 2015 Annual Report, and completed the review of the 2015 Report on Final Accounts, 2016 Financial Budget, 2016 Interim Financial Report, and the first and third quarterly reports of 2016 of the Company.

(3) Organization and completion of internal control evaluation

During the Reporting Period, in accordance with the Basic Standard for Corporate Internal Control (《企業內部控制基本規範》) and its supporting guidance, the Guidelines for Internal Control of Commercial Banks (《商業銀行內部控制評價指引》) and other requirements in relation to the internal control evaluation of listed companies, the Audit Committee monitored and guided the Company to comprehensively evaluate the design and operation of internal control for 2015 under the principle of comprehensiveness, significance and objectiveness. The committee enhanced the evaluation on the operating results and features of business units and the strategic enforcement of the Board, so as to comprehensively enhance the overall effectiveness of its internal control evaluation.

(V) Audit Committee

1. Composition of the Audit Committee and meetings in 2016

The Audit Committee of the sixth session of the Board comprised five members. The chairman of the committee was Qin Rongsheng, and the members were Wu Di, Cheng Hoi-chuen, You Lantian and Han Jianmin.

Since Qin Rongsheng, the chairman of the Audit Committee, resigned as Independent Non-executive Director on 15 January 2016, the number of members of the Audit Committee of the sixth session of the Board changed to three with Han Jianmin as the chairman and Wu Di and Cheng Hoi-chuen as members.

As of the end of the Reporting Period, the Audit Committee of the sixth session of the Board consisted of two Independent Non-executive Directors and one Non-executive Director. The two Independent Non-executive Directors were experts in finance and management. The Non-executive Director was the key person in charge of renowned companies in China and had extensive experience in management and sufficient knowledge in finance and accounting. The Audit Committee is well-structured, with sufficient specialty and independence, which ensures the committee perform its duty effectively.

The members of the Audit Committee and their profiles are set out in the section headed "Directors, Supervisors, Senior Management and Employees" in this report. The members of the committee are not related to each other in terms of finance, business, family or other material or relevant relations.

On 20 February 2017, according to the Resolution on the Composition of the Special Committees of the Seventh Session of the Board (《第七屆董事會專門委員會組成成員的決議》) approved at the first meeting of the seventh session of the Board, the number of members of the Audit Committee of the seventh session of the Board was five with Liu Ningyu as the chairman and Tian Zhiping, Weng Zhenjie, Cheng Hoi-chuen and Peng Xuefeng as members.

The Risk Management Committee convened 10 meetings, discussed and reviewed nine proposals and 84 businesses beyond risk limits in 2016. The attendance record is as follows:

Members	Attendance/Number of Meetings
Non-executive Directors	
Wang Yugui	10/10
Wang Hang	10/10
Guo Guangchang	10/10
Yao Dafeng	10/10
Executive Directors	
Zheng Wanchun	9/9
Liang Yutang	10/10
Independent Non-executive Directors	
Wang Lihua *(chairman of the committee during the Reporting Period)*	10/10

Note: Zheng Wanchun, the Director, was elected as an Executive Director of the Company at the first extraordinary general meeting for 2016 on 1 February 2016. Therefore, Zheng Wanchun, the Director, shall not be counted as the quorum of all meetings.

2. Major achievements of the Risk Management Committee in 2016

In 2016, under the leadership of the Board, the Risk Management Committee continued to expand the depth and scope of risk controls while adhering to innovation and practice. The committee strengthened the supervision of the implementation of all risk policies by regulatory departments and the Board. Efforts were also made to fulfill duties including risk guidance and evaluation and to perform tasks including risk guidance, risk evaluation and risk reports. During the year, the Risk Management Committee convened 10 meetings and reviewed and approved various proposals, including the Guiding Opinion on Risk Management by the Board of Directors in 2016 (《董事會2016年度風險指導意見》), Report on Semi-annual and Annual Risk Assessment of the Board of Directors (《董事會年度、半年度風險評估報告》), Information Technology Risk Management Report of China Minsheng Bank in 2015(《2015年度中國民生銀行信息科技風險管理報告》), Risk Management Report on Outsourced Businesses of China Minsheng Bank in 2015 (《中國民生銀行2015年度外包風險管理報告》), Operational Risk Management Report of China Minsheng Bank in 2015 (《中國民生銀行2015年度操作風險管理報告》) and Revision on Businesses Beyond Risk Limits of the Board (《董事會超風險限額業務標準修訂案》). The committee studied and listened to the risk management report by the operation management on a quarterly basis, considered and approved the quarterly risk management report of the operation management.

(IV) Risk Management Committee

1. Composition of the Risk Management Committee and meetings in 2016

Since 1 January 2016, the number of members of the Risk Management Committee of the sixth session of the Board was adjusted to six with Wang Lihua as the chairman and Liang Yutang, Wang Yugui, Wang Hang, Guo Guangchang and Yao Dafeng as members.

On 28 February 2016, in accordance with the Resolution on Addition of Members of Certain Special Committees of the Sixth Session of the Board of Directors of the Company (《關於增補公司第六屆董事會部分專門委員會成員的決議》) approved at the 16th extraordinary meeting of the sixth session of the Board, the number of the members of the Risk Management Committee was changed to seven with Wang Lihua as the chairman and Liang Yutang, Wang Yugui, Wang Hang, Guo Guangchang, Yao Dafeng and Zheng Wanchun as members.

On 20 February 2017, according to the Resolution on the Composition of the Special Committees of the Seventh Session of the Board (《關於第七屆董事會專門委員會組成成員的決議》) approved at the first meeting of the seventh session of the Board, the number of members of the Risk Management Committee of the seventh session of the Board was five with Xie Zhichun as the chairman and Liang Yutang, Wu Di, Yao Dafeng and Song Chunfeng as members.

Major duties of the Risk Management Committee include conducting research on macro-economic and financial policies and analyzing market changes to formulate risk management proposals and establish risk control indicator system; studying on regulations, policies and regulatory indicators issued by regulatory authorities to provide recommendations for effective implementation; conducting researches on the development strategies and risk management system of the Company to provide recommendations on the improvement of organizational structure, control procedures and risk solutions for risk management; reviewing risk monitoring indicators and risk management information analysis report to monitor the implementation of necessary identification, measurement, supervision and control measures for operational risks carried out by the management; reviewing early-warning and prevention as well as contingency plans for major risks on operation and management of the Company; organizing risk assessment for material operation issues to formulate risk prevention measures and other duties delegated by the Board of Directors.

(2) Completing the objective evaluation of the performance of Directors for the year

In order to enhance the efficiency of Directors performing their duties and the decision-making of the Board, the Compensation and Remuneration Committee of the Board carried out an objective evaluation of the performance of all the Directors for 2015 during the Reporting Period. The targets of evaluation comprised all of 17 Directors, including Non-executive Directors, Independent Non-executive Directors and Executive Directors.

(3) Assessing the due diligence of Senior Management for the year

During the Reporting Period, the Compensation and Remuneration Committee of the Board assessed the due diligence of eight members of the Senior Management of the Head Office and 46 branch presidents and SBU presidents (including the executive vice president and vice president in charge) for 2015 under the authorization of the Board. The due diligence assessment of the Senior Management of the Head Office included leadership and duty performance. It facilitated a thorough understanding of the Board to the performance of Senior Management and guided them to improve their performance.

(4) Reviewing the annual remuneration of the Directors and the Senior Management of the Company

During the Reporting Period, the Compensation and Remuneration Committee reviewed and disclosed the 2015 remuneration report of Directors based on the annual performance of Directors in compliance with the provision of the Rules on Remuneration of Directors and Supervisors (《董事、監事薪酬制度》). According to the Management Rules on Remuneration of Senior Management (《高級管理人員薪酬管理制度》) and the Administrative Measures of Venture Fund for Senior Management (《高級管理人員風險基金管理辦法》) as well as the operation indicators for 2015, the Compensation and Remuneration Committee reviewed and disclosed the 2015 remuneration report of Senior Management of the Head Office appointed by the Board.

(5) Providing advices on the optimization of the remuneration system of Minsheng Bank

During the Reporting Period, the Compensation and Remuneration Committee under the Board conducted discussions and researches on the optimization of the remuneration system, and assigned relevant departments to coordinate and design the comprehensive incentive mechanism, so as to maintain the competitiveness of the Company in terms of remuneration package and effectively attract young talents.

Corporate Governance

The Compensation and Remuneration Committee convened four meetings, reviewed nine proposals and received two reports in 2016. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-executive Directors	
Lu Zhiqiang	4/4
Wang Hang	4/4
Guo Guangchang	4/4
Executive Directors	
Liang Yutang	4/4
Independent Non-executive Directors	
Cheng Hoi-chuen *(chairman of the committee)*	4/4
Wang Lihua	4/4
Han Jianmin	4/4
Liu Jipeng	0/0
Li Hancheng	0/0

Note: Liu Jipeng and Li Hancheng, the Directors, were elected as Independent Non-executive Directors of the Company at the second extraordinary general meeting for 2016 on 28 October 2016. Therefore, Liu Jipeng and Li Hancheng, the Directors, shall not be counted as the quorum of all meetings.

2. Major achievements of the Compensation and Remuneration Committee in 2016

During the Reporting Period, according to the Terms of Reference of the Compensation and Remuneration Committee of the Board (《董事會薪酬與考核委員會工作細則》) and the annual work plan of the Board, the Compensation and Remuneration Committee focused on optimizing and refining the remuneration system of the Company, gave full play to its functions and carried out all different tasks in a proactive manner. Its major achievements of the year are as follows:

(1) Discussing and determining the targets and target value of key performance indicators of Senior Management in 2016

In accordance with the Administrative Rules on Remuneration of Senior Management (《高級管理人員薪酬管理制度》) of the Company, the performance remuneration of the Senior Management is pegged to their key performance indicators ("KPIs"). During the Reporting Period, based on the actual operating condition of the Company, the Compensation and Remuneration Committee of the Board considered the KPIs, weighting and target value of the Senior Management so as to establish a rational foundation for performance evaluation of the Senior Management.

(3) Review of the qualifications of certain proposed Senior Management of Head Office

During the Reporting Period, the Nomination Committee conducted an evaluation on the qualifications of certain proposed Senior Management of Head Office and submitted the same to the Board for consideration according to the development strategies of the Company and the biographies of the candidates.

(4) Examination on the qualifications of the senior executives of branches and subsidiaries

During the Reporting Period, the Nomination Committee continued to perform its duty in making decisions on candidate selection and appointment of the senior executives. It enhanced the standardization, transparency and efficiency for the nomination and examination procedures. The Nomination Committee considered more than 60 candidates for senior executives of branches and candidates for directors, supervisors and senior executives of subsidiaries during the year.

(III) Compensation and Remuneration Committee

1. Composition of the Compensation and Remuneration Committee and meetings in 2016

From 1 January 2016, the Compensation and Remuneration Committee of the sixth session of the Board had nine members. The chairman was Cheng Hoi-chuen and the members were Lu Zhiqiang, Liang Yutang, Wang Hang, Guo Guangchang, Qin Rongsheng, You Lantian, Wang Lihua and Han Jianmin.

On 21 November 2016, according to the Resolution on Addition of Members of Certain Special Committees of the Sixth Session of the Board of Directors of the Company (《關於增補公司第六屆董事會部分專門委員會成員的決議》) approved at the 21st extraordinary meeting of the sixth session of the Board, Liu Jipeng and Li Hancheng were appointed as members of the Compensation and Remuneration Committee. After the addition of members, the number of members of the Compensation and Remuneration Committee of the sixth session of the Board was nine with Cheng Hoi-chuen as the chairman and Lu Zhiqiang, Liang Yutang, Wang Hang, Guo Guangchang, Wang Lihua, Han Jianmin, Liu Jipeng and Li Hancheng as members.

On 20 February 2017, according to the Resolution on the Composition of the Special Committees of the Seventh Session of the Board (《關於第七屆董事會專門委員會組成成員的決議》) approved at the first meeting of the seventh session of the Board, the number of members of the Compensation and Remuneration Committee of the seventh session of the Board was nine with Cheng Hoi-chuen as the chairman and Lu Zhiqiang, Liang Yutang, Zheng Wanchun, Wu Di, Liu Jipeng, Li Hancheng, Peng Xuefeng and Xie Zhichun as members.

3. Major achievements of the Nomination Committee in 2016

During the Reporting Period, the Nomination Committee of the Board duly performed the following duties in respect of evaluation of the independence of the annual work of the Independent Non-executive Directors and review of the qualification of candidates of Independent Non-executive Directors and Senior Management in accordance with the Working Plan of the Nomination Committee (《提名委員會工作計劃》) formulated at the beginning of the year:

(1) Evaluation of the independence of the annual work of the Independent Non-executive Directors

During the Reporting Period, the Nomination Committee has reviewed the Annual Duty Report of Independent Directors for 2015 (《獨立董事2015年度述職報告》) according to their annual work, annual duty performance, preparation of annual report and key issues of the six Independent Non-executive Directors of the Company and submitted the Annual Duty Report to the shareholders at the annual general meeting. The Nomination Committee is of the opinion that during the Reporting Period, the six Independent Non-executive Directors have complied with the professional standards, independently and objectively performed their duties and diligently supervised the compliance with respect to the development of the businesses and significant matters of the Company to protect the interests of all shareholders of the Company.

(2) Recruitment and screening of candidates of Independent Non-executive Directors and recommendations to the Board

In view of the insufficient number of Independent Non-executive Directors of the Company, the Nomination Committee recruited and screened appropriate candidates extensively during the Reporting Period. According to the actual need of the Company, the Nomination Committee comprehensively analyzed the professional background and performance capability of candidates. After an objective and fair review of the qualifications of candidates, the Nomination Committee selected three appropriate candidates of Independent Non-executive Directors, provided recommendations to the Board and arranged the election of Independent Non-executive Directors in accordance with laws and regulations.

Moreover, according to the requirements of the Policy of Board Diversity of the Company, the Nomination Committee took various factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and term of office, into consideration in reviewing the qualifications of candidates of Independent Non-executive Directors. All appointments made by the Board follow the principle of using the best, and fully considered the benefits of a diversified composition of the Board under the objective situation. Please refer to "Directors, Supervisors, Senior Management and Employees" in this report for the composition of the Board. The Board and the Nomination Committee believe that, the composition of the Board complies with the requirements of the Policy of Board Diversity of the Company.

Prior to the date of the general meeting at which the Independent Non-executive Directors will be elected, the Company shall submit relevant materials in connection with all of its nominees for Independent Non-executive Directors to the CSRC, the local office of the CSRC where the Company is headquartered, the stock exchanges at which the shares of the Company are listed, and the CBRC. Where the Board of Directors raises any objection in respect of any nominee, its written opinion shall also be submitted to the above authorities. Where the CSRC raises any objection in respect of any nominee, such nominee may not serve as a candidate for Independent Non-executive Director, but he/she may serve as a Director candidate. During the general meeting to elect the Independent Non-executive Director, the Board of Directors shall provide a statement on whether the CSRC raised any objection to any candidate.

(2) Criteria and standard of selection and recommendation of Director candidates

Directors shall possess expertise and experiences to perform his/her duties as well as qualify the requirements of the CBRC. Such qualifications shall be reviewed by the CBRC.

An Independent Non-executive Director shall possess the following basic requirements:

1. obtains qualifications to serve as directors of listed commercial banks in accordance with the laws, administrative regulations and other relevant provisions;

2. obtains a bachelor degree or above or with relevant professional qualifications in middle level or above;

3. fulfills the independence requirement specified in the Articles of Association;

4. is equipped with a basic knowledge of the operation of listed commercial banks, and is familiar with relevant laws, administrative regulations, rules and regulations; and is able to read, understand and analyze commercial bank's credit statistics and financial statements;

5. has more than five years of legal, economic, commercial banking or other working experience necessary for performing duties as independent non-executive directors;

6. obtains other qualifications to serve as directors specified in the Articles of Association of the Company; and

7. meets the requirements of the Hong Kong Listing Rules regarding the qualifications of independent non-executive directors.

Corporate Governance

2. Nomination procedures and process adopted by the Nomination Committee

(1) Nomination procedures for Director candidates

(i) General procedures for the nomination of Director candidates

Method of election of the Company's Directors: after soliciting the opinions of the shareholders, the former Board of Directors will, in accordance with the relevant provisions of the Articles of Association of the Company, submit a written proposal at the general meeting containing the biographies and basic information of the candidates. The Nomination Committee under the Board of Directors is responsible for soliciting the opinions of shareholders, collecting the nomination proposals and examining the qualifications of the candidates to determine whether they comply with the qualification requirements for a director of a commercial bank under the Company Law of the PRC, Law of Commercial Banks and relevant laws, administrative regulations and departmental rules. After the review, the Nomination Committee will submit the proposal to the Board of Directors for their consideration, after which the Board of Directors will submit a proposal at general meeting for voting. Nominator shall obtain consent from nominee prior to the nomination. If a shareholder or the Supervisory Board raises an objection to the list of Director candidates, a new proposal should be submitted in accordance with the Articles of Association of the Company, pursuant to which the Nomination Committee shall examine the qualifications of relevant candidates and submit the proposal to the Board of Directors for whether the proposal should be further submitted at the general meeting.

(ii) Special procedures for nomination of Independent Non-executive Director candidates

In accordance with the provisions of the relevant laws, regulations and the Articles of Association of the Company, shareholders individually or jointly holding 1% or more of the issued shares of the Company, the Board of Directors or the Supervisory Board may nominate Independent Non-executive Director candidates for appointment via election by the general meeting. Nominator shall obtain consent from nominee of Independent Non-executive Director prior to the nomination. The nominator shall be fully aware of the occupation, education background, title, detailed work experiences and all part-time positions held by the nominee, and shall provide an opinion on the qualification and independence of the respective nominee to assume the position of Independent Non-executive Director. The nominee shall make a public declaration indicating that there is no relationship between him and the Company which would affect his independent judgment. A nominee shall possess the requisite qualifications and independence under the Articles of Association of the Company. Before any general meeting for the election of the Independent Non-executive Director is held, the Board of Directors shall disclose the above mentioned information in accordance with relevant requirements.

On 21 November 2016, according to the Resolution on Addition of Members of Certain Special Committees of the Sixth Session of the Board of Directors of the Company (《關於增補公司第六屆董事會部分專門委員會委的決議》) approved at the 21st extraordinary meeting of the sixth session of the Board, Li Hancheng and Xie Zhichun were appointed as members of the Nomination Committee. After the addition of members, the number of members of the Nomination Committee of the sixth session of the Board was nine with Hong Qi as the chairman and Zhang Hongwei, Wang Hang, Cheng Hoi-chuen, Wang Lihua, Han Jianmin, Zheng Wanchun, Li Hancheng and Xie Zhichun as members.

On 20 February 2017, according to the Resolution on the Composition of the Special Committees of the Seventh Session of the Board (《關於第七屆董事會專門委員會組成成員的決議》) approved at the first meeting of the seventh session of the Board, the number of members of the Nomination Committee of the seventh session of the Board was nine with Hong Qi as the chairman and Zhang Hongwei, Liu Yonghao, Tian Zhiping, Cheng Hoi-chuen, Li Hancheng, Xie Zhichun, Peng Xuefeng and Liu Ningyu as members.

The Nomination Committee convened 11 meetings and reviewed 19 proposals in 2016. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-executive Directors	
Zhang Hongwei	11/11
Wang Hang	11/11
Executive Directors	
Hong Qi *(chairman of the committee)*	11/11
Zheng Wanchun	10/10
Independent Non-executive Directors	
Cheng Hoi-chuen	11/11
Wang Lihua	11/11
Han Jianmin	11/11
Li Hancheng	2/2
Xie Zhichun	1/2

Note: Zheng Wanchun, the Director, was elected as an Executive Director of the Company at the first extraordinary general meeting for 2016 on 1 February 2016, while Li Hancheng and Xie Zhichun, the Directors, were elected as Independent Non-executive Directors of the Company at the second extraordinary general meeting for 2016 on 28 October 2016. Therefore, Zheng Wanchun, Li Hancheng and Xie Zhichun, the Directors, shall not be counted as the quorum of all meetings.

(5) Enhancement of the management of consolidated financial statements of the Group

During the Reporting Period, the Strategic Development and Investment Management Committee continued to refine the standardized mechanism for the management of consolidated financial statements of the Group, enhanced the supervision, evaluation, examination and summary of the management of consolidated financial statements of the Group, carried out the tracking, monitoring and research of key items of consolidated financial statements, and facilitated the shift and integration of the function of the management system of consolidated financial statements of the Group.

(6) Enhancement of the management of subsidiaries

During the Reporting Period, the Strategic Development and Investment Management Committee further enhanced the centralized management capability and level over the subsidiaries, promoted the implementation of centralized development strategies of subsidiaries and refined the corporate governance and risk management systems of subsidiaries. Significant results were achieved in respect of business synergies and resources sharing.

(7) Protection of consumers' rights

During the Reporting Period, the Strategic Development and Investment Management Committee received the special report from the Senior Management on the protection of consumers' rights, supervised and directed the Senior Management to carry out the protection of consumers' rights and facilitated their implementation.

(II) Nomination Committee

1. Composition of the Nomination Committee and meetings in 2016

From 1 January 2016, the Nomination Committee under the sixth session of the Board comprised nine members and the chairman was You Lantian. The members were Hong Qi, Zhang Hongwei, Wang Hang, Qin Rongsheng, Cheng Hoi-chuen, Ba Shusong, Wang Lihua and Han Jianmin.

On 28 February 2016, according to the Resolution on Addition of Members of Certain Special Committees of the Sixth Session of the Board of Directors of the Company (《關於增補公司第六屆董事會部分專門委員會委的決議》) approved at the 16th extraordinary meeting of the sixth session of the Board, the number of members of the Nomination Committee of the sixth session of the Board was changed to 10 with You Lantian as the chairman and Hong Qi, Zhang Hongwei, Wang Hang, Qin Rongsheng, Cheng Hoi-chuen, Ba Shusong, Wang Lihua, Han Jianmin and Zheng Wanchun as members.

2. Major achievements of the Strategic Development and Investment Management Committee in 2016

In 2016, under the overall strategic guidance of the Board, the Strategic Development and Investment Management Committee actively carried out decision support, strategic management, capital management, investment management, the Group's consolidated financial statements and protection of consumers' rights in order to thoroughly fulfil its duties.

(1) Execution of supports on decision-making

During the Reporting Period, the Strategic Development and Investment Management Committee further refined the process of operation and decision making of the committee to improve the overall support of decision making. It convened eight meetings to discuss material decision issues of the Company, which deliberated on 36 proposals and received eight reports.

(2) Effective implementation of strategic management

During the Reporting Period, the Strategic Development and Investment Management Committee actively conducted strategic research on major issues and kept abreast of prospective topics. It also facilitated the smooth progress of major reforms and transformations of the Company, including the Phoenix Project, and the formulation of "Three Year Development Plan (三年發展規劃)".

(3) Continuous optimization of capital management

During the Reporting Period, the Strategic Development and Investment Management Committee continued to optimize the capital management system, and convened the expert meeting of capital management for 2016 to consider and approve the 2016 Capital Strategies (《2016年資本戰略》) to supervise the implementation of capital strategies in each level. It also carried out research on profit distribution policy to provide references for decision-making.

(4) Continuous optimization of investment management

During the Reporting Period, the Strategic Development and Investment Management Committee further optimized the consideration, approval and decision making processes of external investments and major fixed assets investments and projects, enhanced the tracking and supervision on the management of external investments and major fixed assets investment projects and facilitated the related tasks.

Corporate Governance

On 21 November 2016, according to the Resolution on Addition of Members of Certain Special Committees of the Sixth Session of the Board of Directors of the Company (《關於增補公司第六屆董事會部分專門委員會成員的決議》) approved at the 21st extraordinary meeting of the sixth session of the Board, the number of members of the Strategic Development and Investment Management Committee of the sixth session of the Board was nine with Hong Qi as the chairman and Zhang Hongwei, Lu Zhiqiang, Liu Yonghao, Wang Yugui, Wang Junhui, Yao Dafeng, Zheng Wanchun and Liu Jipeng as members.

On 20 February 2017, according to the Resolution on the Composition of the Special Committees of the Seventh Session of the Board (《關於第七屆董事會專門委員會組成成員的決議》) approved at the first meeting of the seventh session of the Board, the number of members of the Strategic Development and Investment Management Committee of the seventh session of the Board was nine with Hong Qi as the chairman and Zhang Hongwei, Lu Zhiqiang, Liu Yonghao, Zheng Wanchun, Shi Yuzhu, Yao Dafeng, Weng Zhenjie and Liu Jipeng as members.

In 2016, the Strategic Development and Investment Management Committee convened eight meetings, deliberated on 36 proposals and received eight reports. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-executive Directors	
Zhang Hongwei	8/8
Lu Zhiqiang	8/8
Liu Yonghao	8/8
Wang Junhui	5/8
Wang Yugui	8/8
Yao Dafeng	8/8
Executive Directors	
Hong Qi *(chairman of the committee)*	8/8
Zheng Wanchun	7/7
Independent Non-executive Directors	
Liu Jipeng	2/2

Note: Zheng Wanchun, the Director, was elected as an Executive Director of the Company at the first extraordinary general meeting for 2016 on 1 February 2016, while Liu Jipeng, the Director, was elected as an Independent Non-executive Director of the Company at the second extraordinary general meeting for 2016 on 28 October 2016. Therefore, Zheng Wanchun and Liu Jipeng, the Directors, shall not be counted as the quorum of all meetings.

VI. The Responsibilities of Corporate Governance and Special Committees of the Board

The corporate governance of the Company is vested in the Board. The duties include: (1) to develop and review the corporate governance policy and practice of the Company; (2) to review and monitor the training and continuous professional development of Directors and Senior Management; (3) to review and monitor the policies and practices in compliance with legal and regulatory requirements of the Company; (4) to formulate, review and monitor the code of conduct for employees and Directors; and (5) to review the compliance of the Company with the provisions of the Corporate Governance Code and disclosure in the Corporate Governance in the Annual Report.

The major works of corporate governance performed by the Board of the Company in 2016 were as follows: the Board had conducted due diligence assessments of Directors and Senior Management, organized and carried out trainings of Directors and formulated and amended various administration policies of the Company in accordance with domestic and overseas regulatory requirements, including the Articles of Association and the Measures for Appointment of Accounting Firm. The Board also confirmed that, save as disclosed in this Annual Report, the Company had complied with the code provisions of Appendix 14 to the Hong Kong Listing Rules throughout 2016 based on its review.

Members, functions and powers of the six special committees of the Board and their works in 2016 are as follows:

(I) Strategic Development and Investment Management Committee

1. Composition of the Strategic Development and Investment Management Committee and meetings in 2016

From 1 January 2016, the Strategic Development and Investment Management Committee of the sixth session of the Board had eight members. The chairman was Hong Qi and the members were Zhang Hongwei, Lu Zhiqiang, Liu Yonghao, Wang Yugui, Wang Junhui, Ba Shusong and Yao Dafeng.

On 28 February 2016, according to the Resolution on Addition of Members of Certain Special Committees of the Sixth Session of the Board of Directors of the Company (《關於增補公司第六屆董事會部分專門委員會成員的決議》) approved at the 16th extraordinary meeting of the sixth session of the Board, the number of members of the Strategic Development and Investment Management Committee of the sixth session of the Board was changed to nine with Hong Qi as the chairman and Zhang Hongwei, Lu Zhiqiang, Liu Yonghao, Wang Yugui, Wang Junhui, Ba Shusong, Yao Dafeng and Zheng Wanchun as members.

(VII) Chairman of the Board and President

The roles and duties of the Chairman of the Board and the President of the Company are performed by different persons with clearly defined responsibilities in line with the Hong Kong Listing Rules.

During the Reporting Period, the Chairman of the Board, Mr. Hong Qi, was responsible for leading the Board and acting as the Chairman of the Board meetings. He shall ensure that all Directors were well informed of the issues to be discussed during the Board meetings. He was also responsible for the management of the operation of the Board and ensured that the Board shall discuss all major and relevant issues in a timely and constructive manner. In order to allow the Board to discuss all major and relevant issues in time, the Chairman of the Board maintained close contact with relevant Senior Management to ensure that the Directors can promptly receive appropriate, complete and reliable information for their consideration and review.

During the Reporting Period, the President of the Company, Mr. Zheng Wanchun, was responsible for the business operation of the Company and the implementation of strategies and business plans of the Company.

(VIII) Securities transactions by Directors, Supervisors and relevant employees

The Company has adopted its own code of conduct of the Directors and the Supervisors regarding transactions in securities, on terms no less exacting than the Model Code as set out in the Appendix 10 to the Hong Kong Listing Rules. The Company has made specific enquiries to all Directors and Supervisors who have confirmed that they have complied with the above mentioned Code for the year ended 31 December 2016. The Company also formulated the guidelines on dealings in securities of the Company by employees, which are no more lenient than the Model Code. The Company is not aware of any non-compliance with these guidelines by the relevant employees.

(IX) Responsibility statement of Directors regarding preparation of financial statements

All Directors of the Company had committed their responsibilities for the preparation of the financial statements of the Company for the year ended 31 December 2016.

(5) Issues that Independent Non-executive Directors considered may prejudice the interests of minority shareholders; and

(6) Other issues stipulated in the Articles of Association of the Company.

The Independent Non-executive Directors of the Company also played important roles in various special committees of the Board. They acted as the convener of the meetings of the Compensation and Remuneration Committee, the Audit Committee, the Related Party Transactions Supervision Committee and the Risk Management Committee under the Board. At least one Independent Non-executive Director in each of the Audit Committee and Related Party Transactions Supervision Committee has professional accounting experience.

4. Attendance of the Independent Non-executive Directors at meetings during the year

All Independent Non-executive Directors of the Company were conscientious and active in attending the Board meetings during the Reporting Period.

Attendance of the Independent Non-executive Directors at the Board meetings in 2016

Directors	Number of meetings	Attendance in person	Attendance by proxy
Cheng Hoi-chuen	14	14	0
Wang Lihua	14	13	1
Han Jianmin	14	14	0
Liu Jipeng	2	2	0
Li Hancheng	2	2	0
Xie Zhichun	2	1	0

Note: Liu Jipeng, Li Hancheng and Xie Zhichun, the Directors, were elected as Independent Non-executive Directors of the Company at the second extraordinary general meeting for 2016 on 28 October 2016. Therefore, Liu Jipeng, Li Hancheng and Xie Zhichun, the Directors, shall not be counted as the quorum of all meetings.

(VI) Confirmation of the independence of Independent Non-executive Directors

All six Independent Non-executive Directors of the Company are not subject to the factors specified in Rule 3.13 of the Hong Kong Listing Rules which would put their independence into question. Moreover, the Company has received the annual confirmation of independence from each of the Independent Non-executive Directors in accordance with the Hong Kong Listing Rules. Therefore, the Company believes that all Independent Non-executive Directors are independent.

Corporate Governance

Pursuant to the Rules, Independent Non-executive Directors are required to perform their responsibilities and duties diligently in the process of preparation and disclosure of the Annual Report of the Company. The management of the Company shall fully report the annual operating results and the progress of material issues to the Independent Non-executive Directors within 60 days after the end of each fiscal year. The Independent Non-executive Directors may conduct investigations on certain issues if necessary. The Independent Non-executive Directors shall verify the qualifications of the accountants to be engaged by the Company and the qualifications of the certified public accountants responsible for the auditing of the annual report of the Company. Upon the issuance of the preliminary audit opinion and before a Board meeting is convened to review the annual report, the Independent Non-executive Directors shall hold at least one meeting with the auditor responsible for the auditing of the annual report of the Company to discuss the issues identified in the auditing process.

Pursuant to the Rules, Independent Non-executive Directors have performed their responsibilities and duties diligently and strictly complying with the relevant rules and regulations of the Company and the regulatory authorities in preparation and disclosure of the 2016 Annual Report of the Company. Independent Non-executive Directors have received the reports from the management on the operation and development of material issues of 2016, maintained continuous communication with the accounting firm in respect of the annual auditing and reviewed auditing plans, report on pre-auditing and auditing from the accounting firm.

3. Other duties of Independent Non-executive Directors

The Independent Non-executive Directors shall give independent opinions on the following issues at Board meetings or general meetings:

(1) Nomination, appointment and removal of Directors;

(2) Appointment or removal of Senior Management;

(3) Remuneration of Directors and Senior Management;

(4) Major and very substantial related party transactions between the shareholders, de facto controllers and their respective related companies and the Company, and whether the Company has taken effective measures to collect outstanding payments;

(V) Performance of duties by Independent Non-executive Directors

The Board of the Company comprises six Independent Non-executive Directors. The qualifications of Independent Non-executive Directors are in compliance with the provisions of the CBRC, the CSRC, and the listing rules of the SSE and Hong Kong Listing Rules. During the Reporting Period, these Independent Non-executive Directors duly performed their duties by maintaining communication with the Company through various means, such as conducting on-site visits, holding special investigations and conferences, attending the Board meetings and meetings of the special committees conscientiously, making suggestions actively and emphasizing minority shareholders' interests.

1. On-duty policy for Independent Non-executive Directors

In order to fully perform the functions of Independent Non-executive Directors and improve the effectiveness of the Board, the Board of the Company has adopted an on-duty policy since March 2007 pursuant to which Independent Non-executive Directors are required to work in the Company for 1 to 2 days per month. The Company provided offices and facilities for Independent Non-executive Directors. All Independent Non-executive Directors have complied with the on-duty policy. The main duties of the Independent Non-executive Directors while they are on duty are: to study the works of their respective committees; to research and confirm the proposals put forward by the committees; to review working reports of the Senior Management or various departments of the head office; and to discuss and determine or amend any relevant corporate governance policy. During the Reporting Period, the Independent Non-executive Directors had worked in the Company for 30 working days in aggregate, had more than 100 meetings with the management and relevant department staff. It is an achievement for the Company to implement the on-duty policy of Independent Non-executive Directors, which provides important support and help for Independent Non-executive Directors to give full effect of their expertise in research and to provide professional opinion to the decision-making of the Board. The implementation of the policy enhanced the rationality and independence of the decision-making of the Board.

2. Rules governing Independent Non-executive Directors' work on Annual Reports

In order to further improve the corporate governance of the Company with an aim to fully perform the duties of Independent Non-executive Directors in governing information disclosure so as to ensure the truthfulness, accuracy, completeness and timeliness of the information disclosed in the Annual Report of the Company, the Working Rules for Involvement of Independent Non-executive Directors in the Preparation of Annual Report (《獨立非執行董事年報工作制度》) was considered and approved at the 16th Meeting of the fourth session of the Board.

Corporate Governance

The Board of the Company distributed dividends to the shareholders upon approval of the interim profit distribution plan for 2016 at the annual general meeting for 2015. On the basis of total share capital as at the record date, cash dividends of RMB1.15 (before tax) for every 10 shares were distributed to the shareholders whose names appeared on the share register. The total amount of cash dividends was approximately RMB4,196 million. The cash dividends were denominated and declared in Renminbi. The cash dividends to the holders of A Shares and H Shares were paid in Renminbi and Hong Kong dollars, respectively. The Company distributed cash dividends to the holders of A Shares and H Shares on 26 September 2016 and 21 October 2016, respectively.

2. Attendance of Directors of the Company at the general meetings

The following table sets out the attendance of Directors at the general meetings in 2016:

Directors	Attendance/ Number of Meetings
Hong Qi	3/3
Zhang Hongwei	3/3
Lu Zhiqiang	0/3
Liu Yonghao	3/3
Liang Yutang	3/3
Zheng Wanchun	3/3
Wang Yugui	2/3
Wang Hang	3/3
Wang Junhui	3/3
Wu Di	3/3
Guo Guangchang	3/3
Yao Dafeng	2/3
Wang Lihua	3/3
Han Jianmin	3/3
Cheng Hoi-chuen	3/3
Liu Jipeng	0/0
Li Hancheng	0/0
Xie Zhichun	0/0

Note: Liu Jipeng, Li Hancheng and Xie Zhichun, the Directors, were elected as Independent Non-executive Directors of the Company at the second extraordinary general meeting for 2016 on 28 October 2016. No general meeting was held from 28 October 2016 to the end of the Reporting Period. Therefore, Liu Jipeng, Li Hancheng and Xie Zhichun, the Directors, shall not be counted as the quorum of all meetings.

In the above 14 meetings, 63 resolutions including four regular reports, working reports of the Board, working reports of the President, financial budget and final account reports, profit distribution proposals and the system revisions were considered and approved by the Board.

The following table sets out the attendance of Directors of the Company at the meetings of the Board in 2016:

Directors	Attendance/ Number of Meetings
Hong Qi	14/14
Zhang Hongwei	14/14
Lu Zhiqiang	14/14
Liu Yonghao	14/14
Liang Yutang	14/14
Zheng Wanchun	12/12
Wang Yugui	14/14
Wang Hang	14/14
Wang Junhui	13/14
Wu Di	14/14
Guo Guangchang	13/14
Yao Dafeng	13/14
Wang Lihua	14/14
Han Jianmin	14/14
Cheng Hoi-chuen	14/14
Liu Jipeng	2/2
Li Hancheng	2/2
Xie Zhichun	1/2

Note: Zheng Wanchun, the Director, was elected as an Executive Director of the Company at the first extraordinary general meeting for 2016 on 1 February 2016, and Liu Jipeng, Li Hancheng and Xie Zhichun, the Directors, were elected as Independent Non-executive Directors of the Company at the second extraordinary general meeting for 2016 on 28 October 2016. Therefore, Zheng Wanchun, Liu Jipeng, Li Hancheng and Xie Zhichun, the Directors, shall not be counted as the quorum of all meetings.

(IV) Implementation of the resolutions of the general meetings by the Board of Directors

1. Implementation of the profit distribution plan

The Board of the Company distributed dividends to the shareholders according to the profit distribution plan for the second half of 2015 approved at the annual general meeting for 2015. On the basis of total share capital as at the record date, cash dividends of RMB1.60 (before tax) for every 10 shares were distributed to the shareholders whose names appeared on the share register. The total amount of cash dividends was RMB5,838 million. The cash dividends were denominated and declared in Renminbi. The holders of A Shares were paid in Renminbi and the holders of H Shares were paid in Hong Kong dollars. The Company distributed cash dividends to the holders of A Shares on 24 June 2016 and distributed cash dividends to the holders of H Shares on 18 July 2016.

Corporate Governance

(III) Board meetings and contents of resolutions

During the Reporting Period, 14 Board meetings were held by the Board to deliberate on and approve major resolutions in relation to strategies, finance and operation of the Company.

Meeting	Date	Publication	Date of disclosure
14th extraordinary meeting of the sixth session of the Board	15 January 2016	Shanghai Securities News, China Securities Journal and Securities Times	16 January 2016
15th extraordinary meeting of the sixth session of the Board	29 January 2016	Shanghai Securities News, China Securities Journal and Securities Times	30 January 2016
16th extraordinary meeting of the sixth session of the Board	28 February 2016	Shanghai Securities News, China Securities Journal and Securities Times	29 February 2016
17th extraordinary meeting of the sixth session of the Board	4 March 2016	Shanghai Securities News, China Securities Journal and Securities Times	5 March 2016
26th meeting of the sixth session of the Board	30 March 2016	Shanghai Securities News, China Securities Journal and Securities Times	31 March 2016
27th meeting of the sixth session of the Board	29 April 2016	Shanghai Securities News, China Securities Journal and Securities Times	30 April 2016
18th extraordinary meeting of the sixth session of the Board	7 June 2016	Shanghai Securities News, China Securities Journal and Securities Times	8 June 2016
28th meeting of the sixth session of the Board	29 August 2016	Shanghai Securities News, China Securities Journal and Securities Times	30 August 2016
19th extraordinary meeting of the sixth session of the Board	5 September 2016	Shanghai Securities News, China Securities Journal and Securities Times	6 September 2016
20th extraordinary meeting of the sixth session of the Board	19 September 2016	Shanghai Securities News, China Securities Journal and Securities Times	20 September 2016
29th meeting of the sixth session of the Board	30 September 2016	Shanghai Securities News, China Securities Journal and Securities Times	1 October 2016
30th meeting of the sixth session of the Board	28 October 2016	Shanghai Securities News, China Securities Journal and Securities Times	29 October 2016
21st extraordinary meeting of the sixth session of the Board	21 November 2016	Shanghai Securities News, China Securities Journal and Securities Times	22 November 2016
22nd extraordinary meeting of the sixth session of the Board	30 December 2016	Shanghai Securities News, China Securities Journal and Securities Times	31 December 2016

12. to establish the basic management system of the Company;

13. to formulate proposals for any amendment to the Articles of Association of the Company;

14. to manage the disclosure of information of the Company;

15. to propose at the general meetings for the appointment or replacement of the accounting firms of the Company for auditing purpose;

16. to review working reports of the President of the Company and to examine the President's performance;

17. the Board shall establish a supervisory system to ensure that the management body will formulate codes of conduct and working principles for the management staff and the business personnel at all levels and that the regulatory documents will specifically require employees at all levels promptly report any possible conflicts of interests, stipulate concrete rules and establish corresponding mechanism;

18. the Board shall establish an information reporting system that requires the Senior Management to report to the Board and Directors the operational issues of the Company regularly, and the reporting system shall cover provisions for the following issues:

    (1) the scope of the information reported to the Board and Directors and the minimum reporting standards;

    (2) the information reporting frequency;

    (3) the information reporting method;

    (4) the responsible body and liabilities arising from delayed or incomplete information reporting;

    (5) the confidentiality requirements.

19. to determine matters related to issued preference shares of the Company within the scope of power authorized by the general meetings, including but not limited to the determination of repurchase, conversion and dividend payment; and

20. to exercise any other powers prescribed by the laws, administrative regulations and departmental rules, as well as any other powers conferred by the Articles of Association.

(II) Powers of the Board

The Board of the Company may exercise the following functions and powers:

1. to convene general meetings and to report its performance to shareholders;

2. to implement the resolutions passed at the general meetings;

3. to decide on the operational plans and investment plans of the Company;

4. to formulate the proposed annual budget and annual final accounts of the Company;

5. to formulate the profit distribution plans and plans for recovery of losses of the Company;

6. to formulate proposals for increases or reductions of the registered share capital, issuance of bonds or other securities and listing plans of the Company;

7. to formulate proposals for material acquisitions, the purchase of the shares, merger, separation, dissolution and change of form of the Company;

8. to decide on external investments, purchases and sales of assets, pledges of assets, material guarantees, and related party transaction matters within the scope authorized by the general meetings of the Company;

9. to decide the internal management structure of the Company;

10. to appoint or remove the President, the Board Secretary, Chief Finance Officer and Chief Audit Officer of the Company based on the recommendations of the Chairman of the Board; to appoint or remove the Senior Management, such as Vice Presidents, Assistant Presidents, Chief Risk Officer and Chief Information Officer of the Company based on the recommendations of the President and to decide on matters relating to their remunerations, reward and the imposition of any disciplinary measures;

11. to authorize the Nomination Committee under the Board to appoint or dismiss chief advisor, presidents of branches, presidents of SBUs and financial officers and approve the candidates of chairman, chief supervisor and general managers of subsidiaries;

(I) Composition of the Board

As at the end of the Reporting Period, the Board of the Company had 18 members, of which nine were Non-executive Directors, three were Executive Directors and six were Independent Non-executive Directors. All Non-executive Directors held key positions in large renowned enterprises and were experienced in management, finance and accounting, while three Executive Directors had been engaged in banking operation and management for a long time with extensive professional experiences. Six Independent Non-executive Directors were renowned experts in economics, finance, accounting and law. One of the Independent Non-executive Directors was from Hong Kong and was familiar with the IFRS and regulations of the Hong Kong capital market and equipped with extensive management experience of banks.

The structure of the Board embodies qualities including professionalism, independence and diversity, which helps ensure that the Board can make decision in a rational manner.

The Company considers diversified composition of the Board is beneficial to enhance the operating quality of the Company. Therefore, the Company formulated the Policy of Board Diversity in August 2013, specifying that the Company should take various factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and term of office, into consideration in determining the members of the Board for more diversified board composition. The final candidates shall be elected based on his/her value and contributions to the Board. The Board shall nominate candidates for Directors for their merits and based on the requirements for the diversity of board members. The Nomination Committee shall report the diversified composition of the Board in the Annual Report. It shall supervise the implementation of the Policy of Board Diversity and review such policy when necessary to ensure its effectiveness. The Nomination Committee shall discuss any amendments to the Policy of Board Diversity when necessary and submit the proposed amendments to the Board for approval.

The list of Directors of the Company and their profiles are shown in the section headed "Directors, Supervisors, Senior Management and Employees" of this report. Among the members of the Board and the Supervisory Board of the Company, Mr. Liu Yonghao is the chairman and substantial shareholder of New Hope Group Co., Ltd., and Mr. Wang Hang is a vice chairman of New Hope Group Co., Ltd. Save for the above, the members of the Board are not related in terms of finance, business, family or other material or relevant relations. The status of Independent Non-executive Director has been indicated clearly in all communications of the Company which list the name of Directors in compliance with the requirements of the Hong Kong Listing Rules.

IV. General Meeting

During the Reporting Period, the Company held three general meetings. Details are as follows:

On 1 February 2016, the first extraordinary general meeting for 2016, the first class meeting of A shares for 2016 and the first class meeting of H shares for 2016 of the Company were held in Beijing in which shareholders attended and voted on-site and online. Please refer to the announcements dated 1 February 2016 published on the website of the Company (www.cmbc.com.cn) and the website of the SEHK (www.hkexnews.hk) for details.

On 7 June 2016, the annual general meeting for 2015 of the Company was held in Beijing in which shareholders attended and voted on-site and online. Please refer to the announcements dated 7 June 2016 published on the website of the Company (www.cmbc.com.cn) and the website of the SEHK (www.hkexnews.hk) for details.

On 28 October 2016, the second extraordinary general meeting for 2016 of the Company was held in Beijing in which shareholders attended and voted on-site and online. Please refer to the announcements dated 28 October 2016 published on the website of the Company (www.cmbc.com.cn) and the website of the SEHK (www.hkexnews.hk) for details.

During the Reporting Period, the general meetings of the Company considered and passed 127 resolutions on the profit distribution of the Company, the amendment of the Articles of Association, the issuance of domestic and offshore preference shares and the election of Independent Non-executive Directors at the above three meetings.

V. Board of Directors

The Board is an independent decision-making body of the Company, responsible for execution of the resolutions passed by the general meetings; formulating the Company's major objectives, policies and development plans; deciding on the Company's operating plans, investment proposals and the establishment of internal management units; preparing annual financial budgets, final accounts and profit distribution plans; and appointing members of Senior Management. The Company's management team shall have the autonomy to operate the Company independently and the Board shall not interfere with the specific matters of the daily operation and management of the Company.

The Board of Directors and the Board Secretary shall provide assistance when necessary for general meeting convened by the Supervisory Board or shareholders. The Board of Directors shall provide the register of shareholders as at the record date. Necessary costs of such general meetings shall be borne by the Company.

2. Procedures for shareholders to make enquiries to the Board:

Shareholders may make enquiries in writing to the Board through the Office of the Board of Directors of the Company at any time. The contact information of the Office of the Board of Directors of the Company is as follows:

Address: China Minsheng Bank Building, No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China

Postal Code: 100031

Telephone: 86-10-58560975

Facsimile: 86-10-58560720

Email: cmbc@cmbc.com.cn

3. Procedures for shareholders to put forward proposals at general meetings:

In accordance with the Articles of Association of the Company, shareholders jointly holding not less than 3% of shares of the Company shall be entitled to put forward proposals to the Company. Shareholders individually or jointly holding no less than 3% of shares of the Company may put forward provisional proposals to the meeting convener in writing 10 days prior to the date of the general meeting. Convener of such general meeting shall issue a supplementary notice of the meeting setting out the content of the provisional proposals within two days upon the receipt of the proposals.

The Board of Directors shall provide explanation for its decision to exclude any proposal of any shareholder from the agenda at the relevant general meeting. The contents of such excluded proposal and explanation of the Board of Directors shall be announced together with the resolutions of the general meeting after the close of the meeting.

In the annual general meeting of the Company, shareholders holding no less than 3% voting shares of the Company are entitled to put forward additional proposals in writing. The Company shall include the proposals that fall within the scope of power of the general meeting in the agenda of such meeting.

Shareholders may put forward proposals at general meetings through the Office of the Board of Directors of the Company, the contact information of which is set out in the section headed "2. Procedures for shareholders to make enquiries to the Board".

III. Rights of Shareholders

1. Procedures for shareholders to convene an extraordinary general meeting:

In accordance with the Articles of Association, the Company shall convene an extraordinary general meeting within two months at the request of the shareholders individually or jointly holding 10% or more shares of the Company.

Shareholders may request the Board of Directors to convene an extraordinary general meeting or a class meeting by the following procedures:

Shareholders individually or jointly holding 10% or more shares of the Company shall have the right to request the Board of Directors in writing to convene an extraordinary general meeting. The Board of Directors shall make a written response as to whether or not it will convene the extraordinary general meeting within 10 days upon receipt of the request.

If the Board of Directors agrees, a notice of convening such general or class meeting shall be issued within five days after the resolution of the Board of Directors is passed. Approval of the relevant shareholders must be sought if the resolution contained in the notice alters the original request.

If the Board of Directors refuses to convene the extraordinary general meeting or class meeting, or fails to respond within 10 days upon receipt of the request, shareholders individually or jointly holding 10% or more shares with voting rights in the proposed extraordinary general meeting shall have the right to propose to the Supervisory Board in writing to convene such general or class meeting.

If the Supervisory Board agrees thereto, a notice of convening such general or class meeting shall be issued within five days upon receipt of the proposal. Approval of the relevant shareholders must be sought if the resolution contained in the notice alters the original request.

If the Supervisory Board fails to give the notice of such general meeting or class meeting within the specified period, it shall be deemed to have failed to convene the meeting and shareholders who individually or jointly hold 10% or more of the Company's shares with voting rights in the proposed meeting for not less than 90 consecutive days shall have the right to convene and preside over the meeting.

management of investor relations of the Company adhered to the strategy of the Company. These activities fully highlighted the strategic advantages, operation strategies and financial results of the Company and strengthened the presence of the Company in the capital market. Please refer to the section headed "Information Disclosure and Investor Relations" in this chapter for details.

11. According to the internal inspection of the Company, no leakage of confidential information of the Company had been found as at the end of the Reporting Period. None of the insiders had purchased or sold the shares of the Company taking the advantage of any material share price-sensitive inside information prior to the disclosure of such information. On 22 March 2012, the Rules for Insider Registration and Management (《內幕信息知情人登記管理規定》) was considered and approved at the 22nd meeting of the fifth session of the Board of Directors. Since then, the Company has stringently followed the relevant provisions to conduct registration of the insiders possessing insider knowledge for record.

12. The Company followed the regulatory requirements regarding corporate governance of listed companies issued by the CSRC.

The Company conducted a prudent internal inspection and was not aware of any non-compliance of the Company's corporate governance with the regulations regarding corporate governance of listed companies promulgated by the CSRC. There were no irregularities of corporate governance and no information was provided to substantial shareholders or beneficial owners before such information being published to the public.

6. During the Reporting Period, based on the provisions of the Articles of Association and the requirements of regulatory authorities and in line with the requirements of Basel III on the internal control of the Company, the Supervisory Board of the Company continued to refine its systems. It also regulated the performance of duties, explored methods of performing of duties and proactively performed its duties to fully play its supervision role. The main duties of the Supervisory Board include convening different meetings to consider the relevant resolutions, attending every meeting of the Board and important business meetings of the Senior Management, conducting special examinations and researches, carrying out regular supervision tasks, providing opinions on supervision in due course, and organizing training to Supervisors and interacting with other banks. With the efforts of all Supervisors, the Supervisory Board duly performed their duties during the Reporting Period and gained the recognition from regulatory authorities.

7. During the Reporting Period, based on the supervisory responsibilities and regulatory requirements, the Supervisory Board of the Company closely monitored the operation and management of the Company. It organized and conducted special researches and examinations on the quality of loans, corporate loans to customers with early-warning, reputation risks, overall risk management system and debt securities business. Evaluations on performance of the Directors, Supervisors and Senior Management of the Company were also carried out. It also conducted specific examinations in combination with the key businesses of the Company. Based on the above researches and examinations, the Supervisory Board submitted various management proposals to the Board and the Senior Management, which facilitated the compliance of operation and healthy development of the Company.

8. A total of six issues of Newsletter of the Board of Directors (《董事會工作通訊》), 28 issues of Weekly Journal (《每周快報》) and 54 issues of Weekly Report of Investor Relationship (《投資者關係周報》) were published during the Reporting Period, serving as a convenient and effective communication platform of corporate governance between the Board of Directors, the Supervisory Board and the Senior Management which further refined the corporate governance of the Company.

9. During the Reporting Period, in order to fulfill the training requirement of the Directors and Supervisors imposed by regulatory authorities and enhance their capabilities, the Company successively arranged the Directors and Supervisors to participate in trainings for Directors and Supervisors organized by the regulatory authorities.

10. During the Reporting Period, the Company disclosed all material information in a timely, accurate, true and complete manner and continued to enhance the transparency of the Company, ensuring all shareholders have an equal opportunity to access the information of the Company. The

2. In accordance with the domestic and overseas regulatory requirements, the Company has amended the relevant provisions of the Articles of Association (《公司章程》) and Measures on Appointment of Accounting Firm (《會計師事務所聘任辦法》) and formulated the Administrative Measures for Liquidity Contingency (《流動性應急管理辦法》) and Implementation Rules for Liquidity Contingency Plan (《流動性應急預案實施細則》). The corporate governance system of the Company has been further improved by the formulation and amendment of the above rules and regulations. The Board and the Supervisory Board continued to enhance the corporate governance of the Company by ceaselessly strengthening the implementation and the enforcement of the rules and regulations.

3. Pursuant to the stipulation of the Provisional Measures on Performance Appraisal of Senior Management (《高級管理人員盡職考評試行辦法》), the Board of the Company evaluated the performance of the Senior Management, determined their remunerations and appointments based on the results of the performance appraisal in order to continuously facilitate the improvement of their capabilities in performing duties, and optimized the systematic, standardized and normalized performance evaluation system for the Senior Management by the Board.

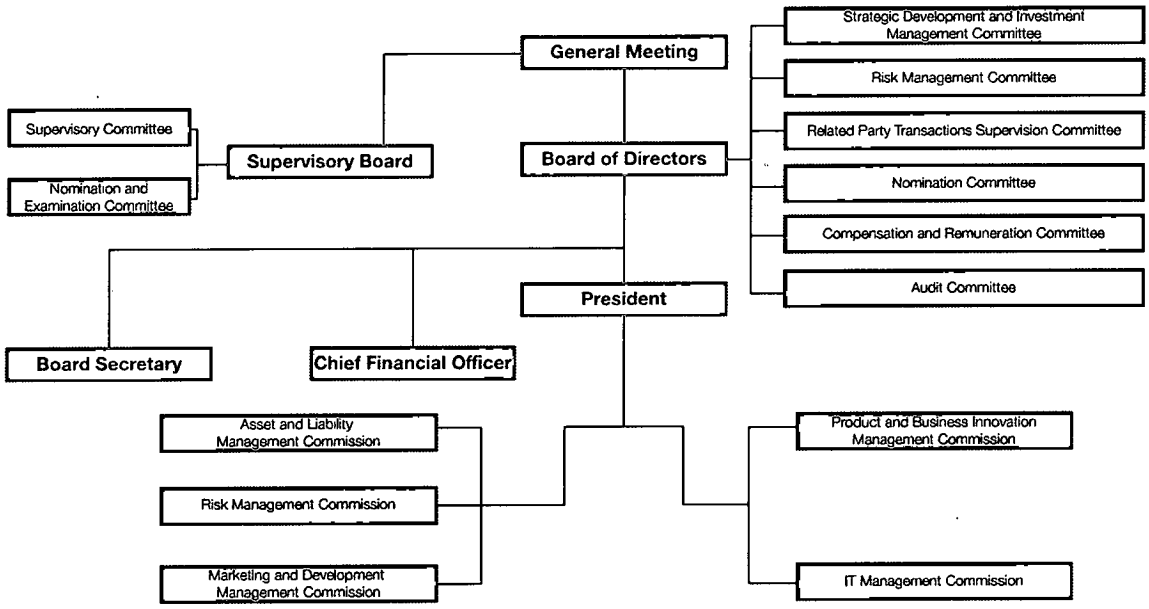
   Pursuant to the Provisional Measures on Performance Evaluation of Directors (《董事履職評價試行辦法》), the Company had completed the annual evaluation of performance of the Directors under the guidance of the Compensation and Remuneration Committee of the Board to promote due diligence and self-discipline of the Directors.

4. The Audit Committee of the Board of Directors conducted internal control investigation and research at Wenzhou Branch and Qingdao Branch to further strengthen the evaluation on internal auditing departments of the Company.

5. During the Reporting Period, the Company continued to strengthen the collation and update of information on related parties and accelerate the work of integrated credit granting to related party groups as well as regulate the filing, approval and disclosure management of related party transactions.

Corporate Governance

I. Corporate Governance Structure



II. Corporate Governance Overview

During the Reporting Period, the Company continuously focused on establishing an efficient and transparent corporate governance structure, ceaselessly refined its systems, continued to make performance evaluation of Directors and the Senior Management. Efforts were made to strengthen the evaluation of internal audit, and the Company constantly facilitated the integrated credit granting to related party groups and improved the system of the Supervisory Board in order to strengthen the supervisory function, which further improved the quality and level of its overall corporate governance. Details are as follows:

1. During the Reporting Period, the Company had convened a total of 86 meetings, including three general meetings, 14 Board meetings, 51 meetings of the special committees of the Board, five meetings of the Supervisory Board and 13 meetings of the special committees of the Supervisory Board. 330 resolutions such as regular reports of the Company, working reports of the Board of Directors and the Supervisory Board, working reports of the President, financial budgets and final account reports, profit distribution proposals, major related party transactions, establishment of institutions and system revisions were considered and approved at these meetings.



公司治理

Corporate Governance

Directors, Supervisors, Senior Management and Employees

Name of entity	Number of outlets	Headcount	Total assets (in RMB million) (excluding deferred income tax assets)	Address
Changchun Branch	32	623	53,038	Minsheng Tower, No. 500 Changchun Street, Nanguan District, Changchun
Hefei Branch	75	734	58,795	Tian Qing Building, No. 135 Dezhou Road, Hefei
Nanchang Branch	60	594	29,399	No. 545 Huizhan Road, Honggutan New District, Nanchang
Shantou Branch	40	442	16,023	1-3/F, Huajing Plaza, No. 17 Hanjiang Road, Longhu District, Shantou
Nanning Branch	53	556	41,819	1/F, 8-12/F, Guangxi Development Tower, No. 111-1 Minzu Avenue, Nanning
Hohhot Branch	31	306	45,204	China Minsheng Bank Tower, Block C, Oriental Junzuo, No. 20 Chile Chuan Avenue, Saihan District, Hohhot, Inner Mongolia
Shenyang Branch	84	514	41,083	No. 65 Nanjing North Street, Heping District, Shenyang
Hong Kong Branch	1	177	118,934	40/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Guiyang Branch	44	427	41,952	No. 28 Yangguan Avenue, Guanshanhu District, Guiyang
Sanya Branch	21	133	24,001	No. 120 Xinfeng Street, Jiyang District, Sanya
Lhasa Branch	5	162	9,524	Global Plaza, No. 8 Beijing West Road, Lhasa
Shanghai Pilot Free Trade Zone Branch	2	115	34,196	40/F, No. 100 Pudong Nan Road, Pudong New District, Shanghai
Harbin Branch	8	198	9,598	1-6/F, Olympic Centre Area 1, No. 11 Aijian Road, Daoli District, Harbin
Lanzhou Branch	11	227	16,772	1-4/F, Gansu Daily Press Plaza, No. 123 Baiyin Road, Chengguan District, Lanzhou
Urumqi Branch	2	124	8,496	No. 314, Yangzijiang Road, Saybagh District, Urumqi
Xining Branch	2	99	4,070	1-4/F, Annex Building of Telecom Industrial Tower, No. 102 Kunlun Zhong Road, Chengzhong District, Xining
Yinchuan Branch	2	88	3,877	1-5/F, Block 19, Jinhaimingyue, No. 106 Shanghai West Road, Jinfeng District, Yinchuan
Inter-region adjustment			(2,348,179)	
Total	3,003	56,168	5,694,177	

Notes:

1. The number of institutions takes into account all types of banking establishments, including the Head Office, tier-one branches, business departments of branches, tier-two branches, sub-branches, community sub-branches and small-and-micro-business sub-branches.
2. Total headcount of the Head Office includes the total number of the employees in Corporate and Investment Banking Department, Credit Card Centre and Financial Markets Department.
3. Inter-region adjustment arises from the reconciliation and elimination of inter-region balances.

During the Reporting Period, the Company highly emphasized on employee training. Aiming to provide focused, accurate, self-motivated and multi-dimensional trainings according to the strategic transformation and business development needs of the Company, the Company continued to improve the training programs and methods in order to encourage the employees to participate in the training programs. The Company also formulated policies, procedures and digital systems to standardize training management to enhance the cost-efficiency of the trainings. As at the end of the Reporting Period, the Company organized a total of 4,287 training programs of various kinds with over 1.46 million participants, and organized 6 internal qualification examinations with 66,000 attendances.

III. Business Network

As at the end of the Reporting Period, the Company had set up 42 branches in 41 cities across China, with 3,003 banking outlets in total.

During the Reporting Period, Xining Branch and Yinchuan Branch of the Company had commenced operations.

Major entities of the Company as at the end of the Reporting Period are shown as follows:

Name of entity	Number of outlets	Headcount	Total assets (in RMB million) (excluding deferred income tax assets)	Address
Head Office	1	14,205	3,327,167	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Beijing Branch	234	3,571	1,067,243	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Shanghai Branch	84	2,664	511,868	No. 100 Pudong Nan Road, Pudong New Area, Shanghai
Guangzhou Branch	128	2,270	267,717	Minsheng Tower, No. 68 Lede Avenue, Zhujiang New Town, Tianhe District, Guangzhou
Shenzhen Branch	118	1,800	260,536	Minsheng Finance Tower, Haitian Road, Futian District, Shenzhen
Wuhan Branch	134	1,521	115,362	China Minsheng Bank Tower, No. 396 Xinhua Road, Jianghan District, Wuhan
Taiyuan Branch	111	1,405	104,620	No. 2 Bingzhou Bei Road, Taiyuan
Shijiazhuang Branch	181	2,231	95,796	Minsheng Bank Tower, No. 197 Yuhua East Road, Chang'an District, Shijiazhuang
Dalian Branch	84	987	85,664	No. 4A Wuwu Road, Zhongshan District, Dalian
Nanjing Branch	179	2,806	360,546	No. 20 Hongwu Bei Road, Nanjing
Hangzhou Branch	84	1,657	129,847	Jinzun, Zunbao Mansion, No. 98 Shimin Street, Qianjiang New Town, Jianggan District, Hangzhou
Chongqing Branch	103	1,046	79,968	Tongjuyuanjing Building, No. 9 Jianxin Bei Road, Jiangbei District, Chongqing
Xi'an Branch	78	1,122	73,886	China Minsheng Bank Tower, No. 78 Erhuan Nanlu Xiduan, Xi'an
Fuzhou Branch	51	943	57,899	No. 282 Hudong Road, Fuzhou
Jinan Branch	159	1,957	128,909	No. 229 Luoyuan Street, Jinan
Ningbo Branch	44	769	41,769	No. 815 Ju Xian Road, Gaoxin District, Ningbo
Chengdu Branch	139	1,454	116,385	Block 6, No. 966 North Section of Tianfu Avenue, Gaoxin District, Chengdu
Tianjin Branch	61	886	58,446	China Minsheng Bank Tower, No. 43 Jianshe Road, Heping District, Tianjin
Kunming Branch	129	878	53,736	Chuntian Yinxiang Building, No. 331 Huancheng Nan Road, Kunming
Quanzhou Branch	48	552	58,022	No. 689 Citong Road, Fengze District, Quanzhou
Suzhou Branch	39	1,160	101,450	Minsheng Finance Tower, Block 23, Times Square, Suzhou Industrial Park, Suzhou
Qingdao Branch	85	1,055	38,924	No. 195 Hong Kong East Road, Laoshan District, Qingdao
Wenzhou Branch	30	575	69,678	Hengha Building, No. 1707 Wenzhou Avenue, Wenzhou
Xiamen Branch	23	516	93,172	7/F, Lixin Plaza, No. 90 Hubin Nan Road, Xiamen
Zhengzhou Branch	137	1,600	127,219	Minsheng Bank Tower, No. 1 CBD Shangwu Waihuan Road, Zhengdong New District, Zhengzhou
Changsha Branch	66	889	60,740	Minsheng Tower, No. 189 Binjiang Road, Yuelu District, Changsha

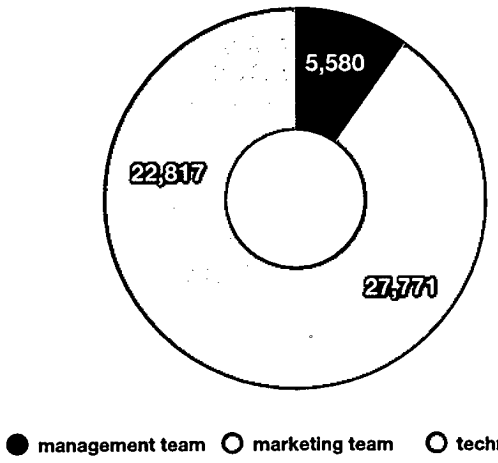
(X) Financial, business and family relationships among Directors, Supervisors and Senior Management

Among the members of the Board and the Supervisory Board of the Company, Mr. Liu Yonghao, a Director, is currently the chairman and substantial shareholder of New Hope Group Co., Ltd., while Mr. Wang Hang, a Supervisor, is a vice chairman of New Hope Group Co., Ltd. Save as disclosed above, there are no other relationships between the members of the Board and the Supervisory Board, including financial, business, family or other material or relevant relationships.

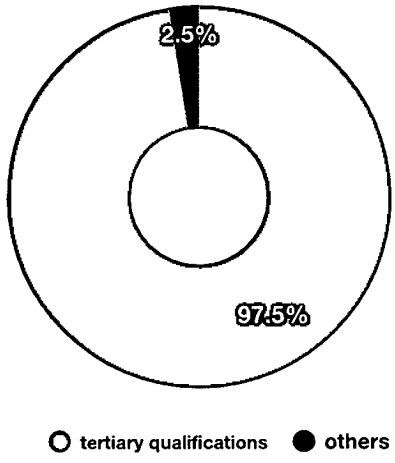
II. Employees

As at the end of the Reporting Period, the Group had 58,720 employees, of which 56,168 were employees of the Company and 2,552 were employees of the subsidiaries of the Company. Divided by professional specialties, 5,580 employees were categorized as management team, 27,771 as marketing team, and 22,817 as technical team. The Company had 54,745 employees with tertiary qualifications or above, accounting for 97.5% of the total number of employees. During the Reporting Period, 212 employees of the Company have retired.

Employee Structure — By work nature (Unit: person)



Employee Structure — By qualification



The guiding principles of the Company's remuneration policy in 2016 were to effectively determine and allocate human resources in accordance with the strategic plans with an aim to enhance capital control, optimize business structure and enhance the core competitiveness of the Company and to reinforce cost-effective management of operations according to the requirements of strategic transformation of the Company and the needs for business development. It also strove to enhance the effectiveness of incentive policy in risk management and control through further improving the deferred compensation mechanism to optimize the risk control system.

4. The 410,448,725 H shares (Long position) comprised 6,864,600 H shares directly held by China Oceanwide International Investment Company Limited and 403,584,125 H shares directly held by Oceanwide International Equity Investment Limited. 98.67% of the issued share capital of Oceanwide International Equity Investment Limited was indirectly held by Oceanwide Holdings Co., Ltd., while all the issued share capital of China Oceanwide International Investment Company Limited and 66.59% of the issued share capital of Oceanwide Holdings Co., Ltd. were held by China Oceanwide Holdings Group Co., Ltd. (please refer to note 3 above).

5. The 808,612,400 H shares (Long position) (in which 390,000,000 H shares were held through other derivatives) comprised 695,179,800 H shares directly held by Fosun International Limited, 35,592,600 H shares directly held by Pramerica-Fosun China Opportunity Fund, L.P. and 77,840,000 H shares directly held by Topper Link Limited. Pramerica-Fosun China Opportunity Fund, L.P. was a fund company managed by Fosun International Limited whereas Topper Link Limited was an indirect wholly-owned subsidiary of Fosun International Limited. Fosun International Limited was owned as to 71.55% of the issued share capital by Fosun Holdings Limited, which in turn was a wholly-owned subsidiary of Fosun International Holdings Ltd. Mr. Guo Guangchang held 64.45% of the issued share capital of Fosun International Holdings Ltd.

   According to the SFO, Fosun International Limited was deemed to have interests in the 35,592,600 H shares held by Pramerica-Fosun China Opportunity Fund, L.P. and in the 77,840,000 H shares held by Topper Link Limited. Meanwhile, Fosun International Holdings Ltd. and Mr. Guo Guangchang were also deemed to have interests in the 808,612,400 H shares held by Fosun International Limited in the Company.

(ii) As at 31 December 2016, the following Director of the Company had the following interests in Pengzhou Minsheng Rural Bank Co., Ltd., a subsidiary of the Company:

Name	Position	Long/ short position	Capacity	Interest in the registered capital	Note	Percentage of the total registered capital (%)
Liu Yonghao	Non-executive Director	Long position	Interest held by his controlled corporation(s)	RMB2,000,000	1	3.64

Note:

1. New Hope Group Co., Ltd. is interested in RMB2,000,000 of the registered capital of Pengzhou Minsheng Rural Bank Co., Ltd. As Mr. Liu Yonghao held 62.34% of the issued share capital of New Hope Group Co., Ltd., Mr. Liu Yonghao was deemed to be interested in the equity interest held by New Hope Group Co., Ltd. in Pengzhou Minsheng Rural Bank Co., Ltd. according to the SFO.

Save as disclosed above, as at 31 December 2016, none of the Directors, Supervisors or chief executives held or was deemed to hold any interests and/or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO), which were recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code set out in Appendix 10 to the Hong Kong Listing Rules, nor had they been granted such rights.

(IX) Contractual rights and service contracts of Directors and Supervisors

No contract of significance, to which the Company or any of its subsidiaries was a party and in which a Director or Supervisor of the Company had a material interest, subsisted during the Reporting Period. None of the Directors and Supervisors of the Company has entered into any service contract with the Company which is not terminable by the Company within one year without payment of compensation (excluding statutory compensation).

(VIII) Interests of the Directors, Supervisors and chief executives in the securities of the Company or its associated corporations under Hong Kong laws and regulations

(i) As at 31 December 2016, the following Directors/Supervisor of the Company had the following interests in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO and as the Company is aware of:

Name	Position	Class of shares	Long/short position	Capacity	Number of shares	Notes	Percentage of the relevant class of shares in issue (%)	Percentage of all the issued ordinary shares (%)
Liu Yonghao	Non-executive Director	A	Long position	Interest held by his controlled corporation(s)	1,608,929,324	1	5.44	4.41
Zhang Hongwei	Non-executive Director	A	Long position	Interest held by his controlled corporation(s)	1,066,764,269	2	3.61	2.92
Lu Zhiqiang	Non-executive Director	A	Long position	Interest held by his controlled corporation(s)	1,682,652,182	3	5.69	4.61
		H	Long position	Interest held by his controlled corporation(s)	410,448,725	4	5.92	1.12
Guo Guangchang	Non-executive Director	H	Long position	Interest held by his controlled corporation(s)	809,612,400	5	11.66	2.22
Wang Jiazhi	Employee Supervisor	A	Long position	Beneficial owner	759,720		0.003	0.002

Notes:

1. The 1,608,929,324 A shares comprised 85,323,189 A shares directly held by South Hope Industrial Co., Ltd. and 1,523,606,135 A shares directly held by New Hope Investment Co., Ltd. 51% of the issued share capital of South Hope Industrial Co., Ltd. was held by New Hope Group Co., Ltd., while New Hope Investment Co., Ltd. was held as to 25% and 75% of its issued share capital by New Hope Group Co., Ltd. and New Hope Liuhe Co., Ltd. respectively. 23.98% and 29.41% of the issued share capital of New Hope Liuhe Co., Ltd. were held by New Hope Group Co., Ltd. and South Hope Industrial Co., Ltd. respectively. According to the SFO, New Hope Group Co., Ltd. was deemed to be interested in the 85,323,189 A shares held by South Hope Industrial Co., Ltd. and the 1,523,606,135 A shares held by New Hope Investment Co., Ltd.

   As Mr. Liu Yonghao held 62.34% of the issued share capital of New Hope Group Co., Ltd., Mr. Liu Yonghao was deemed to be interested in the 1,608,929,324 A shares held by New Hope Group Co., Ltd. according to the SFO. Such interests held by Mr. Liu Yonghao and the interests held by New Hope Group Co., Ltd., Ms. Li Wei and Ms. Liu Chang, the details of which are disclosed in the section headed "Substantial Shareholders' and other persons' interests or short positions in the shares and underlying shares of the Company under Hong Kong laws and regulations" in this Annual Report, were the same block of shares.

2. The 1,066,764,269 A shares were directly held by Orient Group Incorporation. 16.39%, 11.87% and 0.3% of the issued share capital of Orient Group Incorporation were held by Tibet Orient Runlan Investment Co., Ltd. (西藏東方潤瀾投資有限公司), Orient Group Investment Holding Co., Ltd. and Mr. Zhang Hongwei, respectively. Tibet Orient Runlan Investment Co., Ltd. (西藏東方潤瀾投資有限公司) was wholly-owned by Orient Group Investment Holding Co., Ltd. Mr. Zhang Hongwei indirectly held 94% of the issued share capital of Orient Group Investment Holding Co., Ltd. As disclosed in the section headed "Substantial shareholders' and other persons' interests or short positions in the shares and underlying shares of the Company under Hong Kong laws and regulations" in this Annual Report, Orient Group Incorporation is a party to the acting in concert agreement.

3. The 1,682,652,182 A shares were held by China Oceanwide Holdings Group Co., Ltd., of which 98% of the issued share capital was held by Oceanwide Group Co., Ltd., which was wholly-owned by Tohigh Holdings Co., Ltd. Mr. Lu Zhiqiang held 77.14% of the issued share capital of Tohigh Holdings Co., Ltd.

(VII) Directors' interests in competing business

Mr. Wu Di, a Non-executive Director of the Company, is a director of Hangzhou United Rural Commercial Bank Co., Ltd. ("Hangzhou United Bank") and has no interest in the equity in Hangzhou United Bank. To the best knowledge of the Company, Hangzhou United Bank was established on 5 January 2011. The customers of Hangzhou United Bank are mainly from rural areas and local communities as well as small and micro enterprises. Its registered capital is RMB1.75 billion. Hangzhou United Bank is a local joint-stock bank of limited liabilities. According to the unaudited financial statements as at the end of December 2016, the total assets, outstanding balance of deposits, outstanding balance of loans and equity attributable to owners of Hangzhou United Bank were RMB148.872 billion, RMB107.743 billion, RMB77.193 billion and RMB13.972 billion, respectively. Therefore, Hangzhou United Bank is very different from the Company in terms of scale and geographical coverage of business.

The board of directors of Hangzhou United Bank has 13 directors in total in accordance with its articles of association. Mr. Wu Di is only one of the directors and not the chairman of Hangzhou United Bank. In accordance with the Articles of Association of the Company, Mr. Wu Di shall abstain from voting in respect of resolutions in relation to Hangzhou United Bank. As such, the interest of Mr. Wu Di in Hangzhou United Bank is not in conflict with his responsibilities as a Director of the Company.

Save as disclosed above, none of the Directors holds any interests in businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Company.

5. On 20 February 2017, the seventh session of the Board was elected at the first extraordinary general meeting for 2017 of the Company, comprising Mr. Zhang Hongwei, Mr. Lu Zhiqiang, Mr. Liu Yonghao, Mr. Shi Yuzhu, Mr. Wu Di, Mr. Yao Dafeng, Mr. Song Chunfeng, Mr. Tian Zhiping, Mr. Weng Zhenjie as the Non-executive Directors, Mr. Liu Jipeng, Mr. Li Hancheng, Mr. Xie Zhichun, Mr. Cheng Hoi-chuen, Mr. Peng Xuefeng and Mr. Liu Ningyu as the Independent Non-executive Directors, Mr. Hong Qi, Mr. Liang Yutang and Mr. Zheng Wanchun as the Executive Directors.

6. Due to change of session of the Board, Mr. Wang Yugui, Mr. Wang Hang, Mr. Wang Junhui, Mr. Guo Guangchang, Mr. Wang Lihua and Mr. Han Jianmin of the sixth session of the Board have ceased to be the Directors of the Company and Mr. Wan Qingyuan has ceased to be the Board Secretary of the Company.

7. On 20 February 2017, Mr. Zhang Juntong, Mr. Wang Jiazhi and Mr. Guo Dong were elected as the Employee Supervisors of the seventh session of the Supervisory Board through the nomination and election in the meeting of the representatives of employee of the Company. The seventh session of the Supervisory Board was elected at the first extraordinary general meeting for 2017 of the Company, comprising Mr. Wang Hang, Mr. Zhang Bo and Mr. Lu Zhongnan as the Shareholder Supervisors, and Mr. Wang Yugui, Mr. Bao Jiming and Mr. Cheng Guoqi as the External Supervisors.

8. Due to the change of session of the Supervisory Board of the Company, Mr. Duan Qingshan, Mr. Zhang Ke, Mr. Zhang Disheng and Mr. Wang Liang from the sixth session of the Supervisory Board, have ceased to be Supervisors of the Company.

(VI) Service contracts of Directors and Supervisors

In accordance with Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, the Company has entered into contracts with its Directors and Supervisors in respect of compliance with the relevant laws and regulations, the Articles of Association of the Company and the provisions of arbitration. Except as disclosed above, the Company has not entered into and does not intend to enter into any service contracts with its Directors or Supervisors in respect of their services as Directors or Supervisors (excluding the service contracts which will expire within one year or are terminable by the Group within one year without payment of compensation, other than statutory compensation).

4. Mr. Guo Guangchang, a retired Non-executive Director of the Company, has ceased to serve as a vice chairman of Nanjing Nangang Iron & Steel United Co., Ltd.

5. Since August 2016, Mr. Han Jianmin, a retired Independent Non-executive Director of the Company, has been appointed as an external director of FESCO and an independent non-executive director of The Bank of Xi'an Co., Ltd., and ceased to serve as an external director of Beijing Grain Group Co., Ltd.

6. Mr. Xie Zhichun, an Independent Non-executive Director of the Company, has been appointed as an executive director and the chairman of China Fortune Financial Group Limited (listed on the SEHK (stock code: 00290)) since January 2017, and a non-executive director of Elife Holdings Limited (listed on the SEHK (stock code: 00223)) (formerly known as Sino Resources Group Limited) since November 2016.

7. Since February 2017, Mr. Zhang Bo, a Shareholder Supervisor of the Company, has been appointed as an executive director and vice chairman of Quam Limited (listed on the SEHK (stock code: 00952)).

(V) Appointment and resignation of Directors, Supervisors and Senior Management in the Reporting Period and the reasons therefor

1. On 1 February 2016, Mr. Zheng Wanchun was elected as an Executive Director of the sixth session of the Board of the Company at the first extraordinary general meeting for 2016.

2. On 18 March 2016, Mr. Guo Dong was elected as an Employee Supervisor of the sixth session of the Supervisory Board through the by-election through the nomination and election in the meeting of the representatives of employee and general employees' meeting of the Company. On 30 March 2016, Mr. Guo Dong was elected as a Vice Chairman of the Supervisory Board through the by-election in the 23rd meeting of the sixth session of the Supervisory Board.

3. On 8 June 2016, the Board resolved to dismiss Mr. Xing Benxiu as a Vice President of the Company.

4. On 28 October 2016, Mr. Liu Jipeng, Mr. Li Hancheng and Mr. Xie Zhichun were elected as the Independent Non-executive Directors of the sixth session of the Board of the Company at the second extraordinary general meeting for 2016.

Joint Company Secretaries

Mr. Fang Zhou, is the Board Secretary and the Joint Company Secretary of the Company. Please refer to his biography under the paragraph headed "Senior Management".

Ms. Wong Wai Yee, Ella, aged 41, is a senior manager of Corporate Services of Tricor Services Limited ("Tricor"), a global professional services provider specializing in integrated business, corporate and investor services. Ms. Wong has over 15 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Wong is a Chartered Secretary and an Associate of both The Hong Kong Institute of Chartered Secretaries ("HKICS") and the Institute of Chartered Secretaries and Administrators ("ICSA") in the United Kingdom. Ms. Wong is a holder of the Practitioner's Endorsement from HKICS. (Note: The Company has engaged Tricor as an external service provider and appointed Ms. Wong as the Company's Joint Company Secretary since 20 February 2017.)

(IV) Changes of information of Directors and Supervisors

During the Reporting Period, the changes of information of Directors and Supervisors were as follows:

1. Mr. Liu Yonghao, a Non-executive Director of the Company, has served as a vice chairman of both China Association of Agricultural Leading Enterprises (中國農業產業化龍頭企業協會) and China Association for Public Companies, and ceased to serve as the chairman of Shandong New Hope Liuhe Group Co., Ltd.

2. Since September 2016, Mr. Wang Junhui, a retired Non-executive Director of the Company, has been appointed as the chief investment officer of China Life Insurance (Group) Company and the secretary of the party committee and president of China Life Asset Management Company Limited, and ceased to serve as the secretary of the party committee and president of China Life Investment Holding Company Limited.

3. Mr. Wu Di, a Non-executive Director of the Company, has been appointed as a vice president of International Boxing Association (AIBA), a vice chairman of Fujian Province Guangcai Promotion Society, a vice chairman of the eleventh session of Xiamen Municipal Committee of China National Democratic Construction Association, a vice chairman of the fifth session of Enterprise Work Research Association of Xiamen Municipal Committee of China National Democratic Construction Association, and the chairman and president of Shanghai BMA Sports Development Co., Ltd. (上海博盟體育發展有限公司), and ceased to serve as a standing committee member of Fujian Province Industrial and Commercial Confederation, a vice chairman of Federation of Industry and Commerce of Xiamen and a guest professor of Huaqiao University.

Mr. Hu Qinghua, has been the president and secretary of the Party Committee of Shanghai Branch of the Company since April 2015. Mr. Hu joined the Company in November 1999, and served as a vice president of Nanjing Branch of the Company from November 1999 to June 2001, a deputy head of the preparatory team of Fuzhou Branch of the Company from June 2001 to August 2001, a vice president of Fuzhou Branch of the Company from August 2001 to March 2002, the president and secretary of the Party Committee of Chengdu Branch of the Company from March 2002 to January 2007, the president and secretary of Party Committee of Nanjing Branch of the Company from January 2007 to March 2015 and the secretary of the Party Committee of Shanghai Branch of the Company from March 2015 to April 2015. Prior to joining the Company, Mr. Hu served as the president of the Chengnan sub-branch of Nanjing branch of Huaxia Bank from 1997 to 1999, a deputy head (person in charge) of the Chengnan office under Nanjing branch of Huaxia Bank from 1995 to 1997, the manager of the financial center from 1992 to 1994, an assistant general manager of the financial center of Jiangsu Branch of the PBOC from 1994 to 1995, a deputy principal staff member of the gold and silver management division of Jiangsu Branch of the PBOC from 1988 to 1992 and an officer of Jiangsu Branch of the PBOC from 1982 to 1988. Mr. Hu Qinghua obtained his EMBA Degree from Nanjing University.

Mr. Fang Zhou, Doctor of Economics, has been the chief director of Office of the Board of the Company since April 2015. Mr. Fang joined the Company in April 1998, and worked for the Corporate Business Department and the Human Resources Department of the Head Office of the Company. He served as a vice general manager (person-in-charge) and the general manager of the Risk Management Department of Nanjing Branch of the Company from July 2001 to April 2003, and a credit inspector of Wuhan Branch appointed by the Head Office of the Company from April 2003 to March 2004. He served as the director of the Human Resources Department of the Beijing Branch of the Company from March 2004 to November 2007 and the director of the Credit Assessment Department of the Beijing Branch of the Company from December 2006 to November 2007. He also served as a vice president of Fuzhou Branch of the Company from November 2007 to September 2010, a vice president (person-in-charge) of Wenzhou Branch of the Company from September 2010 to February 2012 and the president and secretary of the Party Committee of Hangzhou Branch of the Company from February 2012 to April 2015. Prior to joining the Company, Mr. Fang worked at the Hubei branch of China Construction Bank from July 1993 to April 1998. Mr. Fang obtained his Doctor's degree in Economics from the Wuhan University and is an economist.

Mr. Zhang Yuebo, has been the Chief Internal Audit Executive of the Company since May 2010. Mr. Zhang joined the Company in July 1995, and served as a member of the preparatory team of the Company in January 1996, a deputy director of the Accounting Department of the Company from January 1996 to October 1996, a vice general manager of the Beijing Administrative Department and the president of Zhongguancun Sub-branch of the Company from October 1996 to May 1999, a vice general manager (person-in-charge) and the general manager of the Finance and Accounting Department from May 1999 to May 2001, and the general manager of the Planning and Treasury Department and the IT Development Department of the Company from May 2001 to February 2002. Mr. Zhang went on a government-funded study at West Virginia University from February 2002 to June 2003. He then served as the general manager and the Chief Internal Audit Executive of the Internal Audit Department of the Company from July 2003 to May 2010, and has been the general manager and secretary of the Party Committee of the Internal Audit Department of the Company since May 2010. Prior to joining the Company, Mr. Zhang was previously the director of the Finance Department of Trust Investment Company for Development of Rural Villages in China from March 1992 to June 1995, the director of the accounting division of Xisi sub-branch of Beijing branch of China Construction Bank from July 1983 to March 1992. Mr. Zhang obtained his Master's Degree in Law from Peking University and his MBA Degree from West Virginia University.

Mr. Lin Xiaoxuan, served as a vice president and a member of the party committee of Agricultural Bank of China from September 2015 to December 2016. Mr. Lin served as an officer, a deputy head, the head and a deputy director in the computing center of Fujian branch of ICBC from February 1989 to January 1991, January 1991 to January 1994, January 1994 to August 1997 and August 1997 to December 1998, respectively. He served as the director of the computer support division and a deputy director of the operation and software development center of Fujian branch of ICBC from December 1998 to February 2001, a vice general manager of the technical support department of ICBC from February 2001 to July 2001, the general manager of the IT department of ICBC from July 2001 to February 2004, the general manager of the IT department, general manager of the data center and secretary of the Party Committee of ICBC from February 2004 to July 2009, the director of IT business and general manager of the IT department of ICBC from July 2009 to November 2010, the chief information officer and general manager of the IT department of the ICBC from November 2010 to March 2014, the chief information officer of the ICBC from March 2014 to June 2015 and a member of the Party Committee of Agricultural Bank of China from June 2015 to September 2015. Mr. Lin Xiaoxuan obtained his Master's degree of Computer Application from the Northeast Normal University and his MBA (International) Degree jointly granted by the University of Hong Kong and Fudan University.

Department of the Company until October 2000, a vice general manager of the Fund and Capital Market Department of the Company from October 2000 to May 2007, the general manager of the Derivative Products Department of the Company from May 2007 to May 2009, the secretary of Party Committee of the Financial Market SBU of the Company from May 2009 to June 2009, the president and secretary of Party Committee of the Financial Market SBU of the Company from June 2009 to December 2015 and an Assistant President of the Company from August 2012 to September 2016. Prior to joining the Company, Ms. Li worked in the international department of Beijing branch of Agricultural Bank of China from 1990 to 1995. Ms. Li obtained her Ph.D Degree in Finance from the School of Finance of Renmin University of China.

Mr. Lin Yunshan, has been a member of the Party Committee of the Company since August 2016 and a Vice President of the Company since September 2016. Mr. Lin joined the Company in February 2001, and served as the director of the Bills Business Division of the Corporate Business Department of the Company from August 2002 to December 2003, an assistant general manager of the Corporate Business Department of the Company from December 2003 to October 2005, a vice president and a member of the Party Committee of Shenzhen Branch of the Company from October 2005 to October 2007, the executive director of the office of the Corporate Banking Management Commission of the Company from October 2007 to September 2009, the general manager of the Corporate Banking Department of the Company from September 2009 to November 2012, and an Assistant President of the Company from August 2012 to September 2016. Prior to joining the Company, Mr. Lin served as a principal staff member of the Supervisory Department I of the PBOC from 1999 to 2001, the officer of the Payment System Division of the Payment Technology Department of the PBOC from 1998 to 1999, and a deputy officer and the officer of the Accounting Department of the PBOC from 1993 to 1998. Mr. Lin obtained his Master's Degree in Finance from Renmin University of China.

Ms. Bai Dan, has been the Chief Financial Officer of the Company since April 2012. Ms. Bai is also a vice chairwoman of the Asset and Liability Management Committee and the chairwoman of the Financial Management Committee of the Company. Ms. Bai joined the Company in 2000 and served as a vice general manager of the Planning and Treasury Department of the Company. She also served as a vice general manager and the general manager of the Accounting and Settlement Department and the general manager of the Finance and Accounting Department of the Company since January 2002 and December 2008 respectively. Prior to joining the Company, Ms. Bai served as an assistant general manager, a vice general manager and the general manager of the Finance and Accounting Department of Dalian Branch of the Bank of Communications from 1993 to 2000, and an accountant, a deputy head and the head of Dalian Development Zone Branch of the Bank of Communications from 1988 to 1993. Ms. Bai obtained his MBA Degree from Beijing Jiaotong University in 2008 and is an accountant.

director of the science and technology department at Shanghai Municipal Education Commission, the office general manager; general manager of overseas business department and general manager of enterprise management department, executive directors and chairman of the board of directors of an overseas subsidiary of Shanghai Industrial Investment (Holdings) Co., Ltd. Mr. Bao is a post-doctoral fellow of the School of Economics at Fudan University.

Mr. Cheng Guoqi, is an External Supervisor of the Supervisory Board and also a member of the Supervisory Committee and the Nomination and Examination Committee under the Supervisory Board. Mr. Cheng runs a start-up company. He was a senior manager at the credit business department of the head office of ICBC, a deputy director and director of the credit approval department, and a candidate for deputy director of foreign institutions. Mr. Cheng obtained his Master's Degree in Finance from the School of Finance of Central University of Finance and Economics. He is a senior economist.

Senior Management

Mr. Zheng Wanchun, is the President of the Company. Please refer to his biography under the paragraph headed "Directors — Executive Directors".

Mr. Shi Jie, has been a member of the Party Committee of the Company since August 2016 and a Vice President of the Company since September 2016. Mr. Shi joined the Company in October 1998 and served as the general manager of the Financial Planning Department of Shijiazhuang Branch of the Company from March 2001. He served as the general manager of the Business Department of Shijiazhuang Branch of the Company from March 2001 to July 2001, and a deputy director (person in charge), a senior assistant general manager and a vice general manager of the Credit Assessment Department of the Head Office of the Company from July 2001 to June 2008. He served as the head of preparatory team for the Changchun Branch of the Company from June 2008 to February 2009, the president and secretary of Party Committee of Changchun Branch of the Company from February 2009 to August 2009, the general manager of the Credit Assessment Department of the Company from August 2009 to April 2016 and an Assistant President of the Company from August 2012 to September 2016. Prior to joining the Company, Mr. Shi served as a director of the Finance Department of Hebei University of Economics and Business from 1995 to 1998, an executive member of Taihang Industrial Co., Ltd. of Hebei Institute of Finance and Economics from 1992 to 1995, and a lecturer of the Department of Finance at Hebei University of Economics and Business from 1985 to 1992. Mr. Shi obtained his Master's Degree in Management from Tianjin Institute of Finance and Economics.

Ms. Li Bin, has been a member of the Party Committee of the Company since August 2016 and a Vice President of the Company since September 2016. Ms. Li joined the Company in August 1995 and served as the person in charge and director of the Fund Division of the International Business

Ltd. and Asia-Pacific Property & Casualty Insurance Co., Ltd. Mr. Zhang was previously a vice president of the Houmashi sub-branch of Bank of China Limited. He served as a vice general manager of the risk management department and the general manager of the Corporate Banking Department of Taiyuan Branch, head of the funding and wealth management unit of the Corporate Banking Department, and deputy director of the preparation team of Changsha Branch of the Company. Mr. Zhang was also a member of the party committee, the chief risk officer, a vice president and the president of the aircraft leasing department of Minsheng Financial Leasing. Mr. Zhang obtained his MBA Degree from Wuhan University and is studying for a Doctoral Degree in Economics at Fudan University. He is an economist.

Mr. Lu Zhongnan, is a Shareholder Supervisor of the Supervisory Board and also a member of the Supervisory Committee and the Nomination and Examination Committee under the Supervisory Board. Mr. Lu is an independent non-executive director of Qilu Bank Co., Ltd. (listed on National Equities Exchange and Quotations (stock code: 832666)). He was a director of the Heilongjiang Branch, a vice president of the Harbin Branch, a vice president and standing vice president of the Heilongjiang Branch, a vice president of the Shenyang Branch of the PBOC. He was a director of Orient Group Industrial Co., Ltd., a director of New China Life Insurance Co., Ltd., a vice chairman and the president of China Minzu Securities Co., Ltd., the chairman of Shenzhen New Industry Venture Capital Co., Ltd. and a director, a vice chairman and the chairman of the executive committee of the board of directors of New China Trust Co., Ltd. Mr. Lu graduated from a postgraduate course for advanced studies in economic management and is a senior economist.

Mr. Wang Yugui, is an External Supervisor of the Supervisory Board and also a member of the Supervisory Committee and the chairman of the Nomination and Examination Committee under the Supervisory Board. Mr. Wang is an arbitrator of the Maritime Arbitration Commission of China Council for the Promotion of International Trade. Mr. Wang was a non-executive director of the first to sixth sessions of the Board of the Company. He was also the general manager of China Shipowners Mutual Assurance Association, an executive council member of China Maritime Law Association and the China Association of Trade in Services and a supervisor of Haitong Securities Co., Ltd. (listed on the SSE (stock code: 600837) and on the SEHK (stock code: 06837)). Mr. Wang graduated from Beijing International Studies University in 1977 and is a senior economist.

Mr. Bao Jiming, is an External Supervisor of the Supervisory Board and also a member of the Nomination and Examination Committee under the Supervisory Board. Mr. Bao is a professor at the Department of Business Administration at Fudan University, an academic director of EMBA and an independent non-executive director of Misho Ecology & Landscape Co., Ltd. (listed on the SZSE (stock code: 300495)). He was a deputy director of the training department and an assistant dean of the Department of Business Administration at Fudan University. He was also a secretary general, lecturer, associate professor and postgraduate supervisor at Fudan Development Institute. He was a deputy

China Citic Bank from 1992 to 1996, an officer and a deputy director (section level) of Shandong Linyi Economic and Trade Commission and Commission for Economic Restructuring from 1987 to 1992, and a loan officer of credit division of Shandong Linyi central sub-branch of ICBC from 1986 to 1987. He studied full-time in Shan dong TV University from 1983 to 1986. Mr. Wang was a planned statistician of Shandong Linyi Central Sub-branch of the PBOC from 1981 to 1983 and also worked as a statistician and loan officer of Feixian Sub-branch of the PBOC from 1980 to 1981. Mr. Wang obtained his Ph.D Degree in Economic Philosophy from Shanghai University of Finance and Economics and is a senior economist.

Mr. Guo Dong, is an Employee Supervisor and a Vice Chairman of the Supervisory Board. He is also a member of the Supervisory Committee under the Supervisory Board. Mr. Guo joined the Company in February 2015. Mr. Guo was elected as a vice chairman of the sixth session of the Supervisory Board on 30 March 2016 and was a member of the sixth session of the Supervisory Committee under the Supervisory Board. Mr. Guo was previously an inspector (at bureau level), a deputy inspector (at deputy bureau level), a deputy division director and the division director of Bureau V of the United Front Department of CPC Central Committee, a principal staff member and a deputy division director of Beijing Municipal Economic and Technological Cooperative Office, a staff member, a senior staff member and a principal staff member of the General Office of State Organs Work Committee of Beijing Municipal Committee of CPC, a commander of 52958 Force of PLA and a worker of Changzheng Automobile Manufacturing Factory (河北省長征汽車製造廠) in Hebei Province. Mr. Guo obtained his MBA Degree from Beijing Institute of Technology.

Mr. Wang Hang, is a Shareholder Supervisor of the Supervisory Board and also a member of the Supervisory Committee and the Nomination and Examination Committee under the Supervisory Board. Mr. Wang is a co-founder of Beijing Hosen Investment Management, Center (L.P.) and a vice chairman of the board of directors of New Hope Group Co., Ltd. Mr. Wang has been a non-executive director of New Hope Liuhe Co., Ltd. (listed on the SZSE (stock code: 000876)) since 29 November 2011. Mr. Wang was previously a non-executive director of the fourth to sixth sessions of the Board of the Company, a civil servant at the General Office of the PBOC, a chairman of Kunming O-Park Co., Ltd., a vice president of New Hope Group Co., Ltd., a vice chairman of Union Trust & Investment Ltd., the chairman of the board of directors and president of Sichuan South Hope Industrial Co., Ltd. and the general manager of Beijing Shouwang Asset Management Co., Ltd. Mr. Wang obtained his Master's Degree in Economics from Peking University.

Mr. Zhang Bo, is a Shareholder Supervisor of the Supervisory Board and also a member of the Nomination and Examination Committee under the Supervisory Board. Mr. Zhang serves as an executive director and vice chairman of Quam Limited (listed on the SEHK (stock code: 00952)), a vice chairman of the board of directors, executive director and president of China Minsheng Trust Co., Ltd. and a director of Oceanwide Holdings Co., Ltd. (listed on the SZSE (stock code: 000046)), Minsheng Securities Co.,

Mr. Liu Ningyu, has been an Independent Non-executive Director of the Company and the chairman of the Audit Committee and a member of the Nomination Committee and the Related Party Transactions Supervision Committee under the Board since 20 February 2017. Mr. Liu serves as the managing partner of Ruihua Certified Public Accountants (special general partnership) and an independent non-executive director of Zhongchao New Material Shares Co., Ltd. He was the managing partner of Crowe Horwath China CPAs (special general partnership) (國富浩華會計師事務所(特殊普通合夥)), the chief executive officer of Crowe Horwath China CPAs (國富浩華會計師事務所), the chief accountant of Liaoning Wanlong Jinhui CPA Co., Ltd. (遼寧萬隆金匯會計師事務所), a project manager of Liaoning Accounting Firm (遼寧會計師事務所) and an independent non-executive director of Jinzhou Port Co., Ltd. (listed on the SSE (stock code: 600190)). Mr. Liu Ningyu obtained his MBA Degree from Macau University of Science and Technology in 2004 and studied for a senior course of the Executive Master of Business Administration (EMBA) held by Peking University from 2012 to 2013. Mr. Liu is a professor level senior accountant, a certified public accountant, a certified public valuer and a certified public accountant in Australia.

Supervisors

Mr. Zhang Juntong, is an Employee Supervisor and the Chairman of the Supervisory Board of the Company. He is also the Chairman of the Supervisory Committee and a member of the Nomination and Examination Committee under the Supervisory Board. Mr. Zhang joined the Company in 2016 and is now a vice secretary of Party Committee of the Company. Before joining the Company, Mr. Zhang served as a deputy director and the director of General Administration Department of the CBRC. He served as a researcher and a deputy director of General Office of the CSRC. Mr. Zhang also served in China National Technical Import and Export Corporation (中國技術進出口總公司) and China General Technology (Group) Holding, Limited (中國通用技術(集團)控股有限責任公司). Mr. Zhang obtained his Master's Degree in World Economy from Peking University.

Mr. Wang Jiazhi, is an Employee Supervisor and a Vice Chairman of the Supervisory Board. He is also a member of the Supervisory Committee under the Supervisory Board. Mr. Wang has been an Employee Supervisor of the Company since 10 April 2012. Mr. Wang was a vice chairman of the Supervisory Committee under the sixth session of the Supervisory Board. He was also a member of the Supervisory Committee under the sixth session of the Supervisory Board. Mr. Wang joined the Company in 1998 and was appointed as the president and secretary of Party Committee of Shijiazhuang Sub-branch of the Company, and was the president and secretary of Party Committee of Shijiazhuang Branch of the Company from 2001 to 2002. He was a member of the preparatory team of Fuzhou Branch of the Company from 2000 to 2001, and a director of Credit Division I of the Company from 1998 to 2000. Prior to joining the Company, Mr. Wang served as a deputy director (person in charge) of Shinan Office and a vice general manager (person in change) of development department of Qingdao branch of China Everbright Bank from 1996 to 1998. He also served as a director of Qingdao branch of

and a director of Thailand Sunflower Company (泰國向日葵公司). Mr. Xie Zhichun was a director and vice president of Everbright Securities Company Limited (listed on the SSE (stock code: 601788) and on the SEHK (stock code: 06178)), a director of China Everbright Financial Holding Company (Hong Kong) (中國光大金融控股公司(香港)), the general manager of northern head office of Everbright Securities Company Limited, a director of Da Cheng Investment Fund Management Company from 1996 to 1999. Mr. Xie was a deputy director of preparation team and deputy president of Dalian branch of China Everbright Bank from 1994 to 1996. Mr. Xie was the general manager of international department of Heilongjiang branch of China Everbright Bank from 1992 to 1994. Mr. Xie Zhichun obtained his Bachelor's Degree in Philosophy from Heilongjiang University in 1982. In 1993, he obtained his Master's Degree in Economics from Harbin Institute of Technology. In 2004, Mr. Xie obtained his Doctor's Degree in Economics from Nankai University. He attended the strategy and leadership training program organized by the Party School of the Central Committee of CPC in 2013. Mr. Xie attended an advanced management program in Yale School of Management in the United States from August to September 2011, the 21st one-year training course for young and mid-aged leaders organized by the Party School of the Central Committee of CPC from 2005 to 2006, an advanced management program in Harvard Business School (AMP156) from April 1999 to July 1999 and the fourth training program for young leaders organized by the Party School of the Central Committee of CPC. Mr. Xie Zhichun is a senior economist.

Mr. Peng Xuefeng, has been an Independent Non-executive Director of the Company and a member of the Nomination Committee, the Compensation and Remuneration Committee and the Audit Committee under the Board since 20 February 2017. Mr. Peng is the director of Beijing Dentons Law Offices, LLP, an independent non-executive director of Henan Zhongfu Industrial Co., Ltd (listed on the SSE (stock code: 600595)), an external director of China National Building Material Group Co., Ltd., an independent non-executive director of Huida Sanitary Ware Co., Ltd. and an independent non-executive director of China Life AMP Asset Management Co., Ltd. and a standing committee member of the twelfth session of CPPCC. Mr. Peng was a lawyer at Beijing No. 4 Law Firm (北京市第四律師事務所), a lawyer and deputy director at Beijing Yanshan Law Firm (北京市燕山區律師事務所), a clerk at the intermediate people's court in Cangzhou, Hebei Province. He served as an independent non-executive director of Beijing Haohua Energy Resource Co., Ltd. (listed on the SSE (stock code: 601101)), Beijing SINODATA Technology Co., Ltd. (listed on the SZSE (stock code: 002657)), Beijing Vantone Real Estate Co., Ltd. (listed on the SSE (stock code: 600246)), and Shandong Shipping Corporation (listed on NEEQ (stock code: 835589)). He was also a representative of the eleventh session of the National People's Congress, a vice president of the fifth session of All China Lawyers Association, a standing council member of the fourth session of All China Lawyers Association, a vice president of the sixth and the seventh sessions of Beijing Lawyers Association, a standing council member of the fourth and the fifth sessions of Beijing Lawyers Association, a member of the standing committee of the tenth session of All-China Youth Federation, a member of the eighth session of All-China Youth Federation, a standing member and the chief supervisor of the ninth session of Beijing Youth Federation and a member of the seventh and eighth sessions of Beijing Youth Federation. Mr. Peng obtained his Doctor's Degree in Law from Peking University in 2008 and has the qualification of lawyer, qualification of lawyer engaged in securities and qualification of certified tax agent.

Association, and Beijing Lawyers' Association. He has been an independent non-executive director of Styland Holdings Limited (listed on the SEHK (stock code: 00211)) since December 2008, and an external director of Beijing Electronics Holding Company Limited since February 2015. Mr. Li Hancheng was the administration officer and manager of Beijing S&P Law Firm from May 2000 to December 2004, and a staff member, a principal staff member and a deputy director of the Office of Personnel, and an assistant judge, a judge and a senior judge of Economic Division of the Supreme People's Court of People's Republic of China from July 1984 to April 2000. Mr. Li Hancheng obtained his Bachelor's Degree in Law from Southwest College of Political Science & Law (currently known as Southwest University of Political Science and Law) in 1984.

Mr. Xie Zhichun, has been an Independent Non-executive Director of the Company since 28 October 2016 (his qualification as Director is subject to approval by relevant regulatory authorities) and is also the chairman of the Risk Management Committee and a member of the Nomination Committee and the Compensation and Remuneration Committee under the Board. Mr. Xie is a vice chairman of the consultation committee of Shenzhen Qianhai Shekou Free Trade Zone and Qianhai Shenzhen-Hong Kong Cooperation Zone, distinguished professor of the Research Center for Economic Development in China's Special Economic Zone in Shenzhen University and postgraduate supervisor of PBC School of Finance of Tsinghua University. Mr. Xie is serving as an executive director and the chairman of China Fortune Financial Group Limited (listed on the SEHK (stock code:00290)) since January 2017, a non-executive director of Elife Holdings Limited (listed on the SEHK (stock code: 00223)) (formerly known as Sino Resources Group Limited) since November 2016, and an independent non-executive director of China Taiping Insurance Holdings Company Limited (listed on the SEHK (stock code: 00966)) since 2015. He acted as a vice general manager of China Investment Corporation and an executive director and the general manager of Central Huijin Investment Ltd. from 2014 to 2015. From 2008 to 2014, Mr. Xie Zhichun was an executive director and vice general manager of China Everbright Group Limited and the chairman of the board of directors of Sun Life Everbright Life Insurance Co., Ltd. and chairman of the board of directors of Sun Life Everbright Asset Management Co., Ltd. From 2006 to 2008, he acted as a vice president and director of reorganization and listing office of China Everbright Bank Company Limited. Mr. Xie Zhichun acted as a director and the president of Everbright Securities Company Limited, an executive director of China Everbright Group, an executive director of China Everbright Limited (listed on the SEHK (stock code: 00165)), a vice chairman (unattending) of China Enterprises Association (Singapore), a director of Shenyin & Wanguo Securities Co., Ltd., a director of Everbright Pramerica Fund Management Co., Ltd. and a vice chairman (unattending) of Securities Association of China from 2001 to 2006. From 1997 to 2001, he acted as an executive director and the president of China Everbright Asia-Pacific Company Limited (listed on Singapore Stock Exchange), a director of Shenyin & Wanguo Securities Co., Ltd, the chairman of China Everbright Asia-Pacific (New Zealand) Company, chairman of the board of directors of China Everbright (South Africa) Company, a director of China Everbright Asia-Pacific Industrial Investment Fund Management Company (中國光大亞太工業投資基金管理公司)

Adviser to the PRC. Mr. Cheng received his Bachelor's Degree in Social Science from The Chinese University of Hong Kong in 1973 and his Master's Degree of Philosophy from The University of Auckland in New Zealand in 1979. Mr. Cheng was conferred Honorary Fellowship by The Chinese University of Hong Kong in 2002 and his Doctor's Degree in Business Administration, honoris causa, by the Open University of Hong Kong and his Doctor's Degree in Social Science, honoris causa, by The Chinese University of Hong Kong in 2005.

Mr. Liu Jipeng, has been an Independent Non-executive Director of the Company since 28 October 2016. Mr. Liu is a member of the Strategic Development and Investment Management Committee, the Compensation and Remuneration Committee and the Related Party Transactions Supervision Committee under the Board. Mr. Liu has been a director, professor and doctoral tutor of the Capital Finance Research Institute of China University of Political Science and Law since June 2015. He is also a deputy head of the Independent Non-executive Director Committee of China Association for Public Companies and vice chairman of China Enterprise Reform and Development Society. Mr. Liu Jipeng has been an independent non-executive director of AVIC Capital Co., Ltd. (listed on the SSE (stock code: 600705)) since May 2011, an independent non-executive director of Zhongjin Gold Corp., Ltd. (listed on the SSE (stock code: 600489)) since May 2014, and an independent non-executive director of Chongqing Changan Automobile Co., Ltd. (listed on the SZSE (stock code: 000625)) since March 2016, an independent nonexecutive director of Wanda Hotel Development Company Limited (listed on the SEHK (stock code: 00169)) since July 2013 and an independent non-executive director of China Oceanwide Holdings Limited (listed on the SEHK (stock code: 00715)) since November 2014. Mr. Liu served as an independent non-executive director of Dalian Wanda Commercial Properties Co., Ltd. (previously listed on the SEHK (stock code: 03699) (delisted)) from December 2012 to January 2016. Mr. Liu Jipeng was a professor of law and economic research centre of China University of Political Science and Law from April 2006 to June 2015, professor and head of corporate research centre of Capital University of Economics and Business from September 2001 to April 2006, the chairman of Beijing Standard Consultancy Company Limited from February 1993 to June 1996, a director and assistant researcher of CITIC International Research Centre (中信國際研究所) from April 1989 to January 1997 and deputy academic secretary (deputy director) and assistant researcher of Institute of Industrial Economics of China Academy of Social Science from July 1986 to March 1989. Mr. Liu Jipeng received his Bachelor's Degree from the Department of Industry and Economics of Beijing Institute of Economics in July 1983 and his Master's Degree from the Chinese Academy of Social Sciences in July 1986. Mr. Liu Jipeng is a senior economist and qualified as certified public accountant (non-practicing).

Mr. Li Hancheng, has been an Independent Non-executive Director of the Company since 28 October 2016. Mr. Li is the chairman of the Related Party Transactions Supervision Committee and a member of the Nomination Committee and the Compensation and Remuneration Committee under the Board. Mr. Li is a senior partner and a lawyer of Beijing S&P Law Firm, and qualified as a lawyer in the People's Republic of China. He is also a member of China Maritime Law Association, All China Lawyers

Mr. Weng Zhenjie, has been a Non-executive Director of the Company and a member of the Strategic Development and Investment Management Committee and the Audit Committee under the Board since 20 February 2017. Mr. Weng is the chairman and chief executive officer of Chongqing International Trust Company Limited. Mr. Weng also serves as a director of GuoDu Securities Co., Ltd., China Trust Protection Fund Co., Ltd., Chongqing Yufu Expressway Co., Ltd. (重慶渝涪高速公路有限公司) and Hefei Science & Technology Rural Commercial Bank Company Limited, a vice chairman of the tenth session of the Central Financial Committee of China National Democratic Construction Association, a representative of the fourth session of the National People's Congress of Chongqing and a standing committee member of the National People's Congress of Chongqing, a vice chairman of the Chongqing Committee of China National Democratic Construction Association and the chairman of the board of directors of YIMIN Asset Management Co., Ltd. Mr. Weng worked as the chairman and chief executive officer, acting chairman of the board of directors and chief executive officer, and chief executive officer and director of Chongqing International Trust Company Limited, the chairman of Southwest Securities Co., Ltd. (listed on the SSE (stock code: 600369)), a member of the ninth session of the Central Economic Committee of China National Democratic Construction Association, a representative of the third session of the National People's Congress and a standing committee member of the National People's Congress of Chongqing, the chairman of Chongqing Three Gorges Bank Co., Ltd., a vice general manager of Beijing Centergate Technologies (Holding) Co., Ltd. and an instructor of the Chinese People's Liberation Army Institute of Telecommunication Engineering. Mr. Weng obtained his Master's Degree in Engineering in 1986 and is a senior economist.

Independent Non-executive Directors

Mr. Cheng Hoi-chuen, has been an Independent Non-executive Director of the Company since 15 June 2012. He is also the chairman of the Compensation and Remuneration Committee and a member of the Nomination Committee and the Audit Committee under the Board. Mr. Cheng is currently serving as an independent non-executive director of CLP Holdings Limited (listed on the SEHK (stock code: 00002)), Great Eagle Holdings Limited (listed on the SEHK (stock code: 00041)), MTR Corporation Limited (listed on the SEHK (stock code: 00066)), Hui Xian Asset Management Limited (listed on the SEHK (stock code: 87001)), Shanghai Industrial Holdings Limited (listed on the SEHK (stock code: 00363)), Wing Tai Properties Limited (listed on the SEHK (stock code: 00369)) and CK Hutchison Holdings Limited (listed on the SEHK (stock code: 00001)). Mr. Cheng was awarded the Justice of the Peace in Hong Kong, Officer of the Order of the British Empire and Hong Kong Gold Bauhinia Star and was appointed as a member of the eleventh session of CPPCC. Mr. Cheng was the chief economist and chief financial officer of HSBC, a vice president and the chief executive officer of Hang Seng Bank Limited (listed on the SEHK (stock code: 00011)), the chairman of HSBC and the chairman of HSBC (China) Company Limited, and an independent non-executive director of Hutchison Whampoa Limited (the shares of which were withdrawn from listing on the SEHK in June 2015). In addition, Mr. Cheng served as an adviser to the Central Policy Unit, a member of the executive council and legislative council of the Government of the Hong Kong Special Administrative Region, as well as the Hong Kong Affairs

Mr. Yao Dafeng, has been a Non-executive Director of the Company since 23 December 2014. He is also a member of the Strategic Development and Investment Management Committee and the Risk Management Committee under the Board. Mr. Yao has served as a director and vice president of Anbang Insurance Group Co., Ltd., the substantial shareholder of the Company, since July 2011 and a director and chairman of Anbang Life Insurance Inc., the substantial shareholder of the Company, since July 2010. Mr. Yao has also served as a director of Gemdale Corporation (listed on the SSE (stock code: 600383)) since April 2014 and a non-executive director of Sino-Ocean Group Holding Limited (listed on the SEHK (stock code: 03377)) since March 2016. Mr. Yao was the general manager of Anbang Property Insurance Inc. from September 2004 to July 2011, a deputy head of the preparatory team of Anbang Property Insurance Inc. from November 2002 to September 2004, a vice general manager of Wanxiang Finance Co., Ltd. from August 2002 to November 2002, and a credit officer, section chief, assistant division director and division director of the Zhejiang branch of Bank of China consecutively from August 1981 to July 2002. Mr. Yao Dafeng obtained his Bachelor's Degree in Law from the Department of Politics and Administration of Zhejiang University from September 1998 to June 2001, completed his postgraduate studies at the Department of Political Economy of the Party School of the Zhejiang Provincial Committee of the CPC from September 1999 to July 2002 and is a senior economist.

Mr. Song Chunfeng, has been a Non-executive Director of the Company and a member of the Related Party Transactions Supervision Committee and the Risk Management Committee under the Board since 20 February 2017. Mr. Song is the general manager of China Shipowners Mutual Assurance Association. Mr. Song also serves as a supervisor of Haitong Securities Co., Ltd (listed on the SSE (stock code: 600837) and on the SEHK (stock code: 06837)). Mr. Song was the managing director of COSCO (Hong Kong) Insurance Brokers Limited, the chairman of the board of directors and general manager of Shenzhen COSCO Insurance Brokers Limited, the manager of the commerce division under the transportation department of COSCO/China COSCO Holdings Co., Ltd. (listed on the SSE (stock code: 601919)), and the principal staff member, deputy director, director and manager of the commerce division of the department of commerce under the department of transportation of COSCO. Mr. Song obtained his Doctor's Degree in Law from Peking University in 2006 and is a senior economist.

Mr. Tian Zhiping, has been a Non-executive Director of the Company and a member of the Nomination Committee and the Audit Committee under the Board since 20 February 2017. Mr. Tian is a vice general manager of Beijing Fellow Partners Investment Management Ltd. (北京復樸道和投資管理有限公司). Mr. Tian was the person-in-charge of the preparation team of the Singapore branch of Shanghai Pudong Development Bank (listed on the SSE (stock code: 600000)), a vice president of the Sichuan branch of ICBC (listed on the SSE (stock code: 601398) and on the SEHK (stock code: 01398)), a director and general manager of ICBC (London) plc, and the chairman of the board of directors and general manager of Industrial and Commercial Bank of China (Middle East) Limited. Mr. Tian obtained his MBA Degree from Southwestern University of Finance and Economics in 2002 and from the University of Hong Kong in 2003, respectively. Mr. Tian is a senior economist.

Mr. Liu Yonghao, has been a Vice Chairman of the Board of the Company since 23 March 2009. Mr. Liu is a Non-executive Director, a member of the Strategic Development and Investment Management Committee and the Nomination Committee under the Board and was previously a Vice Chairman of the Board from the establishment of the Company to 2006. Mr. Liu is currently the chairman of New Hope Group Co., Ltd., a director of New Hope Liuhe Co., Ltd. (listed on the SZSE (stock code: 000876)) and the president of the General Association of Sichuan Entrepreneurs. Mr. Liu is a representative of the twelfth session of the National People's Congress, a vice president of China Association of Agricultural Leading Enterprises, a vice president of China Association for Public Companies and one of the promoters of China Society for Promotion of the Guangcai Program. Mr. Liu was previously a vice president of China Society for Promotion of the Guangcai Program, a vice chairman of the seventh and eighth sessions of ACFIC, a committee member of the eighth, ninth, tenth and eleventh sessions of CPPCC, a standing committee member of the ninth and tenth sessions of CPPCC, and a vice chairman of the tenth and eleventh sessions of Committee for Economic Affairs of the CPPCC.

Mr. Shi Yuzhu, has been a Non-executive Director of the Company and a member of the Strategic Development and Investment Management Committee under the Board since 20 February 2017. Mr. Shi is the chairman of Shanghai Giant Network Science Technologies Co., Ltd., Giant Interactive Group Inc., Giant Investment Co., Ltd. and Chongqing New Century Cruise Co., Ltd. (listed on the SZSE (stock code: 002558)), a director of Shanghai Zhengtu Information Technology Co., Ltd., a vice chairman of the board of directors of China Minsheng Investment Corp., Ltd. and the chairman of the Giant Charity Foundation. Mr. Shi was previously a Non-executive Director of the Company from 2006 to 2014. Mr. Shi obtained his Bachelor's Degree in Mathematics from Zhejiang University in 1984 and graduated from the postgraduate program of soft science from Shenzhen University in 1990.

Mr. Wu Di, has been a Non-executive Director of the Company since 15 June 2012. He is also a member of the Compensation and Remuneration Committee and the Risk Management Committee under the Board. Mr. Wu is the chairman, president and CEO of Fuxin Group Co., Ltd., and a director of Hangzhou United Rural Commercial Bank. In addition, Mr. Wu is a vice president of International Boxing Association (AIBA), the standing chairman of China International Chamber of Commerce for the Private Sector, a vice chairman of Fujian Province Guangcai Promotion Society, a vice chairman of Xiamen Economics Society, a vice chairman of the eleventh session of Xiamen Municipal Committee of China National Democratic Construction Association, a vice chairman of the fifth session of Enterprise Work Research Association of Xiamen Municipal Committee of China National Democratic Construction Association, and also a vice chairman of Xiamen Association of Cross-strait Exchanges. Mr. Wu was an assistant director of Dalian Ocean Fishery Group and a vice general manager of Shenzhen Tianma New Construction Material Co., Ltd. and a director of Yong An Property Insurance Company Limited. Mr. Wu obtained his Doctor's Degree in Economics from Renmin University of China in 2013 and now serves as a guest professor of Renmin University of China. Mr.Wu is a senior economist.

Non-executive Directors

Mr. Zhang Hongwei, has been a Vice Chairman of the Board of the Company since 30 April 2000. Mr. Zhang is a Non-executive Director and also a member of the Strategic Development and Investment Management Committee and the Nomination Committee under the Board. Mr. Zhang is the chairman of Orient Group Incorporation (listed on the SSE (stock code: 600811)), United Energy Group Limited (listed on the SEHK (stock code: 00467)) and Orient Group Investment Holding Co., Ltd. Mr. Zhang was previously the chairman of Jinzhou Port Co., Ltd. (listed on the SSE (stock code: 600190/900952)), a member of the eleventh session of CPPCC and a standing committee member of the tenth session of CPPCC. Mr. Zhang served as a vice chairman of the All-China Federation of Industry and Commerce ("ACFIC") from 1997 to 2007. Mr. Zhang obtained his MBA Degree from Harbin Institute of Technology in 1996 and is a senior economist.

Mr. Lu Zhiqiang, has been a Vice Chairman of the Board of the Company since 16 July 2006. Mr. Lu is a Non-executive Director and also a member of the Strategic Development and Investment Management Committee and the Compensation and Remuneration Committee under the Board. Mr. Lu was a Director from the establishment of the Company to June 2003 and was re-elected as a Director of the Company in 2006. Mr. Lu is the chairman and president of Oceanwide Group Co., Ltd., Tohigh Holdings Co., Ltd. and China Oceanwide Holdings Group Co., Ltd., the chairman of Oceanwide Holdings Co., Ltd. (listed on the SZSE (stock code: 000046)), the chairman of China Minsheng Trust Co., Ltd. and a non-executive director of Legend Holdings Corporation (listed on the SEHK (stock code: 03396)). Mr. Lu is also a standing committee member of CPPCC, a member of the Committee for Economic Affairs of CPPCC and has been a vice chairman of ACFIC in 2012. Mr. Lu was the Chairman of the Supervisory Board of the Company from June 2003 to December 2004 and a Vice Chairman of the Supervisory Board of the Company from December 2004 to June 2006. He was also the chairman of Oceanwide Construction Group Co., Ltd. and a director of Haitong Securities Co., Ltd. (listed on the SSE (stock code: 600837) and on the SEHK (stock code: 06837)). Mr. Lu was a standing committee member and vice chairman of ACFIC from 1998 to 2012. Mr. Lu obtained his Master's Degree in Economics from Fudan University in 1995 and is a research fellow.

Mr. Liang Yutang, has been an Executive Director of the Company since 23 March 2009. He is also a Vice Chairman of the Company and a member of the Compensation and Remuneration Committee, the Related Party Transactions Supervision Committee and the Risk Management Committee under the Board. Mr. Liang joined the Company as a vice general manager of the Funds Planning Department upon the establishment of the Company and was the general manager of the Funds Planning Department and the general manager of the Financial Institutions Department of the Company from 1996 to 2002. Mr. Liang was an assistant president of the Company from 2003 to 2005, the general manager of the Beijing Branch of the Company from 2002 to 2007 and became a Vice President of the Company in February 2005. Before joining the Company, Mr. Liang was the manager of the integrated planning department of the Bank of Communications from 1994 to 1995, and the general manager of Yutong Real Estate Development and Investment Company of the Zhengzhou branch of the Bank of Communications from 1992 to 1994. Mr. Liang was a deputy head of the academic secretariat of Henan Finance and Management College from 1990 to 1992, and a deputy director and the director of the Management Teaching Research Department of Henan Finance and Management College from 1985 to 1990. Mr. Liang has over 34 years of experience in finance industry. Mr. Liang obtained his Master's Degree in Economics from Xiamen University in 1993 and is a senior economist.

Mr. Zheng Wanchun, has been an Executive Director of the Company since 1 February 2016. He is also the President of the Company and a member of the Strategic Development and Investment Management Committee and the Compensation and Remuneration Committee under the Board. Before joining the Company, Mr. Zheng served as a vice president of Industrial and Commercial Bank of China Limited ("ICBC", listed on the SSE (stock code: 601398) and on the SEHK (stock code: 01398)) from September 2013 to October 2015. He served as the president of China Great Wall Asset Management Corporation from February 2011 to September 2013, a vice president of China Huarong Asset Management Co., Ltd. from December 2004 to February 2011, an assistant president of China Huarong Asset Management Co., Ltd. from September 2003 to December 2004, the general manager of operational management department of China Huarong Asset Management Co., Ltd. from April 2002 to September 2003, the general manager of creditor's rights management department of China Huarong Asset Management Co., Ltd. from June 2000 to April 2002, a vice general manager of industrial and commercial credit department of ICBC from October 1999 to June 2000 and acted as an assistant president and the general manager of the business department of Hainan branch of ICBC from November 1998 to October 1999. Mr. Zheng obtained his Doctor's Degree in Economics from Renmin University of China in 2000 and is a senior economist.

8. As the above Directors, Supervisors and Senior Management whose terms of office commenced on 20 February 2017 were elected at the first extraordinary general meeting for 2017, the meeting of the representatives of employees and the first meeting of the seventh session of the Board of the Company respectively, they have not been taken into account the shareholdings at the beginning and the end of 2016, aggregate emoluments payable during the Reporting Period or emoluments received from related parties during the Reporting Period.

(II) Current positions held by the Directors and Supervisors in the companies that are shareholders of the Company

Name	Name of the Company's shareholder company	Position	Term of Office
Zhang Hongwei	Orient Group Incorporation	Chairman	June 2014–Present
Lu Zhiqiang	China Oceanwide Holdings Group Co., Ltd.	Chairman and President	May 1999–Present
Wu Di	Fuxin Group Co., Ltd.	Chairman and President, Chief Executive Officer	2003–Present
Yao Dafeng	Anbang Insurance Group Co., Ltd.	Director and Vice President	July 2011–Present
	Anbang Life Insurance Inc.	Director and Chairman	July 2010–Present

(III) Major working experience of Directors, Supervisors and Senior Management

Directors

Executive Directors

Mr. Hong Qi, has been an Executive Director of the Company since 8 January 2004. He is also the Chairman of the Company, the chairman of the Strategic Development and Investment Management Committee and the Nomination Committee under the Board. Mr. Hong is the chairman of CMBC International, the vice president of China Chamber of International Commerce, an honorary vice chairman of Sun Yefang Economic Science Foundation, the vice council chairman of China Red Ribbon Foundation of ACFIC, the vice council chairman of China Foundation for Poverty Alleviation of ACFIC, a deputy director of Working Committee for Poverty Alleviation of ACFIC, the council chairman of China Academy of New Supply-side Economics, a standing council member of China International Finance Society and a member of Financial Planning Standard Board (China). Mr. Hong was a Vice President of the Company from 2000 to March 2009 and became the President in March 2009. He was the director of the Business Department of Head Office of the Company from January 1996 to September 1996. Mr. Hong acted as a vice general manager of Beijing Administrative Department of the Company from September 1996 to April 1998 and was promoted to the general manager from 1998 to 2000. Prior to joining the Company, Mr. Hong was the president and secretary of the party committee of the Beihai branch of the Bank of Communications from 1994 to 1995, a deputy director of the Securities Research Institute of Renmin University of China from 1991 to 1994, and a senior officer at the headquarters of the PBOC from 1985 to 1991. Mr. Hong has over 31 years of experience in banking management and finance industry. Mr. Hong obtained his Doctor's Degree in Economics from Renmin University of China in 1994.

Directors, Supervisors, Senior Management and Employees

Name	Gender	Year of birth	Position	Term of office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)	Aggregate emolument before tax payable during the Reporting Period (RMB ten thousand)	Any emolument received from related parties
FANG Zhou	M	1970	Board Secretary	20 February 2017–present	–	–	–	–
WANG Junhui	M	1971	Former Non executive Director	10 April 2012–20 February 2017	0	0	74.00	Yes
GUO Guangchang	M	1967	Former Non executive Director	17 December 2012–20 February 2017	0	0	80.50	Yes
WANG Lihua	M	1963	Former Independent Non-executive Director	10 April 2012–20 February 2017	0	0	117.50	Yes
HAN Jianmin	M	1969	Former Independent Non-executive Director	10 April 2012–20 February 2017	0	0	107.00	Yes
DUAN Qingshan	M	1957	Former Chairman of the Supervisory Board & Employee Supervisor	10 April 2012–20 February 2017	0	0	407.09	No
ZHANG Disheng	M	1955	Former Shareholder Supervisor	10 April 2012–20 February 2017	0	0	65.50	No
ZHANG Ke	M	1953	Former External Supervisor	10 April 2012–20 February 2017	0	0	68.50	Yes
WANG Liang	M	1942	Former External Supervisor	10 April 2012–20 February 2017	0	0	68.50	No
XING Benxiu	M	1963	Former Vice President	10 April 2012 – 9 June 2016	0	0	122.85	No
WAN Qingyuan	M	1965	Former Board Secretary	10 April 2012–20 February 2017	0	0	309.59	No

Notes:

1. The terms of office of Directors, Supervisors and Senior Management cover the terms of the seventh session of the Board and Supervisory Board which have taken effect from 20 February 2017 until the disclosure date of this Annual Report;
2. On 8 June 2016, the Board of the Company resolved to dismiss Mr. Xing Benxiu as a Vice President of the Company;
3. On 22 January 2017, the Company issued the Announcement on the Approvals of the Qualifications of Senior Management (《關於高級管理人員任職資格核准的公告》), pursuant to which, the qualifications of Shi Jie, Li Bin and Lin Yunshan as Vice Presidents of the Company was approved by the CBRC;
4. On 20 February 2017, the seventh session of the Board and the seventh session of the Supervisory Board of the Company were elected at the first extraordinary general meeting for 2017 of the Company. The resolutions regarding the appointment of the Chairman, Vice Chairmen, President, Vice Presidents, Chief Financial Officer, Chief Audit Officer, Chief Information Officer, Chief Risk Officer and Board Secretary were considered and approved at the first meeting of the seventh session of the Board. The qualifications of certain Directors and Senior Management are subject to the approval of the regulatory authorities of China banking industry;
5. On 23 February 2017, the Company issued the Announcement on Approvals of the Qualifications of Independent Directors (《關於獨立董事資格核准的公告》), pursuant to which, the qualifications of Mr. Liu Jipeng and Mr. Li Hancheng as Independent Non-executive Directors of the Company was approved by the CBRC;
6. During the Reporting Period, none of the incumbent Directors, Supervisors and Senior Management or Directors, Supervisors or Senior Management retired during the Reporting Period had been subject to any penalty imposed by the securities regulatory authorities during the last three years;
7. During the Reporting Period, the total pre-tax emoluments of current and resigned Directors, Supervisors and Senior Management were RMB53,188,900. The total pre-tax emoluments of current Executive Directors, Employee Supervisors and Senior Management are still in confirmation process and further disclosure regarding such unconfirmed part will be made by the Company in due course;

Directors, Supervisors, Senior Management and Employees

Name	Gender	Year of birth	Position	Term of office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)	Aggregate emolument before tax payable during the Reporting Period (RMB ten thousand)	Any emolument received from related parties
ZHANG Juntong	M	1974	Employee Supervisor	15 February 2017–20 February 2017	–	–	–	–
			Chairman of the Supervisory Board & Employee Supervisor	20 February 2017–present				
WANG Jiazhi	M	1959	Vice Chairman of the Supervisory Board & Employee Supervisor	10 April 2012–present	759,720	759,720	385.69	No
GUO Dong	M	1961	Employee Supervisor	18 March 2016–30 March 2016	0	0	218.52	No
			Vice Chairman of the Supervisory Board & Employee Supervisor	30 March 2016–present				
WANG Hang	M	1971	Non-executive Director	10 April 2012–20 February 2017	0	0	99.00	No
			Shareholder Supervisor	20 February 2017–present				
ZHANG Bo	M	1973	Shareholder Supervisor	20 February 2017–present	–	–	–	–
LU Zhongnan	M	1955	Shareholder Supervisor	10 April 2012–present	0	0	78.50	No
WANG Yugui	M	1951	Non-executive Director	10 April 2012–20 February 2017	0	0	100.00	No
			External Supervisor	20 February 2017–present				
BAO Jiming	M	1952	External Supervisor	20 February 2017–present	–	–	–	–
CHENG Guoqi	M	1975	External Supervisor	20 February 2017–present	–	–	–	–
SHI Jie	M	1965	Assistant President	7 August 2012–5 September 2016	0	0	282.37	No
			Vice President	5 September 2016–present				
LI Bin	F	1967	Assistant President	7 August 2012–5 September 2016	0	0	282.37	No
			Vice President	5 September 2016–present				
LIN Yunshan	M	1970	Assistant President	7 August 2012–5 September 2016	0	0	282.37	No
			Vice President	5 September 2016–present				
RAI Dan	F	1963	Chief Financial Officer	10 April 2012–present	0	0	300.59	No
ZHANG Yuebo	M	1962	Chief Audit Officer	20 February 2017–present	–	–	–	–
LIN Xiaoxuan	M	1965	Chief Information Officer	20 February 2017–present	–	–	–	–
HU Qinghua	M	1963	Chief Risk Officer	20 February 2017–present	–	–	–	–

Directors, Supervisors, Senior Management and Employees

I. Directors, Supervisors and Senior Management

(I) Basic information

Name	Gender	Year of birth	Position	Term of office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)	Aggregate emolument before tax payable during the Reporting Period (RMB ten thousand)	Any emolument received from related parties
HONG Qi	M	1957	Vice Chairman, Executive Director & President Vice Chairman, Executive Director, President & Acting Chairman Chairman & Executive Director Chairman, Executive Director & Acting President Chairman & Executive Director	10 April 2012–18 August 2014 18 August 2014–28 August 2014 28 August 2014–31 January 2015 31 January 2015–19 November 2015 19 November 2015–present	0	0	457.37	No
ZHANG Hongwei	M	1954	Vice Chairman & Non-executive Director	10 April 2012–present	0	0	92.50	Yes
LU Zhiqiang	M	1951	Vice Chairman & Non-executive Director	10 April 2012–present	0	0	89.00	Yes
LIU Yonghao	M	1951	Vice Chairman & Non-executive Director	10 April 2012–present	0	0	85.50	Yes
LIANG Yutang	M	1958	Vice Chairman & Executive Director	10 April 2012–present	0	0	417.56	No
ZHENG Wanchun	M	1964	President Executive Director & President	19 November 2015–1 February 2016 1 February 2016–present	0	0	430.02	No
SHI Yuzhu	M	1962	Non-executive Director	20 February 2017–present	–	–	–	–
WU Di	M	1965	Non-executive Director	15 June 2012–present	0	0	87.50	Yes
YAO Dafeng	M	1962	Non-executive Director	23 December 2014–present	0	0	83.00	Yes
SONG Chunfeng	M	1969	Non-executive Director	20 February 2017–present	–	–	–	–
TIAN Zhiping	M	1966	Non-executive Director	20 February 2017–present	–	–	–	–
WENG Zhenjie	M	1962	Non-executive Director	20 February 2017–present	–	–	–	–
CHENG Hoi-chuen	M	1948	Independent Non-executive Director	15 June 2012–present	0	0	95.00	No
LIU Jipeng	M	1956	Independent Non-executive Director	28 October 2016–present	0	0	11.00	Yes
LI Hancheng	M	1963	Independent Non-executive Director	28 October 2016–present	0	0	11.00	Yes
XIE Zhichun	M	1958	Independent Non-executive Director	28 October 2016–present	0	0	–	Yes
PENG Xuefeng	M	1962	Independent Non-executive Director	20 February 2017–present	–	–	–	–
LIU Ningyu	M	1969	Independent Non-executive Director	20 February 2017–present	–	–	–	–

(V) Other corporate shareholders with 10% or more equity in the Company

As at the end of the Reporting Period, there was no single corporate shareholder of the Company that held 10% or more of its shares. Anbang Life Insurance Inc., Anbang Property Insurance Inc., Anbang Insurance and Hexie Health Insurance Co., Ltd. collectively owned 10% or more of equity of the Company.

Name of Corporate shareholder	Person-in-charge or legal representative	Date of incorporation	Registered Capital	Principal business or management activities
Anbang Life Insurance Inc.	Yao Dafeng	23 June 2010	RMB30.79 billion	Various life insurance businesses such as life insurance, health insurance and accidental injury insurance, reinsurance business of the above insurance businesses, insurance fund application business permitted under the PRC laws and regulations, and other businesses approved by the CIRC.
Anbang Property Insurance Inc.	Zhang Feng	31 December 2011	RMB37 billion	Property and casualty insurance, liability insurance, credit and guarantee insurance, short-term health insurance and accidental injury insurance, reinsurance in connection with the above insurance businesses, insurance fund application business permitted under the PRC laws and regulations and other businesses approved by the CIRC.
Anbang Insurance Group Co., Ltd.	Wu Xiaohui	15 October 2004	RMB61.9 billion	Establishment of insurance enterprises, supervision and management of various domestic and international businesses of the companies invested and controlled by Anbang Insurance, investment businesses permitted under the PRC laws and regulations, insurance businesses permitted under the PRC laws and regulations, and other businesses approved by CIRC.
Hexie Health Insurance Co., Ltd.	Shangguan Qing	12 January 2006	RMB8.9 billion	Various Renminbi and foreign currencies-denominated health insurance businesses, accidental injury insurance businesses, health insurance business ancillary to the national health care policies and entrusted by the governments, health insurance related consulting service and agency businesses, health insurance related reinsurance businesses, funds application businesses permitted under the PRC laws and regulations, and other businesses approved by the CIRC.

Save as disclosed above and the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Company or its associated corporations under Hong Kong laws and regulations", the Company is not aware of any other person having any interests or short positions in the shares and underlying shares of the Company as at 31 December 2016 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

(III) Share pledge and lock-up in respect of shares held by shareholders with 5% or more equity in the Company

As at the end of the Reporting Period, Anbang Life Insurance Inc. — Steady Investment Portfolio held 2,369,416,768 ordinary shares of the Company, representing 6.49% of the total share capital of the Company. The shares of the Company held by Anbang Life Insurance Inc. — Steady Investment Portfolio were not subject to any pledge or lock-up.

China Oceanwide Holdings Group Co., Ltd., China Oceanwide International Investment Co., Ltd. and Oceanwide International Equity Investment Limited held a total of 2,093,100,907 ordinary shares of the Company, representing 5.74% of the total share capital of the Company. China Oceanwide Holdings Group Co., Ltd. and Oceanwide International Equity Investment Limited pledged a total of 2,083,236,307 ordinary shares of the Company, representing 5.71% of the total share capital of the Company.

Orient Group Incorporation and Huaxia Life Insurance Co., Ltd. entered into an acting in concert agreement on 29 June 2016, allowing both parties to exercise an aggregate of 2,095,080,467 voting shares of the Company, representing 5.74% of the total issued shares of the Company. Orient Group Incorporation pledged 895,466,240 ordinary shares of the Company, representing 2.45% of the total share capital of the Company.

(IV) Controlling shareholder and ultimate controller

The Company does not have any controlling shareholder or ultimate controller. As at the end of the Reporting Period, the top ten shareholders of the Company (other than HKSCC Nominees Limited) held an aggregate of 37.45% of its shares. Anbang Life Insurance Inc. — Steady Investment Portfolio, the single largest shareholder of the Company, held 6.49% of its shares. There was no shareholder who could control not less than half of the voting rights of the Board or at general meetings in accordance with its shareholding, Articles of Association or by agreements.

Changes in Share Capital and Information on Shareholders

20. BlackRock, Inc. had a long position in 370,225,087 H shares (in which 959,000 H shares were held through cash settled derivatives (off exchange)) and a short position in 18,674,000 H shares (in which 46,000 H shares were held through cash settled derivatives (off exchange)) of the Company by virtue of its control over a number of corporations, which were indirect wholly-owned subsidiaries of BlackRock, Inc., except the following corporations:

20.1 BR Jersey International Holdings L.P. was indirectly owned as to 86% by BlackRock, Inc. BR Jersey International Holdings L.P. had interests in the Company through the following indirect wholly-owned corporations:

20.1.1 BlackRock Japan Co., Ltd. held 6,770,100 H shares (Long position) in the Company.

20.1.2 BlackRock Asset Management Canada Limited held 1,037,100 H shares (Long position) in the Company.

20.1.3 BlackRock Investment Management (Australia) Limited held 803,600 H shares (Long position) in the Company.

20.1.4 BlackRock Asset Management North Asia Limited held 3,057,961 H shares (Long position) in the Company.

20.1.5 BlackRock (Singapore) Limited held 186,500 H shares (Long position) in the Company.

20.2 BlackRock Group Limited was owned as to 90% by BR Jersey International Holdings L.P. (please refer to note 20.1 above). BlackRock Group Limited had interests and short positions in the Company through the following direct or indirect wholly-owned corporations:

20.2.1 BlackRock (Netherlands) B.V. held 1,350,000 H shares (Long position) in the Company.

20.2.2 BlackRock Advisors (UK) Limited held 82,340,343 H shares (Long position) in the Company.

20.2.3 BlackRock International Limited held 2,422,351 H shares (Long position) in the Company.

20.2.4 BlackRock Asset Management Ireland Limited held 38,355,055 H shares (Long position) in the Company.

20.2.5 BLACKROCK (Luxembourg) S.A. held 1,277,000 H shares (Long position) and 46,000 H shares (Short position) in the Company.

20.2.6 BlackRock Investment Management (UK) Limited held 25,644,680 H shares (Long position) in the Company.

20.2.7 BlackRock Asset Management Deutschland AG held 382,600 H shares (Long position) in the Company.

20.2.8 BlackRock Fund Managers Limited held 2,753,124 H shares (Long position) in the Company.

20.2.9 BlackRock Life Limited held 338,000 H shares (Long position) in the Company.

20.2.10 BlackRock Asset Management (Schweiz) AG held 30,000 H shares (Long position) in the Company.

21. UBS Group AG had a long position in 352,197,539 H shares and a short position in 69,668,082 H shares of the Company through a number of wholly-owned subsidiaries. Besides, 40,129,322 H shares (Long position) and 24,904,286 H shares (Short position) were held through derivatives as follows:

571,522 H shares (Long position) and 4,986 H shares (Short Position)	— through physically settled derivatives (on exchange)
11,024,800 H shares (Short position)	— through physically settled derivatives (off exchange)
39,557,800 H shares (Long position) and 13,874,500 H shares (Short position)	— through cash settled derivatives (off exchange)

22. The 351,114,436 H shares (Long position) comprised 350,376,625 H shares directly held by Haitong International Financial Solutions Limited and 737,811 H shares directly held by Haitong International Finance Company Limited. The 350,376,625 H shares (Short position) held through physically settled derivatives (off exchange) were directly held by Haitong International Financial Solutions Limited. Haitong International Financial Solutions Limited was a wholly-owned subsidiary of Haitong International Finance Company Limited, in which 60.91% of issued share capital was indirectly held by Haitong International Holdings Limited, which was a wholly-owned subsidiary of Haitong Securities Co., Ltd.

According to the SFO, Haitong Securities Co., Ltd. was deemed to have interests in 350,376,625 H shares (Long position) and 350,376,625 H shares (Short position) held by Haitong International Financial Solutions Limited and 737,811 H shares (Long position) held by Haitong International Finance Company Limited.

Changes in Share Capital and Information on Shareholders

13. The 665,020,111 H shares (in which 586,003,211 H shares were held through cash settled derivatives (off exchange)) comprised 7,160,000 H shares directly held by Union Sky Holding Group Limited, 63,275,400 H shares directly held by Vogel Holding Group Limited and 594,584,711 H shares directly held by JH International Investment Company Limited. JH International Investment Company Limited was a wholly-owned subsidiary of Union Sky Holding Group Limited, which was wholly owned by Mr. Shi Yuzhu. Vogel Holding Group Limited was wholly owned by Mr. Shi Yuzhu's daughter, Ms. Shi Jing. Mr. Shi Yuzhu was the de facto controller of Vogel Holding Group Limited.

    According to the SFO, Union Sky Holding Group Limited was deemed to own 594,584,711 H shares of JH International Investment Company Limited. Mr. Shi Yuzhu was deemed to own 7,160,000 H shares of Union Sky Holding Group Limited, 63,275,400 H shares of Vogel Holding Group Limited and 594,584,711 H shares of JH International Investment Company Limited.

14. The 629,126,740 H shares (Long position) and 629,126,711 H shares (Short position) were directly held by Guotai Junan Financial Products Limited. Guotai Junan Financial Products Limited was an indirect wholly-owned subsidiary of Guotai Junan International Holdings Limited, of which 65.13% of interests was indirectly held by Guotai Junan Securities Co. Ltd. 36.36% of the issued share capital of Guotai Junan Securities Co. Ltd.was held by Shanghai International Group Co., Ltd.

    According to the SFO, Guotai Junan International Holdings Limited, Guotai Junan Securities Co. Ltd. and Shanghai International Group Co., Ltd. were deemed to have interests in the 629,126,740 H shares (Long position) and 629,126,711 H shares (Short position) held by Guotai Junan Financial Products Limited.

    Besides, 629,126,740 H shares (Long position) and 629,126,711 H shares (Short position) were held through derivatives as follows:

100,000,000 H shares (Long position)	— through physically settled derivatives (on exchange)
428,936,215 H shares (Long position) and 100,000,000 H shares (Short position)	— through physically settled derivatives (off exchange)
100,190,525 H shares (Long position) and 529,126,711 H shares (Short position)	— through cash settled derivatives (off exchange)

15. The interests that Guotai Junan International Holdings Limited, Guotai Junan Securities Co. Ltd. and Shanghai International Group Co., Ltd. held in the 629,126,740 H shares (Long position) and 629,126,711 H shares (Short position), as set out in the above table, were from the same block of shares.

16. Macquarie Group Limited had a long position in 441,939,363 H shares and a short position in 54,268,347 H shares of the Company through a number of its wholly-owned subsidiaries. Besides, 194,552,500 H shares (Long position) and 4,948,500 H shares (Short position) were held through derivatives as follows:

4,580,000 H shares (Long position) and 2,882,500 H shares (Short position)	— through physically settled derivatives (on exchange)
1,066,000 H shares (Short position)	— through cash settled derivatives (on exchange)
189,972,500 H shares (Long Position) and 1,000,000 H shares (Short position)	— through cash settled derivatives (off exchange)

17. The 413,284,200 H shares (Long position) comprised 333,641,500 H shares (Long position) directly held by Mr. Ge Weidong and 79,642,700 H shares (Long position) directly held by Chaos Investment Co., Ltd., which was wholly owned by Mr. Ge.

18. The 403,584,125 H shares (Long position) were directly held by Oceanwide International Equity Investment Limited. 98.67% of the issued share capital of Oceanwide International Equity Investment Limited was indirectly held by Oceanwide Holdings Co., Ltd. 66.59% of the issued share capital of Oceanwide Holdings Co., Ltd. was held by China Oceanwide Holdings Group Co., Ltd. 98% of the issued share capital of China Oceanwide Holdings Group Co., Ltd. was held by Oceanwide Group Co., Ltd., which was wholly owned by Tohigh Holdings Co., Ltd. Mr. Lu Zhiqiang (a Non-executive Director of the Company) held 77.14% of the issued share capital of Tohigh Holdings Co., Ltd.

19. Anbang Insurance Group Co., Ltd. and Anbang Property Insurance Inc. held in the 381,608,500 H shares (Long position), as set out in the above table, were from the same block of shares.

According to the SFO, Mr. Lu Zhiqiang, Tohigh Holdings Co., Ltd. and Oceanwide Group Co., Ltd. were deemed to have interests in the 1,682,652,182 A shares held by China Oceanwide Holdings Group Co., Ltd. (Mr. Lu Zhiqiang 's interests in shares are disclosed in this Annual Report in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Company or its associated corporations under Hong Kong laws and regulations").

5. The interests that China Oceanwide Holdings Group Co., Ltd., Oceanwide Group Co., Ltd. and Tohigh Holdings Co., Ltd. held in the 1,682,652,182 A shares, as set out in the above table, were from the same block of shares.

6. The 1,608,929,324 A shares comprised 85,323,189 A shares directly held by South Hope Industrial Co., Ltd. and 1,523,606,135 A shares directly held by New Hope Investment Co., Ltd. 51% of the issued share capital of South Hope Industrial Co., Ltd. was held by New Hope Group Co., Ltd., while New Hope Investment Co., Ltd. was held as to 25% and 75% of its issued share capital by New Hope Group Co., Ltd. and New Hope Liuhe Co., Ltd. respectively. (23.98% and 29.41% of the issued share capital of New Hope Liuhe Co., Ltd. were held by New Hope Group Co., Ltd. and South Hope Industrial Co., Ltd. respectively.)

   According to the SFO, New Hope Group Co., Ltd. was deemed to have interests in the 85,323,189 A shares held by South Hope Industrial Co., Ltd. and in the 1,523,606,135 A shares held by New Hope Investment Co., Ltd. Meanwhile, New Hope Liuhe Co., Ltd. was also deemed to have interests in the 1,523,606,135 A shares held by New Hope Investment Co., Ltd.

7. Ms. Li Wei is the spouse of Mr. Liu Yonghao (a Non-executive Director of the Company). According to the SFO, Ms. Li was deemed to have interests in the 1,608,929,324 A shares of the Company in which Mr. Liu Yonghao had interests (Mr. Liu Yonghao's interests in shares are disclosed in this Annual Report in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Company or its associated corporations under Hong Kong laws and regulations").

8. Ms. Liu Chang held 37.66% of the issued share capital of New Hope Group Co., Ltd. (please refer to note (6) above). According to the SFO, Ms. Liu was deemed to have interests in the 1,608,929,324 A shares of the Company in which New Hope Group Co., Ltd. had interests. Ms. Liu Chang is the daughter of Mr. Liu Yonghao (a Non-executive Director of the Company).

9. The interests that New Hope Group Co., Ltd., Ms. Li Wei and Ms. Liu Chang held in the 1,608,929,324 A shares, as set out in the above table, were from the same block of shares.

10. The 808,612,400 H shares (Long position) (in which 390,000,000 H shares were held through other derivatives) held by Fosun International Limited comprised 695,179,800 H shares directly held by itself, 35,592,600 H shares directly held by Pramerica-Fosun China Opportunity Fund, L.P. and 77,840,000 H shares directly held by Topper Link Limited. Pramerica-Fosun China Opportunity Fund, L.P. was a fund company managed by Fosun International Limited whereas Topper Link Limited was an indirect wholly-owned subsidiary of Fosun International Limited. Fosun International Limited was owned as to 71.55% by Fosun Holdings Limited, which in turn was a wholly-owned subsidiary of Fosun International Holdings Ltd. Mr. Guo Guangchang (a Non-executive Director of the Company) held 64.45% of the issued share capital of Fosun International Holdings Ltd.

    According to the SFO, Fosun International Limited was deemed to have interests in the 35,592,600 H shares held by Pramerica-Fosun China Opportunity Fund, L.P. and in the 77,840,000 H shares held by Topper Link Limited. Meanwhile, Fosun International Holdings Ltd. and Mr. Guo Guangchang were also deemed to have interests in the 808,612,400 H shares held by Fosun International Limited. Mr. Guo Guangchang's interests in shares are disclosed in this Annual Report in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Company or its associated corporations under Hong Kong laws and regulations".

11. The interests that Fosun International Limited and Fosun International Holdings Ltd. held in the 808,612,400 H shares, as set out in the above table, were from the same block of shares.

12. The Goldman Sachs Group, Inc. was deemed to have a long position in 734,661,873 H shares and a short position in 684,433,667 H shares of the Company by virtue of its control over a number of corporations, which were indirect wholly-owned subsidiaries of The Goldman Sachs Group, Inc., except the following corporation:

    12.1 Goldman Sachs Asset Management, L.P. held 2,182,636 H shares (Long position) in the Company. 99% of interests of Goldman Sachs Asset Management, L.P. was held by GSAM Holdings L.L.C., which was a wholly-owned subsidiary of The Goldman Sachs Group, Inc.

    Besides, 523,000,721 H shares (Long position) and 621,283,955 H shares (Short position) were held through derivatives as follows:

9,992,500 H shares (Long position) and 112,632,500 H shares (Short position)	— through physically settled derivatives (on exchange)
101,671,600 H shares (Long position) and 507,859,955 H shares (Short position)	— through physically settled derivatives (off exchange)
411,336,621 H shares (Long position) and 791,500 H shares (Short position)	— through cash settled derivatives (off exchange)

Changes in Share Capital and Information on Shareholders

Name of substantial shareholder	Class of shares	Long/ short position	Capacity	Number of shares	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued ordinary shares (%)
UBS Group AG	H	Long	Person having a security interest in shares	225,398,588			
		Long	Interest held by the corporation(s) controlled by this substantial shareholder	126,798,951			
				352,197,539	21	5.08	0.97
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	69,668,082	21	1.00	0.19
Haitong Securities Co., Ltd.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	351,114,436	22	5.06	0.96
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	350,376,625	22	5.05	0.96

* As far as the Company is aware, the above numbers of shares reflected the interests or short positions of the relevant substantial shareholders as at 31 December 2016. However, these numbers of shares were not reported in the disclosure forms completed by these substantial shareholders because the changes in their interests did not result in a disclosure obligation in accordance with SFO.

Notes:

1. Anbang Insurance Group Co., Ltd. had interests in the 6,126,903,907 A shares of the Company by virtue of its control over Anbang Life Insurance Inc., Anbang Property Insurance Inc. and Hexie Health Insurance Co., Ltd.

2. The long position of 381,608,500 H shares was directly held by Anbang Asset Management (Hong Kong) Co., Limited. Anbang Asset Management (Hong Kong) Co., Limited was a wholly-owned subsidiary of Anbang Property Insurance Inc. and 95.26% of the issued share capital of Anbang Property Insurance Inc. was owned by Anbang Insurance Group Co., Ltd..

   According to the SFO, Anbang Insurance Group Co., Ltd. and Anbang Property Insurance Inc. were deemed to have interests in the 381,608,500 H shares held by Anbang Asset Management (Hong Kong) Co., Limited.

3. The interests that Orient Group Incorporation (which held 1,066,764,269 A shares of the Company) and Huaxia Life Insurance Co., Ltd. (which held 1,028,316,198 A shares of the Company) held in the 2,095,080,467 A shares, as set out in the above table, were deemed to be jointly owned after both parties became persons acting in concert.

4. The 1,682,652,182 A shares were held by China Oceanwide Holdings Group Co., Ltd., of which 98% of the issued share capital was held by Oceanwide Group Co., Ltd., which was wholly owned by Tohigh Holdings Co., Ltd. Mr. Lu Zhiqiang (a Non-executive Director of the Company) held 77.14% of the issued share capital of Tohigh Holdings Co., Ltd.

Changes in Share Capital and Information on Shareholders

Name of substantial shareholder	Class of shares	Long/ short position	Capacity	Number of shares	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued ordinary shares (%)
Macquarie Group Limited	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	441,939,363	16	6.37	1.21
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	54,268,347	16	0.78	0.15
Ge Weidong	H	Long	Beneficial owner	333,641,500			
			Interest held by the corporation(s) controlled by this substantial shareholder	79,642,700			
				413,284,200	17	5.96	1.13
Oceanwide International Equity Investment Limited	H	Long	Beneficial owner	403,584,125*	18	5.82	1.11
Anbang Property Insurance Inc.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	381,608,500*	2 and 19	5.50	1.05
BlackRock, Inc.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	370,225,087	20	5.34	1.01
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	18,674,000	20	0.27	0.05

Changes in Share Capital and Information on Shareholders

Name of substantial shareholder	Class of shares	Long/ short position	Capacity	Number of shares	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued ordinary shares (%)
Union Sky Holding Group Limited	H	Long	Beneficial owner	7,160,000			
		Long	Interest held by the corporation(s) controlled by this substantial shareholder	594,584,711			
				601,744,711	13	8.68	1.65
JH International Investment Company Limited	H	Long	Beneficial owner	594,584,711	13	8.58	1.63
Guotai Junan International Holdings Limited	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	629,126,740	14 and 15	9.07	1.72
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	629,126,711	14 and 15	9.07	1.72
Guotai Junan Securities Co. Ltd.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	629,126,740	14 and 15	9.07	1.72
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	629,126,711	14 and 15	9.07	1.72
Shanghai International Group Co., Ltd.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	629,126,740	14 and 15	9.07	1.72
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	629,126,711	14 and 15	9.07	1.72

Changes in Share Capital and Information on Shareholders

Name of substantial shareholder	Class of shares	Long/ short position	Capacity	Number of shares	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued ordinary shares (%)
New Hope Liuhe Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,523,606,135*	6	5.16	4.18
New Hope Investment Co., Ltd.	A	Long	Beneficial owner	1,523,606,135*	6	5.16	4.18
Li Wei	A	Long	Interest held by the corporation(s) controlled by the spouse of this substantial shareholder	1,608,929,324*	7 and 9	5.44	4.41
Liu Chang	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,608,929,324*	8 and 9	5.44	4.41
Fosun International Limited	H	Long	Beneficial owner	695,179,800			
		Long	Interest held by the corporation(s) controlled by this substantial shareholder	113,432,600			
				808,612,400	10 and 11	11.66	2.22
Fosun International Holdings Ltd.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	808,612,400	10 and 11	11.66	2.22
The Goldman Sachs Group, Inc.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	734,661,873	12	10.60	2.01
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	684,433,667	12	9.87	1.88
Shi Yuzhu	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	665,020,111	13	9.59	1.82

(II) Substantial shareholders' and other persons' interests or short positions in the shares and underlying shares of the Company under Hong Kong laws and regulations

As at 31 December 2016, the following persons (other than the Directors, Supervisors and chief executives of the Company) had the following interests or short position in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or as the Company is aware of:

Name of substantial shareholder	Class of shares	Long/ short position	Capacity	Number of shares	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued ordinary shares (%)
Anbang Insurance Group Co., Ltd.	A	Long	Beneficial owner	1,673,502,001			
		Long	Interest held by the corporation(s) controlled by this substantial shareholder	4,453,401,906			
				6,126,903,907	1	20.73	16.79
	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	381,608,500*	2 and 19	5.50	1.05
Orient Group Incorporation	A	Long	Party to the Acting in Concert Agreement	2,095,080,467	3	7.09	5.74
Huaxia Life Insurance Co., Ltd.	A	Long	Party to the Acting in Concert Agreement	2,095,080,467	3	7.09	5.74
China Oceanwide Holdings Group Co., Ltd.	A	Long	Beneficial owner	1,682,652,182	4 and 5	5.69	4.61
Oceanwide Group Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,682,652,182	4 and 5	5.69	4.61
Tohigh Holdings Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,682,652,182	4 and 5	5.69	4.61
New Hope Group Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,608,929,324*	6 and 9	5.44	4.41

Changes in Share Capital and Information on Shareholders

Shareholding of top ten holders of shares not subject to restriction		
Name of shareholder	Number of shares held not subject to restriction	Class of shares
HKSCC Nominees Limited	6,897,614,115	Overseas listed foreign invested shares (H shares)
Anbang Life Insurance Inc. — Steady Investment Portfolio	2,369,416,768	Ordinary shares in RMB
China Oceanwide Holdings Group Co., Ltd.	1,682,652,182	Ordinary shares in RMB
Anbang Property Insurance Inc. — Traditional products	1,665,225,632	Ordinary shares in RMB
Anbang Insurance Group Co., Ltd. — Traditional Insurance Products	1,639,344,938	Ordinary shares in RMB
New Hope Investment Co., Ltd.	1,523,606,135	Ordinary shares in RMB
China Securities Finance Corporation Limited	1,480,183,010	Ordinary shares in RMB
Shanghai Giant Lifetech Co., Ltd.	1,149,732,989	Ordinary shares in RMB
China Shipowners Mutual Assurance Association	1,086,917,406	Ordinary shares in RMB
Orient Group Incorporation	1,066,764,269	Ordinary shares in RMB
Statement on the related relationship or concerted actions among the aforesaid shareholders	Anbang Insurance Group Co., Ltd. ("Anbang Insurance") is the controlling shareholder of Anbang Life Insurance Inc. and Anbang Property Insurance Inc. The Company is not aware of any related relationship among other shareholders save as mentioned above.	

Notes:

1. The number of shares held by H shareholders was recorded in the Register of Members as kept by the H Share Registrar of the Company;
2. HKSCC Nominees Limited acted as an agent, representing the total amount of H shares held by all institutional and individual investors that registered in the account of such investors as at 31 December 2016.

VI. Shareholders

(I) The table below sets out the top ten shareholders of the Company and their shareholdings:

(Unit: Share)

Total number of ordinary shareholders at the end of the Reporting Period	321,080
Total number of ordinary shareholders at the end of the month immediately prior to the disclosure of the Annual Report	345,355

Particulars of shareholding of the top ten shareholders						
Name of shareholder	Type of shareholder	Shareholding Percentage (%)	Number of shares held as at the end of the Reporting Period	Changes over the Reporting Period	Number of shares held subject to restriction	Number of shares pledged
HKSCC Nominees Limited	Others	18.91	6,897,614,115	-783,592	–	Unknown
Anbang Life Insurance Inc. – Steady Investment Portfolio	Domestic non-state owned legal person	6.49	2,369,416,768	–	–	Nil
China Oceanwide Holdings Group Co., Ltd.	Domestic non-state owned legal person	4.61	1,682,652,182	843,925,243	–	1,679,652,182
Anbang Property Insurance Inc. – Traditional products	Domestic non-state owned legal person	4.56	1,665,225,632	–	–	Nil
Anbang Insurance Group Co., Ltd. – Traditional Insurance Products	Domestic non-state owned legal person	4.49	1,639,344,938	–	–	Nil
New Hope Investment Co., Ltd.	Domestic non-state owned legal person	4.18	1,523,606,135	–	–	Nil
China Securities Finance Corporation Limited	Domestic non-state owned legal person	4.06	1,480,183,010	508,226,312	–	Nil
Shanghai Giant Lifetech Co., Ltd.	Domestic non-state owned legal person	3.15	1,149,732,989	–	–	1,149,732,989
China Shipowners Mutual Assurance Association	Domestic non-state owned legal person	2.98	1,086,917,406	–	–	110,000,000
Orient Group Incorporation	Domestic non-state owned legal person	2.92	1,066,764,269	–	–	895,466,240

(III) Changes in offshore preference shares

(Unit: Share)

Class of offshore preference shares	Offshore preference shares issued as of 31 December 2015	Changes over the Reporting Period	Offshore preference shares issued as of 31 December 2016
USD preference shares	0	71,950,000	71,950,000

(IV) Other information on the preference shares

During the Reporting Period, no preference shares of the Company have been repurchased, converted into ordinary shares or have their voting rights restored.

According to the requirements promulgated by the Ministry of Finance, such as the Accounting Standards for Business Enterprises No. 37 — Presentation of Financial Instruments (《企業會計準則第37號 — 金融工具列報》) and the Provisions on Differentiating Financial Debt and Equity Instruments and Related Accounting Treatment (《金融負債與權益工具的區分及相關會計處理規定》), there was no need for the issued and existing preference shares of the Company to be settled through delivery of cash or other financial assets or exchange of financial assets or financial liabilities. In the future, the Company will have no obligation to deliver a variable quantity of its equity instruments as other equity instruments for accounting purpose.

The dividend of the offshore preference shares of the Company was paid in cash on an annual basis. During the Reporting Period, the issued preference shares of the Company were not yet due for dividend distribution, and there was no dividend payment in respect of the domestic preference shares.

(II) Number of holders of offshore preference shares and particulars of shareholding

As at the end of the Reporting Period, the number of holders of offshore preference shares was one. As at the end of the month prior to the disclosure date of the Annual Report for the year (i.e. 28 February 2017), the number of holders of offshore preference shares was one.

The top ten holders of preference shares (or nominees) of the Company are set out as follows (the following data were based on the registered holders of the preference shares as at 31 December 2016):

(Unit: Share)

Name of shareholder	Type of shareholder	Class of share	Changes over the Reporting Period	Shareholdings percentage (%)	Number of shares held	Number of shares subject to restriction held	Number of shares pledged or locked-up
The Bank of New York Mellon Depository (Nominees) Limited	Overseas legal person	Offshore preference shares	71,950,000	100	71,950,000	–	Unknown

Notes:

1. The number of shares held by the preference shareholder was recorded according to the register of holders of the preference shares of the Company.
2. As the preference shares were issued through private offering in the overseas market, information of nominees of the allotted investors were based on the register of holders of the preference shares.
3. The Company does not know if there is any related relationship or concerted action among the above preference shareholder and the top ten shareholders of the ordinary shares.

According to applicable rules, the proceeds from the bonds were used for loan extension, including, but not limited to, loans to certain small and micro enterprises and agricultural loans. The use of the proceeds was as stated in the prospectus.

As at the end of the Reporting Period, the balance of the first instalment of the financial bonds of China Minsheng Bank of 2016 was RMB20,000 million.

V. Information on Preference Shares in the Three Years Immediately Before the End of the Reporting Period

(I) Issuance and listing of offshore preference shares

Pursuant to the approval by the CBRC (Yin Jian Fu [2016] No. 168) (銀監覆[2016]168號) and the approval by the CSRC (Zheng Jian Xu Ke [2016] No. 2971) (證監許可[2016]2971號), the Company issued non-cumulative perpetual preference shares (preference share name: CMBC 16USDPREF; code: 04609) in the amount of USD1,439 million on 14 December 2016 through a private offering in the overseas market in order to improve its capital structure, provide capital support for the efficient implementation of its strategies, enhance its capital adequacy ratio and strengthen its sustainable development capacity. The offshore preference shares were listed on the SEHK on 15 December 2016 with a nominal value of RMB100 per share at an offering price of USD20 per share. The total number of shares issued was 71,950,000, all of which were issued and fully paid in US dollar.

Based on the Renminbi Central Parity Rate against US dollar published by China Foreign Exchange Trading Centre on 14 December 2016, the gross proceeds from the offering of the offshore preference shares were approximately RMB9,933 million. The net proceeds raised from the offshore preference shares issuance were approximately RMB9,892 million, after deduction of the issuance expenses, which will be used to replenish the additional tier 1 capital of the Company.

For the issuance terms of the offshore preference shares, please refer to the announcements of the Company published on the websites of the SSE, SEHK and the Company.

the national interbank bond market on 30 August 2016. As assessed by Dagong International Credit Rating Company Limited, the credit rating of the tier-two bonds was AAA. These tier-two capital bonds were issued for a term of ten years with fixed interest rate at the nominal interest rate of 3.50%. The interest was paid on an annual basis. The tier-two capital bonds granted the issuer a one-off early redemption option. As long as the capital level of the Company is in compliance with the capital regulation requirements under the CBRC upon the exercise of redemption option, the Company may, subject to the approval by the CBRC, exercise one-off redemption of all or part of the bonds at par value at the last day of the fifth interest bearing year of the bonds. If the bonds fail to meet the standards of tier-two capital instruments due to changes of regulatory requirements during the term of the bonds, the Company may exercise early redemption option, subject to the prevailing regulatory requirements and approval of the CBRC. The exercise of early redemption option by the issuer is not subject to the consent of bond holders. On 31 August 2016, the proceeds from the bonds were fully credited to the account of the Company while the Company completed the registration and entrustment of the bonds at China Central Depository & Clearing Co., Ltd.

According to applicable rules, the proceeds from the bonds were fully accounted as tier-two capital of the Company. The use of the proceeds was as stated in the prospectus.

As at the end of the Reporting Period, the balance of the tier-two capital bonds of China Minsheng Bank of 2016 was RMB20,000 million.

(VIII) Financial Bonds of 2016

Pursuant to the approval by the CBRC (Yin Jian Fu [2015] No. 683) (銀監覆[2015]683號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2016] No.161) (銀市場許准予字[2016]第161號), the Company issued the first instalment of financial bonds (bond name: 16 Minsheng Bank 01; bond code: 1628017) with a total amount of RMB20,000 million through a public offering in the national interbank bond market on 27 October 2016. As assessed by Dagong International Credit Rating Company Limited, the credit rating of the financial bonds was AAA. These financial capital bonds were issued for a term of three years with fixed interest rate at the nominal interest rate of 2.95%. The interest was paid on an annual basis. On 28 October 2016, the proceeds from the bonds were fully credited to the account of the Company while the Company completed the registration and entrustment of the bonds at China Central Depository & Clearing Co., Ltd.

(VI) Tier-Two Capital Bonds of 2015

Pursuant to the approval by the CBRC (Yin Jian Fu [2015] No. 136) (銀監覆[2015] 136號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2015] No. 54) (銀市場許准予字[2015]第54號), the Company issued tier-two capital bonds (bond name: 15 Minsheng Tier-Two; bond code: 1528002) with a total amount of RMB20,000 million through a public offering in the national interbank bond market on 28 April 2015. As assessed by Dagong International Credit Rating Company Limited, the credit rating of the tier-two bonds was AAA. These tier-two capital bonds were issued for a term of ten years with fixed interest rate at the nominal interest rate of 5.40%. The interest was paid on an annual basis. The tier-two capital bonds granted the issuer a one-off early redemption option. As long as the capital level of the Company is in compliance with the capital regulation requirements under the CBRC upon the exercise of redemption option, the Company may, subject to the approval by the CBRC, exercise one-off redemption of all or part of the bonds at par value at last day of the fifth interest bearing year of the bonds. If the bonds fail to meet the standards of tier-two capital instruments due to changes of regulatory requirements during the term of the bonds, the Company may exercise early redemption option, subject to the prevailing regulatory requirements and approval of the CBRC. The exercise of early redemption option by the issuer is not subject to the consent of bond holders. As of 29 April 2015, the proceeds from the bonds were fully credited to the account of the Company while the Company completed the registration and entrustment of the bonds at China Central Depository & Clearing Co., Ltd.

According to applicable rules, the proceeds from the bonds were fully accounted as tier-two capital of the Company. The use of the proceeds was as stated in the prospectus.

On 29 April 2016, the prevailing interest of RMB1,080,000,000 was distributed to the bond investors.

As at the end of the Reporting Period, the balance of the tier-two capital bonds of China Minsheng Bank of 2015 was RMB20,000 million. During the Reporting Period, Dagong International Credit Rating Company Limited conducted the annual tracking and rating of the bonds and issued a corresponding report on 25 April 2016 with the bond rating of AAA, which was the same as the previous year (For details, please refer to www.chinabond.com.cn).

(VII) Tier-Two Capital Bonds of 2016

Pursuant to the approval by the CBRC (Yin Jian Fu [2016] No. 119) (銀監覆[2016]119號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2016] No.116) (銀市場許准予字[2016]第116號), the Company issued tier-two capital bonds (bond name: 16 Minsheng Tier-Two; bond code: 1628014) with a total amount of RMB20,000 million through a public offering in

As at the end of the Reporting Period, the balance of the special financial bonds for small and micro enterprises of the Company of 2012 was RMB50,000 million. During the Reporting Period, Dagong International Credit Rating Company Limited conducted the annual tracking and rating of the bonds and issued a corresponding report on 25 April 2016 with the bond rating of AAA, which was the same as the previous year (For details, please refer to www.chinabond.com.cn).

(V) Tier-Two Capital Bonds of 2014

Pursuant to the approval by the CBRC (Yin Jian Fu [2013] No. 570) (銀監覆[2013] 570號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2014] No. 6) (銀市場許准予字[2014]第6號), the Company issued tier-two capital bonds (bond name: 14 Minsheng Tier-Two; bond code: 1428003) with a total amount of RMB20,000 million through a public offering in the national interbank bond market on 18 March 2014. As assessed by Dagong International Credit Rating Company Limited, the credit rating of the tier-two bonds was AAA. These tier-two capital bonds were issued for a term of ten years with fixed interest rate at the nominal interest rate of 6.60%. The interest was paid on an annual basis. The tier-two capital bonds granted the issuer a one-off early redemption option. As long as the capital level of the Company is in compliance with the capital regulation requirements under the CBRC upon the exercise of redemption option, the Company may, subject to the approval by the CBRC, exercise one-off redemption of all or part of the bonds at par value at the last day of the fifth interest bearing year of the bonds. If the bonds fail to meet the standards of tier-two capital instruments due to changes of regulatory requirements during the term of the bonds, the Company may exercise early redemption option, subject to the prevailing regulatory requirements and approval of the CBRC. The exercise of early redemption option by the issuer is not subject to the consent of bond holders. As of 20 March 2014, the proceeds from the bonds were fully credited to the account of the Company while the Company completed the registration and entrustment of the bonds at China Central Depository & Clearing Co., Ltd.

According to applicable rules, the proceeds from the bonds were fully accounted as tier-two capital of the Company. The use of the proceeds was as stated in the prospectus.

On 20 March 2016, the prevailing interest of RMB1,320,000,000 was distributed to the bond investors.

As at the end of the Reporting Period, the balance of the tier-two capital bonds of China Minsheng Bank of 2014 was RMB20,000 million. During the Reporting Period, Dagong International Credit Rating Company Limited conducted the annual tracking and rating of the bonds and issued a corresponding report on 25 April 2016 with the bond rating of AAA, which was the same as the previous year (For details, please refer to www.chinabond.com.cn).

As at the end of the Reporting Period, the balance of the 15-year subordinated bonds of China Minsheng Bank of 2011 was RMB4,000 million. During the Reporting Period, Dagong International Credit Rating Company Limited conducted the annual tracking and rating of the bonds and issued a corresponding report on 25 April 2016 with the bond rating of AAA, which was the same as the previous year (For details, please refer to www.chinabond.com.cn).

(IV) Special Financial Bonds for Small and Micro Enterprises of 2012

Pursuant to the approval by the CBRC (Yin Jian Fu [2011] No. 480) (銀監覆[2011]480號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2011] No. 119) (銀市場許准予字[2011]第119號), the Company issued special financial bonds for small and micro enterprises with a total amount of RMB50,000 million through a public offering in the national interbank bond market in two instalments on 10 February and 8 May 2012, respectively. As assessed by Dagong International Credit Rating Company Limited, the credit rating of the two instalments of financial bonds was AAA. The first instalment of the financial bonds of China Minsheng Bank of 2012 (bond name: 12 Minsheng 01; bond code: 1208001) of RMB30,000 million was issued on 10 February 2012 with five-year fixed interest rate at the nominal interest rate of 4.30%. The interest was paid on an annual basis. On 14 February 2012, the proceeds from the first instalment of the financial bonds of 2012 were fully credited to the account of the Company while the Company completed the registration and entrustment of the bonds at China Central Depository & Clearing Co., Ltd. The second instalment of the financial bonds of China Minsheng Bank of 2012 (bond name: 12 Minsheng 02; bond code: 1208002) of RMB20,000 million was issued on 8 May 2012 with five-year fixed interest rate at the nominal interest rate of 4.39%. The interest was paid on an annual basis. On 10 May 2012, the proceeds from the second instalment of the financial bonds of 2012 were fully credited to the account of the Company while the Company completed the registration and entrustment of the bonds at China Central Depository & Clearing Co., Ltd. Hence, the issuance of RMB50,000 million special financial bonds for small and micro enterprises was completed.

The proceeds from the issuance of RMB50,000 million special financial bonds for small and micro enterprises were specifically used for the extension of loans to small and micro enterprises as stated in the prospectus.

On 14 February 2016, the prevailing interest of RMB1,290,000,000 and RMB878,000,000 was distributed to the investors of the first instalment and the second instalment of the financial bonds of 2012 respectively.

(III) Subordinated Bonds of 2011

Pursuant to the approval by the CBRC (Yin Jian Fu [2010] No. 625) (銀監覆[2010]第625號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2011] No. 64) (銀市場准予字[2011]第64號), the Company issued a total of RMB10,000 million subordinated bonds at fixed interest rates through a public offering in the national interbank bond market on 18 March 2011. As assessed by Dagong International Credit Rating Company Limited, the credit rating of the subordinated bonds was AAA. Two types of subordinated bonds were issued for terms of 10 years and 15 years respectively. Type I Bonds (bond name: 11 Minsheng 01; bond code: 1108001), having a term of 10 years and amounting to RMB6,000 million, were issued at the nominal interest rate of 5.50% while Type II Bonds (bond name: 11 Minsheng 02; bond code: 1108002), having a term of 15 years and amounting to RMB4,000 million, were issued at the nominal interest rate of 5.70%. These subordinated bonds granted the issuer a one-off early redemption option, that is, subject to the approval by the CBRC, the Company might exercise a one-off redemption of all or part of the bonds at par value after the expiry of the fifth year but before the maturity date of Type I Bonds or after the expiry of the tenth year but before the maturity date of Type II Bonds. The exercise of the early redemption option by the issuer is not subject to the consent of bond holders. On 28 March 2011, the proceeds from the bonds were fully credited to the account of the Company while the Company completed the registration and entrustment of the bonds at China Central Depository & Clearing Co., Ltd.

According to applicable rules, the net proceeds from the issuance of bonds were fully accounted as tier-2 capital of the Company. Pursuant to the Measures for Administrative of Capital of Commercial Banks (Provisional) adopted by the CBRC on 1 January 2013, the proceeds were accounted as tier-two capital of the Company based on required proportion. The use of the proceeds was as stated in the prospectus.

On 16 March 2016, the Company received the Opinion on Early Redemption of Subordinated Bonds (Gu Fen Zhi Yin Hang Bu [2016] No. 18) (《關於提前贖回次級債券意見的函》(股份制銀行部[2016]18 號)) from the CBRC, pursuant to which, the Company was approved to exercise its right of early redemption of Type I Subordinated Bonds of 2011. The Company issued the Announcement on the Exercise of the Early Redemption Option of Type I Subordinated Bonds of China Minsheng Banking Corp., Ltd. of 2011 by the Issuer (《2011年中國民生銀行次級債券品種一發行人贖回選擇權行使公告》) at www.chinabond.com.cn as required. On 18 March 2016, the redemption of Type I Subordinated Bonds of China Minsheng Bank of 2011 in the amount of RMB6,000 million was completed and the prevailing interest of RMB330,000,000 and RMB228,000,000 was distributed to the investors of Type I Bonds and Type II Bonds respectively.

(II) Hybrid Capital Bonds of 2009

Pursuant to the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2009] No. 8) (銀市場許准予字[2009]第8號) and the approval by the CBRC (Yin Jian Fu [2009] No. 16) (銀監覆[2009]16號), the Company issued a total of RMB5,000 million hybrid capital bonds through a public offering in the national interbank bond market on 25 March 2009. As assessed by Dagong International Credit Rating Company Limited, the credit rating of the hybrid capital bonds was AA+. These hybrid capital bonds have a term of 15 years. Subject to the approval by the CBRC, the Company might exercise a one-off redemption of all or part of the bonds at par value after the expiry of the 10th year but before the maturity of the bonds. The bonds comprised fixed interest rate bonds and floating interest rate bonds. The fixed interest rate bonds (bond name: 09 Minsheng 01; bond code: 90801), amounting to RMB3,325 million, were issued at an initial interest rate of 5.70% and the interest rate for the remaining five years will increase by 300BP on top of the initial interest rate applicable to the first ten years if the Company does not exercise any redemption option. The floating interest rate bonds (bond name: 09 Minsheng 02; bond code: 90802) amounted to RMB1,675 million and the par interest rate per annum was based on the sum of a benchmark interest rate plus a basic spread. The benchmark interest rate was the one-year deposit rate published by the PBOC and the initial basic spread was 3%. If the Company does not exercise the early redemption option, an extra premium of 300BP will apply to the basic spread on a year-on-year basis from the 11th interest payment year. On 26 March 2009, the proceeds from the bonds were fully credited to the account of the Company while the Company completed the registration and entrustment of the bonds at China Central Depository & Clearing Co., Ltd.

According to applicable rules, the net proceeds from the issuance of bonds were fully accounted as tier-2 capital of the Company. Pursuant to the Measures for Administrative of Capital of Commercial Banks (Provisional) adopted by the CBRC on 1 January 2013, the proceeds were accounted as tier-two capital of the Company based on required proportion. The use of the proceeds was as stated in the prospectus.

On 25 March 2016, the prevailing interest of RMB281,650,000 was distributed to the bond investors.

As at the end of the Reporting Period, the balance of the fixed interest rate series and the floating interest rate series of the hybrid capital bonds of China Minsheng Bank of 2009 was RMB3,325 million and RMB1,675 million respectively. During the Reporting Period, Dagong International Credit Rating Company Limited conducted the annual tracking and rating of the bonds and issued a corresponding report on 31 October 2016 with the bond rating of AA+, which was the same as the previous year (For details, please refer to www.chinabond.com.cn).

interest rate bonds. The fixed interest rate bonds (bond name: 06 Minsheng 02 Gu; bond code: 60802), amounting to RMB3,300 million, were issued at an initial interest rate of 5.05% and the interest rate for the remaining five years will increase by 300BP on top of the initial interest rate applicable to the first ten years if the Company does not exercise any redemption option. The floating interest rate bonds (bond name: 06 Minsheng 02 Fu; bond code: 60803) amounted to RMB1,000 million and the par interest rate per annum was based on the sum of a benchmark interest rate plus a basic spread. The benchmark interest rate was the one-year time deposit rate published by the PBOC and the initial basic spread was 2%. If the Company does not exercise the early redemption option, an extra premium of 100BP will apply to the basic spread on a year-on-year basis from the 11th interest payment year. On 28 December 2006, the proceeds from the bonds were fully credited to the account of the Company while the Company completed the registration and entrustment of the bonds at China Central Depository & Clearing Co., Ltd.

According to applicable rules, the net proceeds from the issuance of bonds were fully accounted as tier-2 capital of the Company. Pursuant to the Administrative Measures for Capital of Commercial Banks (Provisional) adopted by the CBRC on 1 January 2013, the proceeds were accounted as tier-two capital of the Company based on required proportion. The use of the proceeds was as stated in the prospectus.

On 1 November 2016, the Company received the Opinion on Early Redemption of Hybrid Capital Bonds (Gu Fen Zhi Yin Hang Bu [2016] No. 46) (《關於提前贖回混合資本債券意見的函》(股份制銀行部[2016]46號)) from the CBRC, pursuant to which, the Company was approved to exercise its right of early redemption of the above fixed interest rate hybrid bonds and floating interest rate hybrid bonds. The Company issued the Announcement on the Exercise of the Early Redemption Option of the Hybrid Capital Bonds (Floating Interest Rate) of China Minsheng Bank of 2006 by the Issuer (《2006年中國民生銀行混合資本債券(浮)發行人贖回選擇權行使公告》) and the Announcement on the Exercise of the Early Redemption Option of the Hybrid Capital Bonds (Fixed Interest Rate) of China Minsheng Banking Corp., Ltd. of 2006 by the Issuer (《2006年中國民生銀行混合資本債券(固)發行人贖回選擇權行使公告》) at www.chinabond.com.cn as required. On 28 December 2016, the redemption of the hybrid capital bonds of China Minsheng Bank of 2006 in the amount of RMB4,300 million was completed and the prevailing interest of RMB201,650,000 was distributed to the bond investors.

During the Reporting Period, Dagong International Credit Rating Company Limited conducted the annual tracking and rating of the bonds and issued a corresponding report on 31 October 2016 with the bond rating of AA+, which was the same as the previous year (For details, please refer to www.chinabond.com.cn).

III. Issuance of Shares and Bonds During the Reporting Period

(I) Issuance of securities in the three years immediately before the end of the Reporting Period

In accordance with the approval of the CBRC (Yin Jian Fu [2011] No. 328) (銀監覆[2011]328號) and the CSRC (Zheng Jian Xu Ke [2012] No. 1573) (證監許可[2012]1573號), the Company issued a total of RMB20 billion A Share Convertible Bonds on 15 March 2013. Pursuant to the written consent (Shang Zheng Fa Zi [2013] No. 1) (上證發字[2013]1號) issued by the SSE, the RMB20 billion A Share Convertible Bonds were listed on the SSE (Convertible Bonds name: Minsheng Convertible Bonds; Convertible Bonds code: 110023), out of which RMB17,173,833,000 A Share Convertible Bonds were listed on 29 March 2013 while RMB2,826,167,000 A Share Convertible Bonds were listed on 2 May 2013. The conversion period for Minsheng Convertible Bonds commenced on 16 September 2013. As approved by the CBRC, the Company redeemed all registered Minsheng Convertible Bonds after the close of trading on 24 June 2015.

(II) Total number of ordinary shares and changes in shareholding structure

During the Reporting Period, there was no change in the total number of ordinary shares and shareholding structure of the Company.

(III) Employee shares

During the Reporting Period, the Company had no employee shares.

IV. Issuance of Corporate Financial Bonds, Subordinated Bonds, Hybrid Capital Bonds and Tier-Two Capital Bonds

As at the end of the Reporting Period, the Company had issued the following outstanding bonds with the redemption stated below:

(I) Hybrid Capital Bonds of 2006

Pursuant to the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2006] No. 27) (銀市場許准予字[2006]第27號) and the approval by the CBRC (Yin Jian Fu [2006] No. 80) (銀監覆[2006]80號), the Company issued a total of RMB4,300 million hybrid capital bonds through a public offering in the national interbank bond market on 26 December 2006. As assessed by Dagong International Credit Rating Company Limited, the credit rating of the tier-two bonds was AA+. These hybrid capital bonds have a term of 15 years. Subject to the approval by the CBRC, the Company might exercise a one-off redemption of all or part of the bonds at par value after the expiry of the 10th year but before the maturity of the bonds. The bonds comprised fixed interest rate bonds and floating

Changes in Share Capital and Information on Shareholders

I. Ordinary Shares

(I) Changes in ordinary shares

(Unit: Share)

	31 December 2015		Changes over the Reporting Period (+,-)	31 December 2016	
	Number of shares	Percentage (%)	Number of shares	Number of shares	Percentage (%)
I. Shares subject to restriction on sales	–	–	–	–	–
1. State-owned shares	–	–	–	–	–
2. State-owned legal person shares	–	–	–	–	–
3. Other domestic shares	–	–	–	–	–
Of which:	–	–			
Held by domestic legal person	–	–	–	–	–
Held by domestic natural person	–	–	–	–	–
4. Foreign investor shares	–	–	–	–	–
Of which:	–	–			
Held by overseas legal person	–	–	–	–	–
Held by overseas natural person	–	–	–	–	–
II. Shares not subject to restriction on sales	36,485,348,752	100.00	–	36,485,348,752	100.00
1. Ordinary shares in RMB	29,551,769,344	81.00	–	29,551,769,344	81.00
2. Domestic listed foreign invested shares	–	–	–	–	–
3. Overseas listed foreign invested shares	6,933,579,408	19.00	–	6,933,579,408	19.00
4. Others	–	–	–	–	–
III. Total number of ordinary shares	36,485,348,752	100.00	–	36,485,348,752	100.00

(II) Shares subject to restriction on sales and restrictions

During the Reporting Period, no shareholder of the Company held shares subject to selling restriction.

II. Sufficiency of Public Float

According to the data available to the Company and to the knowledge of the Directors, the Company had maintained sufficient public float as stipulated under the Hong Kong Listing Rules during the Reporting Period.

expand its global network to enhance global competitiveness. Branches with distinctive features will also be established to build regional core competitiveness. Intelligent financing services will be developed as new and unique core competitiveness. Risk management will be implemented prudently to improve the comprehensive risk management system and defend the risk bottom line.

In the future, to adapt to, seize opportunities from and lead the "New Normal", the Company will always adhere to its major principles and formulate strategic plans, take action and work according to the actual situations. In pursuit of serving the real economy, the Company will focus on enhancing quality and efficiency of business development. The Company will keep abreast of economic and financial situations when accelerating its strategic transformation and business restructuring. Emphasis will be placed on asset quality and risk management. The Company will also proactively develop new businesses, strengthen fundamental management and implement reform and innovation to foster a collective corporate culture under its new blueprint of sustainable and stable development.

(III) Potential risks

In recent years, the domestic and global economies have encountered various predictable and unpredictable challenges. The conventional business mode of commercial banks are undergoing rapid and unprecedented changes against a background of mounting pressure on economic growth, accelerated liberalization of interest rate, rise of internet finance, progressively loosened monetary policy and intensified volatility in capital market. As illustrated by worldwide experience, after the liberalization of interest rate, there is high probability that banks will experience a hard time with narrowed interest margin and profit decline. Meanwhile, the downward trend on macro economy will impose higher requirement on the risk prevention ability of banks, thus creating challenges for both the operation profitability and asset quality of banks.

Facing the in-depth transformation of the financial environment, the Company will proactively cope with the economic downward pressure, continue to improve risk management and spare no efforts to strictly safeguard asset quality. With the Phoenix Project, the Company will navigate the challenges posed by the liberalization of interest rate, accelerate the transformation of business and management model and seize new market opportunities brought about by the "New Normal".

competition in the banking industry and the restructured banks will prove the transition effects by showing precise strategic positioning, efficient management and sustainable operation.

(II) Development strategies of the Company

To cope with changes in external conditions and internal development needs, the Company has formulated the Medium to Long-term Development Strategies of China Minsheng Bank for 2016–2025 (《中國民生銀行中長期發展戰略 (2016–2025)》) and the Development Plan of China Minsheng Bank for 2017–2019 (《中國民生銀行2017–2019年發展規劃》), and has facilitated the implementation of the Phoenix Project. In accordance with its mid-to-long-term development strategies and the three-year development arrangement, the Company is committed to becoming a "distinctive and globally competitive platform-based modern financial service group with cross-sector and win-win vision and intelligence". Moreover, it also strives to become an iconic bank with core competitiveness and sustainable prospect in the financial market of China. Adhering to its development philosophies of "continuous innovation, excellence, global networking and intelligence", the Company will develop a new four-wheeled business model of capital, intelligence, commerce and internet, in order to create a brand new Minsheng Bank featuring digitalization, professionalism, comprehensiveness and global networking and having enduring appeal in the industry.

With the implementation of new strategies, new plans and the Phoenix Project, taking asset and liability management as the leading role, the Company will endeavour to promote a sustainable business development by coordinating six segments including corporate banking, retail banking, financial markets business, online financing, integrated operation and international development, and establishing strategic asset and liability management model and lead the stable growth of the industry. The corporate banking business will be strengthened by optimizing the customer base and classified management. The composition of sectors and geographical distribution will also be refined by seizing business opportunities in investment banking and transaction banking so as to improve the professionalism of the Company. Furthermore, the Company will expand its retail banking business by building up a collaborative development mechanism and creating a new pan-retail system. The Company will foster a financial ecosystem to boost the channel efficiency. In addition, great effort will be made to optimize the financial markets business by establishing a first-class cross-market, cross-industry and cross-border platform that provides integrated services for financial markets in order to accelerate the transformation into an integrated bank with high efficiency and low costs. In order to grow the internet finance business, the Company will establish "E-Minsheng", develop "I-Minsheng", promote "Minsheng+" and accelerate the development of the Minsheng internet finance ecological circle which combines traditional vertical businesses with emerging horizontal businesses. Moreover, the Company will promote an integrated operation based on development trends and obtain licences in key business lines to create a group-based comprehensive financial service platform with deeply rooted "One Minsheng" (一個民生) strategy. Meanwhile, in accordance with the strategy of following market trend, the Company will endeavour to

Discussion and Analysis on Business Operation

To the banking industry, the year 2017 will be full of opportunities and challenges. In respect of the major opportunities: (i) the quality and efficiency of supply system will be significantly enhanced as a result of the on-going supply-side structural reforms. Moreover, there will be a surge in demand for diversified financial services by the real economy due to the expedite progress of reducing overcapacity, destocking, deleveraging, reducing costs and shoring up weak growth areas, the burgeoning emerging industries, the restructuring and upgrading of traditional industries, the favorable environment for entrepreneurship and innovation as well as the regional strategy support of the central government, which will all underpin the business expansion, transformation and upgrading of banking industry; (ii) fundamental reforms in areas such as state-owned enterprises and assets, taxation, finance, land, urbanization, social security and ecological civilization will produce a huge demand for financial services and will bring plenty of opportunities for business innovation of the banking industry; (iii) the high net worth individuals and the scale of assets have increased significantly and consuming structure has been increasing to boost demands for new investment and financing choices. Therefore, the asset management, private banking, consumer finance, credit cards and other businesses will have a huge room of development; (iv) the advanced progress of "Belt and Road Initiative" and the higher level of openness and strategies in the free trade zones will offer great opportunities to facilitate cross-border financial business and global networking of the banking industry; and (v) in view of the business expansion and the mixed business operation due to the rapid development of financial market, the central government will launch a regulatory system that is more suitable to the banking industry, which will create more space for business innovation and growth.

The banking industry also faces great challenges: (i) as the supply-side structural reform continues, risks will emerge, including the credit risk of small and micro enterprises and industries with excess capacities, debt default of large enterprises, polarization of the real estate market, currency depreciation, liquidity risk and potential debt risk of local governments; (ii) the pressure of asset shortage remains. The asset and debt management is exposed to great challenges due to the high debt costs and lower asset returns, which will in turn undermine the profitability and professional and refined management of the banking industry: (iii) the loosened market access and boom in industry innovation will lead to growing competition within or beyond the border of banking industry. Furthermore, the further integration of internet and finance will significantly change the traditional mode of financial business. As a result, the banking industry should pick up speed to transform its development strategies and operation patterns so as to rebuild customer relationships and service models; and (iv) the imbalanced global economic recovery and the volatile international financial market further raise the barriers for promoting cross-border services and global asset and liability management of the banking industry.

In 2017, the banking industry in China will enter into a critical period of reform with business model shifting from heavy assets to light assets, from horizontal expansion to organic growth and from single business of financing to the model of "capital+intelligence". The differentiated service model will escalate

prevention and control of sanctions, terrorism, fraud and other risks. Through the provision of training to employees and investigation and monitoring, the Company cultivated anti-money laundering culture in daily operation of all institutions and conduct of employees. The Company also further improved its risk prevention and control and management of anti-money laundering through enhancing the effectiveness of monitoring of systems.

During the Reporting Period, there were no domestic and overseas institutions and staff of the Company being found to have participated in or be involved in any money laundering and terrorist financing activities.

XI. Prospects and Measures

(I) Competition and development of the banking industry

In 2017, the domestic and international economic and financial conditions will remain complicated. From an international perspective, the global economy will still be under the stages of adjustment and consolidation. After the slowest growth in 2016 since the past six years, it is expected that the global economic growth will moderately pick up in 2017. Due to the prolonged problems of inadequate adjustment of the global economic structure, lack of new economic growth point, and the intensified global aging population and wealth gap, the global economy is still struggling. In addition, the wake of global trade protectionism is expected to hinder the global economic rebound. Fed rate hike will remain moderate. The Eurozone will be in the face of uncertainties including major elections and crisis in the banking industry while the United Kingdom will commence the Brexit negotiation. Slow economic recovery in Japan is expected, economic growth in emerging markets will be further differentiated, and the diverse economic recovery process and monetary policies between countries will continue.

To China, 2017 will be a crucial year for the implementation of "13th Five-Year Plan" and deepening of the supply-side structural reform. Currently, China's economy is still undergoing the transition from fast to moderately fast growth rate. It will not be easy to achieve the growth target of over 6.5%. The government should hold firm its supply-side structural reform to modify economic structure and foster new driving force. Aggressive fiscal policy and prudent and neutral monetary policy should be adopted. In addition, the important tasks of reducing overcapacity, destocking, deleveraging, reducing costs and shoring up weak growth areas should be effectively achieved. Preventive measures should also be implemented to avoid economic and financial risks. The consistency of macroeconomic policies should be maintained to avoid market speculation. Market confidence should be restored by major reforms.

Reputation risk management of the Company refers to daily management of reputation risk and proper handling of incidents with reputation risk through establishing and formulating reputation risk management mechanisms and rules to eliminate the adverse impacts by various methods, so as to prevent reputation risk actively and minimizing the losses and negative impacts on the public, and thereby achieving the general objective of reputation risk management.

During the Reporting Period, the Company fully implemented the Guidelines for the Management of Reputation Risk of Commercial Banks (《商業銀行聲譽風險管理指引》) and the Administrative Measures on Reputation Risk of China Minsheng Bank (《中國民生銀行聲譽風險管理辦法》). The Company continued to carry out external promotion, establish and improve internal reputation risk management mechanism by integrating the establishment of risk linkage system. Through issuing Mechanism for Minimizing Reputation Risk of China Minsheng Bank (《中國民生銀行聲譽風險處置機制》), the Company has optimized and refined its system and mechanism for three years. The Company also translated and published "The Reputation Risk Handbook: Surviving and Thriving in the Age of Hyper-Transparency", which enhanced the Company's reputation risk management and also served as useful reference to financial institutions and other industries. Through investigating and monitoring reputation risk, the Company analyzed various exposed risk information. Risk alerts on the source and trend were given. The Company also improved the communication between departments of the headquarters, institutions at all levels and external units, so as to conduct re-evaluation.

(VII) Anti-money laundering

Under the risk-oriented supervision philosophy, the Company strived to comply with regulatory requirements and meet the demand from customers. Internally, the Company intensively managed its institutions, staff and business. Through implementing standardized, clear and practical administrative measures, the Company achieved remarkable results in implementing regulatory measures, improving internal management, preventing external risk, prevalence of education and optimisation of functions of system, which further enhanced the effectiveness of the refined management of anti-money laundering.

During the Reporting Period, the Company fulfilled its regulatory obligation by effectively implementing regulatory requirements and including such requirements in its internal management. The Company also exerted great efforts in monitoring annual evaluation. The Company further optimized the upper level of anti-money laundering and its supports by defining the management duties of departments and improving the regulation, evaluation and standardization management of domestic and overseas institutions. The Company established and optimized the management system of risk evaluation of products/correspondent banks and other weak areas. The Company also enhanced the

The Company continued to strengthen the inspection of compliance and internal control to facilitate problem rectification and risk control. Firstly, the Company enhanced the inspection system of compliance and internal control by distributing guidelines such as the Administrative Measures for Inspection of Compliance and Internal Control Risks of China Minsheng Bank (《中國民生銀行合規內控檢查管理辦法》) and the Administrative Measures for Rectification of Compliance and Internal Control Risks of China Minsheng Bank (《中國民生銀行合規內控風險問題整改管理辦法》) to set norms for the flow of inspection and rectification throughout the Company. Secondly, the Company co-ordinated and formulated an annual inspection plan for compliance and internal control, recognized key items to be inspected and strengthened co-ordination and management of the inspection. It urged different institutions of the Company to strengthen risk control and improve risk management through conducting risk inspection. Meanwhile, the headquarters conducted inspection, investigation and research over invoicing, off-balance sheet business and mortgage loans in order to strengthen control of major risk factors. Thirdly, the Company carried out the special inspection project of "two enhancements and two controls" with double checking system for rectification and accountability. Supervising requirements were fully implemented while opportunity was captured by the company to boost its overall management, which effectively raised the awareness and continuity of risk control and prevention.

(V) Country risk

Country risk refers to the risk of borrower or debtor in a certain country or region failing or unwilling to repay debts to financial institutions in the banking industry, or the financial institutions in the banking industry in a country or region suffered losses or incurring other losses due to economic, political and social changes and incidents in such country or region.

During the Reporting Period, the Company continued to comply with the requirements of the Administrative Measures on Country Risk of China Minsheng Bank (《中國民生銀行國別風險管理辦法》) for country risk management, and set the standards for the entry and concentration for overseas institutions. The Company integrated the country risk management with the rating of financial institutions and quota management. The Company not only included country risk management into the risk rating and quota approval procedures for overseas customers, but also adopted the concept of country risk management in the classification management of foreign business.

(VI) Reputation risk

Reputation risk refers to the risk of negative evaluation of commercial banks and the overall banking industry by relevant interested parties, the media and the society as a result of the poor operation or management and other actions in breach of the national laws and regulations, social ethical standards or applicable internal rules by the commercial banks or their staff, or due to other external customers or events.

During the Reporting Period, against the backdrop of greater market fluctuation within shorter span of time, more complex "New Normal" and further interest rate liberalization, the Company steadily managed various types of market risk using a comprehensive market risk management system. Firstly, the Company refined its management on the interest rate risk of bank accounts, enhanced its management on interest rate risk of foreign assets and liabilities and improved the measurement on the market risk. Secondly, confronted with greater currency market fluctuations, the Company reasonably controlled the foreign currency exposure, kept track of the limits of currency risk, explored the market opportunities and strengthened the management under the currency fluctuation. Thirdly, the Company continued to improve the management on trading book risks. Through wider application of internal modeling of market risk management in the core areas including daily management, risk report, stress test and capital measurement, the middle-office risk management system was integrated into the front office business. Fourthly, the coordination on the market risk management was further improved. By refining the coordination system between the market risk management and the management of assets and liabilities, the Company increased the support of the strategies and policies of market risks for the allocation of assets and liabilities and business planning.

(IV) Operational risk

Operational risk refers to the risk of loss due to deficient and flawed internal procedures, personnel and IT system or external events. The operational risk of the Company mainly comprises internal and external fraud, employment system, safety of working places, and events related to customers, products and operation, damages of tangible assets, interruption of business, failure of IT system, implementation, delivery and process management.

During the Reporting Period, in order to improve operational risk management and ensure business continuity, the Company implemented and continued to improve relevant measures. Firstly, the Company optimized the three major risk management tools and combined its strategic reform and operational focus to enhance the management system. As such, a solid foundation was laid for operational risk control and self-assessment, major risk indicators and collection of lost data. Secondly, the Company exerted effort in enhancing management of business continuity. Based on the implementation of existing business continuity management, the Company conducted a comprehensive evaluation on and optimized the business continuity system, identified the relationship between important business and information system and facilitated emergency measures for disasters. Thirdly, in respect of outsourced business risks, the Company conducted a prospective study and formulated evaluation models for outsourced projects and service providers, improved accuracy of valuation, strengthened risk control and investigation over outsourced projects as well as improved information safety management over outsourcing service providers and staff. Fourthly, the Company conducted evaluations on IT risk management and promoted strategies and measures of IT risk control in each business line.

(II) Liquidity risk

Liquidity risk refers to the risk of a commercial bank which is unable to obtain sufficient funds at reasonable costs in a timely manner to cope with increase in assets or fulfill debt obligations despite its solvent position. The targets of the liquidity risk management of the Company during the Reporting Period were to improve the management and measurement of liquidity risk and to strengthen the abilities to identify, monitor and measure liquidity risk, and refine control and management so as to achieve optimal balance among liquidity, safety and profitability pursuant to the development strategies of the Company. During the Reporting Period, in face of the regulatory requirements, increasingly complicated market environment, accelerated financial disintermediation and the liberalization of interest rate, the Company was under immense pressure of liquidity risk management. At the beginning of the Reporting Period, the Company determined to maintain liquidity risk tolerance at a relatively stable level to ensure sufficient liquidity for the development of its businesses and fulfill regulatory requirements. While ensuring sufficient realizable assets of high liquidity under the pressure, it also limited risk exposure at a tolerable risk level for enhancing capital utilization efficiency.

During the Reporting Period, the Company enhanced the measurement and monitoring levels and refined the full-covering management system of liquidity risk. In addition to the restructuring of assets and liabilities and allocation of assets, the Company thoroughly studied the changes in gaps of future cash flows of capital business and monitored and managed interbank business as well as deposits and loans business with different approaches, in particular during sensitive periods, so as to be well-prepared for the risk hedging or risk overlay resulting from the fluctuation in capital business and deposit and loan business. The Company also refined liquidity risk indicators for accurate measurement of liquidity risk. The Company closely monitored the changes in monetary policies and put effort in analyzing interest rate in the market. The Company also proactively participated in the operation of various monetary tools in open market launched by the central bank. In addition, the Company enhanced the stress testing on liquidity and refined its risk warning and contingency plan. The Company paid close attention to changes in policies and markets and its own major operation policies, including the effect on liquidity of the changes in asset and liability management policies in addition to carrying out existing risk management policies. The Company also evaluated liquidity risk periodically and made adjustment when necessary.

(III) Market risk

Market risk refers to the risk of adverse changes in market prices (interest rates, exchange rates, share prices and commodity prices), inflicting losses in on- and off-balance sheet businesses of commercial banks. The Company managed its interest rate risk, exchange rate risk, stock risk and commodity risk in accordance with the regulatory requirements and the rules of Basel III. The Company further improved its market risk management system in the areas of quota management, measurement, middle office supervision, stress test and contingency management to cope with the fast-changing and innovative banking industry.

Discussion and Analysis on Business Operation

Firstly, the Company carried out strategic transformation and structural adjustment. The Company issued the 2016 General Guidelines and Portfolio Management Guidelines of Risk Policy (《2016年風險政策總體導向及組合管理指引》), which restated the risk policy and collective management direction for all business lines including corporate, retail, credit cards, interbank credits and financial markets, and adjusted and refined the portfolio management objectives to "exit, stop, restrict, control and eliminate" from various dimensions such as industries, regions, customers and products and so forth, so as to centralize risks and further optimize and improve the asset portfolio risk. Secondly, the Company adjusted the means and structure of corporate business guarantees by increasing the proportion of customers with higher credit ratings and reducing credits to industries with excessive capacities. The Company improved its corporate credit approval progress and strengthened its risk warning ability. Through carrying out reform of credit approval system on digital platform, the Company fully utilized internet and big data technology in the credit approval process. The Company also optimized its credit approval process by setting up a new digital platform to support corporate credit approval. The risk warning system was established as planned. The Company optimized the philosophy, regime, organization, procedures and system of its risk warning management so as to fully support its business growth. Thirdly, the Company further reconstructed the retail businesses to increase the proportion of high-quality customers and mortgage assets. By emphasizing the customer-oriented management philosophy, the Company boosted the results of layered management and cross sales. It expanded the application of big data, information technology and computing techniques in research and development and modified and reintegrated the risk management technology system. By standardizing the business model and optimizing the operation and procedures as well as the model of risk monitoring and management, the Company improved the management efficiency and promoted the customer experience. Fourthly, the Company intensified its research on the financial markets and implemented its financial markets risk-oriented policies. The Company optimized the appraisal model to refine the access standard and appraisal techniques. By strengthening the management of investment portfolio and adjusting the structure and proportion from time to time, the Company controlled the leverage ratio and concentration for the portfolio investment. By attracting interbank customers, it expanded the scale of interbank business and increased the share of profits. Risk management was incorporated into front office business through strengthened risk control of capital markets. Fifthly, the Company launched the program of "Year of Asset Quality Enhancement (資產質量攻堅年)", in order to enhance its asset management through strengthening business line accountability, market mechanism, resource allocation, control and incentives, structural adjustment, investigation and inspection, inventory management and innovation management. As such, the asset quality was generally ensured through various means of asset quality management. Lastly, risk measurement tools were introduced and upgraded. Since the adoption of the Basel III, the Company vigorously promoted the application of the results of internal rating to the whole process of risk management. Various aspects such as credit access, risk authorization, quota setting and risk report have been integrated with such results. Greater efforts are also made to apply the results of internal rating to other aspects including capital allocation, impairment allowances, loan pricing and performance assessment.

X. Risk Management

The principle of the Company's risk management is "Creating Value by Managing Risks". It focuses on the coordinated development of quality, profit and scale. The objective of the risk management of the Company is to enhance its risk management by actively implementing the Basel III and establishing a comprehensive risk management system.

During the Reporting Period, in response to the changing economic condition and the liberalization of interest rates, the Company implemented a comprehensive reform of the risk management system. After the reform, the Risk Management & Assets Monitoring and Control Department, Legal Affairs and Compliance Department, Assets Operation and Disposal Department, Corporate Business Risk Management Department, Retail Business Risk Management Department and Financial Markets Risk Management Department have been established for risk management. The Risk Management & Assets Monitoring and Control Department is responsible for the management of all the risks of the Company. The Legal Affairs and Compliance Department is responsible for the management of compliance risk, legal risk, operation risk and the establishment of internal control system of the Company. The Assets Operation and Disposal Department is responsible for management of corporate impaired assets of the Company. The risk management departments of corporate business, retail business and financial markets are responsible for the comprehensive risk management of their business sectors, respectively.

(I) Credit risk

Credit risk is the risk that a borrower or a counterparty defaults in making repayments in a timely manner in full amount for whatever reasons. Under the coordination of the Risk Management Committee of the Company, a platform consisting of risk management strategies, portfolio management and risk quantification and measurement tools have been established for the strategic implementation and balance of risks, capital and returns and for the application of results of rules of Basel III. The risk management system covers the whole process including pre-approval investigation, approval review, post disbursement management, collection and preservation of assets. Credit risks of on- and off-balance sheet items and non-credit business are also strictly controlled. Under the new economic circumstances, the Company strived to strengthen the initiative and foresight of credit risk management in line with the changes in the macroeconomic and financial situation.

During the Reporting Period, in face of increasing risks, the Company proactively took a series of measures to ensure the sustainable and prudent development of all business lines, such as tightening the standards for credit approval, business restructuring, application of risk measurement tools, innovation in risk management approaches and strengthening asset quality management.

(5) Structured entities consolidated to the financial statements of the Group

Structured entities consolidated to the financial statements of the Group were certain asset management plans. The Group shall determine whether it has controlling right over these structured entities based on its role as the manager of such plans and shall determine whether it is the major responsible party or an agent based on various aspects such as its authorized scope of decision, the power and rights of other parties to the asset management plans, and the risk exposure of the variable income. As the Group exercised the power of decision making as the major responsible party of these structured entities and the share of income of the Group in the total investment income of such plans was relatively large, these asset management plans were consolidated to the financial statements of the Group although the Group did not hold any interests in these entities.

As at 31 December 2016, the total equity attributable to the holders of the asset management plans under the management of and consolidated to the financial statements of the Group amounted to RMB3,835 million (2015: RMB6,677 million), which are presented mainly under the total balance of deposits from customers of the Group. No individual asset management plan had a material impact on the financial position of the Group.

(6) Management of consolidated financial statements

In 2016, to comply with the regulatory requirements of consolidated financial statements, the Company continued to refine the daily management of consolidated financial statements and implemented specific management of consolidated financial statements for the smooth operation of the Group.

In accordance with the requirement of management of consolidated financial statements, efforts had been made on supervision and submission of comprehensive reporting, reporting system of significant events, system maintenance and operation, annual review of designated projects as well as the analysis on and feedback from the regulatory authorities so as to strengthen the daily management of consolidated financial statements. The responsible management departments refined the consolidated financial statements system of the Group and managed their subsidiaries of the respective consolidated financial statements to achieve professional and efficient management. The Group conducted data analysis of capital return of their subsidiaries with a view to establishing a database as indicator of investment return of their subsidiaries.

(3) CMBC International

CMBC International is a wholly-owned subsidiary of the Company established on 11 February 2015 in Hong Kong with the approval of CBRC. It has a registered capital of HKD2 billion and is principally engaged in investment banking. CMBC International is an important diversified and globalized strategic platform of the Company and will closely cooperate with the Company upon receiving the relevant licenses so as to achieve synergies and offer all-round and diversified financial services to the Company's customers. During the Reporting Period, CMBC International had applied for and obtained type 1 and type 4 licenses from the Securities and Futures Commission of Hong Kong through its subsidiaries.

As at the end of the Reporting Period, CMBC International had total assets and net profit of RMB3,427 million and RMB12 million, respectively.

(4) Minsheng rural banks

Minsheng rural banks collectively refer to the rural banks initiated and established by the Company as a major promoter. As at the end of the Reporting Period, the Company established a total of 29 Minsheng rural banks with 86 business outlets. As at the end of the Reporting Period, the total assets amounted to RMB33,082 million, representing an increase of RMB2,787 million, or 9.20%, as compared with the end of the previous year. The total deposits balance amounted to RMB27,845 million, representing an increase of RMB3,484 million, or 14.30%, as compared with the end of the previous year. As at the end of the Reporting Period, the total loans balance amounted to RMB16,443 million, representing an increase of RMB32.0 million, or 0.19%, as compared with the end of the previous year. During the Reporting Period, the net profit amounted to RMB102 million, representing a decrease of RMB6 million, or 5.56%, as compared with the corresponding period of previous year.

During the Reporting Period, the Company aimed to establish the Board's objective of effective risk control, sound business growth and ordered internal management. The Company developed Minsheng rural banks and focused on small business finance and regional characteristics business for sustainable development. The rural banks of Minsheng were evolved to fulfill the social responsibility and to function as foundation for the effective promotion of the brand and services of Minsheng Bank in the financial circles at county level.

During the Reporting Period, the Company further improved the management system of Minsheng rural banks and strengthened the management and service quality of rural banks. The Company also urged for improvement in the management of corporate governance and duty performance and standards of directors, supervisors and senior management so as to improve risk control and facilitate the robust and sustainable development of Minsheng rural banks.

Discussion and Analysis on Business Operation

The healthy and sustainable development of Minsheng Financial Leasing was highly recognized by the industry. During the Reporting Period, Minsheng Financial Leasing was awarded the Best Contribution to the Financial Leasing Industry (最佳行業貢獻金融租賃公司獎) and the Top Financial Leasing Company of the Year (年度金牌金融租賃公司).

(2) Minsheng Royal Fund

Minsheng Royal Fund is a Sino-foreign fund management joint venture company established in November 2008 under the approval of the CSRC. 63.33% equity interest of the Minsheng Royal Fund was held by the Company.

As at the end of the Reporting Period, a total of 37 public equity products were managed under Minsheng Royal Fund, with net value of fund asset under its management of RMB78,906 million and shares of 75,636 million. Products of Minsheng Royal Fund covered major fund types with high, medium and low risks such as stock funds, hybrid funds, index funds, bond funds and monetary market funds. The account management business of Minsheng Royal Fund continued to grow steadily, and assets under its management amounted to RMB32,725 million as at the end of the Reporting Period. During the Reporting Period, net profit of Minsheng Royal Fund amounted to RMB468 million. According to the Fund Research Centre of Galaxy Securities, Minsheng Royal Fund ranked 31st among 113 fund companies in China in term of scale, maintaining a leading position among medium-sized fund management companies.

Minsheng Royal Fund initiated and established Minsheng Royal Asset Management on 24 January 2013 and held 40% equity interest of Minsheng Royal Asset Management. Minsheng Royal Asset Management's registered capital was RMB125 million and the scope of business included asset management business for specific customers, other business approved by the CSRC and investment consultancy. In addition to investment in traditional secondary markets, its specific scope of investment also includes managing and advising on investments in equities, bonds and other property rights not traded in any stock exchange. As at the end of the Reporting Period, assets managed by Minsheng Royal Asset Management amounted to RMB551,636 million. It achieved satisfactory business interaction and mutual supplement with the operations of Minsheng Royal Fund and has gradually emerged as an important strategic platform of the Company. The Company further optimized and enhanced the corporate governance system of Minsheng Royal Asset Management, and improved the management of consolidated financial statements in terms of strategic synergy, business coordination and risk control.

During the Reporting Period, Minsheng Royal Fund won the Best Fixed Income Investment Team of Eastmoney Award 2016 (東方財富風雲榜2016年最佳固收投資團隊) elected by Eastmoney Award due to its outstanding performance in 2016.

2. Operations of major subsidiaries and management of consolidated financial statements

(1) Minsheng Financial Leasing

Minsheng Financial Leasing, one of the first five financial leasing companies with banking background approved by the CBRC, was established in April 2008. 51.03% equity interest of Minsheng Financial Leasing was held by the Company.

As at the end of the Reporting Period, the total assets of Minsheng Financial Leasing amounted to RMB152,595 million, representing an increase of RMB13,576 million, or 9.77% as compared with the end of the previous year; net assets amounted to RMB14,794 million, representing an increase of RMB1,515 million, or 11.41%, compared with the end of the previous year. During the Reporting Period, net profit amounted to RMB1,293 million, representing an increase of RMB237 million, or 22.44% as compared with the corresponding period of the previous year. During the Reporting Period, return on average equity was 9.21%, representing an increase of 0.83 percentage points compared with the corresponding period of the previous year.

During the Reporting Period, Minsheng Financial Leasing actively pushed forward the strategy of "One Body and Two Wings", implemented comprehensive reform and enhanced the synergy with the Company's strategies for the sound development of the Company so as to further improve the professional and international level of the Company. Firstly, the Company promoted strategic transformation by adopting the model with operating lease as the "Body" and finance leasing and assets transaction as the "Two Wings". Secondly, the Company established a long-term business synergy system by capitalizing the six synergy products, including "Yin Zu Tong (銀租通)", to enhance the strategic synergy effects of the Company and to strengthen the Company's integrated financial services and the differentiated operating ability. Thirdly, the Company achieved new breakthroughs regarding the three featured businesses in respect of planes, ships and automobiles. In respect of plane leasing, the global business expansion of business plane was very fruitful. The Company was also successful in the development of business in respect of second-hand business planes trading. In respect of ship leasing, efforts were made to expand its international business. The Company has established cooperation with world-class enterprises including CMA CGM, Trafigura, Singapore Pacific International Lines (新加坡太平船務) and Sinokor Merchant Marine Co., Ltd. (韓國長錦集團) to further enhance its international position and profitability. In respect of automobiles leasing, the Company began to explore the industry chain of new energy automobiles. Fourthly, the Company proactively developed innovative financing models and instruments to significantly reduce financing cost.

(VI) Major equity investments

1. Particulars of major equity investments

(1) Shareholdings in listed companies

No.	Stock Code	Stock Name	Initial Investment (RMB'000)	Opening Shareholding Ratio (%)	Closing Shareholding Ratio (%)	Closing Book Value (RMB'000)
1	400061	Changyou 5	497,659	4.63	3.20	414,168
2	400062	Erzhong 5	467,503	2.66	2.66	265,125
3	000520	Changhangfenghuang	366,250	3.22	3.22	249,877
4	00866.HK	China Qinfa	117,078	16.76	15.31	71,390
Total			1,448,490			1,000,560

Note: The above table ranked the securities in terms of book value at the end of the Reporting Period.

(2) Shareholdings in unlisted financial institutions

No.	Name of Investee	Initial Investment (RMB'000)	Opening Shareholding Ratio (%)	Closing Shareholding Ratio (%)	Closing Book Value (RMB'000)
1	Minsheng Life Insurance Co., Ltd.	2,598,000	13.13	13.13	2,427,040
2	Huaxi Securities	476,075	2.99	2.99	476,075
3	China UnionPay Co., Ltd.	125,000	2.73	2.73	125,000
Total		3,199,075			3,028,115

Note: The above table set out the shareholdings in non-listed financial companies held by the Group in which the shareholding ratio was 1% and above, and the initial investment was more than or equal to RMB100 million.

4. Channel services

The Company has established a multifaceted service quality supervision system based on customers' experience. The Company not only tried to provide outstanding basic services through various channels but also strove to accommodate the needs of customers for better services with the assistance of an innovative integrated service assessment mechanism in place. The Company provided services based on the principle of "creating value through dedicated services" featuring its commitments to "professionalism, devotion, precision, sincerity, honesty, respect, companion, value creation and conveyance of happiness". As a result of the above efforts, the Company won the "2016 PRC Banking Industry Outstanding Performance Award in Provision of Quality and Regulated Services (2016年度中國銀行業文明規範服務工作突出貢獻獎)" from the China Banking Association. During the Reporting Period, the Company conducted quality supervision on 1,028 sub-branches and 312 community outlets in respect of basic services.

5. Operation management

By keeping abreast of the customers' evolving needs for financial services, the Company has spared no effort in providing stable, safe and convenient financial services in order to develop a distinctive Minsheng operation system. An integrated operation approach was developed for the Head Office and branches to extend the coverage of centralized business operation and standardize the management of business processes. The Company established a sustainable quality management system and became one of the first domestic banks to obtain the accreditation of ISO9001:2015. In addition, the Company has consistently enhanced risk control over its operation through the launch of "Safe Accounts" in order to provide comprehensive protection for customers' funds. The Company has also reformed its operation and service models by launching new customer service models such as "Cloud Accounts (雲賬戶)", "Remote Banks (遠程銀行)", and "95568 Wealth Circle (95568財富圈)" which provided online investment advisory services to improve customers' experience.

(V) Sales channels and operating services

1. Physical sales channels

An effective domestic sales network was established by the Company to extend its business coverage to all provinces in China with a focus on Yangtze River Delta, Pearl River Delta, Bohai Economic Rim and other regions. As at the end of the Reporting Period, the sales network of the Company had covered 118 cities, 124 branches (including 41 tier-one branches, 74 tier-two branches and 9 remote sub-branches), 1,119 business outlets of sub-branches (including business departments), 1,694 community sub-branches, 147 small business sub-branches and 5,132 self-service banks. The Company continued to promote the transformation of its outlets to more simplified structures and smarter functions. During the Reporting Period, the Company had customized an additional 354 outlets with a coverage ratio of 37.66%, and 435 remote service equipments.

2. Significant improvement in capacity of community finance

During the Reporting Period, by progressively reforming community sub-branches and optimizing the business mode of community finance, the Company enhanced its capability and capacity of operating community finance. As at the end of the Reporting Period, 1,694 community sub-branches had obtained licenses, representing an increase of 118 communities or 7.49% as compared with the end of the previous year. As at the end of the Reporting Period, financial assets balance of the community outlets amounted to RMB166,356 million, representing an increase of RMB47,356 million or 39.79% as compared with the end of the previous year. As at the end of the Reporting Period, number of customers of community outlets reached 4,620.6 thousand, representing an increase of 640.6 thousand as compared with the end of the previous year.

3. Comprehensive upgrade of self-service banks

The Company launched a new version of self-service banks with a full-fledged upgrade in functions and management modes, which facilitated the transformation of self-service banks from alternative transaction channels to sales service channels. As at the end of the Reporting Period, the Company had 5,132 self-service banks, and the number of self-service machines was 9,456.

Discussion and Analysis on Business Operation

In response to the volatility of global economy and economic slowdown in Mainland China, the Hong Kong Branch of the Company adjusted its business structure and implemented a strategic transformation by focusing on three major businesses, namely corporate business, financial markets business as well as private banking and wealth management business. In pursuit of the targets of "larger scale, adjusted structure, increased revenue and risk control", the Hong Kong Branch strove to make the most of market opportunities and favorable conditions. While progressively developing its regular businesses such as onshore guarantees for offshore loans, onshore guarantees for onshore loans, syndicated loans, non-bank credits + bond investments, the Hong Kong Branch enhanced the Minsheng brand reputation in providing cross-border investment banking services in line with the national policy of "Belt and Road Initiative". Efforts were made to further expand the "commercial banking and investment banking" businesses and expedite the process of overseas mergers and acquisitions and privatisation projects during the period. Greater emphasis was put on overseas bond issuances. The Hong Kong Branch successfully launched several large-scale bond issuances and raised an aggregate of USD8,000 million during the Reporting Period, which demonstrated its professional capability in issuing and underwriting bonds amidst intensive international competition. Capitalizing on market opportunities, the Hong Kong Branch agilely established a cross-border wealth management platform to provide customers with integrated financial services covering both domestic and overseas businesses such as cross-border account settlement, investment and wealth management, global asset allocation, financial security and inheritance.

Through optimizing the corporate business and expanding both the financial markets and retail businesses, the Hong Kong Branch achieved a stable growth as bolstered by these three major business segments, which effectively enhanced its competitiveness and influence in the international market. The Company received several awards from internationally renowned financial media in recognition of its efforts, including the "Loan of the Year (年度最佳貸款)" from IFR Asia, an authoritative Asian financial media, "Best Leveraged Loan" from Finance Asia and "2016 Corporate Finance Project (2016企業融資項目大獎)" from Bloomberg Businessweek.

As at the end of the Reporting Period, the Hong Kong Branch had total assets of HKD159,157 million, among which, deposits and placements with other banks, corporate loans and investment bonds amounted to HKD76,948 million, HKD58,646 million and HKD22,374 million, respectively. As at the end of the Reporting Period, it had total liabilities of HKD157,916 million, among which deposits and placements from other banks and financial institutions, corporate deposits, issuance of certificates of deposit and medium term notes amounted to HKD80,582 million, HKD52,772 million, HKD14,300 million and HKD4,636 million, respectively. During the Reporting Period, the net non-interest income and net interest income of the Hong Kong Branch amounted to HKD953 million and HKD581 million, respectively.

5. Trading in precious metals and foreign exchange

During the Reporting Period, the on-floor trading volume of gold, including agency sales for legal persons and individuals, of the Company in the precious metals market (the Shanghai Gold Exchange and the Shanghai Futures Exchange) amounted to 1,938.34 tons, and the trading volume of silver, including agency sales for legal persons and individuals, amounted to 6,908.57 tons. Total trading value amounted to RMB536,841 million. In terms of on-floor trading value, the Company was the ninth largest dealer at the Shanghai Gold Exchange, one of the most active proprietary dealers at the Shanghai Futures Exchange and one of the most important gold importers in the PRC.

During the Reporting Period, the Company leased 133.57 tons of gold to its corporate customers, ranking the seventh in the market. It sold physical gold under its own brand of 790.40 kilogram to individual customers. The Company satisfied the needs of customers with various products. The outlook of further progress in the market remained bright.

During the Reporting Period, the transaction volume of domestic spot settlement amounted to USD288,608 million, representing an increase of 56.80% as compared with the corresponding period of the previous year. The forward settlement and RMB exchange swap of the Company amounted to USD629,169 million, representing an increase of 140.29% as compared with the corresponding period of the previous year. The Company actively introduced option and its related portfolios and recorded RMB-Forex option trading volume of USD79,078 million, representing an increase of 1,433.11% as compared with the corresponding period of the previous year.

(IV) Overseas business

According to its international development strategy, the Company steadily expanded its overseas institution layout. The Hong Kong Branch of the Company has successfully become an overseas business platform for the Company after five years of development, which enhanced the financial supports to Chinese enterprises for their overseas expansion in the process of the implementation of "Going global" strategy and "Belt and Road Initiative" as well as the globalization of Renminbi.

3. Custody business

In respect of asset custody business, the Company integrated internal resources and established cooperation platforms for further expansion of its asset custody business so as to ride the trend of asset management in a new era. By entering into close cooperation with its major customers, the Company has pushed forward a new business model of "Custody+ (託管+)" so as to accelerate the development of asset custody business. As at the end of the Reporting Period, asset custody balance amounted to RMB7,071,366 million, representing an increase of 51.45% as compared with the end of the previous year. Revenue from the custody business was RMB3,417 million, representing an increase of 2.89% as compared with the corresponding period of the previous year. During the Reporting Period, the Company was recognized as the "Best Custody Bank for 2016 (2016年度金牌託管銀行)" and "Best Innovative Custody Bank for 2016 (2016年度金牌創新力託管銀行)" by Financial Money.

In respect of pension business, the Company continued to expand and diversify its services of account management and custody of corporate annuity in order to provide comprehensive pension financial services including corporate annuity and secured pension management products for institutional and personal customers. As at the end of the Reporting Period, the Company had RMB57,279 million pension funds under custody and managed 141.8 thousand corporate annuity accounts.

4. Wealth management

During the Reporting Period, in strict compliance with the requirements of the regulatory policies and adhering to the principle of supporting the real economy with financial services, the Company further explored new business innovation model. The asset base was underpinned by the growth of businesses with innovated products and business models. In response to the external market fluctuation, the Company enhanced the effectiveness of its investment portfolio and investment returns by implementing new asset management mode and adjusting dynamic investment strategies in a scientific and flexible manner. Diversified marketing approaches were adopted for continuous expansion of the customer base. The Company strengthened its asset management philosophies to build the brand of "Apex Asset Management (非凡資產管理)". During the Reporting Period, the wealth management business of the Company developed rapidly and robustly. As at the end of the Reporting Period, the scale of wealth management products amounted to RMB1,427,816 million, representing an increase of 34.89% as compared with the end of the previous year, outperforming most of its peers.

2. Interbank business

During the Reporting Period, the interbank business of the Company followed a two-pronged approach to focus on centralised management of interbank customers on one hand and improvement in revenues on the other hand so as to maintain a stable and sound growth of various businesses. The Company progressively put forward hierarchical and refined management on interbank customers to continuously optimize its investment structure. As such, the profitability has increased remarkably and the risk management standard has been on the rise.

In respect of management of interbank business customers, firstly, the Company strengthened the centralised management to enhance sales at headquarters level and the establishment of strategic platforms. During the Reporting Period, platforms were developed to facilitate cooperation with six major types of strategic interbank customers, namely city commercial cooperative banks, rural commercial banks, financial leasing companies, financial companies, foreign capital banks and asset management companies. As at the end of the Reporting Period, a total of 14 strategic platforms for interbank customers were formed. Secondly, the Company gradually carried out hierarchical and categorized refined management on interbank customers. A direct sales team dedicated for core customers was developed to design and formulate diversified marketing plans for the core customers.

In respect of interbank liabilities, the Company increased and stabilized the proportion of liabilities so as to improve the structure of interbank liabilities. As at the end of the Reporting Period, interbank liabilities amounted to RMB1,526,786 million, representing an increase of 46.47% as compared with the end of the previous year. Efforts were made to issue more certificates of interbank deposit. A total of 401 tranches were issued during the year with an amount of RMB539.3 billion. The balance as at the end of the Reporting Period amounted to RMB255,345 million, representing an increase of 274.63% as compared with the end of the previous year.

In respect of interbank assets business, by adjusting its business structure and focusing on key products, the Company realized steady profit growth. As at the end of the Reporting Period, interbank assets amounted to RMB452,937 million, representing a decrease of 49.43% as compared with the end of the previous year, which was mainly attributable to the change in the purchase of bills held under resale agreements. Besides, the Company continued to strengthen its risk management. During the Reporting Period, vacancies in the professional post-investment team were filled up and all types of business management system and procedures were constantly improved and refined.

(6) Online banking

During the Reporting Period, the Company continued to cultivate the characteristics of channels for diversified transactions of online banking. It upgraded and improved its online banking products, added overview function of customers' assets, added key transaction promotion area and advertisements on the homepage of online banking, so as to facilitate the access of customers to its online banking products. In accordance with the requirements of the State Council, PBOC and CBRC, the Company, among the first batch of pilot banks, fully adopted the Chinese encryption algorithm for its online banking and complemented its dynamic and controllable password security strategies so as to further ensure the safety of transactions, which laid a foundation for the complete implementation of the Chinese encryption algorithm in the financial industry as ascribed to the accumulated valuable experiences.

As at the end of the Reporting Period, the number of personal online banking customers was 16,245.2 thousand, representing an increase of 1,737.1 thousand as compared with the end of the previous year. Transaction replacement rate of personal online banking was 99.28%. The Company's sales of personal wealth management products via electronic channels maintained a rapid growth and amounted to RMB2.48 trillion during the Reporting Period, accounting for 98.84% of the total sales of the Company's personal wealth management products.

(III) Treasury business

1. Investments

As at the end of the Reporting Period, the net investment balance of banking books of the Company amounted to RMB2,111,230 million, representing an increase of RMB1,228,268 million, or 139.11%, as compared with the end of the previous year. As at the end of the Reporting Period, the investment balance of the trading books of the Company amounted to RMB86,288 million, representing an increase of RMB60,122 million, or 229.77%, as compared with the end of the previous year. In 2016, the Company increased its investments in bonds and other types of investments with reference to its yield rate, liquidity and use of capital as a whole. As at the end of the Reporting Period, the percentage of the Company's net amount of investment balance of trading and banking books in the total assets of the Company increased by 17.58 percentage points as compared with the end of the previous year.

(4) Mobile payment

During the Reporting Period, the Company kept abreast of market changes by proactively innovating mobile payment business. It continued to enrich the methods and coverage of payment and established a user system of mobile payment to promote the brand of "Minsheng Payment® (民生付®)". Apart from introducing quick pass products such as Apple Pay, Samsung Pay, Huawei Pay and Mi Pay, the Company strived to provide customers with brand new methods of payment through exploring smart wearable payment. Meanwhile, seeing the trend of QR code payment, the Company launched online QR code payment business that met the standard of Unionpay. At present, the Company has built up a system of mobile payment products with "quick pass by mobile phone, quick payment by QR code (手機閃付、掃碼快付)". Besides, the Company proactively explored the application of new technologies such as block chain, internet of things, ultrasound and AR/VR.

As at the end of the Reporting Period, the number of customers using mobile payment of the Company exceeded 3 million.

(5) WeChat banking

During the Reporting Period, the Company launched WeChat banking 2.0 to further enrich its offering of financial and daily services through the addition of new functions that provide financial service, investment and wealth management and daily service. The Company provided featured services in its official WeChat account such as instant account message update, intelligent customer services, fast premium mortgage loans and convenient services in an attempt to accommodate the needs of customers for mobile financial services in various occasions and social circumstances, thus to form a brand new mobile social financial service network. The Company established an official WeChat account as the integrated operation and management platform to create a "We media" matrix and a customer recommendation system. With intensified social marketing across industries, the Company actively integrated its resources and consolidated data flow and managed the customers in order to expand the recognition and position of its major products and also further attracted users following its official WeChat account.

As at the end of the Reporting Period, the number of users of the official WeChat service account matrix of the Company amounted to 16,872.8 thousand, ranking top among all peers.

to refine the completely online one-stop platform of integrated financial services. The Company proactively conducted research on services of account opening through ATM and salary payment through electronic accounts, and cooperated with third-party companies to expand customer base by providing wealth management products and basic account services. During the Reporting Period, the awareness and reputation of the Company's direct banking brand were further enhanced and widely recognized.

As at the end of the Reporting Period, the number of customers reached 5,284.8 thousand, and the total subscription amount of "Ru Yi Bao (如意寶)" amounted to RMB1,489,163 million.

(2) Mobile banking

During the Reporting Period, the Company continued to innovate its mobile banking products. In addition to over 1,000 new and optimized functions, a number of new products and functions such as investment and wealth management, account management and services were launched and well received by customers. The Company continued to introduce new technology and explore in customized application. New technologies including gesture password, iris payment authorization and electronic fence were applied to provide customers with more convenient financial services. The Company developed comprehensive services for life circles by setting up minshengec.com, "yiguo.com (易果商城)" and "Minsheng Properties (民生好房)" and organizing over ten promotions.

As at the end of the Reporting Period, the number of mobile banking customers of the Company reached 24,751.4 thousand, representing an increase of 5,725.7 thousand as compared with the end of the previous year. The frequency of transactions conducted by customers of the Company has always ranked top in the banking industry.

(3) Online payment

During the Reporting Period, the Company exerted efforts in research and development of online payment and continuously established platforms and innovated products to enhance the online payment service system. The Company launched the sales supervision system for private equity funds as the first runner, and further improved the supervision service of public offered funds. The newly launched "Easy Collection and Payment (收付易)" provided customers with collection and payment service while "Interbank Transaction Products (跨行通)" and "Minsheng Payment (民生付)" were upgraded to provide customers with integrated payment solutions.

As at the end of the Reporting Period, customers using the Company's interbank transaction products totalled 2,616.9 thousand, and the total fund integrated amounted to RMB477,991 million.

merger and acquisition and restructuring for high net worth customers. The Company worked closely with overseas institutions to gradually develop overseas asset allocation platforms for overseas trust and insurance services. With "Internet + (互聯網+)", the Company built its unique wealth management business and continuously optimized customer experience with financial technology services. By adopting the UPPER work enhancement method, the Company strove to provide professional one-stop services including wealth management, advisory, private banking products and VIP non-financial services.

As at the end of the Reporting Period, the private banking financial assets under the management of the Company amounted to RMB296,748 million, representing an increase of RMB23,740 million as compared with the end of the previous year.

7. Personal internet finance and services

During the Reporting Period, the Company seized opportunities arising from the revolutionary internet finance development and focused on the innovation of internet finance products and services such as direct banking, mobile banking, mobile payment, online payment, online banking and WeChat banking according to market demand and customers' needs, in order to create a "finance+technology+life" internet financial ecosystem. In addition, capitalizing on the effective marketing function of the Internet, the Company carried out innovative promotions through new media such as WeChat, Weibo and mobile apps to attract target customers. With its improving internet finance brand position and customers' experience, the Company enjoyed rapid growth in its market share and remained one of the top commercial banks.

(1) Direct banking

During the Reporting Period, with its first-mover advantage of direct banking, the Company further consolidated its leading position of direct banking services. During the Reporting Period, the number of direct banking customers and scale of financial assets exceeded 5 million and RMB50 billion, respectively, further consolidating the influence of its brand of "Simple Banking". The Company introduced new account opening and product purchase channels to enhance customer experience and service efficiency on its website, mobile apps, WeChat banking, 10100123 hotline and HTML5 web pages. The product mix was further diversified and product experience was optimized. The Company expanded the business scale of "Ru Yi Bao (如意寶)" and other existing businesses, and also launched new products, including "Fund Express (基金通)", bank financing and "Good Housing Loan (好房貸)", and launched direct banking e-payment function in accordance with the new requirement of the central bank, and also opened up a life service channel and developed an extensive product mix combining "deposit, investment, remittance, loan and payment", so as

industry. In respect of marketing activities, "Pay by Card Every Week (周周刷)", "11x Bonus Point Reward (11倍積分盛宴)", "Golden Chance 2017(2017雞不可失)" and other theme promotions, "Every Day, Minsheng Day (天天民生日)", mobile payment discount and overseas card expenses promotion were launched. The Company continued to explore participating merchants and refined the composition of trades and merchant quality. High-quality merchants were selected for promotion activities in all cities in China such as "Minsheng's Treat(民生請你吃大餐)". In respect of instalment business, new services such as "Joyful Home (居家樂)" and "Car Owner Delight (車主樂)" were introduced to develop customized financial services. In respect of risk management and control, the Company continued to carry out the asset quality control reform for the whole process and proactively controlled and dynamically managed its credit card assets, which significantly slowed down the growth of impaired assets.

As at the end of the Reporting Period, the aggregate number of issued credit cards of the Company was 28,336.4 thousand, of which, 4,741.8 thousand were newly issued during the Reporting Period. During the Reporting Period, transaction volume of credit card business was RMB1,233,248 million, representing an increase of 10.26% as compared with the corresponding period of the previous year. As at the end of the Reporting Period, account receivables amounted to RMB207,372 million, representing an increase of 21.33% as compared with the end of the previous year. During the Reporting Period, net non-interest income amounted to RMB15,186 million, representing an increase of 9.51% as compared with the corresponding period of the previous year.

During the Reporting Period, the "Solution of automatic approval for online credit card application — Application processing (信用卡網絡申請審批自動化解決方案 — 客戶進件管理項目)" of the Company's Credit Card Centre was selected from over one hundred decision-making and management projects worldwide and awarded the 2015 FICO Decision-Making and Management Award. The Company's Credit Card Centre was also granted the "Comprehensive Model Unit Award (綜合示範單位獎)" and "Excellent Innovation Award(優秀創新獎)" in the Fourth Selection of Excellent Customer Service Centres in China Banking Industry(第四屆中國銀行業優秀客戶服務中心評選活動).

6. Private banking business

During the Reporting Period, the private banking business of the Company, based on its sound understanding of the clients, established "One Body and Three Wings" philosophy, with wealth management as the main focus and "investment banking + (投行+)", globalization and "Internet + (互聯網+)" as the supports. The Company introduced various new products of its asset management business, investment business, trust business and special alternative funds business to enrich its offering of customized products and to meet the needs of wealth management customers. The Company provided cross business customized capital operation services in respect of investment, financing,

Secondly, the Company consolidated its competitiveness through product and service innovation. New version of the online marketing platform of the "House of Small Business Finance (小微之家)" came into service during the Reporting Period, and new products and services including "Cloud Loan (雲快貸)", "Online Loan 2.0 (網樂貸2.0)" and QR code cashier registers were launched to the market. The Company made good use of new technologies such as mobile internet and big data to promote simplified and handy services for online to offline (O2O) small finance business.

Thirdly, the Company adopted a new business mode of small business finance to facilitate its long term development. New development ideas were implemented to focus on "operating in accordance with customer classification (客群細分經營)" and to develop customer base according to the philosophy of "settlement comes first, followed by cross-selling for general business expansion and the provision of loans (結算先行，再交叉銷售、綜合提升，最後開展授信)". During the Reporting Period, the Company implemented the "settlement comes first (結算先行)" business development philosophy by introducing new settlement means such as QR code cashier, cloud accounts and account fund pooling in order to acquire more settlement customers at the front end. The Company comprehensively promoted cross-selling of insurance and wealth management products to satisfy the needs of comprehensive financial services of small and micro enterprises. The Company also adopted differentiated pricing methods to gradually realize refined management of credit pricing.

During the Reporting Period, the Company provided a total of RMB396,790 million loans to small and micro enterprises. As at the end of the Reporting Period, the outstanding balance of loans to small and micro enterprises amounted to RMB327,136 million and the average loan balance per account amounted to RMB1,534.6 thousand.

5. Credit card business

During the Reporting Period, adhering to its philosophy of market-oriented operation through innovation, the Credit Card Centre recorded stable growth. In respect of product innovation for female customers, the Company fully upgraded "Lady Flower Card (女人花卡)" by engaging overseas well-known designers from other sectors to design the card and organizing the "RMB1,000 Facial Mask Giveaway(千元面膜大贈送)" event. For overseas online shopping customers, the Company issued the first overseas online shopping credit card in China in cooperation with Ebates, the largest rebate website in the world, offering rewards such as USD20 cash rewards, up to 20% transaction cash back and free international shipping. For young white-collars, the Company issued a co-brand card jointly with Baidu Waimai which offers free delivery for specific monthly spending. In respect of technology innovation, the Company strove to formulate the planning of "Internet + (互聯網+)" and achieved breakthroughs in issuing credit cards online, WeChat banking, mobile client-end applications and intelligent customer service robots, so as to position itself as a leader in the

3. Retail loans

During the Reporting Period, the Company further refined the structure of retail banking business. While promoting instalment of credit card and comprehensive customer loan, the Company also promoted steady growth of secured loans to small and micro enterprises and improved guarantee structure of such loans. During the Reporting Period, the Company exerted efforts in enhancing the innovation of consumer credit products, proactively taking advantage of the internet and big data and launched a series of innovative credit products for micro customer loans such as "Happy Salary Loan (薪喜貸)" and credit products for small and micro enterprises such as "Cloud Loan (雲快貸)" and "Online Loan 2.0 (網樂貸2.0)".

As at the end of the Reporting Period, retail loans of the Company amounted to RMB889,169 million, representing an increase of RMB171,934 million as compared with the end of the previous year. Among which, residential mortgage amounted to RMB295,201 million, representing an increase of RMB181,142 million as compared to the end of the previous year. As at the end of the Reporting Period, consumer loans (including residential mortgage), loans to small and micro enterprises and credit card overdrafts accounted for 39.89%, 36.79% and 23.32% respectively, reflecting a more balanced retail loan structure. As at the end of the Reporting Period, secured loans of loans to small and micro enterprises accounted for 61.92%, representing an increase of 11.69 percentage points as compared with the end of the previous year.

4. Small business finance

During the Reporting Period, the Company continued to implement its "small business finance strategy". According to the guideline of "prudent growth of small business finance", the Company continued to enhance its operation for classified groups of customers, optimized structure of its asset business, promoted cross selling and deepened transformation of development mode of small business finance.

Firstly, the Company increased the proportion of secured loans in order to enhance the structure of asset business. During the Reporting Period, the Company accelerated the promotion and introduction of secured products, and sought to acquire customers online and promoted new products such as "Cloud Loan (雲快貸)". Online valuation platform of real properties was also launched. The Company significantly improved its procedures and services to increase the proportion of secured loans in order to facilitate the optimization of its asset business structure.

Discussion and Analysis on Business Operation

The Company focused on the cooperation between corporate and retail banking for cross selling through the development of a batch customer acquisition platform. During the Reporting Period, the Company launched marketing campaigns, including "Referral Reward (呼朋喚友•薦者有禮)" and "Enjoy Taxi Vouchers from Minsheng Bank (新朋老友齊相聚，暢享民生打車券)" to increase interactions with its customers. The Company also targeted payroll service-related customers for cross selling of credit card services. Based on the refined customer base classification, the Company launched differentiated products and tailor-made service system for car owners in cities, outbound travellers and customers from particular sectors to establish batch customer acquisition platform and service model.

As at the end of the Reporting Period, the number of retail customers with existing deposits was 30,337.6 thousand, representing an increase of 4,723.7 thousand as compared with the end of the previous year.

2. Financial assets

During the Reporting Period, the Company continued to improve its asset allocation and strengthen the marketing of its product offering according to diversified investment needs of its customers. In response to the changes in capital market, the Company intensified the introduction and sales of insurance products, particularly principal guaranteed funds and bond funds. Financial assets under management continued to grow and the structure was furthered optimized.

The Company emphasized the coordinated growth of customers' financial assets and savings by adopting various measures, including the implementation of financial-asset-driven strategy, innovation of new saving products and development of high saving customers. During the Reporting Period, the Company launched a number of special demand deposits products such as "Salary Package (薪悦寶)", "Deposit Package (存管寶)" and "Fund Collecting Package (歸集寶)" as well as special time deposits products such as "Time Deposit Package (定多利)" to minimize the diversification of savings and maintain steady saving deposits.

As at the end of the Reporting Period, financial assets of retail customers managed by the Company amounted to RMB1,262,013 million, representing an increase of RMB91,881 million as compared with the end of the previous year. Among which savings deposit amounted to RMB528,197 million, representing a slight decrease as compared with the end of the previous year. During the Reporting Period, the premium of agency sales of insurance products increased 3.97 times as compared with the previous year, and net fee and commission income increased 4.55 times as compared with the previous year. During the Reporting Period, net income from wealth management business was RMB6,369 million, representing an increase of 11.22% as compared with the corresponding period of the previous year.

Fifthly, the Company explored new growth drivers of its factoring business through enhancing its domestic trade finance products and services. During the Reporting Period, the Company managed to consolidate its leading position of factoring business among its peers. The Company accelerated the promotion of featured products, such as non-recourse factoring and "N+1" factoring. The Company also launched innovative factoring products for specific industries, including pharmaceutical factoring, engineering factoring, lease factoring. In addition, the Company captured the opportunities of the new regulations on letters of credits to strengthen the service capability of discounted bills, domestic guarantees and domestic letters of credits products.

(II) Retail banking

During the Reporting Period, the Company further analyzed the economic and market environment, and timely captured favorable opportunities in retail business development and to cope with various challenges of economic slowdown, risk pressure and market competition effectively. The Company adhered to income-oriented approach, scientifically formulated strategies and measures to develop retail business, established customer base operating system and wealth management system, while further promoted the transformation of small business finance and private banking. The Company also exerted great efforts in developing consumer credit service, and optimized the asset structure and guarantee structure. The quality of retail assets remained stable.

During the Reporting Period, the operating efficiency of retail banking business continued to grow, with operating income of RMB49,160 million, representing an increase of 8.02% as compared with the corresponding period of the previous year, and accounting for 33.02% of the Company's operating income, representing an increase of 2.38 percentage points as compared with the corresponding period of the previous year. Contribution of the retail banking business grew significantly. During the Reporting Period, net non-interest income from retail banking business was RMB22,600 million, representing an increase of 9.40% as compared with the corresponding period of the previous year, and accounting for 45.97% and 39.74% in the income of retail business and the net non-interest income of the Company, respectively.

1. Retail customers

The Company endeavoured to improve its operating system for retail customers in order to strengthen its operating capability. In respect of the three major customer bases, being personal customers, small and micro enterprises and private banking customers, the Company further refined customer classification for differentiated targets. Differentiated asset allocations and product distributions were organized to satisfy different groups of customers for better customer satisfaction and better service level.

Discussion and Analysis on Business Operation

4. Transaction Banking

During the Reporting Period, the Company focused on maximizing the value of corporate settlement customers, strengthening its competitiveness in the international market, consolidating the advantages in the trade finance sector and enhancing its online business by setting up new transaction banking business platform and planning the mode and path for the transformation and upgrade of transaction banking business.

Firstly, the Bank focused on B2B2C transactions and launched various new payment and settlement products, including "Tender Express (招標通)", "Market Express (市場通)", "Witness Payment (見證支付)", "Cross-Bank Service (跨行寶)", "E-Payment (e支付)", "Placement and Custody (募管通)" and "Receipt and Payment Express (行業收付通)". It also focused on strategic customers for the promotion of "Cash Pools (現金池)" and "Bank & Corporate Express (銀企直聯)" which increased the coverage of cash management products.

Secondly, the scale of deposit value enhancement products further expanded. In respect of the development and upgrade of "Liquidity Profit (流動利)", new Liquidity Profit E and foreign currency Liquidity Profit D were introduced to further enhance the attractiveness of Liquidity Profit products. The features of corporate certificates of deposit were enriched to enhance their competitiveness in the interbank market.

Thirdly, the overall online layout of products was launched to reduce customers' cost and to optimize their experience. An online financing platform for business entities has been primarily established. The actual value of collaterals can be acquired; logistics status and certain transaction information of the supply chain can be supervised online in real time through the exchange of data between the industry chain system and external pricing websites, regulatory authorities and certain core enterprises which laid a solid foundation for risk control by using big data.

Fourthly, international business continued to expand with focus on key customers. During the Reporting Period, attributable to the improvement of the routine settlement service for import and export of customers, ranking of the Company in the banking industry in terms of cross border settlement continued to rise, and the assets and liabilities of the Company denominated in foreign currencies increased significantly. In addition, document centres were set up in Beijing, Shanghai and Guangzhou to centralize document processing of the Bank.

outstanding corporate loans (including discounted bills) of the Company amounted to RMB1,556,385 million, representing an increase of RMB241,983 million, or 18.41%, as compared with the end of the previous year. In particular, the outstanding general corporate loans amounted to RMB1,391,932 million, representing an increase of RMB154,695 million, or 12.50%, as compared with the end of the previous year. As at the end of the Reporting Period, the impaired corporate loan ratio was 1.42%.

3. Investment banking

In respect of the investment banking business of commercial banks, the Company focused on the following four areas: (1) comprehensive financial services for the multi-layered capital market; (2) bond issuance, underwriting, investment and transaction; (3) mergers and acquisitions relating to integration of industries, regions and enterprises as well as reforms of mixed-ownership; and (4) structured finance pillared by securitization. The four segments have offered numerous opportunities as they are in line with the major development directions and market trends of current economic and financial areas. Concentrating on such four areas, the Company has been and will continue to focus on, among others, the expansion of merger and acquisition finance, listing finance, structured finance, cross-border finance, investment management, asset securitization and bonds financing in the next few years.

The business growth momentum of the Company in the capital market remained strong. By focusing on strategically important regions, industries, customers and products as well as establishing business cooperation platforms, the Company completed a number of significant projects, which had great influence on the market and fostered brand effects in such areas as mergers and acquisitions, industry integration and privatisation of China's concept stocks traded in the US market. In respect of the securitization business, in addition to the existing credit and corporate asset securitization products such as "Qi Fu (企富)" and "Hui Fu (匯富)", the Company developed "He Fu (合富)" asset securitization brand and effectively improved its services for quality customers. During the Reporting Period, a total of RMB21,351 million credit asset securitization products were launched, ranking top among all joint stock commercial banks in the interbank market in terms of volume of issuance. The Company achieved breakthroughs in corporate asset securitization financing through the launching of a number of projects which were first of their kinds in the market. In respect of the bond underwriting business, the Company actively seized market opportunities by prioritizing its customer base of large and medium-sized state-owned enterprises. It actively adjusted marketing strategies and carried out a flat risk management system to significantly boost its business efficiency and market competitiveness. During the Reporting Period, the Company issued debt financing instruments of RMB243.0 billion.

During the Reporting Period, the Company held the Merger and Acquisition Forum of China Merger and Acquisition Cooperation Association (2016) (中國併購合作聯盟併購高峰論壇(2016)), which consolidated the merger and acquisition "ecosystem" led by Minsheng Bank. The investment banking business of the Company was widely recognized among all sectors. The brand image was further enhanced as the business was granted two awards, namely the Top Ten Investment Banks of China in 2016 (2016年中國區十大投資銀行家) and the Best Global Finance Bank of China in 2016 (2016中國區最佳跨境融資銀行) awarded by the Securities Times (《證券時報》).

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IX. Performance of Key Business Lines

(I) Corporate banking

During the Reporting Period, in response to new challenges and opportunities arising from the changes of the internal and external operating environments, the Company adopted two major strategies as "one hand on operation development and the other on transformation and improvement", and focused on the development of "Three Premiums and One Distinctive (三優一特)" customer positioning. Products and services of transaction banking and investment banking were significantly enhanced. By increasing the service support for major regions and infrastructure projects, the Company strove to develop as an efficient platform for quality state-owned enterprises, premier bank for quality NSOEs and sound partner of quality listed companies, so as to promote the expansion of corporate banking business of the Company.

1. Customer base of corporate banking

During the Reporting Period, the Company further expanded the customer development channels based on internet platform and new payment and settlement functions. By expanding the base of strategic customers and institutional customers, and increasing investment to the development of upstream and downstream customers throughout the industry chain, the number of new customers and settlement customers increased rapidly. As at the end of the Reporting Period, the number of domestic corporate customers with deposits of the Company increased by 147.2 thousand to 839.2 thousand, representing an increase of 21.27% as compared with the end of previous year. As at the end of the Reporting Period, the number of domestic customers with general loans balance of the Company was 11,896. The restructuring of loan customer base saw remarkable progress, resulting in significant growth in the number of quality customers and the proportion of their balance of loans in total loans.

2. Corporate deposits and loans

During the Reporting Period, the Company strengthened the development of its settlement business platform and online transaction financing platform while substantially reducing core cost-related liabilities. As at the end of the Reporting Period, the balance of corporate deposits of the Company amounted to RMB2,503,040 million, representing an increase of RMB372,273 million, or 17.47%, as compared with the end of the previous year.

During the Reporting Period, the Company refined its credit extension policy, and increased credit support to the strategic industries, emerging industries, comprehensive healthcare industry and comprehensive consumption industry, while credit support to industries with excessive production was restricted. Additional credit support was also given to major areas in relation to the regional strategies including integration of Beijing-Tianjin-Hebei and Yangtze River Economic Zone and the "Belt and Road Initiative", as well as national key construction projects and urban redevelopment projects. The Company aimed to develop a credit business layout that suits the local resources, development objectives and industry development status. As at the end of the Reporting Period, the

(Unit: RMB million)

Item	Opening balance	Gain/loss from fair value changes for the period	Accumulated fair value changes charged to equity	Impairment allowance for the period	Closing balance
Financial assets					
Of which: Precious metals	18,187	-1,493	–	–	22,591
Financial assets at fair value through profit or loss	26,959	-269	–	–	89,740
Positive fair value of derivatives	5,175	2,700	–	–	7,843
Available-for-sale securities	156,853	–	-1,949	6	306,927
Total	207,174	938	-1,949	6	427,101
Financial liabilities					
Of which: Financial liabilities at fair value through profit or loss	337	78	–	–	868
Negative fair value of derivatives	3,326	5,130	1,821	–	10,277
Total	3,663	5,208	1,821	–	11,145

(II) Overdue and outstanding liabilities

As at the end of the Reporting Period, the Group had no material outstanding liabilities that were overdue.

VIII. Other Financial Information

(I) Items relating to fair value measurement

1. Internal control system relating to fair value measurement

In order to regulate fair value measurement, improve the quality of financial information, strengthen risk management and protect the legitimate interests of investors and all relevant parties, the Company has formulated the Administrative Measures regarding Fair Value (《公允價值管理辦法》) based on the Accounting Standards for Business Enterprises (《企業會計準則》), which expanded the scope of fair value measurement to cover the initial measurement of certain financial assets and financial liabilities; and clarified and refined the principles, methods and procedures for determining fair value. With the aim to enhance the rationality and reliability of the valuation of fair value, the Company has assigned specific working responsibilities to relevant managing departments for fair value management so as to continuously strengthen research on the valuation of its asset and liability businesses and improve internal valuation capabilities. The Company will also gradually optimize and employ the valuation models and systems and strengthen the verification of prices obtained externally. Moreover, the Company has correspondingly implemented internal control measures over the process of fair value measurement, including double-checking on price enquiry and confirmation, and adopting an evaluation procedure on fair value measurement which requires the person-in charge and reviewer to sign off in order to give effect to the measurement. Furthermore, the Internal Audit Department actively followed and rectified related problems by supervising and checking the range determined for fair value measurement and measurement methodology and procedure, so as to improve internal control within the Company.

2. Financial instruments measured at fair value

The Company's financial instruments measured at fair value include: financial assets/liabilities at fair value through profit or loss, derivative financial instrument, available-for-sale securities and precious metals. In particular, the valuation methods of financial assets at fair value through the profit or loss and the bond investment of the available-for-sale security investments were listed as follows: for RMB bonds, in principle the valuation provided by China Central Depository & Clearing Co., Ltd. would apply; for bonds denominated in foreign currencies, market value was determined through a combination of Bloomberg quotes and enquiries; the fair value of most derivative financial instruments was obtained directly from quotes of market prices and assessment model, while the fair value of certain derivative financial instruments in which customers are interested was obtained from market enquiries; and the valuation of foreign exchange option was obtained from Bloomberg quotes. Derivative financial instruments mainly consisted of interest rate swap contracts to which customers are parties and proprietary interest rate swap contracts, the market risks of which had been hedged. The changes in fair value had little impact on the profit of the Company. Changes in fair value of available-for-sale securities were considered when calculating shareholders' equity.

(I) Segment operating results by geographical region

(Unit: RMB million)

Item	Total assets (excluding deferred income tax assets)	Operating income	Profit before income tax
Northern China	4,795,197	81,834	38,249
Eastern China	1,521,038	28,518	5,860
Southern China	827,041	17,772	7,938
Other regions	1,077,414	25,927	8,202
Inter-segment elimination	-2,348,179	—	—
Total	5,872,511	154,051	60,249

Note: Inter-segment elimination refers to the centralized adjustments involving the Group or a number of branch offices (such as inter-entity balances and open credit).

(II) Segment operating results by business line

(Unit: RMB million)

Item	Total assets (excluding deferred income tax assets)	Operating income	Profit before income tax
Corporate banking business	1,600,607	72,376	27,521
Personal banking business	889,907	49,659	12,536
Treasury business	3,220,636	26,127	16,476
Other businesses	161,361	5,889	3,716
Total	5,872,511	154,051	60,249

Capital instruments entitled for the preferential policy during the transitional period: According to the applicable requirements under the New Measures, non-qualified tier-two capital instruments issued by commercial banks before 12 September 2010 may be entitled to preferential policy of a progressive deduction of book value by 10% per annum starting from 1 January 2013. As at the end of the Reporting Period, the balance of non-qualified tier-two capital instruments of the Company was RMB9.0 billion, which can be put into the calculation.

As at the end of the Reporting Period, the net tier-one capital and on- and off-balance sheet assets after adjustment increased by RMB16,282 million and RMB263,246 million, respectively, while the leverage ratio increased by 0.05 percentage points, as compared with the end of September 2016. The leverage ratio of the Group is as follows:

(Unit: RMB million)

Item	31 December 2016	30 September 2016	30 June 2016	31 March 2016
Leverage ratio (%)	5.19	5.14	5.33	5.47
Net tier-one capital	349,263	332,981	325,264	316,291
On- and off-balance sheet assets after adjustment	6,735,442	6,472,196	6,101,941	5,780,377

For details of the regulatory capital, please refer to the section headed "Investor Relations — Announcements and Disclosures — Regulatory Capital" on the Company's website (www.cmbc.com.cn).

VII. Segment Report

In respect of geographical regions, the Group mainly operates its business in four main regions, namely, Northern China, Eastern China, Southern China and others. In respect of business lines, the Group provides different types of financial services in four major business segments, namely corporate banking, personal banking, treasury and others.

(6) Further speeding up the optimization and application of monitoring and management systems to effectively improve the asset monitoring and management ability, strengthening training programs to improve the professional skills and the comprehensive qualities of the risk management team and foster the philosophy of compliant operation.

VI. Analysis of Capital Adequacy Ratio

The Group calculated its capital adequacy ratio in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法 (試行) 》) (the "New Measures") promulgated by the CBRC and other relevant regulatory provisions. The calculation of capital adequacy ratio covers the Company and the financial institutions directly or indirectly invested by the Company in accordance with the requirements of the New Measures. As at the end of the Reporting Period, the capital adequacy ratio, core tier-one capital adequacy ratio and tier-one capital adequacy ratio of the Group satisfied the requirements of the New Measures of the CBRC.

The table below sets out the capital adequacy ratio of the Group:

(Unit: RMB million)

Item	31 December 2016	
	The Group	The Company
Net core tier-one capital	338,674	320,620
Net tier-one capital	349,263	330,503
Total net capital base	444,030	422,027
Core tier-one capital	339,709	326,928
Core tier-one capital deductions	-1,035	-6,308
Other tier-one capital	10,589	9,892
Other tier-one capital deductions	—	-9
Tier-two capital	94,767	91,533
Tier-two capital deductions	—	-9
Total risk-weighted assets	3,786,073	3,603,699
Of which: Credit risk-weighted assets	3,468,749	3,295,975
Market risk-weighted assets	42,638	42,853
Operational risk-weighted assets	274,686	264,871
Core tier-one capital adequacy ratio (%)	8.95	8.90
Tier-one capital adequacy ratio (%)	9.22	9.17
Capital adequacy ratio (%)	11.73	11.71

2. Geographical distribution of impaired loans

(Unit: RMB million)

Item	31 December 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Northern China	19,448	46.93	14,505	44.19
Eastern China	9,396	22.68	7,544	22.99
Southern China	3,736	9.02	3,585	10.92
Other regions	8,855	21.37	7,187	21.90
Total	41,435	100.00	32,821	100.00

Note: The geographical distribution is in line with the distribution shown in "V. Qualitative Analysis of Loans — (II) Geographical distribution of loans" in this report.

In order to effectively control and ensure stable asset quality in general, the Group mainly adopted the following measures during the Reporting Period:

(1) Proactively adjusting loan distribution, and continuously optimizing and adjusting assets business structure in line with the changes and requirements of macroeconomic policies and environment;

(2) Further improving the risk management policies, strengthening limit management and coordinating customer structure upgrade;

(3) Optimizing post-loan management, conducting various risk identification and special examination as well as improving the system of risk monitoring and early-warning, preventing potential risks and promptly formulating collection and disposal plans so as to strictly control impaired and overdue loans;

(4) Further enhancing collection and disposal of impaired loans by utilizing various recovery and disposal measures such as repayment collection, restructuring, assignment, foreclosing, legal action and writing-off, and conducting specific recovery and disposal activities;

(5) Actively exploring and implementing innovative recovery methods, establishing and improving platforms for centralized disposal in order to improve the efficiency of collection and disposal;

(X) Impaired loans and related measures

As at the end of the Reporting Period, the Group had impaired loan balance of RMB41,435 million, representing an increase of RMB8,614 million, or 26.25% as compared with the end of the previous year.

1. Industry concentration of impaired loans

(Unit: RMB million)

Item	31 December 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	10,200	24.63	9,657	29.42
Wholesale and retail	5,889	14.21	7,176	21.86
Mining	1,874	4.52	483	1.47
Transportation, storage and postal service	1,263	3.05	609	1.86
Leasing and commercial services	812	1.96	133	0.41
Construction	793	1.91	697	2.12
Real estate	586	1.41	346	1.05
Agriculture, forestry, animal husbandry and fishery	293	0.71	192	0.58
Production and supply of electric power, heat, gas and water	155	0.37	110	0.34
Accommodation and catering	72	0.17	70	0.21
Financial services	45	0.11	45	0.14
Water, environment and public utilities management	–	–	40	0.12
Others	216	0.52	152	0.47
Subtotal	22,198	53.57	19,710	60.05
Personal loans and advances	19,237	46.43	13,111	39.95
Total	41,435	100.00	32,821	100.00

Discussion and Analysis on Business Operation

(IX) Changes in allowance for impairment losses on loans

(Unit: RMB million)

Item	31 December 2016	31 December 2015
Opening balance	50,423	38,507
Charge for the period	43,162	35,528
Release during the period	-1,948	-2,499
Transfer out	-10,710	-9,065
Write-offs	-17,500	-12,255
Recoveries	1,849	1,165
Unwinding of discount	-970	-1,032
Exchange gain or loss	88	74
Ending balance	64,394	50,423

Method for assessing allowances for impairment losses on loans:

On reviewing the book values of the Group's loans as at the balance sheet date, if objective evidence shows the loan is impaired and the event triggering such loan impairment will have an adverse effect on the expected future cash flow that can be reliably assessed, the Group will recognize the impairment loss of the loan and write off the value of the loan to its recoverable amount. The written off amount will be charged to the profit or loss account of the relevant period as impairment losses. Besides an individual objective evidence-based impairment assessment for each loan of significant amount, the Group reviews its loan portfolio as a whole to assess impairment for loans which are not of significant amount individually. If no objective evidence shows there is loan impairment to a loan when assessed individually, whether the amount of the loan in question is substantial or not, it will be included in a portfolio of loans of similar risk profile for collective impairment assessment. If a loan has been individually assessed and recognized at its impaired value, no collective impairment provision is required.

(VII) Restructured loans and overdue loans

As at the end of the Reporting Period, the balance of restructured loans of the Group was RMB8,461 million, representing an increase of RMB2,893 million as compared with the end of the previous year. The percentage of restructured loans to total loans and advances to customers was 0.34%, representing an increase of 0.07 percentage points as compared with the end of the previous year. The balance of overdue loans was RMB86,154 million, representing an increase of RMB5,439 million as compared with the end of the previous year. The percentage of overdue loans to total loans and advances to customers was 3.50%, representing a decrease of 0.44 percentage points as compared with the end of the previous year.

(Unit: RMB million)

	31 December 2016		31 December 2015	
Item	Amount	% of total	Amount	% of total
Restructured loans	8,461	0.34	5,568	0.27
Overdue loans	86,154	3.50	80,715	3.94

Notes: 1. Restructured loans (full name: loans after restructuring) are loans of which the terms of repayment under the loan agreement have been amended by the Company as a result of deteriorated financial status of the borrower or inability of the borrower to repay the debt due.

2. Overdue loans are loans of which the repayment of principal or interest is overdue for one or more days.

(VIII) Repossessed assets

(Unit: RMB million)

	31 December 2016		31 December 2015	
Item	Balance	Allowance for impairment losses	Balance	Allowance for impairment losses
Repossessed assets	12,114	81	13,221	81
Of which: real estate and land use right	11,215	78	12,296	75
Motor vehicles	186	—	218	—
Others	713	3	707	6

Discussion and Analysis on Business Operation

(V) Five-category classification of credit assets

As at the end of the Reporting Period, the impaired loans ratio of the Group was 1.68%, representing an increase of 0.08 percentage points as compared with the end of the previous year.

(Unit: RMB million)

Item	31 December 2016		31 December 2015		
	Amount	% of total	Amount	% of total	Increase (%)
Performing loans	2,420,151	98.32	2,015,227	98.40	20.09
Of which: Pass	2,327,870	94.57	1,939,680	94.71	20.01
Special-mention	92,281	3.75	75,547	3.69	22.15
Impaired loans	41,435	1.68	32,821	1.60	26.25
Of which: Substandard	13,593	0.55	20,595	1.00	-34.00
Doubtful	19,200	0.78	8,536	0.42	124.93
Loss	8,642	0.35	3,690	0.18	134.20
Total	2,461,586	100.00	2,048,048	100.00	20.19

(VI) Migration ratio of loans

The table below sets forth the migration ratio of loans of the Company:

(Unit: %)

Item	31 December 2016	31 December 2015	31 December 2014
Pass	5.23	4.59	3.05
Special-mention	22.48	27.19	16.67
Substandard	60.97	23.69	12.30
Doubtful	38.81	52.01	14.57

(IV) Top ten loan customers

As at the end of the Reporting Period, the aggregate amount of outstanding loans to the Group's top ten loan customers sorted by the loan balance were RMB54,221 million, accounting for 2.20% of total loans and advances to customers. The top ten loan customers of the Group were as follows:

(Unit: RMB million)

Top ten loan customers	Balance	% of gross loans
A	7,284	0.29
B	6,865	0.28
C	6,822	0.28
D	6,155	0.25
E	5,000	0.20
F	4,824	0.20
G	4,733	0.19
H	4,499	0.18
I	4,223	0.17
J	3,816	0.16

As at the end of the Reporting Period, the percentage of loans to the single largest loan customer and the top ten loan customers were as follows:

(Unit: %)

Major indicator	Benchmark	31 December 2016	31 December 2015	31 December 2014
Percentage of loans to the single largest loan customer	≤10	1.64	1.75	2.11
Percentage of loans to the top ten loan customers	≤50	12.21	13.11	13.60

Notes: 1. Percentage of loans to the single largest loan customer = Total loans to the single largest loan customer/net capital base.

2. Percentage of loans to top ten loan customers = Total loans to top ten loan customers/net capital base.

Discussion and Analysis on Business Operation

(II) Geographical distribution of loans

(Unit: RMB million)

Item	31 December 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Northern China	765,655	31.10	624,249	30.48
Eastern China	738,275	29.99	610,632	29.82
Southern China	326,378	13.26	247,295	12.07
Other regions	631,278	25.65	565,872	27.63
Total	2,461,586	100.00	2,048,048	100.00

Note: Northern China includes Minsheng Financial Leasing, Ningjin Rural Bank, the head office and the branches in Beijing, Taiyuan, Shijiazhuang and Tianjin; Eastern China includes Cixi Rural Bank, Songjiang Rural Bank, Jiading Rural Bank, Penglai Rural Bank, Funing Rural Bank, Taicang Rural Bank, Ningguo Rural Bank, Guichi Rural Bank, Tiantai Rural Bank, Tianchang Rural Bank and the branches in Shanghai, Hangzhou, Ningbo, Nanjing, Jinan, Suzhou, Wenzhou, Qingdao, Hefei, Nanchang and Shanghai Free Trade Zone; Southern China includes Minsheng Royal Fund, Anxi Rural Bank, Zhangpu Rural Bank, Xiang'an Rural Bank and the branches in Fuzhou, Guangzhou, Shenzhen, Quanzhou, Shantou, Xiamen, Nanning and Sanya; Other regions include CMBC International, Pengzhou Rural Bank, Qijiang Rural Bank, Tongnan Rural Bank, Meihekou Rural Bank, Ziyang Rural Bank, Jiangxia Rural Bank, Changyuan Rural Bank, Yidu Rural Bank, Zhongxiang Rural Bank, Puer Rural Bank, Jinghong Rural Bank, Zhidan Rural Bank, Yuyang Rural Bank, Tengchong Rural Bank, Linzhi Rural Bank and the branches in Xi'an, Dalian, Chongqing, Chengdu, Kunming, Wuhan, Changsha, Zhengzhou, Changchun, Hohhot, Shenyang, Hong Kong, Guiyang, Lhasa, Harbin, Lanzhou, Urumqi, Xining and Yinchuan.

(III) Classification and percentage of loans by types of collateral

(Unit: RMB million)

Item	31 December 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Unsecured loans	493,658	20.05	378,198	18.47
Guaranteed loans	632,487	25.69	601,837	29.38
Loans secured by				
— Tangible assets other than monetary assets	972,097	39.50	789,273	38.54
— Monetary assets	363,344	14.76	278,740	13.61
Total	2,461,586	100.00	2,048,048	100.00

V. Qualitative Analysis of Loans

(I) Industry concentration of loans

(Unit: RMB million)

Item	31 December 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	321,246	13.05	257,157	12.56
Real estate	226,944	9.22	243,983	11.91
Wholesale and retail	221,161	8.98	181,659	8.87
Leasing and commercial services	199,841	8.12	164,557	8.03
Mining	128,243	5.21	115,682	5.65
Financial services	110,836	4.50	58,564	2.86
Transportation, storage and postal service	79,753	3.24	72,867	3.56
Construction	66,678	2.71	54,000	2.64
Water, environment and public utilities management	61,187	2.49	52,502	2.56
Production and supply of electric power, heat, gas and water	46,569	1.89	30,588	1.49
Public administration, social security and social organizations	24,886	1.01	26,235	1.28
Agriculture, forestry, animal husbandry and fishery	15,905	0.65	12,393	0.61
Accommodation and catering	8,277	0.34	9,411	0.46
Others	49,138	1.99	40,422	1.97
Subtotal	1,560,664	63.40	1,320,020	64.45
Personal loans and advances	900,922	36.60	728,028	35.55
Total	2,461,586	100.00	2,048,048	100.00

Discussion and Analysis on Business Operation

(IV) Off-balance sheet items

Balances of major off-balance sheet items of the Group are as follows:

(Unit: RMB million)

Item	31 December 2016	31 December 2015	Increase (%)
Bank acceptances	612,583	694,294	-11.77
Guarantees	196,566	267,341	-26.47
Letters of credit	110,330	107,950	2.20
Unused credit card commitments	63,335	50,385	25.70
Operating lease commitments	16,571	16,916	-2.04
Capital commitments	13,791	20,262	-31.94
Irrevocable loan commitments	8,635	2,762	212.64
Finance lease commitments	6,821	5,142	32.65

(V) Market share of major products and services

According to the Summary of Sources & Uses of Funds of Financial Institutions (in RMB and Foreign Currency) (《金融機構本外幣信貸收支月報表》) released by the PBOC in December 2016, among nine national joint-stock commercial banks in China, as at the end of the Reporting Period, the market share of total deposits of the Company increased by 1.08 percentage points to 14.06% as compared with the end of previous year. Among nine national joint-stock commercial banks in China, the market share of total loans of the Company increased by 0.33 percentage points to 13.35% as compared with the end of previous year. (Note: Nine national joint-stock commercial banks in China refer to China Merchants Bank, CITIC Bank, Industrial Bank, China Everbright Bank, Shanghai Pudong Development Bank, Huaxia Bank, China Guangfa Bank, Ping An Bank and the Company. All data above are based on the statistics of domestic institutions of the Company. According to the Notice on Adjusting the Statistical Standards of Loans and Deposits for Financial Institutions (Yin Fa [2015] No. 14) (《中國人民銀行關於調整金融機構存貸款統計口徑的通知》(銀發[2015]14號)) released by the PBOC, with effect from 2015, the deposit-taking financial institutions shall include deposits and placements with non-deposit-taking financial institutions in "Total Deposits" and "Total Loans", respectively, for statistical purpose.)

(III) Shareholders' equity

As at the end of the Reporting Period, total shareholders' equity of the Group amounted to RMB352,027 million, representing an increase of RMB42,244 million, or 13.64%, as compared with the end of the previous year. Total equity attributable to the equity shareholders of the Company amounted to RMB342,590 million, representing an increase of RMB41,372 million, or 13.73%, as compared with the end of previous year. The increase in the shareholders' equity was mainly due to the increase of net profit of the Group and the issuance of preference shares.

(Unit: RMB million)

Item	31 December 2016	31 December 2015	Increase (%)
Share capital	36,485	36,485	—
Other equity instruments	9,892	—	Nil for the end of previous year
Of which: preference shares	9,892	—	Nil for the end of previous year
Reserves	165,583	147,907	11.95
Of which: Capital reserve	64,744	64,744	—
Surplus reserve	30,052	25,361	18.50
General reserve	72,929	56,351	29.42
Other reserves	-2,142	1,451	Negative for the end of this period
Retained earnings	130,630	116,826	11.82
Total equity attributable to equity shareholders of the Company	342,590	301,218	13.73
Non-controlling interests	9,437	8,565	10.18
Total	352,027	309,783	13.64

Discussion and Analysis on Business Operation

1. Deposits from customers

As at the end of the Reporting Period, total balance of deposits from customers of the Group amounted to RMB3,082,242 million, representing an increase of RMB349,980 million, or 12.81%, as compared with the end of the previous year, accounting for 55.60% of the total liabilities. As at the end of the Reporting Period, in respect of customer structure, the proportion of corporate deposits, personal deposits and other deposits in total deposits were 81.83%, 17.54% and 0.63%, respectively. As at the end of the Reporting Period, in respect of maturity structure, the proportion of demand deposits, time deposits and other deposits in total deposits were 42.46%, 56.91% and 0.63%, respectively.

(Unit: RMB million)

Item	31 December 2016		31 December 2015		31 December 2014	
	Amount	% of total	Amount	% of total	Amount	% of total
Corporate deposits	2,522,232	81.83	2,148,159	78.62	1,884,081	77.41
Demand	1,141,097	37.02	803,352	29.40	707,374	29.06
Time	1,381,135	44.81	1,344,807	49.22	1,176,707	48.35
Personal deposits	540,548	17.54	572,053	20.94	539,173	22.15
Demand	167,686	5.44	159,682	5.84	137,342	5.64
Time	372,862	12.10	412,371	15.10	401,831	16.51
Outward remittance and remittance payables	6,670	0.21	5,865	0.21	4,858	0.20
Certificates of deposit	12,792	0.42	6,185	0.23	5,698	0.24
Total	3,082,242	100.00	2,732,262	100.00	2,433,810	100.00

2. Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements

As at the end of the Reporting Period, total deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements of the Group amounted to RMB1,521,274 million, representing an increase of RMB481,370 million, or 46.29%, as compared with the end of the previous year. The increase was mainly due to the increase in deposits from banks and other financial institutions.

3. Debt securities issued

As at the end of the Reporting Period, total debt securities issued of the Group amounted to RMB398,376 million, representing an increase of RMB217,143 million, or 119.81%, as compared with the end of the previous year. The increase was mainly due to the increase in the issue scale of certificates of interbank deposit.

4. Derivative financial instruments

(Unit: RMB million)

Item	Notional amount	Fair value	
		Assets	Liabilities
Currency swaps	467,061	4,350	7,045
Interest rate swaps	312,133	104	141
Precious metal derivatives	90,504	2,775	1,978
Foreign exchange forwards	39,093	354	968
Currency options	22,748	171	145
Extension options	5,000	—	—
Credit derivatives	139	1	—
Others	21	88	—
Total		7,843	10,277

(II) Liabilities

As at the end of the Reporting Period, the Group's total liabilities amounted to RMB5,543,850 million, representing an increase of RMB1,332,945 million, or 31.65%, as compared with the end of the previous year.

The breakdown of the Group's total liabilities is listed below:

(Unit: RMB million)

Item	31 December 2016		31 December 2015		31 December 2014	
	Amount	% of total	Amount	% of total	Amount	% of total
Deposits from customers	3,082,242	55.60	2,732,262	64.89	2,433,810	64.60
Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements	1,521,274	27.44	1,039,904	24.70	975,010	25.88
Borrowings from the central bank and other financial institutions	437,912	7.90	171,015	4.06	149,592	3.97
Debt securities issued	398,376	7.19	181,233	4.30	129,279	3.43
Others	104,046	1.87	86,491	2.05	79,689	2.12
Total	5,543,850	100.00	4,210,905	100.00	3,767,380	100.00

(2) Holdings of financial bonds

As at the end of the Reporting Period, financial bonds held by the Group were mainly policy financial bonds, ordinary financial bonds and debt securities of other financial institutions. The top ten financial bonds in terms of par value are as follows:

(Unit: RMB million)

Item	Par value	Annual interest rate (%)	Maturity date	Impairment allowances
2014 financial bonds	5,370	5.70	2017-1-14	—
2012 financial bonds	4,500	4.20	2017-2-28	—
2016 financial bonds	3,469	1.00	2019-9-29	—
2016 financial bonds	3,210	3.18	2026-4-5	—
2013 financial bonds	3,000	4.37	2018-7-29	—
2016 financial bonds	2,760	3.20	2019-7-18	—
2013 financial bonds	2,480	2.80	2020-4-8	—
2016 financial bonds	2,081	1.00	2019-9-26	—
2015 financial bonds	2,060	4.18	2018-4-3	—
2015 financial bonds	2,000	4.21	2025-4-13	—
Total	30,930			

3. Deposits and placements with banks and other financial institutions and financial assets held under resale agreements

As at the end of the Reporting Period, deposits and placements with banks and other financial institutions and financial assets held under resale agreements of the Group amounted to RMB461,837 million, representing a decrease of RMB439,465 million, or 48.76%, as compared with the end of the previous year, and accounted for 7.83% to the total assets, representing a decrease of 12.11 percentage points as compared with the end of the previous year. The decrease was mainly due to the decrease in bills held under resale agreement.

2. Investment on trading and banking books

As at the end of the Reporting Period, net investment balance of trading and banking books of the Group amounted to RMB2,206,909 million, representing an increase of RMB1,293,347 million, or 141.57%, as compared with the end of the previous year, and accounted for 37.43% to the total assets, representing an increase of 17.22 percentage points as compared with the end of the previous year, mainly attributable to the restructuring of asset portfolio of the Group.

(1) The structure of investment on trading and banking books

The structure of investment on trading and banking books of the Group classified by holding purpose is as the following:

(Unit: RMB million)

	31 December 2016		31 December 2015	
Item	Amount	% of total	Amount	% of total
Loans and receivables	1,148,729	52.05	451,239	49.39
Held-to-maturity securities	661,362	29.97	278,364	30.47
Available-for-sale securities	307,078	13.91	157,000	17.19
Financial assets at fair value through profit or loss	89,740	4.07	26,959	2.95
Total	2,206,909	100.00	913,562	100.00

Discussion and Analysis on Business Operation

1. Loans and advances to customers

As at the end of the Reporting Period, total balance of loans and advances to customers of the Group amounted to RMB2,461,586 million, representing an increase of RMB413,538 million, or 20.19%, as compared with the end of the previous year. The gross balance of loans and advances to customers accounted for 41.76% of total assets, representing a decrease of 3.54 percentage points as compared with the end of the previous year.

Breakdown of loans and advances by product type is as the following:

(Unit: RMB million)

Item	31 December 2016		31 December 2015		31 December 2014	
	Amount	% of total	Amount	% of total	Amount	% of total
Corporate loans and advances	1,560,664	63.40	1,320,020	64.45	1,157,985	63.88
Of which: Discounted bills	165,800	6.74	79,084	3.86	26,930	1.49
Personal loans and advances	900,922	36.60	728,028	35.55	654,681	36.12
Total	2,461,586	100.00	2,048,048	100.00	1,812,666	100.00

Breakdown of personal loans and advances is as the following:

(Unit: RMB million)

Item	31 December 2016		31 December 2015		31 December 2014	
	Amount	% of total	Amount	% of total	Amount	% of total
Loans to small and micro enterprises	335,074	37.19	378,177	51.95	410,139	62.65
Residential mortgage	295,875	32.84	114,328	15.70	69,606	10.63
Credit card overdrafts	207,372	23.02	170,910	23.48	147,678	22.56
Others	62,601	6.95	64,613	8.87	27,258	4.16
Total	900,922	100.00	728,028	100.00	654,681	100.00

(V) Income tax expenses

During the Reporting Period, income tax expenses of the Group amounted to RMB11,471 million, representing a decrease of RMB2,281 million as compared with the corresponding period of the previous year, and accounting for 19.04% of the total profit before income tax.

IV. Analysis of Major Items of Statement of Financial Position

(I) Assets

As at the end of the Reporting Period, total assets of the Group amounted to RMB5,895,877 million, representing an increase of RMB1,375,189 million, or 30.42%, as compared with the end of the previous year. The assets business structure was further optimized and the asset scale grew constantly.

The components of the Group's total assets are listed below:

(Unit: RMB million)

	31 December 2016		31 December 2015		31 December 2014	
Item	Amount	% of total	Amount	% of total	Amount	% of total
Gross balance of loans and advances to customers	2,461,586	41.76	2,048,048	45.30	1,812,666	45.15
Less: Allowance for impairment losses on loans	64,394	1.09	50,423	1.11	38,507	0.96
Net balance of loans and advances to customers	2,397,192	40.67	1,997,625	44.19	1,774,159	44.19
Net investment balance of trading and banking books	2,206,909	37.43	913,562	20.21	598,164	14.90
Cash and balances with the central bank	524,239	8.89	432,831	9.57	471,632	11.75
Deposits and placements with banks and other financial institutions and financial assets held under resale agreements	461,837	7.83	901,302	19.94	927,756	23.11
Long-term receivables	94,791	1.61	92,579	2.05	88,824	2.21
Property and equipment	46,190	0.78	41,151	0.91	36,936	0.92
Positive fair value of derivatives	7,843	0.13	5,175	0.11	3,231	0.08
Others	156,876	2.66	136,463	3.02	114,434	2.84
Total	5,895,877	100.00	4,520,688	100.00	4,015,136	100.00

Note: Net investment balance of trading and banking books includes financial assets at fair value through profit or loss, available-for-sale securities, held-to-maturity securities as well as loans and receivables.

(III) Operating expenses

During the Reporting Period, operating expenses of the Group amounted to RMB52,424 million, representing a decrease of RMB5,752 million, or 9.89%, as compared with the corresponding period of the previous year. The cost-to-income ratio of the Group was 31.21%, representing a decrease of 0.14 percentage points as compared with the corresponding period of the previous year, which was mainly due to the replacement of business tax by value-added tax and the Group's successful cost reduction and efficiency enhancement under the improved cost structure.

(Unit: RMB million)

Item	2016	2015	Increase (%)
Staff costs (including directors' emoluments)	25,082	24,074	4.19
Rental and property management expenses	4,466	4,787	-6.71
Tax and surcharges	4,338	9,968	-56.48
Depreciation and amortisation	3,535	3,781	-6.51
Office expenses	2,214	2,656	-16.64
Business expenses and others	12,789	12,910	-0.94
Total	52,424	58,176	-9.89

(IV) Impairment losses on assets

During the Reporting Period, the Group recorded impairment losses on assets of RMB41,378 million, representing an increase of RMB6,577 million, or 18.90%, as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	2016	2015	Increase (%)
Loans and advances to customers	41,214	33,029	24.78
Loans and receivables	-34	779	Negative for this period
Long-term receivables	711	551	29.04
Others	-513	442	Negative for this period
Total	41,378	34,801	18.90

Discussion and Analysis on Business Operation

1. Net fee and commission income

During the Reporting Period, net fee and commission income of the Group amounted to RMB52,261 million, representing an increase of RMB1,056 million, or 2.06%, as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	2016	2015	Increase (%)
Bank card services	16,807	15,266	10.09
Agency services	15,651	15,926	-1.73
Trust and other fiduciary services	15,072	11,800	27.73
Credit commitments	4,501	5,502	-18.19
Settlement services	2,403	2,529	-4.98
Finance lease services	1,056	861	22.65
Financial advisory services	617	2,839	-78.27
Others	159	384	-58.59
Fee and commission income	56,266	55,107	2.10
Less: Fee and commission expenses	4,005	3,902	2.64
Net fee and commission income	52,261	51,205	2.06

2. Other net non-interest income

During the Reporting Period, other net non-interest income of the Group was RMB7,106 million, representing a decrease of RMB1,172 million, or 14.16%, as compared with the corresponding period of the previous year, which was mainly due to the decrease in trading gain from bills.

(Unit: RMB million)

Item	2016	2015	Increase (%)
Net gain arising from disposals of securities and discounted bills	2,471	4,584	-46.10
Net trading gain	1,633	1,264	29.19
Other operating income	3,002	2,430	23.54
Total	7,106	8,278	-14.16

(3) Interest expenses on debt securities issued

During the Reporting Period, interest expenses of the Group on debt securities issued amounted to RMB10,547 million, representing an increase of RMB2,130 million, or 25.31%, as compared with the corresponding period of the previous year. The increase was mainly due to the growth in the scale of the bonds issued.

(4) Interest expenses on borrowings from the central bank and other financial institutions and other interest expenses

During the Reporting Period, interest expenses of the Group on borrowings from the central bank and other financial institutions and other interest expenses amounted to RMB9,666 million, representing an increase of RMB3,332 million, or 52.60%, as compared with the corresponding period of the previous year. The increase was mainly due to the growth in the borrowings from the central bank.

(II) Net non-interest income

During the Reporting Period, the net non-interest income of the Group amounted to RMB59,367 million, representing a decrease of RMB116 million, or 0.20%, as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	2016	2015	Increase (%)
Net fee and commission income	52,261	51,205	2.06
Other net non-interest income	7,106	8,278	-14.16
Total	59,367	59,483	-0.20

(4) Interest income from balances with the central bank

During the Reporting Period, interest income from balances with the central bank of the Group was RMB6,961 million, representing an increase of RMB143 million, or 2.10%, as compared with the corresponding period of the previous year.

(5) Interest income from long-term receivables

During the Reporting Period, interest income of the Group from long-term receivables amounted to RMB5,543 million, representing a decrease of RMB614 million, or 9.97%, as compared with the corresponding period of the previous year.

2. Interest expenses

During the Reporting Period, interest expenses of the Group was RMB109,234 million, representing an increase of RMB120 million, or 0.11%, as compared with the corresponding period of the previous year. The increase was mainly due to the increase in the scale of interest-bearing liabilities. As to the components of interest expenses, the interest expenses on deposits from customers accounted for 46.97% of the total interest expenses while interest expenses on deposits and placements from banks and other financial institutions as well as financial assets sold under repurchase agreements accounted for 34.53% of the total interest expenses.

(1) Interest expenses on deposits from customers

During the Reporting Period, interest expenses of the Group on deposits from customers amounted to RMB51,305 million, representing a decrease of RMB7,065 million, or 12.10%, as compared with the corresponding period of the previous year.

(2) Interest expenses on deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements

During the Reporting Period, interest expenses of the Group on deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements amounted to RMB37,716 million, representing an increase of RMB1,723 million, or 4.79%, as compared with the corresponding period of the previous year.

Discussion and Analysis on Business Operation

1. Interest income

During the Reporting Period, interest income of the Group was RMB203,918 million, representing an increase of RMB536 million, or 0.26%, as compared with the corresponding period of the previous year, which was mainly due to the separation of price and tax as a result of the replacement of business tax by value-added tax, as well as the decrease in yield of assets. In respect of interest income structure, interest income from loans and advances accounted for 56.54% of the total interest income generated during the Reporting Period. Interest income from investment balance of trading and banking books accounted for 27.79% of the total interest income generated during the Reporting Period.

(1) Interest income from loans and advances to customers

During the Reporting Period, interest income from loans and advances to customers of the Group amounted to RMB115,294 million, representing a decrease of RMB2,300 million, or 1.96%, as compared with the corresponding period of the previous year. During the Reporting Period, interest income from corporate loans and advances amounted to RMB70,694 million, representing a decrease of RMB346 million, or 0.49%, as compared with the corresponding period of the previous year. During the Reporting Period, interest income from personal loans and advances amounted to RMB44,600 million, representing a decrease of RMB1,954 million, or 4.20%, as compared with the corresponding period of the previous year.

(2) Interest income from investment balance of trading and banking books

During the Reporting Period, interest income from investment balance of trading and banking books of the Group was RMB56,669 million, representing an increase of RMB22,206 million, or 64.43%, as compared with the corresponding period of the previous year. The increase was mainly due to the expansion of investment scales of the Group.

(3) Interest income from deposits and placements with banks and other financial institutions and financial assets held under resale agreements

During the Reporting Period, interest income from deposits and placements with banks and other financial institutions and financial assets held under resale agreements was RMB19,451 million, representing a decrease of RMB18,899 million, or 49.28%, as compared with the corresponding period of the previous year. The decrease was mainly due to the decrease in return of interbank asset business and the decrease in bill assets held under resale agreement.

The table below illustrates the breakdown of the impact on the changes in interest income and interest expenses of the Group due to changes in scale and changes in interest rate:

(Unit: RMB million)

Item	Changes in scale from 2015 to 2016	Changes in interest rate from 2015 to 2016	Net increase/ decrease
Changes in interest income:			
Total balance of loans and advances to customers	22,505	-24,805	-2,300
Investment balance of trading and banking books	37,643	-15,437	22,206
Financial assets held under resale agreements	-11,188	-2,371	-13,559
Placements with banks and other financial institutions	-3,074	-2,354	-5,428
Balances with the central bank	157	-14	143
Long-term receivables	531	-1,145	-614
Balances with banks and other financial institutions	1,598	-1,510	88
Subtotal	48,172	-47,636	536
Changes in interest expenses:			
Deposits from customers	7,018	-14,083	-7,065
Deposits from banks and other financial institutions	7,297	-7,222	75
Debt securities issued	4,524	-2,394	2,130
Borrowings from the central bank and other financial institutions and others	6,802	-3,470	3,332
Financial assets sold under repurchase agreements	1,546	-760	786
Placements from banks and other financial institutions	2,030	-1,168	862
Subtotal	29,217	-29,097	120
Changes in net interest income	18,955	-18,539	416

Note: Change in scale is measured by the change of average balance, and change in interest rate is measured by the change of average interest rate.

(Unit: RMB million)

Item	2016 Average balance	2016 Interest expenses	2016 Average cost (%)	2015 Average balance	2015 Interest expenses	2015 Average cost (%)
Interest-bearing liabilities						
Deposits from customers	2,878,977	51,305	1.78	2,569,985	58,370	2.27
Of which: Corporate deposits	2,336,638	42,200	1.81	2,023,906	46,405	2.29
Demand	893,866	6,348	0.71	678,316	5,278	0.78
Time	1,442,772	35,852	2.48	1,345,590	41,127	3.06
Personal deposits	542,339	9,105	1.68	546,079	11,965	2.19
Demand	153,888	560	0.36	135,762	509	0.37
Time	388,451	8,545	2.20	410,317	11,456	2.79
Deposits from banks and other financial institutions	1,155,791	33,026	2.86	946,255	32,951	3.48
Debt securities issued	275,715	10,547	3.83	179,323	8,417	4.69
Borrowings from central bank and other financial institutions and others	306,633	9,666	3.15	147,858	6,334	4.28
Financial assets sold under repurchase agreements	87,030	2,392	2.75	44,343	1,606	3.62
Placements from banks and other financial institutions	109,230	2,298	2.10	45,253	1,436	3.17
Total	4,813,376	109,234	2.27	3,933,017	109,114	2.77
Net interest income		94,684			94,268	
Net interest spread			1.74			2.10
Net interest margin			1.86			2.26

Note: In this table, outward remittance and remittance payables are included in corporate demand deposits; issuance of certificates of deposit is included in corporate time deposits.

(I) Net interest income and net interest margin

During the Reporting Period, net interest income of the Group was RMB94,684 million, representing an increase of RMB416 million, or 0.44%, as compared with the corresponding period of the previous year. The growth of business scale contributed to an increase of RMB18,955 million in net interest income and the changes in interest rate led to a decrease of RMB18,539 million in the net interest income.

During the Reporting Period, the net interest margin of the Group was 1.86%, representing a decrease of 0.40 percentage points as compared with the corresponding period of the previous year.

The analysis of the net interest income of the Group is listed below:

(Unit: RMB million)

	2016			2015		
Item	Average balance	Interest income	Average return (%)	Average balance	Interest income	Average return (%)
Interest-earning assets						
Total balance of loans and advances to customers	2,314,492	115,294	4.98	1,942,707	117,594	6.05
Of which: Corporate loans and advances	1,513,262	70,694	4.67	1,243,934	71,040	5.71
Personal loans and advances	801,230	44,600	5.57	698,773	46,554	6.66
Investment balance of trading and banking books	1,537,399	56,669	3.69	734,799	34,463	4.69
Financial assets held under resale agreements	270,529	8,776	3.24	542,067	22,335	4.12
Balances with the central bank	455,476	6,961	1.53	445,250	6,818	1.53
Placements with banks and other financial institutions	208,997	6,587	3.15	280,864	12,015	4.28
Long-term receivables	101,072	5,543	5.48	93,041	6,157	6.62
Balances with banks and other financial institutions	194,050	4,088	2.11	138,659	4,000	2.88
Total	5,082,015	203,918	4.01	4,177,387	203,382	4.87

Discussion and Analysis on Business Operation

The major items, percentages and changes of operating income are as follows:

(Unit: RMB million)

Item	2016 Amount	2016 % of total	2015 Amount	2015 % of total	Increase (%)
Net interest income	94,684	61.46	94,268	61.31	0.44
Of which: Interest income from loans and advances to customers	115,294	74.83	117,594	76.50	-1.96
Interest income from investment balance of trading and banking books	56,669	36.79	34,463	22.41	64.43
Interest income from financial assets held under resale agreements	8,776	5.70	22,335	14.53	-60.71
Interest income from balances with the central bank	6,961	4.52	6,818	4.43	2.10
Interest income from placements with banks and other financial institutions	6,587	4.28	12,015	7.81	-45.18
Interest income from long-term receivables	5,543	3.60	6,157	4.00	-9.97
Interest income from balances with banks and other financial institutions	4,088	2.65	4,000	2.60	2.20
Interest expenses	-109,234	-70.91	-109,114	-70.97	0.11
Net non-interest income	59,367	38.54	59,483	38.69	-0.20
Net fee and commission income	52,261	33.92	51,205	33.30	2.06
Other net non-interest income	7,106	4.62	8,278	5.39	-14.16
Total	154,051	100.00	153,751	100.00	0.20

III. Analysis of Major Items of Statement of Profit or Loss

During the Reporting Period, the Group realized a net profit attributable to equity shareholders of the Company of RMB47,843 million, representing an increase of RMB1,732 million, or 3.76%, as compared with the corresponding period of the previous year. Net profit increased at a slower pace, primarily due to the combined effects of less net interest margin and higher provision.

The major profit and loss items of the Group and their changes are listed below:

(Unit: RMB million)

Item	2016	2015	Increase (%)
Operating income	154,051	153,751	0.20
Of which: Net interest income	94,684	94,268	0.44
Net non-interest income	59,367	59,483	-0.20
Operating expenses	52,424	58,176	-9.89
Impairment losses on assets	41,378	34,801	18.90
Profit before income tax	60,249	60,774	-0.86
Less: Income tax expense	11,471	13,752	-16.59
Net profit	48,778	47,022	3.73
Of which: Net profit attributable to equity shareholders of the Company	47,843	46,111	3.76
Profit or loss attributable to non-controlling interests	935	911	2.63

5. Continued international development strategy. The Company steadily expanded its overseas business network. The Hong Kong Branch of the Company and CMBC International successfully constructed overseas business platforms of the Company, so that the business synergy of the Company was in full swing. The Company also developed the cross-border financial service brand of Minsheng, which offers one-stop integrated domestic and overseas financial services for customers.

(IV) Enhanced risk management and integral controllability of asset quality

During the Reporting Period, the Group continued to improve its risk management policy through various measures such as strengthening of the risk monitoring and early-warning and innovation of the disposal of impaired assets in order to strictly control the non-performing assets and further improve the risk control. As at the end of the Reporting Period, the balance of impaired loans of the Group increased by RMB8,614 million, or 26.25%, to RMB41,435 million as compared with the end of the previous year. As at the end of the Reporting Period, the impaired loans ratio was 1.68%, representing an increase of 0.08 percentage points as compared with the end of the previous year. As at the end of the Reporting Period, the provision coverage ratio was 155.41%, representing an increase of 1.78 percentage points as compared with the end of the previous year. As at the end of the Reporting Period, the provision for total loans ratio was 2.62%, representing an increase of 0.16 percentage points as compared with the end of the previous year.

(V) Expansion of capital replenishment channels to diversify source of financing

During the Reporting Period, the Group captured the favorable market opportunities to speed up external financing, and issued tier-two capital bonds of RMB20,000 million and offshore preference shares of USD1,439 million. As at the end of the Reporting Period, the capital adequacy ratio of the Group was 11.73%, representing an increase of 0.24 percentage points as compared with the end of the previous year, which soundly supported the business development.

2. Expanded retail banking. Focusing on income-increase-oriented approach and customer base management, the Group proactively promoted the sustainable development of its retail banking business. During the Reporting Period, operating income from the retail banking business amounted to RMB49,659 million, representing an increase of 8.83% as compared with the corresponding period of the previous year, and accounted for 32.24% of the total operating income, representing an increase of 2.56 percentage points as compared with the corresponding period of the previous year. As at the end of the Reporting Period, the number of retail customers with existing deposits increased by 4,723.7 thousand to 30,337.6 thousand as compared with the end of the previous year. As at the end of the Reporting Period, the financial assets of individual customers managed by the Company increased by RMB91,881 million to RMB1,262,013 million as compared with the end of the previous year.

3. Optimized financial markets business. The Company vigorously expanded major businesses including asset management, asset custody, financial market and interbank financial services, and actively built the "Apex Asset Management (非凡資產管理)" brand. As at the end of the Reporting Period, the balance of wealth management products amounted to RMB1,427,816 million, representing an increase of 34.89% as compared with the end of the previous year. In addition, the business model of "Custody + (託管+)" was further developed. As at the end of the Reporting Period, the scale of asset custody business increased by 51.45% to RMB7,071,366 million as compared with the end of the previous year. The Company also established strategic customer platform with other banks and financial institutions and further optimized the interbank liability structure. As at the end of the Reporting Period, the balance of interbank liabilities amounted to RMB1,526,786 million, representing an increase of 46.47% as compared with the end of the previous year. Trading volume of precious metals and foreign exchange also increased constantly.

4. Highlighted internet finance business. Online financial products and services of direct banking, mobile banking, WeChat banking, online banking continued to innovate and their brand images were further enhanced. As at the end of the Reporting Period, the number of direct banking customers and the scale of financial assets exceeded 5 million and RMB50 billion, respectively. The total subscription volume of Ru Yi Bao (如意寶) amounted to RMB1,489,163 million. As at the end of the Reporting Period, the number of mobile banking customers increased by 5,725.7 thousand to 24,751.4 thousand as compared with the end of the previous year. As at the end of 2016, the number of individual online banking customers reached 16,245.2 thousand, increased by 1,737.1 thousand as compared with the end of the previous year. As at the end of 2016, the number of subscribers to the WeChat official account of the Company kept increasing and the users of the WeChat service account matrix of the Company reached 16,872.8 thousand.

Discussion and Analysis on Business Operation

In line with the coordinated growth of the size of assets and liabilities, the Group proactively adjusted its assets and liabilities structure to cope with the changes in business structure and market demand. Firstly, the structure of loan business was further optimized. As at the end of the Reporting Period, the balances of retail consumption loans and residential mortgage amounted to RMB358,476 million, increased by RMB179,535 million as compared with the end of the previous year and accounted for 14.56% of the total loans and advances to customers, representing an increase of 5.82 percentage points. As at the end of the Reporting Period, 61.93% of the loans to small and micro enterprises were secured loans, representing an increase of 11.55 percentage points as compared with the end of the previous year. Secondly, the Group continuously increased the proportion of investment business. As at the end of the Reporting Period, the net investment balance of trading and banking books amounted to RMB2,206,909 million, accounting for 37.43% of the total assets, representing an increase of 17.22 percentage points as compared with the end of the previous year. Thirdly, the Group further refined the structure of deposit business. As at the end of the Reporting Period, demand deposits accounted for 42.46% of the balance of deposits of the Group, representing an increase of 7.22 percentage points as compared with the end of the previous year.

(III) Significant improvement in operating performance through reform and transformation of business model

The Phoenix Project was fully implemented for further reform and innovation of operation management system. The viability of operation was fully explored to promote development by reform and generate efficiency by innovation, which has brought remarkable progress.

1. Strengthened corporate banking. Focusing on major customers, businesses and regions, innovative products and business models of investment banking and transaction banking were innovated to enhance the professionalism of corporate banking operation. As at the end of the Reporting Period, the outstanding corporate loans (including discounted bills) of the Group amounted to RMB1,560,664 million, representing an increase of RMB240,644 million, or 18.23%, as compared with the end of the previous year. As at the end of the Reporting Period, corporate deposits of the Group amounted to RMB2,522,232 million, representing an increase of RMB374,073 million, or 17.41%, as compared with the end of the previous year.

The operating income maintained steady growth and the income structure was further optimized. During the Reporting Period, the operating income of the Group was RMB154,051 million, representing an increase of RMB300 million, or 0.20%, as compared with the corresponding period of the previous year. During the Reporting Period, net interest income was RMB94,684 million, representing an increase of RMB416 million, or 0.44%, as compared with the corresponding period of the previous year. During the Reporting Period, net non-interest income was RMB59,367 million, representing a decrease of RMB116 million, or 0.20%, as compared with the corresponding period of the previous year, and accounted for 38.54% of the total operating income, representing a decrease of 0.15 percentage points as compared with the corresponding period of the previous year.

Cost-to-income ratio continued to decrease and the operating efficiency was further enhanced. The Group facilitated the implementation of the Phoenix Project, and focused on reducing costs and improving efficiency of major areas to refine the cost management level. During the Reporting Period, the cost-to-income ratio of the Group was 31.21%, representing a decrease of 0.14 percentage points as compared with the corresponding period of the previous year.

(II) Rapid growth in business size and continuous optimization of business structure

During the Reporting Period, the total assets of the Group further expanded. As at the end of the Reporting Period, the total assets of the Group amounted to RMB5,895,877 million, representing an increase of RMB1,375,189 million, or 30.42%, as compared with the end of the previous year. As at the end of the Reporting Period, total loans and advances to customers amounted to RMB2,461,586 million, representing an increase of RMB413,538 million, or 20.19%, as compared with the end of the previous year. As at the end of the Reporting Period, total deposits amounted to RMB3,082,242 million, representing an increase of RMB349,980 million, or 12.81%, as compared with the end of the previous year.

8. Management of the Company was further refined. The composition of assets and liabilities was optimized, while the internal and external pricing capabilities were continuously improved. The promotion of financial value was strengthened and the professional management was enhanced, so as to fully utilize the guiding effect of the financial budget and allocation of financial resources. The accounting system and financial reporting system were improved. Five major systems for human resources management were launched and initial progress was made in the establishment of talent development system. A performance management system was established under "centralized logic, management and platform", which contributed to an impressive result of refined management.

II. Overview of Operations

In 2016, the global economy experienced adjustment and fluctuation during the course of recovery, while China's economy faced multiple challenges in the course of structural reform. The overall growth in operating performance of the banking industry slowed down while the pressure on asset qualities was still high. The Company took proactive measures in coping with the changes in the operating environments at home and abroad and effectively supported the development of real economy so as to maintain its sustainable and healthy growth. The Phoenix Project was successfully launched and implemented in an orderly manner, under the major operation objectives of "strengthening corporate banking, expanding retail banking and optimizing financial markets business" as set out at the beginning of the year. The Company continued to push forward operation system reform and strengthened the comprehensive risk management system. The Company successfully maintained a relatively high expansion rate of the scale of its assets, further optimized the business structure, strengthened the risk management capability and steadily improved the operation results.

(I) Steady growth in profits and improvement in operating efficiency

Net profit continued to improve with stable return for the shareholders. During the Reporting Period, the Group recorded net profit attributable to equity shareholders of the Company of RMB47,843 million, representing an increase of RMB1,732 million, or 3.76%, as compared with the corresponding period of the previous year. During the Reporting Period, net interest margin and net interest spread amounted to 1.86% and 1.74%, respectively, representing a decrease of 0.40 percentage points and 0.36 percentage points as compared with the corresponding period of the previous year, respectively. During the Reporting Period, return on weighted average equity and return on average assets were 15.13% and 0.94%, respectively, representing a decrease of 1.85 percentage points and 0.16 percentage points as compared with the corresponding period of the previous year. During the Reporting Period, basic earnings per share was RMB1.31, increased by RMB0.01 as compared to the corresponding period of the previous year. In 2016, the net assets per share attributable to ordinary shareholders of the Company was RMB9.12, increased by RMB0.86 as compared with the end of the previous year.

3. Further progress was made in the strategic reform of the Company. Fruitful results were achieved under the Phoenix Project. At the end of 2016, 26 projects have been completed in two phases, and the Company has seen preliminary results in the change of growth model, the improvement of operation efficiency and the reinforcement of the foundation for future development.

4. Supporting measures were put in place for the implementation of business reform. Five committees in respect of assets and liabilities, risks, marketing and development, information technology and products and businesses innovation were established to consider and approve major issues of the Company in an efficient and scientific way. The Company has completed nine major reforms and established relevant organizations and mechanisms for the management of rural banks, integration of IT functions as well as disposal of non-performing assets.

5. The Company further improved its customer base and income structure. The Company continued to improve its customer structure based on the orientation of "NSOEs as the focus, general public as the important development trend and state-owned enterprises as the backbone". The Company promoted the organic growth of light-capital business, increased the income of intermediary business and strengthened the business platform for interbank business. The Company focused on the development of business for major sectors, major geographic areas and major customers. Positive results were achieved from the adjustment to the structure of customer, business and income.

6. The Company further innovated its major products and business models. The Company has launched the Implementation Measures on Product and Business Innovation (《產品與業務創新推動實施辦法》) so as to effectively regulate the innovation of products and businesses according to the well-established system norm. Major achievements were made in many business areas including investment banking, transaction banking, direct banking and interbank businesses. The Company introduced secured accounts which is the first of its kind in the banking industry and maintained at the leading position in business innovation.

7. The Company strengthened its comprehensive risk management system. The management capability was significantly enhanced through the establishment of a comprehensive risk management system under the principles of "centralized control, independent assessment, standardized criteria, classified authorization, mutual appraisal and index-measured performance". The management of portfolio was improved. A risk early-warning system was put on trial to significantly enhance the control of compliance risk.

Discussion and Analysis on Business Operation

I. Review of Economic and Financial Conditions and Government Policies

In 2016, the world economy was still struggling to recover from the prolonged aftermath of the global financial crisis. The world economy was full of uncertainties brought by many issues, in particular the Brexit and the election of Donald Trump as the president of the United States. The deep and structural problems of the world economy in respect of growth model, driving factors and governance system still remained. The divergence of economic cycles and monetary policies among various countries had significant impacts on the economic and financial operations of China through changes in export demand, capital flow, exchange rates fluctuation and price transmission.

2016 saw the commencement of the 13th Five-Year Plan and was the first year of supply-side reform of the economic structure of China. In spite of complex internal and external conditions and prolonged downward pressure, the economy of China remained its steady growth momentum at a slow pace. Preliminary results were achieved from the supply-side structural reform as progress was made in the reductions of overcapacity, inventory, leveraging level and costs as well as the support of less developed sectors. The proactive fiscal policy, prudent monetary policy and properly expanded total demand created a favorable environment for the supply-side structural reform. Under the "New Normal" of economy, banks in China faced many challenges such as slower growth in revenue and profit, enlarged deviation in growths of profit and business scale, changes in development approach, severe unfavorable external impacts, multiple risk factors and stricter regulatory environment. The banking industry had to carry out structural reform and enhance the corporate governance so as to improve its overall adaptability and support the real economy. To cope with the changes in business environment and support the development of real economy, the Company has adopted the following effective measures:

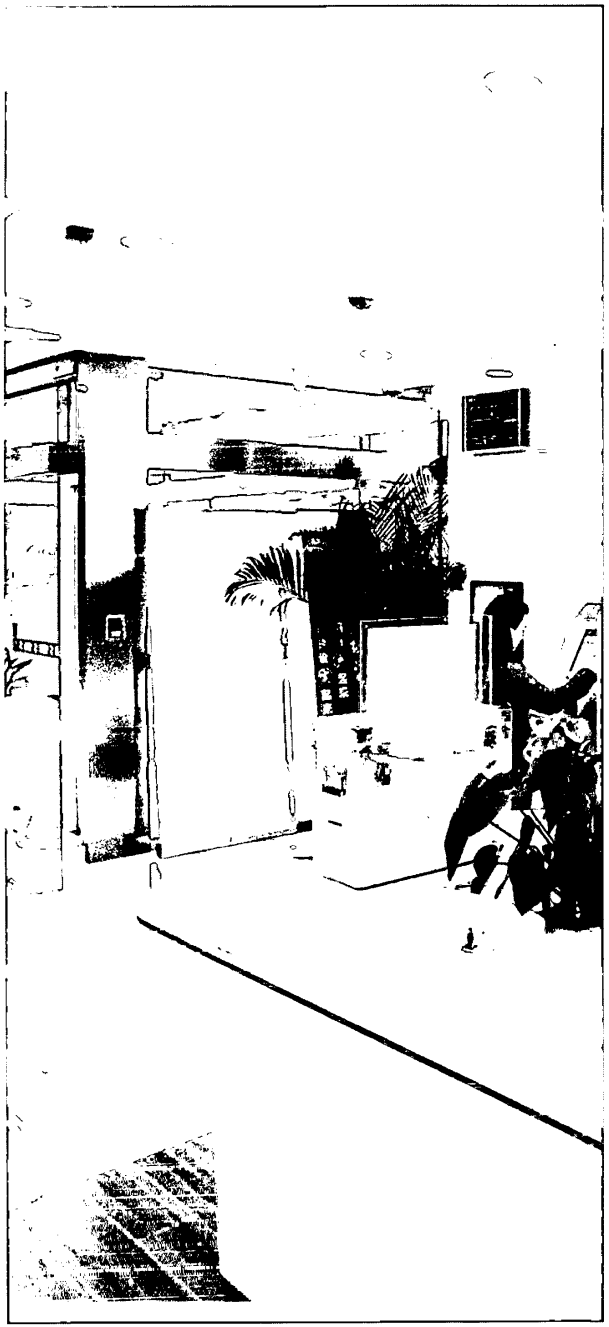
1. The Company emphasized the importance of the rule of law and development of corporate culture in its sustainable development. It pushed forward the stipulation of the Basic Law of China Minsheng Bank (《中國民生銀行基本法》) and issued the Minsheng DNA — Handbook on Corporate Culture of China Minsheng Bank (《民生DNA — 中國民生銀行企業文化手冊》). The vision and core values of the Company have been incorporated into the DNA of the Company to form the core competitiveness of its own. The corporate governance is continuously improved and enhanced to ensure law-abiding operation and to make the Company a time-honored bank.

2. The Company adopted strategies as important guides for its development. The Medium to Long Term Development Strategies of China Minsheng Bank for 2016–2025 (《中國民生銀行中長期發展戰略(2016–2025)》) were implemented and the preparation of the Development Plan of China Minsheng Bank for 2017–2019 (《中國民生銀行2017–2019年發展規劃》) was completed to continuously improve the strategic management system.


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Summary of Accounting Data and Financial Indicators

	31 December 2016	31 December 2015	Changes from the end of the previous year to the end of the Reporting Period	31 December 2014	31 December 2013	31 December 2012
Scale indicators			Increase/decrease			
(RMB million)			(%)			
Total assets	5,895,877	4,520,688	30.42	4,015,136	3,226,210	3,212,001
Total balance of loans and advances to customers	2,461,586	2,048,048	20.19	1,812,666	1,574,263	1,384,610
Total liabilities	5,543,850	4,210,905	31.65	3,767,380	3,021,923	3,043,457
Deposits from customers	3,082,242	2,732,262	12.81	2,433,810	2,146,689	1,926,194
Share capital	36,485	36,485	–	34,153	28,366	28,366
Total equity attributable to equity shareholders of the Company	342,590	301,218	13.73	240,142	197,712	163,077
Total equity attributable to ordinary shareholders of the Company	332,698	301,218	10.45	240,142	197,712	163,077
Net assets per share attributable to ordinary shareholders of the Company (RMB)	9.12	8.26	10.41	7.03	5.81	4.79
Assets quality indicators (%)			Changes in percentage points			
Impaired loans ratio	1.68	1.60	0.08	1.17	0.85	0.76
Provision coverage ratio	155.41	153.63	1.78	182.20	259.74	314.53
Provision for total loans ratio	2.62	2.46	0.16	2.12	2.21	2.39
Capital adequacy ratio indicators (%)			Changes in percentage points			
Core tier-one capital adequacy ratio	8.95	9.17	-0.22	8.58	8.72	N/A
Tier-one capital adequacy ratio	9.22	9.19	0.03	8.59	8.72	N/A
Capital adequacy ratio	11.73	11.49	0.24	10.69	10.69	10.75
Total equity to total assets ratio	5.97	6.85	-0.88	6.17	6.33	5.25

Notes: 1. Return on average assets = Net profit/average balance of total assets at the beginning and the end of the period.

2. Return on weighted average equity: Calculated according to the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 — Calculation and Disclosure of Return on Equity and Earnings per Share (2010 Revision) (《公開發行證券的公司信息披露編報規則第9號 — 淨資產收益率和每股收益的計算及披露》(2010年修訂)) promulgated by the CSRC.

3. Cost-to-income ratio = (Operating and other operating expenses – tax and surcharges)/operating income.

4. Net interest spread = Average return ratio on interest-earning assets – average cost ratio of interest-bearing liabilities.

5. Net interest margin = Net interest income/average balance of interest-earning assets.

6. Impaired loans ratio = Balance of impaired loans/total balance of loans and advances to customers.

7. Provision coverage ratio = Allowance for impairment losses on loans/balance of impaired loans.

8. Provision for total loans ratio = Allowance for impairment losses on loans/total balance of loans and advances to customers.

II. Supplementary Accounting Data and Financial Indicators

(Unit: %)

Major Indicators		Benchmark	31 December 2016	31 December 2015	31 December 2014
Liquidity ratios	Consolidated in RMB	≥25	39.64	44.72	36.00

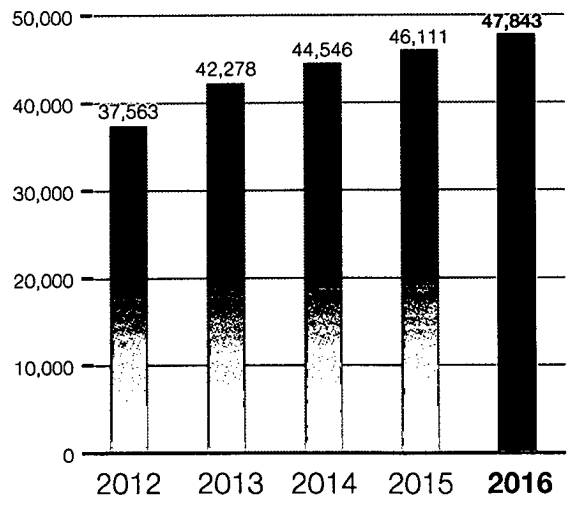
Note: The above data are information of the Company. The indicators were calculated based on the relevant regulations of the Chinese banking regulators.

Summary of Accounting Data and Financial Indicators

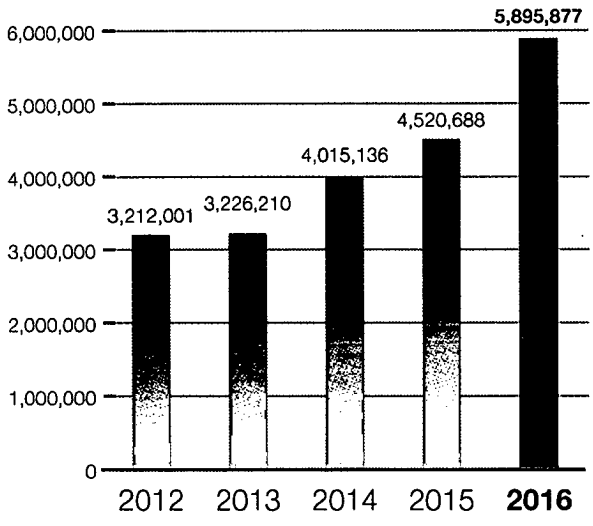
I. Major Accounting Data and Financial Indicators

	2016	2015	Changes of the Reporting Period over the corresponding period of the previous year	2014	2013	2012
Operating results (RMB million)			Increase/decrease (%)			
Net interest income	94,684	94,268	0.44	92,136	83,033	77,153
Net non-interest income	59,367	59,483	-0.20	42,871	33,069	25,708
Operating income	154,051	153,751	0.20	135,007	116,102	102,861
Operating expenses	52,424	58,176	-9.89	54,082	45,962	42,889
Impairment losses on loans and advances	41,214	33,029	24.78	19,928	12,947	8,331
Profit before income tax	60,249	60,774	-0.86	59,793	57,151	50,652
Net profit attributable to equity shareholders of the Company	47,843	46,111	3.76	44,546	42,278	37,563
Net cash flow from operating activities	1,028,855	225,121	357.02	229,163	-35,238	-19,889
Data per share (RMB)						
Basic earnings per share	1.31	1.30	0.77	1.31	1.24	1.12
Diluted earnings per share	1.31	1.27	3.15	1.24	1.19	1.12
Net cash flow per share from operating activities	28.20	6.17	357.05	6.71	-1.04	-0.58
Profitability indicators (%)			Changes in percentage points			
Return on average assets	0.94	1.10	-0.16	1.26	1.34	1.41
Return on weighted average equity	15.13	16.98	-1.85	20.41	23.23	25.24
Cost-to-income ratio	31.21	31.35	-0.14	33.39	32.69	34.09
Net fee and commission income to operating income ratio	33.92	33.30	0.62	28.32	25.80	19.95
Net interest spread	1.74	2.10	-0.36	2.41	2.30	2.75
Net interest margin	1.86	2.26	-0.40	2.59	2.49	2.94

Net Profit Attributable to Equity Shareholders of the Company (RMB million)



Total Assets (RMB million)



10.	Domestic Accounting Firm:	KPMG Huazhen LLP
	Office Address:	8th Floor, KPMG Tower Oriental Plaza, No. 1 East Chang An Avenue, Beijing, China
	International Accounting Firm:	KPMG Certified Public Accountants
	Office Address:	8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
	Signing Accountants:	Dou Youming, Jin Naiwen
11.	A Share Registrar:	China Securities Depository and Clearing Corporation Limited (Shanghai Branch)
	Office Address:	36/F, China Insurance Building, No. 166 Lujiazui East Road, New Pudong District, Shanghai, China
	H Share Registrar:	Computershare Hong Kong Investor Services Limited
	Office Address:	Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
12.	Places of Listing, Stock Names and Stock Codes:	
	A Share:	SSE; Stock Name: MINSHENG BANK; Stock Code: 600016
	H Share:	SEHK; Stock Name: MINSHENG BANK; Stock Code: 01988
	Offshore Preference Share:	SEHK; Stock Name: CMBC 16USDPREF; Stock Code: 04609
13.	Initial Date of Registration:	7 February 1996
	Initial Place of Registration:	No. 4 Zhengyi Road, Dongcheng District, Beijing, China
14.	Date of Registration for Subsequent Change:	20 November 2007
	Place of Registration:	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China
15.	Unified Social Credit Code:	91110000100018988F

Bank Profile

1.	Registered Chinese Name of the Company: 中國民生銀行股份有限公司 (Abbreviation: "中國民生銀行") Registered English Name of the Company: CHINA MINSHENG BANKING CORP., LTD. (Abbreviation: "CMBC")	
2.	Legal Representative of the Company:	Hong Qi
3.	Authorized Representatives of the Company:	Xie Zhichun Wong Wai Yee, Ella
4.	Board Secretary: Joint Company Secretaries: Representatives of Securities Affairs:	Fang Zhou Fang Zhou Wong Wai Yee, Ella Wang Honggang
5.	Mailing Address: Postal Code: Telephone: Facsimile: Email:	China Minsheng Bank Building, No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China 100031 86-10-58560975 86-10-58560720 cmbc@cmbc.com.cn
6.	Registered Address: Postal Code: Website: Email:	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China 100031 www.cmbc.com.cn cmbc@cmbc.com.cn
7.	Branch Office and Place of Business in Hong Kong:	40/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
8.	Newspapers Selected by the Company for Information Disclosure: Website Designated by the CSRC for Publishing the A Share Annual Report: Website Designated by the SEHK for Publishing the H Share Annual Report: Place for Collection of the Annual Reports:	China Securities Journal, Shanghai Securities News and Securities Times www.sse.com.cn www.hkexnews.hk Office of the Board of the Company
9.	Legal Adviser as to PRC Law: Legal Adviser as to Hong Kong Law:	Grandall Law Firm, Beijing Office Clifford Chance

Annual Awards

The Company won an award at "The 14th Most Respected Companies of China (第十四屆中國最受尊敬企業)" awards ceremony hosted by the Economic Observer;

The Company won two awards, namely the "Most Outstanding Innovative Bank of Strategic Innovation of the Year (年度卓越創新戰略創新銀行)" and the "Most Outstanding Direct Bank of the Year (年度卓越直銷銀行)" from the Economic Observer;

The Company was named as a National Advanced Unit in Legal Promotion and Education for 2011 to 2015 (2011-2015年全國法治宣傳教育先進單位) by the Publicity Department of CPC Central Committee and the Ministry of Justice of the People's Republic of China;

The Company won the "Outstanding Underwriting Institution Award (優秀承銷機構獎)" in the China Bond Market Excellent Member Ranking for 2016;

The Company won the "Best Green Finance Award of Social Responsibility (社會責任最佳綠色金融獎)", "Best Manager of Social Responsibility (最佳社會責任管理者獎)" and "Best Outlet with Special Contribution to Social Responsibility (最佳社會責任特殊貢獻網點獎)" from China Banking Association;

The Company was honoured with the award of "Outstanding Contribution to Charity in 2016 (2016年度傑出公益勛章)" from the China Foundation for Poverty Alleviation;

The Company won the "Best Mobile Banking Award for 2016 (2016年最佳手機銀行獎)" in the Award Ceremony of China Electronic Banking held by China Financial Certification Authority (CFCA);

The direct banking of the Company was awarded the "Internet Finance Business Innovation Award for 2016 (2016年度互聯網金融業務創新獎)" in the 21st Century Annual Finance Summit of Asia organized by 21st Century Business Herald;

The co-branded card of the Company with Ebates was granted the "Most Innovative Product Design Award for 2016 (最佳產品設計創新獎)" by VISA;

The Company's 95568 customer hotline won the "Comprehensive Model Award (綜合示範單位獎)" and "Outstanding Innovation Award (優秀創新獎)" by the Fourth Session of the Best Customer Centers in China Banking Industry (中國銀行業第四屆優秀客服中心);

The Company won the "Outstanding Financial Bonds Issuer (優秀金融債發行人)" in the China Bond Market Excellent Member Ranking for 2016 organized by China Central Depository & Clearing Co., Ltd.;

The Company was honoured with the "Best Wealth Management Award in China (中國地區最佳財富管理獎)" for 2016 from Asiamoney;

Minsheng Financial Leasing won the "2016 Most Competitive Financial Leasing Award (2016年度金融租賃競爭力) in the ranking of competitiveness of Asian financial enterprises organized by 21st Century Business Herald;

Minsheng Royal Asset Management was awarded the "Golden Shell Award — 2016 Most Competitive Fund Subsidiary (金貝獎 — 2016最具競爭力基金子公司)" by the 21st Century Business Herald.

Strategic Positioning and Targets of the Company

I. Mission

In view of the complicated macro-economic environment and the intensifying competition in the market, coupled with the accelerating liberalization of interest rates and internationalization of Renminbi, the similar strategic positioning of the domestic commercial banks will see some changes. In the coming three to five years, the Company will speed up its transformation and deepen its reform. It will focus on NSOEs to establish clear business positioning and strategic targets. Differentiated operation strategies will be adopted to cater for the needs of the real economy. It will develop innovative services for small business finance to facilitate its brand building as a distinctive financial institution and fully enhance its corporate value.

II. Strategic Positioning and Targets

(I) Strategic positioning

In the next three to five years, the Company will undergo transformation and reform in its growth pattern and management model in order to develop a brand new, customer-oriented "Minsheng Bank" adaptable to the changing market.

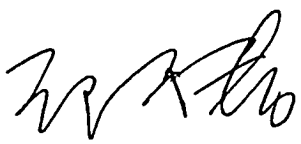
(II) Strategic targets

Striving for its strategic target of being a distinctive and efficient bank, the Company will accelerate its branch transformation and deepen the SBU reform to develop itself as a national leading joint stock commercial bank in the PRC with core competitiveness and sustainable development.

6. Comprehensively reinforcing the construction of the Party and corporate culture. In 2016, we focused on the "studies on the theoretical and practical issues of Party building (兩學一做)" and organized a series of activities in relation to the 95th anniversary of the founding of the CPC and the 80th anniversary of the victory of Long March, so as to strengthen the promotion, investigation and inspection of education and enhance the comprehensive construction of the Party and push forward the implementation of core tasks of the Bank. In addition, the Company further deepened the development of corporate culture by issuing the Minsheng DNA — Handbook on Corporate Culture of China Minsheng Bank (《民生DNA — 中國民生銀行企業文化手冊》), which confirms the core value and the featured corporate culture system of Minsheng that serves as a milestone in the construction of a time-honored bank.

The year of 2017 will be an important year for the promotion of supply-side structural reform as well as the year of the convention of the 19th National Congress of the CPC. In the coming year, opportunities will come along with challenges. Minsheng Bank will be in pursuit of the spirit of the economic working meeting of the central government and meetings of the CBRC, constantly serve the promotion of the supply-side structural reform and prioritize risk control. The Company will also adhere to the prudent and compliant operations, actively implement the operating strategies of "increasing income, reducing cost, controlling non-performing loan, replenishing capital, adjusting structure and expanding customer base", and focus on the six major tasks of "strengthening corporate banking, expanding retail banking, optimizing financial markets business, highlighting internet finance business, improving comprehensive operation and consolidating risk management". By further implementing the Phoenix Project and the Three-Year Development Plan, the Company will continue to strengthen the construction of the Party and internal management, perform its social responsibilities in a prudent manner, carry out its targeted poverty alleviation obligations and further enhance its social image and brand value.

On behalf of the CPC Party Committee and the operation management team of Minsheng Bank, I would like to take this opportunity to express my earnest gratitude to the regulatory authorities, shareholders, the Board, the Supervisory Board, investors and all members of the society for their consistent support, which has enabled the Company to march forward without distractions. Thanks for the hard work and cooperation of all our staff, who have contributed their wisdom and talent for the development of Minsheng Bank. In the coming year, the Company will focus on its targets and exert great effort to create values, serve the society and continue to record the reform and development of Minsheng Bank enthusiastically, energetically and practically!



ZHENG Wanchun
President
China Minsheng Banking Corp., Ltd.

30 March 2017

Message from the President

3. Working consistently and implementing comprehensive reform and innovation. In 2016, the Company continued to accelerate the reform and innovation and actively promoted its transformation. Among which, the Phoenix Project had been implemented to realize the transformation of overall growth pattern and governance model. Designs of 26 projects under the Phoenix Project were completed in two phases, which facilitated the effort of cost reduction and effectiveness improvement, pushed forward the innovation in products and businesses and further enhanced the foundation for management. Meanwhile, we formulated the "Three-Year Development Plan (2017–2019) (《三年發展規劃(2017–2019)》)", which clearly states our development vision in the new era. In accordance with the guidelines of "strengthening corporate banking, expanding retail banking, optimizing financial markets business, enhancing small business finance and improving community finance", the Company implemented its policies in different categories and put more efforts in structural adjustment to lower risk weight and speed up the reform and transformation.

4. Building a role-model bank by inheritance and innovation. As a bank with the most vitality and innovation awareness, in 2016, the Company proactively innovated to create its "five-in-one" brand features in terms of customer base, businesses, functions, systems and products, strengthened the cooperation between the Company and the enterprises and focused on serving non-state-owned enterprises ("NSOEs") and small and micro enterprises to build a leading bank in internet finance and wealth management. While reinforcing the sustainable development and competitive edges, Minsheng Bank strived to establish itself as a role-model bank with core competitiveness and sustainability.

5. Proactively performing the social responsibilities. In 2016, the Company duly performed its social responsibilities and fulfilled targeted poverty alleviation obligations. During the year, the Company donated RMB34,340.4 thousand for poverty alleviation and set aside RMB4,071 million as targeted poverty alleviation loans. As a result, Hua County in Henan Province, a targeted poverty alleviation county, has been lifted out of predicament. The Company supported social charity and continued the "Power of Minsheng's Love — ME Charity Innovation Funding Scheme (我決定民生愛的力量 — ME公益創新資助計劃)" to fund the innovative projects of 21 charity organizations. The Company won various awards including the "Best Green Finance Award of Social Responsibility of the Year (年度社會責任最佳綠色金融獎)" from China Banking Association and the "Outstanding Contribution to Charity in 2016 (2016年度傑出公益勛章)" from the China Foundation for Poverty Alleviation, and ranked first in the Social Responsibility Development Index of China's Banking Industry (中國銀行業社會責任發展指數) and third in the Social Responsibility Development Index of Top 100 Private Enterprises (民營企業100強社會責任發展指數) in the Bluebook for the Corporate Social Responsibility (2016) (企業社會責任藍皮書(2016)) published by the Chinese Academy of Social Sciences, thereby establishing a good social image.

Message from the President

In 2016, under the complicated and tough international and domestic economic situations, the CPC Party Committee and the operation management team of Minsheng Bank had strictly complied with the instructions of the CPC Central Committee and the State Council, as well as the requirements of the regulatory authorities, to cater for the needs of the real economy and promote the supply-side structural reform. The operation and management of the Company had improved steadily while supporting the development of the economy and society. The Company had implemented the decisions made by the Board and carried out the Phoenix Project, thereby achieving initial progress in reform and innovation. By enhancing internal management and reducing costs and increasing efficiency through various measures, an organic development module with capital efficiency had been initially established. During the year, the Company maintained a relatively fast growing asset size, further optimized the business structure, achieved significant results in terms of risk prevention and control, and steadily improved the operation results. The Company also effectively implemented the comprehensive strengthening of the CPC's disciplines, fulfilled its social responsibility, and pushed forward the targeted poverty alleviation tasks, which had contributed to an improved social influence.

1. Equipping ourselves and further improving operation management. Under the extremely difficult operating environment in 2016, adhering to the working guidelines of "strengthening corporate banking, expanding retail banking, optimizing financial markets business, enhancing small business finance and improving community finance", the Company had adopted a "five-in-one" unique brand strategy in the aspects of customer base, businesses, functions, systems and products, thereby further achieving new progress in operation and management. As at the end of 2016, the assets of the Group amounted to RMB5,895,877 million, representing an increase of RMB1,375,189 million or 30.42% as compared with the beginning of the year. In 2016, the operating income amounted to RMB154,051 million, representing an increase of 0.20%. In 2016, net profit attributable to equity shareholders of the Company amounted to RMB47,843 million, representing an increase of 3.76%, and the cost-to-income ratio reached a historical low to 31.21%. Our outlets have covered all provinces in China.

2. Confronting with tough operating circumstances and maintaining stable assets quality. Prevention of financial risks was one of the major priorities of the Company in 2016. The Company has promoted the operating philosophy of law-abiding operation and continuously enhanced the comprehensive risk management and internal compliance management. It had also disposed of problem assets through various measures while enhancing the assets quality of new businesses. The impaired loans ratio was 1.68% as at the end of the year, which was 0.06 percentage points lower than the average of the industry. The Company had satisfied all the regulatory requirements on assets quality indicators including capital adequacy ratio, provision coverage ratio, liquidity ratios and stability of deposits. As a result, the Company maintained a stable assets quality and a solid risk prevention system.